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## Gautam Adani's ties with Modi spur scrutiny of overseas deals

Opposition attacks foreign investment they say was enabled by India's prime minister

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John Reed and Benjamin Parkin in New Delhi  
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When the Adani Group broke ground on a new container terminal at Colombo port late last year, it was a win not just for the Indian conglomerate but for the government in New Delhi that hoped to extend influence in Sri Lanka.

Prime minister Narendra Modi's administration had long been keen to offset China's sway on the nearby island. While Sri Lanka rejected an earlier proposal amid protests about a key asset falling into foreign hands, Adani ultimately secured the majority stake in a \$700mn deal to build and operate the terminal. Sri Lanka said at the time the project was "approved" by the Indian government, something New Delhi denied.

The Adani group, whose owner Gautam Adani has longstanding ties with Modi, has in recent years clinched deals everywhere from Myanmar to Israel as part of an ambitious overseas expansion. The tycoon said last year his group had "laid the foundation to seek a broader expansion beyond India's boundaries".

The Adani Group's overseas forays face intense scrutiny following allegations last month by US short seller Hindenburg Research that it has for decades used fraud and market manipulation to fuel its rise. The conglomerate denies the allegations unequivocally.

Modi's supporters deny the prime minister is intervening on Adani's behalf even as they acknowledge that the broader efforts to promote companies such as Adani overseas can pay off strategically. But Indian opposition politicians and critics overseas see it differently.

Rahul Gandhi, leader of India's main opposition Congress party, this month argued that Modi's government was using its diplomatic corps to advance Adani's interests over India's. "This is not India's foreign policy. This is Adani Ji's foreign policy," Gandhi said, using a common honorific to refer to Adani. "This is a policy to build his businesses."

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Adani Group ultimately secured the majority stake in a \$700mn deal to build and operate the port in Colombo, Sri Lanka © Jonathan Wijayaratne/Bloomberg

"India's ministry of external affairs has been turned into Adani Group's international expansion department by Prime Minister Modi," said Praveen Chakravarty, a senior Congress party office bearer.

A government spokesperson declined to comment on the claim. Amit Shah, the home affairs minister and a powerful Modi ally, said last week that "there is nothing to hide or be afraid of" in Congress's allegations that the ruling Bharatiya Janata party has favoured Adani.

While many of these overseas deals are in the early stages and not a meaningful contributor to Adani profits, they have been a source of prestige for the group. Adani said it has been "successfully doing overseas projects for over 15 years independent of political parties in power", citing deals in Indonesia in 2008 and Australia in 2010.

Under Modi, who came to office in 2014, India ramped up promotion of overseas infrastructure projects. But with India's state lacking China's financial clout, New Delhi has often used diplomatic sway and cheap financing to help private Indian companies, including Adani, in addition to state-owned ones.

Analysts say such co-ordination between state and corporations is not uncommon. "Helping Indian infrastructure companies abroad is part of a broader approach to deal-making in international geopolitics," said Rohit Chandra, an assistant professor at the IIT Delhi School of Public Policy.

But he added that "there's a fine line between bilateral infrastructure development and predatory infrastructure contracting".

Shortly after Modi was elected, Adani joined the prime minister on a trip to Australia in November 2014 for a G20 summit. During the visit he announced a \$1bn loan from the

government-run State Bank of India to support the development of Adani's Carmichael coal mine in Queensland, which has attracted fierce criticism from environmentalists.

During Modi's visit to Bangladesh the following year to see his counterpart Sheikh Hasina, Adani Power signed a deal under which the Bangladesh Power Development Board would receive power from a coal-based plant in India worth about \$2bn. Last month a consortium led by Adani's port division paid \$1.2bn for the Haifa port in Israel, another country with which New Delhi has sought to deepen ties.

Well before Hindenburg's report, these forays have attracted criticism.

Former Sri Lankan electricity board head MMC Ferdinando provoked outrage after telling the country's parliament in June that Modi put "pressure" on the island's then-president, Gotabaya Rajapaksa, to give Adani a renewable energy project.

Rajapaksa denied the allegations, and within days Ferdinando had retracted the statement and resigned, saying he spoke under "unexpected pressure and emotions".

Adani said it "denies these baseless allegations" about its Sri Lankan projects. "All large infrastructure projects in the countries in which we operate are governed by robust, transparent, and accountable mechanisms," it said.

Officials in Bangladesh also now want to revisit its power deal with Adani. The project, which is due to launch this year, imports power from the 1,600 megawatt Godda power plant in India's eastern Jharkhand state, generated by burning coal expected to be brought by sea from Adani's Australian Carmichael mine.

Bangladesh's power board wrote to Adani "requesting us to consider a discount on the energy charge", Adani Power said this month. Analysts warn India's neighbour already faces overcapacity in its coal-power sector. Adani wanted Bangladesh to pay \$400 a tonne while Bangladesh was seeking around \$250, according to media reports.

"This deal was not made to meet our demand for power in Bangladesh," said Anu Muhammad, a Bangladeshi professor of economics and civil society activist. "It was designed to satisfy Adani and Modi."

The Bangladeshi deal "is one of the most expensive power purchase agreements I have ever seen", said Tim Buckley, director of Climate Energy Finance in Sydney, an Adani critic who has been following the group's coal businesses in Australia and Bangladesh for years. He said shipping coal from Australia to Godda was "strategically ridiculous" for Bangladesh.

Adani said this was a baseless allegation, adding that the deal will supply much-needed, reliable power "at a very competitive rate" compared to existing projects in Bangladesh.

Even as Sri Lanka and Adani persevere with the conglomerate's investments on the island, some critics continue to call for a rethink.

Prasanna Kalutarage, a trade unionist, also said that Sri Lanka came out worse in a deal that favoured India and Adani. "The entire [deal] with Adani is a big loss to the Sri Lanka Ports Authority," he added.