Vedanta – ESL Was Bankrupt Before, & Will Be Bankrupt Again

ESL is a regulatory and financial dead weight on Vedanta's balance sheet: bleeding cash, blocking upstreaming to VRL and heading back into insolvency.

PLEASE READ IMPORTANT DISCLAIMER – PAGE 9

September 26, 2025 – Viceroy is short the debt of Vedanta Resources Limited (VRL), the UK-domiciled parent of Vedanta Limited (VEDL) with no operating income of its own. This creates persistent pressure on VEDL to generate distributable cash flows, either extracted from operating subsidiaries or by pledging their assets.

ESL Steel, acquired out of bankruptcy by VEDL in 2018, remains an unviable asset with ongoing losses, negative free cash flow, and no path to profitability. Its operating losses, regulatory liabilities, mining compliance penalties and failed divestment increase the risk of cash leakage and trapped capital, directly threatening VRL's ability to service its debt.

- Despite management's claims of expansion and recovery, ESL's capital expenditure has been overwhelmingly directed toward environmental penalties, not operational growth.
- ESL has posted negative normalized FCF in 5 of the past 7 years, including ₹(356) crore in FY25, despite one-off PPE proceeds.
- The Company has consistently underinvested in core productive assets, with gross capex (excluding afforestation) falling below depreciation in 5 of the past 7 years.
- The Company lacks the regulatory approvals it needs to operate legally, including Environmental Clearance (EC) and Consent to Operate (CTO), both of which remain unresolved due to violations.
- ESL has multiple structures that drag on its earnings power and distort its financial performance.
  - To obtain its EC, ESL must provide to the Forest Department 5x the land occupied by its steel plant and identify, acquire and afforest a further 455 ha of land.
  - Instead of recognizing these expenses, ESL carries ₹688 crore ($81m) of afforestation-related land as ROU assets despite producing no returns. This mischaracterization of penalties as capex inflates ESL's asset base and profitability and hides the true extent of its cash burn.
  - In FY25 ESL incurred ₹1,568 crore ($183m) in royalty, bid premium, and mining fees. These expenses are fixed, volume-linked outflows. Instead of COGS these are recognized as other expenses.
  - ESL failed to meet its mine production requirements in FY23 and FY25, triggering a ₹1,708 crore ($200m) penalty (now under reassessment) and a 1.8 million tonne dispatch shortfall, exposing it to further fines.
- ESL has carried a formal "Material Uncertainty Related to Going Concern" audit opinion since FY19, triggered by regulatory non-compliance and later financial instability.
- VEDL's well-publicized effort to divest ESL failed, despite multiple high-profile statements and bids. This reinforces that ESL is commercially and legally stranded.
- The original acquisition of ESL was facilitated through a loophole in Section 29A of the IBC, allowing Vedanta to acquire the asset despite a criminal conviction against its affiliate.

Every rupee spent keeping ESL alive is a rupee that cannot be upstreamed to VRL's bondholders. 7 years after exiting bankruptcy, ESL seems positioned to re-enter it.

With VEDL's usual supporters silent, and following our reporting on the Company's JAL bid, creditors are now asking VEDL to prove it can fund the transaction. Indian creditors lack confidence in the Company's long-term solvency and VRL's ability to step in.

The IBC – ESL as a Bargain Bin Asset

By the mid-2010s, India's financial system was burdened by many insolvent companies only kept solvent by lending from state-owned banks. This led to a build-up of non-performing assets (NPAs) and distorted credit and risk perception across the economy.

> Following a credit expansion and contraction that took place over the better part of the past two decades, Indian banks have been left with a number of delinquent loans on their balance sheets. Rather than selling or writing them off, however, some banks have continued to extend credit, keeping borrowers 'alive' on paper even as their economic productivity waned. These firms – now popularly known as "zombies" – have become a source of concern. Zombies tie up productive workers and capital, discouraging new investment by healthy firms (Caballero *et al.* 2008). Our research aims to identify zombies in the Indian corporate sector and to understand which policy tools are effective in eradicating these firms (Kulkarni *et al.* 2019).

Figure 1 – Unearthing "zombies" in the Indian corporate sector[1]

The Insolvency and Bankruptcy Code (IBC) was introduced in 2016 to establish a formal framework for distressed asset resolutions. This triggered a fire-sale of distressed assets through court-administered sales processes.

