

*Dated:*

*To,*

**Chief General Manager-in-charge**

Reserve Bank of India

11<sup>th</sup> Floor, Central Office Building,

Shahid Bhagat Singh Road, Mumbai- 400001

**Subject: Complaint against issues identified with respect to:**

- (a) Vedanta Limited including its Indian / overseas subsidiaries;**
- (b) Vedanta Resources Limited including its Indian subsidiaries;**

**Viceroy Research, LLC**  
**1901 Orange Street, Wilmington, DE 19801, USA**  
**July 23, 2025**  
**Wilmington, Delaware, USA**

**Dear Sirs,**

1. With reference to the captioned matter, we bring to your notice the series of ongoing grave violations by Vedanta Resources Limited (“**VRL**”) registered in UK, the heavily indebted parent entity and majority shareholder of Vedanta Limited (“**VEDL**”), a foreign owned Indian company. VEDL is operating a financially unsustainable and structurally opaque group that poses systemic risks to investors including the Government of India (“**GoI**”), its creditors, its shareholders, and its public stakeholders. This complaint is filed under the Foreign Exchange Management Act, 1999 (“**FEMA**”), seeking immediate and thorough regulatory action by the Reserve Bank of India (“**RBI**”) against VEDL, its offshore parent VRL, and affiliated promoter entities. The complaint highlights a continuing pattern of cross-border transactions and financial arrangements that appear structured to:

- Illegally remit foreign exchange without regulatory approvals;
- Circumvent restrictions under FEMA, RBI master directions, and Foreign Exchange Management (Overseas Investment) Regulations, 2022 (“**ODI Regulations**”);
- Facilitate indirect repatriation of capital and share acquisition;
- Enable unauthorized transfer of Indian assets, receivables, and guarantees to foreign creditors;

- Obfuscate the true purpose and destination of funds under the guise of brand fees, strategic services, or overseas investments.

The scale, structure, and recurring nature of these actions raise a credible apprehension of deliberate regulatory arbitrage and financial misconduct, with potential systemic implications for India's external account integrity and capital control architecture.

The undersigned, therefore, submits that the RBI initiate immediate proceedings under relevant provisions of FEMA; direct forensic audit and enforcement; and take appropriate action to protect India's financial sovereignty and regulatory interests.

2. The Vedanta Group operates through a layered and opaque international holding structure that facilitates the upstreaming of funds from Indian operating companies to their foreign parent entity, VRL, a UK-based holding company controlled by the promoter group. The Vedanta Resources Consolidated Group ("**the Group**") can be bifurcated into two distinct parts:

**2.1. VRL PropCo** – This refers to Vedanta Resources Limited and its web of intermediate holding companies, controlled by the Mr. Anil Agarwal and his family.

**2.2. VEDL Group** – This refers to the publicly-listed Vedanta Limited and all of its consolidated operating subsidiaries, such as Hindustan Zinc ("**HZL**"), Bharat Aluminium Company Limited ("**BALCO**"), and others, collectively referred to as "**VEDL Group**".

The detailed flowchart showing the entities involved in the Group is attached with the said complaint and marked as **Annexure -1**.

This structure is being deliberately misused to channel Indian corporate funds to the foreign parent entity through brand fees, intercompany loans, upstream dividends, and financial guarantees. These practices collectively amount to unauthorized foreign exchange remittances, regulatory evasion, and potential endangerment of India's foreign exchange reserves.

These mechanisms are devoid of commercial justification, lack transparency, and appear structured to avoid taxes, bypass FEMA compliance, and secure offshore debt at the cost of Indian public interest. As such, this scheme raises serious regulatory red flags under FEMA and the RBI's oversight framework.

*The facts of the case have been captured and sourced from the Viceroy Research Group Report on Vedanta Group dated 09.07.2025 (“Viceroy Report”)*

### 3. Ongoing violations in the Vedanta Group:

#### 3.1. Violation of FEMA with respect Brand and Strategic Services Fees (Remittance to foreign Companies)

##### 3.1.1. Facts of the case:

- a. Between Financial Year 2022 and Financial Year 2025, VEDL, owned and controlled by Vedanta Resources Limited and its subsidiaries remitted approximately USD 1.156 Billion (INR 10,002.87 Crore) to VRL under the heads of “brand fees” and “strategic services.” Of this, VEDL alone accounted for USD 983.43 Million (INR 9,984.56 Crore). The year-wise breakup is as follows:
- Financial Year 2025: USD 361.3 Million (INR 3,126.33 Crore)
  - Financial Year 2024: USD 338.5 Million (INR 2,929.04 Crore)
  - Financial Year 2023: USD 261.1 Million (INR 2,259.30 Crore)
  - Financial Year 2022: USD 214.1 Million (INR 1,852.61 Crore)

Brand Fees Paid to VRL (\$m)					
Payor	FY25	FY24	FY23	FY22	Total
Vedanta Limited standalone	315.7	289.5	207.0	171.2	983.43
Hindustan Zinc	77.0	67.3	38.7		183.01
Black Mountain Mining		6.4			24.89
Cairn Energy Hydrocarbons	16.9	30.0	18.4	15.9	81.27
ESL Steel	16.3	13.3	20.1	12.6	62.36
Talwandi Sabo Power	5.4	5.6	6.2	5.2	22.43
Black Mountain Mining	6.9		9.3	9.2	6.90
<b>Total</b>	<b>361.3</b>	<b>338.5</b>	<b>261.1</b>	<b>214.1</b>	<b>1,156.39</b>
<b>VEDL net profit</b>	<b>2,402.7</b>	<b>904.6</b>	<b>2,787.1</b>	<b>3,631.8</b>	<b>9,726.23</b>
<b>Brand fees as % of net profit</b>	<b>15%</b>	<b>37%</b>	<b>9%</b>	<b>6%</b>	<b>12%</b>

