

Jo Johnson quits firm caught in India tumult

Peer resigns as director of UK investment bank Elara Capital after short seller's Adani claims

CYNTHIA O'MURCHU AND LOUIS ASHWORTH — LONDON

Jo Johnson, the former Conservative minister and brother of former UK prime minister Boris Johnson, has resigned as a director of Elara Capital, a London-based firm embroiled in the controversy at the Adani empire.

Johnson joined Elara, a self-styled "leading investment bank" for Indian companies seeking to raise money overseas, in June last year.

It was one of the 10 bookrunners on the share sale that Adani's flagship group abandoned on Wednesday, a week after US short seller Hindenburg Research accused the Adani Group of stock price manipulation and accounting fraud.

But it is Elara's asset management business that has drawn scrutiny. Hindenburg alleged that Mauritius-based funds run by the London firm were part of a scheme to manipulate the stock price of Adani Group's listed companies and conceal the scale of the family's ownership of them.

The report from Hindenburg quoted what it said were two unnamed former Elara traders who alleged that the routing of transactions through Mauritius-based funds was designed to obscure who was ultimately behind them.

Adani has categorically denied Hindenburg's accusations, calling them a "malicious combination of selective misinformation and stale, baseless and discredited allegations".

It has also rejected having any relationship with Elara and other offshore funds named by Hindenburg that have invested heavily in Adani's empire, which includes ports, energy and airports and includes 10 companies listed in Mumbai.

"Innuendoes that they are in any manner related parties of the promoters are incorrect," Adani Group noted in its rebuttal of Hindenburg's allegations.

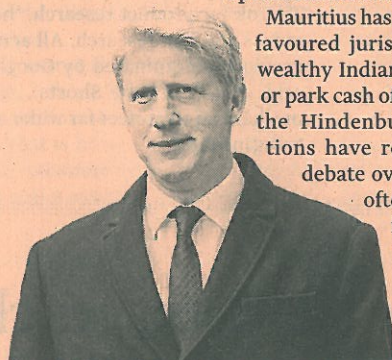
Raj Bhatt, Elara Capital's chief executive and founder, referred the Financial Times's request for comment to its compliance officer, who did not respond.

Bhatt founded Elara in 2002 and is the group's majority shareholder. Accord-



Mauritius, where Elara Capital's funds are based and, below, Lord Jo Johnson, who has resigned as a director

Alamy



ing to Companies House, some other stakes in Elara are held through companies, including one called Shell Investments. The firm's profits have surged more than fivefold since 2019 and it reported a pre-tax profit of £19.4mn for the financial year to March 2022, according to its latest accounts, with 60 per cent of its earnings attributed to operations in Mauritius.

Mauritius has long been a favoured jurisdiction for wealthy Indians to invest or park cash offshore. But the Hindenburg allegations have rekindled a debate over whether often-opaque funds registered there are also used to breach Indian

market regulations and manipulate share prices.

Two Mauritius-based Elara funds — the Elara India Opportunities Fund and Vespera — have been significant investors in Adani's publicly traded companies. According to data from S&P Global Intelligence, Elara Capital's asset management arm was the third-largest shareholder in Adani Enterprises with a 5.1 per cent stake in the summer of 2021. As of December, Adani groups accounted for 99 per cent of the \$3bn the Elara India Opportunities Fund had invested in listed Indian companies, according to data provider Trendlyne.

Despite a low profile in the City, Elara managed to attract not just Johnson but distinguished economist Lord Meghnad Desai as a non-executive director.

When Johnson joined last year, Elara said it would seek to tap his expertise on investing in areas such as technology and education. Johnson, a former FT

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journalist, did not respond to requests for comment before his resignation, which was dated February 1 and disclosed in a filing at Companies House yesterday.

Desai told the FT that the Hindenburg allegations were "very vague" but that he had contacted the financial regulator in Mauritius as well as Bhatt to seek more information.

"My position is that whether the report is correct or not, the market believed it," Desai said. "If it is correct that Elara was used as a vehicle indirectly by the Adanis then we have to worry about that. If this is not clarified by the government they [India] are going to have a serious problem attracting foreign capital."

While Elara Capital is headquartered in the UK, all of its subsidiaries are based overseas, including India, and its funds are registered in Bermuda and Mauritius.