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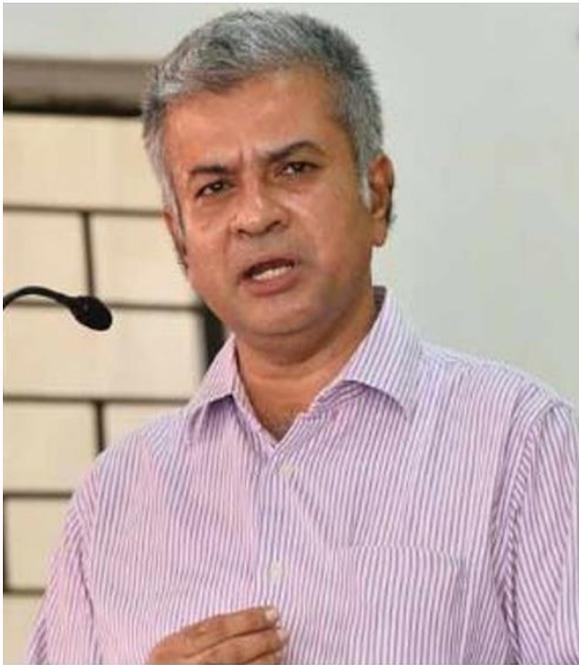
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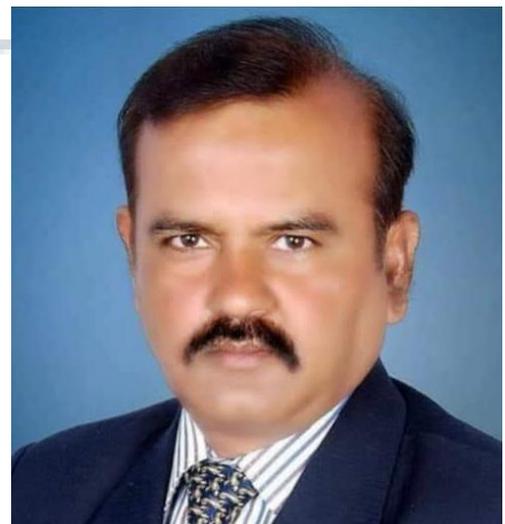
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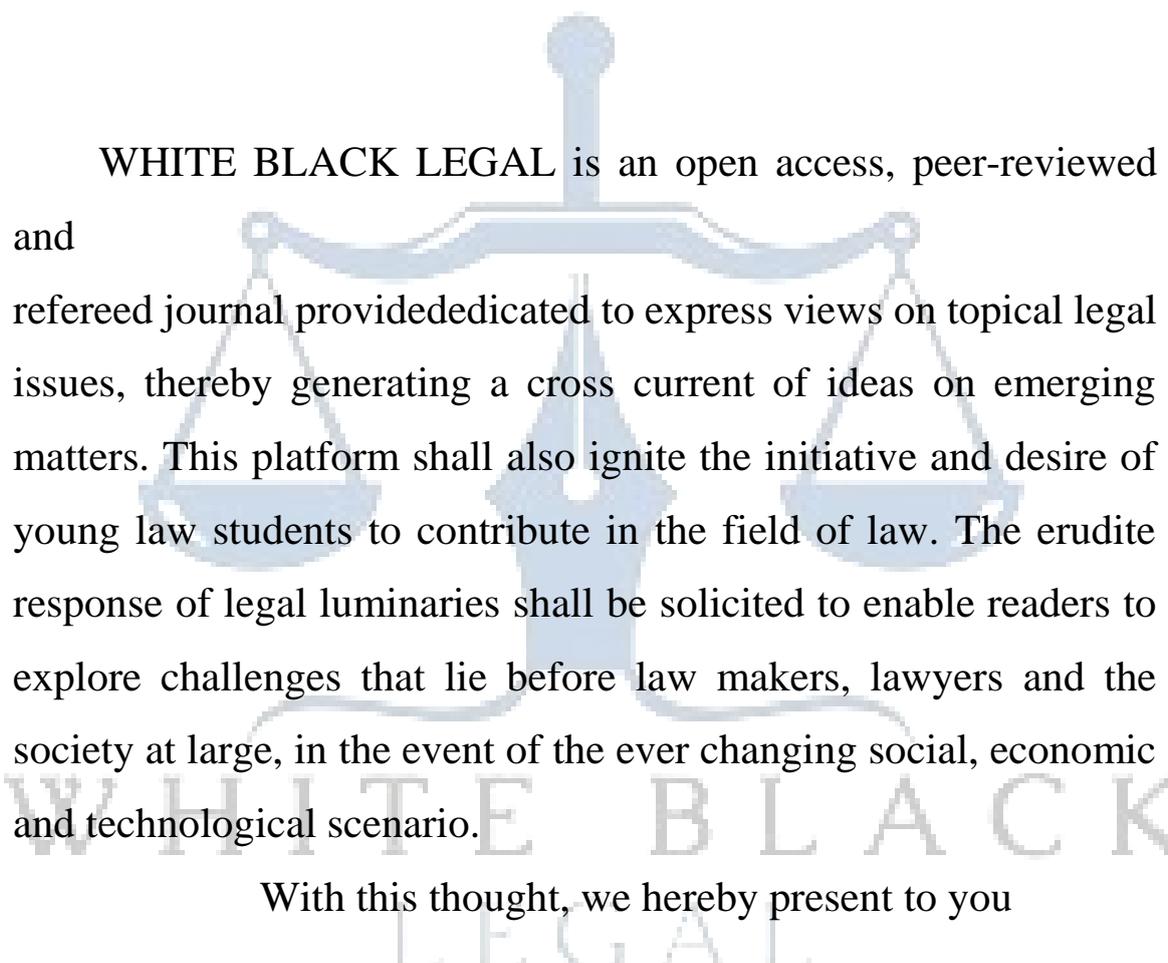


