

# Satyam to pay \$10 million to settle SEC charges

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Satyam Computer Services has agreed to pay \$10 million to settle US charges that former top managers inflated the Indian company's revenue, the US Securities and Exchange Commission said Tuesday.

The SEC, in a complaint filed in US District Court here, alleged that former top officials at Hyderabad-based Satyam overstated the software firm's revenue, income and cash balances by more than \$1 billion over five years.

They used false invoices and forged bank statements to inflate Satyam's cash balances to make the company appear more profitable to investors, the SEC said.

Satyam shocked India's corporate world in January 2009 when its former chairman and founder B. Ramalinga Raju admitted he had for years overstated profits and inflated the balance sheet.

The fraud nearly pushed the group into bankruptcy and Raju, who had been one of the stars of the software boom that has been a driver of India's economic growth, now faces charges including conspiracy, cheating and forgery.

Satyam was bought by the mid-sized outsourcer Tech Mahindra, a unit of the tractors-to-holidays conglomerate Mahindra and Mahindra, in April 2009 for \$600 million and is now known as Mahindra Satyam.

Satyam was traded mostly on Indian stock markets but American depositary shares were traded on the New York Stock Exchange.

The SEC said Satyam's new leadership had cooperated with the SEC probe and had agreed to pay a \$10 million penalty to settle the US charges.

In addition, the company agreed to train officers and employees on securities laws and accounting principles, improve its internal audit functions, and hire an independent consultant to evaluate internal controls.

"The actions of Indian and US authorities have transformed Satyam into a new company with new management, directors and investors and state-of-the-art controls, resulted in criminal charges against seven former executives and given harmed shareholders the chance to recoup losses," Robert Khuzami, director of the SEC's Division of Enforcement, said in a statement.

"This comprehensive and thoughtful response underscores the ability of regulators across the globe to respond to cross-border misconduct in a coordinated manner," Khuzami said.

The SEC action is not the only legal trouble facing Satyam in the United States. Satyam announced last month that it has agreed to pay \$125 million to settle a US class action suit.

The SEC also announced on Tuesday that it was sanctioning five Indian-based affiliates of PricewaterhouseCoopers for deficient audits of Satyam's financial statements and enabling the accounting fraud to go undetected for years.

The SEC said the five India affiliates agreed to pay a \$6 million penalty,

the largest ever against a foreign-based accounting firm.

The five were identified as PW India affiliates Lovelock & Lewes, Price Waterhouse Bangalore, Price Waterhouse & Co. Bangalore, Price Waterhouse Calcutta, and Price Waterhouse & Co. Calcutta.

The SEC said the PW India affiliates had also agreed to not to accept any new US-based clients for six months, establish training programs on securities laws and accounting principles and revise audit policies and procedures.

"PW India failed to conduct even the most fundamental audit procedures," said Cheryl Scarborough, chief of the SEC's Foreign Corrupt Practices Act Unit. "Audit firms worldwide must take seriously their critical gate-keeping duties."

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