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A Study on Impact of Hindenburg Research Report on the Stock Prices of Adani Power Limited

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Abstract: This project looks at how a report by Hindenburg Research affected the stock price of Adani Power Limited. The report, released in January 2023, accused the Adani Group of dishonest financial practices. After the report came out, many investors lost trust, and the stock price of Adani Power dropped by about 26%. This study checks how the stock price changed before and after the report to understand how such news can affect a company's value. It also talks about how important honesty, good management, and clear communication are for keeping investors confident.

I. Introduction to the Study

In the dynamic world of financial markets, stock prices are not only influenced by fundamental factors such as earnings, assets, and macroeconomic indicators, but also by market sentiment, investor perception, and the credibility of the companies involved. When allegations of fraud, manipulation, or regulatory violations surface against a publicly listed company, it can trigger immediate and sharp reactions in the stock market, regardless of the underlying fundamentals.

One such major event occurred in January 2023, when Hindenburg Research, a U.S.-based investment research firm known for short-selling and investigative reporting, published a damning report on the Adani Group—one of India's largest conglomerates. The report alleged that the group had engaged in decades-long corporate fraud, stock price manipulation, and use of offshore shell entities to inflate the market value of its listed firms.

Objectives of the Study

- To analyze the impact of the Hindenburg Research report release on the stock price of Adani Power Limited.
- To examine the stock price volatility of Adani Power Limited before and after the release of the Hindenburg report.
- To examine the change in trading volume and liquidity of Adani Power Limited shares

Scope of the Study

- The study focuses exclusively on Adani Power Limited, a key subsidiary of the Adani Group operating in the Indian power sector.
- It analyses data across a specific event window, covering a period of approximately 3 months before and 3 months after the release of the Hindenburg report (around November 2022 – April 2023).
- The analysis includes: Stock price trends, Price volatility, Perceived impact on financial performance

II. Literature Review

- Hindenburg Research Report (2023): Hindenburg Research, a US-based forensic financial research firm, published a report in January 2023 alleging accounting fraud, stock manipulation, and corporate governance lapses within the Adani Group.
- Kumar & Mehta (2023): The study analyzed the short-term stock price movement of Adani Group companies' post-publication of the Hindenburg report.
- Sengupta & Gupta (2023): Using an event study methodology, this research explored market efficiency in response to the Hindenburg report.
- Chakraborty & Rao (2023): The authors focused on investor sentiment and media framing following the Hindenburg allegations.
- RBI Bulletin (2023): The Reserve Bank of India noted that while the Hindenburg-triggered stock declines posed short-term risks to banking sector exposure.
- Verma & Patil (2024): An analysis of investor behavior during crisis events indicated that institutional investors were quicker to offload shares of Adani Power after the report release, compared to retail investors, exacerbating price drops.
- Bloomberg & Reuters Reports (2023): Market reports emphasized that Adani Power's stock, though impacted heavily in the initial days (dropping over 30% at its lowest point).

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- Singh & Das (2024): Their empirical study suggested that liquidity constraints and credit rating watch placements intensified negative abnormal returns for Adani Power.
- Goyal & Sharma (2023): This paper explored market reaction asymmetry within the Adani Group and found that Adani Power.
- Jain & Chatterjee (2023): An econometric analysis using GARCH models demonstrated that volatility clustering increased significantly in Adani Power's stock post-Hindenburg report.
- Mishra (2023): Mishra's paper analyzed sectoral spillover effects and found that the power sector index, including peers like NTPC and Tata Power.
- Economic Times (2023): Business analysts reported that credit rating agencies placed Adani Power's debt instruments on rating watch negative, citing governance concerns
- Choudhary & Menon (2024): A comparative event study between domestic (NSE/BSE) and foreign investors (FII activity.
- Patel & Srivastava (2023): This study emphasized the role of regulatory confidence: after SEBI's statements and the Supreme Court's stance on further investigations into the Adani Group.

III. Research Methodology

This study follows a quantitative and analytical research design. It uses historical stock market data and financial indicators to examine the impact of the Hindenburg Research report on the stock performance of Adani Power Limited. The event study methodology is applied to quantify abnormal stock returns and volatility during the event window.

Sample Size: The number of trading days included during the entire observation period (approximately 36 months, which translates to around 160-160 trading weeks).

