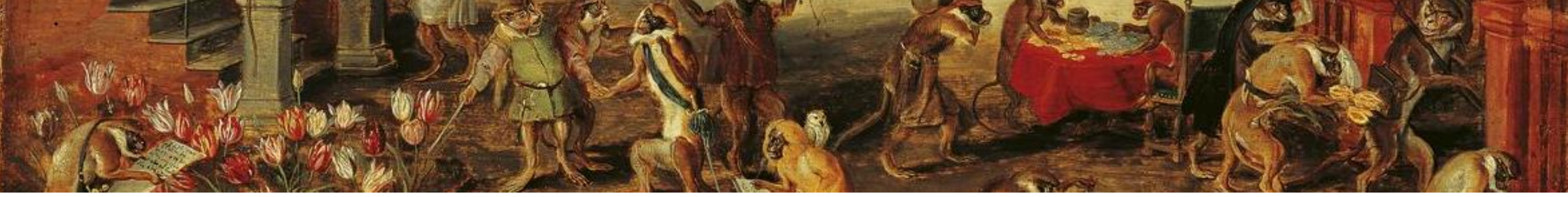


Vedanta – Meet the Agarwals – Runaya Green Tech

A 3rd Agarwal-owned margin thief: how many times have HZL management looked the other way?

PLEASE READ IMPORTANT DISCLAIMER – PAGE 7

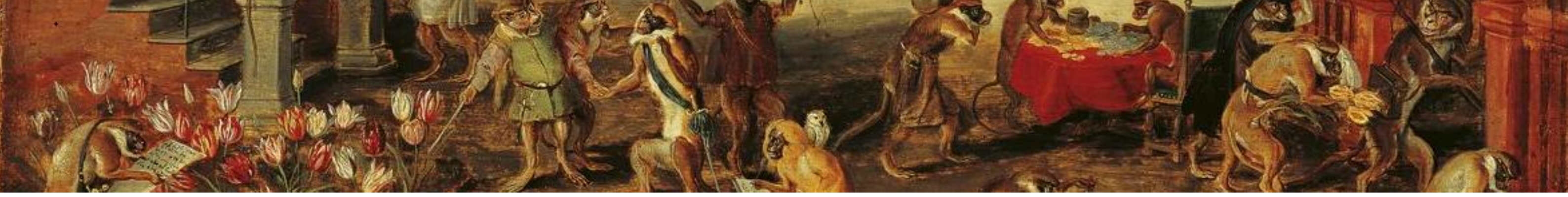
July 29, 2025 – At this point it feels like we've written the same report multiple times. An Agarwal-owned entity is siphoning value out of Hindustan Zinc Limited (HZL), a Vedanta Limited (VEDL) subsidiary already crippled by mismanagement.

- **Runaya Green Tech appears to operate as an integrated HZL subsidiary**, **despite being 100% owned by the Agarwal family**[1]. It performs strategic processing functions at high margins to enrich HZL's promoter group. This is margin theft, and constitutes fraud.
- **HZL appears to pay both to process its own waste and to buy back the recovered material**, resulting in margin duplication and long-term economic loss to the listed company.
- **Runaya Green Tech is reliant on financing from HZL** in order to engage in capital projects. This includes advances from HZL.
- **Over 90% of Runaya Green Tech's revenue and payables are with HZL**, with 121 days of receivables and 219 days of payables. This reflects group-level financial integration, not independent commercial activity. Green Tech's functions should be conducted by HZL.
- **Runaya Green Tech records gross margins of 44.5% and operating margins over 16%**, implausibly high for a dross and residue processor. This suggests deeply subsidized input pricing or suppressed cost recognition.
- **Rather than developing in-house capabilities**, HZL has ceded critical future-facing operations as a vertically integrated operating — copper and zinc waste recovery, and circular economy infrastructure — to privately held promoter entities.
- **India Ratings and Research (Ind-Ra) rated Runaya Green Tech for five years without addressing the underlying conflict**. The only risk they identified was that the promoters and Anil Agarwal might extract too much from VEDL too quickly.
- **Three separate entities have now been identified around HZL using the same value extraction method**. Each is privately controlled by the Agarwal family, financially opaque, and operates through related party pricing and captured contracts.
- **Like the rest of the Runaya Group, Runaya Green Tech changed hands in August 2022** when Anil Agarwal seized the structure from his brother Navin's family.

