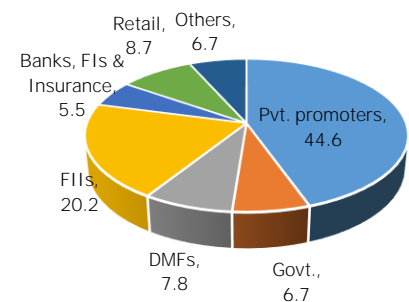


Who owns India Inc.? – FII ownership shrinks to over seven-year lows

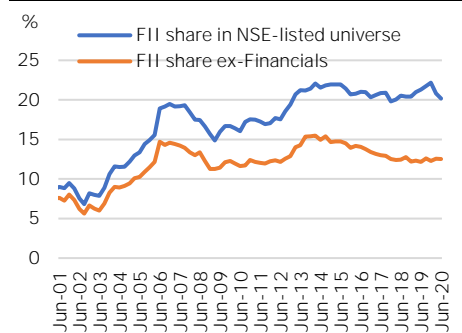
In this edition of our **quarterly report “India Inc. Ownership Tracker”¹**, we extend our analysis of ownership trends and patterns in NSE-listed companies to include the data available for the quarter ending June 2020. We note: 1) A sustained contraction in Government ownership to fresh all-time low levels, reflecting continuous efforts to expand public ownership and garner higher revenues; 2) Further increase in private promoter ownership to 14-year high levels, primarily led by Reliance Industries; 3) A contraction in FII² (foreign institutional investors) ownership for the second quarter in a row to over seven-year lows, notwithstanding renewed FII inflows supported by ample global liquidity; 4) A decline in DMF (domestic mutual funds) ownership for the first time in 18 quarters, partly attributed to a moderation in SIP inflows; 5) An increase in direct retail ownership, thanks to strengthened retail participation amidst a huge market rally—reflected in an influx of new investor accounts and a sharp rise in retail share in the cash market turnover; 6) FIIs maintained their out-sized bet on Financials³ despite reduced allocation, turned overweight⁴ (OW) on Energy and retained their cautious **stance on India’s consumption as well as investment story**; 7) DMFs turned incrementally more negative on Financials, reduced their perennial OW position on Industrials to 15-year lows, and **echoed FIIs’** negative stance on Consumer Staples, possibly reflecting a valuation discomfort and 8) While FIIs have largely maintained the status quo, significant capital inflows over the last four years have seen DMF portfolios build up their presence across a wide range of stocks, but have also become more concentrated in the process.

- Consolidation by Indian private promoters continued for yet another quarter; Government share declined further: Private Indian promoter ownership rose for the second quarter in a row to 14-year high levels in the June quarter, albeit at a sequentially slower pace, as promoters continued to consolidate their ownership in the wake of a preceding sell-off to instil confidence in the market. This was, however, largely offset by a drop in foreign promoter ownership, thereby leading to a mere 19bps/6bps QoQ pick-up in private promoter share in the NSE-listed/Nifty 500 universe to 44.6%/44%. Excluding Reliance Industries, where the promoter stake increased following the rights issue in June 2020, overall private promoter ownership remained steady in the NSE-listed universe but fell by ~10bps QoQ in the Nifty 500 Index. Government ownership (promoter and non-promoter), however, declined further and is currently hovering at fresh all-time low levels, reflecting the **Government’s** efforts to expand public partnership in the ownership of public sector companies and augment revenues from alternative sources.
- FIIs ownership dropped further in the June quarter: FII ownership fell by a 55bps, 56bps and 67bps QoQ to 25.8%, 21.0% and 20.2% in the Nifty 50, Nifty 500 and the overall NSE-listed universe respectively, following a steep fall in the previous quarter. An out-sized bet on Financials was the main reason behind the fall in FII ownership given the huge underperformance of the sector with respect to the Index. Excluding Financials, FII ownership had remained broadly steady. While FII ownership in the listed universe

Who owns India Inc.? NSE-listed in Jun’20



FII ownership in NSE-listed companies



Source: CMIE Prowess, NSE.

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

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

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

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

as of June-end was the lowest in last two years, that in Nifty 50 and Nifty 500 Index fell to over seven-year lows.

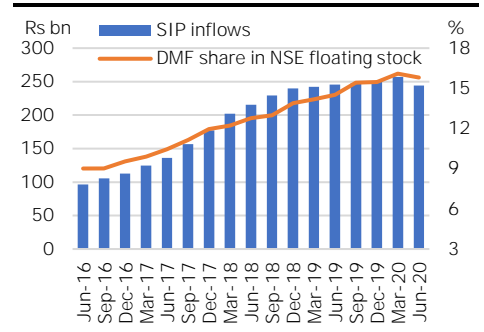
The sector positioning of FIIs remained broadly steady in the June quarter. The perennial out-sized bet on Financials was maintained but with a reduced absolute portfolio allocation, largely explained by a sharp drop in sector's weight in the index amidst a huge underperformance. Additionally, FIIs turned incrementally bullish on Energy, and maintained their cautious view on India's consumption as well as investment story with a sustained UW position on Consumer Staples and Discretionary, Materials and Industrials.

- DMF ownership dropped slightly from the record-high levels in the previous quarter: DMF ownership saw a slight reversal in a steady rising trend seen over last several years and fell by a modest 12bps/7bps QoQ to 7.8%/8.0% in the NSE-listed/Nifty 500 companies in the June quarter from the record-high share in the previous quarter. This marks the first sequential drop in over four years and reflects the moderation in SIP inflows over the last few months. DMF ownership in Nifty 50, however, inched up by 5bps QoQ to 8.4%, reflecting greater comfort of DMFs on large-cap stocks.

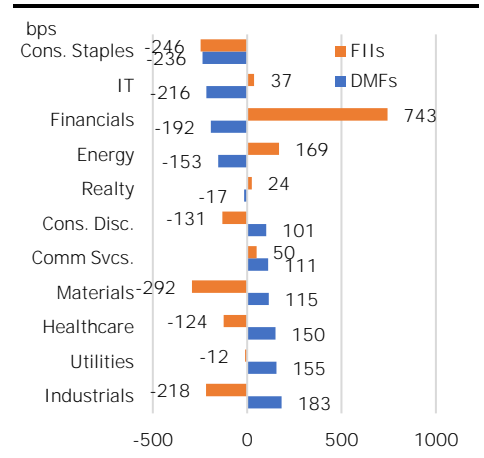
Sector-wise, DMFs turned incrementally cautious on Financials, and more so on smaller banks/NBFCs given their strengthened UW stance on the sector in the Nifty 500 Index vs. a mild OW in the Nifty 50 Index. DMFs also trimmed their exposure to Industrials in the June quarter in the wake of further derailment of investment cycle recovery, thanks to the COVID-19 pandemic. While DMFs turned incrementally bullish on Communication Services and Healthcare they reduced their huge UW position on Consumer Staples and Information Technology, and understandably so given limited impact of Coronavirus outbreak on these sectors.

- Direct retail ownership inched up further: Retail ownership in NSE-listed companies rose by 23bps QoQ to 8.7% in the June quarter—the highest sequential increase in the last 17 quarters. A sharp sell-off in the March quarter, along with lockdown restrictions, lured retail investors into trading in equity markets, with an ensuing strong market rebound adding to the positive sentiments. This increased buying is reflected in a sharp rise in new investor accounts added this year and a surge in retail share in the cash market turnover.
- Evolving institutional ownership and concentration: Combining the theme of ownership patterns with concentration trends leads to some interesting takeaways. The number of stocks in the FII portfolio has remained unchanged over the last decade, with inflows of US\$125bn merely leading to a larger share in existing stocks. FIIs have at least 5% ownership in 75% of the NIFTY 500. DMFs have a more interesting story. Large inflows over the past few years have led to a curious combination: A wider share (5%+ ownership in ~300 stocks now, vs 137 in 2014) and higher concentration (~93% of value in top 10% of stocks).

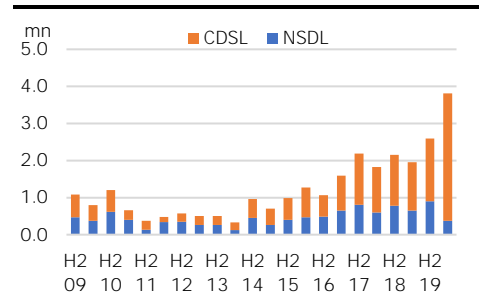
DMF ownership in NSE-listed companies



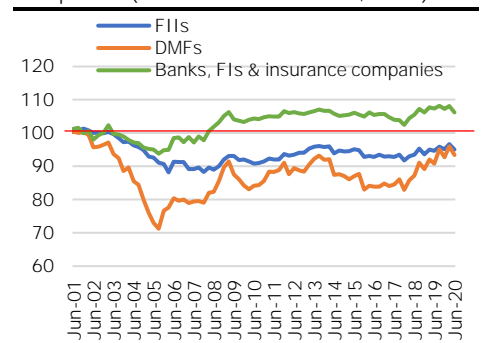
FII and DMF portfolio OW/UW in Nifty 500 vs. the index (June 2020)



New investor account additions



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



Source: CMIE Prowess, AMFI, SEBI, NSE.

Listed universe ownership trends

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

Consolidation by Indian private promoters continued for yet another quarter: Total promoter ownership in the NSE-listed universe remained broadly steady at near five-year high of 50.8% in the quarter-ending June 2020, as an increase in the stake of private Indian promoters was largely offset by a drop in holding of foreign promoters and government. Private Indian promoter ownership picked up by 89bps QoQ to over 14-year high of 34.2%, marking the second consequent quarter of a sequential jump, albeit at a slower pace, with 220/1671 NSE-listed companies witnessing an increase in promoter stake. However, a large part of it was led by Reliance Industries, excluding which increase in private Indian promoter ownership was much lower at 58bps QoQ. There were also 152 companies in the NSE-listed universe that saw a drop in Indian private promoter stake in the June quarter, with more than 50% being from the NSE500 universe. Foreign promoters, however, reduced their ownership by 71bps QoQ to 10.4%, following a steep rise in the previous quarter. Government ownership (promoter as well as non-promoter) in the NSE-listed space has been coming off since 2010, in-line with the Government's efforts to garner higher revenues through the disinvestment route, with the share in the June quarter falling by 25bps QoQ to fresh all-time lows of 6.7%.

FII ownership declined for the second quarter in a row: Amongst institutional investors, FII ownership fell for the second consecutive quarter by 67bps QoQ to more than two-year low of 20.2%, notwithstanding renewed inflows in the June quarter as a part of the ample global liquidity found its way into riskier asset classes including emerging market equities. This translates into a drop of nearly 200bps from the peak FII share of 22.2% in the quarter-ending December 2019. The decline was largely owing to a sharp underperformance of Financials this year as compared to the overall market. FIIs have had a perennially high exposure on Financials; ex-Financials, FII ownership in the listed universe was steady at 12.5% in the June quarter.

DMF ownership saw a drop from the record-high levels in the previous quarter: DMF ownership saw a slight reversal in a steady rising trend seen over last several years and fell by a modest 12bps QoQ to 7.8% in the June quarter from the record-high share (since 2001) in the previous quarter—the first sequential drop in over four years. This is reflected in the moderation in quarterly run-rate of SIP (Systematic Investment Plans) inflows into mutual funds for the first time in last four years. The share of Banks, Financial Institutions and Insurance remained steady at 5.5% but is a mere 32bps above the lowest share in the last two decades.

Retail investors increased ownership in Indian equities in the June quarter: Individual retail investors' holding inched up by 23bps QoQ to 8.7%—the highest sequential increase in the last 17 quarters. A sharp market crash in the March quarter, coupled with lockdown restrictions, lured retail investors into trading in equity markets, with an ensuing strong market rebound further strengthening their sentiments. Of the 1671 listed companies, 1021 saw an increase in stake held by retail investors in the June quarter. This increased buying is also reflected in a sharp rise in new investor accounts added this year (Figure 22) and increase in retail share in the cash market turnover (Figure 23).

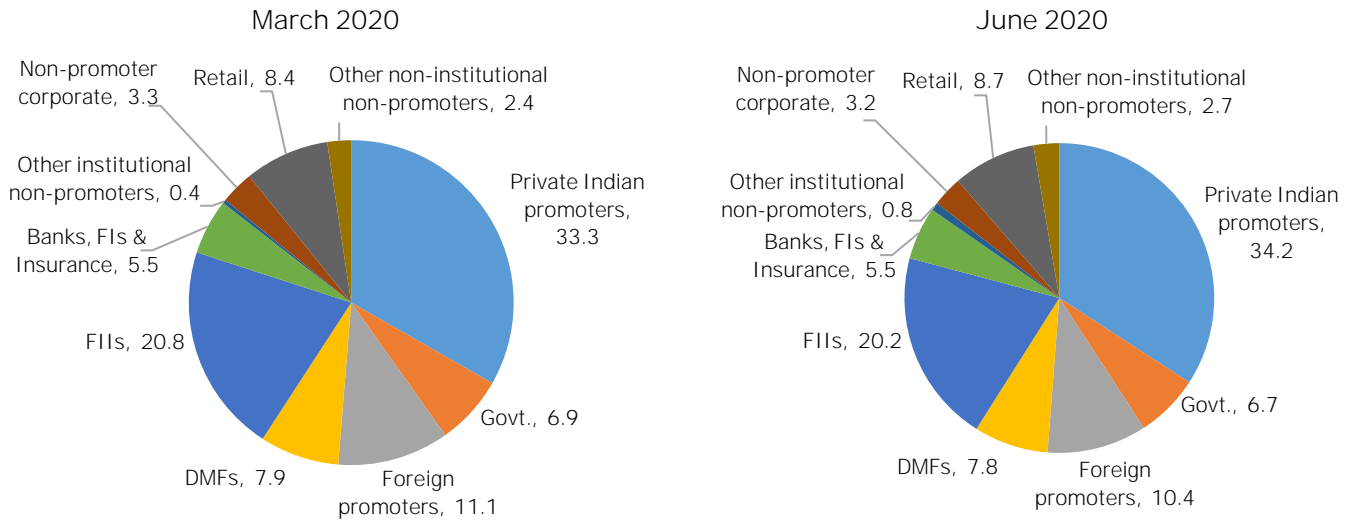
June quarter saw a further increase in private Indian promoter ownership in the NSE-listed universe, while Govt. ownership declined further to hit fresh all-time lows.

FII ownership declined for the second quarter in a row to 20.2% in quarter-ending June, notwithstanding renewed foreign capital inflows.

DMF ownership declined for the first time in over four years to 7.8% in the June quarter after hitting record high in the previous quarter.

Retail holding witnessed the highest sequential increase in the last 17 quarters, rising to 8.7%.

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



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

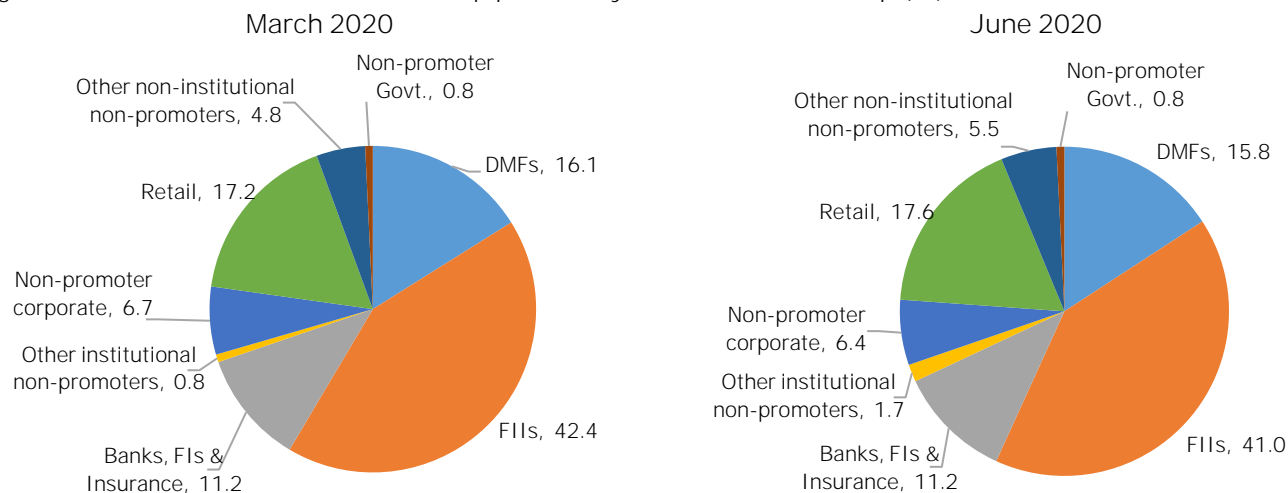
Figure 2: NSE-listed universe: Ownership trend across key stakeholders by total market cap over last three years

%	Private Indian promoters	Govt.	Foreign promoters	Domestic MFs	Banks, FIs & Insurance	FII*s *	Non-promoter corporate	Retail
Sep-17	31.0	10.0	9.1	5.6	5.9	20.9	5.6	9.4
Dec-17	31.5	10.4	9.4	5.9	5.7	19.8	5.4	9.2
Mar-18	31.3	10.1	9.4	6.1	5.6	20.1	5.6	9.0
Jun-18	31.4	9.5	9.7	6.4	5.7	20.5	5.2	8.7
Sep-18	32.0	9.2	9.5	6.4	5.8	20.4	5.1	8.6
Dec-18	31.3	9.1	10.0	7.0	5.8	20.4	5.0	8.7
Mar-19	31.5	9.2	9.2	7.2	5.5	21.0	5.0	8.6
Jun-19	31.4	9.3	9.3	7.3	5.5	21.3	4.7	8.4
Sep-19	32.2	7.9	10.1	7.7	5.5	21.8	3.6	8.5
Dec-19	32.2	8.2	9.8	7.8	5.4	22.2	3.5	8.4
Mar-20	33.3	6.9	11.1	7.9	5.5	20.8	3.3	8.4
Jun-20	34.2	6.7	10.4	7.8	5.5	20.2	3.2	8.7
QoQ change	89bps	-25bps	-71bps	-12bps	0bps	-67bps	-15bps	22bps

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

Floating stock witnessed a steep sequential drop in institutional ownership: In terms of floating stock, FII ownership fell by 143bps QoQ to 41.0% in the June quarter, translating into a total drop of 322bps in the first six months of 2020 following a strong 350bps rise in 2019. This is the second highest sequential drop on a quarterly basis over the last five years, with FII ownership in the NSE-listed floating stock as of June-end hovering nearly 4.7pp below the peak share over the last 20-year period. DMF ownership of the NSE free-float market cap also fell by 28bps QoQ to 15.8% in the June quarter—the first sequential drop in the last 18 quarters, after rising to a 20-year high in the previous quarter. Retail ownership in the NSE floating stock moved up for the second quarter in a row to 17.6% in the June quarter, but is still 11.5pp below the peak share over the last two decades.

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



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

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

%	Domestic MFs	Banks, FIs & Insurance	FII*s*	Non-promoter corporate	Retail
Sep-17	11.1	11.7	41.5	11.2	18.7
Dec-17	11.9	11.6	40.2	11.0	18.7
Mar-18	12.2	11.3	40.4	11.3	18.2
Jun-18	12.8	11.4	41.2	10.4	17.5
Sep-18	13.0	11.7	41.1	10.3	17.3
Dec-18	13.9	11.6	40.7	10.0	17.4
Mar-19	14.2	10.9	41.5	9.8	17.0
Jun-19	14.5	10.9	42.2	9.4	16.7
Sep-19	15.4	11.0	43.4	7.2	16.9
Dec-19	15.5	10.8	44.2	6.9	16.7
Mar-20	16.1	11.2	42.4	6.7	17.2
Jun-20	15.8	11.2	41.0	6.4	17.6
QoQ change	-28bps	-2bps	-143bps	-31bps	43bps

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

Long-term ownership trend of the NSE-listed universe

Long-term trend shows a steady drop in promoter ownership since 2010: The long-term trend indicates a sharp rise in promoter ownership between 2001 and 2009 (19-year high of 57.6% in March 2009) that has been gradually tapering off since, coinciding with the SEBI's decision to increase the minimum required free float from 10% to 25% in 2010. However, that has been primarily led by a sharp drop in Government ownership over the years, and strategically so, with the aim of expanding public partnership in the ownership of CPSEs (Central Public Sector Enterprises) and augment its resources for higher expenditure towards economic development. On the other hand, overall private promoter ownership—Indian and foreign promoters combined—has increased by ~11pp since June 2010.

Increase in DMF ownership over the last few years supported by rising SIP inflows: Barring a marginal drop in the June quarter, DMF ownership has seen a sharp increase over the last five years, largely reflecting the sustained retail interest in equity mutual funds as an investment channel through sticky SIPs. Drop in DMF ownership in the recent

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

DMFs ownership got support from rising SIP investments over the last few years.

A significant increase in FII ownership over the last couple of years has got almost reversed this year.

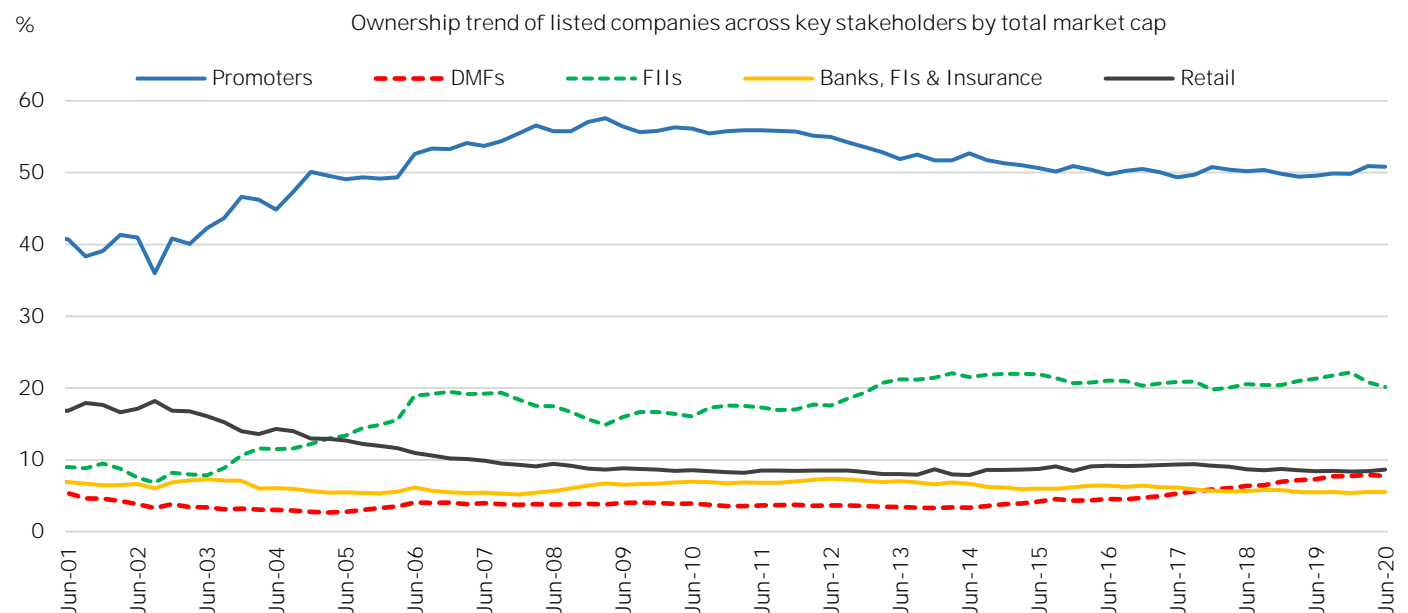
quarter is largely on the back of moderation in SIP inflows. Ownership of Banks, FIs & Insurance, on the other hand, has been gradually dropping off since 2012.

FII ownership has remained between 40-45% range over the last eight years: FII ownership in the NSE-listed space saw a gradual increase between 2002 and 2015, except for a brief period around the 2007-08 financial crisis, dropped marginally over the subsequent three years followed by a sharp pickup over the next two years until December 2019. FII ownership, however, has fallen sharply this year, reflecting strengthened risk-off sentiments in the wake of COVID-19 pandemic.

