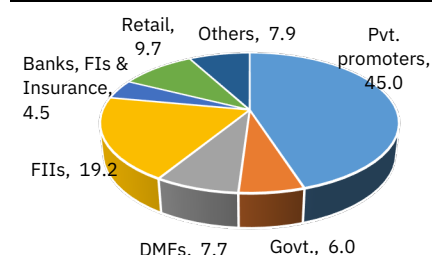


## Who owns India Inc.? – DMFs gained, FIIs lost, Retail remained steady

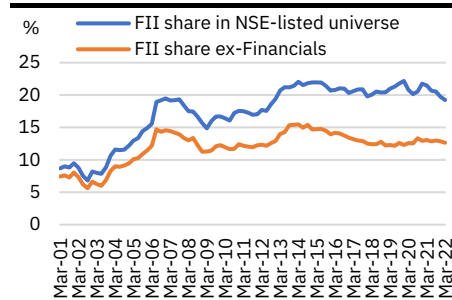
In this edition of our quarterly report “India Inc. Ownership Tracker”<sup>1</sup>, we extend our analysis of ownership trends and patterns in NSE companies to include the data available for the quarter ending Mar’22. We note: 1) An increase in Govt. share for the non-Nifty 50 universe, partly attributed to outperformance of some of the PSU companies during this period; 2) A dip in private promoter ownership—the first time in five quarters, notably in Nifty 50 and Nifty 500 companies while that in non-Nifty500 companies rose at the steepest sequential pace in eight years; 3) A steep drop in FII<sup>2</sup> (foreign institutional investors) ownership to decadal lows, reflecting heightened risk-off environment in the wake of ongoing macro and geopolitical uncertainty, rapid tightening by the US Fed and China slowdown; 4) A gradual rise in DMF (domestic mutual funds) share, in line with strong DMF inflows into Indian equities over the last few quarters, aided by robust SIP inflows; 5) Steady direct retail holding at near 15-year high levels; 6) FIIs further trimmed their exposure<sup>3</sup> on Financials but retained their perennially outsized OW<sup>4</sup> position on the sector, strengthened their positive stance on Energy and Utilities, and maintained a cautious view on India’s consumption as well as investment themes; 7) Unlike FIIs, DMFs turned even more bullish on Financials at the expense of reduced exposure to Energy, Utilities and Materials, retained positive bias on Industrials, Healthcare and smaller Consumer Discretionary companies; 8) Rising market uncertainty has led to higher institutional investment allocation to larger companies, as reflected in a sequential jump in their allocation to Nifty 50 companies in the March quarter.

- Private Indian promoter share remained steady in the overall NSE listed universe:** Total promoter share in the NSE-listed space inched up by 20bps QoQ to 50.7% in the March quarter but dipped in Nifty 50 and Nifty 500 companies to 43.2% (-32bps QoQ) and 50% (-37bps QoQ) respectively. The former was led by a jump in foreign and Government promoter share, while private Indian promoters saw their share falling for the first time in five quarters. The Nifty 50 Index saw a contrasting trend, with private Indian promoter share rising, foreign promoter stake falling and Government share remaining broadly steady on a sequential basis. The drop in promoter share in Nifty 500 companies was led by dip in private promoter share, both Indian and foreign, while Government promoter share inched up marginally.
- Govt. share rose in the non-Nifty50 listed stock in the March quarter:** Govt. share (promoter and non-promoter) remained broadly steady at 5.1% in the Nifty 50 Index but rose by 24bps QoQ to 6.0% in overall NSE listed stock. This translated into a 55bps QoQ jump in the Govt. share in non-Nifty50 listed stock to 7.0% from all-time low level in December quarter, partly attributed to outperformance of some of these Government-owned companies in the quarter gone by.
- Decline in FII ownership continued for yet another quarter:** FII ownership declined by a steep 66bps (-230bps since Dec’20) and 48bps (-251bps since Dec’20) in Nifty 500 and NSE-listed universe to nine-and-a-half year lows of 20.2% and 19.2% respectively in the March quarter, marking the fifth consecutive quarter to record a dip. This is partly attributed to continued foreign capital outflows in the wake of depressed sentiments due to ongoing geopolitical tensions that have showed no signs of abatement, continued supply-chain

Who owns India Inc.? NSE-listed in Mar’22



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.

disruptions, China slowdown and steep rate hikes by the global central banks, notably the US Fed.

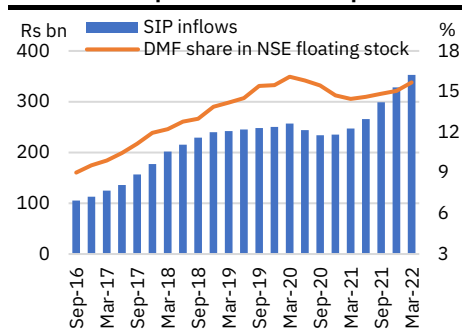
FIIIs further reduced their relative exposure to Financials, even as they have still retained their perennially outsized OW position on the sector and strengthened their OW position on Energy and Utilities. In fact, these are the only three sectors within the Nifty500 universe that FIIIs have a positive bias on relative to the Index. Further, FIIIs maintained a 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 fourth quarter in a row by 45bps, 22bps and 28bps to 8.9%, 8.0% and 7.7% in the Nifty 50, Nifty 500 and NSE listed companies respectively in the March quarter. In fact, DMF stake in Nifty 50 touched 21-year high level by March 2022, 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, also inched up marginally but remained closer to 21-year low levels.

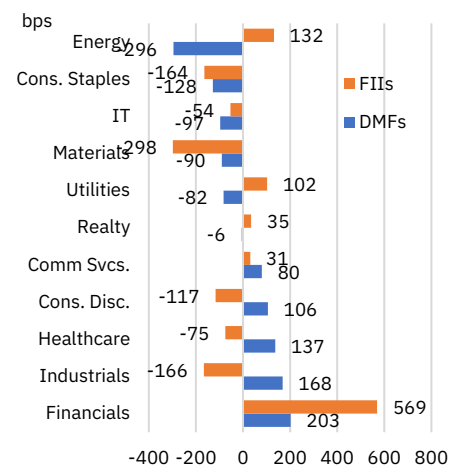
Unlike FIIIs, DMFs strengthened their OW stance on Financials in the quarter ending March 2022 at the expense of a sequentially bigger UW position on Energy and incremental negative bias on Utilities and Materials. This reflects their negative view on commodity sectors in the wake of China slowdown and ongoing geopolitical uncertainty. DMFs maintained their positive view on Industrials, Healthcare and smaller Consumer Discretionary companies for yet another quarter, and echoed FIIIs' negative view on Consumer Staples.

- Direct retail share remained steady at near 15-year high levels:** Retail holding in Nifty 500 and NSE-listed companies remained steady at near 15-year high level of 9.1% and 9.7% respectively in the March quarter. It, however, inched up by a modest 13bps QoQ to 8.5% in the Nifty 50 universe, reflecting higher retail buying in larger companies as opposed to the trend seen over the last many quarters. Retail participation into Indian equities has jumped manifold over the last few 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 131bps since December 2019.
- Institutional ownership concentration:** FIIIs were pervasive sellers of Indian equities in the March quarter, and prominently so in smaller companies, translating into an increase in market concentration. This is reflected in a 133bps QoQ jump in the share of Nifty 50 companies in overall FII portfolio—a result of their relative outperformance and higher exposure to such companies. DMFs, on the other hand, have benefited from a surge in SIP inflows over the last few quarters, leading to higher market ownership but with incrementally higher concentration to larger companies, as reflected from a steeper jump in share in Nifty 50 companies.

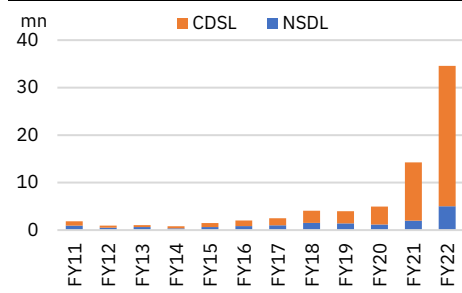
## DMF ownership in NSE-listed companies



## FII and DMF portfolio OW/UW in Nifty 500 vs. the index (March 2022)



## New investor account additions



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

## Listed universe ownership trends

### **Ownership pattern of the NSE-listed universe (March 2022)**

**Private promoter ownership remained steady in the March quarter:** Following a steady share over the previous three quarters, total promoter ownership in the NSE-listed universe inched up by 20bps QoQ to a seven-quarter high of 50.7% in the quarter ending March 2022. This translated into a total jump of 78bps in promoter ownership in FY22. Private Indian promoter ownership dipped marginally for the first time in five quarters by 13bps QoQ to 36.3%, even as it is still up 156bps in FY22. In terms of number of companies, 384/1693 companies (where shareholding data is available for the last quarter and year-ago period) saw an increase in private Indian promoter stake in FY22. A drop in private Indian promoter share in the quarter gone by was, however, partly offset by a modest 9bps increase in the foreign promoter share to 8.75% in the March quarter, marking the first increase in seven quarters (-63bps in FY22). Consequently, private promoter ownership remained broadly steady at 45% in the quarter ending March 2022 but rose by 93bps during the last fiscal year.

**Government ownership inched up marginally:** 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, only to rise by a modest 24bps QoQ to 6.0% in the quarter ending March 2022. This is partly attributed to outperformance of some of these Government-owned companies in the March quarter. For instance, Nifty CPSE Index and Nifty PSE Index rose by 10.5% and 6.5% during the first three months of 2022 respectively vs. a modest 0.6% return for the Nifty Index and a loss of 0.6% for the Nifty 500 Index.

**FII ownership dipped for the fifth quarter in a row...:** FII ownership declined by 48bps QoQ to a nine-and-a-half year low of 19.2% in the March quarter, marking the fifth consecutive dip in FII share. With this, FIIs have seen a total drop of 2.5pp in their share in the NSE listed stock over the last five quarters. Ongoing geopolitical tensions that have showed no signs of abatement, continued supply-chain disruptions, China slowdown and steep rate hikes by the global central banks, notably the US Fed, have all weighed on the global risk appetite, leading to flight of capital away from riskier asset classes including emerging market equities. India has been no different, having seen record annual outflows in the last fiscal year. The decline in FII ownership was fairly broad-based, with all major sectors, barring Utilities and to some extent Communication Services, seeing a drop in share in the quarter gone by.

**...While DMF share saw a modest increase for yet another quarter:** DMFs' stake in the NSE listed universe inched up for the third quarter in a row by 28bps QoQ—the steepest sequential jump in last 10 quarters—to a seven-quarter high of 7.7% in the quarter ending March 2022. With this, the DMF share is now just 18bps shy of the peak share of 7.9% in March 2020. This is primarily attributed to consistent buying by DMFs over the last several quarters, aided by strong retail participation through the SIP (Systematic Investment Plan) route and low redemptions. DMFs injected a total of Rs1.37trn on a net basis into Indian equities during the last fiscal year of which nearly 48% or Rs 652bn came in the fourth quarter alone. After witnessing some moderation during the first two months of the last 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

---

*March quarter saw private promoter stake remaining broadly stable QoQ after a steady increase over the previous three quarters.*

---

*Total promoter share rose by 20bps QoQ to a seven-quarter high of 50.7% in quarter ending Mar'22.*

---

---

*Government share rose for the first time in three quarters, reflecting the relative outperformance of PSEs in the March quarter.*

---

---

*FII ownership dropped for the fifth quarter in a row by 48bps QoQ to a nine-and-a-half-year low of 19.2% in the March quarter, reflecting the impact of record-high FII outflows in FY22.*

---

---

*DMF ownership inched up by 28bps to a seven-quarter high of 7.7% in the March quarter, aided by steady retail participation through the SIP route and lower redemptions.*

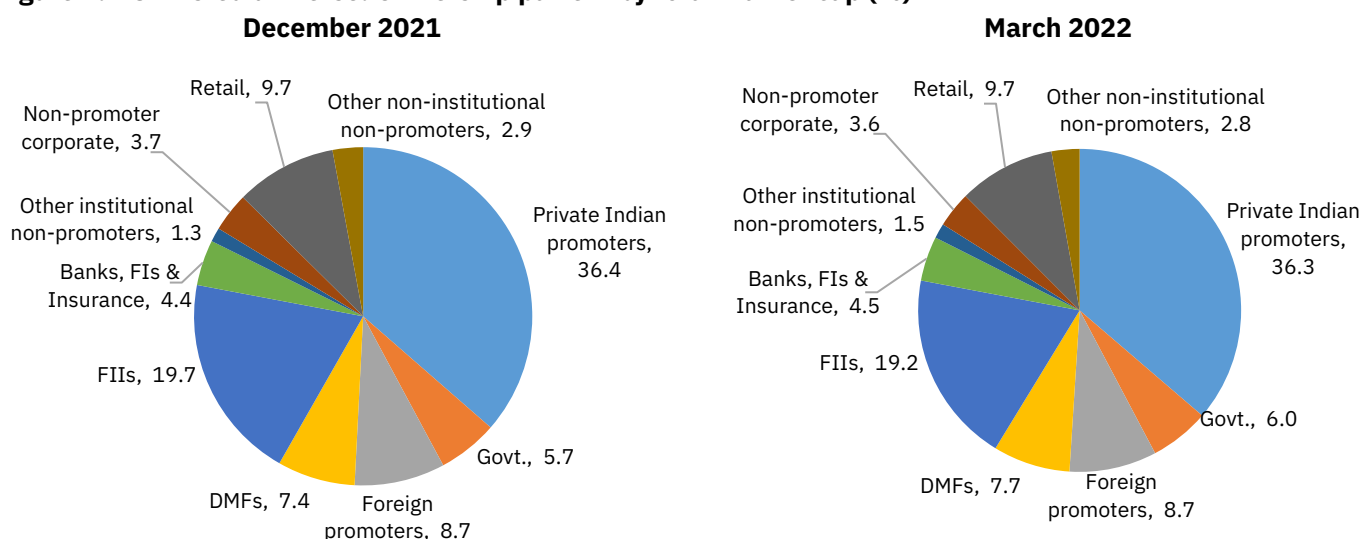
---

touched a ~Rs122bn+ run-rate on a monthly basis. Average monthly SIP inflows in FY22 stood at Rs104bn vs. Rs80bn in FY21 and Rs83bn in FY20, and this has risen to nearly Rs120bn in FY23 thus far (Apr-May 2022).

The share of Banks, Financial Institutions and Insurance companies in the NSE-listed space rose by 11bps QoQ to 4.5% from an all-time low of 4.4% in the previous quarter but fell 64bps during last fiscal year.

**Retail investors' holding remained steady at near 15-year high levels in the March quarter:** After rising by a strong 36bps in the December quarter, individual retail investors' holding remained steady at near 15-year high of 9.7% in the quarter ending March 2022, translating into a total increase of 67bps in 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 131bps 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	FIIIs *	Non-promoter corporate	Retail
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
Mar-22	36.3	6.0	8.7	7.7	4.5	19.2	3.6	9.7
QoQ change	-13bps	24bps	9bps	28bps	11bps	-48bps	-16bps	1bps

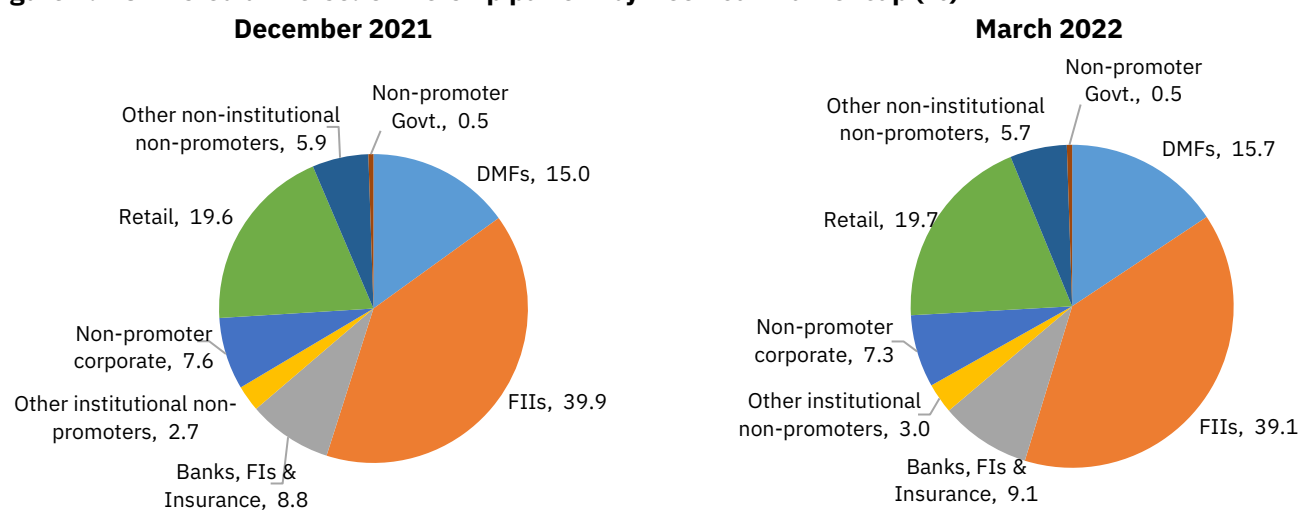
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

## Floating stock witnessed the steepest annual drop in FII ownership in last 13 years:

FII ownership in the NSE floating stock fell by a steep 81bps QoQ to a 39-quarter low of 39.1% in the March quarter. This came on top of nearly 300bps drop in FII share in the NSE floating stock in the previous three quarters, translating into a cumulative dip of 3.9pp in FY22—the sharpest annual fall in since the Global Financial Crisis of 2008. FII share in the NSE floating stock is now nearly 6.6pp below the peak share seen eight years back (March 2014). DMF ownership of the NSE free-float market cap inched up for the fourth quarter in a row by 63bps to a seven-quarter high of 15.7% and is now a mere 42bps shy of the 20-year high share of 16.1% seen two years back. This was the steepest sequential pace of increase in DMF share in NSE floating stock in last 10 quarters. Banks, Financial Institutions, and Insurance companies saw their share in the NSE floating stock rising marginally by 26bps QoQ to 9.1% in the March quarter from a 21-year low figure in the previous quarter. With this, the overall institutional share in the NSE floating stock has risen by 39bps QoQ in the March quarter—the first sequential jump in five quarters, even as it is still down nearly 3pp in FY22.

Retail ownership in the NSE free-float market cap inched up by a modest 10bps QoQ on top of a 70bps increase in the previous quarter to rise by a strong 70bps QoQ to a 50-quarter high of 19.7%, translating into an increase of 163bps in FY22. That said, it is still 9.4pp 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	FIIs*	Non-promoter corporate	Retail
Mar-19	14.5	10.9	42.2	9.4	16.7
Jun-19	15.4	11.0	43.4	7.2	16.9
Sep-19	15.5	10.8	44.2	6.9	16.7
Dec-19	16.1	11.2	42.4	6.7	17.2
Mar-20	15.8	11.2	41.0	6.4	17.6
Jun-20	15.4	10.5	41.6	5.8	18.3
Sep-20	14.7	10.1	43.3	5.9	17.9
Dec-20	14.5	10.2	42.9	6.3	18.0
Mar-21	14.6	10.0	41.9	6.4	18.9
Jun-21	14.8	9.0	41.6	6.9	18.9
Sep-21	15.0	8.8	39.9	7.6	19.6
Dec-21	15.7	9.1	39.1	7.3	19.7
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 ~11.5pp since June 2010.

---

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

---

**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. With indirect participation by retail investors seeing a renewed jump beginning June 2021 via the SIP route, DMFs have managed to make up for the lost share seen in FY21 to a large extent in FY22. Banks, FIs & Insurance, on the other hand, has been gradually dropping off since 2012 and is currently hovering at multi-decadal lows.

---

*DMF ownership got support from rising SIP investments during FY15-20, only to see a dip in FY21 and recover thereafter.*

---

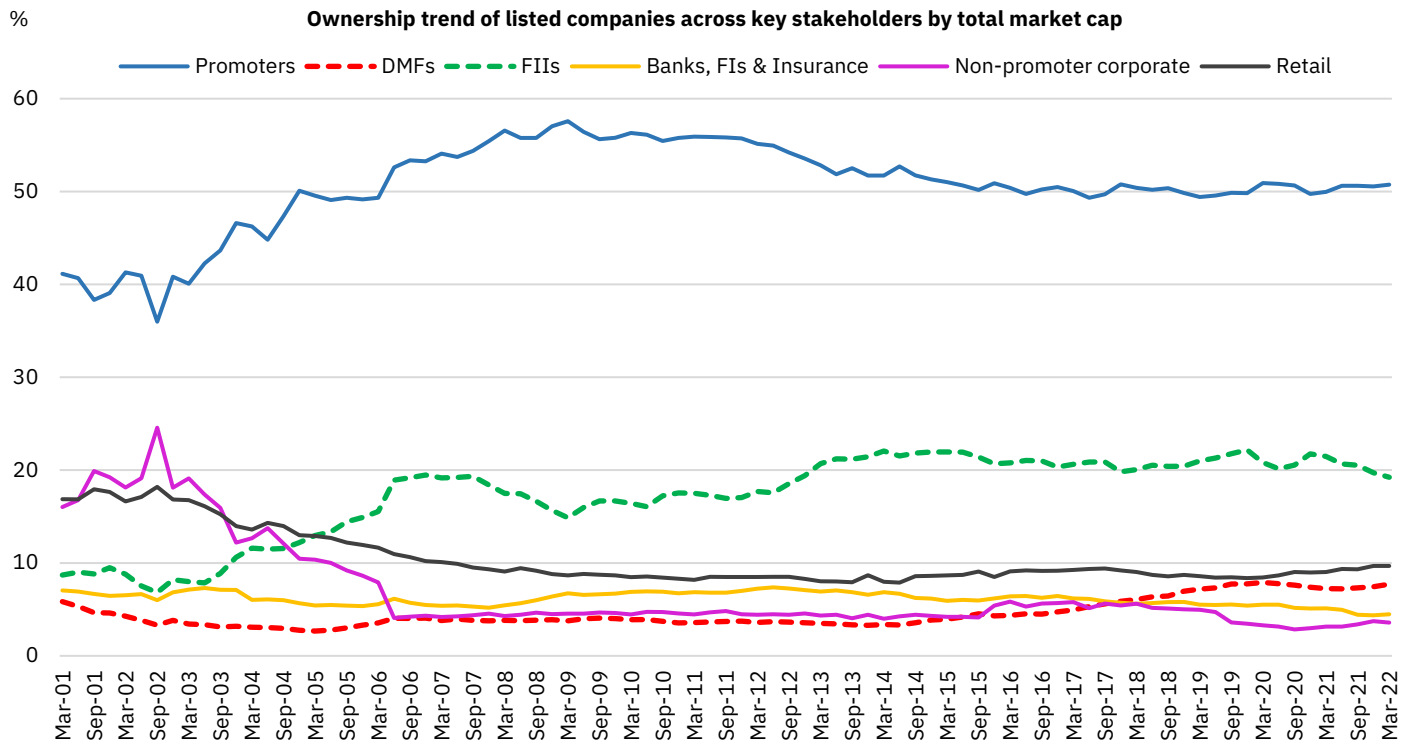
**FII ownership has remained in the 19-22% range over the last decade:** FII ownership in the NSE-listed space saw a gradual increase between 2002 and 2015, except for a brief period around the 2007-08 financial crisis, but dropped marginally over the subsequent three years, reflecting negative global cues including the US-China trade war and Brexit concerns. FII share picked up over the next two years until December 2019 but fell sharply during the first two quarters of 2020 post the onset of the COVID-19 pandemic. This, however, was temporary as huge liquidity injection globally improved risk appetite, leading to jump in FII share in the second half. Since then, FII share has been trending down, reflecting weakened investor sentiments in the wake of recurring COVID waves, China slowdown, worsening growth-inflation dynamics, and rapid monetary tightening by global central banks, notably the US Fed. The loss in 2021 and 2022 thus far has been so much that it has completely wiped off 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 remained quite stable—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.

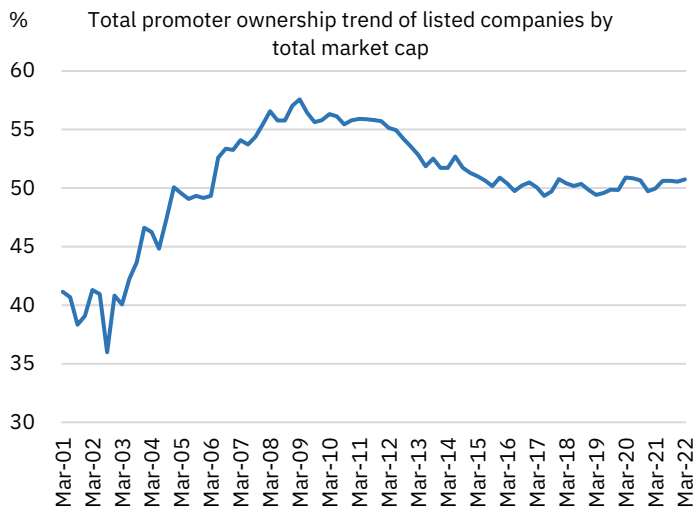
---

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

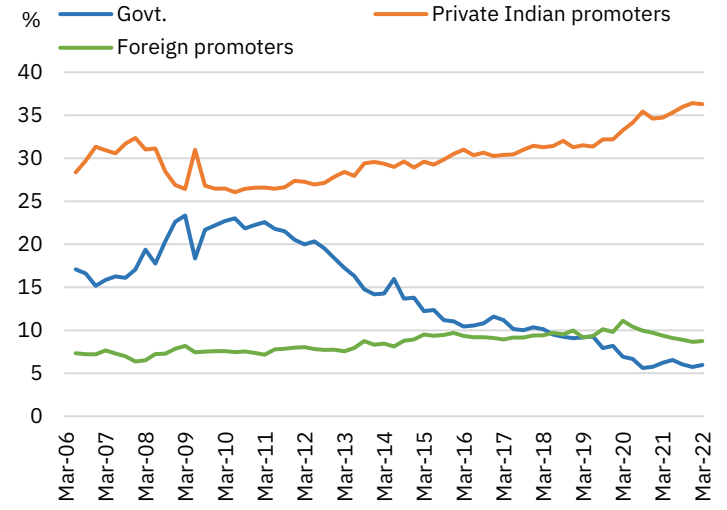
---

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


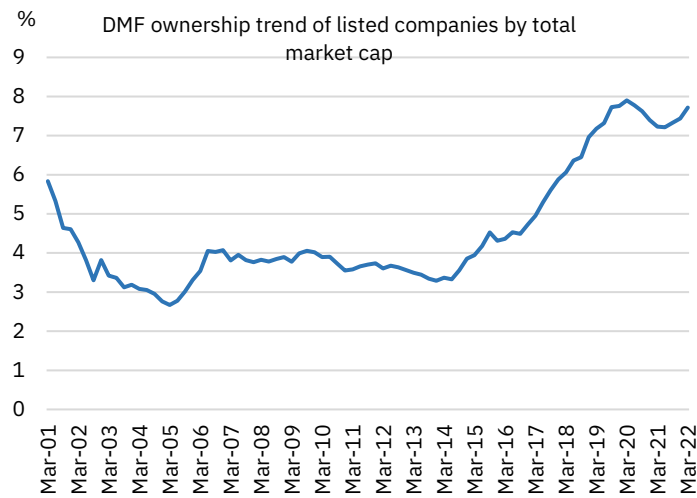
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians.

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


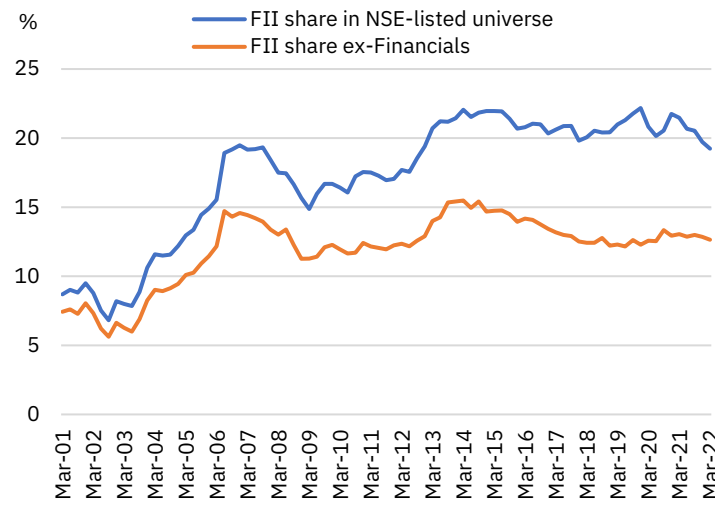
Source: CMIE Prowess, NSE EPR.

