



scores of false bank statements to reflect payment of the false invoices and created over \$1 billion in fictitious cash balances and other interest bearing deposits. This false information made Satyam appear to be substantially more profitable and financially sound than was actually the case. When the fraud was revealed, the price of Satyam's depository shares plummeted and institutional investors located in the United States realized losses of over \$450 million.

3. Satyam's fraudulent accounting practices violated the anti-fraud, reporting, record-keeping, and internal controls provisions of the federal securities laws. The Commission requests, among other things, that this Court enjoin Satyam from committing further violations of the federal securities laws as alleged in this complaint, and order Satyam to pay a monetary penalty based upon its violations of the federal securities laws.

#### **JURISDICTION AND VENUE**

4. The Commission brings this action pursuant to Section 21(d) of the Securities Exchange Act of 1934 (Exchange Act) [15 U.S.C. § 78u(d)].

5. This Court has jurisdiction over this action pursuant to Section 27 of the Exchange Act [15 U.S.C. §78aa].

6. Certain of the acts, practices, and courses of conduct constituting the violations of law alleged in this complaint occurred within this judicial district and, therefore, venue is proper pursuant to Section 27 of the Exchange Act.

7. Defendant, directly and indirectly, has engaged in transactions, acts, practices, and courses of business that violate Sections 10(b) and 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§78j(b), 78m(a), 78m(b)(2)(A), and

78m(b)(2)(B)] and Exchange Act Rules 10b-5, 12b-20, 13a-1, and 13a-16 thereunder [17 C.F.R. §§240.10b-5, 240.12b-20, 240.13a-1, and 240.13a-16].

**DEFENDANT**

8. Satyam is a large information technology service company incorporated in the Republic of India with its principal executive offices in Hyderabad, India. During the time period of the fraud, Satyam employed more than 50,000 people worldwide and maintained offices across the globe, including nine offices that it still maintains in the United States. As of March 31, 2010, Satyam had the equivalent of 1.176 billion total shares outstanding, including shares traded on the Bombay Stock Exchange, the National Stock Exchange of India, and 65 million American Depository Shares (ADS). From March 31, 2004, through March 31, 2010, Satyam's ADS represented between 11 and 20 percent of the company's total shares outstanding.

9. At all relevant times, Satyam's equity shares underlying the ADS were registered pursuant to Section 12(b) of the Exchange Act, and Satyam's ADS were listed on the NYSE. On October 4, 2010, Satyam filed a Form 25 with the Commission voluntarily removing its securities from listing on the NYSE and from registration under Section 12(b). Satyam's equity shares underlying the ADS are currently deemed registered pursuant to Section 12(g) of the Exchange Act, and Satyam's ADS are currently quoted on the OTC Market under the symbol SAYCY.PK. On September 29, 2010, Satyam filed a Form 6-K containing its statement of annual audited financial results as per Indian GAAP for the fiscal years ended March 31, 2009 and March 31, 2010. On November 16, 2010, Satyam filed a Form 6-K containing its statement of unaudited financial results as per Indian GAAP for the quarter ended June 30, 2010 and

quarter & half-year ended September 30, 2010. On February 14, 2011, Satyam filed a Form 6-K containing its statement of unaudited financial results as per Indian GAAP for the quarter and nine months ended December 31, 2010. Satyam has yet to restate its historical financial statements in the United States, and is currently delinquent in its Exchange Act reporting obligations having failed to file its Forms 20-F for fiscal years ended March 31, 2009 and March 31, 2010.

10. Shortly after the fraud became public, the Government of India assumed control of the company by dissolving Satyam's existing Board of Directors and appointing new Government-nominated directors. In mid-February 2009, the Company Law Board of India authorized the company's new Board to select a strategic investor for Satyam. In a bidding process overseen by a retired Chief Justice of India, Venturbay Consultants Private Limited, a subsidiary of Tech Mahindra Limited, an Indian information technology competitor, was selected. Beginning in May 2009, Tech Mahindra Limited, through Venturbay, purchased approximately 42 percent of Satyam's shares in India and became the new controlling shareholder of Satyam. In June 2009, Satyam installed a new senior management team, consisting of executives associated with Tech Mahindra Limited. Satyam's current Board of Directors consists of six members: three associated with Tech Mahindra Limited, two nominated by the Government of India, and one other independent director. Each of the three independent directors serves on the Audit Committee of the Board.

