

Strategy

June 30, 2024

Promoters selling, retail (through MFs) buying

The trend of stake sale by promoters (majority shareholders) and PE/VC investors accelerated in 1HCY24, helped by a benign 'exit' environment. The ongoing sell-down is quite broad-based across sectors. The selling by promoters partly reflects strategic compulsions (business, debt reduction, MPS) in a few cases and tactical (exits by PE investors) considerations.

The selling trend continues

The trend of promoter stake sale transactions accelerated in 1HCY24. Promoters of 37 NSE 500 companies sold Rs874 bn (US\$10.5 bn) in 6MCY24 (see Exhibit 1). This figure is the highest in the past five years and is on track to beat the figure of Rs996 bn (US\$12.4 bn) in 2023, which was dominated by stake sales by Adani Group promoters in various Adani Group companies. Exhibit 2 gives company-wise data. Automobiles and components, diversified financial, insurance, IT services and telecommunication services sectors accounted for the bulk of promoter sales in 2019-24 (see Exhibit 3).

A range of reasons for promoter (non-PE) stake sale

We attribute various reasons to the acceleration in promoter (non-PE) sales, but note that the current bullish market conditions would not be a primary consideration for most promoters given the long-term investment horizon of promoters/founders. The key considerations include (1) business expansion, (2) compliance with minimum public shareholding (MPS) norms (Mankind), (3) debt reduction (Vedanta), (4) promoter family holding adjustments and personal considerations (Cipla, MM) and (5) strategic realignment of the interests of promoters (Bharti Airtel, Indus Towers).

A sharp increase in PE-VC exits; OFS dominate IPOs

PE/VC investors have made exits through both the primary (IPOs) and secondary (block deals) market routes. PEs have used bullish secondary market conditions to sell their stakes, either in full or in part (see Exhibit 4), which is entirely logical for them, given the limited period and nature of their investment mandates. We would note that OFS amounts have significantly exceeded fresh capital issuance amounts in the past few years (see Exhibit 5).

Decline in promoter holding; rise in holding of domestic investors

We would note that private promoter holding in the BSE-200 Index has declined to 38.8% in the Mar-24 quarter from 42.1% in the Dec-22 quarter, consequent to the large promoter sell-down. The combined holding of domestic investors (MF + BFI + retail) has increased by 80 bps to 23.5% in the Mar-24 quarter from 22.6% in Dec-22 quarter (see Exhibit 6). The holding of FPIs has declined to 20.5% from 21.4% over the same period. However, the changes also reflect large inflows into domestic equity mutual funds, which, in turn, have invested in 'available' opportunities, including promoter stake sales and PE exits. Exhibit 7 shows the change in ownership pattern of companies with significant promoter and PE sell-downs.

Key estimates summary

	2024	2025E	2026E
Nifty estimates			
Earnings growth (%)	20.0	9.9	14.1
Nifty EPS (Rs)	989	1,093	1,249
Nifty P/E (X)	24.3	22.0	19.2
Macro data			
Real GDP (%)	8.2	6.9	6.5
Avg CPI inflation (%)	5.4	4.4	4.2

Source: CEIC, Kotak Institutional Equities estimates

Quick Numbers

Rs874 bn (US\$10.5 bn) of promoter stake sale in 1HCY24 compared to Rs996 bn (US\$12.4 bn) in 2023

Rs393 bn (US\$4.7 bn) of PE sale in 1HCY24

Private promoters' holding at 38.8% at end-4QFY24 versus 42.1% at end-3QFY23, domestic investors' holding at 23.5% at end-4QFY24 versus 22.6% at end-3QFY23 of BSE-200 stocks

