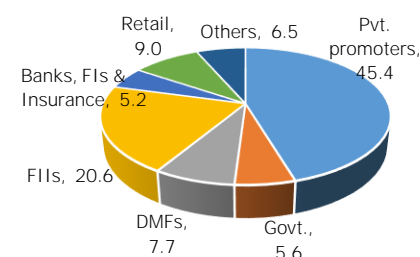


Who owns India Inc.? – Retail up, FIIs up, DIIs down

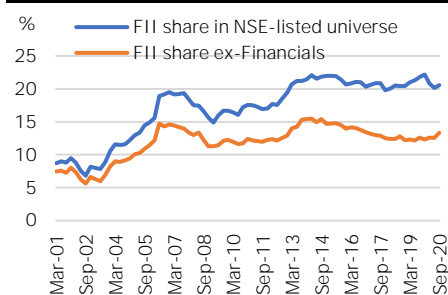
In this edition of our **quarterly report “India Inc. Ownership Tracker”¹**, we extend our analysis of ownership trends and patterns in NSE-listed companies to include the data available for the quarter ending September 2020. We note: 1) A sustained contraction in Govt. ownership to fresh all-time low levels, reflecting continuous efforts to expand public ownership and relative underperformance of PSUs in the current market rally; 2) Further rise in private promoter ownership for the third quarter in a row to over 15-year highs, led by Indian promoters even as foreign promoters offloaded some of the stake; 3) A modest increase in FII² (foreign institutional investors) ownership following a drop in the previous two quarters, supported by an ample global liquidity; 4) A marginal drop in DMF (domestic mutual funds) share for the second consecutive quarter, partly attributed to continued moderation in SIP inflows and higher redemptions; 5) Further increase in direct retail ownership, thanks to strengthened retail participation amidst a huge market rally—reflected in new investor additions and a sharp rise in retail share in cash market turnover; 6) FIIs maintained their out-sized bet on Financials³, increased their overweight⁴ (OW) position on Energy and retained a cautious **stance on India’s consumption as well as investment** story despite emerging green shoots; 7) **DMFs’ portfolio stance contrasted with FIIs with a negative stance** on smaller financial companies, an incrementally more cautious view on Energy and an OW position on Industrials and Healthcare; and 8) While FIIs have largely maintained a status quo (in terms of number of stocks with >5% share and exposure to top 10% companies), strong inflows of funds into DMFs over the last few years, barring a drop in FY21 thus far, have led to a curious combination of both rising concentration and a widening spread.

- Private promoter share rose further; Government ownership fell to fresh all-time lows: Private Indian promoters saw their ownership rising for the third quarter in a row to near-15-year high level of 35.4%/34.8% in NSE-listed/Nifty 500 companies in the September quarter. This marked the steepest sequential increase in private Indian promoter stake in last seven years, with 216/1664 NSE-listed stocks (where shareholding is available for June and September quarters) witnessed an increase. Foreign promoters, however, saw a drop in ownership for yet another quarter, leading to 81bps and 83bps QoQ increase in private promoter stake in the NSE-listed/Nifty 500 universe to 45.4%/44.8%. The increase in private promoter share was much higher in the Nifty 50 Index. Government ownership (promoter and non-promoter), however, declined further to hit fresh all-time lows of 5.6% in the NSE-listed universe. While a part of this reflects the **Government’s efforts** to expand public partnership in the ownership of public sector companies and augment revenues from alternative sources, it is also a result of a sharp underperformance of Government-owned companies in the current market rally.
- FIIs ownership picked up amidst an influx of foreign capital flows: Following a steep drop in the previous two quarters, FII ownership in the September quarter rose by 23bps, 44bps and 42bps QoQ to 26%, 21.4% and 20.6% in the Nifty 50, Nifty 500 and the overall NSE-listed universe respectively. This is reflected in strong foreign portfolio inflows into Indian equities during the quarter (US\$6.3bn), supported by an ultra-loose monetary policy. Excluding Financials where FIIs

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



FII ownership in NSE-listed companies



Source: CMIE Prowess, NSE.

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

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

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

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

continued to reduce their stake for the third quarter in a row, FII ownership in the listed universe rose to near-three-year highs.

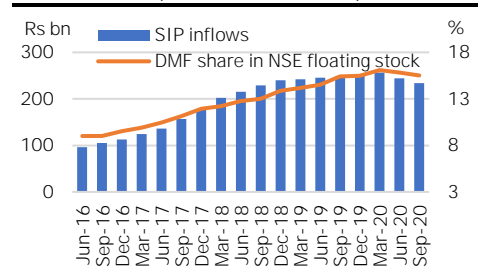
The sector positioning of FIIs remained broadly steady in the September quarter. The perennial out-sized bet on Financials was maintained but with a reduced absolute portfolio allocation, partly explained by the sector's underperformance with respect to the broader market. Additionally, FIIs turned incrementally bullish on **Energy**, and maintained their cautious view on India's consumption as well as investment story with a sustained UW position on Consumer Staples and Discretionary, Materials and Industrials.

- DMF ownership dropped for the second quarter in a row: A modest decline seen in the DMF ownership in the previous quarter continued in the September quarter as well, reflecting continued moderation in SIP inflows. DMFs' stake in the Nifty 500/overall NSE-listed universe fell by 10bps/12bps QoQ to 7.9%/7.7%. DMF ownership in Nifty 50, however, fell by a higher 29bps QoQ, partly attributed to relative underperformance of large-cap stocks as compared to mid-and-small-caps. The share of Banks, Financial Institutions and Insurance companies fell to two-decadal lows.

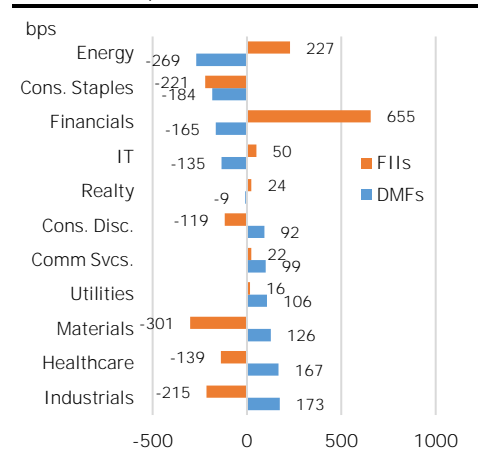
DMFs' sector positioning has remained a complete contrast to FIIs. In the September quarter, DMFs turned incrementally positive on Financials, strengthened their cautious view on Energy and sharply reduced their UW position on IT—a result of an increase in allocation as well as a strong rally seen in IT stocks during the quarter. Among other sectors, DMFs maintained a negative stance on Consumer Staples, albeit incrementally less so, and were OW on Healthcare, Industrials, Materials and Utilities. DMFs' OW position on Industrials, however, has come off meaningfully over the last several years.

- Direct retail ownership inched up further: Direct retail ownership in NSE-listed companies inched up further by 37bps QoQ to a 10-quarter high of 9.0%—the highest QoQ increase in the last 18 quarters. In the Nifty500 universe, direct retail share is currently hovering at a 12-year high of 8.6%. Strong market rally over the last few quarters has boosted sentiments of retail investors—also reflected in a sharp rise in new investor accounts added this year and a surge in retail share in the cash market turnover. Notably, the increase in retail share in the Nifty 50 Index has been much lower, indicating higher interest in the small-cap stocks during this rally.
- Evolving institutional ownership and concentration: Combining the theme of ownership patterns with concentration trends leads to some interesting takeaways. The number of stocks in the FII portfolio has remained unchanged over the last decade, with inflows of US\$145bn since 2010 merely leading to a larger share in existing stocks. FIIs have at least 5% ownership in 70% of the NIFTY 500. DMFs have a more interesting story. Large inflows over the past few years have led to a curious combination: A wider share (5%+ ownership in 294 stocks now, vs 137 in 2014) and higher concentration (~86% of value in top 10% of stocks).

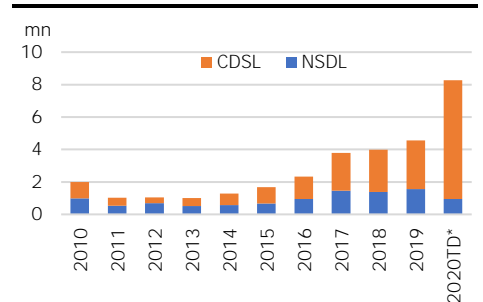
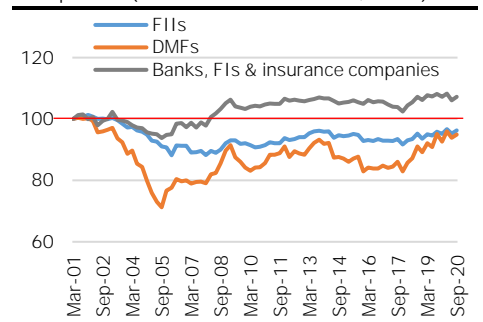
DMF ownership in NSE-listed companies



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



New investor account additions


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


Source: CMIE Prowess, AMFI, SEBI, NSE.

Listed universe ownership trends

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

Private promoter ownership rose to near-15-year highs: Total promoter ownership in the NSE-listed universe fell by a modest 18bps QoQ to 50.7% in the quarter ending September 2020, as a sharp increase in the stake of private Indian promoters was more than offset by a drop in holding of foreign promoters and government. Private Indian promoter ownership picked up by 125bps QoQ—the steepest sequential increase in last seven years—to near-15-year high of 35.4%. This marked the third consecutive quarter of increase, translating into a jump of ~320bps in private promoter stake in the NSE-listed space in the first nine months of 2020, with 216/1664 companies (where shareholding data is available for June as well as September quarter) witnessing an increase. Foreign promoters, however, reduced their ownership by 44ps QoQ to 10%, marking the second consecutive quarter of drop.

Government ownership hit fresh all-time lows: 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 Government's share in the NSE-listed universe fell by ~100bps QoQ to hit fresh all-time lows of 5.7% in the quarter ending September 2020. This is partly also attributed to a massive underperformance of PSU stocks in the current market rally. For instance, Nifty PSE Index (comprising of 20 Government-owned stocks) fell by 13.3%% in 2020 vs. Nifty 50 return of 14.9%.

FII ownership inched up after declining over the previous two quarters: Amongst institutional investors, FII ownership went up by 42bps QoQ to 20.6% in the September quarter following a drop in the previous two quarters. This is reflected in strong foreign portfolio inflows into Indian equity markets in the September quarter (US\$6.3bn), supported by an ample global liquidity arising from an ultra-loose monetary policy adopted by global central banks to arrest the economic ramifications caused by the COVID-19 pandemic. Excluding Financials where FIIs continued to reduce their stake for the third quarter in a row, FII ownership in the listed universe increased by a much higher 78bps QoQ to 15-quarter high of 13.3% in the September quarter.

DMF ownership dropped for the second quarter in a row: A modest decline seen in the DMF ownership in the previous quarter continued in the September quarter as well, with the DMFs' stake in the NSE-listed companies falling by 12bps QoQ to a five-quarter low of 7.7%. This is reflected in the continued moderation in SIP (Systematic Investment Plans) inflows into mutual funds, averaging at ~Rs79bn/month during Apr-Nov'20 vs. a monthly average of Rs83bn in FY20. That said, the DMF share is just 24bps shy of the all-time high of 7.9% (in the quarter ending March 2020). The share of Banks, Financial Institutions and Insurance companies in the NSE-listed space also fell by 33bps QoQ to 5.2% in the September quarter—the lowest share in the last two decades.

Retail investors' holding went up further in the September quarter: Individual retail investors' holding inched up by 37bps QoQ to a 10-quarter high of 9.0%—the highest sequential increase in the last 18 quarters. This marked the third successive quarter of an increase in retail ownership in Indian equities. A sharp market crash in the March quarter, coupled with lockdown restrictions, lured retail investors into trading in equity markets, with a strong market rally over the last two quarters significantly strengthening their sentiments. Of the 1664 listed companies (where data is available for June and

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

Government ownership declined further to hit fresh all-time lows.

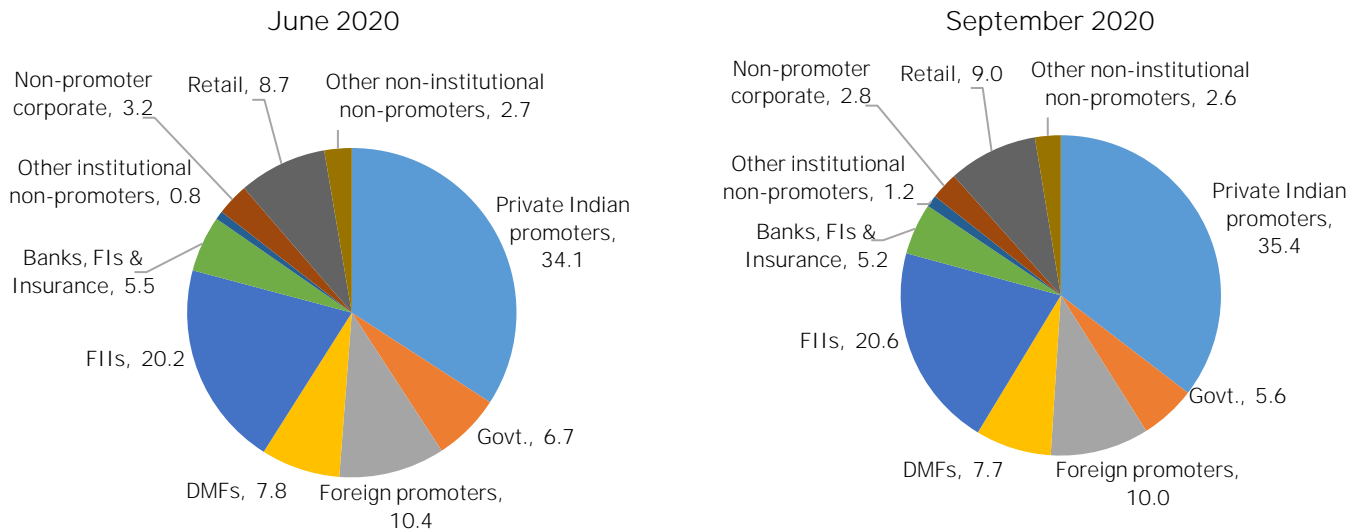
FII ownership inched up in the September quarter to 20.6% following a drop in the previous two quarters.

DMF ownership declined for the second quarter in row, falling by 12bps QoQ to 7.7%.

Retail holding witnessed the highest sequential increase in the last 18 quarters, rising to a 10-quarter high of 9.0%.

September quarter), 1268 saw an increase in stake held by retail investors. This increased buying is also reflected in a sharp rise in new investor accounts added in 2020 (Figure 22) and increase in retail share in the cash market turnover (Figure 23).

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



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

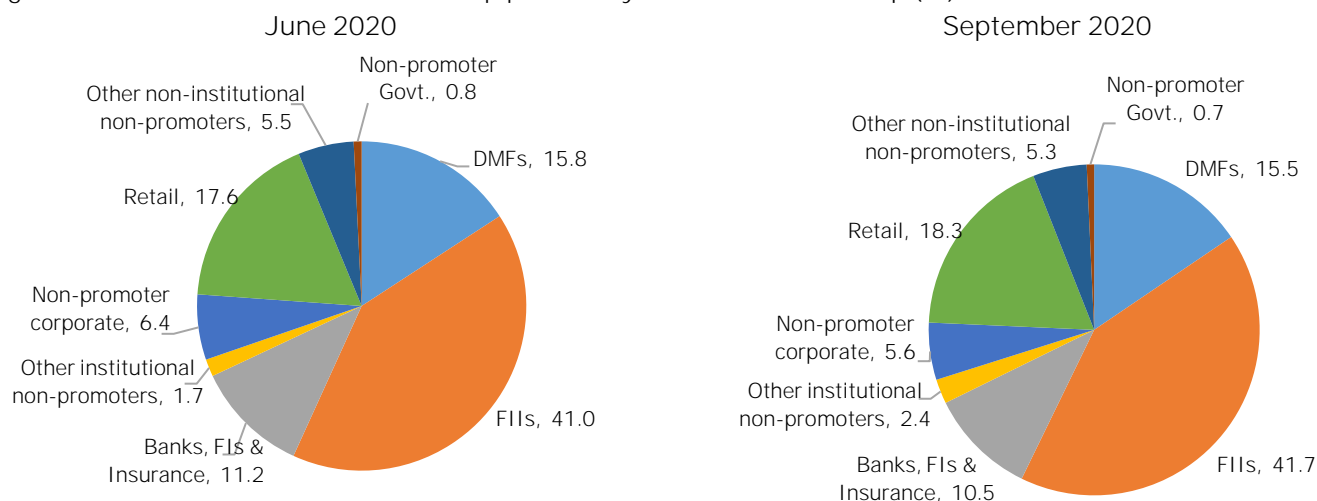
Figure 2: NSE-listed universe: Ownership trend across key stakeholders by total market cap over last three years

%	Private Indian promoters	Govt.	Foreign promoters	Domestic MFs	Banks, FIs & Insurance	FII *	Non-promoter corporate	Retail
Dec-17	31.5	10.4	9.4	5.9	5.7	19.8	5.4	9.2
Mar-18	31.3	10.1	9.4	6.1	5.6	20.1	5.6	9.0
Jun-18	31.4	9.5	9.7	6.4	5.7	20.5	5.2	8.7
Sep-18	32.0	9.2	9.5	6.4	5.8	20.4	5.1	8.6
Dec-18	31.3	9.1	10.0	7.0	5.8	20.4	5.0	8.7
Mar-19	31.5	9.2	9.2	7.2	5.5	21.0	5.0	8.6
Jun-19	31.4	9.3	9.3	7.3	5.5	21.3	4.7	8.4
Sep-19	32.2	7.9	10.1	7.7	5.5	21.8	3.6	8.5
Dec-19	32.2	8.2	9.8	7.8	5.4	22.2	3.5	8.4
Mar-20	33.3	6.9	11.1	7.9	5.5	20.8	3.3	8.4
Jun-20	34.1	6.7	10.4	7.8	5.5	20.2	3.2	8.7
Sep-20	35.4	5.6	10.0	7.7	5.2	20.6	2.8	9.0
QoQ change	125bps	-102bps	-44bps	-12bps	-33bps	42bps	-40bps	37bps

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

Floating stock witnessed an increase in institutional ownership led by FIIs: In terms of floating stock, FII ownership jumped by 71bps QoQ to 41.7% in the September quarter even as it is still 4pp shy of the peak share over the last 20-year period. A sharp drop in the previous two quarters, however, still translated into a 250bps fall in FII ownership in the first nine months of 2020 as compared to a strong 350bps rise in 2019. DMF ownership of the NSE free-float market cap fell by 29bps QoQ to 15.5% in the September quarter, marking the second quarterly drop in a row from a 20-year high in the March quarter. Retail ownership in the NSE floating stock moved up for the third consecutive quarter to reach near-three-year high of 18.3% in the September quarter, but is still 10.8pp below the peak share over the last two decades.

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



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

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

%	Domestic MFs	Banks, FIs & Insurance	FII*s	Non-promoter corporate	Retail
Dec-17	11.9	11.6	40.2	11.0	18.7
Mar-18	12.2	11.3	40.4	11.3	18.2
Jun-18	12.8	11.4	41.2	10.4	17.5
Sep-18	13.0	11.7	41.1	10.3	17.3
Dec-18	13.9	11.6	40.7	10.0	17.4
Mar-19	14.2	10.9	41.5	9.8	17.0
Jun-19	14.5	10.9	42.2	9.4	16.7
Sep-19	15.4	11.0	43.4	7.2	16.9
Dec-19	15.5	10.8	44.2	6.9	16.7
Mar-20	16.1	11.2	42.4	6.7	17.2
Jun-20	15.8	11.2	41.0	6.4	17.6
Sep-20	15.5	10.5	41.7	5.6	18.3
QoQ change	-29bps	-70bps	71bps	-83bps	68bps

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

Long-term ownership trend of the NSE-listed universe

Long-term trend shows a steady drop in promoter ownership since 2010: The long-term trend indicates a sharp rise in promoter ownership between 2001 and 2009 (19-year high of 57.6% in March 2009) that has been gradually tapering off since, coinciding with the SEBI's decision to increase the minimum required free float from 10% to 25% in 2010. However, that has been primarily led by a sharp drop in Government ownership over the years, and strategically so, with the aim of expanding public partnership in the ownership of CPSEs (Central Public Sector Enterprises) and augment its resources for higher expenditure towards economic development. On the other hand, overall private promoter ownership—Indian and foreign promoters combined—has increased by ~11.9pp since June 2010.

Increase in DMF ownership over the last few years barring 2020 supported by rising SIP inflows: Barring a slight drop in the first half of FY21, DMF ownership has seen a sharp increase over the previous five fiscal years (FY15-FY20), largely reflecting the sustained retail interest in equity mutual funds as an investment channel through SIPs. Drop in DMF ownership in FY21 has been largely on the back of moderation in SIP inflows,

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

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

A significant rise in FIIs' stake over the previous couple of years got partly reversed in 2020.

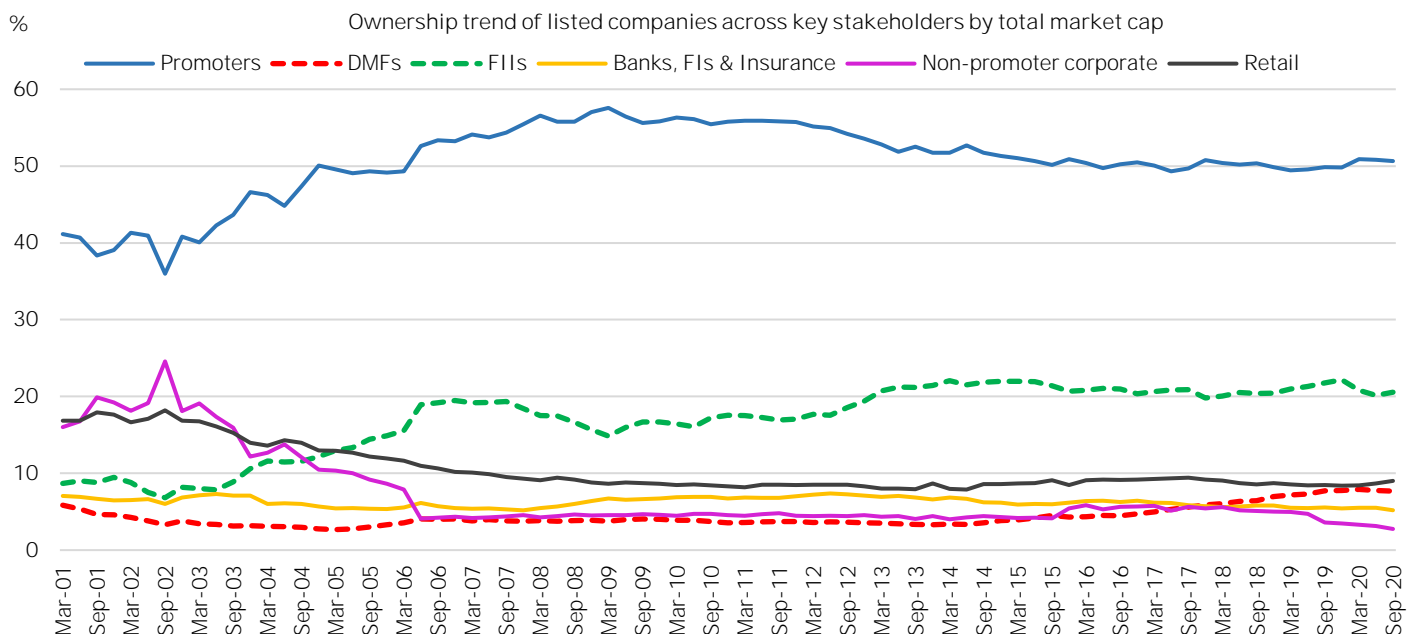
even as direct retail ownership has seen a jump during this period. Ownership of Banks, FIs & Insurance, on the other hand, has been gradually dropping off since 2012.

FII ownership has remained between 19-22% range over the last eight years: FII ownership in the NSE-listed space saw a gradual increase between 2002 and 2015, except for a brief period around the 2007-08 financial crisis, dropped marginally over the subsequent three years followed by a sharp pickup over the next two years until December 2019. FII ownership, however, fell sharply during the first two quarters of 2020 but inched up in the September quarter, supported by strong foreign capital inflows.

