



 Sensex (-0.23%) 77778.82 -179.70	 Nifty (-0.07%) 24313.85 -17.10	 Nifty Midcap (0.47%) 61615.40 +288.70	 Nifty Smallcap (0.57%) 9136.40 +51.65	 Nifty 55877.7	Heatmap
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Vedanta demerger: How the five-way split may solve debt concerns

Vedanta's five-way demerger is seen reducing debt, improving leverage and unlocking value across businesses, with stronger balance sheet visibility ahead

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Explained: Debt distribution across Vedanta businesses post demerger | Image: Bloomberg

Nikita Vashisht | [New Delhi](#)

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Explained: How Vedanta demerger will reduce debt for Anil Agarwal's company

The much-awaited demerger of [Vedanta Ltd](#) is expected to address the company's massive debt liabilities, believe analysts. They see the company's split into five standalone businesses to structurally improve balance sheet visibility and capital allocation.

"The demerger substantially reduces Vedanta's debt by distributing it across the demerged firms and aligning leverage with each business's cash flow profile," said Netra Deshpande, research analyst at Mirae Asset Sharekhan.

Analysts said the demerger aims to "unlock value" by creating focused, sector-specific entities that can attract differentiated investor bases and financing structures.

Vedanta demerger explained: What it means for your shares, prices, a

Business Standard



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Vedanta demerger

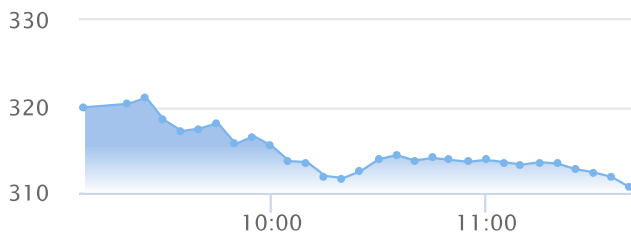
Vedanta Ltd set May 1, 2026, as the record date for its demerger, first announced in September 2023.

Vedanta Ltd

NSE **BSE**

Last Updated: May 07 2026 | 11:44 AM IST

₹ 310.65 -5.75 (-1.82%) today



1D

5D

1M

6M

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Low

149.16

52 Week Range

High

322.75



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The restructuring will result in five separately listed entities — Vedanta Aluminium, Vedanta Power, Vedanta Oil & Gas, Vedanta Iron & Steel, and the residual Vedanta Ltd.

Each existing shareholder will receive one share in each of the four newly carved-out entities for every one share held in Vedanta Ltd.

The residual entity will house key assets such as Hindustan Zinc, Zinc International, copper, and ferro chrome operations.

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Vedanta's debt woes

The demerger comes against the backdrop of persistent investor concerns around Vedanta's complex corporate structure and elevated debt levels, especially at the promoter level.

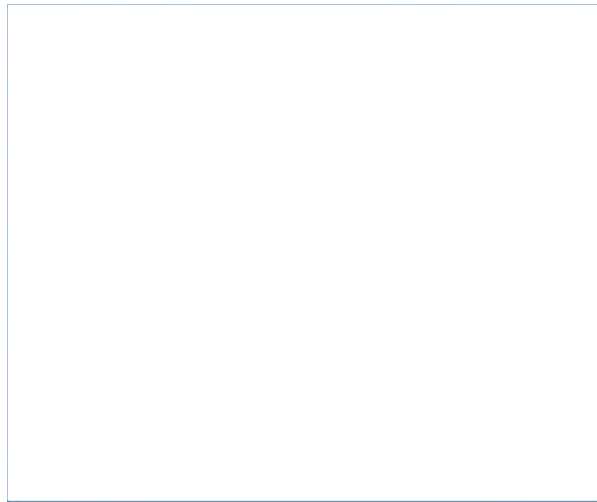
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Over the years, Vedanta Resources Ltd (VRL), the parent entity of Vedanta Ltd, had accumulated significant debt, raising questions about refinancing risks and dividend sustainability. To address its obligations, VRL relied on dividends and brand fees from Vedanta Ltd, effectively pushing leverage onto the listed entity.

ICICI Securities noted that while VRL's external debt declined from \$9 billion in FY22 to \$4.8 billion by Q3FY26, Vedanta Ltd's standalone debt rose sharply from ₹20,600 crore to ₹60,600 crore over the same period, as it funded both capex and upstream obligations.

This worried investors, who believed that the cash flows from core businesses were being diverted to service group-level liabilities. In this backdrop, analysts think the demerger will address this overhang.

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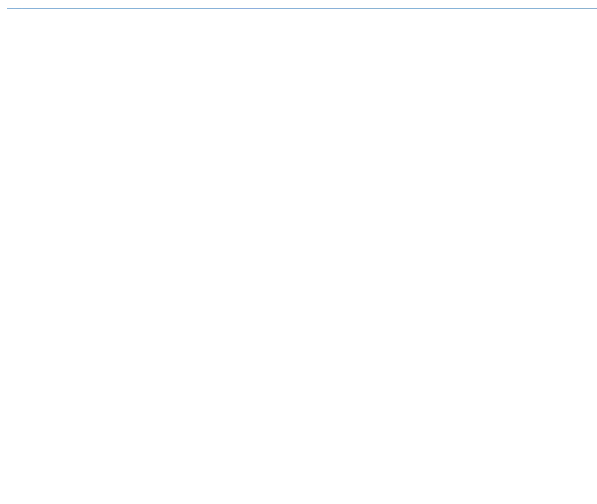


"While VDL maintains its target for VRL debt reduction, we believe that VRL is in a much better state and its cash needs are just \$1-1.2 billion annually. Therefore, Vedanta Ltd may see a sharp debt reduction (post demerger) owing to strong cash flows and relatively lower dividend payout, despite sustaining \$1.8-2.0 billion annual capex," ICICI Securities said.

It expects Vedanta Ltd's net debt to come down to ₹24,500 crore by FY28, improving its leverage ratio from 1.3x in FY25 to 0.2x in FY28. The leverage ratio was 0.95x at the end of FY26.

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Vedanta demerger: How will it address the debt issue?

Vedanta Ltd's consolidated net debt stood at ₹53,400 crore at the end of FY26. Of this, Vedanta Aluminium likely has the largest debt burden of ₹32,700 crore, followed by Vedanta Power at ₹7,500 crore, Vedanta Iron & Steel at ₹3,900 crore, and the residual Vedanta entity at ₹9,300 crore, while Oil & Gas will remain debt-free, as per Nuvama Institutional Equities' estimates.

Motilal Oswal Financial Services noted that the aluminium business, despite holding the highest debt of about \$3.5 billion, is expected to have a comfortable leverage ratio of under 1.3x net debt-to-Ebitda due to strong cash flows.

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"The residual Vedanta entity is expected to retain net debt of around \$1 billion with a low leverage ratio of 0.4x. Oil & Gas will emerge as a zero-debt business, while Iron & Steel will carry near-zero leverage," it said.

However, not all segments are equally positioned. Vedanta Power remains the most leveraged, with a net debt-to-Ebitda ratio of about 4.7x, making it a key monitorable for investors.

"The combined leverage of 0.91x appears manageable, but Power at 4.7x is the single most important variable for investors to watch. That said, new power purchase agreements and capacity expansions should aid Power segment's Ebitda, helping Vedanta's transition into its next chapter of independent, focused growth," Deshpande of Mirae Asset Sharekhan said.

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