**Market Manipulation:**

**Satyam Scandal**

**1.Description:**

(1) Main players: Founder/Chairman B Ramalinga Raju.

(2) Background: Satyam Computer Services Ltd was incorporated by the two brothers, B Rama Raju and B Ramalinga Raju, as a private limited company for providing software development and consultancy services to large corporations in 1987. The firm began with 20 employees and grew rapidly as a global business. In 1997, it was selected by the World Economic Forum as one of India's most remarkable and rapidly growing entrepreneurial companies.

(3) What happened:

For about five years beginning in 2003, Satyam inflated its revenue by accounting for 7,561 fake invoices. The fraud persisted in part because Satyam's auditor, PwC, did not independently check the monthly bank statements.

As of 2009, Satyam was the 4th fastest growing IT company in Indian. 53,000 employees were working for the company. Satyam had a 9% market share and its revenue earned was around $2.1 billion. Satyam is also the first India company that was listed on three international exchanges: EURONEXT, DOW, and NYSE.

In January 2009, the chairman, B Ramalinga Raju disclosed in a letter to the Board of Directors that he had been manipulating the company's accounting numbers for years. He claimed that he overstated assets on Satyam's balance sheet by $1.47 billion. Nearly $1.04 billion in bank loans and cash that the company claimed to own was non-existent. Its operating profit margins were shown at 24% when they were actually at 3%. The company also created fictitious clients and introduced over 7,000 fake invoices to record sales that simply did not exist.

(4) After effects: Satyam's shares fell to 11.50 rupees in January 2009, compared to a high of 544 rupees in 2008. By March 2009, Satyam's stocks were trading around the US $1.80 in the New York Stock Exchange, compared to a peak of $29.10 in 2008. As a result, investors lost $2.82 billion in Satyam. SEBI bans PwC from auditing listed firms for 2 years. Indian Government was worried about its image of the nation and IT-sector affecting faith to invest, or to do business in the county.

(5) Fun fact: Satyam means "truth" in the ancient Indian language "Sanskrit". In 2011 Ramalinga Raju's wife published a book of his existentialist, free-verse poetry.

**2. Causes of failure:**

(1) Fake bills and falsified bank statements: Fake invoices were entered into the company's financial statement, thus boosting revenue and profits.

(2) Superuser login: Certain employees were allowed to access the company's billing system and create fake invoices for services not provided.

**3. Summary:**

It is necessary to separate the personal interests and interests of the stakeholders and the company. The scandal raised questions over accounting standards in India as a whole. After Satyam, the SEBI increased disclosure obligations of promoters and controlling shareholders. Satyam strengthened India's commitment to adopting International Financial Reporting Standards (IFRS) by 2011. It also reinforced the Indian regulatory commitment to continue the process of Corporate Governance reform.