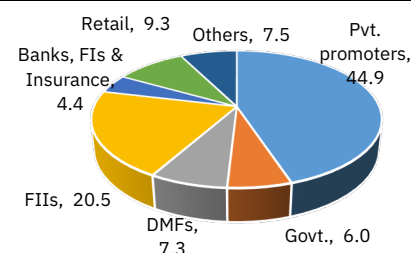


## Who owns India Inc.? – DMFs made up for lost FII share in the September quarter

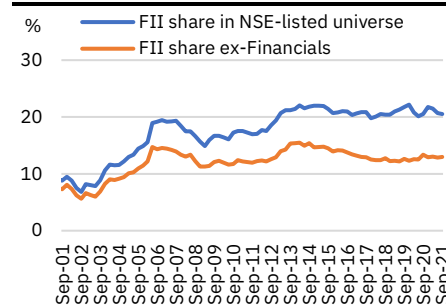
In this edition of our quarterly report “India Inc. Ownership Tracker”<sup>1</sup>, we extend our analysis of ownership trends and patterns in NSE companies to include the data available for the quarter ending Sep’21. We note: 1) A drop in Govt. share, following a rise over the previous three quarters, partly attributed to underperformance of some of the PSU companies during this period; 2) An increase in private promoter ownership for the third successive quarter, led by private Indian promoters, while foreign promoter share dipped for the sixth quarter in a row; 3) A steady drop in FII<sup>2</sup> (foreign institutional investors) ownership this year, reflecting renewed risk-off environment thanks to persistent COVID uncertainty, rising inflationary concerns, Fed taper talks and negative developments in China; 4) A modest rise in DMF (domestic mutual funds) share, in line with strong DMF inflows into Indian equities in the quarter gone by, aided by a surge in SIP inflows; 5) A steady direct retail ownership, following a rise in the previous quarter; 6) FIIs continued to play the India story with an outsized, albeit sequentially weaker, bet<sup>3</sup> on Financials, turned positive on Energy, and retained their perennial cautious view on India’s consumption as well as investment themes; 7) DMFs maintained a negative view on consumption-driven sectors, strengthened their OW<sup>4</sup> position on Financials, and turned incrementally cautious on externally oriented sectors viz. Energy, Materials, and IT; 8) While FII portfolio got incrementally more concentrated this year despite widened invested pool, DMFs benefited from strong retail flows, leading to a lower portfolio concentration.

- Private Indian promoter share inched up for the third quarter in a row:** Total promoter share in the NSE-listed space remained steady at 50.6% but inched up by 33bps to 50.2% in the Nifty 500 Index in the September quarter. This was led by a rise in Indian private promoter share—the third quarter in a row, even as foreign promoters and Government saw their share dipping in the quarter gone by. Private Indian promoter stake in NSE listed and Nifty 500 universes inched up by 67bps and 82bps to 16-year high of 36% and 35.3% respectively in the quarter ending September 2021. Foreign share, however, fell for the sixth quarter in a row by 20bps and 22bps to 8.9% in NSE listed and Nifty 500 companies respectively. Promoter share in the Nifty 50 Index, however, inched up by a tad higher 49bps to 43.7% as a rise in Indian private promoter share and a steady Govt. ownership more than offset the drop in foreign promoter share during the quarter.
- Government share fell after rising over the previous three quarters:** Government share (promoter and non-promoter) dipped by 52bps/32bps in the NSE listed/Nifty 500 companies to 6%/6.2% in the quarter gone by. This is on the back of underperformance of some of the Government-owned companies during the quarter, QIP issuances by a few PSU banks and disinvestment in a couple others. Government share in the Nifty 50 Index, however, remained steady at 5.2%.
- FII ownership continued a steady drop for yet another quarter:** FII ownership declined by 36bps, 12bps and 14bps in Nifty 50, Nifty 500 and NSE-listed universe to 26.5%, 21.5% and 20.5% respectively in the September quarter, marking the third consecutive quarter to record a dip. This is partly owing to moderation in FII inflows into Indian equities this year, weighed down by the deadlier second wave back home and unfavorable cues on the global front including rising

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



FII ownership in NSE-listed companies



Source: CMIE Prowess, NSE.

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

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

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

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

inflationary concerns and consequent taper talks by the US Fed as well as negative developments in China, viz. adverse regulatory actions, property crisis and power outages. The decline was primarily led by Financials, excluding which FII ownership in the listed universe actually inched up by 13bps QoQ in the September quarter.

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

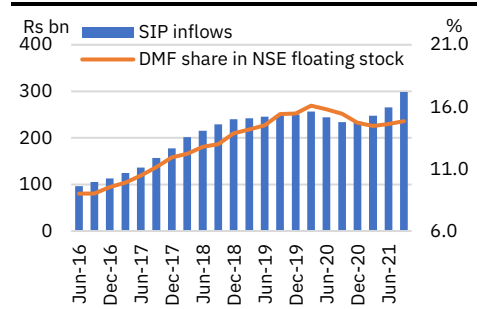
- DMFs made up for the lost FII share last quarter:** DMFs stake inched up by 13bps, 9bps and 11bps to 8.1%, 7.5% and 7.3% in the Nifty 50, Nifty 500 and NSE listed companies in the September quarter. This is primarily attributed to strong participation by DMFs in the quarter gone by, with DMFs injecting a total of Rs318bn on a net basis into Indian equities during this period, aided by a surge in retail inflows through the SIP route. The share of Banks, Financial Institutions and Insurance companies, however, fell for the fifth quarter in a row to fresh two-decadal lows in the September quarter.

Unlike FIIs, DMFs strengthened their positive stance on financial companies, but remained bearish on India's consumption theme, albeit incrementally less so, with an UW position on Consumer Staples. DMFs also turned more cautious on externally oriented sectors viz. Energy, Materials, and IT, possibly reflecting negative global cues. DMFs broadly maintained their stance on other sectors, retaining a neutral view on Materials, Real Estate, Utilities, Communication Services and Consumer Discretionary.

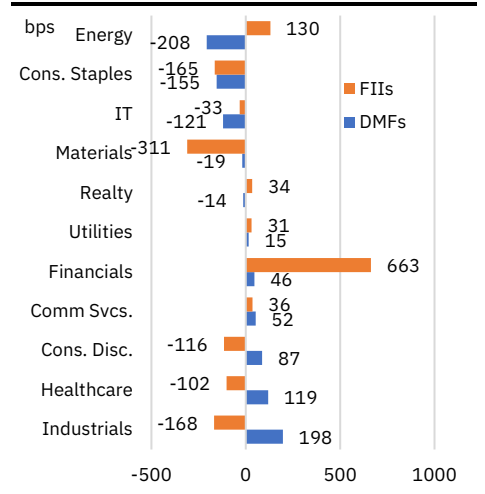
- Direct retail share remained steady:** Individual retail investors' holding in NSE-listed and Nifty 500 companies remained broadly steady at 9.3% and 8.8% respectively in the September quarter but fell by a modest 9bps to 8.1% in the Nifty 50 Index. Retail participation into Indian equities has jumped manifold over the last two years, reflected in huge retail inflows into Indian equities, surge in new investor registrations and a sharp jump in share of individual investors in the cash market turnover. Consequently, retail share in the NSE listed space has risen by 94bps since December 2019.

- Evolving institutional ownership and concentration:** FIIs have always had a relatively more concentrated portfolio, with a steady pool of invested stocks until December 2020. The bull market of 2020 and 2021, however, has led to a significant rise in the breadth of FIIs' portfolios in the search for alpha. FIIs, for instance, invested in more than 200 new companies in 2021. Despite a widened pool of invested companies, FIIs have at least 5% ownership in ~72% of the Nifty 500 companies, and the share has inched up marginally this year, indicating an incrementally more concentrated portfolio. DMFs, on the other hand, have benefited from a surge in SIP inflows this year, leading to a lower portfolio concentration.

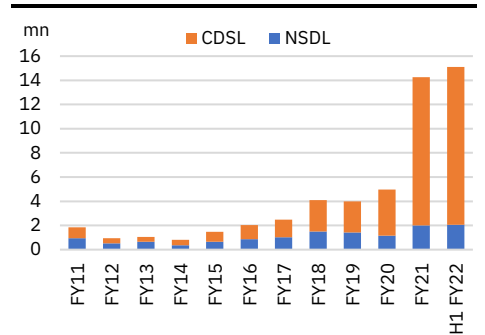
### DMF ownership in NSE-listed companies



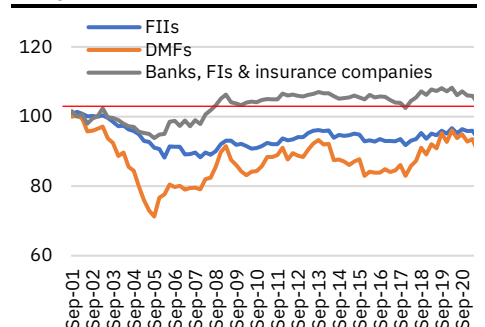
### FII and DMF portfolio OW/UW in Nifty 500 vs. the index (September 2021)



### New investor account additions



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



## Listed universe ownership trends

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

**Increase in private Indian promoter offset the drop in Government and foreign promoter share in the September quarter:** Total promoter ownership in the NSE-listed universe remained broadly steady at 50.6% in the quarter ending September 2021, following a 66bps jump in the previous quarter. Increase in private promoter ownership—the third time in a row, was completely offset by a drop in foreign and Government promoter share during the quarter. Private Indian promoter stake in the NSE listed universe rose by 67bps QoQ to near 16-year high of 36.0% in the September quarter, translating into a total jump of 125bps in the first half. In terms of number of companies, 219/1741 companies (where shareholding data is available for the last two quarters) saw an increase in private Indian promoter stake in the September quarter. Foreign promoter stake in the NSE listed universe, on the other hand, declined for the sixth quarter in a row by 20bps QoQ to a seven-year low of 8.9%.

**Government ownership dropped after rising over the previous three quarters:** Government ownership (promoter as well as non-promoter) in the NSE-listed space has been coming off since 2010, in-line with its efforts to garner higher revenues through the disinvestment route. After rising by nearly 100bps over the previous three quarters, the Government's share in the NSE-listed universe saw a drop of 52bps in the quarter gone by to 6%. While a part of this is attributed to underperformance of some of these Government-owned companies during the September quarter, QIP issuances by a few PSU banks, viz. Bank of India, Bank of Maharashtra and Canara Bank as well as disinvestment in Hindustan Copper and HUDCO also contributed to the reduced aggregate Government ownership in the NSE listed space. This translates into a decline of ~20bps in Government share in the first half of FY22, on top of a 70bps drop in FY21.

**FII ownership dipped for the third quarter in a row ...:** FII ownership declined by 14bps QoQ to a five-quarter low of 20.5% in the September quarter on top of an 81bps drop in the previous quarter, marking the third consecutive quarter of a fall in FII share. This is partly owing to moderation in FII inflows into Indian equities this fiscal year, weighed down by the deadlier second wave back home and unfavorable cues on the global front including rising inflationary concerns and consequent taper talks by the US Fed as well as negative developments in China, viz. adverse regulatory actions, property crisis and power outages. Even as Indian equities meaningfully outperformed the broader EM pack, strengthened global risk-off environment impacted flows, with FIIs investing a meagre Rs563mn on a net basis during the quarter gone by. The decline in FII ownership was primarily led by Financials where FII ownership fell for the third quarter in a row by 27bps to 7.5%. Excluding Financials, FII ownership in the listed universe actually inched up by 13bps QoQ in the September quarter.

**...While DMF share saw a modest increase:** DMFs' stake in the NSE listed universe inched up by 11bps QoQ—the first increase in last six quarters—to 7.3% in the quarter ending September 2021. With this, the DMF share is now just 57bps shy from the peak share of 7.9% in March 2020. This is primarily attributed to strong participation by DMFs in the quarter gone by, with DMFs injecting a total of Rs318bn on a net basis into Indian equities during this period—the highest in last six quarters. This was aided by a surge in retail participation through the SIP (Systematic Investment Plan) route. After witnessing some moderation during the first two months of the fiscal, thanks to renewed growth

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*September quarter saw an inch-up in private promoter stake in the NSE-listed space for the third quarter in a row, led by private Indian promoters, even as foreign promoter stake dropped for yet another quarter.*

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*Government ownership dropped in the September quarter after rising over the previous three quarters.*

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*FII ownership witnessed a marginal dip in the September quarter—a reflection of moderation in FII inflows, weighed down by the deadlier second wave and unfavourable global cues.*

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*DMF ownership inched up by a modest 11bps to 7.3% in the September quarter—the first increase in last six quarters.*

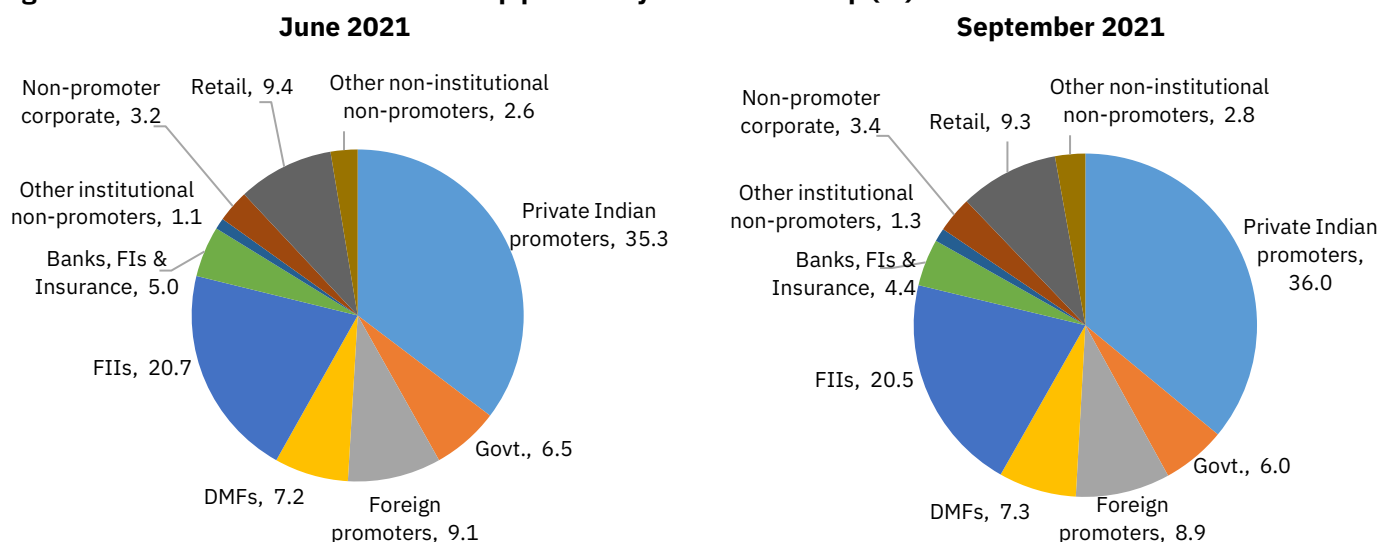
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concerns in the wake of the deadlier second wave of COVID-19, SIP inflows picked up meaningfully from June onwards, and has now touch a Rs100bn+ run-rate on a monthly basis, much higher than the average monthly run-rate of Rs80bn in FY21 and Rs83bn in FY20.

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

**Retail investors' holding remained broadly steady in the September quarter:** After witnessing a jump in the previous quarter, individual retail investors' holding remained broadly steady at near 14-year high of 9.3% in the quarter ending September 2021, translating into a total increase of 29bps in the first half of FY22. Retail participation into Indian equities has seen a meaningful jump over the last two years, reflected in huge inflows by retail investors into Indian equities, surge in new investor registrations and a sharp jump in share of individual investors in the cash market turnover during this period. Consequently, ownership of retail investors in the NSE listed space has risen by 94bps since December 2019.

**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.

**Table 1: NSE-listed universe: Ownership trend across key stakeholders by total market cap over last three years**

%	Private Indian promoters	Govt.	Foreign promoters	Domestic MFs	Banks, FIs & Insurance	FII *	Non-promoter corporate	Retail
Dec-18	31.3	9.1	10.0	7.0	5.8	20.4	5.0	8.7
Mar-19	31.5	9.2	9.2	7.2	5.5	21.0	5.0	8.6
Jun-19	31.4	9.3	9.3	7.3	5.5	21.3	4.7	8.4
Sep-19	32.2	7.9	10.1	7.7	5.5	21.8	3.6	8.5
Dec-19	32.2	8.2	9.8	7.8	5.4	22.2	3.5	8.4
Mar-20	33.3	6.9	11.1	7.9	5.5	20.8	3.3	8.4
Jun-20	34.1	6.7	10.4	7.8	5.5	20.2	3.2	8.7
Sep-20	35.4	5.6	10.0	7.6	5.2	20.5	2.8	9.0
Dec-20	34.6	5.7	9.7	7.4	5.1	21.7	3.0	9.0
Mar-21	34.7	6.2	9.4	7.2	5.1	21.5	3.1	9.0
Jun-21	35.3	6.5	9.1	7.2	5.0	20.7	3.2	9.4
Sep-21	36.0	6.0	8.9	7.3	4.4	20.5	3.4	9.3
QoQ change	67bps	-52bps	-20bps	11bps	-52bps	-14bps	24bps	-4bps

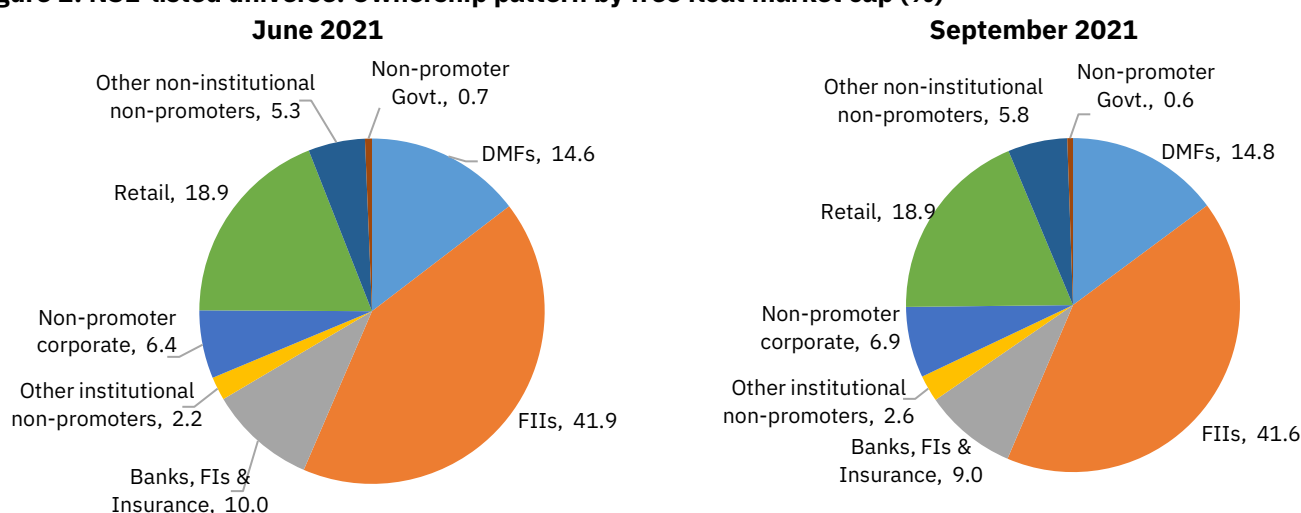
Source: CMIE Prowess, NSE. \*FII ownership includes ownership through depository receipts held by custodians

## Floating stock witnessed a drop in institutional ownership for the third quarter in a row:

FII ownership in the NSE floating stock fell by 28bps QoQ in the September quarter on top of a 106bps decline in the previous quarter. This marked the third consecutive quarter to see a drop in FII share, with the latter now hovering more than 4pp below the peak share over the last 20-year period. DMF ownership of the NSE free-float market cap inched up for the second quarter in a row by 23bps to a four-quarter high of 14.8%, even as it is nearly 125bps shy of the 20-year high share of 16.1% seen in the quarter ending March 2020. Banks, Financial Institutions and Insurance companies have seen a sharp drop in their share in the NSE floating stock in the quarter gone by, which is now the lowest in the last two decades. With this, the overall institutional share in the NSE floating stock has fallen by 74bps in the September quarter, following a 179bps drop over the previous two quarters.

