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Satyam-Tech Mahindra merger the valuation game

[1] Dr. Jay Desai, [2] Dr. Nisarg A Joshi
[1] B. K. School of Business Management, Gujarat University, Ahmedabad, Gujarat, India
[2] Institute of Management, Nirma University, Ahmedabad, Gujarat, India

Abstract
This paper emphasizes on how the merger deal between Satyam and Tech Mahindra has been taken for inorganic growth and diversity. This paper shows how the deal was initiated and who were the main bidders? The major focus was given to the valuation of the merger and the post – merger strategy. The swap ratio has been set at 2:17, which means that Mahindra Satyam shareholders will get two shares of Tech Mahindra for every 17 shares they hold. The combined entity would be a $2.4-billion revenue firm, with about 75,000 staff and around 350 clients. The merger has resulted into a huge value addition to its stakeholders and making Tech Mahindra the 5th largest IT Company.

Keywords: merger, valuation, satyam, EBIT, post–merger

1. Introduction

Though it was all started way back in the history the major growth of IT industry in India started from 1991 post-liberalization. India did not see a development in IT industry during mid 70's and this period was not so effective due to restricting imports of computer peripherals, high import tax, strict Foreign Exchange and Regulation Act limiting its allocation.

A notable turning point in the Indian software and IT industries policy environment was when Shri Rajiv Gandhi became PM in 1984. The major policy reforms were to recognize software as an industry to invest and make it eligible for incentives as other domestic industries, reducing import tariffs and announcement of CSDT policy which liberalizes exposure to the latest technologies to compete globally and to capture a share of global software exports.

In 1986 when all state-owned banks were standardizing banking process, there came a need of using UNIX over MS-DOS and which created a puzzle for local vendors to shift towards UNIX based platforms and made India become "Unix country ". Another important event in mid 80's was when GE's chairman Jack Welch visited India in 1989 which led to GE's technology partnership with India. Till this period policies were able to remove the barriers in IT industry but not completely.

In 1990, Department of Electronics (DoE) introduced the concept of Software Technology Park (STP's) in India. STP's were allowed with basic infrastructure, dependable power supply, tax exemptions and also given 100% ownership for the foreign firms. 1990's development was mainly because of STP's. MRTP Act was replaced de-facto in 1991 which allowed unbiased trade practices thereafter.

During this period India saw dramatic changes in heavy investments on higher education and booming privately funding engineering colleges which made India ready with technical manpower resources.

South Indian states saw drastic changes in higher education alter 1983, where liberalization made a major impact on privately funded colleges. This created IT clusters to form in and around Bangalore, Hyderabad, Chennai, New Delhi, Mumbai and Calcutta.

A significant breakthrough factor in IT industry development was by Y2K. Indians were already gained expertise in converting mainframes and DOS PC's into UNIX platform. Y2K created a battle ground for Indian software professionals and which prepared them to compete and show their talent globally.

High investments in higher education and formation of prestigious engineering colleges, policy reforms to allow foreign investments in 1991 enabled for significant growth in development. From just programming and documentation work India emerged to implementation, R&D, out sourcing and diversified itself to hidden depths of IT industry to become a global hub for software and IT enabled services.

1.1 History of Satyam

Satyam Computers was founded in June 1977 as a private limited company by Ramalinga Raju along with one of his brothers-in-law, DVS Raju. In June 1991, Satyam Computers got its first Fortune 500 Client. In the same year in August, Satyam Computers was recognized as a Public Limited Company.

Satyam went public in May 1992 and its issue was oversubscribed 17 times. In July 1993, Satyam entered into a joint venture with Dun & Bradstreet. Satyam was awarded ISO 9001 Certification in March 1995. In December 1995, Satyam Infoway was incorporated. In May 1997, Satyam became the first Indian IT Company to get ITAA Certification for Y2K Solutions. In November 1998, Satyam became one of the first companies to enter Indian Internet service market with the launch of Satyam Infoway's ISP Service. In the same year Satyam entered into a joint venture with GE. In 1999, Satyam Infoway became the first Indian Internet company to be listed on NASDAQ.

