

The New York Times

This Mogul Lost \$36 Billion in Days. Who Is He, and What Happened?

Gautam Adani is facing perhaps his biggest challenge yet as a small U.S. investment firm accuses his Indian conglomerate of fraud and stock manipulation.



By [Vivek Shankar](#)

Jan. 31, 2023 Updated 1:56 p.m. ET

Louis Vuitton. Tesla. Amazon. The businesses behind the richest people in the world need no introduction. But last year, a name that does not command the same global recognition joined this rarefied list.

The new entrant was the Adani Group, an Indian conglomerate that controls ports, coal mines, food businesses, airports and more. The group's [astronomical rise](#) had given Gautam Adani, its politically connected founder, a fortune of nearly \$120 billion, according to Bloomberg, putting him in the company of [Bernard Arnault](#), Elon Musk and Jeff Bezos.

Mr. Adani's time in that echelon did not last long. Even though he remains enormously wealthy, on paper Mr. Adani has lost more than a quarter of his wealth, or [more than \\$36 billion](#), in the last few days. And he is facing perhaps the biggest challenge of his career.

Last week, Hindenburg Research, a small investment firm in New York, [accused Mr. Adani's company](#) of "brazen accounting fraud, stock manipulation and money laundering." The Adani Group has rejected the claims from Hindenburg, which stands to profit if the conglomerate's shares fall.

On Tuesday Adani Enterprises, Mr. Adani's flagship company, raised [\\$2.5 billion](#) by selling new shares to investors, a move in the works before Hindenburg's report.

Since the report, the Adani Group has lost roughly [a fifth of its value](#), shedding tens of billions of dollars in market value in less than a week. And Mr. Adani's reach — he is still Asia's richest man and runs one of the biggest conglomerates in India — could portend a wider fallout for a country that has been a global economic bright spot.

Image



Adani has come to control a slice of India's infrastructure.

“He's a risk to the Indian financial system,” said Tim Buckley, an analyst in Sydney, Australia, who has followed Mr. Adani's business for more than a decade.

Here's what you need to know about the Adani Group, its founder and Hindenburg Research.

The Adani Group reached new heights in recent years.

Mr. Adani started a polymers import-export business in the 1980s and gradually expanded into infrastructure.

In the 1990s, he started building a port in Mundra, in his home state of Gujarat. He went on to add coal mines, power plants and airports to his portfolio. In the last decade, he secured one of his biggest international deals — the Carmichael project in Australia, one of the [largest open-pit coal mining operations](#) in the world.

The Rise and Troubles of India's Adani Group

The Indian conglomerate, which controls ports, coal mines and more, is facing fraud allegations that have caused it to lose billions of dollars in value.

- **Coal Baron or Climate Warrior?:** *Gautam Adani, the founder of the Adani Group, owes his wealth partly to coal. But he could become [a decisive force in India's green future](#).*
- **A Market Rout:** *The Adani Group found itself struggling after a New York investment [accused it of stock manipulation and fraud](#), causing the conglomerate to [lose a fifth of its value](#).*
- **Share Sale:** *Despite the turmoil, Adani Enterprises, Mr. Adani's flagship company, [has succeeded in raising \\$2.5 billion by selling new shares to investors](#), a move that had been in the works before the allegations, which thrust the process into doubt.*

Last year, the Adani Group bought a [cement business in India](#) from Holcim, a multinational construction company based in Switzerland. In another sign of the diversification of his business, Mr. Adani took control of NDTV, an independent news outlet.

The Adani conglomerate's success in some ways paralleled the growing Indian economy, which is now [the fifth largest](#) in the world. Mr. Adani, 68, has styled himself as an industrialist who is helping to address his country's lack of infrastructure.

Adani's privately owned port in Mundra, India.



Critics say Mr. Adani's political connections set him apart.

The Adani Group would not be where it is, its detractors say, without its founder's proximity to Prime Minister Narendra Modi, which has helped the company win lucrative contracts or, in some cases, have bidding rules [changed altogether](#).

Mr. Modi, like Mr. Adani, is from Gujarat, and when Mr. Modi became prime minister in 2014, he flew to New Delhi on an Adani plane. Mr. Adani's relationship with Mr. Modi has created a widespread perception in India that Mr. Adani can strike any deal he wants, creating an uneven playing field.