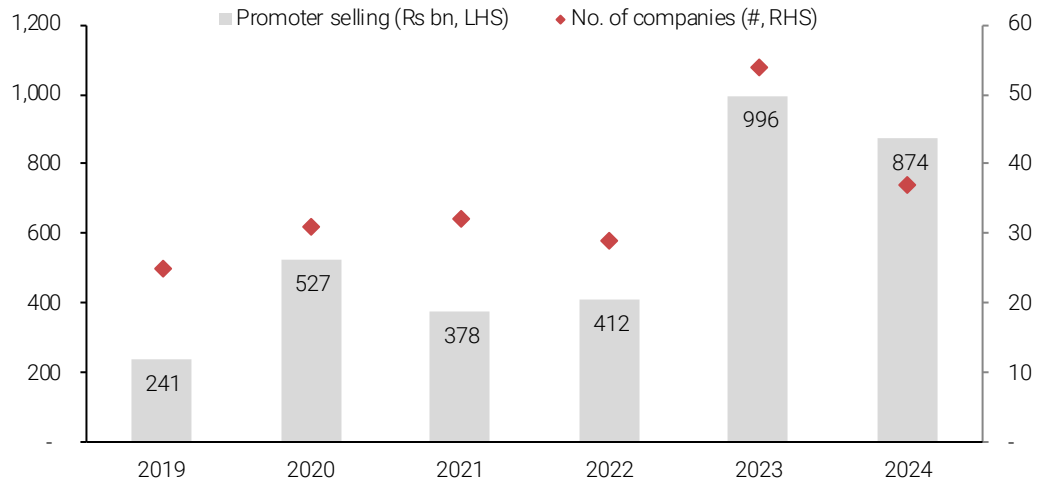
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Promoters sold US\$10.5 bn of stake in 6M CY24

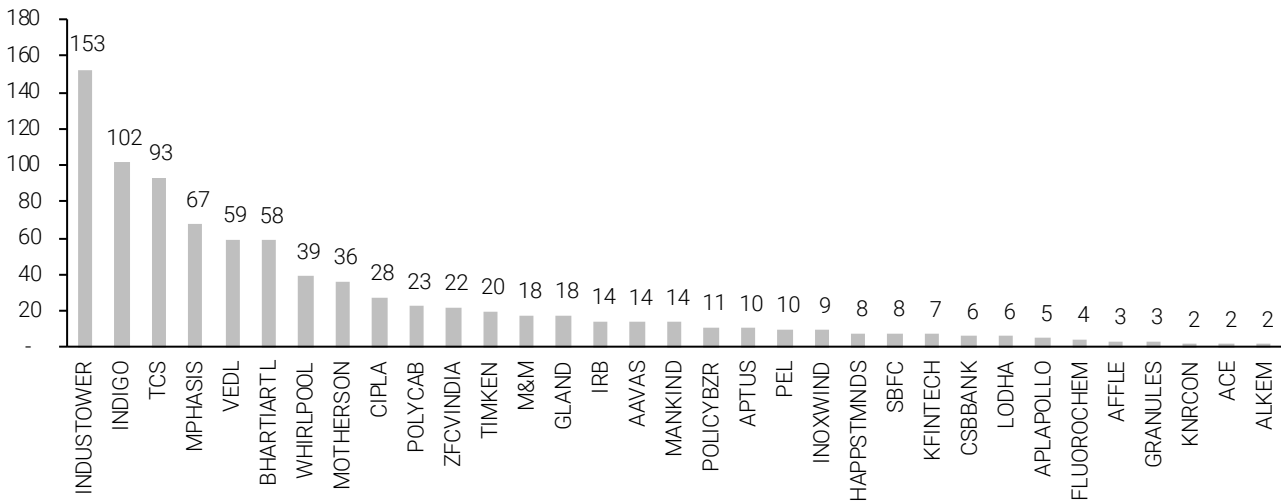
Exhibit 1: Promoter selling through bulk/block deals in NSE-500 stocks, calendar year-ends, 2019-24



Source: Prime database, Media reports Kotak Institutional Equities

Promoters of Indus Tower, Indigo, TCS and Mphasis sold US\$5 bn worth of shares

Exhibit 2: Promoter selling through bulk/block deals in NSE-500 stocks, calendar year-ends, 2024 (Rs bn)



