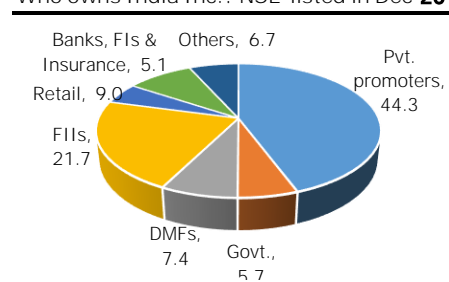


Who owns India Inc.? – FIIs regain some lost share; DII share drops further

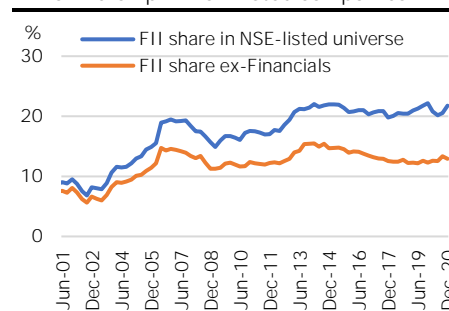
In this edition of our **quarterly report “India Inc. Ownership Tracker”¹**, we extend our analysis of ownership trends and patterns in NSE-listed companies to include the data available for the quarter ending December 2020. We note: 1) A modest increase in Govt. ownership, partly reflecting relative outperformance of some of the Govt.-owned companies during the quarter; 2) Decline in private promoter ownership following a steady rise over the previous three quarters; 3) A sharp increase in FII² (foreign institutional investors) ownership, reflected in record-high FII inflows in Q4 2020; 4) Drop in DMF (domestic mutual funds) share for the third quarter in a row, partly attributed to continued moderation in SIP inflows and redemption pressures; 5) A marginal decline in direct retail ownership, reflecting some amount of profit booking amidst a huge market rally; 6) FIIs’ **increased exposure to Indian equities** being predominantly through Financials where the out-sized bet³ got bigger at the expense of lower allocation to Energy and a sustained cautious **stance on India’s consumption as well as investment story**; 7) **DMFs’ portfolio stance** orthogonal to FIIs with an incrementally more cautious view on Financials, a weakened UW⁴ stance on Energy and an OW position on Industrials and Healthcare; and 8) Institutional money remaining concentrated in large companies, albeit incrementally less so, with FIIs and DMFs having 74%/93% and 63%/84% of their investments made towards Nifty 50/top 10% companies respectively in the December quarter.

- Private promoter share declined for the first time in four quarters: Private Indian promoters saw their ownership dropping in the December quarter after witnessing a steady increase over the previous three quarters. In the NSE-listed/Nifty 500 space, private Indian promoter stake fell by 83bps/78bps QoQ to 34.6%/34.3% in the December quarter. This marked the steepest sequential (QoQ) drop in over last 11 years for the overall NSE-listed universe, with 253/1690 companies (where shareholding data is available for September as well as December quarters) witnessing a decline. Foreign promoter stake declined for the third quarter in a row, leading to 106bps and 113bps QoQ drop in private promoter stake in the NSE-listed and Nifty 500 universe to 44.3% and 43.8% respectively. The fall in private promoter share was much higher in the Nifty 50 Index.
- Government ownership inched up: Govt. share (promoter and non-promoter) rose modestly from all-time lows in the September quarter to 5.7% in the NSE-listed universe, partly attributed to a significant catch-up in stock price performance of some of the Govt.-owned companies towards the latter part of the year. Nevertheless, the Government share is still down 245bps in 2020, partly attributed to a massive underperformance of PSU stocks in the current market rally (one-year return of 51% for Nifty PSE Index vs. 73% for Nifty 50).
- FIIs ownership surged amidst strong foreign capital flows: FII ownership in the December quarter rose further by 169bps, 134bps, 120bps QoQ to 27.6%, 22.5% and 21.7% in the Nifty 50, Nifty 500 and the overall NSE-listed universe respectively. This was the steepest sequential increase seen in last 46 quarters for the Nifty 50 as well as Nifty 500 universe, supported by record high FII inflows of US\$20bn into Indian equities during the December quarter. The

Who owns India Inc.? NSE-listed in Dec'20



FII ownership in NSE-listed companies



Source: CMIE Prowess, NSE.

¹ The “India Inc. Ownership Tracker” report examines ownership trends and patterns in Indian companies listed on the NSE since 2001.

² FII ownership includes ownership through depository receipts held by custodians.

³ Sector weights and comparisons here are based on the respective indices as benchmarks.

⁴ Overweight (OW), neutral (N) or underweight (UW) stance of FIIs and DMFs on any sector is with respect to the sector’s weight in the Index. An OW/UW position on a sector implies a more than 100bps higher/lower allocation to the sector than its weight in the Index. A neutral position on a sector implies an allocation to the sector within +/- 100bps of the sector’s weight in the Index

increase in FII ownership was entirely led by Financials, excluding which FII ownership actually declined in the December quarter.

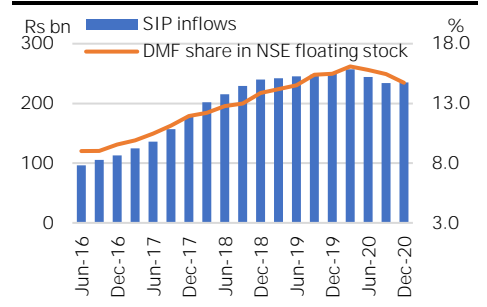
The sector stance of FIIs remained broadly stable in the December quarter. FIIs strengthened their outsized bet on Financials at the expense of a sharp reduction in allocation to Energy—a part of which reflects the latter’s underperformance with respect to broader markets in the December quarter. Additionally, FIIs maintained their cautious view on India’s consumption as well as investment story with a sustained UW position on Consumer Staples and Discretionary, Materials and Industrials.

- DMF ownership dropped for the third quarter in a row: The December quarter saw a further drop in DMF ownership in Indian equities, reflecting continued moderation in SIP inflows and redemption pressures. DMFs’ stake in the Nifty 500/overall NSE-listed universe fell by 22 QoQ to 7.6%/7.4% in the December quarter, and a tad lower by 16bps QoQ in Nifty 50 to 8%. The share of Banks, Financial Institutions and Insurance companies fell further to hit fresh two-decadal lows in the December quarter.

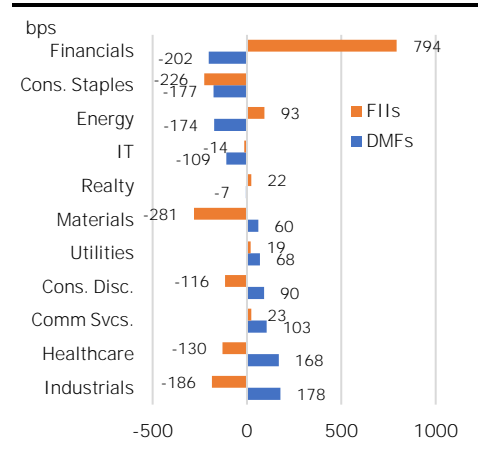
DMFs’ sector positioning has remained a complete contrast to FIIs. In the December quarter, DMFs turned incrementally cautious on Financials, Materials and Utilities while maintaining a mild OW stance on the latter two, reduced their UW stance on Energy and IT and retained their OW positioning on Industrials and Healthcare. DMFs’ OW position on Industrials, however, has come off meaningfully over the last several years.

- Direct retail ownership dropped marginally: Direct retail ownership in NSE-listed companies and Nifty 50 fell by a modest 5bps to 9% and 8% respectively in the December quarter, marking the first drop in the last four quarters. Direct retail share in the Nifty500 universe fell by a tad higher 9bps QoQ to 8.5%. The decline has been much steeper in the listed space excluding the Nifty 500 universe, and understandably so, given higher retail interest and ownership in smaller companies. A sharp rally in the December quarter paved way for some profit booking by retail investors who have otherwise been heavy buyers of Indian equities in 2020.
- Evolving institutional ownership and concentration: Combining the theme of ownership patterns with concentration trends leads to some interesting takeaways. The number of stocks in the FII portfolio has remained unchanged over the last decade, with inflows of US\$145bn since 2010 merely leading to a larger share in existing stocks. FIIs have at least 5% ownership in 70% of the Nifty 500 companies and have nearly 74% and 93% of their investments made towards Nifty 50 and top 10% companies respectively. DMFs have a more interesting story. Large inflows over the past few years have led to a curious combination: A wider share (5%+ ownership in 283 stocks now, vs 137 in 2014) and higher concentration (~84% of value in top 10% of stocks vs. 75% three years back), even as the concentration has come off marginally on a sequential basis.

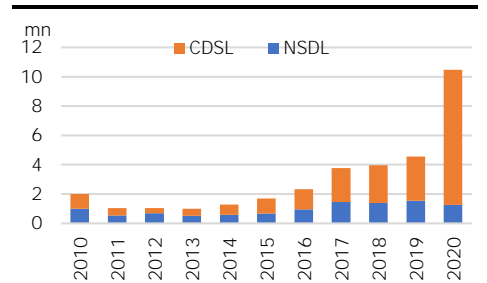
DMF ownership in NSE-listed companies



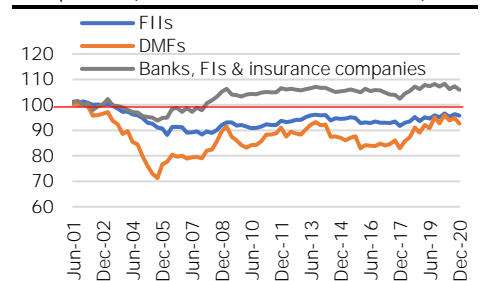
FII and DMF portfolio OW/UW in Nifty 500 vs. the index (Sep 2020)



New investor account additions



Ownership concentration trend in top 10% companies (rebased on March 31st, 2001)



Source: CMIE Prowess, AMFI, SEBI, NSE.

Listed universe ownership trends

Ownership pattern of the NSE-listed universe (December 2020)

Private promoter ownership dropped after rising over the previous three quarters: Total promoter ownership in the NSE-listed universe fell by 92bps QoQ to a six-quarter low of 49.7% in the quarter ending December 2020, marking the steepest sequential (QoQ) drop in over five years. Both Indian and foreign promoters saw a drop in ownership in the quarter gone by. Private Indian promoter ownership fell by 83bps QoQ to 34.6% after rising over the previous three quarters even as it is still up by 241bps in 2020. In terms of number of companies, 253/1690 companies (where shareholding data is available for September as well as December quarters) saw a drop in private Indian promoter ownership in the December quarter. Foreign promoter stake in the NSE listed universe declined for the third consecutive quarter, falling by 23bps QoQ to 9.7%.

December quarter saw a drop in private Indian promoter ownership in the NSE-listed universe—a reversal in the trend seen over the previous three quarters.

Government ownership inched up marginally from record-low levels: Government ownership (promoter as well as non-promoter) in the NSE-listed space has been coming off since 2010, in-line with its efforts to garner higher revenues through the disinvestment route. After falling sharply and hitting all-time lows in the previous quarter, the Government's share in the NSE-listed universe inched up by a modest 13bps QoQ to 5.7% in the quarter ending December 2020, partly attributed to a significant catch-up in stock price performance of some of the Government-owned companies towards the latter part of the year. Nevertheless, the Government ownership still fell by 245bps in 2020, partly attributed to a massive underperformance of PSU stocks in the current market rally. For instance, Nifty PSE Index (comprising of 20 Govt-owned stocks) rose by ~51% in last one year vs. Nifty 50 return of ~73%.

Government ownership inched up modestly in the December quarter from record-low levels in the previous quarter.

FII ownership rose sharply in the December quarter on strong flows: Amongst institutional investors, FII ownership surged by 120bps QoQ to 21.7% in the December quarter, marking the steepest sequential increase in last 31 quarters, thereby largely reversing the sharp drop seen in the first half of 2020. This is reflected in strong foreign portfolio inflows into Indian equity markets in the December quarter (US\$20bn), supported by ultra-loose global monetary/fiscal policies and positive global cues including abating US Presidential election and Brexit uncertainty. The increase in FII ownership was primarily led by Financials where FII ownership shot up by 161bps after falling over the previous three quarters. Excluding Financials, FII ownership in the listed universe actually declined by 41bps QoQ in the December quarter.

FII ownership rose by a strong 120bps QoQ in the December quarter—the steepest QoQ increase over the last eight years, thanks to strong foreign inflows.

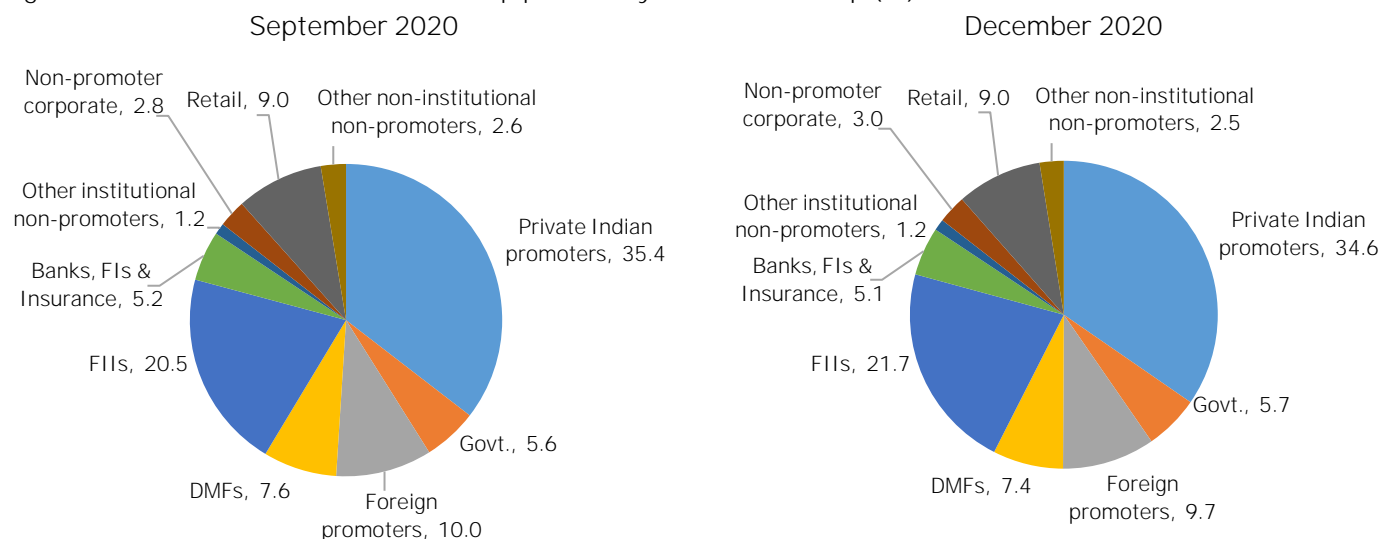
DMF ownership dropped for the third quarter in a row: DMFs' stake in the NSE listed universe declined for the third consecutive quarter, down 22bps QoQ to a six-quarter low of 7.4% in the December quarter. This translates into a total drop of 50bps from the peak share of 7.9% in the March quarter. A part of this decline is attributed to continued moderation in SIP (Systematic Investment Plans) inflows barring a spike in Dec'20 as well as redemption pressures. SIP inflows into DMFs have averaged at ~Rs79bn/month during Apr'20-Jan'21 vs. a monthly average of Rs83bn in FY20. The share of Banks, Financial Institutions and Insurance companies in the NSE-listed space hit fresh lows (since the beginning of the analysis), falling by 7bps QoQ to 5.1% in the December quarter.

DMF ownership declined for the third quarter in row, falling by 22bps QoQ to 7.4%.

Retail investors' **holding** remained broadly steady in the December quarter: Following a sharp rise in the previous quarter, individual retail investors' holding fell by a modest 5bps QoQ to 9% in the December quarter. A sharp rally in the December quarter paved way for some profit booking by retail investors who have otherwise been heavy buyers of

Indian equities in 2020. The year 2020 saw nearly 10.5mn new investor accounts being added by NSDL and CDSL combined, translating into a 1.3x jump YoY. Additionally, the share of individual investors in the cash market turnover has shot up to 46% during Apr-December 2020 vs. 39% in FY20.

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



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

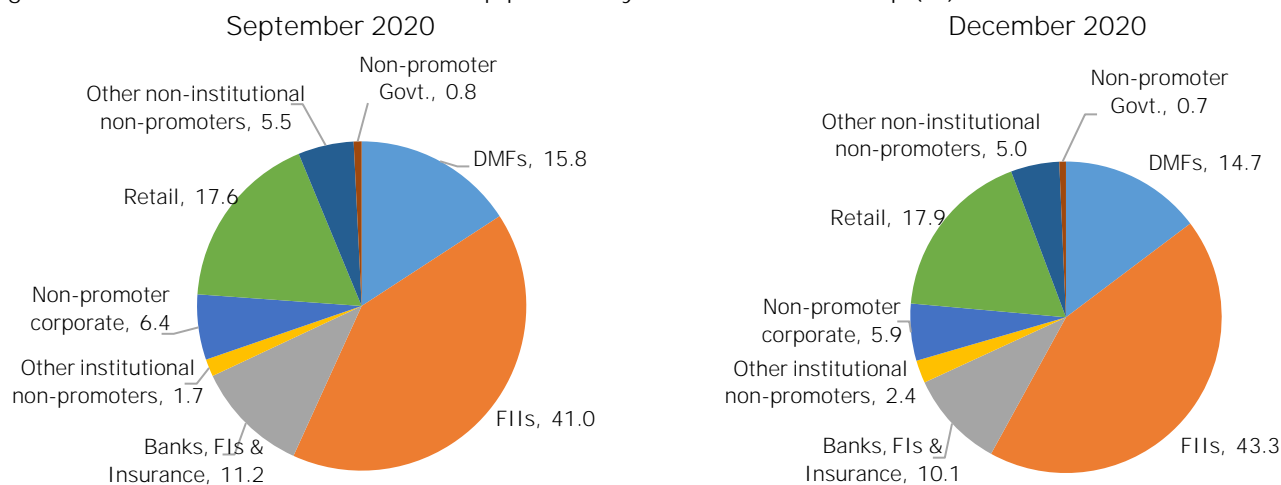
Figure 2: NSE-listed universe: Ownership trend across key stakeholders by total market cap over last three years

%	Private Indian promoters	Govt.	Foreign promoters	Domestic MFs	Banks, FIs & Insurance	FII* *	Non-promoter corporate	Retail
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
Mar-20	33.3	6.9	11.1	7.9	5.5	20.8	3.3	8.4
Jun-20	34.1	6.7	10.4	7.8	5.5	20.2	3.2	8.7
Sep-20	35.4	5.6	10.0	7.6	5.2	20.5	2.8	9.0
Dec-20	34.6	5.7	9.7	7.4	5.1	21.7	3.0	9.0
QoQ change	-83bps	13bps	-23bps	-22bps	-7bps	120bps	13bps	-5bps

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

Floating stock witnessed an increase in institutional ownership led by FIIs: In terms of floating stock, FII ownership jumped by a strong 163bps QoQ—the steepest sequential rise in last 31 quarters—to reach a three-quarter high of 43.3% in the December quarter, reversing the drop seen in the first half of 2020 to a large extent. It is now just 2.4pp shy of the peak share over the last 20-year period. DMF ownership of the NSE free-float market cap fell by 73bps QoQ to 14.7% in the December quarter, marking the third quarterly drop in a row, translating in to a cumulative decline of 138bps from the 20-year high share of 16.1% in the March quarter. This sequential drop in DMF ownership in the floating stock has been the highest in almost 12 years. Retail ownership in the NSE free-float market cap moderated to 17.9% following a steady increase over the previous three quarters—reflecting some profit booking during the quarter and is now 11.2pp below the peak share over the last two decades.

Figure 3: NSE-listed universe: Ownership pattern by free float market cap (%)



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-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
Mar-20	16.1	11.2	42.4	6.7	17.2
Jun-20	15.8	11.2	41.0	6.4	17.6
Sep-20	15.4	10.5	41.6	5.8	18.3
Dec-20	14.7	10.1	43.3	5.9	17.9
QoQ change	-73bps	-34bps	163bps	15bps	-44bps

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

Long-term ownership trend of the NSE-listed universe

Long-term trend shows a steady drop in promoter ownership since 2009: 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 primarily led by a sharp drop 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 ~10.8pp since June 2010.

Sharp rise in DMF ownership during 2014-19 supported by rising SIP inflows: Barring a drop in FY21, DMF ownership has seen a sharp increase over the previous five fiscal years (FY15-FY20), largely reflecting the sustained retail interest in equity mutual funds as an investment channel through SIPs. Drop in DMF ownership in FY21 thus far (Apr-Dec'20) has been largely on the back of moderation in SIP inflows, even as direct retail

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

DMF ownership got support from rising SIP investments during FY15-20.

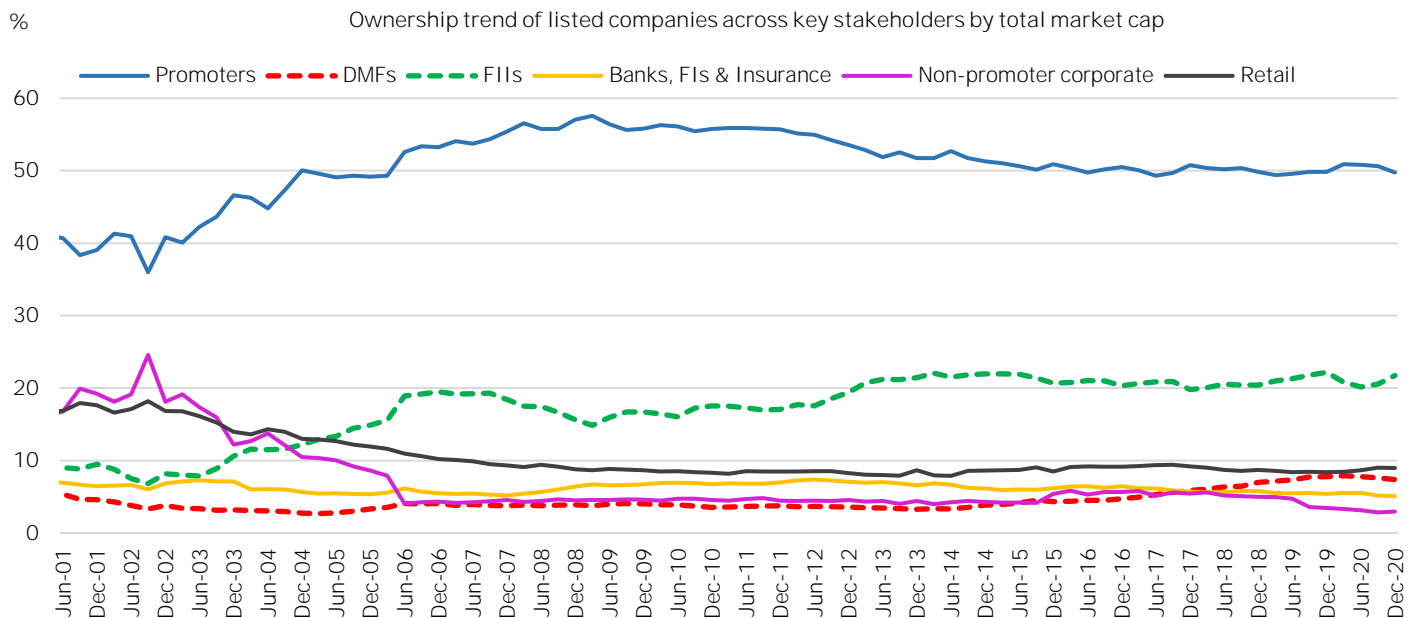
ownership has seen a jump during this period. Ownership of Banks, FIs & Insurance, on the other hand, has been gradually dropping off since 2012.

FII ownership has remained between 19-22% range over the last eight years: 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, but dropped marginally over the subsequent three years followed by a sharp pickup over the next two years until December 2019. FII ownership, however, fell sharply during the first two quarters of 2020 but rose meaningfully in the second half, supported by strong foreign capital inflows.

Direct retail holding has remained fairly steady over the last 11 years: Not surprisingly, while retail investments through the SIP route has been rising over last three fiscal years, barring a steady drop in FY21, direct retail participation in equity markets fell during this period—a sign of maturing markets and indirect ownership. Retail ownership of the NSE listed universe declined steadily between 2001 and 2012 and has since remained steady in the range of 8-9%.

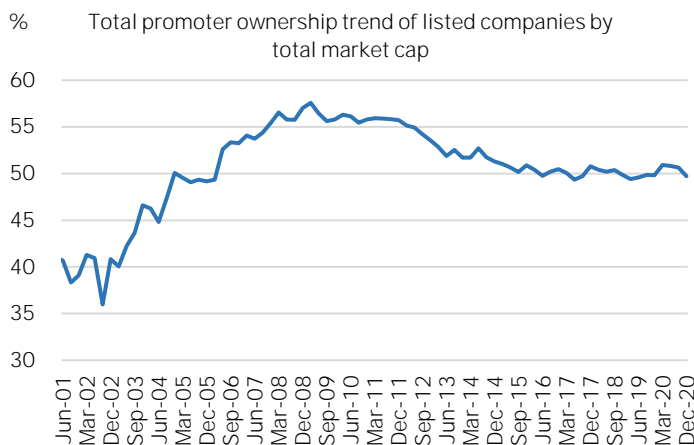
Direct retail ownership fell steadily between 2001 and 2012 and has since remained steady in the range of 8-9%.

