



Vedanta – 2nd Interim Dividend Board Meeting

Vedanta's dividends are unsustainable, brand fees are likely to remain untouched, and minority shareholders are footing the bill.

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August 20, 2025 – Ahead of Vedanta Ltd's (VEDL) Board meeting regarding its second interim dividend this Thursday¹, we urge shareholders and stakeholders to re-evaluate the sustainability and fairness of the Company's dividend policy.

VEDL has four options:

- **Cut the dividend:** The share price drops, unfairly reducing the value of shareholders' investment and returns while VRL continues to receive increased brand fees.
- **Maintain the dividend:** The Company continues burning cash, forcing asset sales, borrowing more, and generally deteriorating its balance sheet.
- **Raise the dividend:** Liquidity is exhausted even faster. VEDL's path to insolvency accelerates.
- **Cut brand fees:** VRL loses its only steady cash inflow and collapses under its own debt.

We believe the first two options are the most likely, with minority shareholders are deprioritized to support the liquidity needs of Vedanta Resources Limited (VRL).

VEDL's Dividends Are Not Affordable

Free Cash Flow Analysis USD \$m	Vedanta Limited				
	2025	2024	2023	2022	2021
NPBT	3,213	2,460	2,527	4,407	2,318
Cash from operating activities	3,479	3,120	3,431	3,969	2,509
Less:					
Purchase of PPE & intangibles	(2,033)	(2,024)	(1,718)	(1,421)	(927)
Proceeds from disposal of PPE & intangibles	35	24	17	43	23
Dividends paid to NCI	(528)	(233)	(1,394)	(357)	(754)
Viceroy Estimated FCF	953	887	335	2,235	850
Reverse changes in working capital	79	(187)	(573)	637	212
Normalized FCF	1,032	700	(238)	2,872	1,061
Dividend paid *subject to Viceroy INR to USD conversion	(2,005)	(2,244)	(3,733)	(2,230)	(474)
Shortfall	(1,052)	(1,356)	(3,398)	N/A	N/A
Dividend cut required	52%	60%	91%	-	-

Figure 1 – VEDL Free Cash Flow Analysis

VEDL's dividends have consistently exceeded its free cash flows, with the Company resorting to working capital management, debt and asset sales to meet VRL's needs. The shortfall is consistently made up with debt.

- Despite reporting a record ₹10,746 crore (\$1,235m) in EBITDA for Q1 FY26, VEDL's **free cash flow was insufficient** to fund its ₹4,280 crore (\$492m) dividend and ₹5,155 crore (\$593m) in CapEx.
- **The dividend was funded by debt**, with net debt rising by ₹4,969 crore (\$571m) Q1 FY26.
- Even worse, **VEDL was forced to liquidate a 1.6% stake in Hindustan Zinc Ltd (HZL)**, an income-generating asset, to cover these short-term liquidity needs.

VEDL's working capital stretching finally snapped in Q1 FY26. Instead of taking the prudent step of tearing up the brand fee agreement, the Company resorted to liquidating a stake in its most valuable asset.

¹ VEDL/Sec./SE/25-26/96



Brand Fees Prioritized Over Dividends

VEDL has already paid \$380m (₹3,309 crore) in “brand fees” in FY26 YTD to its majority shareholder VRL, with this figure forecast to increase to \$400m (₹3,482 crore) by the end of the financial year.

- The fees are fixed as a percentage of revenue, not profit, meaning they increase with VEDL’s topline **even as the Company reports worsening cash losses**.
- Management has explicitly guided that **these payments will continue indefinitely**, regardless of VEDL’s financial condition.
- The payments flow to a parent entity that **provides no operational services, holds no assets, and exists purely as a financial conduit for the Agarwal family**.
- There is no evidence of third-party benchmarking, competitive procurement, or board-level oversight to justify these fees as legitimate business expenses.

Management has explicitly stated that even if dividends are reduced to preserve cash, **brand fees will continue** to support VRL’s liquidity needs. By linking brand fees to revenue, the promoter group ensures that **their extraction mechanism remains untouched**, even as the Company’s free cash flow and debt burden deteriorate.

A - Arun Misra {BIO 16484638 <GO>}

No, so the brand fee is a thing that has been widely discussed in the books and the rationales are known. It’s a bundled services. There are various strategic services and you will all appreciate that this company when it was taken over, it had only five year of remaining life, had only 100,000 tons of production.

That complete transformation of this company to a 1 million ton with about 25-30 years of life left. Huge amount of risk taken in exploration. There was no silver production making it world’s third largest silver producing country. 700 tons of silver.

Figure 2 – Hindustan Zinc Limited FY26 Q1 Earnings Call Transcript

VEDL Executive Director and HZL CEO Arun Misra claims brand fees are justified by the “risk” VRL took in exploration. This is false. VRL is a holding company: it didn’t conduct exploration, didn’t fund it directly, and took on no more risk than any other shareholder.

Dividend Cuts Would Be Unfair Without Brand Fee Cuts

Should VEDL reduce or suspend its dividend this quarter, it will confirm what VEDL Executive Director Arun Misra already stated: **minority shareholders are second in line**.

Interest 750 total 2.7 billion. This is the last year with Anthra resources where the need for cash is about 1.4 billion. Starting next year it’s about 1.1 billion. In FY28 it is sub 1 billion. So going forward as we have earlier communicated to a contractual brand fee 440 million and even a lower dividend of almost 4% yield, we are willing managed. So both brand fee equal to interest cost and hence operating PNL account will be self funded and by paying 4% dividend the entire refinancing will be done. So dividend of 4% equals deleveraging. So in summary about 1.1 billion requirements next year and less than 1 billion the year next.

Figure 3 – VEDL FY26 Q1 Earnings Call Transcript

- VEDL’s first interim dividend of ₹7/share represented a 36% year-on-year decrease while brand fees have increased from \$355m (₹3,091 crore) to \$380-400m year-on-year.
- This **discriminates between shareholder classes**, prioritizing payouts to the promoter at the expense of minority shareholders.
- The structure invites **further regulatory scrutiny** from SEBI, RBI, and the Enforcement Directorate, some of which have previously raised concerns over the nature of these transactions.



Conclusion

VEDL's dividend strategy has always been an extraction mechanism for its promoter's liquidity demands. With each dividend funded by debt and brand fees flowing unabated, the Company's financial position grows more fragile.

Minority shareholders are being sidelined and systematically ripped off. They must insist that any continuation of the brand fee arrangement be subject to an explicit shareholder vote, with all related or promoter-owned parties, including Vedanta Resources Ltd, **excluded from voting**.

Thursday's meeting will not test Vedanta's governance. That test was failed long ago. Viceroy's prediction: whether the dividend is suspended, reduced, or raised **the brand fees will continue, untouched**.



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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