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Market Watch

Cashing in on crash, promoters rush to increase stakes in companies

BY RAJESH MASCARENHAS & REENA ZACHARIAH, ET BUREAU | MAR 18, 2020,
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Promoters of several Indian companies have raised their stakes in their firms amid the recent selloff by lapping up beaten down shares in the market. Many of these promoters may have used the dividends their companies paid them of late to buy shares. Various companies with high promoter holding announced interim dividends in the last one month as the new budget proposal, which makes dividend income taxable up to 43% in the hands of the recipient, takes effect from April 1.

In the last one month, promoters of nearly 197 domestic companies have increased their stake by buying from the open market through stock exchanges.

Tata Sons, the holding company of Tata Group, has been buying shares of companies that have been battered badly. Tata Sons has bought 77 lakh shares of [Tata Chemicals](#) worth Rs 569 crore, 1.55 crore shares of [Tata Steel](#) worth Rs 457 crore, 1.66 crore shares of [Indian Hotels](#) worth Rs 178 crore and 2.67 crore shares [Tata Motors \(DVR\)](#) worth Rs 118 crore.

Suzuki Motor Corporation has acquired 2.11 lakh shares of [Maruti Suzuki](#) valued at Rs 135 crore. The Bajaj family has acquired shares worth Rs 91 crore in [Bajaj Auto](#), Rs 50-crore stake in [Bajaj Holding](#) and Rs 36 crore worth of shares in [Bajaj Finserv](#). The Godrej family has increased stakes in [Godrej Agrovet](#) and [Godrej Industries](#) while [Godrej Agrovet](#) has raised its stake in [Astec Lifesciences](#).

“The severe correction in the market provides a good opportunity for promoters to increase their shareholding at an attractive price,” said Mehul Savla, partner, Ripplewave Equity Advisors. “Creeping acquisition by promoters is a positive sign, which reflects their conviction in the long-term business prospects of the company. Also, the flurry of interim dividends announced post budget would provide cash flow to promoters to undertake such buying.”

The Sensex, BSE Midcap and BSE Smallcap indices have declined 26% each since 19 February.

Promoters of [GMR Infrastructure](#), [Welspun Enterprises](#), [Just Dial](#), [Chambal Fertilisers](#), [JSW Steel](#), [MRF](#), [Asian Paints](#), [Sanghi Industries](#), [Vaibhav Global](#), [KRBL](#) and [PVR](#) among others have also increased their stakes in recent weeks.

Increasing Stake

Company	Shares Bought	Value of Shares (₹Cr)	1M Return (%)	% fall from 52W High
Tata Chemicals	77,93,985	569.34	-27.03	-29.72
Tata Steel	1,55,35,057	456.77	-35.38	-49.62
Indian Hotels	1,65,66,846	177.93	-24.33	-39.37
Maruti Suzuki India	2,11,000	134.26	-18.83	-27.74
Godrej Agrovet	26,09,000	132.01	-35.15	-41.80
Sun Pharma	30,79,154	120.14	-9.32	-23.46
Tata Motors (DVR)	2,67,22,401	118.45	-43.38	-66.45
Bajaj Auto	3,42,000	91.33	-26.04	-31.40

Compiled by: ETIG Database

“Promoters are taking advantage of the low share prices to restructure their shareholding,” said Munesh Khanna of Backbay Advisors LLP, a boutique investment banking firm. “This has also been encouraged by the expected implementation of taxation of dividends in the hands of the recipient.”

Promoters raising stakes in their own companies often signals optimism about the prospects for their businesses, said analysts.

“Such a trend of promoters increasing their holding on the back of lower stock prices and a desire to enhance control reinforces investor

confidence,” said G Chokkalingam, CEO, Equinomics Research & Advisory. “It is a positive indicator for the minority shareholders’ perspective as it reflects the management’s confidence in the company and its growth outlook.”

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