

India's Satyam offers \$125mn to settle US suit

February 17 2011

Indian software exporter Satyam Computer Services said Thursday it will pay \$125 million to settle a US class action suit, saying the step ends uncertainty over the fraud-hit firm's recovery.

The Hyderabad-based company, whose former chairman admitted overstating accounts to the tune of more than \$3 billion, said the court in New York still needed to formally approve the deal.

But if given the go-ahead, it "would release, among other things, (the plaintiffs') claims against the company," it said in a statement to the Bombay Stock Exchange.

At least two class action shareholder suits were launched in the United States after former chairman B. Ramalinga Raju confessed to one of India's biggest corporate frauds in January 2009.

He is currently on trial with a number of former top executives on a string of charges, including conspiracy, cheating and forgery.

The company, now known as Mahindra Satyam, was bought by the mid-sized outsourcer Tech Mahindra, a unit of the tractors-to-holidays conglomerate Mahindra and Mahindra, in April 2009 for \$600 million.

Last week, the company reported an upturn in quarterly net profit, sending its shares soaring and boosting confidence about the firm's recovery.

A relieved Mahindra Group vice-chairman and managing director Anand Mahindra wrote on his Twitter account Thursday: "Class action suits settled. Last sword hanging over Mahindra Satyam removed."

Current chairman Vineet Nayyar earlier said the settlement brings to an end all legal liability against the firm in the United States and described the class action as "the biggest question mark" for the future of the company.

"We had extended negotiations and last night we have signed an agreement to pay the amount as compensation," Nayyar told reporters in a conference call.

The settlement would be paid through the company's reserves, which stand at \$444 million, he said, adding: "We will have no problems in raising the money."

The US judge is expected to give a preliminary verdict in a month, with a final judgement by mid-2011, Nayyar told reporters.

Nayyar said he was confident that any legal liability arising from the United States would not go higher.

"We see it capped at \$125 million," he added.

Satyam Computers announced in September 2010 that it was to delist from the New York Stock Exchange as it was not able to meet the US deadline to file restated financial accounts.

On the Mumbai exchange, its shares rose as much as 6.14 percent, or 3.85 rupees, to 66.5 after Thursday's announcement, before closing at 63.6, up 1.52 percent.

Dipen Shah, an analyst at Mumbai-based brokerage Kotak Securities, told Dow Jones Newswires that the settlement removed "one of the major overhangs on the company", allowing investors to focus on its performance.

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Citation: India's Satyam offers \$125mn to settle US suit (2011, February 17) retrieved 3 May 2024 from <https://phys.org/news/2011-02-india-satyam-125mn.html>

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