In February 2000 Satyam was declared one of '100 Most Pioneering Technology Companies' by World Economic Forum, Davos. In May 2000 Satyam became the first organization in the world to launch Customer-Oriented Global Organization training. In March 2001 Satyam became first ISO 9001:2000 Company in the world as certified by BVQI. In May 2001 Satyam was listed on New York Stock Exchange. In 2003, Satyam announced business continuity center in Singapore, the first of its kind outside India. In 2004, Satyam opened new development center in Mississauga, Canada. In 2005 Satyam acquired 100% stake in Singapore based Knowledge Dynamics, a leading Data Warehousing and Business Intelligence solutions provider.

1.2 History of Tech Mahindra

Tech Mahindra is part of the US $14.4 billion Mahindra Group and is a leading global systems integrator and business transformation consulting organization, focused primarily on the telecommunications industry. Tech Mahindra expanded its IT portfolio in 2009 by acquiring the leading global business and information technology services company, Mahindra Satyam (earlier known as Satyam Computer Services).

Tech Mahindra's capabilities spread across a broad spectrum, including Business Support Systems (BSS), Operations Support Systems (OSS), Network Design & Engineering, Next Generation Networks, Mobility Solutions, Security consulting and testing. The solutions portfolio includes Consulting, Application Development & Management, Network Services, Solution Integration, Product Engineering, Infrastructure Managed Services, Remote Infrastructure Management and BSG (comprises BPO, Services and Consulting). With an array of service offerings for TSPs, TEMs and ISVs, Tech Mahindra is a chosen transformation partner for several leading wireline, wireless and broadband operators in Europe, Asia-Pacific and North America?

Tech Mahindra has successfully implemented more than 16 Greenfield Operations globally and has over 130 active customer engagements mostly in the Telecom sector. The company has been involved in about 8 transformation programs of incumbent telecom operators.

2. The Deal

Jan 7th 2009: The day of confession

In any software project, according to an industry adage, programmers think they are 90% done for about 50% of the time. That paradox will be familiar to the owners of Satyam Computer Services, which was once India's fourth -biggest software and services firm. The scam perpetrated by its founder, B. Ramalinga Raju, and his brother is equally hard to fathom. On January 7th Mr Raju confessed to cooking Satyam's books for years, and admitted that a $1 billion cash pile did not in fact exist. But were there hands in the till? But when a liar confesses, can you believe him? Many suspect that even now only 50% of the truth is out. Cash, after all, is hard to fake. Satyam's books were audited by Price water house Coopers.

According to the Economic Times, an Indian newspaper, the auditor says it verified Satyam's fixed deposits with the banks that held them. So perhaps the money did exist, but has since been spirited out of the company. Such tricks are not unusual in India, even if the scale of the Satyam fraud is extraordinary.

Indian "promoters" (who include business families and other corporate insiders) still hold almost half of the shares on the National Stock Exchange (NSE). But many family firms are evolving into widely held corporations. The danger is that as the stake held by insiders falls, they have an incentive to rip off other shareholders by siphoning off money. Who will stand up for the minority shareholders? In America managers cower before pension funds and other powerful institutional investors. But India lacks a local equivalent. Its occupational pension funds hold assets worth 2.5 trillion rupees, only about 5% of GDP. They are permitted to invest only 15% of their holdings in shares, and actually invest even less. Some hope that foreign investors might fill the gap. They hold about 10% of the shares on the NSE, more than Indian banks, insurance companies and mutual funds combined. They ought tobe wary of inscrutable companies, giving the firms an incentive to change their ways, But foreign investors can only take big positions in the firms they buy. And since half of India's shares are held by promoters, a foreign fund cannot take a worthwhile position without managers' acquiescence. So funds are reluctant "to cheese off management too much" by complaining about corporate governance. That complacency has been shattered. Indeed, in the wake of the Satyam scandal, investors have been swift to punish even small infractions. The shares of Wipro, another computing giant, fell by 9% on January 12th after the World Bank revealed it had barred the firm from doing business with it until 2011. Wipro's transgression was to invite bank officials to take part in an oversubscribed share offering in 2000. Many who did so lost money. "It is a real debate whether it was a benefit at all," says Suresh Senapaty, Wipro's finance chief. Meanwhile Mr Raju, his brother, and Satyam's chief financial officer are in custody, charged with criminal conspiracy, cheating and forgery. Satyam is in the hands of three directors appointed by the government. If they do not act swiftly, Satyam's rivals may pick up its most lucrative customers and its best employees. But right now all that its Indian competitors want from Satyam is distance.

