Indian Billionaire Adani Down Again, But Not Out

AFP- Indian billionaire Gautam Adani's feverish push to expand his global energy and infrastructure empire has been knocked by US bribery charges, but analysts believe the tycoon will bounce back.
The bombshell indictment in New York on Wednesday accusing Adani and his associates of paying more than $250 million in bribes to secure lucrative government contracts sparked a frenzied sale of stocks.

Within hours, India's opposition leader Rahul Gandhi demanded Adani's arrest and Kenyan President William Ruto scrapped airport and electricity deals worth about $2.5 billion.

The Adani Group dismissed the bribery charge as "baseless" but Shriram Subramanian, founder of corporate governance advisory firm, InGovern Research Services, said it has "huge" implications.

"They will defend themselves by appealing, or go for a settlement," Subramanian told AFP from Bengaluru.

"It is a big blow to their reputation and corporate governance practices," he added.

The meteoric rise of Adani, once the world's second-richest man, has been dogged with controversies – and allegations he benefited from his close ties to Hindu nationalist Prime Minister Narendra Modi.

The conglomerate weathered previous allegations of impropriety that wiped $150 billion from its market value in 2023, after a report by US short-seller Hindenburg Research accused it of "brazen" corporate fraud.

"Given Adani's clout, his resources, and his access, he has

the capacity to bounce back, (and) we saw that the last time around," Michael Kugelman, South Asia Institute Director at The Wilson Center told AFP.

Adani's empire spanning coal, airports, cement, and media has interests in countries ranging from Australia to Bangladesh, Bhutan, Israel, Sri Lanka, Tanzania and Nepal.

But Kugelman warned that this time the challenge is "unprecedented".

"If you're indicted by the US justice system, the seriousness and the scale is altogether different", Kugelman said.

"Hindenburg pales in comparison to what he is facing right now".

The bribery charges are a huge hurdle for key investors, and sparking grassroots demands for greater scrutiny of major projects.

In neighbouring Sri Lanka, activists opposing a $442 million wind power project by Adani Green Energy have demanded the deal be stalled.

"The tolerance for risk among the investors who stuck with him during Hindenburg would be much lower," Kugelman said.

Adani is India's largest private port operator, and operates key airports including in the financial capital Mumbai and Ahmedabad, the biggest city in Modi's home state of Gujarat.

The group is also involved in vast coal and renewable energy projects across the world's fifth-largest economy.

In October, Gautam's nephew and board member Sagar Adani – also named in the indictment – told AFP there was "no political connection" between Adani Group and Modi's government.

Hemindra Hazari, a Mumbai-based markets research analyst, said that the conglomerate, a relatively new player in key infrastructure sectors, was backed by large investors who would otherwise have been cautious because it "was considered to be close to the ruling dispensation".

"Most of them invested despite the group's limited managerial bandwidth and experience… precisely because… it was seen to be getting highly remunerative terms… which, in any normal market-based economy, would not have been possible," he told AFP.

A "significant component" of Adani debt was raised from foreign sources, including banks and institutional investors, he said, and "everything will slow down for them for now".

India's government is yet to comment.

Opposition leader Rahul Gandhi however was swift to demand Adani be arrested – but telling reporters he knew that would not happen, alleging that "Modi is protecting him".

Modi's Bharatiya Janata Party (BJP) hit back saying the alleged bribery was linked to Indian states led by opposition parties.

Subramanian believes it is just "a dent" to Adani's reputation and that they will "continue to seek out and win projects across India and rest of the world".

But Kugelman warned the "reputational blows", not only to the Adani Group but to India, were "severe".

As for the future, how the charges will influence incoming US president Donald Trump remains an "unknown", Kugelman said.

"I don't think it'd really affect the broader India-US relationship", he said.

But he noted that Trump may eye a wily businessman like Adani

“favourably”, or “leverage it for more favourable policies on tariffs”.

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