

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

)	
Larry R. Pennington, Individually and On Behalf of)	
All Others Similarly Situated,)	CIVIL ACTION NO.
)	
Plaintiff,)	
)	CLASS ACTION COMPLAINT
vs.)	
)	
SATYAM COMPUTER SERVICES LTD., B.)	<u>JURY TRIAL DEMANDED</u>
RAMALINGA RAJU, B. RAMA RAJU, and)	
VADLAMANI SRINIVAS,)	
)	
Defendants.)	
)	

RECEIVED
 U.S. DISTRICT COURT
 SOUTHERN DISTRICT OF NEW YORK
 10/11/09

Plaintiff has alleged the following based upon the investigation of plaintiff's counsel, which included a review of United States Securities and Exchange Commission ("SEC") filings by Satyam Computer Services Ltd. ("Satyam" or the "Company"), as well as press releases and other public statements issued by the Company, media reports about the Company, and publicly available data concerning trades in the Company's securities. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This a class action on behalf of all purchasers of American Depository Shares ("ADSs") of Satyam Computer Services Ltd. ("Satyam" or the "Company") between January 6, 2004 and January 6, 2009, inclusive, (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

JURISDICTION AND VENUE

2. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§1331, 1337 and 1367 and Section 27 of the Exchange Act (15 U.S.C. §78aa). This action arises under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder (17 C.F.R. §240.10b-5).

3. Venue is proper in this District pursuant to Section 27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. §1391(b) and (c). Substantial acts in furtherance of the alleged fraud and/or its effects have occurred within this District. The ADSs of Satyam are traded on the New York Stock Exchange. In addition, its agent for service is located in this District.

4. In connection with the acts and omissions alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications, and the facilities of the national securities markets.

PARTIES

5. Plaintiff Larry R. Pennington purchased Satyam's ADSs during the Class Period, as set forth in the accompanying certification which is incorporated herein by reference, and was damaged thereby.

6. Defendant Satyam was organized as a limited liability company under the laws of the Republic of India. The Company's agent for service in the United States is CT Corporation System, 111 8th Avenue, New York, New York 10011.

7. Defendant B. Ramalinga Raju ("B. Raju") served as the Company's Chairman at all times relevant hereto until his resignation on January 7, 2009.

8. Defendant B. Rama Raju (“R. Raju”) is the younger brother of Defendant B. Raju. He served as the Company’s Managing Director and CEO at all times relevant hereto until his resignation on January 7, 2009. As CEO of Satyam, R. Raju signed and certified the financial statements of Satyam filed on Form 20-F pursuant to the Sarbanes-Oxley Act.

9. Defendant Vadlamani Srinivas (“V. Srinivas”) served as the Company’s Director, Senior Vice President and Chief Financial Officer at all times relevant hereto until his resignation on January 8, 2009. In his capacity as CFO, V. Srinivas signed and certified the financial statements of Satyam filed on Form 20-F pursuant to the Sarbanes-Oxley Act.

10. Defendants B. Raju, R. Raju and V. Srinivas are referred to herein as the Individual Defendants.

11. The Individual Defendants, as senior officers and/or directors of Satyam, were controlling persons of Satyam. Each exercised his power and influence to cause Satyam to engage in the fraudulent practices complained of herein.

12. Each defendant is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Satyam’s ADSs, by disseminating materially false and misleading statements and/or concealing material adverse facts. As part of this scheme, defendants: (i) deceived the investing public regarding Satyam’s business, its finances and the intrinsic value of Satyam’s ADSs; and (ii) caused plaintiff and other Class members to purchase Satyam’s ADSs at artificially inflated prices.

CLASS ACTION ALLEGATIONS

13. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all persons who purchased or otherwise acquired Satyam’s ADSs between January 6, 2004 and January 6, 2009, inclusive (the

“Class Period”), and who were damaged thereby. Excluded from the Class are defendants, members of the immediate family of each Individual Defendant or any entity in which any excluded person has a controlling interest, and the legal representatives, heirs, successors and assigns of any excluded person.

