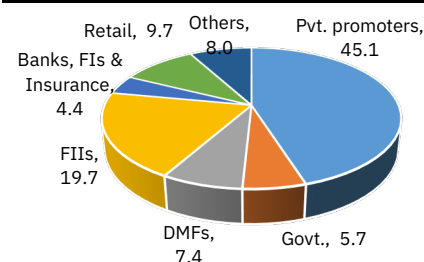


## Who owns India Inc.? – FII share in NSE listed space dipped to nine-year lows

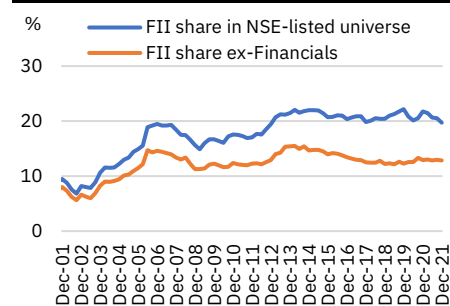
In this edition of our quarterly report “India Inc. Ownership Tracker”<sup>1</sup>, we extend our analysis of ownership trends and patterns in NSE companies to include the data available for the quarter ending Dec’21. We note: 1) A drop in Govt. share for the second quarter in a row, partly attributed to underperformance of some of the PSU companies during this period; 2) An increase in private promoter ownership for the fourth successive quarter, led by private Indian promoters, while foreign promoter share continued to fall; 3) A steep drop in FII<sup>2</sup> (foreign institutional investors) ownership to nine-year lows, reflecting heightened risk-off environment thanks to COVID resurgence, strengthening inflationary pressures, faster-than-expected Fed tightening and China slowdown; 4) A steady rise in DMF (domestic mutual funds) share, in line with strong DMF inflows into Indian equities over the last few quarters, aided by surge in SIP inflows; 5) Continued rise in direct retail holding to near 14-year high levels; 6) FIIs continued to play the India story with an outsized, albeit sequentially weaker, bet<sup>3</sup> on Financials, and retained a modest positive view on Energy, and their perennial cautious view on India’s consumption as well as investment themes; 7) Unlike FIIs, DMFs strengthened their OW<sup>4</sup> position on Financials at the expense of reduced exposure to Energy, retained positive bias on Industrials, and turned OW on smaller Consumer Discretionary companies, while echoed FIIs’ view on Consumer Staples; 8) While FII portfolio got incrementally less concentrated with widened holdings accompanied with reduced share in larger companies, incremental investments by DMFs were targeted towards larger companies, leading to an increase in portfolio concentration.

- Private Indian promoter share inched up for the fourth quarter in a row:** Total promoter share in the NSE-listed space remained steady at 50.5% in the December quarter. This was led by a rise in Indian private promoter share—the fourth time in a row, even as foreign promoters and Government saw their share dipping for yet another quarter. Private Indian promoter stake in NSE listed and Nifty 500 universes inched up by 44bps each to 16-year high of 36.4% and 35.8% in the December quarter, taking the total increase to 180bps and 150bps in 2021 respectively. Foreign share, however, fell for the seventh quarter in a row by 23bps to 30-quarter low of 8.7% in NSE listed companies. Promoter share in the Nifty 50 Index, however, fell by a modest 14bps QoQ to 43.5% as a rise in Indian private promoter share was more than offset by the drop in foreign promoter share during the quarter.
- Government share saw a modest drop in the December quarter:** Government share (promoter and non-promoter) dipped by 29bps/20bps in the NSE listed/Nifty 500 companies to 5.7%/6.0% in the December quarter. This is on the back of underperformance of some of the Government-owned companies during this period. Government share in the Nifty 50 Index, however, remained steady at 5.1%.
- FII ownership continued a steady drop for yet another quarter:** FII ownership declined by a steep 65bps (2021: -165bps) and 81bps (2021: -204bps) in Nifty 500 and NSE-listed universe to nine-year lows of 20.9% and 19.7% respectively in the December quarter, marking the fourth consecutive quarter to record a dip. This is partly attributed to huge foreign capital outflows during the quarter in the wake of strengthened risk-off environment due to COVID resurgence, rising inflationary concerns, expectations of faster-than-anticipated

Who owns India Inc.? NSE-listed in Dec’21



FII ownership in NSE-listed companies



Source: CMIE Prowess, NSE EPR.

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

<sup>2</sup> FII ownership includes ownership through depository receipts held by custodians.

<sup>3</sup> Sector weights and comparisons here are based on the respective indices as benchmarks.

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

policy normalisation by the US Fed and China slowdown. The drop was yet again led by Financials, where FII share fell for the fourth quarter in a row, while that in listed space excluding Financials has remained broadly steady at 13% over the last few quarters.

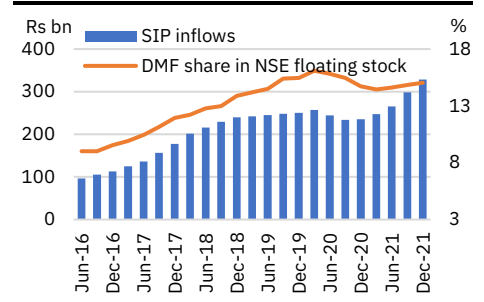
The portfolio positioning of FIIs remained broadly stable last quarter. FIIs maintained their outsized, albeit sequentially reduced, bet on Financials, retained slight positive view on Energy and maintained a perennial cautious stance on India's investment as well as consumption story with an UW position on Consumer Staples, Consumer Discretionary, Materials and Industrials.

- DMFs share inched up further, and more so in larger companies:** DMFs stake inched up for the third quarter in a row by 38bps, 23bps and 11bps to 8.5%, 7.8% and 7.4% in the Nifty 50, Nifty 500 and NSE listed companies respectively in the December quarter. In fact, DMF stake in Nifty 50 touched two-decadal high by the end of 2021, thanks to increase in allocation to larger companies, possibly reflecting higher concentration of incremental SIP inflows to large-cap funds. The share of Banks, Financial Institutions and Insurance companies, remained broadly steady at 21-year lows in the December quarter.

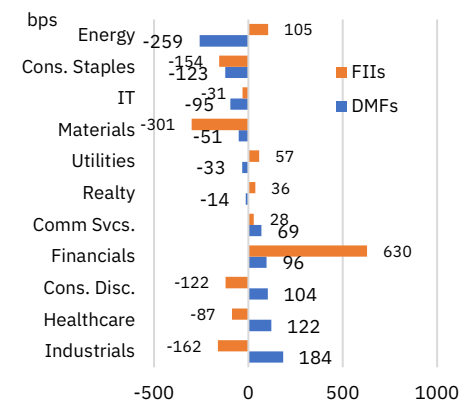
DMFs strengthened their OW stance on Financials at the expense of a sequentially bigger UW position on Energy, remained bearish on India's consumption theme, albeit incrementally less so, with an UW position on Consumer Staples but surprisingly turned bullish on smaller Consumer Discretionary companies. DMFs also turned less cautious on Information Technology reflecting expectations of strong earnings show in an otherwise a seasonally weak quarter and retained their positive view on COVID-immune sectors (Communication Services and Healthcare) and perennial positive bias on Industrials.

- Direct retail share inched up to near-14-year highs:** Individual retail investors' holding in Nifty 50, Nifty 500 and NSE-listed companies inched up by 21bps, 29bps and 36bps QoQ to near 14-year highs of 8.3%, 9% and 9.7% respectively in the December quarter. Retail participation into Indian equities has jumped manifold over the last two years, reflected in huge retail inflows into Indian equities, surge in new investor registrations and a sharp jump in share of individual investors in the cash market turnover. Consequently, retail share in the NSE listed space has risen by 130bps since December 2019.
- FII concentration dropping while DMFs' rising:** Notwithstanding massive risk-off selling in later part of last year, FIIs have surprisingly raised their exposure to smaller companies by widening their invested pool of stocks (+260 new companies added). At the same time, the number of companies where they have 5%+ share has remained steady at the 600 odd mark, pointing to incrementally lower portfolio concentration. DMFs, on the other hand, have benefited from a surge in SIP inflows over the last few quarters, leading to higher market ownership, even as their portfolio has incrementally gotten more concentrated to larger companies, as reflected from a drop in their share in NSE listed ex-Nifty 500 companies in the December quarter.

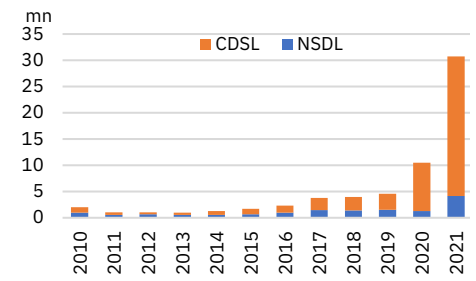
### DMF ownership in NSE-listed companies



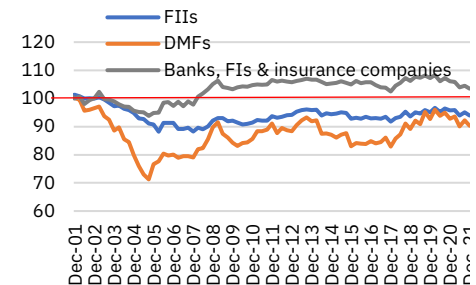
### FII and DMF portfolio OW/UW in Nifty 500 vs. the index (December 2021)



### New investor account additions



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



Source: CMIE Prowess, AMFI, SEBI, NSE EPR.

## Listed universe ownership trends

### **Ownership pattern of the NSE-listed universe (December 2021)**

**Increase in private Indian promoter entirely offset the drop in Government and foreign promoter share in the December quarter:** Total promoter ownership in the NSE-listed universe stood at 50.5% in the quarter ending December 2021, marking the third consecutive quarter of steady share. Increase in private promoter ownership—the fourth time in a row, was completely offset by a drop in foreign and Government promoter share during the quarter. Private Indian promoter stake in the NSE listed universe rose by 44bps QoQ to near 16-year high of 36.4% in the December quarter, translating into a total jump of 180bps in 2021. In terms of number of companies, 328/1791 companies (where shareholding data is available for the last two quarters) saw an increase in private Indian promoter stake in the December quarter. Foreign promoter stake in the NSE listed universe, on the other hand, declined for the seventh quarter in a row by 23bps QoQ to a 30-quarter low of 8.7% in the quarter ending December 2021.

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*December quarter saw an inch-up in private promoter stake in the NSE-listed space for the fourth quarter in a row, led by private Indian promoters, even as foreign promoter stake dropped further to 30-quarter lows.*

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**Government ownership fell for the second quarter in a row:** 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. The increase in Government ownership seen in the first half of 2021 was entirely lost in the second half, with the share dropping by 81bps in H2 2021 to end the year at a five-quarter low of 5.7%. This is partly attributed to underperformance of some of these Government-owned companies during last two quarters of 2021 particularly in Financials and Materials sectors, with the later getting hit from weakening Chinese demand.

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*Government ownership dropped for the second time in a row in the December quarter.*

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**FII ownership dipped at the steepest sequential pace since the COVID-19 onset...:** FII ownership declined by 81bps QoQ to a nine-year low of 19.7% in the December quarter on top of a 120bps drop in the previous three quarters, marking the fourth consecutive dip in FII share. This is partly owing to renewed global risk-off environment stemming from COVID resurgence, strengthening inflationary pressures, and attendant expectations of faster-than-expected pace of monetary tightening by key global central banks including the US Federal Reserve. Even as Indian equities meaningfully outperformed the broader EM pack, reduced risk appetite triggered flight of capital away from riskier asset classes such as EM equities to safe-haven assets, leading to FIIs pulling out US\$5.1bn from Indian equities in the quarter ending December 2021. The decline in FII ownership was primarily led by Financials where FII ownership fell for the fourth quarter in a row by 68bps QoQ to a 23-quarter low of 6.9%, even as FII share in the listed space excluding Financials also saw a modest 14bps QoQ dip in the December quarter, indicating a broad-based selling.

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*FII ownership dropped for the fourth quarter in a row by 81bps QoQ to a nine-year low of 19.7% in the December quarter, reflecting the impact of huge FII outflows.*

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**...While DMF share saw a modest increase:** DMFs' stake in the NSE listed universe inched up for the second quarter in a row by 11bps QoQ to 7.4% in the quarter ending December 2021. With this, the DMF share is now just 46bps shy from the peak share of 7.9% in March 2020. This is primarily attributed to strong participation by DMFs in the quarter gone by, with DMFs injecting a total of Rs349bn on a net basis into Indian equities during this period—the highest in last seven quarters. This was aided by a surge in retail participation through the SIP (Systematic Investment Plan) route. After witnessing some moderation during the first two months of the fiscal, thanks to renewed growth concerns in the wake of the deadlier second wave of COVID-19, SIP inflows picked up meaningfully from June onwards, and has now touched a ~Rs115bn+ run-rate on a monthly basis,

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*DMF ownership inched up by a modest 11bps to 7.4% in the December quarter, aided by steady retail participation through the SIP route.*

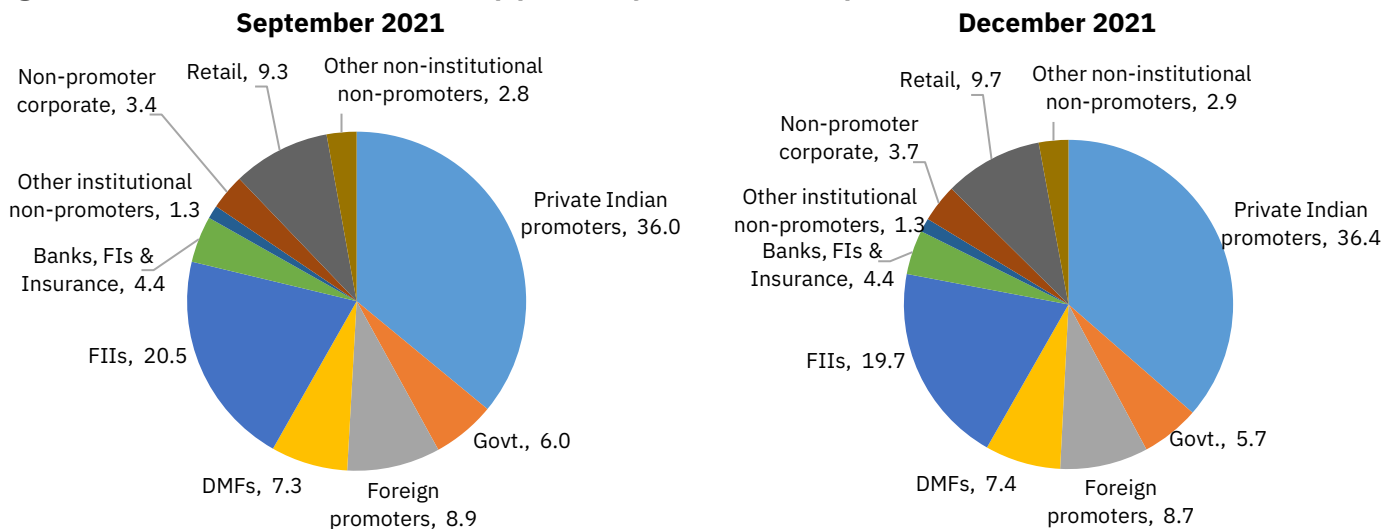
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translating into average monthly inflows of Rs102bn in this fiscal thus far, much higher than Rs80bn in FY21 and Rs83bn in FY20.

The share of Banks, Financial Institutions and Insurance companies in the NSE-listed space has been steadily falling, dropping to fresh all-time lows (since the beginning of this analysis, i.e., March 2001) of 4.4% in the December quarter.

**Retail investors' holding inched up to 14-year high in the December quarter:** After remaining broadly steady in the September quarter, individual retail investors' holding inched up by 36bps QoQ to a 58-quarter high of 9.7% in the quarter ending December 2021, translating into a total increase of 65bps in the first nine months of FY22. Retail participation into Indian equities has seen a meaningful jump over the last couple of years, reflected in huge inflows by retail investors into Indian equities, surge in new investor registrations and a sharp jump in share of individual investors in the cash market turnover during this period. Consequently, ownership of retail investors in the NSE listed space has risen by 130bps since December 2019.

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



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

**Table 1: 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-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
Mar-21	34.7	6.2	9.4	7.2	5.1	21.5	3.1	9.0
Jun-21	35.3	6.5	9.1	7.2	5.0	20.7	3.2	9.4
Sep-21	36.0	6.0	8.9	7.3	4.4	20.5	3.4	9.3
Dec-21	36.4	5.7	8.7	7.4	4.4	19.7	3.7	9.7
<b>QoQ change</b>	<b>44bps</b>	<b>-29bps</b>	<b>-23bps</b>	<b>11bps</b>	<b>-7bps</b>	<b>-81bps</b>	<b>34bps</b>	<b>36bps</b>

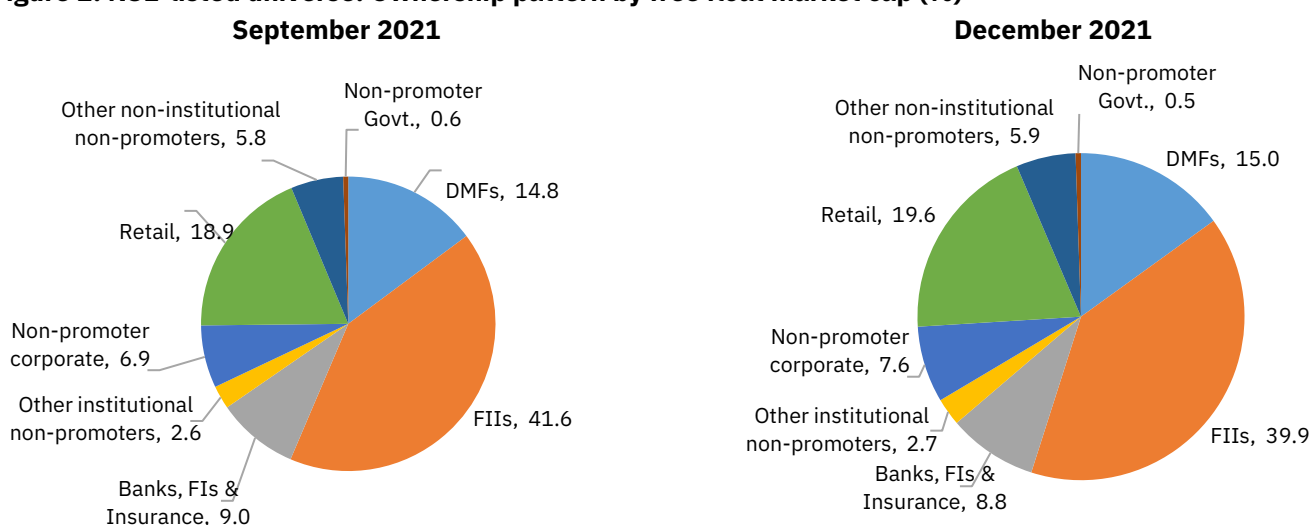
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

## Floating stock witnessed the steepest QoQ drop in institutional ownership over last six years:

FII ownership in the NSE floating stock fell by a steep 170bps QoQ to a 38-quarter low of 39.9% in the December quarter on top of an equivalent drop over the previous three quarters of the year. This translated into a total decline of ~3.4pp in 2021—the sharpest annual fall in aggregate FII share in NSE-listed companies since the Global Financial Crisis of 2008. FII share in the NSE floating stock is now nearly 5.8pp below the peak share over the last 21-year period. DMF ownership of the NSE free-float market cap inched up for the third quarter in a row by 21bps to a five-quarter high of 15.0%, even as it is nearly 105bps shy of the 20-year high share of 16.1% seen in the quarter ending March 2020. Banks, Financial Institutions and Insurance companies continue to see their share in the NSE floating stock dropping, with the share in the December quarter at 8.8% (-15bps QoQ) being the lowest in last 21 years. With this, the overall institutional share in the NSE floating stock has fallen by a steep 149bps QoQ in the December quarter on top of a ~2.5pp drop in the previous three quarters combined. This marked the steepest QoQ drop in the institutional share in the NSE floating stock in last six years.

Retail ownership in the NSE free-float market cap rose by a strong 70bps QoQ to a 49-quarter high of 19.6%, translating into an increase of nearly 170bps in 2021. That said, it is still 9.5pp below the peak share seen over the last 21 years.

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



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

**Table 2: 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-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
Mar-21	14.5	10.2	42.9	6.3	18.0
Jun-21	14.6	10.0	41.9	6.4	18.9
Sep-21	14.8	9.0	41.6	6.9	18.9
Dec-21	15.0	8.8	39.9	7.6	19.6
QoQ change	21bps	-15bps	-170bps	69bps	70bps

Source: CMIE Prowess, NSE EPR. \*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 augmenting its resources for higher expenditure towards economic development. On the other hand, overall private promoter ownership—Indian and foreign promoters combined—has increased by ~11.6pp since June 2010.

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

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**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 six fiscal years (FY15-FY22), largely reflecting the sustained retail interest in equity mutual funds as an investment channel through SIPs. Drop in DMF ownership in FY21 (Apr-Mar'21) has been largely on the back of moderation in SIP inflows as well as high redemption pressures, thanks to macroeconomic slowdown and attendant drop in disposable incomes that got accentuated by the COVID-19 outbreak. This partly found its way to Indian equities via higher direct retail investments, as visible from a steady increase in direct retail ownership during this period. Ownership of Banks, FIs & Insurance, on the other hand, has been gradually dropping off since 2012 and is currently hovering at multi-decadal lows.

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

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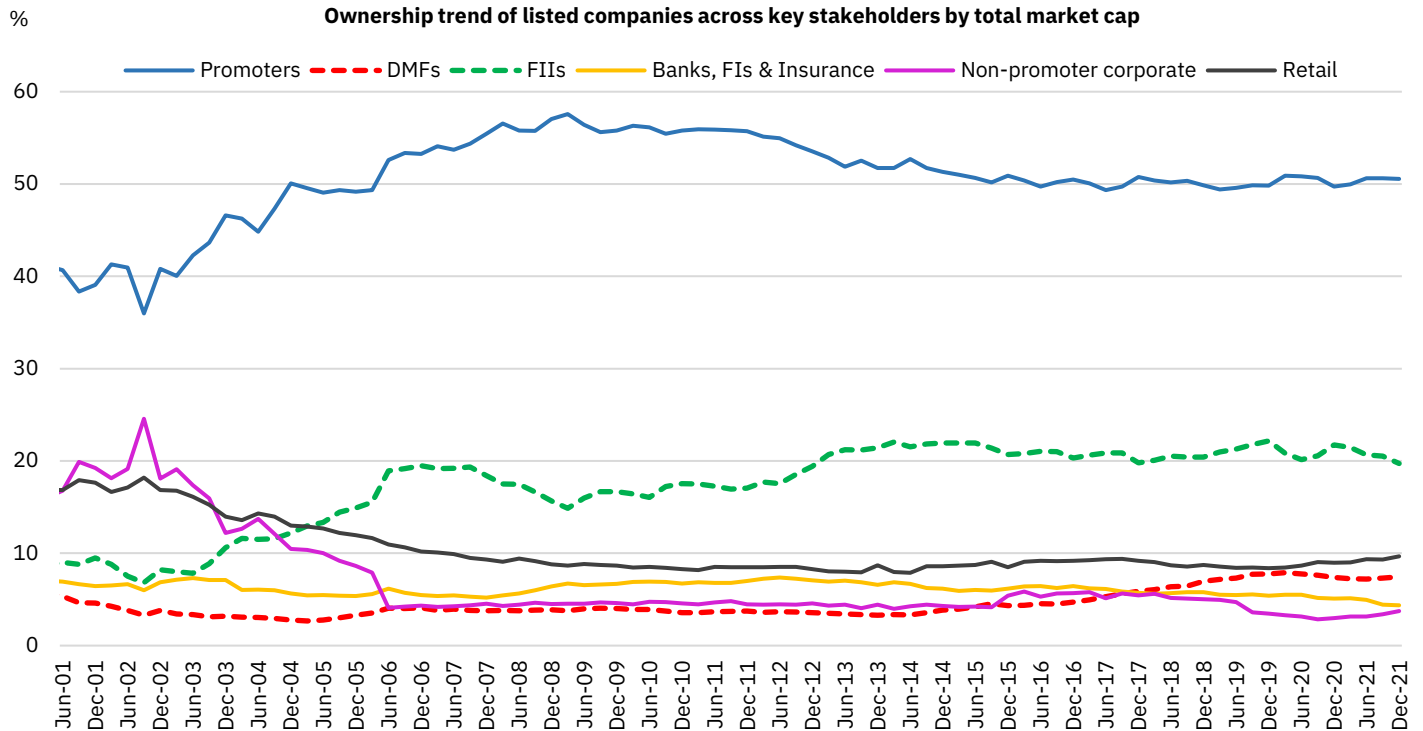
**FII ownership has remained in the 19-22% range over last eight years:** FII ownership in the NSE-listed space saw a gradual increase between 2002 and 2015, except for a brief period around the 2007-08 financial crisis, but dropped marginally over the subsequent three years followed by a sharp pickup 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. The drop in 2021, however, completely reversed the gains seen between 2017 and 2019.

**Direct retail holding has remained fairly steady for more than a decade now:** Not surprisingly, while retail investments through the SIP route has been rising over last few 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, but has since been steadily rising, albeit at a very modest pace, barring a drop seen in 2018 and 2019.

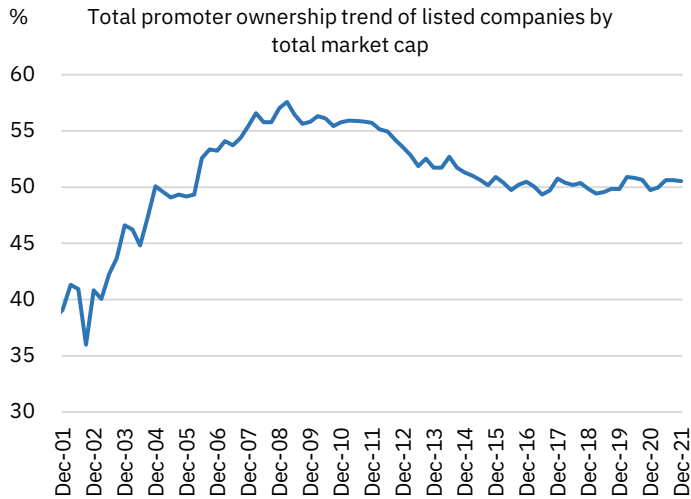
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*Direct retail ownership fell steadily between 2001 and 2012 and has since remained in the range of 8-10%.*

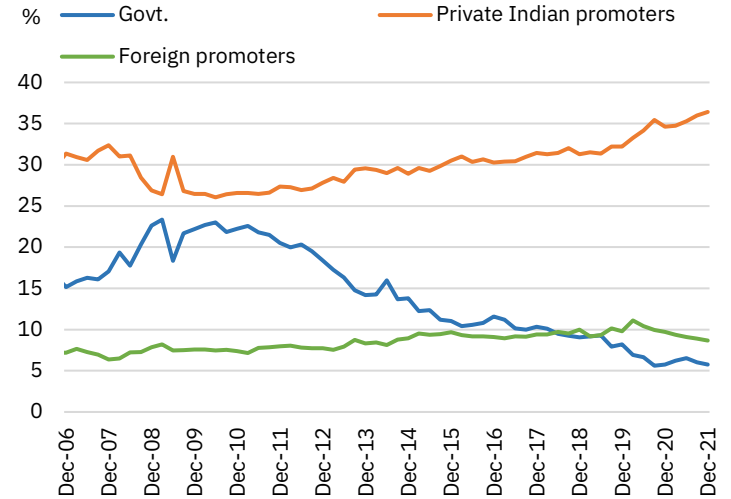
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**Figure 3: NSE-listed universe: Long-term ownership trend across key stakeholders by total market cap**


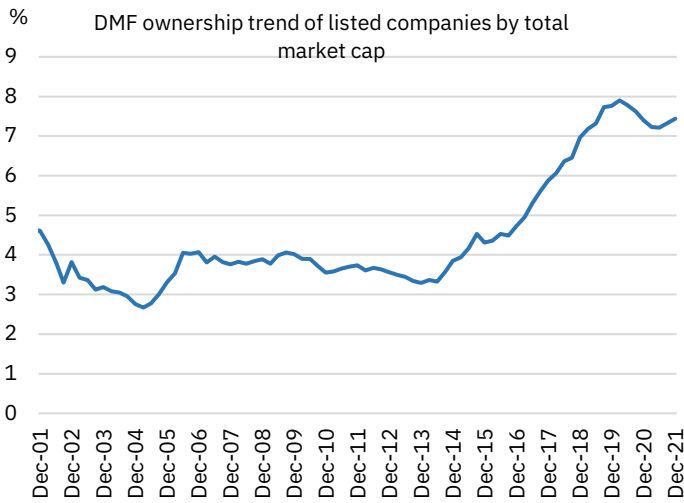
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians.

**Figure 4: Total promoter ownership trend of NSE-listed companies by total market cap**


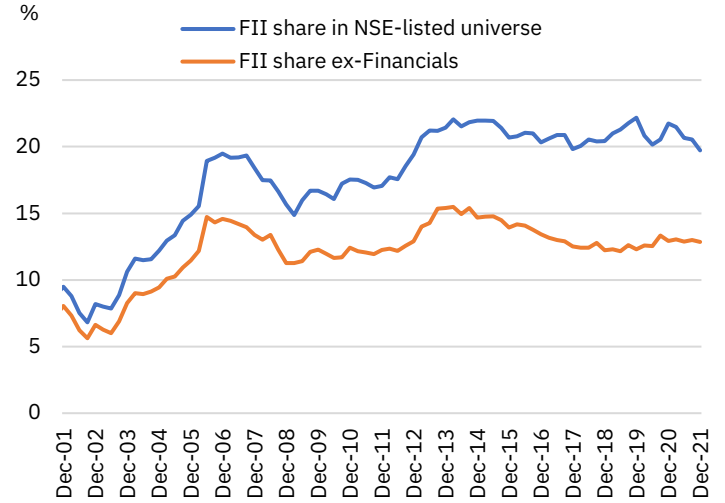
Source: CMIE Prowess, NSE EPR.

