COPY

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

FEB - 6 2009
U.S.D.C. S.D. N.Y.
CASHIERS

WILLIAM M. HEBERT, JANET K. HEBERT and THE WILLIAM M. HEBERT IRA on behalf of themselves and all others similarly situated, Plaintiffs, -v- SATYAM COMPUTER SERVICES LTD., B. RAMALINGA RAJU, B. RAMA RAJU, PRICEWATERHOUSE COOPERS INTERNATIONAL LIMITED, PRICEWATER-HOUSE COOPERS PVT LTD., and PRICE WATERHOUSE, Defendants.	)	Case No.: 09 CV 1124

CLASS ACTION COMPLAINT

Plaintiffs, by their attorneys, on behalf of themselves and all others similarly situated, allege the following for their complaint. Plaintiffs' allegations are based on personal knowledge as to themselves and their acts, and as to all other matters based upon their 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 shares of Satyam are traded on the New York Stock Exchange. In addition, its agent for service is in this District. Price Waterhouse issued Independent Auditors' Reports with respect to Satyam's financial statements with full knowledge that they would be incorporated into Satyam's filings with the U.S. Securities and Exchange Commission for the purpose of inducing investors to purchase Satyam ADRs on the NYSE. Pricewaterhouse Coopers International Limited conducts substantial business in this District through its member offices, located in New York, over which it has supervision and control.

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. Plaintiffs purchased Satyam ADSs during the Class Period, as set forth in the accompanying certification which is incorporated herein by reference, and were 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") served as the Company's Managing Director and CEO at all times relevant hereto until his resignation on January 7, 2009. Defendants B. and R. Raju are brothers. Each has been arrested for the conduct alleged herein.

9. The Individual Defendants (B. Raju and R. Raju), 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.

10. Defendant PricewaterhouseCoopers Pvt. Ltd. is a member firm of PricewaterhouseCoopers International Limited, with offices in India. PriceWaterhouse is the auditing arm of PricewaterhouseCooper Pvt. Ltd., and performed auditing services for Satyam during the Class Period. PricewaterhouseCoopers Pvt. Ltd. and PriceWaterhouse are referred to herein as "PwC". PwC issued materially false and misleading independent auditors' reports that falsely certified Satyam's financial statements as being presented fairly in all material respects and in accordance with Generally Accepted Accounting Principles ("GAAP"). The false and misleading independent auditors' reports were issued out of PwC's offices in Hyderabad and Secunderabad, India.

11. Defendant PricewaterhouseCoopers International Limited ("PwC-IL") is a United Kingdom-based multinational auditing, accounting, and consulting firm. PwC-IL's

member firms provide auditing services worldwide, including in India, through PwC, where it conducted Satyam's audits. PwC-IL engages in worldwide conduct and collectively pays for common marketing and advertising and other activities to promote the firm's services and common name "PricewaterhouseCoopers," including the maintenance of a single Internet website, www.pwc.com. Its website portrays PwC-IL to the public as a "global organization," and describes its top executive, Samuel A. DiPiazza, as the "Global CEO of PricewaterhouseCoopers." PwC-IL is also responsible for development and work for the consistent application of common risk and quality standards by member firms, including compliance with independence processes.

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 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 plaintiffs and other Class members to purchase Satyam ADSs at artificially inflated prices.

PLAINTIFFS' CLASS ACTION ALLEGATIONS

13. Plaintiffs bring 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 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 plaintiffs at this time and can only be ascertained through appropriate discovery, plaintiffs believe that there are thousands of Class members 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 ADSs outstanding. Each ADS represents two equity Satyam shares. During the Class Period, Satyam 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. Plaintiffs' 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. Plaintiffs 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 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 Company's ADSs lost nearly their entire value and investors lost billions of dollars as a result. Prior to the events described herein, Satyam ADSs last sale price was $9.35. Trading in the ADSs was halted from January 7-9, 2009. When trading resumed, the ADSs traded at $1.14 each. Their current price is approximately $1.50 each. The conduct described herein caused the loss in value of Satyam's ADSs.

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, PwC.