14. The Class members are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to plaintiff at this time and can only be ascertained through appropriate discovery, plaintiff believes that there are thousands of members of the Class located throughout the United States. According to the Company’s Form 20-F for its fiscal year ended March 31, 2008, there were 65,292,950 shares of Satyam’s ADSs outstanding. Each ADS represents two equity Satyam shares. During the Class Period, Satyam’s ADSs were actively traded on the New York Stock Exchange under the symbol “SAY.” Record owners and other Class members may be identified from records maintained by Satyam and/or its transfer agents and may be notified of the pendency of this action by mail, using a form of notice similar to that customarily used in securities class actions.

15. Plaintiff’s claims are typical of the claims of the other Class members as all Class members were similarly affected by defendants’ wrongful conduct in violation of federal law that is complained of herein.

16. Plaintiff will fairly and adequately protect the interests of the Class members and has retained counsel competent and experienced in class and securities litigation.

17. Common questions of law and fact exist as to all Class members and predominate over any questions solely affecting individual Class members. Among the questions of law and fact common to the Class are:

- a. whether the federal securities laws were violated by defendants’

acts and omissions as alleged herein;

b. whether defendants participated in and pursued the common course of conduct complained of herein;

c. whether documents, press releases, and other statements disseminated to the investing public and the Company's shareholders during the Class Period misrepresented material facts about the business, finances, financial condition and prospects of Satyam;

d. whether statements made by defendants to the investing public during the Class Period misrepresented and/or omitted to disclose material facts about the business, finances, value, performance and prospects of Satyam;

e. whether the market price of Satyam's ADSs during the Class Period was artificially inflated due to the material misrepresentations and failures to correct the material misrepresentations complained of herein; and

f. the extent to which the class members have sustained damages and the proper measure of damages.

18. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this suit as a class action.

SUBSTANTIVE ALLEGATIONS

A. Background

19. Satyam is India's fourth-largest information technology provider. Satyam was organized as a limited liability company under the laws of the Republic of India. Satyam's operations are primarily conducted in India although a significant majority of its revenues is derived from the United States.

20. During the Class Period Defendants issued a series of false and misleading statements, containing materially inaccurate financial information about the Company that served artificially to inflate the value of its ADSs. When the truth was revealed, the New York Stock Exchange halted trading in Satyam's ADSs. After trading resumed on Monday, January 12, 2009, Satyam's ADSs fell the most ever, \$7.89 or 84.39%, from the previous trading date closing price of \$9.35, to close at \$1.46.

The False and Misleading Statements

21. Throughout the Class Period Defendants issued financial information about the Company, including information contained in its Annual Reports on Form 20-F, dated June 30, 2003, June 29, 2004, July 26, 2004, April 28, 2005, April 28, 2006, April 30, 2007 and August 8, 2008. These filings, which are incorporated herein by reference, were signed by Defendants and contained fairness opinions issued by the Company's outside auditor, PricewaterhouseCoopers.

22. The financial information contained in these filings was false and misleading because, as described below, the Company's financial information was systematically falsified, its cash amounts "inflated" by material amounts, and its assets purely "fictitious."

The Truth is Revealed

23. On January 7, 2009, B. Raju sent a letter to the Satyam Board of Directors and the Securities & Exchange Board of India acknowledging a multi-year fraud in which Satyam's financial accounts and disclosures were systematically falsified, its profits were overstated for the past several years, the debt owed to the Company was overstated and its liability understated. B. Raju admitted to having inflated the amount of cash on the Company's balance sheet by nearly \$1 billion and overstating Satyam's September 2008 quarterly revenues by 76% and profits by 97%.

24. B. Raju admitted that 50.4 billion rupees, or \$1.04 billion, of the 53.6 billion rupees in cash and bank loans the Company listed in assets for its second quarter, which ended in September 2008, were nonexistent.

25. B. Raju described the scheme as a small discrepancy that grew beyond his control. "What started as a marginal gap between actual operating profit and the one reflected in the books of accounts continued to grow over the years. It has attained unmanageable proportions as the size of company operations grew," he wrote. "It was like riding a tiger, not knowing how to get off without being eaten."

26. B. Raju explained that he had attempted and failed to bridge the gap, including an attempt in December 2008 to buy two construction firms in which the Company's founders held stakes.

27. Below is the text of the letter which was filed by the Company on Form 6-K on January 7, 2009:

To the Board of Directors
Satyam Computer Services Ltd.

From B. Ramalinga Raju
Chairman, Satyam Computer Services Ltd.