**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**

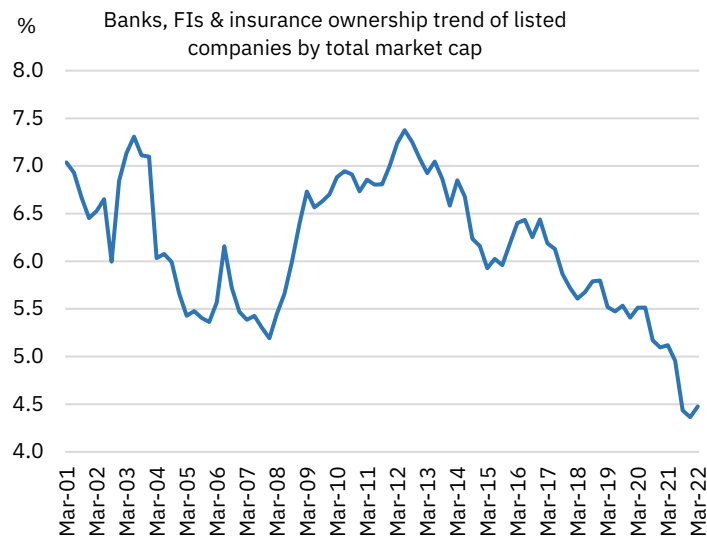


**Figure 7: FII ownership\* trend of NSE-listed companies by total market cap**

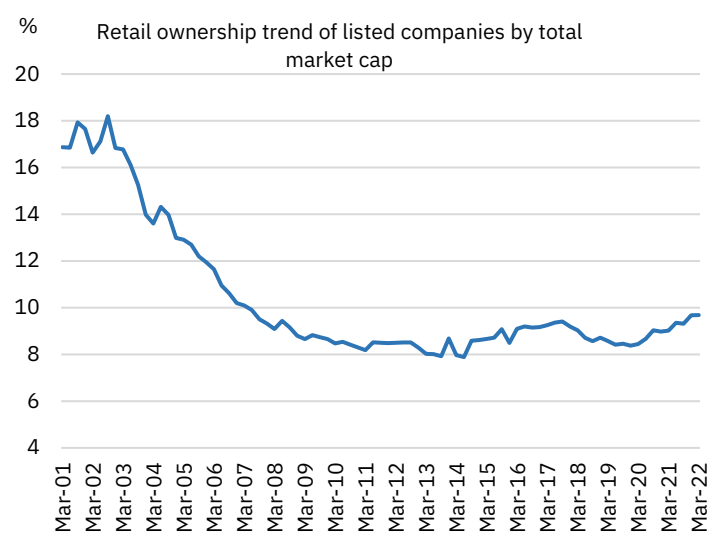


Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

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

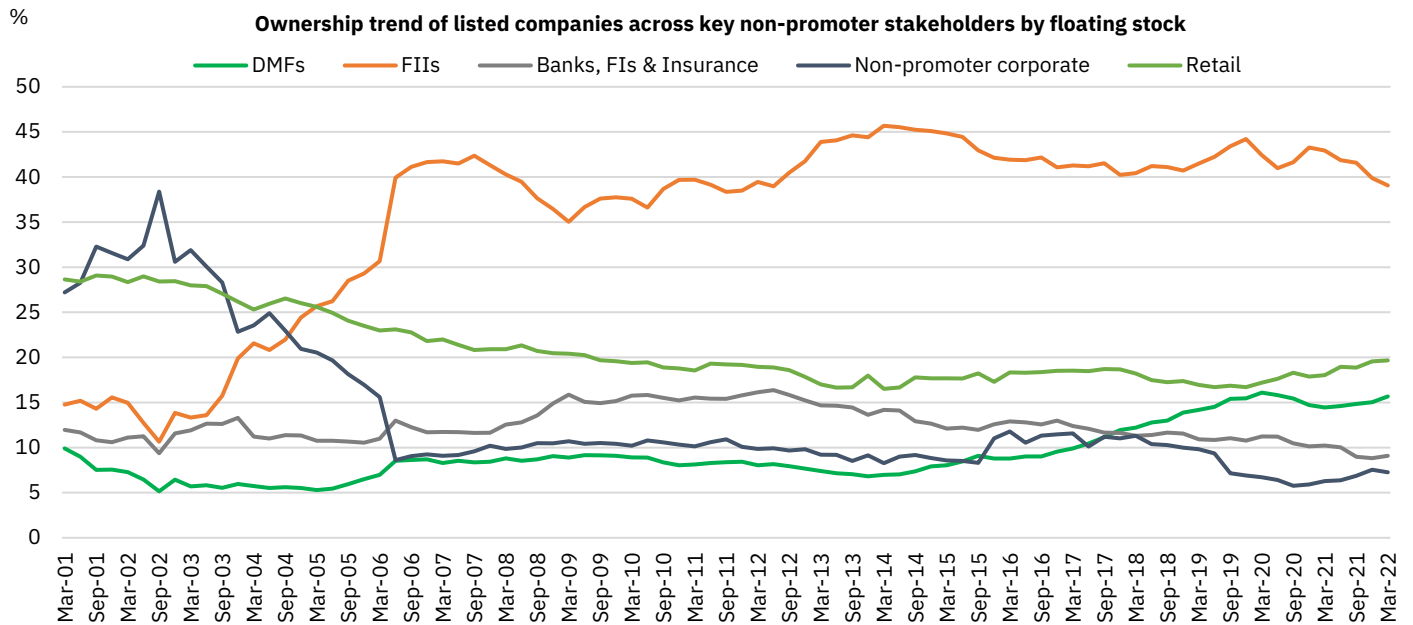


**Figure 9: Retail ownership trend of NSE-listed companies by total market cap**

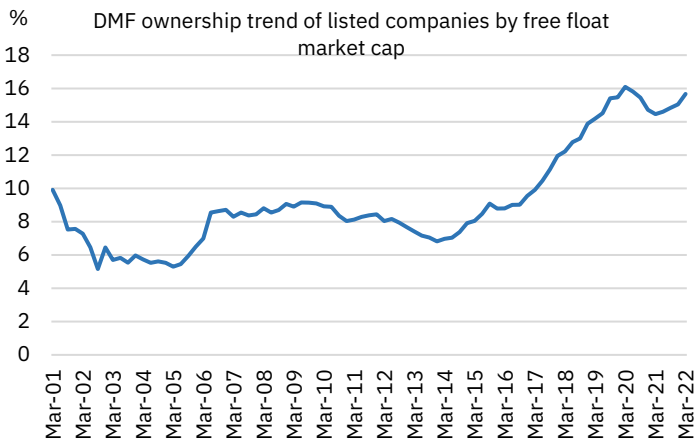


Source: CMIE Prowess, NSE EPR.

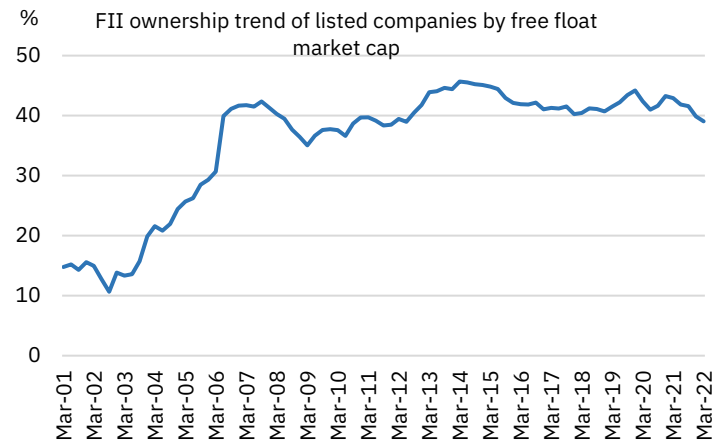
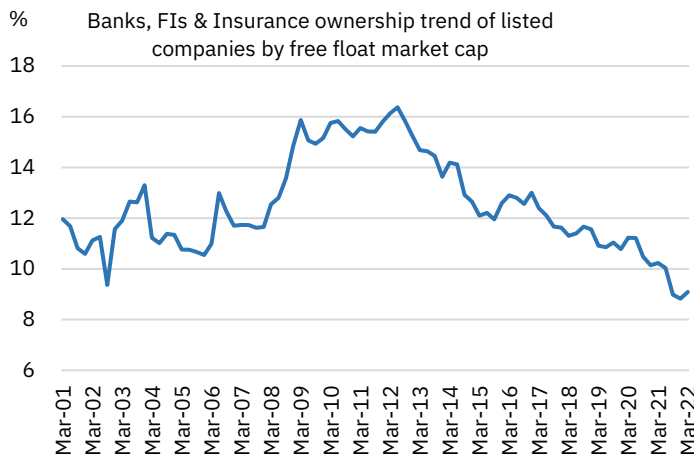


**Figure 10: NSE-listed universe: Long-term ownership trend across key stakeholders by free float market cap**


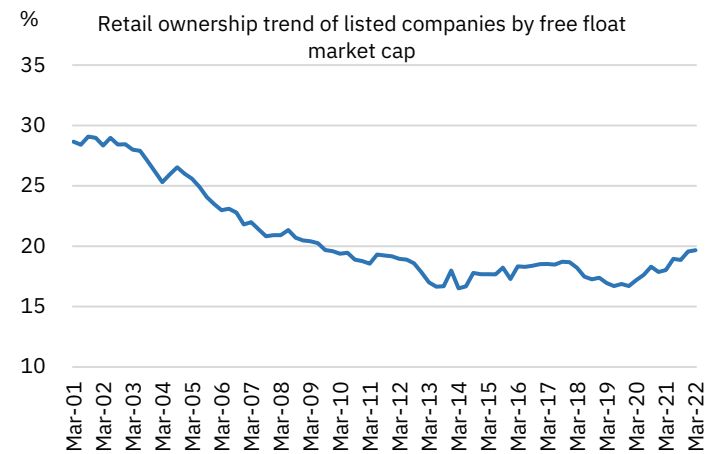
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

**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**


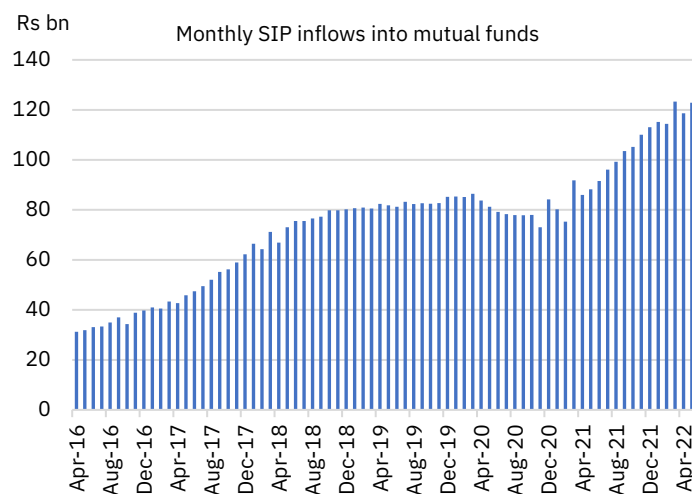
Source: CMIE Prowess, NSE EPR.

**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. Last fiscal year (Apr'21-Mar'22) have seen average monthly SIP inflows at Rs104bn vs. Rs80bn in FY21. In fact, average monthly run-rate during the first two months of the fiscal is now hovering at ~Rs120bn. Renewed surge in SIP inflows have helped mutual funds gradually increase their ownership in Indian equities following a drop seen in 2020.

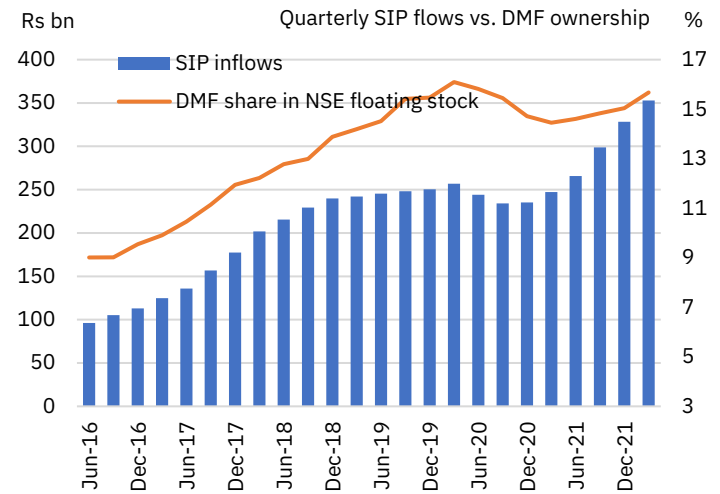
*Average monthly SIP inflows in FY22 rose by 29.6% YoY and further by 16.3% during the first two months of FY23.*

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



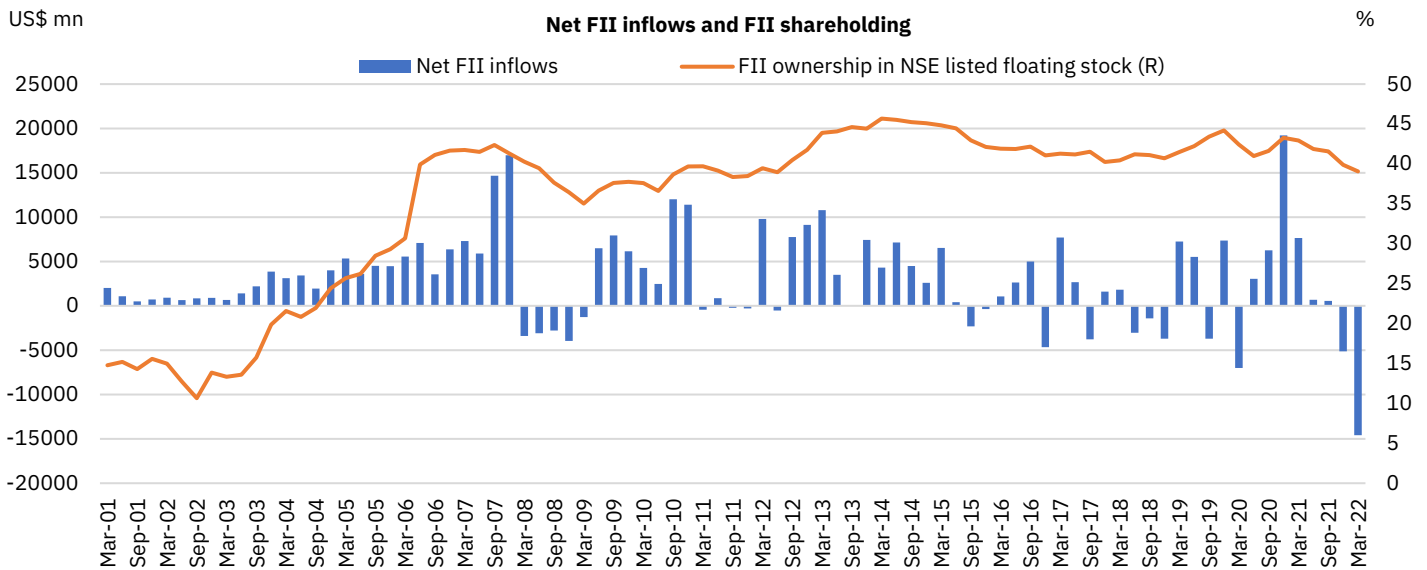
Source: AMFI, NSE EPR.

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

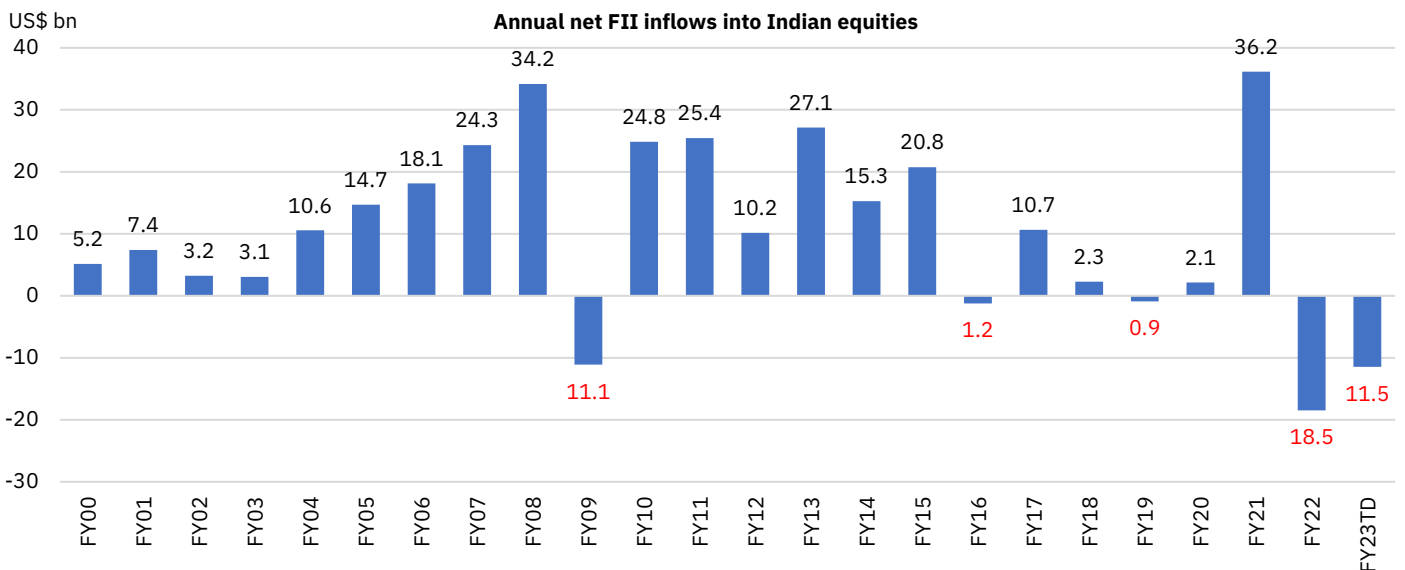


**FII's have remained big sellers of Indian equities for quite some time now:** After emerging as strong buyers of Indian equities in FY21 following muted participation in the previous three years, supported by global risk-on environment amidst an influx of global liquidity, FIIs turned big sellers in FY22. Persistent concerns on the COVID front amidst emergence of second and third waves, intensifying inflationary pressures and consequent tightening by global central banks, slowdown in China and worsened geopolitical tensions in the aftermath of Russia's attack on Ukraine all weighed on global risk appetite last year. This led to flight of capital away from riskier asset classes including EM equities to safe-haven assets such as Gold and US Dollar. Net outflows by FIIs in FY22 stood at a record high of US\$18.5bn, thereby resulting in drop in FII share in the NSE listed universe. Selling by FIIs has further intensified in the new fiscal year as well, with net outflows already surpassing US\$11bn in this fiscal thus far (As on June 17<sup>th</sup>, 2022). This, in turn, is likely to continue to weigh on FII ownership over the coming quarters.

*Net selling by FIIs was the highest ever in last fiscal year, leading to FII ownership falling sharply, and has further intensified in FY23 thus far.*

**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.

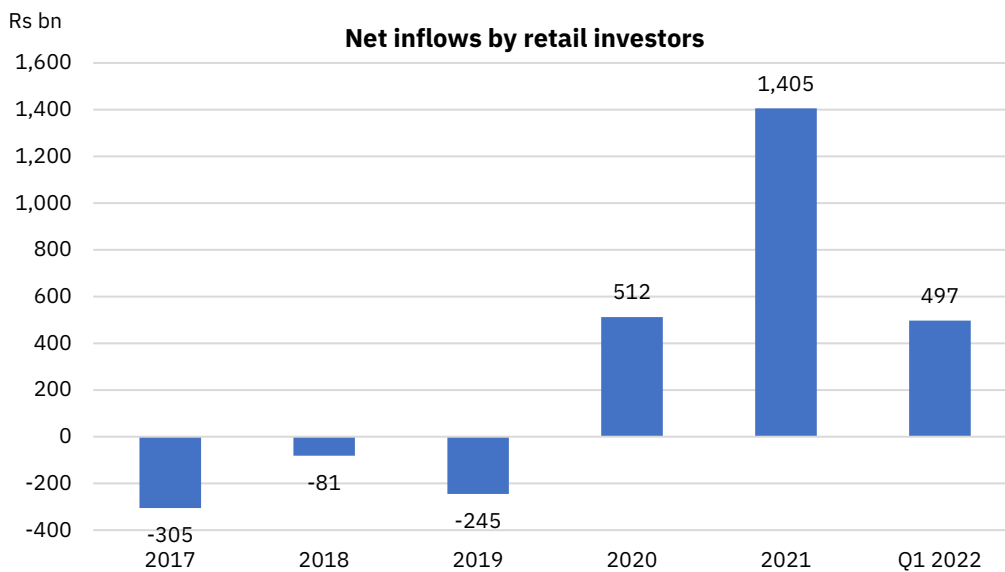
### Direct retail participation has strengthened meaningfully over the last couple of years:

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 Indian equities in 2020, after a three-year hiatus between 2017-19, further strengthening their participation in 2021 and 2022 thus far. During 2020 and 2021, they invested a total of Rs1.94trn in NSE's capital market segment (secondary market only) of which Rs1.43bn has been invested in 2021 alone. Retail participation in the current year has remained strong as well despite worsening macro fundamentals, as reflected in strong net inflows of Rs497bn during the first quarter of 2022 alone.

Inflows in last two-plus 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. Despite a market crash this year, individual investors have remained invested in the market. 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 record number of new investors totalling to 34.6m by NSDL and CDSL combined, on top of 14.3m registrations in the previous year. Additionally, the share of individual investors in the cash market turnover shot up to 45% in FY21 vs. 39% in FY20, falling to 40.7 in FY22.

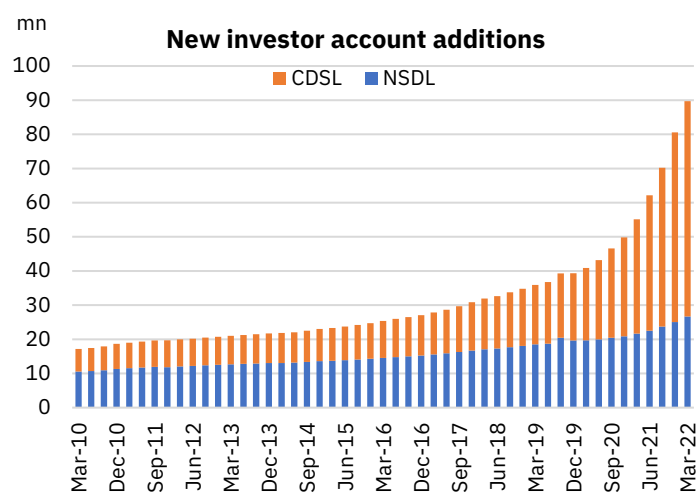
**Figure 19: Net inflows by retail investors in the NSE's CM segment (2017-)**



Source: NSE EPR.

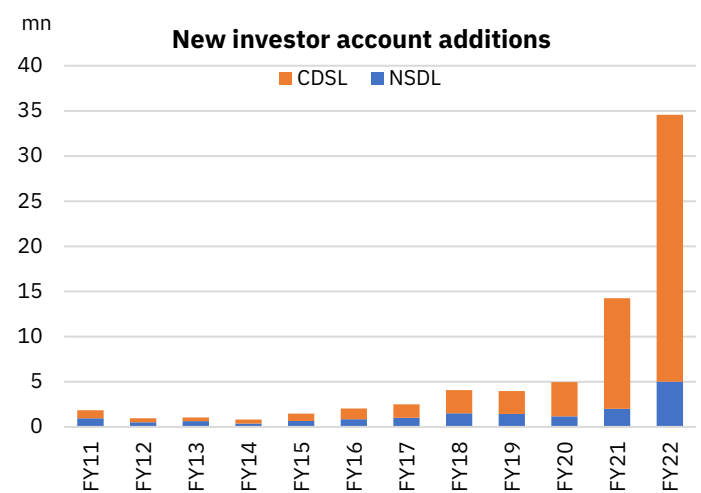
Note: 1. Note: Retail investors: individual domestic investors, NRIs, sole proprietorship firms and HUFs.  
 2. Net flows include investments in securities in EQ, BE, SM, and ST series including ETFs only.  
 3. Net flows are calculated as buy traded value – sell traded value.

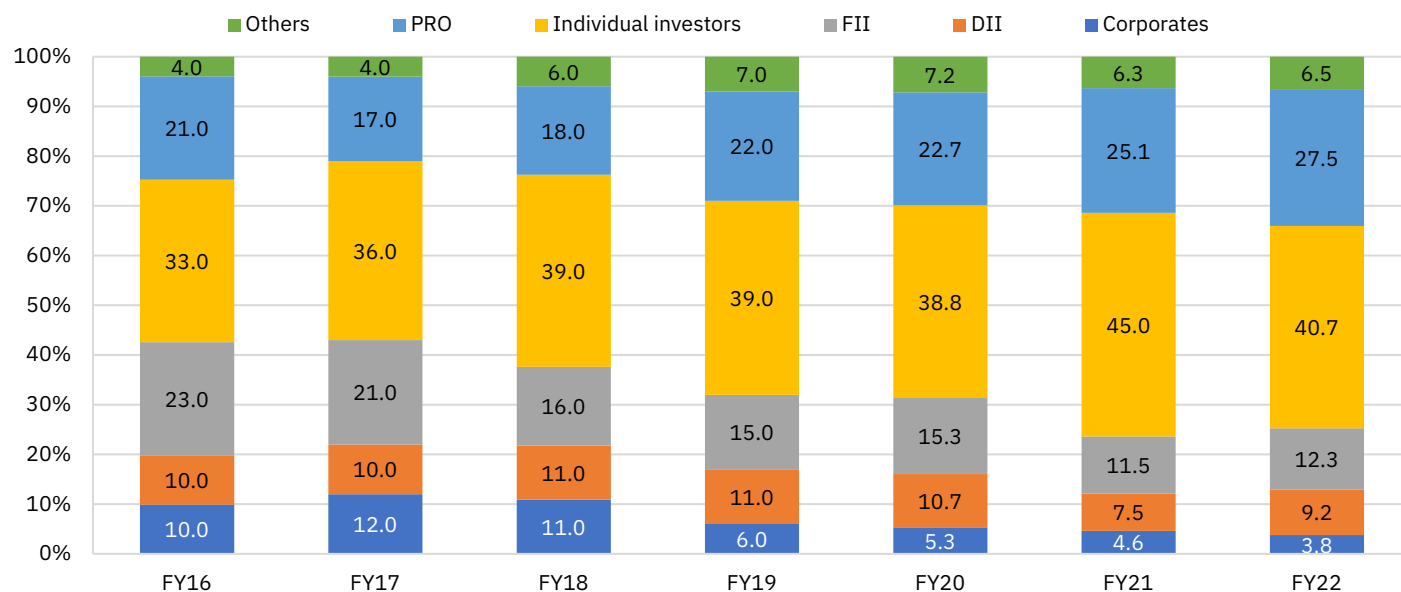
**Figure 20: Quarterly trend of number of active investor accounts with depositories**



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.; Above data represents share in gross turnover i.e., buy-side turnover + sell-side turnover.

**Sector-wise ownership of the NSE-listed universe (March 2022):** The sector-wise ownership pattern of the NSE-listed universe across key stakeholders in the quarter gone by (Jan-Mar'22) shows that the Real Estate sector continues to lead in terms of promoter ownership at 66.5% (+48bps QoQ), followed by Utilities at 62.9% (+109bps QoQ), Materials at 56.0% (-40bps QoQ), Industrials at 55.5% (+83bps QoQ), Communication Services at 54.8% and Consumer Staples at 54.6% (-81bps QoQ). Sector-wise, Utilities had the highest Government ownership at 14.9%, even as the share has come off sharply over the last few years (-33.7 pp since December 2016) to hit fresh all-time lows. Other sectors that have high Government ownership include Energy, Financials and Industrials at 13.2% (+17bps QoQ), 10.5% (+20bps QoQ), and 8.5% (+27bps QoQ) respectively. Except Utilities and Communication Services, all other sectors have either seen a steady or an increase in Government ownership in the March quarter.

