

SATYAM – NOT SO SHIVAM AND SUNDARAM! [Dated: 28-02-09]

As the authorities are scrutinizing documents in the Satyam scandal, they have come across evidence of fund transfers which allowed the IT major to continue declaring huge profits and dividends to its shareholders. Through a "confessional" statement dated January 7, founder chairman B Ramalinga Raju admitted to liabilities to the tune of Rs 1,230 crore. Raju stated that this amount did not figure in Satyam's account books (or balance sheets) and that he had pledged all the family's promoter shares and raised funds from "known sources" to fill this yawning gap in accounts.

It now transpires that between 2006 and 2008, the company had been transferring huge funds back and forth between 10 "fund raising" companies floated by it along with 37 "front" companies - all ostensibly involved in the agro business. All these entities figure in the mega list of 327 companies, the antecedents and financial status of which are under scrutiny by various agencies, including the Serious Fraud Investigation Office (SFIO). These 37 companies have had little paid-up capital or assets of their own; in fact, several were found to be running from one address while other addresses were found to be non-existent.

A glaring fact is that 19 of these 37 companies were running from an identical address in Hyderabad - 203, Tulasi Apartments, Madhuranagar. This is the residence of Datla Gopalakrishnan Raju, General Manager of SRSR Advisory Services (one of the 10 fund-rotation companies) who is also a Director of Maytas Infrastructure. The same address was recorded by him in all land deed documents registered and signed by him on behalf of the Rajus. When some journalists visited Tulasi Apartments, it was unoccupied. Datla Gopalakrishnan Raju was among the Satyam officials arrested in the scam - he has been subsequently released on bail.

Datla Gopalakrishnan Raju has confessed to being the trusted aide chosen for task of secretly transferring all documents pertaining to the roughly 7,600 acres of land purchased in the name of various front companies.

On January 8, a day after Ramalinga Raju wrote his letter, each of these 37 companies wrote identical letters to the new Satyam board, informing them about the money still unpaid by Satyam Computers. The letters reached the new board only on January 17. One from a

company named Banganga Agro farms reads: "As you are aware, we have been giving the following amounts to you on various dates as temporary advance." This company has stated that an amount of Rs 3.59 crore is still due from Satyam Computers.

Incidentally, while the texts of these 37 letters were found mysteriously erased from computers in the Satyam headquarters, the originals were subsequently recovered by investigating agencies. It has been calculated that while the 37 companies pumped "loans" into Satyam Computers totalling Rs 1,425 crore, the company paid back only Rs 194.60 crore , thus leaving an unpaid capital and an undeclared capital of exactly Rs1,230crore. Records show the huge sums as "loans" were transferred between November 17, 2006 and 30, October 2008 and that single day outflows have been traced to be as high as Rs 160 crore into six companies on October 10, 2008 and Rs 170 crore on September 20, 2007. The dubious infusion of funds also finds mention in the inquiry report prepared by the Registrar of Companies in Hyderabad which states "these amounts (loans worth Rs 1,230 crore) are not properly reflected in the balance sheets. The manner in which the said amount was brought into the company and utilized requires to be probed."