**Figure 5: Indian and foreign promoter ownership trend of NSE-listed companies by total market cap**


**Figure 6: DMF ownership trend of NSE-listed companies by total market cap**

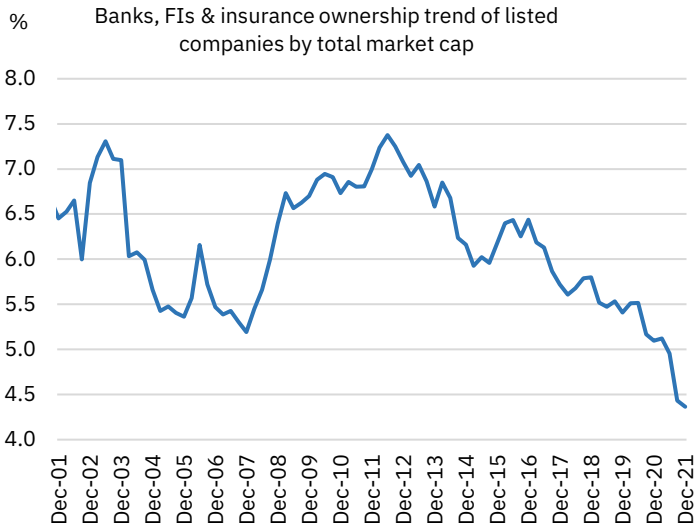


**Figure 7: FII ownership\* trend of NSE-listed companies by total market cap**

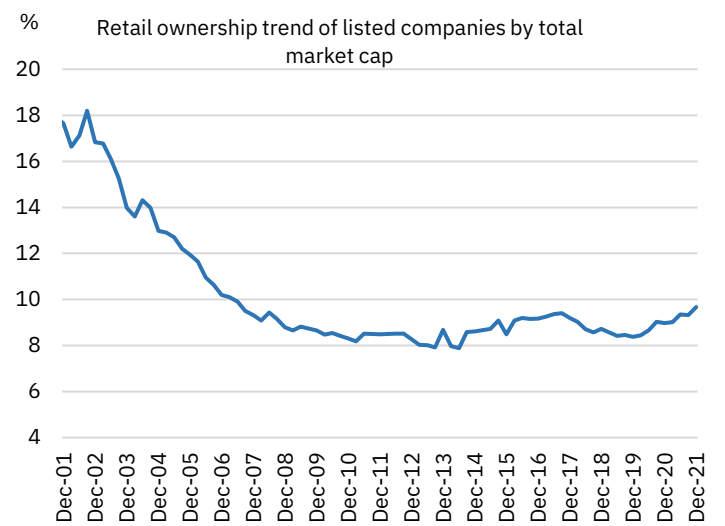


Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

**Figure 8: Banks, FIs & Insurance ownership trend of NSE-listed companies by total market cap**



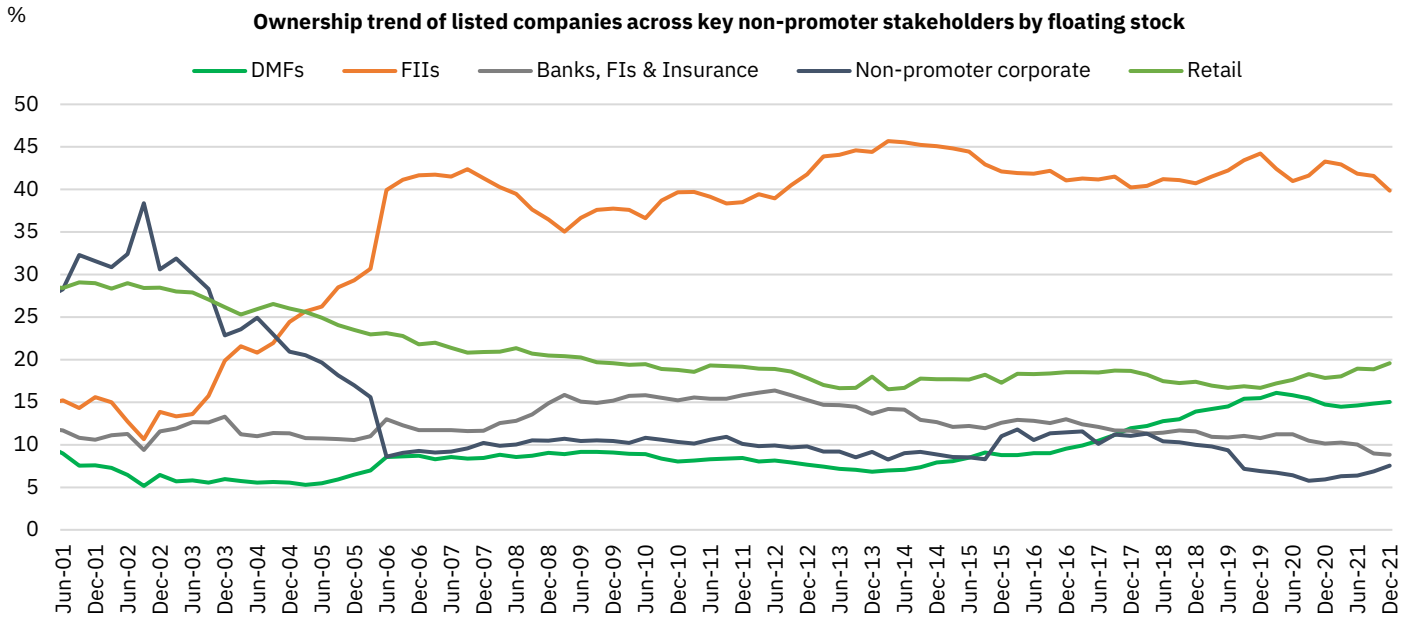
**Figure 9: Retail ownership trend of NSE-listed companies by total market cap**



Source: CMIE Prowess, NSE EPR.



**Figure 10: NSE-listed universe: Long-term ownership trend across key stakeholders by free float market cap**



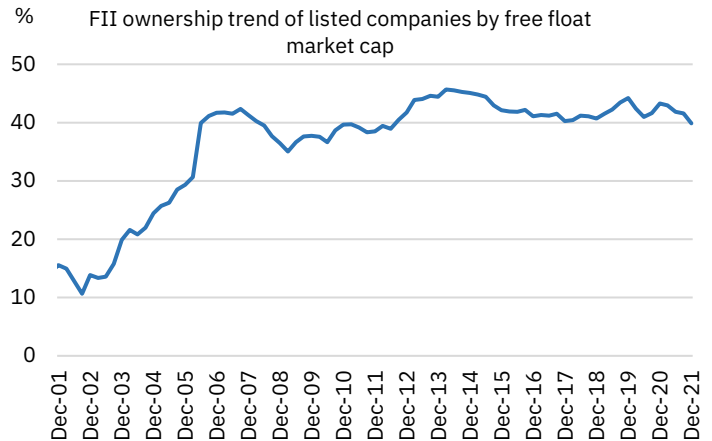
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

**Figure 11: DMF ownership trend of NSE-listed companies by free float market cap**

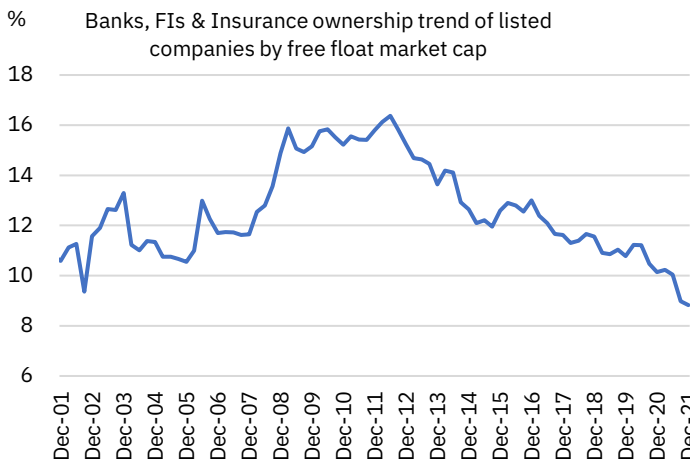


Source: CMIE Prowess, NSE EPR.

**Figure 12: FII ownership trend of NSE-listed companies by free float market cap**

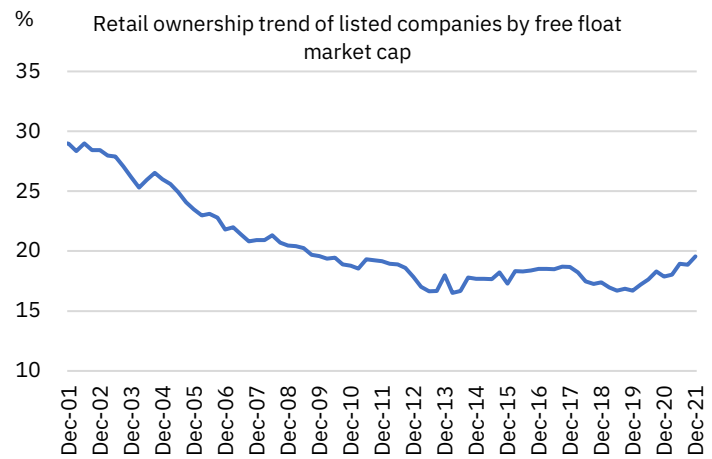


**Figure 13: Banks, FIs & Insurance ownership trend of NSE-listed companies by free float market cap**



Source: CMIE Prowess, NSE EPR.

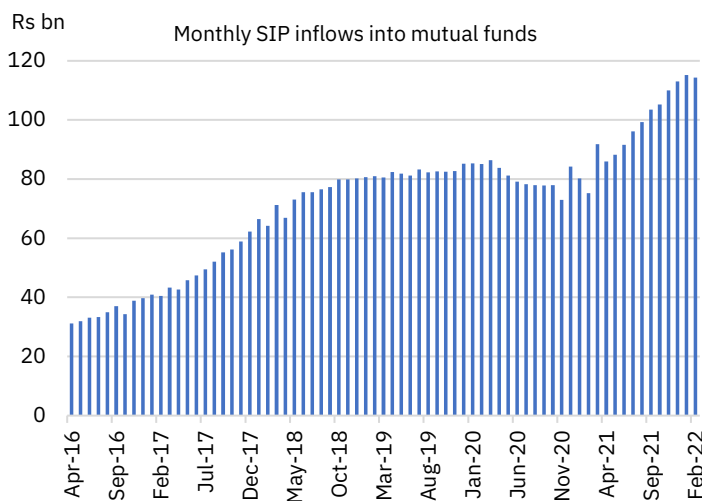
**Figure 14: Retail ownership trend of NSE-listed companies by free float market cap**



**SIP inflows picked up sharply in FY22:** SIPs have been a preferred route for retail investors to invest in equity markets barring FY20-21. After a drop in 2020, that saw retail investors shift away from being indirect investors to direct participants in the equity market, inflows into mutual funds through the SIP route found traction again in 2021, barring some moderation in April and May due to the virulent second wave. The first 11 months of this fiscal (Apr'21-Feb'22) have seen average monthly SIP inflows at Rs102bn vs. Rs80bn in FY21. In fact, average monthly run-rate is now hovering at ~Rs115bn. Renewed surge in SIP inflows have helped mutual funds gradually increase their ownership in Indian equities following a drop seen in 2020.

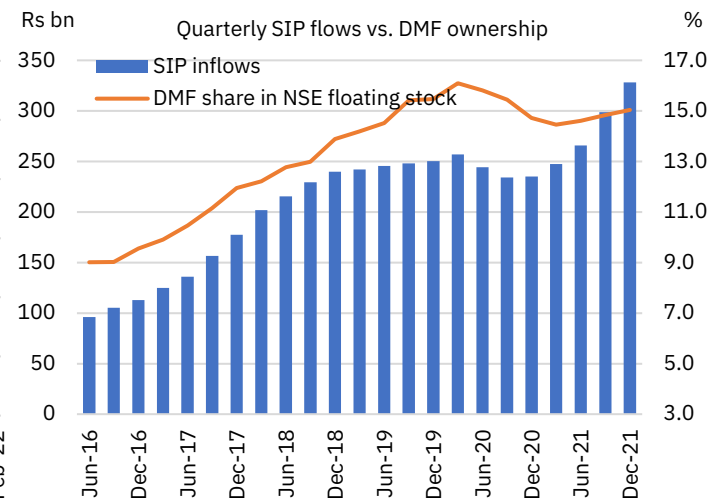
*Average monthly SIP inflows in the first half of FY22 rose by 19.1% from the average run-rate in FY21.*

**Figure 15: Monthly SIP inflows into mutual funds**



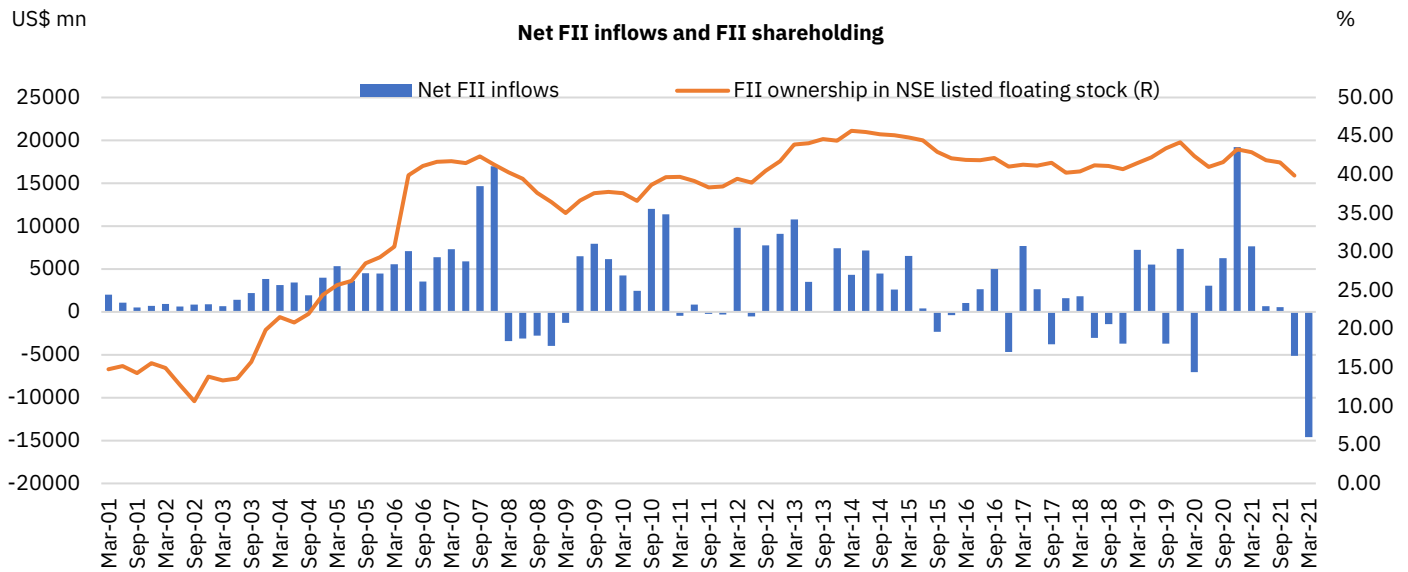
Source: AMFI, NSE EPR.

**Figure 16: Quarterly SIP inflows vs DMF ownership**

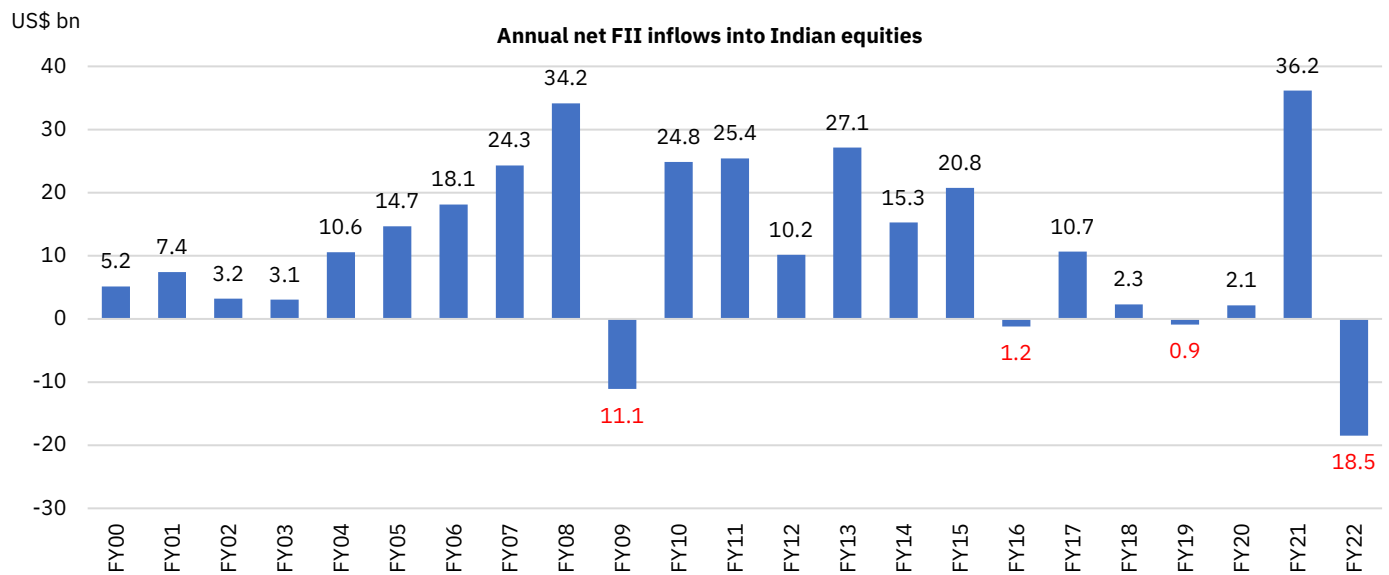


**FII's turned big sellers of Indian equities in the current fiscal year:** After remaining muted buyers of Indian equities for the previous three fiscal years, FIIs emerged as strong buyers in FY21, supported by global risk-on environment amidst an influx of global liquidity, part of which found its way into emerging markets including India. Indian equities witnessed record-high net inflows of US\$36.2bn in FY21, more than 50% of which came in the third quarter of the fiscal (Oct-Dec'21), supported by positive cues around COVID-19 vaccination, abating political uncertainty in the US and enhanced policy support. FII buying, however, came off meaningfully last fiscal year, thanks to emergence of second/third waves across several countries including India and consequent reimposition of restrictions as well as negative global cues including rising inflationary pressures and consequent monetary tightening by key global central banks including the US Fed and UK Bank of England, negative developments in China, and more recently intensifying geopolitical tensions between Russia and Ukraine. In fact, FIIs turned from modest buyers in H1 FY22 to big sellers in H2 FY22, translating into record annual net outflows of US\$18bn in FY22. This, in turn, weighed heavily on FII ownership during the last few quarters.

*FIIs have turned big sellers over the last couple of quarters, reflecting heightened risk-off environment globally, leading to FII ownership falling sharply.*

**Figure 17: Net FII inflows and FII shareholding in the NSE-listed floating stock**


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

**Figure 18: Annual net FII inflows trend**


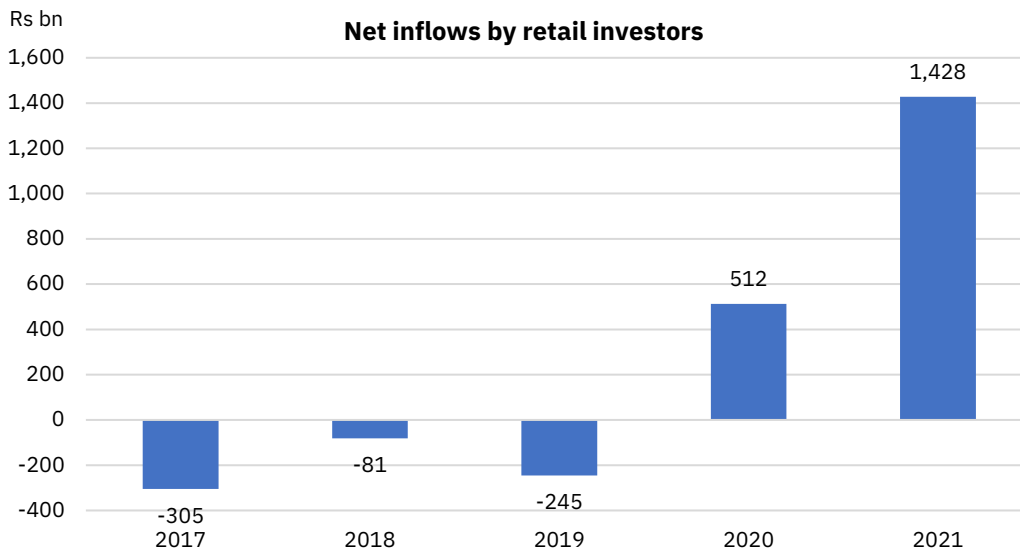
Source: Refinitiv Datastream, NSE EPR.

**Direct retail participation strengthened in the December quarter:** Retail participation has picked up meaningfully over the last couple of years. A sharp market crash in March 2020 after the onset of COVID-19 pandemic lured retail investors into trading in equity markets, with a strong market rebound thereafter further strengthening their sentiments. Retail investors turned net buyers of the market in 2020, after a three-year hiatus between 2017-19, further strengthening their participation in 2021. During 2020 and 2021, they have invested a total of Rs1.94trn in the NSE's capital market segment (secondary market only) of which Rs1.43bn has been invested in 2021 alone.

Inflows in last two years could be attributed to increased interest by retail investors who stayed or worked from home during the COVID-19 pandemic and shift in investments towards high-yielding investment avenues from a gradual fall in real interest rates in an easing monetary policy environment with high inflation. The last two years have also seen a significant growth in new investor registrations, which has augmented net investments

in the equity markets. The last fiscal year saw an addition of 14.3m new investors by NDSL and CDSL combined, followed by 31.8m in the first 11 months of FY22 alone. Additionally, the share of individual investors in the cash market turnover shot up to 45% in FY21 vs. 39% in FY20, falling to 41.2 in the first 11 months of FY22.

**Figure 19: Net inflows by retail investors in the NSE's CM segment (2017-)**



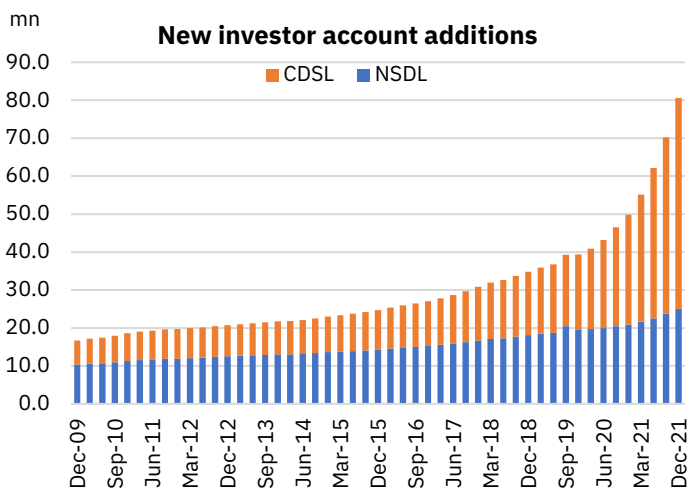
Source: NSE EPR.

Note: 1. Note: Retail investors: individual domestic investors, NRIs, sole proprietorship firms and HUFs.

2. Net flows include investments in securities in EQ, BE, SM, and ST series including ETFs only.

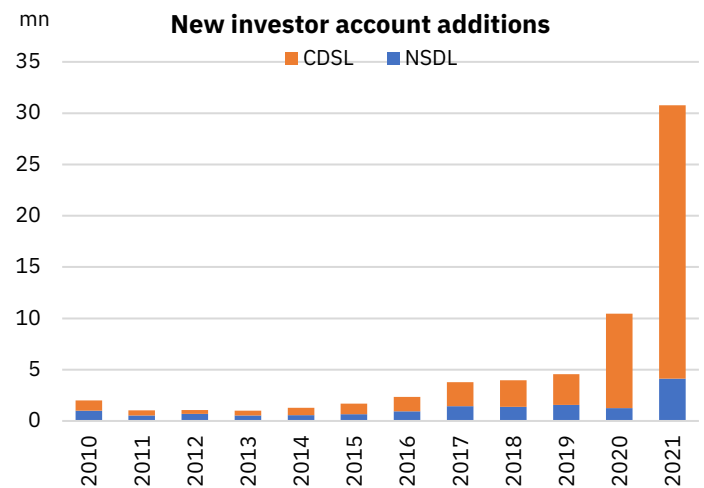
3. Net flows are calculated as buy traded value – sell traded value.

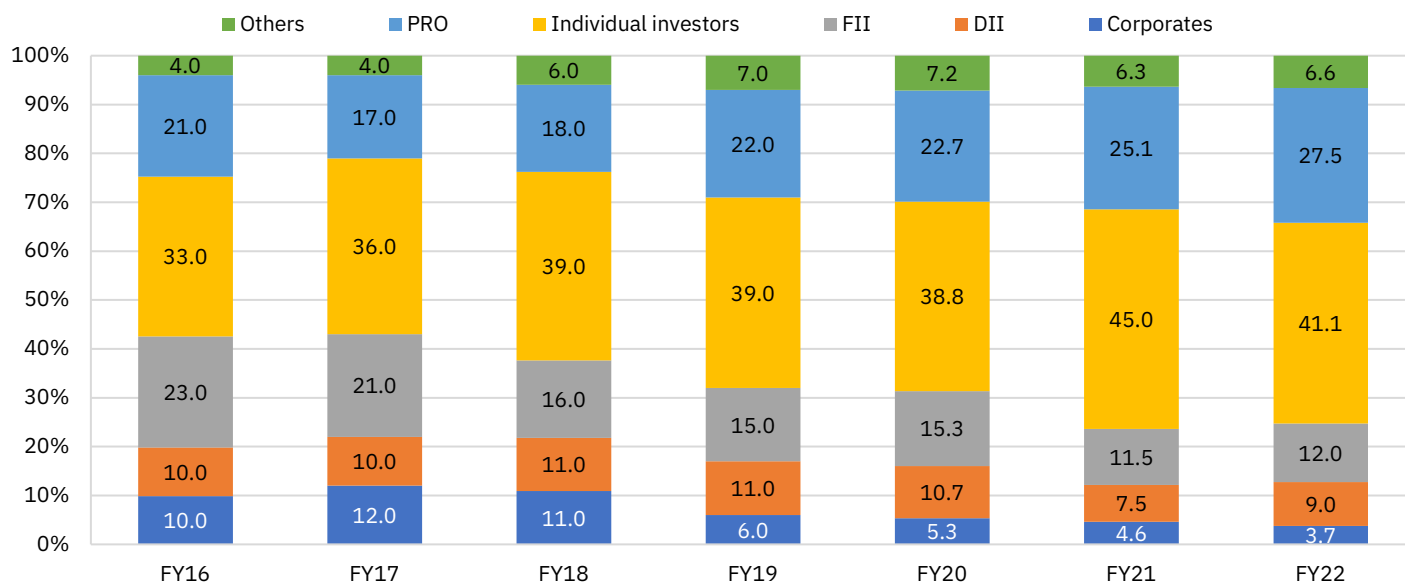
**Figure 20: Quarterly trend of number of active investor accounts with depositories**



Source: SEBI Bulletin, NSE EPR.

**Figure 21: Annual trend of new investor account additions with depositories**



**Figure 22: Client category-wise share in NSE's cash market turnover**


Source: NSE EPR.

Note: DII: Domestic Institutional Investors include Banks, Mutual Funds, Insurance Companies, NBFCs, Domestic VC Funds, AIFs, PMS clients etc., FII: Foreign Institutional Investors include FPIs, FDIs and Foreign VC Funds etc., 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, OCB, FNs, etc. FY22 considers data till February 2022; Above data represents share in gross turnover i.e., buy-side turnover + sell-side turnover.

**Sector-wise ownership of the NSE-listed universe (December 2021):** The sector-wise ownership pattern of the NSE-listed universe across key stakeholders in the quarter gone by (Oct-Dec'21) shows that the Real Estate sector continues to lead in terms of promoter ownership at 66.0% (-90bps QoQ), followed by Utilities at 61.8% (+60bps QoQ), Materials at 56.4% (+21bps QoQ), Consumer Staples at 55.4% (+33bps QoQ), Communication Services at 54.8% (+68bps QoQ) and Industrials at 54.7% (-40bps QoQ). Except for Consumer Staples, Industrials and Utilities, all other sectors have seen a drop in promoter ownership since December 2019. Sector-wise, Utilities had the highest Government ownership at 16.8%, even as the share has come off sharply over the last few years (-31.8 pp over the last five years) to hit fresh all-time lows. Other sectors that have high Government ownership include Energy, Financials and Industrials at 13.0% (-54bps QoQ), 10.3% (+23bps QoQ), and 8.2% (-76bps QoQ) respectively. Except Financials, all other sectors have either seen a steady or a drop in Government ownership in the December quarter.

Sector-wise, Financials had the highest DMF ownership of 10.1% (+35bps QoQ) in the December quarter, followed by Healthcare at 8.7% (+33bps QoQ), Industrials at 8.4% (-5bps QoQ), Communication Services at 8.0% (steady QoQ) and Consumer Discretionary at 7.8% (-19bps QoQ). Increase in DMF share in Information Technology, Financials, Healthcare and Consumer Staples in the December quarter has been partly offset by a steep drop in Utilities and Consumer Discretionary.

