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GOVERNANCE FAILURE AT SATYAM[1]

Ajai S. Gaur and Nisha Kohli wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

Satyam, a word in Sanskrit — an ancient Indian language — means truth. Ironically, a company by the same name was involved in one of the largest scandals in the history of the Indian corporate world. On January 7, 2009, B. Ramlinga Raju, chairman of Satyam Computer Services Ltd., wrote a letter to the company board in which he took responsibility for fraud of about 50 billion Indian rupees (INR) (see Exhibit 1).

The fraud took the corporate world by surprise, not only due to its size but also because Satyam had been touted as a pioneer of corporate governance practices. Satyam won the Golden Peacock Global Award for Excellence in Corporate Governance given by the World Council for Corporate Governance in 2008, just three months before the scandal. Satyam also won the Golden Peacock National Award for Excellence in Corporate Governance in 2002, and was rated as having the best corporate governance practices by the Investor Relations Global Rankings (IRGR) for 2006 and 2007. In his letter, Raju acknowledged that the fraud had been going on for several years. As analysts tried to understand how a company with strong corporate governance practices could keep such a huge fraud under wraps, about 115 independent directors on the boards of listed Indian companies resigned in the one-month period following the Satyam scandal. Following the scandal, the big question facing the corporate world and the regulators was how to ensure good corporate governance, moving beyond the ceremonial adoption of best practices by firms.

HISTORY OF SATYAM

Satyam Computers Limited (Satyam) was India's fourth-largest software development and information technology (IT) consulting company based on 2008 figures[2]. A private limited company incorporated by two brothers — B. Rama Raju and B. Ramalinga Raju — in 1987, Satyam's success became synonymous with the success of the Indian IT industry for the next 20 years. Satyam was converted from a private limited company to a public company in August 1991, issuing shares to the public in 1992. The money

[1] *This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Satyam Computer Services Ltd. or any of its employees.*
[2] *Prowess database, Centre for Monitoring of Indian Economy.*

raised in the stock market was used to build a software technology park and a 100 per cent export-oriented unit. In the following year, Satyam made its first global foray by entering into a joint venture with the U.S. company Dun and Bradstreet. In 1996, Satyam set up its first foreign office in the United States, followed by another one in Japan. It developed new business partnerships in several other countries including Australia, Canada and some European countries. Meanwhile, Satyam continued its growth initiatives in the domestic market, opening new offices and facilities in different parts of India, promoting four subsidiaries — Satyam Spark Solutions, Satyam Renaissance Consulting Ltd., Satyam Enterprise Solutions Pvt. Ltd. and Satyam Infoway Pvt. Ltd. — and opening IT schools — the Indian Institutes of Information Technology (IIIT). The IIITs were a result of public-private partnership, with several of these schools being promoted by global corporation such as IBM, Microsoft and Oracle in different parts of India. In 1997, Satyam became the first Indian company to receive Information Technology Association of America (ITAA) certification for Y2K solutions.[3]

To capitalize on the IT boom in the late 1990s, Satyam made its first greenfield investment in the United States in 1998, opening a software development centre in New Jersey and subsequently opening several such centres all over the world in Singapore, the United Arab Emirates (UAE), Australia, Malaysia, China, Egypt and Brazil. In 1999, different subsidiaries of Satyam were merged with the parent firm, and Satyam was listed on the NASDAQ. The money raised by the NASDAQ listing was used for further growth initiatives including new ventures. Satyam entered into several alliances and long-term contracts with global bodies and corporations such as World Bank, Microsoft, Yahoo!, SEEC Inc, Healthaxis, Insur-Enroll Solution, Computer Associates, Saint-Gobain Abrasives, Venture Global Engineering, Vignette Corporation, Computer Associates, Emirates, SAS Institute Inc, i2 Technologies and Ford. As of 2008, Satyam had a revenue of more than US$2 billion, more than 51,000 associates of more than 60 nationalities, 654 customers which included one-third of the Fortune Global and US 500 companies, a presence in 63 countries and 31 global solution centres. It was listed on the New York Stock Exchange in the United States, Euronext in Amsterdam and Bombay Stock Exchange and the National Stock Exchange in India.[4]