Retail ownership in the NSE free-float market cap fell by a modest 9bps QoQ to 18.9%, even as it is still up 83bps this fiscal year. That said, it is still 10.2pp below the peak share seen over the last two decades.

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



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

**Table 2: NSE-listed universe: Ownership trend across key stakeholders by floating stock over last three years**

%	Domestic MFs	Banks, FIs & Insurance	FII*s*	Non-promoter corporate	Retail
Dec-18	26.0	9.1	6.6	7.4	7.9
Mar-19	26.3	8.8	6.3	7.7	7.6
Jun-19	26.6	9.0	6.4	7.7	7.4
Sep-19	26.8	7.7	7.8	8.3	7.4
Dec-19	27.0	7.5	7.6	8.4	7.2
Mar-20	28.1	6.4	9.7	8.4	7.1
Jun-20	29.5	5.6	8.8	8.4	7.2
Sep-20	32.2	4.6	7.7	8.1	6.7
Dec-20	30.9	4.9	7.3	8.0	6.5
Mar-21	31.2	5.0	6.9	7.9	6.6
Jun-21	31.6	5.2	6.5	8.0	6.5
Sep-21	32.2	5.2	6.4	8.1	5.9
<b>QoQ change</b>	<b>63bps</b>	<b>3bps</b>	<b>-18bps</b>	<b>13bps</b>	<b>-64bps</b>

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

## Long-term ownership trend of the NSE-listed universe

**Long-term trend shows a steady drop in promoter ownership since 2009:** The long-term trend indicates a sharp rise in promoter ownership between 2001 and 2009 (19-year high of 57.6% in March 2009) that has been gradually tapering off since, coinciding with the SEBI's decision to increase the minimum required free float from 10% to 25% in 2010. However, that has been primarily led by a sharp drop in Government ownership over the years, and strategically so, with the aim of expanding public partnership in the ownership of CPSEs (Central Public Sector Enterprises) and augmenting its resources for higher expenditure towards economic development. On the other hand, overall private promoter ownership—Indian and foreign promoters combined—has increased by ~11.4pp since June 2010.

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

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**Sharp rise in DMF ownership during 2014-19 supported by rising SIP inflows:** Barring a drop in FY21, DMF ownership has seen a sharp increase over the previous 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 (Apr-Mar'21) has been largely on the back of moderation in SIP inflows, even as direct retail ownership has seen a jump during this period, as well as high redemption pressures. Ownership of Banks, FIs & Insurance, on the other hand, has been gradually dropping off since 2012 and is currently hovering at multi-decadal lows.

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

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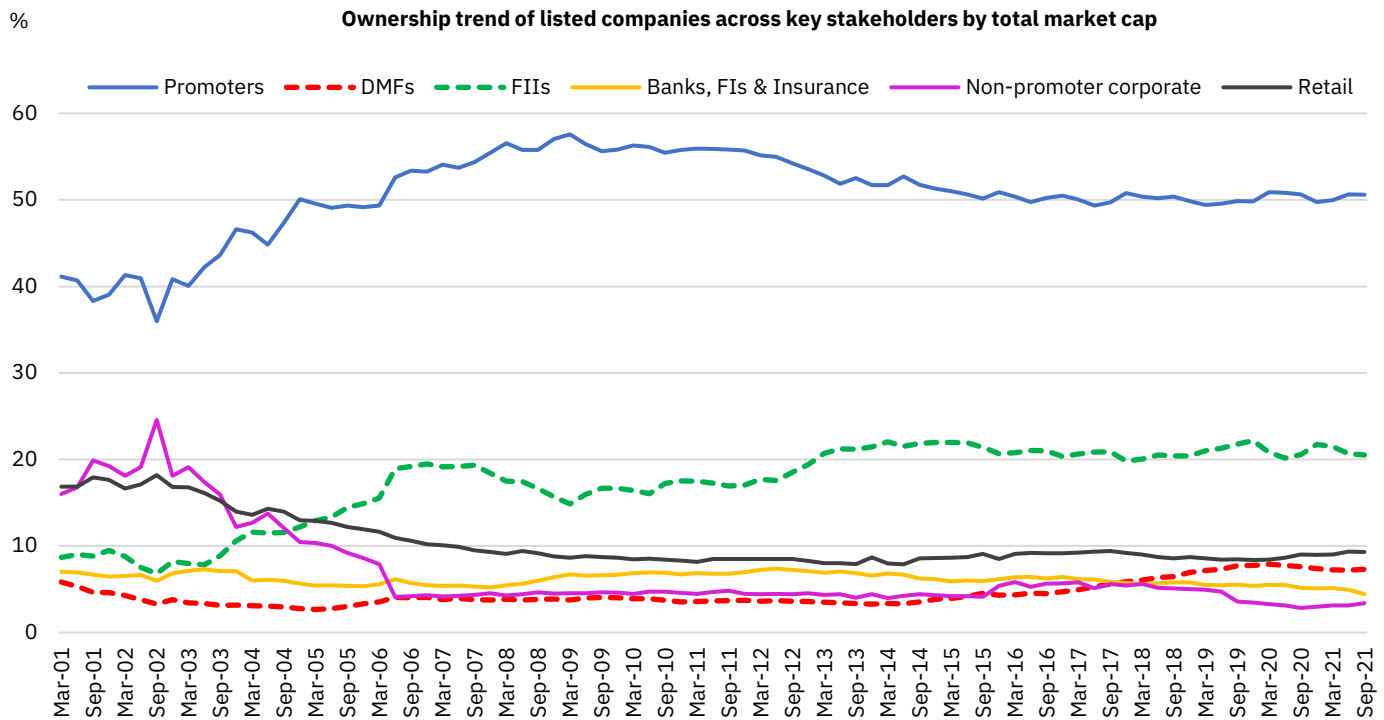
**FII ownership has remained in the 19-22% range over last eight years:** FII ownership in the NSE-listed space saw a gradual increase between 2002 and 2015, except for a brief period around the 2007-08 financial crisis, but dropped marginally over the subsequent three years followed by a sharp pickup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

**Direct retail holding has remained fairly steady for more than a decade now:** Not surprisingly, while retail investments through the SIP route has been rising over last few years, barring a steady drop in FY21, direct retail participation in equity markets fell during this period—a sign of maturing markets and indirect ownership. Retail ownership of the NSE listed universe declined steadily between 2001 and 2012, but has since been steadily rising, albeit at a very modest pace, barring a drop seen in 2018 and 2019.

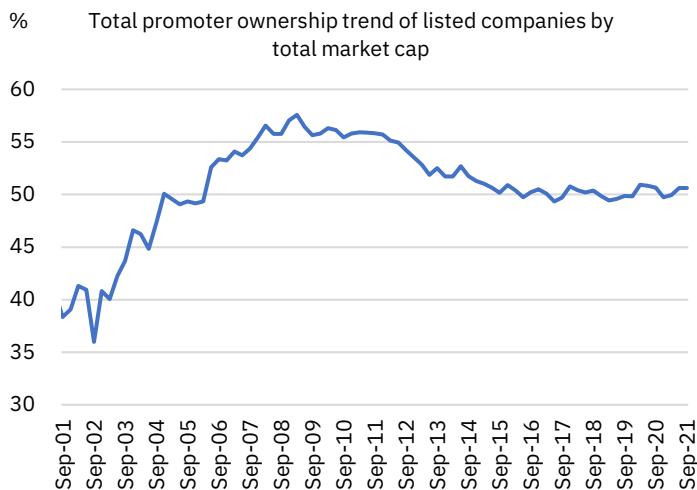
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*Direct retail ownership fell steadily between 2001 and 2012 and has since remained in the range of 8-9%.*

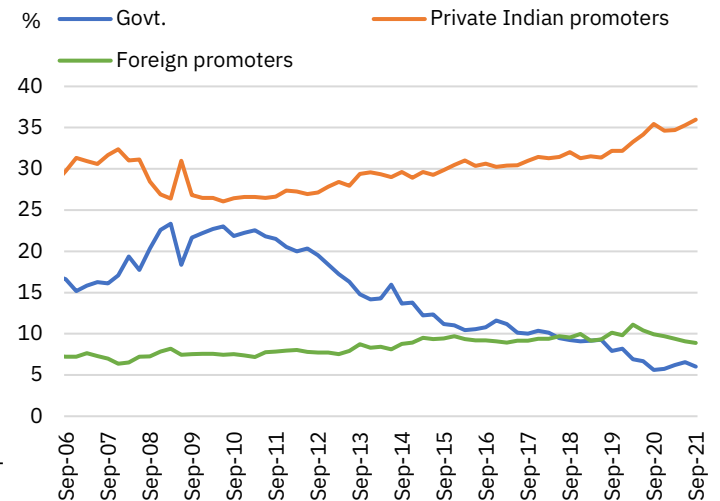
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**Figure 3: NSE-listed universe: Long-term ownership trend across key stakeholders by total market cap**


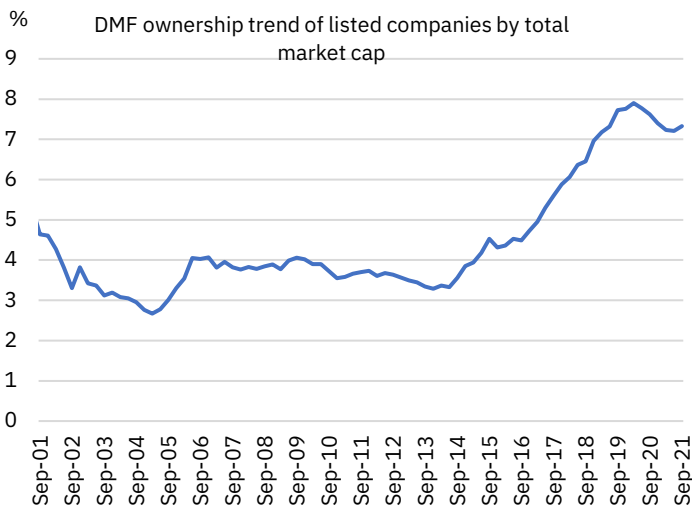
Source: CMIE Prowess, NSE \*FII ownership includes ownership through depository receipts held by custodians.

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


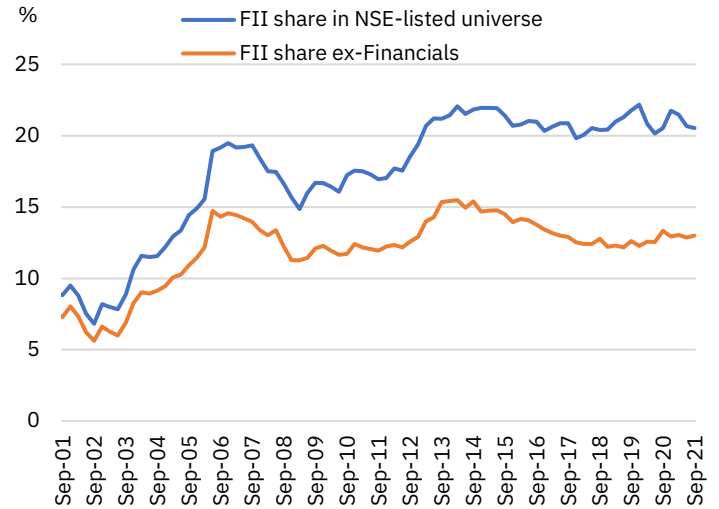
Source: CMIE Prowess, NSE

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


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

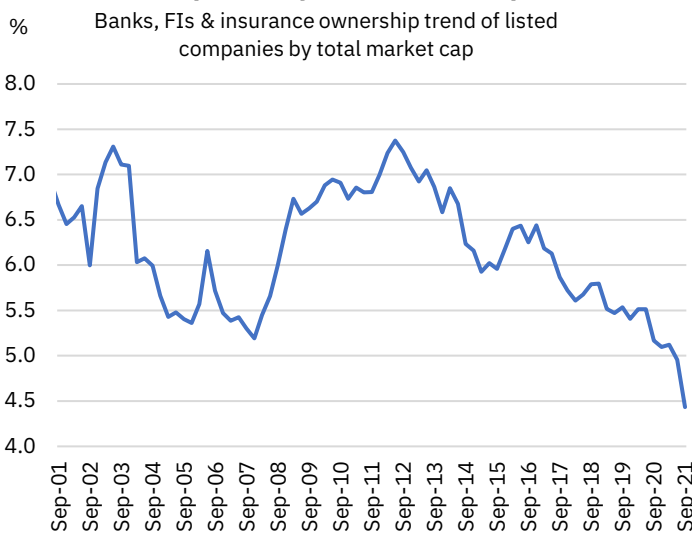


**Figure 7: FII ownership\* trend of NSE-listed companies by total market cap**

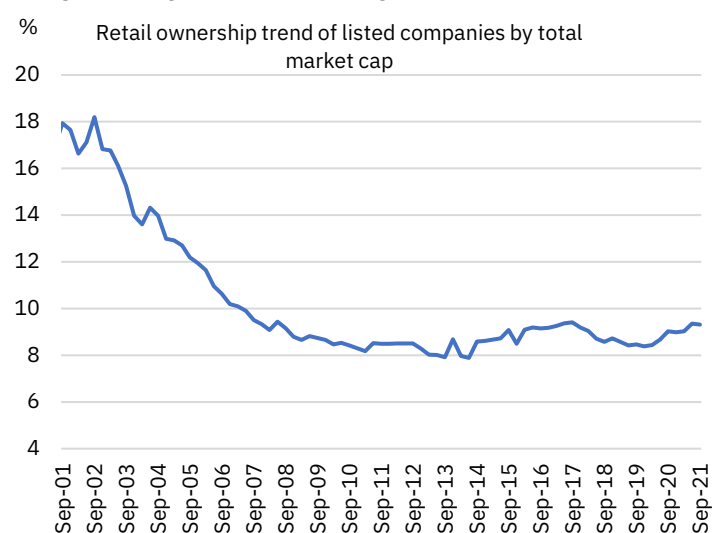


Source: CMIE Prowess, NSE \*FII ownership includes ownership through depository receipts held by custodians

