

Power minister ducks questions on alleged over-invoicing by Adani

Ayush Joshi & Paranjoy Guha Thakurta

Allegations that the Adani Group overcharged itself for coal imported into India through an intermediary have been bouncing around for years. Recent media reports have added fuel to the fire. When an opposition MP asked the Indian government whether consumers of power had been overcharged, and whether India had suffered a loss of foreign exchange, the government ducked. Instead of addressing the issue, the minister for power hid behind a wall of irrelevant statistics. The opposition MP believes the Modi government has been ‘indulgent’ towards the Adani Group and its coal imports.

India’s Ministry of Power headed by Raj Kumar Singh seems reluctant to answer questions about allegations that the Adani Group has over-invoiced imports of coal. These allegations have been levelled by other wings of the country’s Union government.



Power Minister Raj Kumar Singh, who has evaded questions about whether alleged over-invoicing of coal exports by the Adani Group has caused a loss of foreign exchange to India or has impacted electricity consumers. Image World Economic Forum / Flickr

On 5 December 2023, Minister Singh apparently provided ‘irrelevant’ answers to questions posed by Jawahar Sircar, Member of the Upper House of India’s Parliament (the Rajya Sabha), who belongs to the Opposition All-India Trinamool Congress (TMC) political party. At least, this is what MP Sircar has claimed. (Minister Singh is a retired civil servant belonging to the elite Indian Administrative Service who was Secretary, Ministry of Home Affairs, and is now a politician belonging to the ruling BJP and an elected Member of Parliament.)

Sircar’s questions sought the government’s responses to persistent allegations relating to over-

invoicing of coal imported by the Adani Group. He characterised the Power Minister's voluminous response to his questions as playing games and accused the government of 'beating around the bush'.



Jawahar Sircar, Member of the Upper House of India's Parliament (the Rajya Sabha), who belongs to the Opposition All-India Trinamool Congress (TMC) political party

On his social media handle, Sircar said, ‘Govt evades reply on Adani Coal Import scam reported from London — by giving complex 4-page reply. The Power Ministry that facilitates Adani’s over-invoiced coal imports, (forcing all thermal plants to mix such coal) plays games in reply to me’.



Screenshot of Jawahar Sircar’s post on the social networking platform “X”, formerly Twitter. In an interview with one of the writers of this report, Sircar expressed his concerns: ‘My questions were highly specific. Are you familiar with the *Financial Times* [report](#)? Are you aware that, due to Adani’s over invoicing, a significant amount of foreign exchange has been depleted? If anyone else had engaged in similar practices, they would likely have faced scrutiny from the Enforcement Directorate under the Prevention of Money Laundering Act (or PMLA).’

He went on to emphasise: ‘To claim that the government of India has no role in determining fuel costs is unacceptable. Power producers are not independent authorities; they operate under a shadow. My view is that different wings of the Indian government, the Ministry of Coal, the Ministry of Power, and the Ministry of Finance, have been indulgent when it comes to the interests of the Adani Group and its imports.’

(Story continues below)

Sircar had also sent a letter to Union Finance Minister Nirmala Sitharaman where he claimed that the Power Ministry had dealt with his queries in a ‘cavalier manner’ despite three reminders, and that the Ministry ‘sought to deflect’ the issue he had raised. The MP claimed that he found the Ministry’s attitude ‘quite alarming’. (See below.)

जवाहर सरकार
संसद सदस्य
राज्य सभा, नई दिल्ली



Jawhar Sircar, MS (R)
Member of Parliament
Rajya Sabha, New Delhi

No.Finance/12-1/2023

09th December 2023

ADANI COAL IMPORTS

Dear Madam,

You have been kind enough to acknowledge my letter No.Finance/10-1/2023 dated 16th October 2023 regarding malpractices in coal imports. Your first response was on 23/10/23 and second on 14/11/2023 (to my reminder).