VEDL emerged as a major participant in the IBC restructuring wave. The IBC process presented an opportunity for VEDL to acquire distressed assets at fire-sale prices, consolidate them at a gain, and use their asset base to borrow against.

ESL Steel – One of the Big 12 Biggest Failures

ESL was one of the 12 largest defaulters identified by the Reserve Bank of India (RBI) known as the "Dirty Dozen" or "Big 12". This group accounted for over 25% of the banking system's total NPA's in 2016. These companies were kept alive by a policy of Regulatory Forbearance where banks were encouraged to evergreen loans instead of recognizing losses.

> "The Dirty Dozen" was the eponymous name granted to 12 companies that had dragged down India's banking system to the verge of a collapse by being responsible for 25% of the non-performing loans in the banking industry in late 2016.
>
> These 12 firms were representative of a process that had been introduced and adopted as emergency medicines but slowly sidled its way into a permanent feature – regulatory forbearance.

Figure 2 – Under the Rug: India's Complicated Relationship with Regulatory Forbearance[2]

- ESL had outstanding debts of ₹13,395 crore ($1.51b) in debt owed to a consortium of state-owned lenders. This was the result of a failed expansion project in which capital was deployed into an incomplete steel plant that could never generate the returns to service the loans.

> RBI had ordered lenders to refer Electrosteel to a bankruptcy court in June 2017, along with 11 other companies. Electrosteel, which is setting up a 2.5 million tonne steel plant near Bokaro, owes lenders Rs13,395 crore. The NCLT approved resolution plan for Electrosteel entails a more than 50% haircut for lenders, Mint reported on 31 March.

Figure 3 – Electrosteel Steels first from RBI's dirty dozen to exit bankruptcy[3]

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[1] https://www.ideasforindia.in/topics/money-finance/unearthing-zombies-in-the-indian-corporate-sector.html
[2] https://execed.isb.edu/en/ep/policy-perspectives/article/under-the-rug.html
[3] https://www.livemint.com/Companies/3dqZ4p0rhYdreBvASsh93L/Vedanta-gets-NCLT-nod-for-Electrosteel-takeover.html

- In FY17, ESL reported net losses of ₹1,463 crore ($165m) on revenues of ₹2,868 crore ($323m), reflecting its structurally unviable operating model. Even excluding finance costs, the Company remained loss-making.

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

(₹ in lakhs)

Particulars	Note No.	Year ended March 31, 2017	Year ended March 31, 2016
I. Revenue from Operations	26	277,429.58	288,875.89
II. Other Income	27	9,353.12	1,571.44
III. Total Income (I + II)		**286,782.70**	**290,447.33**
IV. Expenses			
Cost of Materials Consumed	28	153,425.33	184,222.66
Purchases of Stock-in-Trade		-	494.77
Changes in Inventories of Finished Goods, Stock-in-Trade and Work-in-Progress	29	11,709.47	(7,185.95)
Excise Duty on Sale of Goods		23,304.94	29,106.42
Employee Benefits Expense	30	13,117.63	8,403.97
Finance Costs	31	112,983.05	52,663.27
Depreciation and Amortisation Expense	32	47,882.30	20,257.93
Other Expenses	33	70,707.97	66,935.60
Total Expenses (IV)		**433,130.69**	**354,898.67**
V. Profit before exceptional items and tax (III-IV)		**(146,347.99)**	**(64,451.34)**
VI. Exceptional Items	34	-	(27,651.92)
VII. Profit/ (loss) before tax (V-VI)		**(146,347.99)**	**(36,799.42)**

Figure 4 – Electrosteel Steels Limited FY17 Annual Report

- ESL had been declared a "Sick Company" under Indian corporate law as it had accumulated net losses eroding over 50% of peak net worth in the preceding four years.

EROSION OF NETWORTH

As reported last year, since accumulated losses resulted in erosion of over 50% of peak net worth during the immediately preceding four financial years, your Company continues as a "Sick Company", the fact of which has already been reported to erstwhile Board for Industrial and Financial Reconstruction (BIFR).