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

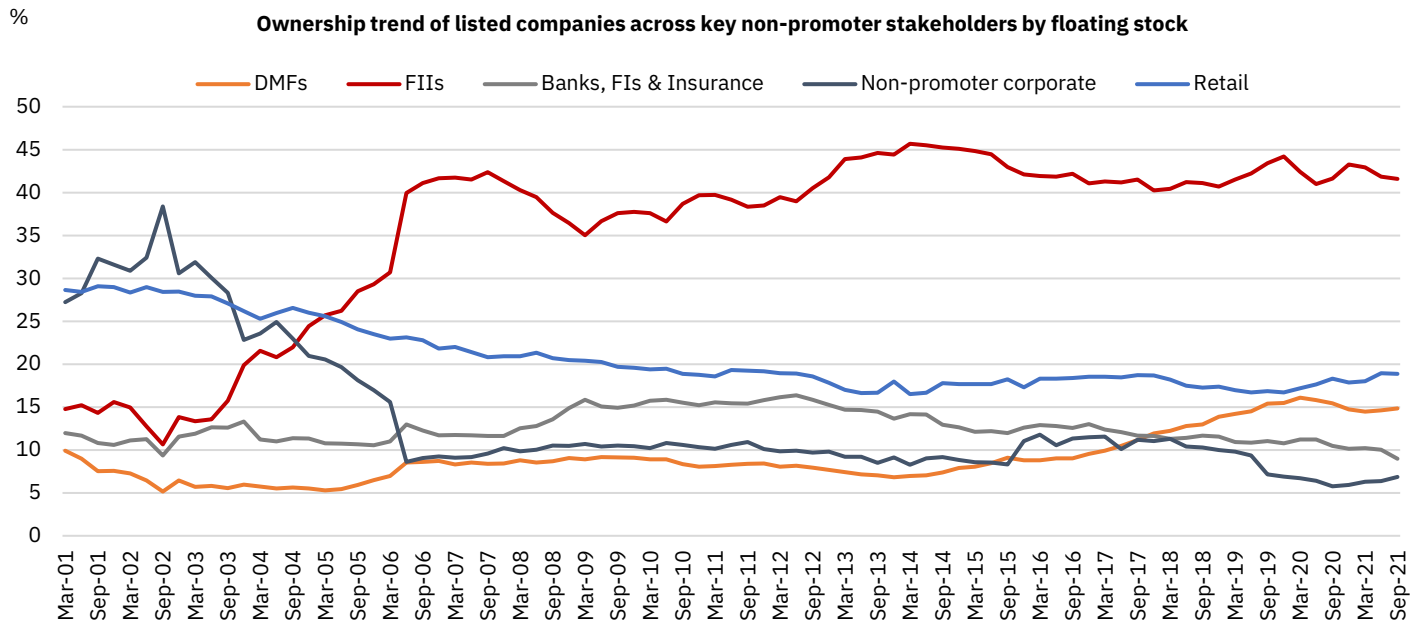


**Figure 9: Retail ownership trend of NSE-listed companies by total market cap**

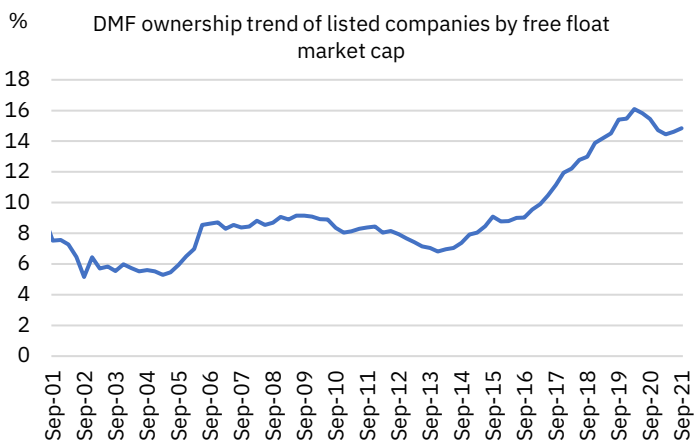


Source: CMIE Prowess, NSE

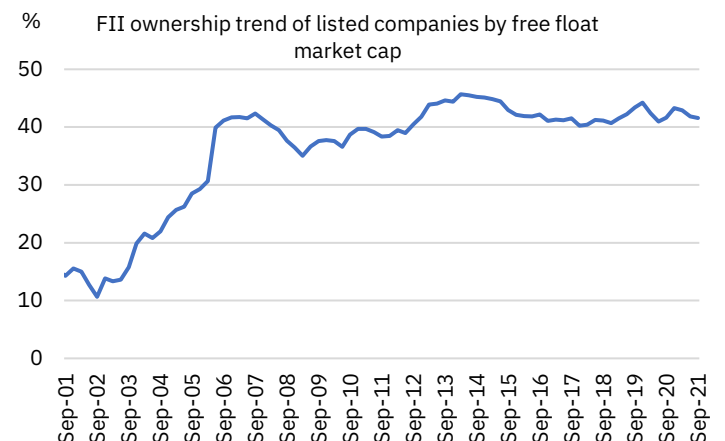
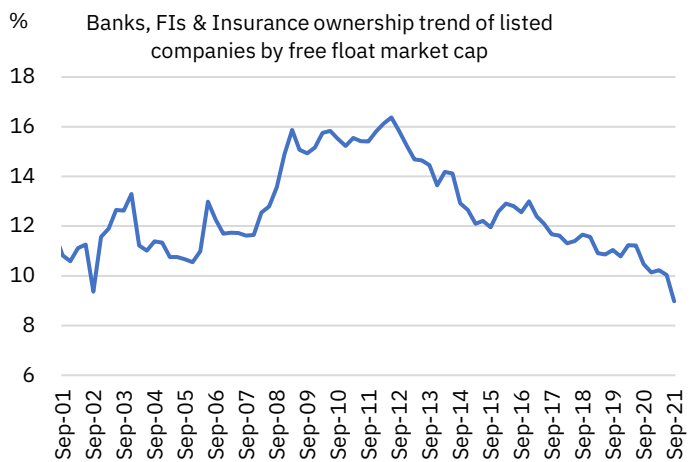


**Figure 10: NSE-listed universe: Long-term ownership trend across key stakeholders by free float market cap**


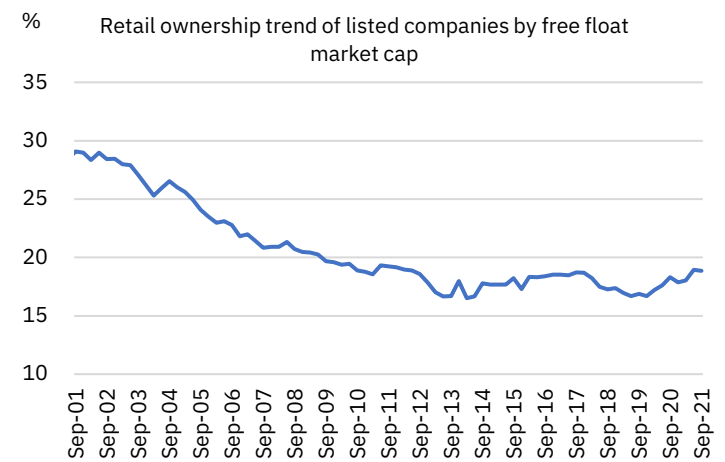
Source: CMIE Prowess, NSE \*FII ownership includes ownership through depository receipts held by custodians

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


Source: CMIE Prowess, NSE

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

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


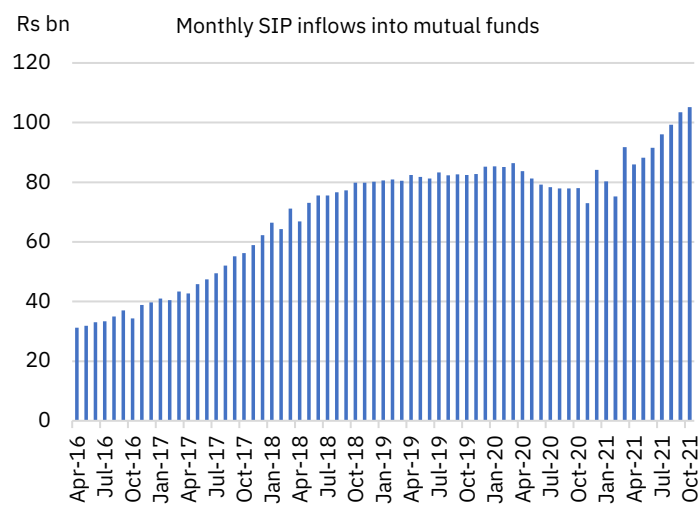
Source: CMIE Prowess, NSE

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


**SIP inflows picked up sharply over the last few months:** SIPs have been a preferred route for retail investors to invest in equity markets barring last year. After a drop in 2020, that saw retail investors shift away from being indirect investors to direct participants in the equity market, inflows into mutual funds through the SIP route have found traction again, barring some moderation in April and May this year due to the virulent second wave. The first seven months of this fiscal have seen average monthly SIP inflows at Rs96bn vs. Rs80bn in FY21. In fact, average monthly run-rate is now hovering at north of Rs100bn. Renewed surge in SIP inflows have helped mutual funds gradually increase their ownership in Indian equities following a drop seen in 2020.

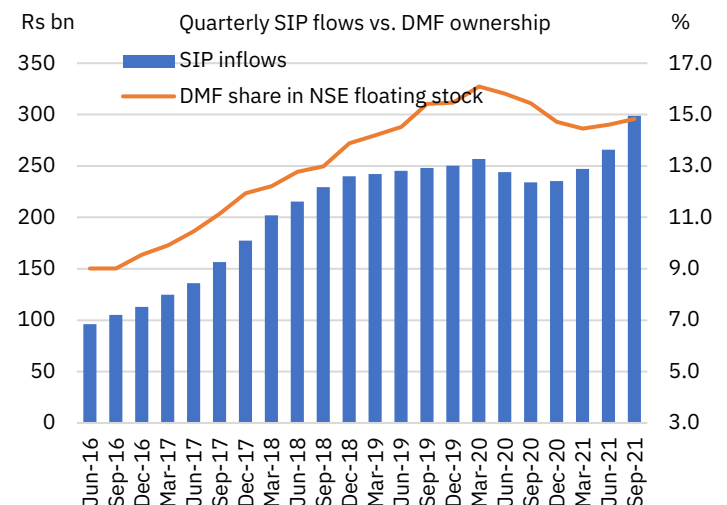
*Average monthly SIP inflows in the first half of FY22 rose by 19.1% from the average run-rate in FY21.*

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



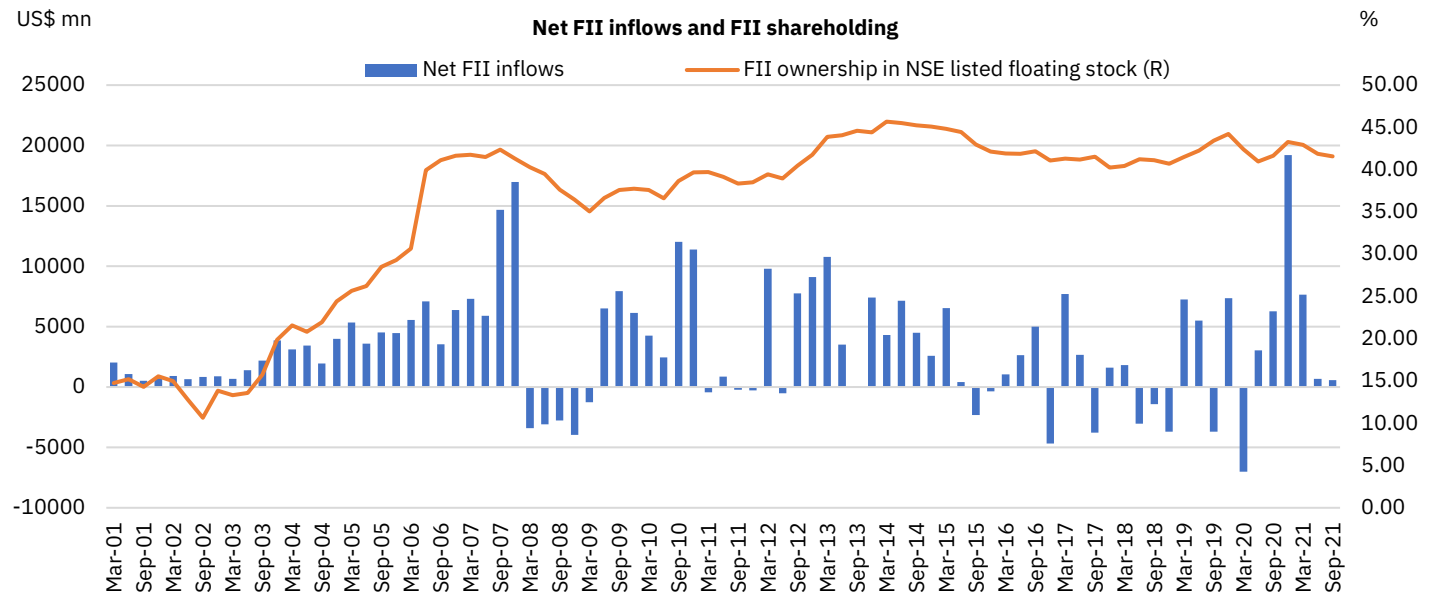
Source: AMFI, NSE

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

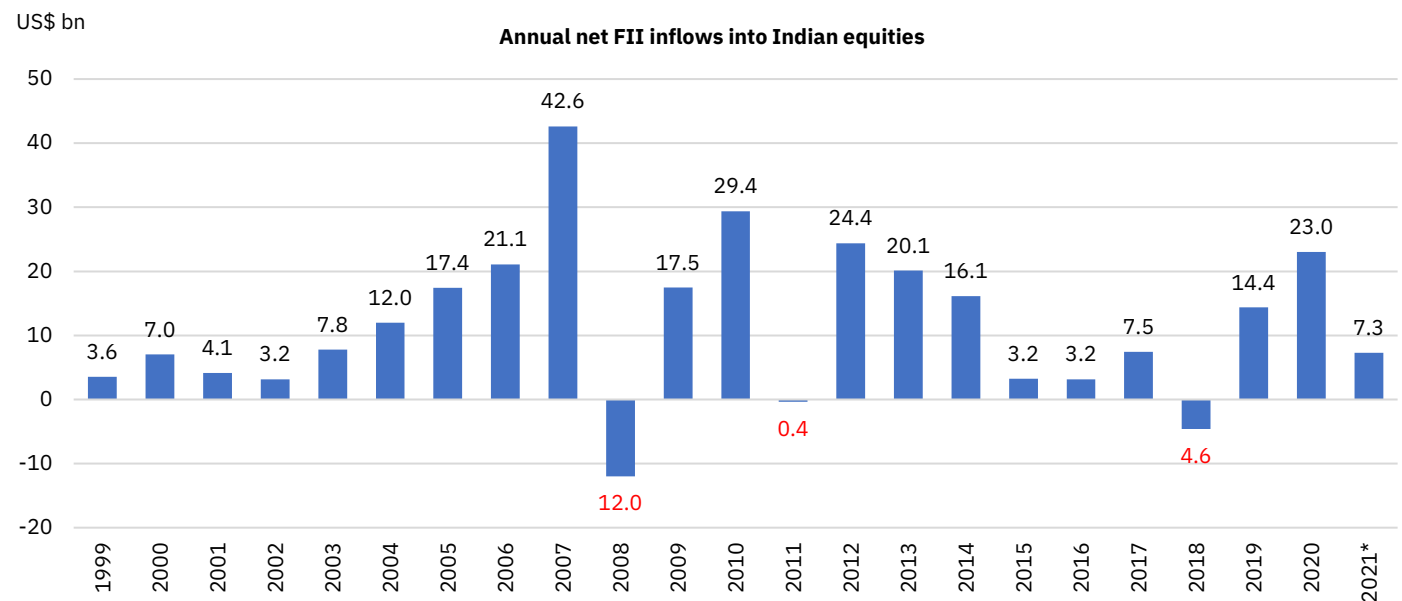


**FII buying tapered in the current fiscal year:** After remaining muted buyers of Indian equities for the previous three fiscal years, FIIs emerged as strong buyers in FY21, supported by global risk-on environment amidst an influx of global liquidity, part of which found its way into emerging markets including India. Indian equities witnessed record-high net inflows of US\$36.2bn in FY21, more than 50% of which came in the third quarter of the fiscal (Oct-Dec'21), supported by positive cues around COVID-19 vaccination, abating political uncertainty in the US and enhanced policy support. FII buying, however, has tapered this year, thanks to emergence of second/third waves across several countries including India and consequent reimposition of restrictions as well as negative global cues including rising inflationary pressures and negative developments in China. As such, net FII inflows into Indian equity markets moderated to US\$1.2bn in the first half of FY22, thereby weighing on FII ownership during the last two quarters.

*FII buying has moderated significantly over the last couple of quarters amid sustained COVID-led uncertainty, persistent supply-side bottlenecks, rising inflationary pressures and adverse developments in China.*

**Figure 17: 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 18: Annual net FII inflows trend**


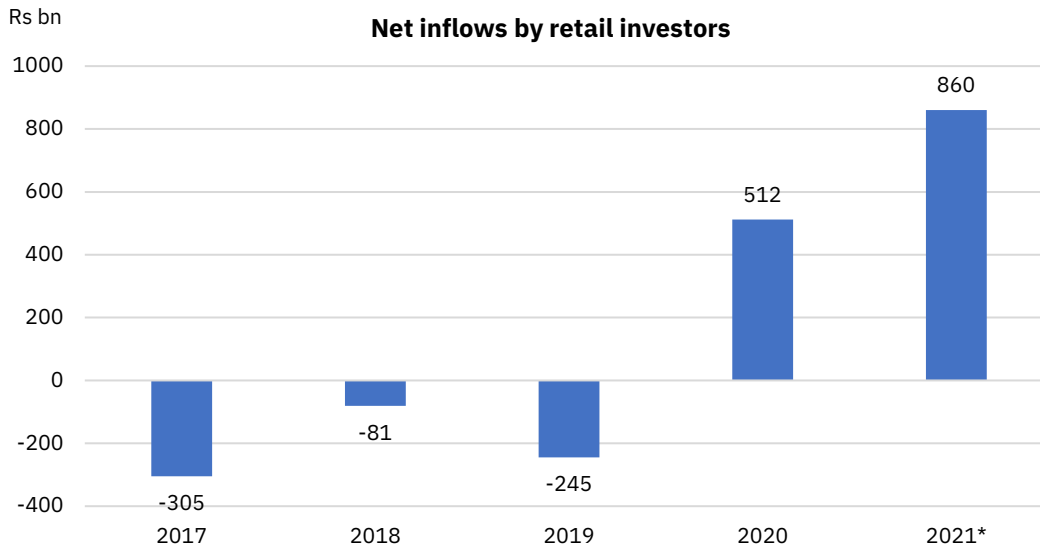
Source: Refinitiv Datastream, \* Data for 2021 is until November 27<sup>th</sup>, 2021.

**Direct retail participation remained broadly steady in the September quarter:** Retail participation has picked up meaningfully over the last couple of years. A sharp market crash in March 2020 after the onset of COVID-19 pandemic lured retail investors into trading in equity markets, with a strong market rebound thereafter further strengthening their sentiments. Retail investors turned net buyers of the market in 2020, after a three-year hiatus between 2017-19. During 2020 and the first nine months of 2021, they have invested a total of Rs1.37trn in the NSE's capital market segment (secondary market only) of which Rs860bn has been invested in 2021 alone.

Inflows in last two years could be attributed to increased interest by retail investors who stayed or worked from home during the COVID-19 pandemic and shift in investments towards high-yielding investment avenues from a gradual fall in real interest rates in an

easing monetary policy environment with high inflation. The last two years have also seen a significant growth in new investor registrations, which has augmented net investments in the equity markets. The last fiscal year saw an addition of 14.3m new investors by NDSL and CDSL combined, followed by 15.1m in the first half of FY22 alone. Additionally, the share of individual investors in the cash market turnover shot up to 45% in FY21 vs. 39% in FY20, falling only marginally to 43.2 in the first half of FY22.

