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WHITE BLACK LEGAL is an open access, peer-reviewed and refereed journal provided dedicated 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

# **CORPORATE GOVERNANCE IN CRISIS: THE ADANI-HINDENBURG AFFAIR AND ITS BROADER IMPLICATIONS**

AUTHORED BY - ADITI TIWARI

## **Abstract**

Robust corporate governance is fundamental to maintaining transparency, accountability, and sustainability in corporate operations. The controversy surrounding the Adani Group and Hindenburg Research has spotlighted critical weaknesses in governance mechanisms and regulatory oversight, particularly in fast-developing economies like India. This paper explores the principles of sound corporate governance, delves into the key elements of the Adani-Hindenburg saga, evaluates its impact on various stakeholders, and draws lessons applicable to broader emerging markets. Drawing from legal frameworks, academic insights, and regulatory developments, the article highlights the urgent reforms needed to enhance corporate accountability, bolster investor confidence, and ensure ethical business practices.

Corporate governance involves the frameworks and processes through which companies are directed and managed. It ensures that organizations remain accountable and transparent in their dealings with stakeholders—including shareholders, regulators, employees, and the public.<sup>1</sup> Effective governance is grounded in four essential principles: accountability, transparency, fairness, and responsibility. These tenets help corporations align strategic decisions with ethical practices, reduce legal and financial risks, and foster long-term value creation.<sup>2</sup> These principles underpin sound decision-making and protect organizations from legal, financial, and reputational risks.<sup>3</sup> When governance mechanisms fail, however, the result is often reputational damage, financial irregularities, and erosion of public trust. The Adani-Hindenburg controversy serves as a case study in such systemic breakdowns.<sup>4</sup>

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<sup>1</sup> Tricker, B. (2019). *Corporate Governance: Principles, Policies, and Practices*. Oxford University Press.

<sup>2</sup> OECD. (2015). *G20/OECD Principles of Corporate Governance*.

<sup>3</sup> Mallin, C. A. (2016). *Corporate Governance*. Oxford University Press.

<sup>4</sup> The Institute of Chartered Accountants in England and Wales, (May 22, 2025, 6:48 PM) <https://www.icaew.com/technical/corporate-governance/principles/principles-articles/does-corporate-governance-matter>

## Drawing the Curtain on the Adani-Hindenburg Affair

In January 2023, Hindenburg Research, a U.S.-based investment research firm known for its short-selling strategies, published a comprehensive report accusing the Adani Group of manipulating stock prices, concealing ownership structures, and engaging in financial misconduct. The report contended that the exponential rise in Adani Group stock—over 1000% in just three years—was not backed by corresponding growth in fundamentals such as revenue or asset expansion. Instead, it alleged that the surge was artificially orchestrated through a network of offshore shell entities, primarily based in Mauritius, tied to Vinod Adani, brother of Adani Group chairman Gautam Adani.<sup>5</sup>

The allegations centred around the exponential rise in the share prices of Adani Group companies, which had reportedly surged over 1000% in three years without a proportional increase in revenues or assets. According to Hindenburg, these gains were driven not by organic growth, but by stock manipulation and covert transfers through a network of Mauritius-based shell firms allegedly linked to Vinod Adani, the brother of Gautam Adani.<sup>6</sup>

Within days, Adani companies lost over \$150 billion in market capitalization, and the conglomerate was forced to cancel a ₹20,000 crore (\$2.4 billion) share offering. The Securities and Exchange Board of India (SEBI) launched an investigation to determine whether the group violated securities laws and whether the market was adequately informed about its ownership structures.<sup>7</sup>

In a 413-page rebuttal, Adani Group denied all accusations, labelling the report as an "attack on India" and an attempt to sabotage its public offering. The company emphasized that its financial statements had been audited and were in compliance with Indian laws. Nevertheless, the damage had been done, with domestic and international stakeholders questioning the credibility of Indian corporate and regulatory institutions.<sup>8</sup>

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<sup>5</sup> Hindenburg Research. "Adani Group: How the World's 3rd Richest Man Is Pulling the Largest Con In Corporate History." Hindenburg Research, 2023 (May 22, 2025, 6:47 PM) <https://hindenburgresearch.com/adani/>