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WHITE BLACK LEGAL is an open access, peer-reviewed and refereed journal providededicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

# **CASE ANALYSIS OF HINDENBURG REPORT**

AUTHORED BY - TEJASWINI KAILASKUMAR RANE

## **ABSTRACT**

Corporate fraud has become a widespread and expensive issue in business, resulting in significant financial losses, a decline in trust organizations, and legal repercussions. This study intends to offer light on the complex nature of corporate fraud, its root causes, and the steps taken to lessens its incidence. The Enron Lehman brother's crisis in the early 2000s, is one of the most well-known episodes of corporate fraud in history. A global company, Adani Group has holdings in ports, logistics, agribusiness, energy, real estate, and defence. The corporation is an important participant in the Indian business community with revenues of over \$11 billion in the fiscal year 2021. The Hindenburg asserts that the business overstated its riches and understated its liabilities by using accounting techniques. The Problem is that How effective are current detection and prevention, mechanism, such as internal controls, auditing practices, and whistle-blower programs, in mitigating corporate fraud? This Seminar paper concludes by emphasizing the importance of combating corporate fraud as a complex and dynamic issue that has an influence on stakeholders across the corporate spectrum. The paper underline the value of comprehensive approaches to combat corporate fraud, including the implementations of strong internal controls, the promotions of n ethical business culture, and the improvement of corporate governance. Artificial intelligence and black chains are two emerging technologies that being investigated as possible game changers in the battle against corporate fraud. This study investigates how important it is for forensic accountants, auditors, and data analysts to spot abnormalities and red flags of corporate fraud.

**Keywords:** Corporate fraud, financial losses, legal repercussion, stakeholders, red flags.

## **Introduction:**

Corporate fraud is a challenging problem with wide-ranging consequences for society as a whole. The integrity of businesses and financial markets throughout the world is constantly at risk by dishonest business practices. The potential for dishonest people or organizations to engage in fraudulent actions increases as corporations get bigger and more complicated, endangering not just their own businesses but also the interests of numerous shareholders. This

study explores the complex web of corporate fraud in an effort to understand its many forms, underlying causes, detection, techniques, and prevention strategies. The urgency of this investigation stems from the serious effects that corporate fraud has on the economy, shareholders, employees, and the foundation of corporate trust. Typically, the goal of these study is to obtain illegal profits at the expense of stockholders, investors, and the general public. Corporate fraud has both immediate and long-lasting effects, including financial losses, market stability, reputational damage, and legal implications. Corporate fraud is a serious issue that threatens investor confidence and the fairness of the financial system. The Adani Group has been under fire in recent years over claims of stock manipulation and accounting fraud. In-depth investigation of the allegations of corporate fraud against the Adani Group will be provided in this Seminar paper, with particular attention paid to Hindenburg Research's involvement in bringing these claims to light.<sup>1</sup>

