

CASE STUDY

ON

CREATING AWARENESS, RESEARCH AND ENGAGEMENT OF/ON BONDS

**ESG IS BECOMING CENTRAL TO CORPORATE PROCESSES SEEKING FINANCE, RAISING FUNDS; FINANCIERS ON THE OTHER HAND HAVE DUE DILIGENCE FRAMEWORKS THAT SUITS THEIR FUNDING REQUIREMENTS. BUT HOW FAR ESG DUE DILIGENCE & FINANCING IS ABLE TO SECURE BETTER ENVIRONMENT, HEALTH, LIVELIHOOD SECURITY AND WELL BEING OF COMMUNITIES!**

**A FEW GLIMPSES FROM THE INFORMATION IN PUBLIC DOMAIN**



Public Analysis of Investments and Sustainability Evaluation

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# Adani Enterprises Ltd (AEL)

## Section I - Introduction/ Background

Adani Enterprises was founded in 1988 and is the flagship of Indian conglomerate Adani Group. It began as a commodity trading business, primarily dealing in agricultural products and textiles. In the early 1990s, the company expanded into importing and exporting raw materials and finished goods. The company built India's first private port and later expanded into developing airports, roads and power plants. In the early 2000s, the Adani Group became a leading player in India's renewable energy sector, focusing on solar and wind power projects. The company also expanded its operations globally, investing in ports, mines, and power plants in countries such as Indonesia, Australia, and Africa. The company has a diversified business portfolio and operates through its various subsidiaries and divisions.

Furthermore, Adani Enterprises has expanded its operations into the defence sector. The company has been actively participating in defence and aerospace projects, including manufacturing and servicing aerospace equipment and systems.

### Timeline of Adani Group-

- 1993: Incorporated on 2nd March by conversion of the firm M/s. Adani Exports into a limited company. The company was involved in the export of a few products, such as frozen foods, dyes, plastic products, agricultural products, etc., to about 28 countries in the world.
- 1994: Listed on the stock exchanges with a subscription of 25 times.<sup>1</sup>
- 1995- Commenced operations at Mundra Port in Gujarat.
- 1997: Signed a letter of intent with the government of Gujarat to develop a port and set up a 3,000-hectare industrial park.
- 1999: Adani Exports and Wilmar Trading sign a memorandum to form a 50:50 joint venture company.
- 2000: Adani Exports has entered the packaged edible oil market by launching a new brand, 'Fortune' in Jaipur. Texprocil Silver Trophy for its outstanding export performance in Fabrics amongst top exporters for the years 1998-99.
- 2001: Entered the city gas distribution business
- 2005- Awarded India's first Mine Developer and Operator (MDO) contract.
- 2006: The company changes its name from Adani Exports Ltd. to Adani Enterprises Ltd.
- 2007- Launched the Adani Ports and SEZ Limited IPO subscribed 116x
- 2008- Acquired Bunyu Mine in Indonesia.
- 2009: Adani gets into the cement industry.
- 2010- Acquired the Carmicheal mine in Australia.
- 2011: Adani Power Ltd. (APL), a subsidiary of the Company, is launched. Adani Enterprises was selected as the 'Business Superbrand' of the year.
- 2012: Adani Group commissions India's largest solar power plant in Gujarat.
- 2015- Demerger of between Adani Enterprises Limited ('AEL') and Adani Ports and Special Economic Zone Limited ('APSEZ') and Adani Power Limited ('APL') and Adani Transmission Limited (ATL) and Adani Mining Private Limited ('AMPL').
- Adani Energy Solutions Private Limited is the largest transmission company. AESL was carved out of the AEL in the year 2015
- 2016: Adani Wilmar and Ruchi Soya propose to join hands to create one of India's leading FMCG companies.
- 2018- Demerger between AEL, Adani Green and Adani Gas.
- 2019: Partnered with a US-based Digital Realty to build data infrastructure.
- 2020: Entered into the Airports business with a portfolio of six airports

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<sup>1</sup> [https://www.adanienterprises.com/-/media/Project/Enterprises/Investors/Investor-Downloads/Annual-Report/AEL-04-07-22\\_F.pdf](https://www.adanienterprises.com/-/media/Project/Enterprises/Investors/Investor-Downloads/Annual-Report/AEL-04-07-22_F.pdf)

- 2021: Entered into a Data Center JV Adani Connex with EdgeConnex to develop and operate Data Centers across India
- 2022: Completed acquisition of Mumbai and Navi Mumbai airports. Adani Wilmar Limited IPO subscribed 17x.
- 2023: First Data Center commissioned at Chennai. Acquired NDTV by media arm AMG Media. Launch of ADANI ONE app for consumers.

Some of the notable subsidiaries include-

1) Adani Power

This subsidiary is one of India's largest private power producers, with a total installed capacity of over 11 GW. Adani Power operates thermal power plants across several states in India, including Gujarat, Maharashtra, and Rajasthan.

2) Adani Green Energy

This subsidiary focuses on developing and operating renewable energy projects in India. Adani Green Energy has a portfolio of over 13 GW of renewable energy projects, including solar and wind power projects.

3) Adani Ports and Special Economic Zone (APSEZ)

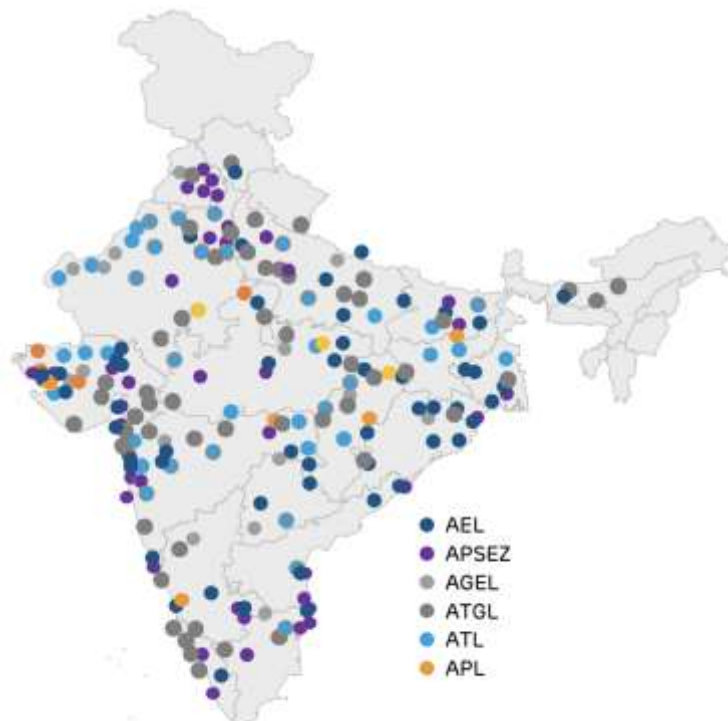
This subsidiary is one of India's largest port operators, with 12 ports and terminals across the country. APSEZ operates ports in Gujarat, Maharashtra, and Karnataka.