22. On August 8, 2008, the Company issued its last Form 20-F, which included the following PwC Report which is similar to its previous Auditor's Report during the proposed class period:

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Satyam Computer Services Limited:

> In our opinion, the consolidated financial statements listed in the index appearing under Item 18 present fairly, in all material respects, the financial position of Satyam Computer Services Limited and its subsidiaries at March 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2008 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 18 presents fairly, in all material respects, the information set forth therein when read

in conjunction with the related consolidated financial statement. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our audits (which were integrated audits in 2008 and 2007). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

/s/ Price Waterhouse
Hyderabad, India
August 08, 2008

23. 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

24. 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%.

25. 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.

26. 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."

27. 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.

28. 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 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, not 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 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 DTK 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 fact the consequences thereof.

(B. Ramalinga Raju)

Copied marked to:

1. Chairman SEBI
2. Stock Exchanges

29. On January 7, 2009, defendants B. and R. Raju, also resigned. The Company announced that Ram Myanpati, President and whole-time director of Satyam, is acting as interim CEO pending ratification by the Board.

30. 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.

31. 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."

32. 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.

33. On or about January 9, 2009, the Indian government arrested the Individual Defendants because of the fraud alleged herein.

34. On or about January 10, 2009, the Indian government fired the remaining directors of Satyam.

35. Since then, the Indian government appointed six new directors to the Company's Board.

36. The Indian government has also announced that it is investigating the Company's outside auditors, PwC.

37. On January 23, 2009, The New York Times reported that:

> The head of Satyam Computer Services confessed to making up more than 10,000 employees to siphon money from the software company and to using his elderly mother's name to buy land with the cash, a prosecutor said in a court appearance Thursday.

38. Also on January 23, 2009, according to the Associated Press, the Company's government-appointed board said that, within a week, new finding would be finalized and a new chief executive would be selected.

39. On January 29, 2009, the *Financial Times* reported that:

> Indian police have accused two auditors working for an Indian unit of PwC of colluding with the former chairman of Satyam Computer Services to "window dress" the outsourcing group's accounts.
>
> The pair, who have not been charged but are in judicial custody while police investigate the case, "abetted" B. Ramalinga Raju, the former chairman of Satyam, and others already accused in the case, the investing officer, N. Balaji Rao, alleged.
>
> "During interrogation [the auditors, Subramani Gopala

> Krishnan and Talluri Srinivas] confessed their involvement in the crime," deputy superintendent Rao said in a document requesting a Hyderabad court to remand them in custody for 15 days.
>
> "They also colluded . . . in window dressing of the company's accounts and lured the investors to invest the money."

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

40. 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 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.

41. 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

42. 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

43. As alleged herein, the Individual 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, the Individual 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. The Individual 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.

44. 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.

45. PwC, a member-firm of PricewaterhouseCoopers International Ltd., has been the outside auditor for Satyam since at least 2001, and provided clean audit opinions for the financial statements that are now being retracted.

46. As already detailed, during the Class Period, PwC issued materially false and misleading audit opinions which falsely stated that the Company's financial statements "present[ed] fairly, in all material respects, the financial position of Satyam Computer Services Limited" for each of the relevant years upon which PwC opined; that PwC had conducted its audits in accordance with the standards of the Public Company Accounting Oversight Board (United States); and that the internal controls at Satyam were adequate.

47. PwC has since admitted its audit opinions for the relevant period are no longer reliable. On January 14, 2009, one week after defendant B. Raju made his admissions, PwC issued a letter addressed to the Satyam board, which stated that it audit reports for the audit period of June 2000 to September 2008 should no longer be relied on. In its letter, PwC conveniently attempted to place blame solely at management's feet, claiming that it "placed reliance on management controls over financial reporting, and the information and explanations provided by the management, as also the verbal and written representations made to us during the course of our audits."

48. On the same day, January 14, 2009, Satyam announced that it bad hired accounting firms Deloitte & Touche and KPMG to perform the restatement for Satyam.

49. PwC either knew of Satyam management's fraudulent accounting and permitted it; or was grossly reckless in failing to detect it. Indeed, the fraud was of such a magnitude that basic testing procedures required by applicable auditing standards would have uncovered the accounting manipulations.

