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SATYAM FRAUD

Exposes depth of corruption, capitalism and its governance have sunk in India

While the Indian government and other servitors of ruling capitalism have been busy in projecting the stellar show of the country's Rs 2000 bn ((\$50 billion) IT industry, the poster child for India's economic liberalization, Satyam Computer Services, the fourth-largest software service provider, imploded to expose its hideous underbelly leaving lakhs of investors and employees out in the cold. It is not that any investigating agency or surveillance mechanism stated to be in place to ensure compliance with corporate governance norms by the business houses has unearthed the fraud that

involves, as per reports received so far, over Rs 70 billion (around \$2 bn). B. Ramalinga Raju, the Satyam chief himself in a letter addressed to the Satyam board admitted the financial deception by saying that the company's books of accounts were essentially a work of fiction. The books have been cooked for years, with inflated profit and revenue, exaggerated cash and bank balances, and understatement of what was owed and overstatement of what was due to the company. It is alleged huge amount of money was siphoned out of the company to Maytas firms, promoted by his family, to undertake real estate business. Raju has confessed that he planned a, so to say, fake takeover of Maytas (which is Satyam spelled in reverse) group of firms promoted by him and his family as a last botched attempt to 'fill the fictitious assets with real ones'. But the planned acquisition had to be aborted in the face of opposition of shareholders who sensed wrong in

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People make General Strike on 22 January in West Bengal a total success

When under the ever-oppressive burden of intense economic recession and crisis of capitalism, manifested and reflected in acute unemployment further aggravated with increasing retrenchment, lock-out etc., spiralling price rise and all such maladies, people were gasping for breath, and when heartlessly unconcerned at this plight of people, most of the major parliamentary parties of the state of West Bengal

got busy with speculations, calculations and adjustments for the Parliament Election that was barely being mentioned to take place in near future, it was SUCI, the revolutionary party of the proletariat on the soil, from its deepest concern for people of the state, being grinded under the anti-people policies of both CPI(M) government of the state and the Congress-led

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SUCI protests raising of railway freight charges secretly by issue of ordinance just before annual budget

Comrade Nihar Mukherjee, General Secretary, SUCI, in course of a statement issued on 31 January, 2009 strongly protested the decision of union railway ministry to secretly increase freight charges for cement, coking coal, food grains, flour, pulses and fertilizers by up to 8.33% per cent by way of issuing an ordinance bypassing the Parliament on the eve of annual budget placement. This will entail rise in the prices of these essential items as the burden of this increased charge will be squarely passed on the common people, observed Comrade Mukherjee. This is a criminal act on the part of the Congress-led UPA government who after lot of hesitation and dilly dally threw some crumbs of token reduction in domestic fuel tariff under public pressure is

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Beirut International Forum for Resistance, Anti-Imperialism, Peoples' Solidarity and Alternatives, Beirut, Lebanon, 16-18 January 2009

(Details in next issue)



Satyam scandal is tip of an iceberg

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the proposal particularly in view of the slump in realty market. So Raju opted for leaking the whole design in the hope of receiving amnesty. Some quarters of course apprehend that Raju's voluntary disclosure of his own wrongdoing is a ploy to conceal more than what is revealed as the effort at separating truth from lies proceeds. Pricewaterhouse Cooper (PwC), the company's statutory auditor and a leading name in the profession, as is obvious, turned a blind eye to this systematic fudging of accounts smacking of connivance. It is suspected that company's bankers also gave a long rope to the company in taking money off the accounts. Fifty thousand odd employees are jittery, fearing loss of job in a sagging employment market. The damp squib is that just three months ago, Satyam received a Golden Peacock Global Award from a group of Indian directors for excellence in corporate governance under the 'Risk Management and Compliance Issues' segment. Ramalinga Raju himself was the recipient of many an award for corporate governance and transparency.

The revelations and associated questions

It is a common saying in the parlance that "there are some frauds so well conducted that it would be stupidity not to be deceived by them." This perhaps is aptly befitting to this biggest of all scams unearthed from the interior of corporate India. It has come to light that the balance sheet of the company as on 30 September, 2009, carries an inflated (non-existent) cash and bank balance of Rs 50.4 bn, a non-existent accrued interest of Rs 3.76 bn, an understated liability of Rs 12.3 bn and an overstated debtor position of Rs 4.9 bn. Under the impeccable scam management of Ramalinga Raju, the malfeasance at the Hyderabad headquartered IT major assumed global proportions without allowing a whiff of a scandal even within its own corridors. The question is how did Raju 'manage' the transgressions even while doing everything by the book as the redoubtable auditors Pricewaterhouse Coopers insisted till the other day. Baffled accounting professionals confess that there is scope for window-dressing and manipulative accounting in

manufacturing firms where large-scale machinery procurement is involved, valuation of inventory is carried out and stage-wise valuation for work-in-progress of various projects at different stages is done. But for a software company which earns bulk of its income from overseas, indulging in such a mega-scale fraud smacks of a neat operation with 'innovative' fooling devices.

It is apprehended that Satyam raised fictitious bills to non-existent customers for services that were never provided. A fake bill props up sales and profits and also bloats the balance-sheet through higher receivables. For example, in 2003-04 Satyam reported net sales of Rs 25.42 million. In the four years since then, that figure was reported to have grown by 36%, 34%, 40% and 31% respectively to reach Rs 8,473 crore in 2007-08. Now, if a Rs 2,500-crore (25 bn) company wants to show 35% growth when it has actually grown by only 25%, the extent of overstatement would be only Rs 250 crore (10% of Rs 2,500 crore). But if an Rs 8,500-crore company wants to do the same thing, it will have to fabricate the figures by Rs 850 crore. If actual revenues are Rs 2,000 crore and actual net profits Rs 200 crore, an addition of Rs 500 crore to revenues without changing anything else would also add Rs 500 crore to net profit. While this would mean exaggerating revenues by only 25%, the profit figure would get overstated by 250% (500 crore is two-and-a-half times 200 crore). Some sources say that since Satyam makes software for many accounting firms across the world, Raju and gang could have developed a skill in tweaking accounting software and change the format. Another group contends that while 'the not so smart' corporate delinquents fool around with the profit and loss accounts Raju managed to beguile the auditors by dangling the cash and this made them overlook the 'enhanced' earnings and 'reduced' liabilities that led to an exaggeration on the credit side by more than Rs 7,000 crores. Question is: are others also doing the same thing? At the height of the IT boom, apart from Satyam, top software firms Tata Consultancy Services, Infosys Technologies and Wipro consistently reported annual 50-per cent increases in profits every quarter. Former chairman of