Dear Board Members,

It is with deep regret, and tremendous burden that I am carrying on my conscience, that I would like to bring the following facts to your notice:

1. The Balance Sheet carries as of September 30, 2008
 - a. Inflated (non-existent) cash and bank balance of Rs. 5,040 crore [50.04 billion rupees or \$1.04 billion] (as against Rs. 5361 crore reflected in the books)
 - b. An accrued interest of Rs. 376 crore which is non-existent
 - c. An understated liability of Rs. 1,230 crore on account of funds arranged by me
 - d. An over stated debtors position of Rs. 490 crore (as against Rs. 2651 reflected in the books)
2. For the September quarter (Q2) we reported a revenue of Rs. 2,700 crore and an operating margin of Rs. 649 crore (24% of revenues) as against the actual revenues of Rs. 2,112 crore and an actual operating margin of Rs. 61 crore (3% of revenues). This has resulted in artificial cash and bank balances going up by Rs. 588 crore in Q2 alone.

The gap in the Balance Sheet has arisen purely on account of inflated profits over a period of last several years (limited only to Satyam standalone, books of subsidiaries reflecting true performance). What started as a marginal gap between actual operating profit and the one reflected in the books of accounts continued to grow over the years. It has attained unmanageable proportions as the size of company operations grew significantly (annualized revenue run rate of Rs 11,276 crore in the September quarter, 2008 and official reserves of Rs 8,392 crore). The differential in the real profits and the one reflected in the books was further accentuated by the fact that the company had to carry additional resources and assets to justify higher level of operations - thereby significantly increasing the costs.

Every attempt made to eliminate the gap failed. As the promoters

held a small percentage of equity, the concern was that poor performance would result in a take-over, thereby exposing the gap. It was like riding a tiger, not knowing how to get off without being eaten.

The aborted Maytas acquisition deal was the last attempt to fill the fictitious assets with real ones. Maytas' investors were convinced that this is a good divestment opportunity and a strategic fit. Once Satyam's problem was solved, it was hoped that Maytas' payments can be delayed. But that was not to be. What followed in the last several days is common knowledge.

I would like the Board to know:

1. That neither myself, nor the Managing Director (including our spouses) sold any shares in the last eight years-excepting for a small proportion declared and sold for philanthropic purposes.

2. That in the last two years a net amount of Rs 1,230 crore was arranged to Satyam (not reflected in the books of Satyam) to keep the operations going by resorting to pledging all the promoter shares and raising funds from known sources by giving all kinds of assurances (Statement enclosed, only to the members of the board). Significant dividend payments, acquisitions, capital expenditure to provide for growth did not help matters. Every attempt was made to keep the wheel moving and to ensure prompt payment of salaries to the associates. The last straw was the selling of most of the pledged share by the lenders on account of margin triggers.

3. That neither me, nor the Managing Director took even one rupee/dollar from the company and have not benefited in financial terms on account of the inflated results.

4. None of the board members, past or present, had any knowledge of the situation in which the company is placed. Even business leaders and senior executives in the company, such as Ram Mynampati, Subu D, T.R. Anand, Keshab Panda, Virender Agarwal, A.S. Murthy, Hari T, SV Krishnan, Vijay Prasad, Manish Mehta, Murali V, Sriram Papani, Kiran Kavale, Joe Lagioia, Ravindra Penumetsa, Jayaraman and Prabhakar Gupta are unaware of the real situation as against the books of accounts. None of my or Managing Director's immediate or extended family members has any idea about these issues.

Having put these facts before you, I leave it to the wisdom of the board to take the matters forward. However, I am also taking the liberty to recommend the following steps:

1. A Task Force has been formed in the last few days to address the situation arising out of the failed Maytas acquisition attempt. This consists of some of the most accomplished leaders of Satyam: Subu D, T.R. Anand, Keshab Panda and Virender Agarwal, representing business functions, and A.S.Murthy, Hari T and Murali V representing support functions. I suggest that Ram Mynampati be made the Chairman of this Task Force to immediately address some of the operational matters on hand. Ram can also act as an interim CEO reporting to the board.

2. Merrill Lynch can be entrusted with the task of quickly exploring some Merger opportunities.

3. You may have a 'restatement of accounts' prepared by the auditors in light of the facts that I have placed before you.