*Figure 1- Brand Fees Analysis*

- b. The amounts remitted by VEDL far exceed the prescribed limits, and there is nothing on record to suggest that RBI's approval was obtained for such payments. This renders the transactions unauthorized and in contravention of FEMA and the applicable regulations.
- c. These payments were made in advance based on forecasted turnover, without evidence of actual services rendered by VRL at the time of remittance. In several instances, excess amounts were later refunded, indicating that the original remittances lacked commercial justification and were structured to artificially provide liquidity to VRL.
- d. The following excerpts from the Viceroy Report support these findings:
  - i. *"A big component of the BSS fee is 'strategic services' that are supposed to be provided by VRL to VEDL and its subsidiaries. In reality, this is a charge made by VRL for the main promoters' time since there is no other material presence of VRL employees. The incentive is to overestimate turnover as the BSS fee is a percentage of turnover. They overestimate this when making the payments to VRL in advance of the year so that they can send as much money up as possible while showing as low a provision in the expense line at the subsidiary level as possible."*
  - ii. *"Brand fees paid by VEDL and its subsidiaries to VRL do not operate as conventional royalty payments. Instead, they function as rolling, prepaid advances to VRL, providing it with upfront liquidity. These transactions lack commercial justification and are designed to bypass dividend leakage to minority shareholders, including the GoI."*
  - iii. *"We were unable to locate any brand fee and management services agreement defining terms, deliverables, or pricing. There is no evidence of benchmarking or arm's-length comparability."*
  - iv. *"This brand fee income has been pledged as security for VRL's high-interest offshore debt facilities. The security agreements do not allow for these brand fees to be reduced, undermining their purported justification."*
  - v. *"Apart from Vedanta Limited itself, none of the companies paying brand fees make meaningful use of the Vedanta brand."*

- vi. *“A clear case of minority shareholder abuse is demonstrated at Hindustan Zinc Limited, where brand fees were imposed without approval of GoI-appointed directors, resulting in USD 109.1m in cash extracted over two years.”*

**Figure 2- Abstract from Vedanta Aluminium Metal FY 2024 Annual Report**

\* The Company has a Brand license and strategic service fee agreement (“the Agreement”) with Vedanta Resources Limited, Vedanta Resources Investments Limited (“VRIL”) for the use of brand ‘Vedanta’ and providing strategic services which envisaged payment to VRIL at the rate of 3% of turnover of the Company or ₹ 1 Lakh whichever is higher. The Company has recorded an expense of ₹ 1 Lakh for the period ended 31 March 2024.

**3.1.2. Key Issues Identified**

- a. It may thus be stated that the VEDL Group has made substantial payments to its parent company, VRL PropCo, a UK-based entity, under the pretext of ‘brand fees’ and ‘strategic services.’ These payments are grossly disproportionate to any actual services rendered by VRL PropCo and lack any arm’s-length commercial justification. The real purpose of such payments was to provide liquidity to VRL PropCo to meet its own operational expenses and to facilitate the acquisition of shares of VEDL. This structure appears to have been deliberately designed to circumvent regulatory scrutiny by the RBI at the time of remittance.
- b. VEDL Group remitted substantial amounts as ‘brand fees’ in advance to VRL PropCo based on forecasted turnover. This practice is neither prudent nor commercially justifiable, as it involved remitting foreign exchange to a related party without any actual services rendered at the time of payment. In several instances, excess amounts were later refunded, clearly indicating that these transactions were structured to artificially provide liquidity to VRL.
- c. Certain subsidiaries of VEDL have also remitted substantial amounts as ‘brand fees’ to VRL PropCo despite making no significant use of the “Vedanta” brand name. These payments lack any arm’s-length commercial justification and appear to have been made without effective agreements or proper underlying documentation to support the remittances. Such transactions seem to be sham arrangements structured to remit foreign exchange outside India for the benefit of the holding company.
- d. Based on information and belief, it is submitted that VRL PropCo has no operational presence in the UK and has been entirely reliant on VEDL Group employees for carrying out its activities.
- e. Upon information and belief, USD 109 million (INR 1,106.35 Crore) in brand fees was extracted from HZL, where the Government of India (“GoI”) holds a 29.5 (Twenty Nine point Five) percent

stake, without approval from Government-nominated directors. This amounts to foreign exchange expropriation from public sector wealth.

### **3.1.3. Possible violation of FEMA**

These transactions are in gross contravention of the following provisions of the FEMA, and subordinate regulations:

**a) Section 3(b): Unauthorized Foreign Exchange Transactions**

*“No person shall deal in or transfer foreign exchange except as permitted under this Act, rules, or with RBI’s approval.”*

**Default:** VEDL and its subsidiaries remitted USD 1.156 Billion (INR 10,002.87Crore) to VRL without commercial justification, constituting unauthorized foreign exchange dealings beyond permissible current account transactions.

**b) Section 4: Holding of Foreign Assets Without Permission**

*“No resident shall acquire, hold, or transfer foreign exchange, securities, or assets outside India without RBI’s permission.”*

**Default:** The prepaid brand fees were used by VRL for its own expenses and share acquisitions, amounting to indirect holding of foreign assets without RBI approval.

**c) Section 6(3)(j): Prior Approval of Payments Beyond Prescribed Limits**

*“Payments for consultancy or management services beyond prescribed limits require RBI approval.”*

**Default:** VEDL’s payments exceeded the RBI limits of USD 10 million/year (INR 86.53 Crore/year) for brand fees and USD 1 million/project (INR 8.65 Crore/project) for strategic services, with no evidence of RBI approval.

**d) Section 6(3)(k): Providing Guarantees for Foreign Entities**

*“No resident shall provide guarantees or securities for debts of foreign entities without RBI approval.”*

**Default:** VEDL pledged its brand fee receivable as security for VRL’s offshore borrowings, violating this provision.

**e) Rule 4 of FEMA (Current Account Transactions) Rules, 2000**

*“Remittances lacking economic substance or not commensurate with the underlying transaction are prohibited.”*

**Default:** Brand fees were advanced on forecasted turnover and partially refunded later, lacking genuine business justification and lack economic substance.

