Vedanta – Zinc Twice Before You Act

HZL's unapproved brand fees carry an undisclosed termination clause, and appear to trigger an event of default per its SHA with the Government of India.

PLEASE READ IMPORTANT DISCLAIMER – PAGE 14

July 17, 2025 – On October 1, 2022, Vedanta Limited imposed a "brand fee" on Hindustan Zinc. We believe this "brand fee" is not only an uncommercial contract with VEDL, but that the agreement itself is a breach of HZL's Shareholder Agreement

VEDL is party to a shareholder agreement (**SHA)** with the Government of India (**GoI**), aiming at protecting the rights of the GoI as minority shareholders in HZL. This SHA is active to date, referred to in VEDL & HZL annual reports, and incorporated into HZL's MOA and AOA.

The SHA lays out certain provisions for matters that require "Special Consent". HZL can only engage in these "Special Matter" transactions/activities, with an **affirmative vote from a GoI nominated Director**:

- **Provision 14** limits the ability of directors self-dealing with their own interests without approval of GoI nominated directors.
  - HZL shares executive and non-executive directors with both VEDL and VRL.
- **Provision 16** limits the ability of HZL to make the provision of guarantees or securities to other companies under the same management.
  - **The brand fees provided by HZL to VRL are used as security against VRL loans.**
  - Whistleblowers have advised that these **brand fee contracts carry hefty, undisclosed termination clauses.**
  - **This termination clause was required by VRL creditors** in order to secure loans against the brand fee agreements, and for dispute arbitration to take place in the UK.
- **Provision 24** limits the ability of the company to make any loans or advances to any person in excess of ₹20 crore[1].
  - **Brand fees also function as rolling credit to VRL** rather than a conventional fee for service. The brand fee amount is calculated based on projections, and is **paid as an *advance***.

Whistleblowers have advised that HZL did not seek approval from the GoI in establishing its 2023 Brand Fee agreement.

The 2023 brand fee agreement superseded the previous brand fee agreement by adding hefty termination clauses, allowing VRL to use the contract as a security for new loans. This is also against Provision 16 above.

This breach of the SHA constitutes an **Event of Default** (**EOD**):

- In an EOD, the Defaulting Party (VEDL) must remedy the Non-Defaulting Party (the GoI) **within 15 days.**
  - We encourage the GoI to seek a clawback of uncommercial and unauthorized Brand Fee payments made to VEDL and VRL.

In the event that VEDL/VRL are unable to remedy the situation, they will trigger another[2] sovereign call or put option event at the discretion of the GoI

[1] In this context, a "person" explicitly includes legal entities. Ref Article 1 of the SHA

[2] Note that we have already identified a EOD by VEDL in their failure to complete the Kapasan Project, also a requirement under the SHA.

A Call Option to purchase VEDL's stake in HZL at a 25% discount to the current market value, representing a $3.3b loss to VEDL. This loss does not include the detrimental cash flow & balance sheet impact of deconsolidating HZL from VEDL's books.

…or

A Put Option to sell the GoI's stake in HZL to VEDL for a 25% premium, representing a $1.5b loss to VEDL against a $7.5b commitment which they cannot afford.

This report also covers:

- Other related party transactions engaged by HZL, which would also have required GoI Director nominee approval. This includes uncommercial transactions with Serentica Renewables.
- A capital structure analysis of HZL, showing a deteriorating book being stacked with debt.
  - HZL's balance sheet has shifted from a heavily ~₹16,000 crore net-cash position to a ₹8,700 crore net debt position in a matter of 5-6 years, a delta of ~₹24,700 crore.
  - HZL's gross debt since 2020 has increased from ₹600 crore to ₹11,500 crore.
  - Interest costs have followed from ₹112 crore to ₹1,111 crore per annum.
  - HZL's working capital assets have been depleted while working capital liabilities have skyrocketed. This is presumably a result of HZL wanting to access liquidity to pay dividends it cannot afford.
  - Consequently, HZL's working capital ratio has moved from a very safe (maybe too inefficient) 3.1x-4.6x in FY20-FY21 to ~1.0x over the last 3 years. This could indicate solvency issues.
- A cash flows analysis showing that HZL does not make sufficient cash flows to support enormous dividends.
  - HZL has incurred a ₹23,800 crore FCF shortfall against dividends since 2019. As demonstrated above, HZL has supplemented this with debt.
  - Cyclical cashflows appear to have completely stalled despite assertions from management that HZL is investing in capital projects.
  - Capex, which is only marginally more than D&A costs over the last 3 years, appears to be entirely maintenance capex and/or capitalization of expenses.
- HZL faces a ticking financial time bomb in the form of massive, unresolved tax and royalty disputes. As of FY25, the company disclosed a total of ₹15,156 crore in dispute.