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

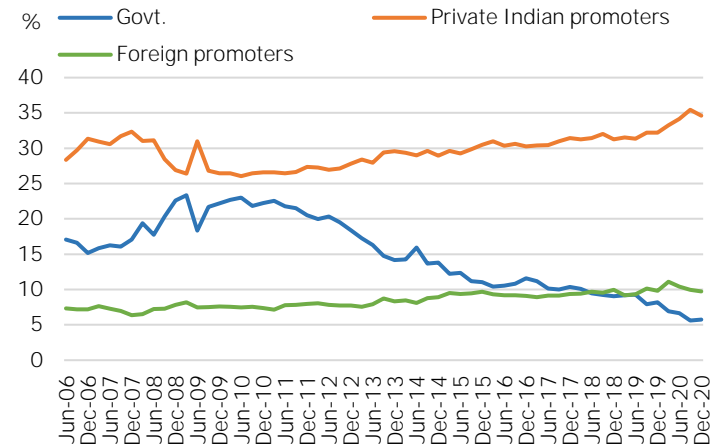


Figure 8: DMF ownership trend of NSE-listed companies by total market cap

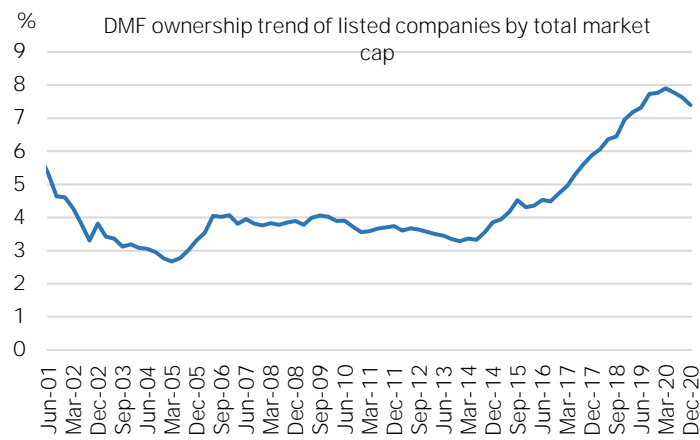
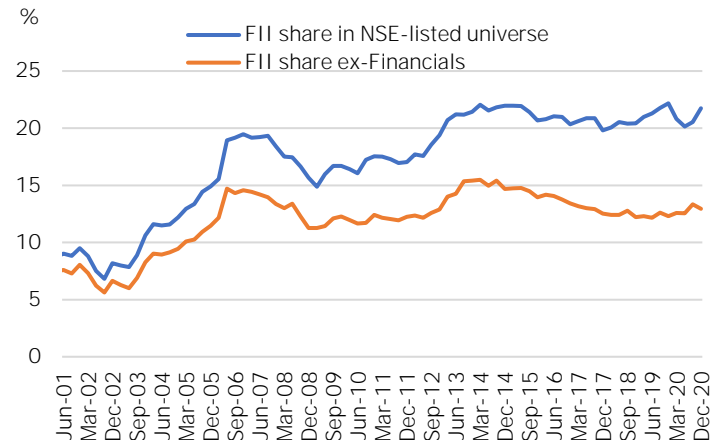


Figure 9: FII ownership* trend of NSE-listed companies by total market cap



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

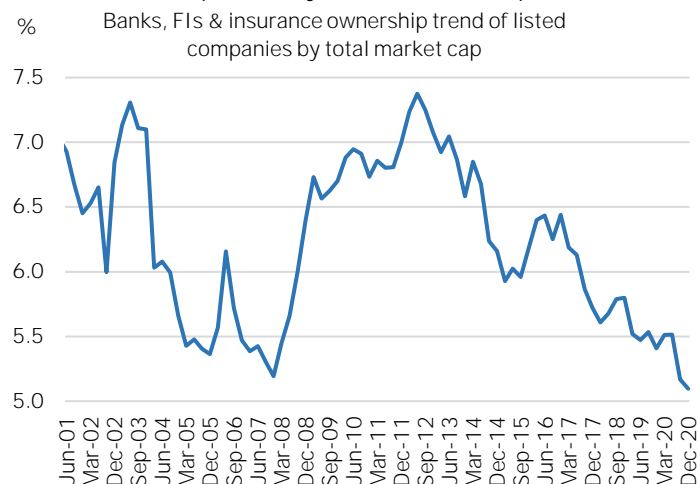
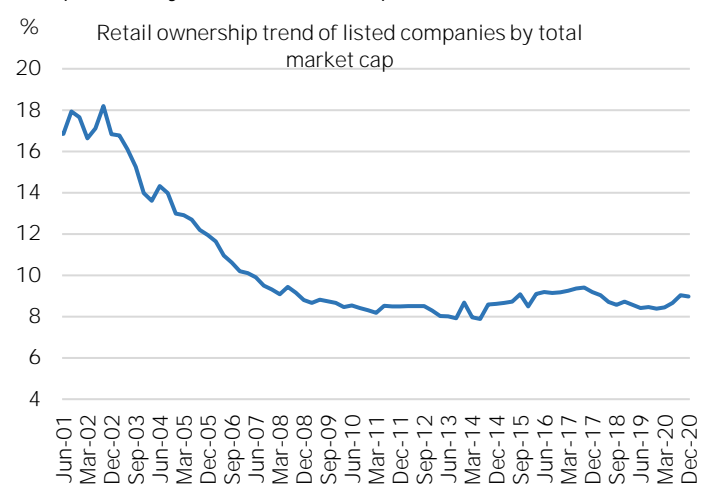
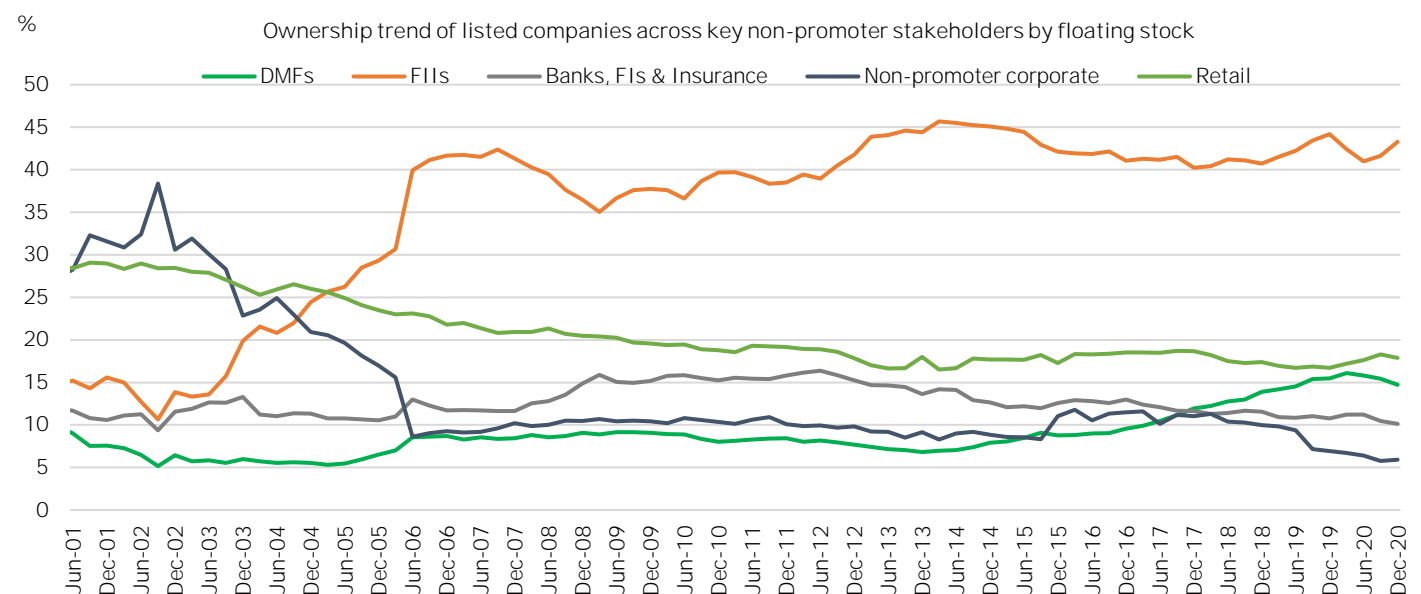


Figure 11: Retail ownership trend of NSE-listed companies by total market cap



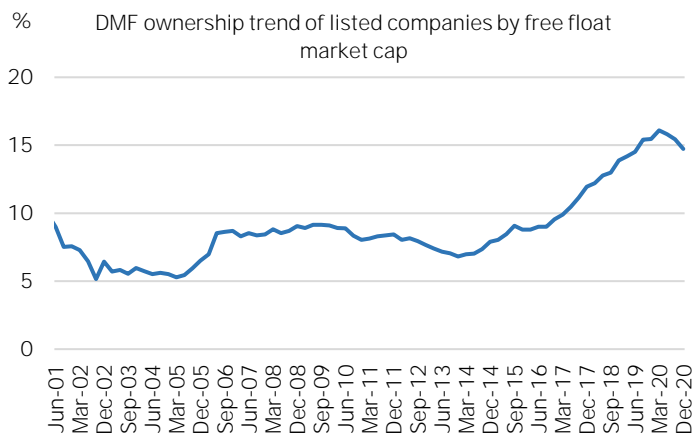
Source: CMIE Prowess, NSE

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

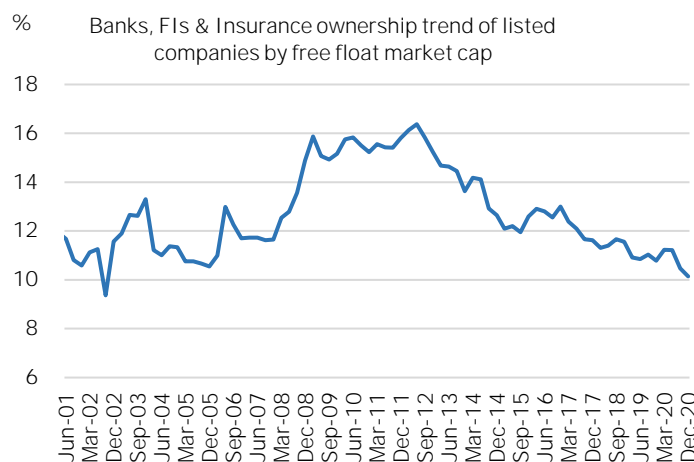


Source: CMIE Prowess, NSE

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

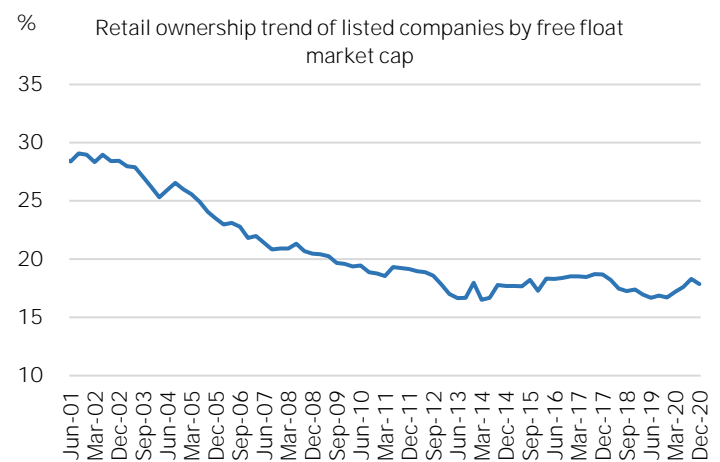


Figure 15: Banks, FIs & Insurance ownership trend of NSE-listed companies by free float market cap



Source: CMIE Prowess, NSE

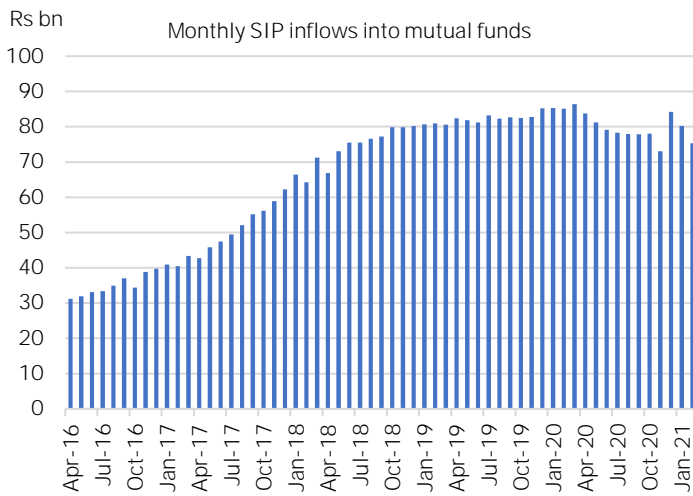
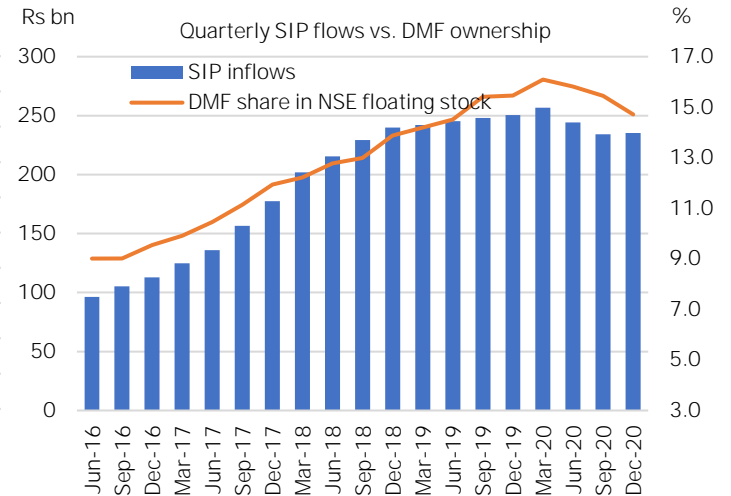
Figure 16: Retail ownership trend of NSE-listed companies by free float market cap



SIP inflows declining amidst a sharp market rally: SIPs—a preferred route for retail investors to invest in equity markets until early last year—have seen a steady drop in inflows since March last year, barring a strong jump in December 2020 on positive cues around COVID-19 vaccination and US elections. Average monthly inflows into mutual funds through the SIP route fell from Rs834bn in FY20 to Rs790bn in FY21. While a part of this has found its way back into the markets through direct retail trading this year, a huge liquidity-driven market rally sans macroeconomic fundamentals has prompted retail investors to take some money off the table. Drop in disposable incomes in the wake of sharp COVID-induced economic slowdown is also partly responsible for a decline in SIP inflows during the initial months of the fiscal.

That said, the moderation in SIP inflows has been fairly benign considering the unprecedented economic slowdown and consequent pay cuts and job losses, potentially signaling that mature long-term retail investors still consider SIP as the feasible route to increase exposure to Indian equities as it helps them reduce market timing risk. These sticky SIP flows have helped mutual funds significantly increase their ownership in Indian equities over the last few years barring FY21.

Average monthly SIP inflows dropped by ~5.3% YoY to Rs790bn during Apr'20-Feb'21.

Figure 17: Monthly SIP inflows into mutual funds

Figure 18: Quarterly SIP inflows vs DMF ownership


Source: AMFI, NSE

FII resumed buying from May onwards: After witnessing record-high FII outflows on a quarterly basis of US\$7bn in the March quarter amid fears of a worst global recession since the Great Depression, FIIs resumed buying into Indian equities from May onwards, supported by aggressive policy response by the global central banks through rate cuts and injection of ample global liquidity. FII buying gained strength towards the latter part of 2020, thanks to positive cues around the development and regulatory authorization of a few COVID-19 vaccine candidates, abating political uncertainty in the US and enhanced policy support. This has translated into total FII inflows of US\$38bn in Indian equities in FY21 thus far (As of March 24th). Notably, net FII inflows of US\$20bn in the December quarter was the highest ever flows India has ever seen into Indian equities in any quarter, thereby translating into a significant increase in FII ownership in the NSE listed universe.

December quarter saw strong FII buying into Indian equities supported by positive cues on the development of COVID-19 vaccine, abating political uncertainty in the US and enhanced policy support.

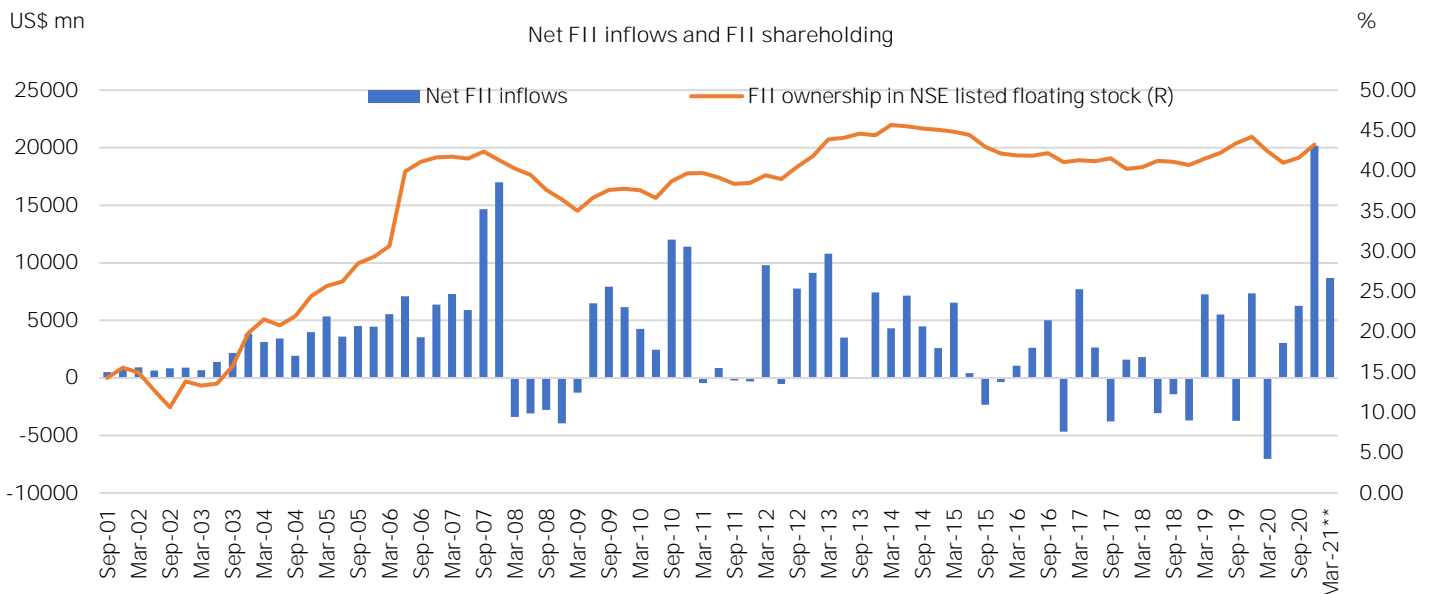
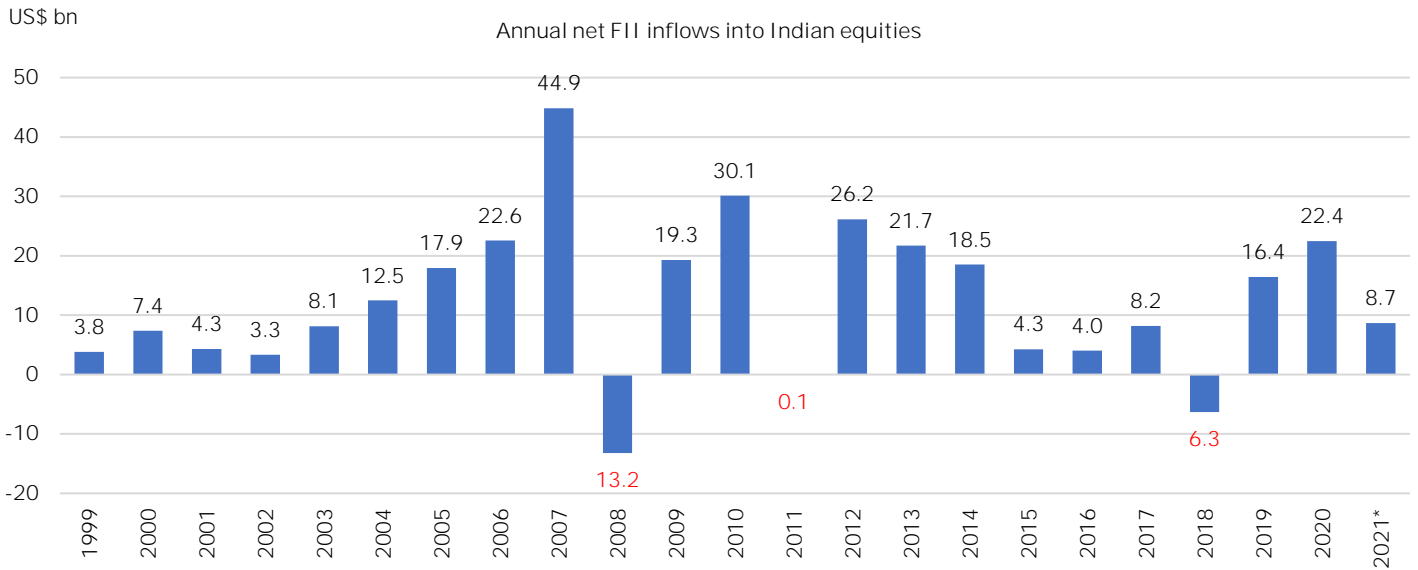
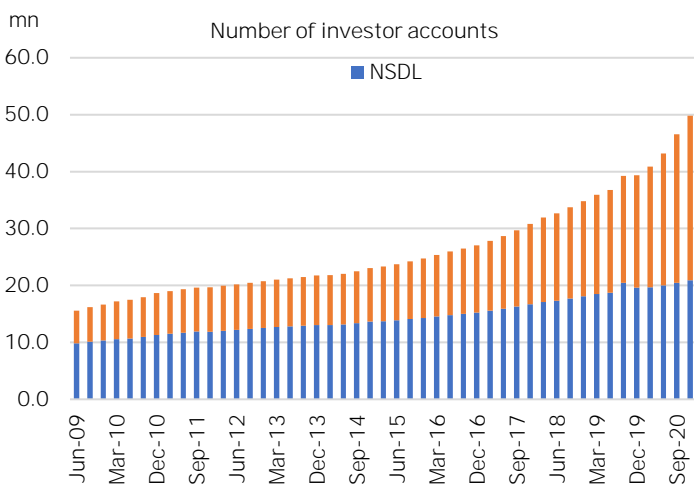
Figure 19: Net FII inflows and FII shareholding in the NSE-listed floating stock

 Source: Bloomberg, CMIE Prowess, NSE * FII ownership includes ownership through depository receipts held by custodians. *** As of March 24th, 2021.

Figure 20: Annual net FII inflows trend


Source: Refinitiv Datastream, * Data for 2021 is until March 24th, 2021.

Direct retail participation remained broadly steady in the December quarter: A sharp market crash in the March quarter, coupled with lockdown restrictions, lured retail investors into trading in equity markets, with a strong market rebound thereafter further strengthening their sentiments. This is reflected in an increase in retail ownership in the NSE-listed universe in 2020. This increased buying is also reflected in a sharp rise in new investor accounts added in 2020 and increase in retail share in the cash market turnover. New investor account additions through CDSL as well as NSDL in 2020 stood at 10.5mn—the highest in last 10 years—representing nearly 21% of the outstanding active investor accounts. Moreover, the share of individual retail investors in NSE’s cash market turnover shot up from 39% in FY20 to 45% during Apr’20-Feb’21.

Figure 21: Quarterly trend of number of active investor accounts with depositories


Source: SEBI Bulletin, NSE.

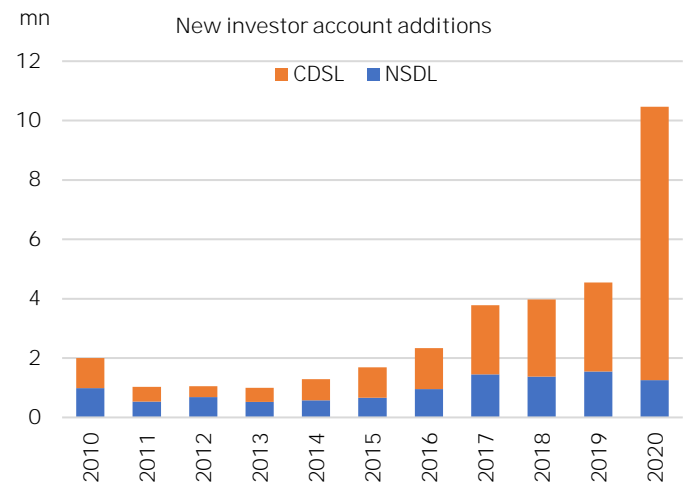
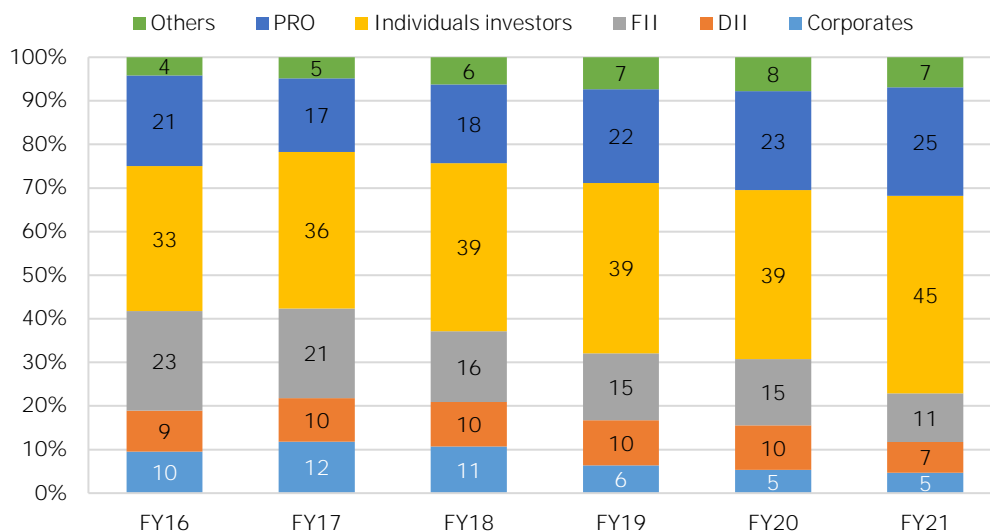
Figure 22: Annual trend of new investor account additions with depositories


Figure 23: Client category-wise share in NSE's cash market turnover



Source: NSE

Note: DII: Domestic Institutional Investors, FII: Foreign Institutional Investors, Prop traders: Proprietary Traders, Individual investors: individual domestic investors, NRIs, sole proprietorship firms and HUFs, Others: Partnership Firms/LLP, Trust / Society, AIF, Depository Receipts, PMS clients, Statutory Bodies, FDI, OCB, FNs, QFIs, VC Funds, NBFC, etc. FY21 considers data till February'21.

Sector-wise ownership of the NSE-listed universe (December 2020): The sector-wise ownership pattern of the NSE-listed universe across key stakeholders in the December quarter shows that the Real Estate sector continues to lead in terms of promoter ownership at 65.1% (+6bps QoQ), followed by Utilities at 61.2% (+61bps QoQ), Materials at 56.6% (-17bps QoQ) and Communication Services at 56.2% (+166bps QoQ). Sector-wise, Utilities had the highest Government ownership at 23.8%, even as the share has been sharply coming off over the last few years (-21.1 pp over the last nine quarters) to hit fresh all-time lows. Other sectors that have high Government ownership include Energy, Industrials and Financials at 12.4% (+262bps QoQ), 8.8% (-129bps) and 8.2% (-51bps QoQ) respectively.

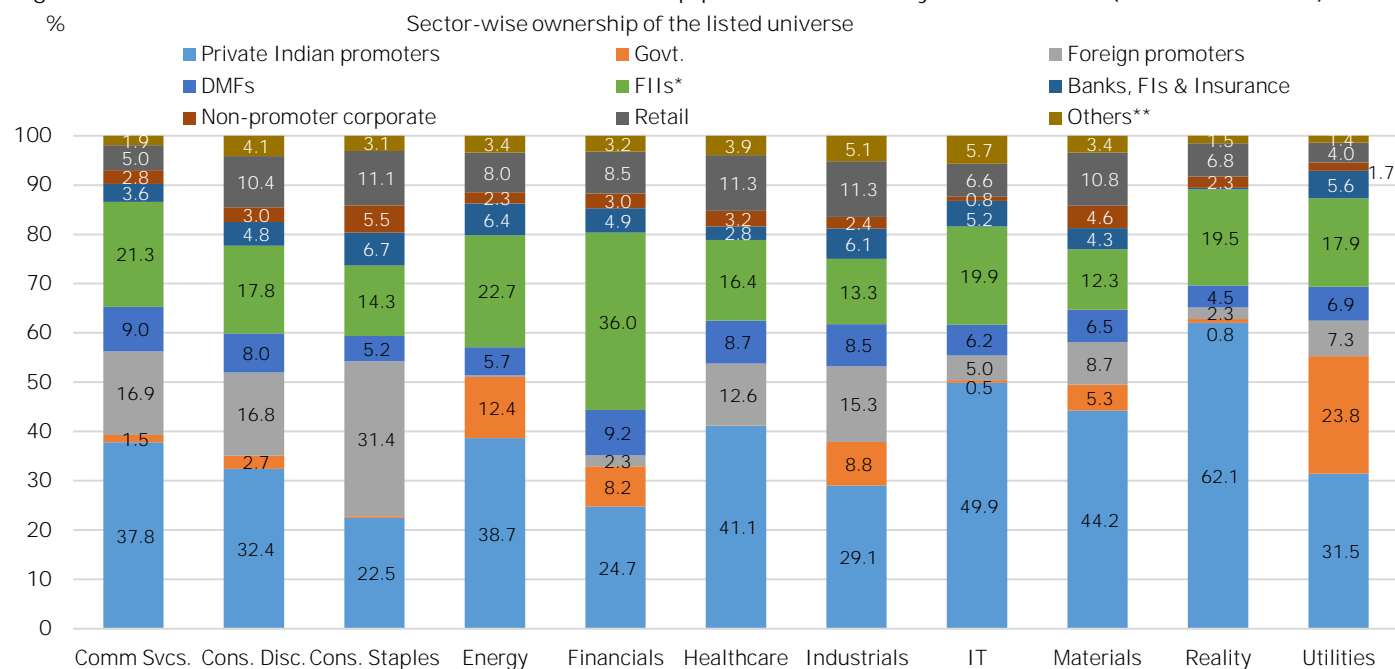
Sector-wise, Financials overtook Communication Services to become the sector having the highest DMF ownership of 9.2% (-26bps QoQ) in the December quarter, with the DMF ownership for the latter falling by 56bps QoQ to 9.0%. This was followed by Healthcare at 8.7% (-28bps QoQ), Industrials at 8.5% (-50bps QoQ) and Consumer Discretionary at 8.0% (-30bps QoQ). Except for Real Estate, all sectors have witnessed a drop in the DMF ownership in the quarter gone by, led by Utilities, Materials and Communication Services.

Except for Energy, Communication Services and Real Estate, all other sectors have seen an increase in FII ownership in the December quarter. Within the NSE-listed universe, Financials witnessed the highest jump, with the FII share rising by 262bps QoQ to a 14-quarter high of 36%, making it retain the number one position in terms of FII ownership for yet another quarter. Despite a sequential drop in FII share, Energy and Communication Services remained the second and the third highest FII-owned sectors with a share of 22.7% (-97bps QoQ) and 21.3% (-33bps QoQ) respectively. Financials apart, other sectors that have seen a significant jump in FII ownership in the quarter ending December 2020 include Industrials (+127bps to 13.3%), Materials (+99bps QoQ to 12.3%), Utilities (+82bps QoQ to 17.9%) and Consumer Discretionary (+69bps QoQ to 17.8%).

