

Insider selling sparks bullish signal in distorted India market

Bloomberg

feedback@livemint.com

In India, corporate insiders are unloading their stock at a breakneck clip, selling \$12 billion in the first 10 months of the year. This is, per Investing 101 rules, a tell-tale sign that the market is overvalued.

To some degree, that's the case in India, where shares trade at a 17% premium to those in the rest of the world. But there's a silver lining so potent that many in the market contend it outweighs the traditional bearish signals. By reducing their stakes in the companies they founded or manage,

insiders are creating space for local and foreign institutional investors to amass the kind of sizable positions they have long been unable to build.

Nearly half of all publicly traded shares have been squirreled away by insiders, at a time when investors have begun to view India as a rare source of rapid growth in the global economy. These sales, the argument goes, will spur asset managers to pour more money into the \$3.7 trillion market, supporting a rally that recently lifted the nation's equities to a record.

"It's more a problem of free availability of shares than the supply of money," said Anand



Founders' holding in the NSE Nifty 200 Index fell to an average 48.1% at the end of September, the lowest on record. AP

Radhakrishnan, who oversees \$3.6 billion of equity assets at Franklin Templeton India. "India's market has to become deeper and wider in terms of

ability to handle large flows. This 50% ownership with promoters needs to come down," he said referring to those who control the companies.

Founders' holding in the NSE Nifty 200 Index fell to an average 48.1% at the end of September, the lowest on record, from 50.5% on 31 December, according to Prime Database. A chunk of the decline was triggered by stock sales from Adani family entities after the report by Hindenburg.

Ownership by local institutions including mutual funds during the period climbed to a record 17.5% from 16.3%, while foreign funds' stake rose to 21.1% — the highest in two years — from 19.9%, the data show.

Local investors soaked up most of the ₹1 trillion of sales, which are the highest in at least six years. Adani Group owners

alone sold ₹39,300 crore worth, as per Prime Database, making way for global funds to invest in various group firms.

Overseas investors have ploughed more than \$12 billion into Indian equities so far in 2023, the most in emerging Asia, according to the latest data compiled by *Bloomberg*.

Purchases by local funds and insurers have exceeded \$18 billion, powered by a recurring gush of cash from savers. "The current floating stock is not enough to feed investors who want to put money for the long term," said Shrikant Chouhan, head of equity research at Kotak Securities.