

Indian billionaire Gautam Adani, former Caisse execs facing charges in the United States

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Indian billionaire Gautam Adani addresses delegates during the Bengal Global Business Summit in Kolkata, India, on April 20, 2022.

RUPAK DE CHOWDHURI/REUTERS

Caisse de dépôt et placement du Québec opened an office in India in 2016, betting that the country's favourable demographics would fuel returns in renewable energy and transportation infrastructure. Now, the Canadian pension giant has become entangled in what U.S. authorities call "an elaborate scheme" to pay hundreds of millions of dollars in bribes in the Asian country.

Federal prosecutors in New York unveiled charges late Wednesday against Indian billionaire Gautam Adani and seven other individuals, including three former Caisse executives. They allege the 62-year-old tycoon and managers from energy subsidiaries of his business conglomerate conspired in a scheme to pay roughly US\$250-million in bribes to Indian government officials. The payments were allegedly to help secure favourable contracts tied to a major solar energy project.

As part of the indictment, the U.S. Attorney's Office in Brooklyn, N.Y., charged Cyril Cabanes, a former CDPQ managing director of infrastructure for the Asia Pacific region, with conspiracy to obstruct justice. Saurabh Agarwal, former managing director of CDPQ India, and Deepak Malhotra, a former director of infrastructure for South Asia at the Caisse, were charged with the same offences.

The Caisse itself has not been accused of any wrongdoing. But observers say the charges raise questions about how aggressively the Montreal-based pension fund manager is pushing into new countries, how deeply the executives it

hires to represent it in those countries are vetted and whether its processes for making investment decisions are robust.

In all, the Caisse had US\$7-billion in investments in India as of the end of 2023. Caisse-controlled Azure Power, a renewable energy developer in India, is near the centre of the U.S. allegations.

“This appears to be a culture of bribery and collusion at the very highest levels of this company in India,” said François Dauphin, chief executive of Montreal’s Institute for Governance of Private and Public Organizations. “Private placements can generate high returns, but it is situations like these that fully illustrate the level of risk associated with such projects.”

Prosecutors allege that the three former Caisse executives tried to thwart an investigation by deleting e-mails and presentations that summarized the bribes, and misled investigators from the Federal Bureau of Investigation, the Justice Department and the U.S. Securities and Exchange Commission (SEC).

The allegations have not been proven in court.

The scheme was concealed from U.S. banks and investors, from whom the defendants raised billions of dollars, according to the allegations. Mr. Adani is one of the world’s richest people, with an estimated net worth of nearly US\$70-billion, according to Forbes, and he has close ties to Indian Prime Minister Narendra Modi.

In a parallel civil lawsuit, the SEC charged Mr. Adani, his nephew Sagar Adani, executives of Adani Green Energy and Mr. Cabanes, in his capacity as a former director of Caisse-controlled Azure Power, “for conduct arising out of a massive bribery scheme.” According to the SEC, the Adanis orchestrated the scheme with Mr. Cabanes’s participation to allow the two renewable energy companies to capitalize on a multibillion-dollar solar energy project awarded by the Indian government.

The Caisse has been invested in Azure Power from its beginning as a public company, buying US\$75-million of shares at \$18 apiece in its October, 2016, initial public offering. It bought more shares on the open market and also participated in several more stock offerings. Together with the Ontario Municipal Employees Retirement System, the two pension funds owned 75 per cent of Azure Power as of September, 2022, and had rights to name directors on its board.

Initially, Azure Power seemed to be an ideal investment. The company says it installed India’s first private utility-scale solar project in 2009 and that it owns and operates the largest single-site solar project in India. It also says it was the first Indian power company to list on the New York Stock Exchange, subjecting it to U.S. securities law and regulation.

By the end of 2022, though, things had soured. In April of that year, Azure announced the resignation of then-CEO Ranjit Gupta and in August, the resignation of his replacement, Harsh Shah, after less than two months on the job.

It also disclosed the existence of a whistle-blower complaint alleging “potential procedural irregularities and misconduct by certain employees” at a plant belonging to one of its subsidiaries. Azure said that it discovered deviations from safety and quality norms and “evidence of manipulation of project data and information by certain employees.”

The company said at the time that it was implementing remedial measures and would be late in filing its annual report. Its stock subsequently crashed, wiping out hundreds of millions of dollars of value from investment portfolios held by the Caisse and OMERS.

Behind the scenes, executives and agents with Adani and Azure had already hatched plans to bribe government officials as a way to get their contracts with state power companies moving, U.S. authorities allege.

Mr. Agarwal and Mr. Malhotra, who were based in India, first learned about Mr. Adani’s bribery strategy in late 2021 and shared that information with Mr. Cabanes, according to the indictment. When communicating about the scheme, the filing alleges, they often referred to Mr. Adani and another defendant by code names such as “Numero uno” and “the big man.”

In the spring of 2022, Mr. Adani and two other executives met with Azure representatives to provide details of the bribery scheme. Mr. Adani said at the meeting that the Canadian investor, namely the Caisse, “had approved the corrupt agreement,” according to the indictment. The billionaire presented “multiple options” by which Azure could hide its share of the bribe payments, including by transferring a block of power purchase agreements from Azure to Adani Green.

How Azure would pay its US\$83-million share was hotly discussed by Mr. Cabanes and others, according to the SEC lawsuit. The former Caisse executive asked at one point: “Is there a commercially doable deal here?” by which he meant a seemingly legitimate transaction to compensate Adani Green and the Adanis for its portion of the bribes, according to the SEC.

Eventually Azure transferred a valuable 2.3 gigawatt power purchase contract back to the Solar Energy Corp. of India, which was then picked up by Adani.

Mr. Cabanes repeatedly directed Azure’s chairman at the time to withhold information related to the potential deal with Adani from others, including from senior personnel at Azure and CDPQ. He also tried to stymie an investigation by a special committee of the Azure board of directors.

Asked to comment Wednesday, the Caisse said in an e-mailed statement: “CDPQ is aware of charges filed in the U.S. against certain former employees. Those employees were all terminated in 2023 and CDPQ is co-operating with U.S. authorities. In light of the pending cases, we have no further comment at this time.”

The pension fund, which manages \$452-billion in assets, did not respond to questions sent to its media relations team Thursday. Neither Mr. Cabanes nor Mr. Agarwal responded to messages asking for comment. Mr. Malhotra could not be reached.

“The allegations in this indictment are concerning,” OMERS spokesperson Don Peat said in an e-mail. “The events alleged in the formal charges began before we became a minority shareholder in Azure Power in 2021. OMERS is not implicated in any of the alleged conduct and will continue to cooperate fully with the investigation.”

For Mr. Adani, the fallout Thursday was immediate. President William Ruto of Kenya said that he has cancelled a multimillion-dollar airport expansion in the capital, Nairobi, as well as a deal to build power transmission lines with Adani companies, the Associated Press reported. Bloomberg said the Adani Group’s stocks and bonds plunged, wiping nearly US\$30-billion off the conglomerate’s market value, while the broader Indian market fell and the leading opposition party demanded the tycoon’s arrest.

The Adani Group denied the allegations, calling them “baseless.” It vowed to take legal action in response.

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