

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 in the matter of Satyam Computer Services Ltd.

In respect of:

| S. No | Name | PAN | Order No. |
|-------|---|-------------|-----------|
| (1) | Mr. B Ramalinga Raju, Ex-Chairman, Satyam Computer Services Limited | ACVVPB8311J | 64/2014 |
| (2) | Mr. B Rama Raju, Ex-Managing Director, Satyam Computer Services Limited | ACEPB2813Q | 65/2014 |
| (3) | Mr. Vadlamani Srinivas, Ex-Chief Financial Officer , Satyam Computer Services Limited | ABEPV4019P | 66/2014 |
| (4) | Mr. G Ramakrishna, Ex-Vice President (Finance), Satyam Computer Services Limited | ACAPG1654L | 67/2014 |
| (5) | Mr. VS Prabhakara Gupta, Ex-Head (Internal Audit), Satyam Computer Services Limited | AEAPP2815G | 68/2014 |

1. Securities and Exchange Board of India (SEBI) received an email dated January 7, 2009 from Mr. B. Ramalinga Raju, Ex-Chairman, Satyam Computer Services Limited, now known as Tech Mahindra Limited (hereinafter referred to as "Satyam Computers"/ "the company") admitting and confessing the following:

"I would like to bring the following facts to your notice:

1. The Balance Sheet carries as of September 30, 2008

- a. Inflated (non-existent) cash and bank balances of 50.40 billion rupees (\$1.04 billion) (as against 53.61 billion reflected in the books).*
- b. An accrued interest of 3.76 billion rupees which is non-existent.*
- c. An understated liability of 12.30 billion rupees on account of funds arranged by me.*
- d. An overstated debtors position of 4.90 billion rupees (as against 26.51 billion reflected in the books)*

2. For the September quarter (Q2) we reported a revenue of 27.00 billion rupees and an operating margin of 6.49 billion rupees (24 pct of revenues) as against the actual revenues of 21.12 billion rupees and an actual operating margin of 610 million rupees (3 percent of revenues). This has resulted in artificial cash and bank balances going up by 5.88 billion rupees in Q2 alone.

The gap in the Balance Sheet has arisen purely on account of inflated profits over a period of last several years (limited only to Satyam standalone, books of subsidiaries reflecting true performance). What started as a marginal gap between actual operating profit and the one reflected in the books of accounts continued to grow over the years. It has attained unmanageable proportions as the size of company operations grew significantly (annualized revenue run rate of 112.76 billion rupees in the September quarter, 2008, and official reserves of 83.92 billion rupees). The differential in the real profits and the one reflected in the books was further accentuated by the fact that the company had to carry additional resources and assets to justify higher level of operations -- thereby significantly increasing the costs.

Every attempt made to eliminate the gap failed. As the promoters held a small percentage of equity, the concern was that poor performance would result in a take-over, thereby exposing the gap. It was like riding a tiger, not knowing how to get off without being eaten.

The aborted Maytas acquisition deal was the last attempt to fill the fictitious assets with real ones. Maytas' investors were convinced that this is a good divestment opportunity and a strategic fit. Once Satyam's problem was solved, it was hoped that Maytas' payments can be delayed. But that was not to be. What followed in the last several days is common knowledge. I would like the Board to know:

- 1. That neither myself, nor the Managing Director (including our spouses) sold any shares in the last eight years -- excepting for a small proportion declared and sold for philanthropic purposes.*
- 2. That in the last two years a net amount of 12.30 billion rupees was arranged to Satyam (not reflected in the books of Satyam) to keep the operations going by resorting to pledging all the promoter shares and raising funds from known sources by giving all kinds of assurances (Statement enclosed, only to the members of the board). Significant dividend payments, acquisitions, capital expenditure to provide for growth did not help matters. Every attempt was made to keep the wheel moving and to ensure prompt payment of salaries to the associates. The last straw was the selling of most of the pledged share by the lenders on account of margin triggers.*
- 3. That neither me, nor the Managing Director took even one rupee/dollar from the company and have not benefitted in financial terms on account of the inflated results.*
- 4. None of the board members, past or present, had any knowledge of the situation in which the company is placed. Even business leaders and senior executives in the company, such as, Ram Mynampati, Subu D, T.R. Anand, Keshab Panda, Virender Agarwal, A.S. Murthy, Hari T, S.V. Krishnan, Vijay Prasad, Manish Mehta, Murali V, Sriram Papani, Kiran Kavale, Joe Lagiola, Ravindra Penumetsa; Jayaraman and Prabhakar Gupta are unaware of the real situation as against the books of accounts. None of my or Managing Director's immediate or extended family members has any idea about these issues.*

Having put these facts before you, I leave it to the wisdom of the board to take the matters forward. However, I am also taking the liberty to recommend the following steps:

- 1. A Task Force has been formed in the last few days to address the situation arising out of the failed Maytas acquisition attempt. This consists of some of the most accomplished leaders of Satyam; Subu D, T.R. Anand, Keshab Panda and Virender Agarwal, representing business functions, and A.S. Murthy, Hari T and Murali V representing support functions. I suggest that Ram Mynampati be made the Chairman of this Task Force to immediately address some of the operational matters on hand. Ram can also act as an interim CEO reporting to the board.*
- 2. Merrill Lynch can be entrusted with the task of quickly exploring some Merger opportunities.*
- 3. You may have a restatement of accounts' prepared by the auditors in light of the facts that I have placed before you.*

I have promoted and have been associated with Satyam for well over twenty years now. I have seen it grow from few people to 53,000 people, with 185 Fortune 500 companies as customers and operations in 66 countries. Satyam has established an excellent leadership and competency base at all levels. I sincerely apologize to all Satyamites and stakeholders, who have made Satyam a special organization, for the current situation. I am confident they will stand by the company in this hour of crisis.

In light of the above, I fervently appeal to the board to hold together to take some important steps. Mr. T.R. Prasad is well placed to mobilize support from the government at this crucial time. With the hope that members of the Task Force and the financial advisor, Merrill Lynch (now Bank of America) will stand by the company at this crucial hour, I am marking copies of this statement to them as well.

Under the circumstances, I am tendering my resignation as the chairman of Satyam and shall continue in this position only till such time the current board is expanded. My continuance is just to ensure enhancement of the board over the next several days or as early as possible.

I am now prepared to subject myself to the laws of the land and face consequences thereof."

2. In view of the above, SEBI carried out an investigation into the affairs of Satyam Computers to ascertain, particularly, whether the provisions of the SEBI Act, 1992 (hereinafter referred to as "SEBI Act") and Rules and Regulations framed thereunder have been violated. SEBI also carried out inspection of the available books of account of Satyam Computers. As the subject matter of the investigation pertained to financial statements of Satyam Computers, SEBI also inspected the documents available with the auditors of Satyam Computers i.e. Price Waterhouse (hereinafter referred to as "PW" or "the auditors").
3. Pursuant to the investigation, SEBI issued Show Cause Notices (SCNs) to Mr. B Ramalinga Raju (Ex-Chairman), Mr. B Rama Raju (Ex-Managing Director), Mr. Vadlamani Srinivas (Ex-Chief Financial Officer), Mr. G Ramakrishna (Ex-Vice President, Finance) and Mr. V. S. Prabhakara Gupta (Ex-Head 'Internal Audit') {hereinafter referred to as 'the noticees'}. The details of dates of the SCNs issued to each of the noticees are as follows:

| Sl no. | Name of person | Date of SCNs | Date of 1st supplementary SCNs | Date of 2nd supplementary SCN |
|--------|----------------------------|--------------|--------------------------------|-------------------------------|
| 1 | Mr. B Ramalinga Raju | 9/3/2009 | 2/6/2009 | 22-Mar-10 |
| 2 | Mr. B Rama Raju | 9/3/2009 | 2/6/2009 | 22-Mar-10 |
| 3 | Mr. Vadlamani Srinivas | 9/3/2009 | 2/6/2009 | 22-Mar-10 |
| 4 | Mr. G Ramakrishna | 28/04/2009 | 1/7/2009 | 22-Mar-10 |
| 5 | Mr. V. S. Prabhakara Gupta | 28/04/2009 | 1/7/2009 | 22-Mar-10 |

4. In response to the above SCNs issued in the year 2009, the noticees made general denials and submitted that they were in judicial custody and not in a position to submit written submissions due to lack of access to the records and documents of Satyam Computers. The noticees did not

make any specific submissions with regard to allegations made in those SCNs. An opportunity of personal hearing was also granted to the noticees on October 10, 2009 when Mr. R. Sridhar Reddy, Advocate, Mr. L. Venkateshwar Rao, Advocate and Mr. K. S. Rahul, Advocate appeared for Mr. B. Rama Raju, Mr. Vadlamani Srinivas and Mr. G. Ramakrishna, respectively and made a request for inspection of documents, which was allowed and they were advised to submit their reply to the SCNs. Other noticees chose not to avail this opportunity of personal hearing. On October 14, 2009, the advocates of Mr. B. Rama Raju and Mr. Vadlamani Srinivas inspected the documents relied upon by SEBI in the SCNs issued to them.

5. Subsequently, SCNs dated March 22, 2010 were issued in continuation of and as supplementary to the SCNs issued in the year 2009. It was clarified that the contents of the SCNs issued in the year 2009 and the SCNs issued on March 22, 2010 shall be read together making out a comprehensive charge. The noticees were given opportunities to file their replies to each of the three SCNs. Vide the aforesaid SCNs, all the noticees, were called upon to show cause as to why appropriate directions in terms of sections 11, 11(4) and 11B of the SEBI Act, regulations 11 and 11 (1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003 (hereinafter referred to as 'the PFUTP Regulations, 2003') and regulation 11 of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as 'the PIT Regulations, 1992'), should not be issued against them. They were also called upon to show cause as to why directions to disgorge the unlawful gain made by them on account of the sale of shares of Satyam Computers and/or borrowings against the said shares should not be issued against them under the said provisions.
6. **Reply of Mr. Ramalinga Raju:** The advocates of Mr. Ramalinga Raju vide letter dated April 19, 2010 submitted that their client was in judicial custody since January 2009 and continued to be so and that he was not physically in a position to meet his legal advisors or to provide instructions to any person on account of ill health. Further, it would not be possible to reply to the SCNs without requisite papers and documents of Satyam Computers as well as the necessary discussions and explanations from Mr. Ramalinga Raju. They sought three months' time to file the reply to the SCN after the aforesaid conditions change and requested that the personal hearing may be granted to him after submissions of the written reply.
7. **Reply of Mr. Rama Raju:** Vide his letter dated October 14, 2010, Mr. Rama Raju submitted that certain documents pertaining to him were impounded by the CID of Andhra Police and subsequently handed over to CBI and hence, he had no access to those records. He stated that the SCNs do not contain any evidence of him being involved in the manipulation of accounts except with an assumption that he was the Managing Director of Satyam Computers at that time. According to him he was not in a position to read the account books on his own and

come to a conclusion and that the financial statements of Satyam Computers given to him by finance executives at the time he was employed with the company did not give an indication that the accounts were improper and incorrect. He further submitted that he did not have any personal knowledge of the misstatement of accounts and he was in no way connected to the fraud and the loss caused to investors would only be a temporary phase. He also stated that he would need further time to reply to the SCN dated March 22, 2010.

8. **Reply of Mr. Vadlamani Srinivas:** Vide his letter dated October 14, 2010, Mr. Vadlamani Srinivas, submitted that he could not respond to SEBI's notices due to his being in prison and having no access to records. He submitted that, as CFO of Satyam Computers, he was spending most of his time in Investor relations and Business process facilitation functions and very limited time in accounts time in the accounts function. He stated that he was not involved in falsification of accounts / operational aspects of fabrication of accounts and though he could have exercised more care and caution, he was not responsible for the misstatement of accounts nor was it his idea of creation. He also stated that he never had any role to play in internal audit and that his only failure was not being able to detect falsification. He further stated that he was not able to reply to the SCN issued on March 22, 2010.
9. **Reply of Mr. G Ramakrishna:** Vide his letter dated October 14, 2010, Mr. G Ramakrishna, submitted that he did not have information from Satyam Computers, PW and Bank of Baroda (BoB) and thus he was not sufficiently equipped to respond to the SCN effectively and completely. Further, he had no knowledge of the facts and circumstances of the case other than his depositions to SEBI. According to him, there was no act of commission or omission done by him, he had not misused the position held by him in Satyam Computers and he was not involved in misstating the account. He further submitted that he would need more time to reply to the SCN dated March 22, 2010.
10. **Reply of Mr. V S Prabhakara Gupta:** Vide his letters dated July 23, 2009 and February 13, 2012, Mr. Prabhakara Gupta submitted that he does not have any records to provide a meaningful reply to the allegations made against him. He has claimed that he had written to Satyam Computers for certain records but he had not received them and he is constrained from giving any meaningful relies to the allegations. According to him he was a victim of the alleged manipulation of accounts and there was no benefit derived by him at the cost of other investors and that he has not duped other investors. He has further contended that Internal Audit manual of Satyam Computers which the SCN alleges to have been violated by him is not a legal document but only an internal document to guide the Internal Audit Team. He has also submitted that he had made statements before the Investigation team voluntarily and pro actively with good intention to help ascertain the truth and that the manipulation of accounts is

not due to design weakness but due to management override not in the knowledge of internal audit.

11. After issuance of SCNs dated March 22, 2010, the noticees were provided several opportunities to submit their replies and appear for personal hearing in the matter on May 14, 2010, June 16, 2010, October 23, 2010, December 3, 2010, February 23, 2012, June 13, 2012, March 7, 2013, June 6, 2013, March 11, 2014 and May 12, 2014. In response to the notices of personal hearings issued by SEBI after issuance of SCNs dated March 22, 2010, the noticees cited uniform reasons for seeking adjournments of hearings as summarised in the following table:

| Name of noticee | Brief submissions made in reply to notices of hearings |
|--------------------------|---|
| Mr. Ramalinga Raju | <p>Earlier, for the hearings scheduled in the years 2010 and 2011, Mr. Ramalinga Raju stated that:</p> <ul style="list-style-type: none"> a. he was under treatment for Hepatitis C at the Nizam's Institute of Medical Sciences, Hyderabad; b. he was not in possession of documents for replying to SEBI. <p>Subsequently, he requested SEBI to keep the proceedings in abeyance till a reasonable period after the final conclusion of the CBI trial pending against the noticees before the Special Court at Hyderabad.</p> |
| Mr. Rama Raju | <p>Mr. Rama Raju submitted that he was not in a position to find time to prepare and send complete replies to SEBI's SCNs or instruct a Counsel or representative to attend the SEBI hearing on his behalf as he was pre-occupied with CBI trial. He also requested SEBI to keep the proceedings in abeyance till the conclusion of the aforesaid CBI trial.</p> |
| Mr. Vadlamani Srinivas | <p>Mr. Srinivas <i>inter-alia</i> stated that:</p> <ul style="list-style-type: none"> a. he is not in possession of documents for replying to SEBI; b. the CBI trial court proceedings are continuing on a day to day basis and it would be very difficult to prepare and send replies to the SCNs of SEBI; c. he has requested that the SEBI proceedings should be kept in abeyance till the conclusion of the CBI trial. |
| Mr. G Ramakrishna | <p>Mr. G Ramakrishna requested SEBI to keep the proceedings in abeyance till the conclusion of CBI trial.</p> |
| Mr. V S Prabhakara Gupta | <p>Mr. Prabhakara Gupta:</p> <ul style="list-style-type: none"> a. stated that he does not have access to the records for replying to the SCNs; |

| | |
|--|--|
| | b. requested SEBI to defer the hearing in the present case until the conclusion of the CBI trial and he may be granted access to internal audit records in the possession of Satyam Computers. |
|--|--|

12. With a view to conduct the present proceedings on the dates which do not clash with the dates fixed by the trial court, SEBI, vide letter dated April 25, 2012, sought details of the dates of hearing in the trial court from the noticees and asked them to indicate whether the proceedings are fixed before the trial court on Saturdays also. However, the noticees replied *inter alia* that the CBI trial was continuously in progress and the Saturdays were to be used by them to correspond with their counsel / indulge in work relating to the CBI trial and hence, the SEBI proceedings would be required to be kept in abeyance till the CBI trial is concluded.
13. Considering the facts and circumstances of this case, a last and final opportunity of personal hearing was granted to the noticees on May 12, 2014 and a notice dated April 30, 2014 was issued to them in that regard. They were clearly advised that the pendency of CBI trial cannot be accepted to be a justifiable reason for their non-attendance on all the dates fixed for personal hearings. They were also advised that the proceedings cannot be kept in abeyance anymore, as sufficient time and opportunities of being heard have been given to them in adherence to the principles of natural justice. They were also advised that if they fail to avail this last opportunity of personal hearing (either in person or through their authorized representative), SEBI will proceed to conclude the matter and pass such order as it deems fit, based on the material available on record without any further intimation. However, the noticees again chose not to avail the said opportunity of personal hearing despite service of notices upon them in that regard.
14. I note that, in this case, several opportunities have been provided by SEBI to the noticees adhering to the principle of natural justice and considering the importance of the case and mixed questions of facts and law being involved therein. While these considerations were weighing in the mind of SEBI authorities and they were making a sincere effort to afford the noticees adequate opportunities to represent their matter before the competent authority with reference to the SCNs issued to them, the noticees did not show any sincerity in availing these opportunities and instead, employed delaying tactics. From their written replies, I note that all the noticees have generally denied the charges/allegations mentioned in the SCNs but none of them have submitted their specific replies on merits. It is pertinent to mention that the noticees were in charge of affairs of Satyam Computers regarding its management, administration and /or its finances and accounts. As such they could have filed their replies on merits. However, they chose to avoid the same citing extraneous reasons such as non- availability of information from Satyam Computers, etc.

15. I further, note that vide various notices of personal hearings, all the noticees had been given option by SEBI to appear in person or through their advocate(s) and/or through their authorized representative(s). It had also been clarified to the noticees that the pendency of CBI trial cannot be accepted as a justifiable reason for their non-attendance on the dates fixed for personal hearings and they could appear for personal hearing through authorised representative/s. However, they chose to evade the opportunities and delay the proceedings for extraneous reasons as cited in above para. I further note that even during pendency of CBI trial, the noticees could have appeared on any Saturday/s. I find that the reason cited by them for their inability to appear on Saturday/s is not cogent as they could appear on Saturday/s, either in person or through their authorised representatives(s). Even when the final and last opportunity of personal hearing in these proceedings was afforded to the noticees on May 12, 2014 they chose to avoid and evade the same too despite service of notice dated April 30,2014 whereby they were clearly advised that if they fail to appear for personal on this final date, the proceedings shall be completed on the basis of material available on record.
16. It is noted that while the matter was proceeded for consideration on the basis of material available on record, since the noticees had chosen to avoid the opportunities, Mr. Vadlamani Srinivas (vide letter dated May 9, 2014 received by SEBI on May 12, 2014), Mr. B Ramalinga Raju (vide letter through his advocates dated May 26, 2014) and Mr. Rama Raju, (vide letter dated May 26, 2014), requested for cross-examination of certain persons/entities. It is relevant to mention here that, though the instant proceedings had commenced by issuance of the first set of SCNs in the year 2009, these noticees never made such a request. I note that the request of cross- examination, subsequent to or on the last date of personal hearing despite clear advice that SEBI shall proceed in the matter on the basis of material available on record if they fail to avail the opportunity of personal hearing, is also a device adopted to further delay the proceedings. Nonetheless, I note that these requests are open requests without making out a case for cross -examination. In the facts and circumstances of this case, no prejudice would be caused if the cross- examination as requested by some of the noticees without making a case for the same is denied. In this regard, it is relevant to refer to the following judgment of Hon'ble Supreme Court in the matter of *Transmission Corp'n of A. P. Ltd. and others vs. Shri Rama Krishnan Rice Mil* (2006) 3 SCC 74:

“In order to establish that the cross-examination is necessary, the consumer has to make out a case for the same. Merely stating that the statement of an officer is being utilized for the purpose of adjudication would not be sufficient in all cases. If an application is made requesting for grant of an opportunity to cross-examine any official, the same has to be considered by the adjudicating authority who shall have to either grant the request or pass a reasoned order if he chooses to reject the application. In that event an

adjudication being concluded, it shall be certainly open to the consumer to establish before the Appellate Authority as to how he has been prejudiced by the refusal to grant an opportunity to cross-examine any official. As has been rightly noted by the High court in the impugned judgment where the reliance is only on accounts prepared by a person, cross-examination is not necessary. But where it is based on reports alleging tampering or pilferage, the fact situation may be different. Before asking for cross-examination the consumer may be granted an opportunity to look into the documents on which adjudication is proposed. In that event, he will be in a position to know as to the author of which statement is necessary to be cross-examined. The applications for cross-examination are not to be filed in a routine manner and equally also not to be disposed of by an adjudicator in casual or routine manner. There has to be application of mind by him. Similarly, as noted above, the consumer has show as to why cross-examination is necessary."