**f) Sections 13 & 37A: Penalties and Enforcement**

*“Contraventions may attract penalties up to three times the amount involved and authorize investigation and seizure of assets abroad.”*

**Default:** The quantum involved of at least USD 1.1 Billion (INR 9,518.30 Crore) attracts penalties and warrants investigation and enforcement action by RBI and the Enforcement Directorate (“ED”).

**3.1.4. Action taken by RBI/ ED in the matter of Xiaomi India (facts captured from public sources)**

We would like to highlight another case where brand fees have been paid to a foreign company without any substance and the ED is already investigating the affairs of this company: the action taken against Xiaomi India:

**Action taken for violation of Sec 4 of FEMA (Unauthorised use of Foreign Exchange)**

*The ED has taken significant action against Xiaomi Technology India Pvt. Ltd. concerning alleged violations of the Foreign Exchange Management Act (FEMA) related to royalty payments.*

***Allegations and Seizure***

*In April 2022, the ED seized ₹5,551.27 crore from Xiaomi India's bank accounts. The agency alleged that the company remitted this amount to three foreign-based entities, including one Xiaomi group entity, under the guise of royalty payments. According to the ED, Xiaomi India, primarily a trader and distributor of mobile phones in India, had not availed any services from these entities, making such remittances unauthorized under FEMA provisions.*

***Company's Defense***

*Xiaomi India contested the ED's claims, asserting that the royalty payments were legitimate and made for in-licensed technologies and intellectual properties used in their Indian products. They emphasized*

*that 84% of these payments were directed to Qualcomm Inc., a U.S.-based technology firm, for patented technologies essential to Xiaomi's devices.*

### ***Legal Proceedings***

*The Karnataka High Court initially stayed the ED's seizure order, allowing Xiaomi to operate its bank accounts for routine business activities, excluding royalty payments. However, the court later directed Xiaomi to approach the competent authority under FEMA to resolve the matter.*

*In September 2022, the FEMA authority confirmed the ED's seizure order, stating that the royalty payments were a means to transfer foreign exchange out of India unlawfully, violating Section 4 of FEMA.*

### ***Show Cause Notices***

*In June 2023, the ED issued show cause notices to Xiaomi India, its Chief Financial Officer Sameer B. Rao, former Managing Director Manu Kumar Jain, and three foreign banks—Citibank, HSBC, and Deutsche Bank AG. The notices pertained to alleged FEMA violations amounting to over ₹5,551 crore, citing unauthorized remittances and lack of due diligence by the banks in processing these transactions.*

#### **3.1.5. We respectfully request RBI to immediately take the following actions:**

- a) Conduct an audit/investigation under Section 37 of FEMA, into the structure, substance, and legality of these remittances;
- b) Assess the total extent of unauthorized foreign exchange transactions and identify responsible directors and officials;
- c) Direct reversal of remittances made in violation of FEMA and initiate penalty proceedings under Section 13;
- d) Refer the matter to the ED under Sections 37 and 37A for further action.

#### **3.2. Violations with respect to Loans and Guarantees provided by VEDL**

##### **3.2.1. Facts of the case**

In June 2020, the VEDL Group advanced a USD 956 million (INR 7,934 Crore) 12-month unsecured loan to VRL subsidiaries. The particulars of the loan are as under:

- a. USD 834 million loan (INR 7,214.56 Crore) from Cairn India Holdings (“**CIH**”) to Twin Star Holdings (“**TSH**”);
- b. USD 122 Million (INR 1,055.37 Crore) loan from THL Zinc Holdings Ltd (“**THLZH**”), funded partly by a USD 100 million (INR 865.30 Crore) loan from CIH;
- c. The loan carried interest rates of 3 (Three) percent to 7 (Seven) percent and a 1 (One) percent guarantee fee.

Timeline of the VEDL-VRL Loan Scheme and Control Consolidation	
Date	Event
<b>May-20</b>	Vedanta Resources announces its intention to delist Vedanta Resources
<b>Jun-20</b>	Vedanta Limited, via Cairn India, issues a \$956m unsecured loan to Vedanta Resources subsidiaries through opaque channels to hide credit risk
<b>Aug-20</b>	Vedanta Resources \$1.4b bond clause triggers full redemption risk after delisting fails, escalating pressure on Vedanta Resources.
	Delisting attempt fails
<b>Oct-20</b>	Loan terms are restructured to impair \$122m, remove Vedanta Limited guarantee and extend repayment to December 2023
<b>Dec-20</b>	Vedanta Limited promoters begin aggressively acquiring shares, increasing stake from 50.14% to 70% by Q3 FY22
<b>FY22</b>	\$300m of the loan is novated to Vedanta Jersey Holdings at 10% interest, disguised as a debt restructuring
<b>FY23</b>	Vedanta Jersey Holdings repays \$314m which is funnelled back to Vedanta Resources through a Cairn India share buyback and record Vedanta Limited dividend
<b>FY24</b>	Remaining \$417m loan is extended to December 2024
<b>FY25</b>	Remaining \$417m loan is extended and split into 2 tranches: \$200m due in January 2026 and \$217m due in May 2026.