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

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

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



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

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



Source: CMIE Prowess, NSE

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

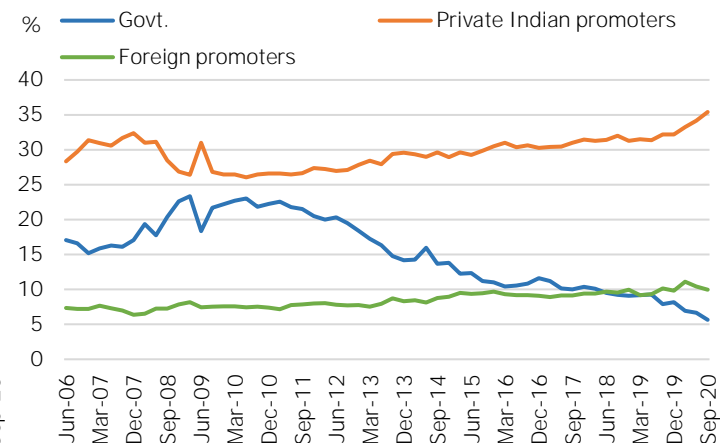
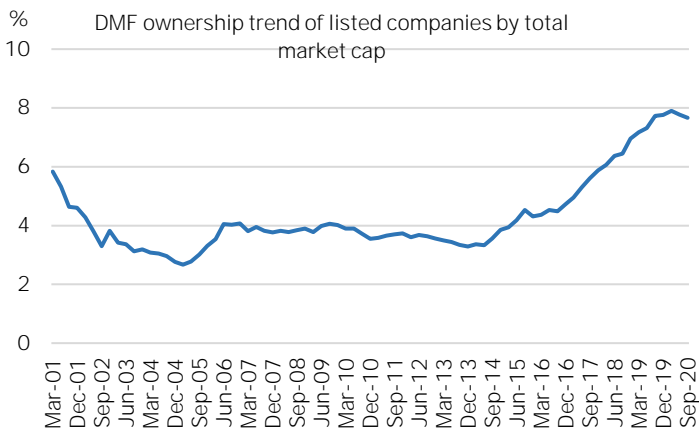


Figure 8: DMF ownership trend of NSE-listed companies by total market cap



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

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

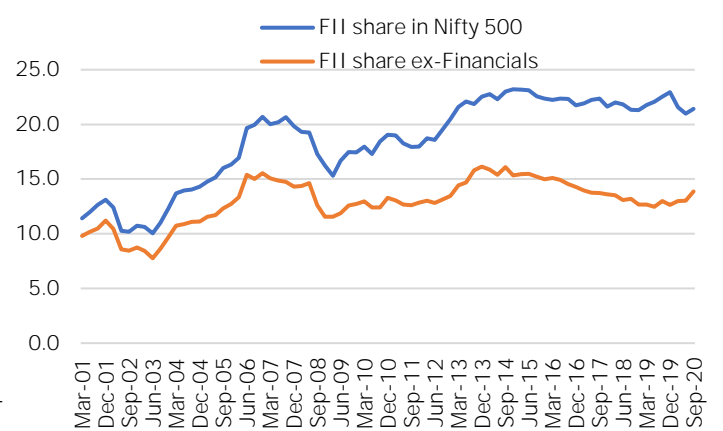
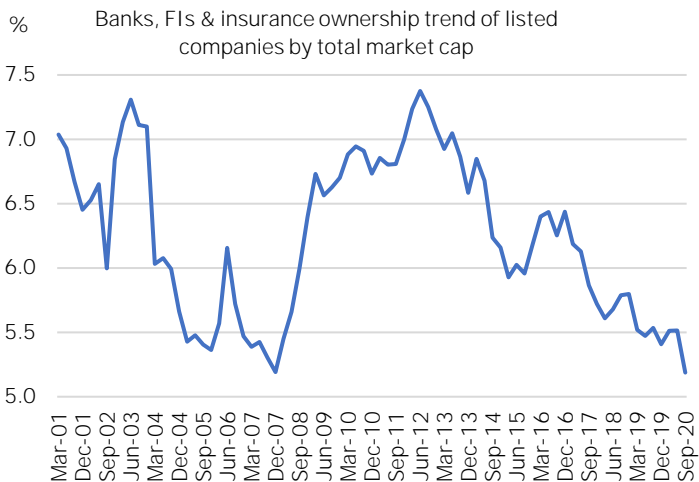


Figure 10: Banks, FIs & Insurance ownership trend of NSE-listed companies by total market cap

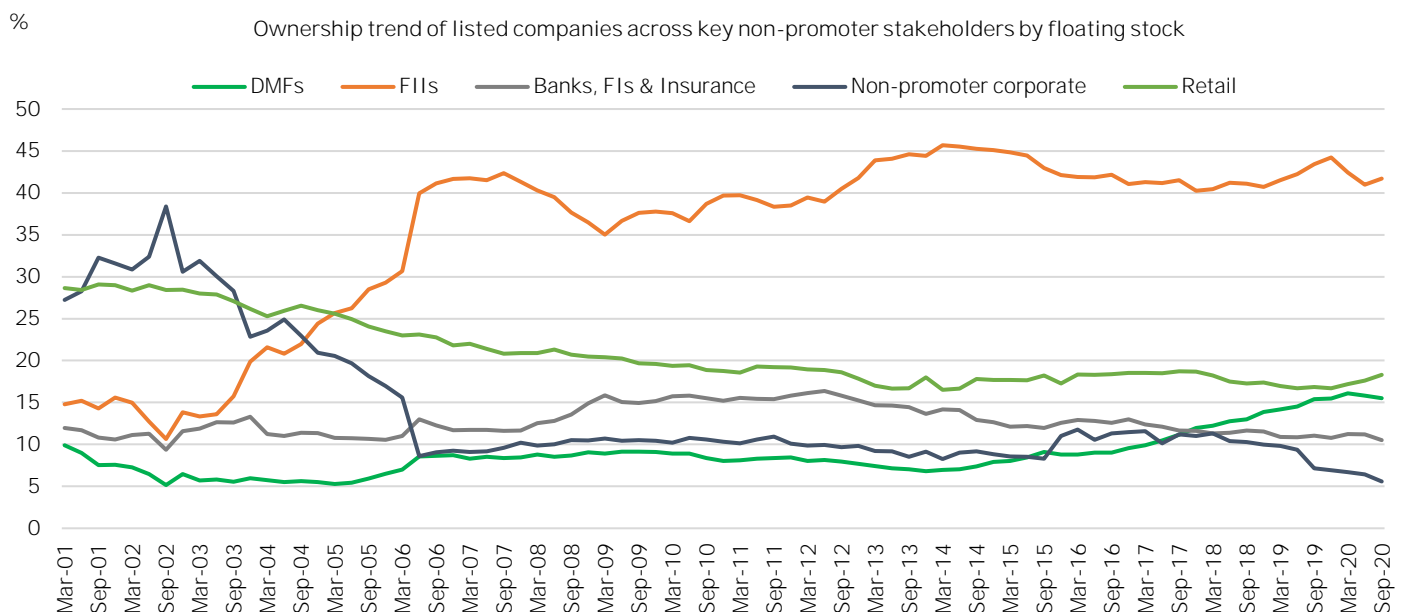


Source: CMIE Prowess, NSE

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

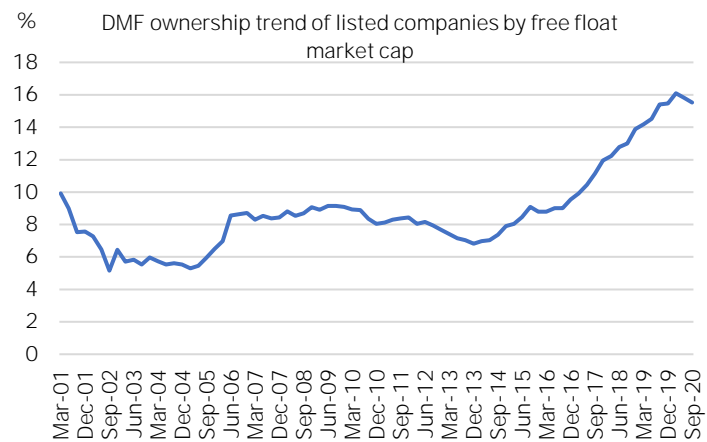


Figure 12: NSE-listed universe: Long-term ownership trend across key stakeholders by free float market cap



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

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



Source: CMIE Prowess, NSE

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

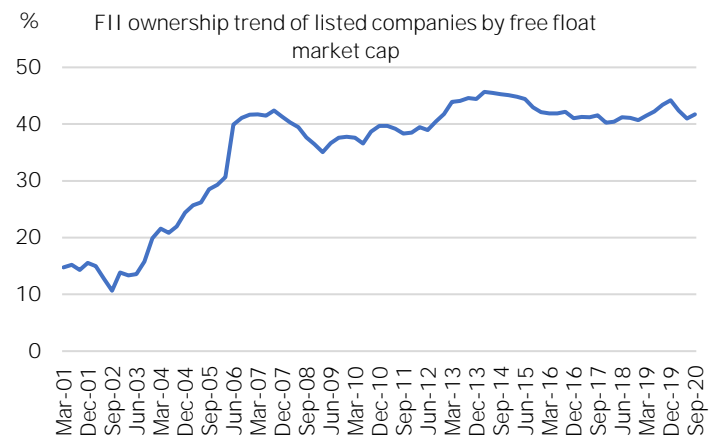
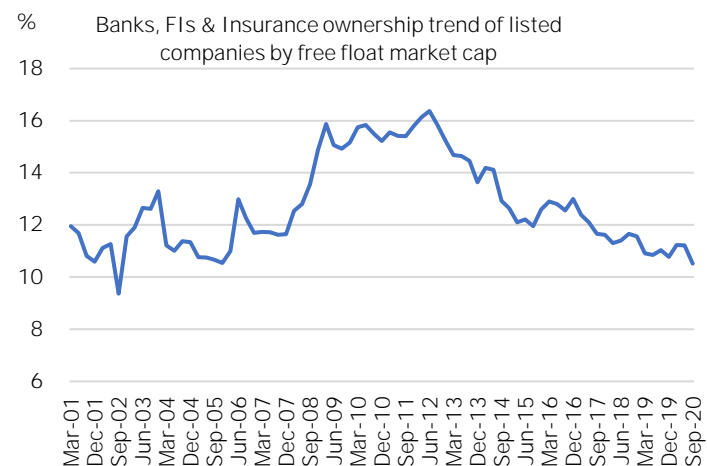


Figure 15: Banks, FIs & Insurance ownership trend of NSE-listed companies by free float market cap



Source: CMIE Prowess, NSE

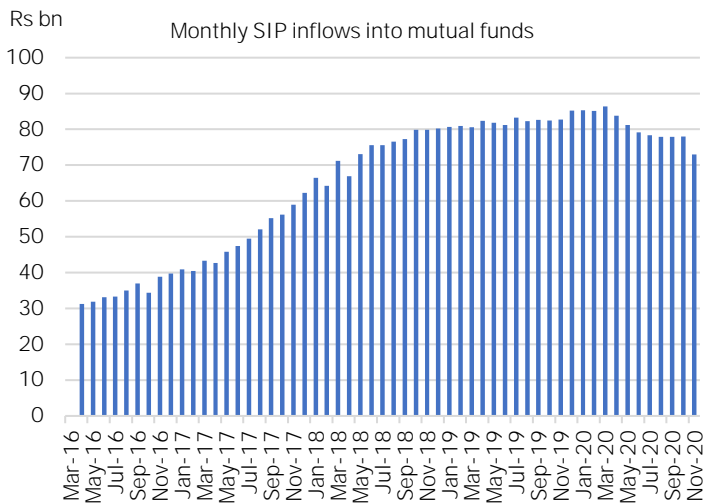
Figure 16: Retail ownership trend of NSE-listed companies by free float market cap



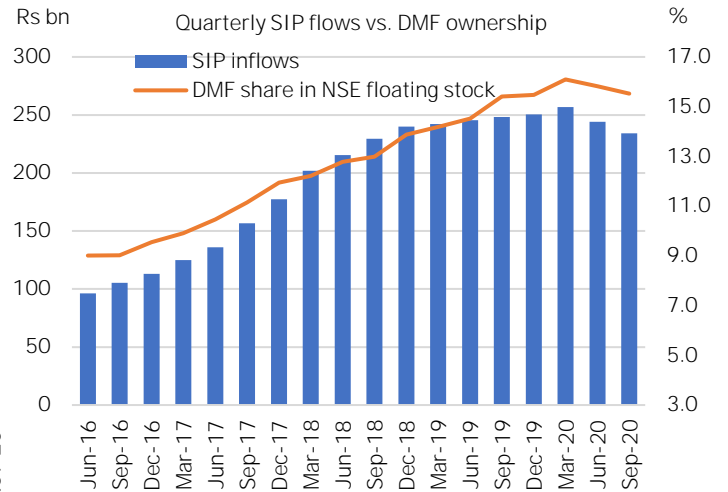
SIP inflows declining amid rising market uncertainty: SIPs—a preferred route for retail investors to invest in equity markets until early last year—have went slightly out of flavor since the last few months. Investment in mutual funds through SIPs declined on a sequential basis for the eighth consecutive month, hitting a 31-month low of Rs730bn in November vs. an average monthly run-rate of ~Rs830bn in FY20. This is probably a consequence of heightened market uncertainty particularly in the wake of a sharp surge over the last few months as well as a partial shift in retail investments from the SIP route to direct trading as reflected in a significant jump in retail ownership this fiscal year.

SIP inflows declined to 31-month low of Rs730bn in November, marking the sixth consecutive month of a sub-Rs800bn figure.

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

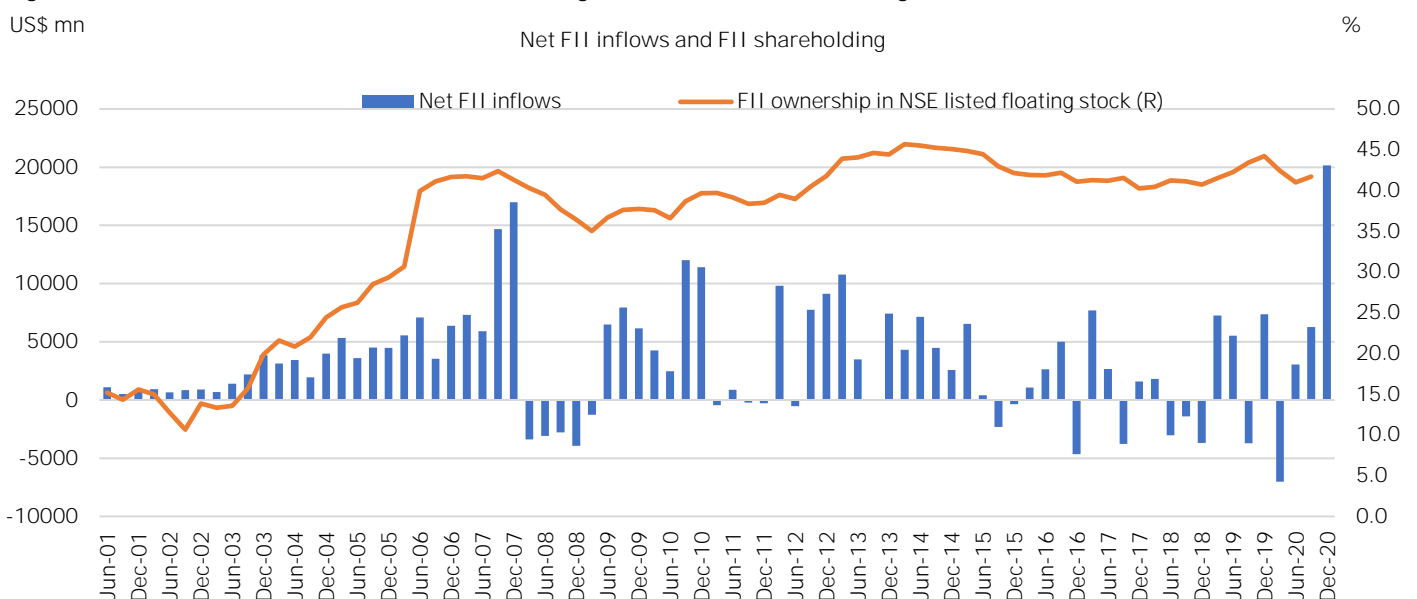
Figure 17: Monthly SIP inflows into mutual funds


Source: AMFI, NSE

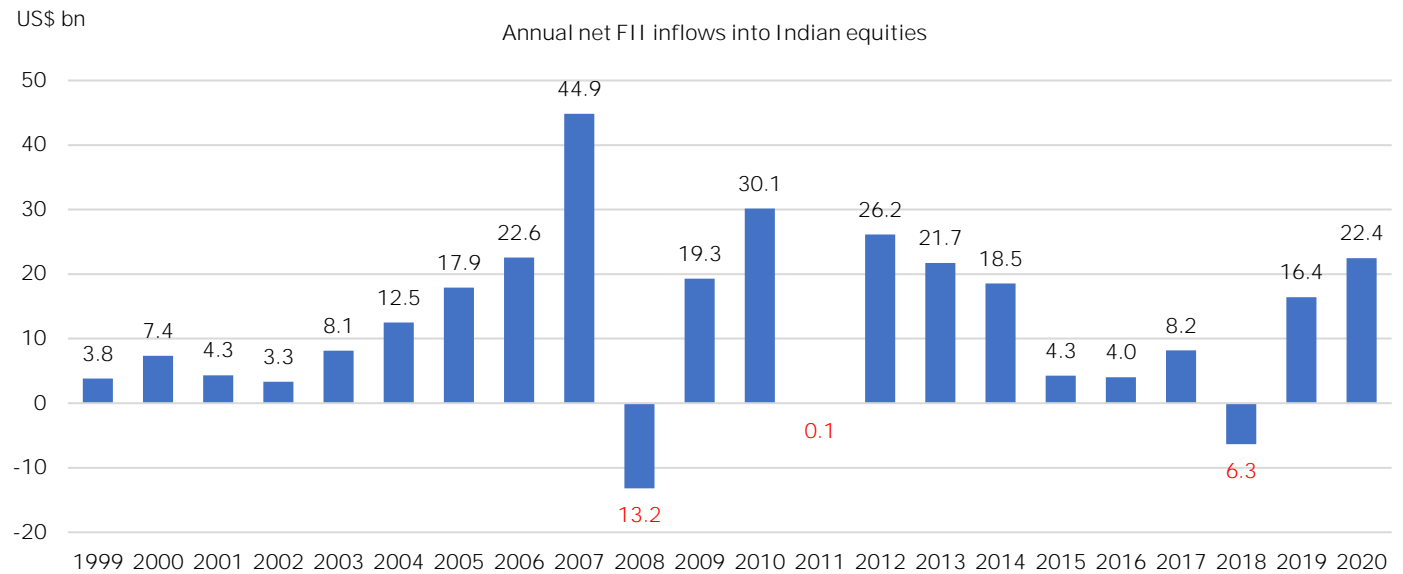
Figure 18: Quarterly SIP inflows vs DMF ownership


FII resumed buying from May onwards: After witnessing record-high FII outflows on a quarterly basis of US\$7bn in the March quarter amid fears of a worst global recession since the Great Depression, FIIs resumed buying into Indian equities from May onwards, supported by aggressive policy response by the global central banks through rate cuts and injection of ample global liquidity. This has translated into total FII inflows of US\$29.5bn in Indian equities during the first three quarters of FY21. In fact, net FII inflows of US\$20bn in the December quarter was the highest ever flows India has ever seen into Indian equities in any quarter. This was aided by strengthened global risk-on environment in the wake of favorable phase-3 trials and consequent regulatory authorization of some vaccines as well as continued fiscal and monetary policy support.

September quarter saw strong FII buying into Indian equities supported by surplus global liquidity.

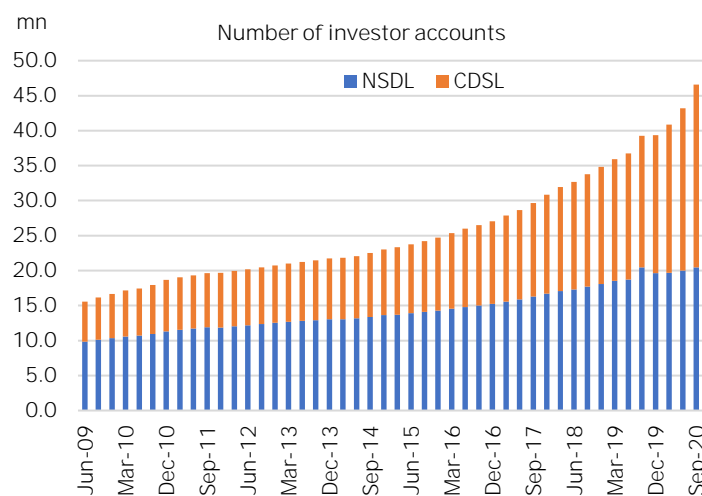
Figure 19: Net FII inflows and FII shareholding in the NSE-listed floating stock


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

Figure 20: Annual net FII inflows trend


Source: Refinitiv Datastream,

Direct trading by retail investors continues to pick up: A sharp market crash in the March quarter, coupled with lockdown restrictions, lured retail investors into trading in equity markets, with a strong market rebound thereafter further strengthening their sentiments. This is reflected in an increase in retail ownership in the NSE-listed universe in the first nine months of 2020. This increased buying is also reflected in a sharp rise in new investor accounts added in 2020 and increase in retail share in the cash market turnover. New investor account additions through CDSL as well as NSDL during Jan-Oct 2020 stood at 8.3mn—the highest in last 10 years—representing nearly 17% of the outstanding active investor accounts. Moreover, the share of individual retail investors in NSE’s cash market turnover shot up from 39% in FY20 to 46% in the first eight months of this fiscal year (Apr-Nov 2020).

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


Source: SEBI Bulletin, NSE.

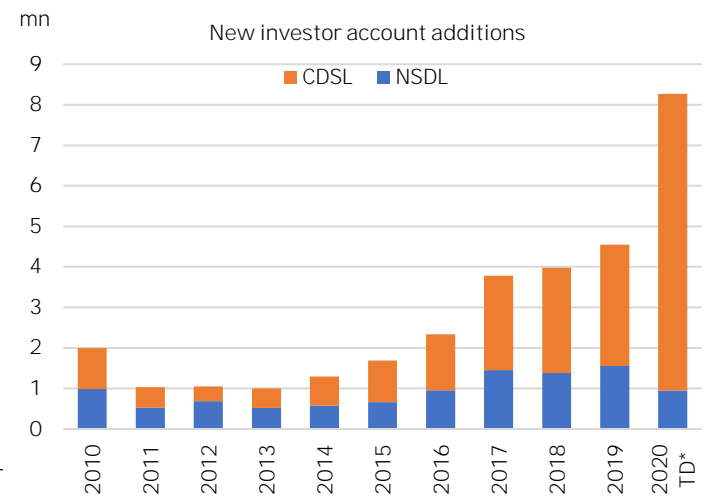
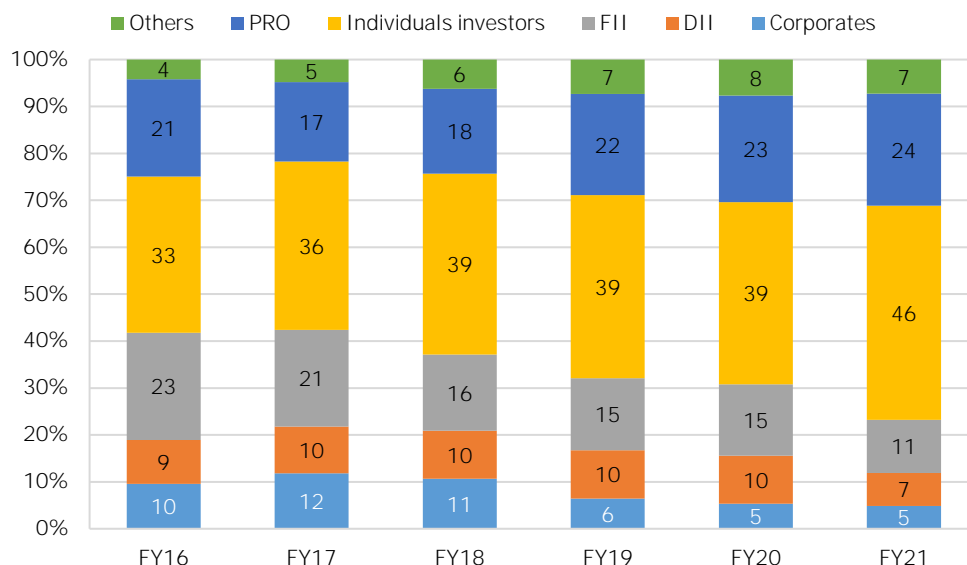
Figure 22: Annual trend of new investor account additions with depositories


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


Source: NSE

Note: DII: Domestic Institutional Investors, FII: Foreign Institutional Investors, Prop traders: Proprietary Traders, Individual investors: individual domestic investors, NRIs, sole proprietorship firms and HUFs, Others: Partnership Firms/LLP, Trust / Society, AIF, Depository Receipts, PMS clients, Statutory Bodies, FDI, OCB, FNs, QFIs, VC Funds, NBFC, etc. FY21 considers data till November'20

Sector-wise ownership of the NSE-listed universe (September 2020): The sector-wise ownership pattern of the NSE-listed universe across key stakeholders in the September quarter shows that the Real Estate sector continues to lead in terms of promoter ownership at 65.1% (-114bps QoQ), followed by Utilities at 60% (+264bps QoQ), Materials at 57.3% (-10bps QoQ) and Information Technology at 56.2% (-124bps QoQ). Sector-wise, Utilities had the highest Government ownership at 26.1%, even as the share has been sharply coming off over the last few years (-18.8 pp over the last two years) to hit fresh all-time lows. Other sectors that have high Government ownership include Industrials, Energy and Financials at 10.1% (-164bps QoQ), 9.8% (-336bps) and 8.7% (-115bps QoQ) respectively.

Sector-wise, Communication Services leads in terms of DM ownership at 9.6% (+7bps QoQ), followed by Financials at 9.4% (+9bps QoQ), Healthcare at 9.1% and Industrials at 9% (-37bps QoQ). The increase in DMF ownership over FY15-20 has been fairly broad-based, with all sectors witnessing a jump in DMF share over this period, led by Communication Services, Utilities and Healthcare. In the quarter ending September 2020, the drop in DMF ownership was led by Utilities (-164bps QoQ), Energy (-55bps QoQ), Industrials (-37bps QoQ) and Consumer Discretionary (-31bps QoQ).

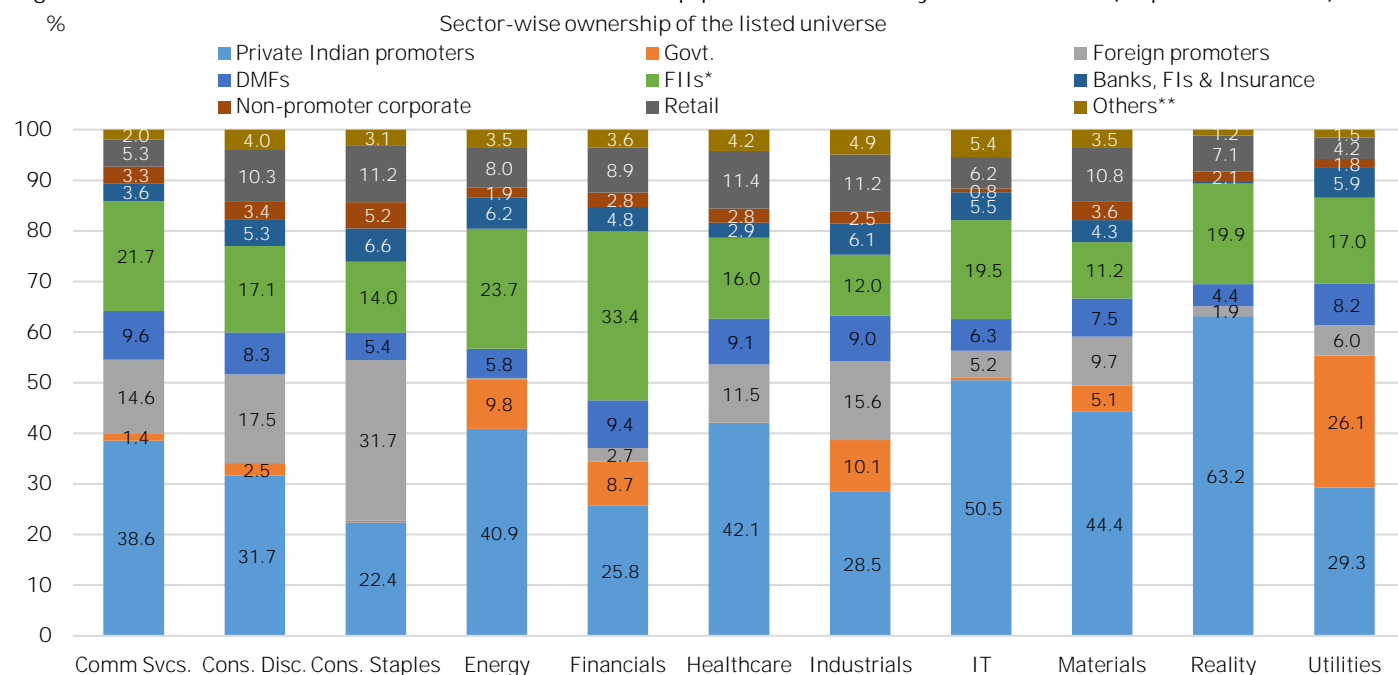
FII remained the biggest non-promoter owners of Financials at 33.4% (+92bps QoQ), followed by Energy at 23.7% (157bps QoQ) and Communication Services at 21.7% (-53bps QoQ). Except Communications Services and Consumer Staples, all other sectors have seen an increase in FII ownership in the quarter ending September 2020.

Sector-wise, Utilities continues to lead in terms of Government ownership at 26.1%, even as it is the lowest since June 2006.

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

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

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



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

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

Sector allocation in the NSE-listed universe for key stakeholders (September 2020):

The table below shows sector allocation for key shareholder categories in all NSE-listed companies as of September 2020. Government ownership remains concentrated to Financials, Energy, Utilities and Industrials, together accounting for 84% of Government's allocation in the listed space. Consumer sector, Discretionary and Staples combined, account for 50.6% of the exposure of foreign promoters to the NSE-listed space.

Except for an outsized exposure to Financials, DMF portfolio remains far more diversified as compared to FIIs. While DMFs have 26.8% of their holdings in Financials, followed by Information Technology at 11.4% and Materials at 10.3%, FIIs have a much higher allocation to Financials at 35.2%, followed by Energy at 14.4% and Information Technology at 13.3%. That said, exposure of both DMFs and FIIs to Financials has seen a sharp drop this fiscal year.

DMFs have 26.8% of their market holding (NSE-listed) in Financials, followed by IT (11.4%) and Materials (10.3%).

