Vedanta - Meet the Agarwals – Serentica Renewables

VRL creditors and VEDL shareholders are financing their own subordination, funding projects that will generate no returns, and being outmaneuvered.

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July 16, 2025 – The **Agarwal family has quietly built parallel operating structures outside of the VRL Group** via related parties to **engage in margin theft**, and enjoy favorable, **non-arms-length financing from VEDL** and its GoI-backed subsidiaries.

This is fraud.

Serentica is the first of several reports exposing an expansive margin-theft empire controlled by undisclosed Agarwal related party structures.

- The Agarwal family has quietly built a parallel related party operating unit, Serentica Renewables India (**Serentica**), to poach high-margin contracts from, and enjoy non-arms-length financing from, VEDL, HZL and BALCO.
- Serentica Renewables India's immediate parent, Serentica Renewables (Singapore) Pty Ltd (**Serentica Singapore**), is owned by Twin Star Overseas (35% voting rights + preference shares), a wholly owned Agarwal entity, and KKR (65% voting right), who put up funding for the venture.
- Serentica's business is to enter into a series of long-term power delivery agreements (**PDAs**) with VEDL, BALCO and HZL, despite having no power-generating operations of its own, no track record, and no the capital to fund projects.
  - These PDAs are signed on a cost-plus basis, effectively guaranteeing Serentica an operating profit regardless of its efficiency. Accordingly, these PDAs effectively become assets.
  - Serentica leverages these PDA assets to obtain loans from, among others, VEDL, HZL, and BALCO.
- Serentica issues similar-risk hybrids to both VEDL and to Serentica Singapore, its equity holder, at comically different rates.
  - Serentica Singapore issued ₹2,200 crore ($257m) of high-yield CCD hybrid and NCD notes to Serentica in order to ensure priority payments upstream.
  - VEDL, HZL & BALCO also invested in ₹2,000 crore ($234m) of OCRPS hybrids in Serentica's SPVs. These hybrids entitle the VEDL entities to a comical dividend of 0.0001% of face value per annum.
  - These OCRPS are eligible for conversion into regular shares in 30 years, a period longer than the PDA contract terms of the SPV's PDA, which VEDL, HZL & BALCO will also pay Serentica for guaranteed-profit power delivery.
  - VEDL, HZL and BALCO investments in Serentica are effectively worthless.
- Serentica Singapore's debt-over-equity financing of Serentica not only subordinates VEDL's already comically low returns from its OCRPS hybrids, but it also allows Serentica Singapore to extract cash from its subsidiary without being subject to Indian dividend taxes and presumably adopts a "efficient" transfer pricing policy to minimize income taxes in India.

We believe this margin theft and uncommercial transactions are fraudulent.

Vedanta Resources Limited (**VRL**) faces a wall of refinancing risk and Vedanta Limited (**VEDL**) cripples itself by paying billions in unsustainable dividends. VRL's creditors believe they're safe because they assume the Agarwal's instinct for survival aligns with theirs. It does not.

This structure has allowed the Agarwal family to:

- Jump-start a new empire by exploiting VRL and VEDL's balance sheets, while contributing minimal at-risk capital.
- Bypass VRL and VEDL creditors entirely, shielding Serentica from restructuring risk.
- Leverage contracts from VEDL to bring in outside investment and debt.
- Effectively front-run VEDL for projects in the *same industry*, posing an enormous conflict of interest.
- Strip capital from operating companies like HZL, BALCO, and VEDL.

The Agarwal family connection is deeper than ownership. Serentica's chairman is Pratik Agarwal, Anil Agarwal's nephew on his brother Pravin's side, who occupied key positions at VRL for over 8 years.