Data Collection includes: Daily stock prices (Open, High, Low, Close), Trading volume, Financial metrics of Adani Power Limited

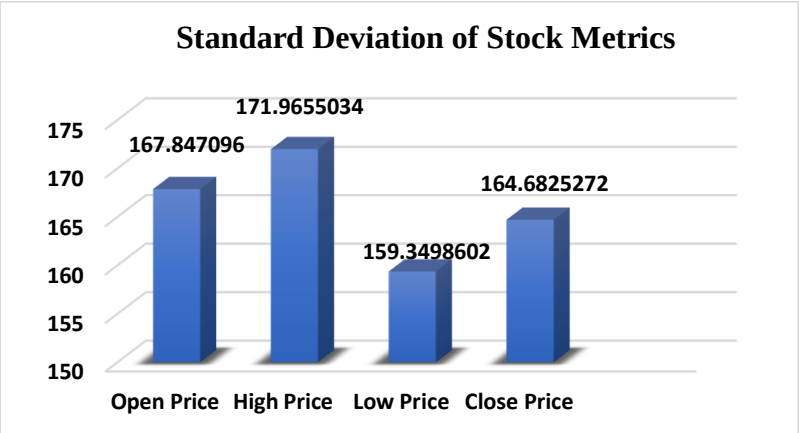
Time Period of the Study: Time period involves from November 2022 – April 2023. A 6 months' time period.

Problem Statement

In January 2023, Hindenburg Research—a forensic financial research firm based in the United States, released a highly critical report on the Adani Group. The report alleged that the conglomerate engaged in stock manipulation, accounting irregularities, over-leveraging, and the use of shell companies to inflate the financial health of its listed firms. This included serious allegations against multiple subsidiaries of the Adani Group, among them Adani Power Limited, a major player in India's energy sector.

IV. Results and Findings

Analysis – 1 Standard Deviation



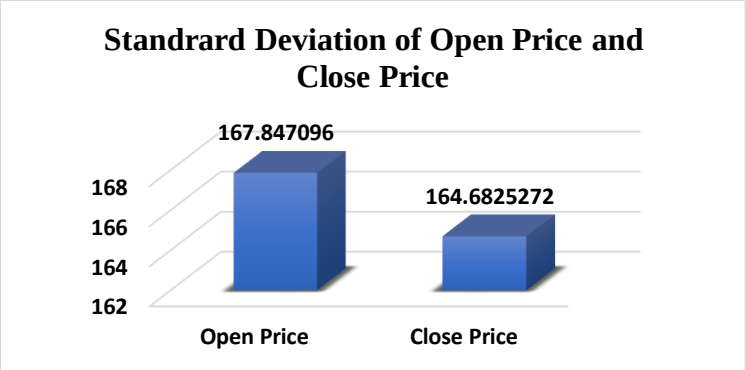
Interpretation

High Price (171.97) has the highest standard deviation, indicating the most volatility and spread in daily high prices. Low Price (159.35) has the lowest standard deviation, indicating the least volatility and greatest consistency in daily low prices. Open Price (167.85) and Close Price (164.68) show moderate volatility, with Open Price being slightly more volatile than Close Price.

Overall, the stock's highest daily values vary the most, while its lowest daily values are the most stable.

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XIV, Issue VI, June 2025

Analysis – 2 Standard Deviation



Interpretation

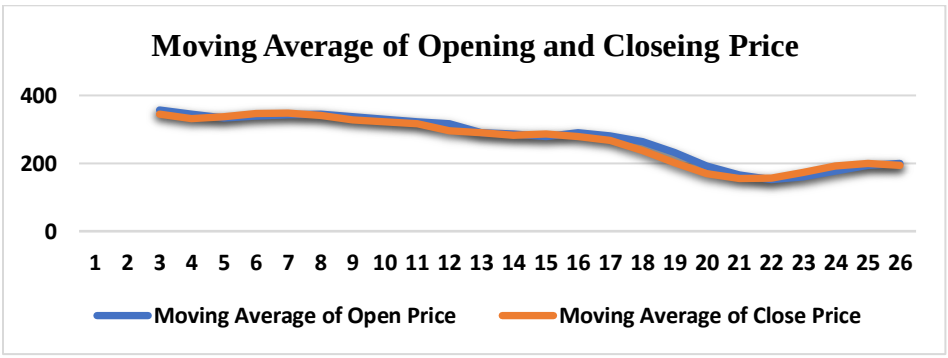
Open Price Standard Deviation: 167.847096

This bar represents the variability of the stock's opening prices. A higher standard deviation indicates that the opening prices tend to fluctuate more around their average.