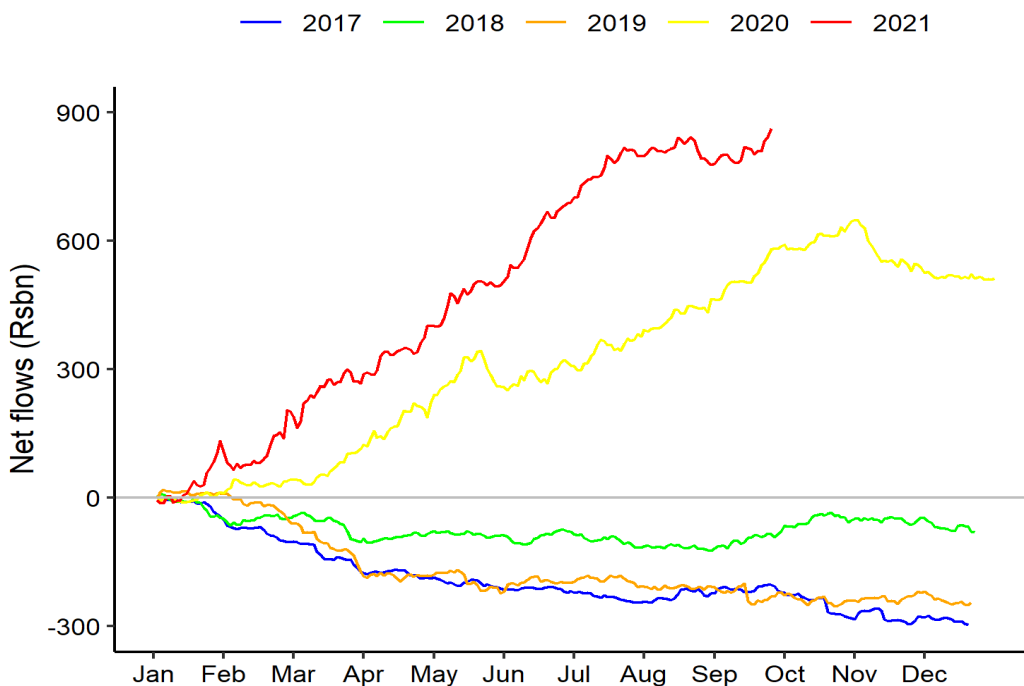
**Figure 19: Net inflows by retail investors in the NSE's CM segment (2017-)**



Source: NSE.

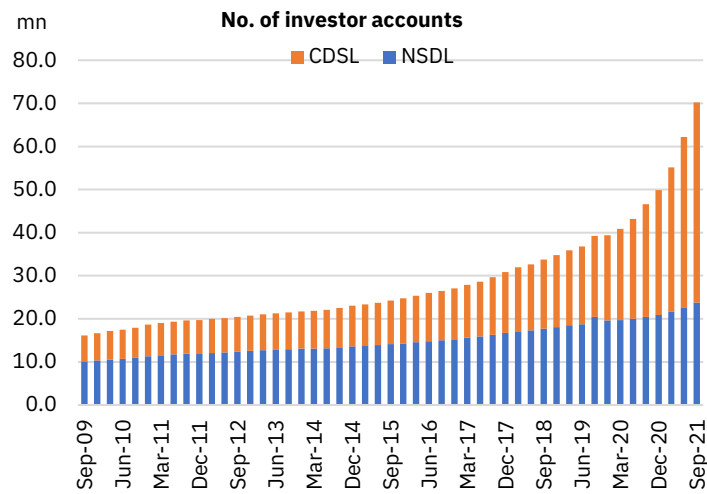
- Note: 1. Note: Retail investors: individual domestic investors, NRIs, sole proprietorship firms and HUFs.  
 2. Net flows include investments in securities in EQ, BE, SM, and ST series including ETFs only.  
 3. Net flows are calculated as buy traded value – sell traded value.

**Figure 20: Annual net inflows by retail investors through NSE's CM segment, 2017-21**

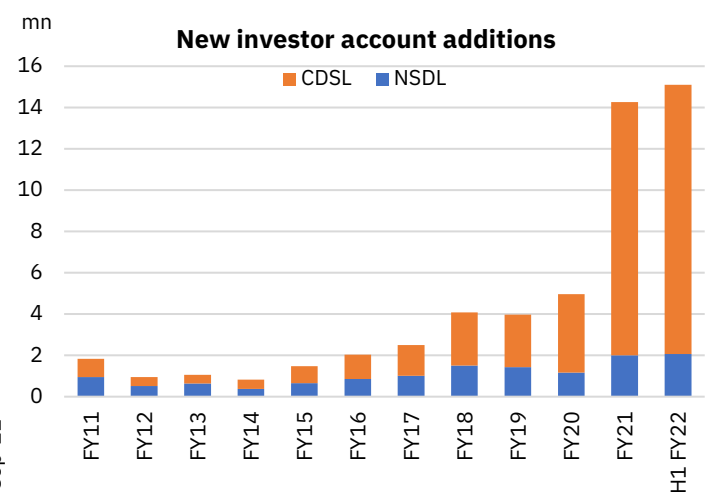
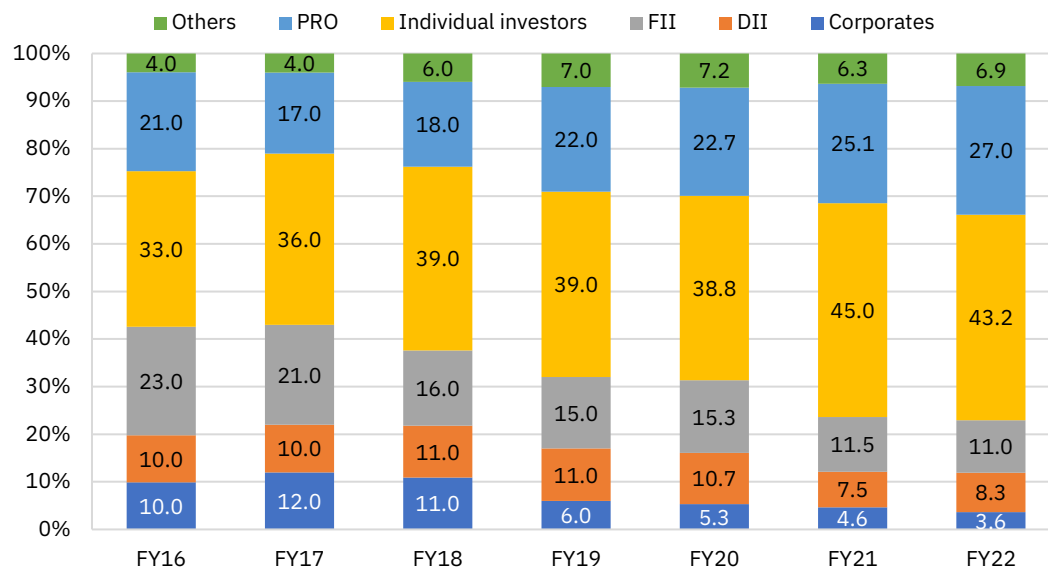


Source: NSE.

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

**Figure 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.

**Sector-wise ownership of the NSE-listed universe (September 2021):** The sector-wise ownership pattern of the NSE-listed universe across key stakeholders in the quarter gone by (Jul-Sep'21) shows that the Real Estate sector continues to lead in terms of promoter ownership at 66.9% (+54bps QoQ), followed by Utilities at 61.2% (+177bps QoQ), Materials at 56.2% (-7bps QoQ), Consumer Staples at 55.1% (-11bps QoQ) and Information Technology at 55.1% (+77bps QoQ). Except for Consumer Staples, Industrials and Utilities, all other sectors have seen a drop in promoter ownership since December 2019. Sector-wise, Utilities had the highest Government ownership at 17.6%, even as the share has come off sharply over the last few years (-30.2 pp over the last six years) to hit fresh all-time lows. Other sectors that have high Government ownership include Energy, Financials and Industrials at 13.4% (steady QoQ), 10.0% (-140bps QoQ), and 9.0% (+31bps QoQ) respectively.

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

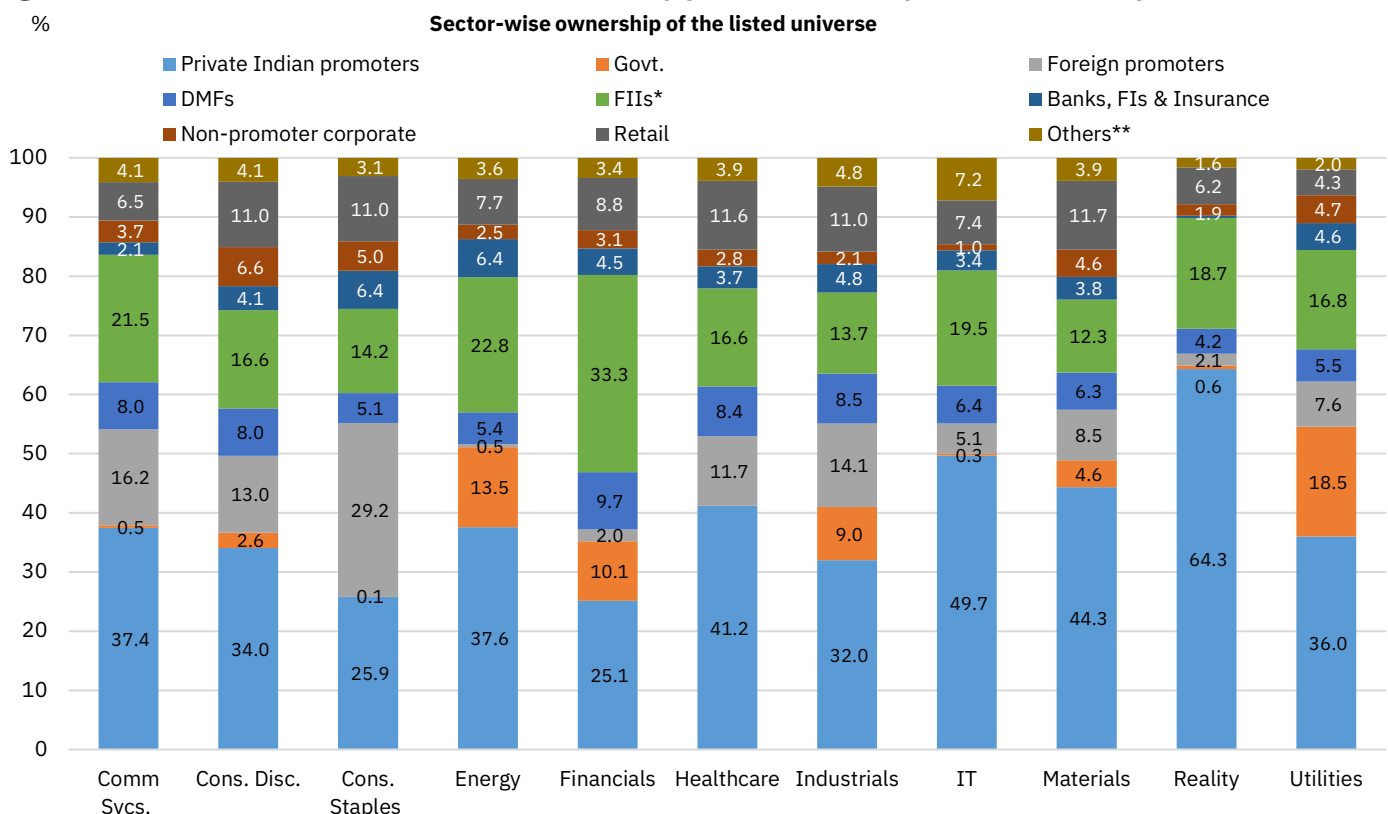
*Financials remained the sector with the highest DMF ownership in the March quarter.*

Sector-wise, Financials had the highest DMF ownership of 9.7% (+45bps QoQ) in the September quarter, followed by Industrials at 8.5% (+27bps QoQ), Healthcare at 8.4% (+10bps QoQ), Consumer Discretionary at 8% (+8bps QoQ) and Communication Services at 8.0% (-64bps QoQ). Except for Communication Services, Energy and to some extent Utilities, where DMF share has fallen in the quarter gone by, all other sectors have seen a steady or an increase in DMF share, led by Financials and Consumer Staples.

In terms of FII share, Financials sector lead with a 33.3% FII share, even as there has been a meaningful drop this year (-20bps in the September quarter and 2.7pp in 2021 thus far). This is followed by Energy and Communication Services, where FII share has gone up in the quarter gone by to 22.8% (+34bps QoQ) and 21.5% (+129bps) respectively). Besides Financials, other sectors that have seen a drop in FII share include Consumer Discretionary (-70bps QoQ to 16.6%), Utilities (-49bps QoQ to 16.8%), Information Technology (-35bps QoQ to 19.5%) and Healthcare (-14bps QoQ to 16.6%). Sectors that have seen an increase in FII share apart from Energy and Communication Services include Real Estate (+38bps QoQ to 18.7%) and Industrials (+18bps QoQ to 13.7%) while FII share in Consumer Staples and Materials remained broadly steady on a sequential basis.

*Among sectors, Consumer Discretionary saw the highest drop in FII share to 16.6%, followed by Utilities and Information Technology.*

**Figure 24: NSE-listed universe: Sector-wise ownership pattern across key stakeholders (September 2021)**



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 2021):

The table below shows sector allocation for key shareholder categories in all NSE-listed companies as of September 2021. Government ownership remains concentrated to Financials, Energy, Utilities, Industrials and Materials, together accounting for 95% of the Government's allocation in the listed space. Consumer sector—Discretionary and Staples—account for 42.9% of the exposure of foreign promoters to the NSE-listed space.

Except for an outsized exposure to Financials, DMF portfolio remains more diversified as compared to FIIs. While DMFs have 30.0% of their holdings in Financials, followed by Information Technology at 12.1% and Materials at 10.9%, FIIs have a much higher allocation to Financials at 36.7% within the NSE-listed space. That said the differential in portfolio allocation of FIIs and DMFs to Financials has fallen sharply over the last few quarters and was at a 15-quarter low of 6.7pp in the quarter ending September 2021. This is owing to a sharp drop in the exposure of FIIs to Financials this year, even as DMFs' allocation to the sector remained broadly steady.

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*DMFs have 30.0% of their market holding (NSE-listed) in Financials, followed by IT (12.1%) and Materials (10.9%).*

*FIIs have a much higher exposure to Financials at 36.7% even as it has come off meaningfully this year.*

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

%	Pvt. Indian promoters	Govt	Foreign promoters	Domestic MFs	FIIs*	Banks, FIs, Insurance	Non-promoter corporate	Retail
Communication Services	3.2	0.2	5.6	3.4	3.2	1.5	3.4	2.2
Consumer Discretionary	8.2	3.7	12.7	9.5	7.0	8.0	16.9	10.2
Consumer Staples	6.6	0.1	30.2	6.4	6.4	13.4	13.5	10.9
Energy	9.5	20.5	0.5	6.7	10.1	13.2	6.6	7.6
Financials	15.8	37.9	5.0	30.0	36.7	23.0	20.6	21.5
Health Care	7.1	0.0	8.1	7.1	5.0	5.2	5.2	7.7
Industrials	7.4	12.4	13.2	9.6	5.6	9.0	5.1	9.8
Information Technology	19.3	0.8	8.0	12.1	13.2	10.8	4.1	11.1
Materials	15.6	9.6	12.2	10.9	7.6	11.0	17.2	15.9
Real Estate	2.5	0.1	0.3	0.8	1.3	0.1	0.8	0.9
Utilities	4.7	14.6	4.1	3.5	3.9	4.9	6.6	2.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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

## DMFs increased allocation to Consumer Staples and Industrials at the expense of Healthcare, and Materials:

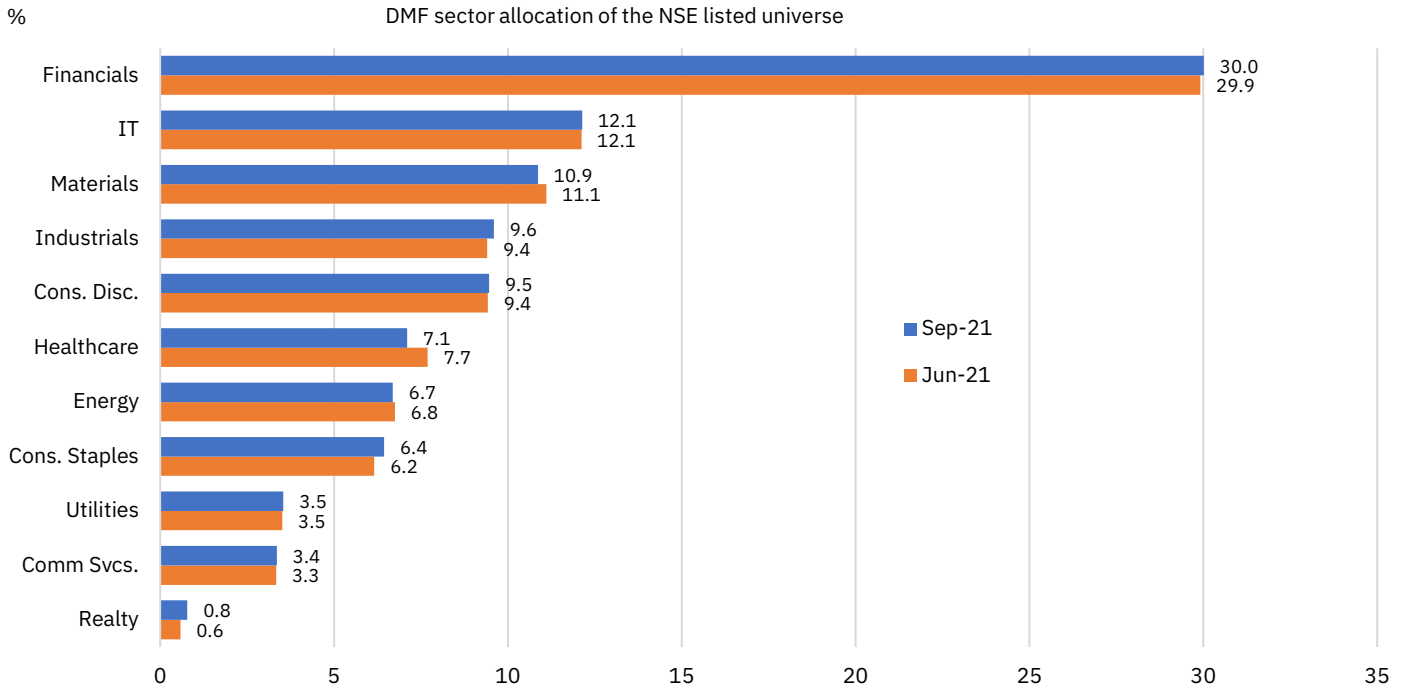
DMFs raised their exposure to Consumer Staples and Industrials by a modest 28bps and 20bps QoQ to 6.4% and 9.6% respectively in the quarter ending September 2021. DMFs' exposure to Industrials is the highest in last seven quarters, reflecting their incrementally positive outlook on sustained industrial recovery in India. DMFs also saw a modest increase in their exposure to Real Estate by 20bps QoQ to a 11-year high of 0.8% as of September-end, partly attributed to strong returns generated by the sector over the last few quarters. Increase in DMFs allocation to these sectors came largely at the expense of Healthcare, and Materials, where DMF exposure fell by 59bps and 24bps QoQ to 7.1% and 10.9% respectively. Following a sharp drop last year, DMFs' portfolio allocation to Financials has remained broadly steady this year and stood at 30% in the September quarter. Other sectors where DMFs maintained their exposure include Communication Services, Information Technology and Utilities.

