



"Most large-cap IT stocks are quoting at an enterprise value of 8 times the earning before interest, tax, depreciation and amortisation. But Tech Mahindra and other mid-cap IT stocks are around 2-3 times. Now, with the general upturn, these stocks are catching up. So, it is not correct to say the Tech Mahindra rally was driven by their bid."

### Satyam ADR dips

Analysts are waiting for more clarity to emerge before taking a call on the two stocks. Most of those *DNA Money* spoke to feel stock movements hereon will depend on how Tech Mahindra finances the deal and how the accounts gets restated in case of Satyam, among other things.

A fund manager with a foreign mutual fund, who cannot be quoted on individual stocks, said, "Stocks (Satyam and Tech Mahindra) will be where they are. It appears that around 40% of the Satyam shares will be absorbed in the open offer. On the rest, it is difficult to take a call till the accounts are restated. It is expected that they may restate accounts for the past five years. So, for the next six months, upside is capped."

At a share price of Rs 58, Tech Mahindra would need to shell out nearly Rs 2,900 crore for a 51% stake, including the open offer.

It is not clear whether the company will rope in a private equity player or raise debt to fund this. A 20% open offer after a 31% fresh issue means the acceptance ratio is likely to be around four shares for every 10 as bidders like L&T, who hold substantial stake (12%) already, are barred from selling shares for the next six months, according to the bidding rules. This absorption ratio may go up further if institutions like Fidelity, which hold a little over 10%, choose not to offer their shares in the open offer.

Dipen Shah, vice-president - research, Kotak Securities, feels the Satyam stock won't see much movement in the days ahead. "Given the information available in the media on Satyam, there seems to be a consensus in the market that Rs 45-50 is a fair price for the company. And since Tech Mahindra is getting management control, it is normal in these circumstances to pay a premium."

"For Tech Mahindra, it is not yet clear how the deal will be financed, whether they will bring in a PE partner or finance it by debt. So, it is not easy to say at this stage whether the stock is a good buy or not," Shah said. On the Tech Mahindra stock, he said the rally was partly due to the general bounce experienced by mid-cap IT stocks.