

Over 450 promoters trim stakes, cash in on market rally

Drop in shareholdings highest in at least 12 quarters

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New Delhi/Mumbai, 25 June

Around 462 promoters reported a drop in their shareholdings in March, the highest in at least 12 quarters.

The numbers have been rising for four consecutive quarters, even as the stock market indices have risen to all-time highs. The BSE Sensex hit an all-time of 78,164.71 on Tuesday.

The 462 companies work out to roughly 15 per cent of the sample. There are 289 companies where promoters have raised stakes in March this year. This works out to 9.4 per cent of the sample under consideration.

A greater proportion of the promoters are selling stakes than those who have been raising them in every quarter since March 2023.

Fears of a banking crisis triggered a decline in the markets in March 2023 after the failure of Silicon Valley Bank.

The analysis considered 3,086 listed companies with data available over the past 13 quarters. The number of companies in which promoters have reduced stake is the highest since at least June 2021.

"It is apt for these promoters to encash it is part of their wealth, and it is locked up. It is right on their part to dilute a part of their holding. Some of them might have sold stakes for some asset purchase. It might be possible that some family members may not be aligned with the business in which their current promoter holding is and may want to branch out. Selling by promoters, in a way, is positive because, in the past, promoters would take money differently. The promoter sale is an indication that money is not getting

siphoned off. There could be more dilutions going forward, Markets are at new highs, and these guys have multiplied their wealth it is quite natural for them to book profits," said Ambareesh Baliga, an independent equity analyst.

"Promoters might be thinking that prices have run ahead of fundamentals. Whenever there is ebullience in the market or the economy is doing well, the promoters might have some ideas about new ventures, which might be risky for the company to get involved. So, they sell some of their stake and invest in emerging businesses. At times, there are family settlements. Typically, most of the promoter's wealth may be tied to the company, which they may be looking to diversify. This trend will continue as long as the bull run continues," said UR Bhat, co-founder of Alphaniti Fintech.

The momentum has continued into the current quarter.

The key promoters' stake sales include InterGlobe Aviation, which runs India's largest airline Indigo seeing promoter stake sale of around 2 per cent worth ₹3,700 crore, and pharmaceutical major Cipla, which saw a 2.7 per cent stake sale worth over ₹2,700 crore.

An independent analysis by tracker primeinfobase.com showed a declining trend for private sector promoters for companies listed on the National Stock Exchange.

They held 41 per cent of the total value of listed companies as of March 2024. The share was as high as 45.39 per cent in September 2020.

A large number of promoters raised stakes during the crash in early 2020. The promoter stake stood at 40.88 per cent in March 2019.

ILLUSTRATION: AJAY MOHANTY



EXIT MODE

Number of firms where promoters reduced stake (Q-o-Q)

Jun '21	312
Sep '21	379
Dec '21	366
Mar '22	389
Jun '22	334
Sep '22	380
Dec '22	353
Mar '23	338
Jun '23	370
Sep '23	432
Dec '23	444
Mar '24	462

Note: Based on a sample of 3,086 listed companies with data over the last 13 quarters

Source: Capitaline, Business Standard calculations