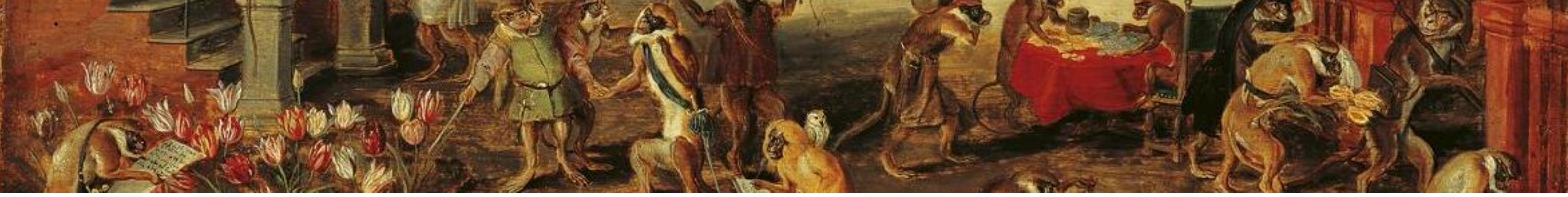

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September 19, 2025

To:
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Subject: Immediate Risk to Government Equity in HZL and BALCO from Vedanta's Unviable JAL Acquisition.

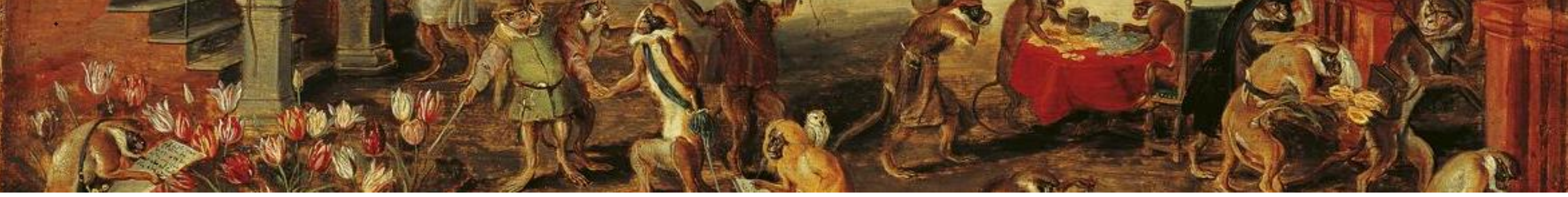
Respected Sir,

We write to alert you to a material and escalating risk to the Government of India's equity interests in Hindustan Zinc Limited (HZL) and Bharat Aluminium Company (BALCO), both subsidiaries of Vedanta Limited (VEDL). Both entities are not only profitable but also systemically significant assets, and both are partially owned by the state.

- JAL cannot fund its own acquisition, with a projected free cash flow shortfall of over ₹18,600 crore across five years.
- HZL and BALCO, both partially owned by the Government of India, contributed ~42% of Vedanta's normalized FCF in FY25 while generating only 31% of group revenue.
- These GoI-linked entities are being forced into unsustainable debt-funded dividends to support the parent, eroding their balance sheets.
- Vedanta's outstanding statutory dues, taxes, and environmental liabilities (₹4,847 crore declared in FY25) expose the State further.
- Without intervention, public funds and Government equity will underwrite an unviable private acquisition.

We have previously written about how VEDL's indebted parent, Vedanta Resources Limited (VRL), relies on unsustainable dividends to meet its obligations.

VEDL has now committed to acquiring Jaiprakash Associated Limited (JAL) out of insolvency, an asset with no internal cash generation and a structurally unprofitable portfolio. JAL has not produced a single rupee of sustainable free cash flow across any of its divisions.



Simply put, JAL cannot fund its own acquisition. On a five-year view, the combined free cash flow shortfall from staged creditor payments exceeds ₹18,600 crore. JAL has no synergies within its own operating divisions or with any of Vedanta's operating units. A full analysis of JAL is available here:

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

The inevitable outcome is that VEDL will rely on internally profitable units to bridge the gap, namely HZL and BALCO.

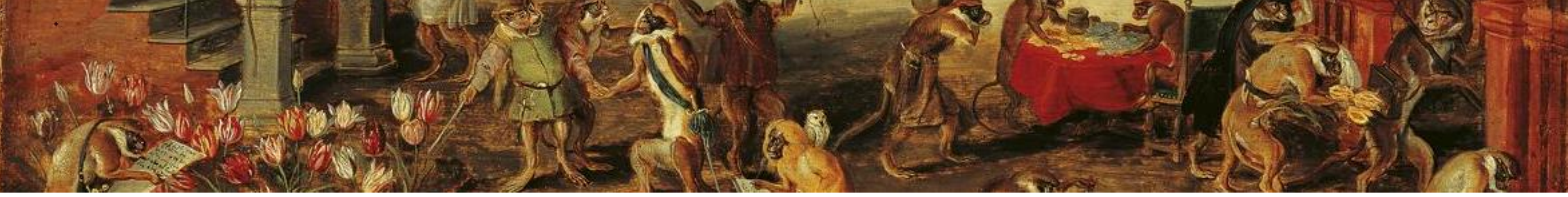
This will be done either through unsustainable debt-funded dividends from HZL and BALCO to VEDL and further leverage of VEDL's stake in HZL and BALCO.