In terms of FII share, Financials sector lead with a 32.0% FII share, even as there has been a meaningful drop in 2021 (-130bps in the December quarter and 4pp in 2021). This is followed by Energy and Information Technology at 22.7% (-9bps QoQ) and 19.1% (-37bps QoQ). Barring Financials, other sectors that have seen a steep drop in FII share in the December quarter include Communication Services (-249bps QoQ to 19%), Consumer Discretionary (-95bps QoQ to 15.6%) and Consumer Staples (-66bps QoQ to 13.6%). Healthcare has been the only sector to see a modest 14bps QoQ pick-up in FII

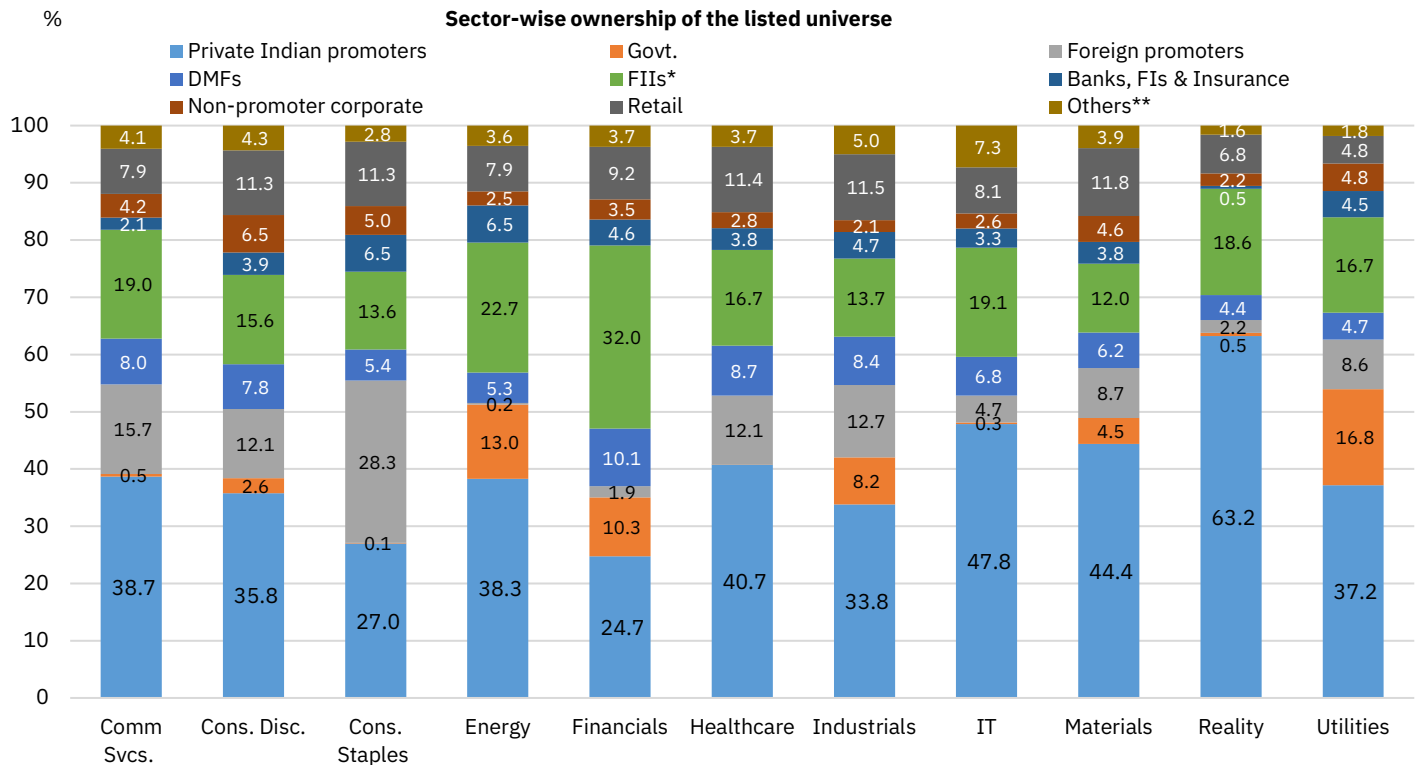
*Sector-wise, Utilities continues to lead in terms of Government ownership at 17.6%, even as the share is the lowest since June 2006.*

*Financials remained the sector with the highest DMF ownership in the March quarter.*

*Among sectors, Communication Services saw the highest drop in FII share to 19.0%, followed by Consumer Discretionary and Consumer Staples.*

share to 16.7% in the December quarter, while FII share in Energy and Industrials has remained broadly steady on a sequential basis.

**Figure 23: NSE-listed universe: Sector-wise ownership pattern across key stakeholders (December 2021)**



Source: CMIE Prowess, NSE EPR. \* 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 2021):**

The table below shows sector allocation for key shareholder categories in all NSE-listed companies as of December 2021. Government ownership remains concentrated to Financials, Energy, Utilities, Industrials and Materials, together accounting for 94.2% of the Government’s allocation in the listed space. Consumer sector—Discretionary and Staples—account for 41.7% of the exposure of foreign promoters to the NSE-listed space.

Except for an outsized exposure to Financials, DMF portfolio remains more diversified as compared to FIIs. While DMFs have 29.0% of their holdings in Financials, followed by Information Technology at 13.6% and Materials at 10.4%, FIIs have a much higher allocation to Financials at 34.8% within the NSE-listed space. That said the differential in portfolio allocation of FIIs and DMFs to Financials has fallen sharply over the last few quarters and was at a five-year low of 5.8pp in the quarter ending December 2021. This is owing to a sharp drop in the exposure of FIIs to Financials over the last few quarters, even as DMFs’ allocation to the sector remained broadly steady.

*DMFs have 29.0% of their market holding (NSE-listed) in Financials, followed by IT (13.6%) and Materials (10.4%).*

*FIIs have a much higher exposure to Financials at 34.8% even as it has come off meaningfully over the last few quarters.*

**Table 3: Sector allocation of the NSE-listed universe for key stakeholders (December 2021)**

%	Pvt. Indian promoters	Govt	Foreign promoters	Domestic MFs	FIIIs*	Banks, FIs, Insurance	Non-promoter corporate	Retail
Communication Services	3.5	0.3	5.9	3.5	3.2	1.6	3.7	2.7
Consumer Discretionary	9.5	4.4	13.4	10.1	7.6	8.6	16.9	11.3
Consumer Staples	6.4	0.2	28.2	6.3	5.9	12.8	11.6	10.0
Energy	8.8	18.8	0.2	6.0	9.6	12.4	5.5	6.8
Financials	14.6	38.5	4.8	29.0	34.8	22.4	20.0	20.3
Health Care	6.9	0.0	8.5	7.2	5.2	5.3	4.6	7.2
Industrials	8.2	12.7	12.9	9.9	6.1	9.4	4.9	10.5
Information Technology	19.8	0.8	8.1	13.6	14.6	11.4	10.5	12.5
Materials	15.2	9.8	12.6	10.4	7.6	10.9	15.2	15.3
Real Estate	2.3	0.1	0.3	0.8	1.3	0.2	0.8	0.9
Utilities	5.0	14.4	4.9	3.1	4.2	5.1	6.3	2.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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

### DMFs increased allocation to Information Technology, Consumer Discretionary and Industrials at the expense of Financials, Energy and Materials:

DMFs raised their exposure to Information Technology for the sixth quarter in a row by a steep 150bps QoQ to a 19-year high of 13.7% in the quarter-ending December 2021, reflecting incrementally positive outlook on the sector in the wake of continued strong demand for cloud-based services and easing restrictions. Additionally, strong outperformance of IT stocks in the December quarter also added to the increased allocation. In just last six quarters, DMFs' exposure to Information Technology has risen by nearly 5pp. Excluding Information Technology, DMF share in the NSE-listed space rose by a much lower 8bps QoQ in the December quarter. Other sectors within the NSE-listed universe that have seen an increase in DMF allocation include Consumer Discretionary (+65bps QoQ to a 12-quarter high of 10.1%) and Industrials (+34bps QoQ to a nine-quarter high of 9.9%). Higher DMF allocation to Consumer Discretionary is primarily attributed to outperformance of Automobile and Media companies during the quarter. DMFs have also been gradually increasing their exposure to Industrials since the last few quarters after seeing a steady drop between 2016 and 2020. This possibly reflects optimism about India's ongoing industrial recovery particularly in the light of strengthened corporate balance sheets, and reduced asset quality/healthier capital positions of banks. That said, the exposure of DMFs to the sector still remains nearly 17pp shy of the all-time high level of ~27% prior to the Global Financial Crisis. DMFs also saw their exposure to Communication Services rising by a modest 16bps QoQ to a four-quarter high of 3.5% as of December-end.

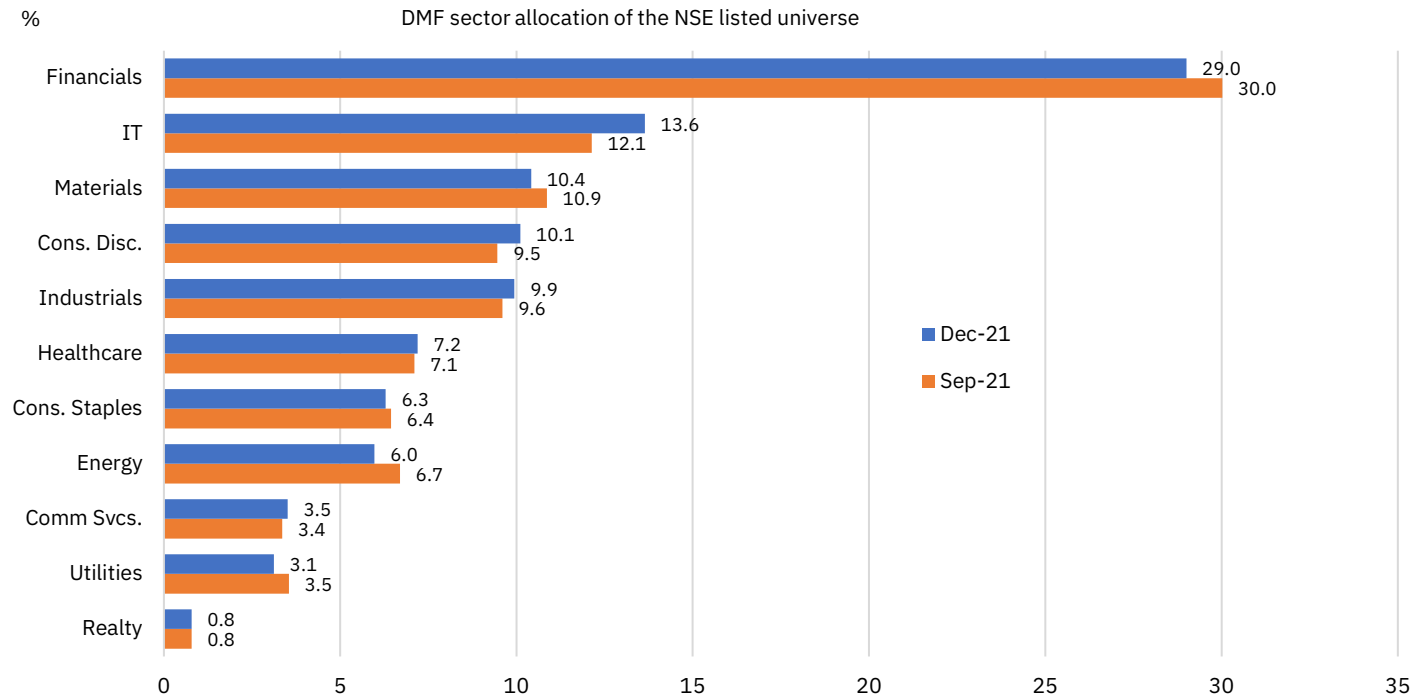
Increase in DMFs allocation to these sectors came largely at the expense of Financials, Energy, Materials and Utilities, where DMF exposure fell by 102bps, 72bps, 45bps and 42bps QoQ to 29%, 6.0%, 10.4% and 3.1% respectively in the quarter-ending December 2021. The sharp drop to Financials in the December quarter was partly attributed to significant underperformance of banking stocks with respect to the broader market. Other sectors where DMFs maintained their exposure include Healthcare and Real Estate.

The pandemic period has seen DMFs portfolio shift away from affected sectors such as Financials and Energy to sectors that either benefited or remained relatively unscathed including Healthcare and Information Technology.

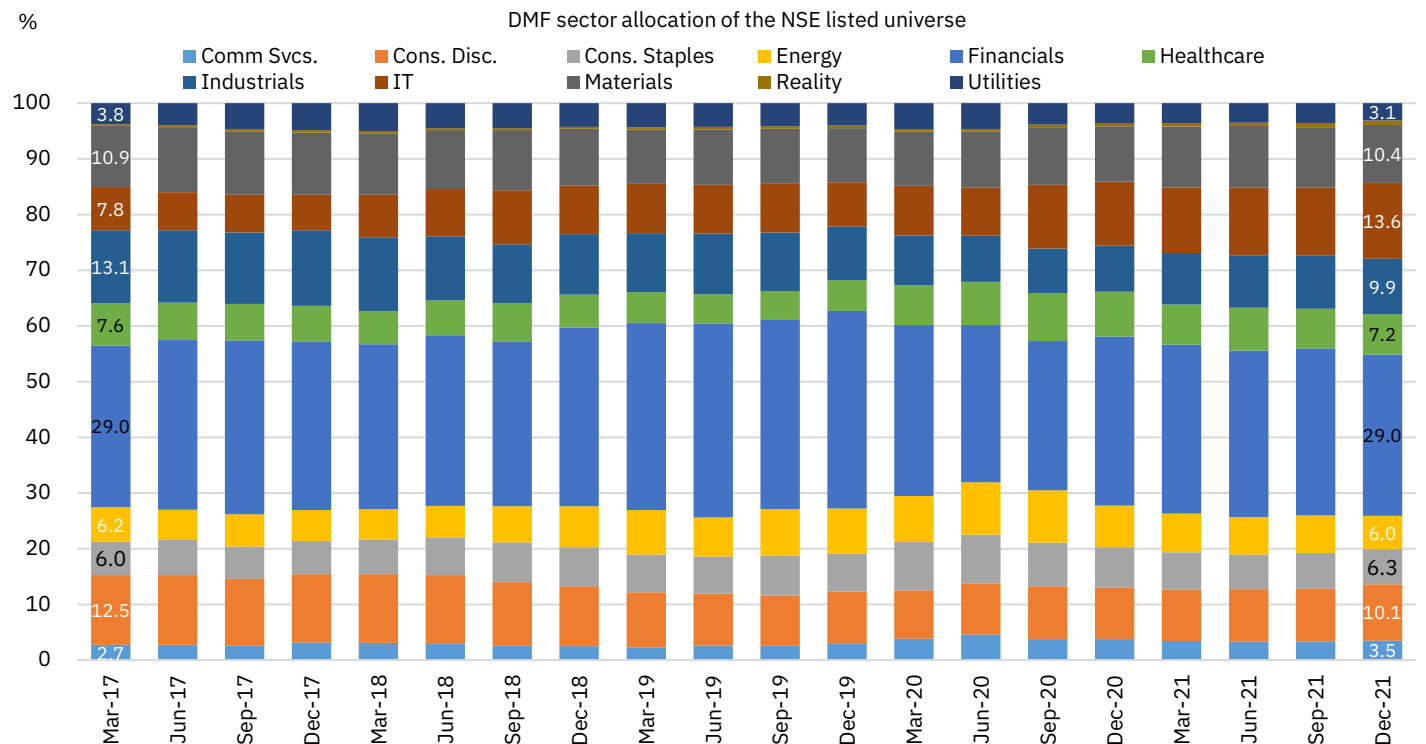
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*DMFs increased allocation to Information Technology, Consumer Discretionary and Industrials at the expense of Financials, Energy and Materials in the December quarter.*

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**Figure 24: DMF sector allocation of the NSE-listed universe (December 2021 vs. September 2021)**


Source: CMIE Prowess, NSE EPR.

**Figure 25: DMF sector allocation of the NSE-listed universe over last five years**


Source: CMIE Prowess, NSE EPR.

**FIIIs significantly reduced exposure to Financials:** Unlike DMFs, FII reduced their exposure to Financials within the NSE listed space for the fourth consecutive quarter by 192bps QoQ to five-year low of 34.8% in the quarter ending December 2021. A part of this is attributed to massive underperformance of Financials as compared to the broader market, as reflected from a 120bps QoQ drop in the sector's share in overall NSE listed

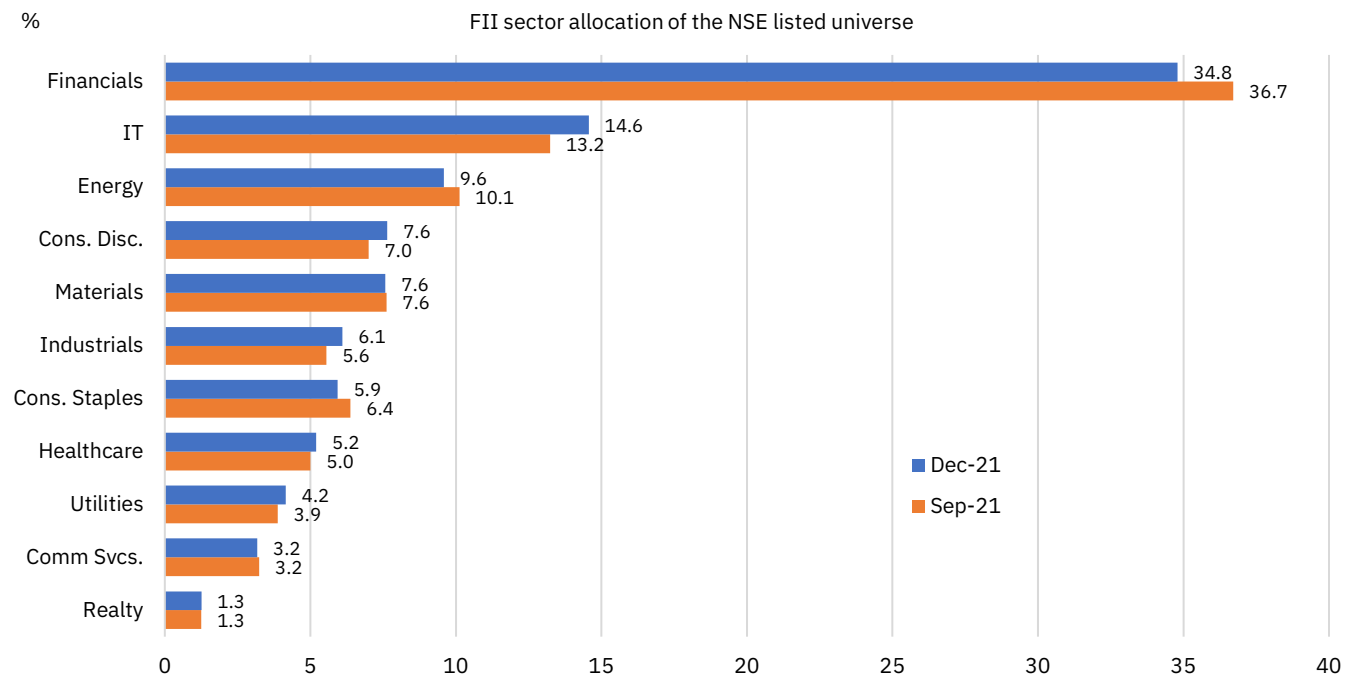
*FIIIs reduced their allocation to Financials for the third consecutive quarter.*



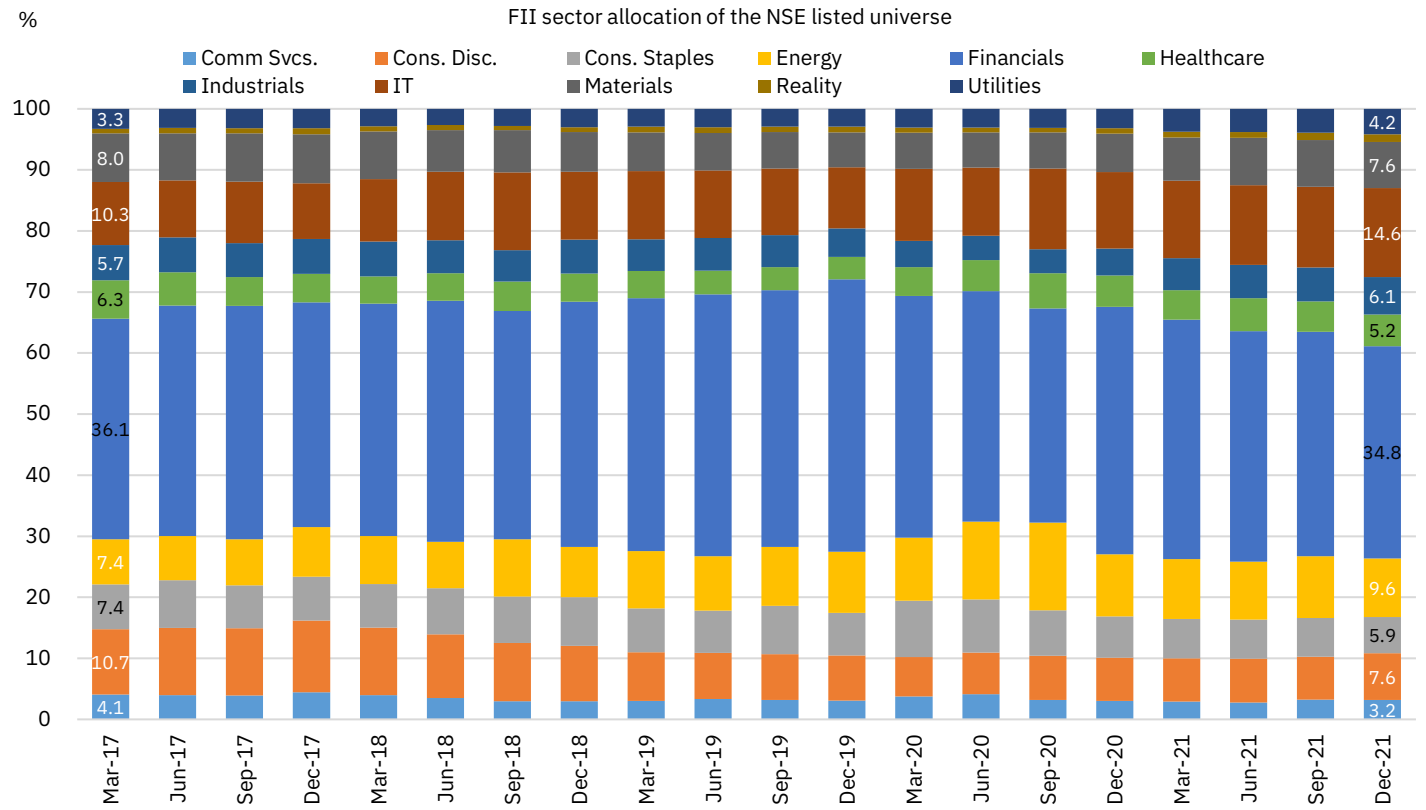
space. FIIs exposure to Financials is now 9.8pp lower than the peak level of 44.6% observed in December 2019. Other sectors that saw a drop in FII exposure in the December quarter included Energy and Consumer Staples. Sectors that saw an increase in FII portfolio allocation within the overall NSE listed universe comprised of Information Technology, Consumer Discretionary and Industrials.

Even as FIIs' exposure to Energy and Financials has come off meaningfully over the last few quarters, they still remain dominant sectors for FIIs to play the India story. These two sectors account for 44.4% of the FII money invested in the NSE listed space, much higher than their combined weight of ~30%.

**Figure 26: FII sector allocation of the NSE-listed universe (December 2021 vs. September 2021)**



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

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


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

## Nifty 50 ownership trends

### Ownership pattern of the Nifty 50 universe (December 2021)

**Promoter stake in the Nifty 50 universe remained broadly steady in the December quarter:** Overall private promoter ownership in the Nifty 50 Index remained broadly steady at 38.5% in the quarter ending December 2021 as an increase in private Indian promoter stake for the fourth time in a row was entirely offset by sustained drop in foreign promoter stake. Private Indian promoter stake in the Nifty 50 universe rose by a modest 16bps QoQ to near 16-year high of 32.4% in the quarter ending December 2021, while foreign promoter stake dropped for the seventh consecutive quarter from a 17-year high of 9.7% in March 2020 to a 27-quarter low of 6.1% in December 2021 quarter. Unlike the overall NSE listed space where Government share saw a dip, that in the Nifty 50 Index remained broadly steady at 5.1%.

**Institutional ownership dipped for the fourth quarter in a row:** In line with the broader listed universe, FII ownership in the Nifty 50 universe fell by 63bps QoQ to a five-quarter low of 25.9% on top of a 99bps drop in the previous three quarters combined, marking the fourth consecutive quarter to record a sequential dip. FII share is now nearly 2.6pp shy of the all-time high share of 28.5% observed prior to the pandemic in December 2019. This is partly attributed to foreign capital outflows from emerging markets including India to safe havens, thanks to renewed risk-off environment during the quarter in the wake of COVID resurgence, strengthening inflationary concerns, expectations of faster-than-anticipated policy normalisation by the US Federal Reserve and China slowdown. DMF ownership on the other hand inched up for the third quarter in a row by 38bps QoQ to a 20-year high of 8.5%, much high than the sequential increase seen in the overall listed universe, reflecting a cautious optimistic stance given the ongoing uncertainty. The share of Banks, Financial Institutions and Insurance remained stable at near 21-year lows of 5.9% in the quarter ending December 2021.

**Retail ownership in the Nifty 50 index inched up in the December quarter:** Individual retail investors' holding in the Nifty 50 Index inched up by a modest 21bps QoQ to near 14-year high of 8.3% in December 2021, translating into an increase of 37bps in 2021 and ~70bps from the pre-pandemic level. This is lower than the increase in retail share seen in the broader listed universe, pointing to higher buying in relatively smaller stocks. Around 37/50 Nifty 50 stocks have seen an increase in retail share during the quarter.

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*Promoter stake in the Nifty 50 Index remained steady in the December quarter, as an increase in private Indian promoter stake for the fourth time in a row was entirely offset by sustained drop in foreign promoter stake.*

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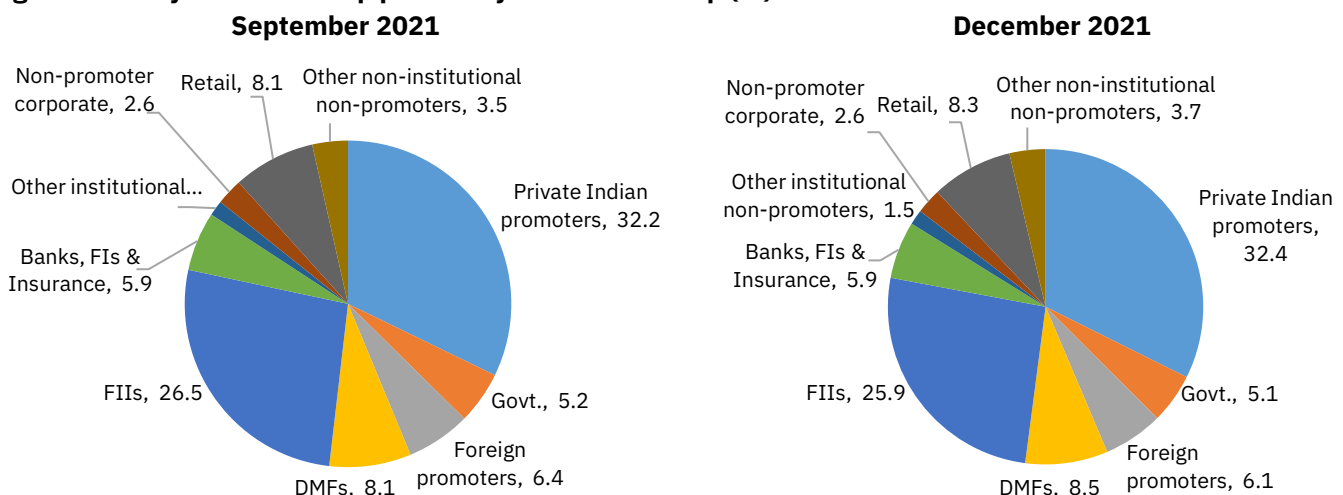


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*FII share in Nifty 50 companies fell for the fourth quarter in a row by 63bps QoQ to 25.9% in the December quarter, while that of DMFs rose by 38bps QoQ to 20-year high of 8.1%.*

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**Figure 28: Nifty 50: Ownership pattern by total market cap (%)**



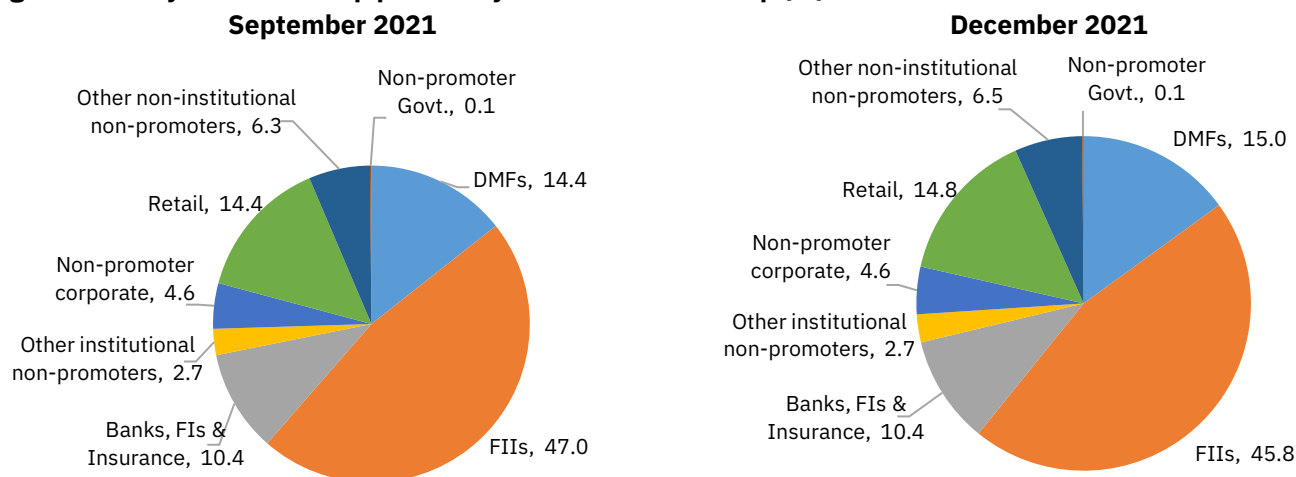
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians.

