

THE HINDENBURG RESEARCH REPORT: AN EVENT STUDY ON STOCK PRICES OF ADANI GROUP OF COMPANIES

Priyanka Ghosh*

Abstract

The Hindenburg LLP, USA is renowned for its investment research on various companies. Recently, the firm released a research report on the Adani Group claiming that the Group is involved in the manipulation of stock prices. In this research, the researcher has considered 9 listed companies of the Adani Group to analyze the impact of research reports on stock prices. The researcher also considers the share price of SBI (the largest loan provider to the Group) and LIC (the largest stakeholder of the Group) for the study. To test the framed hypotheses OLS Market Model of Event Study Methodology has been applied. During the study it has been observed that the share price of Adani Total Gas has reduced by 56% followed by Adani Enterprise has reduced by 54%. Among all the Adani Group of Companies, the Share Price of Adani Total Gas has reduced more totaled by approx. 83% by 28th February 2023. Among all 9 listed companies of Adani Group, the research report has less effect on the share price of ACC Ltd. (21.169%) Followed by Adani Power (26.43%) and Adani Wilmar (26.48%). The research also showed that the announcement of the Hindenburg Research Report had a negative impact on the share prices of LIC and SBI, and both companies have failed to create any abnormal returns for their shareholders.

Keywords: Hindenburg Research Report, Event Study, Abnormal Return, Average Abnormal Return and OLS Market Model.

Introduction

As a developing country, Indian Economy is growing rapidly. Despite the declining economic growth of the world economy, the Indian Economy has proved its strong macroeconomic fundamentals which placed the Indian Economy well advanced as compared to any other emerging market economy. Indian companies too are dominating

*Assistant Professor, Kristu Jayanti College (Autonomous)

the world market. India currently holds 5th position in the world with the help of the 20 most invaluable companies in the world. Of these 20 companies, 11 companies have headquarters in Mumbai, 4 in Ahmedabad and 1 each in Delhi, Kolkata and Noida respectively. As per the list which is issued by Hurun Research Institute, the listed companies are being ranked based on their total market capitalization and in the ranking of non-listed companies' the valuation method has been followed. Reliance Industries is positioned at the top of the list among all Indian Companies ranked 34th worldwide. The list is also followed by TCS with US\$139 billion and HDFC Bank with US\$ 97 billion. The present list has also welcomed the entry of 4 new companies named as- Adani Transmission, Adani Enterprises and Adani Total Gas which are all administered by Gautam Adani.

The Adani Group which is led by Gautam Adani is operating in various industries like energy, agri-business, logistics and real estate. The Adani Group was established in 1988 and presently it is an exceptionally diversified company. The Group also has an interest in power, ports, solar and renewable energy business. The current market capitalization of Adani Enterprises is Rs. 2.17 trillion which has been reduced from Rs. 3.93 trillion. The company has headquarters at Ahmedabad with more than 17000 employees which has also been reduced from 23000 employees.

About Adani Group of Companies

Adani Group operates various types of businesses such as agriculture, logistics, real estate, and energy. They are also involved in the development of various infrastructure projects like SEZ, Airports, Ports etc. The Group is owned by Mr. Gautam Adani in 1988 and the company is owned by Mundra Port which is the largest private port in India. Adani Power Ltd., one of the companies of Adani Group is also the largest producer of thermal power in India. The following are the listed companies owned by Adani:

Adani Enterprises: The company is mainly involved in mining and other commodity trading operations.

Adani Power Ltd.: The company is mainly in the operation and maintenance of various power plant projects.

Adani Green Energy: This company is the biggest producer of clean energy worldwide. The company runs its operation through three subsidiaries namely-

Adani Renewable Energy Thirty-Six Ltd., Adani Renewable Energy Forty Limited., Adani Renewable Energy Forty-Seven Ltd.

Adani Ports & SEZ: The company is involved in operating and maintaining Ports and SEZs. Presently it operates 5 ports in various states of India.

Adani Total Gas: It is a Joint Venture of Adani Group and Total Energies SE which is a French Gas and Oil Company.

Adani Wilmar: It is also a Joint Venture of Adani Group and Wilmar International. The company is involved in the Food and Beverages business.

ACC Limited: ACC Limited formerly popular as The Associated Cement Companies Pvt. Limited. The company is a subsidiary of Ambuja Cements and it is also owned by Adani Group.

