

# Private equities, VCs cash in on mkt rally

## Offers for sale in last five years much higher than fresh issuances

FE BUREAU  
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**OFFERS FOR SALE** by private equity (PE) and venture capital (VC) firms have been significantly higher than fresh issuances of capital between 2018 and 2023. Sales by PEs and VCs amounted to around \$26 billion compared with about \$10.4 billion worth of capital issuances, according to an analysis by Kotak Institutional Equities (KIE). In 2023 so far, PEs and VCs have sold stock worth more than ₹25,000 crore.

Moreover, sales of their holdings by promoters at ₹87,000 crore or about \$10 bn, has been the highest in the past six years. Of this the promoters of the Adani Group sold shares worth ₹37,000 crore or about 40% of the total promoter selling in 2023. Among the sectors that have seen the bulk of the selling so far in the current year are automobiles and components, capital goods, electric utilities, IT services and transportation. Companies in the insurance and IT services sectors accounted for a large portion of promoter selling over 2018-23.

“The sell-down is quite concentrated in the case of promoter sales but broad-based across sectors in the case of PE investors,” the analysts wrote in a note. They observed that while the selling by promoters largely reflects strategic compulsions such as debt management, the selling by PE players reflects tactical or price considerations.

## \$10 BN OF STAKE SOLD

Promoter stake sale in NSE-500 stocks, calendar year-ends (2018-23)



Source: Prime Database, Kotak Institutional Equities

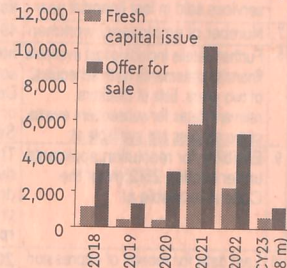
PE and VC players have made exits via the initial public offering (IPO) route and also sold share in block deals in the secondary market. The exits have accelerated in the current year, thanks to a strong rally in the markets. A good appetite from both foreign and domestic institutional investors as also retail investors has helped them sell either their entire stake or pare their holdings.

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### Shift in primary issuance versus OFS in IPOs

Calendar year-ends, 2005-23 (\$ mn)



Source: Prime Database, Kotak Institutional Equities

“DOMESTIC INVESTORS have absorbed the bulk of the sell-downs,” the analysts said.

As a result of promoter sell-downs, the promoter holding in the BSE-200 Index has fallen to 48.8% in the June quarter (for which the data is available) from 50.3% in the December, 2022 quarter. The combined holding of domestic investors (mutual funds, local institutions and retail investors) has increased by 90 basis points to 23.5% at the end of the June quarter. The holding of foreign portfolio investors has increased by a modest 26 bps to 21.7% over the same period, while the holding of others (AIFs, PMS fall under this category) has increased 31 bps to 6%.