

₹62K cr

THE AMOUNT Indian promoters raised through stake sales in the first six months of 2024, the highest since 2019, according to Prime Database

Promoters sell ₹62,000 cr shares in first half of 2024

Biggest sales since 2019 also comes at big discounts; sales may not be related to bull market

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MUMBAI

Indian promoters have offloaded shares worth ₹62,000 crore in the first six months of 2024, the highest since 2019, showed data compiled by markets data provider Prime Database. Promoters had raised ₹61,277 crore through stake sales in the year-ago period.

While promoters tend to go on an encashment spree during a bull run, this time most have sold their stakes at significant discounts to the previous day's closing price.

In the biggest block deal, IndiGo co-founder Rakesh Gangwal sold a 5.8% stake in the airline's parent InterGlobe Aviation Ltd for ₹6,785.7 crore in March. It was followed by Mphasis Ltd's promoter selling shares worth ₹6,736 crore, and Bharti Airtel's foreign promoter Pastel selling a stake worth ₹5,849 crore.

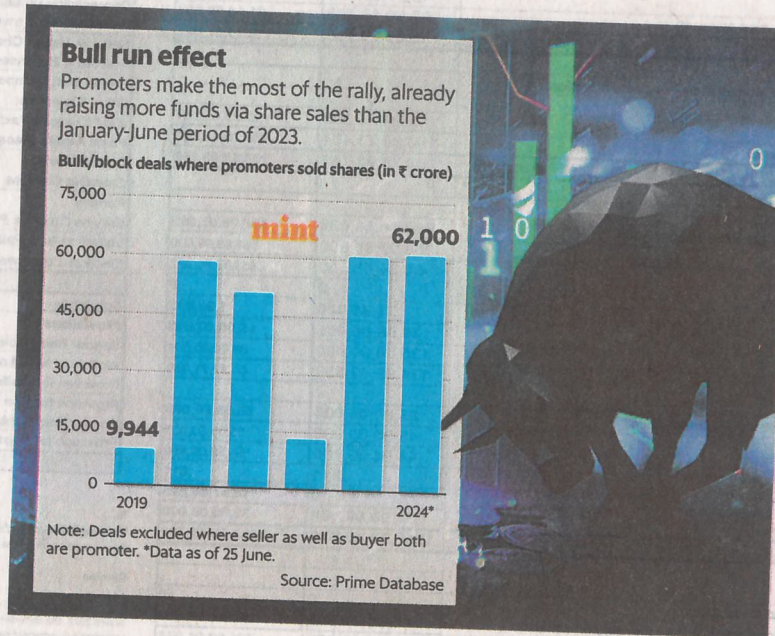
The benchmark Nifty 50 has surged 10.5% in 2024 so far, registering an all-time high of 24,036.6 points on Thursday.

Although attractive returns are one of the key reasons for company managements that have only been investing in their business for liquidating stakes, a promoter may choose to sell shares for various reasons, including personal debt reduction, portfolio diversification, strategic treasury management, and liquidity requirements, said Varun Saboo, head of equities at Anand Rathi Shares and Stock Brokers Ltd.

He added that these reasons are not concerning in a bull market.

Long-term promoters, who have invested heavily in their businesses, may also sell for philanthropic reasons.

"While such sales might make investors nervous, viewing them as a lack of



promoter confidence, these sales are not always negative and could continue with good valuations," said Satish Menon, executive director at Geojit Financial Services.

The transaction can indicate that the company is healthy, evident from the

offering potential gains from expected rate cuts in the near term.

All said, the stake sales must be understood in alignment with the intentions of the promoters, said a deal valuation expert on the condition of anonymity.

EYE ON GAINS

INDIGO co-founder Rakesh Gangwal sold a 5.8% stake in InterGlobe Aviation for ₹6,785.7 crore

BHARTI Airtel's foreign promoter Pastel sold a stake worth ₹5,849 crore after Gangwal

BLACKSTONE sold 28.5 million shares in Mphasis through a bulk deal for ₹6,735.6 crore on 10 June

BLOCK deals signed at a discount of 5% or above to the deal price include names like Vedanta Ltd

recent sales to long-term investors boosting holdings of foreign and domestic institutional investors, which bodes well for long-term growth, he added.

Additionally, selling stakes now, with anticipated lower interest rates, could benefit buyers like mutual funds by

For instance, if a promoter is a private equity (PE) player, it would typically aim to divest within 5-7 years as per the fund's strategy. A notable example is Mphasis Ltd, where Blackstone Inc. sold its stake, achieving a 5X return over eight years, he said.

Blackstone sold 28.5 million shares,

amounting to a 15.1% stake, in Mphasis through a bulk deal for ₹6,735.6 crore on 10 June.

In February, promoters of Whirlpool and Vedanta sold shares to raise money to repay debt. However, the discount was below 5% in Whirlpool.

Block deals signed at a discount of 5% or above to the deal price include names like Happiest Minds Technologies Ltd, Vedanta Ltd, Coffee Day Enterprises Ltd and IRB Infrastructure Developers Ltd.

The sharp discount can be attributed to selling a significant chunk through bulk or block deals in a single day.

Buyers in such scenarios typically seek a better deal, considering that they could alternatively purchase shares from the open market.

The discount reflects the promoter's willingness to bear impact costs of a swift sale versus potentially losing out on the gains by selling shares gradually over time.

"These sales can cause short-term volatility and declines in stock prices, but they might also present opportunities for new investors to buy at lower prices," said Siddhesh Mehta, research analyst at SAMCO Securities, adding that frequent and significant promoter sales could also erode investor confidence.

However, this should not be essentially contemplated as a negative investment case for the company, especially when long-term outlook remains promising, said Binod Modi, portfolio manager at Sharekhan PMS. "Reduction in promoters' stakes can also be prompted by factors like listing compliant norms, reduction in debt (as in case of Vedanta) and making room for strategic investments." Modi sees this trend continuing given the sustained rally in the markets and red-hot valuations of many mid- and small-cap stocks.

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