4) Adani Logistics

This subsidiary provides logistics solutions for various industries, including automotive, retail, and e-commerce. Adani Logistics operates a network of warehouses and logistics hubs across India.

5) Adani Wilmar

This subsidiary is a joint venture between the Adani Group and Wilmar International, one of the largest agribusiness companies in the world. Adani Wilmar produces and sells cooking oils, soya-based products, and other food products in India.<sup>2</sup>



National Footprint of the company

Source: [AEL March 2023 Presentation](#)

<sup>2</sup> <https://groww.in/blog/history-of-adani-group>  
<https://www.moneycontrol.com/company-facts/adanienterprises/history/AE13>  
<https://www.companieshistory.com/adani-enterprises/>

## Section II - Financials Holding - Bonds

The company's market cap is at ₹3,00,242Cr. The following is a shareholding pattern as of March 2023.

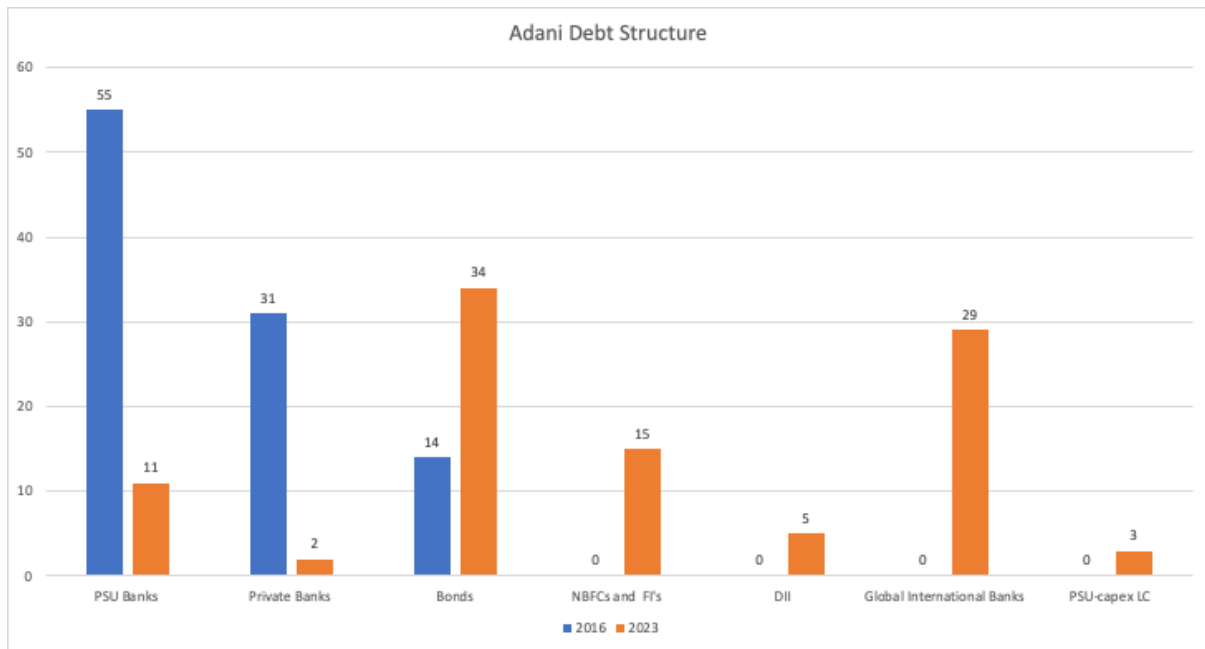
<b>Shareholding Pattern as of 31st March 2023</b>		
<b>Category</b>	<b>No. of Shares held</b>	<b>(%) of total</b>
Promoters and Promoter Group	78.92.48,453	69.23
Foreign Portfolio Investors / Institutional Investors	25.11.72,105	22.03
Mutual Funds. Financial Institutions / Banks	99.88.790	0.88
N.R.I., Foreign National and Foreign Bodies	4,18.54,964	3.67
Private Bodies Corporate	39.65,101	0.35
Indian Public and others	4,27.50,540	3.75
Clearing Members (Shares in Transit)	8.01,342	0.07
IEPF Authority	2.19,826	0.02
<b>Total</b>	<b>1,14,00,01,121</b>	<b>100</b>

Source: [Annual Report](#)

The promoter share in the company holdings stands at 69.23 % as of March 2023. They increased their share twice in 2023 to 71.93% as of September 2023. <sup>3</sup>The foreign investors hold 22.03% and Life Insurance Corporation of India hold 3.93% among major domestic holders. Annexure I lists some of the important mutual fund holders in the company with exposure to AEL where 64 were active funds and 108 were indexes or Exchange Traded Funds (ETFs). When it comes to the portfolios of active funds, only four companies found a place Adani Enterprises, Adani Green Energy, Adani Total Gas and Adani Ports (the latter being the most popular).<sup>4</sup>

<sup>3</sup> <https://www.livemint.com/companies/news/adani-group-promoter-hikes-stake-in-two-group-companies-11694347968361.html#:~:text=The%20promoter%20group%20in%20stock,Enterprises%20to%2071.93%25%20from%2069.87%25&text=Adani%20Group%20promoter%20firm%20has,effects%20of%20the%20damaging%20reports>

<sup>4</sup> <https://www.morningstar.in/posts/72642/mutual-funds-with-exposure-to-adani-group-companies.aspx>



Source: [Annual Report 2023](#)

A look at the debt composition of the company, the share of Public Sector Units (PSUs) and private banks have tremendously decreased from 2016 to 2023. The holdings by PSU have come down from 55% to 11% and that of private banks from 31% to 2% in 2023. This vacuum has been filled by the bonds instrument where the share increased from 14% to 34% in 2023. The share of bonds in the overall holding has seen growth, much aligning with the overall global trend of investments. The projections would alter after Hindenburg disclosed last year it held short positions in Adani companies through U.S. traded bonds and non-Indian-traded derivatives. However, the impact of this could have been more-lived. Adani and its subsidiaries not only raised money from the debt market but also announced premature payment of some of their bonds to mature in 2024.<sup>5</sup>