Along with its phenomenal growth, Satyam and its employees also won several national and international awards and recognitions. In 2000, Satyam was named a Web Business 50/50 award winner for its corporate intranet. In the same year, Satyam won the national Human Resource Development (HRD) Award for its outstanding HRD efforts. Dataquest, a leading IT magazine, named Raju as IT Man of the Year for 2000. Hong Kong-based Far Eastern Economic Review ranked Satyam as one of the 10 most well-regarded companies in India, based on a survey conducted in 2000. Satyam also won the Frost & Sullivan market engineering award for competitive strategy in 2001, and the application service provider category IBM Lotus award for innovation in 2003. These awards and honours were clear reflections of Satyam's prestige and reputation amongst its clients, employees and society in general.[5]

GOVERNANCE AT SATYAM

Satyam had a relatively small promoter holding for a traditional family-run firm in India (see Exhibit 2); in fact, the promoters' ownership share had steadily declined over the years. Foreign institutional investors had the maximum holding, varying between 40 and 50 per cent. Other important groups of investors included the Indian public, banks and financial institutions as well as mutual funds. With a relatively high

[3] *http://content.icicidirect.com/Research/HistoryCompany.asp?icicicode=SATCOM, accessed on January 7, 2009.*
[4] *Satyam Annual Report, 2008.*
[5] *http://content.icicidirect.com/Research/HistoryCompany.asp?icicicode=SATCOM, accessed on January 7, 2009.*

level of ownership in the hands of domestic and foreign institutional investors, it was important for Satyam to have a 'good' corporate board to gain legitimacy amongst its different stakeholders.

As of December 2008, Satyam had five independent and four internal members on its board (see Exhibit 3). Ramalinga Raju and Rama Raju, the two founding brothers, were the only relatives on the board. Ramalinga Raju was the chairman of the board; the other two internal directors included Ram Mynampati, an internal employee, and Krishna Palepu, a Harvard Business School professor who was listed as an internal director because he also worked as a consultant for Satyam. The audit and compensation committees had four members each who were all independent directors. The audit committee met eight times in the year preceding the scandal, while the compensation committee met three times.

The composition of the board and different committees was in total compliance with the prescribed rules and regulations in India; in addition, Satyam seemed to follow the governance standards beyond what was prescribed by law, as is evident from the company's philosophy on corporate governance, stated in the governance reports that Satyam submitted to regulatory authorities:

> Corporate Governance assumes a great deal of importance in the business life of Satyam ("the Company"). The driving forces of Corporate Governance at Satyam are its core values — Associate Delight, Investor Delight, Customer Delight and the Pursuit of Excellence. The Company's goal is to find creative and productive ways of delighting its stakeholders, i.e., Investors, Customers, Associates and Society, thereby fulfilling the role of a responsible corporate representative committed to best practices.
>
> Satyam believes that sound Corporate Governance practices provide an important framework to assist the Board in fulfilling its responsibilities. The Board of directors is elected by shareholders with a responsibility to set strategic objectives to the management and to ensure that the long term interests of all stakeholders are served by adhering to and enforcing the principles of sound Corporate Governance. Thus, the management is responsible to establish and implement policies, procedures and systems to enhance long-term value of the Company and delight all its stakeholders (Associates, Investors, Customers and Society).[6]

FINANCIAL HEALTH

Satyam's balance sheet showed all the signs of a healthy company (see Exhibits 4 through 6). In eight years from 2001 to 2008, Satyam's turnover increased from INR14.12 billion to INR84.73 billion. Profit after tax also showed a consistent gain, with the net profit margin increasing from 10 per cent to 20 per cent. Satyam expected revenue of about US2.7 billion in the 2008/09 financial year (as stated in its 10k form for the 2007/08 financial year)[7]. These figures meant an increase in growth rate from 24 per cent to 26 per cent between 2008 and 2009. Basic earnings per American Depository Receipts (ADS) for 2009 were expected to be between US$1.44 and US$1.47, implying a growth rate of 15.2 per cent — up 17.6 per cent from the previous year. The earnings per share (EPS) for 2009 were expected to be between INR29.54 and INR30.04, with a growth rate of 17 per cent to 19 per cent over the previous year.

