



Vedanta – The **Secret** Enforcement Directorate Meeting

In July 2023 India's Enforcement Directorate demanded a \$123m brand fee refund from VRL. Bondholders and lenders were never told...

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July 30, 2025 – Since our first report on Vedanta Resources (VRL), dozens of whistleblowers including former employees, advisors, and counterparties have come forward, corroborating and expanding on the mechanisms used to extract value from Vedanta Limited (VEDL).

These firsthand accounts are eye-opening, revealing a deeply compromised system, where regulatory oversight has been circumvented, investors deliberately misled, and basic fiduciary responsibilities ignored.

The Brand Fee Freakout

We've previously written about VEDL's brand fees and noted that in FY24 VEDL received a brand fee refund from VRL for the first time.

Expenditure and other transactions:				
(i) Purchase of goods/ services ^M	124	3	391	518
(ii) Management and brand fees (net*) ^N	2,865	-	-	2,865
(iii) Reimbursement for other expenses (net of recovery)	2	-	(4)	(2)
* Net of discount earned on brand fees of ₹ 146 crore during the current year ended 31 March 2024.				
# Net of refund received of ₹ 1,030 crore against prepaid brand fee during the current year ended 31 March 2024.				

Figure 1 – VEDL FY24 Related Party Transaction Disclosure

There was no explanation of why this refund occurred, until today.

In July 2023, India's Enforcement Directorate (ED) summoned Vedanta Limited's CEO and CFO regarding improper brand fee payments to its parent, Vedanta Resources Limited. The ED is rightfully the most feared of India's financial investigators and, according to the colorful language of one observer, the "Leadership s**t their pants".

CEO Sunil Duggal refused to even appear, leaving the newly-appointed CFO, Sonal Shrivastava, to attend the interview with Ajay Agarwal, a non-board member of the executive committee.

Brand fees were supposed to be solely paid at the start of the financial year, but this was not the case. Whenever VRL faced a liquidity crunch it triggered ad hoc remittances from VEDL under the banner of brand fees. These ad hoc payments were what originally drew the attention of the ED.

The ED found the brand fees unjustified under FEMA and corporate governance norms. To avoid immediate enforcement action, VRL agreed to rebate ₹1,030 crore (\$123m) to VEDL, while auditors were kept in the dark.

Sonal Shrivastava attended the AGM, the ED interview, and then promptly resigned in October 2023, only 5 months after joining.

Since then, VRL has instituted year-end "refunds" of brand fee overpayments to its subsidiaries, quietly acknowledging the fee structure's non-compliance. These facts have not been disclosed to bondholders or the market.

ICICI Bank, acting as the Authorised Dealer for RBI, processed these multi-million dollar transfers without effective oversight, a procedural failure that enabled the original unlawful remittances.



This intervention by the ED:

- Confirms the brand fee structure is under active regulatory scrutiny
- Reveals regulatory concerns over improper remittances under FEMA
- Suggests VRL's cash flows rely on non-compliant intercompany funding
- Raises questions about the role of ICICI, the Authorized Dealer Bank, in allowing these transfers

The brand fees are a core funding mechanism for VRL. In FY25 alone, VEDL and its subsidiaries paid over \$361m (₹3,085 crore) in brand fees to VRL, representing 15% of VEDL's net income. That cash services VRL's \$4.9b (₹42,015 crore) in net debt, \$835m (₹7,136 crore) annual interest bill and maintains liquidity. Without these inflows, VRL has no ability to meet its obligations.

We understand that in April this year over \$400m further has already been remitted to VRL in the guise of brand fees.

Refund Confirms Brand Fees as a Circular, Interest-Free Loan

When the ED intervened in 2023, VEDL agreed to rebate ₹1,030 crore (\$123m) of excess fees, **it confirmed that these payments are variable, reversible, and not tied to any deliverables**. Brand fee refunds at year-end are now common, making the brand fee mechanism a rolling credit facility from VEDL to VRL with zero interest, zero collateral, and zero transparency.

These fees are often paid in advance, based on projected turnover rather than actual services rendered. In practice, VEDL sends money to VRL for no quantifiable benefit in return.

Brand Fees are VRL's Achilles Heel

From the outset, VRL's offshore lenders have viewed the brand fee arrangement between VEDL and VRL as a critical risk factor. It was clear to them that there was no legal or commercial justification for the brand fees and that they were very vulnerable to regulatory intervention.

While VRL consistently reassured creditors that brand fees were not at risk and would continue indefinitely, one market participant stated:

"...it is the entire security package, behind the shares, for the private credit facility...it's a God-awful set of rules, the whole concept is outrageous. There is no way they would stand up to scrutiny."

A former employee told us that to demonstrate its confidence, VRL imposed new contracts on VEDL and HZL meaning that, if brand fees were ever stopped, "egregious trigger fees would be due immediately" and that "they were done for the private credit funds: to get them comfortable that they could get their money back if the government found out".

Getting this new brand fee agreement executed by the board of HZL proved impossible. Instead "there are a series of letters signed by captive HZL directors who were railroaded in meetings and told 'sign this or else'."



Bondholders Kept in the Dark

Bondholders were never informed that an ED investigation had been initiated, VEDL's management summoned and interviewed, or that it had ordered the repayment of brand fees.

