Vedanta – Limited Resources

A stock turns into something good by good actions, and into something bad by bad actions. Vedanta is low on karmic credit.

PLEASE READ IMPORTANT DISCLAIMER – PAGE 7

July 9, 2025 – Viceroy is short the debt stack of **Vedanta Resources (VRL PropCo)**, the heavily indebted parent and majority owner of **Vedanta Limited** (**NSE : VEDL**). The entire group structure is financially unsustainable, operationally compromised, and poses a severe, under-appreciated risk to creditors.

The core of our investment thesis rests on a simple but critical dynamic: **VRL is a "parasite"** holding company with no significant operations of its own, propped up entirely by cash extracted from its **dying "host": VEDL**.

To service its own debt burden, **VRL is systematically draining VEDL**, forcing the operating company to take on ever-increasing leverage and deplete its cash reserves. This looting erodes the fundamental value of VEDL, which constitutes the primary collateral for VRL's own creditors.

Consequently, VRL's actions to meet its short-term obligations directly impair its creditors' long-term ability to recover their principal, a situation that **resembles a Ponzi scheme** where VEDL stakeholders, which include VRL creditors, are the “suckers”.

This arrangement has pushed the entire group to the brink of insolvency, propped up only by a continuous cycle of new debt, accounting tricks, and the deferral of massive, undisclosed liabilities. New credit lines serve only to destroy the PropCo’s only collateral, staving immediate insolvency at the expense of any chance of creditors recovering principal. The mechanisms used to maintain the illusion of stability are failing, and a group-wide insolvency event is no longer a distant risk.

Our investigation has uncovered material quantitative and qualitative discrepancies in Vedanta group’s, many of which we believe are tantamount to fraud. Of note:

- **Bait and Switch Funding Model –** Vedanta Limited promotes ludicrous capital-intensive projects that it cannot afford in order to raise fresh capital. This capital is then paid out to the PropCo to service its debt.
- **Irreconcilable Interest Expenses** - Vedanta’s interest expenses vastly exceed its reported note rates, and continues to increase despite paydowns and restructuring.
- **Inflated Asset Values –** We evidence inflated asset values across VEDL’s large list of non-performing operating subsidiaries. The debt across these assets vastly exceeds their true value and is cross collateralized among the Group.
- **CAPEX Fraud** - Expenses across operating subsidiaries are systematically capitalized, artificially inflating profits and asset values. This is a material misrepresentation.
- **Off-Balance Sheet Items** – Billions of dollars of disputed expenses are kept off-balance sheet and undisclosed in financial reports.
- **Governance Failure** – Vedanta presents systematic governance failures across management and auditors, including inappropriate auditor choices.

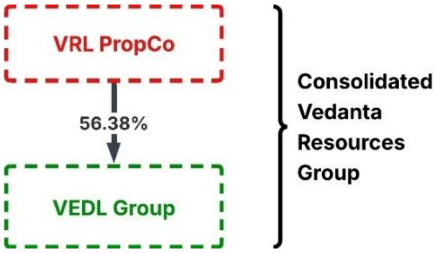
To cure its maladies VRL has proposed a demerger of the entities it has rolled up through its decades-long acquisition strategy, which it now claims are more valuable individually.. This fails to address the fundamental cash crunch and will saddle the resultant companies with unsustainable debts from their inception.

VRL is a financial zombie being kept alive by transfusions of cash from its subsidiary VEDL. The short thesis is not death by a thousand cuts: **Any *one* of the multitude of risks we outline is sufficient to topple Vedanta’s already fragile, Ponzi-like structure.**

The Financial Analysis

Corporate Structure & The Debt Crisis

The Vedanta Resources Consolidated Group (the Group) can be bifurcated into two distinct parts:



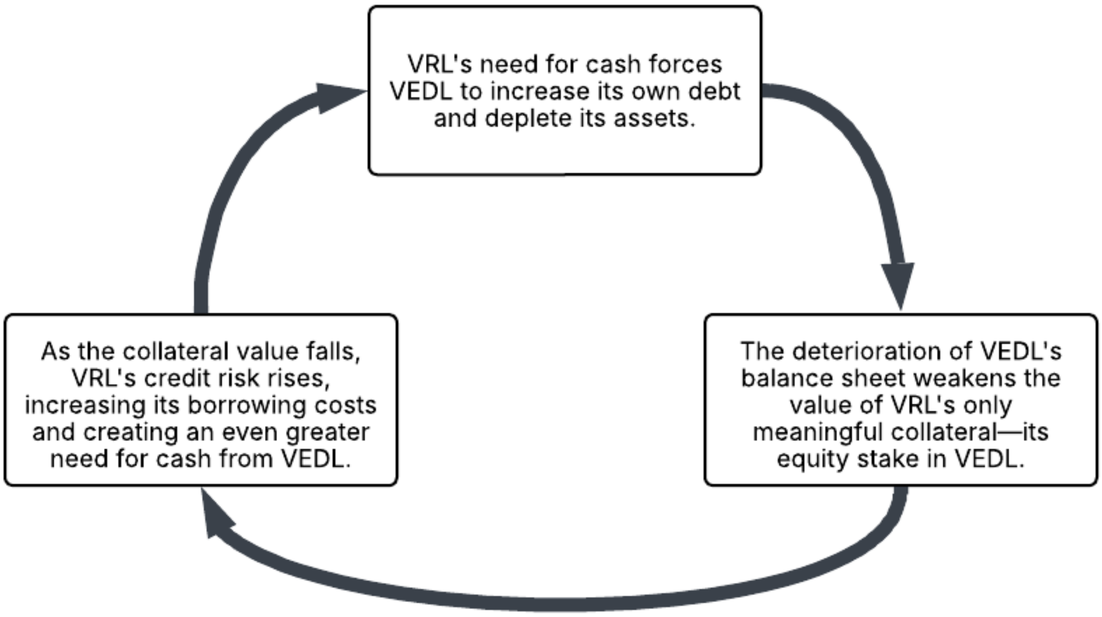
- **"The Parasite" VRL PropCo** – This refers to Vedanta Resources Limited and its web of intermediate holding companies, controlled by the Agarwal family. It holds no material operating assets and carries approximately $4.9b in gross interest-bearing liabilities as of FY25.
- **"The Host" VEDL Group** – This refers to the publicly-listed Vedanta Limited and all of its consolidated operating subsidiaries, such as Hindustan Zinc (HZL), BALCO, and Cairn Oil & Gas.

The PropCo's survival is entirely dependent on its ability to extract cash from VEDL Group to service its enormous debt load. This upstreaming process is highly inefficient because a significant portion of every dividend issued leaks to minority shareholders: VRL does not own 100% of VEDL (56.38%) or its key subsidiaries like HZL (61.62%).

To get the cash it needs, VRL forces VEDL to declare disproportionately large dividends, which are funded not by free cash flow but by taking on more debt and draining its balance sheet.

A Self-Destructive Feedback Loop

This dynamic has created a terminal feedback loop put VEDL's capital structure under immense stress before adjusting for *any quantitative anomalies.*



- VEDL has accrued $5.6b free cash flow shortfall against dividends over the last 3 years.
- VEDL's Net Debt, including the Δ-Working Capital items, has increased by $6.7b (~200%) since FY22.
- VEDL has depleted its cash reserves and exhausted its ability to borrow money and "liquidate" working capital items.

Conversely, over the same period, VRL's interest costs have *increased* by ~$200m per year.

Irreconcilable Interest Expenses: Evidence of Hidden Debt

VRL PropCo reported FY25 total interest costs of $835m against $4.9b of gross debt, implying an effective interest rate of 15.8%. This is inexplicable: VRL PropCo's publicly issued bonds and disclosed term loans carry rates closer to 9-11%.

We see only three possible explanations, all of which suggest a level financial misconduct:

- Undisclosed, off-balance sheet debt is being serviced, with the costs disguised as interest expenses. This would be fraud.
- High-cost intra-period loans are being used and repaid before reporting dates to mask the true level of debt.
- Loan rates or conditions are materially misreported to the market.

The same phenomenon is observed at VEDL, where actual interest expenses in FY25 were ~$368m higher than its reported weighted average borrowing costs would suggest, implying significant intra-period borrowing to manage liquidity. This is supported by VEDL's precarious working capital ratio, which has been well below 1.0 since FY23, indicating its current liabilities vastly exceed its current assets.

Mechanisms of Cash Extraction

VRL employs several key mechanisms to drain cash from VEDL, each designed to maximize upstream flows at the expense of VEDL's solvency and minority shareholders.

- **Unsustainable Dividends** – VEDL's dividend policy is dictated entirely by VRL's financing needs, not by its own ability to generate cash. A significant cut to VEDL's dividend is inevitable for its survival, which will remove a key pillar of support for its stock price and severely impair VRL's creditors.
- **Artificial "Brand Fees"** – VRL extracts hundreds of millions of dollars annually from VEDL and its subsidiaries through "brand fees" that lack any commercial justification. In FY24 alone, these fees amounted to $338 million.
- **VRL Loans from VEDL Subsidiaries** – VRL utilized loans from VEDL subsidiaries in order to aggressively purchase more VEDL stock on-market. Not only is this a blatant violation of the Companies Act, but over $122m of the loan was "written off", and never repaid to VEDL.

The Subsidiary Minefield

Our forensic investigation into Vedanta's key operating subsidiaries reveals a portfolio riddled with financially unviable assets, undisclosed liabilities, systematic fraud, and profound governance failures. The book values reported by VEDL are fiction.

Fujairah Gold – From Slime to Bullion

VEDL's Dubai-based subsidiary, Fujairah Gold, has multiple red flags suggesting it deals in undocumented or illicit gold.

- **Implausible Feedstock** – The gold grade of copper anode slime sourced from VEDL's Tuticorin smelter pre-2019 was double the global average. After Tuticorin shut down, its merchant gold refining feedstock switched to "silver sand" from HZL, a byproduct of zinc smelting that should contain no significant gold.
- **Financial & Criminal Anomalies** – Fujairah paid more for its raw feedstock than the market value of the gold it contained and was involved with known criminal gold smugglers. This entire operation points to a system for laundering illicit gold out of India.

International Zinc Assets – Depleted & Stranded

VEDL's international zinc assets are fundamentally impaired.

- **Skorpion Mine (Namibia)** – Non-operational since a major pit wall collapse in 2020. Management's repeated promises of reopening (now pushed to 2027) are not credible given the mine has only eight months of ore left. The associated refinery is a stranded asset, as it was purpose-built for the mine's unique ore and has no stable power source.
- **Black Mountain Mining (South Africa)** – A cash-burning operation that engineered a $504m impairment reversal in FY24 despite deteriorating financial and operational performance. This accounting gimmick appears timed to inflate VEDL's balance sheet ahead of a major debt raising.

Talwandi Sabo Power (TSPL) – A Captive Plant in Crisis

TSPL's power plant is virtually worthless. Its accounts contain ~350m in hidden liabilities against a ~$400m balance sheet, and enormous operating cash losses.

- **TSPL concealed a $150m** to Chinese construction contractor, SEPCO, from its list of creditors during its demerger filing. This led the National Company Law Tribunal (NCLT) to TSPL's demerger scheme in a major blow to Vedanta's broader plans.
- TSPL's only customer, the Punjab state-owned power utility, is withholding nearly $200m in payments due to persistent performance and contractual disputes. TSPL nonetheless records this non-cash revenue.

Konkola Copper Mines (KCM) – The >$1B Unfunded Commitment

This Zambian asset is insolvent and operationally unviable.

- After being placed into liquidation in 2019 for being serially unprofitable VRL has brought it back onto its books at a fictitious valuation of $1.6b.
- VRL has made unfunded promises to invest over $1b to revive the mine, capital it does not have. Meanwhile, the asset is delinquent on payments to suppliers and losing hundreds of millions of dollars

ESL Steel – Capex Fraud & Going Concern

This loss-making steel plant has carried a "Material Uncertainty Related to Going Concern" audit opinion since VEDL acquired it.

- Over 40% of ESL's capex spend since acquisition was used for the compulsory purchase of protected forest land as a penalty for environmental violations. This penalty is improperly capitalized as a "right-of-use asset" to inflate its balance sheet, while investment in plant and equipment fails to cover depreciation.
- ESL also faces the real threat of losing its permit to operate over the same environmental violations, some of them as incredulous as building its facility over 6km from its permitted site.

Hindustan Zinc Ltd (HZL) – A Legal and Financial Minefield

VEDL's crown jewel may be its biggest liability.

- **Sovereign Call Option** – VEDL has triggered an "Event of Default" under its shareholder agreement with the Government of India (GoI) by failing to build a contractually-mandated smelter. This gives the GoI the right to exercise put/call options to either:
  - Purchase VEDL's entire 64.92% stake at a 50% discount to market value — a catastrophic undisclosed, risk.
  - Compel VEDL to purchase the GoI's 29.54% stake at a 50% premium, representing a $10.66b outflow risk.
- **Systematic Looting** – HZL's resources are being looted through related-party deals with promoter-family-owned companies and unjustifiable brand fees.

- **Massive Hidden Liabilities** – HZL has disputed over $1.68b of statutory dues which it keeps off-balance sheet, and are not recognized as contingent tax liabilities.
- **Criminal Investigation** – The original 2002 disinvestment of HZL to Vedanta is under active criminal investigation by India's CBI for corruption and fraud.

Bharat Aluminium Company (BALCO) – The Exception That Proves the Rule

BALCO stands out as a rare example of disciplined capital management and independence within the Vedanta Group, likely due to the Government of India's retained 49% stake and board oversight.

- Despite being profitable, BALCO does not generate cash flows and has not paid dividends in recent years, choosing instead to reinvest in smelter and plant expansions. These investments remain underfunded, and have not yielded any operational improvements.
- With 49% GoI ownership and oversight, the company has avoided the related-party transactions and financial mismanagement seen across other Vedanta subsidiaries

The Promotion

Vedanta's corporate governance is defined by a pattern of misleading investors, neglecting core assets, and exploiting regulatory loopholes through auditor arbitrage.

Bait-and-Switch Fundraising & Starving Capital

Management, led by Anil Agarwal, habitually announces massive, multi-billion-dollar investment plans in trendy sectors like semiconductors, glass manufacturing, and even nuclear power.

These announcements are used to generate positive headlines and justify new debt raises. However, the projects almost never materialize, and the capital is instead diverted to sustain the dividend flow to VRL.

As a result, genuine expansion projects across the group are chronically delayed and underfunded and starved of capital to feed VRL's debt habit.

Project delay analysis	Intended completion	Current status
Lanjigarh expansion	Q1 FY23	Commissioned in Q4 FY25
Jharsuguda VAP Expansion	Q2 FY24	Incomplete
Jharsuguda Capacity Expansion	Ramp up in FY22	Completed in Q3 FY23
Balco VAP Expansion	Q2 FY24	Incomplete
Balco Smelter Expansion	After FY22	Commissioning in H1 FY26
Kuraloi Coal Mine	In 2 years	Operational in Q3 FY26
Jamkhani Coal Mine	In 1 year	Complete in Dec 22
Radhikapur Coal Mine	In 2 years	Incomplete
Ghogharpalli Coal Mine	Q2 FY25	Operational in Q4 FY26
Sijimali Bauxite Mine	Q3 FY25	Complete in Q4 FY26
Meenakshi Power Plant	Commissioned in FY25	Completion in H1 FY26
Gamsberg Expansion Project	H2 FY24	Completion in H2 FY26

Beyond the cyclical and acquisition-based growth model of VEDL, we do not see any operational improvements which have stemmed from CAPEX, which barely exceeds VEDL's D&A costs.

We illustrate blatant capitalization of expenses at ESL Steel, and believe this behaviour is systematic across the group.

- The capitalization of expenses would allow Vedanta to artificially inflate profits. These profits support VEDL's stock price, which is in turn used as collateral for the PropCo to borrow more funds.
- Capitalizing expenses creates "assets", which VEDL then borrow against.

Brain Drain

Vedanta has experienced an accelerating exodus of senior management, a critical issue for a conglomerate approaching a complex demerger.

- Since the demerger announcement in September 2023, numerous top executives have resigned including the CEO of Vedanta Aluminium (after just 3 months), the Deputy CEO of HZL, the CFO of Vedanta Resources (after ~3 months), and the CEO of Cairn Oil and Gas (after ~7 months).
- This high rate of turnover among senior leaders points to significant internal disagreement, a poor outlook for the company's future, and a lack of succession planning.

Legal Woes

VEDL faces a staggering number of legal and regulatory challenges, indicating persistent weaknesses in its internal controls, governance and oversight.

- The company is a significant outlier compared to its peers like Tata Steel and JSW Steel, issuing 107 liability-related announcements between February 2022 and February 2025, compared to just 8 and 3 for its competitors, respectively.
- Disputes span nearly every aspect of VEDL's operations, from environmental breaches and tax demands to contract disputes with counterparties and the government.

Audit Arbitrage

A cornerstone of Vedanta's governance failure is its deliberate selection of compromised auditors to oversee its most troubled subsidiaries. This is a strategy to avoid scrutiny of the group's most questionable transactions

- **VRL's auditor (MHA MacIntyre Hudson)** – Sanctioned by UK regulators for lax quality controls and failing to report client breaches. VRL is by far its largest client, raising serious independence concerns.
- **VEDL's auditor (SR Batliboi - EY affiliate)** – Involved in multiple recent accounting scandals and was banned by India's central bank from auditing commercial banks due to its role in the IL&FS fraud.
- **ESL Steel and other key subsidiaries (Haribhakti & Co, Lodha & Co)** – Banned or sanctioned by Indian regulators for professional misconduct and audit failures.
- **International holding companies involved in loan recycling and impairment concealment (Rakesh M. Agrawal & Associates)** – A tiny, two-partner firm using a Hotmail address for official correspondence based out of a residential apartment complex in Bhiwandi India. They audit several international subsidiaries in Japan, Taiwan and the Netherlands.

Conclusion

The Inevitable Collapse

The Vedanta Group is a house of cards built on a foundation of unsustainable debt, looted assets, and accounting fiction. The VRL financial zombie being kept alive by transfusions of cash from its subsidiary VEDL. The proposed demerger will merely spread the group's insolvency across multiple, weaker entities, each burdened with a legacy of impaired assets and unserviceable debt. The structure is fundamentally broken and headed for a disorderly collapse

A note on Case Studies:

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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The authors may continue transacting directly and/or indirectly in the securities of issuers covered on this report for an indefinite period and may be long, short, or neutral at any time hereafter regardless of their initial recommendation.

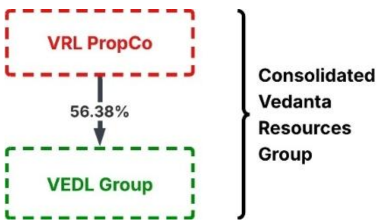
Contents

Definitions

Term	Definition
BALCO	Bharat Aluminium Company
BMM	Black Mountain Mining
CIH	Cairn India Holding Limited
ED	Enforcement Directorate
FEMA	Foreign Exchange Management Act
Fujairah Gold	Fujairah Gold FZC
GAAR	General Anti-Avoidance Regulation
GoI	Government of India
HZL	Hindustan Zinc Limited
KCM	Konkola Copper Mines
MALCO	
THL Zinc	THL Zinc Limited
THL Zinc Holding	THL Zinc Holding Limited
THLZV	THL Zinc Ventures Limited
TSM	Twin Star Mauritius
TSPL	Talwandi Sabo Power Limited
VEDL	Vedanta Limited
VEDL Group	Vedanta Limited and all of its consolidated operating subsidiaries (e.g. Cairn, BALCO, HZL, TSPL, THL Zinc)
VJH	Vedanta Jersey Holdings
VRIL	Vedanta Resources Investments Limited
VRL	Vedanta Resources Limited
VRL Group	Vedanta Resources Limited and all of its consolidated subsidiaries, including VEDL
VRL PropCo	Vedanta Resources Limited and its intermediate holding companies that sit above VEDL

All currency conversions in this report use rates consistent with Vedanta Limited's FY25 disclosures, unless otherwise stated.

A note on Financial Data



Viceroy effectively derived the PropCo's financial data by deriving the delta between the Consolidated Vedanta Resources Group and the VEDL Group accounts.

$$Consolidated\ Vedanta - VEDL\ Group\ = VRL\ PropCo$$

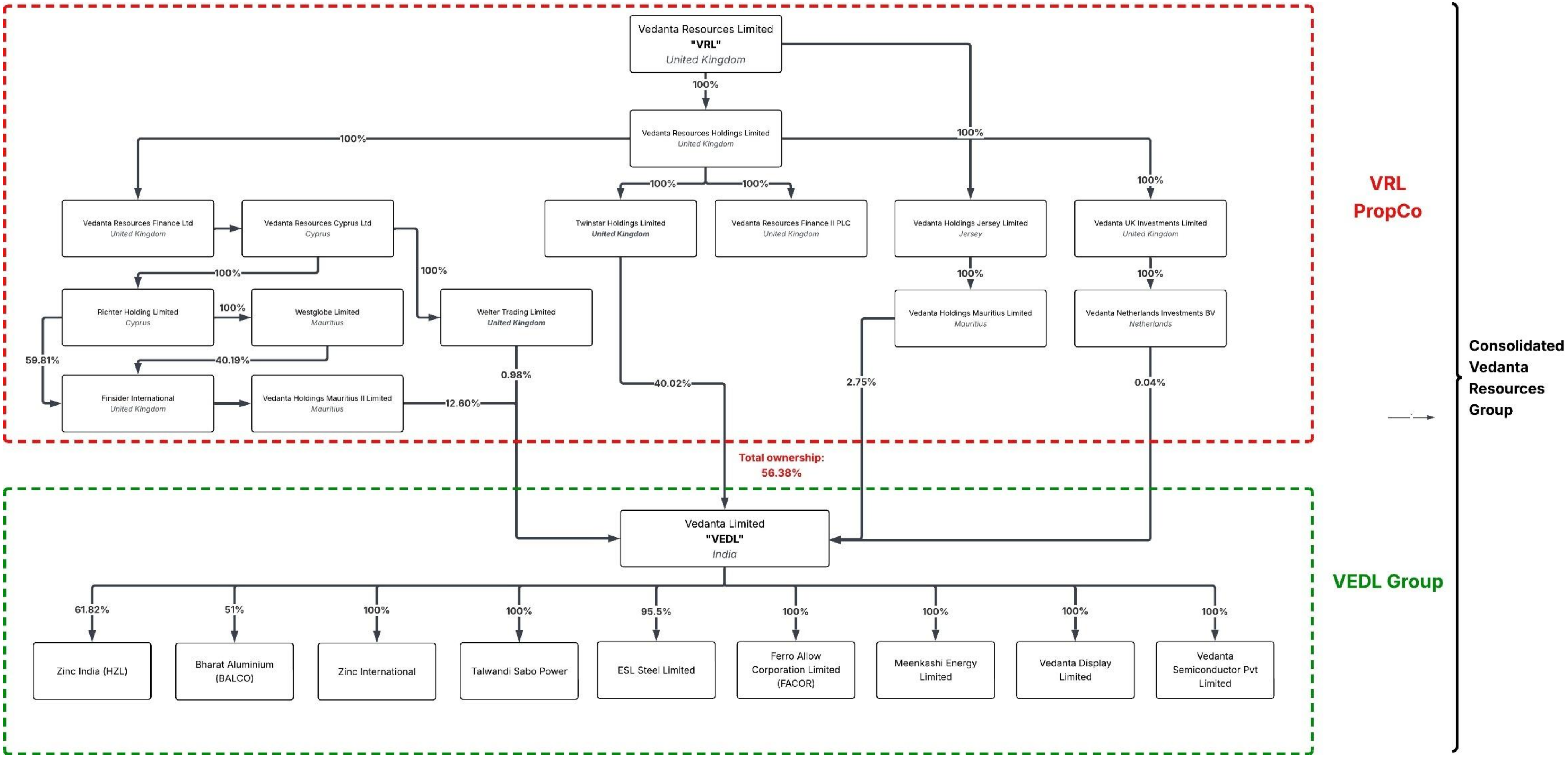
We have, of course, been required to make some assumptions by using this method, however these are favorable to Vedanta:

- We have converted VRL financial data into US$ for the purposes of comparable analysis. End-of-period exchange rates were used for static balance sheet conversion, and period-average exchange rates were used for P&L and Cash Flow conversions.
- Both VRL and VEDL report under IFRS. There are no material local accounting regulations which would preclude this analysis.
- There are limited transactions between the PropCo and VRL, outside of dividends and brand fees which we account for in our analysis.

As a guide, we have derived a gross debt number for the PropCo of $4.863b in Figure 3 below. The Company has guided $4.9b. We believe our analysis is accurate.

We will endeavor to update case study financial analysis as soon as possible. A perusal of recently release FY 25 accounts for subsidiaries does not indicate any material divergence from our FY 24 findings.

1. Corporate Structure



2. Debt & Debt Servicing Capacity

The Vedanta Resources Consolidated Group (**the Group**) consists of two main structures per the Corporate Structure above:

- The Agarwal family's severely levered holding company: Vedanta Resources PropCo (the **PropCo**)
- The Group's majority owned operating entity: Vedanta Limited (**VEDL**)

This section details the Group's debt servicing difficulties, as well as multiple financial irregularities in their accounts.

- VEDL has incurred a $5.6b free cash flow shortfall against dividends paid in the last 3 years.
- The PropCo's methods of extracting cash from VEDL operating subsidiaries are extremely inefficient. The Group must take on substantially more debt to repay existing debt, which it already cannot afford.
- Contrary to management's assertions, the Group's net debt continues to increase rapidly.
- Substantial VEDL liquidity was released via working capital management, a one-time fix that is tapped-out.
- There are material unreconcilable differences in the Group's reported debt servicing rates and actual interest expenses. This suggests that the Group has concealed an even greater amount of debt off-balance sheet, or intra-period.

A rudimentary analysis of the Group shows that the PropCo cannot meet its short-term financial obligations without looting VEDL. This threatens VEDL as a going concern, the equity of which is the primary collateral securing the PropCo's debt principal.

This strategy resembles a Ponzi scheme. As it stands: VEDL are the "suckers".

We believe that the best outcome for VEDL stakeholders *and* PropCo creditors is to preserve the value of VEDL. PropCo creditors should call their debt and restructure this debt alongside VEDL, including the appointment of an unconflicted board and management team which operates in the interest of VEDL, not the PropCo.

A former VEDL employee said of the Group's debt stack:

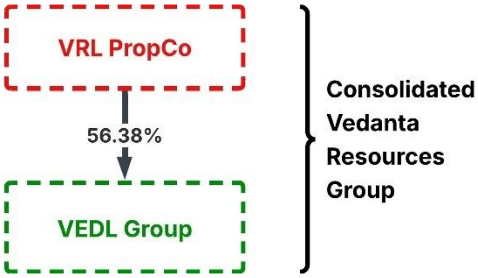
"Whilst VRL has gone from nearly US$9bn of debt to US$6.0bn of debt over the last couple of years, this has been on the back of a deliberate strategy of significant debt restructurings, dividend payments and share sales which are now exhausted. VRL remains highly levered, with near-term maturities and with a very high interest burden. Further, Group debt has remained substantively the same, even increased if you take all the off balance sheet items into account. All that has happened is that VRL debt has been transferred to VEDL. In addition to raising debt to pay dividends, VEDL also has to resort to other methods to create reserves so that dividends can actually be declared."

The following analysis is based on unadjusted financial reports and does not include the following risks addressed later in this report, including:

- Derelict or impaired assets
- Undisclosed contingent liabilities
- Systematic capitalization of expenses
- Off-balance-sheet obligations and related-party financing structures
- Governance failures and auditor arbitrage

The Vedanta group's capital structure is not simply inefficient, it is self-destructive. Servicing VRL's debt accelerates the erosion of VEDL's balance sheet which in turn erodes the value of VRL's only collateral. This is the core feedback loop that drives the increase in the Group's insolvency risk.

The Consolidated Vedanta Resources Group



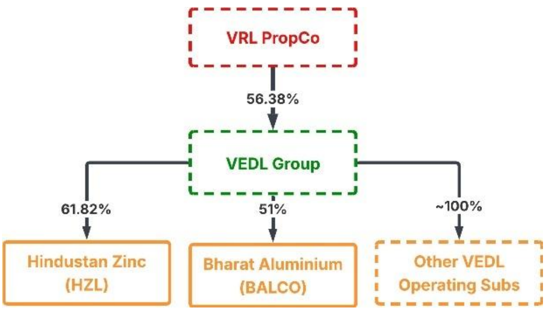
The Group refers to the combined VRL and VEDL entity, which carries $15.7b in interest-bearing liabilities, at an eye-watering effective interest rate of 13.0%. Management efforts to reduce gross debt has come at a disproportionate cost on assets. Expensive re-financing has seen gross interest costs *increase*.

- The Group's gross finance costs and effective interest rate rose consistently from $1.3b (7.2%) in FY21 to $2.0b (13%) in 2025.
- Over the same period, the Group's gross interest-bearing liabilities *fell* from $17.5b in FY21 to $15.6b in 2025.
- Net debt has *increased*, as cash and short-term investments have been depleted at a disproportionately higher rate than debt has been repaid.

Debt Analysis	*Vedanta Resources*				
USD $m	**2025**	**2024**	**2023**	**2022**	**2021**
Current interest bearing liabilities					
Borrowings	3,389	3,378	5,809	4,972	3,673
Operational buyers' credit / suppliers' credit	1,906	1,792	1,667	1,477	1,142
Non-current interest bearing liabilities					
Borrowings	10,368	10,952	9,549	11,110	12,704
Gross interest bearing liabilities	**15,663**	**16,122**	**17,025**	**17,559**	**17,519**
Cash					
Cash & equivalents	601	384	1,037	1,328	955
Short-term investments	2,066	1,575	1,728	3,117	5,002
Gross cash & short term investments	**2,667**	**1,959**	**2,765**	**4,445**	**5,957**
Net debt	**12,996**	**14,163**	**14,260**	**13,114**	**11,562**
Total interest cost	2,182	1,979	1,603	1,431	1,298
Effective rate on Gross interest bearing liabilities	***13.7%***	***11.9%***	***9.3%***	***8.2%***	***7.6%***

Figure 1 – The Consolidated Group Debt Analysis

Structural Problems – Moving Cash Upstream



Some of these anomalies can be explained by the Group's structure and its inability to efficiently move cash from VEDL to the PropCo due to Non-Controlling Interests (**NCI**)

Consequences of this structure include:

- The PropCo's "fixed" debt service cash needs exceed VEDL's Free Cash Flow *before accounting for NCI distributions*.
  - VEDL must draw an disproportionately high amount of debt across its operating subsidiaries to meet the needs of the PropCo.
  - This is self-defeating, as the collateral for VRL PropCo's debt is the equity of VEDL. Meeting the PropCo's short-term debt obligations inherently impairs the creditor's ability to collect on its principal.
- The PropCo's short-term need of cash supersedes the urgency of VEDL's numerous uncompleted and unfunded capital expansion projects. This is true of almost *every VEDL subsidiary,* and is covered **extensively in Section 5 of this report.**
- The Group carries debt at every level, and upstream cash transfers are diluted by payments to NCIs and taxes. Outsized distributions to the PropCo are substantially funded from distributions of profit and debt from VEDL subsidiaries, many of which have a high number of NCIs.

