© 2010,LIBA (Loyala Institute of Business Administration)

SAMPLE ARTICLE

SATYAM—ANYTHING BUT SATYAM

A.C. Fernando*

(This case study is based on reports in the print and electronic media, and is meant for academic purpose only. The author has no intention to sully the image either of the corporate or the executives discussed herein.)

Keywords

Public limited company, Satyam scam, Soaring share prices, Falsified accounts, Fictitious assets, Padding company's profits, unholy nexus, Modus Operandi, Independent directors, Corporate governance, Money trail.

A Brief History of Satyam

Established on 24th June 1987 by B. Ramalinga Raju and his brother-in-law, D. V. S. Raju, Satyam Computer Services Limited was incorporated in 1991 as a public limited company and also got its first Fortune 500 client, Deere and Co. In a short span of time, it became a leading global consulting and IT services company spanning 55 countries before nemesis caught up with it. It was one of the few Indian IT services companies listed on the New York Stock Exchange. In its heyday, it was ranked as India's fourth largest software exporter, after TCS, Infosys and Wipro. The 1990s were an era of considerable growth for the company. It also caused the formation of a number of subsidiary companies such as Satyam Renaissance, Satyam Info way, Satyam Spark Solutions and Satyam Enterprise Solutions; Satyam Info way (Sify) incidentally became the first Indian internet company to be listed on the NASDAQ.

Satyam acquired a lot of businesses and expanded its operations to many countries and signed MoUs with many multinational companies in the new millennium. Satyam added feather after feather to its cap by becoming the first company in the world to start a programme known as the Customer-Oriented Global Organization training in May 2000, signing contracts with numerous international players such as Microsoft, Emirates, TRW, i2 Technologies and Ford, claiming the privilege of being the first ISO 9001:2001 company in the world certified by BVQI, winning the Frost & Sullivan Award for Competitive Strategy in ASP in 2001, and earning the name as a global company by opening offices in Singapore, Dubai and Sydney. In 2005, it acquired a 100 per cent stake in Singapore-based Knowledge Dynamix and 75 per cent stake in London-based Citisoft Plc. Satyam was a company on the fast track to success and has justifiably earned for itself a name for consulting in the area of strategy right through to implementing IT solutions for customers.

A biographical sketch of Satyam's promoter, Ramalinga Raju

Born on September 16, 1954 in a family of farmers, Ramalinga Raju completed his B. Com. from Andhra Loyola College at Vijayawada and subsequently earned an MBA from Ohio University, USA. Raju also attended a short duration Owner / President course at Harvard. After returning to India in 1977, he moved away from the traditional agriculture business to set up a spinning and weaving mill named Sri Satyam (*Satyam means truth*!). Thereafter, he went on to the real estate business and started a construction company which he named Satyam Constructions. In another strategic move, Ramalinga Raju became in 1987, one of the pioneers of the Information Technology industry in India as the prime-mover, co-founder and Chairman of Satyam Computer

* Prof. A.C.Fernando is Director, Loyola Centre for Business Ethics and Corporate Governance, LIBA and teaches Economics related courses and Corporate Governance.

SAMPLE ARTICLE

Services Ltd. With the launch of Sify, Satyam became one of the early birds to enter into the Indian internet service market. Before the crisis gathered around it, Satyam had a global presence and served 44 Fortune 500 and over 390 multinational corporations.

The ever-soaring share prices of Satyam due to its successful business model witnessed a sharp decline in December 2008, following a failed acquisition attempt involving Maytas, a company owned by Raju's family. In January 2009, Raju was almost forced to resign as the Chairman of Satyam after he confessed publicly to major financial frauds. In January 2009, Raju admitted of his involvement in inflating the profits of the company over the past few years. The Rs. 78 billion scandal started with an initial cover-up for a poor quarterly performance and assumed massive proportion, with the passage of time.[1] Though Raju confessed to a fraud of only Rs 78 billion, the additional charge sheet filed by the CBI in the Satyam fraud case pegs the Satyam fraud at Rs 140 billion.[2] That public confession was the beginning of the end of Ramalinga Raju as an entrepreneur *par excellence*.

However outwardly modern and multinational Satyam appeared to be since the 1990s, some primitive and innate qualities never left its founder and the Company he set up. His associates and acquaintances found him 'somewhat clannish, feudal and dynastic'. They formed an image of him as 'an inveterate gambler of sorts with a deep sense of destiny', an 'aimless entrepreneur' who dabbled in different, disparate ventures before he chanced upon fame and prosperity through the IT industry in the 1990s. Ramalinga Raju was also keen to be known as an 'intellectual-entrepreneur' and he buttressed that image by being seen browsing scholarly books in crowded bookstalls in Hyderabad and elsewhere and easily accepting invitations to preside over convocations and the like in several reputed institutions of higher learning. On special occasions, he was projected as a native hero by the powers-that-be whose friendship he keenly cultivated, as for instance, he was proudly paraded by Andhra Pradesh state's Chief Minister Chandrababu Naidu before President Bill Clinton like a trophy won during a much-fought-out international sport event!

Having invested and worked so much of himself in Satyam, when did he actually lose interest in the goose that laid the golden eggs? His ex-colleagues conjecture that it was more or less during the time that there was resistance to the entry of his two well-educated sons from the top management of the company. "Between 2003-05 when the absolute top notch started quitting Satyam, Raju remained indifferent. Also, he is said to have moved his most trusted colleagues to Maytas from Satyam. In this sense, Satyam was bared at least a few years ago".[3]

Over the years that he built his business empire, the civil society looked at him with awe and admiration. Ramalinga Raju had been the recipient of several awards and honours including the Ernst & Young Entrepreneur of the Year for Services in 1999, Dataquest IT Man of the Year in 2000, CNBC's Asian Business Leader - Corporate Citizen of the Year award in 2002 and E&Y Entrepreneur of the Year Award in 2007. In one of the strange mysteries of human character, Ramalinga Raju, who had, on his own admission, swallowed huge amounts of shareholders' assets, caused the setting up initially with his own seed money, the Satyam Foundation and Byyraju Foundation which have been doing yeomen services to the urban and rural poor respectively in Andhra Pradesh. Another of his significant CSR healthcare initiative for the poor has been the establishment of the innovative Emergency Management and Research Institute (EMRI). To get EMRI started "Satyam leaders gave Rs 500 million in cash and Rs 1000 million worth of property."[4] EMRI, notwithstanding the Satyam scandal, is spreading its activities far and wide saving thousands of human lives through its emergency ambulance service in eight Indian states. However, one should remember the fact that "The high visibility an organisation gets due to its CSR activities and many awards do not guarantee their following ethical practices", argues Sreeram Iyer of Standard Chartered Bank, while referring to the fraud committed by Satyam's founder Ramalinga Raju.[5]

SAMPLE ARTICLE

What went wrong with Satyam?