SEBI who, though remaining silent as to what of regulation was in place during his tenure when such fraudsters were working out their stratagem with impunity, said that Satyam scandal is neither the first nor will it be the last corporate scam to have hit India. Did he mean that there were more skeletons in the cupboard?

Role of auditors

The more serious question is: how could the auditors ratify all this? And what have been the roles of the banks, Securities and Exchange Board of India (SEBI), Company Law Board (CLB), Registrar of Companies (ROC), Institute of Chartered Accountants in India (ICAI), the various intelligence and vigilance wings and above all the government of India? We first focus on PwC, the auditors. In a statement to the media, PwC authorities said that the audits were conducted by Price Waterhouse in accordance with applicable auditing standards and were supported by appropriate audit evidence. Satyam's books showed cash to the tune of over Rs 5,300 crore (Rs 53 billion) in its banks. The external auditors do bank reconciliation to check whether the money has indeed come or not. They check bank statements and certificates. Did PwC do that? Did PwC get certificates or statements from the banks confirming the existence of the money? If not, how could it go ahead and sign on the balance sheets saying that the money was there? So was this a total lapse in supervision or were the bank statements forged? PwC has told the government they had physically verified FD receipts worth Rs 3,300 crore with banks such as HSBC, PNB, ICICI Bank, Citibank and HDFC Bank. When deposits lie in multiples banks, auditors often independently ask a confirmation from banks. Did Satyam present forged deposit receipts to the auditors, or the promoters borrowed against the deposits and failed to service the loans? The auditor is expected to check with the banks the veracity of FD receipts. If the very authenticity of the FDs is now questioned and statutory auditor had merely gone by the documents submitted by the company, its conduct would be deemed deficient. A very common way to inflate cash deposit is showing the bank finance for subsequent phase of business

(like working capital financing etc.) as current profit by manipulation. If one's market liabilities are Rs 1000 while receivables are Rs 1200, he is generating a profit of Rs 200. But what is done is that the next installment of bank finance, say of Rs 1000 received for carrying out subsequent business is camouflaged as income or cash in hand. Not just the cash, they even signed off on the non-existent interest that accrued on the non-existent cash balance. Moreover, in course of verifying assets and liabilities, revenue generation etc, did the firm look into the contracts against which bills were raised before they signed off the accounts? And did they fail to do this basic check for years? Beleaguered PwC is now trying to defend itself by arguing that onus of providing accurate information lies on the company and verification of authenticity of the documents or supportive material is outside the scope of statutory audit. This is a last-ditch attempt to cover the wrongdoing by taking refuge under certain lingual expressions contained in the books which are to be understood in their intent and content and not by any subjective interpretation that is tantamount to equating professional auditing with mere clerical activity. It is now reported in the media that Satyam was very large-hearted when it came to the remuneration of PwC. There was a meteoric rise in the auditor's fees which reached a phenomenal sum of Rs 4.31 crore from Rs 92 lakhs in four years though the parameters like turnover, performance or manpower on which such fees are normally decided did not record any drastic improvement. Naturally, there has been every reason to suspect complicity of the audit firm in the entire episode.

And the cat is out of the bag of late. Two senior auditors of PwC are reported to have confessed that they did receive heavy amounts to deliberately overlook the fudging process in Satyam, bypass accounting protocols and approve the fictitious figures at the behest of Ramalinga Raju. They also admitted they knew there was no money in the company for a very long time and that there were no fixed deposits as claimed by Raju.

Role of regulatory authorities

What has, by the by, been the role of Institute of Chartered

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Strike call emerged out of pressing need for stepping up people's movement on burning issues of life

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UPA government of the Centre, gave a call for a 12-hour General Strike on 22nd January last. The strike did not precipitate out of blue, neither was it thrust upon people. It was a logical culmination of a sustained mass movement our party had been organizing and leading since long on an 18-point charter of demands. The demands, *inter alia*, included among others,

- i) immediate reduction in the prices of essential commodities including petrol-diesel, cooking gas, kerosene, fertilizer, electricity, food articles,
- ii) reduction in the fares of bus and ferry services
- iii) full-fledged implementation of the 100-days job scheme
- iv) incorporation of the names of all poor people in the Below Poverty Level (BPL) list by making the process corruption free
- v) stopping entry of big capital in retail trade
- vi) stopping eviction of hawkers till alternative arrangements of their resettlement are made
- vii) resolving the problems of the auto-drivers
- viii) stalling fee hike in education and banning sex-education from the curriculum
- ix) ensuring appropriate healthcare in the hospitals and banning private-public partnership in medical service
- x) enforcement of forest rights of the common people including the tribal habitants of forest

areas.
xi) immediate redressal of 75,000 PTI students' plight due to de-recognition of their course.