3. Process: bidders for Satyam

Larsen & Turbo

- The $7 billion engineering and construction giant, Larsen and Toubro (L&T), having earlier acquired a 12 per cent stake in Satyam Computer Services, is widely perceived as the front-runner to buy out the troubled IT firm.
- L&T had categorically expressed its interest to the government in acquiring management control in Satyam. It has invested around Rs 670 crore in the company so far.
- L&T sees a lot of synergy between the core strengths of the beleaguered software giant and that of L&T Infotech, its unlisted information technology subsidiary. "Satyam has a huge focus in the enterprise application space and the engineering segment. These two complement L&T Infotech, as a large chunk of their work also comes from ERP practice," said a banker.

Tech Mahindra

- Another strong contender is the Mahindra and Mahindra group's IT business, Tech Mahindra.
- "For Tech Mahindra, this will be a good diversification strategy. It is way too dependent on one sector, telecom, and one client," said an analyst.
- The other concern for M&M will be raising capital for the acquisition. As of December 31, Tech Mahindra had cash and cash equivalents of only $110 million. Moreover, Fitch has downgraded the company's rating in the light of its race for Satyam. This could hamper its prospects of raising money overseas.

Wilbur L Ross & Co

- Wilbur Ross & Co, a private equity firm run by US billionaire investor Wilbur Ross is understood to have expressed interest in bidding for Satyam. The PE firm, which had invested $80 million in Spice Jet in 2008, is understood to be join hands with Cognizant to bid for Satyam.
- Ross is known for restructuring failed companies in industries such as steel, coal, telecommunications, foreign investment and textiles. He specialises in leveraged buyouts. In 2005, Forbes magazine listed Ross as one of the world's billionaires for the first time.

Cognizant

- NASDAQ-listed Cognizant Technology Solutions is understood to be in the race to acquire Satyam and has an "arrangement" with private equity firm Wilbur L Ross & Co.
- Cognizant was started by Satyam and Dun & Bradstreet Corporation (D&B) in 1994. D&B had a 76 per cent stake in that venture, called Dun & Bradstreet Satyam Software (DBSS), while Satyam held a 24 per cent stake. D&B bought out the stake from Satyam after the second year of operations and Cognizant was formed.

The Hinduja Group

- The Hinduja group has joined the race to acquire the fraud-hit Satyam Computer Services. The group has sent a formal communication to the investment bankers of Satyam expressing its interest in Hyderabad based software exporter. Hinduja Global Solutions, the new industry arm of the Hinduja Group, has $130 million of cash in books to mount the takeover bid.

IBM

- Global IT giant IBM is leading the list of prospective buyers of beleaguered Satyam Computer Services. If the plan fructifies, IBM would become the largest IT services player in India with al combined employee strength of over 125,000 people.
- Discussions with Satyam board and expressed its desire to acquire majority stake in the company. Moreover, a team of investment bankers and lawyers from the U.S. and Europe has been brought in to assess the size of the deal and the risks associated with it is also believed that IBM has conducted an initial due diligence on some of Satyam's major customers.