17. In this case, as mentioned hereinabove, several opportunities to submit replies to the SCNs were given and several dates for personal hearing were fixed but the noticees failed to avail of the opportunities despite service of notices. The facts and circumstances discussed above clearly show that noticees have been deliberately keeping themselves away from the proceedings and adopting dilatory and delaying tactics. The detailed narration given hereinabove makes it clear that SEBI afforded numerous opportunities to the noticees as it was making a sincere effort to adhere to the principle of natural justice, especially considering the importance of the case and the mixed question of facts and law being involved therein, but the noticees, as it is very clear from their conduct, were interested in only evading the specific reply and delaying the proceedings. Since it is clear now that the noticees are not willing to avail the opportunities afforded to them and are adopting dilatory and delaying tactics, there would not be any denial of natural justice, if these proceedings are concluded on the basis of material available on record. In this regard, it is relevant to mention the following judgment of Hon'ble Supreme Court in the case of *Haryana Financial Corporation vs. Kailashchand Abuja* [2008 (9) SCC 31]:-

"...the theory of reasonable opportunity and principle of natural justice have been evolved to uphold the rule of law and to assist the individual to indicate his just rights. Whether, in fact, prejudice has been caused to an employee or not on account of denial to him of the report has to be considered on the facts and circumstances of each case. Even in cases where procedural requirements have not been complied with, action cannot be ipso facto illegal or void, unless it is shown that non-observance has prejudicially affected the delinquent."

18. In view of the above, I find that all the noticees have deliberately avoided the several opportunities granted to them and have adopted dilatory and delaying tactics, therefore, I, am of the view that the present proceedings cannot be kept in abeyance anymore and proceed to decide the matter on the basis of material available on record.

19. I have considered the SCNs issued to the respective noticees and relevant material available on record. I note that the SCNs have been issued to all the noticees on the basis of same set of facts and circumstances. I, therefore, deem it appropriate to deal with the respective SCNs issued to all the five noticees herein by way of this common order.
20. Before dealing with the charges and allegations in the SCNs against the noticees herein, I deem it necessary to refer to provisions of the SEBI Act, PFUTP Regulations, 2003 and PIT Regulations, 1992 alleged to be violated by the noticees. These provisions are reproduced hereafter:-

"SEBI Act

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. No person shall directly or indirectly –

- (a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;*
- (b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognized stock exchange;*
- (c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognized stock exchange, in contravention of the provisions of this Act or the rules or the regulations made there under;"*
- (d) engage in insider trading;*
- (e) deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

PFUTP Regulations

Prohibition of certain dealings in securities.

3. No person shall directly or indirectly—

- (a)*
- (b) use or employ, in connection with issue, purchase or sale of any securities listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under."*

"4. Prohibition of manipulative, fraudulent and unfair trade practices

- (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*
- (2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:-*

(a) indulging in an act which creates false or misleading appearance of trading in the securities market;
(e) any act or omission amounting to manipulation of the price of a security;

(f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

(k) an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors;

(r) planting false or misleading news which may induce sale or purchase of securities.”

PIT Regulations, 1992

Prohibition on dealing, communicating or counselling on matters relating to insider trading.

3. No insider shall—

(i) either on his own behalf or on behalf of any other person, deal in securities of a company listed on any stock exchange when in possession of any unpublished price sensitive information; or

(ii) communicate or counsel or procure directly or indirectly any unpublished price sensitive information to any person who while in possession of such unpublished price sensitive information shall not deal in securities :

Provided that nothing contained above shall be applicable to any communication required in the ordinary course of business or profession or employment] or under any law.

Violation of provisions relating to insider trading.

4. Any insider who deals in securities in contravention of the provisions of regulation 3 or 3A shall be guilty of insider trading.

21. The facts revealed during SEBI investigation and that are basis of allegation/charges as described in the respective SCNs are narrated in the following paragraphs.
22. From the books of account (hereinafter referred to as ‘the books’) of Satyam Computers it was observed during investigations that Satyam Computers had more than 125 bank accounts with various banks throughout the world. The books reflected that as on 30th September 2008 Satyam Computers disclosed ₹ 5,312.62 crore as cash and bank balance in the financial statements.
 - a. An amounts of ₹ 1,784.67 crore i.e. 33.5% was lying in Current A/c 120559 of BoB New York branch.
 - b. An amount of ₹ 3,319.17 crore i.e. 62.5% in Fixed Deposits with five banks.
23. The balances as per statement of the current account of Satyam Computers provided by BoB New York branch and that presented in books showed huge and substantial differences as described in the following table:

| Dates | Balance as per the books (in ₹ crore) | Actual Balance as per BoB confirmation (in ₹ crore) | Difference in balance (in ₹ crore) |
|-----------|---------------------------------------|---|------------------------------------|
| 30-Jun-07 | 543.06 | 48.89 | 494.18 |
| 30-Sep-07 | 415.32 | 29.47 | 385.86 |
| 31-Dec-07 | 595.79 | 25.24 | 570.55 |
| 31-Mar-08 | 855.00 | 43.85 | 811.15 |
| 30-Jun-08 | 1275.58 | 21.89 | 1253.69 |
| 30-Sep-08 | 1782.60 | 50.72 | 1731.88 |

24. It was revealed that Satyam Computers had been maintaining the following two sets of bank statements for its current account no. 120559 :
- “Daily Bank Statement” received through email and printed and filed in accounts wing ; and
 - “Monthly Bank Statement” received through ‘internal’ courier from its Chairman’s office.
25. From the two sets of bank statements, it was observed that the closing balances as well as the number of debit and credit entries in the two said statements differed substantially as shown in the table below:

| Item | (in ₹ crore) | | | | | | | |
|------|--------------|--------|--------|--------|--------|--------|--------|--------|
| | Year ending | | | | | | | |
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| A | 125.93 | 229.63 | 208.05 | 288.28 | 373.60 | 977.56 | 350.61 | 872.66 |
| B | 5.64 | 16.09 | 39.95 | 16.07 | 44.95 | 28.06 | 49.92 | 43.74 |
| C | 120.29 | 213.54 | 168.10 | 272.21 | 328.66 | 949.51 | 300.69 | 811.28 |

A - Balance as per books of accounts of company

B - Balance as received directly from the bank

C - Difference between A and B (i.e. the overstated balance)

26. As on September 30, 2008, the actual balance in the current account of Satyam Computers as confirmed by BoB, New York branch was USD 10,836,569, whereas in the Monthly Bank Statement such balance was shown as USD 379,612,384. BoB, New York branch had confirmed the balances as per the Daily Bank Statement but not with the Monthly Bank Statement.
27. It was observed that entries were passed on a regular basis using the data contained in the Daily Bank Statement, but it was the Monthly Bank Statement that was used for the purpose of monthly closing of the bank ledger and preparation of monthly bank reconciliation statement. The changes for prior entries were carried out through the rectification module available in the accounting package. The transactions in the Monthly Bank Statement which were not appearing

in the Daily Bank Statement were accounted as and when the differences were identified. It was also observed that certain transactions in the Daily Bank Statement were not accounted for without assigning reasons. Further, transactions already accounted for were reversed. Monthly Bank Statements were manipulated showing additional entries largely in the nature of extra receipts.

28. On examination of the process of receipt of confirmation statement from BOB, New York branch, it was observed that a standard form to confirm account balances was prepared and balances as per the books were filled in. This filled-in format was sent to BOB, New York branch, which in turn confirmed the balance by affixing a signature and Bank Seal on the format sent to them.
29. It was observed that the a fake Monthly Bank Statement was being prepared at the end of every month containing the desired debit/credit entries, which were additional to the daily statements. Accounts were drawn up on the basis of these Monthly Bank Statements and accordingly, they reflected false balances.
30. It was observed that the Fixed Deposit Receipts (FDRs) were maintained in the office of the Chairman of Satyam Computers and taken from there by a single designated official of the accounts wing and handed over to another official of the wing who would in turn show them to the auditors as and when requested. Further, from the records of Satyam Computers as well as the books held with the auditors, it was noted that two sets of letters of confirmation of balances of FDRs were available with the auditors:
 - (a) A confirmation received directly in the office of the auditors, in the prescribed format. This confirmation would state *inter-alia* the balances of all FDRs held by Satyam Computers with the respective bank as on a particular quarter ending date.
 - (b) A confirmation from the bank received by Satyam Computers and addressed to the auditors but not in the prescribed format. This confirmation would state in a single sentence, the balances of FDRs held by Satyam Computers with the respective bank.
31. From the confirmation letters of the banks as mentioned in para 29(b) above the following emerged:
 - a. in the confirmation letter of ICICI Bank dated October 4, 2008, FDR number is not mentioned. The name of customer is missing. There is no reference to any letter of PW,
 - b. in the bank confirmation letter of HDFC Bank, FDR number is not mentioned,

- c. in case of HSBC Bank, office address from which the letter was issued is not mentioned,
- d. the letterhead of HDFC is obviously not its own, with the bank logo on the other side,
- e. in the letter of BNP Paribas, there is no reference to the letter of PW,
- f. the letterheads were of an earlier period and persons who had signed the letters were not in the employment of the bank as on the date indicated on the letter,
- g. the issuing of confirmation statements was undertaken by the branch which served as the primary relationship manager for Satyam Computers and that the branch indicated in the apparently forged letter does not send such confirmation letters.

32. The comparison between the two different set of FDR balances as on September 30,2008 is shown in the table below:

| Name of the Bank | Amount as per the books (in ₹ crore) | Amount confirmed by banks (in ₹ crore) |
|------------------|--------------------------------------|--|
| Citibank | 613.32 | 1.32 |
| HDFC Bank | 704.16 | NIL |
| HSBC Bank | 798.95 | NIL |
| ICICI Bank | 725.30 | NIL |
| BNP Paribas | 476.64 | 8.64 |
| Total | 3318.37 | 9.96 |

33. The above data shows sharp contrast between the substantially large figures of FDR balances mentioned in the books of Satyam Computers and the actual FDR balance confirmed by the banks. As per the books, the FDR balances on the last day of each of the six quarters from June 30, 2007 to September 30, 2008 remained unchanged for three of the five banks (HSBC, HDFC and ICICI). There was only a very marginal change for the other two banks (i.e. Citibank and BNP Paribas). The actual FDR balances along with the comparison with those stated in the books is shown in the following table:

(Amount in ₹ crore)

| Year ending | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------------------------------------|------|------|--------|--------|--------|--------|--------|--------|
| ICICI Bank - Deposit Account | | | | | | | | |
| A | - | 1.00 | - | 5.00 | 92.40 | 87.40 | 725.30 | 725.30 |
| B | - | 1.00 | - | - | 5.00 | - | - | - |
| C | - | - | - | 5.00 | 87.40 | 87.40 | 725.30 | 725.30 |
| HSBC Bank - Deposit Account | | | | | | | | |
| A | - | 4.00 | 216.39 | 216.39 | 237.00 | 237.00 | 798.95 | 798.95 |
| B | - | 4.00 | - | - | - | - | - | - |
| C | - | - | 216.39 | 216.39 | 237.00 | 237.00 | 798.95 | 798.95 |
| HDFC Bank - Deposit Account | | | | | | | | |

| | | | | | | | | |
|---|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| A | - | 1.43 | 362.03 | 362.03 | 401.00 | 401.00 | 704.16 | 704.16 |
| B | - | 1.43 | - | - | - | - | - | - |
| C | - | - | 362.03 | 362.03 | 401.00 | 401.00 | 704.16 | 704.16 |
| BNP Paribas Bank - Deposit Account | | | | | | | | |
| A | - | 6.00 | 280.48 | 355.36 | 431.39 | 488.89 | 516.24 | 475.21 |
| B | - | 6.00 | - | 0.60 | 0.69 | 58.19 | 48.24 | 7.21 |
| C | - | - | 280.48 | 354.76 | 430.70 | 430.70 | 468.00 | 468.00 |
| Citibank - Deposit Account | | | | | | | | |
| A | - | - | 373.64 | 526.55 | 639.68 | 692.18 | 620.28 | 613.28 |
| B | - | - | - | 18.28 | 0.28 | 52.78 | 0.28 | 1.32 |
| C | - | - | 373.64 | 508.27 | 639.40 | 639.40 | 620.00 | 611.96 |
| BOB New York Bank - Deposit Account | | | | | | | | |
| A | - | 801.38 | - | - | - | - | - | - |
| B | - | 19.92 | - | - | - | - | - | - |
| C | - | 781.47 | - | - | - | - | - | - |
| BOB New York Bank - Current Account No. 00120559 | | | | | | | | |
| A | 125.93 | 229.63 | 208.05 | 288.28 | 373.60 | 977.56 | 350.61 | 872.66 |
| B | 5.64 | 16.09 | 39.95 | 16.07 | 44.95 | 28.06 | 49.92 | 43.74 |
| C | 120.29 | 213.54 | 168.10 | 272.21 | 328.66 | 949.51 | 300.69 | 811.28 |
| Total of C** | 120.29 | 995.01 | 1,400.64 | 1,718.66 | 2,124.16 | 2,745.01 | 3,617.10 | 4,119.65 |

A - the balance as per bank ledger in the books of Satyam Computers

B - the balance as received directly from the bank

C - difference between A and B i.e. the difference in balance figures.

*** Total of C = Total difference of balances with six banks.*

34. The above table shows a continuous increase in differences in the FDR balances presented in the books as against the actual FDR balances reported by banks over the period 2001-2008. The banks had further stated that the letters supposedly addressed to the auditors indicating the FDR balances of Satyam Computers had not been sent by them, implying that the letters of the banks as available with the auditors were fake.
35. In view of the confirmation given by the banks about actual and true FDR balances of Satyam Computers, it was observed that the balances of FDRs stated in the letters of confirmation, in the prescribed format as mentioned in para 29(a) above, tallied with the confirmation of FDR balances sent by the banks and reflected the complete and correct figures. However, the FDR balances in the letters of confirmation received by Satyam Computers provided to the auditors as mentioned in para 29(b) above as shown in the books, were substantially higher than the actual FDR balances and were non-existent.

36. It was further observed that the sales revenues were inflated and shown in the books through insertion of a large number of fictitious invoices raised in respect of fake customers and/or transactions. The fake invoices were introduced into the system through the Invoicing Management System (“IMS”).

The IMS & other system tools of Satyam Computers

37. The IMS was the tool used by Satyam Computers for generating the invoice to the Customer and is a downstream system for tools like OPTIMA/SPR/e-Support/ ONTIME/ PBMS etc. The IMS absorbed the required data such as associate efforts, project information, etc. from these tools. The six applications were integrated and data flowed from one application to the other and finally into the IMS for generation of invoices as briefly described below:
- (a) OPTIMA (Operational Real Time Project Management) was the project management application of Satyam Computers. It was used to create and maintain projects done by the organization. Activities such as creation of a project ID, work breakdown structure including phases under the project, and roles, addition of project-specific details such as start and end dates, etc, were done in this application.
 - (b) SPR (Satyam Project Repository) was the project approval application of Satyam Computers. It was used to approve projects which are newly created in OPTIMA or are modified in OPTIMA. Approval authorities at various levels approved or rejected the project in this application.
 - (c) eSupport: This application was used for the allocation of manpower and resources for projects.
 - (d) ONTIME: This was the effort management tool of Satyam Computers used to enable associates to capture their timesheets against the project IDs on which they were working so that the man hours for billing the customer could be calculated.
 - (e) PBMS (Project Billing Management System) was the billing application of Satyam Computers used to bill the efforts entered in ONTIME and port the billed efforts to IMS for invoicing. A bill was generated with a unique serial number, giving the details of the associates, their man hours, etc. called a partial bill. The information from ONTIME flowed into this application for creation of this partial bill.
 - (f) IMS was the application where the final invoice to be delivered to the customer was generated and imported the partial bill from PBMS. The partial bill was consolidated in IMS and on the basis of the consolidated bill, a final invoice was generated and sent to the customer.
 - (g) The data from the IMS was ported into the Oracle Financials, whereupon revenues are recorded in the books of account of Satyam Computers. There was no automatic link or

integration between IMS and Oracle Financials; data was transmitted from one to the other manually by the user running appropriate programmes.

38. The generation of invoice in the normal course of business began with the inception of a project with a unique serial number and project ID (OPTIMA). The project was then passed for approval to the Finance in Charge and Associate in Charge (SPR). After approval, the requisite manpower and resources were allotted (e-Support) and the time-capturing mechanism (ONTIME) was activated for the purpose of billing the customer. After the ONTIME stage, a partial bill was generated on the basis of the information fed on the ONTIME application (PBMS). Thereafter, a final invoice for delivery to the customer was generated at the IMS stage. At the IMS stage, the information in the system up to the PBMS stage was integrated and consolidated, and a consolidated bill was generated to be sent to the customer. Access to all these stages was possible by using individual log-in IDs and passwords.
39. Apart from the above, the system also enabled porting of data through MS Excel directly at the IMS stage. In such a situation, all the fields were entered in the IMS manually, known as “excel porting”. When excel porting was done, there was no need for the data to pass through all the stages mentioned above. It was, however, necessary to have the Admin ID to generate invoices through excel porting. In other words, excel porting with the use of an Admin ID and password enabled the generation of an invoice directly at the IMS stage, rather than the data being generated through the various other tools mentioned above. It was observed that the Admin ID and password required for the one-step intervention through excel porting was with Mr. G. Ramakrishna, and was made available to the Accounts Receivable team working under him, which included Mr. Srisailam Chetkuru (then Team Leader, Satyam Computers) who managed the invoicing team, and, at lower levels, Mr. K. Malla Reddy (then Executive, Finance, Satyam Computers), and Mr. Suresh Kumar (then Executive, Finance, Satyam Computers) who were responsible for entering invoice data on the system.
40. Mr. Malla Reddy had, *inter alia*, stated in his statement recorded on October 8, 2009, that he used to receive an excel attachment from Mr. Srisailam Chetkuru, who was his reporting manager, and was instructed by him to hide the invoices mentioned in the attachment while updating collections in the IMS. At the end of the month, or mid-month, he used to import excel files from a server folder into the IMS and generate invoices against the imported data. After he had raised the invoices which he had ported, he used to hide them in the system. These invoices were observed to be fake. He had also stated that he used to receive the BoB, New York branch statement on a daily basis and monthly basis. When they received the monthly statement, they also used to receive an excel sheet which contained details of customer names, invoice numbers, credit amount, which should be of the fake invoices. On updating, they used

to return the monthly statement and excel sheet to treasury. This position was corroborated by the statement of Mr. P.B.V. Suresh Kumar (then Executive, Finance, Satyam Computers). Mr. Suresh Kumar also stated that he used to prepare the excel file from which data was used to raise the fake invoices. Certain numbers were left out of the sequence in the Purchase Orders in the IMS data, which he used to add to the excel file. He would also take, on a random basis, the names of Associates, role players, approvers, business heads, etc., and add them to the excel file. Mr. Malla Reddy and Mr. Suresh Kumar had stated that about 300-400 such fake invoices were generated each quarter resultantly showing inflated revenues in the books.

41. Mr. V.V.K Raju the then Senior V.P., Finance of Satyam Computers, furnished the details of 7,561 fake invoices (“S” Series) generated in the IMS, out of which 6,603 invoices had been posted into the Oracle Financials. He further stated that these invoices were fake since they did not have roots in SPR and Project ID tools and were not visible to business finance personnel. Mr. V.V.K Raju had confirmed about these 7561 invoices as follows:

"a. the fictitious invoices are in the nature of off shore invoices;

b. there is no linkage into PBMS;

c. the payment instructions were found to be different to what is normally given by the company in case of genuine invoices (like asking for a cheque payment instead of the normal wire transfer instructions into a specific bank which is the normal practice)."

