Vedanta - October Regulatory Update

Hindustan Zinc confirms ongoing regulator inquiries.

PLEASE READ IMPORTANT DISCLAIMER – PAGE 5

October 23, 2025 – Public disclosures by Hindustan Zinc, VRL and other entities, including the Supreme Court, show gaps between Vedanta's "all is well" narrative and the underlying reality. Active investigations, ministry objections and legal challenges continue to unfold.

Contradictory Disclosures: HZL vs VRL

VRL's and HZL's disclosures confirm active investigations from SEBI and another regulator, understood to be the Enforcement Directorate.

In its September 30, 2025 Bond Prospectus, Vedanta Resources Limited (VRL) was forced to disclose that the Group had been subject to "Summons" from SEBI based on Viceroy's research. VRL implied that the investigation had been concluded because "no further communication [had] been received thereafter".

> ***A short seller has published a series of reports alleging various transactions of the Group, including the inter group transactions.***
>
> More recently, a short seller has published a series of reports alleging various transactions of the Group, including the inter group transactions. Further, the Group has submitted requisite details pursuant to a request for information and summons for production of documents from the market regulator and no further communication has been received thereafter. Further we understand that a Public Interest Litigation (**"PIL"**)

Figure 1 – Vedanta Resources 2032 Bond Prospectus dated September 30, 2025

However, the disclosure required by the auditors of HZL's Q2 FY26 accounts shows this to be untrue. It reveals that more than one regulator (understood to be the ED in addition to SEBI) were continuing their investigations into October: "subsequent to the quarter".

> Subsequent to June 30, 2025, a short seller had published reports alleging certain matters against some of the Vedanta Group entities including Hindustan Zinc Limited. Based on its assessment, management of the Company continues to believe that these allegations are baseless and that the transactions stated in the allegations have appropriate commercial substance and that the said transactions have been duly approved through necessary processes and the Company remains compliant with contractual obligations and applicable laws and regulations. During and subsequent to the quarter, required information sought by regulators have been duly provided, by the company and no further communication has been received thereafter.
>
> Accordingly, management believes that no adjustments are required to these consolidated financial results of the group for the quarter and six months ended September 30, 2025 or any prior periods with respect to the allegations in the short seller reports published till date.
>
> **By Order of the Board**
>
> **Arun Misra**
> **CEO and Whole-time director**
>
> **Date: October 17, 2025**
> **Place: Udaipur**

Figure 2 – Hindustan Zinc Q2 FY26 Financials

The HZL Q2 accounts were signed off and released on 17th October; again the Group claims "no further communication has been received thereafter".

By HZL's own admission, however, investigations continued into October. This leaves no window for the Group to honestly conclude that the SEBI or ED investigations are not ongoing. Shareholders should brace themselves for regulatory intervention. We note that the Company did not inform the market of a previous ED meeting that resulted in a brand fee refund.

Regulatory Engagement Timeline

Viceroy's correspondence with regulators across jurisdictions confirms that regulatory scrutiny appears to be escalating. These emails have been appended to this report.

Date	Agency	Action
August 19, 2025	Singapore Police – Commercial Affairs Dept (CAD)	Confirmed receipt of reports and assigned an investigating officer to probe cross-border
September 8, 2025	Singapore Police CAD	Confirmed active inquiry, issued case reference CAD/ENQ/00167/2025
September 11, 2025	Securities and Exchange Board of India	Confirmed reassignment of case to officer Sanjay Purao for continued investigation.
September 23, 2025	Reserve Bank of India	Referred the matter to the Directorate of Enforcement for FEMA investigation.
October 14, 2025	Institute of Chartered Accountants of India (ICAI)	Acknowledged receipt of audit misconduct complaint against S R Batliboi, Vedanta's auditor. Requested formal hard copy submission.

Regulatory engagement escalated in September 2025, signaling that authorities are now treating the matter with increased seriousness.

In contrast, Vedanta's disclosures consistently downplay regulatory risk, asserting that concerns will not materialize. In practice, multiple issues have already been crystallized resulting in material operational setbacks.

