Ex-Satyam chief gets seven years for 'India's Enron' (Update)

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An Indian court on Thursday sentenced the former chief of outsourcing giant Satyam to seven years in jail over a $2.25 billion accounting fraud scandal dubbed "India's Enron".

Byrraju Ramalinga Raju, his brother and eight others were found guilty of manipulating Satyam's books in a 2009 case that shook the industry and raised questions about the country's regulators.

"All the accused have been convicted of almost all charges," prosecutor K. Surender told reporters outside the court in Hyderabad, capital of southern Andhra Pradesh state.

Raju was charged with criminal conspiracy, cheating and breaching public trust in a fraud during India's IT boom that prosecutors told the court caused 140 billion rupees ($2.25 billion) in losses to shareholders.

Raju and the others refused to comment to reporters and television crews as he was led by a throng of officers into a police van after sentencing.

"It goes without saying that we will appeal the judgement," one of his lawyers, E. Uma Maheshwarao, said before his client was taken to Hyderabad's Cherlapally Jail.

The court imposed seven-year jail sentences and fines of 50 million rupees on Raju and his brother following a trial in which prosecutors produced thousands of pages of financial documents and 200-odd witnesses.

The eight other defendants were sentenced to seven years in jail and given fines of 2.5 million rupees, according to V. Chandrasekhar, deputy inspector general of the Central Bureau of Investigation.

"India very rarely prosecutes corporate fraud. And this is the biggest corporate fraud case in South Asian history. So for us, getting a conviction is a big victory," one of the investigating officers told AFP on condition of anonymity.

The Satyam scandal erupted in 2009 after Raju admitted in a letter to shareholders to overstating profits for years and inflating the company's balance sheet, a confession that saw the company's share price plummet.

Tech Mahindra, a unit of Indian vehicle and farm equipment manufacturer Mahindra and Mahindra, bought Hyderabad-based Satyam in April 2009, saving it from collapse.

Raju, who was educated in India and the United States, was one of the stars of India's software boom—a key driver of the country's economic growth over the previous decade.

"The concern was that poor performance would result in a takeover," he said in his letter to shareholders.

"It was like riding a tiger, not knowing how to get off without being eaten."

'Messiah of IT'

The confession sent shockwaves through the industry, which had put

Raju's success down to dedication and hard work in Hyderabad, an IT hub that acts as the Indian headquarters of Google and Microsoft.

"Raju was like the messiah of IT for Andhra Pradesh back then," said KV Kurumanath, an editor at the Hindu BusinessLine newspaper.

"He was looked upon as a god, and a big achiever," said Kurumanath, who has been closely following the case.

Raju has been out on bail since November 2011 after spending nearly three years behind bars during the trial.

His brother, Satyam's former managing director B Rama Raju, was also convicted, along with other employees and two former staff at PricewaterhouseCoopers, the firm's auditors.

PwC said it was "disappointed" by the verdict, and its former staff were considering an appeal.

"As we have said many times, there has never been any evidence presented that either of our former partners S Gopalakrishnan or Srinivas Talluri were involved in or were aware of the management-led fraud at Satyam," said PwC in a statement.

Raju's lawyers had told the court that he was not responsible for the losses and that documents filed during the trial were fabricated.

India's equity market regulator last year slapped multi-million-dollar fines on Raju for manipulating the firm's shares during the scandal.

But the case raised concerns about why regulators, who were only prompted to act after Raju confessed, failed to spot the scam earlier, along with corporate governance issues and accounting standards.

"The biggest thing this reveals is the failure of India's regulatory system," said S. Nagesh Kumar, a news analyst and former editor based in Hyderabad.

US energy giant Enron collapsed in 2001 in the wake of massive false accounting revelations.