
Adani Group News Tracker –Jan 24th - Feb 28th 2023**Narrative Summary**

Toward the end of January 2023 press surrounding the Adani Group and a research group and short seller, New York based Hindenburg Research began to be picked up across various news outlets. The Financial Times began covering this story in depth. Hindenburg produced a report into the Adani group which they published on the 24th of January. The report alleges opaque accounting, fraud through the use of offshore shell companies, concealing ownership, profits and losses, stock price inflation and unsustainable levels of debt at Adani; calling into question the value of the business as a whole. Adani responded robustly on the 29th of January with a 413-page document refuting the claims made by Hindenburg. Hindenburg released a further statement in response to the Adani statement claiming that the specific accusations made in their report remained unaddressed by Adani. Adani proceeded with a planned share sale worth approximately \$2.4bn in the aftermath of the Hindenburg report. The sale initially went through and was fully subscribed. However, it required support from notable Indian businesspeople and the Abu Dhabi Investment Authority to do so. Retail and other non-professional investors did not purchase the entirety of the shares allotted to them. Following continuing volatility in the share price at Adani, the group announced on the 1st of February that it would be cancelling the \$2.4bn equity fundraising and would be refunding purchasers of the shares. Adani remains under increasing scrutiny over its business practices and the market capitalisation of the group and the wealth of Gautam Adani himself have both fallen significantly. On Tuesday the 2nd of February Lord Jo Johnson, brother to the former Prime Minister Boris Johnson resigned from his position as Director at Elara Capital. It was alleged in the Hindenburg report that 'Elara, a major investor in Adani's listed businesses, used Mauritius-based funds to hide the ultimate ownership of Adani shares. Opposition parties in India have used the Adani Group and its ties to the government to attack Prime Minister Narendra Modi, protests have been organised as the Congress party demands an inquiry into Adani. As time passed from the initial release of the Hindenburg report Adani's businesses continued to lose value, one month on, \$145bn had been lost in value. Additional scrutiny was also applied to the links between Gautam Adani and Prime Minister Narendra Modi.

Overview of the Story and Rough Timeline

- On January the 24th financial research group Hindenburg Research¹ published a report into the Adani Group on their website titled 'Adani Group: How The World's 3rd Richest Man Is Pulling The Largest Con In Corporate History'.²
- The report made a series of allegations including "stock price manipulation and accounting fraud over the course of decades".³ Examples of this fraud include the usage of offshore entities, Mauritius based shell companies owned by Gautam Adani's brother, Vinod Adani, for the purpose of hiding stock ownership, share price manipulation and money laundering.⁴

¹ <https://hindenburgresearch.com/>

² <https://hindenburgresearch.com/adani/>

³ <https://www.ft.com/content/4aedaaf9-9ee8-4334-945c-12ac08429d6a>

⁴ <https://www.ft.com/content/aa626668-5b7f-4697-9ef0-ba9b2b5155>

- Hindenburg allege that the shell companies were used “to “launder” money into the listed company balance sheets, which help maintain the appearance of financial health and solvency.”⁵
- The report further questioned the high valuation of Adani’s business citing the debt levels held within the group.⁶
- The report was published days before a major share sale worth \$2.4bn planned by Adani was due to take place.⁷
- At the time of writing (31/01/2023) one third of Adani’s market capitalisation had been lost following the publishing of the report.
- On the basis of the claims made in their report Hindenburg announced that it was betting against the Adani Group, taking short positions on investments.⁸
- In response to the report, Adani Group released a statement on the 29th of January calling the allegations made in the Hindenburg report a “Calculated attack” on India, its institutions and growth story, saying the allegations are “nothing but a lie”.^{9 10 11} Adani also threatened legal action against Hindenburg, something the research firm said they would welcome.
- A useful breakdown on the specific claims made in the report and the response from Adani Group can be found on the FT.¹²
- The share sale took place as planned and the sale was fully subscribed despite the allegations against Adani.¹³ It was also suggested that Gautam Adani approach Indian tycoons to purchase shares in the business.¹⁴ The Abu Dhabi Investment Authority was also instrumental in ensuring the shares were sold. The shares reserved for retail and non-professional investors were not fully subscribed. It is thought just 10% of such shares were sold.
- The business practices at Adani continue to come under scrutiny. Specifically, the “extreme leverage” of group debt ratio and the impact of costs servicing this debt will have on

