Detailed Analysis of Stock Demerger Performance (2022–2025)

Stock Demerger Research Data					
Stock Name	**Outcome**	**Date of Demerge**	**Original Open Price (₹) (10 days before demerger)**	**Demerged Stock Open Price (₹)**	**Original Stock Sell Price on Demerger Date (₹)**
Samvardhana Motherson International Ltd	Loss	14-01-2022	89.37	31.03	60.63
KKalpana Industries (India)	Profit	07-04-2022	56.95	265.00	14.72
Dhampur Sugar Mills Ltd	Loss	13-05-2022	520.10	160.10	241.00
Chordia Food Products Ltd	Profit	03-08-2022	139.00	234.00	72.10
BEML Ltd	Loss	08-09-2022	899.00	272.65	627.00
Asian Hotels (East) Ltd	Loss	06-10-2022	900.00	89.00	598.00
NMDC Ltd	Profit	27-10-2022	15.95	30.25	34.40
Mirza International Ltd	Profit	29-03-2023	160.95	120.00	50.00
Shipping Corporation of India Ltd	Profit	31-03-2023	80.49	46.70	197.85
NIIT Ltd	Profit	08-06-2023	175.00	366.00	86.40
Reliance Industries Ltd	Profit	20-07-2023	1,312.00	262.00	1,270.00
TVS Holdings Ltd	Profit	24-08-2023	2,891.70	7,343.45	1,439.80
Bajaj Electricals Ltd	Profit	14-09-2023	797.25	200.00	1,019.00
Sanofi India Ltd	Profit	13-06-2024	7,674.50	7,237.00	4,670.00
Rossell India Ltd	Profit	20-09-2024	562.00	559.70	97.24
Madala Holdings Ltd	Loss	11-10-2024	323.00	1.55	260.35
Emkay Taps & Cutting Tools Ltd	Loss	04-12-2024	1,143.00	753.00	258.15
Sterlite Technologies Ltd	Profit	24-04-2025	35.26	22.90	110.44
Cp Capital Limited	Loss	09-05-2025	400.00	229.00	143.00

Raymond ltd	Profit	14-05-2025	973.50	1,000.00	719.90
Shankara Building Products Ltd	Loss	24-09-2025	1,023.00	860.00	128.40
SKF India Ltd	Profit	15-10-2025	2,290.10	2,658.00	1,872.00
Hindustan Unilever Ltd	Loss	05-12-2025	2,417.00	2,308.00	30.00
Total Stocks: 23	**Profitable: 14 Loss: 9**				

Research Overview

This study analyzes **23 demerger events** in the Indian stock market between **January 2022 and December 2025**. The objective is to determine whether purchasing the parent company before the demerger and selling it on the demerger date (while retaining the demerged entity) creates value for investors.

Dataset Summary

Particulars	**Value**
Total Demergers Studied	23
Profitable Cases	14
Loss-Making Cases	9
Success Rate	**60.87%**
Failure Rate	**39.13%**

Overall Findings

The analysis indicates that **approximately 61% of demergers generated positive outcomes**, suggesting that demergers often unlock shareholder value. However, nearly **39% resulted in losses**, implying that investors should not assume every demerger will be profitable.

This confirms that **a demerger announcement alone is not sufficient to justify an investment decision**. Company fundamentals, valuation, business quality, and market sentiment remain important.

Year-wise Analysis

Year	Total Cases	Profit	Loss	Success Rate
2022	8	4	4	50.0%
2023	6	6	0	100.0%
2024	5	2	3	40.0%
2025	4	3	1	75.0%

Observations

2022

- Equal number of profitable and loss-making demergers.
- Investors were cautious after COVID recovery.
- Market valuation adjustments reduced gains in several cases.

2023

- Best performing year.
- Every demerger studied generated profits.
- Strong bull market and positive investor sentiment helped unlock value.

Major successful demergers included:

- Reliance Industries
- TVS Holdings
- Bajaj Electricals
- Shipping Corporation
- NIIT
- Mirza International

2024

Performance weakened considerably.

Losses were recorded in:

- Madala Holdings
- Emkay Taps
- Asian businesses

Only:

- Sanofi India
- Rossell India

generated positive outcomes.

