

# Project on satyam scam



**ASSIGN  
BUSTER**

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Marketing Applications & Practices Project: Satyam Saga SATYAM SAGA

Introduction: On 7th January, Wednesday, Satyam Computer Services Chairman B Ramalinga Raju resigns and disappears after confessing to the largest fraud of Rs. 7, 136 crore in Indian corporate history. He admitted to committing a gigantic fraud that shook corporate India and the stock markets to the core.

In a letter to the board, Raju, 54, unburdened his conscience and admitted that there was a huge hole in the company's balance-sheet created by reporting " inflated profits over a period of the last several years. " He tried to fill this " gap" by announcing the merger of Satyam, India's fourth largest software firm, with two family-owned companies, but an investor revolt aborted the move. The Sensex lost 749. 05 points, or 7. 25%, to end at 9, 586. 88 on 7th January after B Ramalinga Raju admitted to have defrauded Satyam Computer Services.

It eroded Rs. 2, 13, 000 crore of investor wealth. Satyam investors lost Rs. 9, 327 crore as the share went into a free fall, from Rs. 179 on 6th January to Rs. 39. 95 on 7th January. In his letter he stated that there was Missing cash/bank balance of Rs. 5040 crores plus missing interest income of Rs. 376 crores plus understated liabilities of Rs. 1230 crores plus overstated dues to company of Rs. 490 crores adding it up Rs. 7136 crores was total missing amount. He also said that " Every attempt to eliminate the gap failed.

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

Causes/Reasons behind Fraud: 1) The first reason behind this fraud is but

obvious; it was Raju's greed for money. He was trying to buy family promoted companies which are Maytas Infra and Maytas Properties but due to strong market & investor reactions it could not happened. It was found that he was using money for funding his family owned businesses and for personal use by creating dummy employees on roll, 10, 000 out of 53, 000 employees was expected to be non-existent.

It can be possible that Raju may have kept ex-staffs A/c's active. Also the family owned business Maytas group getting the arbitrary benefit of extending the metro rail project with an objective of improving the value of its other properties enroute. That properties were nothing but 6500 acre land in the name of raju's family. It's clear that they were hungry for money. 2) It is the political nexus between the Raju and politicians that seems to have sucked Satyam Computer Services down the tube. It took nearly two-and-a-half days to turn himself in.