

Hindenburg lashes out at Sebi's show-cause notice

SEBI ALLEGED HINDENBURG colluded with Kingdon by providing a draft of its report on Adani Group before it was released publicly. Mark Kingdon, the owner of Kingdon Capital, then set up a fund able to trade Indian equities known as K Indian Opportunities Fund, the regulator alleged. That fund created short positions in Adani Group stocks between January 10-20, 2023, five days before Hindenburg's report was published.

According to Hindenburg, much of the Sebi notice seemed to imply that its legal and disclosed investment stance was something secret or insidious, or to advance novel legal arguments claiming jurisdiction over it. Hindenburg said one might think that a securities regulator would be interested in meaningfully pursuing the parties that ran a secret offshore shell empire engaging in billions of dollars of undisclosed related party transactions through public companies, while propping up its stocks through undisclosed share ownership via a network of sham investment entities.

"Instead, Sebi seems more interested in pursuing those who expose such practices. This stance is broadly in line with the actions of other ele-



ments of Indian government which have sought to arrest four journalists for writing critical articles about Adani and expelled members of Parliament who were critical of Adani," Hindenburg said. In addition, it alleged that Sebi had pressured brokers behind-the-scenes to close short positions in Adani companies under the threat of expensive, perpetual investigations, effectively creating buying pressure and setting a 'floor' for Adani's stocks at a critical time.

Akshat Khetan, founder of AU Corporate and Legal Advisory Services, said Sebi's response will be crucial in setting a precedent for how similar issues are handled in the future, reinforcing its role as a vigilant guardian of market fairness and investor protection. Others said Sebi's

notice exposes how Hindenburg's report was full of conjectures, lies, and misrepresentations, with the sole intention of maximising profits from their short positions. Hindenburg claims extensive investigation yet relies heavily on news articles and press notes, they said. The Supreme Court had given a clean chit to the Adanis and had instructed Sebi to probe entities involved in short selling. Among other allegations, the US short seller said some of Sebi's arguments were circular. "The regulator claimed that the disclaimers in our report were misleading because we were 'indirectly participating in the Indian securities market', and, therefore, were short Adani. This wasn't a mystery—virtually everyone on earth knew we were short Adani because we prominently and repeatedly disclosed it," it said. It said the regulator, despite claiming inaccuracies in its report, was unable to come up with anything. Hindenburg also alleged lack of Sebi action in some other corporate governance issues. "Based on the hundreds of tips and leads we received following the Adani report, Adani is by no means the only lurking and ongoing issue Sebi has failed to address," it said.