Vedanta – Vedanta Semiconductor: ₹2,500 Crore Dhoke Ka Sammraajy

Under pressure to pay brand fees, VEDL routed a ₹2,500 crore loan through a company doing ₹416 crore in sham operations, hoping regulators didn't look.

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July 18, 2025 – We believe that Vedanta Limited (**VEDL**) subsidiary, Vedanta Semiconductors Private Limited (**VSPL**), is a sham commodities trading operation designed to improperly avoid classification as a Non-Banking Financial Company (**NBFC**).

This scheme was devised to facilitate VEDL's remittance of brand fees to Vedanta Resource's (**VRL**) in April 2025, when it faced a severe liquidity crisis.

VSPL's operational illusion needs 24 months of regulatory silence to fulfil its purpose, repaying its offshore lenders and hiding the near-catastrophe of April 2024. While credit analysts are snoozing through the alarm bells, India's regulators are famously light sleepers.

The Hidden Liquidity Crisis

In April 2024 Vedanta Limited (**VEDL**) faced a severe liquidity crisis. One market participant stated:

"In April 2024 PSU (Public Sector Undertaking) banks stopped funding VEDL, seeing the LM (liquidity management) exercise as a quasi-default. They were also nervous as they still did not have clarity on debt allocation post-demerger.

The loan was intended to be used to send up the brand fees but, by the time JPM had sold the debt in the market, they had already been paid so the loan was used to fund the May dividend.[1]*"*

In response, VEDL reactivated VSPL, not as a semiconductor venture, but as a zero-margin trading entity whose operations appear to consist entirely of paper-based commodity trading.

- VSPL tapped offshore lenders for a short-term, INR-denominated, 10% NCDs secured by VEDL's stake in HZL (equivalent to 1% of outstanding shares).
- VSPL then began trading commodities (copper, silver, gold) on a zero-margin basis reminiscent of wash trading.
- It remitted the loan to VEDL as a 24-month 12% loan, with the spread intended to cover the sham operation's costs.
- VSPL, superficially an operating entity, would face reduced scrutiny for loan repayments under FEMA, Companies Act, PMLA and AML frameworks.

VSPL will likely have to continue these sham operations until FY27, when the loans fall due and repayment will have to be routed back through it. If at any point the regulators intervene at VSPL, **the lender group is likely facing a total wipeout.**

Much more to come.

[1] We have added acronym definitions where needed

1. VSPL, the "Commodities Trader:

An examination of VSPL's FY25 financials suggests that its operations and structure serve one purpose: avoiding classification as an Non-Banking Financial Company (**NBFC**). NBFCs face stricter RBI compliance, more disclosure, capital adequacy rules and prohibition on inter-company lending. VSPL needed "operations", hence the "commodities trading" façade[2].

Suspicious Financial Indicators

- VSPL reports no income, expenses, or activity related to semiconductor manufacturing, R&D, or infrastructure. It is not engaged in the production, development, or sales of semiconductors
- Instead, the entirety of VSPL's FY25 operating revenue of ₹416 crore ($49m) is derived from commodity sales of copper, gold bars, silver granules, and copper blisters.

Disaggregated revenue information

Set out below is the disaggregation of the company's revenue from contracts with customers:

	For the year ended 31 March 2025
Sale of Copper	19,925.94
Sale of Gold bars & Silver Granuels	3,914.64
Intercompany sales-Copper Blisters	17,786.25
Total revenue from operations	**41,626.83**

Figure 1 – VSPL FY25 Annual Report

- VSPL had no prior commodities trading experience and we were unable to find any export or import data for VSPL.
- In VEDL's FY25 accounts, VSPL's principal activity is unprofitable "copper trading" while in FY24, VSPL's principal activity was unprofitable "electronics". This pivot between unrelated industries with minimal overlap occurred less than two years after its acquisition from Anil Agarwal's private investment vehicle, Twin Star Technologies Limited.

25	Vedanta Semiconductors Private Limited (h)	Electronics	India	Vedanta Limited	100.00	-

20	Vedanta Semiconductors Private Limited (f)	Copper trading	India	Vedanta Limited	100.00	100.00

Figure 2 & 3 – VEDL FY24 and FY25 Annual Report, respectively

- VSPL had a gross loss of ₹0.15 crore and on operational revenue of ₹416 crore, a (0.04%) gross margin. This strongly suggests trading operations are being simulated to create the illusion of an operating business.
- All of VSPL's sales ₹178 crore ($20m) to Vedanta Copper are recorded as receivable, consistent with a short-term liquidity problem at VEDL.