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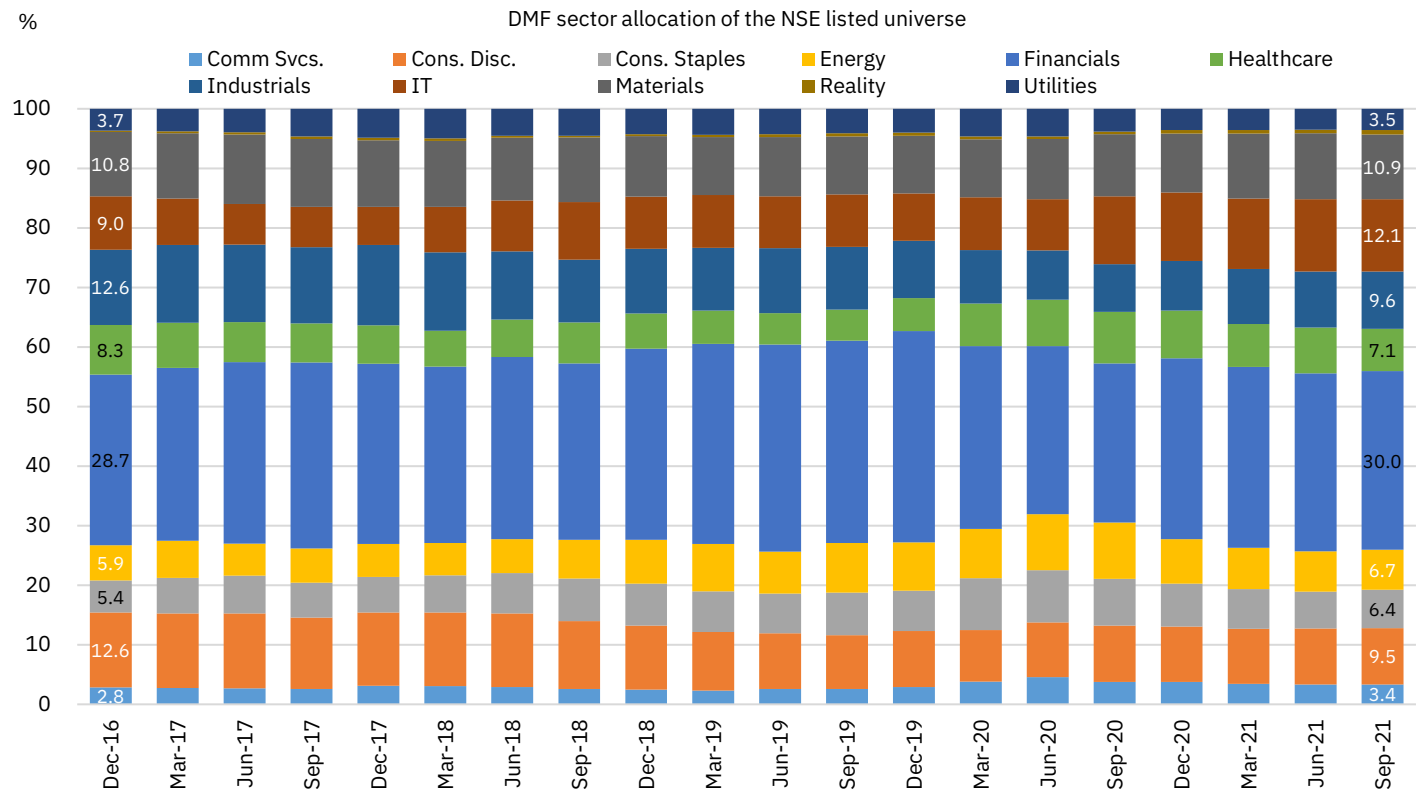
*DMFs increased their allocation to Industrials and Materials in the March quarter at the expense of Healthcare, Energy and Consumer Staples.*

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

**Figure 25: DMF sector allocation of the NSE-listed universe (September 2021 vs. June 2021)**


Source: CMIE Prowess, NSE

**Figure 26: DMF sector allocation of the NSE-listed universe over last five years**


Source: CMIE Prowess, NSE



**FII's significantly reduced exposure to Financials:** Unlike DMFs, FII reduced their allocation to Financials within the NSE listed space for the third consecutive quarter by 105bps QoQ to 36.7% in the quarter ending September 2021, partly reversing the sharp jump seen in the December quarter of last year. FIIs exposure to Financials is now 7.9pp lower than the peak level of 44.6% observed in December 2019. Other sectors that saw a drop in FII exposure in the September quarter include Healthcare, Consumer Discretionary and Materials, partly explained by their relative underperformance during this period. Unlike DMFs who maintained their exposure to Communication Services and Energy, FIIs increased their allocation to these sectors, while their allocation to Real Estate inched up in line with the sector performance in the quarter gone by.

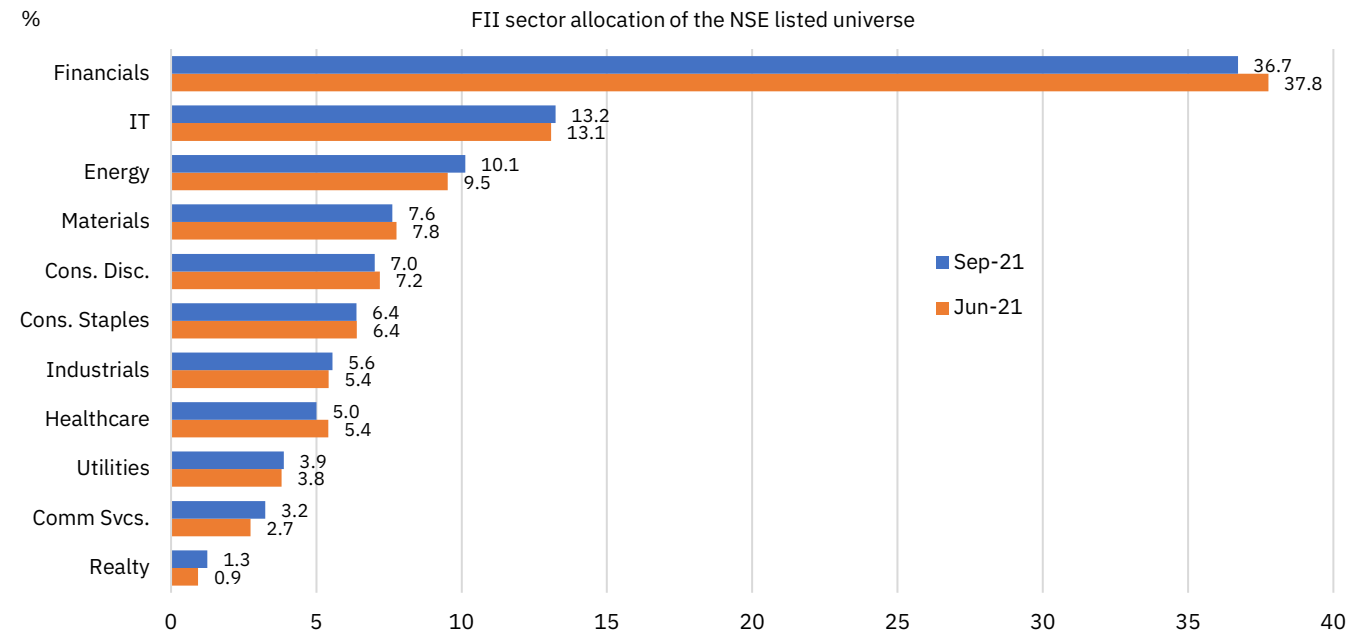
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*FIIs reduced their allocation to Financials for the third consecutive quarter.*

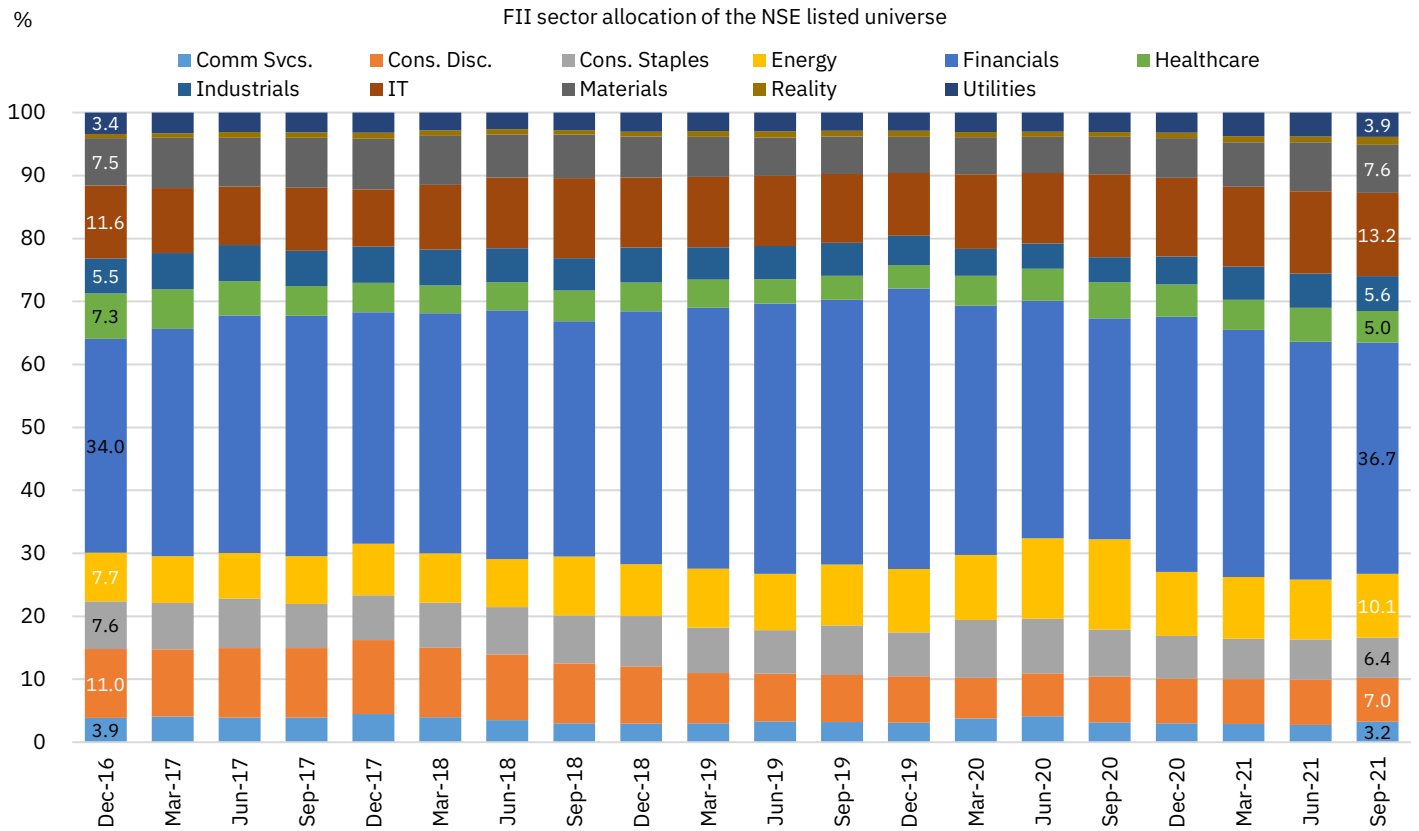
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Even as FIIs' exposure to Energy and Financials has come off meaningfully over the last few quarters, they still remain dominant sectors for FIIs to play the India story. These two sectors account for ~47% of the FII money invested in the NSE listed space, much higher than their combined weight of 32%.

**Figure 27: FII sector allocation of the NSE-listed universe (September 2021 vs. June 2021)**



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

**Figure 28: 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 2021)

**Promoter stake in the Nifty 50 universe inched up in the September quarter:** Overall private promoter ownership in the Nifty 50 Index inched up by 45bps QoQ in the quarter ending September 2021 to 38.6%. This was primarily on account of an increase in the private Indian promoter stake for the third quarter in a row by 63bps QoQ to near 16-year high of 32.2%, partly offset by sustained drop in foreign promoter ownership. Foreign promoter ownership in the Nifty 50 universe dropped for the sixth consecutive quarter from a 17-year high of 9.7% in March 2020 to a nine-quarter low of 6.4% in September 2021. Unlike the overall NSE listed space where Government share saw a dip, that in the Nifty 50 Index remained broadly steady at a five-quarter high of 5.1%. This is primarily owing to relative outperformance of some of the Government-owned companies during the quarter such as Coal India, ONGC and NTPC.

**Institutional ownership dipped for the third quarter in a row:** FII ownership in the Nifty 50 universe fell by 36bps QoQ to 26.5% on top of a 49bps drop in the previous quarter, marking the third consecutive quarter to record a sequential dip. FII share is now nearly 2pp shy of the all-time high share of 28.5% observed prior to the pandemic in December 2019. This is partly attributed to significant moderation in foreign portfolio flows into emerging markets including India, thanks to renewed risk-off environment during the quarter in the wake of strengthening inflationary concerns and expectations of policy normalisation by the US Federal Reserve as well as negative cues from China. DMF ownership on the other hand inched up for the second quarter in a row by 13bps QoQ to 8.1%, broadly in line with the trend seen in the broader listed universe. The share of Banks, Financial Institutions and Insurance declined sharply by 64bps QoQ to touch fresh two-decadal low of 5.9% in the quarter ending September 2021.

**Retail ownership in the Nifty 50 index fell marginally in the September quarter:** Individual retail investors' holding in the Nifty 50 Index fell by a modest 9bps QoQ to 8.1% in the September quarter, and has remained around these levels over last five quarters but is up ~50bps from the pre-pandemic levels. Around 28 out of the 50 Nifty 50 companies have seen a drop in retail share in the quarter gone by.

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*Promoter stake in the Nifty 50 Index inched up in the September quarter, as an increase in private Indian promoter ownership more than made up for the drop in foreign promoter ownership during the quarter.*

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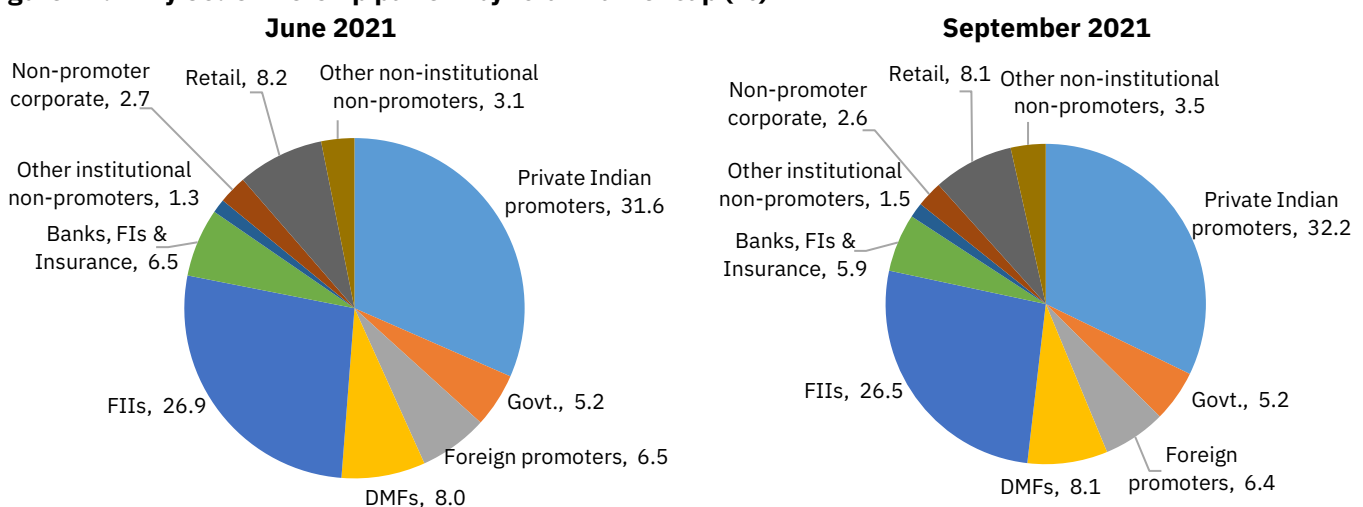


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*FII share in Nifty 50 companies fell for the third quarter in a row by 36bps QoQ to 26.5% in the September quarter, while that of DMFs rose by a modest 13bps QoQ to 8.1%.*

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



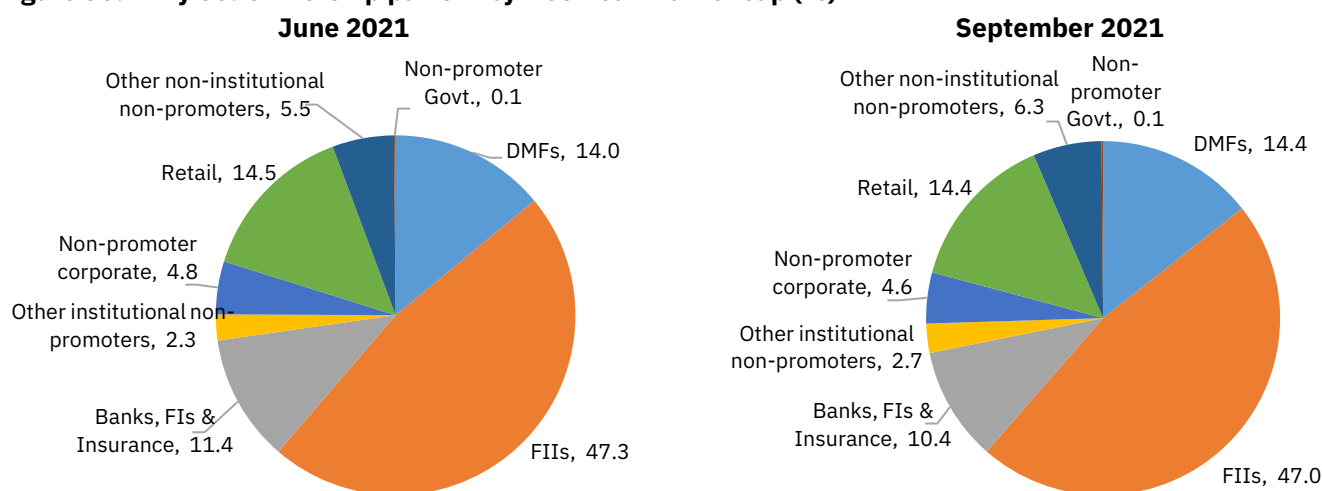
Source: CMIE Prowess, NSE. \*FII ownership includes ownership through depository receipts held by custodians.