1. Questions for HZL-GOI Meeting Today

We understand HZL's board is due to meet today, due to long-standing tensions between VEDL and GoI interests. Below are some questions we suggest the GoI nominee directors ask VEDL directors in order cut through their habitual lies.

Regarding Brand Fees

- What services have VRL provided to HZL since October 1, 2022, that were not provided over the previous 20 years?
  - There are no employees or substantial operations at VRL to justify brand fee payments. VRL's UK operations are effectively shuttered, and its office is for lease with the listing dated January 31, 2025.
  - A perusal of HZL's costs shows that VRL has not adopted any management or auxiliary services to HZL.
  - HZL does not use the "Vedanta" brand.
- Is the brand fee a related party transaction?
- Are brand fees used to secure VRL loans?
- Are brand fees paid in advance?
- Did a GoI nominee approve HZL's brand fee agreement with VRL?

Regarding Serentica

- Are the HZL board aware that it has invested in OCRPS with a related party for the comical yield of 0.001% per annum?
- Are the HZL board aware that, on the OCRPS vest in 30 years, at which point the SPV assets will likely be fully depreciated, and the PDAs signed with clients expired?
- Are the HZL board aware that the PDAs they signed with Serentica, for which they also funded the investment of the capex, are on a cost-plus basis, guaranteeing Serentica's operating profits?
- If yes to any of the above, why was this deal signed?
- If no to any of the above, why did they not know?
- Did a GoI nominee director approve of these transactions?

Regarding Kannan Ramamirtham's directorship in PTCC

- You sit on the Board of PTC Cables Private Limited (PTCC), which has a 1.91% holding in VEDL and a further stake in HZL (0.27% in 2022). Please confirm the ultimate controlling shareholder of PTCC (above Bhadram Janhit Shalika Trust).
- Please confirm your involvement, as the Chairman of the Audit and Risk Committee of HZL, in the devising of and the approval of the current BSS agreement executed in late 2023.
- What have you done to manage the conflict of interest between you being a Director of PTCC, a shareholder of both VEDL and HZL, and having the ultimate oversight over the BSS agreement between HZL and VEDL?

2. Brand Fee Abuse

On October 1, 2022, Vedanta Limited imposed a "brand fee" on Hindustan Zinc. We believe this "brand fee" is an uncommercial contract with VEDL, who does not appear to provide any brand, management, or other auxiliary services to HZL.

Under this arrangement, a fee of 2% of projected turnover was extracted through a sub-licensing structure managed by VEDL, who retain 30 bps and pay the rest to VRL.

This has resulted in HZL paying ₹1,562 crore ($182.76m), equal to 5% of its profits over the past 3 years for a brand it does not use to a company with an empty London office.

Brand Fee Payments from HZL to VEDL	**FY25**	**FY24**	**FY23**	**Total**
Payments	658	561	343	**1,562**
Net profit	10,279	7,787	10,520	**28,586**
% of net profit	**6.40%**	**7.20%**	**3.26%**	**5.46%**