11. In June 2009, Satyam filed a press release announcing "Mahindra Satyam" as the company's new "brand identity." The company continues to be registered as a corporation doing business in the State of New York and as a foreign issuer with the

Commission under the name Satyam and files foreign issuer reports with the Commission under the name Satyam. Since the establishment of the Government-appointed Board, and continuing under Satyam's new management, the company has taken significant remedial action and has cooperated in the SEC staff's investigation of the issues described in this complaint.

### **FACTUAL ALLEGATIONS**

#### **Satyam's U.S. Reporting Obligations**

12. Satyam made an initial public offering of ADS in the United States in May 2001. As a foreign issuer, Satyam is required to submit periodic financial reports with the Commission on Forms 6-K (quarterly report) and 20-F (annual report). These periodic financial reports include an income statement and a balance sheet. Satyam's balance sheet reports, among other things, Satyam's assets and liabilities at the end of each fiscal quarter and year. Satyam's income statement reports, among other things, revenue recognized, expenses incurred, and income earned for each fiscal quarter and year. Within an income statement, expenses are subtracted from revenues to calculate income.

13. Satyam provides information technology services to a variety of customers worldwide. Satyam prepares invoices for the services that it provides, submits the invoices to its customers, and records the invoices in an electronic invoice management system. The data from the invoice management system is exported into Satyam's financial system where the revenues are recorded in the company's books of account. Satyam uses its books of account to prepare the financial statements that it submits to the Commission on Forms 6-K and 20-F.

14. At all relevant times, Satyam operated on a fiscal year that ran from April 1 through March 31. For example, Satyam's fiscal year 2004 began on April 1, 2003 and ended on March 31, 2004.

Satyam's Then-Chairman Confesses to Fraud

15. After seven years during which its ADS traded on the NYSE, on January 7, 2009, Satyam submitted a Form 6-K with the Commission that included a letter prepared by the then-Chairman of Satyam, B. Ramalinga Raju (Raju), admitting that the company had been engaged in a billion dollar financial fraud involving, among other things, the reporting of materially false revenue. Raju explained that as of September 30, 2008, Satyam's balance sheet reflected over \$1 billion in fictitious cash and bank balances when the actual amounts were \$66 million. According to Raju, Satyam's revenue for the quarter and operating margin were each overstated by approximately \$125 million.

16. Raju further admitted that he intentionally maintained Satyam's inflated revenue and profits because Satyam's promoters held a small percentage of equity and public knowledge of the company's "poor performance would result in a take-over" of the company, thereby exposing the fraud. According to Raju, "[i]t was like riding a tiger, not knowing how to get off without being eaten."

17. Raju also explained that he made a last attempt to "fill" the company's "fictitious assets with real ones," by having Satyam acquire a controlling interest in Maytas Properties and Maytas Infra (Maytas), real estate and infrastructure development companies then controlled by Raju and his brother, who was then the Managing Director and Chief Executive Officer of Satyam. Following the announcement of the Maytas acquisition in India on December 16, 2008, Satyam's ADS price fell more than fifty

percent to open on the NYSE at \$6.21 from the prior day's close of \$12.55. During a conference call held that morning, investors and analysts questioned the investment into unrelated businesses during a worldwide recession, as well as the transfer of the majority of the company's liquid assets to the Raju family. Satyam's ADS price closed at \$5.70 on trading volume of over 50 million shares. After the close of the market, Satyam abandoned the Maytas acquisition and on December 17, 2008, Satyam's ADS gained back fifty percent of their value to close at \$8.55.

18. A significant number of former senior and mid-level executives of Satyam, including Raju, his brother, the former Chief Financial Officer, the former Vice President for Accounts and Audits (Treasury and Tax), the former Senior Manager for Treasury, the former Global Internal Audit Head and the former Assistant Manager for Invoicing, are defendants, along with two lead engagement partners from Satyam's then-independent auditing firm, in a criminal trial in India arising out of the Satyam fraud. The trial is underway.

19. Satyam now has a new senior management team, consisting of members formerly associated with Tech Mahindra Limited, Satyam's new controlling shareholder. Satyam also has replaced all of the Board of Directors that were in place during the fraud.