- For example: to take dividends from Hindustan Zinc, the group's most profitable operating subsidiary, Vedanta management must dilute distributions to 0.62x up to VEDL Group, and again to 0.56x up to the VRL PropCo. Dividends are also subject to taxes at each level of distribution.
- In this instance where NCI distributions from outsized dividends are the cost of servicing VRL's debt, NCIs distributions should be considered an *expense*.

Vedanta management's effort to deleverage the PropCo is incompatible with the Group's structure and is misaligned with the interests of VEDL's minority shareholders and creditors who have no stake in VRL PropCo's debt.

Free Cash Flow Analysis

The Group has effectively levered its balance sheet to burn cash. As interest rates began to bounce in FY23 (following a short-lived FY22 commodities boom) the Group has accrued a $2.5b Free Cash Flow shortfall.

Free Cash Flow Analysis	*Vedanta Resources*				
USD $m	**2025**	**2024**	**2023**	**2022**	**2021**
NPBT					
Cash from operating activities	**2,657**	**2,484**	**2,786**	**3,174**	**1,841**
Less:					
Purchase of PPE & intangibles	(2,021)	(2,019)	(1,700)	(1,407)	(913)
Proceeds from disposal of PPE & intangibles	34	23	16	44	23
Dividends paid to NCI of VEDL and its subsidiaries	(1,364)	(967)	(2,523)	(1,075)	(992)
Viceroy Estimated FCF	**(694)**	**(479)**	**(1,421)**	**736**	**(41)**

Figure 2 – The Group FCF Analysis

- Vedanta systematically capitalizes expenses across its subsidiaries. Accordingly, we attribute all capex as maintenance capex. This is detailed further in Section 5.
- We will explore the root of these cash losses at the VEDL and PropCo levels below.

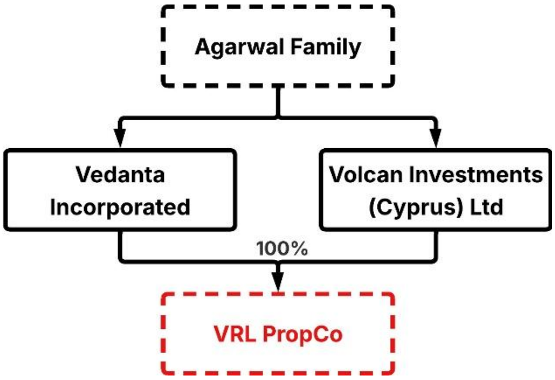
The PropCo's position as both a distressed, debt-laden parent company, as well as the manager of VEDL, is an enormous red flag. This relationship forms the basis of our investigations. We believe Vedanta management has run the Consolidated Group into the ground.

VRL PropCo – The Parasite

Entity Overview and Capital Structure

VRL PropCo refers to Vedanta Resources Limited and its intermediate holding companies *above* Vedanta Limited. The PropCo represents the Agarwal family's interest in VEDL, its only operating asset[1].

This section demonstrates how the PropCo, along with Agawal's wealth, has fallen over the last 5 years, and the financial shenanigans it has engaged in to ensure its survival.



PropCo's Debt, and its *Real Debt*

The PropCo's ~$4.9b in debt is secured by 99.8% of its stake in VEDL, as of April 2025. There is no collateral headroom. With VEDL's own assets nearing full encumbrance and deteriorating fundamentals, VRL's creditors now hold a precarious, subordinate claim over almost fully-levered assets.

Debt Analysis	*Prop-Co*				
USD $m	**2025**	**2024**	**2023**	**2022**	**2021**
Current interest bearing liabilities					
Borrowings	843	843	3,062	2,639	1,042
Operational buyers' credit / suppliers' credit	-	-	-	-	-
Non-current interest bearing liabilities					
Borrowings	4,020	4,876	4,288	6,114	7,465
Gross interest bearing liabilities	**4,863**	**5,719**	**7,350**	**8,753**	**8,507**
Cash					
Cash & equivalents	(343)	(135)	(83)	(791)	(1,340)
Short-term investments	290	(135)	(256)	434	2,446
Gross cash & short term investments	**(53)**	**(270)**	**(339)**	**(357)**	**1,106**
Net debt	**4,916**	**5,989**	**7,689**	**9,110**	**7,401**
Total interest cost	835	747	805	739	548
Effective rate on Gross interest bearing liabilities	***15.8%***	***11.4%***	***10.0%***	***8.6%***	***6.4%***

Figure 3 – VRL PropCo Debt & Interest Analysis

Despite having been able to trim its gross debt by $3.6b (42%) since FY21, ***the PropCo's effective interest rate has increased by 145%*** *over the same period: from 6.4% to 15.8%.*

This phenomenon goes against Vedanta management's repeated claims to investors: that VRL is actively improving its capital structure, and refinancing existing debt with cheaper alternatives[2]. VRL's cost of doing business has *drastically* increased over the last 5 years.

[1] We will show that VRL's KCM subsidiary is non-operating in "Konkola Copper Mines – >$1B in Unfunded Commitments".
[2] https://www.bloomberg.com/news/articles/2024-08-05/vedanta-plans-debt-refinance-to-cut-funding-costs-after-upgrade

The quantum of interest expenses is so high that it is irreconcilable to VRL's reported gross debt.

- Vedanta Resources' newly issued bonds, which comprise $1.9b of its $4.9b gross debt, only carry interest rates of between 9.4% and 11.3%.

USG9T27HAL88	Vedanta Resources Finance II Pl...	-	550.0	9.475%	Fixed	01/25	07/30	USD	SNR ...	98.03	9.99	640.37
USG9T27HAK...	Vedanta Resources Finance II Pl...	-	550.0	9.850%	Fixed	01/25	04/33	USD	SNR ...	98.34	10.21	639.26
USG9T27HAJ33	Vedanta Resources Finance II Pl...	-	500.0	11.250%	Fixed	12/24	12/31	USD	SNR ...	104.52	10.09	646.28
USG9T27HAH...	Vedanta Resources Finance II Pl...	-	300.0	10.250%	Fixed	12/24	06/28	USD	SNR ...	103.58	8.99	536.54

- While we do not have full PropCo term loan details, an analysis of FY24 Vedanta Resources Limited term loans shows that rates would only fall to ~10% *assuming a SOFR high of 5.3% over the course of the year*.

Term Loans	Outstanding (2024)	Margin	Rate
FY 2018 - SBI US$200m	200	4.31%	9.61%
FY 2019 - ICICI $200m	0	3.90%	9.20%
FY 2019 - Baroda $200m	0	3.50%	8.80%
FY 2020 - Syndicate $200m	120	3.75%	9.05%
FY 2023 - RCF $100m	0	5.06%	10.36%
FY 2023 - Canara $100m	100	3.50%	8.80%
FY 2024 - Glencore $250m	195	5.50%	10.80%
FY 2024 - Trafigura $200m	200		12%
Weighted average rate	**815**		**10.3%**
SOFR FY 2025 Period High	**5.30%**		

Figure 4 – Viceroy Analysis – sourced from Vedanta Resources 2025 annual report

- This phenomenon cannot be explained by intra-period debt pay-downs. While we don't have a breakdown of finance costs in HY accounts, HY 2025 do not present a significant gross debt paydown and still present an outsized 16.9% rate against "Gross Finance Costs".

Debt Analysis	*Prop-Co*			
USD $m	2025	HY 2025	2024	HY 2024
Gross interest bearing liabilities	**4,863**	**5,589**	**5,719**	**5,737**
Gross cash & short term investments	**(53)**	**557**	**(270)**	**172**
Net debt	**4,916**	**5,032**	**5,989**	**5,565**
Gross finance costs	848	478	739	308
Effective rate on Gross interest bearing liabilities	***16.0%***	***16.9%***	***11.3%***	***8.5%***

Figure 5 – Viceroy Analysis

We cannot find any way to reconcile an effective ~16% interest expense against Vedanta's disclosed borrowings. We only see three possible scenarios where the reported interest expense figures are true, and they all represent significant financial misconduct.

- **Undisclosed, off-balance sheet debt** - The PropCo has undisclosed, off-balance sheet debt or other financial obligations which carry expenses that are marked specifically as interest expenses. This is fraud.
- **Intra-period loans** - The PropCo is utilizing revolver loans intra-period, and paying off these loans with the proceeds of dividends it receives before EOP dates. This quantum of these WC loans would be significant, however we do not understand why a non-trading holding company such as the PropCo would need access to intra period "working capital" loans.
- **Hidden fees**- The PropCo's bank loans could carry a significantly higher rate than management have inferred and, in instances, reported to the market. These may appear as "fees" or "costs" that are "one-time", however given the Group's debt maturity schedule, they will be recurring in nature.

Cash Flow Coverage and Debt Servicing Capacity

The PropCo generates no operating free cash flow. Its interest and principal obligations are funded entirely through dividends and "brand fees" extracted from VEDL, neither of which is sustainable nor arms-length.

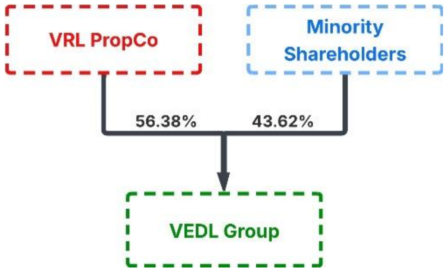
Even with these inflows, the PropCo's free cash flow is negative across all observed periods, eaten up by interest costs. The PropCo is not just dependent on VEDL; it is fundamentally incapable of meeting its obligations to creditors.

Free Cash Flow Analysis	*Prop-Co*				
USD $m	**FY25**	**FY24**	**FY23**	**FY22**	**FY21**
Brand fees	316	338	251	200	
Other	(1,137)	(974)	(896)	(995)	
Cash from operating activities	**(822)**	**(636)**	**(645)**	**(795)**	**(668)**
Less:					
Purchase of PPE & intangibles	12	5	18	14	14
Proceeds from disposal of PPE & intangibles	(1)	(1)	(1)	1	0
Dividends paid to NCI of VEDL	(836)	(734)	(1,129)	(718)	(238)
Viceroy Estimated FCF	**(1,647)**	**(1,366)**	**(1,756)**	**(1,499)**	**(891)**

Figure 6 – The PropCo Free Cash Flow Analysis

- The PropCo's FCF shortfall has expanded significantly over time, likely due to the irreconcilable, increased interest expenses.
- Brand fees are levied on VEDL and its operating subsidiaries even though many do not use the "Vedanta" brand. The disproportionately high rate of these fees is discussed below.

Vedanta Limited (VEDL) – The Host



Entity Overview and Capital Structure

VEDL refers to Vedanta Limited and its consolidated subsidiaries. These entities represent all the Group's operating subsidiaries, whereas the PropCo is only a holding company.

Debt, Cash, and Working Capital

VEDL's capital structure is subject to immense stress due to the PropCo's looting. The looting can be seen across 3 figures: the Gross Debt, the Net Debt, and Working Capital movements.

Debt Analysis	*Vedanta Limited*				
USD $m	**2025**	**2024**	**2023**	**2022**	**2021**
Current interest bearing liabilities					
Borrowings	2,546	2,535	2,747	2,333	2,631
Operational buyers' credit / suppliers' credit	1,962	1,792	1,658	1,539	1,141
Non-current interest bearing liabilities					
Borrowings	6,348	6,076	5,261	4,996	5,239
Gross interest bearing liabilities	**10,856**	**10,403**	**9,666**	**8,868**	**9,010**
Cash					
Cash & equivalents	944	519	1,120	2,119	2,295
Short-term investments	1,776	1,710	1,984	2,683	2,556
Gross cash & short term investments	**2,720**	**2,229**	**3,104**	**4,802**	**4,851**
Net debt	**8,136**	**8,174**	**6,562**	**4,066**	**4,159**
Add: Payables					
Trade & other payables	4,492	4,733	5,410	6,042	5,189
Provisions	2,458	2,595	2,318	670	481
Current tax liabilities	-	-	-	-	-
Less: Receivables & Inventory					
Trade & other receivables	1,708	2,416	2,223	2,614	1,525
Inventory	1,743	1,560	1,816	1,975	1,369
Current tax assets	944	519	1,120	2,119	2,295
Other non-current assets	772	826	743	889	879
Net Payabless Adjustment	**1,783**	**2,007**	**1,826**	**(886)**	**(399)**
Net debt + Net Payables	**9,919**	**10,181**	**8,388**	**3,180**	**3,761**
Property, plant & equipment	15,508	14,046	13,436	14,658	14,257
Financial asset investments	775	440	521	1,586	1,069
Long-term receivables (likely impaired)	772	826	743	889	879
Tangible Asset base	**17,056**	**15,311**	**14,700**	**17,134**	**16,204**
LTV	**58%**	**66%**	**57%**	**19%**	**23%**
Total interest cost	1,347	1,232	798	692	750
Effective rate on Gross interest bearing liabilities	***12.7%***	***12.3%***	***8.5%***	***7.8%***	***10.8%***

Figure 7 – VEDL Group LTV & Debt Analysis[3]

[3] This LTV is based on EPRA's model. We have not included more technical adjustments such as NCI adjustments for assets and debt. This would have resulted in a significantly higher LTV for VEDL, as assets with high NCIs are the most profitable, and lease encumbered. We also have not recorded Net Receivables under the denominator line for 2022/2021, the difference in outcome would have been moot.

- VEDL's unadjusted LTV rose from 19% to 58% from FY22 to FY25. Note that this excludes a dilutive $1b capital raise in FY25, which would have otherwise brought this figure up to 65%.
- This LTV increase is not purely a matter of taking on new debt, but also draining cash reserves, and working capital management. From FY22 to FY25:
  - Gross debt increased by $2.0b, to $10.9b
  - Cash & Short-Term Investments decreased by $2.1b, to $2.7b
  - WC Payables management released $238m liquidity
  - WC Receivables management released $1.1b in liquidity

VEDL's Net Debt, including the Δ-Working Capital items, ***has increased by $6.7b since FY22.***

- VEDL has depleted its cash reserves, exhausted its ability to borrow money, and exhausted its ability to "liquidate" working capital items. Per above: the PropCo's cash needs have *increased*.
- We note that we have *not* adjusted the LTV for NCI. Hindustan Zinc, VEDL's largest and most profitable subsidiary. An adjustment for NCI portions of assets and debt would have significantly increased VEDL's LTV.

We were also unable to reconcile Vedanta's interest expense to the rates VEDL reports paying on its facilities. If we applied VEDL's reported 9.08% against reported debt, actual interest costs would be $368m lower.

Debt Analysis	*Vedanta Limited*				
USD $m	**2025**	**2024**	**2023**	**2022**	**2021**
Debt oustanding (EOP)					
Foreign currency term loan	1,059	1,345	322	367	557
Rupee term loan	5,014	4,967	5,088	4,690	4,263
External commercial borrowings	460	350	395	170	54
Non-convertible debentures	2,025	1,800	1,216	1,095	2,290
Commercial paper	125	-	570	688	298
Working capital loan	199	87	347	217	181
Amounts due on factoring	-	3	3	19	4
Deferred sales tax liability	-	1	3	7	9
Redeemable preference shares	0	0	0	0	0
Non-convertible bonds	4	4	4	4	22
Others	8	54	60	71	110
Operational Buyers'/Suppliers' credit	1,962	1,792	1,658	1,539	1,141
Gross interest bearing liabilities	**10,856**	**10,403**	**9,666**	**8,868**	**8,928**
Rates:					
Foreign currency term loan	8.65%	11.58%	8.90%	3.99%	3.85%
Rupee term loan	9.20%	10.19%	8.50%	8.22%	9.00%
External commercial borrowings	7.72%	8.16%	7.42%	3.48%	4.34%
Non-convertible debentures	9.56%	11.14%	8.51%	8.79%	7.97%
Commercial paper	7.73%	0.00%	7.69%	5.90%	4.21%
Working capital loan	9.02%	9.26%	8.07%	5.93%	6.06%
Amounts due on factoring	-	8.28%	8.70%	1.23%	4.65%
Deferred sales tax liability	-	-	-	-	-
Redeemable preference shares	-	-	-	-	-
Non-convertible bonds	0.30%	0.30%	0.28%	-	-
Others	5.00%	5.12%	5.00%	5.01%	5.10%
Operational Buyers'/Suppliers' credit*	8.98%	10.00%	8.80%	8.00%	8.00%
* took high end, no W.A. rate provided					
Weighted average rate	**9.08%**	**10.39%**	**8.43%**	**7.70%**	**7.96%**
Actual effective rate	12.67%	12.28%	8.54%	7.80%	10.82%
Delta	***3.59%***	***1.89%***	***0.11%***	***0.10%***	***2.86%***
Expected Interest expense	979	1,089	839	661	693
Actual Interest Expense	1,347	1,232	798	692	750
Delta	***368***	***144***	***(42)***	***30***	***57***

Figure 8 – VEDL Group LTV & Debt Analysis[4]

[4] This LTV is based on EPRA's model. We have not included more technical adjustments such as NCI adjustments for assets and debt. This would have resulted in a significantly higher LTV for VEDL, as assets with high NCIs are the most profitable, and lease encumbered. We also have not recorded Net Receivables under the denominator line for 2022/2021, the difference in outcome would have been moot.

This is the same phenomenon occurring at VRL, where interest expenses are much higher than they should be.

This is more easily observable in an operating entity. A straightforward WC ratio shows us that VEDL's current liabilities have vastly exceeded its current assets since 2023, suggesting that VEDL would have had a higher likelihood of experiencing liquidity issues intra-period.

WC Analysis	*Vedanta Limited*				
USD $m	**2025**	**2024**	**2023**	**2022**	**2021**
Total current assets	6,234	6,231	7,321	9,431	7,756
Total current liabilities	8,861	9,439	10,533	9,038	8,161
Working capital ratio	**0.70**	**0.66**	**0.70**	**1.04**	**0.95**

Figure 9 – VEDL Working Capital Analysis

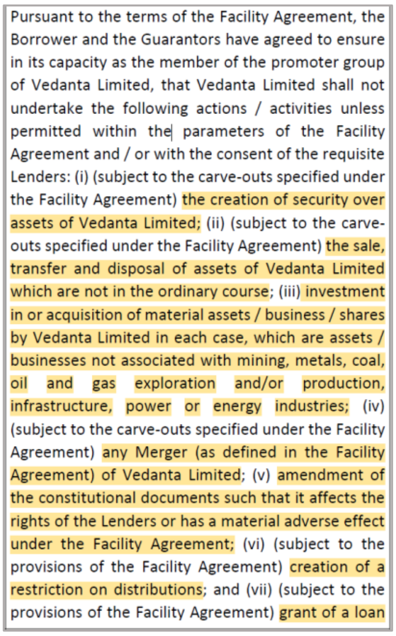
Encumbrance Fallout

As of April 2025, 99.8% of the VRL PropCo's shareholding in VEDL is encumbered[5]. The encumbrance imposed a negative lien, prevented dilution of VRL ownership below 50.1%, and restrictions on how VEDL conducts business despite it not being a party to the agreement.

Key restrictions:

- No mergers or amalgamations without lender consent
- Restrictions on asset sales and reorganizations
- Borrowings and lien creation subject to indirect approval
- Dividends and distributions limitations
- Lending to affiliates including subsidiaries subject to lender approval

These restrictions came into effect on February 5, 2024. As a result, material control over VEDL was contractually ceded to offshore creditors, enforced by VRL PropCo's controlling stake. VEDL is bound by restrictions imposed for the benefit of VRL PropCo's creditors, a group that has no direct interest in VEDL.



Pursuant to the terms of the Facility Agreement, the Borrower and the Guarantors have agreed to ensure in its capacity as the member of the promoter group of Vedanta Limited, that Vedanta Limited shall not undertake the following actions / activities unless permitted within the parameters of the Facility Agreement and / or with the consent of the requisite Lenders: (i) (subject to the carve-outs specified under the Facility Agreement) the creation of security over assets of Vedanta Limited; (ii) (subject to the carve-outs specified under the Facility Agreement) the sale, transfer and disposal of assets of Vedanta Limited which are not in the ordinary course; (iii) investment in or acquisition of material assets / business / shares by Vedanta Limited in each case, which are assets / businesses not associated with mining, metals, coal, oil and gas exploration and/or production, infrastructure, power or energy industries; (iv) (subject to the carve-outs specified under the Facility Agreement) any Merger (as defined in the Facility Agreement) of Vedanta Limited; (v) amendment of the constitutional documents such that it affects the rights of the Lenders or has a material adverse effect under the Facility Agreement; (vi) (subject to the provisions of the Facility Agreement) creation of a restriction on distributions; and (vii) (subject to the provisions of the Facility Agreement) grant of a loan

Figure 10 – VEDL Regulation 30 and 30A Intimation Announcement

Implications:

- VEDL is governed in part by creditor-imposed veto points, not just its board
- Minority shareholders are increasingly cut out of critical decision-making
- VRL PropCo's other creditors fall behind the new facility group
- VEDL's cost of capital will rise; new creditors will demand tighter terms
- As VEDL's encumbers its assets VRL PropCo's collateral is diminished
- Intra group flows, on which the company depends, may be restricted or require lender consent

For investors, creditors, and regulators alike, the message is clear: control of VEDL no longer rests solely within its boardroom or shareholder basis. It is now restricted by decisions made in the service of VRL PropCo's offshore debt.

[5] Vedanta Limited Shareholding Pattern Filings

30A Disclosure

In its disclosure to SEBI, management concede that VEDL is not a party to various loans made to the PropCo but are nonetheless bound by extremely restrictive conditions in those loan agreements.

#	Particulars	Details
a)	If the listed entity is a party to the agreement: i. Details of the counterparties (including name and relationship with the listed entity)	Vedanta Limited is not a party to the facility agreement dated June 24, 2025 ("**Facility Agreement**"). Therefore, not applicable. It is further clarified that the restrictions (as set out in paragraph (g) below) are effective and applicable from the first Utilisation Date (as defined under the terms of the Facility Agreement).

Figure 11 – VEDL Reg 30A disclosure – June 26, 20

We believe this is a serious corporate governance failure. VEDL derives *no benefit from these loans*. Its numerous minority interests, including the GoI, are the losers in this deal. We struggle to believe this structure is legal within the framework of India's minority interest protections.

Cash Flow Coverage and Debt Servicing Capacity

VEDL has accrued a $5.6b free cash flow shortfall against dividend payments of $8.0b over the last 3 years.

Free Cash Flow Analysis	*Vedanta Limited*				
USD $m	**2025**	**2024**	**2023**	**2022**	**2021**
NPBT	**3,213**	**2,460**	**2,527**	**4,407**	**2,318**
Cash from operating activities	**3,479**	**3,120**	**3,431**	**3,969**	**2,509**
Less:					
Purchase of PPE & intangibles	(2,033)	(2,024)	(1,718)	(1,421)	(927)
Proceeds from disposal of PPE & intangibles	35	24	17	43	23
Dividends paid to NCI of VEDL subsidiaries	(528)	(233)	(1,394)	(357)	(754)
Viceroy Estimated FCF	**953**	**887**	**335**	**2,235**	**850**
Dividend	(2,005)	(2,244)	(3,733)	(2,230)	(474)
Shortfall	**(1,052)**	**(1,356)**	**(3,398)**	**N/A**	**N/A**
Dividend cut required	**52%**	**60%**	**91%**	-	-

Figure 12 – VEDL Group Free Cash Flow Analysis

VEDL has no choice but to significantly cut its dividend to continue as a long-term going concern.

An unusual consequence of VEDL's enormous dividends has been its ability to support its stock price. The PropCo's outsized dividend policy for VEDL has artificially and unduly propped the value of VEDL's stock, being the PropCo creditors' collateral.

We believe cutting VEDL's dividend is the *only* option for VEDL's survival, and it is inevitable that this will apply downwards pressure on VEDL's share price, significantly impairing PropCo's creditors' collateral

3. Other Cash Extraction Mechanisms – How VRL drains VEDL through Brand Fees and Suspicious Transactions

VRL relies heavily on brand fees and intercompany loans to extract cash from VEDL. These mechanisms prioritize VRL's short-term liquidity needs at the expense of VEDL's long-term operational stability and investment.

Brand Fees – Artificial Charges, Regulatory Bypass and Extraction Shielding

Brand fees paid by VEDL and its subsidiaries to VRL do not operate as conventional royalty payments. Instead, they function as rolling, prepaid advances to VRL, providing it with upfront liquidity. These transactions lack commercial justification and are designed to bypass dividend leakage to minority shareholders, including the GoI.

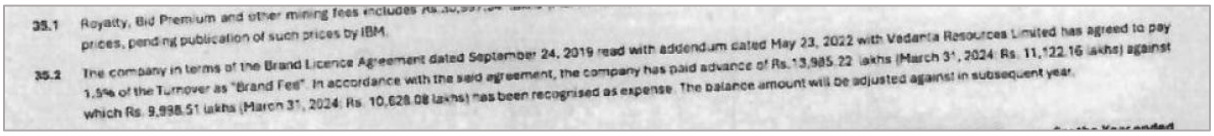
In total VRL received $338m in brand fees from VEDL and its subsidiaries in FY24, representing 37% of its FY24 net profit. Apart from Vedanta Limited itself, none of the companies paying brand fees make meaningful use of the Vedanta brand.

Brand Fees Paid to VRL ($m)					
Payor	**FY25**	**FY24**	**FY23**	**FY22**	**Total**
Vedanta Limited standalone	315.7	289.5	207.0	171.2	983.43
Hindustan Zinc	*77.0*	*67.3*	*38.7*		*183.01*
Black Mountain Mining		*6.4*			*24.89*
Cairn Energy Hydrocarbons	16.9	30.0	18.4	15.9	81.27
ESL Steel	16.3	13.3	20.1	12.6	62.36
Talwandi Sabo Power	5.4	5.6	6.2	5.2	22.43
Black Mountain Mining	6.9		9.3	9.2	6.90
Total	**361.3**	**338.5**	**261.1**	**214.1**	**1,156.39**
VEDL net profit	**2,402.7**	**904.6**	**2,787.1**	**3,631.8**	**9,726.23**
Brand fees as % of net profit	**15%**	**37%**	**9%**	**6%**	**12%**

Figure 13 – Brand Fees Subsidiary Analysis[6][7]

By comparison Tata Steel's brand fees are 0.25% of turnover, capped at ₹200 crore ($24.01m) despite operating a brand with far greater public recognition and that is actually being used[8].

Brand fees also function as rolling credit to VRL rather than a conventional fee for service. In FY25 ESL Steel paid ₹139.52 crore ($16.36m), of which ₹39.87 crore ($4.66m) was later offset, an arrangement seen in earlier years.



35.1 Royalty, Bid Premium and other mining fees includes ... prices, pending publication of such prices by IBM.

35.2 The company in terms of the Brand Licence Agreement dated September 24, 2019 read with addendum dated May 23, 2022 with Vedanta Resources Limited has agreed to pay 1.5% of the Turnover as "Brand Fee". In accordance with the said agreement, the company has paid advance of Rs. 13,985.22 lakhs (March 31, 2024: Rs. 11,122.16 lakhs) against which Rs. 9,998.51 lakhs (March 31, 2024: Rs. 10,628.08 lakhs) has been recognised as expense. The balance amount will be adjusted against in subsequent year.

Figure 14 – ESL Steel FY25 Annual Report

This brand fee income has been pledged as security for VRL's high-interest offshore debt facilities. The security agreements do not allow for these brand fees to be reduced, undermining their purported justification.

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6 Certain subsidiaries remit brand fees to VEDL, which then remits those amounts to VRL minus a small percentage. This internal layering results in double-counting if subsidiary-level payments are summed. Black Mountain Mining pays brand fees directly to VRL except for FY24 when it paid them through VEDL.

7 Certain subsidiaries have been paying brand fees prior to the timeframe of this table.

8 https://economictimes.indiatimes.com/news/company/corporate-trends/tata-sons-raises-royalty-fee-2x-to-rs-200-crore/articleshow/110000104.cms?from=mdr

A former employee stated:

"The incentive is to overestimate turnover as the BSS fee is a percentage of turnover. They overestimate this when making the payments to VRL in advance of the year so that they can send as much money up as possible while showing as low a provision in the expense line at the subsidiary level as possible."

Another former employee spoke to the brand fee's composition:

"A big component of the BSS fee is "strategic services" that are supposed to be provided by VRL to VEDL and its subsidiaries. In reality this is a charge made by VRL for the main promoters' time since there is no other material presence of VRL employees. In fact, one can see that it is VEDL employees who bear the burden of running corporate finance functions for VRL (e.g. the bonds)."

The whole arrangement is filled with red flags and carries significant risk to VRL.

Risk Area	Triggering Event	Rules/Regulations Possibly Violated	Relevant Authority
Transfer Pricing Violation	Brand fees not justified at arm's length No comparables or service documentation	Income Tax Act 1961 §§ 92-92F, Rule 10B/10C (Transfer Pricing Rules)	Income Tax Department
Related Party Transaction Governance Failure	Brand fees paid without demonstrating shareholder protection	Companies Act 2013 §188, SEBI (LODR) Regulation 23	Ministry of Corporate Affairs (MCA), SEBI
BEPS Violation	Siphoning profits offshore without economic substance	OECD BEPS Action Plans 8-10, Action 6, Action 13	Income Tax Department
GAAR Exposure	Artificial structure created primarily to shift cash and avoid corporate governance	Income Tax Act 1961 §95-§102 (GAAR Provisions)	Income Tax Department

Figure 15 – Brand Fee Risk Areas

Transfer Pricing Violations

- Turnover-based brand fees ensure VRL gets paid even when VEDL loses money. This is another structure that prioritizes VRL's liquidity over VEDL's solvency.
- We were unable to locate any brand fee and management services agreement defining terms, deliverables or pricing. There is no evidence of benchmarking or arm's-length comparability.
- According to former VRL and VEDL employees, services were largely rendered by VEDL employees in India at no charge to VRL, with VRL itself having little to no presence.
- The structure is at risk of being recharacterized by Indian tax authorities as non-arm's-length, exposing VEDL to significant tax adjustments, disallowances, and penalties.

Related Party Transaction Governance Failures

- Brand fees extract cash that would otherwise benefit minority shareholders or be reinvested into the business.
- BALCO is set to begin paying brand fees following its planned demerger into Vedanta Aluminium Metals, which has committed to paying 3% of turnover to VRL.