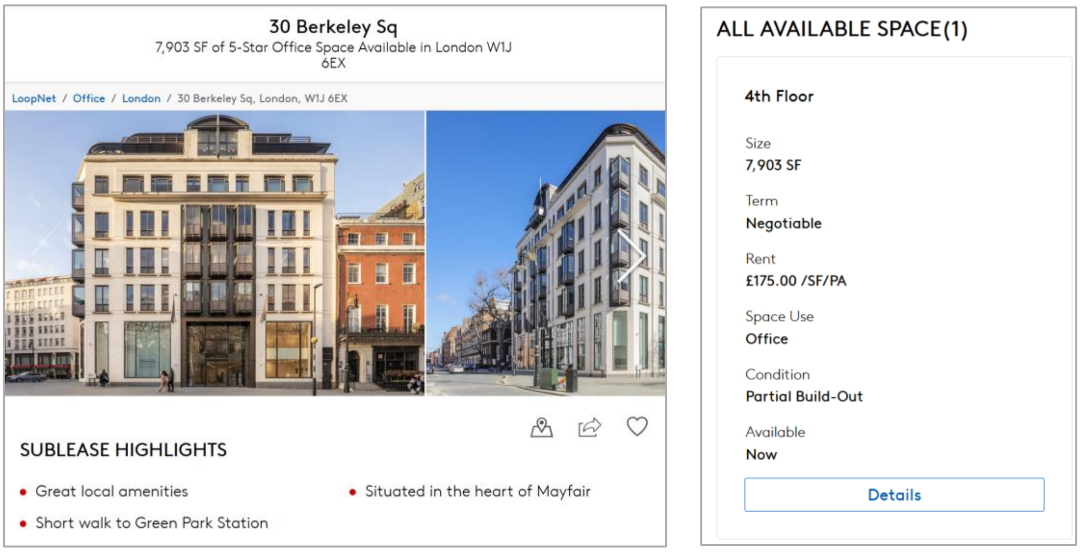
Figure 1 – Brand Fee Payments from HZL to VEDL

In April 2025, this fee was "re-negotiated" to 3% of projected turnover.

> Further, during the current year, based on updated benchmarking analysis conducted by independent experts, the brand license and strategic service fee has been re-negotiated at 3% of the consolidated turnover of the Company with effect from April 01, 2025. The Company contractually pays such fee in advance at the beginning of the year, based on its estimated consolidated annual turnover.

Figure 2 – HZL 2025 Financial Report

There are no employees or substantial operations at VRL to justify brand fee payments. VRL's UK operations are effectively shuttered, and its office is for lease[3] with the listing dated January 31, 2025.



Figures 3 & 4 – 30 Berkeley Sq Loopnet.com Listing

Hindustan Zinc has been managed and operated by its own (compromised) internal management team as a subsidiary of VEDL for ~20 years.

What services have VEDL provided to Hindustan Zinc since October 1, 2022, that were not provided over the previous 20 years?

[3] https://www.loopnet.co.uk/Listing/30-Berkeley-Sq-London/34669991/

The Shareholders' Agreement (**SHA**)

VEDL is party to a shareholder agreement (**SHA)** with the Government of India (**GoI**), aiming at protecting the rights of the GoI as minority shareholders in HZL.

The SHA (signed on April 04th 2002) is still binding and is referred to up to date in HZL and VEDL annual reports, **and is included in HZL's current Articles of Association and Memorandum of Association[4]**.

The SHA lays out certain provisions for matters that require "Special Consent". If HZL wants to engage in these "Special Matter" transactions/activities, it can only do so with an affirmative vote from a GoI nominated Director:

4.5 AFFIRMATIVE VOTING RIGHTS

(a) Notwithstanding any other provision of this Agreement or otherwise permitted or provided under the Act, no obligation of the Company or any of its subsidiaries, shall be entered into, no decision shall be made and no action shall be taken by or with respect to the Company or any of its subsidiaries in relation to the matters identified in Schedule 4.5, unless such obligation, decision or action, as the case may be, is approved:

(i) if at any meeting of the Company's shareholders duly called for the purpose of considering such obligations, decision or action, then subject to Sub-clause 4.4(e) of this Agreement by the affirmative vote of both the Government and the SP cast at such meeting;

(ii) if at any meeting of the Board, then subject to Sub-clause 4.4(e) of this Agreement, by an affirmative vote of at least one Government Nominee Director and one Purchaser Nominee Director.

Figures 5 & 6 – Hindustan Zinc Shareholders Agreement

*A breach of Clause 4.5 of the SHA is classified as **an event of default.***

This then begs the questions:

- Is the brand fee agreement subject to Special Matter Provisions?
- If so, did HZL seek approval from the GoI to engage in the Brand Fee Agreement?

Spoiler alert: they are, and they didn't.