**Table 4: 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-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	28.1	6.4	9.7	8.4	7.1	26.3	3.1	7.8
Jun-20	29.5	5.6	8.8	8.4	7.2	25.7	2.9	7.8
Sep-20	32.2	4.6	7.7	8.1	6.7	25.8	2.4	8.0
Dec-20	30.9	4.9	7.3	8.0	6.5	27.5	2.6	8.0
Mar-21	31.2	5.0	6.9	7.9	6.6	27.4	2.7	8.1
Jun-21	31.6	5.2	6.5	8.0	6.5	26.9	2.7	8.2
Sep-21	32.2	5.2	6.4	8.1	5.9	26.5	2.6	8.1
Dec-21	32.4	5.1	6.1	8.5	5.9	25.9	2.6	8.3
<b>QoQ change</b>	<b>16bps</b>	<b>-6bps</b>	<b>-24bps</b>	<b>38bps</b>	<b>2bps</b>	<b>-63bps</b>	<b>-3bps</b>	<b>21bps</b>

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

In terms of floating stock, FII share in the Nifty 50 Index fell by a steep 123bps QoQ to a six-quarter low of 45.8% in the quarter ending December 2021, translating into a total drop of 2.3pp in the whole of 2021. This is in line with the moderation in foreign capital inflows into India over the last few quarters after a surge seen in 2020. Share of DMFs in the floating stock of Nifty 50 universe rose to a 21-year high (since the beginning of our analysis) of 15.0% in the December quarter, marking the third quarter in a row to see a sequential rise. Banks, Financial Institutions and Insurance companies, however, saw their share remaining steady at 21-year low of 10.4% in the December quarter. Overall institutional ownership in the Nifty 50 floating stock declined by 56bps QoQ to a 10-quarter low of 74.0% by December-end following an equivalent drop in the previous two quarters, translating into a total drop of 206bps in 2021. Besides DMFs, the drop in FIIs and Banks, Financial Institutions and Insurance companies' share in Nifty 50 companies was taken up by retail and other non-institutional non promoter investors (That are neither individuals nor corporates and primarily comprise of trusts, clearing members and HUFs). Individual investors' (retail) share inched up by 34bps QoQ to a decadal-high of 14.8% in the quarter-ending December 2021.

**Figure 29: Nifty 50: Ownership pattern by free float market cap (%)**


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

**Table 5: Nifty 50: Ownership trend across key stakeholders by free float market cap over last the three years**

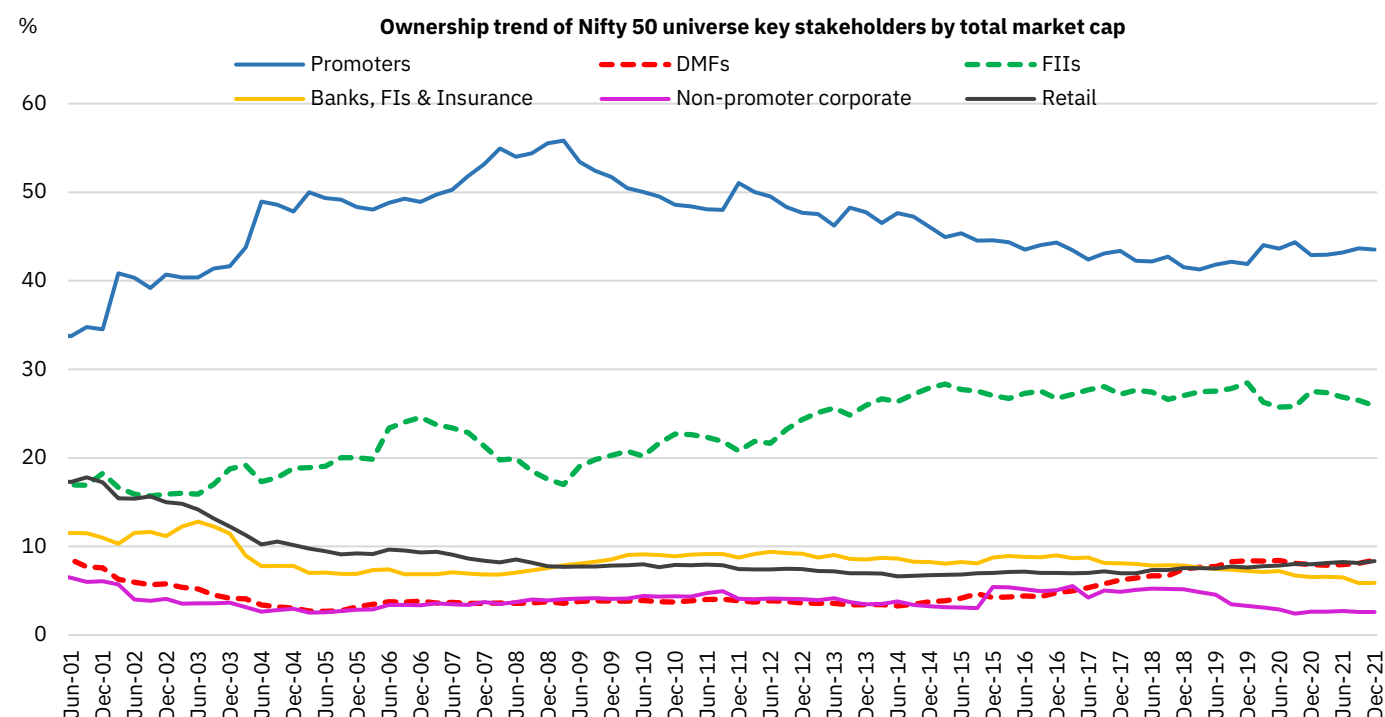
%	Domestic MFs	Banks, FIs & Insurance	FII*s*	Non-promoter corporate	Public
Mar-19	13.0	13.0	46.8	8.3	12.9
Jun-19	13.3	12.8	47.4	7.8	12.9
Sep-19	14.3	12.8	48.1	6.0	13.4
Dec-19	14.4	12.4	49.0	5.7	13.1
Mar-20	15.0	12.7	47.0	5.6	13.9
Jun-20	14.9	12.8	45.6	5.1	13.9
Sep-20	14.6	12.1	46.4	4.3	14.5
Dec-20	13.9	11.5	48.2	4.6	14.0
Mar-21	13.8	11.5	47.9	4.7	14.2
Jun-21	14.0	11.4	47.3	4.8	14.5
Sep-21	14.4	10.4	47.0	4.6	14.4
Dec-21	15.0	10.4	45.8	4.6	14.8
<i>QoQ change</i>	<i>63bps</i>	<i>2bps</i>	<i>-123bps</i>	<i>-6bps</i>	<i>34bps</i>

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

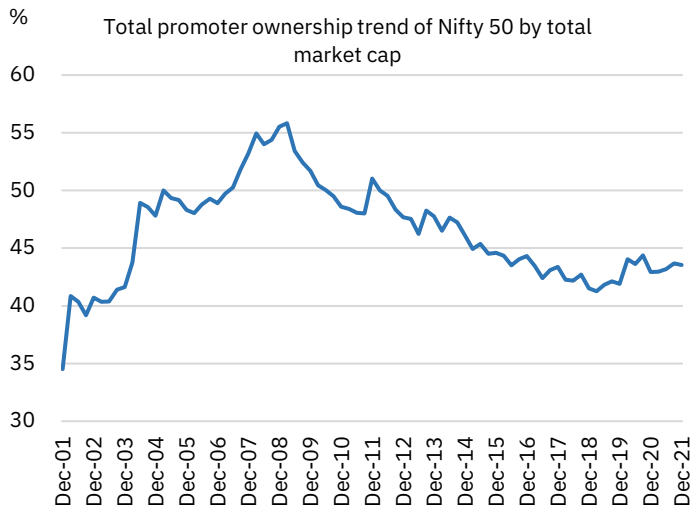
**Long-term ownership trend of the Nifty 50 universe:** The long-term ownership trend of the Nifty 50 Index echoes the trend seen in the broader listed universe. Overall promoter ownership has seen a steady decline since 2009, largely led by a sharp decline in Government ownership, even as private Indian as well as foreign promoters' holding has increased since 2010, albeit at a tad lower 9.1pp vs 11.6pp for the listed universe.

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

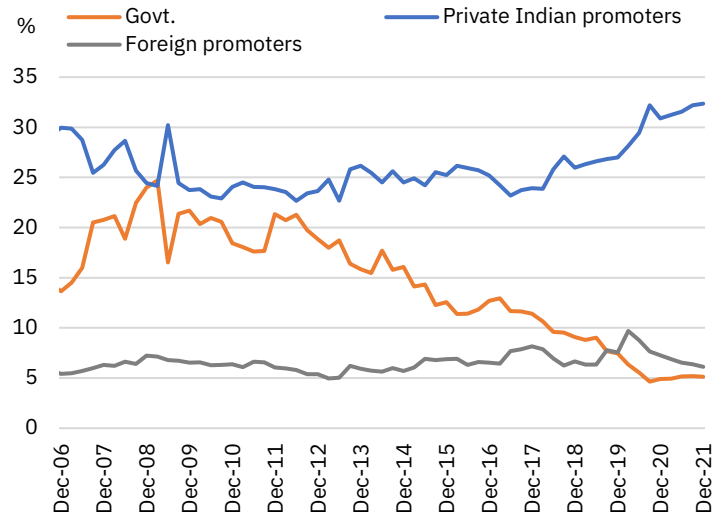
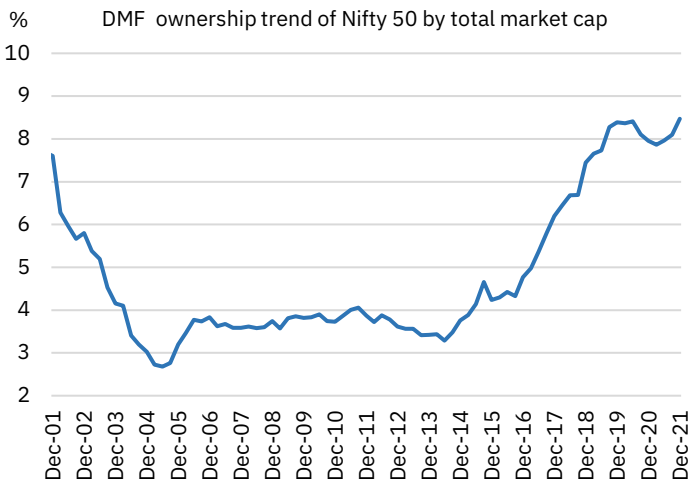
While the DMF ownership has seen a sharp increase since 2014 barring the drop in 2020, FII ownership saw a steady increase since the Global Financial crisis until early 2015 and has since hovered around similar levels, witnessing some drop last year. FII ownership excluding Financials, however, has seen a sharp drop over the 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 30: Nifty 50: Long-term ownership trend across key stakeholders by total market cap**


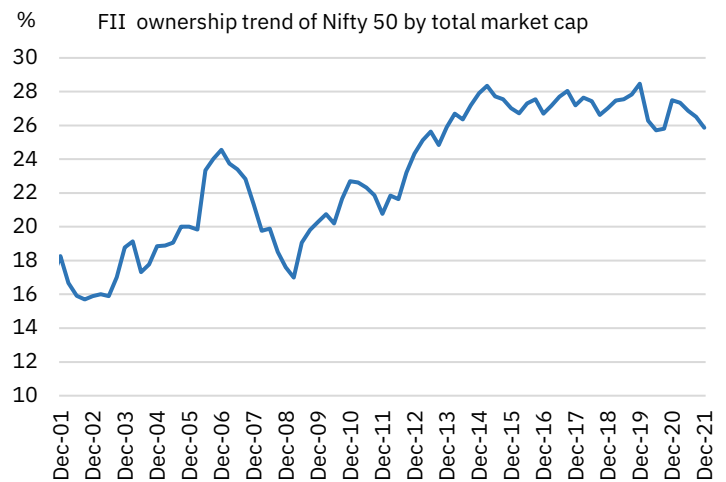
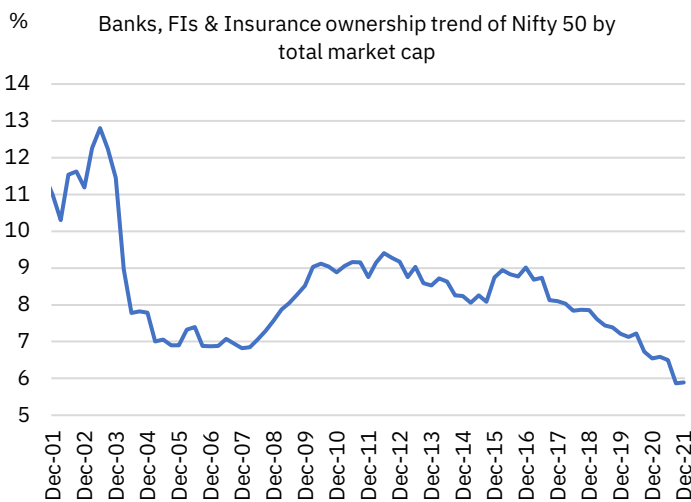
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

**Figure 31: Total promoter ownership trend of the Nifty 50 universe by total market cap**


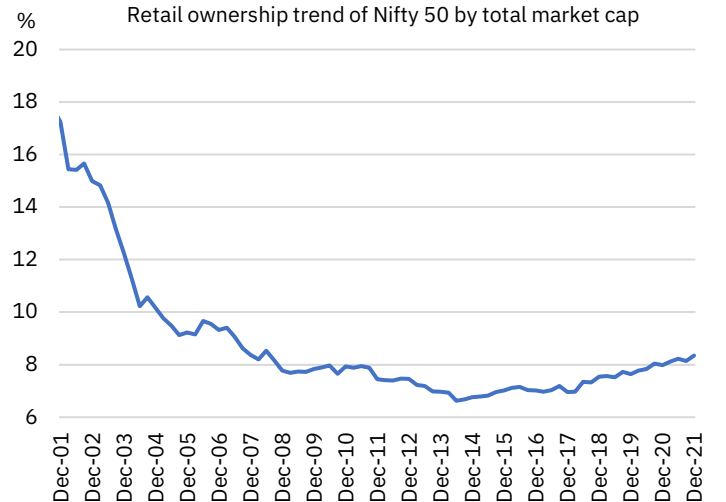
Source: CMIE Prowess, NSE EPR.

**Figure 32: Indian and foreign promoter ownership trend of the Nifty 50 universe by total market cap**

**Figure 33: DMF ownership trend of Nifty 50 universe by total market cap**


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

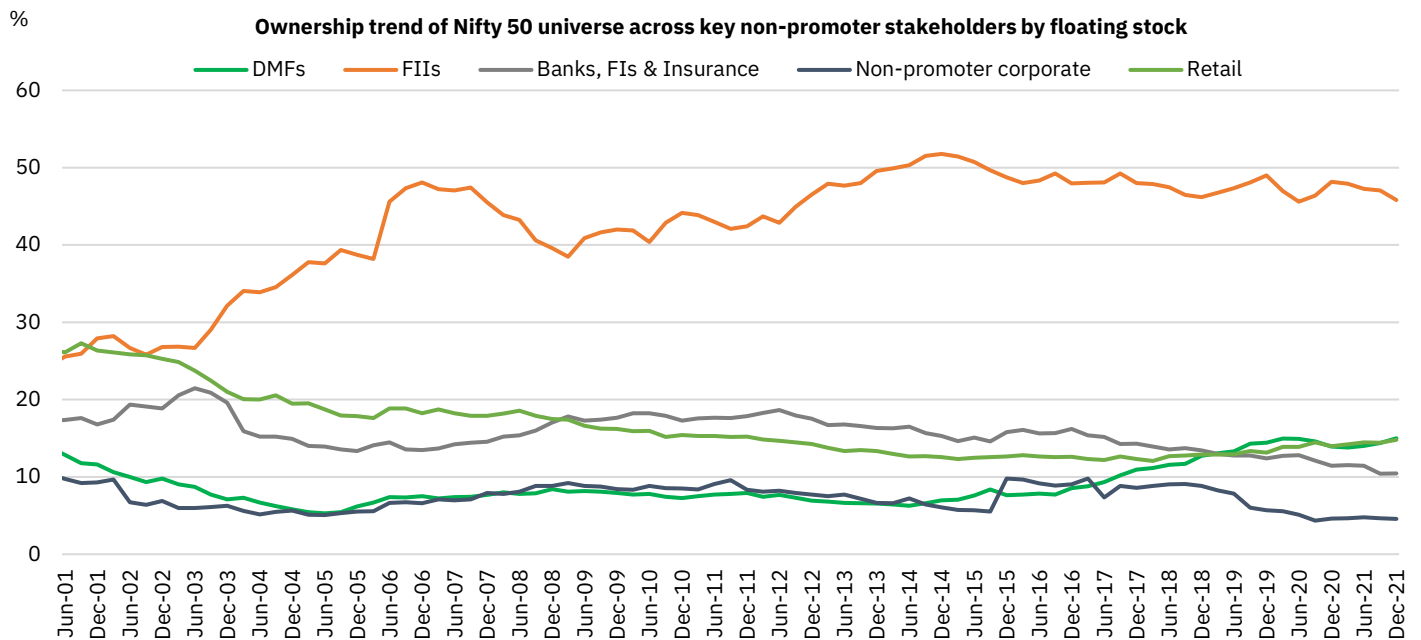
**Figure 34: FII ownership trend of Nifty 50 universe by total market cap**

**Figure 35: Banks, FIs & Insurance ownership trend of Nifty 50 universe by total market cap**


Source: CMIE Prowess, NSE EPR.

**Figure 36: Retail ownership trend of Nifty 50 universe by total market cap**


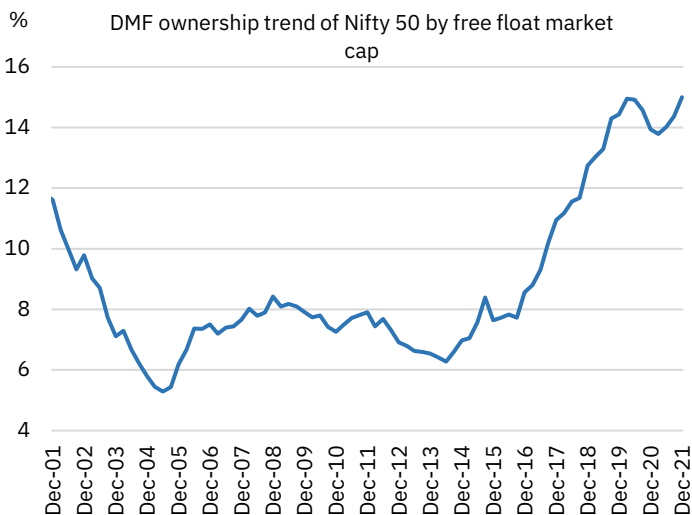
Our long-term ownership analysis on the free float market cap of the Nifty 50 Index also shows that while DMF ownership is currently hovering at a 21-year high of 15%, last seen in March 2020, current FII ownership is nearly 6pp lower than the peak of 51.8% seen in December 2014.

**Figure 37: Nifty 50: Long-term ownership trend across key stakeholders by free float market cap**

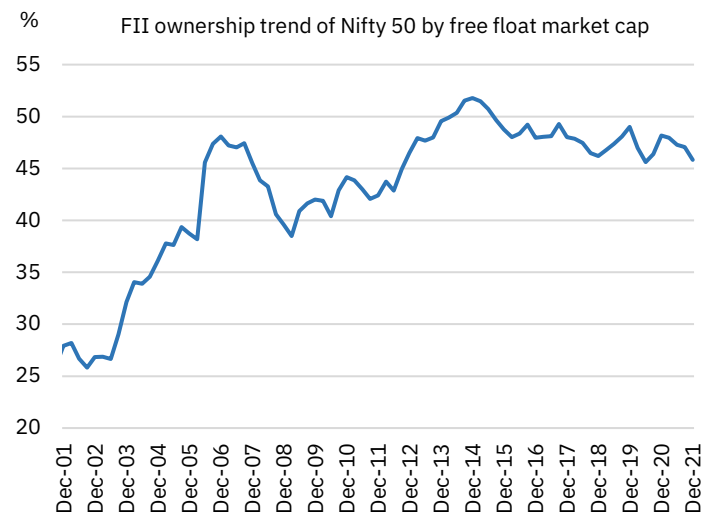


Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

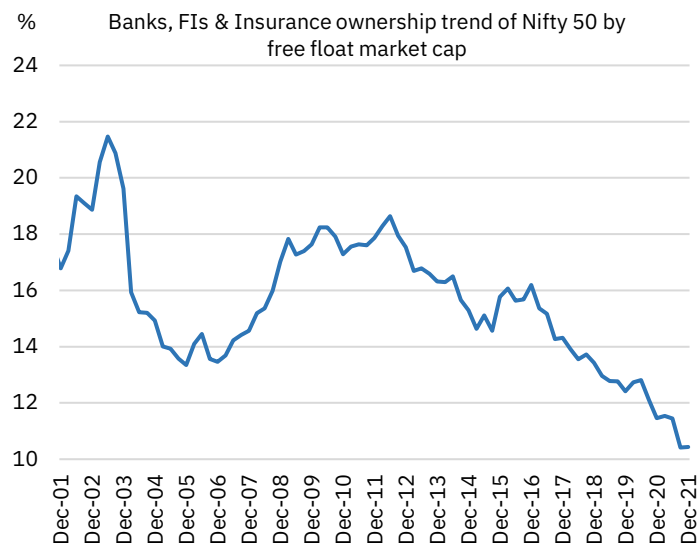
**Figure 38: DMF ownership trend of the Nifty 50 universe by free float market cap**



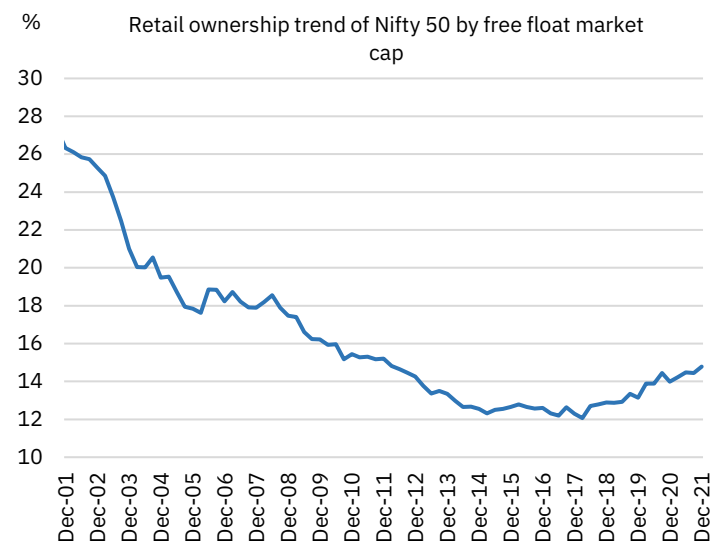
**Figure 39: FII\* ownership trend of the Nifty 50 universe by free float market cap**



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

**Figure 40: Banks, FIs & Insurance ownership trend of the Nifty 50 universe by free float market cap**


Source: CMIE Prowess, NSE EPR.

**Figure 41: Retail ownership trend of the Nifty 50 universe by free float market cap**


**Sector-wise ownership of the Nifty 50 universe (December 2021):** In the quarter ending December 2021, Communication Services within the Nifty 50 universe had the highest promoter ownership at 55.9%, followed by Information Technology at 53.8% (-126bps QoQ), Utilities at 51.2% and Energy at 51.1% (-12bps QoQ). Utilities and Energy remained the top sectors in terms of Government ownership at 51.3% and 13.1% (-47bps QoQ) respectively, even as both the sectors have seen a significant drop in Government's ownership over the years.

In the quarter ending December 2021, Utilities remained the top sector in terms of DMF ownership for the fourth quarter in a row, even as the share fell by 78bps QoQ to an eight-quarter low of 12.6%. This was followed by Healthcare and Industrials at 12.5% each, both of which saw the DMF share rising by 24bps and 69bps QoQ respectively and Financials at 12.1% (+69bps QoQ). Besides Financials, Industrials and Healthcare, other sectors that saw a rise in DMF share include Information Technology (+63bps QoQ to 20-year high of 6.7%), Communication Services (+41bps QoQ to 11.8%), Consumer Discretionary (+30bps QoQ to 6.7%) and Consumer Staples (+21bps QoQ to 5.4%). Utilities was the only sector that saw a dip in DMF share in December quarter.

FII's have remained the biggest non-promoter owners of Financials even as the share has fallen meaningfully in 2021 by ~3.8pp (-88bps in the last quarter) to a 38-quarter low of 41.1% in the December quarter. This is followed by Energy at 23.0% (-18bps QoQ) and Consumer Discretionary at a 13-year low of 22.1% (-43bps QoQ). All sectors, barring Industrials and Utilities saw FII ownership dipping in the quarter ending December 2021, reflecting a broad-based sell-off.

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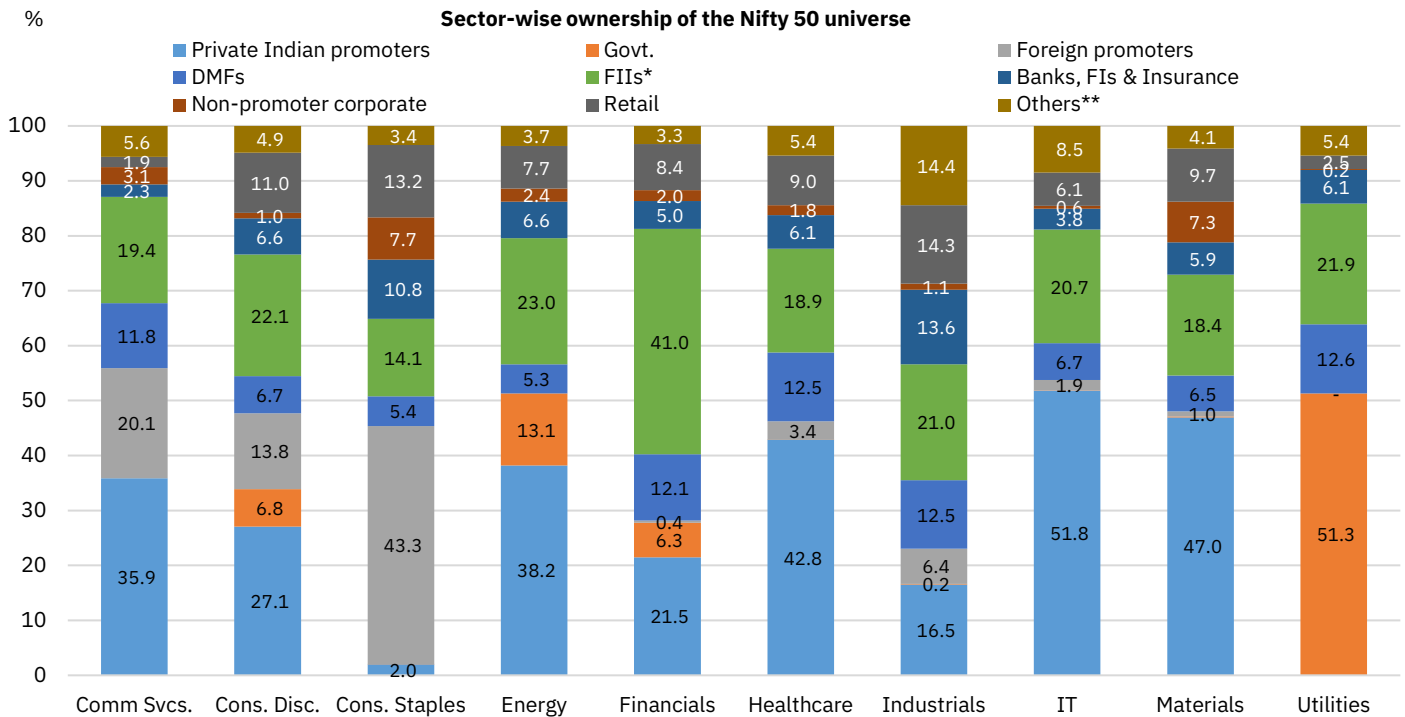
*Utilities (12.6%) remained the top sector in terms of DMF share, followed by Healthcare and Industrials at 12.5% each. Utilities was the only sector that saw a dip in DMF share.*

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*FII's have remained the biggest non-promoter owners of Financials for yet quarter despite a 3.8pp drop in 2021 to a 38-quarter low of 41.1% in the December quarter.*

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**Figure 42: Nifty 50: Sector-wise ownership pattern across key stakeholders (December 2021)**


Source: CMIE Prowess, NSE EPR.

\* 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 2021):** The table below shows the sector allocation for key stakeholders in Nifty 50 companies as of December 2021. The concentration of Government ownership in Financials, Energy and Utilities sector is much higher at 90.6% in the Nifty 50 universe vs 71.7% in the broader listed universe. The Consumer sector accounted for 75.1% of the exposure of foreign promoters to the Nifty 50 companies as of December-end, down ~1.6pp QoQ and ~8.9pp 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 39.0% in the Nifty 50 Index (-110bps QoQ) vs. 29% in the NSE-listed universe, even as it is 5.8pp lower than the two-decadal high share of 44.8% in the quarter ending December 2019. In line with DMFs, FIIs' allocation to Financials also fell by a steep 169bps QoQ to a five-quarter low of 43.4%, marking the fourth drop in a row, translating into a total fall of 4.3pp in 2021, partly reversing a steep 7pp jump seen in the last quarter of 2020. FIIs' portfolio allocation to Financials in the Nifty50 Index is now hovering nearly 6.9pp below the peak share of 50.3% in December 2019.

