

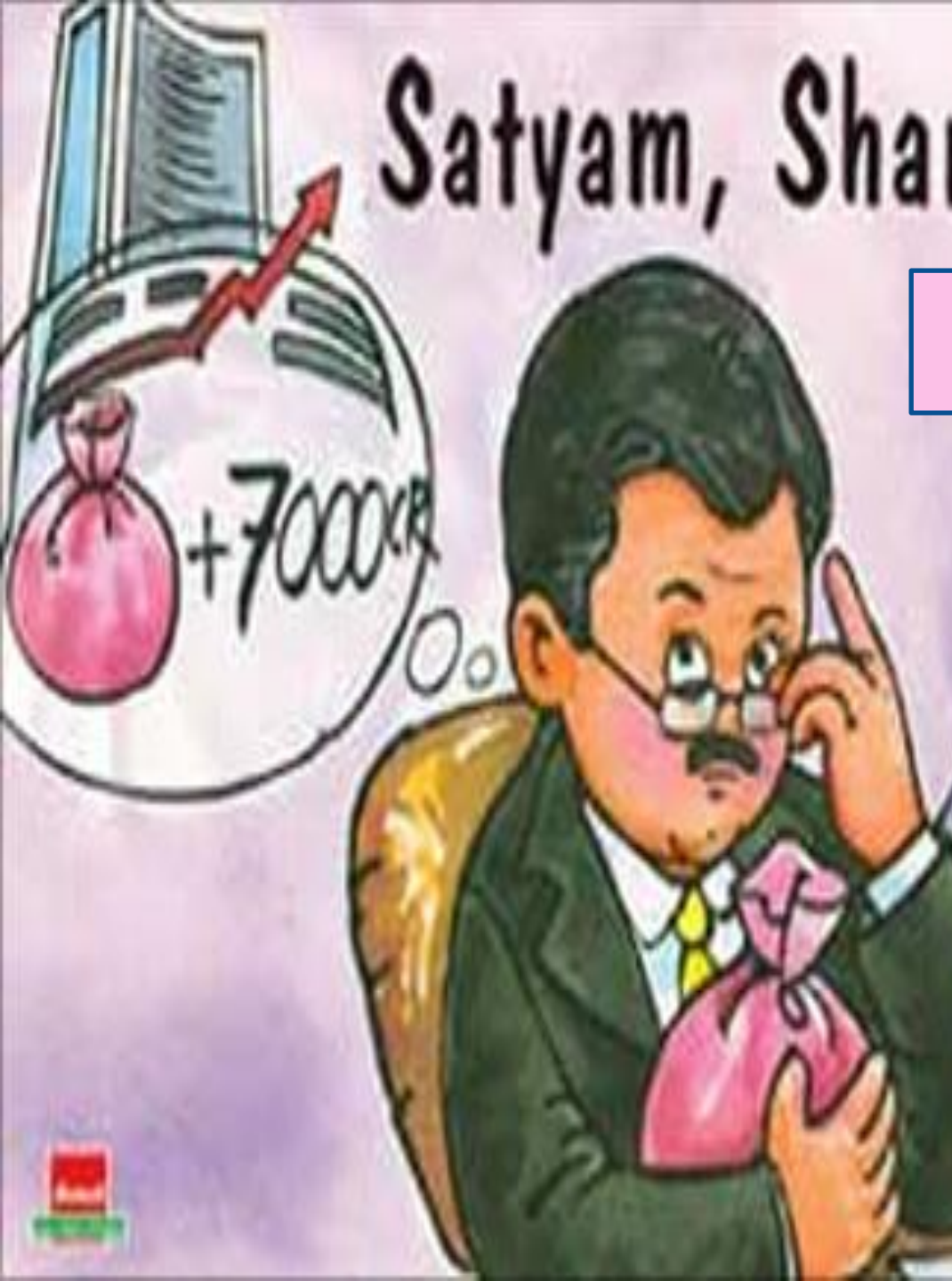
CORPORATE COLLAPSE



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Satyam, Sharam, Scandalam!

ENRON OF INDIA



 **Satyam**

Computers





INTRODUCTION

- **Saytam Computers was established in 1987**
- **It started with only 20 employees**
- **The company offers consulting & information technology services to various sectors.**
- **It converted into public ltd co., in 1991**
- **More than 40000 employees**
- **Revenue around \$ 2.1 billion**
- **Listed in BSE in 1991.**
- **It is the 1st company of India listed in 3 International Exchanges i.e. NYSE [2001], DOW & EURONEXT [2008].**
- **Carrying India's out sourcing image globally so its about national images**

SATYAM COMPUTER, WHAT IS ABOUT?

