

**STATE OF MICHIGAN
IN THE CIRCUIT COURT FOR OAKLAND COUNTY**

RICHARD SCARANTINO, On Behalf of
Himself and All Others Similarly Situated,

Plaintiff,

v.

SYNTEL, INC., BHARAT DESAI,
PRASHANT RANADE, PARITOSH
CHOKSI, THOMAS DOEKE, RAKESH
KHANNA, RAJESH MASHRUWALA,
VINOD K. SAHNEY, REX E.
SCHLAYBAUGH, JR., and NEERJA SETHI,

Defendants.

2018-167788-CZ
JUDGE HALA JARBOU

Case No. _____

Class Action

Jury Trial Demanded

This case has been designated as an

eFiling case. To review a copy of the

Notice of Mandatory eFiling visit

www.oakgov.com/clerkrod/Pages/efiling.

SHAREHOLDER CLASS ACTION COMPLAINT

Plaintiff, by his undersigned attorneys, alleges upon personal knowledge with respect to himself, and upon information and belief based upon, *inter alia*, the investigation of counsel as to all other allegations herein, as follows:

NATURE OF THE ACTION

1. This is a class action brought on behalf of the public stockholders of Syntel, Inc. ("Syntel" or the "Company") against Syntel and its Board of Directors (the "Board" or the "Individual Defendants"), to enjoin a proposed transaction announced on July 22, 2018 (the "Proposed Transaction"), pursuant to which Syntel will be acquired by Atos S.E. ("Parent") and its indirect wholly-owned subsidiary, Green Merger Sub Inc. ("Merger Sub," and together with Parent, "Atos").

2. On July 20, 2018, the Board caused Syntel to enter into an agreement and plan of merger (the "Merger Agreement"), pursuant to which stockholders of Syntel will receive \$41.00 per share in cash.

3. The Proposed Transaction is the product of a flawed process and deprives Syntel's public stockholders of the ability to participate in the Company's long-term prospects. Furthermore, in approving the Merger Agreement, the Individual Defendants breached their fiduciary duties to plaintiff and the Class (defined herein). Moreover, as alleged herein, Syntel aided and abetted the Individual Defendants' breaches of fiduciary duties.

4. On August 7, 2018, defendants issued materially incomplete and misleading disclosures in the Preliminary Proxy Statement (the "Proxy Statement") filed with the United States Securities and Exchange Commission ("SEC") in connection with the Proposed Transaction. The Proxy Statement is deficient and misleading in that it fails to provide adequate disclosure of all material information related to the Proposed Transaction.

5. Plaintiff seeks enjoinder of the Proposed Transaction or, alternatively, rescission of the Proposed Transaction in the event defendants are able to consummate it.

PARTIES

6. Plaintiff is, and has been continuously throughout all times relevant hereto, the owner of Syntel common stock. Plaintiff's signed Verification has been filed contemporaneously with the filing of this Complaint.

7. Defendant Syntel is a Michigan corporation and maintains its principal executive offices at 525 E. Big Beaver Road, Suite 300, Troy, Michigan 48083. The Company provides integrated internet technology and process services. Syntel's common stock is traded on the NasdaqGS under the ticker symbol "SYNT."

8. Defendant Bharat Desai ("Desai") is Co-Chairman of the Board of Syntel. Desai was a co-founder of Syntel.

9. Defendant Prashant Ranade ("Ranade") is Co-Chairman of the Board of Syntel.

10. Defendant Paritosh Choksi ("Choksi") is a director of Syntel.
11. Defendant Thomas Doeke ("Doeke") is a director of Syntel.
12. Defendant Rakesh Khanna ("Khanna") is Chief Executive Officer ("CEO"),

President, and a director of Syntel.

13. Defendant Rajesh Mashruwala ("Mashruwala") is a director of Syntel.
14. Defendant Dr. Vinod K. Sahney ("Sahney") is a director of Syntel.
15. Defendant Rex E. Schlaybaugh, Jr. ("Schlaybaugh") is a director of Syntel.
16. Defendant Neerja Sethi ("Sethi") is a director of Syntel. Sethi was a co-founder of Syntel.

17. The defendants identified in paragraphs 8 through 16 are collectively referred to herein as the "Individual Defendants."

18. By virtue of their positions as directors and/or officers of Syntel, the Individual Defendants are in a fiduciary relationship with plaintiff and the other public stockholders of Syntel.