During the period under review, your Company, in spite of financial constrains as stated earlier, had been able to maintain its overall revenue. However, due to insufficient funds for completion of remaining modules of the Plant, the Company is not able to operationalize to its envisaged capacity.

Figure 5 – Electrosteel Steels Limited FY17 Annual Report

- Despite this, lenders continued to extend credit, primarily by letting its interest obligations remain unpaid. The RBI's intervention under the IBC forced a resolution process, removing the option of further deferral.

Interest Expense vs Interest Paid	FY18	FY17	FY16	FY15
Interest Expense (P&L)	78,996	112,581	52,531	45,173
Interest Paid (Cash Flow)	6,230	7,232	6,148	87,963
Unpaid Interest Rolled Forward	(72,766)	(105,349)	(46,383)	42,790

Figure 6 – Electrosteel Steels Limited FY17 Annual Report

The VEDL Bid – Saved and Doomed by a Technicality

Renaissance Steel, a rival bidder for ESL, contested VEDL's eligibility to submit a resolution plan under Section 29A, citing a criminal conviction against affiliate KCM for environmental violations in Zambia. The offence carried a sentence exceeding 2 years, which under Clause 4 of Section 29A, constitutes grounds for disqualification[4].

The circumstances of KCM's conviction will be detailed in a later report, as well as ESL's own ESG failures.

Section 29A bars a broad range of parties from submitting resolution plans and extends to those acting jointly or in concert with them. This group includes undischarged insolvents, wilful defaulters, NPA holders, disqualified directors and fraudsters.

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[4] https://www.telegraphindia.com/business/esl-goes-to-vedanta/cid/1481493

Ineligibility Criteria: A Detailed Breakdown

Section 29A provides an exhaustive list of persons who are barred from submitting a resolution plan. A person, or anyone acting jointly or in concert with them, is disqualified if they fall into any of the following categories:

1. **Undischarged Insolvent:** Any person who is an undischarged insolvent.
2. **Wilful Defaulter:** A person identified as a "wilful defaulter" in accordance with guidelines issued by the Reserve Bank of India (RBI).
3. **Non-Performing Asset (NPA) Holder:** A person who is a promoter or in control of a corporate debtor whose account has been classified as a Non-Performing Asset (NPA) for one year or more.
   - **Exception:** This disqualification is lifted if the person pays all overdue amounts, including interest and charges, on the NPA account before submitting the resolution plan.
4. **Convicted of Certain Offences:** Anyone convicted of an offence punishable with imprisonment for two years or more.
5. **Disqualified Director:** A person disqualified from acting as a director under the Companies Act, 2013.
6. **Prohibited by SEBI:** An individual prohibited by the Securities and Exchange Board of India (SEBI) from trading in securities or accessing the securities market.
7. **Involved in Fraudulent Transactions:** A person who was a promoter or in control of a corporate debtor where a preferential, undervalued, fraudulent, or extortionate credit transaction has occurred, against which an order has been passed by the NCLT.
8. **Guarantor for Defaulting Debtor:** A person who has executed an enforceable guarantee in favour of a creditor for the corporate debtor undergoing insolvency.
9. **Subject to Foreign Disabilities:** Anyone subject to similar disqualifications under the laws of a foreign jurisdiction.

Figure 7 – Section 29A of the IBC: Who can be a Resolution Applicant?[5]

The National Company Law Appellate Tribunal (NCLAT) dismissed the appeals challenging VEDL's eligibility on the following grounds:

- The statute requires conviction for offences punishable with imprisonment of 2 years or more.
- Although an affiliate (KCM) had been convicted, the penalty imposed was a fine in lieu of imprisonment as companies cannot serve prison sentences.
- No natural person connected to VEDL was convicted with a sentence of 2 years or more in relation to the KCM case.

This outcome exposed a significant gap in Section 29A. By linking ineligibility to sentences that can only apply to natural persons, the law allowed convicted corporate entities to participate in resolution processes. In effect, the law was almost useless in preventing corporate scofflaws from acquiring distressed assets.

Financial Performance – Mismanaged and Underinvested

7 years after VEDL won the bid to buy ESL out of bankruptcy, the Company appears to be headed back toward bankruptcy. Since its acquisition by VEDL, ESL has failed to show consistent operating profitability or cash flow generation.

