

Allegations of Adani Group corruption shake India's financial markets, Modi government

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The stock valuation of the Adani Group, one of India's largest conglomerates, has been more than halved in the two weeks since a Wall Street investment firm published a scathing report charging its owners and management with corrupt practices.

The sudden reversal in the Adani Group's fortunes has shaken India's financial markets and the country's far-right, Narendra Modi-led Bharatiya Janata Party (BJP) government.

There are mounting fears the financial contagion will spread, as the Adani Group's shrinking market capitalization impacts the balance sheets of India's banks, which are already weighed down by a mountain of debt, and other major lenders and investors.

India's opposition parties, meanwhile, are pointing to the extent to which the Adani Group, and its chairman, Gautam Adani—who up until a few weeks ago was being touted as Asia's richest person—have benefited from extensive, often times obtrusive, BJP government support. Modi himself has a decades-long association with the rags-to-riches oligarch Gautam Adani, whose wealth has grown exponentially since the BJP came to power in New Delhi in May 2014.

On Jan. 24, Hindenburg Research published a report titled “Adani Group: How the world's 3rd richest man is pulling the largest con in corporate history.” It accused the Adani Group—which is comprised of 9 publicly listed entities, seven of them headed by Gautam Adani—of pervasive accounting fraud and brazen stock manipulation to puff up the Group's financial valuation. It has done so, the report alleges, by creating an “empire” of shell companies in Mauritius, Cyprus, UAE and other places, which have indulged in illegal “stock-parking,” “wash-trading” and money laundering.

India's corporate media have promoted the meteoric rise of Adani and his Adani Group as a quintessential example of “India's growth story.” In doing this, they have ended up saying more than they intended for Adani is indeed emblematic of the raft of newly minted Indian billionaires and multimillionaires that has arisen over the past three decades through the state-enabled looting of public assets, massive tax cuts and other concessions, and the brutal exploitation of the country's impoverished working class.

That the key to Adani's success has been his close ties to Modi and his government has long been an open secret. He has benefited from the privatization of huge swathes of publicly built infrastructure, including seaports, electricity generation and transmission, coal mines and airports. These assets were invariably sold off for way less than they were worth, and with much of the money for their purchase coming from unsecured loans extended to Adani by India's public sector banks.

Adani, who has frequently accompanied Modi on his foreign travels, has also benefited from high-level BJP government interventions,

some of them apparently delivered by Modi himself, to smooth the path for large foreign acquisitions.

Recently, Adani traded on India's burgeoning military-security partnership with Israel and Modi's close connections to Israeli Prime Minister Benjamin Netanyahu to acquire Israel's Haifa port. Earlier, the Adani Group acquired the rights to develop the vast, highly polluting Carmichael coal mine in Queensland, Australia.

The Adani Group's corrupt modus operandi sheds light on the crony capitalism that is the hallmark of the Modi government. It duplicates on the national stage the “Gujarat model” of economic development that Modi pioneered during his tenure as Gujarat chief minister from 2001 to 2014. The “Gujarat model” essentially consisted of making government policy and the state bureaucracy totally subservient to the profit interests of private corporations, with those industrialists and businessmen close to Modi being first in line to benefit from the fire-sale of government assets and other “pro-investor” policies. Meanwhile, worker protests were ruthlessly suppressed.

As Ashok Swain, a professor at Uppsala University observed to the *Asia Times*, Adani's spectacular personal enrichment is mind-boggling and clearly inextricably bound up with his ties to Modi and the BJP government. “Before Modi became the BJP's prime ministerial candidate in September 2013, Adani's worth was \$1.9 billion,” explained Swain, “In August 2022, while Covid pushed 230 million Indians into poverty, Adani's worth went up to \$137 billion. Why does anyone need Hindenburg Research to write a report?”

On January 29, with its stock already in freefall, the Adani Group issued a 413-page “reply” to the charges of corporate criminality outlined in the Hindenburg report. Unsurprisingly, it wrapped Gautam Adani in the national flag, saying that the charges made in the report were a “calculated attack on India.”

In its response, Hindenburg Research pointed out that only 30 of the 413 pages dealt in some fashion with the issues raised in its original report, and that the Adani Group had failed to provide any sort of answers to 62 of the 88 questions that report raised. It went on to say that “India's future is being held back by the Adani Group, which has draped itself in the Indian flag while systematically looting the nation.”

Initially the Modi government maintained a deathly silence on the Hindenburg Research report. But the rout of the Adani Group on Indian and US stock markets, prompted the finance minister to issue a statement pledging that regulatory authorities will do their jobs, and insisting that “the macroeconomic fundamentals of our economy and image, none of it is affected.”