Ambuja Cements: The company was previously known as Gujrat Ambuja Cement Limited and is the biggest cement production company in India. The company is actively involved in both domestic and international markets. Adani Group is the parent company of Ambuja Cements.

Adani Group Stocks and Hindenburg Research Report

Hindenburg Research is an LLC firm situated in the USA in 2017. This Investment Research Firm has been founded by Nathan Anderson. The company is mainly specialized in forensic financial research. The firm is looking for those companies which are having any of the following combinations-

- Irregularities in Accounting

- Mismanagement by the Directors.

- Undisclosed information related to accounts or third-party transactions.

- Illegal/Unethical Practices for preparing financial reports.

- Undisclosed information related to financial matters or regulatory issues.

The firm released a report in September 2020 titled 'Nikola: How to Parlay an Ocean of Lies into a Partnership with the Largest Auto OEM in America'. The report reveals various false statements made by Nikola in previous years to ink the partnership with GM. Also in June 2020, the firm released another report on WINS Finance which is a China-based company, involved in lending businesses. The parent company of WINS Finance has declared insolvent without informing its investors and the company also failed to file their Annual Returns to NASDAQ.

Recently the firm released a report on the Adani Group of Companies titled 'Adani

Group: How World's 3rd Richest Man is Pulling the Largest Con in Corporate History' on 24th January, 2023. The firm has done research for 2 years on the Adani Group of Companies based on the responses from former senior executives, and various documents and reveals the following facts:

Post investigation on Adani Group of Companies, the research firm had claimed that the Adani Group is engaged in stock manipulation and the amount of manipulation is Rs. 17.8 trillion.

The Founder and Chairman of Adani Group Mr. Goutam Adani had a total net worth of US\$ 120 billion out of which US\$ 100 billion was being added within the last 3 years. The main source of this income is the appreciation of stock prices of Adani Group. The stock price of Adani Group has increased by 819% during these last years.

The management of the company also has taken huge loans from various banks and financial institutions after pledging their inflated stocks. The report also reveals that out of 7 companies, 5 companies of the Adani Group had reported a 'current ratio' of less than 1 which indicates that the companies are facing liquidity pressure to manage the company daily basis.

It also noticed that out of 22 leaders in management 8 leaders are family members who all are taking key financial decisions.

The members of the Adani Group are also involved in money laundering, and corruption which can be estimated at US\$17 billion. The family members also created various offshore shell companies in various countries like Mauritius, UAE and Caribbean Islands.

The research firm also claimed that the younger brother of Mr. Adani, Rajesh Adani is involved in the import and export of diamonds and he is using offshore shell entities to generate artificial profits and turnover. Vinod Adani, the elder brother of Mr. Gautam Adani also involved in managing offshore shell entities. During the investigation, Hindenburg Research Firm identified 38 offshore shell companies in Mauritius which are all managed by Mr. Vinod Adani and his associates.

The research also indicates that most of the websites of these shell companies were created on the same day and also contained similar kinds of information.

It also revealed that Adani Group has ownership in Elara. The report based on leaked

emails exposed that the CEO of Elara was working on an agreement with Mr. Dharmesh Doshi who had worked jointly with Mr. Ketan Parekh to manipulate the stock prices previously.

The share prices of 7 listed companies of Adani Group have increased rapidly last 3 years.

Table 1: Changes in Market Capitalization of Adani Group of Companies

Name of the Company	Market Capitalization in (lakh) Rs.	Market Capitalization in(billion)US\$	% of Gain in 1 Year	% of Gain in 3 Years
Adani Enterprises	39,28,558	48,108	101	1398
Adani Transmission	30,95,771	37,910	36	729
Adani Total Gas	42,75,567	52,357	118	2121
Adani Green Energy	30,47,678	37,321	4	908
Adani Power	10,62,201	13,007	167	332
Adani Ports	16,68,599	20,433	8	98
Adani Wilmar	7,34,123	8,990	149	149

Source: Hindenburg Research Report issued on 24th January, 2023.

The firm also claimed that the Adani Group of Companies have not revealed much information to their investors which is a clear violation of Indian Disclosure Law. The firm also informed that the auditing process of Adani Enterprise and Adani Total Gas has been carried out by a small audit firm named Shah Dhandharia which does not have any websites and running business in a rented place. The audit firm has made the audits of Rs. 640 million of market capitalization

The Adani Group has denied all the allegations straightaway and raised a question on the motivation of the research firm to make such kind of allegations. The management of

Adani Group also filed a case against the research firm. The stock market has reacted negatively to the news and the market value of Adani Group has reduced to US\$ 127 billion compared to US\$ 236 on 8th February, 2023. As a result of this incident, the MSCI has reduced the limit of free float of Adani shares to maintain the weightage of the indexes.

