Vedanta - HZL FY25 Annual General Meeting

Material Related Party Transactions, Violated Mandates, and Director Inaction.

PLEASE READ IMPORTANT DISCLAIMER – PAGE 3

August 25, 2025 – This report is directed at Hindustan Zinc Limited's (HZL) minority shareholders, and Mr. Vivek Kumar Bajpai, Mr. Dinesh Mahur and Shri Ashish Chatterjee, the Government of India (GoI) appointed directors.

HZL's remaining independent and non-executive members directors are completely captured and have failed in discharging their fiduciary duties. Their silence in the face of a ₹1,060 crore unapproved transfer speaks for itself. We consider them a lost cause.

In Q1 FY26, Hindustan Zinc Limited (HZL) paid ₹1,060 crore ($121m) in Brand and Strategic Services (BSS) fees to Vedanta Limited (VEDL), which was then remitted to Vedanta Resources Limited (VRL). This represents a 61% increase over the previous year, occurring during a quarter when:

- Revenue fell 14.5%
- EBITDA fell 19.9%
- EPS collapsed 25.6%

This transaction is a Material Related Party Transaction (RPT) under Regulation 23 of SEBI's LODR Regulations and the Companies Act, 2013 yet no shareholder approval was sought, and promoters did not abstain from decision making.

This represents a total dereliction of duty by Mr. Vivek Kumar Bajpai, Shri Ashish Chatterjee, and Mr. Dinesh Mahur, all of whom have failed to scrutinize or challenge this pillaging of the Company's resources.

At NALCO, Bajpai oversees record profits and transparent expansion; at HZL, he presides over a ₹1,060 crore diversion without shareholder approval. Chatterjee, who joined amidst corruption cleanups at SAIL and NMDC, now fails to object to the very governance failures he was appointed to prevent.

Annexed to this report is a legal opinion confirming that the brand fee payments made by HZL to Vedanta Limited violate multiple provisions of SEBI regulations and the Companies Act, including mandatory shareholder approval requirements for material related party transactions.

Legal and Regulatory Non-Compliance

Regulation 23 – SEBI LODR

- **Reg. 23(1A):** Requires shareholder approval for brand/royalty payments exceeding **5% of turnover**.
- **Reg. 23(1):** Also requires approval if payments exceed **₹1,000 Crore**.

These thresholds are cumulative, not alternative. As confirmed by SEBI's PMAC (2021) and codified in the 2022 amendments, both apply to brand-related RPTs.

Companies Act, 2013

- **Section 188:** Mandates prior shareholder approval for material RPTs.
- **Section 166:** Imposes fiduciary duties on directors to act in the company's and shareholders' best interest.
- Breach of these duties can trigger penalties under **Section 15HB of the SEBI Act**.

Fiduciary Risk to GoI-Appointed Directors

As GoI nominees, your mandate is to protect public capital. Allowing unapproved, unvoted related party payments of this scale while under earnings distress risks:

- **Personal exposure** for failure to uphold Section 166 duties.
- **Breach of public trust** as stewards of a GoI-owned strategic asset.
- **Exposure of the GoI** to reputational fallout from avoidable governance failures.

Actionable Board Measures

We respectfully request the following immediate steps from GoI-nominated board members:

1. **Immediate suspension o**f further BSS payments to Vedanta Limited until shareholder approval is obtained.
2. **Formal disclosure o**f all brand fee agreements, contracts, and payment schedules including justification and benchmarking, if any.
3. **Resolution under regulation 23(4) to i**ntroduce a board resolution calling for disinterested shareholder approval of all current and future BSS transactions exceeding ₹100 crore.
4. **Promoter abstention in future related-party transaction votes** to ensure promoters do not vote on this resolution, per SEBI's mandatory non-participation rule for related parties.
5. **Commission a third-party audit** of prior years' brand fee payments, with authority to recommend clawbacks if appropriate.

Conclusion

HZL is a strategic asset. The GoI holds 29.54% of equity on behalf of the Indian public. Allowing over ₹1,000 crore ($117m) to be funneled through opaque brand fees, during a sharp earnings decline, is not merely a governance lapse. It is a systemic failure in fiduciary duty.

If GoI-nominated directors cannot act now, in full compliance with the law and in defense of public shareholders, then they do not deserve their seats.

Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Vedanta Resources Limited, 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

Viceroy Research are an investigative financial research group. As global markets become increasingly opaque and complex – and traditional gatekeepers and safeguards often compromised – investors and shareholders are at greater risk than ever of being misled or uninformed by public companies and their promoters and sponsors. Our mission is to sift fact from fiction and encourage greater management accountability through transparency in reporting and disclosure by public companies and overall improve the quality of global capital markets.

Important Disclaimer – Please read before continuing

This report has been prepared for educational purposes only and expresses our opinions. This report and any statements made in connection with it are the authors' opinions, which have been based upon publicly available facts, field research, information, and analysis through our due diligence process, and are not statements of fact. All expressions of opinion are subject to change without notice, and we do not undertake to update or supplement any reports or any of the information, analysis and opinion contained in them. We believe that the publication of our opinions about public companies that we research is in the public interest. We are entitled to our opinions and to the right to express such opinions in a public forum. You can access any information or evidence cited in this report or that we relied on to write this report from information in the public domain.