Satyam's financial health was based on a robust profile of customers: its top 100 customers accounted for 85 per cent of the company's revenue. Satyam had two customers with annual run rates greater than

[6] *Satyam Annual Report 2007.*
[7] *Satyam Annual Report 2008.*

US$100 million, while 50 customers exceeded an annual run rate of US$10 million. There were 230 customers with annual run rates of US$1 million. Satyam was the first Indian company to post its audited results for the 2007/08 financial year in accordance with the International Financial Reporting Standards (IFRS)[8]. The company's chief financial officer (CFO), Srinivas Vadlamani, commented on reporting results according to IFRS:

> We see considerable value in adopting IFRS. As a global standard, it enables comparison and comprehension of financials, regardless of a company's location. And, since Satyam has adopted the standards, our operational reporting can be understood, without reconciliation, by more than 100 countries that already permit or require IFRS reporting. Further, the move provides clarity and consistency to Satyam's investors in Europe, where our company is growing quickly.[9]

THE UNFOLDING OF THE CRISIS

On December 16, 2008, Satyam's board approved a 51 per cent stake acquisition of Maytas Infra, a listed company in the Bombay Stock Exchange for US$1.3 billion, and a 100 per cent stake in the unlisted firm Maytas Properties for US$300 million. Both of these firms were in the construction and real estate business and were promoted by the two sons of Satyam's chairman, Ramalinga Raju. Raju's immediate family and friends held a 36 per cent stake in Maytas Infra and 35 per cent stake in Maytas Properties. The successful completion of the acquisition required borrowing US$300 million to add to the US$1.2 billion of cash that Satyam claimed to possess. Satyam justified the diversification into the real estate and property business on the grounds that real estate was a sunrise industry in India, and that diversification was essential given the sluggish growth of IT business in key markets such as the United States and Europe.[10]

The investors reacted very negatively to this news, resulting in a 55 per cent decline in Satyam's ADRs. Following stiff resistance from investors in general and institutional investors in particular, Satyam called off the acquisition on December 17, 2008; however, this did not pacify the negative sentiments and share prices, which fell by 30 per cent on the Indian bourses. Given the significant related party transactions involved, investors and media also started raising doubts over the corporate governance practices at Satyam; to restore investor confidence, Satyam scheduled a board meeting to consider a share buyback on December 29, 2008. On December 23, the World Bank suspended Satyam for eight years from doing any business with itself, on the grounds that Satyam was offering bribes to World Bank staff for obtaining lucrative contracts. While Satyam vehemently denied the allegations, its share prices continued to fall. On December 26, Mangalam Srinivasan — who had been an independent director since 1991 — resigned, taking the moral responsibility for not opposing the acquisition decision in writing. On December 28, Satyam postponed the board meeting scheduled for December 29; on the same day, Infrastructure Leasing and Financial Services (IL&FS) Trust sold 4.41 million Satyam shares at INR139.83 in the open market. Raju and his family had pledged these shares in lieu of the loans obtained from IL&FS Trust; as a result, Raju and his family's stake in Satyam diluted to 5.13 per cent by late December, from a high of 8.65 per cent in September 2008.[11] Satyam's market capitalization eroded by 40 per cent in just two weeks in the latter half of December 2008.[12]

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[8] *Satyam Annual Report, 2008.*
[9] *Ibid.*
[10] *Ravi Kant, "Satyam-Maytas deal: A mockery of corporate governance," Merinews, December 18, 2008, www.merinews.com/article/satyam-maytas-deal-a-mockery-of-corporate-governance/153334.shtml, accessed on March 13, 2009.*
[11] *Ibid.*
[12] *"Satyam promoters may have lost stakes," Livemint, Reuters, December 29, 2008, accessed on March 12, 2009.*

In the midst of this disaster, someone claiming to be a former senior executive in Satyam wrote an anonymous email to one of the board members: the email had details about financial irregularities and fraud at Satyam. The letter also mentioned that Satyam did not have enough liquid assets that could be confirmed with its bankers. The email was forwarded to all the board members along with the chief executive officer (CEO), B. Ramlinga Raju. Some people speculated that this letter ultimately became the basis of the uncovering of the financial fraud. Facing heat from the market and criticism from the analysts, three more independent directors — Rammohan Rao, who headed the board meeting that approved the acquisition, Krishna Palepu and Vinod Dham — resigned from the board.

