



**CLIMATE ENERGY FINANCE**

## **ADANI: ARE WE WITNESSING A CORPORATE HINDENBURG?**

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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 Guatam Adani, one of the world's richest men. Climate Energy Finance (CEF) has keenly followed Adani for a decade, given it is one of the largest private developers of new fossil fuel projects in the world, with interests in existing and new coal mines – including the Carmichael coal mine in QLD's Galilee Basin – coal-fired power stations, coal-to-plastics facilities, LNG import facilities, methane gas reticulation infrastructure, at least ten strategically important Indian ports and 6 airports, and other businesses across India.

[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 (BSE)-listed subsidiaries, but also across its network of hundreds of tax haven and private family entities, with the additional financial leverage of stock-lending facilities on the promoter group's (i.e. Adani insiders') listed shareholdings. (There are also unproven suggestions of opaque securitisation of working capital by [GLAS UK](#), another source of financial leverage lacking transparency. Notably, another Indian-UK-Australian billionaire, Sanjeev Gupta, was caught up with the now defunct Greensill Capital in 2021, a group providing allegedly [fraudulent securitisation of receivables](#).)

Adani's 400 page refutation called Hindenburg's claims baseless, and the short seller's intervention a “calculated securities fraud under applicable law”. The Adani family also 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 rattled the sabre, threatening legal action.

Since then, and despite Adani's emphatic rebuttal, the behemoth has been bleeding red in stock and debt markets globally. A brutal sell off of Adani Group shares has seen it shed more than US\$100 billion in collective market capitalisation, and Adani's personal wealth plummet. A US\$2.4bn share offer, the

largest follow-on public offering in India's history, planned before the hit and designed to fuel even more expansion, was 92% subscribed – including by a number of the very entities central to the alleged market rigging scam laid out in the Hindenburg report. Adani subsequently abandoned the capital raising as the share price halved last week, escalating fears about its outlook.

The Hindenburg accusations are yet to be proven, but there is ample supporting public and regulatory documentation over the last two decades tracking the Adani Family's extensive relationships and networks offshore.

In our more than three decades of global financial market analysis, we have never seen an almost entirely domestic focussed conglomerate (98% of Adani's assets are in India) with such extensive foreign tax haven entities interspersed in a multitude of ways, well beyond what is remotely the norm in financing and tax structures. This gives credence to the Hindenburg allegations.

For example, there exists a network of shadowy private UK-Mauritius-Bermuda-India-UAE-based asset management firms like [Elara Capital](#), which [boasted UK cabinet minister Lord Johnson as a director](#) until his rushed resignation this week, with no disclosed association with the Adani promoters, but with an exceptionally concentrated shareholding focus – i.e. almost exclusively Adani Family companies. The [FT reports](#) the Adani group accounted for 99% of the US\$3bn Elara India Opportunities Fund, an almost globally unique concentration of asset management exposure.

While Elara is licensed to invest in India by the Securities & Exchange Board of India (SEBI), and has Mumbai staff, this is as a Foreign Portfolio Investor (FPI), meaning much less regulatory oversight than applies to Indian based financial institutions. This gives rise to Hindenburg's suggestion that offshore entities are central to the alleged stock ramping, insider trading and manipulation, and are structured as a mechanism to circumvent India's domestic financial market and promoter laws – laws on public transparency of promoter exposures, margin lending and related party transactions that are highly rigorous.

The [Australian Financial Review reported](#) in 2021 that four funds based in the tax haven of Mauritius have some 90% of their collective \$US6.9 billion under management in the Adani empire, making them the largest 'external' investors globally. These funds – Elara India Opportunities Fund, Cresta Fund, Albula Investment Fund and APMS Investment Fund – are reported to have previously held significant stakes in Winsome Diamonds and Jewellery, Sterling Biotech, Ruchi Soya Industries and Karuturi Global. Two of these companies' founders fled India and have since been probed for money laundering and round-tripping (allegations strikingly similar to those made by Hindenburg), another went bankrupt, and a fourth was liquidated after a fight with the Ethiopian government. None have ever been prosecuted, in line with the Hindenburg allegations of certain players being above the law.

Mahua Moitra, an Indian opposition parliamentarian and former investment banker, questioned the ultimate ownership of the funds in parliament in 2021, saying that, since Adani Group holds stakes in highly strategic Indian infrastructure like ports, airports and power plants, the information should be

public: “If it is Adani’s money, then minority shareholders are being screwed. If it is not, then which foreign actors have so much say in our strategic assets?” India’s junior finance minister Pankaj Chaudhary later confirmed SEBI was investigating, but nothing more was heard until the Hindenburg report crashed into the headlines.