To the best of our ability and belief, all information contained herein is accurate and reliable, and has been obtained from public sources we believe to be accurate and reliable, and who are not insiders or connected persons of the stock covered herein or who may otherwise owe any fiduciary duty or duty of confidentiality to the issuer. We have a good-faith belief in everything we write; however, all such information is presented "as is," without warranty of any kind – whether express or implied.

In no event will we be liable for any direct or indirect trading losses caused by any information available on this report. Think critically about our opinions and do your own research and analysis before making any investment decisions. We are not registered as an investment advisor in any jurisdiction. By downloading, reading or otherwise using this report, you agree to do your own research and due diligence before making any investment decision with respect to securities discussed herein, and by doing so, you represent to us that you have sufficient investment sophistication to critically assess the information, analysis and opinions in this report. You should seek the advice of a security professional regarding your stock transactions.

This document or any information herein should not be interpreted as an offer, a solicitation of an offer, invitation, marketing of services or products, advertisement, inducement, or representation of any kind, nor as investment advice or a recommendation to buy or sell any investment products or to make any type of investment, or as an opinion on the merits or otherwise of any particular investment or investment strategy.

Any examples or interpretations of investments and investment strategies or trade ideas are intended for illustrative and educational purposes only and are not indicative of the historical or future performance or the chances of success of any particular investment and/or strategy. As of the publication date of this report, you should assume that the authors have a direct or indirect interest/position in all stocks (and/or options, swaps, and other derivative securities related to the stock) and bonds covered herein, and therefore stand to realize monetary gains in the event that the price of either declines.

The authors may continue transacting directly and/or indirectly in the securities of issuers covered on this report for an indefinite period and may be long, short, or neutral at any time hereafter regardless of their initial recommendation.

Annexure: Legal Opinion

This opinion addresses the legality and governance implications of the substantial brand fee payments made by Hindustan Zinc Limited (HZL) to its parent entity, Vedanta Limited (VEDL), in light of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations") and the Companies Act, 2013. The analysis concludes that these payments constitute material related party transactions (RPTs) and should have been mandatorily approved by disinterested shareholders, with promoter entities abstaining from voting.

I. Statutory Framework and Regulatory Evolution

Regulation 23 of the LODR Regulations governs RPTs. It mandates shareholder approval for all material RPTs, with no participation by related parties in the voting process. Regulation 23(1A), effective July 1, 2019, introduced a specific threshold for brand usage and royalty payments, defining materiality as exceeding 5% of the annual consolidated turnover.

Separately, Regulation 23(1) sets a general threshold for materiality at ₹1,000 crore or 10% of turnover, whichever is lower. The non obstante clause in Regulation 23(1A) does not nullify the general threshold but rather adds an additional safeguard for brand-related transactions, which are uniquely susceptible to abuse due to their intangible nature and valuation opacity.

II. Judicial Interpretation of 'Notwithstanding' Clauses

Indian jurisprudence is clear that a "notwithstanding" clause does not repeal or override other provisions unless there is a direct conflict. In *ICAI v. Union of India*, the Supreme Court held that such clauses must be interpreted harmoniously, preserving the integrity of the statute as a whole.

Thus, Regulation 23(1A) must be read in conjunction with Regulation 23(1). The 5% threshold is not a substitute for the ₹1,000 crore threshold but a complementary trigger, ensuring that high-value brand fee transactions are scrutinized even if they fall below the percentage threshold.

III. Regulatory Intent and SEBI's Working Documents

SEBI's Primary Market Advisory Committee (PMAC) and its Board Memorandum (2021) explicitly recommended a dual threshold, 5% of turnover or ₹1,000 crore, whichever is lower for brand usage and royalty payments. This recommendation was based on the need to protect minority shareholders and prevent regulatory arbitrage.

The 2022 amendments to Regulation 23 codified this dual threshold, affirming SEBI's intent to tighten governance around brand fee transactions. Even prior to codification, the purposive interpretation of Regulation 23(1A), supported by SEBI's own documents, confirms that both thresholds were meant to apply.

IV. Application to HZL-VEDL Transactions

HZL's annual brand fee payments to VEDL now exceed ₹1,000 crore. This amount clearly breaches the ₹1,000 crore threshold, rendering the transaction material under Regulation 23(1). Even if the 5% turnover threshold were not breached, the transaction would still require shareholder approval.

Moreover, the Companies Act, 2013, under Sections 188 and 166, imposes fiduciary duties on directors and mandates shareholder approval for material RPTs. Failure to comply exposes directors to personal liability and the company to regulatory penalties under Section 15HB of the SEBI Act.

V. Governance Failures and Legal Remedies

As HZL failed to obtain shareholder approval for these payments:

- The transaction is voidable at the instance of disinterested shareholders.
- Promoter entities, including VEDL, must abstain from voting.
- Interested directors must recuse themselves from deliberations.
- Shareholders may demand suspension of payments, disclosure of all agreements, and clawback of improperly paid fees.

VI. Conclusion

The brand fee payments made by HZL are material related party transactions under both the letter and spirit of SEBI's LODR Regulations and the Companies Act.

These payments should have been subject to shareholder approval, with promoter abstention and full disclosure.

The failure to do so constitutes a serious breach of corporate governance, undermines shareholder rights, and may attract regulatory and legal consequences. Minority shareholders are well within their rights to demand accountability, transparency, and restitution.