19. Each of the Individual Defendants at all relevant times had the power to control and direct Syntel to engage in the misconduct alleged herein. The Individual Defendants' fiduciary obligations required them to act in the best interest of plaintiff and all Syntel stockholders.

20. Each of the Individual Defendants owes fiduciary duties of loyalty, good faith, due care, and full and fair disclosure to plaintiff and the other members of the Class. The Individual Defendants are acting in concert with one another in violating their fiduciary duties as alleged herein, and, specifically, in connection with the Proposed Transaction.

21. Plaintiff alleges herein that the Individual Defendants, separately and together, in

connection with the Proposed Transaction, violated, and are continuing to violate, the fiduciary duties they owe to plaintiff and the Company's other public stockholders, due to the fact that they have engaged in all or part of the unlawful acts, plans, schemes, or transactions complained of herein.

JURISDICTION AND VENUE

22. Jurisdiction and venue are proper in this Court because the defendants are domiciled in and/or conduct business within this State.

CLASS ACTION ALLEGATIONS

23. Plaintiff brings this action as a class action, pursuant to Rule 3.501 of the Michigan Rules of Civil Procedure, on behalf of himself and the other public stockholders of Syntel (the "Class"). Excluded from the Class are defendants herein and any person, firm, trust, corporation, or other entity related to or affiliated with any defendant.

24. This action is properly maintainable as a class action.

25. The Class is so numerous that joinder of all members is impracticable. As of July 20, 2018, there were approximately 82,968,320 shares of Syntel common stock outstanding, held by hundreds, if not thousands, of individuals and entities scattered throughout the country.

26. Questions of law and fact are common to the Class, including, among others: (i) whether defendants have breached their fiduciary duties owed to plaintiff and the Class and/or aided and abetted such breaches; and (ii) whether defendants will irreparably harm plaintiff and the other members of the Class if defendants' conduct complained of herein continues.

27. Plaintiff is committed to prosecuting this action and has retained competent counsel experienced in litigation of this nature. Plaintiff's claims are typical of the claims of the other members of the Class and plaintiff has the same interests as the other members of the

Class. Accordingly, plaintiff is an adequate representative of the Class and will fairly and adequately protect the interests of the Class.

28. The prosecution of separate actions by individual members of the Class would create the risk of inconsistent or varying adjudications that would establish incompatible standards of conduct for defendants, or adjudications that would, as a practical matter, be dispositive of the interests of individual members of the Class who are not parties to the adjudications or would substantially impair or impede those non-party Class members' ability to protect their interests.

29. Defendants have acted, or refused to act, on grounds generally applicable to the Class as a whole, and are causing injury to the entire Class. Therefore, final injunctive relief on behalf of the Class is appropriate.

SUBSTANTIVE ALLEGATIONS

Background of the Company and Proposed Transaction

30. Syntel incorporated under Michigan law on April 15, 1980. It is a global provider of digital transformation, information technology ("IT"), and knowledge process outsourcing services to Global 2000 companies. The Company's reportable business segments are as follows: Banking and Financial Services; Healthcare and Life Sciences; Insurance; Manufacturing; Retail, Logistics and Telecom.

31. In each of the Company's business segments, Syntel helps customers adapt to market change by providing a broad array of technology-based, industry-specific solutions. These solutions leverage the Company's strong understanding of the underlying trends and market forces in our chosen industry segments. These solutions are complemented by strong capabilities in Digital Modernization, Social, Mobile, Analytics and Cloud technologies, Business Intelligence, Knowledge Process Outsourcing, application services, testing, Enterprise

Resource Planning, IT Infrastructure Management Services, and business and technology consulting.

32. On July 20, 2018, the Board caused Syntel to enter into the Merger Agreement with Atos. Pursuant to the Merger Agreement, if the Proposed Transaction is approved by Syntel's shareholders and completed, Merger Sub will be merged with and into the Company, with the Company continuing as the surviving corporation and an indirect wholly owned subsidiary of Parent.

33. Upon completion of the Proposed Transaction, each outstanding share of Syntel common stock will be converted into the right to receive \$41.00 in cash.

34. According to the press release announcing the Proposed Transaction:

Syntel, Inc. (Nasdaq:SYNT), a leading global provider of integrated information technology and knowledge process services, today announced that it has entered into a definitive merger agreement with Atos S.E. under which Atos will acquire all outstanding shares of Syntel for \$41.00 per share in an all-cash transaction valued at approximately \$3.57 billion, including Syntel's net debt. The transaction was unanimously approved by the full Board of Directors of Syntel based on the unanimous recommendation of a Special Committee of the Board. . . .

