

India: Statement on Adani conglomerate accused of malfeasance

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On Friday Jan 27, the Adani group, led by Chairman Gautam Adani, lost \$51 billion in valuation. Mr. Adani personally incurred a loss to the tune of \$20 billion moving him from being the third richest to seventh richest in the world. Why did this happen?

The decline in the Adani group's valuation came hours in the wake of a report released on Friday Jan 27 by an investment research firm called Hindenburg Research with a focus on activist short selling. The Hindenburg report accused the Adani group of malfeasance including the use of offshore investment funds to inflate share prices and valuation. The report, while tracing the mechanisms of personal networks to inflate stock prices and asset valuations, alleges that off shore entities in tax havens in Mauritius and the Caribbean Islands and shell companies "surreptitiously" own stock in Adani's listed firms. The report details that five of seven key listed Adani companies have reported current ratios, a measure of liquid assets minus near-term liabilities, of below 1 which it said suggested "a heightened short-term liquidity risk". The report alleged that seven Adani listed companies because of their "sky-high valuations" can expect a very high percentage decline in their financial worth.

State owned banks have lent twice as much to the Adani group than have private banks with lending to the tune of 40% of Adani's total borrowing coming from the SBI. Crores worth of savings by millions of Indians are now subject to financial risk and volatility because of their exposure via LIC and SBI lending. Soon after the news of declining confidence in Adani's share prices and valuation trickled in, this spread to the financial markets. The shares of LIC and Indian banks plunged.

Any corruption case, not to mention one of the scale alleged of the Adani conglomerate, deserves investigation and due punishment for all those involved in putting enormous amounts of public money at risk. But the Adani story is also special for another reason.

The story of Gautam Adani's meteoric rise to the top 10 richest list is inextricably bound with the political fortunes of Prime Minister Narendra Modi. A college dropout, Mr. Adani started out as a diamond trader and then moved to Ahmedabad in 1981 to help start a commodity trading group. Today, the Adani group owns and has commercial interest in a wide variety of sectors including ports, coal mines, oil and gas exploration, gas distribution, transmission and distribution of electricity, civil construction and infrastructure, multi-modal logistics, international trade, education, real estate, edible oils, and food storage.

The meteoric rise of Adani can be directly traced to Narendra Modi's rise in prominence in Indian politics. In 2002, soon after the Gujarat riots in which the Prime Minister has been personally implicated, a group of business and firms affiliated with the Confederation of Indian Industries (CII) in Ahmedabad expressed grave concerns with the spread of communal violence in Gujarat. Mr. Modi then helped set up an alternative rival organisation of local businesses called the Resurgent Group of Gujarat (RGG) which was to be led by Mr. Adani. Mr. Adani pledged Rs. 15,000 crore the very

next year in 2003 in the first Vibrant Gujarat summit. Numerous instances of Mr. Modi relying personally on Mr. Adani's patronage raised eyebrows. The first time Mr. Modi flew out of Ahmedabad to be sworn in as the Prime Minister of the country, he did so in a private Adani plane. Routinely Mr. Modi has used Mr. Adani's private planes to travel for election rallies. In March 2013, when Mr. Modi was disinvited as a keynote speaker to Wharton Business School after immense pressure from students, academics and activist groups in the Indian diaspora, Mr. Adani withdrew his financial support from the event. In return for his loyalty, Mr. Adani's group had been given land in Gujarat at throw away prices. This includes the setting up of India's biggest private port in Mundra.

Up until 2014, the majority of Adani group's businesses were centred in Gujarat. After 2014, the Adani group underwent massive growth both across the country as well as internationally. What happened in 2014, one might ask. The answer is that Narendra Modi won a decisive victory and became the Prime Minister of the country. Recently the Adani group has also bought majority stake in NDTV, one of the major English news television channels in India which has sparked widespread speculation of an attempt to stifle even the mildest form of critical reporting on the affairs of the central government, and has triggered resignation of prominent journalists from NDTV. This private sector gag on free reporting doubles down on the already authoritarian nature of the BJP government to crackdown on dissident voices, as recently evidenced in the banning of a BBC documentary which was critical of Narendra Modi.

Just now the UAE Royal Family has come to Adani's rescue in the form of a USD 400 million investment by Abu Dhabi's International Holding Co. to restore confidence in the Adani conglomerate. It seems more than likely that amidst widespread market panic this investment would not have come about without some kind of involvement by the Indian government. In addition to this, the Adani group went ahead and acquired the Haifa port in Israel for \$1.2 billion. It is reported that the Israeli PM Benjamin Netanyahu has spoken to his "good friend" Narendra Modi to discuss the future prospects of investment in Israel at the time of this deal going forward.

The Congress party and the CPIM have both demanded a high level enquiry in the alleged financial irregularities of the Adani group. However, it would be remiss of us if we did not remind ourselves that Congress had been partial to the meteoric rise of Dhirubhai Ambani in the 1970s and 80s, and curiously the CPI(M) found itself alongside the BJP in the left ruled state of Kerala in marching against protestors opposing Adani's port. This speaks of moral failure and lack of steadfast support for anti-capitalist politics even from those who are officially pledged to fight the ravages of capitalism and its attendant cronyism.

The Radical Socialist demands:

(1) An impartial investigation by a panel of experts appointed by the Supreme Court to investigate the alleged financial malfeasance by actors in the Adani conglomerate, with no members being a part of the BJP currently or in the past. It should also be carefully investigated whether there has been any role of members of the government in aiding any financially fraudulent practices.

(2) An immediate stop of any public sector funds to the Adani enterprises.

(3) The Adani group should compensate any loss of public money, to Indian banks and LIC, which may have been incurred because of financial misconduct.

(4) Stop privatisation of the public sector; reverse the privatisation of previously public entities like LIC.