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

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

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



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

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



Source: CMIE Prowess, NSE

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

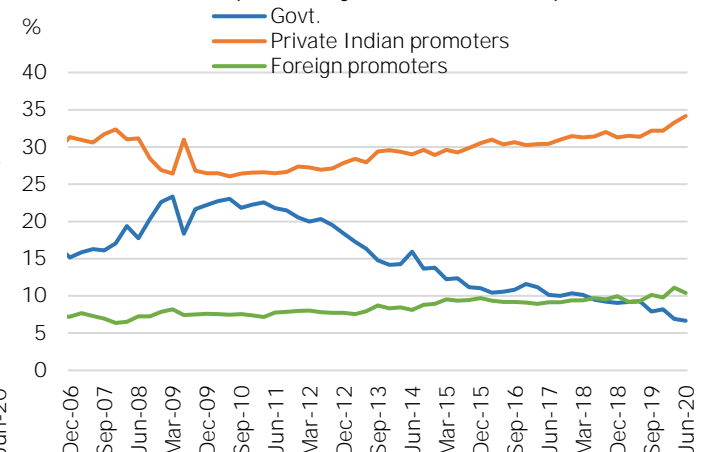


Figure 8: DMF ownership trend of NSE-listed companies by total market cap

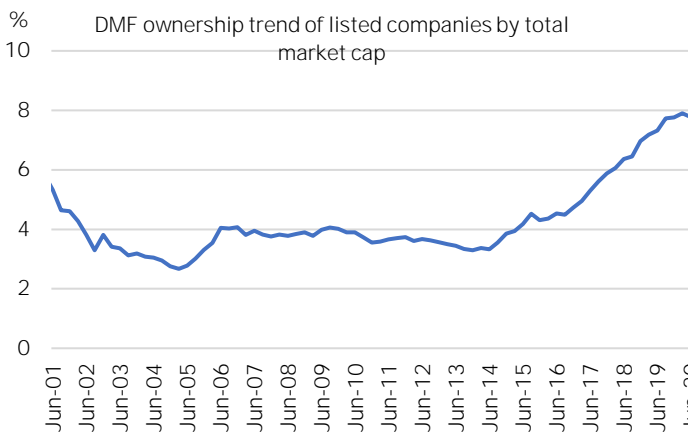
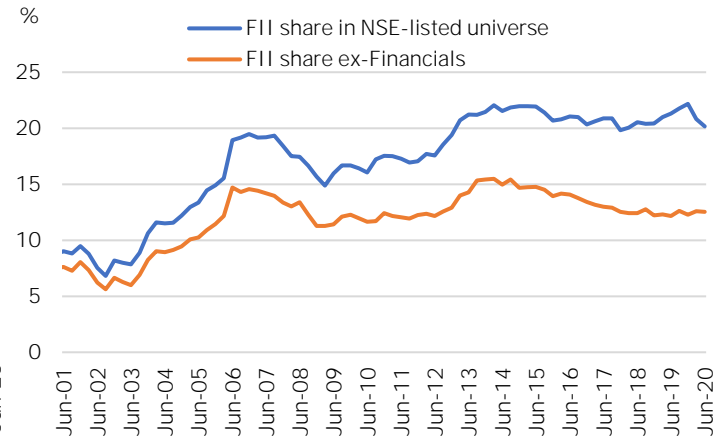


Figure 9: FII ownership* trend of NSE-listed companies by total market cap



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

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

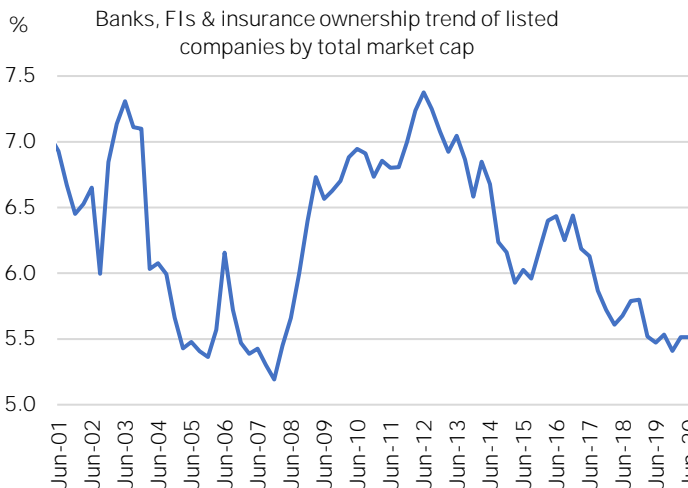
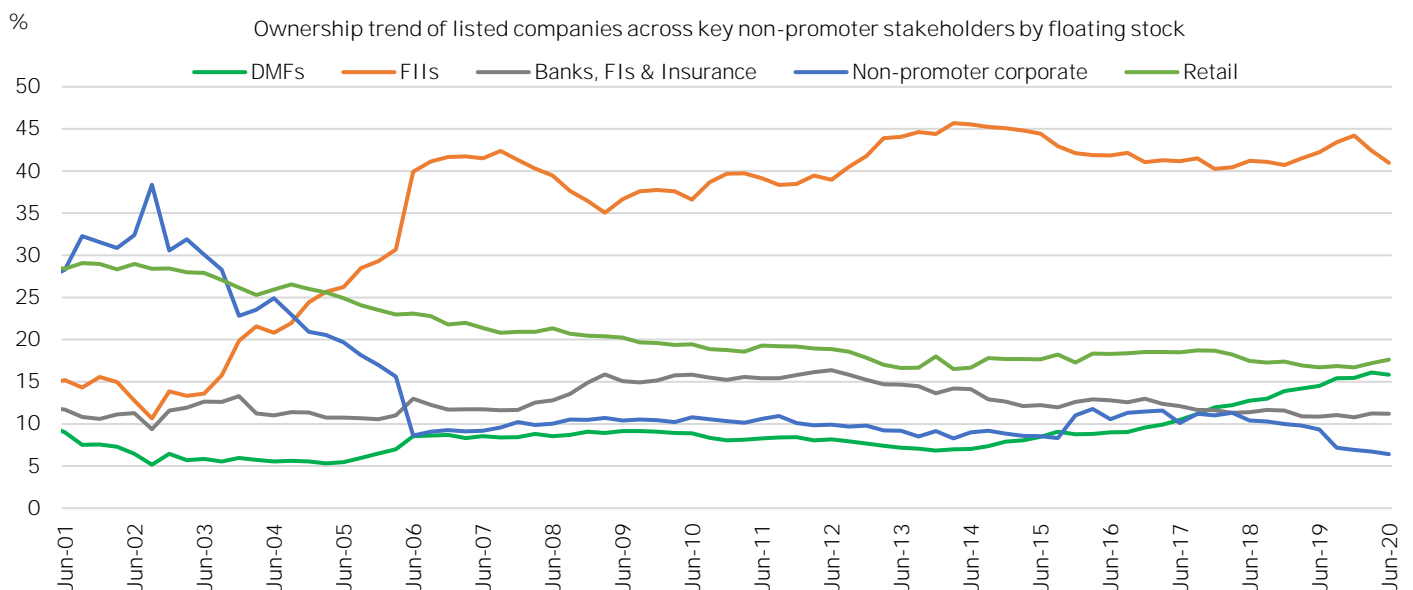


Figure 11: Retail ownership trend of NSE-listed companies by total market cap



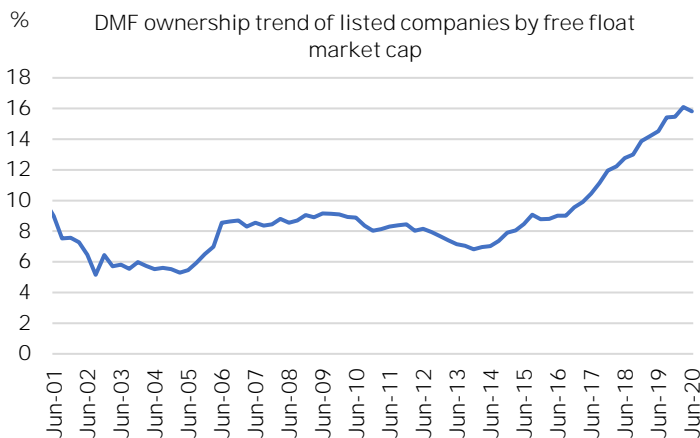
Source: CMIE Prowess, NSE

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



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

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

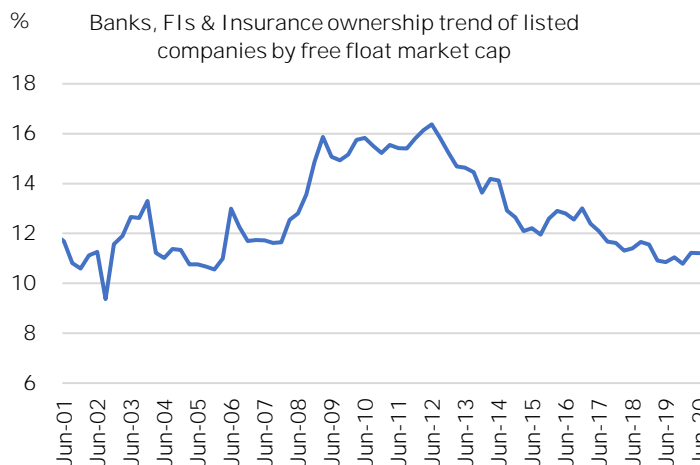


Source: CMIE Prowess, NSE

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

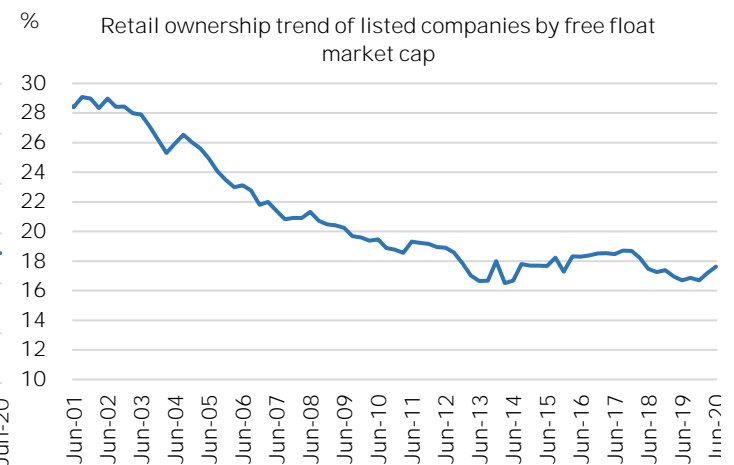


Figure 15: Banks, FIs & Insurance ownership trend of NSE-listed companies by free float market cap



Source: CMIE Prowess, NSE

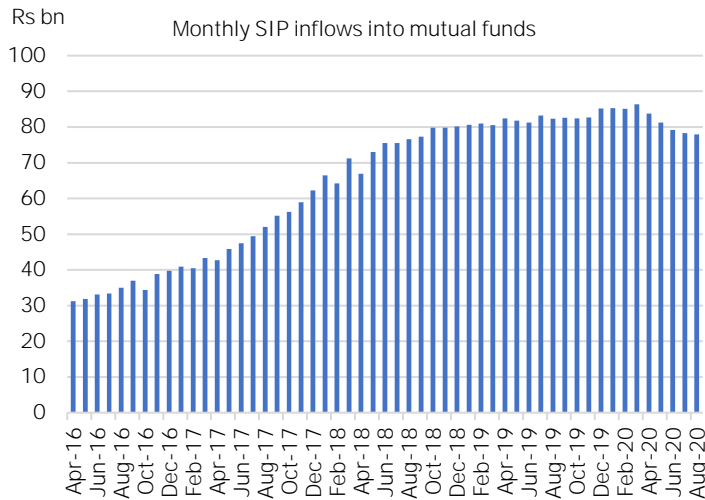
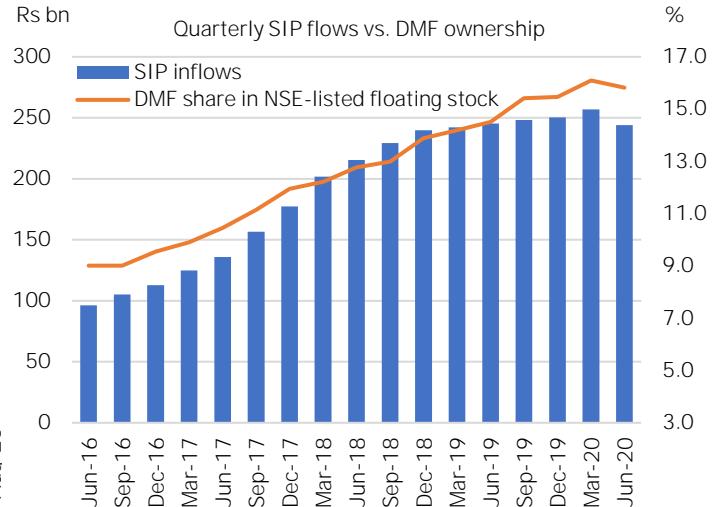
Figure 16: Retail ownership trend of NSE-listed companies by free float market cap



SIP inflows declining amid rising macro uncertainty: SIPs—a preferred route for retail investors to invest in equity markets until early this year—have went slightly out of flavor since the last few months. Investment in mutual funds through SIPs declined on a sequential basis for the fifth consecutive month, hitting a 23-month low of Rs779bn in August vs. an average monthly run-rate of ~Rs830bn thanks to heightened market volatility and an uncertain macroeconomic outlook. This was partly made up by direct retail participation in equity markets, as reflected in a jump in retail ownership in the quarter-ending June 2020.

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

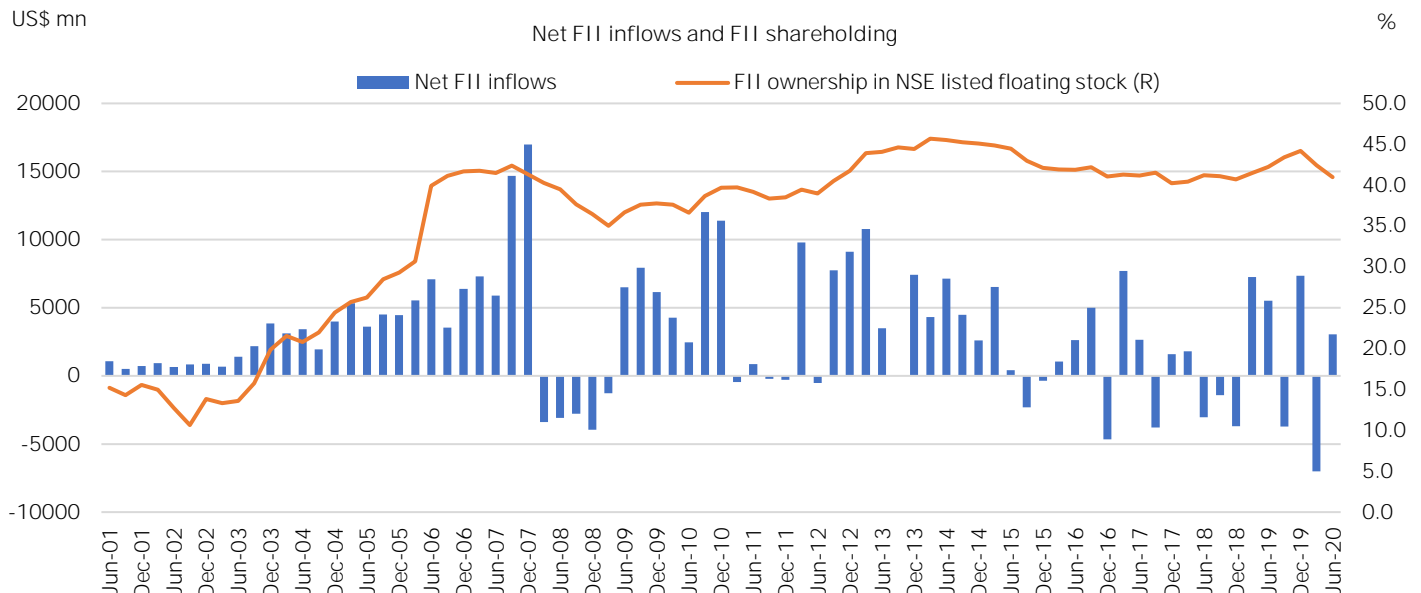
SIP inflows declined to 23-month low of Rs779bn in August, marking the third consecutive month of a -sub-Rs800bn figure.

Figure 17: Monthly SIP inflows into mutual funds

Figure 18: Quarterly SIP inflows vs DMF ownership


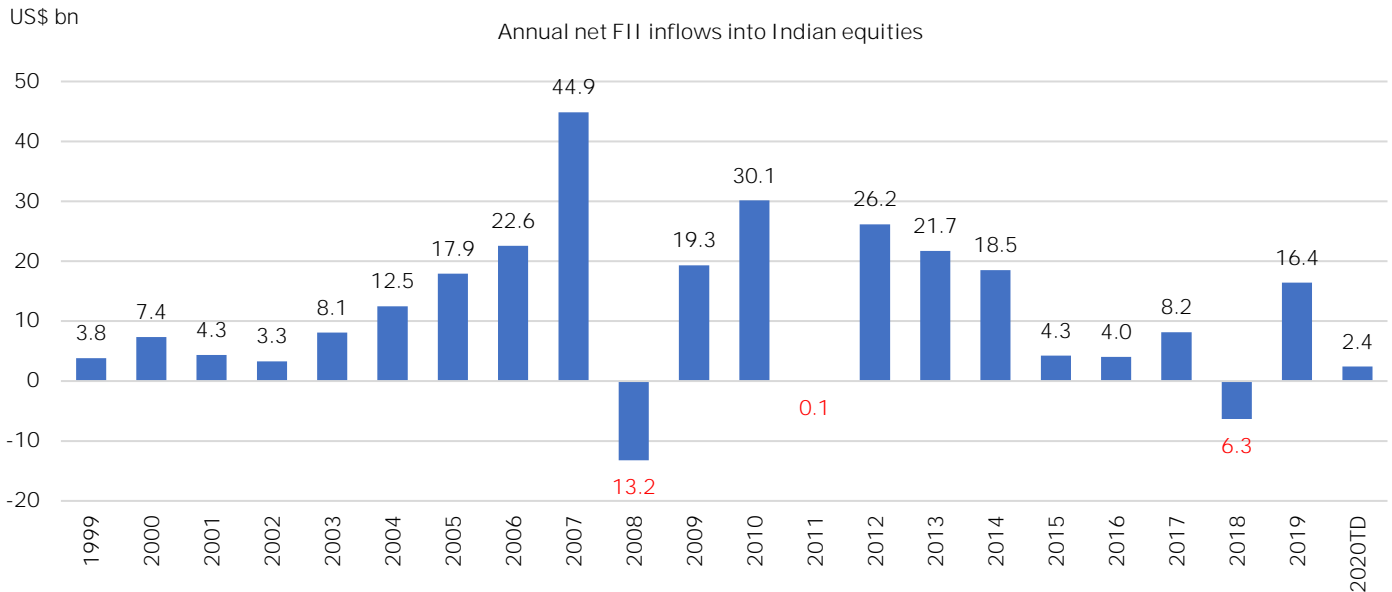
Source: AMFI, NSE

FII resumed buying from May onwards: After witnessing record-high FII outflows on a quarterly basis of US\$7bn in the March quarter amid fears of a worst global recession since the Great Depression, FIIs resumed buying into Indian equities from May onwards, translating into net FII inflows of US\$3bn in the June quarter. This was in-line with the trend witnessed in other emerging markets, supported by aggressive policy response by the global central banks through rate cuts and injection of ample global liquidity. FII inflows have strengthened further in July and August, as emerging signs of a global economic recovery, positive cues around development of COVID-19 vaccine and continued policy support added fuel to the prevailing risk-on environment.

June quarter saw resumption of FII buying into Indian equities supported by surplus global liquidity.

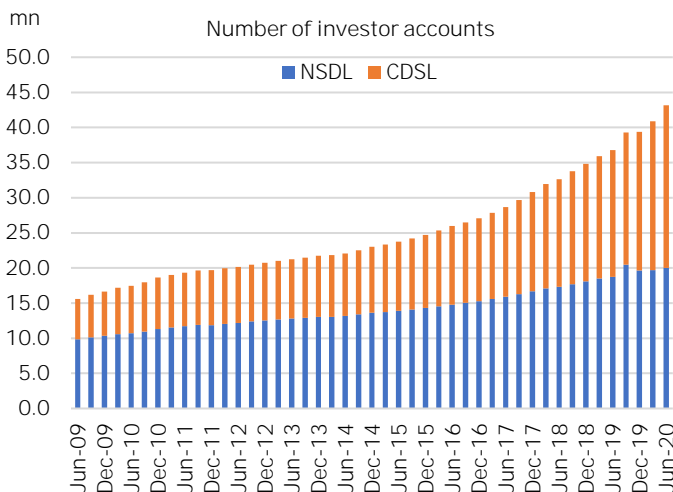
Figure 19: Net FII inflows and FII shareholding in the NSE-listed floating stock


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

Figure 20: Annual net FII inflows trend


Source: Refinitiv Datastream, NSE. 2020 data is as of September 29th, 2020.

Direct trading by retail investors picks up in the pandemic: A sharp market crash in the March quarter, coupled with lockdown restrictions, lured retail investors into trading in equity markets, with an ensuing strong market rebound further strengthening their sentiments. This is reflected in an increase in retail ownership in the NSE-listed universe in the quarter-ending June 2020. This increased buying is also reflected in a sharp rise in new investor accounts added this year and increase in retail share in the cash market turnover. New investor account additions through CDSL as well as NSDL in the first half of 2020 stood at 3.8mn—a record addition on a half-yearly basis in the last 10 years—representing nearly 8.8% of the outstanding active investor accounts. Moreover, the share of retail investors (*Others*)—including individual investors, partnership/limited liability partnership firms, HUFs, trusts and NRIs, amongst others—in NSE’s cash market turnover shot up to 55% in the first five months of this fiscal year (Apr-Aug 2020) vs. 47% in the same period last year.

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


Source: SEBI Bulletin, NSE.

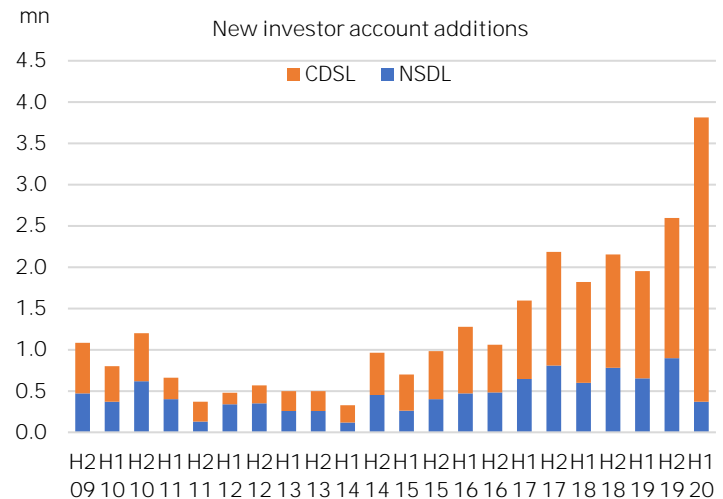
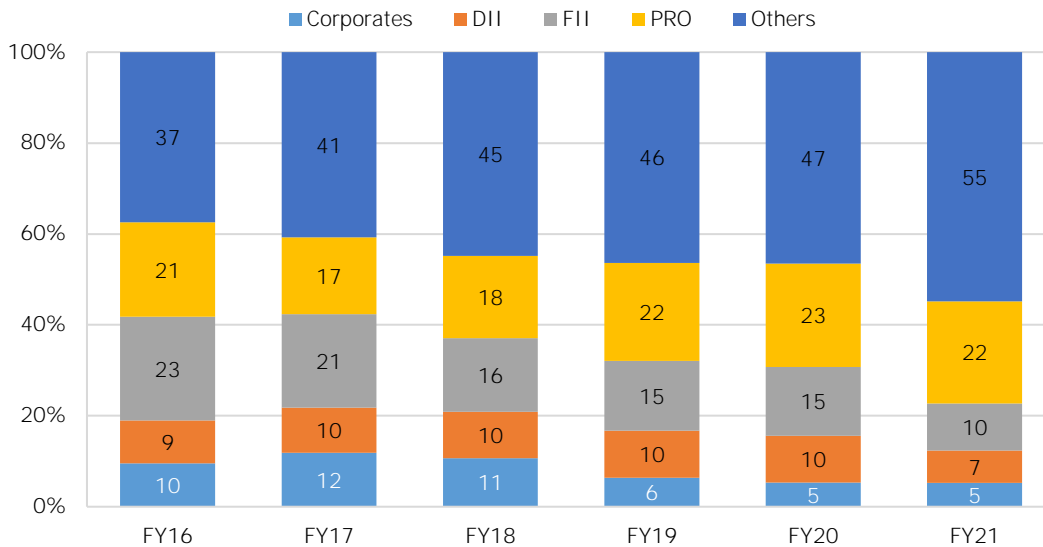
Figure 22: Half-yearly trend of new investor account additions with depositories


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



Source: Note: DII: Domestic Institutional Investors, FII: Foreign Institutional Investors, PRO: Proprietary Traders. Major sub-categories in Others include individual investors, proprietary/limited liability partnership firms, HUFs, trusts and NRIs, together accounting for ~99% share in Others in FY21. Data for FY21 is for Apr-Aug'20.

Sector-wise ownership of the NSE-listed universe (June 2020): The sector-wise ownership pattern of the NSE-listed universe across key stakeholders in the June quarter shows that the Real Estate sector continues to lead in terms of promoter ownership at 66.2% (-58bps QoQ), followed by Information Technology at 57.5% (+12bps QoQ) and Materials (-28bps QoQ) and Utilities (+94bps QoQ) both at 57.4%. Sector-wise, Utilities had the highest Government ownership at 30.5%, even as the share has been sharply coming off over the last few years (-14.4 pp over the last two years) to hit fresh all-time lows. Other sectors that have high Government ownership include Energy, Industrials and Financials at 13.2% (-430bps QoQ), 11.8% (+150bps) and 9.8% (-20bps QoQ) respectively. While Government ownership in Energy and Industrials has been declining over the last few years, that in Industrials has seen a significant pick-up over the last couple of years.

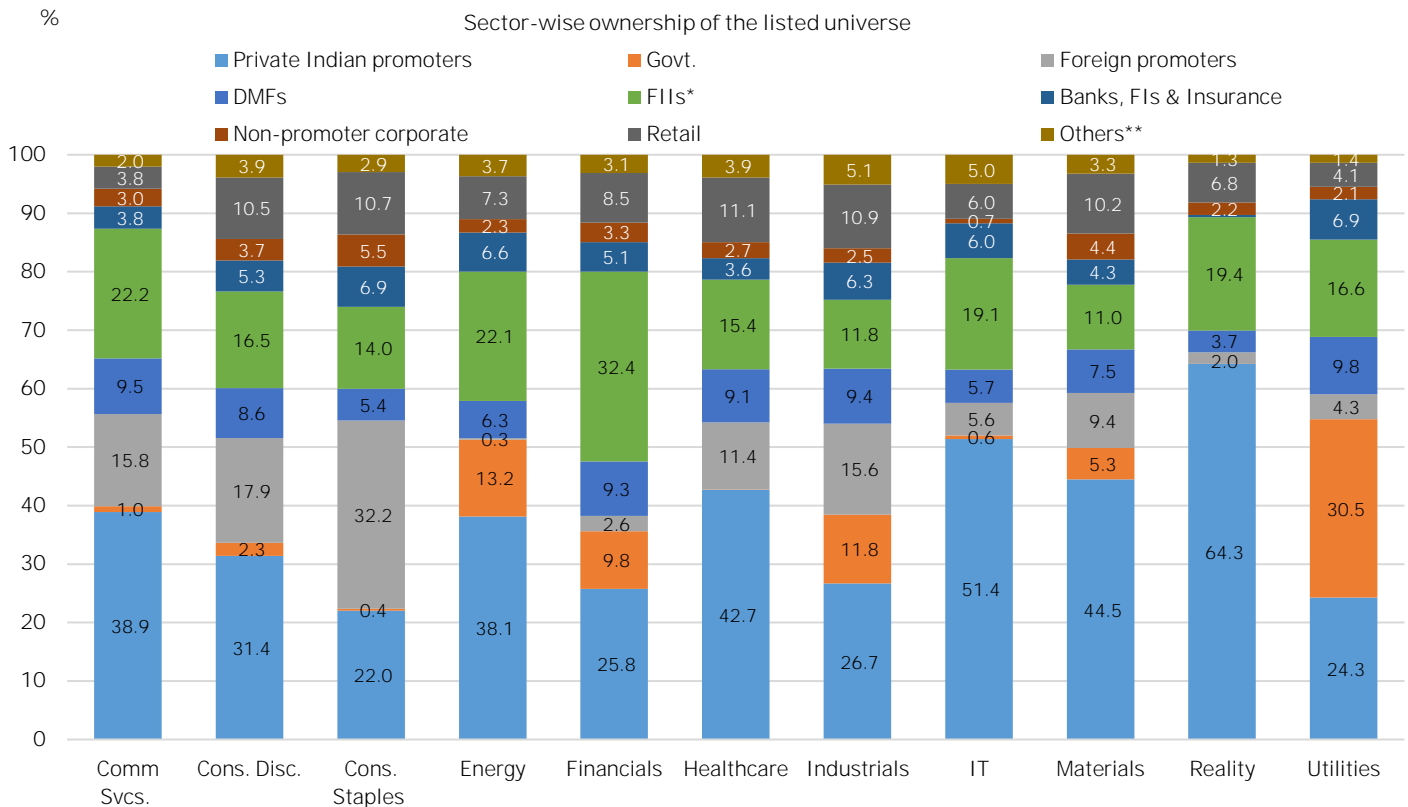
Sector-wise, Utilities leads in terms of DMF ownership at 9.8% (-48bps QoQ), followed by Communication Services at 9.5% (40bps QoQ), Industrials at 9.4% (-66bps QoQ) and Financials at 9.3% (-60bps). The increase in DMF ownership over the last several years has been broad-based, with all sectors witnessing a jump in DMF share over the last five years, led by Communication Services, Utilities and Healthcare. In the quarter gone by, Communication Services Consumer Staples, Materials and Healthcare are the only sectors to see a jump in DMF ownership, while all other sectors saw a drop led by Industrials, Financials and Utilities. Despite a decline in ownership, FIIs still remain the biggest non-promoter owners of Financials at 32.4% (-136bps QoQ), followed by Communication Services at 22.2% (-147bps QoQ) and Energy at 22.1% (+40bps QoQ). Except for Energy, all other sectors have seen a drop in FII ownership in the quarter-ending June 2020.

Sector-wise, Utilities continues to lead in terms of Government ownership at 30.5%, even as it is the lowest since June 2006.

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

FIIs are the biggest non-promoter owners of Financials, followed by Communication Services and Energy.

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



Source: CMIE Prowess, NSE. * FII ownership includes ownership through depository receipts held by custodians
 **Others include other institutional and non-institutional non-promoter investors

Sector allocation in the NSE-listed universe for key stakeholders (June 2020): The table below shows sector allocation for key shareholder categories in all NSE-listed companies as of June 2020. Government ownership remains concentrated to Financials, Energy, Utilities and Industrials, together accounting for ~76% of Government's allocation in the listed space. Consumer sector, Discretionary and Staples combined, account for ~53% of the exposure of foreign promoters to the NSE-listed space.

Except for an outsized exposure to Financials, DMF portfolio remains far more diversified as compared to FIIs. While DMFs have 28.2% of their holdings in Financials, followed by Materials at 10.1%, FIIs have a much higher allocation to Financials at 37.8%, followed by Energy at 12.7% and Information Technology at 11.2%. That said, exposure of both DMFs and FIIs to Financials has seen a sharp drop this year.

DMFs have 28.2% of their market holding (NSE-listed) in Financials, followed by Materials (10.1%).

FIIs have a much higher exposure to Financials at 37.8%.