42. The details of the said 7561 invoices are as follows:

| | INVOICES (with S series) RAISED IN INVOICING MANAGEMENT SYSTEM (IMS) | | IN VOICES (with S series) ENTERED IN ORACLE FINANCIALS | | INVOICES (with S series) RECONCILED IN ORACLE FINANCIALS | |
|---------------------|---|------------------------|---|-----------------------|---|---|
| | No. of Invoices Raised | Invoices Amount in INR | No. of Invoices entered | Invoice Amount in INR | No. of invoices for which receipts shown | Invoice Amount shown as received in INR |
| Q1 (Apr 03-Jun 03) | 97 | 675,773,058 | 97 | 675,773,058 | 99 | 655,402,055 |
| Q2 (Jul 03-Sept 03) | 8 | 48,458,754 | 8 | 48,458,754 | 8 | 48,776,309 |
| Q3 (Oct 03-Dec 03) | 50 | 402,460,265 | 50 | 402,460,265 | 49 | 398,273,916 |
| Q4 (Jan 04-Mar 04) | 112 | 1,005,375,943 | 112 | 1,005,377,693 | 111 | 1,041,036,044 |
| Total | 267 | 2,132,068,021 | 267 | 2,132,069,771 | 267 | 2,143,488,323 |
| | | | | | | |
| Q1 (Apr 04-Jun 04) | 112 | 863,756,818 | 111 | 863,656,833 | 111 | 891,163,007 |

| | INVOICES (with S series) RAISED IN INVOICING MANAGEMENT SYSTEM (IMS) | | IN VOICES (with S series) ENTERED IN ORACLE FINANCIALS | | INVOICES (with S series) RECONCILED IN ORACLE FINANCIALS | |
|---------------------|---|------------------------|---|-----------------------|---|---|
| | No. of Invoices Raised | Invoices Amount in INR | No. of Invoices entered | Invoice Amount in INR | No. of invoices for which receipts shown | Invoice Amount shown as received in INR |
| Q2 (Jul 04-Sept 04) | 64 | 414,972,335 | 63 | 407,071,698 | 62 | 391,741,949 |
| Q3 (Oct 04-Dec 04) | 73 | 502,355,438 | 69 | 495,526,123 | 69 | 481,194,041 |
| Q4 (Jan 05-Mar 05) | 217 | 1,423,958,105 | 208 | 1,328,135,486 | 208 | 1,288,458,799 |
| Total | 466 | 3,205,042,696 | 451 | 3,094,390,141 | 450 | 3,052,557,796 |
| Q1 (Apr 05-Jun 05) | 249 | 1,547,384,062 | 249 | 1,546,913,816 | 249 | 1,494,243,548 |
| Q2 (Jul 05-Sept 05) | 243 | 1,344,669,701 | 242 | 1,344,637,972 | 238 | 1,334,649,309 |
| Q3 (Oct 05-Dec 05) | 296 | 1,634,775,652 | 291 | 1,501,734,841 | 262 | 1,414,381,192 |
| Q4 (Jan 06-Mar 06) | 400 | 2,133,425,996 | 398 | 1,934,497,015 | 361 | 1,840,686,424 |
| Total | 1,188 | 6,660,255,411 | 1,180 | 6,327,783,645 | 1,110 | 6,083,960,473 |
| Q1 (Apr 06-Jun 06) | 25 | 7,564,980 | 12 | 1,307,021 | 11 | 1,139,585 |
| Q2 (Jul 06-Sept 06) | 101 | 1,417,512,548 | 30 | 1,348,426,093 | 20 | 1,326,829,000 |
| Q3 (Oct 06-Dec 06) | 385 | 2,839,480,411 | 237 | 2,423,440,830 | 237 | 2,273,743,060 |
| Q4 (Jan 07-Mar 07) | 457 | 3,405,583,824 | 375 | 3,019,854,978 | 373 | 2,499,668,381 |
| Total | 968 | 7,670,141,763 | 654 | 6,793,028,922 | 641 | 6,101,380,025 |
| Q1 (Apr 07-Jun 07) | 680 | 3,941,982,560 | 473 | 3,226,186,008 | 473 | 2,890,777,863 |
| Q2 (Jul 07-Sept 07) | 741 | 4,151,276,136 | 486 | 3,205,579,254 | 485 | 2,772,499,610 |
| Q3 (Oct 07-Dec 07) | 889 | 5,987,744,197 | 730 | 5,258,217,184 | 728 | 4,836,825,391 |
| Q4 (Jan 08-Mar 08) | 794 | 5,653,003,861 | 794 | 5,653,003,861 | 794 | 5,401,277,947 |
| Total | 3,104 | 19,734,006,754 | 2,483 | 17,342,986,307 | 2,480 | 15,901,380,811 |
| Q1 (Apr 08-Jun 08) | 791 | 5,889,432,614 | 791 | 5,889,432,614 | 791 | 5,483,034,760 |
| Q2 (Jul 08-Sept 08) | 777 | 5,885,986,975 | 777 | 5,885,986,975 | 150 | 1,067,531,809 |
| Total | 1,568 | 11,775,419,590 | 1,568 | 11,775,419,590 | 941 | 6,550,566,569 |
| GRAND TOTAL | 7,561 | 51,176,934,235 | 6,603 | 47,465,678,376 | 5,889 | 39,833,333,996 |

43. The fact that these 7,561 invoices were fake was further corroborated by the statement of Mr. Ramarao Remella, AVP (Finance) of Satyam Computers, dated October 8, 2009, wherein he

stated that the aforesaid 7,561 invoices were not visible to business finance personnel of Satyam Computers (FICs) after getting them checked and confirmed by each FIC. He also stated that:

- a. There were two sets of MIS which were given to Mr. Srinivas Vadlamani and that these sets were prepared based on the changes given by Mr. Srinivas.
 - b. When he asked Mr. Srinivas why they should change the MIS which was coming from the IMS tool and prepare a second set of MIS, Mr. Srinivas stated that the MIS coming from IMS tool which matched with the published sales was not giving the correct MIS as the IMS tool had certain drawbacks. To correct this, Mr. Srinivas said that he had better information collected through review reports and to effect the same, changes were required.
 - c. He intimated Mr. G. Ramakrishna, to whom he was reporting, that Mr. Srinivas was asking him to make these changes, whereupon Mr. Ramakrishna informed him that as the CFO was asking for these changes, they should do it since he should know the rationale for the same.
44. The fake invoices mentioned above had been inserted into the IMS through the excel porting mechanism and that the revenues covered by those invoices in the books were fictitious.
45. In addition, there were invoices in the IMS for the development of certain customized products in respect of non-existent customers. These invoices were tagged with the letter “H”. There were a total of 27 such invoices, as listed in the following table:

| Sl no. | Invoice no. | Date of invoice | Invoice Amount (USD) | Name of customer |
|--------|----------------|-----------------|----------------------|-----------------------|
| 1. | OFF-0607-1859. | 31-May-06 | 3,800,000 | AutoTech Service, Inc |
| 2. | OFF-0607-1900. | 31-May-06 | 3,250,000 | AutoTech Service, Inc |
| 3. | OFF-0607-12733 | 26-Oct-06 | 1,350,000 | Cellnet, Inc |
| 4. | OFF-0607-1946. | 31-May-06 | 2,800,000 | Cellnet, Inc |
| 5. | OFF-0607-2135. | 31-May-06 | 2,500,000 | Cellnet, Inc |
| 6. | OFF-0607-3860 | 30-Jun-06 | 1,320,000 | Cellnet, Inc |
| 7. | OFF-0607-9204 | 31-Aug-06 | 1,850,000 | Cellnet, Inc |
| 8. | OFF-0607-11765 | 30-Sep-06 | 2,900,000 | eCare Inc |
| 9. | OFF-0607-2038. | 31-May-06 | 2,150,000 | eCare Inc |
| 10. | OFF-0607-2170. | 31-May-06 | 1,650,000 | eCare Inc |
| 11. | OFF-0607-4229 | 30-Jun-06 | 1,300,000 | eCare Inc |
| 12. | OFF-0607-7050 | 31-Jul-06 | 1,850,000 | eCare Inc |
| 13. | OFF-0607-2044. | 31-May-06 | 3,300,000 | Hargreaves, Inc |
| 14. | OFF-0607-5049 | 30-Jun-06 | 2,050,000 | Hargreaves, Inc |
| 15. | OFF-0607-7099 | 31-Jul-06 | 1,500,000 | Hargreaves, Inc |

| | | | | |
|-----|----------------|-----------|-------------|-----------------|
| 16. | OFF-0607-9323 | 31-Aug-06 | 2,800,000 | Hargreaves, Inc |
| 17. | OFF-0607-12729 | 26-Oct-06 | 1,780,000 | Mobitel, Inc |
| 18. | OFF-0607-1944. | 31-May-06 | 1,825,000 | Mobitel, Inc |
| 19. | OFF-0607-2067. | 31-May-06 | 2,325,000 | Mobitel, Inc |
| 20. | OFF-0607-4145 | 30-Jun-06 | 1,750,000 | Mobitel, Inc |
| 21. | OFF-0607-7975 | 31-Aug-06 | 1,960,000 | Mobitel, Inc |
| 22. | OFF-0607-2370. | 31-May-06 | 2,150,000 | NorthSea Inc |
| 23. | OFF-0607-4868 | 30-Jun-06 | 1,750,000 | NorthSea Inc |
| 24. | OFF-0607-2502. | 31-May-06 | 1,850,000 | NorthSea Inc |
| 25. | OFF-0607-6300 | 31-Jul-06 | 1,550,000 | NorthSea Inc |
| 26. | OFF-0607-1997. | 31-May-06 | 2,750,000 | Synony Inc. |
| 27. | OFF-0607-5425 | 30-Jun-06 | 2,100,000 | Synony Inc. |
| | TOTAL | | 5,81,60,000 | |

46. Out of the above customers, as a sample, a search was done into the creation of fake invoices regarding a customer called Cellnet Inc (invoices 3 to 7 in the above list), whose address was given as “Marylebone Road London NW1, N 5LR UK”. Mr. T. R. Anand, the concerned Business Head of Satyam Computers at the relevant time was asked to comment on:

- a. The authenticity of the invoices;
- b. whether the work was carried out on those invoices,
- c. whether the same was delivered,
- d. whether payment was received in those cases and
- e. the background behind these invoices.

47. Mr. T. R. Anand, in his response dated August 31, 2009, had, *inter alia*, stated as follows:

- a. On April 9, 2006, the MD, Mr. Rama Raju, had requested Mr. Anand to propose some interesting product ideas that he could propose to product development companies. Based on the guidelines provided by Mr. Rama Raju, Mr. Anand sent Mr. Rama Raju a proposal under cover of an email dated April 18, 2006 that covered conceiving, designing and building a software product around Digital rights Management (DRM) that would help music and video companies to expand their offerings in the online space (“DRM Rightsman” software product proposal). In this regard, Mr. Anand annexed, *inter alia*, emails dated April 9, 2006 and April 18, 2006 that were exchanged between him and Mr. Rama Raju. Mr. Rama Raju had stated in his e-mail to Mr. Anand dated April 9, 2006 - “*It is better that the team (or others) does not know that I am doing the introduction, lest they may think that I may do the batting for them. You may mark only the attachment for any of your team members but not this letter.*” Further, Mr. Rama Raju emphasized that time was of the essence and that the proposal needs to be sent out before the evening of April 14, 2006, (i.e., in only five days

time). It is also significant that the email from Mr. Rama Raju to Mr. Anand was within the knowledge of Mr. B. Ramalinga Raju as a copy of the same was marked to him.

- b. Mr. Rama Raju informed them that the proposal for “DRM Rights Man” product conception/design/build had been selected. Mr. Anand has annexed a copy of a purported Purchase Order of CellNet Inc. dated April 9, 2009 in that regard. Mr. Anand then put together a development team that had 9 sub-teams. Mr. Anand’s team developed the product using iterative mode, each iteration producing an evolving version of the product.
- c. Mr. Anand received an email dated September 6, 2006 from one Mr John V. Elite, of M/s Cellnet Inc, in which Mr. Elite claimed to have approached Satyam Computers vide the above-mentioned Purchase Order dated April 9, 2009 for a project on DRM Rights Man and asked Mr. Anand to provide him a high-level design and progress made in the deliverable packet as on date. Mr. Elite had also sent another email dated September 24, 2006, enclosing his comments on the project being developed by Mr. Anand’s team; details of which had been sent vide Mr. Anand’s email dated September 11, 2006. It is significant to note that a copy of the email dated September 6, 2006, was also marked to Mr. Rama Raju. Mr. Anand has further stated as follows:

- i. These invoices appear in the eIMS system;*
- ii. He has not received these invoices for submission to the customer nor followed up with them for payments;*
- iii. Mr Rama Raju was directly dealing with this customer: and*
- iv. From the eIMS records, it shows that payments have been received.*

48. In order to find out about the existence of Cellnet Inc. for which the product was claimed to be developed by Satyam Computers, a search was made on the internet, which did not reveal the existence of any Cellnet Inc. at the aforesaid address. Further, there did not exist, the website www.cellnetinc.net, which has been given as the URL of Cellnet Inc. in the email of the so-called Mr. John Elite. Thus, this customer was fictitious. It was noted that the finance department was not able to get confirmations from the delivery personnel as to the delivery status of the product to Cellnet Inc. Thus, apart from the observation that the invoices generated were fake, it was also observed that the invoices had obviously been raised to ramp up fake revenues in the books of Satyam Computers for the products so developed. When the authenticity of these invoices was questioned, Mr. V.V.K. Raju confirmed that the customers mentioned in the said 27 invoices were fake. Thus, the customers mentioned in the above-mentioned 27 were observed to be fake. Further the invoices were visible to business heads and collections towards these invoices have been shown in the Oracle Financials. However, as the

business heads had neither received the invoices for submission to the customer nor followed up for payment, collections shown against such invoices in the Oracle Financials were clearly fictitious.

49. Mr. Prabhakara Gupta has stated in his statement dated October 7, 2009 that in the first quarter of 2007-08, data in the IMS was compared with that in the Oracle Financials by Internal Audit for the first time. This was done while conducting internal audits in the cases of the clients viz. Citigroup, Bear Stearns, and Agilent. Internal Audit detected differences between the invoices reflected in the IMS as against those in the Oracle Financials. When these differences were reported to Finance Dept of Satyam Computers, they replied to the Internal Audit that these differences were being reconciled and subsequently, the Internal Audit team's access to the OFF module in Oracle Financials was also removed. It was also stated by Mr. Prabhakara Gupta that Mr. Rama Raju had directed him to close the observations regarding the reconciliation of the invoices and told him that Mr. Ramakrishna would take care of the same. Mr. Ramakrishna told his team that reconciliation had been done in the Citigroup case and directed them to close the observations. Thereafter, he (Mr. Prabhakara Gupta) advised his team to close the observations in the Citigroup Report since he could not overrule the direction from Mr. Rama Raju. He has stated that the same approach was taken for closure of the observation in the Agilent Report, and that the Bear Stearns Report, which as on the date of investigation was still open for compliance.
50. Mr. Prabhakara Gupta had produced copies of the Internal Audit Reports in the cases of the three clients mentioned above. All three Reports contained observations that there were invoices appearing in Oracle Financials which were not available in the IMS and stated that a reconciliation of the invoices in IMS and Oracle Financials should be performed. The Report in the case of Citigroup (Observation No. 4 of the Internal Audit report) stated that action had been taken in the form of reconciliation by Satyam Computers and contained a remark by Internal Audit that the observation had now been settled by Internal Audit. The Bear Stearns Report (Observation No. 4 of the Internal Audit report) stated that reconciliation was in progress and contained the Internal Audit remark "*to check compliance on scheduled date*". The Agilent Report (Observation No. 3 of the Internal Audit report) stated that "*the FIC is fully informed and will ensure that the reconciliation gets completed by end September 07*" and contained the Internal Audit remark "*Settled. To be verified in future*" and the target date was given as August 31, 2008.
51. The invoices identified in the Internal Audit Reports were among the above mentioned 7,561 fake invoices. Although Internal Audit had detected the mismatch between the invoices in the IMS and Oracle Financials as far back as in the first quarter of 2007-08, it closed these

observations and filed false reports to the effect that the observation had been settled and/or that reconciliation would be verified in the future. It is also important to note that the Internal Audit process was conducted by an internal team.

52. The consolidated statement of revenues after removing the fake invoices of the revenue declared and published in the financial statements is given in the following table:

| COMPARISON OF FICTITIOUS REVENUE VS REVENUE AFTER REMOVING FAKE INVOICES | | | | |
|---|-----------------|--------------------------|---------------------------|---|
| | | | | All figures in INR |
| | | Published revenue | Fictitious revenue | Revenue after removing fake invoices |
| FY | Qtr-Year | | | |
| 03-04 | Q1-2004 | 5,596,526,429 | 675,773,058 | 4,920,753,371 |
| | Q2-2004 | 5,984,910,228 | 48,458,754 | 5,936,451,473 |
| | Q3-2004 | 6,626,964,057 | 402,460,265 | 6,224,503,792 |
| | Q4-2004 | 7,207,052,473 | 1,005,375,943 | 6,201,676,530 |
| 03-04 Total | | 25,415,453,188 | 2,132,068,021 | 23,283,385,166 |
| 04-05 | Q1-2005 | 7,714,982,873 | 863,744,227 | 6,851,238,646 |
| | Q2-2005 | 8,481,020,068 | 407,062,948 | 8,073,957,119 |
| | Q3-2005 | 8,912,607,209 | 495,526,123 | 8,417,081,086 |
| | Q4-2005 | 9,533,640,185 | 1,328,135,486 | 8,205,504,699 |
| 04-05 Total | | 34,642,250,335 | 3,094,468,784 | 31,547,781,551 |
| 05-06 | Q1-2006 | 10,344,319,499 | 1,547,090,885 | 8,797,228,613 |
| | Q2-2006 | 11,172,741,301 | 1,344,637,972 | 9,828,103,329 |
| | Q3-2006 | 12,226,317,971 | 1,598,486,426 | 10,627,831,545 |
| | Q4-2006 | 12,599,764,411 | 2,130,452,153 | 10,469,312,258 |
| 05-06 Total | | 46,343,143,181 | 6,620,667,436 | 39,722,475,745 |
| 06-07 | Q1-2007 | 13,868,662,709 | 1,307,021 | 13,867,355,688 |
| | Q2-2007 | 15,376,977,233 | 1,348,426,093 | 14,028,551,140 |
| | Q3-2007 | 15,948,787,928 | 2,423,440,830 | 13,525,347,098 |
| | Q4-2007 | 17,090,307,279 | 3,088,720,571 | 14,001,586,708 |
| 06-07 Total | | 62,284,735,150 | 6,861,894,516 | 55,422,840,634 |
| 07-08 | Q1-2008 | 17,590,803,808 | 3,226,186,008 | 14,364,617,799 |
| | Q2-2008 | 19,482,347,157 | 3,205,579,254 | 16,276,767,903 |

| COMPARISON OF FICTITIOUS REVENUE VS REVENUE AFTER REMOVING FAKE INVOICES | | | | |
|---|---------|--------------------------|---------------------------|---|
| | | | | All figures in INR |
| | | Published revenue | Fictitious revenue | Revenue after removing fake invoices |
| | Q3-2008 | 21,105,870,222 | 5,258,217,184 | 15,847,653,038 |
| | Q4-2008 | 23,193,796,290 | 5,653,003,861 | 17,540,792,429 |
| 07-08 Total | | 81,372,817,477 | 17,342,986,307 | 64,029,831,170 |
| | | | | |
| 08-09 | Q1-2009 | 25,268,988,058 | 5,889,432,614 | 19,379,555,444 |
| | Q2-2009 | 27,005,155,581 | 5,885,986,975 | 21,119,168,607 |
| 08-09 Total | | 52,274,143,639 | 11,775,419,589 | 40,498,724,050 |
| | | | | |
| Grand Total | | 302,332,542,970 | 47,827,504,654 | 254,505,038,316 |

53. From the above table, it is seen that by merely taking into account the fictitious invoices alone (and no other aspect of the manipulated books), Satyam Computers' revenues were over-stated to the extent of ₹ 4782.75 crores over a period of 5-6 years, between 2003-04 and September 2008.

54. As mentioned hereinabove, in his e-mail dated January 7, 2009, Mr. Ramalinga Raju had stated that for the September 2008 quarter, Satyam Computers had reported a revenue of ₹ 2,700 crores and an operating margin of ₹ 649 crores (24% of revenues) as against actual revenues of ₹ 2,112 crores and an actual operating margin of ₹ 61 crores (3% of revenues). The difference between the figures of ₹ 2,700 crores and ₹ 2,112 crores is ₹ 588 crores, which tallies with the figure derived above for the same quarter after removing the fake invoices. The over-stated revenues necessarily had a bearing on the actual margins earned by Satyam Computers vis-à-vis the margins declared and published in the financial statements. The margins after removing the fictitious invoices are shown in the following table:

(in ₹ crores)

| | | Published Sales | Published Expenditure | Reported Operating Margin | Reported Operating Margin as % | Inflated Sales * | Actual Sales | Operating Margin after removing fake invoices | Operating Margin as % after removing fake invoices |
|--------------|-----------------|------------------------|------------------------------|----------------------------------|---------------------------------------|-------------------------|----------------------|--|---|
| FY | Qtr-Year | (1) | (2) | (3)=(1) - (2) | (4)=(3) / (1) | (5) | (6)=(1) - (5) | (7)=(3)-(5) | (8)=(7)/ (6) |
| 03-04 | Q1 | 559.65 | 397.25 | 162.40 | 29.02% | 67.58 | 492.08 | 94.83 | 19.27% |

| | | Published Sales | Published Expenditure | Reported Operating Margin | Reported Operating Margin as % | Inflated Sales * | Actual Sales | Operating Margin after removing fake invoices | Operating Margin as % after removing fake invoices |
|--------------------|----|------------------|-----------------------|---------------------------|--------------------------------|------------------|------------------|---|--|
| | Q2 | 598.49 | 431.91 | 166.58 | 27.83% | 4.85 | 593.65 | 161.74 | 27.24% |
| | Q3 | 662.70 | 488.90 | 173.80 | 26.23% | 40.25 | 622.45 | 133.55 | 21.46% |
| | Q4 | 720.71 | 530.90 | 189.81 | 26.34% | 100.54 | 620.17 | 89.27 | 14.39% |
| 03-04 Total | | 2,541.55 | 1,848.96 | 692.59 | 27.25% | 213.21 | 2,328.34 | 479.38 | 20.59% |
| 04-05 | Q1 | 771.50 | 572.67 | 198.83 | 25.77% | 86.37 | 685.12 | 112.45 | 16.41% |
| | Q2 | 848.10 | 627.29 | 220.81 | 26.04% | 40.71 | 807.40 | 180.11 | 22.31% |
| | Q3 | 891.26 | 665.04 | 226.22 | 25.38% | 49.55 | 841.71 | 176.67 | 20.99% |
| | Q4 | 953.36 | 710.06 | 243.30 | 25.52% | 132.81 | 820.55 | 110.49 | 13.47% |
| 04-05 Total | | 3,464.23 | 2,575.06 | 889.17 | 25.67% | 309.45 | 3,154.78 | 579.72 | 18.38% |
| 05-06 | Q1 | 1,034.43 | 784.94 | 249.49 | 24.12% | 154.71 | 879.72 | 94.78 | 10.77% |
| | Q2 | 1,117.27 | 833.37 | 283.90 | 25.41% | 134.46 | 982.81 | 149.44 | 15.21% |
| | Q3 | 1,222.63 | 898.02 | 324.61 | 26.55% | 159.85 | 1,062.78 | 164.76 | 15.50% |
| | Q4 | 1,259.97 | 924.47 | 335.50 | 26.63% | 213.05 | 1,046.92 | 122.45 | 11.70% |
| 05-06 Total | | 4,634.30 | 3,440.80 | 1,193.50 | 25.75% | 662.07 | 3,972.24 | 531.44 | 13.38% |
| 06-07 | Q1 | 1,386.86 | 1,031.21 | 355.65 | 25.64% | 0.13 | 1,386.73 | 355.52 | 25.64% |
| | Q2 | 1,537.71 | 1,180.35 | 357.36 | 23.24% | 134.84 | 1,402.87 | 222.52 | 15.86% |
| | Q3 | 1,594.87 | 1,185.93 | 408.94 | 25.64% | 242.34 | 1,352.53 | 166.60 | 12.32% |
| | Q4 | 1,709.03 | 1,301.85 | 407.18 | 23.83% | 308.87 | 1,400.16 | 98.31 | 7.02% |
| 06-07 Total | | 6,228.47 | 4,699.34 | 1,529.13 | 24.55% | 686.19 | 5,542.28 | 842.94 | 15.21% |
| 07-08 | Q1 | 1,759.08 | 1,346.37 | 412.71 | 23.46% | 322.62 | 1,436.46 | 90.09 | 6.27% |
| | Q2 | 1,948.24 | 1,546.64 | 401.60 | 20.61% | 320.56 | 1,627.68 | 81.04 | 4.98% |
| | Q3 | 2,110.58 | 1,641.86 | 468.72 | 22.21% | 525.82 | 1,584.76 | (57.10) | -3.60% |
| | Q4 | 2,319.38 | 1,773.89 | 545.49 | 23.52% | 565.30 | 1,754.08 | (19.81) | -1.13% |
| 07-08 Total | | 8,137.28 | 6,308.76 | 1,828.52 | 22.47% | 1,734.30 | 6,402.98 | 94.22 | 1.47% |
| 08-09 | Q1 | 2,526.90 | 1,878.29 | 648.61 | 25.67% | 588.94 | 1,937.96 | 59.67 | 3.08% |
| | Q2 | 2,700.52 | 2,051.25 | 649.27 | 24.04% | 588.60 | 2,111.92 | 60.67 | 2.87% |
| 08-09 Total | | 5,227.42 | 3,929.54 | 1,297.88 | 24.83% | 1,177.54 | 4,049.88 | 120.34 | 2.97% |
| Grand Total | | 30,233.24 | 22,802.46 | 7,430.78 | 24.58% | 4,782.75 | 25,450.49 | 2,648 | 10.40% |

55. It was observed that by merely taking into account the fictitious invoices, the margin for the quarter ended September 30, 2008 was about 2.9%, as against the published margin of 24.04%.

