

Save on International Calling
(ROLL OVER A COUNTRY FOR COST)

Vonage

TRY VONAGE ONE MONTH FREE >>

Hi Guest, [Sign Up](#) | [Sign In](#) | [Saved Article\(s\)](#)

[Advanced Search](#)

[ePaper](#) | [Newsletter](#) | [Archives](#)

THE TIMES OF INDIA

Editorial

Search Times of India

[Home](#) [Cities](#) [India](#) [World](#) [Business](#) [Cricket](#) [Sports](#) [Health & Science](#) [Infotech](#) [Education](#) [Entertainment](#) [Lifestyle](#) **Opinion** [Sunday TOI](#) [Videos](#) [Classifieds](#)

Editorial [Columnists](#) | [Interviews](#) | [Subverse](#) | [Letters to the Editor](#) | [Opinion Polls](#) | [Debates](#)

EDITORIAL COMMENT | Satyam's Lie

9 Jan 2009, 00:10 hrs IST

[Print](#) [Email](#) [Discuss](#) [Share](#) [Save](#) [Comment](#) [Text: ☐ ☒](#)

Companies ride high on market perception and cooking the books can burnish that perception to breathtaking highs. Until someone cries foul.

NRIs No

Minimum Balance Account

- Easy Money Transfers
- Free DD Deliveries

Citibank

Rupee Checking Account

Apply Now >>

*Conditions Apply

Enron was once billed America's most innovative company. Then a massive accounting fraud, exposed in 2001, blew up on the US energy giant. In 2009, the script has been revisited in India. Boasting Fortune 500 firms among its clients, Satyam Computers won a top award for corporate governance in 2002 and 2008. Its fall began with chairman B Ramalinga Raju's aborted buyout of two Maytas firms founded by his sons. Angry [shareholders](#) swiftly punished this brazen display of nepotism in India's fourth largest IT firm. The sequel to Maytas is more sordid. Confessing to a Rs 7,136 crore fraud, Raju said Satyam's books had been cooked for years to

inflate profit and revenue figures. In September 2008, they showed a non-existent cash and bank balance of Rs 5,040 crore and hundreds of crores of fictitious accrued interest and debtors' position. Liabilities worth Rs 1,230 crore were kept hidden.

These disclosures had a punishing aftermath. The software giant's [stocks](#) crashed 91 per cent, the Sensex tumbled and the rupee fell. The New York Stock Exchange put a trading bar on the firm. Satyam's clients are exiting, shareholder wealth has been wiped out and 53,000 employees are staring down the precipice. Two class action suits have been filed in the US against the company. All of this couldn't have come at a worse time. India has been hit by global economic turmoil. The Mumbai terror strike has raised its risk profile for tourists and business. And now there's the clear and present danger of domestic and overseas investors seeing India as a place where corporate governance is suspect. The resignation of Satyam's self-confessed figure-fudger is, therefore, small consolation. The credibility of the entire Indian market is at stake. Going by global reactions, mud sticking on Satyam has tainted the corporate big league by association, at least for now. The IT-BPO sector, in particular, is under a cloud.

Admittedly, the world has had its share of corporate con-jobs. Enron apart, WorldCom, Xerox and Tyco were only some headline-grabbers. A 2007 study on fraud's impact on international business by Kroll, the world's leading risk consulting company, found that four of five global firms faced in-house malpractice and increased misuse of the very instruments deployed for overseas expansion. Kroll Global Fraud Report 2008 warned of "supply chain" shenanigans as companies globalised, outsourced and reworked business processes. But we can't relativise Satyam's criminal breach of trust by placing it in a global context. Corporate credibility is a foundational must for any emerging market economy pursuing high growth.

When fictitious cash balances get certified, it shows the need for investigators to go beyond the letter of the corporate conduct rule book. The Satyam scam isn't about one individual's machinations, though Raju deserves exemplary punishment. A fraud of this scale mandates collective responsibility. It is unlikely Satyam can redeem itself under the current management. Any probe must scan the role of the board of directors and of the Pricewaterhouse auditors who gave Satyam clean bills of financial and moral health whether through negligence or connivance. Recall that the A-grade accounting firm Arthur Andersen shared Enron's disgrace. In Satyam's case too, institutional checks and balances failed. To restore investor confidence, damage control must involve rapid-fire action against all involved.

A supporting cast enabled Raju's rise to prominence. His closeness to powerful Andhra Pradesh politicians helped him gain legitimacy in business circles and even among policymakers. Former chief minister Chandrababu Naidu paraded Raju as the poster boy of Hyderabad's IT business before visiting state heads including Bill Clinton. Naidu's successor, Y Rajasekhara Reddy, backed Raju even after Satyam's Maytas foray generated controversy. Did these leaders support Satyam for parochial reasons or is there more to it? They owe an explanation to citizens.