#### The Satyam Fraud

20. For five years from 2003 through September 2008, Satyam's then-senior management knowingly and intentionally falsified the company's reported revenue by manufacturing false invoices for services never provided and, in some cases, for customers that did not exist. Satyam's then-senior management provided certain employees with an administrative or "super user" login identification and password in

order to access the invoice management system to record the false invoices. The “super user” login ensured that the invoices would be used in the calculation of revenue, but concealed the existence of the invoices from the heads of Satyam’s business units who would recognize that the services reflected on the invoices had never been provided by their units and/or that their units had not done business with certain customers included on the fake invoices.

21. From 2003 through September 2008, Satyam’s then-senior management knowingly and intentionally instructed certain employees to generate 6,603 false invoices and record them in the company’s invoice management system. During these years, certain Satyam employees working at the direction of then-senior management generated on average 100 to 200 fake invoices per month in Satyam’s invoice managing system. The invoice management system exported these 6,603 invoices into Satyam’s financial system where the revenues were recorded in the company’s books of account. Satyam’s then-senior management knowingly and intentionally prepared financial statements that contained the materially false revenue, income, earnings per share, and cash from the company’s false books of account. Satyam’s then-senior management knowingly and intentionally submitted these materially false financial statements to the Commission on Forms 6-K and 20-F.

22. A complete failure of Satyam’s internal controls over its invoice management system, the company’s books of account, and its reported financial statements occurred during 2003 through September 2008. As a result, Satyam’s then-senior management were able to knowingly, intentionally, and materially overstate revenue, income, earnings per share, cash, and interest bearing deposits from 2003 through September 2008.



23. Based upon the fictitious invoices, Satyam's then-senior management knowingly, intentionally, and materially overstated revenue from fiscal year 2004 through the first two quarters of fiscal year 2009 by \$ 1.1 billion. Investors routinely rely upon a company's reported revenues when making investment decisions. Satyam's unaudited materially false revenue is set forth in the chart below:

Fiscal Year	Quarter	False Invoices	Published Revenue	False Revenue	False Commission Filings
2004	Q1 2004	97	\$121,550,000	\$14,330,000	Form 6-K
	Q2 2004	8	\$131,780,000	\$1,050,000	Form 6-K
	Q3 2004	50	\$148,070,000	\$8,840,000	Form 6-K
	Q4 2004	112	\$164,980,000	\$22,190,000	Form 6-K
<b>Total</b>		<b>267</b>	<b>\$566,370,000</b>	<b>\$46,320,000</b>	Form 20-F
2005	Q1 2005	111	\$174,990,000	\$19,250,000	Form 6-K
	Q2 2005	63	\$188,920,000	\$8,810,000	Form 6-K
	Q3 2005	69	\$204,680,000	\$11,020,000	Form 6-K
	Q4 2005	208	\$225,000,000	\$30,390,000	Form 6-K
<b>Total</b>		<b>451</b>	<b>\$793,600,000</b>	<b>\$68,860,000</b>	Form 20-F
2006	Q1 2006	249	\$246,040,000	\$35,450,000	Form 6-K
	Q2 2006	242	\$267,850,000	\$30,760,000	Form 6-K
	Q3 2006	291	\$281,840,000	\$35,220,000	Form 6-K
	Q4 2006	398	\$300,700,000	\$47,980,000	Form 6-K
<b>Total</b>		<b>1180</b>	<b>\$1,096,300,000</b>	<b>\$149,500,000</b>	Form 20-F
2007	Q1 2007	12	\$322,500,000	\$30,000	Form 6-K
	Q2 2007	30	\$352,000,000	\$29,050,000	Form 6-K
	Q3 2007	237	\$375,600,000	\$53,850,000	Form 6-K
	Q4 2007	375	\$411,300,000	\$69,970,000	Form 6-K
<b>Total</b>		<b>654</b>	<b>\$1,461,400,000</b>	<b>\$151,650,000</b>	Form 20-F
2008	Q1 2008	473	\$452,300,000	\$78,100,000	Form 6-K
	Q2 2008	486	\$509,600,000	\$79,070,000	Form 6-K
	Q3 2008	730	\$562,900,000	\$133,130,000	Form 6-K
	Q4 2008	794	\$613,300,000	\$142,030,000	Form 6-K
<b>Total</b>		<b>2483</b>	<b>\$2,138,100,000</b>	<b>\$430,390,000</b>	Form 20-F
2009	Q1 2009	791	\$637,300,000	\$141,500,000	Form 6-K
	Q2 2009	777	\$652,200,000	\$134,360,000	Form 6-K
<b>Total</b>		<b>1558</b>	<b>\$1,289,500,000</b>	<b>\$275,860,000</b>	
<b>Grand Total</b>		<b>6603</b>	<b>\$7,345,270,000</b>	<b>\$1,122,670,000</b>	All of the above

24. During fiscal year 2007, Satyam's then-senior management knowingly and intentionally reported \$58,160,000 of additional false revenue, not included above, by generating and recording 27 additional fake invoices that did not involve the use of the super-user function.