On January 7, 2009, B. Ramlinga Raju wrote a resignation letter to the Securities and Exchange Board of India (SEBI), which was the market regulator in India. In his resignation letter (see Exhibit 1), Raju admitted that he falsified the financial statements to the tune of INR71.36 billion: this falsified amount included INR50.46 billion in non-existing cash and bank balances. Raju confessed that he overstated the profits, as the profit margins were as low as three per cent; he also stated that the financial gap in actual and stated profits was known to senior officials including the chief operating officer and the CFO. Raju stated that he was forced to overstate the profits to maintain the share price level, which was important to make sure that Satyam was not subjected to a hostile takeover. Raju further stated that he never profited from the high market prices of Satyam shares because he never sold any of his shares, but only pledged them with family and others to raise loans to bridge the gap between fake and real assets. Raju described the situation in his letter: "It was like riding a tiger, not knowing how to get off without being eaten."

To meet Satyam's cash commitments, Raju had to take loans from his friends, family and others by pledging his shares: his ownership stake declined from 20.74 per cent in 2003 to 8.74 per cent in 2008. Justifying his actions, Raju stated in the letter that in his last attempt to save Satyam from a hostile takeover and to bridge the gap between actual and stated cash, he tried the Maytas deal that failed; consequently, he chose to resign.

This scandal had many consequences: Raju was arrested and imprisoned; shares of Satyam fell to INR39.95 on the Bombay Stock Exchange from a 52-week high of INR544; DSP Merrill Lynch terminated its engagement with the company; Raju's brother Rama was also arrested; a special team of auditors from SEBI began investigations into the fraud; several law suits were filed in different courts including in the United States; and the government of India disbanded the Satyam board and appointed new directors and an interim CEO.

INVESTIGATIONS

The Central Bureau of Investigation (CBI) was asked to initiate an inquiry into the financial fraud at Satyam. According to the CBI, the amount of manipulated profits was more than INR96 billion.[13] Other findings were also different from what Raju stated in his letter. The biggest puzzle for the shareholders, investigators and the general public was how Raju could have hidden the evidence of fake assets from various regulators such as the income tax authorities, SEBI and the Reserve Bank of India for seven years. Further, what was the role played by governance mechanisms such as the board and internal/external auditors, whose main job was to make sure that firms did not indulge in such irregularities? Raju's claim that Satyam was earning only three per cent net profits was hard to believe given that other competitors made 20-25 per cent net profits during the same years. Such a massive case of fraud without intention to make private gains was difficult to believe .[14]

[13] *"Satyam fraud could amount to Rs10,000 cr:CBI," Livemint, Press Trust of India, March 22, 2009.*
[14] *K.Venkatasubramanian, "Satyam Computer — Open Offer: Reject", Hindubusinessline, June 21, 2009.*

According to a CBI charge sheet dated April 7, 2009, Raju and his family had a total of 327 companies registered in their names, with family members often being directors in these companies.[15] Since these firms were not registered in the stock markets, they were not required to follow standard governance practices or to publicize the details of their business dealings. It was surprising how these and other facts could be hidden from the multiple layers of audit that a firm goes through.

There were typically three levels of auditing that occurred in any company. Firstly, an internal audit by the team headed by the CFO. This was followed by an external audit, which was performed by PricewaterhouseCoopers (PwC) in Satyam's case. Finally, the board had the audit committee, headed by an independent board member. In Satyam's case, there was a failure at all the three levels.

Satyam contracted PwC as its statutory auditor since 2000. During the five-year period from 2003-2008, PwC's audit fee tripled to INR430 million. The audit fee that Satyam paid was about twice as much as what its peers in the IT industry paid to their auditors; for example, three other leading IT companies in India — Wipro, Infosys and Tata Consultancy Services — paid INR280 million, INR153 million and INR277 million, respectively.[16] All these companies were listed in domestic and foreign stock exchanges and had to comply with international accounting regulations similar to Satyam. The auditors from PwC issued a brief statement:

> The audits were conducted by Price Waterhouse in accordance with applicable auditing standards and were supported by appropriate audit evidence. Given our obligations for client confidentiality, it is not possible for us to comment upon the alleged irregularities. Price Waterhouse will fully meet its obligations to cooperate with the regulators and others.[17]

Given the relatively higher fees that Satyam paid to PwC, it was suspected that the external auditors allowed various accounting irregularities such as improper verification of cash and bank balances.[18] Cash audit is one of the easiest forms of audit, as auditors only need to have a written confirmation from the bank that so much money exists. If the bank does not verify the cash, then an auditor cannot give an opinion of true and fair view. Initially, Satyam's bankers declined to comment on the company's accounts, citing client confidentiality. Later, however, the bankers were also pulled into the investigation to verify the huge amount of money shown as bank balance in the financial statements.