FIIs have a much higher exposure to Financials at 35.2%.

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

%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	FIIs*	Banks, FIs & Insurance	Non-promoter corporate	Retail
Communication Services	3.3	0.8	4.4	3.8	3.2	2.1	3.6	1.8
Consumer Discretionary	7.9	3.8	15.5	9.5	7.3	9.0	10.8	10.0
Consumer Staples	7.0	0.6	35.1	7.8	7.5	14.0	20.7	13.7
Energy	14.5	21.7	0.3	9.5	14.4	15.0	8.7	11.1
Financials	15.8	33.4	5.8	26.8	35.2	20.2	22.3	21.4
Health Care	8.7	0.1	8.4	8.6	5.7	4.1	7.4	9.2
Industrials	5.5	12.2	10.6	8.0	4.0	8.0	6.1	8.5
Information Technology	19.9	1.4	7.3	11.4	13.3	14.8	3.9	9.6
Materials	13.1	9.4	10.1	10.3	5.7	8.8	13.7	12.5
Real Estate	1.4	0.0	0.2	0.5	0.8	0.0	0.6	0.6
Utilities	3.0	16.6	2.2	3.8	3.0	4.1	2.4	1.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

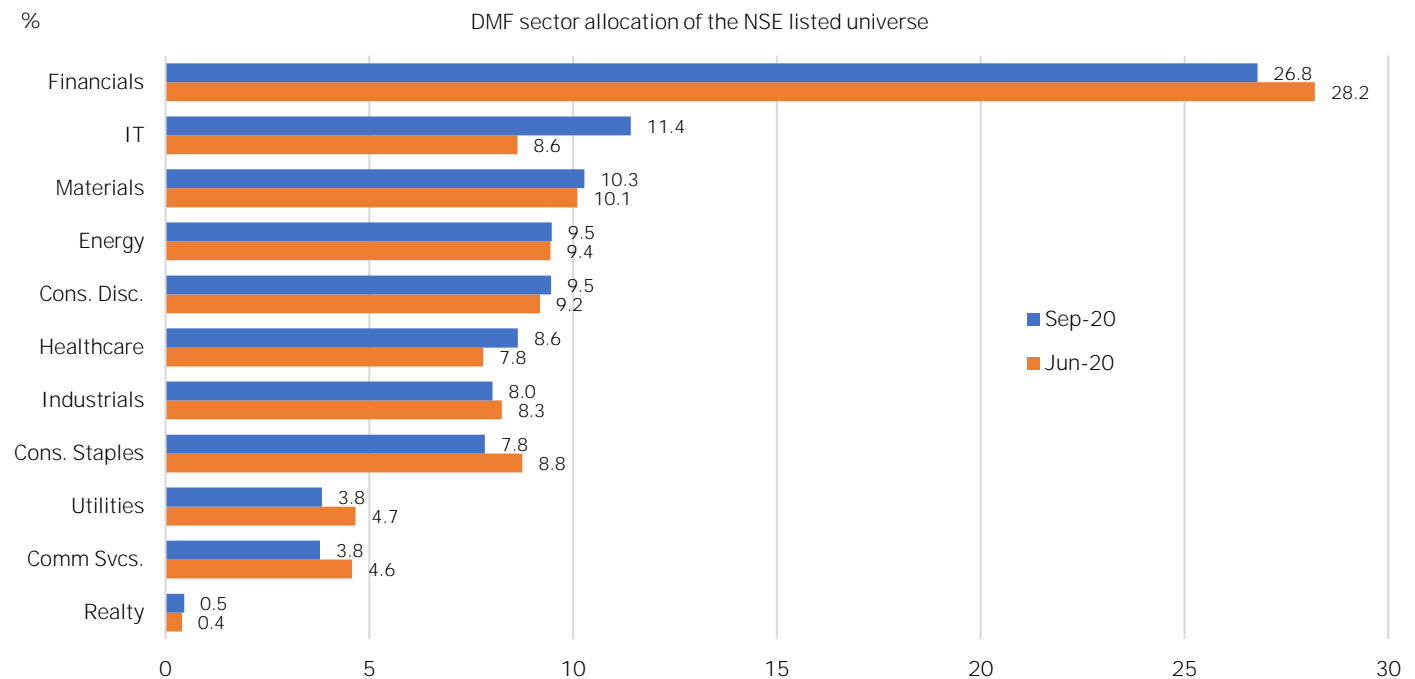
Source: CMIE Prowess, NSE * FII ownership includes ownership through depository receipts held by custodians

DMFs trimmed allocation to Financials for the third quarter in a row ...: DMFs' portfolio allocation to Financials within the NSE-listed space has seen a sharp drop of 8.7 percentage points during Jan-Sep'20 (-141bps in the September quarter), falling from 35.5% in December 2019—the highest allocation in last two decades—to an 18-quarter low of 26.8% in September 2020. DMFs have also trimmed their exposure to Industrials for the sixth quarter in a row to over 18-year lows, reflecting an incrementally cautious view on the sector amidst a derailed investment cycle recovery due to COVID-19 pandemic. Other sectors where DMFs reduced their portfolio allocation in the September quarter include Consumer Staples (-92bps QoQ), Utilities (-82bps QoQ) and Communication Services (-78bps QoQ).

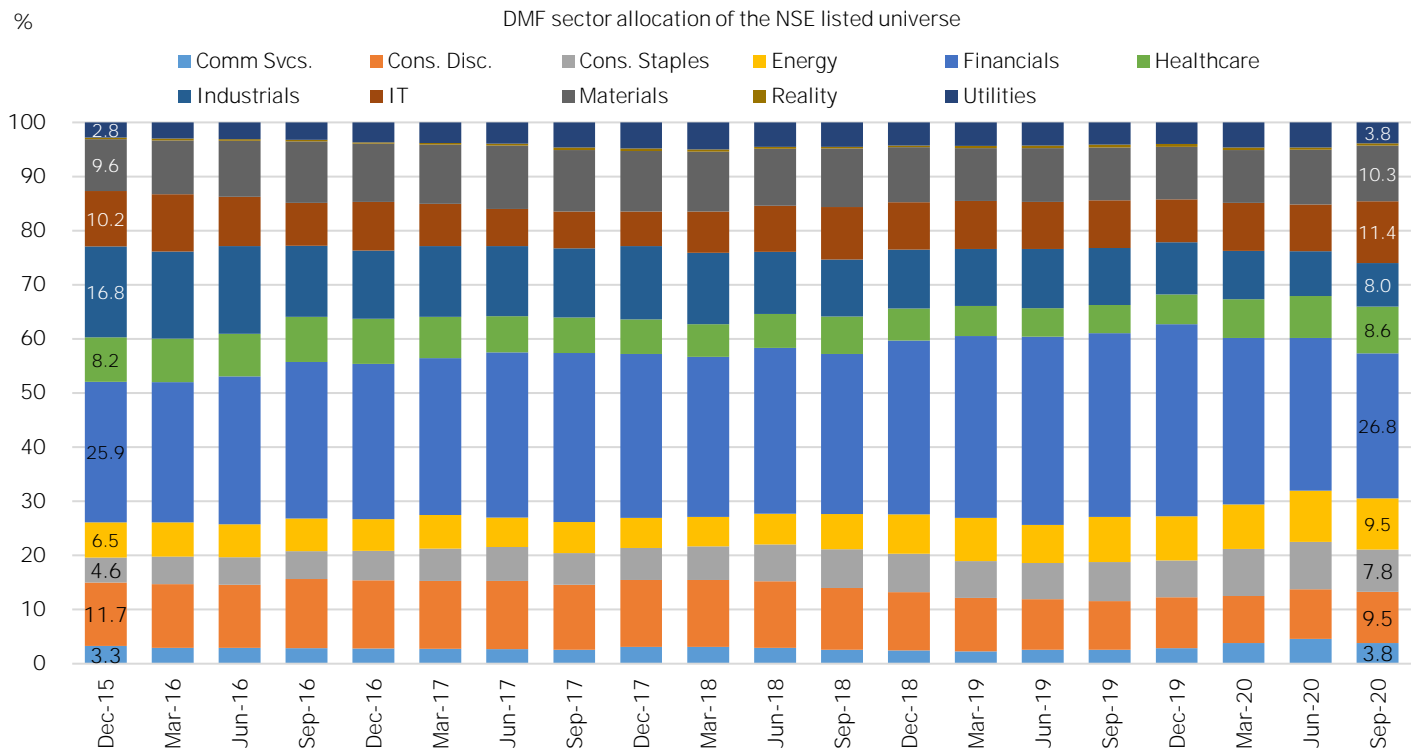
DMFs have raised their exposure to IT, Healthcare, Consumer Staples, Energy and Consumer Staples in 2020 (Jan-Sep'20) at the expense of a sharp drop in allocation to Financials and Industrials.

Sectors where DMFs increased their portfolio allocation in the September quarter include Information Technology (+278bps), Healthcare (+85bps), Consumer Discretionary (+27bps) and Materials (+17bps). In fact, DMFs portfolio allocation to IT and Healthcare has increased sharply in 2020 as these sectors were relatively less impacted by COVID-19 pandemic and attendant containment measures.

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



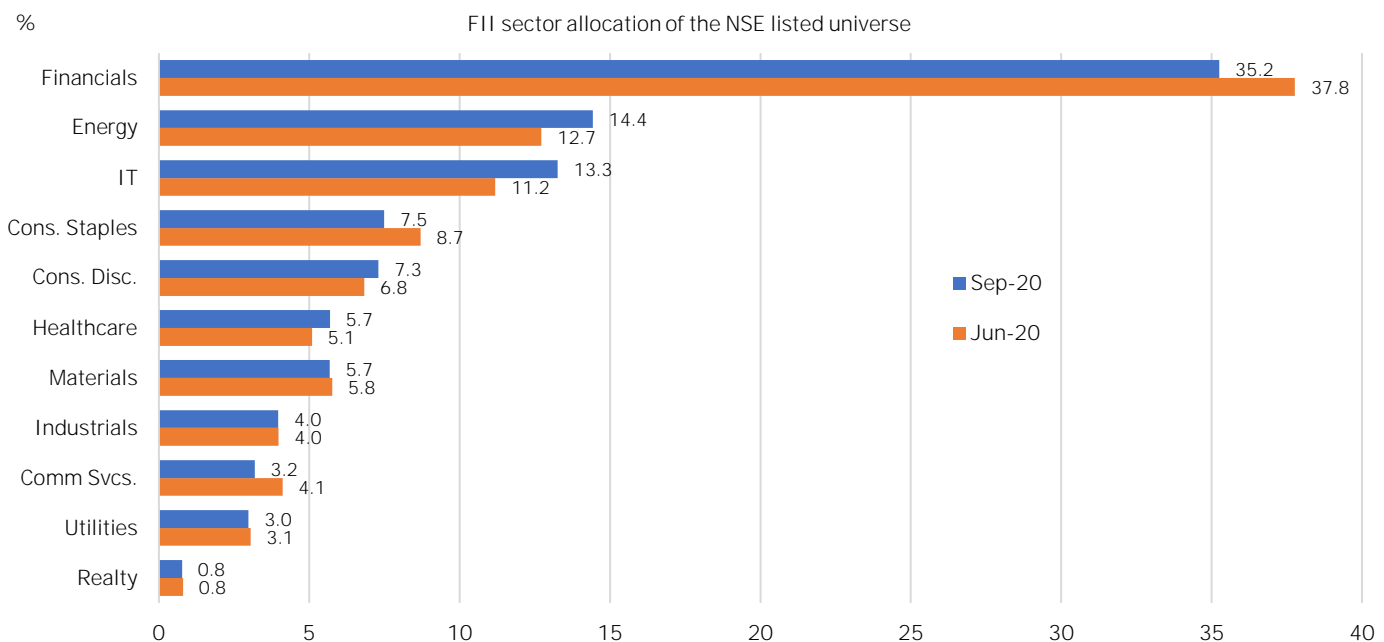
Source: CMIE Prowess, NSE

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


Source: CMIE Prowess, NSE

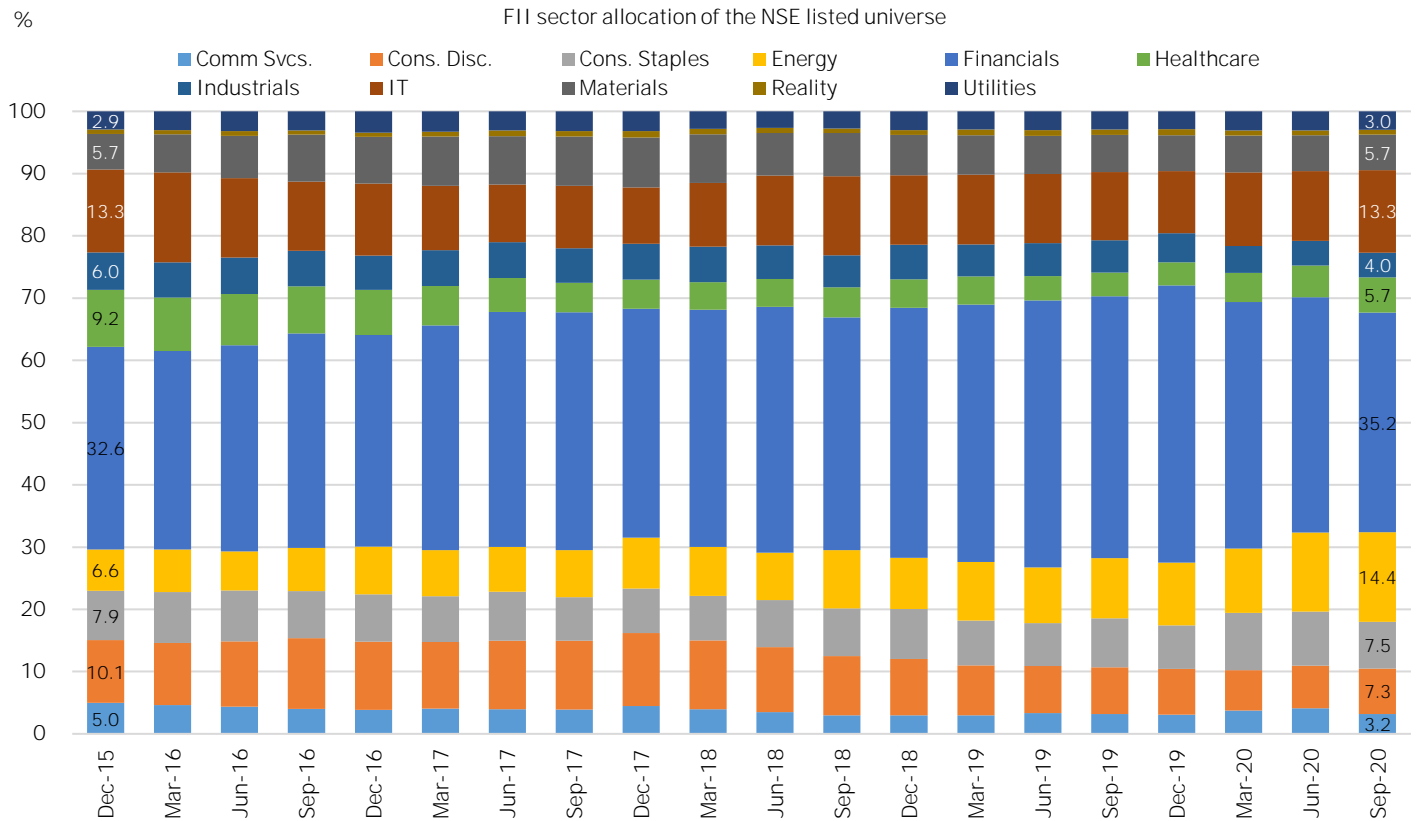
...and so did the FIIs: In-line with DMFs, FIIs have also reduced their allocation to Financials for yet another quarter (-252bps QoQ), translating into a total drop of 9.3pp in the first three quarters of 2020. This space has been utilized to increase allocation to Information Technology (+207bps QoQ), Energy (+171bps QoQ), Healthcare (59bps QoQ) and Consumer Discretionary (+47bps QoQ).

FIIs echoed DMFs and further trimmed allocation to Financials at a portfolio level.

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


Source: CMIE Prowess, NSE

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



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

Nifty 50 ownership trends

Ownership pattern of the Nifty 50 universe (September 2020)

Private promoter stake inched up for the third quarter in a row; Govt. stake continued to decline: Overall private promoter ownership in the Nifty 50 Index increased for the third quarter in a row by 169bps QoQ to over 15-year high of 39.8% in the September quarter, translating into a total increase of 5.1pp during the first three quarters of 2020. This was largely due to a sharp 278bps QoQ increase in private Indian promoter ownership to 32.1% in the Nifty 50 Index—the steepest sequential rise in the last seven years, but with just 2/50 companies witnessing an increase. Foreign promoters on the other hand reduced their ownership in the Nifty 50 universe by 109bps QoQ on top of a 93bps drop in the previous quarter to 7.7%. Government ownership declined for yet another quarter to hit fresh all-time low of 4.7% (-91bps QoQ), partly attributed to underperformance of Government-owned companies with respect to the broader market.

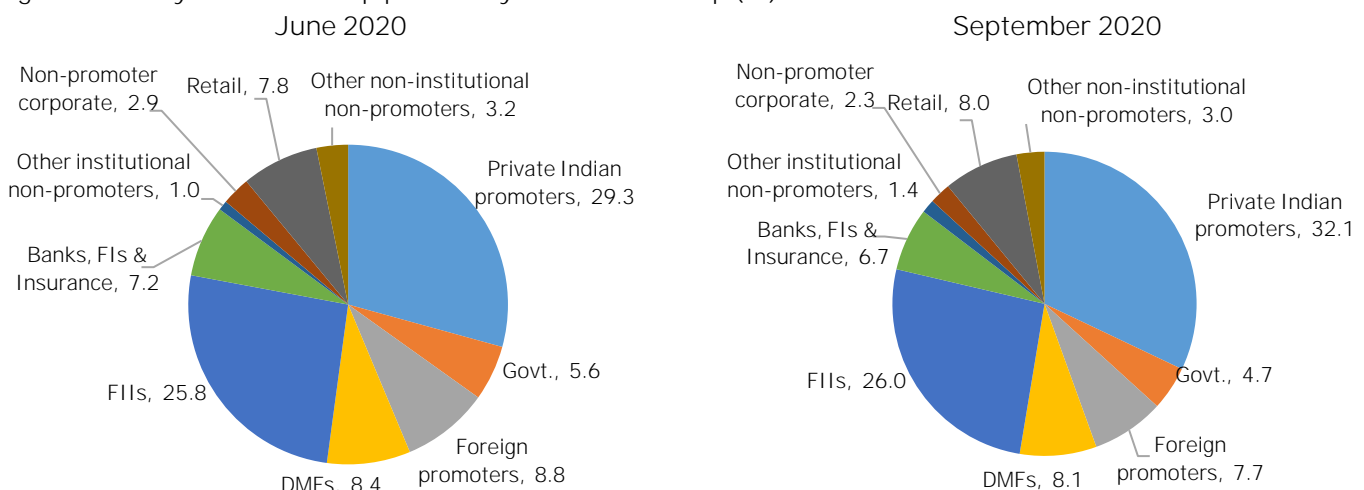
Private Indian promoter ownership in the Nifty 50 universe rose to over 15-year high of 32.1% in the September quarter, even as foreign promoter and government ownership declined sharply.

FII ownership inched up in the Nifty 50 universe **but DMFs'** saw a modest drop: FII ownership inched up in the Nifty 50 universe after declining over the previous two quarters, up 23bps QoQ to 26% in the September quarter, translating into a fall of 235bps during January-September 2020. Excluding Financials, where FII ownership dropped for the third quarter in a row (-352bps during the first three quarters of 2020), FIIs' stake in the Nifty 50 universe went up by 46bps QoQ to a three-year high of 15.4%. DMF ownership on the other hand declined by 29bps QoQ to a five-quarter low of 8.15% after remaining broadly stable over the previous three quarters. The drop is much higher than that seen in the broader listed universe, partly reflecting relative underperformance of large-cap stocks as compared to mid-and-small-caps. The share of Banks, Financial Institutions and Insurance also fell by 50bps QoQ—the steepest drop in last three years—to hit fresh two-decadal lows of 6.7% in the September quarter.

FII share in Nifty 50 companies inched up by 23bps QoQ to 26% in the September quarter, while that of DMFs fell by 29bps QoQ to 8.2%.

Retail ownership in the Nifty 50 index at 12-year high: **Individual retail investors'** holding in the Nifty 50 Index inched up by 18bps QoQ, albeit at a slower pace as compared to the listed universe and is now hovering at 12-year high of 8% as of September-end. This translates into a total increase of 32bps in retail ownership in the Nifty 50 Index during Jan-Sep 2020 vs. 66bps increase in the overall NSE-listed universe during the same period, indicating higher retail buying in smaller companies. Nearly 80% of the Nifty 50 companies saw an increase in stake held by retail investors in the September quarter.

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



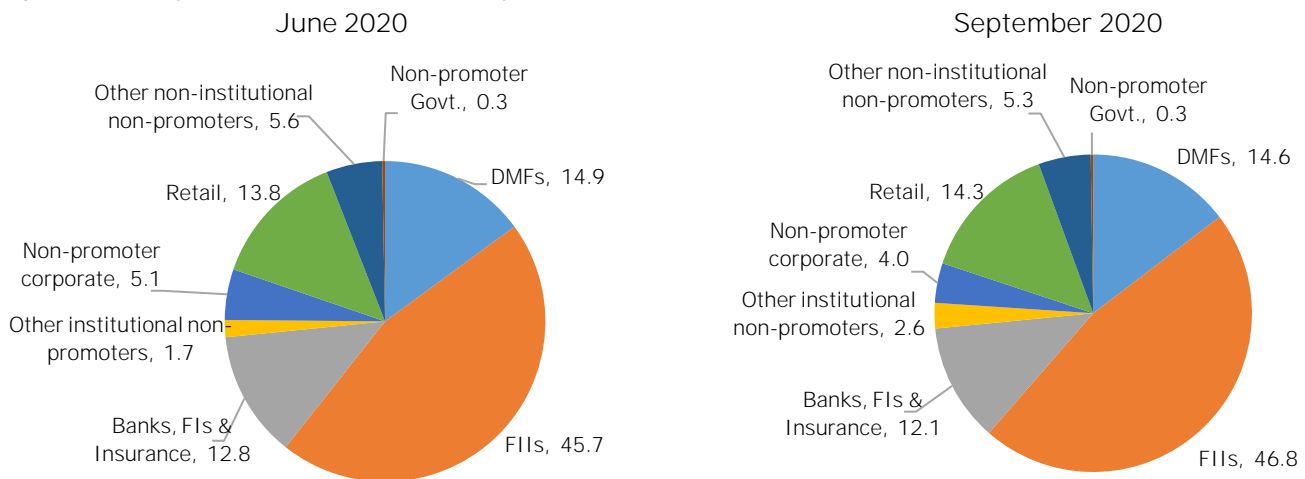
Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

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

%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	Banks, FIs & Insurance	FII's *	Non-promoter corporate	Retail
Dec-17	24.2	11.3	8.1	6.2	8.1	27.1	4.9	7.0
Mar-18	24.1	10.6	7.8	6.4	8.0	27.6	5.1	7.0
Jun-18	26.0	9.5	6.9	6.7	7.8	27.4	5.2	7.4
Sep-18	27.2	9.5	6.2	6.7	7.8	26.6	5.2	7.3
Dec-18	26.1	9.0	6.6	7.4	7.8	27.0	5.2	7.6
Mar-19	26.5	8.7	6.3	7.6	7.6	27.4	4.9	7.6
Jun-19	26.8	9.0	6.3	7.7	7.5	27.5	4.5	7.5
Sep-19	27.0	7.6	7.7	8.2	7.4	27.8	3.5	7.7
Dec-19	27.2	7.4	7.5	8.4	7.2	28.4	3.3	7.7
Mar-20	28.0	6.4	9.8	8.4	7.1	26.4	3.1	7.7
Jun-20	29.3	5.6	8.8	8.4	7.2	25.8	2.9	7.8
Sep-20	32.1	4.7	7.7	8.1	6.7	26.0	2.3	8.0
QoQ change	278bps	-91bps	-109bps	-29bps	-50bps	23bps	-63bps	18bps

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

In terms of floating stock, FII share in the Nifty 50 Index rose by a huge 107bps QoQ to 46.8% after dropping by a 322bps in the previous two quarters. It is now nearly 5pp lower than the peak FII share over the last 20-year period. Share of DMFs in the floating Nifty50 stock fell by 31bps QoQ to 14.6% in the September quarter—a mere -40bps shy of the peak share during our analysis period (2001-). Retail ownership in the Nifty50 floating stock rose by 52bps QoQ to reach a eight-year high of 14.3% in the September quarter.

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


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

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

%	Domestic MFs	Banks, FIs & Insurance	FII*s*	Non-promoter corporate	Public
Dec-17	10.9	14.3	47.9	8.6	12.4
Mar-18	11.1	13.9	47.8	8.9	12.1
Jun-18	11.5	13.5	47.4	9.1	12.8
Sep-18	11.7	13.7	46.4	9.1	12.8
Dec-18	12.7	13.4	46.2	8.8	13.0
Mar-19	13.0	13.0	46.7	8.3	12.9
Jun-19	13.3	12.8	47.3	7.8	13.0
Sep-19	14.3	12.8	48.0	6.0	13.4
Dec-19	14.4	12.5	48.9	5.7	13.2
Mar-20	15.0	12.7	47.0	5.6	13.8
Jun-20	14.9	12.8	45.7	5.1	13.8
Sep-20	14.6	12.1	46.8	4.0	14.3
QoQ change	-31bps	-72bps	107bps	-107bps	52bps

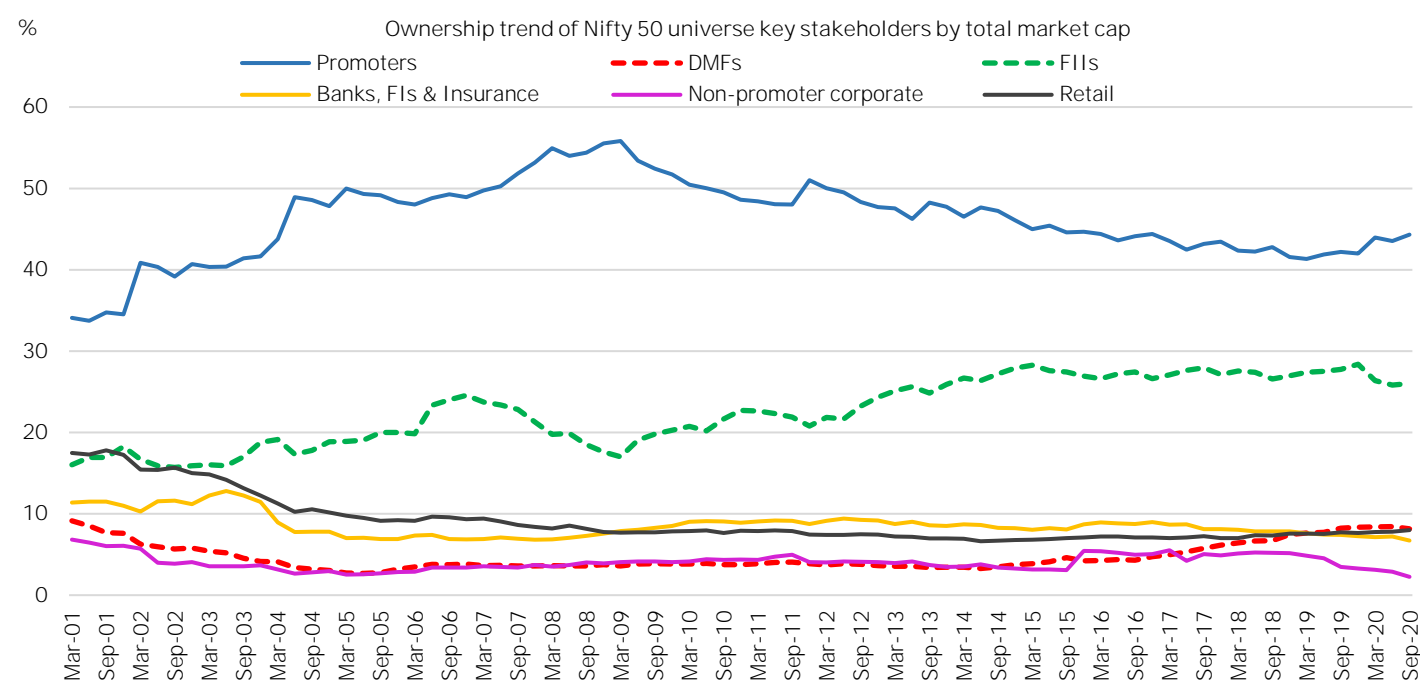
Source: CMIE Prowess, NSE *FII ownership includes ownership through depository receipts held by custodians

Long-term ownership trend of the Nifty 50 universe: The long-term ownership trend of the Nifty 50 Index echoes the trend seen in the broader listed universe. Overall promoter ownership has seen a steady decline since 2009, largely led by a sharp decline in Government ownership, even as private Indian as well as foreign promoters' holding has increased since 2010, albeit at a tad lower 10.6pp vs 11.9pp for the listed universe.

