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INDIA'S ENRON THE SATYAM SCAM

Satyam's still worth Rs 4,000 cr

Co's Fixed Assets Valued At Rs 5,000 Cr; Long-Term Liabilities Seen At Rs 1,000 Cr

Hema Ramakrishnan HYDERABAD

THE market value of the assets of tainted Satyam Computer Services has been estimated at around Rs 4,000 crore after netting out the current and long-term liabilities. The company's fixed assets — mainly land and property — have been valued at around Rs 5,000 crore. This includes two prime properties in Hyderabad, valued at around Rs 2,500 crore. The major current assets and liabilities of the firm have been projected at Rs 700-800 crore each. Current assets include receivables or payments due from clients, while liabilities include payments due to vendors and salary outgo as on date.

Besides this, long-term liabilities of Satyam have been estimated at around Rs 1,000 crore and the amount includes a bridge loan of Rs 600 crore for meeting working capital requirements. "Prospective bidders are set to be furnished with the gross market value of assets that is roughly around Rs 3,500-4,000 crore," said a source.

But potential bidders may have to independently estimate legal liabilities arising from the class action suits filed in the US. Satyam is facing a dozen class action suits in the US, after its disgraced founder B Ramalinga Raju admitted to perpetrating a Rs 7,000-crore financial fraud in January this year. The company is also locked in a legal tussle with a UK-based mobile services provider Upaid.

"The valuation of Satyam will be a challenge for prospective bidders given that the actual amount of receivables and payables will remain uncertain till the time the accounts of the company are re-stated. Besides, the uncertainty on liabilities arising from the US action suits could make it more difficult for potential bidders to come close to the actual valuation of the firm," said Nishith Desai Associates head M&A Nishchal Joshipura.

KPMG and Deloitte have been given the mandate to re-state Satyam's accounts over the seven years or so, but the process could take a while. It is reckoned that the board cannot wait for a re-statement of the accounts to arrive at an enterprise valuation, as it could lead to further loss of clients and employees. The Satyam board is expected to invite Expression of Interest (EoI) from bidders after getting approvals from capital market regulator Sebi and the Company Law Board on the pricing guidelines for preferential allotment of shares to the strategic investor.

The CLB has already authorised the Satyam board to make a minimum 26% preferential allotment of equity shares to a strategic investor.

[hema _ ramakrishnan @ timesgroup _ com](mailto:hema_ramakrishnan@timesgroup.com)

