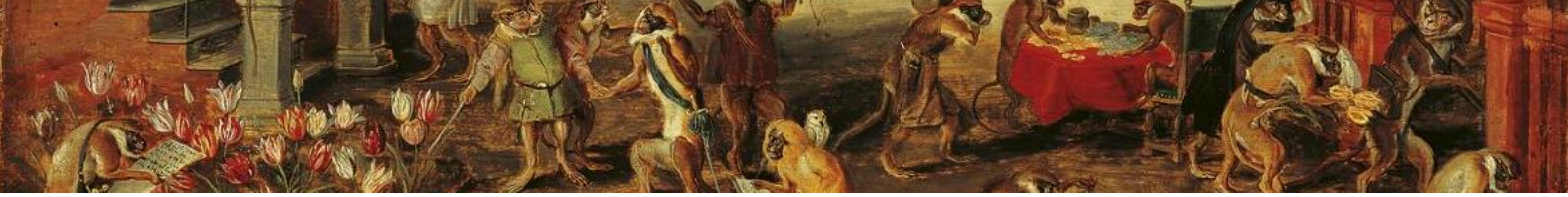


Vedanta – Our Letter to the Government of India on the Looting of Hindustan Zinc

In the absence of a response, we are publishing our letter to the Government of India about the rampant looting at Hindustan Zinc Limited.

PLEASE READ IMPORTANT DISCLAIMER – PAGE 5

July 24, 2025 – On July 22, 2025, Viceroy sent the attached letter to various Ministers and Members responsible for the Government of India's investment in Hindustan Zinc Limited (HZL). The purpose of the letter was to highlight the looting of a strategic national asset and urge consideration of steps to safeguard the national interest.

Our letter cites prior comments by Dr E. A S. Sarma, the former Secretary to the Government of India, who also wrote on March 6, 2025, to the Union Minister for Mines G Kisha Reddy:

"The company is thus depleting its own internal resources to be able to pay such huge dividends, with the lion's share of 63.4% going to the majority shareholder, the Vedanta Group, which in turn is struggling to repay its own debt…

…In other words, the Ministry of Finance and the Ministry of Mines are collectively allowing the Vedanta Group to transfer its heavy debt liability indirectly to HZL by forcing HZL to pay unduly large dividends to the Vedanta Group at the cost of weakening its own finances…

…Should not your Ministry take up this matter with the Finance Ministry and put an end to such appropriation of funds drawn out of HZL's internal resources to fill the coffers of the heavily indebted promoter group, thereby driving HZL itself into debt?"

Dr Sarma's words proved prescient: HZL's FY26 Q1 earnings showed operating cash flow failed to cover the dividend as the company incurred ₹2,000 ($232m) crore of new debt in Q1 alone.

The issues extend further than dividend policy. HZL is surrounded by a network of value-draining structures that extract value into the Agarwal family's offshore network, to the detriment of all HZL and VEDL stakeholders. Since sending the letter we have found another structure.

Minova Runaya, a company 49%-owned by Anil Agarwal's Bahamas trust, has been engaged in profit theft from HZL for at least the past 4 years.

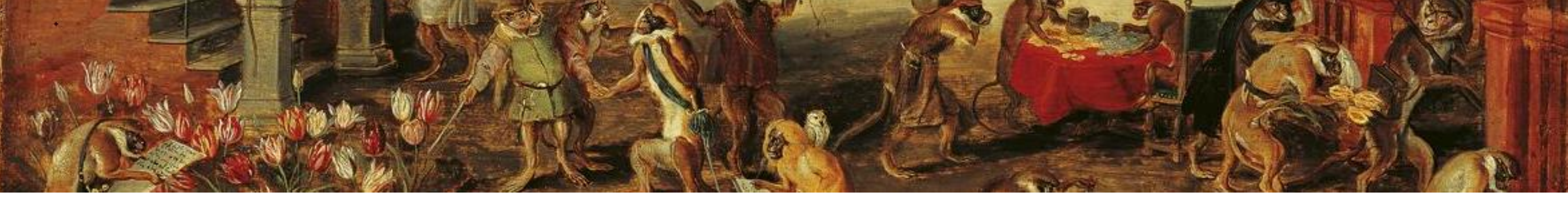
- Minova Runaya resells standardized, commoditized products to HZL at a 30% markup.
- HZL must procure all its ground supply equipment from Minova Runaya at these above-market rates, guaranteeing Minova Runaya's profits.
- The agreement includes indexed pricing for HZL's purchases, offloading all risk onto HZL.
- 30% of Minova Runaya's products come from ESL Steel, another VEDL company, and are then sold to HZL.

The purpose of these structures is to siphon value out of HZL and into the Agarwal family's parallel structure, which VRL's creditors cannot reach. From there it will disappear offshore into their network of shell entities, far from the reach of Indian authorities.

Our publications on these profit thieves, Serentica Renewables and Minova Runaya, are available below:

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

After overextending his empire and finding their creditors at the door, the Agarwals are now trying to escape while draining their debt collateral of value. We believe these Ministries must act before it is too late and HZL and VEDL are left saddled with debt they are unable to service, suffering from underinvestment and crippled by unfair-related party transactions.



