

**GOVERNMENT OF INDIA  
CORPORATE AFFAIRS  
LOK SABHA**

STARRED QUESTION NO:3  
ANSWERED ON:13.02.2009  
IRREGULARITIES IN SATYAM COMPUTER SERVICES LTD  
Pandey Dr. Laxminarayan;Thomas Shri P.C.

**Will the Minister of CORPORATE AFFAIRS be pleased to state:**

- (a) whether irregularities in the accounts of Satyam Computer Services Ltd.,its subsidiaries and in some other related companies have come to the notice of the Government recently;
- (b) if so,the details thereof;
- (c) whether the Government has constituted any inquiry to look into the matter;
- (d) if so, the details and the outcome thereof so far; and
- (e) the steps taken/being taken by the Government to check such irregularities committed by companies and to protect the interests of the employees and investors?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF CORPORATE AFFAIRS (SHRI PREM CHAND GUPTA)

(a) to (e): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN ANSWER TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO.3 FOR 13.02.2009 REGARDING IRREGULARITIES IN SATYAM COMPUTER SERVICES LTD.

(a) & (b): Yes,Sir. The Government became aware of the possibility of irregularities in the accounts of Satyam Computer Services Ltd. on 7.1.2009 when Shri B. Ramalinga Raju, the then Chairman of Satyam, made a statement about the falsification of financial statements of Satyam for the last many years and tendered his resignation as Chairman.In his statement, Shri Raju, inter alia, declared that cash and bank balances of the company and its receivables were over- stated, some of the liabilities under-stated/ not reflected in the books of accounts, etc.

(c) & (d): The Government has ordered investigation into the affairs of the M/s Satyam Computer Services Limited under Sec.235 of the Companies Act, 1956 by Inspectors drawn from the Serious Fraud Investigation Office (SFIO) on 13.1.2009.Thereafter, on 19.1.2009, the Inspectors investigating the affairs of the Satyam were also empowered under Sec.240(1A) of the Companies Act to obtain such documents/ records from M/s Maytas Properties Limited and M/s Maytas Infra Limited as necessary for the purpose of investigation. The Government further gave sanction to the SFIO Inspectors under Sec.240(1A) and 240(2)(b) of the Companies Act on 6.2.2009 empowering them to call for information, books and papers and to examine on oath from 356 other entities connected with Satyam Computer Services Ltd.,including companies and other persons.

(e) Under the framework provided by the Companies Act, 1956 all companies are required to make statutory disclosures that reflect true and fair view of the state of affairs of the company.To facilitate making of such disclosures by companies and for stakeholders and regulatory agencies to view them, Government has set up an electronic registry with round the clock access through internet. Legal action is taken against such companies that do not comply with the requirement. In addition,the Act provides for appointment of independent, statutory auditors to audit the accounts and report to the shareholders. Such audited accounts are also displayed on the electronic registry for general viewing. While the reporting requirements are regulated under the Companies Act, 1956, the conduct of auditors is regulated under the Chartered Accountants Act, 1949.

In addition,for listed companies, compliance with these statutory requirements is required to be certified by a company secretary in practice, who in turn is regulated under the Company Secretaries Act,1980.The Act also provides powers to the Government to undertake inspection/ investigation of companies.Subject to approvals by Company Law Board, the Government can also take action against mismanagement and oppression in companies by effecting changes in the management of the companies.The Government takes appropriate action under the Companies Act and other laws, as warranted, to deal with such incidents.