Vedanta – AGM Questions

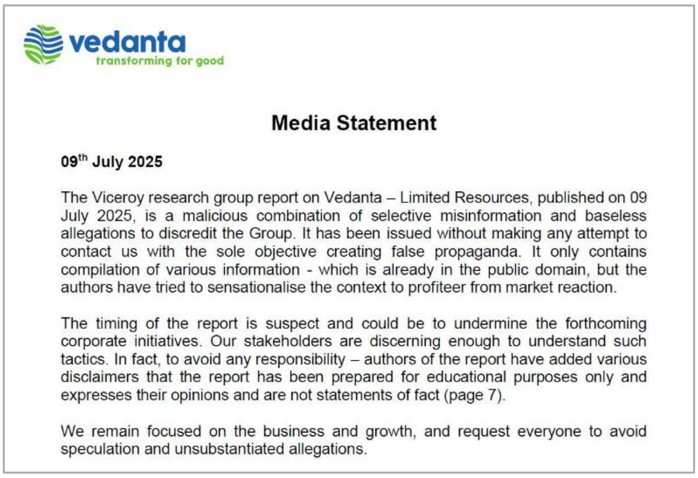
VEDL is left to defend the system that is destroying it and fails to respond to any of our concerns.

PLEASE READ IMPORTANT DISCLAIMER – PAGE 5

July 10, 2025 – On July 9, 2025, Viceroy released our report on Vedanta Limited (VEDL) and Vedanta Resources (VRL), detailing a system where the public company VEDL is being systematically looted to sustain its indebted parent VRL. The company's response, a one-page dismissal, ignores every red flag raised in our report.

- The Group's financially unsustainable nature which relies on draining VEDL to meet VRL's overseas debt obligations
- The chronic mismanagement of VEDL's operations and expansions, designed to function as debt-raising announcement factories instead of actual operations
- Multiple financial and accounting discrepancies such as capitalized penalty expenses, significant off-balance sheet liabilities
- Governance failures including inappropriate auditor choices, improper related party transactions and possible regulatory violations.

Instead, the company claimed that all information was already known to the public and asked investors to avoid educating themselves on the risk of their investment.



Media Statement

09th July 2025

The Viceroy research group report on Vedanta – Limited Resources, published on 09 July 2025, is a malicious combination of selective misinformation and baseless allegations to discredit the Group. It has been issued without making any attempt to contact us with the sole objective creating false propaganda. It only contains compilation of various information - which is already in the public domain, but the authors have tried to sensationalise the context to profiteer from market reaction.

The timing of the report is suspect and could be to undermine the forthcoming corporate initiatives. Our stakeholders are discerning enough to understand such tactics. In fact, to avoid any responsibility – authors of the report have added various disclaimers that the report has been prepared for educational purposes only and expresses their opinions and are not statements of fact (page 7).

We remain focused on the business and growth, and request everyone to avoid speculation and unsubstantiated allegations.

Figure 1 – Vedanta Limited Media Statement

This response is entirely inappropriate, especially with VEDL's AGM meeting the next day:

- The company failed to address any of the concerns raised in our report, including the Group's unsustainable dividends and financial structure.
- The company claimed that the entirety of our report was already known and in the public domain, despite multiple issues showing signs of attempted concealment, such as the $956m 2020 loan, Fujairah gold discrepancies, Cairn's loan to VRL and legality of brand fees charged to HZL regarding board approval of its agreement.
- The company tried to discredit our report by citing our disclaimer, despite our report using official company financials as sources.
- The author of the response, Sonal Choithani, also serves as a communications officer for VRL, the very entity responsible for draining VEDL and much of the mismanagement of the group[1].

Both the Bombay Stock Exchange and the National Stock Exchange have understandably requested further information from the company.

Security Code : 500295 **Company :** VEDL

Clarification sought from Vedanta Ltd

Exchange Disseminated Time 09/07/2025 15:10:04

The Exchange has sought clarification from Vedanta Ltd on July 9, 2025, with reference to news appeared in www.cnbctv18.com dated July 9, 2025 quoting "Vedanta, HZL shares fall up to 8% after short-seller alleges "material discrepancies" in financials"

The reply is awaited.

[1] https://www.youtube.com/watch?v=00ycSLomZfs&list=PLzzgJDY7qfarf_Zj5LyLaId8NXJjVbMur&index=4

SUBJECT	ANNOUNCEMENT	ATTACHMENT	BROADCAST DATE/TIME
News Verification	The Exchange has sought clarification from Vedanta Limited with res pect to recent news item captioned Vedanta, HZL shares fall up to 8% after short-seller alleges 'material discrepancies' in financials. The re sponse from the Company is awaited. Read Less	-	09-Jul-2025 14:16:18

Figure 2 & 3 – BSE and NSE announcements regarding Vedanta Limited

Anil Agarwal, the industrialist who pays lip service to investing in India only to end up stripping billions of dollars out of the country, is nowhere to be seen. Instead VEDL is left to defend the very structure that has left its operations underinvested, its coffers empty, and its share price determined by unsustainable debt-fueled dividends.

1. Questions for the AGM

Unsustainable Financial Structure

1. Why does Vedanta Limited continue to pay dividends while running a cumulative free cash flow deficit of $5.6b over the past 3 years?
2. How does the company justify increasing debt while simultaneously paying an unsustainable dividend for 3 years running?
3. Was VEDL party to, or expected to support, VRL's loans from Trafigura or Glencore either financially or operationally?