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

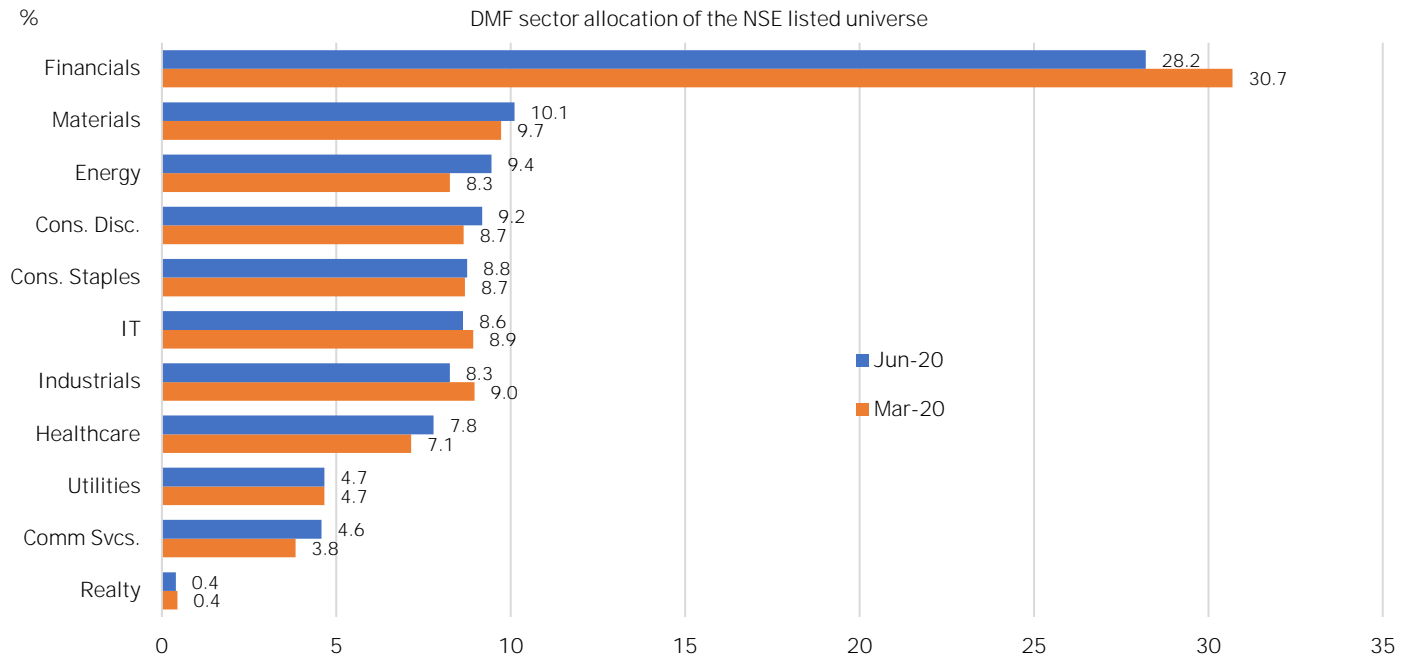
%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	FII*s*	Banks, FIs & Insurance	Non-promoter corporate	Retail
Communication Services	4.3	0.5	5.7	4.6	4.1	2.6	3.6	1.6
Consumer Discretionary	7.7	2.8	14.3	9.2	6.8	8.0	9.8	10.1
Consumer Staples	8.1	0.7	38.8	8.8	8.7	15.8	21.8	15.4
Energy	12.9	22.9	0.3	9.4	12.7	14.0	8.6	9.8
Financials	17.7	34.6	5.9	28.2	37.8	21.6	24.7	23.0
Health Care	8.4	0.1	7.3	7.8	5.1	4.4	5.8	8.5
Industrials	5.3	12.0	10.2	8.3	4.0	7.8	5.3	8.6
Information Technology	17.8	1.1	6.3	8.6	11.2	12.9	2.7	8.1
Materials	13.7	8.4	9.5	10.1	5.8	8.3	14.7	12.4
Real Estate	1.6	0.0	0.2	0.4	0.8	0.1	0.6	0.7
Utilities	2.6	16.9	1.5	4.7	3.1	4.6	2.5	1.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

DMFs trimmed exposure to Financials for the second quarter in a row ...: DMFs' portfolio allocation to Financials within the NSE-listed space has seen a sharp drop of 7.3 percentage points this year (-251bps in the June quarter), falling from 35.5% in December 2019—the highest allocation in last two decades—to four-year lows of 28.2% in June 2020. DMFs have also trimmed their exposure to Industrials for the fifth quarter in a row, reflecting an incrementally cautious view on the sector amidst a derailed investment cycle recovery due to COVID-19 pandemic. In fact, DMFs allocation to Industrials within the NSE-listed space is the lowest in last 18 years. Sectors where DMFs have increased portfolio allocation this year include Healthcare (+288bps), Consumer Staples (+195bps), Communication Services (+169bps), Energy (+132bps), Information Technology (+70bps) and Utilities (+66bps), partly explained by their relative outperformance this year as these sectors were relatively less impacted by COVID-19 pandemic and attendant containment measures.

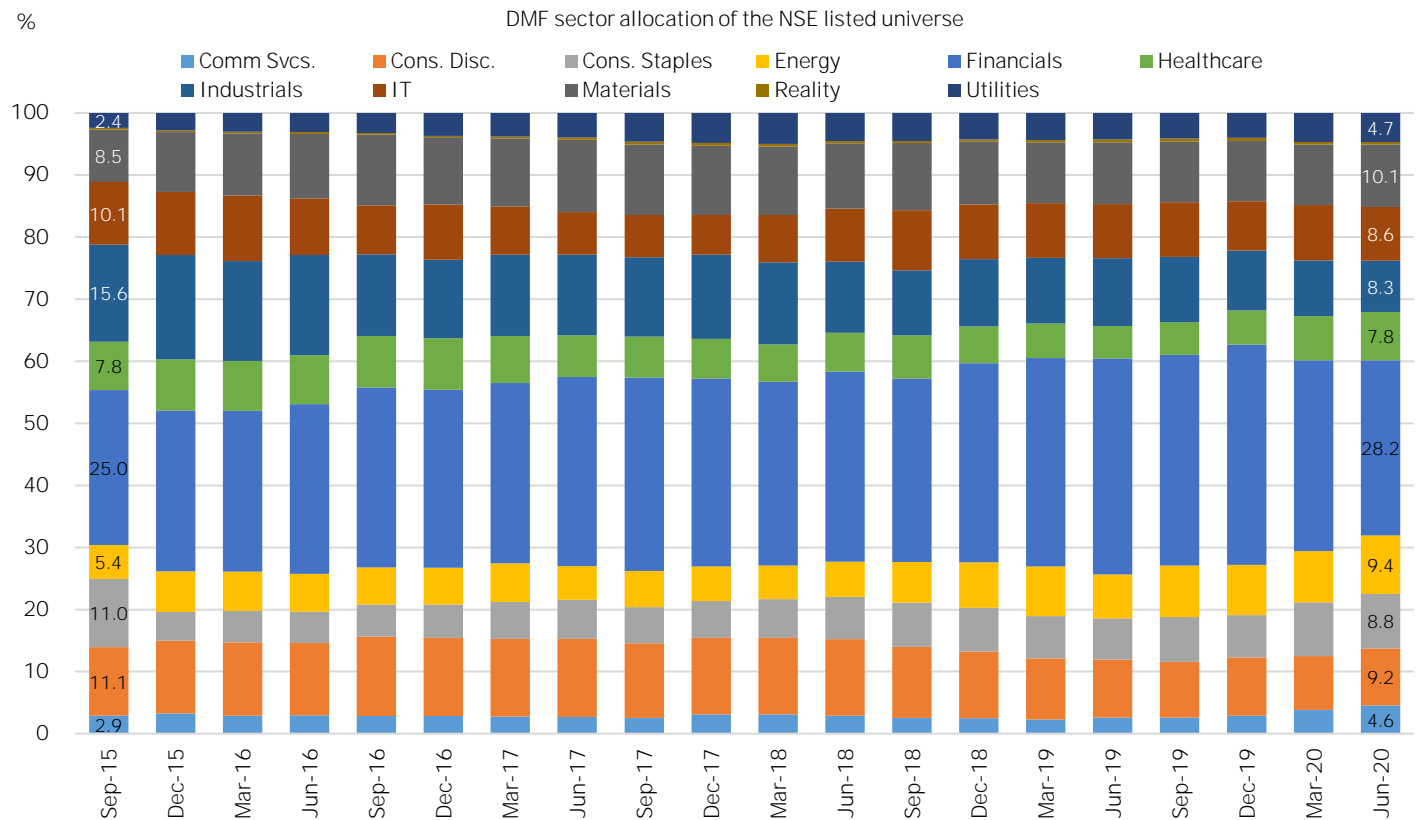
DMFs have raised their exposure to Healthcare, Consumer Staples, Comm. Svcs., Energy, IT and Utilities this year at the expense of a sharp drop in allocation to Financials and Industrials.

Figure 26: DMF sector allocation of the NSE-listed universe (June 2020 vs March 2020)



Source: CMIE Prowess, NSE

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



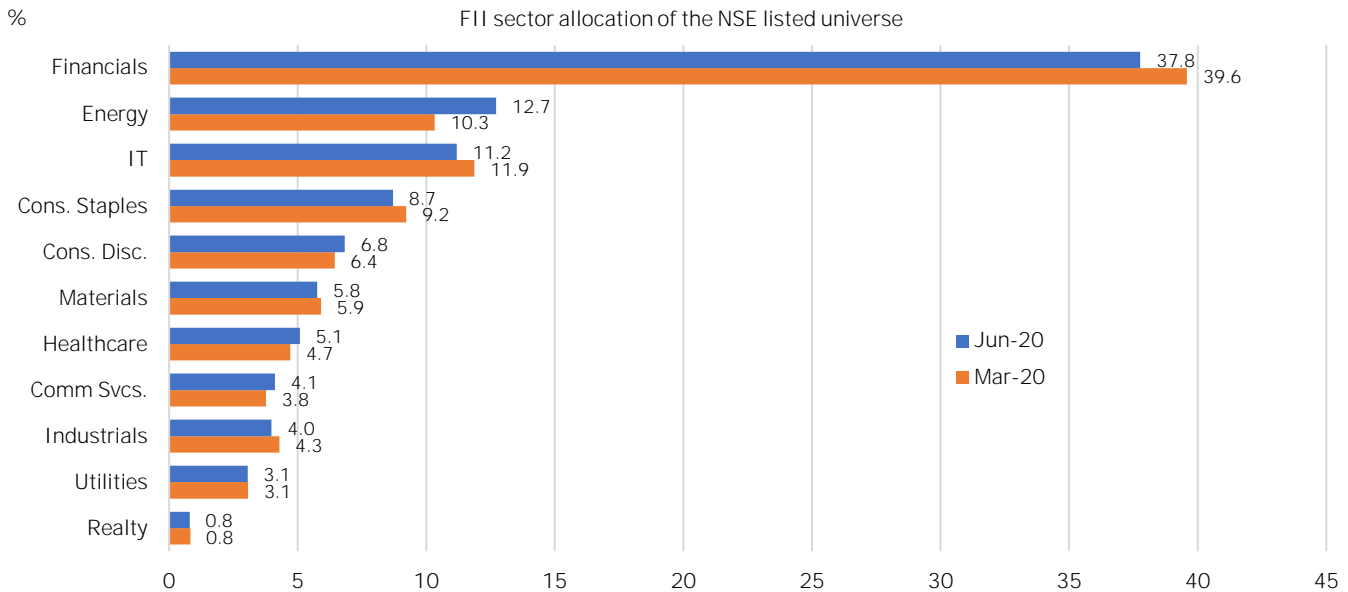
Source: CMIE Prowess, NSE

...and so did the FIIs: Unlike the trend witnessed over the last couple of years, the rejig in FII portfolio this year has been in line with that seen in the DMF portfolio within the overall NSE-listed space. FIIs have also significantly cut down their exposure to Financials and Industrials by 181bps and 31bps QoQ to a seven-quarter and a 16-year

FIIs echoed DMFs and further trimmed exposure to Financials and Industrials.

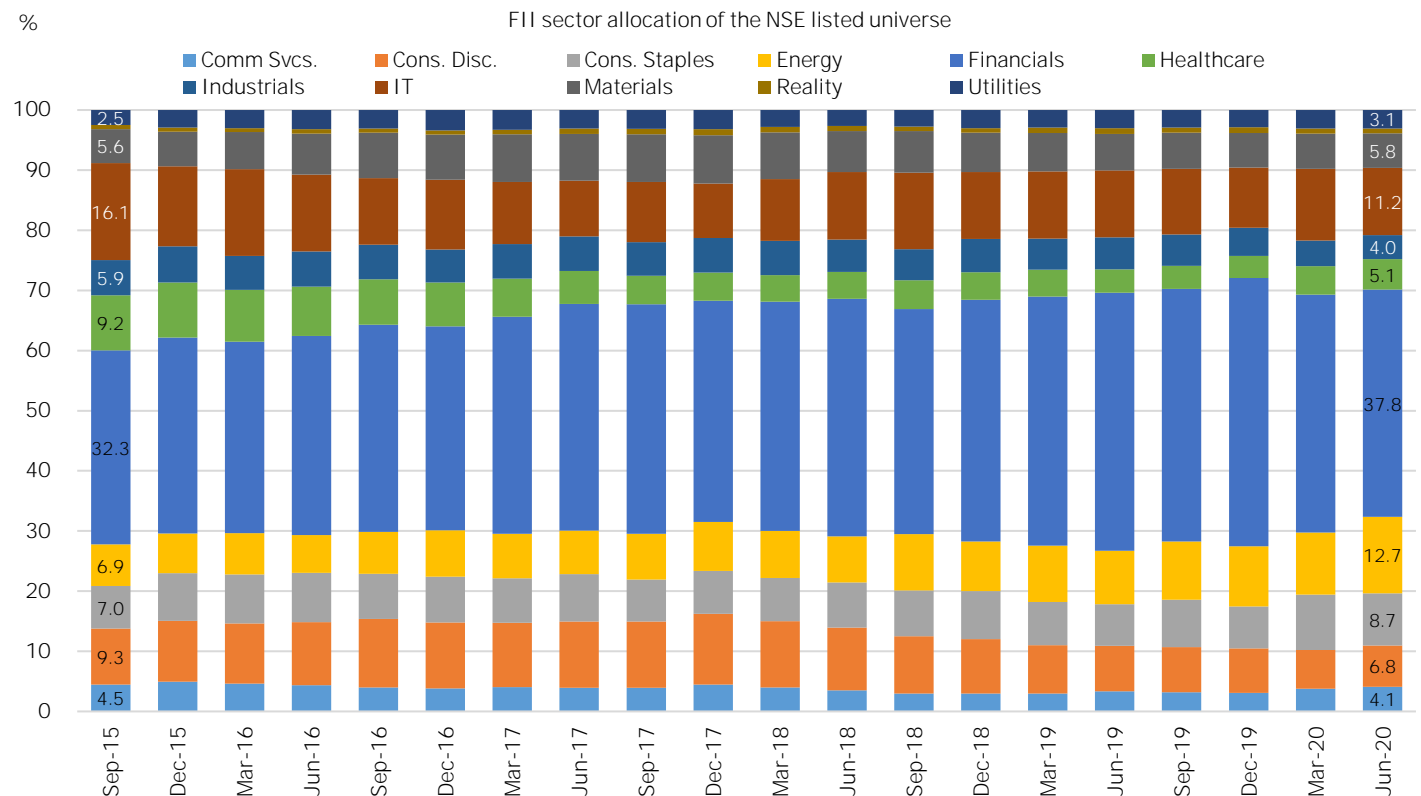
low of 37.8% and 4.0% respectively. FIIs also marginally trimmed their exposure to Consumer Staples and Information Technology in the June quarter by 51bps QoQ and 69bps QoQ to 8.7% and 11.2% respectively, following a sharp increase in the previous quarter. Sectors which have seen an increase in FII exposure in the NSE-listed space in the June quarter include Energy (+239bps QoQ to 11-year high of 12.7%), Healthcare (+5.1% to three-year high of 5.1%), Consumer Discretionary (+39bps QoQ to 6.8%) and Communication Services (+34bps QoQ to 10-quarter high of 4.1%).

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



Source: CMIE Prowess, NSE

Figure 29: FII sector allocation of the NSE-listed universe over last five years



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

Nifty 50 ownership trends

Ownership pattern of the Nifty 50 universe (June 2020)

Private promoter stake rose led by Reliance Industries; Govt. stake continued to decline: Overall private promoter ownership in the Nifty 50 Index increased for the second quarter in a row by 37bps QoQ to 29.3% in the June quarter, translating into a total increase of 3.4pp this year. This was largely due to a sharp 130bps QoQ increase in private Indian promoter ownership to a 11-year high of 29.3%—the steepest sequential rise in the last 15 years, but with just 5/50 companies witnessing a pick-up in private Indian promoter stake. A large part of this increase was led by Reliance Industries, excluding which, private Indian promoter ownership rose by a much lower 46bps QoQ, partly offset by offloading of shares by promoters of Kotak Mahindra Bank and Bharti Airtel. Foreign promoters on the other hand reduced their ownership in the Nifty 50 universe by 93bps QoQ to 8.8%, following a steep 223bps increase in the previous quarter. Government ownership declined for yet another quarter and is currently hovering at an all-time low of 5.6% (-79bps QoQ).

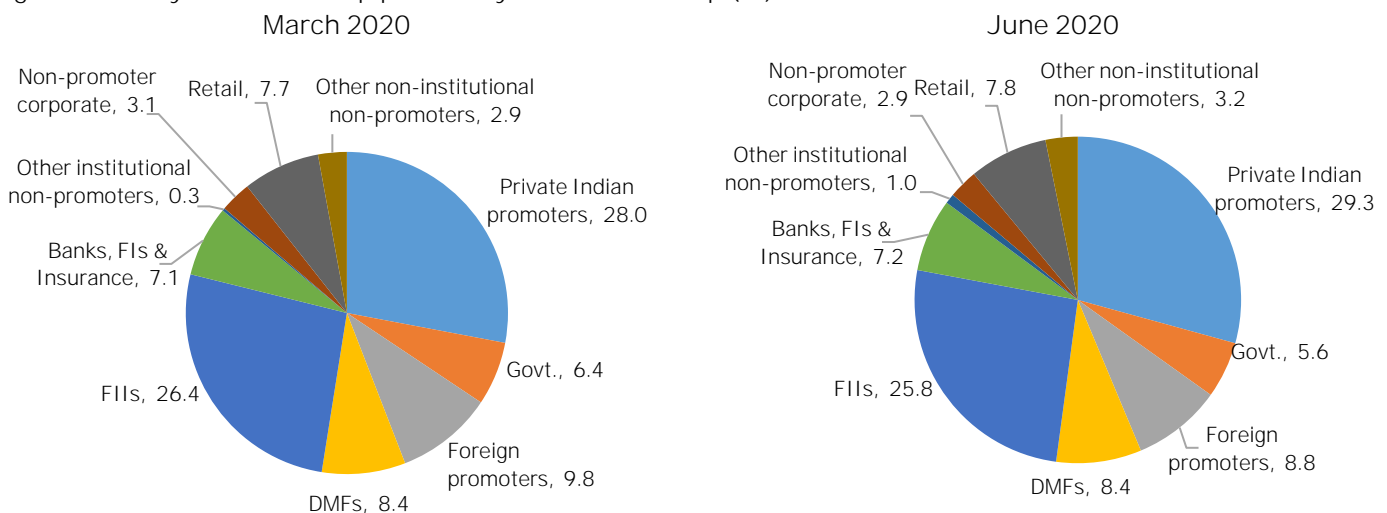
Private Indian promoter ownership in the Nifty 50 universe rose to 11-year high of 29.3% in the June quarter, even as foreign promoter and government ownership declined sharply.

FII ownership declined in the Nifty 50 universe but DMFs' remained stable: FII ownership has fallen in the Nifty 50 universe as well, albeit at a sequentially slower pace, down by 55bps QoQ to a 27-quarter low of 25.8% in the June quarter, translating into a total drop of 258bps this year. That said, the drop has been largely led by Financials, excluding which FII ownership in the Nifty 50 universe rose by 36bps QoQ, marking the second consecutive quarter of increase. DMF ownership on the other hand has remained broadly stable over the last two quarters, even as it has declined in the overall listed universe, reflecting greater comfort of DMFs on large-cap stocks. The share of Banks, Financial Institutions and Insurance inched up by a modest 10bps QoQ to 7.2% after declining over the previous six quarters.

FII share in Nifty 50 companies fell by 55bps QoQ to 25.8%, while that of DMFs rose by 5bps to 8.4%.

Retail ownership remained broadly steady for yet another quarter: Unlike the listed universe, the increase in individual retail investors' holding was quite modest at 5bps QoQ to 7.8% in the June quarter. This translates into a total increase of 14bps this year in retail ownership vs. 29bps in the overall NSE-listed universe, indicating higher retail buying in smaller companies. Nearly 36 out of 50 Nifty 50 stocks saw an increase in stake held by retail investors in the June quarter.

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



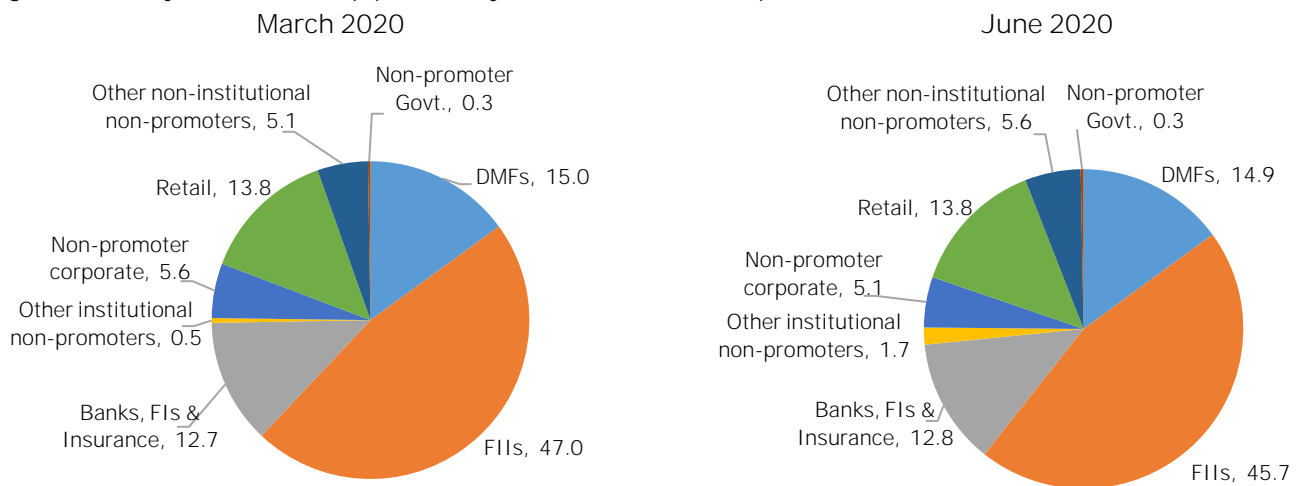
Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

Figure 31: Nifty 50: Ownership trend across key stakeholders by total market cap over the last three years

%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	Banks, FIs & Insurance	FII's *	Non-promoter corporate	Retail
Sep-17	24.0	11.5	7.8	5.8	8.1	28.0	5.0	7.2
Dec-17	24.2	11.3	8.1	6.2	8.1	27.1	4.9	7.0
Mar-18	24.1	10.6	7.8	6.4	8.0	27.6	5.1	7.0
Jun-18	26.0	9.5	6.9	6.7	7.8	27.4	5.2	7.4
Sep-18	27.2	9.5	6.2	6.7	7.8	26.6	5.2	7.3
Dec-18	26.1	9.0	6.6	7.4	7.8	27.0	5.2	7.6
Mar-19	26.5	8.7	6.3	7.6	7.6	27.4	4.9	7.6
Jun-19	26.8	9.0	6.3	7.7	7.5	27.5	4.5	7.5
Sep-19	27.0	7.6	7.7	8.2	7.4	27.8	3.5	7.7
Dec-19	27.2	7.4	7.5	8.4	7.2	28.4	3.3	7.7
Mar-20	28.0	6.4	9.8	8.4	7.1	26.4	3.1	7.7
Jun-20	29.3	5.6	8.8	8.4	7.2	25.8	2.9	7.8
QoQ change	130bps	-79bps	-93bps	5bps	10bps	-55bps	-23bps	5bps

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

In terms of floating stock, FII share in the Nifty 50 Index fell by 134bps QoQ in the June quarter, translating into a total drop of 322bps during the first two quarters of 2020, and is now 6.1pp lower than the peak FII share over the last two decades. Share of DMFs in the floating Nifty50 stock remained broadly steady at a two-decadal high of 14.9%, following a 55bps increase in the previous quarter. Retail ownership in the Nifty50 floating stock remained stable at seven-and-a-half-year high of 13.8% in the June quarter.

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


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

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

%	Domestic MFs	Banks, FIs & Insurance	FII's*	Non-promoter corporate	Public
Sep-17	10.2	14.3	49.2	8.9	12.7
Dec-17	10.9	14.3	47.9	8.6	12.4
Mar-18	11.1	13.9	47.8	8.9	12.1
Jun-18	11.5	13.5	47.4	9.1	12.8
Sep-18	11.7	13.7	46.4	9.1	12.8
Dec-18	12.7	13.4	46.2	8.8	13.0
Mar-19	13.0	13.0	46.7	8.3	12.9
Jun-19	13.3	12.8	47.3	7.8	13.0
Sep-19	14.3	12.8	48.0	6.0	13.4
Dec-19	14.4	12.5	48.9	5.7	13.2
Mar-20	15.0	12.7	47.0	5.6	13.8
Jun-20	14.9	12.8	45.7	5.1	13.8
<i>QoQ change</i>	<i>-3bps</i>	<i>7bps</i>	<i>-134bps</i>	<i>-46bps</i>	<i>-1bps</i>

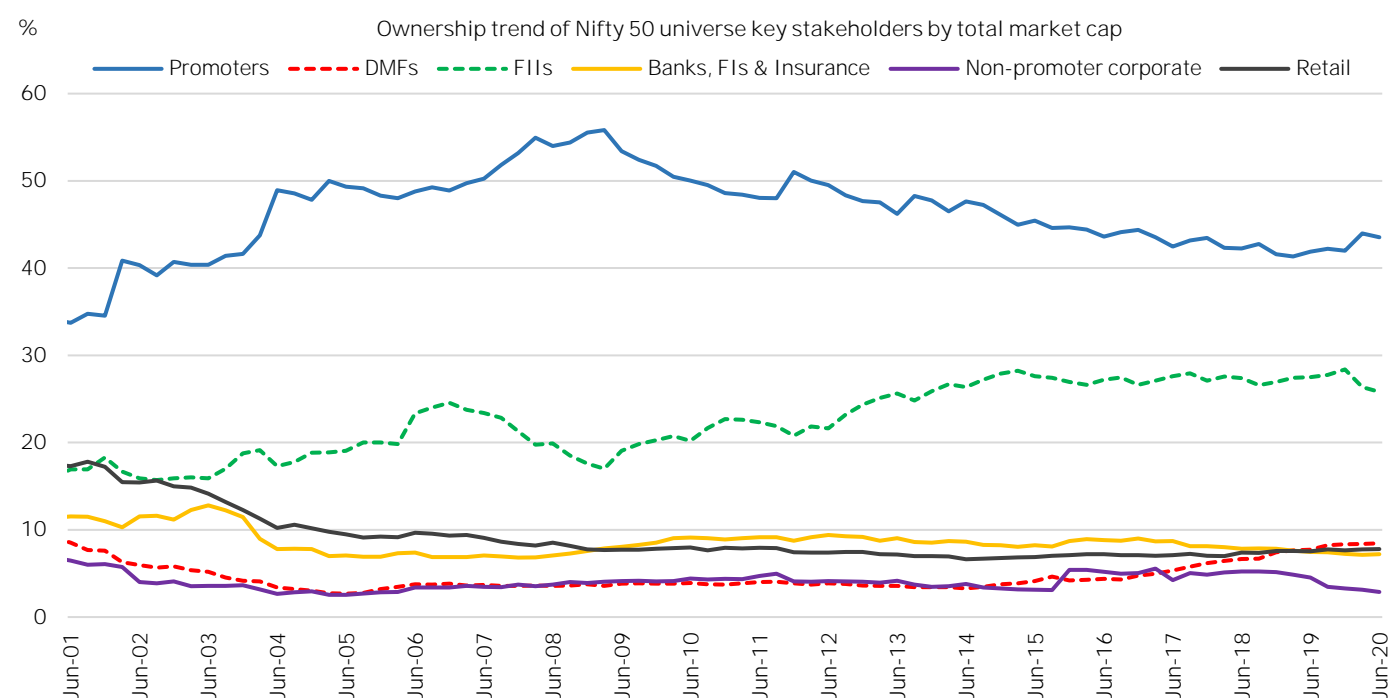
Source: CMIE Prowess, NSE *FII ownership includes ownership through depository receipts held by custodians

Long-term ownership trend of the Nifty 50 universe: The long-term ownership trend of the Nifty 50 Index echoes the trend seen in the broader listed universe. Overall promoter ownership has seen a steady decline since 2009, largely led by a sharp decline in Government ownership, even as private Indian as well as foreign promoters' holding has increased since 2010, albeit at a lower 8.7pp vs 11.0pp for the listed universe.