**Figure 3 – Timeline of the VEDL-VRL Loan Scheme and Control Consolidation**

- d. The following excerpts from the Viceroy Report support these findings:

- i. *“VEDL extends and guarantees ~USD 956m (INR 8,270.97 Crore) in loans to VRL subsidiaries at 3%-7% due in 12 months and a 1% guarantee fee. In October 2020, VEDL restructures the loan: repayment extended to December 2023, impairment of loans of USD 122 Million (INR 1,055.37 Crore) to one VRL subsidiary, and VEDL corporate guarantee extinguished. Interest rates increased to 14%-17%.”*

- ii. *“The structure allowed VRL to recover its own debt repayments in the form of an outsized dividend from VEDL. The repayment of the USD 300 Million (INR 2,595.90 Crore) loan novated to VJH was not a return of capital but a cash loop.”*
- iii. *“This indicates a deliberate use of intra-group structures to bypass dividend restrictions and route cash offshore, exposing VEDL to FEMA scrutiny.”*

VEDL/VRL Group loan changes	
<b>June 2020</b>	VEDL extends and guarantees ~\$956m in loans to VRL subsidiaries at 3% - 7% due in 12 months and a 1% guarantee fee.
<b>October 2020</b>	VEDL restructures the loan: - Repayment extended to December 2023 - Impairment of loans of \$122m to one VRL subsidiary - VEDL corporate guarantee extinguished - Interest rates increased to 14% - 17%
<b>March 2021</b>	VEDL revises interest rates to 9.6%, benchmarked to VRL bond coupons.
<b>FY22</b>	VRL group has repaid \$217m and interest thereon. Unnamed overseas VRL subsidiary novates \$300m due for repayment in June 2022 from Twin Star at 10.1% guaranteed by VRL
<b>FY23</b>	Novated \$300m loan repaid, though its unclear how or who the borrower was.
<b>FY24</b>	At borrowers request, loan is extended to December 2024. Borrower prepaid \$32m in principal

**Figure 4 – VEDL/ VRL Group Changes**

- e. Further, the report highlights that in June 2020, the VEDL Group through its subsidiary CIH, extended a USD 956 million (INR 7,934 Crore) loan to VRL subsidiaries and simultaneously acted as both lender and guarantor for this exposure:  
*“VEDL acted as both lender and guarantor, a massive red flag.”*
- f. Additionally, the report reveals that the VEDL Group’s brand fee income was pledged as collateral to secure VRL’s offshore borrowings:  
*“This brand fee income has been pledged as security for VRL’s high-interest offshore debt facilities. The security agreements do not allow for these brand fees to be reduced, undermining their purported justification.”*

### 3.2.2. Key Issues identified

- a) Loan partially impaired within 5 months of disbursal, showing wilful diversion and lack of commercial justification;
- b) Loan proceeds routed back to VRL via VEDL dividends and offshore share buybacks. This is indicative of round-tripping;
- c) Repeated extensions of repayment deadlines and novation, camouflaged as restructuring.
- d) VEDL acted as guarantor, despite VRL entities having no repayment capacity. This constitutes a prohibited financial commitment.

### 3.2.3. Possible violation of FEMA

It is thus stated that the June 2020 loan of USD 956 Million (INR 7,934 Crore) by VEDL Group to VRL subsidiaries violates multiple provisions of FEMA. The transaction breaches:

- a) **Section 3(b)** as an unauthorized foreign exchange transfer, and
- b) **Section 6(3)(d)** of the FEMA (Borrowing and Lending in Foreign Exchange) Regulations, 2000 for lending foreign exchange to entities abroad without RBI approval.
- c) VEDL's role as both lender and guarantor contravenes **Section 6(3)(k)**, which prohibits guarantees for obligations of foreign entities without RBI permission.
- d) The loan, impaired shortly after issuance and extended multiple times, lacks commercial substance, **violating Rule 4 of the FEMA (Current Account Transactions) Rules, 2000.**
- e) These contraventions attract penalties under **Section 13 and empower RBI/ED under Section 37A** to investigate and seize foreign exchange or assets held abroad in violation.
- f) This may also be treated as an indirect violation of Master Direction - External Commercial Borrowings, Trade Credits and Structured Obligations ("**ECB regulations**"), as these subsidiaries have effectively availed loans from a foreign source. Such structuring appears to circumvent the ECB framework by routing foreign funds through VEDL without complying with FEMA and RBI's borrowing rules.
- g) As per the ODI Regulations, an Indian company is prohibited from providing any security, guarantee, or financial commitment on behalf of a foreign entity unless such transactions are in compliance with RBI's approval framework and prudential norms. Any deviation from these requirements amounts to a default under **Regulations 9 and 10** of the ODI Regulations.

### **3.2.4 We respectfully request RBI to immediately take the following actions:**

- a) Initiate a full-fledged audit/investigation under Sections 6 and 37 of FEMA to determine the regulatory breach and role of officers;
- b) Issue show-cause notices to VEDL and its Key Management Personnel (“KMP”) for unauthorized lending, impairment, and guarantees issued without RBI authorization;
- c) Impose penalties under Section 13 and direct reversal or write-back of unauthorized financial flows.
- d) Direct VEDL to disclose the full terms of these transactions to shareholders and regulators, along with impact on foreign exchange reserves;
- e) Refer the matter to the ED for further criminal investigation and attachment of overseas assets if deemed necessary.

### **3.3. Violation of FEMA read with Foreign Exchange Management (Overseas Investment) Regulations, 2022, including imprudent financial commitments, write-offs without approval, and failure to assess foreign entity viability:**

#### **3.3.1. Facts of the case**

- a. In October 2020, VEDL restructured its earlier loan of USD 956 million (INR 7,934 Crore) to VRL subsidiaries after the failed delisting attempt. The restructuring involved:
  - Extinguishing the guarantee provided by VEDL.
  - Extending repayment timelines, making the loan repayable in instalments by December 2023.
  - Increasing the contractual interest rate to 14 (Fourteen) percent to 17 (Seventeen) percent to align with market rates.
  - Impairing USD 122 Million (INR 1,055.67 Crore) of loans to an unnamed VRL subsidiary just four months after issuance, citing inability to repay.

The impairment suggests VRL spent USD 122 Million (INR 1,055.67 Crore) and arbitrarily decided not to repay VEDL, conflicting with its claim of solvency at the time.