### **Background:**

Over time, corporate fraud has evolved to take on diverse forms that have kept pace with the world of global finance and corporate governance. The Enron Lehman Brothers crisis that occurred during the early 2000s is a widely recognized instance of corporate fraud in history. It acts as a warning about the harm that dishonest behavior can bring to individuals and organizations. An economic crisis was caused by the ILFS scandal, which was the largest corporate fraud in India. Fraud occurred even though well-known shareholders like LIC, SBI, etc. brought the largest investors to the board. These incidents have highlighted how important it is for corporate leaders to be cautious, transparent, and moral. The Adani Group has been accused of corporate fraud on several occasions, including the laundering of money.

### **Corporate Fraud:**

Corporate fraud is a serious and unlawful activity that occurs within a business or corporation. It involves deceptive practices or dishonesty with the intent to gain an unfair or illegal advantage. Corporate fraud can take various forms, including financial misrepresentation, embezzlement, insider trading, and tax evasion.

Financial misrepresentation often involves manipulating financial statements, inflating

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<sup>1</sup>Hindenburg Research, *Adani Group: How the World's 3rd Richest Man Is Pulling the Largest Con in Corporate History*, (Jan. 24, 2023), <https://hindenburgresearch.com/>.

revenues, or understanding expenses to create a false image of a company's financial health, this can mislead investors, regulators and the public, potentially causing financial harm to stakeholders.

Embezzlement occurs when individuals within an organization misuse company funds or assets for personal gain. This can involve siphoning off money from accounts, taking inventory for personal use, or diverting company resources without authorization.

Insider trading is another form of corporate fraud where individuals within privileged information about company's performance use that information to trade stocks or securities for personal profit. This unfair advantage undermines the integrity of financial markets.

Tax evasion involves manipulating financial records to reduce a company's tax liability unlawfully. This can include underreporting income, inflating deductions, or hiding money in offshore accounts to avoid paying taxes owed to government authorities.<sup>2</sup>

### **Corporate Fraud by Adani Group:**

Adani Group is a multinational corporation with interests in energy, real estate, ports, logistics, agribusiness, and defense. With revenues of more than \$11 billion in the fiscal year 2021, the company is a significant player in the Indian business community. According to the Hindenburg report, the company used dishonest accounting methods to understate its liabilities and overstate its wealth.

Published in January 2023, the Hindenburg Research evaluation of the Adani Group offers a critical look at the operational and financial practices employed by the Indian business. The article has sparked a heated debate about the business practices of one of India's largest corporations and raises serious questions regarding the ethics and legality of the Adani Group's operations.

### **Crisis Calender:**

**On January 24** Hindenburg published the report "biggest con in corporate history". It alleged

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<sup>2</sup> Rohit Chandok, *Complete Analysis of Hindenburg's Report on Adani Group*, TAX GURU (Feb. 4, 2023), <https://taxguru.in/>.

that the Indian multinational group has engaged in money laundering, stock manipulation, accounting fraud, and inappropriate use of tax havens.

**On January 26** Adani's group dismisses Hindenburg allegations as harmful and takes legal action. Hindenburg challenges him to take legal action.

**February 2** As the Adani Empire's stock market losses surpass \$100 billion, the market regulator, the securities and exchange board of India, launches an investigation into the stock market crash and Hindenburg's allegations. The reserve bank of India has reportedly ordered banks to disclose details of their involvement in the conglomerate. In parliament, the opposition demanded the case be examined by the joint parliamentary commission or commission set up by the Supreme Court.