- ESL's reported EBIT margin has remained negative or near 0 in the past 3 years, indicating structural operating inefficiency.
- The Amortization of afforestation penalties adds non-cash income to EBIT. These assets cannot be monetized.

ESL Financial Performance Overview (₹ crore)							
Year	**FY25**	**FY24**	**FY23**	**FY22**	**FY21**	**FY20**	**FY19**
Revenue	8,147	8,578	7,978	6,596	4,771	4,378	4,952
EBIT	106	(192)	(95)	421	631	362	578
EBIT Margin	**1.30%**	**-2.24%**	**-1.19%**	**6.38%**	**13.23%**	**8.28%**	**11.68%**
Afforestation Amortization	24	16	12	12	23	0	-
EBIT less Afforestation Amortization	82	(208)	(107)	409	608	362	578
Adj. EBIT Margin	**1.01%**	**-2.43%**	**-1.34%**	**6.20%**	**12.75%**	**8.28%**	**11.68%**

Figure 8 – ESL Financial Performance Overview

[5] https://amlegals.com/section-29a-of-the-ibc-who-can-be-a-resolution-applicant/#

ESL Normalized Free Cash Flow (₹ crore)							
	FY25	FY24	FY23	FY22	FY21	FY20	FY19
Operating profit before WC Changes	**400**	**162**	**305**	**686**	**882**	**570**	**1,009**
Adjustments:							
Interest and other borrowing costs paid	(405)	(399)	(381)	(339)	(382)	(384)	(3,108)
Interest received	28	22	24	136	25	39	35
Payments for PPE	(575)	(474)	(592)	(779)	(51)	(82)	(71)
Proceeds from PPE	200	0	0	0	0	2	0
Income tax expense	(6)	3	(8)	(3)	9	(6)	(11)
Normalized FCF	**(356)**	**(687)**	**(651)**	**(299)**	**483**	**138**	**(2,146)**

Figure 9 – ESL Normalized Free Cash Flow

- Normalized FCF is consistently negative except in FY21 and FY20. FY25's FCF is distorted by a one-off ₹200 crore PPE sale.

ESL Capex Analysis (₹ crore)							
Year	FY25	FY24	FY23	FY22	FY21	FY20	FY19
Gross Capex	575*	474	592	779	51	82	71
Afforestation Capex	127*	231	50	11	66	55	-
Gross Capex ex Afforestation	447*	**243**	**543**	**769**	**(15)**	**27**	**71**
Depreciation	389	386	356	336	346	306	304
Gross Capex Less Afforestation and Depreciation	**59***	**(143)**	**187**	**432**	**(361)**	**(279)**	**(233)**

* The FY25 result is skewed by an outsized ₹200 crore proceeds from sale of PPE.

Figure 10 – ESL Normalized Free Cash Flow

- Gross Capex after afforestation capex has routinely fallen under depreciation as ESL underinvests in core productive assets.
- A material portion of capex (up to 48% of gross capex in FY24) was directed toward non-productive afforestation land required for environmental compliance.

There is no trend for improving efficiency or unit economics. To the contrary, ESL appears to be in a pattern of decline, despite top-line growth.

Going Concern – A Financial and Regulatory Quagmire

Unsurprisingly, ESL has carried a "Material Uncertainty Related to Going Concern" audit opinion since 2019, when VEDL acquired it. As of FY25, ESL's audit opinion relates to three parallel risks:

1. The Company lacks Environmental Clearance (EC) which was revoked by the MoEFCC in 2018. Obtaining another requires full compliance with afforestation, wildlife mitigation and land diversion.
2. The Company lacks Consent to Operate (CTO) which was denied by the Jharkhand State Pollution Control Board (JSPCB) in 2017. Renewal of CTO depends on first obtaining an EC, which ESL still does not have.
3. The Company faces long-term funding constraints due to chronic losses since its acquisition. ESL is reliant on parent company support from VEDL to continue as a going concern.

These risks are co-dependent: ESL must engage in expensive afforestation that it cannot afford to obtain an EC but it cannot meet these funding demands itself. Until then, the Company operates in a legal gray zone.