- b. Another similar case is of Monte Cello, another subsidiary of VEDL.
  - i. Monte Cello is a Vedanta subsidiary that holds its now-defunct Australian operations:
    - Thalanga Copper Mines Pty Ltd and
    - Copper Mines of Tasmania (CMT).

- ii. Both entities have ceased operations:
  - Thalanga Copper Mines was disclaimed by liquidators in 2022 after operational failures and a “fall of ground” event in the mine.
  - CMT’s Mt Lyell Mine was closed and sold in 2023.
- c. Vedanta holds AUD 43 million of stranded tax losses at Thalanga Copper Mines Pty Ltd, which are now effectively unusable as Vedanta has no remaining assets in Australia.

Thalanga Copper Mines Pty Ltd has unutilised tax losses for which no deferred tax asset has been recognised of AUD 43,268,378 (2023: AUD 36,944,510).

As at 17 November 2023, Copper Mines of Tasmania Pty Ltd (CMT) was divested out of the Vedanta group and as such Thalanga Copper Mines Pty Ltd (TCM) has become the new Provisional Head Entity of the MEC group. As part of the CMT exit, TCM increased its unutilised tax losses by AUD 6,071,753.

*Figure 5– Monte Cello FY 2024 Annual Report*

- d. These actions collectively reflect a reckless and imprudent approach to overseas financial commitments, in direct contravention of the prudential and approval framework prescribed under the ODI Regulations.

### 3.3.2. Key Issues Identified

- a) Financial commitments made to non-viable or distressed overseas entities;
- b) No evidence of risk assessment, due diligence, or RBI approval at the time of impairment/write-off;
- c) Clear intent to transfer Indian capital offshore under the garb of legitimate ODI, with no likelihood of return;
- d) Write off of overseas assets without the approval of the RBI.

### 3.3.3. Possible violation of FEMA

Under the **Foreign Exchange Management (Overseas Investment) Regulations, 2022:**

- a. Regulation 9 requires an Indian entity to ensure that any loan or financial commitment to a foreign entity is made only to a bona fide business and financially sound foreign entity.

- i. The USD 122 million (INR 1,055.67 Crore) impairment and the liquidation of the Australian subsidiaries indicate that the foreign entities were not financially sound at the time of investment, violating the prudential requirements of Regulation 9.
- b. Regulation 10 mandates prior RBI approval for any write-off of financial commitment, including loans and equity, in cases where the foreign entity is financially stressed or under liquidation.
  - i. The write-off of USD 122 Million (INR 1,055.67 Crore) and the disclaimer of Thalanga Copper Mines by liquidators, without evidence of RBI's prior approval or proper compliance, constitute defaults under Regulation 10.

**3.3.4. We respectfully request RBI to immediately take the following actions:**

- a) Conduct a transaction-level audit under ODI Regulations for all financial commitments made by VEDL to VRL-linked and Monte Cello entities since Financial Year 2019;
- b) Direct reversal or clawback of impaired amounts and initiate penalty proceedings under Regulation 17 of the ODI Rules;
- c) Suspend VEDL's ability to make further ODI transactions pending regulatory clearance;
- d) Refer the matter to the ED for scrutiny of the end-use of impaired funds and willful contravention of FEMA.

**3.4. Violation of FEMA: Over-Invoicing And Suspected Trade-Based Foreign Exchange Diversion Via Fujairah Gold**

**3.4.1. Facts of the case**

- a) Fujairah Gold FZC ("**Fujairah Gold**"), a foreign subsidiary of VEDL based in the United Arab Emirates, has engaged in a pattern of transactions with Indian group entities, i.e., HZL and VEDL's Tuticorin smelter. This raises serious concerns of:
  - i. Over-invoicing of exports from India,
  - ii. Misdeclaration of precious metal content,
  - iii. Trade-based money laundering, and
  - iv. Unauthorized retention/diversion of foreign exchange abroad.

- b) These transactions primarily involved the export of:
  - i. **Copper Anode Slime (CAS)** from Tuticorin (pre-2019); and
  - ii. **Silver Sand and metal residues** from HZL (2021 onwards).
- c) The pricing patterns and physical content of these consignments remain opaque, and available data indicates that the realizable value of gold/silver content far exceeded the reported invoice values. This, combined with the non-repatriation or under-repatriation of export proceeds, constitutes prima facie contravention of FEMA provisions.
- d) The use of a foreign group entity, i.e., Fujairah Gold to warehouse, refine, and potentially monetize precious metal assets without adequate disclosure in India, raises the presumption of illicit profit shifting, export mispricing, and foreign exchange evasion.

#### **3.4.2. Identified Red Flags Evidencing Possible Trade-Based Money Laundering:**

- a) Transactions lack transparent pricing benchmarks for precious metal residues;
- b) Proceeds repatriated to India significantly lower than estimated market value;
- c) No formal audit trail or valuation reports disclosing gold content, shipment grades, or post-processing outcomes;
- d) Same-group export-import cycle, involving captive offshore unit, raises risk of circular transactions used to hold assets abroad;

#### **3.4.3. Possible violation of FEMA Provisions**

These transactions constitute violations under FEMA, as explained under:

- a) The Indian subsidiaries (HZL, VEDL Tuticorin) exported material to Fujairah Gold *at inflated prices* or with *mis-declared gold content*, and the foreign exchange remitted back was *less than what was due*, this amounts to *unauthorized transfer or retention* of foreign exchange, leading to violation of **Section 3(b) of FEMA** which prohibits unauthorized foreign exchange dealings.
- b) Fujairah Gold was used as a vehicle to hold assets (precious metals) or profits abroad that *rightfully belonged to Indian entities*, **this violated Section 4 of FEMA** which restricts holding or transferring foreign assets without RBI permission.