Source: Prime database, Media reports, Kotak Institutional Equities

Automobile & components, diversified financials, insurance and IT services sectors witnessed significant selling by promoters over 2019-24

Exhibit 3: Promoter stake sale through bulk/block deals across sectors in NSE-500 Index, calendar year-ends, 2019-24 (Rs bn)

	2019	2020	2021	2022	2023	2024	2019-24
Automobiles & Components	14	—	20	57	118	96	305
Banks	6	179	—	3	—	6	193
Building Products	3	—	—	—	10	—	14
Capital Goods	2	1	10	19	128	28	188
Commercial & Professional Services	—	—	4	—	2	—	6
Consumer Durables & Apparel	14	16	30	20	1	61	144
Consumer Staples	30	21	—	—	—	—	51
Construction Materials	—	—	—	—	0	—	0
Diversified Financials	—	13	91	28	157	48	338
Electronic Manufacturing Services	—	1	—	—	—	—	1
Electric Utilities	—	—	51	—	206	—	257
Fertilizers & Agricultural Chemicals	—	8	—	—	2	—	10
Gas Utilities	8	51	—	—	—	—	59
Health Care Services	7	11	31	125	—	1	175
Hotels & Restaurants	5	4	—	11	33	—	53
Insurance	90	111	77	36	34	11	358
Internet Software & Services	—	—	13	1	—	—	14
IT Services	7	9	38	30	111	168	362
Media	43	4	2	—	—	3	53
Metals & Mining	—	1	7	—	45	64	117
Pharmaceuticals	1	2	1	37	22	64	126
Real Estate	5	8	—	—	10	6	29
Retailing	6	—	—	—	—	—	6
Specialty Chemicals	—	—	—	9	5	4	18
Telecommunication Services	—	84	—	16	—	212	313
Transportation	—	2	4	20	110	102	238
Total	241	527	378	412	996	874	3,428

Source: Prime Database, Media reports, Kotak Institutional Equities

Many PE/VC investor have chosen to sell significant stakes

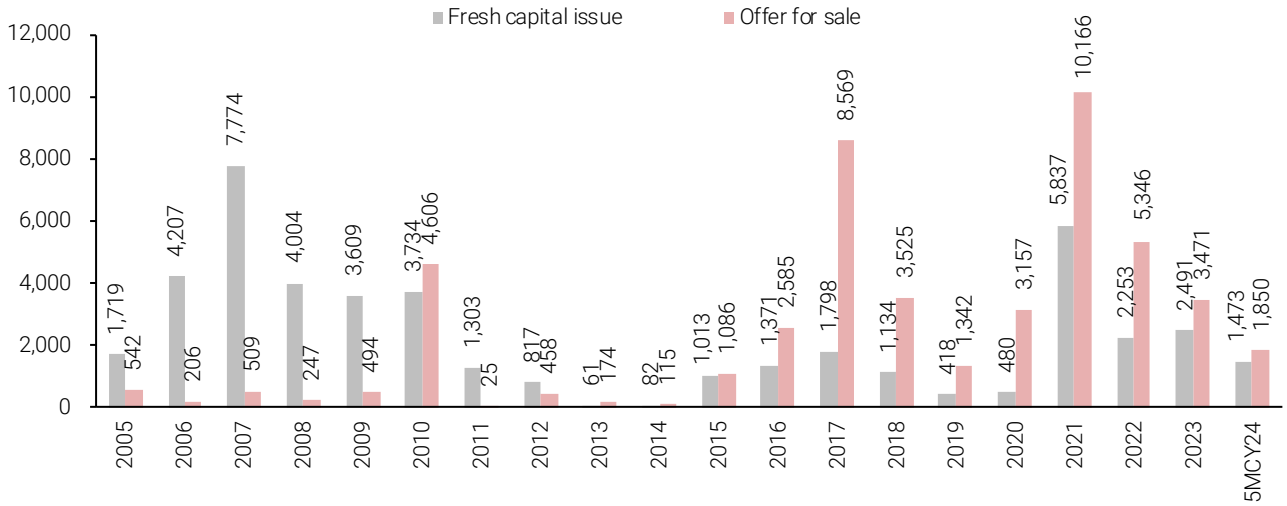
Exhibit 4: Major PE/VC deals in NSE-500 stocks in secondary market, calendar year-ends, 2024 (Rs bn)

