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BONDS

# BARCLAYS' BOND WITH ADANI

**WHY BARCLAYS' CLOSE RELATIONSHIP  
WITH ADANI IS A HUGE RISK**



August, 2023

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# Executive Summary

Six months ago, Hindenburg Research unveiled “brazen accounting fraud, stock manipulation, and money laundering,” shattering any illusion still held of Adani’s ethical standing. Yet, the tentacles of this conglomerate’s misdeeds stretch even further. Confidential documents obtained by the Organised Crime and Corruption Reporting Project ([OCCRP](#)), shared with [The Financial Times](#) and [The Guardian](#), have come to light, confirming Hindenburg’s allegations - vehemently denied by the Adani Group - that Gautam Adani’s brother Vinod and his associates control a “vast labyrinth of offshore shell entities” to artificially inflate Adani stock prices and move money in and out of its listed companies.

This adds to long-standing reports of Adani Group’s climate destructive activities and pervasive violations of human rights, from exploitation of its workers to Indigenous peoples’ uncompensated displacement. The Adani Group’s financial and reputational disaster has filled headlines since January. But Adani’s [so-called relationship banks](#) Barclays, Standard Chartered and Deutsche Bank, continue to facilitate the Group’s bonds. Barclays, in particular, has been Adani’s closest bank for decades, a special relationship in which the bank has underwritten [every single dollar-denominated bond issued by the company](#). As Adani drowns in negative headlines, it is grasping for its old friend Barclays’ support – and threatening to drag the bank down with it.

Supporting Adani doesn’t just risk banks’ “climate credibility”. Facilitating capital market activities for Adani Group entities exposes Barclays to financial risk, reputational damage, and potential legal action, for misrepresenting investment risks to investors.

## **This briefing sets out three key lessons of Adani’s scandals for Barclays:**

1. Adani is depending most heavily on Barclays now, when reputational risk for Barclays is also at its highest
2. Adani subsidiaries are not financially insulated from one another: support for one subsidiary is support for the whole Group.
3. Supporting Adani Group subsidiaries exposes Barclays not only to reputational risks, but also major fiduciary and legal ones

Given these lessons, Adani’s coal expansion plans and human rights record, Barclays must act in the best interest of its clients and customers and stop facilitating Adani Group bonds immediately.



## Background

The Adani Group, the massive Indian conglomerate and world's largest private developer of new coal mines, was plunged into financial turmoil at the end of January 2023 by Hindenburg Research. The US-based forensic financial research firm and short-seller released [a damning report](#) after a two-year investigation into Adani Group's deeply corrupt financial practices. The report alleged that Adani had inflated the price of its subsidiaries' stock and undertaken accounting fraud over the course of decades. Revealing, in their words, "one of the largest corporate frauds in history", Hindenburg exposed the Adani Group's disregard for even the most basic standards of good corporate governance and transparency. The allegations were later confirmed in August 2023 in a wide-ranging [investigation by OCCRP](#) that revealed the shell companies that Vinod Adani's associates used to manipulate Adani Group stock prices.

After these reports, the claims of financial impropriety and loss of confidence in the conglomerate eroded its ability to deliver on its debt commitments, as intertwined financial and

reputational damage placed greater pressure on the company. The Hindenburg Report [prompted](#) a sell-off of stocks in Adani Group's listed entities, losing those subsidiaries up to [US\\$ 145 billion](#) in combined market value, roughly two-thirds of their US\$ 218 billion combined market capitalisation. Near-daily revelations were emerging throughout February and March of Adani's plunging equity value, and Adani has continued to experience adverse market impacts from the controversy.<sup>1</sup>

Adani is now the largest Indian issuer of foreign-denominated bonds, with more than [US\\$ 8 billion in US dollar and euro bonds presently outstanding](#). Its recent efforts to stay afloat and shore up investor confidence largely involve refinancing its [US\\$ 2 billion of bonds that are due to reach maturity in 2024](#), primarily by issuing green and sustainability-linked bonds. Adani's so-called relationship banks, Barclays, Deutsche Bank, Standard Chartered, as well as others are vital in its upcoming bond financing process, as arrangers and underwriters.

<sup>1</sup> As a short-seller, Hindenburg [profits enormously](#) from the headlines it generates, by [pocketing the difference](#) in the decimated value of shares it has borrowed, sold, rebought and returned.

# Barclays' and Adani's close relationship

## Barclays has been a loyal supporter of Adani for over a decade, pivotal in both its rise and fall.

Barclays has consistently been among Adani's top lenders and bond underwriters since the company was beginning to establish itself. The bank has based its Asia-Pacific head, Jaideep Khanna, in Mumbai - contrasting with the usual locations of other firms' regional heads in Singapore and China - and is a massive employer in India. Barclays was Adani's [top bond arranger](#) in the five years to 2021 and has underwritten [every USD-denominated bond](#) of all Adani Group entities currently on the market, amounting to \$8 billion in total for the company.