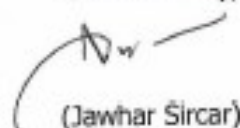
I am reminding you for the third time that the matter is extremely serious and the cavalier manner in which the Power Ministry has sought to deflect the issue (RS US Qn. No. 199 dated 5/12/2023) is indeed quite alarming. It's plea is that imports are all under OGL and the "price of imported coal is not comparable with price of domestic coal due to calorific value"

I insist that proper investigation be undertaken into this matter by ED under PMLA and Foreign Exchange rules, and by other agencies concerned under different jurisdiction.

Encl: As above

Regards,

Yours sincerely,


(Jawhar Sircar)

Smt. Nirmala Sitharaman,
Hon'ble Minister of Finance
Govt. of India
North Block
New Delhi 110001

Delhi Address: 40 Meena Bagh, Maulana Azad Road, New Delhi 110011

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Copy of the letter dated 9 December 2023, sent to Finance Minister Nirmala Sitharaman by MP Jawhar Sircar In an interview with one of the writers of this article, Sircar remarked: "The government should not beat around the bush; instead, they should tell me if I am [right or] wrong."

Background to the allegations of over-invoicing

The roots of these allegations go back to an investigation by the Directorate of Revenue Intelligence (DRI) in the Ministry of Finance that was started in 2012, two years before

Narendra Modi became Prime Minister of India in May 2014. The investigation was into whether 40 companies artificially inflated the prices of coal that had been imported from Indonesia. The impact of the allegedly higher prices of coal was that consumers of power had to pay higher prices for the electricity they used.

On 30 March 2016, the DRI issued a 'look-out' [circular](#) alerting 50 offices of the Customs authorities across different locations in India about the likelihood of these 40 companies over-invoicing coal imported from Indonesia. One of the writers of this article broke the [story](#) in April that year.

Among the private companies that were investigated by the DRI were six firms that are part of the Adani conglomerate – Adani Enterprises Ltd, Adani Power Ltd, Adani Power Rajasthan Ltd, Adani Power Maharashtra Ltd, Adani Wilmar Ltd and Vyom Trade Link. The Adani Group is headed by Gautam Adani who is known to be close to Prime Minister Modi. The group supplied coal to various power-generation and distribution companies, including the Tamil Nadu Electricity Board, Gujarat State Electricity Corporation, Haryana Power Generation Corporation and Jhajjar Power Ltd.

Here's a chronological evolution of the case.

2014

Allegations [surface](#) against the Adani Group on overvaluation of coal imports.

2016

The DRI initiates an investigation into the allegations.

2018

The Bombay High Court [grants](#) an interim stay to Adani Enterprises Limited (AEL), suspending the DRI's investigation.

2020

The Supreme Court [directs](#) the Bombay High Court to resolve the dispute.

2023

January: A US-based short-selling firm Hindenburg Research releases a [report](#) raising questions about various aspects of the Adani Group's operations, including the overpricing of coal imports.

October: The *Financial Times* (FT) of the UK [publishes](#) an investigation suggesting that the Adani Group utilised offshore intermediaries to import coal at prices significantly higher than market rates.

November: The DRI seeks to [restart](#) the probe into the allegations of over-invoicing of coal imports and seeks the permission of the Supreme Court to collect evidence from Singapore. The intelligence agency wants to obtain documents from Singapore government authorities related to the Adani Group's coal shipments from Indonesian suppliers that were initially billed at an allegedly higher price to its Singapore unit, Adani Global Pte, and then transported to the group's Indian affiliates.

Despite assertions of innocence by the Adani Group, claiming that Indian authorities assessed its coal shipments before releasing them from ports, the attempt to revive the coal probe has occurred against a backdrop of broader regulatory scrutiny of the conglomerate's affairs. In response to the allegations of over-invoicing of coal, the Adani Group issued a [statement](#)

accusing the *FT* of conducting a ‘malicious campaign’, alleging that the media outlet has been recycling old and unsubstantiated claims.