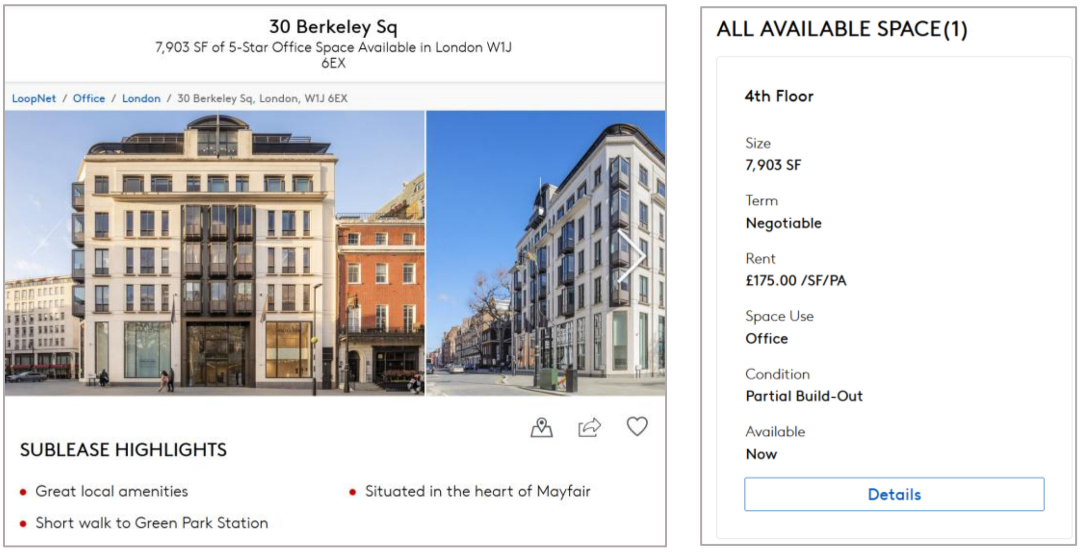
* The Company has a Brand license and strategic service fee agreement ("the Agreement") with Vedanta Resources Limited, Vedanta Resources Investments Limited ("VRIL") for the use of brand 'Vedanta' and providing strategic services which envisaged payment to VRIL at the rate of 3% of turnover of the Company or ₹ 1 Lakh whichever is higher.
The Company has recorded an expense of ₹ 1 Lakh for the period ended 31 March 2024.

Figure 16 – Vedanta Aluminium Metal FY24 Annual Report

- A clear case of minority shareholder abuse is demonstrated at Hindustan Zinc Limited, where brand fees were imposed without approval of GoI-appointed directors, resulting in $109.1m in cash extracted over two years. (See Case Study: Hindustan Zinc Limited.)
- Through these structures, VRL effectively siphons cash from companies where the GoI holds direct financial interests, amounting to indirect expropriation of public sector value.

Base Erosion and Profit Shifting (BEPS) Violations

- The brand fee structure is used to avoid dividend leakage and Indian tax base erosion.
- There are no employees or substantial operations at VRL to justify brand fee payments. VRL's UK operations are effectively shuttered, and its office is for lease[9] with the listing dated January 31, 2025.



Figures 17 & 18 – 30 Berkeley Sq Loopnet.com Listing

- Vedanta's brand fees are pledged as security for an 18% $1.25b credit facility through VRIL. These flows have been ringfenced to service offshore debt, effectively guaranteeing that ~$200m annually will be profit-shifted out of VEDL and its subsidiaries.

15. Outstanding guarantees

In January 2024, the Company and VHM2L had executed a borrowing facility with SCB amounting to USD 1,250,000,000 at an interest rate of 18% per annum due for redemption as USD 150,000,000 in May 24, USD 300,000,000 in April 2025 and USD 800,000,000 in April 2026. The Company along with VRL, VHM2L, TSHL, VUHL and WTL have jointly and severally guaranteed the loan. The proceeds may be used for liability management and to service existing indebtedness and for meeting the expenses of the group companies.

Subsequent to the period ended 31 March 2024, the instalment of USD 150,000,000 was repaid in May 2024.

Figure 19 – Vedanta Resources Investments Limited FY24 Annual Report[10]

- Misalignment between value creation which occurs in India at VEDL and profit allocation in UK at VRL.
- The payment of brand fees before actual "services" are rendered is possibly to dodge scrutiny by the RBI or its banks about the legitimacy of the expense.

Potential GAAR Exposure

- The structure lacks commercial substance; many VEDL subsidiaries like Hindustan Zinc and ESL Steel market their products under their own brands.
- The main purpose of the structure is cash extraction bypassing dividend structures.
- At least two subsidiaries, HZL and ESL Steel, have paid more in brand fees than they expensed during the relevant period.

[9] https://www.loopnet.co.uk/Listing/30-Berkeley-Sq-London/34669991/
[10] https://find-and-update.company-information.service.gov.uk/company/15035695/filing-history

Case Study: Hindustan Zinc Limited – Brand Fee Abuse

Despite the Government of India holding a 29.54% stake and appointing three board directors, HZL was subjected to a Brand and Strategic Services (BSS) agreement in October 2022. We strongly believe an independent review of the circumstances and justifications for this brand fee agreement is required, given the GoI's stake in HZL. Especially whether board approval was granted and the circumstances thereof.

Under this arrangement, a fee of 2% of projected turnover was extracted through a sub-licensing structure managed by VEDL, who retain 30 bps and pay the rest to VRL. This has resulted in HZL paying ₹1,562 crore ($182.76m), equal to 5% of its profits over the past 3 years for a brand it does not use to a company with an empty London office.

Brand Fee Payments from HZL to VEDL	FY25	FY24	FY23	Total
Payments	658	561	343	**1,562**
Net profit	10,279	7,787	10,520	**28,586**
% of net profit	**6.40%**	**7.20%**	**3.26%**	**5.46%**

Figure 20 – Brand Fee Payments from HZL to VEDL

Advance Payment Discrepancy During FY24

More evidence of the flexible and opaque nature of the brand fees emerged during FY24. At the start of the year, HZL advanced ₹677 crore ($81.57m) to Vedanta Limited for brand and strategic service fees, according to its interim Related Party Transaction disclosures[11].

32	Hindustan Zinc Limited	AAACH7354K	Vedanta Limited	AACCS7101B	Parent Company	Brand Fees	707	274	13.92	***403

Company in the Hon'ble Supreme Court for extension of the utilization timeline. (See note 27(4)).
***Rs 677 Crore is paid in advance as per the omnibus approval of audit committee based on 2% of the projected annual turnover. Same is expensed off on monthly basis on the basis of 2% of actual turnover.
The advance carries the floating rate based on SBI MCLR rates.

Figure 21 – Hindustan Zinc Limited H1FY24 Related Party Transaction Disclosure

However, by year-end, the final recognized expense fell to ₹561 crore ($67.59m). Like at ESL Steel, HZL's payment was effectively interest-free rolling credit to VRL.

Strategic services and Brand fees		
Vedanta Limited	561	343
Total	**561**	**343**

Figure 22 – Hindustan Zinc Limited FY24 Annual Report

This undermines the reliability of subsidiary annual accounts, often the only documents available to minority shareholders, and shows flexible and opaque these intra-group cash flows really are.

[11] https://www.hzlindia.com/wp-content/uploads/RPT_Statement_20102023.pdf

The $956m Loan – How VRL Used VEDL's Balance Sheet to Buy Control

The June 2020 loan from VEDL to VRL Group was a covert financing maneuver to consolidate VRL control over VEDL using its own balance sheet. Structured to support the failed delisting, the unsecured loan was extended and restructured on questionable terms favorable to VRL.

Timeline of the VEDL-VRL Loan Scheme and Control Consolidation	
Date	**Event**
May-20	Vedanta Resources announces its intention to delist Vedanta Resources
Jun-20	Vedanta Limited, via Cairn India, issues a $956m unsecured loan to Vedanta Resources subsidiaries through opaque channels to hide credit risk
Aug-20	Vedanta Resources $1.4b bond clause triggers full redemption risk after delisting fails, escalating pressure on Vedanta Resources.
Oct-20	Delisting attempt fails Loan terms are restructured to impair $122m, remove Vedanta Limited guarantee and extend repayment to December 2023
Dec-20	Vedanta Limited promoters begin aggressively acquiring shares, increasing stake from 50.14% to 70% by Q3 FY22
FY22	$300m of the loan is novated to Vedanta Jersey Holdings at 10% interest, disguised as a debt restructuring
FY23	Vedanta Jersey Holdings repays $314m whch is funnelled back to Vedanta Resources through a Cairn India share buyback and record Vedanta Limited dividend
FY24	Remaining $417m loan is extended to December 2024
FY25	Remaining $417m loan is extended and split into 2 tranches: $200m due in January 2026 and $217m due in May 2026.

Figure 23 – Timeline of the VEDL-VRL Loan Scheme and Control Consolidation

The entire loan arrangement was filled with red flags:

- VEDL's loans were made to VRL subsidiaries who had no capacity to repay them.
- $122m of the loan was impaired and not paid back only 5 months after the loan was issued.
- The repayment of a $300m portion of the loan was funneled back to VRL.
- $417m of the loan remains unpaid, having been extended multiple times.

Structure of the Loan – Hiding Twin Star's Involvement

In June 2020, VEDL through Cairn India Holdings Limited (**CIH**), issued a $956m (₹7,934 crore) 12-month loan to various VRL subsidiaries at 3% - 7% with a 1% guarantee fee. VEDL acted as both lender and guarantor, a massive red flag[12].

The June 2020 loan from VEDL to VRL took the form of 2 transactions:

1. A $834m loan from CIH to Twin Star Holdings (**TSH**).
2. A $122m loan from THL Zinc Holdings Limited (**THLZH**) funded in part by a $100m loan from CIH.

CIH bankrolled the entire loan with bank deposit redemptions and receipts from subsidiaries.

[12] Because this loan was made to VRL subsidiaries and not VRL itself there is almost no visibility into its accounting treatment outside of VEDL's annual reports.

Cash flows from investing activities			
Proceeds from short term investments		36,498,636	1,979,638,023
Purchase of short term investments			(2,361,260,433)
Sale of financial asset investments		-	397,623,620
Purchase of financial asset investments		-	(63,027,953)
Loan given to related party	17	(974,817,781)	(86,978,317)
Proceeds from redemption/ maturity of deposits having original maturity of more than 3 months	10	748,433,649	-
Receipts from/(made) investment in subsidiary		167,368,689	(399,580,000)
Realised gain/loss on currency forward		-	30,150,170
Net cash (used in) investing activities (B)		**(22,516,807)**	**(503,434,890)**

Figure 24 – Cairn India Holdings FY21 Annual Report

As an international operating subsidiary, THLZH gave the loan the illusion of legitimacy and repay ability despite both CIH and THLZH lending to the same shell company.

The loan was later transferred to Vedanta Jersey Holdings Limited (**VJH**) through a complex series of novations through multiple VRL subsidiaries[13]. No cash accompanied the novations, and it's unlikely the novated borrowers had any ability to repay.

Use of the Loan - The Delisting Attempt and Subsequent Accumulation

After the delisting attempt failed, VRL faced an acute funding problem: its $1.4b August 2020 bond contained a clause requiring full redemption at 101% of principal plus accrued interest if the delisting fell through. We believe the VEDL loan proceeds were used by VRL to consolidate control over VEDL to prop up the share price and regain investor confidence.

Timeline of key events	
May 12, 2020	VRL announces its intention to delist VEDL from Indian stock exchanges. States financing is being arranged.
June 2020	VEDL acting as both lender and guarantor extends ~$956 million in loans to VRL.
August 2020	VRL announces issuance of $1.4 billion in 13% senior secured bonds, explicitly tied to the delisting.
October 10, 2020	Delisting fails due to insufficient shareholder tender.
October 2020	VEDL restructures the VRL loan, extinguishing the corporate guarantee and extending repayment to 2023. The fair value loss is charged to equity, and impairments recognized by a VRL subsidiary.
December 2020	VRL begins aggressive open market accumulation of VEDL shares.

Figure 25 – Timeline of Key Events

VEDL promoters did not accumulate any shares during the lead up to the shareholder tender. Promoter ownership remained at 50.14% until September 2020 and massively increased in December 2020.

Post Failure Maneuvering

In October 2020, the same month the delisting failed, the VEDL loan was restructured to:

- Extinguish the VEDL guarantee on the loan
- Extend the loan by making it repayable in instalments by December 2023
- Increase the contractual interest rate to 14% - 17% to match market rates[14]
- Impair $122m of loans to an unnamed VRL subsidiary

The $122m impairment, 4 months after the loan was issued, suggests that VRL had blown through $122m and arbitrarily decided not to repay it through asset sales. This impairment conflicts with VRL's claim of solvency at the time and to this day.

[13] In order, Vedanta Resources Limited, Westglobe Limited, Richter Holdings Limited, Vedanta Resources Cyprus Limited, Vedanta Resources Finance Limited, Vedanta Resources Holdings Limited, Twin Star Holdings and finally to Vedanta Jersey Limited.
[14] Strangely VEDL claims this was determined on the date of the origination of the transaction, not in October 2020.

After the failed delisting, VEDL promoters began aggressively acquiring shares, increasing their stake from 50.14% to 69.69% from Q3 FY21 to Q3 FY22 in 3 phases at a total cost of $2.31b.

Key VEDL Promoter Group Share Acquisitions						
Date	**Shares Purchased**	**% equity**	**Notes**	**Price ₹**	**₹ Cr**	**$M**
24-Dec-20	185,000,000	~5%	Post-delisting bulk acquisition to reassert VRL control	159.9	2,958.3	402.0
16-Apr-21	374,231,161	~10%	Open offer to consolidate VRL position	235.0	8,794.4	1,179.3
23-Nov-21	154,870,000	~4%	Follow-up bulk acquisition via VRL group entities	349.7	5,412.7	727.5
Total		**~19%**			**17,165.4**	**2,308.8**
Prices reflect reported trade prices or inferred from SEBI bulk data. FX rate based on approximate deal-day conversion. Based on total outstanding shares of 3,717,196,639						

Figure 26 – Key VEDL Promoter Group Share Acquisitions

During this time the share price more than doubled from ~₹160 to ~ ₹350. It is unthinkable that a borrower who could not repay $122m, could fulfil these purchases without the June 2020 loan.

Evolution of Loan Terms

The loan from VEDL to VRL PropCo functioned more like equity than debt and were continuously in flux.

- The guarantee on the loan was never reinstated and the loan remains unsecured.
- The interest rate on loans varied wildly, from 3% - 7% to 14% - 17.5% to 9.6% - 17%, to 13.5% indicating no risk assessments.
- The loan was only benchmarked to VRL's bond coupons after the delisting failed, instead of from the start.
- In FY22, in what appears to be a distressed restructuring, VEDL agreed with Twin Star to novate $300m due for repayment in June 2022 to VJH at a 10% rate.
- This $300m novated portion was repaid in FY23 by VJH, though this would be kicked back to VRL in part through record-breaking VEDL dividends that year.
- In FY24 the loan originally due December 2023 was extended to December 2024, when it was extended again to January 2026.

VEDL/VRL Group loan changes	
June 2020	VEDL extends and guarantees ~$956m in loans to VRL subsidiaries at 3% - 7% due in 12 months and a 1% guarantee fee.
October 2020	VEDL restructures the loan: - Repayment extended to December 2023 - Impairment of loans of $122m to one VRL subsidiary - VEDL corporate guarantee extinguished - Interest rates increased to 14% - 17%
March 2021	VEDL revises interst rates to 9.6%, benchmarked to VRL bond coupons.
FY22	VRL group has repaid $217m and interest thereon. Unnamed overseas VRL subsidiary novates $300m due for repayment in June 2022 from Twin Star at 10.1% guaranteed by VRL
FY23	Novated $300m loan repaid, though its unclear how or who the borrower was.
FY24	At borrowers request, loan is extended to December 2024. Borrower prepaid $32m in principal

Figure 27 – VEDL/VRL Group Loan Changes

Why VRL Group Did Not Repay

1. **Liquidity Pressure:** VRL was facing imminent repayment of a $1.4b bond at 13% interest. Repaying the VEDL loan would have created a liquidity crisis at a critical moment.
2. **Control Opportunity:** Rather than repay VEDL, VRL Group may have used the funds to accumulate VEDL shares on the open market. Repayment would have eliminated the chance to consolidate control through accumulation.
3. **Strategic Restructuring:** The October 2020 amendments redefined the nature of the loan. The guarantee was extinguished, repayment deferred to 2023, and VEDL absorbed a fair value loss directly to equity. This is not how conventional debt is treated, but how equity investments are treated.
4. **Equity-Like Treatment:** VEDL had no security, no enforcement rights, and no seniority. Repayment was flexible, long dated, and structurally subordinate. These are not characteristics of a normal loan, they are consistent with how equity behaves.

VRL did not repay the loan because they had the power to dictate terms to VEDL and had more urgent liquidity needs. The structure was a deliberate effort to leverage VEDL's balance sheet for VRL's ambitions of control.

Loan Repayment Recycling – How VEDL routed repayment back to VRL as dividends

The repayment of the $300m portion of the loan novated to VJH was not a return of capital, but a cash loop. The structure allowed VRL to recover its own debt repayments in the form of an outsized dividend from VEDL.

In FY23 VJH repaid $314m to CIH in two transactions: $192m directly to CIH and $122m indirectly through VHLZH[15].

Cairn India Holdings Limited
Notes to the Financial Statements
For the year ended 31 March 2023

Balances owed by /(to) group companies/related parties		
Cairn Energy Hydrocarbons Limited	-	74,289
THL Zinc Holding BV (including interest accrued)	3,378,457	195,186,205
Fujairah Gold (including interest accrued)	127,012,092	121,287,087
AvanStrate Inc. (Face value)	301,470,513	255,628,436
AvanStrate, Korea (Face value)	93,500,998	102,072,150
Management Consultancy services -Akarsh Hebbar	(62,325)	(29,167)
Management Consultancy services -Sterlite Technologies Limited	(510,690)	(175,000)
AvanStrate Inc. – interest accrued	19,558,695	14,327,679
Twinstar Holdings Limited (Face Value Loan)	449,000,000	449,000,000
Vedanta Limited- Guarantee Commission	27,398	68,040
VHJL- (Including Interest Accrued)	-	187,183,147
Twinstar Holdings Limited - interest and guarantee commission accrued	18,301,869	18,301,869
Western Cluster (including interest accrued)	15,666,315	-
Bloom Fountain (including interest accrued)	51,021	-
Vedanta Resources PLC	(5,000)	-
CIL (ECB - including interest accrued)	140,398,809	-

Figure 28 – Cairn India Holdings FY23 Annual Report

In the same year, CIH executed a $330m (₹2,739 crore) share buyback funded by these repayments and new debts. VEDL, as the sole shareholder, received the full proceeds of this buyback. CIH did not have enough distributable earnings to facilitate the payment as a dividend, after they issued $390m in dividends to VEDL the previous year[16,17].

[15] The remaining $60m was funded by a loan repayment to VHLZH from Black Mountain Mining.
[16] This remains the only year where CIH has elected to return capital sole in the form of buybacks.
[17] Jersey allows companies to conduct a buyback funded from share capital or premium accounts if it would not render them insolvent.

Section 67(2) of the Indian Companies Act prohibits public companies from providing financial support, directly or indirectly, to facilitate the purchase of their own shares.

Interest paid		(11,328,003)	(36,828,262)
Dividend paid		-	(390,000,000)
Dividend Received		348,775,723	327,094,386
Interest Received		108,782,259	149,106,284
Net cash flows from operating activities (A)		**442,236,363**	**40,261,699**
Cash flows from investing activities			
Proceeds from short term investments			
Purchase of short term investments		2,975,317	(4,374,236)
Loan (given to)/ repaid by related party	17	109,748,701	137,399,597
Payments for investment in subsidiary		(333,325,134)	-
Net cash (used in) investing activities (B)		**(220,601,114)**	**133,025,361**
Cash flows from financing activities			
Proceeds from long term borrowings		169,605,249	-
Repayment of long term borrowings	12	(59,055,306)	(173,745,145)
Buyback of ordinary shares		(332,000,047)	
Net cash (used in) financing activities (C)		**(221,450,104)**	**(173,745,145)**

Figure 29 – Cairn India Holdings FY23 Annual Report

The CIH buyback proceeds were a material contributor to VEDL's FY23 ₹41,149 crore ($4.96b) dividends. The $300m repayment of the 2020 loan was not a return of capital to CIH, the original lender, but a recycling of cash back into VRL's coffers.

As of FY25 $417m, this loan remains outstanding, although after multiple amendments and payment extensions we doubt this sum will ever be repaid.

Steel Sale – Hyping the Market to Refinance Debt

After the September 2023 demerger announcement, Anil Agarwal announced the sale of Vedanta's steel business comprising of its domestic iron ore business, Liberian assets and ESL Steel Ltd. The proposed sale had been terminated as early as October 2023, 10 months before the company publicly announced that it was halting the sale of the steel business.

Between the time the sale was announced and publicly acknowledged as cancelled, Vedanta entities raised:

- $1.25b of private credit at VRL in December 2023
- $3.2b of VRL bond restructurings in December 2023/January 2024
- $1b qualified institutional placement in July 2024

These loans were pitched to almost every bondholder and private credit facility (PCF) lender as a "bridge to sale" while VRL conducted a liability management (LM) exercise. The "bridge to sale" narrative was used in multiple meetings despite banks being told to stop work on the deal.

If true, the company misled the market, investors and lenders. We were informed that a pre-condition for Vedanta's private credit financing included de-leveraging commitments expected to be met through the steel sale proceeds.

Multiple bondholders stated they feel misled, with one stating:

> *"The PCF for the LM exercise was presented as part solution to allow VRL to complete its sale processes. The de-gearing of the group was predicated on the sale of non-core assets – it was presented to lenders as "a bridge to the asset sale…" and was considered in that light when voted upon by the bond holder groups."*

According to our sources, VEDL received multiple bids of up to $2b for the parts of the business with companies participating in the process including Arcelor Mittal, JSW, JSPL, Tata and Nithia. Several other bids reportedly exceeded VEDL's internal target price. The company had viable exit options, it simply chose not to use them.

Steel asset sale timeline		
Date	**Claim**	**Form**
30-Jun-23	Vedanta announces strategic review of steel business for options including strategic sale of some or all of the business.	Press release
29-Sep-23	Vedanta announces demerger of its business units.	Press release
29-Sep-23	Omar Davis states that steel assets are the only assets under review.	Investor conference call
03-Oct-23	Agarwal states on CNBC-TV18 that it aims to complete steel asset sale by March 2024.	Interview
04-Nov-23	Arun Misra states that Vedanta cannot say when and to whom, the steel assets will be sold.	Earnings call
25-Jan-24	Ajay Goel states that the intent of noncore asset disposal is intact. Offers are expected by the end of Q4 FY24 to early Q1 FY25.	Earnings call
26-Jan-24	Ajay Goel states to the Economic Times that the steel asset sale process is underway.	Interview
27-Feb-24	Earnings day presentation states Vedanta Resources' maturities will be addressed partially by asset monetization. At the time the steel business was the only asset publicly under strategic review.	Analyst day presentation
20-Apr-24	Investor meet presentation repeats claims made in earnings day presentation on February 27, 2024.	Investor meet presentation
25-Apr-24	Arun Misra states the steel asset sale is still under consideration with regulatory clearances pending. End of Q1 FY25 to Q2 FY25 targeted for the sale.	Earnings call
13-Jun-24	Vedanta site visit overview presentation repeats the claim made in the earnings day presentation on February 27, 2024.	Site visit overview presentation
08-Aug-24	Bloomberg reports that the $2.5b steel business sale is on hold after the $1b	Bloomberg article
09-Aug-24	Vedanta calls the Bloomberg report "factually and completely incorrect" stating that company is open to a sale of ESL steel "at the right price"	CNBC-TV18 article

Figure 30 – Steel Asset Sale Timeline

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 this report: falsified expansion claims, capex fraud, environmental violations and a formal going concern warning.

Regulators are likely to investigate when exactly the steel sale was put on hold, and whether Vedanta misled markets and creditors by representing it as active long after it was abandoned.

Other Past Attempts for Liquidity

Vedanta's previous actions also show a pattern of desperate attempts to remit cash to VRL, sometimes circumventing directors and minority shareholders.

The Sale of VEDL's International Zinc Division to HZL

In early 2023 VRL proposed selling its international zinc assets under THL Zinc to HZL in a phased transaction for $2.98b. The deal was eventually cancelled after pressure from the Ministry of Mines and GoI who held a minority stake in HZL. As we show later, the international zinc assets are likely worthless and massively encumbered.

The immediate benefit would have been a $2.98b liquidity injection directly into VEDL, enabling it to upstream funds to VRL for debt service and refinancing. The losers in this transaction would have been HZL's minority shareholders, who would have seen HZL absorbing worthless assets at vastly inflated valuations.

The Purchase and Sale of VRL's Anglo-American Mandatory Convertible Bonds.

In December 2018 Cairn acquired an economic interest (but not ownership) of VRL's Anglo American stake for $200m. This effectively de-risked VRL's attempted Anglo American takeover attempt and recapitalized their balance sheet in a similar manner to the 2020 $956m loan from VEDL to VRL

This move was rightfully panned as a related party transaction of convenience and created significant shareholder upheaval before eventually being reversed by Anil Agarwal.

Loans from Trafigura and Glencore

In June 2023, VRL secured $450m in two highly unusual loans from competitors Trafigura and Glencore, neither of which are financial lenders but commodities trading houses.

This raises the question: Why would two competitors extend debt to VRL, a holding company with no operating assets of its own? VRL has no commodity production to offer, only VEDL does. The logical inference is that the consideration for these loans was not borne by VRL at all, but rather by VEDL through offtake agreements, price discounts, forward sales at unfavorable terms, or volume commitments.

xi. During the current year, the Company executed a facility agreement with Glencore for an amount of US$ 250 million bearing an interest at a rate of SOFR plus 550 basis points repayable in 8 tranches as- US$ 31.25 million each as August 2024, November 2024, February 2025, May 2025, August 2025, November 2025, February 2026, May 2026. During the current year, US$ 55 million was repaid. As at 31 March 2024, the outstanding amount under this facility is US$ 195 million (31 March 2023: NIL). The unamortized expense on this loan as at 31 March 2024 is US$ 4 million.

xii. During the current year, the Company executed a facility agreement with Trafigura for an amount of US$ 200 million, bearing an interest at a rate of 12% repayable in May 2024. As at 31 March 2024, the outstanding amount under this facility is US$ 200 million (31 March 2023: NIL). The unamortized expense on this loan as at 31 March 2024 is US$ 1 million.

Figure 31 – Vedanta Resources Limited FY24 Annual Report

4. Legal Frameworks

Legal Frameworks – Brand Fee Structure

India has various legal frameworks dealing with brand fee structures, in particular:

- Income Tax Act 1961 §§ 92-92F (Transfer Pricing)
- Income Tax Act 1961 §95-§102 (GAAR)
- Income Tax Act 1961 §195, §40(a)(i) (Withholding Tax)
- Companies Act 2013 §188 (Related Party Transactions)
- SEBI (LODR) Regulations, 2015 Regulation 23 (RPT Disclosures)
- OECD BEPS Final Reports (2015), Actions 6, 8-10, 13

The government has had previous success in prosecuting specious intra-group fees where such arrangements lacked economic substance or grossly disproportionate to value received.

Preceding cases	
Case	**Summary**
EKL Appliances Ltd v. CIT (Delhi High Court, 2012)	Recharacterization of intra-group service fees where no real benefit was proven; held that bare agreements without evidence of benefit are insufficient.
Maruti Suzuki India Ltd v. CIT (Supreme Court, 2019)	Emphasized "economic ownership" and "substance over form"; upheld that Indian entity, not foreign parent, carried economic risk and value creation.
Dresser-Rand India Pvt Ltd v. CIT (Mumbai ITAT, 2011)	Arm's length principle failure led to disallowance of management service fees paid to parent entity.

Figure 32 – Preceding Cases

All this strongly suggests that the payment of brand and management fees to VRL is non-compliant across multiple legal and regulatory frameworks.

Legal Frameworks - $956m Loan

Potential Breach of Section 67(2), Companies Act 2013

VEDL's $956m loan to VRL subsidiaries, issued just before and during its delisting attempt, materially softened the balance sheet impact of VRL PropCo's subsequent share purchases.

This could violate Section 67(2) of the Companies Act, which prohibits public companies from providing even indirect financial support to facilitate the purchase of their own shares. The consequences for violating this act are potentially enormous.

1. Transaction declared void

In Ramesh Desai v. Bipin Mehta the Supreme Court of India held that financial assistance for the subscription of shares amounted to the company purchasing its own shares, thereby invalidating the allotment, in violation of Section 77 of the Companies Act 1956 (the predecessor to Section 67).

In SEBI v. Sterlite Industries, Sterlite Industries, a Vedanta Group company, was scrutinized for enabling share acquisitions through indirect financial support, raising the same concerns now seen in VEDL's loan to VRL. The case reflects a pattern of Vedanta using intra-group structures to consolidate control while testing the limits of regulations.

2. FEMA non-compliance

Under the Foreign Exchange Management Act (FEMA) framework, transactions like cross-border loans must generally comply not only with FEMA's own provisions but also with RBI guidelines which often incorporate requirements under other Indian laws.

While a violation of the Companies Act does not automatically render a transaction non-compliant under FEMA, any transaction structured in a way that breaches the Companies Act is likely to face heightened scrutiny under FEMA.

3. Penal consequences for the company and its officers

Contravention of Section 67(2) attracts penalties for officers in default of imprisonment up to 3 years and/or a fine of between ₹1 lakh and ₹25 lakh. Companies face fines between ₹1 lakh and ₹25 lakh.

FEMA Recharacterization Risk

Although the CIH buyback was executed under Jersey law, its circumstances raise significant concerns under the FEMA act. VEDL, as an Indian resident, received $330m through a share buyback which was pursued in part because CIH lacked the retained earnings to issue a dividend of that size.

This indicates a deliberate use of the buyback mechanism to bypass restrictions on profit distribution. Even if the correct filings were made, the RBI may determine that the transaction was structured to avoid dividend scrutiny and TDS obligations, exposing VEDL to penalties and reversal of the remittance.

GAAR Exposure – Lack of Commercial Substance

The FY23 repayment and buyback cycle also falls within the purview of GAAR under sections 95-102 of the Income Tax Act. VJH's repayment to CIH was immediately recycled through a buyback that enabled VEDL to issue record dividends to VRL.

The use of a buyback in lieu of a dividend (because a dividend of that size could not be legally issued) reinforces the perception that the arrangement lacked commercial substance. GAAR panels can disregard the form of the transaction, reclassify the transaction, deny tax benefits and conduct retrospective assessments.

Dividend Recharacterization and Withholding Risk

CIH's buyback may also be treated as a functional dividend under the "substance over form" doctrine. Section 123 of the Companies Act and Section 195 of the Income Tax Act govern dividend distributions and tax withholding on cross-border dividends. CIH use of a buyback when it was unable to issue an equally large dividend raises the possibility of reclassification.

Breach Of Fiduciary Duty

Section 166 of the Companies Act mandates directors act in the best interests of the company and shareholders, especially minority shareholders. The structure and timing of the loan to VRL facilitated purchases of VEDL shares to the detriment of minority shareholders, enabled by the VEDL Board.

In the case of the FY23 repayment, VEDL's board approved and executed a structure that enabled cash extraction by VRL despite project delays and increasing leverage. The CIH buyback route shows a deliberate strategy to maximize promoter returns by any means necessary. We note that one of CIH's director's Dindayal Jalan, was also a non-executive independent director of VEDL at the time.

Regulatory Scrutiny

The transaction may attract scrutiny from regulatory bodies like SEBI, the RBI and the tax authorities, all of whom are likely to take issue with the loan's purpose, terms and leniency.

Regulatory Precedents

Xiaomi

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 payments[18]. 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.