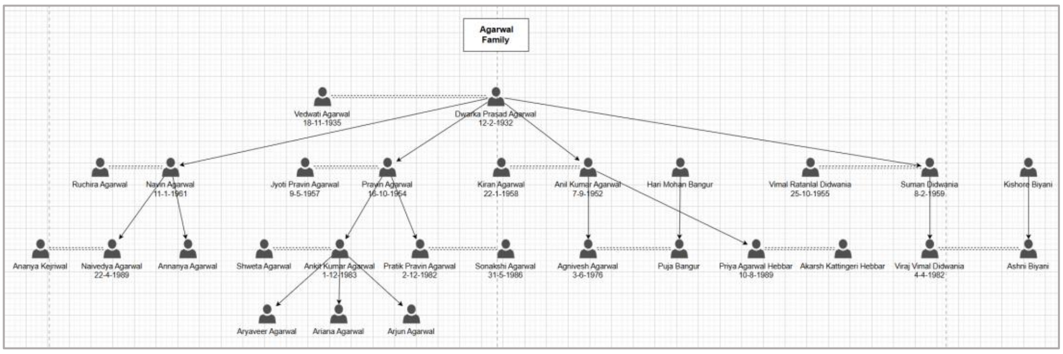

Figure 1 – Agarwal Family Tree

Serentica Renewables is not a power company. It is a structured leverage vehicle owned by the Agarwal family designed to write themselves checks[1].

In a somewhat sick irony: VRL's creditors banked on extractive practices bleeding VEDL shareholders to get paid. Now *they* are the ones being bled dry.

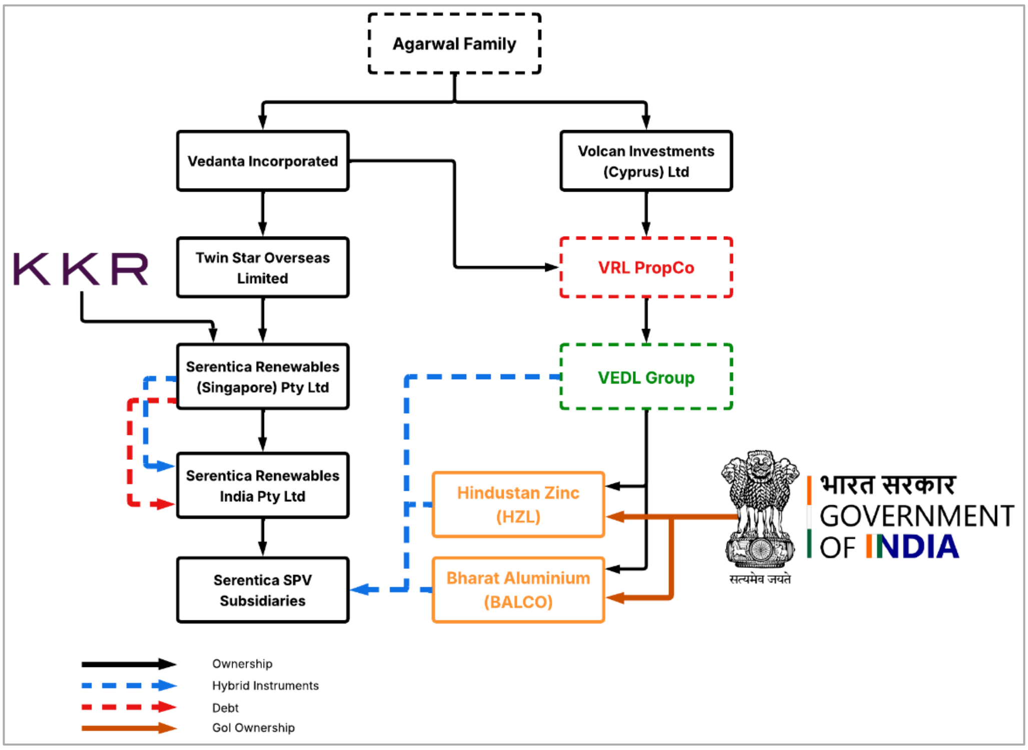

Figure 2 – Agarwal Holding Vehicle Structure

[1] Formerly Sterlite Power Technologies

Power Delivery Agreements – A Trojan Horse

In 2022 Serentica, a newly registered entity, entered into a series of long-term, multi-thousand crore power delivery agreements (PDAs) with VEDL, BALCO and HZL, despite having no power-generating operations of its own, nor the capital to fund them.