This also tallies with the 3% margin mentioned in Mr. Ramalinga Raju's email dated January 7, 2009.

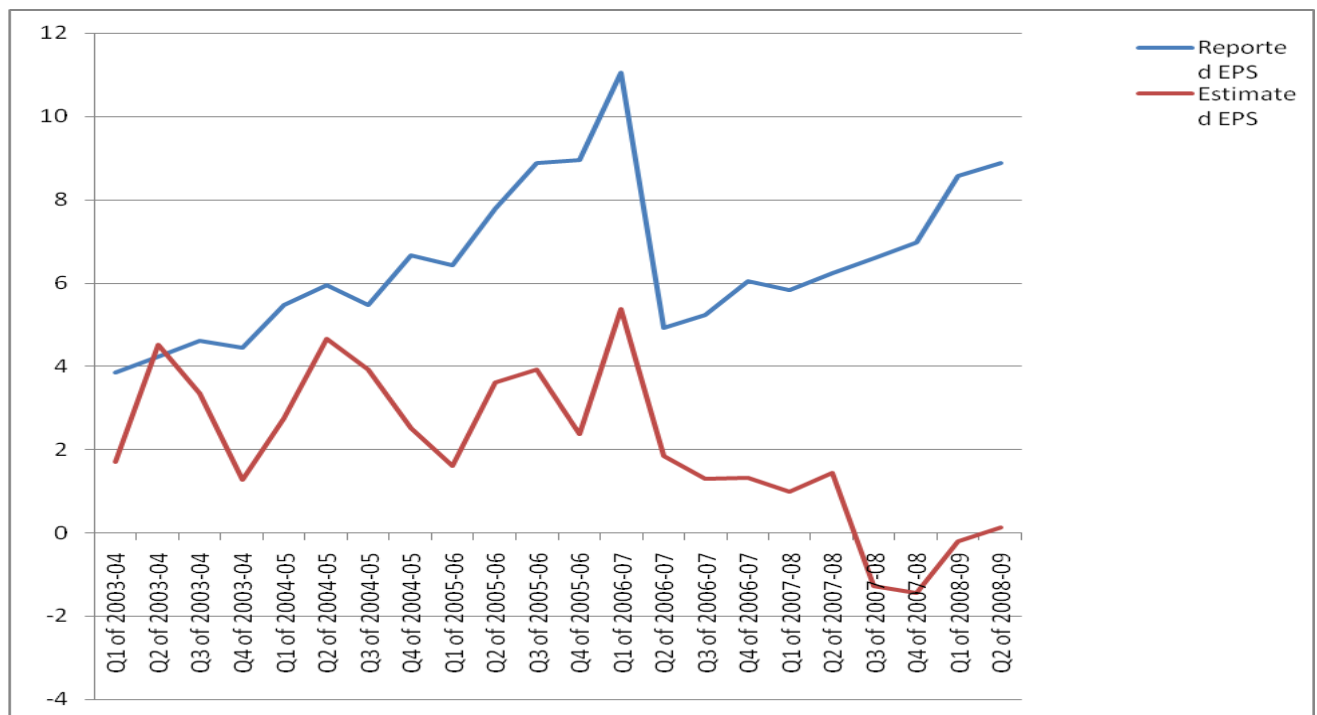
56. The inflation of Satyam Computers' sales revenues by the huge amount of at least ₹ 4,782 crores had a direct impact on the Earnings Per Share (EPS), and other ratios and norms used to evaluate the value of equity shares in the market. The EPS of Satyam Computers based on the reported income vis-à-vis the income after removing the fake invoices during the period 2000-2008 is given in the following table:

| FY | Qtr-Year | Published Sales (In ₹cr.) | Published PAT (In ₹cr.) | Published EPS (basic) | Equity Share capital (In ₹cr.) | Face Value | Fictitious invoices "S" type (In ₹cr.) | Diff between col2 and col 4 | % fall in net profit as per col.5 | Estimated EPS based on profit after deducting col. 4 |
|--------------------|----------|---------------------------|-------------------------|-----------------------|--------------------------------|------------|--|-----------------------------|-----------------------------------|--|
| | | (1) | (2) | (3) | | | (4) | (5) | (6)=(2-5)/2 | (3)*(6) |
| 03-04 | Q1 | 559.65 | 121.49 | 3.86 | 63.18 | 2 | 67.58 | 53.91 | 55.63% | 1.71 |
| | Q2 | 598.49 | 147.59 | 4.25 | 63.18 | 2 | 4.85 | 142.74 | 3.29% | 4.52 |
| | Q3 | 662.70 | 145.87 | 4.63 | 63.18 | 2 | 40.25 | 105.62 | 27.59% | 3.34 |
| | Q4 | 720.71 | 140.84 | 4.46 | 63.25 | 2 | 100.54 | 40.3 | 71.39% | 1.27 |
| 03-04 Total | | 2,541.55 | | | | | 213.21 | 342.58 | 38.36% | 10.83 |
| 04-05 | Q1 | 771.50 | 173.48 | 5.48 | 63.36 | 2 | 86.37 | 87.11 | 49.79% | 2.75 |
| | Q2 | 848.10 | 188.79 | 5.95 | 63.52 | 2 | 40.71 | 148.08 | 21.56% | 4.66 |
| | Q3 | 891.26 | 174.78 | 5.49 | 63.77 | 2 | 49.55 | 125.23 | 28.35% | 3.93 |
| | Q4 | 953.36 | 213.21 | 6.68 | 63.85 | 2 | 132.81 | 80.4 | 62.29% | 2.52 |
| 04-05 Total | | 3,464.23 | | | | | 309.45 | 440.81 | 41.25% | 13.81 |
| 05-06 | Q1 | 1,034.43 | 206.54 | 6.44 | 64.14 | 2 | 154.71 | 51.83 | 74.91% | 1.62 |
| | Q2 | 1,117.27 | 250.73 | 7.80 | 64.39 | 2 | 134.46 | 116.27 | 53.63% | 3.61 |
| | Q3 | 1,222.63 | 286.88 | 8.89 | 64.66 | 2 | 159.85 | 127.03 | 55.72% | 3.93 |
| | Q4 | 1,259.97 | 289.90 | 8.95 | 64.89 | 2 | 213.05 | 76.85 | 73.49% | 2.37 |
| 05-06 Total | | 4,634.30 | | | | | 662.07 | 371.98 | 64.03% | 11.46 |
| 06-07 | Q1 | 1,386.86 | 360.09 | 11.05 | 65.26 | 2 | 184.44 | 175.65 | 51.22% | 5.38 |
| | Q2 | 1,537.71 | 322.34 | 4.93 | 130.93 | 2 | 201.6 | 120.74 | 62.54% | 1.84 |
| | Q3 | 1,594.87 | 343.3 | 5.24 | 131.42 | 2 | 257.1 | 86.2 | 74.89% | 1.31 |
| | Q4 | 1,709.03 | 397.50 | 6.04 | 133.44 | 2 | 308.87 | 88.63 | 77.70% | 1.33 |
| 06-07 Total | | 6,228.47 | | | | | 686.19 | 737.04 | 48.21% | 11.05 |
| 07-08 | Q1 | 1,759.08 | 389.14 | 5.83 | 133.53 | 2 | 322.62 | 66.52 | 82.91% | 1.00 |
| | Q2 | 1,948.24 | 417.15 | 6.24 | 133.71 | 2 | 320.56 | 96.59 | 76.85% | 1.44 |
| | Q3 | 2,110.58 | 441.00 | 6.59 | 133.91 | 2 | 525.82 | -84.82 | 119.23% | -1.27 |
| | Q4 | 2,319.38 | 468.45 | 6.99 | 134.10 | 2 | 565.30 | -96.85 | 120.67% | -1.44 |
| 07-08 Total | | 8,137.28 | | | | | 1,734.30 | -18.56 | 101.08% | -0.28 |

| FY | Qtr-Year | Published Sales (In ₹cr.) | Published PAT (In ₹cr.) | Published EPS (basic) | Equity Share capital (In ₹cr.) | Face Value | Fictitious invoices "S" type (In ₹cr.) | Diff between col2 and col 4 | % fall in net profit as per col.5 | Estimated EPS based on profit after deducting col. 4 |
|--------------------|----------|---------------------------|-------------------------|-----------------------|--------------------------------|------------|--|-----------------------------|-----------------------------------|--|
| 08-09 | Q1 | 2,526.90 | 575.91 | 8.58 | 134.50 | 2 | 588.94 | -13.03 | 102.26% | -0.19 |
| | Q2 | 2,700.52 | 597.43 | 8.88 | 134.70 | 2 | 588.60 | 8.83 | 98.52% | 0.13 |
| 08-09 Total | | 5,227.42 | | | | | 1,177.54 | -4.2 | 100.36% | -0.06 |
| Grand Total | | | | | | | 4,782.75 | | | |

57. The above table indicates that if the sales recorded in the fictitious invoices were excluded, Satyam Computers would actually have reported a loss as early as in the third quarter of the year 2007-08 itself, and the EPS would actually have been negative in many quarters. Even where the revised EPS is a positive figure, it is much lower than the published EPS based on the inflated earnings reflected in the books of account.

58. The effect of the inflated sales revenue on the EPS is graphically represented as follows:



59. EPS, P/E, etc are important factors for determining the value of a particular scrip and therefore has a direct bearing on the market price of the same. In this case, the falsified financials of the

company showed grossly inflated earnings, which, in turn, were resulted in an inflated EPS that had a direct bearing on the investment decision of an investor. It was also noted that the other financial ratios such as P/E also portrayed an incorrect picture and the millions of investors who have invested in the scrip of Satyam Computers were clearly misled by the wrong projections given in the financial indicators such as EPS, P/E, etc. If the actual financial status of Satyam Computers were made available to the public, it would have immediately dampened the sentiment in the stock. In this manner, those who have indulged in the fraud and in portraying the false picture of Satyam Computers' finances to the investing public have not only misled and duped the investors, but have also manipulated the price of the scrip by giving a false financial picture.

60. As stated in Mr. Ramalinga Raju's e-mail dated January 07, 2009, the figure of debtors of Satyam Computers shown in the books for the quarter-ended September 2008 was inflated by ₹ 490 crore. During investigations, the inflated debtors' figure for the quarter ended September 30, 2008 and the earlier periods was observed as follows:

| DETAILS OF DEBTORS | | | | |
|---------------------------|-----------------|------------------|--|---|
| | | | | INR |
| FY | Qtr-Year | Published | 's' type invoices posted in Oracle Financials and appearing in debtors as outstanding | Debtors after removing 's' type invoices as described in col E |
| 07-08 | Q1-2008 | 27,542,481,237 | 5,678,511,382 | 21,863,969,855 |
| | Q2-2008 | 28,259,508,992 | 5,002,091,534 | 23,257,417,458 |
| 06-07 | Q1-2007 | 18,855,651,939 | 3,252,882,078 | 15,602,769,862 |
| | Q2-2007 | 20,911,242,303 | 3,162,724,160 | 17,748,518,143 |
| | Q3-2007 | 22,145,595,494 | 4,912,738,832 | 17,232,856,661 |
| | Q4-2007 | 23,653,855,468 | 5,711,279,765 | 17,942,575,703 |
| 05-06 | Q1-2006 | 12,929,949,852 | 32,375,920 | 12,897,573,933 |
| | Q2-2006 | 14,584,343,338 | 537,418,563 | 14,046,924,775 |
| | Q3-2006 | 15,401,235,877 | 1,498,085,795 | 13,903,150,082 |
| | Q4-2006 | 17,671,156,252 | 2,524,401,678 | 15,146,754,574 |
| | | | | |

| | | | | |
|--------------|---------|----------------|---------------|----------------|
| 04-05 | Q3-2005 | 11,207,565,089 | 1,136,391,475 | 10,071,173,615 |
| | Q4-2005 | 12,266,974,917 | 1,790,995,723 | 10,475,979,193 |

61. From the above table, it is seen that merely by taking into account the fictitious invoices and no other aspect of the manipulation of the books, the overstatement of debtors was to the extent of ₹ 252.44 crore as at the end of March 31, 2007, ₹ 571.12 crore as at the end of March 31, 2008 and ₹ 500.20 crore as at the end of September 30, 2008. It was observed that the inflated receivables by creating fictitious invoices as aforesaid had resulted in fake debtors being created and shown in the books of Satyam Computers.
62. As per Mr. Ramalinga Raju's e-mail dated January 7, 2009 the balance sheet of Satyam Computers contained accrued interest of ₹ 376 crore which was non-existent. As mentioned hereinabove, the fixed deposits to the extent of ₹ 3,308.41 crore as on September 30, 2008 were non-existent and fictitious. Satyam Computers' books of account showed that it had earned a total accrued interest of ₹ 376 crore on those fictitious deposits as on September 30, 2008. Thus, there was an overstatement of accrued interest to the tune of ₹ 376 crore as on September 30, 2008. It was further revealed that the accrued interest was overstated for earlier periods as well, as described in the following table:

| Period ended | Published interest figures (₹) | Actual interest figures (₹) | Fictitious interest figures (₹) |
|---------------------|---------------------------------------|------------------------------------|--|
| Mar-03 | 18,49,51,538 | 15,64,674 | 18,33,86,864 |
| Mar-04 | 91,45,94,928 | 10,92,307 | 91,35,02,621 |
| Mar-05 | 24,45,89,297 | 9,31,230 | 24,36,58,068 |
| Mar-06 | 110,59,25,443 | 6,74,594 | 110,52,50,849 |
| Mar-07 | 64,82,52,916 | 20,45,718 | 64,62,07,198 |
| Mar-08 | 272,45,18,164 | 17,33,109 | 272,27,85,055 |
| Jun-08 | 324,11,12,920 | 20,64,452 | 323,90,48,468 |
| Sep-08 | 376,33,62,204 | 23,77,099 | 376,09,85,105 |

63. Mr. Ramalinga Raju, in his email, had stated that he had arranged for funds amounting to ₹1230 crore for Satyam Computers over the past two years, which were not reflected in its books of account. On January 8, 2009, Satyam Computers received 'identically worded letters' from 37 entities, claiming that various amounts were paid to it and asking it to acknowledge the receipt of the outstanding amounts in books. The total amount claimed to have been paid to Satyam Computers by these entities is ₹ 1,425 crore. Since Satyam Computers' books did not reflect any

such receipts, SEBI sought the details from its banks (HDFC Bank, HSBC, and ICICI Bank) in order to verify the same. In addition, the banks of the said 37 entities were also asked to forward copies of the cheques issued by them. On analysis of the information received from the banks of Satyam Computers and the 37 entities, it was observed that Satyam Computers had received the said amount of ₹1,425 crore through cheques drawn on behalf of the said 37 entities, on various dates in 2007 and 2008. However, from the books of account of Satyam Computers and the statement of Mr. V.V.K. Raju it was noted that none of these receipts have been recorded in the Oracle Financials. It was further observed that an amount of about ₹194.6 crore had been paid by Satyam Computers to various entities. These payments were reflected in the Oracle Financials, but shown as advances paid on behalf of Panchakalyani Agro Farms Pvt. Ltd. These cheques were signed by either Mr. Ramalinga Raju or Mr. Rama Raju. It was , therefore, observed that the amount of ₹1,425 crores was received by Satyam Computers but was not reflected in its books and financial statements at all and an amount of about ₹194.6 crore was paid by Satyam Computers but recorded in the Oracle Financials in an incorrect and misleading manner.

64. The amount of net addition to TDS for the Assessment year 2008-09 (financial year 2007-08) was ₹88.73 crores as per the books of account of Satyam Computers, whereas the figure given in the audited balance sheet was ₹61.04 crores, and the actual amount of TDS for which the benefit was claimed in the income tax return filed by Satyam Computers with the Income Tax Department for the same period was only ₹42.68 crores. Similarly, for the assessment year 2007-08 (financial year 2006-07), the amount of net addition to TDS as per the books of account of Satyam Computers was ₹51.79 crore, whereas the audited balance sheet showed a figure of ₹37.10 crores, and the actual amount of TDS for which the benefit was claimed as per the income tax return was ₹16.63 crore. Similar mismatches of TDS existed for earlier years as well. Thus, there were glaring mismatches in the various figures of TDS which were misleading.
65. Under clause 49 of the Listing Agreement, the CEO (i.e., Mr. Rama Raju in this case) and CFO (i.e., Mr. Vadlamani Srinivas in this case) are required to provide periodic certification on various matters, including that: (a) the financial statements do not contain any materially untrue statement or omit any material fact or contain misleading statements; (b) the financial statements together present a true and fair view of Satyam Computers' affairs and are in compliance with existing accounting standards, applicable laws and regulations; (c) there are no transactions entered into by Satyam Computers during the year which are fraudulent, illegal or violative of Satyam Computers' code of conduct; (d) they accept responsibility for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of Satyam Computers pertaining to financial reporting, have disclosed

to the auditors and the Audit Committee deficiencies in the design or operation of such internal controls, and the steps they have taken or propose to take to rectify these deficiencies; (e) they have indicated to the auditors and the Audit Committee instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in Satyam Computers' internal control system. In this case, both Mr. Rama Raju, in his capacity as CEO of Satyam Computers and Mr. Srinivas in his capacity as the CFO of Satyam Computers have clearly given false certifications under the provisions of clause 49 of the Listing Agreement during the relevant period.

Bonus Issue of Satyam Computers

66. Satyam Computers made a bonus issue of 32,76,94,738 equity shares in the ratio of 1:1 to the shareholders in October 2006. This bonus issue was made on the basis of the false financial position disclosed in the books of account and made available to the public at the time. The financial position presented gave a grossly inflated and distorted picture of Satyam Computers' performance and finances. In his statement dated February 6, 2009 during investigation, Mr. Ramalinga Raju stated that it was a decision which had no financial implication for Satyam Computers and, at the same time, was in line with the investors' expectations. He also stated that among many demands that investors were making from time to time, this was an easier decision for Satyam Computers to take under the circumstances. Immediately upon the announcement being made by Satyam Computers on April 10, 2006 that it was considering the issue of bonus shares, there was a rally in the scrip of Satyam Computers on the NSE, the price rising from the previous closing price of ₹816.3 to a high of ₹844.5 (about 3.5%), before closing at ₹ 836.1 (about 2.5%). Similar upward movement was also noticed in the scrip at BSE. Thus, the bonus issue was not only deliberately made on the basis of a false and manipulated financial position, but was declared with a view to mislead investors and to maintain an artificial price of the Satyam Computers share in the market.