Scope of the Study

In this research, the researcher has tried to find out the effect of the Hindenburg Research Report on the Share Prices of the Adani Group of Companies. During the study, the researcher has considered all 9 listed companies of the Adani Group. To test the hypothesis Event Study Methodology has been applied. An Event window of 12 days has been framed to analyse the impact of the research report. However, during the study, it was observed that on 29th March 2023, Hindenburg Research announced the release of a new report on Adani Group and it had gain negative impact on share prices again. The researcher has not covered the effect of this particular announcement on share prices. Moreover, during the study, the researcher has also not covered the impact of the report on the company's Balance Sheet. Furthermore, on 19th May 2023, the Supreme Court granted an extension till 14th August 2023 to SEBI, to complete the whole investigation of manipulation of stock price by Adani Group. In future, the researcher can also conduct research on the effect of the Supreme Court verdict on the Adani Group of Companies.

Review of Literature

Rajora (2010) has studied various corporate frauds worldwide. In India, most businessmen are becoming rich by earning a huge amount of profit without following proper business rules and regulations. The study reveals that most businessmen do not follow business ethics and always they are ready to break the laws wherever it is possible.

Dawar and Goyal (2013) studied the impact of corporate scams on stock prices in the Indian share market. The researchers conducted an Event Study (with 31 31-day event window) on 8 Indian companies which all had undergone various financial scams. The study period was 8 years from 2001 to 2009. The study concluded that financial fraud has a significant effect on the stock prices of considered companies.

Adnan and Hossain (2016) analyzed the impact of merger and acquisition announcements on the stock prices of acquiring and target firms. The researchers had considered 50 target and acquiring companies. The study was conducted from January 2015 to December 2015. The considered companies are all listed on the NASDAQ stock market. The researchers have conducted an Event Study with an event window of 10 days. The study concluded that the announcement of the merger and acquisition has created an upward trend in stock prices as the announcement information has been leaked.

Giannetti and Wang (2016) studied the effect of Corporate Scandals on the stock market. the researcher has considered Arthur Andersen LLP Accounting Firm for their study. The firm was accused of shredding various documents of its client Enron and it was known as Enron Scandal. After this scandal, the US stock market experienced very little participation from Arthur Andersen's clients in the market.

Anwar et al. (2017) studied the impact of the announcement of cash dividends on the stock prices of Indian manufacturing companies. The researchers have considered the manufacturing companies listed on BSE. The study concluded that the announcements of cash dividends have a significant effect on abnormal average returns. The research also explored the effect of the US Financial crisis on the Indian Stock Market.

Dhanraj Sharma and Ruchita Verma (2020) analyzed the reactions of stock prices towards announcements of various frauds. The researchers have conducted an Event study to analyze the impact of fraud on various stock prices. The study has considered the fraud cases which are exceeding Rs. 1000 crore. The period of the study was December 2018 to January 2023. The research reveals that the stock of Punjab National Bank has created a maximum abnormal loss of 8.74% which was the result of a big scam done by Nirav Modi. The study concluded that these types of frauds are creating panic among the investors and an adverse effect can be seen on stock prices.

Ghosh (2020) analyzed the effect of the Union Budget on the Indian Stock market. the researcher has conducted an Event Study (OLS Market Model) with an Event Window of 10 days. The researcher has considered the BSE IT index, BSE HEALTHCARE index, BSE FINANCE index and BSE CONSUMER DURABLE index to analyze the

impact. The study concluded that the sector-specific positive announcements in Union Budgets has created positive return to some indexes.

Ali et al. (2022) tried to analyze the impact of accounting fraud on the reliability of the announced profits. The researchers also tried to examine the impact of accounting fraud on stock prices. The research showed that after correction in annual reports, the profit may be used for the evaluation of stock prices, whereas the losses were not evaluated properly for stock prices.

Richardson et al. (2022) studied the impact of accounting fraud on future stock prices. The researchers have considered 51,492 U.S. companies during the study period from 2000 to 2014. The study concluded that accounting fraud does have a negative effect on the stock prices of the companies.