<sup>6</sup> Hindenburg vs Adani Group: A Timeline of Events, HINDUSTAN TIMES (May 22, 2025, 6:51 PM) <https://www.hindustantimes.com/india-news/hindenburg-vs-adani-group-a-timeline-of-events-101723354930950.html>

<sup>7</sup> Adani vs Hindenburg Research: What you need to know, ECONOMIC TIMES (May 22, 2025, 6:53 PM) [https://m.economicstimes.com.cdn.ampproject.org/v/s/m.economicstimes.com/news/company/corporate-trends/adani-vs-hindenburg-research-what-you-need-to-know/amp\\_articleshow/.cms](https://m.economicstimes.com.cdn.ampproject.org/v/s/m.economicstimes.com/news/company/corporate-trends/adani-vs-hindenburg-research-what-you-need-to-know/amp_articleshow/.cms)

<sup>8</sup> Chatterjee, S., & Sen, A. (2023). Regulatory silence in the Adani-Hindenburg affair. *Economic & Political Weekly*, 58(7), 17–20.

In March 2023, the Supreme Court of India appointed an expert panel to assess SEBI's investigation into the Adani Group and identify any potential lapses in regulatory oversight. SEBI had been assigned the task of probing allegations concerning Adani's alleged stock manipulation and use of offshore entities. Citing the intricate nature of the case, SEBI sought multiple extensions to complete its inquiry. Despite pleas from petitioners for the case to be handed over to the Central Bureau of Investigation (CBI) or a Special Investigation Team (SIT), the apex court upheld SEBI's authority, ruling out the need for transferring the probe. By early 2024, the Supreme Court reiterated its stance, stating that SEBI should be allowed to carry out its investigation independently, thereby reinforcing its regulatory mandate.<sup>9</sup>

Just as the controversy appeared to be winding down, new revelations emerged, once again placing the Adani-Hindenburg affair under scrutiny. A fresh report released by Hindenburg Research made serious allegations involving SEBI chairperson Madhabi Puri Buch and her spouse, Dhaval Buch. The report claimed that the couple had invested in an offshore fund with possible connections to the Adani Group. These investments, it alleged, were linked to a financial structure created by Vinod Adani through India Infoline (IIFL), a wealth management entity that has previously faced scrutiny in connection with the Wirecard scandal. According to Hindenburg, the Buchs opened an account with IPE Plus Fund 1 in Singapore on June 5, 2015, a fund believed to be part of a broader offshore network associated with Adani operations.<sup>10</sup>

In response, the Adani Group categorically refuted the accusations, labelling them as "malicious, mischievous, and manipulative." The conglomerate claimed that the allegations were a distorted interpretation of publicly accessible data, intended to fit a predetermined narrative for monetary benefit. Adani further pointed out that the accusations were recycled versions of previously dismissed claims, referencing the Supreme Court's January 2024 judgment that cleared them. The Group also suggested that these renewed charges were a

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<sup>9</sup> Adani-Hindenburg Saga: A Chronology Of How A Us Short-Seller Sent One Of India's Biggest Conglomerates Into Turmoil, ECONOMIC TIMES, (May 22, 2025, 7:01 PM) <https://economictimes.indiatimes.com/news/india/adani-hindenburg-saga-a-chronology-of-how-a-us-short-seller-sent-one-of-indias-biggest-conglomerates-into-turmoil/articleshow/112440951.cms>

<sup>10</sup> Hindenburg Report: Gautam Adani-Led Co Denies Commercial Relationship With SEBI Chairperson Madhabi Puri Buch, ECONOMIC TIMES, (May 22, 2025, 7:03 PM) [https://economictimes.indiatimes.com/news/india/hindenburg-report-gautam-adani-led-co-denies-commercial-relationship-with-sebi-chairperson-madhabi-puri-buch/articleshow/112439430.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/news/india/hindenburg-report-gautam-adani-led-co-denies-commercial-relationship-with-sebi-chairperson-madhabi-puri-buch/articleshow/112439430.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

retaliatory tactic following SEBI's enforcement actions against Hindenburg.<sup>11</sup>