- c) Illicit gold was exported from India without proper declaration and the proceeds from such exports were not brought back into India, thus violating **Section 7 of FEMA** which states that all export proceeds must be realized and repatriated to India within a prescribed period in a manner specified by RBI.
- d) These transactions, established as a default, also attract the enforcement powers under **Section 13 and Section 37 of FEMA**. Section 37 empowers RBI to order investigations into suspected contraventions and to call upon the ED to take necessary action, including seizure of foreign exchange, assets, or proceeds held abroad in violation of FEMA.

**3.4.4.      We respectfully request RBI to immediately take the following action:**

- a) Immediately initiate an investigation under Sections 7 and 37 of FEMA, including transaction-level review of all export consignments made to Fujairah Gold by VEDL or HZL since Financial Year 2019;
- b) Direct forensic audit of pricing methodology, assay reports, and valuation practices of exported mineral products to detect underreporting;
- c) Suspend further related-party exports to Fujairah Gold pending audit outcome;
- d) Refer the matter to the ED under Sections 37 and 37A to examine money laundering or proceeds of crime;
- e) Mandate full disclosure by VEDL Group entities of outstanding export receivables, material content reports, and financial arrangements with Fujairah Gold in its public filings.

**3.5 Possible violation of FEMA with respect to Offshore Creditor Control Over VEDL:**

**3.5.1 Facts of the case**

- a. The Group has created a structure to emphasize the unauthorized transfer of control over Indian assets to offshore creditors via encumbrances over promoter shareholding, violating core FEMA provisions and RBI's capital control framework.

- b. As of April 2025, approximately 99.8% of VRL PropCo's shareholding in VEDL – a listed Indian company—has been contractually encumbered under foreign debt covenants that came into effect on February 5, 2024. These encumbrances are not merely pledges but include:
  - i. Negative lien restrictions;
  - ii. Veto rights on strategic corporate actions (mergers, demergers, asset sales, borrowings, and dividend distributions);
  - iii. Prohibition on promoter ownership dilution below 50.1%;
  - iv. De facto operational vetoes exercised by offshore lenders.
- c. These arrangements have resulted in material control over the VEDL Group being contractually ceded to offshore creditors, enforced through VRL PropCo's controlling stake in VEDL. As a result, the VEDL Group's decision-making is now governed in part by creditor-imposed vetoes, rather than its own board or shareholders.

Pursuant to the terms of the Facility Agreement, the Borrower and the Guarantors have agreed to ensure in its capacity as the member of the promoter group of Vedanta Limited, that Vedanta Limited shall not undertake the following actions / activities unless permitted within the parameters of the Facility Agreement and / or with the consent of the requisite Lenders: (i) (subject to the carve-outs specified under the Facility Agreement) the creation of security over assets of Vedanta Limited; (ii) (subject to the carve-outs specified under the Facility Agreement) the sale, transfer and disposal of assets of Vedanta Limited which are not in the ordinary course; (iii) investment in or acquisition of material assets / business / shares by Vedanta Limited in each case, which are assets / businesses not associated with mining, metals, coal, oil and gas exploration and/or production, infrastructure, power or energy industries; (iv) (subject to the carve-outs specified under the Facility Agreement) any Merger (as defined in the Facility Agreement) of Vedanta Limited; (v) amendment of the constitutional documents such that it affects the rights of the Lenders or has a material adverse effect under the Facility Agreement; (vi) (subject to the provisions of the Facility Agreement) creation of a restriction on distributions; and (vii) (subject to the provisions of the Facility Agreement) grant of a loan

*Figure 6-VEDL Intimation Announcement to Stock Exchange*

- d. Crucially, VEDL itself is not a party to these agreements, yet its governance and autonomy are materially constrained through restrictions imposed on its controlling shareholder by foreign creditors. The result is a backdoor transfer of strategic and financial control of an Indian public company to offshore entities, in complete disregard of the foreign exchange regulatory regime and the RBI's oversight over foreign ownership and influence.

### 3.5.2 Key Issues Identified

- a) Control ceded to offshore lenders without any disclosure to VEDL shareholders or regulators;
- b) Material impact on corporate actions of VEDL, a listed Indian company with public and government shareholding;
- c) Foreign creditors effectively hold veto powers over dividend policy, board-level decisions, and related-party lending, despite not being registered Indian investors;
- d) Indirect control of foreign lender violating FDI norms.

### 3.5.3 Possible violations of FEMA

- a) **Section 3(a) & (b):** Indirect transfer of control over Indian assets to non-residents without RBI approval.
- b) **Section 4:** Creation of rights in favor of non-residents over Indian securities (through encumbrances) constitutes foreign asset holding in violation of capital account regulations.
- c) **Section 6(3)(e):** Control and management rights transferred without observing RBI's conditions for foreign direct investment and control.
- d) **Rule 4, FEMA (Non-Debt Instruments) Rules, 2019:** Restrictions on FDI entities creating obligations in favor of foreign lenders that compromise Indian board and shareholder control.
- e) **Sections 13 & 37A:** Attracts penalties and empowers RBI to initiate investigations and reverse unauthorized foreign influence.
- f) Violation of **FDI policy and rules** and regulations.

### 3.5.4 We respectfully request RBI to immediately take the following actions:

- a) Immediately investigate the legality of pledge and control-transfer agreements executed between VRL and its offshore creditors, insofar as they affect Vedanta Limited;
- b) Direct public disclosure of the complete suite of contractual obligations and restrictive covenants under Section 6 of FEMA;
- c) Issue directions under Section 11 of FEMA prohibiting further enforcement of these restrictive covenants without RBI approval;
- d) Refer the matter to the ED for examining whether these arrangements are being used to circumvent RBI's FDI and ODI regulations;

- e) Mandate independent audit of board-level decision-making at VEDL since execution of such pledge arrangements to assess foreign influence.