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

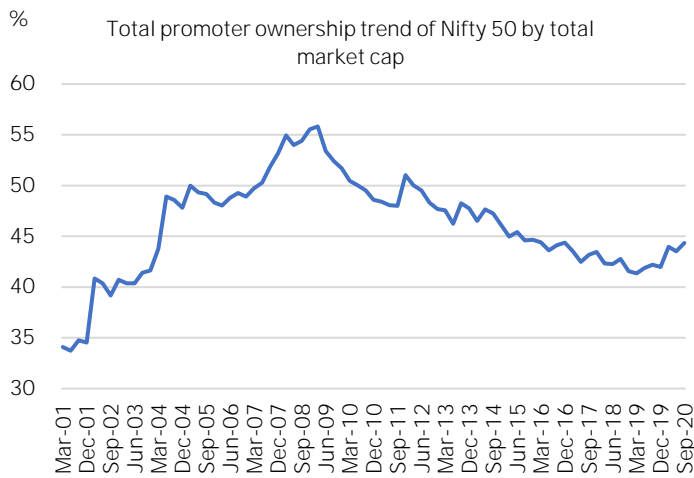
While the DMF ownership has been gradually rising since 2014 and is currently hovering at near-all-time highs, barring a modest drop in H1FY21, the steady increase in FII ownership seen over the last few quarters got partly reversed in 2020, even as it is still ~9pp higher than the post-GFC low of 17% (in March 2009). That said, FII share excluding Financials has fallen steadily between 2013 and 2018 and has since been picking up gradually. Contrary to the overall NSE-listed universe, retail ownership in the Nifty 50 Index has been steadily rising over the last six years, after falling to 13-year low of 6.6% in June 2014.

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



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

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



Source: CMIE Prowess, NSE

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

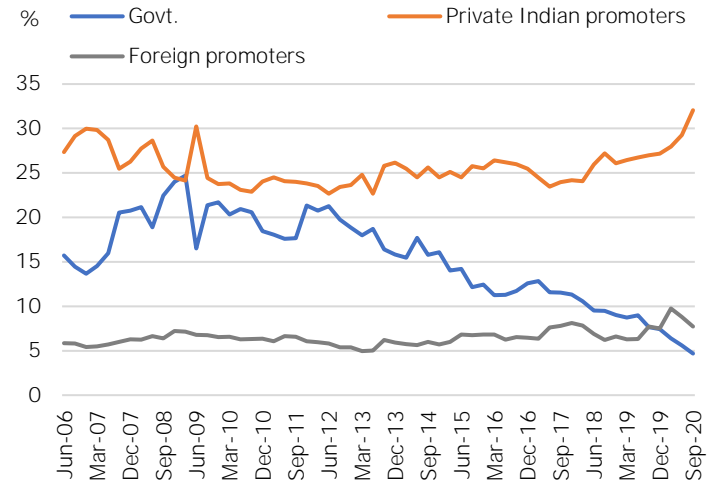
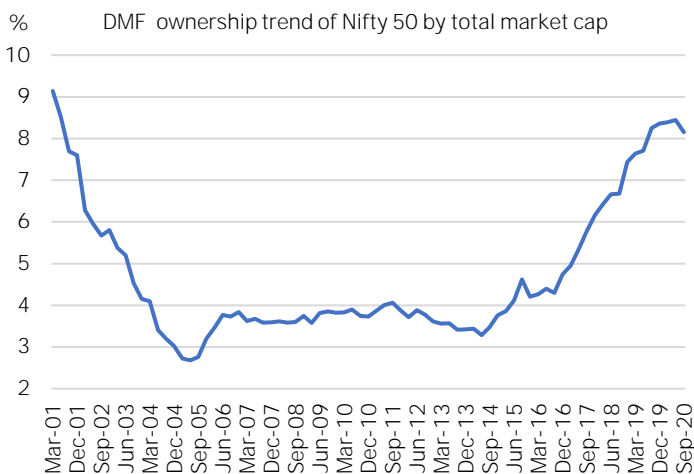


Figure 37: DMF ownership trend of Nifty 50 universe by total market cap



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

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

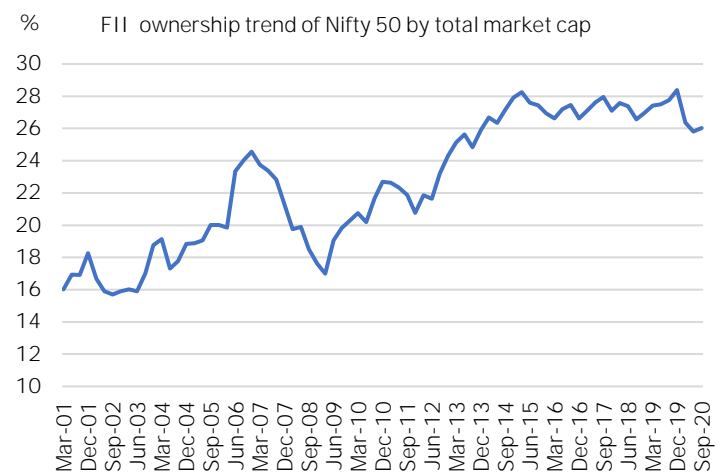
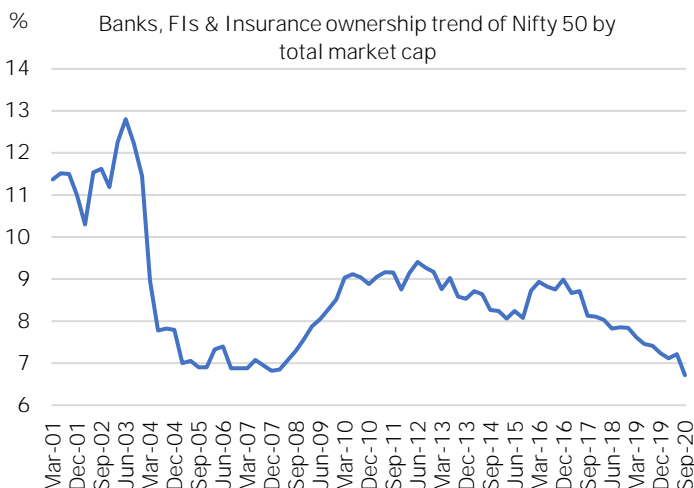


Figure 39: Banks, FIs & Insurance ownership trend of Nifty 50 universe by total market cap



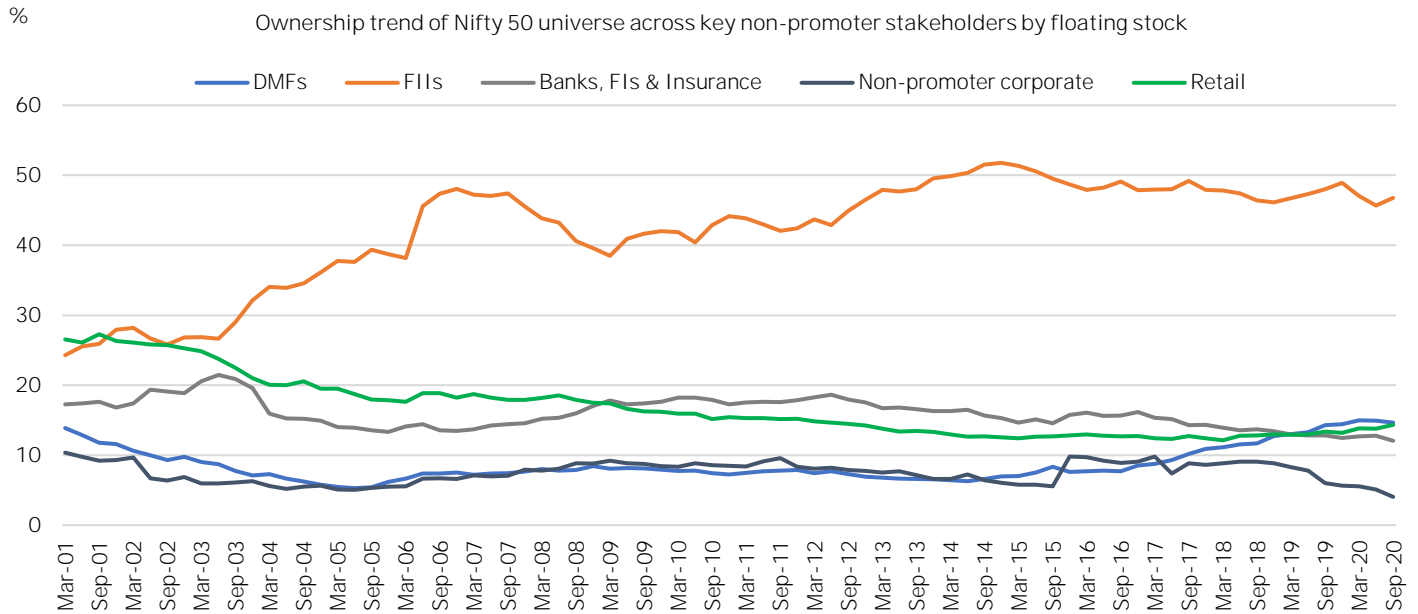
Source: CMIE Prowess, NSE

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



Our long-term ownership analysis on the free float market cap of the Nifty 50 Index also shows that while DMF ownership is currently at near-2006-highs, current FII ownership is nearly 5pp lower than the peak of 51.8% in December 2014.

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



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

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

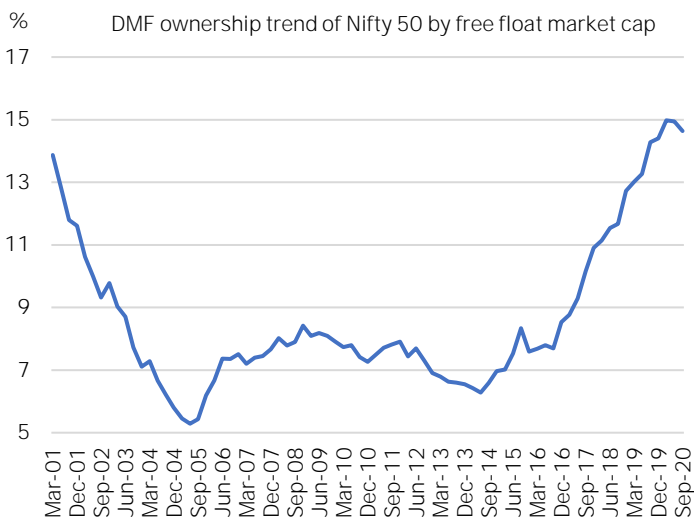
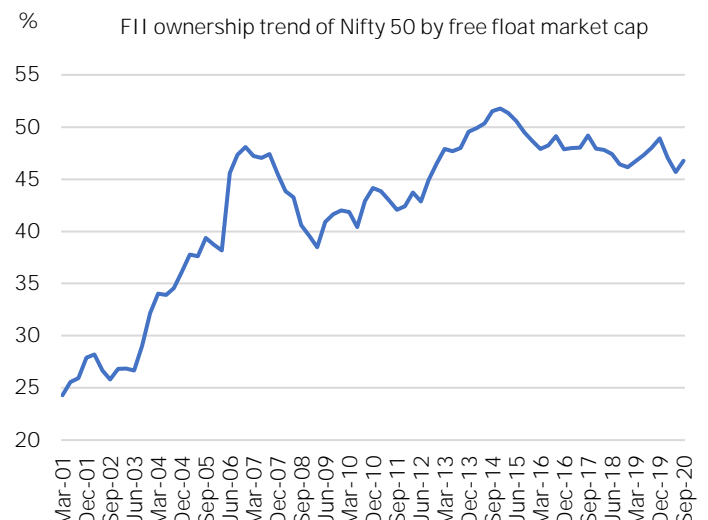
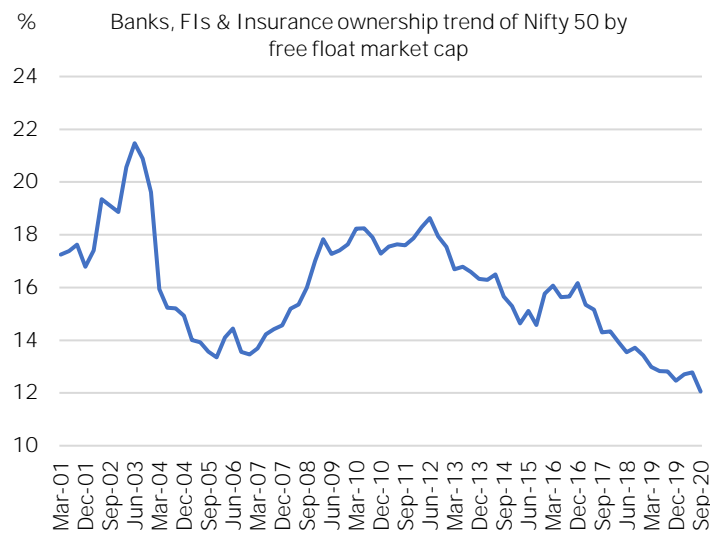


Figure 43: FII * ownership trend of the Nifty 50 universe by free float market cap



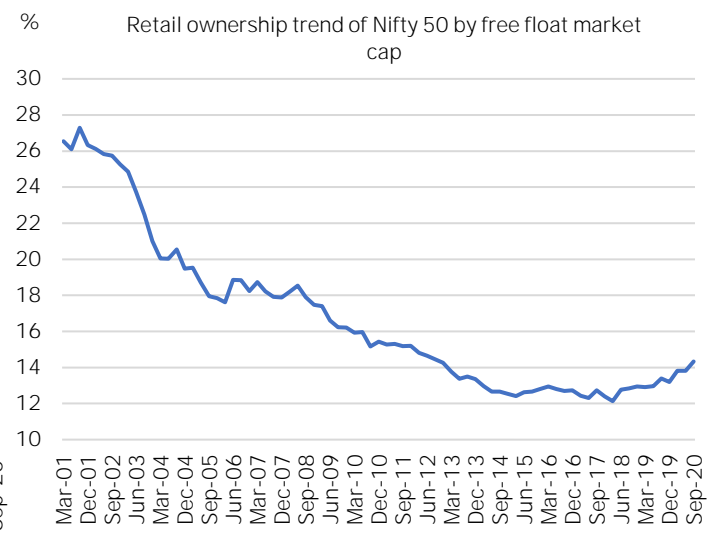
Source: CMIE Prowess, NSE *FII ownership includes ownership through depository receipts held by custodians

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



Source: CMIE Prowess, NSE

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



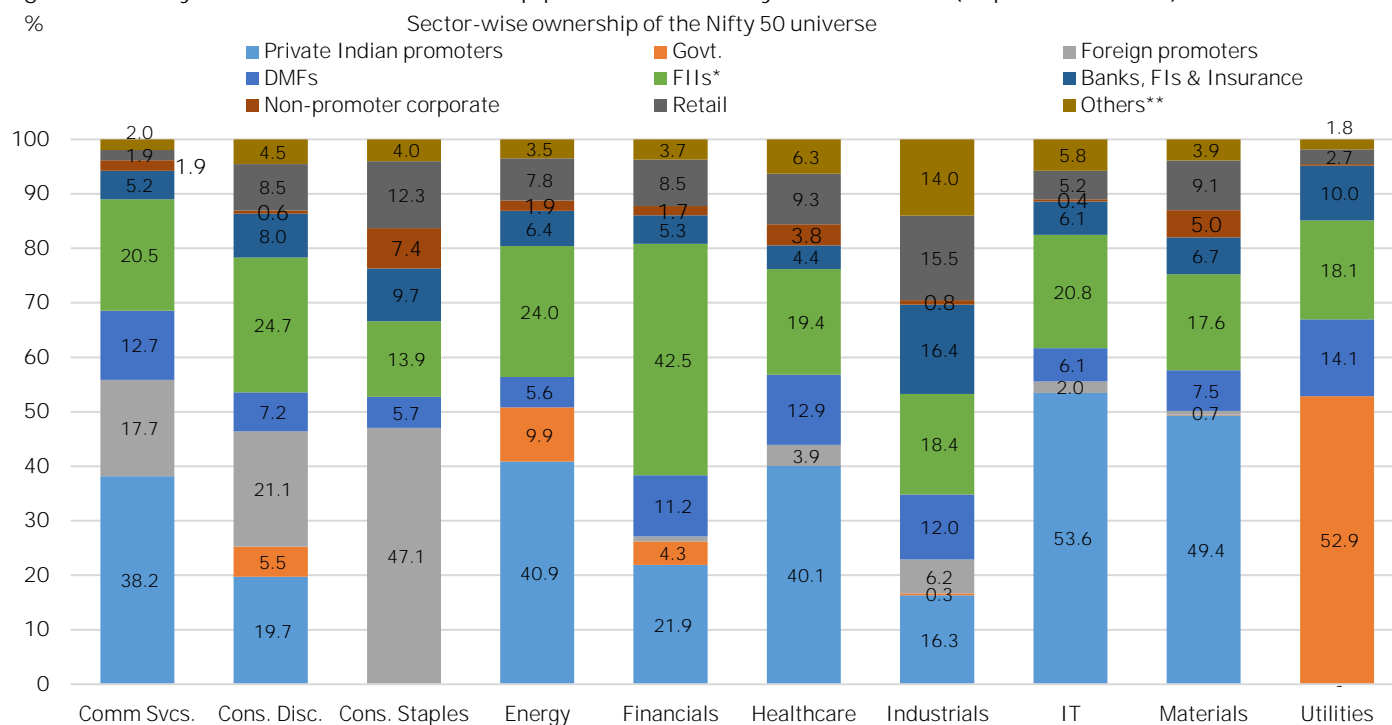
Sector-wise ownership of the Nifty 50 universe (September 2020): In the quarter ending September 2020, Communication Services within the Nifty 50 universe had the highest promoter ownership at 55.9% (+230bps QoQ), followed by Information Technology at 55.5% (-114bps QoQ), Utilities at 51.3% and Energy at 50.6% (-57bps QoQ). Utilities and Energy remained the top sectors in terms of Government ownership at 52.9% (-6bps QoQ) and 9.9% (-367bps QoQ) respectively, even as both the sectors have seen a significant drop in Government's over the years.

Utilities remained the leading sector in terms of DMF ownership for the second consecutive quarter even as the DMF ownership fell by 78bps QoQ in the sector to reach 14.1% in the September quarter. Healthcare sector inched ranked second with DMF share rising by 122bps QoQ to 12.9%, followed by Communication Services at 12.7% (+144bps QoQ), Industrials at 12.0% (-54bps QoQ) and Financials at 11.2% (-77bps QoQ), Notably, DMF ownership in Communication Services has nearly tripled in the last three years.

FII's have remained the biggest non-promoter owners of Financials at 42.5% (-130bps QoQ) despite a drop in share over the last three quarters. This is followed by Consumer Discretionary at 24.8% (+37bps QoQ), Energy at 24.0% (162bps QoQ), Information Technology at 20.8% (+54bps QoQ) and Communication Services at 20.5% (-414bps QoQ). Unlike DMFs, FII's ownership share in Communication Services has been declining over the last few years. In terms of overall foreign ownership (including foreign promoters), Consumer Staples leads with a 60.9% (+28bps QoQ) foreign share, followed by Consumer Discretionary at 45.9% (-55bps) and Financials at 43.4% (-58bps QoQ).

Utilities remained the leading sector in terms of DMF ownership for the second consecutive quarter.

FII's remained the biggest non-promoter owners of Financials within the Nifty 50 universe, despite a drop in share over the last three quarters.

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


Source: CMIE Prowess, NSE

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

Sector allocation of the Nifty 50 universe for key shareholders (September 2020): The table below shows the sector allocation for key stakeholders in Nifty 50 companies as of September 2020. The concentration of Government ownership in Financials, Energy and Utilities sector is much higher at 92% in the Nifty 50 universe vs ~72% in the broader listed universe. The Consumer sector accounted for 80.7% of the exposure of foreign promoters to the Nifty 50 companies as of September-end, up 47bps QoQ but much lower than the 16-year high share of 84.0% as of March-end. In case of institutional investors, DMFs have a much higher exposure to Financials at 34.4% in the Nifty 50 Index vs. 26.8% in the NSE-listed universe. That said, DMF's allocation to Financials has fallen by 10.2pp during Jan-Sep'20 from the record-high exposure of 44.6% as of December 2019—a large part of which is attributed to massive underperformance of the sector with respect to the market. FIIs' allocation to Financials has also fallen by ~9pp last year to over 15-quarter low of 40.9% by September-end.

Both DMFs' and FIIs' allocation to Financials has fallen by 10.2pp and 9pp in the first three quarters of 2020.

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

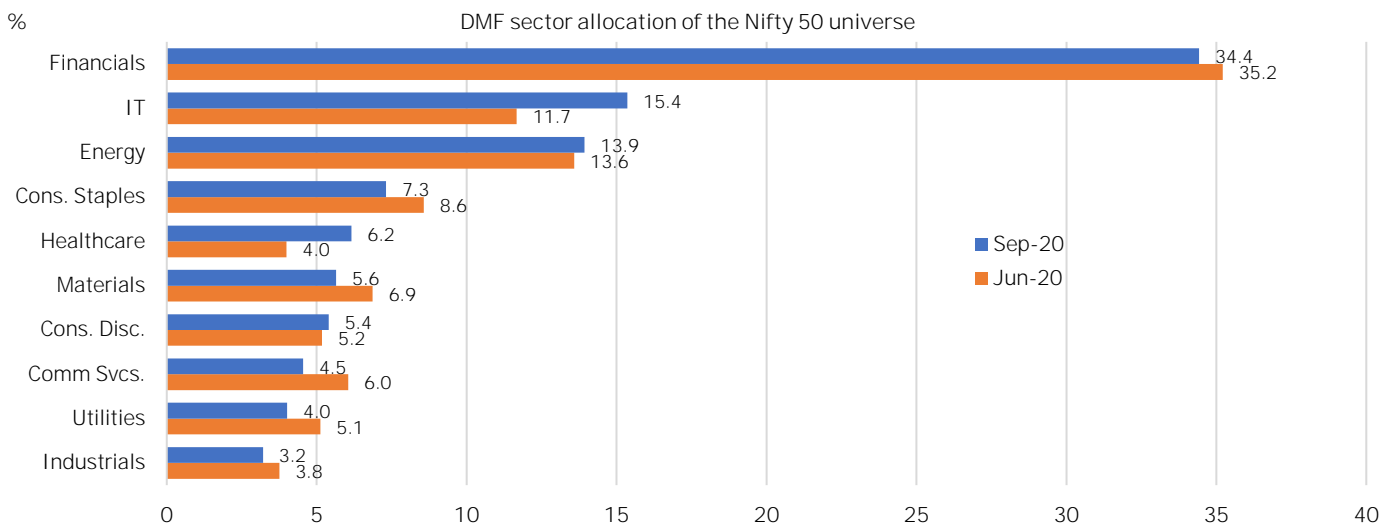
%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	FIIs*	Banks, FIs & Insurance	Non-promoter corporate	Retail
Communication Services	3.5	0.0	6.7	4.5	2.3	2.3	2.5	0.7
Consumer Discretionary	3.8	7.2	16.8	5.4	5.8	7.4	1.7	6.6
Consumer Staples	0.0	0.0	64.0	7.3	5.6	15.2	34.7	16.2
Energy	25.8	42.9	0.0	13.9	18.7	19.4	16.9	19.8
Financials	17.1	23.1	3.1	34.4	40.9	19.6	18.6	26.8
Health Care	4.9	0.0	2.0	6.2	2.9	2.5	6.7	4.6
Industrials	1.1	0.2	1.8	3.2	1.5	5.3	0.8	4.3
Information Technology	34.3	0.2	5.2	15.4	16.4	18.6	4.0	13.4
Materials	9.5	0.1	0.6	5.6	4.2	6.2	13.7	7.0
Utilities	0.0	26.3	0.0	4.0	1.6	3.5	0.3	0.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

DMFs increased their exposure to IT and Healthcare in the September quarter: Amidst high macro and market uncertainty, DMFs increased their exposure to sectors that have emerged largely unscathed from the COVID-19 pandemic. In the September quarter, DMFs significantly strengthened their OW position on Healthcare and Communication Services within the Nifty 50 Index, with their exposure to both relative to the Index rising to the highest level in last 20 years. They also turned incrementally less cautious on Information Technology and Consumer Staples during the quarter and increased their OW position on Financials. This came at the expense of reduced allocation to Energy, Materials and Utilities. While DMFs strengthened their already big negative position on Energy, they turned mild UW on Materials and trimmed their OW position on Utilities.