Pressing for these demands, besides organizing protest rallies and meetings, demonstrations were held at district levels, mass deputations led to district administrations; road blockades organized at various places and even a mass civil disobedience movement was staged in Kolkata on 17 December. Ultimatum was sent out to both the Central and the state Governments. Since, even after that, there was no response whatsoever on the part of either of the governments, it was decided to give vent to the legitimate wrath and ire of the suffering people against the governmental policies wreaking havoc in their life. It was thus a call emerging out of the pressing need for stepping up the people's movement on the burning issues of life and so people made it a total success overcoming all threats and intimidation from the government, administration and ruling CPI(M) as well as the incessant anti-strike propaganda by a section of the bourgeois media. The media which usually gives practically no coverage to the news about our party immediately swings into action whenever we give a call for a strike or blockade or take up the programme of any movement. A group of newspapers and TV channels run or controlled by the capitalists and businessmen make it a point to use the occasion in undermining people's just struggle

against ruthless capitalist exploitation as an exercise of creating anarchy, disruption of normal life and above all, incredibly enough, impeding the pace of development. It appears that but for the strike call, everything would have been hunky dory for the common people. In other words, they cunningly try to protect the exploitative capitalist system and its bootlickers, make people quietly reconcile to the unbearable plight, oppression and suppression as something fate accompli, beyond abatement. Because if people's struggles gain momentum, gradually become more consolidated and integrated and elevated to higher stages, that would spell danger for the ruling bourgeoisie. So the whole attempt is to denigrate people's legitimate struggle as an act of anarchy and disruptive of economic development and generate confusion among people's mind.

There was no exception to that effort on the part of the power that be and its subservient media in this strike as well. But the ploy did not work the way they had thought of or aimed at. People refused to be carried away by this doctored propaganda. The spontaneous overwhelming response to this general strike has been so unique in every respect that it could not be overlooked even by a major section of the bourgeois media. Many reporters and journalists had to admit afterwards, reluctantly though, that it was spontaneous and all-out. Shutters were downed in most of the shops and markets.

Educational institutions were closed. Both public and private transport in the districts including ferry service, did not operate. In Calcutta, attempts were made by the government to ply a skeleton service of trams and buses, albeit virtually without passengers. Rail services were suspended for a long period. District courts were closed. There was no work in High Court, Bankshall Court and City Civil Court in Kolkata. 90% of the state government employees of Writers' building and 80% of the New Secretariat building staff joined the strike. Throughout the state, 80% of the government employees participated in the strike. The attendance in the jute mills had been around 50%. Foundry engineering units were completely closed in Howrah as well as Dankuni. 60% of the workers of Barrackpore industrial belt and the coal washeries did not report for duty. Santaldih thermal power station was totally shut down. Khidderpore dockyard was completely paralyzed. Impact was also good in Haldia industrial area. All sections of the toiling people came forward and took initiative to ensure that despite all provocations and motivated campaign by the quarters of reaction, the strike became a complete success. Honest workers and supporters of all parties, irrespective of whether their parties officially supported or opposed it, worked in favour of the strike. There was no vandalism, hurling of bombs, pelting of stones, incident of

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Calcutta during office hours on the strike day : Usually overcrowded Sealdah railway station (left) and state government headquarters, the Writers' Buildings

Satyam books have been cooked for years to project false picture of financial position

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Accountants of India (ICAI) which is supposed to guard the auditing profession against any kind of abuse, non-discharge of due diligence, violation of norms or indulgence in malpractice? Irregularities were reported in PwC's handling of Satyam accounts in 2001, but there was no investigation. Similarly, complaints filed with SEBI were not pursued. The ICAI's disciplinary council met, but failed to act. In 2007, ICAI had found partners of PwC guilty of professional negligence in under providing for non-performing assets in the now-defunct Global Trust Bank (GTB). But this was only after RBI had blacklisted the firm when a string of irregularities surfaced at GTB. In July 2006, PwC's Japanese affiliate Chuo Aoyama was handed a two-month ban on auditing by Japan's Financial Services Agency, for allegedly certifying false accounts of consumer products major Kanebo. We are not aware what punitive action was taken for such glaring misconduct as, strangely enough, there is no rule in India to penalize audit firms such as PwC on accounting fraud. So if ICAI authorities today derive comfort by issuing a show cause notice to the defaulting audit firm, could they escape unscathed? Interestingly, Ved Jain, President of ICAI, himself said that Ramalinga Raju's statement about the financial wrong-doings being known to him only did not look like the whole truth, as he, as company's supremo, did not write the accounts of his company. This, surely, was an insinuation towards PwC for dereliction of duty which now stands vindicated implicating the ICAI too.

Next we look at SEBI, the regulators incumbent for proper operation of capital market which, inter alia, involves meticulous scrutiny of financial results of listed companies, keep watch on any unusual movement particularly inexplicable spurt in the share price of any company and strict monitoring of mergers and acquisition proposals. SEBI says it is 'horrified at the magnitude of the fraud'. But only in December last, it had given a clean chit to Satyam saying that it had not found any violation of norms relating to takeover and corporate governance in its preliminary surveillance of the

deal involving the acquisition of Maytas Infra by Satyam Computer Services. Thus, it felt, there was no need for a formal investigation. Instead, the market regulator said it would probe the deal under Sections 370 and 372 of the Companies Act. Therefore, the probe would be limited to the deal between the two listed entities — Satyam and Maytas Infra — and not cover the one involving Satyam and unlisted firm Maytas Properties. And just within a month, it was appalled by the 'horror' of Satyam. Can there be any sensible taker to this 'sudden awakening' of the omnipotent regulator believed to have been provided with enough teeth to deal with market manipulations? E A S Sarma, former economic affairs secretary while speaking to a business newspaper, said that he has written to SEBI in December questioning the delay in investigating Satyam even after he had alerted the regulator 'well in advance' about certain irregularities in the company's books of accounts after the Maytas deal was called off last month. "Have there been violations of Clause 49 of the Listing Agreement with Satyam and Maytas during the last 10 years and, if so, whether there has been any culpability on the part of the officers of SEBI in allowing and condoning such violations? Has there been scope for and instances of insider trading in these companies?" he asked. One would remember that the Satyam's name figured in the infamous Ketan Parekh case of stock trading forgery. But at that time also, the high profile of the company, hobnobbing of its promoter with the bigwigs of the government silenced the regulators altogether. Registrar of Companies (ROC) which all over the years was just a silent bystander suddenly found that time had come for it to make its presence felt. So its Hyderabad office conducted a raid at Satyam headquarter in the city only to find important statements missing and the documents accessed from the company to be a pack of lies. It is now informed that ROC is considering recommendation of a comprehensive investigation by the Serious Fraud Investigation Office (SFIO), as, it now thinks, there is enough evidence to make a foolproof case for such a probe.