25. Consistent with the reporting of materially false revenue, Satyam's then-senior management also knowingly, intentionally, and materially reported false net income of almost \$1 billion on the company's publicly filed financial statements from fiscal year 2004 through the second quarter of fiscal year 2009. Investors routinely rely upon net income to assess the profitability of a particular company when making investment decisions. During this time, Satyam's then-senior management reported that the company's net income was consistently increasing when, in fact, Satyam's net income was decreasing. During the last two quarters of fiscal year 2008 and the first quarter of fiscal year 2009, Satyam reported hundreds of millions of dollars of net income, when in fact the company's actual net income was less than zero.

26. Satyam's then-senior management used the reported false net income to calculate earnings per share (EPS). EPS is calculated by dividing net income by the weighted average of a company's outstanding shares of stock. EPS is an important measure of a company's strength and profitability and is routinely relied upon by investors in making investment decisions. Satyam's then-senior management knowingly, intentionally, and materially overstated the company's earnings per share from fiscal year 2004 through the second quarter of fiscal year 2009. During this time, Satyam's then-senior management reported near constant increases in EPS when, in fact, EPS was consistently decreasing from fiscal year 2005 through the first two quarters of fiscal year

2009.

27. To support the false revenue and income that Satyam was reporting in the company's financial statements, Satyam's then-senior management knowingly and intentionally prepared materially false bank statements, from fiscal year 2003 through September of 2008, reflecting materially false cash deposits in the company's bank accounts at, among other places, the Bank of Baroda (BOB) which were recorded within the cash and cash equivalent balances in the publicly filed financial statements. The chart below illustrates the actual balances in Satyam's BOB account compared to the balances that Satyam's then-senior management knowingly and intentionally reported in the company's publicly filed financial statements:

Fiscal Year End	Balance per (BoB) Statements	BoB Balance Per Satyam	BoB Balance Overstatement (Fraudulent)	Reported Cash & Cash Equivalent Balance per SEC Filings
3/31/04	\$3,652,232	\$64,287,652	<b>\$60,635,420</b>	\$86,730,000
3/31/05	\$10,268,858	\$82,953,598	<b>\$72,684,740</b>	\$129,800,000
3/31/06	\$6,288,103	\$218,192,913	<b>\$211,904,811</b>	\$292,800,000
3/31/07	\$11,452,514	\$79,389,673	<b>\$67,937,159</b>	\$152,200,000
3/31/08	\$10,972,784	\$214,506,068	<b>\$203,533,283</b>	\$290,500,000
9/30/09	\$10,836,569	\$379,612,394	<b>\$368,775,824</b>	\$433,400,000

To make it appear that the company was investing its false income during the time period of the fraud, Satyam's then-senior management knowingly, intentionally, and materially falsified the company's publicly filed financial statements with regard to the balance and interest of fixed deposit receipts in accounts held at HSBC, PNB Paribas, HDFC, Citibank, and ICICI. Satyam's materially overstated balances and interest income are detailed in the chart below:

Fiscal Year End	Reported Balance and Interest	Actual Balance and Interest	Fraudulent Balance and Interest
3/31/04	\$252,022,199	\$4,369,680	<b>\$247,642,519</b>
3/31/05	\$417,067,645	\$260,436	<b>\$416,807,209</b>
3/31/06	\$432,722,174	\$26,511,770	<b>\$406,210,404</b>
3/31/07	\$780,756,619	\$13,365,348	<b>\$767,391,271</b>
3/31/08	\$912,660,956	\$2,210,812	<b>\$910,450,144</b>
9/30/08	\$784,605,511	\$2,117,546	<b>\$782,487,966</b>

28. Satyam included a press release detailing the company's quarterly and annual performance with each quarterly and annual report that it submitted to the Commission. Consistent with its false financial statements, from fiscal year 2004 through the second quarter of fiscal year 2009, Satyam's then-senior management knowingly and intentionally submitted press releases that materially misrepresented the overall financial performance of the company. Like the false financial statements, the false press releases made it appear to investors that Satyam was more profitable and financially strong than was actually the case. During this time period, Satyam's then-senior management submitted 27 materially false press releases to the public.