### **Overview of Hindenburg Report:**

Gautam Adani, Founder and Chairman of Adani Group, has a net worth of approximately US\$120 billion, which has increased by more than US\$100 billion over the past three years, mainly due to price increases of the seven largest publicly traded companies of the world, corresponding to average growth of 819% over the period. The share prices of seven major companies listed on the Adani Stock Exchange have mysteriously risen - most by multiples - over the past three years, making of them individually the largest companies in India. Hindenburg said that Adani Group companies were heavily indebted compared to the industry average, that the companies' "total cash ratio" was a measure of cash and cash equivalents less current liabilities, and that the companies (all except Adani Ports and Adani Wilmar) had an overall liquidity ratio below 1.0, indicating high near-term liquidity risk.

Hindenburg research alleges that the Adani group was "engaged in a stock manipulation and accounting fraud". The Adani group has interests in varied sectors such as ports and logistics, power generation, agribusiness, real estate, defence, solar energy, financial services, natural resources and media. The research firm alleges that the Adani group has engaged in \$17.8 trillion (US \$ 218 billion) brazen stock manipulation and accounting fraud schemes over the course of decades.

The Hindenburg's report claims that the Adani family controlled offshore shell entities in tax havens spanning the Caribbean and Mauritius to the United Arab Emirates, which it claims were used to facilitate corruption, money laundering and taxpayer theft, while syphoning off money from the group listed companies. These disclosures are required in order to satisfy

Indian rules publicly listed have a float of at least 25% that is not controlled by promoters (insiders). The minimum public float rules are intended to ensure a minimum level of liquidity, to reduce insider trading and market manipulation, and to minimize volatility.

Promoter shareholding disclosures also allow investors to determine whether insiders have pledged their shares, an important gauge of the financial strength and/or potential solvency risk of insider entities and individuals. Indian market observers have long been aware that Indian promoters may use entities based in Mauritius and other offshore jurisdictions to evade these disclosure requirements and manipulate the share prices of their listed companies.<sup>3</sup>

Through several close associates, Vinod Adani "manages a vast labyrinth of offshore shell entities," the research firm stated, adding that they found "38 Mauritius shell entities controlled by Vinod Adani or close associates." The Hindenburg report added that the shell firms operated by Vinod Adani "seem to serve several functions, including (1) stock parking/stock manipulation (2) and laundering money through Adani's private companies onto the listed companies balance sheets in order to maintain the appearance of financial health and solvency." "We believe the Adani Group has been able to operate a large, flagrant fraud in broad daylight in large part because investors, journalists, citizens and even politicians have been afraid to speak out for fear of reprisal," the research firm said."

Hindenburg alleges that the seven listed companies of Adani group are simply overvalued by as much as 85% based on fundamental analysis compared to other companies in the industry. One of the listed company i.e. Adani Energy is highly leveraged and all the associates have personal debts too. All the main leadership roles in these companies are of Adani family itself.

### **Allegations made by Hindenburg: -**

**Using misleading accounting practices to inflate its profits:** The report alleges that the Adani Group used various fraudulent accounting practices to increase its profits, such as recognizing profits from non-existent coal sales and capitalizing expenses that should have been expensed.

**Using a shell company to conceal the true ownership of its coal mines:** The report alleges that the Adani Group used a front company called "Monterosa" to hide the true ownership of its

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<sup>3</sup>Adani-Hindenburg Issue (Explained for UPSC Exam), BYJU'S, <https://byjus.com/> (last visited Dec. 1, 2024).

coal mines.<sup>4</sup>

He claims that Monterosa is controlled by Gautam Adani, the founder of the Adani Group, and is being used to divert money from the group's coal mining operations to offshore tax havens.<sup>5</sup>

**Using round tripping transactions to inflate the value of its assets:** The report alleges that Adani Group resorted to back and forth transactions to increase the value of its assets. Round tripping is the practice of one company selling assets to another controlling company, often at an inflated price. This can artificially inflate the value of an asset on a company's balance sheet.

**Using its environmental credentials to greenwash its coal mining business:** The report claims that the Adani Group is using its environmental credentials to make its coal mining operations "greener". Greenwashing is the practice of making misleading or misleading claims about the environmental benefits of a product or service. The report states that the Adani Group has invested in renewable energy projects to improve its image. However, these projects are not economically viable and are unlikely to be completed. It is alleged that the group lobbied the Indian government in to relax environmental regulations for its coal mining operations.

