



Vedanta – NCLT Hearing Update

Gol recognition signals a shift in Vedanta Resources' risk profile at both Parent and subsidiary levels.

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September 19, 2025 – The September 17 NCLT hearing on Vedanta Limited's demerger focused on Vedanta's significant governance failures and material financial risks. The Government of India (Gol), through the Ministry of Petroleum and Natural Gas (MoPNG), accused Vedanta Limited (VEDL) of misrepresentation, concealment of liabilities, and breaches of law.

For years, VEDL's parent, Vedanta Resources Limited (VRL) implied that it was insulated from regulatory action, whether through political connections or claims of systemic importance. The NCLT hearing demonstrated that this assumption no longer holds.

These findings come on the eve of a Supreme Court hearing of a Public Interest Litigation that seeks to compel SEBI and RBI to investigate Vedanta and to recover \$1.5b in brand fees remitted to its parent.

Findings from the NCLT Hearing

The following segment is based on the livestreamed NCLT proceedings that took place on September 17, 2025.

- Government counsel stated that "in all probability MALCO will go into liquidation" frustrating recovery of government dues.

The ministry's counsel, additional solicitor general Brijender Chahar, said Malco, in all probability, would go into liquidation, making the recovery of the government dues "virtually impossible".

Figure 1 – Oil ministry queries Vedanta on demerger plan, flags financial risk at NCLT¹

- MALCO Energy, a central entity in the demerger, is effectively insolvent with the Gol citing the Company's negative net worth and cash losses.
- To secure approval for the scheme, **VRL provided a guarantee over amounts claimed by the Gol. This guarantee totals \$1.989b (₹16,700 crore).** If MALCO enters liquidation, the guarantee will be called, and VRL will face bankruptcy.

5. I say that the aforesaid corporate guarantee by VEDL to MoPNG is in addition to the existing financial and performance guarantees from Vedanta Resources Limited, parent company of VEDL, in favour of MoPNG in terms of the PSCs and RSCs as already set out in the affidavits dated July 1, 2025 filed by VEDL and MEL before this Hon'ble Tribunal.

Figure 2 – VEDL Submission to the NCLT Hearing

¹ <https://www.livemint.com/companies/vedanta-demerger-plan-anil-agarwal-national-company-law-tribunal-financial-disclosure-11758108030180.html>



- The Government argued that Vedanta misrepresented hydrocarbon assets by pledging exploration blocks such as RJ-ON-90/1, which are government owned, as collateral for loans without the required approvals.

Vedanta misrepresented the blocks sanctioned for exploration as their assets and that they have taken "massive loans" on these "assets", the government stated, adding that this was done without the government's approval.

Figure 3 – Vedanta shares end of day's low after government flags disclosure violation, blocks misrepresentation at NCLT ²

Re: Incorrect and Incomplete disclosures on the Oil and Gas assets of VEDL

4. That as per Part I of the Scheme, 'Oil and Gas Undertaking' is defined as the undertaking of the Demerged Company pertaining to the Oil and Gas Business as on Appointed Date and includes (without limitation) all immovable properties i.e. land together with the buildings and structures standing thereon and resources underneath (whether freehold, leasehold, licensed, right of way, tenancies or otherwise) including roads, drains and culverts, bunk house, civil works, residential premises provided by the Demerged Company and occupied by the employees engaged for the purpose of the Oil and Gas Business, security cabins, foundations for civil works etc. which immovable properties are currently being used for the purpose of the Oil and Gas Business and all documents of title, rights and easement in relation thereto and all rights, covenants, continuing rights, title and interest in connection with the said immovable properties held by the Demerged Company; all assets as are movable in nature pertaining to the Oil and Gas Business, whether present or future or contingent, tangible or intangible, in possession or reversion, corporeal or incorporeal (including plant and machinery, modules, inverters,

Figure 4 – GoI Submission to the NCLT Hearing

- Counsel demanded full disclosure of the ₹3,200 crore loan raised based on these assets, including the banks involved. This amounts to misrepresentation of state property and potentially outright fraud.

"We are asking for disclosures on the RJ-ON-90/1 Oil and Gas Block... showing the exploration blocks as Vedanta's assets and details of the loan taken on the basis of those assets...Rs 3,200 crore — how much loan from which asset, and from which bank." – **GoI Counsel**

- The GoI alleged that Vedanta concealed liabilities and made opaque disclosures in the demerger scheme.