[4] https://www.hzlindia.com/wp-content/uploads/AOA-and-MOA-07.09.2023.pdf

Is the Brand Fee Agreement subject to "Special Matter Provisions"? - Yes

Provision 14: Related Party Transactions

Provision 14 limits the ability of directors self-dealing with their own interests without approval of GoI nominated directors.

14. Consent to a Director or his relative or partner or firm or private company holding an office or place of profit, except that of Managing Director, manager, banker, or trustee for debenture-holders of the Company for entering into any agreement with the Company.

Figure 7 – Hindustan Zinc Shareholders Agreement

The following individuals serve on the boards and/or management of both HZL, VEDL and the VRL PropCo, to whom the BSS is immediately paid:

- **Priya Agarwal Hebbar**: Chairperson of Hindustan Zinc Limited, and Non-Executive Director at Vedanta Limited.
- **Navin Agarwal**: Director at Hindustan Zinc, and Executive Vice Chairman of Vedanta Limited.
- **Arun Misra**: CEO & Whole-time Director of Hindustan Zinc and, Executive Director on the board of Vedanta Limited.
- **Pallavi Joshi Bakhru**: Independent Director on the boards of both Hindustan Zinc and Vedanta Limited.
- **Akhilesh Joshi**: Independent Director at Hindustan Zinc, has also served on the board of Vedanta Limited and Director of Konkola Copper Mines.
- **Kannan Ramamirtham**: "Independent" Director of VEDL subsidiary HZL and a former director of Talwandi Sabo Power Plant (23-Jul-2020 to 18-Aug-2023), BALCO (20-Jun-2018 to 29-Jul-2020) and Sterlite Interlinks (Director 12-Aug-2019 to 14-Jun-2022). Also a Director of PTCC since June, 21 2017

The following individuals serve on the boards of both HZL and the VRL PropCo, being the ultimate beneficiary of the Brand Fees:

- **Navin Agarwal:** Director of Hindustan Zinc, Executive Vice-Chairman of Vedanta Resources Limited.
- **Anil Agarwal:** Executive Chairman of Vedanta Resources Limited, previously served on the board of Hindustan Zinc.

The brand fee agreements are inherently related party deals and fall within the definition of Provision 14.

Provision 16: Making securities to other companies under the same management

16. Making of loans or provision of guarantees or security to other companies under the same management.

Figure 8 – Hindustan Zinc Shareholders Agreement

The brand fees provided by HZL to VRL are used as security against VRL loans:

In January 2024, the Company and VHM2L had executed a borrowing facility with SCB amounting to USD 1,250,000,000 at an interest rate of 18% per annum due for redemption as USD 150,000,000 in May 24, USD 300,000,000 in April 2025 and USD 800,000,000 in April 2026. The Company along with VRL, VHM2L, TSHL, VUHL and WTL have jointly and severally guaranteed the loan. The proceeds may be used for liability management and to service existing indebtedness and for meeting the expenses of the group companies.

Figure 9 – Vedanta Resources FY 2024 Annual Report

The VRL brand agreement explicitly prohibits VEDL subsidiaries from *not paying brand fees*, given they act as the brand fee agreement.

The brand fee agreement is a security to VRL creditors, and within the scope of Provision 16.

Provision 24: Loans and Advances

Provision 24 limits the ability of the company to make any loans or advances to any person in excess of ₹20 crore[5].

24. The making, directly or indirectly, of loans or advances, in any one or a series of transactions, in excess of Rs. 200 million to any Person in the course of one calendar year.

Figure 10 – Hindustan Zinc Shareholders Agreement

Brand fees also function as rolling credit to VRL rather than a conventional fee for service. The brand fee amount is calculated based on projections, and is paid as an ***interest free advance***.

Further, during the current year, based on updated benchmarking analysis conducted by independent experts, the brand license and strategic service fee has been re-negotiated at 3% of the consolidated turnover of the Company with effect from April 01, 2025. The Company contractually pays such fee in advance at the beginning of the year, based on its estimated consolidated annual turnover.

Figure 11 – Hindustan Zinc FY 2025 Financials

At the start of the year, HZL **advanced** ₹677 crore ($81.57m) to Vedanta Limited for brand and strategic service fees, according to its interim Related Party Transaction disclosures[6].

