



Vedanta – Public Interest Litigation

A Supreme Court PIL threatens VRL's ability to upstream funds, exposing creditors to judicial timelines and regulatory enforcement.

PLEASE READ IMPORTANT DISCLAIMER – PAGE 4

August 14, 2025 – On August 12, 2025, advocate Shakti Bhatia filed a Public Interest Litigation (PIL) action with the Union of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Ministry of Corporate Affairs (MCA), seeking for SEBI, the RBI and the MCA to investigate the findings of our report¹.

Note: We had originally planned to publish a report on the findings of our on-the-ground investigation into VRL subsidiary Black Mountain Mining today. Absent further interruptions, regular coverage will resume on Monday.

What the PIL Means:

This Public Interest Litigation (PIL) is not a civil suit for damages: it is a constitutional petition filed in India's Supreme Court to compel the state to enforce its own laws. The petitioner is asking the court to order SEBI, RBI, and the MCA to investigate the findings of Viceroy's reports on Vedanta Resources Limited (VRL), the UK domiciled parent of Vedanta Limited (VEDL).

If admitted, the Court can monitor the process, set deadlines, and force public disclosure of investigative results.

This is material for bondholders because PIL-driven cases have historically triggered court-supervised probes, license cancellations, and sweeping regulatory actions.

Why this is significant:

- **India is being systematically shortchanged across Vedanta's operations:** The Agarwal family has extracted billions through unsustainable dividends, related-party transactions, and capital allocation decisions that starve operating companies of growth capital. Hindustan Zinc Limited, 29.5% owned by the Government of India, is emblematic: billions upstreamed to service VRL's group-level debt while reinvestment needs go unmet. The state, despite its direct stake, has proven either unwilling or unable to halt this ongoing transfer of value abroad.
- **Minority shareholders trampled:** The Company's governance record shows a persistent disregard for minority rights, from opaque related-party transactions to capital allocation decisions designed to benefit controlling shareholders at the expense of others. This is not limited to India — international minorities have faced similar treatment.
- **Systemic failure of regulatory enforcement:** India's financial history is replete with large-scale governance collapses where regulators ignored red flags until compelled by judicial intervention — from the IL&FS default crisis to the Punjab & Maharashtra Co-operative Bank (PMC) fraud. These episodes show that unless the courts intervene, entrenched interests and regulatory inertia can leave systemic risks unaddressed until it's too late.

Potential consequences if the PIL is admitted:

- Findings would likely be made public and VRL's extractive practices in violation of SEBI and RBI regulations would be dragged into the light. As the ultimate beneficiaries of these extractive practices, it is likely that these investigations will entangle foreign lenders.
- Multiple Indian regulators, in this case SEBI, RBI and MCA, could be forced to run parallel, court-monitored investigations into Vedanta's financial and governance practices with their full suite of regulatory and enforcement powers.

¹ Diary No. - 45245/2025 Shakti Bhatia vs State of India



- Any evidence of statutory violations could lead to restrictions on capital raising, foreign remittances, or conditions imposed on future transactions. This directly threatens the sole means VRL has to repay its creditors.
- Discovery would lay bare debt structures and related-party flows that are not merely irregular but appear engineered to circumvent regulatory safeguards, disguise true leverage, and divert value away from minority shareholders and creditors.

Once the matter is in the Supreme Court's hands, it's no longer up to Agarwal's timing. Court-monitored probes move to their own timetable, and that timetable will not be aligned with Vedanta's debt maturities.

Comparable Precedents:

Three recent and high-impact PILs illustrate how court-driven investigations can override management control, drag regulators into the spotlight, and freeze financial flows with direct consequences for creditors.

- **IL&FS Collapse (2018–2019)** – Once one of India's largest infrastructure financiers, IL&FS defaulted on over ₹90,000 crore in debt amid allegations of fraudulent accounting and regulatory negligence. The MCA moved the National Company Law Tribunal to remove the board, install a government-appointed management, and run a court-monitored resolution process². Foreign bondholders faced multi-year delays and were forced into recoveries dictated entirely by the court, not the Company.
- **Indiabulls Housing Finance (2024–2025)** – A PIL alleged large-scale fund siphoning by former promoters of Indiabulls (now Sammaan Capital Ltd), naming the Reserve Bank of India as a respondent. The Supreme Court agreed to hear the case, setting up the possibility of a regulator-supervised probe into financial misconduct. Even before conclusion, the matter has weighed on market confidence and raised questions over capital market access³.
- **NSEL Payment Default (2013–ongoing)** – The National Spot Exchange Ltd defaulted on ₹5,600 crore in commodity trades, triggering a market-wide crisis. Multiple petitions, including PILs, forced SEBI, the Forward Markets Commission, and enforcement agencies into multi-year court-supervised investigations and asset seizures. Investor recoveries have been slow and contingent on judicially approved settlements^{4,5}.

