

Information

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Damage-control mission for Satyam boss

Paul Smith

The new chief executive of scandal-ridden Indian outsourcing firm Satyam, A.S. Murty, paid a flying visit to Australia last week in a desperate bid to bolster the company's relationship with key clients and assure staff that they had a future with the organisation.

It is known that he met executives from Telstra, National Australia Bank, Optus and Qantas, while the chief information officer of Suncorp, Jeff Smith, said he had been unable to meet Mr Murty due to scheduling conflicts.

Satyam refused to comment on the success of its meetings, but

KEY POINTS

- Local companies appear unconvinced by the group's assurances.
- The Mindfields consultancy recommends companies move on and consolidate their vendors.
- Telstra is likely to jettison Satyam.

subsequent statements from the companies visited seemed to suggest that little had changed in terms of their intentions towards Satyam.

A NAB spokeswoman said that, while Satyam was still meeting all of its service level commitments and contractual obligations, no further

processes would be transitioned to the company in the foreseeable future.

Telstra, which represents about 35 per cent of Satyam's local revenue, is likely to jettison the company in the near future as part of its plans to consolidate all non-discretionary IT work between two companies. Aside from Satyam, the incumbents are EDS, IBM and Infosys.

An Optus spokeswoman said only that, following its meeting with Satyam's new chief executive, it continued to work closely with the company to manage the evolving situation and would review and monitor its relationship with them.

The director of independent consultancy Mindfields, Mohit Sharma, said Satyam's clients should convert the potential disaster of the financial scandal into an opportunity to consolidate their vendor costs.

"My advice to Satyam clients would be to transit to other vendors and not to wait for the current bidding process to finish," Mr Sharma said.

"They should recover unbudgeted transition costs from the selected vendor. Incumbent vendors if selected can give discount on scale and there will also be no incremental governance costs, which would be the best outcome in the current tight financial environment."

Meanwhile, Satyam's board said

that it had received an adequate response to its invitation for bids for a prospective buyer. Indian press reports suggested that as many as 130 companies had expressed interest in buying Satyam, including multinationals IBM, Fidelity Investments and buy-out specialist KKR.

Only four companies have publicly admitted they are interested in taking a 51 per cent stake. They are Indian engineering giant Larsen & Toubro, which already has a 12 per cent stake in Satyam; the Spice Group conglomerate, which has telecommunications interests; Tech Mahindra; and the Nasdaq-listed iGATE.

With AFP