Mallesha and Archana (2023) studied the impact of the Hindenburg Research Report on the stock prices of the Adani Group of Companies. The researchers have conducted an Event Study with a 21-day event window. The research showed that the average abnormal return and cumulative average abnormal return are statistically significant during the whole event window. It also revealed that the Hindenburg Research Report does have an impact on the stock prices of the Adani Group of Companies. It is also being observed that the stock prices of Adani Group did not perform according to the release of the report.

Research Gap

The main objective of this study is to analyze the impact of the Hindenburg Research Report on the share prices of the Adani Group of Companies. As this is a recent topic and very little research has been conducted on the same. Hence, the researcher has tried to find out the impact of the report not only on the Adani Group of companies but also on SBI and LIC. SBI is the largest loan provider to Adani Group and LIC is the largest stakeholder of the company.

Research Methodology

Objectives

To find out the effect of the Hindenburg Research Report on the Share Prices of the Adani Group of Companies.

To find out the effect of the Hindenburg Research Report on the Share Prices of SBI (the largest loan provider to the Adani Group of Companies).

To find out the effect of the Hindenburg Research Report on the Share Prices of LIC (the largest stakeholder of the Adani Group of Companies).

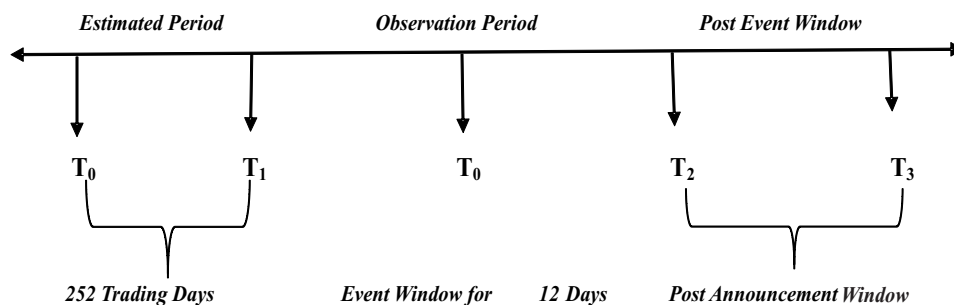
Limitations

The study is purely based on secondary data.

The considered statistical tool has its limitations.

Methodology

In this study, the researcher has tried to find out the effect of the Hindenburg Research Report on the share prices of 7 Adani Group of Companies as well as on the share prices of SBI and LIC. To find out the effect of the report on share prices an Event Study Methodology has been adopted with 12 days event window (1 day before the event, Event Day and 10 days post Event). Under Event Study Methodology, the OLS Market Model has been considered to calculate the daily returns of these stocks. The Event Day is considered on 24th January, 2023 as the report has announced on the same day.



The OLS Market model considers the CAPM risk of every individual firm. The risk can be calculated by multiplying the market return with the individual β factor. The risk can be calculated as:

$$CAPM Risk = \alpha_i + \beta_i R_{m,t}$$

The OLS Market is accepted globally as a standard model to calculate return. However, the model has been criticized by few as the model assumes that the risk-free interest is constant. To calculate the return on stocks during the event window the closing prices of BSE have been considered for 252 trading days. The data has been collected from the BSE website.

Table 2: List of Adani Group of Companies Considered for Research

Name of the Company	Market Capitalization (lakh) in Rs.
Adani Enterprises	39,28,558
Adani Transmission	30,95,771
Adani Total Gas	42,75,567
Adani Green Energy	30,47,678
Adani Power	10,62,201
Adani Ports	16,68,599
Adani Wilmar	7,34,123
ACC	33,82,100
Ambuja Cement	84,29,100

*Source: The information has been retrieved from
<https://www.bseindia.com/stock-share-price/adani-enterprises-ltd/adanient/512599/>*

Hypotheses

H₀₁= The announcement of the Hindenburg Research Report does not have any effect on the stock prices of the Adani Group of Companies.

H₀₂= The announcement of the Hindenburg Research Report does not have any effect on the stock price of SBI (as the largest loan provider to the Adani Group of Companies).

H₀₃= The announcement of the Hindenburg Research Report does not have any effect on the stock price of LIC (as the largest stakeholder of the Adani Group of Companies).