The success-run of the company was halted rather abruptly in early January 2009, when Satyam promoters resolved to invest the company's funds in buying stakes for an amount equivalent to $ 1.6 billion against their book worth of only $ 225 million, in two firms, Maytas Properties and Maytas Infra founded by Satyam's Chairman, Ramalingam Raju's sons. "The board of directors concurred, without any compunction about the fact that the sweetheart deal-pushers owned only 8.5 per cent of the IT Company. Shareholders' funds would thus be used to expand into realty, a trade entirely unrelated to Satyam's business profile".[6] A case was made out by the company's promoters that the decision did not call for the approval of the stockholders. However, a backlash in the market prompted the promoters beat a hasty retreat, with the board rescinding its earlier decision. But the fact that personal aggrandizement rather than corporate governance guided the promoters in such vital decision-making led to the erosion of Satyam's market value. The company's stocks suffered severe mauling not only at the Bombay Stock Exchange (BSE), but also at the distant New York Stock Exchange (NYSE) reflecting the unease and even the anger of the investor community. The shareholders deeply resented Raju's debauched act of deception, and revolted. On 7th January 2009, Ramalinga Raju confessed to massive fraud leading to the company's stock crashing by more than 80 per cent on a single day. Raju then resigned as the Chairman of Satyam after admitting to major financial wrong-doings, involvement in inflating the profits of the company 'for the past couple of years'. As a result of the revelation of the sensational fraud of about Rs 80 billion by Satyam promoters, the price of Satyam share dived from Rs 178.95 on January 6, 2009, to Rs 3.80 before closing at Rs 4.25 on 8th January 2009. Satyam Computers has about 300,000 individual shareholders many of whom would have sold the shares out of panic and incurred huge losses. The question that needs an answer from the market regulators and other authorities duty-bound to stop such frauds is who will compensate this loss.[7]

Raju was said to have falsified accounts, created fictitious assets, padded the company's profits and cooked up the bank balances, all the time keeping his employees and the board of directors in the dark. His attempt at trying to plug the gaping hole in his balance sheets by persuading the board of directors to "rubber-stamp" his acquisition of the two family-owned companies, the Maytas ("Satyam" read backwards) Infrastructure and Maytas Properties as his last trick of the trade having failed, he made a public confession of his misdeeds before the national Press in Hyderabad. The whole sordid episode that was going on within Satyam, soon became public knowledge. "Raju finally realized his game was over and the rest has gone down in history as a scornful act. In his letter to the Satyam Board of Directors Raju wrote: "It was like riding a Tiger, not knowing how to get off without being eaten!"[8]

In the next two days, the Government of India arrested Ramalinga Raju and his brother and dissolved the Satyam board. On Jan. 19, "Finding an apparent "nexus" between events taking place in Satyam Computer Services and Maytas Properties Ltd and Maytas Infra Ltd, the Government… expanded the scope of investigations being undertaken by the Serious Fraud Investigation Office (SFIO)"[9].

Did whistle-blowing prompt Raju to confess to the crime suddenly?

In what appeared to be one of the unexplained mysteries of the Satyam fiasco was the question as to why Raju confessed in early January 2009 to the crime, which he presumably had been committing continuously in various forms for quite some time. It now appears that he was forced to make a confession as a result of the whistle-blowing by one of the company's former associates. According to a 14,000-page report of the SFIO submitted to the government, an ex-insider using the pseudonym of Jose Abraham, and claiming himself as a former senior executive in Satyam associated with its contract with the World Bank, acted as the whistleblower to bring to light the scam in Satyam. His email to a Satyam board member triggered a chain of events that

SAMPLE ARTICLE

ended in Raju's decision to confess to the financial crime. This person, alias Jose Abraham, had first written to Krishna G Palepu, one of the company's independent directors, on December 18, 2008-- a day after Raju was forced to abort Satyam's plans to buy the two family-owned companies after it ran into a storm of investor protest -- that Satyam did not have any liquid assets, and this fact could be independently verified from its banks. "The email sent to Mr Palepu spread quickly among the Satyam's former board members, with Mr Palepu first forwarding the email to M Rammohan Rao, another independent director in the company, the official said. Mr Rao thereafter forwarded the email to other board members VS Raju and TR Prasad"[10] S. Gopalakrishnan of Price Waterhouse, Satyam's statutory auditor was also duly informed. A copy of the email was also forwarded to Ramalinga Raju, who had been then receiving calls from members of the board's audit committee, but failed to respond to any of them. The SFIO report added significantly that Raju discussed the issue with the company's CFO and vice-president for finance, G Ramakrishna, between 25th December 2008 and January 7th 2009 presumably with a view to devising a plan to hide the colossal fraud.

The SFIO could not, however, elicit any response from the so-called Jose Abraham when it sent questions to the email address used for communicating with Prof. Krishna Palepu. All the same, the SFIO report formed the basis for initiating criminal action against Ramalinga Raju, Rama Raju, Vadlamani Srinivas, S Gopalakrishnan and Srinivas Talluri of Price Waterhouse, and two other company executives, D Venkatapathy Raju, senior manager- finance and C Srisailan, finance manager.

According to the investigation report, the falsification of the company's accounts began in the financial year 2001-02 after there was an informal meeting between Ramalinga Raju, his brother Rama Raju and Srinivas, apart from G Ramakrishna. The scope of the falsification of accounts, which was around Rs 2.34 billion in 2001-02, sky rocketed to Rs 54.22 billion by 2007-08 and Rs 73.33 billion by end-September 2008. But after the unearthing of several hidden records, the CBI has by November 2009 pegged the figure at more than double the amount, as shown in their additional charge sheet.

Why is the Satyam scandal bigger than that of Enron?

The Satyam scandal has often been compared to that of Enron by several writers and analysts. However, a close scrutiny of the facts relating to both the companies reveals that there is more dissimilarity, than similarities between the two scams: (i) One similarity between the two companies is like Enron, Satyam too had a board with the required quota of independent directors and yet these worthies could do mighty little to avert infractions of corporate governance in their respective corporations. Enron, for instance, had 80 per cent of its board consisting of independent directors, one of whom, a distinguished accounting professor, chaired the auditing committee of the firm.[11] Likewise, in Satyam's case, Krishna Palepu, one of the seven independent directors on its board, was the Ross Graham Walker Professor of Business Administration and Senior Associate Dean for International Development, at the Harvard Business School.[12] He is a specialist in corporate governance[13] Krishna Palepu was an advocate of tougher auditing rules.[14] ; and (vi) Another similarity between Enron and Satyam has been the nexus the heads of both the corporations established with political bigwigs mainly with the view to currying favours from them. Enron's Chairman Kenneth Lay had established very close personal relationship with both President Bill Clinton and President George Bush and also had donated generously to their election funds. "With the political clout they acquired through hefty political contributions, Enron tried to influence public policies, either covertly or overtly, especially in the areas of business they were operating."[15] Likewise, Ramalinga Raju had developed close liaison with Chief Ministers Chandrababu Naidu and Rajesekara Reddy who were pitted against each other and were heading parties on the opposite sides of political spectrum. Raju obtained several favours from both of them, managed to get out-of-turn contracts for building gigantic infrastructure projects and acquired huge tracts of public lands at throw away prices.