4. Results

- Tech Mahindra, a global systems integrator and business transformation consulting firm has recently acquired a 31 percent stake in the 'fraud hit' Satyam Computers after a long process of bidding, which ended on 13th April, 2009. Finally, the three month long ordeal was broken, and thus ended the bidding session of the beleaguered Satyam, with Tech Mahindra emerging as the top bidder, with an offer of Rs 58 per share.
- TM is to acquire the stake in an all cash deal, and also has plans to offer a 20% stake for the management control of the company as well. Presently, the board of Satyam Computers is a government appointed one and is also a subsidiary controlled by TM LTD. as it is the highest bidder to acquire a controlling stake in the company.
- The Satyam board selected Tech Mahindra through a global competitive bidding process launched by the company on 9th march, 2009, which was designed in accordance with the orders of the Company Law Board, approved by the Securities & Exchange Board of India and conducted under the supervision of Justice Bharucha.
- After evaluating the financial and technical bid of each bidder, the board and Justice Bharucha ranked the bidders based on the price. The result illustrated Tech Mahindra to be the highest bidder. Furthermore, the board also deemed this company's bid to be satisfactory and in the interests of Satyam computers.
- Tech Mahindra will fund more than three-fourth of Rs 2,890 crore from debt to acquire Satyam Computer Services for which it outbid Larsen and Tourbo (L&T) with an offer of Rs 58 a share.
- Tech Mahindra has cash available through internal generation of more than Rs 700 crore. They have the ability to raise debt at the SPV level and at the Tech Mahindra level. They have to pay Rs 2,890 crore at Rs 58 a share to acquire 51 per cent stake. If they take out Rs 700 crore out of that, the rest they can arrange themselves.
- When TM was declared as the highest bidder, it entered into a share subscription agreement with the company. According to this, TM has agreed to subscribe and acquire 30,27,64,327 shares of Satyam. It has also agreed to infuse Rs 1756 crores as an initial amount into the company. TM is to deposit the initial subscription amount in accordance with the Takeover Regulations in separate escrow accounts on or before 21st April 2009.
- If Tech Mahindra desires to take control of the affairs of the company simultaneously with the preferential allotment then it will be required to deposit in the escrow accounts, the total funds necessary to consummate the public offer. The preferential allotment is subject to fulfillment of certain conditions and obtaining the required regulatory approvals, including approvals from the Company Law Board and the SEBI.
- In the event of Tech Mahindra failing to deposit the total acquisition Funds on or before April 21st, 2009, the next highest bidder will be considered as the highest bidder and the details will be announced by the board.
- In accordance with the SEBI Takeover regulations act of 1997, Tech Mahindra will be obligated to submit a mandatory cash tender offer in order to obtain an

additional minimum amount (amounting to 20 percent) of the enhanced share capital and convertible instruments. This act will be undertaken at the minimum share price of Rs. 58/- per share.

- However, the closing of the public offer will be witnessing Tech Mahindra as the company that will have acquired less than 51% of the enhanced share capital pursuant to the preferential allotment and the public offer.
- The option of subscribing to additional and newly issued shares will be resting with Tech Mahindra. The process of acquiring of these shares will be through the methods of preferential allotment and initial public offerings.
- The subsequent preferential allotment will not be more than 51 percent of the enhanced share capital. This will be in effect after the issuance of additional shares.

Table 1: Ownership structure in Mahindra Satyam

Tech Mahindra through Venturbay Consultants Pvt Ltd	42.70%
Mutual funds/UTI/FIs/Banks	1.76%
FIIs	4.53%
Others	51.01%
Total 100.00	

5. Discussion on Valuation

The 2 most popular valuation models are Relative valuation and Fundamental analysis (viz. Discounted Cash flow model).Without getting into much detail, relative valuation does a comparative valuation of similar companies based on various metrics (P/E,PEG,EV/Sales). This approach works best if the companies are relatively similar from growth, margins, cost of capital and industry perspective. Although Satyam operates in the similar industry as HCL, the idiosyncratic risks facing company today creates uncertainty about its future growth prospects. To use relative valuation, one must control for all such risk factors before slapping a multiple on Satyam. Not impossible, but it is fairly challenging to control for such risk factors in determining P/E multiple of Satyam. Satyam uses a 2 stage FCFF (free cash flow to firm) model, appropriate for growth oriented companies.

Table 2: Growth Rates for Two Stage FCFF Model

Years	2009-2012	2013-2016	2017 and going forward
Type of growth	High growth	Low growth	Terminal year and Stable growth

Satyam Intrinsic valuation

Although several financial projections go into DCF valuation, the paper highlights the salient parameters that have bigger impact on Satyam's valuation.

EBIT Margin

- 2009 results are used to estimate next 4 years EBIT margins.
- 2009 income statement has high legal expenses (attributed to lawsuits) and high bench costs (economy down turn and financial irregularity) depressing the DEC EBIT margins to 12.99%.
- In, legal expenses constituted Rs 108 cr/4.7% of revenue (historically legal expenses were 223% of revenue) and bench costs were Rs. 120 cr. At the time of this valuation, global economy is seen to be ramping up and it is estimated that bench costs should decrease with the recovery in sight.
- Satyam's 2009 EBIT margin of 12.99% is below average.