December: Sircar questions the government in parliament over the affair.

‘Irrelevant Answers’

MP Sircar raised five specific questions in his question. These were:

1. Whether the government had examined the report published by the *FT* on 12 October 2023 on the alleged ‘overcharging of coal imports’ by Adani Group companies, ‘directly or through associates or by other means.’
2. Whether the government had compared the prices of the coal imported with prevailing international prices of comparable grades of coal.
3. Whether the government had found that there had been an additional outgo of foreign exchange due to over-invoicing.
4. To what extent were power plants ‘compelled’ to mix the allegedly over-priced imported coal with domestically sourced coal; and
5. Whether there had been a loss of foreign exchange and whether the alleged overcharging of coal led to higher electricity bills paid by consumers.

In response to the questions, Minister of Power Singh provided the following reply:

‘The concern of the Ministry of Power is to ensure sufficient availability of coal at TPPs [thermal power plants] so that the demand for electricity may be met. Coal, whether domestic or imported, is procured by Thermal Power Plants (DCBs or ICBs) [meaning, domestic coal based or international coal based] separately and as per their requirements. As coal [import] is under open general licence (OGL) since 1993, thermal power plants/generators have been regularly importing coal as per their preference (imported coal has high GCV [gross calorific value] ... and therefore is of better quality) and need based on their commercial prudence. There are a number of Power Plants based exclusively on imported coal. In addition, the Domestic Coal Based (DCBs) plants have been importing coal for blending purposes since 2009. The imports for blending varied between a peak of 47.6 MT (million tonnes) in 2015-16 to 23.8 MT in 2019-20. In 2020, the Ministry of Power advised States to reduce imports for blending; as a result, the imports declined to 8.1 MT in the year 2021-22. Information regarding coal imports by DCBs and ICBs is regularly collected and monitored by CEA [Central Electricity Authority].’

GOVERNMENT OF INDIA
MINISTRY OF POWER

RAJYA SABHA
UNSTARRED QUESTION NO.199
ANSWERED ON 05.12.2023

OVERPRICING OF COAL IMPORTS BY ADANIS

199 SHRI JAWHAR SIRCAR:

Will the Minister of POWER be pleased to state:

- (a) whether Government has examined the report published by Financial Times on 12th of October, 2023 regarding the overcharging of coal imports by Adanis, directly or through associates or by other means;
- (b) whether Government has compared the relevant costs of imported coal with prevailing international costs of comparable grades of coal;
- (c) whether Government has found the additional outgo of foreign exchange due to over-invoicing;
- (d) how much power plants who were compelled to mix this overcharged imported coal lost; and
- (e) the action is being done for this deliberate loss of foreign exchange and the overcharging of electricity bills by customers?

A N S W E R

THE MINISTER OF POWER AND NEW & RENEWABLE ENERGY

(SHRI R.K. SINGH)

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.....2.

Part of reply given by Union Minister of Power R K Singh to questions posed by Rajya Sabha MP Jawhar Sircar. Most of the rest of the reply consists of spreadsheets and extraneous matter. Whereas Singh elaborated on the quantity of imported coal that is blended by power generating companies in India and defended the higher prices of imported coal because of their superior quality, he did not address Sircar's question on whether the prices for the coal imported to India had been compared with the then prevailing international prices, and whether there were any differences between the two sets of prices. The Minister elucidated on how the pricing of coal in international markets is dynamic, linked with various indices, including the originating source, ocean freight, insurance and considerations of demand and supply. However, key questions raised by MP Sircar were ducked.

Minister Singh sought to distance the Union government from the allegations of over-invoicing. He asserted: 'The matter of fuel costs and the resulting tariff is a matter between the Genco (power generating company) and the Regulator. The government has no involvement in this.'

