ARE THE PROTESTING FARMERS ON THE BORDERS OF INDIA’S CAPITAL NEW DELHI, REALLY BEHIND ADANI GROUP’S MULTIFOLD RISE/FALL IN ITS CAPITALIZATION?

Vedant Patil
Amity International School, Noida

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ABSTRACT

Adani Enterprises and all other Adani group share’s performance, their strategies were studied and analyzed while answering the question - Are the protesting farmers on the borders of national capital are really behind the rise and fall of the stock prices? The information on various points like the company's financial data, their balance sheet, Mr. Gautam Adani’s future was studied, explained and concluded.

Keywords: Adani, Farmer protests, Share market

1. Body

Adani Enterprises a listed company in Indian stock market was trading at a price of 122-235 in the year 2018 to August 2020 which went to a price of 1700 within a year, and it started giving up its gains and went to price 1400 along with farmers protest. As soon as the farmer bill was passed by Central Government, a huge protest came after it and Adani Enterprises was dragged as a scam. The six stocks owned by Mr. Gautam Adani lost around 2 trillion Indian rupees in a week.
Adani Group came up and said that the company's job is to safeguard the agricultural produce and to safely transport it to its destination. It says that they have never exploited the farmers through contract farming. The company does not buy grains from farmers. It is unfortunate that a company that has been working towards the betterment of the farmers is being defamed.

**What is are the new Farmer Laws?**

The key provisions of new farm law intend to help small and marginal farmers which are about 86% of total farmers of India, who don’t have means to either bargain for their produce to get a better price or invest in technology to improve the productivity of farms. The act will allow farmers to sell their produce outside the Mandis to whoever they want. Anyone can buy their produce even at their farm gates. This way the commission agents of the Mandis and States could lose their commissions which are the main reason for the current protest. Farmers will get better prices through competition and cost cutting on transportation. The law on contract farming will allow farmers to enter into a contract with Agricultural Business Firms or large retailers on pre agreed prices of their produce. This will help small and marginal farmers as the market unpredictability will be transferred to the sponsors from farmers.
Farmer Unions in Punjab and Haryana State say the recent laws will dismantle the minimum support price (MSP) system. Over the time big corporate houses will dictate and farmers will end up getting less for their crops. Farmers fear that with the removal of Mandi system, they will not get an assured price for their crops and will suffer more. The key demand of the farmers is the withdrawal of the three laws.

The Adani Group is well established and founded in 1988 by M. Gautam Adani. It is an Indian multinational company whose success story is far away from farmer’s protest. It was started as Adani Export- an export company which dealt in power and agricultural commodity trading business.

Adani Exports Limited involved in port development and operations in India. In 1991 Adani Exports started expanding the business into trading of agro products, textiles, and metals. In 1993 Adani Exports got the contract from Government of Gujarat for managerial outsourcing of Mundra Port which is the largest private sector port in India. This was a bigger milestone of its path.

In 1996, Adani Power Limited was founded. It holds 4620 MW thermal power plants, and it is the largest private thermal power producer in India and acquiring Abbot Point Port in Australia and Carmichael Coal in Queensland are the feathers in its hat.

Figure 2 Adani Enterprises growth, highlighting the downturn because of the controversies.

Source- www.moneycontrol.com
Adani Export today known as Adani Enterprises diversified its business into energy, resources, logistics, agribusiness, real estate, financial services, defense, and aerospace; with its subsidiaries – Adani Green Energy, Adani Ports, Adani Power, Adani Total Gas, and Adani Transmission.

From a medium-sized group to the third-biggest market capitalization among the family-owned businesses in India; made Mr. Gautam Adani’s family the second wealthiest in India beating the older and well-established industrial families. Adani Group has seen a huge rise, starting from last year (March 2020- July 2021). The Adani Group companies went up nearly 455% since the last year. In contrast, the top 1,000 listed firms combined went up nearly 80%. The market capital of the Adani Group went from Rs. 1.31 trillion to Rs. 7.3 trillion in a year. This made Adani Group the most successful business group in the country in terms of stock market performance.