**Table 4: Nifty 50: Ownership trend across key stakeholders by total market cap over the last three years**

%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	Banks, FIs & Insurance	FII's *	Non-promoter corporate	Retail
Dec-18	26.0	9.1	6.6	7.4	7.9	27.0	5.2	7.5
Mar-19	26.3	8.8	6.3	7.7	7.6	27.5	4.9	7.6
Jun-19	26.6	9.0	6.4	7.7	7.4	27.6	4.6	7.5
Sep-19	26.8	7.7	7.8	8.3	7.4	27.8	3.5	7.7
Dec-19	27.0	7.5	7.6	8.4	7.2	28.5	3.3	7.6
Mar-20	28.1	6.4	9.7	8.4	7.1	26.3	3.1	7.8
Jun-20	29.5	5.6	8.8	8.4	7.2	25.7	2.9	7.8
Sep-20	32.2	4.6	7.7	8.1	6.7	25.8	2.4	8.0
Dec-20	30.9	4.9	7.3	8.0	6.5	27.5	2.6	8.0
Mar-21	31.2	5.0	6.9	7.9	6.6	27.4	2.7	8.1
Jun-21	31.6	5.2	6.5	8.0	6.5	26.9	2.7	8.2
Sep-21	32.2	5.2	6.4	8.1	5.9	26.5	2.6	8.1
<b>QoQ change</b>	<b>63bps</b>	<b>3bps</b>	<b>-18bps</b>	<b>13bps</b>	<b>-64bps</b>	<b>-36bps</b>	<b>-9bps</b>	<b>-9bps</b>

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

In terms of floating stock, FII share in the Nifty 50 Index fell by 23bps QoQ to 47.0% in the quarter ending September 2021 on top of an 88bps drop over the previous two quarters. This is in line with the moderation in foreign capital inflows into India over the last couple of quarters after a surge seen last year. Share of DMFs in the floating stock of Nifty 50 universe rose to a four-quarter high of 14.4% in the September quarter, marking the second quarter in a row to see a sequential rise. Banks, Financial Institutions and Insurance companies, however, saw their share falling by a steep 103bps to fresh two-decadal low of 10.4% in the September quarter. Overall institutional ownership in the Nifty 50 floating stock declined by 56bps QoQ to 74.5% by September-end, translating into a total drop of 150bps in 2021 thus far, primarily attributed to Banks, Financial Institutions and Insurance companies and to some extent FIIs. The drop in institutional share in the quarter gone by was largely taken up by other non-institutional non promoter investors that are neither individuals nor corporates and primarily comprise of trusts, clearing members and HUFs. Individual investors' (retail) share remained broadly steady at 14.4% in the quarter gone by.

**Figure 30: Nifty 50: Ownership pattern by free float market cap (%)**


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

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

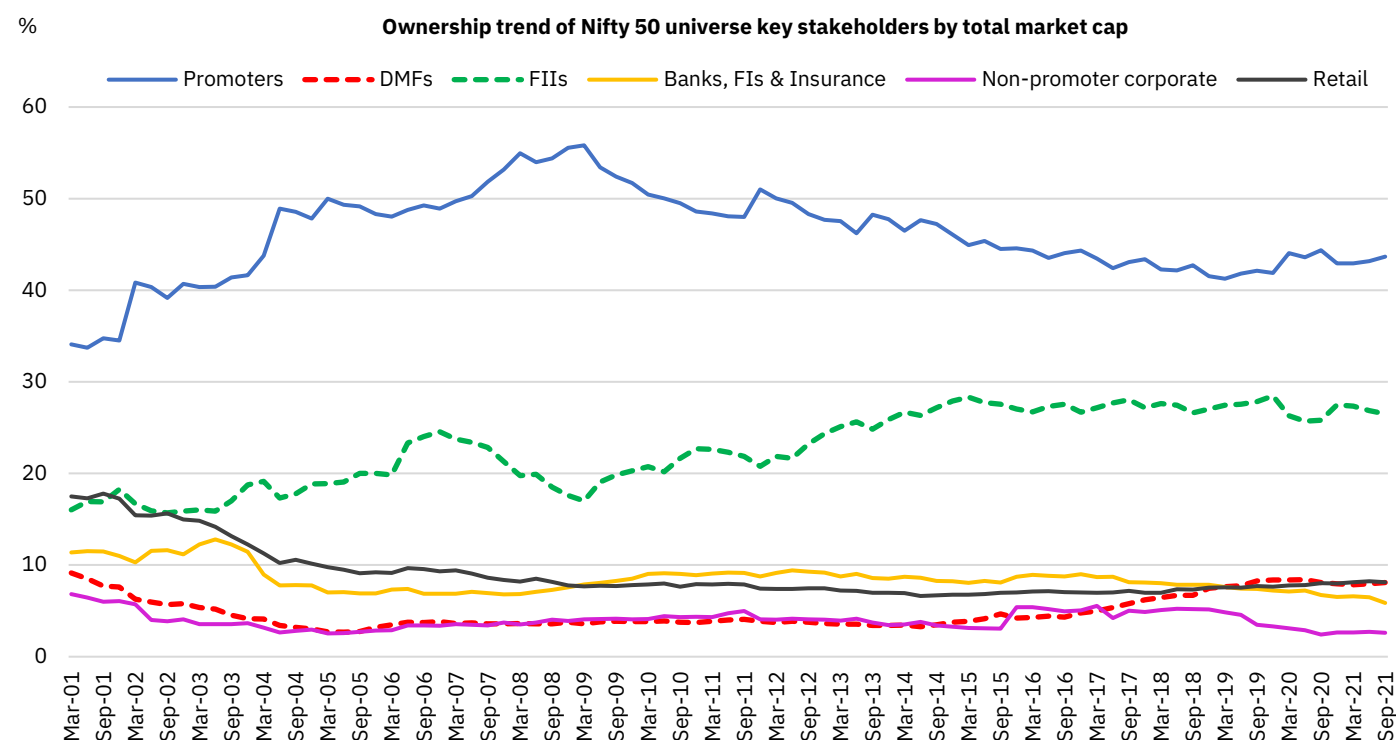
%	Domestic MFs	Banks, FIs & Insurance	FII*s*	Non-promoter corporate	Public
Dec-18	12.7	13.4	46.2	8.8	12.9
Mar-19	13.0	13.0	46.8	8.3	12.9
Jun-19	13.3	12.8	47.4	7.8	12.9
Sep-19	14.3	12.8	48.1	6.0	13.4
Dec-19	14.4	12.4	49.0	5.7	13.1
Mar-20	15.0	12.7	47.0	5.6	13.9
Jun-20	14.9	12.8	45.6	5.1	13.9
Sep-20	14.6	12.1	46.4	4.3	14.5
Dec-20	13.9	11.5	48.2	4.6	14.0
Mar-21	13.8	11.5	47.9	4.7	14.2
Jun-21	14.0	11.4	47.3	4.8	14.5
Sep-21	14.4	10.4	47.0	4.6	14.4
<i>QoQ change</i>	<i>35bps</i>	<i>-103bps</i>	<i>-23bps</i>	<i>-11bps</i>	<i>-4bps</i>

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

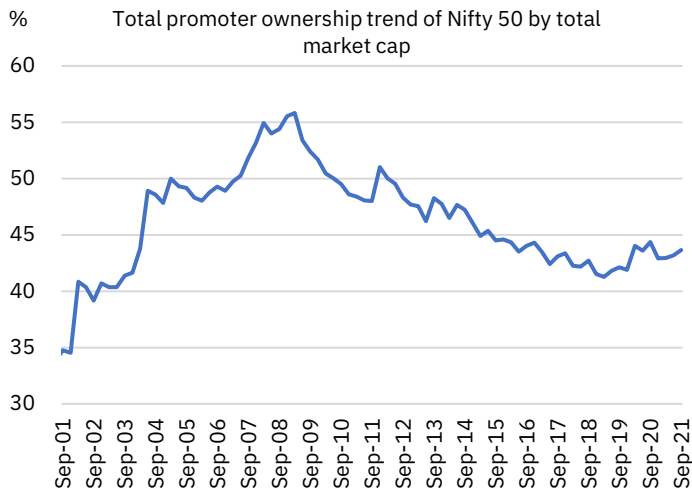
**Long-term ownership trend of the Nifty 50 universe:** The long-term ownership trend of the Nifty 50 Index echoes the trend seen in the broader listed universe. Overall promoter ownership has seen a steady decline since 2009, largely led by a sharp decline in Government ownership, even as private Indian as well as foreign promoters' holding has increased since 2010, albeit at a tad lower 9.2pp vs 11.4pp for the listed universe.

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

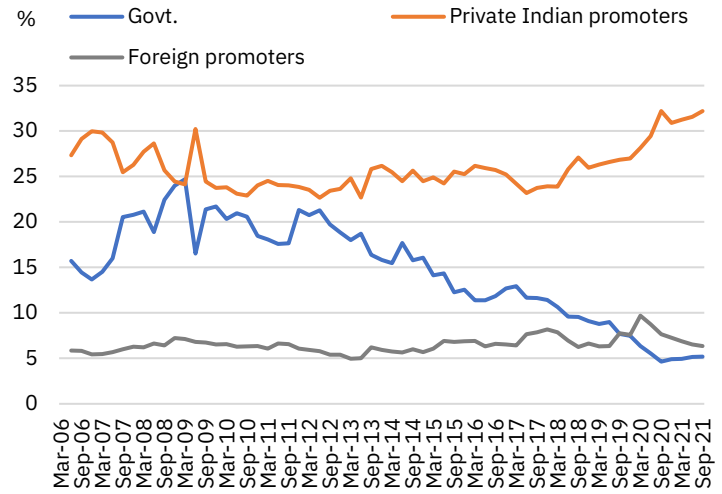
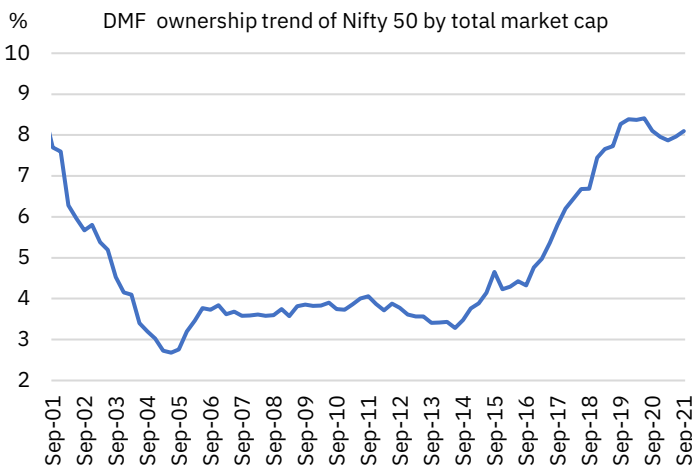
While the DMF ownership has seen a sharp increase since 2014 barring the drop last year, FII ownership saw a steady increase since the Global Financial crisis until early 2015 and has since hovered around similar levels. FII ownership excluding Financials, however, has seen a sharp drop over the last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

**Figure 31: Nifty 50: Long-term ownership trend across key stakeholders by total market cap**


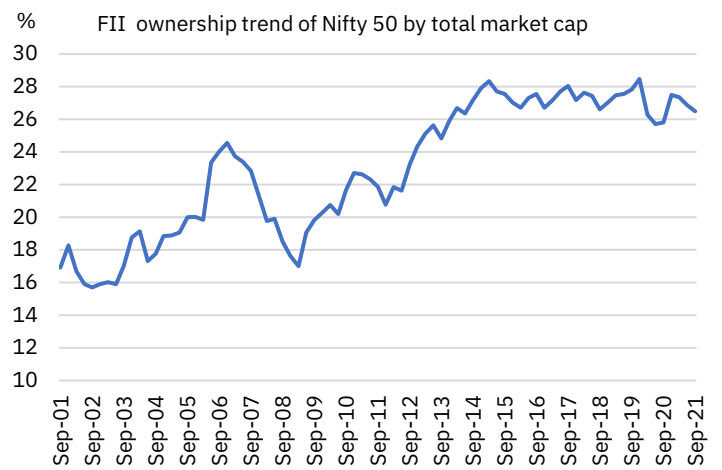
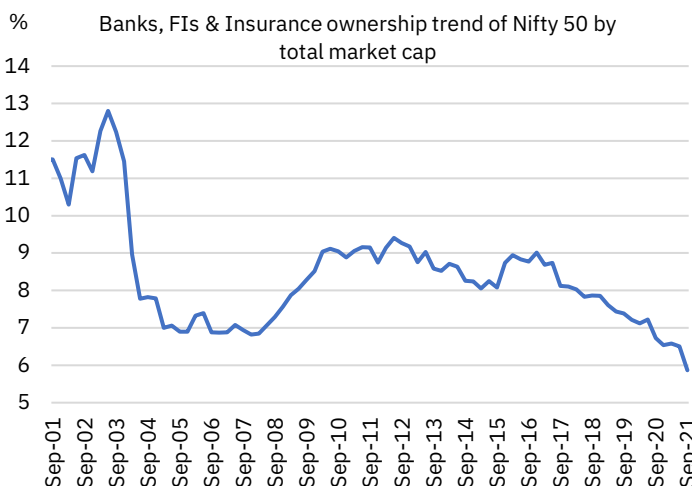
Source: CMIE Prowess, NSE \*FII ownership includes ownership through depository receipts held by custodians

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


Source: CMIE Prowess, NSE

**Figure 33: Indian and foreign promoter ownership trend of the Nifty 50 universe by total market cap**

**Figure 34: 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

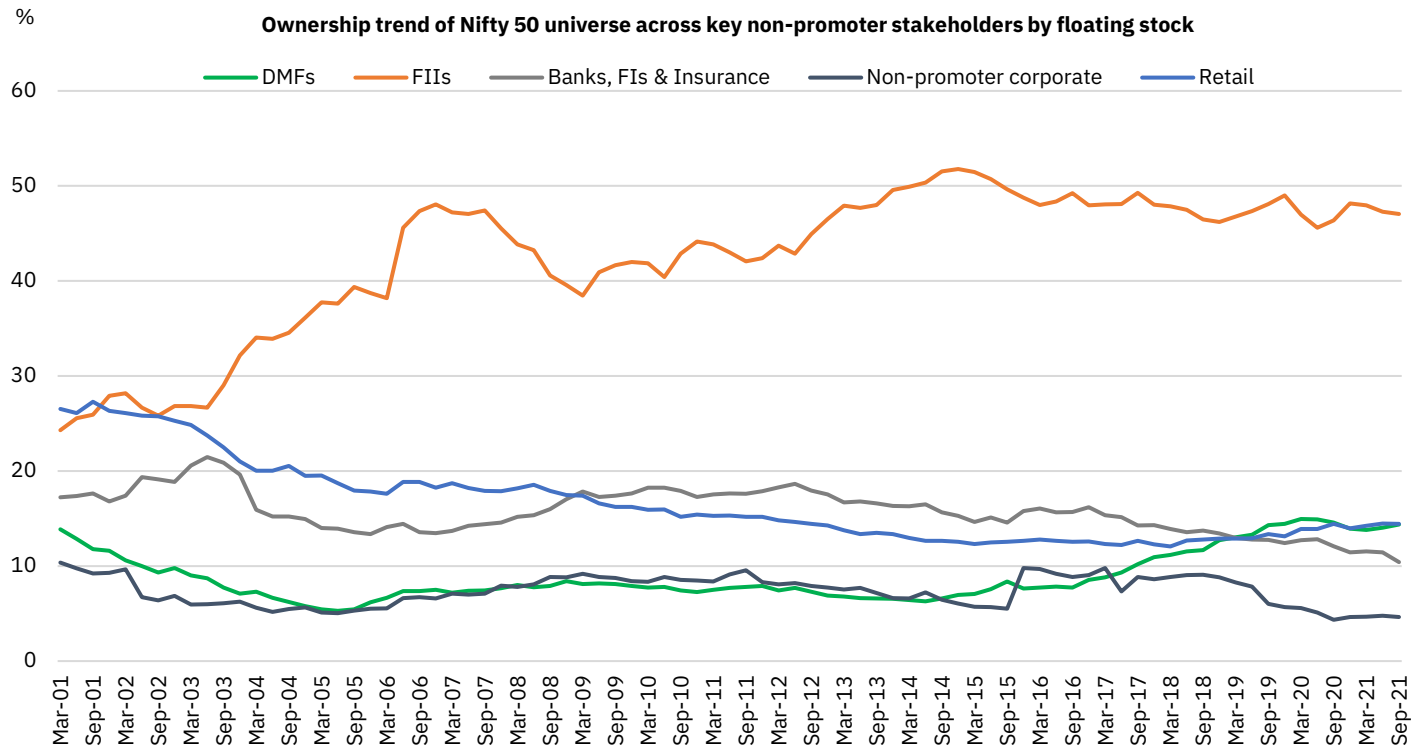
**Figure 35: FII ownership trend of Nifty 50 universe by total market cap**

**Figure 36: Banks, FIs & Insurance ownership trend of Nifty 50 universe by total market cap**


Source: CMIE Prowess, NSE

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

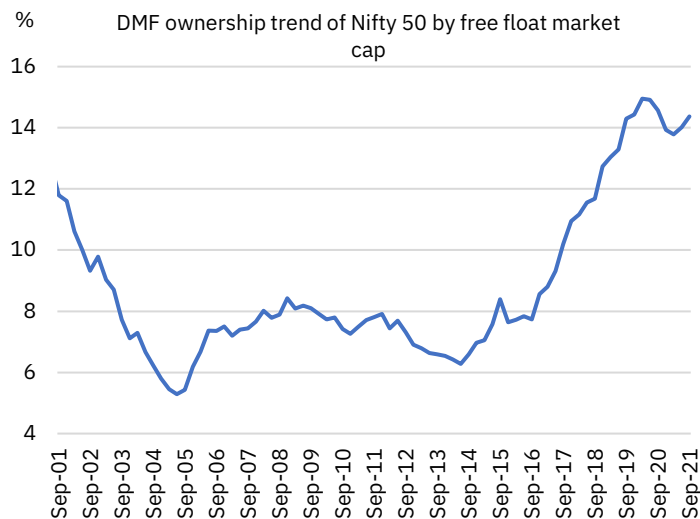

Our long-term ownership analysis on the free float market cap of the Nifty 50 Index also shows that while DMF ownership is currently hovering at a mere 58bps discount to the two-decadal high share of 15% seen in March 2020, current FII ownership is nearly 4.7pp lower than the peak of 51.8% in December 2014.