ESL Going Concern Change Analysis		
Year	**Key Disclosure**	**Interpretation**
FY19	Pending environmental clearances (CTO & EC) with matter before Jharkhand High Court.	Operations are already on loose legal footing and only able to operate due to legal stay.
FY20	No Change	
FY21	High Court stay vacated. Supreme Court petition filed. MoEFCC demands full TOR compliance before EC approval.	Risk escalates and ability to operate becomes tied to completing afforestation and other remedial efforts.
FY22	No Change	
FY23	No Change	
FY24	New disclosure: "Long-term funding constraints"; operations reliant on financial support from parent.	ESL now financially at risk and dependent on VEDL support to continue operaitons.
FY25	No Change	

Figure 11 – ESL Going Concern Change Analysis

Mine Economics – A Cash Sink

A major earnings drag and cash sink is ESL's royalty and mining costs, totaling ₹1,568 crore ($183m) in FY25 alone.

Royalty, Bid Premium and Other Mining Expenses Analysis (₹ crore)					
	FY25	**FY24**	**FY23**	**FY22**	**FY21**
Royalty, Bid Premium and Other Mining Fees	1,568	1,958	1,309	204	-
Total Other Expenses	7,032	7,284	7,214	6,513	4,645
Royalty, Bid Premium and Other Mining Fees as a % of Total Expenses	**18%**	**21%**	**15%**	**3%**	**0%**

Figure 12 – Royalty, Bid Premium and Other Mining Expenses Analysis

These outflows are non-optional and volume linked under the Nadidihi mining leases awarded to ESL in November 2021 and indexed to IBM-determined iron ore prices. ESL must pay these charges to retain mining rights and must also meet minimum production targets under the Mine Development and Production Agreement (MDPA).

- In FY23, ESL failed to meet its minimum dispatch requirement and was fined ₹1,708 crore ($200m). The fine was later set aside and remains under assessment, but the issue remains unresolved.

> The Company received demand notices dated December 03, 2022 aggregating Rs. 1,70,780.81 lakhs and dated April 11, 2023 aggregating Rs. 4,945.40 lakhs towards penalty for shortfall in minimum despatch for the first year of the lease i.e. upto November 19, 2022 and for subsequent quarter thereof from November 20, 2022 upto February 19, 2023 respectively for both the mines. In respect of period from November 20, 2022 upto the period ended February 19, 2023 demands have been made on provisional basis and for the remaining period thereafter no such demand has been raised. The Management based on the legal opinion obtained on the matter is of the view that the demands for shortfall as made against the company are not valid as per the provisions of law and MDPA. Moreover, pursuant to the Revision Application filed before Revisional Authority, Ministry of Mines, the said demand has been set aside and remanded back to the State Government to pass a reasoned order afresh after due consideration of the representations made by the company and giving them opportunity to make their submissions on the matter. In view of the management the

Figure 13 – ESL Steel FY25 Annual Report

- In FY25, ESL again failed to meet its minimum dispatch requirement, reporting a shortfall of 1.8 million tonnes due to minimal production in the 4 months since the start of the last Annual Production Cycle.

> ii) In terms of the MDPA, there is a shortfall in despatch of Iron Ore by 1.80 Million Ton as on March 31, 2025 as computed proportionately based on the Annual Production Cycle ending on November 19, 2025 ("Annual Production Cycle") on account of minimal production during the current period from November 20, 2024 to March 31, 2025. However, considering the expected Annual Dispatches of Iron Ore cumulatively based on management's estimate whereby no shortfall thereagainst is expected to arise by the end of the Annual Production Cycle, as such no provision in respect of such shortfall has been considered necessary.

Figure 14 – ESL Steel FY25 Annual Report

The MDPA allows the Odisha State Government to levy fresh penalties for non-compliance or terminate the mining lease, subject to hearings. ESL is liable to pay for every tonne dispatched or not dispatched, regardless of profitability and subject to IBM pricing.

(a) The amounts payable under Rule 13 of the Auction Rules for the quantity equal to the Minimum Production and Dispatch Requirement in the said quarter on the basis of the weighted average of grade of minerals dispatched during the quarter; and

(b) The amounts paid under Rule 13 of the Auction Rules for the quantity actually dispatched in the said quarter:

Provided that a reconciliation of the amounts paid under Rule 13 of the Auction Rules shall be done at the end of the year and on such reconciliation, if it is found that the lessee has dispatched more than or equal to the Minimum Production and Dispatch Requirement for that year as a whole, then any amount paid by the Successful Bidder for the shortfall in dispatch in any quarter or quarters of that year shall be adjusted with the amounts to be paid for the last quarter of that year:

Provided further that the amount payable under this clause shall be in addition to any appropriation of the Performance Security for non-compliance of any Minimum Production and Dispatch Requirement under this Agreement.