Company in the Hon'ble Supreme Court for extension of the utilization timeline. (See note 27(4)).
****Rs 677 Crore is paid in advance as per the omnibus approval of audit committee based on 2% of the projected annual turnover. Same is expensed off on monthly basis on the basis of 2% of actual turnover.*
 # The advance carries the floating rate based on SBI MCLR rates.

Figure 12 – Hindustan Zinc Limited H1FY24 Related Party Transaction Disclosure

The brand fee agreement falls within the scope of Provision 16, and must be put to HZL's GoI directors.

Did HZL obtain approval from GoI to engage in Brand Fee Agreements? – No

Viceroy has spoken to a former Vedanta employee who stated that:

> *"In late 2023* ***VEDL "railroaded" a certain HZL C-Suite Executive*** *into signing* ***a new BSS***[7] *[Brand Fee & Strategic Services] agreement without alerting the Board.* ***The new agreement contains stringent termination payment clauses*** *and was structured to appease VRL's lenders."*
>
> *– Former VEDL Employee*

Did HZL seek approval from the GoI board nominees before approving the Brand Fee Agreement/s?

From discussions with this whistleblower, Viceroy has also discerned that, from 2023, **brand fee agreements signed by HZL include an undisclosed termination payment clause.**

- Under this termination clause, we understand that, should HZL terminate the brand fee contract with VEDL/VRL, they would be subject to fees equal to the net present value of the brand fee annuity/perpetuity.
- This termination clause was required by VRL creditors in order to secure loans against the brand fee agreements, and for dispute arbitration to take place in the UK.

[5] In this context, a "person" explicitly includes legal entities. Ref Article 1 of the SHA
[6] https://www.hzlindia.com/wp-content/uploads/RPT_Statement_20102023.pdf
[7] Note, there have been several brand free agreements, superseding the previous agreements.

Event of Default – ANOTHER Sovereign Put/Call Option

A breach of Clause 4.5 (figures 5 & 6 above), requiring approval from the GoI nominees to engage in "Special Matter" activities, constitutes an Event of Default (**EOD**) under the SHA.

> "EVENT OF DEFAULT" means the occurrence of any one or more of the following events:
>
> (a) a material breach by the SP of any of its representations and warranties in this Agreement, obligations in this Agreement and/or covenants in this Agreement or a default in compliance with the terms and conditions of this Agreement.

Figure 13 – Hindustan Zinc Shareholders Agreement

In an EOD, the Defaulting Party (VEDL) must remedy the Non-Defaulting Party (the GoI) **within 15 days.**

> CONSEQUENCES OF EVENT OF DEFAULT
>
> (a) If either of the SP or the Government commits an Event of Default (the "DEFAULTING PARTY") which, if capable of being remedied, is not remedied within 15 (Fifteen) days of receipt of notice of such Event of Default, the other Party (the "NON-DEFAULTING PARTY") shall have the right, exercisable at its sole discretion, at any time within 90 (ninety) days of the day it became aware of such Event of Default, to give notice (such notice being referred to in this Clause 5.7 as the "NOTICE") to the Defaulting Party containing an offer by the Non-Defaulting Party, at the option of the Non-Defaulting Party to either:

Figure 14 – Hindustan Zinc Shareholders Agreement

We encourage the GoI to seek a clawback of uncommercial and unauthorized Brand Fee payments made to VEDL and VRL.

In the event that VEDL/VRL are unable to remedy the situation, they will trigger ***another***[8] **sovereign call *or* put option event** at the discretion of the GoI:

> (i) sell all or any of the Shares of the Company held by the Non-Defaulting Party to the Defaulting Party (such offer being referred to in this Clause 5.7 as an "OFFER TO SELL") at a price that is equivalent to 125% of the Market Value of such Shares
>
> (ii) purchase, directly or indirectly through a designated nominee, all or any of the Shares of the Company held by the Defaulting Party (such offer being referred to in this Clause 5.7 as, an "OFFER TO PURCHASE") at a price that is equivalent to 75% of the Market Value of such Shares; Provided however, that in the event that the Defaulting Party is the SP and the event of breach committed by the SP is under the terms of Sub-clauses 6.1.2 (a),
>
> (b) and (c), Clause 6.1.3, Clause 4.5 read with items 23 and/or 25 of Schedule 4.5 or this Article 5, the price at which the Government (the Non-Defaulting Party) may make the Offer to Purchase shall be 50% of the Market Value of such Shares;

