

Satyam head quits after admitting massive fraud, stock crashes

In a development that shook India's corporate and financial worlds Wednesday, co-founder and chairman of Satyam Computers B. Ramalinga Raju resigned after confessing to a Rs.40 billion (Rs.4,000 crore or \$823 million) fraud that had been going on for years.

As the scrip of the beleaguered software services firm crashed, the Ministry of Company Affairs started an investigation into the way it had cooked its balance sheets for years.

'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,' Raju said in a regulatory statement, and listed out the 'facts' that led to his decision to quit.

According to the statement, the company had cooked its books resulting in an 'inflated (non-existent) cash and bank balances of Rs.5,040 crore' over several years.

'What started as a marginal gap between actual operating profits and the one reflected in the books of accounts has attained unmanageable proportions,' said Raju.

The company balance sheet as on Sep 30 last year had an inflated cash and bank balance of Rs.5,361 crore (Rs.52.61 billion or \$1.1 billion), as against the correct amount Rs.5,040 crore (Rs.50.40 billion or \$1.04 billion).

The company showed an accrued interest in the books to the tune of Rs.3.76 billion (Rs.376 crore), a non-existent amount.

A liability of Rs.12.3 billion (Rs.1,230 crore) remained understated on account of funds arranged by Raju while the debts of the company were overstated as Rs.4.9 billion (Rs.490 crore).

'The difference in 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 cost,' Raju added.

The aborted Maytas acquisition by Satyam 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 problems were solved, it was hoped that Maytas' payments could be delayed but that was not to be.

The Satyam scrip plunged over 72.31 percent just after 1:30 p.m. Wednesday as a result of the announcement and was trading at Rs.41.60 from a close of Rs.179.10 Tuesday.

'We have received a communication with regards to this. Authenticity of the communication has to be established; once we have clear information, action will be taken,' Corporate Affairs Minister Prem Chand Gupta said soon after the news of Raju's resignation broke out.

(© IANS / India eNews)