Analysis of Data

Table 3: t-test Result of Abnormal Return and Average Abnormal Return

Dates	Event Window	Adani Enterprise		Adani Green Energy		Adani Power		Adani Port		Adani Total Gas		Adani Transmission		Adani Wilmar	
		AR-t	AAR-t	AR-t	AAR-t	AR-t	AAR-t	AR-t	AAR-t	AR-t	AAR-t	AR-t	AAR-t	AR-t	AAR-t
23.01.23	t_{-1}	-0.864	-0.864	-0.856	-0.856	-0.494	-0.494	-0.896	-0.896	-0.489	-0.489	0.318	0.318	-0.699	-0.699
24.01.23	t_0	-0.059	-0.923	-0.288	-1.144	0.025	-0.469	-0.708	-1.604	-0.229	-0.718	-0.423	-0.105	1.350	0.651
25.01.23	t_1	-0.069	-0.992	-0.596	-1.741	-1.122	-1.591	-2.938	-4.542	-1.655	-2.374	-2.788	-2.893	-1.164	-0.513
27.01.23	t_2	-9.117	10.109	-5.647	-7.387	-1.060	-2.651	-9.096	-13.63	-6.396	-8.769	-6.732	-9.625	-1.109	-1.622
30.01.23	t_3	1.928	-8.181	-6.150	-13.53	-1.683	-4.334	-0.246	-13.88	-7.091	-15.861	-5.546	-15.171	-1.647	-3.269
31.01.23	t_4	1.608	-6.574	0.826	-12.71	-1.607	-5.941	1.576	-12.30	-3.582	-19.443	1.255	-13.915	-1.584	-4.853
01.02.23	t_5	-15.71	22.286	-1.801	-14.51	-1.670	-7.611	-12.36	-24.67	-3.656	-23.099	-1.048	-14.963	-1.639	-6.492
02.02.23	t_6	-14.73	37.021	-3.159	-17.67	-1.710	-9.321	-4.503	-29.17	-3.699	-26.798	-3.808	-18.771	-1.674	-8.165
03.02.23	t_7	-0.555	37.576	-3.490	-21.16	-2.124	-11.444	3.691	-25.48	-2.443	-29.241	-4.233	-23.005	-2.028	-10.193
06.02.23	t_8	-0.154	37.731	-1.384	-22.54	-1.383	-12.828	6.357	-19.12	-1.615	-30.857	-3.464	-26.468	-1.388	-11.581
07.02.23	t_9	8.026	29.704	-1.438	-23.98	-1.446	-14.274	1.187	-17.93	-1.690	-32.546	-0.202	-26.670	1.508	-10.074
08.02.23	t_{10}	10.088	19.616	-1.724	-25.70	1.115	-13.159	4.732	-13.20	-2.087	-34.633	1.509	-25.161	1.201	-8.872

Dates	Event Window	ACC Cement		Ambuja Cement	
		AR-t	AAR-t	AR-t	AAR-t
23.01.23	t_{-1}	-1.1726	-1.1726	-1.9217	-1.9217
24.01.23	t_0	0.2805	-0.8920	-0.3090	-2.2308
25.01.23	t_1	-3.8719	-4.7640	-3.4381	-5.6689
27.01.23	t_2	-7.4917	-12.2557	-8.1928	-13.8617
30.01.23	t_3	0.6376	-11.6180	0.7465	-13.1152
31.01.23	t_4	2.0536	-9.5644	1.6854	-11.4298
01.02.23	t_5	-4.0568	-13.6212	-8.6368	-20.0666
02.02.23	t_6	-0.4057	-14.0270	2.5623	-17.5043
03.02.23	t_7	2.0427	-11.9842	2.2904	-15.2138
06.02.23	t_8	1.69112	-10.2931	1.0069	-14.2069

Source: Computed from Secondary Data

The above table is showing the status of Abnormal Return and Average Abnormal Return of Adani Group of Companies before and after announcing the Hindenburg Research Report on 24th January 2023. The result is that Adani Enterprises has created a

maximum negative return on t_6 . Followed by Adani Enterprises Adani Total Gas, Adani Green Energy had also failed to create any return for their shareholders. The impact of the Hindenburg Research Report can also be seen in the other two big companies ACC Ltd and Ambuja Cements. The impact of the report can be seen in more share prices of Ambuja Cements as compared to ACC Ltd. But both the company's stock prices have decreased rapidly due to the report and it has a negative impact on share prices. During the study, it was observed that after the 6th day of the report released the share prices of all these companies decreased tremendously and most of the shareholders suffered a huge loss. Because of this research report the market capitalization of Adani Enterprise has also decreased to Rs. 2.9 trillion as compared to Rs. 3.90 trillion. The share price of Adani Enterprise was Rs. 3442 on 24th January 2023 (t_0), which has been decreased to Rs. 1565.25 on 2nd February 2023 (t_6). At the same time, the share price of Adani Ports and SEZs has also decreased to Rs. 462.45 on 2nd February 2023 (t_6) from Rs. 761.20 on 24th January 2023 (t_0).