Despite this commitment, there are some reports indicating a degree of hesitancy about Adani within Barclays. In late July, 2023, [reports emerged](#) that Barclays is the common denominator in two syndicated loans to the conglomerate, amounting together to more than US\$ 1 billion, to refinance debt that the Group became burdened with after the acquisition of the Ambuja cement company last year. Yet Barclays and other banks [balked](#) at refinancing the loan and senior executives in London are [reportedly wary](#) of further support for Adani.

Adani bond issuances underwritten by Barclays

Adani entity	Amount (USD)	Maturity date
Adani Ports and Special Economic Zone	520,000,000	24 July 2024
Adani Green Energy	750,000,000	08 September 2024
Adani Green Energy	500,000,000	10 December 2024
Adani Transmission	500,000,000	03 August 2026
Adani Ports and Special Economic Zone	500,000,000	30 July 2027
Adani Ports and Special Economic Zone	750,000,000	04 August 2027
Adani Ports and Special Economic Zone	750,000,000	03 July 2029
Adani Electricity Mumbai	1,000,000,000	12 February 2030
Adani Ports and Special Economic Zone	500,000,000	02 February 2031
Adani International Container Terminal Private	274,500,000	16 February 2031
Adani Electricity Mumbai	300,000,000	22 July 2031
Adani Ports and Special Economic Zone	300,000,000	02 February 2032
Adani Transmission	407,500,000	21 May 2036
Adani Renewable Energy (RJ)	322,625,000	15 October 2039
Adani Ports and Special Economic Zone	450,000,000	02 August 2041

January  
February  
March  
May  
June  
August

24

[Hindenburg Research](#) accuses Adani of fraud, using tax havens, and stock price manipulation.

31

[Norges](#) reduces its Adani exposure by \$600 million.

01

Adani Enterprises [pulled an effort](#) to raise \$2.4bn in equity. Adani Ports' senior bond's price fell below 70% of its original price at issuance.

[Norwegian KLP pension fund](#) [divested from Adani Green](#) due to concerns its money could be syphoned into coal mining.

Credit Suisse [stops](#) accepting Adani bonds as collateral.

02

Citi [stops](#) accepting Adani bonds as collateral.

03

[Dow Jones Sustainability Indices](#) removes Adani Enterprises.

S&P [downgrades](#) Adani's credit outlook to negative.

04

Adani's market value plunges by over \$100bn in 10 days.

05

Standard Chartered [stops](#) accepting Adani bonds as collateral.

08

Sustainalytics [downgrades](#) ESG ratings of Adani Green, Transmission, and Total Gas.

09

Norges Bank [divested](#) its last remaining US\$ 200 million from three Adani Group companies.

10

MSCI [reduces the weighting](#) of four Adani companies.

State Bank of India (SBI) public filing [reveals that](#) Adani used shares from Adani Green as collateral for a loan to the Carmichael coal mine project, raising investor concerns.

20

[Adani's market cap slips below](#) \$100bn, falling \$135bn from its pre-Hindenburg point.

27

[JP Morgan investment](#) arm purges ESG funds of Adani stocks.

03

[Moody's](#) revises outlook to negative for Adani Ports and Adani Total Gas.

06

National Stock Exchange [removes](#) 4 Adani stocks from 3 Nifty indices.

02

Three Adani companies [removed](#) from the Science-Based Targets Initiative (SBTIs), affecting their sustainability credentials.

04

[Adani announces the sale of a Myanmar port](#) shortly after an investigation shows Adani has deep ties with military junta.

12

MSCI [drops](#) Adani Total Gas and Adani Transmission from its index fund for Indian companies.

23

[Reports](#) emerge of the US Attorneys Offices and Securities and Exchange Commission sending enquiries to investors with large holdings in Adani Group, adding legal scrutiny to the scandals.

14

Deloitte [quits](#) as Adani Port's auditor over the Hindenburg report.

31

Major new evidence published by [The Guardian](#) and [FT](#) confirms Hindenburg's allegations of stock price manipulation by the Adani Group, possibly violating India's insider stock ownership laws.

# Three lessons for Barclays from the Adani scandal

1. Adani's reliance on Barclays heightens risk to the bank
2. Financing for one Adani subsidiary is financing for all of them – meaning risk across the entire Group can affect Barclays
3. Barclays' complicity in Adani exposes it to fiduciary and legal liabilities, as well as reputational risk

## 1. Adani's reliance on Barclays heightens risk to the bank

A central claim of the [Hindenburg Report](#) is that Adani is overleveraged. Reports had been emerging for years that parts of the empire like Adani Ports were “[deeply overleveraged](#)”. The Fitch credit rating research unit responsible for that assessment warned that the debt burden was so large and unwieldy that it posed a risk of default to the entire company, as well as a threat to the wider Indian economy: “In the worst-case scenario, overly ambitious debt-funded growth plans could eventually spiral into a massive debt trap, and possibly culminate into a distressed situation or default of one or more [Adani] group companies.”

