

Court hears India's 'biggest corporate fraud' case

November 2 2010, by P.S. Jayaram

The disgraced founder of Indian outsourcing giant Satyam appeared in court Tuesday in a billion-dollar corporate fraud case dubbed "India's Enron".

The firm's founder and former chairman B. Ramalinga Raju -- a one-time poster boy for Indian economic progress -- was present for a preliminary hearing in the southern city of Hyderabad.

His declaration in January 2009 that he had falsified profits plunged the Indian business world into turmoil.

The court on Tuesday issued summonses to a list of witnesses, Raju's lawyer, Bharat Kumar, told AFP.

Raju, who faces charges including conspiracy, cheating and forgery, declared in a letter of confession that he had overstated profits for years and inflated the company's balance sheet by more than a billion dollars.

He later backed down from the confession, but police maintain the letter was a "voluntary disclosure of fraud".

Raju, 56, was in court Tuesday with nine other senior executives from the company, including his brother B. Rama Raju.

Paperwork on witnesses and documents from the accused was processed during the day before the court was adjourned until November 8 when

the first witnesses will be examined.

As many as 300 people are expected to give evidence to the court during the trial.

The scandal at the Hyderabad-based firm is known as "India's Enron" after the US energy giant that collapsed in 2001 in the wake of massive false-accounting revelations.

Born into a farming family in Andhra Pradesh state, Raju studied at the University of Ohio. Previously known as a soft-spoken boss and admired for his professionalism, he started out in the textile and real estate sectors before spotting the potential of outsourcing.

The hearing opened after India's Supreme Court last week revoked bail granted to Raju on health grounds in August, saying the gravity of the accusations meant the bail order "could not be sustained".

Raju has been undergoing treatment for hepatitis at a hospital in Hyderabad.

India's federal investigating agency, the Central Bureau of Investigation (CBI), argued bail should be cancelled because Raju might influence witnesses and tamper with evidence.

The Supreme Court has ordered the lower court to complete the trial of Raju by July 31 next year.

Satyam was ranked as India's fourth-largest outsourcer by revenue before the scandal.

Satyam was taken over in April 2009 by mid-sized software outsourcer Tech Mahindra, a unit of the tractors-to-holidays conglomerate

Mahindra and Mahindra, which paid nearly 600 million dollars for a majority share.

The company, rebranded Mahindra Satyam, announced a loss two months ago of 27.6 million dollars for the fiscal year to March as it reported its first results since the scandal.

"The patient has been revived and is convalescing. But it could be a year or two before the company will be healthy and running again," Mahindra Satyam chairman Vineet Nayyar said at the time.

Analysts have been divided about Satyam's future, with some saying the worst is over while others argue it could take a few quarters or even years of uphill struggle to fully emerge from the scandal.

Satyam's stock plunged more than 90 percent when the scandal broke but recovered when a government-appointed board took charge and later chose Tech Mahindra as the new owners through a bidding process.

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