

Satyam buy may hasten BT's exit from Tech Mahindra

UK co has been looking to sell 31% stake for a year.

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Mumbai/New Delhi, April 16 Tech Mahindra's acquisition of a controlling stake in Satyam Computer Services may speed up BT's exit from the telecom solutions company, it is reliably learnt.

The UK-based telecom company has been looking to sell its 31 per cent stake in Tech Mahindra for about a year now; it was constrained largely because of the slump in Tech Mahindra's valuation post the stock market meltdown.

On its part, Tech Mahindra was wary of BT's exit as more than 60 per cent of the Pune-based company's revenues came from the telecom player, two persons with knowledge of the development told *Business Line*.

With Satyam in the bag, which would bring down Tech Mahindra's dependence on BT for its revenues, both BT and Tech Mahindra would be comfortable parting ways if and when the British major gets the right valuation, one of the them added.

Agrees Mr. Peter Schumacher, founder, President and CEO of the US-based Value Leadership Group, a strategic management consultancy firm. "The acquisition of Satyam will open the door to an exit by BT. This in turn will open the door to Tech Mahindra becoming a viable business partner for other telcos that refused to do business with Tech Mahindra because of the BT ownership," he said.

Analysts estimate BT to contribute around 25 per cent of Tech Mahindra's revenues post the Satyam takeover.

As per the current share price of Tech Mahindra, BT's stake in the company is valued at Rs 1,319 crore. BT did issue an advisory to Tech Mahindra, when it had declared its intent to bid for Satyam, citing reservations on the choice of buy on account of the class action suits and other possible liabilities that Satyam might face.

However, the fact that BT finally allowed Tech Mahindra to participate in the Satyam bidding process indicates that telco has already sewn up medium term plans to move out of the software company, said sources.

“In the last three to four years, Tech Mahindra had opportunities to diversify its suite of offerings by acquiring companies in verticals such as banking and capital markets. However, every time the proposal came to the board, it was shot down by BT as it wanted Tech Mahindra to maintain its telecom focus,” one of the sources said.

Currently, Tech Mahindra enjoys committed business worth over \$2 billion from BT. About a year back, the telecom operator was reported to be in discussions with companies such as Kohlberg Kravis Roberts and Co (KKR) and TCS for buying out its stake in Tech Mahindra. BT's profits have been under pressure for some several quarters now and analysts had said this was one of the more immediate motivations for its keenness sell its Tech Mahindra stake.

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