



## **A Case of Adani Group Target by Hindenburg Research and its Impact on Shareholders**

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DOI: <https://doi.org/10.55248/gengpi.4.1223.123513>

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### **ABSTRACT:**

The case opens for a discussion on the allegation raised by the Hindenburg report just before the largest FPO supposed to land in the Indian stock market. This has raised many questions regarding the financial integrity and transparency that led to quick reactions by various stakeholders, including large stakeholders such as LIC and SBI stocks, followed by a group of Adani stocks. This report has raised many questions on the various regulatory and financial reports of the group of companies and has affected the image of Indian companies in the global world in the area of corporate governance.

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### **1. Introduction:**

About Aani Group:

Adani Group of Companies, an Indian multinational conglomerate. These industries include port management, electric power generation and transmission, renewable energy, mining, airport operations, natural gas, food processing, and infrastructure. Gautam Adani founded the company in 1988 as an commodity trading company. Adani Group's revenue comes from coal-related companies to an extent of more than 60%.

After Reliance Industries, Adani was the largest Indian company at its height. After claims of fraud and market manipulation by the short-seller firm Hindenburg Research, it lost more than US\$ 104 billion in value. Due to allegations of stock manipulation, accounting issues, cronyism, tax fraud, environmental damage, and suing journalists, the Adani Group has also sparked more

In 1988, Adani Exports Limited began a commodity trading business before diversifying into the import and export of numerous commodities. The business started in collaboration with Adani Enterprises, formerly known as Adani Exports, with a capital investment of five lakhs. To serve as a platform for commercial operations, Adani Group built its own port in Mundra in 1990. In 1995, work on this topic began in Mundra. It surpassed all other net foreign exchange earners for India, Inc. in 1998. The business began trading coal in 1999, and in 2000, it formed a joint venture called the Adani controversy. Wilmar to refine edible oils.

In 2014, Adani Power became India's largest independent power generator. The overall installed capacity of Adani Power was 9,280 MW. Adani Ports purchased Dhamra Port on India's east coast for 5,500 crore (about 75 billion rupees or \$940 million in 2020) on May 16 of the same year. Previously owned by Adani Ports, Dhamra Port was a 50/50 joint venture between Tata Steel and the L&T Infrastructure Development Projects. The port opened for business in May 2011 & handled 14.3 Mt of cargo in 2013–14. The Group intends to boost its capacity to more than 200 Mt by 2020, with the acquisition of the Dhamra Port.

Adani Green Energy paid US\$3.5 billion in May 2021 to acquire SB Energy, a partnership between SoftBank Group and Bharti Enterprises.

Ambuja cement and ACC were purchased by the Adani Group for \$10.5 billion in May 2022. The Adani Group will become India's second-largest cement producer.

Three Adani Group companies—Adani Green Energy, Adani Transmission, and Adani Enterprises—received a \$2 billion investment from the UAE-based conglomerate International Holding Company (IHC), led by Syed BasarShueb. For US\$12.5 billion in June 2022. TotalEnergies purchased a 25% stake in Adani New Industries, a recently established green hydrogen subsidiary of Adani Enterprises.

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### **2. ADANI LISTED COMPANIES:**

1. Adani enterprises limited

2. Adani green energy limited
3. Adani transmission limited
4. Adani total gas limited
5. Adani power limited
6. Adani ports and SEZ limited
7. Adani wilmar limited

Key issue

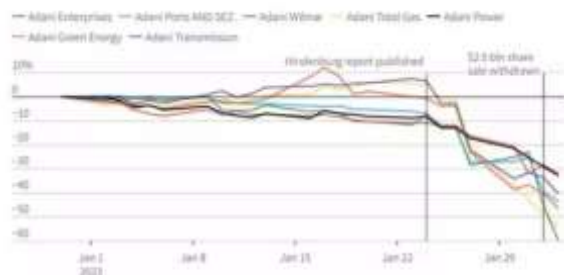
### 3. Hindenburg Research:

Hindenburg Research is an investment research firm that has gained attention for publishing critical reports on various companies. They are known for their investigative approach, often focusing on alleged fraud, corporate governance issues, or other concerns within the companies they target. Hindenburg Research's reports have, at times, led to significant market reactions and regulatory investigations. Hindenburg research describes itself as an "activist short seller" and a forensic financial research company on its website. It examines irregularities in accounting, bad actors in management, undisclosed transactions, and unethical and illegal business practices.