BluSmart

In April 2025 SEBI took enforcement action against BluSmart Mobility and its affiliate Gensol Engineering for misappropriating ₹262 crore ($30.66m) in funds intended for purchasing EVs through undisclosed related party transactions[19]. These funds were instead used in part for personal enrichment by the company's promoters.

SEBI barred BluSmart's promoters from holding senior roles in listed companies and from accessing capital markets, citing breaches of the SEBI Act and listing regulations including:

- Failure to disclose related party transactions,
- Misrepresenting its financials,
- Fraudulent misuse of capital

The Delhi High Court effectively froze the company's EV assets and asked BluSmart and Gensol to provide a set of honest financial statements.

VEDL's prepaid brand fees mirror the same core misconduct but at a much larger and more complex scale.

[18] https://economictimes.indiatimes.com/industry/cons-products/electronics/xiaomi-files-appeal-against-eds-seizure-of-rs-5551-27-crore/articleshow/106774992.cms?from=mdr
[19] https://www.business-standard.com/companies/news/sat-denies-interim-relief-to-gensol-sebi-fund-diversion-probe-125050700974_1.html

5. A Forensic and Qualitative Dive into Poor Quality Assets and Hidden Liabilities

Hindustan Zinc Limited

Hindustan Zinc Limited (HZL) is not merely a troubled company; it is a legal and financial minefield. The business is entangled in contract breaches, regulatory violations, and related-party transactions designed to extract value at the expense of the Indian public.

The Kapasan Default Contract Breach

A material "Event of Default" under the HZL Shareholder's Agreement (HZL SA) has been triggered, granting the Government of India (GoI) the contractual right to repurchase HZL at a 50% discount.

The breach stems from VEDL's failure to evaluate and execute on the Kapasan Project, a 100 MTPA zinc smelter that was a mandatory condition of the original disinvestment. Article 6.1.3 of the HZL SA obligated VEDL to build the facility or a formal waiver process within a year of the deal closing.

That process required:

- A report from an independent expert confirming the project was economically unviable, and;
- Formal confirmation of that finding by the HZL Board.

Vedanta did neither. Instead HZL simply informed the GoI that the project would not proceed, claimed the expert report was not required, and failed to show board meeting minutes that showed any discussion of the economic feasibility or the expert report.

> compared to the Kapasan Project, the report of an independent expert may not be required. Although the expansion at Chanderiya was reviewed and approved by the HZL board of directors at their meetings held on January 24, 2003, April 16, 2003 and April 25, 2003,
>
> the minutes of the HZL board meetings did not reflect that a review of the feasibility of the Kapasan Project had occurred within a period of one year from April 11, 2002, that the board had, in its good faith and reasonable judgment, confirmed that the Kapasan Project was not in the best economic interests of HZL, or that the report of an independent expert would not be obtained. Over two

After stonewalling the GoI's requests for documents, HZL sent them board meeting minute extracts but could not send them the independent expert report, because none existed.

Sovereign Put and Call options

This default triggered two contractual options in favor of the GoI, disclosed in VEDL's own SEC filings:

- Put Option: The GoI can force VEDL to buy its 29.54% stake at a 50% premium to market value.
- Call Option: The GoI can buy VEDL's 64.92% stake at a 50% discount to market value.

> If the Government claims that SOVL has breached the covenant related to the Kapasan Project under the shareholders' agreement between the Government of India and SOVL resulting in litigation, and it was determined that SOVL had breached such covenant triggering an event of default, the Government of India, under the terms of the shareholders' agreement, may become entitled to the right, which is exercisable at any time within 90 days of the day it became aware of such event of default, to either sell any or all of the shares of HZL held by the Government of India to SOVL at a price equivalent to 150% of the market value of such shares, or purchase any or all of the shares of HZL held by SOVL at a price equivalent to 50% of the market value of such shares. Based solely

Figure 33 – Sterlite Industries India SEC Form 20-F dated March 31, 2008

As of the March 31, 2025 reporting date, the put option represents a contractual financial risk of ₹91,075 crore ($10.66b), a ruinously expensive prospect.

The call option is arguably worse, representing the loss of group's economic backbone. In FY25, HZL accounted for 21% of Vedanta's revenue, 40% of EBITDA, and an alarming 50% of net profits and nearly 100% of free cash flows, to say nothing of the impact on VRL.

Neither of these options is disclosed in VEDL's FY25 filing, despite their continued validity and the risk they represent.

The GoI retains the legal right to enforce the shareholder agreement's put and call options following Vedanta's breach of the Kapasan obligation. However, these rights remain unexercised raising the broader question of custodianship. By any objective measure of governance, regulatory compliance, and shareholder protection, the GoI is demonstrably a better steward of HZL than the current controlling shareholder.

Related Party Deals and Looting

Given the Government of India remains a 29.54% shareholder in HZL, related party transactions warrant scrutiny.

Runaya Greentech Pvt Ltd – Captive Financing Under Operational Disguise

Runaya Greentech is owned by Naivedya Agarwal and Annanya Agarwal, the sons of promoter Navin Agarwal. Its financial relationship with HZL transcends normal commercial arrangements and veers directly into captive financing.

- Receivables ballooned from ₹58 crore to ₹125 crore in FY25**.** This represents deferred collection on sales, effectively functioning as an unsecured credit line.
- Business advances surged from ₹4 crore to ₹55 crore in FY25. These are formal loans, evidenced by ₹10 crore of interest income HZL reported.
- The total exposure to Greentech as of FY25 stood at ₹180 crore ($21.06 million) as a combination of overdue receivables and advances.

HZL is not simply a lender to Runaya Greentech, it is acting as its lender. HZL's capital is being redirected into a promoter-owned business in contravention of fiduciary norms.

HZL Transactions with Runaya Greentech		
₹ crore	**FY25**	**FY24**
Sale of goods	185	43
Purchase of goods	-223	-46
Purchase of O&M services	-48	-21
Sale of PPE	17	43
Interest on business advance	10	2
Other expenses	-1	-1
Net movement	**-60**	**20**
Receivable	125	58
Business advance	55	4
Total exposure	**180**	**62**

Positive values represent inflows to HZL. Negative values represent payments made by HZL.

Figure 34 – HZL Transactions with Runaya Greentech

Brand Fees

The looting extends beyond operational contracts. HZL paid ₹1,562 crore ($183m) in brand fees to Vedanta Limited from FY23 to FY25. This amounts to 5.46% of cumulative net profit over 3 years in payments without operational rationale.

Brand Fee Payments from HZL to VEDL				
	FY25	**FY24**	**FY23**	**Total**
Payments	658	561	343	**1,562**
Net profit	10,279	7,787	10,520	**28,586**
% of net profit	**6.40%**	**7.20%**	**3.26%**	**5.46%**

Figure 35 – Brand Fee Payments from HZL to VEDL

Anil Agarwal Foundation Donations

Since FY24, HZL has made ₹99 crore ($11.58m) in donations to the Anil Agarwal Foundation, a promoter-controlled entity.

These payments are structured as charitable donations but are at best paying for Anil Agarwal's personal promotion and at worst another channel for funneling corporate funds to entities under the promoter's control.

Zinc India Foundation

HZL's wholly owned Section 8 non-profit subsidiary, Zinc India Foundation (**the Zinc Foundation**), shows signs of CSR fund misuse and disclosure failure. Despite HZL reporting a ₹143 crore ($16.74m) transfer of right-of-use assets in FY23, the Foundation's balance sheet shows no ROU assets, raising unresolved about whether the assets were ever real or correctly accounted for.

The Zinc Foundation also reports ₹15 crore ($1.76m) in combined power, fuel, and maintenance costs in FY25, despite holding no tangible assets. This is unusual for a charitable entity and suggests the Foundation may be hosting operational infrastructure under the guise of CSR.

Undisputed Statutory Dues, Under Dispute

HZL faces a ticking financial time bomb in the form of massive, unresolved tax and royalty disputes. As of FY25, the company disclosed a total of ₹15,156 crore ($1.68b) in undisputed statutory dues and ₹2,663 crore ($308m) in contingent liabilities under litigation.

HZL Off-Balance Sheet Liabilities	Amount (₹ crore)	Amount (USDm)
Undisputed Statutory Dues		
Income Tax	13,388	1,566
Customs Duty	107	13
Excise Duty	394	46
Service Tax	198	23
Sales Tax	71	8
GST	827	97
Environmental & Health Cess	142	17
Electricity Duty	29	3
Total	**15,156**	**1,773**
Contingent Liabilities Under Litigation		
Rajasthan show cause notices	334	39
Rajasthan Jan 2020 royalty assessment	1,925	225
Rajasthan Dec 2020 royalty assessment	311	36
Various	63	7
Total	**2,633**	**308**

Figure 36 – HZL Off-Balance Sheet Liabilities

Neither of these sums is recognized on the balance sheet or detailed in VEDL's filings and if crystallized, these liabilities would severely impair HZL's balance sheet and its ability to pay dividends.

This exposure is not hypothetical. Multiple cases are in advanced stages, including pending decisions at the Supreme Court and High Courts. These are not routine tax or regulatory disputes, they are existential financial threats to VEDL's crown jewel.

Accusations of Corruption and Disinvestment Fraud

The 2002 disinvestment of Hindustan Zinc Limited (HZL) is under active criminal investigation for corruption, fraud, and conspiracy. This is not conjecture but a matter of judicial record.

On April 28, 2022, the CBI named HZL, its acquirer Sterlite Opportunities and Ventures Limited (SOVL), and "Unknown Public Servants" in a case involving alleged cheating, conspiracy, and criminal misconduct[20].

This was the revival of an older preliminary enquiry that had been controversially closed despite objections from CBI officials including then-Director Ranjit Sinha[21].

[20] https://www.business-standard.com/article/current-affairs/cbi-registers-fir-into-26-hindustan-zinc-stake-sale-in-2002-centre-to-sc-122042900857_1.html
[21] https://theprint.in/judiciary/modi-govt-vs-cbi-in-sc-heres-why-govt-has-questioned-probe-in-hindustan-zinc-divestment/826129/

The core irregularities were:

- The choice to divest 26% in HZL instead of 25% as recommended by the Cabinet Committee on Disinvestment. This reduced the GoI's stake to below 50% and relinquished control.
- In the initial bidding round the reserve price was set at ₹35.90 per share, but only one bid was received at ₹29.22 per share from SOVL. The Evaluation Committee recommended delaying the tender process, but this was reversed the next day without explanation
- In the second round of bidding the reserve price was reduced to ₹32.15 per share without clear rationale. Final bids were invited only from the previously qualified six parties, limiting competition and transparency.
- The Comptroller and Auditor General's 2006 report alleged that a proper valuation would have been over ₹1,000 per share if it the asset valuer and global adviser had valued the assets correctly.

The supreme court dismissed the government's review petition, reaffirming the necessity of a comprehensive investigation into the matter. Taken together with the Kapasan default, HZL's disinvestment is extremely likely to have breached multiple regulations.

Conclusion

Hindustan Zinc Limited is a textbook case of corporate misconduct driven by promoter abuse and regulatory breach. The Government of India, as both a shareholder and sovereign authority, has been repeatedly undermined, first through a disinvestment process now under investigation and then through sustained contract violations and related party looting.

Massive unpaid tax liabilities, breaches of sovereign shareholder rights, and unresolved legal disputes have exposed the public exchequer to billions in losses. The risks are clear: regulatory enforcement, legal redress, and a sovereign correction of the structural abuse embedded in HZL's current control.

ESL Steel

ESL Steel is a loss-making, cash-burning manufacturing entity that operates a 1.7 MTPA steel plant in Jharkhand. The company has multiple financial and operational red flags.

- In FY25 alone, ESL posted an operating loss of ₹817.25 crore ($95.65m) and a free cash outflow of ₹1,086.06 crore ($127.08m).
- Interest costs of ₹416.25 crore ($48.73m) are entirely unsustainable against negative EBITDA.
- ESL Steel has held a formal "Material Uncertainty Related to Going Concern" audit opinion since FY23, reflecting that it cannot meet its liabilities from ongoing operations.
- Despite repeated claims of expansion, ESL has made no meaningful progress toward capacity increases.
- Reported capital expenditure is overwhelmingly directed toward buying protected forest land as compensation for environmental violations, not toward increasing plant capacity.

This is not a turnaround story. It is a stranded, non-viable asset disguised as an operating steel plant.

A History of Failure and Environmental Damage

VEDL purchased ESL Steel out of bankruptcy proceedings in June 2018 for ~$790m. The asset was already a disaster: it had lost its Consent to Operate from the Ministry of Environment due to multiple breaches. The most egregious violation was constructing its facility 5.7km from its permitted location, directly harming local communities and environments.

The plant's operational history under VEDL has been equally disastrous including numerous fatalities[22]. Employees, residents, and local politicians have staged repeated protests outside the facility over pay, safety and environmental concerns[23].

Protestors further alleged that town hall meetings to discuss the issues were structured as invite-only for ESL sympathizers.

> However, there was a huge opposition against the public hearing outside the plant premises as political leaders and public when they discovered that the company administration had organised the hearing quietly, without the public-at-large being clueless about it. They even alleged that those present at the public hearing were the company's sympathisers, an allegation that an administrative official denied.

Figure 37– Trouble brews for Bokaro steel plant and Electrosteel Steels – The Telegraph Online

This is a pattern of regulatory evasion, environmental destruction and community harm that has defined ESL's history both before and after VEDL's acquisition.

Expansion Through Capex Fraud

In FY19 VEDL announced a $300m expansion plan to ESL's plant, intended to increase its capacity to 4.5 MTPA[24]. Despite only committing the capital in FY22, VEDL claimed ESL has spent $133m capex on the $300m ESL expansion project to FY24[25].

> With the growing demand for steel in India, ESL has prioritised to increase its production capacity from 1.5 MTPA to 3 MTPA by FY25 and 5 MTPA by FY27 with a vision to become high-grade, low-cost steel producer with lowest carbon footprint. The focus is to operate with the highest Environment, Health and Safety standards, while improving efficiencies and unit costs. The focus areas comprise of:

Figure 38 – ESL FY24 Annual Report

[22] https://www.deccanherald.com/india/3-die-in-esl-steel-plant-during-lift-maintenance-1035099.html#:~:text=The%20incident%20took%20place%20on,0
[23] https://www.telegraphindia.com/jharkhand/trouble-brews-for-bokaro-steel-plant-and-electrosteel-steels/cid/1800735
[24] https://www.businesstoday.in/latest/corporate/story/vedanta-to-set-up-45-million-tonne-steel-plant-in-jharkhand-125607-2018-12-25
[25] https://www.aist.org/india%E2%80%99s-vedanta-to-double-capacity-at-esl-steel

This is fiction, there is no expansion:

- ESL has not incurred $133m of genuine capex since the start of this expansion project.
- Over a third of the total reported capex over the last 3 years has been spent buying land, not plant, equipment or infrastructure.
- Since VEDL's acquisition in FY19, $178m or ~43% of ESL's total capex net of disposals has gone solely toward land purchases.

ESL Capex Analysis (US$'000s)	2024	2023	2022	Subtotal
Capex "Spent Up To"	133,000	88,000	24,000	-
Capex Spent in Year	45,000	64,000	24,000	**133,000**
Total Reported Capex	40,284	32,379	22,843	**95,507**
Less: Net Addition of Freehold Land	-	(2,855)	4,623	**1,768**
Less: Addition of ROU Land	(27,885)	(6,171)	(1,404)	**(35,461)**
Investment in Plant & Equipment	**12,399**	**23,352**	**26,062**	**61,813**
Delta	**(32,601)**	**(40,648)**	**2,062**	**(71,187)**

Figure 39 – ESL Capex Analysis

These land acquisitions are compulsory purchases of protected forest land as compensation for the company's environmental violations. This land is transferred to the Forestry Department for "compensatory afforestation" but recorded as an asset on ESL's balance sheet[26].

b) Estimated cost of 455.35 acres of forest land amounting to Rs. 53,142.06 lakhs (March 31, 2023: Rs. 30,164.24 lakhs) (on proportionate basis) includes Rs. 46,530.38 lakhs (March 31, 2023 : Rs. 23,552.55 lakhs) (as dealt herein below under 5.3(d)) being estimated cost of compensatory land to be provided as compensation towards afforestation. The title deed for such land even though in the name of the company the title thereof belongs to forest department pending compliance of requirement of afforestation and approval from respective authorities. The entire cost as estimated to be incurred in this respect, pending regularisation of title deed etc. and determination of amount if any in this respect has been considered as ROU Assets and have been amortised considering a period of thirty years from the date of demand/capitalisation.; and
c) Necessary steps are being taken for regularisation etc., as detailed in Note no. 44 in respect of above land and execution of title/lease deed in this respect is subject to necessary approval from relevant authorities and charge holders.
d) In order to obtain the Environmental Clearence as dealt with in Note no. 44, the company apart from afforestation cost was required to provide five times of non-forest land in exchange of land used by the company for the Steel Plant and Rs. 46,530.38 lakhs (including Rs. 22,977.83 lakhs provided during the year) (March 31, 2023: Rs. 23,552.55 lakhs) being the cost as estimated by the management to be incurred and considered adequate for meeting the liability in this respect has been provided in the financial statements. Further, Rs. 6,611.69 lakhs being the NPV for area under utilisation as per the report of EIA consultant had also been capitalised in earlier year as ROU.

Figure 40 – ESL FY25 Annual Report

ESL's audit report notes that:

"the title deed for such [Freehold] land ***even though in the name of the company the title thereof belongs to the forest department*** *pending compliance of requirement of afforestation and approval from the respective authorities. The entire cost as estimated to be incurred in this respect, pending regularization of title deed etc. and determination of amount if any in this respect has been* ***considered as ROU assets and have been amortized considering a period of thirty years from the date of demand/capitalization****"*

In total, ₹1,153.37 crore ($134.89m) of land the company does not own and cannot use is classified as "Land Pending Execution of Lease Deed". This represents 43% of ESL's capex since VEDL took over in FY19.

ESL Net Capex Additions	2024	2023	2022	2021	2020	2019	Total
Freehold Land	-	2,855	(4,623)	-	3	33,542	**31,776**
ROU Land, Leashold	27,885	6,171	1,404	8,902	91	26	**44,480**
Buidlings	496	190	932	28	7,788	-	**9,434**
ROU Buildings, Leasehold	411	157	308	6	508	-	**1,390**
ROU, Equipments Leasehold	1,644	786	416	240	932	-	**4,018**
Plant & Equipment	8,726	21,069	21,228	11,440	10,386	8,441	**81,289**
Furniture & Fixtures	210	121	395	51	5	76	**858**
Vehicles	108	(77)	(198)	0	(2)	(47)	**(215)**
ROU, Vehicles Leasehold	69	368	2,049	25	-	-	**2,511**
Office Equipments	716	720	841	119	94	221	**2,712**
Railway Siding	21	18	90	(8)	23	98	**242**
Total	**40,284.48**	**32,378.89**	**22,843.48**	**20,804.30**	**19,827.19**	**42,356.69**	**178,495**

Figure 41 – ESL Net Capex Additions

[26] ESL Steel FY25 report

ESL records these purchases as right-of-use assets despite having no operational control or ownership. The company then amortizes the value over 30 years, converting the penalty for environmental violations into an artificial long-term asset, inflating ESL's reported asset base and masking the true scale of its operational cash burn.

Meanwhile, there is no meaningful capex on equipment, infrastructure or growth. ESL's capex spent on actual plant and equipment is vastly exceeded by the depreciation of existing PPE. In other words, all non-property capex spend at ESL appears to be maintenance capex, not growth/expansionary capex.

ESL "Growth Capex" Analysis (US$'000s)	2024	2023	2022	Last 3 Years
Buidlings				
Net capex	496	190	932	1,619
Less: Net depreciation	(4,872)	(4,992)	(5,229)	(15,092)
Buildings "Growth Capex"	**(4,375)**	**(4,802)**	**(4,296)**	**(13,474)**
ROU Buildings, Leasehold				
Net capex	411	157	308	876
Net depreciation	(277)	(141)	(125)	(542)
ROU Buildings "Growth Capex"	**134**	**16**	**183**	**334**
ROU, Equipments Leasehold				
Net capex	1,644	786	416	2,846
Net depreciation	(1,029)	(334)	(234)	(1,598)
ROU Equipments Leasehold "Growth Capex"	**615**	**452**	**182**	**1,249**
Plant & Equipment				
Net capex	8,726	21,069	21,228	51,022
Net depreciation	(36,166)	(34,463)	(35,863)	(106,491)
Plant & Equipment "Growth Capex"	**(27,441)**	**(13,394)**	**(14,635)**	**(55,469)**
Vehicles				
Net capex	108	(77)	(198)	(167)
Net depreciation	(18)	26	5	12
Vehicles "Growth Capex"	**90**	**(52)**	**(193)**	**(155)**
ROU, Vehicles Leasehold				
Net capex	69	368	2,049	2,485
Net depreciation	(570)	(858)	(356)	(1,784)
ROU, Vehicles Leasehold "Growth Capex"	**(502)**	**(490)**	**1,693**	**701**
Railway Siding				
Net capex	21	18	90	129
Net depreciation	(941)	(964)	(1,030)	(2,935)
Railway Siding "Growth" Capex	**(920)**	**(946)**	**(940)**	**(2,806)**

Figure 42 – ESL "Growth Capex" Analysis

This is not a growth story. It is a shell game of accounting fiction designed to create the illusion of progress while the company continues to deteriorate operationally.

Cash Burn, Margin Games, and Hidden Losses

ESL's financials are a study in structural collapse. The company lacks the cash flows to cover its operating costs, service its debt or fund basic maintenance.

ESL's free cash flow is deeply negative, having generated a deficit of $204m over the past 3 years.

ESL Steel - Free Cash Flow ($US'000s)	2024	2023	2022	Last 3 Years
Net Cash flow generated in Operating Activities	**152,723**	**118,791**	**207,411**	478,924
Adjustments:				
Interest and other borrowing cost paid	(48,251)	(47,465)	(45,258)	(140,975)
Interest received	2,609	3,207	18,166	23,983
Purchase of PPE	(57,292)	(73,811)	(104,174)	(235,278)
Disposal of PPE	36	28	5	69
Reverse movements in WC	(132,774)	(81,934)	(116,140)	(330,848)
Normalized FCF	**(82,950)**	**(81,183)**	**(39,991)**	**(204,124)**

Figure 43 – ESL Free Cash Flow

Any superficial cash generation has been from temporary working capital maneuvers. Inventory releases, delayed supplier payments and accelerated receivables collection are short-term non-recurring tactics that do nothing to address ESL's structural problems.

ESL Steel - Working Capital Items (US$'000s)	2024	2023	2022	Last 3 Years
Decrease/(increase) in inventories	39,988	(26,810)	(72,850)	(59,672)
(Decrease)/Increase in Trade Payables, Other liabilities & Provisions	(15,143)	129,298	49,988	164,143
Decrease/(Increase) in Trade Receivables (net of advances received)	114,311	(9,869)	(3,262)	101,179
Total WC Movements	**139,156**	**92,619**	**(26,125)**	**205,650**

Figure 44 – ESL Working Capital Movements

ESL's margins have deteriorated year after year. Gross margins have collapsed under the combined weight of rising input costs, bid premiums, and royalty fees.

ESL Capex Analysis (USD$'000s)	2024	2023	2022
Total Revenue from Operations	**1,027,859**	**994,146**	**881,806**
Growth y/y	*3.39%*	*12.74%*	
Growth since 2022	*16.56%*		
Expenses Cost of Materials Consumed	**529,867**	**625,944**	**613,872**
Growth y/y	*-15.35%*	*1.97%*	
Growth since 2022	*-13.68%*		
Gross Profit	**497,991**	**368,202**	**267,934**
Gross Margin	*48.4%*	*37.0%*	*30.4%*
Employee Benefits Expense	**27,290**	**26,576**	**21,603**
Growth y/y	*2.69%*	*23.02%*	
Growth since 2022	*26.33%*		
"Other Expenses"			
Consumption of Stores and Spares	27,151	29,357	31,184
Power and Fuel	41,928	43,002	43,778
Freight and Forwarding Charges	24,792	36,535	30,027
Operation and Maintenance expenses	53,678	37,739	22,992
Royalty, Bid Premium & other mines tees	236,489	163,131	27,276
Brand Fees	12,840	13,086	12,685
Material Handling Expenses	6,671	3,819	1,927
Legal & Professional Fees	4,886	4,304	4,659
Payment to Auditors	70	79	89
Packing Materials consumed and packing cages	2,214	1,978	-
Other Miscellaneous Expenses	4,928	4,385	5,340
Other	17,749	20,547	24,634
Total "Other Expenses"	**433,394**	**357,962**	**204,591**
Growth y/y	*21.07%*	*74.96%*	*59.01%*
Growth since 2022	*111.83%*		
Changes in Inventories and Stock-in-Trade	**17,891**	**(50,523)**	**(33,423)**
EBITDA	**19,416**	**34,187**	**75,163**
Margin	*1.89%*	*3.44%*	*8.52%*

Figure 45 – ESL Capex Analysis

At the same time ESL has resorted to aggressive accounting tricks to hide the extent of the collapse:

- Gross profit margins are artificially sustained by the reclassification of several COGS items like operation, maintenance, handling and royalty expenses to "Other Expenses".
- Royalty and Bid Premium costs have risen ~10x to $200m over the last 3 years, a number entirely inconsistent with normal operations

- Brand fees account for approximately XX% of reported EBITDA, despite ESL not operating under the Vedanta brand. These fees are prepaid, allowing Vedanta to extract cash regardless of ESL's financial condition.
- ESL is subject to volatile changes in inventory value fluctuations despite also being engaged in various derivative contracts to control this outlier.

ESL cannot sustain its enormous ₹424.53 crore ($49.67m) per annum interest expenses from various term loans and supplier credit lines, nor can it sustainably finance its capex requirements without taking on more debt.

Going Concern Status

ESL has carried a formal **"Material Uncertainty Related to Going Concern"** opinion in every audit since FY19. This is triggered not only by the fact that ESL burns cash, but also by the fact that ESL does not hold a valid **Consent to Operate (CTO)** or **Environmental Clearance (EC)**. Both are pending before India's Ministry of Environment, Forest and Climate Change due to the company's repeated violations.

Material Uncertainty Related to Going Concern

We draw attention to Note no. 44 of the financial Statement indicating that approval for Consent to Operate (CTO) and Environmental Clearance (EC) is pending before Ministry of Environment, Forest and Climate Change (MoEF), financial constraints currently being faced by the company and the losses being incurred by it as stated in the said note. However, considering the direction of Hon'ble Supreme Court of India allowing the continuation of the operation of the company and financial and other support provided by the Holding Company and steps being taken by the company towards obtaining CTO, the financial statements of the company due to the reasons stated in the said note have been prepared on going concern basis, though the uncertainty on the Company's ability to continue as such exists as on this date. Our opinion is not modified in respect of this matter.

Figure 46 – ESL FY25 Annual Report

The auditor explicitly notes that the company's ability to continue operating depends on two things:

- A temporary exemption granted by the Supreme Court of India, which allows operations despite the lack of regulatory approval.
- Financial and other support from parent company Vedanta Limited.

Not only does ESL potentially not have license to operate, it faces significant unresolved financial liabilities tied to its environmental non-compliance. As of FY25, ESL has provisioned ₹2,858.39 crore ($334.44m) towards the cost of land acquisitions and compensatory afforestation. In a Key Audit Matter, the auditors recognized that the magnitude are critical to ESL's continued existence.

Non-Renewal of Consent to Operate from JPSCB (as described in note 44 of the financial statements)	
The Company's application for renewal of Consent to Operate ('CTO') was denied by Jharkhand State Pollution Control Board ('JSPCB'). Further Environmental Clearance has also not been granted by Ministry of Environment and Forest (MoEF). MoEF vide its letter dated February 02, 2022 had deferred the grant of EC till Forest Clearance (FC) Stage-II is granted to the company. In the meantime, MoEF vide its letter dated June 05, 2023 had also revoked the stage I Forest clearance granted earlier and thereby representations have been made by the company as well as by the State Government for reconsideration of revocation as substantial progress has been made in identification and procurement of land to be handed over for FC. Pending decision of MoEF on the mater, Hon'ble Supreme Court has directed that operation of steel plant shall not be interfered with on the ground of want of EC, FC, CTE or CTO.	Our Audit procedures based on which we arrived at the conclusion regarding reasonableness of "Going Concern" include the following: • Obtained the status of the case from the legal department and their views on the matter; • Evaluated the steps being taken by management for ensuring the related compliances including those relating to procurement of land for compensatory afforestation and/or other costs thereof to be provided by the company and plans for future course of actions for obtaining Clearances as required for obtaining the environment clearance from MoEF; • Reviewed the appropriateness of provision for cost of land made for afforestation and other costs to be incurred based on the report received from EIA consultant after considering the various concerns raised during the public hearing on the matter and disclosures made in this respect by the management;

Key Audit Matters	Addressing the key audit matters
Pending completion of the entire process and determination of cost to be incurred, Rs. 28,593.38 lakhs (including Rs. 12,731.60 lakhs provided during the year) (net of Rs. 30,668.59 lakhs paid) towards cost of land and Rs. 20,556.58 lakhs towards other related costs etc. (net of Rs. 1,473.99 lakhs paid) has been provided on estimated basis and have been carried forward in the accounts as on March 31, 2025. The amount of provision being significant and grant of CTO being critical to the operations of the company have been considered to be Key Audit Matter for the purpose of reporting.	• Reliance has been placed on the estimate and consultant report for cost of land and other costs to be incurred for compensatory afforestation against forest land; and • Further, reliance has also been placed on the legal expert's view vis-à-vis direction of Hon'ble Supreme court of India concerning the operation of the plant and recommendations and report submitted in this respect pending final decision on the matter.

Figure 47 – ESL FY25 Annual Report

While the auditor frames these disclosures around the regulatory failure, the reality is that the root cause is financial collapse. ESL cannot generate sufficient cash flow to meet its liabilities, fund operations, or sustain its debt load. The absence of regulatory approvals is a consequence of operational failure, not the cause.

Vedanta's Gold – From Slime to Bullion

Multiple red flags suggest VEDL subsidiary Fujairah Gold (**Fujairah**) was dealing in undocumented or illicit gold concealed in VEDL shipments of industrial waste from India to Dubai.

- Implausibly gold-rich feedstock pre-2019
- Post-2021 feedstock with no plausible significant gold content
- Shipment methods more consistent with bullion than industrial waste
- Criminal activity involving suppliers and supply chains
- The use of HZL, a partly government owned entity, to lend legitimacy

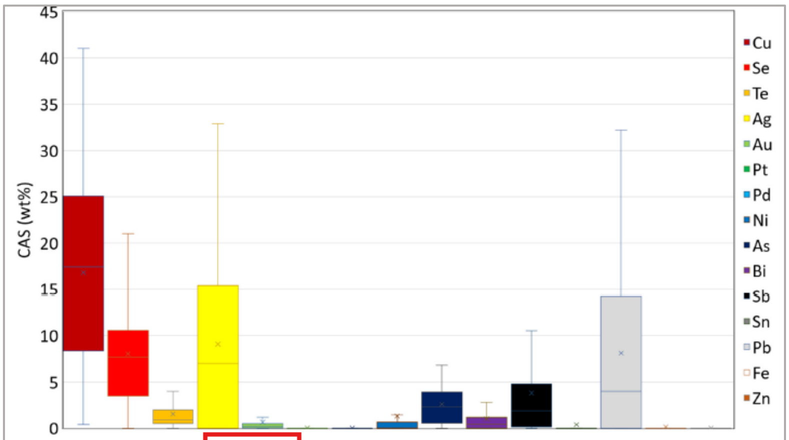
While no single point confirms wrongdoing, our findings strongly suggest that Fujairah is moving gold out of India and laundering it in Dubai where it can be sold to foreign buyers as legitimate.