HZL's greatest loss is not the margin it forfeits to Agarwal-owned vendors like Runaya Green Tech today, it is the future value of the businesses it has handed away. Rather than building long term capabilities in waste recovery, metal reclamation, and circular resource management, HZL has ceded these to promoter-controlled entities.

What should have been HZL's strategic edge is now someone else's profit center. HZL has not developed a platform: it has become a customer.

[1] Sometimes referred to as Runaya Greentech in VEDL filings



Hindustan Zinc – Critically wounded

Before diving into the specifics, it is worth remembering that Hindustan Zinc is not the crown jewel it once was.

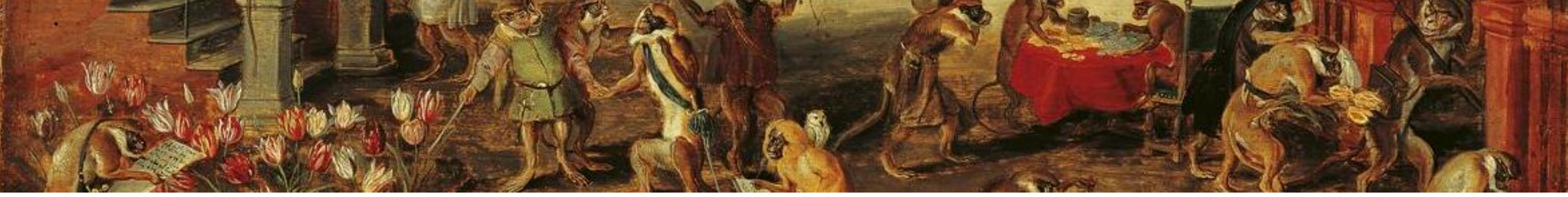
- HZL has paid ₹54,322 crore ($6,342m) in dividends since FY23, exceeding free cash flow by ~₹21,700 crore ($2,541m).
- These unaffordable dividends have seen gross debt rise from ₹12,118 crore ($1,415m) in FY23 to ₹13,501 crore ($1,576m) in Q1 FY26.
- Interest expenses have quadrupled from ₹287 crore ($34m) to ₹1,225 crore ($143m) per year from FY23 to FY26.
- Recent periods have seen an acceleration of this trend, with operating cash flows only covering ~43% of declared dividends in Q1 FY25.
- Brand fees have siphoned off ₹1,537 crore ($180m) between FY23 and FY25 for a brand the Company does not use and services it does not receive. We understand that a further ~₹1,000 crore ($116m) has already been advanced for FY26.
- Management has proven wholly captured by the promoter group, even defending these extractive practices.
- The Company has massive legacy tax and legal liabilities, some of which are existential and which remain largely unprovisioned.
- ₹540 crore ($63m) in investments in Serentica Renewables are functionally worthless, paying 0.0001% annually and maturing in 30 years.

HZL stakeholders should be asking why they are funding the Agarwal family's next business venture instead of building it within the Company itself. These operations deliver 16% operating margins and require minimal capital; there is no strategic reason they should exist outside the HZL structure.

The answer is simple. HZL is the last asset of real value left in the Vedanta Group, and the Agarwals are using it to extract what remains. What follows is not the main course, it is the clearing of scraps from a gutted empire.

Ownership – 100% Agarwal-owned

- At its inception Runaya Green Tech was held by Ruchira Agarwal, Naivedya Agarwal and Annanya Agarwal, the wife and sons of HZL director Navin Agarwal. Navin is brother to Anil Agarwal, VRL CEO.
- Runaya Green Tech is now 99% owned by Runaya Metsource, which is in turn owned by Anil Agarwal's Bahamas trust, Vedanta Incorporated.
- This places Runaya Green Tech's assets outside the reach of VRL and VEDL's creditor structure. Any benefits of ownership accrue to the Agarwal family alone.
- Runaya Green Tech appears to have changed hands in August 2022, when Anil seized the structure from Navin's family.



