



CLIMATE ENERGY FINANCE

## Superfunds with Adani exposures in spotlight as global fund manager throws lifeline to embattled giant

[Tim Buckley](#), Director [Climate Energy Finance](#), 7 March 2023

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On [2 March](#), the Adani family sold [US\\$1.9bn](#) of its shares in Adani Ports, Adani Green, Adani Transmission and Adani Enterprises (3% of the family's total shareholding by value) to [ASX-listed](#) global fund manager GQG, which has assets under management (AuM) of US\$92bn. This gives the Adani family a big liquidity infusion at the time when their listed debt exposures are trading at [6-30% discounts to face value](#).

This injection comes against the backdrop of the explosive [Hindenburg Research accusations](#) in January that Adani Group has perpetrated the "largest con in corporate history" involving brazen accounting fraud, stock manipulation and money laundering – allegations that still stand effectively unchallenged.

In Australia, a number of large superannuation asset owners, including AustralianSuper, Cbus Super and REST Super have [exposures to Adani](#), and to the destruction of shareholder value that the Hindenburg report triggered. It is reported that GQG's founder will [meet with Australian clients and investors this week](#) to explain its investment decision.

It will be especially interesting to see how these funds respond to the Adani saga. Their clients' monies are now, if the allegations are proven, effectively bankrolling a multi-decade Ponzi scheme. The fact that Adani group is the [largest private developer of new coal](#) mines and coal power plants in the world, and is expanding its fossil fuel related exposures with new coal-to-plastics plants, six LNG import terminals, and oil bunkers and gas reticulation systems throughout India, further complicates the ESG dimensions of their Adani entanglements.

There is potentially more trouble ahead for the conglomerate. This month, [India's Supreme Court](#) set up an eminent [six-member panel](#) to investigate the stock manipulation and financial fraud allegations, including the exposure of and risk to public money through public-sector undertakings. The committee has been asked to report back to the Supreme Court in two months, but in a sealed cover.

A three-judge bench headed by the Chief Justice hearing a number of pleas filed by lawyers and politicians earlier [refused to accept a sealed cover](#) list names of experts for the committee suggested by the national government, correctly asserting it needed to "maintain full transparency" and not merely be an outsourced government-constituted committee.

Further, the [Supreme Court made it clear](#) that the establishment of an expert panel does not divest the Securities Exchange Board of India ([SEBI](#)) of its duties as financial regulator to investigate, and it, too, is looking into the issue. Opposition political leaders have demanded a [joint parliamentary probe](#) as well, but this has not progressed.

Since the Hindenburg bombshell investor backlash on the Adani Group is building:

- On 30 January 2023 Norway's largest asset manager [KLP](#) (AuM US\$75bn) divested its Adani Green holdings given the family was using their stock as collateral for financing of the Carmichael coal mine in Queensland, Australia.
- On 3 February 2023 [S&P Dow Jones](#) announced it would remove Adani Enterprises from its global sustainability indices.
- [Bloomberg](#) calculated there were over 500 funds registered in the EU under Article 8 promoting ESG goals that held Adani stocks, most directly, but some indirectly through their passive index fund exposures, highlighting the lack of oversight of passive exposures and overreliance on index providers whilst not resourcing them. This is at the centre of allegations that the Adani Group has outplayed index investors for decades.
- [JPMorgan Chase & Co.](#) has wiped its EU Article 8 regulated ESG portfolios clean of their exposure to the Adani Group.
- 9 February 2023 saw [Sustainalytics](#) downgrade the ESG scores of several Adani Group companies relating to its assessment of "business ethics controversy".
- 9 February 2023 saw [MSCI](#) – with a reported US\$14 trillion of funds linked to its indexes – announce a review of its free-float assumptions for the Adani Group listed subsidiaries in its various index weightings. Bloomberg estimated a MSCI India Index value of US\$4.6bn in Adani listed stocks at the time, a collective index weighting of 4.3%. A [deweighting of 4 Adani stocks](#) was confirmed on 27 February 2023.
- 12 February 2023 saw [Moody's Investors Service](#) cut its outlook ratings for Adani Green, Adani Transmission and Adani Electricity Mumbai to negative from stable. For Adani Green, Moody's said, "The negative outlook also factors in the company's significant refinancing needs of around \$2.7 billion in fiscal year ending March 2025 and limited headroom in its credit metrics to manage any material increase in funding costs".
- On 18 February 2023 [FTSE Russell indices](#) announced it was reviewing its weightings for Adani effective 20 March 2023.