### **3.6 Violation Of FEMA w.r.t. Structured Share Buyback From Offshore Subsidiary To Circumvent Dividend Controls:**

#### **3.6.1 Facts of the Case**

- a) In FY 2023, VEDL received USD 330 million (INR 2,855.49 Crore) via a share buyback transaction executed by its overseas subsidiary, Cairn India Holdings (CIH), domiciled in Jersey. While presented as a corporate restructuring under foreign company law, the transaction raises significant regulatory concerns under the FEMA, for the following reasons:
  - i. CIH lacked sufficient retained earnings to issue an equivalent dividend to VEDL under normal repatriation channels;
  - ii. The buyback structure was selectively chosen to avoid the withholding tax (TDS) applicable on dividends distributed from offshore subsidiaries;
  - iii. The substance of the transaction reflects a disguised dividend payout, without corresponding regulatory and tax treatment;
  - iv. No public disclosures were made explaining the motive, mechanics, or regulatory approvals related to this transaction.
- b) The transaction, though formally compliant with Jersey laws, appears to have been deliberately structured to circumvent Indian regulations governing dividend repatriation, tax deduction at source, and foreign exchange remittance classifications, and thus amounts to regulatory arbitrage under FEMA.

#### **3.6.2 Possible violations of FEMA**

- a) **Section 3(b), FEMA:** Structured transfer of foreign exchange into India through a disguised mechanism (buyback) to evade capital account regulation and tax treatment;
- b) **Section 4:** Use of offshore subsidiaries as conduits to access Indian capital or assets in violation of RBI's control framework;

- c) **Section 6(3)(f)**: Capital account transactions—such as buybacks of shares involving cross-border entities—must conform to RBI’s directions and approval conditions;
- d) **Rule 4 of FEMA (Current Account Transactions) Rules, 2000** –: Prohibits remittances lacking economic substance or genuine commercial justification;
- e) **Section 13 & 37A, FEMA**: Authorizes RBI to impose penalty up to 3x the amount involved and call for reversal or referral to ED.

**3.6.3 We respectfully request RBI to immediately take the following actions:**

- a) Investigate the USD 330 Million (INR 2,855.49 Crore) share buyback by CIH to ascertain if it served as a disguised dividend distribution;
- b) Examine whether the transaction was executed to avoid TDS and regulatory scrutiny, contrary to the spirit of FEMA and Indian tax laws;
- c) Direct VEDL to disclose all such offshore repatriation transactions, their structuring rationale, and tax treatment;
- d) Invoke Section 13 of FEMA to impose penalties and consider clawback orders in the event of regulatory violation;
- e) Refer the transaction to the ED to investigate potential money laundering or tax evasion.

**3.7 Violation of FEMA w.r.t Regulatory and Enforcement Actions Against VEDL Directors:**

**3.7.1. Facts of the Case**

- a) The complainant respectfully submits that several current and former directors of VEDL and its controlling entities have been involved in serious regulatory, criminal, and financial misconduct proceedings, many of which are directly relevant to the violations alleged in this complaint.
- b) These proceedings include cases instituted by the ED under the Foreign Exchange Regulation Act (FERA) and FEMA, as well as criminal prosecutions by other regulatory bodies, and include charges such as:
  - i. Money laundering;
  - ii. Criminal breach of trust;
  - iii. Market manipulation;
  - iv. Fraudulent misstatements under SEBI and FEMA frameworks.
- c) List of such officials:

- **Mr. Anil Agarwal** (Executive Chairman, Vedanta Resources; Non-Executive Chairman, VEDL):
  - INR 208 crore (USD 25 Million) FDI/Money Laundering violation via Twinstar; USD 70 Million (INR 605.71 Crore) ED fine (2004), upheld by Delhi High Court in 2009 (final status unknown).
  - Criminal breach of trust in the BALCO case; bail cancelled after leaving India.
  - SEBI criminal complaint under PFUTP regulations (Sterlite case); proceedings pending before Bombay HC.
- **Mr. Navin Agarwal** (Executive Vice Chairman, Vedanta Resources & Vedanta Limited):
  - Linked to the same ₹208 crore FDI violation and BALCO breach of trust case.
- **Mr. P.K. Mukherjee** (Independent Director, VEDL):
  - Named in an **SFIO fraud case** related to Sesa Goa over/under-invoicing of ₹1,000 crore; SFIO recommended prosecution in 2011.

### 3.7.2 Key Issues Identified

- a) Presence of individuals under past FEMA scrutiny indicates repeated and habitual regulatory non-compliance;
- b) Significant reputational and systemic risk posed by allowing such persons to remain in key positions of influence within the VEDL Group;
- c) Direct linkages between historical enforcement actions and current financial structuring, particularly in relation to Twinstar, Sterlite, and intercompany transfers.

### 3.7.3 We respectfully request RBI to immediately take the following action:

Initiate a detailed investigation under FEMA into the role of VEDL's directors in these alleged contraventions, particularly in the context of foreign exchange management and repatriation of funds. The overlapping nature of these historical enforcement actions and the patterns identified in the current report further heighten the need for urgent regulatory intervention.

## 3.8 Violation of FEMA w.r.t Brockway Inc's Historical Role and ED Investigation

### 3.8.1 Facts of the Case

- a) Brockway Inc has surfaced repeatedly in connection with Indian corporate controversies over the past two decades. While it currently has no formal ties to Vedanta on paper, its proximity to the Mr. Anil Agarwal and his family and history of involvement in Indian-linked transactions raise significant concerns.
- b) In 2003, VRL disclosed that Brockway Inc., a related party controlled by relatives of Mr. Navin Agarwal (brother of Mr. Anil Agarwal), had repaid a USD 1.5 Million (INR 129.80 Crore) loan. The company was identified as related to Mr. Navin Agarwal in public filings, but the familial connections strongly suggest close alignment with Mr. Anil Agarwal as well. Notably, there is no explanation in public records regarding Brockway's role or the purpose of these financial dealings.
- c) In 2013, Brockway Inc again appeared in records of the ED during an investigation into alleged violations of the FEMA. As reported by *Business Standard*, the ED was examining UBS employees suspected of using client accounts from Reliance Energy and Reliance Natural Resources to invest in other Reliance Group companies in breach of regulations. Brockway Inc's presence in these proceedings raises concerns about its potential use in similar offshore structures and transactions linked to Indian entities.

