

SATYAM TECH2

Satyam ADR subscribers ready for an out-of-court settlement

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US-BASED law firm Vianale & Vianale, which has filed a class-action suit on behalf of majority of Satyam's ADR shareholders, has said it is open to an out-of-court settlement. The firm has claimed \$500 million from Satyam and the former board directors of the company. Kenneth Vianale of the firm said once the Manhattan court appoints a lead counsel for the case, it could explore the opportunity of an out-of-court settlement, if the management of Satyam was willing. However, a Tech Mahindra official refused to comment stating it was too early to discuss this.

Lawyers are of the opinion that an out-of-court settlement might be a win-win situation for the both parties as Satyam could ease off the legal liabilities against itself, while the ADS holders would not have to fight a long-drawn battle. "The American shareholders know that it may not be advantageous to prolong the case in the court, and for Satyam too, it would want to wrap up the case as quickly as possible to avoid any uncertainty on the liabilities of the company," said Vyapak Desai, who leads Litigation and Dispute Resolution Practice at Nishith Desai Associates.

If the company is found guilty of the charges alleged by the US shareholders, the judgement passed by US courts might not be of much significance in India. "It would be very difficult to automatically enforce the US judgement in India due to lack of reciprocity on enforcement of judgements between India and US," said Mr Desai.

While the US law firm maintains that Satyam is still liable to pay for damages, the company's lawyers said Satyam's former board of directors and auditors are accountable for the fraud committed. "The legal liabilities are complex. They will first fall on the promoters, the original board of directors and the auditors. Tech Mahindra and shareholders of the company are not liable for the misdeeds of the promoters," said Pallavi Shroff, partner at Amarchand & Mangaldas & Suresh A Shroff & Co.

The Company Law Board (CLB) had on Thursday approved of the selection of Venturbay Consultants, a subsidiary controlled by Tech Mahindra, as the successful bidder to acquire a 51% controlling stake in the company for Rs 2,889 crore.

On January 7, 2009, Satyam's promoter and CEO Ramalinga Raju had written to the Satyam board of directors and Sebi stating that he had overstated Satyam's financial accounts. According to the letter, Raju admitted to having inflated the amount of cash on the company's balance sheet by nearly \$1 billion, incurring liability of \$253 million on funds arranged by him personally and overstating Satyam's September 2008 quarterly revenues by 76% and profits by 97%.

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