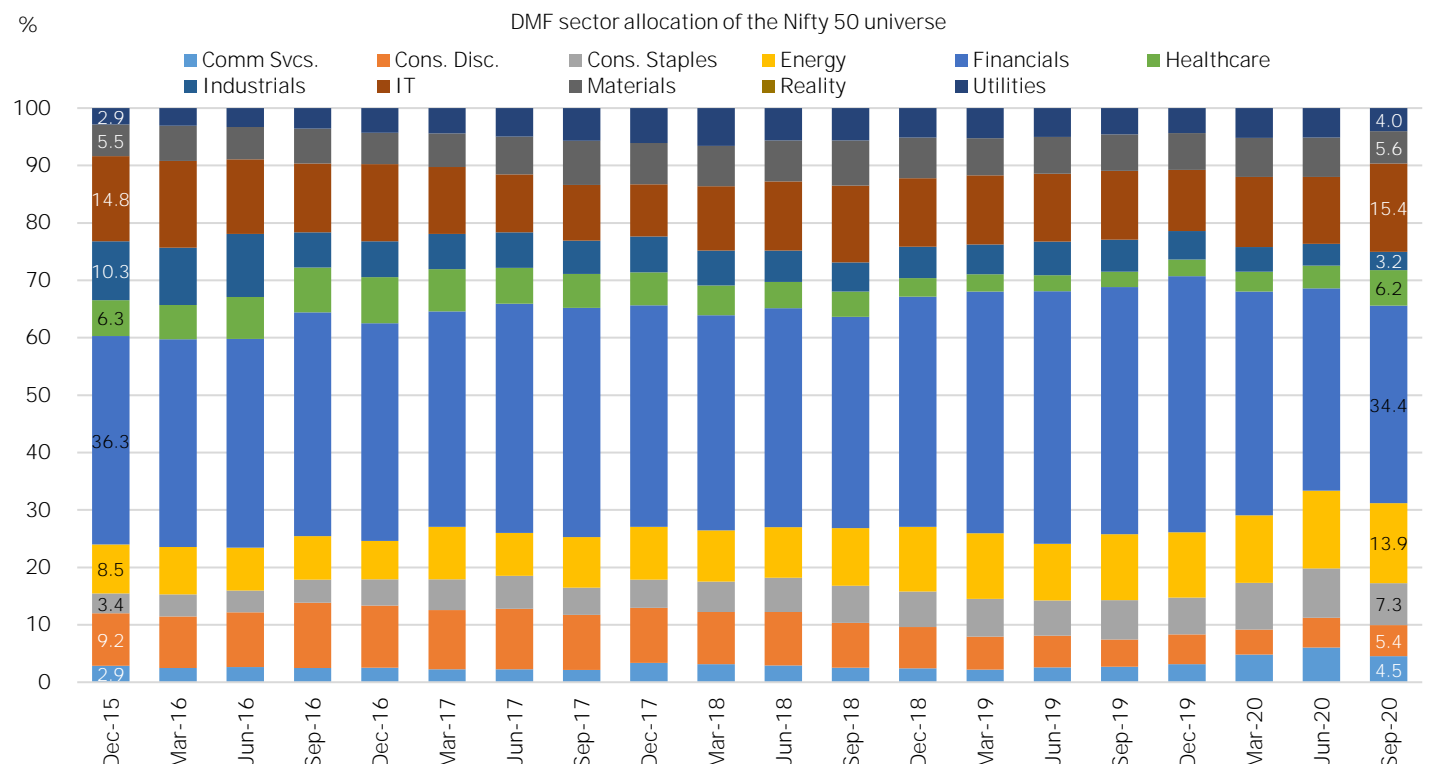
DMFs increased their exposure to IT, Healthcare in the September quarter at the expense of reduced exposure to Energy and Materials relative to the Index.

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

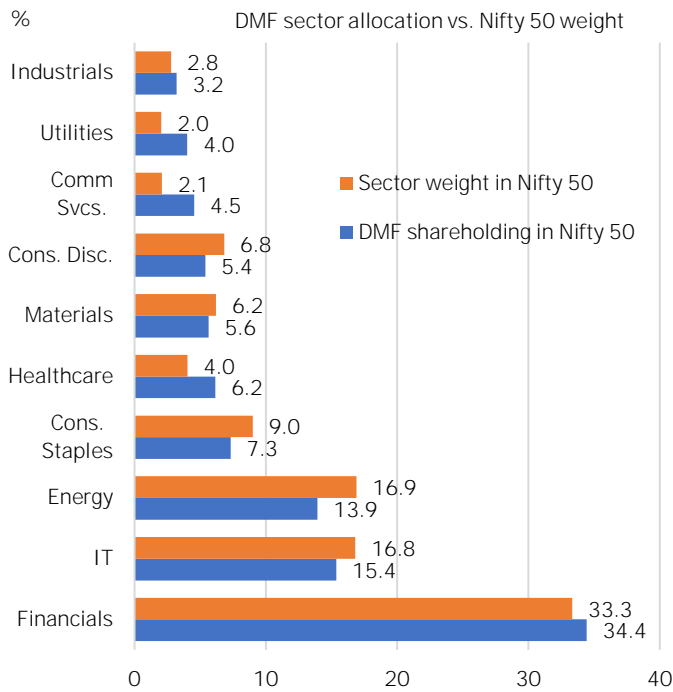


Source: CMIE Prowess, NSE

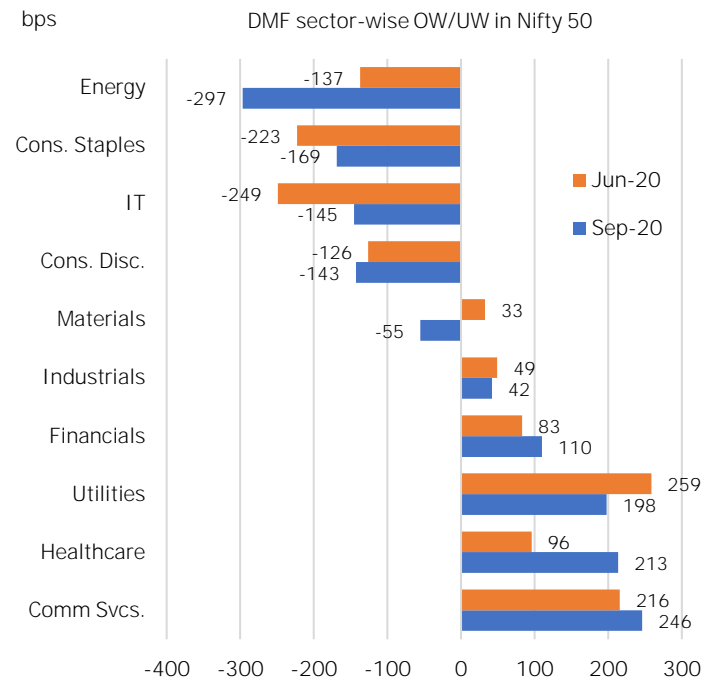
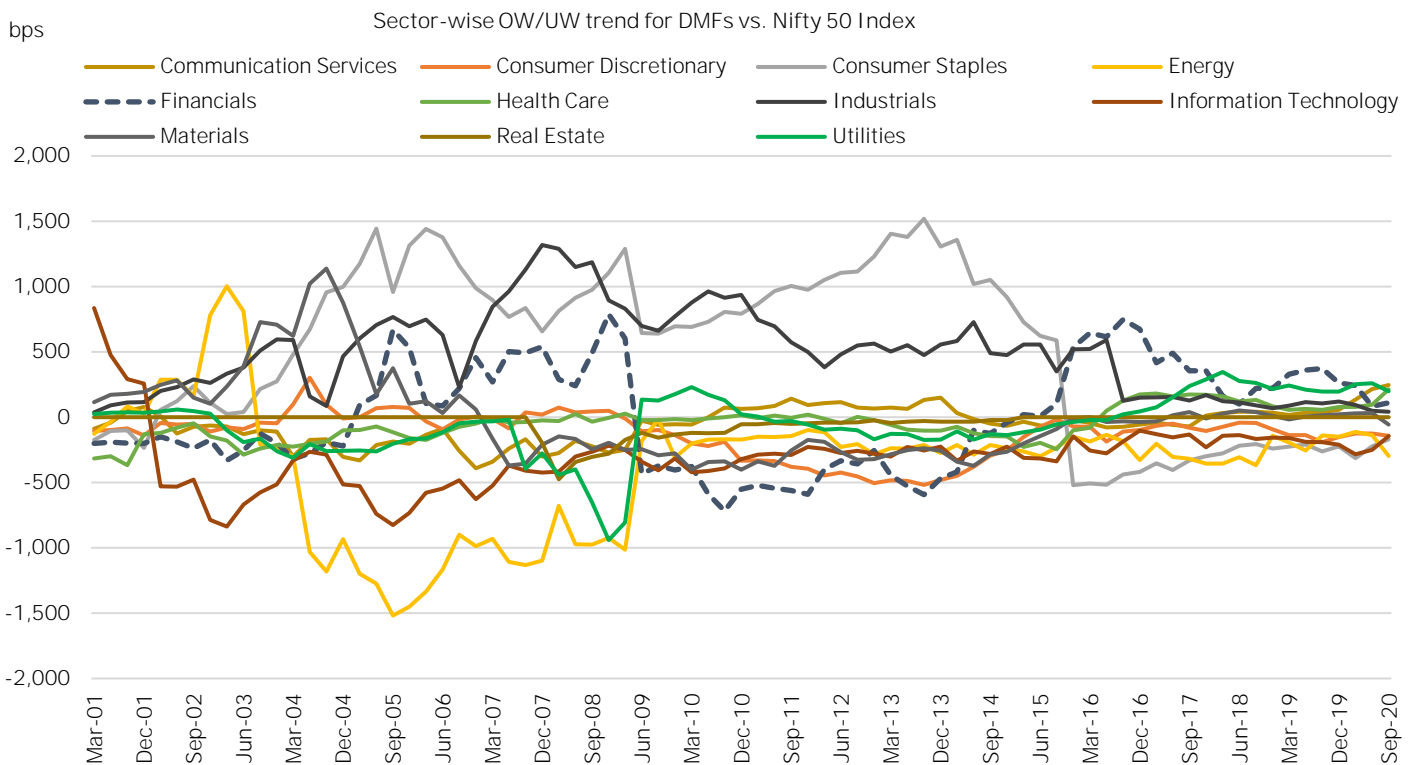
Figure 49: DMF sector allocation of the Nifty 50 universe over the last five years



Source: CMIE Prowess, NSE

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


Source: CMIE Prowess, NSE

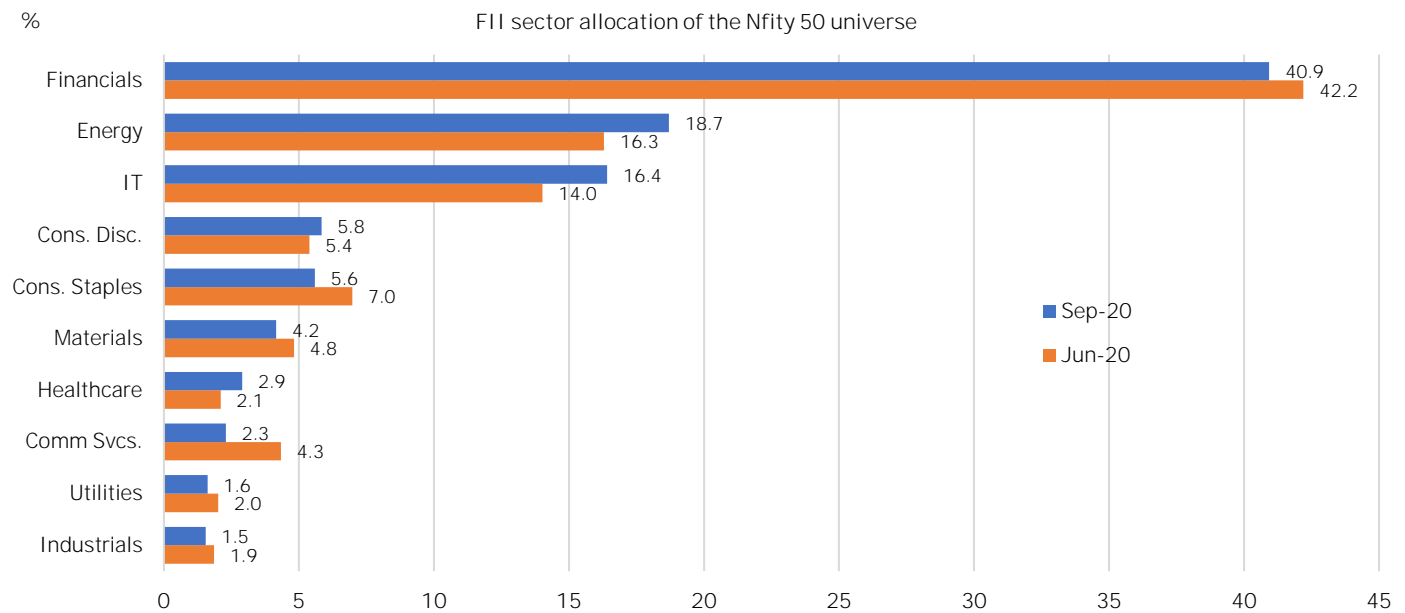
Figure 51: DMF sector-wise OW/UW in Nifty 50 relative to sector weight in the index (September 2020)

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


Source: CMIE Prowess, NSE

FII's trimmed exposure to Financials but retained an outsized bet; turned incrementally bullish on Energy: Unlike DMFs, FIIs trimmed their exposure to Financials for the second quarter in a row even as they retained their perennially out-sized bet on the sector. Also contrary to DMFs, FIIs turned incrementally more bullish on Energy and strengthened their OW position, with their relative positioning to the sector being the highest in last 20 years. FIIs maintained their negative stance on Consumer Staples, Materials, Industrial and Healthcare and remained neutral on Communication Services, Information Technology, Consumer Discretionary and Utilities.

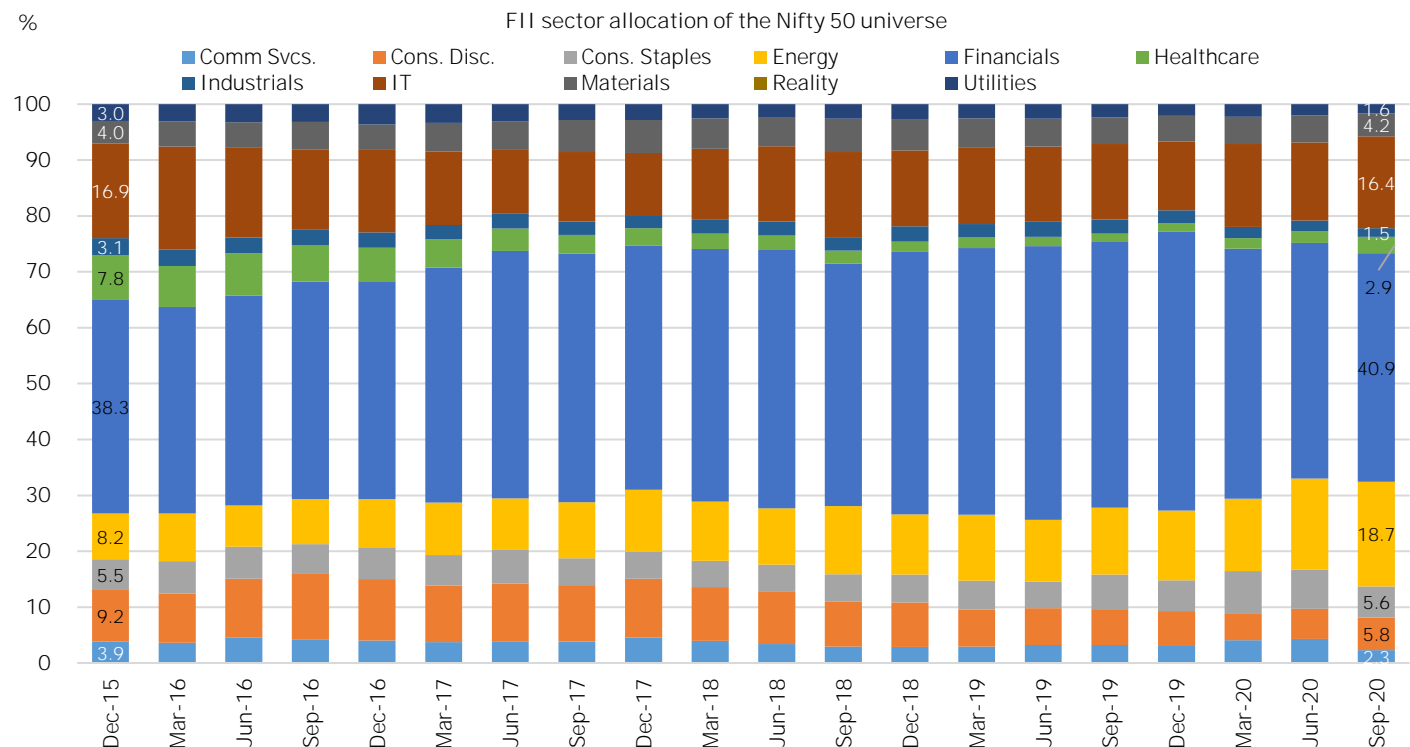
FIIs maintained their perennial OW position on Financials and turned incrementally more bullish on Energy in the September quarter.

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

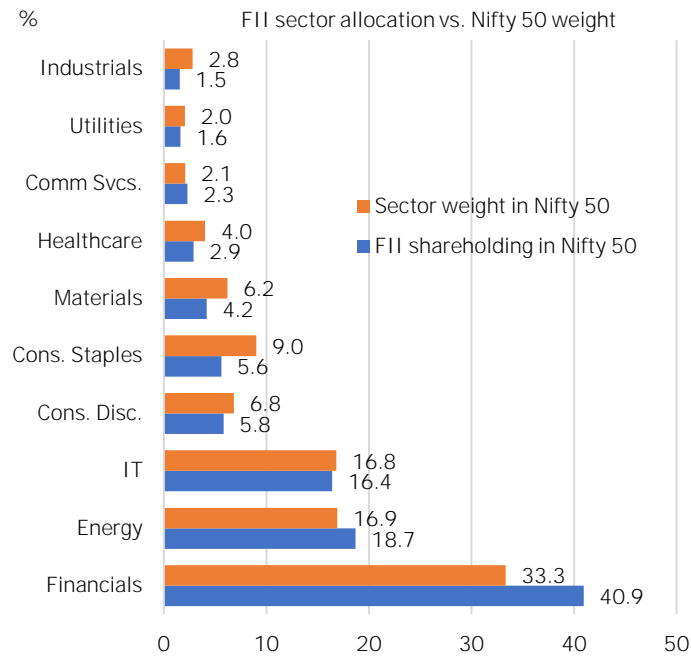
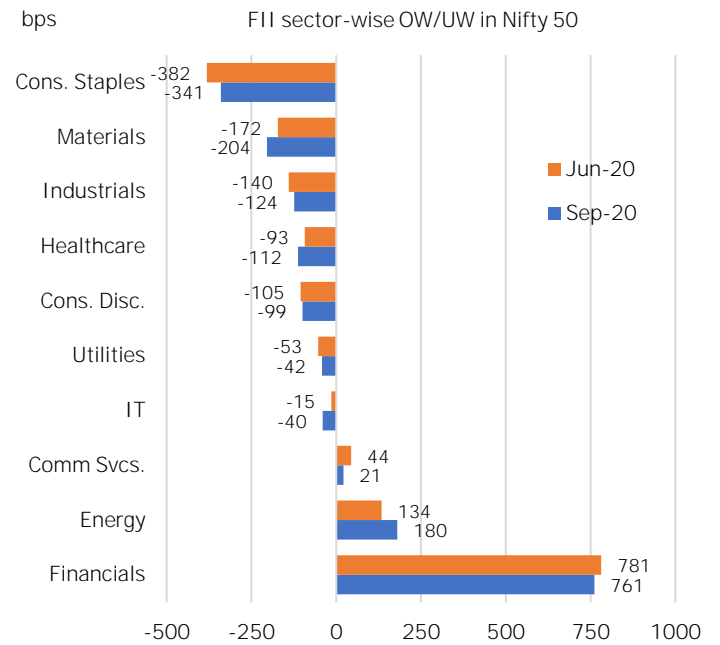


Source: CMIE Prowess, NSE *FII ownership includes ownership through depository receipts held by custodians

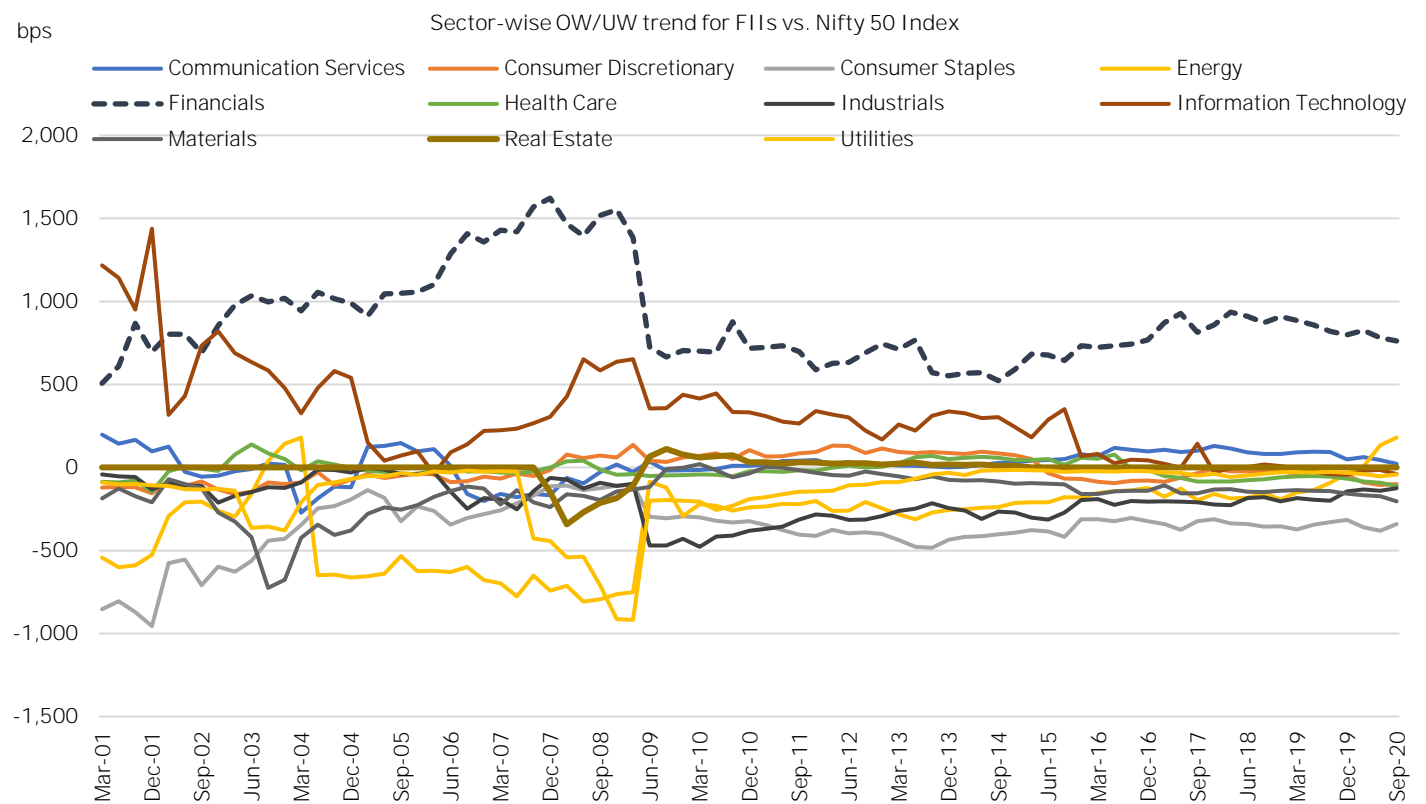
Figure 54: FII sector allocation of the Nifty 50 universe over last five years



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

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

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


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

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


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

Nifty 500 ownership trends

Ownership pattern of the Nifty 500 universe (September 2020)

Private promoter stake inched up in-line with the listed universe; Govt. stake declined further to fresh all-time lows: In line with the listed universe and the Nifty 50 Index, private Indian promoter ownership in the Nifty 500 universe increased for the third quarter in a row, rising by 130bps QoQ—the steepest sequential increase in last seven years—to near 15-year high of 34.8% in the September quarter. Nearly 64 out of 500 companies saw an increase in the private Indian promoter stake during the quarter. Foreign promoters, however, declined their share in the Nifty 500 universe by 47bps QoQ on top of a 66bps drop in the previous quarter to 10%. Consequently, private promoter stake rose by 83bps QoQ to 44.8% in the September quarter—the highest in last 15 years.

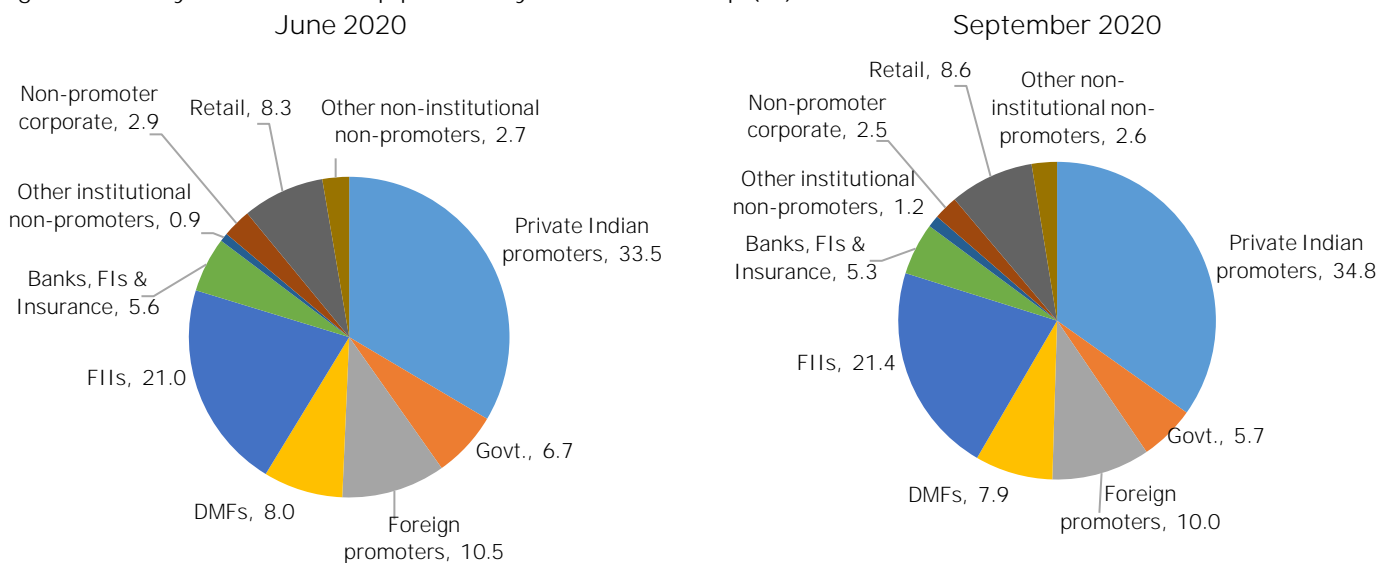
Institutional ownership in Nifty 500 inched up led by FIIs: In terms of institutional ownership, DMFs' aggregate share in Nifty 500 companies fell by a modest 10bps QoQ to 7.9%—nearly 17bps shy of the 20-year peak level. Banks, Financial Institutions and Insurance companies also trimmed their ownership in the Nifty 500 companies by 24bps QoQ to hit fresh two-decadal lows of 5.3%. Selling by domestic institutions, however, was more than made up by FIIs whose share in the Nifty 500 companies inched up by 44bps QoQ to 21.4% and is now mere 180bps shy of the peak share in December 2014. Excluding Financials, the increase in FII ownership in the Nifty 500 Index was much higher at 82bps QoQ to 14-quarter high of 13.9%, reflecting massive underperformance of the sector with respect to the broader market.

Retail ownership inched up further: Retail investors ownership in Nifty 500 companies rose by 31bps QoQ to over 12-year high of 8.6% as of September-end, translating into a total increase of 58bps during the first three quarters of 2020. The sequential increase in Q3 2020 was higher than that witnessed in the Nifty 50 Index but a tad lower than the overall listed universe, indicating higher retail interest in the small-cap stocks during this rally.

Private Indian promoter ownership in the Nifty 50 universe rose to near 15-year high of 34.8% in the September quarter, even as foreign promoter and government ownership declined further.