SAMPLE ARTICLE

But the dissimilarities between the two are more telling: (i) Satyam's is much bigger scandal than Enron. G. Ramakrishna, former SEBI chairman, holds the view that the Satyam fraud was unique for its scale, the period of its perpetration and the number of people involved. For instance, the amount stolen by insiders from Enron was Rs 28.66 million at current exchange rates. In the Satyam case, according to the CBIs charge sheet, a much bigger amount of Rs 140 billion was involved. Viewed from the Indian context, Satyam scam is by far the biggest. Even globally, it ranks as the largest self-confessed scam. Also greater are the number of defaulting agencies and their failures;[16] (ii) The impact of the Satyam scandal had greater ramifications inasmuch as it adversely impacted its 53,000 employees-- a number higher than the 40,000 Enron employees. Though initially, it was suspected that Satyam had only 40,000 employees and Raju siphoned off the compensations of the non-existent 13,000 employees, a closer scrutiny of the company's records supported by Provident Fund accounts confirm the fact that the company did have 53,000 employees on its pay-roll; (iii) The Enron fiasco, besides, was almost a standalone incident which affected only the immediate stakeholders of the company, while in the case of the Satyam swindle the entire information technology industry was badly hit just when the global economic slowdown has already been severely hurting it. The World Bank's ban on Satyam, Wipro and Mega-soft for unethical practices further aggravated the industry's difficulties; (iv) Satyam's fiasco has caused a lot of damage to the image, credibility, accountability, trust of India, Indian Corporate Inc., Indian Outsourcing Industry and the Software Industry in the eyes of the shareholders/ stakeholders/ public, the likes of which nobody had ever seen and probably would never see. The harm cannot be quantified, the extent of the rot, never imagined, issues which it has raised and the levels at which it has raised are of gargantuan proportions.

The unholy nexus between Satyam and the GTB

Satyam's Ramalinga Raju and the erstwhile Global Trust Bank's (GTB) Ramesh Gelli shared more than a common mother tongue. They rose quickly and tasted high degree of success in their careers and fell from grace almost with the same speed. Both Raju and Gelli were the symbols of the common linguistic pride in the corporate world and were credited to be pioneers in their respective fields of operation. They were heralded as technology-savvy institution-builders, but in the end their fall too was equally swift due to a set of financial frauds. Incidentally, PricewaterhouseCoopers was the auditors of both these institutions. Another similarity between the two organisations is that both of them had another Telugu from Hyderabad, Prof. Krishna Palepu, as an independent director in their respective boards.

Ramesh Gelli was the chairman of Vysya Bank and later launched the country's first private sector bank, Global Trust Bank in 1993-94 that was a phenomenal success. In 2001, however, GTB was in total mess and Gelli was forced to exit as the chairman of the bank following a failed merger with the UTI Bank. In 2004, GTB's net worth turned negative because of what were termed as 'mismanagement and reckless lending practices.' Gelli also was supposed to have a dubious relationship with scamster Ketan Parekh and the former faced the charge of price rigging. The SEBI found a nexus between Gelli and Parekh and in 2002 it imposed a ban on Gelli. Like Gelli, Ramalinga Raju too symbolized the common heritage in the corporate world, more so in the software industry, and considered as a role model with his pioneering ventures both in the country and abroad. He started rising to the pinnacle of glory in the 1990s, riding on the software boom and on official patronage, but ultimately nothing could save him from his own unethical practices.[17]

The Modus Operandi of the Satyam Fraud

Using cyber forensic techniques, the CBI has unearthed the *modus operandi* of the Satyam fraud in which the Company created false invoices to show inflated sales by M/s Satyam Computer Services Limited (SCSL). Investigators found out that fabricated invoices were created for artificially hiking sales and the amounts shown as receivables in the books of accounts, thereby

SAMPLE ARTICLE

inflating the company's revenues. According to CBI sources 7,561 invoices worth Rs.51.17 billion were found hidden in the Invoice Management System (IMS). The accused had entered 6,603 of these, amounting to Rs. 47.46 billion. The computer logs relating to both the IMS application and the computer network of the SCSL were studied. This study was matched with the company's access control swipe card data. The individuals who generated and hid these invoices were identified. The computer server, where these allegedly incriminating electronic records were stored was also identified and the records retrieved.[18] Thus, the *modus operandi* as well as the persons who perpetrated the frauds was located, resulting in the detection of the whole fraud.

Investigation by the CBI into the scam exposed that the SCSL got a regular application flow for generation of invoices. This had a series of applications such as the Operational Real Time Management (OPTIMA) for creating and maintaining the projects, Satyam Project Repository (SRP) for generating the project ID, an application to key in the main hours put in by the employees called Ontime and a Project Bill Management Systems (PBMS) for generating the billing advice from data received from Ontime and from the rates agreed upon with the customer. Based on these billing advice generated by the PBMS, the IMS generated the invoices. Apart from the regular application flow, the SCSL had another method of generating invoices through Excel Porting wherein the invoices could be generated directly in IMS bypassing the regular application flow by porting the data into the IMS, the sources said.

Apart from all these misdeeds, Ramalinga Raju and his associates indulging in crimes against their investors and other stakeholders have forged board resolutions and unauthorizedly obtained loans and advances to the tune of Rs. 12.2 billion, according to the latest CBI charge sheet. But there were no entries in the company's account books reflecting these unauthorized loans. "This money is in addition to the unaccounted Rs 12.3 billion that Raju claimed to have been infused into Satyam by promoters of 37 front companies floated by Raju. Even in this case, there were no entries in their account books".[19]

Raju and his accomplices in the Satyam fraud had resorted to a criminal breach of trust and falsified accounts to the tune of another Rs.1.8 billion by inflating prices pertaining to the acquisition of shares of Nipuna services Ltd, the ITes arm of Satyam. The CBI also alleged that the fraudsters garnered Rs 2.3 billion in the form of dividends on the highly inflated profits. The CBI has stumbled on more evidence that Raju and his accomplices had created fake customers and generated fake invoices against these customers to inflate revenues to the tune of Rs 4.3 billion.[20]

The CBI has further, for the first time, charged in November 2009, the disgraced Satyam founder with siphoning off money from the company to tax havens across the globe. Charges of fund diversion to other countries have surfaced after the CBI team visited other countries to probe allegations about Raju having siphoned off money to tax havens and then having re-routed it back to India to pursue his pet passion, buying of more and more lands. "The re-routing of funds was done through European nations and was shown as investments in nearly 300 fictitious companies floated in the names of Raju's relatives"[21]

Independent directors in Satyam's board– Were they really independent?

According to SEBI, independent directors are meant to protect the interests of the non-promoter shareholders and help promote the cause of corporate governance. The Satyam case clearly proves that the independent directors in the company's board had completely failed to live up to these guidelines. The facile assumption that having independent directors ensures better corporate governance seems unsubstantiated in this case. We cannot take things for granted that things would work perfectly just because a Company has its stipulated quota of independent directors.

SAMPLE ARTICLE

With regard to the role of the independent directors at Satyam, we should understand how 'independent' they actually were. It was seen that all the non-executive directors at Satyam have been allotted significant stock options equivalent to at an unbelievable strike price of Rs 2- per share and apart from this, all the non-executive directors have also earned handsome commissions during 2007-08, as reflected by Satyam's audited results.