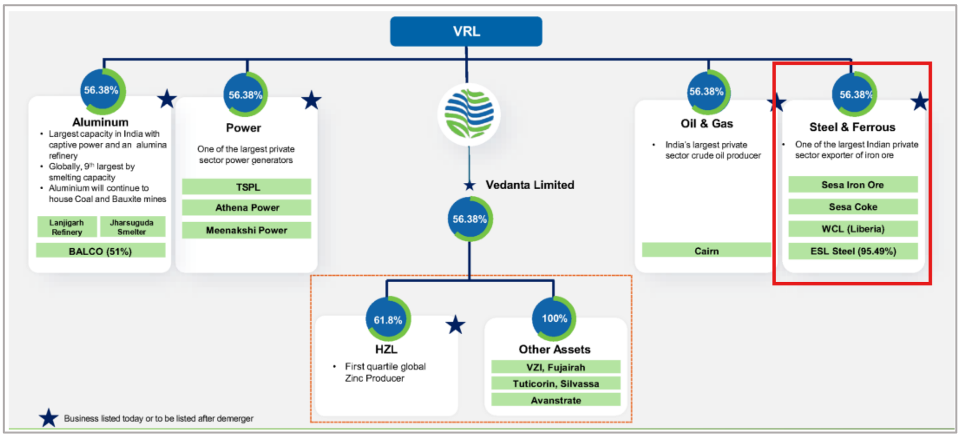
- Repeated delays in the Vedanta Limited demerger process
- Formal objections from the MoPNG
- Forced repayment of brand fees following Enforcement Directorate intervention
- Removal of the Base Metals group from the proposed demerger
- Loss of the Cambay block license over unpaid royalties and contractual breaches
- Delays and potential cancellation of the Sijimali bauxite project
- Rejection of HZL's fertilizer plant environmental clearance
- Regulatory hold-ups at the Radhikapur and Kuraloi coal mines

Despite prior assurance, regulatory pressure is translating into real-world consequences.

VRL Prospectus Errors

VRL also erroneously included a table in its 2032 prospectus that shows the Base Metals unit as part of the demerger, despite deciding against demerging that unit in December 2024. This led to a SEBI administrative warning for altering modifying the demerger scheme without obtaining prior written consent.

> In December 2024, Vedanta Limited decided to not to proceed with implementation of demerger of its base metals undertaking, along with making appropriate amendments to the Original Scheme (the "**Updated Scheme**"). The non-implementation of the demerger of the base metals undertaking of Vedanta Limited does not affect any other parts of the Original Scheme described above. The Indian stock exchanges conveyed their 'no objections / no adverse observations' on the Updated Scheme on June 3, 2025. The Securities and Exchange Board of India ("**SEBI**"), *vide* its letter dated August 13, 2025 ("**SEBI Letter**"), issued an administrative warning to Vedanta Limited for making modifications to the Proposed Demerger scheme without obtaining prior written consent of Indian stock exchanges. Vedanta Limited was advised to place said SEBI Letter before the board of directors of Vedanta Limited, which had been done by Vedanta Limited and the same was informed to SEBI along with the comments from the board of directors of Vedanta Limited.



Figures 3 & 4 – Vedanta Resources 2032 Bond Prospectus dated September 30, 2025

MoPNG Challenge at the NCLT

Vedanta has also been opaque about its interactions with the Ministry of Petroleum and Natural Gas (MoPNG), which is currently challenging the demerger in the National Company Law Tribunal (NCLT). The next hearing in the case, which has already significantly delayed the demerger, is due on October 29, 2025.

Separately, the appeal against the Government of India's refusal to extend the Cambay block lease is also pending, with a hearing set for November 10, 2025.

Key concerns raised by the MoPNG include:

- Encumbrances created over Oil and Gas assets in breach of Production Sharing Contract terms.
- Non-disclosure of adverse legal findings and significant Government of India (GoI) counterclaims.
- Doubts over the financial viability of the proposed Oil and Gas demerged company.
- Show cause notices issued and PSC extensions denied by the GoI
- Illegal operations by Vedanta in blocks after PSC expiry

Our full report on MoPNG concerns and their NCLT submission is available online at:

https://viceroyresearch.org/2025/10/15/vedanta-mopng-objection-analysis

Even if the demerger is approved, the resulting Oil and Gas entity will be left with significant bad blood with the MoPNG, the same authority it relies on for future block awards, renewals and operating approvals. Given the aging profile and deteriorating performance of Vedanta's Oil and Gas fields, the segment appears to be in terminal decline.

Key Takeaways

Disclosures made under regulatory pressure in the context of fundraising should be treated with skepticism, especially when similar pressure resulted in a forced refund of brand fees.

This matter is unresolved, and the risk remains active. Bondholders should continue to monitor regulatory announcements as well as changes in disclosure language by Vedanta and its subsidiaries in the future. Potential ramifications of ED action are significant, such as the agency's actions against Reliance and Xiaomi, especially in light of the agency's shift of focus to FEMA violations in FY26 and beyond.

ED to intensify focus on FEMA violations in 2025: Director ED

The Enforcement Directorate (ED) will shift its focus toward violations under the Foreign Exchange Management Act (FEMA) in 2025, announced the agency's Director Rahul Navin on Thursday.