Notwithstanding a sharp drop this year, FII ownership in the Nifty 50 Index is still nearly 8.7pp higher than the post-GFC low of 17%.

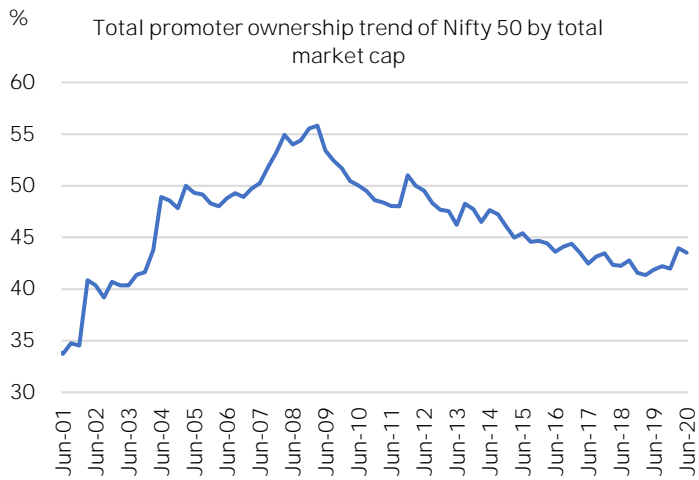
While the DMF ownership has been gradually increasing since 2014 and is currently hovering at the highest level since 2006, the steady increase in FII ownership seen over the last few quarters got reversed this year, even as it is still 8.1pp higher than the post-GFC low of 17% (in March 2009). That said, FII share excluding Financials has fallen steadily between 2013 and 2018 and has since picked up, albeit modestly. Contrary to the broader listed universe, retail ownership in the Nifty 50 Index has been steadily inching up over the last few years, after falling to 13-year low of 6.6% in June 2014.

Figure 34: Nifty 50: Long-term ownership trend across key stakeholders by total market cap



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

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



Source: CMIE Prowess, NSE

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

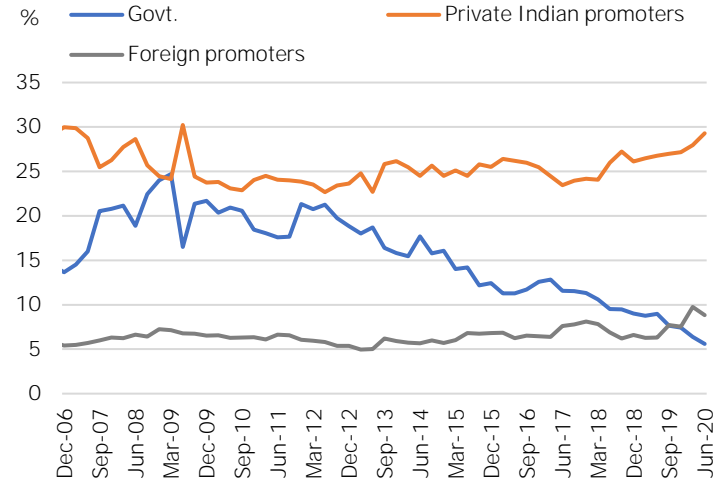
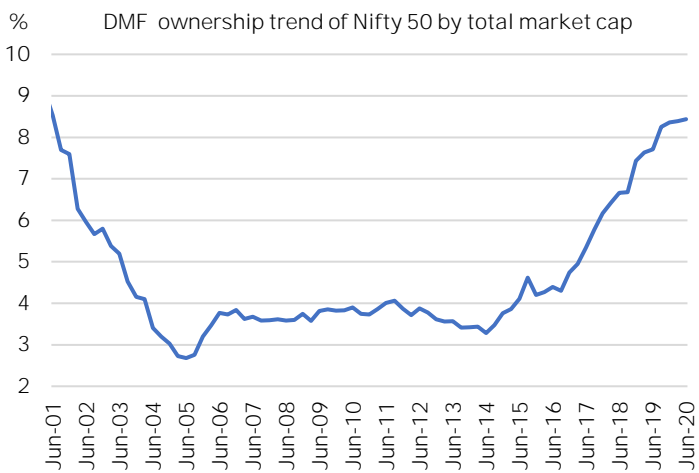


Figure 37: DMF ownership trend of Nifty 50 universe by total market cap



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

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

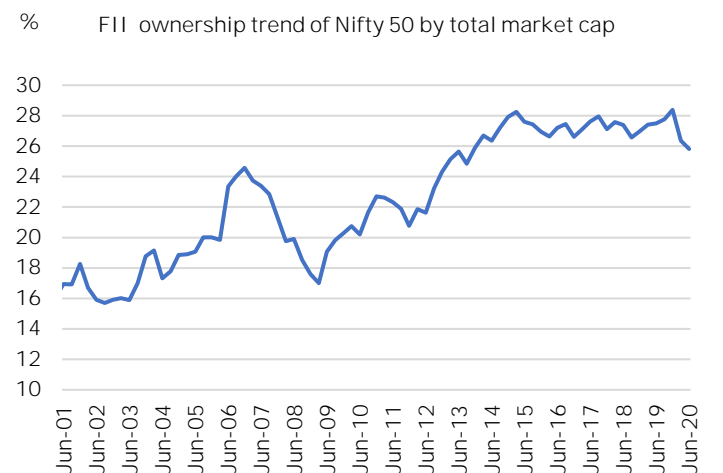
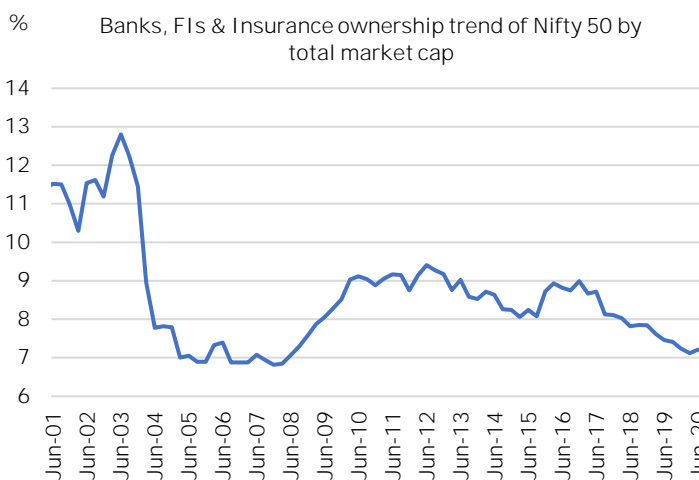
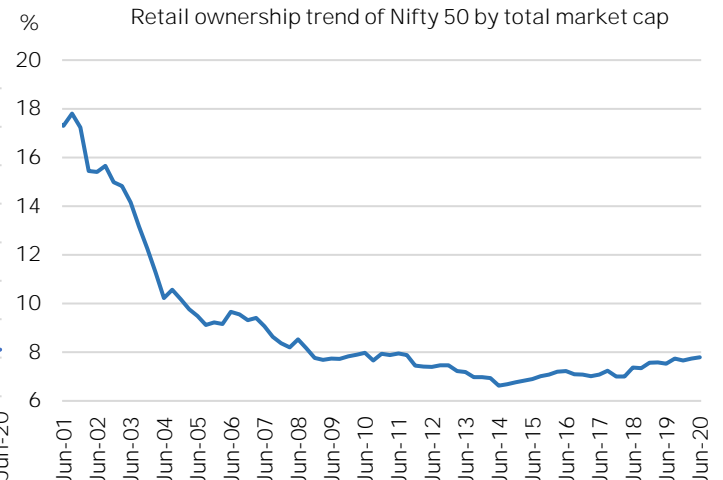


Figure 39: Banks, FIs & Insurance ownership trend of Nifty 50 universe by total market cap



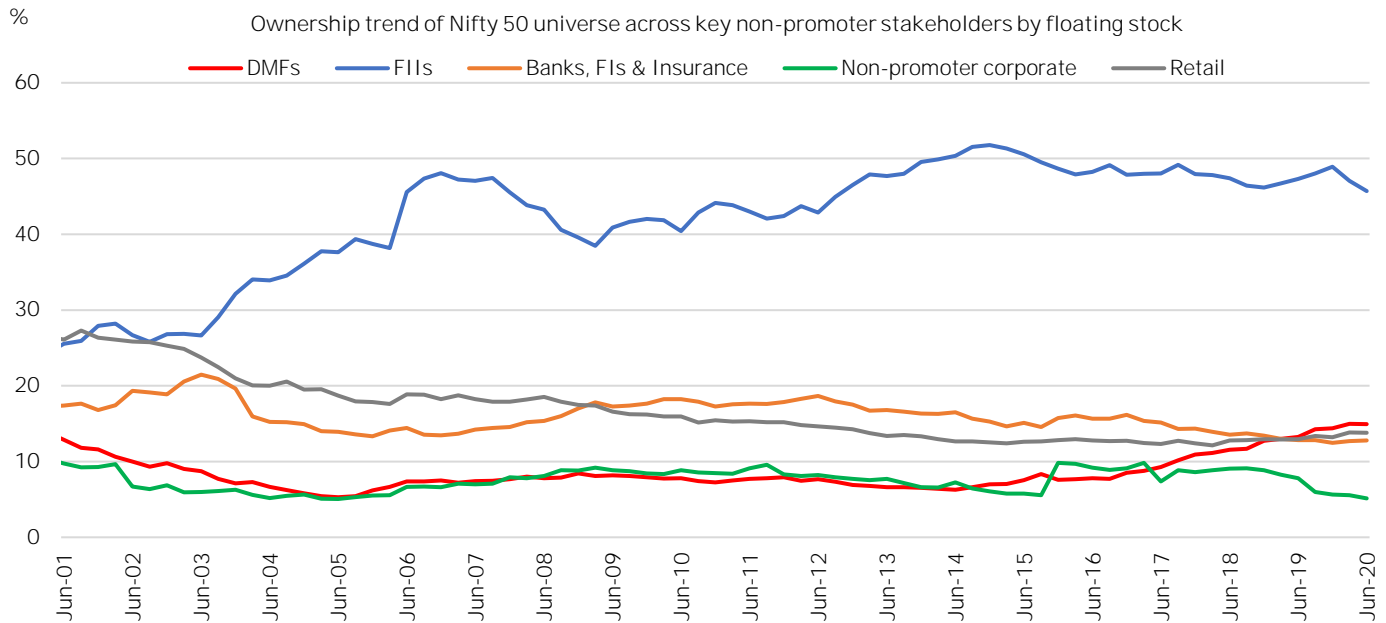
Source: CMIE Prowess, NSE

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



Our long-term ownership analysis on the free float market cap of the Nifty 50 Index also shows that while DMF ownership is the highest since 2006, current FII ownership is nearly 608bps lower than the peak of 51.8% in December 2014.

Figure 41: Nifty 50: Long-term ownership trend across key stakeholders by free float market cap



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

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

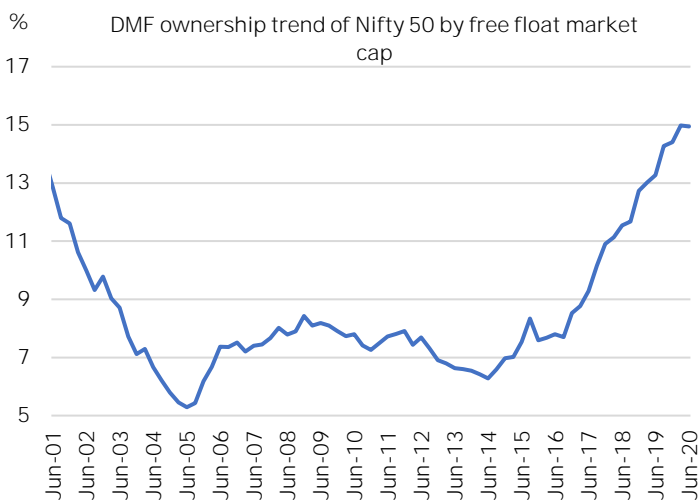
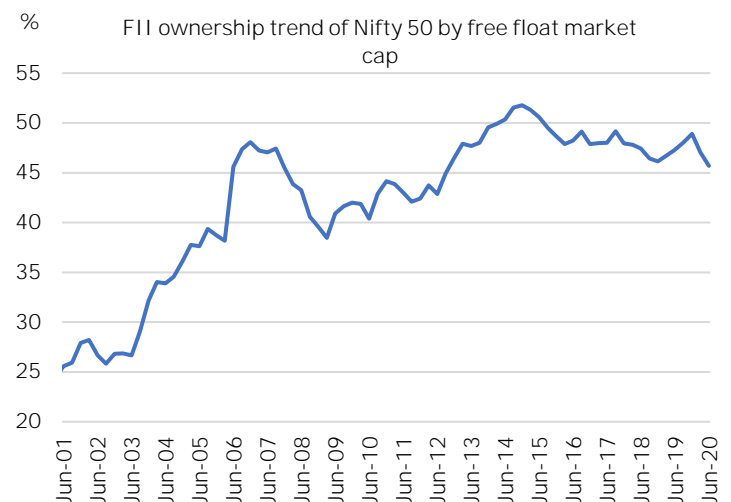


Figure 43: FII* ownership trend of the Nifty 50 universe by free float market cap



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

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

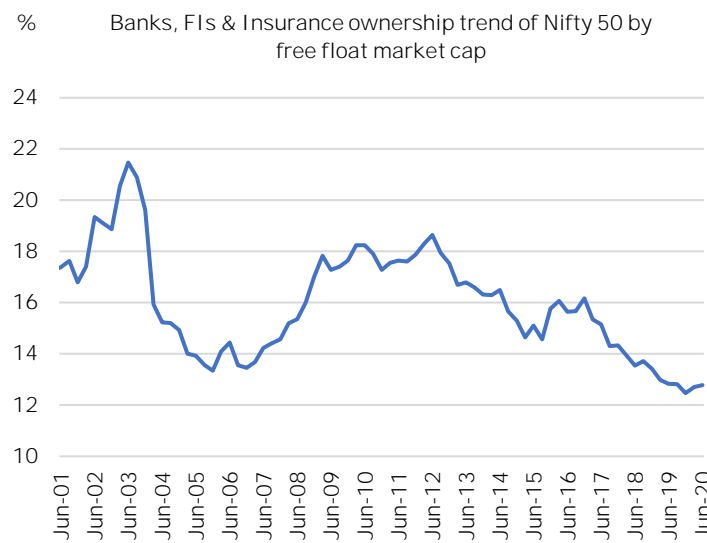
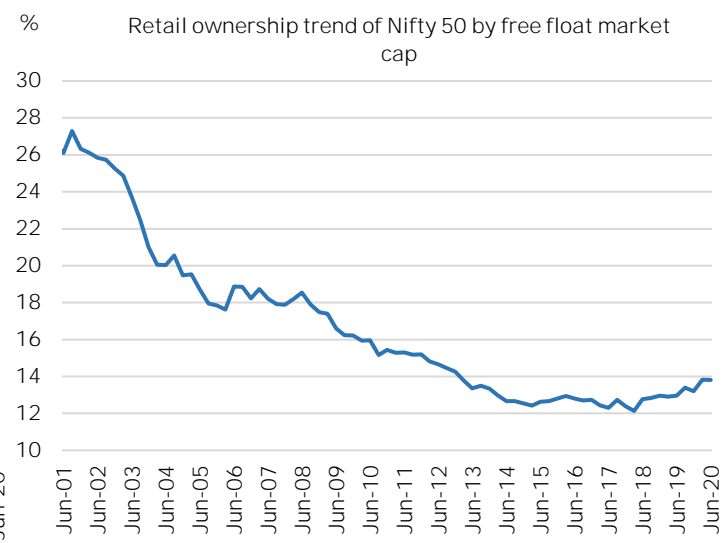


Figure 45: Retail ownership trend of the Nifty 50 universe by free float market cap



Source: CMIE Prowess, NSE

Sector-wise ownership of the Nifty 50 universe (June 2020): In the quarter ending June 2020, Information Technology within the Nifty 50 universe had the highest promoter ownership at 56.7% (+9bps QoQ), followed by Communication Services at 53.6% (-253bps QoQ), Utilities at 51.3% (+1bps QoQ) and Energy at 51.2% (-59bps QoQ). Utilities and Energy remained the top sectors in terms of Government ownership at 53.0% (+21bps QoQ) and 13.6% (-469bps QoQ) respectively, even as both the sectors have seen a significant drop over the years.

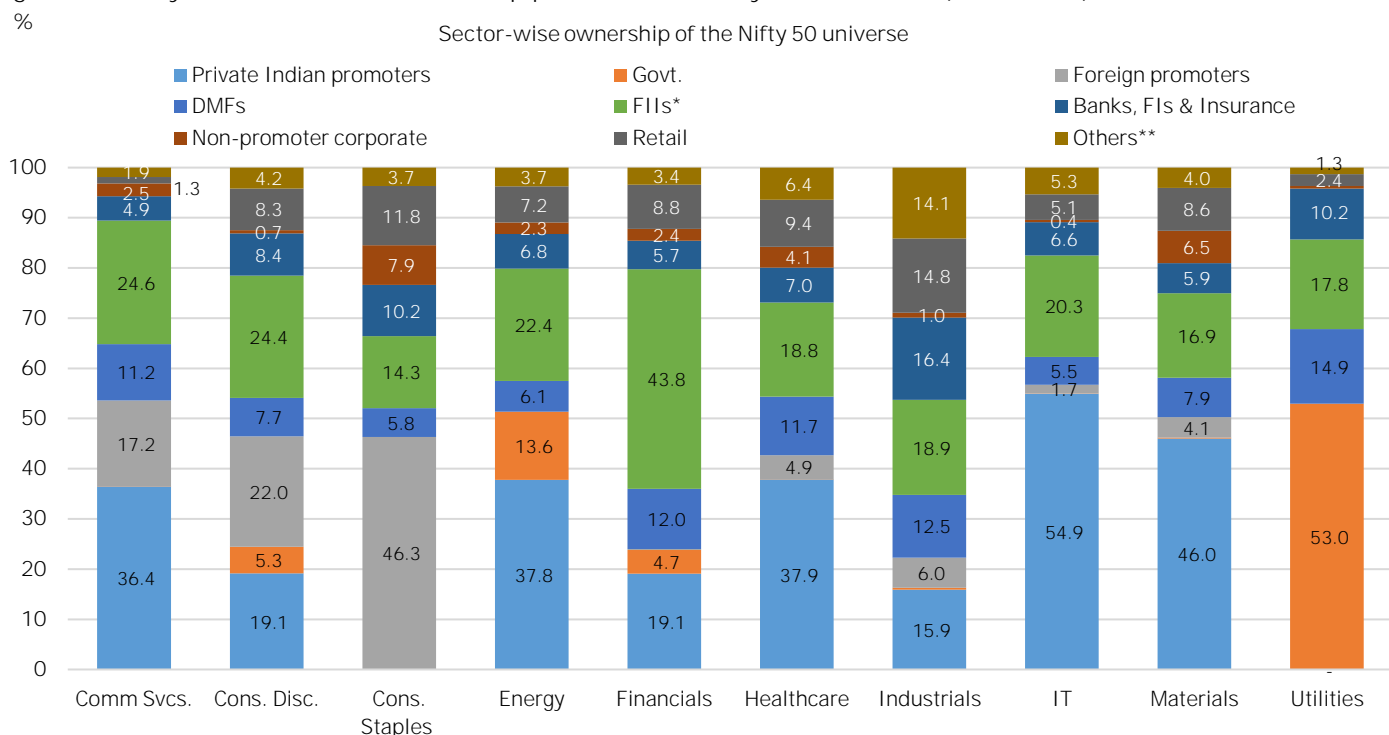
Utilities beat Industrials to emerge as the leading sector in terms of DMF ownership in the quarter-ending June 2020 with a share of 14.9% (+57bps QoQ). Industrials rank second with DMF ownership at 12.5% (-180bps QoQ), followed by Financials at 12.0% (-38bps QoQ), Healthcare at 11.7% (+26bps QoQ) and Communication Services at 11.2% (+182bps QoQ). In fact, DMF ownership in Communication Services has more than tripled in the last three years.

FII's are the biggest non-promoter owners of Financials at 43.8% (-72bps QoQ)—the lowest share in over last eight years, followed by Communication Services at 24.6% (-42bps QoQ) and Consumer Discretionary at 24.4% (+8bps QoQ). Except for Energy and Consumer Discretionary, all sectors within the Nifty 50 universe witnessed a sequential drop in FII ownership in the June quarter. In terms of overall foreign ownership (including foreign promoters), Consumer Staples leads with a 60.6% (-373bps QoQ) foreign share, followed by Financials at 44.0% (-68bps QoQ) and Communication Services at 41.8% (-63bps QoQ).

Utilities beat Industrials in the June quarter to emerge as the leading sector in terms of DMF ownership.

FII's remained the biggest non-promoter owners of Financials within the Nifty 50 universe, even as the ownership has fallen to over eight-year lows of 43.8% in the June quarter.

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



Source: CMIE Prowess, NSE

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

Sector allocation of the Nifty 50 universe for key shareholders (June 2020): The table below shows the sector allocation for key stakeholders in Nifty 50 companies as of June 2020. The concentration of Government ownership in Financials, Energy and Utilities sector is much higher at 94% in the Nifty 50 universe vs ~74% in the broader listed universe. The Consumer sector accounted for 80.3% of the exposure of foreign promoters to the Nifty 50 companies as of June-end vs. a 16-year high share of 84.0% in March-end. In case of institutional investors, DMFs have a much higher exposure to Financials at 35.2% in the Nifty 50 Index vs. 28.2% in the NSE-listed universe but has fallen by 9.4pp in the first six months of 2020 from the record-high exposure of 44.6% in December-end. FIIs allocation to Financials has also fallen by ~7.8pp this year to over three-year low of 42.2% by June-end.

Both DMFs' and FIIs' allocation to Financials has fallen by 9.4pp and 7.8pp in H1 2020.

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

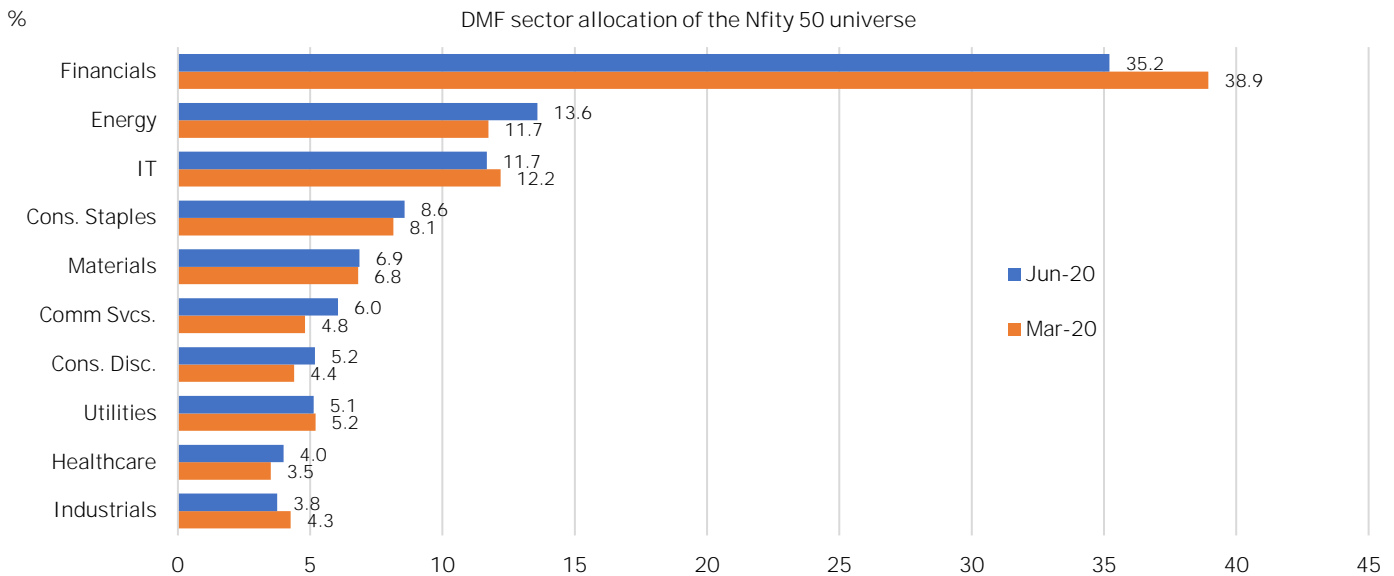
%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	FIIIs*	Banks, FIs & Insurance	Non-promoter corporate	Retail
Communication Services	5.7	0.0	8.8	6.0	4.3	3.1	4.0	0.8
Consumer Discretionary	3.7	5.4	14.3	5.2	5.4	6.6	1.3	6.1
Consumer Staples	0.0	0.0	66.0	8.6	7.0	17.8	34.5	19.0
Energy	24.2	45.6	0.0	13.6	16.3	17.8	15.2	17.2
Financials	16.2	21.0	0.6	35.2	42.2	19.6	20.5	28.0
Health Care	3.7	0.0	1.6	4.0	2.1	2.8	4.1	3.5
Industrials	1.4	0.2	1.7	3.8	1.9	5.8	0.8	4.8
Information Technology	33.5	0.2	3.5	11.7	14.0	16.4	2.6	11.7
Materials	11.6	0.2	3.4	6.9	4.8	6.1	16.5	8.1
Utilities	0.0	27.5	0.0	5.1	2.0	4.1	0.5	0.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

DMFs sharply reduced their exposure to Financials for yet another quarter: DMFs' allocation to Financials fell by 3.7pp QoQ in the June quarter on top of a 5.7pp drop in the previous quarter, bringing down their huge OW position on the sector to five-year lows. They have also reduced their exposure to Industrials this year, and now have a neutral stance on the sector vs. a mild OW in the previous quarter. This drop has been utilized to further strengthen the OW position on Communication Services and reduce the UW position on Consumer Staples and Information Technology. DMFs have maintained their negative stance on Energy and Consumer Discretionary, neutral stance on Materials and a mild OW position on Healthcare.