Mr. Adani has rejected claims of preferential treatment. The foundations of his business, he said in a recent interview, were laid in the 1980s, when the Indian government relaxed trade restrictions.

“My professional success is not because of any individual leader but because of the policy and institutional reforms initiated by several leaders and governments over a long period of more than three decades,” Mr. Adani [told the magazine India Today](#).

Mr. Adani faced controversy before Hindenburg’s allegations.

The billionaire has generally kept a low profile even as he has become one of the richest men in the world. He is a follower of the Jain religion, which emphasizes asceticism, and he and his family tightly control his conglomerate. (Hindenburg has criticized the ownership structure of his company.)

Months before Hindenburg made its allegations, [the dizzying rise](#) of an Adani subsidiary’s shares drew scrutiny. Much of the trading activity in the subsidiary, Adani Enterprises, was traced to holding companies based in tax havens, leading to speculation that the stock — which had helped propel Mr. Adani’s personal wealth — was being manipulated. Shares in Adani’s seven subsidiaries have soared more than 800 percent in the past three years, according to Hindenburg.

Previously, Mr. Adani’s company faced investigations into allegations of tax impropriety related to coal imports but was eventually cleared. Mr. Adani was also [linked to an Indian stock market manipulation scam](#) engineered by a Mumbai stockbroker, Ketan Parekh.

Image



Adani is a major importer and seller of coal, and also produces electricity with the fossil fuel.

As Mr. Adani’s business empire has grown, he has turned to foreign banks to fund his acquisitions and investments. That, said Mr. Buckley, the Australian analyst, could mean more scrutiny.

“The big issue is that Adani has spent the last four years in raising debt on Wall Street,” Mr. Buckley said. “If you raise money in America, you have to play by America’s rules.”

Hindenburg has a good track record.

Named after the famous doomed airship, Hindenburg is what is known as an activist short seller on Wall Street. The firm hunts for frauds and other irregularities in public markets, exposes the wrongdoing and makes money while doing so. It profits when its target, often a publicly traded company, sees a drop in its share price.

Activist short sellers have been criticized by some for betting against businesses. The shorts say they are helping police the market.

Hindenburg, which is only a few years old, has targeted about 30 companies and made its name by [taking down Nikola](#), the electric vehicle maker. According to Bloomberg News, stocks in those companies fell about 15 percent, on average, the day after Hindenburg issued its reports, and were down 26 percent six months later.

In the Adani Group, Hindenburg's founder, Nathan Anderson, has taken on a goliath. Hindenburg said it had researched Mr. Adani's businesses for two years before [publishing its report](#) on Jan. 24. The Adani Group has threatened to sue Hindenburg, which [responded by saying](#) it would welcome a suit in the United States, where it could demand Adani documents as part of legal discovery.

Among Hindenburg's allegations are that offshore shell companies run by Mr. Adani's older brother, Vinod Adani, helped the conglomerate manipulate its share prices. The shell companies are also used to launder money from private Adani companies to the publicly listed ones, Hindenburg said, "to maintain the appearance of financial health and solvency."

Highlighting what it called "obvious accounting irregularities and sketchy dealings," Hindenburg said the fact that the listed Adani companies did not have long-serving chief financial officers was a red flag. The short seller also called into question the quality of the independent auditor for two subsidiaries, Adani Enterprises and Adani Gas. Employees of the auditor were "essentially fresh out of school, hardly in a position to scrutinize and hold to account the financials of some of the largest companies in the country."

Hindenburg went on to say that even if its allegations were ignored, the Adani Group companies were so overvalued that their stocks could fall 85 percent. The group, Hindenburg added, is also overburdened by debt.

The Adani Group has called [Hindenburg's allegations](#) an attack on India and its "growth story and ambition." [Hindenburg has countered](#) by saying, "India's future is being *held back* by the Adani Group, which has draped itself in the Indian flag while systematically looting the nation."

The fight could have geopolitical implications, given the United States' courting of India as a counterweight to China, as part of a grouping called the Quad that also includes Japan and Australia, Mr. Buckley said. It is unclear how the conflict will be resolved, but one thing is certain, he said: "It is going to be very complicated."