The following table shows the details Satyam's audited results for 2007-08:

Satyam's sumptuous gift to its Non-Executive Directors

	No. of options	Commission (Rs)
Krishna Palepu	10,000	1.2 million
Mangalam Srinivasan	10,000	1.2 million
T R Prasad	10,000	1.13 million
V P Rama Rao	10,000	0.1 million
M Ram Mohan Rao	10,000	1.2 million
V S Raju	10,000	1.13 million
Vinod Dham	10,000	1.2 million

Source: Satyam's Balance Sheet for 2007-08, Satyam Computer Services Limited, Hyderabad.

A basic question that naturally arises here is how can directors who had enjoyed such a huge largesse from the Company's promoters, had been beneficiaries of stock options given at an unbelievable strike price of Rs 2- per share against the ruling price of Rs 500- per share (in 2007-08) and who had received such high commissions could be expected to be 'independent'? The idea of giving stock options to the independent directors, was perhaps, an intelligent ploy by Raju to successfully implement his plot at Satyam, with little resistance from the so-called independent directors, to whom, he was supposed to report to. It sounds ridiculous to listen to some of the independent directors at the Press interviews post-scandal that they were not aware of what was going on at Satyam. It is disturbing that highly respected persons like T. R. Prasad and the former dean of the Indian School of Business, Dr. Rammohan Rao received stock options and commissions from Satyam, without wondering how this was acceptable to their status of independent directors.

Take the case of another independent director, the well known Prof. Krishna Palepu. A close scrutiny of Palepu's role in the Satyam's scam indicates that he bears greater moral responsibility in the commission of the crime than his other colleagues on the Company's board for the following reasons: (i) As an independent director, and as one who had imbibed the principles of corporate governance as a Professor of the subject, he should have felt responsible to protect the interests of the company's shareholders and as such should have shown greater diligence by not accepting the unethical compensations and subsequently concurring with the board's resolution to invest Satyam's funds in Ramalinga Raju's family-promoted companies; (ii) Prof Krishna G. Palepu accepting more than $200,000 in total compensation along with 10,000 stocks (equivalent to 5000 ADR) and getting paid a fabulous fee of Rs. 9.2 million for conducting training programmes for Satyam employees on corporate governance principles and their compliance, even if not expressly forbidden statutorily, will still place him as one having a vested interest in accepting the unethical policy of the management as a *quid pro quo*; (iii) As an 'independent' director and having been well aware of its implications, he should not have accepted any consulting assignment from Satyam. Incidentally, an 'independent' director is defined as 'somebody who has not had a pecuniary relationship with the company in the recent past'. It would be absurd to construe this to mean that a pecuniary relationship in the present is somehow acceptable;[22] (iv) Palepu was on the board of Dr. Reddy's Laboratories, apart from Satyam Computer Services. After the Satyam scandal became public, Prof Palepu has been advised to quit the Dr. Reddy's Laboratories Board as well. It was a blow to Palepu's reputation and self-

SAMPLE ARTICLE

respect which he should have avoided; he should have offered to resign from their board even before it was hinted to him; and (v) he was also an independent director of the erstwhile Global Trust Bank (GTB), which, like Satyam, also had an accounting fraud. Therefore, he was well informed, well experienced about the adverse consequences of an independent director toeing the line of a scheming promoter. His vicarious liability in this case is all the more great when he decided to follow the money trail rather than his conscience.

Satyam's scam is one more proof that the mere compliance of SEBI's rule of the minimum number of independent directors does not guarantee ethical practices. The concept of independent directors which is relatively new in corporate history in as much as it was suggested only in 1940's in the USA to protect the mutual fund investors, does not seem to be a safeguard against frauds corporate entities are engaged in. There are several instances to prove that the mere existence of independent directors in the boards of companies does not ensure ethical practices, the most prominent one being that of Enron. "Enron had 80 per cent of its board consisting of independent directors, while Tyco had 65 per cent and world com 45 per cent of such outside directors, and yet all of them had collapsed due to fraud and malfeasance".[23] There is no statistical relationship between board independence and financial performance of organisations, as found out by Dalton et al through a meta-analysis of 54 studies of board independence.[24]

In an interesting postscript to the Satyam conundrum, seven former erstwhile independent directors of the company that included Krishna Palepu and M. Rammohan Rao pleaded that the investor lawsuits in the US be dismissed since there was no specific allegations against them and these suits 'fail to allege an intent to defraud as required by US securities law'.[25]

Corporate history of the past decade has more than clearly shown that independent directors have not served their purpose. The Satyam case is not an isolated instance of the failure of independent directors to stem the rot of an unethical managed company, but only a reinforcement of that failed concept. From this case, it is clear that Indian corporate regulation is inadequate, and its enforcement pathetic. For instance, as many as 1,228 of the Bombay Stock Exchange's 4,995 listed companies have failed to submit reports required by Clause 49 of the Listing Agreement, including corporate governance information on their boards' composition, audit committees, CEO/CFO certification of accounts, and related-party transactions and subsidiary companies. So far SEBI has done mighty little to enforce compliance of Clause 49 of the Listing Agreement.

Was the Satyam scam due to the failure of auditing process?

There are many observers who opine that Satyam's scam is primarily due to audit failure. Let us analyse that angle now. "Auditing is the process by which a competent independent person objectively obtains and evaluates evidence regarding assertions of an economic activity or event for the purpose of forming an opinion about and reporting on the degree to which the assertions conforms to an identical set of standards"[26] "The objective of an audit of financial statements is to enable an auditor to express an opinion on financial statements which are prepared within a framework of recognized accounting policies and practice and relevant statutory requirements.[27] An auditor is a representative of the shareholders, forming a link between the government agencies, stockholders, investors and creditors.

A senior administrator of impeccable integrity and former chairman of SEBI questioned the very selection of Price Waterhouse as auditors for Satyam, especially since they had proved themselves to be untrustworthy in the case of GTB. Ramakrishna said Price Waterhouse had been found guilty by the Securities and Exchange Commission (SEC) of the U.S. on several occasions in the past and had, in fact, paid fines to the tune of $770 million in the last five years.[28]

In the Satyams case, the CID arrested in January 2009 S. Gopalakrishnan and Talluri Srinivas, Partners in Price Waterhouse, the statutory auditors of the company for their alleged involvement in the Rs. 71.36 billion fudging and manipulation of financial statements, as revealed by

SAMPLE ARTICLE

Ramalinga Raju. According to T.V. Mohandas Pai, Member of the Infosys Board and Trustee of the IASC Foundation, the Satyam fiasco should be looked at more as an audit process failure and not as an accounting failure. He further said "It is a failure of the auditing process. The auditing process says very clearly that you must ask for an independent confirmation of bank balances from the banks. To me it looks as if it has not been done.[29]

But this line of arguments is refuted by some auditing experts. For instance, Shankar Jaganathan, author of 'Corporate Disclosures 1553-2007' argues that: "A defined audit process cannot be a defence against frauds. He goes on to add that just as a low tide reveals the rubbish accumulated in a beach, a falling market will throw up frauds. The longer the bull-run, the higher is the duration of the frauds."[30] In most cases, a successful fraudster would have easily overcome the defined audit process.