Table 3: Last 5 years Average EBIT margin

	Wipro	IBM	Infosys	TCS	HCL	Avg. of IT Industry
5 Yr average (%)	20,03	17.82	28.39	23.87	17.01	19.61

Cost of capital

Cost of capital is the weighted average of 2 components -1. After tax cost of debt2. Cost of Equity Cost of Debt Satyam's annualized cost of debt as of Q3, 09 (ending in Dec) were 16%. The company took a loan of Rs.600cr to meet its working capital needs, carrying a high rate of 13.5%. Cost of debt is determined by the risk free rate + risk premium attributed to risk default.

Cost of Equity

This is determined by company's levered beta and the market risk premium. Although historically market risk premium ran around 40% financial crisis has drastically increased premium to around 7.5%. It is expected that market will continue to exact high premium for next couple of years before reverting to historical average of 4%. The paper uses top-down approach to calculate Satyam's unlevered beta of 0.8.

The cost of equity in the growth phase is 10.16%, reducing to 8.1% in that terminal year. (The contribution of country risk premium is ignored as Satyam receives bulk of its revenue from developed economies, carrying zero country risk premium)

WACC

Using above costs 01 debt and equity, weighted average cost OI capital for Satyam decreases from 9.73% in growth phase to 7.83% in the stable phase.

Table 4: Average of last 5 year ROI

	Wipro	Infosys	TCS	Cognizant	HCL	Average
ROI (%)	23.42	50.98	30.11	38.69	24.32	33.50

WACC in the stable growth is estimated to be7.83%, resulting in ROC of 7.83+5= 12.83 %. The company will need to retain 23% (G=b*ROC; G=3%, ROC=12.83%) of capital in the stable growth

Table 5: Debt/ liabilities

Type of Debt	Amount (cr)
BPO loan	169
Financial leases	328
Fund based loan	469
	=966

Table 6: Other liabilities

Type of Debt	Amount[27] (cr)
Caterpillar	192
Bridge	105.6
S&V Management	62.1
	=359.7

Table 7: Cost of Options

Option/RSU type	Term (yrs)	Number in force (mil)
ASOP-B	5	12.79
A50P-ADS	5	1.2
RSU	5	3.9

Total options in force=T9.09mil. Using, option value is 98 and total cost of options =98*19.09= Rs. 187.02cr

Calculations

Table 8: EBIT Margin for 2009

Revenue	2294
Operating expense	1930
Deprecation	66
EBIT	298
EBIT margin	12.99%

Table 9: Operating expenses

Expense type	Amount (Rs,Cr)
Bench cost	120
Legal cost	108

Table 10: EBIT margin without high Bench cost

Revenue	2294
Operating expense	1930
Depreciation	66
Remove Bench cost	-120
EBIT	418
EBIT margin	18.22%

Table 11: Normalized EBIT margin without high Bench and Legal cost

Revenue	2294
Operating expense	1930
Depreciation	66
Remove Bench cost	-120
Remove Legal cost	-62.12
EBIT	480.12
EBIT margin	20.93%

Satyam's Debt

- Total Net debt = 5775.68 -152i.4(total cash after second* r0md of allotment)=4254.28
- EBU-next Year = 1868.52
- Net Capex required next year =220.42
- Before-tax cash flow= 1868.52-220.42= 1648.10
- Interest-coverage-ratio=1648.10/(4254.28*Interest-rate) The above interest rate can be solved using excel against the default spreads corresponding to respective S&P credit ratings.
- Implied spread over Indian risk free rate based on S&P ratings= -2.5%
- Credit rating = A Indian risk free rate=3% (400bp is country risk premium leading to 7% 10 Yr yield) Because Satyam gets 95% of its revenue from outside India (primarily developed economies).
- Cost of debt= 3+2.5=5.5%