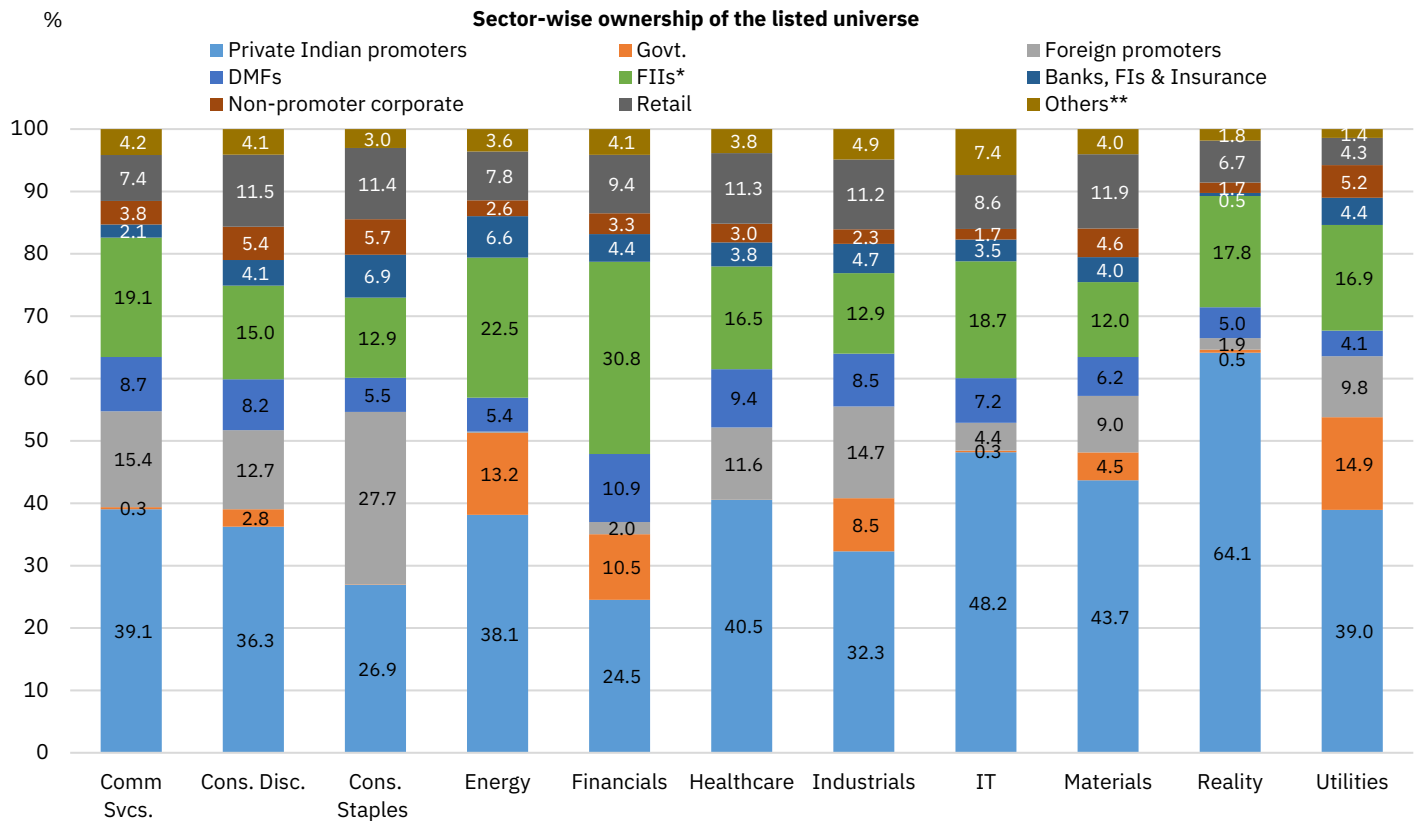
Sector-wise, Financials had the highest DMF ownership of 10.9% (+84bps QoQ) in the March quarter, followed by Healthcare at 9.4% (+62bps QoQ). Communication Services moved a rank higher to the third position in terms of DMF share, replacing Industrials, thanks to a 74bps QoQ jump in DMF ownership to 8.7%. Except for Utilities that saw a 61bps QoQ drop in DMF share to drop a notch lower to the lowest rank, all other sectors have either seen their DMF share remaining broadly steady on a sequential basis or rising in the quarter gone by.

In terms of FII share, Financials sector lead with a 30.8% FII share, even as there has been a meaningful drop over the last five quarters (-117bps in the March quarter and 5.2pp since December 2020). This is followed by Energy and Communication Services at 22.5% (-24bps QoQ) and 19.1% (+9bps QoQ). Barring Utilities and Communication Services that saw a modest increase in FII share in the quarter gone by and Materials that so a steady share, all other sectors saw a drop in FII share in the March quarter.

*Sector-wise, Utilities continues to lead in terms of Government ownership at 14.9%, 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, barring Utilities and Communication Services, all other sectors saw a drop in FII share in the March quarter.*

**Figure 23: NSE-listed universe: Sector-wise ownership pattern across key stakeholders (March 2022)**


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 (March 2022):** The table below shows sector allocation for key shareholder categories in all NSE-listed companies as of March 2022. Government ownership remains concentrated to Financials, Energy, Utilities, Industrials and Materials, together accounting for 94.5% of the Government’s allocation in the listed space. Consumer sector—Discretionary and Staples—account for 40.1% 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 30.2% (+118bps QoQ) of their holdings in Financials, followed by Information Technology at 13.2% (-46bps QoQ) and Materials at 10.2% (-17bps QoQ), FIIs have a higher allocation to Financials at 34.3% 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 21-year low of 4.1pp in the quarter ending March 2022. 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 has remained broadly steady in FY22.

*DMFs have 30.2% of their market holding (NSE-listed) in Financials, followed by IT (13.2%) and Materials (10.2%).*

*FIIs have a higher exposure to Financials at 34.3% even as it has come off meaningfully over the last few quarters.*



**Table 3: Sector allocation of the NSE-listed universe for key stakeholders (March 2022)**

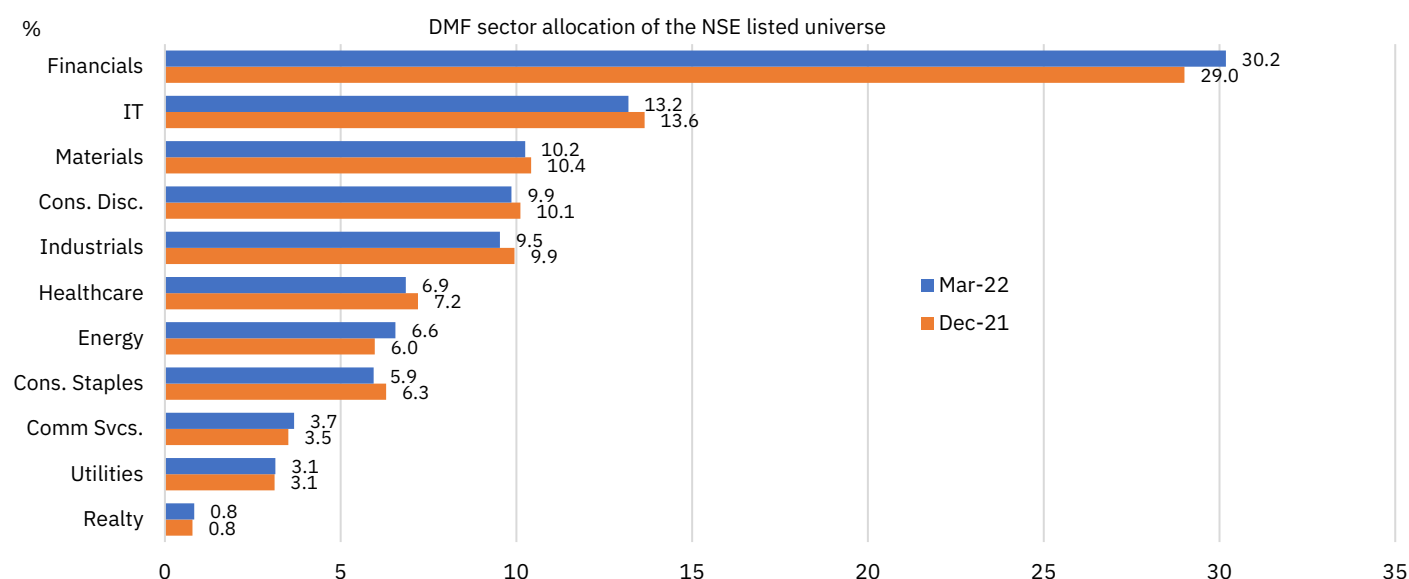
%	Pvt. Indian promoters	Govt	Foreign promoters	Domestic MFs	FIIIs*	Banks, FIs, Insurance	Non-promoter corporate	Retail
Communication Services	3.5	0.2	5.7	3.7	3.2	1.5	3.4	2.5
Consumer Discretionary	9.3	4.3	13.5	9.9	7.3	8.5	14.0	11.1
Consumer Staples	6.2	0.1	26.5	5.9	5.6	12.9	13.4	9.9
Energy	9.8	20.5	0.2	6.6	10.8	13.7	6.7	7.5
Financials	14.4	37.6	4.8	30.2	34.3	21.2	19.9	20.6
Health Care	6.3	0.0	7.5	6.9	4.8	4.8	4.8	6.6
Industrials	7.7	12.4	14.6	9.5	5.8	9.1	5.7	10.0
Information Technology	18.8	0.6	7.2	13.2	13.8	11.0	6.7	12.7
Materials	15.3	9.5	13.1	10.2	7.9	11.3	16.2	15.6
Real Estate	2.3	0.1	0.3	0.8	1.2	0.1	0.6	0.9
Utilities	6.3	14.7	6.6	3.1	5.2	5.8	8.7	2.6
<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.

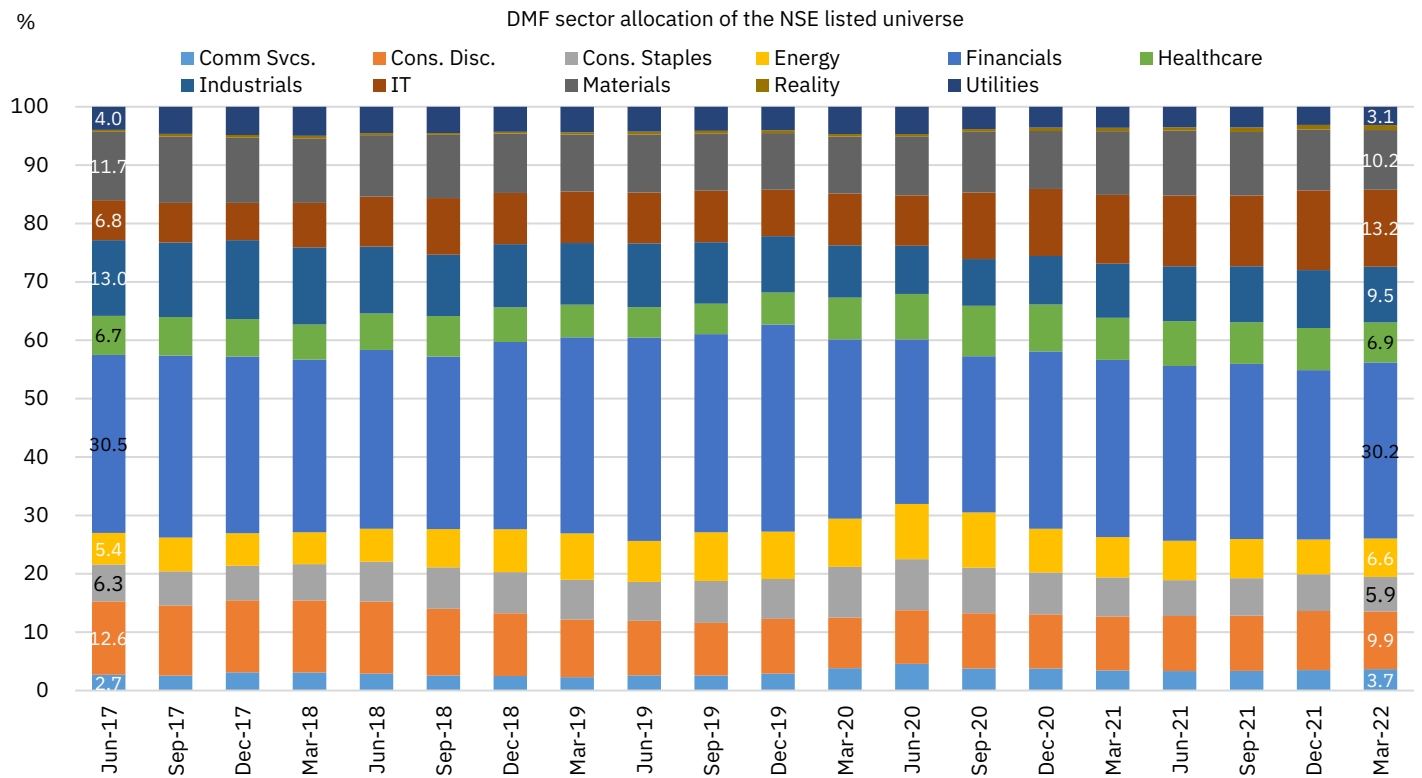
### Increase in DMF share in the listed universe has primarily come through increased exposure to Financials and Energy:

DMFs significantly raised their exposure to Financials by 118bps QoQ to 30.2% in the March quarter, followed by 59bps and 16bps QoQ increase in allocation to Energy and Communication Services to 6.6% and 3.7% respectively. Increase in DMF share in the latter two was partly owing to relative outperformance of these sectors in the quarter gone by. For instance, Nifty Energy Index generated a return of 14.1% in the first quarter of 2022 vs. Nifty 50/Nifty 500 return of 0.6% and -0.7% respectively, while Nifty Bank Index rose by 2.5%. This came at the cost of reduced allocation to Information Technology, Industrials, Consumer Staples, Healthcare and Consumer Discretionary in the quarter gone by, a large part of which was due to huge sell-off in these sectors. Except for Industrials, all these sectors underperformed the broader market in the March quarter, led by Information Technology and Pharmaceuticals. These two were the among the best performing sectors last year, and hence saw some profit booking during the March quarter in the wake of worsening global backdrop. Sectors where DMFs broadly maintained their exposure at a portfolio level in the quarter ending March 2022 included Materials, Utilities and Real Estate.

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

**Figure 24: DMF sector allocation of the NSE-listed universe (March 2022 vs. December 2021)**


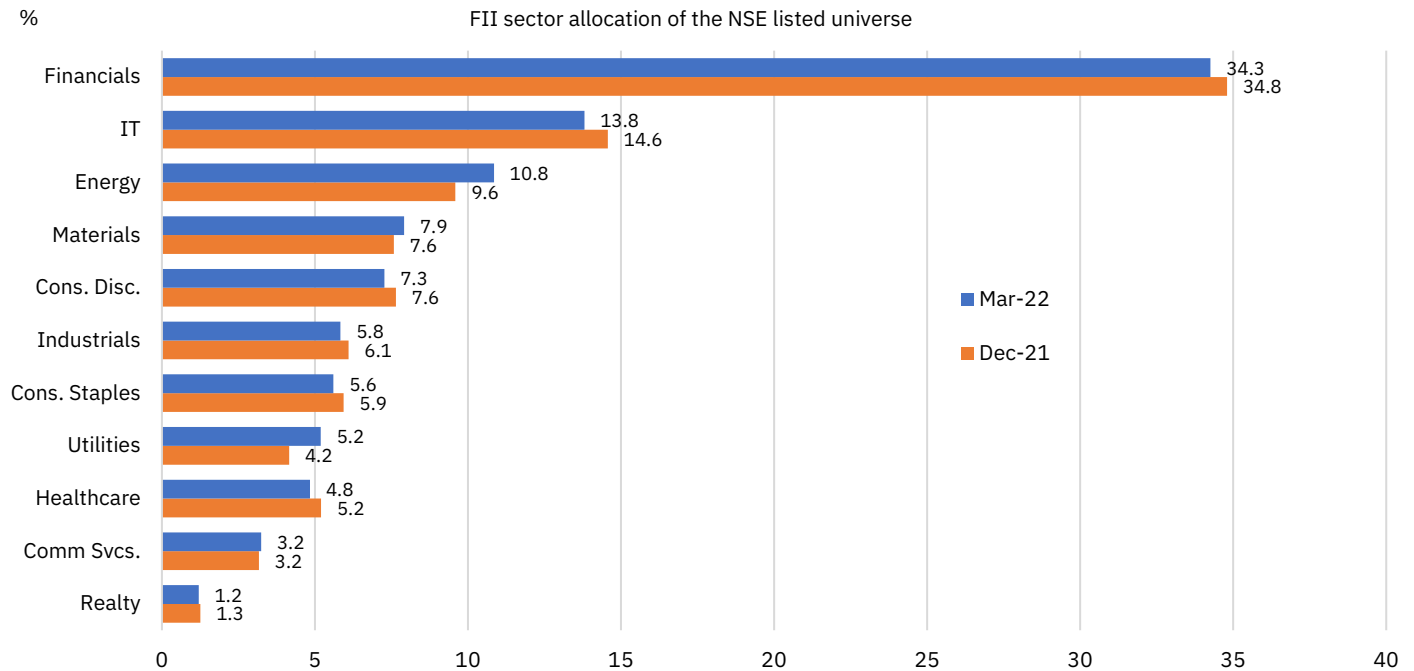
Source: CMIE Prowess, NSE EPR.

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


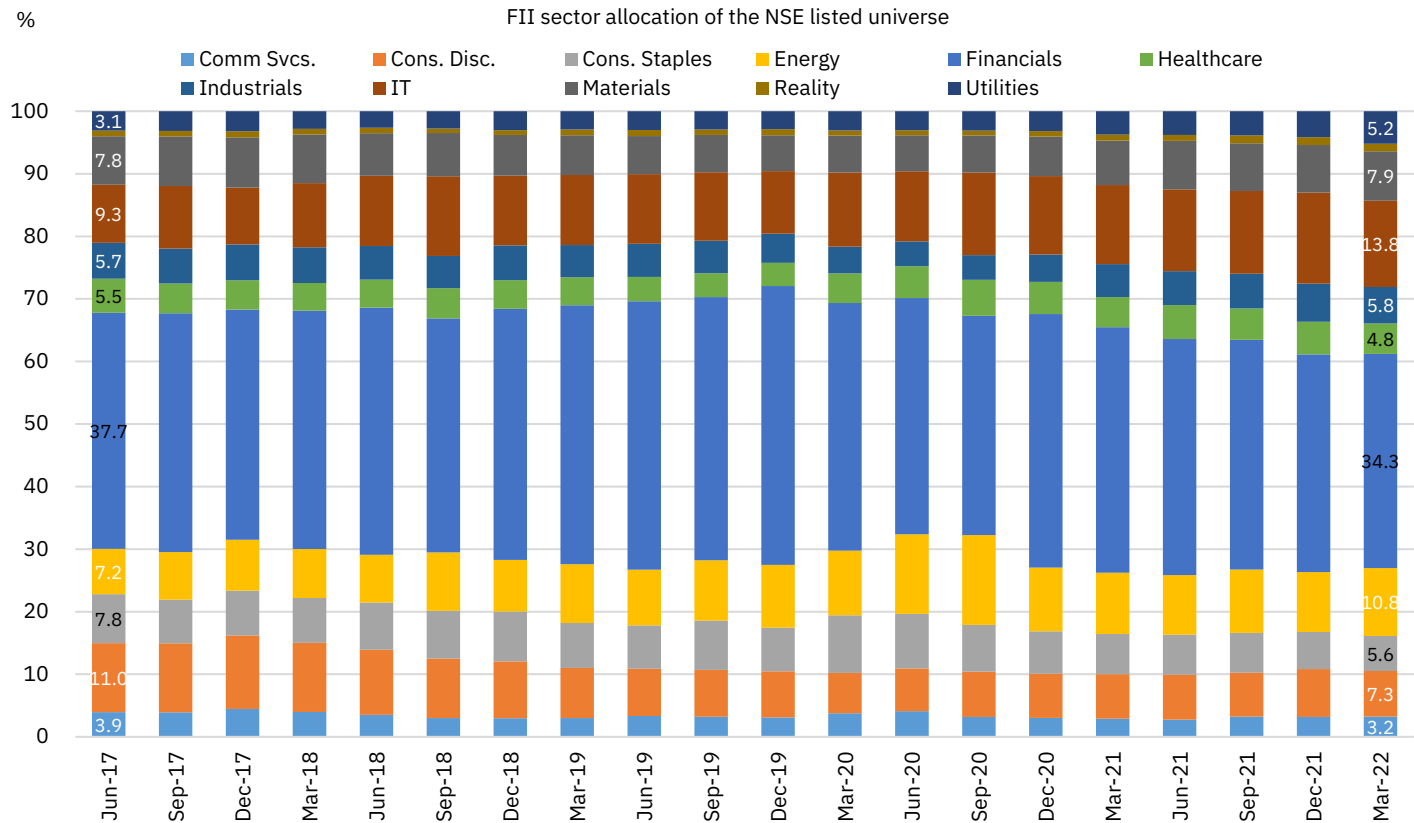
Source: CMIE Prowess, NSE EPR.

**FIIIs reduced exposure to Financials for the fifth quarter in a row:** Unlike DMFs, FII reduced their exposure to Financials within the NSE listed space for the fifth consecutive quarter by 54bps QoQ to a 21-quarter low of 34.8% in the quarter ending March 2022. With FIIIs continuing to play the India story through Financials, the sector naturally saw the maximum drop in FII share amidst this outflux of foreign capital from emerging equities including India. FIIIs exposure to Financials is now 10.3pp lower than the peak level of 44.6% observed in December 2019. Like DMFs, FIIIs also saw a drop in portfolio share in Information Technology, Healthcare, Consumer Staples, Consumer Discretionary and Industrials, possibly reflecting the impact of relative underperformance of these sectors in the quarter gone, while they saw a significant jump (+126bps QoQ) in their portfolio allocation to Energy to a six-quarter high level of 10.8% within the NSE listed universe. This is in line with the huge rally seen in Energy companies in the March quarter, thanks to surging crude oil prices. Besides Energy, other sectors where FIIIs raised their portfolio share included Utilities (+103bps QoQ) and Materials (+33bps QoQ).

*FIIIs reduced their allocation to Financials for the fifth consecutive quarter, and increased their portfolio share in Energy.*

**Figure 26: FII sector allocation of the NSE-listed universe (March 2022 vs. December 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 (March 2022)

**Promoter stake in the Nifty 50 universe dipped for the second quarter in a row:** Unlike the overall NSE listed universe where private promoter ownership remained broadly steady on a sequential basis, the Nifty 50 universe saw a 29bps QoQ dip instead to 38.2%, marking the second consecutive drop. A modest increase in private promoter stake—the fifth time in a row—was more than offset by a sustained drop in foreign promoter stake in the quarter gone by. Private Indian promoter stake in the Nifty 50 universe rose by 15bps QoQ to 16-year high of 32.5% in the March quarter, while foreign promoter stake dropped for the eighth consecutive quarter from a 17-year high of 9.7% in March 2020 to a 3-quarter low of 5.7% in the quarter ending March 2022 (-44bps QoQ). Unlike the overall NSE listed space where Government share inched up in the March quarter, that in the Nifty 50 Index remained broadly steady at 5.1% for yet another quarter.

**Institutional ownership inched up for the first time in five quarters:** In line with the broader listed universe, FII ownership in the Nifty 50 universe fell by 45bps QoQ to an eight-and-a-half year low of 25.4% on top of a 148bps drop in the previous three quarters combined, marking the fifth consecutive quarter to record a sequential dip. This translated into a total drop of 192bps in FII share in the Nifty 50 Index in the March quarter—the highest annual drop on a fiscal year basis in last 13 years. FII share in the Nifty 50 universe is now nearly 3pp 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 accentuated risk-off environment during the quarter in the wake of intensifying inflationary concerns, expectations of faster-than-anticipated policy normalisation by the US Federal Reserve, China slowdown and Russia's invasion of Ukraine.

DMF ownership on the other hand inched up for the fourth quarter in a row by 45bps QoQ to a 21-year high of 8.9%, much high than the sequential increase seen in the overall listed universe, reflecting a cautious optimistic stance given the prevailing macro and geopolitical uncertainty. The share of Banks, Financial Institutions and Insurance inched up by a modest 16bps QoQ to 6.1% in the March quarter—the first increase in four quarters but is just 19bps above the 21-year low level of 6.1% seen in the previous quarter.

**Retail ownership in the Nifty 50 index saw a modest jump in the March quarter:** Individual retail investors' holding in the Nifty 50 Index inched up by a modest 13bps QoQ—the second sequential jump in a row—to near 14-year high of 8.5% in the quarter ending March 2022. This translated into an increase of 50bps since December 2020 and ~84bps from the pre-pandemic level (December 2019). This is higher than the increase in retail share seen in the broader listed universe, pointing to a shift in retail buying from small and mid-cap companies to large-cap stocks. Around 32/50 Nifty 50 stocks have seen an increase in retail share during the quarter.

---

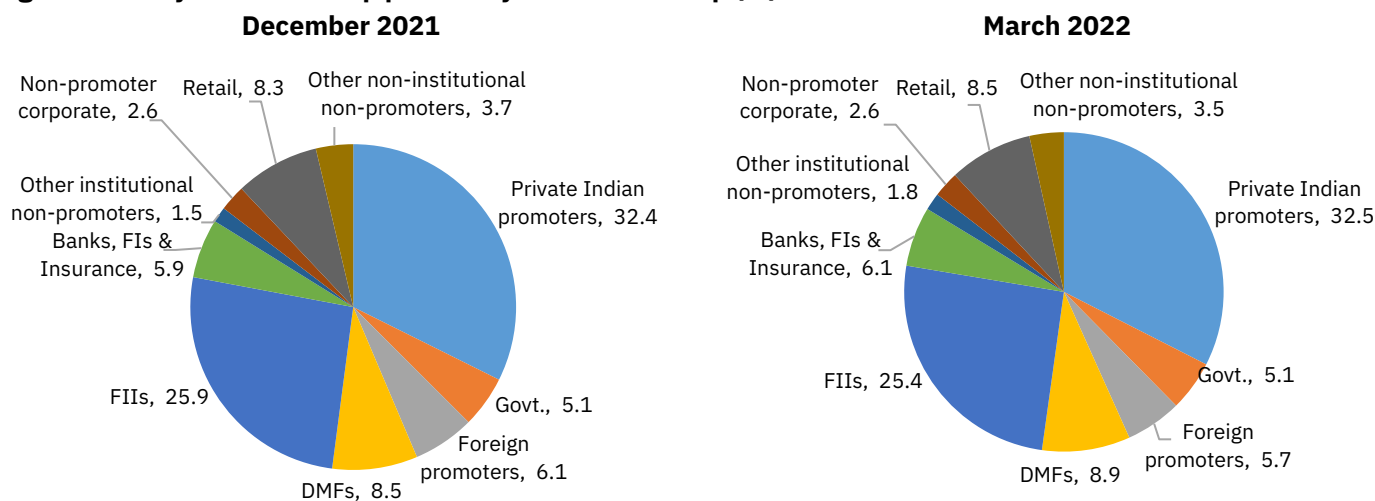
*Promoter stake in the Nifty 50 Index dipped in the March quarter, as an increase in private Indian promoter stake for the fifth time in a row was more than offset by sustained drop in foreign promoter stake.*

---

---

*FII share in Nifty 50 companies fell for the fifth quarter in a row by 45bps QoQ to 25.4% in the March quarter, while that of DMFs rose by an equivalent rate to 21-year high of 8.9%.*

---

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


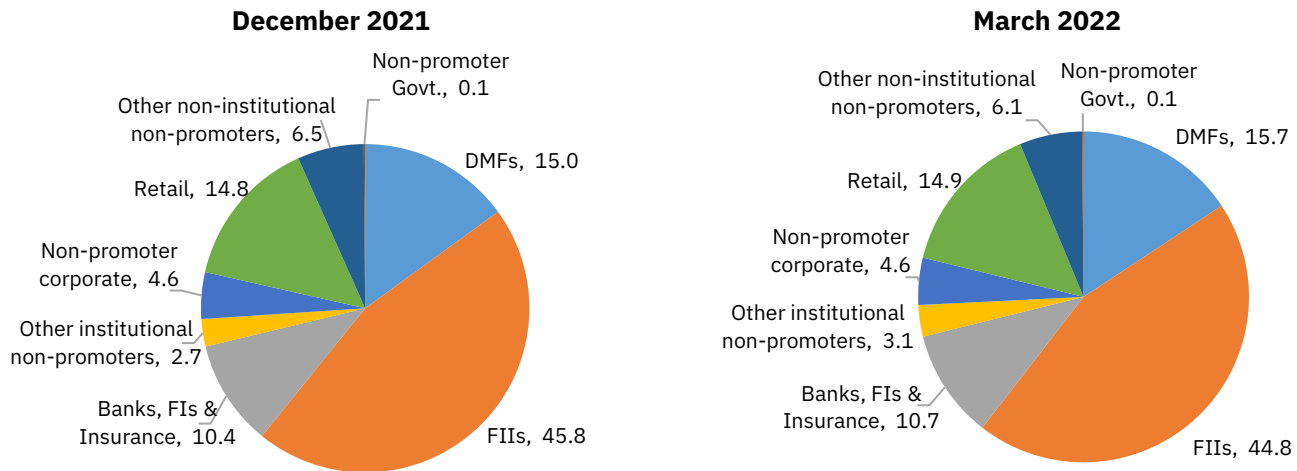
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians.