Corporates fuelled by self-interest, have occasionally exploded, ignited by greed, as witnessed by corporate scandals and bankruptcies. Globally, during the last century, except in times of wars, every decade saw significant cases of corporate scam, though every scam was followed by a positive outcome in terms of initiatives towards corporate disclosures, auditing standards and corporate governance practices.

In one's attempt to balance these opposite views, one understands there is a wide irreconcilable difference between these two. It is the popular perception that auditors exist and are paid to detect fraud and financial wrong doings of unethical corporate managements. On the other hand, according to Samuel A. Di Piazza Jr, CEO of Price Waterhouse coopers: "Generally audits are not designed to detect fraud. They are designed to assess the financial position of a company. While doing that we look carefully to see if they are things that appear unusual and yes, at times we may uncover fraud. Material fraud like you had in WorldCom, I agree, generally surface in an audit."[31] There is a famous 19th century English case which defines the approach of auditors.

An auditor is seen as a watchdog and not a bloodhound. In that case the judge held, 'He is justified in believing the tried servants of the company in whom confidence is placed by the company.' This approach holds true even today.

As late as 21st November 2009, the CBI arrested Satyam's "internal audit head V.S. Prabakar Gupta for alleged breach of trust, forgery, cheating and fabrication of accounts… Gupta is charged with knowing that the auditing irregularities were perpetrated in a systematic manner and preventing them from coming into the open"[32]Gupta is the tenth accused and the fourth chartered accountant to be arrested.[33] Gupta was booked under Section 120-B (criminal conspiracy), 409 (criminal breach of trust), 420(cheating), 468 (forgery for the purpose of cheating), 471(using a forged document as genuine) 477A (falsification of accounts). The CBI said that he had failed to protect the interests of investors and failed to inform the audit committee about grave irregularities.[34]

In the Satyam's case its statutory auditor, PriceWaterhouseCoopers (PwC), didn't verify the authenticity of the account-books. PwC had similarly failed with Global Trust Bank, which collapsed. Irregularities were noted in PwC's handling of Satyam accounts in 2001, but mysteriously, no probe was conducted. Similarly, a complaint was filed with SEBI by Ramdas Athavale, Member of Parliament in 2003. But under political pressure, this was not followed up.

PwC, which has audited Satyam's accounts since 1991, is thus guilty of grave misconduct and is likely to face punitive action from the Institute of Chartered Accounts of India (ICAI) in due course. Ironically, the ICAI disciplinary council has two members from PWC! As a sequel to all these developments, almost a year after it was rattled by the Satyam scam, PwC announced in early December 2009 that Ramesh Rajan, India Operations' chairman based in Singapore, who was at the helm of affairs when the scam broke out and who was questioned by the CBI in Hyderabad, stepped down prematurely to hand over charge to Gautam Banerjee.[35]

SAMPLE ARTICLE

Cracks in India's corporate governance structures

Above all, the Satyam scam has exposed huge cracks in India's corporate governance structures and system of regulation through the SEBI, Ministry of Corporate Affairs and the SFIO. Unless the entire system is radically overhauled and made publicly accountable, corrupt corporate practices will recur, robbing wealth from the exchequer, public banks and shareholders.[36] Raju is estimated to have made Rs 20.65 billion by artificially jacking up the price of Satyam's shares and selling his holdings (14 percent of the total). Satyam's CFO Vadalamani Srinivas has said the fixed deposits shown in the books were fictitious.[37]

Raju's letter to the company board revealed a fraud of unprecedented proportions creating serious doubts among perception of investors about disclosure and corporate governance standards. The whole thing has created a situation wherein investors will hesitate to take result and financial statement declarations of companies at face value.

There are two different opinions about the Satyam scandal - one, our corporate governance standards are not weak and it was a one-off incident, but on the other hand, there are others who point out to the several questions that remain to be answered. One fails to comprehend as to how a company with global presence and professionals of high standard can deceive themselves that they are not aware of what was going on inside their organization for so long. How can one believe that something as solid as cash and bank balances of the company can be fudged and nobody in the accounts department or finance department was simply aware of it for such a long time? What were the internal auditor, statutory auditor and the audit committee doing? Why were they not ascertaining and reconciling balance from the bank statements considered to be a very basic audit tool? In the Satyam fraud, there are many dimensions like these that are yet to be uncovered....the simple suspicion in the minds of foreign investors would be if this can happen when an international auditor can be as gullible and vulnerable as this, what about Indian auditors?

Many experts in corporate governance, however, believe that the Satyam case should be seen as an aberration of the free market economy and not as being representative of the Indian corporate governance standards.

Insider trading at Satyam

Satyam investigators have uncovered "systemic" insider trading in Satyam Computer Services.[38] Investigations into the multi-billion fraud in Satyam by the Andhra Pradesh police and Central agencies have confirmed that the promoters had indulged in insider trading of the company's shares to raise money for building a large land bank. The funds thus marshalled by B. Ramalinga Raju and his relatives were used to purchase lands in the names of 330 companies and about 30 individuals, all of whom had equity participation in these entities. Of these, 327 of them were definitely linked to the family. It appears Ramalinga Raju and others made a concerted effort to showcase Satyam as a world leader in IT industry by inflating profits so that its share prices surged up. They invested the money earned by selling their shares to buy lands. The prosecution told the trial court that Ramalinga Raju disposed of 92,000 shares in a single transaction and that this was not possible without the connivance of the former CFO, Srinivas Vadlamani. The investigations also established the existence of fictitious fixed deposits in banks to the tune of Rs. 3.3 billion by forging fixed deposit receipts. Besides, the Income-Tax Department detected a fund flow of about Rs. 200 million from the Provident Fund and tax deductions of Satyam employees to the Rajus.[39]
As per the transaction records, CFO Srinivas Vadlamani, has been the most active in offloading the shares. Srinivas offloaded 92,358 shares in two installments in September 2008. Ram Mynampati, president of Satyam and a member of the board, also offloaded 80,000 shares in three installments in May and June 2008.[40] Interestingly, during this time, none of the top

SAMPLE ARTICLE

management team of Satyam has purchased its shares. Instead, it is foreign institutional investors who have purchased them. Incidentally, the Foreign Institutional Investors were the ones who strongly criticized the aborted deal asserting that the proposed investment in Maytas diluted the company's potential to expand further in the IT sector.

The heavy selling of shares by the Satyam big-wigs in September 2008 was initially attributed to the developing uncertainty in the economic scenario. However, placed in the larger perspective, the sale could be a case of insider trading. The trend has accentuated in December 2008 when 28,500 shares of the company were sold by its senior officials. In May 250,000 shares were sold, while September accounted for sales of 153,000 shares. The most recent sellout was done by AS Murthy, chief information officer, who sold 21,000 shares between December 12 and 15, 2008.