The ministry also said there was a long pending dispute with regard to the RJ-oil and gas block in Rajasthan. "The largest chunk of their debt is towards the government of India, which is concerning the RJ Block. There is no mention of it by Vedanta," the ministry said.

Figure 5 – Oil ministry queries Vedanta on demerger plan, flags financial risk at NCLT

² <https://www.cnbctv18.com/market/vedanta-share-price-fall-govt-concerns-nclt-demerger-risk-financial-liability-malco-19677703.htm>



- SEBI has already issued an administrative warning regarding post-clearance modifications to the scheme and has formally intervened in the proceedings.

SEBI confirmed that Vedanta made modifications to the scheme post-NOC, which the regulator termed a "serious breach" of the applicable master circular.

The market watchdog said that it has issued an administrative warning to the company, adding that such modifications should have been brought to the attention of the company's board.

Figure 6 – Vedanta shares fall after government objects to demerger, SEBI issues warning

- Counsel for the Gol stressed that "the applicant must come with clean hands", a standard Vedanta has failed to meet given its repeated breaches of SEBI's LODR requirements and the Companies Act.

"Whoever intends to merge or demerge must come with clean hands. They must ensure transparency and put forth correct facts before all the stakeholders and the board before a scheme is approved," the ministry said. "It must place all facts on records before Sebi and BSE, so that a proper no-objection is obtained."

The tribunal directed both the parties to file their written submissions by next week and posted the matter for hearing on 8 October.

Figure 7 – Oil ministry queries Vedanta on demerger plan, flags financial risk at NCLT³

Implications for Bondholders

The Gol's intervention makes clear that Vedanta Limited no longer benefits from implicit state support. For bondholders, this removes a long-standing assumption of political protection.

MALCO's probable liquidation, together with **VRL's \$1.989b guarantee exposure**, creates direct credit risk for the parent. The existence of concealed liabilities and the likelihood of regulatory penalties further increase default probability.

VRL also faces significant refinancing pressure, with large bond maturities due over the next 12 to 24 months.

VRL debt amortization profile					
	< 1 year	1-3 years	3-5 years	> 5 years	Total
Bonds	356	1,354	2,431	1,242	5,383
Term loans	868	1,175	-	-	2,043
Total	1,224	2,529	2,431	686	6,870

Figure 8 – VRL PropCo Debt Amortization Profile

Any crystallization of the MALCO guarantee will intersect with these obligations and raise the likelihood of distressed exchanges or outright default. Note that the Gol is unlikely to approve large outward remittances to VRL if it suspects that MALCO is about to default.

³ <https://www.livemint.com/companies/vedanta-demerger-plan-anil-agarwal-national-company-law-tribunal-financial-disclosure-11758108030180.html>



The Supreme Court PIL

The developments at the NCLT arrive on the eve of a Supreme Court hearing of a Public Interest Litigation (PIL) on September 19, 2025. The petition seeks the immediate repatriation of \$1.5bn in brand fees from VRL to VEDL, alongside a court-supervised investigation by SEBI, RBI, and the Ministry of Corporate Affairs.

and VRL PropCo with regard to unauthorized foreign exchange remittances, regulatory evasions, chronic and systematic underinvestment in operating subsidiaries, unsustainable debt structures and disguised liabilities, extractive, **non-arm's-length brand fees**, opaque auditor networks and compromised governance, hidden liabilities and borrowings. Further, consequent Letters-cum-

C. Ongoing related-party siphoning of funds by VEDL, HZL and VRL PropCo through **questionable brand and management fee arrangements**.

Figures 9 & 10 – Shakti Bhatia vs. Union of India & Others

PIL cases of this nature frequently trigger probes, freezing of accounts, and enforcement actions. This hearing will place regulators under direct judicial scrutiny for their prior inaction.

Conclusion

The Gol's intervention has fundamentally altered VRL's risk profile.

For years VRL implied that it was insulated from regulatory scrutiny, whether through political connections or claims of systemic importance. This perception allowed the group to avoid taxes, extract unsustainable dividends, and operate outside the bounds of regulatory discipline.

The September 17 NCLT hearing demonstrated that this assumption no longer holds. VEDL's counsel without challenging the substance of the Gol's objections, grew visibly frustrated as the tribunal engaged with them, raising his voice at the judge.

The group remains reliant on upstreaming cash from its operating subsidiaries to Vedanta Resources while overstating the strength of its asset base. The objections raised in the NCLT underscore the existential risks now confronting both VRL and its creditors.



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.

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