⁵ <https://www.theguardian.com/business/2023/feb/02/adani-group-abandons-share-offer-as-crisis-triggered-by-claims-escalates>

⁶ <https://edition.cnn.com/2023/01/31/investing/india-adani-hindenburg-report-explainer-intl-hnk/index.html>

⁷ <https://www.ft.com/content/c1d6c606-966a-47a1-8cd2-f72492abc81a>

⁸ Ibid.

⁹ <https://timesofindia.indiatimes.com/business/india-business/adani-groups-loss-swells-to-65-billion-hindenburg-responds-to-charges/articleshow/97452448.cms?from=mdr>

¹⁰ <https://www.theguardian.com/business/2023/jan/30/adani-claims-us-investment-firm-hindenburg-research-allegations-attack-on-india>

¹¹ <https://www.adani.com/-/media/Project/Adani/Invetsors/Adani-Response-to-Hindenburg-January-29-2023.pdf?la=en>

¹² <https://www.ft.com/content/aa626668-5b7f-4697-9ef0-ba9b2bfff5155>

¹³ <https://www.bbc.co.uk/news/world-asia-india-64462345>

¹⁴ <https://www.ft.com/content/c1d6c606-966a-47a1-8cd2-f72492abc81a>

business growth, and the suggestion that growth has been built on the foundation of excessive debt.¹⁵

- On the 29th of January Hindenburg responded to Adani Groups statement on the initial report. They asserted that the Adani Group had not dealt with any of the substantive claims in their report and reiterated their claims of fraud.¹⁶
- Following continued turbulence in the share price at Adani, the group suspended their \$2.4bn equity fundraising and will issue refunds to purchases of shares. In a statement Gautam Adani said that as the Group felt that due to the fluctuation of the share price "Going ahead with the issue will not be morally correct."¹⁷
- It was announced on the 1st of February that Norway's largest pension company KLP had divested from Adani Green Energy in response to the allegations made by Hindenburg. Due to the close links alleged between the constituent businesses in the Group, there were concerns that funds invested in 'green' areas such as Adani Green Energy could be funding parts of the business including coal mines.¹⁸
- On Thursday the 2nd of February several Indian opposition MP's made requests that the Parliament allot time to discuss the claims made by Hindenburg on Adani.¹⁹
- A summary of events was published by BBC News.²⁰
- On the 2nd of February, Lord Jo Johnson, brother to the former Prime Minister Boris Johnson resigned from his position as Director at Elara Capital. It was alleged in the Hindenburg report that 'Elara, a major investor in Adani's listed businesses, used Mauritius-based funds to hide the ultimate ownership of Adani shares.'²¹
- Total Energies, a large investor in Adani claimed that it 'carried out due diligence "consistent with best practices" when investing' in the group. The defence of their investment in Adani as ties between Adani and Prime Minister Narendra Modi were scrutinised. Opposition parties continue to attack the government for its ties to Adani. The Congress party has demanded an inquiry.²²
- Opposition parties in India organised protest against Adani and their ties to the Modi government. It was reported by the BBC that debt levels across the group are not spread equally with Adani Ports and Adani Power being backed by government contracts in a

¹⁵ <https://www.ft.com/content/ba4f4249-c445-4369-a8fb-e7b0b0c13055>

¹⁶ <https://hindenburgresearch.com/adani-response/>

¹⁷ <https://www.thetimes.co.uk/article/market-rout-forces-adani-to-end-2-5bn-fundraising-gpmvz3gbs>