Completion of this transaction is subject to regulatory approvals, approval of Syntel's shareholders and other customary closing conditions. Completion of this transaction is not subject to any financing condition. In connection with the merger agreement, Syntel's founders and certain of their affiliated entities, who collectively own approximately 51.07% of the outstanding Syntel shares, entered into an agreement with Atos to vote their shares in favor of the merger agreement, subject to their right to terminate their obligations in the event the Syntel Board changes its recommendation to shareholders or if the definitive agreement is terminated. The parties expect to close the transaction during the second half of 2018.

Goldman Sachs & Co. LLC is acting as exclusive financial advisor to Syntel and Sullivan & Cromwell LLP is acting as its legal counsel. Jones Day is legal counsel to Syntel's founders. Rothschild & Cie, J.P. Morgan Securities PLC and BNP Paribas Corporate Finance are acting as financial advisors to Atos and Weil, Gotshal and Manges LLP is acting as its legal counsel.

The Preclusive Deal Protection Devices

35. To the detriment of the Company's stockholders, the terms of the Merger Agreement substantially favor Atos and are calculated to unreasonably dissuade potential suitors from making competing offers.

36. For example, the Individual Defendants have all but ensured that another entity will not emerge with a competing proposal by agreeing to a "No Solicitation" provision in Section 7.2(a) of the Merger Agreement that prohibits the Individual Defendants from soliciting alternative proposals and severely constrains their ability to communicate and negotiate with potential buyers who wish to submit or have submitted unsolicited alternative proposals.

37. Further, pursuant to Section 7.2(c) of the Merger Agreement, the Company must advise Atos, within twenty-four hours, of any proposals or inquiries received from other parties, including, *inter alia*, the material terms and conditions of the proposal and the identity of the party making the proposal.

38. Moreover, the Merger Agreement contains a highly restrictive "fiduciary out" provision permitting the Board to withdraw its approval of the Proposed Transaction under extremely limited circumstances, and grants Atos a "matching right" with respect to any "Superior Proposal" made to the Company.

39. Further locking up control of the Company in favor of Atos is Section 9.5(b) of the Merger Agreement, which contains a provision for a "Termination Fee" of \$111,500,000, payable by the Company to Atos if the Individual Defendants cause the Company to terminate the Merger Agreement pursuant to the lawful exercise of their fiduciary duties.

40. Also in connection with the execution of the Merger Agreement, on July 20, 2018, Individual Defendants Desai and Sethi, as well as certain of their affiliates, who collectively own approximately 51% of the Company's outstanding common stock, entered into

a voting agreement with Parent. The voting agreement requires Desai, Sethi, and their affiliates that are parties to the voting agreement to, among other things, vote their shares of common stock in favor of the Proposed Transaction and against alternative transactions.

41. By agreeing to all of the deal protection devices, the Individual Defendants have locked up the Proposed Transaction and have precluded other bidders from making successful competing offers for the Company.

The Proxy Statement Omits Material Information

42. Defendants filed the Proxy Statement with the SEC in connection with the Proposed Transaction. As set forth below, the Proxy Statement omits material information with respect to the Proposed Transaction.

43. The Proxy Statement omits material information regarding the Company's financial projections and the valuation analyses performed by the Company's financial advisor in connection with the Proposed Transaction, Goldman Sachs & Co. LLC ("Goldman Sachs").

44. The disclosure of projected financial information is material because it provides stockholders with a basis to project the future financial performance of a company, and allows stockholders to better understand the financial analyses performed by the company's financial advisor in support of its fairness opinion. Moreover, when a banker's endorsement of the fairness of a transaction is touted to shareholders, the valuation methods used to arrive at that opinion as well as the key inputs and range of ultimate values generated by those analyses must also be fairly disclosed.

45. Defendants failed to disclose certain financial projections of Syntel, despite the fact that Goldman Sachs was provided with, and relied upon, those projections to perform its valuation analyses to support its "fairness opinion." In particular, according to the Proxy

Statement, in performing its Illustrative Discounted Cash Flow Analysis, Goldman Sachs relied upon “estimates of unlevered free cash flow for the Company for the second half of 2018 through fiscal year-end 2023, **as reflected in the Management Projections,**” but defendants failed to disclose those critical projections to stockholders in the Proxy Statement. This information is material to Syntel stockholders, who are faced with a decision of whether to approve the Proposed Transaction and receive cash for their shares, or reject the Proposed Transaction and remain stockholders in the standalone Syntel. Moreover, stockholders are being misled into believing that the projections that were disclosed in the Proxy Statement were the projections used by Goldman Sachs in its Illustrative Discounted Cash Flow Analysis. That is incorrect. Accordingly, without this information, stockholders are being misled into believing that the merger consideration is fair.