ADS Issue of Satyam Computers

67. Satyam Computers had come out with a sponsored American Depository Share (ADS) issue in the year 2005, the draft prospectus of which was filed with the Securities and Exchange Commission, USA on February 25, 2005. Mr. Ramalinga Raju went ahead with this ADS issue although he knew that it was being made on a fraudulent and a false financial position. He had stated during the investigation that he did not recollect the factors behind the justification of the issue and was unable to offer any additional comment. The making of the ADS issue was another factor which boosted the image of Satyam Computers and its shares in the mind of the investors. The prospectus contained detailed statements and financial information regarding the accounts and financial position of Satyam Computers. This information and material based on which the ADS issue was made reflected the false and manipulated version of Satyam

Computers' finances in the books of account and its financial statements. Therefore, a completely misleading picture of Satyam Computers' financial position and business was given in the prospectus as regards the ADS issuance.

Buy-back of shares of Satyam Computers

68. During December 2008, Satyam Computers announced that a proposal to buy-back its shares would be considered at a Board Meeting to be held on December 29, 2008. This was after the failed attempt by Satyam Computers to proceed with the acquisition of Maytas Properties Ltd. and Maytas Infra Ltd in December 2008. Mr. Ramalinga Raju initiated the announcement although he was aware not only that the financial position of Satyam Computers was being misrepresented, but also the fact that it was in a financial crisis and was not even able to meet its regular payment obligations. Mr. Ramalinga Raju, in his statement, stated that he was looking to gain additional time to sort out issues facing Satyam Computers at a board meeting and also that this was one of the things that was uppermost in the minds of the investors, though Satyam Computers lacked the capacity to buy-back the shares. Data regarding price movement of the Satyam Computers share on December 18, 2008, when the information regarding the buy-back proposal was released to the press shows that the price of the Satyam Computers scrip in NSE rose from the previous closing price of ₹157.1 to ₹178.4 (about 13.55%), before closing at ₹169.5 (about 7.89%). Similar upward movement was noticed in the scrip price of Satyam Computers at BSE also. The said announcement was clearly made with a view to portray a false picture in the market and to mislead investors.

Other announcements of Satyam Computers

69. Apart from the above, Mr. Ramalinga Raju's statements make it clear that his intention was to maintain an artificial and false picture as to Satyam Computers' financials and the value of its shares in the market. He has repeatedly referred to the operation of the market, the valuation of Satyam Computers in the market, investors' perceptions and expectations in his statements. Further, throughout the period in question, Satyam Computers had published a quarterly Investor News Update called "*Investorlink*", in which various business and financial "highlights" and information regarding the performance of Satyam Computers was given. Each edition of the "*Investorlink*" contained a Chairman's address by Mr. Ramalinga Raju wherein he has made various false and misleading statements about the performance and financial position of Satyam Computers. The '*Investorlink*' also contained false statements by various other officers of Satyam Computers, most of which emphasized its purported excellent performance. These were deliberate misstatements made to the investors with a view to deceive and dupe them. In addition, Mr. Ramalinga Raju, Mr. Vadlamani Srinivas and others have made various public statements from time to time in various fora, including press releases that were issued from time to time in which they have made various false and misleading statements as to Satyam

Computers' financial performance, assets, liabilities, etc. To the extent that the issues, announcements and releases mentioned above were intended to maintain an artificially high price of the Satyam Computers scrip in the market, they have not only deceived investors by projecting fabricated financial position, but also amounted to attempts to manipulate the price of the scrip.

CHARGES UNDER PFUTP REGULATIONS:

ROLE OF RAMALINGA RAJU:

70. It was observed that Mr. Ramalinga Raju was the chief orchestrator of the fraud in this case. His role also emerges from his own statements dated February 4th, 5th and 6th, 2009. In view of the above observations and findings of investigation, it has been alleged that Mr. Ramalinga Raju was responsible for the entire exercise of misreporting financial performance, fabrication and manipulation of the records of Satyam Computers, and deliberately conveying a false picture of Satyam Computers' finances to the investing public and concerned authorities.
71. The monthly bank statements, which were manipulated, were sent by Mr. Ramalinga Raju's office directly to the concerned officials for the purpose of preparation of books of account of Satyam Computers. Instructions were also given to the concerned officers to the effect that they should take these statements into account while preparing the books of account. Further, the fabricated FDRs were found to have been kept by the Chairman's office and were only taken out of custody for verification by the Auditors. There was a banking arrangement under which Mr. Ramalinga Raju and Mr. Rama Raju had direct access to the funds in the Bank of Bank of Baroda, New York Branch.
72. Mr. Ramakrishna, in his statement recorded on January 13, 2009, has stated that the monthly bank statements were received from the Chairman's office and that although differences were found between the daily and monthly statements, the monthly statement was taken as the final statement for the purposes of accounting and reconciliation under the instructions of Mr. Ramalinga Raju. He has also stated that he was informed of a banking arrangement at a meeting called by the Chairman, at which Mr. Rama Raju, Mr. Srinivas and Mr. Venkatapathy Raju were present. Under this arrangement, Mr. Ramalinga Raju and Mr. Rama Raju had access to the complete deposits and amounts in the BoB, New York Branch account. Based on such access, the Chairman's office procured monthly statements and sent them to the treasury. Related communications regarding this account were also handled by the Chairman's office directly. Fixed Deposits of a value of over ₹ 5 crores were also handled in a similar manner at the level of the Chairman's office. He has also stated that the FDRs for the fixed deposits were kept in the Chairman's office and were brought personally by Mr. Venkatapathy Raju when the Auditors asked for them for verification.

73. Mr. Venkatapathy Raju has stated in his statement recorded on March 9, 2009 that (a) he used to interact quarterly with the Ex- Chairman of Satyam Computers Mr. Ramalinga Raju for taking the FDRs from Mr. Ramalinga Raju and returning them to him; (b) he noticed the differences between the daily and monthly statements in some accounts and informed Mr. Srinivas and Mr. Ramalinga Raju of this position, whereupon they directed him to contact Mr. Ramakrishna; (c) he was instructed to prepare accounts on the basis of monthly statements by Mr. Ramalinga Raju, Mr. Srinivas and Mr. Ramakrishna. He was told by Mr. Ramalinga Raju that because of a special relationship with BoB, New York branch, there would be inter-bank transfers, which he had to account for. They used to receive an excel sheet along with the monthly statements from the Chairman's office, on the basis of which he accounted for inter-bank transfers; (d) At the end of a meeting, about 6-8 years ago, he was told that some high-value fixed deposits would be taken care of by the Chairman and MD. For accounting for these fixed deposits, the FDRs had to be called for from the Chairman.
74. Mr. Srinivas Vadlamani has stated in his statement recorded on February 20, 2009, that (a) for fixed deposits and bank balances, Mr. Ramakrishna's team used to be in direct touch with Mr. Ramalinga Raju and Mr. Rama Raju; (b) the entire exercise was coordinated/orchestrated by Mr. Ramalinga Raju and Mr. Rama Raju in view of its complexity; (c) he did not inform the Audit Committee that monthly statements were taken as the final statements for accounting and reconciliation purposes under instructions from Mr. Ramalinga Raju; (d) when the Auditors asked for the FDRs for verification, they were brought from the Chairman's office by Mr. Venkatapathy Raju. He has also stated during his deposition on January 10, 2009 that deployment of surplus funds was exclusively handled by Mr. Ramalinga Raju/Mr. Rama Raju, and that specific oral instructions were given to him by them that he should not interfere.
75. On January 21, 2002, a resolution was passed by the Board of Directors of Satyam Computers authorising Mr. Ramalinga Raju and Mr. Rama Raju (i.e., either of them) to make any investment or place any fixed deposit from Satyam Computers' funds, without any limit. This resolution gave Mr. Ramalinga Raju and Mr. Rama Raju control over the alleged surplus funds of Satyam Computers and has clearly been misused by them, *inter alia*, through fictitious investments in fixed deposits.
76. The statements of the above-mentioned persons and other material mentioned above, clearly indicates Mr. Ramalinga Raju's involvement in the matter by keeping and sending the manipulated monthly bank statements, issuing instructions for the use of monthly statements for accounting purposes, directing that bogus inter-bank transfers be recorded on the basis of the excel sheet provided by his office, keeping the forged FDRs in the custody of his office,

taking control of fixed deposits, and ensuring that he and Mr. Rama Raju retained control over the account at BoB, New York branch.

Instructions to inflate revenues:

77. Mr. Ramalinga Raju has himself admitted in his statements that he instructed Mr. Srinivas to 'inflate performance' so that it was in line with "market expectations". In his statement dated February 20, 2009, Mr. Srinivas has stated that (a) Mr. Ramalinga Raju and Mr. Rama Raju used to have periodic interactions with Mr. Ramakrishna and himself, during which both of them used to stress the importance of keeping Satyam Computers' performance in line with market expectations; (b) Mr. Ramalinga Raju and Mr. Rama Raju said that it was very important to show good results to attract customers, employees, etc and that they should show inflated results for a limited period of time; (c) Both Mr. Ramakrishna and he were not convinced of this argument and resisted the directions, but they yielded to their pressure. (d) The practice was continued for quite some time, perhaps to protect the share price. Even independently of the statement of Mr. Srinivas, it is clear that Mr. Ramalinga Raju had directed and co-ordinated the inflation of revenues of Satyam Computers.
78. The announcements of bonus and buyback were clearly made with a view to deceive and mislead the investors as the actual fact that such announcements were made based on false and fabricated financial numbers were only known to Mr Ramalinga Raju and the other noticees and not to the unsuspecting investing public at large. A completely misleading picture of Satyam Computers' financial position and business was given in the prospectus as regards the ADS issuance. Mr. Ramalinga Raju went ahead with this ADS issue although he knew that it was being made on a fraudulent and a false financial position.

ROLE OF Mr. RAMA RAJU

Orchestration and participation in the fraud:

79. Mr. Rama Raju had contended that he did not know about the fraud in the affairs of Satyam Computers. He also pleaded ignorance of various matters which fell within his scope of authority as Managing Director of Satyam Computers. However, the material on record, including, the statements of Mr. Srinivas, Mr. Ramakrishna, Mr. Prabhakara Gupta and Mr. Venkatapathy Raju indicate Mr. Rama Raju's as well as Mr. Ramalinga Raju's active orchestration and involvement in the fraud, in the areas including inflation of performance, bogus fixed deposits and account balances, accounting on the basis of manipulated monthly bank statements, obstructing internal audit in order to ensure that fake invoices were not discovered, and other matters.

Inflation of revenues, creation and concealment of fake invoices:

80. In his statement dated February 20, 2009, Mr. Srinivas had, *inter alia*, stated that (a) Mr. Ramalinga Raju and Mr. Rama Raju used to have periodic interactions with Mr. Ramakrishna and him, during which both of them used to stress the importance of keeping Satyam Computers' performance in line with market expectations; (b) Mr. Ramalinga Raju and Mr. Rama Raju said that it was very important to show good results to attract customers, employees, etc. and that they should show inflated results for a limited period of time; (c) Both he and Mr. Ramakrishna were not convinced of this argument and resisted their directions, but they yielded to their pressure; (d) The practice was continued for quite some time, perhaps to protect the share price.
81. The email of Mr. T. R. Anand, former business leader, Satyam Computers, has brought out the role of Mr. Rama Raju in the creation of certain "H" type invoices as stated in the paragraphs above. The customers and the revenues covered by these invoices have been found to be fake and non-existent. Mr. Rama Raju's involvement in this matter is also clear from the emails exchanged between him and Mr. Anand. It was observed that Mr. Rama Raju had instructed Mr. T. R. Anand in his email dated April 9, 2009 that no one else should know that he was doing the introduction and that he should mark only the attachment for any of his team members, but not the letter.
82. Mr. Rama Raju's stand that he was unaware of the bogus invoices inserted to inflate Satyam Computers' performance was observed to be in contradiction to Mr. Prabhakara Gupta's statement dated October 7, 2009. As mentioned above, Mr. Prabhakara Gupta has stated therein that Internal Audit had raised audit observations regarding the mismatch between the invoices in the IMS and the Oracle Financials during the course of internal audits in relation to the clients viz. Citigroup, Bear Stearns and Agilent. He was, however, directed by Mr. Rama Raju to close the observations pertaining to reconciliation, and Mr. Rama Raju stated that Mr. Ramakrishna would take care of the same. The access of the Internal Audit team to OFF module in the Oracle Financials was also removed after this episode. He has stated that he could not overrule the directions from Mr. Rama Raju, and therefore directed his team to close the observation. Mr. Prabhakara Gupta has also produced the Internal Audit Reports in question. Mr. Rama Raju's intervention and instructions to Mr. Prabhakara Gupta to close the audit observations were in order to ensure that the fake invoices which had been identified by Internal Audit were not exposed.
83. In view of the above observations, Mr. Rama Raju was observed to be responsible, along with Mr. Ramalinga Raju and others, for the inflation of revenues in the published financials through the generation of fake invoices.

Fixed deposits, monthly statements, banking arrangement & fake renewal letters:

84. Mr. Rama Raju was authorized by the Board resolution dated January 21, 2002, to make investments, including placement of fixed deposits, on behalf of Satyam Computers without any monetary limit.
85. Mr. Srinivas had stated in his statement recorded on February 20, 2009 that Mr. Ramakrishna's team used to be in touch with both Mr. Ramalinga Raju and Mr. Rama Raju with regard to fixed deposits and bank balances. He also stated that the entire exercise was orchestrated by Mr. Ramalinga Raju and Mr. Rama Raju in view of its complexity. In his statement recorded on January 10, 2009, Mr. Srinivas stated that deployment of surplus funds was exclusively handled by Mr. Ramalinga Raju/Mr. Rama Raju, and that specific oral instructions were given to him by them that he should not interfere.
86. Mr. Ramakrishna stated in his statement recorded on March 9, 2009 that he was instructed to prepare accounts on the basis of the monthly statements by Mr. Ramalinga Raju, Mr. Rama Raju and Mr. Srinivas. He also stated in his statement recorded on January 13, 2009, that he was informed of a banking arrangement at a meeting called by the Ex-Chairman of Satyam Computers, at which Mr. Rama Raju, Mr. Srinivas and Mr. Venkatapathy Raju were present. Under this arrangement, Mr. Ramalinga Raju and Mr. Rama Raju had access to the complete deposits and amounts in the BoB, New York Branch account. Based on such access, the Chairman's office procured monthly statements and sent them to the treasury. Related communications regarding this account were also handled by the Chairman's office directly. Fixed Deposits of a value of over ₹ 5 crores were also handled in a similar manner at the level of the Chairman's office. He has also stated that the FDRs for the fixed deposits were kept in the Chairman's office and were brought personally by Mr. Venkatapathy Raju when the Auditors asked for them for verification. Mr. Venkatapathy Raju has also confirmed in his statement recorded on March 9, 2009 that such a meeting was held, and has stated that he was told at the meeting that some high-value fixed deposits would be taken care of by the Chairman and the MD. For accounting for these fixed deposits, the FDRs had to be called for from the Chairman.
87. It was observed that Mr. Rama Raju generated letters requesting the creation or renewal of fictitious fixed deposits with banks so as to make such fixed deposits appear genuine. One such instance brought out a letter dated October 26, 2006 signed by Mr. Rama Raju as the MD, addressed to HSBC, stating that a wire transfer of ₹ 316.75 crores had been made to the bank on October 27, 2006, and requesting that the amount be placed in fixed deposits of a fixed deposits, along with a forged FDR of HSBC. This fixed deposit is among the fictitious fixed deposits shown in the books of Satyam Computers. HSBC has also confirmed, during a cross-

verification done, that it did not receive a wire transfer of any such amount and that the question of placing it in fixed deposits therefore did not arise.

88. Mr. Rama Raju contended in his statements that he was not concerned with fixed deposits, was unaware of the amounts kept in fixed deposits, and had never seen the FDRs. Mr Rama Raju also stated that he was not aware of any banking arrangement under which Mr. Ramalinga Raju and he had access to BoB, New York Branch and of monthly bank statements going from the Chairman's office. However, this is belied by the statements and other material mentioned above, and is, even otherwise, not credible given his position and status in Satyam Computers at the relevant time. The material on record clearly indicates Mr. Rama Raju's involvement in the fraud, *inter alia*, by issuing instructions for the use of monthly statements for accounting purposes, taking control of fixed deposits, ensuring that he and Mr. Ramalinga Raju retained control over the account at BoB, New York branch, issuing letters for renewal of fake fixed deposits, and various other aspects of the fraud.

TDS in income tax returns, balance sheet & books of account:

89. As mentioned above, glaring mismatches were observed in the figures of TDS in the books, which were misleading, to cover up the manipulation in the revenues. The income tax returns and the audited balance sheets have been signed by Mr. Rama Raju in his capacity as Managing Director. Apart from the fact that a grossly inflated figure of TDS has been shown in Satyam Computers' books of account, Mr. Rama Raju has signed both the income tax return and the balance sheet in which different amounts of TDS were shown for the same year.

Pledge of shares by SRSR Holdings:

90. Mr. Rama Raju has addressed a letter to the Company Secretary, Satyam Computers, dated December 27, 2008, wherein he has stated that he wished to intimate that all the shares of Satyam Computers held by SRSR Holdings Pvt. Ltd. were pledged with institutional lenders over a period of time since September 2006. He has further stated that it is possible that some of the lenders may exercise or may have exercised their option to liquidate shares to cover the margin shortfall, and that this would dilute the promoter's holding in Satyam Computers. This letter indicate that Mr. Rama Raju had knowledge of the pledge of shares and the purpose for which they were pledged, as also that the lenders were going to enforce the pledge. However, in his statement recorded on February 5, 2009 , Mr. Rama Raju stated that (a) he was not aware why SRSR Holdings was formed; (b) he and Mr. Ramalinga Raju had transferred their shareholding in Satyam Computers to SRSR Holdings and were the owners of SRSR Holdings to the extent of the shares transferred; and (c) that he was aware that his shares had been pledged by SRSR Holdings, but he had no idea as to what the money borrowed through the pledge was used for; (d) that he was aware of the margin calls from the lenders but not of the

time and persons/entities who made the calls. Further, it is inconceivable that Mr. Rama Raju was unaware of the use of the funds raised by pledging the shares or the identity of the persons enforcing the pledge of those shares.

Knowledge of payment of amounts brought into Satyam Computers:

91. Mr. Ramakrishna was asked, while recording his statement on January 13, 2009, to offer his comments regarding the confession of Mr. Ramalinga Raju in his email dated January 7, 2009. With respect to paragraph 1c of the mail, which stated that funds of ₹ 1,230 crores had been arranged by Mr. Ramalinga Raju, Mr. Ramakrishna stated that the payments were not recorded in the books of Satyam Computers. He further stated that “*on the oral advice of the Managing Director, Mr. Rama Raju, the same was accounted as advance given to various parties on behalf of an amount received from M/s Panchakalyani Agro Farms (P) Ltd.*” This shows that Mr. Rama Raju not only had knowledge about the various payments that were being made, but had instructed the finance personnel to record them in a certain manner. Therefore, Mr. Rama Raju, having complete knowledge of the payments made to Satyam Computers by the 37 entities is indisputable in view of the fact that he had himself signed many of the cheques repaying some of the amounts so brought into Satyam Computers.

Bonus, & ADS Issues and buy back of shares by Satyam Computers:

92. As mentioned in pre paragraphs above, bonus and ADS issues were made by Satyam Computers and a buy-back of shares was announced, all of which was on the basis of false and manipulated financial information. Mr. Rama Raju was aware of this position but, along with Mr. Ramalinga Raju, proceeded with these issues, thereby misleading and duping investors in the market. As far as buy back of shares is concerned, in his statement recorded on February 6, 2009, Mr. Rama Raju had stated that Mr. Ramalinga Raju discussed the proposal with him, and others and took the decision. Mr. Ramalinga Raju has himself made it clear that Satyam Computers lacked the capacity to make the buy-back and that this announcement was only made to buy time and to satisfy investor expectation.

False CEO certification under Clause 49 of the Listing Agreement:

93. As already mentioned in pre paragraphs above, Mr. Rama Raju has, from 2005 onwards, signed the CEO certification in compliance with clause 49 of the Listing Agreement as the Managing Director of Satyam Computers. The said certification was false and fraudulent to his knowledge. The Listing Agreement and compliance therewith provide valuable assurances and comfort to the investing public and institutions that basic standards of corporate governance are followed by the listed companies. The certifications given by the CEO under the provisions of the listing agreement have considerable bearing on the investors as they proceed on making the investment decisions, on the basis of such a certification claiming genuineness and authenticity

of financial statements of Satyam Computers. In providing the said false certification, Mr. Rama Raju had deceived and duped not only the stock exchanges, but also millions of investors.