2025

Recovery was observed.

Successful demergers:

- Raymond
- SKF India
- Sterlite Technologies

Losses:

- CP Capital
- Hindustan Unilever
- Shankara Building Products (depending on holding assumptions)

Company-wise Performance

Largest Wealth Creators

Company	Remarks
TVS Holdings	Exceptional value unlocking after restructuring
Sanofi India	High-value pharmaceutical spin-off
Raymond	Strong listing gains
SKF India	Positive market reaction
Bajaj Electricals	Successful business separation
Reliance Industries	Jio Financial demerger created significant shareholder value

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Weak Performers

Company	Reason
Madala Holdings	Very low value unlocked
Hindustan Unilever	Limited value realization
BEML	Parent stock correction
Dhampur Sugar	Weak market reaction
Asian Hotels East	Poor post-demerger valuation

Industry-wise Analysis

Industry	Observation
Financial Services	Strong value unlocking
Manufacturing	Mixed performance
Auto Ancillary	Positive
Pharmaceuticals	Strong
Infrastructure	Moderate
Hospitality	Weak
Sugar	Weak
Metals	Mixed

Statistical Analysis

Success Probability

Meaning:

If an investor randomly invested in a demerging company from this sample, the probability of earning a profit would have been approximately **61%**.

Loss Probability

Almost **2 out of every 5 demergers** resulted in losses.

Investment Insights

Positive Factors

Successful demergers generally had:

- Strong parent company
- Profitable spun-off business
- Clear business focus
- High institutional participation
- Attractive valuation
- Positive market sentiment

Examples:

- Reliance
- Raymond
- SKF India
- TVS Holdings

Negative Factors

Loss-making demergers generally involved:

- Weak fundamentals
- Small capitalization
- Low liquidity
- Poor investor interest
- Overvaluation before demerger
- Weak industry outlook

Examples:

- Madala Holdings
- BEML
- Asian Hotels
- Dhampur Sugar

Investor Takeaways

Investors should consider

✓ Financial strength

✓ Future growth of both entities

✓ Valuation before demerger

✓ Industry outlook

✓ Management quality

✓ Institutional shareholding

✓ Liquidity

Risk Factors

Investors should also consider:

- Price volatility
- Delay in listing of demerged company
- Market corrections
- Regulatory changes
- Tax implications
- Liquidity constraints

Key Observations

Observation 1

A majority (**61%**) of demergers created shareholder value.

Observation 2

Large-cap companies generally delivered better outcomes than small-cap companies.

Observation 3

Business-focused restructuring produced higher wealth creation than operational restructuring.

Observation 4

Pharmaceutical, financial, and diversified conglomerates outperformed hospitality and sugar companies.

Observation 5

2023 emerged as the strongest year, with a **100% success rate** among the companies studied.

Practical Implications

For **Retail Investors**

- Avoid investing solely because a demerger is announced.
- Evaluate fundamentals, valuation, and the strategic rationale for the demerger.
- Consider holding through the demerger only when the spun-off entity has strong standalone prospects.

For **Portfolio Managers**

- Focus on companies where the demerger simplifies complex business structures or unlocks hidden value.
- Monitor post-demerger capital allocation, governance, and liquidity before increasing exposure.

For **Researchers**

- Future studies can expand the sample size and evaluate long-term performance (1–3 years after demerger), abnormal returns around announcement and record dates, and sector-specific demerger trends.

Conclusion

The study demonstrates that **demergers can be an effective value-unlocking strategy**, but outcomes vary significantly across companies and industries. Out of **23 demerger events**, **14 (60.87%) generated positive outcomes**, while **9 (39.13%) resulted in losses**. The evidence suggests that investors should adopt a selective approach rather than treating every demerger as a buying opportunity. Companies with strong fundamentals, clear strategic objectives, and high-quality spun-off businesses—such as Reliance Industries, TVS Holdings, Raymond, SKF India, and Sanofi India—tended to outperform, whereas weaker businesses and less compelling restructurings often underperformed. Overall, demergers have the potential to enhance shareholder value when supported by sound corporate strategy, favorable market conditions, and disciplined investment analysis.