*Both FIIs and DMFs saw a meaningful drop in their absolute allocation to Financials within the Nifty 50 Index in the December quarter, partly attributed to sharp underperformance of banking stocks during the quarter.*

**Table 6: Sector allocation of the Nifty 50 universe for key stakeholders (December 2021)**

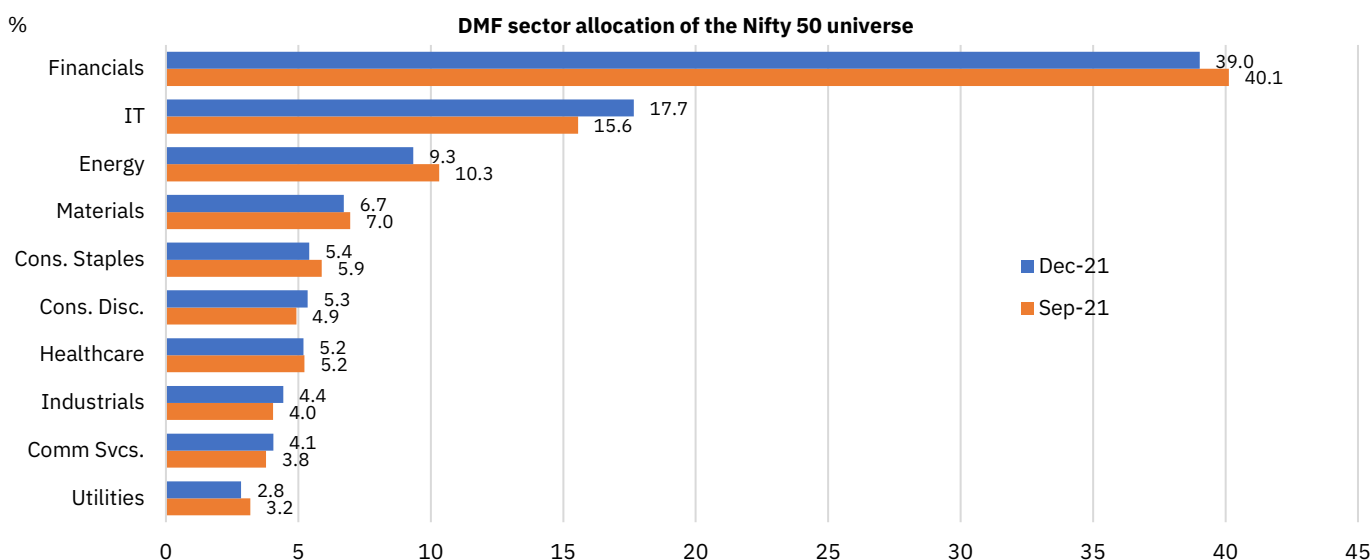
%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	FIIIs*	Banks, FIs & Insurance	Non-promoter corporate	Retail
Communication Services	3.2	0.0	9.6	4.1	2.2	1.1	3.5	0.7
Consumer Discretionary	5.6	8.9	15.2	5.3	5.7	7.5	2.5	8.8
Consumer Staples	0.5	0.0	59.9	5.4	4.6	15.5	25.2	13.4
Energy	17.6	38.1	0.0	9.3	13.2	16.8	14.0	13.8
Financials	18.2	33.5	1.9	39.0	43.4	23.4	21.3	27.4
Health Care	4.6	0.0	2.0	5.2	2.6	3.7	2.5	3.8
Industrials	1.5	0.1	3.1	4.4	2.4	6.9	1.3	5.1
Information Technology	36.0	0.1	7.0	17.7	18.0	14.4	4.8	16.3
Materials	12.7	0.3	1.4	6.7	6.2	8.7	24.8	10.2
Utilities	0.0	19.1	0.0	2.8	1.6	2.0	0.2	0.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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

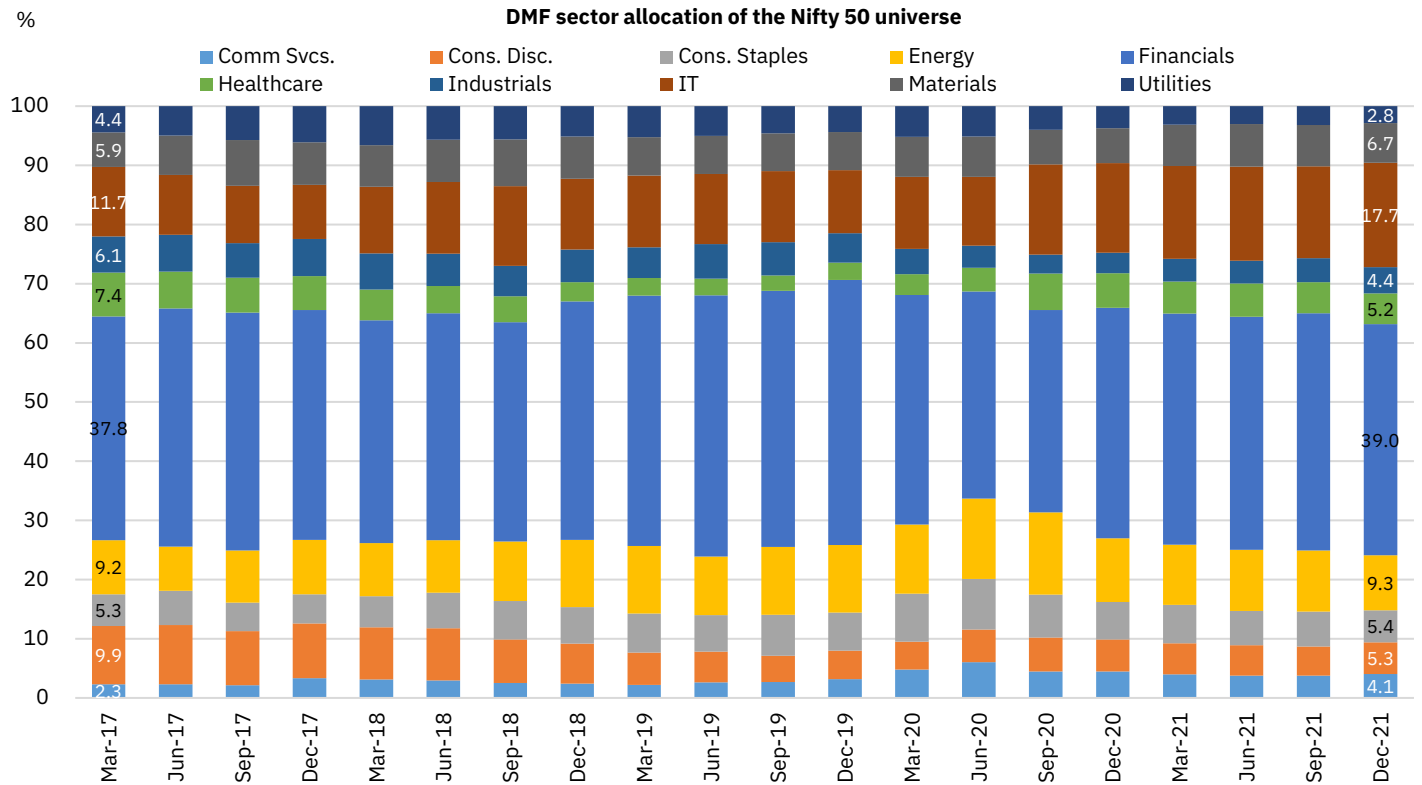
### DMFs turned incrementally optimistic on Financials despite reduced allocation: DMFs

turned incrementally positive on Financials in the quarter ending December 2021 despite a reduced allocation to the sector. While this possibly reflects their upbeat sentiments on the ongoing economic recovery, stable performance of the banking sector contrary to expectations of some COVID-led worsening of asset quality may have also instilled confidence in the sector. DMFs continued to remain positive on sectors that have remained largely unscathed from the COVID-19 pandemic including Communication Services, Healthcare and Utilities. Strengthened OW stance on Financials has come at the expense of an incrementally bigger UW position on Energy. This reflects the impact of China slowdown and geopolitical uncertainty on crude oil demand and prices as well as a sharp underperformance of Energy companies during the quarter. DMFs remained UW on Information Technology within the Nifty 50 universe, albeit incrementally less so following expectations of a strong show by IT companies in an otherwise seasonally weak quarter as well as continuing pandemic-induced demand for cloud-based enterprise solutions. Besides, Energy and Information Technology, DMFs have remained negative on consumption plays viz., Consumer Discretionary and Consumer Staples, which seems to be more a reflection of persistent supply-side bottlenecks, that got accentuated by COVID resurgence during the quarter and negative geopolitical developments.

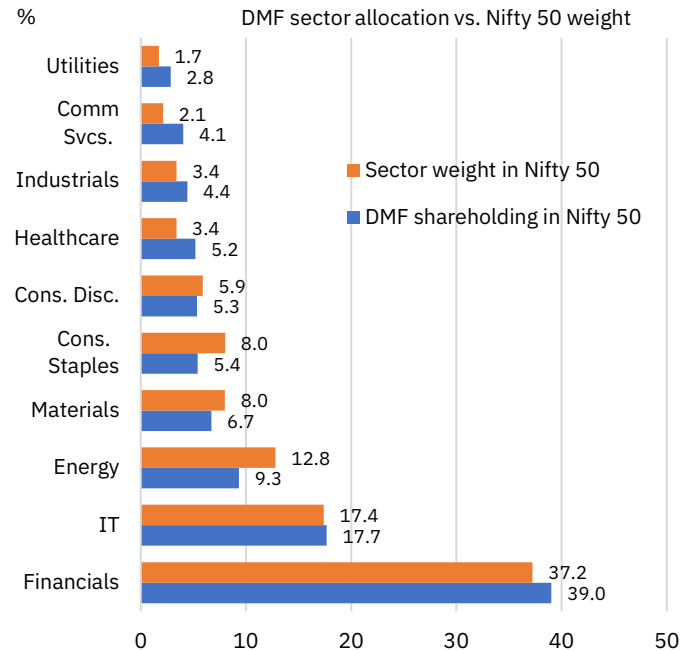
*DMFs strengthened their OW position on Financials, tapered their UW stance on consumption sectors and turned incrementally negative on sectors impacted by global factors including Energy, IT and Materials.*

**Figure 43: DMF sector allocation of the Nifty 50 universe (December 2021 vs. September 2021)**


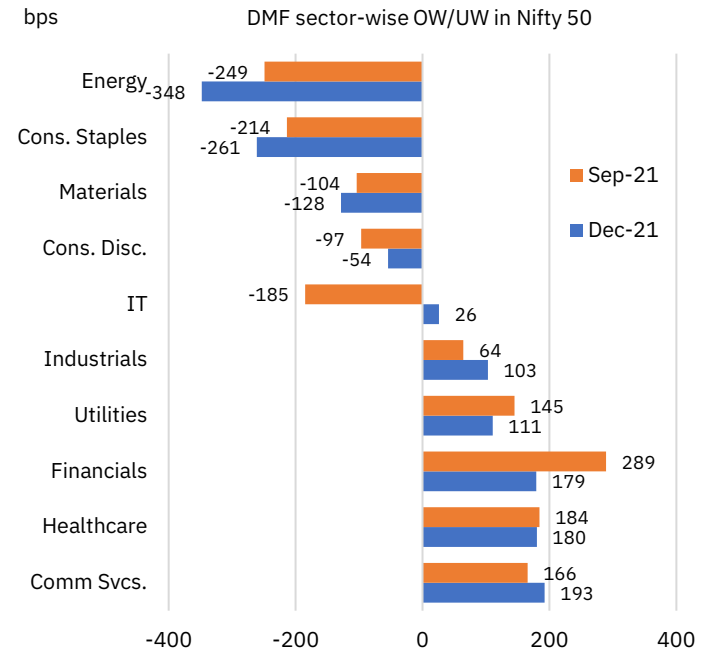
Source: CMIE Prowess, NSE EPR.

**Figure 44: DMF sector allocation of the Nifty 50 universe over the last five years**


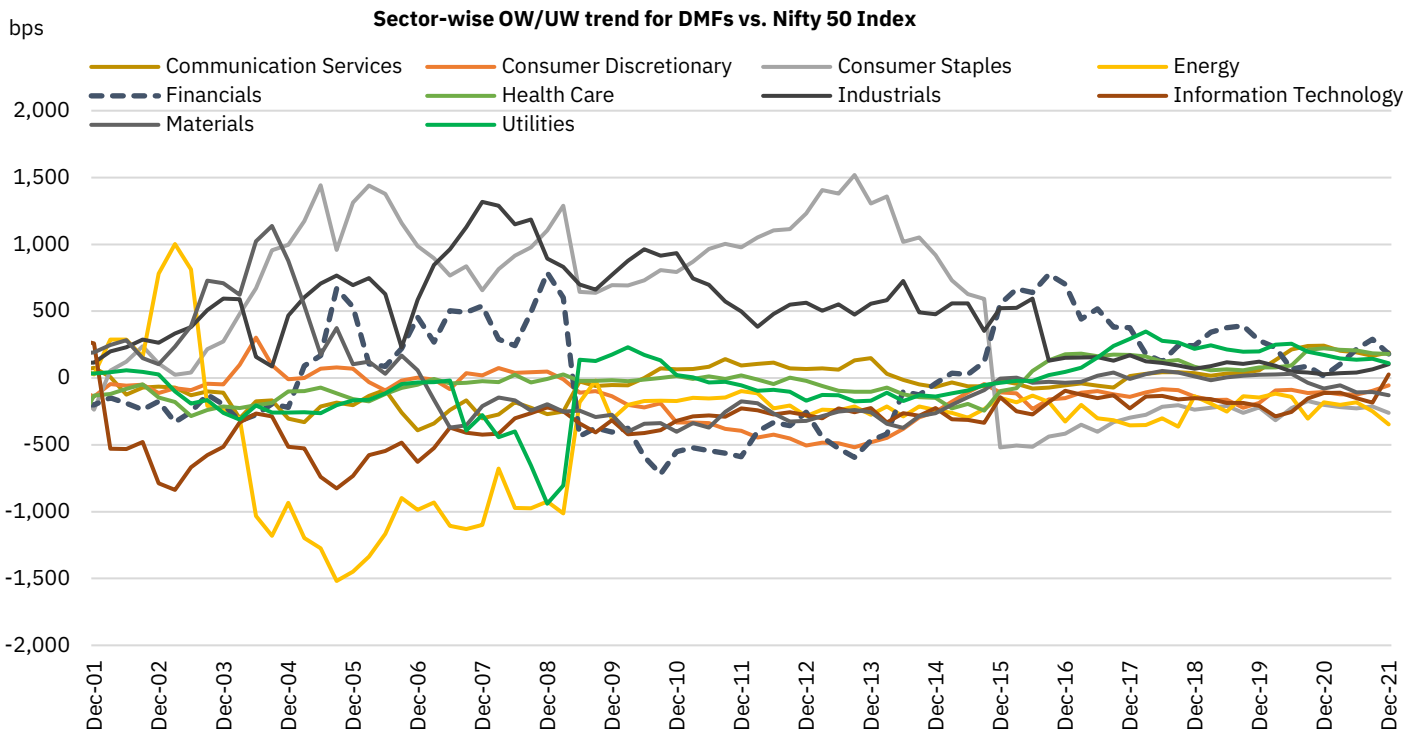
Source: CMIE Prowess, NSE EPR.

**Figure 45: DMF sector allocation vs sector weight in Nifty 50 (December 2021)**


Source: CMIE Prowess, NSE

**Figure 46: DMF sector-wise OW/UW in Nifty 50 relative to sector weight in the index (December 2021)**


**Figure 47: DMF vs Nifty 50—Sector-wise OW/UW trend (bps)**

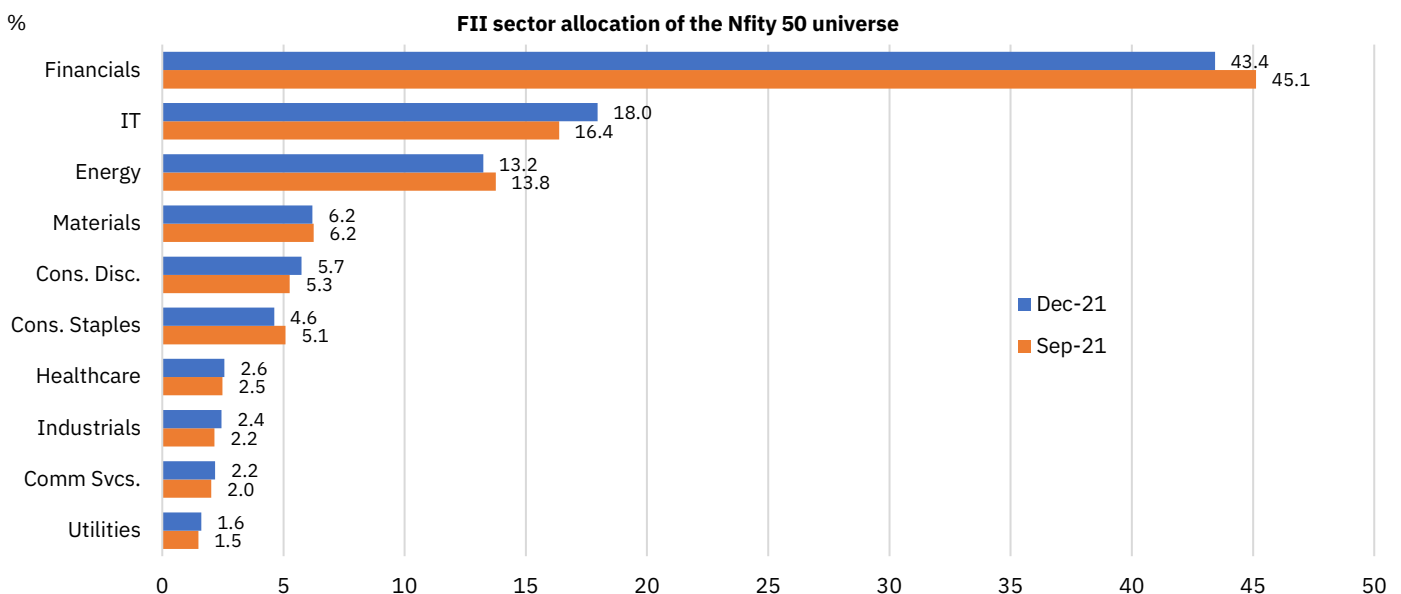


Source: CMIE Prowess, NSE EPR.

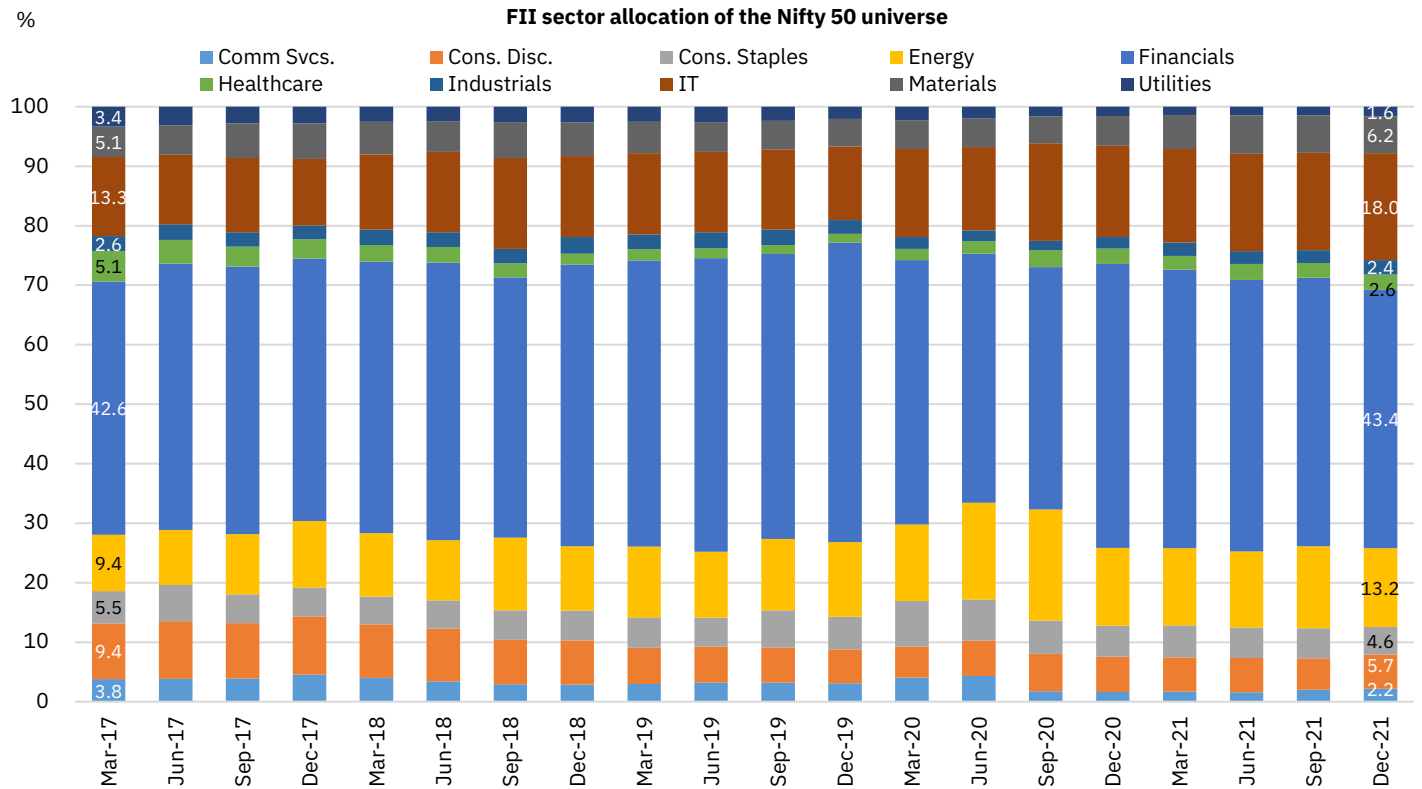
**FII broadly maintained their sector stance in the December quarter:** FIIs maintained their perennial outsized OW bet on Financials relative to the Index despite reduced allocation. FIIs also remained mildly OW on Energy as opposed to DMFs’ strengthened UW stance on the sector. In fact, Financials and to some extent Energy are the only sectors that FIIs are OW on within the Nifty 50 Index. FIIs broadly maintained their position in other sectors, maintaining an UW stance on Consumer Staples, Materials, Industrials and Information Technology, and neutral stance on Consumer Discretionary, Utilities and Communication Services. Unlike DMFs, FIIs are also relatively bearish on the Healthcare sector, with a neutral stance tilted on the negative side.

*FIIs maintained their sector stance with a perennial OW position on Financials and neutral to negative stance on others..*

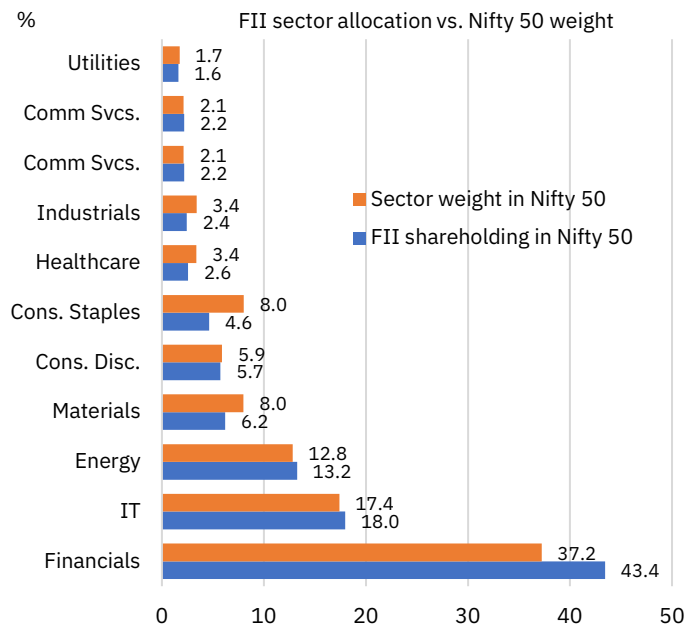
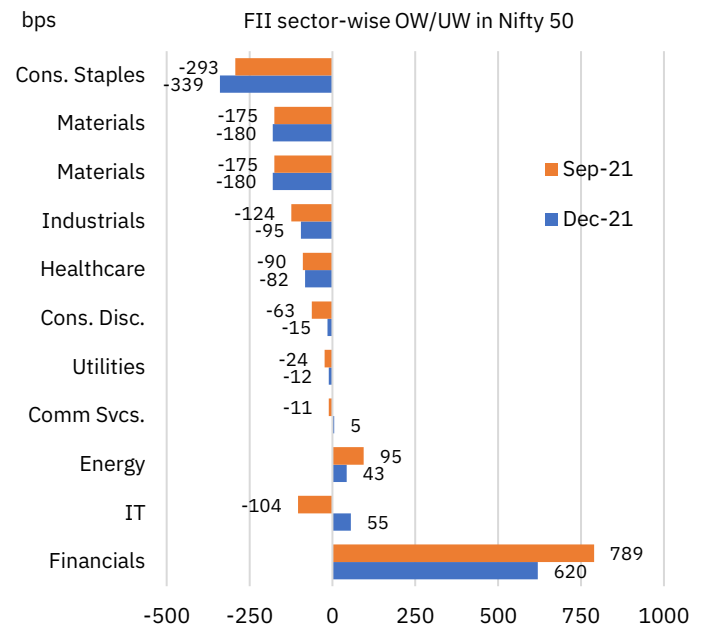
**Figure 48: FII sector allocation of the Nifty 50 universe (December 2021 vs. September 2021)**



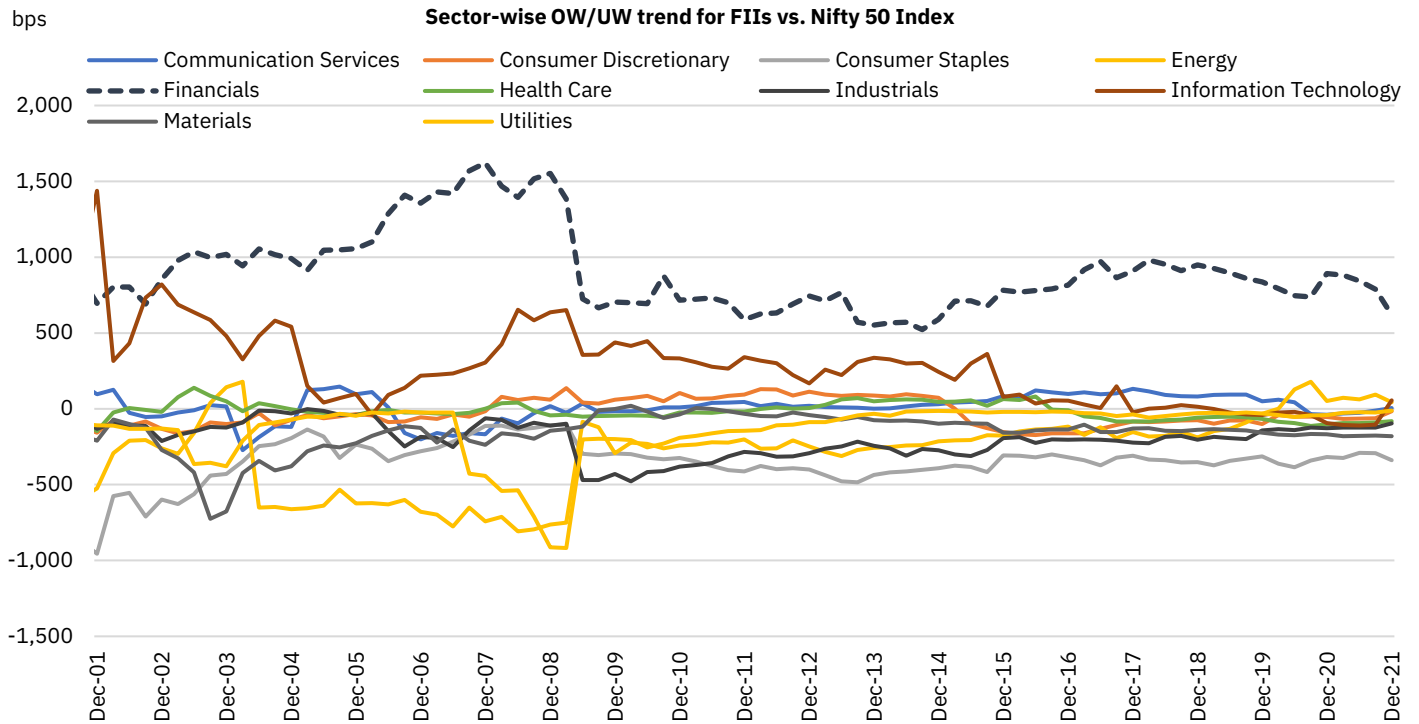
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

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


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

**Figure 50: FII sector allocation vs sector weight in Nifty 50 (December 2021)**

**Figure 51: FII sector-wise OW/UW in Nifty 50 relative to sector weight in the index (December 2021)**


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

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


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

## Nifty 500 ownership trends

### Ownership pattern of the Nifty 500 universe (December 2021)

#### **Private promoter stake inched up for the third quarter in a row; Govt. stake dropped:**

In line with the listed universe and the Nifty 50 Index, private promoter ownership in the Nifty 500 universe inched up 33bps QoQ to a five-quarter high of 44.9% in the quarter ending December 2021, primarily led by a 44bps QoQ jump in private Indian promoter share to 16-year high of 35.8%. Foreign promoter ownership, on the other hand, fell by 11bps QoQ to an 11-quarter low of 8.8%, marking the seventh consecutive quarter to see a drop. In line with the overall listed stock, Government stake in the Nifty 500 universe fell for the second quarter in a row by 20bps QoQ to 6.0%. This is primarily attributed to relative underperformance of some of the Government-owned companies within the Nifty 500 universe during the quarter.

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*Private Indian promoter ownership in the Nifty 500 universe inched up for the third quarter in a row by 44bps to 35.8% but that of foreign promoters fell by 11bps QoQ to an 11-quarter low of 8.8%.*

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#### **DMFs saw a steady increase in ownership for yet another quarter while FIIs' share dipped sharply:**

In terms of institutional ownership, DMFs' aggregate share in Nifty 500 companies inched up by 23bps QoQ to 7.8% in the quarter ending December 2021—a tad lower than the increase seen in the Nifty 50 universe. This marked the third consecutive quarter of a modest rise in DMF share which now hovers just 34bps shy of the peak share of 8.1% observed in the quarter ending March 2020. FIIs, on the other hand, saw their share falling by a steep 65bps QoQ to a nine-year low of 20.9%, translating into a total drop of nearly 165bps in 2021, entirely reversing the increase seen during the second half of 2020. The current FII share in the Nifty 500 universe is now 2.4pp below the peak share over the last 21 years. This drop was yet again led by Financials. Excluding Financials, FII share has remained broadly stable over the last few quarters. Banks, Financial Institutions, and Insurance companies' share also remained steady on a sequential basis at 4.6% in the December quarter.