Sector-wise, Utilities continues to lead in terms of Government ownership at 23.8%, even as it is the lowest since June 2006.

Financials overtook Communication Services to become the sector having the highest DMF ownership in the December quarter.

Among sectors, Financials saw the highest jump in FII share to reach a 14-quarter high of 36%, making it retain the number one position in terms of FII ownership for yet another quarter.

Figure 24: NSE-listed universe: Sector-wise ownership pattern across key stakeholders (December 2020)


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 in the NSE-listed universe for key stakeholders (December 2020):

The table below shows sector allocation for key shareholder categories in all NSE-listed companies as of December 2020. Government ownership remains concentrated to Financials, Energy, Utilities, Industrials and Materials, together accounting for 93% of the Govt.'s allocation in the listed space. Consumer sector—Discretionary and Staples—account for 48.3% of the exposure of foreign promoters to the NSE-listed space.

Except for an outsized exposure to Financials, DMF portfolio remains far more diversified as compared to FIIs. While DMFs have 30.4% of their holdings in Financials, followed by Information Technology at 11.5% and Materials at 9.9%, FIIs have a much higher allocation to Financials at 40.5% within the NSE-listed space, followed by Information Technology at 12.5% and Energy at 10.2%. Both FIIs and DMFs significantly increased their exposure to Financials in the December quarter following a steady decline over the previous three quarters.

DMFs have 30.4% of their market holding (NSE-listed) in Financials, followed by IT (11.4%) and Materials (9.9%).

FIIs have a much higher exposure to Financials at 40.5%.

Figure 25: Sector allocation of the NSE-listed universe for key stakeholders (December 2020)

%	Pvt. Indian promoters	Govt	Foreign promoters	Domestic MFs	FIIs*	Banks, FIs, Insurance	Non-promoter corporate	Retail
Communication Services	3.4	0.8	5.4	3.8	3.0	2.2	2.9	1.7
Consumer Discretionary	8.1	4.0	14.9	9.3	7.1	8.1	8.7	10.0
Consumer Staples	6.7	0.6	33.3	7.2	6.8	13.5	19.1	12.7
Energy	10.9	21.1	0.3	7.5	10.2	12.3	7.5	8.7
Financials	17.5	34.8	5.7	30.4	40.5	23.7	24.8	23.1
Health Care	8.1	0.1	8.8	8.0	5.1	3.7	7.2	8.6
Industrials	6.1	11.1	11.4	8.3	4.4	8.7	5.7	9.1
Information Technology	19.7	1.2	7.0	11.5	12.5	14.0	3.9	10.1
Materials	14.4	10.3	10.0	9.9	6.3	9.5	17.2	13.5
Real Estate	1.7	0.1	0.2	0.6	0.9	0.1	0.7	0.7
Utilities	3.5	16.0	2.9	3.6	3.2	4.2	2.2	1.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

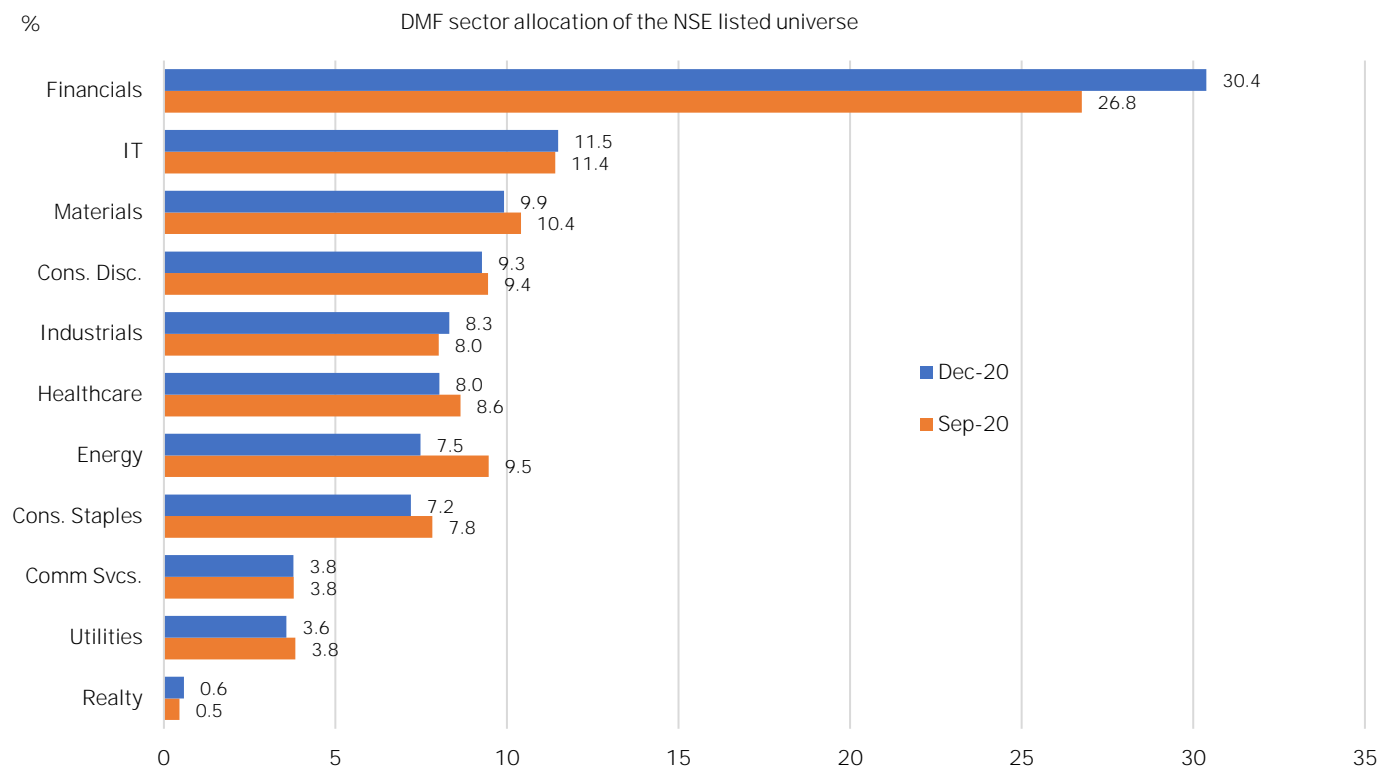
Source: CMIE Prowess, NSE. * FII ownership includes ownership through depository receipts held by custodians.

DMFs significantly raised allocation to Financials in the December quarter...: Following a sharp and steady drop over the previous three quarters from a two-decadal high of 35.5% in December 2019, DMFs' portfolio allocation to Financials within the NSE-listed space saw a sharp jump of 363bps QoQ to 30.4% in the December quarter. DMFs also slightly increased their exposure to Industrials in the quarter ending December 2020 by 31bps QoQ to 8.3% after consistently trimming it over the previous six quarters, reflecting an improvement in the industrial outlook. Other sectors that have seen a modest rise in DMF ownership include Information Technology (+9bps QoQ to 11.5%) and Real Estate (+13bps QoQ to 0.6%). In fact, DMFs portfolio allocation to Information Technology and Healthcare has increased sharply in 2020 as these sectors were relatively less impacted by COVID-19 pandemic and attendant containment measures.

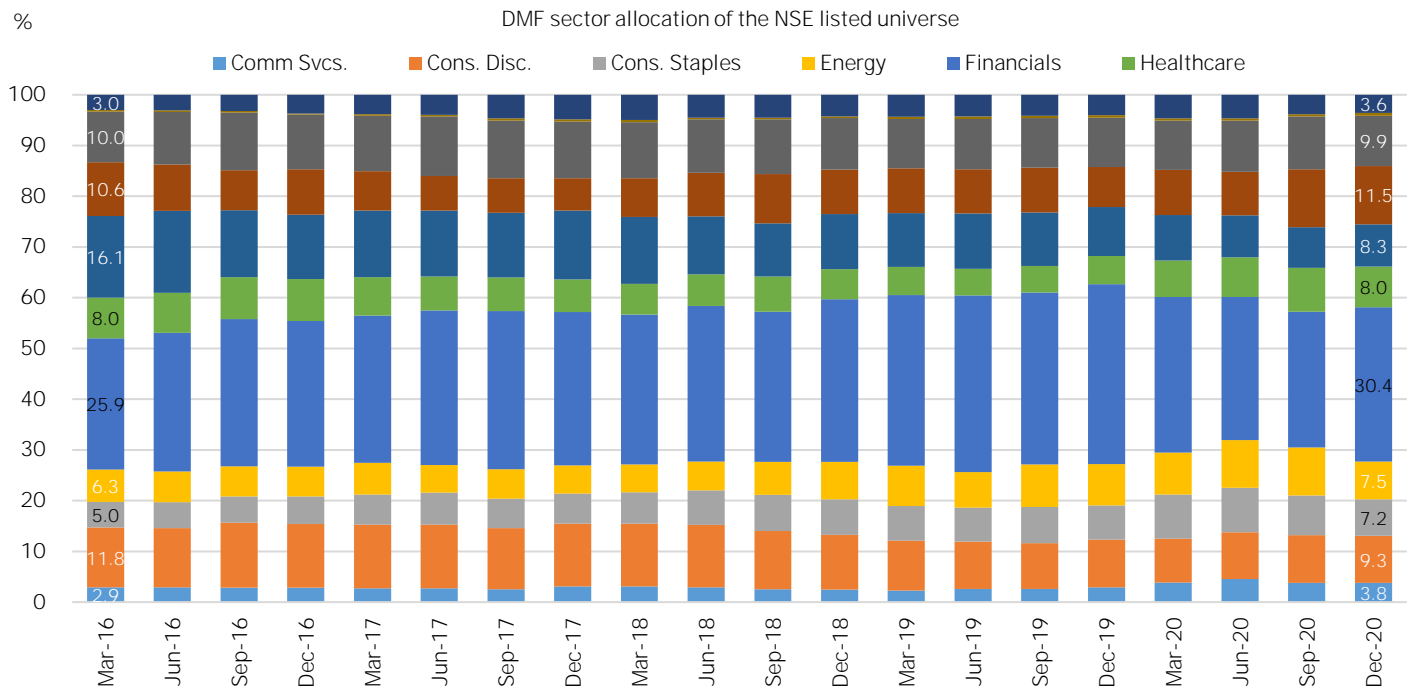
DMFs significantly raised their exposure to Financials in the December quarter after consistently reducing it over the previous three quarters. This has come at the expense of reduced exposure to Energy, Consumer Staples, Healthcare and Materials.

Besides Financials, Industrials, Information Technology and Real Estate, all other sectors have seen a drop in DMF allocation in the December quarter, led by Energy (-198bps QoQ), Consumer Staples (-63bps QoQ), Healthcare (-61bps QoQ) and Materials (-49bps QoQ).

Figure 26: DMF sector allocation of the NSE-listed universe (December 2020 vs. September 2020)



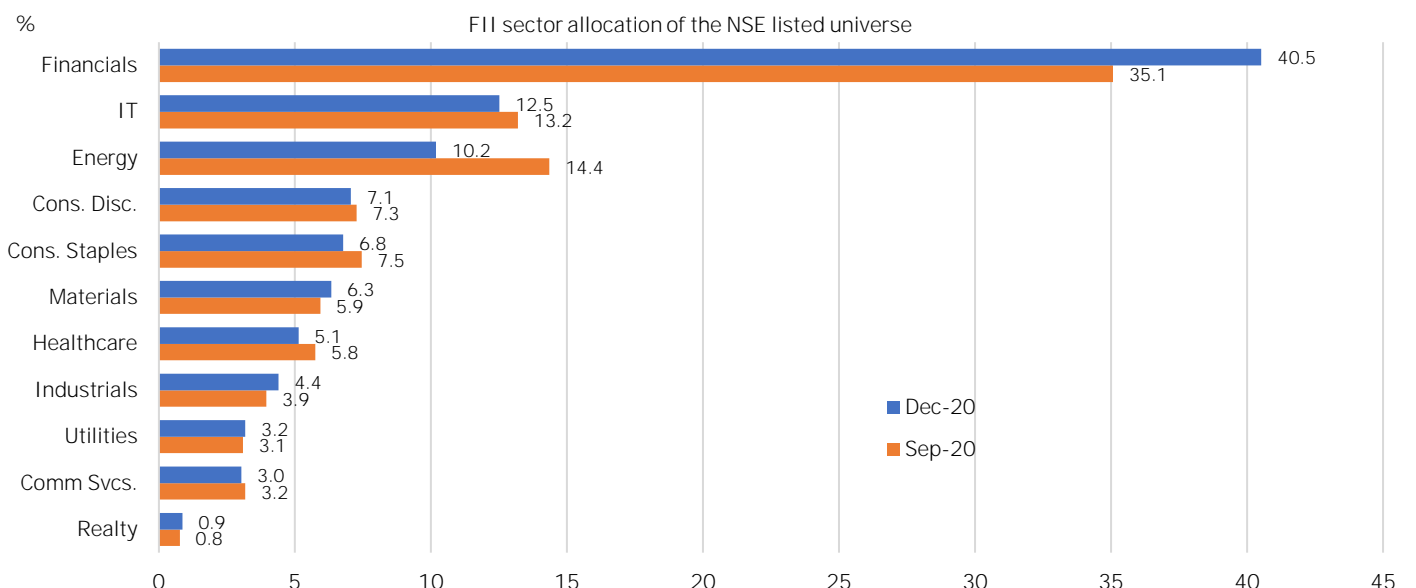
Source: CMIE Prowess, NSE

Figure 27: DMF sector allocation of the NSE-listed universe over last five years


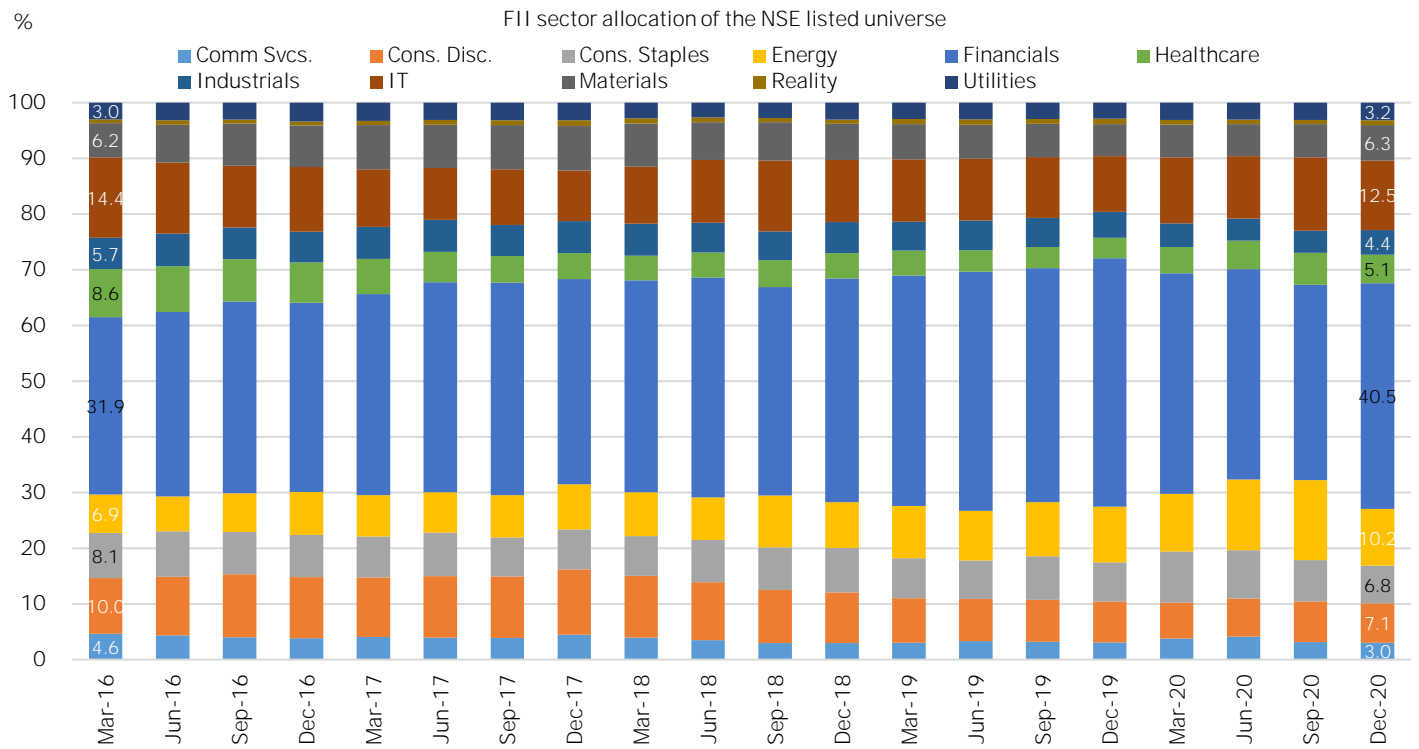
Source: CMIE Prowess, NSE

...and so did the FIIs: FII sector churning in the December quarter was quite similar to that of DMFs within the NSE-listed space. In-line with DMFs, FIIs also sharply increased their allocation to Financials by 546bps QoQ to 40.5% in the December quarter, even as it was not sufficient to reverse the drop seen over the previous three quarters (-951bps). FIIs also slightly raised their allocation to Industrials, Materials and Real Estate—reflecting an improvement in the outlook of industrial and construction sectors following a sharp COVID-induced slowdown. This has largely come at the expense of significant reduction in exposure to Energy (-416bps QoQ) following a sharp increase over the previous three quarters, followed by Consumer Staples (-68bps QoQ), Information Technology (-68bps QoQ) and Healthcare (-62bps QoQ).

FIIs echoed DMFs and significantly increased allocation to Financials at a portfolio level in the December quarter.

Figure 28: FII sector allocation of the NSE-listed universe (December 2020 vs. September 2020)


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

Figure 29: 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 2020)

Private promoter stake dropped for the first time in eight quarters; Govt. ownership inched up: Overall private promoter ownership in the Nifty 50 Index dropped for the first time in eight quarters by 171bps QoQ to 38.1% in the December quarter, albeit much lower than the huge 5.2pp increase seen over the previous three quarters. While private Indian promoter stake fell by 132bps QoQ to 30.7%, foreign promoters also saw a 39bps QoQ drop in their stake in the Nifty 50 universe to a six-quarter low of 7.3%—nearly 240bps shy of an 18-year high share of 9.75% in March 2020.

After declining consistently over the previous five quarters to hit all-time lows in the September quarter, Government ownership inched up by a modest 27bps QoQ to 4.9% in the December quarter, partly attributed to strong outperformance of some of the Government-owned companies with respect to the broader market including SBI, GAIL and ONGC. Excluding SBI, the Government stake in the Nifty 50 universe remained broadly steady at 3.7% in the December quarter.

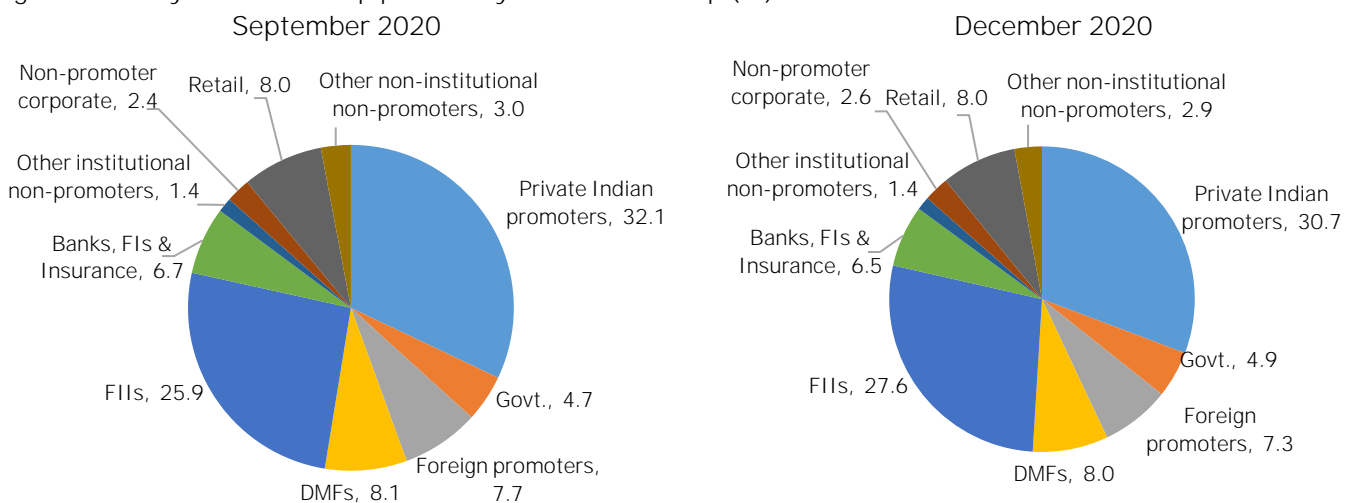
FII ownership rose further in the Nifty 50 universe while **DMFs** saw a modest drop for the second quarter in a row: FII ownership in the Nifty 50 universe inched up for the second quarter in a row by 169bps QoQ to 27.6% in the December quarter—the steepest sequential rise in last 46 quarters, and is now just ~90bps shy of the all-time high share of 28.5% seen a year ago. This is reflected in the highest-ever quarterly net inflows by FIIs into Indian equities in the December quarter. DMF ownership on the other hand declined for the second consecutive quarter by 16bps QoQ to a six-quarter low of 8.0%—broadly in-line with the drop seen in the broader listed universe. The share of Banks, Financial Institutions and Insurance also fell by 18bps QoQ to hit fresh two-decadal lows of 6.5% in the quarter ending December 2020.

Retail ownership in the Nifty 50 index remained broadly steady in the December quarter: **Individual retail investors' holding in the Nifty 50 Index** remained broadly steady at near-12-year high levels of 8% in the December quarter. In 2020, retail ownership in the Nifty 50 Index rose by 32bps, much lower than the 60bps increase in the overall NSE-listed universe, indicating higher retail buying in smaller companies.

Private promoter ownership in the Nifty 50 universe dropped for the first time in eight quarters, while Government ownership inched up, reflecting outperformance of some of the Govt.-owned companies in the December quarter.

FII share in Nifty 50 companies rose by a strong 169bps QoQ to 27.6% in the December quarter, while that of DMFs fell by 16bps QoQ to 8.0%.

Figure 30: Nifty 50: Ownership pattern by total market cap (%)



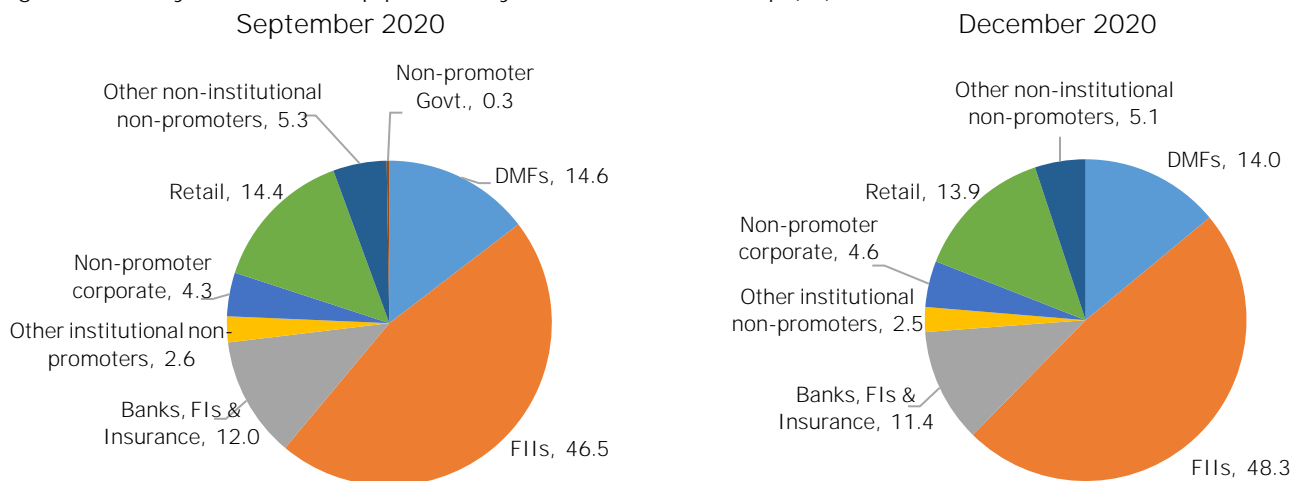
Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 31: 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	FII's *	Non-promoter corporate	Retail
Mar-18	23.9	10.7	7.9	6.4	8.0	27.6	5.1	7.0
Jun-18	25.8	9.6	6.9	6.7	7.8	27.4	5.2	7.3
Sep-18	27.1	9.5	6.2	6.7	7.9	26.6	5.2	7.3
Dec-18	26.0	9.1	6.6	7.4	7.9	27.0	5.2	7.5
Mar-19	26.3	8.8	6.3	7.7	7.6	27.5	4.9	7.6
Jun-19	26.6	9.0	6.4	7.7	7.4	27.6	4.6	7.5
Sep-19	26.8	7.7	7.8	8.3	7.4	27.8	3.5	7.7
Dec-19	27.0	7.5	7.6	8.4	7.2	28.5	3.3	7.6
Mar-20	28.0	6.4	9.8	8.4	7.1	26.4	3.1	7.7
Jun-20	29.3	5.6	8.8	8.4	7.2	25.8	2.9	7.8
Sep-20	32.1	4.7	7.7	8.1	6.7	25.9	2.4	8.0
Dec-20	30.7	4.9	7.3	8.0	6.5	27.6	2.6	8.0
QoQ change	-132bps	27bps	-39bps	-16bps	-18bps	169bps	23bps	-5bps

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

In terms of floating stock, FII share in the Nifty 50 Index rose by a huge 178bps QoQ to 48.3% in the December quarter on top of a 77bps QoQ increase in the previous quarter, greatly reversing the 330bps drop seen in the first half of 2020. It is now nearly 3.5pp lower than the peak FII share over the last 20-year period. Share of DMFs in the floating Nifty50 stock fell by 64bps QoQ to 14.0% in the December quarter, translating into a 100bps drop in the first three quarters of this fiscal. Retail ownership in the Nifty50 floating stock fell by 46bps QoQ from an eight-year high of 14.4% in the September quarter to 13.9% in the December quarter. This partly reflects some amount of profit booking undertaken by retail investors in the wake of a huge rally seen in equity markets in the December quarter.