The Adani Group's gross debt was Rs. 2.27 trillion as of March 31, 2023. Net debt for 2022-FY23 was projected at Rs 1.95 trillion after it repaid debt worth Rs 23,590 crore the same year, according to a recent note submitted to lenders and regulators on future projections. During the same period, the value of total assets was at 3.91 trillion. As of March 31, 2023, the company's debt exposure covered 39 per cent to bonds, 29 per cent to global international banks, and 32 per cent to Indian banks and home-grown non-banking financial companies.<sup>6</sup>

About 29% of these borrowings are from international banks as of March 2023. <sup>7</sup>The company's lender base has increased to 25 from 18 and the pile stood at Rs. 2.27 lakh crore. The Adani Group's financiers list includes 2 American banks, 3 European banks and 3 Japanese lenders. Most global banks like Mitsubishi UFJ, Sumitomo Mitsui, Mizuho, Standard Chartered, Barclays and Deutsche Bank, besides a consortium of other banks, have reaffirmed confidence in the group. Annexure II<sup>8</sup> has a list of all the bonds that are currently in force for Adani.

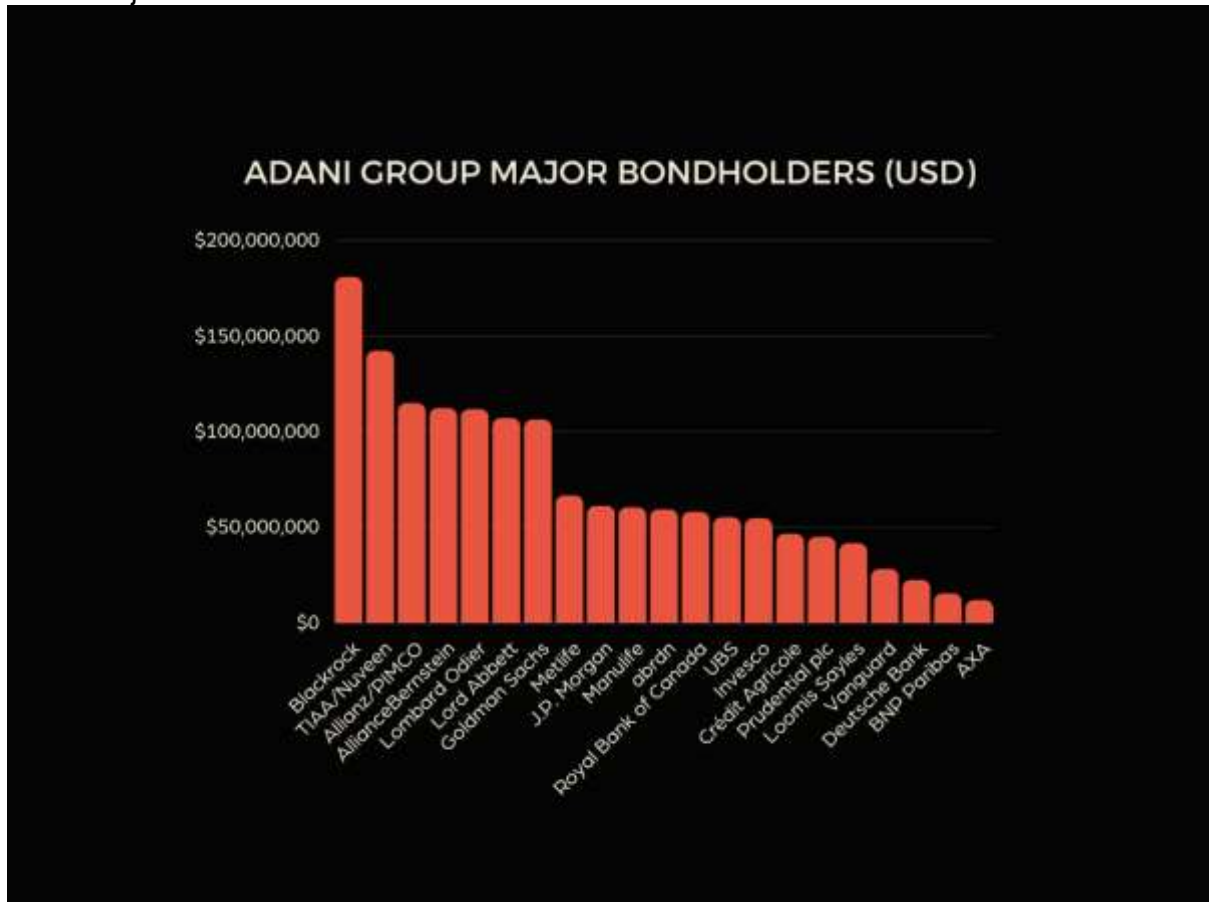
<sup>5</sup> <https://economictimes.indiatimes.com/markets/bonds/adani-group-plans-to-raise-350-million-to-prepay-dec-2024-bonds/articleshow/105668452.cms?from=mdr>

<sup>6</sup> [https://www.business-standard.com/amp/companies/news/expect-stable-cash-flows-and-earnings-in-fy-24-adani-tells-banks-123042300219\\_1.html](https://www.business-standard.com/amp/companies/news/expect-stable-cash-flows-and-earnings-in-fy-24-adani-tells-banks-123042300219_1.html)

<sup>7</sup> <https://www.thehindubusinessline.com/companies/adani-groups-debt-pile-increased-21-per-cent-over-past-year/article66749976.ece>

<sup>8</sup> <https://economictimes.indiatimes.com/markets/stocks/news/adani-financers-increase-to-25-global-banks-fy23-debt-pile-at-rs-2-3-lakh->

Adani Major bondholders:



Source: [Toxic Bonds](#)

The Toxic Bonds database maps 13 bonds issued by Adani's subsidiaries that are to be matured in the future. The values of these bonds are the value of \$7440.07 million. The company's expansion is supported by investors like TIAA, Blackrock, PIMCO and ABRDN. Some of the major underwriters of these bonds are Deutsche Bank, Standard Chartered, and Barclays among others.<sup>9</sup>

### Section III: Legal/Regulatory Framework for Project's compliance to domestic and international norms and commitments

1. **Vizhinjam Port, Kochi, India:** "The Adani Groups' Vizhinjam port is built under the Public Private Partnership (PPP) model with Adani Ports Private Limited at Vizhinjam near Thiruvananthapuram in Kerala with a project cost of Rs. 7525 cr. The port with 30 berths was to handle mega max container ships and it was constructed to compete with Colombo, Singapore and Dubai on the transshipment traffic.

crore/articleshow/99811594.cms#:~:text=Adani%20Group's%20list%20of%20lenders,end%20of%20fiscal%20year%202023.