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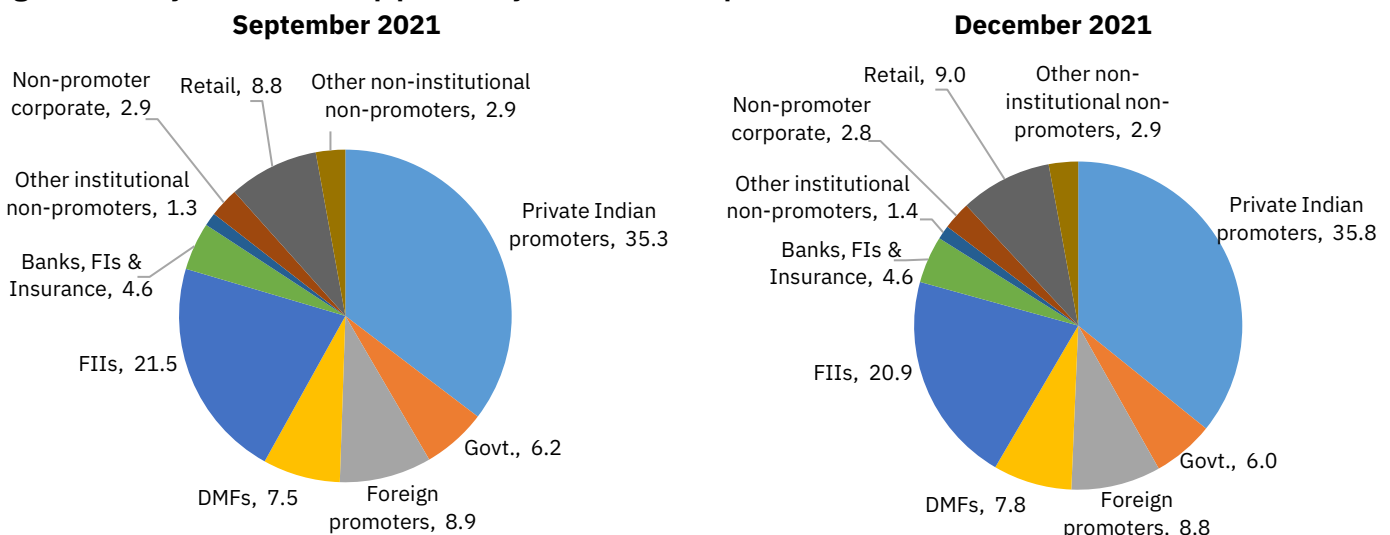
*FIIs saw their ownership falling further in the December quarter while DMFs' share rose for the third quarter in a row.*

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#### **Retail ownership inched up in the Nifty 500 universe to more than 13-year highs:**

Retail investors ownership in Nifty 500 companies rose by 29bps QoQ to 54-quarter high of 9%, in line with the trend seen in Nifty 50 as well as the broader listed universe and is up by an equivalent 50bps in 2021 as seen in the previous year. A steady increase over the last couple of years points to strengthened participation of retail investors in Indian equity markets.

**Figure 53: Nifty 500: Ownership pattern by total market cap (%)**



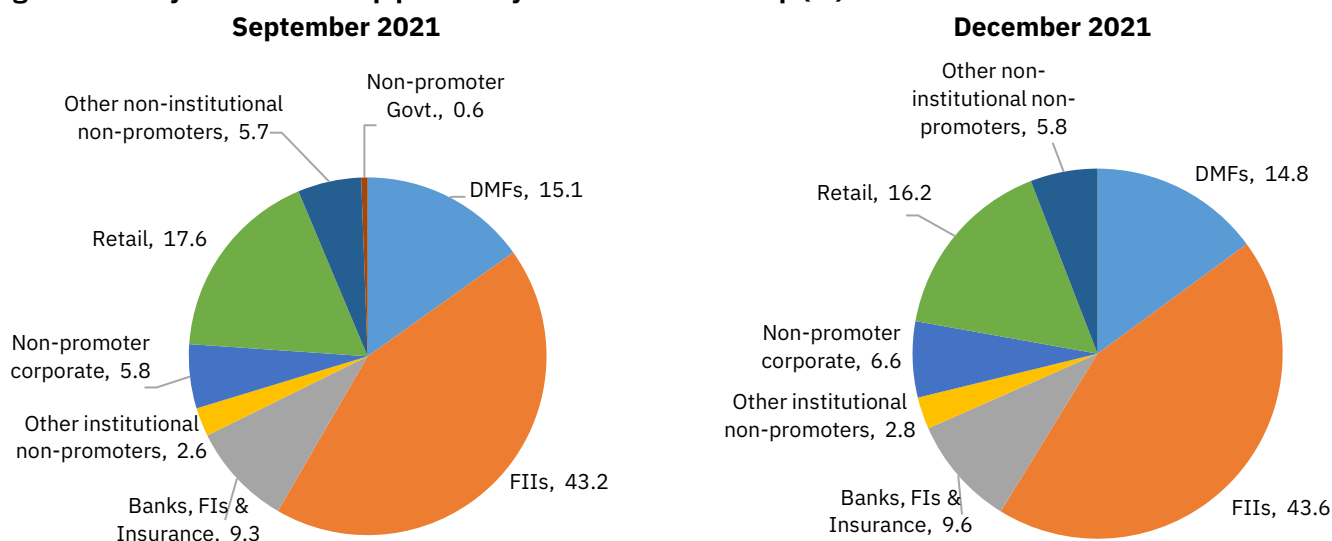
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians.

**Table 7: 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-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
Mar-21	34.3	6.2	9.4	7.4	5.3	22.2	3.0	8.6
Jun-21	34.5	6.6	9.2	7.4	5.2	21.6	3.0	8.8
Sep-21	35.3	6.2	8.9	7.5	4.6	21.5	2.9	8.8
Dec-21	35.8	6.0	8.8	7.8	4.6	20.9	2.8	9.0
<i>QoQ change</i>	<i>44bps</i>	<i>-20bps</i>	<i>-11bps</i>	<i>23bps</i>	<i>0bps</i>	<i>-65bps</i>	<i>-11bps</i>	<i>29bps</i>

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

In terms of floating stock, FII share in the Nifty 500 Index fell by 119bps QoQ, translating into a total drop of 2.3pp in 2021. FII share in the Nifty 500 Index is now 5.4pp lower than the peak share over the last two decades. Share of DMFs in the floating stock of Nifty 500 companies inched up by 50bps QoQ—the third increase in a row—to 15.6% as of December-end and is now just 72bps shy of the two-decadal high share of 16.4% observed in the quarter ending March 2020. Retail ownership in the Nifty500 floating stock witnessed the steepest sequential jump across non-promoter investor categories, rising by 63bps QoQ to a thirteen-and-a-half year high of 18.2%, translating into a 138bps jump last year, even as it still 11.6pp below the peak share over the last 21-year period. Difference between retail share in Nifty 500 and Nifty 50 floating stocks has widened to 15-quarter high of ~3.4pp in the quarter ending December 2021, reflecting increased retail buying in mid and small-cap stocks over the last few years.

**Figure 54: Nifty 500: Ownership pattern by free float market cap (%)**


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



**Table 8: Nifty 500: Ownership trend across key stakeholders by free float market cap over the last three years**

%	Domestic MFs	Banks, FIs & Insurance	FIIs	Non-promoter corporate	Retail
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
Mar-21	14.6	10.5	44.0	5.9	17.0
Jun-21	14.9	10.3	43.2	6.0	17.5
Sep-21	15.1	9.3	43.2	5.8	17.6
Dec-21	15.6	9.4	42.0	5.6	18.2
<i>QoQ change</i>	<i>50bps</i>	<i>3bps</i>	<i>-119bps</i>	<i>-21bps</i>	<i>63bps</i>

Source: CMIE Prowess, NSE EPR. \*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 fiscal year FY21, however, saw some dip in DMF share, partly reflecting a moderation in SIP inflows post the COVID-19 pandemic as well as high redemption pressures, which has managed to reverse only partly in the first three quarters of FY22. FII ownership in the Nifty 500 universe improved meaningfully post the GFC until 2015 but has since hovered between 21-23%. FII share fell in the first half of 2020 as COVID-induced risk-off sentiments led to flight of capital from riskier asset classes such as EM equities to safe havens. However, massive liquidity injection by global central banks improved risk appetite, leading to a huge influx of foreign capital into India from May 2020 onwards, thereby leading to pick-up in FII share. Negative global cues over the last few quarters including rising inflationary pressures, shifting monetary policy settings by some important global central banks, negative developments in China and more lately intensifying geopolitical tensions led to a significant moderation in FII participation in FY22. Banks, financial institutions, and insurance, however, have been steadily reducing their exposure to Indian equities for quite some time now.

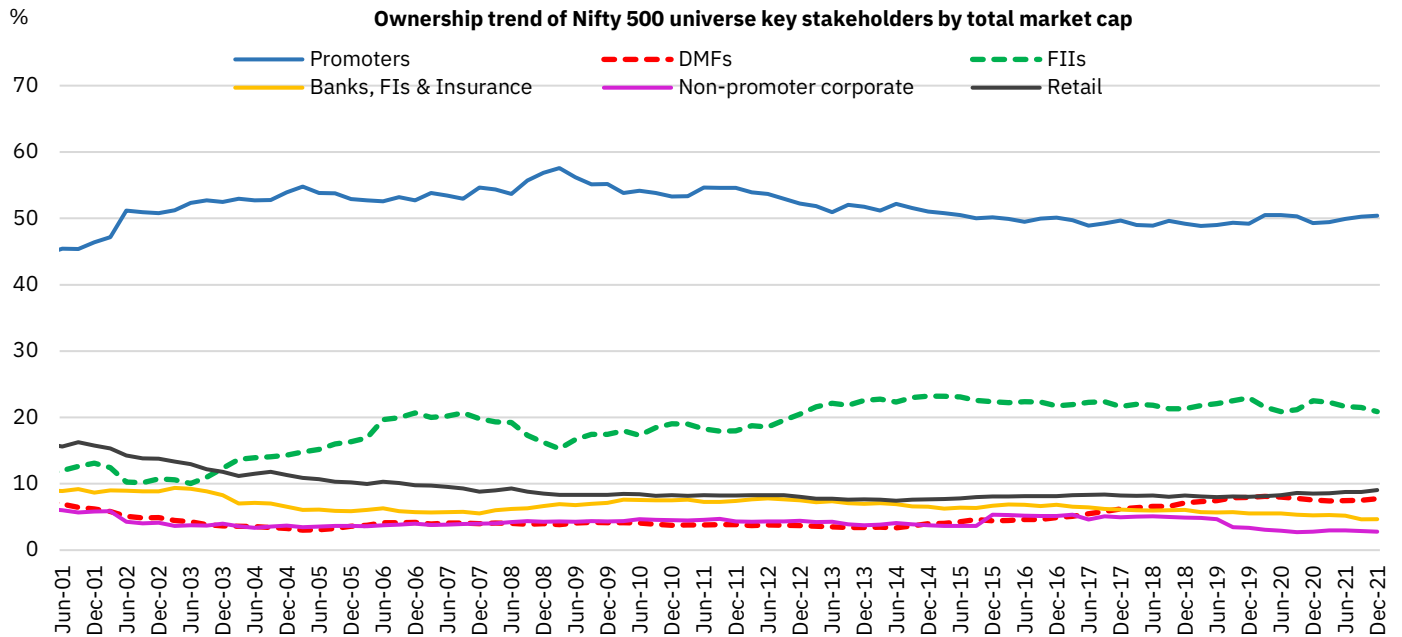
Retail ownership in the Nifty 500 Index fell sharply from the north of 16% in 2001 to sub-8% in 2013 and had hovered around these levels until December 2019, only to see a gradual increase thereafter.

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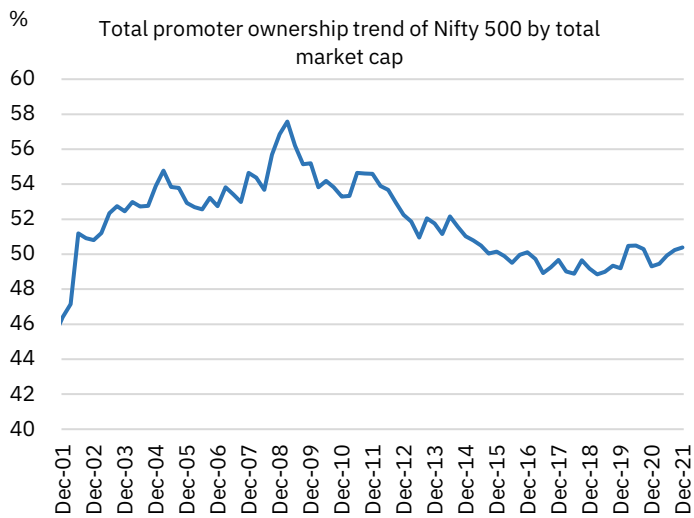
*FII ownership in Nifty 500 saw a steady rise post the GFC until 2015 and has since hovered between 21-23%.*

*DMF ownership in Nifty 500 has been gradually rising since 2014, barring a dip in FY21.*

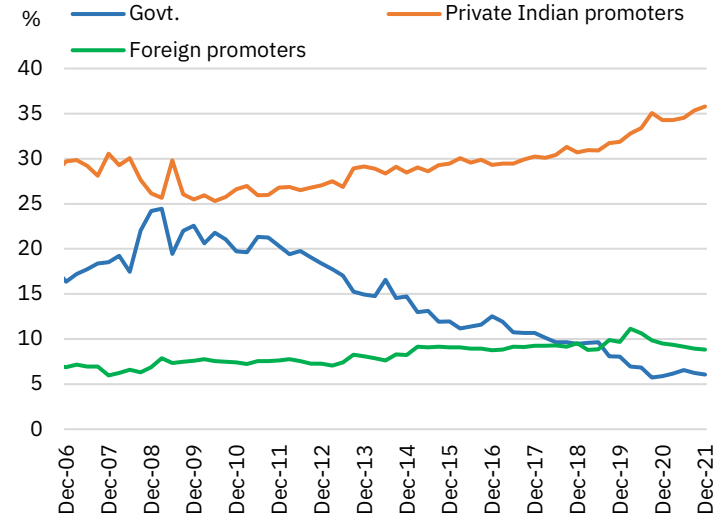
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**Figure 55: Nifty 500: Long-term ownership trend across key stakeholders by total market cap**


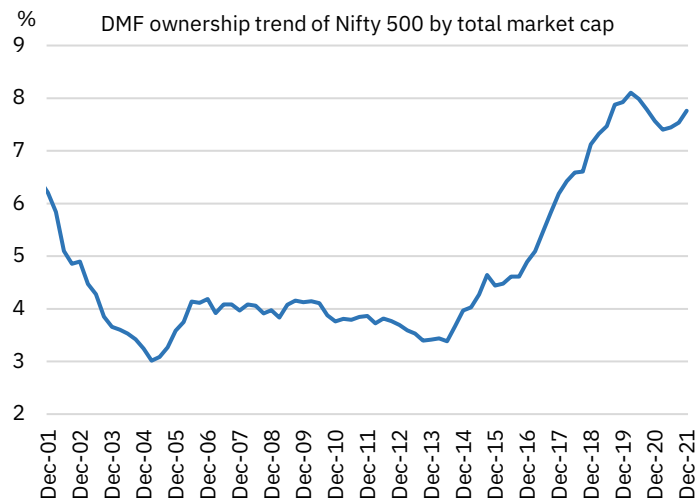
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

**Figure 56: Total promoter ownership trend of the Nifty 500 universe by total market cap**


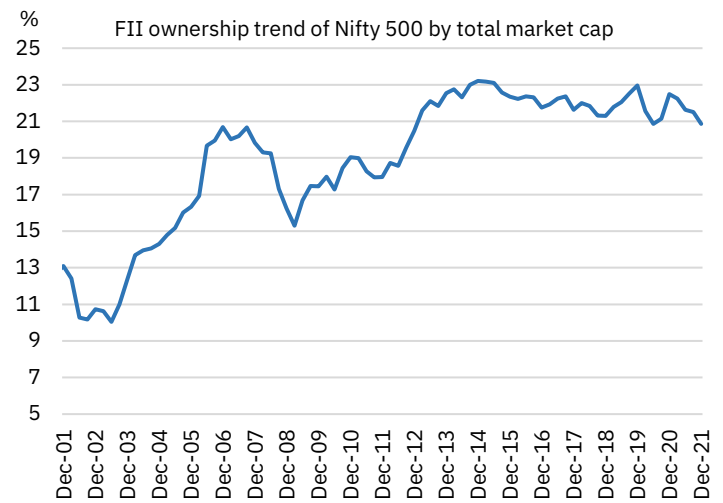
Source: CMIE Prowess, NSE EPR.

**Figure 57: Indian and foreign promoter ownership trend of the Nifty 500 universe by total market cap**


**Figure 58: DMF ownership trend of the Nifty 500 universe by total market cap**

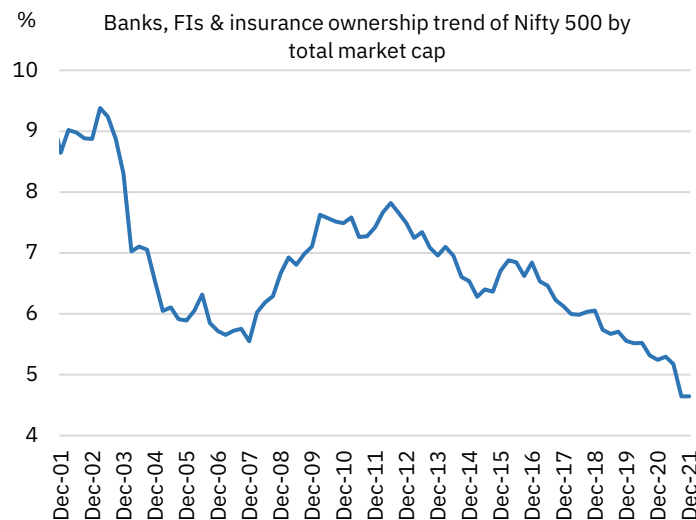


**Figure 59: FII ownership trend of the Nifty 500 universe by total market cap**



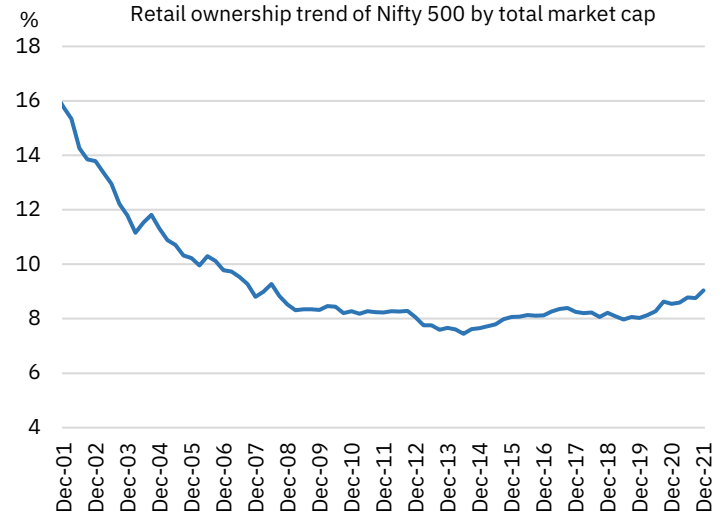
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

**Figure 60: Banks, FIs & Insurance ownership trend of the Nifty 500 universe by total market cap**



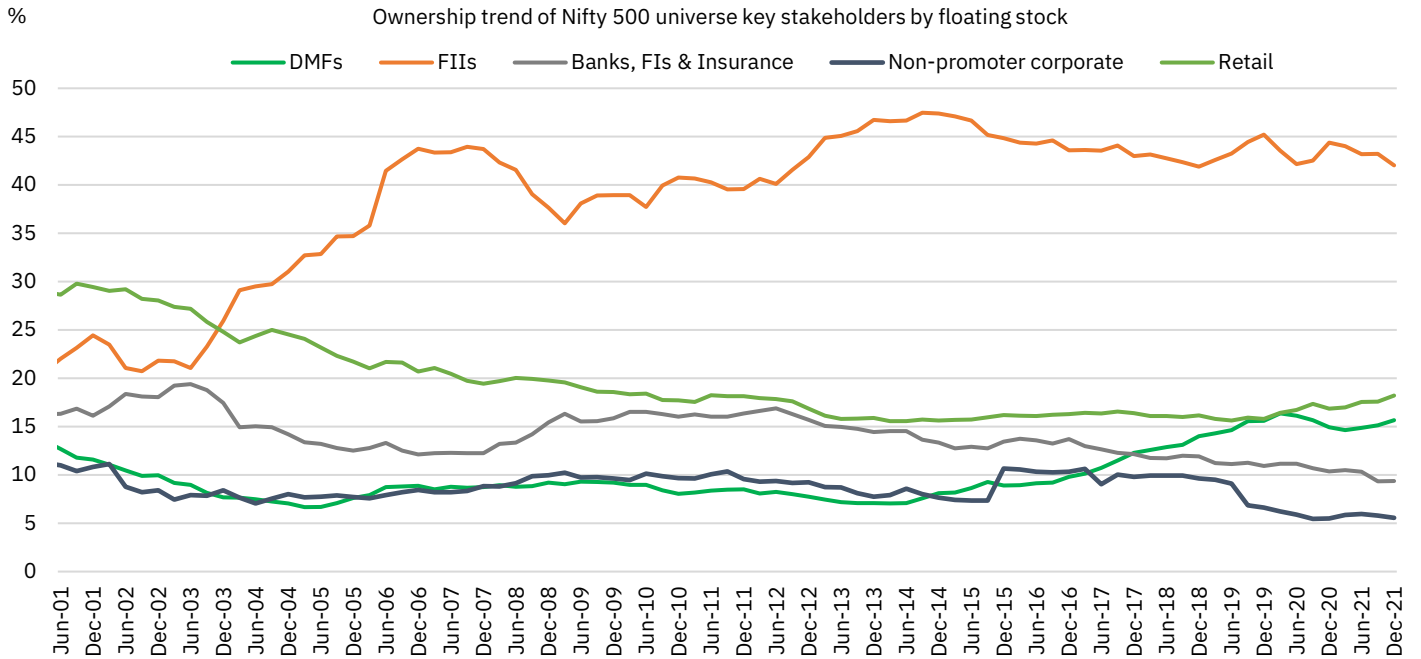
Source: CMIE Prowess, NSE EPR.

**Figure 61: Retail ownership trend of the Nifty 500 universe by total market cap**



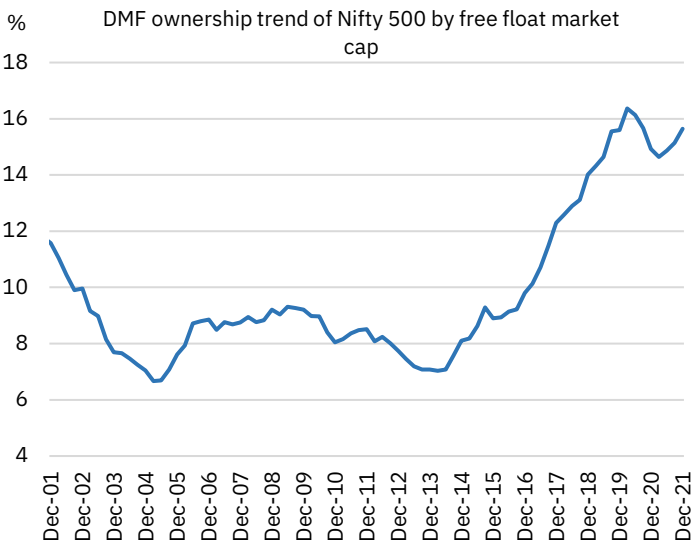
Our long-term ownership analysis on the floating stock of the Nifty 500 Index also shows that while DMF ownership is hovering around 72bps lower than its highest level since 2001, current FII ownership is 544bps lower than the peak of 47.5% observed in the quarter ending September 2014.

**Figure 62: Nifty 500: Long-term ownership trend across key stakeholders by free float market cap**



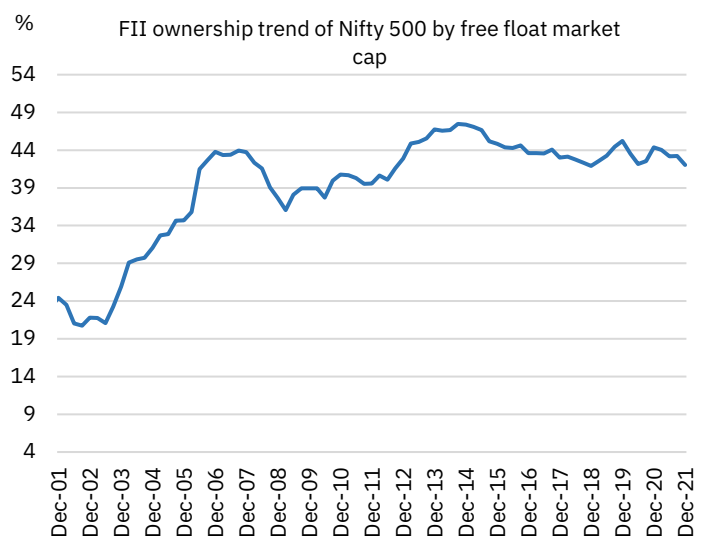
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

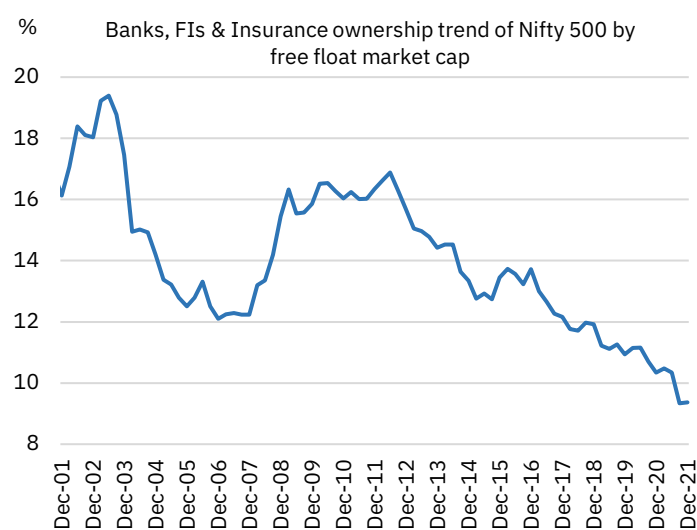
**Figure 63: DMF ownership trend of the Nifty 500 universe by free float market cap**



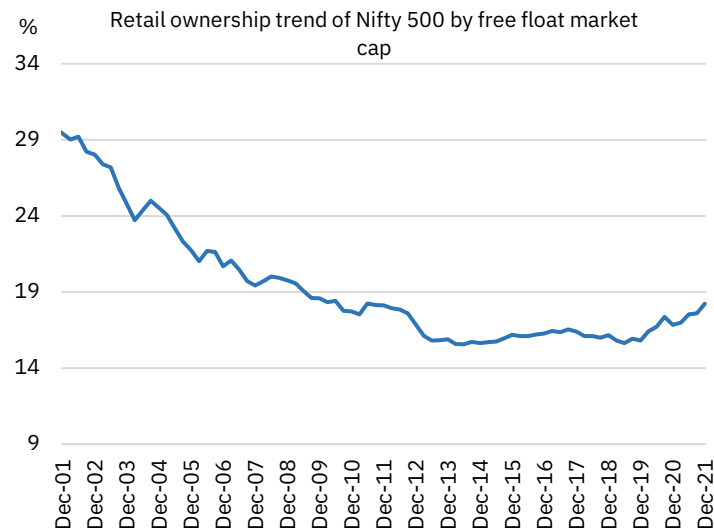
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

**Figure 64: FII ownership trend of the Nifty 500 universe by free float market cap**



**Figure 65: Banks, FIs & Insurance ownership trend of the Nifty 500 universe by free float market cap**


Source: CMIE Prowess, NSE EPR.

**Figure 66: Retail ownership trend of the Nifty 500 universe by free float market cap**


**Sector-wise ownership of the Nifty 500 universe (December 2021):** As of December 2021, Real Estate sector had the highest promoter shareholding at 66.8% even as it dropped by 59bps QoQ following a steep jump in the previous quarter. This was followed by Utilities, Communication Services and Materials, all of which saw their aggregate promoter share rising by 67bps, 127bps and 26bps to 62%, 55.6% and 55.3% respectively in the quarter ending December 2021. Promoter share Consumer Discretionary and Consumer Staples also inched up to seven-quarter high levels in the December quarter. Real Estate aside, other sectors that saw a dip in promoter share within the Nifty 500 universe include Information Technology (-113bps QoQ to 22-quarter low of 54.1), Industrials (-55bps QoQ to 53.7%) and Financials (-28bps QoQ to 36.4%). Utilities continued to lead in terms of Government ownership, even as the share has fallen sharply over the years, down 7pp and 185bps in 2021 and December quarter respectively to fresh all-time low of 17.3%. This was followed by Energy at 13.0% (-54bps QoQ) and Financials at 10.5% (+44bps QoQ). Barring Financials and Consumer Discretionary, all other sectors saw a drop in the aggregate Government ownership in the Nifty 500 universe in the December quarter.

Barring Utilities which saw the DMF share dropping for the seventh quarter in a row by a steep 79bps QoQ to 19-quarter low of 5.0%, all other sectors saw the share rising or remaining fairly steady on a sequential basis in the quarter ending December 2021. Sector-wise, the increase in aggregate DMF ownership in the Nifty 500 universe was led by Information Technology, Financials, Healthcare and consumption-oriented sectors, viz. Consumer Discretionary and Consumer Staples, all of which saw an increase of 30-50bps on a QoQ basis. DMF ownership in other sectors remained broadly steady.