Figure 32: Nifty 50: Ownership pattern by free float market cap (%)


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

Figure 33: Nifty 50: Ownership trend across key stakeholders by free float market cap over last the three years

%	Domestic MFs	Banks, FIs & Insurance	FII*s*	Non-promoter corporate	Public
Mar-18	11.2	13.9	47.9	8.8	12.1
Jun-18	11.6	13.6	47.5	9.0	12.7
Sep-18	11.7	13.7	46.5	9.1	12.8
Dec-18	12.7	13.4	46.2	8.8	12.9
Mar-19	13.0	13.0	46.8	8.3	12.9
Jun-19	13.3	12.8	47.4	7.8	12.9
Sep-19	14.3	12.8	48.1	6.0	13.4
Dec-19	14.4	12.4	49.0	5.7	13.1
Mar-20	15.0	12.7	47.0	5.6	13.8
Jun-20	14.9	12.8	45.7	5.1	13.8
Sep-20	14.6	12.0	46.5	4.3	14.4
Dec-20	14.0	11.4	48.3	4.6	13.9
QoQ change	-64bps	-62bps	178bps	28bps	-46bps

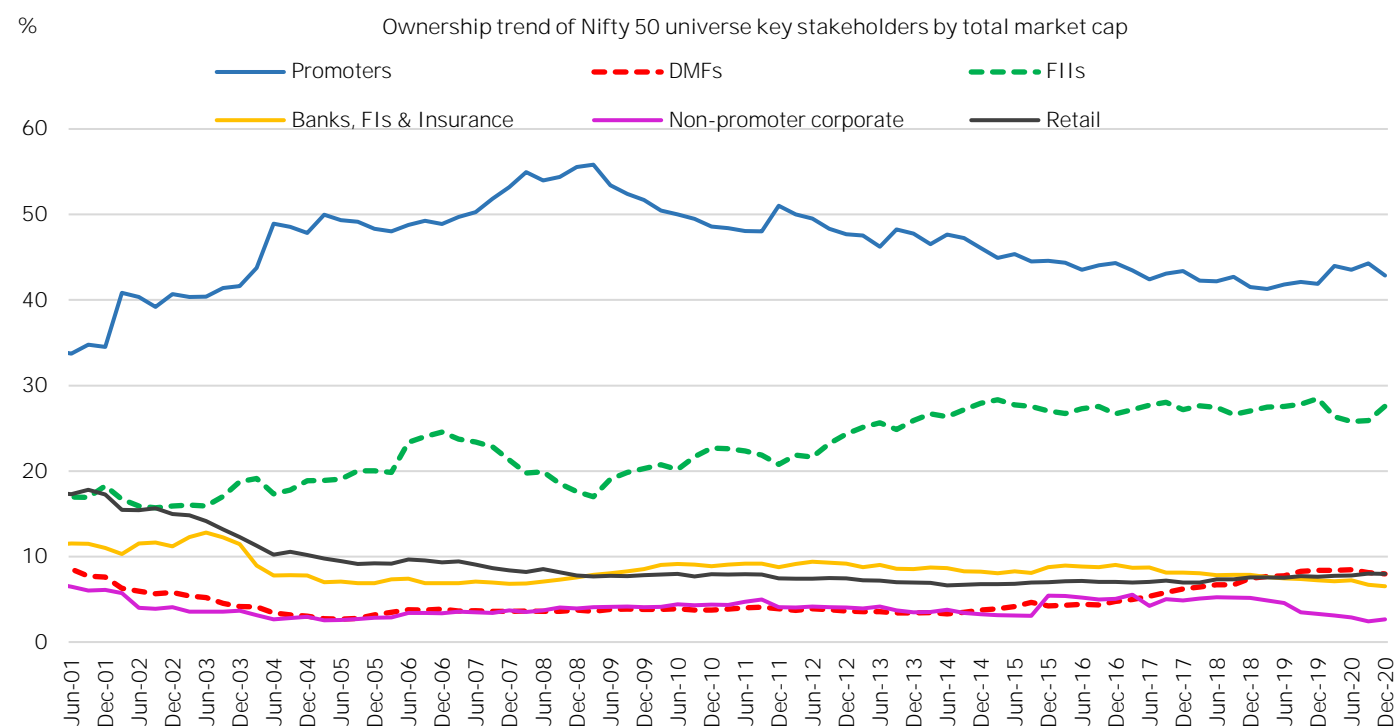
Source: CMIE Prowess, NSE *FII ownership includes ownership through depository receipts held by custodians

Long-term ownership trend of the Nifty 50 universe: The long-term ownership trend of the Nifty 50 Index echoes the trend seen in the broader listed universe. Overall promoter ownership has seen a steady decline since 2009, largely led by a sharp decline in Government ownership, even as private Indian as well as foreign promoters' holding has increased since 2010, albeit at a tad lower 8.7pp vs 10.8pp for the listed universe.

FII ownership excluding Financials has seen a steady drop since 2015.

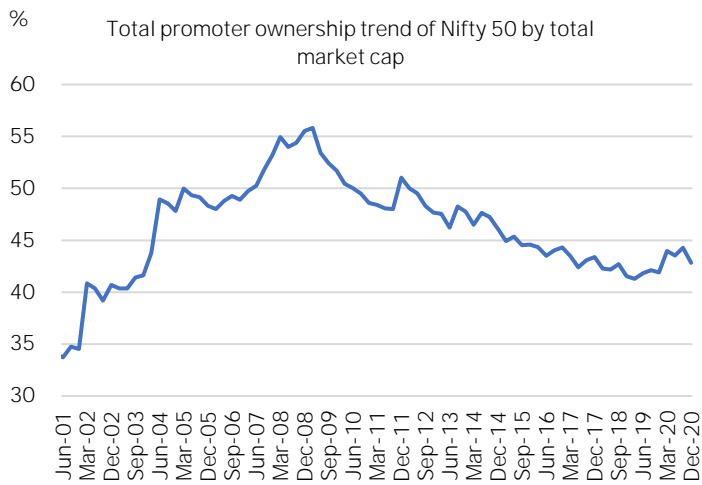
While the DMF ownership has seen a sharp increase since 2014 barring the recent drop, FII ownership saw a steady increase since the Global Financial crisis until early 2015 and has since hovered around similar levels. FII ownership excluding Financials, however, has seen a sharp drop over last six years. Contrary to the overall NSE-listed universe, retail ownership in the Nifty 50 Index has been steadily rising over the last six years, after falling to 13-year low of 6.6% in June 2014.

Figure 34: 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 35: Total promoter ownership trend of the Nifty 50 universe by total market cap



Source: CMIE Prowess, NSE

Figure 36: Indian and foreign promoter ownership trend of the Nifty 50 universe by total market cap

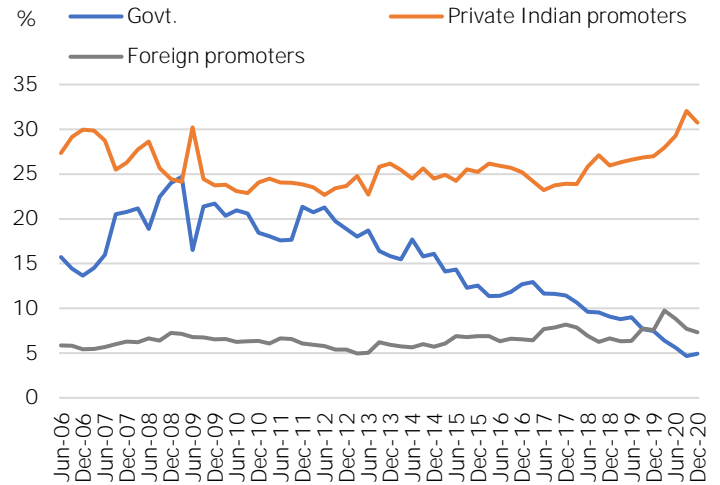
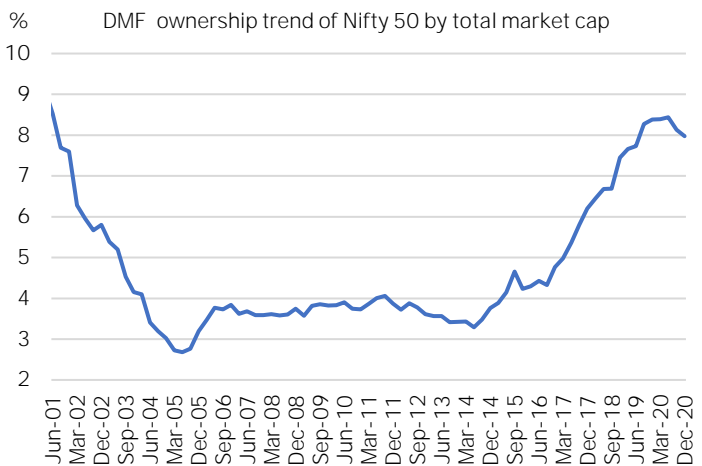


Figure 37: DMF ownership trend of Nifty 50 universe by total market cap



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

Figure 38: FII ownership trend of Nifty 50 universe by total market cap

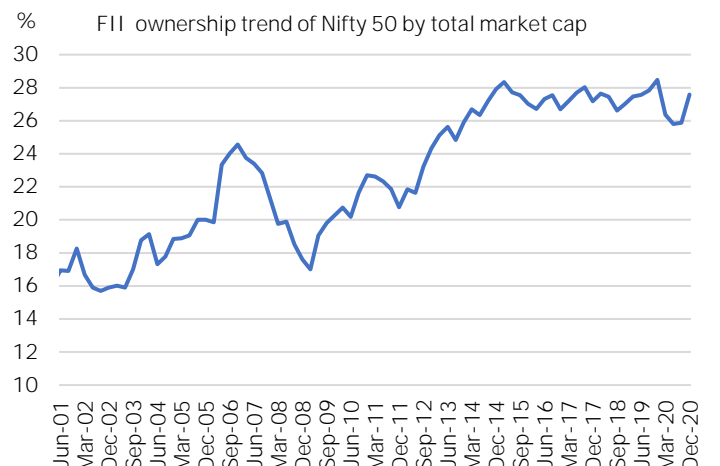
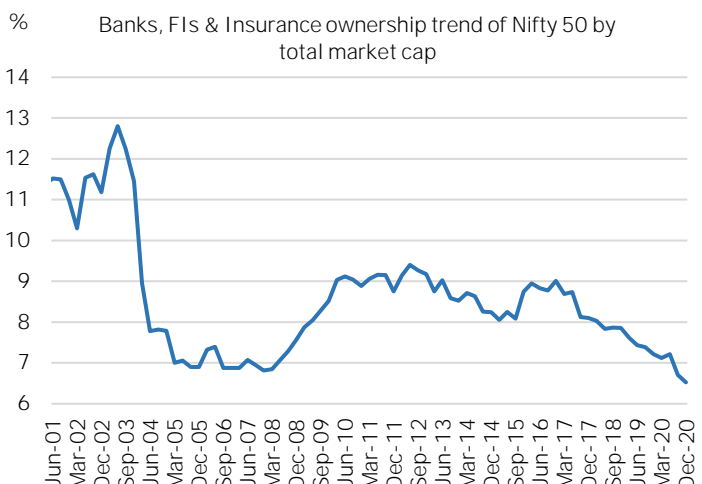
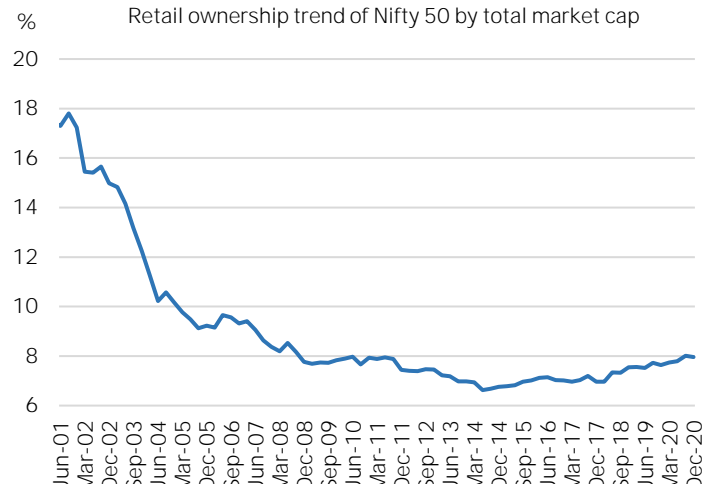


Figure 39: Banks, FIs & Insurance ownership trend of Nifty 50 universe by total market cap



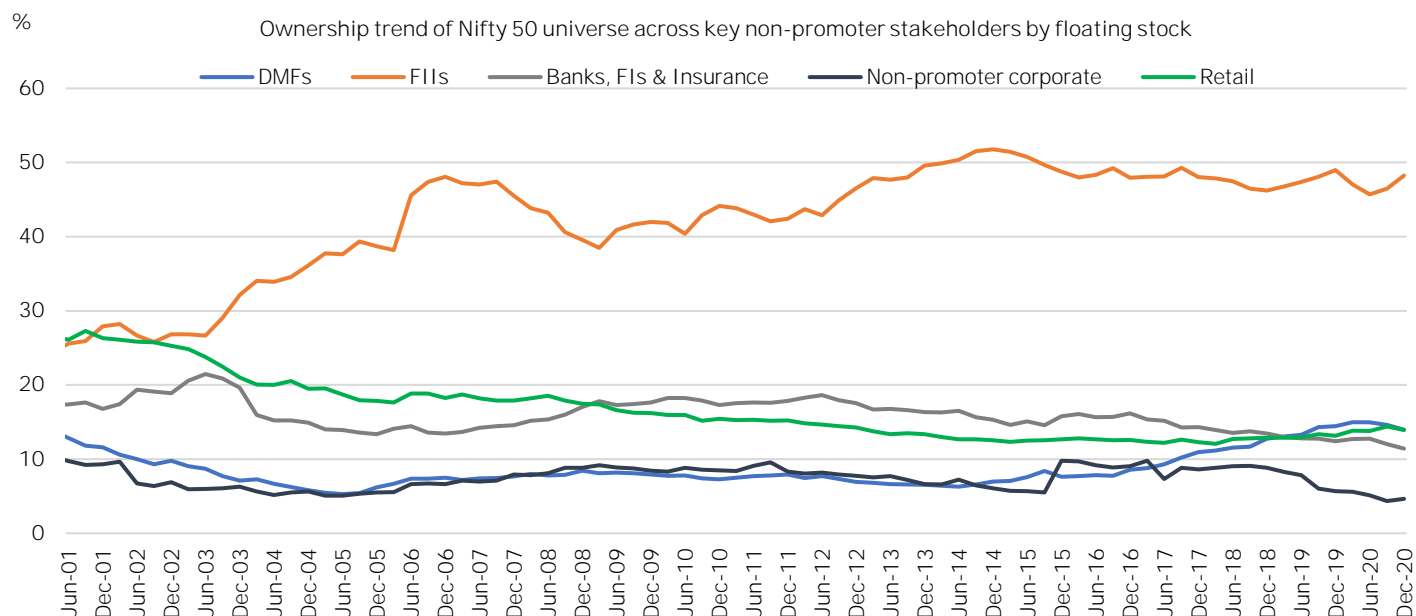
Source: CMIE Prowess, NSE

Figure 40: Retail ownership trend of Nifty 50 universe by total market cap



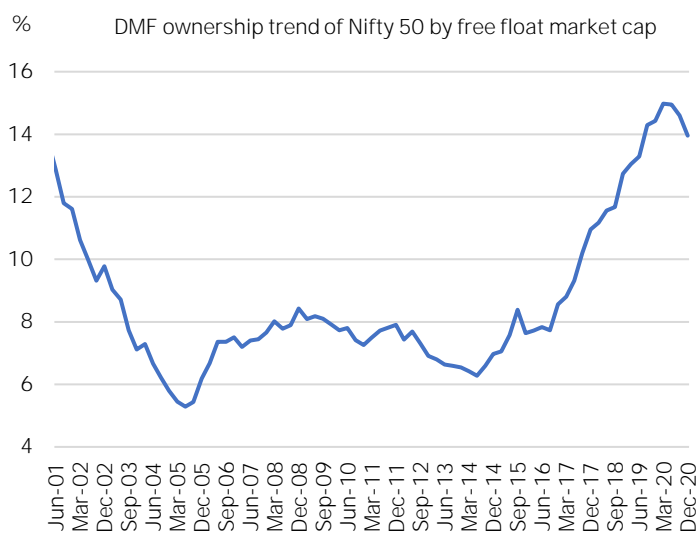
Our long-term ownership analysis on the free float market cap of the Nifty 50 Index also shows that while DMF ownership is currently hovering at near 100bps below the two-decadal high share of 15% seen in March 2020, current FII ownership is nearly 3.5pp lower than the peak of 51.8% in December 2014.

Figure 41: 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 42: DMF 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 43: FII * ownership trend of the Nifty 50 universe by free float market cap

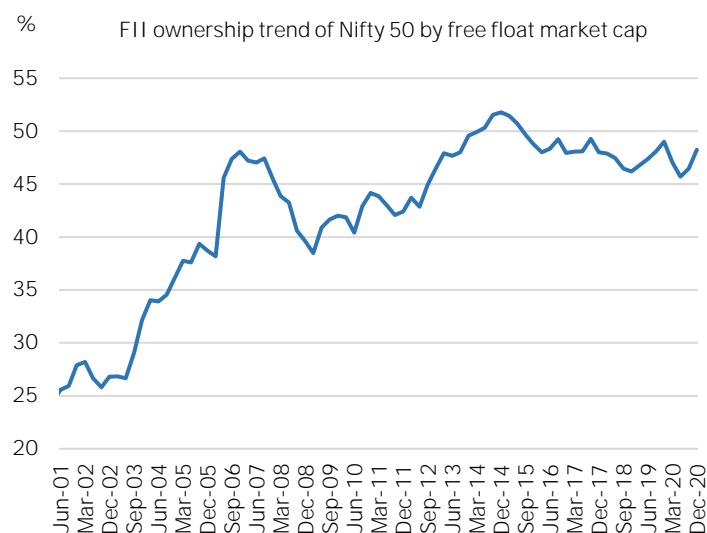
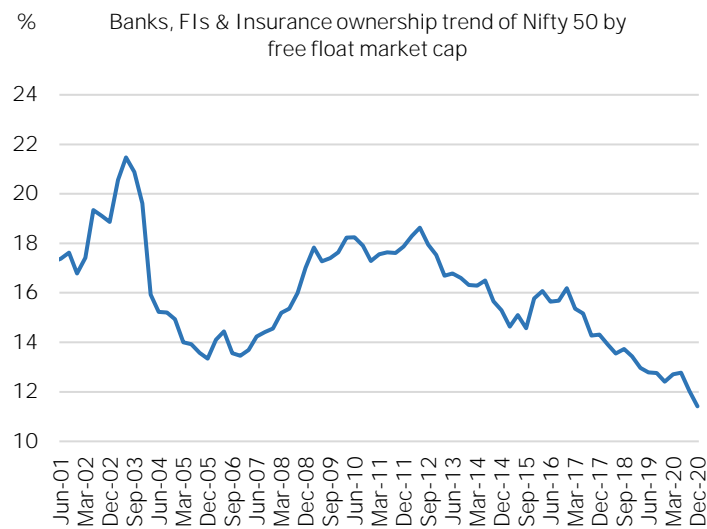
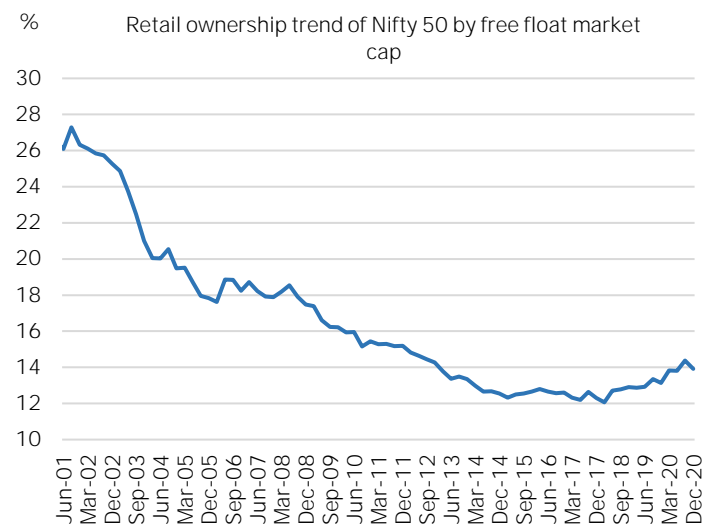


Figure 44: Banks, FIs & Insurance ownership trend of the Nifty 50 universe by free float market cap



Source: CMIE Prowess, NSE

Figure 45: Retail ownership trend of the Nifty 50 universe by free float market cap



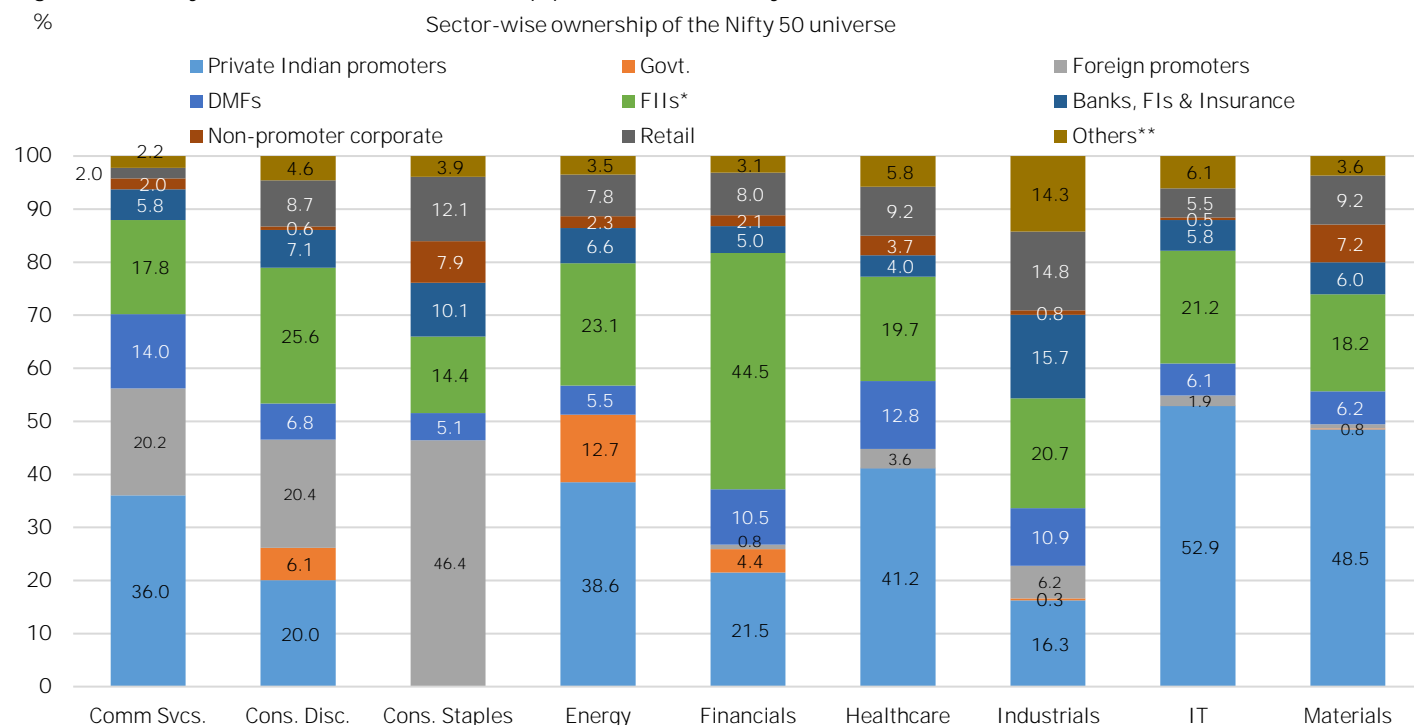
Sector-wise ownership of the Nifty 50 universe (December 2020): In the quarter ending December 2020, Communication Services within the Nifty 50 universe had the highest promoter ownership at 56.2%, followed by Information Technology at 54.8% (-74bps QoQ), Utilities at 51.3% and Energy at 51.0% (+44bps QoQ). Utilities and Energy remained the top sectors in terms of Government ownership at 53.2% (+33bps QoQ) and 12.7% (+278bps QoQ) respectively, even as both the sectors have seen a significant drop in Government's ownership over the years.

In the quarter ending December 2020, Communication Services remained at the top in terms of DMF ownership for the second consecutive quarter despite just one stock in the Index even as the holding has come off by 41bps QoQ to 14.0%. Utilities ranked second with DMF share of 12.9% (-120bps QoQ), followed by Healthcare at 12.8%, Industrials at 10.9% (-108bps QoQ) and Financials at 10.5% (-70bps QoQ). Notably, DMF ownership in Communication Services has nearly tripled in the last three years.

FII's have remained the biggest non-promoter owners of Financials and have seen an increase in allocation by 2pp to 44.5% in the December quarter, largely reversing the drop seen in the previous two quarters. This is followed by Consumer Discretionary at 25.6% (+86bps QoQ), Energy at 23.1% (-97bps QoQ), Information Technology at 21.2% (+40bps QoQ) and Industrials at 20.7% (+228bps QoQ). Unlike DMFs, FII's ownership share in Communication Services has been declining over the last few years, with the recent drop attributed to the exclusion of a couple of companies belonging to this sector from the Index including Indus Towers and Zee Entertainment. In terms of overall foreign ownership (including foreign promoters), Consumer Staples leads with a 60.9% foreign share, followed by Consumer Discretionary at 46.0% and Financials at 45.3% (+188bps QoQ).

Communication Services remained the leading sector in terms of DMF ownership for the second quarter in a row.

FII's have remained the biggest non-promoter owners of Financials and have seen an increase in allocation by 2pp to 44.5% in the December quarter.

Figure 46: Nifty 50: Sector-wise ownership pattern across key stakeholders (December 2020)


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 shareholders (December 2020): The table below shows the sector allocation for key stakeholders in Nifty 50 companies as of December 2020. The concentration of Government ownership in Financials, Energy and Utilities sector is much higher at 92% in the Nifty 50 universe vs ~72% in the broader listed universe. The Consumer sector accounted for 79.6% of the exposure of foreign promoters to the Nifty 50 companies as of December-end, down ~100bps QoQ and ~4.4pp lower than the 16-year high share of 84.0% as of end of March 2020. In case of institutional investors, DMFs have a much higher exposure to Financials at 39.1% in the Nifty 50 Index (+475bps QoQ) vs. 30.4% in the NSE-listed universe, even as it is 5.7pp lower than the two-decadal high share of 44.8% in the quarter ending December 2019. FIIs' allocation to Financials has risen by a much higher 7pp QoQ to 48% in the December quarter and is now mere 234bps lower than the highest share of 50.3% seen a year ago.

Both DMFs' and FIIs' allocation to Financials has risen sharply in the December quarter.

Figure 47: Sector allocation of the Nifty 50 universe for key stakeholders (December 2020)

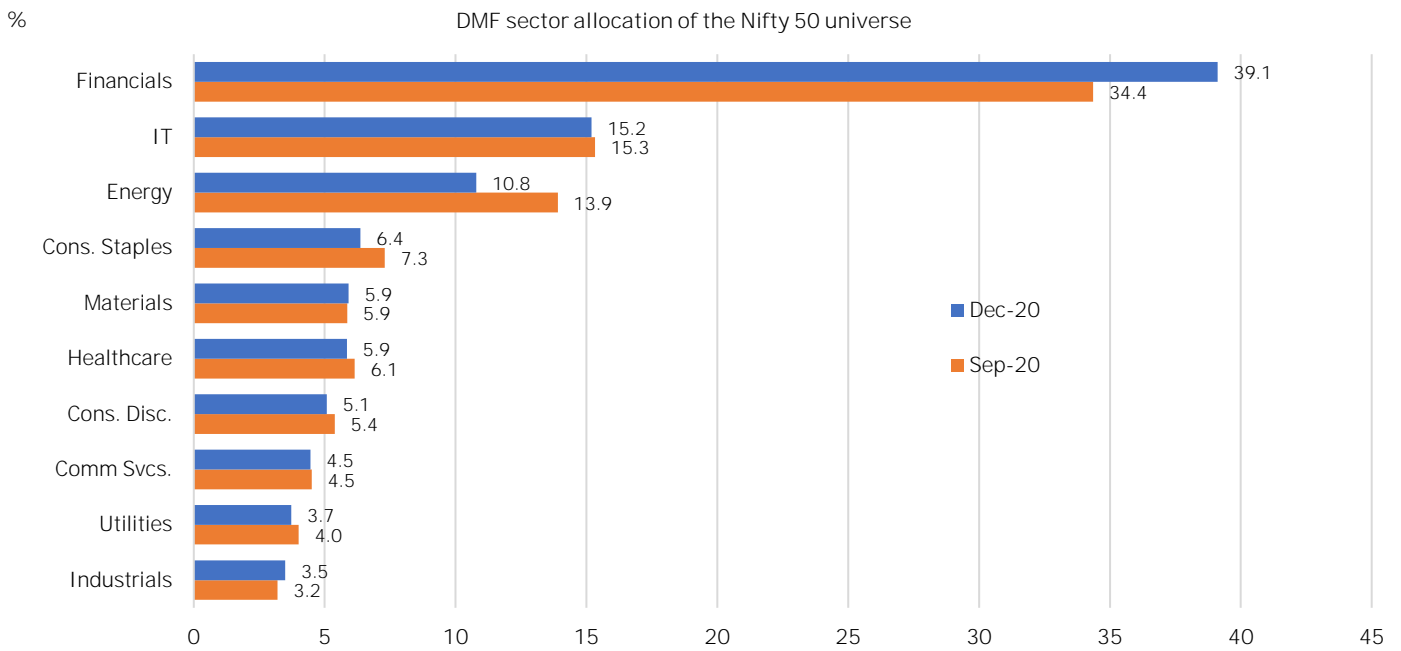
%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	FIIs*	Banks, FIs & Insurance	Non-promoter corporate	Retail
Communication Services	3.0	0.0	7.0	4.5	1.6	2.3	1.9	0.6
Consumer Discretionary	3.9	7.4	16.5	5.1	5.5	6.5	1.4	6.5
Consumer Staples	0.0	0.0	63.1	6.4	5.2	15.4	29.5	15.1
Energy	19.7	40.4	0.0	10.8	13.1	15.9	13.4	15.5
Financials	20.8	26.7	3.3	39.1	48.0	23.0	23.4	29.9
Health Care	4.9	0.0	1.8	5.9	2.6	2.3	5.0	4.2
Industrials	1.4	0.2	2.2	3.5	1.9	6.2	0.8	4.8
Information Technology	34.4	0.2	5.3	15.2	15.4	17.9	3.7	13.7
Materials	12.0	0.3	0.8	5.9	5.0	7.0	20.5	8.8
Utilities	0.0	24.9	0.0	3.7	1.6	3.6	0.3	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

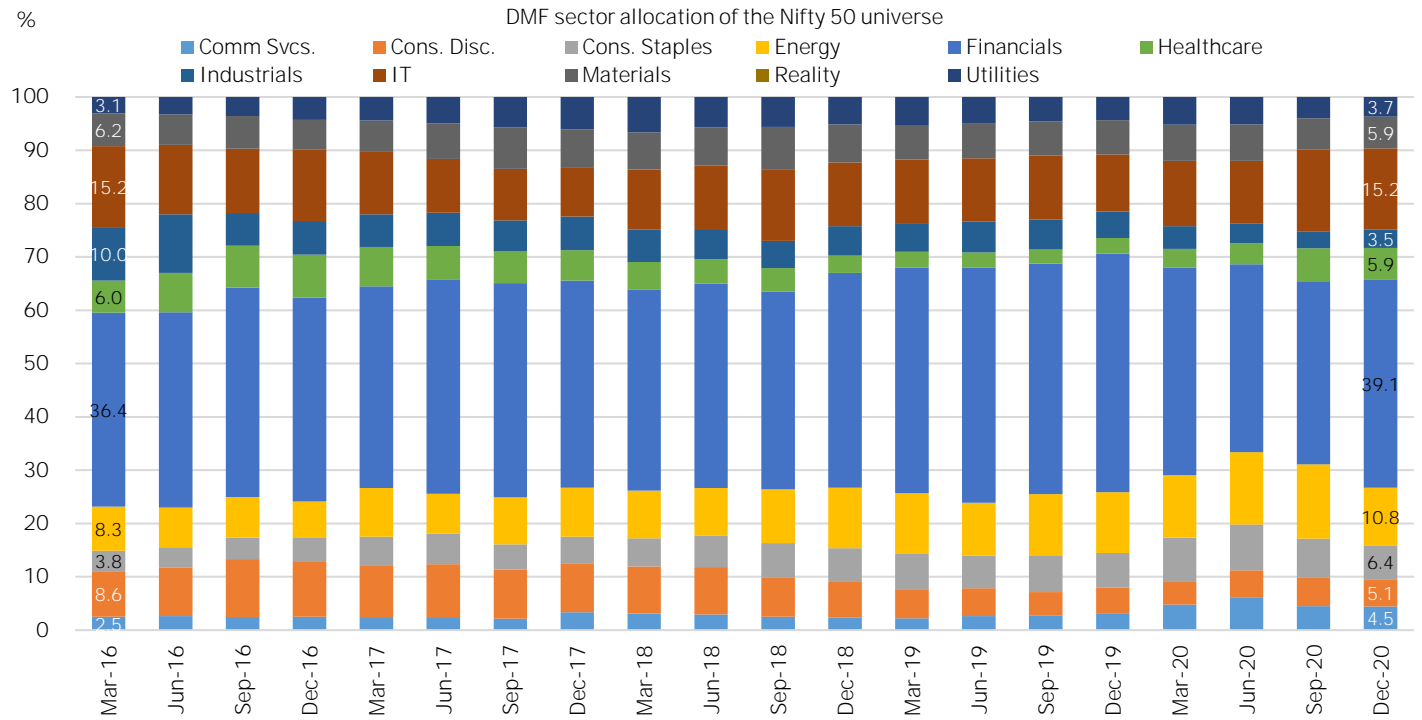
DMFs continued to place bets on COVID-immune sectors: In the wake of continued macro uncertainty, DMFs maintained their OW position on sectors that have remained largely unscathed from the COVID-19 pandemic. In the December quarter, DMFs maintained an OW stance on Healthcare, Communication Services and Utilities within the Nifty 50 Index for yet another quarter, increased exposure to Financials but turned Neutral on the sector relative to the Index and turned incrementally less cautious on Information Technology and Energy during the quarter. While DMFs retained their negative stance on India’s consumption theme with an UW position on Consumer Discretionary and Staples—partly attributed to expensive valuations, they had a neutral stance on Materials and Industrials in the December quarter.