Deal month	Company	Deal amount	
		(Rs bn)	Sellers
Jun-24	Indiamart Intermesh	1.9	Westbridge Crossover Fund LLC
Jun-24	PNB Housing Finance	10.0	Asia Opportunities V (Mauritius) General Atlantic Singapore Fund
Jun-24	AU Small Finance Bank	8.5	Westbridge AIF
Jun-24	Amber Enterprises	2.0	Ascent Investment Holdings
Jun-24	Thermax	7.7	Nalanda India Equity Fund
Jun-24	PB Fintech	4.2	Tencent Cloud Europe Bv
Jun-24	L&T Finance	15.0	BC Asia Growth Investments BC Investments BNP Paribas
Jun-24	Honasa Consumer	2.8	Fireside Ventures Investment Fund Sofina Ventures
May-24	RR Kabel	9.6	TPG Asia
May-24	PNB Housing Finance	4.2	General Atlantic Singapore Fund
May-24	Star Health & Allied Insurance	8.2	Apis Growth
May-24	Apollo Tyres	10.7	White Iris Investment
May-24	GE Eastern Shipping Co	1.9	Nalanda India Equity Fund
May-24	Yes Bank	14.4	CA Basque Investments
Apr-24	Restaurant Brands Asia	0.3	FMRC Fidelity Emerging Markets Fund
Apr-24	Delhivery	9.1	Canada Pension Plan Investment Board
Apr-24	Axis Bank	35.7	BC Asia Investments Integral Investments South Asia
Apr-24	Five-Star Business Finance	4.3	TPG Asia
Mar-24	IDFC First Bank	12.0	Cloverdell Investment
Mar-24	Aster DM Healthcare	19.8	Olympus ACF
Mar-24	CDSL	12.7	Standard Chartered Bank
Mar-24	Mankind Pharma	24.7	Beige
Mar-24	Zomato	28.3	Antfin Singapore Holding
Mar-24	Star Health & Allied Insurance	11.0	APIS Growth
Feb-24	Aptus Value Housing Finance India	3.2	Steadview Capital Opportunities
Feb-24	Yes Bank	10.6	CA Basque Investments
Feb-24	Global Health	3.9	Dunearn Investments (Mauritius)
Feb-24	Kalyan Jewellers India	29.4	Highdell Investment
Feb-24	Krishna Institute Of Medical Sciences	2.2	India Advantage Fund S4
Feb-24	PB Fintech	4.6	PI Opportunities Fund
Feb-24	Swan Energy	1.6	2I Capital
Feb-24	Indus Towers	39.7	Canada Pension Plan Investment Board Silverview Portfolio
Feb-24	PB Fintech	36.6	Temasek
Feb-24	Piramal Enterprises	0.8	East Bridge Capital Master Fund
Jan-24	Honasa Consumer	1.4	Stellaris Venture Partners India

