

# Scandal Shows Risks of India's Bets on Big Firms

By **TRIPTI LAHIRI AND SHAN LI**

In the wake of U.S. bribery allegations against top executives of India's Adani Group, the country faces a reckoning with an economic model that took hold during Prime Minister Narendra Modi's decade in power—one that allowed a small group of politically connected entrepreneurs to grow rich at a cost to the country.

Economists and policy experts say Modi promoted "national champions," allowing a small number of conglomerates to become giant actors across swaths of the economy. Those companies can deliver on the massive infrastructure projects—from roads to high-speed telecom networks—that India needs to boost its growth. But the concentration of so much economic might crowds out other firms and weighs on private investment, economists say.

**Adani Group**, an empire that stretches from ports to coal and renewable energy, and whose founder Gautam Adani is close to Modi, lost more than \$50 billion in stock market value since the U.S. Justice De-

partment alleged in an indictment recently that Adani and associates orchestrated a \$250 million bribery scheme to ensure buyers for their solar power in India.

Gautam Adani and his nephew Sagar Adani were charged with securities fraud and two counts of fraud conspiracies, in connection with misrepresenting the company's anticorruption practices to raise money from investors. The Securities and Exchange Commission brought civil charges against the two defendants, who are Indian nationals.

The group denied any wrongdoing. It didn't respond to a request for comment.

France's TotalEnergies, which has a nearly 20% stake in **Adani Green Energy**, the unit that is at the center of the allegations, said it would pause further investment into Adani businesses. A U.S. government development agency is reviewing its plan to invest in a port Adani is developing in Sri Lanka, while Kenya canceled plans for Adani Group to expand its main airport. Rating firms downgraded their



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**Sagar Adani**

outlook for some of the group's debt.

The indictment cast a negative light on business practices in a country that attracted more investor interest in recent years as China's economy slowed. India grew at more than 8% in its last fiscal year, in part due to infrastructure spending by the government carried out by large private firms.

Regulators approached such firms with caution, knowing they enjoy close ties

with powerful decision makers. By raising investment overseas, Adani Group entered the scrutiny of U.S. regulators.

The prime minister's office didn't respond to a request for comment.

The Modi government has said every company competes on equal footing.

Adani's business expanded most significantly in the past decade, amid regulatory, technological and geopolitical shifts after Modi entered national office.

Adani's renewable-energy business got off the ground a decade ago, as Modi announced ambitious renewable-energy goals for the country. It has since grown to become the world's second-largest solar developer, the firm said.

India aims to have 500 gigawatts of renewable energy installed by 2030, up from about 200 gigawatts now. Adani Green has said it aims to be the world's largest renewables developer by the same year.

The U.S. indictment focused on a deal to supply eight gigawatts of solar power that was awarded to Adani Green in 2020 by the Solar Energy Cor-

poration of India, an enterprise set up by the Indian government to promote renewable-energy development, and to act as a broker between developers and state utilities.

The deal was dependent on state utilities entering into deals with the government corporation for the power from Adani. But India's utilities have sometimes been reluctant to buy renewable energy amid concerns over the variability in its supply, and the expectation that prices will decline further.

U.S. prosecutors allege that Adani and his associates decided to offer bribes to entice the state utilities to sign deals with the Solar Energy Corporation of India. The indictment said a senior official in the southern Indian state of Andhra Pradesh was offered the majority of the bribe money, and the state entered into a deal for seven gigawatts of power to be supplied by Adani Green.

The political party in power at the time of that deal denied any wrongdoing and said the government intermediary offered the state a low-cost deal for the solar power.