Raju admitted that Satyam's fixed deposits, which supposedly grew from INR, 33.2 millions in 1998/99 to a massive INR33.20 billion in 2007/08, were all fake. The auditors were supposed to have an independent bank confirmation of such things in the form of a bank statement. Under Indian law, banks had to deduct tax at source for any interest income that exceeded US$200 per year: this money had to be paid directly to the government. Such a large amount of money could only be hidden by creating fake documents, which should have been checked by relevant authorities at different levels.[19]

There were other indications of potential financial irregularities at Satyam that were ignored by the internal and external auditors; for example, Satyam closed the 2007/08 financial year with a debt of INR2.36 billion, even after having an enormous INR44.62 billion lying unused in its accounts.[20] This amount was neither distributed among shareholders in the form of dividends, nor was it used to earn valuable interest,

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[15] *CBI charge sheet, April 7, 2009, p. 41, signed by Chief Investigating Officer A.V.V. Krishna.*
[16] *Prowess Database, Centre for Monitoring of Indian Economy.*
[17] *www.indianexpress.com/news/satyam-auditing-based-on-evidence-says-pric/408575/ accessed on June 22, 2009.*
[18] *CBI charge sheet, April 7, 2009, p. 50.*
[19] *CBI charge sheet, April 7, 2009, p. 26.*
[20] *Satyam Annual Report, 2008.*

as is usually done; as such, the auditors could avoid responsibility only if he or she could demonstrate that there was no gross negligence in conducting the audit. Following the unearthing of the scandal, PwC's audit head in India resigned, and the two partners who signed on Satyam's balance sheet — S. Gopalakrishnan and Srinivas Talluri — were suspended and imprisoned.

THE AFTERMATH OF THE CRISIS

The fraud resulted in a decline of more than 78 per cent in Satyam's market capitalization. The immediate challenge for the government-appointed board was to protect the interests of shareholders and employees by making sure that the firm survived. In February 2008, the market regulator (SEBI) gave a green signal for sale of a 51 per cent stake of Satyam through a global bidding process. Investors with more than US$150 million in net assets were invited to bid. The bidding involved two steps: in the first step, the successful bidder had to acquire equity shares representing 31 per cent of Satyam's share capital; in the second phase, the bidding firm had to make a public offer to buy a minimum of 20 per cent more. In case the bidding firm failed to acquire 51 per cent even after the close of the open offer, it would be eligible to subscribe to additional equity shares. Tech Mahindra, a Mahindra and Mahindra group company, won the bid for Satyam at INR58 per share. It paid INR17.57 billion for a 31 per cent stake in Satyam. Tech Mahindra planned to run Satyam as an independent company with separate liabilities.[21]

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[21] *"Tech Mahindra completes 31 pc acquisition in Satyam," IBN Live, May 6, 2009, http://ibnlive.in.com/news/tech-mahindra-completes-31-pc-acquisition-in-satyam/91897-7.html, accessed on May 31, 2009.*

Exhibit 1

LETTER BY SATYAM CEO

January 7, 2009

To
The Board of Directors
Satyam Computers Services Ltd.
From B. Ramalinga Raju
Chairman, Satyam Computer Services Ltd.

Dear Board Members,
It is with deep regret and tremendous burden that I am carrying on my conscience, that 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 Rs.[22] 5,040 crore[23] (as against Rs. 5,361 crore reflected in the books).
   b. An accrued interest of Rs. 376 crore, which is non- existent.
   c. An understated liability of Rs. 1,230 crore on account of funds arranged by me.
   d. An overstated debtors position of Rs. 490 crore (as against Rs. 2,651 reflected in the books).

2) For the September quarter (Q2) we reported a revenue of Rs. 2,700 crore and an operating margin of Rs. 649 crore (24% of revenues) as against the actual revenues of Rs. 2,112 crore and an actual operating margin of Rs. 61 Crore (3% of revenues). This has resulted in artificial cash and bank balances going up by Rs. 588 Crores in Q2.