Role of the Banks

RBI, the regulator of the banking system, has also now awakened from the slumber and stated to be probing into the involvement of the bankers of Satyam in the saga. "We have submitted the details of our business deals with Satyam to the Reserve Bank. In the wake of these developments (in Satyam), banks are bound to be extra cautious while lending to such corporates," SBI's chief financial officer told PTI in Mumbai. When asked, Citibank declined to comment if the company was its client and whether the bank had given details to RBI. "We are unable to comment due to client confidentiality," a spokesperson of the bank said. SBI is understood to have extended loans to Satyam, but the officials declined to divulge the details of its exposure to Satyam. Bank of Baroda has also submitted the details of its "insignificant" exposure to Satyam to the apex bank, its chairman informed. ICICI Bank in a statement said that it did not have any fund-based exposure to Satyam Computer Services other than a marginal exposure of about Rs 3-crore (Rs 30 million) on account of a forward contract. Satyam is also maintaining a deposit with ICICI Bank in a current account. The balance in this account is not material, ICICI bank said. HDFC Bank said it did not have any "significant" exposure to the company. However, the bank has a small exposure in the form of vehicle loans given to Satyam's employees, an HDFC Bank spokesperson said. Incredible indeed! All of them are conspicuously silent as to whether they had as per norm provided bank statements on a quarterly basis and bank certificates on basis of which auditors go ahead and signed the balance sheet. Instead the banks are looking at options to stop sanctioning additional credit lines to the company and seek an auditor's explanation. The banks said they would not be affected much following the findings of fraudulent transactions in Satyam's balance sheet. Is RBI satisfied with all these explanations? All these banks continued their business with Satyam despite the World Bank's (WB) decision around February 2008 banning it from extending its services to WB citing alleged

charges of bribes and dubious documentation. Neither SEBI nor the ministry for corporate affairs apprised themselves of the World Bank's decision to keep Satyam at bay. When we know that all big business run on bank finance and financial transactions including capital market operations take place through banking route, could such large scale 'omissions and commissions' to doctor financial results of the company over so many years be possible without their knowledge and connivance? And height of the things is that the bank statements and other related documents are now reported missing proving once again the common apprehension about such cons in our country being protected, if not provided safe passage to acquittal by an utterly corrupt system.

Equally dubious is the role of the investment bankers. DSP Merrill Lynch was appointed by Satyam to look for a partner or buyer for the company a fortnight before the scam broke through. Though DSP Merrill terminated its engagement with the company soon after it found financial irregularities and informed the reason for the termination to the Bombay Stock Exchange, SEBI and even the New York Stock Exchange, on which Satyam is listed, it is not yet clear why it took such a long time to inform the authorities, and why it did not let the public know of Satyam's misdeeds. DSP Merrill has not yet answered these questions.

Myth of corporate governance

Industry often talks of corporate governance which means running of business in compliance with set out norms and accountability. This time also, the chambers of commerce and Confederation of Indian Industries (CII), Nasscom (The National Association of Software and Services Companies), the premier organization that represents and sets the tone for public policy for the Indian software industry, has played the same old broken record of strengthening corporate governance mechanism. In a quick response to save the image of Indian industry, CII has set up a special task force on corporate governance to be headed by former Cabinet Secretary and India's Ambassador to US.

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Auditors, regulators, bankers, administration — all involved in fraudulent operation

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“The issue of corporate governance was discussed in great detail in the context of the events at Satyam,” the Chambers said in a statement here. Nasscom tried to tone down the pitch albeit as an effort to rescue the much-hyped IT sector by stating that this is a stand-alone case of failure in corporate governance. One of the principal aspects of this much clamoured corporate governance is the accountability of the promoters and the members of the directors board particularly the independent members. The Satyam board including its five independent directors clearly remained mere ‘noddors’ in the boardroom and agreed to whatever the management or the promoters wanted to push through. They also readily approved the founder’s proposal to buy 51 per cent stake in Maytas Infrastructure and all of Maytas Properties, owned by the family members of Satyam chairman, without caring to take shareholders into confidence.

Part played by government

IT is an industry that not only receives hefty tax relief and other concessions from the government but has built over the years close relationships with politicians and successive governments, which bestowed recognition and access to leading actors of a kind that was not afforded to successful industrialists in the past. An element of complicity of the topnotch politicians thumping around in the corridor of power in the ‘acts’ of the industry is, therefore, not any wild imagination or thought of fiction. So the echelons in the governmental hierarchy too have swung into damage control exercise once the skeletons began tumbling out of Satyam’s cupboards. Many people, some politicians, etc have come forward now, saying they had suspected ‘something was wrong’ in the Satyam years ago. Some of them even claim to have written to the authorities, but all this was to no avail. But neither the central nor the state governments considered it necessary to launch an enquiry into these ‘complaints’. In fact, both present Congress Chief Minister Y S Rajasekhara Reddy and his Telugu Desam rival and former Chief Minister N Chandrababu Naidu have started trading charges