Sources at the SFIO revealed to the Press that several institutional investors dumped shares in the firm on "large scale" up to two days before Ramalinga Raju confessed to "wildly" inflating the company's assets and profitability by around $1.7 billion. Most of the sales seemed to have taken place after Satyam failed in the bid to acquire Maytas Infra and Maytas Properties. He later admitted that these deals had been a last-ditch attempt to replace fictitious assets on Satyam's books with real ones. It added that the SFIO had worked with experts from the SEBI to determine whether insider information was used in the share deals.

Money laundering case

The Enforcement Directorate of the Income Tax Department has decided to register a case against Satyam and its founder-chairman, B Ramalinga Raju for alleged money laundering. The ED claims to have found prima facie evidence against Raju and others of violating the Prevention of Money Laundering Act.[41]

CBI's charge sheet has been filed under Sections 120-B, 420, 419, 467, 471, 477-A and 201 of Indian Penal Code that refer to offences of criminal conspiracy, cheating, cheating by impersonation, forgery of valuable security, forgery for the purpose of cheating, using a forged document as genuine, falsification of accounts and for causing disappearance of evidence.

The charge sheet was also filed against three senior finance executives of Satyam: G. Ramakrishna, vice-president, D. Venkatapathi Raju, senior manager, and C. Srisailam, assistant manager. The three were arrested and sent to judicial custody.[42] The supplementary CBI charge sheet field on 24th November 2009 confirms money laundering by Ramalinga Raju and his cohorts. It affirms these men diverted funds obtained by manipulation of accounts to tax havens and were later on brought back to India to buy lands.

The Money Trail- Where did the siphoned-off money go?

One of the most striking characteristics of Ramalinga Raju was his obsession for building assets through reckless and impulsive purchase of landed properties. He has acquired vast stretches of land in Hyderabad and surrounding areas both on his and *benami* names. The Government of Andhra Pradesh has, on its part, given thousands of acres of land to Maytas Properties and Maytas Infrastructure without any competitive bidding. Maytas Infra alone is said to have projects worth Rs. 300 billion including the Rs 120 billion Hyderabad rail and irrigation projects worth Rs 130 billion. Raju's love for land was a genetically inherited trait from his father, Byrraju Satyanarayana Raju, a small-time landlord from Bhimavaram. Right from the early days, the Raju's family thought that 'land was their calling'. Paradoxically, all land holdings acquired by Ramalinga Raju are with Maytas Infra and Maytas Properties and not with Satyam. With so much landed property in his family possession, 95 per cent of Satyam's offices are either on leased property or on rental agreement. All the millions that his business brought him, Raju poured into buying land in Hyderabad, which was then still a provincial town.

SAMPLE ARTICLE

Pretty soon, he was a formidable landlord—although the holdings were not in his name. He shrewdly befriended Andhra Pradesh chief minister Chandrababu Naidu, who seemed to be very proud of Raju's achievements as an entrepreneur with strong Telugu roots. Naidu and Raju fed off each other, the one drawing on the other, leading a Naxalite to comment that if Raju's land holdings were forfeited, there would be enough to satisfy the impoverished farmers of Telangana. Later on, when Rajasekara Reddy became the Chief Minister, Raju ensured that he was in the good books of the new leader too. Reddy's policies of promoting realty around Hyderabad suited Raju perfectly. Land prices spiraled, Raju grew still richer. Owning land became a continuing mania with him. So intoxicated he was with the ownership of land, he even liquidated his ever-pricey shareholdings in Satyam to buy more lands. All the promoter shareholdings that were consolidated in 2006 were pledged to banks, and Rs 12 billion was raised. Every last penny went into the soil.

By now, Raju was seriously considering selling Satyam and making Maytas his mainstay, when he found there were impediments created by some of his top brass whenever he wanted to play ducks and drakes with shareholders' money and especially when he tried to induct his sons into Satyam's board. Leaving, Maytas to be looked after by his sons, Raju concentrated more and more on the exciting business of acquiring landed properties. Speculation of IBM taking over began to grow, and it was rumoured that the deal fell through only because the price was not right. Maytas's consultant, E Sreedharan of the Delhi metro fame, who had been kept in the dark while all these developments took place, cried foul. He said that this was nothing but a real-estate decoy, that a 'deal' had been struck to extend the metro's proposed route and that Raju, with insider information, was cornering land along the extension.[43]

The public prosecutor in the Satyam's case said Rs 12.5 billion at the rate of Rs 200 million per month was siphoned off from Satyam by Raju over a period of many years. The diversion of the funds, was routed mainly through Ramalinga Raju's brother, Suryanarayana Raju and his mother, Appala narasimha. In all, there were over 400 'benami' land deals running into several thousands of acres. Of these, the maximum were in Ranga Reddy district and were purchased through Akula Rajaiah, a well known real estate broker in the district.[44] "The documents seized indicate that several thousands of acres were purchased in different locations in the country and they were registered in the names of several family members of Ramalinga Raju," a CID official said.[45] According to the latest charge sheet filed by the CBI on November 24th 2009 in a Hyderabad city court, "A total of 1,065 properties whose documented value is Rs 3500 million have been identified and these include around 6,000 acres of land, 40,000 square yards of housing plots and 90,000 sq.ft of built-up area."[46]

What should be done to prevent the recurrence of Satyam-like scams?

With the view to tightening regulations and ensuring regulatory compliance, so as to studiously avoid the recurrence of scams like Satyam's, the Indian capital market regulator SEBI should follow two distinct approaches - a preventive one or a palliative approach. Palliative measures should aim at detecting similar cases by introducing new processes and additional verification methods. These proactive measures would help build investor confidence. However, preventive measures are more important as they are likely to be more effective in the long run. The Central Government could introduce a simple and brief Act that makes accounting misstatements criminal and impose tough penalty both financial and imprisonment and entrust its implementation to one specified authority with no possibilities of overlapping. The financial penalty should be reflecting the size of the fraud. With a view to enforcing the law and to expediting justice, special courts could be created.

The Satyam fiasco, as indeed all other scams unearthed earlier, make it imperative that corrective measures need to be taken at the earliest to stem the rot. Corrective action is long overdue if corporations are not to cheat stakeholders and the public. Indian corporate promoters often milk

their companies by appointing procurement and distribution agents, by under- and over-invoicing imports/exports, evading taxes, indulging in insider trading, and dressing up balance-sheets. Satyam belonged to this category, which is the normal practice in most brick-and-mortar companies.