Figure 15 – Hindustan Zinc Shareholders Agreement

- **A Call Option to purchase VEDL's stake in HZL at a 25% discount** to the current market value, representing a $3.3b loss to VEDL. This loss does not include the detrimental cash flow & balance sheet impact of deconsolidating HZL from VEDL's books.
- **A Put Option to sell the GoI's stake in HZL to VEDL for a 25% premium**, representing a $1.5b loss to VEDL against a $7.5b commitment which they cannot afford.

[8] Note that we have already identified a EOD by VEDL in their failure to complete the Kapasan Project, also a requirement under the SHA. This can be found in our original report, pages 35-36.

3. Other Related Party Deals and Looting

Viceroy have previously detailed other, significant related party transactions between HZL and promoter companies. We summarize these below.

Note that these transactions are subject to the same Special Matter Provisions as VRL's Brand Fees under Clause 4.5 of the Hindustan Zinc SHA.

Serentica Renewables

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 not 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.

Was the GoI aware of the incredibly uncommercial rates at which it invested in Serentica?

Did The GoI approve HZL's investment in Serentica?

Our full Serentica Renewables report can be found here:

https://viceroyresearch.org/2025/07/16/vedanta-meet-the-agarwals-serentica-renewables/

Runaya Greentech Pvt Ltd – Captive Financing Under Operational Disguise

Runaya Greentech is owned by Naivedya Agarwal and Annanya Agarwal, the sons of promoter Navin Agarwal. Its financial relationship with HZL transcends normal commercial arrangements and veers directly into captive financing.

- Receivables ballooned from ₹58 crore to ₹125 crore in FY25**.** This represents deferred collection on sales, effectively functioning as an unsecured credit line.
- Business advances surged from ₹4 crore to ₹55 crore in FY25. These are formal loans, evidenced by ₹10 crore of interest income HZL reported.
- The total exposure to Greentech as of FY25 stood at ₹180 crore ($21.06 million) as a combination of overdue receivables and advances.
  - HZL is not simply a lender to Runaya Greentech, it is acting as its lender. HZL's capital is being redirected into a promoter-owned business in contravention of fiduciary norms.

HZL Transactions with Runaya Greentech		
₹ crore	**FY25**	**FY24**
Sale of goods	185	43
Purchase of goods	-223	-46
Purchase of O&M services	-48	-21
Sale of PPE	17	43
Interest on business advance	10	2
Other expenses	-1	-1
Net movement	**-60**	**20**
Receivable	125	58
Business advance	55	4
Total exposure	**180**	**62**

Positive values represent inflows to HZL. Negative values represent payments made by HZL.

Figure 16 – HZL Transactions with Runaya Greentech

Did the GoI approve HZL's contracts with Runaya Greentech?

Zinc India Foundation

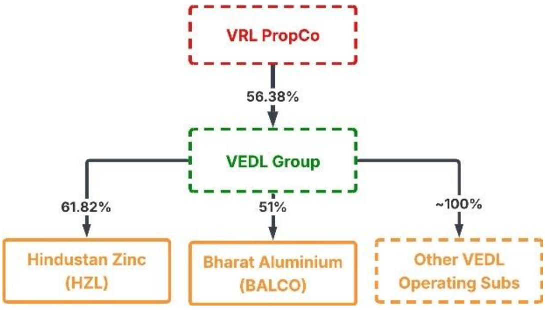
HZL's wholly owned Section 8 non-profit subsidiary, Zinc India Foundation (**the Zinc Foundation**), shows signs of Corporate Social Responsibility (**CSR**) fund misuse and disclosure failure.

Despite HZL reporting a ₹143 crore ($16.74m) transfer of right-of-use assets in FY23, the Foundation's balance sheet shows no ROU assets, raising unresolved questions about whether the assets were ever real or correctly accounted for.

The Zinc Foundation also reports ₹15 crore ($1.76m) in combined power, fuel, and maintenance costs in FY25, despite holding no tangible assets. This is unusual for a charitable entity and suggests the Foundation may be hosting operational infrastructure under the guise of CSR.