over indulging and protecting Satyam chief. While Rajshekhar Reddy is accused of playing “godfather” to promoters, Naidu, who, incidentally, was a constituent of BJP-led NDA during latter’s tenure at the Centre, is indicted for propping up Ramalinga Raju. “Both of them have pocketed huge public money by awarding contracts illegally to the Satyam group”, alleges Chiranjeevi, Telegu actor-turned-politician. But the soft corner for Raju cutting across party lines is glaring from the fact that the Maytas companies have been given contracts worth over Rs 30,000 crore by the Congress-led Andhra Pradesh state government and have accumulated a huge amount of land. These include the Rs 12,220 crore Hyderabad Metro Project, Machilipatnam port project and airport projects in Andhra Pradesh and Karnataka. Several real estate sources claimed there were some instances of Maytas being awarded road projects even without proper bidding. Raju managed to acquire 6,800 acres of land, with preliminary reports suggesting *benami* (assumed names) purchases or the floating of a number of companies to circumvent laws. On paper, it does not go beyond 1,000 acres, including IT special economic zones and fancy villa and apartment projects around Hyderabad. What has raised the stink is the way the State government dithered on the issue, creating an impression that it had a lot to hide. The State government took a whole fortnight to concede that “a direct link existed between Satyam and Maytas” as the officials concerned and Chief Minister Y.S. Rajasekhara Reddy claimed all along that they were two independent entities and there was no connection between them.

In this context, it must be mentioned that Delhi Metro managing director E Sreedharan had termed Hyderabad Metro Rail project a “future political scam”. He had objected to the way the government allowed the private consortium to develop land commercially and had touched a raw nerve by suggesting that the proposed metro rail project was essentially a sideshow and real estate was the main thing. The government had taken umbrage at that and threatened to sue him for

defamation. Four months on, Rs 7,000-crore financial scandal has been exposed at Satyam Computer Services, and it threatens to engulf the power-monger greedy politicians in the scam that Mr Sreedharan had warned about.

However, in the midst of all this, there was some mulling at the central government level over the question of a government-backed financial lifeline to the fraud-stricken company. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission, was also of the view that the government could discuss a rescue plan for the company only after assessing the nature of the company’s troubles. “We are concerned about what has happened in Satyam, and the government will take all necessary action to ensure these types of scandals do not take place again. Whatever steps could be taken will be taken,” told Prem Chand Gupta, Corporate Affairs Minister. But when it was found that the magnitude of the problem was far greater and apart from accounting juggleries, funds were diverted not only to Maytas Infra accounts but to a company in Mauritius and another software company in the US as well, government had to have a rethinking in apprehension of a severe adverse public reaction. With subsequent revelation that number of Satyam’s employees was not 53,000 as claimed by the former management but only 40,000 and salaries to the tune of Rs 20 crore were annually diverted under fictitious names, it was difficult for the government to pursue the rescue proposal given the tangled web of falsehood and forgery Satyam was caught up with. Moreover, Parliament elections are in the anvil. So despite both Congress as well as many of its electoral opponents cherishing a ‘friendly’ relationship with Raju, the government for the time being backtracked from the proposal by arguing that Satyam case could not be compared with US situation in which US government had to bail out the sinking corporates with tax payers’ money pending which all these would have gone bust. Whatever may be said now and whatsoever wiser the power that pretends to have been in the hindsight, one thing is clear. By way of negligence both the central and state

governments, past and present, are equally guilty in not having managed to save the shareholders, the employees and some clients of the company from losing heavily. All this go to point out that the regulating body was hitherto in the mood of acquiescing in every shady deal of the company and is now under pressure pretending to be so concerned about detonation of the fraud. Retract

What prompted Satyam owners to do this?

But what had been the precise gameplan of the Satyam promoters? Sensing a fortune to be made in sprawling real estate business, Raju and his family wanted to dabble in that area in a big way. With ‘connections’ at all levels of government, political powerhouse, regulators and funding institutions, it was not difficult for them to not only divert funds from the IT behemoth through accounting manipulations but to grab both land and construction orders in a big way. The gameplan was that since promoters of both Satyam and Maytas group were the same, the funds being siphoned out from Satyam would subsequently be replenished by cash generated from realty operation through some routes of business manoeuvre and quietly ‘regularize’ the books of accounts. Accordingly, the ball was rolled out. The money that was taken out may have been used, among other things, to acquire large quantities of land in what seems to be a set of speculative real estate ventures that could enrich the promoter’s family. The Raju family soon was poised to figure among India’s top 10 landholders as it had embarked on a massive land-buying strategy to cash in on the real estate boom in recent years. Thus while the family could bring under its holding over 6,500 acres through Maytas Properties, the individual members in their personal capacity also managed to have significant holdings of agricultural land across south and western India. It was known to all concerned that Rajus leveraged their ownership of Satyam, both in terms of shareholding and management control, to fuel other businesses. If incomes are inflated, the company becomes a better candidate for

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Entire government apparatus has become part and parcel of 'dice board' economy

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market borrowing or institutional financing. That in turn, stimulates company's prospect in the share markets since its scrip then would be in more demand and hence priced higher. Shareholders are beguiled by high stock prices, since they buy into the idea that high and rising stock prices are a sign of both good performance and good management. If accounts are manipulated and revenues and profits inflated, the stock market performance of the company improves. While some of the company bigwigs might reap bumper crop in this rising market by trading in his own holding of the company shares, the overall spurt in the price of the company's shares also brightens the prospect of the company for securing more loans. According to one estimate, the promoters could have earned as much as Rs.2, 500 crore through the stake sale taking advantage of inflated share value. And buried under this hoopla of 'improvement' is the mega fraud being crafted under way. As is known to anyone familiar with this wile-packed system, such large scale corruption and irregularities can not take place unless funded by loans or in technical term 'highly leveraged'. In fact, one banking source surmised that a key reason for cooking the books could have been to leverage the 'Bull Run' (continuous rise in market price) in the Satyam shares before the stock market meltdown in the second half of 2008.

But the question is why the Rajus landed up with a severe liquidity crunch? One of the theories doing the rounds suggests they were trapped by a murky cocktail of political developments and a real estate crash. In return for securing orders of big government projects, prime land near some of these projects had to be 'offered' to the 'supportive establishments' recommended by 'people who mattered'. Moreover, with the real estate story turning sour following outbreak of global sub prime crisis, political circles might have demanded funds from the family instead of land. "Upcoming elections may have also forced members of the establishment to change their preference from land to money which put them in a fix," said a Hyderabad-based developer.