The limited terms that were disclosed have multiple red flags:

- Tariffs are structured on a cost-plus model under CERC, effectively guaranteeing Serentica a return regardless of execution risk or operational efficiency.
- Each PDA entailed a 25-year commitment to procure a fixed amount of power from facilities that are not yet built or operational.
- These PDAs were guaranteed to profit at VEDL's expense and therefore became valuable assets in and of themselves. This opened the door for capital raising.
- Notably: in November 2022, KKR made a $650m[2] equity commitment to Serentica, with VEDL to initially invest $100m[3].

Vedanta took the risk; the Agarwal family sold the upside.

OCRPS – A 30-Year 0.0001% Loan

HZL and BALCO's shareholding structure contain substantial Non-Controlling Interests (**NCIs**), including the GoI. This makes Promoter cash extraction more difficult due to corporate governance restrictions and massive NCI dividend dilution. Not to mention taxes.

Hiding cash extractions from VEDL through sham investments in related parties is an easier cash extraction mechanism.

- VEDL, HZL, and BALCO have already invested ₹1,343 crore ($157m) in hybrid Serentica Optionally Convertible Redeemable Preference Shares (**OCRPS**) instruments and future funding commitments of ₹613 crore ($72m).

Vedanta Entity PDAs with Serentica Entities					
Vedanta Entity	**Serentica Entity**	**Year Signed**	**Capacity (MW)**	**Investment (₹ crore)**	**Term (years)**
BALCO	Serentica Renewables India 1	FY22	200	250	25
BALCO	Serentica Renewables India 7	FY23	105	135	25
BALCO	Serentica Renewables India 8	FY24	Unstated	35	25
HZL	Serentica Renewables India 4	FY23	200	350	25
HZL	Serentica Renewables India 5	FY23	250	438	25
VEDL	Serentica Renewables India 3	FY22	180	230	25
VEDL	Serentica Renewables India 3, 6, 9 (combined)	FY23	691	675	25
VEDL's FY23 figures are combined as the company did not disclose individual PDA details					

Capital Commitments (₹ crore)	**Invested**				
Entity	**FY23**	**FY24**	**FY25**	**FY26+ (Committed)**	**Total Exposure**
VEDL	69	101	189	315	**674**
HZL	105	306	230	147	**788**
BALCO	75	73	195	151	**494**
Total	**249**	**480**	**614**	**613**	**1,956**

Figures 3 & 4 – Vedanta Entity PDAs with Serentica Entities & Capital Commitments with Serentica Entities

[2] Originally $400m, increased to $650m in April 2023.
[3] https://economictimes.indiatimes.com/industry/renewables/kkr-ties-up-with-sterlite-power-to-create-new-clean-energy-platform-serentica-renewables/articleshow/95372157.cms?from=mdr – This has increased to ~$230m

- OCRPS holders are entitled to a dividend of 0.0001% of the face value of the OCRPS. This means HZL's ₹105 crore ($12.29m) investment in Serentica Renewables India 4 will generate an annual return of ₹1,050 ($12.29).

> i. During the previous year, Serentica Renewables India 4 Private Limited had issued 105 million optionally convertible redeemable preference shares of Rs. 10 each. The OCRPS were subscribed by Hindustan Zinc Limited and carry entitlement to dividend of 0.0001% p.a. of the face value of the OCRPS. The OCRPS can be converted, at the option of the board of directors of the Company, into equity shares of the issuer in the ratio of 1:1 before or at the end of 30 years from the date of issuance. The OCRPS do not carry any voting rights as on the reporting dates.