Notably, Hindenburg clarified in its report that the investments attributed to the Buchs predated Madhabi Buch's tenure at SEBI—she joined as a full-time member in 2017 and assumed the chairperson role in 2022. The report also alleged that the offshore fund structure was part of a scheme involving Vinod Adani-linked entities that invested in Indian securities using funds derived from inflated invoices for power equipment sold to Adani companies.<sup>12</sup>

Amid these unfolding developments, the Public Accounts Committee (PAC) of the Indian Parliament announced that it would examine the functioning of key regulatory institutions. The PAC summoned SEBI chief Madhabi Puri Buch and TRAI chairperson Anil Kumar Lahoti to appear before it on October 24, 2024. According to a Press Trust of India (PTI) report, senior officials from the Finance Ministry were also invited to participate. This move reflects the PAC's intent to conduct a comprehensive review of these agencies, ensuring accountability and robust governance across sectors under their jurisdiction.<sup>13</sup>

### **Corporate Governance Failures in the Adani Case**

The Adani-Hindenburg case has highlighted several concerns about governance practices within both the Adani Group and the regulatory bodies tasked with overseeing corporate activity in India. Hindenburg Research's report accused the Adani Group of engaging in a series of unethical practices, such as stock manipulation, accounting fraud, and the improper use of offshore entities to inflate stock values and obscure ownership. These allegations raise significant questions about compromised governance practices within the conglomerate and broader regulatory lapses.

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<sup>11</sup> Sebi Chief Madhabi Buch Accuses Hindenburg Of Attempting Character Assassination, Denies Short-Seller's Allegations, ECONOMIC TIMES, (May 22, 2025, 7:04 PM) <https://economictimes.indiatimes.com/markets/stocks/hindenburg-doing-character-assassination-in-response-to-sebi-notice-says-madhabi-buch-denies->

<sup>12</sup> Hindenburg Report: Gautam Adani-Led Co Denies Commercial Relationship With SEBI Chairperson Madhabi Puri Buch, ECONOMIC TIMES (May 22, 2025, 7:09 PM) [https://economictimes.indiatimes.com/news/india/hindenburg-report-gautam-adani-led-co-denies-commercial-relationship-with-sebi-chairperson-madhabi-puri-buch/articleshow/112439430.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/news/india/hindenburg-report-gautam-adani-led-co-denies-commercial-relationship-with-sebi-chairperson-madhabi-puri-buch/articleshow/112439430.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

<sup>13</sup> Asit Manohar, Adani-Hindenburg case: Public Accounts Committee calls SEBI chief, top Finance Ministry officials LIVEMINT (May 22, 2025, 7:10 PM) <https://www.livemint.com/market/stock-market-news/adanihindenburg-case-public-accounts-committee-pac-calls-sebi-chief-top-finance-ministry-officials-11728104787172.html>

### 1. Lack of Transparency and Disclosures

One of the central issues flagged by Hindenburg was the lack of transparency regarding the Adani Group's complex financial structures. The report detailed how Adani allegedly used a network of offshore entities, including those based in Mauritius, to obscure the real ownership of its publicly traded companies. These shell companies were purportedly controlled by Adani family members, yet not disclosed to regulators or investors, which violated norms for corporate transparency and accountability. The use of undisclosed offshore entities is a significant governance failure, as it potentially allowed the Adani Group to manipulate stock prices by artificially inflating the value of its shares through coordinated buying. The lack of clear ownership disclosure also undermined the trust of investors and raised concerns about insider trading.<sup>14</sup>

### 2. Weak Regulatory Oversight

Despite early warnings from analysts and media reports, SEBI failed to act promptly, raising concerns about regulatory inertia. Accordingly, robust investor protection and active enforcement are indispensable for corporate governance, especially in emerging economies. The delayed response by SEBI illustrates the risks posed by regulatory capture or under-capacity.<sup>15</sup> A Supreme Court-mandated committee later examined SEBI's conduct and recommended institutional reforms to reinforce oversight. However, the fact that investigations were prolonged due to their complexity indicates structural vulnerabilities in enforcement mechanisms.<sup>16</sup>

