

The Cost of Global Capital: Why the Adani Group's US Legal Proceedings Are a Wake-Up Call for Indian Conglomerates

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Introduction

The recent developments in the United States concerning Gautam Adani, Sagar Adani and Adani Enterprises Limited have been received in India through two vastly different perspectives. For some, the proposed settlement of civil proceedings and the reported movement towards dismissal of criminal proceedings represent a significant easing of legal pressure. For others, the very fact that the proceedings were brought remains the more important point. Both readings capture part of the story, but neither fully explains why the episode matters for the Indian business ecosystem.

The significance of the Adani proceedings lies less in their immediate outcome and more in what they reveal about the legal environment in which large Indian companies now operate. Indian enterprises may raise funds abroad, access foreign investors, use dollar-denominated payment channels, and participate in global supply chains while continuing to carry out much of their underlying business in India. That combination creates a wider regulatory footprint. Conduct that appears domestic in its commercial setting may still attract foreign legal scrutiny if it is linked to foreign capital markets, overseas investors, international banks, sanctions regimes or cross-border trade flows.

Three separate US-based developments provide the context. The U.S. Securities and Exchange Commission moved for entry of final judgments by consent as to Gautam Adani and Sagar Adani, whom the SEC previously charged with alleged making of false and misleading statements in connection with a 2021 bond offering by Adani Green Energy Ltd.

Separately, the United States Department of Justice (DOJ) filed a motion in a New York court to drop criminal charges against them. In the court filings, the DOJ indicated it would not pursue further criminal charges against the individuals, citing "*prosecutorial discretion*".

Lastly, Adani Enterprises Limited agreed to pay a substantial amount to resolve potential civil liability with the US Treasury's Office of Foreign Assets Control (OFAC) in relation to apparent Iran-related sanctions violations involving LPG shipments and US dollar payments.

These matters must not be conflated. The SEC proceedings related to civil securities disclosure fraud centred on allegations that Adani Green Energy Ltd. misled U.S. investors in connection with a 2021 bond offering by falsely touting anti-bribery compliance. The criminal case, which the U.S. DOJ moved to dismiss with prejudice, concerned separate allegations of bribery and fraud conspiracy to secure solar power contracts from Indian state utilities. Meanwhile, the OFAC settlement involved an entirely separate entity, Adani Enterprises Limited (AEL), and arose from compliance oversights where AEL indirectly imported sanctioned Iranian liquefied petroleum gas (LPG). Their legal foundations were different. Their consequences were different. Yet, taken together,

they illustrate a common proposition: once business, capital and payments cross borders, legal accountability may also cross borders.

When Indian Businesses Face Foreign Law Scrutiny

The most striking feature of the SEC and DOJ proceedings is that the alleged underlying conduct was not, in the ordinary commercial sense, centred in the United States. The allegations substantially related to Indian renewable energy projects, Indian public sector counterparties, and conduct said to have occurred in connection with business opportunities in India. Yet the United States asserted regulatory interest because the alleged conduct was connected with representations made to foreign investors and access to overseas capital markets.

This is the modern character of financial enforcement. Jurisdiction is no longer determined only by where the project is located or where the operating company is incorporated. It may also be shaped by where funds are raised, where securities are sold, which investors are addressed, which currency is used, and which banking channels process the transaction. A company may consider itself Indian in ownership, management and commercial footprint, but the moment it enters foreign capital markets, it accepts a second layer of regulatory expectation.

For Indian companies, this is the central point. Foreign capital does not come only with pricing benefits, liquidity and prestige. It also brings disclosure discipline, documentary expectations and enforcement risk. A bond offering, investor presentation, lender communication, sanctions certificate or payment instruction may later be examined by a regulator located outside India. The company's conduct is then judged not only against domestic expectations, but also against the legal standards of the market from which it has raised money or through which it has routed payments.

This is not merely an American phenomenon, although the United States is uniquely powerful because of the scale of its securities markets, the reach of the dollar system and the breadth of its sanctions architecture. The broader trend is global. As companies internationalise, regulators follow the points of connection created by finance, trade, shipping, banking and investor protection. Indian business must therefore move beyond the older assumption that compliance is principally a domestic regulatory exercise.

Settlements Require a Careful Reading

A second lesson from the Adani developments concerns the treatment of settlements. Public debate often treats regulatory settlements in an oversimplified way. One side equates settlement with guilt. The other side treats settlement as if it completely erases the underlying regulatory concern. Both positions are legally imprecise.

A settlement or consent judgment, depending on its terms, may resolve a proceeding without admission or denial of wrongdoing. It may bring finality, reduce uncertainty and avoid prolonged litigation. It may also leave the settling party free to maintain its denial of the allegations. That is why such outcomes should not be described as judicial findings unless the settlement or court order actually says so.

At the same time, settlements are not meaningless. A settlement may involve a large monetary payment, compliance undertakings, reputational costs, continuing regulatory oversight or internal remedial measures. It may not establish guilt, but it often reflects the regulator's assessment that the matter warranted enforcement action and that closure on agreed terms serves a regulatory purpose.