**Figure 38: Nifty 50: Long-term ownership trend across key stakeholders by free float market cap**

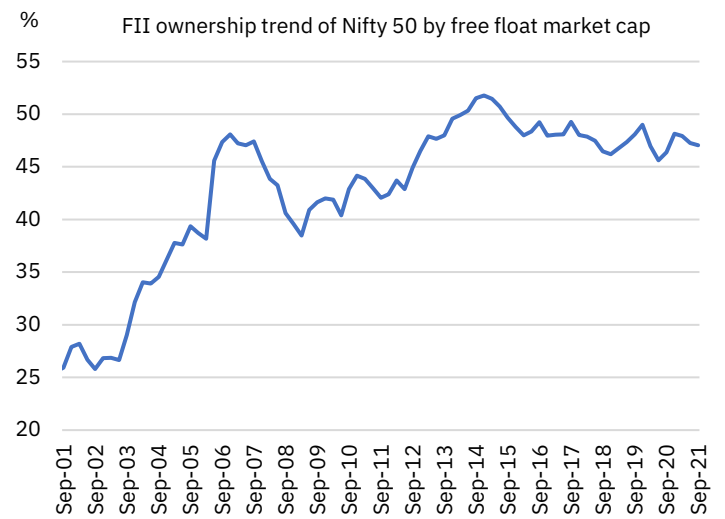


Source: CMIE Prowess, NSE \*FII ownership includes ownership through depository receipts held by custodians

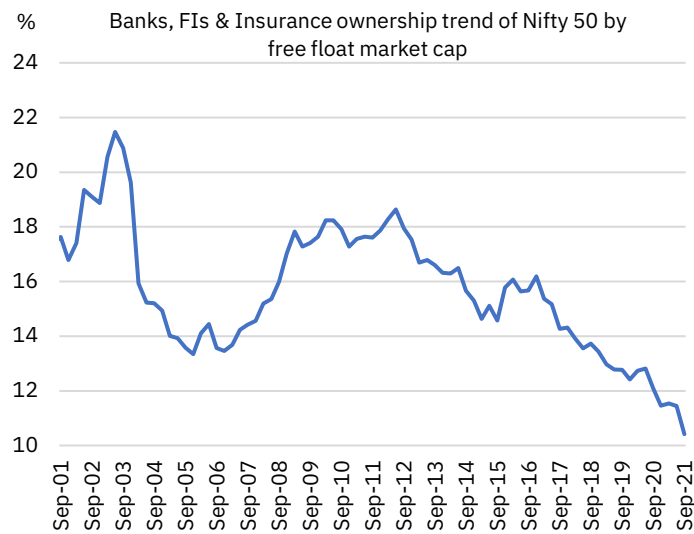
**Figure 39: DMF ownership trend of the Nifty 50 universe by free float market cap**



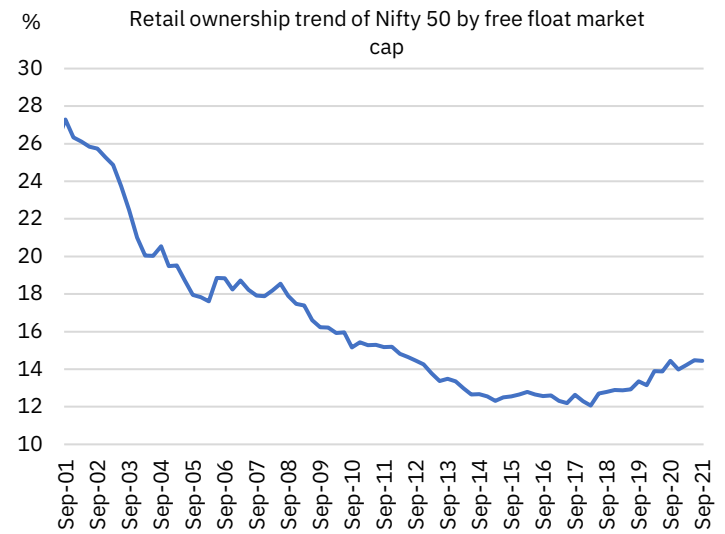
**Figure 40: FII\* ownership trend of the Nifty 50 universe by free float market cap**



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

**Figure 41: Banks, FIs & Insurance ownership trend of the Nifty 50 universe by free float market cap**


Source: CMIE Prowess, NSE

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


**Sector-wise ownership of the Nifty 50 universe (September 2021):** In the quarter ending September 2021, Communication Services within the Nifty 50 universe had the highest promoter ownership at 55.9%, followed by Information Technology at 55.0% (+89bps QoQ), and Energy and Utilities at 51.2% each. Utilities and Energy remained the top sectors in terms of Government ownership at 51.3% (+6bps QoQ) and 13.6% (-30bps QoQ) respectively, even as both the sectors have seen a significant drop in Government's ownership over the years.

In the quarter ending September 2021, Utilities remained the top sector in terms of DMF ownership for the third quarter in a row, with the share rising by 51bps QoQ to 13.4%. This was followed by Healthcare that overtook Communication Services to become the second highest DMF share, even as the share there dipped by 21bps QoQ to a five-quarter low of 12.3% in September 2021. Industrials moved up to the third position with a 111bps increase in DMF ownership to 11.8% in the quarter gone by. Besides Industrials and Utilities, other sectors that saw an increase in DMF share include Financials, Consumer Discretionary, Consumer Staples and Materials. Communication Services on the other hand slipped from the second to fifth position in the September quarter, with the DMF share falling by a steep 149bps QoQ to a five-quarter low of 11.4%. Besides Communication Services and Healthcare, Energy and Information Technology also saw a marginal dip in DMF share in the quarter ending September 2021.

FII's have remained the biggest non-promoter owners of Financials even as the share has fallen meaningfully this year by ~2.9pp (-130bps in the quarter gone by) to a 37-quarter low of 41.9% in the September quarter. This is followed by Energy at 23.2% (+33bps QoQ) and Consumer Discretionary at a 51-quarter low of 22.6% (-31bps QoQ). Contrary to DMFs who significantly curtailed their exposure to Communication Services this year, FII's have been building up their allocation, with their share rising by a steep 176bps QoQ to a five-quarter high of 19.9%. Except for Energy and Communication Services, all other sectors saw a dip in FII ownership in the quarter gone by, led by Financials, Healthcare and Utilities.

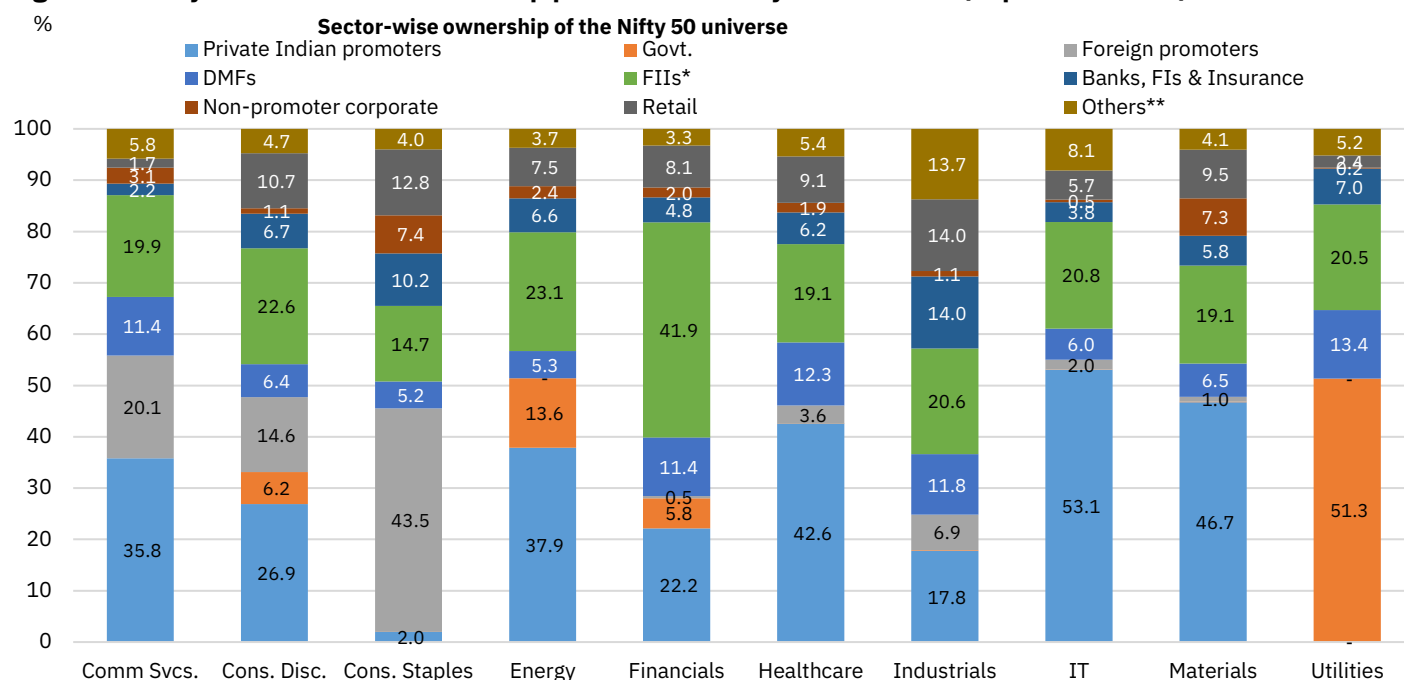
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*Utilities (13.4%) remained the top sector in terms of DMF share, followed by Healthcare (12.3%) and Industrials (11.8%).*

*FII's have remained the biggest non-promoter owners of Financials for yet quarter despite a 290bps drop this year to a 37-quarter low of 41.9% in the September quarter.*

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**Figure 43: Nifty 50: Sector-wise ownership pattern across key stakeholders (September 2021)**


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 2021):** The table below shows the sector allocation for key stakeholders in Nifty 50 companies as of September 2021. The concentration of Government ownership in Financials, Energy and Utilities sector is much higher at 92.1% in the Nifty 50 universe vs 72.9% in the broader listed universe. The Consumer sector accounted for 76.7% of the exposure of foreign promoters to the Nifty 50 companies as of September-end, down ~2pp QoQ and ~7.2pp lower than the 16-year high share of 84.0% as of end of March 2020. In case of institutional investors, DMFs have a much higher exposure to Financials at 40.1% in the Nifty 50 Index (+76bps QoQ) vs. 30.0% in the NSE-listed universe, even as it is 4.7pp lower than the two-decadal high share of 44.8% in the quarter ending December 2019. Unlike DMFs, FIIIs' allocation to Financials fell by 53bps QoQ to 45.1%, marking the third drop in a row, translating into a total fall of 2.6pp this year following a step 7pp jump in the last quarter of previous year. FIIIs' portfolio allocation to Financials in the Nifty50 Index is now hovering nearly 5.2pp below the peak share of 50.3% in December 2019.

*While FIIIs have seen a meaningful drop in their absolute allocation to Financials within the Nifty 50 Index in the quarter gone by, DMFs have seen a steady increase this year.*

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

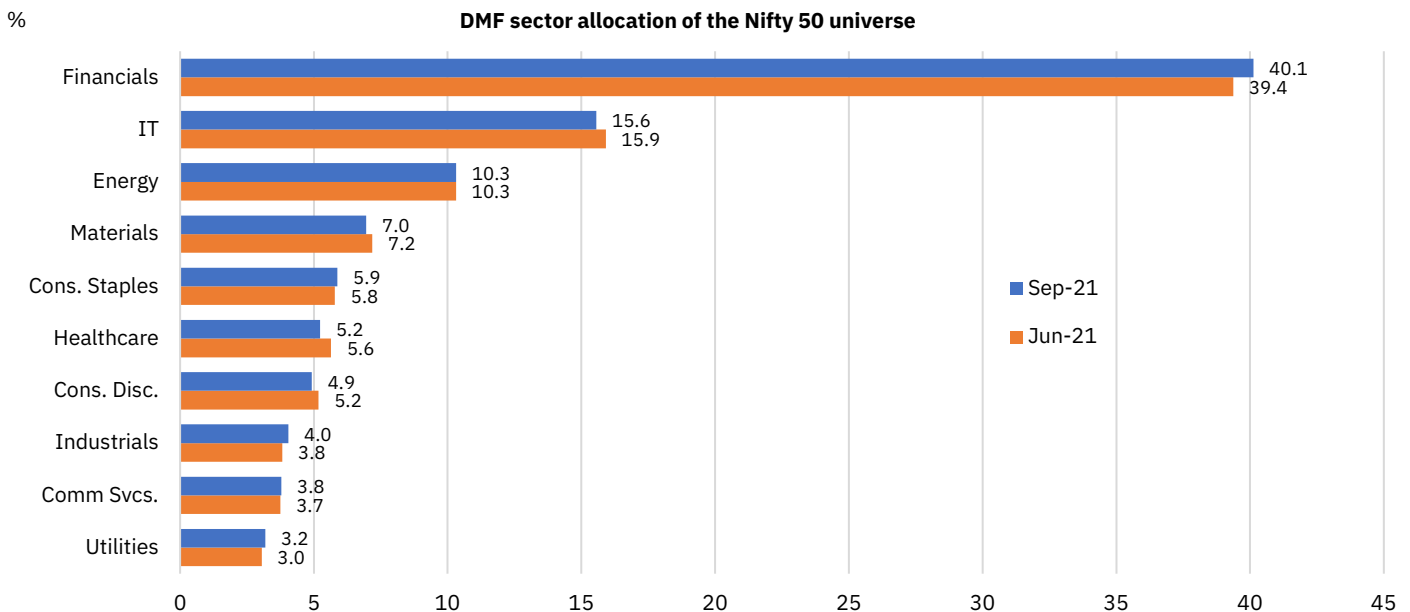
%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	FIIIs*	Banks, FIs & Insurance	Non-promoter corporate	Retail
Communication Services	3.0	0.0	8.5	3.8	2.0	1.0	3.2	0.6
Consumer Discretionary	5.2	7.4	14.2	4.9	5.3	7.1	2.5	8.2
Consumer Staples	0.6	0.0	62.6	5.9	5.1	15.9	26.0	14.4
Energy	18.5	41.1	0.0	10.3	13.8	17.7	14.4	14.5
Financials	19.6	32.0	2.1	40.1	45.1	23.5	21.7	28.5
Health Care	4.6	0.0	1.9	5.2	2.5	3.6	2.5	3.8
Industrials	1.5	0.1	3.0	4.0	2.2	6.6	1.1	4.8
Information Technology	34.4	0.1	6.4	15.6	16.4	13.7	4.2	14.6
Materials	12.6	0.3	1.3	7.0	6.2	8.6	24.3	10.1
Utilities	0.0	19.0	0.0	3.2	1.5	2.3	0.2	0.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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

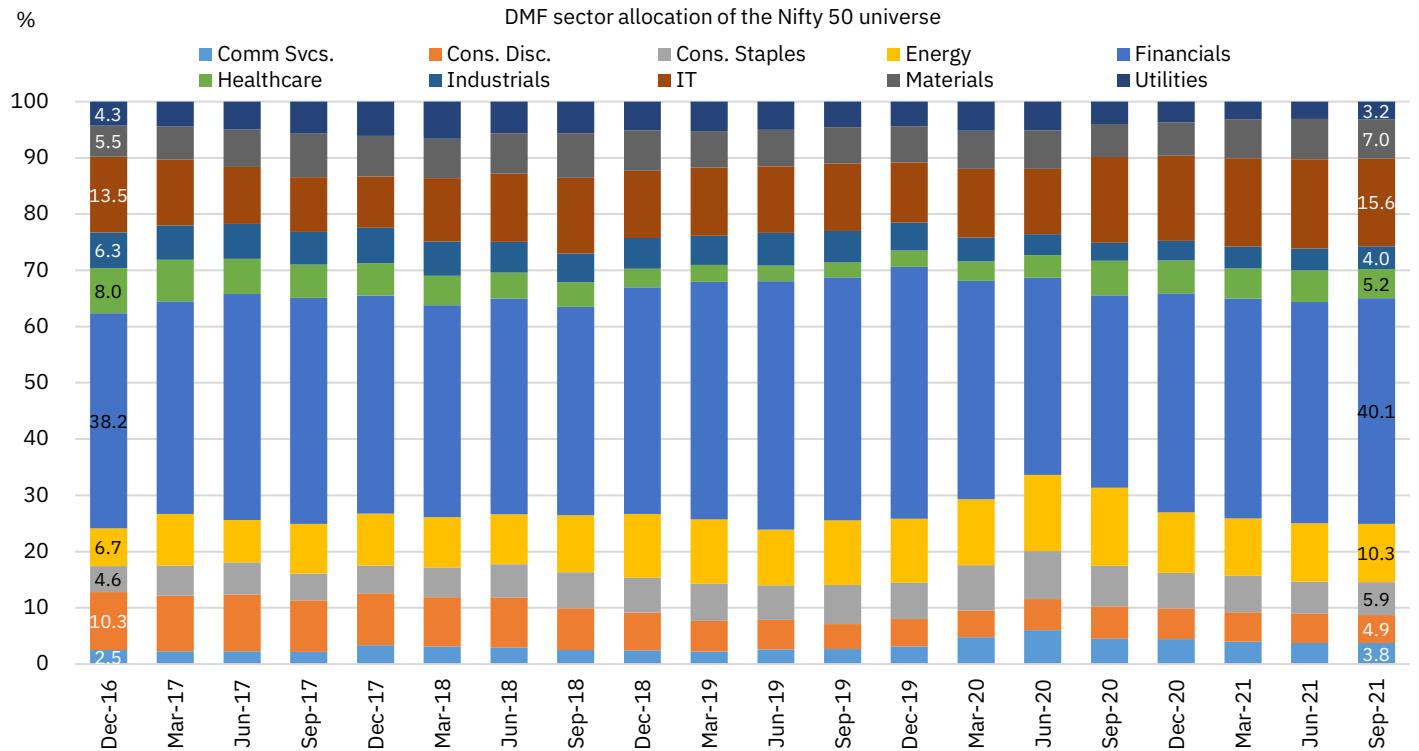
**DMFs turned incrementally negative on externally oriented sectors:** Even as DMFs have maintained their OW position on sectors that have remained largely unscathed from the COVID-19 pandemic, they have turned incrementally positive on beta sectors such as Financials and Industrials. In the quarter ending September 2021, DMFs maintained their OW stance on Healthcare, Communication Services and Utilities even as the OW position came off marginally for the former two. DMFs strengthened their positive view on Financials with an incrementally more outsized positive bet on the sector. While this possibly reflects their upbeat sentiments on the ongoing economic recovery, stable performance of the banking sector contrary to expectations of some COVID-led worsening of asset quality may have also instilled confidence in the sector. DMFs have also marginally tapered their negative position on consumption-oriented sectors including Consumer Staples and Consumer Discretionary. In the wake of negative global cues in the quarter gone by including Fed tapering and economic slowdown in China, DMFs strengthened their negative view on Energy and Information Technology and maintained their UW stance on Materials.