So Raju and his family found that acquisition of Maytas by Satyam and turning the same into a wholly-owned subsidiary of the latter would help cleaning up the Satyam mess. Since in that event Satyam was to pay Maytas owners (the Raju family) for its shares, on paper Rs 6,400 crore would have moved out of Satyam's books into the Raju family's hands, while Satyam would have gained Maytas shares. This could have been an excellent way of regularizing the pumping up of numbers. One, the payment would have actually become just a formality with the Raju family technically receiving Rs 6,400 crore. But, with Satyam's reserves and surplus having already been depleted (or, conversely, inflated) the Raju family would have got much less. But, obviously, they would not have complained. Two, this would have then given the company a legitimate opportunity through an acquisition — to bring down the reserves to its actual level without admitting that the books had been cooked. And, nobody would have been any the wiser since only the Raju family and their close confidantes would know about this. Thus, while Satyam's reserves would apparently have been used up to pay for the acquisition, in reality the non-existent reserves were to be passed on to the Raju family. And Maytas would have found a new home. But circumstances came a cropper to materialization of such a master plot. The furore over what most people particularly Satyam shareholders perceived as a blatant overvaluation of Maytas prevented the proposed merger going through, thus closing out an opportunity for Raju to paper over the bungling in Satyam. This is how under the impeccable scam management of Ramalinga Raju, the malfeasance at the IT major assumed global proportions without even allowing a whiff of a scandal even within its own corridors. Veneer is indeed coming off the collusive mismanagement of public fund by the utterly corrupt nexus of private corporates, auditors, regulators, financial institutions, administration and the government subserving vile bourgeois class interest in capitalist India.

How people lose money

Common people end up losing money in the form of depleted share

prices. For example, promise of high earnings per share that triggered surges in stock values to levels that were often not warranted by the profit-making capacity of firms. So people rush for acquiring those shares either in the primary market (initial issue of shares) or secondary market (trading ring or arena of listed shares exchanging hands). If more people subscribe to initial share holding, proportion of promoters's holding goes down though promoter gets to use the funds so raised from public. So if there is a crash in share prices, the people suddenly find erosion in the value of their holdings while the promoter who has already made huge profits by using the funds hardly get affected because of the dip in the value of his relatively smaller holding. The stake of Satyam promoters has fallen sharply from 25.60 per cent of equity in 2001 to 5.13 per cent in January 2009. So with drastic fall in Satyam share value, while the promoters' share in the total market capitalization (total number of shares x ruling market price) loss of Rs 4,600 crore stood at about Rs 400 crore, the same for non-promoter shareholders was about Rs 3,300 crore. Moreover, if a bank loses money in such shady loan or funding operations, it is ultimately people's money which is drained. If government today reconsiders to bail out Satyam with monetary support, the same will be from public exchequer paucity of which is often given as ready made excuse for not undertaking public welfare measures.

Satyam is not an isolated case

As we mentioned earlier, Union Foreign Minister, one of the most trusted political managers of the ruling Indian monopolists tried to play down the intensity of this mega scale fraud by saying that it is an isolated case. But facts speak otherwise. Over last two decades a series of large scale frauds, forgery and cheating have stirred the country. From Harshad Mehta, Ketan Parekh, Global Trust Bank, Abdul Karim Telgi UTI to the Satyam swindle, corporate India has crafted frauds of amazing ingenuity. They have thrived side by side with political corruption, and more often than not there has been a symbiotic relationship between the two

streams of deceit. The fraudsters have straddled various segments of economic and fiscal activity ranging from insurance and banking to information technology and infrastructure development. They have pulled off their act through diverse political, economic and regulatory regimes. But though people at large lost money, not a single real culprit has been booked so far. Rather most of them have been shielded. For example, one of the powerful ministers of Maharashtra named as one of the principal mentors of Telgi is now again reinstated in the ministry with an important portfolio. Sucheta Dalal, a leading business journalist, noted in one of her columns: "From 1992 to 2000 and beyond, no corporate house has been punished despite their deep involvement in financial scandals. It is only brokers and bank officials who end up as scapegoats."

It goes without saying that fraudsters in capitalist India are beneficiaries of patronage of power-hungry dishonest politicians and totally corrupt administration. This politician-administration nexus when faced with public wrath over recurring incidents of embezzlement of public fund often cunningly manipulate timings of initiating so-called actions e.g., arrest, investigation, prosecution (albeit all hogwash) so that 'behind the curtain operations' to 'set things right' could be completed to elude any punishment of the actual perpetrators or abettors of the crimes. That could well be true in case of Satyam's Ramalinga Raju. As indicated above, he was deliberately allowed much needed time and space to manipulate with the evidences before issuing a letter of alleged confession enabling the crook to vanish hard evidences especially of the 'Raju-Satyam Money-Politician-Bureaucrat' links in the scam. We would be foolish to believe that probe into Raju deals would be thorough and sincere or that there are no other Rajus in the country.