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 Rs. 11,276 Crore in the September quarter, 2008 and official reserves of Rs. 8,392 Crore). 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 and 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 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 Rs. 1,230 Crore 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

[22] *Rs. is an abbreviated form of the Indian rupee (INR).*
[23] *One crore equals 100 million.*

Exhibit 1 (continued)

growth did not help these 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 benefited 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 Lagioia, Ravindra Penumetsa, Jayaraman and Prabhakar Gupta were unaware of the real situation as against the books of accounts. None of my or Managing Director's immediate or extended family members had 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 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 growing 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 the 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 consequence thereof.

(B. Ramalinga Raju)

Copies marked to:
1) Chairman SEBI
2) Stock Exchanges

Source: www.hindu.com/nic/satyam-chairman-statement.pdf, accessed on January 15, 2009.

Exhibit 2

OWNERSHIP DETAILS (PERCENT OF SHAREHOLDING)

Category	2003	2004	2005	2006	2007	2008
Promoter's holding						
Indian promoters	20.74	17.35	15.67	14.02	8.79	8.74
Foreign promoters	0	0	0	0	0	0
Persons acting in concert	0	0	0	0	0	0
Subtotal	**20.74**	**17.35**	**15.67**	**14.02**	**8.79**	**8.74**
Non-promoters						
Institutional investors						
Mutual funds and UTI	8.88	7.39	7.58	5.70	6.00	4.88
Banks, financial inst., insurance company (central/state govt. inst./non-govt. inst.)	4.37	4.33	3.32	1.74	5.63	8.13
Foreign inst. investors	43.02	51.27	56.06	52.48	47.22	48.09
Subtotal	**56.27**	**62.99**	**66.96**	**59.92**	**58.84**	**61.1**
Others						
Private corporate bodies	2.34	1.58	1.00	0.95	0.94	0.33
Indian public	8.47	6.06	4.47	4.06	10.64	10.25
NRIs/OCBs	1.56	1.37	1.24	1.11	1.27	0.00
Any other	10.61	10.65	10.66	19.94	19.52	19.58
Subtotal	**22.99**	**19.66**	**17.37**	**26.06**	**32.37**	**30.16**
Grand Total	**100**	**100**	**100**	**100**	**100**	**100**

Source: Prowess Database, Centre for Monitoring of Indian Economy,

Exhibit 3

BOARD COMPOSITION

Pre-crisis Board			
Name	**Affiliation**	**Qualification**	**Occupation**
Ramalinga Raju	Executive chairman, promoter-director	MBA	Promoter of Satyam Computers
Rama Raju	Managing director, promoter-director	MBA	Promoter of Satyam Computers
Ram Mynampati	Executive director, declared interim CEO	MCA	Employee and executive director on board of Satyam
Prof. Krishna G. Palepu	Non-executive director, consultant	Ph. D.	Professor at Harvard Business School
Dr. (Mrs.) Mangalam Srinivasan	Non-executive director, independent	Ph. D.	Management consultant and advisor to Kennedy School of Management
Mr. Vinod K. Dham	Non-executive director, independent	B.E. / M.E. (Electrical)	Director of New Path Ventures LLC, NEA — Indo U.S. Ventures LLC
Prof. M. Rammohan Rao	Non-executive director, independent	Ph. D.	Former dean, Indian School of Business
Mr. T.R. Prasad	Non-executive director, independent	M.Sc.Physics/ F.I.E.(Fellow Institution of Engineers - India)	Retired bureaucrat (cabinet secretary, Government of India)
Prof. V.S. Raju	Non-executive director, independent	Ph. D.	Chairman of the Naval Research Board, Defense Research and Development Organization, Government of India
Post-crisis Board			
Mr. Kiran Karnik (Chairman)	Non-executive chairman, independent	B.Sc., P.G.D.B.A, IIM	Member, Scientific Advisory Council to Prime Minister
Mr. Deepak Parekh	Non-executive director, independent	B.COM./ Fellow Chartered Accountant (India, England and Wales)	Chairman of HDFC Bank
Dr. Tarun Das	Non-executive director	Ph. D.	Chief mentor, Confederation of Indian Industry
Mr. S B Mainak	Nominee director, independent	B. Com., Chartered Accountant	Head of treasury operations, Life Insurance Corporation India.
Mr. T N Manoharan	Non-executive director, independent	B. Com., Fellow Chartered Accountant (India)	Past president of ICAI and visiting professor, RBI
Mr. C Achuthan	Non-executive director, independent	L.L.B. / M.A. Economics,	Former presiding officer, Securities Appellate Tribunal

Source: Prowess Database, Centre for Monitoring Indian Economy.

