

## Adani wipeout hurts but won't derail foreign investor faith in India

By Ankur Banerjee

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The logo of the Adani Group is seen on the facade of its Corporate House on the outskirts of Ahmedabad, India, November 21, 2024. REUTERS/Amit Dave/File Photo [Purchase Licensing Rights](#) 

### Summary Companies

Investors don't see systemic risk from Adani charges  
Near term sentiment to remain dim, investors say  
Investors shrug off earnings disappointments, valuation worries

SINGAPORE, Nov 28 (Reuters) - Worries of a wider spillover from [bribery charges](#) against the [Adani Group](#) will hurt sentiment in India but not the long-term outlook, global investors say, as they wager one of the world's [best-performing](#) markets will get back on track next year.

[U.S. allegations](#), denied by the company, are that Gautam Adani's colossal ports-to-energy conglomerate paid bribes to secure power sales and made misleading disclosures, roiling the stocks and debts of Adani companies.

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Investors expect a stronger spotlight on governance and disclosure, and perhaps some volatility, but say the affair has not challenged the reasons they are in India in the first place - for exposure to a growing economy and a huge consumer market.

"Foreign investors may grow more cautious about the transparency and governance practices of Indian companies," said Steve Lawrence, chief investment officer at Balfour Capital.

Still, he pointed to a roughly 3% rise in the Nifty 50 index ([.NSEI](#)) [↗](#) since the Adani news broke as signalling confidence. In the same period, \$14 billion has been wiped off the value of shares in 10 companies owned by Adani.

Foreigners are relatively small players in India's over \$5.5 trillion equity space with a share of less than a fifth, but are sensitive to the mood and performance of a market seen as increasingly attractive while China's economy and stock market stalls.

India's benchmark Sensex ([.BSESN](#)) [↗](#) has more than doubled from its pandemic lows in 2020, outpacing even the S&P 500 ([.SPX](#)) [↗](#), something money managers say can't be derailed by one company.

"We consider (the Adani indictment) as a stock specific event. We don't see any negative sentiment at all towards India as a result," said Mike Sell, head of global emerging market equities for London-based asset manager Alquity.

"Clients are continuing to seek higher allocations in India."

After a gush of profit-taking and pre-U.S. election nerves drew a net \$11 billion in foreign cash out of Indian stocks in October, flows have steadied in November, according to LSEG data.

## TAILWINDS

Topping Adani's troubles on investors' list of concerns has been the recent lacklustre earnings season, which has driven a rotation away from some previously favoured consumer stocks but not shaken too many bulls' faith in the longer-run.

James Thom, senior investment director of Asian equities at abrdn, expects earnings to recover and has a positive outlook, driven by "supportive government policies following a decade of painful, but necessary economic reforms."

"The best way to position would be in high quality and defensive names with better balance sheets, cash flow generation capabilities, and backed by long-term structural tailwinds."

There are perennial risks such as high valuations, with the price-to-earnings ratio for the Sensex at 23, well above 20.79 for China's blue-chip index ([.CSI300](#)) [↗](#) and 18 for Japan's Nikkei ([.N225](#)) [↗](#).

Erstwhile darlings such as consumer-goods seller Hindustan Unilever ([.HLL.NS](#)) [↗](#), Nestle India ([.NEST.NS](#)) [↗](#) and soft drink maker Dabur India ([.DABU.NS](#)) [↗](#) have also suffered heavy reversals in their shares as results have disappointed investors.

And there are expectations Adani's alleged disclosure lapses will bring broader scrutiny and more intense due diligence.

"People are looking at transactions a lot more closely than they have in the past," said Rashi Talwar, India CEO at Ashmore, an emerging markets specialist advising on \$2.2 billion of equities in India.

"I'm in the camp that has been cautious and worried about the markets ... there needs to be a little more pain."

Still, most downplay Adani as being a trigger for that.

"I don't think that an isolated case will have any impact on client demand," said Tarek Horchani, head of prime brokerage dealing at Maybank Securities in Singapore.

"For me, India is like the China market 15 years ago: it's booming, there is huge infrastructure spending and wealth has spread in all the country."

Reporting by Ankur Banerjee in Singapore, Iain Withers in London, Jaspreet Kalra in Mumbai, additional reporting by Gaurav Dogra and Bharath Rajeswaran in Bengaluru; Editing by Tom Westbrook and Kim Coghill

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