Current Assets

Account Receivables		1324
Account Receivables (past due 0-180)		587
Cash:		373
Fixed Assets		1085
Investments at cost:		627
Total Assets		3996
Current Liabilities:		815
Invested Capital	= 3996-373-815	= 2808

Table 12: Discounted Cash Flow Analysis

Revenue Growth (%)		5	18.5	18.5	18.5	10.75	6.88	4.94	3	3
	Mar-09 ttm	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E	FY16E	Terminal-Yr
Sales	9767.00	10255,00	12152.6	14400.8	17064.97	18899.5	20198.8	21196.1	21832	22486.95
EBIT margin (%)	17.46	18.22	18.22	21	21.00	19.26	18.39	17.96	17.52	17.52
EBIT	1705.00	1868.52	2214.20	3024.17	3583.64	3640.25	3714.90	3806,18	3825,46	3940.22
Tax-rate	14.00	14,00	22.50	31.00	31.00	31.00	31.00	31,00	31.00	31,00
EBIT(1-T)	1466,30	1606,93	1716.01	2086,68	2472.71	2511.77	2563,28	2626,27	2639,57	2718,75
Sales/Inv, Capital		2.22	2.22	2.22	2,22	1	1	1	1	
New Cap.		220.42	697,12	802.10	922.90	1410.62	1024.48	813.90	566.12	524,93

US$=Rs48 Euro =Rs69 Using vol.=40%, K=2, t=5, rf=3%, Stock price= 100 and div-yield=0.78% TTM is through Mar-09, as Balance Sheet details are given until Mar-09. Mar rev is projected to be same as Feb Missing tax info for Jan and Mar, tax rate of FY-07/08 is used.

Table 13: Calculation of Enterprise Value

Investments										
Total Invested Capital	**2808.00**	**3028.42**	**3725.54**	**4527.64**	**5350.54**	**6861.16**	**7885.85**	**8699.55**	**9265 67**	**9790.6**
FCFF		1386.51	859.66	1071.9	1270.21	677.29	1263.94	1628.95	2003.68	2083.18
Total cash	1521.40									
LTD/OBD	5817.96									
Market Leverage (%)	14.61	7.81	4.4	2.7 0	1	3	4	4.5	5	5
Levered-Beta	0.94	0.94	0 87	0.S3	0.8	0.9	0.95	0.98	1	1
Cost of debt (%)	16	5.5	5.5	5	5	4.5	4.25	4.13		4

After. tax cost of Debt	13.76	4.73	4.26	3.45	3,45	3.11	2.93	2.85	2,76	2.76
Cost of Equity (%)	10.16	10.16	9.63	9.44	7.2	7.65	7.88	7.99	8.1	8.1
Mkt. Risk premium (%)	7	7	7	7	4,5	4.5	4.5	4.5	45	4.5
WACC (%)	10.68	9.73	9.44	9.2S	7.16	7.51	7.68	7,76	7.83	7.83
ROIC (%)		53,06	44.17	42.59	40.52	31,65	27.75	25.66	24.29	12.83
PV		1263.51	715.82	816.77	903,19	447.88	776.18	928.29	1058.8	
Terminal Value									22772.7 0	
EV	29682.94									
Total Cash	1521.4									
LTD/OBD	5817.96									
Unfunded pension	89									
Cost of Options	187.02									
Total Equity Val	25110.30									
Outstanding shares	117									
Share value (Rs.)	214.49									
Value from Growth	23.28%									
Value from Terminal	76.72%									

6. Post-Merger Scenario

After the scam hit Satyam computer services, it lost its huge client based to its competitors but since the merger took place the merged entity is slowly and steadily gaining confidence and trust of the valuable customers and the investors. The given below point's shows the post merger scenario:

Financial performance

- The operating profit which was -164.7 crore in 2009 got more than doubled to 191.1 crore in 2010 and the operating profit in 2011 stood to 480.4 crore in 2011.
- The EPS which was -117.75 in 2009 it grew to -.0.61 in 2010 while in 2011 it was -1.08 and the EPS in 2012 is 3.66 while the PE ratio is 19.45 whereas the industry PE is 23.24.
- With head count of 45,000 in FY09 it came down to 27,000 in FY'10. So the operating costs are going down significantly.
- The net worth of the company which was 7,357.64 crore in 2008 got reduced to just 708.10 crore in 2009 after the company was hitted by the fraud. Bur after
- The company was also able to get rid of liabilities to a large extent, in 2008 the total liabilities of the company was 7381.31 crore and in 2010 it was 3569.4 crore.
- The company's assets which was 1349.1 crore in 2009 stood at 3569.4 crore in 2010.
- The return on long term funds in 2008 was 26.29 % but 2009 it was - 2,686.30% after the merger it was in 2.97% and in 2011 it was 21.87%. This shows the growing financial; performance of the company.