1. Financials – Margin theft, again

By now the Agarwal margin theft playbook should be familiar:

1. Find one of few VEDL subsidiary that aren't completely broken or worthless (in this case: HZL).
2. Using capital or a loan from VEDL: start a business to sell a commoditized product or service to a VEDL operating subsidiary.
    a. Make sure VRL does not own the margin thief, or your creditors might seize it.
    b. Announce your investment to the market as a "partnership" and proof of your commitment to ESG.
3. Sign non-arm's length, unfair contracts with the VEDL subsidiary that lock them in to buying above market rates.
4. Use these guaranteed profits to raise more debt, while promising ratings agencies that third-party sales are actually plausible at these margins (they are not).
5. Hope nobody notices or checks the financials of these entities.

This process is what created Runaya Green Tech, Minova Runaya and Serentica Renewables. Below is an analysis of how HZL funded the theft of its own profits, profits it desperately needs to prop up its unstable financial condition.

Note: The latest available audited financial statements for Runaya Green Tech are for FY24. A major source for our analysis is India Ratings and Research's rating notes on Runaya Green Tech's parent company, Runaya Refining Limited. These notes analyze the group as a whole, not on a standalone basis. The scope of this analysis is Runaya Green Tech alone.

Revenue and Margin Analysis

- HZL is Runaya Green Tech's only customer and major financier, accounting for 100% of Runaya Green Tech's revenues and investment in FY24.
- The Runaya Group has a 5-year agreement to refine aluminum waste from HZL starting in FY24. Runaya Green Tech appears to be the entity responsible for the contract with HZL.

> RRL has a five-year definitive agreement (based on fixed processing fee with annual escalation) with VDL, ending March 2028, where the latter would supply the 100% aluminium waste as part of the job work to recover metal from the aluminium dross available from one of the aluminium smelters at Vedanta, Jharsuguda, Odisha with metal extraction of around 40%. RRL entered into a similar definitive agreement with BALCO in FY22 and HZL in FY24 for aluminium and zinc metal recovery with a minimum offtake guarantee.

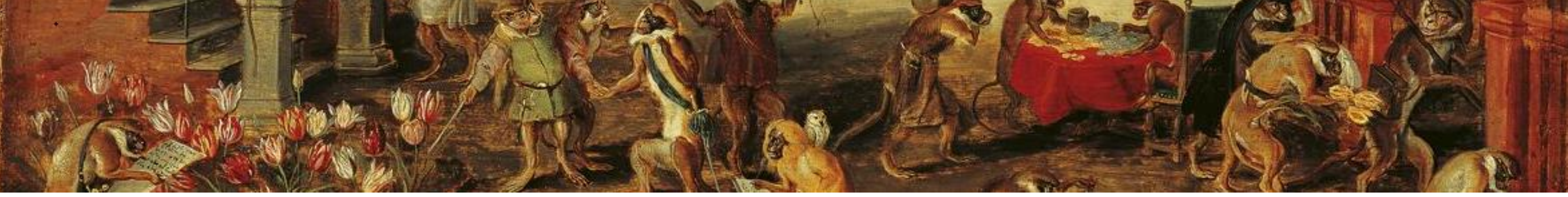
Figure 1 – India Ratings and Research note dated October 27, 2023

- This revenue is split between sales of goods, likely copper and zinc oxides and ingots, and conversion charges for processing copper dross and PF Cake.

Runaya Greentech Revenue Breakdown (₹ crore)	FY25*	FY24
Revenue from operations	**271**	**69.62**
Revenue breakdown		
Domestic	223	47.18
Conversion charges - Cu Dross	48	18.88
Conversion charges - PF Cake		4.45
Change in Price - Sales		(0.87)
Total	**271**	**69.65**
Sales to HZL	223	46.28
Job work services to HZL	48	23.34
Total	**271**	**69.62**
% of revenues from HZL	**100%**	**100%**

* From HZL FY25 Annual Report

Figure 2 - Runaya Green Tech Revenue Breakdown



- While we do not have Runaya Green Tech's FY25 financial statements, we can extrapolate from Ind-Ra notes that HZL remains Runaya Green Tech's only customer. HZL's FY25 reported transactions with Runaya Green Tech show that the Company continued to steal significant value from the group.
- This raises the risk of double dipping. While this structure should result in only one payment, we believe Runaya Green Tech is charging HZL twice:
  - HZL provides the waste material and pays for the processing,
  - HZL buys back the recovered metal at a premium.
- Runaya Green Tech's margins are implausible for a capex-heavy waste-based business indicating related party transfer pricing manipulation or double charging.