Worse still, these same lenders were told they had a fallback: the sale of VEDL's steel assets, the proceeds of which could be used to repay their debts. That sale was cancelled internally months before the bonds were restructured and private credit facility arranged. The asset remains unsold, unstructured, and functionally off the table.

Realistically, the steel sale could never have occurred, even if pursued. Any serious due diligence process would have uncovered the insurmountable operational, financial and legal issues at ESL Steel outlined in our original report: falsified expansion claims, capex fraud, environmental violations and a formal going concern warning.

No Oversight from ICICI Despite RBI Mandate

All cross-border payments from VEDL are processed through ICICI Bank, designated as the Authorized Dealer Bank under India's foreign exchange regime. Yet whistleblower testimony and internal sources confirm that ICICI has conducted no due diligence on these multi-million dollar remittances. ICICI neither reviewed underlying contracts nor assessed commercial rationale.

This absence of oversight directly contravenes RBI expectations, placing ICICI at the center of a breakdown in enforcement. We were informed that it is likely that ICICI still does not conduct appropriate checks on brand fee remittances.

No Settlement with the ED, Risk Remains Active

Despite the yearly rebates from VRL, there was no formal settlement reached with the ED. The matter remains open and under review, with no legal closure, no immunity granted, and no regulatory clearance obtained. The brand fee arrangement continues to operate under regulatory risk, and any future enforcement action remains firmly on the table.

Stakeholders should not mistake the absence of public updates for resolution; the risk is unresolved, ongoing, and material.

Xiaomi – A Regulatory Precedent

In one of India's most high-profile FEMA enforcement actions, the ED seized ₹5,551 crore (\$649.50m) from Xiaomi India after finding the company had routed large sums to foreign entities under the guise of royalty payments¹. These remittances lacked underlying agreements and violated RBI rules regarding international payments. When Xiaomi failed to produce technical collaboration agreements, the Karnataka High Court upheld the ED's seizure showing that flows without substance are legally actionable.

¹ <https://economictimes.indiatimes.com/industry/cons-products/electronics/xiaomi-files-appeal-against-eds-seizure-of-rs-5551-27-crore/articleshow/106774992.cms?from=mdr>



Significant Questions

For Vedanta Resources Limited (VRL)

1. Why was the Enforcement Directorate interview and the ₹1,030 crore (\$123m) brand fee rebate never disclosed to creditors or in any market filings?
2. What corporate governance processes are in place to authorize or refund brand fees from subsidiaries?
3. What services are provided by VRL in exchange for these brand fees, how are those services priced, and where are those services provided from?
4. Why are brand fees paid in advance rather than upon delivery of value or service?
5. In the event that brand fees are restricted, rebated, or repatriated, what alternative sources of liquidity are available to meet VRL's offshore obligations?
6. Have any disclosures been made to bondholders about the reversibility of brand fees, or the ED's current jurisdiction over the payment stream?

For Vedanta Limited (VEDL)

1. Were brand fee agreements with VRL ever approved by minority shareholders, as required under SEBI Regulations and the Companies Act?
2. Were the amounts disclosed in a manner consistent with their size and frequency, especially when they exceeded materiality thresholds?
3. Why were VEDL's and VRL's auditors not informed of the ED interview or the ₹1,030 crore (\$123m) repayment to VRL?
4. What internal controls exist to ensure brand fees are arm's-length and commercially substantiated?
5. What is VEDL's contractual exposure to VRL's creditors should the brand fees payments be stopped? Is there a 'trigger clause' that would capitalize VEDL's brand fees commitment and become payable immediately?
6. How does the continued payment of brand fees align with VEDL's capital expenditure needs, worsening net debt, or minority shareholder rights?

For Institutional Shareholders and Creditors

1. Were you informed of the ED intervention and resulting ₹1,030 crore \$123m rebate before investing or restructuring debt?
2. Did VRL and VEDL claim that brand fees were not at risk of regulatory scrutiny and intervention?
3. Will you seek a shareholder vote at VEDL to review or suspend brand fees pending regulatory clearance?
4. Why did you not insist on receiving a signed board resolution from HZL approving the new brand fee agreement? Were you not aware that such an agreement needed explicit approval from GoI?

For the Enforcement Directorate (ED)

1. Is there an active investigation into the remaining ~\$1.6b in brand fee remittances from VEDL to VRL?
2. Does the ED intend to review ICICI Bank's role in enabling the transfer of foreign exchange without economic justification under FEMA?
3. Is there a framework in place to prevent VRL from re-routing similar payments through proxies or alternate mechanisms (e.g., VSPL)?



For the Reserve Bank of India (RBI)

1. As per FEMA's Authorised Dealer obligations, did ICICI Bank breach its duty by approving multi-million-dollar outbound payments with no underlying contractual service value?
2. Will RBI consider enhanced scrutiny or temporary freeze on similar high-value remittances until prior transactions are resolved?
3. Should future brand fee remittances from listed companies require additional RBI review or independent certification?

For ICICI Bank

1. Can ICICI confirm what internal processes were in place to review and approve large-dollar outward remittances from VEDL under the "brand fee" designation?
2. Can ICICI confirm whether it has ever raised any red flags or sought clarifications from VEDL regarding the frequency, amount, or purpose of brand fee payments?
3. In light of ongoing regulatory scrutiny, is ICICI now implementing any enhanced due diligence procedures for future cross-border payments from VEDL or related entities?



Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Vedanta Resources, its affiliates, or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroy@viceroyresearch.com.

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