<sup>9</sup> <https://adanitoxicbonds.org/#underwriters>

The fisher folk protested against the project as the construction of the port had led to massive sea erosion impacting livelihoods and dwellings. They demanded an impact study and the project will remain suspended until the findings are out. The Kerala HC however allowed the construction to carry on which led to major violence in November 2022. There are several other demands made by the fishing community, (i) rehabilitation of families who lost their homes to sea erosion, (ii) effective steps to mitigate coastal erosion, (iii) financial assistance to fisherfolk on days weather warnings are issued, (iv) compensation to families of those who lose their lives in fishing accidents, (v) subsidised kerosene, and (vi) a mechanism to dredge the Muthalappozhi fishing harbour in Anchuthengu in Thiruvananthapuram district.

Questions of Financial Viability – Of the total project cost of Rs. 7527 Cr, Adani needs to invest only Rs. 2454 Cr. and rest to be borne by the Central and State governments. The standard concession for PPP projects would be 30 years however the Vizhinjam project concessionaire had been given an extra 10 years, which would allow it to reap an additional revenue of Rs 29,127 crore."<sup>10</sup>

- 2. Godda Power Plant, Jharkhand, India:** Adani would ship coal from Queensland Australia to Godda in Jharkhand for power to be generated and sold across the border to Bangladesh. Godda is 600 km from the nearest port and hundreds of kilometres from the nearest major city. The locals in Godda Jharkhand have alleged that all the authorities have ignored all the resolutions passed against the plant especially that which has been provided in the Land Acquisition Act. Adani had fenced land even without explicit consent and damaged the crops. The local people filed petitions in court against the illegalities in the land acquisition. Adani Group personnel filed criminal cases--including charges of rioting, criminal trespassing, and breaking public peace--against them. The land acquisition is marked by forgery, lies and intimidation.<sup>11,12</sup>

The green clearances offered to the company and the power plant project were also challenged. The source of water as per the original Environmental Impact Assessment (EIA) was to be the Chir River and later changed to the Ganga River from the Sahibganj district. The water to be sourced from Ganga was never mentioned in the EIA and placed before the public hearing. The petition argued that wrong data was given to show there was adequate water for speedy approval and there was no verification of such claims. The other ground for the challenge was the location of the thermal power plant where no agricultural land would be converted into an industrial site. In Godda, the plant is coming up on fertile, irrigated, multi-crop lands, and 97 per cent of the villagers depend on year-round agriculture for their livelihood. The petition also argues for several environmental impacts of related aspects of the project, which the EIA and the clearance overlook. These include the impacts of:

- A 120-km transmission line to transport the power from the plant to Bangladesh, which will cut through forest land.
- A 45-km railway line to transport the coal for the plant from the existing rail network.
- A 10-km road from the railway line to the plant to transport the coal.

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<sup>10</sup> <https://indianexpress.com/article/explained/protests-adani-port-vizhinjam-8294433/>

<sup>11</sup> <https://www.bqprime.com/law-and-policy/jharkhand-villagers-sue-adani-group-alleging-illegal-land-acquisition-for-power-plant>

<sup>12</sup> <https://www.indiaspend.com/taking-over-fertile-land-for-adani-group-from-protesting-farmers-jharkhand-government-manipulates-new-law-meant-to-protect-them/>



- 3. Mundra Port, Gujarat- The Adani SEZ in Mundra, Gujarat was found to have** circumvented environmental procedures and not complied with environmental clearance conditions by a committee set up by MoEF. It was found that there was a distortion to high tide line and low tide line which determine the declaration of coastal regulation zones. There was the destruction of 75 ha of mangroves in Mocha Island; the deterioration and loss of creeks near the North Port due to construction activities. The company has also neglected to inventory its utilisation and disposal of fly ash, and has not ensured that storage tanks, seawater inlets, and discharge outlets are lined to prevent increase in salinity and contamination of water. It recommended that the company should be made to pay either INR 200 crore or 1 per cent of the project cost, whichever is higher, to set up an Environment Restoration Fund, which would go towards repairing the damage caused to the ecosystem. In 2015, the environment ministry claimed that the penalty is illegal and that violations would be dealt with later.

In February 2020, the environment ministry's expert appraisal committee went back on the norms it had laid down and accepted the Adani Groups' plea for exemption from conducting a public hearing on the Mundra port waterfront development project, much to the concern of the 30,000 odd people from the fishing community in the area. Both the fisherfolk's protest and the port's operations continue.

## Section III: State of ESG

The Hindenburg Research alleged that Adani “engaged in a brazen stock manipulation and accounting fraud scheme over decades”. The stock price manipulation was supposed to be carried out by using offshore shell companies that are linked to Adani’s family to buy shares of the Adani group and drive up their prices. This led the markets to a spin and rout of stocks of the Adani Group. Some of the key findings of the report: - Seven of the Adani group companies listed on the Indian stock exchange are overvalued by more than 85% in terms of price-to-earnings ratio and Price-to-sales ratio. - Many Adani companies have significant debt levels relative to equity and cash reserves. - five of the companies in Adani have current ratios that are less than 1 which are at the risk of not being able to meet their short-term liabilities. - There are suspicious trading patterns in Adani group companies where more than 33% of the Total delivery volume was by suspicious offshore and stock parking entities. The research report went into more detail regarding the corporate maze of the Adani group to enable them to move money in and out of companies and stock manipulation activities. The report also posed 88 questions for the Adani Group to provide clarifications.

Adani’s response of 413 pages rejected all the findings of the Hindenburg report and stated that none of them was “based on independent or journalistic fact-finding”. Adani’s response reiterates that they are compliant with Indian laws and made the necessary disclosures to regulatory authorities. Due to the Hindenburg Research, there was not only a negative impact on the Adani Group but also impacted several of the key institutional investors. One of the largest investors, Life Insurance Corporations (LIC) lost more than \$2 billion of LIC Wealth.