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July 22, 2025

To:
The Honourable Union Minister for Finance

The Honourable Union Minister for Mines

Secretary, Department of Investment and Public Asset Management (DIPAM)

Members of the Parliamentary Standing Committees on Finance and Mines

Designated Financial Spokespersons of the Opposition

Subject: Urgent Action Required to Safeguard National Interest in Hindustan Zinc Limited

Dear Honourable Ministers and Members,

Hindustan Zinc Limited is a strategic national asset. It employs thousands of workers, generates significant export revenue, and remains a critical player in India's resource security. It is also a listed public in which the Government of India holds a substantial equity stake on behalf of the Indian people.

The value of that stake is being steadily eroded.

We note that since September 28, 2024 Former Secretary to the Government of India in the Ministries of Power and Finance, Dr E. A S. Sarma, has written three letters to the Union Ministers of Finance and Mines. Dr Sarma has raised serious concerns stating:

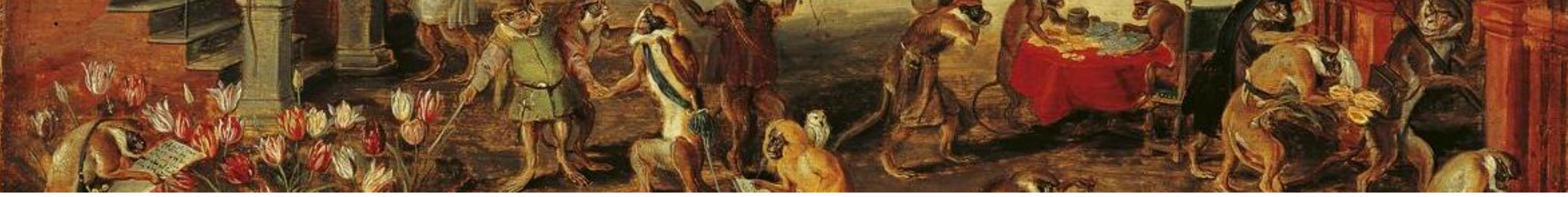
"**Vedanta's excessive dividend payouts to itself from its subsidiary, HZL, to settle its London-based parent company's debt, has already crippled HZL's capacity to invest on Zinc exploration and brought down India's limited Zinc reserves to a critical level." (July 18, 2025)**

"Under Section 123 of the Companies Act, it is illegal for a company to pay dividends from any source other than profits. During the time frame 2017-18 till date, HZL has paid more than Rs 80,000 crores, often in excess of yearly profits, implying diversion of its internal resources for that purpose." (June 24, 2025)

"…the Vedanta Group [has] syphoned off HZL's funds for its own undue benefit, without caring to ensure that Zinc mining in India remained sustainable and that that the country's scarce Zinc resources are not wantonly exhausted to serve the narrow short-term interests of the Vedanta Group. I am sure that an independent judicial enquiry will bring out the complicity in all its dimensions." (July 18, 2025)

Furthermore, Viceroy has identified that **related party transactions and brand fees** and have already extracted **over ₹1,500 crore from Hindustan Zinc since FY23,** with no demonstrable commercial benefit to the Company or its shareholders[1]. Dividends are being funded through borrowing[2]. Capex is falling behind depreciation. Net

[1] FY25: ₹658 crore, FY24: ₹561 crore, FY23: ₹318 crore.
[2] We estimate HZL's cash shortfall in Q1 FY26 to be ~ ₹3,600 crore.



assets have declined by ₹2,000 crore in just the last quarter. Unfavorable related-party energy transactions have extracted at least ₹300 crore and will continue for 30 years.

These are not abstract accounting concerns.

This is the loss of retained earnings, the loss of productive reinvestment, and the quiet transfer of India's wealth overseas.

The Board of Hindustan Zinc is presently dominated by individuals affiliated with Vedanta Limited. Under the Companies Act, these individuals are prohibited from voting on related party transactions. The Government of India has the right to appoint five independent directors under the Shareholders' Agreement date April 04, 2002[4]. That right has not been fully exercised.

This is not the first time you will have acted to protect Hindustan Zinc. In 2022, the Government rightly blocked an attempted sale of Vedanta's international zinc assets to Hindustan Zinc at a vastly inflated price. That transaction was large and visible. What is happening today appears smaller and quieter, but is much more corrosive. The agreements in place right now span 30 years and will transfer significant wealth out of your country.

We write to you as an interested party. We are short the debt of Vedanta Resources Limited, the entity responsible for thousands of crore rupees of wealth extraction from India and the UK-domiciled promoter of Vedanta Limited. We stand to profit should the value of that *offshore* debt decrease.

We respectfully submit the following actions for your urgent consideration:

1. Appoint all five Government nominee directors to the Hindustan Zinc Board

The Government of India currently has the right to appoint five directors under the Shareholders' Agreement. This right has not yet been fully exercised. We urge the immediate appointment of independent directors equipped to provide financial oversight in alignment with global best practices.