DMFs increased their exposure to Financials but turned Neutral, maintained OW position on Healthcare, Communication Services and Utilities and remained negative on consumption-oriented sectors.

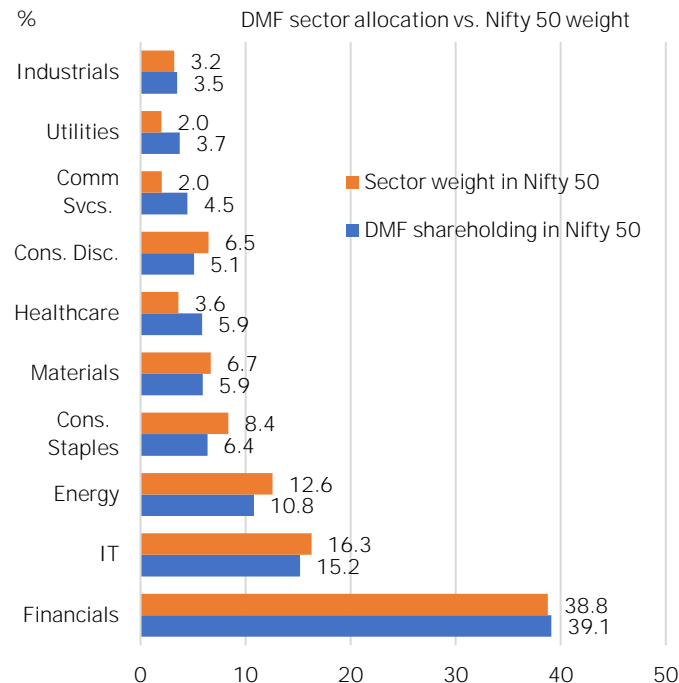
Figure 48: DMF sector allocation of the Nifty 50 universe (December 2020 vs. September 2020)



Source: CMIE Prowess, NSE

Figure 49: DMF sector allocation of the Nifty 50 universe over the last five years


Source: CMIE Prowess, NSE

Figure 50: DMF sector allocation vs sector weight in Nifty 50 (December 2020)


Source: CMIE Prowess, NSE

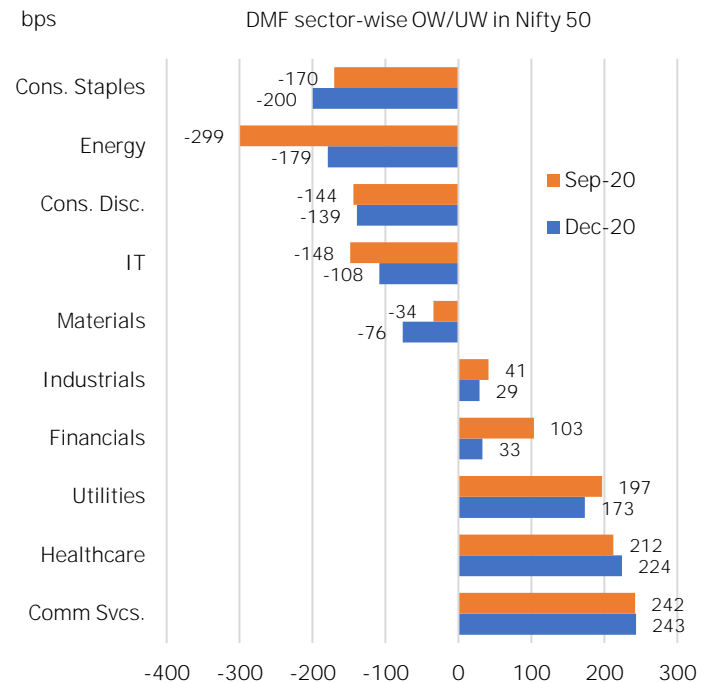
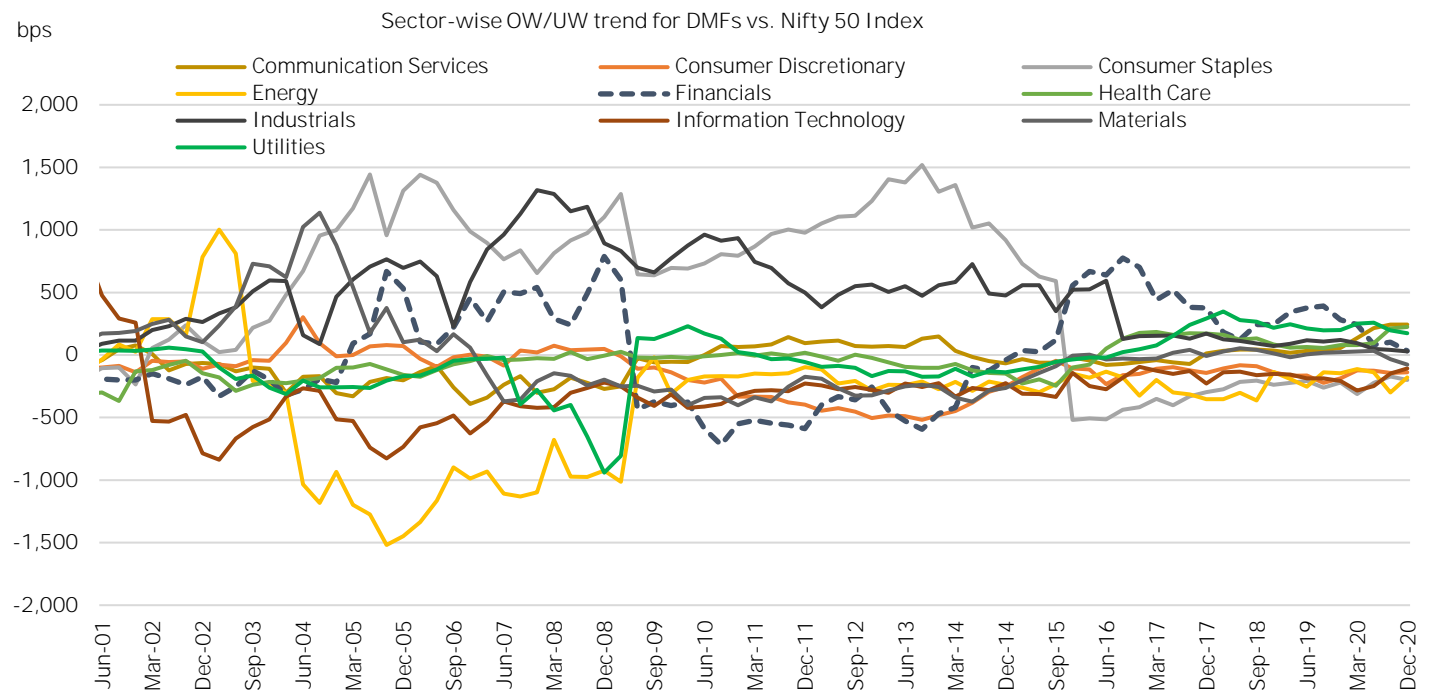
Figure 51: DMF sector-wise OW/UW in Nifty 50 relative to sector weight in the index (December 2020)


Figure 52: DMF vs Nifty 50—Sector-wise OW/UW trend (bps)

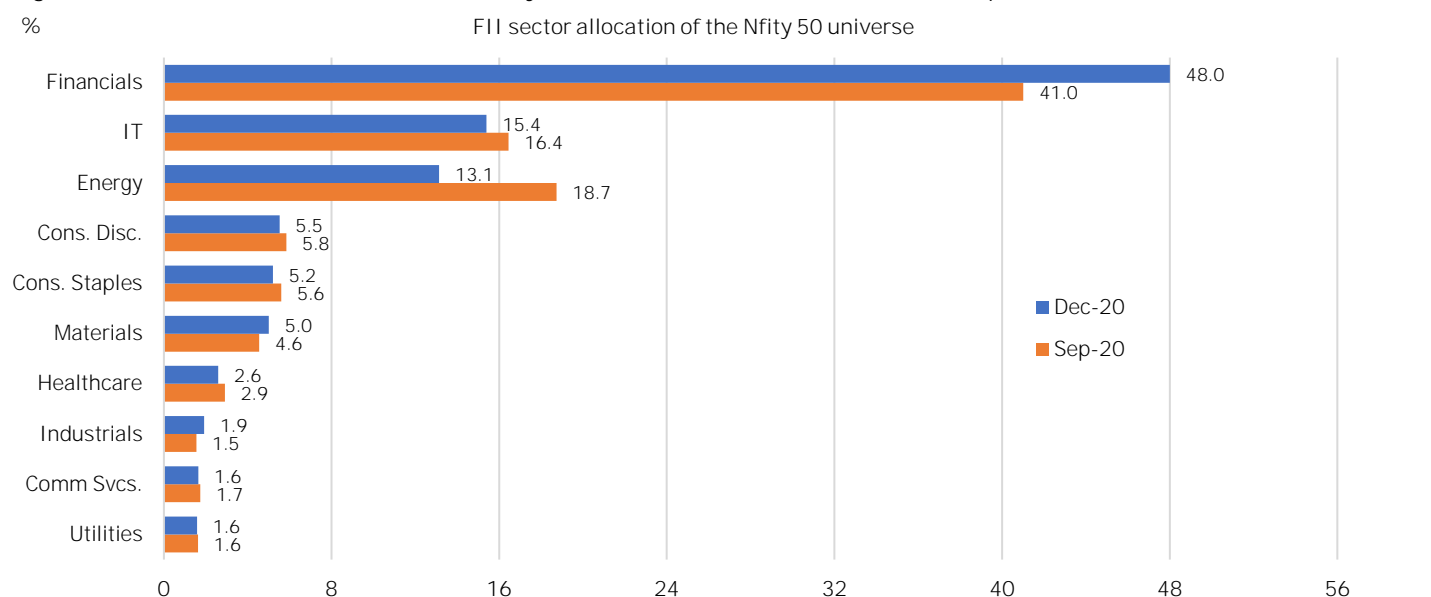


Source: CMIE Prowess, NSE

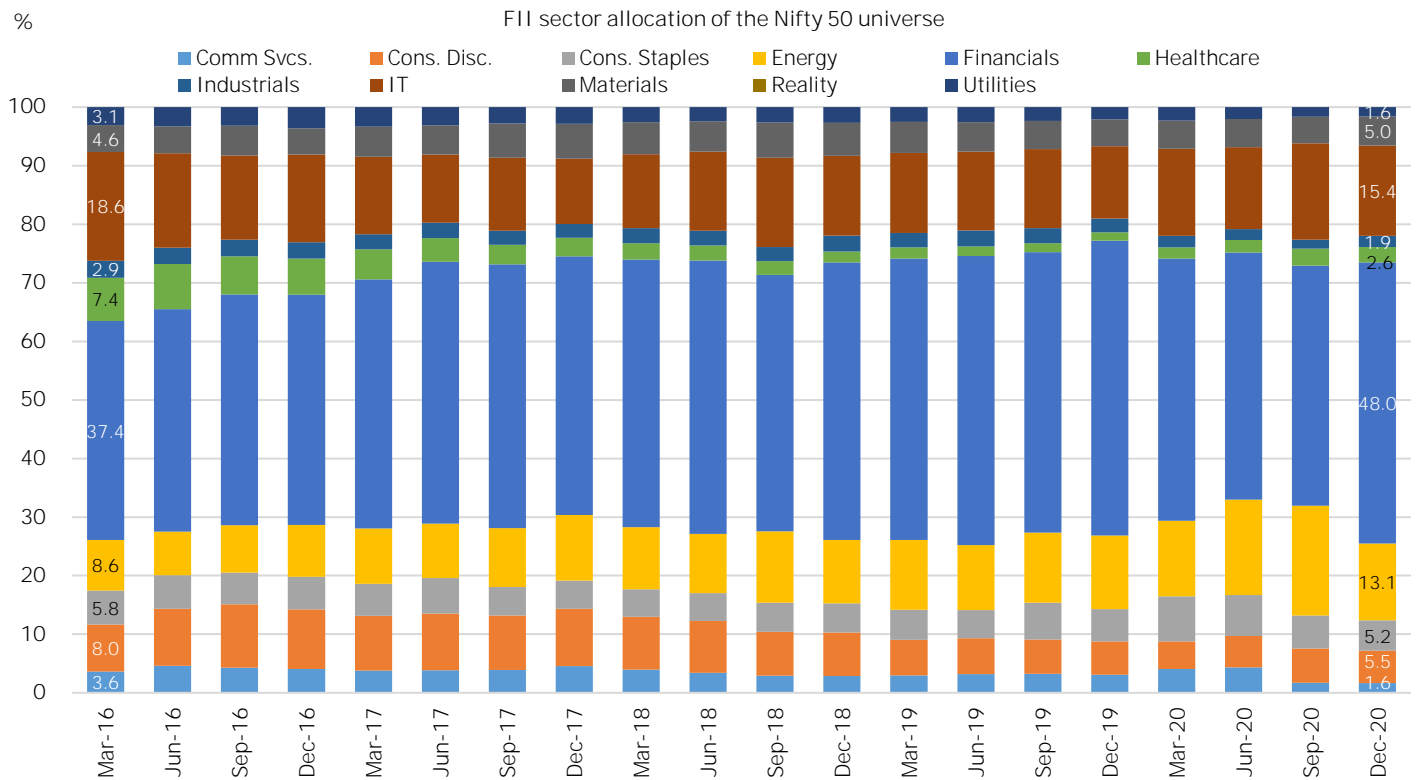
FII's strengthened their outsized bet on Financials and turned incrementally bearish on Energy: Unlike DMFs, FIIs increased their exposure to Financials over and above the increase in sector's weight in the Index, thereby strengthening their outsized OW bet on the sector. In fact, Financials is the only sector that FIIs are OW on within the Nifty 50 Index. FIIs turned incrementally bearish on Energy and changed their OW stance on the sector to Neutral in the December quarter, partly reflecting the sharp underperformance of the sector (particularly Reliance) with respect to the broader markets during the quarter. In terms of other sectors, FIIs remained negative on Consumer Staples, Healthcare, Industrials and Materials and neutral on Communication Services, Consumer Discretionary, Information Technology and Utilities.

FIIs strengthened their perennial OW position on Financials and turned incrementally negative on Energy.

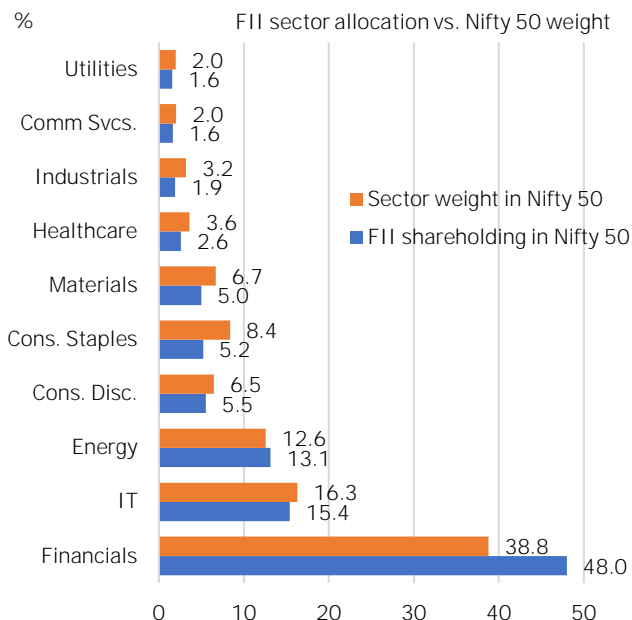
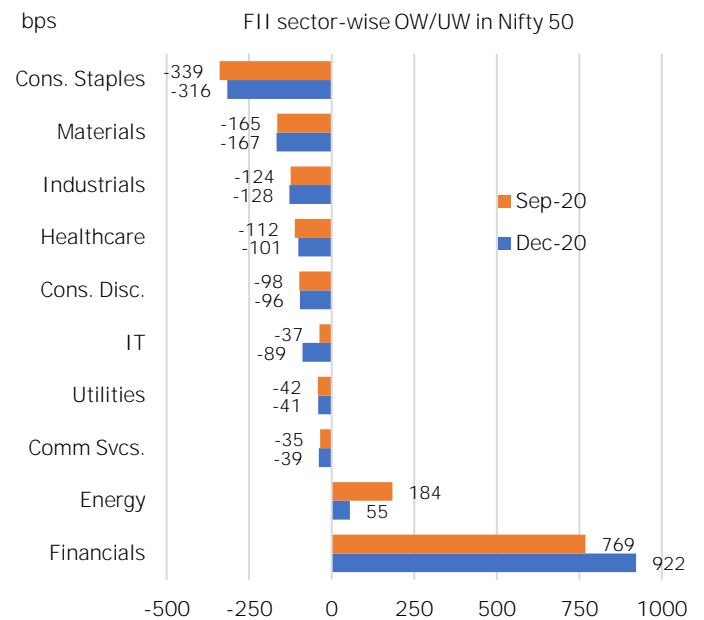
Figure 53: FII sector allocation of the Nifty 50 universe (December 2020 vs. September 2020)



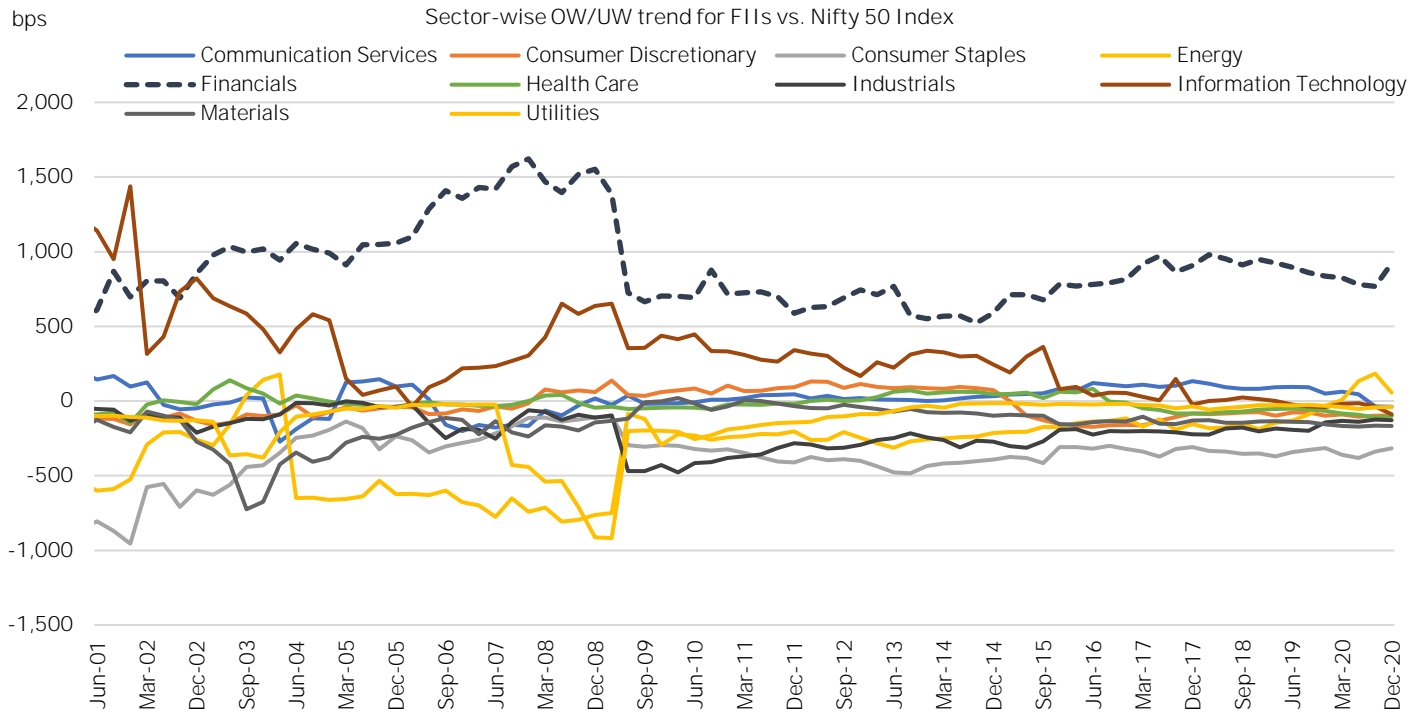
Source: CMIE Prowess, NSE *FII ownership includes ownership through depository receipts held by custodians

Figure 54: 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 55: FII sector allocation vs sector weight in Nifty 50 (December 2020)

Figure 56: FII sector-wise OW/UW in Nifty 50 relative to sector weight in the index (December 2020)


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

Figure 57: 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 2020)

Private promoter stake declined in-line with the listed universe; Govt. stake inched up marginally: In line with the listed universe and the Nifty 50 Index, private Indian promoter ownership in the Nifty 500 universe fell by 78bps QoQ—the steepest sequential decline in last 38 quarters—to 34.3% in the December quarter after rising over the previous three quarters. Nearly 119 out of 500 companies saw a drop in the private Indian promoter stake during the quarter. Foreign promoter further reduced their share in the Nifty 500 universe by 35bps QoQ on top of a 129bps drop in the previous two quarters to a six-quarter low of 9.5%. Consequently, private promoter stake fell by 113bps QoQ to 43.8% in the December quarter, marking the steepest QoQ drop in last 11 years.

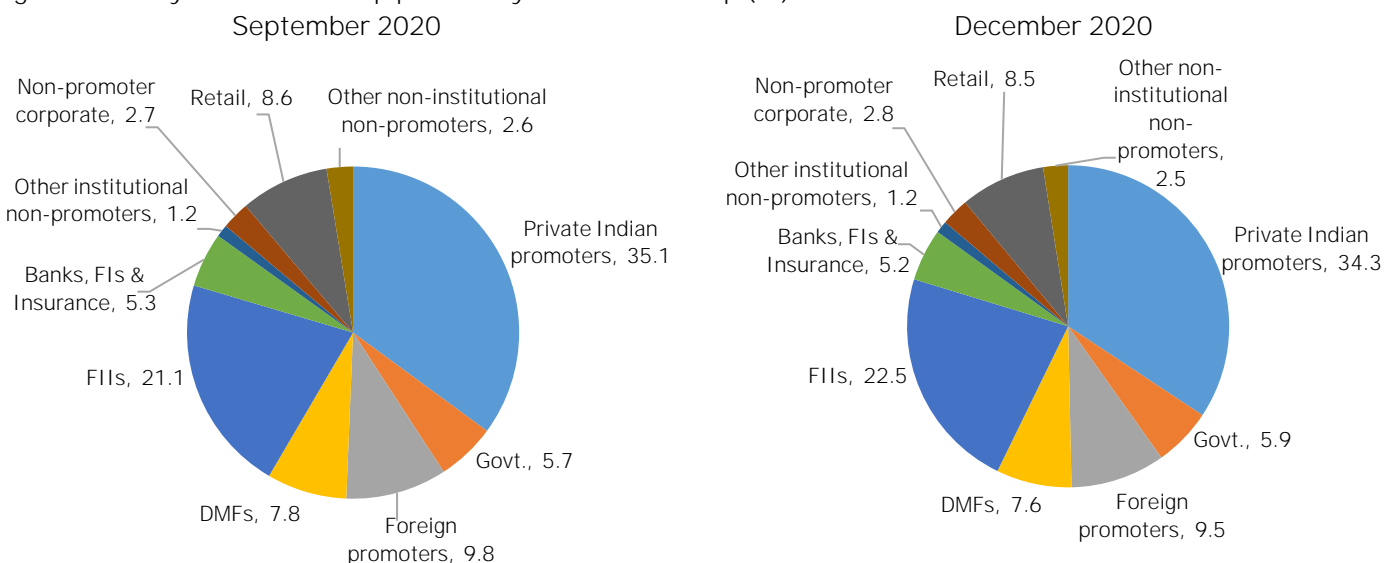
Institutional ownership in Nifty 500 inched up sharply led by FIIs: In terms of institutional ownership, DMFs' aggregate share in Nifty 500 companies fell by 22bps QoQ to 7.6%, taking the total decline in the first three quarters of this fiscal to 54bps. Banks, Financial Institutions and Insurance companies continued to trim their ownership in the Nifty 500 companies by 7bps QoQ to hit fresh two-decadal lows of 5.2%. Selling by domestic institutions, however, was far more than made up by FIIs whose share in the Nifty 500 companies rose by 134bps QoQ to 22.5% and is now mere 72bps shy of the peak share in December 2014. However, this increase has been entirely led by Financials, partly reflecting huge outperformance of the sector with respect to the broader market. Excluding Financials, FII ownership in the Nifty 500 Index fell by 38bps QoQ to 13.3% in the December quarter.

Retail ownership dropped marginally in the Nifty500 universe: Retail investors ownership in Nifty 500 companies fell by a modest 9bps QoQ to 8.5% in the December quarter but is still up 52bps in 2020 as a whole. The decline has been much steeper in the listed space excluding the Nifty 500 universe, and understandably so, given higher retail interest and ownership in smaller companies.