**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 *	Non-promoter corporate	Retail
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	147.5	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
Mar-22	32.5	5.1	5.7	8.9	6.1	25.4	2.6	8.5
QoQ change	15bps	-3bps	-44bps	45bps	16bps	-45bps	2bps	13bps

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 104bps QoQ to a 39-quarter low of 44.8% in the quarter ending March 2022, translating into a total drop of 3.4pp since December 2020. This is in line with huge foreign capital outflows from India over the last few quarters after a surge seen in 2020. Share of DMFs in the floating stock of Nifty 50 universe rose by 71bps QoQ to a 21-year high (since the beginning of our analysis) of 15.7% in the March quarter, marking the fourth quarter in a row to see a sequential rise. Banks, Financial Institutions, and Insurance companies also saw their share rising by a modest 23bps QoQ from a 21-year low of 10.4% in the previous quarter to 10.7% as of March 2022. Overall institutional ownership in the Nifty 50 floating stock rose by 26bps QoQ to 74.2% in the quarter ending March 2022 following a steady drop totaling to 206bps over the previous four quarters. Besides FIIs, other non-institutional non-promoter investors (That are neither individuals nor corporates and primarily comprise of trusts, clearing members and HUFs) also saw their share in the Nifty 50 floating stock falling by 42bps QoQ—the first sequential drop in five quarters. Individual retail investors' share in the free-float stock of the Nifty 50 Index rose by a modest 15bps QoQ to a decadal high share of 14.9% in the March quarter.

**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	FIIs*	Non-promoter corporate	Public
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
Mar-22	15.7	10.7	44.8	4.6	14.9
QoQ change	71bps	23bps	-104bps	1bps	15bps

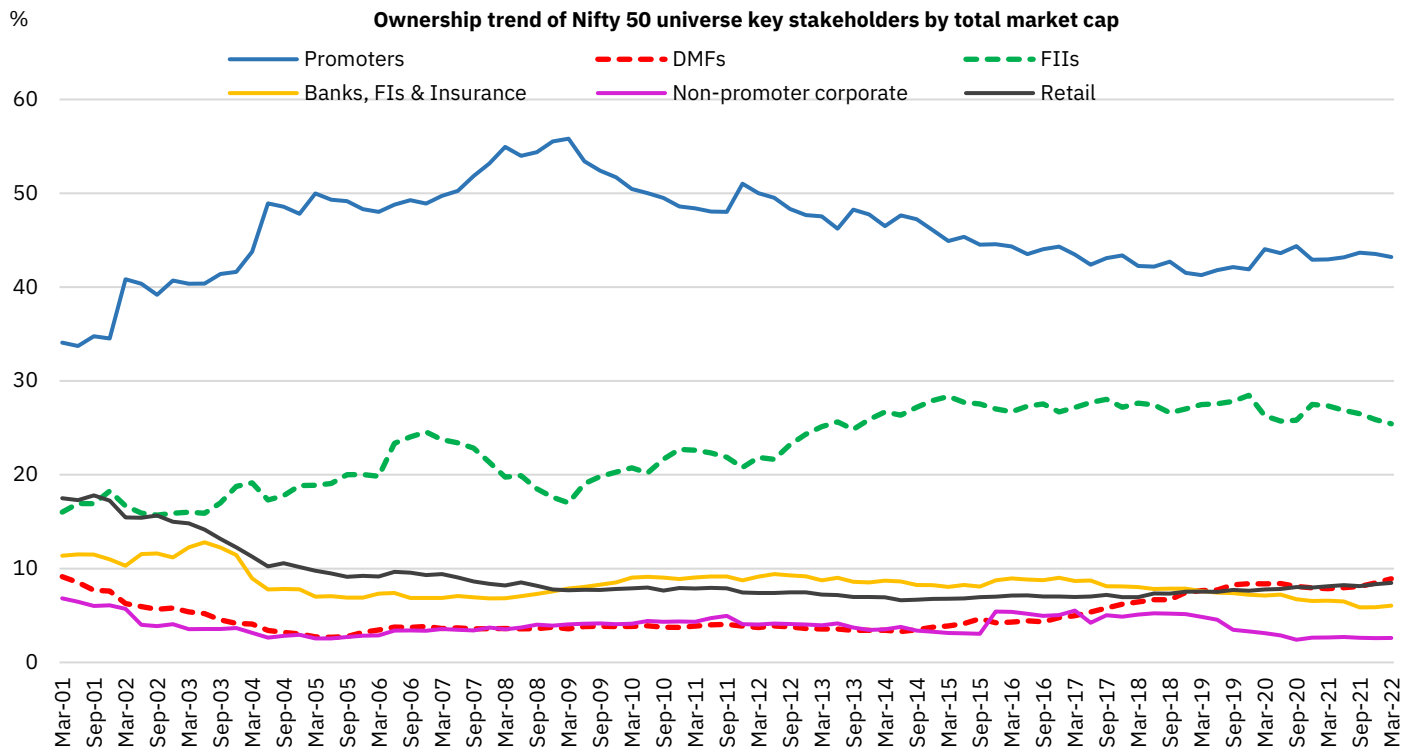
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

**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 until March 2019, only to see a gradual increase over the last three years. This has been largely led by a sharp decline in Government ownership, even as private Indian promoters' holding has increased since 2010 while foreign promoters' share has remained broadly steady over last several years.

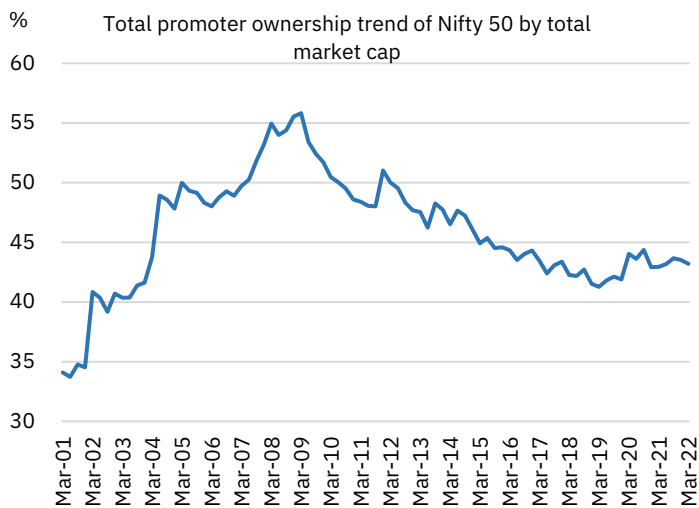
While the DMF ownership has seen a sharp increase since 2014 barring the drop in 2020, FII ownership saw a steady increase since the Global Financial crisis until early 2015 and has since hovered around similar levels, witnessing some drop over the last few quarters. FII ownership excluding Financials, 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.

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

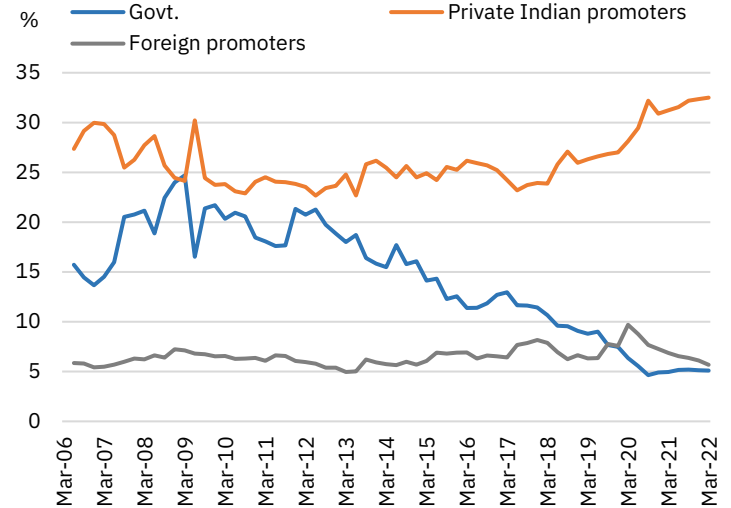


**Figure 30: Nifty 50: Long-term ownership trend across key stakeholders by total market cap**


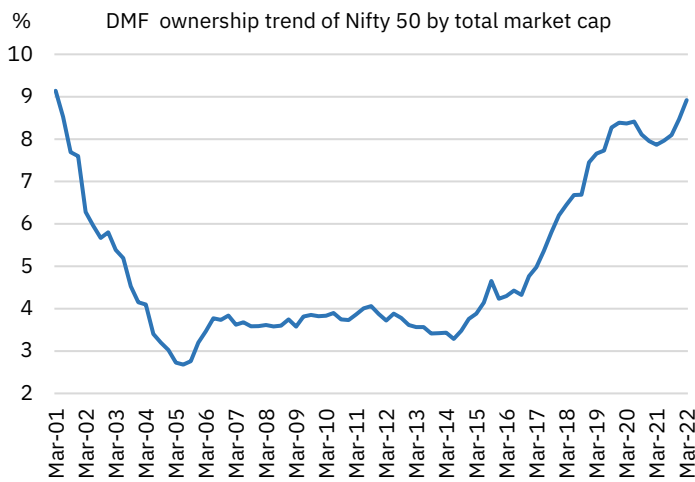
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

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


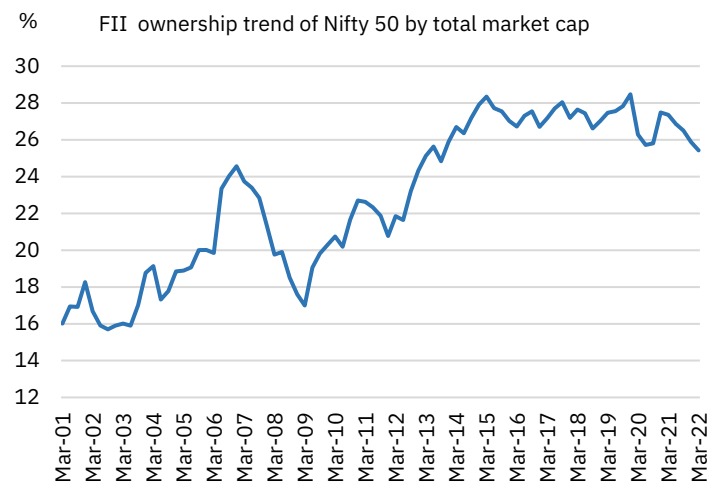
Source: CMIE Prowess, NSE EPR.

**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**

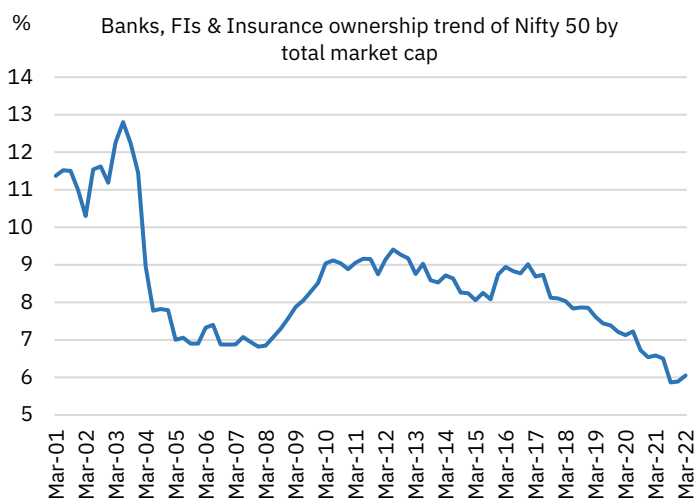


**Figure 34: FII ownership trend of Nifty 50 universe by total market cap**

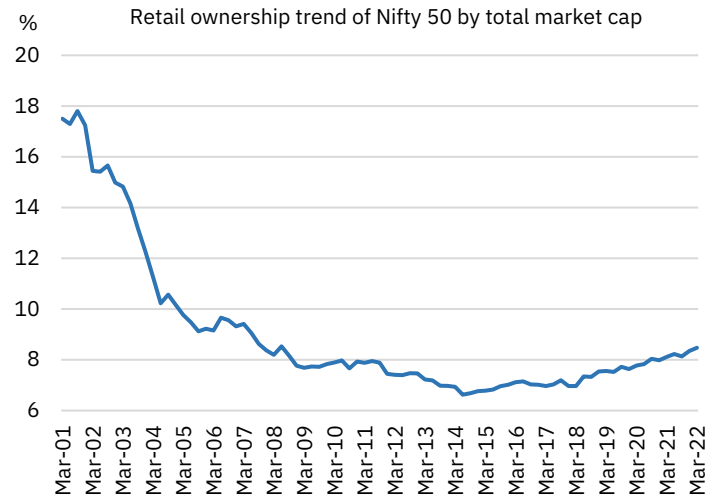


Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

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

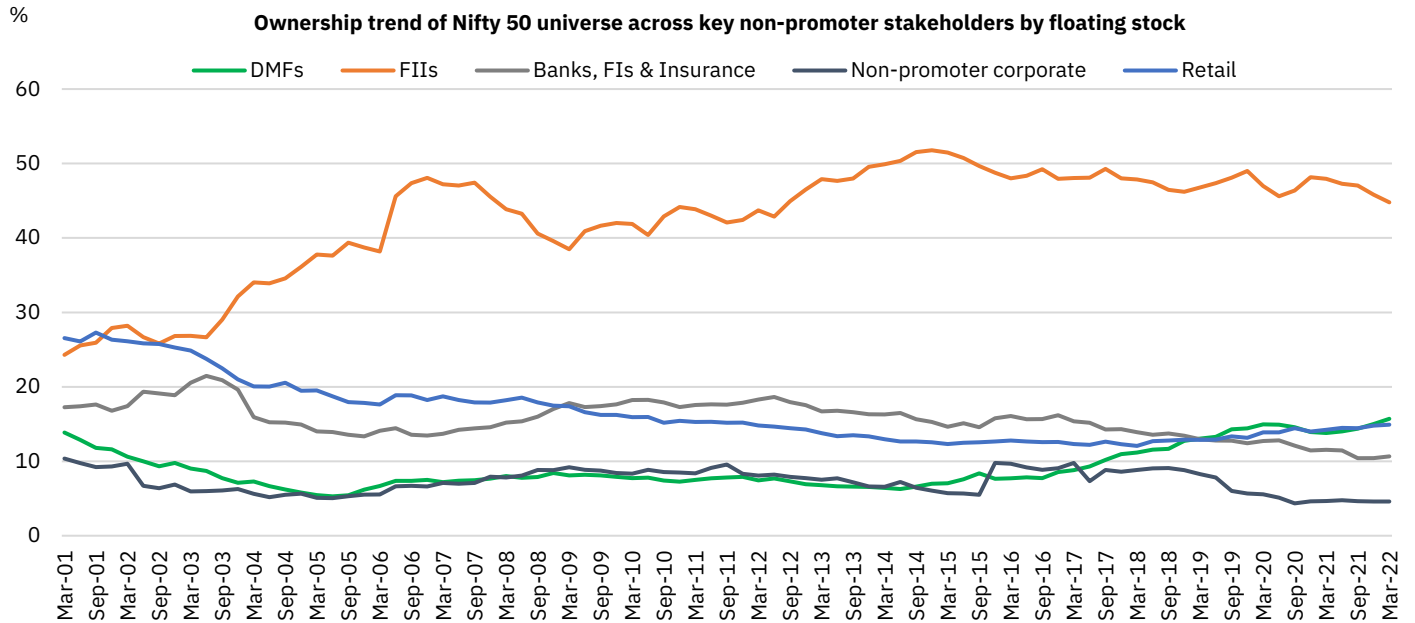


**Figure 36: Retail ownership trend of Nifty 50 universe by total market cap**

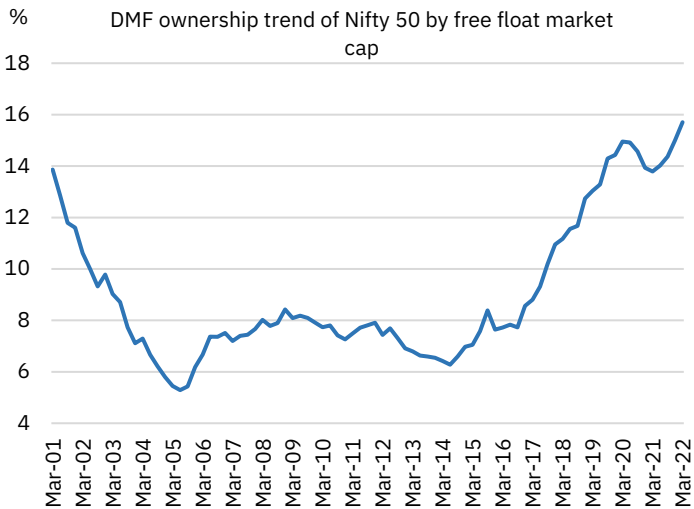


Source: CMIE Prowess, NSE EPR.

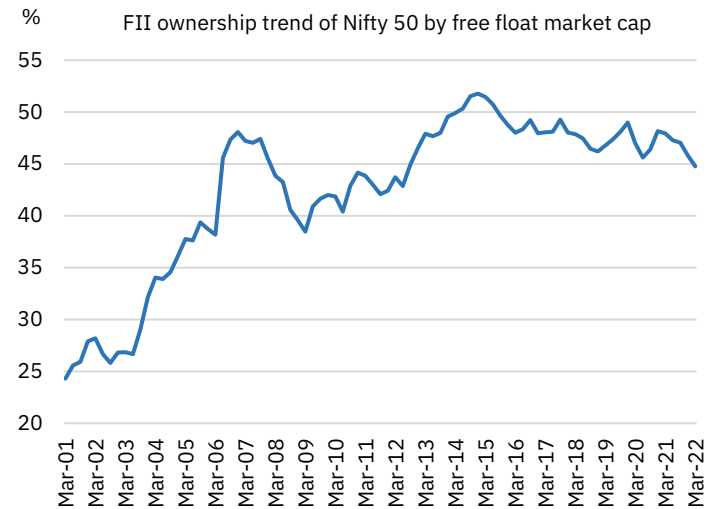
Our long-term ownership analysis on the free float market cap of the Nifty 50 Index also shows that while DMF ownership is currently hovering at a 21-year high of 15.7%, current FII ownership is nearly 7pp lower than the peak of 51.8% seen in December 2014.

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


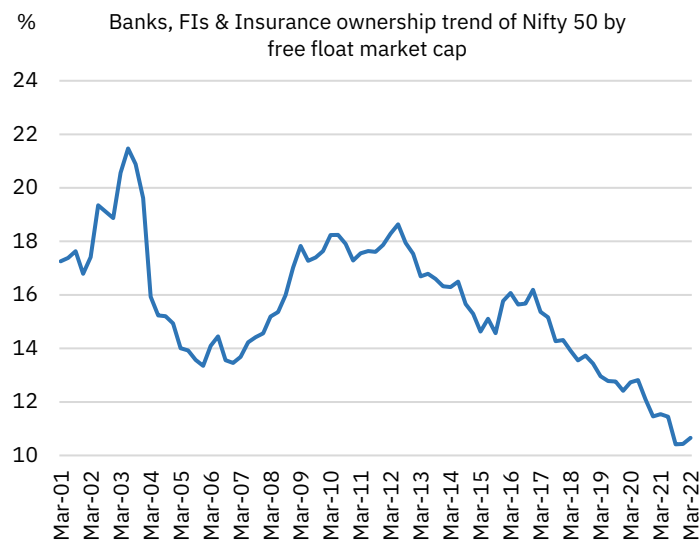
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

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


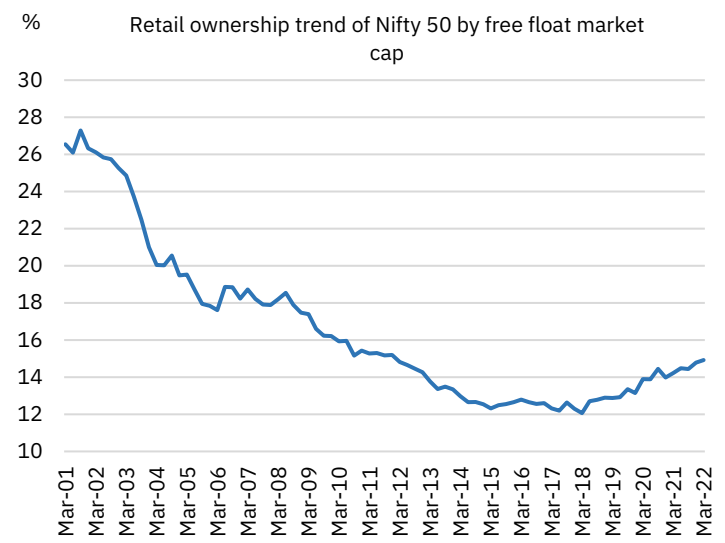
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

**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 (March 2022):** In the quarter ending March 2022, Communication Services within the Nifty 50 universe had the highest promoter ownership at 55.9% that has remained broadly steady at these levels over the last five quarters. This is followed by Information Technology at 53.3% (-50bps QoQ), Utilities at 51.2% and Energy at 51.1%. Utilities and Energy remained the top sectors in terms of Government ownership at 51.3% and 11.1% (-203bps QoQ) respectively, even as both the sectors have seen a significant drop in Government's ownership over the last few years.

In the quarter ending March 2022, Financials surpassed Utilities to emerge as the top sector in terms of DMF ownership, with an 89bps QoQ increase in DMF share to a 21-year high of 13.0%. DMF share in Utilities and Industrials remained steady at the second and third position at 12.6% and 12.5% respectively in the quarter ending March 2022. Besides Financials, other sectors that saw an increase in DMF ownership in the quarter gone by included Information Technology (+39bps QoQ to a 20-year high of 7%), Consumer Discretionary (+39bps QoQ to an 82-quarter high of 7.1%), Consumer Staples (+33bps QoQ to a seven-quarter high of 5.7%) and Energy (+30bps QoQ to a six-quarter high of 5.6%). In fact, except for Healthcare and to some extent Communication Services, all other sectors witnessed a sequential jump in DMF ownership in the March quarter.

FII's have remained the biggest non-promoter owners of Financials even as the share has fallen meaningfully over the last five quarters by ~5.8pp (-202bps in the last quarter) to a 47-quarter low of 39.0% in the March quarter. This is followed by Energy at 23.5% (+54bps QoQ), Healthcare at a 19-quarter high of 22.8% (+391bps) and Utilities at a 21-year (Since the beginning of the analysis) high of 22.6% (+64bps QoQ).

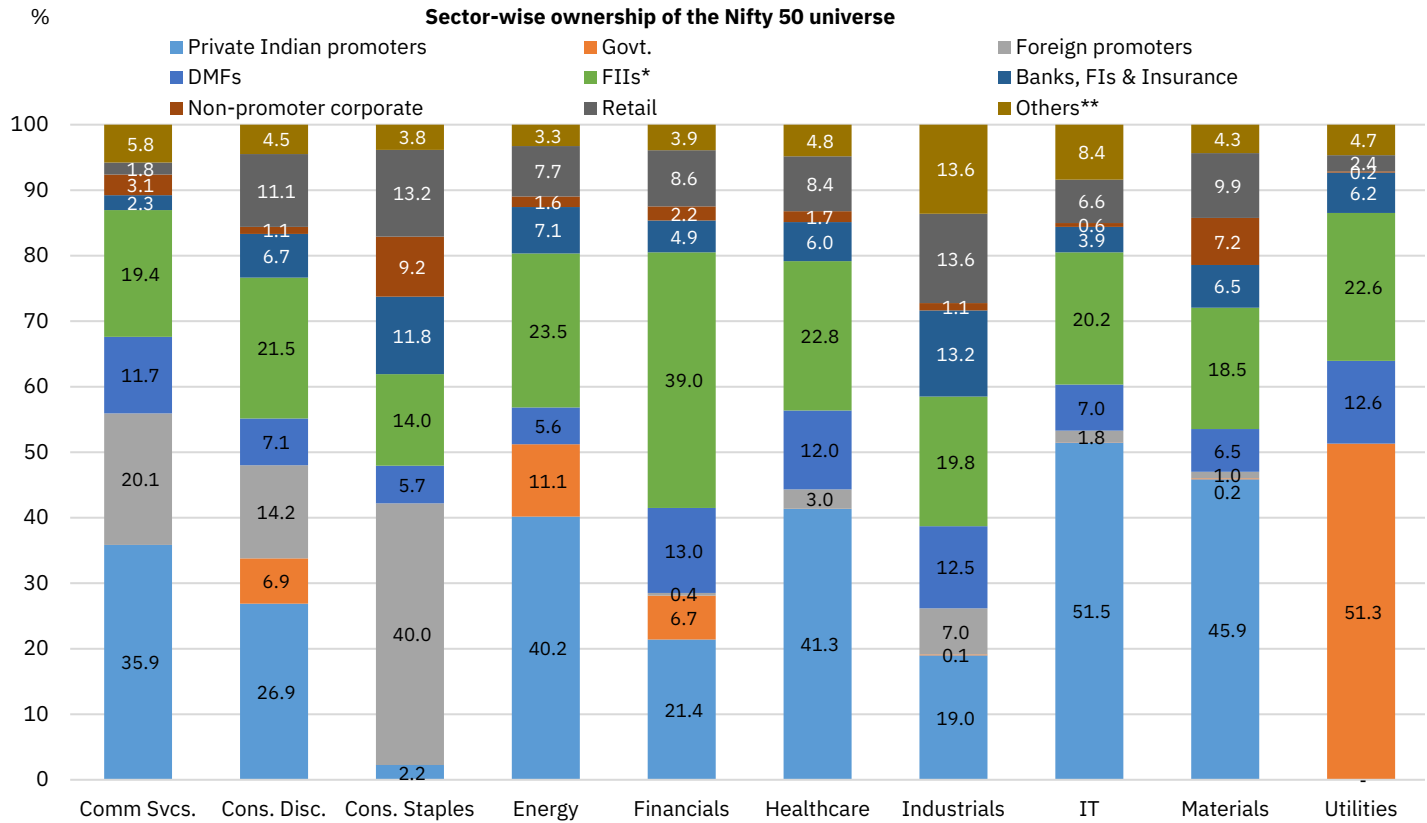
---

*Financials surpassed Utilities to emerge as the top sector in terms of DMF share. Except for Healthcare and Comm. Services, all other sectors witnessed a QoQ jump in DMF share in the March quarter*

---

*FII's have remained the biggest non-promoter owners of Financials for yet quarter despite a 5.8pp drop in share since December 2020.*

---

**Figure 42: Nifty 50: Sector-wise ownership pattern across key stakeholders (March 2022)**


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 (March 2022):** The table below shows the sector allocation for key stakeholders in Nifty 50 companies as of March 2022. The concentration of Government ownership in Financials, Energy and Utilities sector is much higher at 90.5% in the Nifty 50 universe vs 72.3% in the broader listed universe. The Consumer sector accounted for 72.8% of the exposure of foreign promoters to the Nifty 50 companies as of March-end, down ~2.3pp QoQ and ~11.2pp 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 39.8% in the Nifty 50 Index (+74bps QoQ) vs. 30.2% in the NSE-listed universe, even as it is 5.0pp lower than the two-decadal high share of 44.8% in the quarter ending December 2019. In contrast to DMFs, FIIs' allocation to Financials fell by a steep 143bps QoQ to a six-quarter low of 42.0%, marking the fifth drop in a row, translating into a total fall of 5.7pp since December 2020, 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 8.3pp below the peak share of 50.3% in December 2019. Interestingly, the difference between portfolio allocation of FIIs and DMFs to Financials fell to a 21-quarter low of 2.2pp in the March quarter.