2. Commission an independent financial review of related-party transactions

We recommend a forensic examination of Hindustan Zinc's **brand fees, silver exports, Serentica investment, Runaya Group contracts**, and other capital transfers since FY20. This review should be conducted by a firm selected independently of Vedanta Limited or its affiliates.

3. Place a temporary moratorium on dividend declarations

Until there is clarity on whether Hindustan Zinc can sustainably fund its dividend without external borrowing or capital erosion, we recommend that the Board suspend any further payouts[3].

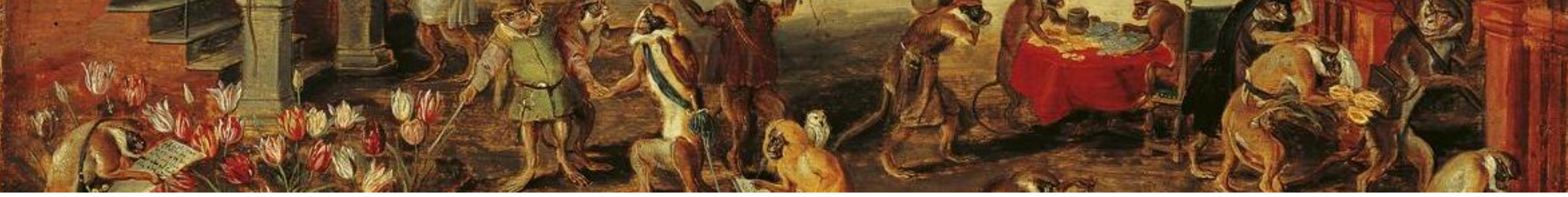
4. Review the process by which the Brand Fee and Strategic Services agreements (BSS Agreement(s)) were executed

We understand that the initial BSS Agreement with Vedanta Limited, executed in early 2023 but backdated to October 1, 2022, was not approved by the Government nominee directors of Hindustan Zinc. This is a breach of the 2002 Shareholders' Agreement. The subsequent BSS Agreement (signed in late 2023), changing the governing law, adding various offshore entity parties and including an egregious termination clause, was entered into without informing the Board, including the Government nominee directors. The execution of (and terms of) this entirely new BSS Agreement was never disclosed to the market.

This process should be reviewed by reference to **Clauses 4.5 (including Provisions 14, 16 and 24) and 5.7 of the Shareholders' Agreement; Section 188 of the Companies Act 2013** and, given that the BSS Fee in FY2026 has likely breached INR1,000 Crore, **Regulation 23 of SEBI LODR.**

5. Escalate the matter to the Comptroller and Auditor General (CAG)

[3] In the Q1FY26 Earnings Call, Hindustan Zinc management stated that these financially irresponsible dividends will continue regardless of their affordability.



As a strategic industrial asset over which the Government of India holds significant control, Hindustan Zinc qualifies for CAG scrutiny[4]. A special audit may be warranted to assess whether past transactions have met the standards of probity, prudence, and fair value.

6. Table the issue before the Parliamentary Standing Committees on Finance and Mines

The scale, pattern and variation of value erosion justify inquiry. We respectfully urge your offices to consider presenting this issue to the appropriate committees to determine whether broader governance reforms are necessary for partially privatized PSUs.

Conclusion

A full account of the damage done to Hindustan Zinc Limited is beyond the scope of this letter. As the time of this writing, Viceroy continues to identify serious governance failures, and our investigation remains ongoing.

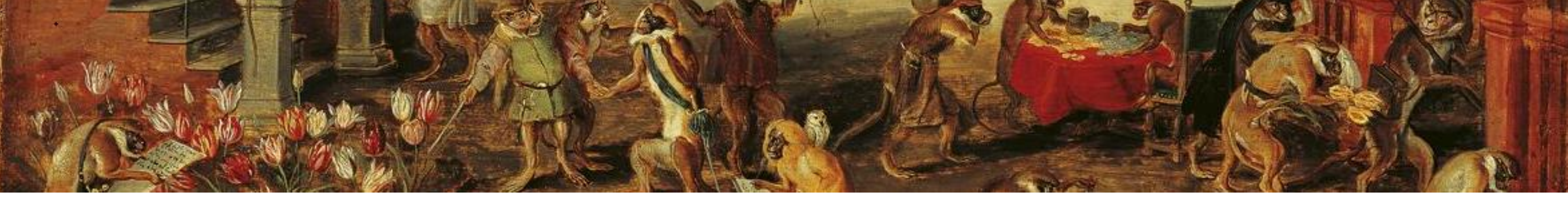
We recognize the responsibility you carry to the Indian people, to capital markets, and to the integrity of public institutions. Hindustan Zinc is not merely a company. It is a strategic asset that represents decades of industrial development, public investment, and employment across India. Allowing its resources to be siphoned, its balance sheet weakened, and its governance compromised is not a private matter. **It is a national one.**

We remain available to support your offices should you require any further information or assistance.

Regards,

Viceroy Research

[4] Control shall include the right…to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner" – Section 2(27) The Companies Act, 2013



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.

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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