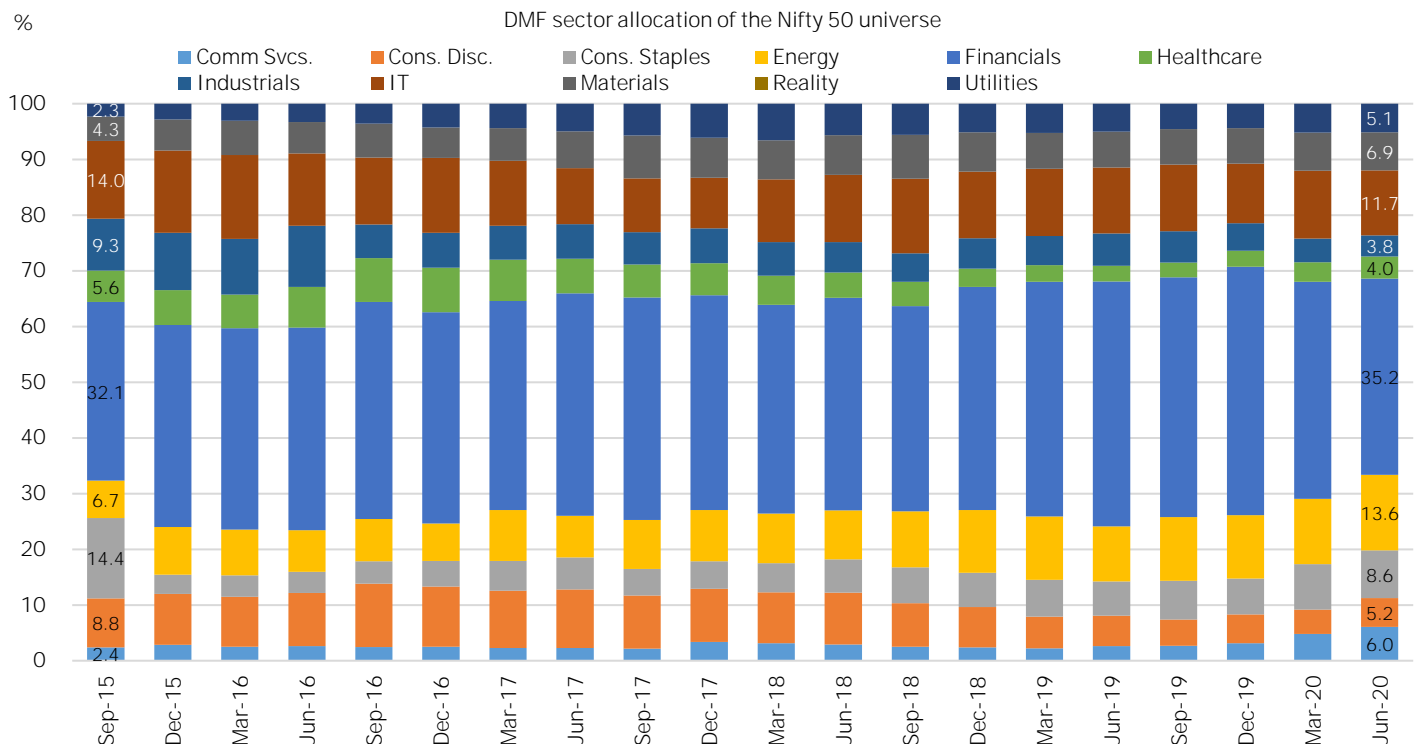
DMFs turned incrementally more cautious on Financials and Industrials in the June quarter, trimming their OW position on both.

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

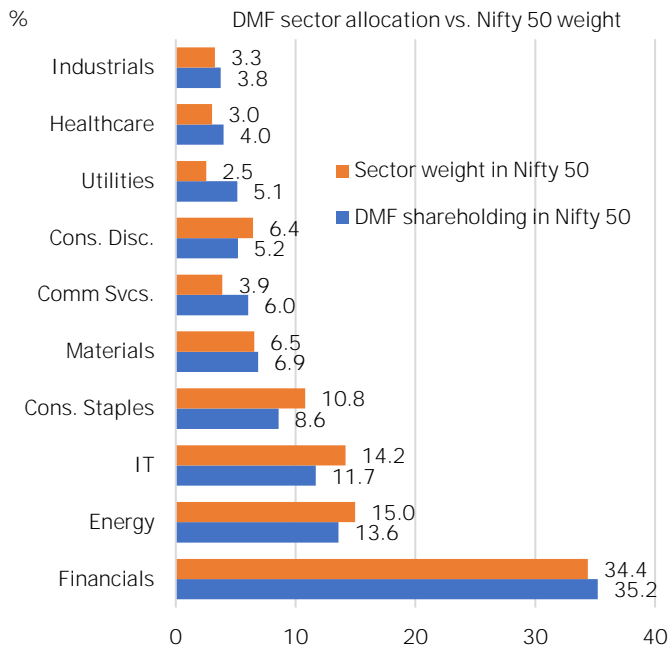


Source: CMIE Prowess, NSE

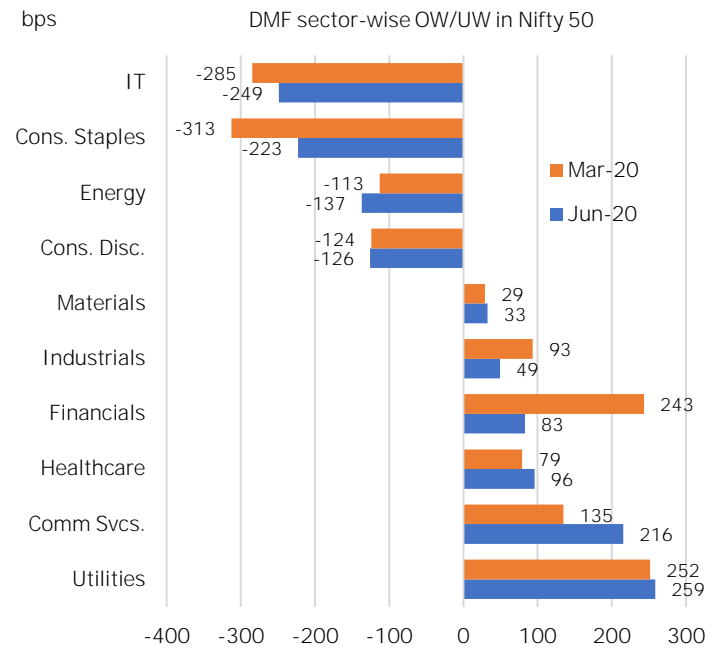
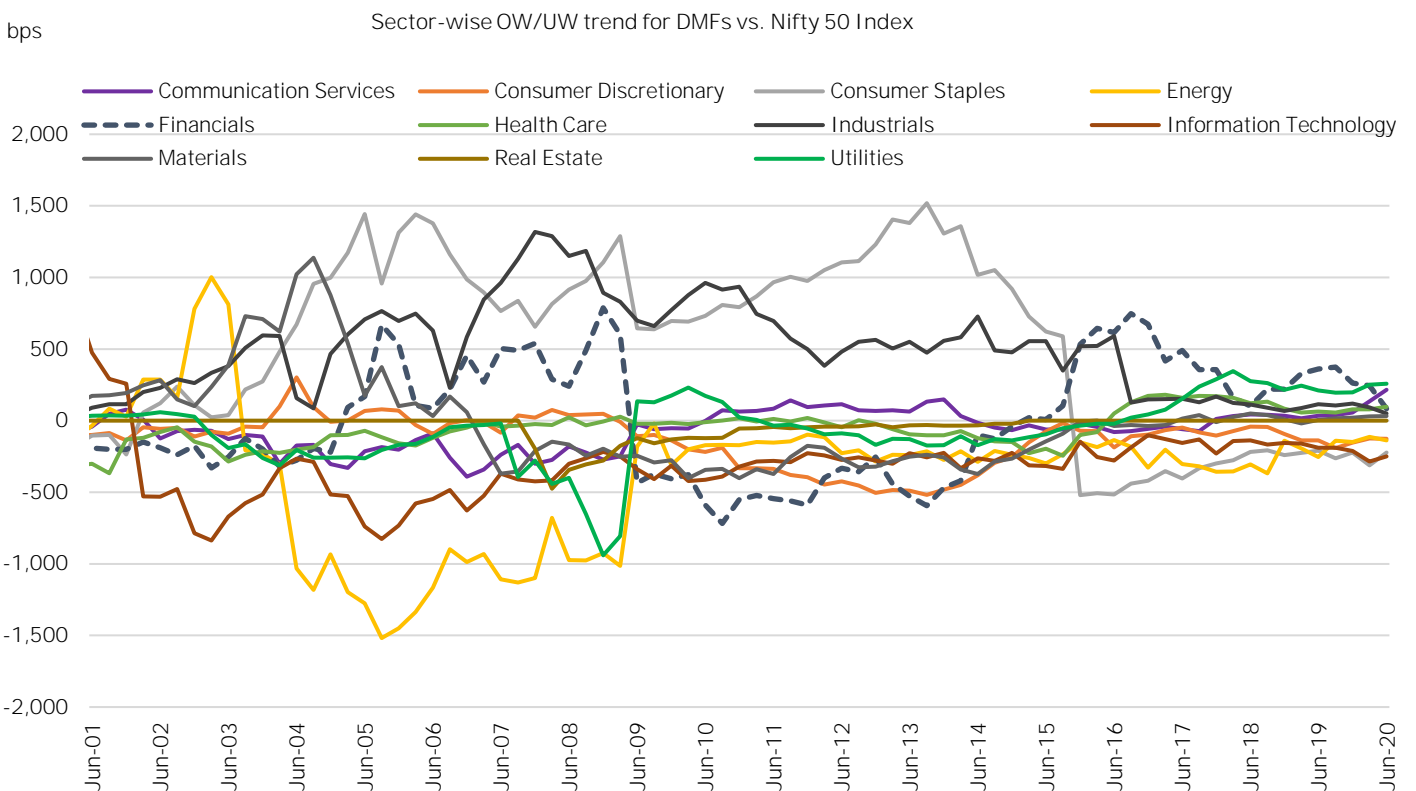
Figure 49: DMF sector allocation of the Nifty 50 universe over the last five years



Source: CMIE Prowess, NSE

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


Source: CMIE Prowess, NSE

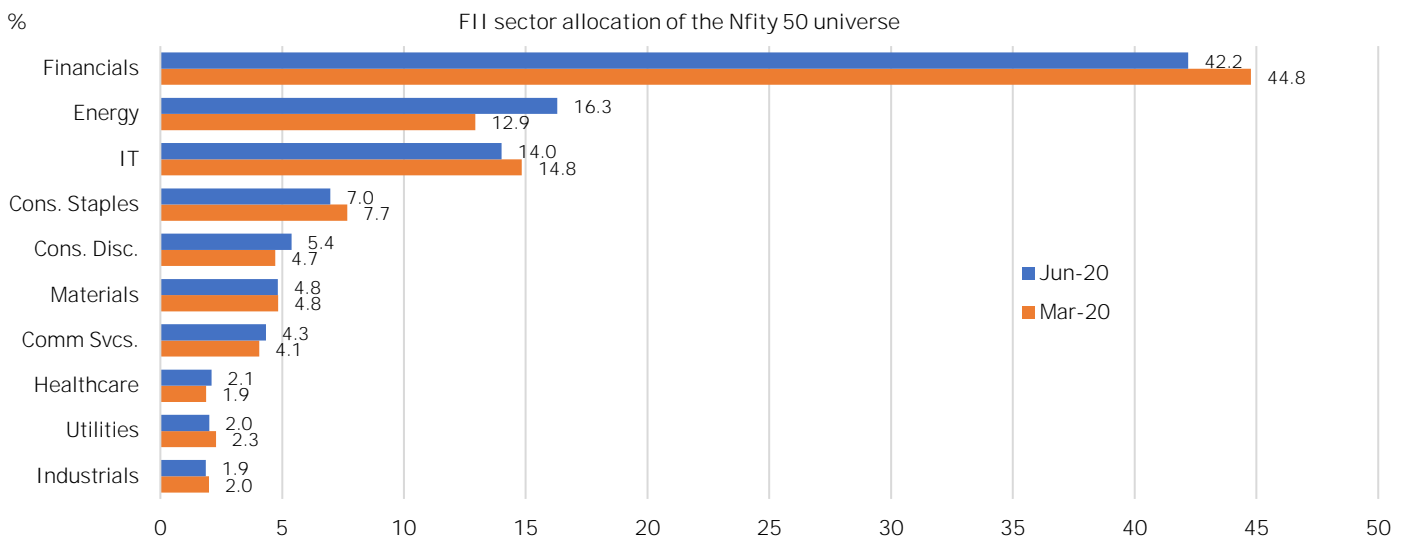
Figure 51: DMF sector-wise OW/UW in Nifty 50 relative to sector weight in the index (June 2020)

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


Source: CMIE Prowess, NSE

FII's trimmed exposure to Financials but retained their perennial OW position: In-line with DMFs, a sharp fall in share prices of Financial sector companies, coupled with an incrementally cautious stance, led to FII allocation to the sector falling by 258bps QoQ to 42.2% in Q1FY21, translating into a total drop of 7.7pp in the first half of 2020. That said, FIIs have retained their huge OW position on Financials for yet another quarter. FIIs have further reduced their exposure to Consumer Staples and Industrials within the Nifty 50 universe, thereby strengthening their UW position on both. The sector which has seen a significant increase in allocation by FIIs is Energy, where they have an OW position now, reversing a perennial negative stance over the last 16 years. Among other sectors, FIIs have maintained an UW stance on Materials for yet another quarter and a neutral stance on Healthcare, Utilities, Information Technology and Communication Services.

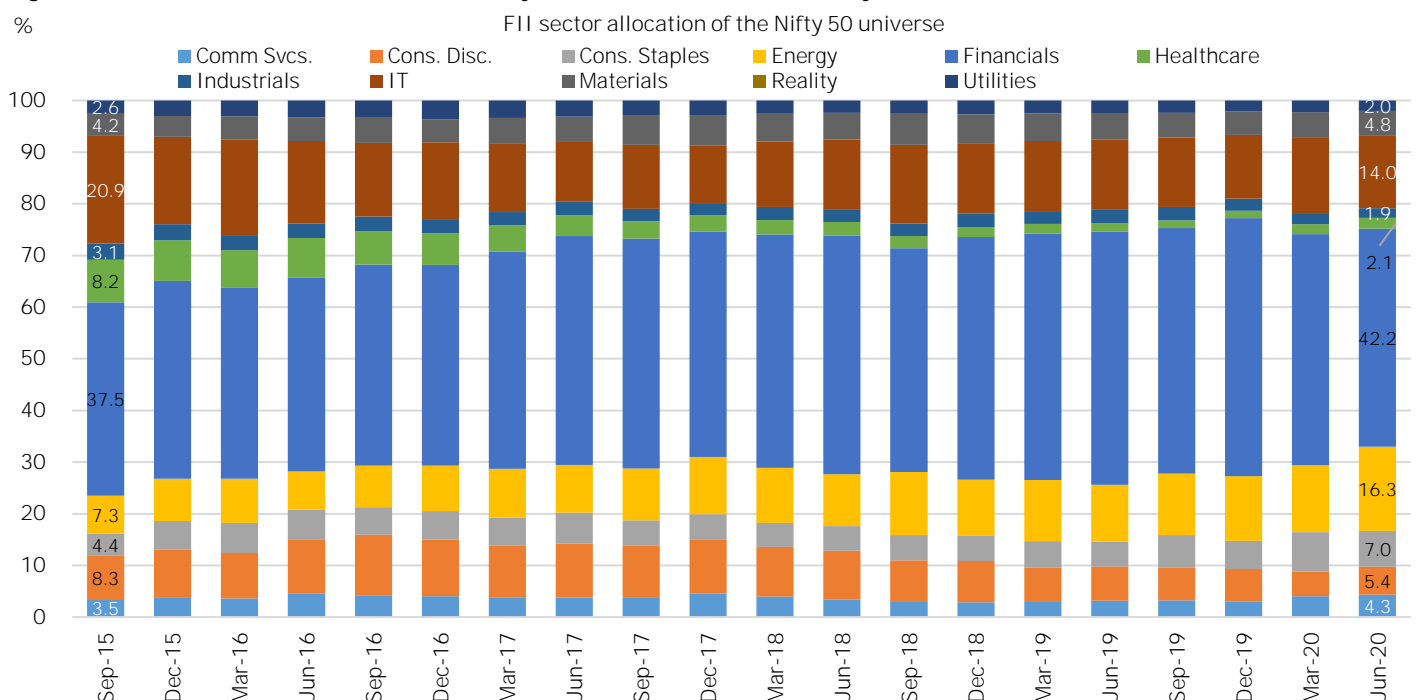
Even with a reduction in allocation to Financials for the second quarter in a row, FIIs have maintained their outsized bet on the sector in the Nifty 50 universe and have turned incrementally more cautious on Consumer Staples and Industrials.

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



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

Figure 54: FII sector allocation of the Nifty 50 universe over last five years



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

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

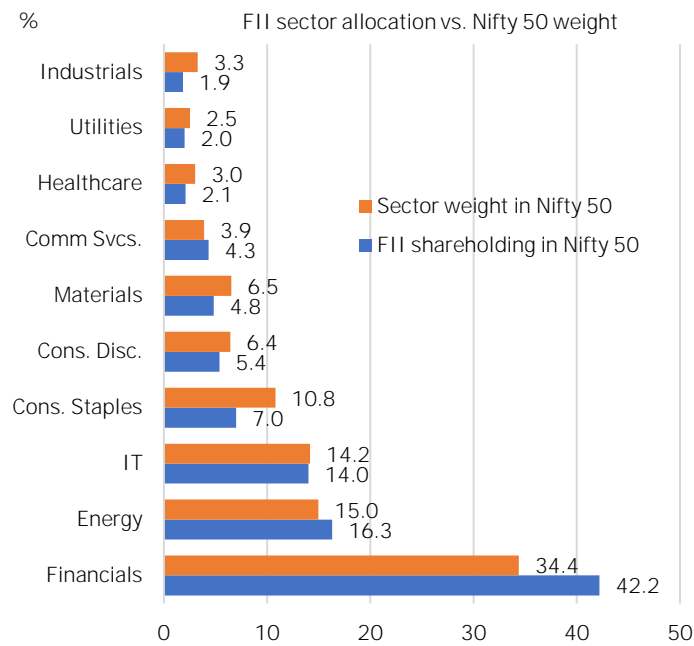
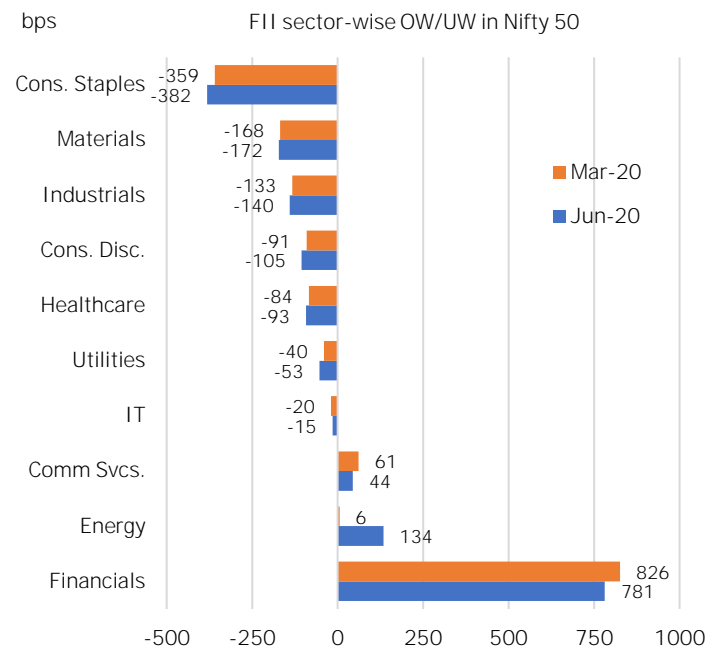
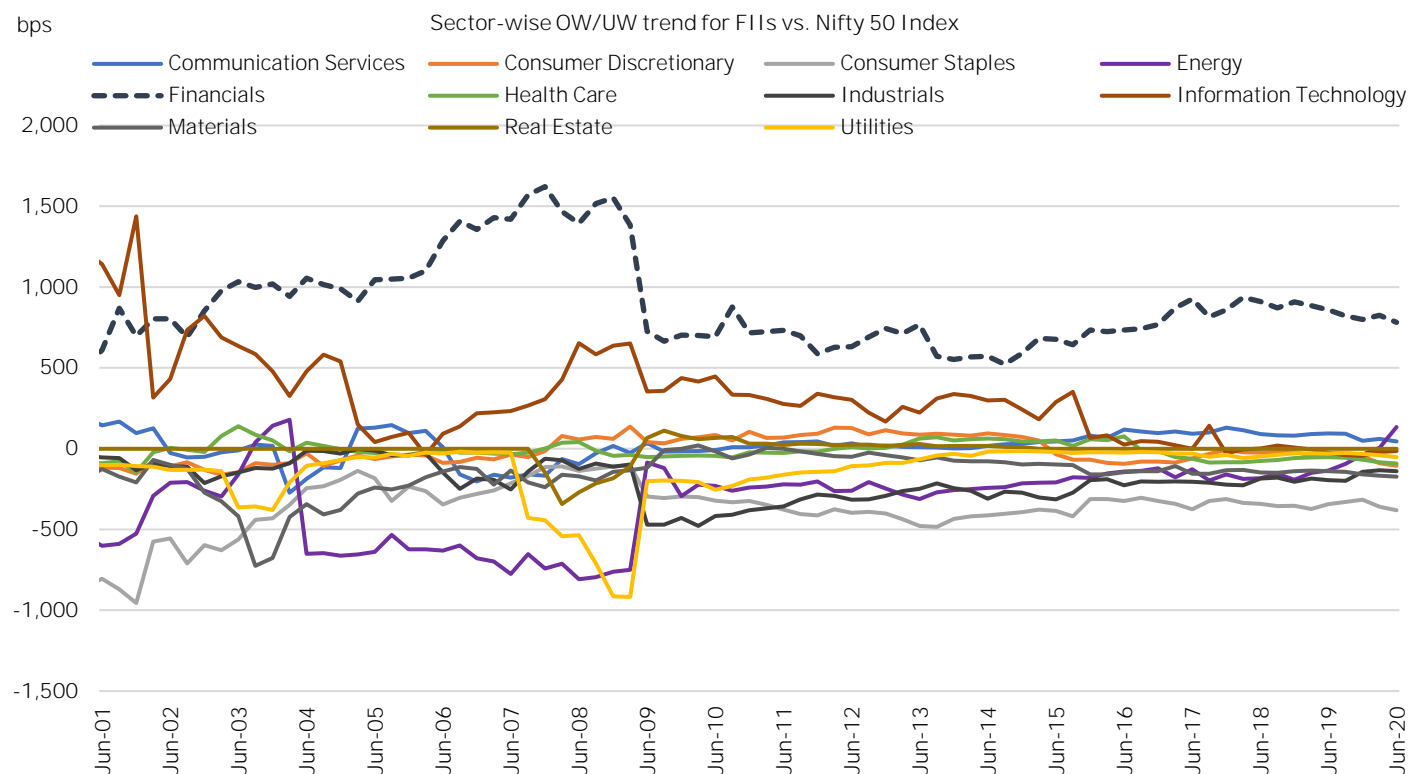


Figure 56: FII sector-wise OW/UW in Nifty 50 relative to sector weight in the index (June 2020)



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

Figure 57: FII vs Nifty 50—Sector-wise OW/UW trend (bps)



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

Nifty 500 ownership trends

Ownership pattern of the Nifty 500 universe (June 2020)

Private promoter stake remained steady; Govt. stake declined further to fresh all-time lows: In line with the Nifty 50 Index, private Indian promoter ownership in the Nifty 500 universe increased for the second quarter in a row, albeit at a sequentially lower pace, inching up by 72bps QoQ to over 14-year high of 33.5% in the June quarter. Nearly 58 out of 500 companies saw an increase in the private Indian promoter stake in the June quarter, led by Reliance, excluding which private Indian promoter ownership actually rose by a much lower 35bps QoQ. This was partly offset by a drop in private Indian promoter stake by 81/500 companies in the June quarter, led by Ambuja Cements, Bharti Airtel and Kotak Mahindra Bank. Foreign promoters, however, declined their share in the Nifty 500 universe by 66bps QoQ to 10.5%, leading to private promoter stake remaining broadly steady at 44% in the June quarter. Government ownership declined for yet another quarter to hit fresh all-time lows of 6.7% in the June quarter, -24bps QoQ.

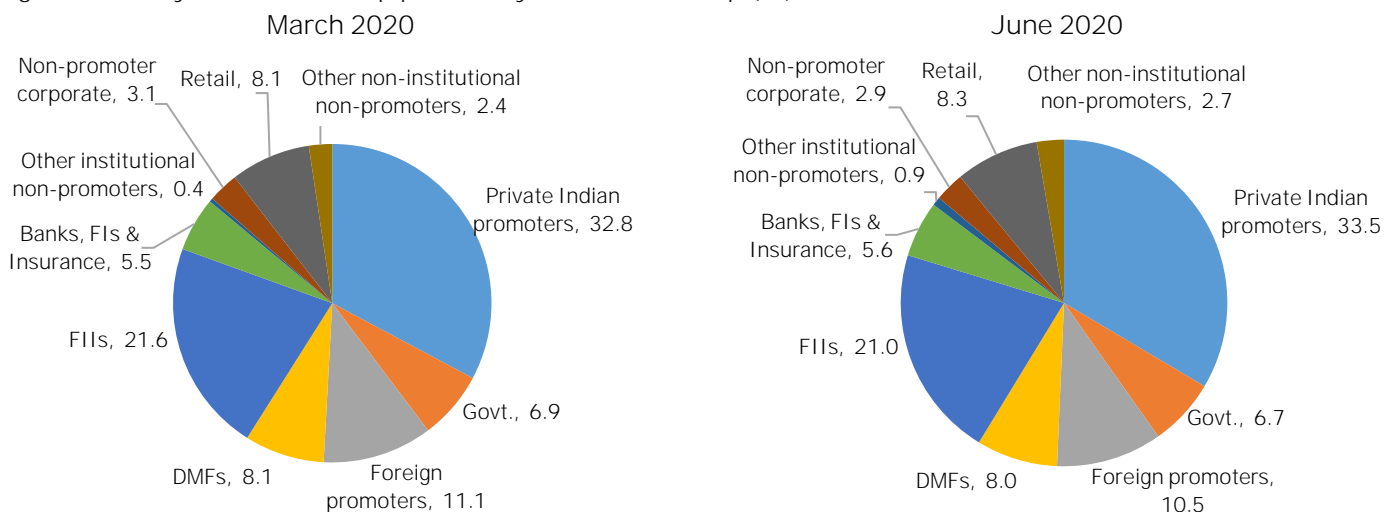
Institutional ownership in Nifty 500 contracted for the second quarter in a row: In terms of institutional ownership, while the DMFs' aggregate share in Nifty 500 companies fell by a modest 7bps QoQ to 8.0%, selling by FIIs was steeper, with the latter's ownership falling by 56bps QoQ to 21% in the quarter-ending June 2020—the lowest in the last 30 quarters. FII share in the Nifty 500 Index is now ~220bps shy of the peak share in December 2014. This was largely led by Financials; excluding Financials, FII share remained stable at a six-quarter high of 13%. The share of Banks, Financial Institutions and Insurance remained steady at 5.6%, and is currently hovering at two-decadal lows.

Retail ownership inched up further: Retail investors owned 8.3% of the Nifty 500 Index as of June-end, up by a modest 14bps QoQ, translating into a total increase of 27bps this year. The sequential increase in Q2 2020 was higher than the that witnessed in the Nifty 50 Index but lower than the overall listed universe, indicating higher retail interest in the small-cap stocks during this rally.

Private Indian promoter ownership in the Nifty 500 universe rose to a 14-year high of 33.5% in the June quarter, even as foreign promoter and government ownership declined.

FII share in Nifty 500 companies fell by 56bps QoQ to a 30-quarter low of 21%, while that of DMFs fell by a modest 7bps to 8.0%.