*While FIIs saw a steep drop in their portfolio allocation to Financials in the quarter gone by, DMFs saw a sharp increase. Consequently, difference in their allocation to the sector fell to 21-quarter lows in the March quarter.*

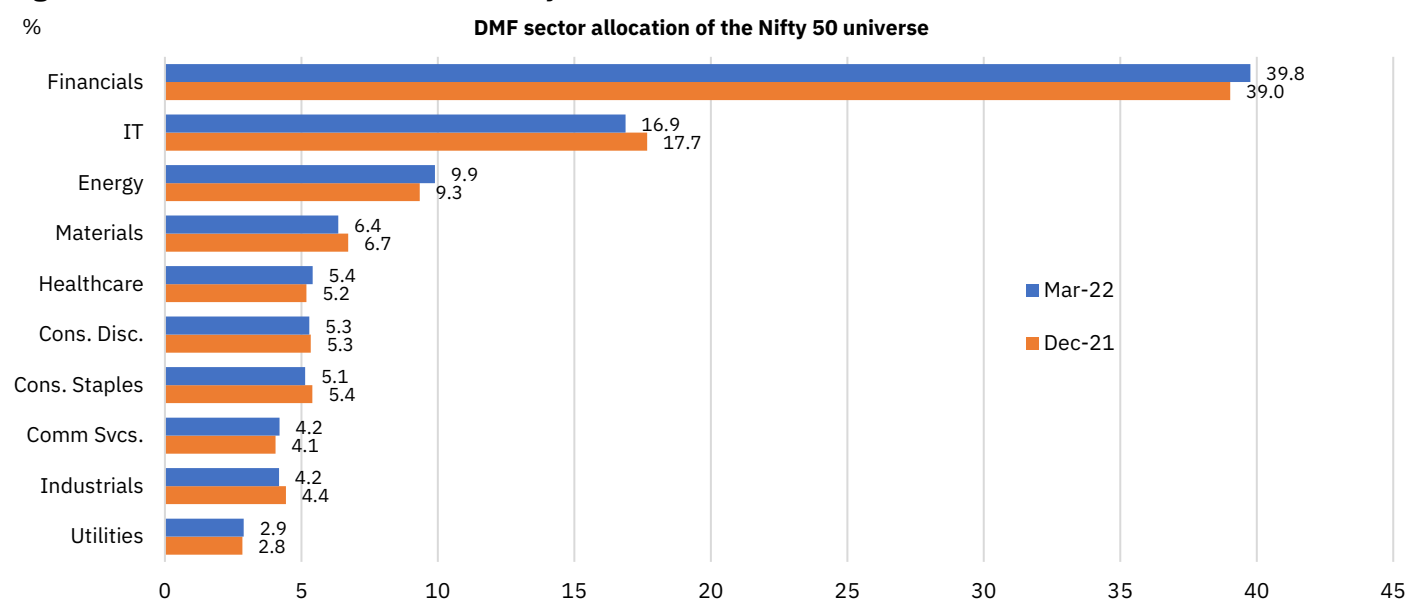
**Table 6: Sector allocation of the Nifty 50 universe for key stakeholders (March 2022)**

%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	FIIIs*	Banks, FIs & Insurance	Non-promoter corporate	Retail
Communication Services	3.5	0.0	11.3	4.2	2.4	1.2	3.9	0.7
Consumer Discretionary	5.5	9.0	16.6	5.3	5.6	7.3	2.7	8.7
Consumer Staples	0.6	0.0	56.2	5.1	4.4	15.6	28.1	12.5
Energy	19.5	34.1	0.0	9.9	14.6	18.4	9.8	14.3
Financials	18.0	35.9	1.9	39.8	42.0	21.9	22.6	27.7
Health Care	5.1	0.0	2.1	5.4	3.6	3.9	2.6	4.0
Industrials	1.7	0.1	3.7	4.2	2.3	6.5	1.3	4.8
Information Technology	33.8	0.1	6.6	16.9	17.0	13.7	4.9	16.7
Materials	12.3	0.3	1.5	6.4	6.3	9.4	24.0	10.2
Utilities	0.0	20.5	0.0	2.9	1.8	2.1	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

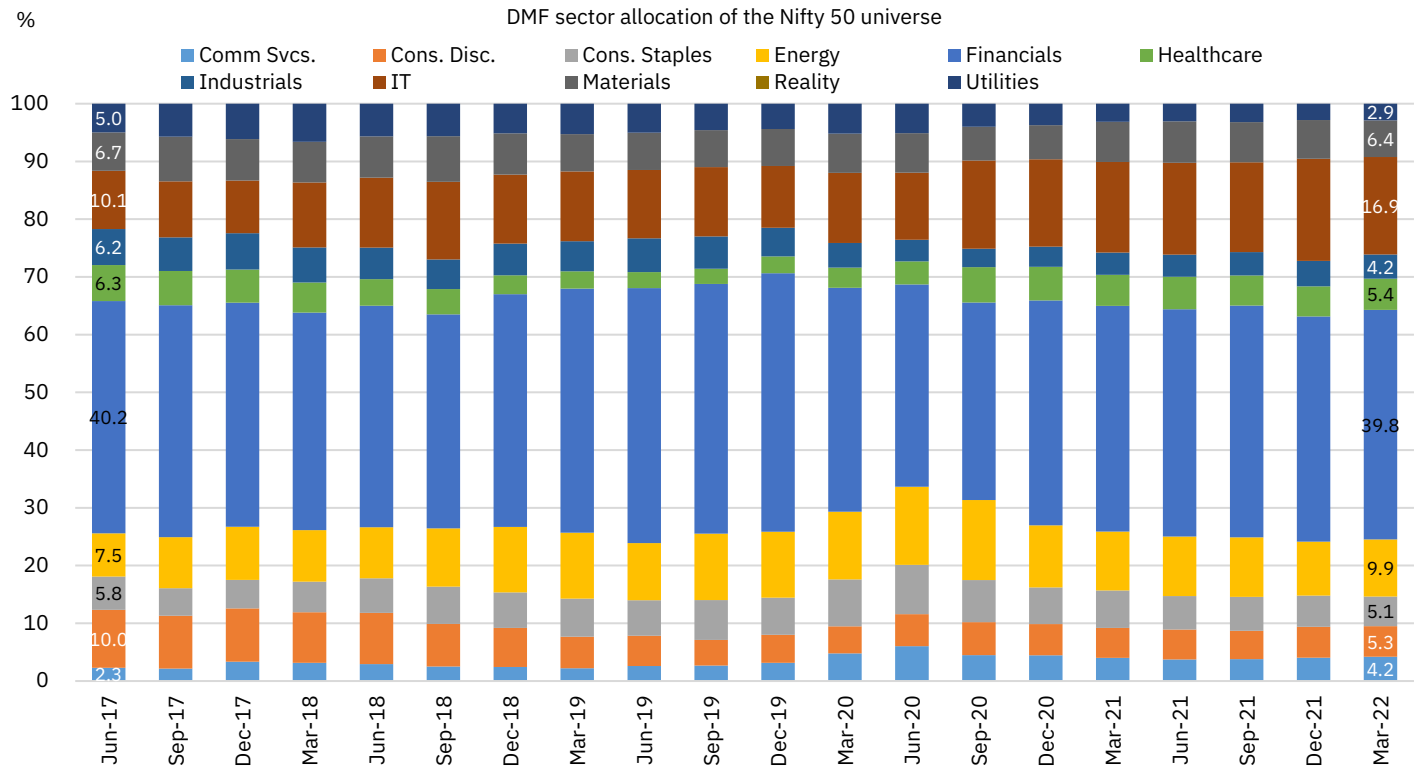
**DMFs turned further optimistic on Financials with an increased allocation:** DMFs turned incrementally positive on Financials in the quarter ending March 2022 with an increase in absolute allocation, even as the sector return within the Nifty 50 universe was broadly flat during the quarter. In fact, DMFs' OW positioning on Financials in the March quarter was the highest in last four years. Increased portfolio allocation to Financials came at the expense of strengthened UW stance on Materials and Energy and reduced OW position on Healthcare. Besides Energy and Materials, DMFs remained negative on consumption plays viz., Consumer Staples and Consumer Discretionary, reflecting the ramifications of rising inflation and interest rates on demand impulses. DMFs also broadly retained their UW position on Information Technology, echoing the bearish sentiments on the sector at a global level.

*DMFs further strengthened their OW position on Financials at the expense of reduced allocation to Materials and Energy.*

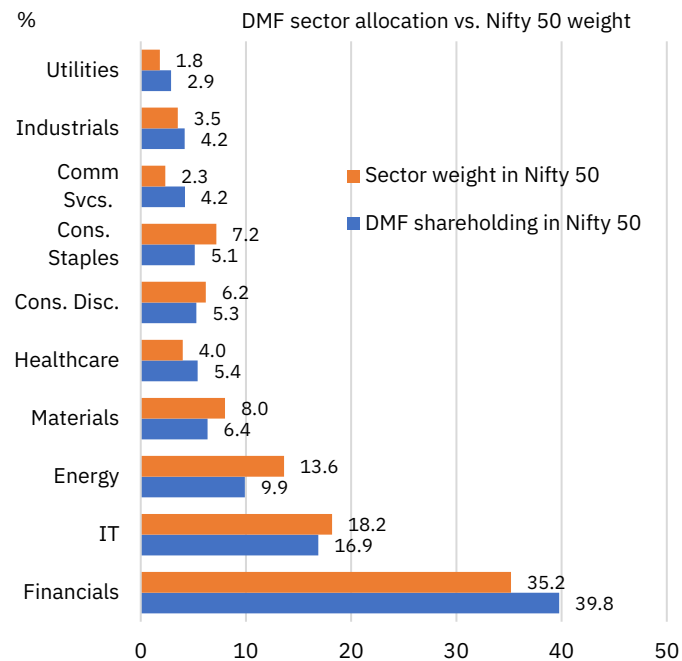
**Figure 43: DMF sector allocation of the Nifty 50 universe (March 2022 vs. December 2021)**


Source: CMIE Prowess, NSE EPR.

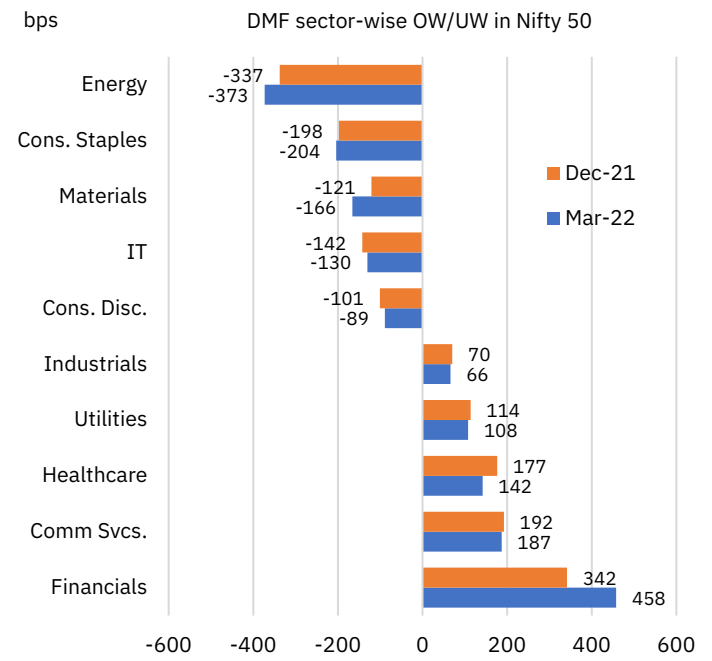


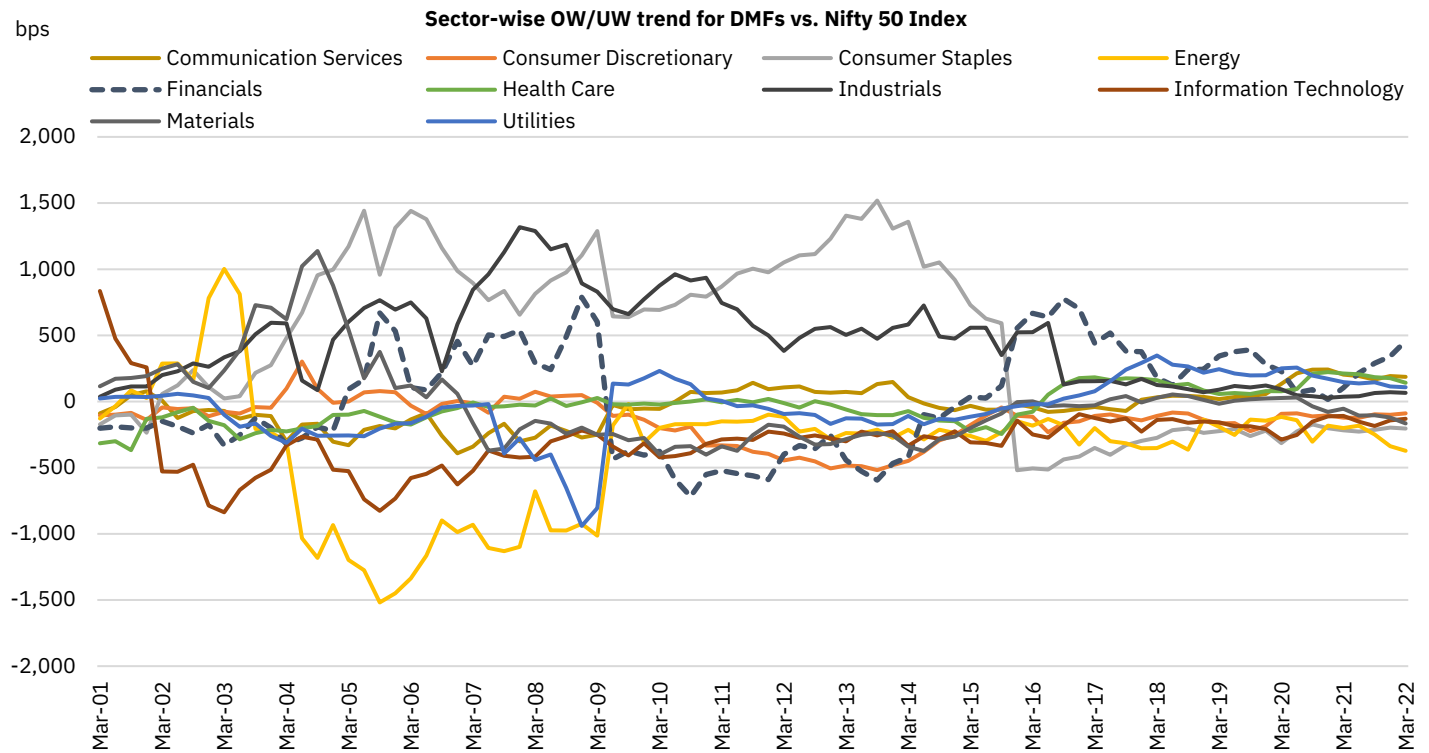
**Figure 44: DMF sector allocation of the Nifty 50 universe over the last five years**


Source: CMIE Prowess, NSE EPR.

**Figure 45: DMF sector allocation vs sector weight in Nifty 50 (March 2022)**


Source: CMIE Prowess, NSE EPR.

**Figure 46: DMF sector-wise OW/UW in Nifty 50 relative to sector weight in the index (March 2022)**


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


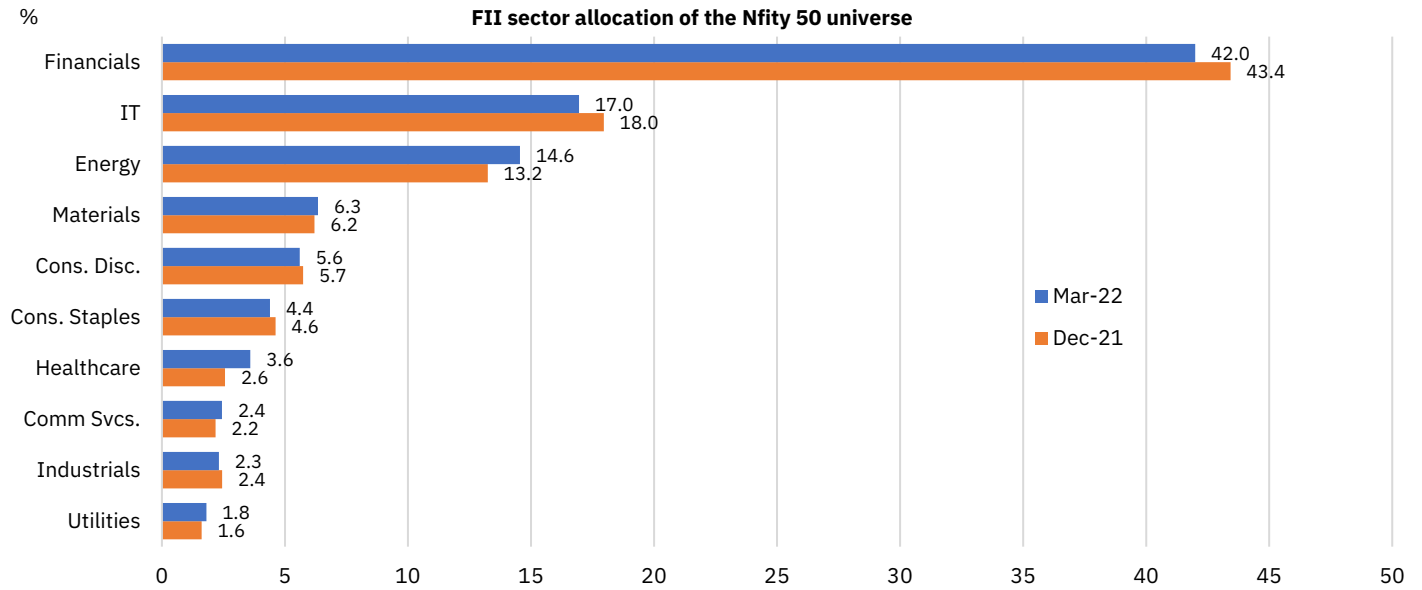
Source: CMIE Prowess, NSE EPR.

**FII's contrasted DMFs' portfolio action in the March quarter:** Unlike DMFs, FIIs maintained their perennial outsized OW bet on Financials relative to the Index but with a sharp drop in allocation to the sector in the March quarter. This was largely taken up by Energy and Healthcare. While FIIs turned incrementally more positive on Energy, retaining a mildly OW stance on the sector as opposed to DMFs' reduced portfolio allocation to the sector, they reduced their negative stance on Healthcare, both of which is partly attributed to relative outperformance of Nifty 50 companies in these two sectors in the quarter gone by. In fact, Financials and to some extent Energy remain 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.

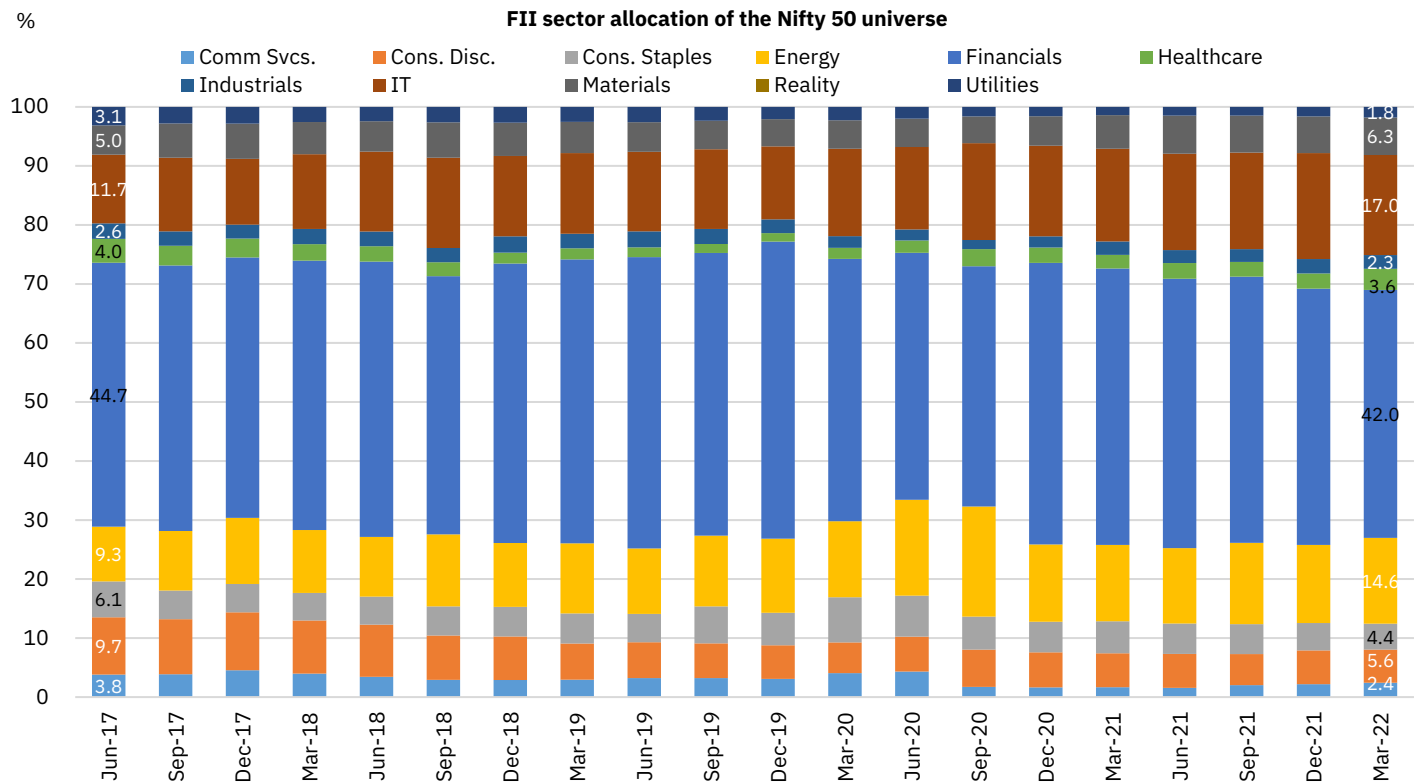
---

*FIIs' portfolio churning in the March quarter contrasted to DMFs' with reduced allocation to Financials and incrementally increased exposure to Energy and Healthcare relative to the Index.*

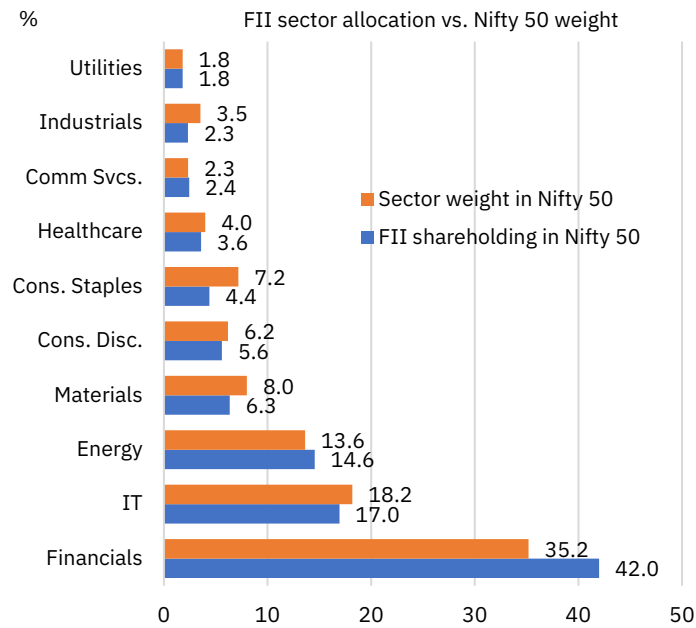
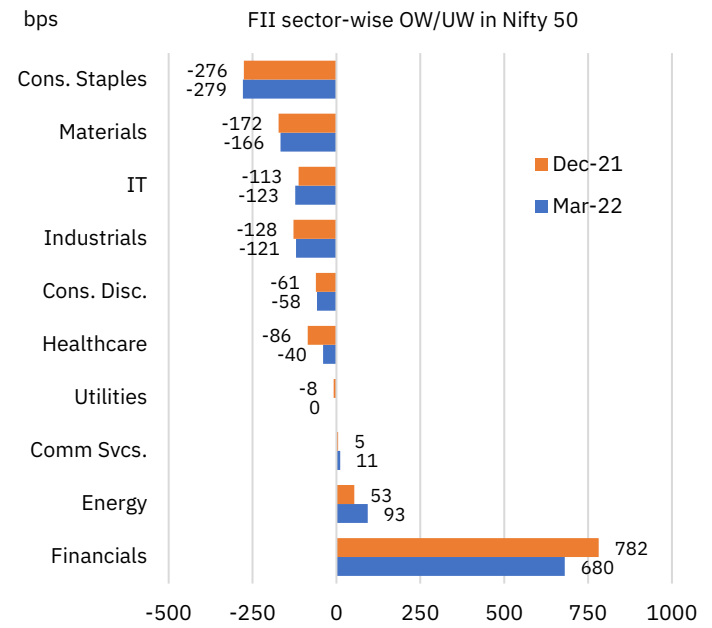
---

**Figure 48: FII sector allocation of the Nifty 50 universe (March 2022 vs. December 2021)**


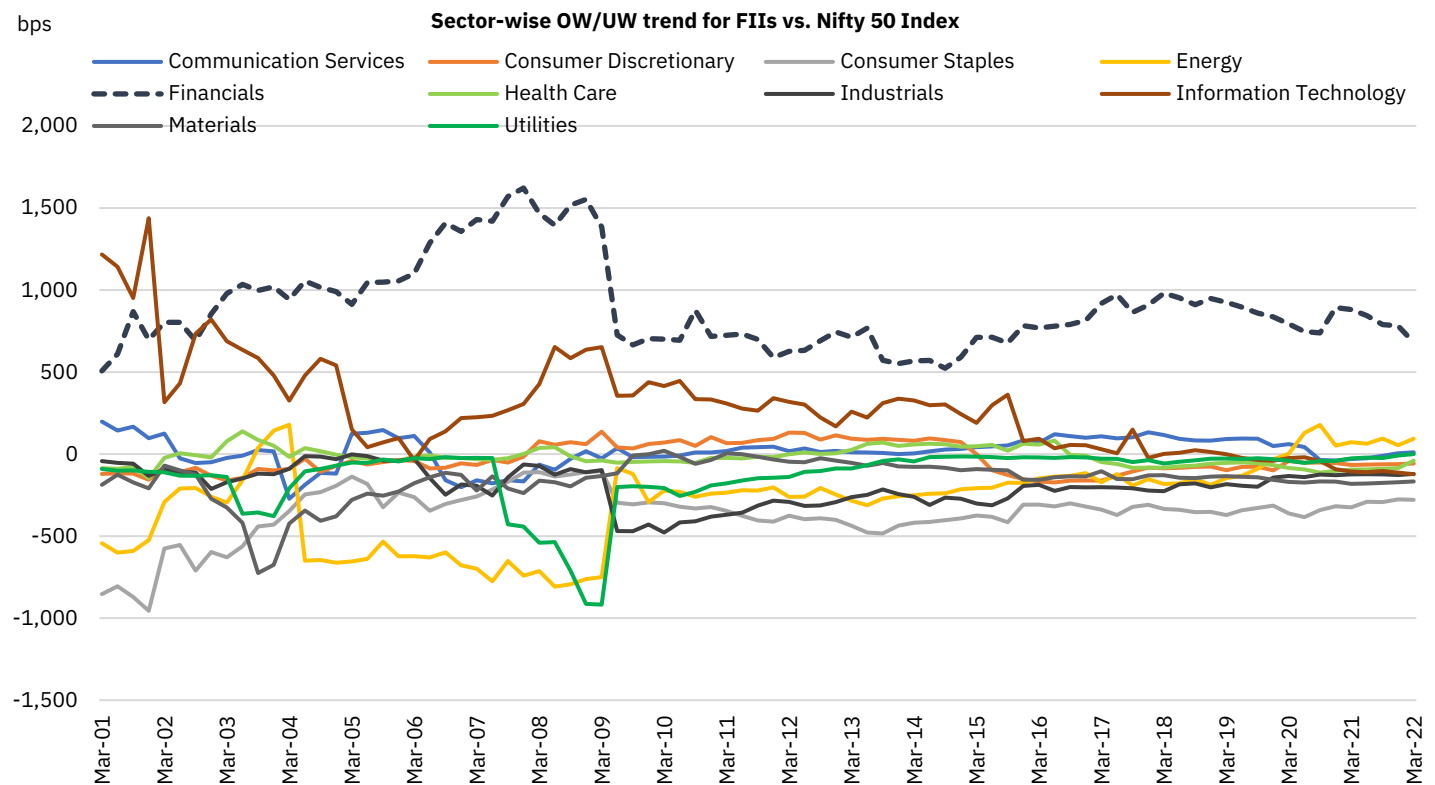
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

**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 (March 2022)**

**Figure 51: FII sector-wise OW/UW in Nifty 50 relative to sector weight in the index (March 2022)**


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 (March 2022)**

**Private promoter stake fell for the first time in four quarters; Govt. stake rose marginally:** In line with the Nifty 50 Index, private promoter ownership in the Nifty 500 universe also fell by 50bps QoQ following a steady increase over the previous three quarters to 44.1% in the quarter ending March 2022. That said, unlike the Nifty 50 universe where the drop in private promoter share was entirely led by foreign promoters, Nifty 500 universe saw both private Indian and foreign promoters reducing their share in the quarter gone by. While private Indian promoter ownership dipped by 27bps QoQ to 35.5%, foreign promoters saw their stake in the Nifty 500 companies falling for the eighth consecutive quarter by 24bps QoQ to a 29-quarter low of 8.6%.

In line with the overall listed stock but unlike the Nifty 50 Index, Government stake in the Nifty 500 universe inched up by a modest 13bps QoQ to 5.9%, almost entirely reversing the drop seen in the previous quarter. This is primarily attributed to relative outperformance of some of the Government-owned companies within the Nifty 500 universe during the quarter.

**DMFs saw a steady increase in ownership for yet another quarter while FIIs' share continued to drop:** In terms of institutional ownership, DMFs' aggregate share in Nifty 500 companies rose steadily for the third quarter in a row by 22bps QoQ to an eight-quarter high of 8.0% in the quarter ending March 2022—a tad lower than the increase seen in the overall NSE listed stock and Nifty 50 universe. DMF share in the Nifty 500 Index is just 12bps shy of the 21-year high share of 8.1% observed in the quarter ending March 2020. FIIs, on the other hand, saw their share falling by a steep 66bps QoQ to a nine-and-a-half year low of 20.2%, translating into a total drop of 230bps since December 2020, more than reversing the increase seen during the second half of 2020. The current FII share in the Nifty 500 universe is now 3.0pp below the peak share over the last 21 years. Unlike the trend seen over the previous few quarters, FII selling was pervasive across sectors as reflected in equivalent drop in FII share in Financials as well as other sectors in the quarter gone by. Banks, Financial Institutions, and Insurance companies' share remained steady on a sequential basis at near 21-year low level of 4.7% in the March quarter.