I have promoted and have been associated with Satyam for well over twenty years now. I have seen it grow from few people to 53,000 people, with 185 Fortune 500 companies as customers and operations in 66 countries. Satyam has established an excellent leadership and competency base at all levels. I sincerely apologize to all Satyamites and stakeholders, who have made Satyam a special organization, for the current situation. I am confident they will stand by the company in this hour of crisis.

In light of the above, I fervently appeal to the board to hold together to take some important steps. Mr. T.R. Prasad is well placed to mobilize support from the government at this crucial time. With the hope that members of the Task Force and the financial advisor, Merrill Lynch (now Bank of America) will stand by the company at this crucial hour, I am marking copies of this statement to them as well.

Under the circumstances, I am tendering my resignation as the chairman of Satyam and shall continue in this position only till such time the current board is expanded. My continuance is just to ensure enhancement of the board over the next several days or as early as possible.

I am now prepared to subject myself to the laws of the land and face consequences thereof.

(B. Ramalinga Raju)

Copies marked to:

1. Chairman SEBI
2. Stock Exchanges

28. On January 7, 2009, defendants B. and R. Raju also resigned. The Company announced that Ram Mynampati, President and Whole Time Director of Satyam, is acting as interim CEO pending ratification by the Board.

29. On January 7, 2009, Satyam's auditor PricewaterhouseCoopers LLC said that it was examining the contents of the statement issued by B. Raju and would not comment further due to client confidentiality.

30. On January 7, 2009, DSP Merrill Lynch Limited, which had been previously retained by Satyam to assist in a review of Satyam's strategic options, terminated its engagement with Satyam. According to Merrill Lynch's termination letter the termination was prompted by the disclosure of "material accounting irregularities."

31. According to a Bloomberg January 7, 2009 article:

Satyam, which means "truth" in Sanskrit, plunged in New York trading, after earlier dragging down India's benchmark index, in a scandal described as "horrifying" by markets regulator C.B. Bhave. Raju's reign unraveled in the past month as a shareholder revolt blocked the asset purchases, the World Bank banned Satyam from bidding for contracts and four directors quit.

"This is a black day for India, the software sector and corporate governance claims," Arun Kejriwal, founder of Kejriwal Research & Investment Services, said in Mumbai. "If at all there's an event that could be the biggest setback for corporate India, it is this."

Goldman Sachs Group Inc., Citigroup Inc., HSBC Holdings

Pic, and Credit Suisse Group AG suspended coverage of Satyam, which slumped a record 78 percent in Mumbai. Bombay Stock Exchange spokesman Kalyan Bose said the bourse will examine whether to remove Satyam from the Sensitive Index after the benchmark tumbled 7.3 percent.

32. On January 8, 2009, V. Srinivas announced his resignation as the CFO of Satyam.

33. On January 9, 2009, B. and R. Raju were arrested by police on charges of criminal breach of trust, criminal conspiracy, cheating, falsification of records and forgery. In addition, on January 10, 2009, V. Srinivas was also arrested by police on charges of criminal conspiracy, cheating and forgery in connection with the alleged financial irregularities.

APPLICABILITY OF PRESUMPTION OF RELIANCE FRAUD-ON-THE-MARKET DOCTRINE

34. At all relevant times, the market for Satyam's ADSs was an efficient market for the following reasons, among others:

a. Satyam's ADSs met the requirements for listing, and was listed and actively traded, on the NYSE, a highly efficient market;

b. As a regulated issuer, Satyam filed periodic reports with the SEC;

c. Satyam stock was followed by securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each report was publicly available and entered the public marketplace.

d. Satyam regularly issued press releases which were carried by national newswires. Each release was publicly available and entered the public marketplace.

35. As a result, the market for Satyam securities promptly digested current information with respect to Satyam from all publicly-available sources and reflected such

information in Satyam's stock price. Under these circumstances, all purchasers of Satyam's ADSs during the Class Period suffered similar injury through their purchase of stock at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

36. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. The specific statements pleaded herein were not identified as "forward-looking statements" when made. Nor was it stated with respect to any of the statements forming the basis of this complaint that actual results "could differ materially from those projected." To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements were made the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Satyam who knew that those statements were false when made.