50. PwC had a duty to exercise due care and professional skepticism of Satyam's management's representations concerning the Company's financial statements; and thus cannot deflect responsibility for its actions by claiming reliance on Satyam management's "verbal and written representations." Due professional care requires the auditor to exercise *professional skepticism.* This requires the auditor to diligently perform, in good faith and with integrity, the gathering and objective evaluation of evidence. *Id.*

51. Had PwC exercised the requisite amount of skepticism, it would have carried out basic testing procedures that would have uncovered this massive fraud. For instance, defendant B. Raju admitted that the Company's $1 billion in available cash was, in

fact, non-existent. This misstatement would have been caught had PwC conducted even the most basic testing procedures. The applicable auditing standards require that the auditor obtain competent evidential matter supporting a company's assertions with respect to cash balances. This required that PwC obtain corroborating information by i) checking bank statements, and ii) getting direct confirmation from the bank that the cash was actually there. Indeed, as the chairman of the Financial Accounting Standards Board, Dennis Beresford, put it, "It's hard to miss $1 billion in cash." *See* Times Online, *Investors Raise Questions over PwC Satyam Audit,* January 8, 2009, available at http://business.timesonline.co.uk/tol/business/industry_sectors/technology/article5476010.ece. An executive from a Big Four consulting firm commented, "Even a kid could have caught onto this. All the auditor needed to ask was for the bank statements of the various banks in which this (supposed) cash had been deposited or mutual funds it had been invested in. . . .[e]ither the auditor was hand in glove with Raju or there has been a serious error on its part." *See* The Morung Express. *Govt vows to end fraud as Satyam Scandal Shocks,* January 9, 2009, available at http://morungexpress.com/business/11222.html.

52. In addition, defendant B. Raju admitted that the Company had falsely stated the amount owed to it by debtors as $545.65 million, when in fact, it was only owed $444.81 million. PwC was either aware of, or recklessly in failing to detect that, Satyam had significantly overstated this amount. Verifying the amounts owed to a client is standard procedure as part of the year-end audit. Normally, auditors contact the client's business partners directly to check the amounts owed. Given that Satyam overstated this amount by $100 million, a significant amount, PwC would likely have uncovered this fraud as well, had it conducted proper testing procedures.

53. Further, PwC ignored numerous additional red flags that should have alerted it to the fact that fraud was afoot at Satyam, including, but not limited to:

a) For fiscal year ended March 31, 2008, the Company's net income grew 40%, while operating cash flow grew by 30%.

b) A steep increase in assets held in the Company's bank deposits, In fiscal 2008, for example, Satyam had $826.7 million of bank deposits, a 7.7% increase from fiscal 2007 but more than double the amount from 2006, when the company had $403.7 million in bank deposits.

54. Indeed, Merrill Lynch, which had been hired only ten days prior to the revelation of the fraud, severed its ties with Satyam hours before B. Raju's confession to the fraud, because Merrill had "come to understand that there were material accounting irregularities." The fact that Merrill was able to uncover this fraud within ten days, while PwC failed to report any irregularities for years, is also strongly suggestive that PwC either knew of the fraud and condoned it, or was utterly reckless in carrying out its auditing responsibilities.

55. India's professional body for accountants, the Institute of Chartered Accountants of India, has initiated an investigation into the role that PwC played in this accounting fraud. The Institute of Chartered Accountants of India has the power to revoke the firm's license to practice in the country.

56. According to members of the Indian police, two PwC auditors of Satyam confessed to involvement in Satyam's fraud. (See ¶ 39 above.)

LOSS CAUSATION ALLEGATIONS

57. 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)

58. Plaintiffs repeat and reallege each and every allegation contained above.

59. 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.

60. 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.

61. 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 9c) 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.

62. Plaintiffs and the Class have suffered damage in that, in reliance on the integrity of the market, they paid artificially inflated prices for Satyam stock. Plaintiffs 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)

63. Plaintiffs repeat and reallege each and every allegation contained above.

64. 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.

65. 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, plaintiffs and the other Class members suffered damages in connection with their purchases of Satyam stock during the Class Period.

WHEREFORE, plaintiffs pray for relief and judgment, as follows:

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

B. Awarding compensatory damages in favor of plaintiffs 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 plaintiffs and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

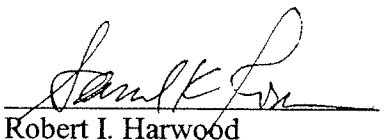
D. Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.

Dated: New York, NY
February 6, 2009

HARWOOD FEFFER LLP

By: 

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