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



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

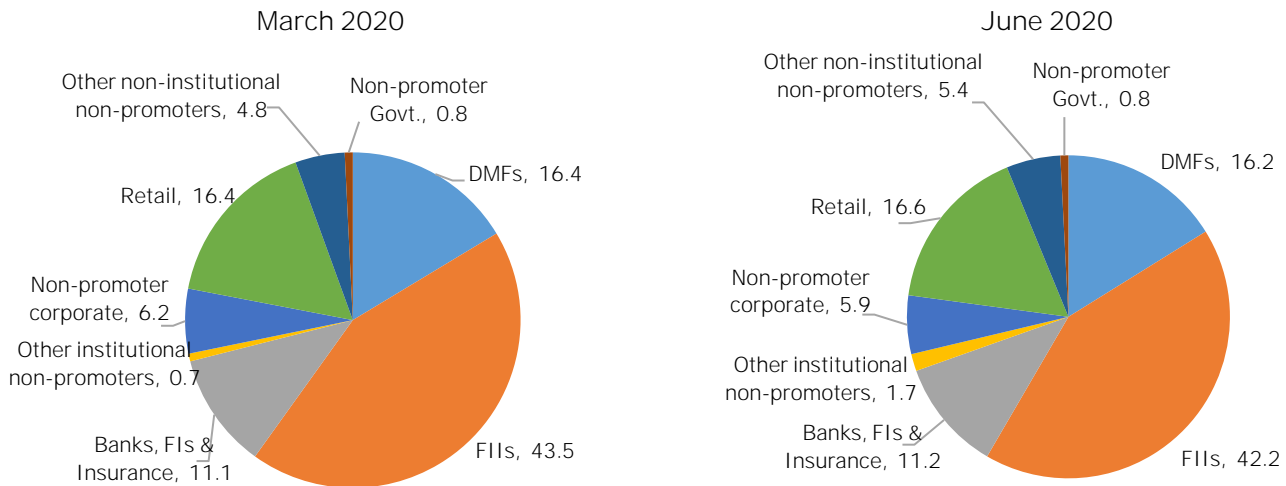
Figure 59: Nifty 500: Ownership trend across key stakeholders by total market cap over last the three years

%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	Banks, FIs & Insurance	FII's *	Non-promoter corporate	Retail
Sep-17	29.9	10.7	9.1	5.8	6.2	22.4	5.1	8.4
Dec-17	30.2	10.7	9.2	6.2	6.1	21.6	4.9	8.2
Mar-18	30.1	10.1	9.2	6.4	6.0	22.0	5.1	8.2
Jun-18	30.4	9.6	9.3	6.6	6.0	21.8	5.1	8.2
Sep-18	31.3	9.7	9.1	6.6	6.0	21.3	5.0	8.1
Dec-18	30.7	9.5	9.5	7.1	6.1	21.3	4.9	8.2
Mar-19	30.9	9.6	8.8	7.3	5.7	21.8	4.9	8.1
Jun-19	30.9	9.6	8.9	7.5	5.7	22.1	4.6	8.0
Sep-19	31.7	8.1	9.9	7.9	5.7	22.5	3.5	8.1
Dec-19	31.8	8.3	9.6	7.9	5.6	22.9	3.3	8.0
Mar-20	32.8	6.9	11.1	8.1	5.5	21.6	3.1	8.1
Jun-20	33.5	6.7	10.5	8.0	5.6	21.0	2.9	8.3
<i>QoQ change</i>	<i>72bps</i>	<i>-24bps</i>	<i>-66bps</i>	<i>-7bps</i>	<i>4bps</i>	<i>-56bps</i>	<i>-18bps</i>	<i>14bps</i>

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

In terms of floating stock, FII share in the Nifty 500 Index fell by 130bps QoQ in the June quarter, translating into a total drop of ~3pp during the first two quarters of 2020, and is now 5.2pp lower than the peak FII share over the last two decades. Share of DMFs in the floating stock of Nifty500 also declined by 21bps QoQ to 16.2% after hitting a two-decadal high in the previous quarter. This was also the first sequential drop in DMF share in the Nifty 500 floating stock in the last 18 quarters. Retail ownership in the Nifty500 floating stock inched up by 22bps QoQ to a seven-and-a-half-year high of 16.6% in the June quarter—nearly 280bps higher than retail share in the Nifty50 floating stock.

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



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

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

%	Domestic MFs	Banks, FIs & Insurance	FII's	Non-promoter corporate	Retail
Sep-17	11.5	12.3	44.1	10.0	16.5
Dec-17	12.3	12.2	43.0	9.8	16.4
Mar-18	12.6	11.8	43.1	9.9	16.1
Jun-18	12.9	11.7	42.7	9.9	16.1
Sep-18	13.1	12.0	42.4	9.9	16.0
Dec-18	14.0	11.9	41.9	9.6	16.2
Mar-19	14.3	11.2	42.6	9.5	15.8
Jun-19	14.6	11.1	43.3	9.1	15.6
Sep-19	15.5	11.3	44.4	6.8	15.9
Dec-19	15.6	11.0	45.2	6.6	15.8
Mar-20	16.4	11.1	43.5	6.2	16.4
Jun-20	16.2	11.2	42.2	5.9	16.6
<i>QoQ change</i>	<i>-21bps</i>	<i>3bps</i>	<i>-130bps</i>	<i>-38bps</i>	<i>22bps</i>

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

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

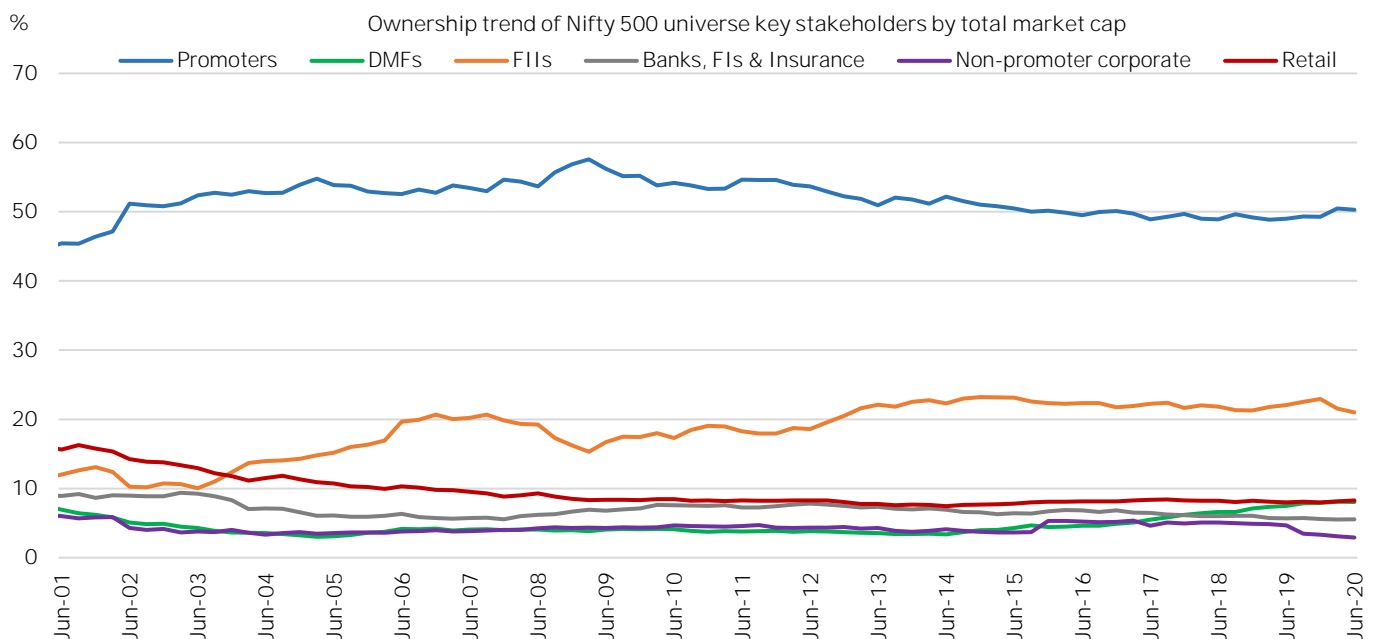
DMF ownership in Nifty 500 has been gradually rising since 2014, currently hovering near the highest level in last two decades. FII ownership on the other hand improved meaningfully post the GFC until 2015 but fell steadily between 2015 and 2018, only to see a sharp rise in 2019. The onset of COVID-19 outbreak early this year and severe macro-economic ramifications of the containment measures undertaken worldwide led to a risk-off environment, resulting in FIIs reducing exposure from EMs including India. Banks, financial institutions and insurance, however, have been reducing their exposure to Indian equities for quite some time now.

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

A sharp dip in FII ownership in the Nifty 500 Index in the first half of 2020 has more than reversed the increase seen in 2019.

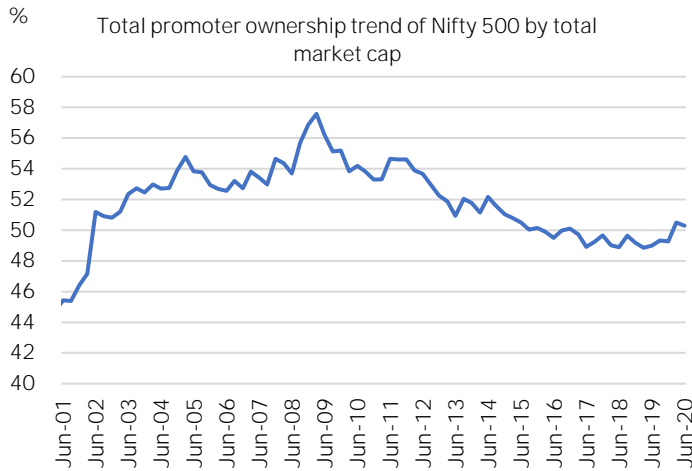
DMF ownership in Nifty 500 has been gradually rising since 2014.

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



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

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



Source: CMIE Prowess, NSE

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

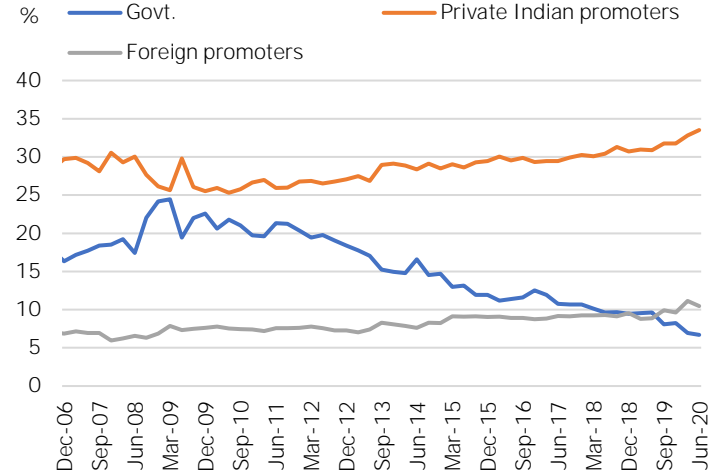
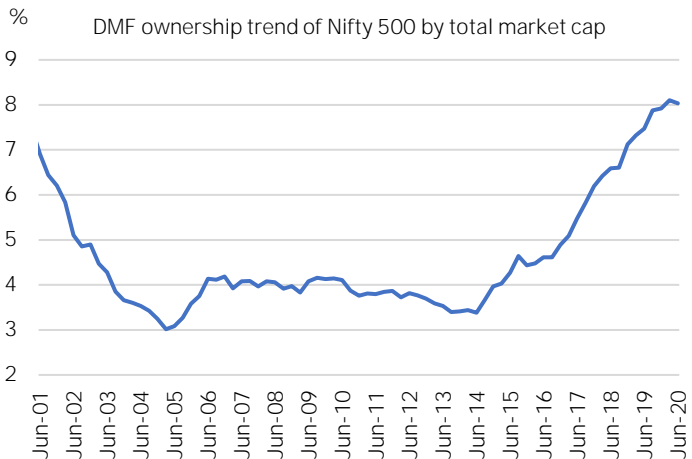


Figure 65: DMF ownership trend of the Nifty 500 universe by total market cap



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

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

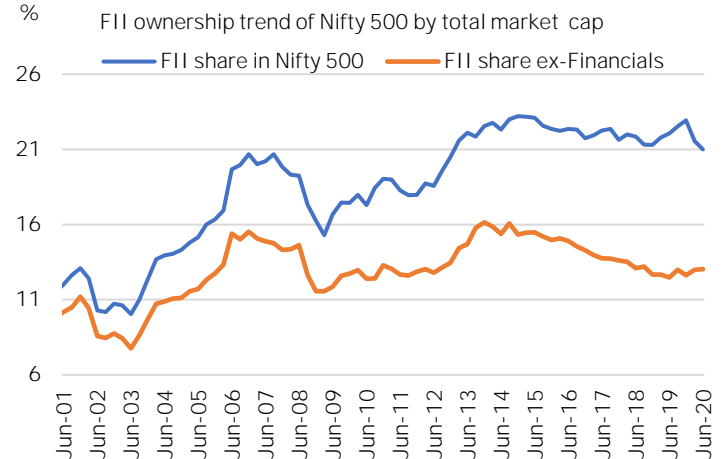
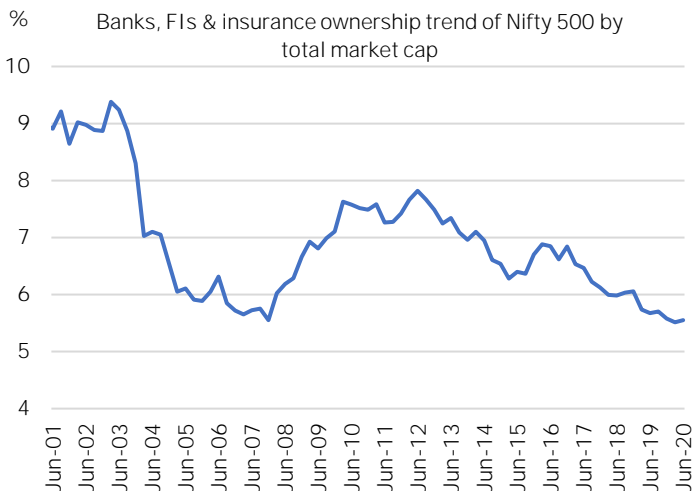
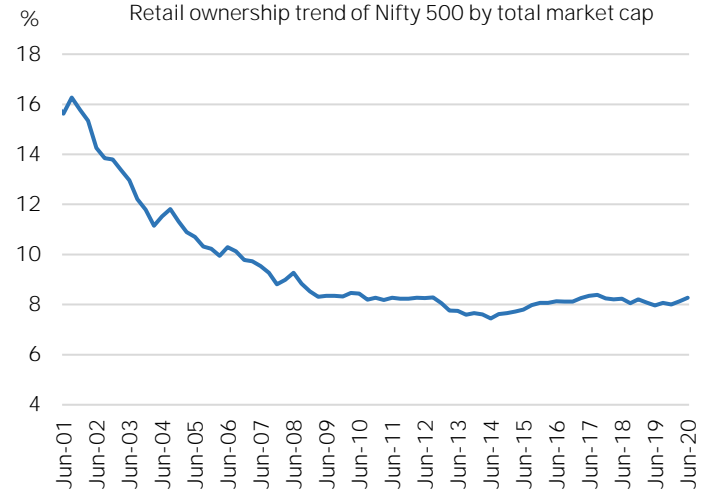


Figure 67: Banks, FIs & Insurance ownership trend of the Nifty 500 universe by total market cap



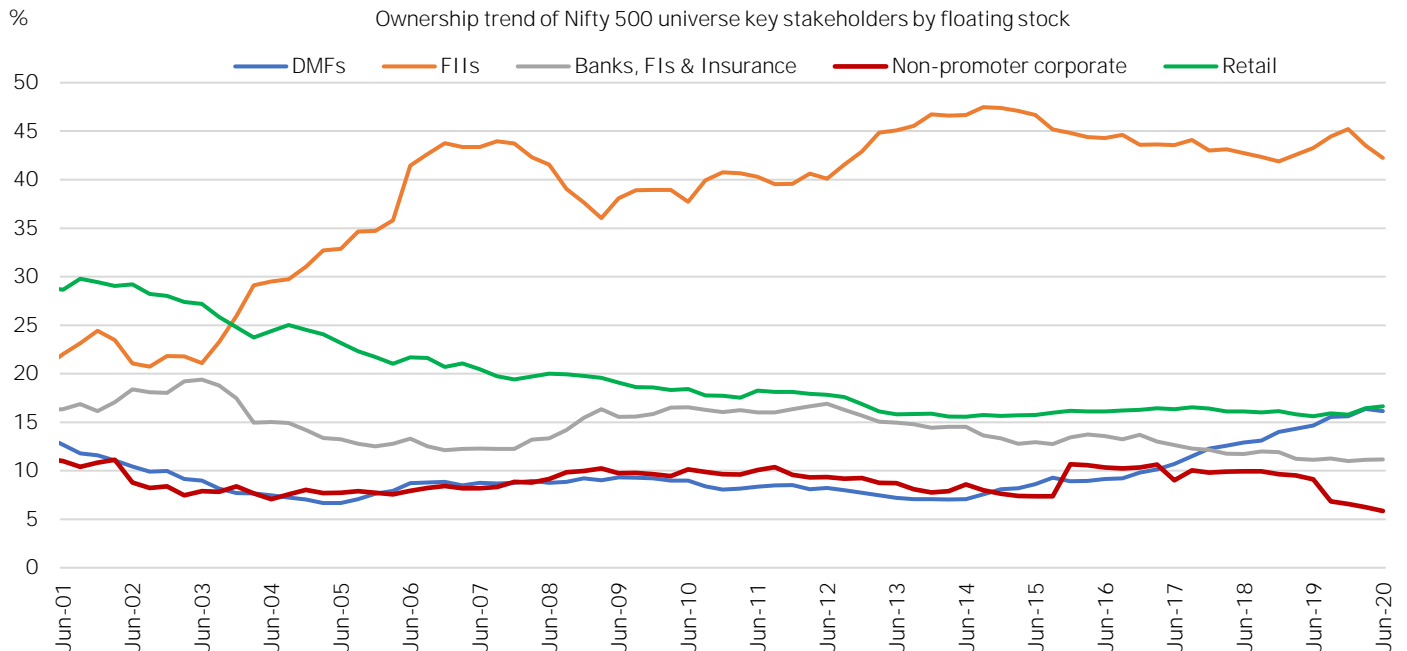
Source: CMIE Prowess, NSE

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



Our long-term ownership analysis on the free float market cap of the Nifty 500 Index also shows that while DMF ownership is hovering near its highest level since 2001, current FII ownership is 524bps lower than the peak of 47.5% in September 2014.

Figure 69: Nifty 500: Long-term ownership trend across key stakeholders by free float market cap



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

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

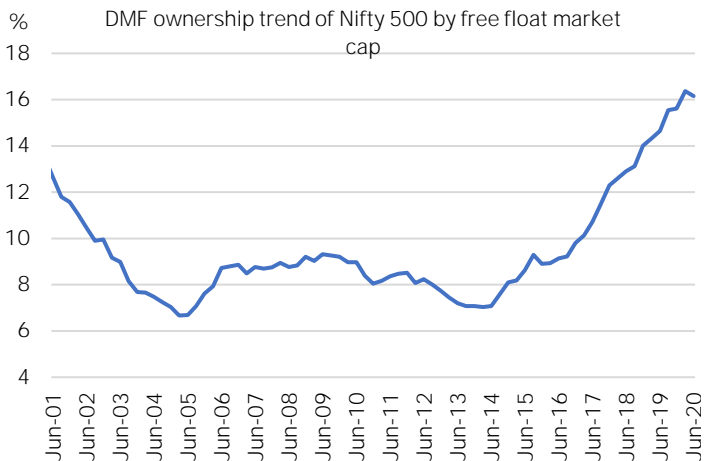
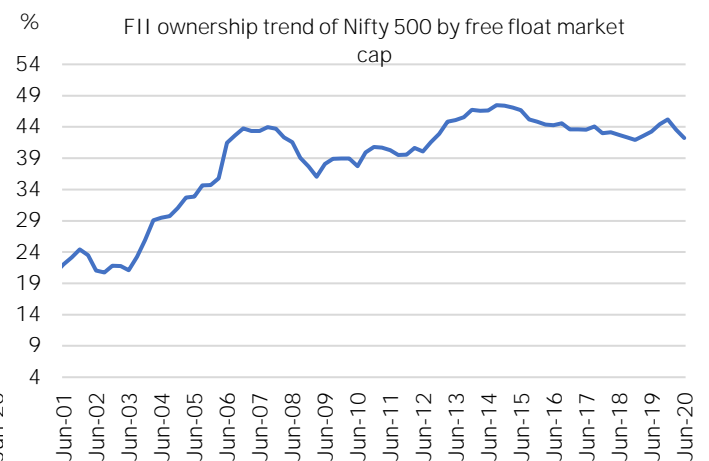
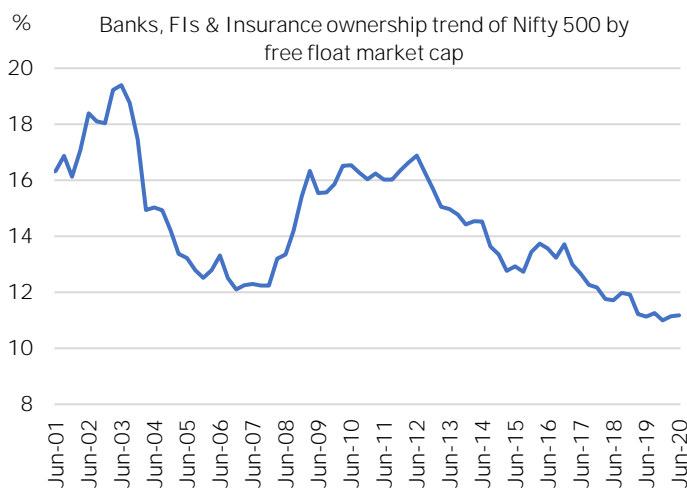


Figure 71: FII ownership trend of the Nifty 500 universe by free float market cap



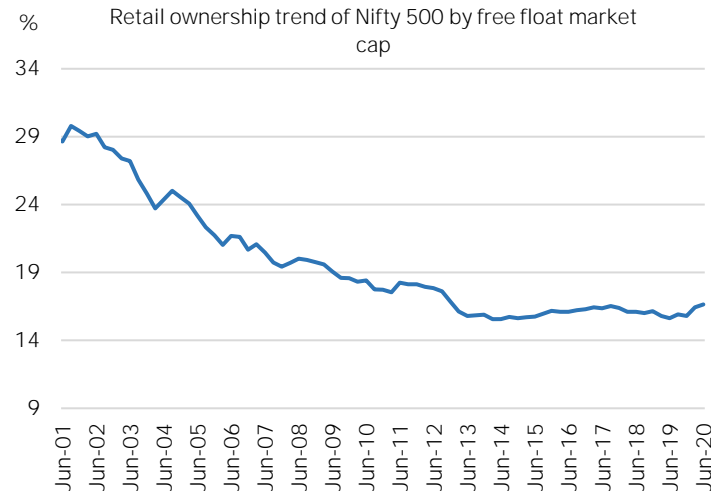
Source: CMIE Prowess, NSE *FII ownership includes ownership through depository receipts held by custodians

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



Source: CMIE Prowess, NSE

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



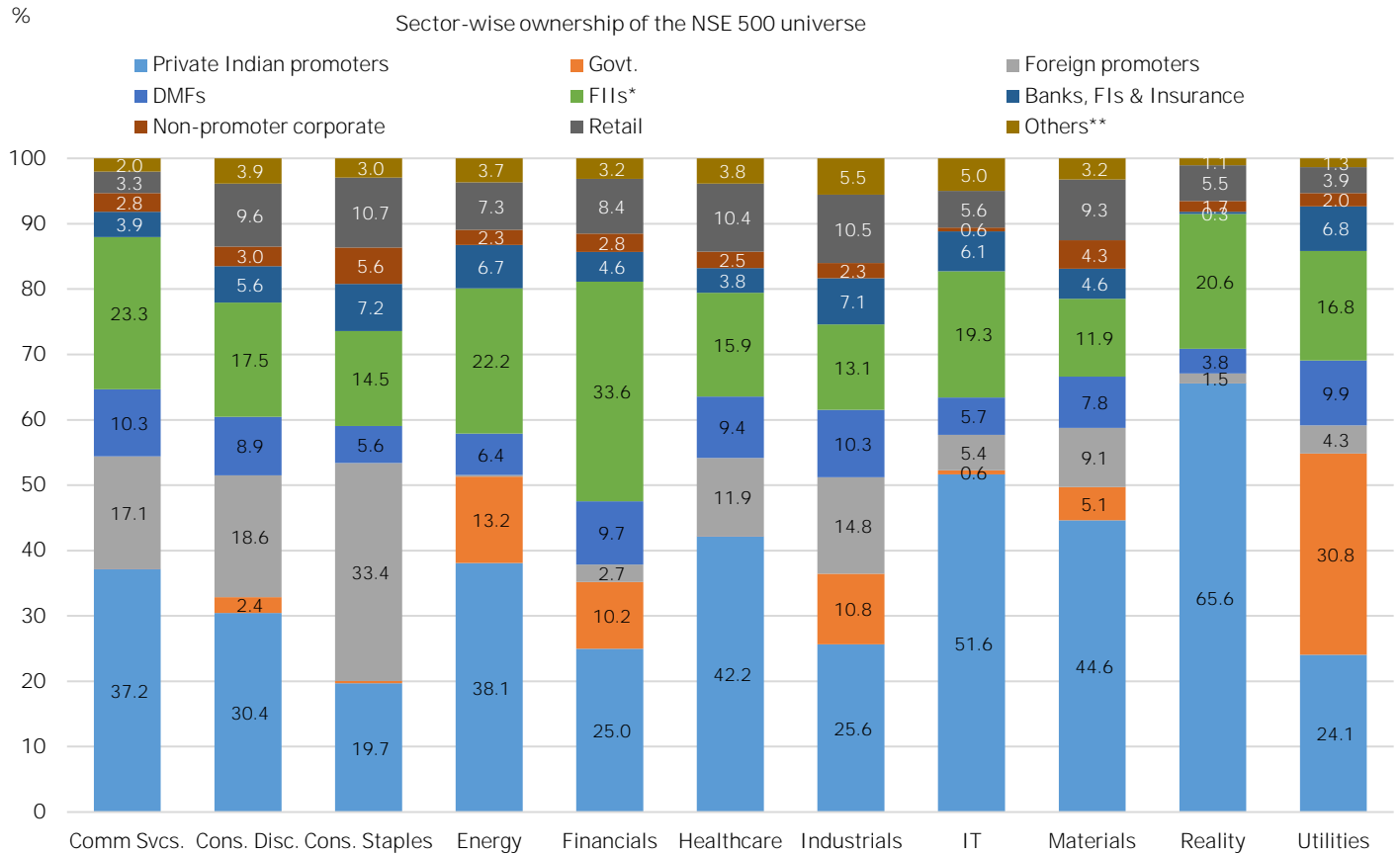
Sector-wise ownership of the Nifty 500 universe (June 2020): As of June 2020, Real Estate sector had the highest promoter shareholding at 67.1% (-34bps QoQ), followed by Information Technology at 57.6% (+18bps QoQ), and Utilities at 57.5% (+101bps QoQ). Utilities and Energy had the highest Government ownership at 30.8% (-363bps QoQ) and 13.2% (-430bps QoQ) respectively, even as both have seen a significant drop over the last few years. Industrials and Financials stood second and third with Government share at 10.8% (+133bps QoQ) and 10.2% (+38bps QoQ) respectively in the June quarter.

In terms of DMF ownership, Industrials continued to lead with 10.3% share (-65bps QoQ), followed by Communication Services at 10.3% share (+72bps QoQ), with rank of the latter moving up from fourth to second in the June quarter. DMF ownership in Financials fell by 66bps QoQ to 9.7%, followed by Healthcare at 9.4% (+10bps QoQ).

FII remained the biggest non-promoter owners of Financials at 33.6% (-158bps QoQ), followed by Communication Services at 23.3% (-122bps QoQ) and Energy at 22.2% (+41bps QoQ). Except for Energy, Consumer Staples and Real Estate, all sectors within the Nifty 500 universe witnessed a sequential drop in FII ownership in the June quarter. In terms of overall foreign ownership (including foreign promoters), Consumer Staples leads with a 47.9% (-283bps QoQ) foreign share, followed by Communication Services at 40.4% (+7bps QoQ) and Financials at 36.2% (-166bps QoQ).

Sector-wise, Industrials leads in terms of DMF ownership within the Nifty 500 universe, followed by Comm. Svcs. and Financials.