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

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



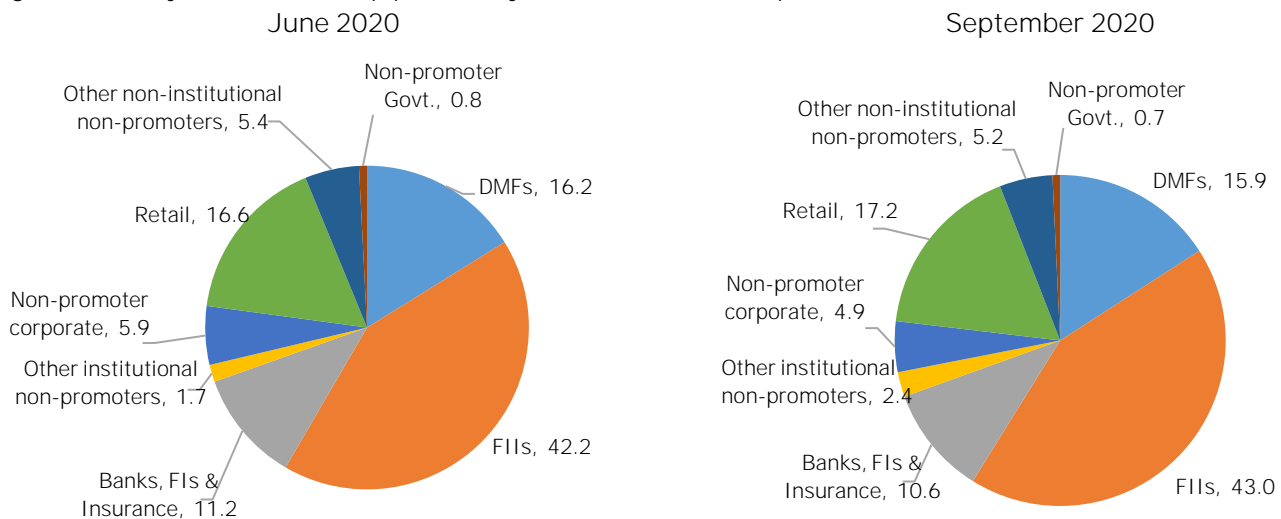
Source: CMIE Prowess, NSE. *FII ownership includes ownership through depository receipts held by custodians.

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

%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	Banks, FIs & Insurance	FII's *	Non-promoter corporate	Retail
Dec-17	30.2	10.7	9.2	6.2	6.1	21.6	4.9	8.2
Mar-18	30.1	10.1	9.2	6.4	6.0	22.0	5.1	8.2
Jun-18	30.4	9.6	9.3	6.6	6.0	21.8	5.1	8.2
Sep-18	31.3	9.7	9.1	6.6	6.0	21.3	5.0	8.1
Dec-18	30.7	9.5	9.5	7.1	6.1	21.3	4.9	8.2
Mar-19	30.9	9.6	8.8	7.3	5.7	21.8	4.9	8.1
Jun-19	30.9	9.6	8.9	7.5	5.7	22.1	4.6	8.0
Sep-19	31.7	8.1	9.9	7.9	5.7	22.5	3.5	8.1
Dec-19	31.8	8.3	9.6	7.9	5.6	22.9	3.3	8.0
Mar-20	32.8	6.9	11.1	8.1	5.5	21.6	3.1	8.1
Jun-20	33.5	6.7	10.5	8.0	5.6	21.0	2.9	8.3
Sep-20	34.8	5.7	10.0	7.9	5.3	21.4	2.5	8.6
QoQ change	130bps	-104bps	-47bps	-10bps	-24bps	44bps	-44bps	31bps

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

In terms of floating stock, FII share in the Nifty 500 Index rose by 72bps QoQ to 43% in the September quarter, translating into a total drop of 225bps during the first three quarters of 2020. FII share in the Nifty 500 Index is now 4.5pp lower than the peak share over the last two decades. Share of DMFs in the floating stock of Nifty 500 companies declined by 27bps QoQ to 15.9% as of September-end, marking the second consecutive quarter of decline but is mere 48bps shy of the two-decadal high share of 16.4% in the March quarter. Retail ownership in the Nifty500 floating stock inched up by 56bps QoQ to an eight-year high of 17.2% in the September quarter—nearly 288bps higher than retail share in the Nifty50 floating stock.

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


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

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

%	Domestic MFs	Banks, FIs & Insurance	FII's	Non-promoter corporate	Retail
Dec-17	12.3	12.2	43.0	9.8	16.4
Mar-18	12.6	11.8	43.1	9.9	16.1
Jun-18	12.9	11.7	42.7	9.9	16.1
Sep-18	13.1	12.0	42.4	9.9	16.0
Dec-18	14.0	11.9	41.9	9.6	16.2
Mar-19	14.3	11.2	42.6	9.5	15.8
Jun-19	14.6	11.1	43.3	9.1	15.6
Sep-19	15.5	11.3	44.4	6.8	15.9
Dec-19	15.6	11.0	45.2	6.6	15.8
Mar-20	16.4	11.1	43.5	6.2	16.4
Jun-20	16.2	11.2	42.2	5.9	16.6
Sep-20	15.9	10.6	43.0	4.9	17.2
QoQ change	-27bps	-52bps	72bps	-90bps	56bps

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

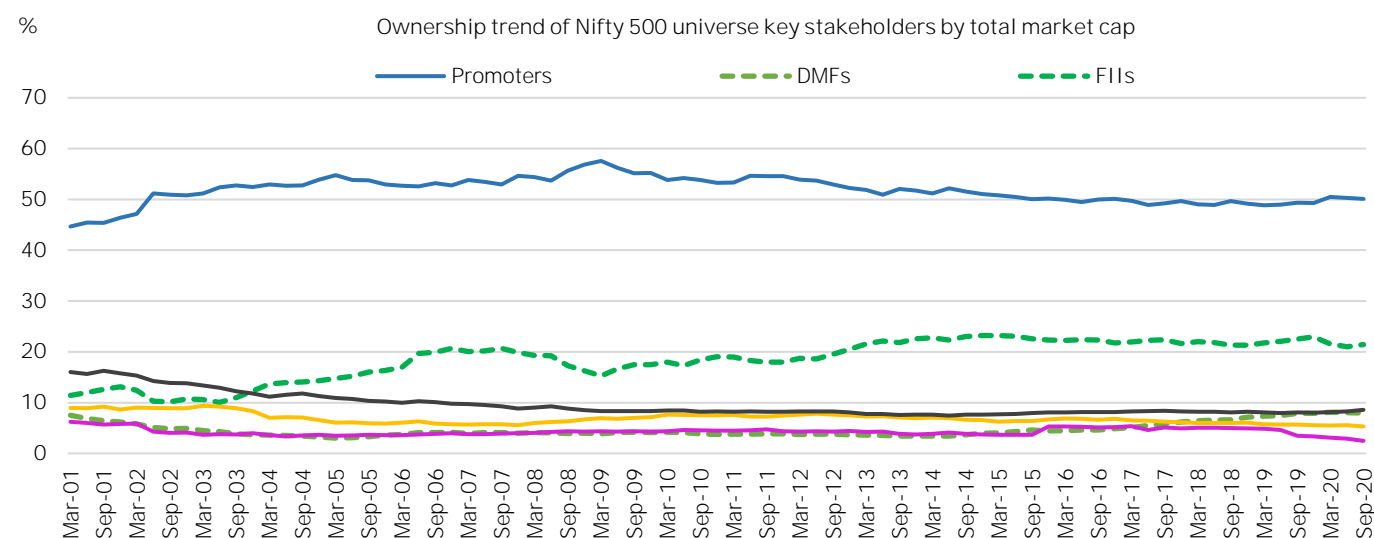
Long-term ownership trend of the Nifty 500 universe: Overall promoter ownership in Nifty 500 has also seen a steady decline since 2009, albeit at a slower pace than the Nifty 50 Index, entirely led by a sharp dip in Government ownership, while the share of private promoters (Indian and foreign) has significantly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

DMF ownership in Nifty 500 has been gradually rising since 2014, currently hovering near the highest level in last two decades, barring a slight drop in H1FY21. FII ownership on the other hand improved meaningfully post the GFC until 2015 but fell steadily between 2015 and 2018, only to see a sharp rise in 2019. The onset of COVID-19 outbreak in early 2020 and severe macro-economic ramifications of the containment measures undertaken worldwide led to a risk-off environment, resulting in FIIs reducing exposure from EMs including India in the first of the year. However, massive liquidity injection by global central banks improved global risk appetite, leading to huge influx of foreign capital into India in the second half, thereby slightly improving their share in the September quarter. Banks, financial institutions and insurance, however, have been reducing their exposure to Indian equities for quite some time now.

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

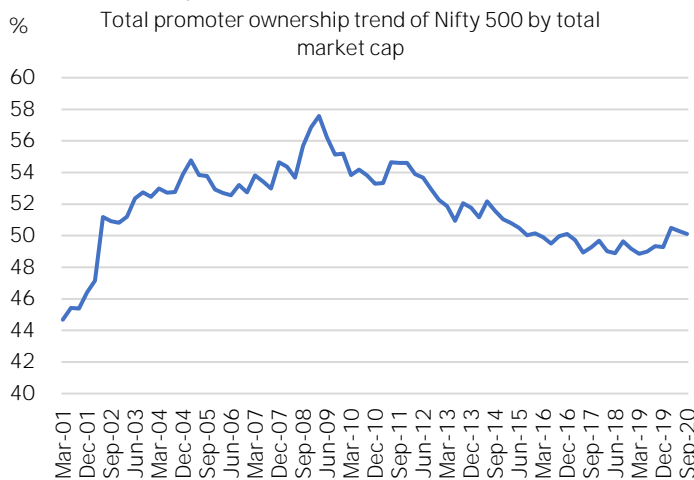
A sharp increase in FII ownership in 2019 was partly reversed in the first half of 2020.

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

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


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

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



Source: CMIE Prowess, NSE

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

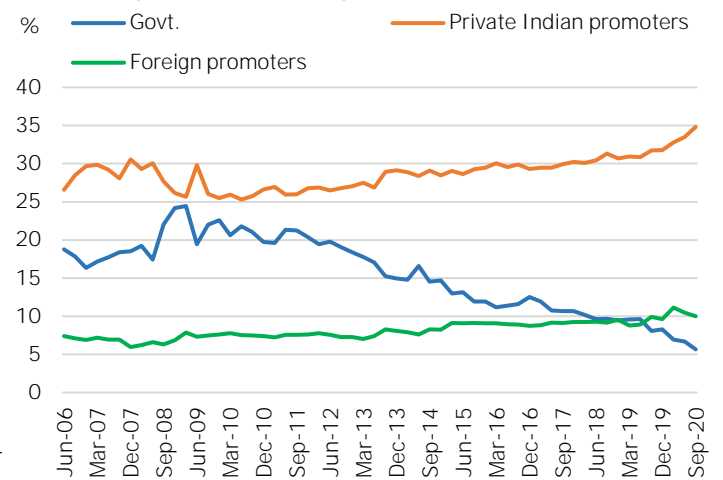
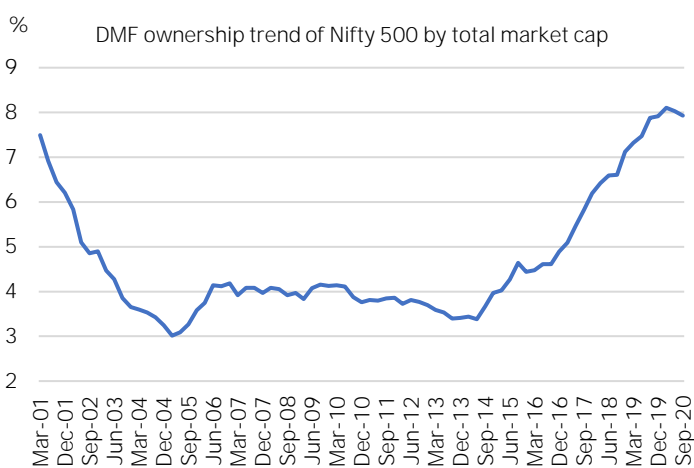


Figure 65: DMF ownership trend of the Nifty 500 universe by total market cap



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

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

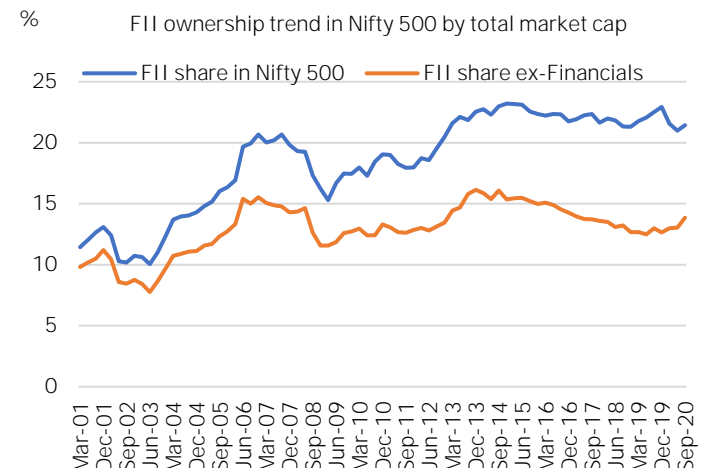
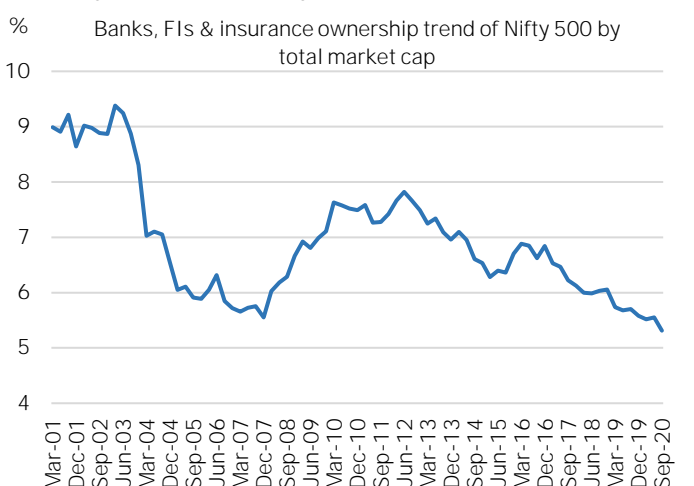


Figure 67: Banks, FIs & Insurance ownership trend of the Nifty 500 universe by total market cap



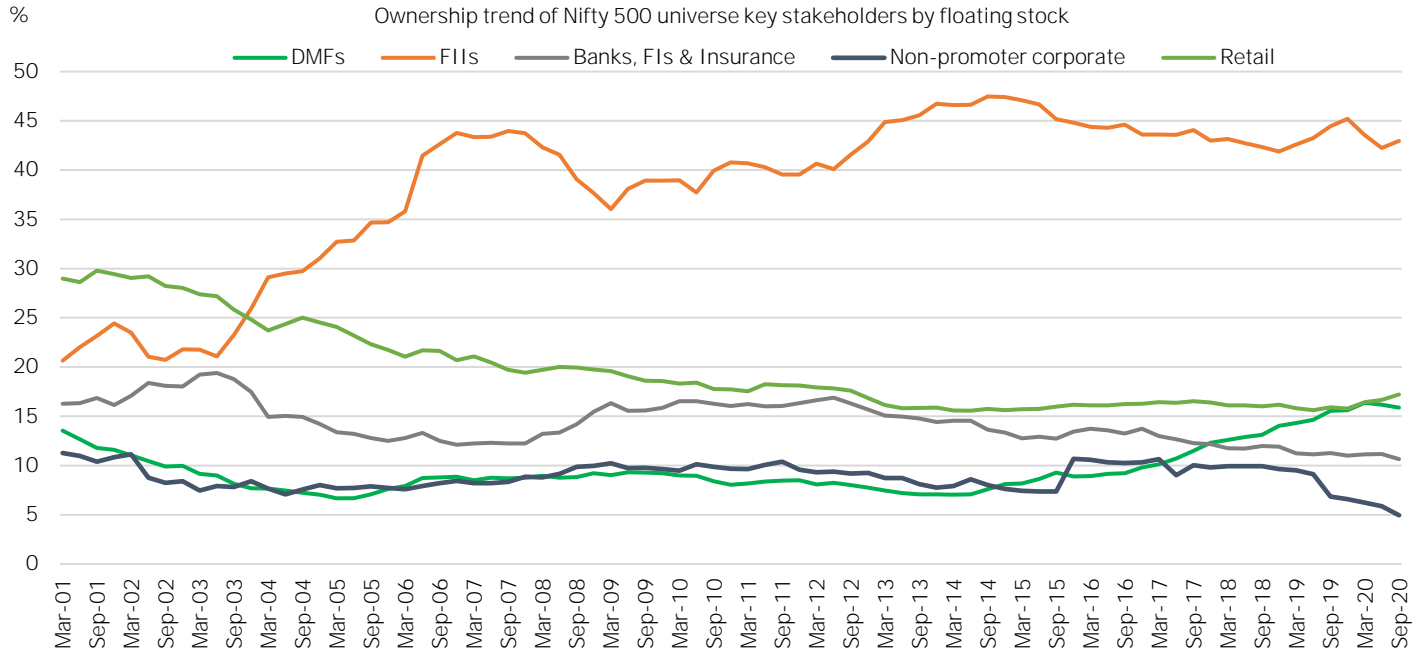
Source: CMIE Prowess, NSE

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



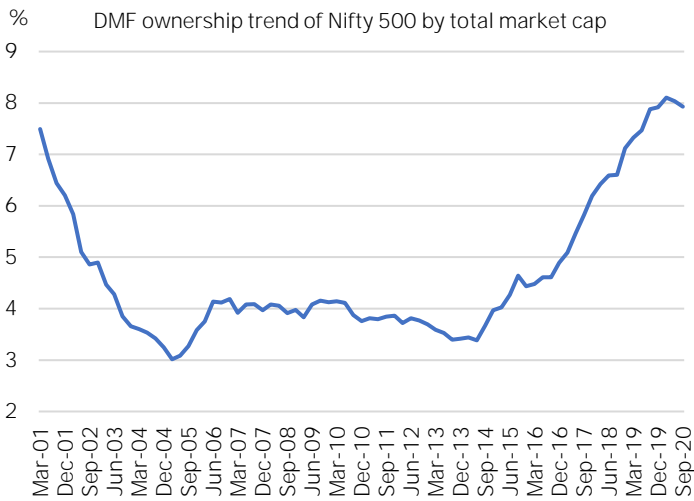
Our long-term ownership analysis on the free float market cap of the Nifty 500 Index also shows that while DMF ownership is hovering near its highest level since 2001, current FII ownership is 452bps lower than the peak of 47.5% in September 2014.

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



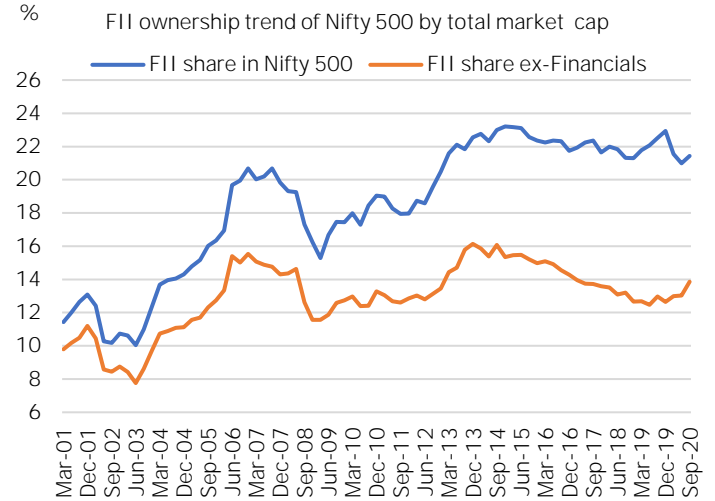
Source: CMIE Prowess, NSE *FII ownership includes ownership through depository receipts held by custodians

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



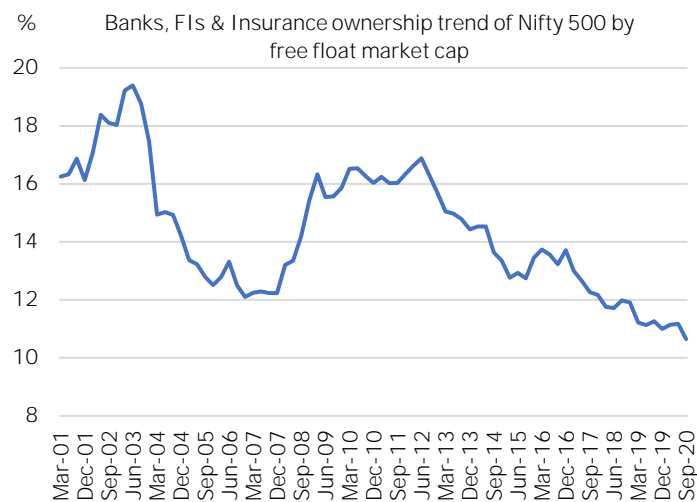
Source: CMIE Prowess, NSE *FII ownership includes ownership through depository receipts held by custodians

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



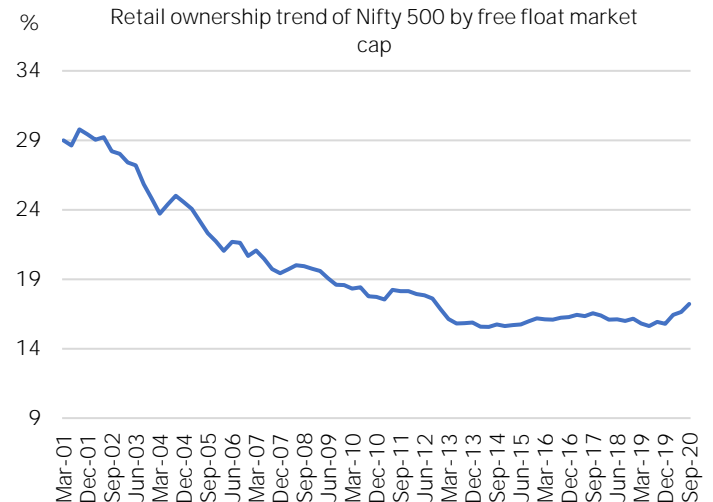
Source: CMIE Prowess, NSE *FII ownership includes ownership through depository receipts held by custodians

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



Source: CMIE Prowess, NSE

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



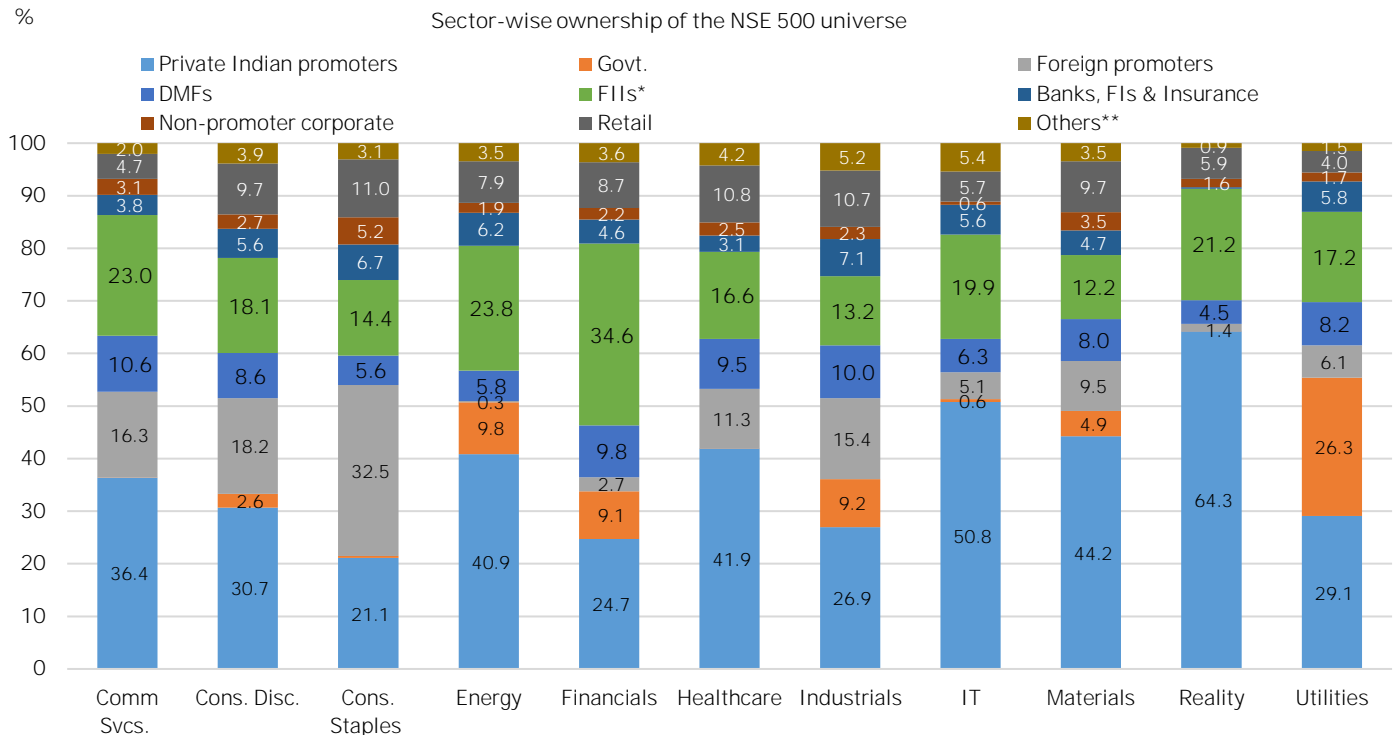
Sector-wise ownership of the Nifty 500 universe (September 2020): As of September 2020, Real Estate sector had the highest promoter shareholding at 65.7% (-142bps QoQ), followed by Utilities at 60.2% (+266bps QoQ), Materials at 56.6% (-15bps QoQ) and Information Technology at 56.3% (-126bps QoQ). Utilities had the highest Government ownership at 26.3% (-443bps QoQ), followed by Energy at 9.8% (-337bps QoQ) respectively, even as both have seen a significant drop over the last few years. Industrials and Financials stood second and third with Government share at 9.2% (-162bps QoQ) and 9.1% (-113bps QoQ) respectively in the September quarter.

In terms of DMF ownership, Communication Services beat Industrials to become the sector with the highest DMF ownership of 10.6% in the September quarter. DMF ownership in Industrials within the Nifty 500 Index fell by 30bps QoQ to a six-quarter low of 10% as of September-end. DMF ownership in Financials inched up by a modest 15bps QoQ to 9.8% following a sharp drop in the previous quarter, while that in Information Technology rose by 61bps QoQ to more than 19-year high of 6.3%. DMFs also raised their share in Real Estate within the Nifty 500 Index to a 57-quarter high of 4.5% (+68bps QoQ) in the September quarter.

FII's remained the biggest non-promoter owners of Financials at 34.6% (-101bps QoQ), followed by Energy at 23.8% (+157bps QoQ) and Communication Services at 23.0% (-32bps QoQ). Except for Communication Services and Consumer Staples, all sectors within the Nifty 500 universe witnessed a sequential increase in FII ownership in the September quarter. In terms of overall foreign ownership (including foreign promoters), Consumer Staples leads with a 46.9% (-100bps QoQ) foreign share, followed by Communication Services at 39.3% (-115bps QoQ) and Financials at 37.3% (+106bps QoQ).

Sector-wise, Communication Services beat Industrials to become the sector with the highest DMF ownership in the September quarter.

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

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


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

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

Sector allocation of the Nifty 500 universe for key stakeholders (September 2020):

The table below shows the sector allocation for key stakeholders in Nifty 500 companies as of September 2020. The concentration of Government ownership in Financials, Energy and Utilities sector was at 75.6% as of September-end, a tad higher than that in the overall listed universe but much lower than that in the Nifty 50 universe. In case of institutional investors, DMFs have a much lower allocation to Financials at 27.1% than FIIs at 35.3%, even as both of them have seen a drop in allocation to the sector for the third quarter in a row, partly attributed to fall in stock prices of Financial companies during this period.