Economic frauds inevitable in dying capitalism

This is the depth of corruption capitalism and its governance has sunk in India. But there is nothing surprising in it as this has

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Eradication of corruption, misappropriation, malfeasance and misfeasance inseparably linked to overthrow of capitalism

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become a global feature of capitalism now in its death throes. Scandals have been erupting not only in countries with poor ranking in governance, but in supposed havens of corporate probity as well. In our earlier write-ups we had showed in details that how capitalism after losing the relative stability of its market at the end of Second World War when one third of the world turned socialist, has got enmeshed in an insoluble crisis endemic of the system. This escalating shrinkage of market is because of rapid fall in the purchasing power of the people squeezed even to the last drop of blood to ensure maximum profit to the capitalist owners. So there is recession in manufacturing and consumer goods industry. Hence, short of any prospect of profit maximization, the capitalist rulers have been withdrawing from all kinds of productive investment in manufacturing industries causing unemployment and job loss that assume alarming proportion and causing further contraction of market. This is the vicious cycle of capitalism. In a frantic bid to stave off the crisis, they on one hand are, under slogan of liberalization, taking essential public welfare services like education, healthcare, electric supply, civic amenities and so forth out of the ambit of the government and operating those sectors on a commercial basis under private ownership. On the other hand, they are increasingly resorting to massive militarization, speculation and usury to inflate their purse. In fact, speculation has practically become the mainstay of capitalism today. And if the economy is driven by speculation, artificial stimulation and all such aberrant means, it has to adopt foul means, flout norms and subvert procedures. At the same time, with a view to deceiving the people being bled white under its ruthless exploitation, ruling capitalism and its servitors continuously weave mechanisms to camouflage the real state of affairs by a surfeit of manipulative steps like propping up numbers, inflating figures, tampering with results, hushing up evidences and a host of such manipulations. Obviously, this entire operation can not be undertaken unless corruption is

made to entrench deeply in the entire system. In fact, the entire government apparatus has become part and parcel of this 'dice board' economy. It was precisely to emphasize this aspect that Comrade Nihar Mukherjee, our beloved General Secretary, observed in course of a statement on the Satyam episode on 8 January, 2009, "Fraud and corruption have become the seal of dying capitalism."

With the introduction of capitalist globalization in the early nineties after dismantling of the socialist camp following revisionist conspiracy aided and abetted by world imperialism-capitalism, capitalism in unipolar world became more aggressive in pursuing this sinister design of deceit, camouflage, manipulation and manoeuvre under the garb of market economy, self-regulation, abolition of control and free interplay of market forces. So whatever little check and balance was in place has also been systematically destroyed and criminality made integral part of business. With power getting increasingly concentrated in the hands of the capitalist state and people being systematically robbed of their democratic rights and political power, the ruling monopolists are unrestrained in their despotism and evildoing. That is how corruption has been institutionalized in the system and those at the helm of affairs are with alacrity drawing upon the same for self-aggrandizement. The whole system has become worm-eaten. It is glaringly manifest throughout the capitalist-imperialist world where one after another financial scam and large scale institutional frauds, have been surfacing at regular periodicity. From Enron to WorldCom to Tyco to Barings PLC, corporate fraud continues to plague the bourgeois economic system and plunder common people. Of late as many as 18 major banks of US have collapsed because of shady deals. Investment bank giants like Lehman brothers and Merrill Lynch, American International Group (AIG), the world's biggest insurer, have all become bankrupt. Germany has had a series of scandals. So has Japan where two Prime Ministers charged of rampant corruption had to quit under public pressure. South Korea, supposedly with among the

best corporate governance in Asia, has a long history of murky behaviour by some of its conglomerates. So the question of eradication of corruption, misappropriation, malfeasance and misfeasance is inseparably linked to overthrow of capitalism. Till the time it is accomplished, crusade is to be carried on against the bourgeois governments of different hues working as mentors to all these fraudsters and their crimes so that the administration could be forced to undertake some corrective as well as preventive measures under pressure of rising public protest and vigilance. It may be relevant to mention that no rightwing political party or force is expected to be on the side of the people to advance this just cause. But the self-declared leftists like CPI(M), CPI who boast of sizeable strength in the

Parliament are also not found to take any effective step in organizing people's conscious protest against the series of frauds, scandals and crimes including the Satyam scam. These self-declared leftists simply washed off their hands by issuing most benign customary statements. Hankering for pelf and power by way of appeasing and serving the ruling capitalist class, they, we know, can not dare to stir the hornet's nest. So it is incumbent on the people to organize themselves under correct leadership, raise their voice of protest against all such incidents of money laundering, squandering of public fund and institutionalized corruption, demand booking of all culprits and compel the governments under pressure of movement take bold steps to stop such calculated economic offences.

Demonstration at Berhampur, Orissa, by AIDSO

The Berhampur (Ganjam) unit of the AIDSO organized a demonstration in Berhampur in protest against the recent recommendations of the National Knowledge Commission. The demonstrators also protested against the recent revelation that the transport department of the State Government had 'illegally' handed over a patch of land of Orissa State Road Transport Corporation adjacent to the Khallikote Autonomous College to the Reliance Company for setting up a shopping mall. AIDSO comrades handed over to the RDC a memorandum addressed to the Chief Minister.

School of politics at Doddaballapur, Bangalore

A 4-day school of politics of the party workers of Karnataka and Andhra Pradesh was held at Doddaballapur, near Bangalore from 26 to 29 October, 2008. About 350 comrades attended with lots of enthusiasm and eagerness. The discussions and deliberations were on philosophical aspects of Marxism-Leninism, organizational

questions and other issues concerning life struggle to emerge as good communists. Comrade Krishna Chakraborty, Member, Central Committee, SUCI, conducted the school.

Rukaiya Memorial Day observed by AIMSS at Allahabad

AIMSS organized a meeting on 30 November last at Allahabad to mark the Memorial Day of Rukaiya Sakhawat Hussain, an eminent renaissance personality and a pioneer of women's liberation movement. Comrade Lata Sharma, State president of All India Anganbadi Workers' Association discussed the life and struggle of Rukaiya. The topic of the meeting was introduced by Comrade Sudhanshu Malaviya. Smt. Shailaja Tripathi discussed at length the deplorable condition of women in modern society. Shri Zia Ul Haq, chief guest of the programme, emphasized the need of a united mass-movement over the burning issues tormenting the womenfolk. In her presidential address, Dr. Nirmala Agrawal, reader in University of Allahabad, dwelt on many thought-provoking aspects of women's problem. Comrade Rashmi Malaviya, District Convener of Allahabad AIMSS, conducted the proceedings.