Runaya Greentech Margin Analysis	FY24
Gross margin	44.5%
Operating margin	15.7%
Net margin	8.3%

Figure 3 - Runaya Green Tech Margin Analysis

- Dross refining is a low-margin, high volume. A 44.5% gross margin implies either free raw materials or deliberate under reporting of input costs. We believe it is the former.

These margins are not simply healthy. They are unheard of in this industry and corroborate our view that Runaya Green Tech is stripping value out of HZL through either favorable supply contracts, sales contracts or both.

Suspicious businesses also generate suspicious expenses, and Runaya Green Tech is no exception.

- The Company's personnel expenses are suspiciously lean for a capex-heavy industrial operation.
- Admin and support costs are extremely low for a company handling industrial waste with ₹70 crore in revenues.

Capital Structure

Runaya Green Tech is entirely reliant on favorable funding arrangements from HZL to survive and expand. These extend beyond working capital facilities and include HZL making significant funding commitments for Runaya Green Tech's capex.

- Runaya Green Tech funded the entirety of its FY24 capex requirements with a ₹55 crore ($6.4m) advance from HZL. This amount was not shown in HZL's FY24 filings, and remains unpaid in FY25.

Note 10: Property, Plant & Equipment

As per SLM Method	Gross Bl[illegible]	
Asset	Opening Gross Block as on 1st April 2023	Addition for the year
Computer & Laptops	-	6.38
Office Equipment	-	37.82
Furniture & Fixtures	-	59.33
Plant & Machinery*	-	2,750.89
Factory Building*	-	1,078.10
Laboratory Equipment	-	23.65
Electricity Installation*	-	450.98
Sub Total (A)	-	4,407.14
Intangible assets (B)	-	0.19
Capital Work in Progress (C)	16.00	2,692.08
Intangible assets under development (D)	-	-
TOTAL (A+B+C+D)	16.00	7,099.41
Previous year	-	16.00

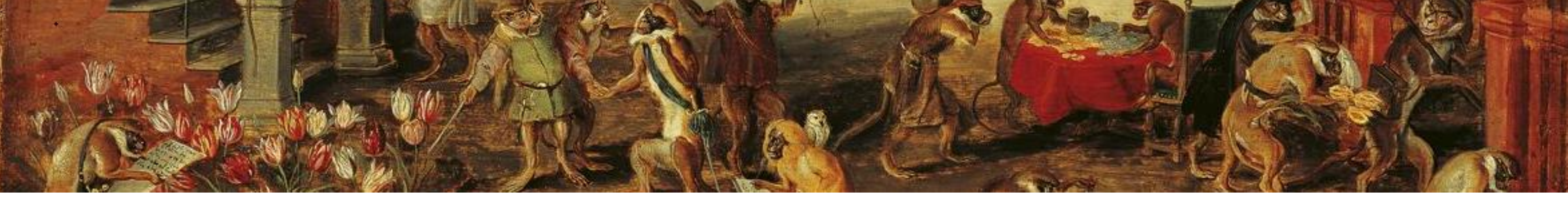
Footnote -

a) Following expenditure has been included during the period:

Nature of Expenses	31-03-2024	31-03-2023
Installation expenses	1.00	-
Borrowing Cost	18.50	-

b) * - Hypothecated against Business Advance received from Hindustan Zinc Limited.

Figure 4 - Runaya Green Tech FY24 Annual Report



- This was the only borrowing the Company declared during FY24, indicating that HZL effectively provided the seed capital for its own profit thief.
- According to Ind-Ra during FY25, HZL advanced ₹194 crore ($23m) to Runaya Green Tech for the purpose of capex, with every intention of funding future capex.
- Ind-Ra goes on to state that these advances are part of HZL's normal practice of "funding ancillaries" which in this case means promoter-owned margin thieves.