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

%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	FIIs*	Banks, FIs & Insurance	Non-promoter corporate	Retail
Communication Services	3.0	0.0	4.6	3.8	3.0	2.0	3.5	1.6
Consumer Discretionary	7.7	4.0	15.8	9.4	7.3	9.2	9.5	9.8
Consumer Staples	6.9	0.7	36.7	8.0	7.6	14.4	23.7	14.5
Energy	15.5	22.9	0.3	9.7	14.6	15.4	10.1	12.2
Financials	15.5	35.2	5.9	27.1	35.3	18.8	19.5	22.3
Health Care	8.8	0.1	8.2	8.7	5.6	4.2	7.3	9.2
Industrials	4.6	9.7	9.2	7.6	3.7	8.0	5.6	7.5
Information Technology	21.0	1.5	7.3	11.5	13.4	15.2	3.7	9.6
Materials	12.5	8.4	9.3	9.9	5.6	8.7	13.8	11.1
Real Estate	1.4	0.0	0.1	0.4	0.8	0.0	0.5	0.5
Utilities	3.1	17.5	2.3	3.9	3.0	4.1	2.7	1.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

DMFs remained cautious on smaller financial companies and turned incrementally more negative on Energy: DMFs’ remained relatively negative on smaller financial companies as reflected from their UW position on the sector within the Nifty 500 Index for the third quarter in row, even as the extent of UW stance came off marginally in the September quarter. This contrasts with an OW position on the sector within the Nifty 50 Index, indicating the sustenance of a cautious view of DMFs on smaller banks and NBFCs for yet another quarter.

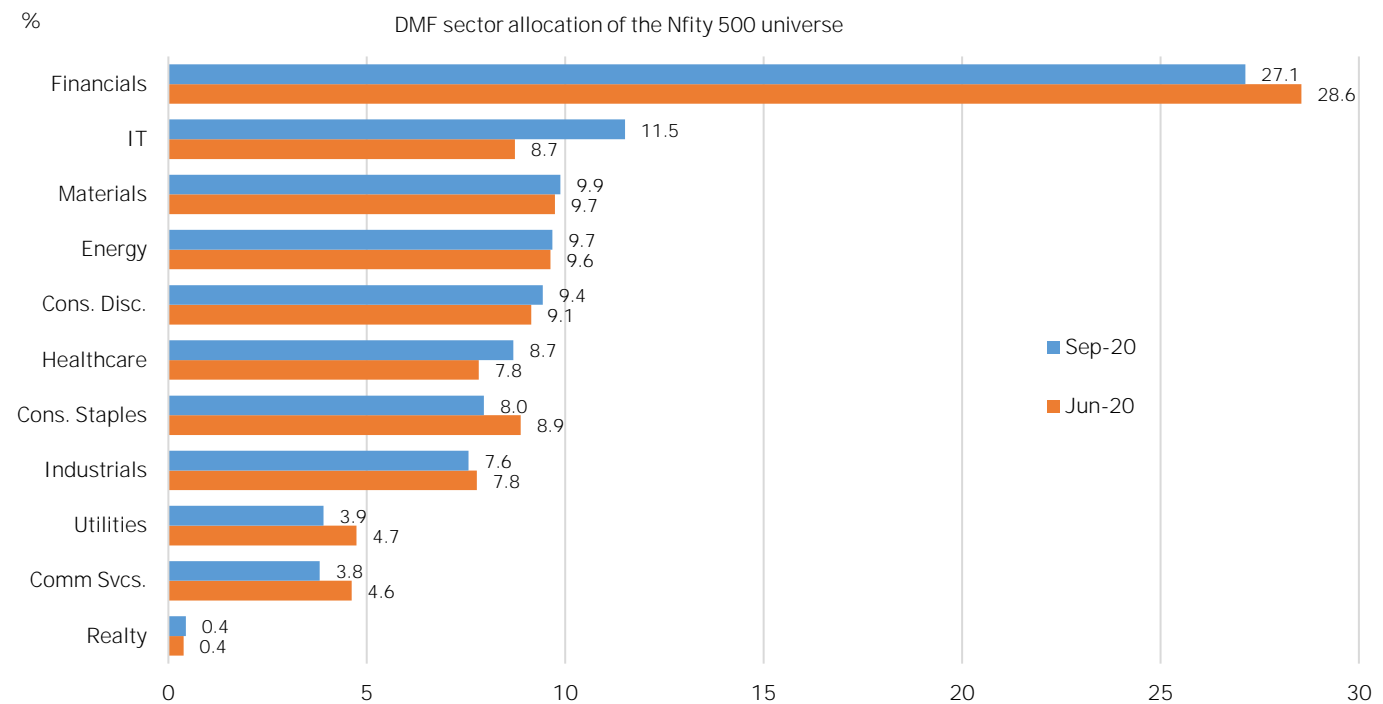
Similar to the trend seen in the Nifty 50 Index, DMFs turned incrementally more negative on Energy, and strengthened their UW stance by broadly retaining their allocation to the sector as compared to a ~120bps QoQ increase in the sector’s weight in the Index. DMFs also reduced their UW stance on Information Technology—a consequence of an increase in allocation as well as a strong rally seen in IT stocks during the quarter. Among other sectors, DMFs maintained a negative stance on Consumer Staples, albeit incrementally less so, and were OW on Healthcare, Industrials, Materials and Utilities. DMFs’ OW position on Industrials, however, has come off meaningfully over the last several years.

Notably, unlike FIIs, DMFs’ portfolio is far more aligned to the Index, with no outsized positive or negative bets on any sector.

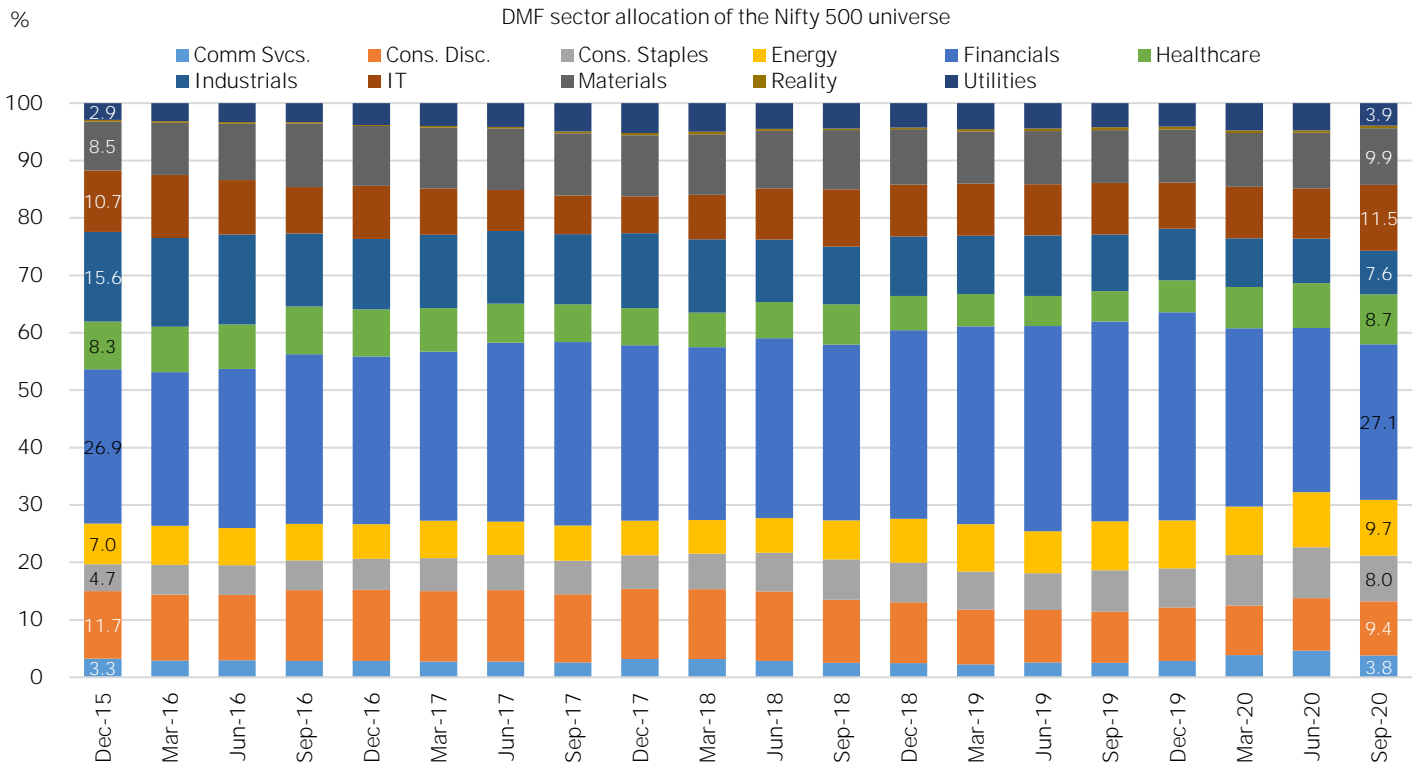
DMFs remained cautious on smaller banks and NBFCs and Consumer Staples, albeit incrementally less so, and strengthened their UW stance on Energy.

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

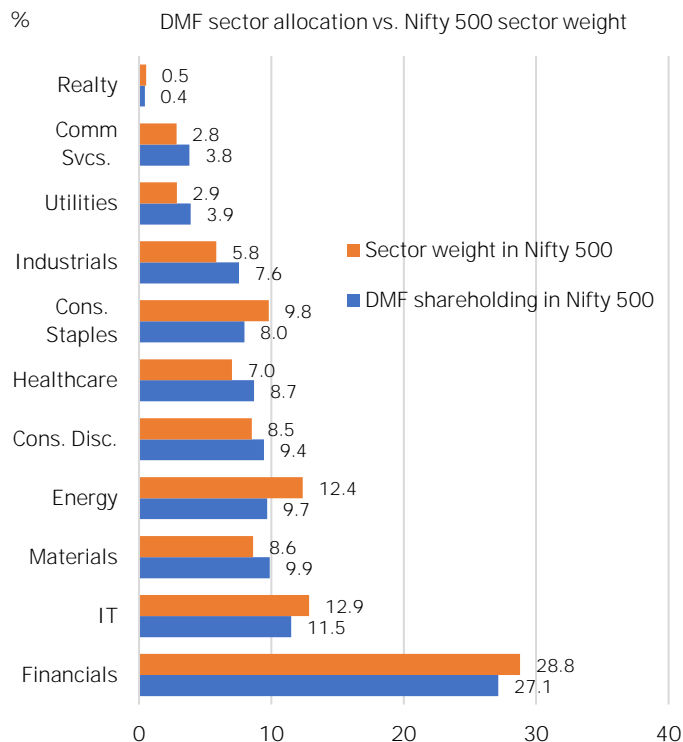
Figure 76: DMF sector allocation of the Nifty 500 universe (September 2020 vs. June 2020)



Source: CMIE Prowess, NSE.

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


Source: CMIE Prowess, NSE

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


Source: CMIE Prowess, NSE

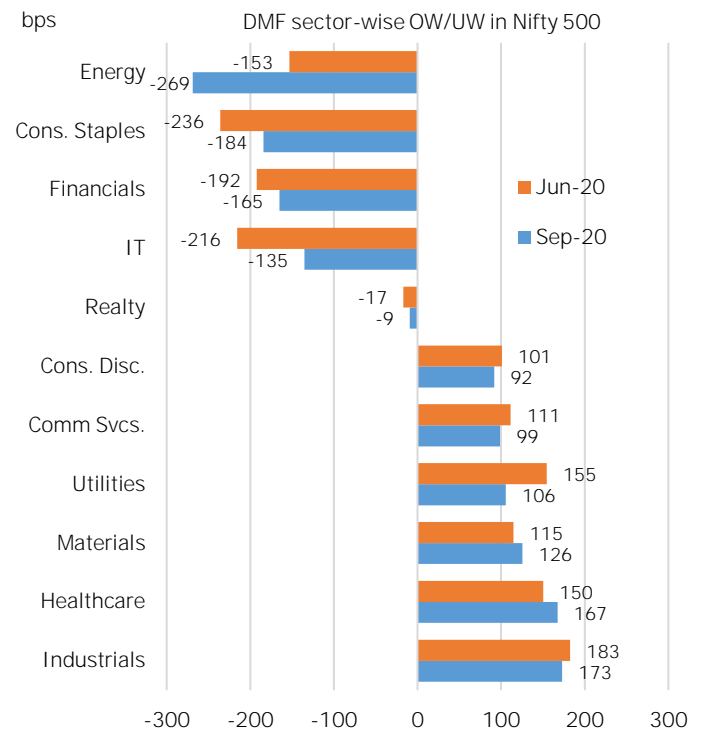
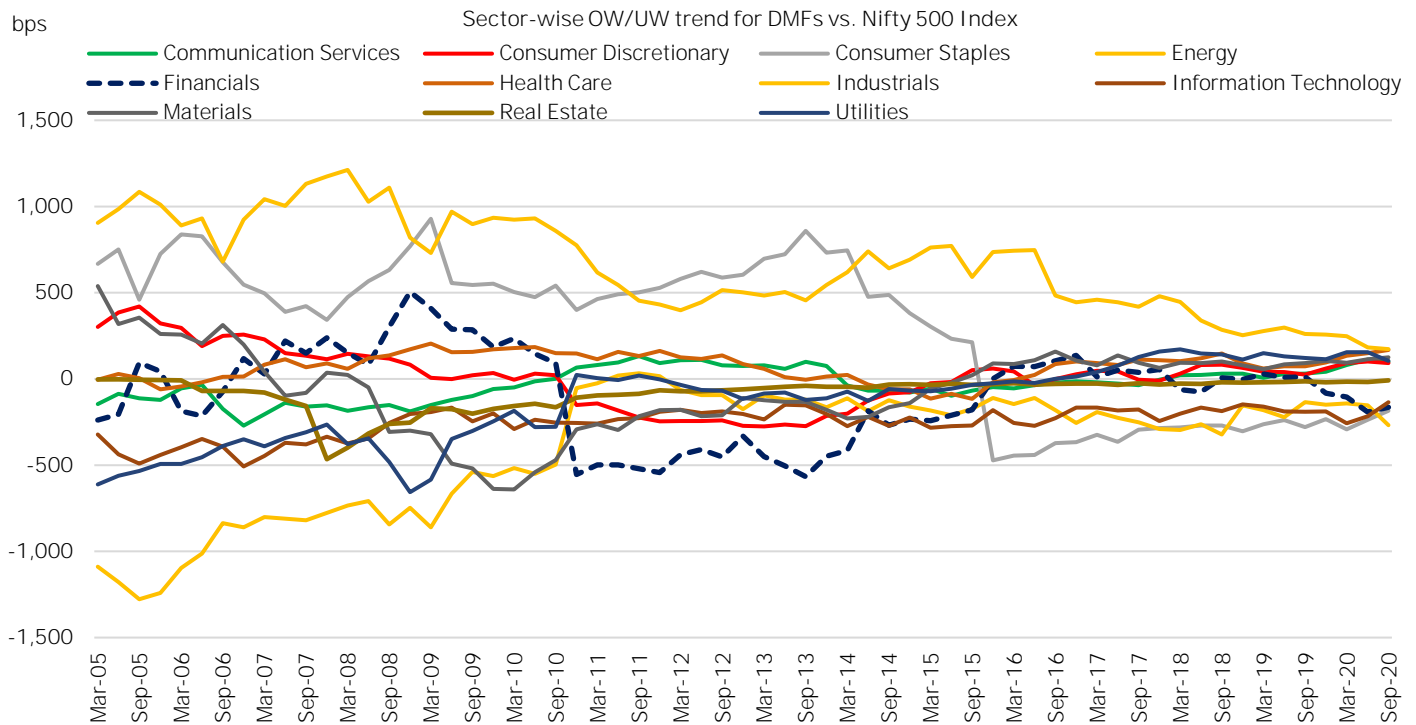
Figure 79: DMF sector-wise OW/UW in Nifty 500 relative to sector weight in the index (September 2020)


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


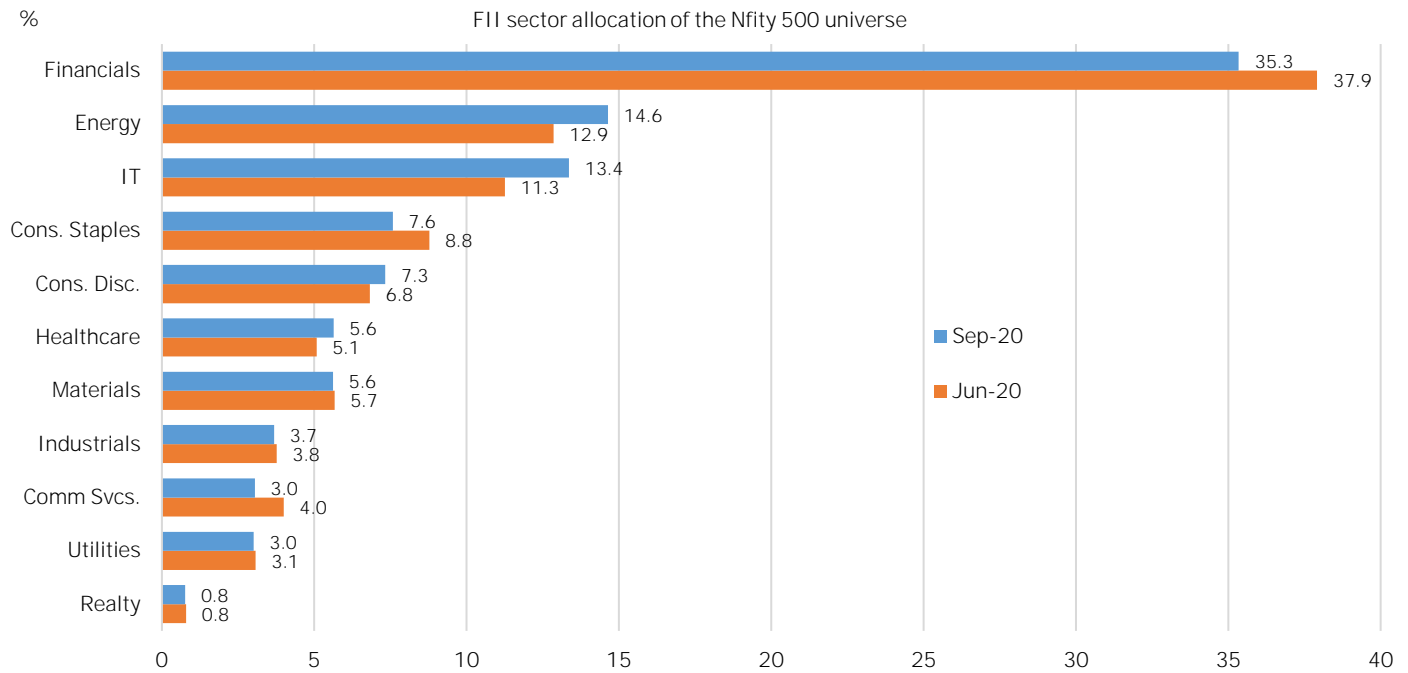
Source: CMIE Prowess, NSE

FII's sector stance contrasted DMFs' with a huge OW stance on Financials and Energy

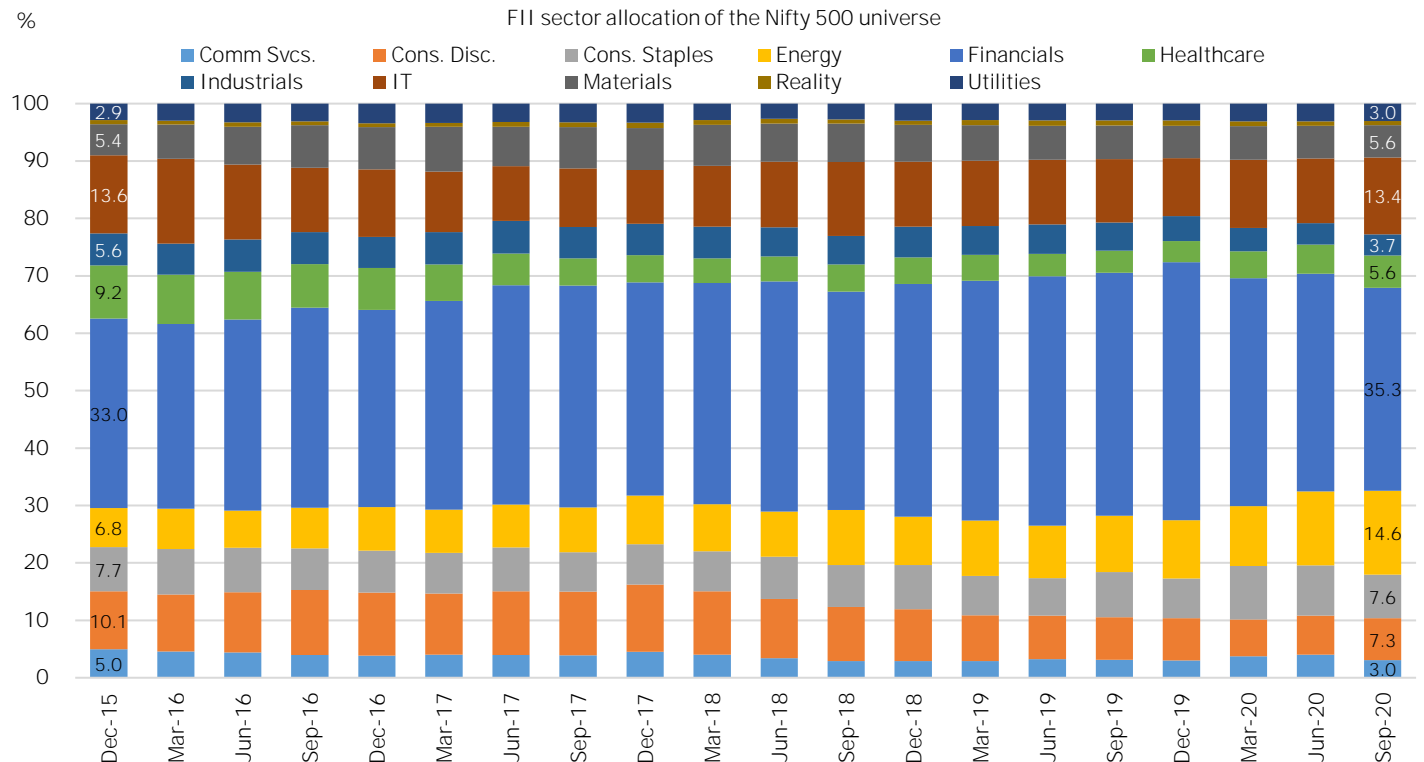
in the Nifty 500 Index: The relative sector positioning of FIIs in the Nifty 500 Index has remained broadly stable in the September quarter, and is in complete contrast to DMFs' sector stance. The out-sized bet of FIIs on Financials was maintained for yet another quarter but with a sequentially lower exposure at 35.3% (-257bps QoQ)—the lowest in last 15 quarters, a part of which is attributed to a 120bps QoQ dip in the sector's weight in the index.

FIIs are largely playing the India story through Financials and Energy with the two accounting for ~50% of their exposure to Nifty 500 vs. their combined weight of 41% in the Index

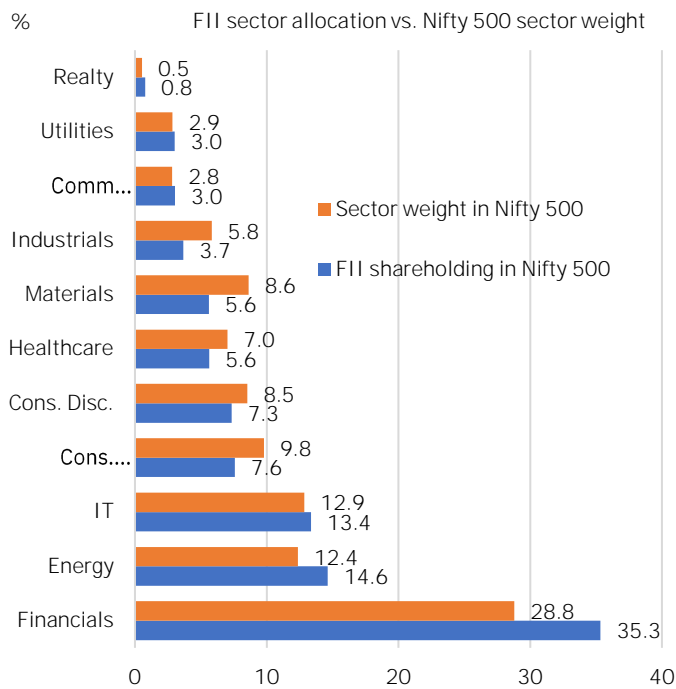
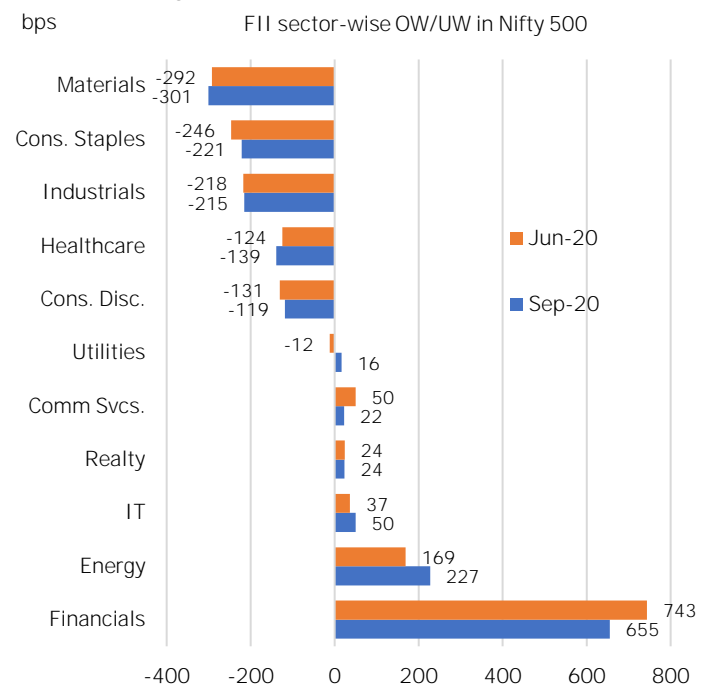
Financials aside, FIIs turned incrementally quite bullish on Energy and strengthened their OW position on the sector in the quarter ending September 2020. Contrary to DMFs, FIIs have perennially remained negative on the investment theme in the economy, maintaining their UW stance on Industrials and Materials since 2006. FIIs have also maintained their cautious view on India's consumption story and are UW on Consumer Staples as well as Consumer Discretionary, albeit incrementally less so, reflecting uncertain demand environment and possibly valuation discomfort. Amongst other sectors, FIIs maintained a negative stance on Healthcare and a neutral position on Utilities, Communication Services, Information Technology and Real Estate.