Financial mismanagement at Satyam reportedly began after its promoters began diverting funds from IT to real estate in Hyderabad. In July 2008, Maytas won the bid to construct the Hyderabad metro rail. The AP government backed it even after E Sreedharan of the Delhi Metro Rail Corporation (DMRC), consultant to the Hyderabad metro, described the project as a real estate deal. It threatened to sue DMRC, which then walked out of the consultancy. In light of Raju's confession, the project needs revisiting. The Satyam scam suggests a possible nexus between the political class and business groups, especially in land-related matters. Promise of high returns may have lured Satyam to shift from its core competence in IT to land deals. But it is unlikely Raju

More Editorial

- [TOP ARTICLE | A Wake-up Call](#)
- [Q&A | 'Help will be tailored to infrastructure development'](#)
- [SUBVERSE | Case for the designer deity](#) [More >>](#)

Other News

- [Legal hurdles may prevent Sanjay Dutt from contesting](#)
- [SP to field Sanjay Dutt, Manoj Tiwari in Lok Sabha polls](#)
- [Pak has more to do to eliminate terror: US](#)
- [Satyam to continue business, protect staff](#)

Videos



[More Videos](#)

My Times, My Voice

- [How incidents of dipping babies in 'boiling' water or oil be avoided in Hubli?](#)
- [What eco-friendly measure are Bangaloreans practising?](#)

[More >>](#)

Latest News Most Read Most Emailed Most Commented Hot klix

- [2 Italian climbers die on Argentine peak](#) (0033hrs)
 - [Maharashtra govt invokes ESMA to counter oil, transporters' strike](#) (2355hrs)
 - [Union home minister Chidambaram's visit to US deferred](#) (2324hrs)
 - [Obama warns of dire consequences without stimulus](#) (2228hrs)
- [More >](#)

Only Vonage gives you UNLIMITED local & long distance calls

just \$24⁹⁹ /mo

Plus FREE calls to landlines in 5 European countries.

[Get 1 Month Free!](#)

Only Vonage gives you UNLIMITED local & long distance calls

just \$24⁹⁹ /mo

Plus FREE calls to landlines in 5 European countries.

[Get 1 Month Free!](#)

Horoscope

Capricorn

58888 Mobile

- [Personalised TOI on mobile](#) NEW
- [TOI mPaper](#)
- [News alerts @ Re.1](#)

ePaper: Print Edition

Get the replica of your favourite edition of Times of India Feel at home.. [View ePaper](#)

Lowest Airfare Deals

Mumbai Cares

A TOI initiative to help the families of the victims of Mumbai terror attack.

Shop

50% Back

NEW YEAR BOTTLE

Click here

Portable blender	Rs 549
NOVA 2 Slice Toaster	Rs 699
More >>	

Travel: Flights

Mumbai - Jaipur Rs 500

Hotklix

Stop Paying Too Much For Phone Service.

Vonage

Unlimited local & long distance calling

only

\$24⁹⁹ /mo

CLICK HERE

Vonage

was the sole beneficiary. A detailed investigation into Maytas's activities is necessary to expose the web of deceit that Satyam promoters and their political patrons spun around unsuspecting shareholders and clients.

When the full story comes to light, the lessons drawn must be learnt by corporate India. There is a general perception that government and the public sector have a structural tendency towards rent-seeking and venality. After Satyam, it appears the private sector may be tarred with the same brush. That can have a devastating impact on India's future. India Inc needs to search its soul.

[Click here to comment on this story.](#)

Print Email Discuss Share Save Comment Text: 

Related Stories

- [Satyam may axe 10,000 employees: Report](#)
- [Satyam aims to continue business, protect staff](#)
- [Satyam's Raju in Hyderabad, says lawyer](#)
- [Complete coverage: Satyam, a big lie](#)
- [Govt orders inspection of 8 Satyam subsidiaries](#)
- [TOP ARTICLE | A Wake-up Call](#)
- [Maytas Infra's chairman RC Sinha resigns](#)
- [Satyam faces class action lawsuit in US](#)
- [It is for Centre to decide on Satyam: Andhra CM](#)
- [Raju's letter on shareholding misleading](#)
- [Raju, directors could face 10-yr jail](#)
- [Satyam: A Rs 7,000 Cr Lie](#)
- [Satyam to hold news conference at 5pm](#)
- [Garagaparru stands by Raju](#)
- [Satyam a failure of governance: Narayanamurthy](#)

Comments to the Editor

Be the first to write to the Editor.



You can call Rahul Gandhi!
He might be 'just a call away'... very soon!



Big B blogs on 'Bachchanalia'
Amitabh on the book and the intense fog in Delhi!

Top Search: [Sallu-Katrina midnight adventure!](#) |

[More >>](#)

[Delhi - Chennai](#) Rs 1,350
[Mumbai - Hyderabad](#) Rs 200
[More >>](#)

Mobile 58888

[Daily predictions](#)
[Latest news on your mobile](#)

[More >>](#)

Zigwheels^{New}

[Upcoming cars of '09](#)
A segment wise breakup of the 54 new cars to debut in India in '09



[Dzire: A no hassle sedan](#)
[Maruti Swift at a cheaper price](#)

Related Ads

Write here...

[Terms & conditions](#) 

Name: Location:

Email: You will receive an email alert as soon as your comment is live