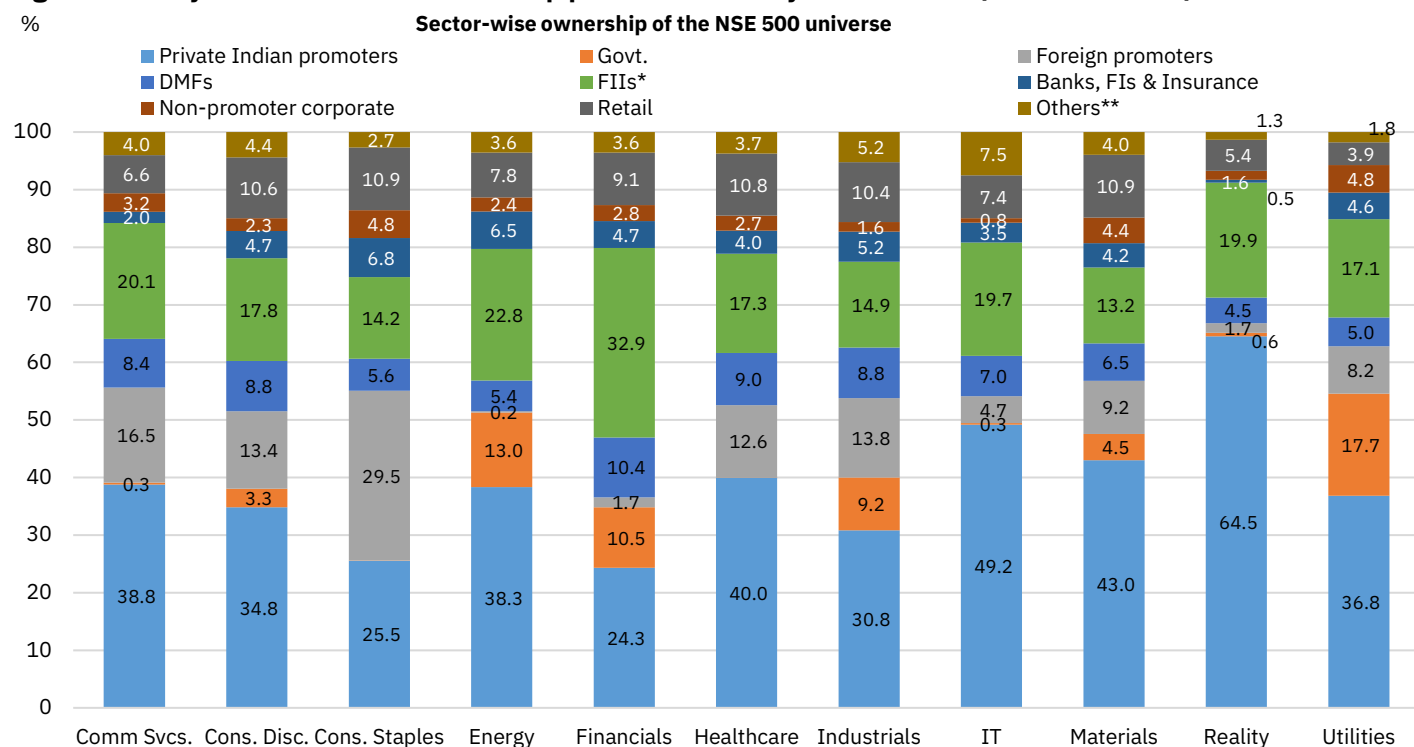
FII's remained the biggest non-promoter owners of Financials at 32.9% even as the share has fallen by a steep 345bps in 2021 (-87bps in the last quarter of 2021). This was followed by Energy at 22.8% (-8bps QoQ) and Communication Services at 20.1% (-241bps QoQ). Contrary to DMFs, all sectors barring Healthcare saw the FII share declining or remaining broadly steady on a QoQ basis.

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*All sectors, barring Utilities, saw the DMF share rising in the December quarter led by Information Technology and Financials.*

*FII's remained the biggest non-promoter owners of Financials in the Nifty 500 universe, even as the share has fallen sharply over the last few quarters and is hovering at decadal low levels.*

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**Figure 67: Nifty 500: Sector-wise ownership pattern across key stakeholders (December 2021)**


Source: CMIE Prowess, NSE EPR. \* 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 2021):

The table below shows the sector allocation for key stakeholders in Nifty 500 companies as of December 2021. The concentration of Government ownership in Financials, Energy and Utilities sector was at 72.9% as of December-end, down 114bps QoQ primarily led by a steep fall in absolute allocation to Energy, that more than offset the rise in allocation to Financials. This is a tad higher than Government exposure to these three sectors in the overall listed universe but significantly lower than that in the Nifty 50 universe. In case of institutional investors, DMFs have a much lower allocation to Financials at 30.0% as compared to FIIs at 35.3%, even as the gap between the two has fallen to 5-year lows. Both FIIs and DMFs have seen their investments in Financials dipping in the December quarter, attributed to a sharp underperformance of the sector during the quarter.

**Table 9: Sector allocation of the Nifty 500 universe for key stakeholders (December 2021)**

%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	FIIs*	Banks, FIs & Insurance	Non-promoter corporate	Retail
Communication Services	3.6	0.2	6.1	3.6	3.2	1.4	3.8	2.4
Consumer Discretionary	8.0	4.4	12.4	9.2	7.0	8.3	6.7	9.6
Consumer Staples	6.3	0.1	29.6	6.3	6.0	12.9	15.4	10.7
Energy	9.6	19.2	0.2	6.2	9.8	12.6	7.9	7.7
Financials	15.2	38.9	4.3	30.0	35.3	22.6	22.6	22.5
Health Care	7.0	0.0	8.9	7.3	5.2	5.4	6.0	7.4
Industrials	7.1	12.5	12.9	9.4	5.9	9.3	4.9	9.5
Information Technology	21.4	0.8	8.2	14.0	14.7	11.6	4.4	12.8
Materials	14.3	8.9	12.4	10.0	7.5	10.8	18.9	14.3
Real Estate	2.4	0.1	0.2	0.8	1.3	0.1	0.7	0.8
Utilities	5.2	14.8	4.7	3.2	4.1	5.0	8.7	2.2
<b>Grand Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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

## DMFs turned incrementally positive on Financials and consumption-oriented sectors at the expense of commodity sectors:

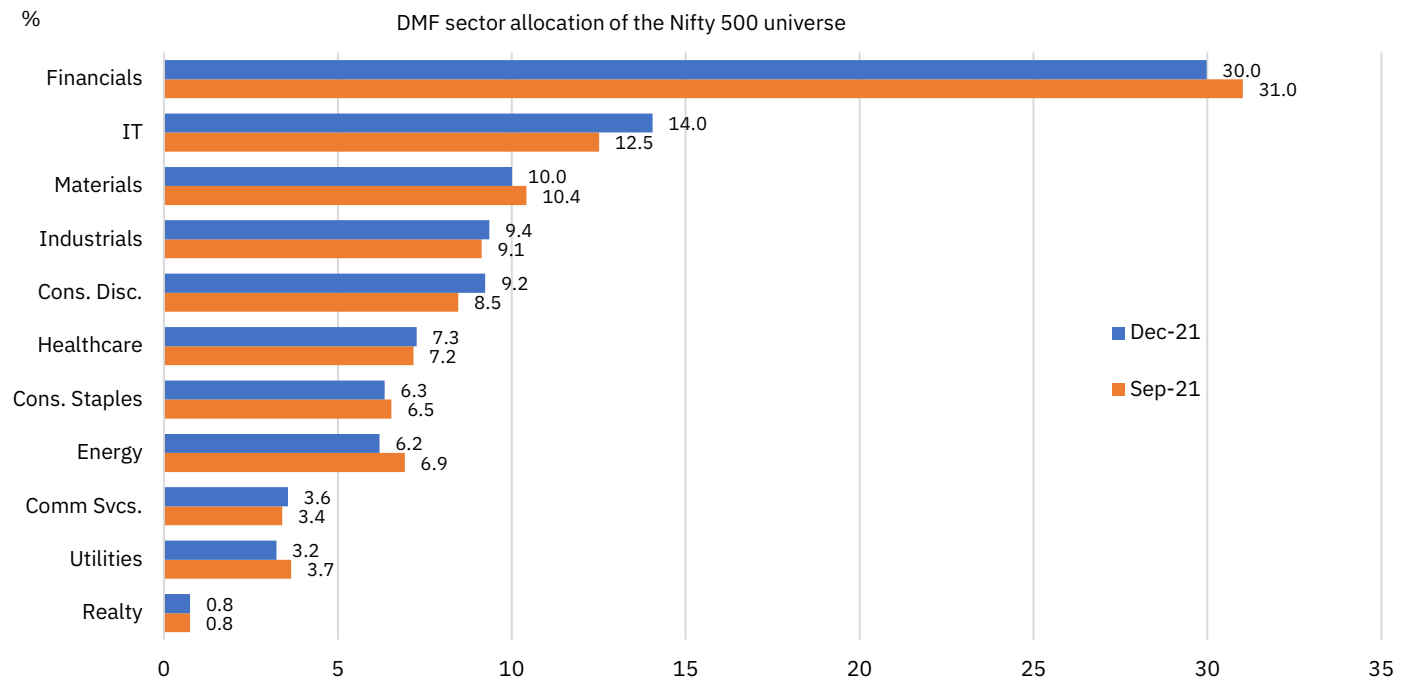
DMFs' turned incrementally positive on financial companies as reflected from their strengthened-yet-moderate OW position on the sector within the Nifty 500 Index. This has been despite the reduced absolute allocation to the sector owing to its massive relative underperformance. This, however, contrasts with a much stronger OW position on the sector within the Nifty 50 Index, indicating the sustenance of a relatively cautious view of DMFs on smaller banks and NBFCs. DMFs also maintained their OW stance on Industrials and Healthcare for yet another quarter.

Contrasting the trend seen in the Nifty 50 Index where DMFs were negative on consumption-focused sectors viz., Consumer Staples and Consumer Discretionary, they turned OW on Consumer Discretionary and tapered their UW stance on Consumer Staples within the Nifty 500 universe. Incrementally positive relative bias to Financials and consumption sectors came at the expense of strengthened negative position on Energy as well as incremental negative bias on Utilities and Materials, reflecting their negative view on commodity sectors in the wake of China slowdown and ongoing geopolitical uncertainty. DMFs also reduced their UW stance on Information Technology to 17-year lows in the quarter ending December 2021, reflecting expectations of strong earnings performance in an otherwise a seasonally weak quarter.

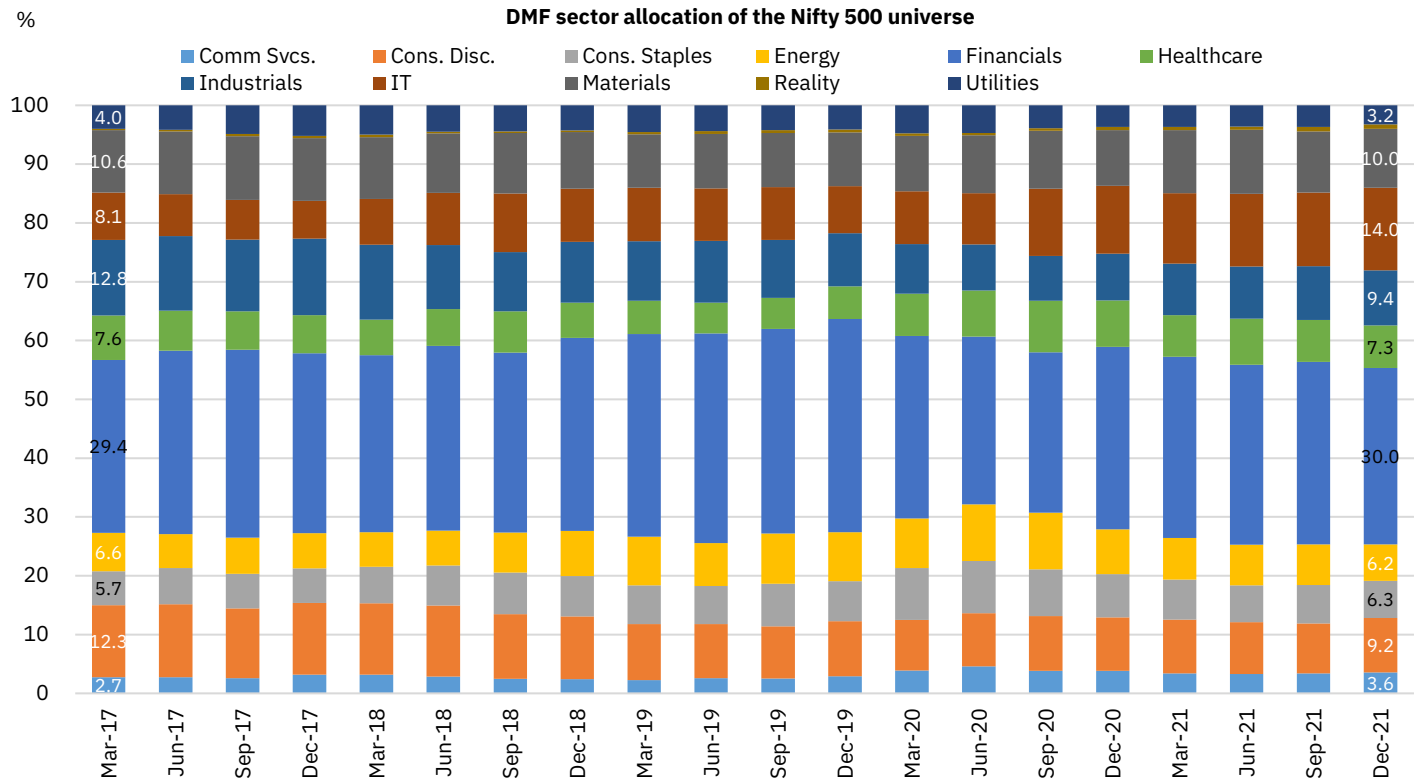
*DMFs turned incrementally positive on Financials and consumption-oriented sectors at the expense of strengthened UW stance commodity sectors.*

*The OW position on Industrials and Healthcare was retained for yet another quarter.*

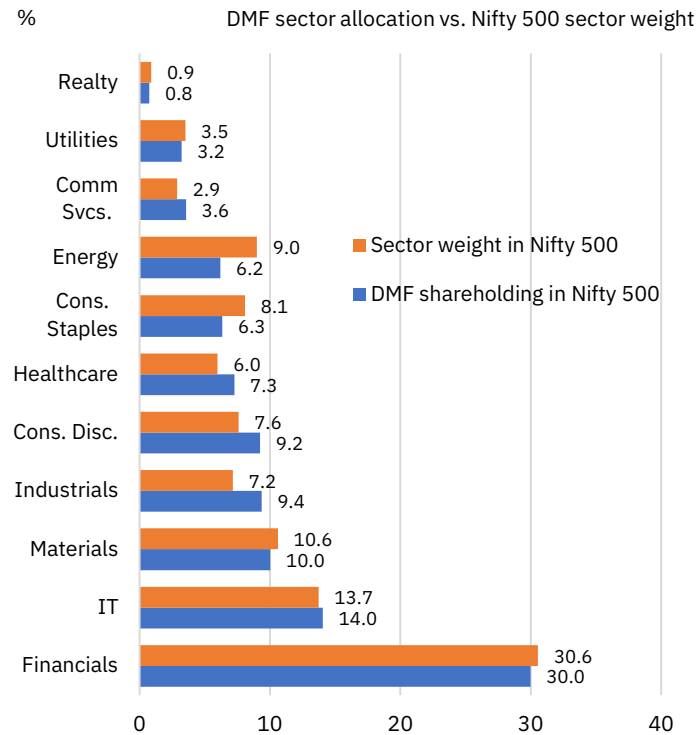
**Figure 68: DMF sector allocation of the Nifty 500 universe (December 2021 vs. September 2021)**



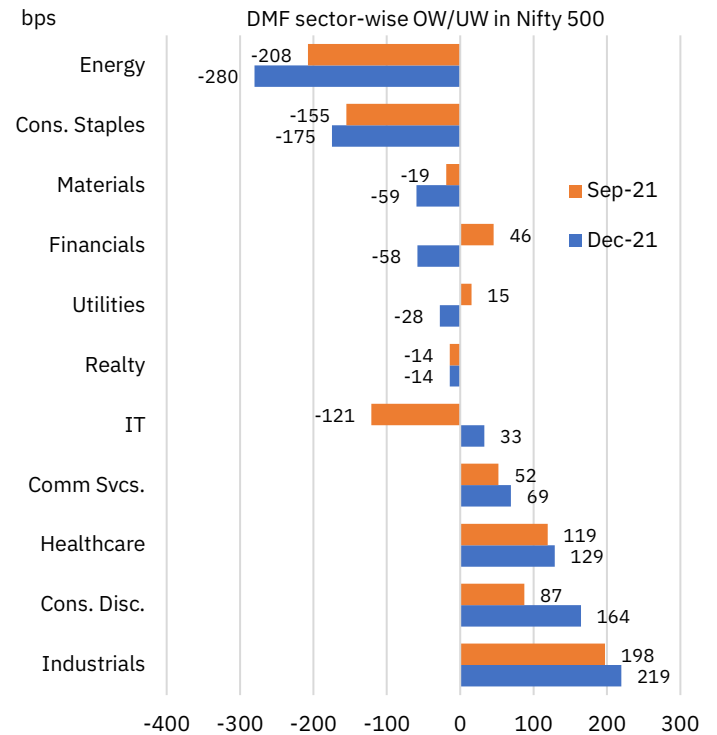
Source: CMIE Prowess, NSE EPR.

**Figure 69: DMF sector allocation of the Nifty 500 universe over last five years**


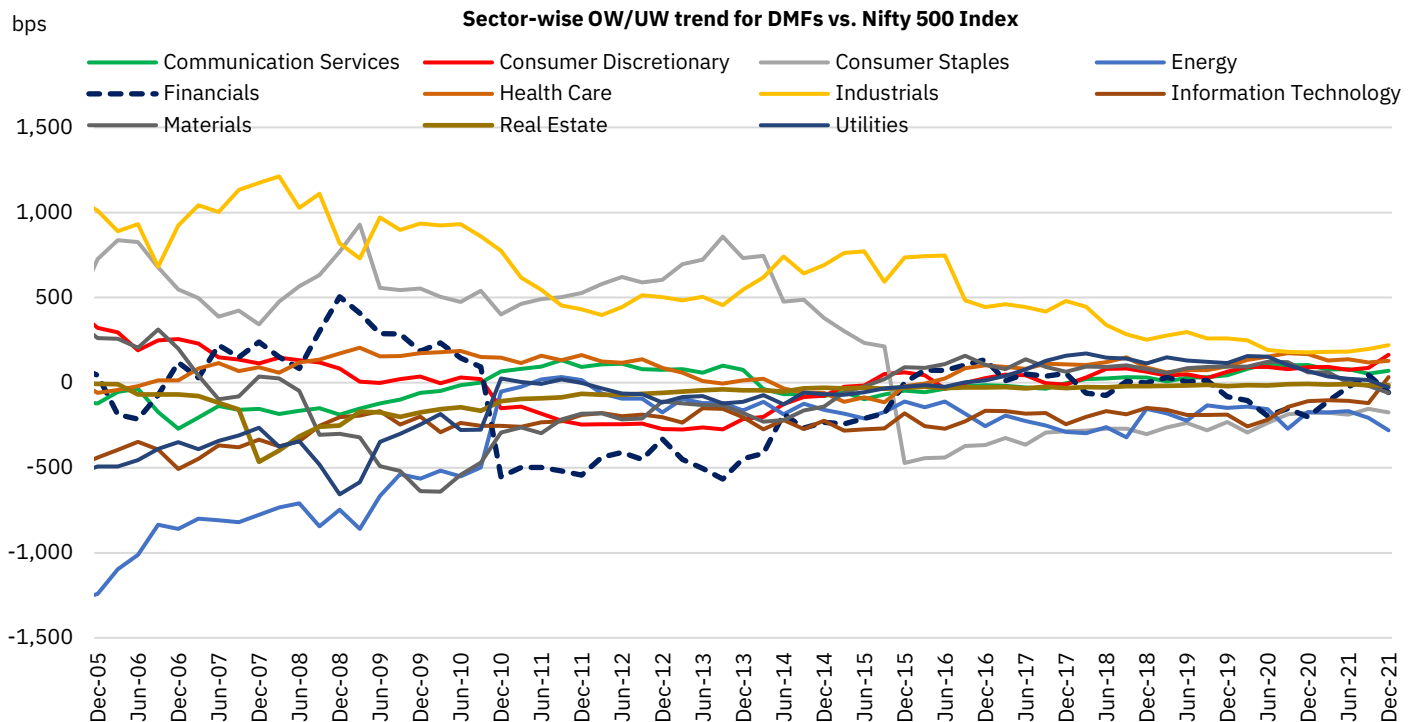
Source: CMIE Prowess, NSE EPR.

**Figure 70: DMF sector allocation vs sector weight in Nifty 500 (December 2021)**


Source: CMIE Prowess, NSE EPR.

**Figure 71: DMF sector-wise OW/UW in Nifty 500 relative to sector weight in the index (December 2021)**




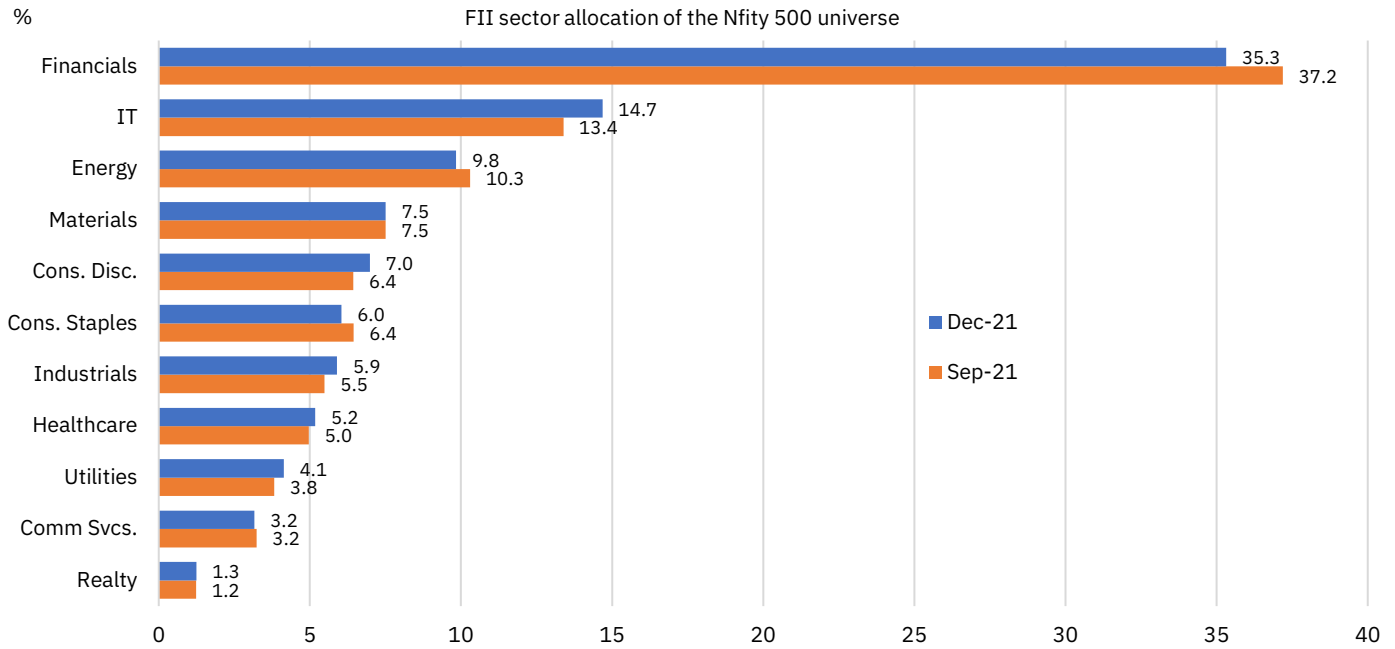
**Figure 72: DMF vs Nifty 500—Sector-wise OW/UW trend (bps)**


Source: CMIE Prowess, NSE EPR.

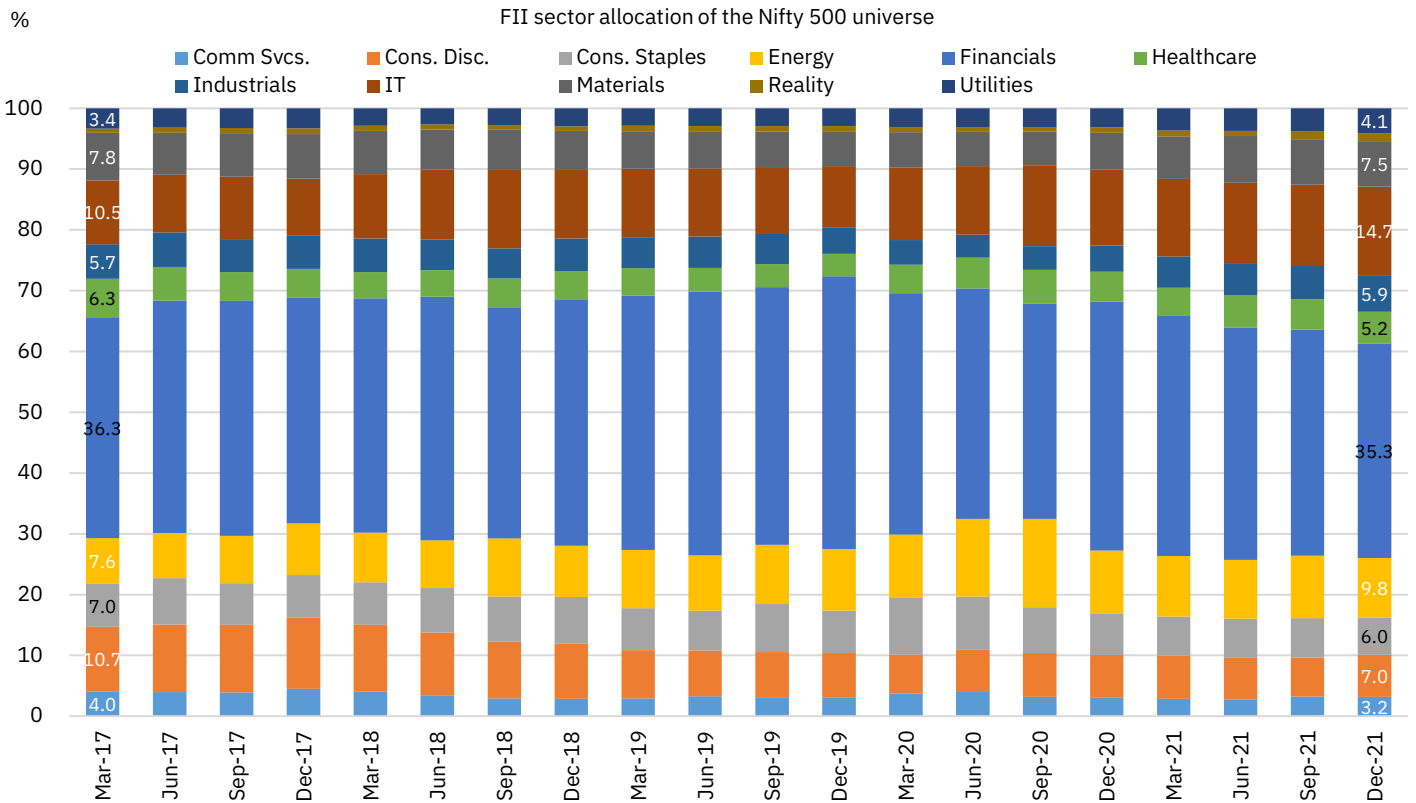
**FII's sector stance contrasted DMFs' with an outsized OW bet on Financials and persistent negative stance on India's investment theme:** FIIs kept their relative sector positioning within the Nifty 500 Index broadly unchanged in the quarter ending December 2021. Except for an equally strong negative view on Consumer Staples, FII stance on other sectors has remained in contrast to that of DMFs for yet another quarter. Unlike DMFs who increased their relative allocation to Financials within the Nifty 500 Index while maintaining a neutral stance, FIIs marginally trimmed their OW position on the sector to 20-quarter lows. Besides Financials, FIIs maintained their OW stance on Energy, albeit incrementally less so. In fact, these are the only two sectors within the Nifty500 universe that FIIs have a positive bias on relative to the Index.

*FIIs continued to play the India story through Financials and Energy with the two accounting for 45.1% of their exposure to Nifty 500 vs. their combined weight of 37.8% in the Index as of December-end.*

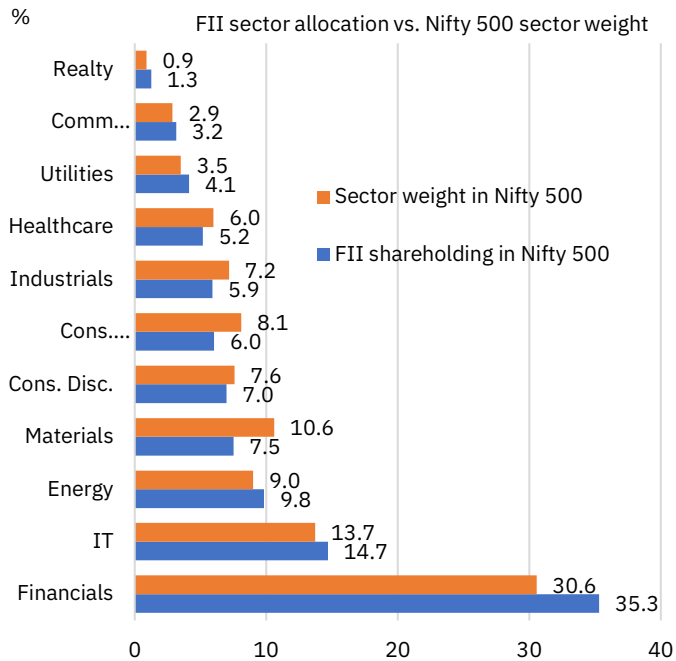
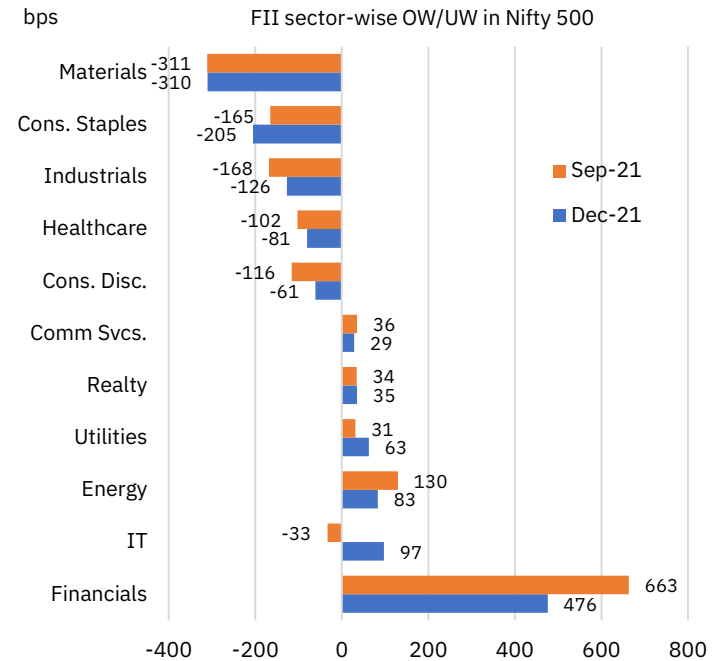
Contrary to DMFs, FIIs have perennially remained negative on the investment theme in the economy, maintaining their UW stance on Industrials and Materials since 2006. FIIs have also maintained their cautious view on India's consumption story and are UW on Consumer Staples as well as Consumer Discretionary, possibly reflecting demand uncertainty in the wake of hardening inflationary pressures amidst rising crude oil and commodity prices. FIIs maintained a negative stance on other sectors, viz., Utilities, Real Estate, Communication Services, Information Technology and Healthcare.