**Having poor corporate governance practices:** The report argues that the Adani Group has poor corporate governance practices. Corporate governance is the system by which a company is managed and controlled. The report said the Adani Group has a long history of insider trading and has used its political connections to advance its business interests. He also claims that the group has not disclosed any material information to its investors.

### **Overview of Organized Crime and Corruption Reporting Project:**

The Organized Crime and Corruption Reporting Project (OCCRP) is an international consortium of investigative journalists. On August 31, 2023, the OCCRP released a report alleging the Adani Group used a network of shell companies and offshore accounts to secretly trade billions of dollars in the group's stock.

The report, based on leaked documents and interviews with former Adani Group employees,

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<sup>4</sup> Ibid 1

<sup>5</sup> Hannah Ellis-Petersen & Simon Goodley, *Modi-Linked Adani Family Secretly Invested in Own Shares, Documents Suggest*, THE GUARDIAN (Aug. 30, 2023, 7:01 PM), <https://www.theguardian.com/>.

alleges that the group used shell companies and offshore accounts to manipulate its share price and enrich its shareholders. The report also alleges that the group used shell companies and offshore accounts to avoid paying taxes in India.

The money was sent through a Bermuda-based mutual fund called the Global Opportunities Fund (GOF). Nasser Ali and Chang Chung-Ling's investment in Adani stock as of March 2017 is approximately \$430 million (about 2,795 crore at current exchange rates). As of January 2017, these two investors together held 3.4% of Adani Enterprises' total shares, 4% of Adani Power and 3.6% of Adani Transmission.

The OCCRP investigation also found that a secret UAE-based company called Excel Investment and Advisory Services Limited, owned by Vinod Adani, brother of Gautam Adani and a member of Adani's supporters' group, has over US \$1.4 million dollars in EIFF consultancy fees, EMRF and GOF between June 2012 and August 2014. Investigators not only uncovered invoices and transaction records, but also internal emails showing that EIFF, EMRF and GOF, at the request of Excel Investment and Advisory Services Limited, namely Vinod Adani, invested funds in Adani Group stocks.

Therefore, there is now primal evidence that companies such as EIFF, EMRF and GOF were/are frontmen through which Vinod Adani invested heavily in Adani Group stocks. Adding Vinod Adani's interests in three Adani companies through individuals and offshore companies such as Nasser Ali and Chang Chung-Ling through EIFF, EMRF and GOF - the sponsor group's interest in these companies is disclosed the sponsor group's interest in Adani Enterprises and Adani

Transmission exceeded 78% in January 2017. This would significantly exceed the threshold of 75% set in Article 1.19A of the Securities Contracts Regulations.

The trove of documents lays out a complex web of companies that date back to 2010, when two Adani family associates, Chang Chung-Ling and Nasser Ali Shaban Ahli, began setting up offshore shell companies in Mauritius, the British Virgin Islands and the United Arab Emirates. These financial records appear to show that four of the offshore companies established by Chang and Ahli - who have both been directors of Adani-linked companies - sent hundreds of millions of dollars into a large investment fund in Bermuda called Global Opportunities Fund (GOF), with those monies invested in the Indian stock market from 2013 onwards. This

investment was made by introducing yet another layer of opacity.<sup>6</sup>

Financial records paint a picture of money from the pair's offshore companies flowing front GOF into two funds to which GOF subscribed: Emerging India Focus Funds (EIFF) and EM Resurgent Fund (EMRF). These funds then appear to have spent years acquiring shares in four Adani-listed companies: Adani Enterprises, Adani Ports and Special Economic Zone, Adani Power and, later, Adani Transmission. The documents shed light on how money deposited in opaque offshore structures can covertly influence the shares of listed Indian companies."

**Here are some of the key claims made by the OCCRP report:**

- The Adani Group used a network of shell companies and offshore accounts to covertly trade billions of dollars' worth of its own stock.
- The group used shell companies and offshore accounts to manipulate its share price and enrich its shareholders.
- The group used shell companies and offshore accounts to avoid paying taxes in India.
- The group maintains close ties with the Government of India and uses its political ties to further its business interests.

