



CLIMATE ENERGY FINANCE

Further reflections on Adani and the Hindenburg Report

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On 24 January, disclosing it had taken a short position in the Adani family's various listed debt and equity exposures on Wall Street, US based research firm Hindenburg dropped a bombshell on Adani Group, the sprawling conglomerate of multimillionaire Gautam Adani. It alleged the company had pulled "the largest corporate con in history".

Climate Energy Finance (CEF) has keenly followed the Adani Group for more than a decade. Its growth has been truly spectacular – unprecedented both in India and globally, outside of Elon Musk's Tesla. What is truly out of the ordinary is the manner in which the Adani Group exercises dominance over so many sectors and segments of the Indian economy. It is the largest commercial port operator in India, with a dozen ports along the west and east coast of India. It is one of the largest private sector airport operators, and the second-largest operator of coal mines after Coal India Ltd, and it has mines in Indonesia and in Australia, including the controversial Carmichael mine in central Queensland.

It is the single biggest importer of coal to India, the second-largest generator of electricity after NTPC, the largest private grid transmission and distribution grid operator in India. It is one of the largest private developers of new fossil fuel projects in the world, and owns coal-fired power stations, coal-to-plastics facilities, LNG import facilities, and methane gas reticulation infrastructure.

This meteoric rise of the Group is now under a cloud. As we have noted in our previous [analyses](#), [Hindenburg's 100 page report](#), the product of two years of research, alleged longstanding "brazen accounting fraud, stock manipulation and money laundering," also pointing to the family conglomerate's substantial burden of debt, both in ten Bombay Stock Exchange-listed subsidiaries, but also across its network of hundreds of tax haven and private family entities. Adani's 400 page refutation called Hindenburg's claims baseless, and the intervention a "calculated securities fraud under applicable law". The Adani family wrapped itself in the Indian flag, claiming this was "an attack on India, the independence, integrity and quality of Indian institutions and the growth story and ambition of India," as it threatened legal action.

Firstly, it is important to note these are still accusations by Hindenburg: they are not proven. But equally, the allegations are not going to go away. For its part, Hindenburg is very comfortable with its legal position. They have effectively issued an open invitation to Adani to sue if they want to experience discovery. That challenge from Wall Street gives credibility to the substance of the report.

Further, the accusations are consolidated, well documented, and suggest a global conspiracy over decades. Effectively, fraud was allegedly conducted by an extensive network experienced and adept at manipulating stock markets and avoiding the financial laws of India – a far bigger list than CEF was previously aware of.

If true, the Hindenburg report shows how the Adani masterminds out-manipulated the three largest financial institutions in the world for the last decade, using thin capitalisation, money laundering, tax evasion, corruption, fraudulent disclosures, related party transactions and offshore trusts in foreign tax havens to outsmart investors and regulators, leveraging the zero oversight and fiduciary duty of dumb passive index-hugging investors BlackRock, Vanguard and State Street, which, in their index funds, don't even pretend to do any due diligence or review on behalf of the US\$20 trillion they collectively 'manage' (or more accurately *don't* manage as they fee-harvest from naïve retail investors). This puts huge onus on the global giant index construction firms like MSCI, who in turn claim their clients don't give them the resources to do due diligence.

Now, highly significantly, until the alleged wrongdoing is proven or disproven, the global financial markets are effectively closed with immediate effect to any new debt or equity capital raising by Adani. We saw this week that even [TotalEnergies of France](#) has put on hold their future investments in Adani subsidiaries until further notice.

On Wall Street, self-interest ensures the drawbridge is up too. Any financial investor buying stock or debt would now be doing so in overt knowledge of the accusations, and the industry reasonably wishes to avoid the risk of aiding an alleged fraudster. If the allegations are subsequently proven and money is lost, jobs would follow.

Not so in India, where Adani is appealing to nationalism to continue to rely on public institutions like [State Bank of India](#), the Power Finance Corporation of India and the Rural Electrification Corp of India (all state controlled financial institutions) for a lifeline.

Financial markets are essentially amoral, and there are always players who are willing to park ethical concerns at the door if they can see a potential competitive advantage or reward. Adani Group's portfolio includes key strategic assets of national importance to India. There are plenty of sharks circulating, and as this crisis plays out it will be interesting to see who steps in offering financial aid to the Group, exploiting its current financial plight to gain a strategic share of these key assets in the fastest growing large economy in the world.

There are also new accusations suggesting the Adani Group had actively benefited by having the Indian Directorate of Revenue Intelligence investigate certain firms, even raiding their offices. Subsequently, Adani moved in to acquire these companies on the cheap. Pure coincidence, or an abuse of power by the Government of India working concert with the private interests of the Adani family? Prior to 24 January this year, these sorts of allegations were too far-fetched to be considered plausible. Now, the seeds of credibility have been planted.

Notably, a key tactic of operators like Wirecard – [which perpetrated one of the largest corporate frauds in Europe](#) – was to intimidate journalists who spoke out, leveraging the huge political, legal and financial power of the firm to mount strategic litigation and secure gag orders so as to crush scrutiny. This corresponds to the tactics Adani has directed at [Ben Pennings](#) in Australia and [Paranjoy Guha Thakurta](#) in India.

Hindenburg now gives a degree of protection and licence to journalists, analysts, NGOs and think tanks to apply the disinfectant of sunlight to Adani as never before.

Since the report dropped, all bets are off, and we watch developments with interest.