**Figure 73: FII sector allocation of the Nifty 500 universe (December 2021 vs. September 2021)**


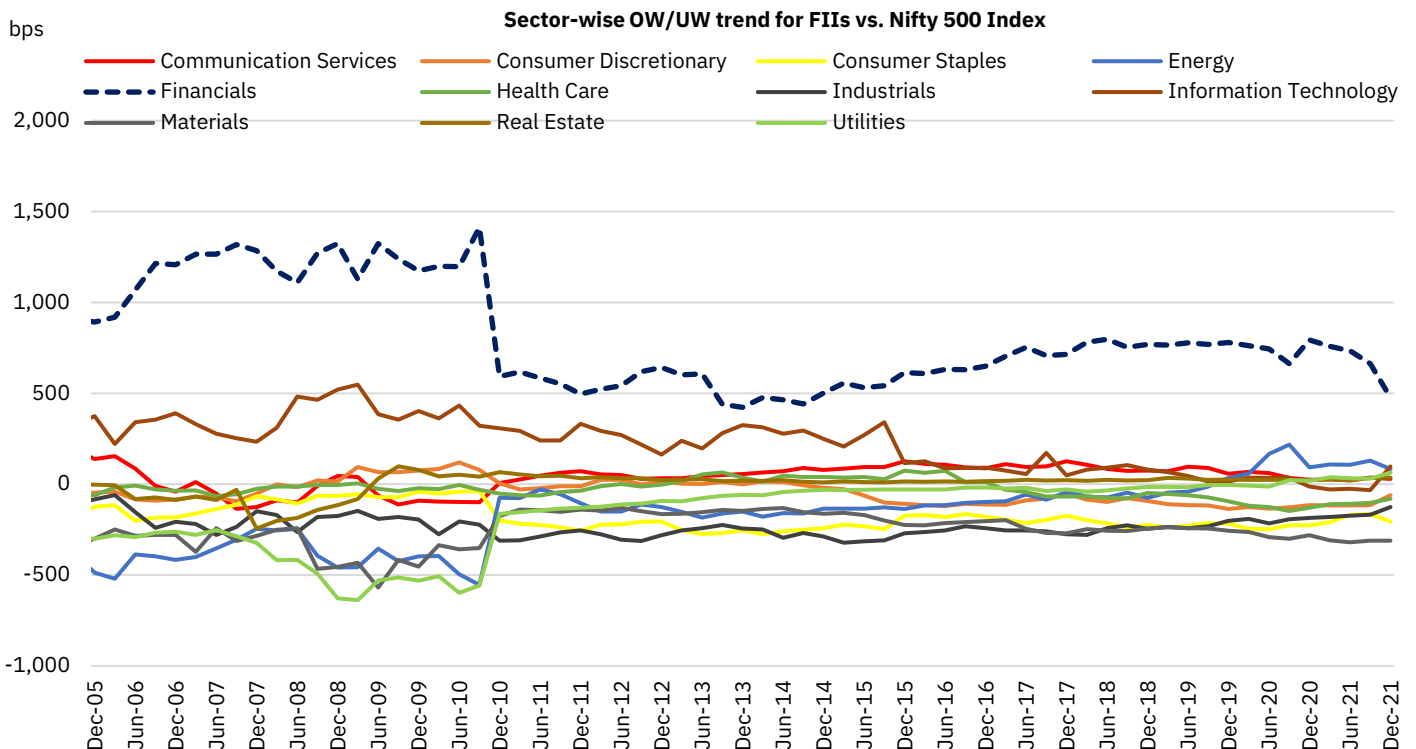
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians.

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


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

**Figure 75: FII sector allocation vs sector weight in Nifty 500 (December 2021)**

**Figure 76: FII sector-wise OW/UW in Nifty 500 relative to sector weight in the index (December 2021)**


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

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


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

## Institutional ownership concentration analysis

**Underperformance of larger companies led to reduced institutional investment allocation to such 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) fell sharply across the board in the December quarter, translating into net selling (drop in exposure) of more than Rs2trn in the floating as well as total NSE-listed universe. DMFs, on the other hand, increased their ownership in equity markets for the third quarter in a row, with net buying (increase in exposure) by DMFs in the December quarter estimated at ~Rs268bn in the overall NSE-listed floating stock. Unlike FIIs, who have Banks, FIs and insurance companies were modest sellers of Indian equity markets in the December quarter, with net selling amounting to ~Rs 197bn during the quarter.

Despite risk-off selling by FIIs, they have raised their exposure to small-cap companies as evident from an increase in their aggregate ownership in NSE-listed companies excluding Nifty 500. At the same time, their portfolio has been turning incrementally less skewed towards large-cap stocks, with 68.9% of their investments made towards Nifty 50 companies—the lowest in last four years. A large part of this is attributed to relative underperformance of Nifty 50 companies during this period, whose share in the overall listed universe has also fallen to four-year lows, as well as widened invested pool of companies outside the Nifty 500 universe.

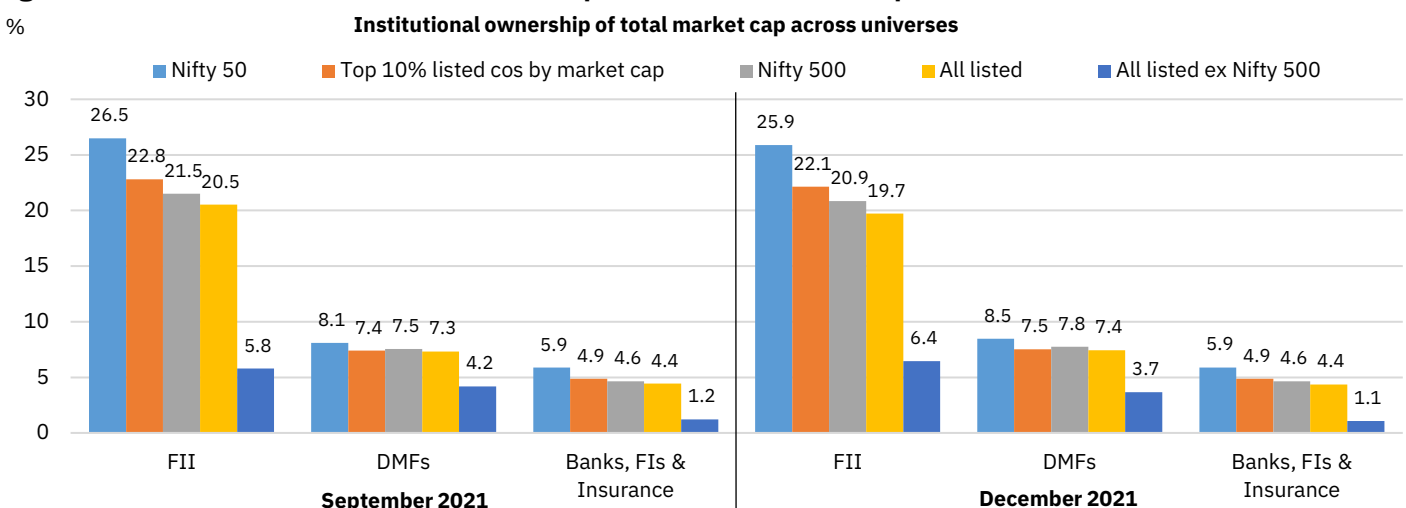
DMFs, on the other hand, have seen their allocation to Nifty 50 companies remaining at a relatively lower but broadly steady level of ~60.0% despite their underperformance. Their aggregate share in Nifty 50 companies, in fact, has inched up by ~40bps, while that in NSE-listed excluding Nifty 500 companies has come off meaningfully in the December quarter. In fact, the difference between DMF and FII allocation to Nifty 50 companies fell to 21-year low levels in the quarter ending December 2021. All this points to higher incremental buying by DMFs in large-cap stocks, possibly indicating concentration of SIP inflows to large-cap funds in the light of ongoing market uncertainty.

Banks, FIs and Insurance companies, however, have a slightly more concentrated portfolio vis-à-vis FIIs, with 70.9% of their investments done in Nifty 50 companies. That said, their exposure to Nifty 50 companies has been coming off over the years thanks to the underperformance of such companies relative to mid and small-cap stocks.

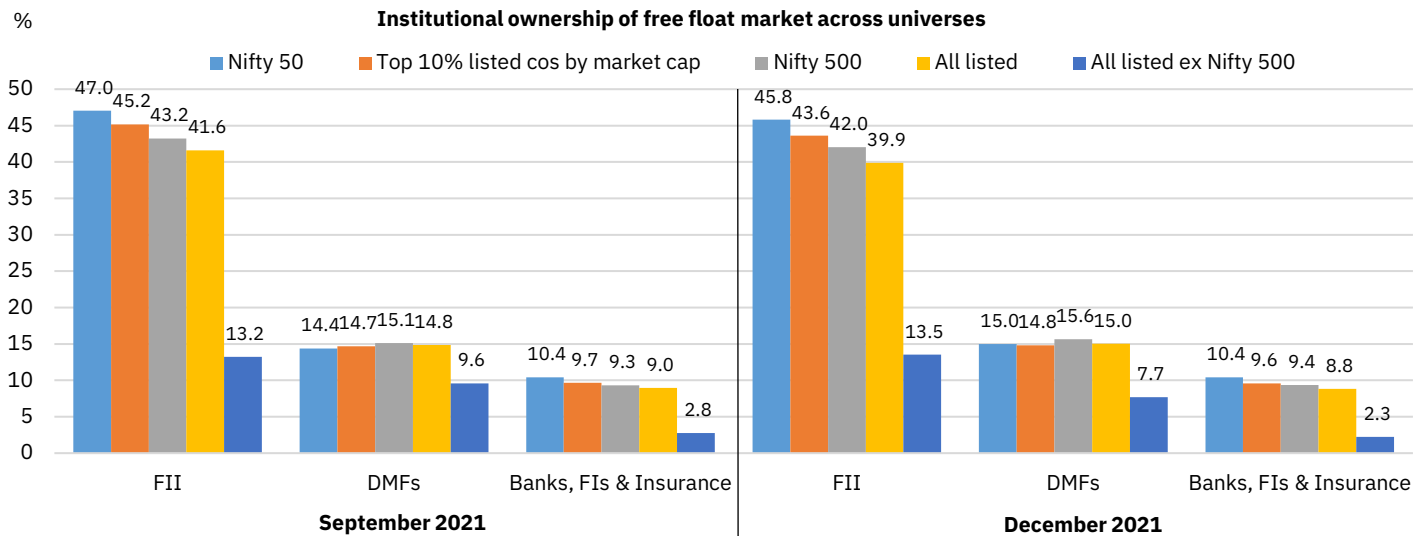
*FIIs have increased their exposure to smaller stocks despite risk-off selling, indicating incrementally lower market concentration.*

*DMFs, on the other hand, have seen their aggregate share in Nifty 50 companies rising while that in NSE-listed excluding Nifty 500 companies falling.*

**Figure 78: Institutional share of total market cap (December 2021 vs. September 2021)**



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

**Figure 79: Institutional ownership of floating stock (December 2021 vs. September 2021)**


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

### Ownership concentration in terms of no. of companies with holding greater than 5%:

We now combine the institutional ownership trends with concentration trends in the market. We consider the FII portfolio in India since 2001, not in terms of its value, but in terms of the *number* of stocks. In line with the increase in aggregate FII share in NSE listed universe excluding Nifty 500, FIIs have meaningfully expanded their invested pool of companies in 2021 despite the risk-off selling seen over the last few quarters. FIIs have had a relatively more concentrated portfolio during 2010-2020, with investments restricted to around 1200 odd stocks during this period. During this period (2010-), FIIs have poured in nearly US\$1.4trn on a net basis into the Indian equity markets. The bull market of 2020 and 2021, however, have led to a significant rise in the breadth of FIIs' portfolios in the search for alpha. FIIs, for instance, invested in more than 260 new companies in 2021. Despite widened pool of invested companies, number of companies within the NSE listed space where FIIs have at least 5% share have remained broadly steady at the 600 mark for nearly 15 years now, with more than 60% of them are from Nifty 500 universe. In other words, FIIs today have at least 5% ownership in ~73% of the Nifty 500 Universe (by no of companies), and the share has inched up marginally in 2021. This, along with enhanced ownership in smaller stocks, reflects an incrementally lower concentration of FII investments in Indian equities.

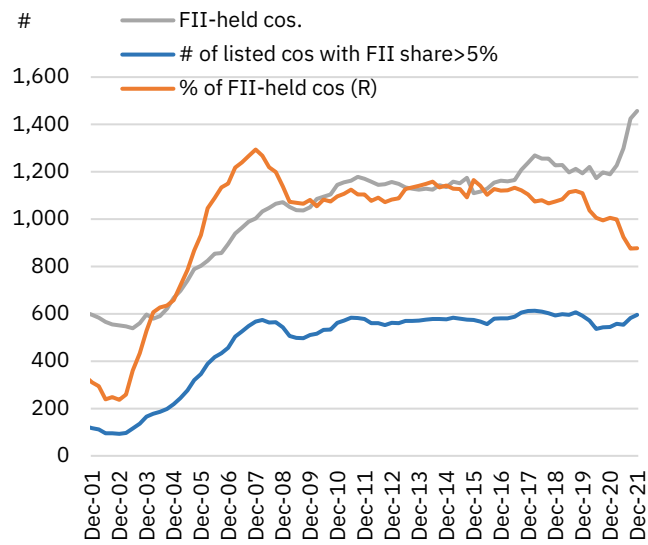
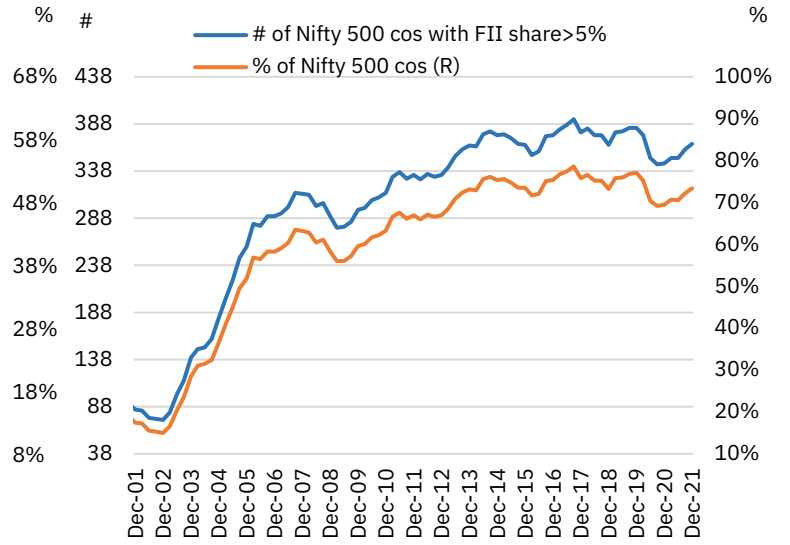
In contrast with foreign investors, the number of invested companies within the NSE-listed universe has remained broadly steady at ~1100 mark over the last 15-year period. But the number of companies where DMF hold more than 5% has more than doubled from ~209 in March 2014 to 435 in December 2021 thanks to huge SIP inflows seen over the last 5-6 years. The share of such companies has risen marginally in the December quarter following a steady drop over the previous five quarters. This, coupled with reduced ownership in smaller companies, indicate an increase in portfolio concentration for DMFs, possibly indicating some correlation between incremental SIP inflows and allocation trade.

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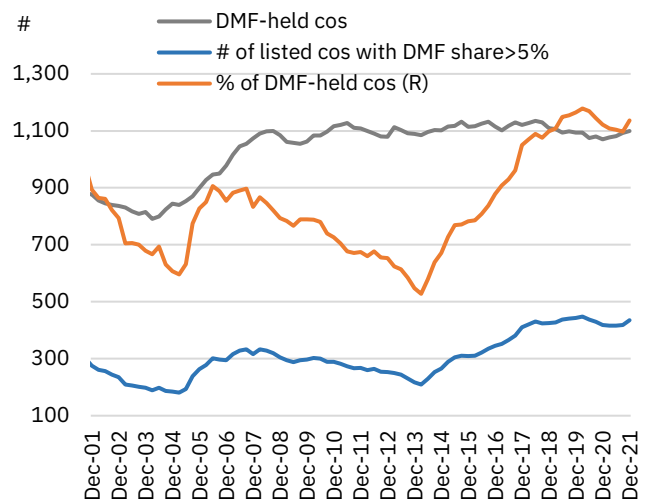
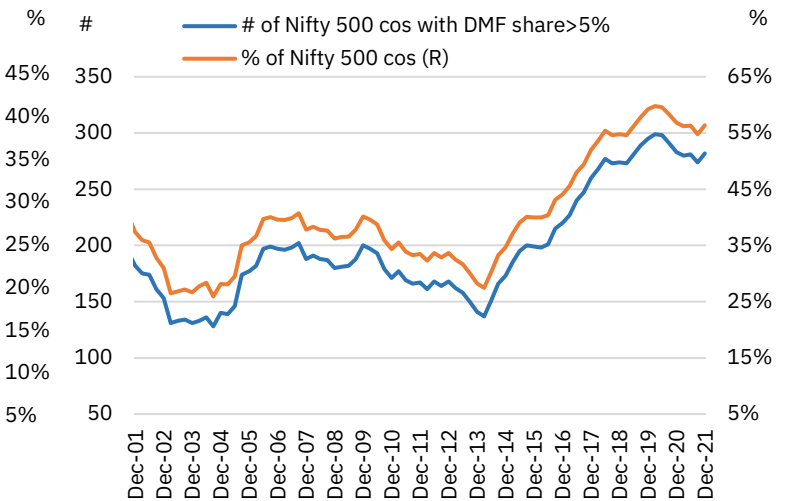
*Widened invested pool of companies, steady number of companies with 5%+ ownership, and increased ownership in smaller stocks point to incrementally lower concentration of FII investments in Indian equities despite the sell-off.*

*Contrary to FIIs, DMFs have seen an increase in their portfolio concentration to large-caps, possibly indicating some correlation with incremental SIP inflows.*

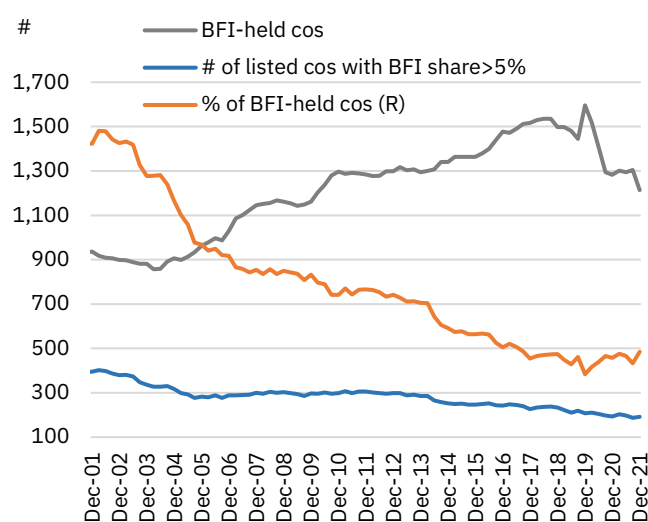
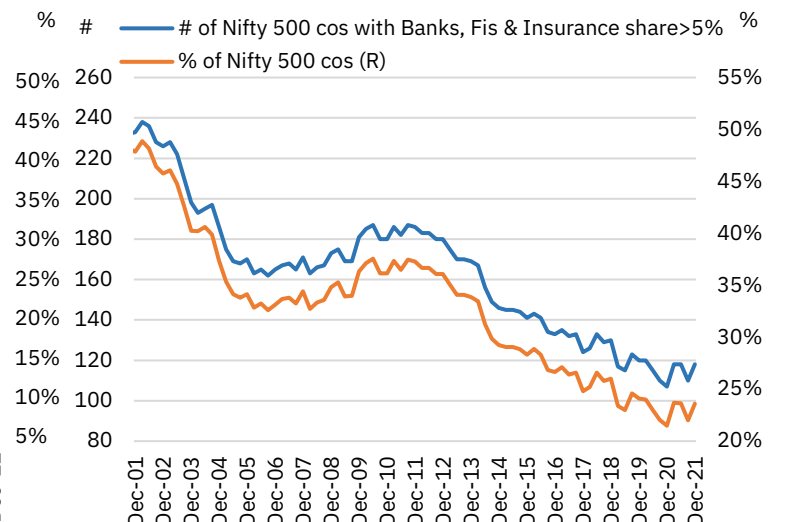
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**Figure 80: Number of listed cos with FII holding >5%**

**Figure 81: Number of Nifty500 cos with FII holding >5%**


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

**Figure 82: Number of listed cos with DMF holding >5%**

**Figure 83: Number of Nifty500 cos with DMF holding >5%**


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

**Figure 84: Number of listed companies with Banks, FIs & Insurance holding >5%**

**Figure 85: Number of Nifty500 companies with Banks, FIs & Insurance holding >5%**


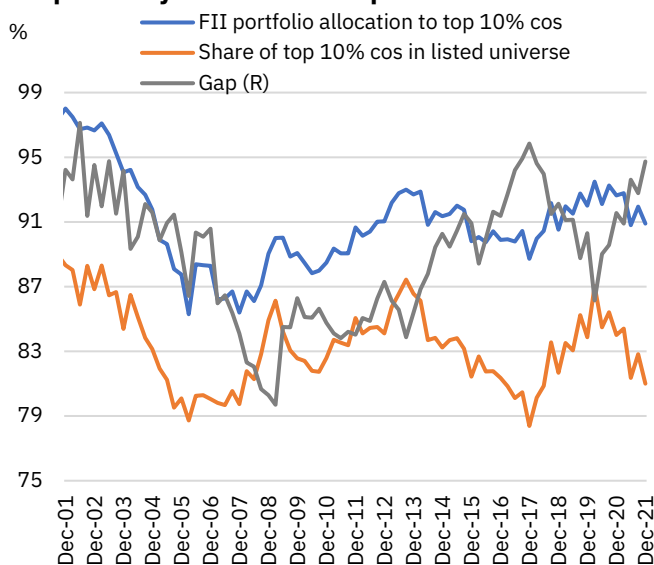
Source: CMIE Prowess, NSE EPR. BFI = Banks, Financial Institutions and Insurance Companies.

**Concentration of Institutional money in the top 10% companies by market cap:** 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 March 2020. Just to clarify here: The rise in concentration between December 2017 and March 2020 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. The stronger rally seen in mid- and small-cap stocks in the last one year, however, have changed this dynamic over the last 18 months. As a result, the gap between the share of top 10% of the listed stocks in the overall NSE-listed universe in value terms and FII portfolio allocation to such stocks has risen meaningfully over the last few quarters.

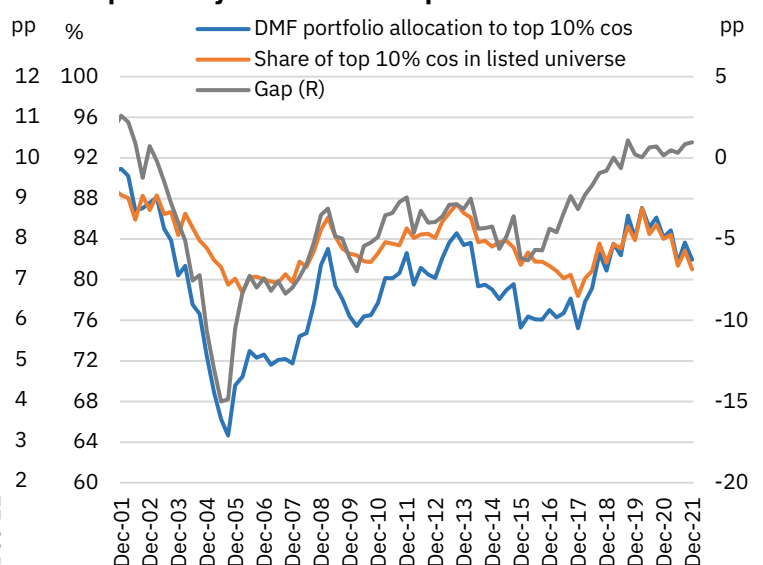
It is the DMFs that actually saw their portfolios turning far more concentrated between 2017 to early 2020 and have since remained fairly steady. The top 10% of stocks by market cap occupied ~87% of their total portfolio in March 2020 vs. 75% in December 2017, even as the share has come off marginally over the last few quarters, in line with reduced share of these companies in the overall listed universe. That said, the difference between DMFs portfolio allocation to top 10% stocks and the share of such stocks in the overall listed universe has remained in the positive territory for the 10<sup>th</sup> quarter in a row, following a perennial under allocation for the previous 16 years, signalling higher concentration to larger companies.

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 widened their holdings despite massive risk-off selling, the number of companies where they hold at least 5% has remained fairly steady, pointing to incrementally lower portfolio concentration. DMFs, on the other hand, have benefited from a surge in SIP inflows over the last few quarters, even as they portfolio has incrementally gotten more concentrated to larger companies and surprisingly so.

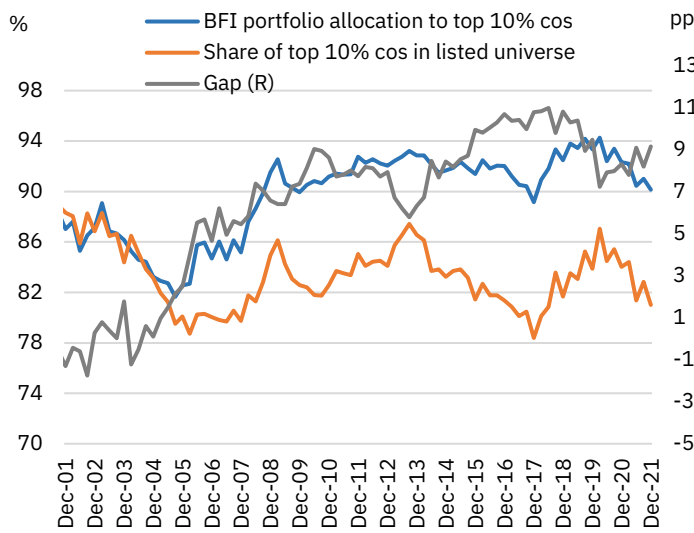
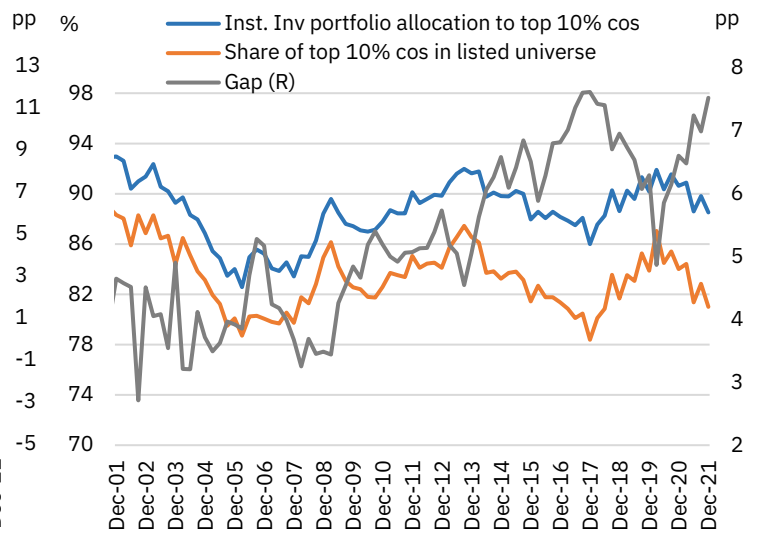
**Figure 86: Trend of FII portfolio allocation to top 10% companies by total market cap**



**Figure 87: Trend of DMF portfolio allocation to top 10% companies by total market cap**



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

**Figure 88: Trend of Banks, FIs & Insurance companies' portfolio allocation to top 10% cos by total market cap**

**Figure 89: Trend of institutional investment share in top 10% companies by total market cap**


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



## Economic Policy & Research

Tirthankar Patnaik, PhD	<a href="mailto:tpatnaik@nse.co.in">tpatnaik@nse.co.in</a>	+91-22-26598149
Purna Singhvi, CFA	<a href="mailto:psinghvi@nse.co.in">psinghvi@nse.co.in</a>	+91-22-26598316
Runu Bhakta, PhD	<a href="mailto:rbhakta@nse.co.in">rbhakta@nse.co.in</a>	+91-22-26598163
Ashiana Salian	<a href="mailto:asalian@nse.co.in">asalian@nse.co.in</a>	+91-22-26598163
Sparsh Chhabra	<a href="mailto:schhabra@nse.co.in">schhabra@nse.co.in</a>	+91-22-26598163
Karan Sehgal	<a href="mailto:consultant_ksehgal@nse.co.in">consultant_ksehgal@nse.co.in</a>	+91-22-26598163
Tanika Luthra	<a href="mailto:consultant_tluthra@nse.co.in">consultant_tluthra@nse.co.in</a>	+91-22-26598163

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