Market position and market share

- From the time Mahindra Group acquired scam-hit Satyam Computers till March 2010, Satyam Mahindra has managed to rope in 44 new clients across sectors, with major chunk coming from the BFSI segment.
- It has also added MasterCard as its new client.
- Recently, the company bagged part of the government of India's unique identification authority of India (UIDAI) project
- Mahindra Satyam today has Cisco, General Electric and GlaxoSmithKline among its top-listed clients and had renewed over 50 deals last year.

Industry standing

- Mahindra Satyam chief executive officer CP Gurnani said, "Our largest account came from North America, while we added a new account in the form of the largest bank from Australia. Additions were also made from the manufacturing healthcare and public sectors."
- Mahindra group vice-chairman Anand Mahindra said Mahindra Satyam is adding new clients regularly and at a steady pace. Client erosion had stopped after Mahindra group took over the scam-hit IT company.
- Mahindra Satyam, then Satyam Computers, had about 500 active clients before the scam broke out in 2009. Currently, it has 350 active clients. So gradually Mahindra Satyam is gaining customer confidence.
- Currently the market cap of the company is 8378.8 crore

7. Conclusion

Table 14: Market Cap. of IT Companies

Company	Market Cap (Rs Cr)	Employees
Infosys Technologies	80,716	1,05,000
TCS	57,904	1,30,343
Wipro	39,382	96,965
Tech Mahindra*	10,039	73,429*
HCL Technologies	8,569	52,957

Once the deal fructifies, Tech Mahindra, with a combined market cap of Rs 10,039 crore, is expected to rank fourth among IT companies from its current Nasscom ranking of six. The company has agreed to acquire 302.76 million shares of Satyam Computer — representing 31 per cent of the company's share capital. This means Satyam's equity capital will increase to 976.64 million shares from the current 673.88 million shares. Tech Mahindra will acquire these shares at a price of Rs 58 per share, which means Satyam's market capitalisation will be Rs 5,664 crore. The current market cap of Tech Mahindra is at Rs 4,375 crore so the total market cap, including that of Satyam Computer will be Rs 10,039 crore.

At the initial level Satyam price was very high, and shareholders also thought that they would earn handsome returns. But eventually in mid 2009 report says that many fake accounts were created by Mr. Ramalinga Raju. On that basis they increase their share prices and borrowed fund from external sources. Initially Mr. Raju created this news as a rumor but eventually it identify that there are not only their promoters are involve but some chartered accountant and foreign institutions are involve in the scam and on the other side many of the renowned institutions are lend their money to Satyam computers. So the whole blame comes on the government that how can they allow such a big company with fake accounts. After government took the action and arrest Mr. Raju and then the all scam comes into the picture. And then prices of the Satyam computers are come from Rs.406.25 to mere Rs.30 per share. And that time all are thought that the company has no longer future. But government takes assertive steps and fired some of the board members in the committee and appoints Mr. Deepak Parekh as the governing committee as new Chairman for limited time.

In just five months they show the real picture of the Satyam towards investors, media and external parties. And finally they plan to sell out the company to other persons. At that time the decision was too tuff for government that what to do with the company. Either they create the company as a public company or sell out to other person or create a public-private partnership. In all the option they find that to sell out the company is more beneficial for government, shareholders and customers.

At the end of the stage they create a proper valuation of Satyam computers on basis of related companies and their past performance. Finally they ask for bid. Many bidders want to bid for the company but finally Mahindra & Mahindra won the bid and buy the company. After acquiring the company initially there EPS are going down because of the condition of the Satyam was too bad so it will take time to come from the tuff situation.

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