SCIENTER ALLEGATIONS

37. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements, issued or disseminated by or in the name of the Company were materially false and misleading; knew or recklessly disregarded that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements

or documents as primary violators of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding Satyam and its business practices, their control over and/or receipt of Satyam's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Satyam were active and culpable participants in the fraudulent scheme alleged herein. Defendants knew and/or recklessly disregarded the falsity and misleading nature of the information which they caused to be disseminated to the investing public. This case does not involve allegations of false forward-looking statements or projections but instead involves false statements concerning the Company's business, finances and operations. The ongoing fraudulent scheme described in this complaint could not have been perpetrated over a substantial period of time, as has occurred, without the knowledge and complicity of the personnel at the highest level of the Company, including the Individual Defendants.

38. The Individual Defendants engaged in such a scheme to inflate the price of Satyam's ADSs in order to: (i) protect and enhance their executive positions and the substantial compensation and prestige they obtained thereby; and (ii) enhance the value of their personal holdings of Satyam stock.

LOSS CAUSATION ALLEGATIONS

39. Defendants' fraudulent statements and omissions artificially inflated Satyam's stock price during the Class Period, until the truth was revealed.

COUNT I

Violations of Section 10(b) of The Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants

40. Plaintiff repeats and realleges each and every allegation contained above.

41. Each of the defendants: (a) knew or recklessly disregarded material adverse non-public information about Satyam's financial results and then existing business conditions, which was not disclosed; and (b) participated in drafting, reviewing and/or approving the misleading statements, releases, reports and other public representations of and about Satyam.

42. During the Class Period, defendants, with knowledge of or reckless disregard for the truth, disseminated or approved the false statements specified above, which were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

43. Defendants violated §10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder in that they (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon the purchasers of Satyam stock during the Class Period.

44. Plaintiff and the Class have suffered damage in that, in reliance on the integrity of the market, they paid artificially inflated prices for Satyam stock. Plaintiff and the Class would not have purchased Satyam stock at the prices they paid, or at all, if they had been

aware that the market prices had been artificially and falsely inflated by defendants' false and misleading statements.

COUNT II

Violation of Section 20(a) of The Exchange Act Against the Individual Defendants

45. Plaintiff repeats and realleges each and every allegation contained above.

46. The Individual Defendants acted as controlling persons of Satyam within the meaning of §20(a) of the Exchange Act. By reason of their senior executive and/or board positions they had the power and authority to cause Satyam to engage in the wrongful conduct complained of herein.

47. By reason of such wrongful conduct, the Individual Defendants are liable pursuant to §20(a) of the Exchange Act. As a direct and proximate result of these defendants' wrongful conduct, plaintiff and the other Class members suffered damages in connection with their purchases of Satyam stock during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff, on behalf of himself and the Class, prays for judgment as follows:

A. Determining that this action is a proper class action and certifying plaintiff as class representative under Rule 23 of the Federal Rules of Civil Procedure;

B. Awarding compensatory damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

C. Awarding plaintiff and the Class their reasonable costs and expenses

incurred in this action, including counsel fees and expert fees; and

D. Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: January 14, 2009
New York, New York

MURRAY, FRANK & SAILER LLP

By: 

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Attorneys for Plaintiff

SWORN CERTIFICATION OF PLAINTIFF
SATYAM COMPUTER SERVICES LIMITED SECURITIES LITIGATION

I, Larry R. Pennington, certify that:

1. I have reviewed the Complaint and authorized its filing.
2. I did not purchase Satyam Computer Services Limited, the security that is the subject of this action, at the direction of plaintiff's counsel or in order to participate in any private action arising under this title.
3. I am willing to serve as a representative party on behalf of a class and will testify at deposition and trial, if necessary.
4. My transactions in the securities of Satyam Computer Services Limited during the Class Period set forth in the Complaint are as follows:

Bought 30 shares on 2007-06-18 for the price of \$25.93

5. I have not served as a representative party on behalf of a class under this title during the last three years.
6. I will not accept any payment for serving as a representative party, except to receive my pro rata share of any recovery or as ordered or approved by the court including the award to a representative plaintiff of reasonable costs and expenses (including lost wages) directly relating to the representation of the class.

___ Check here if you are a current employee or former employee of the defendant Company.

I declare under penalty of perjury that the foregoing are true and correct statements.

Dated: January 9, 2009

/s/ Larry R. Pennington
(Submitted Electronically)