

Dr.Kirit Somaiya

B. Com., F.C.A. Ph. D

KS/SEBI/09/2

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Officer
Crime Branch
Mumbai Police
Mumbai

Dear Sir,

SUB: SATYAM SAGA-AN EYE OPENER

Till now we were criticising USA corporate, accounting and auditing frauds and patting our backs . We forgot the fact that the system and the auditors were also imported from the west and we implemented/relied on it blindly. This is the start of such corporate fraud and many more skeletons will come out . The damage is already been done.

Sir, the main culprits are the intermediaries like valuers,merchant bankers , rating agencies ,auditors etc and the independent directors .This time investigation be undertaken & the action should be severe and fast. We demand that all intermediaries found involved in this scam, CERTIFYING AND RATING SATYAM's FINANCIAL STATEMENTS SHOULD BE BOOKED AND ARRESTED. FURTHER THEIR PROPERTIES SHOULD BE CONFISCATED. ALL AGENCIES/FIRM LIKE CA FIRMS SHOULD BE DEBARRED and the C A Institute should be asked to take immediate action .

To restore GLOBAL CONFIDENCE , as crisis managers,SATYAM management should be handed over to Honest & Expert Management,Authorities. This will also ensure continuous business activity and secure investor money to the extent possible.

In the immediate future the whole issue of corporate governance, role of independent directors, role of intermediaries etc to be examined. The few such recent incidence raising corporate governance and role of independent directors are:

1. Announcement of major structuring programme and subsequent withdrawal as done by Corporates e.g. STERLITE(VEDANTA) GROUP.
2. Announcement of major investment in group company unrelated activity to the investee company and then withdrawal as done e.g. SATYAM .

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3. Various instances of merger under Sec 391 whereby the promoters have increased their stake by merging a listed co with unlisted co, needless to say, terms favouring the unlisted company which is 100% owned by the promoters.
4. Merger before IPO with unlisted company . Valuation of business/shares done in such away to increase promoter contribution . Subsequent there is IPO at high premium.

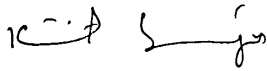
ALL the above are instances of different nature, but the end propose is common- BENEFIT TO PROMOTERS. Hence all these persons work for the benefit of promoters only , thereby, raising doubts of their independence and fairness to the other investors for whose purpose they are so appointed.

Indian corporates are promoter- driven with dominant shareholding by promoters unlike in the west. Hence , it is obvious that promoters act with vested interest and appoint persons which suits their interest the best. In such a scenario, the only hope is regulators and their prompt activism.

We also request SEBI to call an Urgent meeting of Investors Associations to restore Small Investors Confidence

Thanking you,

Yours truly,
For INVESTORS GRIEVANCES FORUM



Dr. Kirit Somaiya
President