Close Price Standard Deviation: 164.6825272

This bar represents the variability of the stock's closing prices. A lower standard deviation here suggests that the closing prices are generally more consistent and less spread out from their average compared to the opening prices.

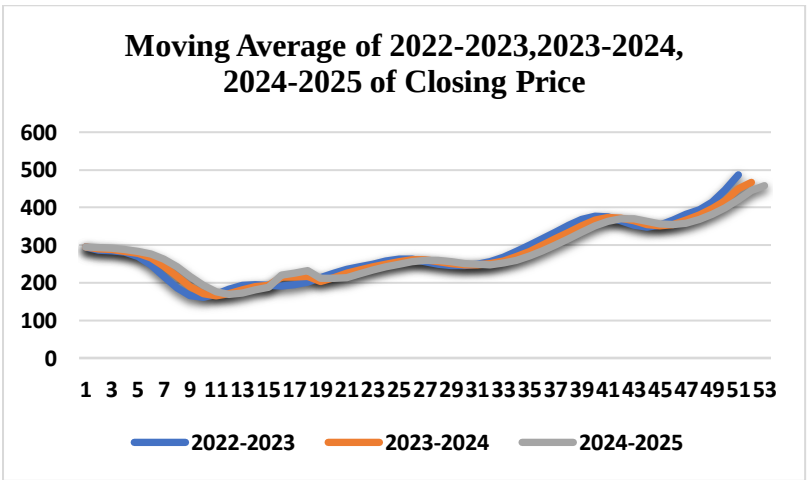
Analysis – 3 Moving Average



Interpretation

Periods 1-7 (approx): Both moving averages start around 340-350 and show a slight, gradual decline. Periods 7-10 (approx.): The decline steepens, with both moving averages dropping from around 300-310 down to roughly 280-290.Periods 10-17 (approx): A significant downtrend is observed for both series, with prices falling sharply from around 280-290 down to a low point of approximately 150-160 around period 17. This represents a substantial decline in the stock's average price.

Analysis – 4 Moving Average

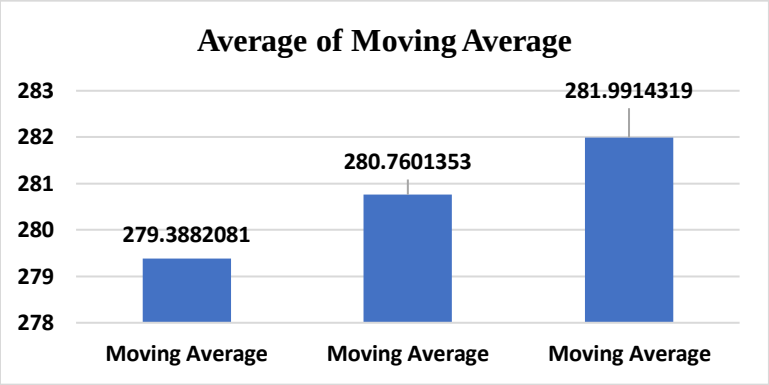


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Interpretation

This indicates that it displays the moving average of the closing price for three consecutive financial or calendar years. The X-axis likely represents periods within those years (e.g., weeks, months, or specific data points over 52-53 intervals), and the Y-axis represents the moving average price.

Analysis – 5 Moving Average



Interpretation

First Bar: 279.3882081

This represents the average of a specific moving average calculation. It's the lowest value among the three bars.