Source: Prime Database, Media reports Kotak Institutional Equities

Shift in primary issuance versus OFS in IPOs

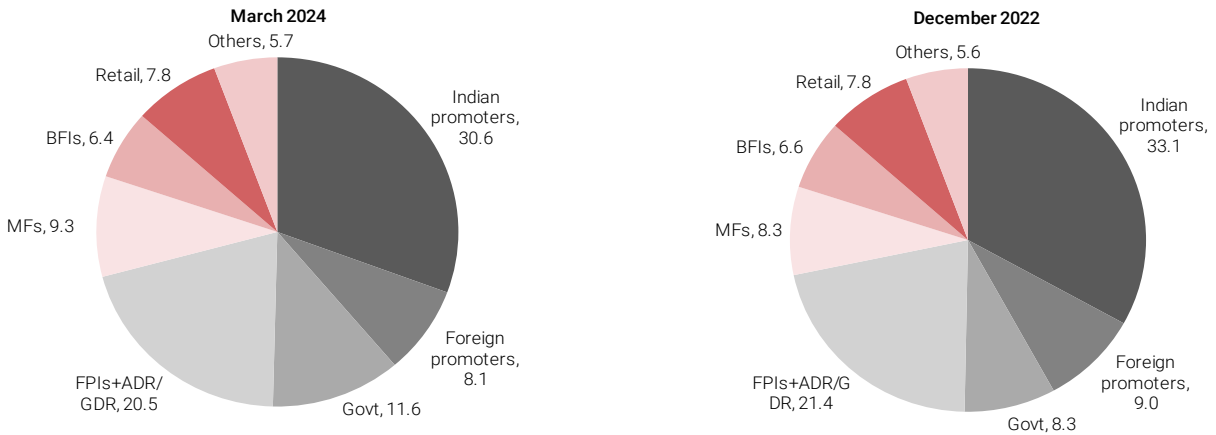
Exhibit 5: Value of fresh capital raised and offer for sale (OFS) in IPOs in India, calendar year-ends, 2005-24 (US\$ mn)



Source: Prime Database, Kotak Institutional Equities

Shareholding of private promoters declined to 38.8% in Mar-2024 from 42.1% in Dec-22

Exhibit 6: Shareholding pattern of BSE-200 Index for March 2024 and December 2022



Source: BSE, NSE, Prime Database, Kotak Institutional Equities

MFs bought major stakes when promoters sold

Exhibit 7: Comparison of shareholding pattern of companies with large promoter sell-downs (%)