JAL FCF Repayment Model (₹ crore)						
Assumptions						
Base FCF pre-interest expense	(256)					
Year	**1**	**2**	**3**	**4**	**5**	**Total**
Repayments						
Bullet	2,500	2,500	2,500	2,500	3,200	**13,200**
Front-Loaded	3,000	3,000	3,000	3,000	1,200	**13,200**
FCF						
Base	(256)	(256)	(256)	(256)	(256)	**(1,278)**
Less: Interest expense @10% (bullet)	(276)	(551)	(827)	(1,102)	(1,448)	**(4,203)**
Less: Interest expense @10% (Front-loaded)	(326)	(651)	(977)	(1,302)	(1,448)	**(4,703)**
Shortfall (Bullet)						
Base Bullet less FCF	(2,756)	(2,756)	(2,756)	(2,756)	(3,456)	**(14,478)**
Accrual plus interest*	(3,031)	(6,338)	(9,920)	(13,778)	**(18,681)**	
*Does not include interest on interest						
Shortfall (Front-Loaded)						
Base	(3,256)	(3,256)	(3,256)	(3,256)	(1,456)	**(14,478)**
Accrual plus interest*	(3,581)	(7,488)	(11,720)	(16,278)	**(19,181)**	
*Does not include interest on interest						

GoI-linked entities contributed ~42% of VEDL's normalized FCF in FY25 on only 31% of the revenue. Without them the Group's ability to fund acquisitions like JAL is materially impaired.

FY25 GoI-owned Entity Contribution Analysis (₹ crore)				
Segment	**Revenue**	**EBITDA**	**FCF**	**Normalized FCF**
HZL	32,927	18,292	6,438	9,699
BALCO	15,808	4,760	(38)	211
HZL & BALCO	**48,735**	**23,052**	**6,400**	**9,910**
VEDL	152,968	47,887	22,848	23,513
VEDL ex HZL and BALCO	**104,233**	**24,835**	**16,448**	**13,603**
FY24 GoI-owned Entity Contribution Analysis (₹ crore)				
Segment	**Revenue**	**EBITDA**	**FCF**	**Normalized FCF**
HZL	28,934	14,764	8,098	8,456
BALCO	13,141	2,630	(835)	(125)
HZL & BALCO	**42,075**	**17,394**	**7,263**	**8,331**
VEDL	143,727	37,748	19,097	19,762
VEDL ex HZL and BALCO	**101,652**	**20,354**	**11,834**	**11,431**

These are the same entities the Government of India holds equity in and which, until recently, retained strong balance sheets. That strength is now eroding. HZL alone has issued dividends far in excess of earnings and has begun funding shortfalls through new debt. The dividend strain is being masked by misrepresented cash flows.



FY25 Dividend Sustainability Analysis					
Segment	**FCF**	**Normalized FCF**	**Dividend Paid**	**Brand Fee Paid**	**Surplus/Shortfall**
HZL	6,438	9,699	(12,253)	(658)	(3,212)
BALCO	(38)	211	-	-	211

FY24 Dividend Sustainability Analysis					
Segment	**FCF**	**Normalized FCF**	**Dividend Paid**	**Brand Fee Paid**	**Surplus/Shortfall**
HZL	8,098	8,456	(5,493)	(561)	2,402
BALCO	(835)	(125)	-	-	(125)

Brand fees at HZL are set to increase to 3% of turnover, and BALCO will begin paying brand fees after VEDL's demerger.

Separately, the State is also exposed through Vedanta's outstanding statutory and environmental dues, deferred payments, and other contingent liabilities. As of FY25, VEDL's declared ₹4,847 crore in disputed taxes, duties and statutory dues.

These commitments represent indirect claims on future cash flows that would otherwise belong to shareholders, including the GoI.

Barring MoPNG's recent NCLT's recent objection to the demerger, Government agencies have taken no meaningful action. Even GoI-appointed directors at HZL have remained silent while the company has been drained through unsustainable dividends, unjustifiable brand fees, and related-party extractions by Agarwal-owned entities.

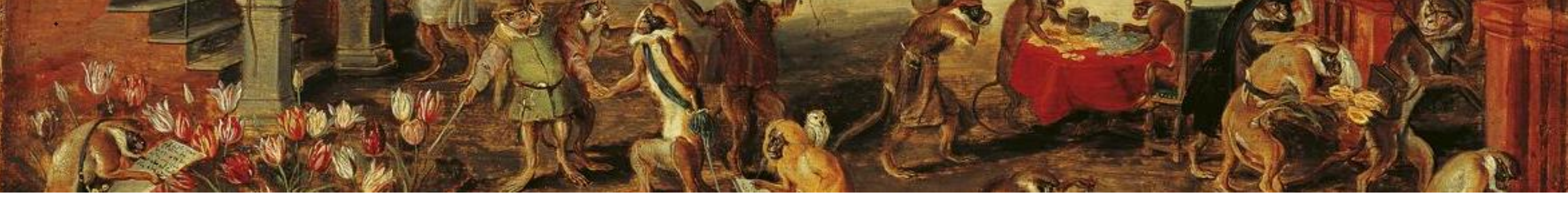
Update (September 22, 2025): The GoI has denied VEDL an extension for its Cambay basin oil and gas block, directing ONGC to assume operations and assets. Coming immediately after the MoPNG objected to VEDL's demerger scheme at the NCLT, this highlights the depth of conflict between the GoI and VEDL and the growing regulatory and contractual risk. This will further constrain VEDL's ability to generate and upstream cash to VRL.

This silence, intentional or otherwise, is now being interpreted as a green light. Without intervention, Government-owned cash flow will be used to underwrite a failing, unrelated acquisition. The cost will not be borne by promoters. It will be borne by the public.

We urge immediate intervention to safeguard the Government's equity in these strategic assets before further erosion occurs.

Sincerely,

Viceroy Research



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We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroy@viceroyresearch.com.

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