CEF is not in a position to adjudicate Hindenburg's allegations, nor is the general public, but the concerns the group articulates are the basis for a renewal of calls by Indian parliamentarians on India's financial regulator SEBI to release the findings of its investigations from two years ago. We note that there have been similar investigations by the Indian government’s Directorate of Revenue Intelligence (DRI) into the Adani Group, which stem back a decade.

The appearance that a small group of billionaires is above the law is not unique to India, but the Hindenburg report’s speculation that the Adani Group structure is essentially a front for the world’s largest ever stock market manipulation – or “The Largest Con In Corporate History” as per the report’s title – stands unchallenged so far.

Given Adani’s continued protestations of innocence, it seem appropriate and in their own self-interest for the [Adani group to stop impeding](#) and instead encourage completion of the long-stalled DRI investigations into the [multi-billion dollar](#) over-invoicing scam allegedly involving [Vinod Adani in Mauritius](#) and others. We believe the offshore network must be examined rigorously and with integrity by the Indian regulators, including SEBI and the DRI, with all conflicted parties recused, and the results made public. Public disclosure would bring a very rapid resolution to the matter.

Until that happens, the vast number of detailed accusations against the Adani Family stand. And until the US financial regulator, the Securities and Exchange Commission (SEC), gets involved and likewise applies rigorous scrutiny to the conglomerate’s affairs, resolving Hindenburg’ litany of accusations one way or another, Wall St will likely remain in effect entirely closed to access for the Adani Group.

This presents major problems. The relatively low free operating cashflow of most of the Adani Group entities means it will be exceptionally hard for the Adani Family to procure sufficient finance in India and the Middle East to cover their existing needs, as well as the debt retirements, which are reported to be US\$2bn in calendar 2023 and US\$3bn in calendar 2024.

[France’s Total](#) will most likely also stand aside now it has been caught having failed to do due diligence on its US\$3bn in deals with the Adani Group. CEF would expect the group will need to put all but its most secure expansion projects on hold for the medium term. Self-preservation will be the top priority. It is likely the family will look to secure a strategic buyer for some of its crown jewels from, for example, the Middle East in order to inject some much needed liquidity, although the Indian Government might need to exercise greater scrutiny given national security issues pertaining to strategic India assets.

The Australian regulator ASIC has been asleep at the wheel over the issue of alleged corporate wrongdoing in the Adani Group for a decade, as they are for most corporate fraud issues in Australia. We

doubt ASIC will get involved in any material way. Since Queensland Premier Palaszczuk vetoed Federal Senator Matt Canavan's proposed [\\$1bn NAIF subsidised loan to the Adani Group](#) back in 2017, Australia has avoided a material exposure to this globally significant saga. The Adani Group has long been closed to any Australian financial institution of any substance, given the massive scale and success of the grassroots-driven [StopAdani movement](#) over the last decade, which effectively removed the company's social licence to operate and saw the original plans for Carmichael coal delayed nearly a decade and downgraded from 60Mtpa to the current annualised 6Mtpa.

The Adani family has had to entirely fund the Australian business itself via an extensive assortment of tax haven vehicles, and via Adani Enterprises, although there have been repeated efforts by the Adani family to draw on India's endemic crony capitalism to have taxpayers fund their private Australian businesses via the government controlled State Bank of India. Now it is nearly operational, the Carmichael export HALE (high ash, low energy) coal mine and coal port are profitable, beyond the servicing needs of its extensive intercompany debt profile.

There are potentially broader implications, however, for India and geopolitically, given the United States' courting of India as a counterweight to China within the Quad partnership, which also includes Japan and Australia. US tensions with China have escalated, and the relationship is volatile. The US government regulator's scrutiny of the Indian giant with strong, deep and personal links to the Modi government, and the intertwining of the fortunes of Gautam Adani and India, adds another dimension of complexity. Meanwhile, the reverberations continue and are intensifying: this past week saw the extraordinary [adjournment of parliament in India](#) over this vexatious issue.

One thing is certain. These are interesting times for the previously teflon-coated tycoon and his hydra-like empire. The world is watching.

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For more CEF commentary on Adani, see <https://climateenergyfinance.org/tag/india/>