

Cloud over Vinod Adani's related-party status

Promoter group entities are typically considered related parties, say legal experts

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Questions have emerged over the related-party status of Vinod Adani, brother of Gautam Adani, following a reading of multiple disclosures made by the Adani group.

Vinod Adani-owned Endeavour Trade and Investment is the acquiring vehicle for both ACC and Ambuja Cements, with disclosures suggesting that he is part of the promoter group.

The Adani group's response to allegations of irregularities in the disclosure of related-party transactions involving Vinod Adani firms suggests that he is not a related party despite being part of the promoter group, a potential contradiction highlighted in a report by digital publication The Morning Context. The US-based short-seller Hindenburg Research had made its allegations regarding related-party transactions in a January 2023 report.

The Adani group's response to Hindenburg's report seemed to suggest that Vinod Adani group entities need not be related parties since he does not hold "any managerial position...and has no role in... day-to-day affairs".

"The above-cited transactions with... (vehicles including some Vinod Adani entities)... and the 'private Adani entities' are not 'related-party transactions' under laws of Indian or accounting standards," the group had said in January.

According to legal experts, while the definition of related parties varies among regulators, it is unusual for a promoter-group entity to not be classified as one.

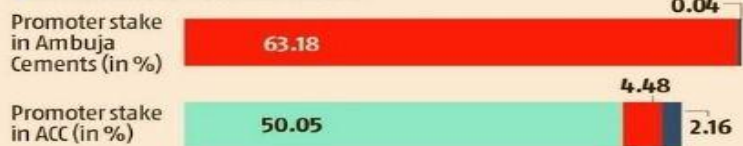
"Sebi listing regulations were amended with effect from April 1, 2022, by which certain parties are deemed to be related parties, which includes any person or entity forming a part of the promoter or promoter group of the listed entity. Therefore, such parties would be related parties for Sebi listing regulations," said Pune-based company secretary Gaurav Pingle.

"In general, members of a promoter group or entities



OWNERSHIP PATTERN

■ Ambuja Cements ■ Holderind Investments
■ Endeavour Trade And Investment



Note: Endeavour Trade And Investment acquired 100 per cent of Holderind Investments in May 2022. Filings show Endeavour's beneficial ownership lies with Vinod Adani and Ranjanben Vinod Adani. Latest data as of December 2022.
Source: Exchange disclosures

connected to them are considered related parties under most laws and accounting standards. However, there may be specific circumstances where they may not be considered related parties. For example, if they do not have significant influence or control over the company, or if they do not have a material financial interest in the company, they may not be considered related parties," said Sumit Agrawal, founder, Regstreet Law Advisors.

The definition of a related party can vary depending on the law or regulatory authority under which the transaction falls. The Companies Act can look at common directorships, accounting

standards focus on significant influence and control over joint venture companies, subsidiaries and associate companies. The Sebi regulation includes related parties under company law or accounting standards, said Gaurav Pingle. The Sebi definition of related parties includes promoter group entities, as well as any person holding more than 20 per cent of a listed entity, he said.

The Adani group said on March 16, in a statement to exchanges, that Endeavour belongs to the Adani group.

"...Vinod Adani is an immediate relative of the individual promoters.

Accordingly, as per the applicable Indian regulations... Vinod Adani is part of the 'promoter group' of various listed entities within the Adani group. This fact has been submitted to Indian regulatory authorities from time to time in various disclosures," said the group's exchange statement.

In the case of Vinod Adani and Endeavour Trade and Investment, it would depend on the specific facts and circumstances of the transactions in question and whether they meet the criteria for related-party transactions under the relevant laws and accounting standards, according to Regstreet's Agrawal.

"The facts only Sebi or the parties know. If the transactions involve entities that are part of the Adani group or connected to the promoter group, it is likely that they would be considered related parties, unless there are specific circumstances that would exclude them from the related party net. However, Sebi in such cases usually restricts itself to the requirement of disclosure and approval of audit committee / independent directors," Agrawal said.

E-mails sent to the Adani group on Wednesday afternoon did not receive a response.

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