



CLIMATE ENERGY FINANCE

## There are some useful lessons for the Adani saga from the collapse of Wirecard in Germany

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In light of the [Hindenburg allegations](#) against the Adani conglomerate, comparisons could be made and lessons learnt from other globally significant corporate collapses such as China's [Evergrande](#), [Enron](#) in the US and [Wirecard](#) in Germany.

Evergrande, Enron and Wirecard all highlighted systemically important failures by regulators, politicians, auditors and financial markets to detect and/or act on allegations of fraud and/or excessive financial and operating leverage.

One key point we would make from the start with regard to the Adani crisis is that despite Gautam Adani wrapping himself in the Indian flag, the Hindenburg report is not an attack on India, the world's largest democracy, and the fastest growing large economy in the world. The allegations are directed toward the conglomerate controlled by the world's third richest man. The report is an open invitation from Hindenburg for the Adani family to challenge the accusations in the courts, albeit in the US, where the Adani family raised almost half their debt capital over the last four years. Global firms choosing to raise capital on Wall Street are required to play by the rules of the US regulator, the Securities and Exchange Commission (SEC), including the right to short sell.

Adani claims to be a high-integrity Environmental, Social and Governance (ESG) focussed firm that accepts and acts on the climate science. Corporate spin is commonplace globally, but the Adani group greenwash pushes credulity. For example, most of its corporate group structure charts fail to even mention coal, despite the group being the largest private coal developer in the world.

There are some particularly salient lessons to be learned from the exposure of massive fraud at German listed payment company Wirecard, and its spectacular financial collapse.

Wirecard imploded in 2020 after it was found to be engaging in market manipulation, accounting fraud, and overstatement of profits by over-invoicing using a web of sham entities in Dubai, the Philippines and Singapore. This arrangement meant that cash amounting to a quarter of its balance sheet never existed. It had created phantom revenues and cash, with managers siphoning money out of the listed entity absent normal checks and balances. Like [Adani](#), Wirecard [harassed and targeted journalists](#) that spoke out against the

firm, consistently attacking those who raised suspicions of wrongdoing or scrutinised its finances, even setting the regulators on them.

When eventually found out, Wirecard filed for insolvency owing US\$3bn. The former Wirecard CEO Markus Braun and two colleagues have been in custody since their arrest in 2020, facing charges including [fraud and market manipulation](#) and a jail term of up to 15 years. Braun says he was clueless and blames others. Another suspect, Wirecard's Austrian former chief operating officer Jan Marsalek, is an international fugitive on Europe's most wanted list.

The scandal exposed major shortcomings from the auditors, regulators, politicians and banks who failed to catch Germany's biggest case of corporate fraud in decades.

The [Financial Times](#) had aired a series of articles on Wirecard detailing the accounting fraud in 2019, building on allegations raised as early as 2016. It took Wirecard's auditors EY till June 2020 to find the fraud, and to identify that there was no sign of \$2bn in cash supposedly sitting in the bank.

The auditors were found to have been entirely lacking, as Hindenburg alleges is the case for Adani. But unlike the Adani family's use of some tiny audit firms of dubious standing, experience and limited resources – a curious situation in itself – Wirecard was audited by EY, one of the big four accounting firms. The result is [job losses for hundreds of staff](#) at EY Germany, and there was even a rumour that a partner or two might have had their bonuses trimmed a bit. EY is reported to be considering a [separation of its audit and advisory business](#) in recognition of the massive conflicts of interest involved.

The German financial regulator BaFin's failure to act on the evidence damaged Germany's reputation as a financial centre. Following Wirecard's demise, the head of BaFin resigned, as did the head of Germany's accounting watchdog.

Wirecard fooled the German regulators and the stockmarket, and had politicians fawning over them in support. Hindenburg claims Adani has form on all of these accounts as well.

There are some very clear parallels between the accusations against Adani and Germany's Wirecard fraud including with regard to lack of action by regulators. Despite undertaking investigations into the Group back in 2021, financial regulator the Securities and Exchange Board of India (SEBI) has been unable to provide any insights on the Adani stock market manipulation allegations to date. The close family and business relationships between SEBI and the Adani family, when considered alongside SEBI's lack of credible action in the public domain, give support to the Hindenburg allegations.

Further, the ongoing [financial](#) support of Government of India institutions for Adani is clear.

While Hindenburg's allegations are entirely unproven at this stage and need to be substantiated or disproven under the rule of law by bodies with credibility and independence – not just via the media and selective analysis of opaque financial structures – the family company's assertions of innocence are unlikely to be sufficient.

A key difference is that the accusations against Adani family group are far, far more globally significant given the scale and strategic importance of the Adani's operations, as the world's

largest developer of new fossil projects and the owner of multiple major ports and airports in India, and in light of the Adani's family's close ties with the Indian government.

At its peak, Wirecard had a market capitalisation of US\$25bn. So it is fair to say that at eight times this, the Adani case would represent the largest corporate con in world history, if Hindenburg's research is proven true.

We await with interest examinations by the Indian and US regulators of the Hindenburg allegations.