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


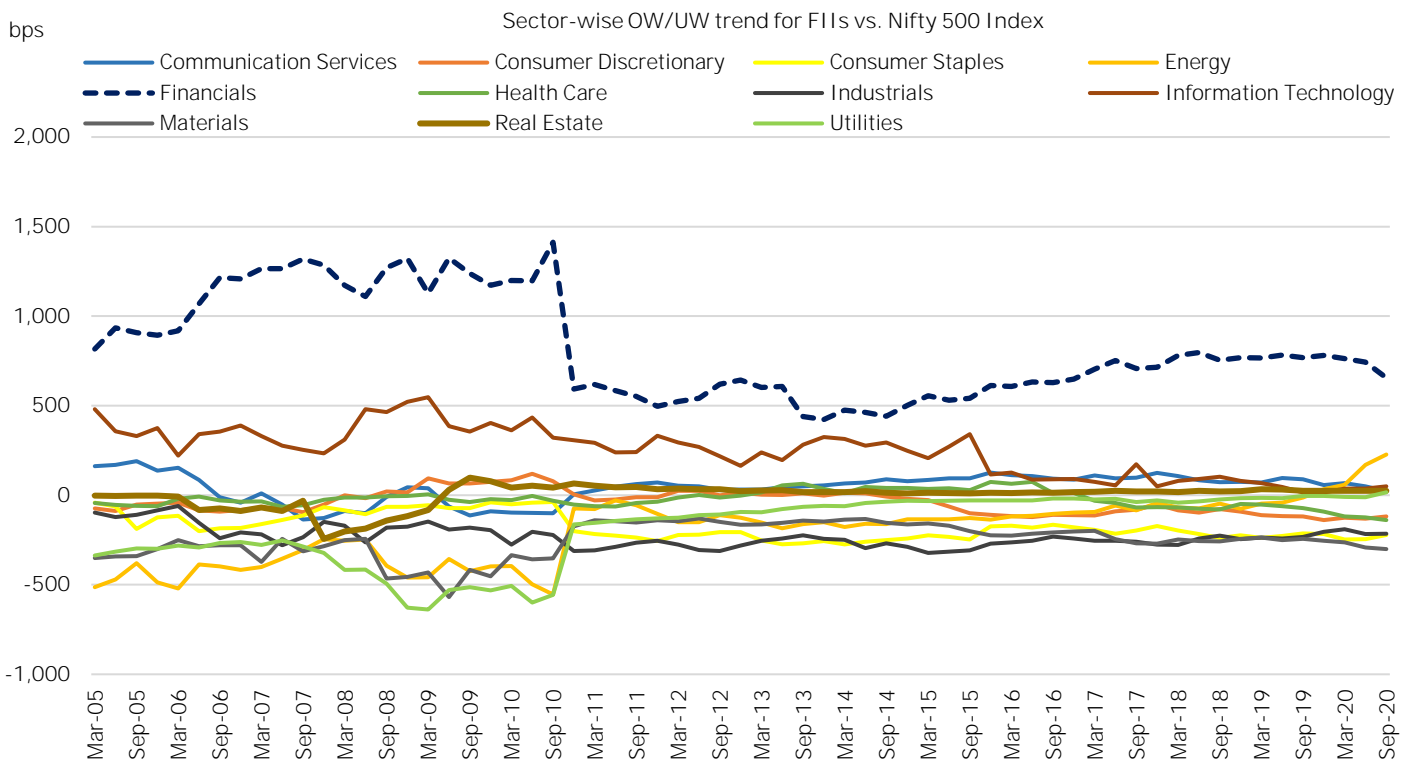
Source: CMIE Prowess, NSE *FII ownership includes ownership through depository receipts held by custodians.

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


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

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

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


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

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


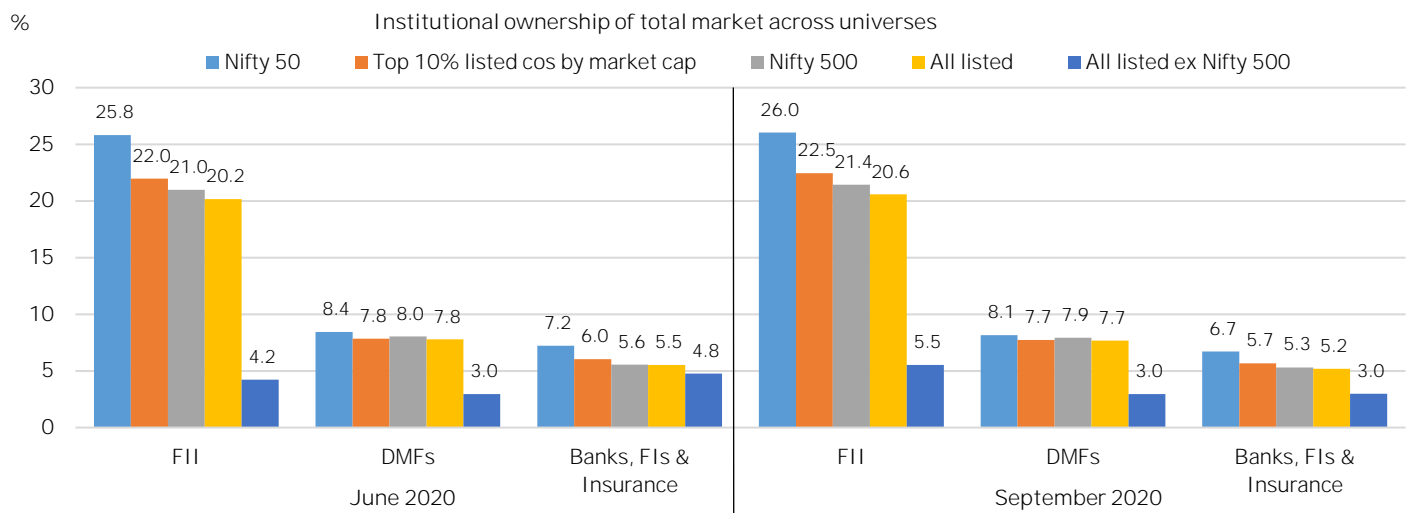
Source: CMIE Prowess, NSE *FII ownership includes ownership through depository receipts held by custodians

Institutional ownership concentration analysis

Institutional ownership gets incrementally more concentrated to larger companies: The charts below depict how institutional money is concentrated in the larger companies within the listed universe. FII ownership (including ownership through depository receipts) inched up across the board in the September quarter, translating into a net buying (increase in exposure) of ~Rs1trn in the Nifty 50 as well as the overall NSE-listed floating stock. DMFs, on the other hand, marginally reduced their ownership in equity markets in the September quarter, with net selling (decrease in exposure) by DMFs in the September quarter estimated at ~Rs300bn and ~Rs450bn in the Nifty 50 and overall listed universe respectively. Banks, FIs and insurance companies were much bigger sellers of Indian equity markets in the September quarter, with net selling by them in the NSE-listed universe being equivalent to net buying by FIIs despite owing just 25% of what FIIs own. That said, **FIIs' portfolio**, with nearly 74% of investments made towards Nifty 50 companies (~59% of the NSE-listed universe), remains far more concentrated as compared to DMFs' who have a relatively much lower (63%) share of their portfolio allocated to Nifty 50.

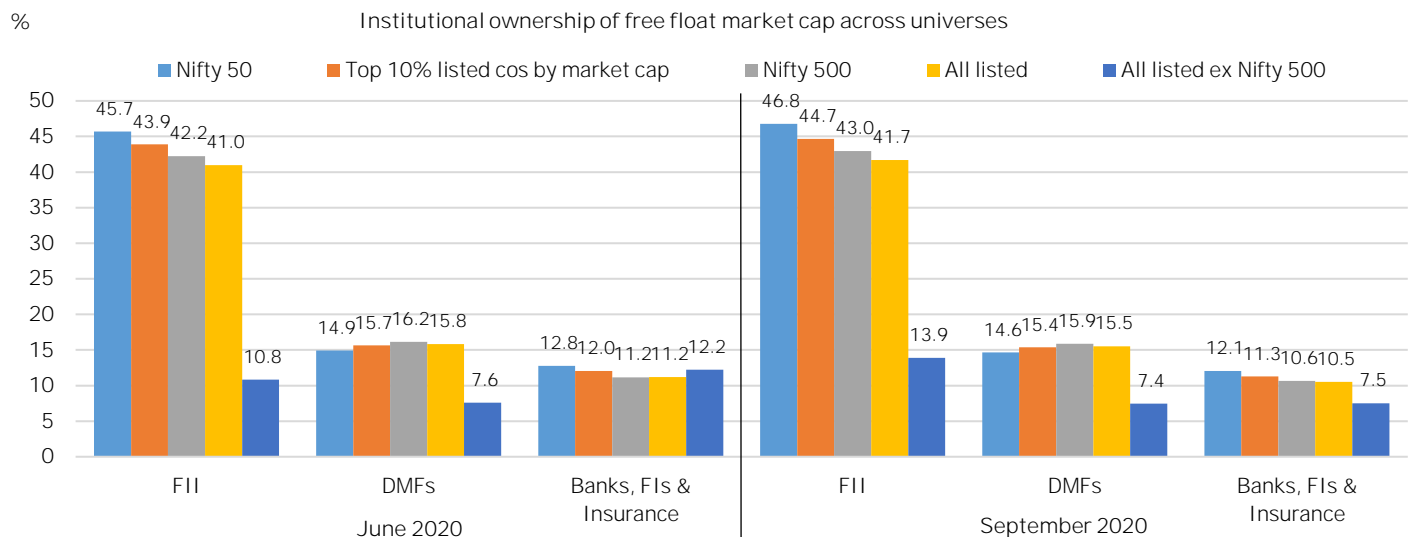
FIIs' portfolio, with nearly 74% of investments made towards Nifty 50 companies, is far more concentrated as compared to DMFs' who have a relatively much lower (63%) share of their portfolio allocated to Nifty 50.

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



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

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



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

Ownership concentration in terms of no. of companies with holding greater than 5%: Combining the theme of evolving institutional ownership patterns with concentration trends in the market brings out some interesting takeaways. We consider the FII portfolio in India since 2001, not in terms of its value, but in terms of the *number* of stocks. Notice how overall number of stocks in the portfolio has hovered around 1200 for the past 11 years. During this period (2010-), FIIs have poured in US\$145bn+ on a net basis into the Indian equity markets. In the absence of new companies, the deployment of this capital has led to a gradual rise in their ownership of the incumbent portfolio. Illustratively, FIIs today have at least 5% ownership in ~70% of the Nifty 500 Universe (by no of companies), even as the share has fallen slightly over the last couple of years.

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

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

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

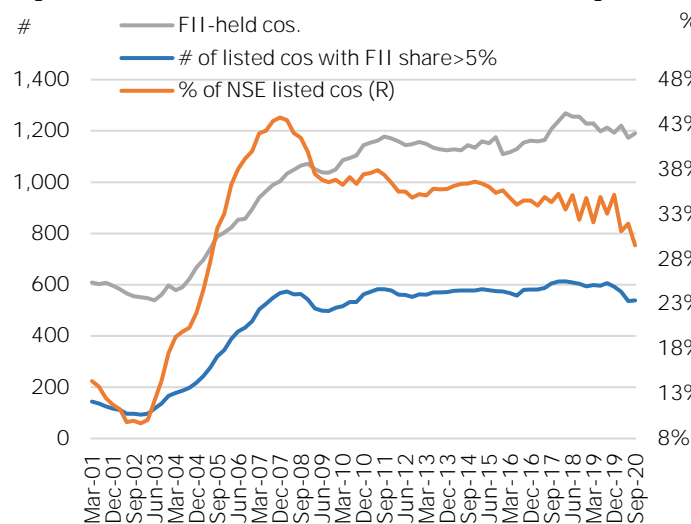
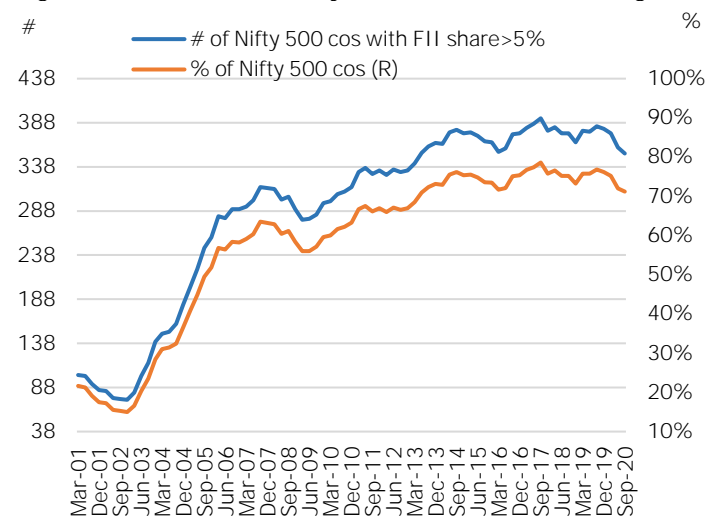


Figure 89: Number of Nifty500 cos with FII holding >5%



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

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

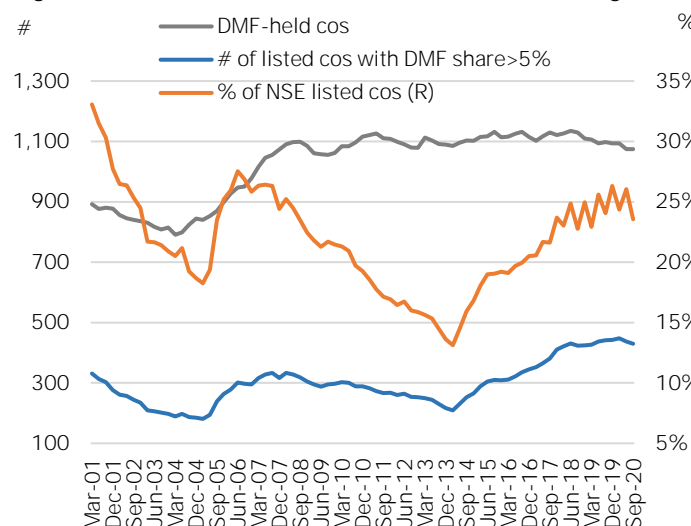
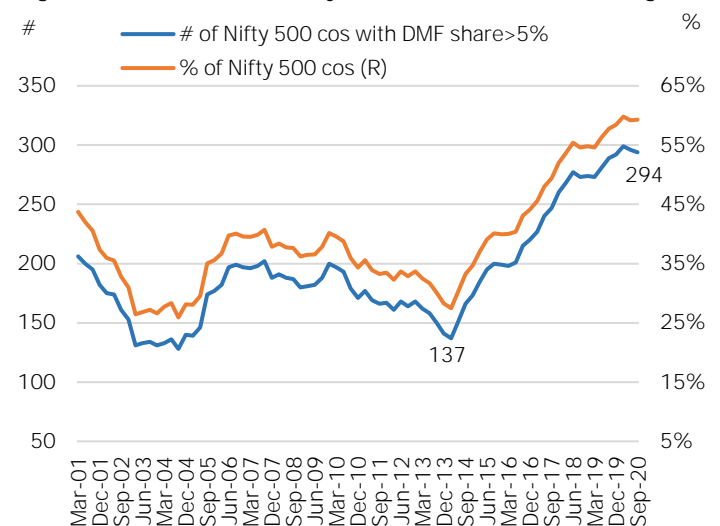
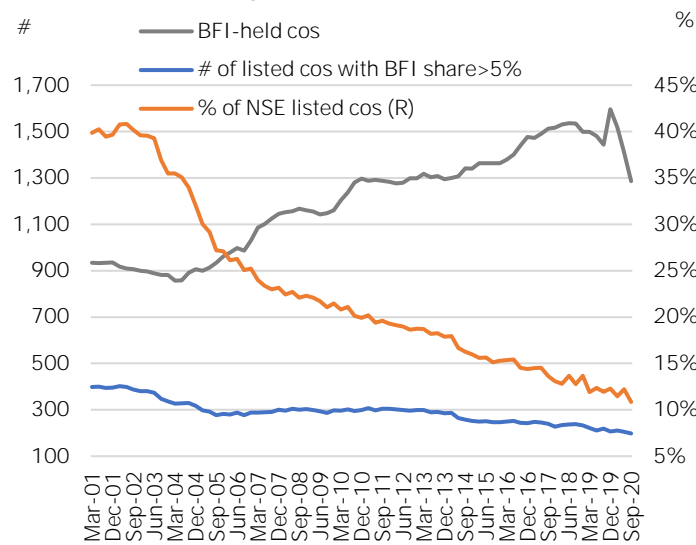


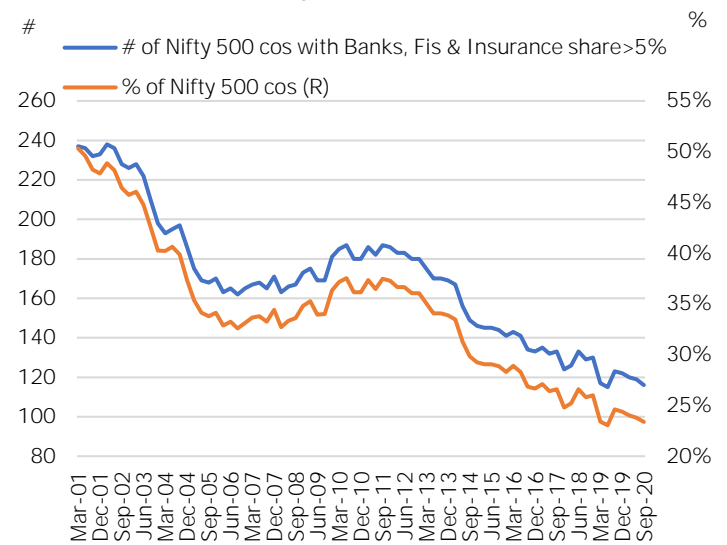
Figure 91: Number of Nifty500 cos with DMF holding >5%



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

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


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

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


Concentration of Institutional money in the top 10%:

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

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

It is the Domestic Mutual Funds (DMFs) that have actually seen a relatively more concentrated portfolio in the last two years. The top 10% of stocks by market cap now occupy ~86% of their total portfolio, vs. 75% in December 2019.

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

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

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

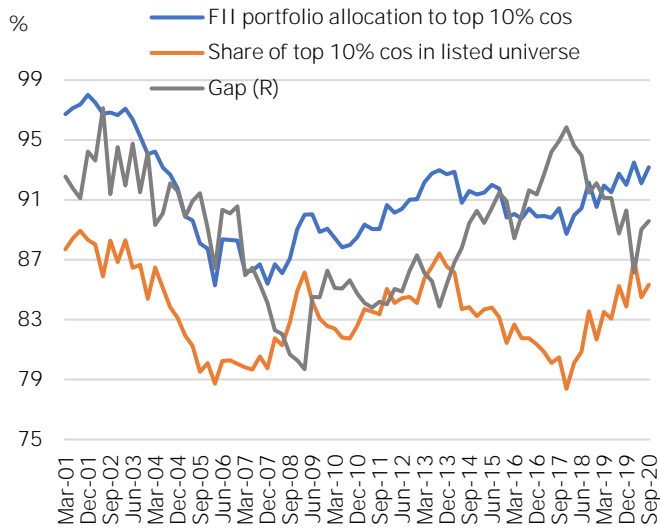
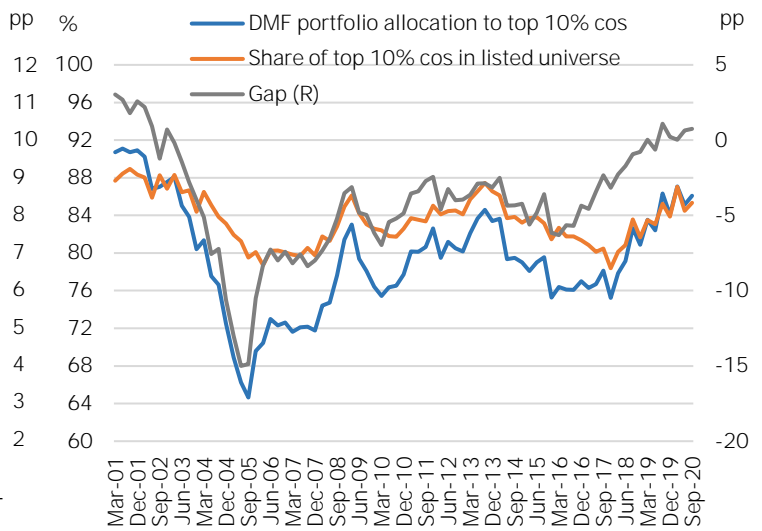


Figure 95: Trend of DMF portfolio allocation to top 10% companies by total market cap



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

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

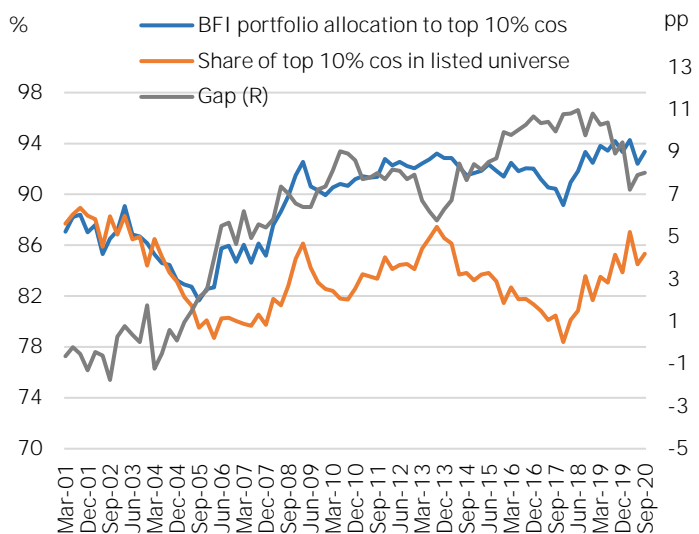
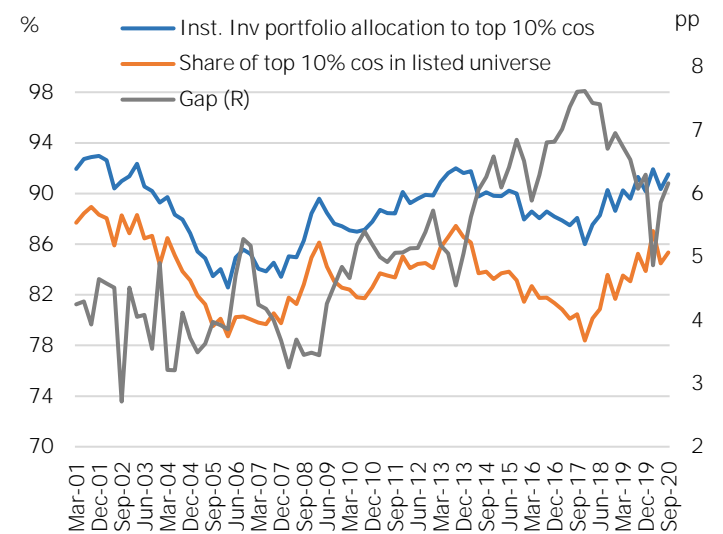
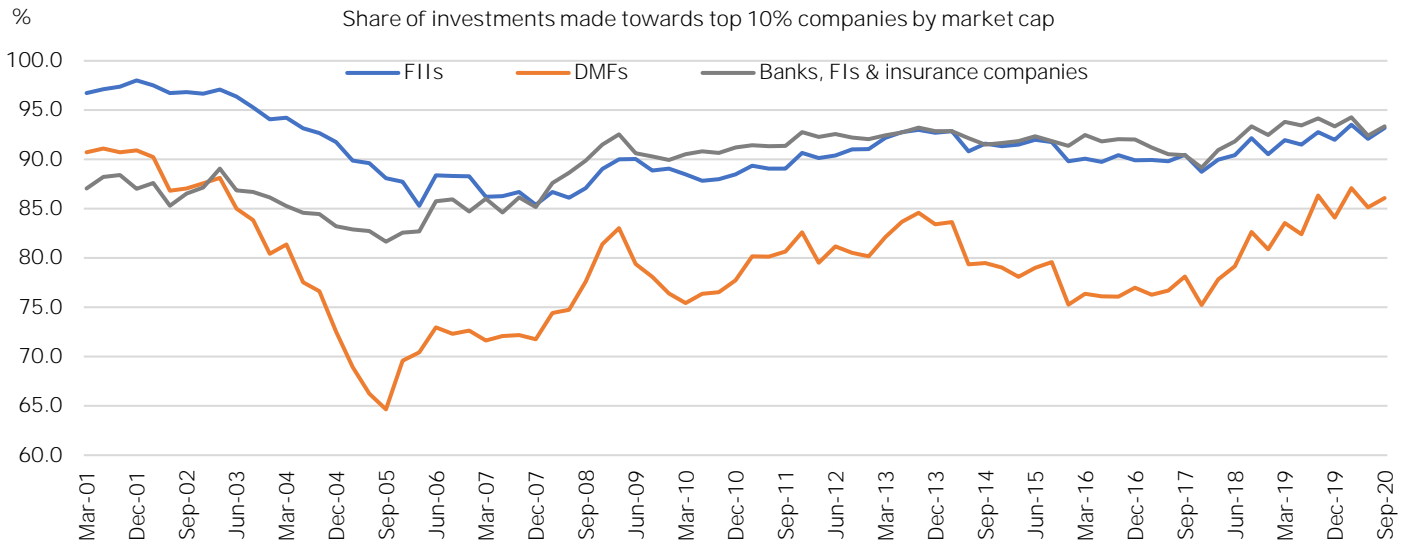


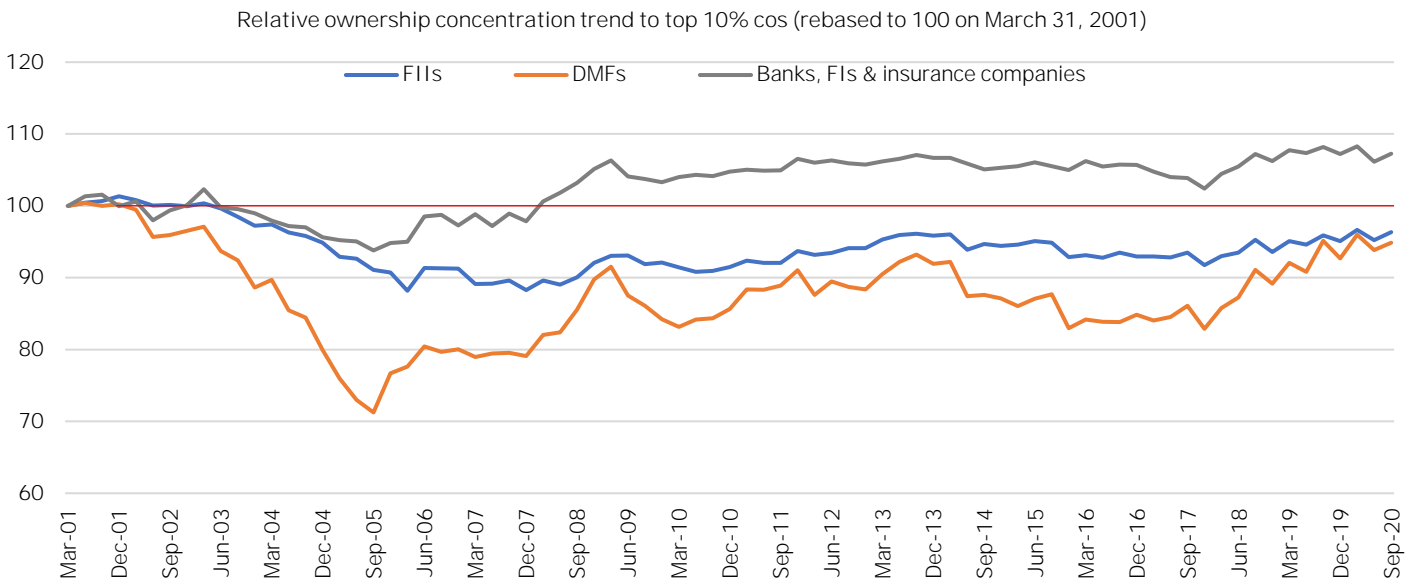
Figure 97: Trend of institutional investment share in top 10% companies by total market cap



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

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


Source: CMIE Prowess, NSE

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


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

Economic Policy & Research

Tirthankar Patnaik, PhD	tpatnaik@nse.co.in	+91-22-26598149
Prerna Singhvi, CFA	psinghvi@nse.co.in	+91-22-26598316
Runu Bhakta, PhD	rbhakta@nse.co.in	+91-22-26598163
Ashiana Salian	asalian@nse.co.in	+91-22-26598163
Simran Keswani	skeswani@nse.co.in	+91-22-26598163

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.