ROLE OF Mr. VADLAMANI SRINIVAS

Accounting on the basis of monthly bank statements & TDS:

94. Mr. Ramakrishna had stated in his statements recorded on March 3rd and 9th, 2009 that (a) he raised questions regarding non-receipt of TDS certificates, keeping money in current accounts, and transactions appearing in the daily bank statements which were missing in the monthly bank statements with the CFO Mr. Srinivas. The replies of Mr. Srinivas are stated to have ranged from “*money being kept aside for acquisitions*” to “*do not bother, senior management will take care of issues arising, if any.*” (b) Mr. Srinivas told him that they should not question the arrangement regarding additional entries in the monthly bank statements; (c) he passed on instructions to his subordinates to draft accounts on the basis of the monthly statements as these were the instructions from the Chairman, Managing Director and CFO (Mr. Srinivas); (d) he told his team to wait for receipt of TDS certificates as he was asked by Mr. Srinivas to wait, and passed this on.
95. Similarly, Mr. Venkatapathy Raju had stated in his statement recorded on March 9, 2009 that (a) he had informed the CFO and the Chairman regarding the differences between the monthly and daily bank statements in INR bank accounts in 2002 and they directed him to contact Mr. Ramakrishna; (b) he was instructed to prepare accounts on the basis of monthly bank statements by the Chairman, CFO and Mr. Ramakrishna, and passed this on to his subordinates; (c) Mr. Ramakrishna and the CFO told him to wait for receipt of TDS certificates.
96. As mentioned above, glaring mismatches were observed in the figures of TDS in the books, which were misleading, to cover up the manipulation in the revenues. Similar mismatches of TDS were observed for earlier years as well in the books of Satyam Computers. Thus, it was observed that Mr. Srinivas was very much aware of the differences in these figures, which were on account of the manipulation of the books, and, in fact, attempted to conceal them.

MIS Reports:

97. As stated above, there were two sets of MIS for the same period within Satyam Computers – one set containing the true and correct figures and the other set containing fictitious sales added to the true numbers. It was also revealed that the difference in the sales numbers tallies broadly with the amount generated by the fake invoices detected by SEBI.
98. Mr. Ramarao Remella, A.V.P (Finance), Satyam Computers, had stated in his statement recorded on October 8, 2009, that two sets of MIS were prepared containing the revenue

figures, based on the directions given by Mr. Srinivas. He was told by Mr. Srinivas that the change in the MIS from the IMS was necessary because Mr. Srinivas had “*better information collected through review reports.*”

Bonus & ADS Issues, Buy-back of shares by Satyam Computers:

99. As mentioned in pre paragraphs above, bonus and ADS issues were made by Satyam Computers and a buy-back of shares was announced, all of which was on the basis of false and manipulated financial information. As CFO and Head of Finance of Satyam Computers, Mr. Srinivas was directly concerned with these issues and announcements. Mr. Srinivas proceeded with these issues and announcements although he was fully aware that they were being made on the basis of false and manipulated financials, thereby misleading and duping millions of innocent investors in the market.

False CFO certification under Clause 49 of the Listing Agreement:

100. Mr. Srinivas had signed the CFO certification in compliance with clause 49 of the Listing Agreement as the CFO of Satyam Computers. The said certification was false and fraudulent to his knowledge. The Listing Agreement and compliances therewith provide valuable assurances and comfort to the investing public and institutions that basic standards of corporate governance are followed by listed companies. It was revealed that by providing the said false certification, Mr. Srinivas had deceived and misled not only the Stock Exchanges, but also millions of investors. It was observed that while Mr. Srinivas had already admitted his involvement in the fraud and manipulation of the books, the above-mentioned material further corroborated his role in the implementation of the same.
101. In addition to above, Mr. Ramalinga Raju, Mr. Rama Raju and Mr. Vadlamani Srinivas had made various public statements from time to time in various fora, including press releases that were issued from time to time in which they have made various false and misleading statements as to Satyam Computers’ financial performance, assets, liabilities, etc. To the extent that the issues, announcements and releases were intended to maintain an artificially high price of the Satyam Computers scrip in the market, they have not only deceived investors by projecting fabricated financial position, but have also amounted to attempts to manipulate the price of the scrip.

ROLE OF Mr. G RAMAKRISHNA

102. Mr. G. Ramakrishna had admitted fraudulent practices such as accounting on the basis of monthly statements, but had claimed that this was done on the instructions of Mr. Ramalinga Raju. In his deposition he claimed that he did not have knowledge of the fraud and he was never suspicious about the accuracy of the financials. On the basis of the admitted facts and other material on record, including the statements of other officers of Satyam Computers, it was

revealed that Mr. Ramakrishna was not only aware of the fraud, but he also participated in the same.

103. Mr. Vadlamani Srinivas had stated in his statement recorded on February 20, 2009 that Mr. Ramalinga Raju, Mr. Rama Raju, Mr. G. Ramakrishna and he himself were aware of the fraud. He has also stated that Mr. Ramalinga Raju directed him and Mr. G. Ramakrishna to show inflated results and that they resisted this, but gave in to the pressure. He has further stated that for FDs and bank balances, Mr. G. Ramakrishna's team was in touch with Mr. Ramalinga Raju and Mr. Rama Raju.
104. Mr. G. Ramakrishna had stated in his statements on March 3rd and 9th, 2009 that (a) he raised questions with Mr. Vadlamani Srinivas regarding non-receipt of TDS certificates, keeping money in current accounts, and transactions appearing in the daily bank statements which were missing in the monthly bank statements. The replies of Mr. Vadlamani Srinivas had ranged from "*money being kept aside for acquisitions*" to "*do not bother, senior management will take care of issues arising, if any.*"; (b) He gave his log-in ID to whoever asked him for it since the work of raising invoices could only be done with an admin log in; (c) He questioned Mr. Srinivas as to why entries in the daily statement were missing in the monthly statement, whereupon Mr. Srinivas replied that since they had been told that this was an arrangement, they should not question it. While this reply was unsatisfactory, he did not pursue it; (c) Mr Ramakrishna mentioned that they were asked to stop all payments other than statutory and employee payments in September 2008. No explanation was given although they asked why. (d) he also stated that he passed on instructions to his subordinates to draft accounts on the basis of the monthly statements as these were the instructions from the Chairman, Managing Director and CFO (Mr. Srinivas); (e) he told his team to wait for receipt of TDS certificates as he was asked by Mr. Srinivas to wait, and passed this on.
105. Mr. Venkatapathy Raju has stated in his statement recorded on March 9, 2009 that when he raised the issue of differences between the daily and monthly bank statements with the CFO and Chairman, they instructed him to contact Mr. Ramakrishna. He has also stated that he was instructed to account on the basis of the monthly statements by the Chairman, CFO, and Mr. Ramakrishna, and that Mr. Ramakrishna and the CFO told him to wait for the TDS certificates.
106. Mr. Prabhakara Gupta who was Ex-Head Internal Audit, Satyam Computers, had, in his statement on October 7, 2009 stated that the Internal Audit had observed differences between invoices in IMS and Oracle Financials in the first quarter of 2007-08 and that finance dept said that the differences were being reconciled. After that, Internal Audit's access to OFF module in Oracle Financials was removed and Internal Audit's audits were restricted to IMS. He has also

stated that Mr. Ramakrishna told him to close the observations relating to reconciliation of invoices in IMS and Oracle Financials for the clients Citigroup, Bear Stearns, and Agilent, and that Mr. Ramakrishna would take care of it. Thereafter, his team members were told by Mr. Ramakrishna that the reconciliation in the Citigroup and Agilent cases had been done and they were directed by Mr. Ramakrishna to close the observations in those cases. He stated that the Bear Stearns Report was still open for compliance.

107. It was also revealed that there were two sets of MIS for the same period within Satyam Computers – one set contained the true and correct figures and the other set contained fictitious sales numbers added to the true numbers. It was also revealed that the difference in the sales numbers tallied broadly with the amount generated by the fake invoices . Mr. Ramarao Remella, AVP (Finance), Satyam Computers, had stated in his statement on October 8, 2009 that based on the directions given by Mr. Srinivas two sets of MIS were prepared containing the revenue figures. He was told by Mr. Srinivas that the change in the MIS from the IMS was necessary because Mr. Srinivas had *“better information collected through review reports.”* The position regarding two different MIS reports was intimated to Mr. Ramakrishna, who said that as the CFO was asking for it, it should be done. He had also stated that he enquired from Mr. Ramakrishna why there were two sets of bank statements, and that Mr. Ramakrishna replied that there were sub-accounts, that for normal operations there would be visibility only of the sub-account and not the full account, and that this was a normal business practice.
108. The statements of Mr. Malla Reddy and Mr. Suresh Kumar of the Accounts Receivable (“AR”) team indicated that they used the admin ID and password to enter fake invoices through the mechanism of excel porting. The admin ID and password were in possession of Mr. Ramakrishna and were shared with these persons. Further, the AR team was directly reporting to Mr. Ramakrishna.
109. As mentioned in paragraphs above, bonus and ADS issues were made by Satyam Computers and a buy-back of shares was announced, all of which was on the basis of false and manipulated financial information. Mr. Ramakrishna was not only aware that these issues and announcements were being made on the basis of false and manipulated financials but also permitted them to be made.
110. The above facts and circumstances revealed that Mr. Ramakrishna had not only participated in the fraud, but also had actively attempted to ensure that it did not come to light.

ROLE OF Mr. PRABHAKARA GUPTA

111. Mr. Prabhakara Gupta initially stated in his statement dated January 16, 2009 that he did not find any irregularities during the course of internal audit except some over-invoicing and under-invoicing. Subsequently, however, in his statement dated October 7, 2009, he stated that while conducting Internal Audits in the cases of the clients Citigroup, Bear Stearns, and Agilent, Internal Audit had detected differences between the invoices reflected in the IMS as against those in the Oracle Financials. It was revealed from the three Internal Audit Reports in question and the statements of Mr. Prabhakara Gupta that:
- a. During the course of internal audit with regard to the clients Citigroup, Bear Stearns and Agilent, Internal Audit detected a mismatch between the invoices in the IMS and the Oracle Financials. The invoices which were detected in Oracle Financials which were not appearing in the IMS were among the fake invoices inserted in the system to inflate performance.
 - b. Internal Audit had raised observations in the three reports pertaining to these clients, wherein it pointed out that it was necessary to carry out a reconciliation of the invoices in IMS with those in Oracle Financials.
 - c. Mr. Rama Raju told Mr. Prabhakara Gupta to close the observations and stated that Mr. Ramakrishna would take care of this matter.
 - d. Internal Audit's access to the OFF module in the Oracle Financials was removed.
 - e. Mr. Ramakrishna told Mr. Prabhakara Gupta's team that reconciliation had been done and directed them to close the observation.
 - f. Mr. Prabhakara Gupta instructed his team to close the observation. He did so on the basis that he could not overrule the directions of Mr. Rama Raju.
 - g. The Report in the case of Citigroup (Observation No. 4) states that action has been taken in the form of a reconciliation by Satyam Computers and contains a remark by Internal Audit that the observation has now been settled by Internal Audit. The Bear Stearns Report (Observation No. 4) states that reconciliation is in progress and contains the Internal Audit remark "to check compliance on scheduled date", the target date for compliance being August 31, 2008. The Agilent Report (Observation No. 3) states that "*the FIC is fully informed and will ensure that the reco gets completed by end September 07*" and contains the Internal Audit remark "*Settled. To be verified in future.*" and the target date is given as August 31, 2008.
 - h. Mr. Prabhakara Gupta did not bring the fact that he had been prevailed upon to close the audit observations to the attention of the Audit Committee.
112. The observations of Internal Audit were closed and false reports were filed to the effect that the observation had been settled or that reconciliation would be verified in the future. Obviously,

the verification which was supposed to be carried out later as per the reports was never carried out. In short, Mr. Prabhakara Gupta was either prevailed upon or chose of his own accord to close the examination of the mismatch of invoices. He also did not bring the fact that he had been prevailed upon to close the observations to the attention of the Audit Committee though he was under a duty to do so. As an Internal Auditor, Mr. Prabhakara Gupta was under duty to probe further into the matter and independently act in the interest of investors. If the reconciliation proposed by Internal Audit had been carried out, the fake invoices would have been exposed. It was observed that the closing of the observations was not only done with a view to ensure that the fake invoices were not detected, but also was in breach of Mr. Prabhakara Gupta's basic duties as an Internal Auditor. Thus, Mr. Prabhakara Gupta was a participant or acquiesced in the fraud.

113. The closure of the observations in the above cases was observed to be in clear breach of Satyam Computers' Internal Audit Manual. The scope of Internal Audit under Chapter 3.0 (Internal Audit Charter) is *"to determine whether the company's network of risk management, control and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure, inter alia, that risks are appropriately identified and managed, significant financial, managerial and operating information is accurate, reliable and timely, and associates actions are in compliance with policies, standards, procedures and applicable laws and regulations. Internal Audit is accountable to the Audit Committee to provide assessment on the adequacy and effectiveness of the company's processes for controlling its activities and managing its risks in the areas set forth in the Annual Audit Plan, and to report significant issues related to processes for controlling the activities of the company"*. It is specifically provided that Internal Audit shall be free from control or undue influence:

- in the selection and application of audit techniques, procedures and programs.
- in the determination of facts revealed by the examination or in the development of recommendations or opinions as a result of the examination.
- in the selection of areas, activities, personal relationships, and managerial policies to be examined. No legitimate source of information is to be denied to the auditor.

114. Internal Audit has the responsibility under the manual, *inter alia*, to issue periodic reports to the Audit Committee and management, summarizing results of audit activities, to assist in the investigation of significant suspected fraudulent activities within Satyam Computers and notify the Audit Committee and management of the results, to provide adequate follow up to make sure that appropriate and effective corrective action is taken. Internal Audit is authorized to have unrestricted, free access to all functions, records, property and associates. It is also provided that Internal Audit shall comply, at a minimum, with the relevant professional

standards such as the Standards for the Professional Practice of Internal Auditing and with professional standards of conduct such as the Code of Ethics of the Institute of Internal Auditors. Under paragraph 7.9, a detailed procedure is laid down for preparation of draft audit reports and final reports, and follow-up review. All these provisions of the manual have not been followed in the above-mentioned cases by Mr. Prabhakara Gupta and his Internal Audit team.

115. The investigations observed that "*Mr. Prabhakara Gupta had not maintained an attitude of professional scepticism, recognizing the possibility that a material misstatement due to fraud could exist, as required under SA 200 (AAS 1), issued by the ICAI.*" It was also observed that Mr. Prabhakara Gupta had mentioned in his statement dated January 16, 2009 that an Internal Audit of bank balances was conducted, but that was restricted to samples of operational bank accounts. The audited balances did not include the audited balances of BoB, New York branch although the current account with BoB, New York branch held as much as 75% of all the current account balances of Satyam Computers, and was therefore of obvious materiality. Such specific and selective exclusion is a clear indication of Mr. Prabhakara Gupta's involvement in the fraud.
116. As mentioned above, the figure of net addition to the TDS for the Assessment year 2008-09 (financial year 2007-08) was ₹ 88.73 crores as per the books of account of Satyam Computers, ₹ 61.04 crores as per the audited balance sheet, and ₹ 42.68 crores as per its income tax return. Similarly, for the assessment year 2007-08 (financial year 2006-07), the figure of net addition to the TDS was ₹ 51.79 crore as per the books of account of Satyam Computers, ₹ 37.10 crores as per the audited balance sheet, and ₹16.63 crore as per the income tax return. Similar mismatches of TDS existed in the books for earlier years also. The glaring differences in the figures would have aroused the suspicion of any internal auditor and ought to have been probed and brought to the attention of the Audit Committee.
117. Bonus and ADS issues were made by Satyam Computers and a buy-back of shares was announced, all of which were on the basis of false and manipulated financial information. Mr. Prabhakara Gupta, who was the Head of Internal Audit was aware that these issues and announcements were being made on the basis of false and manipulated financials, thereby played his role in not only misleading and duping investors in the market, but permitted them to be made.
118. The facts and circumstances observed in this case confirm that Mr. Prabhakara Gupta had chosen to ignore the facts which were glaring indicators of fraud being perpetrated and that he was involved in the entire fraud.

CHARGE WITH RESPECT TO INSIDER TRADING

119. It is undisputed fact that the price of the scrip closed at a low of ₹ 41.05 on January 07, 2009 from ₹ 178.95 on the previous day's price on NSE after the news regarding financial irregularities in Satyam Computers was made public. This also shows that the information about about the adverse financial position of Satyam Computers and the fudged financial numbers was price sensitive. While in possession of the '*unpublished price sensitive information*' some of the noticees sold, transferred and pledged the shares of Satyam Computers at high prices and benefited substantially at the cost of other unsuspecting investors in the market as detailed in the following paragraphs.

Mr. RAMALINGA RAJU AND Mr. RAMA RAJU

120. Mr. Ramalinga Raju and Mr. Rama Raju had sold substantial shares in the market or made off-market transfers to other entities during the period January 2001 to December 2008 when in possession of the '*unpublished price sensitive information*' about the adverse financial position of Satyam Computers and the fudged financial numbers, which only they were privy to. It also emerged that entities/ persons who were connected/ related to Mr. Ramalinga Raju and Mr. Rama Raju also either sold the shares and/or transferred the shares off-market on the basis of '*unpublished price sensitive information*' during the period 2001 to 2008 as described in the following table:

| Name of the Promoter | No. of Shares |
|-------------------------------|-------------------|
| Anjiraju Chintalapati | 2,50,000 |
| B Appalannarasamma | 2,25,500* |
| B. Jhansi Rani | 2,04,000* |
| B Rama Raju | 15,34,250 |
| B Ramalinga Raju | 6,00,000 |
| B Suryanarayana Raju | 27,89,000* |
| B Teja Raju | 9,42,250 |
| Chintalapati Holdings Pvt.Ltd | 8,00,000 |
| Chintalapati Srinivasa Raju | 65,55,152 |
| Maytas Infra Ltd. | 18,52,000* |
| Total | 157,52,152 |

* *off-market transfers.*

121. The basis of relationships /connections among the aforesaid connected/ related entities were noted as under:

| Sl no. | Name of accused | Relation |
|--------|--|---|
| 1. | Mr. B Ramalinga Raju | Former Chairman, Satyam Computers son of Mr. B Satyanarayana Raju |
| 2. | Mr. B Rama Raju | Former Managing Director, Satyam Computers and brother of Mr. B Ramalinga Raju and Mr. B Suryanarayana Raju |
| 3. | Mr. B Suryanarayana Raju | Brother of Mr. Ramalinga Raju and Mr. Rama Raju |
| 4. | Ms.B Appalanasamma | Mother of Mr. B Ramalinga Raju, Mr. B Rama Raju and Mr. B Suryanarayana Raju |
| 5. | Ms. Nandini Raju B | Wife of Mr. B Ramalinga Raju |
| 6. | Ms.Radha B | Wife of Mr. B Rama Raju |
| 7. | Ms.B. Jhansi Rani | Wife of Mr. B Suryanarayana Raju |
| 8. | Mr. B Pritam Teja / B Teja Raju | Son of Mr. B Ramalinga Raju |
| 9. | Mr. B. Rama Raju (Jr) | Son of Mr. B Ramalinga Raju |
| 10. | Mr. Srinivasa Raju Chintalapati | Former Director of Satyam Computers up to 31.08.2000 and independent director of Satyam Computers till January 2003 |
| 11. | Chintalapati Holdings Pvt. Ltd. | Held and represented by Mr. Srinivasa Raju Chintalapati |
| 12. | Mr. Anjiraju Chintalapati | Father of Mr. Srinivasa Raju Chintalapati (now deceased) |
| 13. | Maytas Infra Ltd. (<i>Now IL & FS Engineering and Construction Company Ltd.</i>) | Company promoted by Mr. Teja Raju |
| 14. | SRSR Holdings Pvt. Ltd. | Company controlled by Mr. B Ramalinga Raju and Mr. B Rama Raju |

122. Considering the day's closing price when the shares of Satyam Computers were sold or transferred , the sales realization comes to approx. ₹ 543.93 crore.

123. It was observed that Smt. B Appalanasamma, Smt. B. Jhansi Rani, Mr. B Suryanarayana Raju and Maytas Infra Ltd. had transferred their entire holding of 50.70 lac shares in Satyam Computers to various other entities in the off-market. The majority of transfers were to three major accounts namely, Elem Investments Pvt. Ltd. [16,84,188 shares], Fincity Investments Pvt. Ltd. [16,87,500 shares] and Highgrace Investments Pvt. Ltd. [16,98,812 shares]. These entities appear in the list of entities related to promoters in the prospectus filed in case of Maytas Infra Ltd, clearly denoting that they fall within the promoter group of Satyam Computers. These three entities had in turn sold the shares in the open market.

124. The aforesaid connected/ related entities had sold shares of Satyam Computers when Mr. Ramalinga Raju and Mr .Rama Raju were actively involved in the misstatement of accounts.

They had sold significant quantities of shares of Satyam Computers in the market knowing very well about the grossly manipulated and fabricated financial position of Satyam Computers, which a common investor was not aware of. Thus, Mr. Ramalinga Raju and Shri Rama Raju had taken advantage of the inside '*unpublished price sensitive information*' that they were privy to and sold their holdings in Satyam Computers at a high price when its financials did not warrant such high valuation.

