

# Satyam Scandal: Who, what and when

National research nuclear university “MEPhI”

“Santyam Scandal”

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C14-706



# PRESENTATION PLAN

- **The Rise of Satyam**
- **What is the Satyam scam about?**
- **Investigation**
- **Aftermath**



# Emergence of Satyam Computer Services

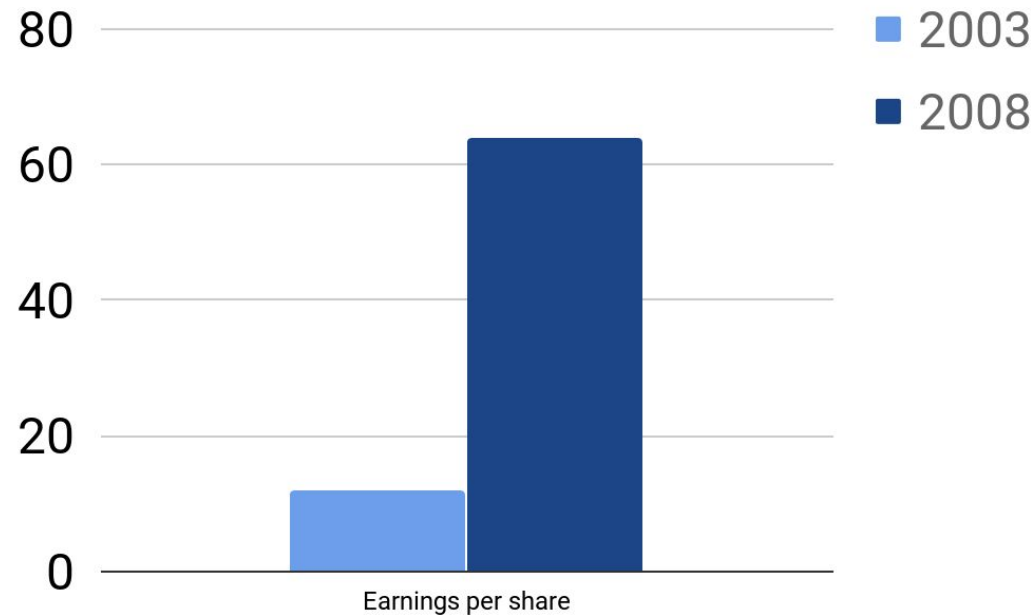
- Satyam Computers was founded in 1987
- It converted into Public Ltd Co. in 1992
- The company offers consulting and information technology services
- Satyam's network covers 66 countries and 53000 employees
- It is listed in BSE, NSE, NYSE



# The Rise of Satyam



Earnings per share



Annual growth rate: 40%

Share Price



300% improvement in share price

# What is the Satyam scam about?

List of companies involved in fraudulent financial activities:

- Enron
- WorldCom
- Societe General
- Parmalat
- Ahold
- Allied Irish
- Bearings and Kidder Peabody.

This is India's biggest corporate fraud.



# Fraud overview



Fabricated balance sheet and income statement of Satyam

Items Rs. in crore	Actual	Reported	Difference
Cash and Bank Balances	321	5361	5040
Accrued Interest on Bank Fixed Deposits	Nil	376.5	376
Understated Liability	1230	None	1230
Overstated Debtors	2161	2651	490
<b>Total</b>	Nil	Nil	7136
Revenues (Q2 FY 2009)	2112	2700	588
Operating Profits	61	649	588

**\$1.47 billion**  
**non-existent**  
**money**

# Anatomy of a fraud

- Fake customer identities
- Fake salary accounts
- Web of companies



**Satyam  
scam**

India was rocked by possibly its biggest corporate fraud on January 7, 2009 as B Ramalinga Raju, chairman of Satyam Computer Services, resigned after allegedly confessing that the company's profits and cash reserves had been doctored for several years.

# People behind this scam



Ramalinga Raju	Satyam former chairman
B Rama Raju V Srinivas	Brother of Ramalinga Raju (Former Managing Director)
V Srinivas	Ex-Chief financial officer
S Gopalakrishnan	Price Waterhouse Auditor
Talluri Srinivas	Price Waterhouse Auditor



# Lessons Learned from Satyam Scam



- Investigate All Inaccuracies
- Ruined Reputations
- Corporate Governance Needs to Be Stronger

# Keypoints

- Satyam Systems is a global IT company based in India
- Revenues, operating profits, interest liabilities and cash balances were inflated
- Perpetrators was charged with seven years of imprisonment each
- All public companies must be careful when selecting executives and top-level managers.