Where the Successful Bidder does not maintain Minimum Production and Dispatch Requirement for the year as a whole, the State Government may terminate the Mining Lease after giving the Successful Bidder a reasonable opportunity of being heard.

Quarter 1 to Quarter 8	Refer to (i) below	24% of Average sale price of relevant mineral published by IBM as applicable during the quarter of shortfall (multiplied by) shortfall in dispatch [Minimum Production and Dispatch Requirement (minus) actual quarterly dispatch]
Quarter 9 onward	Refer to (ii) below	

(i) *"Notwithstanding anything contained in these rules, during the first two years from the date of execution of new lease, the holder of mining lease, to whom the order of vesting of rights, approvals, clearances, licences and the like have been issued under section 8B of the Act, shall maintain such level of production so as to ensure minimum dispatch of eighty percent of the average of the annual production of two immediately preceding years on pro-rata basis, failing which appropriate actions in accordance with the Mine Development and Production Agreement shall be initiated."*

(ii) *"The new lessee shall ensure that the annual production beyond two years from date of execution of new lease is equal to or more than the annual production by the previous lessee and shall subsequently workout and implement an annual production plan to ensure that the mineral resources are fully exploited during the period of the lease, failing which appropriate actions in accordance with the Mine Development and Production Agreement shall be initiated:*

Provided that the new lessee shall also ensure that at least eighty percent of such annual production is dispatched in the said year."

Figures 15 & 16 – Odisha Steel & Mines Department Letter No. 7495/SM dated 02.08.2022 with enclosures

This represents another systemic drain on earnings and cash that would otherwise be available to upstream to VEDL and VRL. ESL is locked into a capital-intensive cost structure that drains cash whether or not the mines generate profit.

Misrepresentation of Environmental Penalties – Forests on a Smelter's Balance Sheet

As mentioned in our first report, as a condition of obtaining its EC, ESL is required to:

1. Provide five times the area of non-forest land in exchange for land used in its steel plant.
2. Identify, purchase and afforest 455 acres of land at ESL's expense, to be later transferred to the Forest Department.

Since its acquisition by VEDL, ESL has spent ₹540 crore ($63m) in capex on fulfilling these conditions. These costs have been capitalized as right-of-use assets despite the following:

1. The land is not legally owned or controlled by ESL. While title deeds are in the Company's name, legal ownership belongs to the Forest Department and regularization is still pending.
2. The Company amortizes the cost of forest land over 30 years, even though they will generate no cash flows and cannot be used in operations.
3. ESL recognizes a Net Present Value to the non-forest land, despite deriving no economic benefit from it.

5.3 ROU Land Leasehold includes:-

a) Rs. 11,568.24 lakhs (March 31, 2024: Rs. 11,568.24 lakhs) in respect of 325.19 acres which are under process of regularisation by conversion to leasehold land (including Rs.9,097.09 lakhs being amount paid against demand made for such conversion pending execution of lease deed. Such Leasehold land has been accounted for in accordance with Ind AS 116 with effect from April 01, 2019 pending execution of Lease deed and has been amortised considering a period of thirty years from the date of demand/capitalisation;

b) 455.35 acres of forest land amounting to Rs. 65,873.66 lakhs (March 31, 2024: Rs. 53,142.06 lakhs) (on proportionate basis) includes Rs. 59,261.98 lakhs (as dealt herein below under 5.3(d)) being estimated cost of compensatory land to be provided as compensation towards afforestation. The title deed for such land eventhough in the name of the Company the title thereof belongs to forest department pending compliance of requirement of afforestation and approval from respective authorities. The entire cost as estimated to be incurred in this respect, pending regularisation of title deed etc. and determination of amount if any in this respect has been considered as ROU Assets and have been amortised considering a period of thirty years from the date of demand/capitalisation.;