In addition to LIC, several of India’s public sector banks also have massive levels of exposure in the Adani Group. According to CLSA, a Hong Kong-based investment group, around 30% of the Adani Group’s total debt is currently held by Indian public sector banks, with private lending institutions only holding about 10%. It is estimated that the total value of money lent by public sector banking institutions to five of Adani Group’s companies, namely Adani Enterprises, Adani Power, Adani Ports, Adani Transmission and Adani Green Energy, far exceeds \$9.9 billion. Such high levels of exposure have sent banking stocks into a whirlwind

as well, leading to the Reserve Bank of India asking banking institutions to provide details of their exposure to Adani entities.<sup>13</sup>

### **Fall Outs:**

**MSCI ESG Ratings** changed the environmental, social and governance assessments of Adani Group entities. It observed, "Across various Adani Group entities, MSCI ESG Research has identified issues relating to governance, board independence, related party transactions, and controlling shareholders."<sup>14</sup>

**Sustainalytics** downgraded corporate governance-related scores for some Adani Group companies.

In the case of Adani, testimony from affected groups has long shown that its companies are, to put it mildly, reckless with their social and environmental impact. Indigenous groups in Australia have for years campaigned against Adani's Carmichael coal mining project, which has proceeded on their ancestral lands without consent, destroyed threatened species' producing coal that, when burnt, will create up to 4.6 billion tons of carbon emissions.

The Carmichael mine is not the only Adani Group project marred by human rights violations and environmental destruction. Adani companies have, among other things, done business with Myanmar's criminal junta and plan to mine billions of tons of coal beneath ancestral forests in India. And evidence suggests its Indian workforce has faced rampant exploitation.<sup>15</sup>

**Science Based Targets Initiative (SBTi) Removal of Adani Companies:** Three Adani Group companies, Adani Green, Adani Transmission Ltd. and Adani Ports & Special Economic Zone Ltd. have lost their endorsement from the world's leading arbiter of corporate green goals, a blow to the industrial conglomerate's attempt to reposition itself as a leader of India's energy transition. These companies were removed in late April from the list of "companies taking action" published by the Science Based Targets initiative. The UN-backed group helps companies establish concrete plans to reduce emissions consistent with the Paris Agreement's target of limiting global warming.

**S&P Global Ratings** has downgraded the outlook on Adani Ports and Special Economic Zone and Adani Electricity to "negative" from "stable", citing that the risks and concerns triggered by the Hindenburg report have not been factored into its ratings.

"There is a risk that investor concerns about the group's governance and disclosures are larger than we have currently factored into our ratings, or that new investigations and negative market sentiment may lead to increased cost of capital and reduce funding access for rated entities," S&P said in a statement.

S&P Global has also removed Adani Enterprises from its Dow Jones Sustainability Indexes.<sup>16</sup>

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<sup>13</sup> <https://www.motilaloswal.com/blog-details/a-simplified-explainer-on-the-adani-vs-hindenburg-saga/20982>











<sup>14</sup> <https://www.businesstoday.in/latest/corporate/story/adani-hindenburg-row-msci-esg-research-flags-governance-risks-at-adani-group-companies-372980-2023-03-11>

<sup>15</sup> <https://esgclarity.com/adani-debacle-was-a-wake-up-call-for-esg-funds/>

<sup>16</sup> <https://www.livemint.com/market/stock-market-news/esg-gatekeepers-readies-a-verdict-on-adani-group-companies-11676417745697.html>

## Adani Portfolio: ESG credentials

adani

		adani Petro and Logistics	adani Power	adani Energy Solutions	adani Renewables	adani Data	adani Enterprise	adani ACC	adani Ambuja Cement
 TCFD	TCFD Supporter	✓	✓	✓	✓	✓	✓	✓	✓
 SBTI	SBTI Commitment	UD	NC	UD	UD	NC	NC	✓	✓
 UNGC	UNGC Participant	✓	✓	✓	✓	In Progress	In Progress	NC	NC
 IBBI	IBBI Member	✓	✓	✓	✓	✓	In Progress	NC	NC
 S&P Dow Jones	DJSI (2022 Score)	64	54	59	61	50	46	66	72
 CDP	CDP - CC (2022 Score)	B	B	D	C	C	B	A-	B
 CDP	CDP - WS (2022 Score)	B	B	-	-	-	-	B	B
 Sustainalytics	Sustainalytics	12.7 (Low Risk)	36.6 (High Risk)	31.5 (High Risk)	19.0 (Low Risk)	23.9 (Medium Risk)	36.5 (High Risk)	29.3 (Medium Risk)	25.1 (Medium Risk)
 MSCI	MSCI	CCC	CCC	NA	BBB	NA	CCC	NA	B
 CRISIL	CRISIL	48 (Adequate)	54 (Adequate)	62 (Strong)	66 (Strong)	57 (Adequate)	44 (Below Average)	59 (Adequate)	60 (Adequate)

TCFD: Task Force on Climate-Related Financial Disclosures; IBBI: Indian Business & Regulatory Institute; S&P: Standard & Poor's Global Compact; SBTI: Science Based Targets initiative; UD - Under discussion with SBTI; NC - No target commitment; Score as on September 30<sup>th</sup> 2023

Source: Adani Portfolio ESG Snapshot, [November 2023](#)

In the above report of ESG credentials, it can be noted that SBTI commitments for the majority of the Adani companies are either under discussion or not committed as of September 2023. The performance of Adani Enterprise which is the parent company of the group, has a poor performance across various ESG credentials. They continue to be non-committal to the SBTI; are a high risk as per Sustainalytics; [CCC ratings](#) by MSCI which are assessed as Laggards and a below average score as per CRISIL.

The emissions of Scope 1 (direct emissions) and Scope 2 (indirect emissions) have increased by 9% in FY 2022-23<sup>17</sup>. The company claims that it has reduced emission intensity by 50% (MTCO2 e/Crore of turnover) which means it is diversifying its businesses in low-emission sectors. With the expanding footprint of conglomerates, the gross emissions are going to increase as many fossil blocks are under its realm. Emissions in the high-emission category companies like APL, ACC, and Ambuja have been increasing. These three entities contributed 94.24% of the emissions in FY 2022-23 under Scope 1 & 2 emissions whereas these three entities contributed nearly 60% emissions in Scope 3 emissions thus forming a major chunk of their cumulative emissions.

**Supreme Court Panel** - After the Hindenburg report, public interest litigations were filed in the Supreme Court of India to set up a committee under a retired Supreme Court judge to investigate the allegations mentioned in the report. The SC asked the market regulator SEBI to probe within 2 months the allegations of stock price manipulation by the Adani group and any lapses in the regulatory disclosures. The SC set up a panel to look into the protection of Indian investors and submitted its report.