Exhibit 4

FINANCIAL PERFORMANCE*

Year	2008	2007	2006	2005	2004	2003	2002	2001	2000
Equity paid-up	134.10	133.44	64.89	63.85	63.25	62.91	62.91	56.24	56.24
Networth	7,357.60	5,789.36	4,333.64	3,217.02	2,580.80	2,134.88	1,930.40	812.91	350.06
Capital employed	7,381.30	5,803.15	4,346.21	3,226.89	2,588.10	2,153.24	1,936.20	984.89	641.39
Gross block	1,486.50	1,280.40	1,153.16	937.70	838.80	775.89	739.24	545.85	418.55
Sales	8,137.30	6,228.47	4,634.31	3,464.22	2,541.50	2,023.65	1,731.90	1,220.00	672.81
PBIT	1,947.80	1,580.84	1,448.61	867.76	662.69	369.75	494.11	540.37	176.65
PAT	1,715.70	1,423.23	1,239.75	750.26	555.79	307.42	449.38	486.29	129.98
Market capitalization	26,453.00	31,259.30	27,552.30	13,041.40	9,281.90	5,565.96	8,418.90	6,577.30	24,907.00
EPS (annualized) (unit curr.)	24.99	20.77	37.22	22.85	17.06	9.49	14.24	17.17	22.86
Payout (%)	13.99	16.77	18.91	21.89	23.49	31.61	8.32	4.66	9.93
Cash flow from operating activities	1,370.90	1,039.06	786.81	638.66	416.55	501.14	594.38	222.86	161.81
Cash flow from investing activities	-641.22	-1,678.60	-53.85	-341.17	-240.28	-1,256.90	-147.98	-2.71	-147.19
Cash flow from financing activities	-227.79	34.10	-43.94	-103.58	-94.18	-50.79	500.20	-174.84	52.79
Key ratios									
ROG-sales (%)	30.65	34.40	33.78	36.30	25.59	16.84	41.96	81.33	77.93
Debt-equity ratio	0.00	0.00	0.00	0.00	0.01	0.01	0.06	0.40	1.04
Long-term debt-equity ratio	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.28	0.72
Current ratio	5.41	5.91	6.50	7.12	6.42	6.15	5.30	2.81	2.02
Fixed assets ratio	5.88	5.12	4.43	3.90	3.15	2.67	2.70	2.53	1.89
Inventory ratio	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debtors ratio	4.20	4.49	4.91	5.10	4.74	4.62	4.49	4.13	4.20
Interest cover ratio	327.91	207.73	436.25	1,141.79	883.59	699.88	51.47	10.73	4.34
Return on capital employed (%)	29.55	31.15	31.34	29.85	27.95	24.64	33.83	45.55	33.44
Return on net worth (%)	26.10	28.12	26.85	25.88	23.57	20.55	32.76	55.46	50.28

** Absolute values in INR100 million.*
Note: PBIT = profit before interest and tax. PAT = profit after tax. EPS = earnings per share.ROG=rate of growth
Source: Prowess Database, Centre for Monitoring Indian Economy.