Feedstock Composition Discrepancies

Fujairah's feedstock is unrealistically high-grade, a situation that has persisted despite changing suppliers and feedstock materials. As of 2021, the majority of Fujairah's claimed feedstock should not contain any gold at all, yet sales continue to destinations associated with bullion trading like Switzerland, Hong Kong and Japan.

Pre-2019: Tuticorin as Sole Supplier

- Pre 2019, Fujairah used copper anode slime (CAS) from VEDL's Tuticorin smelter as its gold refining feedstock.
- Export records show that Fujairah paid AED1.32b ($361m) for 573.64MT of copper anode slime (CAS) feedstock containing 7,830kg of recoverable gold. This translates to a gold grade of 1.36 wt%.
- This gold grade is 2x the global average for CAS and >6x the global median representing an implausibly rich grade[27]. A 2024 study of 102 copper refineries showed only 12 refineries in the world with grades this high.



	Cu	Se	Te	Ag	Au	Pt	Pd	Ni	As	Bi	Sb	Sn	Pb	Fe	Zn
Average	18.0227	8.7539	1.6140	7.8784	0.6014	0.0025	0.0075	1.5488	2.7152	1.1533	4.1449	0.2446	5.7167	0.1651	0.0033
Median	17.1050	7.850	1.050	9.60	0.210	0.0185	0.0390	0.6650	2.50	0.70	3.0	5.0	6.320	0.20	0.0570
Quartile 25	8.8750	3.8250	0.6050	4.9050	0.120	0.0048	0.0065	0.1725	1.250	0.2950	1.0750	1.010	1.5750	0.0950	0.0328
Quartile 75	25.3075	10.60	2.0	16.110	0.50	0.0450	0.0850	2.450	4.0	1.50	7.420	5.0	15.10	0.2675	0.0828
Minimum	0.40	0.20	0.140	1.50	0.020	0.00	0.0020	0.00	0.010	0.010	0.010	0.810	0.0490	0.070	0.020
Maximum	53.40	46.0	22.0	32.90	11.340	0.080	0.350	36.760	9.220	15.0	33.040	5.30	32.20	10.360	0.10

CAS Gold Benchmarks	
Figure	**wt%**
Average	0.60%
Median	0.21%
25th quartile	0.12%
75th quartile	0.50%
Minimum	0.02%
Maximum	11.34%
Fujairah feedstock	**1.36%**

Figure 48 – Moosavi-Khoonsari, E.; Tripathi, N. Copper Anode Slime Processing with a Focus on Gold Recovery: A Review of

- The Tuticorin smelter's Phase II expansion filings claim it would be able to extract 650kg of dore anode per day once completed. Even at the lowest accepted dore purity (50% gold), this would represent 325kg of pure gold a day and a revenue stream to rival the copper cathode output of the expanded facility[28].

[27] wt% measures the amount of a specific element is present in a material based on mass. Eg, a 1,000kg sample with 1 wt% gold would have 10kg of pure gold.
[28] The table was replicated in several regulatory submissions up to February 2018, before the GoI closed the Tuticorin smelter indicating it was not a clerical or calculation error.

S. N.	Products	Quantity (TPD)		
		Existing	Expansion	Total
I	**Main Product**			
1	Copper anode	1,200	1,200	2,400
2	Copper cathode	875	1,525	2,400
3	Phosphoric acid	800	800	1,600
4	Continuous Copper rod	410	800	1,210
II	**Intermediate Product**			
1	Anode slime	1.75	3.0	4.75
2	Dore Anode	--	0.65	0.65
3	Selenium	--	1.2	1.2
4	Bismuth Bi-sulphate	--	1.8	1.8
5	Copper Telluride	--	0.6	0.6
6	Nickel Sludge	--	30	30
7	Nickel	--	1.5	1.5
III	**By-Product**			
1.	Sulphuric acid	4,200	4,800	9,000
2	Ferro sand	2,400	3,000	5,400
3	Gypsum	3,200	4,200	7,400
4	Hydrofluro- Silicic acid	25	80	105

Figure 49 – Letter to Sterlite Industries (India) regarding Phase II expansion[29]

- The CAS produced by the post-expansion Tuticorin would have an extremely high combined gold/silver grade of 13.68%.
- Fujairah was paying AED168,272/kg ($45,976/kg) of recoverable gold in CAS, substantially above the average LBMA gold price of ~$41,800/kg (AED152,988/kg) during this period, even before refining costs[30]. Fujairah was paying more for raw feedstock than the market value of the recoverable gold, even before refining costs.

Post-2021: HZL as Supplier

- From 2021 onward, Fujairah used a new source of feedstock for its merchant refining operations: silver sand from Hindustan Zinc Limited (HZL). However, HZL operates lead-zinc smelters, and the byproducts or tailings of their products do not contain significant amounts gold[31].

(a) in relation to transactions: during 01/04/2020 to 31/03/2021

No of suppliers: 01
Type of Raw material: Silver Sand - by-product from Zinc smelting

In respect of Rule 2, details as below verified:

(a) in relation to transactions: during 01/04/2021 to 31/03/2022

No of suppliers: 01

BUREAU VERITAS

Type of Raw material: Silver Sand - by-product from Zinc smelting

- In multiple project summaries lodged with the Ministry of Environment, Forest and Climate Change (MoEFCC), HZL have not listed any gold as a byproduct of their process[32,33].
- Unusually for a commodity that supposedly contains significant amounts of gold, HZL has only exported silver sand to Fujairah.

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https://environmentclearance.nic.in/writereaddata/Online/TOR/14_Feb_2018_191740217YVQXTUENProjectSalientFeatures.pdf
https://environmentclearance.nic.in/writereaddata/Online/TOR/14_Feb_2018_220106607AR3G4SNJPFR.pdf
https://environmentclearance.nic.in/writereaddata/modification/previousTOR/29012018B67KZU2AFORM1.pdf
[29] Note that the Existing CAS slime output roughly matches the amount and valuation stated by Fujairah and the Times of India Article.
[30] VEDL's FY18 standalone annual report agrees with the feedstock costs stated by Fujairah Gold.
[31] Fujairah did process CAS from VEDL but on a toll refining basis
[32] https://environmentclearance.nic.in/writereaddata/Online/TOR/12_Apr_2018_130627357BWOSER59PSPBriefWriteup_800TPA.pdf
[33] https://environmentclearance.nic.in/writereaddata/Online/TOR/03_Sep_2021_175652887647710222FinalPFRCLZS.pdf

- In September 2023 VEDL resumed shipments to Fujairah for toll refining, processing 218kg of gold valued at $15.10m. This does not answer the discrepancy in sales as under a tolling arrangement the refiner only books tolling revenue and does not record the sale revenues or feedstock costs.

FY24 Fujairah Tolling Shipments to VEDL	
Total gold weight	218
Total value	15,096,341
Value per kg	69,281
FY24 VEDL CAS Shipments to Fujairah	
Total gold weight	200
Total value	14,802,257
Value per kg	73,985
Tolling income from VEDL ($)	732,400
Tolling percentage	~4.8%

Figure 50 – Fujairah Tolling Refinement Analysis

Logistics and Shipment Irregularities

Fujairah's logistics and shipment information also supports the idea that it is refining undocumented gold from VEDL or HZL.

- VEDL's pre-2019 CAS shipments to Fujairah had double the grades of shipments to other countries like Belgium despite similar pricing per kg of gold contained in the shipment. This selective routing of high-grade feedstock to Fujairah specifically suggests adulterated or altered feedstock.

Destination Analysis of 2018 CAS Exports from VEDL			
		United Arab Emirates	Belgium
Totals			
Total weights			
Total weight	kg	131,631.00	138,851.00
Total Au weight	kg	2,444.04	1,428.98
Total Ag weight	kg	17,507.89	12,902.87
Avg weights			
Avg weight	kg	4,875.22	9,917.93
Avg Au weight	kg	90.52	102.07
Avg Ag weight	kg	791.97	892.26
Avg grades			
Avg Au wt%	%	1.91%	1.12%
Avg Ag wt%	%	16.54%	8.27%
Pricing			
Avg $/kg	$/kg	877.22	505.54
Avg $/kg Au	$/kg	45,971.87	44,502.24

Figure 51 – Destination Analysis of CAS Exports from VEDL[34,35]

- HZL's silver sand shipments to Fujairah were also of unrealistically high value, comparable to HZL shipping the equivalent amount of bullion-grade silver. This value, if converted to wt% of gold, results in grades close to the unrealistic pre-2019 CAS shipments.

[34] 2 irregular shipments were excluded as they declared the anode slime by its constituent metals without giving total shipping weight.
[35] The 2018 data also included shipments to South Korea, but they did not include gold content for those shipments.

HZL - Fujairah Silver Sand Shipment Analysis		2024	2023	2022	2021
Characteristics					
Number of shipments	#	5	4	8	7
Number of unique MBNs		5	4	8	0
Total weight	kg	5,319.60	6,405.46	7,574.14	5,128.01
Total declared value	$	7,924,138.10	7,024,582.15	7,456,220.17	5,566,400.67
Cost per kg	$	1,489.61	1,096.66	984.43	1,085.49
Gold equivalent					
Average gold price	$/kg	76,702.87	62,395.16	57,880.23	57,831.92
Gold value equivalent	kg	103.31	112.58	128.82	96.25
Gold grade equivalent	wt%	1.94%	1.76%	1.70%	1.88%
Mode of transport					
Air cargo shipments	#	5	4	4	0
Silver calculations					
Silver price	$/kg	1,107.67	1,101.73	1,074.19	1,066.91
Equivalent value if pure silver	$	5,892,361.33	7,057,087.45	8,136,065.45	5,471,125.15

Figure 52 – HZL-Fujairah Gold Silver Sand Shipment Analysis

- Beginning in 2022, silver sand shipments are delivered by air cargo instead of by sea, economically unviable for low-grade industrial residue.
- Multiple HZL shipments have identical exporter-side data (weights, values, descriptions) but different carrier-side data (master bill numbers, shipment dates). This suggests an attempt to obfuscate analysis by creating the impression of a double entry.
- For example, on September 21, 2022, HZL sent a 1,400kg shipment of silver sand worth $1.35m to Fujairah Gold by sea from the CMA CGM Logistics Park to the Jebel Ali Port. 1 week later a shipment of identical weight and value was sent by air from New Delhi Airport to Dubai.

Shipment analysis		
Shipment date	28/09/2022	21/09/2022
Weight	1,399.65kg	1,399.65kg
Value	$ 1,352,479.86	$ 1,352,479.86
Origin port	Dehli Air Cargo Acc INDEL4	CMA CGM Logistics Park ICD INCPL6
Destination port	Dubai	Jebel Ali
Master Bill Number	WCI0Q2UGXOEUZ	4NYER90OE7O0L
Mode of travel	Air	Sea

Figure 53 – Shipment Analysis

Involvement of Criminal Elements

Fujairah has also been involved with criminal elements indicative of gold smuggling or dealing in undocumented gold.

- In 2014 Fujairah advanced $5.2m in a company bank account to a 21-year-old Chilean smuggler with no track record to procure 6,000lbs of refined gold bars. The deal collapsed when it was revealed the gold was sourced illegally from Peru and Vilches absconded with the advance[36][37].

[36] https://www.bloomberg.com/news/features/2017-03-09/how-to-become-an-international-gold-smuggler
[37] https://www.sec.gov/Archives/edgar/data/1370431/000119312512248960/d355568d20f.htm#toc

> Chile. He made several more such deliveries. But he wanted to be bigger. He went around Farias and cut a deal directly with Fujairah Gold, a Dubai-based company that Farias supplied. In June 2014, Vilches signed a contract to deliver 6,000 lb. of gold over the next 12 months to Fujairah's head office. The contract began with 90 lb. the first month, then ratcheted up. He didn't have the money to buy that much gold, so the company gave him access to an account holding $5.2 million. This was his big break–the contract was potentially worth more than $100 million. He stood to make $2 million to $6 million in profit.

Figure 54 – Bloomberg – How to Become an International Gold Smuggler

- In 2013 Tuticorin police arrested five men, including a Sterlite employee, for the theft of 34 barrels of CAS from the Sterlite Copper plant[38]. The declared value of the stolen CAS was ₹47 crore ($5.66m), or ~₹1.38 crore ($166,265) per barrel. Assuming a gold price of $40,000/kg, this meant that each barrel contained 3.8-4kg of gold, nearly double the global high grade.

> Explaining the modus operandi of the culprits, Saran said that Karthik was working in Sterlite Copper for the last two years and he was recently shifted to the facility processing anode slime. When he realised the value of the minerals being shipped, he hatched a plot to smuggle the material by replacing the barrels. They lured the container lorry drivers into the plot and used containers with doors that can be opened even after they are sealed by the authorities. After completing the loading procedures as per norms, they took the lorries to a godown in Adiparasakthi Nagar and replaced the barrels. Having worked in the plant, Karthik was well versed with the shipping procedures and hatched a thorough plan to smuggle the material, he said. The special team cracked the case when they found out the difference in travel duration of the container lorries to the port, Saran stated. The police recovered all the 34 barrels of anode slime worth Rs 47 crore and more information will be revealed once Kadher is nabbed by the police, he said. Tuticorin SP, M Durai was present during the press meet and the officials appreciated the special team that cracked the case.

Figure 55 - Five Arrested for Smuggling Anode Slime From Sterlite

- Refining CAS into gold is a complex, industrial process that cannot be done outside highly specialized facilities, eliminating the possibility that this was a theft for personal processing.

Legal Risks

1. Customs violations and misdeclaration

It is likely that VEDL's exports to Fujairah were mis-declared in violation of customs laws in India and the UAE; the declared value of feedstock is too high.

- Silver sand was exported to the UAE with a declared value per kg as high as $1,489 which is anomalous for unrefined industrial by-products.
- The value per kg of silver sand increased significantly from 2021 to 2024, while the market price of silver remained relatively flat.
- The use of air freight, inconsistent carrier data and weight/value mismatch patterns.

2. Anti-money laundering and financial structuring

If HZL, a partly GoI-owned entity, was used to channel high-value gold-bearing feedstock under the guise of silver sand and if the destination entity (Fujairah Gold) was engaged in laundering funds through structured shipments, VEDL could be charged as a party to concealment or possession of proceeds of crime.

[38] https://timesofindia.indiatimes.com/city/madurai/five-arrested-for-smuggling-anode-slime-from-sterlite/articleshow/20721777.cms

3. Transfer pricing manipulation

Shipments from HZL to Fujairah Gold had declared values highly inconsistent with comparable with industrial by-products. The total declared value of exports from HZL to Fujairah often does not match what HZL claims to have received from Fujairah over that period.

This suggests a deliberate mechanism to shift untaxed value from India to the UAE while masking the true value of the underlying commodity.

4. ESG and conflict minerals risk

If HZL was not the actual source of the gold-bearing feedstock, Fujairah may be working with undocumented third parties. This increases the risk of receiving illicit or conflict minerals in contravention of various sourcing regulations and laws.

Why Dubai

The question of why VEDL has a gold operation in Dubai merits scrutiny. India, after all, is one of the world's largest gold markets and refining gold domestically is both legally permissible and logistically straightforward.

What sets Dubai apart is the freedom with which gold and money, legitimate or otherwise, can flow. According to its customs data gold is the emirate's highest value external trade item, and that trade often occurs with minimal scrutiny.

- A report by Swissaid estimated that in 2022, Dubai accounted for a significant share of undeclared exports of illicit gold from Africa.
- The UAE's gold sector has faced scrutiny for AML violations. In 2024 the UAE suspended operations at 32 unnamed gold refineries after inspections revealed 256 AML violations[39].
- Criminal networks have used the Dubai gold market to launder their proceeds. British drug money was laundered into gold in Dubai with couriers transporting large amounts of dirty cash to convert to gold[40].
- Dubai is the destination for much of Central and East Africa's conflict gold, also known as blood gold. This gold is often artisan-mined in conflict zones, exported to neighboring countries and then to Dubai, where it becomes legitimate[41].

Fujairah's location in Dubai places it at a crucial nexus of legitimate and illegitimate gold and money. The choice of location is telling, considering that Fujairah's feedstock originates in India, one of the world's largest customer markets for gold.

Key Takeaways

There are simply too many discrepancies at Fujairah Gold for a single benign explanation, especially in an industry as vulnerable to sourcing risk as gold refining. HZL's involvement as a nominal supplier lends Fujairah Gold a veneer of legitimacy that falls apart at the slightest scrutiny.

Discrepancies in shipment values, declared materials and routing logistics combined with improbable metallurgy point to an intentional structure. The shift from high-grade CAS to implausibly valuable silver sand shipped by air and priced at multiples of industry norms defies commercial rationale, unless the shipments were mischaracterized.

For VEDL and VRL, the exposure is neither historical nor remote: it is current, active, and legally material.

[39] https://www.wam.ae/a/b4jdh8a
[40] https://www.thetimes.com/uk/crime/article/cocaine-inc-how-british-drugs-cash-is-turned-into-solid-gold-in-dubai-cmrvjsgwg

[41] Artisan mining is a polite term for informal, unregulated mining often with ties to armed groups, child labor or involuntary labor arbitrage aka slavery.

Talwandi Sabo Power – A Captive Plant in Crisis

The Talwandi Sabo Power Limited (**TSPL**) power plant's only customer is the Punjab State Power Corporation (**PSPCL**). VEDL records ~$435m in equity value against Talwandi, which purportedly generates ~$100m a year in profit, and no cash flows.

Our investigations revealed the following:

- TSPL is losing an active dispute against SEPCO Electric Power Construction Corporation (SEPCO), the Chinese contractor who built its 1980 MW power plant.
- TSPL had consistently recognized SEPCO as its creditor until its scheme of arrangement in 2023, where SEPCO was omitted as a creditor.
- SEPCO is seeking ₹1,251 crore ($150.72m) from Talwandi and is successfully pursuing this claim through the Indian courts. **This claim is off-balance sheet.**
- PSPCL has disputed, withheld, and delayed payments to TSPL due to performance disputes.
- As of FY24 PSPCL is withholding ₹1,691 crore ($197.89m) in receivables from TSPL. PSPCL withheld these amounts over disputes over eligibility and contract terms. There are no recorded provisions for this dispute.
- PSPCL is also engaged in numerous disputes with TSPL in relation to tariffs, power outages, and payment timing.

TSPL represents a contingent $348.61m write-off, against $427.61m equity, casting doubt on the reliability of financial reporting across the VEDL group. We believe TSPC is virtually worthless and heavily distressed. Its loans are unconditionally guaranteed by VEDL.

SEPCO dispute

Talwandi Sabo Power Plant (TSPL) is currently embroiled in a high-stakes legal dispute with SEPCO Electric Power Construction Corporation (SEPCO), the Chinese contractor who built its 1980 MW power plant. The long-running dispute centers on a ₹1,251 crore ($146.37m) 2016 consent award.

Timeline of SEPCO Dispute	
Date	**Event**
May 21, 2016	SEPCO and TSPL enter into a consent award under arbitration, confirming liability of USD 138 million + ₹122 Cr.
FY19 – FY23	TSPL consistently records the liability in audited financial statements as a non-current foreign currency exposure.
Nov 23, 2023	TSPL files a Director's affidavit and CA certificate with the Registrar of Companies, affirming SEPCO as a creditor.
October 2023	TSPL files its Scheme of Arrangement with NCLT (C.A./CAA/220/2024), but excludes SEPCO from the creditor list.
Late 2023	SEPCO files a formal objection to the scheme, citing deliberate concealment of its ₹1,251 Cr (~$145M) claim.
Sept 28, 2024	TSPL submits a sworn affidavit claiming SEPCO's claim is now "disputed" and refers to recently initiated arbitration proceedings.
Late 2024	TSPL tells regulators it may provision post-arbitration, backtracking on earlier unconditional recognition of the debt.
Mar 4, 2025	NCLT rejects TSPL's demerger scheme, citing violation of Section 230(2)(a) and deliberate suppression of material creditor information.

Figure 56 – Timeline of SEPCO Dispute

TSPL acknowledged the liability in multiple internal filings and financial statements from FY20 to FY23, listing it as a non-current liability and foreign currency exposure.

TSPL had entered a contract with SEPCO for set up of power plant for 1980 MW. While the plant has been commissioned and is operational certain aspects like ESP modifications are pending to be completed by Vendor. As per the last MoM dated 15th February, 2020 signed with SEPCO, payments would be due post completion of the ESP modification, PG testing and closure of other points. During the current year, it was reveiewed that the Company is currently having it's foreign currency eposure w.r.t. SEPCO amounting to USD 137.24 Mn. While no USD payment has been made to Sepco since FY 2019-20, we were incurring ~INR 40 Cr. every year on account of forward premium.
There is significant uncertainity in the timing and amount that would finally be settled in respect of SEPCO. Considering there would not be any foreign exchange outgo in next 2 years, it was decided to cancel the forex cover pertaining to project creditor liability in full.

Figure 57 – TSPL FY23 Annual Report

Despite this admission, TSPL knowingly excluded SEPCO from its list of creditors when filing its Scheme of Arrangement with the National Company Law Tribunal (**NCLT**) in October 2023. TSPL declared just $27.5m (₹236 Cr) in unsecured creditors, omitting SEPCO's debt entirely. This functionally excluded SEPCO from exercising its creditor rights during the demerger process.

The NCLT agreed with SEPCO's formal objection filing, stating that TSPL had violated Section 230(2)(a) of the Companies Act, and the Scheme of Arrangement was rejected in its entirety [42].

have been altered to the prejudice of the Objector. From the perusal of the documents available on record, it is an undisputed position that the Intervenor SEPCO is a Creditor of TSPL. However, TSPL has conveniently excluded SEPCO from the process of consideration and approval of the Scheme by not projecting SEPCO as a Creditor to the extent of Rs. 1251 Crores. This has been done deliberately to defeat SEPCO's rights. SEPCO was listed as an Unsecured Creditor to the extent of Rs. 1251 Crores, which would constitute more than 75% of the Unsecured Debt by value and as a result of the same, the vote by SEPCO

Therefore, keeping the totality of circumstances and also gone through the judgments referred by the Ld. Counsel for the Applicant, we deem it appropriate to hold that none of the judgments are relevant to the facts of the instant case as the present one is a case where material facts have not been disclosed by the Applicant Company, violating Section 230 (2)(a) of the Companies Act, 2013, which in our considered opinion is bound to prejudice the public interest at large.

Figures 58 & 59 – NCLT judgment (C.A.(CAA)/220/2024, para 34–38)

This effectively sank VEDL's demerger plan and raised more red flags about governance across the group.

- If any other scheme faces significant creditor challenge or relies on creative accounting the whole demerger is at risk of collapsing.
- A delay in the demerger means continued exposure of VEDL's subsidiaries to VRL's debt spiral.
- The ruling was not based on a technical error, but an intentional disclosure breach, not easily reversed on appeal.

VEDL tried to contain the fire by stating that it intends to appeal the NCLT's decision, stressing that the demerger remains intact and claiming it was localized to TSPL. This mischaracterizes what went wrong at TSPL in the first place: material concealment and governance failures.

PSPCL dispute

TSPL's only customer is the Punjab State Power Corporation (PSPCL) under a long-term Power Purchase Agreement (PPA). This relationship has devolved into a highly contentious series of disputes with serious consequences over issues including:

Receivables Under Dispute

As of FY25, PSPCL is withholding ₹1,691 crore ($197.89m) in receivables from TSPL. This includes claims for reimbursement and tariffs that TSPL claims are due under the PPA. PSPCL withheld these amounts over disputes over eligibility and contract terms.

Delayed Payments

PSPCL has consistently delayed payments under the PPA leading to liquidity problems at TSPL, forcing the latter to rely on working capital borrowings to remain operational. Payments often extend beyond the 60-day settlement period with no enforcement mechanism available to TSPL.

Tariff Disagreements

[42] SEPCO held over 75% of unsecured debt by value, thus giving it absolute veto to the Scheme of Arrangement.

TSPL and PSPCL have ongoing disagreements regarding tariffs, particularly regarding fuel costs, pass-throughs and availability-based incentive payments. PSPCL has challenged costs it claims are outside the scope of the PPA.

Penalties for Plant Outages

PSPCL has levied penalties on TSPL for unplanned outages and reduced output in 2014, 2021 and 2024. TSPL counterclaims that these outages were caused by fuel supply disruptions for which PSPCL bears partial responsibility.

Ongoing Litigation Over Mega Power Project Benefits

TSPL claims entitlement to Mega Power Project Status which would confer exemptions on duties, excise and other charges. PSPCL disputes this and has withheld pass-throughs of these benefits. The matter is currently in arbitration.

Key takeaways

TSPL is a financial liability dressed as an infrastructure asset. It operates with a broken revenue model, entirely dependent on a single customer who delays payments, contests receivables, and penalizes performance. A $150m liability to SEPCO was deliberately concealed during demerger proceedings, leading to legal rejection and reputational damage.

International Zinc Assets – Depleted Mines and Stranded Assets

VEDL's International Zinc assets, largely comprised of the Skorpion mine and refinery in Namibia and the Black Mountain operations in South Africa, are fundamentally impaired through two distinct failures.

- At Skorpion, geological, structural and energy problems have rendered the asset economically unviable.
- Black Mountain, a cash burning operation, has used aggressive accounting methods to raise debt it cannot afford to repay.

Together Skorpion and BMM represent a combined value of ~$460m on VEDL's balance sheet, backed by ~$900m of debt, subject to unconditional guarantees by VEDL. Both are FCF negative and face significant operational issues with no clear path to recovery.

Skorpion Mine

The Skorpion Mine has no credible path to reopening and has been non-operational since early 2020. Despite repeated claims by management, geological and operational circumstances make the asset unviable and its listing as an active operation artificially inflates VEDL's asset values.

Timeline of Deterioration	
Year	**Details**
2003	Skorpion Zinc mine officially opens in September 2003.
2010	Vedanta Resources acquires Skorpion Zinc from Anglo American.
2011	Life of mine extended from 2015 to mid-2017 through further exploration.
2013	Further exploration extends life of mine to 2020 with the Pit 112 project.
May 2019	Major slope failure sterilizes a significant portion (~400kt) of open pit 112.
March 2020	Additional wedge failures lead to suspension of operations and placement of mine under care and maintenance.
2020–2024	Multiple reopening targets are announced and missed; no material rehabilitation undertaken.

Figure 60 – Skorpion Mine Timeline of Deterioration

Management's assertions of reopening the Skorpion mine are not credible. The mine has only 8 months of ore remaining once operational, and reopening timelines have been repeatedly delayed. Any restart would also face significant labor challenges, as the original workforce has likely dispersed after 6 years of inactivity.

BMM Statements	
Report Date	**Management Statements**
2020	"mining to resume in October 2020"
2021	"the last quarter of the 2022 financial year."
2022	"the last quarter of the 2022 financial year."
2023	"in the last quarter of the 2024 financial year."
2024	"in the 2027 financial year."

financial year. The pit has been assessed by a series of industry experts who have concluded that the pit is mineable and a new mine plan has been developed. The directors currently expect mining to resume in the 2027 financial year. The directors estimate this will take eight months from the restart of mining operations to fully mine the declared ore resources in the pit. The board has approved management's plan to restart mining operations. Skorpion Mining Company Proprietary Limited 's mining license expires in July 2025. Renewal application was submitted to Ministry of Mines and Energy on 18 March 2025. Manage-

Figure 61 – Black Mountain Mining Statement Analysis & FY24 Annual Report

VEDLs ongoing narrative serves to avoid impairments that would erode their borrowing base and increase covenant pressure. Skorpion Mine is effectively a stranded, exhausted asset.

Skorpion Refinery

The Skorpion Refinery was built for a singular purpose: processing zinc oxide ores from the adjacent Skorpion mine using the Solvent Extraction and Electro Winning (SXEW) method, a process incompatible with the zinc sulfide ores mine elsewhere in VEDL's portfolio.

The Conversion Mirage

Since as early as 2013, management has proposed a refinery conversion to process the sulfide ores from the Black Mountain operations in South Africa. More than a decade later, no conversion has taken place.

Expert assessments cast doubt on the feasibility of the conversion project, further compounded by logistics costs of transporting feedstock from Black Mountain, then to the Skorpion Refinery and further on to Luderlitz port.

Collapse of Viability

The refinery's viability was historically underpinned by access to cheap electricity from Eskom under a cross-border supply arrangement. That contract expired in January 2021 and has not been renewed since. Since then, the refinery has had no stable or cost-effective power source.

Since 2021 VEDL has stated that the main block to the project is confirmation of power tariffs, which are key to the viability of the whole project.

Last Gasp Solar Plan

In December 2024 the Namibian Ministry of Mines and Energy announced the allocation of a 100MW solar project to supply the Skorpion complex but noted that it was contingent on finalizing a power supply agreement to ensure "the Namibian consumer does not cross subsidize the mine"[43]. The scale and timeline of the solar buildout are not enough to make the complex economically feasible in the near term.

> support the sustainability and growth of the country's technical, mining and engineering sectors. However, this project's initiation remains contingent on finalizing the power supply agreement between Skorpion Zinc Mine and NamPower to ensure Namibian consumer does not cross subsidize the mine.

Figure 62 – 2024 Ministerial Determination on Power Generation Projects – Namibia Ministry of Mines and Energy

The refinery has now been non-operational for four years. No alternative feedstock has been secured, and no energy source is in place. The only reason the asset remains unimpaired on VEDL's books is a speculative reopening fantasy.

43 https://www.mme.gov.na/files/publications/743_2024%20Ministerial%20Determination%20of%20Power%20Generation%20Projects.pdf

Black Mountain

In FY24, VEDL, through THL Zinc Ventures, reversed $504m of impairment provisions tied to Black Mountain Mining. This reversal came despite continued operational deterioration and was critical in strengthening VEDL's balance sheet ahead of securing a $900m loan from Oaktree Capital[44].

The impairment was reversed through THL Zinc Ventures' holdings of OCRPS (Optionally Convertible Redeemable Preference Shares) in Black Mountain's holding company, THL Zinc Limited.

ii Post merger of Cairn India Limited with Vedanta Limited, THL Zinc Ltd, the subsidiary of the Company, recognised a provision for impairment against the loan including accrued interest it had extended to Twin Star Mauritius Holdings Limited ("TSMHL"), a fellow subsidiary, now liquidated. As a result, during the year 2016-2017, the Company made an impairment provision of USD 503,772,493 against its investment in OCRPS issued by THL Zinc Limited and the effects of the same were carried through the statement of changes in equity. During 2017-2018, a further impairment provision of USD 716,331 was made as TSMHL filed for liquidation and has no assets to repay back the payable to THL Zinc Ltd.

iii Black Mountain Mining (Proprietary) Ltd (BMM), a subsidiary of THL Zinc Ltd and step-down subsidiary of the Company, engaged in the operations of mining and smelting of Zinc, lead, copper and associated mineral concentrates have seen positive developments over the years on account of ramping up production through expansion and debottlenecking. Based on the improved net assets of BMM business and its future financial forecasts, the Company had recognized an impairment reversal of USD 504,488,824 on the investments in OCRPS of THL Zinc Limited during the year ended 31 March 2024.