In this context, some more corrective steps are possible. More than statutory auditors, we need to set up a Board of Audit, which like the Comptroller and Auditor General of India, is empowered to conduct surprise audit *suo moto* or on complaints of whistle-blowers. Besides, an auditor should not be allowed to continue for more than three years with a Company. The Department of Corporate Affairs in consultation with ICAI, ICSI and ICWAI should create a pool of independent directors from amongst citizens of high integrity and prescribe for them adequate remuneration. Cross-directorships must be banned. All agent employments must be thoroughly scrutinized. Penalties must be made stiffer. The conviction rate in corporate frauds, currently under a pathetic 5 per cent, must be improved. The law and administration should come down heavily on breach of trust and fraud. If an auditor fails in his duty in India, he now faces a ridiculous penalty of Rs 10,000 and a maximum of 2 years imprisonment, whereas the US Sarbanes-Oxley Act prescribes imprisonment for 20 years. The US has greatly improved fraud detection by reforming audit methods and offering incentives to whistle-blowers. We must learn from all this and acknowledge that deregulation promoted in the name of 'trusting' CEOs and creating a 'favourable investment climate' is dangerous.[47]

Unethical Business Practices

The Satyam scam is one more proof that these days there are many companies who blatantly thrive on unethical behaviour and practices. They seem to create an environment or try to promote one where acts of violation of norms to amass wealth in an unethical manner is practiced with impunity until such time it comes into the open. Companies like Satyam indulge in the following activities that come under the ambit of unethical practice:

- Resorting to dishonesty, trickery or deception.
- Distortion of facts with a view to misleading or creating confusion.
- Manipulating executives emotionally by exploiting their vulnerabilities.
- Resorting to profiteering due to excessive greed.
- Over invoicing through false documents to show higher profits.
- Using political clout to avoid penalty or compensation for unlawful act.
- Lack of transparency and avoiding investigation.
- Damaging the environment by violating the government prescribed norms for pollution.
- Resorting to money laundering.
- Diverting through foul means from a public limited company to family-owned concerns.
- Abusing the legally constituted institutions such as boards of directors, auditors and independent directors to achieve nefarious ends.

Business houses that comply with ethics to determine their conduct are increasingly becoming rarer. On the other hand, ethical organizations now recognize the positive effects and outcomes of being ethical, humane and considerate. Because of these virtues, they earn a competitive edge in the market, because of the honesty they show in their services. Their morally upright reputation attracts better employees and helps in their retention. Though ethics may be legally imposed in most cases, self-monitoring, transparency and accountability will ensure earning the trust of the people. Besides this, it makes sense to amend, before one is penalized. We need to create an environment which adheres to strictest philosophies of clean, transparent, and honest business.

Tech Mahindra's successful bid for Satyam Computers

Tech Mahindra's successful bid for Satyam Computers marks a decisive stage in the ongoing process of salvaging India's fourth largest IT Company. Although Tech Mahindra's winning bid of Rs.58 is just one-tenth of Satyam's share price prevailing one year back, it seems to be a fair

SAMPLE ARTICLE

price in the changed context. The acquirer had to pay initially Rs.17.56 billion for 31 per cent stake and another Rs.11.32 billion later, through the mandatory open offer, to pick up 20 per cent more.

There is considerable scope for reaping the synergies between Tech Mahindra and Satyam. Tech Mahindra is strong in Europe, while Satyam's strengths lie in the U.S. and parts of Asia-Pacific region. A major player in telephone software segment, it brings with it the dynamism and managerial resources of the Mahindra group to Satyam whose focus has been on manufacturing.[48]

The acquisition would be extremely advantageous for Tech Mahindra, a relatively small player in the software segment with a telecom sector focus. The deal is expected to propel Tech Mahindra into the big league along with Infosys, TCS and Wipro, and also enlarge its presence in the US. Early closure of the transaction and completion of the management transition should put to end the uncertainty Satyam's employees, clients and investors have lived with over the past three months.[49]

In its efforts to revamp the company, Mahindra Satyam has appointed Vineet Nayyar, the erstwhile vice chairman as the whole-time director and the Chairman of the company. It has also appointed former SEBI Chairman, M. Damodaran and Gautam Kaji as additional non-executive directors who will be members of the audit committee, effective from 10th December 2009. The company has further selected Deloitte Haskins and Sells as the firm's statutory auditor for fiscal year ended March 31, 2009 as well as fiscal year ended March 31, 2010.[50] The size of the board has been increased to eight comprising four independent directors, including two nominee directors of the Central Government, two non-executive and two whole time directors.[51]

Conclusion

Even to a casual observer of the Satyam fiasco, the enormity of the scandal is a great eye-opener. Corporate scams and frauds committed against unwary investors have been a regular and almost an annual feature in India. But the scale, magnitude, the reach and impact that the Satyam scam had created is unparalleled in the corporate history of India, and as some keen corporate observers point out, the world itself. That the reckless and 'couldn't- care-less' swindlers were operating with impunity within the Company for so long, notwithstanding the army of professional managers, internal auditors, and independent-directors dominated board of directors, the market regulator SEBI, the Company Law Board, the Department of Corporate Affairs and the system of jurisprudence only go to show with what great disdain the scamsters looked at all these institutions and authorities. There is a perception that most Indian, especially the first generation promoters hardly make a distinction between a proprietary enterprise and a public limited company in terms of their rights and privileges and the corresponding responsibilities and accountability. It is a fact "that a vast majority of Indian corporations are controlled by promoter families which while owning a negligible proportion of share capital in their companies, rule them as if they are their personal fiefdoms"[52] The idea of a corporation, and the values and principles that should guide its governance have hardly been imbibed by theses promoters. Besides, the growth of corporate culture, not only was implanted much later in India than in the Western countries, but also checkmated by the very same forces that make the emergence of ethical business a difficult proportion in the Indian context. A lax administration, ill-equipped regulatory system and terribly delayed justice delivery process only make things easier for the corporate crooks to make a killing. It is not our case that there are more crooks in the Indian corporate world than found elsewhere, but the overall system here is so conducive and even attractive for them to flourish, rather than make lives difficult for them to continue their trail of crimes.