On January 24–23, 2023, the Hindenburg Report claimed that the Adani Group had engaged in Brazilian stock manipulation and accounting fraud schemes, improper use of offshore tax havens, and flagged concerns regarding the Group's High Debt—claims that the conglomerate has denied.

#### Adani stocks drop after Hindenburg report

% change in stock prices from close of Dec. 30, 2022



Note: Graphic does not include stocks of recently acquired Kva Amrita, ACC and NDTL  
Source: Bloomberg Datastream/Reuters, Feb. 26, 2023 | By Chris Thomas and Williane Tanont

#### How Adani Groups stocks crashed

The graph shows share price of Adani Companies when report was released to that of today's closing market price. Shares have been falling for 6 days now.

Adani Group Companies	Jan 24	Feb 2	Change
Adani Enterprises	3442.75	1564.70	-54.52%
Adani Ports	760.85	462.00	-39.00%
Adani Power	274.80	202.15	-26.4%
Adani Transmission	2756.15	1557.25	-43.49%
Adani Green Energy	1913.55	1038.05	-45.75%
Adani Total Gas	3885.45	1711.50	-56.00%
Adani Wilmar	573.15	421.45	-26.4%

### 4. Evidence to the exposure

The Hindenburg Research expose

On January 26, Hindenburg Research's report called out the conglomerate's "substantial debt," which includes pledging shares for loans; that Adani's elder brother Vinod "manages a vast labyrinth of offshore shell entities" that move billions into group companies without requiring disclosure, and that its auditor "hardly seems capable of complex audit work."

In a statement, Hindenburg Research said, 'In the 36 hours since we released the report, Adani has not addressed a single substantive issue we raised. In conclusion, we asked 88 straightforward questions that we believe gave the company the chance to be transparent. Thus far, Adani has answered none of these questions,'

It welcomed the Adani Group's decision to take legal action but stated that they file a suit in the United States where they operate. However, Adani failed to move forward with the legal proceedings.

On January 29, the Adani Group responded to the allegations and narrative peddled by Hindenburg Research with a 400-page response.

As the Adani Group tries to grapple with the Hindenburg Research report that accused them of financial fraud, mounting debts, and offshore tax havens, the former announced that it will go forward with the planned initial public offering (IPO) as scheduled.

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## 5. Impact on the wealth of the shareholders

Gautam Adani's net worth dropped by over USD 45 billion in less than 50 days

Within a span of less than 50 days, Gautam Adani's net worth dipped over USD 45 billion. His net worth slid from USD 134.2 billion on December 13, 2022, to USD 88.7 billion on January 30, 2023. The shares of several Adani group firms dipped by over 40 percent over the last five days. Even though the share of NDTV fell by over 13 percent in one week, after which Adani's share fell by 20% and then 11% below the minimum offer price of the secondary sale. Adani himself lost in excess of USD 20 billion, or about one-fifth of his total fortune. The group alleged that the report was not an attack on any specific company but a "calculated attack" on India, its growth story, and ambitions.

The It lost the Rs 3.37 lakh crore in aggregate market capitalization in a single day. Life Insurance Corporation (LIC), the single largest non-promoter domestic shareholder in five of the largest Adani Group companies by market capitalization, lost 16,627 crores due to a drop in the value of its Adani Group holdings.

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## 6. Adani group final decision

Adani Enterprises cancelled its Rs 20,000 crore follow-on public offer (FPO), which the company said in a regulatory filing late on Wednesday (February 1) evening. The company will refund the proceeds it had received as part of its FPO, which was bailed out largely by corporations and foreign investors.

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## 7. Question for Discussion

1. Who is Hindberg? Why did he report against the Adani Group?
2. All allegations against the Adani Group need to be investigated.
3. Should stakeholders worry about independent research reports and panic?
4. What should be the role of SEBI as a regulator in avoiding such incidents in the future to protect investor confidence?
5. How far would the Adani group would be ethically correct?
6. Hindenburg allegation I against the Adani group only, or targeting India's growth?