Brand Fees — Low Hanging Fruit

As noted in our original report, the brand fees paid by VEDL to VRL are low-hanging regulatory fruit. Even a cursory review by the Enforcement Directorate, acting on RBI's foreign exchange rules, could trigger an immediate freeze on these payments, cutting off a key lifeline for VRL's debt service.

- The ED seized ₹5,551 crore (\$649.50m) from Xiaomi India after finding the company had routed large sums to foreign entities under the guise of royalty payments⁶. These remittances lacked underlying agreements and violated RBI rules regarding international payments.
- In VEDL's case, this would amount to ~\$1.5b of unjustifiable brand fee remittances over 5 years to VRL, a company with minimal staff and no office in London.
- When Xiaomi failed to produce technical collaboration agreements, the Karnataka High Court upheld the ED's seizure showing that flows without substance are legally actionable⁷.

² <https://www.pib.gov.in/newsite/PrintRelease.aspx?relid=183864>

³ <https://timesofindia.indiatimes.com/business/india-business/indiabulls-co-found-to-have-flouted-norms-sebi-tells-sc/articleshow/120837275.cms>

⁴ <https://www.indiatvnews.com/news/india/indian-council-of-investors-files-pil-against-nsel-26481.html>

⁵ <https://www.livemint.com/market/nse-scandal-one-time-settlement-investor-vote-traders-sharad-kumar-saraf-nif-63-moons-nclt-burgeoning-law-11747751990699.html>

⁶ <https://economictimes.indiatimes.com/industry/cons-products/electronics/xiaomi-files-appeal-against-eds-seizure-of-rs-5551-27-crore/articleshow/106774992.cms?from=mdr>

⁷ <https://www.ndtv.com/india-news/karnataka-high-court-upholds-rs-5-551-crore-seizure-from-xiaomi-for-forex-violation-3969216>



- From all available information these funds remain seized by the ED with the Madras High Court upholding the ED's actions in July 2025⁸.

Unlike Xiaomi, VRL cannot offset the loss of these cash flows; it has no alternative cash flows that could fill this gap.

Fifteen Reports, One PIL — And We're Only Scratching the Surface

Since our first publication on Vedanta Resources Limited (VRL), we have released **15 separate reports** detailing systemic governance failures, regulatory breaches, and value extraction schemes. All of which were founded entirely on publicly available information.

With nothing more than annual reports, corporate filings, exchange disclosures, court records, shipping data, and basic investigative tools, we have documented:

- Billions in upstreamed cash from Indian operating companies via unsustainable dividends and brand fees.
- Loans from VEDL to VRL used to finance VRL's increased stake in VEDL, a transaction prohibited under the Indian Companies Act.
- Improper capitalization of compulsory forest land acquisition costs at ESL Steel. This effectively disguised penalty payments as capital expenditure, amounting to accounting fraud.
- Deliberate underinvestment in core operations to fund parent-level debt service.
- Contradictory disclosures to investors and regulators on project timelines, capex, and completion percentages.
- Unfair related-party transactions, opaque funding structures and undisclosed guarantees with Agarwal-owned entities outside VRL's creditor structure.
- The use of sham trading operations to justify cross-border fund flows.
- Related-party transactions and debt structures designed to obscure leverage and divert value away from minority shareholders.

This body of work represents what can be uncovered without subpoena powers, without access to internal records, and without the authority to compel testimony. Several bondholders are fully aware, and in some cases complicit, in these mechanisms, relying on their continued operation as the only viable path to repayment.

If the Supreme Court admits the PIL and compels SEBI, RBI, and the MCA to investigate with their full statutory powers, including the ability to subpoena bank records, freeze accounts, and compel sworn depositions, the scope of findings will almost certainly dwarf what we have revealed.

Since releasing our first report on Vedanta Resources Limited, Viceroy has been approached by multiple whistleblowers from within Vedanta's operations, affiliates, and counterparties. These insiders have described regulatory evasion, disclosure manipulation, transactions structured to extract value from operating companies while enriching promoters.

This is not an abstract risk. The public record already paints a picture of a company running its operations to the edge, and often over the edge, of legality to fund debt repayment. **Once regulators begin working under court supervision, they will have both the tools and the mandate to expose the rest — and to act on it.**

⁸ <https://www.hindustantimes.com/india-news/madras-hc-upholds-ed-action-on-xiaomi-under-fema-101751913749522.html>



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

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