[TotalEnergies of France](#) is the largest foreign investor in the Adani Group, with [US\\$3.1bn of exposures](#) as at 31 December 2022, in what the firms had called a strategic alliance. Total's exposure is via: a 50% stake in Adani Total Private, which owns a [5Mtpa LNG import terminal at Dhamra](#), India; a 37.4% stake in Adani Total Gas Ltd acquired in 2019; a [19.8% in Adani Green Energy Limited \(AGEL\)](#) acquired in January 2021; as well as a Rs4,013 crore (US\$485m yielding 12.25-13.25% pa) [debt exposure](#) secured against 50% of a 2.35GW solar portfolio owned by AGEL.

In June 2022, TotalEnergies entered into a Memorandum of Understanding (MoU) with Adani Enterprises Limited (AEL) to acquire a 25% interest in an AEL subsidiary [Adani New Industries Limited \(ANIL\)](#), which proposed to undertake the commercialisation of green hydrogen in India. Once the Hindenburg accusations surfaced, Total put this [non-binding MoU on hold](#).

Now, the Adani Group will likely conserve cash and start paying down its debt. It is focussed on refinancing loans, both early and in preparation as they fall due, and paying down margin loans given the collapsing collateral of listed Adani Group shares.

At the start of February 2023 the family was forced by a margin loan call to repay a US\$1.1bn of loans [reportedly](#) from Barclays, Citigroup, JPMorgan, Deutsche Bank and SMBC Group, secured against the family shareholdings.

On 15 February 2023 Adani Power [canceled a proposed acquisition of DB Power, a 1.2GW coal power plant](#) in Chhattisgarh, for Rs70bn (US\$847m). The deal was approved by India's competition regulator in September 2022, and was [reported](#) to have an end-of-October deadline for completion, which the companies then extended four times before the proposal expired unfulfilled.

Adani Group CFO Jugeshinder Singh has [confirmed](#), "We will not make new commitments till we settle this volatility period."

Notwithstanding the GQG intervention, refinancing in western capital markets is now largely closed until further notice, and until the allegations review is complete and publicised. Even Adani's previous open access to [public sector banks](#) – the State Bank of India ([SBI](#)), Power Finance Corporation ([PFC](#)), EXIM, [REC](#), [Bank of Baroda](#) et al – will now face heightened scrutiny in response to the claims of [crony capitalism](#).

Whilst the Hindenburg accusations stand unresolved, there have been concerns this debacle could negatively impact India's energy transition, given the company's commitments to green energy. Climate Energy Finance suggests it might have the opposite effect. The Adani Group's investments in [new fossil fuel projects](#) across the country far outweighed its green energy ambitions, and vested interests tend to drive government policies to align their position.

As such, it is quite feasible that the massive hit to Adani's profile hit will actually provide the conditions for enhanced ambition and progress from Indian decarbonisation leaders like Tata Power, NTPC, Renew Power, Greenko and Reliance Industries, enabling the country to leverage its proven policy framework and access to global capital for investment in accelerating much-needed progress on renewables generation and related grid infrastructure capacity.

Adani's turmoil, in other words, could be India's [silver lining](#). In the meantime, investors with exposures the world over are reviewing their positions.

View CEF's previous Adani analyses [here](#).

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