Indian law recognises this distinction. SEBI's settlement framework allows certain proceedings to be resolved on agreed terms, usually without admission or denial of guilt. The Reserve Bank of India may permit compounding of specified foreign exchange contraventions under FEMA. Competition law now permits settlement and commitment mechanisms in defined situations. Tax law also recognises compounding in particular cases. The policy logic is practical. Not every regulatory dispute needs to culminate in a contested final finding after years of litigation. The Adani developments should therefore be understood in the same way.

Why the OFAC Settlement Matters

Among the three developments, the OFAC settlement is particularly useful for Indian companies because it shifts attention from capital market disclosures to supply chain compliance. The issue was not simply whether a counterparty appeared on a restricted list. The concern related to the origin of cargo, the reliability of certificates, vessel movements, pricing signals, documentation patterns and the use of US dollar payments.

According to OFAC, Adani Enterprises purchased LPG from a Dubai-based trader, which was represented to be of non-Iranian origin. OFAC alleged that there were red flags indicating that the cargo may have originated from Iran and that US financial institutions were caused to process dollar payments in connection with those shipments. The settlement therefore turns on a compliance problem that many Indian companies may face: how far can a buyer rely on documents and warranties supplied by its counterparty when the surrounding circumstances suggest risk?

The answer emerging from global sanctions enforcement is clear. Formal documentation is important, but it is not always enough. A compliance system that merely collects origin certificates, obtains warranties and checks names against sanctions lists may fail if commercial red flags are ignored. Unusually favourable pricing, inconsistent vessel behaviour, unexplained shipping delays, opaque intermediaries, last-minute documentation changes, or routing that does not make commercial sense may all require further enquiry.

This has consequences across sectors. Energy companies, commodity traders, infrastructure groups, metal importers, shipping users, electronics suppliers and defence-adjacent businesses increasingly operate in supply chains where sanctions, export controls and origin rules matter. The legal risk may arise not because the Indian company knowingly deals with a sanctioned party, but because it fails to investigate warning signs that are visible from the transaction record.

For large Indian businesses, this means compliance must become more operational. It cannot remain confined to a legal checklist prepared after commercial terms have been agreed. The commercial team, treasury function, logistics team, compliance officers and external advisers must be aligned before the transaction is executed. In cross-border

trade, the legal risk may sit inside the shipment route, payment currency, cargo history or intermediary structure rather than in the headline contract alone.

The Role of Domestic Institutions

The Adani proceedings also raise a question that goes beyond corporate compliance. When allegations concerning Indian projects or Indian public institutions are examined primarily in foreign proceedings, India loses some control over the narrative. Foreign regulators, foreign prosecutors and foreign media then become the principal interpreters of facts that may have a strong Indian centre of gravity.

This is not an argument for reflexive acceptance of every foreign enforcement action. Extraterritorial enforcement may be overbroad. It may reflect the influence of the dollar system, sanctions policy, access to capital markets or strategic regulatory priorities. There will be cases where foreign authorities assert jurisdiction aggressively despite a limited connection with their territory.

However, the answer to possible overreach is not denial. The stronger answer is credible domestic institutional response. If Indian regulators, investigative agencies and courts are timely, independent and technically equipped, foreign enforcement becomes less dominant in shaping public understanding. Domestic processes need not mirror foreign proceedings, but they must be capable of commanding confidence among investors, counterparties and global markets.

For Indian companies, the practical implication is straightforward. Compliance systems must be capable of withstanding scrutiny not only from domestic regulators, but also from underwriters, foreign lenders, correspondent banks, sanctions authorities, overseas investors and market regulators. Governance that is sufficient for local filings may not be sufficient for global capital.

The Business Lesson

The correct response to these developments is not retreat from international markets. Indian companies need foreign capital, global trade relationships and international partnerships. India's ambitions in infrastructure, renewable energy, ports, airports, digital systems and manufacturing cannot be built on domestic capital alone. Global integration is necessary.

But global integration changes the standard of care. Companies that enter overseas capital markets or international supply chains must assume that their documents, disclosures, payments, suppliers and internal approvals may be examined by more than one legal system. The test is no longer only whether the transaction works commercially or complies locally. The test is whether the company can explain, with credible records, what it knew, what it disclosed, what it checked and why it proceeded.

Conclusion

The Adani US proceedings should not be read as either a simple victory or a simple indictment. The SEC, DOJ and OFAC developments are legally distinct, and each must be assessed on its own terms. The proposed or negotiated resolution of proceedings

may reduce immediate legal uncertainty, but the broader lesson for Indian business remains intact.

The conclusion is clear. Indian companies can no longer view foreign investment, overseas trade and cross-border capital as purely commercial opportunities. Each of them also carries a corresponding layer of legal and regulatory scrutiny. In this environment, "think global and act local" is no longer enough. Indian businesses must think globally, act locally and govern themselves to standards that can withstand scrutiny in every jurisdiction in which they operate, raise capital or do business.

The next phase of Indian corporate growth should therefore be driven not by caution, but by disciplined ambition. Companies that build robust governance systems early will not only reduce legal risk, but also place themselves in a stronger position to compete credibly in global markets.

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