29. From at least October 23, 2003 through December 16, 2008, Satyam's then-senior management knowingly and intentionally provided materially false information on least 20 occasions regarding Satyam's financial performance or the purpose of the failed Maytas acquisition to Wall Street analysts during quarterly conference calls. The materially false statements made during the conference calls made it appear to the analysts that Satyam was substantially more profitable than was actually the case. These analysts used this false information in making recommendations to investors about Satyam's securities.

30. On January 7, 2009, following Raju's confession to the massive financial

fraud, the NYSE suspended trading in Satyam's ADS. At the time, Satyam's ADS traded at a price of \$9.35. When trading resumed on January 12, 2009, Satyam's ADS price dropped by nearly 85 percent to close at \$1.46 on trading volume of over 95 million shares.

31. Satyam ADS investors suffered significant losses as a result of the fraud. Mutual funds managed by one institutional investor suffered realized losses of nearly \$200 million. In total, ADS institutional investors realized losses of over \$450 million.

32. From 2003 through December 2008, Satyam's then-senior management responsible for the fraud knowingly and intentionally made materially false and misleading statements to the Commission, the public, and Wall Street analysts that made the company appear more profitable and financially strong than was actually the case. During the course of the fraud, Satyam was able to maintain its customer base as well as add new customers to its operations. Additionally, Satyam was able to maintain its share price at the expense of company's shareholders who lost hundreds of millions of dollars.

## **CLAIMS FOR RELIEF**

### **FIRST CLAIM**

#### **Satyam Violated Exchange Act Section 10(b) and Exchange Act Rule 10b-5**

33. Paragraphs 1 through 32 are realleged and incorporated by reference herein.

34. As set forth more fully above, Satyam, directly or indirectly, by use of the means or instrumentalities of interstate commerce, or by the use of the mails and of the facilities of a national securities exchange, knowingly or recklessly, in connection with the purchase or sale of securities: (a) employed devices, schemes, or artifices to defraud,

(b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or (c) engaged in acts, practices, or courses of business which operate or would operate as a fraud or deceit upon any person.

35. Satyam and members of Satyam's then-senior management acted knowingly or recklessly in connection with the above described acts and omissions. They knew, or were reckless in not knowing, that the above-mentioned filings with the Commission and statements to the public and analysts contained material misstatements and omissions.

36. By reason of the foregoing, Satyam violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5].

## **SECOND CLAIM**

### **Satyam Violated Exchange Act Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) and Exchange Act Rules 13a-1, 13a-16, and 12b-20**

37. Paragraphs 1 through 36 are incorporated herein by reference.

38. Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-16 thereunder require issuers of registered securities to file with the Commission factually accurate annual and quarterly reports. Exchange Act Rule 12b-20 provides that in addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading.

39. Section 13(b)(2)(A) of the Exchange Act requires issuers of registered securities to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer.

Section 13(b)(2)(B) of the Exchange Act requires such issuers to, among other things, devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that the Company's transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles.

40. By reason of the foregoing, Satyam violated Section 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §78m(a), 78m(b)(2)(A), and 78m(b)(2)(B)] and Exchange Act Rules 13a-1, 13a-16, and 12b-20 [17 C.F.R. §§240.13a-1, 240.13a-16, and 240.b-20].

#### **PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that this Court enter Orders:

A. Permanently restraining and enjoining Satyam from violating Section 10(b) of the Exchange Act and Exchange Act Rule 10b-5;

B. Permanently restraining and enjoining Satyam from violating Section 13(a), 13(b)(2)(A), and 13(b)(2)(B) of Exchange Act and Exchange Act Rules 12b-20, 13a-1, and 13a-16;

C. Imposing civil monetary penalties on Satyam pursuant to Section 21(d) of the Exchange Act;

D. Ordering, pursuant to Section 308 of the Sarbanes-Oxley Act of 2002, that the amount of civil penalties ordered against and paid by Satyam be added to and become part of a fund for the benefit of the victims of the violations alleged in this complaint; and

E. Granting such other and additional relief as this Court may deem just and proper.

Date: April 5, 2011

Respectfully submitted,



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