

# India Business Law Journal

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How safe is India?

Satyam: the awful truth

India's top law firms revealed

The desperate search for liquidity



directors on 7 January, Raju announced his resignation as chairman and chief executive, after confessing he had manipulated the company's accounts for several years. The letter provided details of false reporting of inflated profits over the last several years. "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".

Writing of his attempts to narrow the gap between fictitious assets and real ones, Raju stated, "It was like riding a tiger, not knowing how to get off without being eaten."

The revelation came after a failed attempt by Satyam in 2008 to buy two companies owned by Raju family members. The moves resulted in a loss of confidence by Satyam clients and a dramatic drop in its share value in December.

Labelled "India's Enron", the case has resulted in the launch of class action suits by clients in the US, and investigations by authorities in India and overseas.

The worst affected parties include Satyam's shareholders and employees, who face uncertainty about the status of their funds and future position as the fraud continues to unfold. "Innocent people are going to get butchered in the process," said Priti Suri, proprietor of PSA, Legal Counsellors, a Delhi-based law firm. "People have a tremendous amount of worries because they don't know whether they have to stay with the company or move elsewhere. If this company is going to survive it is really going to have to go through a very rough patch in order to rebuild itself."

For in-depth coverage of the Satyam case and its repercussions, see *The awful truth* on page 38.

## Authorities investigate misuse of Ambani funds

In December it was revealed that the Enforcement Directorate (ED) of the Indian Ministry of Finance had, since at least August 2008, been investigating possible breaches of foreign exchange controls in the use of funds from accounts owned by two companies in the Reliance Anil Dhirubhai Ambani Group (RADAG).

The breaches allegedly occurred through transactions on accounts held by the companies at UBS. The matter came to light when a letter from the ED to British authorities, requesting help with the investigation, was reported in the *Financial Times* in late December.

The newspaper reported that the dealings involved "huge" funds that were raised when overdrafts were illegally taken by unknown parties on the accounts, then transferred to a Mauritius fund controlled by UBS, via the accounts of a group of Indian and Belgian diamond dealers. Once transferred they were invested in Indian stocks through offshore derivatives, "in contravention of the provisions of the foreign exchange management act", according to the ED's letter.

The ED did not respond when approached by media representatives for comment in mid-December. A spokesman for RADAG told the *Financial Times* that its companies knew of no wrongdoing and had not been contacted by investigators. The suspected identity of those responsible has not been publically confirmed by authorities, although India's *Business Standard* has reported that the investigation is focusing on some former employees of UBS.

and information technology. Cyberlaws Consulting Centre (CCC) is headed by Karnika Seth, a noted specialist in the area. CCC has been established to act as a research centre as well as to provide consultancy services and represent clients in litigation.

The consultancy will advise on internet and cyberlaw-related issues. These include the viability of e-commerce models, legal and regulatory compliance in different jurisdictions, cyber investigations and litigation, hacking, credit card frauds, online defamation and impersonation, cyber stalking, phishing, taxation issues, copyright and trademark infringements on the internet and data protection issues.

Seth said: "As most businesses depend on use of computers and internet technology and new forms of transacting business through e-commerce, knowledge of cyber law is becoming indispensable." She pointed out that conventional laws of contract such as trademark and copyright would be insufficient in offering protection in the online world, which requires special modifications, "considering the nature of the medium and complexity of cyberspace."

"A few countries have already acknowledged this fact and have passed specific legislation with respect to information technology," adds Seth. "The legal matrix, the role of the judiciary and other enforcement agencies can be better understood through a fair knowledge of cyber laws."

### FINANCIAL CRISIS

## Daiichi takes hit on Ranbaxy share slide

Three months after Japanese pharmaceutical company Daiichi Sankyo purchased a US\$5.4 billion controlling stake in Indian generic drug manufacturer Ranbaxy, the Japanese company announced that it would write down the purchase. The company has reported a valuation loss of US\$3.97 billion on the deal, based on the closing price of Ranbaxy shares on 31 December, according to comments made by spokesman Satoro Ogawa to Bloomberg.

### INFORMATION TECHNOLOGY

## Cyber-venture for Seth Associates

Seth Associates, a full-service law firm based in New Delhi, has launched a specialist arm focusing on cyberlaw