**Retail ownership in the Nifty 500 universe remained stable at near 14-year high levels:** Retail investors ownership in Nifty 500 companies remained broadly steady on a sequential basis at 55-quarter high of 9.1% in the March quarter. This was in line with the broader listed universe, but tad lower than the rise seen in the Nifty 50 Index, reflecting higher buying by retail investors in larger companies in the quarter gone by amidst weak overall market sentiments. This has translated into an overall increase of a modest 53bps in retail share in the Nifty 500 stock since December 2020. A steady increase over the last couple of years points to strengthened participation of retail investors in Indian equity markets.

---

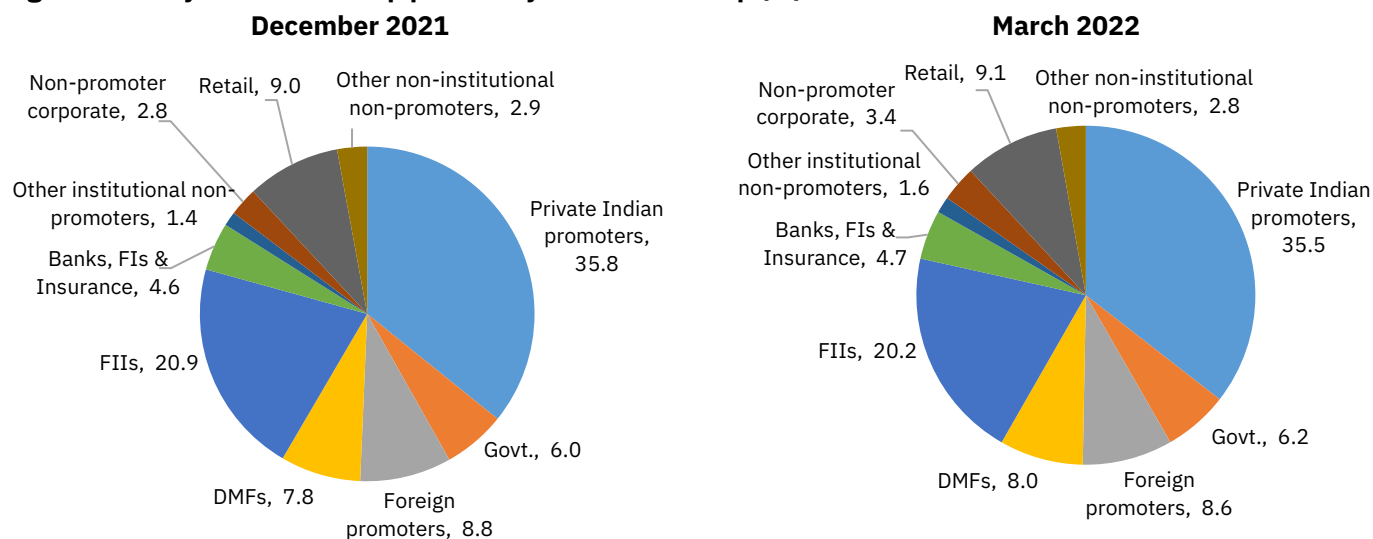
*Private promoter ownership in the Nifty 500 universe fell for the first time in four quarters, with both Indian and foreign promoters seeing a drop.*

---

---

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

---

**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.

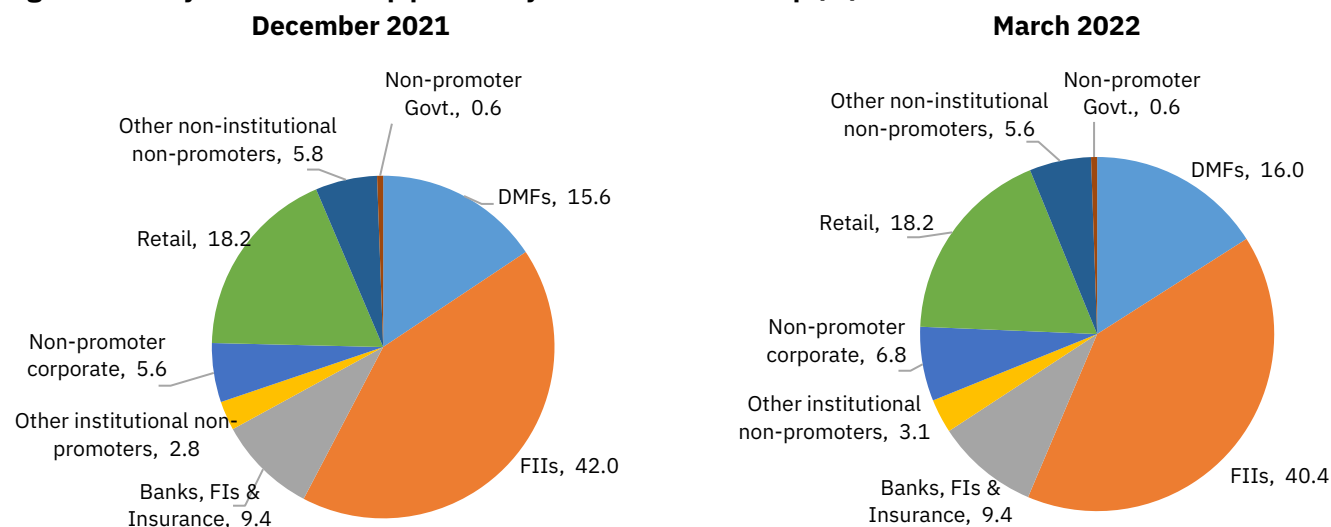
**Table 7: Nifty 500: Ownership trend across key stakeholders by total market cap over last the three years**

%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	Banks, FIs & Insurance	FII *	Non-promoter corporate	Retail
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
Mar-22	35.5	6.2	8.6	8.0	4.7	20.2	3.4	9.1
QoQ change	-27bps	13bps	-24bps	22bps	5bps	-66bps	62bps	3bps

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 a steep 163bps QoQ, translating into a total drop of nearly 4pp since December 2020. FII share in the Nifty 500 Index is now 7.1pp lower than the peak share over the last two decades. Share of DMFs in the floating stock of Nifty 500 companies inched up by 33bps QoQ—the fourth increase in a row—to a seven-quarter high of 16.0% as of March-end and is now just 39bps shy of the two-decadal high share of 16.4% observed two years back. Retail ownership in the Nifty500 floating stock remained broadly steady at near 14-year high of 18.2%, translating into a 131bps jump since December 2020, 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 came off marginally after widening to a 15-quarter high figure in the previous quarter, reflecting increased retail buying in relatively larger companies during the quarter-ending March 2022.



**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	FII	Non-promoter corporate	Retail
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
Mar-22	16.0	9.4	40.4	6.8	18.2
QoQ change	33bps	3bps	-163bps	120bps	-7bps

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 Indian promoters 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 moderation in SIP inflows post the COVID-19 pandemic as well as high redemption pressures. This, however, got almost entirely reversed in FY22, thanks to surge in retail inflows via the SIP route and lower redemptions. 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 in FY21, thereby leading to a significant pick-up in FII share during the year. Negative global cues

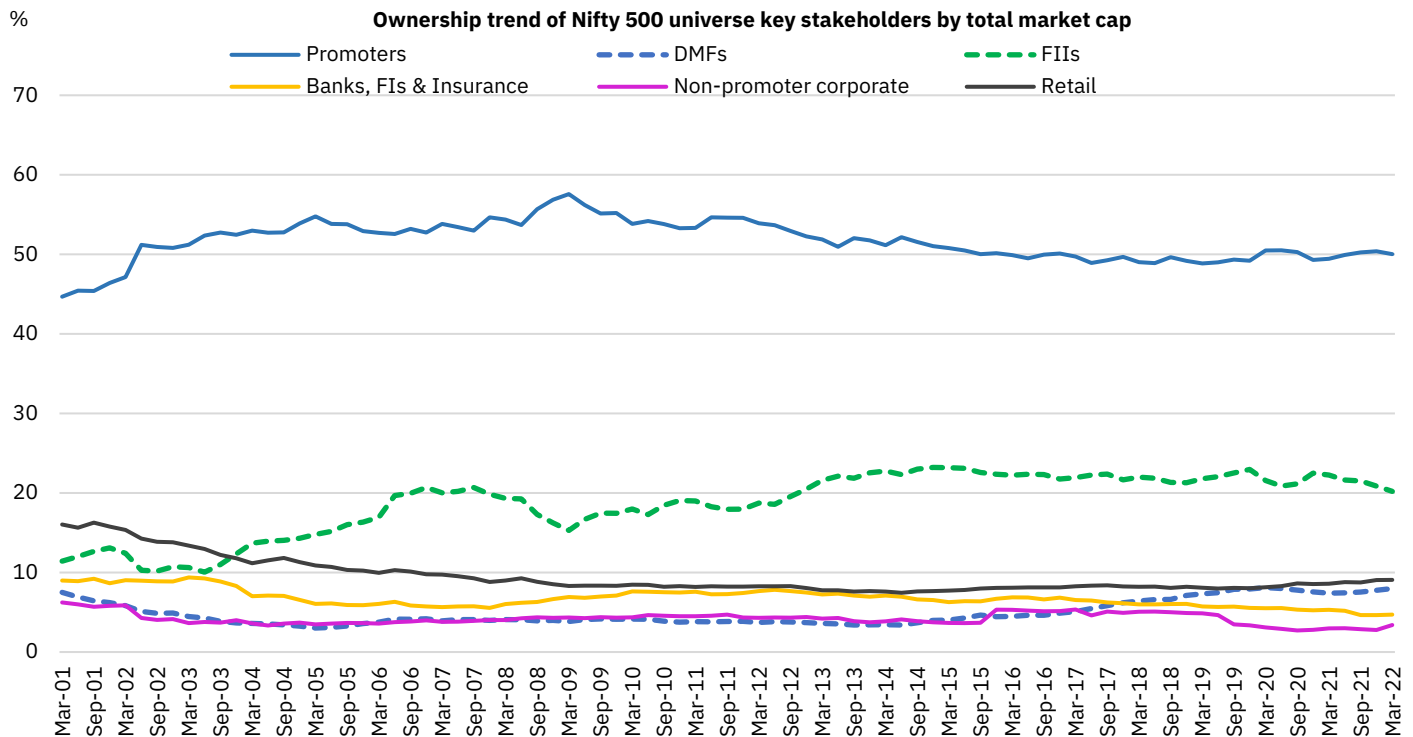
*FII ownership in Nifty 500 saw a steady rise post the GFC until 2015 and has since hovered between 21-23%.*

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

over the last few quarters including rising inflationary pressures, tightening monetary policy settings, growth slowdown in China, and intensifying geopolitical tensions towards the year-end led all resulted in FIIs taking out money from riskier asset classes including Indian equities, leading to record-high outflows in FY22. Banks, financial institutions, and insurance, however, have been steadily reducing their exposure to Indian equities for quite some time now.

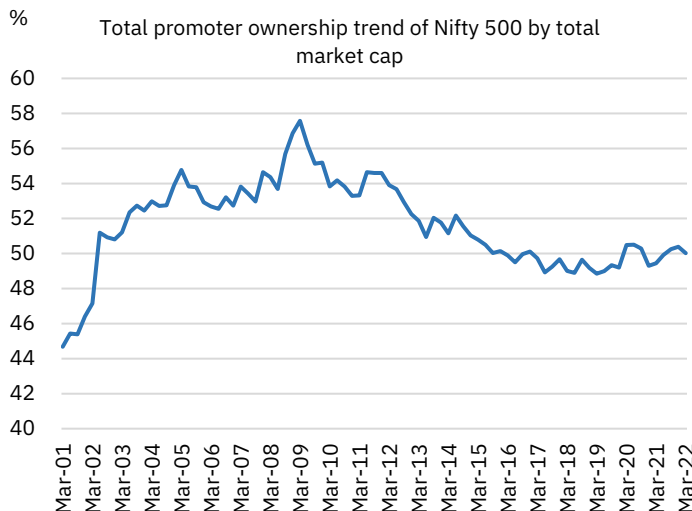
Retail ownership in the Nifty 500 Index fell sharply from the north of 16% in 2001 to sub-8% in 2013 and had hovered around these levels until December 2019, only to see a gradual increase thereafter.

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



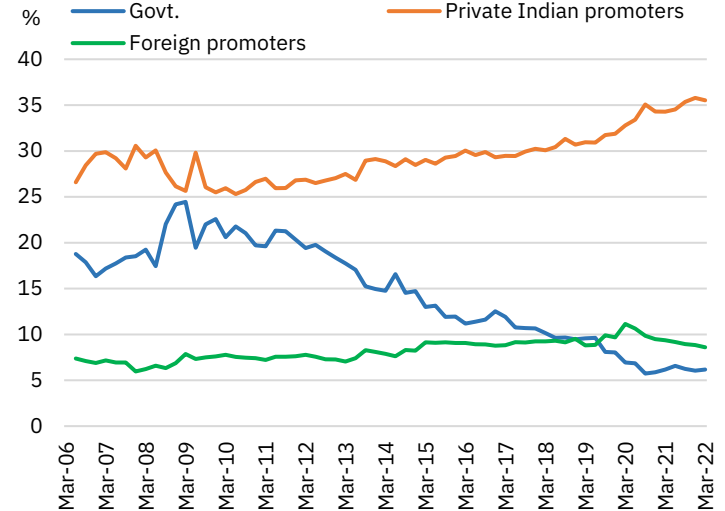
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

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

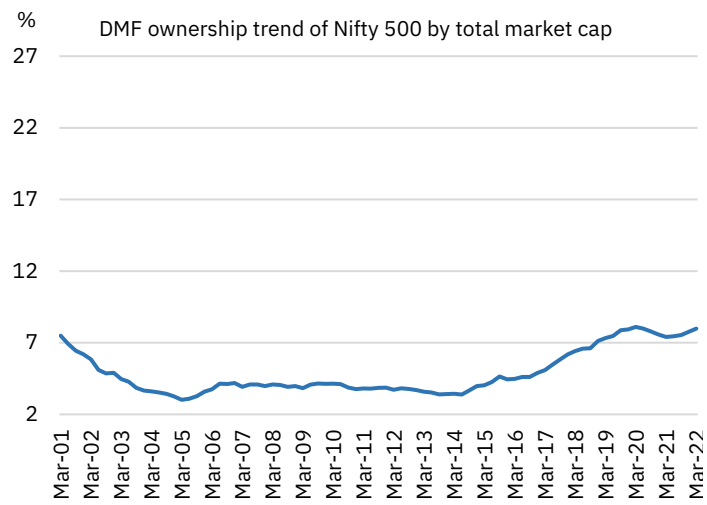


Source: CMIE Prowess, NSE EPR.

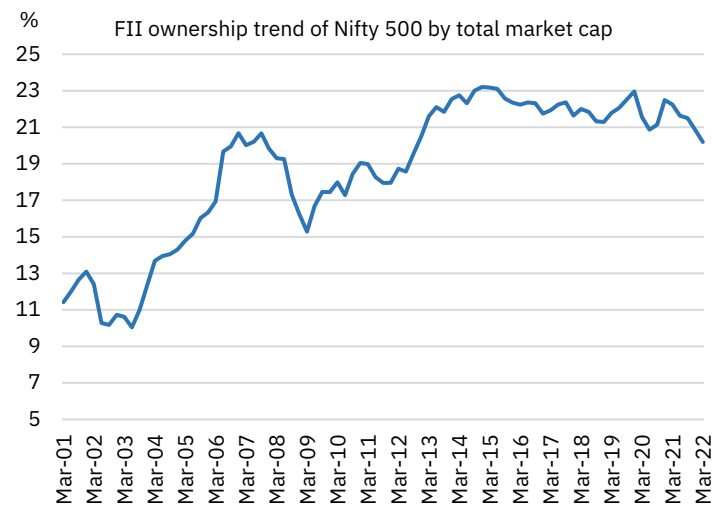
**Figure 57: Indian and foreign promoter ownership trend of the Nifty 500 universe by total market cap**



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

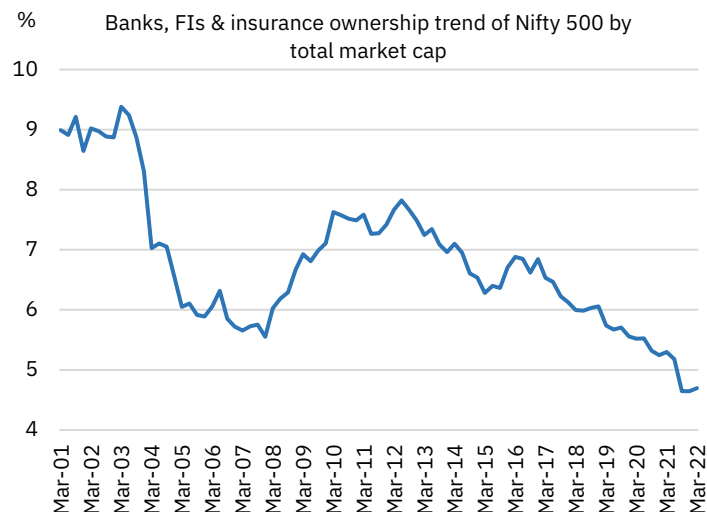


**Figure 59: FII ownership trend of the Nifty 500 universe by total market cap**

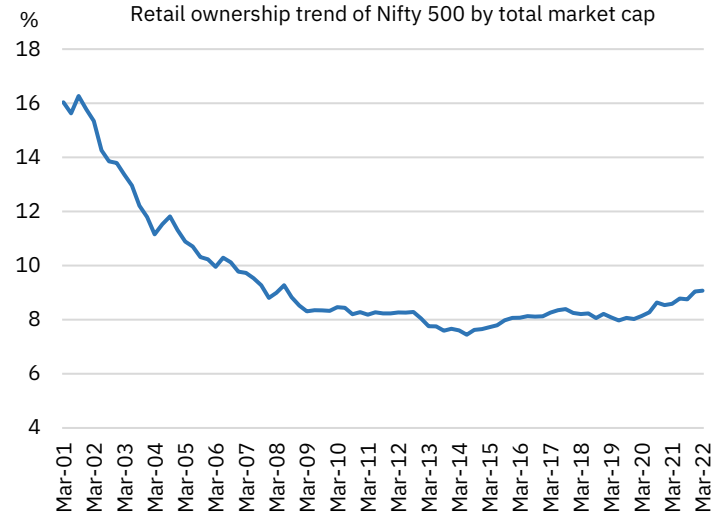


Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

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

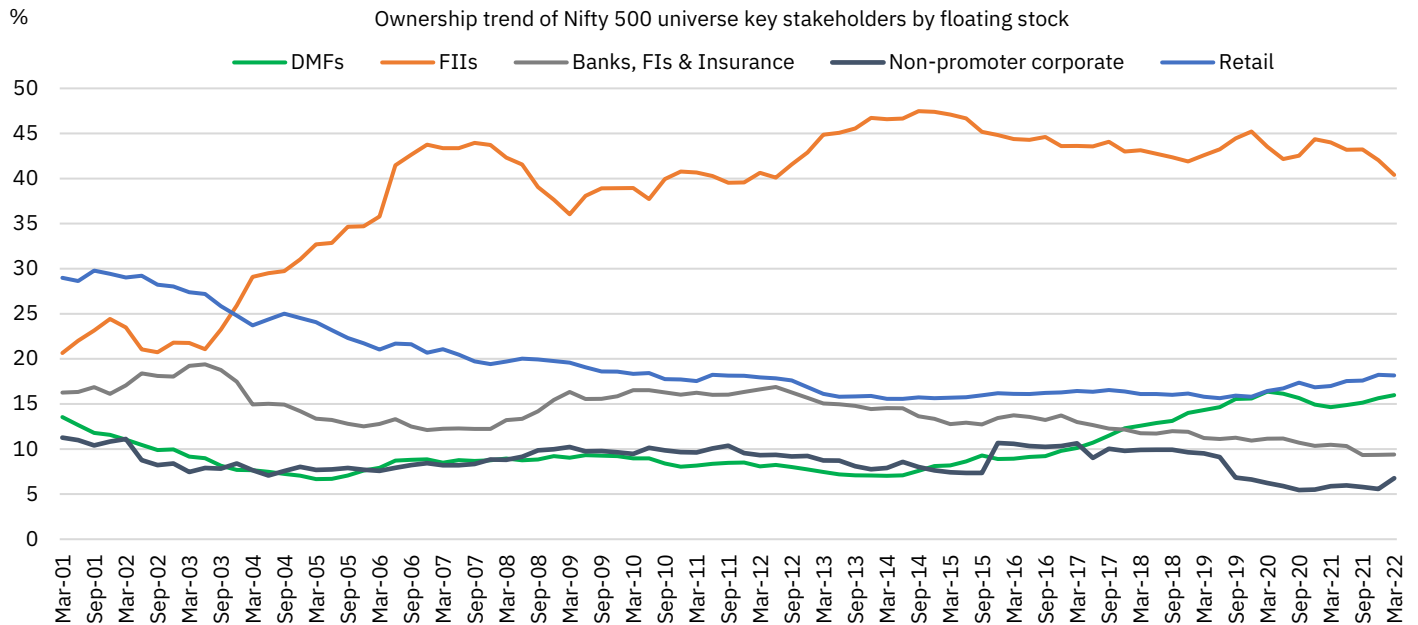


**Figure 61: Retail ownership trend of the Nifty 500 universe by total market cap**

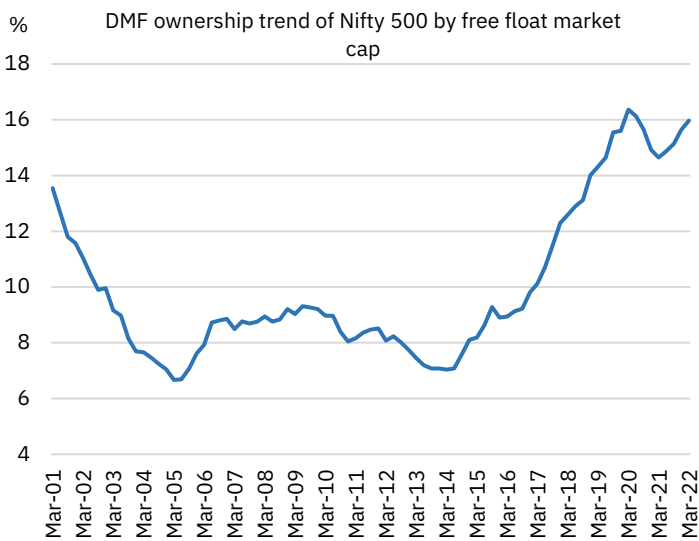


Source: CMIE Prowess, NSE EPR.

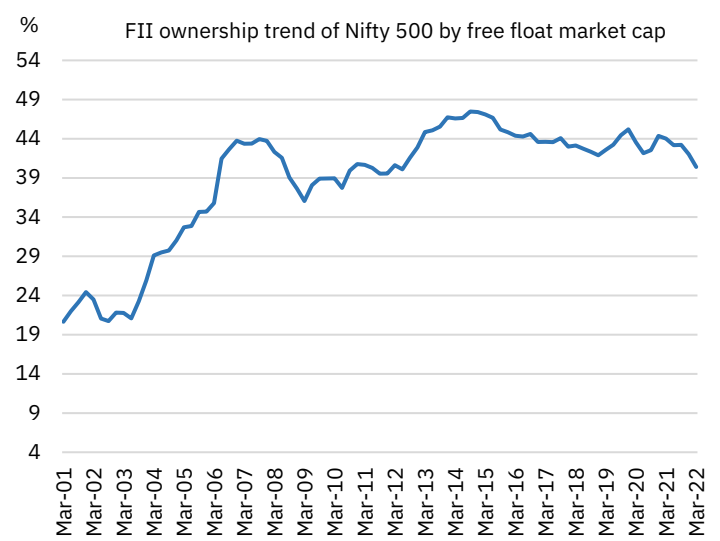
Our long-term ownership analysis on the floating stock of the Nifty 500 Index also shows that while DMF ownership is hovering just 39bps lower than its highest level since 2001, current FII ownership is 707bps lower than the peak of 47.5% observed in the quarter ending September 2014.

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


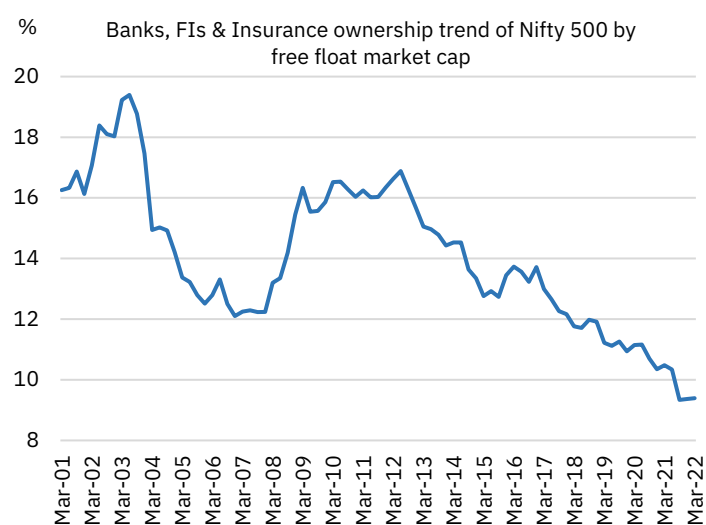
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

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


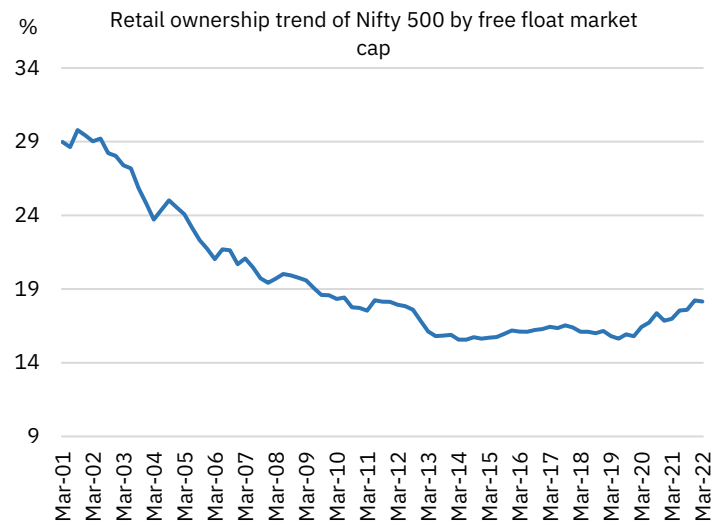
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians

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


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

**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 (March 2022):** As of March 2022, Real Estate sector had the highest promoter shareholding at 67.2%, up 38bps QoQ. This was followed by Utilities, Materials, and Communication Services at 62.9% (+89bps QoQ), 55.2% (-9bps QoQ) and 54.8% (-85bps QoQ) respectively. Besides Utilities and Real Estate, Industrials was the only other sector to see a strong 136bps QoQ jump in total promoter share to 42-quarter high of 55.1% in the March quarter. Rest all sectors, barring Energy and Financials where the promoter share remained steady on a sequential basis, saw a dip in promoter share in the quarter gone by led by Consumer Staples (-237bps QoQ to a nine-quarter low of 52.6%), Consumer Discretionary (-152bps QoQ to a 21-quarter low of 49.9%) and Information Technology (-117bps QoQ to 23-quarter low of 52.9%).

Utilities continued to lead in terms of Government ownership, even as the share has fallen sharply over the years, down 18.6pp and 190bps in last two years and the quarter ending March 2022 respectively to fresh all-time low of 15.8%. This was followed by Energy at 13.0% (+8bps QoQ) and Financials at 10.5% (-5bps QoQ). Barring Utilities, all other sectors saw the aggregate Government ownership in the Nifty 500 universe remaining broadly steady on a sequential basis in the March quarter.

DMF share inched up or remained broadly steady on a QoQ basis across sectors within the Nifty 500 universe barring Utilities and Consumer Discretionary. While Utilities witnessed a 60bps QoQ drop in DMF share to a five-year low of 4.4% as of March-end, Consumer Discretionary saw a modest 17bps QoQ dip to 8.6%. Sector-wise, Financials and Healthcare the highest jump in DMF share by 68bps each on a QoQ basis, followed by Real Estate (+52bps QoQ), Communication Services (+52bps QoQ), Consumer Staples (+30bps QoQ) and Information Technology (+29bps QoQ). The rest, viz. Industrials and Materials, saw their DMF share remaining broadly steady in the March quarter.