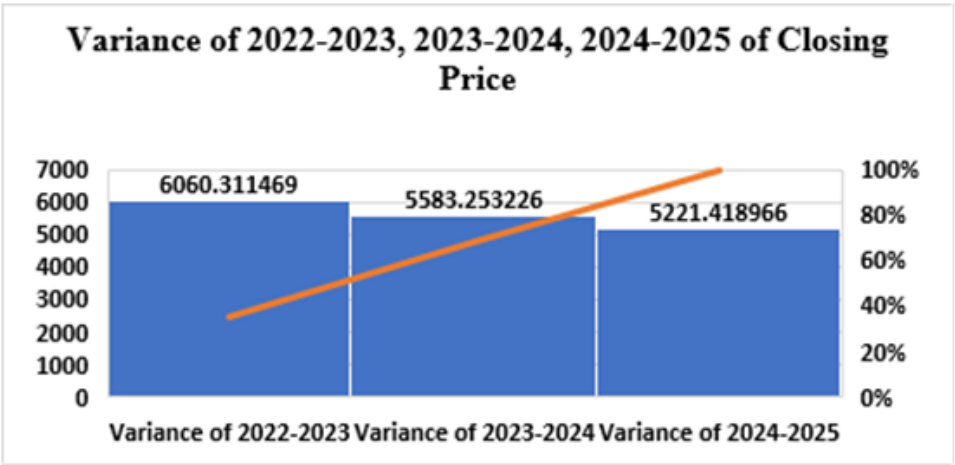
Second Bar: 280.7601353

This represents the average of another moving average calculation. It's higher than the first bar but lower than the third.

Third Bar: 281.9914319

This represents the average of a third moving average calculation. It's the highest value among the three bars.

Analysis – 5 Variance



Interpretation

The bar chart clearly shows a decreasing trend in the variance of the closing price year over year.

The closing prices in 2022-2023 had the highest variance, meaning there was the most spread or volatility in the closing prices during that period. The variance then decreased in 2023-2024, indicating less volatility compared to the previous year. The variance further decreased in 2024-2025, showing the least amount of volatility among the three years.

V. Findings

- The data shows a sudden decline in Adani Power Ltd.'s stock price immediately after the release of the Hindenburg Research report. This indicates a strong negative market reaction.
- Standard deviation and variance values were higher in the post-report period, indicating that the stock became more volatile and uncertain after the event.

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- The moving average trend in the Excel data reveals that while prices dropped sharply after the report, they began to stabilize slowly over time — suggesting an initial overreaction followed by partial recovery.

VI. Conclusion

This study aimed to examine the influence of the Hindenburg Research Report on the stock performance of Adani Power Limited. The results strongly indicate a significant decrease in stock value and heightened volatility right after the report's publication, directly addressing the first research objective.

further, through statistical tools like standard deviation, moving averages, and variance analysis, the study thoroughly examined pre- and post-event price behavior This aligns with the second objective of assessing volatility shifts surrounding the event, revealing not only short-term market disruption but also a progressive reduction in volatility over the years suggesting stabilization over time.

In relation to the third objective, trading volume and liquidity patterns were observed to fluctuate sharply post-event, indicative of shifting investor confidence and reactionary trading behavior While the data was primarily numerical, the implications suggest that trust restoration is a gradual process, influenced by open communication and regulatory measures.

overall, the study highlights that while adverse reports can trigger severe short-term shocks, their long-term influence can be moderated by resilient fundamentals, improved governance, and investor sentiment realignment These findings have significant implications for corporate risk management, investor strategy, and market regulation**.**

Suggestions

- Post-Hindenburg, stock price volatility surged due to speculation and lack of clarity. Adani Power and similar firms should publish real-time, audited financial disclosures and ESG (Environmental, Social, Governance) risk reports. Greater transparency reduces market guesswork and stabilizes investor expectations during crises.
- Investor confidence dropped dramatically after allegations. SEBI could implement a policy requiring third-party forensic audits for companies facing major corporate governance allegations. This proactive step can act as a trust-rebuilding mechanism and reduce prolonged volatility.
- Companies should pre-define crisis-response disclosure protocols outlining how they will communicate in the event of regulatory probes, allegations, or price shocks. This enhances predictability and signals maturity in governance.

Limitations of the Study

Reliance on Secondary Data: The study depends entirely on secondary data sourced from financial websites like Yahoo Finance. Any inaccuracies or delays in data updates on these platforms can affect the analysis.

No Primary Data or Investor Sentiment Survey: The study does not incorporate primary data such as investor surveys or interviews, which could have provided qualitative insights into investor behavior and sentiment beyond quantitative price movements.

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