- 4th largest IT out sourcing company of India
- 9 % market share
- Employees around 52,000 in 2008 September.
- Operations in 66 countries across the globe
- High global reputation.
- Officers services to more than 550 MNC companies.
- Financial advisor: Merrill Lynch [now Bank of America] Auditors: Price Water House Coopers,
- Bankers: Citi bank, BNP Paribas, HSBC & HDFC

Satyam

What Business Demands.



THE ILLUSIONISTS

- Ramalinga Raju : Satyam Former Chairman
- B Rama Raju : Brother of Ramalinga Raju
Former Managing Director
- V Srinivas : Ex – Chief Financial officer
- S Gopalakrishnan : Price Water House Auditor
- Talluri Srinivasan : Price Water House Auditor

DO YOU KNOW HIM?

✓ Founder and former chairman of one of the biggest IT giant of our nation, SATYAM COMPUTERS ?

✓ Guess what the prime convict in the biggest scam of our country?





**THE
SATYAM
SHOCKER**



WHO IS HE?

B. Ramalinga Raju was born on September 16, 1954. A traditional agriculture family of the KSHATRIYA (RAJU) community of Andhra Pradesh.

He founded Satyam computers & was its Chairman until January 7,2009 when he resigned from the Satyam Board after admitting corporate fraud.

SO WHO HAS TO BE BLAME?

Former **chairman-B Ramalinga Raju** is the prime convict in the case with several other board members.

Satyam Auditors	Among the "BIG 4". Other 3 are: <ul style="list-style-type: none">- Deloitte- KPMG- Ernst & Young
	
Functions: Finance & accounting, internal audit, tax compliance, logistics & human resources.	Performs non-core functions of organisations



HOW GOVERNMENT KNOW IT?



➤ The ministry of corporate affairs later ordered a probe into whether the company VIOLATED any CORPORATE GOVERNANCE LAWS, while entering into such deal involving share holders money.



SATYAM COMPUTERS' CORPORATE GOVERNANCE FIASCO (G): MAYTAS SATYAM?

- ✓ Raju wanted to over take MAYTAS INFRA & MAYTAS PROPERTIES (his own son company)
- ✓ He was blamed that he was using the funds of the investors for the family business.
- ✓ World bank had banned the Satyam to take any services for 8 years (due to illegal profit & lack of essential document)



HOW IT WAS CAUGHT?

➤ SATYAM computers had on dec-16-2008 announced that it will acquire two group firm, MAYTAS properties and MAYTAS INFRA for \$1.6 bil as part of its diversification govern laws.

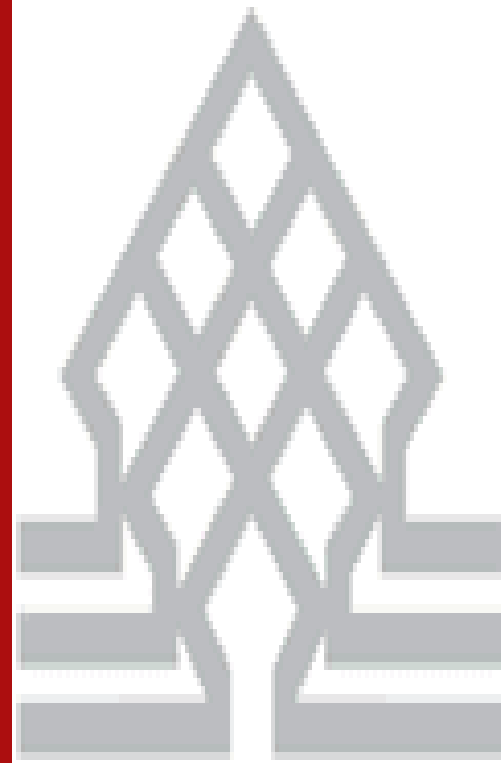


What Business Demands.

The MAYTAS Acquisition



- Maytas infra and Maytas properties : firms owned by the sons of Raju.
- Planned to buy the Maytas to fill the gap in the balance sheet.
- Last attempt Raju made to fill the gap in the balance sheet.
- Major shareholder rebellion
- Acquisition was termed “Poor corporate governance”.