Regarding the OCCRP allegations, the Adani Group says: "We categorically reject these repeated allegations. These reports appear to be another concerted attempt by Soros-funded interest groups, backed by some foreign media outlets, to revive the vain Hindenburg report. In fact, this was predicted by the media last week. These allegations build on closed files from a decade when the Directorate of Fiscal Intelligence (DRI) investigated allegations of excessive fees, the transfer of funds overseas, transactions with related parties and investment through REITs.<sup>7</sup>

Group promoters had past violations and were accused by SEBI of working with convicted/expelled trader Ketan Parekh to manipulate AEL's share price, the case was settled after payment of the amounts referred to in April 2008.

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<sup>6</sup> Prasenjit Bose, *Explained | Decoding the OCCRP's Adani Report*, THE HINDU (Sept. 1, 2023, 10:34 AM), <https://www.thehindu.com/>

<sup>7</sup> Ibid 5

### **The Sattayam Computer Fraud:**

The Satyam Computer Services fraud was a massive accounting fraud that took place in India in 2009. The company's founder, Ramalinga Raju, admitted to inflating the company's profits by over

\$1 billion. The fraud was made possible by money that came from outside of the country, which was used to buy assets and inflate the company's balance sheet.

Satyam Computer Services was one of the largest IT companies in India. The company was founded in 1987 by Ramalinga Raju and his brothers. Satyam grew rapidly in the 1990s and 2000s, and by 2009 it was one of the most respected companies in India.

However, the company's success was built on a foundation of fraud. Raju and his associates inflated the company's profits by booking fictitious revenues and falsifying its assets. They also used money that came from outside of the country to buy assets and inflate the company's balance sheet.

The fraud came to light on January 7, 2009, when Raju wrote a letter to the board of directors admitting to the fraud. In the letter, Raju said that he had inflated the company's profits by over \$1 billion and that he had used money that came from outside of the country to buy assets and inflate the company's balance sheet.

The Satyam Computer Services scam had a significant impact on the Indian economy. The company's share price plummeted and thousands of employees lost their jobs. The scam also led to a loss of confidence in the Indian economy. In, Raju and his associates were arrested and charged with fraud. They were convicted and sentenced to prison terms. The Satyam Computer Services scam is considered to be one of the biggest corporate scams in the history of India.

The accounting fraud committed by the founders of Satyam in 2009 is evidence that "the science of behaviour is largely influenced by human greed, ambition and passion for power, money, fame and glory". The scandals showed that "excellent conduct, based on good corporate governance, ethics and accounting and auditing standards, is urgently needed". In emerging markets, the Satyam case highlights the need for securities and CG legislation. In fact, Satyam's deception "encouraged the Indian government into tightening CG standards to prevent similar

deceptions from happening again in the future." Therefore, serious financial reporting fraud cases should be investigated to learn lessons and "best practices." determine in order to reduce the occurrence of similar fraud cases in the future.

### **PNB Scam:**

Essentially, Nirav Modi and others involvement in the PNB scam was financial fraud, which they did with the help of senior Punjab National Bank officials. On February 14th 2018, Punjab National Bank (PNB), disclosed that it had been defrauded out of roughly 1.8 billion dollars.

In the PNB case, Nirav Modi was granted LOUs by getting around the bank's reporting procedures by sending unauthorized SWIFT messages to foreign banks. Nirav Modi managed to acquire without attaching any securities with the aid of senior PNB officials. Then, these LOUs were transmitted to banks in other nations using SWIFT messaging.

Letter of undertaking, (LOU) is basically an instrument used by importers to carry out their business. in the case of PNB, the two staff members directly utilized SWIFT to move millions of dollars across borders every hour-bypassing the core banking system (CBS), which handles daily banking agreements and posts updates. SWIFT's function is to carry secure financial messages from one bank to the other.

In order to stop further abuse of the medium, the Reserve Bank of India promptly forbade banks from issuing guarantees in the form of letters of undertaking (LOU). It was also determined that commercial banks will immediately stop granting Letters of Understanding (LoUs) for trade-related credits for imports into India.

The Fugitive Economic Offenders Act (2018), which was passed by the government in reaction to the massive bank fraud, went into effect on April 21 2018. The Act was passed to stop those like Nirav Modi who commit economic crimes from leaving the country. This Act gives courts the authority to seize all of the assets and property of criminals who are accused of defaulting more than Rs. 100 crores as well as those who consciously avoid the legal system by doing so.

