

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

09 CV 00330

CYNTHIA FREEMAN,

Plaintiff,

v.

SATYAM COMPUTER SERVICES
LTD., B. RAMALINGA RAJU,
G. RAMA RAJU, SRINIVAS
VADLAMANI; and JOHN DOES 1-5,

Defendants.

Case No. _____

CLASS ACTION COMPLAINT

RECEIVED
U.S. DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
JAN 13 2009

Plaintiff, by and through her attorney, on behalf of herself and all others similarly situated, alleges the following for her Complaint. Plaintiff's allegations are based upon personal knowledge as to herself and her acts, and as to all other matters based upon her attorneys' investigation, which included, among other things, a review of public filings, analysis of publicly-available news articles and reports, press releases and other matters of public record.

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).

3. 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). 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 were actively traded on the New York Stock Exchange (“NYSE”) under the symbol “SAY.”

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 purchased Satyam ADSs during the Class Period, as set forth in the accompanying certification, which is incorporated by reference hereto, and was damaged thereby.

6. Defendant Satyam was organized as a limited liability company under the laws of the Republic of India pursuant to the provisions of the Indian Companies Act on June 24, 1987. The Company’s agent for service in the United States is CT Corporation System, 111 8th Avenue, New York, New York, 10011. Satyam is based and has its primary business office in Hyderabad, India. It employs nearly 53,000 people.

7. Defendant B. Ramalinga Raju (“B. Raju”) served as the Company’s Chairman until his resignation on January 7, 2009.

8. Defendant B. Rama Raju (“R. Raju”) served as the Company’s Managing Director and CEO until his resignation on January 7, 2009.

9. Defendant Srinivas Vadlamani (“Vadlamani”) served as the Company’s Chief Financial Officer (“CFO”) until his resignation on January 7, 2009.

10. Defendants John Does 1-5 are those persons (which may include various forms of professional corporations) who assisted, directly or indirectly, in Defendants’ fraudulent scheme.

11. The Individual Defendants (B. Raju, R. Raju and Vadlamani), as senior officers and/or directors of Satyam, were controlling persons of the Company. Each exercised their power and influence to cause Satyam to engage in the fraudulent practices complained of herein.

12. Each of the Defendants is liable as a participant in a fraudulent scheme and course of business that operated as a huge fraud and deceit on purchasers of Satyam ADSs, by disseminating materially false and misleading statements and/or concealing material adverse facts to the investing public. 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 members of the Class to purchase Satyam ADSs at artificially inflated prices.

13. Satyam is one of India’s largest outsourcing companies. On January 7, 2009, B. Raju shocked the markets when he resigned as Chairman and confessed to fraudulently misrepresenting and falsely inflating the Company’s profits for years. Market reaction to this revelation was quick and sent the ADSs plummeting almost 90 percent before the market ever opened.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

14. 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 ADSs between January 6, 2004 and January 6, 2009 inclusive (the "Class Period"), and who were damaged thereby. Excluded from the Class are the Defendants, members of the immediate family of each of the Individual Defendants, or any entity in which any excluded person has a controlling interest, and the legal representatives, heirs, successors and assigns of any excluded person.

15. The members of the Class are so numerous and so widely dispersed 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, Europe, Asia and India. As of March 31, 2008, there were reportedly more than 65 million shares of Satyam ADSs outstanding. Record owners and other members of the Class 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.

16. Plaintiff's claim is typical of the claims of the other members of the Class as all members of the Class were similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

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

18. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class.

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 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 members of the Class have sustained damages and the proper measure of damages.

19. 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

Background

20. Satyam, which means “truth” in Sanskrit, is India’s fourth-largest information technology provider, employing nearly 53,000 people and has nearly one-third of the Fortune 500 companies among its clients. Satyam was organized as a limited liability company under the laws of the Republic of India pursuant to the provisions of the Indian Companies Act on June 24, 1987. Satyam’s operations are primarily conducted in India, although most of its revenues is derived from the United States and United States based companies.

21. In May 2001, Satyam completed an offering of 16,675,000 ADSs (representing 33,350,000 equity shares) in the United States and elsewhere outside of India at a price of \$9.71 per ADS. On May 15, 2001, Satyam ADSs were listed on the New York Stock Exchange.

22. During the Class Period Defendants issued a series of false and misleading statements, containing materially inaccurate financial information about the Company, which served to artificially inflate the value of its ADSs. When the truth was revealed, the Company’s ADSs plunged, losing nearly all of its value.

The False and Misleading Statements

23. Throughout the Class Period, the Individual Defendants were responsible for issuing 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, incorporated herein by reference, were signed by Defendants and

contained fairness opinions issued by the Company's outside auditor, PricerWaterhouseCoopers.

24. The financial information contained in Satyam's public 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." For example, the Company's operating margin for the three months ending September 30, 2008 was reported at 24 percent; it was actually only 3 percent.