### 3. Concentrated Ownership and Lack of Independence

The Adani Group's governance structure is heavily centralized, with key executive positions held by family members. Such concentrated ownership structures, without adequate checks and balances, are prone to conflicts of interest and poor risk management.<sup>17</sup> A lack of independent directors and internal dissent can facilitate the unchecked exercise of power, leading to governance breakdowns. In the case of Adani, the family's dominance over key decisions and

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<sup>14</sup> 'Explained: How Gautam Adani v/s Hindenburg saga has unfolded so far - TIMES OF INDIA' (THE TIMES OF INDIA), (May 22, 2025, 7:18 PM) <https://timesofindia.indiatimes.com/business/india-business/explainer-how-adani-v-s-hindenburg-saga-has-unfolded-so-far/articleshow/97558775.cms>

<sup>15</sup> La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2000). Investor protection and corporate governance. *Journal of Financial Economics*, 58(1-2), 3–27.

<sup>16</sup> Kaushal Shroff, Credit Research Firm Red-Flags Adani Group's House of Debt THE WIRE (May 22, 2025, 7:16 PM) <https://thewire.in/business/creditsights-red-flag-adani-group>

<sup>17</sup> Claessens, S., Djankov, S., & Lang, L. H. (2002). Disentangling the incentive and entrenchment effects of large shareholdings. *Journal of Finance*, 57(6), 2741–2771.

ownership stakes potentially compromised checks and balances. In the aftermath of these allegations, questions have been raised about the role of auditors, banks, and credit agencies that continued to support the Adani Group despite governance concerns. Critics argue that some of these entities may have turned a blind eye to potential warning signs, raising further concerns about compromised governance practices within the ecosystem surrounding large corporate entities like Adani.

### **The Implications That the Adani Controversy Had Over Stakeholders**

Despite the growing efforts, earning back trust was a major challenge for the Adani Group. Reportedly, data from the financial markets highlighted that foreign institutional investor (FIIs) had been reducing their stakes in Adani's key companies since early 2023 streamlining the implications of this global affair onto several key players.

#### **1. Investors**

The report's release caused a sharp fall in Adani shares, wiping out over \$100 billion in investor wealth in just 10 days. Institutional investors, particularly foreign ones, rapidly reduced their holdings in Adani Enterprises and Adani Ports, reflecting diminished trust. Yet, by late 2024, certain stocks such as Adani Ports and Adani Green Energy began recovering, buoyed by favourable quarterly earnings. However, as noted, investor caution persisted, with market participants demanding greater transparency before reinvesting heavily.<sup>18</sup>

#### **2. Regulators and Policy Framers**

The controversy forced a re-evaluation of India's regulatory institutions. SEBI and the Ministry of Finance came under parliamentary scrutiny, particularly from the Public Accounts Committee, which demanded accountability from both SEBI Chairperson Madhabi Puri Buch and TRAI leadership. Critically, SEBI's independence came into question, especially following allegations that its chairperson's family had indirect investments in offshore entities linked to the Adani Group. Though SEBI maintained that these investments predated her appointment, the optics intensified the call for reform<sup>19</sup>

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<sup>18</sup> Singh, A., & Sharma, R. (2023). Corporate Governance in India: A Study of Post-Hindenburg Regulatory Response. *Indian Journal of Corporate Law and Governance*, 9(1), 45–60.

<sup>19</sup> Saxena, R. (2024). The SEBI crisis and India's Regulatory Credibility. *India Business Law Journal*, 19(2), 28–31.