Company	Dec-22						Mar-24						Difference					
	Promoters	FPIs	MFs	BFI	Retail	Other	Promoters	FPIs	MFs	BFI	Retail	Other	Promoters	FPIs	MFs	BFI	Retail	Other
Aavas Financiers	39.2	37.9	5.0	3.8	6.3	7.9	26.5	34.8	21.1	1.3	11.7	4.6	(12.7)	(3.1)	16.1	(2.5)	5.4	(3.3)
Action Construction Equipment	66.8	5.0	1.6	0.4	20.0	6.3	66.8	9.4	0.4	0.8	17.9	4.7	—	4.4	(1.1)	0.4	(2.1)	(1.5)
Alkem Laboratories	57.2	4.4	10.1	5.9	21.7	0.8	56.7	9.1	11.9	2.8	18.3	1.2	(0.4)	4.7	1.9	(3.1)	(3.4)	0.4
APL Apollo Tubes	31.2	24.3	7.4	1.7	18.4	17.1	29.4	30.7	8.8	3.4	12.6	15.2	(1.7)	6.4	1.4	1.6	(5.9)	(1.9)
Aptus Value Housing Finance	62.2	21.7	1.2	—	3.4	11.6	61.1	26.0	4.1	0.1	4.2	4.5	(1.1)	4.3	2.9	0.1	0.8	(7.0)
AU Small Finance Bank	25.6	39.6	11.6	4.3	7.9	10.9	25.5	39.4	14.5	2.7	7.6	10.4	(0.1)	(0.2)	2.9	(1.6)	(0.3)	(0.6)
Bharti Airtel	55.1	21.7	10.9	6.9	2.0	3.5	53.5	24.4	11.1	6.6	1.8	2.6	(1.6)	2.7	0.2	(0.2)	(0.1)	(0.9)
Cipla	33.4	28.8	14.0	4.9	14.6	4.2	33.4	26.0	16.8	5.5	14.2	4.2	(0.0)	(2.9)	2.8	0.5	(0.5)	(0.0)
CSB Bank	49.7	5.4	9.6	1.0	18.2	16.1	49.7	4.9	14.2	1.2	16.2	13.7	—	(0.4)	4.6	0.2	(2.0)	(2.4)
Gland Pharma	57.9	4.7	19.5	2.6	4.0	11.4	57.9	3.6	23.0	1.2	3.3	11.0	—	(1.1)	3.5	(1.4)	(0.7)	(0.3)
Granules India	42.0	23.7	3.9	0.8	20.7	8.8	42.0	19.6	7.1	3.6	19.4	8.4	(0.1)	(4.1)	3.2	2.8	(1.4)	(0.4)
Gujarat Fluorochemicals	63.8	5.8	4.1	0.0	15.7	10.7	63.8	4.5	7.0	1.2	14.5	8.9	—	(1.2)	2.9	1.2	(1.2)	(1.7)
HFCL	39.2	6.5	2.4	0.2	34.8	16.9	37.7	7.7	5.4	0.2	31.6	17.4	(1.6)	1.1	3.0	0.0	(3.2)	0.6
Inox Tower	69.0	26.6	0.6	2.3	1.3	0.2	69.0	16.4	6.6	3.1	3.4	1.5	—	(10.2)	6.0	0.8	2.1	1.3
Inox Wind	72.2	2.2	—	—	11.5	14.0	52.9	9.5	8.3	0.0	11.3	18.1	(19.4)	7.3	8.3	0.0	(0.3)	4.0
Interglobe Aviation	71.9	17.8	6.2	1.6	1.3	1.2	57.3	23.7	12.4	1.7	2.7	2.3	(14.6)	5.9	6.2	0.1	1.4	1.1
IRB Infrastructure Developers	34.2	6.8	3.3	3.4	7.2	45.1	34.4	5.4	3.7	4.1	9.0	43.5	0.2	(1.4)	0.4	0.7	1.7	(1.6)
KFIN Technologies	49.9	8.4	7.5	11.5	4.8	17.9	39.0	16.7	7.0	9.8	9.1	18.3	(10.9)	8.4	(0.5)	(1.7)	4.3	0.4
KNR Constructions	51.1	5.8	32.5	2.1	7.0	1.4	51.1	7.1	29.6	0.9	9.6	1.7	—	1.3	(3.0)	(1.3)	2.6	0.4
Macrotech Developers	75.0	19.4	1.0	2.5	1.2	0.9	72.2	23.8	0.5	2.8	0.6	0.2	(2.8)	4.4	(0.5)	0.3	(0.6)	(0.8)
Mahindra & Mahindra	18.9	40.7	14.9	10.7	8.0	6.8	18.2	43.1	12.4	10.7	7.8	7.8	(0.7)	2.4	(2.5)	(0.0)	(0.2)	1.0
Mphasis	55.7	18.9	12.6	6.3	4.5	2.1	55.5	14.8	13.9	10.3	3.6	1.9	(0.2)	(4.1)	1.3	4.0	(0.9)	(0.2)
PB Fintech	—	30.5	8.1	2.2	7.5	51.7	—	42.7	10.6	4.0	5.4	37.3	—	12.2	2.6	1.8	(2.1)	(14.4)
PNB Housing Finance	32.5	23.6	1.5	1.4	7.0	33.9	28.1	25.0	3.4	0.7	6.0	36.8	(4.4)	1.4	1.8	(0.7)	(1.0)	2.9
Piramal Enterprises	43.5	31.3	2.1	5.3	12.3	5.6	46.2	17.0	6.7	5.5	16.5	8.2	2.7	(14.3)	4.6	0.2	4.2	2.6
Samvardhana Motherson	68.2	8.2	8.9	3.0	8.5	3.3	60.4	12.4	15.1	2.6	7.4	2.1	(7.8)	4.2	6.2	(0.4)	(1.1)	(1.1)
Sterling & Wilson Renewable Energy	72.7	3.5	4.7	—	14.8	4.2	52.9	10.5	5.6	1.7	20.0	9.3	(19.8)	7.0	0.8	1.7	5.3	5.0
Syngene International	64.9	16.9	5.0	0.3	8.6	4.4	54.8	20.9	12.6	1.7	6.5	3.5	(10.1)	4.1	7.6	1.4	(2.1)	(0.8)
TCS	72.3	12.9	3.3	5.5	4.8	1.2	71.8	12.7	4.1	6.0	4.3	1.2	(0.5)	(0.2)	0.7	0.5	(0.5)	0.0
Thermax	62.0	12.3	13.4	1.9	4.1	6.4	62.0	12.2	13.6	2.1	3.7	6.4	—	(0.0)	0.2	0.3	(0.4)	(0.0)
Timken India	67.8	4.3	11.2	0.8	9.3	6.7	57.7	7.2	20.4	2.1	8.1	4.5	(10.1)	2.9	9.3	1.3	(1.2)	(2.2)
Uno Minda	70.1	8.9	13.4	0.9	5.1	1.6	68.8	7.6	15.0	2.0	5.3	1.3	(1.3)	(1.3)	1.6	1.1	0.2	(0.3)
Vedanta	69.7	7.9	1.2	9.8	8.6	2.8	62.0	8.8	3.6	9.6	11.8	4.3	(7.7)	0.9	2.4	(0.2)	3.2	1.5
Vijaya Diagnostic Centre	55.0	25.0	13.7	—	5.2	1.1	54.1	20.1	20.4	0.2	4.4	0.9	(0.9)	(4.9)	6.6	0.2	(0.8)	(0.2)
Whirlpool	75.0	3.1	10.0	2.2	7.8	1.9	51.0	6.5	31.1	2.4	7.4	1.6	(24.0)	3.4	21.1	0.3	(0.4)	(0.3)
ZF Commercial Vehicle Control Systems	75.0	1.3	15.0	1.1	6.2	1.5	75.0	2.2	14.5	1.3	5.6	1.4	—	1.0	(0.5)	0.2	(0.6)	(0.1)