Table 4: Impact of Hindenburg Research Report on Share Prices of Adani Group of Companies

Name of the Company	Share Price as on 24 th January, 2023 (t_0)	Share Price as on 2 nd February, 2023 (t_6)	Increase / Decrease (%)
Adani Enterprises	Rs. 3442	Rs. 1565.25 ¹	54.52
Adani Transmission	Rs. 2762.15	Rs. 1551.15 ²	43.83
Adani Total Gas	Rs. 3891.75	Rs. 1707.70 ³	56.11
Adani Green Energy	Rs. 1916.80	Rs. 1039.85	45.70
Adani Power	Rs. 274.65	Rs. 202.05 ⁵	26.43
Adani Ports & SEZs	Rs. 761.20	Rs. 462.45 ⁶	39.24
Adani Wilmar	Rs. 572.65	Rs. 421.00 ⁷	26.48
ACC	Rs. 2335.70	Rs. 1841.25 ⁸	21.169
Ambuja Cement	Rs. 498.95	Rs. 352.55 ⁹	29.34

Source: Computed from Secondary Data

The price of the shares has decreased rapidly from 24th January, 2023 to 2nd February, 2023. Even the prices have settled at much lower price.

¹Settled at Rs. 1193.50 on 27th February, 2023. ²Settled at Rs. 642.90 on 28th February, 2023. ³Settled at Rs. 678.55 on 28th February, 2023. ⁴Settled at Rs. 462.20 on 27th February, 2023. ⁵Settled at Rs. 139.35 on 27th February, 2023. ⁶Settled at Rs. 462.45 on 2nd February, 2023. ⁷Settled at Rs. 344 on 27th February, 2023. ⁸Settled at Rs. 1613.95 on 28th February, 2023. ⁹Settled at Rs. 329.90 on 27th February, 2023.

The above table shows the impact of the Hindenburg Research Report on the Share Prices of Adani Group of Companies. The Share Price of Adani Enterprise has reduced by 54% by the 2nd of February, 2023. Even the price has been reduced further by 23% by 27th February 2023. Followed by Adani Enterprise, the Share Price of Adani Total Gas has also reduced by 56% as of 2nd February 2023 and the price was settled at Rs. 642.90 on 28th February 2023. Among all the Adani Group of Companies, the Share Price of Adani Total Gas has reduced more totaled by approx. 83% b28th February, 2023. Among all 9 listed companies of Adani Group, the research report has less effect on the share price of ACC Ltd. (21.169%) Followed by Adani Power (26.43%) and Adani Wilmar (26.48%).

As per Tables 4 & 5, it has been observed that all 9 companies of Adani Group have failed to endanger abnormal returns for their shareholders. Moreover, because of the Hindenburg Research Report, the shareholders have suffered a huge loss. Hence, it can be concluded that the Hindenburg Research Report does have a negative impact on the share prices of all 9 companies of the Adani Group.

Table 5: t-test result of SBI and LIC

Dates	Event Window	Stock Price of State Bank of India (Largest Loan Provider)		Stock Price of LIC(Largest Stake Holder)	
		AR-t	AAR-t	AR-t	AAR-t
23.01.23	t_{-1}	0.6782	0.6782	0.0698	0.0698
24.01.23	t_0	-0.9740	-0.2958	0.1952	0.2650
25.01.23	t_1	-2.5982	-2.8940	-0.4452	-0.1802
27.01.23	t_2	-3.0573	-5.9514	-1.4059	-1.5862
30.01.23	t_3	-0.5989	-6.5503	-0.9689	-2.5551
31.01.23	t_4	2.2921	-4.2582	-0.2513	-2.8064
01.02.23	t_5	-4.3720	-8.6302	-5.5704	-8.3769
02.02.23	t_6	-0.2414	-8.8717	-0.0042	-8.3812
03.02.23	t_7	1.2595	-7.6122	-0.6557	-9.0369
06.02.23	t_8	0.5653	-7.0469	0.4831	-8.5537