46. Additionally, the Proxy Statement discloses projections of non-GAAP (generally accepted accounting principles) EBITDA of Syntel, but it fails to provide stockholders with the necessary line item projections for the metrics used to calculate Syntel’s non-GAAP EBITDA or otherwise reconcile the non-GAAP EBITDA projections to the most comparable GAAP measures.

47. To avoid misleading stockholders with non-GAAP financial measures in business combinations such as the Proposed Transaction, publicly traded companies must provide a reconciliation of the differences between the non-GAAP financial measures with the most comparable financial measures calculated and presented in accordance with GAAP. Indeed, defendants acknowledge in the Proxy Statement that: “These non-GAAP financial measures should not be viewed as a substitute for GAAP financial measures and may be different from non-GAAP financial measures used by other companies. Furthermore, there are limitations

inherent in non-GAAP financial measures because they exclude items, including charges and credits, that are required to be included in a GAAP presentation.” As such, Syntel’s stockholders are entitled to the line item projections used to calculate the Company’s non-GAAP EBITDA projections or a reconciliation of the non-GAAP EBITDA projections to the most comparable GAAP measures.

48. With respect to Goldman Sachs’ Discounted Cash Flow Analysis, the Proxy Statement fails to disclose: (i) Syntel’s projected unlevered free cash flows for years 2018 through 2023, as well as the line item projections underlying the unlevered free cash flows; and (ii) the specific numerical inputs and assumptions underlying the discount rates range of 8.0% to 9.5% selected by Goldman Sachs. The failure to disclose this information causes the Proxy Statement to be misleading in that it makes the merger consideration appear fair. The omission of this information is material and causes the Proxy Statement to be misleading because stockholders are being asked to rely on Goldman Sachs’ analysis without being provided with sufficient information regarding the key inputs used in the analysis. Without this information, Syntel’s stockholders cannot assess the reliability of the analysis for themselves. This information is particularly important here because stockholders are being asked to accept the cash merger consideration in exchange for their interest in the Company’s future prospects.

49. With respect to Goldman Sachs’ Selected Companies Analysis, the Proxy Statement fails to disclose the individual multiples and financial metrics for each of the companies observed by Goldman Sachs in its analysis. As it is currently disclosed, Goldman Sachs’ Selected Companies Analysis is materially incomplete and misleading. Specifically, the analysis lumps eight companies into a group called “Global IT Services” and five companies into a group called “India-Based IT Services,” but defendants only disclosed the average NTM EV/

EBITDA and NTM P/E multiples of each group, rather than the individual multiples of each company observed by Goldman Sachs. Without this material information, stockholders cannot make an informed decision about whether the companies selected by Goldman Sachs truly are comparable to the Company.

50. Further, the omission of this information is material and misleading because Goldman Sachs did not perform a typical comparable company analysis by selecting a range of trading multiples based on the selected companies, and then applying the selected trading multiples to the target's relevant financial statistics to generate implied values of the target company. Instead, Goldman Sachs merely compared the average financial data of the selected "peer" company groups to Syntel's data, thus defeating the purpose of the analysis. The failure to disclose the individual multiples and financial metrics of the selected companies therefore was a material omission and renders the Proxy Statement materially misleading by wrongly implying that Goldman Sachs' analysis supports the fairness of the merger consideration.

51. The Proxy Statement omits material information regarding potential conflicts of interest of the Company's executive officers. Specifically, the Proxy Statement indicates that, after the consummation of the merger, Atos will implement a retention program whereby the Company CEO, Khanna, and "a small number of key employees" will receive payments for continuing to be employed by the combined company following the consummation of the Proposed Transaction.

52. Defendants, however, failed to disclose the substance and timing of any conversations or overtures regarding the post-merger retention bonus program, as well as the identity of the "key employees" to be retained. The disclosure of this information is necessary to correct the misleading Proxy Statement. Stockholders are entitled to this information, because

promises of future employment and its resulting economic benefits could cause Company employees to agree to a lower merger consideration, or steer the Company towards their favored bidder and against other interested parties to the detriment of the Company's stockholders. This information is necessary for stockholders to understand potential conflicts of interest of the Board, as that information provides illumination concerning motivations that would prevent fiduciaries from acting solely in the best interests of the Company's stockholders. Accordingly, without this material information, the Proxy Statement is false and misleading.

