MID- AND SMALL-CAP BOUNCE Promoters and financial investors sell ₹24,000 crore of shares in May-June as local institutions show a fresh appetite for such block and bulk transactions

The Art of Dealmaking

Secondary Trades Hot Up as IPOs Go Cold

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Mumbai: Big-ticket secondary market transactions are gathering pace as a rebound in mid- and small-cap stocks is prompting company promoters and large shareholders, including private equity and venture capital funds, to cash in on gains. At least ₹24,000 crore worth of shares have been offloaded through the exchanges' block and bulk deal windows in May and June, underscoring the revival in institutional appetite for large secondary share sales after a lull during the height of the West Asia conflict in March and early April.

After activity slowed sharply in March, when block and bulk deals were marginal, secondary share sales by promoters and long-term shareholders rebounded in May to ₹15,900 crore and remained robust in June at ₹9,000 crore, according to Prime Database.

Among notable secondary market transactions in the past month, Vedanta's promoter entity Twin Star Holdings sold shares worth ₹1,896 crore, Srinivasan Ravi offloaded 2% stake in Craftsman Automation in a ₹485.6 crore block deal, PB Fintech' chairman and CEO Yashish Dahiya and Vice Chairman Alok Bansal sold nearly 0.8% stake worth ₹665.38 crore and Anand Rathi Financial Services sold 1.74% stake in Anand Rathi Wealth for ₹500 crore.

Buyers in the majority of these deals have been large domestic mutual funds, flush with cash, bolstered by the steady flows of retail money into equity schemes through Systematic Investment Plans (SIPs).

"Promoters and early investors are using favourable market conditions to monetise holdings, rebalance portfolios and meet liquidity needs," said Prakash Bulusu, Joint CEO, IIFL Capital. "On the demand side, domestic institutional investors continue to see healthy inflows, which have created significant appetite for quality businesses and meaningful stakes that can be acquired efficiently through block transactions."

Investment funds and early investors have also been active in such secondary market transactions. For instance, Actis Pine Labs Investment Holdings offloaded 2.08% stake in Pine Labs in a ₹371 crore block deal, almost a month after Altimeter Growth Partners Fund III sold a 1.36% stake in the company for ₹211 crore. Alpha Wave Ventures has sold its entire 1.93% stake in Delhivery in deals totalling ₹664.7 crore. Fila - Fabbrica Italiana Lapis Ed Affini Spa sold shares of DOMS Industries worth ₹934.7 crore, and Fidelity Investments' affiliates sold shares of Meesho worth ₹983.15 crore.

The pick in large market deals of late is in contrast with the phase in March and early April, when such transactions had dried up with promoters and investors holding back on share sales.

The Nifty 500 index is up nearly 12% from March 30, while the Nifty Midcap 150 index has risen nearly 17%, and the Nifty Smallcap 250 index has surged about 23.5%.

The uneven IPO pipeline in recent months has also benefited secondary market deals. "With IPO activity relatively muted from March to June, investors had more money to deploy, and which was is moving into the secondary market," said Gaurav Bhandari, CEO, Monarch Networth Capital. "There is a strong appetite from global and domestic institutions for quality names."

Some of the share sales are also on account of the expiry of the IPO lock-ins that allow promoters, anchor investors and other pre-IPO shareholders to sell their holdings.

"Lock-in expiries have coincided with a deep institutional appetite," said Dev Chandrasekhar, Partner at valuations branding advisory Transcendum. "Sovereign pools, global asset managers, and domestic MFs flush with SIP inflows are absorbing supply at scale."

Bulusu sees the momentum of such trades continuing, given the pipeline of exits and continued institutional appetite.

"We continue to witness a large pipeline of private equity exits, promoter stake sales, strategic reallocations and pre-IPO investor monetisation opportunities," he said.