Singh's response omitted any direct reference to the accusations against the Adani Group. Instead, the Minister preferred to present statistics to elucidate the rationale behind advising power plants to import coal in December 2021 when coal stocks were depleting due to a sharp

rise in electricity demand, thereby heightening the risk of power cuts across the country.

Initially, power plants were instructed to import 10% of their coal requirements, blending the high-cost imported coal with domestically sourced fuel. In October 2021, the Power Ministry advised state-owned, central and independent power producers (IPPs) 'to import coal for blending at 6 percent (by weight) minimum... till March 2024,' Singh added.

Regarding any grievances by power distribution companies (discoms) or power-generating companies (gencos) about the regulator's orders, Singh suggested that appeals could be made to the Appellate Tribunal on Electricity (APTEL). TMC MP Sircar, however, contended that the Minister, instead of answering the questions he had raised, was attempting to drown the discourse by providing 'unnecessary' and 'irrelevant' data to deflect attention from the important issues that are at stake.

How hard is it to prevent over-invoicing?

In a phone interview, Padamjit Singh, patron of All India Power Engineers' Federation (AIPEF), a representative body of engineers working in power utilities owned and operated by the central and state governments in India, said: 'The Ministry of Power is pressurising IPPs (Independent Power Producers) and gencos to import coal to address power shortages in different parts of India. However, when the same group that imports coal from mines with which it is associated is also the end-user of the raw material, the risks of over invoicing increase hugely and safeguards against manipulating cost parameters of the imported coal diminish considerably.'



Padamjit Singh, patron of All

India Power Engineers' Federation. Image Facebook

He explained that to prevent malpractices, a reputable sampling and testing agency must be appointed to assess the quality and prices of coal when it is loaded at the exporting port:

'First and foremost, the sample collected must accurately represent the entire consignment of coal that is loaded. Secondly, the testing processes, particularly those for ascertaining the Gross Calorific Value (GCV) of the consignment of coal, must be conducted with integrity and honesty. Thirdly, the documentation, including the test certificate, should not be tampered with.

‘Upon dispatch, a copy of the certificate must be promptly sent to the importer to prevent document swapping *en route*. Fourthly, there should be sealed samples for both the importer and the exporter; a sealed referee sample should also be retained by the testing agency. Finally, the test house/agency must also provide another crucial parameter—the weight of the loaded coal, determined from the sea water level of the vessel.’

The AIPEF’s Singh added that all this information is essential for billing purposes and that ‘such multiple checks and safeguards are needed to ensure the accuracy and the integrity of the sampling and testing processes.

‘While the Ministry of Power may direct gencos that a certain percentage of imported coal be blended with locally sourced coal, the intricate processes of sampling and testing involved can prove to be challenging and are not easily implementable,’ he added.

He explained that in a ‘hypothetical scenario’ where the coal mine, the railway link, the operations of the port, the ownership of the vessel, the management of the port of discharge in India, the operations of the coastal power station, and the electricity transmission lines are all controlled and operated by entities in the same corporate group, it becomes extremely challenging, if not practically impossible, to prevent over-invoicing of imported coal and overcharging electricity consumers.

This complex web of ownership underscores the challenges in ensuring transparency and fair practices and calls into question the motivations behind the Ministry of Power’s push to expedite coal imports, he concluded.

Adani Power, one of the leading companies in the conglomerate, has been involved in several tariff-related disputes with discoms and gencoms of multiple Indian states, including Maharashtra, Karnataka and Andhra Pradesh, as has been previously [reported](#) by *AdaniWatch*. These disputes have been linked to the Adani Group’s demands for higher power tariffs, citing the utilisation of higher-priced, superior-quality imported coal. *AdaniWatch* has also published documents that point towards transfer of funds resulting from alleged over-invoicing of power equipment by the Adani Group to entities in the United Arab Emirates and the tax haven of Mauritius. Read more about these allegations [here](#).

The authors are independent journalists in India