53. The above-referenced omitted information, if disclosed, would significantly alter the total mix of information available to the Company's stockholders.

COUNT I

(Breach of Fiduciary Duties against the Individual Defendants)

54. Plaintiff repeats and realleges the preceding allegations as if fully set forth herein.

55. As members of the Company's Board, the Individual Defendants have fiduciary obligations to: (a) undertake an appropriate evaluation of Syntel's net worth as a merger/acquisition candidate; (b) take all appropriate steps to enhance Syntel's value and attractiveness as a merger/acquisition candidate; (c) act independently to protect the interests of the Company's public stockholders; (d) adequately ensure that no conflicts of interest exist between the Individual Defendants' own interests and their fiduciary obligations, and, if such conflicts exist, to ensure that all conflicts are resolved in the best interests of Syntel's public stockholders; (e) actively evaluate the Proposed Transaction and engage in a meaningful auction with third parties in an attempt to obtain the best value on any sale of Syntel; and (f) disclose all material information to the Company's stockholders.

56. The Individual Defendants have breached their fiduciary duties to plaintiff and the

Class.

57. As alleged herein, the Individual Defendants have initiated a process to sell Syntel that undervalues the Company. In addition, by agreeing to the Proposed Transaction, the Individual Defendants have capped the price of Syntel at a price that does not adequately reflect the Company's true value. The Individual Defendants also failed to sufficiently inform themselves of Syntel's value, or disregarded the true value of the Company. Furthermore, any alternate acquiror will be faced with engaging in discussions with a management team and Board that are committed to the Proposed Transaction.

58. As such, unless the Individual Defendants' conduct is enjoined by the Court, they will continue to breach their fiduciary duties to plaintiff and the other members of the Class.

59. Plaintiff and the members of the Class have no adequate remedy at law.

COUNT II

(Breach of Fiduciary Duty of Disclosure Against the Individual Defendants)

60. Plaintiff repeats and realleges the preceding allegations as if fully set forth herein.

61. The Individual Defendants have caused materially misleading and incomplete information to be disseminated to the Company's public stockholders. The Individual Defendants have an obligation to be complete and accurate in their disclosures.

62. The Proxy Statement fails to disclose material information, including financial information and information necessary to prevent the statements contained therein from being misleading.

63. The misleading omissions and disclosures by defendants concerning information and analyses presented to and considered by the Board and its advisors affirm the inadequacy of disclosures to the Company's stockholders. Because of defendants' failure to provide full and

fair disclosure, plaintiff and the Class will be stripped of their ability to make an informed decision with respect to the Proposed Transaction, and thus are damaged thereby.

64. Plaintiff and the members of the Class have no adequate remedy at law.

COUNT III

(Aiding and Abetting the Board's Breaches of Fiduciary Duties Against Syntel)

65. Plaintiff repeats and realleges the preceding allegations as if fully set forth herein.

66. Defendant Syntel knowingly assisted the Individual Defendants' breaches of fiduciary duties in connection with the Proposed Transaction, which, without such aid, would not have occurred.

67. As a result of this conduct, plaintiff and the other members of the Class have been and will be damaged in that they have been and will be prevented from obtaining fair consideration for their Syntel shares.

68. Plaintiff and the members of the Class have no adequate remedy at law.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment and relief as follows:

A. Ordering that this action may be maintained as a class action and certifying plaintiff as the Class representative and plaintiff's counsel as Class counsel;

B. Preliminarily and permanently enjoining defendants and all persons acting in concert with them from proceeding with, consummating, or closing the Proposed Transaction;

C. In the event defendants consummate the Proposed Transaction, rescinding it and setting it aside or awarding rescissory damages to plaintiff and the Class;

D. Directing defendants to account to plaintiff and the Class for their damages sustained because of the wrongs complained of herein;

E. Awarding plaintiff the costs of this action, including reasonable allowance for plaintiff's attorneys' and experts' fees; and

F. Granting such other and further relief as this Court may deem just and proper.

JURY DEMAND

Plaintiff respectfully requests a trial by jury on all issues so triable.

Dated: August 15, 2018

ANTHONY L. DELUCA, PLC

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