### **ABG Shipyard Scam:**

Since its incorporation on March 15, 1985, the company has become a significant player in

India's shipbuilder and repair industry. Their shipyards are in Gujarat, in Dahej and Surat. The company is renowned for producing newsprint carriers, self-discharging and loading bulk cement carriers, floating cranes, interceptor boats, dynamic positioning diving support vessels, pusher tugs, and flotilla for top businesses in India and overseas, according to India Today.

The scheme comprised using money from bank loans to fund investments and personal assets. The State Bank of India headed group of 28 banks that provided loans to ABG Shipyard. A complex network of transactions involving 98 sister concern entities was used to siphon the monies. In 2019 the scam came to light thanks to a forensic audit of ABG Shipyard by Ernst & Young LLP. The audit discovered fraud evidence from April 2012 to July 2017. In November 2019, the banks filed complaint to the Central Bureau of Investigation (CBI).

Agarwal and his cohorts are charged with defrauding a group of up to 28 lenders, headed by ICICI Bank, out of Rs 22,842 crore. The top investigative body in India, the Central Bureau of Investigation (CBI), has accused Agarwal and others of stealing bank loans. The business reportedly used the funds from the loans to finance the acquisition of assets over a six-year period while also funding various linked parties and offshore companies.

The CBI filed a first information report (FIR) against ABG Shipyard and its board of directors, which had been led by Agarwal, on February 7. The "fraud" was carried out by "funds diversion, misappropriation, and criminal breach of trust, with an objective to gain unlawfully at the expense of the bank's funds," according to the FIR. According to the claims, the 2018 Punjab National Bank scam, in which diamond tycoons Nirav Modi and Mehul Choksi are accused of stealing Rs 14,000 crore, was surpassed by the ABG Shipyard case as the worst banking fraud in Indian history.

### **Legal Ramifications:**

#### **The Securities and Exchange Board of India (SEBI):**

This government regulatory body is investigating on group under following sections of the securities and exchange board of India, 1992:

- Section 12A: This section prohibits fraudulent and unfair trading practices in the securities market. Adani Group is under investigation for alleged violations of this article, including false statements of fact in the prospectus and false and misleading

statements to investors.<sup>8</sup>

- Section 12B: This section prohibits insider trading in the securities market. Adani Group is under investigation for alleged violations of this article, including insider trading.
- Section 15A: This section prohibits the misuse of IPO funds. Adani Group is under investigation for alleged violations of this article, including using IPO proceeds for purposes other than those set out in the prospectus.
- Section 24: This section authorizes SEBI to take disciplinary action against companies that violate the provisions of the Indian Securities and Exchanges Act of 1992. Adani Group may face various penalties if found to have breached the provisions of this section of the Act, including penalties. Financial matters, suspension of listing and delisting of own shares of listing.

### **The Central Bureau of Investigation (CBI):**

This government regulatory authority is investigating on group under following sections of Indian penal code 1860:

- Section 420: This section deals with fraud. The Adani Group is being investigated for alleged violations of this section, including the cheating of government officials and the misappropriation of public funds.
  - Section 409: This section deals with criminal breach of trust. The Adani Group is being investigated for alleged violations of this section, including the dishonest misappropriation of property entrusted to it by the government.
  - Section 120B: This section deals with criminal conspiracy. The Adani Group is being investigated for alleged violations of this section, including the conspiring with government officials to commit fraud and criminal breach of trust.
- Section 13(1)(d) of the Prevention of Corruption Act, 1988: This section deals with the criminal misconduct of a public servant by abusing his position to obtain a valuable thing or pecuniary advantage for himself or for any other person. The Adani Group is being investigated for alleged violations of this section, including the bribing of government officials to obtain coal blocks.