References

SAMPLE ARTICLE

1. Ramalinga Raju Profile, available online at http://www.iloveindia.com/indian-heroes/ramalinga-raju.html
2. Times News Network, CBI pegs Satyam scam at Rs 14,000 crore, Times of India, Chennai, 25th November 2009
3. Andhra's Very Own, Sugata Srinivasaraju on B. Ramalinga Raju, http://www.outlookindia.com/article.aspx?239523
4. Venkat Chagavalli, Corporate Social Responsibility: A Competitive Tool for Corporate Excellence, in A.C. Fernando (ed.), Corporate Ethics, Governance and Social Responsibility, Precepts and Practices, (2009) Dorling Kindersley (India) Pvt Ltd., New Delhi
5. ET Bureau, "Ethical Practices crucial for financial performance", Economic Times, Chennai, 18th November 2009
6. Satyam's Lesson, Editorial, The Hindu, Chennai, 19 Dec 2008
7. M R Mayya, Compensate fraud-hit investors, 23 Nov 2009, http://economictimes.indiatimes.com/Markets/Stocks/Views/Recommendations/Compensate-fraud-hit-investors/articleshow/5259062.cms
8. What went wrong with SATYAM? - A brief note on Satyam scam, http://vandit007.blogspot.com/2009/01/what-went-wrong-with-satyam.html
9. SFIO looking into Satyam, Maytas 'nexus', The Hindu Business Line, Chennai, Jan 20, 2009
10. Souvik Sanyal and Dheeraj Tiwari, ET Bureau, Ex-insider blew the lid off Satyam scam, The Economic Times 17 Apr 2009
11. The Economist, 13th June 2002, available online at: http://72.14.235.104/search?q=cache:Eob0zhlwT18J:www.anecdotage.com/index.php%3Faid%3D10345+Enron%27s+aduditing+commitment&hl=en&ct=clnk&cd=1
12. Blakely, Rhys (2008-12-19). "Family affair is a bid too far for Indian investors", The Times (London) News International, dated 19th December 2008
13. url = http://www.slideshare.net/nasscom/how-to-make-corporate-board-more-effective-prof-krishna-g-palepuharvard-business-school} and {url = http://www.nytimes.com/2009/01/12/business/worldbusiness/12outsource.html?_r=1
14. Professor caught up in India's Enron, the Boston globe, http://www.boston.com/business/articles/2009/01/14/professor_caught_up_in_indias_enron/?page=1.
15. A.C. Fernando, Corporate Governance, Principles, Policies and Practices (2009), Pearson Education, New Delhi
16. http://www.in.com/news/business/indian-capitalism-has-always-had-a-criminal-side-7614817-48306-1.html
17. How Satyam and Global Trust Bank are ignominiously linked, January 08, 2009 16:44 IST http://www.rediff.com/money/2009/jan/08satyam-how-satyam-and-global-trust-bank-are-ignominiously-linked.htm
18. Satyam fraud: CBI reveals modus operandi, Vinay Kumar, The Hindu, Tuesday, Apr 28, 2009, New Delhi, http://www.thehindu.com/2009/04/28/stories/2009042860531100.htm
19. ET Bureau Hyderabad, Satyam fraud grows by Rs 1,220 crore, The Economic Times, 26th November 2009, Chennai
20. CBI claims unearthing additional fraud of Rs 4,793 cr in Satyam, The Hindu Business Line, November 25th 2009
21. Sharang Limaye, CBI: Satyam funds diverted overseas, Financial Chronicle, Nov 24 2009, Hyderabad, http://www.mydigitalfc.com/news/cbi-satyam-funds-diverted-overseas-399
22. The Big Picture, http://ttrammohan.blogspot.com/2009/01/independent-directors-and-consulting.html
23. A.C. Fernando, Business Ethics: An Indian Perspective (2009), Pearson Education, New Delhi
24. D. Dalton, C. Daily, A. Ellstrend, and J. Johnson, "Meta-Analytic Reviews of Board Composition Leadership, Structure, and Financial Performance," Strategic Management Journal (Vol. 19, 1998): 269–290
25. Agencies, Ex-Satyam directors seek dropping of US suits, a box item in 'Satyam gets Rs 1,230-cr claims', Times of India, Chennai, 18th November 2009
26. A.C. Fernando, Business Ethics: An Indian Perspective (2009) Pearson Education, New Delhi
27. A.C. Fernando, Corporate Governance, Principles, Policies and Practices (2009), Pearson Education, New Delhi
28. Blacklist auditors who fail in professional duty', K. T. Jagannathan The Hindu, Feb 5th 2009, http://www.cxotoday.com/India/News/ICAI_Holds_Auditors_Guilty_in_Satyam_Fraud/551-106583-908.html
29. Satyam, an audit process failure: Pai, The Hindu Business Daily, Saturday, Jan 17, 2009

30. D. Murali, citing Shankar Jegannathan, A defined audit process cannot be a defence against frauds, The Hindu Business Line, January 22, 2009, http://www.thehindubusinessline.com/2009/01/22/stories/2009012250230900.htm
31. Di Piazza, Samuel A. Jr, CEO, Price Waterhouse coopers, "Auditors are not designed to detect fraud, Economic Times, Chennai, 18th February 2003
32. Times New Network, Satyam internal audit head held, 22nd November 2009, Times of India, Chennai
33. Key Satyam fraud accused arrested, The Hindu, 22nd November 2009
34. Raju aide Gupta held for fudging revenues, Deccan Chronicle, November 22nd, 2009, Hyderabad, http://www.deccanchronicle.com/hyderabad/raju-aide-gupta-held-fudging-revenues-468
35. Times News Network, PwC India chairman Rajan quits, Times of India, Chennai, 8th December 2009
36. Indian capitalism has always had a criminal side, January 16, 2009, http://www.rediff.com/money/2009/jan/16-indian-capitalism-has-always-had-a-criminal-side.htm
37. http://www.in.com/news/business/indian-capitalism-has-always-had-a-criminal-side-7614817-48306-1.html
38. Satyam investigators uncover "systemic" insider trading, 21 April 2009, http://www.bobsguide.com/guide/news/2009/Apr/21/Satyam_investigators_uncover_%22systemic%22_insider_trading.html
39. Insider trading in Satyam established, January 14, 2009 http://www.thehindu.com/2009/01/31/stories/2009013159921500.htm, N. Rahul, Hyderabad
40. Surabhi Agarwal, Satyam top honchos were selling shares from April, http://www.financialexpress.com/news/satyam-top-honchos-were-selling-shares-from-april/400768/
41. Rajus gave fake papers to auditors: Ex-CFO to ICAI, Monday, Apr 06, 2009, New Delhi, http://www.indianexpress.com/news/rajus-gave-fake-papers-to-auditors-excfo-to-icai/443493/0
42. Satyam fraud: CBI files charge sheet against nine, http://www.livemint.com/2009/04/07223402/Satyam-fraud-CBI-files-charge.html
43. Raju's obsession to own land pulled him down, 8 Jan, 2009, 1102 hrs IST, Kingshuk Nag, ET Bureau, http://infotech.indiatimes.com/news/software/Rajus-obsession-to-own-land-pulled-him-down/articleshow/3950664.cms
44. Satyam fudged FDs, has 40,000 employees: Public prosecutor, 22 Jan 2009, Hyderabad, http://timesofindia.indiatimes.com/Business/India_Business/Satyam_fudged_FDs_employee_count_Prosecutor/articleshow/4015830.cms
45. Satyam saga gets murkier, 22 Jan 2009, 0307 hrs IST, TNN, Hyderabad, http://www1.timesofindia.indiatimes.com/Hyderabad/Satyam_saga_gets_murkier/articleshow/4014270.cms
46. V.N.Harinath, CBI: Raju, others forged resolutions, The Hindu, Chennai, 25th Nov 2009
47. Praful Bidwai, Indian capitalism has always had a criminal side, January 16, 2009 17:10 IST, http://www.rediff.com/money/2009/jan/16-indian-capitalism-has-always-had-a-criminal-side.htm
48. Satyam: well done, The Hindu, Wednesday, Apr 15, 2009, http://www.hinduonnet.com/2009/04/15/05hdline.htm
49. The suitable boy, Tech Mahindra gets Satyam, Economic Times, 14 Apr 2009, http://economictimes.indiatimes.com/Opinion/Editorial/The-suitable-boy/articleshow/4397965.cms
50. Satyam ends Upaid's $1 bn row for $70 m, Times of India, Chennai, Dec 10, 2009
51. Vineet Nayyar to head Mahindra Satyam, The Hindu, Dec 10, 2009, http://www.hindu.com/2009/12/10/stories/2009121051491700.htm
52. A.C. Fernando, Corporate Governance, Principles, Policies and Practices (2009), Pearson Education, New Delhi