4. Financial Review of HZL

A rudimentary analysis of the Group shows that the PropCo cannot meet its short-term financial obligations without looting VEDL. This threatens VEDL as a going concern, the equity of which is the primary collateral securing the PropCo's debt principal.



VEDL, in turn, must lean on the historically sound balance sheet of HZL in order to satisfy the debt servicing requirements of the Promoter group's PropCo.

We note that the PropCo indirectly only owns only 35% of HZL due to minority interests at both HZL and VEDL levels.

Balance Sheet

VEDL's capital structure is subject to immense stress due to the PropCo's looting.

Debt Analysis	*Hindustan Zinc*						
USD $m	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**
Current interest bearing liabilities							
Borrowings	4,661	4,210	10,341	712	2,865	611	2,538
Operational buyers' credit/suppliers credit	569	399	307	280	-	-	-
Lease liabilities	136	88	21	15	16	-	-
Non-current interest bearing liabilities							
Borrowings	5,990	4,246	1,500	2,111	4,312	-	-
Lease liabilities	177	178	19	6	8	-	-
Gross interest bearing liabilities	**11,533**	**9,121**	**12,188**	**3,124**	**7,201**	**611**	**2,538**
Cash							
Cash & equivalents	94	51	59	1,592	313	1,878	2
ST Investments	9,148	9,874	9,850	15,052	12,957	20,329	19,488
Other bank balances							
Gross cash & short term investments	**9,242**	**9,925**	**9,909**	**16,644**	**13,270**	**22,207**	**19,490**
Net debt	**2,291**	**(804)**	**2,279**	**(13,520)**	**(6,069)**	**(21,596)**	**(16,952)**
Add: Payables							
Trade payables	2,208	2,102	2,086	2,038	1,545	1,488	1,174
Other financial liabilities	2,040	1,396	2,402	1,901	1,251	1,509	1,420
Other current liabilities	2,523	3,036	2,743	1,884	2,983	2,762	3,342
Income tax liabilities (net)	2,605	2,795	2,878	1,198	182	63	160
Provisions	219	221	215	244	252	232	219
Less: Receivables & Inventory							
Trade receivables	112	161	380	716	406	401	196
Inventories	1,882	1,924	1,862	1,953	1,425	1,835	1,544
Loans	36	51	53	2	2	2	3
Other financial assets	138	243	209	89	107	46	42
Other current assets	838	754	626	738	780	802	952
Income Tax assets	140	145	1,017	884	1,943	2,671	3,165
Net Payables Adjustment	**6,449**	**6,272**	**6,177**	**2,883**	**1,550**	**297**	**413**
Net debt + Net Payables	**8,740**	**5,468**	**8,456**	**(10,637)**	**(4,519)**	**(21,299)**	**(16,539)**
Property plant and equipment	18,358	17,875	17,528	17,165	16,447	16,217	14,668
Capital work-in-progress	2,552	1,529	2,107	2,075	1,922	2,489	2,254
Loans	86	417	61	2	1	13	13
Investments	823	578	257	-	-	-	-
Tangible Asset base	**21,819**	**20,399**	**19,953**	**19,242**	**18,370**	**18,719**	**16,935**
LTV	**40%**	**27%**	**42%**	**N/A**	**N/A**	**N/A**	**N/A**
Total interest cost	1,111	955	333	290	386	112	113
Effective rate on Gross interest bearing liabilities	***10.76%***	***8.96%***	***Opening/closing debt too volatile***				

Figure 17 – HZL Debt – Viceroy Analysis

- HZL's balance sheet has shifted from a heavily ~₹16,000 crore net-cash position to a ₹8,700 crore net debt position in a matter of 5-6 years, a delta of ~₹24,700 crore.
- HZL's debt since 2020 has increased from ₹600 crore to ₹11,500 crore.
- Interest costs have followed from ₹112 crore to ₹1,111 crore per annum.
- HZL's working capital assets have been depleted while working capital liabilities have skyrocketed. This is presumably a result of HZL wanting to access liquidity to pay dividends it cannot afford.
- Consequently, HZL's working capital ratio has moved from a very safe (maybe too inefficient) 3.1x-4.6x in FY20-FY21 to ~1.0x over the last 3 years. This could indicate solvency issues.