Source: BSE, NSE, Prime Database, Kotak Institutional Equities

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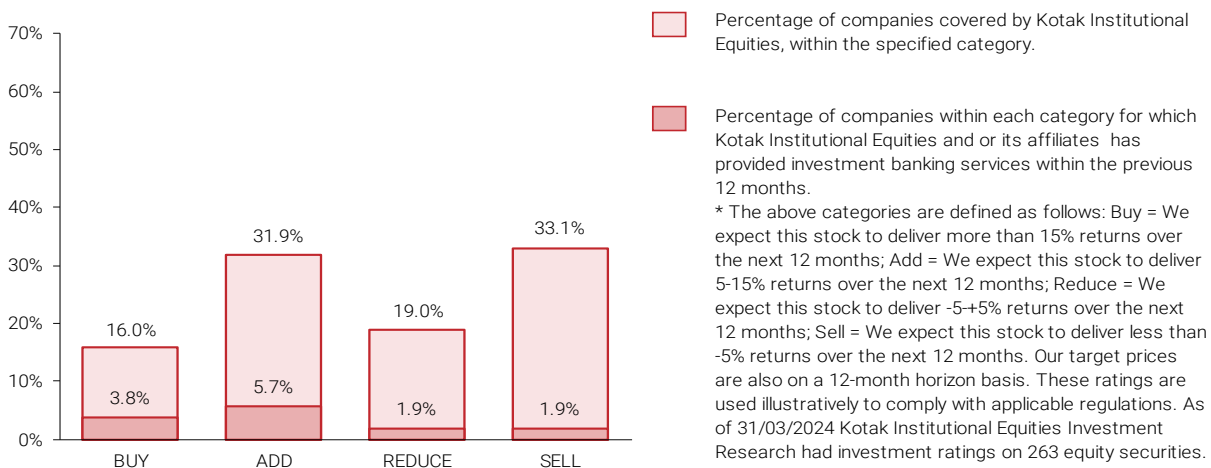
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As of March 31, 2024

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