The SC in January 2024 directed SEBI to complete its probe in two pending cases within three months and refused to transfer the probe to a Special Investigation Team. The court observed the following:

“SEBI (Securities and Exchange Board of India) has prime facie conducted a comprehensive investigation... no apparent regulatory failure can be attributed to SEBI based on the material

<sup>17</sup> <https://www.adani.com/-/media/Project/Adani/Sustainability/Adani%20ESG%202023>

before this Court. Therefore, there is prima facie no deliberate inaction or inadequacy in the investigation by SEBI.”

“SEBI’s wide powers, coupled with its expertise and robust information-gathering mechanism, lend a high level of credibility to its decisions as a regulatory, adjudicatory and prosecuting agency.”

The Court also asked the Centre to probe “the loss which has been sustained by Indian investors as a result of the volatility caused by the short positions taken by Hindenburg Research and any other entities acting in concert with Hindenburg Research” and “enquire into whether there was any infraction of law by the entities, which engaged in short-selling on this occasion”.

## Section IV: Observations and Comments - Bond Market gaps and potential to become stronger

### ESG Index and Rating Agency-

The operations of Adani have been involved in various misdeeds with some highlighted above including major human rights violations. The purpose of ESG funds is to exclude such companies, but they have prioritised financial returns and ignored their processes. The ESG ratings rely on disclosures and information given by the company. They largely reflect on what the company says they would do rather than what the actual reality is. The method to fact-check claims made by the companies is largely opaque or even non-existent in some cases. The rating agencies need to treat the testimonies of workers and communities impacted by company operations with the same importance as the company surveys.

In the case of Adani, there are testimonies by various affected groups that reflect their poor environmental and social impact. The Carmicheal mine, business with the Myanmar Military Junta, and mining in ancestral lands in India are well-known violations by the company. MSCI ESG research too changed their environmental, social and governance assessments only after the short sell storm in January 2023. They also claimed that the downgrade and resulting score did not lead to an overall change in the ESG rating of the company.

As Adani companies were getting stripped from indexes and placed under review for allegations of fraud and manipulation. The ESG investors are left wondering how companies that are greenwashing and with bad governance were not excluded and not being protected from meltdowns. The exposure of ESG funds to Adani companies needs to seek responses from the fund managers and even regulatory bodies who are better equipped and investigate such issues.

“Thanks to the ‘convoluted structures’ and ‘multiplicity of subsidiaries’ cited in the Hindenburg report, Adani has long been able to finance its dirtier operations with the proceeds of sustainable fund flows,” Wood Uribe the CEO of Util, an ESG research firm.<sup>18</sup>

In a complex financial environment, the role of regulators and policy makers needs to be responsive and look beyond the company claims and compliance reports. Given the serious impacts of climate change-linked disasters, social and environmental impact needs to be at

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<sup>18</sup> <https://economictimes.indiatimes.com/markets/stocks/news/adani-shock-rips-through-esg-funds-as-strategy-fails-test/articleshow/97898092.cms?from=mdr>

the heart of all assessments, especially of ESG funds. Unless these changes are brought upon, investors continue to pay the price and wait for an expose or reportage to be carried out for any major course correction to conduct responsible business.<sup>19,20</sup>

**Adani Bonds:**

**Adani bond sell-off**

**Performance of Adani Group US dollar bonds between 25-26 January 2023**

	Coupon	Cash price 25 January	Change
Adani Green	4.38	80.9	-15.4
Adani Ports	4.7	81.1	-9.6
Adani Ports	4.38	76.6	-13
Adani Electricity Mumbai	3.87	69	-12.5
Adani Ports	3.83	67.9	-15

Source: Anthropocene Fixed Income Institute

The above table represents the bond sell-off after the Hindenberg short sell in the US traded bonds. If we look at the graph below, the Adani green bonds fell more than 15% to a cash price of 80.9 cents on the dollar.

“Internationally traded bonds have on average moved down 11.6%, suggesting that dollar bonds, supposedly traded off-shore, have moved a lot more than domestically traded equities,” noted Stockholm-based non-profit think-tank Anthropocene Fixed Income Institute (AFII).

The major highlight might have been on corporate governance by the Adani group, but the business operations have major exposure to a wealth of stranded assets. The company that claims to be clean is dependent and expanding its fossil fuel operations. Carbon Tracker concluded that the company has “no commitment to achieve net zero emissions and no meaningful plans to manage the energy transition”. This can be seen with their reporting of a significant ramp-up in coal mine volumes in various regions. Toxic Bonds’ briefing shows evidence of how capital in Adani Green Energy is involved with coal mining activities.<sup>21</sup>

Tim Buckley, director of energy finance studies for Australasia at the Institute for Energy Economics & Financial Analysis (IEEFA) in Sydney said, “the biggest private developer of fossil fuels in the world”.

BlackRock Inc. held \$125 million of dollar bonds at par value, double its position from the end of 2022, while holdings by State Street Corp. surged more than 50% during the period to \$16 million if calculated at par. Lombard Odier's holding rose 20% nearly \$140 million, while Neuberger Berman Group LLC's increased about 12% to just over \$40 million, according to data compiled by Bloomberg as of Jan, 23.

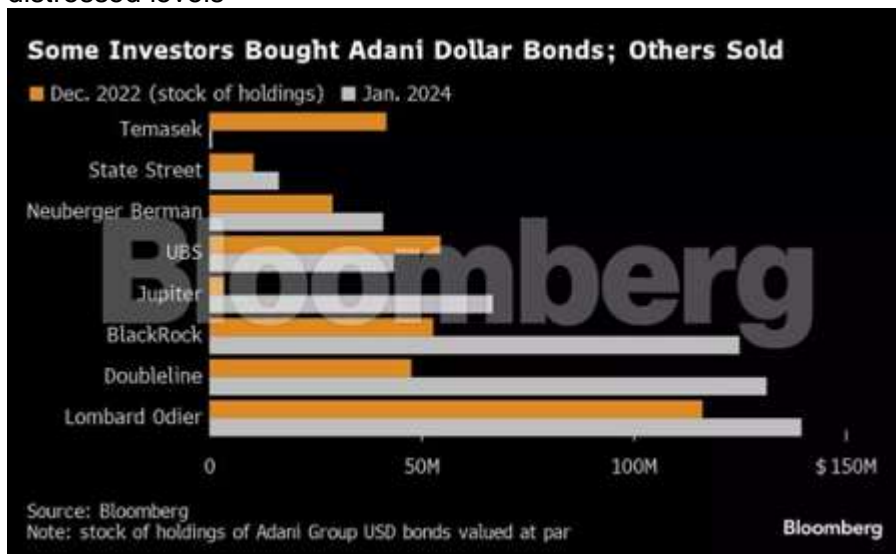
<sup>19</sup> <https://esgclarity.com/adani-debacle-was-a-wake-up-call-for-esg-funds/>

