

Satyam hunts for CEO, PM briefed on developments

The fraud-hit Satyam Computers Monday began the hunt for a new CEO and will get a new auditor in two days to work out the correct financial position of the company whose founder-chairman B. Ramalinga Raju spent the third day in jail after admitting to the country's biggest financial fraud of Rs.70 billion (Rs. 7,000 crore).

The decision to look for a CEO as well as a chief financial officer was taken by the government-appointed three-member board at its first meeting in [Hyderabad](#) Monday as market regulator Securities and Exchange Board of India (SEBI) chairman C.B. Bhave briefed Prime Minister Manmohan Singh in [New Delhi](#) on his agency's investigation into the affairs of India's fourth largest IT bellwether.

'Top priority is to restore the confidence of customers, employees, suppliers and investors and ensure business continuity,' Deepak Parekh, chairman of the Housing Development Finance Corporation (HDFC) and one of the three board members appointed by the government Sunday, told a press conference after the meeting.

'This is an enormous task,' he added.

Another area of concern was the company's liquidity position, Parekh said, flanked by two other members, former Nasscom president Kiran Karnik and former SEBI member C. Achuthan.

The first meeting of the board at Satyam's corporate office in Hyderabad took place as a local court postponed to Jan 16 the bail plea of Ramalinga Raju and his brother Rama Raju, who was the company's managing director.

Additional Chief Metropolitan Magistrate D. Ramakrishna also adjourned to Friday hearing on SEBI's plea to question the two brothers and the Andhra Pradesh police's appeal seeking their custody.

The Raju brothers have engaged a battalion of 25 lawyers to defend them.

The brothers were arrested late Friday, the day the central government sacked the Satyam board and announced it will appoint new members. The Rajus and former Satyam's chief financial officer Vadlamani Srinivas have been sent to jail by Ramakrishna till Jan 23.

The three have been kept at Chanchalguda Central Jail in Hyderabad.

Srinivas is believed to have made startling allegation in his confessional statement to the police that the fixed deposits, which the Rajus claimed, were unreal and fictitious. He also blamed the auditors PriceWaterhouseCoopers (PwC) for the mess.

'The bank deposits were handled directly by Raju and I was specifically asked not to look into it,' the police quoted Srinivas as saying in his statement.

The search for a CEO and a CFO are part of measures to restore credibility and confidence in the country's fourth largest outsourcer and ensure business continuity.

There will also be a new accounting firm in two days to go over the company's finances and present a correct picture.

'We will appoint a new accounting firm in 48 hours to restate the financial position and are in talks with two auditing firms (for the job),' Parekh said.

Parekh, Karnik and Achuthan, met through the day familiarising themselves with the firm's financial position and talking to several senior staff.

Parekh said that restating the financial position was essential as 'none has faith in the figures (given by Ramalinga Raju)'.

A few more members will be appointed to the board soon. 'The full board will elect the chairman (of the board),' he added.

He said finding a CEO and CFO was not going to be easy. 'Not many will like to leave their current position for this job. It will take time. We are hopeful of finding people soon,' he added.

On Satyam's cash position, Parekh said there was not much outstanding against receivables (payment from customers). 'We expect payments to flow regularly. We may also offer incentives for early payment,' he said. Most of the software companies give their customers up to 60 days' time to make payment for their completed services.

He denied that his being on the board of directors of WNS Global Services, a BPO company, was in conflict with being a Satyam board member.

'We have been appointed by the government, which has taken into account these issues. We are known as special directors,' Parekh asserted.

He said Karnik had resigned Monday as director of Emergency Management and Research Institute (to avoid conflict of interest as EMRI was promoted by the disgraced Satyam founder).

Responding to questions, Karnik said he 'does not expect clients to move away because Satyam has been been handling their mission critical applications'.

'The fact that the government has moved in swiftly (to appoint a new board) gives enough hope to clients and employees that the company will be put back on track,' Karnik said.

Achuthan said Ram Mynampati, a wholetime director whom Ramalinga Raju named as interim CEO when he resigned, was no longer a board member. 'That board is no longer there.'

'Mynampati is, however, an employee of Satyam,' Achuthan said.

On whether the new board was open to merger of Satyam, Parekh shot back: 'Do you expect us to discuss merger in public?'

In the national capital, meanwhile, official sources said that the prime minister was also keeping a close watch on the developments and was keen that the employees of Satyam do not suffer

because of the misappropriations by its top brass.

'The PM has directed the cabinet secretary (K.M. Chandrasekhar) to coordinate the response of the government in consultations with senior officials of the finance ministry and the ministry of corporate affairs,' an official in Prime Minister's Office said.

Commerce Minister Kamal Nath also maintained that the government was looking at all options to help the company, which, he maintained, was an exceptional case where there may have been delinquencies by its erstwhile management, but there was not of any systematic failure.

'The government is looking at all aspects,' Kamal Nath told reporters outside his office here. 'Once the board comes up with its proposals, the government will consider,' the minister added.

'There is no question of slur on India's corporate governance.'

The developments had a positive impact on the shares of Satyam, which jumped by 44.2 percent to Rs.34.40.

Mohammad Shafeeq (© IANS / India eNews)