Private Indian promoter ownership in the Nifty 500 universe rose to near 15-year high of 34.8% in the September quarter, even as foreign promoter and government ownership declined further.

FII share in Nifty 500 rose by 44bps QoQ in the September quarter, while that of DMFs fell by a modest 10bps to 7.9%.

Figure 58: Nifty 500: Ownership pattern by total market cap (%)



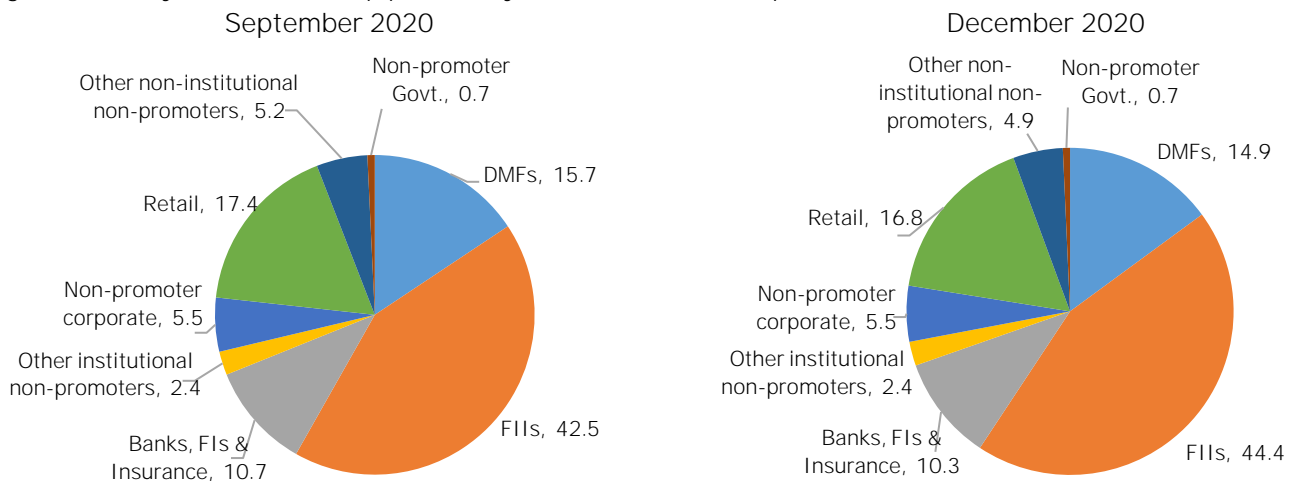
Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 59: 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-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	31.9	8.0	9.7	7.9	5.6	23.0	3.4	8.0
Mar-20	32.8	6.9	11.1	8.1	5.5	21.6	3.1	8.1
Jun-20	33.4	6.9	10.6	8.0	5.5	20.9	2.9	8.3
Sep-20	35.1	5.7	9.8	7.8	5.3	21.1	2.7	8.6
Dec-20	34.3	5.9	9.5	7.6	5.2	22.5	2.8	8.5
QoQ change	-78bps	14bps	-35bps	-22bps	-7bps	134bps	8bps	-9bps

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

In terms of floating stock, FII share in the Nifty 500 Index rose by 183bps QoQ to 44.4% in the December quarter, reversing the drop seen in the previous three quarters to a large extent. FII share in the Nifty 500 Index is now 3.1pp lower than the peak share over the last two decades. Share of DMFs in the floating stock of Nifty 500 companies declined by 74bps QoQ—the steepest QoQ decline in last 17 years and the third decline in a row—to 14.9% as of December-end, and is now 144bps shy of the two-decadal high share of 16.4% in the March quarter. Retail ownership in the Nifty500 floating stock fell by 51bps QoQ from an eight-year high of 17.4% in the September quarter to 16.8% in the December quarter—nearly 293bps higher than retail share in the Nifty50 floating stock.

Figure 60: Nifty 500: Ownership pattern by free float market cap (%)


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

Figure 61: Nifty 500: Ownership trend across key stakeholders by free float market cap over the last three years

%	Domestic MFs	Banks, FIs & Insurance	FII's	Non-promoter corporate	Retail
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	43.2	9.1	15.6
Sep-19	15.5	11.3	44.4	6.8	15.9
Dec-19	15.6	10.9	45.2	6.6	15.8
Mar-20	16.4	11.1	43.5	6.2	16.4
Jun-20	16.1	11.2	42.2	5.9	16.7
Sep-20	15.7	10.7	42.5	5.5	17.4
Dec-20	14.9	10.3	44.4	5.5	16.8
<i>QoQ change</i>	<i>-74bps</i>	<i>-35bps</i>	<i>183bps</i>	<i>6bps</i>	<i>-51bps</i>

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 slower pace than the Nifty 50 Index, entirely led by a sharp dip in Government ownership, while the share of private promoters (Indian and foreign) has significantly increased during this period.

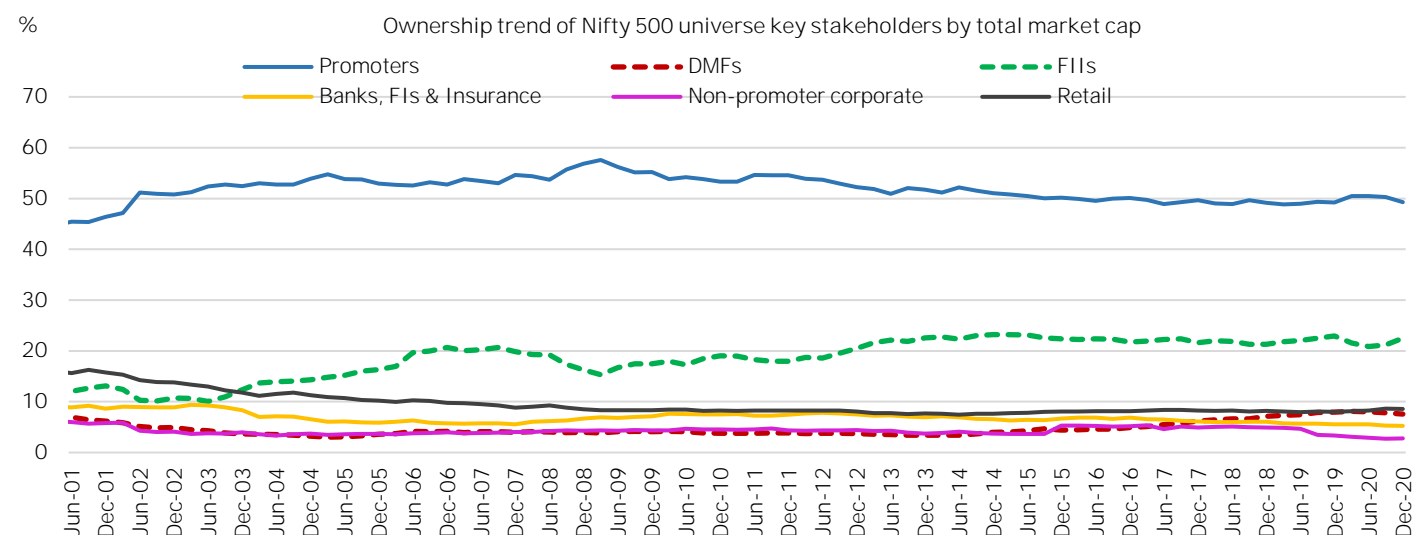
DMF ownership in Nifty 500 saw a gradual increase beginning 2014 to reach the highest level in last two decades by December 2019. The year 2020, however, saw some dip in DMF share, partly reflecting a moderation in SIP inflows post the COVID-19 pandemic. FII ownership in the Nifty 500 universe improved meaningfully post the GFC until 2015 but has since hovered between 26-28%. In 2020, FII share declined sharply in the first half as pervasive risk-off environment then due to impending recession concerns led to flight of capital from riskier asset classes such as EM equities to safe havens assets. However, massive liquidity injection by global central banks improved global risk appetite, leading to a huge influx of foreign capital into India in H2 2020, thereby resulting in a significant improvement in FII share. 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.

FII ownership in Nifty 500 saw a steady rise post the GFC until 2015 and has since hovered between 26-28%.

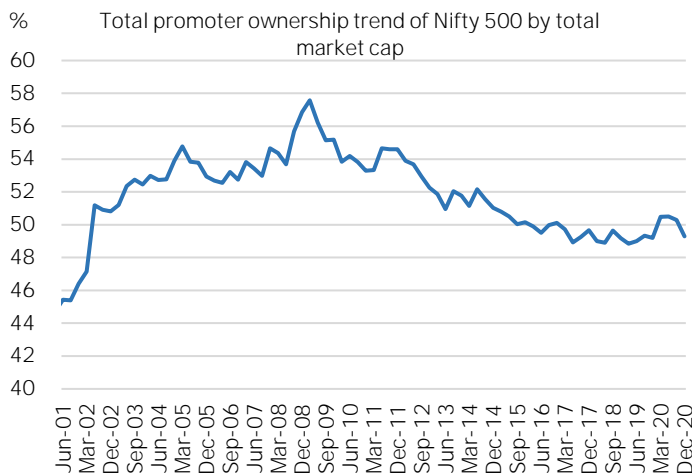
DMF ownership in Nifty 500 has been gradually rising since 2014, barring a dip in 2020.

Figure 62: 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 63: Total promoter ownership trend of the Nifty 500 universe by total market cap



Source: CMIE Prowess, NSE

Figure 64: Indian and foreign promoter ownership trend of the Nifty 500 universe by total market cap

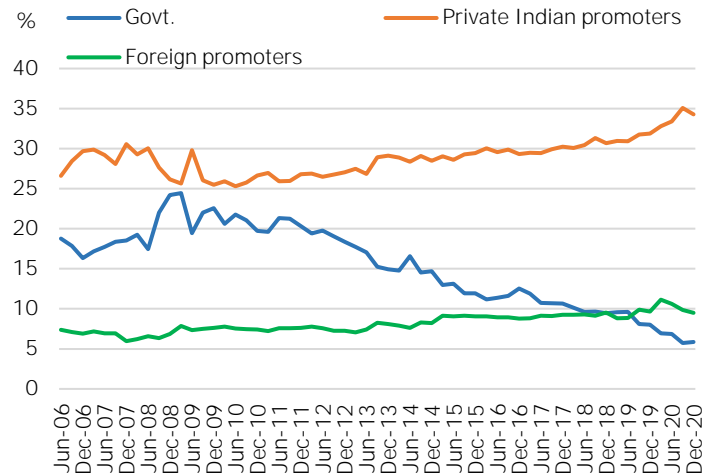
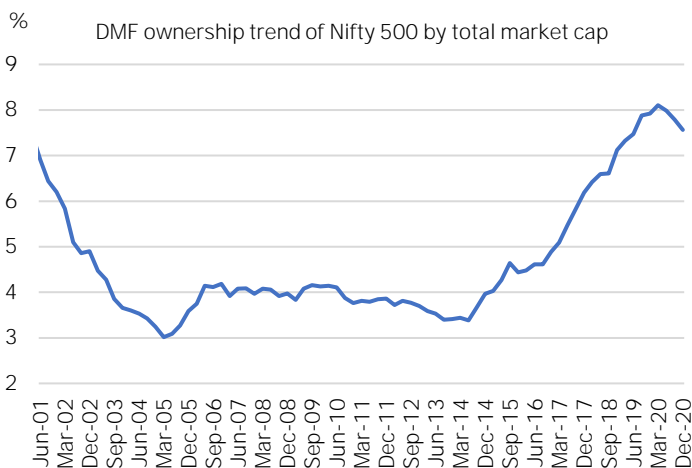


Figure 65: DMF ownership trend of the Nifty 500 universe by total market cap



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

Figure 66: FII ownership trend of the Nifty 500 universe by total market cap

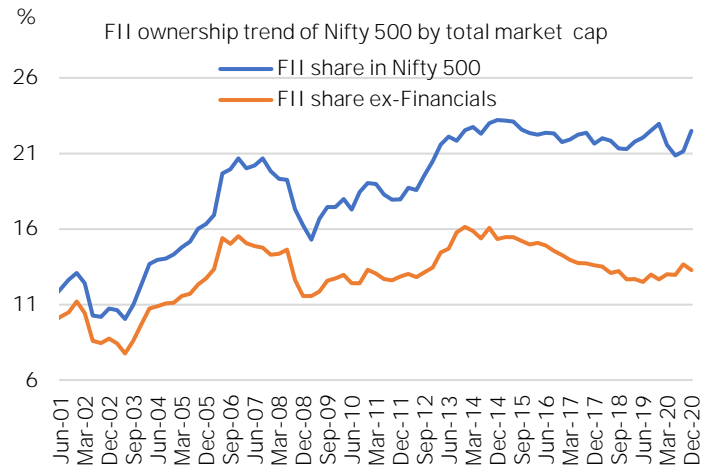
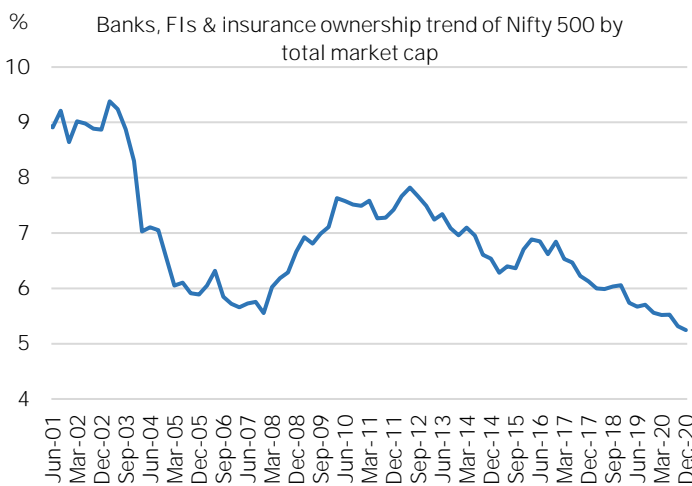
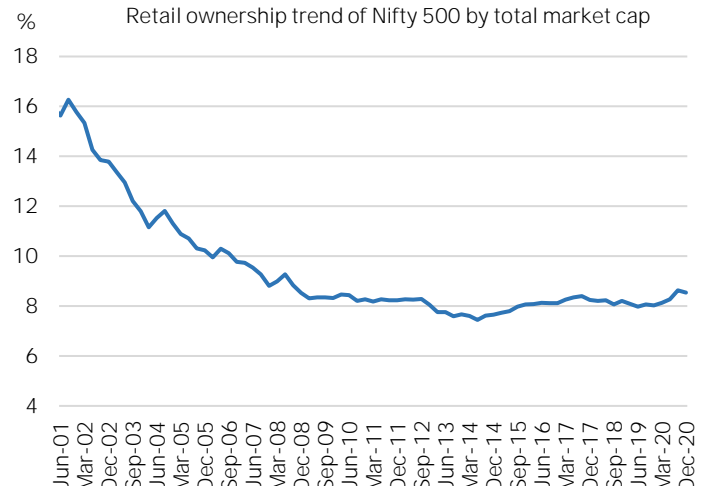


Figure 67: Banks, FIs & Insurance ownership trend of the Nifty 500 universe by total market cap



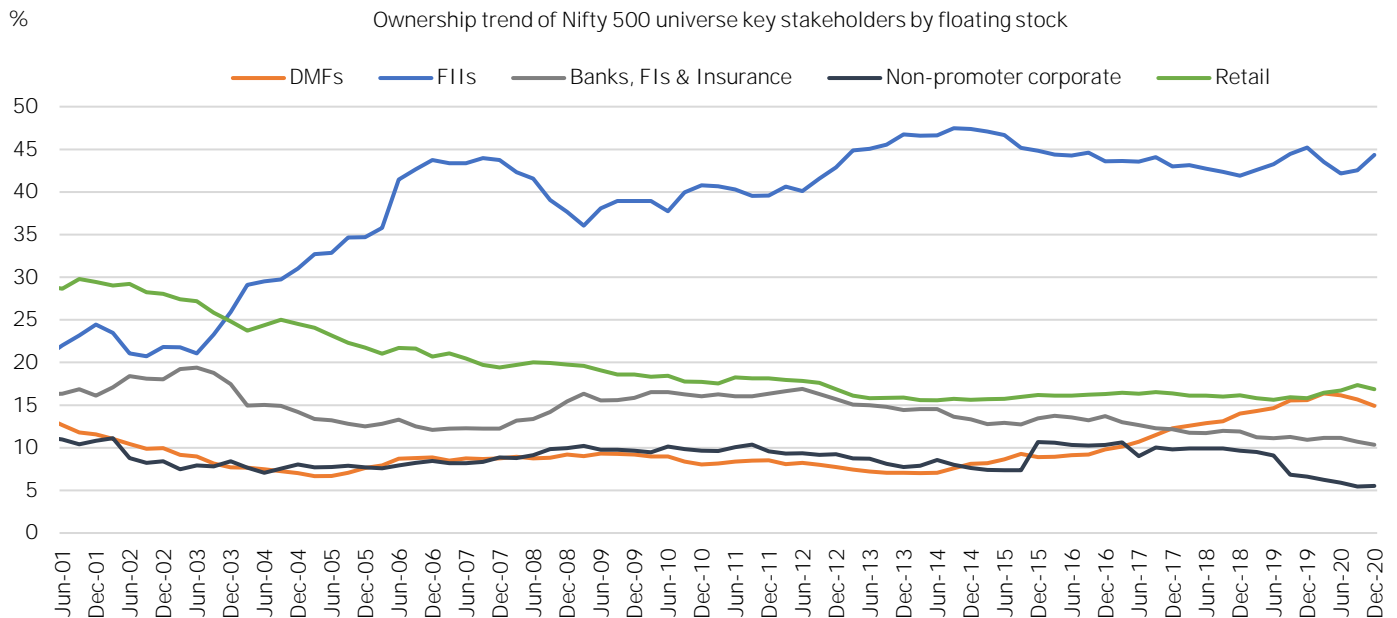
Source: CMIE Prowess, NSE

Figure 68: Retail ownership trend of the Nifty 500 universe by total market cap



Our long-term ownership analysis on the floating stock of the Nifty 500 Index also shows that while DMF ownership is hovering around 140bps lower than its highest level since 2001, current FII ownership is 311bps lower than the peak of 47.5% in September 2014.

Figure 69: 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 70: DMF ownership trend of the Nifty 500 universe by free float market cap

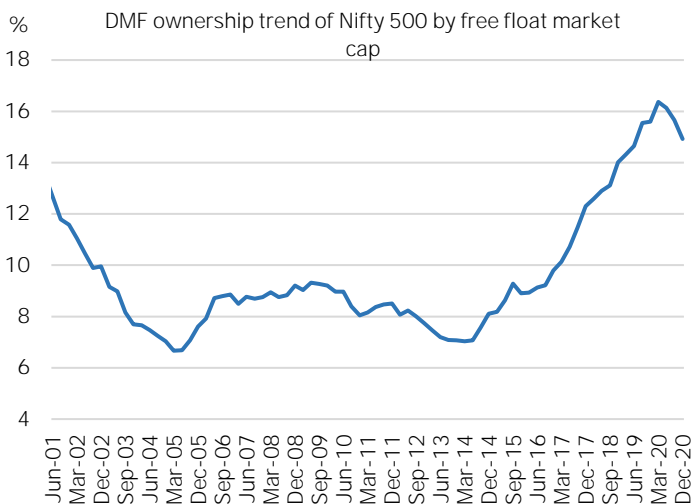
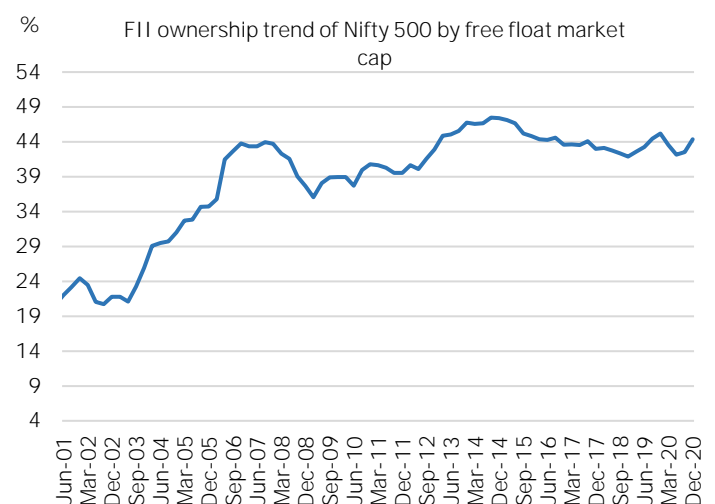
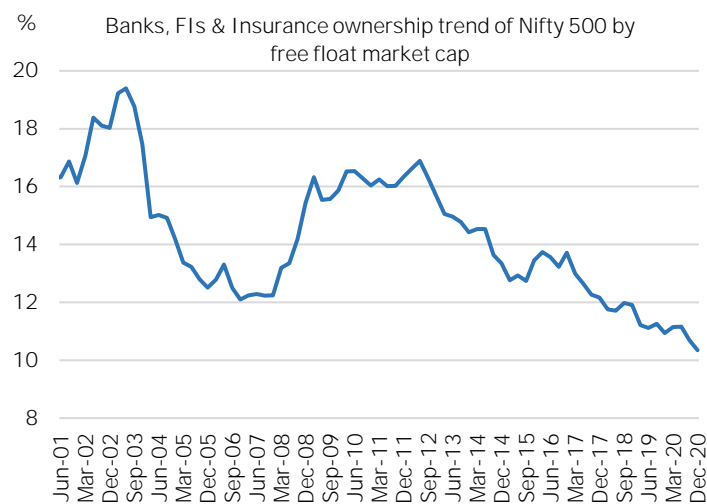


Figure 71: FII ownership trend of the Nifty 500 universe by free float market cap



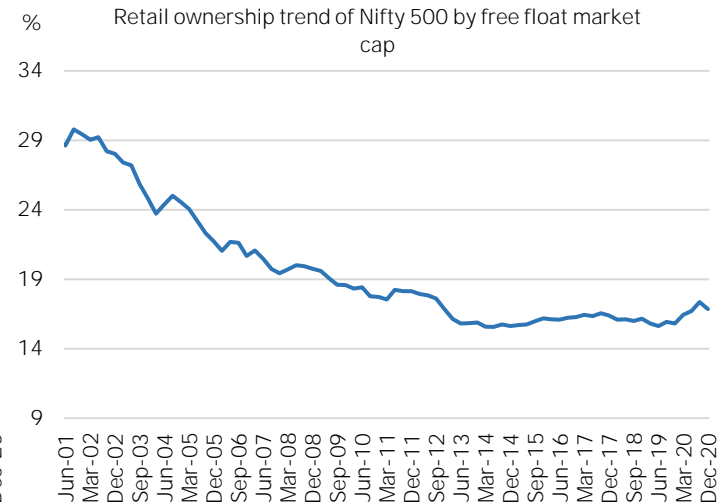
Source: CMIE Prowess, NSE *FII ownership includes ownership through depository receipts held by custodians

Figure 72: Banks, FIs & Insurance ownership trend of the Nifty 500 universe by free float market cap



Source: CMIE Prowess, NSE

Figure 73: Retail ownership trend of the Nifty 500 universe by free float market cap



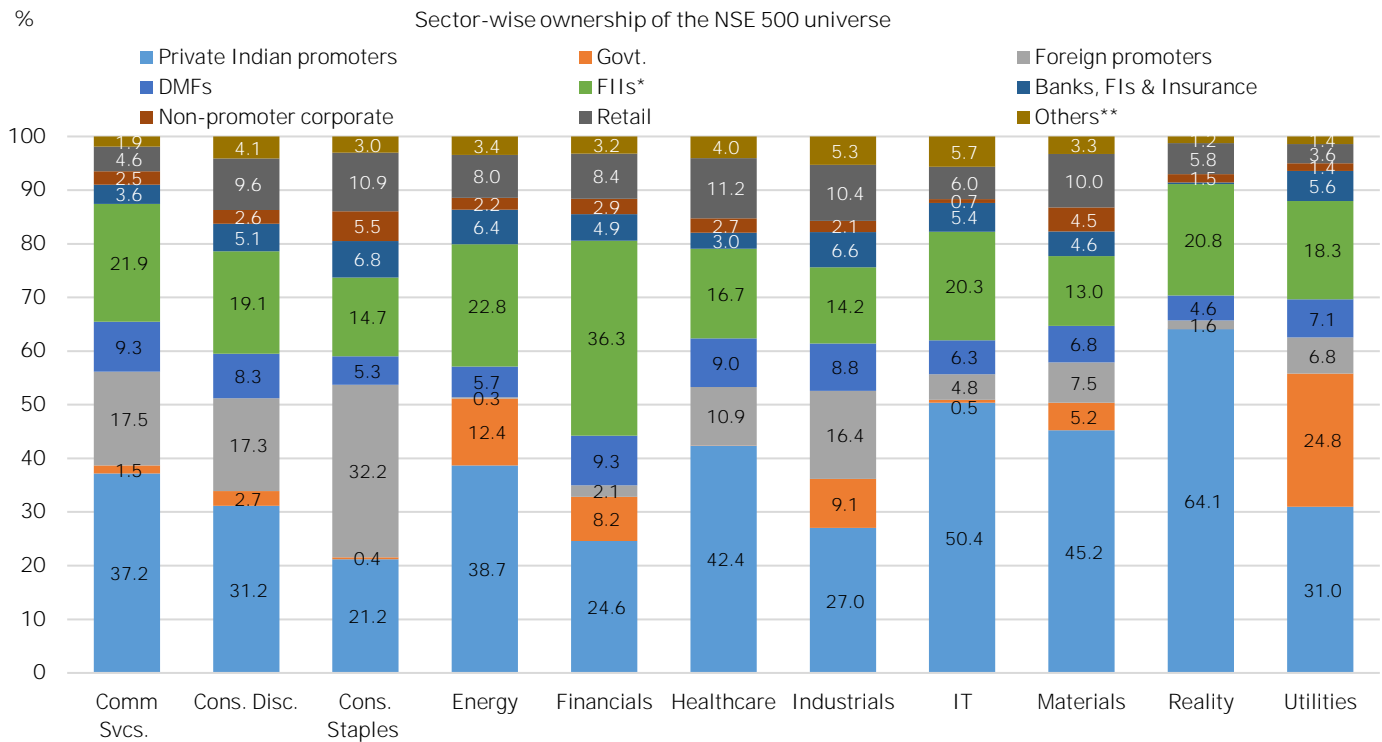
Sector-wise ownership of the Nifty 500 universe (December 2020): As of December 2020, Real Estate sector had the highest promoter shareholding at 65.7%, followed by Utilities at 61.1% (+59bps QoQ), Materials at 56.2% (-33bps QoQ) and Communication Services at 56.1% (+183bps QoQ). Utilities had the highest Government ownership at 24.8% (-137bps QoQ), followed by Energy at 12.4% (+263bps QoQ), even as both have seen a significant drop over the last few years. Industrials and Financials stood second and third with Government share at 9.1% (-162bps QoQ) and 8.2% (-49bps QoQ) respectively in the December quarter.

In case of DMF ownership, all sectors except for Real Estate saw a drop in the December quarter led by Utilities, Materials and Communication Services. In terms of absolute share held by DMFs within the Nifty 500 universe, Communication Services maintained the top position among sectors with a DMF share of 9.3% (-72bps QoQ) in the December quarter, followed by Financials at 9.25% (-27bps QoQ) and Healthcare at 9.0% (-38bps QoQ). DMF ownership in Real Estate sector within the Nifty 500 Index jumped by 14bps QoQ to near-15-year high of 4.6% in the quarter ending December 2020.

FII remained the biggest non-promoter owners of Financials at 36.3% (+273bps QoQ), followed by Energy at 22.8% (-97bps QoQ) and Communication Services at 21.9% (-58bps QoQ). Except for Communication Services, Energy and Real Estate, all sectors within the Nifty 500 universe witnessed a sequential increase in FII ownership in the December quarter. In terms of overall foreign ownership (including foreign promoters), Consumer Staples leads with a 46.8% (+7bps QoQ) foreign share, followed by Communication Services at 39.4% (+39.4bps QoQ) and Financials at 38.5% (+235bps QoQ).

Sector-wise, all sectors except for Real Estate saw a drop in DMF ownership in the December quarter led by Utilities, Materials and Communication Services.

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

Figure 74: Nifty 500: Sector-wise ownership pattern across key stakeholders (December 2020)


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 2020): The table below shows the sector allocation for key stakeholders in Nifty 500 companies as of December 2020. The concentration of Government ownership in Financials, Energy and Utilities sector was at 73.6% as of December-end, a tad higher than that in the overall listed universe but much lower than that in the Nifty 50 universe. In case of institutional investors, DMFs have a much lower allocation to Financials at 31% than FIIs at 41%, even as both of them have seen an increase in allocation to the sector in the quarter gone by, partly attributed to relative outperformance of the sector with respect to the broader market during this period.