Figure 5 – Serentica Renewables India FY24 Financial Statements

- Based on Serentica's FY24 financials, the return on VEDL Group companies' ₹719 crore ($85m) OCRPS investment would generate ₹7,185 ($85), enough to cater for a small office Domino's pizza party once a year.

VEDL Investment in Serentica OCRPS Analysis					
		Investment		**Annual Dividend**	
Investor	**Investee**	**₹ crore**	**$m**	**₹**	**$**
Hindustan Zinc	Serentica Renewables India 4	105.00	12.29	1,050.00	12.29
Hindustan Zinc	Serentica Renewables India 4	175.00	20.48	1,750.00	20.48
Hindustan Zinc	Serentica Renewables India 5	131.25	15.36	1,312.50	15.36
Bharat Aluminium Company	Serentica Renewables India 1	75.00	8.78	750.00	8.78
Bharat Aluminium Company	Serentica Renewables India 7	40.32	4.72	403.20	4.72
Bharat Aluminium Company	Serentica Renewables India 8	33.00	3.86	330.00	3.86
Vedanta Limited	Serentica Renewables India 3	69.00	8.07	690.00	8.07
Vedanta Limited	Serentica Renewables India 3	59.98	7.02	599.80	7.02
Vedanta Limited	Serentica Renewables India 3	30.00	3.51	300.00	3.51
Total		**718.55**	**84.07**	**7,185.50**	**84.07**

Figure 6 – VEDL Investment in Serentica OCRPS Analysis

- VEDL, HZL and BALCO invested a further ₹614 crore ($72m) in these instruments in FY25.
- The OCRPS are convertible after 30 years have passed from the date of issuance, a period longer than the contracted delivery of power for the SPV and the useful life of underlying assets. Presumably, this means that the entity will be worth *nothing* at the date of conversion.
- The OCRPS do not carry any voting rights and presumably will not do so until 30 years have passed.
- After 30 years VEDL, HZL and BALCO will only have a 26% stake in the respective Serentica subsidiary: no control and no upside[4].
- During the 30 year OCRPS term, these same entities will be paying cost-plus PDAs to Serentica.

The terms of HZL, BALCO and VEDL's OCRPS investments are comically unfair.

The Vedanta Group's investments in Serentica are effectively **a 30-year 0.0001% subordinate bond against a depreciating asset.** This is beyond uncommercial; it is financial lunacy.

By engaging in PDAs and OCRPS "equity" investments in Serentica, these NCI and governance drawbacks are averted. The Promoter Group can appropriate hundreds of millions of dollars from these entities for the exclusive benefit of themselves.

[4] Ministry of Power rules dictate that to qualify as a captive power plant, at least 26% of the ownership must be held by the captive user. The 26% stake is regulatory window dressing, without any benefit to VEDL, HZL and BALCO.

Debt Structure – Offshore Promoter Prioritization

As of FY24 Serentica carries an eye-watering ₹7,487 crore ($877m) in "debt" with a weighted average interest rate of 10.34% according to their disclosed instruments.

Serentica Long Term Borrowings Analysis (₹ crore)		
	FY24	**FY23**
CCDs	751.4	310.8
Interest Accrued But Not Due	59.7	1.6
NCDs	1,440.6	0.0
Secured Loans	4,685.5	0.0
Total	**6,937.1**	**312.3**

Figure 7 – Serentica Long Term Borrowings Analysis

Promoter Policy

- CCD and NCD debt is held exclusively by Serentica's parent company, Serentica Renewables (Singapore) Pty Ltd.
- CCDs accrue at 13% and will give Promoters massive upside without putting in new capital.
- NCDs have prioritized payment at 11% – 14% from available free cash flows, effectively promoting them over other lenders.
- The payment of *interest* instead of *dividends* to foreign entities is no doubt structured to avoid Indian dividend taxes and as a measure to create the illusion of some work being completed in Singapore, creating a further transfer pricing tax benefit.
- Serentica have effectively established a structure where their parent-company "debtholders" are paid out in preference to OCRPS hybrid investors in project SPVs, as their notes hold seniority, despite the quantum of capital and risk being fundamentally the same.