Figure 63 – THL Zinc Ventures FY24 Annual Report

This impairment reversal lacks credibility and appears completely manufactured.

- Black Mountain's performance has fallen off a cliff in FY 2024, resulting in enormous FCF losses.

Black Mountain Mining Performance				
ZARm	**FY24**	**FY23**	**FY22**	**FY21**
Revenue	8,024	11,055	8,855	5,934
Net Profit	173	2,360	1,536	1,244
Free Cash Flow	(959)	1,426	980	989
Operational Performance (kt)				
Black Mountain	61	65	52	58
Gamsberg	147	208	170	145

Figures 64 – Black Mountain Mining Ore Production Income Statement

- The reversal amount was large relative to Black Mountain's modest scale and deteriorating fundamentals and it is possible this reversal was done to create reserves required to pay dividends.
- The impairment reversal related to THL Zinc OCRPS was almost the same amount as the impairment THL Zinc Ventures had recorded against the Twin Star Mauritius OCRPS from the Cairn acquisition in FY17.
- The timing of the reversal, coinciding with debt-raising efforts and just before the $900m Oaktree loan, suggests the primary objective was to inflate asset values for collateral purposes[45].

The impairment reversal at THL Zinc Ventures allowed VEDL to artificially prop up its balance sheet during a critical refinancing window.

[44] Vedanta's filings split Gamsberg from the other two operations, referring to them as the Black Mountain Mine.
[45] Vedanta Limited Q4 2023 Standalone Financials.

Meenakshi Energy

Meenakshi Energy (Meenakshi) purports to operate a 1,000MW coal power plant in Nellore. VEDL claims that two 150 MW units are operational, and two 350 MW units are "under commissioning", an excuse repeated for nearly a decade. The latest timeline has slipped yet again, from FY25 to FY26–FY27.

In FY25, for the first time since acquisition, Meenakshi generated revenue of ₹120.35 crore ($14.08m). While this technically breaks a decade-long non-operational streak, the result confirms what was always suspected: the asset is structurally unviable. Despite operating, Meenakshi posted a staggering ₹152.13 crore ($17.80m) loss, demonstrating that the plant cannot generate sustainable returns.

History

Meenakshi has been passed from owner to owner including Engie and India Power Corporation before the State Bank of India forced it into insolvency in 2019. VEDL acquired the plant from bankruptcy in FY23 for ₹1,400 crore ($170.39m), spread over multiple payments to creditors.

The real losers were the operations and capex contractors who collectively absorbed a ₹3,185 crore ($387.64m) bad debt hit. This write-off has likely crippled any prospect of reliable expansion, locking the plant into perpetual half-completion[46].

> The resolution plan offers to pay Rs 1,440 crore to creditors of Meenakshi Energy, which owes over Rs 4,625 crore to its financial as well as operational creditors. Of the Rs 4,625 crore, Rs 3,945 crore was financial debt.

Figure 65 – Meenakshi Energy now a wholly-owned subsidiary of Vedanta – Insolvency Tracker

Operational in Name Only

Meenakshi's FY25 results confirm its structural failure. Based on ₹120 crore in power sales and assuming average merchant tariffs of ₹4.1 per kWh (per IEX data for May 2025), the plant sold approximately 290m kWh of power[47].

This is catastrophic underutilization equivalent to an 11% load factor on its 300 MW Phase I capacity.

On top of this, the plant's unit economics are irreparably broken. Against that ₹120.35 crore in revenue, Meenakshi incurred ₹130.08 crore in power and fuel costs, ₹49.97 crore in employee and operating expenses, ₹86.65 crore in depreciation, and ₹31.28 crore in finance costs. This totals ₹297.98 crore, yielding an all-in cost of ₹10.15 per kWh, more than twice the merchant price.

Not only can Meenakshi not operate profitably at scale, but its ongoing expansions also offer no path to viability.

As of April 2025, Vedanta confirmed there are still no long-term power sale agreements in place for Meenakshi. The revenue recorded represents opportunistic, short-term sales rather than any sustainable offtake.

Meenakshi Unit Economics	
All ₹ values in crore unless specified	
Metric	**Value**
Revenue from Power Sales	₹120.35
Merchant Power Rate (IEX DAM)	₹4.1 per kWh
Power Sold	293.6m kWh
Capacity Utilized of 300MW	11.17%
Power & Fuel Cost	₹130.08
O&M + Employee Costs	₹49.97
Depreciation	₹86.65
Finance Costs	₹31.28
Total Costs	₹297.98
Cost per Unit (kWh)	₹10.15 per kWh
Merchant Price (IEX DAM)	₹4.1 per kWh
Merchant Price (IEX RTM)	₹3.4 per kWh

Figure 66 – Meenakshi Unit Economics

[46] https://insolvencytracker.in/2023/12/28/meenakshi-energy-now-a-wholly-owned-subsidiary-of-vedanta/
[47] https://www.iexindia.com

Ritesh Shah: Sure, sure. And just the last two questions, specifically on Meenakshi and Athena. Possible to highlight what the coal sourcing is? And if at all we have signed any PPAs for both the assets separately? And the last one was on bauxite, what is the rate at which we are procuring bauxite from OMC? I read the annual report, I find the rate of almost Rs. 1,000 per ton, which looks too low. Is there anything I miss over here, if you could just clarify on that? Thank you.

Charanjit Singh: So, Ritesh, I will take the power, and we will let Anup take the bauxite query. See, we haven't signed any PPA as of now for the first year. It'll be all merchant power, short-term contracts. So, I think we will sign for both the FSA first, and then we will go for the PPA, more of a medium term PPA. But if you look to the rates in the merchant power market today, you will get very good rates. So at least for one year our model will be more like going for the merchant power contracts.

Figure 67 – Vedanta Limited April 2025 Earnings Call

The Expansion Fantasy

Meanwhile, expansion remains a fantasy. CWIP rose to ₹5,548.12 crore ($649.16m) in FY25, with no visible progress towards commercial operations for Phase II.

Vedanta Power is on the brink of significant expansion and operation of two new thermal power projects—Meenakshi (1,000 MW) in Andhra Pradesh and Athena (1,200 MW) in Chhattisgarh. These ventures are slated to commence operations in FY 2024-25 and FY 2025-

Figure 68 – VEDL FY24 Annual Report

VEDL initially claimed that Meenakshi's full 1000 MW capacity would be operational by FY25. By FY24, this was deferred to FY26–FY27. With the release of FY25 accounts, there is still no credible progress toward Phase II completion.

This is not incidental. The plant's FY25 results confirm it cannot generate positive cash flow even from the 300 MW that is technically operational. No rational operator accelerates expansion of a plant that loses money on every kilowatt-hour it sells. Contractors, already burned from a bad debt write-off, are likely to demand upfront payment.

Particulars	Notes	Year ended March 31, 2025	Year ended March 31, 2024
Revenue from Operations	30	120.35	-
Other Operating Revenue	31	0.72	0.09
Other Income	32	0.50	0.04
Total Income		**121.57**	**0.13**

Figure 69 – Meenakshi Energy FY25 Annual Report

VEDL repeatedly blamed Meenakshi's dormancy on "synchronization", a process that takes hours, not years. This was never about commissioning delays: the plant sat idle because operating it would be loss-making.

Financials

After VEDL acquired Meenakshi, it was revalued based on depreciated replacement cost[48]. This method conveniently ignores the commercial reality that 300MW of capacity had been commissioned for over a decade with almost no output.

C.4 In accordance with 'Ind AS 36 - Impairment of Assets', The Company has recognised an Impairment Loss of Rs 62,436.97 Lakhs during the year which is shown under Impairment in Exceptional Items in the statement of Profit & Loss.
Vedanta Limited acquired Meenakshi Energy Limited ("Meenakshi Energy") through the National Company Law Tribunal (NCLT) process and the plant was inoperative for the past five years, so the management has undergone Fair Valuation of the Assets to reflect the fair value of the assets in the Financial Statements.
An impairment loss of Rs. 62,436.97 Lakhs has been recognized on the Cash Generating Unit (CGU) based on a fair valuation report obtained from an independent valuer.
The Company's Phase-2 Capital Work-in-Progress and Property, Plant and Equipment has been considered as a Cash Generating Unit (CGU). The recoverable amount of the Company's cash generating unit was determined to be Rs 5,23,539.57 Lakhs as at 31 March 2024.
The recoverable amount of the CGU was determined based on the Depreciated Replacement Cost Method under Cost Approach for doing Assessment of Building, Plant & Machinery and all Other Assets.

Figure 70 – Meenakshi Energy FY24 Annual Report

Meenakshi's balance sheet now has ₹6,333.75 crore ($741.09m) in combined PPE and CWIP, an absurd valuation for an asset operating at 11% utilization and cannot even cover basic operating costs.

48 Depreciated replacement cost is a valuation method that estimates the current replacement cost of an asset with a new one of similar utility, minus depreciation for age and physical deterioration. It ignores whether the asset can generate sufficient cash flow to justify its value.

Bharat Aluminium Company

Bharat Aluminium Company (BALCO) is an integrated aluminium producer operating in Chhattisgarh, India, with key assets including a 575 ktpa smelter, 2,010MW captive power capacity, and captive bauxite mines, focused on producing primary aluminum and value-added products.

While VEDL holds a controlling 51% stake in BALCO, the GoI retains the remaining 49% and appoints three directors to its board. Despite promoter control, BALCO's financial and operational details show a significant degree of independence from the rest of the VEDL structure.

Unlike HZL and Cairn, where Vedanta has pursued aggressive dividend extraction and attempted related-party transactions to upstream cash, BALCO has paid no dividend in the past four years, despite being consistently profitable.

Financials – Relative Immunity Through Relative Isolation

As shown in the accompanying 4-year financial summary, free cash flow has turned negative in FY23 through to FY25, and borrowings have more than doubled from ₹2,032 crore ($237.76m) to ₹4,135 crore ($483.82m) by FY25.

We note BALCO's expansion is both underfunded and incomplete. We infer all capex is maintenance capex.

BALCO 4-year Financial Performance (₹ crore)	FY25	FY24	FY23	FY22
Revenue from ops	15,808	13,141	13,059	13,607
Net profit	2,969	1,385	42	2,897
Capex	3,417	2,500	1,340	954
Free cash flow	(492)	(1,188)	(293)	1,576
Debt	4,135	3,089	2,032	1,565
Dividend Paid	0	0	0	0

Figure 71 – BALCO 4-year Financial Performance

While the expansion is strategically aligned with VEDL's broader aluminum portfolio, its execution will materially affect cash flow and balance sheet strength. There is currently no indication of capital support from VEDL or external shareholders.

Notably amongst VEDL subsidiaries, BALCO has not paid a dividend to VEDL in over 5 years and has ₹11,437 crore ($1.34b) in its retained earnings reserve. This suggests that, while VEDL consolidates BALCO into its financial reporting, its funds are effectively ringfenced and not available to VRL.

BALCO's relative isolation from VEDL extends further than not paying unsustainable dividends.

- BALCO engages with VEDL largely on commercial terms, primarily as a supplier and customer.
- Ongoing capital expenditure is financed through internal accruals and third-party debt, not Vedanta group funding.
- BALCO has not extended loans or financial support to other entities within the Vedanta group.

Red Flags

- BALCO has a staggering ₹5,306 crore ($620.84m) in disputed statutory and regulatory liabilities that do not appear on its balance sheet. These include:
  - ₹1,636 crore ($191.42m) in electricity and energy dues
  - ₹2,049 crore ($239.75m) in indirect tax disputes across GST, excise, VAT, customs
  - ₹906 crore ($106.01m) in direct tax exposure is dominated by transfer pricing adjustments and 80IA disallowances.
  - These disputes were incurred over almost 40 years with the oldest, a demand for electricity duty, ongoing since 1987.
- BALCO has made regulatory resistance into a liquidity strategy. This defer-and-dispute strategy has preserved the liquidity thus far but risks becoming a drag on earnings if even a few of these risks crystallize.

- BALCO has a ₹848.82 crore ($99m) current statutory liability which is not clearly explained, only directing the reader to the section on other expenses. No line item in the "Other expenses" note is large enough to account for this balance on its own, much less incur statutory charges of this magnitude.

29 Other liabilities : Current

Particulars	As at March 31, 2025	As at March 31, 2024
Deferred Government grants (refer note no. 23(1))	41.40	26.35
Statutory liabilities[1,3]	848.82	827.38
Advance from customers[2]	165.24	166.05
Total	1,055.46	1,019.78

37 Other expenses

Particulars	For the year ended	
	March 31, 2025	March 31, 2024
Consumption of stores and spare parts	306.37	274.24
Repairs and maintainance		
Plant and machinery	393.82	372.07
Buildings	53.34	46.47
Others	79.35	85.72
Other manufacturing and operating expenses	108.46	96.14
Rent*	1.56	1.50
Rates and taxes[3]	60.81	137.14
Insurance	30.12	29.25
Directors sitting fees and commission	0.73	0.72
Payments to auditors[1]	1.33	1.26
Net loss on foreign currency transactions and translation (other than considered as finance cost)	50.77	197.44
Consultants and professional fees	41.06	26.54
Corporate Social Responsibility Expenses[2]	36.66	36.43
Carriage outwards	61.59	71.11
Other selling expenses		
Miscellaneous expenses	144.91	133.85
Allowances of impairment on financial and non-financial assets/ bad debts written off	3.79	60.44
Total	1,374.67	1,570.32

*Represents expense on short term/low value leases

Figure 72 & 73 – BALCO FY25 Annual Report

Vedanta's Call Option

VEDL's past attempts to consolidate full ownership of BALCO have been strongly opposed by the GoI, even as it attempts to continue its divestment in non-strategic sectors.

- BALCO's shareholders' agreement included a call option allowing Sterlite to purchase the remaining 49% stake from the GoI after three years, by March 2004.
- In 2004, Sterlite exercised the call option, offering ₹1,099 crore for the residual stake. However, the GoI rejected the offer, citing a Comptroller and Auditor General (CAG) report that suggested BALCO's valuation should be higher.
- In 2009, Vedanta initiated arbitration proceedings against the GoI over the valuation dispute concerning the residual stake.
- As of June 2023, the arbitration case remains pending. The GoI has indicated its intention to sell a portion of its 49% stake in BALCO through an Initial Public Offering (IPO). To facilitate this, the GoI has urged Vedanta to withdraw the ongoing arbitration.

This resistance by the GoI suggests it is keenly aware of the adverse consequences that full VEDL ownership would have on BALCO.

Konkola Copper Mines – >$1B in Unfunded Commitments

VRL owns ~79% of Konkola Copper Mines (KCM), a copper mine in Zambia. The minority shareholder, ZCCM, is itself majority owned by the Zambian Government.

- ZCCM and the Zambian Government placed KCM into provisional administration and then liquidation in 2019. KCM was stripped of its mining license because of its failure to develop the project.
- In ZCCM's wind-up petition, it stated that KCM was serially unprofitable, recording $1.2b in losses in the 10 years leading to liquidation in 2020. It was nevertheless paying erratic dividends upwards to VRL.
- VRL have come to an agreement to bring KCM out of liquidation with promises of an enormous capital investment of $1b (₹8,300 crore), which it cannot fund. Meanwhile, KCM recorded a $241m loss in HY 2025.
- KCM's restructured borrowings now simply sit off-balance sheet, but very much exist to their full, original amounts.
- Vedanta books KCM at $1.6b book value, despite its previous audit under the bankruptcy administrator showing a -$2.1b book value.

VRL's PR efforts have promoted various narratives, including a prospective US listing, a stake sale to a Gulf investment vehicle and debt financing from a South African bank. Despite these claims **KCM remains operationally unviable and insolvent.** We believe the asset is functionally worthless regardless of how management spins the narrative.

Financing Efforts

VRL have come to an agreement to bring KCM out of liquidation with promises of an enormous capital investment of $1b (₹8,300 crore), which it cannot fund. The proposed investment amounts are unrealistic given VLR's current leverage and KCM's operational problems.

Investment commitments	$m
Total investment plan to revive KCM	1300
Provisional funding	25
Debt settlement funding	250
Community development initiative (annual)	20

Figure 74 – KCM Investment Commitments

VRL has floated various strategies to raise this capital with considerable PR spin behind each effort but no execution:

- In early 2024 VRL contemplated selling a minority KCM stake to IHC to raise $1.3b for restarting operations; negotiations fell apart over valuation discrepancies[49,50].
- In February 2025, VRL shifted strategy to securing debt financing, aiming for $1b (₹8,300 crore) claiming VRL wanted to retain 80% of the business[51].
- Days later the story changed again: the stake sale was back on the table[52].
- In April 2025 it was reported that VRL was contemplating a US IPO for KCM.

Operational

KCM is operationally unviable and insolvent and faces significant headwinds before it can be reopened.

- On March 31, 2025, KCM's minority holder ZCCM announced that it was in arbitration with Trafigura over a missed November 2023 payment by KCM over a $100m prepayment agreement[53].

[49] https://www.reuters.com/markets/commodities/vedanta-talks-with-ihc-unit-investors-zambian-copper-stake-sale-2024-06-26/
[50] https://www.averifinance.com/uae-ihc-unit-withdraws-offer-for-vedanta-zambian-copper-mines-due-to-price-dispute
[51] https://www.reuters.com/world/africa/vedanta-aims-raise-1-bln-via-debt-fund-zambian-copper-mines-2025-02-06/
[52] https://www.dailynationzambia.com/NEW/2024/02/vedanta-to-sell-stake-in-kcm/
[53] https://zccm-ih.financifi.com/download/zccm-ih-cautionary-announcement-arbitration-proceedings/

- On April 15, 2025, KCM lost its appeal to block the Zambian government-owned Copperbelt Energy Corporation (CEC) from selling its seized KCM assets to settle $11.8m in outstanding debt[54]. The full amount owed to CEC is $29.6m.
- KCM is severely delinquent in paying suppliers, including ZCCM.
- According to Zambian political figures VRL has failed to meet its investment promises in the mine.

ZCCM consistently reports that KCM has a negative NAV and records the investment asset as zero on their books. It has been brought back on-book at a *NAV gain*.

Hidden Debt, Fake Assets

KCM's accounts appear to show $1.8b of liabilities to the Zambian Government and ZESCO (also owned by the Zambian Government) have been restructured down to ~$600m. The exact circumstances of the deal suggest that this debt has simply been hidden off-balance sheet.

(a) firstly, on a pari passu and pro rata basis towards; the Class 2 (Option 2) Scheme Creditors on account of the Option 2 Payments on the basis that if, in any year, any Option 2 Payments are not made by the Company then the Option 2 Accrued Payment(s) will be capitalised onto and form part of the annual payments payable in the subsequent year;

(b) secondly, once all Option 2 Accrued Payments have been made in full, towards 100% of all interest and 50% of all capital then due and payable under the New Vedanta Shareholder Loans; and

(c) third, towards, and in each case on a *pari passu* and *pro rata* basis amongst:

(i) the remaining balance then due and payable under the New Vedanta Shareholder Loans (including all accrued interest);

(ii) all of the following Liabilities as at the Record Date (after deduction of the Option 2 Accrued Payments), which shall be paid in the following proportions on a *pari passu* and *pro rata* basis:

(A) The entitlements in respect of the Admitted Claims of any Class 2 (Option 3) Scheme Creditor: 70%;

(B) (x) the remaining debt owing to Class 2 (Option 2) Scheme Creditors in respect of Admitted Claims after payment of the

Option 2 Payments and Option 2 Accrued Payments, as applicable, and (y) the outstanding portions of the entitlements in respect of Admitted Claims of Class 2 (Option 1) Scheme Creditors: 30%.

Figure 75 – KCM Scheme Explanatory Statement

- The scheme dictates that, should KCM ever generate free cash flow again (unlikely), then it will have to pay "Class 2" creditors (being VRL, ZESCO and the Zambian Government) pari-passu with respect to their *original* claims.
- The liabilities recorded are simply NPVs of the original claims, discounted at a 10% rate.
- If the PropCo does manage to find $1.0b behind the couch to finance this project, and the project makes money, then the $1.2b of off-balance sheet liabilities owed to Class 2 creditors are written back on book.

Conversely, VRL has recognized $2.7b of PPE it "acquired" through the KCM deal, approximately $1.1b more than KCM had in total assets as of its last statement of financial position prepared by the bankruptcy administrators for FY 2023.

[54] https://www.zambiamonitor.com/kcm-loses-appeal-bid-as-court-clears-cec-to-sell-seized-assets-over-11-8-million-debt/

The consolidated statement of financial position as at 31 March 2023 can be summarised as set out in the table below:

	Assets US$ Million	Liabilities US$ Million	Net assets US$ Million
Property, plant and equipment	1,109.0	-	1,109.0
Other non-current assets and liabilities	53.8	-	53.8
Current assets and liabilities	456.9	(1,964.9)	(1,508.0)
Provisions	-	(38.7)	(38.7)
Total before debt	1,619.6	(2,003.5)	(383.9)
Debt	-	(1,763.2)	(1,763.2)
Total as at 31 March 2023	**1,619.6**	**(3,766.7)**	**(2,147.0)**
Total as at 31 March 2022	1,846.3	(3,509.2)	(1,662.9)

Property, plant and equipment (including exploration and Evaluation Assets)

As at 31 March 2025, PPE was at US$ 17,292 million (FY 2023-24: US$ 13,734 million). The increase of US$ 3,558 million was primarily driven by additions US$ 5,345 million (Aluminium division US$ 880 million, Zinc India US$ 600 million, Zinc International US$ 252 million, Oil & Gas US$ 349 million, Athena US$ 159 million, ESL US$ 104 million, IOB US$ 150 million, KCM acquisition US$ 2,708 million), impairment reversal of US$ 295 million partly offset by depreciation charge US$ 1,468 million, FCTR loss~ US$ 254 million, disposals ~ US$ 273 million, exploration cost written off ~ US$ 52 million and CWIP written off ~ US$ 34 million.

Figures 76 – KCM Scheme Explanatory Statement & VRL Financial Results 2025

Western Cluster Limited

Western Cluster Limited is engaged in iron ore mining in Liberia at the Bomi Hills mine and owns the concession to the Mano River and Bea Mountain deposits. WCL has a difficult relationship with the Liberian government to say the least. These center on WCL's degradation of roads, local employment, missing funds and unfulfilled contractual obligations.

In May 2024 the ministry of public works suspended WCL's road user permit giving it the right to haul iron ore from to the Freeport of Monrovia and charged it with non-compliance with the permit. The ministry of public works noted that it had previously suspended the permit in November 2023 for similar violations. The permit was later reinstated.

In June 2024 members of the Liberian senate raised concerns that WCL had proven "beyond all reasonable doubts" that it could not fulfil its obligations under its agreement with the government. Senator Duncan of Sinoe confirmed that Western Cluster was not engaged in mining activities but hauling existing stockpiles of ore.

Monte Cello BV

Monte Cello is the Vedanta subsidiary under which the company holds its now defunct Australian operations, Thalanga Copper Mines and Copper Mines of Tasmania. Both have no operations with Thalanga disclaimed by liquidators in 2022 and the Mt Lyell mine closed and sold in 2023.

Vedanta has AU$43m of stranded tax losses at Thalanga Copper Mines Pty Ltd. The Thalanga mine was disclaimed by liquidators in 2022 after several operational issues and a fall of ground event in the mine. Considering the sale of Copper Mines of Tasmania these tax losses are effectively useless as Vedanta has no further assets in Australia.

Thalanga Copper Mines Pty Ltd has unutilised tax losses for which no deferred tax asset has been recognised of AUD 43,268,378 (2023: AUD 36,944,510).

As at 17 November 2023, Copper Mines of Tasmania Pty Ltd (CMT) was divested out of the Vedanta group and as such Thalanga Copper Mines Pty Ltd (TCM) has become the new Provisional Head Entity of the MEC group. As part of the CMT exit, TCM increased its unutillised tax losses by AUD 6,071,753.

Figure 77 – Monte Cello FY24 Annual Report

6. Poor Management and Governance

VEDL management's bait-and-switch fundraising model is to repeatedly overpromise on projects and expansions, using these announcements to justify new debt raises. However, the funds are diverted to support dividend payouts rather than expansions, leaving projects underfunded and chronically delayed.

Bait-and-Switch Fundraising - Overpromising Projects for Debt Access

Vedanta and Anil Agarwal habitually commit to projects or investments that cannot afford and never materialize. This overpromising is emblematic of Vedanta's management and our research suggests that Vedanta is nothing more than a trend-chaser.

As detailed in the projected FY26 cash flow waterfall (Figure 13), VEDL faces a funding shortfall exceeding $1.3b leaving limited capacity to finance its pipeline of announced projects. These delays are not merely operational, they often serve as an excuse for new debt than to signal actual investment.

Glass

- The purported $10b 5-phase investment in LCD manufacturing in Maharashtra announced in 2016 never materialized, ending with site visits in Nagpur.
- In December 2017 Vedanta acquired a controlling stake in Avanstrate but made no attempt to move any manufacturing processes to India.
- It was widely reported in June 2023 that Vedanta would invest $4b in display manufacturing in Western India[55]. This appears to have stalled, meriting just a footnote in JV partner Innolux's financial statements about the transfer agreement in February 2023.
- In November 2024 Vedanta claimed it would invest $500m in Avanstrate but provided no specifics.

Semiconductors

- In December 2021 the Indian government announced an incentive scheme to develop a domestic semiconductor industry.
- Agarwal said Vedanta would invest up to ₹60,000 crore ($7.23b) in Indian chip and glass manufacturing and formed a JV with Foxconn because it had no electronics manufacturing experience.
- In April 2023, Vedanta guided that it would be manufacturing 28nm and 40nm chips, implying it had secured a technology partner[56].
- In July 2023, Foxconn pulled out of the JV without explanation, though it's likely that this was because they could not obtain a 28nm license.
- Vedanta has made no announcements regarding the semiconductor business since Q3 FY24, which was also the last time Akarsh Hebbar, Director of Displays and Semiconductors appeared on an earnings call.

Nuclear

- Vedanta's nuclear ambitions appear to be another pie in the sky idea: the company has no nuclear experience or the financial capacity to complete such a project.
- Indian Law currently prohibits private sector participation in the construction and operation of nuclear power plants, one of Vedanta's stated goals.
- Private companies can partner with NCPIL for EPC contracts, component supply or NCPIL-majority joint ventures but there is no precedent for a private nuclear operator.
- Vedanta is targeting 5,000 MW of installed nuclear capacity, an unrealistically large starting goal. India's current nuclear capacity is 8,180 MW.

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[55] https://www.business-standard.com/companies/news/vedanta-seeks-to-hire-global-talent-to-run-4-bn-display-factory-in-india-123062800067_1.html
[56] https://economictimes.indiatimes.com/industry/cons-products/electronics/vedanta-expects-to-start-building-semiconductor-plant-by-october-december-quarter/articleshow/99590905.cms?from=mdr

- The EOI invitation includes a call for expertise in thorium-fueled reactor experience. There are currently no commercial thorium reactors in operation.
- In 2013 the company invited bids for a 2,400 MW nuclear power plant which went nowhere.

Other funding promises

Vedanta and Anil Agarwal follow a pattern of announcing massive spending at investment conferences for clout and headlines. There is no rationale to these announcements and no consideration made as to whether Vedanta has the capacity to meet them.

In 2024 alone Vedanta announced:

- $20b in India over 4 years across all its businesses in May 2024[57].
- $2b over 5 years to fund "socio economic development" in Liberia in June 2024[58].
- $2b for copper facilities at Ras Al-Khair, Saudi Arabia in November 2024[59].
- ~$11.5b for a 6 MTPA aluminum refinery and 3 MTPA smelter in Odisha to be completed in 6 years in January 2025[60].
- ~$11.5b in oil and zinc, implied to be in Rajasthan in December 2024[61].
- $5.8b in oil and gas in Assam and Tripura over 3-4 years in February 2025[62].

Analysts have ignored the main problem with this approach: the burned bridges between Vedanta and counterparties (including regional governments). Vedanta is manifestly unable to fulfil these commitments.

[57] https://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/vedanta-group-planning-to-invest-20-bn-in-4-years-anil-agarwal/articleshow/109758305.cms?from=mdr
[58] https://economictimes.indiatimes.com/news/company/corporate-trends/vedanta-arm-wcl-plans-to-invest-2-bn-for-liberias-socio-economic-development/articleshow/110997385.cms?from=mdr
[59] https://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/vedanta-to-invest-2-bn-in-saudi-copper-projects/articleshow/115698244.cms?from=mdr
[60] https://energy.economictimes.indiatimes.com/news/oil-and-gas/vedanta-to-invest-over-rs-1-lakh-cr-in-rajasthan/114409505
[61] https://timesofindia.indiatimes.com/business/india-business/vedanta-group-to-invest-rs-1-lakh-crore-in-zinc-and-oil-production-develop-industrial-park/articleshow/116126230.cms
[62] https://www.thehindu.com/business/Industry/vedanta-group-to-invest-50000-crore-over-3-4-years-in-oil-and-gas-in-assam-tripura/article69261831.ece

Starving Projects of Capital to Sustain Dividend Flow

VEDL has consistently failed to execute expansion projects across its business segments. These under-deliveries are not the result of technical failure or bureaucratic hurdles: they reflect a deliberate strategy that prioritizes dividend payouts over investment.

- Almost every completed or in progress major project is stalled or significantly behind schedule
- Completion dates are regularly pushed back without reasonable explanations
- Budgeted vs spent capex shows suggests insufficient liquidity
- VEDL appears to pursue some vanity projects, even acknowledging that some expansions are ill-advised.

Project delay analysis	Date	Intended completion	Date	Current status
Lanjigarh expansion	13-May-21	Q1 FY23	31-Jan-25	Commissioned in Q4 FY25
Jharsuguda VAP Expansion	28-Apr-22	Q2 FY24	30-Apr-25	Incomplete
Jharsuguda Capacity Expansion	29-Oct-21	Ramp up in FY22	28-Oct-22	Completed in Q3 FY23
Balco VAP Expansion	28-Apr-22	Q2 FY24	30-Apr-25	Incomplete
Balco Smelter Expansion	26-Jul-21	After FY22	30-Apr-25	Commissioning in H1 FY26
Kuraloi Coal Mine	29-Oct-21	In 2 years	30-Apr-25	Operational in Q3 FY26
Jamkhani Coal Mine	29-Oct-21	In 1 year	27-Jan-23	Complete in Dec 22
Radhikapur Coal Mine	29-Oct-21	In 2 years	31-Jan-25	Incomplete
Ghogharpalli Coal Mine	12-May-23	Q2 FY25	30-Apr-25	Operational in Q4 FY26
Sijimali Bauxite Mine	12-May-23	Q3 FY25	31-Jan-25	Complete in Q4 FY26
Meenakshi Power Plant	26-Apr-24	Commissioned in FY25	30-Apr-25	Completion in H1 FY26
Gamsberg Expansion Project	28-Oct-22	H2 FY24	31-Jan-25	Completion in H2 FY26

Figure 78 – Project Delay Analysis

These delays exist across Vedanta's most important segments and have persisted for years. This level of underperformance suggests that VEDL either has insufficient liquidity to pursue these projects, abysmal management, are using announcements raise debt, or all of the above.

