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Rs 58,000 crore selloff by promoters, PE funds hits stock market. Why are they cashing out now?

By Nikhil Agarwal, ETMarkets.com Last Updated: Aug 27, 2026, 09:32:00 AM IST

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Synopsis

In August, both promoters and private equity funds collectively divested shares valued at nearly ₹58,000 crore, marking a notable selloff as the stock market endeavored to rebound from recent downturns. The numbers revealed that private equity exits skyrocketed five times compared to previous months, achieving peak levels not seen since 2026. This influx of shares from promoters further heightened market liquidity concerns amid ongoing primary market activity.



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A nearly ₹58,000 crore wall of fresh stock supply has hit Indian equities in August, with promoters and private equity investors monetising stakes and the government's offer for sale in [Life Insurance Corporation of India \(LIC\)](#) adding to concerns that a crowded issuance pipeline could begin testing market liquidity.

The supply has arrived just as the [stock market](#) attempts to recover from the March shock triggered by the Middle East war. The Nifty 500 is up for a third consecutive month in August, following a flat May and a 10.5% rally in April.

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Promoters sold shares worth ₹12,439.77 crore between August 1 and August 25, while PE/VC investors recorded exits worth ₹18,095.72 crore, according to Prime Database. The [LIC OFS](#), in which the government was the seller, carried an offer amount of ₹31,445.84 crore. The figure would go up even further when we take into account [Hindustan Zinc OFS](#) worth around Rs 3,000 crore.

A simple addition produces a gross tally of ₹61,981.33 crore. However, the [UltraTech Cement](#) transaction worth ₹2,896.25 crore and the KFin Technologies deal worth ₹1,400 crore were classified under both promoter and PE/VC exits. After adjusting for this overlap, the de-duplicated value of the share sales and OFS stands at ₹57,685.08 crore.

The acceleration was particularly stark in private equity exits. PE/VC selling jumped more than fivefold from ₹3,456.83 crore in July to ₹18,095.72 crore in August. It was the highest monthly figure in 2026 and the second-highest since January 2025, trailing only the ₹18,731.56 crore recorded in June 2025.

Meesho led the PE/VC exit list with transactions totalling ₹2,918.92 crore, followed by UltraTech Cement at ₹2,896.25 crore and [Lenskart Solutions](#) at ₹2,887.88 crore. [One97 Communications](#) and Dr Agarwal's Health Care saw PE/VC exits worth ₹2,038.02 crore and ₹2,007.94 crore, respectively. These five companies accounted for about 70% of August's PE/VC exit value.

Promoter selling also returned sharply, rising from just ₹280.61 crore in July to ₹12,439.77 crore in August. [Tenneco Clean Air India](#) led the promoter exit list at ₹3,180.05 crore, followed by UltraTech Cement at ₹2,896.25 crore and [Adani Power](#) at ₹2,627.04 crore. Together, the three accounted for nearly 70% of promoter selling during the period.

Pranav Haldea, managing director of Prime Database, said strong domestic institutional liquidity has created sufficient demand to absorb the rising supply of shares.

"Institutional liquidity remains available, primarily because mutual funds continue to be flush with money, supported by monthly SIP inflows and the need to deploy that capital," Haldea said.

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The supply is also being encouraged by the sharp gains in pockets of the broader market, even though the headline indices have remained range-bound.

“On the supply side, while headline indices have remained range-bound, small and mid-cap stocks have seen significant rallies,” Haldea said. “Valuations have become attractive enough for promoters and PE/VC investors to monetise part of their holdings.”

For PE and venture capital investors, the increase in selling is not merely a tactical call on current valuations. It is also tied to the lifecycle of funds that backed companies years before they entered the public market.

“For PE/VC investors, this is more of a structural story,” Haldea said. “Over the past 25 years, and particularly the last 10 years, they have backed several ventures, some of which have reached IPO stage.”

“While they may have liquidated part of their holdings during IPO, they have continued to hold onto significant stakes in anticipation of further value creation,” he said. “As their funds move through their lifecycle, they will need to return money to their investors to be able to raise the next round of capital to deploy it into the next set of companies.”

The surge in secondary-market exits is arriving alongside a heavy primary-market calendar. IPOs have raised ₹83,721.69 crore through August, while large offerings, including those of NSE and Jio, are expected to hit the market during the remainder of the calendar year.

The combined supply from IPOs, follow-on offers, OFS transactions, qualified institutional placements and promoter and PE/VC selling could strain the pool of capital available for existing listed stocks, market analysts said.

“I think IPO momentum is great, but if this momentum gets bigger and bigger, it’s going to take momentum out of our secondary market,” Umesh Mehta of Samco Mutual Fund said. “The biggest stock market driver is liquidity. If liquidity is sucked out, it’s good for the economy, but from a secondary market point of view, things will be difficult.”

The risk increases if foreign investors do not return in sufficient strength to supplement domestic liquidity, he said.

“If larger and larger IPOs keep coming, and eventually retail investors’ money, channelised through mutual funds, is taken out, and FIIs don’t come back, then, net-net, the liquidity equation gets adverse,” Mehta said. “Either FIIs have to come back to provide liquidity, so the market can sustain, or IPO supply has to slow down.”

Mehta said the pressure is no longer limited to IPOs, pointing to the LIC OFS

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and the stream of QIPs also competing for investor capital. “The supply pressure is huge,” he said.

At an aggregate level, repeated large issuances can force investors to choose between committing fresh money and selling existing holdings to fund new purchases. That creates the risk of a cascading impact on secondary market prices, even when underlying institutional inflows remain healthy.

The August data therefore presents a two-sided liquidity equation. Monthly SIP flows and mutual fund deployment are supporting demand, but promoters, [PE funds](#) and issuers are simultaneously using the improvement in valuations to release a large amount of stock into the market. The sustainability of the recovery may depend on which side grows faster.

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