ANI

Updated On May 1, 2025 at 05:00 PM IST

Speaking on the occasion of ED Day, Navin said the PMLA was enacted in 2003 in India and came into force on July 1, 2005, but in the initial years, it was largely ineffective with less than 200 cases recorded per year and that too mostly restricted to drug related offences.

He said the total criminal property attached was only Rs 5,171 crore till 31st March, 2014, with the first prosecution complaint being filed only in 2012.

After 2014, the ED Director said, however, "there has been a significant step-up in enforcement activity and from 2014 to 2024, 5,113 new PMLA investigations were initiated averaging more than 500 cases per year."

which is a time-consuming process. To unlock the economic potential of these assets and to compensate victims and legitimate owners, concerted efforts have been undertaken by the ED for restitution of these properties under the Non Conviction Based Confiscation and Restitution provisions of the PMLA and FEOA, in collaboration with key stakeholders such as banks, financial institutions, state governments, and law officers."

As per the ED Director, restitution of Rs 15,261 crore was done in 30 cases during Financial Year 2024-25 with the approval of the courts, and this process is likely to accelerate next year.

Figure 5, 6 & 7 - ED to intensify focus on FEMA violations in 2025: Director ED – The Economic Times[1]

[1] https://cfo.economictimes.indiatimes.com/news/governance-risk-compliance/ed-to-intensify-focus-on-fema-violations-in-2025-director-ed/120793393

Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Vedanta Resources, 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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Appendix: Regulator Correspondence

RE: Information Update: Potential Regulatory Inquiry into Vedanta Entities in Singapore Summarize

[redacted]
To: Viceroy Research - Vedanta Queries
Tue 8/19/2025 5:13 AM

You replied on Tue 8/19/2025 8:15 PM — View conversation

Start reply with: Attach a file

Dear Viceroy Research,

Thank you for the email dated 7 August and 19 August 2025.

I am the investigating officer from the Commercial Affairs Department, Singapore Police Force, who has been assigned to look into your complaint regarding the suspected cross-border financial misconduct by the Vedanta Group. I will keep you updated on the outcome in due course.

RE: Vedanta Request Summarize

[redacted]
To: Fraser Perring
Cc: Viceroy Research - Vedanta Queries
Mon 9/8/2025 10:33 AM

Dear Mr Fraser,

Thank you for your email.

We are looking into the matter. The case reference number is CAD/ENQ/00167/2025.

Please let me know if you have any question. Thank you.

RE: Vedanta Investigation Summarize

MC — MANINDER CHEEMA <maninderc@sebi.gov.in>
To: Viceroy Research - Vedanta Queries
Thu 9/11/2025 10:59 AM

You replied on Thu 9/11/2025 12:05 PM — View conversation

Start reply with: Thank you! | My apologies. Thank you. | Ok, thanks.

Earlier emails have been passed on

From: Viceroy Research - Vedanta Queries <vedanta@viceroyresearch.com>
Sent: 11/09/2025 13:28
To: MANINDER CHEEMA <maninderc@sebi.gov.in>; sanjayp@sebi.gov.in
Cc: Fraser Perring <fraser@viceroyresearch.com>; Gabriel Bernarde <Gabriel@viceroyresearch.com>; Aidan Lau <aidan@viceroyresearch.com>; chairman@sebi.gov.in; Ananth Narayan G <ananthg@sebi.gov.in>; amarjeets@sebi.gov.in; kamlesh.varshney@sebi.gov.in; yatriv@sebi.gov.in
Subject: Vedanta Investigation

Dear Ms. Cheema,

Thank you for your email. Please could you confirm that you have passed on the file to Mr. Sanjay Purao. Would it be helpful to resend the correspondence and reports that have been sent so far?

From: FED CO, PCD <fedcopcd@rbi.org.in>
Sent: Tuesday, September 23, 2025 1:17 PM
To: Viceroy Research - Vedanta Queries <vedanta@viceroyresearch.com>
Cc: FED CO, PCD <fedcopcd@rbi.org.in>; Fraser Perring <fraser@viceroyresearch.com>
Subject: FW: Vedanta – Our Letter to the DIPAM

Madam/ Sir

Please refer to your trailing email and similar correspondences on the captioned subject.

2. In this regard, it is informed that RBI does not have investigative powers under FEMA and the same are vested with Directorate of Enforcement (DoE). It is suggested that the matter may be referred to DoE for further investigation.

सादर | Regards,
भारतीय रिज़र्व बैंक | Reserve Bank of India
विदेशी मुद्रा विभाग | Foreign Exchange Department
केंद्रीय कार्यालय | Central Office
आयोजना और समन्वय प्रभाग / Planning & Coordination Division
मुंबई | Mumbai