¹⁸ <https://www.ft.com/content/0d18140e-2ed4-490c-b586-0e84e208b33b>

¹⁹ <https://www.ft.com/content/bce10585-b77e-4b0a-ba0a-f5f1d63580b3>

²⁰ <https://www.bbc.co.uk/news/world-asia-india-64494466>

²¹ <https://www.ft.com/content/5c2c187e-f6dd-4db5-a107-127e11486ce0>

²² <https://www.ft.com/content/2dd6c205-79c4-47be-844c-fb8ba617bec4>

stronger position. Newer businesses including Adani Green, however, have large amounts of debt.²³

- On the 7th of February Adani Green Energy announced that its profits had increased more than two-fold in the third quarter as the energy it provided to customers increased. 'Consolidated profit of Adani Green rose to 1.03 billion rupees (\$12.45 million) in the October-December quarter, from 490 million rupees a year ago.'²⁴
- After initially defending its investment in Adani Group, French oil and gas group Total announced it would be pausing its investment into Adani saying, 'it was waiting for more clarity on the Indian conglomerate's situation before proceeding'.²⁵
- Rating Agency Moodys cut its outlook on Adani Green Energy and three other group companies from "stable" to "negative", although it left their ratings unchanged. It added that the change in outlook on Adani Green Energy "considers the company's large capital spending program and dependence on sponsor support ... which will likely be less certain in the current environment."²⁶
- In a move to address investor concerns in Adani on the 14th of February it was reported that Gautam Adani was considering appointing a financial controller to provide oversight to the various trusts and other privately held companies within the family. The Hindenburg report had criticised the opaque nature of the ownership at Adani's companies.²⁷
- On the 15th of February it was confirmed that the Indian market regulator The Securities and Exchange Board of India (SEBI) would be investigating the allegations made within the Hindenburg report and market activity surrounding the report's release.²⁸
- A deal was agreed between Sri Lanka's Board of Investment and Adani Green Energy Ltd to provide two wind power plants to the country. The deal was worth a reported \$442m.²⁹

²³ <https://www.bbc.co.uk/news/world-asia-india-64495573>

²⁴ <https://www.reuters.com/business/energy/indias-adani-green-q3-profit-more-than-doubles-robust-power-demand-2023-02-07/>

²⁵ <https://www.ft.com/content/10c093db-27bd-4fa4-857f-b624d98c359e>

²⁶ <https://www.ft.com/content/17b18ec1-e320-4844-87f4-bbe6dedc1ce9#post-94f7f8f6-2228-401e-ab01-2aa1ddac4c94>

²⁷ <https://www.ft.com/content/cd8f69ff-6e8d-4bb1-a07b-e2af0dbbe857>

²⁸ <https://www.bbc.co.uk/news/business-64633419>

²⁹ <https://www.reuters.com/business/energy/sri-lanka-investment-board-approves-442-mln-adani-green-wind-power-plants-2023-02-22/>

- Prime Minister Narendra Modi's involvement with overseas deals made by Adani Group came under fresh scrutiny following the release of the Hindenburg report. Specific attention was paid to the construction and operation of a port in Sri Lanka. The Congress party continue to raise the issue in Parliament.³⁰
- Almost one month on the release of the Hindenburg report it was reported that Gautam Adani's businesses had lost value of \$145bn.³¹
- On the 28th of February it was reported by Forbes that Gautam Adani's older brother Vinod Adani, who officially holds no position within the Adani Group was involved in several deals with Total Energies according to Indian fillings.³²
- Al Jazeera reported that the Modi government had made amendments to regulations that ensured Adani Enterprises Limited to mine coal that had been subject to a controversy surrounding allocation. Other coal deposits subject to this controversy were either removed from mining or reallocated.³³

³⁰ <https://www.ft.com/content/38ff5ff6-aebe-46ae-bb97-c8071818b55d>

³¹ <https://www.ft.com/content/e06b1797-7ac6-49f5-b4c8-cdf47652f65d>

³² <https://www.forbes.com/sites/giacomotognini/2023/02/28/exclusive-new-investigation-reveals-gautam-adanis-older-brother-vinod-adani-as-key-player-in-adani-groups-biggest-deals/>

³³ <https://www.aljazeera.com/economy/2023/3/1/modi-govt-allowed-adani-coal-deals-it-knew-were-inappropriate>