



# Vedanta – Our Letter to the Securities and Exchange Board of India

Published in the public interest after weeks of regulatory silence and escalating market risk.

## PLEASE READ IMPORTANT DISCLAIMER – PAGE 5

**July 25, 2025 – On July 14, 2025**, Viceroy Research submitted the attached letter to various offices within the Securities and Exchange Board of India (SEBI), outlining our findings from the report “Vedanta – Limited Resources.” Despite the gravity of the issues raised, we received no response or acknowledgment.

We understand SEBI is reviewing the matter and trust they are treating these issues with the seriousness they deserve. However, given the lack of any public statements from SEBI, **we are publishing the letter in the interest of transparency and public accountability.**

This publication is also a direct response to **baseless accusations made by Vedanta Resources and its representatives** that we are malicious actors seeking to harm India. We categorically reject this narrative.

It is Vedanta Limited’s promoters, the **UK-based** Vedanta Resources Limited and the Agarwal family, who have systemically extracted value from Indian-listed companies for offshore creditors, at the expense of the people of India, public shareholders and institutional integrity.

Our ongoing investigation has revealed:

- Chronic and systematic underinvestment in operating subsidiaries
- Unsustainable debt structures and disguised liabilities
- Extractive, non-arm’s-length brand fees
- Opaque auditor networks and compromised governance
- Hidden liabilities and borrowings
- External Agarwal entities created solely to loot from Vedanta

Our ten publications to date and supporting documents can be found at:

<https://viceroyresearch.org/vedanta-resources-research/>

As promised in the letter below, Viceroy did make a comprehensive formal submission to SEBI earlier this week. In order to allow SEBI time to properly consider and investigate its contents, is not our intention to publish this submission immediately.

We continue to stand ready to assist regulators in their mission to protect the interests of Indian markets, institutions, and retail investors.



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July 14, 2025

Ms. Maninder Cheema  
Executive Director  
Corporation Finance Investigation Department  
Securities & Exchange Board of India

By email: [maninderc@sebi.gov.in](mailto:maninderc@sebi.gov.in)

Dear Ms. Cheema

### **Vedanta Resources Limited**

We write to formally bring to your attention a series of findings arising from our ongoing investigation into Vedanta Resources Group, whose subsidiaries include Vedanta Limited (**VEDL**), Hindustan Zinc Limited (**HZL**), Bharat Aluminium Company (**BALCO**) and various unlisted affiliates and shareholding vehicles. Our investigation findings have identified material governance deficiencies, undisclosed related party structures, and the misuse of listed company resources in ways that affect Indian public market investors.

As an investigative research group based in the USA, Viceroy Research conducts independent financial analysis on entities that span the globe. Our current research concerns the debt and control structure of Vedanta Resources Limited (**VRL**), a UK entity whose solvency appears increasingly dependent on extractive financial practices at its Indian subsidiaries.

We hold a short position in US denominated VRL debt instruments. While we are not participants in Indian securities markets, we recognize SEBI's critical role in protecting investors and market integrity and submit our findings in good faith, with an offer to assist where appropriate.

We understand the challenge of oversight in complex cross-border structures. Our intention is not to offer regulatory instruction but to contribute what we believe is a credible, sourced, and actionable analysis. We are available to provide documentation supporting our research at your pleasure and would welcome the opportunity to do so should it assist your efforts.

Please note that our analysis is conducted entirely from publicly available information and without any access to non-public or privileged data.

Our full report is available at: <https://viceroyresearch.org/2025/07/09/vedanta-limited-resources/>

The following issues reflect a coordinated pattern of financial extraction and disclosure failure across the Vedanta Group:

#### **1. Unsustainable Debt Structure and Upstreaming from VEDL**

- Vedanta Resources Limited (VRL), the UK-based parent, is insolvent without extracting massive, repeated dividends and fees from its Indian subsidiary, Vedanta Limited (VEDL).
- VEDL has paid out ~\$8b in dividends in the last 3 years, exceeding free cash flow by \$5.6b. This is a structurally unsustainable arrangement that appears driven by VRL's offshore debt servicing needs rather than VEDL's business needs.
- This upstreaming has created a terminal feedback loop: VEDL must borrow or sell productive assets to maintain dividends, placing strain on operations and weakening its own financial position.



## 2. Off-Balance Sheet Liabilities and Misleading Disclosures

- Both VEDL and VRL are likely using intra-period loans and hidden interest costs to mask their deteriorating cash flow, increasing leverage and in VEDL's case, increasingly unsustainable dividend policy.
- There is a demonstrated use of intercompany funding structures that bear similarities to historical schemes (e.g. the 2020 \$956m loan, the TSM–Bloom Fountain Operation), designed to both extract and launder funds through multiple layers of opaque entities.
- There appears to be a deliberate policy of hiding overseas remittances as loans from Indian profit generators to overseas operating subsidiaries, only for those same subsidiaries to remit those funds to VRL entities.
- Material liabilities and impairments are obfuscated through deliberately incomplete disclosures across jurisdictions, a consistent theme in Viceroy's analysis.