125. From the details furnished by Satyam Computers to the stock exchanges, it was observed that as on September 30, 2008, almost all the shares of the promoter group were held by SRSR Holdings Pvt. Ltd. (hereinafter referred to as SRSR Holdings) – demat account number- IN303028 52491182. SRSR Holdings was formed by Mr. Ramalinga Raju, Mr. Rama Raju and their close relatives Smt. Nandini Raju and Smt. Radha Raju. These four persons had transferred their individual holdings in Satyam Computers to SRSR Holdings which had pledged those shares for the loans taken by various promoter group entities. It was observed that the lenders and the trustee companies invoked the pledge on several occasions since December 23, 2008 on account of shortfall in margin, which the firms were required to maintain in accordance with terms of contract because of a fall in share price of Satyam Computers. It was also observed that altogether approx. 6.29 crore shares of Satyam Computers were pledged with the lenders, out of which approx. 5.50 crore shares were invoked and ultimately approx. 5.06 crore shares were sold by the lenders / trustees during the period December 23, 2008 to January 07, 2009 on account of margin shortfall. The details of loan, pledges and invocation of pledges are described in the following table:

| Name of the borrower | Nature of Instrument issued or loan taken by the borrower | Name of the lender | Shares Pledged by SRSR Holdings with the entities | Date of Agreement between lender and borrower (Closing price of the day – BSE) | Amount of NCD/ loan | Total No. of shares pledged at different points of time (No. of shares Invoked by lenders) |
|----------------------------------|---|---|---|--|---------------------|--|
| Amaravati Greenlands Pvt. Ltd | Non-convertible debenture | DSP Merrill Lynch Ltd.- assigned to DSP Blackrock Mutual Fund | IL& FS Trust Company Ltd. | October 11, 2007 (₹ 446.50) | Rs 90 crores | 8078871 (8078871) |
| Amaravati Greenlands Pvt. Ltd | Non-convertible debenture | HDFC Mutual Fund | | December 19, 2007 (₹ 405.00) | ₹ 77.5 crores | 6956996 (5178629) |
| Bangar Agro Farms Pvt. Ltd. | Non-convertible debenture | Deutsche Mutual Fund | | January 25, 2008 (₹ 408.00) | ₹ 50 crores | 4488332 (4488332) |
| Narayandri Greenfields Pvt. Ltd. | Non-convertible debenture | IL&FS Financial Services Ltd. | | May 12, 2008 (₹ 495.50) | ₹ 20 crores | 87400 (87400) |
| Harangi | Non- | IL&FS | | May 12, 2008 (₹ | ₹ 80 | 349800 |

| | | | | | | |
|-----------------------------------|---------------------------|--|--|-------------------------------|--------------------------|----------------------------|
| Agro Farms Pvt. Ltd. | convertible debenture | Financial Services Ltd. | | 495.50) | crores | (349800) |
| Bangar Agro Farms Pvt. Ltd. | Non-convertible debenture | Deutsche Mutual Fund | | June 20, 2008 (₹ 460.00) | ₹ 60 crores | 3326845 (971345) |
| Bangar Agro Farms Pvt. Ltd. | Non-convertible debenture | DSP Merrill Lynch Ltd. | | September 12, 2008 (₹ 407.15) | ₹ 75 crores | 6058252 (5089252) |
| Narayandri Greenfields Pvt. Ltd. | Term Loan | IL&FS Financial Services Ltd. | | September 19, 2008 (₹ 372.70) | ₹ 50 crores | 4836929 (4836929) |
| Harangi Agro Farms Pvt. Ltd. | Non-convertible debenture | IL&FS Investmart Financial Services Ltd. | | July 18, 2008 (₹ 383.55) | ₹ 45 crore | 196900 (0) |
| Harangi Agro Farms Pvt. Ltd. | Non-convertible debenture | IL&FS Financial Services Ltd. | | July 18, 2008 (₹ 383.55) | ₹ 24.5 crore | 107209 (107209) |
| Harangi Agro Farms Pvt. Ltd. | Non-convertible debenture | IL&FS Financial Services Ltd. | | July 18, 2008 (₹ 383.55) | ₹ 75.5 crore | 330300 (330300) |
| Elam Investments Pvt. Ltd. | Loan | IFCI Ltd. | IFCI Ltd. | November 19, 2008 (₹ 233.20) | ₹ 50 crores | 485000 (485000) |
| Fincity Investments Pvt. Ltd. | Loan | IFCI Ltd. | | November 11, 2008 (₹ 265.50) | ₹ 50 crores | 485000 (485000) |
| Vyaya Agro Farms Pvt. Ltd. | Loan | Deutsche India Investment Pvt. Ltd. | IDBI Trusteeship Company Ltd. | August 29, 2008 (₹ 419.80) | ₹ 109.5 crore (USD 25 m) | 6109625 (6109625) |
| Samudra Greenfields Pvt. Ltd. | Loan | Deutsche India Investment Pvt. Ltd. | | August 29, 2008 (₹ 419.80) | ₹ 109.5 crore (USD 25 m) | 4743105 (4743105) |
| Pavitravati Greenfields Pvt. Ltd. | Loan | SICOM Ltd. | SICOM Ltd. | June 19, 2008 (₹ 473.00) | ₹48.00 crores | 3800500 (3200500) |
| Vamadevi Greenfield Pvt. Ltd. | Loan | GE Capital Services India Ltd. | GE Capital Services India Ltd. | August 08, 2007 (₹ 479.75) | ₹ 115 crore | 6825555 (6199028) |
| Pavitravati Greenfields Pvt. Ltd. | Loan | GE Capital Services India Ltd. | | August 11, 2007 (₹ 479.65) | ₹ 70 crore | 4162332 (2863055) |
| Vamadevi Greenfield Pvt. Ltd. | Loan | GE Capital Services India Ltd. | | September 26, 2008 (₹ 322.2) | ₹ 38.33 crore | 485871 (485871) |
| Pavitravati Greenfields Pvt. Ltd. | Loan | GE Capital Services India Ltd. | | September 26, 2008 ₹ 322.2) | ₹ 6.05 crore | 77385 (77385) |
| Vamadevi Greenfield Pvt. Ltd. | Loan | GE Money Financial Services India Ltd. | GE Money Financial Services India Ltd. | October 23, 2007 (₹ 461.1) | ₹ 15 crore | 891110 (815312) |
| Total | | | | | ₹ 1258.88 crore | 62883317 (54981939) |

Note: The loan in US \$ has been converted into rupees at the prevailing exchange rate

126. Thus, SRSR Holdings had pledged shares of Satyam Computers in order to obtain funds in the names of related / connected entities, when Mr. Ramalinga Raju and Mr. Rama Raju were involved in and had full knowledge that the financials of Satyam Computers were being manipulated by them for several years. In the entire loan and pledge transaction as discussed above, a manipulative and deceptive scheme was employed for the personal benefit of Mr. Ramalinga Raju and Mr. Rama Raju to defraud unsuspecting investors.
127. The shares of Satyam Computers were pledged at a weighted average price of around ₹402.80 per share. Considering the fact that, as per the terms and conditions of the loans sanctioned, on most occasions, they were required to maintain margin of such number of equity shares as is equivalent to 2.25 times of the value of the borrowed amount, the value at which shares of Satyam Computers were pledged works out to around ₹179.00 (₹ 402.80 / 2.25). Taking into account the fact that the price of the scrip closed at a low of ₹ 41.05 on January 07, 2009 from ₹ 178.95 on the previous day price on NSE after the news regarding financial irregularities in Satyam Computers was made public, it logically follows that the said entities including SRSR Holdings and its aforesaid four shareholders earned substantial benefit out of the pledge agreements entered into by them with the pledgees as aforesaid.
128. Mr. Ramalinga Raju and Mr. Rama Raju , while being in possession of the '*unpublished price sensitive information*' got unlawful gain of ₹ 543.93 crore towards sale of shares and further reaped benefits as a result of borrowings to the extent of ₹ 1258.88 crores on the basis of the '*unpublished price sensitive information*'.

Mr. VADLAMANI SRINIVAS

129. Mr. Vadlamani Srinivas, being the Head of Finance , was fully aware that the books of accounts of Satyam Computers were being manipulated over the years. Since March 2001, Mr. Vadlamani Srinivas had sold a total of 9,75,242 shares of Satyam Computers while in possession of the '*unpublished price sensitive information*' at high price and got unlawful benefit of ₹ 29.5 crore as described in the following table:

| Financial Year | Date of transfer from demat account after sale | No. of Shares | Closing price of the Day (₹) | Value of Shares Sold (₹) |
|----------------|--|---------------|------------------------------|--------------------------|
| 2000-01 | 6-Mar-01 | 1,000 | 244.6 | 244600 |
| | 13-Mar-01 | 28,000 | 199.95 | 1599600 |
| 2001-02 | 24-Apr-01 | 15,000 | 248.95 | 1244750 |
| | 24-May-01 | 20,000 | 238.75 | 2387500 |
| | 25-May-01 | 10,000 | 247 | 2470000 |

| | | | | |
|---------|-------------|---------|--------|-----------|
| | 28-May-2001 | 30,000 | 250.15 | 2501500 |
| | 29-May-01 | 10,000 | 249 | 2490000 |
| | 28-Aug-01 | 5,000 | 174.6 | 873000 |
| | 5-Sep-01 | 5,000 | 165.2 | 826000 |
| | 8-Sep-01 | 15,000 | 172.2 | 1722000 |
| | 10-Sep-2001 | 29,000 | 171.35 | 1713500 |
| | 11-Sep-01 | 45,000 | 174.85 | 874250 |
| | 12-Sep-01 | 5,000 | 157.5 | 787500 |
| | 15-Sep-2001 | 6,000 | 139.75 | 838500 |
| | 26-Sep-2001 | 15,000 | 128.15 | 640750 |
| | 01-Oct-2001 | 10,000 | 122.4 | 1224000 |
| | 05-Oct-2001 | 10,000 | 125.2 | 1252000 |
| | 06-Oct-2001 | 48,200 | 125.2 | 6034640 |
| | 08-Oct-2001 | 26,800 | 119.2 | 2002560 |
| | 11-Oct-2001 | 39,275 | 139.35 | 3483750 |
| | 12-Oct-2001 | 725 | 141.75 | 102768.75 |
| | 17-Oct-2001 | 16,500 | 147.85 | 961025 |
| | 19-Nov-02 | 2,000 | 265.95 | 531900 |
| | 20-Nov-02 | 7,000 | 263.4 | 790200 |
| | 25-Nov-02 | 2,000 | 274.1 | 548200 |
| | 26-Nov-2002 | 6,000 | 276.4 | 1658400 |
| | 27-Nov-02 | 11,000 | 268.65 | 537300 |
| 2002-03 | 02-Dec-2002 | 5,000 | 290.85 | 1454250 |
| | 3-Dec-02 | 2,000 | 278.6 | 557200 |
| | 10-Dec-02 | 2,000 | 277.85 | 555700 |
| | 13-Dec-2002 | 150,000 | 283.5 | 34020000 |
| | 14-Dec-2002 | 21,500 | 283.5 | 5244750 |
| | 16-Dec-02 | 7,500 | 277.7 | 416550 |
| | 13-Mar-2003 | 20,000 | 194.55 | 3891000 |
| 2003-04 | 02-Jun-2003 | 15,000 | 177.45 | 2306850 |
| | 12-Jun-2003 | 115,000 | 185.3 | 18900600 |
| | 09-Jun-2005 | 10,000 | 461.65 | 4616500 |
| | 16-Dec-2005 | 20,000 | 721.45 | 7214500 |
| | 21-Feb-2006 | 1,000 | 769.95 | 769950 |
| | 22-Feb-2006 | 6,000 | 770.8 | 4624800 |
| | 24-Feb-2006 | 9,000 | 769.75 | 3079000 |
| 2005-06 | 02-Mar-2006 | 20,000 | 802.35 | 6418800 |
| | 06-Mar-2006 | 1,556 | 802.8 | 1249156.8 |
| | 07-Mar-2006 | 5,000 | 785.5 | 3927500 |
| | 10-Mar-2006 | 5,000 | 815.05 | 4075250 |

| | | | | |
|---------|--------------|---------------|--------|------------------|
| | 13-Mar-2006 | 25,844 | 829.55 | 13972940.2 |
| | 14-Mar-2006 | 5,000 | 805.85 | 4029250 |
| | 16-Mar-2006 | 4,500 | 824.05 | 2060125 |
| | 17-Mar-2006 | 15,500 | 811 | 11759500 |
| 2006-07 | 15-Dec-2006 | 7,500 | 476.65 | 3574875 |
| | 18-Dec-2006 | 7,500 | 480.05 | 3600375 |
| | 28-Mar-2007 | 4,000 | 455.7 | 1822800 |
| | 29-Mar-2007 | 8,200 | 461.1 | 3781020 |
| 2007-08 | 15-Jun-2007 | 25,000 | 482 | 7230000 |
| | 22-Nov-2007 | 25,000 | 414 | 103500 |
| | 23-Nov-2007 | 8,000 | 418.05 | 418050 |
| 2008-09 | 11-Dec-2008 | 5,142 | 442.65 | 2276106 |
| | TOTAL | 975242 | | 295088263 |

Mr. G RAMAKRISHNA

130. Mr. G Ramakrishna was the Vice President, Finance of Satyam Computers since April 1, 2005. Prior to that, he was the General Manager, Finance since April 1, 2001 and became Asst. Vice President, Finance from April 1, 2004. Mr. G Ramakrishna was fully aware that the books of accounts of Satyam Computers were being manipulated over the years and while in possession of the '*unpublished price sensitive information*', he had sold shares of Satyam Computers at high prices and benefited by ₹ 11.50 crore as detailed in the following table:

| Financial Year | Date of transfer from demat account after sale | No. of Shares | Closing price of the Day / the immediate preceding trading day (₹) | Value of Shares Sold (₹) |
|----------------|--|---------------|--|--------------------------|
| 2001-02 | 17-Jul-2001 | 5,000 | 180.75 | 903750 |
| | 17-Jul-2001 | 5,000 | 180.75 | 903750 |
| | 31-Jul-2001 | 5,000 | 147.45 | 737250 |
| | 18-Aug-2001 | 5,000 | 170.5 | 852500 |
| | 30-Aug-2001 | 5,000 | 173.85 | 869250 |
| | 20-Oct-2001 | 5,000 | 148.3 | 741500 |
| | 29-Oct-2001 | 5,000 | 142.85 | 714250 |
| | 10-Nov-2001 | 5,000 | 149.1 | 745500 |
| | 21-Nov-2001 | 5,000 | 195.3 | 976500 |
| | 24-Nov-2001 | 5,000 | 213.2 | 1066000 |
| | 24-Nov-2001 | 5,000 | 213.2 | 1066000 |
| | 10-Dec-2001 | 5,000 | 267.65 | 1338250 |
| | 11-Dec-2001 | 5,000 | 258.9 | 1294500 |
| 09-Jan-2002 | 5,000 | 296.15 | 1480750 | |

| | | | | |
|---------|-------------|----------|--------|--------------|
| | 12/02/2002 | 7,500 | 287 | 2152500 |
| | 13-Feb-2002 | 12,500 | 288.5 | 3606250 |
| | 20-Feb-2002 | 30,000 | 279.1 | 8373000 |
| 2002-03 | 16-Dec-2002 | 50,000 | 277.7 | 13885000 |
| | 12-Mar-2003 | 50,000 | 200.1 | 10005000 |
| 2002-03 | 12-Dec-2003 | 3,000 | 343.75 | 1031250 |
| | 13-Dec-2003 | 2,000 | 343.75 | 687500 |
| | 13-Dec-2003 | 5,000 | 343.75 | 1718750 |
| | 13-Dec-2003 | 2,000 | 343.75 | 687500 |
| | 13-Dec-2003 | 2,000 | 343.75 | 687500 |
| | 13-Dec-2003 | 3,000 | 343.75 | 1031250 |
| | 13-Dec-2003 | 5,000 | 343.75 | 1718750 |
| | 13-Dec-2003 | 2,000 | 343.75 | 687500 |
| 2004-05 | 15-Mar-2005 | 27,152 | 409.05 | 11106526 |
| 2005-06 | 16-Jun-2005 | 30,384 | 483.45 | 14689145 |
| 2006-07 | 25-Apr-2006 | 20,733 | 762.75 | 15814096 |
| 2007-08 | 09-Nov-2007 | 31,678 | 426.5 | 13510667 |
| Gross | | 3,53,947 | | 11,50,81,934 |

Mr. V S PRABHAKARA GUPTA

131. Mr. V S Prabhakara Gupta joined Satyam Computers in September 1998 and was the Head of Internal Audit since then. He was fully aware that the books of account of Satyam Computers were being manipulated over the years. Since March 2001, he sold a total of 95,064 shares and 4,950 ADS of Satyam Computers while in possession of the '*unpublished price sensitive information*' in this case at high prices and benefited by ₹ 512.65 lakh as described in the following table:

| Financial Year | Date | Rate | Demat Account No. | | | American Depository Shares | Sale Value |
|----------------|-----------|--------|-------------------|----------|----------|----------------------------|------------|
| | | | 1020865 | 10866782 | 11516606 | | |
| 2001-02 | 19-Apr-01 | 160.67 | 1000 | | | | 160674.45 |
| | 7-Sep-01 | 170.25 | 500 | | | | 85124.76 |
| | 10-Sep-01 | 172.10 | 500 | | | | 86050.00 |
| | 11-Sep-01 | 172.10 | 500 | | | | 86051.50 |
| | 12-Sep-01 | 219.44 | 1500 | | | | 329156.88 |
| | 15-Feb-02 | 226.64 | | | 500 | | 113319.68 |
| 2002-03 | 21-Nov-02 | 268.42 | | | 300 | | 80525.00 |
| | 26-Nov-02 | 274.11 | | | 700 | | 191880.00 |
| | 2-Dec-02 | 286.05 | | | 1500 | | 429076.00 |
| | 11-Dec-02 | 279.65 | | | 100 | | 27965.00 |
| | 11-Dec-02 | 252.00 | | | 100 | | 25200.00 |

| | | | | | | | |
|-----------|-----------|--------|------|------|------|-----------|-----------|
| | 12-Dec-02 | 280.79 | | 400 | | | 112316.00 |
| | 13-Dec-02 | 282.27 | | 1700 | | | 479852.00 |
| 2003-04 | 28-Aug-03 | 229.33 | | 200 | | | 45866.60 |
| | 1-Sep-03 | 233.60 | | 200 | | | 46719.11 |
| | 2-Sep-03 | 240.53 | | 200 | | | 48106.90 |
| | 4-Sep-03 | 247.45 | | 200 | | | 49490.73 |
| | 8-Sep-03 | 257.35 | | 100 | | | 25734.66 |
| | 10-Oct-03 | 281.04 | | 500 | | | 140520.00 |
| | 14-Oct-03 | 290.65 | | 300 | | | 87195.00 |
| | 18-Oct-03 | 300.28 | | 1100 | | | 330308.00 |
| | 2-Nov-03 | 302.12 | | 500 | | | 151060.00 |
| | 4-Nov-03 | 316.31 | | 1000 | | | 316310.00 |
| | 5-Nov-03 | 341.36 | | 1000 | | | 341360.00 |
| | 7-Nov-03 | 343.15 | | 1000 | | | 343150.00 |
| | 10-Nov-03 | 339.62 | | 500 | | | 169810.00 |
| | 11-Nov-03 | 325.92 | | 2000 | | | 651840.00 |
| | 24-Nov-03 | 812.83 | | | | 1650 | 1341171.5 |
| | 1-Dec-03 | 341.57 | | 900 | | | 307413.00 |
| | 15-Dec-03 | 344.07 | 500 | | | | 172035.00 |
| | 17-Dec-03 | 357.04 | 1800 | | | | 642672.00 |
| 2004-05 | 29-Jun-04 | 312.96 | 1600 | | | | 500736.00 |
| | 6-Aug-04 | 345.23 | 400 | | | | 138092.00 |
| | 5-Nov-04 | 387.92 | 500 | | | | 193960.00 |
| | 8-Nov-04 | 391.82 | 500 | | | | 195910.00 |
| | 10-Nov-04 | 393.81 | 200 | | | | 78762.00 |
| | 11-Nov-04 | 398.29 | 700 | | | | 278803.00 |
| | 10-Nov-04 | 402.84 | | 400 | | | 161137.03 |
| | 11-Nov-04 | 401.54 | | 600 | | | 240921.99 |
| | 17-Nov-04 | 412.75 | | 300 | | | 123825.00 |
| | 19-Nov-04 | 422.47 | | 1200 | 900 | | 887193.74 |
| | 22-Nov-04 | 429.70 | | | 300 | | 128910.94 |
| | 23-Nov-04 | 428.82 | | | 900 | | 385941.09 |
| | 25-Nov-04 | 425.37 | | | 300 | | 127610.74 |
| | 26-Nov-04 | 427.45 | | | 1200 | | 512945.99 |
| | 29-Nov-04 | 430.61 | | | 1200 | | 516726.35 |
| | 1-Dec-04 | 436.14 | | | 1100 | | 479750.11 |
| | 2-Dec-04 | 431.69 | | | 300 | | 129507.59 |
| | 7-Dec-04 | 420.00 | | | 300 | | 126000.00 |
| 9-Dec-04 | 421.00 | | | 600 | | 252600.00 | |
| 08-Mar-05 | 403.04 | 500 | | | | 201522.26 | |