Source: Computed from Secondary Data

Table 6: Impact of Hindenburg Research Report on Share Prices of SBI (Largest Loan Provider) & LIC (Largest Stake Holder)

Name of the Company	Share Price as on 24 th January, 2023 (t_0)	Share Price as on 2 nd February, 2023 (t_6)	Increase / Decrease (%)
SBI	Rs. 594.35	Rs. 528.10 ¹	11.14
LIC	Rs. 702.10	Rs. 599.10 ²	14.65

Prices Decreased Rapidly Due to Research Report

Source: Computed from Secondary Data

¹Settled at Rs. 505.35 on 24th February, 2023. ²Settled at Rs. 567.75 on 27th February 2023 and further reduced to Rs. 531.85 on 29th March 2023.

The above shows the impact of the Research Report on share prices of SBI and LIC. Unexceptionally the share price of SBI and LIC has also reduced by 11% and 14% respectively. During the analysis, it has been observed that the research report has more effect on the share prices of LIC as compared to SBI. On 23rd March 2023, Hindenburg Research announced that it is going to release another consolidated report on Adani Group which has again forced LIC share price to fall to Rs. 531.85 on 29th March. As per Table 5, it has been observed that the announcement of the Hindenburg Research Report has a negative impact on the share prices of LIC and SBI, and both companies have failed to create any abnormal returns for their shareholders. Hence, it can be concluded that the Hindenburg Research Report does have a negative impact on the share prices of SBI and LIC.

Results & Discussion

The researcher has conducted an Event Study to analyze the impact of the Hindenburg Research Report on the Adani Group of Companies as well as on SBI & LIC. An Event Window of 12 days has been considered to analyze the impact. The research showed that the share price of Adani Enterprise had reduced by 54% by the 2nd of February, 2023 and even the price had reduced furthermore by 23% by the 27th of February, 2023. Among all the Adani Group of Companies, the Share Price of Adani Total Gas has reduced more totaled by approx. 83% by 28th February 2023. Among all 9 listed companies of Adani Group, the research report has less effect on the share price of ACC Ltd. (21.169%) Followed by Adani Power (26.43%) and Adani Wilmar (26.48%). Unexceptionally the share price of SBI and LIC has also reduced by 11% and 14% respectively. During the analysis, it has been observed that the research report has more effect on the share prices of LIC as compared to SBI. On 23rd March 2023, Hindenburg Research announced that it is going to release another consolidated report on Adani Group which has again forced LIC share price to fall to Rs. 531.85 on 29th March. As per the above analysis, it has been cleared that Adani Group of Companies as well as SBI & LIC has failed to create any positive return for their shareholders. Furthermore, the investigation report on the stock manipulation of SEBI will be released in August 2023 which will be having again impact on the share prices. From the above study, it has been observed that the research report has a great impact on LIC share price as compared to others.

Suggestion & Conclusion

The main objective of this research is to analyse the impact of the announcement of the Hindenburg Research Report on the share prices of the Adani Group of Companies as well as on its largest stakeholder and loan provider. The researcher has conducted an Event Study with an Event Window of 12 days. The research showed that Adani Enterprises has created a maximum negative return on t6. Followed by Adani Enterprises Adani Total Gas, Adani Green Energy had also failed to create any return for their shareholders. The impact of the Hindenburg Research Report can also be seen in the other two big companies ACC Ltd and Ambuja Cements. The impact of the report can be seen in more share prices of Ambuja Cements as compared to ACC Ltd. But both the company's stock prices have decreased rapidly due to the report and it has a negative impact on share prices. It also observed that the announcement of the Hindenburg Research Report also has a negative impact on SBI and LIC. More precisely, the research report has an added impact on the share price of LIC. Hence, it can be concluded that the Hindenburg Research Report has a negative impact on the share prices of all 9 companies of Adani Group as well as on the largest loan provider to the group i.e., SBI and the largest stakeholder of the company i.e., LIC. The Hindenburg LLP has claimed that the Adani Group is involved in stock price manipulations of their companies. During the research, it was observed that the share price of Adani Enterprise and Adani Total Gas increased by 1400% and 2121% respectively in one year of the period. Furthermore, after releasing the research report the share prices of these stocks have reduced drastically. Hence, the shareholders must be aware of the companies before investing their hard-earned money into the share market.

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