Figure 75: Sector allocation of the Nifty 500 universe for key stakeholders (December 2020)

%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	FIIs*	Banks, FIs & Insurance	Non-promoter corporate	Retail
Communication Services	3.4	0.8	5.7	3.8	3.0	2.2	2.8	1.7
Consumer Discretionary	7.5	3.9	15.1	9.1	7.0	8.1	7.7	9.3
Consumer Staples	6.5	0.6	35.5	7.3	6.8	13.7	20.6	13.4
Energy	11.5	21.6	0.3	7.7	10.3	12.5	8.2	9.5
Financials	18.2	35.6	5.7	31.0	41.0	23.7	26.4	24.9
Health Care	8.2	0.0	7.6	7.9	4.9	3.7	6.4	8.7
Industrials	5.4	10.7	11.8	8.0	4.3	8.6	5.1	8.4
Information Technology	20.3	1.2	7.0	11.5	12.5	14.2	3.5	9.7
Materials	13.8	9.3	8.3	9.5	6.1	9.1	16.8	12.2
Real Estate	1.7	0.0	0.2	0.6	0.9	0.0	0.5	0.6
Utilities	3.5	16.4	2.8	3.6	3.2	4.1	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 turned incrementally cautious on smaller financial companies and continued to favour COVID-immune sectors: DMFs' turned incrementally more negative on financial companies as reflected from their strengthened UW position on the sector within the Nifty 500 Index. This contrasts with a Neutral position on the sector within the Nifty 50 Index, indicating the sustenance of a cautious view of DMFs on smaller banks and NBFCs for yet another quarter.

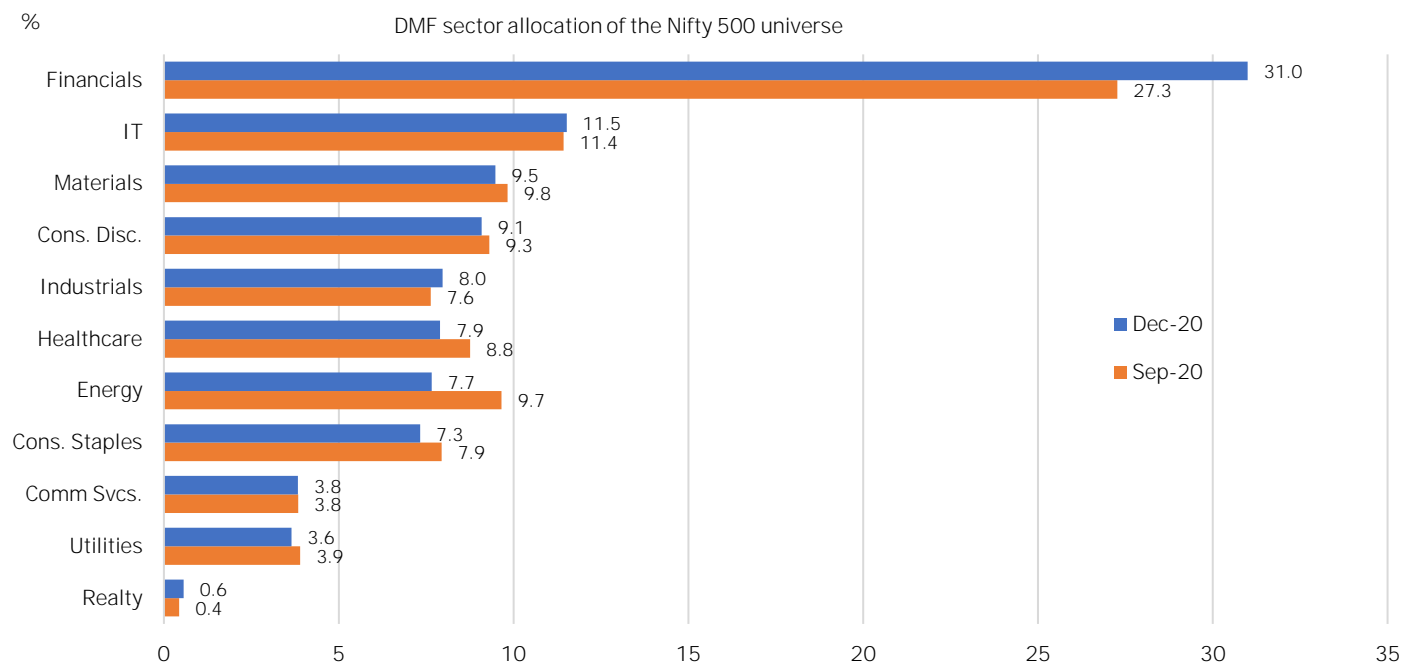
DMFs turned incrementally more negative on smaller banks and NBFCs and reduced their UW stance on Energy.

Similar to the trend seen in the Nifty 50 Index, DMFs turned incrementally less negative on Energy, and reduced their UW stance as the drop in DMFs' allocation to the sector was lower than the decline in its weight in the Index. This partly reflects a meaningful underperformance of the Energy sector vis-à-vis the broader Index in the December quarter. DMFs also reduced their UW stance on Information Technology during the quarter, while turned Neutral on Materials after remaining OW in the previous two quarters. In terms of other sectors, DMFs maintained their OW stance on Healthcare, Communication Services and Industrials, UW stance on Consumer Staples and Neutral stance on Consumer Discretionary, Materials, Real Estate and Utilities. DMFs' OW position on Industrials, however, has come off meaningfully over the last several years.

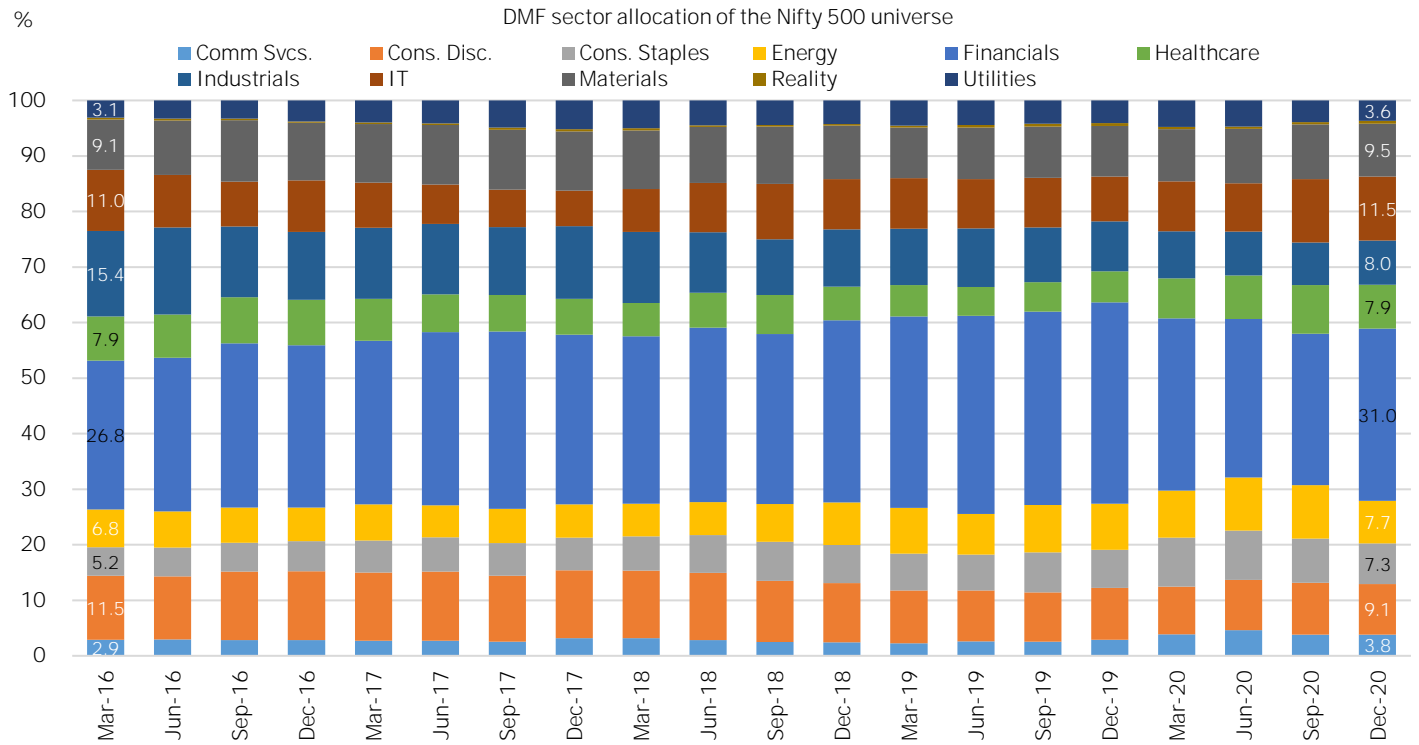
The OW position on Industrials was retained despite a cut in allocation.

Notably, unlike FIIs, DMFs' portfolio has remained far more aligned to the Index for yet another quarter, with no outsized positive or negative bets on any sector.

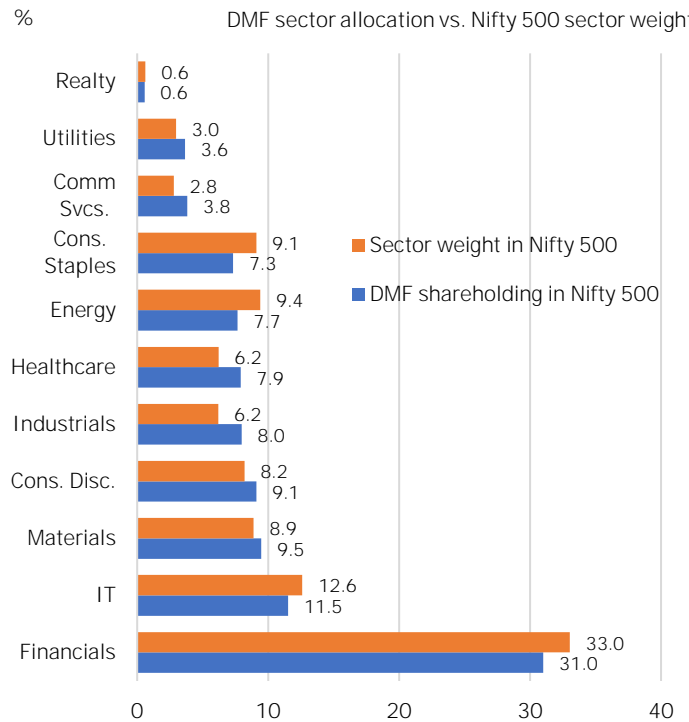
Figure 76: DMF sector allocation of the Nifty 500 universe (December 2020 vs. September 2020)



Source: CMIE Prowess, NSE.

Figure 77: DMF sector allocation of the Nifty 500 universe over last five years


Source: CMIE Prowess, NSE

Figure 78: DMF sector allocation vs sector weight in Nifty 500 (December 2020)


Source: CMIE Prowess, NSE

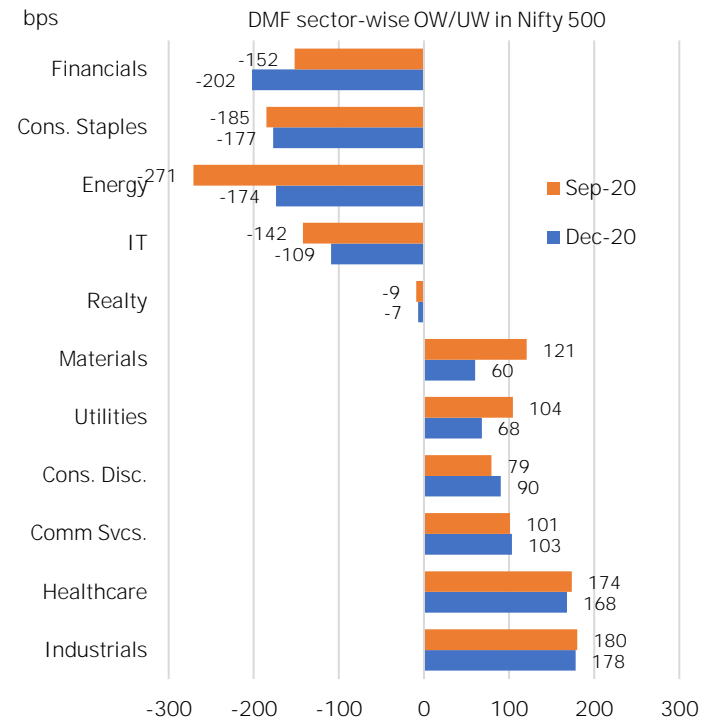
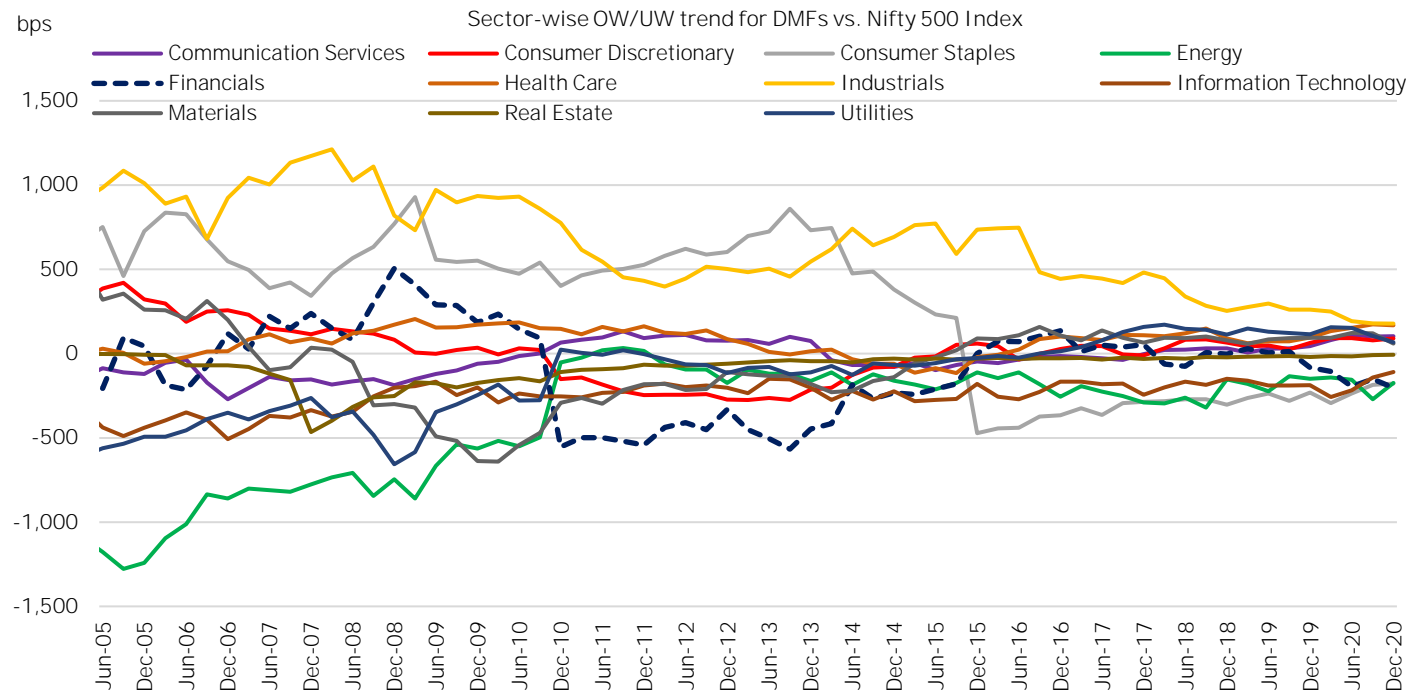
Figure 79: DMF sector-wise OW/UW in Nifty 500 relative to sector weight in the index (December 2020)


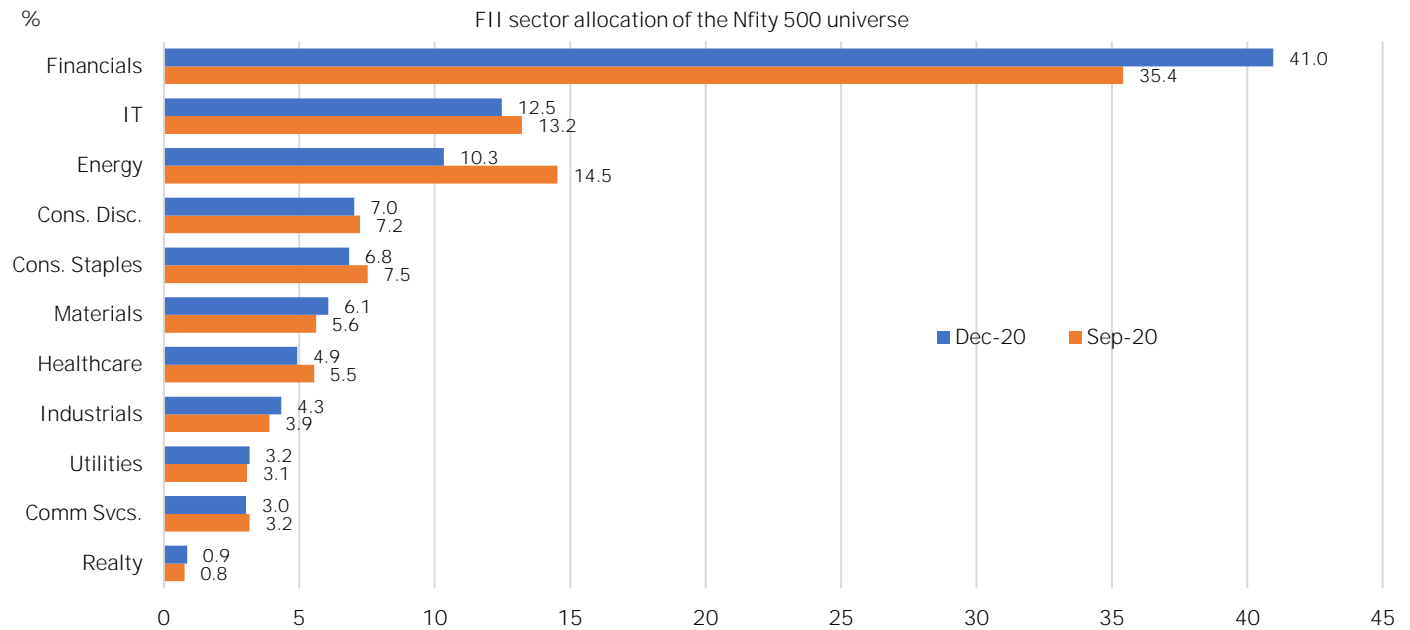
Figure 80: DMF vs Nifty 500—Sector-wise OW/UW trend (bps)


Source: CMIE Prowess, NSE

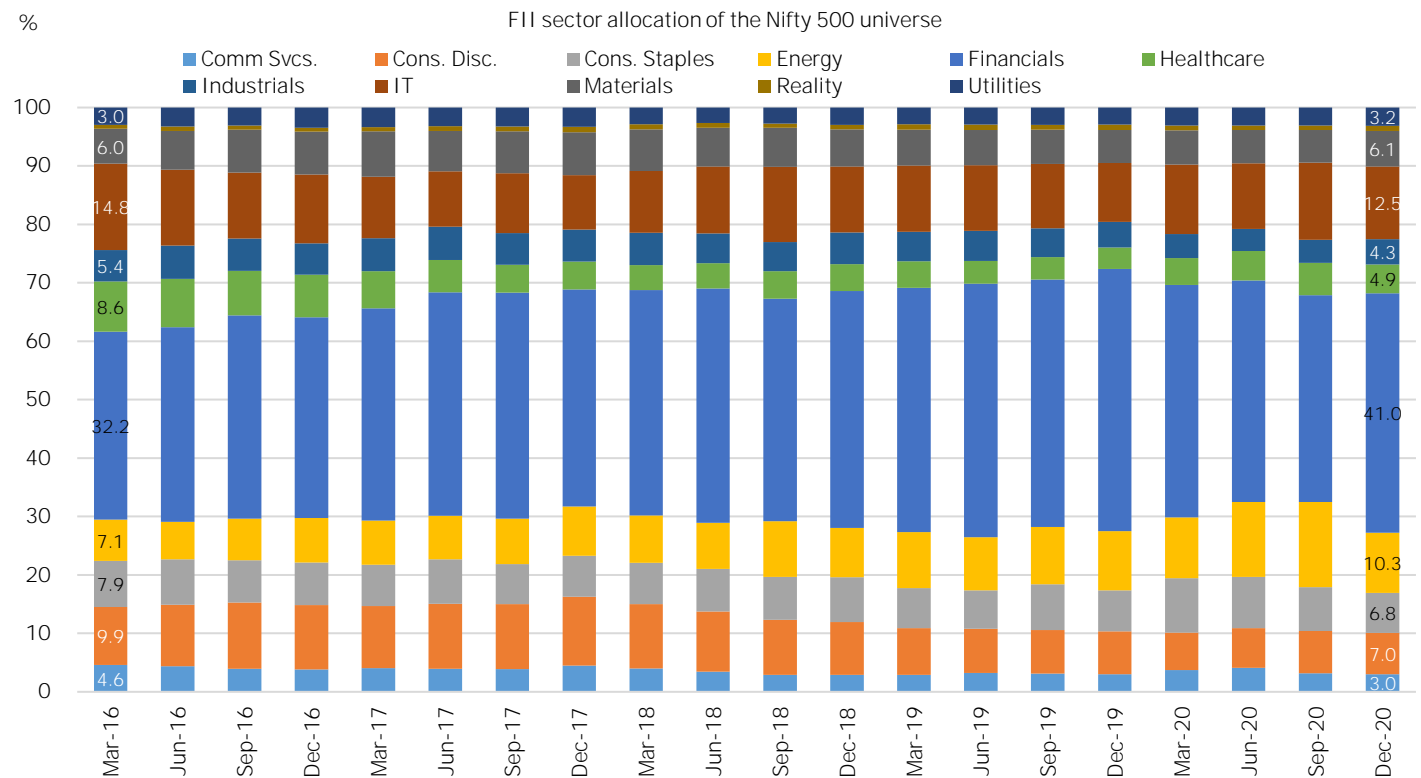
FII's **sector stance contrasted DMFs' with a** strengthened OW stance on Financials in the Nifty 500 Index: Unlike DMFs, FIIs strengthened their outsized bet on Financials relative to the Index to 10-quarter highs with an absolute allocation of 41% to the sector within the Nifty 500 Index. This has primarily come at the expense of a sharp reduction in allocation to Energy—a part of which is a reflection of the sector's underperformance with respect to broader markets in the December quarter.

Besides Financials and Energy, the relative sector positioning of FIIs on other sectors within the Nifty 500 Index has remained broadly stable in the December quarter, and is in complete contrast to DMFs' sector stance. 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 are UW on Consumer Staples as well as Consumer Discretionary, possibly reflecting valuation discomfort and uncertain demand environment. Amongst other sectors, FIIs maintained a negative stance on Healthcare and a neutral position on Utilities, Communication Services, Information Technology and Real Estate.

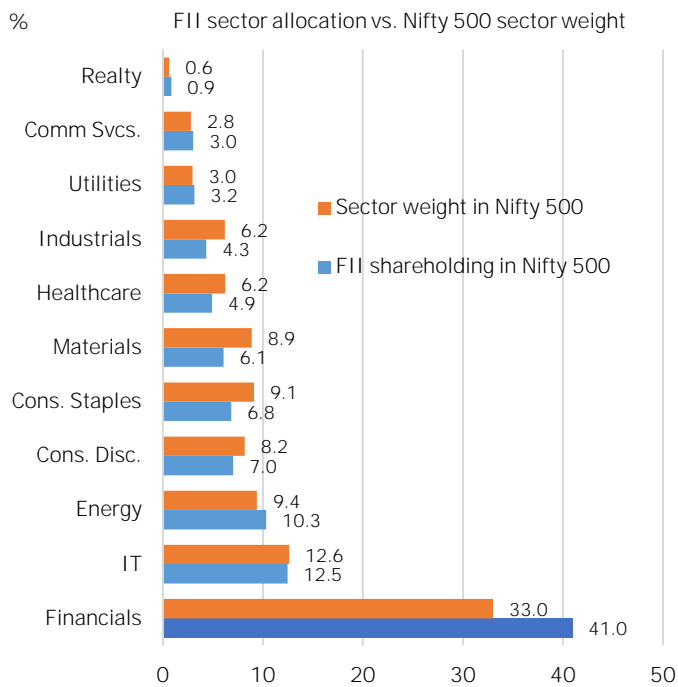
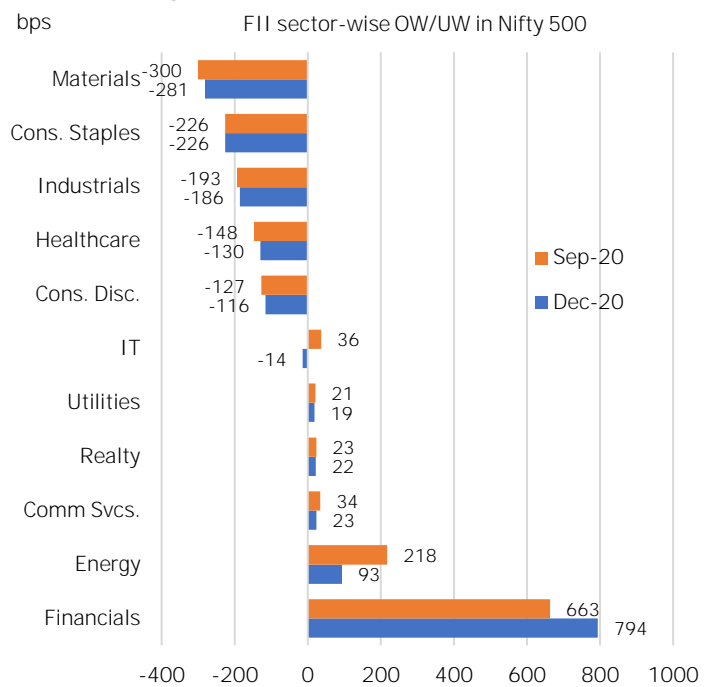
FIIs continue to play the India story through Financials and Energy with the two accounting for 51.3% of their exposure to Nifty 500 vs. their combined weight of 42.4% in the Index as of December-end.

Figure 81: FII sector allocation of the Nifty 500 universe (December 2020 vs. September 2020)


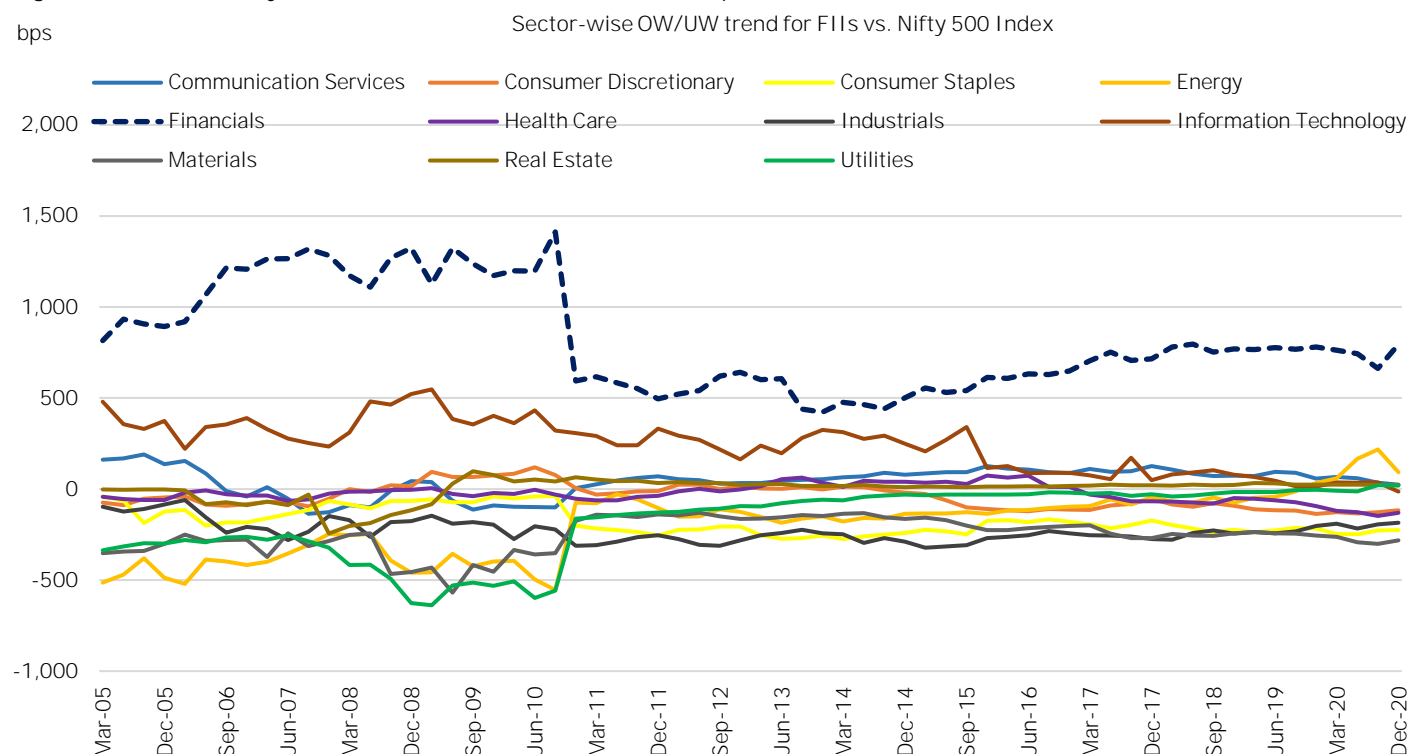
Source: CMIE Prowess, NSE *FII ownership includes ownership through depository receipts held by custodians.