Satyam

The Rise and Fall of Satyam





THE RISE OF SATYAM

- ✓ 1987 Satyam Computers Pvt Ltd BORN
- ✓ 1999
 - June First Fortune 500 clients
 - August Converted into Public Ltd Co.
- ✓ 1994 THE BIG BREAK –Allies with Dun & Bradshreet
Crop.
- ✓ 2000
 - Declared one of the Pioneering Technology
Companies by World Economic Forum
 - Dataquest IT Man of the Year Award.
- ✓ 2002 CNBC's Asian Business Leader – Corporate Citizen
of the year Award.



THE FALL OF SATYAM

- ✓ The black Day : 7 January, 2009
- ✓ Accounting fraud of over 7500 Crore Rupees
- ✓ From past 7 years accounting books were cooked.
 - Profits were inflated
 - Understated liability & overstated debts
 - Accrued interests
 - the gaps in the B/S due to inflated profits



₹7,855cr

Total amount of financial irregularities in Satyam Computer Services scam

7,500

Number of fictitious invoices discovered

₹5,352.8cr

Fictitious revenue reported between April 2002 and September 2008

₹899.8cr

Fictitious interest income recorded from 2002 to 2008

₹206.1cr

Fictitious foreign exchange gain from April 2002 to 2008

500

Number of clients the company had before the scam came to light

45,000

Company's number of employees when the scam came to light in January 2009

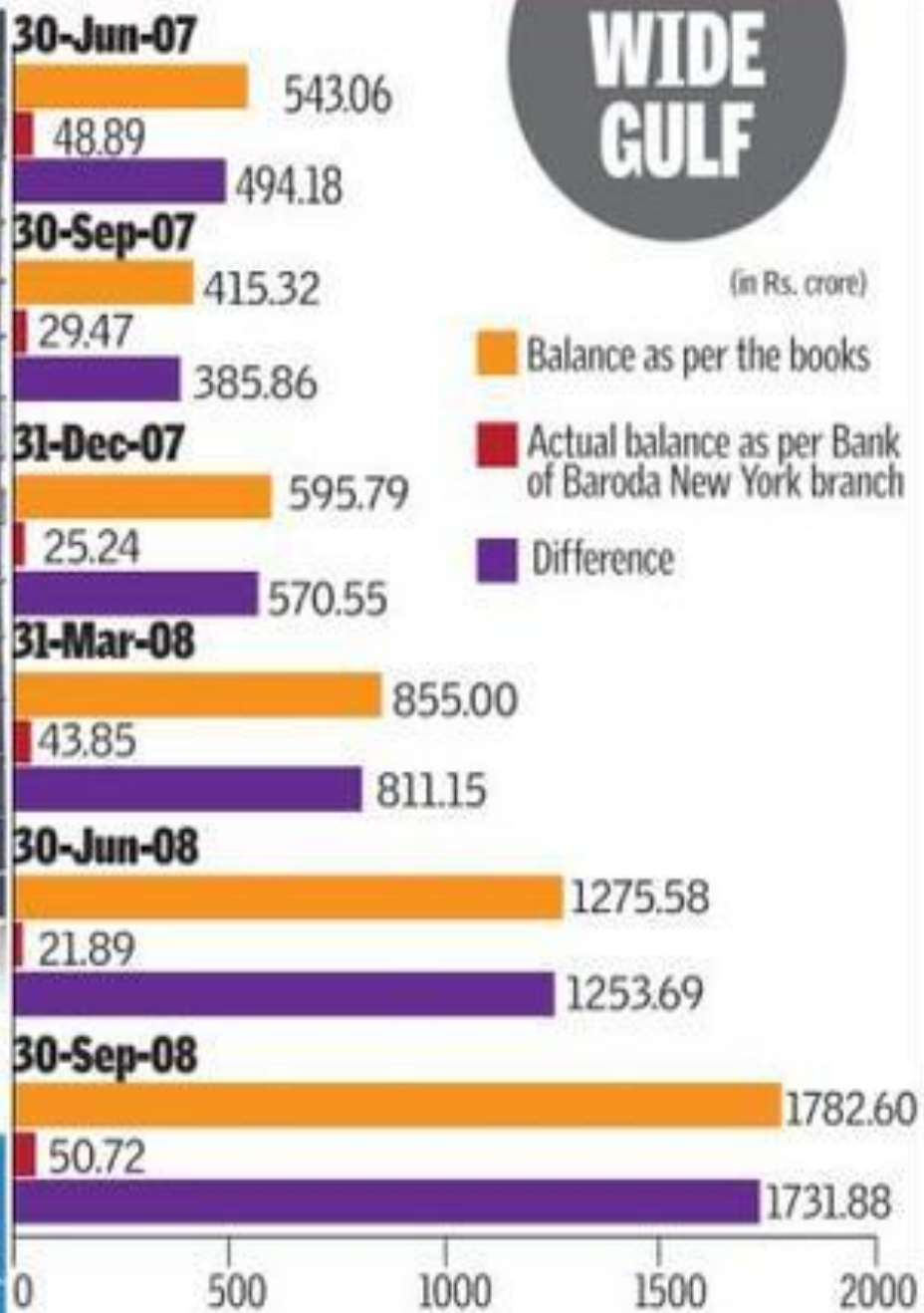
32

Number of months Raju has served in prison already

PROFILE OF A FRAUD

**WIDE
GULF**

(in Rs. crore)