Exhibit 5

FINANCIAL DATA FOR MAJOR COMPETITORS*

	Infosys Tech Ltd.			Wipro Ltd.			Tech Mahindra Ltd.		
Year	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
Equity paid-up	286.00	286.00	138.00	292.30	291.80	285.15	121.40	121.20	20.80
Networth	13,490.00	11,162.00	6,897.00	11,556.70	9,320.40	6,420.45	1,228.40	878.00	597.86
Capital employed	13,490.00	11,162.00	6,897.00	15,433.10	9,558.40	6,470.61	1,323.40	927.00	597.86
Gross block	4,508.00	3,889.00	2,837.00	2,282.20	1,645.90	2,364.52	550.50	442.80	306.96
Sales	15,648.00	13,149.00	9,028.00	17,658.10	13,758.50	10,264.09	3,604.70	2,757.70	1,197.14
PBIT	5,118.00	4,153.00	2,737.00	3,586.50	3,183.40	2,342.81	404.60	133.60	240.64
PAT	4,470.00	3,783.00	2,421.00	3,063.30	2,842.10	2,020.48	325.70	65.20	220.12
Market capitalization	81,804.60	112,641.00	81,830.30	62,155.40	80,740.20	79,649.20	8,578.33	17,289.0 0	0.00
EPS (annualized) (unit curr.)	72.50	64.35	81.41	19.94	18.61	13.47	25.90	5.07	19.76
Payout (%)	45.86	17.74	55.10	30.07	32.18	37.12	21.25	43.25	50.56
Cash flow from operating activities	3,834.00	3,263.00	2,316.00	715.90	2,669.60	1,911.08	209.70	3.20	133.47
Cash flow from investing activities	-978.00	-1,091.00	-392.00	-1,123.90	-1,881.90	-1,685.50	-198.30	-142.40	-205.45
Cash flow from financing activities	-777.00	-316.00	172.00	2,290.90	238.50	59.80	35.60	119.10	-0.72
Key Ratios									
ROG-sales (%)	19.01	45.65	31.60	28.34	34.05	41.06	28.34	130.36	29.79
Debt-equity ratio	0.00	0.00	0.00	0.19	0.02	0.01	0.19	0.03	0.00
Long-term debt-equity ratio	0.00	0.00	0.00	0.19	0.02	0.00	0.19	0.00	0.00
Current ratio	3.85	3.75	2.77	2.15	1.57	1.46	2.15	1.38	1.55
Fixed assets ratio	3.73	3.91	3.60	8.99	6.86	4.97	8.99	7.36	4.05
Inventory ratio	0.00	0.00	0.00	51.29	70.73	74.37	51.29	0.00	0.00
Debtors ratio	5.81	6.90	6.52	5.70	6.10	6.12	5.70	4.58	3.80
Interest cover ratio	5,118.00	4,153.00	2,737.00	30.71	442.14	748.50	30.71	95.28	0.00
Return on capital employed (%)	41.52	45.99	45.09	28.70	39.72	41.01	28.70	86.22	44.53
Return on net worth (%)	36.26	41.90	39.89	29.35	36.11	35.72	29.35	72.05	40.74

** Absolute values in INR100 million.*
Source: Prowess Database, Centre for Monitoring Indian Economy.

Exhibit 6

SHARE MARKET DATA OF SATYAM FROM DECEMBER 2008 - FEBRUARY 2009*

Date	Opening price	High price	Low price	Closing price	Average price	No. of trades	Market capitalization
Feb. 27, 2009	46.45	46.45	39.30	41.50	43.86	128,519	27.96
Feb. 20, 2009	48.00	50.90	44.50	45.45	47.90	266,951	30.62
Feb. 13, 2009	48.50	49.00	41.15	46.30	45.97	272,405	31.20
Feb. 6, 2009	53.10	61.00	45.35	47.40	51.02	520,114	31.94
Jan. 30, 2009	39.70	60.00	39.70	54.05	51.63	916,756	36.42
Jan. 23, 2009	24.90	39.30	23.05	38.85	29.70	632,440	26.17
Jan. 16, 2009	28.60	40.00	20.00	24.45	28.07	691,184	16.47
Jan. 9, 2009	180.00	188.70	11.50	23.85	102.45	1,114,151	16.07
Jan. 2, 2009	175.30	186.00	173.40	177.60	179.95	198,450	119.64
Dec. 31, 2008	133.00	176.40	129.60	170.20	159.67	546,502	114.65
Dec. 26, 2008	163.00	168.60	114.70	135.50	143.31	531,998	91.30
Dec. 19, 2008	225.00	231.90	153.80	162.80	188.42	461,004	109.70
Dec. 12, 2008	230.00	238.70	212.60	220.80	226.34	45,968	148.75
Dec. 5, 2008	246.00	251.00	222.00	224.40	231.19	41,595	151.21

** Price values are in INR, market capitalization is in billions of INR.*
Source: Prowess Database, Centre for Monitoring Indian Economy.