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

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


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

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

Sector allocation of the Nifty 500 universe for key stakeholders (June 2020): The table below shows the sector allocation for key stakeholders in Nifty 500 companies as of June 2020. The concentration of Government ownership in Financials, Energy and Utilities sector was at 77.8% in June-end, a tad higher than that in the overall listed universe but much lower than that in the Nifty 50 universe. In case of institutional investors, DMFs have a much lower allocation to Financials sector at 28.6% than FIIs at 37.9%, even as both further dropped their allocation to the sector in the June quarter.

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

%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	FIIs*	Banks, FIs & Insurance	Non-promoter corporate	Retail
Communication Services	4.0	0.0	5.9	4.6	4.0	2.5	3.5	1.4
Consumer Discretionary	7.5	3.0	14.6	9.1	6.8	8.3	8.5	9.5
Consumer Staples	7.4	0.7	40.3	8.9	8.8	16.4	24.3	16.4
Energy	13.8	23.9	0.3	9.6	12.9	14.6	9.6	10.7
Financials	17.7	36.2	6.0	28.6	37.9	19.5	22.8	24.0
Health Care	8.5	0.0	7.6	7.8	5.1	4.6	5.8	8.5
Industrials	4.6	9.8	8.6	7.8	3.8	7.7	4.8	7.7
Information Technology	18.9	1.1	6.3	8.7	11.3	13.4	2.6	8.3
Materials	13.3	7.6	8.6	9.7	5.7	8.2	14.9	11.2
Real Estate	1.6	0.0	0.1	0.4	0.8	0.0	0.5	0.5
Utilities	2.8	17.7	1.6	4.7	3.1	4.7	2.7	1.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

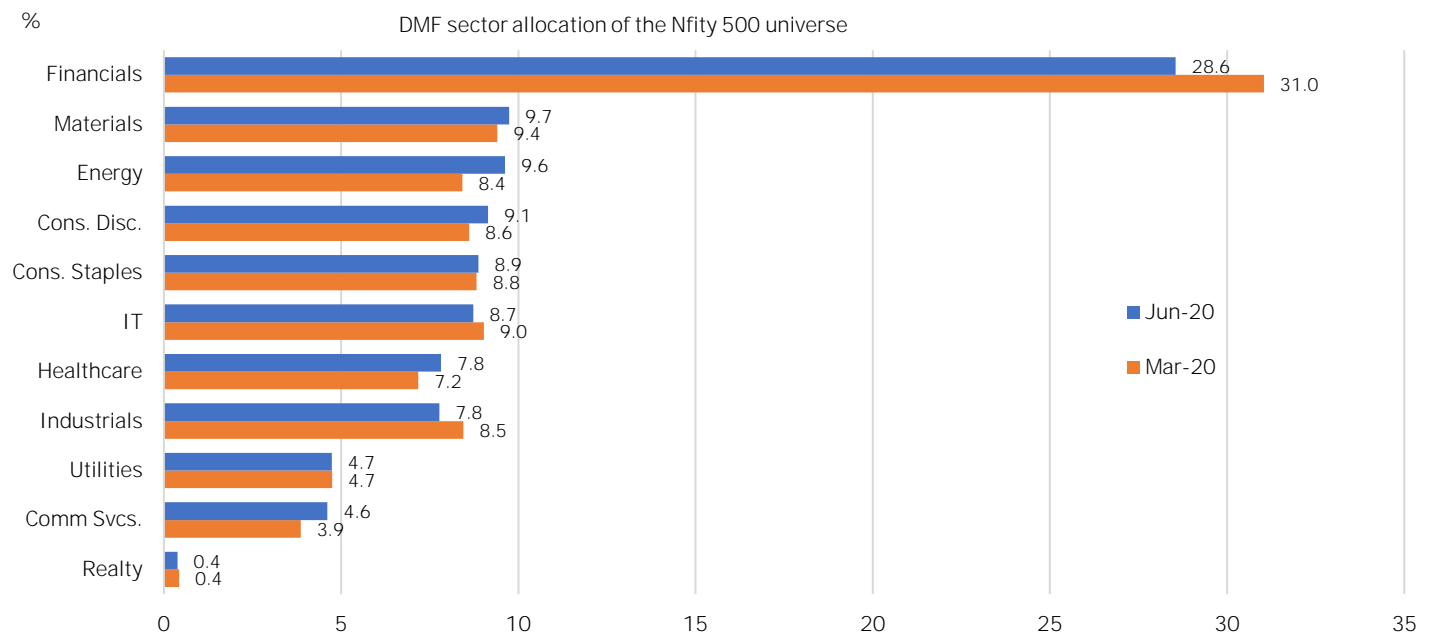
DMFs remained cautious on smaller financial companies: DMFs’ turned incrementally more cautious on smaller financial companies and strengthened their UW position on the sector by reducing their allocation to the sector by 2.5pp QoQ to 28.6%—the lowest in last four years, translating into a total drop in exposure of 7.7pp this year. This contrasts with a mild OW position on the sector within the Nifty 50 Index, indicating the sustenance of a cautious view of DMFs on smaller banks and NBFCs for yet another quarter.

Similar to the trend seen in the Nifty 50 Index, DMFs further trimmed their exposure to Industrials for the fourth quarter in a row to 7.8% in the June quarter—the lowest portfolio allocation in the last 18 years, even as an OW stance was maintained. While DMFs turned incrementally positive on Healthcare, Materials, Communication Services and Consumer Discretionary, they reduced their huge UW position on Consumer Staples and Information Technology. Notably, unlike FIIs, DMFs’ portfolio is far more aligned to the Index, with no outsized positive or negative bets on any sector.

DMFs remained cautious on smaller banks and NBFCs. The OW stance on Industrials was retained despite a cut in allocation.

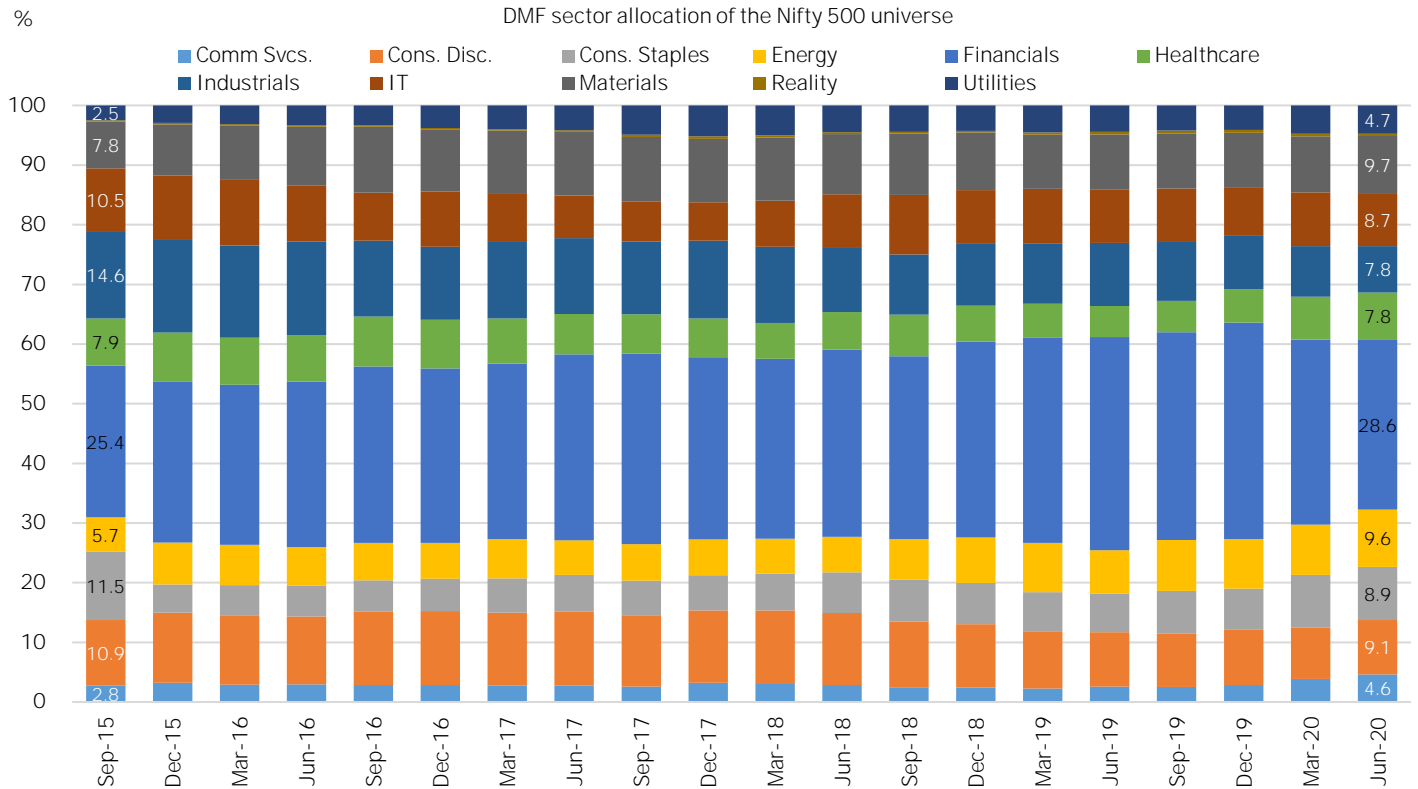
Under-owned sectors for DMFs remained Consumer Staples, IT and Energy.

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



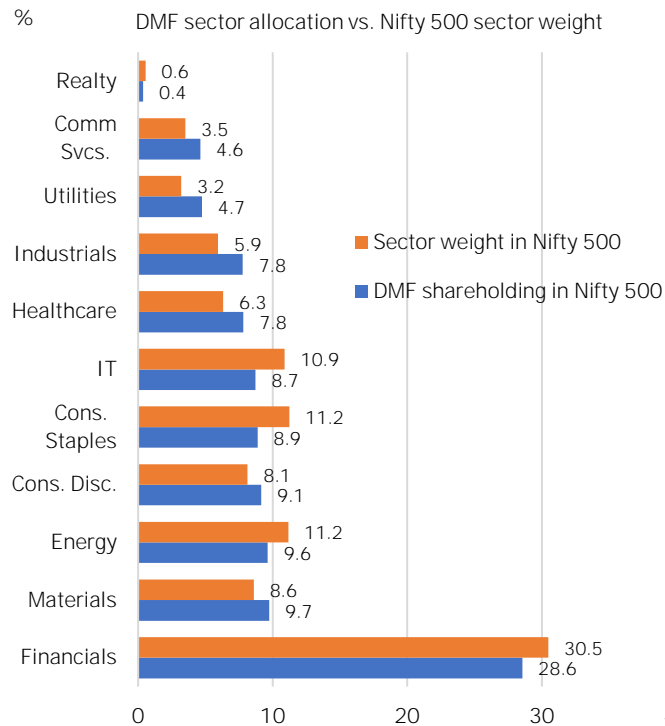
Source: CMIE Prowess, NSE.

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



Source: CMIE Prowess, NSE

Figure 78: DMF sector allocation vs sector weight in Nifty 500 (June 2020) | Figure 79: DMF sector-wise OW/UW in Nifty 500 relative to sector weight in the index (June 2020)



Source: CMIE Prowess, NSE

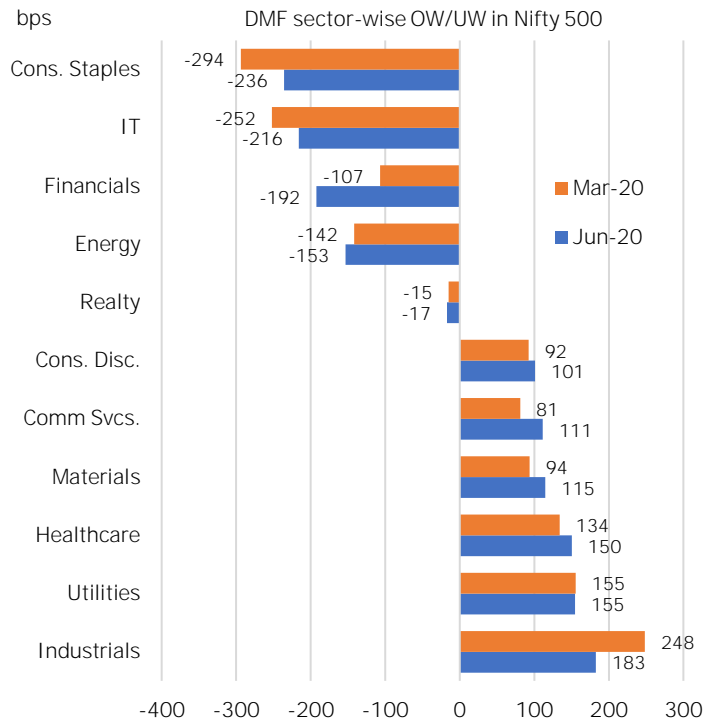
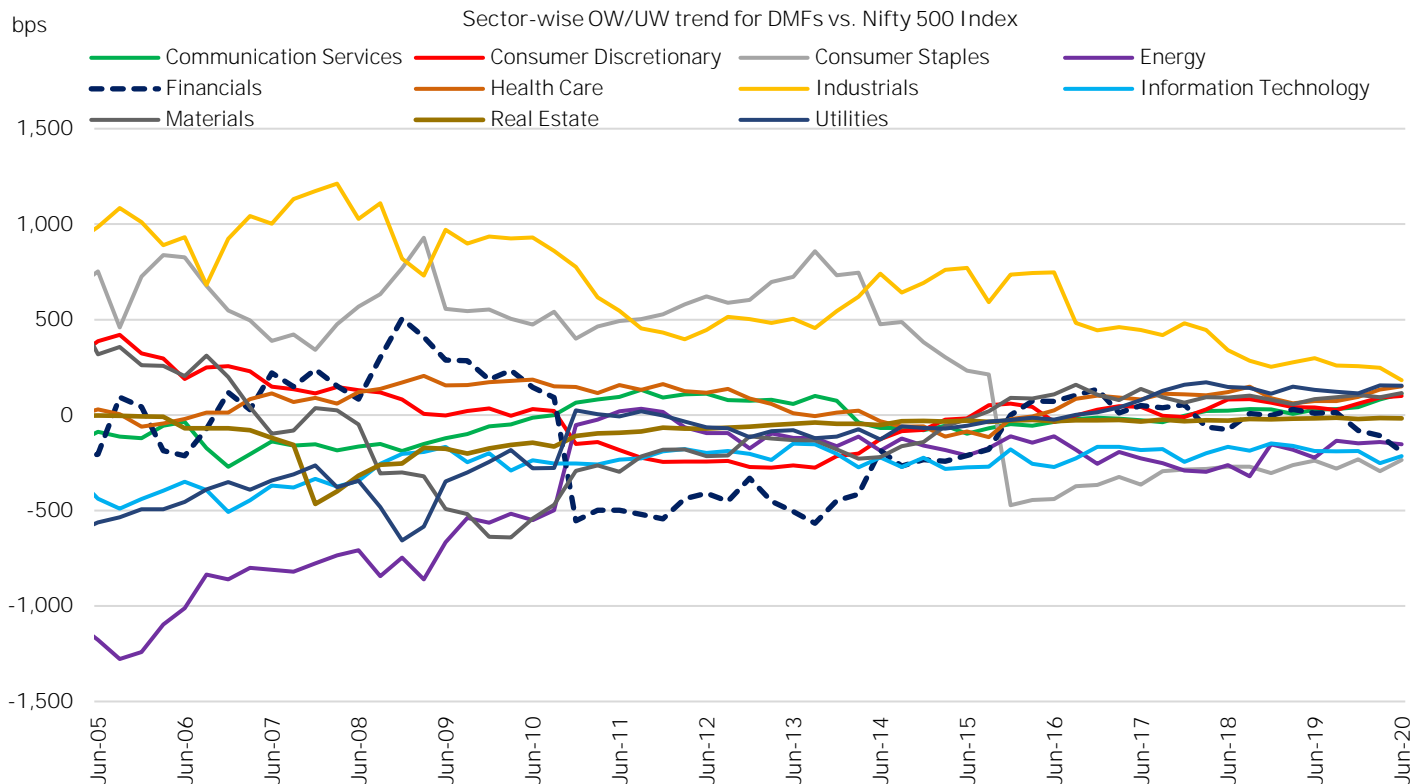


Figure 80: DMF vs Nifty 500—Sector-wise OW/UW trend (bps)


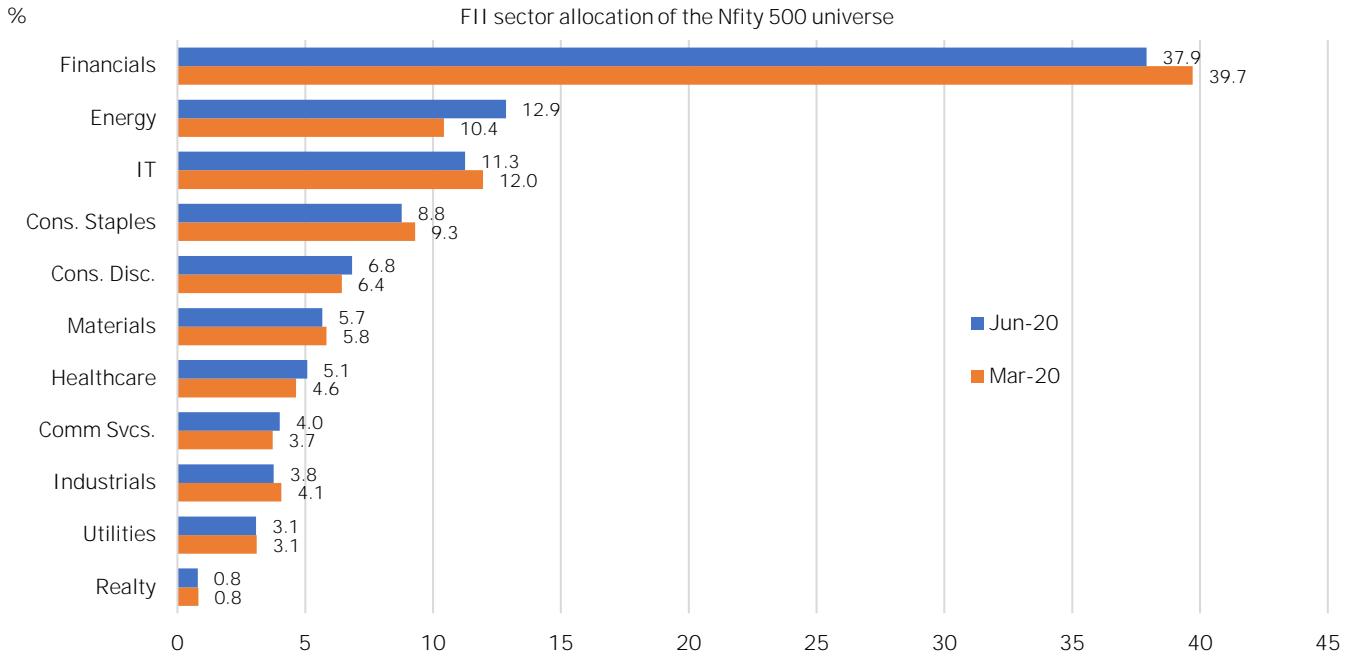
Source: CMIE Prowess, NSE

FII maintained a huge OW stance on Financials in the Nifty 500 Index as well: The relative sector positioning of FIIs in the Nifty 500 Index has remained broadly stable in the June quarter, and is in complete contrast to DMFs' sector stance. The out-sized bet of FIIs on Financials was maintained for yet another quarter but with a sequentially lower exposure at 37.9% (-182bps QoQ)—the lowest in last ten quarters, largely explained by a 164bps QoQ dip in the sector's weight in the index.

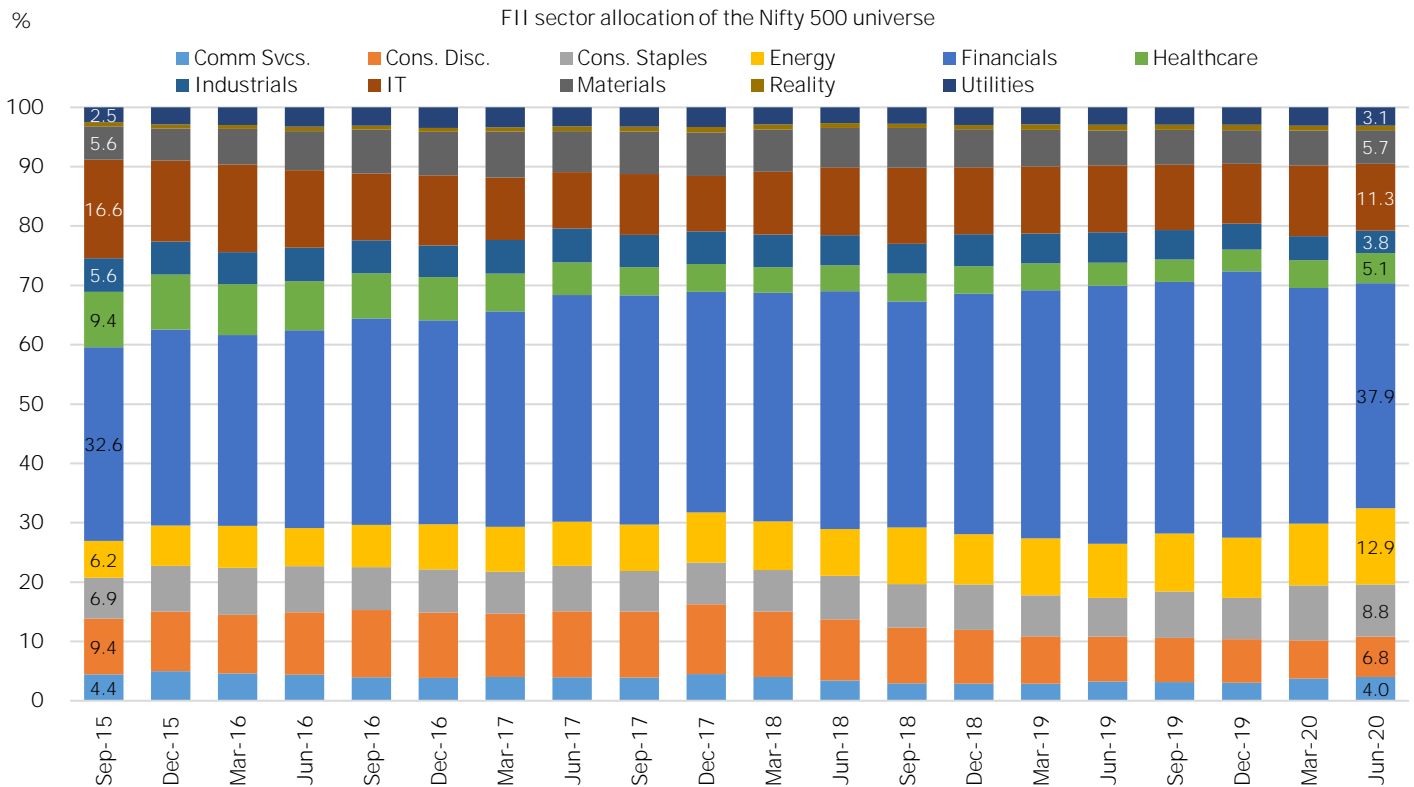
Financials aside, FIIs turned incrementally quite bullish on Energy and had a OW position on the sector in the quarter-ending June 2020. Contrary to DMFs, FIIs have perennially remained negative on the investment theme in the economy, maintaining their UW stance on Industrials and Materials since 2006, and incrementally more so. FIIs have also maintained their cautious view on India's consumption story, and understandably so given further deterioration of domestic demand environment in the wake of COVID-19 pandemic and are underweight on Consumer Staples as well as Consumer Discretionary. Amongst other sectors, FIIs maintained a negative stance on Healthcare and a neutral position on Utilities, Communication Services, IT and Real Estate.

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

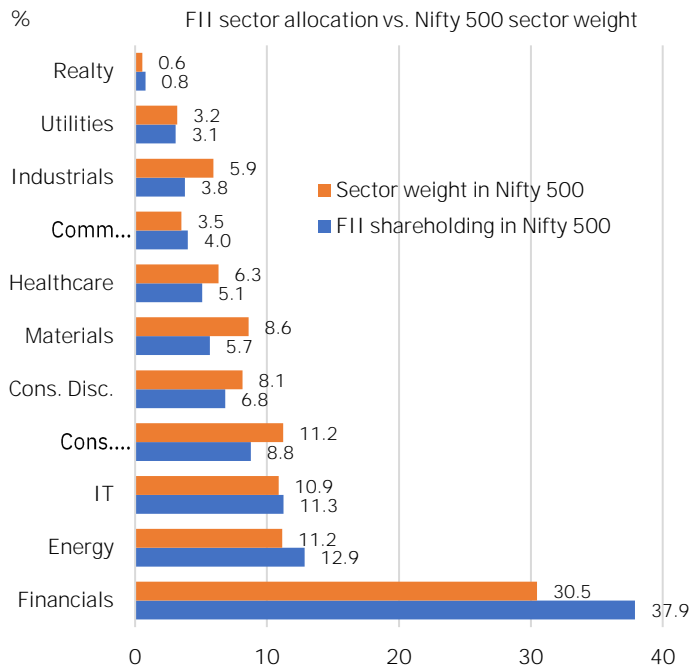
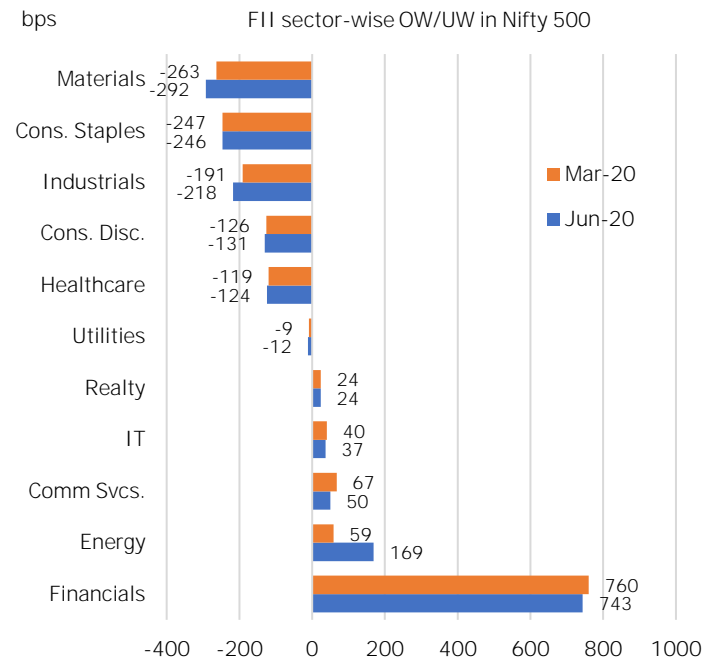
Besides Financials, FIIs also turned OW on Energy in the June quarter, and maintained a neutral or an UW on all other sectors.