VSPL Margin Analysis	FY24	FY23
Revenue from operations	416.27	–
Purchase of stock-in-trade	416.42	–
Gross Profit	**(0.15)**	**–**
Gross Margin	**(0.04%)**	**–**

Figure 4 – VSPL Margin Analysis

- Despite high-volume purchases and sales, VSPL reports zero opening, closing, or change in inventory.
- The company reported no trade credit facilities, no leases or buildings, no freight or transit costs, no hedging activities, and only ₹16 lakh ($19,277) in insurance expenses for over ₹416 crore ($49m) in traded goods.

Missing Features of a Real Trading Firm	
Inventory	None
Trade Credit Facilities	None
Logistics/Freight Expenses	None
Insurance	₹16 lakh on ₹416 crore trade
Hedging	None
Offices	None
Warehouses/ Leases	None
Furniture	None

Figure 5 – Missing Features of a Real Trading Firm

[2] https://www.rbi.org.in/commonman/english/scripts/FAQs.aspx?Id=1167

Exploding Revenues, Liquidation Expenses, Rushed Pivots

- Despite a 30,994% yoy increase in revenues in FY25, every financial other metric suggests that VSPL was in liquidation:
  - Employee costs fell 55% driven by compensation expenses and allowances. Leave encashments increased, suggesting layoffs.
  - Other expenses including overheads, legal and professional expenses, and rent fell 54%.
  - The company sold all its furniture and almost all its office equipment in FY25. VSPL's balance sheet suggests its operations consists of ₹33.38 lakh ($39,056) worth of IT equipment, presumably on the floor[3].

Property, plant and equipment	Furniture	IT equipment	Office equipment	Total
Gross Carrying Value				
As at 31 March 2023	-	-	-	-
Additions for the year	17.56	12.51	1.98	32.05
Disposals/ adjustment for the year	-	-	-	-
As at 31 March 2024	**17.56**	**12.51**	**1.98**	**32.05**
Additions for the year		21.68	-	21.68
Disposals/ adjustment for the year	(17.56)	(0.81)	(1.41)	(19.78)
As at 31 March 2025	**0.00**	**33.38**	**0.57**	**33.95**

Figure 6 – VSPL FY25 Annual Report

- VSPL has not filed a form MGT-14 or Memorandum of Association change on the MCA21 system-of-record, nor any other document for FY25. While not a technical default, this suggests a rushed and poorly executed pivot made for optics.

[3] We assume the office equipment does not include a scanner, judging by the resolution of VSPL's financials

2. VSPL, the Shadow Financing Arm

VSPL's operations are designed to facilitate the payment and repayment of what appears to be an emergency liquidity bridging loan to VEDL. Large offshore transfers to or from non-operating entities are likely to attract FEMA scrutiny, exactly what VRL wanted to avoid.

NCD Issuance Secured by HZL Stake

- On May 14, 2024, VSPL issued ₹2,454 crore ($290m) in 10% Non-Convertible Debentures (NCDs) to several foreign buyers including JPM, Fort Canning Investments, Burlington Loan Management, Robusta 4 Finance DAC and Bank of America Singapore[4].
  - The loan's sole security, according to VSPL, is 42,790,960 HZL shares held by VEDL worth ~₹1,941 crore ($227m) at the reporting date and equivalent to 1% of its shares outstanding.

Financial liabilities - Borrowings*

	As at 31 March 2025
Non-current borrowings (at amortised cost)	
Unsecured	
Twin Star Display Technologies Limited (Refer note no. 28)*	-
Loan fom VEDL (Refer note no. 28)**	3,200.54
Secured	
Non convertible debentures (NCD) @ 10% ***	1,81,347.67
	1,84,548.21
Current borrowings	
Secured	
Non convertible debentures (NCD) @ 10% ***	64,041.48
	64,041.48

Notes

Twin Star Display Technologies Limited has sanctioned long-term loan facility to the Company Vedanta Semiconductors Private Limited which has been fully repaid during the year.

Vedanta Limited (VEDL) has sanctioned two long-term loan facility of Rs. 23.40 Cr at 10.40 % and Rs 7.10 Cr at 10.70% to the Company on 31 May 2024 and 22 October 2024 respec
term of agreement both principal and interest are payable on maturity, which is 2 years from the agreement date.

Interest shall be accrued daily on aggregate outstanding amount of loan from time to time on the basis of 365 days in a year.

The Company has issued Non-Convertible Debentures (NCDs) to the following institutional investors:

-JP Morgan Securities Asia Private Limited
-Fort Canning Investments Pte Ltd. (VRR)
-Burlington Loan Management Designated Activity Company
-Robusta 4 Finance DAC
-J.P.MORGAN SECURITIES ASIA PRIVATE LIMITED (for sold stake of BANK OF AMERICA SINGAPORE LIMITED)

Terms of the Issue:

-Interest on the NCDs is payable quarterly, with the first interest due three months from the date of allotment.

