

Publication: Economic Times Mumbai; Date: 2009 Feb 21; Section: Front Page; Page Number 1



## Satyam buyer likely to face 3-year lock-in

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MUMBAI/HYDERABAD

THE government-appointed board of Satyam Computer Services is considering the option of imposing a lock-in clause while making a preferential allotment to a strategic investor. The proposed move is aimed at discouraging frivolous buyers.

"One option is to have a three-year lock-in on 26% of the preferential allotment of shares to be made to a strategic investor," said a source privy to the development. Capital market regulator Sebi rules stipulate a minimum lock-in of one year in a preferential issue.

The Satyam board, which is scheduled to meet in Hyderabad on Saturday, will look at finalising a time sheet for the bidding process and a plan that will include a pre-qualification criterion for selecting bidders.

The time-frame could be 45 days from the date of approvals. Once this is finalised, the board will submit the plan to the Company Law Board and then to Sebi. The market regulator is then expected to ease the pricing norms for the preferential offer.

The strategic partner, which will have to subscribe to the preferential issue and thus infuse capital into the company, will need to make an open offer to acquire an additional 20% from existing shareholders.

The highest bid alone cannot be the criterion, as the board has to be convinced that a potential bidder is capable of running the company. But preference will be given to a strategic investor with sufficient financial resources and managerial capability, especially in the IT industry. Any firm that has been disqualified by regulators either in India or abroad may be kept out, said a source.

The IT firm's survival was in doubt after its founder B Ramalinga Raju confessed to perpetrating a Rs 7,000-crore financial fraud. On Thursday, the Satyam board got the CLB's approval to raise the software firm's capital base and rope in a strategic investor.

At present, the authorised capital of the company is 80 crore shares (of Rs 2 each) and of this, 67.3 crore shares have already been issued.

"Considering that the existing paid-up shares of Satyam are approximately 67.3 crore, once the authorised share capital is increased, the Satyam board will have the headroom of an additional 72.7 crore shares that could be issued to the strategic investor on a preferential allotment basis. This could allay the concerns of some of the strategic investors, which may want to control the company by acquiring more than a 50% stake, said Nishchal Joshipura, head of M&A Practice at Nishith Desai Associates."