| | | | | | | | |
|-----------|-----------|---------|------|------|------|------------|------------|
| | 10-Mar-05 | 407.77 | 1400 | | | | 570879.64 |
| | 11-Mar-05 | 418.90 | 900 | | | | 377010.59 |
| 2005-06 | 28-Apr-05 | 423.72 | | | 500 | | 211859.52 |
| | 9-May-05 | 425.21 | | | 1000 | | 425212.32 |
| | 10-May-05 | 431.87 | | | 1000 | | 431871.10 |
| | 11-May-05 | 428.70 | | | 500 | | 214352.00 |
| | 16-May-05 | 429.70 | | | 500 | | 214851.58 |
| | 17-May-05 | 434.69 | | | 500 | | 217344.05 |
| | 19-May-05 | 439.48 | | | 300 | | 131845.11 |
| | 20-May-05 | 443.59 | 800 | | | | 354872.00 |
| | 27-May-05 | 461.27 | | | 1500 | | 691906.08 |
| | 3-Jun-05 | 459.71 | | | 500 | | 229856.83 |
| | 6-Jun-05 | 463.48 | | | 500 | | 231741.12 |
| | 9-Jun-05 | 468.47 | | | 500 | | 234232.96 |
| | 14-Jun-05 | 471.46 | | | 1000 | | 471457.23 |
| | 15-Jun-05 | 473.45 | | | 500 | | 236724.80 |
| | 16-Jun-05 | 477.11 | | | 1500 | | 715657.54 |
| | 30-Jul-05 | 535.25 | | | 500 | | 267625.82 |
| | 2-Aug-05 | 1294.78 | | | | 600 | 776867.00 |
| | 4-Aug-05 | 548.20 | | | 500 | | 274102.40 |
| | 12-Sep-05 | 540.24 | | | 500 | | 270117.66 |
| | 13-Sep-05 | 544.22 | | | 500 | | 272110.03 |
| | 15-Sep-05 | 546.21 | | | 1000 | | 546212.43 |
| | 24-Oct-05 | 1495.09 | | | | 500 | 747544.00 |
| | 25-Oct-05 | 1518.76 | | | | 500 | 759381.00 |
| | 25-Oct-05 | 611.00 | | 1000 | | | 611000.00 |
| | 2-Nov-05 | 622.71 | | 2000 | | | 1245420.00 |
| | 7-Nov-05 | 635.92 | | | 1000 | | 635918.67 |
| | 11-Nov-05 | 647.88 | | | 500 | | 323939.20 |
| | 29-Nov-05 | 662.83 | | | 500 | | 331414.22 |
| 30-Nov-05 | 671.80 | | | 1000 | | 671797.86 | |
| 13-Dec-05 | 673.79 | | 500 | | | 336897.00 | |
| 14-Dec-05 | 680.27 | | 1000 | | | 680270.00 | |
| 15-Dec-05 | 708.96 | | 1500 | | | 1063440.00 | |
| 17-Dec-05 | 722.63 | | 500 | | | 361316.00 | |
| 2006-07 | 16-Aug-06 | 786.26 | 1000 | | | | 786260.00 |
| | 21-Aug-06 | 798.41 | 500 | | | | 399205.61 |
| | 22-Aug-06 | 805.14 | 500 | | | | 402571.72 |
| | 24-Aug-06 | 809.00 | 1000 | | | | 809000.00 |
| | 25-Aug-06 | 816.00 | 1000 | | | | 816000.00 |

| | | | | | | | |
|--------------|-----------|---------|--------------|--------------|--------------|-------------|--------------------|
| | 30-Aug-06 | 823.00 | 500 | | | | 411500.00 |
| | 30-Aug-06 | 826.00 | 500 | | | | 413000.00 |
| | 13-Sep-06 | 801.38 | 864 | | | | 692395.73 |
| | 14-Sep-06 | 818.10 | | 1500 | | | 1227151.18 |
| | 15-Sep-06 | 823.56 | | 2000 | | | 1647111.00 |
| | 15-Sep-06 | 1743.00 | | | | 500 | 871498.14 |
| | 21-Nov-06 | 450.90 | 1000 | | | | 450900.00 |
| | 22-Nov-06 | 472.98 | 1500 | | | | 709466.27 |
| 2007-08 | 01-Jun-07 | 478.25 | 500 | | | | 239125.00 |
| | 01-Jun-07 | 1038.96 | | | | 600 | 623378.00 |
| | 07-Jun-07 | 483.29 | 500 | | | | 241643.56 |
| | 08-Jun-07 | 498.52 | 2500 | | | | 1246309.22 |
| | 11-Jun-07 | 509.00 | 1000 | | | | 509000.00 |
| | 11-Jun-07 | 511.50 | 500 | | | | 255750.00 |
| | 11-Jun-07 | 1046.63 | | | | 600 | 627976.00 |
| | 24-Jul-07 | 510.29 | 1177 | | | | 600611.33 |
| | 24-Jul-07 | 510.29 | 823 | | | | 419968.67 |
| 2008-09 | 30-Apr-08 | 484.92 | 1500 | | | | 727384.49 |
| | 02-May-08 | 497.71 | 500 | | | | 248854.97 |
| | 06-May-08 | 498.73 | 2000 | | | | 997461.09 |
| | 13-May-08 | 505.00 | | 1000 | | | 505000.00 |
| | 14-May-08 | 509.16 | | 3000 | | | 1527480.00 |
| | 28-May-08 | 508.07 | | 2500 | | | 1270177.94 |
| | 29-May-08 | 524.85 | | 3500 | | | 1836975.00 |
| | 02-Jun-08 | 536.11 | 1000 | | | | 536110.00 |
| Total | | | 34164 | 37500 | 23400 | 4950 | 51265122.28 |

132. In this case, the noticees have failed to produce any material to contest the allegations/ charges levelled against them in spite of several opportunities afforded to them by SEBI. The details of such opportunities have been given on earlier pages of this order. I am passing this order considering the facts mentioned in the SCNs, in the letters submitted by the noticees on various occasions and the material available on record. I do not find any material to differ from the findings of investigations as alleged in the SCNs. From the material available on record, I find that the noticees individually as well as acting in concert falsified the books of account and mis-stated financials of Satyam Computers and thus portrayed a false picture of its published quarterly / annual results. They also provided false CEO/CFO certification, made various announcements and issued advertisements/ press releases on the basis of falsified and mis-stated financial position of the company. The noticees also indulged in insider trading on the basis of *unpublished price sensitive information* (UPSI). Such instances include the following:

- a) prepared fake monthly bank statements of the Satyam Computers' Current Account with BoB, New York Branch to the extent of around ₹1,732 crore and also created fake and non-existent FDRs of Satyam Computers to the extent of around ₹3,308 crore as on September 30, 2008 with various banks. They also dishonestly showed fake interest accrued to the extent of around ₹376 crore as on September 30, 2008 in the balance sheet of Satyam Computers. This was done with an intent to portray healthier bank balances than the actual ones in the accounts of Satyam Computers.
- b) inflated sales of Satyam Computers by creating fictitious sales invoices in the names of actual customers and also in the names of fake customers. They also inflated the figures of debtors of Satyam Computers by around ₹ 500 crore as on September 30, 2008. Thus, the revenues were overstated and the liabilities were under- stated in the books of account of the company. In this way, they overstated Satyam Computers' revenues to the extent of ₹ 4782.75 crore till September 30, 2008. It is evident that though the actual net worth of Satyam Computers was a much eroded figure the noticees, dishonestly and in a deceitful manner, overstated financial results of Satyam Computers.
- c) mis-stated the books of account by not including receipts to the extent of ₹1,425 crore and payments of ₹195 crores in the books of account of Satyam Computers. Thus, the books of account did not reflect the actual debt position of the company.
- d) created glaring mismatches in the figures of TDS in the books, which were misleading, to cover up the manipulation in the revenues.
- e) provided false CEO/CFO certification of the truth and fairness, compliance with existing accounting standards of the financial statements, non-existence of fraudulent transactions, operation / design of internal controls etc. as part of whole strategy of disclosing the false financial position of Satyam Computers and actively concealing the true financials.
- f) made announcements of bonus shares, buy-back and ADS issues as well as other public announcements from time to time, including by way of press releases on the basis of a false and manipulated financial position, and portrayed a false picture of the financial position of the company with a view to mislead / deceive investors and to manipulate and artificially maintain the price of the scrip of Satyam Computers in the market.

- g) indulged in sale and pledge of shares of Satyam Computers while in possession of *Unpublished Price Sensitive Information* (UPSI) about its adverse financial position and made unlawful gains.
133. As described in the SCNs, in order to achieve the above objectives, several illegal and unethical methodologies were used, such as preparing fabricated and faked Monthly Bank Statements, fabricated and faked letters from banks indicating the FDR balances; fraudulently entering data by excel porting and generating fake invoices for delivery to the fictitious customers, forging the books of account and financial statements, etc.
134. In the facts and circumstances as described in the SCNs, I find that the noticees, who were in charge of affairs of Satyam Computers at the relevant times, colluded and connived with each other in actively inflating the revenues and understating the liabilities of Satyam Computers by manipulation and fabrication of the books of account and financial statements and falsification of the information presented in the same. The financial statements prepared or caused to be prepared by them did not contain true and fair disclosures of the financial position of Satyam Computers. The noticees, thus, deliberately projected a grossly false picture of the financials of Satyam Computers to millions of investors. In my view, the deliberate false statements, misrepresentations of the material facts and active suppression and concealment of material facts as found in this case amount to '*suppressio veri and suggestio falsi*' which is a facet of '*fraud*' as defined in regulation 2(1) (c) of the PFUTP Regulations.
135. It goes without saying that the financial position and networth of a listed company have direct bearing on its share price and trading behaviour of investors in its scrip, apart from impacting the reputation of the company. Thus, they have potential to influence investment decisions of the investors in the scrip of the company. Considering the facts and circumstances described in the SCNs, I am of the view that by creating and certifying the false and overstated financial results over the years as true and fair, the noticees have misled the investors of Satyam Computers. The acts and omissions of the noticees as found in this case were, in my view, clearly a device, scheme and artifice employed by the noticees to defraud in connection with dealing in securities of Satyam Computers and fall in the ambit of prohibited activities under section 12A(a) (b) (c) of the SEBI Act and regulation 3(b)(c) and (d) and regulation 4(1) and 4(2),(a),(e),(f),(k), and (r) of the PFUTP Regulations.
136. I further find that advertisements carrying the quarterly financial results of Satyam Computers were also misleading and they contained spurious information. Such publications of false and misleading financial results created artificial demand in the scrip of Satyam Computers and also led to false and misleading price discovery of its securities in the stock market. This clearly has

influenced the decisions of numerous investors and induced them to trade in the securities of Satyam Computers. I also find that, in this case, the announcements of bonus shares, ADS and buy back of shares concealing the true and fair financial position and disclosing manipulated and falsified financial position of Satyam Computers had clearly the potential to influence the investment decisions of investors and induce them to acquire or dispose of shares/ADS of Satyam Computers. Further, the noticees have periodically made statements from time to time in various press releases, etc. in which they have made various false and misleading statements as to Satyam Computers' financial performance, assets, liabilities, etc. In my view, such fraudulent or deceptive device, scheme, act or practice having the potential to induce sale or purchase of or dealing in securities or to influence the investment decisions of the investors are squarely covered by the prohibitions of section 12A (b) and (c) of the SEBI Act and regulation 3(c) and (d) of the PFUTP Regulations. In this regard, it would be worthwhile to refer to the following observations made by the Hon'ble SAT in matter of *V. Natarajan vs. SEBI* (Order dated June 29, 2011 in Appeal no. 104 of 2011):

"... we are satisfied that the provisions of Regulations 3 and 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market), Regulations, 2003 were violated. These regulations, among others, prohibit any person from employing any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on an exchange. They also prohibit persons from engaging in any act, practice, and course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities that are listed on stock exchanges.

These regulations also prohibit persons from indulging in a fraudulent or unfair trade practice in securities which includes publishing any information which is not true or which he does not believe to be true. Any advertisement that is misleading or contains information in a distorted manner which may influence the decision of the investors is also an unfair trade practice in securities which is prohibited. The regulations also make it clear that planting false or misleading news which may induce the public for selling or purchasing securities would also come within the ambit of unfair trade practice in securities...."

137. I, therefore find that all the noticees have employed a device to deceive and defraud the investors in violation of section 12A(a) (b) (c) of the SEBI Act and regulation 3(b)(c) and (d) and regulation 4(1) and 4(2),(a),(e),(f),(k), and (r) of the PFUTP Regulations.
138. It is trite to say that the periodical financial results of Satyam Computers were price sensitive information as defined in regulation 2(ha) of the PIT Regulations. The actual financial results remained within knowledge and possession of the noticees but the false and misleading financial results were published. Thus, the price sensitive information about true and correct financial

results remained unpublished within the definition under regulation 2(k). The information about actual periodical financial results of Satyam Computers, therefore, remained '*unpublished price sensitive information*' (UPSI) during the relevant time. Mr. Ramalinga Raju and Mr. Rama Raju, being the Chairman and Managing Director, respectively, of Satyam Computers at the relevant times, were '*insiders*' within meaning of the term under regulation 2 (e) read with definition of the expression '*connected person*' under regulation 2(c) (i) of the PIT Regulations. Mr. Vadlamani Srinivas, Mr. G Ramakrishna and Mr. V. S. Prabhakara Gupta being the CFO, VP (Finance) and Head (Internal Auditor) of Satyam Computers, respectively were actively involved in manipulation of books of account and misstating of the financials of Satyam Computers as described in the SCNs. As such they had access to the UPSI and were in possession thereof at the relevant time. Accordingly, they were '*insiders*' within the meaning of the term under regulation 2 (e)(ii) of the PIT Regulations. Apart from this, being officers / employees of Satyam Computers having access to UPSI relating to Satyam Computers, they were '*connected persons*' within the meaning of this expression in regulations 2(c)(ii) of the PIT Regulations. I, therefore, find that all the noticees in this case were '*insiders*' in possession of the UPSI at the relevant times.

139. As described in the SCNs regarding charges of insider trading and as discussed hereinabove, the noticees, being in possession of the UPSI, sold and pledged (in the garb of loan transaction) the shares of Satyam Computer to derive gain on the basis of the same. They took advantage of the high valuation which had been given to Satyam Computers by the market as the same was not aware of the true financial position of the company. I, therefore, find that the noticees have also violated the provisions of section 12A (d) and (e) of the SEBI Act and regulations 3 and 4 of the PIT Regulations.
140. It is noted that on account of their fraudulent acts, omissions and illegal transactions, Mr. Ramalinga Raju, Mr. Rama Raju, Mr. Vadlamani Srinivas, Mr. G Ramakrishna and Mr. V. S. Prabhakara Gupta, have made unlawful gains as follows:

| Sr. no. | Name of the noticee | Amount (₹) | Mode of transaction |
|----------------|--------------------------------------|-------------------|----------------------------|
| (a) | Mr. Ramalinga Raju and Mr. Rama Raju | 543.93 crores | Sale of shares |
| | | 1,258.88 crores | Pledge of shares |
| (b) | Mr. Vadlamani Srinivas | 29.5 crores | Sale of shares |
| (c) | Mr. G Ramakrishna | 11.5 crores | Sale of shares |
| (d) | Mr. V S Prabhakara Gupta | 512.65 lac. | Sale of shares |

141. It is to be kept in mind that financial statements are the yardstick that numerous stakeholders use to assess the financial health of a company. Falsified financial statements may lead to wrong

assessments and flawed investment decisions. Further, the persons in charge of affairs of management of a company are entrusted with fiduciary duty to act in the interest of the shareholders, as such, they are trustees of the shareholders' interests. These persons, particularly those holding the position of Chairman, Managing Director, CEO, CFO, etc. as in this case, have access to almost all confidential data and information relating to the company and are in position to exploit this access to the detriment of the investors, yet the investors repose faith in them and trust that they will work in their best interest. If the financial and securities related frauds are perpetrated by such persons it would breach the trust and deal a huge blow to the confidence of not only the investors / stakeholders of the relevant company but also the whole market. Such incidences have ripple effect and adversely affect the sentiment and the confidence of the whole securities market. In the facts and circumstances as discussed hereinabove, it is noted that the fraudulent acts and omissions of the noticees in a co-ordinated manner have shattered the confidence of millions of genuine and unsuspecting investors in securities of Satyam Computers and caused serious prejudice to integrity of the securities market.

142. I note that the aforesaid acts, omissions and conduct of the noticees as described in the respective SCNs and the consequences thereof also raise serious concerns about the non-observance of the principles of corporate governance in this case. The true, fair, adequate and timely disclosures of the financial position of a company form one of the basic tenets of governance in listed companies and are essential for maintaining the integrity of the securities market. In this case, the noticees, apart from above contraventions, have failed to observe their fiduciary duties and have violated the principles of corporate governance in general and the obligation of CEO/CFO certification stipulated in clause 49 of the Listing Agreement, in particular.
143. In the present case, the noticees have committed a sophisticated white collar financial fraud with pre-meditated and well thought of plan and deliberate design for personal gains and to the detriment of the company and investors in its securities. In this regard, I deem it fit to mention the judgement of Hon'ble Supreme Court of India in the matter *Ram Narayan Popli Vs CBI* (Appeal (Crl.) 1097 of 1999) wherein it observed as follows:

"The Cause of the community deserves better treatment at the hand of the court in the discharge of its judicial functions. The community or the state is not a persona non grata whose cause may be treated with disdain. The entire community is aggrieved if economic offenders who ruin the economy of the state are not brought to book. A murder may be committed in the heat of moment upon passions being aroused. An economic offence is committed with cool calculation and deliberate design with an eye on personal profit regardless of the consequence to the community. A disregard for the interest of the Community can be manifested only at the cost of forfeiting the trust and faith of the community in the system to administer justice in an even handed manner without fear

of criticism from the quarters which view white collar crimes with permissive eye, unmindful of the damage; done to the National Economy and National Interest, as was aptly stated in State of Gujrat V. Mohanlal Jitamalji Porwal and Anr. AIR (1987) 1321).

Unfortunately in the last few years, the country has seen an alarming rise in white collar crimes which has affected the fibre of the country's economic structure. These case are nothing but private gain at the cost of public, and lead to economic disaster."

144. Given the vital function of protecting investors and safeguarding the integrity of the securities market vested in SEBI and the commensurate powers given to it under the securities laws, it is necessary for SEBI to exercise these powers firmly and effectively to insulate the market and its investors from the fraudulent actions of the participants in the securities market. One of the basic premises that underlines the integrity of securities market is that the participants conform to standards of transparency, good governance and ethical behaviour prescribed in securities laws and do not resort to manipulative, deceptive and fraudulent activities. In this case, the acts, omissions and conduct of the noticees, as brought out in the SCNs have been in violation of this basic premise. The financial frauds as found in this case are inimical to the interests of the investors in securities and endanger the market integrity. I am convinced that this is a case where befitting enforcement action is necessary to send a stern message to the market to create an effective deterrence.

145. It is also worth mentioning that recently, the Hon'ble Supreme Court in the matter of *N. Narayanan Vs. Adjudicating Officer, SEBI* (Civil appeal nos. 4112-4113 of 2013 (D. No. 201 of 2013)) made the following observation with a word of caution to SEBI:-

"word of caution:

SEBI, the market regulator, has to deal sternly with companies and their Directors indulging in manipulative and deceptive devices, insider trading etc. or else they will be failing in their duty to promote orderly and healthy growth of the Securities market. Economic offence, people of this country should know, is a serious crime which, if not properly dealt with, as it should be, will affect not only country's economic growth, but also slow the inflow of foreign investment by genuine investors and also casts a slur on India's securities market. Message should go that our country will not tolerate "market abuse" and that we are governed by the "Rule of Law". Fraud, deceit, artificiality, SEBI should ensure, have no place in the securities market of this country and 'market security' is our motto. People with power and money and in management of the companies, unfortunately often command more respect in our society than the subscribers and investors in their companies. Companies are thriving with investors' contributions but they are a divided lot. SEBI has, therefore, a duty to protect investors, individual and collective, against opportunistic behaviour of Directors and Insiders of the listed companies so as to safeguard market's integrity."

146. Considering the above, I, in order to protect the interest of investors and the integrity of the securities market, in exercise of the powers conferred upon me under section 19 of the SEBI Act, 1992 read with section 11, 11(4) and 11B of the SEBI Act, and regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market)

Regulations, 2003, and regulation 11 of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 hereby restrain the following persons from accessing the securities market and further prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of 14 years :-

| S. No | Name | PAN |
|--------------|---|------------|
| (1) | Mr. B Ramalinga Raju, Ex-Chairman, Satyam Computer Services Limited. | ACVPB8311J |
| (2) | Mr. B Rama Raju, Ex-Managing Director, Satyam Computer Services Limited. | ACEPB2813Q |
| (3) | Mr. Vadlamani Srinivas, Ex-Chief Financial Officer, Satyam Computer Services Limited. | ABEPV4019P |
| (4) | Mr. G Ramakrishna, Ex-Vice President (Finance), Satyam Computer Services Limited. | ACAPG1654L |
| (5) | Mr. VS Prabhakara Gupta, Ex-Head (Internal Audit), Satyam Computer Services Limited. | AEAPP2815G |

147. As described in the SCNs, on account of their illegal transactions, the noticees have made unlawful gains as mentioned in para. 140 of this order. I am of the view that no person can be allowed unjust enrichment by way of wrongful gain made on account of fraudulent, manipulative and unfair activities and/or insider trading as found hereinabove. I, therefore, in exercise of the powers conferred under section 11 and 11B of the SEBI Act, 1992 read with Securities Laws (Amendment) Ordinance, 2014 direct the noticees to disgorge the wrongful gain made by them from their contraventions, as described in para 140 of this order, with simple interest @ 12% per annum from January 07, 2009 till the date of payment. They shall pay the said amounts within 45 (forty five) days from the date of this order by way of demand draft drawn in favour of “Securities and Exchange Board of India”, payable at Mumbai.

148. This Order shall come into force with immediate effect. Copies of this Order shall also be served upon the depositories and stock exchanges for necessary action on their part.

Date : JULY 15th, 2014

Place: Mumbai

RAJEEV KUMAR AGARWAL
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA