

Who owns India Inc.? – FII ownership reaches record high

In the third edition of our quarterly report “India Ownership Tracker”¹, we extend our analysis of ownership trends and patterns in Indian companies to include the data available for the quarter ending December 2019. We note 1) A modest rise in Government ownership in the NSE-listed space² in the December quarter, divergent with a long-term (since 2010-) falling trend, reflecting efforts to expand public ownership and garner higher revenues; 2) A sequential improvement in institutional ownership for the eighth consecutive quarter to reach the highest level since the beginning of the analysis (2001), led by both FIIs³ and DMFs, even as other institutional investors remained on the side-lines; 3) That FIIs continued to play the India story, but only with an out-sized bet on Financials⁴; 4) DMFs remained negative on India’s consumption story, maintaining an UW stance on Consumer Staples, but are positive on the investment theme with a strong OW position on Industrials; 5) Institutional money remained concentrated to the top 10% companies by market cap, with FIIs having 92% exposure to such companies, even as DMFs continued to have a relatively more diversified portfolio.

- **Government ownership inches up for the broader universe:**

Promoter ownership in the NSE-listed universe remained largely steady in the December quarter as an increase in government share was largely offset by a decline in foreign promoter ownership. Barring a modest increase last quarter, government ownership (promoter as well as non-promoter) in the NSE-listed space has been coming off since 2010, in-line with the Government’s efforts to expand public partnership in the ownership of CPSEs (Central Public Sector Enterprises) and augment its resources for higher expenditure towards economic development.

- **FIIs ownership reaches record high, largely led by Financials:**

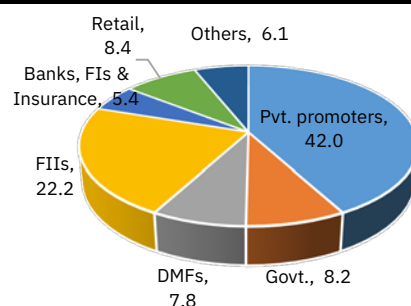
Echoing the market (Nifty 50 up 6% in the December quarter), FII ownership in the Nifty 50, Nifty 500 and the overall NSE-listed space expanded for the fifth consecutive quarter by 63bps, 41bps and 41bps QoQ to 28.4%, 22.9% and 22.2% respectively. This is the highest FII holding since the beginning of the analysis (2001), thanks to renewed FII inflows in 2019 supported by favourable global cues with regards to US-China trade conflicts and easy global liquidity. Net FII inflows in 2019 at US\$16.6bn was the highest in the last five years. That said, the 177bps increase in FII ownership over the last five quarters was largely led by Financials. Excluding Financials, FII ownership fell by 49bps during this period.

The overall FII sector positioning has remained steady in the December quarter. FIIs have maintained an out-sized OW position on Financials and an UW on Consumer Staples, Materials and Industrials, reflecting a negative view on India’s consumption as well as investment story.

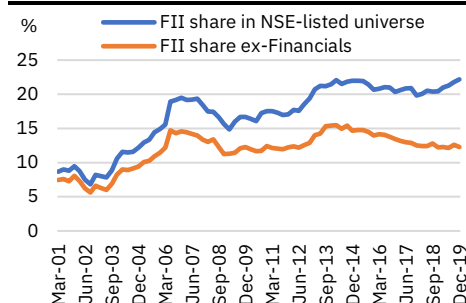
- **DMF share remains stable, supported by steady SIP inflows:**

DMFs continued to ride on the SIP wave, as their ownership in the Nifty 50/Nifty 500 has remained broadly steady at 8.4%/7.9% in the

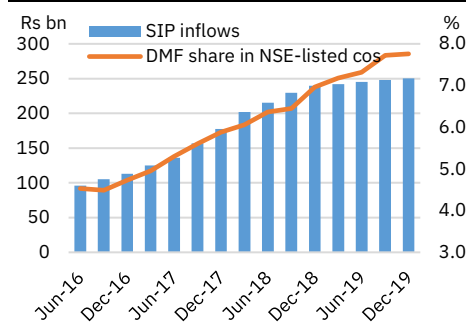
Who owns India Inc.? NSE-listed in Dec’19



FII ownership in NSE-listed companies



DMF ownership in NSE-listed companies



Source: CMIE Prowess, AMFI, NSE.

¹ The “India Ownership Tracker” report examines ownership trends and patterns in Indian companies listed on the NSE since 2001. The report also analyses ownership trends of institutional investors in top 10% listed companies by market capitalization to gauge investment concentration.

² Shareholding data for 1684 NSE-listed companies was available at the time of the analysis.

³ FII ownership includes ownership through depository receipts held by custodians.

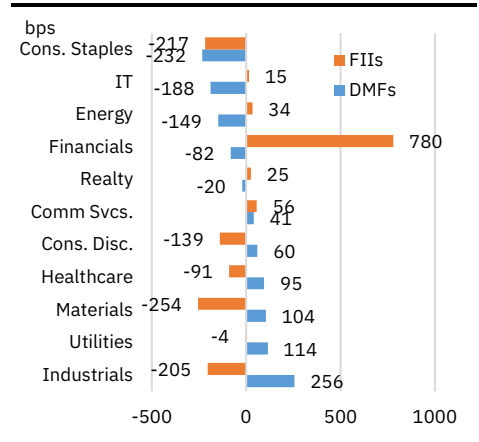
⁴ Sector weights and comparisons here are based on the respective indices as benchmarks.

December quarter. This is the highest since the beginning of the analysis (2001) and a tad higher than the market share in the overall NSE-listed universe at 7.8%. Monthly SIP inflows into domestic mutual funds have averaged at around Rs820bn in 2019, translating into an 11.2% growth in 2019 on top of a 49.1% growth in 2018. Direct retail participation in equity markets, however, is declining—a sign of maturing markets and indirect ownership.

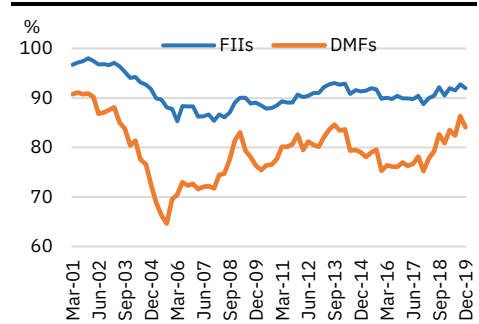
Sector-wise, DMFs have turned less bullish on Financials, as the increase in allocation to the sector was not commensurate to the increase in the sector’s weight in Nifty 50. Moreover, DMFs have a modest UW position on Financials in the Nifty 500 Index, signalling a cautious view on smaller banks/NBFCs. Unlike FIIs, DMFs are positive on the India’s investment story with an OW position on Industrials, Utilities and Materials. However, DMFs echo the FIIs view on consumption, with a big UW position on Consumer Staples.

- Institutional ownership remains concentrated to bigger companies:** The differential between FII ownership in the Nifty 500 universe and the rest of the listed universe (ex-Nifty 500) in the quarter ending December 2019 has widened further to a new high in the last two decades. Moreover, the top 10% companies still accounted for 92% of the FII holding, up ~320bps in the last two years. While DMFs have a lower share of 84.2% of their investments towards top 10% companies, the share has risen sharply from the lows of ~65% in September 2005.

FII and DMF portfolio OW/UW in Nifty 500 vs. the index (December 2019)



FII and DMF holding in top 10% companies by market cap



Source: CMIE Prowess, NSE.

Listed universe ownership trends

Ownership pattern of the NSE-listed universe (December 2019): Total promoter ownership in the NSE-listed universe remained largely steady in the December quarter at 49.8%, as increase in government promoter ownership to 7.8% (+29bps QoQ) was largely offset by a 32bps QoQ decline in foreign promoter ownership to 9.8%. Barring a modest increase last quarter, government ownership (promoter as well as non-promoter) in the NSE-listed space has been coming off since 2010, in-line with the Government’s efforts to garner higher revenues through the disinvestment route.

Institutional ownership witnessed a sequential improvement for the eighth consecutive quarter, rising by 33bps QoQ to 35.7%—the highest since the beginning of the analysis. This was largely led by an increase in ownership of foreign institutional investors (FIIs) by 41bps QoQ to 22.2%, marking the fifth consecutive quarter of a sequential increase, even the increase was largely led by Financials. Excluding Financials, FII ownership in the NSE-listed universe has fallen by nearly 50bps in the last five quarters. Domestic mutual funds’ (DMFs) ownership, however, has remained steady at 7.8%. Notably, DMF as well as FII ownership in the NSE-listed universe is now the highest since the beginning of the analysis (2001). The share of Banks, Financial Institutions and Insurance declined by 13bps QoQ to a 12-year low of 5.4% in the quarter ending December 2019. Individual retail investors holding remained broadly steady at 8.4%.

Institutional ownership witnessed a sequential improvement for the eighth consecutive quarter.

In terms of floating stock, FII ownership improved by 79bps QoQ to 44.2% in the December quarter—the highest in 18 quarters and as is a mere 1.5pp shy of the highest share since 2001 (in March 2014). DMFs also continue to increase their share in the NSE-listed floating stock, with current ownership at 15.5% being the highest since the beginning of the analysis. Retail ownership, on the other hand, remains near the lowest since 2001 at 16.9%, -16bps QoQ.

FII ownership of the NSE-listed floating stock is now just 1.5pp shy of the highest since 2001.

Figure 1: NSE-listed universe: Ownership pattern by total market cap (% , December 2019)

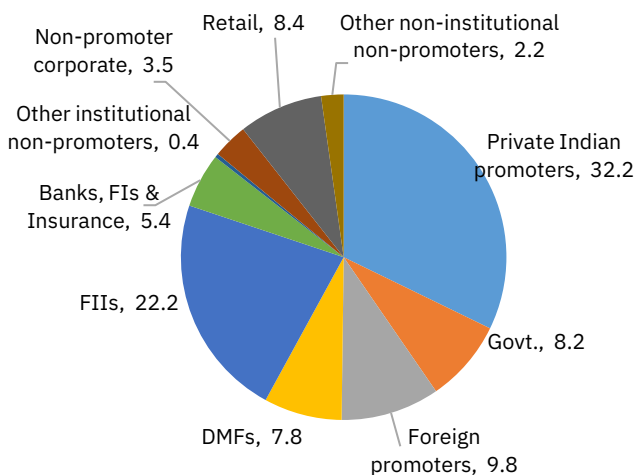
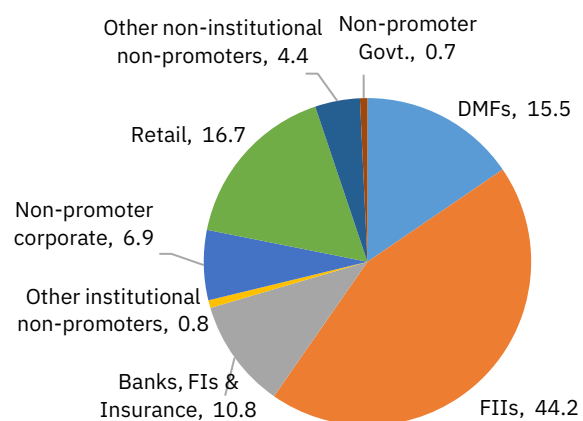


Figure 2: NSE-listed universe: Ownership pattern by free float market cap (% , December 2019)



Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 3: NSE-listed universe: Ownership trend across key stakeholders by total market cap over last three years

%	Private Indian promoters	Govt.	Foreign promoters	Domestic MFs	Banks, FIs & Insurance	FII*s *	Non-promoter corporate	Retail
Mar-17	30.4	11.2	8.9	4.9	6.2	20.6	5.8	9.3
Jun-17	30.4	10.1	9.2	5.3	6.1	20.9	5.1	9.4
Sep-17	31.0	10.0	9.1	5.6	5.9	20.9	5.6	9.4
Dec-17	31.5	10.4	9.4	5.9	5.7	19.8	5.4	9.2
Mar-18	31.3	10.1	9.4	6.1	5.6	20.1	5.6	9.0
Jun-18	31.4	9.5	9.7	6.4	5.7	20.5	5.2	8.7
Sep-18	32.0	9.2	9.5	6.4	5.8	20.4	5.1	8.6
Dec-18	31.3	9.1	10.0	7.0	5.8	20.4	5.0	8.7
Mar-19	31.5	9.2	9.2	7.2	5.5	21.0	5.0	8.6
Jun-19	31.4	9.3	9.3	7.3	5.5	21.3	4.7	8.4
Sep-19	32.2	7.9	10.1	7.7	5.5	21.8	3.6	8.5
Dec-19	32.2	8.2	9.8	7.8	5.4	22.2	3.5	8.4
QoQ change	0bps	27bps	-32bps	3bps	-13bps	41bps	-12bps	-8bps

Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians

Figure 4: NSE-listed universe: Ownership trend across key stakeholders by floating stock over last three years

%	Domestic MFs	Banks, FIs & Insurance	FII*s*	Non-promoter corporate	Retail
Mar-17	9.9	12.4	41.3	11.6	18.5
Jun-17	10.5	12.1	41.2	10.1	18.5
Sep-17	11.1	11.7	41.5	11.2	18.7
Dec-17	11.9	11.6	40.2	11.0	18.7
Mar-18	12.2	11.3	40.4	11.3	18.2
Jun-18	12.8	11.4	41.2	10.4	17.5
Sep-18	13.0	11.7	41.1	10.3	17.3
Dec-18	13.9	11.6	40.7	10.0	17.4
Mar-19	14.2	10.9	41.5	9.8	17.0
Jun-19	14.5	10.9	42.2	9.4	16.7
Sep-19	15.4	11.0	43.4	7.2	16.9
Dec-19	15.5	10.8	44.2	6.9	16.7
QoQ change	5bps	-26bps	79bps	-25bps	-17bps

Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Long-term ownership trend of the NSE-listed universe: The long-term trend indicates a sharp rise in promoter ownership between 2001 and 2009 (19-year high of 57.6% in March 2009) that has been gradually tapering off since, coinciding with the SEBI's decision to increase the minimum required free float from 10% to 25% in 2010. However, that has been largely on account of a sharp decline in Government ownership over the years, and strategically so, with the aim of expanding public partnership in the ownership of CPSEs (Central Public Sector Enterprises) and augment its resources for higher expenditure towards economic development. On the other hand, overall private promoter ownership—Indian and foreign promoters combined—has increased by ~850bps since June 2010.

DMF ownership has seen a sharp increase over the last five years, largely reflecting the sustained retail interest in equity mutual funds as an investment channel through sticky systematic investment plans (SIPs). FII ownership in the NSE-listed space saw a gradual increase between 2002 and 2015, except for a brief period around the 2007-08 financial crisis, and has been on an improving trajectory again since the last few quarters, thanks to renewed net inflows by FIIs in 2019. Ownership of Banks, FIs & Insurance, on the other hand, has been gradually dropping off since 2012.

Government ownership in the NSE-listed universe has been coming off since 2010, but private promoter ownership has been rising.

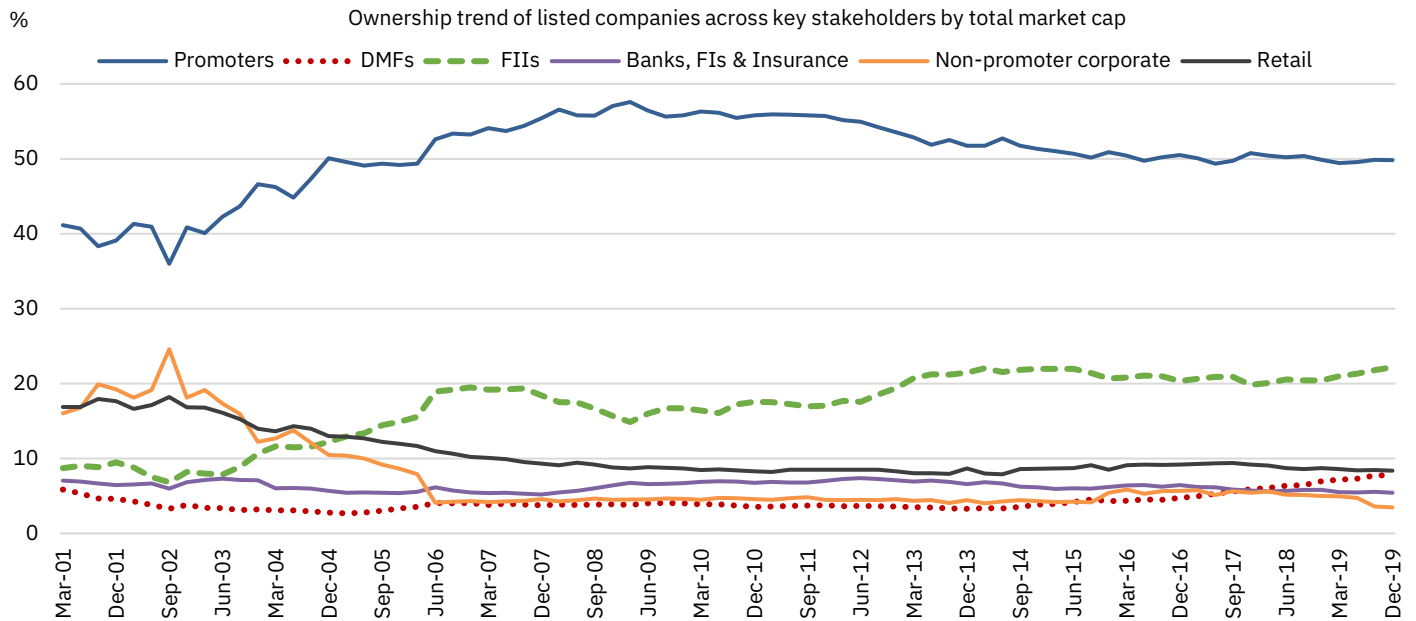
DMFs are riding on the SIP wave since the last few years.

FII ownership in the NSE-listed space is the highest in the last two decades.

Not surprisingly, while investments through SIPs are rising, direct retail participation in equity markets is declining—a sign of maturing markets and indirect ownership. This is evident from retail ownership of the listed universe that has been steadily falling and is mere ~20bps higher than the lowest level since 2001.

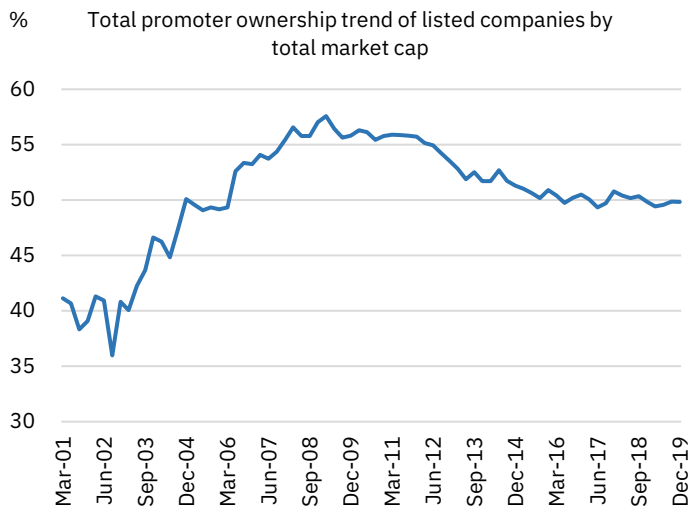
Direct retail ownership has been steadily falling.

Figure 5: NSE-listed universe: Long-term ownership trend across key stakeholders by total market cap



Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 6: Total promoter ownership trend of NSE-listed companies by total market cap



Source: CMIE Prowess, NSE

Figure 7: Indian and foreign promoter ownership trend of NSE-listed companies by total market cap

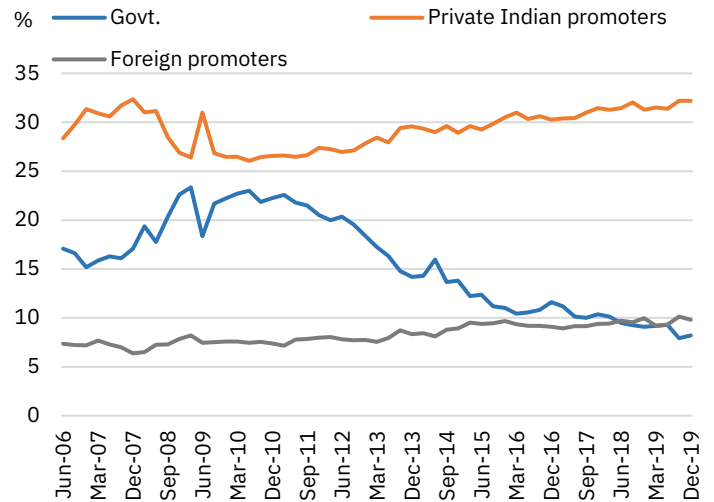


Figure 8: DMF ownership trend of NSE-listed companies by total market cap

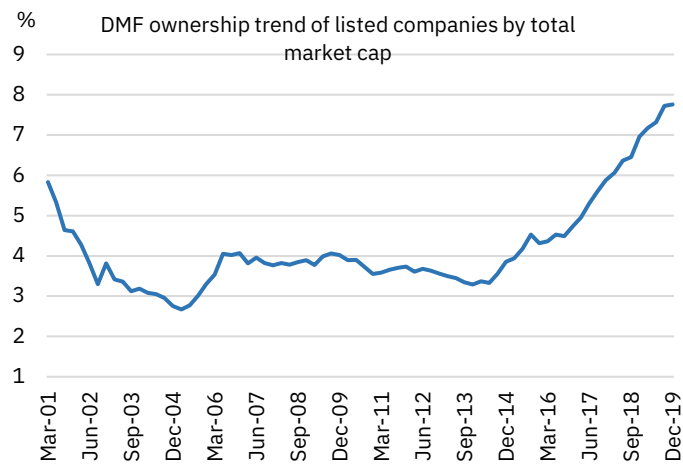
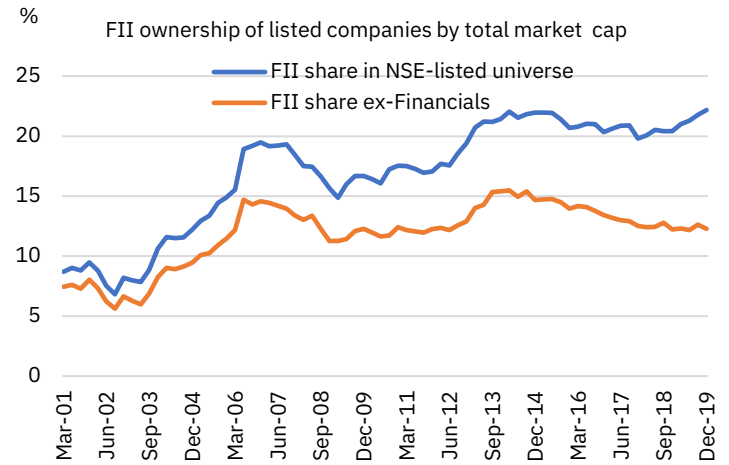


Figure 9: FII ownership* trend of NSE-listed companies by total market cap



Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 10: Banks, FIs & Insurance ownership trend of NSE-listed companies by total market cap

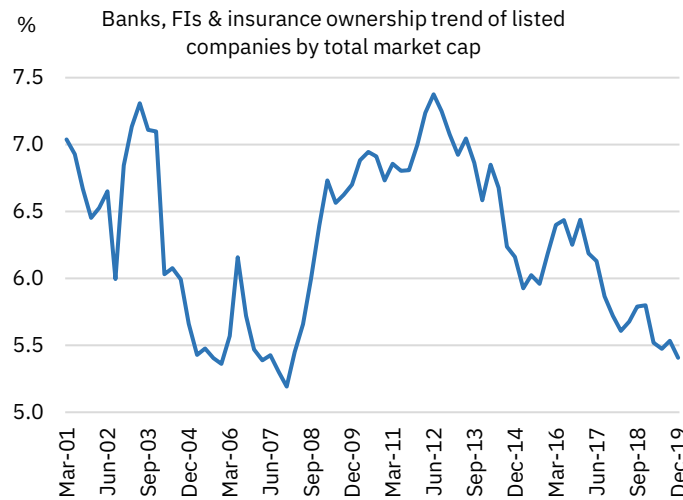


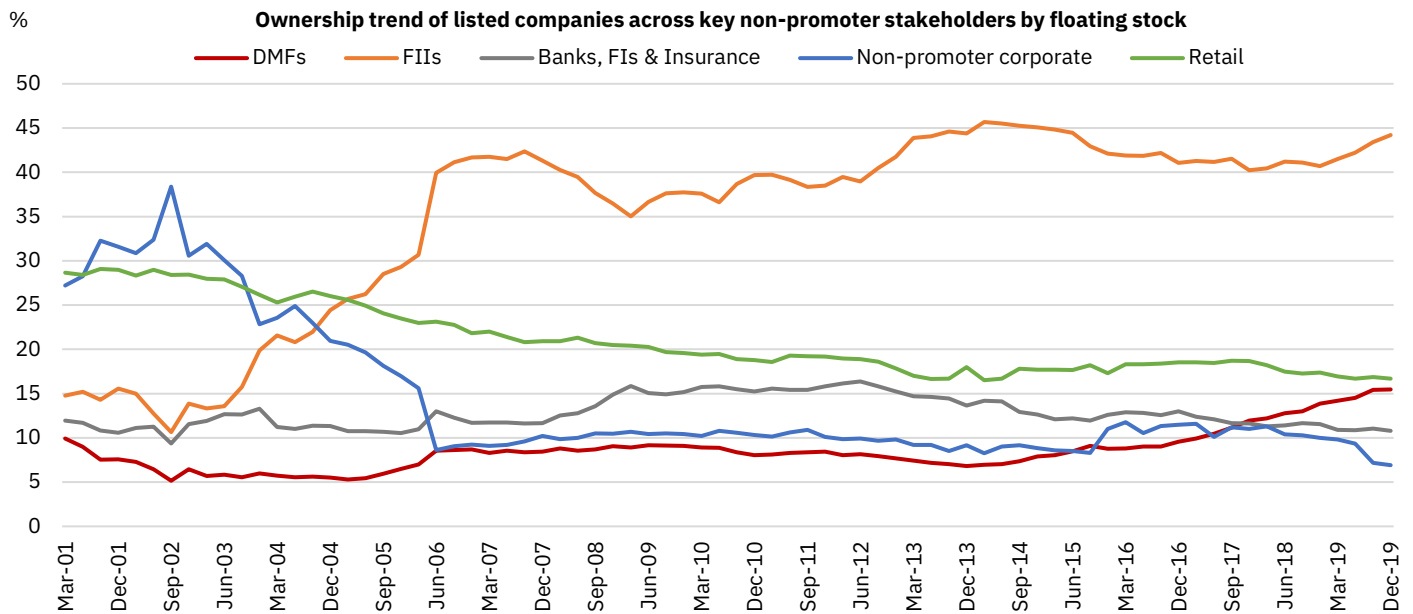
Figure 11: Retail ownership trend of NSE-listed companies by total market cap



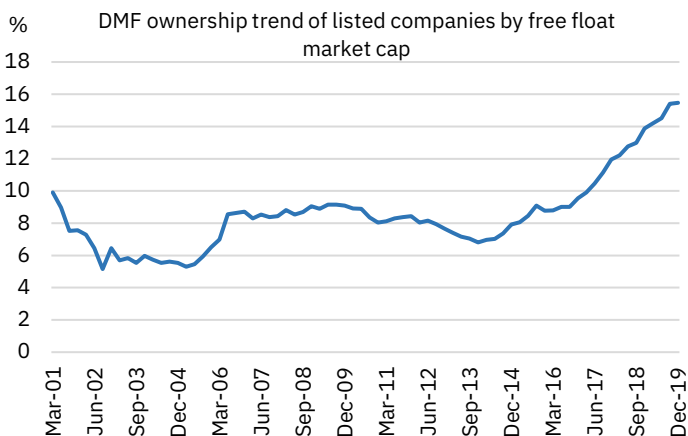
Source: CMIE Prowess, NSE

The ownership analysis on the free float market cap paints a somewhat similar picture. While DMF ownership of the free float market cap of the NSE-listed universe remained at 19-year high in December 2019, that of FIIs is ~150bps shy of the peak of 45.7% in 2014, even as it has been gradually inching up since the last four quarters (+350bps in 2019). FIIs continue to remain the biggest owners of India Inc. after promoters.

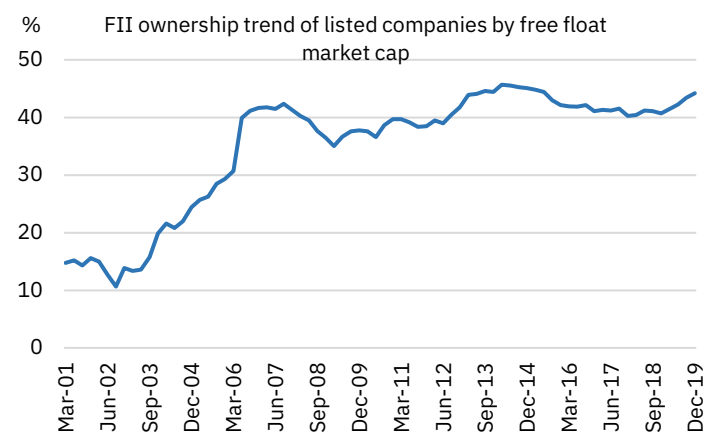
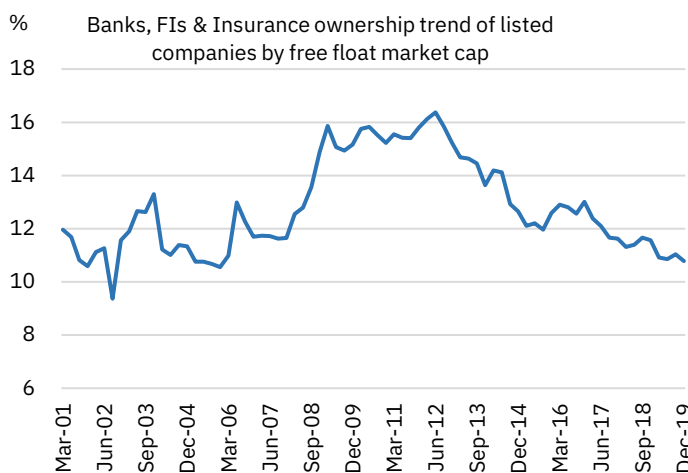
FIIs continue to remain the biggest owners of India Inc. after promoters.

Figure 12: NSE-listed universe: Long-term ownership trend across key stakeholders by free float market cap


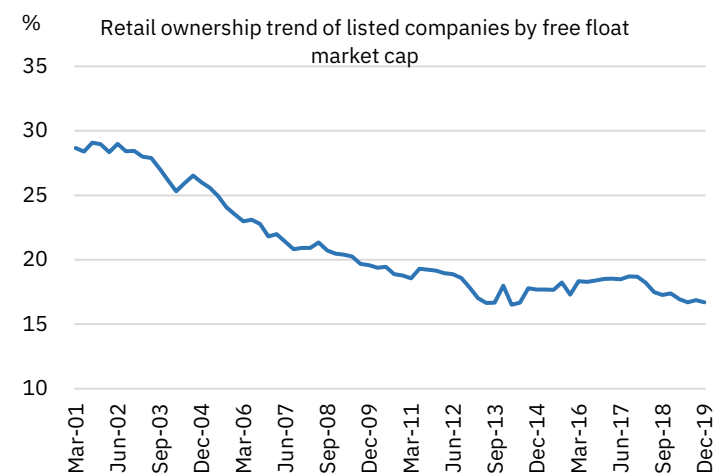
Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 13: DMF ownership trend of NSE-listed companies by free float market cap


Source: CMIE Prowess, NSE

Figure 14: FII ownership trend of NSE-listed companies by free float market cap

Figure 15: Banks, FI & Insurance ownership trend of NSE-listed companies by free float market cap


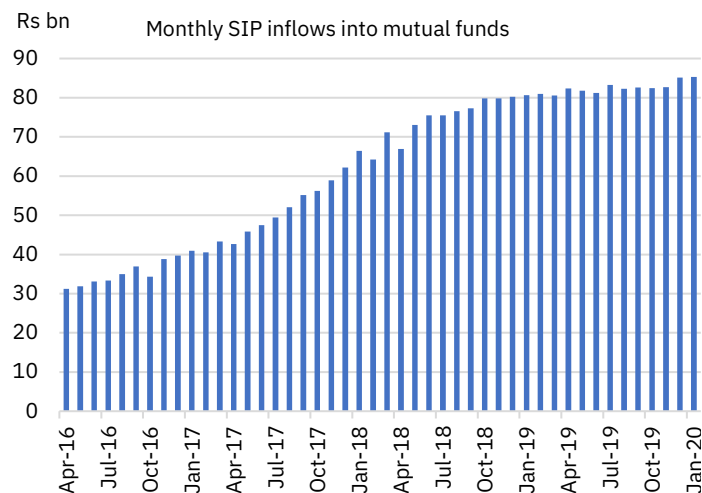
Source: CMIE Prowess, NSE

Figure 16: Retail ownership trend of NSE-listed companies by free float market cap


Retail interest in equities remains fairly strong through the SIP route: Systematic investment plans (SIPs) continue to be the preferred route for retail investors to invest in equity markets through mutual funds. Monthly SIP inflows into domestic mutual funds have averaged at around Rs820bn in 2019. This has translated into cumulative inflows of nearly Rs9.86trn in 2019, implying a growth of 11.2% YoY on top of a 49.1% growth in 2018. Despite markets starting the year 2020 on a weak footing, with worsening Corona virus scare hurting investor sentiments, retail participation through the SIP route has remained unscathed. In fact, SIP inflows in January 2020 are the highest in over four years. These sticky SIP flows have helped mutual funds significantly increase their ownership in Indian equities over the last few years, notwithstanding a volatile market.

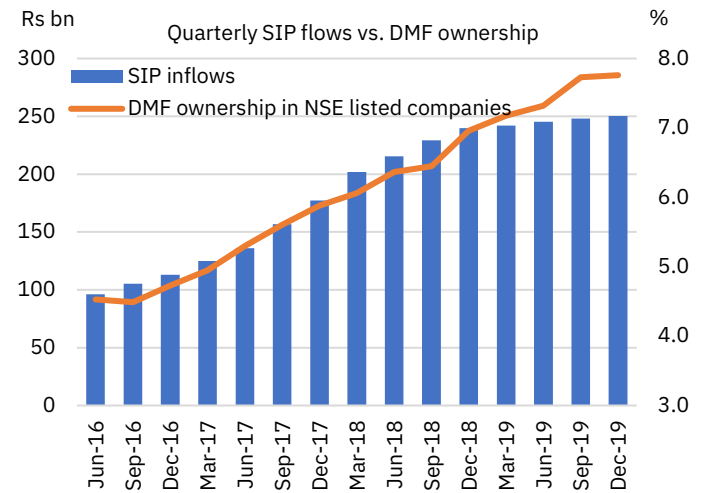
SIP inflows in 2019 grew at 11.2% YoY on top of a 49% growth in 2018.

Figure 17: Monthly SIP inflows into mutual funds



Source: AMFI, NSE.

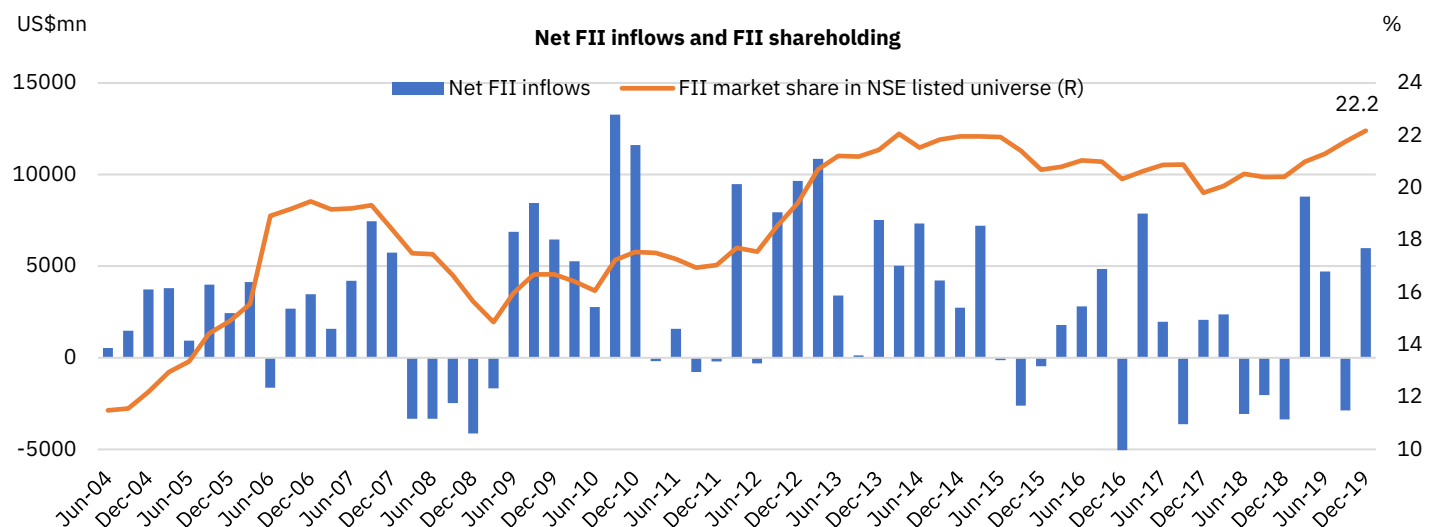
Figure 18: Quarterly SIP inflows vs. DMF ownership



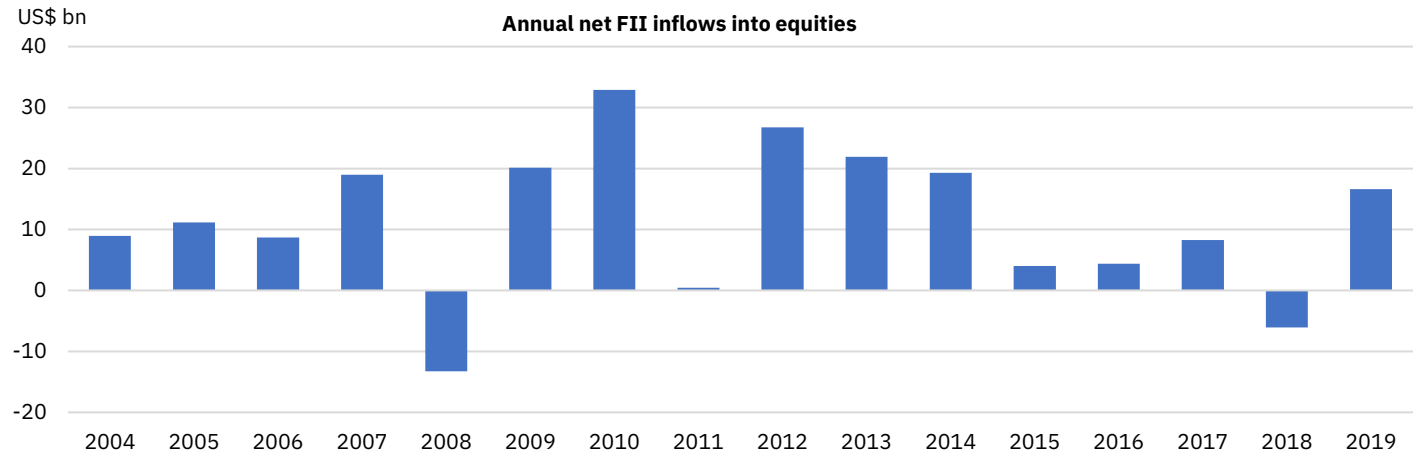
FIIIs were strong buyers of Indian equities in 2019: Except for July and August, net monthly FII inflows have remained positive in 2019, translating into cumulative net FII inflows of US\$16.6bn—the highest in last five years. This is partly led by an easy monetary policy stance by global central banks in the wake of weakening growth environment, which has led to a renewed global liquidity infusion into emerging markets. This, along with a host of measures taken by the Government back home to support growth, has led to FIIs turning strong buyers of Indian equities, even as macro outlook has worsened.

Net FII inflows stood at US\$16.6bn in 2019—the highest in last five years.

Figure 19: Net FII inflows and FII shareholding in the NSE-listed universe



Source: Bloomberg, CMIE Prowess, NSE. * FII ownership includes ownership through depository receipts held by custodians

Figure 20: Annual net FII inflows trend


Source: Bloomberg, NSE

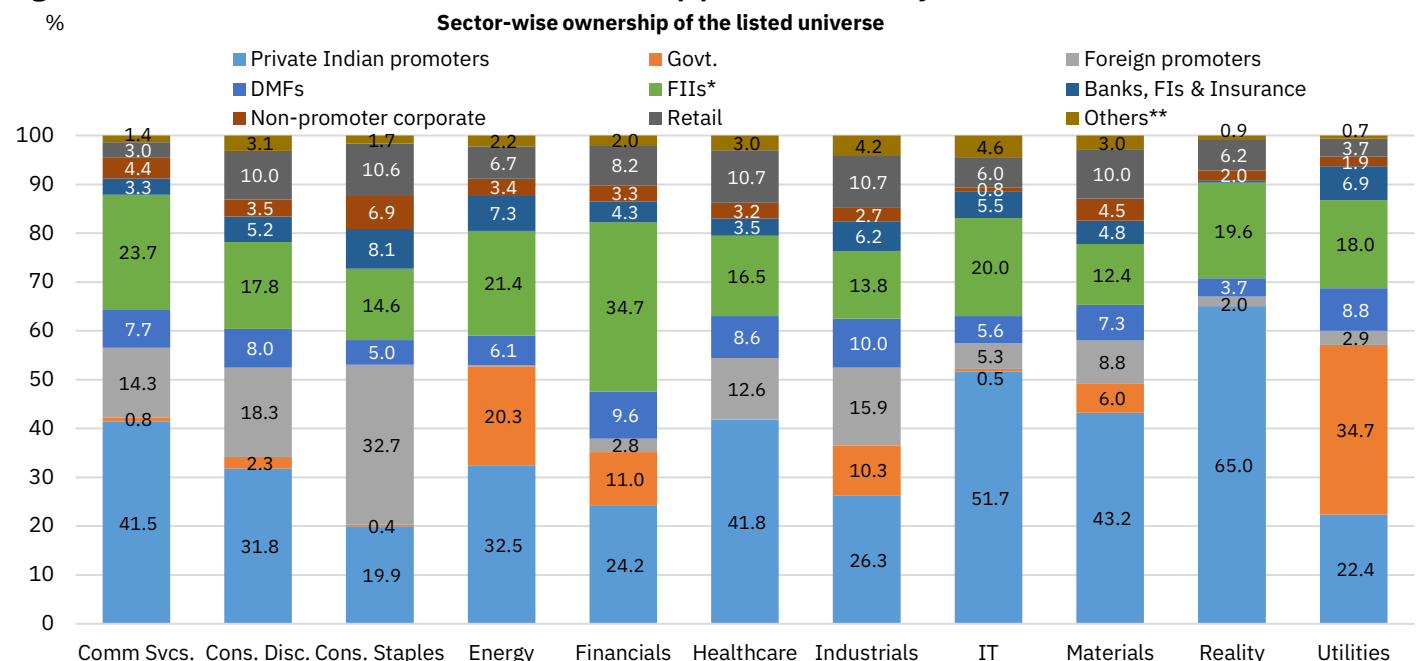
Sector-wise ownership of the NSE-listed universe (December 2019): The sector-wise ownership pattern of the NSE-listed universe across key stakeholders shows that the Real Estate sector has the highest promoter ownership at 67.0% (+70bps QoQ), followed by Utilities (+80bps QoQ) at 58.3% and Information Technology (+100bps QoQ) at 57.4%. Sector-wise, Utilities continue to lead in terms of Government ownership at 34.7%, even as the share has been gradually coming off over the years. In fact, Government ownership in the NSE-listed companies in Utilities sector is the lowest since June 2006. Other sectors that have high Government ownership include Energy and Financials at 20.3% (-160bps QoQ) and 11.0% (+100bps QoQ) respectively.

In terms of DMF ownership, Industrials continue to lead with a 10.0% DMF holding (+16bps QoQ), followed by Financials at 9.6% (-21bps QoQ) and Utilities at 8.8% (-27bps QoQ). FIIs remain the biggest non-promoter owners of Financials at 34.7% (+26bps QoQ), followed by Communication Services at 23.7% (-200bps QoQ) and Information Technology at 20.0% (-34bps QoQ).

Sector-wise, Utilities continues to lead in terms of Government ownership at 34.7%, even as it is the lowest since June 2006.

Industrials has the highest DMF ownership, followed by Financials and Utilities.

FIIs are the biggest non-promoter owners of Financials, followed by Comm. Svcs. and IT.

Figure 21: NSE-listed universe: Sector-wise ownership pattern across key stakeholders (December 2019)


Source: CMIE Prowess, NSE. * FII ownership includes ownership through depository receipts held by custodians.

**Others include other institutional and non-institutional non-promoter investors.

Sector allocation of the NSE-listed universe for key stakeholders (December 2019):

The table below shows sector allocation for key shareholder categories in all NSE-listed companies as of Dec'19. Government ownership remains concentrated in Financials, Energy and Utilities, together accounting for ~79%. Consumer sector, Discretionary and Staples combined, account for ~52% of the exposure of foreign promoters to the NSE-listed space. While DMFs have 35.5% of their holdings in Financials, followed by Materials at 9.7%, FIIs have a much higher allocation to Financials at 44.6%, followed by Energy at 10.0%. The retail portfolio remains relatively more diversified across sectors.

DMFs have 35.5% of their market holding (NSE-listed) in Financials, followed by Materials (9.7%).

FIIs have a much higher exposure to Financials at 44.6%.

Figure 22: Sector allocation of the NSE-listed universe for key stakeholders (December 2019)

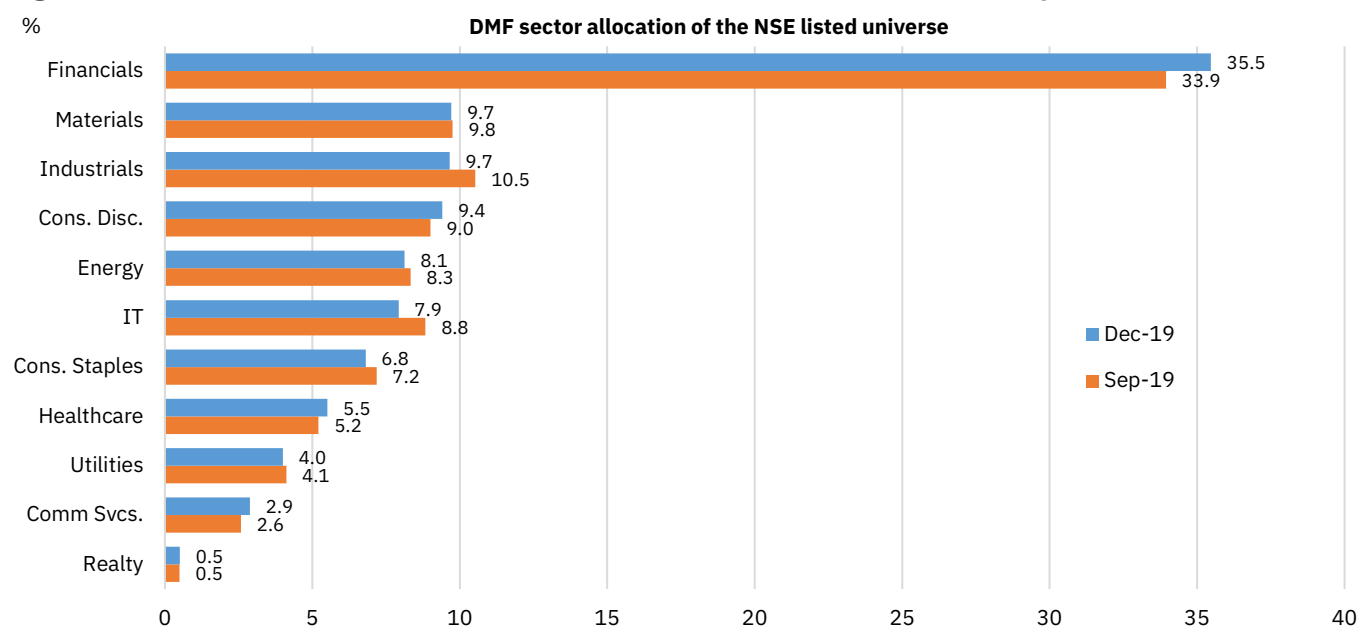
%	Private Indian promoters	Govt.	Foreign promoters	Domestic MFs	FIIs*	Banks, FIs & Insurance	Non-promoter corporate	Retail
Communication Services	3.7	0.3	4.2	2.9	3.1	1.8	3.7	1.1
Consumer Discretionary	9.1	2.6	17.1	9.4	7.4	8.8	9.3	10.9
Consumer Staples	6.6	0.5	35.3	6.8	7.0	15.9	21.1	13.3
Energy	10.5	25.7	0.3	8.1	10.0	14.1	10.1	8.3
Financials	21.4	38.2	8.2	35.5	44.6	22.5	26.9	28.0
Health Care	6.5	0.0	6.4	5.5	3.7	3.2	4.7	6.4
Industrials	6.1	9.4	12.1	9.7	4.6	8.5	5.9	9.5
Information Technology	17.8	0.7	6.0	7.9	10.0	11.3	2.5	7.9
Materials	13.8	7.6	9.2	9.7	5.8	9.2	13.2	12.2
Real Estate	2.2	0.0	0.2	0.5	1.0	0.1	0.6	0.8
Utilities	2.5	15.0	1.1	4.0	2.9	4.6	2.0	1.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: CMIE Prowess, NSE. * FII ownership includes ownership through depository receipts held by custodians.

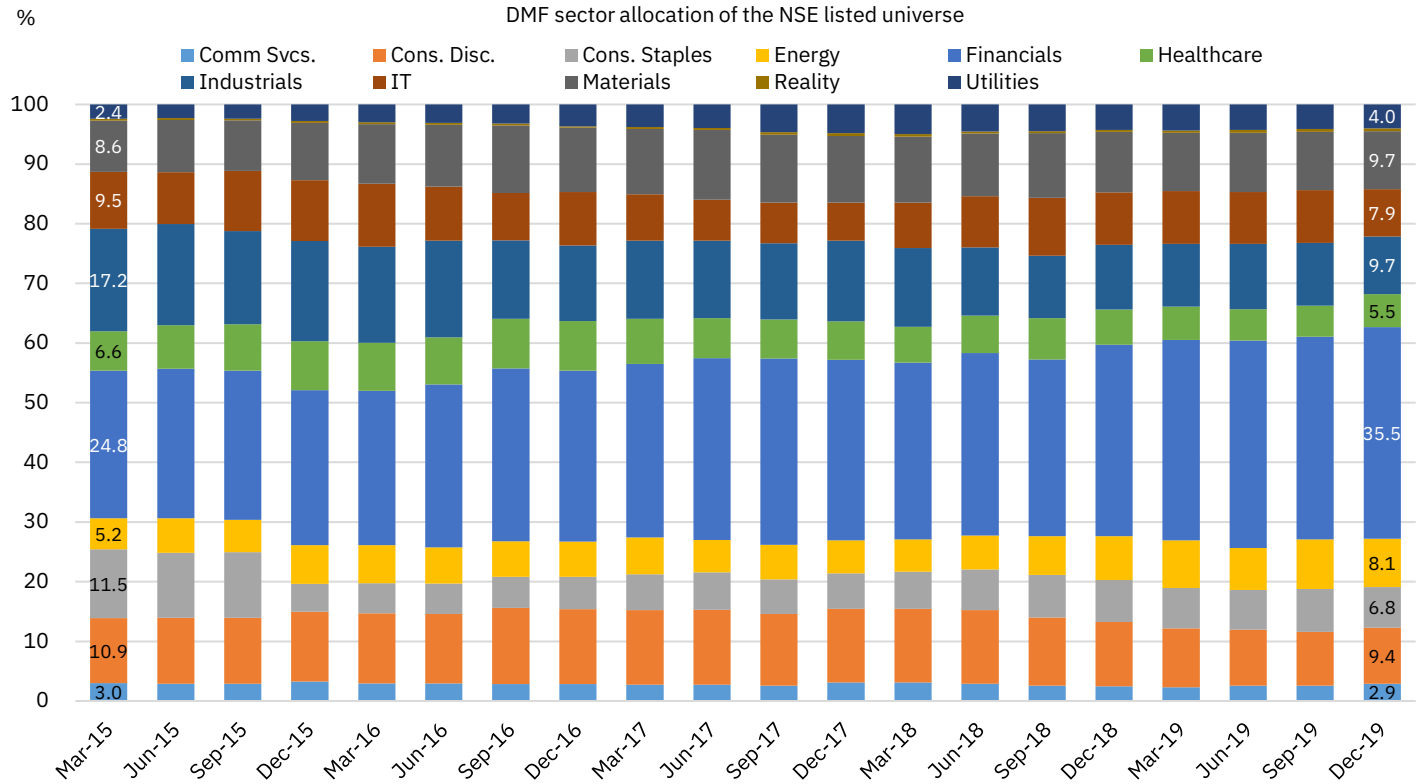
DMFs increased their exposure to Financials in the December quarter...: Over last quarter, DMFs increased their exposure in Financials by 153bps to 35.5% in the overall NSE-listed space—the highest in last two decades. This was achieved at the expense of reduction in exposure to Industrials, Information Technology and Consumer Staples. In fact, DMFs allocation to Industrials is the lowest in last 11 years.

DMFs have increased their exposure to Financials at the expense of Industrials, IT and Consumer Staples

Figure 23: DMF sector allocation of the NSE-listed universe (December 2019 vs. September 2019)



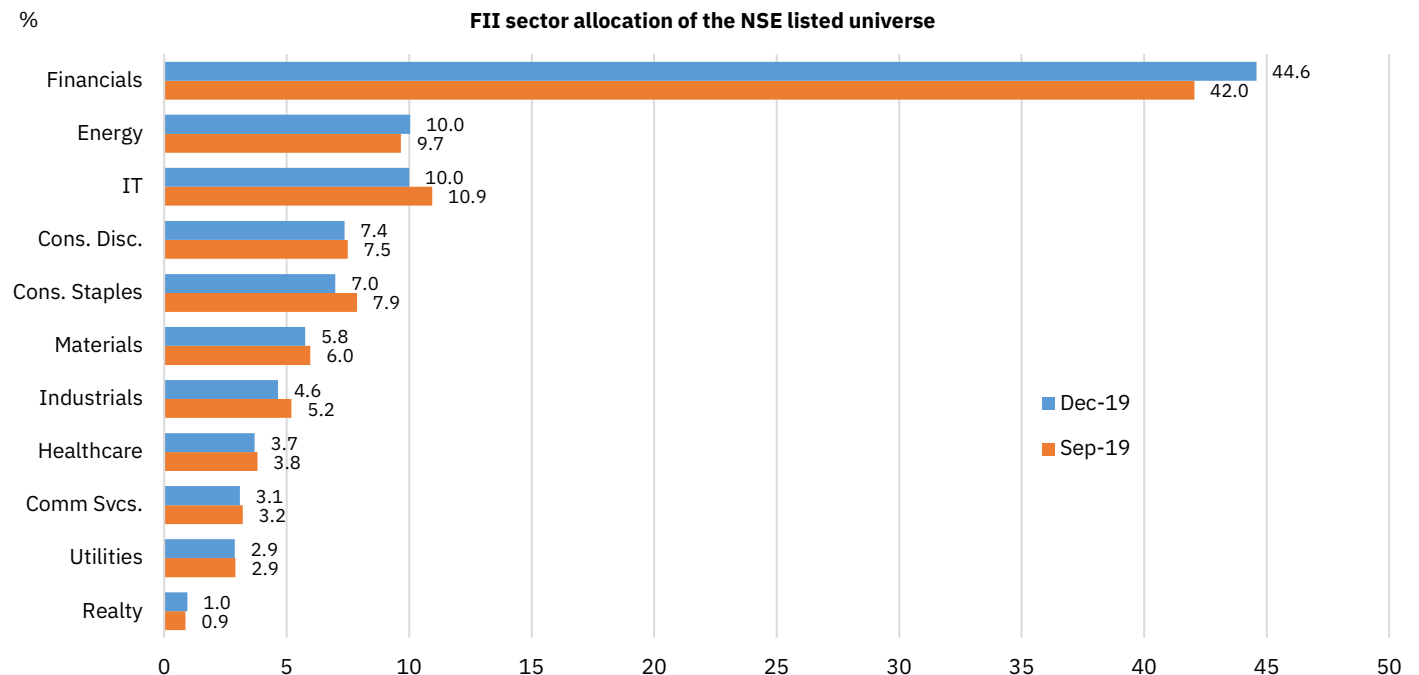
Source: CMIE Prowess, NSE

Figure 24: DMF sector allocation of the NSE-listed universe over last five years


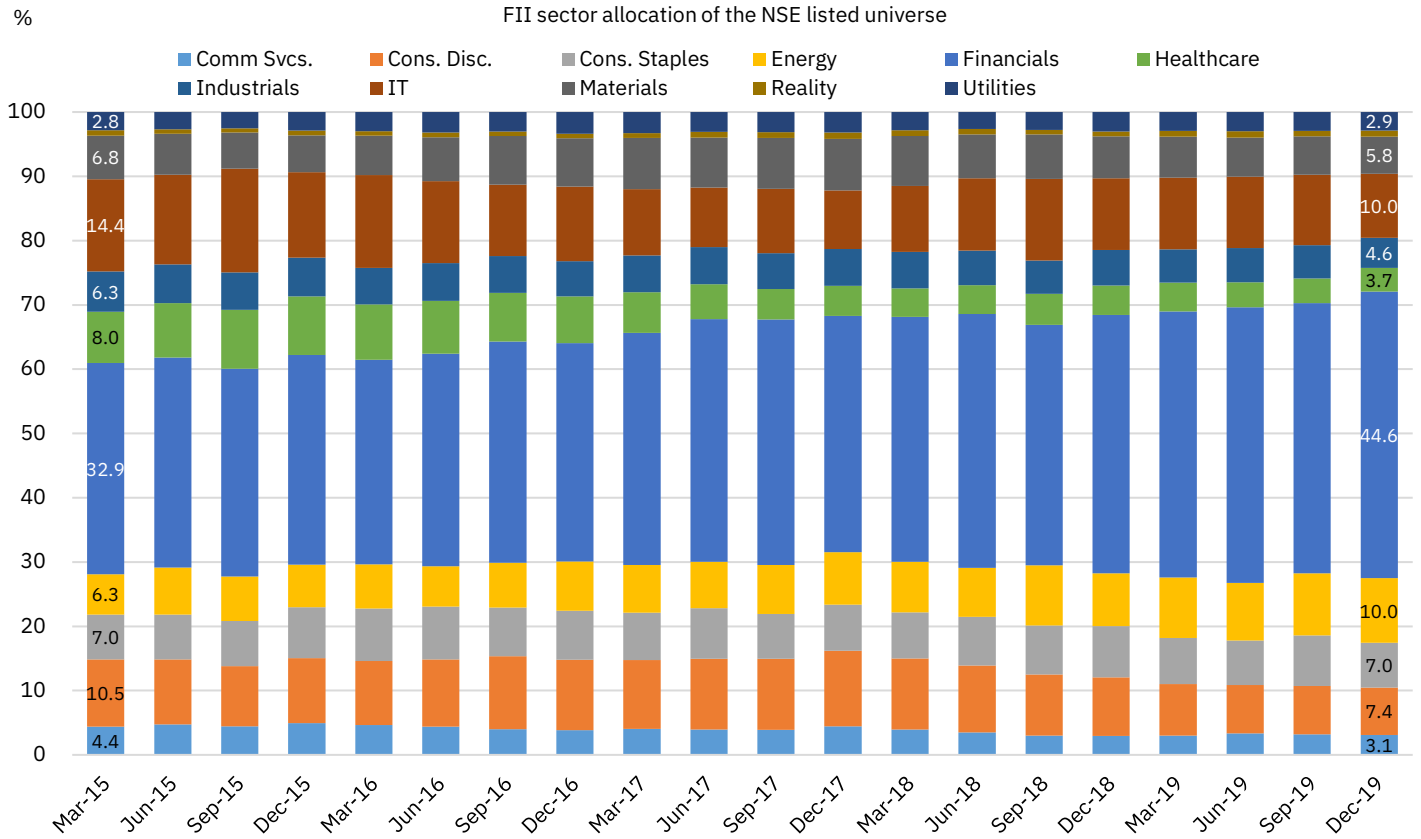
Source: CMIE Prowess, NSE

...and so have FIIs: FIIs have also increased their exposure to Financials within the NSE-listed space by 254bps QoQ to 44.6% in the quarter ending December 2019. In-line with DMFs, FIIs have also cut their exposure to Information Technology, Consumer Staples and Industrials. Allocation to other sectors has remained broadly stable QoQ.

FIIs have also done a similar rejig to their allocation in the overall NSE-listed space.

Figure 25: FII sector allocation of the NSE-listed universe (December 2019 vs. September 2019)


Source: CMIE Prowess, NSE

Figure 26: FII sector allocation of the NSE-listed universe over last five years


Source: CMIE Prowess, NSE. * FII ownership includes ownership through depository receipts held by custodians.

Nifty 50 ownership trends

Ownership pattern of the Nifty 50 universe (December 2019): Overall promoter ownership in the Nifty 50 Index fell by 23bps QoQ to 42% in the quarter ending December 2019. This was largely on account of a further drop in Government (-21bps QoQ and -160bps in 2019) and foreign promoter (-20bps QoQ) ownership, partly offset by a 18bps QoQ rise in private Indian promoter share in the Nifty 50 companies.

Institutional ownership has risen for the Nifty 50 universe as well, up 59bps QoQ to 44.2%, largely on account of a strong 63bps QoQ jump in FII holding to 28.4%. DMF ownership in the Nifty50 companies has also improved, albeit at a modest 11bps QoQ to 8.4%. The share of Banks, Financial Institutions and Insurance fell by 17bps QoQ to 11-year lows of 7.2%. Retail ownership has remained steady over the last few years, with current share at 7.7% being just 70bps shy of their share in the overall NSE-listed space.

In terms of floating stock, FII share in the Nifty 50 Index improved by 89bps QoQ to 48.9% in the December quarter, even as it is still 2.9pp lower than the peak share since 2006, while that of DMFs has remained steady at 14.4%, following a 100bps QoQ jump in the previous quarter.

Govt. ownership in the Nifty50 Index declined for the second consecutive quarter.

FII share in the Nifty50 floating stock rose for the fourth quarter in a row to 48.9%, even as it is still 2.9pp shy of the peak level.

DMF share of the floating stock remained steady at all-time high level.

Figure 27: Nifty 50: Ownership pattern by total market cap (% , December 2019)

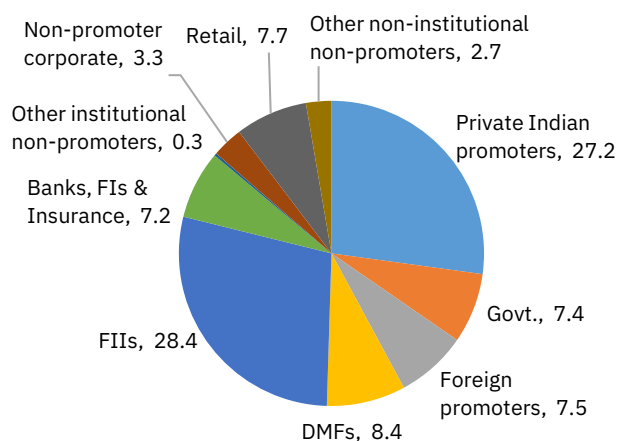
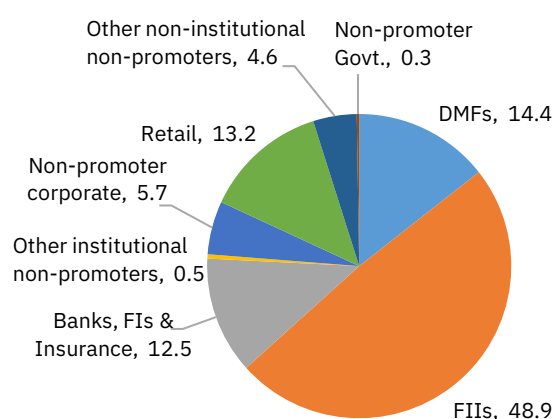


Figure 28: Nifty 50: Ownership pattern by free float market cap (% , December 2019)



Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 29: Nifty 50: Ownership trend across key stakeholders by total market cap over the last three years

%	Private Indian promoters	Govt.	Foreign promoters	Domestic MFs	Banks, FIs & Insurance	FIIs *	Non-promoter corporate	Retail
Mar-17	24.5	12.8	6.4	5.0	8.7	27.1	5.5	7.0
Jun-17	23.4	11.6	7.6	5.3	8.7	27.6	4.2	7.1
Sep-17	24.0	11.5	7.8	5.8	8.1	28.0	5.0	7.2
Dec-17	24.2	11.3	8.1	6.2	8.1	27.1	4.9	7.0
Mar-18	24.1	10.6	7.8	6.4	8.0	27.6	5.1	7.0
Jun-18	26.0	9.5	6.9	6.7	7.8	27.4	5.2	7.4
Sep-18	27.2	9.5	6.2	6.7	7.8	26.6	5.2	7.3
Dec-18	26.1	9.0	6.6	7.4	7.8	27.0	5.2	7.6
Mar-19	26.5	8.7	6.3	7.6	7.6	27.4	4.9	7.6
Jun-19	26.8	9.0	6.3	7.7	7.5	27.5	4.5	7.5
Sep-19	27.0	7.6	7.7	8.2	7.4	27.8	3.5	7.7
Dec-19	27.2	7.4	7.5	8.4	7.2	28.4	3.3	7.7
QoQ change	18bps	-21bps	-20bps	11bps	-17bps	63bps	-18bps	-8bps

Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 30: Nifty 50: Ownership trend across key stakeholders by free float market cap over last the three years

%	Domestic MFs	Banks, FIs & Insurance	FIIIs*	Non-promoter corporate	Public
Mar-17	8.8	15.3	48.0	9.8	12.4
Jun-17	9.3	15.2	48.0	7.4	12.3
Sep-17	10.2	14.3	49.2	8.9	12.7
Dec-17	10.9	14.3	47.9	8.6	12.4
Mar-18	11.1	13.9	47.8	8.9	12.1
Jun-18	11.5	13.5	47.4	9.1	12.8
Sep-18	11.7	13.7	46.4	9.1	12.8
Dec-18	12.7	13.4	46.2	8.8	13.0
Mar-19	13.0	13.0	46.7	8.3	12.9
Jun-19	13.3	12.8	47.3	7.8	13.0
Sep-19	14.3	12.8	48.0	6.0	13.4
Dec-19	14.4	12.5	48.9	5.7	13.2
QoQ change	13bps	-35bps	89bps	-33bps	-19bps

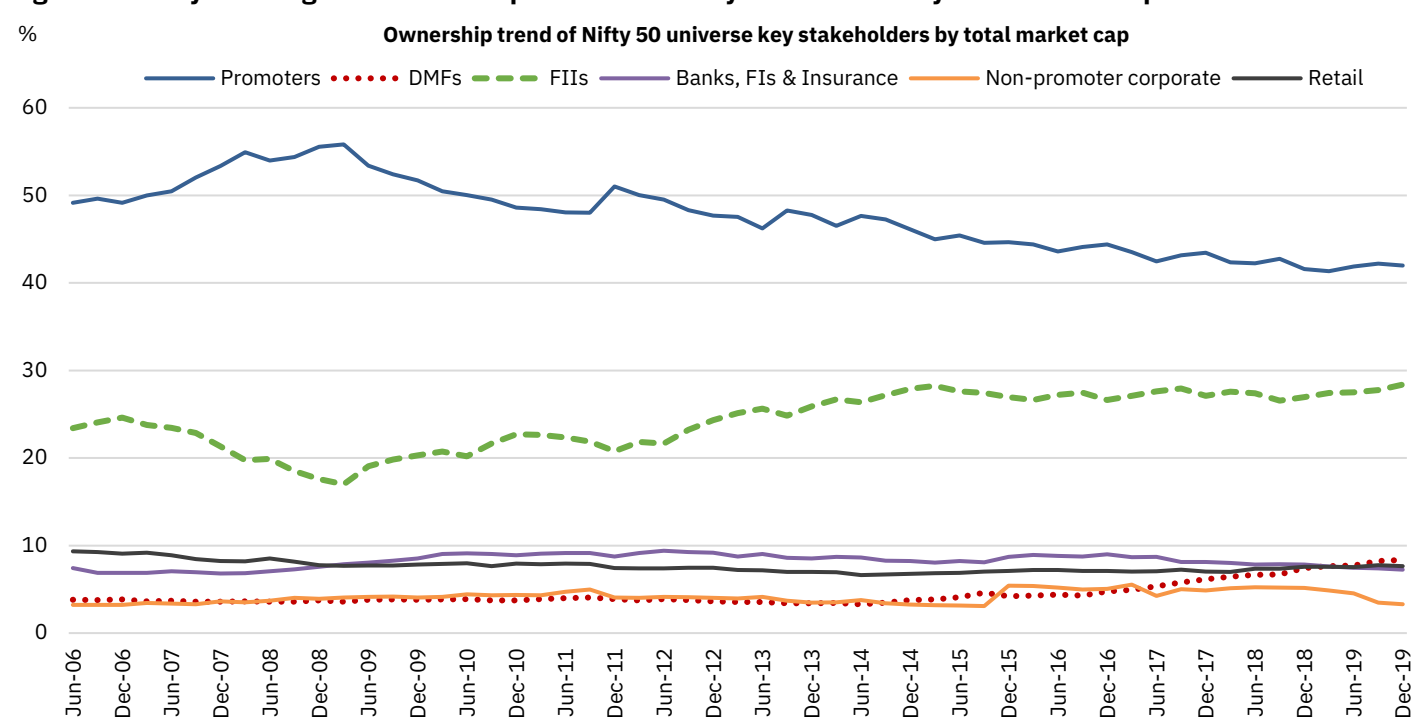
Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Long-term ownership trend of the Nifty 50 universe: The long-term ownership trend of the Nifty 50 Index is similar to the broader listed universe. Overall promoter ownership has seen a steady decline since 2009, largely on account of a sharp decline in Government ownership, even as private Indian as well as foreign promoters' holding has increased since 2010, albeit at a lower 533bps vs. 850bps for the listed universe.

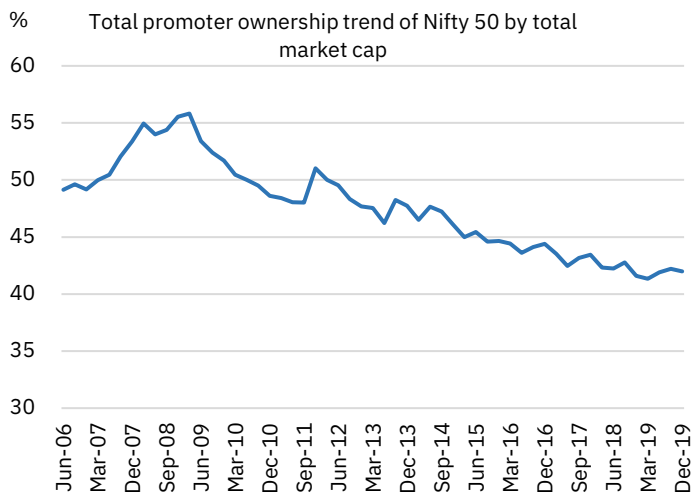
While the DMF ownership has been gradually increasing since 2014 and is currently at the highest level since 2006, FII ownership has improved sharply from the post-GFC low of 17% (in March 2009) to 28.4% currently—the highest share since 2006. That said, FII share excluding Financials has been steadily falling since 2014 and is currently 4.3pp shy of the peak share since 2006. Contrary to the broader listed universe, retail ownership of the Nifty 50 Index has been steadily inching up over the last few years, after falling to 13-year low of 6.6% in Jun'14.

FII ownership in the Nifty 50 Index has improved sharply from the post-GFC low of 17% to 28.4% currently—the highest share since 2006, largely led by Financials.

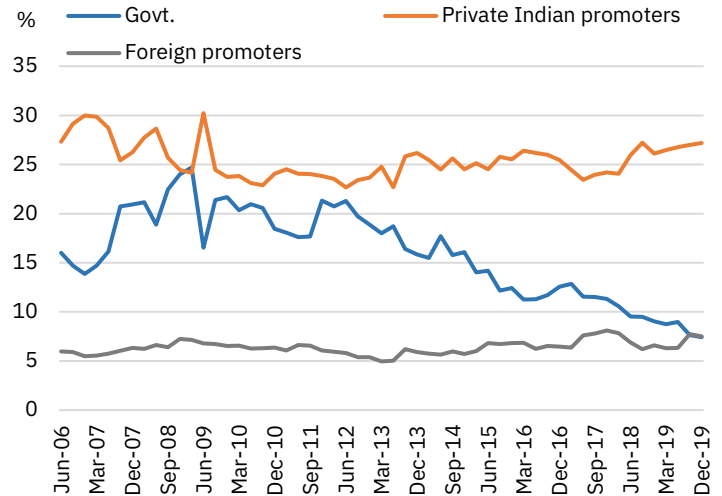
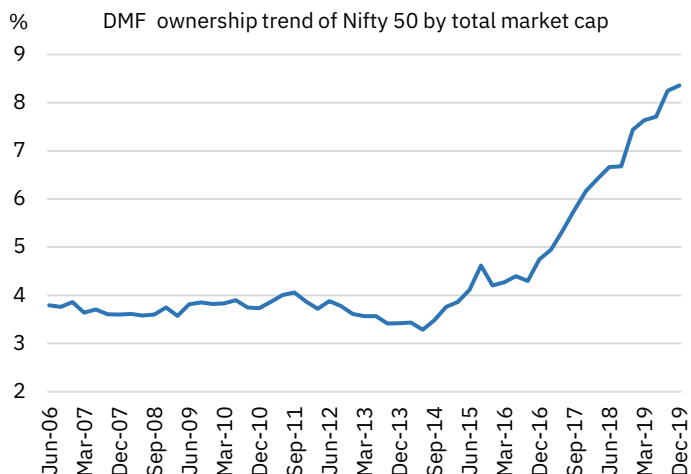
Excluding Financials, FII share is 4.3pp shy of the peak share.

Figure 31: Nifty 50: Long-term ownership trend across key stakeholders by total market cap


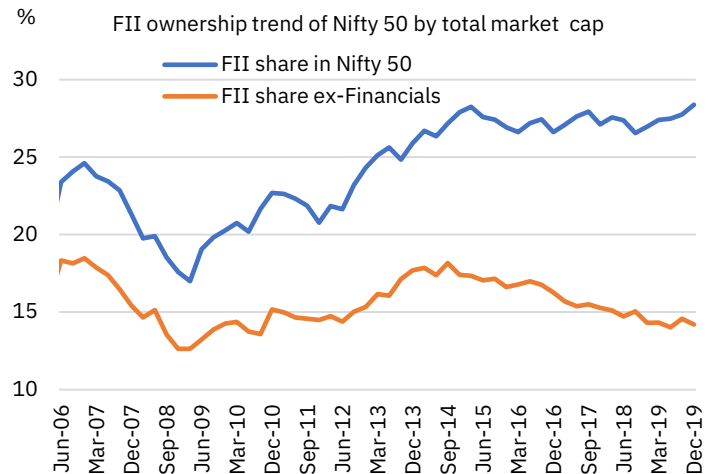
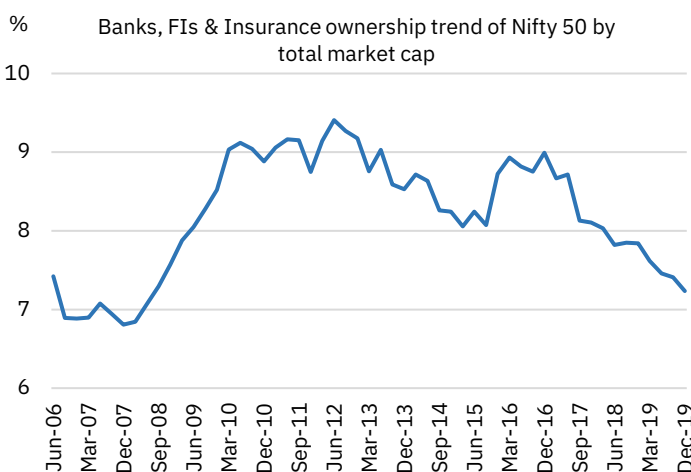
Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 32: Total promoter ownership trend of the Nifty 50 universe by total market cap


Source: CMIE Prowess, NSE

Figure 33: Indian and foreign promoter ownership trend of the Nifty 50 universe by total market cap

Figure 34: DMF ownership trend of Nifty 50 universe by total market cap


Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

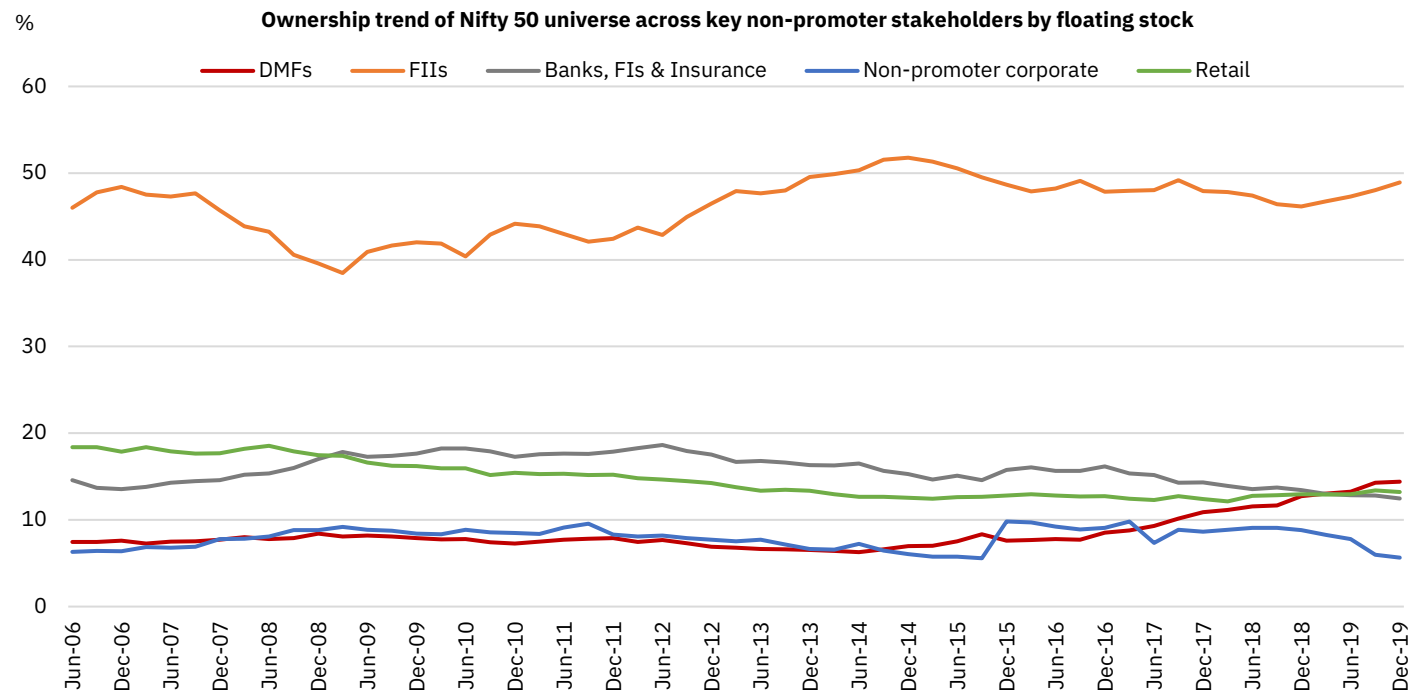
Figure 35: FII ownership trend of Nifty 50 universe by total market cap

Figure 36: Banks, FIs & Insurance ownership trend of Nifty 50 universe by total market cap


Source: CMIE Prowess, NSE

Figure 37: Retail ownership trend of Nifty 50 universe by total market cap


Our long-term ownership analysis on the free float market cap of the Nifty 50 Index also shows that while DMF ownership is the highest since 2006, current FII ownership is nearly 290bps lower than the peak of 51.8% in December 2014, even as the share has increased by nearly 277bps in 2019.

Figure 38: Nifty 50: Long-term ownership trend across key stakeholders by free float market cap



Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 39: DMF ownership trend of the Nifty 50 universe by free float market cap

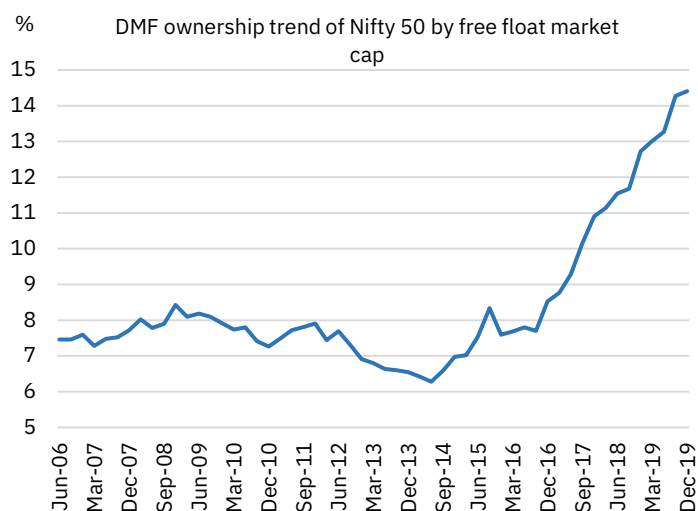
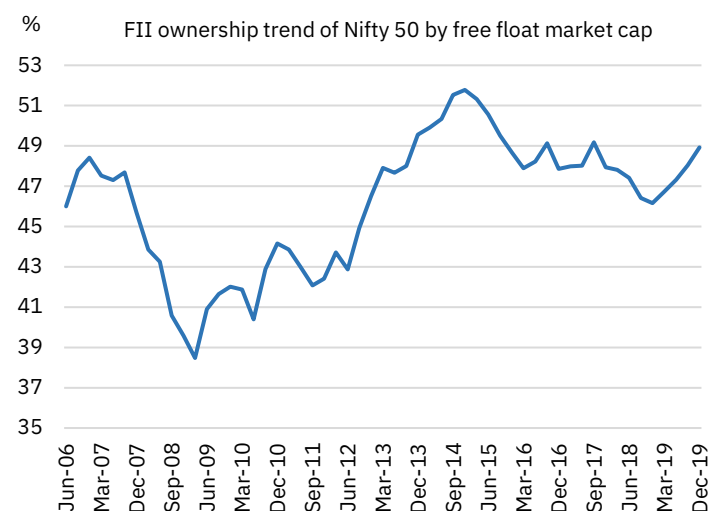
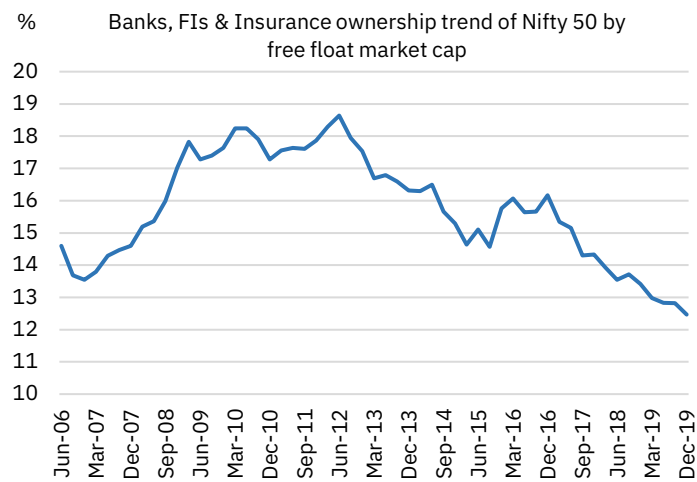


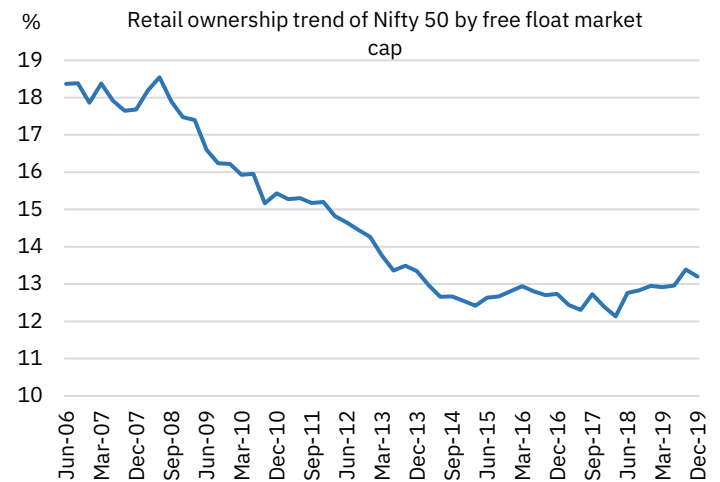
Figure 40: FII* ownership trend of the Nifty 50 universe by free float market cap



Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 41: Banks, FIs & Insurance ownership trend of the Nifty 50 universe by free float market cap


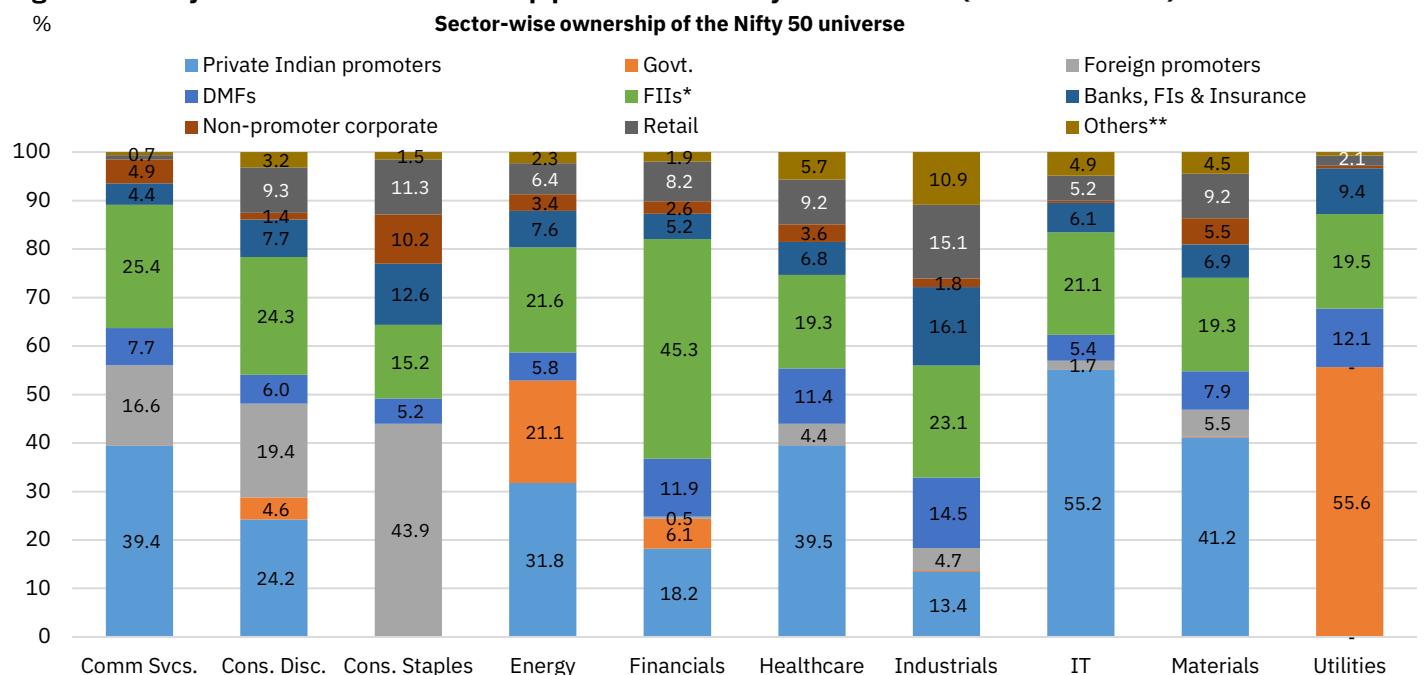
Source: CMIE Prowess, NSE

Figure 42: Retail ownership trend of the Nifty 50 universe by free float market cap


Sector-wise ownership of the Nifty 50 universe (December 2019): In terms of promoter ownership, Information Technology took over Communication Services sector last quarter after witnessing a 116bps QoQ jump in promoter share to 56.9%, while the latter saw a 104bps QoQ drop to 56.1%. Utilities and Energy have the highest Government ownership at 55.6% (-48bps QoQ) and 21.1% (-203bps QoQ) respectively. DMF ownership is the highest in Industrials at 14.6% (+100bps QoQ), followed by Utilities at 12.1% (+66bps QoQ) and Financials at 11.9% (-11bps QoQ). FIIs are the biggest non-promoter owners of Financials at 45.3% (+68bps QoQ), followed by Communication Services at 25.4% (-366bps QoQ) and Consumer Discretionary at 24.3% (-75bps QoQ). In terms of overall foreign ownership (including foreign promoters), Consumer Staples leads with a 59.1% (+81bps QoQ) foreign share, followed by Financials at 45.8% (67bps QoQ) and Consumer Discretionary at 43.7% (-41bps QoQ).

Industrials has the highest DMF ownership within the Nifty50 universe, followed by Utilities and Financials—in-line with the overall listed space.

FIIs are the biggest non-promoter owners of Financials in the Nifty 50 universe as well, followed by Communication Services and Consumer Discretionary.

Figure 43: Nifty 50: Sector-wise ownership pattern across key stakeholders (December 2019)


Source: CMIE Prowess, NSE.

* FII ownership includes ownership through depository receipts held by custodians. **Others include other institutional and non-institutional non-promoter investors.

Sector allocation of the Nifty 50 universe for key stakeholders (December 2019): The table below shows the sector allocation for key stakeholders in Nifty 50 companies as of December 2019. The concentration of Government ownership in Financials, Energy and Utilities sector is much higher at ~95% in the Nifty 50 universe vs. ~79% in the broader listed universe. The Consumer sector, Discretionary and Staples combined, account for 78.7% of the exposure of foreign promoters to the Nifty 50 companies. In case of institutional investors, DMFs have a much higher exposure to Financials at 44.6% (+155bps QoQ) in the Nifty 50 Index (vs. 35.5% in the NSE-listed universe), but 540bps lower than the FII allocation to the sector at 50.0%.

DMFs have a much higher exposure to Financials at 44.6% in the Nifty 50 Index (vs. 35.5% in the NSE listed universe), but 540bps lower than the FII allocation to the sector at 50.0%.

Figure 44: Sector allocation of the Nifty 50 universe for key stakeholders (December 2019)

%	Private Indian promoters	Govt.	Foreign promoters	Domestic MFs	FII*s*	Banks, FIs & Insurance	Non-promoter corporate	Retail
Communication Services	5.0	0.0	7.6	3.1	3.1	2.1	5.1	0.4
Consumer Discretionary	6.5	4.5	18.7	5.2	6.2	7.7	3.2	8.9
Consumer Staples	0.0	0.0	60.0	6.4	5.5	17.9	31.9	15.2
Energy	19.2	46.7	0.0	11.4	12.5	17.2	17.1	13.8
Financials	21.0	25.8	2.0	44.6	50.0	22.5	24.8	33.5
Health Care	3.1	0.0	1.2	2.9	1.4	2.0	2.3	2.5
Industrials	1.4	0.1	1.8	5.0	2.3	6.4	1.6	5.6
Information Technology	33.7	0.1	3.8	10.7	12.3	13.9	2.2	11.2
Materials	10.3	0.2	5.0	6.4	4.6	6.4	11.3	8.1
Utilities	0.0	22.6	0.0	4.4	2.1	3.9	0.5	0.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

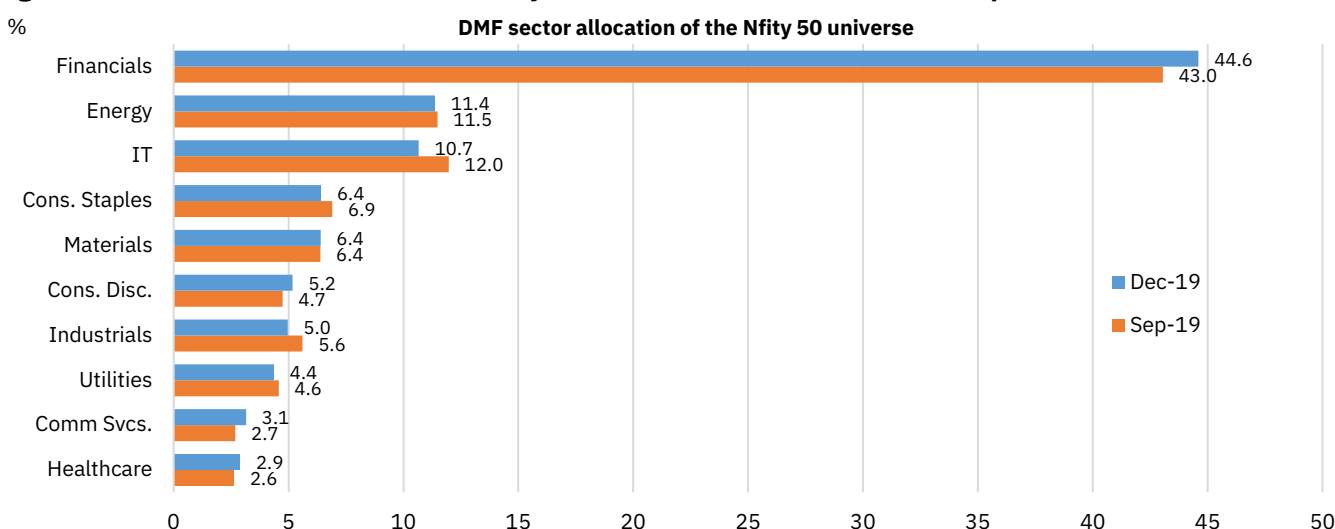
Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

DMFs increased allocation to Financials but incrementally turned less bullish: DMFs increased their allocation to Financials sector by 155bps QoQ to 44.6% in the December quarter, albeit by a lower magnitude than the increase in sector's weight in the Nifty 50 Index (+266bps QoQ), leading to a 111bps QoQ dip in the OW position with respect to the index. This has come at the expense of a reduction in portfolio allocation to Industrials, even as the OW position to the sector was maintained, and an increase in UW stance on Information Technology. In the quarter ending December 2019, DMFs have maintained an UW stance on Consumer Staples and Consumer Discretionary, reflecting a consequence of weak consumption demand.

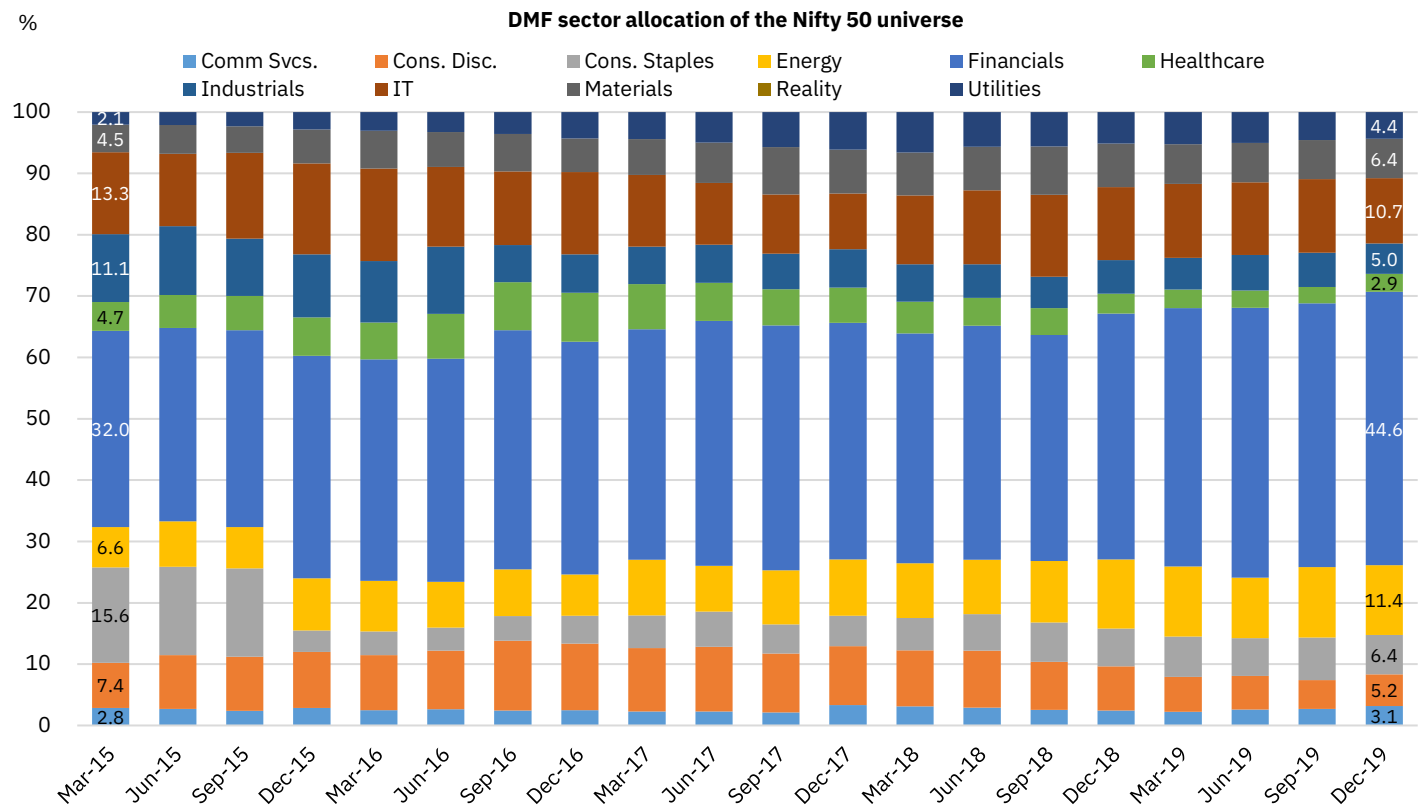
DMFs turned incrementally less bullish on Financials, even as the allocation to the sector went up.

Overall, they remained negative on consumption and positive on India's investment story.

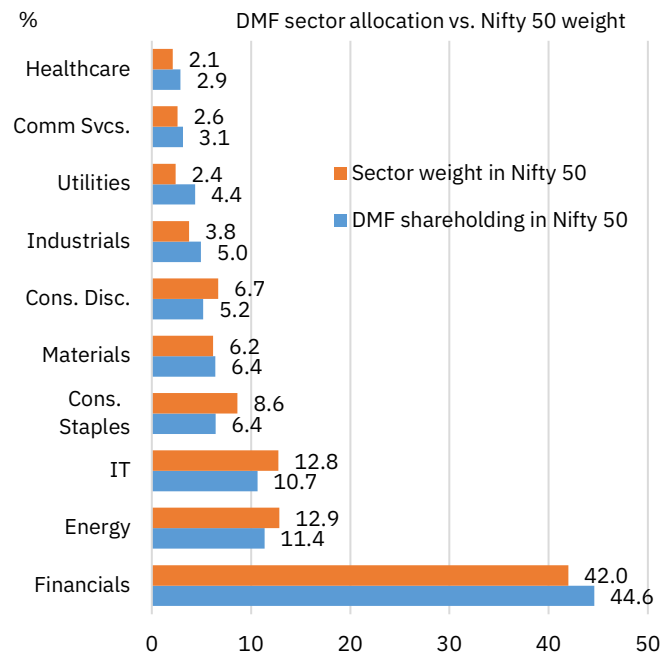
Figure 45: DMF sector allocation of the Nifty 50 universe (December 2019 vs. September 2019)



Source: CMIE Prowess, NSE

Figure 46: DMF sector allocation of the Nifty 50 universe over the last five years


Source: CMIE Prowess, NSE

Figure 47: DMF sector allocation vs. sector weight in Nifty 50 (December 2019)


Source: CMIE Prowess, NSE

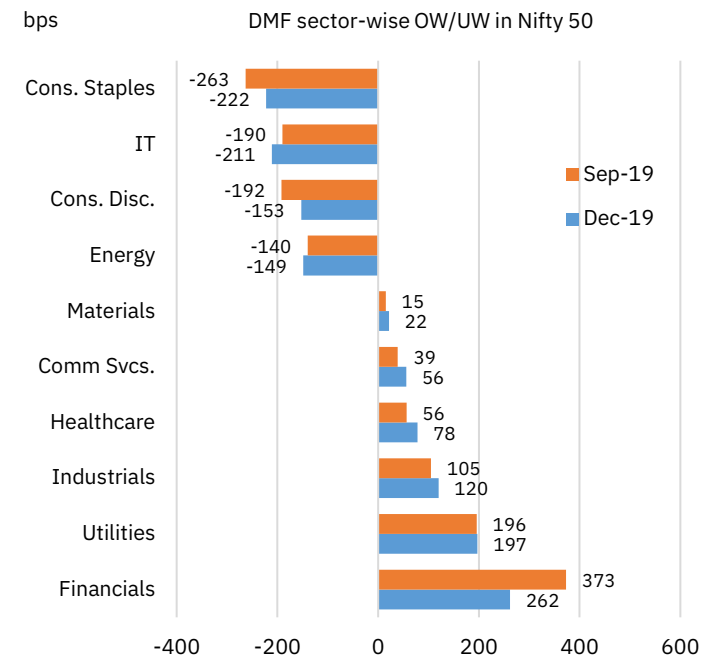
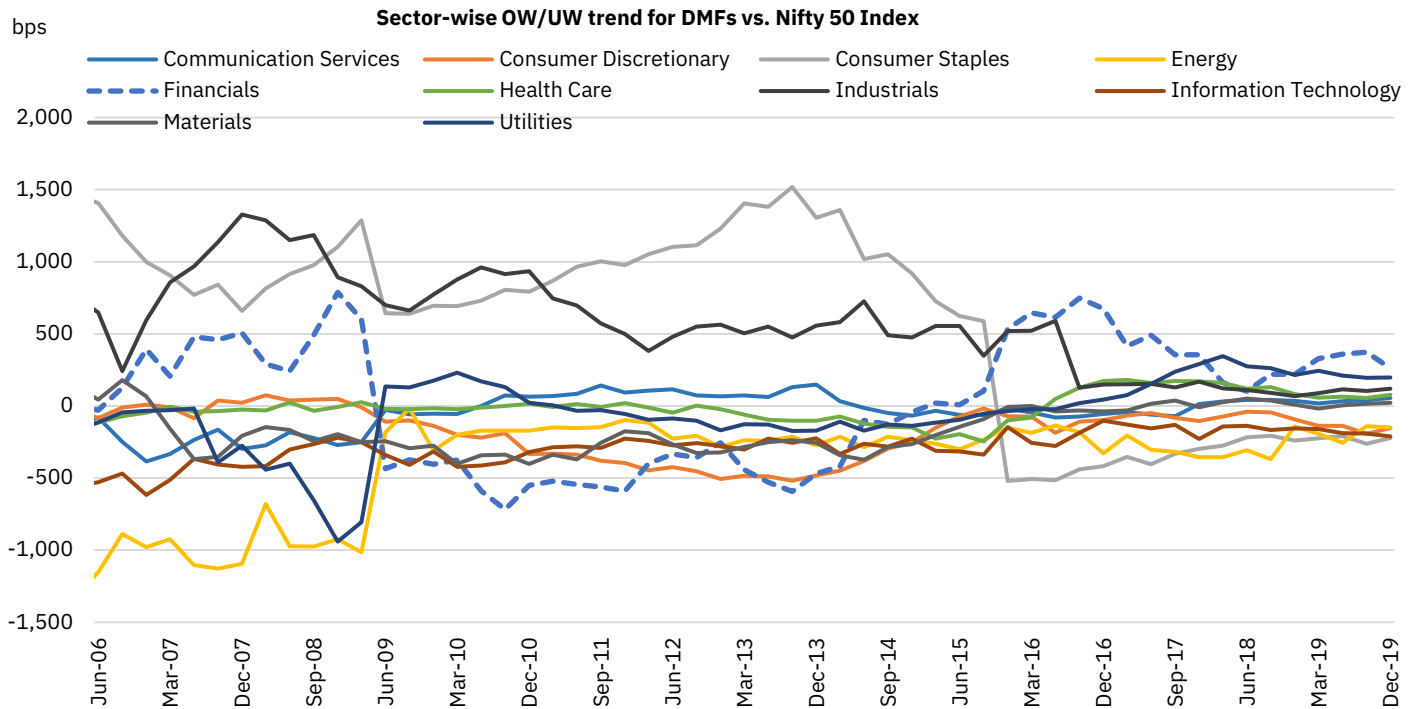
Figure 48: DMF sector-wise OW/UW in Nifty 50 relative to sector weight in the index (December 2019)


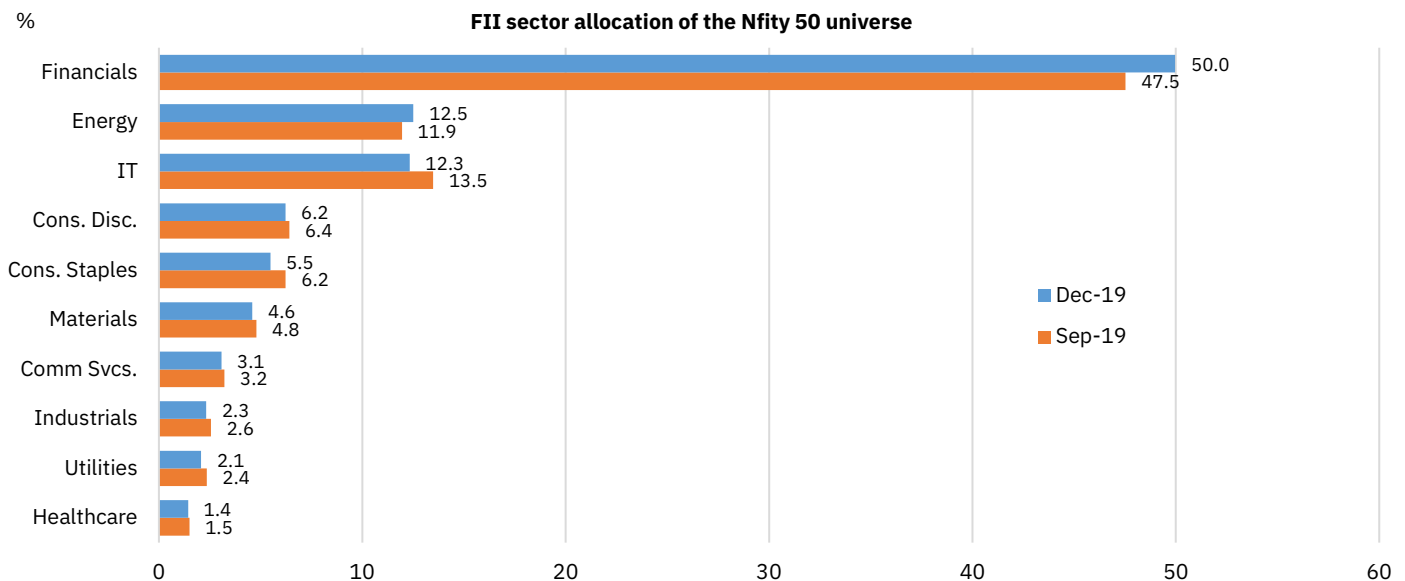
Figure 49: DMF vs. Nifty 50—Sector-wise OW/UW trend (bps)


Source: CMIE Prowess, NSE

FII maintained huge OW position on Financials for yet another quarter: The overall sector positioning for FIIs in the Nifty 50 index has not changed much on a sequential basis in the December quarter. Unlike DMFs, FIIs have increased their allocation to Financials by a much higher 254bps QoQ to 50%, largely in-line with the change in sector weight in the index, and hence maintained the huge OW position on the sector with respect to the index. Notably, Financials is the only sector that FIIs had a decent OW on in the December quarter. Consumer Staples, Industrials and Energy remained the most under-owned sectors for FIIs in the Nifty 50 space for yet another quarter, even as the extent of UW position on Industrials has come off, thanks to a strong Government’s focus on infrastructure development.

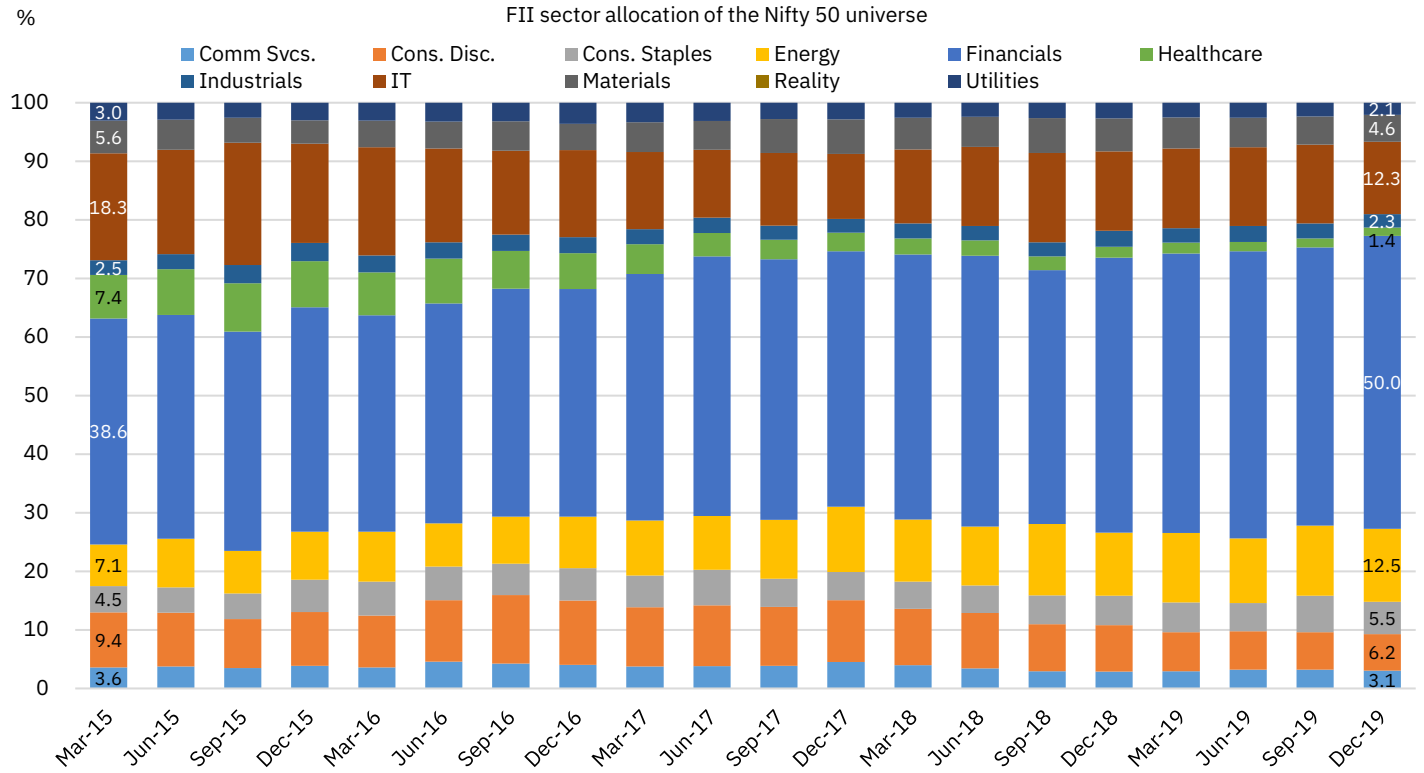
FIIs have taken an outsized bet on Financials with a 50% allocation to the sector in the Nifty 50 universe.

They remained UW on Consumer Staples, Industrials and Energy for yet another quarter.

Figure 50: FII sector allocation of the Nifty 50 universe (December 2019 vs. September 2019)


Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 51: FII sector allocation of the Nifty 50 universe over last five years



Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 52: FII sector allocation vs. sector weight in Nifty 50 (December 2019)

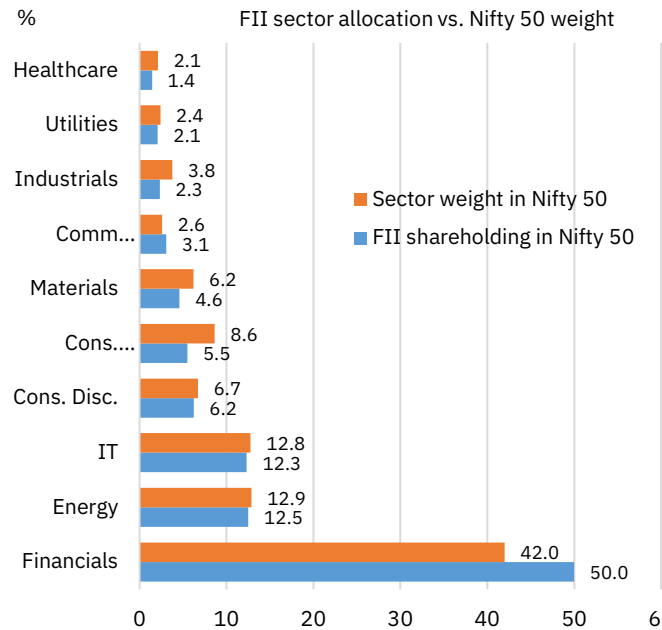
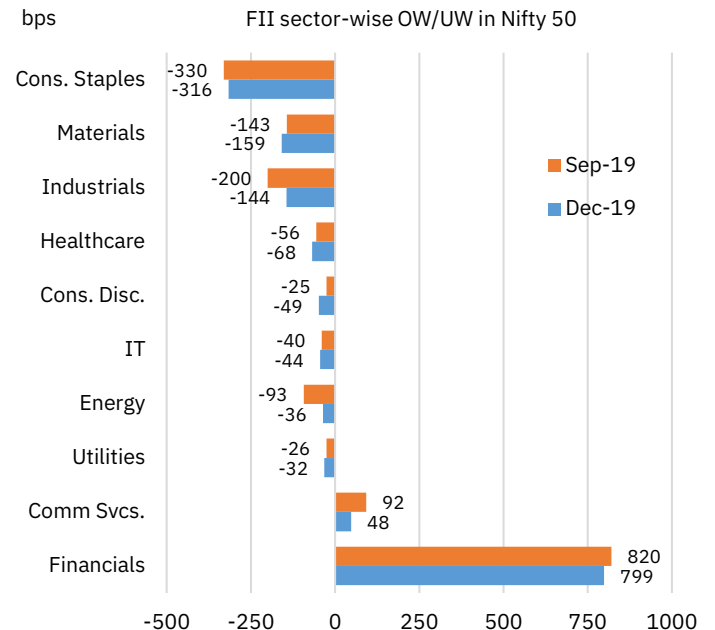
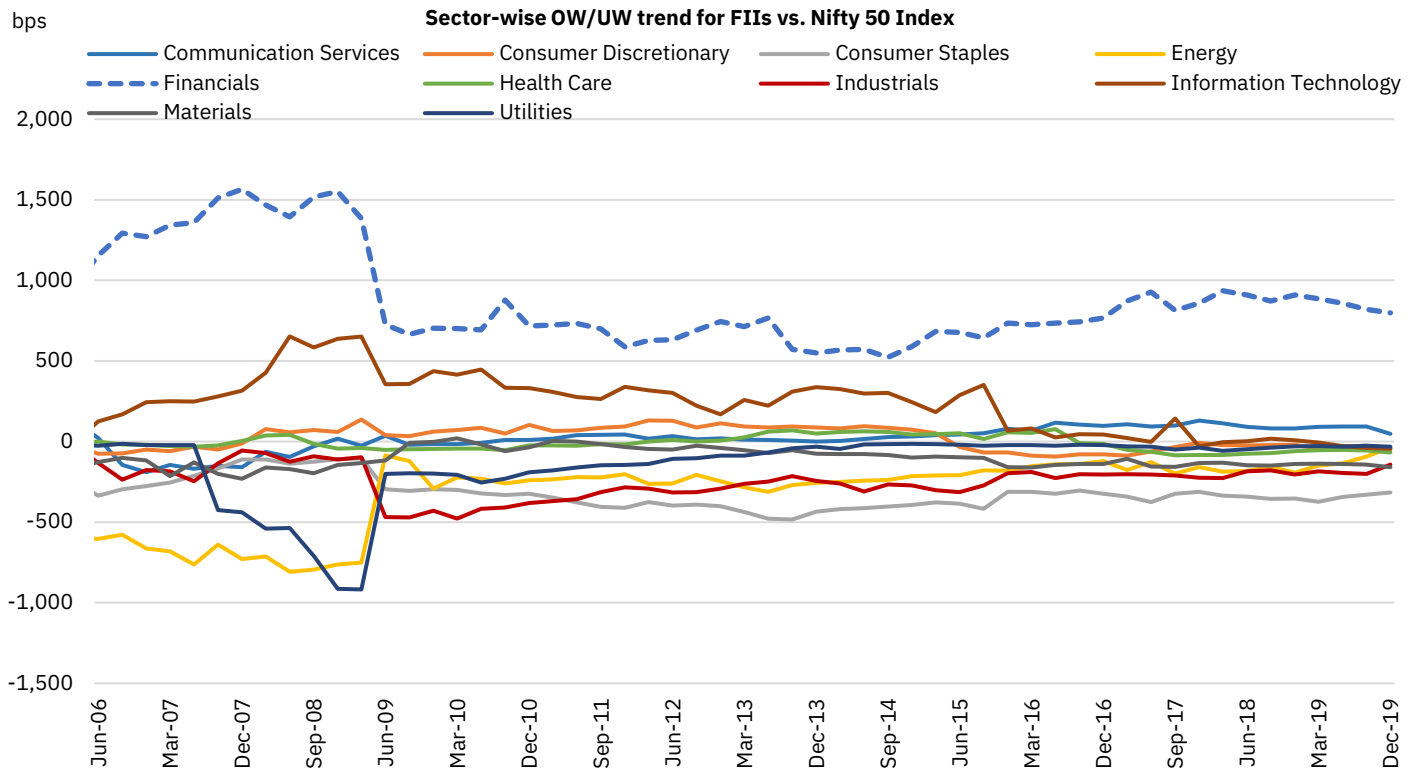


Figure 53: FII sector-wise OW/UW in Nifty 50 relative to sector weight in the index (December 2019)



Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 54: FII vs. Nifty 50—Sector-wise OW/UW trend (bps)


Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Nifty 500 ownership trends

Ownership pattern of the Nifty 500 universe (December 2019): Promoter ownership in the Nifty 500 Index remained steady at 49.3% in the December quarter, a tad lower than the promoter holding in the overall NSE-listed universe. While private promoter ownership, Indian and foreign combined, fell by 26bps QoQ to 41.4%, government ownership inched up by a modest 18bps QoQ to 8.3%. This was contrary to what was observed in the Nifty 50 as well as overall NSE-listed universe. In terms of institutional ownership, while the DMFs' share in the Nifty 500 index remained steady at 7.9%—the highest since 2001, FII ownership inched up by 41bps QoQ to 22.9% and is now a mere 28bps shy of the peak level. Excluding Financials, however, the FII share is 3.5pp shy of the peak share since 2001. The share of Banks, Financial Institutions and Insurance fell by 13bps QoQ to 5.6%—the lowest in 12 years. Retail investors owned 8.0% of the Nifty 500 Index, down by a modest 6bps QoQ.

In terms of floating stock, FII ownership in the Nifty 500 Index further improved by 75bps QoQ to 45.2% in the December quarter, translating into a 330bps increase in 2019. That said, the current FII ownership is still 2.3pp lower than the peak level since 2001. DMF ownership of the Nifty 500 floating stock, however, has remained steady at 15.6%. Retail ownership has fallen by a modest 14bps QoQ to 15.8% of the Nifty 500 free float stock.

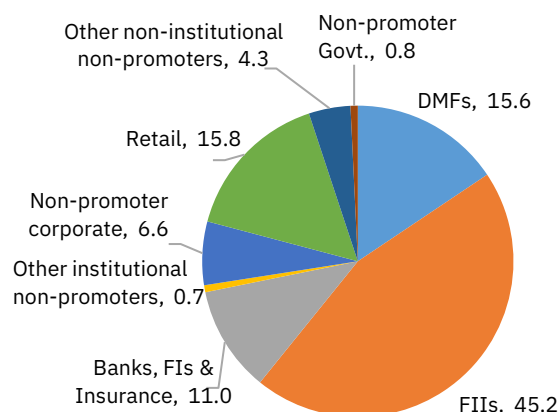
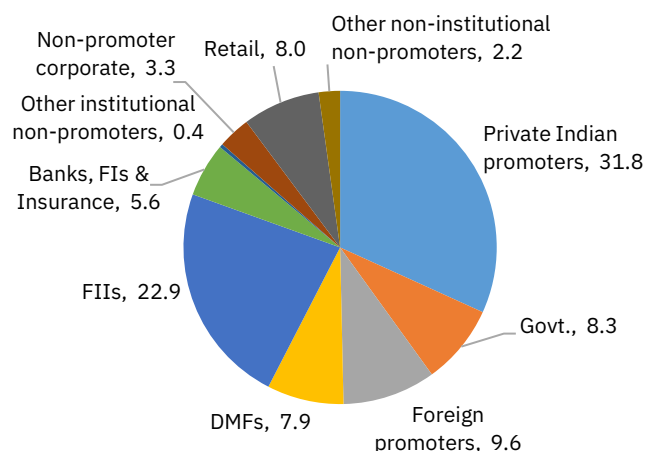
Govt. ownership in the Nifty500 Index inched up in the December quarter.

FII share in the Nifty500 floating stock increased by 330bps in 2019, even as it is still 2.3pp shy of the peak level.

DMF share, however, remained steady at all-time high level in the December quarter.

Figure 55: Nifty 500: Ownership pattern by total market cap (December 2019)

Figure 56: Nifty 500: Ownership pattern by free float market cap (December 2019)



Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 57: Nifty 500: Ownership trend across key stakeholders by total market cap over last the three years

%	Private Indian promoters	Govt.	Foreign promoters	Domestic MFs	Banks, FIs & Insurance	FII's *	Non-promoter corporate	Retail
Mar-17	29.5	11.9	8.8	5.1	6.5	21.9	5.4	8.3
Jun-17	29.5	10.8	9.2	5.5	6.5	22.3	4.6	8.4
Sep-17	29.9	10.7	9.1	5.8	6.2	22.4	5.1	8.4
Dec-17	30.2	10.7	9.2	6.2	6.1	21.6	4.9	8.2
Mar-18	30.1	10.1	9.2	6.4	6.0	22.0	5.1	8.2
Jun-18	30.4	9.6	9.3	6.6	6.0	21.8	5.1	8.2
Sep-18	31.3	9.7	9.1	6.6	6.0	21.3	5.0	8.1
Dec-18	30.7	9.5	9.5	7.1	6.1	21.3	4.9	8.2
Mar-19	30.9	9.6	8.8	7.3	5.7	21.8	4.9	8.1
Jun-19	30.9	9.6	8.9	7.5	5.7	22.1	4.6	8.0
Sep-19	31.7	8.1	9.9	7.9	5.7	22.5	3.5	8.1
Dec-19	31.8	8.3	9.6	7.9	5.6	22.9	3.3	8.0
QoQ change	4bps	18bps	-30bps	4bps	-13bps	41bps	-12bps	-6bps

Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 58: Nifty 500: Ownership trend across key stakeholders by free float market cap over the last three years

%	Domestic MFs	Banks, FIs & Insurance	FIIIs	Non-promoter corporate	Retail
Mar-17	10.1	13.0	43.6	10.6	16.4
Jun-17	10.7	12.7	43.6	9.0	16.4
Sep-17	11.5	12.3	44.1	10.0	16.5
Dec-17	12.3	12.2	43.0	9.8	16.4
Mar-18	12.6	11.8	43.1	9.9	16.1
Jun-18	12.9	11.7	42.7	9.9	16.1
Sep-18	13.1	12.0	42.4	9.9	16.0
Dec-18	14.0	11.9	41.9	9.6	16.2
Mar-19	14.3	11.2	42.6	9.5	15.8
Jun-19	14.6	11.1	43.3	9.1	15.6
Sep-19	15.5	11.3	44.4	6.8	15.9
Dec-19	15.6	11.0	45.2	6.6	15.8
QoQ change	6bps	-26bps	75bps	-25bps	-14bps

Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

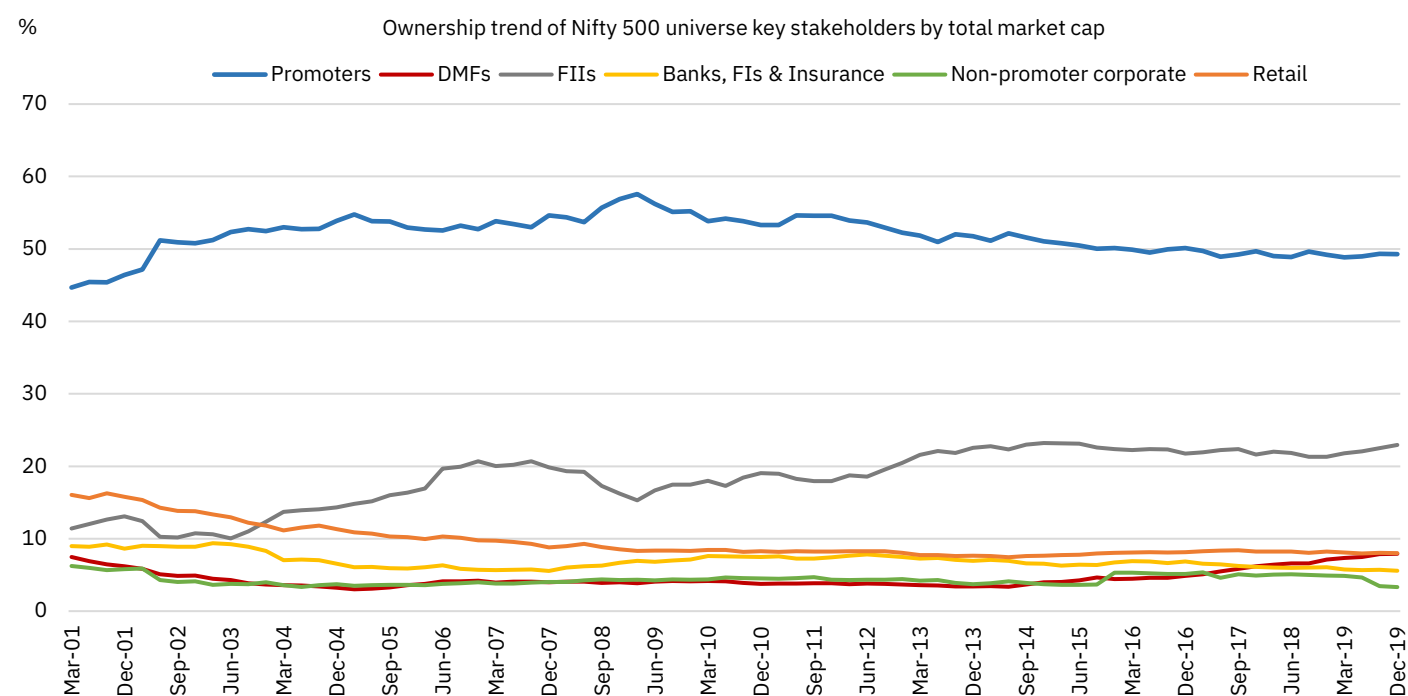
Long-term ownership trend of the Nifty 500 universe: Overall promoter ownership in Nifty 500 has also seen a steady decline since 2009, albeit at a smaller pace than the Nifty 50 Index, entirely led by a sharp dip in Government ownership, while share of private promoters (Indian and foreign) has significantly increased during this period.

While the DMF ownership in Nifty 500 has been gradually increasing since 2014 and is currently at the highest level since 2001, FII ownership has improved sharply from the post-GFC low of 15.3% (in March 2009) to 22.9% currently and is just 28bps shy of the peak share since 2001. However, a largely part of this increase has been led by Financials. In fact, excluding Financials, FII ownership in the Nifty 50 Index has fallen by 84bps in the last five quarters. Banks, financial institutions and insurance, however, have been reducing their exposure to Indian equities for quite some time now.

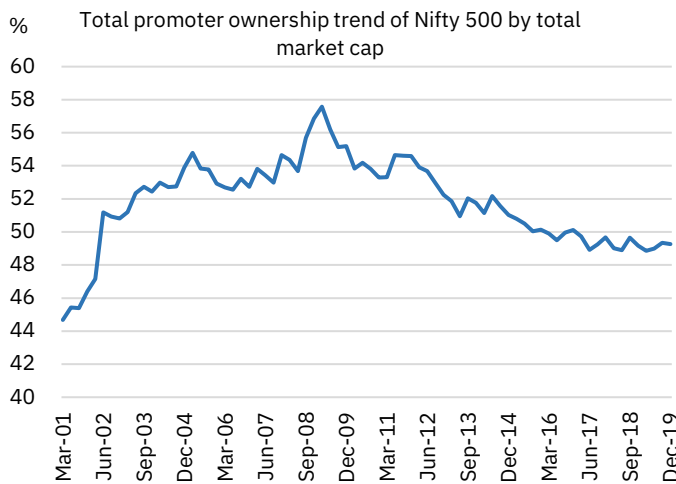
Retail ownership in the Nifty 500 Index fell sharply from the north of 16% in 2001 to sub-8% in 2013 and has since hovered around these levels.

Increase in FII ownership in Nifty 500 over the last one year has more than made up for the decline over the previous four years.

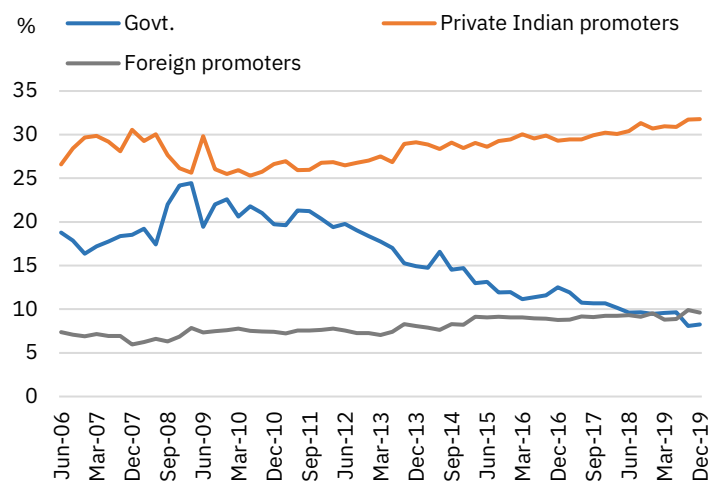
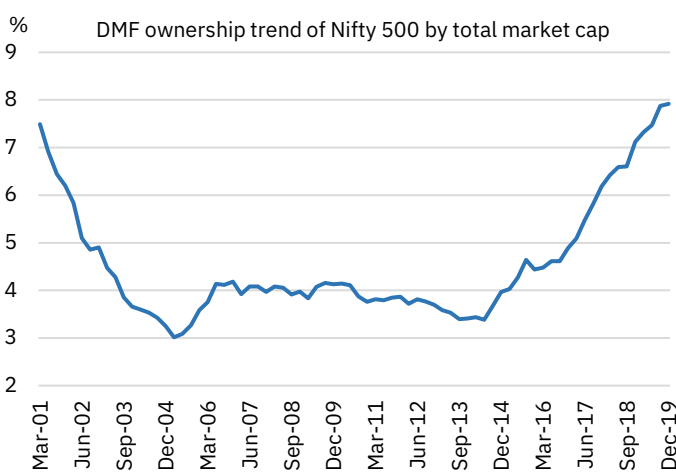
DMF ownership in Nifty 500 has been gradually rising since 2014.

Figure 59: Nifty 500: Long-term ownership trend across key stakeholders by total market cap


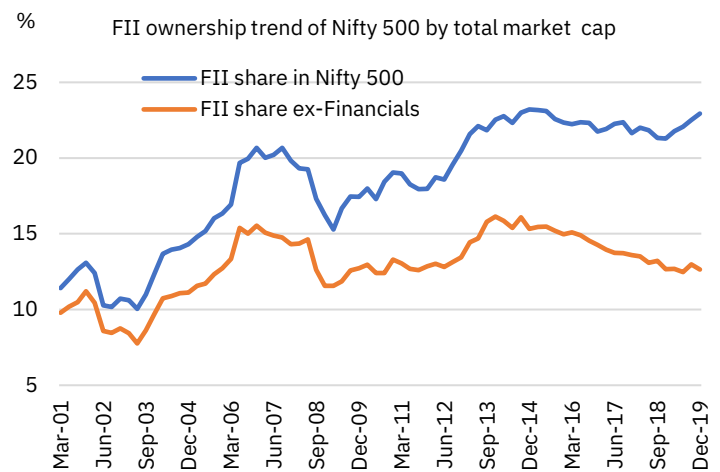
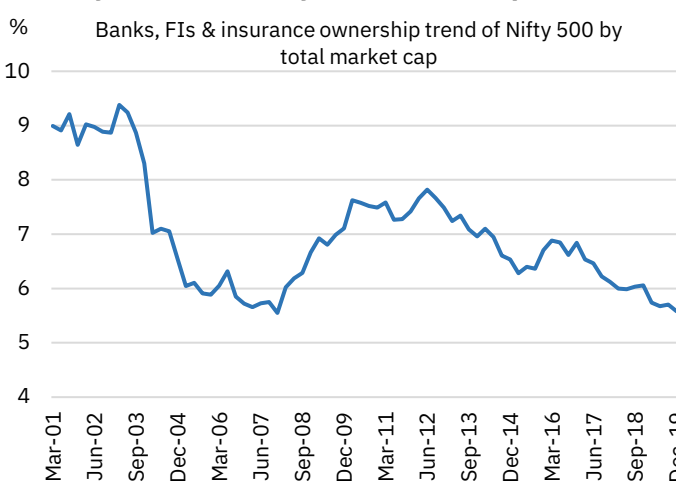
Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 60: Total promoter ownership trend of the Nifty 500 universe by total market cap


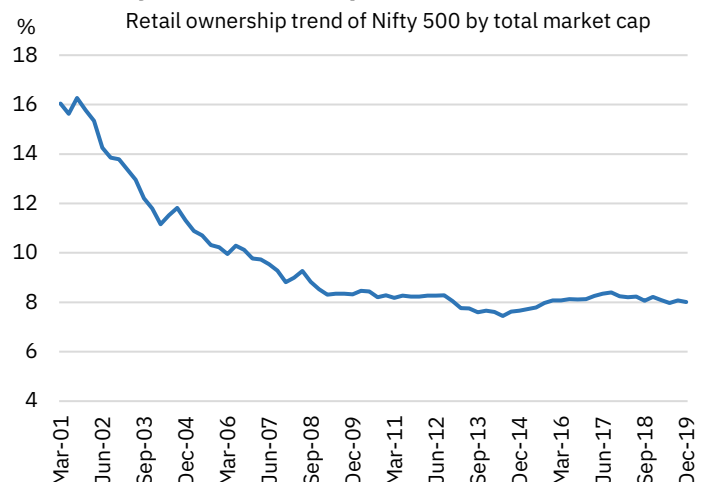
Source: CMIE Prowess, NSE

Figure 61: Indian and foreign promoter ownership trend of the Nifty 500 universe by total market cap

Figure 62: DMF ownership trend of the Nifty 500 universe by total market cap


Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

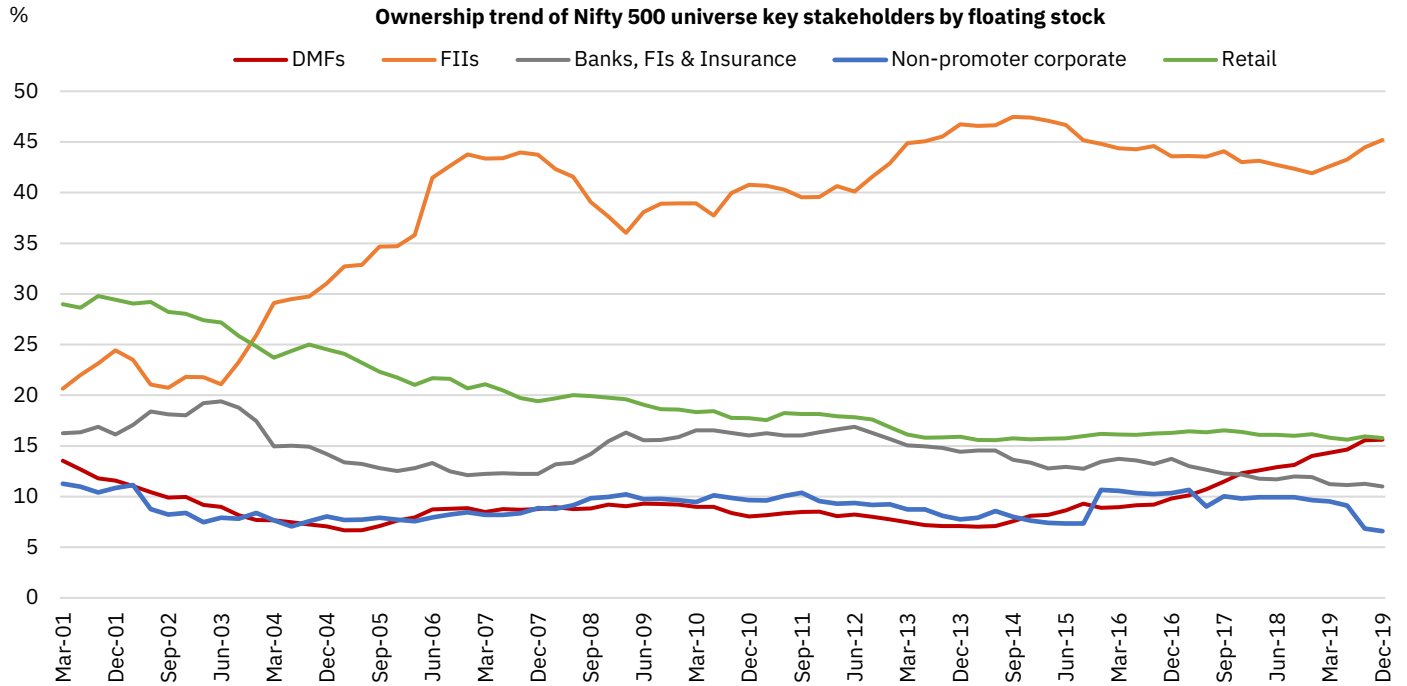
Figure 63: FII ownership trend of the Nifty 500 universe by total market cap

Figure 64: Banks, FIs & Insurance ownership trend of the Nifty 500 universe by total market cap


Source: CMIE Prowess, NSE

Figure 65: Retail ownership trend of the Nifty 500 universe by total market cap


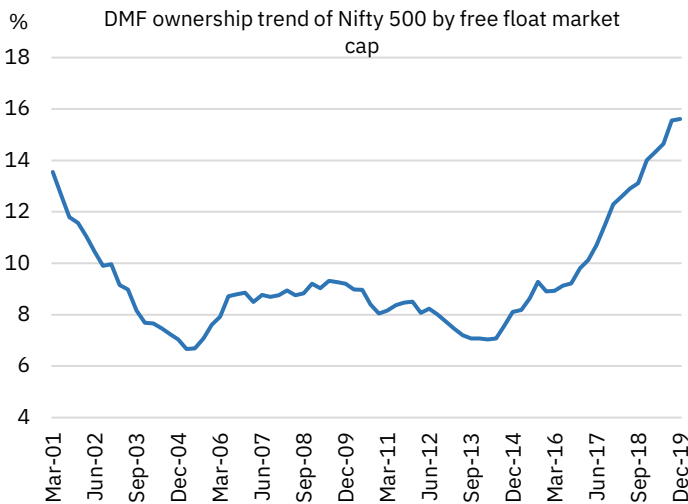
Our long-term ownership analysis on the free float market cap of the Nifty 500 Index also shows that while DMF ownership is the highest since 2001, current FII ownership is 227bps lower than the peak of 47.5% in September 2014, even as the share has increased by nearly 330bps in 2019.

Figure 66: Nifty 500: Long-term ownership trend across key stakeholders by free float market cap



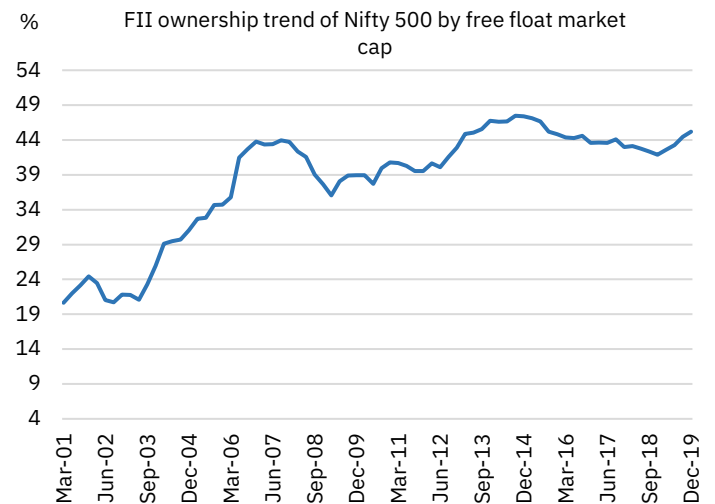
Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 67: DMF ownership trend of the Nifty 500 universe by free float market cap

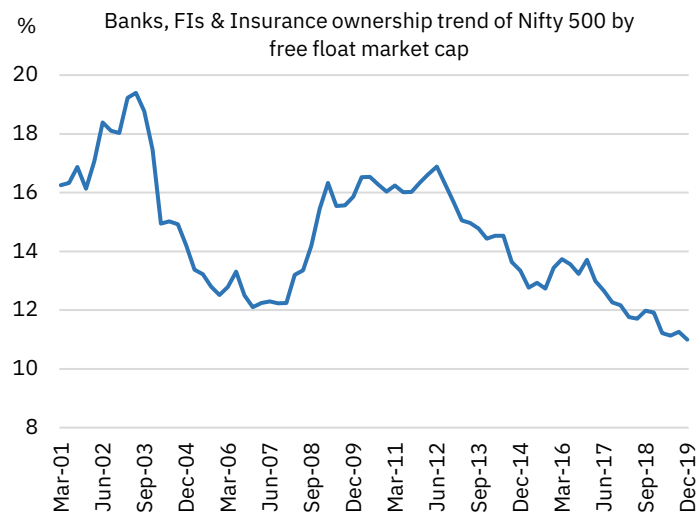


Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

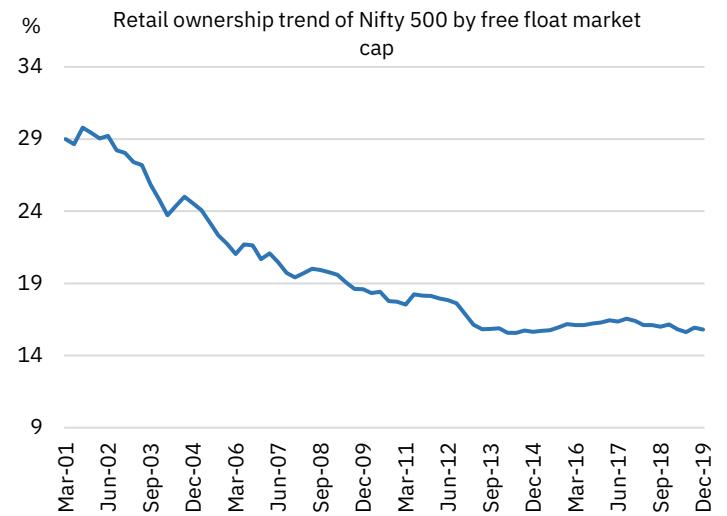
Figure 68: FII ownership trend of the Nifty 500 universe by free float market cap



Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 69: Banks, FIs & Insurance ownership trend of the Nifty 500 universe by free float market cap


Source: CMIE Prowess, NSE

Figure 70: Retail ownership trend of the Nifty 500 universe by free float market cap


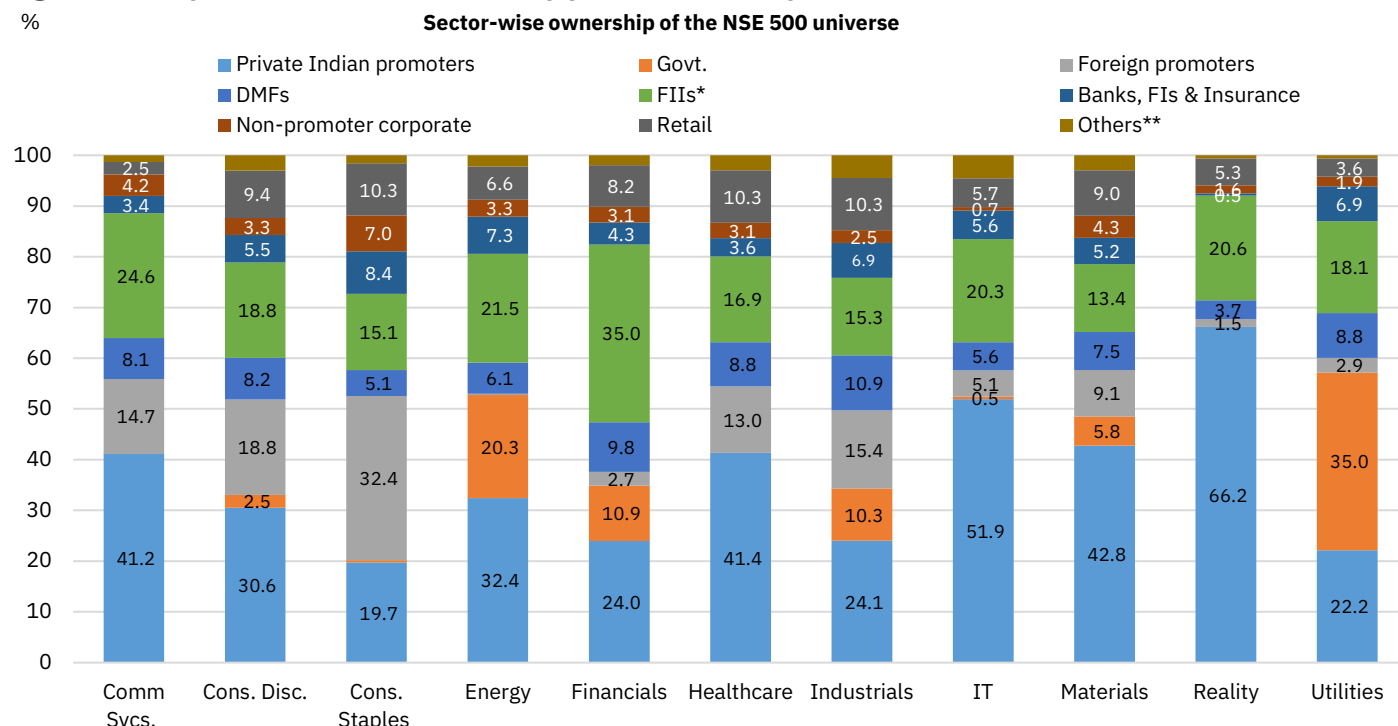
Sector-wise ownership of the Nifty 500 universe (December 2019): As of December 2019, Real Estate sector had the highest promoter shareholding at 67.7% (+71bps QoQ), followed by Utilities at 58.4% (+84bps QoQ), and Information Technology at 57.5% (+106bps QoQ). Utilities, Energy, Financials and Industrials had the highest Government ownership at 35% (-316bps QoQ), 20.3% (-165bps QoQ), 10.9% (+104bps QoQ) and 10.3% (+34bps QoQ) respectively.

In terms of DMF ownership, Industrials sector leads at 10.9% share (+34bps QoQ), followed by Financials at 9.8% (-20bps QoQ), Utilities at 8.8% (-27bps QoQ) and Healthcare at 8.8% (+30bps QoQ). FIIs remained the biggest non-promoter owners of Financials at 35.0% (+32bps QoQ), followed by Communication Services at 24.6% (-225bps QoQ), Energy at 21.5% (+108bps QoQ) and Real Estate at 20.6% (+24bps QoQ).

In terms of overall foreign ownership (including foreign promoters), Consumer Staples leads with a 47.4% foreign share, followed by Communication Services at 39.3% (-210bps QoQ) and Financials at 37.7% (+15bps QoQ).

Sector-wise, Industrials leads in terms of DMF ownership within the Nifty 500 universe, in-line with the Nifty 50 and overall listed space.

FIIs are the biggest non-promoter owners of Financials in the Nifty 500 universe as well, followed by Communication Services and Energy.

Figure 71: Nifty 500: Sector-wise ownership pattern across key stakeholders


Source: CMIE Prowess, NSE. * FII ownership includes ownership through depository receipts held by custodians.

**Others include other institutional and non-institutional non-promoter investors.

Sector allocation of the Nifty 500 universe for key stakeholders (December 2019): The table below shows the sector allocation for key stakeholders in Nifty 500 companies as of December 2019. The concentration of Government ownership in Financials, Energy and Utilities sector is at 81.1%, a tad higher than that in the overall listed universe. In case of institutional investors, DMFs have a much lower allocation to Financials sector at 36.3% than FIIs at 44.9%.

Figure 72: Sector allocation of the Nifty 500 universe for key stakeholders (December 2019)

%	Private Indian promoters	Govt.	Foreign promoters	Domestic MFs	FIIs*	Banks, FIs & Insurance	Non-promoter corporate	Retail
Communication Services	3.7	0.0	4.3	2.9	3.0	1.7	3.6	0.9
Consumer Discretionary	8.6	2.7	17.6	9.3	7.3	8.8	8.8	10.5
Consumer Staples	6.6	0.6	35.7	6.8	7.0	16.0	22.4	13.6
Energy	11.1	26.7	0.3	8.3	10.1	14.3	10.8	8.9
Financials	22.2	38.8	8.3	36.3	44.9	22.8	27.4	30.0
Health Care	6.5	0.0	6.8	5.6	3.7	3.2	4.6	6.5
Industrials	5.0	8.1	10.5	9.0	4.4	8.1	4.9	8.4
Information Technology	18.6	0.7	6.1	8.0	10.1	11.5	2.3	8.0
Materials	13.1	6.8	9.2	9.2	5.7	9.0	12.5	10.9
Real Estate	2.2	0.0	0.2	0.5	0.9	0.1	0.5	0.7
Utilities	2.6	15.6	1.1	4.1	2.9	4.5	2.1	1.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

DMFs turned incrementally cautious on Financials: DMFs increased their allocation to Financials in the Nifty 500 Index by 147bps QoQ in the quarter ending December 2019, albeit much lower than the increase in the sector’s weight in the index. This implies that DMFs have turned incrementally more cautious on smaller banks and NBFCs within the Nifty 500 space, given the difference in relative positioning in Nifty 50 and Nifty 500 indices, and now have a small UW position on the sector relative to the index, following a neutral stance over the previous five quarters.

DMFs have continued to play the investment theme in the economy, maintaining a strong OW position on Industrials within the Nifty 500 space for yet another quarter, even as the extent of OW positioning has come off meaningfully over the years. In the quarter ending December 2019, DMFs retained an OW position on Utilities for the 10th quarter in a row, and turned incrementally positive on Materials and Healthcare and Materials. The sectors where DMFs are underweight on in the Nifty 500 Index are Consumer Staples, Information Technology and Energy.

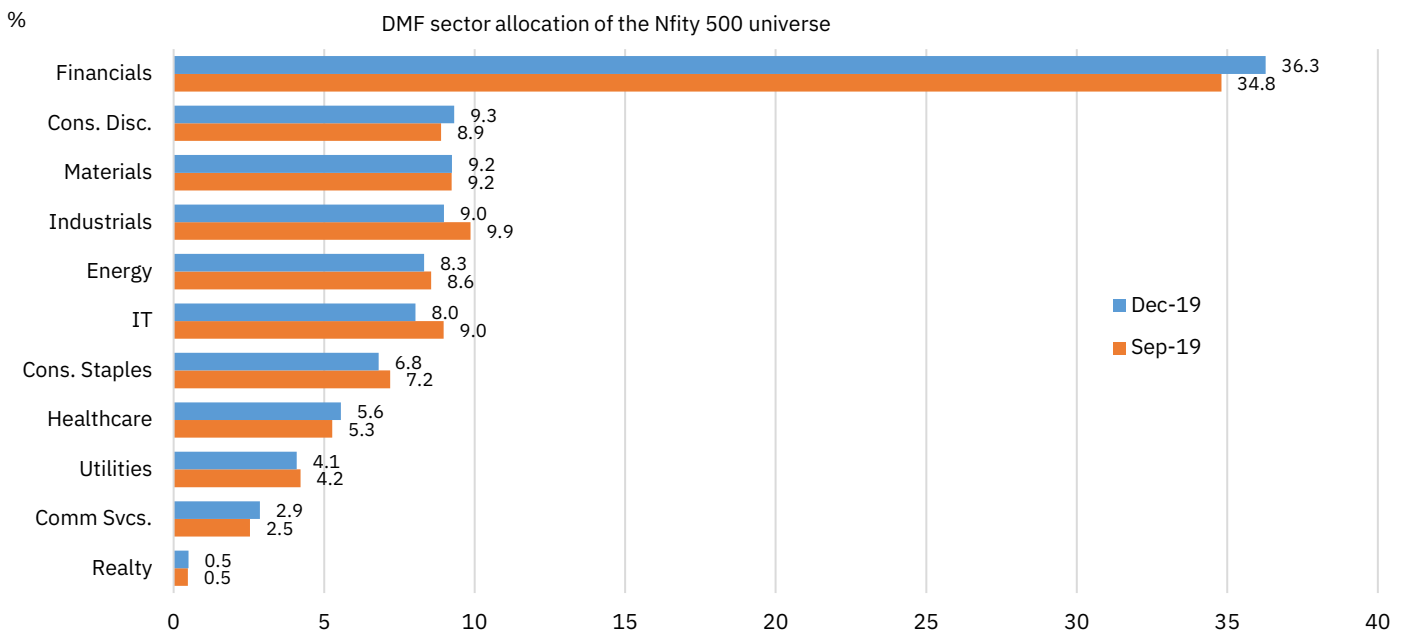
The DMF ownership pattern of Nifty 500 Index also paints a similar picture.

DMFs are incrementally more cautious on Financials, even as the allocation to the sector went up during the quarter.

The OW stance on Industrials was retained despite a cut in allocation.

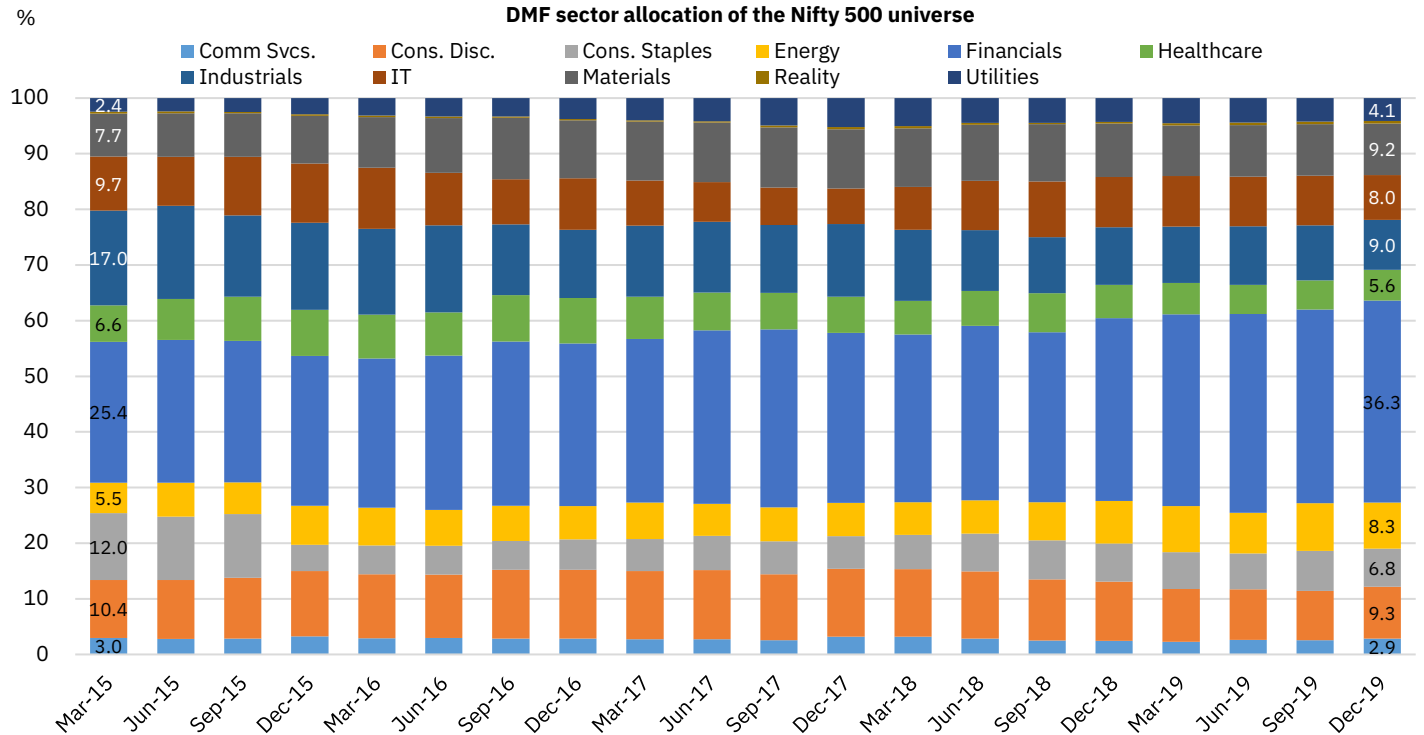
Under-owned sectors for DMFs remained Consumer Staples, IT and Energy.

Figure 73: DMF sector allocation of the Nifty 500 universe (December 2019 vs. September 2019)



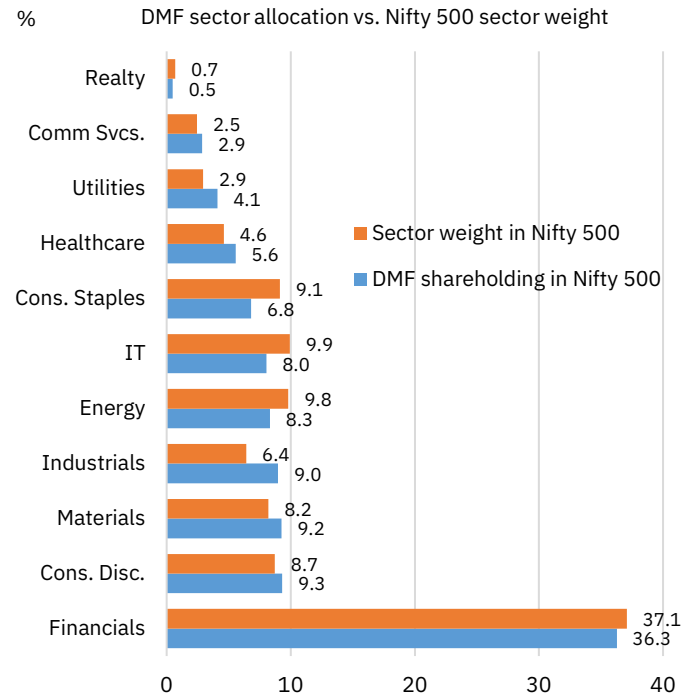
Source: CMIE Prowess, NSE

Figure 74: DMF sector allocation of the Nifty 500 universe over last five years



Source: CMIE Prowess, NSE

Figure 75: DMF sector allocation vs. sector weight in Nifty 500 (December 2019)



Source: CMIE Prowess, NSE

Figure 76: DMF sector-wise OW/UW in Nifty 500 relative to sector weight in the index (December 2019)

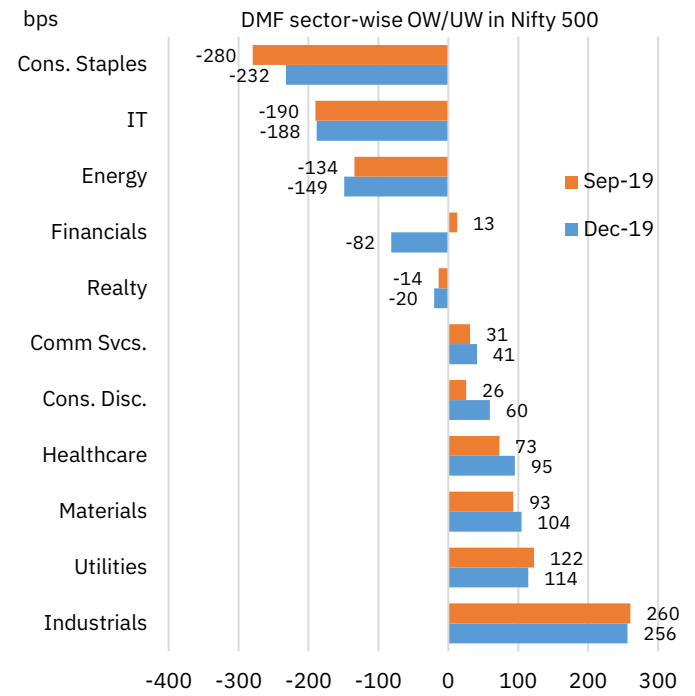
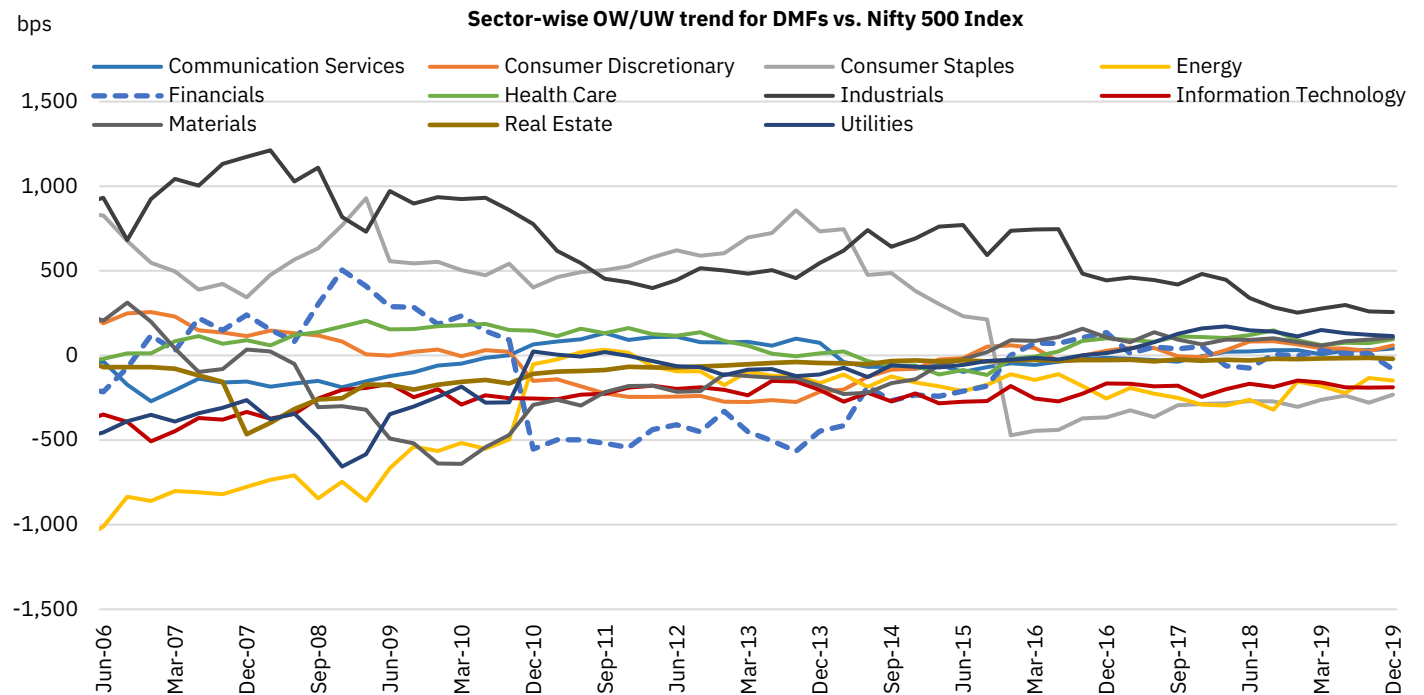


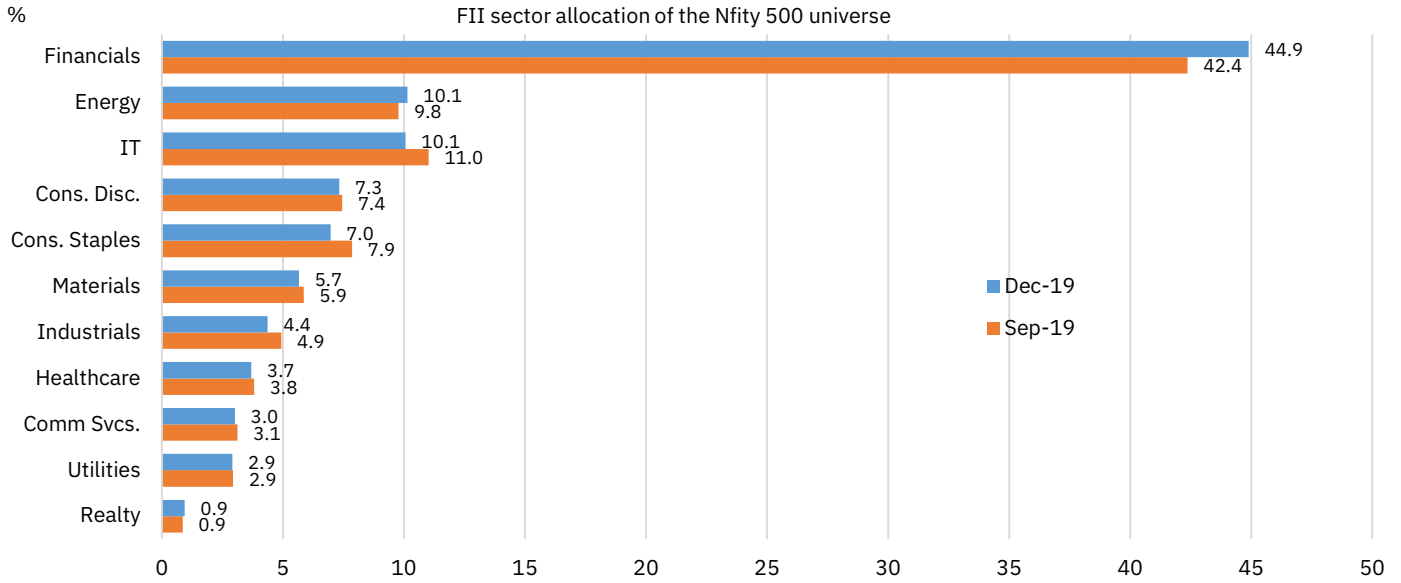
Figure 77: DMF vs. Nifty 500—Sector-wise OW/UW trend (bps)


FII's maintained a huge OW stance on Financials in the Nifty 500 Index as well: The relative sector positioning of FIIs in the Nifty 500 Index has remained broadly stable in the December quarter. The out-sized bet of FIIs on Financials was maintained for yet another quarter with a 44.9% exposure—the highest in over last two decades, despite a 240bps QoQ increase in the sector's weight in the index.

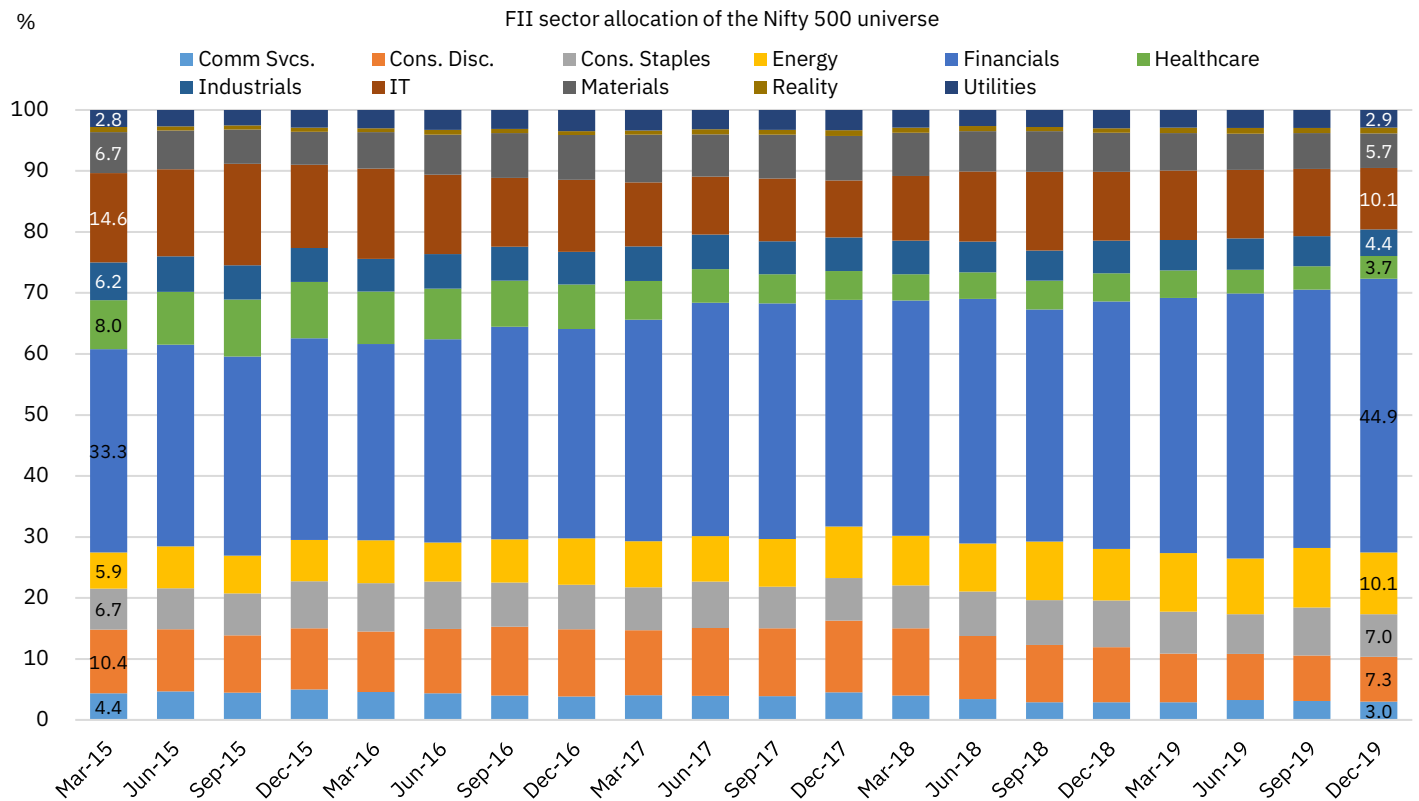
Financials aside, FIIs have a neutral or negative stance on all other sectors. Contrary to DMFs, FIIs have perennially remained negative on the investment theme in the economy, maintaining their UW stance on Industrials and Materials since 2006. FIIs have also maintained their cautious view on India's consumption story, and understandably so given the weak domestic and global demand environment and are underweight on both Consumer Staples and Discretionary sectors. FIIs are broadly neutral with respect to the Index on Communication Services, Energy, Information Technology, Healthcare, Real Estate and Utilities.

FIIs are largely playing the India growth story through Financials, with an out-sized OW position on the sector in the Nifty 500 Index.

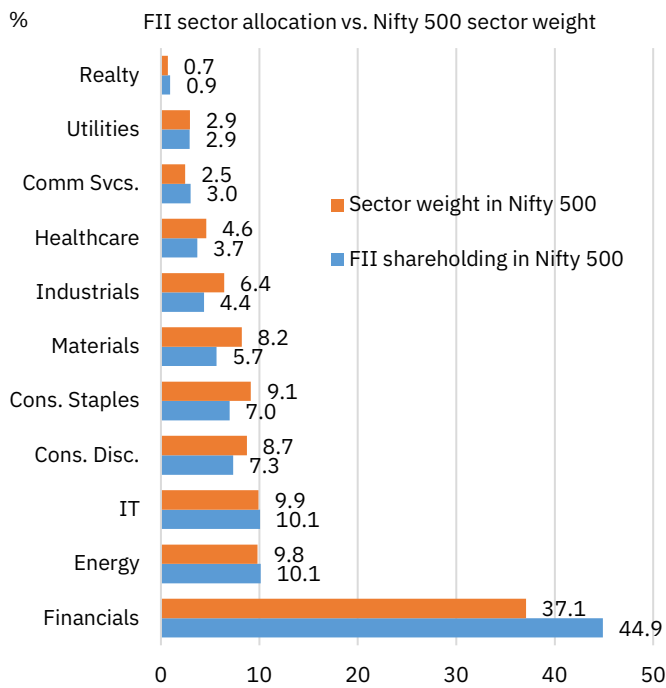
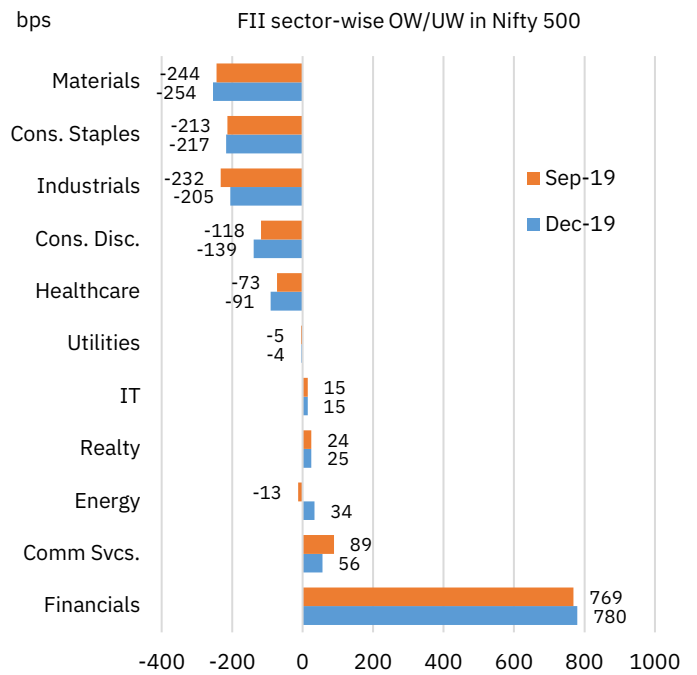
Apart from Financials, FIIs are neutral or UW on all other sectors.

Figure 78: FII sector allocation of the Nifty 500 universe (December 2019 vs. September 2019)


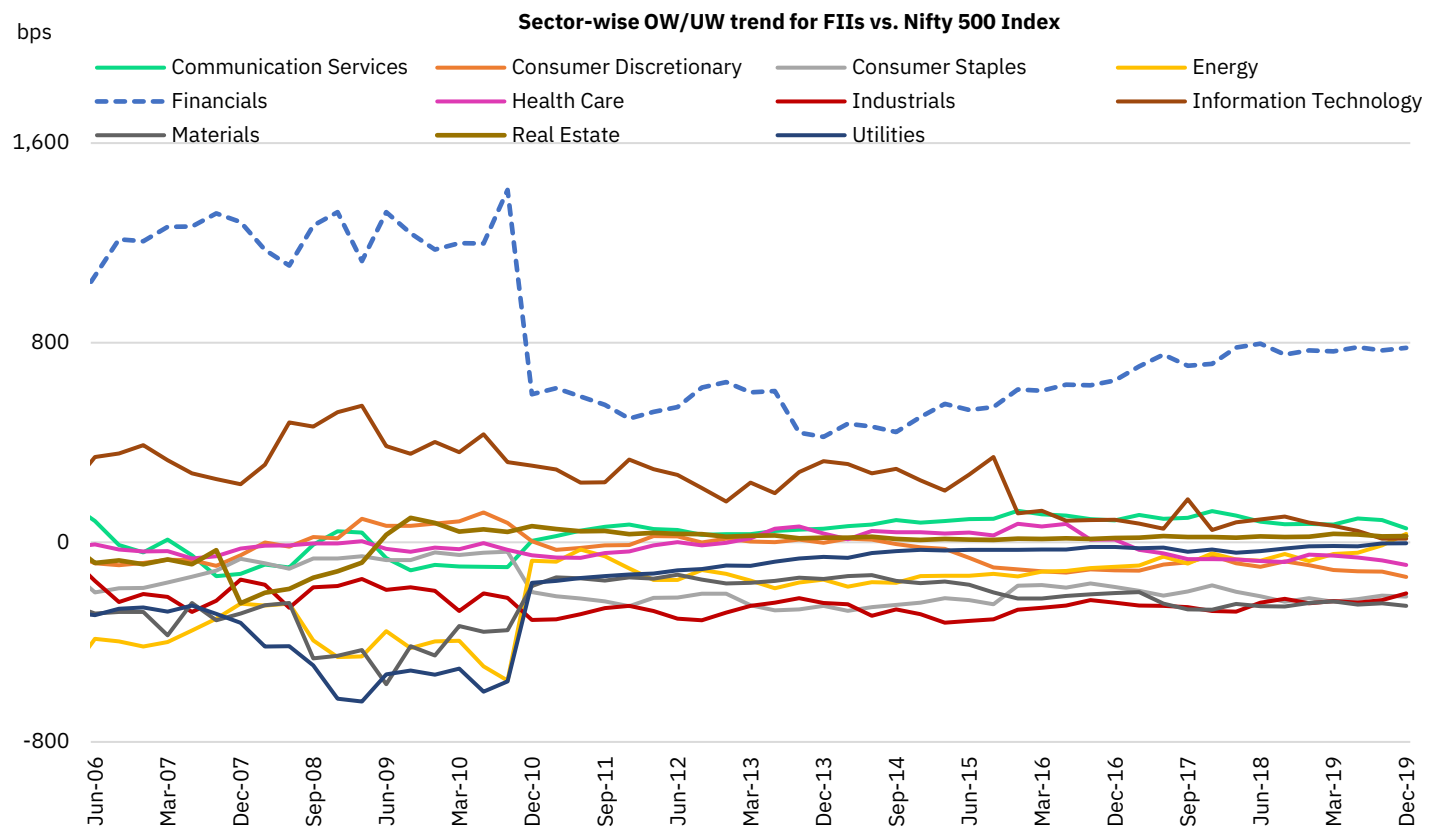
Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 79: FII sector allocation of the Nifty 500 universe over last five years


Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 80: FII sector allocation vs. sector weight in Nifty 500 (December 2019)

Figure 81: FII sector-wise OW/UW in Nifty 500 relative to sector weight in the index (December 2019)


Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 82: FII vs. Nifty 500—Sector-wise OW/UW trend (bps)


Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Institutional ownership concentration analysis

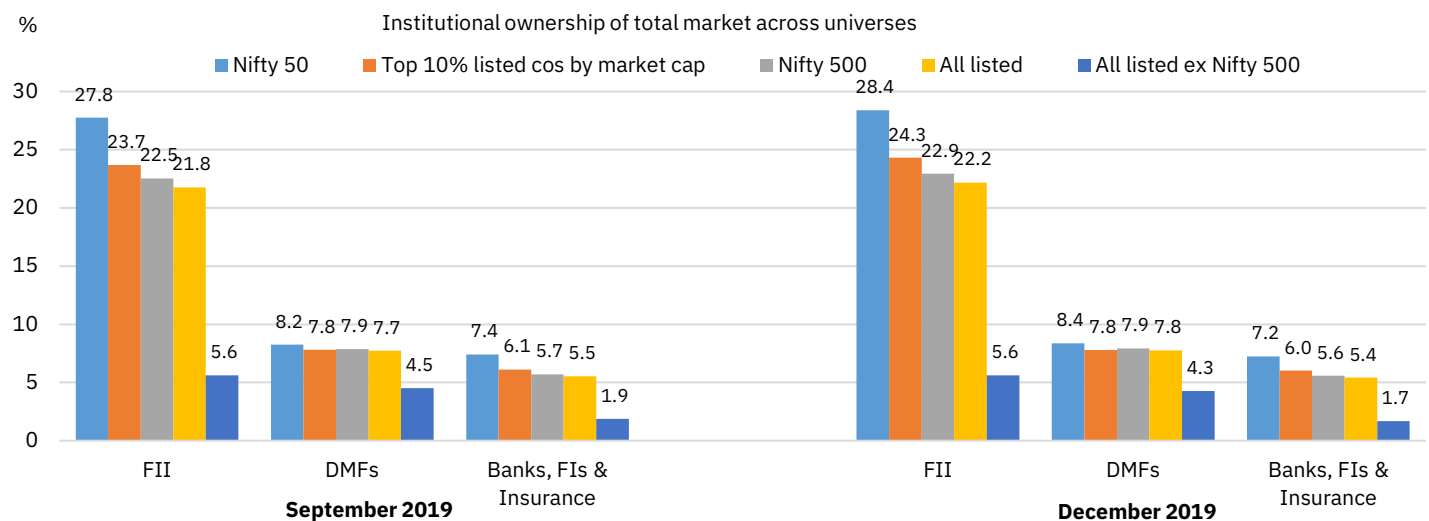
Institutional money concentrated in large-caps: The charts below depict how institutional money is incrementally getting invested in the larger companies, since December 2017. As of December 2019, while FII ownership (including ownership through depository receipts) of the Nifty 50/Nifty 500 market cap increased by 63bps/41bps QoQ to 28.4%/22.9%, the ownership in the listed universe excluding the Nifty 500 companies remained steady at 5.6%—the lowest in 11 quarters. Moreover, the differential between FII ownership in the Nifty 500 universe and the rest of the listed universe (excluding Nifty 500) has widened to the highest level since the beginning of this analysis (March 2001).

FII money is incrementally getting more concentrated in large-caps.

DMFs have also turned more cautious on smaller companies, even as their portfolio is relatively more diversified compared to other FIIs.

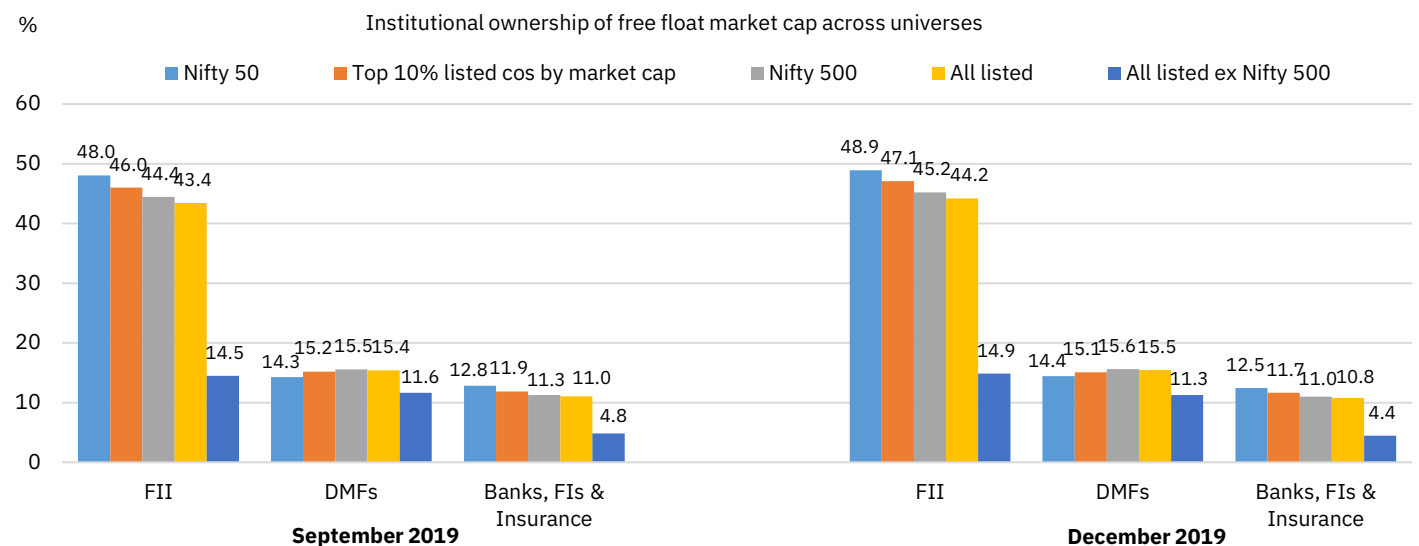
DMFs have also incrementally turned more cautious on smaller companies as reflected in the decline in their ownership to listed companies excluding Nifty 500 (-24bps QoQ to 4.3% of total market cap in December 2019). Moreover, their share in the floating stock of Nifty 500 Index is nearly 120bps higher than that in the Nifty 50 Index, signalling a relatively more diversified portfolio allocation.

Figure 83: Institutional ownership of total market cap across indices and stock universe (Dec 2019 vs. Sep 2019)



Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 84: Institutional ownership of floating stock across indices and stock universe (Dec 2019 vs. Sep 2019)



Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

More than 90% of the FII money is invested in top 10% listed companies by market cap:

The FII concentration in the Indian equity markets reduced significantly between 2001 and 2006, with the share of FII investments in the top 10% listed companies (by market cap) as a percentage of their overall investments in the listed universe declining from 98% in December 2001 to the lows of 85.3% in March 2006. However, since the financial crisis, the FII concentration has been gradually rising, with the top 10% companies accounting for 92.0% of the FII holding in the quarter ending December 2019.

Within the NSE-listed space, more than 90% of the FII money is invested in top 10% companies by market cap.

The concentration of investments by Banks, FIs & Insurance to larger companies is even higher with a 93.3% investment share in top 10% companies in December 2019.

DMFs have a lower share of 84.1% of their investments made towards top 10% companies, down 223bps QoQ, even as the share has risen sharply over the years from the lows of ~65% in September 2005.

Figure 85: Trend of total institutional investment share in top 10% companies by total market cap

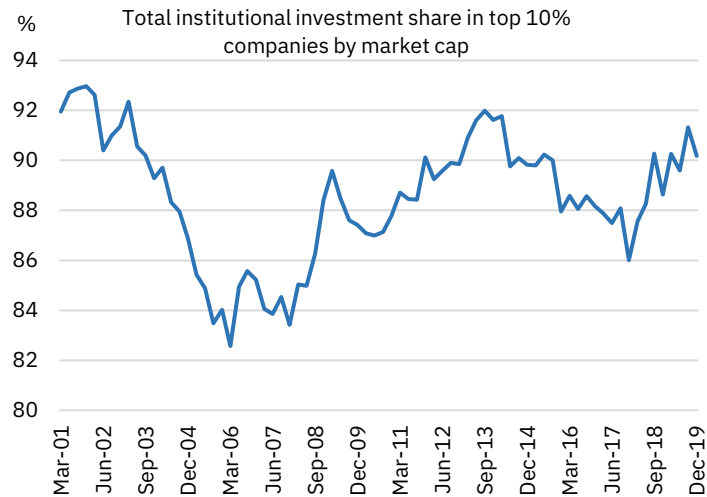
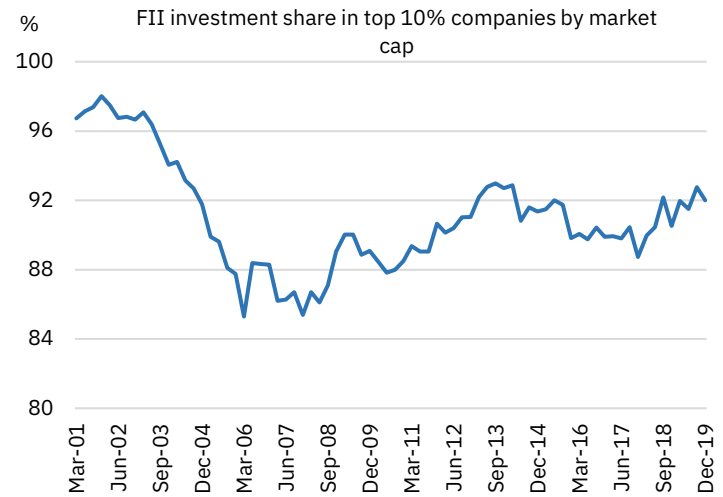


Figure 86: Trend of FII investment share in top 10% companies by total market cap



Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 87: Trend of DMF investment share in top 10% companies by total market cap

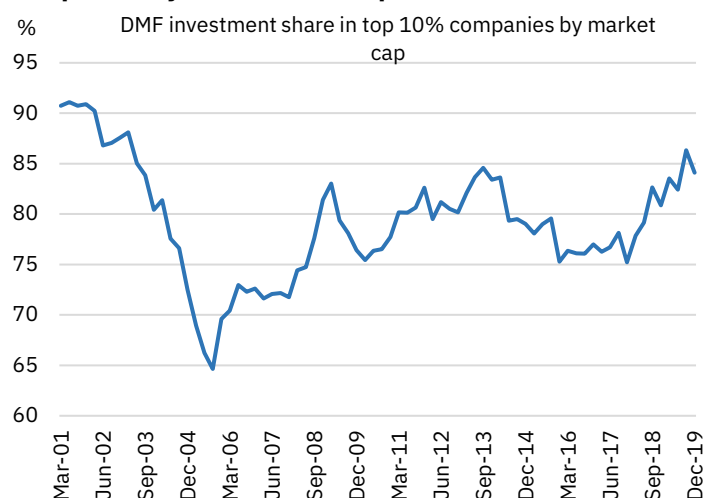
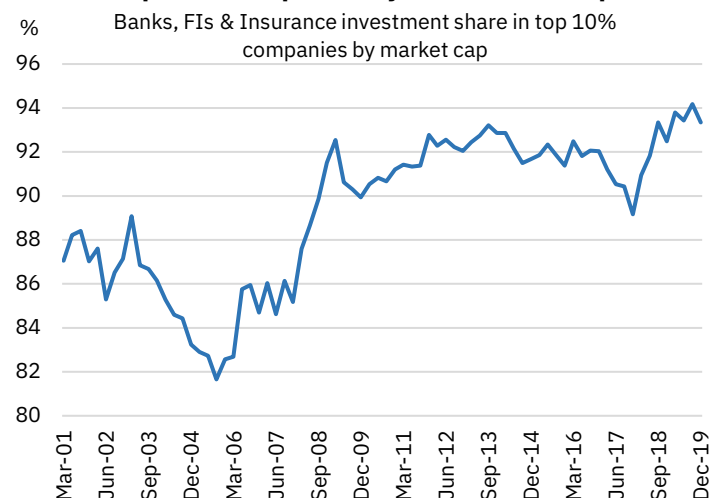


Figure 88: Trend of Banks, FIs & Insurance investment share in top 10% companies by total market cap



Source: CMIE Prowess, NSE

Ownership concentration in terms of number of companies with holding greater than 5%: The number of NSE-listed companies where FII holding has been more than 5% has risen sharply over the last 16 years, from slightly less than 100 companies in 2002, accounting for 10% of the number of NSE-listed companies, to 592 companies currently.

FII's have more than 5% holding in nearly one-third of the NSE-listed universe.

For DMFs, the number of companies with holding greater than 5% has more than doubled since March 2014, increasing from 209 companies, accounting for 13% of the number of listed companies, to 443 companies in December 2019 or one-fourth of the listed universe. However, while the number of such companies was much lower at 331 in March 2001, its share in the listed universe was much higher at 33%.

In stark contrast, for Banks, FIs & Insurance, the number of companies with holding greater than 5% has gradually fallen and is now nearly half of that in 2001. This, when looked in conjunction with their investment share in top 10% companies by market cap (figure 88), probably signals the shift in investment pattern from being big holders in several mid- and small-sized companies in early 2000s to relatively fewer and larger companies now.

Figure 89: Number of listed cos. with FII holding >5%

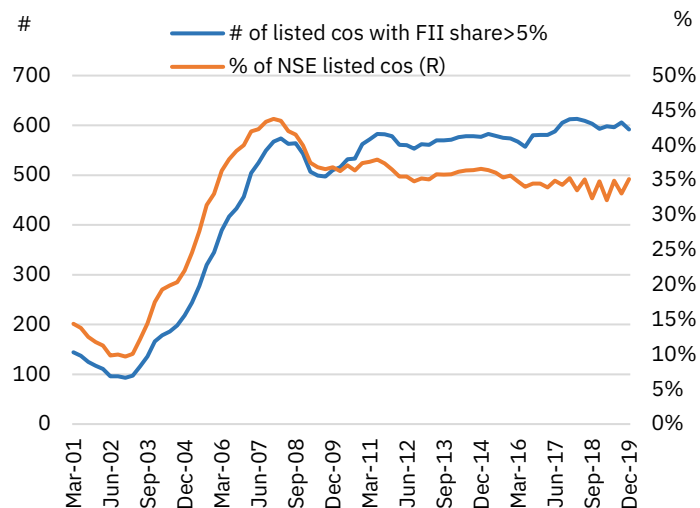
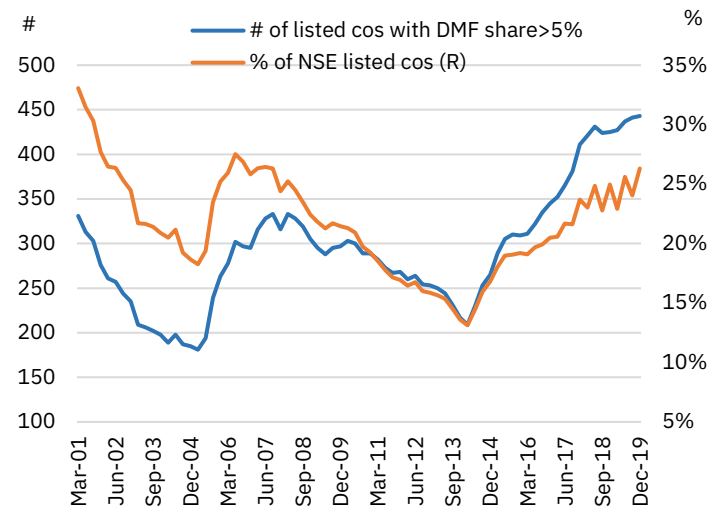


Figure 90: Number of listed cos. with DMF holding >5%



Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 91: Number of listed companies with Banks, FIs & Insurance holding >5%

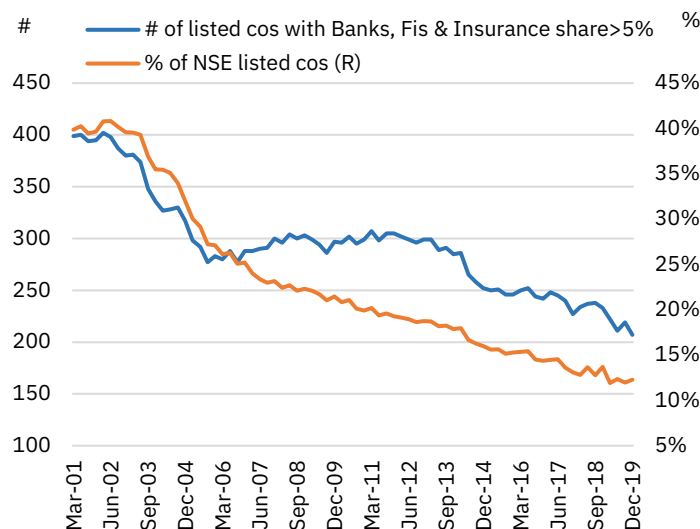
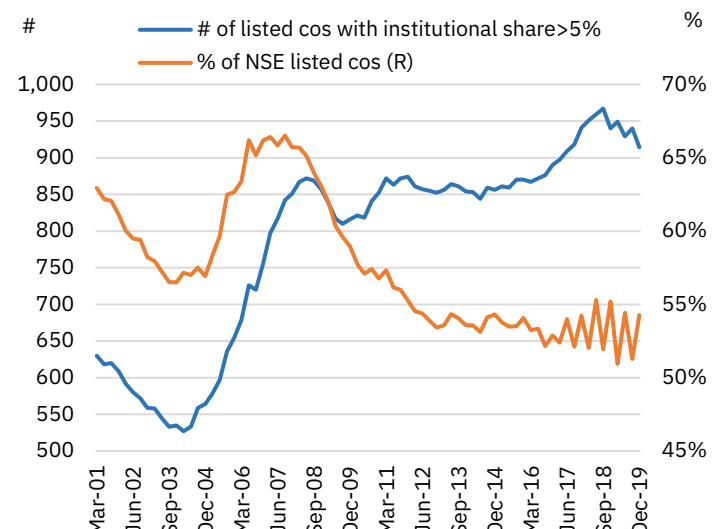


Figure 92: Number of listed companies with total institutional holding >5%



Source: CMIE Prowess, NSE

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