WHAT WENT WRONG & HOW IT HAPPENS?

- An announcement that shocked corporate India that B RAMALINGA RAJU resigned
- The company balance sheet was inflated to RS=7800cr at the end of September 2008, against the actual RS=2500cr(as per 2008-09)
- Operating Profit were artificially boosted from the actual 61 Cr to 649 cr.
- Satyam also showed an interest earning of Rs.376 Cr that was fictitious revenue



- CFO revealed during investigation:

- Started 6-7 years ago
- 10 crore was inflated to 200 crore in Balance Sheet
- This marginal gap went on expanding over years.



2008

Satyam Scandal....



Cooking books of accounts

Balance sheet of Satyam computer ltd

SOURCES OF FUNDS	AS ON 30.09.08	ADJUSTED BALANCE SHEET	ADJUSTMENTS
1. <u>Shareholders funds</u>			
a. Share capital (share application money , pending)	134.70	134.70	
b. Allotment	2.76	2.76	
c. Reserves and surplus	8392.23	(-)415.47	
2. <u>Loan Funds</u>			
a. secured loans	30.49	30.49	
b. unsecured loans	234.80	1464.80	1230.00
	8794.98	1217.28	1230.00

APPLICATION OF FUNDS		AS ON 30.09.08	ADJUSTED BALANCE SHEET	ADJUSTMENT S
1.	Fixed assests	1381.10	1381.10	1381.10
2.	Investments	618.64	618.64	618.64
3.	Tax	118.75	118.75	118.75
4.	Current assests			
	a. sundry debtors	2651.36	490.00	2161.36
	b. cash	5312.62	272.62	5040
	c. accrued interest	376.34	-	376.34
	d. Loans	502.22	502.22	-
	LIABILITIES	2166.05	2166.05	-
	Net current assests	6676.49	901.21	5775.21 (difference)
	<u>TOTAL APPLICATION OF FUNDS</u>	8794.98	1217.28	7577.7

HOW DID THE SCAM MATTERS TO INDIA?

➤ JOB of over 50,000 TECHNOCRATE were at risk.

➤ Country Booming economy feared slight collapse as country G.D.P fell by estimated 0.4%

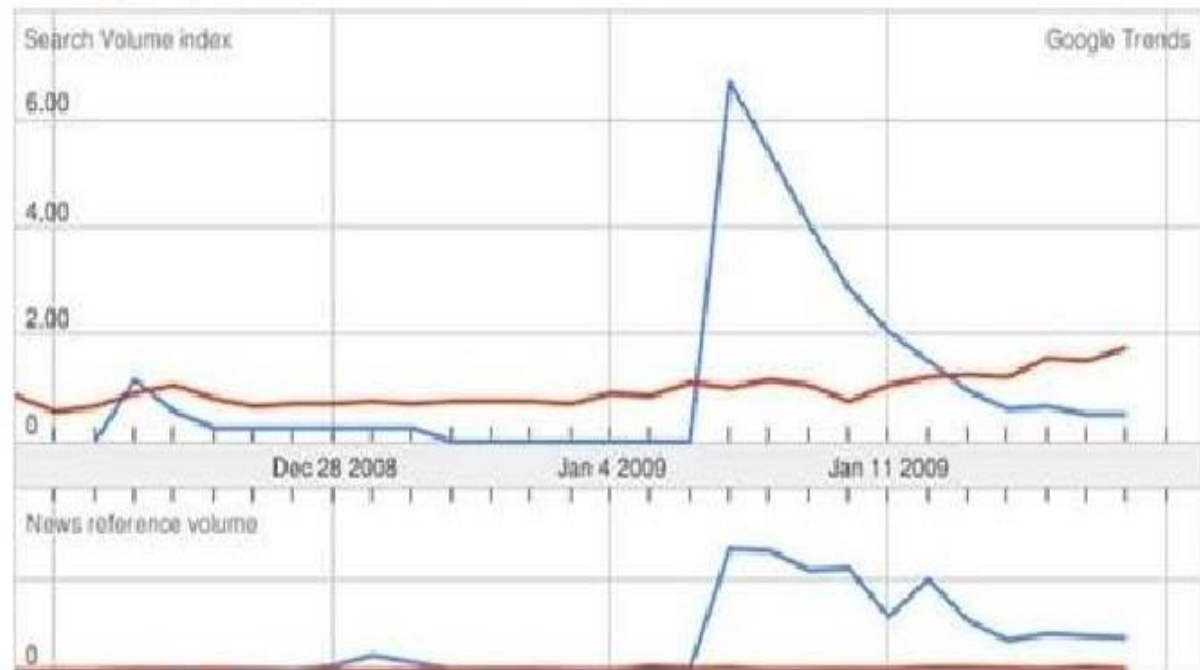
➤ India's IT sector suffered down turn as its images was tarnished globally