Brand Fees

1. What tangible services justify the $338m in annual "brand fees" ($1.16b over the last 4 years) paid by operating subsidiaries to VRL, many of whom don't use the Vedanta name or brand?
2. Are there transfer pricing studies or benchmarking analyses to justify these brand fees? Has the company received queries or notices from Indian tax authorities?
3. What were the circumstances of board approval for the approval of the current brand fee agreements, in particular at HZL?
4. How much, if any, support work is conducted in the UK at VRL's offices, which appear to be vacant and available for lease?
    a. Can management confirm whether any VEDL personnel are engaged in activities that support VRL operations, while their salaries are paid by VEDL?

Bait and Switch Funding

1. How does the VEDL Board justify continued investment announcements (e.g., semiconductors, nuclear, glass) when existing projects remain incomplete and underfunded?
2. Why did VEDL purport to continue marketing a steel sale from October 2023 through to June 2024, despite halting internal efforts in Q3 FY24?
    a. Was this done to mislead creditors during the Private Credit Facility raise and Liability Management exercise?
    b. Why were the lenders told that the asset sale was imminent, and the debt restructuring was a "bridge to asset sale"?
3. How does the company justify capital projects and expansions in some cases running years late whilst borrowings have increased?
4. How much in brand fees has been prepaid so far this financial year?

Capex Fraud and Inflated Asset Value

1. Why are VEDL subsidiaries capitalizing penalties for environmental violations, for example ESL Steel's $178m forest land purchased for the Forestry Development?
2. What percentage of capitalized expenses across subsidiaries are related to penalties, fines, or non-productive assets (e.g. land for afforestation)?
3. As there is no credible path to monetizing the international zinc and power assets, why are they sitting on the balance sheet at such inflated values?
4. What due diligence justified a $504m impairment reversal at Black Mountain Mining despite deteriorating operations and financial performance?
5. What due diligence was done on the Meenakshi expansion and why was the plant idle for years prior, despite being able to operate?

Corporate Governance Failures

1. What is the VEDL Board's response to the ongoing criminal investigation into the original HZL disinvestment and the potential for reversal or penalties?
2. Why is Deshnee Naidoo, the CEO of VRL, in attendance at the VEDL AGM and earnings call as a speaker? Is it because VRL's interests take priority over VEDL's and its shareholders?
3. Have either VRL or VEDL received queries or notices from Indian authorities due to breaches of the Companies Act, FEMA regulations or SEBI RPT compliance?
4. Has the Board of VEDL formally reviewed the audit arbitrage strategy of appointing banned, sanctioned or compromised auditors across subsidiaries?
5. What is the VEDL Board's explanation for the wave of senior executive departures since the demerger announcement, and how is succession being managed?
    a. What is the reason for Chris Griffith's departure, and has a replacement been appointed or planned?
6. What steps has the VEDL Board taken to investigate and address the likelihood of gold laundering through Fujairah Gold, including implausible feedstock and criminal associations?

Questions for the Promoters

1. How do you justify encumbering the operations of VEDL so VRL can borrow money at the expense of VEDL minority shareholders?
2. How do you justify subjecting VEDL to creditor covenants (e.g. dividend restrictions, merger approvals) in offshore debt agreements to which VEDL is not a party?
3. Why is the VEDL board allowing VEDL to act as guarantor or lender to VRL subsidiaries, including issuing a $956m loan used to support promoter share purchases? Has this been approved by independent directors of VEDL?
4. What safeguards are in place to ensure that VEDL's board acts independently of VRL's interests, especially given the overlapping management and related-party transactions?

Post Demerger Financial Stability

According to the current demerger plan:

1. What is the current expectation that the demerger will proceed as planned by the end of September 2025, as forecast by management?

2. Which of the demerged entities are projected to generate positive free cash flow? Do these segments currently generate positive free cash flow?
3. How much in debt and interest expenses is each demerged entity projected to carry and service?
4. Will the demerged entities be subject to cross guarantees with other subsidiaries, VEDL, and VRL?
5. How specifically will the divestment "unlock value" for stakeholders, including minority shareholders and debtholders, given that many of the to-be-demerged assets are severely impaired, hold significant off balance sheet liabilities or loss-making?
6. Apart from the Aluminium entity, which already has a brand fee agreement in place, which of the demerged entities will be paying brand fees? What is the projected annual expense of brand fees post-demerger?

Conclusion

Some analysts have attempted to dismiss our findings as "already known" This is a convenient myth. We challenge analysts to identify a single instance where they publicly addressed the below, and, if addressed, how this stock was still pitched to their investors as a "buy"?

- VEDL subsidiaries overpaying brand fees in advance to VRL, effectively providing it with an interest-free line of credit.
- VRL's London office being listed for lease since at least January 2025, alongside an ongoing senior management exodus.
- ESL fraudulently capitalizing hundreds of millions in expenses related to penalties for environmental violations.
- The high likelihood that Fujairah Gold refines undocumented gold, with known links to gold smuggling networks.
- Hindustan Zinc holding $1.8b in unrecognized contingent liabilities completely off the balance sheet.
- Meenakshi Power Plant's persistently loss-making economics, despite years of so-called operational improvement.
- The Skorpion mine's endlessly delayed restart, and the broader International Zinc division's lack of any path to profitability.
- VEDL's $956m 2020 loan to VRL subsidiaries, which was used to purchase VEDL shares, with $412m still outstanding and $122m quietly written off.
- Cairn India's own funds being used to repay loans VRL took out to acquire Cairn.
- The fact that most of VEDL's capital projects are delayed and underfunded, despite analysts continuing to model them as complete.
- Multiple international VEDL subsidiaries being audited out of a housing unit in Maharashtra, alongside a pattern of compromised or inappropriate auditors.

This "we know" mentality precludes analysts from doing their jobs and conducting this research for themselves, and from taking the time to read it when it is presented to them on a silver platter. This mentality is common across our work, and was used to defend Adler, Ebix, Home REIT, Wirecard, and Athenex, among others. All are now bankrupt.

Attention: <u>Whistleblowers</u>

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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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