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


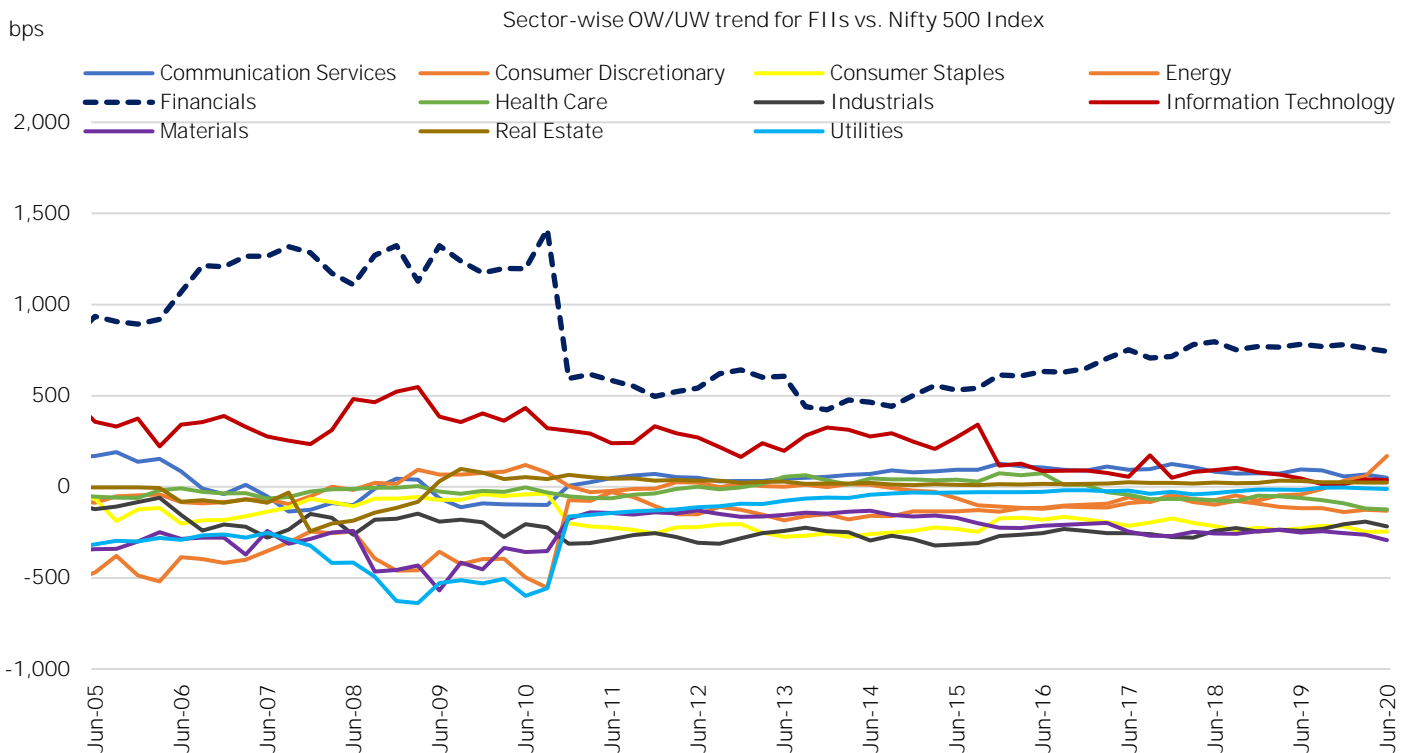
Source: CMIE Prowess, NSE *FII ownership includes ownership through depository receipts held by custodians.

Figure 82: FII sector allocation of the Nifty 500 universe over last five years


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

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

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


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

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


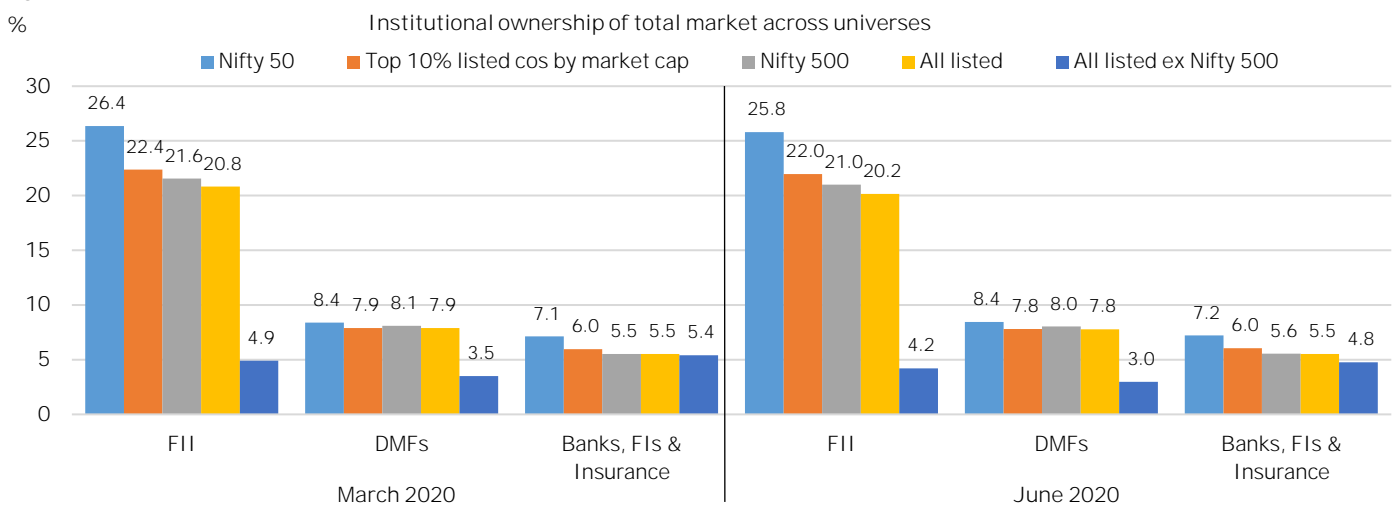
Source: CMIE Prowess, NSE *FII ownership includes ownership through depository receipts held by custodians

Institutional ownership concentration analysis

Institutional ownership remained concentrated to larger companies despite reduced allocation: The charts below depict how institutional money is concentrated in the larger companies within the listed universe. FII ownership (including ownership through depository receipts) dipped across the board in the June quarter, translating into a net selling of ~Rs1trn and ~Rs2trn in the Nifty 50 and overall NSE-listed floating stock. DMFs, on the other hand, kept their ownership in Nifty 50 companies broadly steady in the June quarter, while trimmed their ownership in listed companies outside Nifty 500, signalling a reduced risk appetite in the backdrop of an unprecedented economic slowdown. For instance, net selling by DMFs stood at ~Rs81bn in the NSE-listed universe excluding the Nifty 500 companies but was a meagre Rs26bn in the Nifty 50 universe. Banks, FIs and insurance companies, however, increased their ownership in Nifty 50 and Nifty 500 companies at the expense of reduced investment in smaller companies. That said, **FIIs'** portfolio, with nearly 74% of investments made towards Nifty 50 companies, remains far more concentrated as compared to DMFs' who have a relatively much lower (63%) share of their portfolio allocated to Nifty 50.

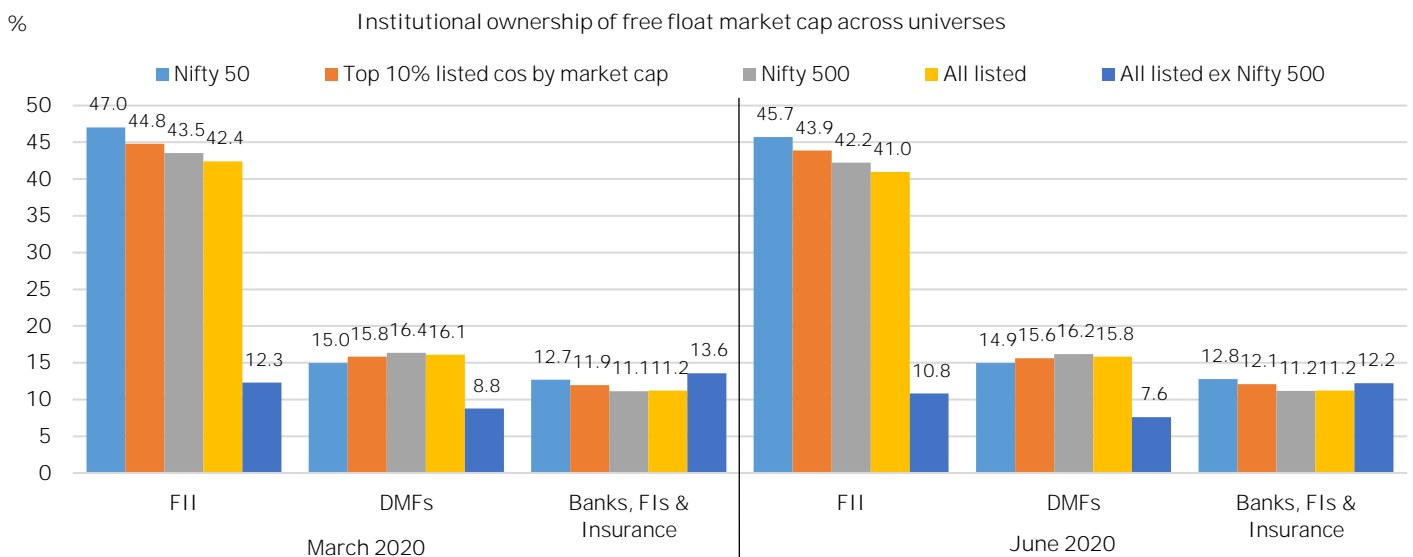
DMFs' ownership got incrementally more concentrated to larger companies in the June quarter while FIIs ownership dropped across the board.

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



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

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



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

Ownership concentration in terms of no. of companies with holding greater than 5%: Combining the theme of evolving institutional ownership patterns with concentration trends in the market brings out some interesting takeaways. We consider the FII portfolio in India since 2001, not in terms of its value, but in terms of the *number* of stocks. Notice how overall number of stocks in the portfolio has hovered around 1200 for the past ten years. During this period (Mar 2010-), FIIs have poured in US\$125bn+ on a net basis into the Indian equity markets. In the absence of new companies, the deployment of this capital has led to a gradual rise in their ownership of the incumbent portfolio. Illustratively, FIIs today have at least 5% ownership in ~75% of the Nifty 500 Universe.

FIIs' investment concentration in terms of at least 5% ownership has remained broadly steady over the last six years, while that of DMFs have more than doubled during this period.

In contrast with foreign investors, domestic mutual funds have led an amplified version of this behaviour, particularly since June 2014. Notice how the number of Nifty 500 companies with at least 5% DMF ownership has almost *doubled from 137 in June 2014 to ~300 now*. This is a direct consequence of the increased inflows into DMFs, particularly through the SIP route, the last few years. While the FIIs have held their position, other institutional players have ceded space to DMFs.

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

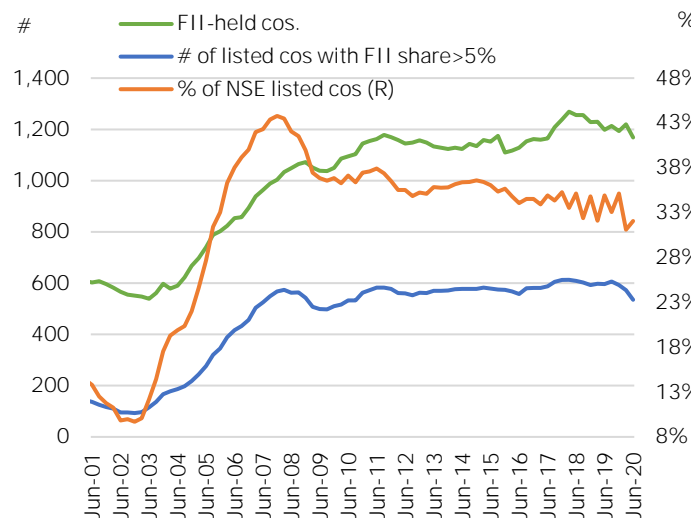
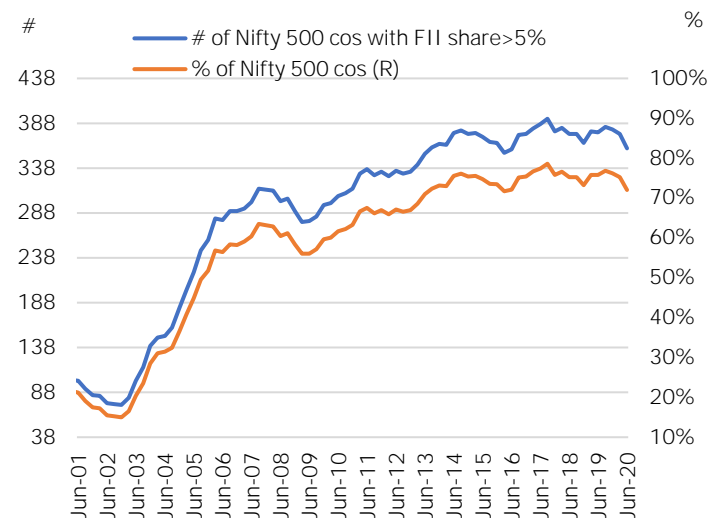


Figure 89: Number of Nifty500 cos with FII holding >5%



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

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

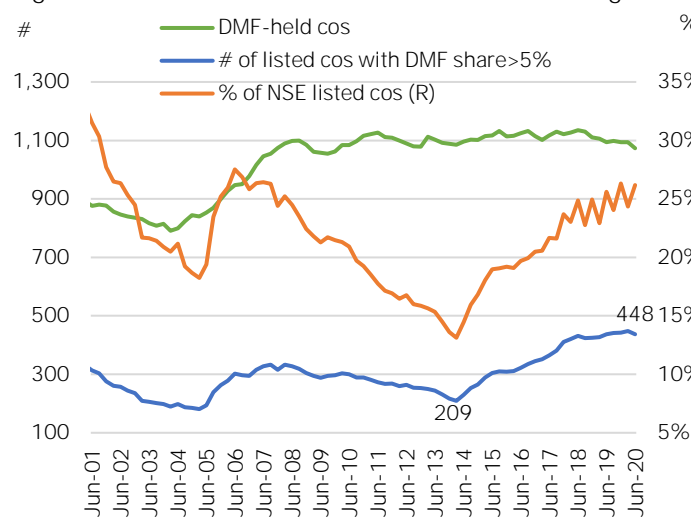
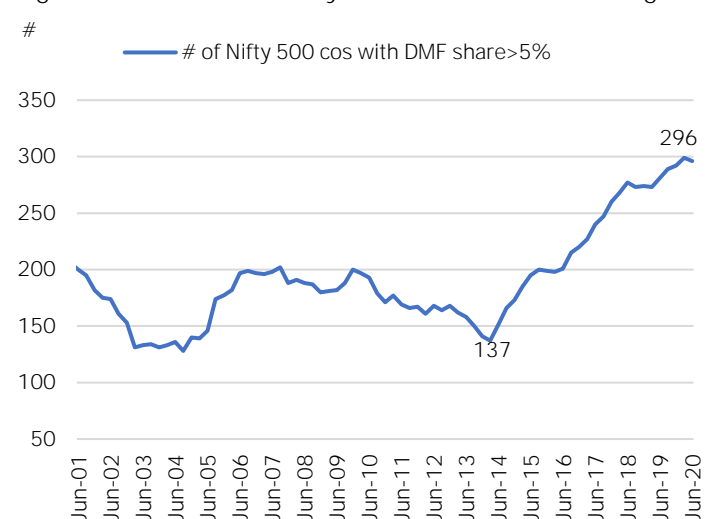


Figure 91: Number of Nifty500 cos with DMF holding >5%



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

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

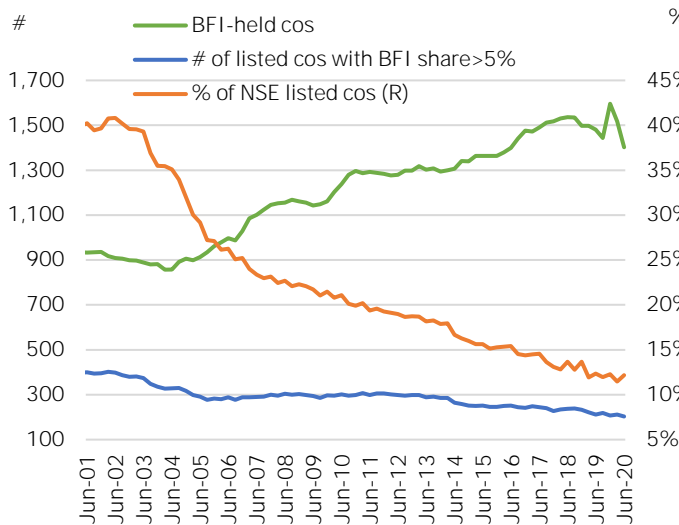
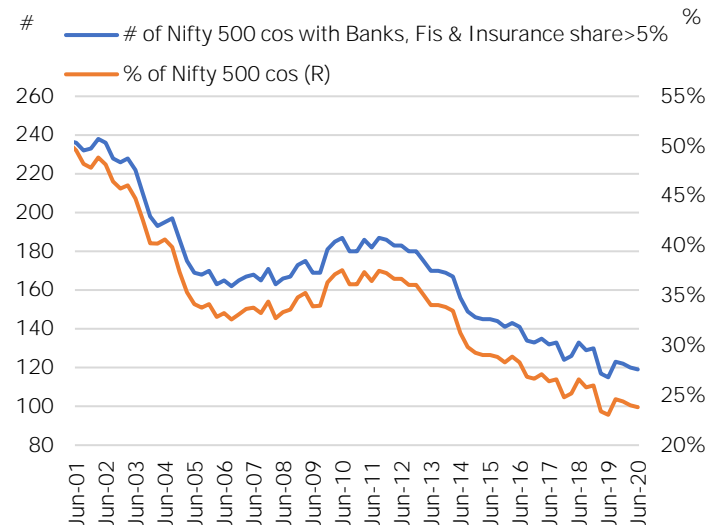


Figure 93: Number of Nifty500 companies with Banks, FIs & Insurance holding >5%



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

Concentration of Institutional money in the top 10%:

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

The 'foreign' portfolio was highly concentrated in 2001, with ~98% of the entire holdings in just the top 10% of stocks. That has since changed with increased understanding of the markets, dropping to 85% in 2006, and then gradually rising, to reach 93.5% in June 2020. Just to clarify here: The rise in concentration in the last two years is merely a market feature—notice the commensurate (actually more acute) rise in the benchmark Nifty 500 portfolio during this time.

It is the Domestic Mutual Funds (DMFs) that have actually seen a relatively more concentrated portfolio in the last two years. The top 10% of stocks by market cap now occupy ~85% of their total portfolio, vs. 76% in June 2018.

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

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

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

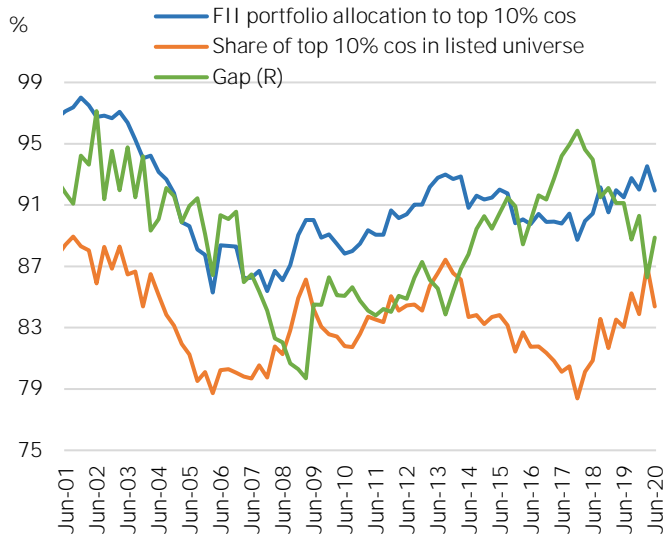
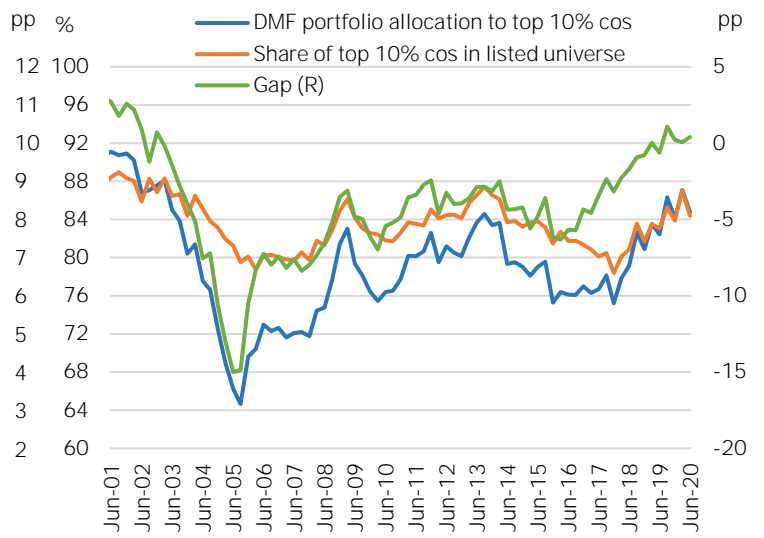


Figure 95: Trend of DMF portfolio allocation to top 10% companies by total market cap



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

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

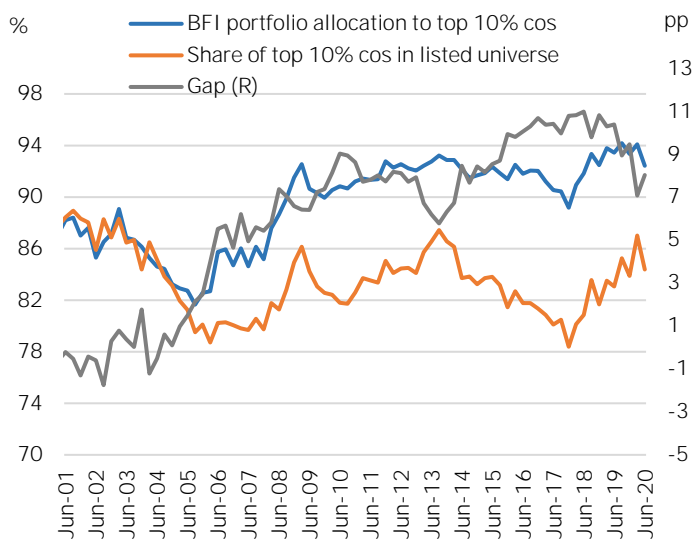
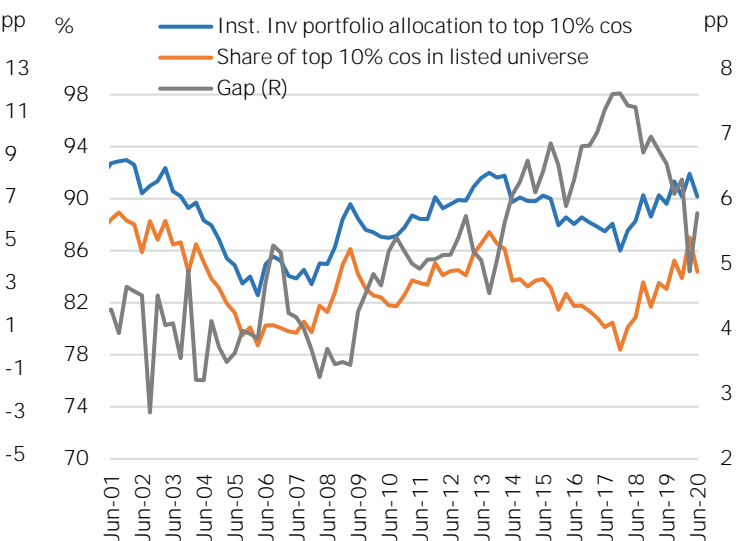
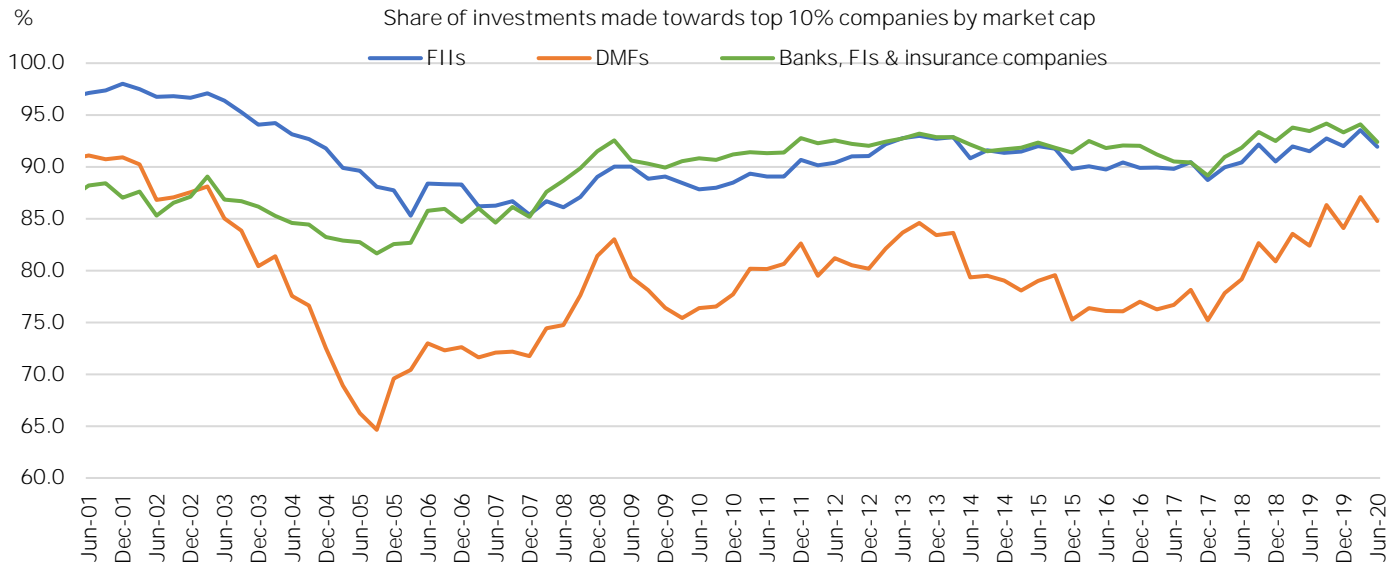


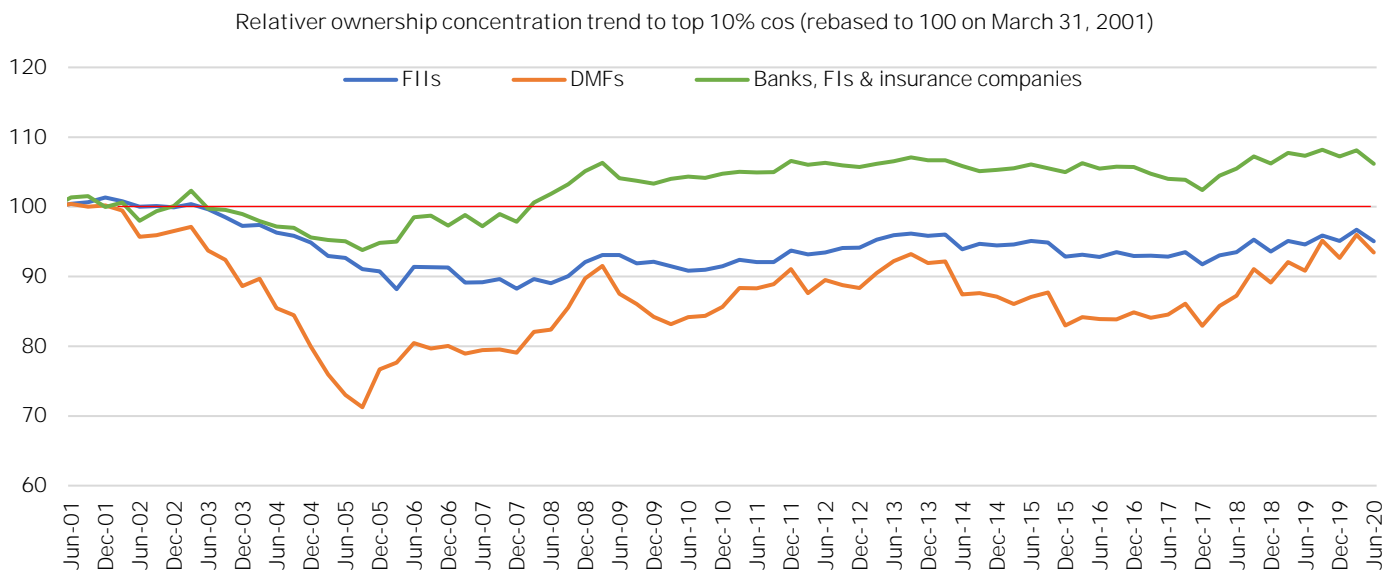
Figure 97: Trend of institutional investment share in top 10% companies by total market cap



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

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


Source: CMIE Prowess, NSE

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


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

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