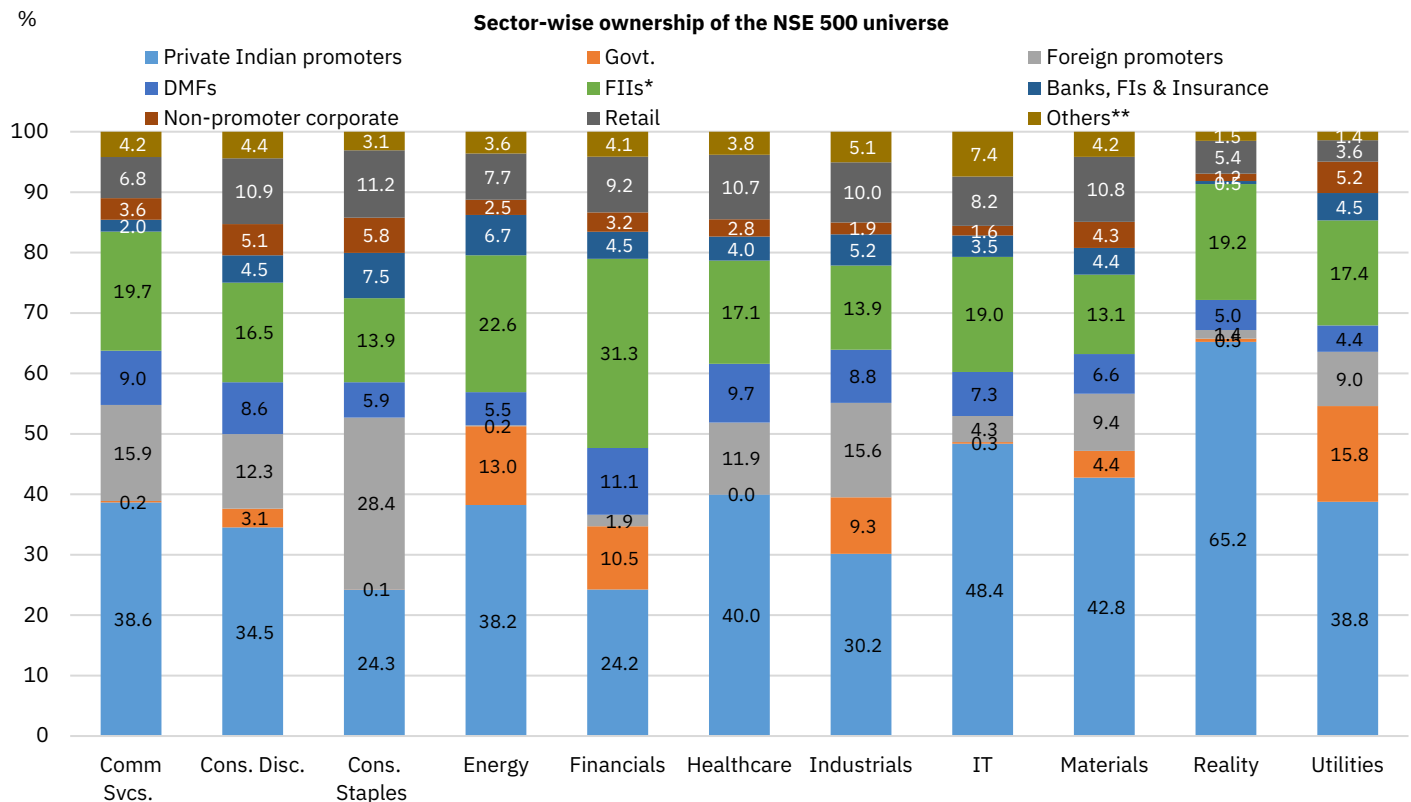
FII's have remained the biggest non-promoter owners of Financials at 31.3% even as the share has fallen by a steep 5pp since December 2020 and 159bps in the March quarter alone. This was followed by Energy at 22.6% (-21bps QoQ) and Communication Services at 19.7% (-40bps QoQ). Contrary to DMFs, all sectors barring Utilities saw the FII share declining on a QoQ basis in the quarter-ending March 2022.

---

*DMF share inched up or remained broadly steady on a QoQ basis across sectors within the Nifty 500 universe barring Utilities and Consumer Discretionary.*

*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 near 12-year low levels.*

---

**Figure 67: Nifty 500: Sector-wise ownership pattern across key stakeholders (March 2022)**


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 (March 2022):** The table below shows the sector allocation for key stakeholders in Nifty 500 companies as of March 2022. The concentration of Government ownership in Financials, Energy and Utilities sector was at 73.8% as of March-end, up 88bps QoQ primarily led by a steep rise in absolute allocation to Energy and slight increase in Utilities, that more than offset the sharp drop in allocation to Financials. This is a tad higher than Government exposure to these three sectors in the overall listed universe (72.7%) but significantly lower than that in the Nifty 50 universe (90.5%). In case of institutional investors, DMFs have a lower allocation to Financials at 31.0% as compared to FIIs at 34.7%, even as the gap between the two has fallen to 21-year lows. This is because while DMFs have broadly maintained their overall portfolio allocation to Financials over the last few quarters, FIIs have been trimming.

**Table 9: Sector allocation of the Nifty 500 universe for key stakeholders (March 2022)**

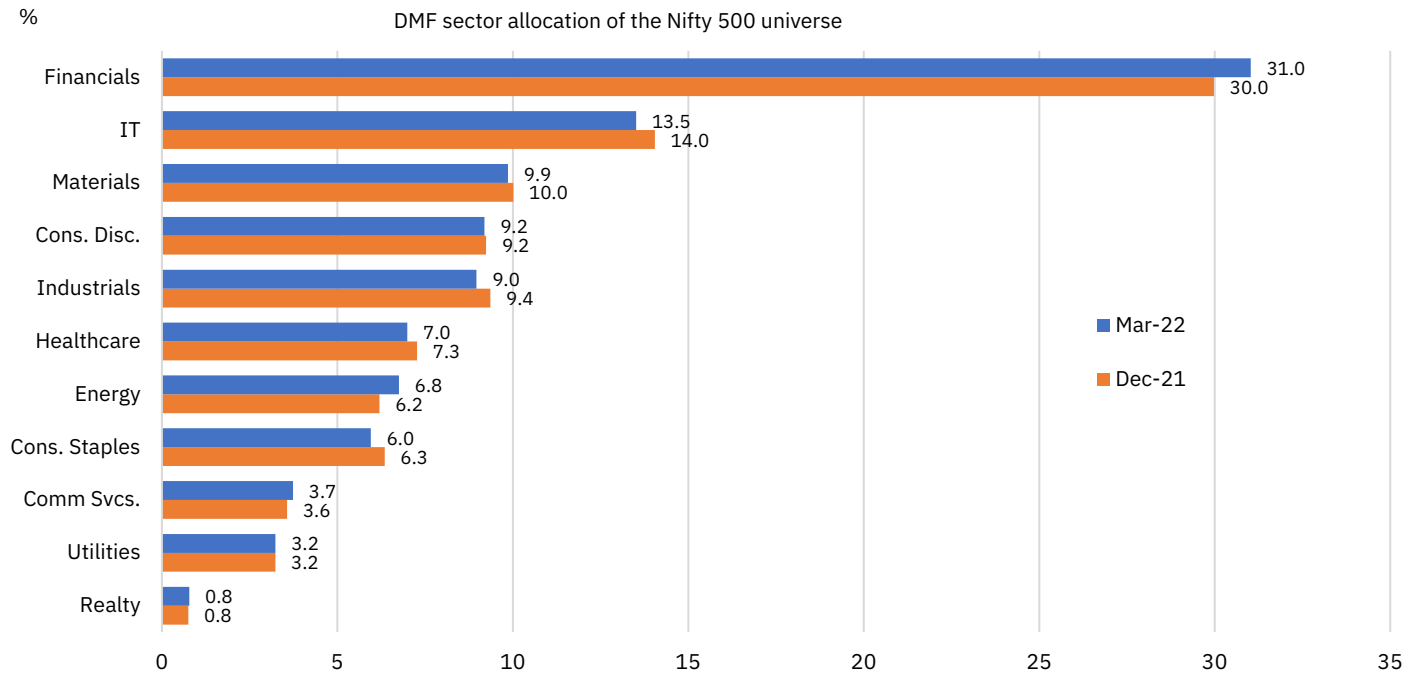
%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	FIIIs*	Banks, FIIs & Insurance	Non-promoter corporate	Retail
Communication Services	3.6	0.1	6.2	3.7	3.2	1.4	3.5	2.5
Consumer Discretionary	8.3	4.3	12.2	9.2	7.0	8.2	13.0	10.3
Consumer Staples	5.5	0.1	26.8	6.0	5.6	13.0	13.9	10.0
Energy	10.6	20.8	0.2	6.8	11.0	14.0	7.3	8.3
Financials	15.3	37.9	4.9	31.0	34.7	21.3	21.1	22.7
Health Care	6.5	0.0	7.9	7.0	4.9	4.9	4.8	6.8
Industrials	6.9	12.3	14.8	9.0	5.6	9.0	4.7	8.9
Information Technology	20.1	0.6	7.4	13.5	13.9	11.2	6.9	13.3
Materials	14.4	8.6	13.1	9.9	7.8	11.3	15.2	14.2
Real Estate	2.3	0.1	0.2	0.8	1.2	0.1	0.5	0.7
Utilities	6.4	15.1	6.2	3.2	5.1	5.7	9.1	2.3
<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.

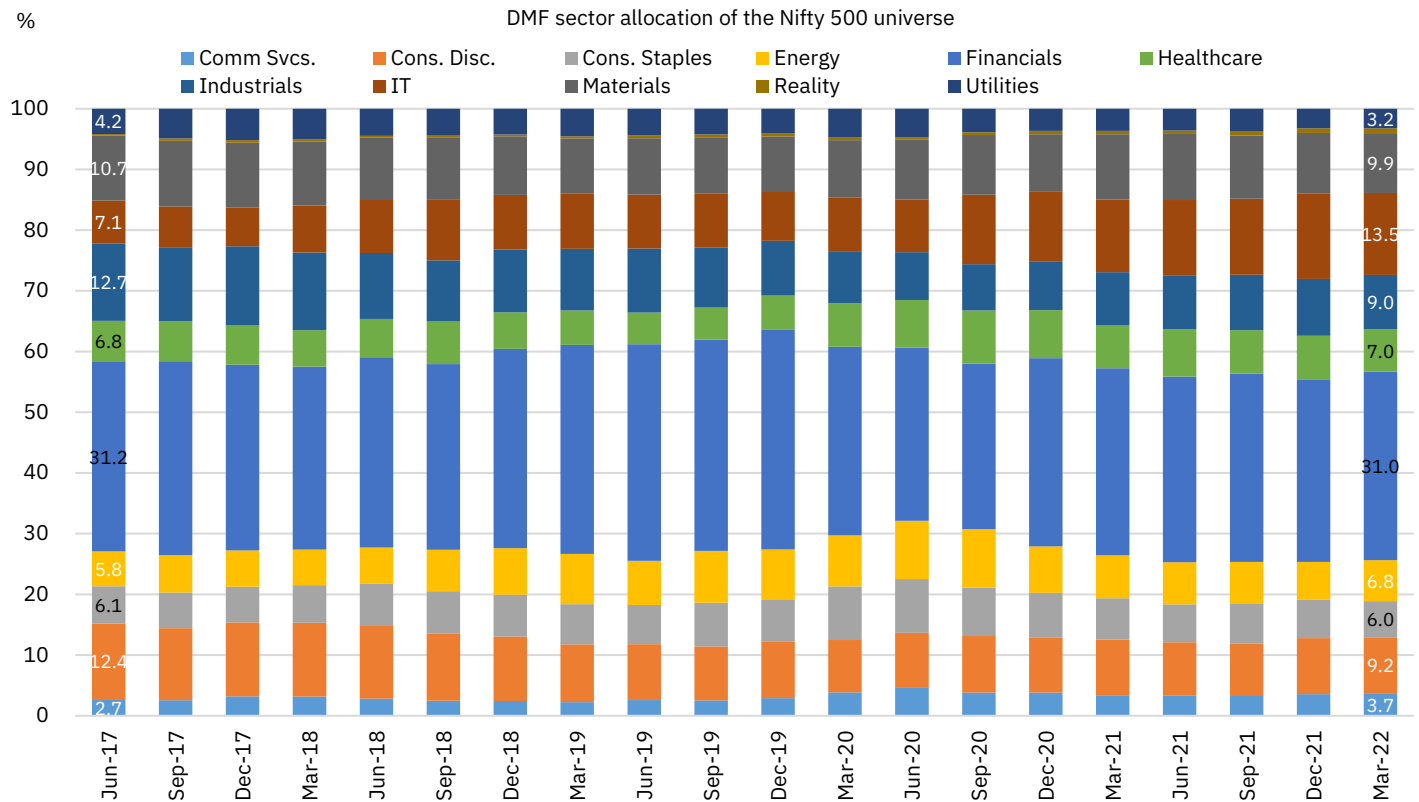
**DMFs turned hugely OW on Financials in the quarter gone by:** DMFs' turned incrementally positive on financial companies as reflected from their strengthened OW position on the sector within the Nifty 500 Index. While a part of this is attributed to relative outperformance of the sector during this period, DMFs also added further during the quarter, even as the positioning was tilted towards bigger companies in the sector. This is reflected in 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, Healthcare and Consumer Discretionary for yet another quarter.

Incrementally positive relative bias to Financials 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 maintained their mild UW stance on Information Technology in the quarter ending March 2022 as opposed to a perennially strong negative view over the previous 17 years, possibly reflecting expectations of sustenance of strong demand for IT services and tailwinds from rupee depreciation.

*DMFs turned incrementally positive on Financials, maintained their OW stance on Financials, Healthcare and Consumer Discretionary and further trimmed position on Materials and Utilities.*

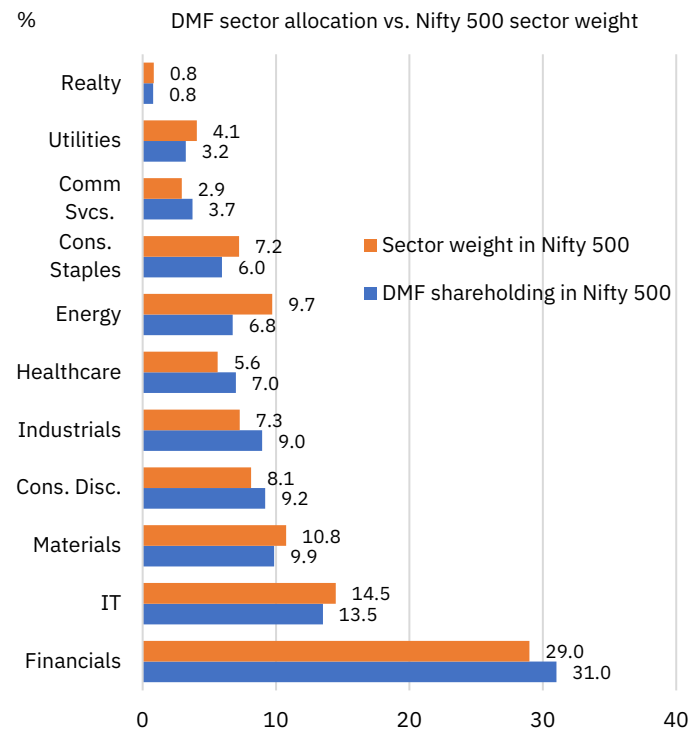
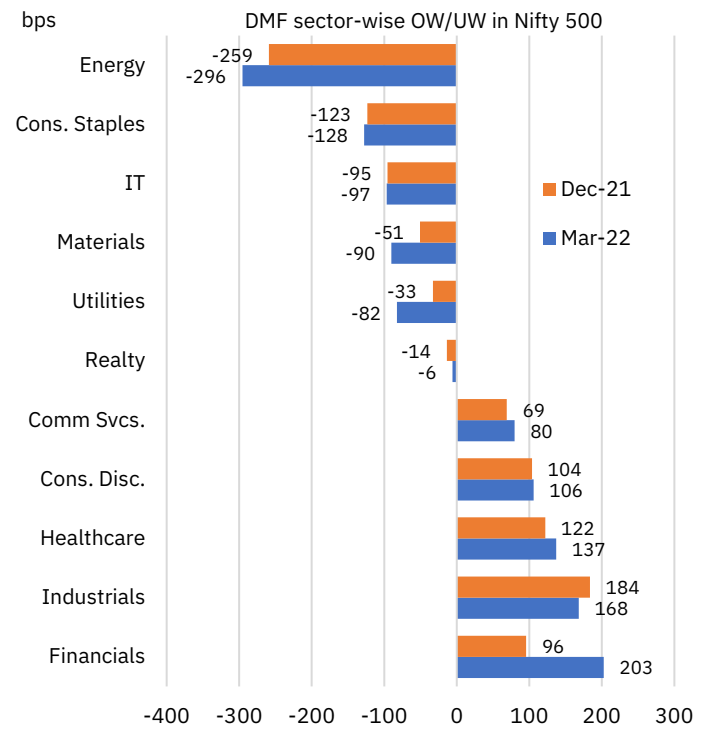
**Figure 68: DMF sector allocation of the Nifty 500 universe (March 2022 vs. December 2021)**


Source: CMIE Prowess, NSE EPR.

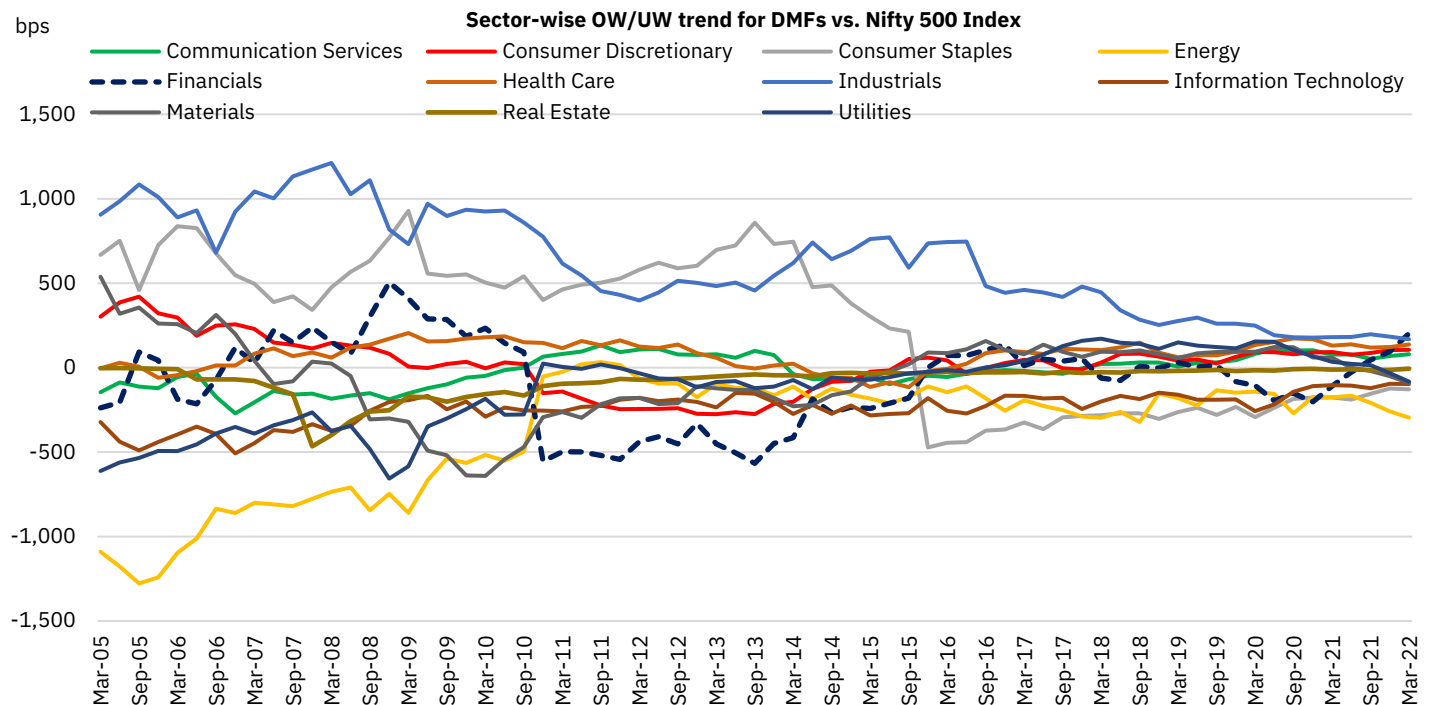
**Figure 69: DMF sector allocation of the Nifty 500 universe over last five years**


Source: CMIE Prowess, NSE EPR.



**Figure 70: DMF sector allocation vs sector weight in Nifty 500 (March 2022)**

**Figure 71: DMF sector-wise OW/UW in Nifty 500 relative to sector weight in the index (March 2022)**


Source: CMIE Prowess, NSE EPR.

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


Source: CMIE Prowess, NSE EPR

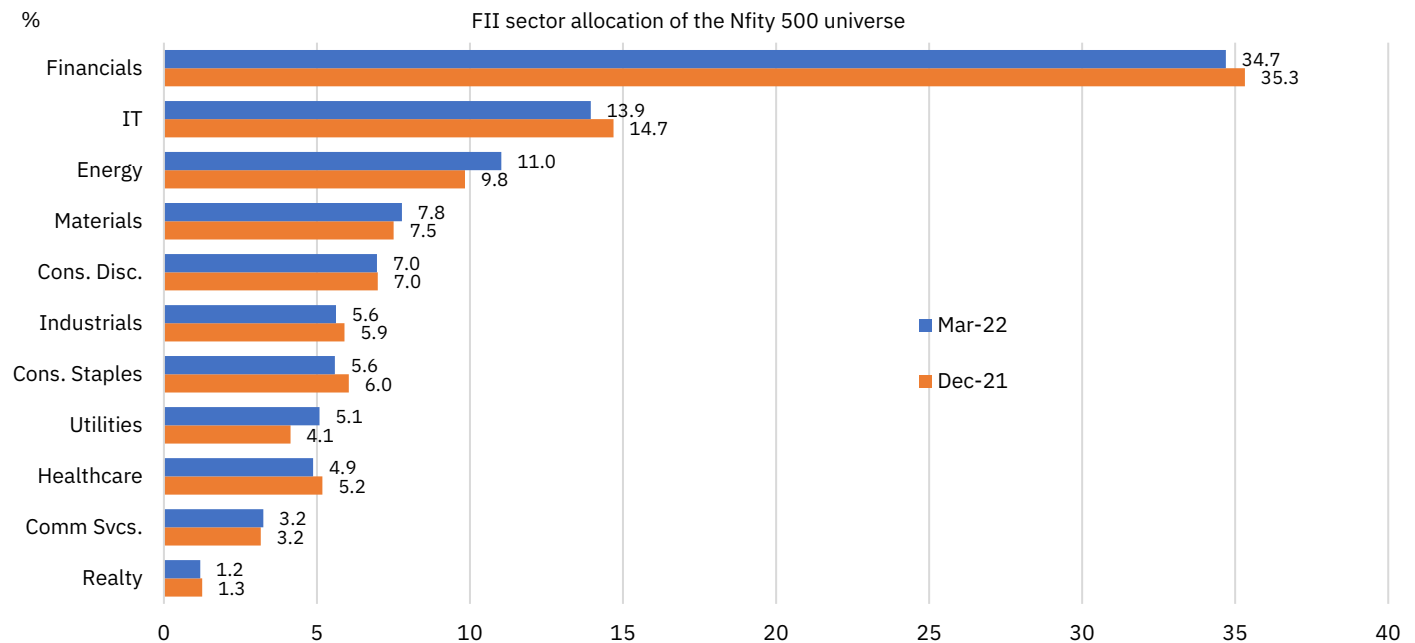
## FII's trimmed their outsized OW bet on Financials and strengthened OW position on Energy and Utilities:

FII's reduced their relative exposure to Financials for the fifth consecutive quarter to 26-quarter lows, even as they have still retained their perennially outsized OW position on the sector. Reduced portfolio allocation to Financials, albeit marginal, was taken up by Utilities and to some extent Energy in the quarter gone, resulting in strengthened OW positions on both the sectors as of March 2022. In fact, these are the only three sectors within the Nifty500 universe that FII's have a positive bias on relative to the Index.

*FII's continued to play the India story through Financials, albeit with a sequentially smaller allocation, and Energy and Utilities where FII's strengthened their OW position within the Nifty 500 universe.*

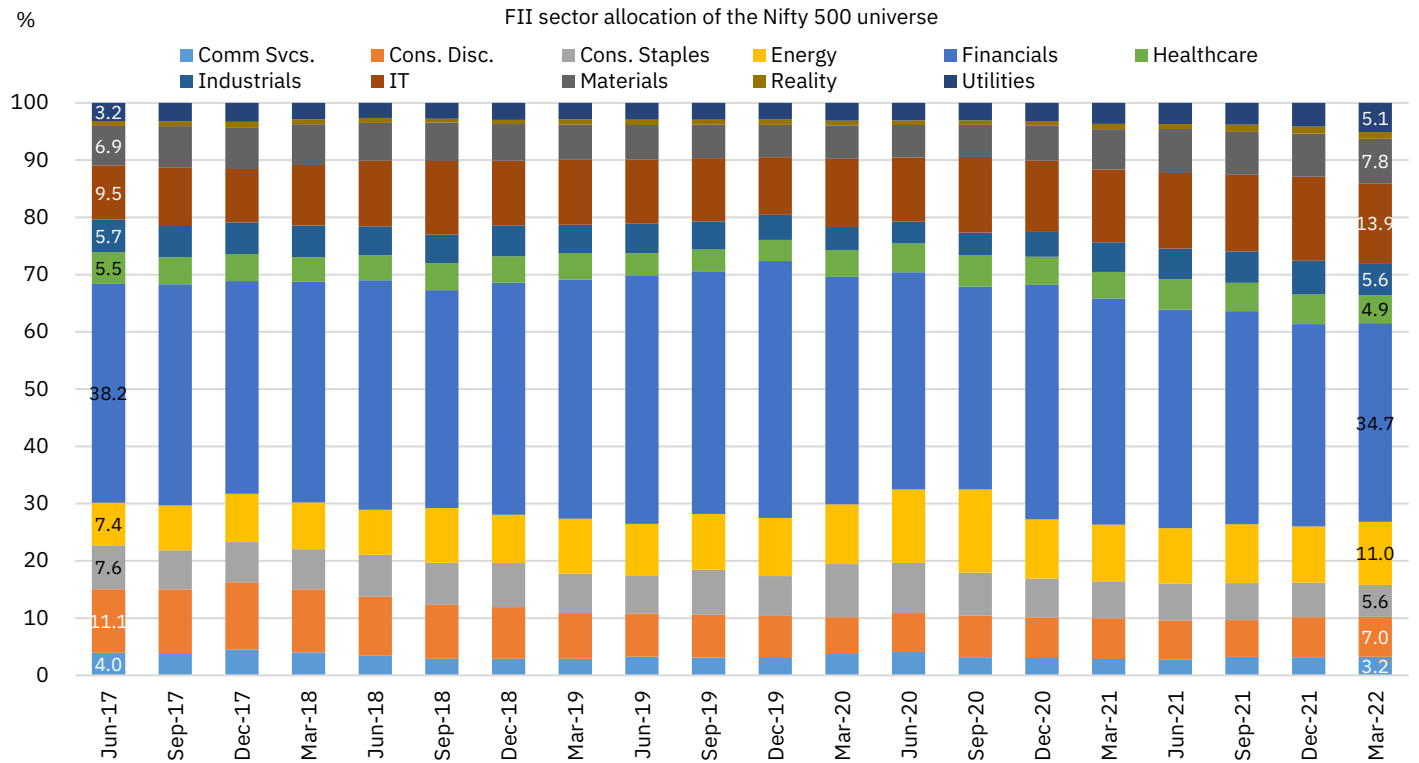
Contrary to DMFs, FII's have perennially remained negative on the investment theme in the economy, maintaining their UW stance on Industrials and Materials since 2006. FII's have also maintained their cautious view on India's consumption story and are UW on Consumer Staples as well as Consumer Discretionary. This possibly reflects demand uncertainty in the wake of intensifying inflationary pressures amidst rising crude oil and commodity prices and persistent supply-side bottlenecks as well as attendant increase in interest rates. FII's maintained a neutral stance on other sectors, viz., Information Technology, Communication Services, Healthcare, and Real Estate.

**Figure 73: FII sector allocation of the Nifty 500 universe (March 2022 vs. December 2021)**



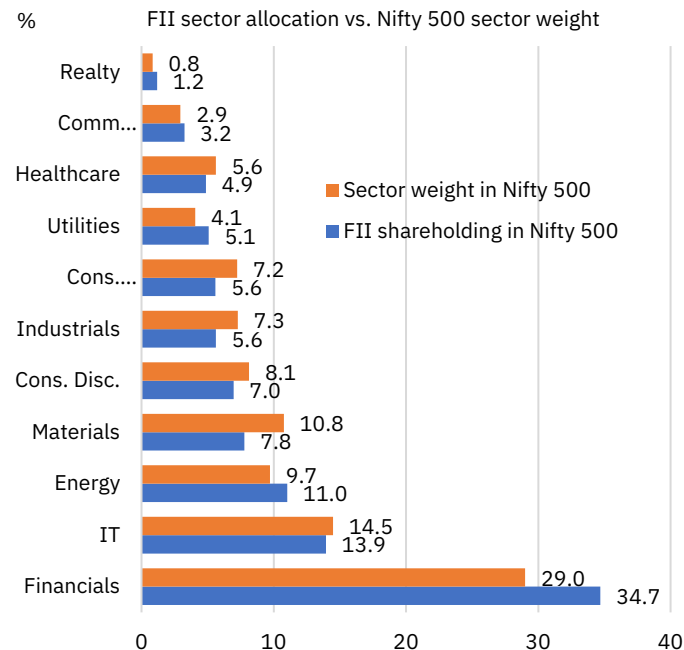
Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians.