c) Necessary steps are being taken for regularisation etc., as detailed in Note no. 44 in respect of above land and execution of title/lease deed in this respect is subject to necessary approval from relevant authorities and charge holders; and

d) In order to obtain the Environmental Clearence as dealt with in Note no. 44, the company apart from afforestation cost was required to provide five times of non-forest land in exchange of land used by the company for the Steel Plant and Rs. 59,261.98 lakhs (including Rs. 12,731.60 lakhs (March 31, 2024 : Rs. 46,530.381 lakhs)) provided during the year being the cost as estimated by the management to be incurred and considered adequate for meeting the liability in this respect. Further, Rs. 6,611.69 lakhs being the NPV for area under utilisation as per the report of EIA consultant had also been recognised and included as ROU.

Figure 17 – ESL FY25 Annual Report

This accounting treatment inflates ESL's asset base and EBIT, masking the true scale of cash-burn and non-productive assets on the Company's balance sheet. These are not productive assets; they are environmental penalties misrepresented as assets.

The Steel Sale – The Mirage of Salvation

The failed sale of ESL was covered in our previous report, where we detailed how VRL used the proposed divestment to support its debt management and refinancing, despite privately ending the sale process months earlier.

Steel Asset Sale Timeline		
Date	Claim	Form
30-Jun-23	Vedanta announces strategic review of steel business for options including strategic sale of some or all of the business.	Press release
29-Sep-23	Vedanta announces demerger of its business units.	Press release
29-Sep-23	Omar Davis states that steel assets are the only assets under review.	Investor conference call
3-Oct-23	Agarwal states on CNBC-TV18 that it aims to complete steel asset sale by March24.	Interview
4-Nov-23	Arun Misra states that Vedanta cannot say when and to whom, the steel assets will be sold.	Earnings call
25-Jan-24	Ajay Goel states that the intent of noncore asset disposal is intact. Offers are expected by the end of Q4 FY24 to early Q1 FY25.	Earnings call
26-Jan-24	Ajay Goel states to the Economic Times that the steel asset sale process is underway.	Interview
27-Feb-24	Earnings day presentation states Vedanta Resources' maturities will be addressed partially by asset monetization. At the time the steel business was the only asset publicly under strategic review.	Analyst day presentation
20-Apr-24	Investor meet presentation repeats claims made in earnings day presentation on February 27,24.	Investor meet presentation
25-Apr-24	Arun Misra states the steel asset sale is still under consideration with regulatory clearances pending. End of Q1 FY25 to Q2 FY25 targeted for the sale.	Earnings call
13-Jun-24	Vedanta site visit overview presentation repeats the claim made in the earnings day presentation on February 27,24.	Site visit overview presentation
8-Aug-24	Bloomberg reports that the $2.5b steel business sale is on hold after the $1b QIP.	Bloomberg article
9-Aug-24	Vedanta calls the Bloomberg report "factually and completely incorrect" stating that company is open to a sale of ESL steel "at the right price"	CNBC-TV18 article

Figure 18 – Steel Asset Sale Timeline

Any serious due diligence process would have uncovered the insurmountable operational, financial and legal issues at ESL outlined in our report including falsified expansion claims, capex fraud, environmental and regulatory violations and a formal going-concern opinion.

We reiterate our opinion that ESL is unsaleable. No reasonable buyer would purchase an asset facing this level or regulatory scrutiny, legal uncertainty, and structural cash drain.

Vedanta’s Pursuit of JAL – Another Warning Sign

VEDL’s ₹17,000 crore ($192m) bid for the bankrupt Jaiprakash Associates Limited (JAL) signals a repeat of the ESL playbook. Like ESL, JAL is a financially distressed entity with a long-tail financial risk.

For our detailed breakdown of JAL’s financial distress and Vedanta’s exposure risk, see our full report:

https://viceroyresearch.org/2025/09/17/vedanta-jal-trophy-assets-empty-pockets

Following Viceroy’s report on JAL, creditors have asked VEDL and other bidders to revise and explain how it intends to finance its bid[6]. These are not routine proceedings and were unexpected by market participants.

India does not need another ESL. It deserves better than a repeat performance.

[6] https://www.business-standard.com/industry/news/jaiprakash-associates-bidders-revise-offers-funding-plans-125092501088_1.html

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

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