### 3. The Corporate Ecosystem

This case highlighted systemic weaknesses in auditing, banking, and credit rating institutions. Several rating agencies and auditing firms continued to support the Adani Group despite red flags. This suggests a need for higher accountability and performance audits of financial intermediaries, akin to reforms undertaken in the post-Enron era in the U.S.<sup>20</sup>

## The Lessons Learned and Future Pathway

The Hindenburg Research Report triggered sharp decline in the stock prices of Adani Group companies and prompted investigations by regulatory bodies. Although the Adani Group vehemently denied all accusations, the controversy brought corporate governance issues in India into sharper focus. The case highlighted the need for more stringent regulations and better enforcement mechanisms to protect investors and hold corporations accountable for unethical behaviour.<sup>21</sup>

One of the most significant takeaways from the Adani-Hindenburg controversy is the *importance of transparency in corporate governance*.<sup>22</sup> The allegations of accounting fraud and stock manipulation, coupled with the use of offshore shell entities to obscure ownership structures, highlight the need for clear and transparent corporate disclosures. Poor transparency erodes investor trust, as seen when global investors reduced their stakes in Adani companies following the allegations. This underlines the importance of detailed financial reporting and proper auditing processes for maintaining shareholder confidence and long-term corporate sustainability.<sup>23</sup>

The case also underscores the *role of regulatory bodies such as the Securities and Exchange Board of India (SEBI)*.<sup>24</sup> Hindenburg Research's report raised questions about SEBI's role in investigating alleged corporate misconduct and its perceived failure to act. Effective regulation

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<sup>20</sup> Adani Group Stocks Fall Up To 7% On Hindenburg Report; Investors Lose Rs. 53,000 Crore TIMES OF INDIA (May 22, 2025, 7:34 PM) <https://timesofindia.indiatimes.com/business/india-business/adani-group-stocks-fall-up-to-7-on-hindenburg-report-investors-lose-rs-53000-crore/articleshow/112457655.cms>

<sup>21</sup> Iyer, K., & Bhattacharya, T. (2024). Family-Owned Conglomerates and Governance Risk: A Study of the Adani Group. *Indian Journal of Corporate Affairs*, 18(2), 33–51.

<sup>22</sup> Charu Zelawat, The Impact of The Adani-Hindenburg Case on Corporate Governance in India, (May 22, 2025, 22:01 PM) <https://www.linkedin.com/pulse/impact-adani-hindenburg-case-corporate-governance-india-charu-zelawat>

<sup>23</sup> Deshpande, A. (2023). Corporate Ethics and Transparency: Lessons from the Adani-Hindenburg Affair. *Indian Journal of Finance and Corporate Governance*, 12(4), 22–35.

<sup>24</sup> Mehta, R., & Joshi, V. (2023). Regulatory Oversight in Indian Capital Markets: A Critique of SEBI's Role in the Adani Controversy. *NALSAR Law Review*, 15(2), 87–104.

and oversight are vital for preventing market manipulation and ensuring companies operate within legal frameworks. Weaknesses in regulatory oversight, especially in developing markets, can compromise investor confidence and the overall integrity of the market.

The case demonstrates *the importance of due diligence for investors*,<sup>25</sup> especially institutional ones. Hindenburg's detailed investigation and subsequent market reactions revealed that even large conglomerates are vulnerable to allegations of misconduct. Foreign institutional investors (FIIs), in particular, significantly reduced their stakes in Adani companies' post-allegations, showing how crucial it is for investors to conduct thorough research into a company's financial health and governance before making investments.

Furthermore, an emphasis on corporate ethics, including adherence to environmental, social, and governance (ESG) standards, can serve as a preventive measure against future controversies, enhancing long-term reputational and financial stability. To avoid similar controversies in the future, it is crucial that companies adopt a culture of transparency and adhere to ethical governance practices.<sup>26</sup> Regulators must enhance their oversight capacities, and investors should continue to emphasize due diligence. Stronger protections for whistleblowers and adherence to ESG principles will also foster a more ethical and transparent corporate ecosystem.

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<sup>25</sup> Reddy, V. & Sinha, A. (2023). Impact of Financial Disclosures on Investor Sentiment: Evidence from the Adani Case. *Indian Journal of Capital Market Studies*, 6(2), 72–89.

<sup>26</sup> Singh, A., & Sharma, R. (2023). Corporate Governance in India: A Study of Post-Hindenburg Regulatory Response. *Indian Journal of Corporate Law and Governance*, 9(1), 45–60.