As Adani struggled to respond to its drop in share value of up to [US\\$ 145 billion](#) in market

capitalisation, it has scrambled to attract finance and pay down its substantial debts of [over US\\$ 24 billion](#). After major [buybacks](#) of US\$ 2.65 billion share-backed debt in March, Adani Ports [announced](#) that it would buy back US\$ 650 million-worth of bonds. Adani's major banks have been called on in this debt-reduction drive. The company has [offered lavish dinners and tours](#) of airports in Mumbai and ports in Gujarat for bankers. By wooing its financiers, Adani hopes to [rehabilitate its credit rating](#) and reassure them that the company's debt is manageable. Much of the refinancing effort is being mediated by Adani Green Energy, partly because the group reportedly considers it to be its most reputable arm and partly because Adani Green's bonds account for US\$ 1.25 billion of the group's US\$ 2 billion-worth of bonds due to mature in 2024. For example, the company [reportedly](#) attempted to issue an

Adani Green Energy private placement bond to large US investors like Blackrock and Pimco. Also, megabanks like Sumitomo Mitsui Banking Corporation (SMBC) in Japan and Singapore's DBS have been approached for [direct lending](#) of US\$ 800 million to Adani Green Energy.

State Bank of India (SBI) and other state banks have been key lenders. SBI disclosed in a public filing that it had [pledged shares](#) from several Adani subsidiaries as collateral in a loan to the Carmichael coal mine. This was just weeks after Hindenburg had already pointed out the ['inherently unstable'](#) nature of share pledges as collateral for loans, as well as the great extent to which Adani subsidiaries rely on it.

Despite Adani Group insistence to the contrary, in March a greenfield coal-to-PVC plant in Mundra, Gujarat, [has encountered hesitancy](#) in the syndicate of public banks initially slated to finance it. As well as its debt, banks are also playing a role in Adani's equity fund-raising. On [May 13](#), 2023, Adani Enterprises, its coal and airport business, and Adani Transmission, its electricity generation company, approved plans to raise US\$1.5 billion and US\$1 billion, respectively, through stock offerings. The companies' announcement of this as a "qualified institutional placement" indicates that the equity is likely to be sold to or facilitated by specific institutional investors like banks, rather than a wider market offering.

### **Vinod Adani's shell companies and stock price manipulation**

Immediately before publication of this report, investigative journalists [OCCRP released explosive](#) information that seems to confirm allegations made by Hindenburg that Adani Group manipulated its stock price through offshore shell companies. The new documents, obtained by the [ET](#) and [Guardian](#), include details of how Vinod Adani, Gautam Adani's brother, and his two close associates set up a network of Mauritius-based companies to secretly control at least 13% of publicly-traded Adani shares, which would seem to violate India's laws around insider stock ownership. **The newest revelations confirm the risk to major international banks of being found complicit in the Adani Group's financial malfeasance. It heightens the banks' responsibility, both to clients and investors, to cease propping up the coal empire.**



## 2. Financing for one Adani subsidiary is financing for all of them – meaning risk across the entire Group can affect Barclays

[The recent revelations](#) include accusations that the conglomerate has used offshore shell entities to syphon money from some parts of the business to others. Ensuring accountability of financial investors in Adani thereby becomes murkier, with investors' exposure extending effectively to the entirety of the group's dealings. The authors state that "the Adani Group companies are intricately and distinctly linked and dependent upon one another. None of the listed entities are isolated from the performance, or failure, of the other group companies." Extensive intercompany lending within the Group, evidenced by Hindenburg and confirmed in [subsequent revelations](#), means that the entire Adani group is essentially one single pot of money that investors were unwittingly contributing to.

The [2023 Annual Report for Adani Green Energy Limited](#) has 82 pages of related party transactions, many with Adani's coal mining and coal power sister-entities. The Toxic Bonds Network [revealed](#) that, in just one financial quarter, Adani Green made 91 transactions to other Adani companies involved in coal mining. Adani Green, Adani Transmission and Adani Ports were all [dropped](#) from the Science-Based Targets Initiative's (SBTi), the main evaluator of corporate CO2 reduction targets, because SBTi was convinced by the revelations that they contravened the initiative's fossil fuel policy. All

ESG funds offered by JP Morgan's investment arm [purged](#) their Adani stocks in late February, and in May Goldman Sachs followed suit with a similar move, [drastically reducing](#) its exposure to Adani stocks in its ESG fund.