Repayment of the principal is structured as follows:

-25% of the principal amount is repayable at the end of 12 months from the date of allotment
-The remaining 75% is repayable at the end of 24 months from the date of allotment

Pledge of Shares:

-As security for the NCD issuance, Vedanta Limited has pledged 42,790,960 equity shares of its subsidiary, Hindustan Zinc Limited(HZL).

Figure 7 – VSPL FY25 Annual Report

- 25% of the principal, ₹625 crore ($73m) is payable 12 months from allotment, the remaining 75%, ₹18,750 crore ($219m) 24 months from allotment. The tenor of the loan, repayment terms, and denomination in INR suggests this was a liquidity bridge loan designed to face minimal scrutiny.
- JP Morgan, whose analysts have also repeatedly defended VRL and VEDL, appear to be the main investor in these loans to a sham trading entity.
- Bank of America, whose analysts have also repeatedly defended VRL and VEDL, dumped their exposure within less than a year of the allotment. The Risk Department likely decided that relying on a sham trading entity as a repayment conduit was a step too far.

[4] Date of encumbrance from Regulation 31 BSE announcement on July 18, 2024 https://www.bseindia.com/xml-data/corpfiling/AttachHis/1BFE5C56_CFE8_4782_88F3_5D51A2ADD586_143737.pdf

Large Intercompany Loan to Vedanta Limited

- The loan proceeds were remitted to VEDL when VSPL sanctioned a ₹2,500 crore ($293m) 12% loan. ₹2,408 crore ($282m) of this loan was disbursed in FY25.

(I) Non- current financial assets - Loans

	As at 31 March 2025	As at 31 March 2024
Loans and advances to related parties		
-Loan given to Vedanta ltd*	1,80,371.39	-
	1,80,371.39	-

(II) Current financial assets - Loans

	As at 31 March 2025	As at 31 March 2024
Loans and advances to related parties		
-Loan given to Vedanta Ltd	64,673.06	-
	64,673.06	-

The company has sanctioned a loan having maximum aggregate principal amount of ₹2,500 crore to Vedanta Ltd. at an interest rate of 12% per annum. The first interest payment was received 80 days after the initial drawdown date from the loan facility. Subsequent interest payments are scheduled at the end of every three-month period, starting from the first interest payment date and continuing until the settlement date.

Figure 8 – VSPL FY25 Annual Report

- VEDL did not fully disclose the terms of the loan in their FY25 financials, likely to hide its nature as a temporary liquidity injection.

the Act, for a subsidiary, is as follows: Vedanta Semiconductor Private Limited ("VSPL"), a wholly owned subsidiary of the Group, has borrowed ₹ 2,500 Crore during the year ended 31 March 2025 from a third party lender and has lent the funds to Vedanta Limited (ultimate beneficiary), who has fully used these funds for its operations in the ordinary course of business. VSPL has complied with the relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and the Act for the above transaction and the transaction is not violative of the Prevention of Money-Laundering Act, 2002 (15 of 2003).

Figure 9 – VEDL FY25 Annual Report

- VEDL and VSPL filings disagree about several aspects of the loan:
  - VEDL states that the loan's collateral base includes hypothecated VEDL and VSPL properties, HZL shares and 100% of VSPL. VSPL states it was solely the HZL shares[5].

Security details	As at 31 March 2025
(i) First ranking pari passu security by way of hypothecation over the VEDL hypothecated Properties.	2,418
(ii) First ranking exclusive security by way of pledge over 100% of the paid-up share capital of VSPL, on a fully diluted basis.	
(iii) Pledge over the HZL shares.	
(iv) First ranking exclusive security by way of hypothecation over the VSPL hypothecated properties	

Figure 10 – VEDL FY25 Annual Report

  - VEDL states the loan from VSPL carries an interest rate of 10.4% – 10.7%, while VSPL states the interest rate is 12%.

[5] VSPL's equity is functionally worthless; it is a zero-margin pass through entity with no meaningful assets except loans to VEDL.

Rubber Stamp Governance

- Very suspicious financials require very suspicious auditors. VSPL's auditors, MP Chitale & Co, have come under scrutiny for their role as:
  - Former auditors of IndusInd Bank; during the period multiple discrepancies were found in its derivatives portfolio.
  - Former auditors of IL&FS subsidiaries; IL&FS was one of India's largest corporate collapses and was investigated by the SFIO.
- Two of the three VSPL directors in FY25 are connected to Agarwal family investment vehicles:
  - Akarsh Hebbar is Anil Agarwal's son-in-law and husband of Priya Agarwal, VEDL Director and Chairperson of Hindustan Zinc.
  - Ajay Agarwal was a President of Corporate Finance at VRL until May 2025[6].

Legal Risks

- This entire structure is highly questionable and at risk from regulatory intervention.