Search Volume Index

Scale is based on the average worldwide traffic of ramalinga raju in the last 30 days. [Learn more](#)

ramalinga raju — 1.00 barrack obama — 0.95





Impact On INDIA's IT(out sourcing)Industry

- ✓ The Satyam scandal will undoubtedly mar India's reputation as a reliable provider IT service to some extent.
- ✓ It is highly likely that other Indian outsourcing companies will be subject to greater of scrutiny by regulators, investors & customers.

Impact on stock market

- ✓ News of what is possibly the country's biggest corporate fraud, send the indices tumbling.
- ✓ Companies perceived to have poor Corporate Governance standards were most affected.



What Business Demands.

CORPORATE EFFECT ON SHARE MARKET

Satyam shares

- Biggest single day fall for a stock in stock market
- 175 Rs/- (Jan 6th)



Stock Market

- BSE sensx fell by 749.05 i.e. 7.25% .
- NSE fell by 192.40 points i.e. 6.18%.

Companies worth

- 11464 Crore




1607 Crore

- All time low of Rs 11.50 on 9th jan and closed at 23.75 Rs/-.
- Compared to highest of 524.90 Rs/- on may 29,2008

RAMALINGA RAJU ARRESTED

What happened to Raju; For Corporate fraudulent?????

- 
- Sec 120 B - Criminal conspiracy
 - Sec 420 - Cheating



7 YEARS JAIL & 5.5 CRORE FINE

MIRROR, MIRROR ON THE WALL,
WHO'S THE UN-FAIREST OF THEM ALL?

SATYAM



MAYTAZ



REASONS FOR CORPORATE CRIME



What Business Demands.

PROBABLE REASONS

PRESSURE TO MEET EXPECTATION

- Growing competition
- Threat of being overtaken

OVERCONFIDENCE

- On his ability

PERSONAL BENEFITS

- Siphoning off funds
- Salary of non-existent 13000 employees

"Since about seven years we wanted to show more **income** in the accounts to avoid others from involving in the company affairs and any possible hostile acquisition".

SATYAM WHAT NEXT?????

- ❖ The state appointed a new board of Satyam Computers to –
- ✓ Find a suitable investors willing to acquire the controlling shares in Satyam.
- ✓ Manage its affairs until then,
- ❖ Tech Mahindra wins its bid for 31% of Satyam.

Satyam

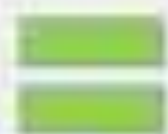
SATYAM CORPORATE RE-BIRTH (ACTION TAKEN)

SATYAM UNDER RECONSTRUCTION

- Appointing new board.
- Board appointed by Govt:
Former Nasscom Chief - Kiran Karnik,
Chairman HDFC -Deepak Parikh
Former SEBI member- C. Achuthan.
- Satyam shares gained over 44% day after appointment of the new board.
- New CEO: A S Murthy
- Tech Mahindra acquired Satyam on April 13, 2009



Tech Mahindra and Satyam merged to form Mahindra Satyam.



A modern, multi-story office building with a curved facade. The building features white horizontal bands and large glass windows. A prominent red vertical stripe runs along the left side. The name "Mahindra Satyam" is displayed in red and white at the top. The building is surrounded by greenery and a clear blue sky.

 Mahindra Satyam

ALL WELL THAT'S END WELL

- ANAND MAHINDRA Chairman TECH MAHINDRA
- the new owner of SATYAM will address the first board meeting of company
- post the rs =2800cr takeover,
- giving hope and future to Satyam's 45000-50000 employees,
- A movement of TRUTH for SATYAM and
- a victory for the government, stakeholders and regulators.