Beyond the cyclical and acquisition-based growth model of VEDL, we do not see any operational improvements which have stemmed from CAPEX, which barely exceeds VEDL's D&A costs. We illustrate blatant capitalization of expenses at ESL Steel, and believe this behaviour is systematic across the group.

- The capitalization of expenses would allow Vedanta to artificially inflate profits. These profits support VEDL's stock price, which is in turn used as collateral for the PropCo to borrow more funds.
- Capitalizing expenses creates "assets", which VEDL then borrow against.

VEDL Liquidity Shortfall

As mentioned earlier, VEDL's liquidity is inextricably linked to VRL's debt servicing needs. VRL's debt maturities and costs must be funded by cash remitted from VEDL in the form of dividends or brand fees.

VRL debt amortization profile	< 1 year	1-3 years	3-5 years	> 5 years	Total
Bonds	356	1,354	2,431	1,242	5,383
Term loans	868	1,175	-	-	2,043
Total	**1,224**	**2,529**	**2,431**	**686**	**6,870**

Figure 79 – VRL PropCo Debt Amortization Profile

VRL has $3.8b in debt maturing by FY27, including $1.2b within the next 12 months and another $2.5b in the 2 years that follow. With over half the debt stack due by FY27, VRL has minimal room to maneuver. Without external capital, the structure is destined for a cash crunch.

As a result, VEDL cannot meet its growth capex commitments **and** continue paying sufficient brand fees and dividends to VRL with operating cash flows.

A projected FY26 cash flow waterfall, based on generous assumptions, shows a funding shortfall of over $1.3b (see Figure 14). Even assuming $3b in operating cash flow, VEDL cannot meet its growth capex, interest, and debt repayments while continuing to pay dividends and brand fees to VRL without external funding.

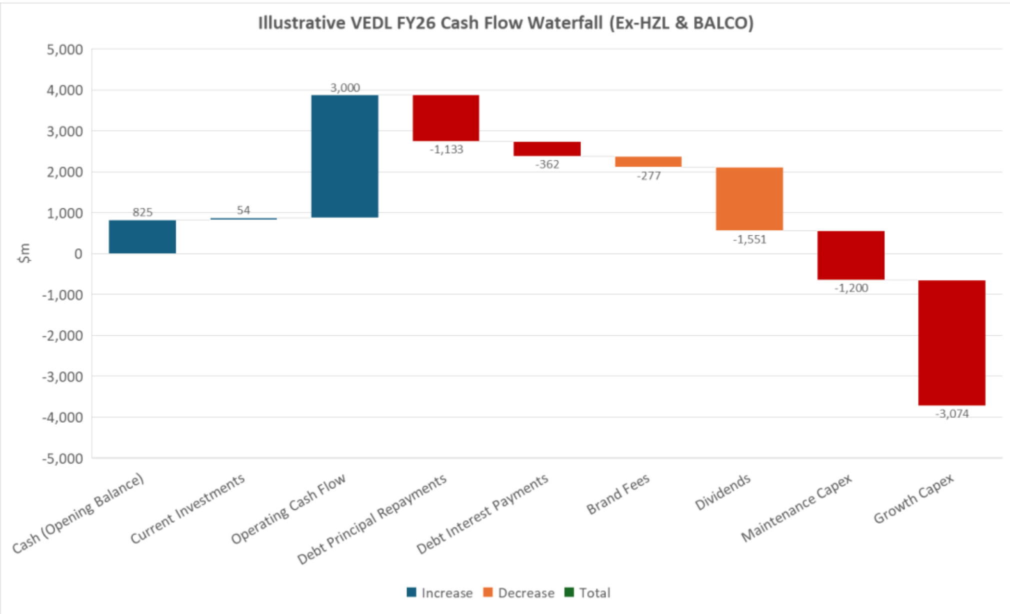

Figure 80 – Illustrative VEDL FY26 Cash Flow Waterfall (Ex-HZL & BALCO)[63]

Note: We exclude HZL and BALCO's cash dividends. VEDL does not exercise unilateral control over these businesses

As noted in our section on VEDL's debt and debt servicing capacity, VEDL is already over levered.

The structure is fundamentally overcommitted; internal cash flows cannot satisfy both reinvestment and extraction.

This structure is not viable: VEDL cannot shoulder both its own debt burden and VRL's. If maintained, it will collapse under its own weight taking both VEDL and VRL's creditors with it.

[63] Assuming $3b in OCF

7. Regulatory and Legal Disputes – Persistent violations and rising enforcement exposure

VEDL faces ongoing litigation relating to environmental violations, governance failures, tax disputes, unpaid counterparties and disclosure breaches, with a growing record of penalties and adverse judgments. These issues span multiple jurisdictions and corporate levels.

There are material, and in some cases existential, undisclosed off-balance sheet legal liabilities across multiple VEDL entities, many of which could individually bankrupt the VEDL group.

Regulatory Disputes

In the 12 months to March 2025 the company issued 50 updates to the market regarding taxes and penalties received by the VEDL Group. Many of these relate to unpaid taxes, customs duties and breaches of stock exchange rules.

A peer group comparison shows just how much of an outlier Vedanta is:

Liability-related announcement analysis (February 2022 to February 2025)	
Company	Number of liability-related announcements
JSW Steel	3
Tata Steel	8
Vedanta Limited	107
Hindalco	6
NALCO	1
Gravita	12
NDMC	0

Figure 81 – Fine and Penalty Peer Group Analysis

While the sums involved are relatively small, this indicates a persistent weakness of internal controls and governance across its various business segments.

Legal Disputes

Even by Indian standards, Vedanta is party to a massive number of legal disputes. The disputes cover almost every aspect of Vedanta's operations: environmental regulation breaches, tax disputes, contract disputes, SEBI enforcement actions, and disputes with JV partners and minority holders of its subsidiaries.

As of March 2024, VEDL had a scant $507m of contingent liabilities against a quantifiable exposure of **at least $3.43b** including $592m of what the company refers to as "Miscellaneous Other Disputes".

The company's January 2025 prospectus discloses 59 separate legal disputes, some of which group multiple related matters[64]. Several disputes are large enough pose significant challenges to the company individually.

For example, VEDL is in dispute with the GoI over $289m in relation to royalty payments. VEDL was successful at international arbitration and has booked the profit, but the GoI has now brought proceedings in India which have a higher chance of success.

[64] For inclusion in the bond prospectus each item of litigation must have a potential impact exceeding ₹413 crore ($49.76m) each.

4 The Government of India ("GoI"), acting through the Directorate General of Hydrocarbons ("DGH"), had raised a demand up to 14 May 2020 for Government's additional share of Profit Oil based on its computation of disallowance of cost incurred over retrospective re-allocation of certain common costs between Development Areas (DAs) of Rajasthan Block and certain other matters aggregating to ₹ 9,545 Crore (US$ 1,162 million) and applicable interest thereon representing share of Vedanta Limited and its subsidiary.

The Company had disputed the aforesaid demand and invoked arbitration as per the provisions of the Production Sharing Contract. The Company had received the Final Partial Award dated 22 August 2023 from the Arbitration Tribunal ('the Tribunal') as amended by order dated 15 November 2023 and 08 December 2023 ("the Award"), dismissing the Government's contention of additional Profit Petroleum in relation to allocation of common development costs across Development Areas and certain other matters in accordance with terms of the Production Sharing Contract for Rajasthan Block, while allowing some aspects of the objections. Further, the Tribunal had decided that the Company was allowed to claim cost recovery of exploration cost as per terms of the Production Sharing Contract.

Pursuant to the Award, the Company had recognized a benefit of ₹ 2,381 Crore (US$ 289 million) in revenue from operations in financial year ended 31 March 2024. The Company has been adjusting the profit petroleum liability against the aforesaid benefit.

Figure 82 – Vedanta Limited Prospectus

Our analysis of undisclosed litigation found a raft of ongoing legal actions against the company which fall just shy of the $48m threshold required for disclosure in the prospectus.

For example, on January 30, 2024, VEDL was in the High Court challenging demands for $37.4m and $21.3m from the Principal Commissioner and the Union of India respectively.

Miscellaneous disputes- Others

The Group is subject to various claims and exposures which arise in the ordinary course of its operations, from indirect tax authorities and others, pertaining to the assessable values of sales and purchases or incomplete documentation supporting the Company's returns or other claims.

The approximate value of claims (excluding the items as set out separately above) against the Group companies total ₹ 4,683 crore (31 March 2023: ₹ 4,907 crore).

Based on evaluations of the matters and legal advice obtained, the Group believes that it has strong merits in its favor. Accordingly, no provision is considered at this stage.

Except as described above, there are no pending litigations which the Group believes could reasonably be expected to have a material adverse effect on the results of operations, cash flows or the financial position of the Group.

Figure 83 – Vedanta Limited FY24 Annual Report

Brain Drain – Senior Executive Departures

Vedanta has experienced an accelerating exodus of senior management at a rate and scale that is concerning, especially as it approaches the demerger. The following executives have left since the September 2023 announcement of the demerger:

- John Slaven, CEO of Vedanta Aluminium – 10 months
- Krishnamohan Narayan, Deputy CEO of HZL – 18 months
- Omar Davis, Vedanta Resources' President of Strategy – 11 months
- Sonal Shrivastava, CFO Vedanta Resources – ~3 months
- Sanjeev Gemawat, General Counsel, Vedanta – 2 years 3 months
- Nick Walker, CEO of Cairn Oil and Gas – ~7 months
- Deepak Kumar, Vedanta Group Company Secretary and Senior Finance Executive – 18 years 9 months[65]
- David Reed, CEO of Vedanta Semiconductor – 1 year 2 months[66]
- Hugo Schumann, CEO of Hindustan Zinc Silver – 8 months[67]

The number of departures suggests disagreements or a poor outlook for Vedanta. High executive turnover in a metals conglomerate undergoing a multi-year project is unusual and there appears to be no succession planning for these departures.

[65] https://www.linkedin.com/in/deepak-kumar-2706534/?originalSubdomain=uk
[66] https://www.linkedin.com/in/david-w-reed-%E8%8A%AE%E5%BE%B7%E5%A8%81-47059718/
[67] https://www.linkedin.com/in/hugoschumann/

Audit Arbitrage – Compromised Oversight and Regulatory Failures

MHA MacIntyre Hudson

VRL changed auditors from Ernst & Young to MHA MacIntyre Hudson in FY21.

- VRL is MHA's largest client by far raising questions about undue influence during audits.
- In July 2024 MHA was sanctioned by the UK Financial Reporting Council for providing prohibited non-audit services and for lax quality controls relating to engagements in 2018 and 2019.
- In August 2024 the FCA publicly censured MHA for failing to report 25 breaches of FCA rules at firms it audited. This marked the first time the FCA censured an auditor for such a breach[68].
- In March 2025 the FRC announced an investigation into MHA's 2022 audit of collapsed construction group ISG[69].

SR Batliboi

VEDL is audited by SR Batliboi, an Indian EY affiliate with multiple recent accounting scandals.

- SR Batliboi served as the auditor for Wirecard's Indian operations and came under scrutiny for failing to detect irregularities that were part of the broader multi-billion dollar accounting fraud.
- SR Batliboi was a one-time auditor of Ebix, a now-bankrupt software supplier where Viceroy found numerous accounting discrepancies, questionable related party transactions and chronic mismanagement red flags.
- In 2024 the Institute of Chartered Accountants of India passed a professional misconduct order against SR Batliboi and retired partner Raj Agrawal. Agrawal was the audit partner signing off on VEDL's accounts from 2017 until his retirement in 2019.
- Agrawal had previously been found guilty of misconduct by the ICAI in 2023[70].
- In 2023 the National Financial Reporting Authority initiated an inquiry into SR Batliboi's role as auditor for several Adani Group companies. The inquiry is ongoing but is reported to concern audits dating as far back as 2014[71].
- In 2019 the Reserve Bank of India prohibited SR Batliboi from auditing commercial banks after the implosion of their audit client IL&FS group. The Serious Fraud Office stated that auditors colluded with company officials to conceal fraud[72].

Haribhakti & Co

Several VEDL subsidiaries are audited by Haribhakti & Co., a firm with a dismal record. Haribhakti was banned in 2021 from auditing RBI regulated entities for two years, double the length of the infamous ban on VEDL's primary auditor SR Batliboi.

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[68] https://www.fca.org.uk/news/press-releases/fca-censures-auditor-failings-client-asset-reports

[69] https://www.thetimes.com/business-money/companies/article/watchdog-investigates-auditor-over-collapsed-construction-firm-6z8hqq6k9

[70] https://disc.icai.org/wp-content/uploads/2023/07/7.-BOD-541-2020.pdf

[71] https://www.business-standard.com/companies/news/nfra-probing-adani-group-s-auditor-sr-batliboi-an-ey-member-firm-123102501383_1.html

[72] https://timesofindia.indiatimes.com/business/india-business/rbi-bars-sr-batliboi-from-auditing-banks-this-fiscal/articleshow/69640517.cms

The Reserve Bank of India (RBI) on Tuesday banned chartered accountant firm Haribhakti & Co from undertaking any type of audit assignments for regulated entities for a period of two years, starting April 1, 2022.

The action was taken for the firm's failure to comply with a specific direction issued by the RBI with respect to its statutory audit of a systemically important non-banking financial company (NBFC), the central bank said in a statement.

Figure 84 – RBI Bans Audit Firm Haribhakti & Co for Two Years – Financial Express

The ban stemmed from Haribhakti's failure to detect ₹13,110 crore ($1.73b) in fraud at SREI Infrastructure Finance[73]. This pattern mirrors failed companies like Ebix and Wirecard, both investigated by Viceroy Research, where compromised auditors rubber stamped multi-billion dollar entities.

Lodha & Co

ESL is audited by Lodha & Co., a firm with a long track record of regulatory reprimands and audit quality failures. Lodha was formally sanctioned by the National Financial Reporting Authority (NFRA) for its use of manual, paper-based audits and failure to detect major financial misstatements in multiple prior engagements.

Lodha & Co. LLP: Audit Documentation and Independence Concerns

NFRA's March-April 2024 inspection of Lodha & Co. LLP identified critical gaps in audit documentation and inconsistent application of independence standards across its branches. Key issues included inadequate monitoring of independence compliance, lapses in Engagement Quality Control Reviews (EQCRs), and reliance on paper-based documentation prone to integrity risks.

NFRA advised the firm to modernize its documentation processes, recommending a shift to electronic or hybrid systems to ensure compliance with SQC 1 and international auditing standards.

Figure 85 – NFRA's latest audit inspections reveal major deficiencies in BSR & Co. and Lodha & Co.

No other VEDL entity uses Lodha & Co, and they have audited ESL at least since their acquisition by VEDL. Its appointment at ESL is not incidental, it is part of a deliberate governance strategy. By appointing compromised or underqualified auditors at structurally broken subsidiaries like ESL, Vedanta isolates these entities from scrutiny that would otherwise be applied to the group's accounts.

This is governance arbitrage in its clearest form: exploit weak audit enforcement at the subsidiary level to conceal fraud, environmental liability, and financial collapse from group-level investors and regulators.

Rakesh M. Agrawal & Associates

Several VEDL subsidiaries are audited by Rakesh M. Agrawal & Associates, a very small audit firm that is incapable of effectively auditing these companies. The subsidiaries audited by Rakesh M. Agrawal & Associates are:

- **THL Zinc Holdings** – A Dutch holding subsidiary that owns VEDL's defunct zinc operations in Ireland with major financing presence in the Vedanta structure.
- **Avanstrate Inc** – A Japanese VEDL subsidiary with operations and entities in Japan, Taiwan, and South Korea.
- **Monte Cello BV** – A Dutch VEDL subsidiary with subsidiaries in Australia.

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[73] https://www.moneylife.in/article/srei-equipment-finance-auditor-reports-rs13110-crore-fraudulent-transactions/68889.html
https://www.financialexpress.com/business/banking-finance-rbi-bans-audit-firm-haribhakti-co-for-two-years-2-2348896/

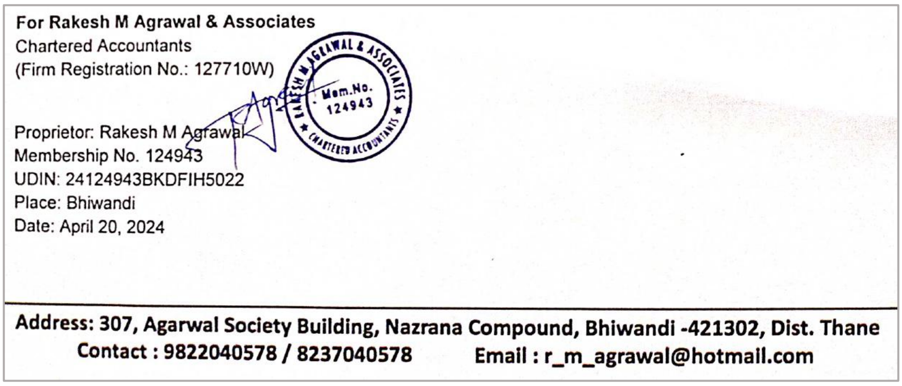
All these companies are audited under Indian Accounting Standards (Ind AS) despite being domiciled in jurisdictions where Ind AS does not apply and having no operational footprint in India nor transactions in Indian rupees.

By contrast Rakesh M. Agrawal & Associates appears selected for convenience, not capability.

- **Location:** The firm is domiciled at the Agarwal Co-op Housing Society in Bhiwandi, a residential complex, not an office building.

Figure 86 – Google Maps Streetview of the Agarwal Co-operative Housing Society in Bhiwandi, Maharashtra

- **Communication:** Audit letters use a gmail.com email addresses.
- **Client base:** There is no public record of other audit clients, let alone clients of similar size, scale and complexity[74].



For Rakesh M Agrawal & Associates
Chartered Accountants
(Firm Registration No.: 127710W)

Proprietor: Rakesh M Agrawal
Membership No. 124943
UDIN: 24124943BKDFIH5022
Place: Bhiwandi
Date: April 20, 2024

RAKESH M AGRAWAL & ASSOCIATES
Mem.No. 124943
CHARTERED ACCOUNTANTS

Address: 307, Agarwal Society Building, Nazrana Compound, Bhiwandi -421302, Dist. Thane
Contact : 9822040578 / 8237040578 Email : r_m_agrawal@hotmail.com

Figure 87 – Avanstrate Inc FY24 Annual Report

The decision to audit international subsidiaries like THL Zinc Holdings under IND AS using a tiny, residentially based Indian firm cannot be dismissed as an oversight. As this report has shown, THL Zinc Holdings has played a central role in loan recycling, impairment concealment, and liability shifting across the group structure.

The use of Rakesh M Agrawal & Associates is deliberate audit arbitrage to avoid detection of malfeasance VEDL's financial maneuvers.

[74] http://www.carakeshagra.com/Default.aspx

The Offshore Network – Shell layers, Nominee Control and Compliance Arbitrage

The Vedanta Group's financial structure is built on a web of international subsidiaries created not for efficiency but for legal, regulatory, and operational insulation. These entities are in offshore or mid-shore jurisdictions, staffed by nominee directors and maintained by corporate service providers.

Many of the entities involved in VEDL and VRL's internal restructurings fall under this category including Bloom Fountain, Twin Star Holdings, THL Zinc and THL Zinc Ventures.

Amicorp

Amicorp Group, a corporate services provider, has been directly linked to major global financial scandals, most notably the 1MDB fraud. In 2024, the Malaysian sovereign fund filed a lawsuit against Amicorp and its CEO, alleging they facilitated the laundering of over $7b through a series of sham entities and falsified transactions[75]. The case is ongoing and underscores Amicorp's involvement in shady dealings.

Despite this, Amicorp remains central to Agarwal's offshore architecture:

- Amicorp (Mauritius) Limited was the administrator and company secretary for numerous Agarwal-related entities, including Vedanta Resources Mauritius Limited, Vedanta Holdings Mauritius I & II, and others.
- Amicorp Netherlands B.V., used by Vedanta Netherlands Investments BV and THL Zinc Holding BV, was fined by De Nederlandsche Bank in March 2025 for inadequate customer due diligence.

17.	Vedanta Holdings Mauritius Limited	C/o Amicorp (Mauritius) Limited, 6th Floor, Tower 1, Nexteracom Building, Ebene, 72201 Mauritius.
18.	Vedanta Holdings Mauritius II Limited	C/o Amicorp (Mauritius) Limited, 6th Floor, Tower 1, Nexteracom Building, Ebene, 72201 Mauritius.
19.	Vedanta Netherlands Investments B.V.	C/o Amicorp Netherlands B.V., WTC Amsterdam, Tower C-11, Strawinskylaan 1143 1077 XX Amsterdam, The Netherlands
20.	Vedanta Netherlands Investments II B.V.	Strawinskylaan 1143, C-11, 1077 XX Amsterdam, The Netherlands
21.	Vedanta UK Investments Limited	4th Floor, 30 Berkeley Square, London W1J 6EX
22.	Westglobe Limited	C/o IQEQ Corporate Services (Mauritius) Ltd. 33 Edith Cavell Street, Port Louis, 11324 Port- Louis, Mauritius
23.	Richter Holding Limited, Cyprus	66 Ippocratous Street, 1015 Nicosia, Cyprus
24.	Vedanta Resources Cyprus Limited (VRCL, Cyprus)	66 Ippocratous Street, 1015 Nicosia, Cyprus
25.	Vedanta Resources Mauritius Limited	C/o Amicorp (Mauritius) Limited, 6th Floor, Tower 1, NeXTeracom Building, Ebene, Mauritius

Figure 88 – Vedanta Limited Form 6-K dated September 10, 2022

This was not a minor infraction. The Dutch regulator's findings revealed a staggering absence of even the most basic due diligence practices over a four-year period.

- Amicorp routinely failed to identify or verify ultimate beneficial owners (UBOs), or the origin of their wealth.
- Amicorp allowed entire client profiles to operate with missing or outdated documentation.
- Transaction monitoring was non-existent; major fund flows including six-figure dividends were recorded long after the fact, if at all.
- Corporate group structures were incomplete, untranslated, or completely unexplained.

In short Amicorp has a proven history of functioning as a compliance shell with lacking AML and KYC practices. This is the infrastructure upon which Agarwal chose to build and operate key elements of his holdings.

[75] www.reuters.com/business/finance/malaysias-1mdb-files-legal-claim-against-amicorp-group-alleging-over-7-bln-fraud-2024-12-23/

IQEQ

IQ-EQ is a global investor services group operating across trust administration, compliance and corporate services. Despite its scale IQ-EQ has demonstrated repeated regulatory shortcomings across multiple jurisdictions.

- In July 2022, the Jersey Financial Services Commission (JFSC) imposed a civil penalty of £803,661.17 on IQ-EQ (Jersey) Limited, formerly known as First Names (Jersey) Limited[76,77].
- In December 2024, the Isle of Man Financial Services Authority (IOMFSA) fined IQ-EQ (Isle of Man) Limited £614,009 for historic regulatory failings identified during a 2021 supervisory inspection[78].

IQ-EQ's failings in these regulatory actions covered a broad range of practices and included:

- Failure to maintain Anti-Money Laundering and Counter the Financing of Terrorism risk assessments.
- Client files lacked up-to-date information, proper UBO verification and source-of-wealth disclosures.
- Absent monitoring of suspicious or high-risk transactions and major fund flows recorded well after execution or not at all.
- Organizational charts were often missing, untranslated or unverified.
- Despite knowing about past deficiencies, IQ-EQ's actions did not address root causes or prevent recurrence.

Like Amicorp, IQEQ plays an important role in Agarwal and Vedanta's offshore structure. IQ-EQ is the administrator, secretary, or registered office of:

- THL Zinc Ventures Limited
- THL Zinc Limited
- Twin Star Holdings Limited
- Westglobe Limited
- Bloom Fountain Limited

Directors-for-Hire

The use of nominee directors at key VEDL and VRL offshore subsidiaries is another red flag. Many of these subsidiaries are directly implicated in the suspicious transactions detailed in this report.

Vedanta Nominee Directors		
Name	**Position**	**Vedanta-related Directorships**
Sevin Chendriah	Director of IQ-EQ	THL Zinc, THL Zinc Ventures, Twin Star Holdings, Bloom Fountain, Westglobe Limited
Bhavana Banymandhub	Director at IQ-EQ	THL Zinc, THL Zinc Ventures, Twin Star Holdings, Bloom Fountain
Ellison Isaac Collie	Director at Elco Group	Volcan Investments Limited, Anil Agarwal Discretionary Trust, Conclave PTC

Figure 89 – Vedanta Nominee Directors

These directors have signed off on internal loans, debt reassignments and forgiveness arrangements that have enabled the looting of VEDL for VRL's benefit. Their role is to put their name to decisions that do not benefit VEDL while avoiding direct liability.

[76] https://www.jerseyfsc.org/news-and-events/we-have-imposed-a-civil-financial-penalty-on-iq-eq-jersey-formerly-first-names-for-regulatory-breaches
[77] https://www.jerseyfsc.org/news-and-events/iq-eq-jersey-limited-formerly-first-names-jersey-limited
[78] https://www.iomfsa.im/fsa-news/2024/dec/public-statement-concerning-the-imposition-of-a-civil-penalty-on-iq-eq-isle-of-man-limited-iq-eq-iom/

Historical Director Exposure

Several current and former directors of VEDL have historical legal and regulatory proceedings involving allegations of misconduct (money laundering, breach of trust, fraud) mirroring the schemes outlined in this report.

Director Due Diligence Summary Name	Role	Issue / Allegation	Legal Status / Outcome
Anil Agarwal	Executive Chairman, Vedanta Resources; Non-Executive Chairman, VEDL	₹208 Cr ($25M) FDI/money laundering violation via Twinstar	$70M ED fine (2004); upheld by Delhi HC (2009); final status unknown
		Criminal breach of trust (BALCO case)	Bail cancelled after leaving India; case stayed, pending
		SEBI criminal complaint under PFUTP regs (Sterlite case)	Bombay HC granted interim stay; proceedings pending
Navin Agarwal	Executive Vice Chairman, Vedanta Resources & Vedanta Limited	₹208 Cr FDI case + BALCO breach of trust	Same as above
		Barred from securities market (2024, Cairn dividend case)	Two-month bar by SEBI
Priya Agarwal Hebbar	Non-Executive Director, VEDL	SEBI action for delayed Cairn dividend payment	One-month bar from securities market (Mar 2024)
P. K. Mukherjee	Independent Director, VEDL	SFIO fraud case (Sesa Goa over/under-invoicing ₹1,000 Cr)	SFIO recommended prosecution (2011); MCA withdrew charges in 2013
Upendra Kumar Sinha	Former Independent Director, VEDL; ex-SEBI Chairman	Alleged suppression of Adani-linked DRI warning (2014)	No legal case filed; reputational risk due to conflicting SEBI statements

Figure 90 – Director Due Diligence Summary

A full list of sources is available in the Appendix.

While not all matters resulted in convictions or penalties, the frequency and nature of these proceedings underscore the need for continued scrutiny of governance practices across the Vedanta group.

Riverside Studios – A Cultural Vanity Project funded by VRL

In late 2024, Anil Agarwal acquired Riverside Studios in London for at least £10m through the Anil Agarwal Riverside Studios Trust, a VRL subsidiary[79]. Though presented as a cultural investment, it was structured and funded via VRL, not personal capital[80].

This is an unusual use of corporate funds for a company claiming to prioritize deleveraging. The fund holds no operational purpose, and Vedanta has no significant UK operations or presence.

The trust's board of directors is comprised of:

- Anil Agarwal
- Rishi Sethia, a British businessman known for his involvement in various ventures and social circles.
- Nitesh Gor, Chief Executive of the Avanti Schools Trust, a UK-based multi-academy trust focusing on value-based education.

Neither Sethia nor Gor hold positions within VRL highlighting the private nature of this venture that is likely intended to elevate Agarwal's public profile at VRL's expense.

[79] https://find-and-update.company-information.service.gov.uk/company/15805952/filing-history Vedanta Resources Limited is listed as a holder of 75% or more of the shares of the trust.
[80] Title number BGL109255

Annexure 1: Historical Director Exposure

1. **Paranjoy Guha Thakurta – Fix ED Case**
   https://paranjoy.in/article/fix-ed-case

2. **Mines & Communities – Vedanta's Offshore Deals**
   https://www.minesandcommunities.org/article.php?a=9685

3. **Times of India – BALCO Directors Bail Cancelled**
   https://timesofindia.indiatimes.com/business/india-business/Anticipatory-bail-of-BALCO-directors-cancelled/articleshow/35894.cms

4. **Vedanta Bond Prospectus – Sterlite PFUTP Disclosure (2012)**
   https://www.vedantalimited.com/uploads/investor-sec-filings/Sterlite%20Industries%2022%20May%2012.pdf

5. **CNBC TV18 – SEBI Bars Priya Agarwal Hebbar**
   https://www.cnbctv18.com/business/companies/vedanta-to-appeal-against-sebi-order-on-cairn-uk-denies-intent-to-withhold-dividend-payment-19267301.htm

6. **Reuters – Vedanta Ordered to Pay Cairn UK**
   https://www.reuters.com/markets/vedanta-ordererd-pay-cairn-uk-94-mln-2024-03-12/

7. **Reuters – Sesa Goa Fraud Investigation**
   https://www.reuters.com/article/markets/commodities/factbox-vedanta-unit-investigated-for-fraud-idUSLT306907/

8. **Deccan Herald – SFIO Legal Action on Sesa Goa**
   https://www.deccanherald.com/business/fraud-office-legal-action-against-2417407

9. **Economic Times – SFIO Prosecution Recommendation**
   https://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/sfio-recommends-prosecution-sesa-goa-for-over-and-under-invoicing-of-export/import-of-over-rs-1000-crore/articleshow/8511927.cms

10. **Economic Times – MCA Withdraws SFIO Charges**
    https://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/mca-asks-sfio-not-to-initiate-prosecution-against-sesa-goa/articleshow/18318198.cms

11. **The Guardian – Adani Offshore Investment Cover-Up Allegation**
    https://www.theguardian.com/world/2023/aug/31/modi-linked-adani-family-secretly-invested-in-own-shares-documents-suggest-india

Annexure 2: The TSM–Bloom Fountain Operation – Offshore debt washing and liability erasure

Between FY11 and FY20, VRL executed a complex sequence of offshore financial transactions involving Twin Star Mauritius Holdings (TSM) and Bloom Fountain Limited (BF).

This structure served two purposes:

1. To recapitalize VRL using funds extracted from Cairn India and other VEDL subsidiaries.
2. To erase the resulting liabilities without triggering regulatory or audit scrutiny in India.

TSM and BF functioned as financial black sites, routing billions of dollars in cash from Cairn, MALCO, and other VEDL-linked entities to VRL and its lender group. Once cash extraction was complete, intercompany debts were concealed using financial engineering and the entities quietly dismantled.