![Figure 3 Gautam Adani's growth in the last five years](www.businessinsider.in)

Last year the company had only 1.2% share in overall market capitalization, but as all the six companies outperformed the broader market in the last 12 months, it accounted for 7.3% share in the overall market capitalization. Despite the small share in the market capitalization, the Adani group has expanded aggressively – investing in green energy, attracting investors. Aiding India’s goal to expand its renewable power capacity by 2030 to meet its climate commitments, Mr.
Gautam Adani wants to make his business from ports-to-power, carbon negative. The group plans to continue investing in clean energy technologies, such as green hydrogen and renewables-powered data centers to achieve the group’s environmental, sustainability, and governance (ESG) goals. Mr. Adani said at the India Global Wednesday. “We will do so by carefully balancing our energy migration from carbon positive to carbon-neutral, and further on to carbon negative.”

The sharp rise in Adani Power stock price can be attributed to the two major reasons — its investments in green energy sparking value buying and partial payments received by the Rajasthan and Maharashtra governments that were long due. The payments received from the Rajasthan and Maharashtra state governments lead to a reduction in the debt of the company.

Due to the rising petrol and diesel prices, people are moving towards electric vehicles and the company has recently made investments in green energy that has triggered value buying among the long-term investors. Likewise, Adani Green Energy became India’s top power company as per the market capitalization, ranked above NTPC, Power Grid Corporation and Tata Power.

The sharp rally in Adani stocks is a classic case of irrational ebullience. All of this is backed by the group’s ability to attain large infrastructure assets in the recent time. French energy major, Total SE, picked up a stake in two of the Adani group companies for Rs. 23,000 crores.

The jump in market capitalization in the past one year is not matched by its financial performance. The group reported consolidated revenues of Rs. 1.02 trillion and net profits of Rs. 3781 Crores during FY20. Once a medium-sized group based out of Ahmedabad, Adani’s companies now have the third-biggest market capitalization among family-owned businesses in India after Tata and Reliance Industries. This has made the group owners and promoters the Gautam Adani family- the second wealthiest in business in India, ahead of older and well-established industrial families.

The combined market capitalization of six Adani Group companies is up nearly 455% since the end of March 2020 against an 80% rise in the combined market capitalization of the country’s top 1,000 listed firms. The Adani Group companies now have a combined market capitalization of around Rs. 7.3 trillion, up from 1.31 trillion at the end of March 2020.

The group accounted for 7.3% of the incremental rise in the market capitalization of all companies in the past year even though it had 1.2% share in the overall market cap at the end of March last year. All six Adani Group companies outperformed the broader market in the last 12
months. This makes Adani the most successful business group in the country, at least in terms of stock performance.

![Figure 4 Distribution of Adani Enterprises](image)

Indian billionaire Gautam Adani wants to make his ports-to-power business Conglomerate carbon negative, aiding India’s goal to expand its renewable power capacity almost fivefold by 2030 to meet its climate commitment. Adani Group intends to continue investing in clean energy technologies, such as green hydrogen and renewables-powered data centers to fulfill the group’s environment, sustainability, and governance, or ESG goals, Adani, chairman of his namesake group, said at the India Global Wednesday. “We will do so by carefully balancing our energy migration from carbon positive to carbon neutral, and further on to carbon negative.

**Adani Enterprises** which is largest company in diversified sector is currently trading at a price (price of 1480.00 on 17th September 2021) which indicates a very expensive valuation though the financial trend is positive. It is trading at very expensive PE ratio of 122.66 The stock has outperformed at 404% return Vs sector performance of 188.39%. The positive factors contributing to its performance is the PAT at Rs. 632.39 Cr has grown at 594.93% (Half yearly). Also, the promoters are holding share of 74.92% constantly Also FII have increased their holding from 19.65% to 20.51%.

**Conclusion**

The Adani Group is a fundamentally strong group, and the investors have strong belief on Mr. Gautam Adani’s business plans. With reference to all the data presented, there is no clear link between the farmer’s protest with the price movement of Adani Group stocks.
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