Timely Capex Completion; Moderate Execution Risk: The company plans to incur a total capex of INR1,680 million during FY25 (incurred INR703.9 million as of 9MFY25) and INR1,330 million during FY26, including the maintenance capex to expand its aluminium dross capacity to 40 thousand tonnes per annum (KTPA) in FY25 and 48KTPA in FY26 (FY24: 38KTPA) and the minor metal capacity to 70KTPA in FY25 and 93KTPA in FY26 (9MFY25: 53KTPA; FY24: 20KTPA) to cater to the higher demand from VDL's aluminium and zinc plant. The capex is to be funded through project advances from HZL of INR1,940 million (end-December 2024: INR1,250 million; remaining to be disbursed during 4QFY25 and FY26) and the balance through internal accruals. As per the management, the project advances are at an arm's length basis as per HZL's normal practice of funding ancillaries. Ind-Ra expects the same to be a low-execution risk event

Figure 5 – India Ratings and Research note dated January 24, 2025

- Concerningly this advance is not shown in HZL's FY25 financials, which shows only the sale of ₹17 crore ($2.0m) of PPE to Runaya Green Tech. Either Ind-Ra was lied to or HZL provided these advances without declaring them.

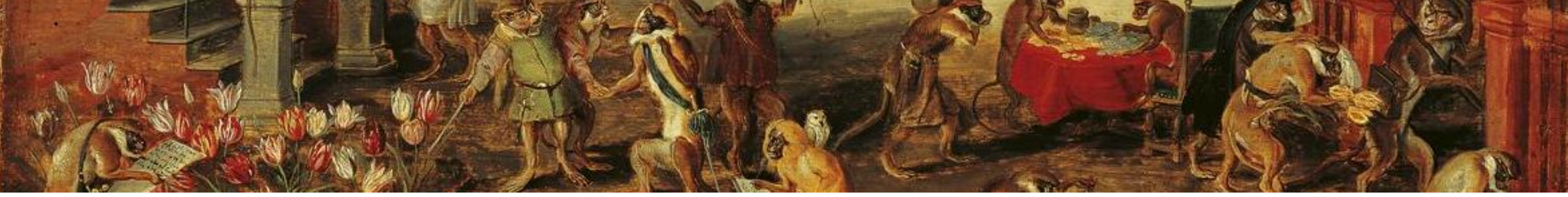
Working Capital Support

- Runaya Green Tech's working capital flows make clear it operates less like an independent business and more like an internal cost center within HZL's ecosystem. Working capital movements suggest liquidity management between both entities instead of a normal business cycle. In FY24:
  - Runaya Green Tech had ₹37 crore ($4.3m) in payables, representing 219 days of expenses. Of this balance, ₹29 crore ($3.4m) is due to HZL.
  - Runaya Green Tech had ₹23 crore ($2.7m) in receivables, representing 121 days of revenue. Of this balance, ₹21 crore ($2.5m) is due from HZL.
- This arrangement continued in FY25 with HZL declaring ₹125 crore ($15m) in receivables from Runaya Green Tech against sales of ₹185 crore ($22m), representing 247 days of sales.

		(₹ in Crore)
Nature of transactions	**For the year ended March 31, 2025**	**For the year ended March 31, 2024**
Sale of Goods & Services		
Fujairah Gold FZC	71	59
Vedanta Limited	1	1
Malco Energy Limited	4	-
Runaya Greentech Private Limited	185	43
Hindustan Zinc Alloys Private Limited	166	17
Total	**427**	**103**

e. The balances receivable/payable as at year end:		(₹ in Crore)
Particulars	**As at March 31, 2025**	**As at March 31, 2024**
Receivable From		
Vedanta Limited*	-	-
Talwandi Sabo Power Limited	0	0
Black Mountain Mining (PTY) Limited	2	2
Fujairah Gold FZC	6	15
Runaya Greentech Private Limited	125	58
Sterlite Technologies Limited	-	1
Ferro Alloys Corporation Limited	0	-
Vizag General Cargo Berth Private Limited	0	

Figure 6 – Hindustan Zinc FY25 Annual Report



2. Ratings Support – Saying the Quiet Part Out Loud

Ind-Ra has a lot to say about Runaya Green Tech and actually agrees with our analysis. Our opinions diverge on the looting of HZL, which Ind-Ra seem fine with.

