

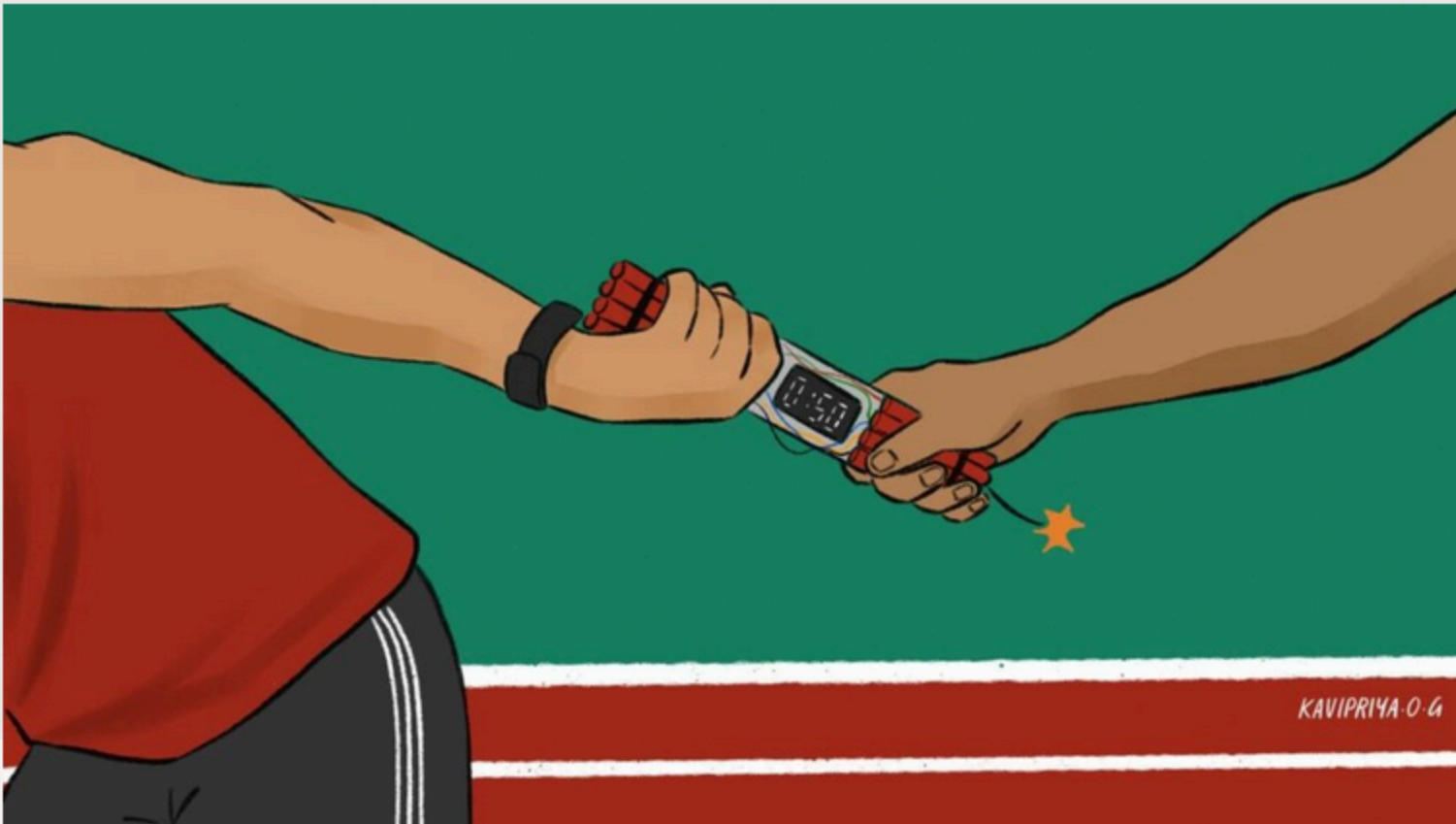
Retail investors fuelled the bull run. A world of pain awaits them in tiny stocks

By [Anand Kalyanaraman](#)

Individuals loaded up on hundreds of micro-cap companies even as their promoters sold. There may be no greater fools left

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Anand is Finance Editor at The Ken. A Chartered Accountant, he chose to pack the power of numbers with words when he left a career of seven years in accounting, putting together MIS reports, and investment research to enter journalism.

HIDE SUMMARY ^

- At about 13%, retail stake in small-cap stocks has hit a 15-year high
- But nearly a quarter of the 1,300-odd smallest of the small-cap stocks on the NSE have crashed over 20% since September
- While retail investors now hold the chunk of the stake in many of these companies, their promoters have reduced their holdings sharply
- Now, with the stock market bulls on the backfoot, retail investors in micro-caps stand to get hurt the most

The bulls rampaging through the Indian stock market have been in retreat for the past couple of months. Since 30 September, the Sensex and Nifty 50, the indices tracking the largest stocks in the country, gave up close to 10% of their value until last week. Ditto for the mid-cap and small-cap benchmark indices.

But these markers and averages often conceal more than they reveal. As you climb down the small-cap ladder to micro-cap stocks, the cuts get much deeper. Nearly a quarter of the 1,300-odd micro caps trading on the National Stock Exchange (NSE)—each with a market capitalisation of up to Rs 5,000 crore—have fallen at least 20% since September. Some have even crashed as much as 60%.

That's the bad news. What's worse is that retail investors—individuals with up to Rs 2 lakh shareholding in a company—will be hurt the most from this. *The Ken* found that these investors have sharply upped their fancy for small-cap stocks since the pandemic. As of September, retail holdings in these stocks are at a 15-year high, according to data from market-information provider Primeinfobase.com.

The smaller such a stock, the bigger the stake retail investors hold in it. For example, retail investors hold over 80% stake in stocks like printing-and-packaging-material company Antarctica and yarn maker Akshar Spintex that have a market cap of under Rs 100 crore (US\$12 million). Their promoters, meanwhile, hold less than 1%.

Promoters of many micro-cap companies seem to have made the most of the massive market rally since the pandemic by offloading a chunk of their shares even as retail investors lapped them up.

In July, *The Ken* wrote how one in 10 stocks was valued at 100X of its profits in the crazy bull run, and how retail investors were the driving force behind this. We also wrote on the [wealth effect](#) on individual investors from the stock-market boom.