Framework / Regulator	Potential Breach or Issue
FEMA (RBI)	Offshore borrowing via VSPL routed to parent (VEDL) may breach end-use restrictions Structure may circumvent ECB classification by using INR-denominated NCDs with foreign buyers
SEBI / LODR Regulations	Partial or ambiguous disclosure of collateral backing foreign borrowing Possible non-compliance with related-party transaction norms
Income Tax Act	2% spread from intercompany lending combined with loss-making operations may invite GAAR scrutiny
PMLA (ED)	Use of synthetic trading and layered fund flows may raise questions under anti-money laundering provisions
Auditing Standards / NFRA	Auditors' acceptance of VSPL's operational substance despite minimal assets or activity may conflict with professional standards
Public Asset Governance (GoI / DIPAM)	Use of HZL shares (strategic public asset) as collateral for offshore group-level borrowing without transparent rationale

Figure 11 – VEDL FY25 Annual Report

- The lender group, participants in a high-risk synthetic facility, also face significant risks:
  - Their only collateral is a significant stake in a part GoI-held strategic asset held by a third party.
  - The GoI is unlikely to allow foreign lenders to enforce their pledge over 1% of HZL especially when the legal owner may not have been party to the original agreement.
  - The borrower is a shell company with zero-margin operations and ₹11 crore ($1.2m) in hard assets.
  - VSPL must evade regulatory intervention for at least 24 months for the repayment to flow back through it.
  - VEDL must remain liquid enough to service and repay the loan throughout the term, including the 25% principal repayment.

This structure is a risk officer's worst nightmare: a regulatory decoy system reliant on fabricated activity for recovery. If it receives scrutiny or intervention, the lenders are likely to face a wipeout.

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[6] https://www.linkedin.com/in/ajay-agarwal-90604037/?originalSubdomain=in
No familial relationship has been identified

3. Conclusion

In the absence of a clear, fact-based explanation from Vedanta, Viceroy finds no credible rationale for this arrangement. The parallels to India’s past corporate failures of Satyam, Enron, Kingfisher are striking. In each, the truth emerged in bankruptcy courts, not boardrooms. Vedanta’s management should take note: those who don’t take a stand, often end up taking the stand.

Despite Vedanta’s claims that Viceroy failed to engage, we have yet to receive a response. For a company so quick to dismiss our findings, one might expect answers to be equally swift. It’s been over a week since we formally requested clarification.

4. Bonus Round: The Semiconductor Sham

As we wrote in our original report, we believe VEDL's entire semiconductor venture was a façade from the start, designed for hype-based fundraising instead of economic viability.

What Was Sold

- VSPL was incorporated in February 2022.
- On February 14, 2022, Foxconn and VEDL announced a joint venture whose investment was later reported to be a $19.5b (₹166,658 crore) investment pact in Gujarat.
- The JV stalled due to cost disputes, lack of clarity and slow progress.
- In July 2023 Foxconn officially withdrew "by mutual agreement" with VRL claiming it held licensing deals for various technologies.
- VEDL continued to sell the semiconductor venture as active.

What Really Happened

By mid July 2023, the semiconductor project was considered a pipe dream

Required Element	VSPL Reality
Capital Work-in-Progress	None
Fixed Assets	None
Land Procurement/Site Development	None
R&D Expenditure	None
Environmental Filings	None
Power & Water Infrastructure	None
Employee Expenses	Negligible

Figure 12 – VSPL Requirements Analysis

- VSPL's FY24 financials show no indications of setting up a semiconductor venture:
  - No CWIP, fixed assets, R&D spend or evidence of infrastructure or build-out required for industrial scale fabrication.
  - No public evidence of land clearance, plant design, environmental filings, water use permits,
  - Minimal PPE assets
- VSPL was only registered for GST in February 2023 in Maharashtra and Haryana in June 2023[7,8].
  - The June 16, 2023, Haryana GST registration lists VSPL's business as "Supplier of Services, Recipient of Goods or Services, Import, Factory".
  - The November 2, 2023, Maharashtra GST registration lists the "Nature of Business" as "Office/Sale Office".
  - This raises an obvious question: did Anil Agarwal plan on setting up a multi-billion-dollar semiconductor venture without any capital expenditure registering for GST?
- On July 27, 2023, VEDL acquired VSPL from Agarwal family investment vehicle Twin Star Technologies for undisclosed consideration.
- At this point VSPL was a shell entity with minimal operations and only one obvious purpose: a conduit for offshore debt.

Anil Agarwal, ever the non-resident nationalist, chased the semiconductor spotlight, eager to cast himself as the next champion of Indian industry. Instead, he built another channel to extract value to offshore entities, importing the promise and exporting the proceeds.

[7] https://www.knowyourgst.com/gst-number-search/vedanta-semiconductors-limited-06AAICV5698N1ZC/
[8] https://www.knowyourgst.com/gst-number-search/vedanta-semiconductors-private-limited-27AAICV5698N1Z8/

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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