The scheme provides a historical blueprint for the cash extraction practices seen across the Vedanta Group today.

Acquisition and Structuring

In FY11, VRL acquired approximately 58.5% of Cairn India through TSM, funded by intercompany loans from Vedanta Resources Jersey (VRJ) and a syndicated loan from Standard Chartered Bank (SCB)

However, repayments did not originate from VRL. By FY15, TSM's debts to VRJ and SCB were being repaid using funds routed from VEDL subsidiaries, including Cairn itself. These payments were funneled through offshore operating entities to mask their origin and legitimacy[81].

Twin Star Mauritus Offshore Funding Structure (FY15 - FY17)	
Year	**Event**
FY15	THL Zinc borrows $1.25b from Cairn India Holdings
	Twin Star Mauritius borrows $1.25b from THL Zinc
	Twin Star Mauritius repays $1.3b to Vedanta Resources Jersey II
FY16	MALCO Energy raises $900m in debt from Vedanta Limited
	MALCO Energy pays $900m for newly issued Fujairah Gold shares
	Twin Star Mauritius borrows $900m from Fujairah Gold
	Twin Star Mauritius repays $900m to Vedanta Resources Jersey II
FY17	Vedanta Limited pays $2.2b cash for newly issued Bloom Fountain shares
	Bloom Fountain pays $2.2b cash for newly issued Twin Star Mauritus shares
	Twin Star Mauritius fully repays its $1.8b debt to Vedanta Resources Jersey II

Figure 91 – Twin Star Mauritius Offshore Funding Structure (FY15 – FY17)[82]

Timeline of Cash Flows

- FY15: THL Zinc advanced $1.25b to TSM funded by Cairn India Holdings (CIH)
- FY16: TSM repaid $900m to VRJ using funds routed from Fujairah Gold, capitalized by MALCO who were funded in turn by VEDL[83,84].
- FY17: TSM raised $2.2b from Bloom Fountain by issuing shares. BF financed this by issuing shares to VEDL. The capital was then routed back to VRL[85].

[81] FY15 is the first year for which TSM's financials are available.
[82] Fujairah Gold FY16 Annual Report pages 22, 24. MALCO Energy FY16 Annual Report pages 22, 23. Bloom Fountain FY17 Annual Report pages 19, 20.
[83]
[84]
[85]

These transactions were so transparent that THL Zinc's 2015 filing show CIH extending a $1.25b loan to THL Zinc at LIBOR + 3% and THL Zinc lending a nearly identical amount at nearly identical terms to TSM.

LONG TERM BORROWINGS

	2015 USD	2014 USD
At 1 April	-	-
Loan from Cairn India Holdings Limited	1,250,000,000	-
At 31 March	1,250,000,000	-

Pursuant to a board meeting of 19 May 2014, the Company entered into a loan agreement with Cairn India Holdings Limited, a related subsidiary company for an amount of USD 1,250,000,000 repayable in May 2016 at interest rate LIBOR + 300 bps per annum. The loan is unsecured in nature.

	2015 USD	2014 USD
At 01 April	-	-
Loan to Twin Star Mauritius Holdings Ltd.	1,249,910,000	-
At 31 March	1,249,910,000	-

Pursuant to a board meeting of 19 May 2014, the Company has given a loan of USD 1,249,910,000 to Twin Star Mauritius Holdings Ltd repayable after two years and which bears interest rate at LIBOR plus 3.01% per annum. The loan is unsecured in nature.

Figures 92 & 93 – THL Zinc Limited FY15 Annual Report

By the end of FY17, VRL been fully repaid by cash from VEDL entities. At this point, TSM still owed SCB approximately $1.05b, the last remaining liability to an external party.

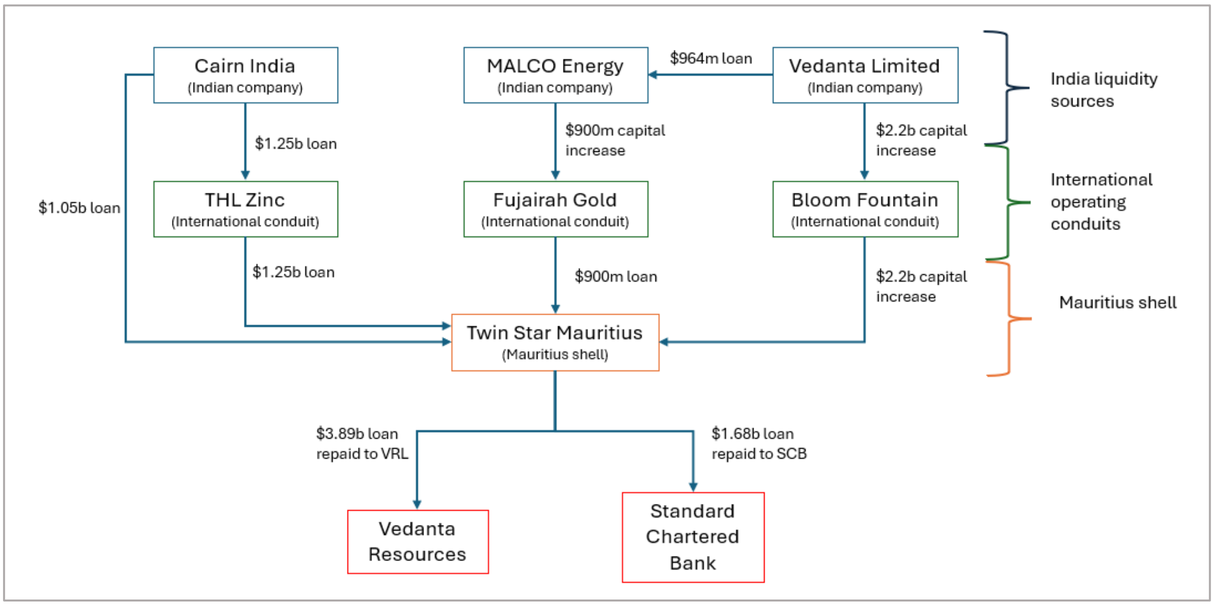


Figure 94 – Flow of Funds

Cairn Merger and TSM's Collapse

In FY17, Cairn India was merged into VEDL. TSM's 33% stake in Cairn was cancelled without compensation, rendering TSM functionally worthless. TSM recorded a $2.67b impairment, erasing its equity. It was now a dead shell, holding massive intercompany debts with no operating assets, and no cash flows.

Had TSM retained its stake in Cairn, any profits, dividends, or capital distributions would have flowed through TSM, an entity burdened with debt to VEDL subsidiaries. This would have required TSM to repay those debts using the same Cairn cash flows now accessible to the group.

Instead, by eliminating TSM's interest in Cairn during the merger, VRL ensured that Cairn became a direct subsidiary of VEDL, bypassing TSM entirely. This allowed Cairn's substantial cash flows to be immediately remitted to VEDL and redirected as dividends to VRL, free of any repayment obligations to the entities that had bankrolled the acquisition.

In addition to being structurally insolvent, TSM had become a legal liability. After the Cairn acquisition TSM faced a shareholder lawsuit from a minority shareholder alleging that Vedanta had violated Section 67(2) of the Companies Act.

Eliminating the Trail

Following the Cairn merger, the focus shifted to eliminating TSM's intercompany debts. This was executed through a series of debt-to-equity conversions, immediately followed by impairments.

- In FY18 CIH took on bank debt and liquidated investments to advance $1.05b to TSM to repay SCB. This loan was converted to equity and fully impaired.
- The $1.25b loan from THL Zinc to TSM was reassigned to CIH, converted to TSM equity, and impaired in full.
- Separately, THL Zinc, which had already impaired $1.75b in loans to TSM in FY17, partially recovered its loan by assigning THL Zinc's $1.31b payable to CIH to TSM.
- The remaining $430m owed by TSM to THL Zinc was converted to equity and impaired.

> (ii) The Company had advanced loans of USD 1,745,772,494 to Twin Star Mauritius Holdings Limited (TSMHL), a fellow subsidiary of the Company. TSMHL was holding shares of Cairn India Limited ("Cairn India"), another fellow subsidiary of the Company. Post merger of Cairn India into Vedanta Limited, since TSMHL did not receive any consideration in lieu of its holding in Cairn India the Company made an impairment provision of USD 1,779,654,112 against the loan (including accrued interest) it had extended to TSMHL. During the previous year 2017-18, subsequent to the liquidation of TSHML, the Company recognised an additional impairment for the balance USD 716,331 through the statement of changes in equity. The loan payable to Cairn India Holdings Limited of USD 1,250,000,000 along with accrued interest of USD 100,776,539 was assigned to TSMHL which had the effect of recovery of the loan already impaired and an impairment reversal of an equivalent amount. Hence, net impairment reversal of USD 1,350,060,208 had been recognised in other equity. The balance loan of USD 429,593,904 had been converted into equity.

Figure 95 – THL Zinc Limited FY18 Annual Report

These maneuvers removed virtually all intra-group receivables from TSM, CIH and THL Zinc's balance sheets. These write downs were buried in the changes to equity indicating their lack of recoverability.

The Final Transfer: Bloom Fountain

The final step was to bury TSM's last major payable, a $900m debt to Fujairah Gold. This was transferred to Bloom Fountain, a previously dormant Mauritius shell.

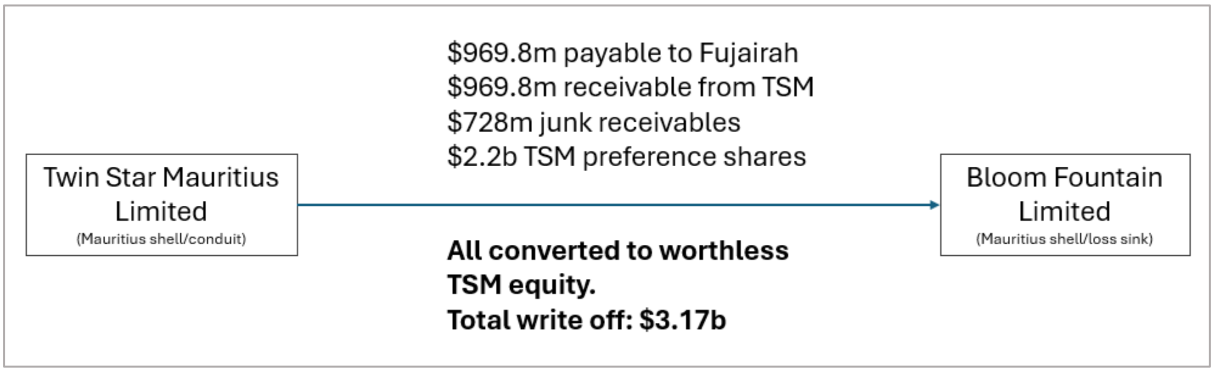


Figure 96 – TSM Liability Transfer to Bloom Fountain

In exchange, Bloom Fountain received:

- A matching $969.8m receivable from TSM

- $728m in fictitious receivables from THL Zinc Holdings and Monte Cello BV (not recorded in those entities' books, acquired for $1 each)
- $2.2b in preference shares, converted into equity in TSM.

SIGNIFICANT EVENT DURING THE YEAR

During the year, the company entered into different transactions involving Twin Star Mauritius Holdings Ltd (TSMHL), an indirect subsidiary of the Company which are summarized below:

- TSMHL assigned to the Company its loan payable to group company, Fujairah Gold FZC of USD 900,000,000 along with accrued interest payable of USD 69,797,222. As a consideration of this assignment to the Company, TSMHL owed an equivalent amount including interest to the Company.
- The Company also bought receivables along with accrued interest of USD 438,067,379 and USD 290,415,068 of group companies, THL Zinc Holding BV and Monte Cello BV respectively from TSMHL, at $1 each.
- In the previous year 2016-17, the Company had subscribed to USD 2,200,000,000 worth redeemable preference shares (RPS) of TSMHL which during the year were converted to Convertible Preference Shares (CPS) which are convertible to equity shares of TSMHL at the option of the Company or redeemable in cash at the option of TSMHL.

All the above loans and other payables along with interest were converted to equity by TSMHL. Further the Company opted to convert all of its CPS into equity shares of TSMHL. In total the Company's entire investment in TSMHL and receivable from TSMHL worth USD 3,169,825,635 was converted to equity of TSMHL. Post the above conversion, TSMHL filed for liquidation and for the reasons detailed in Note 5, the Company has written off its entire above investment net of impairment provision in TSMHL through equity.

Figure 97 – Bloom Fountain FY18 Annual Report

These assets were immediately converted to equity in TSM, which was then liquidated.

Conclusion

The TSM–Bloom Fountain operation was a deliberate, coordinated act of financial engineering designed to:

- Funnel billions of dollars from VEDL subsidiaries to VRL and its lenders
- Conceal those transfers through opaque, offshore structures
- Dismantle the acquisition vehicle (TSM) without contaminating consolidated statements
- Absorb and erase the resulting liabilities through a disposable entity (BF)

This maneuver allowed VRL to repay itself using group cash, avoid regulatory scrutiny, and erase over $3b in liabilities without triggering audit or legal events.

It is a clear example of VRL's strategy: upstream extraction, downstream debt displacement, and financial opacity.

Annexure 3: The Aluworks Episode – Takeover attempt funded via VEDL proxy

The Aluworks episode reflects a calculated effort by Caitlyn Limited, an Agarwal family investment vehicle, to take over an African industrial asset with minimal capital at risk before attempting to transfer the financial burden to VEDL.

Between 2015 and 2021, Agarwal investment vehicle and VRL subsidiary Caityln Limited sought to leverage VEDL's resources and reputation to exercise control over Aluworks PLC in Ghana with VEDL subsidiary MALCO footing the bill.

While ultimately unsuccessful, the saga is another example of the Agarwal family and VRL leveraging VEDL for their own potential benefit.

Caitlyn Limited (Caitlyn) is the private investment vehicle of Anil Agarwal's son, Agnivesh Agarwal who also serves as chairman of Fujairah Gold FZC[86].

> 13 The 'Notice of change of interests of substantial holder' lodged by Caitlyn Limited in relation to Azumah on 12 August 2019 states that Agnivesh Agarwal has a relevant interest in the shares held by Caitlyn Limited pursuant to section 608(3) of the Corporations Act as the sole shareholder of Caitlyn Limited.

Figure 98 – Azumah Resources Target's Statement

Aluworks is a Ghanian Aluminum company that operates a continuous casting and cold rolling mill in Tema, Ghana[87]. Caitlyn's representative on the Aluworks BOD was Ralph Rossouw, also manager of Fujairah Gold Ghana and a VRL employee according to his LinkedIn profile[88].

From 2015 to 2017 Caitlyn acquired a 20% stake in Aluworks, with the Ghanian Social Security and National Insurance Trust (SSNIT) retaining a majority 80% stake. At this time Aluworks was deeply distressed, remaining unprofitable due to low throughput, finance costs and price pressures from cheaper imports.

Caitlyn provided significant amounts of raw materials to Aluworks in the form of aluminum ingots in 2019 and 2018. This appears to be a calculated move to ingratiate itself with Aluwork's stakeholders to Caitlyn, considering a shortage of feedstock at the time.

[86] Caitlyn appears have a subsidiary, Caitlyn India Pvt Ltd, which transacts with both VEDL and VRL.
[87] https://www.annualreportsghana.com/wp-content/uploads/2020/06/PR-136-ALW-Caitlyn-Ltd.-Purchases-1000000-shares-in-Aluworks-Ltd..pdf
[88] https://za.linkedin.com/in/ralph-rossouw-b21a522

Operations
During 2018 the poor supply of raw material by VALCO continued to our detriment. In the year we received a total of 2,586 tonnes for the whole year from VALCO (33% of the planned supply). Luckily, in addition, our prospective investor Caitlyn Limited sold an additional 1,003 tonnes to us on preferential terms, whilst we purchased some 150 tonnes off the local secondary market.
This shortfall created a supply gap and led to our market being seriously infested with increased imports of cheap aluminium and also Aluzinc, such that we lost a good number of our

In the past few years we have received a noteworthy input from our association with Caitlyn Ltd. It is the supply of raw material (aluminum ingots) on a preferential basis that has supported our weak working capital situation. Thus, we received 994 metric tonnes (1,003mt in 2018) from Caitlyn, out of the total of 4,302 metric tonnes supplied by VALCO in 2019.

We have had to increasingly rely on our customers and creditors for financing to generate sufficient cash flow to keep the business turning over. The net effect was an inability to increase our turnover to the levels we had budgeted for. In 2019 we purchased only 4,302 metric tonnes of raw material from our main source VALCO supplemented by what Caitlyn offered (3,737mt in 2018). As a result we produced 4,318 tonnes in 2019, an increase of 12.4% over the 3,841 tonnes produced in 2018. This was against a budget of 5,600 metric tonnes.

Figure 99 & 100 – Aluworks FY19 & FY18 Annual Report

This is supported by a change to Caitlyn India's changes to its Memorandum of Association dated January 2021 to include the purchase and sale of zinc ingots as a new part of its business.

Item **No.1:**

In order to explore the new business opportunities in the metals industry in the coming years, it is proposed to modify the main object clause of the Memorandum of Association (MOA) of the Company by inserting new clause relating to Zinc ingots and other metals like steel, brass, copper, lead, nickel, aluminium and any other ferrous and non-ferrous metals of all sizes, specification and description including ingot casting in electric and furnace.

It is further informed that as the immediate future plans of the Company is to expand its business activities in trading Zinc ingots, it is statutory requirement to alter the Main Object of the Company & have the new businesses incorporated under the suitable clause of the Main Objects. Thereafter it shall enable the Company to initiate the new venture.

... 2021 has approved alteration of the MOA of the

Figure 101 – Caitlyn India Explanatory Statement to MoA Alteration dated January 25, 2021

Throughout this period Caitlyn sought majority control over Aluworks but SSNIT resisted Caitlyn's attempts for various reasons, some of which were reported in the media.

- An aggressive share acquisition strategy
- Governance risks of an offshore entity with an unclear accountability chain
- Caitlyn's unclear ability to meet financing commitments
- Misalignment of incentives and turnaround strategies[89]

[89]SSNIT appeared to prefer a less capital-intensive turnaround structure while Caitlyn preferred a more wide-reaching recapitalization of the business.

By 2020 the situation had deteriorated significantly with Aluworks enduring 4 years of losses despite significant support from the Ghanian government, an anti-dumping tariff on Chinese aluminum, and feedstock supply on preferential terms from Caitlyn[90].

Aluworks remained starved of operational capital with net debt increasing. Promised investments were repeatedly delayed with the company dependent on the "restructuring of an SSNIT loan and financial intervention by Caitlyn Limited."

In 2021, as Aluworks was on the precipice of collapse, Caitlyn transferred its commitment for investment to VEDL subsidiary MALCO Energy Limited (MALCO Energy) [91].

Meanwhile in order to take advantage of expected changes in fortunes following years of stagnation due to certain primary economic and environment reasons, the company, through its Board of Directors engaged with the top two shareholders of the company i.e. Messrs SSNIT and Caitlyn Limited (which is in the process of handing over to MALCO of India) in a process of restructuring of the company's finances to place it in a viable position.

In 2019, Caitlyn Limited (the investment wing of Vedanta Resources of India- a huge aluminium conglomerate) was supposed to invest in the company to make it fully operational with sufficient working capital to generate turnover in exchange for ALW shares. SSNIT was to convert some of the Aluworks debt in their books into shares at the same time and restructure the balance into a far more beneficial term sheet. At the last minute the SSNIT Board reneged on the agreement not being comfortable with Caitlyn Limited becoming the majority shareholder, an assurance required by Caitlyn given the quantum of financing.
After much discussion the SSNIT Board has finally agreed that Caitlyn Limited can have majority shareholding in Aluworks Plc.

We now await MALCO (which has taken over the project from Caitlyn Limited and is now the lead Vedanta company for the Aluworks Investment) to present a full strategy paper to SSNIT as a vehicle to finalising a new shareholders agreement for the purpose. Meanwhile we are aware that MALCO/Caitlyn is going through the required processes to enable them to produce the required strategy paper.

On Thursday March 24, 2022, the Aluworks Board received by email the latest statement from MALCO/Caitlyn Limited, which the Board has duly noted in its meeting minutes. The statement included the following relevant paragraph: -" the three documents with Vedanta cover letter are ready for submission to the regulatory banks for ODI (Overseas Direct Investment Authority) investment approval. An internal board approval from Vedanta is required and awaited, the formality of ODI approval is equitable and expected in a couple of weeks."

This suggests that the process is progressing steadily. However, our experience with Caitlyn Limited and by extension MALCO, is one of rather slow going. We are quite sure the process will

Figure 102 – Aluworks FY21 Annual Report

MALCO Energy had no way to fund this commitment from its operational cashflows.

- It operated a single coal-fired power plant in Tamil Nadu.
- Aluminium operations under the MALCO name had ceased in 2008.
- Its 2021 financials showed an operating profit of ~$560K with ~$670k in liquid assets.
- It recorded a $780m impairment in 2021 from an earlier loss in the Fujairah/TSM transaction.

MALCO Energy was financially and operationally incapable of fulfilling the Aluworks commitment Caitlyn had assigned to it. The Aluworks episode mirrors multiple other Vedanta Group ventures: opportunistic acquisitions, control without investment, and repeated attempts to transfer financial burdens downstream to VEDL entities.

[90] Support from the SSNIT included deferred loan obligations and strategic purchase agreements.
[91] MALCO must refer to MALCO Energy Limited, as MALCO had been amalgamated into Vedanta Limited in 2019.

Annexure 4: Brockway Inc – A historical shell with ties to suspected regulatory breaches

Brockway Inc is a name that has quietly followed Indian corporate controversies for two decades. It has no formal ties to Vedanta on paper today, but its proximity to the Agarwal family and history of involvement in Indian-linked transactions raise immediate red flags.

In 2003, VRL disclosed that Brockway Inc., a related party controlled by relatives of Navin Agarwal, had repaid a $1.5m loan. Navin is the brother of Anil Agarwal.

- Brockway Inc.
  The Group held a loan due from Brockway Inc., a related party controlled by relatives of Mr Navin Agarwal. The loan bore interest at LIBOR plus 100 basis points. The loan was for $1.5 million and was repaid in full in October 2003.

Figure 103 – VRL FY04 Annual Report

There is no explanation in public filings for the use of Brockway. The related party label was attached to Navin, not Anil, though the familial connection leaves little doubt that Brockway's controllers would have a relationship with Anil as well[92].

In 2013 a company called Brockway Inc appeared in India's Enforcement Directorate (ED) records. The ED was investigating UBS employees for violations under the Foreign Exchange Management Act (FEMA)[93]. According to Business Standard reporting, the UBS team was suspected of using client accounts from Reliance Energy and Reliance Natural Resources to invest in other Reliance Group companies in breach of regulations.

The Enforcement Directorate (ED), which is investigating possible violations of the Foreign Exchange Management Act (Fema) by some former UBS employees, has written to the UK's Financial Services Authority, seeking details of the alleged misuse of accounts of Anil Dhirubhai Ambani Group-controlled Reliance Energy and Reliance Natural Resources (RNRL).

The agency is probing if the executives, who have been sacked by the Swiss bank, had illegally obtained overdrafts against cash collateral security held in the account and transferred them into the accounts of eight-10 diamond merchants based in India and Belgium.

The funds were then allegedly pumped into the stock market through a fund manager – Pluri Emerging Companies PCC Cell E Emerging Markets Growth Fund — using the participatory note route. Funds are also suspected to have been transferred to Brockway Inc.

The Indian agency is also probing if there was any link between the two ADAG companies, Pluri, Brockway and the diamond merchants.

Figure 104 – Business Standard – Govt probes misuse of ADAG firms' accounts by UBS staff[94]

Funds were allegedly routed through two offshore vehicles: Brockway Inc. and Pluri Emerging Companies PCC (Pluri)[95].

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[92] Navin's wife Ruchira appears to have a minimal presence in the Indian business sector.
[93] https://economictimes.indiatimes.com/ed-probes-india-connection-to-ubs-fraud/articleshow/3844005.cms?from=mdr
[94] https://economictimes.indiatimes.com/ed-probes-india-connection-to-ubs-fraud/articleshow/3844005.cms
[95] Pluri is a Protected Cell Company, a corporate structure often used to fragment asset control and obscure ownership

Pluri has also appeared in separate investigations into Unitech and Sandur Power[96,97]. Its structure allows each internal "cell" to function as a separate legal identity, enabling precise and insulated control. The Reliance case, where these entities were used, resulted in Barclays being barred from India's derivatives market[98].

There is no concrete evidence directly linking the VRL-related Brockway entity to the one under ED investigation. However, the circumstantial overlap is hard to ignore:

- Both were involved with Indian conglomerates with family-dominated ownership
- Both show up in contexts of related party finance and cross-border opacity
- We located a Bahamian Brockway Inc. that was incorporated in the Bahamas in 1998 and dissolved in August 2008[99]. The UBS-Reliance fraud was uncovered in early 2008.

We believe they are one and the same.

Open Questions

- Why did the ED suspect Brockway of receiving funds from Reliance group accounts?
- Why did VRL lend to a company that was soon to appear in ED investigations tied to fraud?
- Why has there been no public disclosure regarding the nature or rationale of the Brockway transaction in 2003?
- What explains the repeated use of low-transparency jurisdictions by entities linked to the Agarwal family?

Brockway may no longer be active, but its operational logic and legacy risk mirror the very structures being deployed by Agarwal-linked entities today.

[96] https://economictimes.indiatimes.com/markets/stocks/news/sebi-disposes-of-proceedings-against-former-unitech-promoters/articleshow/111173943.cms?from=mdr
[97] https://www.thehindu.com/news/national/andhra-pradesh/sandur-power-cbi-grills-jagan-on-investments/article3490841.ece
[98] https://economictimes.indiatimes.com/mystery-shrouds-pluri-emergings-operations-in-india/articleshow/5324829.cms?from=mdr
[99] Registration Number 78973B. Search www.aleph.occrp.org for "Brockway Inc".

Annexure 5: : Disinvestment Failures – The Cases of BALCO and Hindustan Zinc Limited

The Government of India's (GoI's) disinvestment processes in Bharat Aluminium Company Limited (BALCO) and Hindustan Zinc Limited (HZL**)** were mired in controversy. The Comptroller and Auditor General of India's 2006 performance audit revealed a pattern of poor preparation, inadequate valuation, and lax post-sale control, all of which exposed public assets to undervaluation and post-transaction exploitation.

These events, while they occurred in 2001 – 2002, remain relevant today as the assets in question are now being used to service VRL's offshore debt, a situation the GoI is likely uncomfortable with.

A major source for this section is a 2006 report by India's Comptroller and Auditor General (CAG) detailing the failings of the disinvestment of nine PSU (Public Sector Undertakings) including HZL and BALCO

BALCO – Rushed Valuation and Missing Assets

BALCO's disinvestment in 2001 was a rushed and chaotic process that was mired in controversy from almost the moment it began.

Core and Non-Core Asset Valuation Failures

The asset valuation process was almost entirely botched resulting in a depressed valuation for almost all BALCO's assets.

- The original valuer, SBI Capital Markets, outsourced the task to Dalal Mott MacDonald, who had previously been engaged to fund Sterlite's Korba operations. With the limited pool of bidders including Sterlite, this represented an unacceptable conflict of interest risk[100].
- The asset valuer had only 19 days to value BALCO's assets, and claimed they required at least 45 days. Instead of a verifiable value, the asset valuer relied on a "verbal enquiry". As a result, the valuation of most of BALCO's fixed assets was not verifiable in an audit.
- The asset valuer did not correctly value core assets, including:
- Leasehold land housing the plant and township in Korba, the SCOPE complex in New Delhi and the leasehold land of BALCO's captive power plant.
  - Intangible assets such as customer relationships and brand value were not included in the asset valuation method, with the incorrect assertion that they had been included in the DCF method, a completely distinct and separate valuation methodology.
  - Capital works in progress (CWIP) were severely undervalued in by the asset valuer without a valid reason. BALCO had significant CWIP balances at the time due to its Cold Rolling Mill expansion,

Title and Encumbrance Lapses

Various ministries failed to get title deeds and remove encumbrances to BALCO's land and buildings, negatively impacting their values

- BALCO did not have clear title deeds to land and properties prior to disinvestment.
- Encumbered or disputed lands were either not considered or heavily discounted by the asset valuer, eroding the fair value of the company.

Post-Divestment Fallout

BALCO's divestment was controversial long after the divestment process officially ended. In

[100] https://www.telegraphindia.com/business/panel-to-seek-legal-advice-on-balco/cid/800776

- Sterlite did not follow through on its commitment to expand BALCO's Korba alumina refinery under the terms of the disinvestment process. The refinery was reportedly shut down and demolished in 2015 without securing government consent[101].
- When VEDL attempted to exercise its call option to acquire the GoI's 49% stake, the GoI rejected the attempt. The call option was found to be "void, ineffective and inoperative" by an arbitration tribunal. VEDL continues to challenge this arbitration award.

HZL – Contradictions and Regulatory Blind Spots

HZL's disinvestment in 2002 had many of the same issues as BALCO's process, resulting in a depressed valuation.

Contradictory Valuation Models

Once again, just about everything that could go wrong with the valuation, did go wrong.

- While the Global Advisor (GA) assumed 3 out of 6 mines were non-core assets, the asset valued assumed only 1 mine was active, with the remaining 5 non-operational and exhausted.
- The GA did not examine HZL's business plan, nor validate its future financial performance assumptions with HZL. The Ministry of Finance (MoF) made the dubious claim that HZL did not have a business plan for the next 3 to 5 years.
- The GA's projection of revenues, expenses and costs for 2006 to 2022 had no justification in the valuation.
- The GA's projected sale of lead and other products were unverifiable and not explained in their report.
- A normative tax rate of 35.7% was used in the first round of bidding, then changed to 36.8% in the second round of bidding, despite no changes in the tax rate.
- In HZL's case, only 2 financial bids were received, undermining the competitive nature of the bidding process and depressing the final price.

This led to inconsistent valuation results and depressed valuations.

Post-Divestment Fallout

- Sterlite's 2004 call option for a further 18.92% of HZL was accepted at a 66% discount on its market price on the day. Although not yet litigated at the time of audit, the structural weaknesses in HZL's SHA mirrored those of BALCO SHA.
- As noted earlier in our report, HZL failed to evaluate and execute on the Kapasan project, a mandatory condition of the original investment.

Conclusion

In both BALCO and HZL, the GoI's disinvestment mechanisms were thoroughly compromised or ineptly executed, resulting in far lower valuations and a compromised process. Titles were unclear, asset valuations contradictory or incomplete, and sale agreements weakly constructed.

These failures allowed VEDL to snatch them up at bargain prices, and in the case of HZL, extract value to meet VRL's offshore debt obligations.

The current Government has signaled a shift from indiscriminate asset sales toward strengthening PSU operations. In this context, legacy disinvestment outcomes like BALCO and HZL are likely to receive renewed scrutiny, particularly given ongoing concerns about asset management, sovereign value erosion, and strategic control.

[101] https://www.cgpowerhub.com/2024/07/13/illegal-demolition-of-balco-alumina-refinery-serious-allegations-against-management-millions-in-revenue-loss/