

India Inc is embracing demerger-led value creation

This article is authored by Gopal Malpani, legal expert - merger and acquisitions.

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By [Gopal Malpani](#)

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Corporate India is increasingly turning to demergers to unlock value, breaking up its mature businesses into independent companies. Over the past few years, several companies have shown that a business can be worth more in focused pieces than as a single sprawling whole. Raymond separated its realty and lifestyle arms. ITC has spun off its hotels business. Quess Corp demerged into sector-specific independent entities. Tata Motors carved out its passenger-vehicle business. Siemens hived off its energy operations in India, and Vedanta demerged its aluminium, oil and gas, power and iron and steel businesses into standalone companies. Shareholders saw their wealth appreciate over time – for instance, in the case of Vedanta, investor wealth surged by nearly ₹49,000 crore following the listing of the demerged entities in June 2026. Demergers, thus, are proving to be good value-creation opportunities for companies when executed well.



India Inc (Representative Image)

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The logic starts with a discount that most investors know, and few conglomerates like to admit. When one company houses several unrelated businesses, the market often values the whole at less than the sum of its parts. Analysts call it the conglomerate, or holding-company, discount, and in some structures, it runs well beyond half of the underlying value. The reasons are familiar. Different businesses move through different

what became UltraTech (now part of the Aditya Birla Group), the unit went on to become one of the country's largest cement producers, a trajectory it was unlikely to have achieved within a sprawling engineering major. Reliance Industries has repeatedly hived off mature businesses once they were ready to stand on their own. A business with its own board, balance sheet, and investor base can pursue opportunities that would have been an afterthought within the parent company.

The clearest current illustration of this thinking is HEG Limited. Part of the LNJ Bhilwara Group, HEG is one of the world's leading manufacturers of graphite electrodes and has a mature, cash-generative business. Sitting inside the same company, however, is a young platform in advanced materials and clean energy, spanning anode materials, graphene, battery energy solutions and hydro and renewable power. Following approval of its demerger scheme by the NCLT, the demerger will create two independently listed companies. The graphite electrodes business will first move to HEG Graphite Limited, which will subsequently be renamed HEG Limited. The advanced materials and clean-energy platform will be under HEG Advanced Materials. The value of the demerger to a shareholder is clear. A steady industrial cash generator and a high-growth clean-energy bet can have different growth rates and capital needs, and the market can now price each on its own merits rather than blend them into a single larger company. As per HEG, the demerger will unlock the value of each business for shareholders, give each a separate growth path under focused management, and attract the distinct investors, partners and lenders suited to businesses with different risk and return profiles.

Demergers are generally an opportunity to create value; however, some may also fail to generate long-term value for stakeholders. Some newly listed entities may rise on debut and hold their gains. Others might drift because a demerger only rewards shareholders when each resulting business has a genuine growth story and the management depth to execute it.

It is equally true, from recent examples, that where a rationale holds good, the benefits compound. Standalone entities attract specialist management and sharper capital allocation. Retail shareholders usually receive proportional shares in the new company at no extra cost, a quiet transfer of upside that can build over time. And a cleaner corporate identity makes it easier to raise money, recruit talent and communicate strategy to a market that rewards clarity over complexity.

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on its own. India Inc has decided that smaller and sharper often beats large and blurred. The companies that get the rationale right, and then execute it, will be the ones that turn a corporate action into lasting value.

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