This has serious implications.

The sustainability credentials of Adani Green, the Group's flagship renewable energy arm, have been completely undermined. The pretence of independence and the normal checks and balances such as credible audit controls have been shattered. There is also potential for Adani to exploit the permeability of its corporate structure by [saving money on green lending](#) with low interest rates to Adani Green, before that money flows to other Adani entities directly responsible for coal expansion. Furthermore, the Anthropocene Fixed-Income Institute (AFII) think-tank [argues](#) that, because of SBI's use of Adani Green stock as collateral for Carmichael loans noted above, anyone purchasing Adani Green shares will have an indirect impact on Carmichael's interest payment obligations to SBI, via the value of the collateral, i.e. Adani Green's stocks. This [suggests](#) that investors should revisit their exposure "across the whole of [the] Adani Group".

The crucial conclusion from this is that banks like Barclays that facilitated that exposure may be exposed to legal or fiduciary liability as well, for misrepresenting investments or failing to perform due diligence.



### 3. Barclays' complicity in Adani exposes it to fiduciary and legal liabilities, as well as reputational risk

#### Fiduciary and legal risks for Barclays

This is the crux of the issue: the Hindenburg revelations and their consequences mean that Barclays is now exposed to the entire gamut of reputational, environmental, and financial toxicity of the Adani Group, which has only been deepened by the revelations themselves. One example is the myth of Adani Green's "greenness": subsidiaries like Adani Green Energy have issued green bonds, with use-of-proceeds rules stipulating the bond proceeds will be used solely for environmentally sustainable projects. This allows the subsidiaries access to a lower interest rate. But the poor ring-fencing of these debt instruments may contradict the green bond covenants. Breaking covenants and potentially even breaching the banks' own investment criteria exposes banks to legal and fiduciary risks. Also, investors could pursue legal action against Barclays, accusing the bank of misrepresenting the risk of the investments in Adani and failing to complete the due diligence of Adani as a bond issuer.

#### Reputational risk for Barclays

Barclays' support hasn't wavered even in the face of the Adani Group's [violations of human rights](#), rapidly-stranding [climate timebombs](#), [business with Myanmar's criminal junta](#), [plans to mine billions of tons of coal beneath ancestral forests in India](#), [rampant exploitation of its workforce](#), and alleged financial mismanagement that this year has [caused massive fluctuations in its valuation](#).

The Adani Group's climate-wrecking activities are widely acknowledged, as it is deeply invested in fossil fuels: the empire [includes](#) eight coal power stations with an additional five

new coal stations and expansions proposed, 21 current and proposed thermal coal mines, and a coal-trading operation responsible for a quarter of imports into India. [Over 60%](#) of its revenue comes from coal-related businesses, and it has developed Carmichael, Australia's biggest coal mine, which has been called "[the world's most insane energy project](#)", [a future stranded asset](#) and [a disaster](#) for people, ecology and planet.

It is not yet clear how the scandal will impact Adani's emissions. [There are signs](#) that the company's setbacks have compelled it to downgrade plans for diversification and focus instead on its core revenue generators – namely, the climate-damaging ports and power that fuelled its rise. However, Adani has also struggled to finance some of these climate-damaging projects that it had previously committed to, such as its plan to acquire a ~US\$850mn, 1.2GW coal-fired power plant in Chhattisgarh state, India, from DB power. The company [dropped](#) the plan in the wake of the Hindenburg Report, citing the "volatility period".

On top of Adani's laundry list of corporate and governance violations, its direct contribution to climate and human rights disasters stands in contradiction to the many initiatives and pledges that these banks have signed up to: for example, almost [all of its bond-facilitating banks](#) are signatories to the Net Zero Banking Alliance (including Barclays, Standard Chartered and Deutsche Bank) and have signed up to the UN Guiding Principles on Business and Human Rights.

Since Barclays' CEO [Jes Staley visited India in 2016](#), the bank has become increasingly associated with the Adani name in the financial world – its credibility is dangerously at risk of being tarnished by extension.



## Looking forward

Already, Adani's relationship banks, like Barclays and Standard Chartered, are [deepening](#) their support for Adani's activities and continuing to underwrite its bonds – albeit with reports of [internal conflict](#) within Barclays over continuing to support Adani's toxic practices. [Japanese megabanks](#) and [small investors with high risk appetite](#) are swooping in to capitalise on the turmoil.

Barclays must immediately do the following or otherwise be considered complicit in Adani's allegedly fraudulent business:

- Stop providing new finance to all Adani Group entities, [including Adani Green](#), and divest of existing exposures where possible.
- Stop facilitating new capital market activities, such as bond issuance or sale of shares, for all Adani Group entities.

A [public petition](#) calling for Barclays to break from Adani has garnered over 22,000 signatures to date.

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