## 3. Use of Questionable Auditors to Shield Scrutiny

- A cornerstone of Vedanta's governance failure is its deliberate selection of compromised auditors to oversee its most troubled subsidiaries.
- Subsidiaries across jurisdictions including in Japan, Taiwan, and the Netherlands are audited by a two-partner Indian firm operating from a residential unit with a Hotmail address.
- VRL's UK auditor (MHA MacIntyre Hudson) and VEDL's Indian auditor (SR Batliboi) have both faced regulatory sanctions and loss of public trust.
- This use of compromised auditors to shield suspect transactions from proper oversight, a term we have called audit arbitrage, is a central pillar of VRL's extractive operations.

## 4. Use of Brand Fees and Related Party Structures for Extraction

- 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 \$338m.
- These payments are securitized as security for VRL's debt, locking VEDL into a destructive loop that erodes shareholder value.
- Brand fee-related services are not provided by VRL in London, but largely by VEDL employees in India. This assertion is backed by VRL's office being available for lease and former employee statements.
- PTCC and BJST, two domestic entities, are conduits for cash and control, raising concerns of proxy ownership, undisclosed related party transactions, and potential violations of the Indian Companies Act.

## 5. Governance Failures and Regulatory Arbitrage

- Senior executive turnover has reached alarming levels. Since the September 2023 demerger announcement, numerous top executives across key group companies have resigned, suggesting a breakdown in direction and leadership continuity.
- VEDL has failed to report related party connections and uses circuitous international structures to move liabilities across borders to the detriment of Indian entities.
- In our view, these behaviors undermine investor confidence, threaten the integrity of Indian markets, and increase the risk of a disorderly collapse affecting minority shareholders and creditors alike.
- VRL used the announcement of the sale of VEDL's sale of its steel assets as a pretense for fundraising despite having shelved sale plans 10 months before it was publicly announced to be cancelled.



## 6. Operational Deep Dives Reveal Underperformance and Underinvestment

- Management regularly announces massive, multi-billion-dollar investment plans in trendy sectors like semiconductors, glass manufacturing, and even nuclear power that are soon mothballed.
- The Talwandi Sabo Power Plant has significant concealed liabilities, deteriorating customer relationships and over \$200m in withheld payments from its only customer.
- ESL is committing capex fraud by capitalizing compulsory afforestation penalty costs while subject to consistent “going concern” audit opinions.
- Hindustan Zinc (HZL) has been systematically looted of value, while carrying material off-balance-sheet contingent liabilities. VEDL’s failure to fulfil the Kapasan Smelter investment clause represents an existential threat, given HZL’s importance to the VEDL ecosystem.
- VEDL’s International Zinc assets are impaired without recognition. The Skorpion mine’s remaining reserves are uneconomic, and its refinery is a stranded asset despite management’s claims of a long-promised conversion initiative.

We respectfully submit that the risks outlined above merit regulatory attention, particularly as VEDL and HZL continue to raise funds in public markets, including from domestic public sector institutions and retail investors.

We appreciate your understanding as we continue to investigate what are, by design, highly complex and layered structures. Given the scope of these findings, we intend to provide a more comprehensive submission within the week.

Viceroy Research has a consistent track record of uncovering accounting and governance irregularities at public issuers, including companies later subject to regulatory action, criminal enforcement, or restructuring. Our research is based entirely on public records and official filings, and we welcome the opportunity to provide clarifications or source references should your office require them.

We may operate from abroad, but our values are universal: transparency, accountability, and the protection of those too often left in the dark. We recognize that India, and Bharat more broadly, is home to some of the world’s most resilient investors, hardworking families, and trusted institutions. We believe in this matter it is imperative that your attention be brought to these issues to protect those same groups.

Where our research can support Indian regulators, investors, and the public interest, we stand ready to help.

Yours faithfully,

**Viceroy Research LLC**

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### **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](mailto:viceroy@viceroyresearch.com).

### **About Viceroy**

Viceroy Research are an investigative financial research group. As global markets become increasingly opaque and complex – and traditional gatekeepers and safeguards often compromised – investors and shareholders are at greater risk than ever of being misled or uninformed by public companies and their promoters and sponsors. Our mission is to sift fact from fiction and encourage greater management accountability through transparency in reporting and disclosure by public companies and overall improve the quality of global capital markets.

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