<sup>20</sup> <https://www.thehindu.com/business/markets/committed-to-ensuring-market-integrity-measures-in-place-to-address-excess-volatility-sebi-on-adani-crisis/article66471017.ece>

<sup>21</sup> <https://capitalmonitor.ai/factor/governance/adani-bonds-governance-and-fragile-coal-investments/>



The purchases reflect the change in fortune for billionaire Gautam Adani's empire as it paid down debt, refinanced loans and won \$5 billion in equity investments to fend off the short seller's allegations of fraud in its bombshell Jan. 24, 2023 report. Adani has repeatedly denied Hindenburg's claims, and a large majority of the group's 15 dollar bonds now trade above distressed levels



Source: Bloomberg

"We see no negative connotations in the performance or disclosures of Adani operating assets in Hindenburg's report. We believe the board has taken active steps to reduce debt and have confidence going forward," viewed by Alexander Samuelson, head of media relations, of Neuberger Berman.

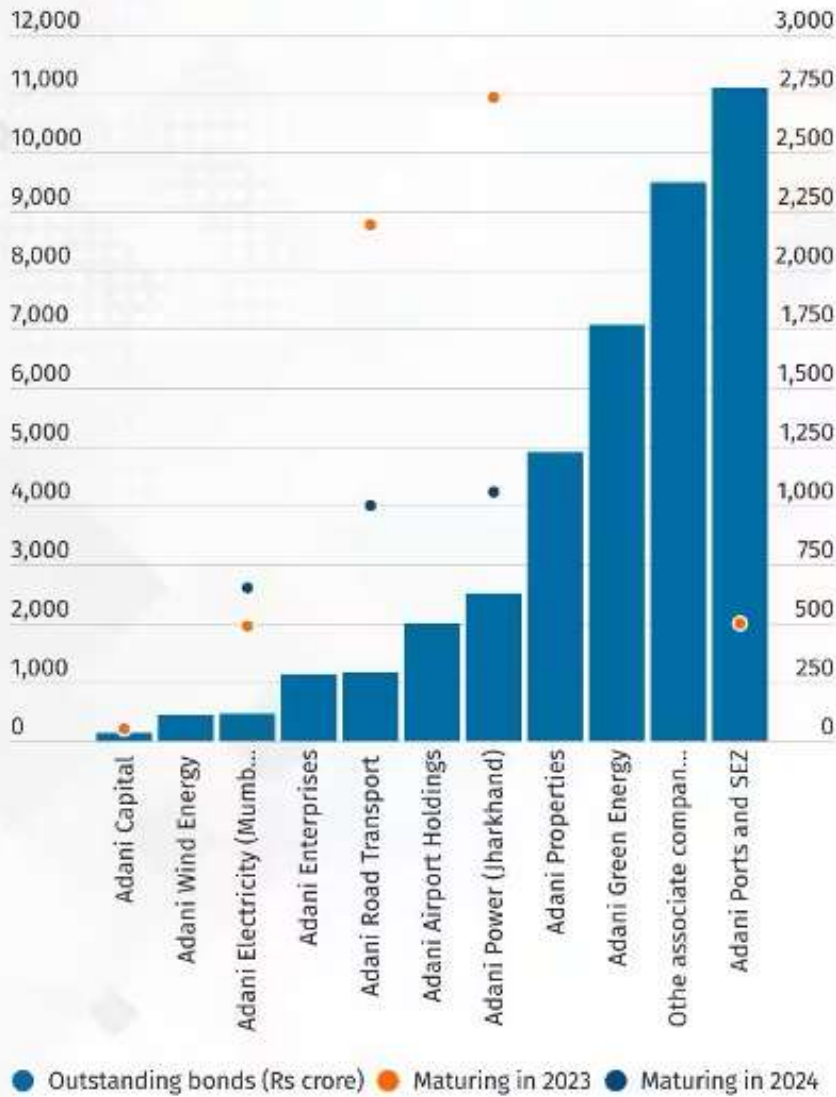
The figures are not for all the bondholders but they provide information and details of investor activity.

Domestic Bonds: The domestic bonds' reaction to the short sale was largely muted due to the illiquid secondary market and investor confidence in repayments. The aggregate bond pile was Rs. 40,000 Cr (as of Feb 2023). Ajay Manglunia feels that "Investors who are holding these bonds are comfortable holding them. There is no concern but there will be some worry until this storm blows away. The company is also not planning to tap the market until the dust settles and this is appropriate,"

The main holders of Adani domestic bonds are long-term investors like insurance companies, pension funds and provident funds. The bank treasuries in favour of these bonds are under the held-to-maturity category. These bondholders give immense credibility for the company to carry out their operations. However, these bond investments need to be questioned where there is considerable risk. These investments also reflect the fact that bondholders like insurance, pension funds and banks are supporting the violations that the company is involved in.<sup>22</sup>

<sup>22</sup> <https://economictimes.indiatimes.com/markets/bonds/blackrock-neuberger-bought-adani-debt-post-hindenburg-bombshell/articleshow/107104206.cms?from=mdr>

## ADANI DOMESTIC BOND PILE



Source: NSDL



Source: [Money Control](#)

As we wait for SEBI's investigation to conclude, this episode and AEL's operation have been an eye-opener where more regulation and investor protection are required. All disclosures made by the company should not be accepted as the ultimate truth and require investigation and fact-checking. There is a need for transparency in the process of assessment done by rating agencies that also factor in the environmental and social impacts of the fund use.