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

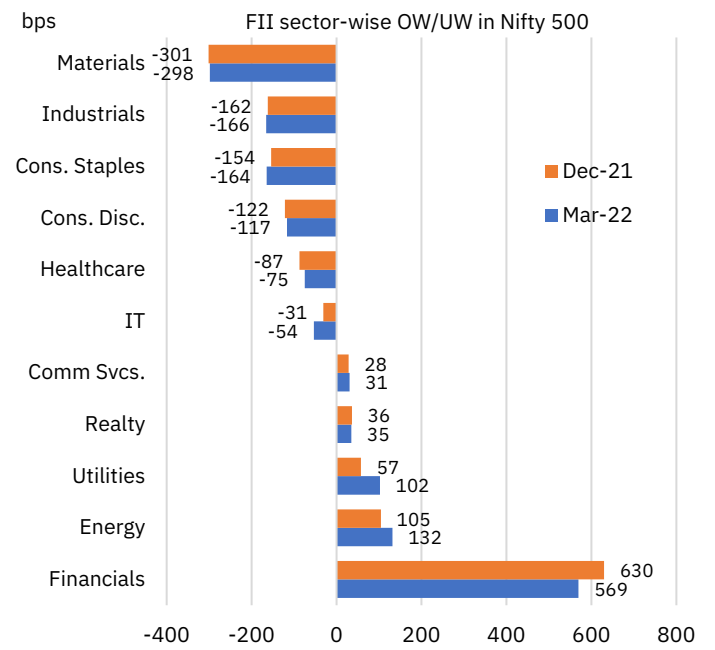


Source: CMIE Prowess, NSE EPR. \*FII ownership includes ownership through depository receipts held by custodians.

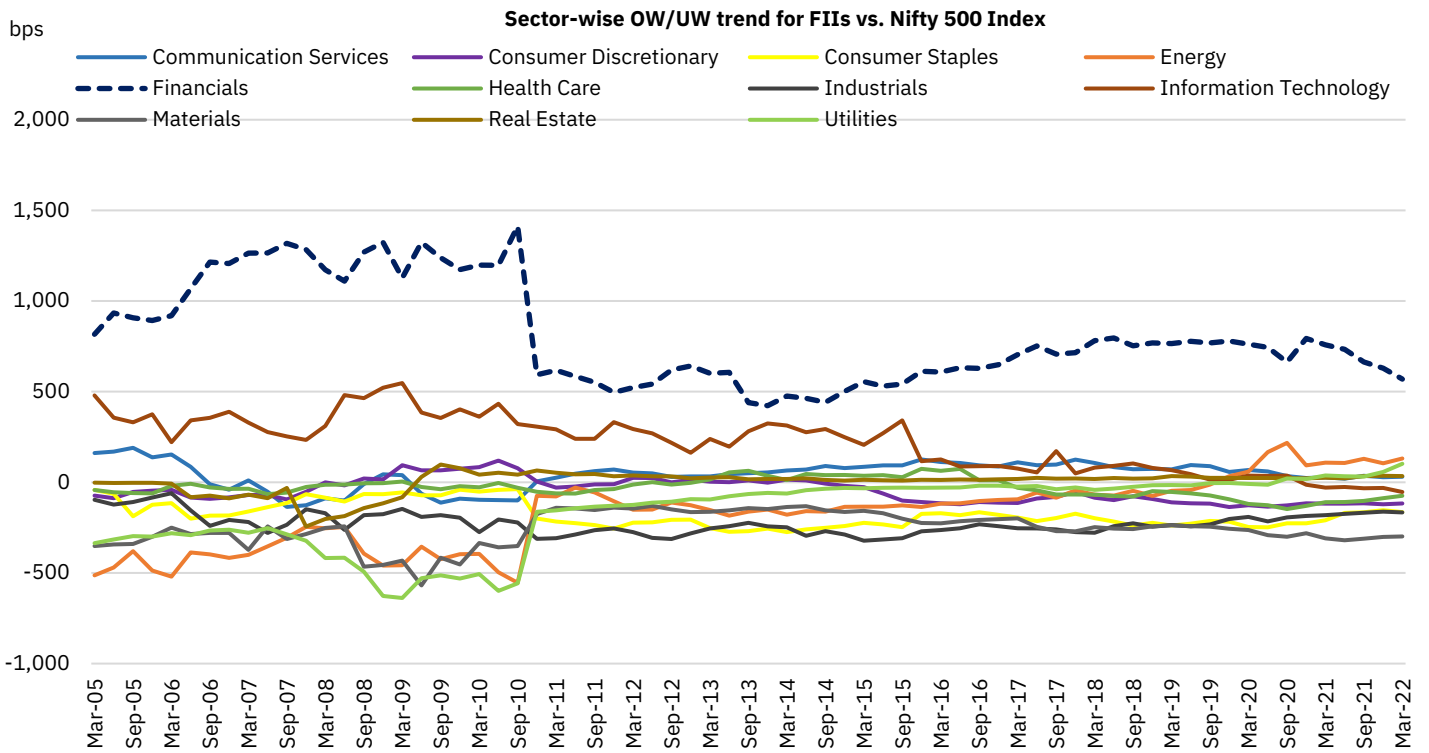
**Figure 75: FII sector allocation vs sector weight in Nifty 500 (March 2022)**



**Figure 76: FII sector-wise OW/UW in Nifty 500 relative to sector weight in the index (March 2022)**



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

### **Rising market uncertainty led to higher institutional investment allocation to larger companies:**

The charts below depict how institutional money is concentrated in the larger companies within the listed universe. FII ownership (including ownership through depository receipts) fell sharply across the board for yet another quarter, translating into net selling (drop in exposure) of Rs 1trn and Rs 1.3trn 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 March quarter estimated at ~Rs810bn in the overall NSE-listed floating stock. Banks, FIs and insurance companies were modest buyers of Indian equity markets in the March quarter, with net buying in the NSE floating stock amounting to ~Rs 339bn during the quarter.

Even as FII selling has been across the board, it has been far more prominent in the smaller companies, as reflected from a steeper drop in their aggregate ownership in the overall NSE-listed companies excluding Nifty 500. This is also reflected in a sequential jump in FIIs portfolio allocation to Nifty 50 companies, with 70% of their investments made towards this universe, up 124bps QoQ. While a part of this reflects reduced risk appetite of foreign investors amidst worsening macroeconomic fundamentals and ongoing geopolitical tensions, it is also attributed to relative underperformance of smaller companies in the current uncertain times—visible in 56bps QoQ jump in the share of Nifty 50 market cap in the total market cap of NSE listed universe.

DMFs, on the other hand, have seen their share of investments rising in a broad-based manner in the March quarter. That said, even DMFs have seen a slightly higher jump in their exposure to bigger companies. The share of Nifty 50 companies in the overall investments made by DMFs in the NSE listed stock rose sequentially for the first time in five quarters by 153bps QoQ to a four-quarter high of 61.3%, a result of relative outperformance and higher allocation. With FIIs pervasively taking out money from Indian equities, and DMFs remaining net buyers and more so in bigger companies, the difference between DMF and FII allocation to Nifty 50 companies has fallen to fresh 21-year low levels in the quarter ending March 2022.

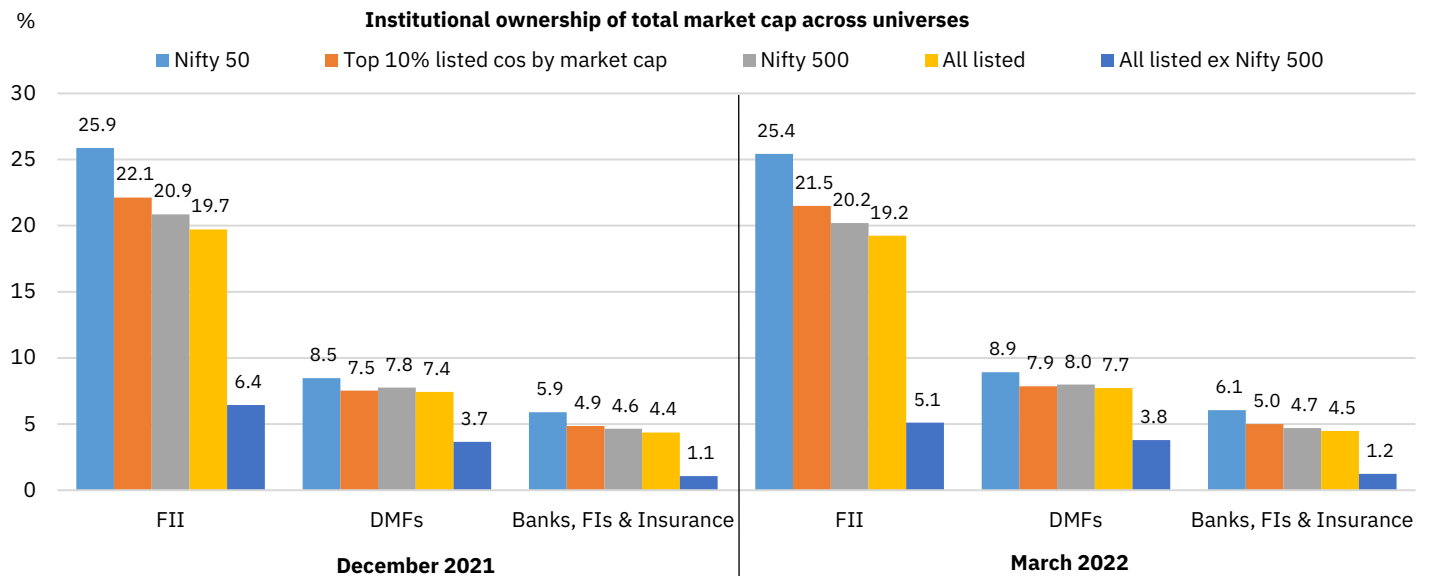
Banks, FIs and Insurance companies, however, have a slightly more concentrated portfolio vis-à-vis FIIs. They have 71.8% of their investments done in Nifty 50 companies, up 89bps QoQ, partly reflecting risk-off buying in these companies and their relative outperformance as compared to the broader market in the quarter gone by. That said, it is still much lower than the recent high of 77.9% witnessed in September 2019, possibly signalling reduced concentration over the last couple of years.

---

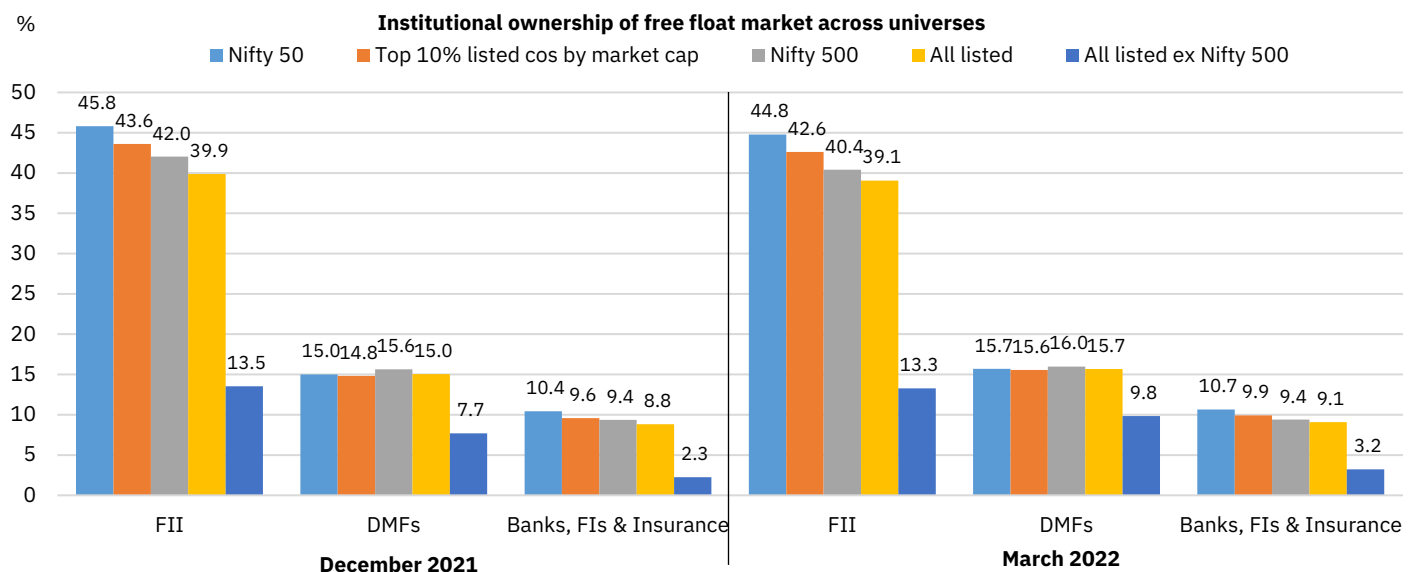
*FIIs were pervasive sellers of Indian equities in the March quarter, and prominently in smaller companies, translating into incrementally higher market concentration.*

*DMFs have also seen their exposure to Nifty 50 companies rising in the quarter gone by after a steady drop over the previous four quarters.*

---

**Figure 78: Institutional share of total market cap (March 2022 vs. December 2021)**


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

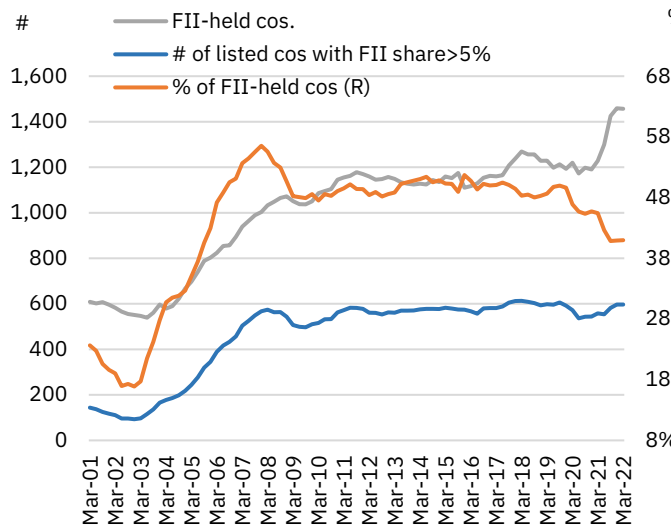
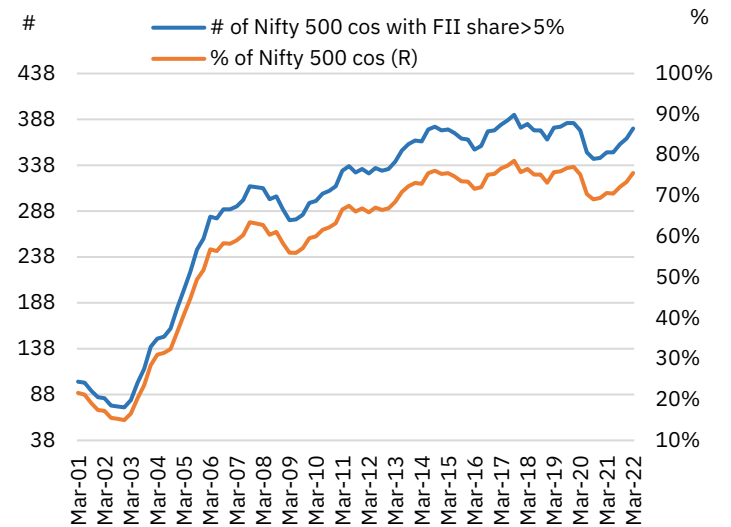
**Figure 79: Institutional ownership of floating stock (March 2022 vs. December 2021)**


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

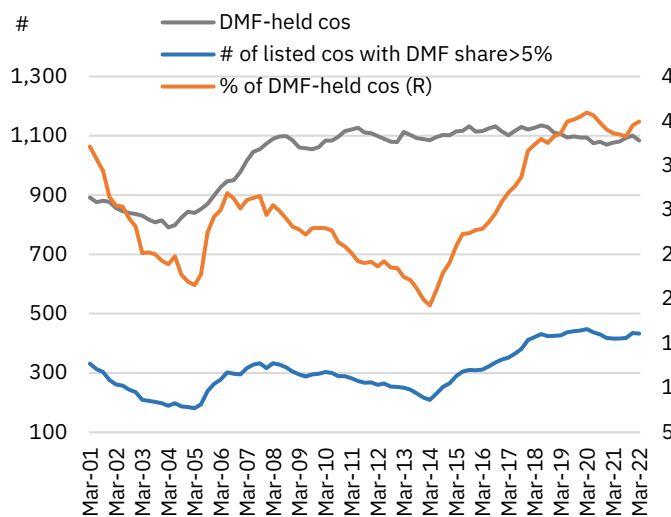
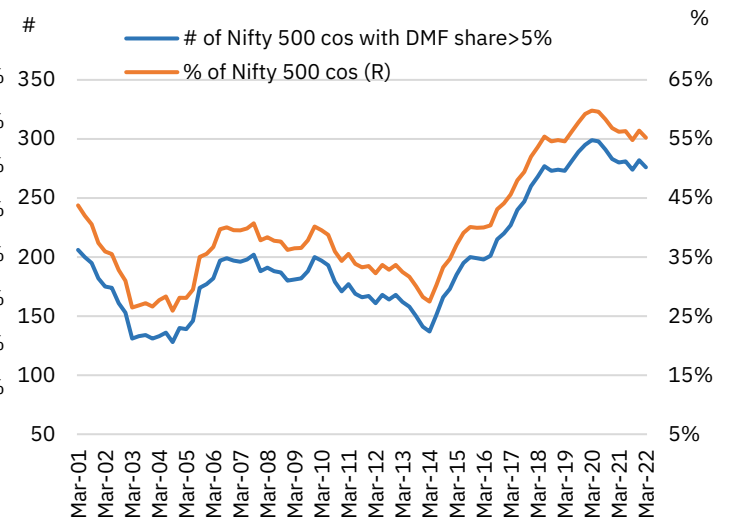
### Ownership concentration in terms of no. of companies with holding greater than 5%:

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. FIIs meaningfully expanded their invested pool of companies in 2021, from near 1200 odd companies in December 2020 to 1450+ companies by December 2021 which has broadly remained steady at that level in the March quarter. At the same time, FIIs have been adding more and more Nifty 500 companies to their portfolio of companies where they own at least 5% of the market cap, even as the number of such companies from the overall NSE listed universe has remained steady at around the 600-mark. In other words, FIIs today have at least 5% ownership in ~75.6% of the Nifty 500 Universe (by no of companies), and the share has inched up by 6.5pp since September 2020. This shows wider ownership by FIIs in terms of number of companies but a concentrated one in value terms.

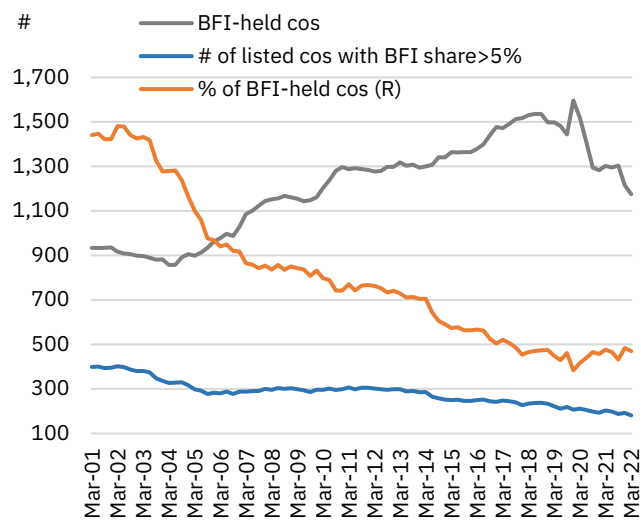
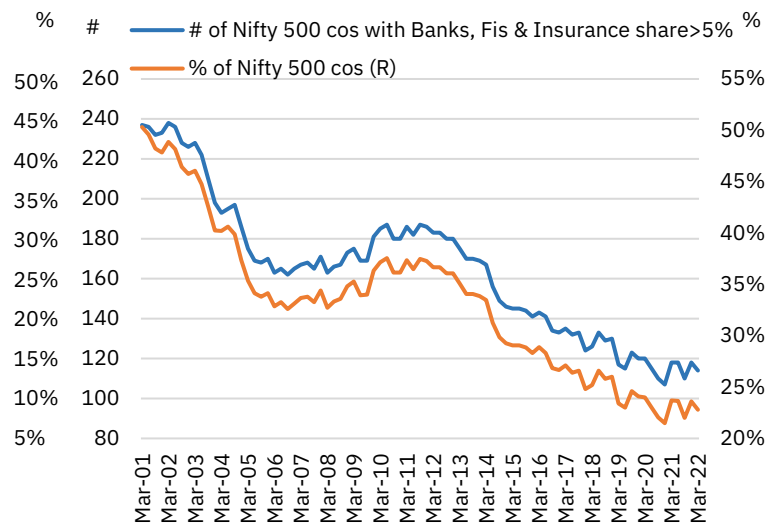
In contrast with foreign investors, the number of invested companies by DMFs within the NSE-listed universe has remained broadly steady at ~1100 mark over the last 15-year period. But the number of companies where DMF hold more than 5% has more than doubled from ~209 in March 2014 to 433 in March 2022 thanks to huge SIP inflows seen over the last 5-6 years. The share of such companies in the overall listed has risen for the second consecutive quarter. This, coupled with a steady invested pool of companies, indicate an increase in portfolio concentration for DMFs, possibly indicating some correlation between incremental SIP inflows and allocation trade.

**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

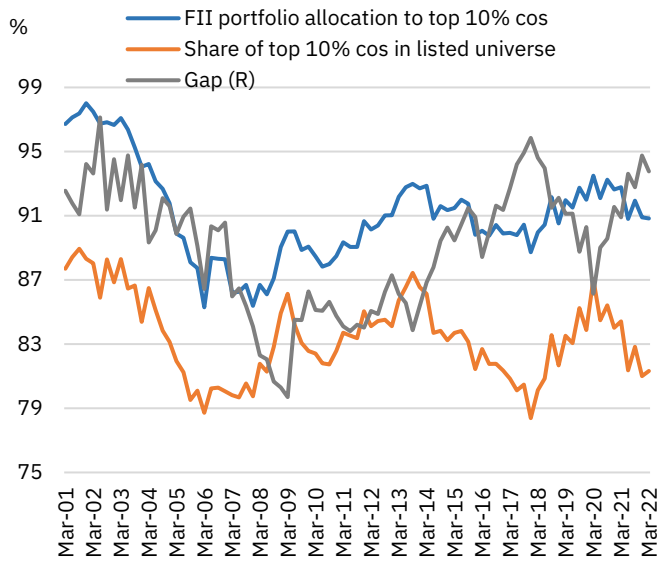
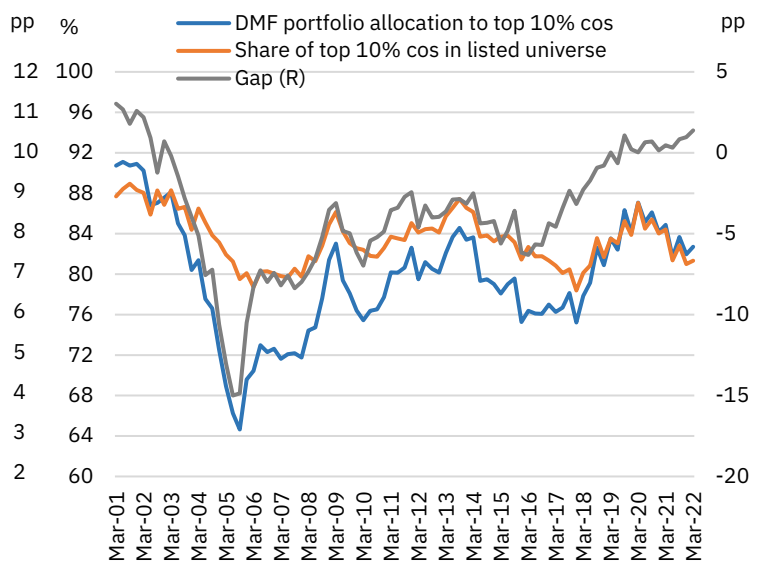
**Figure 84: Number of listed companies with Banks, FIs & Insurance holding >5%**

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


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

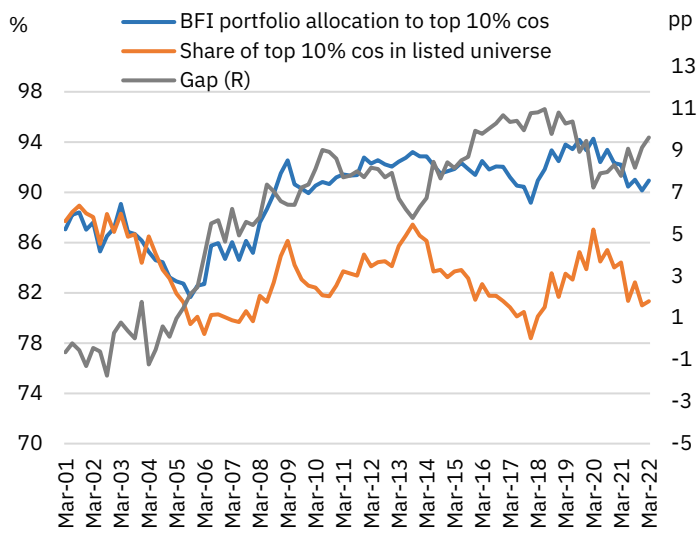
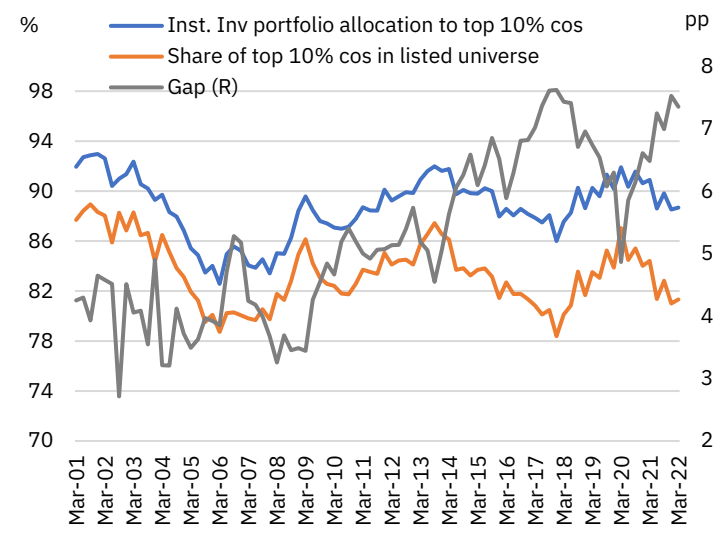
**Concentration of Institutional money in the top 10% companies by market cap:** The ‘foreign’ portfolio was highly concentrated in 2001, with ~98% of the entire holdings in just the top 10% of stocks. That has since changed with increased understanding of the markets, dropping to 85% in 2006, and then 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. Since March 2020, the share of top 10% companies in FIIs’ portfolio has been gradually falling, solely led by relative underperformance of such companies as compared to the overall listed universe, as reflected in a steeper drop in share of top 10% companies’ stock in overall NSE listed stock, even as it remains fairly high at 90.8% as of March-end.

It is the DMFs that actually saw their portfolios turning far more concentrated between 2017 to early 2020. The top 10% of stocks by market cap occupied ~87% of their total portfolio in March 2020 vs. 78% 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 11<sup>th</sup> quarter in a row, following a perennial under allocation for the previous 16 years, and in fact has been inching up, signalling higher concentration of DMFs to larger companies.



**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
Smriti Mehra	<a href="mailto:smehra@nse.co.in">smehra@nse.co.in</a>	
Anshul Tayal	<a href="mailto:atayal@nse.co.in">atayal@nse.co.in</a>	
Tanika Luthra	<a href="mailto:consultant_tluthra@nse.co.in">consultant_tluthra@nse.co.in</a>	

### Disclaimer

*This report is intended solely for information purposes. This report is under no circumstances intended to be used or considered as financial or investment advice, a recommendation or an offer to sell, or a solicitation of any offer to buy any securities or other form of financial asset. The Report has been prepared on best effort basis, relying upon information obtained from various sources, but we do not guarantee the completeness, accuracy, timeliness or projections of future conditions provided herein from the use of the said information. In no event, NSE, or any of its officers, directors, employees, affiliates or other agents are responsible for any loss or damage arising out of this report. All investments are subject to risk, which should be considered prior to making any investment decisions. Consult your personal investment advisers before making an investment decision.*