SUCI is committed to build up class and mass struggles based on people's power

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physical assault or forcible prevention. Even then, police resorted to lathi-charge the picketers at few places like Farakka, Bankura and Habra leaving 3 of our workers grievously injured and 19 more sustaining major injuries. A total of 912 workers were arrested in the state. Sensing all-out public support and in response to the appeal our leader Comrade Provash Ghosh had made earlier, the police of the state had, in the main, acted with much restraint in dealing with the picketers, except in a few cases, mentioned above. Visibly perturbed at the overflowing support of all sections of the toiling people, the CPI(M) leadership could not dare open confrontation. Yet, our party office was attacked by CPI(M) miscreants at Toofanganj of Cochbehār district. When the people firmly resisted, they retreated. At Harish Pal choumatha in Cochbehār, CITU goons attacked our procession. Here also the common people came forward and repelled the attack. CPI(M) hoodlums, however, did not refrain

from issuing overt or covert threat to shop owners and market vendors and at few places forced them to open their establishments. But that only exposed further their anti-people character and despotic approach. It is because of all these features that Comrade Provash Ghosh, member, Central Committee and Secretary, West Bengal State Committee, SUCI, called this strike unprecedented in the 57 years of his political career. He extended revolutionary greetings to the people for this spontaneous support disregarding all the threats, terror tactics, various antagonism and mischievous propaganda of the CPI(M) and the state government. He also announced that if the government does not accede to the demands even after this, our party shall continue and intensify the movement by forming people's committees at various levels and enrolling volunteers.

In this connection, Comrade Ghosh informed that as everyone knows, a unity has developed between our party and Trinamool Congress (TMC) in the process of

organizing the historic Singur and Nandigram movements and this unity has been welcomed by the people. Our unity has been based on three conditions—both of us will build up movements against the anti-people policies of central and state governments, equidistance will be maintained from both Congress and BJP and there will be no attack against Marxism-Leninism from the platform of movement. Till now TMC has duly honoured the same and Mamata Banerjee, the TMC chief has said even the other day that there was no question of disturbing this fraternal chord. However, may be from certain compulsions of working within the framework of parliamentary politics, TMC had announced some days back that for the time being it would refrain from calling any bandh or organizing road blockade because of the global economic meltdown. So it neither supported nor opposed this strike call of ours. A section of the bourgeois press found in this stand of TMC a material for fomenting gossip about possible strain in the relationship between us. Referring to that Comrade Provash Ghosh said that as a Marxist party guided by the illuminating thoughts of Marxism-Leninism-Shibdas Ghosh thought, we have forged unity with Trinamool Congress in the interest of movement and not for any electoral exigency. The need of the hour is to bestir the people, spur them to break open the shackles, and unchain them from decade long inertia by unleashing a massive statewide movement on the Singur-Nandigram model. That is why, the industrial house, chambers of commerce and their political managers like Congress, BJP, CPI(M) and others are hell bent in breaking this unity and have pressed their pliant media into action for that. We are confident that Mamata Banerjee whom we have found so far to be honest, pro-people, pro-struggle, away from doublespeak and bold in the stand against Tata house is also aware of this conspiracy and motivated moves of big business and its servitors. We are confident that she will stick to the path of movement. We shall protect this unity in the interest of people's

movement and for upholding people's cause. So there is no apparent threat to this unity that has given real strength and confidence to the people of the state aspiring to rise against the misrule of CPI(M). However, if in the most unlikely of the events, TMC, for whatsoever reason and consideration falls in the trap of reaction and backtracks from adherence to the above three conditions, there could be a painful break in this fighting unity. Even then, this unity might again develop in the course of movement. Relying on the strength of people's power, our party is committed to organize in the days to come class and mass struggles on the burning issues of life.

SUCI statement against raising of railway freight charges

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now out to nullify whatever minimal impact it could have on retail price structure by pushing up by design the transportation cost, mentioned Comrade Mukherjee. He also pointed out that this outright anti-people step has been taken when people are stung in and battered by global economic crisis of capitalism and is bound to push up inflation thereby augmenting their suffering. He added that as emphasized by us earlier, while the Union Railway Minister is being projected to be distributing gratis to the poor, what is shielded behind a plethora of stunts, gimmicks and gallery show like 'income augmentation without fare escalation', 'no fare hike but fare cut' etc. is a sinister gameplan of largescale backdoor privatization and periodic off-budget raising of freight and passenger charges. Comrade Mukherjee called upon the people not to take these furtive assaults lying low but intensify the pitch of united organized protest to force the government withdraw the hike and not to dare taking them for a ride by indulging in such deceptive moves.

50 million to lose job because of global economic crisis

Global unemployment in 2009 could increase over 2007 by a range of 18 million to 30 million workers, and **more than 50 million** with the situation likely to deteriorate, the International Labour Office (ILO) said in its annual Global Employment Trends report released on Wednesday.

Based on new developments in the labour market, the report said some 200 million workers, mostly in developing economies, could be pushed into extreme poverty if the situation worsened.

"The ILO message is realistic, not alarmist. We are now facing a global jobs crisis. Many governments are aware and acting, but more decisive and coordinated international action is needed to avert a global social recession," ILO Director-General Juan Somavia said in a statement from Geneva.

The latest report said that based on November 2008 IMF forecasts, the global unemployment rate would rise to 6.1% in 2009 compared to 5.7% in 2007, resulting in an increase of the number of unemployed by 18 million people in 2009 in comparison with 2007.

If the economic outlook deteriorates beyond what was envisaged in November 2008, "which is likely", the global unemployment rate could rise to 6.5%, corresponding to an increase of the global number of unemployed by 30 million people in comparison with 2007, it said.

The crisis could also push another 200 million workers into extreme poverty as they eke out a living in informal, underpaid and unstable work specially in Africa and South Asia.", the ILO predicted. That would swell the ranks of the '**working poor**' to **1.4 billion**, just under half of world's working population. (Source : *Times of India*, 28-01-09)

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