This highlights the uncommercial, exploitative nature of VEDL's investments in Serentica.

How can the less-risky, senior CCDs issued by Serentica to the Promoter Group pose a substantially higher reward than subordinate, 0.0001% OCRPS hybrids "sold" to VEDL, HZL and BALCO?

Secured Lenders Subordinated

- The 56% GoI-owned Power Finance Corporation of India has loaned ₹1,291.52 crore ($151.11m) at 8.95% to Serentica.
- The 29.5% GoI-owned REC (formerly the Rural Electrification Corporation) has loaned ₹2,131.27 crore ($249.36m) at 9.20% to Serentica.
- ICRA also shows that lenders including YES Bank, ICICI Bank, Axis Bank and Barclays have extended substantial credit facilities totaling ₹1,175 crore ($137.48m) to Serentica, in substance they are indirect, unsecured bets secured against VEDL's balance sheet.

Serentica Renewables India Private Limited - Lender Facilities *

Name of Lender	Facility/Instrument	Amount (Rs. Crore)
YES Bank Limited	Fund/Non Fund-based Limits	260[1]
ICICI Bank Limited	Fund/Non Fund-based Limits	275[1]
Axis Bank Limited	Non Fund-Based Facilities	300
Barclays Bank Plc.	Non Fund-Based Facilities	350
Not Applicable	Unallocated Limits	15

Figure 8 – Serentica Renewables Lender Facilities - ICRA[5]

The structure of the Promoter's investment as offshore senior debt has functionally subordinated secured lenders.

5 https://www.icra.in/Rating/BankFacilities?CompanyId=30289&CompanyName=Serentica%20Renewables%20India%20Private%20Limited

Auditors

No Agarwal-related venture is complete without a thoroughly compromised auditor, and Serentica is no exception.

NFRA's 2025 inspection Walker Chandiok & Co LLP, one of Serentica's auditors, exposes systemic failures in exactly the areas Serentica exploits[6]:

- The firm had deficiencies in related party disclosures, arm's-length verification, audit independence and impairment testing.
- In one engagement, the firm failed to identify a related party loan that exceeded materiality thresholds, a technical and structural failure.
- In another, they validated zero-interest and below-market intercompany loans without performing required arm's-length testing or even justification documents.

This is not an isolated case. The report shows the firm repeatedly failed to evaluate related party transactions across multiple clients, failed to report intra-group loans under CARO 2020, and neglected valuation testing on subsidiary investments. These are all core mechanisms through which Serentica extracts value from VEDL and its subsidiaries without scrutiny.

Serentica didn't need an auditor to verify; it needed one to look the other way. Walker Chandiok obliges.

Conclusion

The Agarwal family have mastered the art of financial alchemy: turning investor and creditor faith into their offshore wealth.

- Funds from VEDL, HZL, BALCO and GoI-owned banks are being transmuted into Agarwal family assets that sit outside the reach of VRL and VEDL's creditors.
- VEDL entities are captive customers locked in long-term, uncompetitive contracts for infrastructure they could have built themselves at a fraction of the cost.
- Hundreds of millions of dollars will flow out of India to Singapore and then vanish into the Agarwal's labyrinthine offshore network.

Vedanta Aluminium, HZL and BALCO are targeted precisely because they are the remaining profitable areas of the Vedanta Group.

To VRL and VEDL creditors and stakeholders: you are financing your own subordination, funding projects that will generate no returns and being outmaneuvered.

More to come.

[6] https://cdnbbsr.s3waas.gov.in/s3e2ad76f2326fbc6b56a45a56c59fafdb/uploads/2025/03/20250328112553 5815.pdf

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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