## Annexure I

### EQUITY FUNDS

Funds where exposure to Adani stocks exceeds 5% of the portfolio weight.<sup>23</sup>

<b>Fund</b>	<b>Portfolio allocated to Adani Stocks (%)</b>
Taurus Largecap Equity	11.52
Quant Large Cap Reg	7.96
Quant Infrastructure	7.81
Taurus Flexi Cap	7.77
Quant ESG Equity Reg	7.04
UTI Transportation & Logistics Reg	7.00
Quant Flexi Cap	6.96
Quant Focused	6.45
Quant Absolute	6.12
Quant Tax Plan	6.11
Quant Large and Mid Cap	5.27
Quant Multi Asset	5.27

Source: [Morningstar](#)

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<sup>23</sup> <https://www.morningstar.in/posts/72642/mutual-funds-with-exposure-to-adani-group-companies.aspx>



## Annexure II

### List of Current bonds issued by the Company and its subsidiaries

Company	USD EUR Bonds	Placement	Maturity	Arrangers/ Underwriters	Bond ETF Holders	Rating		
Adani Ports and Special Economic Zone	USD 450m	26/07/21	02/08/41	Axis Bank, Barclays, BofA Securities, Citigroup, DBS Bank, Emirates NBD, JPMorgan, Mitsubishi UFJ Financial Group, Mizuho Financial Group, SMBC Nikko Capital, Standard Chartered Bank	iShares, Vanguard	Baa3	BBB-	BBB-
ISIN: USY00130YU53								
Adani Renewable Energy (RJ)	USD 323m	03/10/19	15/10/39	Barclays, Citigroup, Credit Suisse, Deutsche Bank, JPMorgan, Mitsubishi UFJ Financial Group, Standard Chartered Bank	VanEck	Ba1	BB+	BBB-
ISIN: XS2057842176								
Adani Transmission	USD 408m	14/11/19	21/05/36	BNP Paribas, Barclays, BofA Securities, Credit Suisse, DBS Bank, Deutsche Bank, Emirates NBD, Mizuho Financial Group, Standard Chartered Bank, UBS	iShares	Baa3	BBB-	BBB-
ISIN: XS2080214864								
Adani Ports and Special Economic Zone	USD 300m	26/07/21	02/02/32	Axis Bank, Barclays, BofA Securities, Citigroup, DBS Bank, Emirates NBD, JPMorgan, Mitsubishi UFJ Financial Group, Mizuho Financial Group, SMBC Nikko Capital, Standard Chartered Bank	SPDR, iShares	Baa3	BBB-	BBB-
ISIN: USY00130YV37								
Adani Electricity Mumbai	USD 300m	15/07/21	22/07/31	Axis Bank, Barclays, Citigroup, DBS Bank, Deutsche Bank, Emirates	SPDR, iShares	Baa3		BBB-

Company	USD EUR Bonds	Placement	Maturity	Arrangers/ Underwriters	Bond ETF Holders	Rating		
ISIN: XS2367109803				NBD, JPMorgan, Mitsubishi UFJ Financial Group, Mizuho Financial Group, Standard Chartered Bank				
Adani International Container Terminal Private	USD 275m	14/12/20	16/02/31	Barclays, Citigroup, DBS Bank, Mitsubishi UFJ Financial Group, Standard Chartered Bank	SPDR, iShares	Baa3	BBB-	BBB-
ISIN: XS2267100514								
Adani Ports and Special Economic Zone	USD 500m	26/01/21	02/02/31	Barclays, BofA Securities, Citigroup, DBS Bank, Emirates NBD, JPMorgan, Mitsubishi UFJ Financial Group, Mizuho Financial Group, Standard Chartered Bank	SPDR, UBS, Vanguard, iShares, Amundi	Baa3	BBB-	BBB-
ISIN: USY00130XS17								
Adani Electricity Mumbai	USD 1,000m	05/02/20	12/02/30	Barclays, Citigroup, DBS Bank, Deutsche Bank, Emirates NBD, JPMorgan, Mitsubishi UFJ Financial Group	PIMCO, SPDR DoubleLin e, iShares	Baa3	BBB-	BBB-
ISIN: XS2109438205								
Adani Ports and Special Economic Zone	USD 750m	26/06/19	03/07/29	Barclays, BofA Securities, Citigroup, DBS Bank, Emirates NBD, JPMorgan, Mitsubishi UFJ Financial Group, Mizuho Financial Group, Standard Chartered Bank	UBS, SPDR, L&G, iShares, Vanguard	Baa3	BBB-	BBB-
ISIN: USY00130RP42								
Adani Ports and Special Economic Zone	USD 750m	28/07/20	04/08/27	Barclays, BofA Securities, Citigroup, Credit Suisse, DBS Bank, Deutsche Bank, Emirates NBD, JPMorgan, Mitsubishi UFJ Financial Group, Mizuho Financial Group, Standard Chartered Bank	UBS, L&G, VanEck, iShares	Baa3	BBB-	BBB-
ISIN: USY00130VS35								

Company	USD EUR Bonds	Placement	Maturity	Arrangers/ Underwriters	Bond ETF Holders	Rating		
Adani Ports and Special Economic Zone	USD 500m	22/06/17	30/07/27	Barclays, Citigroup, Mitsubishi UFJ Financial Group, SBI Holdings, Standard Chartered Bank	SPDR, UBS, iShares	Baa3	BBB-	BBB-
ISIN: XS1636266832								
Adani Transmission	USD 500m	28/07/16	03/08/26	Barclays, DBS Bank, Emirates NBD, Mitsubishi UFJ Financial Group, Nomura International, SBI Holdings, Societe Generale, Standard Chartered Bank	SPDR, UBS, Vanguard, iShares	Baa3	BBB-	BBB-
ISIN: XS1391575161								
Adani Green Energy	USD 500m	30/05/19	10/12/24	Barclays, Citigroup, Credit Suisse, Emirates NBD, JPMorgan, Mitsubishi UFJ Financial Group, SBICAP Securities, Yes Bank	VanEck, UBS, iShares, Invesco	Ba2	BB-	BB+
ISIN: XS1854172043								
Adani Green Energy	USD 750m	01/09/21	08/09/24	Axis Bank, BNP Paribas, Barclays, DBS Bank, Emirates NBD, Intesa Sanpaolo, Mitsubishi UFJ Financial Group, Mizuho Financial Group, SMBC Nikko Capital, Standard Chartered Bank	VanEck, UBS, iShares, Invesco	Ba3		
ISIN: XS2383328932								
Adani Ports and Special Economic Zone	USD 520m	16/07/19	24/07/24	Barclays, BofA Securities, Citigroup, Deutsche Bank, JPMorgan, Mitsubishi UFJ Financial Group, Mizuho Financial Group, Standard Chartered Bank	UBS, iShares	Baa3	BBB-	BBB-
ISIN: USY00130RW92								

Source: [Toxic Bonds](#)