- **Ind-Ra stated that Runaya Green Tech's liquidity was entirely dependent on Vedanta Limited, in particular VEDL's ability to refinance its debt**.
  - It cites bond refinancing at VEDL as a source of financial flexibility at Runaya Green Tech.

> **Easing of Liquidity Concerns and Financial Flexibility of Counterparty:** The ratings reflect a material reduction in refinancing risk at VDL supported by the recent bond refinancing and a sustained improvement in financial flexibility, with domestic funds and overseas bonds being raised/refinanced at reduced cost of borrowing compared to that in 2HFY24, which will in turn ease the financial flexibility of RRL. The agency notes that the partners and their relatives have strong

Figure 7 – India Ratings and Research note dated January 24, 2025

- In a moment of clarity, **Ind-Ra states that the Agarwal family's looting of VEDL represents a liquidity risk for Runaya Green Tech**. The more the Agarwals siphon out through dividends to VEDL, the less they can siphon out through Runaya Green Tech[2].
- Ind-Ra appear to believe the Runaya Group remains under the control of Navin and Annanya Agarwal, instead of its true UBO, Anil Agarwal.

> significant impact on RRL's business and financial profile. The agency notes that the partners and their relatives have a strong association with VDL, and RRL has significant related-party transactions with the latter. The ratings remain constrained by significant cash withdrawal by the promoters, which will be a key rating monitorable.

Figure 8 – India Ratings and Research note dated January 24, 2025

- Curiously Ind-Ra's note for HZL has nothing negative to say about HZL's dividend policy claiming its "liquidity and credit profile remain comfortable"[3].
- The two primary analysts responsible for HZL and Runaya Green Tech work on the same floor of the same building so could presumably communicate their concerns to each other and chose not to.

3. Conclusion

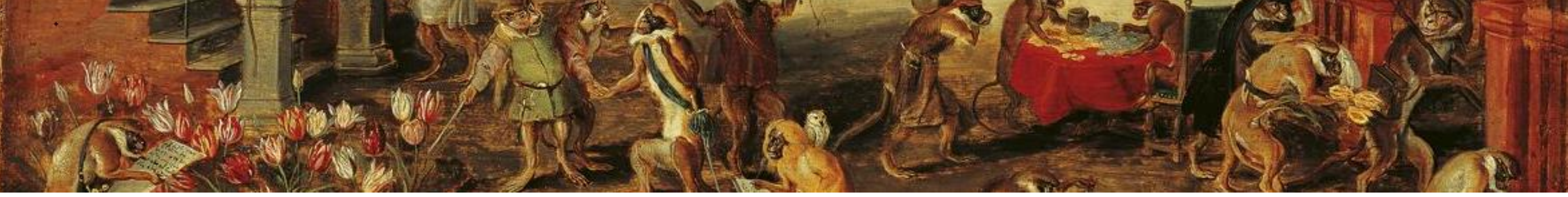
What should be clear by now is that the Agarwals' cynicism is matched only by their lack of imagination. We have identified at least three separate entities around HZL using the exact same method to siphon value. None of it was hidden. None of it was difficult to analyze. These related parties are named openly in VEDL's filings, and their own financials are available online for the price of two coffees.

Equity analysts, credit agencies, and the public defenders of VRL insist that "this was all known." We challenge them to show a single instance where it was raised as a red flag.

Ind-Ra, who clearly understood what was happening, concluded that the only risk facing Runaya Green Tech was the promoters extracting money from VEDL too quickly.

That is not just poor analysis. It is a betrayal of purpose. But at least it was analysis, and that's more than we can say about the rest of the market.

[2] https://www.indiaratings.co.in/pressrelease/74540
[3] https://www.indiaratings.co.in/pressrelease/74422



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