This, however, failed to reassure international investors. Following the nosedive in the share prices of Adani Group companies, the giant

US bank Citigroup issued a statement saying it will no longer accept either Adani Group shares or bonds as collateral for new loans. Similar steps have been taken by the Swiss bank Credit Suisse and the British lender Standard Chartered.

As of Monday, February 6, the shares of Adani group companies had lost a combined total of around \$110 billion from their estimated valuation of \$218 billion when the Hindenburg Research report was released.

A further rout in Adani Group companies' share prices on Monday was only arrested because India's stock market and regulatory authorities stepped in to restrict the maximum slide in Adani stock prices to minus 5 percent for a subset of Adani companies and minus 10 percent for Adani Transmission. The share prices of all the companies concerned slid to these limits.

In recent days, Adani Group share prices have slightly rebounded. There is every reason to believe that this is due to fresh injections of funds from India's public sector banks and other predominantly state-owned corporations like the Life Insurance Corp. of India, already a large Adani Group investor.

Despite its public pose of calm, the government is clearly acutely concerned about both the economic and political fallout of the potential unraveling of the Adani Group.

The Modi government and India's corporate media are continually tub-thumping about India's "world-beating" economic growth. The reality is very different.

In the 2023-24 budget, tabled by Finance Minister Nirmala Sitharaman on February 1, the government announced a massive allocation of Rs. 13.7 trillion (\$167 billion) for capital expenditure for improving or building seaports, roads, bridges and other infrastructure all for the benefit of big business. While India's existing infrastructure is woefully inadequate, the principal reason for the massive hike in infrastructure spending was to kick-start the economy, under conditions where private investment has been falling for years. This is because India's companies are weighed down by debt and, when they can't benefit from government largesse in the manner of the Adani Group, prefer to engage in stock buybacks and other financial manipulations rather than invest.

In an action that points to the government's extreme sensitivity about any exposure of Modi's close ties to Adani, Lok Sabha Speaker Om Birla ordered large parts of a speech by Congress Party leader Rahul Gandhi raising questions about the government's relations with the Adani Group and Modi's pre-2014 relationship with Gautam Adani struck from the parliamentary record.

Modi has also hit back by dragging up numerous scandals that demonstrate that the Congress Party-led government that held office from 2004-14 was immersed in numerous corrupt dealings with various Indian business houses. What Modi of course could not and would not say is that this vast nexus of government-business corruption has greatly expanded under his rule; is rooted in the very DNA of Indian capitalism; and has grown exponentially since the Indian ruling class formally abandoned its state-led capitalist development strategy in 1991 in favor of full-scale integration with the imperialist-led world capitalist order.

Both Adani and Modi hail from the state of Gujarat. Their close association dates back to 2003, that is shortly after Modi came to national prominence because of his role, as Gujarat's Chief Minister, in instigating and overseeing the February 2002 Gujarat anti-Muslim pogrom. This mass killing by Hindu-terrorist gangs linked to the BJP and its allied organizations resulted in the gruesome deaths of at least

2,000 innocent persons, mostly Muslims. Hundreds of thousands of other impoverished Muslims were rendered homeless and forced to live in squalid refugee camps which exist even till now.

Subsequently at an event organized by the Confederation of Indian Industries (CII) in February 2003 in New Delhi, where Modi was the chief guest, two well-known industrialists, Rahul Bajaj and Jamshyd Godrej, aggressively grilled Modi onstage about the "law and order" situation in Gujarat.

This angered Adani and several Gujarat industrialists. They broke with the CII for having brought "disrepute to Gujarat" and then formed a body named the Resurgent Group of Gujarat to promote the state under Chief Minister Modi as an unmatched business-friendly state. They initiated a biennial business summit, "Vibrant Gujarat," which showcased Modi as an autocratic leader who would cater to the profit interests of corporations by brooking no opposition from the government bureaucracy, popular protests or worker agitations.

This event soon came to be a major draw for Indian and global investors, with the United Nations Industrial Development Organization, the Federation of Indian Chambers of Commerce and Industry (FICCI) and the CII, which had issued a groveling apology to Modi for what had happened at its 2003 event, all serving as sponsors.

By ruthlessly implementing pro-investor policies, Modi soon endeared himself to Indian industrialists such as Ratan Tata, scion of the Tata empire, who at an earlier time would have shunned a Hindu supremacist thug like Modi. Nevertheless, Adani continued to have a preferential relationship with Modi.

In 2014, Indian big business propelled the would-be Hindu supremacist strongman and his BJP to power so as to intensify the class war assault on India's workers and toilers and more aggressively assert their great-power ambitions on the world stage. Adani's ascent among India's billionaires would soon attain warp speed, making him briefly last year the world's second wealthiest person. Five days ago, *Forbes* listed him as 18th, with an estimated fortune of "merely" \$60 billion.



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