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<sup>8</sup> M.G.Arun & Kiran Tare, *ABG shipyard scam: India's biggest banking fraud*, INDIA TODAY, (Mar 5, 2022, 07.30 AM), <https://www.indiatoday.in/>

### **The Coal Mines (Special Provisions) Act, 2015:**

- Section 3: This section prohibits the allocation of coal blocks without due legal process. The Adani Group is under investigation for alleged violations of this point, including the illegal acquisition of coal blocks.
- Section 4: This article authorizes the government to cancel the allocation of coal blocks if it considers that the allocation has been made in violation of the law. The Adani Group may be subject to revocation of the allocation of coal blocks if it is found not to comply with the provisions of this paragraph.

### **The Directorate of Enforcement (ED):**

This government regulatory authority is investigating the group under following the **Prevention of Money Laundering Act, 2002 (PMLA):**

- Section 3: This section defines money laundering. ED is investigating Adani Group for alleged violations of this Article, including converting proceeds of crime into lawful assets.
- Section 4: This section prohibits the concealment of the proceeds of crime. ED is investigating Adani Group for alleged violations of this Article, including concealing proceeds of crime from law enforcement agencies.
- Section 5: This section prohibits the acquisition, possession, use or investment of proceeds of crime. ED is investigating Adani Group for alleged violations of this Article, including using proceeds of crime to purchase assets or invest in businesses.
- Section 6: This section authorizes the ED to temporarily seize property suspected of being the proceeds of crime. ED temporarily seized assets of the Adani Group worth tens of billions of rupees.
- Section 7: This section authorizes ED to investigate money laundering cases. ED has been investigating the Adani Group for several years.

### **The Fugitive Economic Offenders Act, 2018 (FEOA):**

- Section 2(1)(a): In this section, a fugitive economic offender is a person who has fled India to avoid prosecution.
- Section 2(1)(b): This section defines a fugitive economic offender as a person residing outside of India who fails to cooperate with the India's authorities in the investigation or prosecution of a criminal matter against them.

- Section 2(1)(c): This section defines a fugitive white-collar criminal as a person who possesses assets outside of India and does not cooperate with the Indian authorities to recover those assets.

### **The Ministry of Environment, Forest and Climate change:**

This government regulatory authority is investigating the group under following the **Environment Protection Act, 1986:**

- Article 3: This section prohibits the discharge of pollutants into the air, water and soil. The Adani Group is under investigation for alleged violations of this point, including the emission of pollutants from its factories and the disposal of hazardous waste.
- Section 5: This section empowers the Government to take measures for the prevention and control of environmental pollution. The Ministry of Environment, Forests and Climate Change may take various actions against Adani Group if it is found to have violated this section, including issuing a closure notice, imposing fines and ordering environmental corrective measures.
- Section 6: This section empowers the government to establish environmental standards and regulations. The Ministry of Environment, Forestry and Climate Change may set higher environmental standards for the Adani Group if found to have breached the provisions of this paragraph.
- Section 15: This section empowers the government to bring charges against companies that violate the Environmental Protection Act 1986. Adani Group could be prosecuted if found to have breached this article, including imprisonment and fines.

### **Conclusion:**

The allegations of stock manipulation are serious and could have a significant impact on the reputation of the Adani Group and its future development prospects. The Indian government has ordered an investigation into the allegations and the Securities and Exchange Board of India (SEBI) is also investigating. The outcome of the investigation is still uncertain, but if the allegations prove true, they could have a devastating impact on the Adani Group.

An expert committee was constituted by the Indian Supreme Court to conduct an investigation into the claims stated in the Hindenburg report. The report of the committee, which was released in July 2023, did not uncover any solid proof of misconduct by the Adani Group. The

committee did discover certain inconsistencies in the financial statements of the Adani Group.

The Securities and Exchange Board of India (SEBI), according to the committee, did not effectively oversee the Adani Group. The conclusions to support the Adani Group and demonstrate that it is a professionally operated business. The Hindenburg report was driven by short-seller interests and was based on unproven assertions. The conclusions to constitute a scathing condemnation of the Adani Group. The committee discovered discrepancies in the financial accounts of the Adani Group and found that SEBI had not properly monitored the business. The Adani May be involved in unethical and unlawful acts, according to this indication.

The conclusions are conflicting. On the one hand, the committee did not discover any solid proof of the Adani Group's malfeasance. However, the committee did discover several inconsistencies in the financial statements of the Adani Group. It is still too soon to determine with certainty if the Adani Group has committed any misconduct.

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