The Truth is Revealed

25. On January 7, 2009, B. Raju provided a letter to Satyam's 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 grossly overstated for several years; and the debt owed to the Company was overstated while its liability understated. B. Raju admitted to inflating the 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%.

26. B. Raju further 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.

27. 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."

28. 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.

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

To the Board of Directors
Satyam Computers 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 debtor 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 per cent of revenues) as against the actual revenues of Rs 2,112 crore and an actual operating margin of Rs 61 crore (3 per cent of revenue). 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 the 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 the poor performance would result in a takeover, 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 know 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 trigger.

3. That neither me, nor the Managing Director took even one rupee/dollar from the company and have not benefitted 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, Kesab Panda, Virender Agarwal, A S Murthy, Hari T, S V Krishnan, Vijay Prasad, Manish Mehta, Murali V, Sriram Papani, Kiran Kavale, Joe Lagioia, Ravindra Penu Metsa, Jayaraman and Prabhakar Gupta are unaware of the real

situation as against the books of accounts. None of my or managing directors immediate or extended family members has any ideas about these issues.

Having put the 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 Aggarwal, 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 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 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. Mt 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 contribution 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 the consequences thereof.

(B. Ramalinga Raju)

Copied marked to:

1. Chairman SEBI
2. Stock Exchanges

30. On January 7, 2009, B. Raju, the Company's Managing Director and CEO of Satyam, resigned. The Company announced that Ram Myanpati, President and director of Satyam, is acting as interim CEO pending ratification by the Board.

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

32. On January 7, 2009, DSP Merrill Lynch Limited, which had been previously retained by Satyam to assist 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."

33. As a result of these revelations, trading in ADSs was halted. However, pre-market activity in the stock indicates a loss of roughly 90% of its value.

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

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

- a. Satyam 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 many 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 of these reports was publicly available and entered the public marketplace.

- d. Satyam regularly issued press releases which were carried by national newswires. Each of these releases 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 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 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. The 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 as if set forth fully herein.

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 as if fully set forth herein.

46. The Individual Defendants acted as controlling persons of Satyam within the meaning of Section 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 the Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of Satyam stock during the Class Period.

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

A. Determining that this action is a proper class action and certifying Plaintiff as class representatives 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;

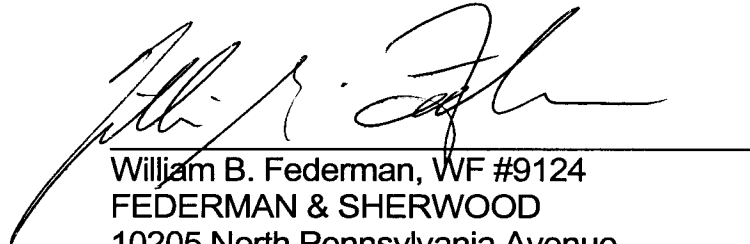
D. Establish an equitable trust into which the Individual Defendants' personal gains and assets can be deposited for the benefit of Plaintiff and Class Members; and

E. 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 9, 2009.



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- and -
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Plaintiffs Certification of Investment of
Satyam Computer Services Ltd. [NYSE: SAY]

1. Cynthia Freeman, hereby certify that the following is true and correct to the best of my knowledge, information and belief:

1. I have reviewed the Complaint in this action and authorize the filing of this Certification.

2. If chosen, I am willing to serve as a representative party on behalf of the class (the "Class") as defined in the Complaint, including providing testimony at deposition and trial (if necessary). I am willing to participate on an executive committee of shareholders.

3. Plaintiff's transaction in Satyam Computer Services Ltd. [NYSE: SAY] security that

| # SHARES PURCHASED | DATE PURCHASED | PRICE PER SHARE | CLASS OF STOCK (e.g. COMMON) | IF SOLD, # OF SHARES SOLD | DATE SOLD (if sold) | PER SHARE SOLD PRICE |
|--------------------|----------------|-----------------|------------------------------|---------------------------|---------------------|----------------------|
| 200 | 10-16-08 | \$14.00 | Common | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

is the subject of this action is:

(continue on blank piece of paper, if necessary)

4. I did not purchase these securities at the direction of my counsel, or in order to participate in a lawsuit under the Securities Exchange Act of 1934.

5. During the three-year period preceding the date of the Certification, I have not sought to serve, nor have I served, as a representative to any party or on behalf of any class in any action arising under the Securities Exchange Act of 1934.

6. I will not accept any payment if chosen to serve as a representative party on behalf of the Class beyond my pro rata share of an award to the Class, or as otherwise ordered and approved by the Court.

Signed under penalty of perjury, this 9 day of January, 2009.

Cynthia M. Freeman
Signature

Address

Cynthia Freeman
Name (please print)

City State Zip

Telephone Number

E-Mail Address

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