The Enforcement Directorate (ED), which is investigating possible violations of the Foreign Exchange Management Act (Fema) by some former UBS employees, has written to the UK's Financial Services Authority, **seeking details of the alleged misuse of accounts of Anil Dhirubhai Ambani Group-controlled Reliance Energy and Reliance Natural Resources (RNRL).**

The agency is probing if the executives, who have been sacked by the Swiss bank, had illegally obtained overdrafts against cash collateral security held in the account and transferred them into the accounts of eight-10 diamond merchants based in India and Belgium.

The funds were then allegedly pumped into the stock market through a fund manager – Pluri Emerging Companies PCC Cell E Emerging Markets Growth Fund — using the participatory note route. **Funds are also suspected to have been transferred to Brockway Inc.**

The Indian agency is also probing if there was any link between the **two ADAG companies, Pluri, Brockway and the diamond merchants.**

*Figure 7: Govt probes misuse of ADAG firms' account by staff*

### 3.8.2 Possible violations of FEMA Provisions

- a) **Section 3(b):** Unauthorized remittance or acquisition of foreign exchange through associated offshore parties not declared under RBI filings;
- b) **Section 4:** Holding of assets or receivables abroad indirectly through undisclosed related entities;

- c) **Section 6(3)(e):** Creation of structures to exercise indirect control or investment without observing ODI or FDI compliance;
- d) **Regulation 10, FEMA (Overseas Investment) Regulations, 2022:** Prohibits hidden or nominee ownership structures in ODI; mandates full disclosure and transparency;
- e) **Sections 13 & 37A:** Justifies enforcement actions, asset tracing, and seizure by RBI and ED.

### **3.8.3 We respectfully request RBI to immediately take the following action:**

Order a detailed investigation to determine whether any cross-border financial arrangements involving Brockway contravened FEMA provisions and to safeguard against any potential misuse of foreign exchange regulations. Given Brockway Inc's prior involvement in an ED investigation under FEMA and its historical connections to the Mr. Agarwal's family, it is imperative for RBI to examine the role of Brockway Inc in relation to Vedanta group transactions.

## **4. PRAYER FOR REGULATORY INTERVENTION TO PROTECT INDIAN FOREIGN RESERVE AND MONEY LAUNDERING**

In light of the detailed facts and patterns set out herein, it is respectfully submitted that Vedanta Limited and its foreign parent entity Vedanta Resources Limited have engaged in a sustained and systemic course of conduct involving:

- a) Unauthorized remittance and transfer of foreign exchange without proper justification or approval from RBI;
- b) Use of related-party cross-border transactions (e.g., brand fees, unsecured loans, and share buybacks) that lack economic substance, violate prescribed limits, and evade current and capital account controls;
- c) Provision of guarantees, financial commitments, and pledges of Indian receivables in favor of offshore creditors in contravention of ODI and FEMA norms;
- d) Export-import mispricing, over-invoicing, and possible trade-based money laundering using group entities such as Fujairah Gold;
- e) Entrustment of material control of a listed Indian company, VEDL, to foreign creditors through pledge-based covenants, without RBI approval or public disclosure;
- f) Reckless overseas investments and subsequent impairment/write-offs in violation of prudential norms under the ODI Regulations;

- g) Governance of VEDL by persons with a history of regulatory violations, creating material risk of continued non-compliance with FEMA;
- h) Indirect foreign creditor control over Indian entities in gross violation of FDI regulations and rules.

The conduct in question undermines the integrity of India's foreign exchange management regime, jeopardizes public and minority shareholder interest, and appears deliberately designed to avoid tax and regulatory oversight through layered, offshore structures.

**Hence, urgent and immediate action is warranted to protect the interest of India and its forex reserves**

The undersigned, therefore, respectfully prays that the Reserve Bank of India, in exercise of its statutory powers under the FEMA, and related Master Directions:

- a) Initiates a comprehensive and coordinated investigation into all foreign exchange transactions, overseas investments, guarantees, and remittances executed by Vedanta Limited, its subsidiaries, and its parent entities from FY 2019 onwards;
- b) Audits all financial commitments and remittances made to foreign related parties (declared or undeclared) under brand fee, strategic services, loans, share buybacks, or export-import transactions;
- c) Imposes appropriate penalties under Section 13 of FEMA against VEDL, its subsidiaries, and responsible individuals for unauthorized foreign exchange dealings;
- d) Directs the reversal of remittances or write-offs made in violation of FEMA, and require the VEDL Group to restate its foreign asset/liability positions;
- e) Restricts VEDL and its group entities from undertaking any further foreign exchange transactions under the automatic route, including ODIs, ECBs, or dividend remittances, without prior RBI approval;
- f) Refers matters involving suspected money laundering, criminal fraud, or willful default to the ED under Section 37A of FEMA, including transactions involving Cairn India Holdings, Fujairah Gold, and Brockway Inc;
- g) Orders the appointment of an RBI-observed independent forensic auditor, to monitor all cross-border financial flows of VEDL until the investigation concludes;
- h) Considers issuing directions under Section 11 of FEMA against the KMPs and directors who were complicit or negligent in ensuring compliance.

In view of the magnitude of foreign exchange outflows involved, the pattern of opacity and circularity, and the ongoing risk to India's external financial stability, it is respectfully submitted that this matter warrants urgent and immediate intervention by the Reserve Bank of India.

**Yours Sincerely,**

A handwritten signature in blue ink, appearing to be 'FP' with a large loop and a cross-like flourish.

**Fraser Perring, Director  
Viceroy Research, LLC  
1901 Orange Street, Wilmington, DE 19801, USA  
July 23, 2025  
Wilmington, Delaware, USA**

Flowchart showing the entities involved in the Group