Distress Analysis	*Hindustan Zinc*						
USD $m	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**
Total current assets	11,643	12,693	14,862	23,982	24,568	24,813	21,572
Total current liabilities	11,175	10,818	17,442	6,094	7,876	5,413	7,744
Working capital ratio	**1.04**	**1.17**	**0.85**	**3.94**	**3.12**	**4.58**	**2.79**
Working capital	468	1,875	(2,580)	17,888	16,692	19,400	13,828
Total assets	34,418	33,904	35,454	44,670	45,727	46,975	42,458
WC / Total Assets	**0.01**	**0.06**	**(0.07)**	**0.40**	**0.37**	**0.41**	**0.33**

Figure 18 – HZL Debt – Viceroy Analysis

Cash Flows

HZL does not make sufficient cash flows to support enormous dividends.

- Cyclical cashflows appear to have completely stalled despite assertions from management that HZL is investing in capital projects.
  - Capex, which is only marginally more than D&A costs over the last 3 years, appears to be entirely maintenance capex and/or capitalization of expenses.
- HZL has incurred a ₹23,800 crore FCF shortfall against dividends since 2019. As demonstrated above, HZL has supplemented this with debt.

Free Cash Flow Analysis	*Hindustan Zinc*						
USD $m	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**
NPBT	13,464	10,343	15,297	14,100	10,574	8,390	10,456
D&A	3,634	3,466	3,264	2,917	2,531	2,279	1,883
Interest and other finance charges paid	(1,225)	(1,029)	(287)	(332)	(244)	(170)	(208)
Interest received	678	568	1,441	936	1,507	523	253
Working capital movements	115	1,399	556	(1,198)	638	(1,117)	671
Income taxes paid	(3,376)	(1,757)	(3,140)	(2,391)	(1,755)	(1,135)	(2,560)
Other	488	1,291	(255)	(1,801)	(783)	(2,913)	(998)
Cash from operating activities	**13,778**	**14,281**	**16,876**	**12,231**	**12,468**	**5,857**	**9,497**
Less:							
Purchase of PPE & intangibles	(4,320)	(3,539)	(3,490)	(2,998)	(2,481)	(3,637)	(3,400)
Proceeds from disposal of PPE & intangibles	7	51	20	30	54	19	59
Viceroy Estimated FCF	**9,465**	**10,793**	**13,406**	**9,263**	**10,041**	**2,239**	**6,156**
Dividend paid	(12,253)	(5,493)	(31,901)	(7,606)	(15,972)	-	(11,958)
Shortfall	**(2,788)**	**5,300**	**(18,495)**	**1,657**	**(5,931)**	**2,239**	**(5,802)**

Figure 19 – HZL Cash Flow – Viceroy Analysis

Undisputed Statutory Dues, Under Dispute

HZL faces a ticking financial time bomb in the form of massive, unresolved tax and royalty disputes. As of FY25, the company disclosed a total of ₹15,156 crore ($1.68b) in undisputed statutory dues and ₹2,663 crore ($308m) in contingent liabilities under litigation.

HZL Off-Balance Sheet Liabilities	Amount (₹ crore)	Amount (USDm)
Undisputed Statutory Dues		
Income Tax	13,388	1,566
Customs Duty	107	13
Excise Duty	394	46
Service Tax	198	23
Sales Tax	71	8
GST	827	97
Environmental & Health Cess	142	17
Electricity Duty	29	3
Total	**15,156**	**1,773**
Contingent Liabilities Under Litigation		
Rajasthan show cause notices	334	39
Rajasthan Jan 2020 royalty assessment	1,925	225
Rajasthan Dec 2020 royalty assessment	311	36
Various	63	7
Total	**2,633**	**308**

Figure 20 – HZL Off-Balance Sheet Liabilities

Neither of these sums is recognized on the balance sheet or detailed in VEDL's filings and when crystallized, these liabilities will severely impair HZL's balance sheet and its ability to pay dividends.

This exposure is not hypothetical. Multiple cases are in advanced stages, including pending decisions at the Supreme Court and High Courts. These are not routine tax or regulatory disputes, they are existential financial threats to VEDL's crown jewel.

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