Figure 82: 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 83: FII sector allocation vs sector weight in Nifty 500 (December 2020)

Figure 84: FII sector-wise OW/UW in Nifty 500 relative to sector weight in the index (December 2020)


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

Figure 85: FII vs Nifty 500—Sector-wise OW/UW trend (bps)


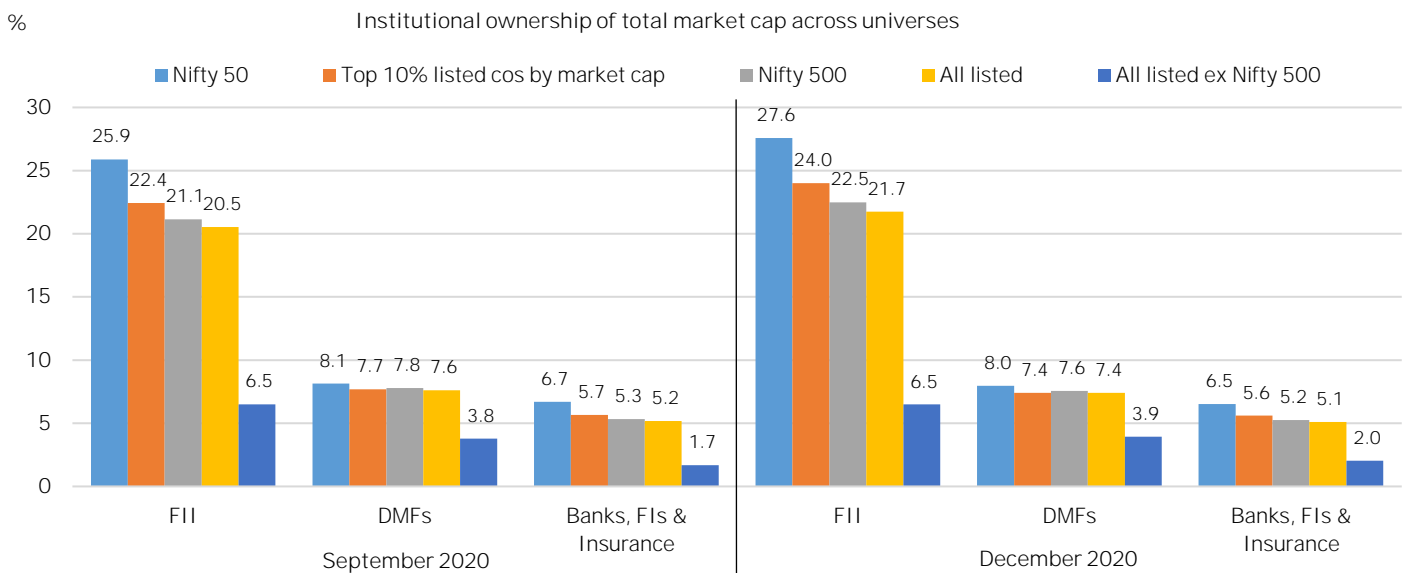
Source: CMIE Prowess, NSE *FII ownership includes ownership through depository receipts held by custodians

Institutional ownership concentration analysis

Institutional ownership remained concentrated to larger companies: The charts below depict how institutional money is concentrated in the larger companies within the listed universe. FII ownership (including ownership through depository receipts) inched up across the board in the December quarter, translating into a net buying (increase in exposure) of ~Rs 1.1trn and Rs 1.5trn in the floating stock of Nifty 50 and the overall NSE-listed universe respectively. DMFs, on the other hand, reduced their ownership in equity markets for the third quarter in a row, with net selling (decrease in exposure) by DMFs in the December quarter estimated at ~Rs680bn in the overall NSE-listed floating stock. Banks, FIs and insurance companies also remained sellers of Indian equity markets in the December quarter, with net selling amounting to ~Rs315bn during the quarter. That said, **FII's portfolio**, with nearly 74% of investments made towards Nifty 50 companies (~58% of the NSE-listed universe), remains far more concentrated as compared to DMFs' who have a relatively much lower (63%) share of their portfolio allocated to Nifty 50.

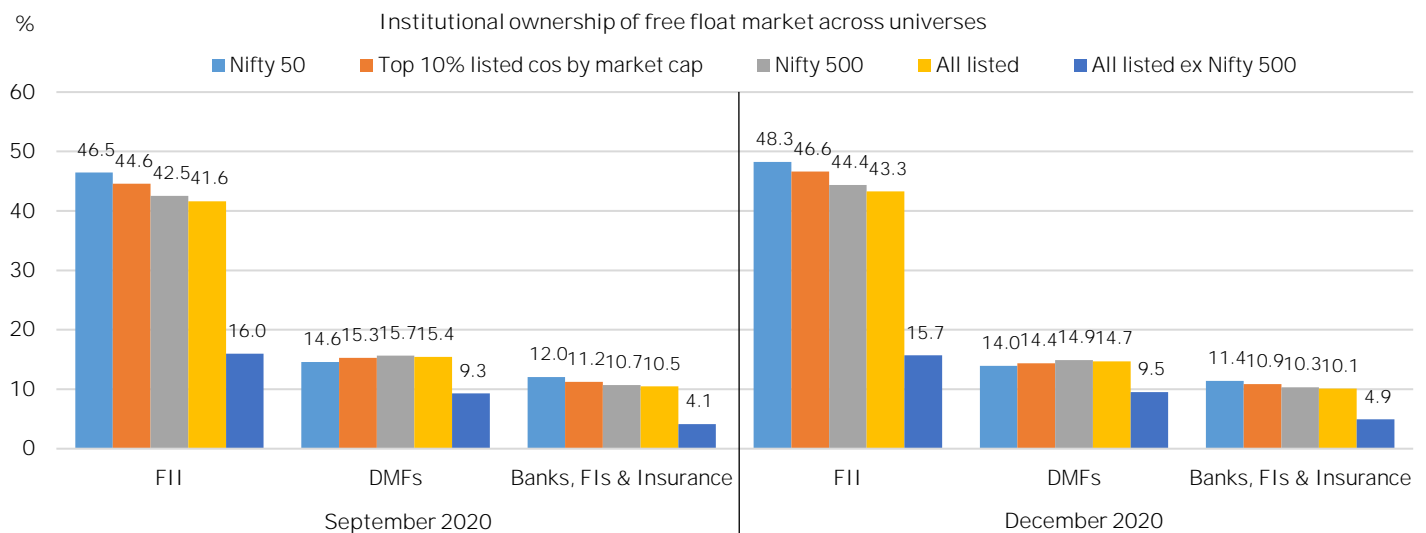
FII's portfolio, with nearly 74% of investments made towards Nifty 50 companies, is far more concentrated as compared to DMFs' who have a relatively much lower (63%) share of their portfolio allocated to Nifty 50.

Figure 86: Institutional ownership of total market cap across indices and stock universe (Dec 2020 vs. Sep 2020)



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

Figure 87: Institutional ownership of floating stock across indices and stock universe (Dec 2020 vs. Sep 2020)



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

Ownership concentration in terms of no. of companies with holding greater than 5%: Combining the theme of evolving institutional ownership patterns with concentration trends in the market brings out some interesting takeaways. We consider the FII portfolio in India since 2001, not in terms of its value, but in terms of the *number* of stocks. Notice how overall number of stocks in the portfolio has hovered around 1200 for the past 10 years. During this period (2010-), FIIs have poured in US\$145bn+ on a net basis into the Indian equity markets. In the absence of new companies, the deployment of this capital has led to a gradual rise in their ownership of the incumbent portfolio. Illustratively, FIIs today have at least 5% ownership in ~70% of the Nifty 500 Universe (by no of companies), even as the share has fallen slightly over the last couple of years.

FIIs' investment concentration in terms of not of companies with at least 5% ownership has remained broadly steady over the last six years, while that of DMFs has more than doubled during this period.

In contrast with foreign investors, domestic mutual funds have led an amplified version of this behaviour, particularly since June 2014. Notice how the number of Nifty 500 companies with at least 5% DMF ownership has almost *doubled from 137 in June 2014 to ~280 now*. This is a direct consequence of the increased inflows into DMFs, particularly through the SIP route, the last few years. While the FIIs have broadly held their position, other institutional players have ceded space to DMFs.

Figure 88: Number of listed cos with FII holding >5%

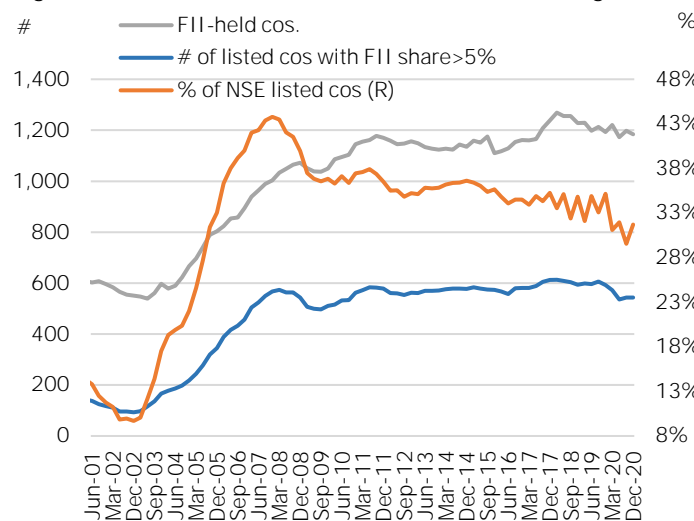
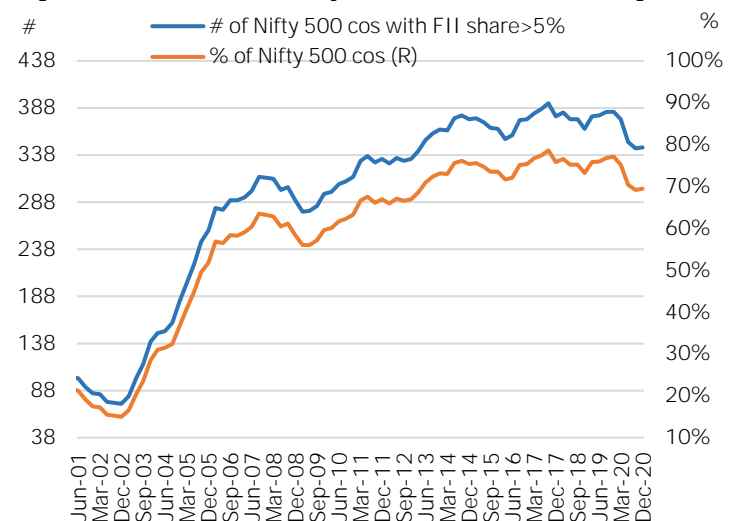


Figure 89: Number of Nifty500 cos with FII holding >5%



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

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

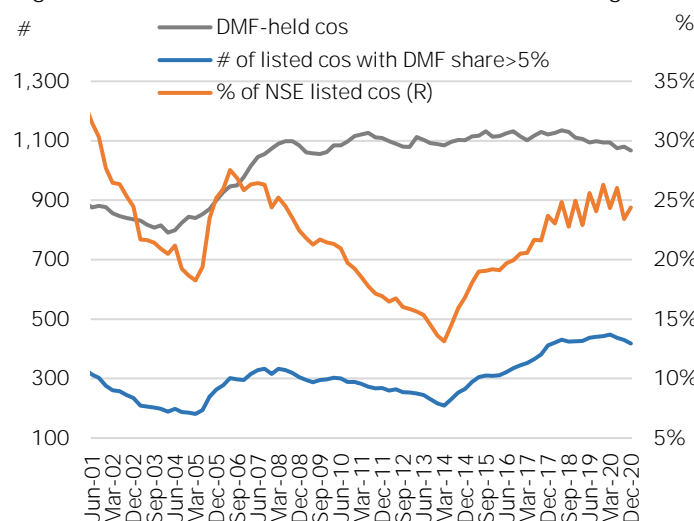
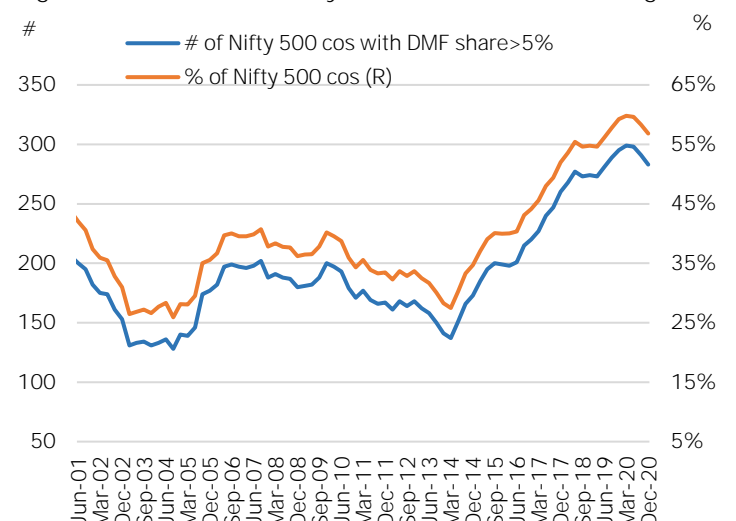
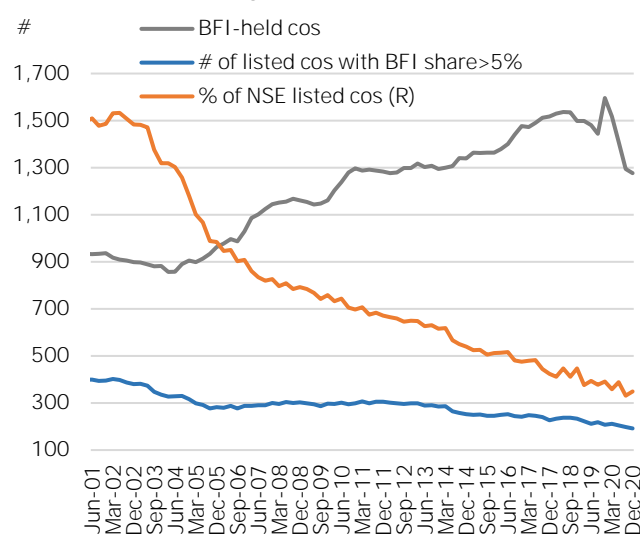
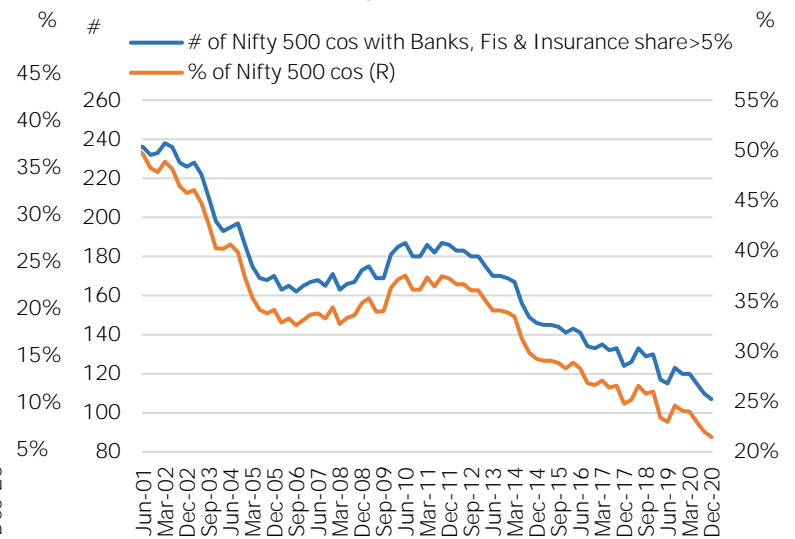


Figure 91: Number of Nifty500 cos with DMF holding >5%



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

Figure 92: Number of listed companies with Banks, FIs & Insurance holding >5%

Figure 93: Number of Nifty500 companies with Banks, FIs & Insurance holding >5%


Source: CMIE Prowess, NSE. BFI = Banks, Financial Institutions and Insurance Companies.

Concentration of Institutional money in the top 10% companies by market cap:

So, if FIIs are content to maintain the stock count in their portfolio, what has been the experience with their top holdings? A benchmarking of the concentration levels in institutional portfolios with the Nifty 500 throws up some more interesting results. We use the market-cap share of the top 10% of stocks as the metric here.

The 'foreign' portfolio was highly concentrated in 2001, with ~98% of the entire holdings in just the top 10% of stocks. That has since changed with increased understanding of the markets, dropping to 85% in 2006, and then gradually rising, to reach ~93% in December 2020. Just to clarify here: The rise in concentration in the last three years or so is merely a market feature—notice the commensurate (actually more acute) rise in the market-cap share of the top 10% of listed stocks during this period.

It is the DMFs that have actually seen their portfolios turning far more concentrated in the last three years. The top 10% of stocks by market cap now occupy ~84% of their total portfolio, vs. 75% in December 2017.

What one can gather from both the views (The top 10% of the portfolio and the number of stocks with at least 5% ownership) is that while FIIs have tried to maintain the status quo, by and large, strong inflows of funds into DMFs, barring a drop seen in FY21 thus far, have led to a curious combination of both rising concentration and a widening spread. DMFs do explore a larger set of stocks, but they are also largely content to pile on their existing holdings.

While FIIs have tried to maintain the status quo, by and large, strong inflows of funds into DMFs have led to a curious combination of both rising concentration and a widening spread.

Figure 94: Trend of FII portfolio allocation to top 10% companies by total market cap

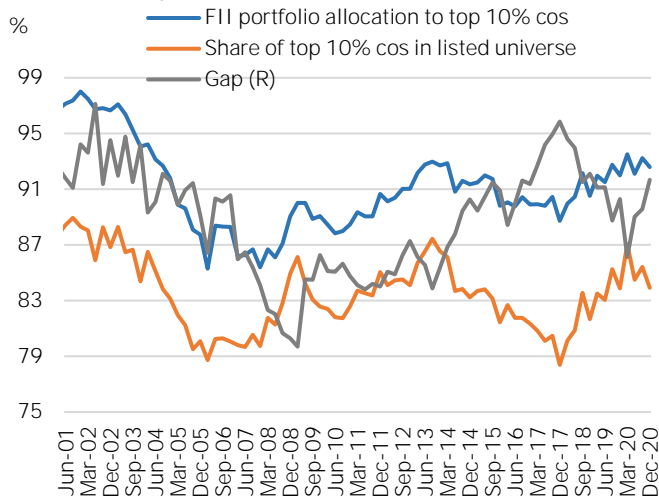
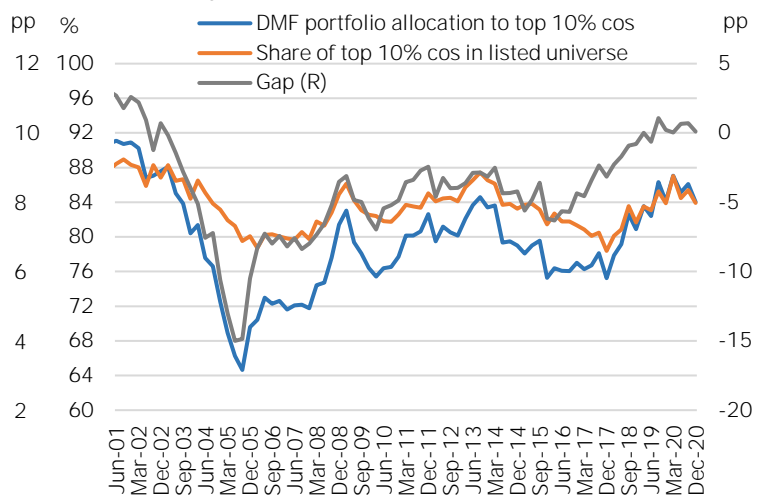


Figure 95: Trend of DMF portfolio allocation to top 10% companies by total market cap



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

Figure 96: Trend of **Banks, FIs & Insurance companies'** portfolio allocation to top 10% cos by total market cap

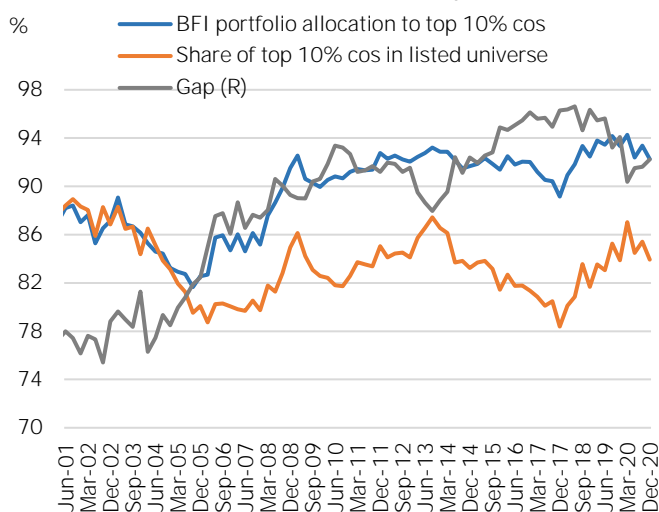
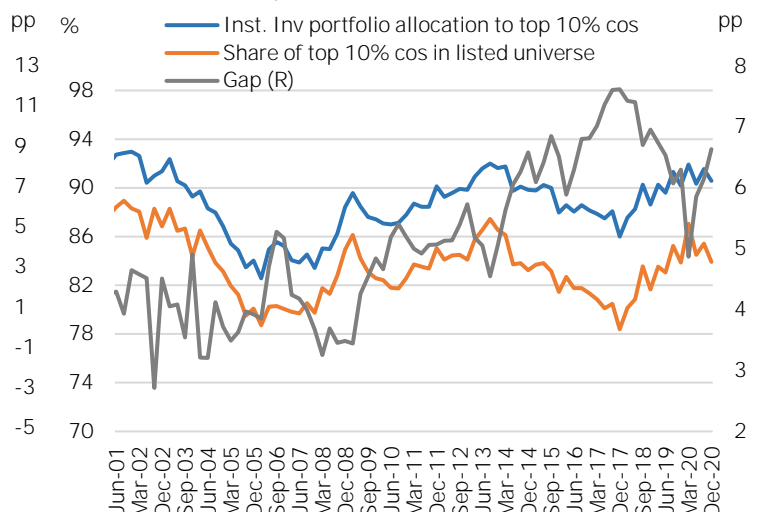
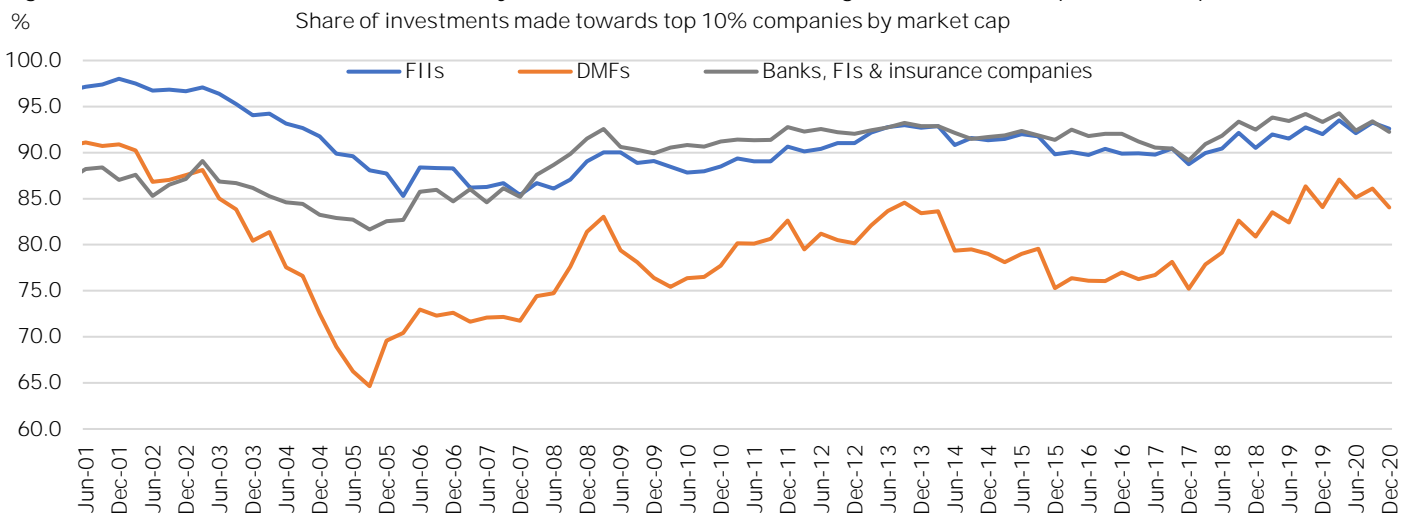


Figure 97: Trend of institutional investment share in top 10% companies by total market cap



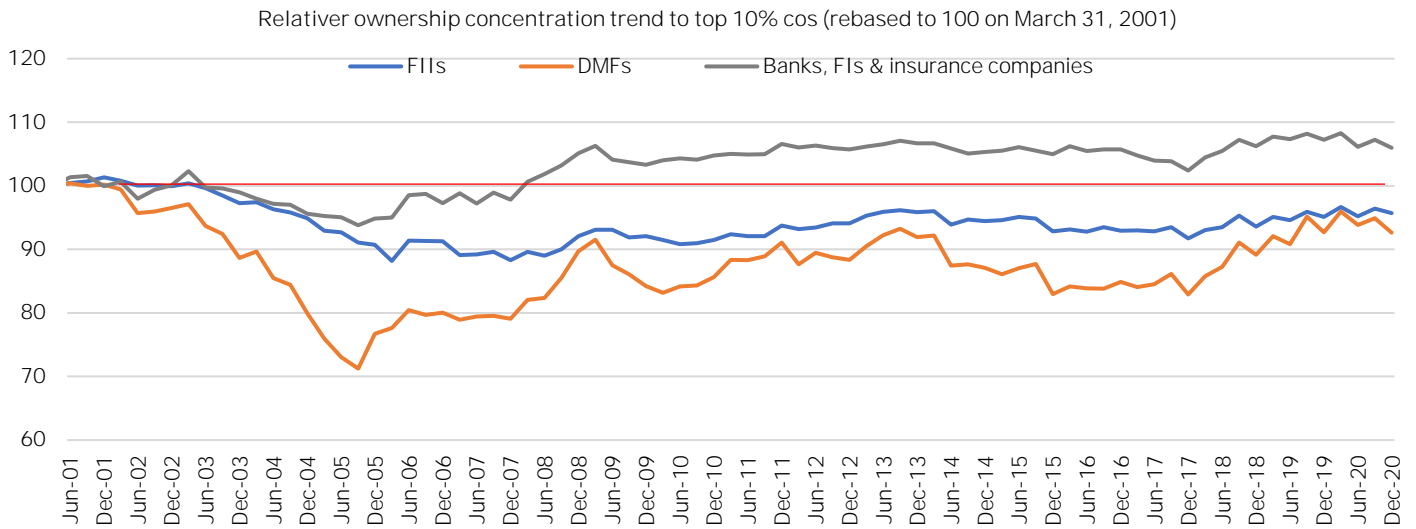
Source: CMIE Prowess, NSE. BFI = Banks, Financial Institutions and Insurance Companies

Figure 98: Share of investments made by institutional investor categories towards top 10% companies



Source: CMIE Prowess, NSE

Figure 99: Relative ownership concentration trend of institutional investors in top 10% companies by market cap



Source: CMIE Prowess, NSE. Concentration here is calculated as the share of investments made towards top 10% companies by market cap.

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