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

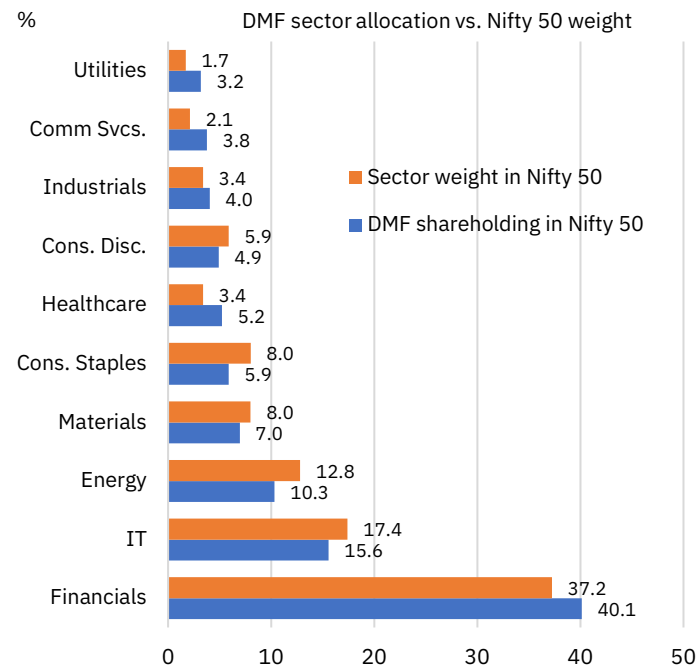
**Figure 44: DMF sector allocation of the Nifty 50 universe (September 2021 vs. June 2021)**



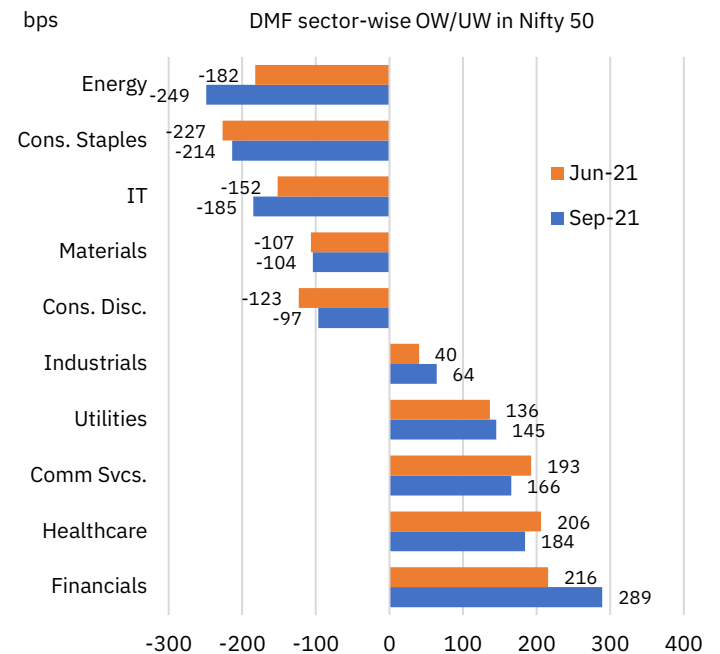
Source: CMIE Prowess, NSE

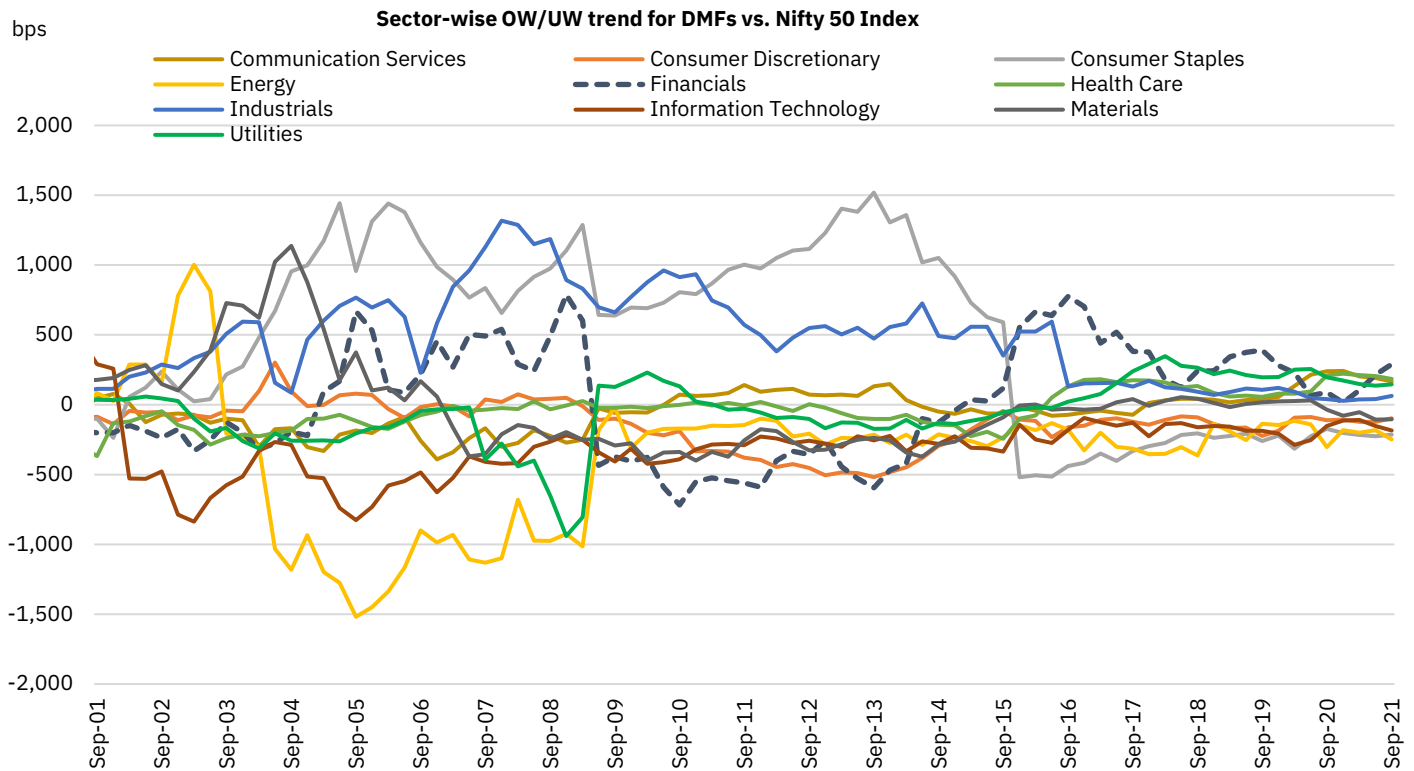
**Figure 45: DMF sector allocation of the Nifty 50 universe over the last five years**


Source: CMIE Prowess, NSE

**Figure 46: DMF sector allocation vs sector weight in Nifty 50 (September 2021)**


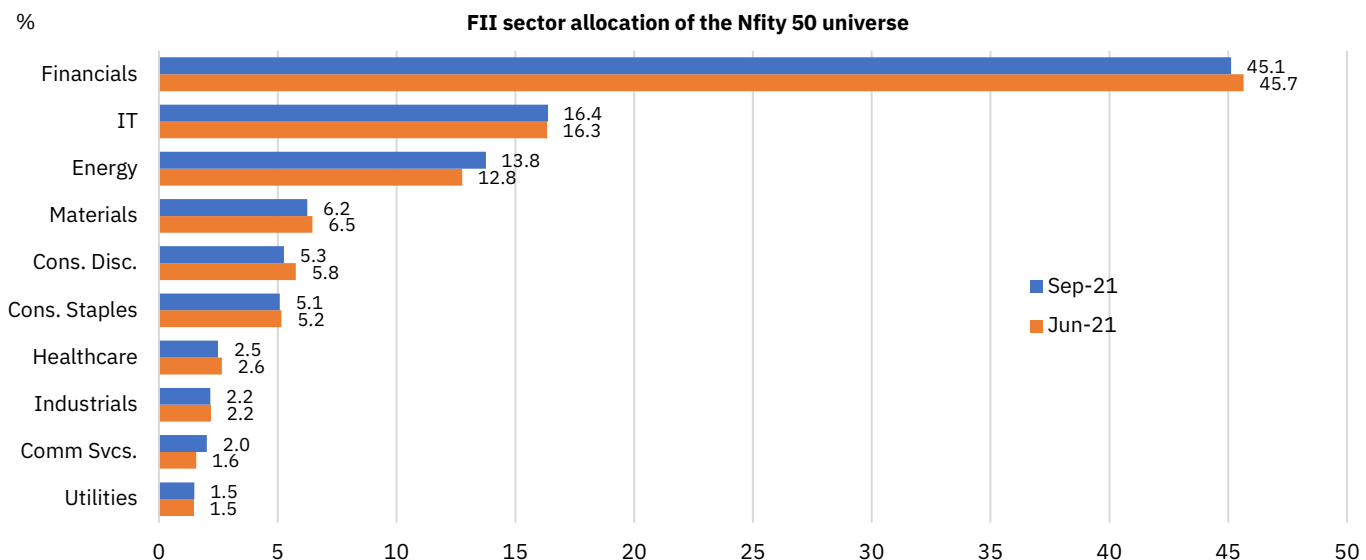
Source: CMIE Prowess, NSE

**Figure 47: DMF sector-wise OW/UW in Nifty 50 relative to sector weight in the index (September 2021)**


**Figure 48: DMF vs Nifty 50—Sector-wise OW/UW trend (bps)**


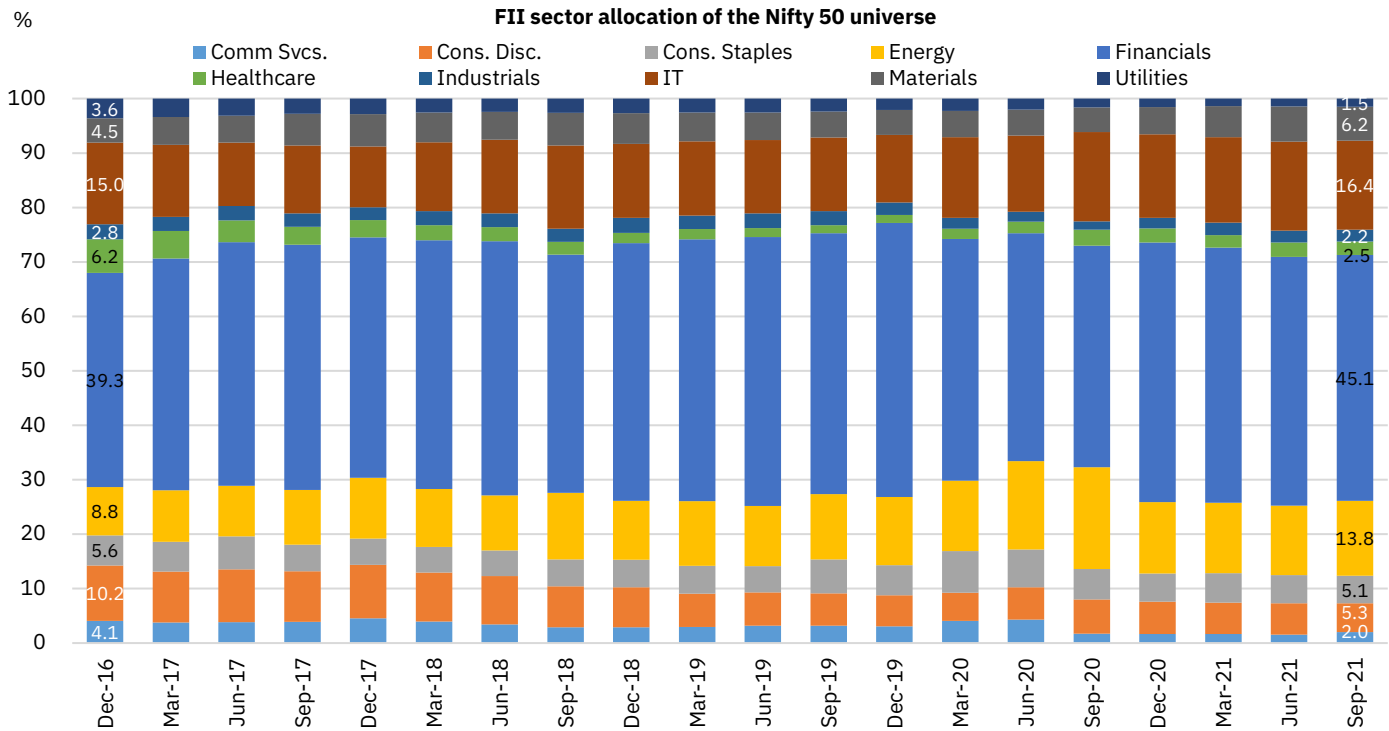
**FII broadly maintained their sector stance in the September quarter:** Unlike DMFs, FIIs marginally reduced their exposure to Financials for the third quarter in a row, even as they maintained their outsized OW bet on the sector relative to the Index. FIIs also turned mildly OW on Energy as opposed to DMFs' UW stance on the sector. In fact, Financials and to some extent Energy are the only sectors that FIIs are OW on within the Nifty 50 Index. FIIs broadly maintained their position in other sectors, maintaining and UW stance on Consumer Staples, Materials, Industrials and Information Technology and Energy, and neutral stance on Consumer Discretionary, Utilities and Communication Services.

*FIIs maintained their perennial OW position on Financials and turned incrementally positive on Energy.*

**Figure 49: FII sector allocation of the Nifty 50 universe (September 2021 vs. June 2021)**


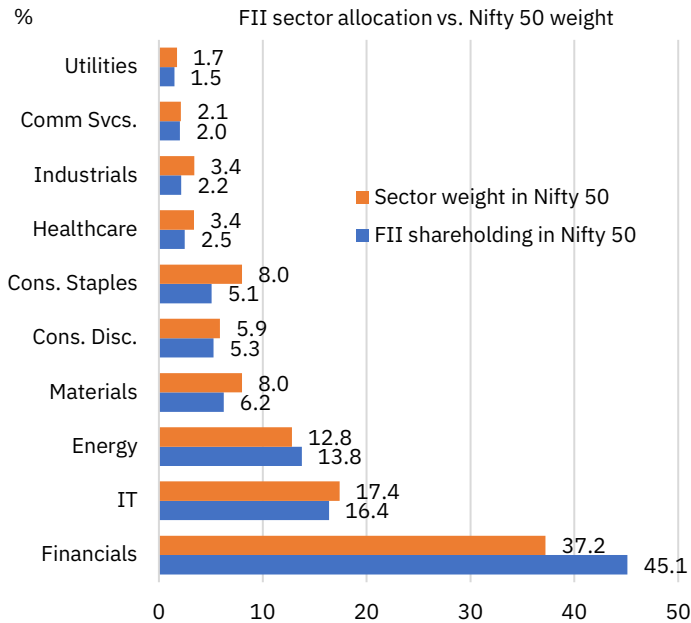
Source: CMIE Prowess, NSE \*FII ownership includes ownership through depository receipts held by custodians

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

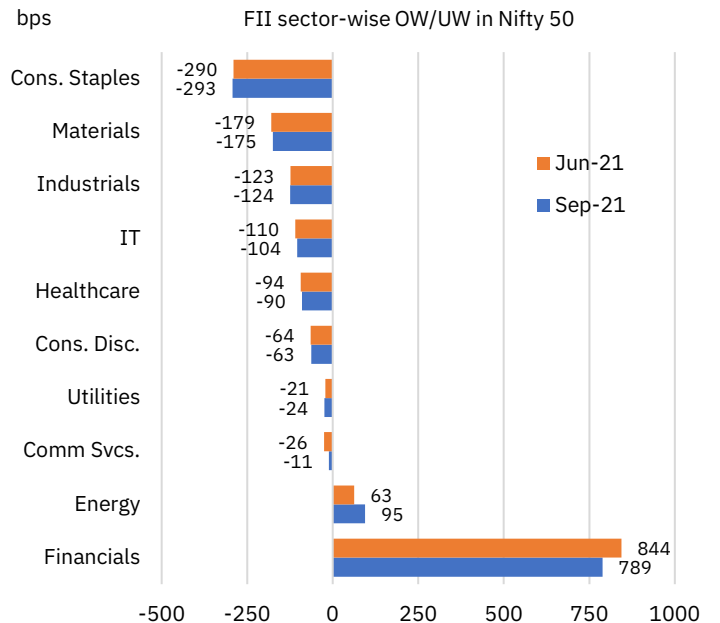


Source: CMIE Prowess, NSE \*FII ownership includes ownership through depository receipts held by custodians

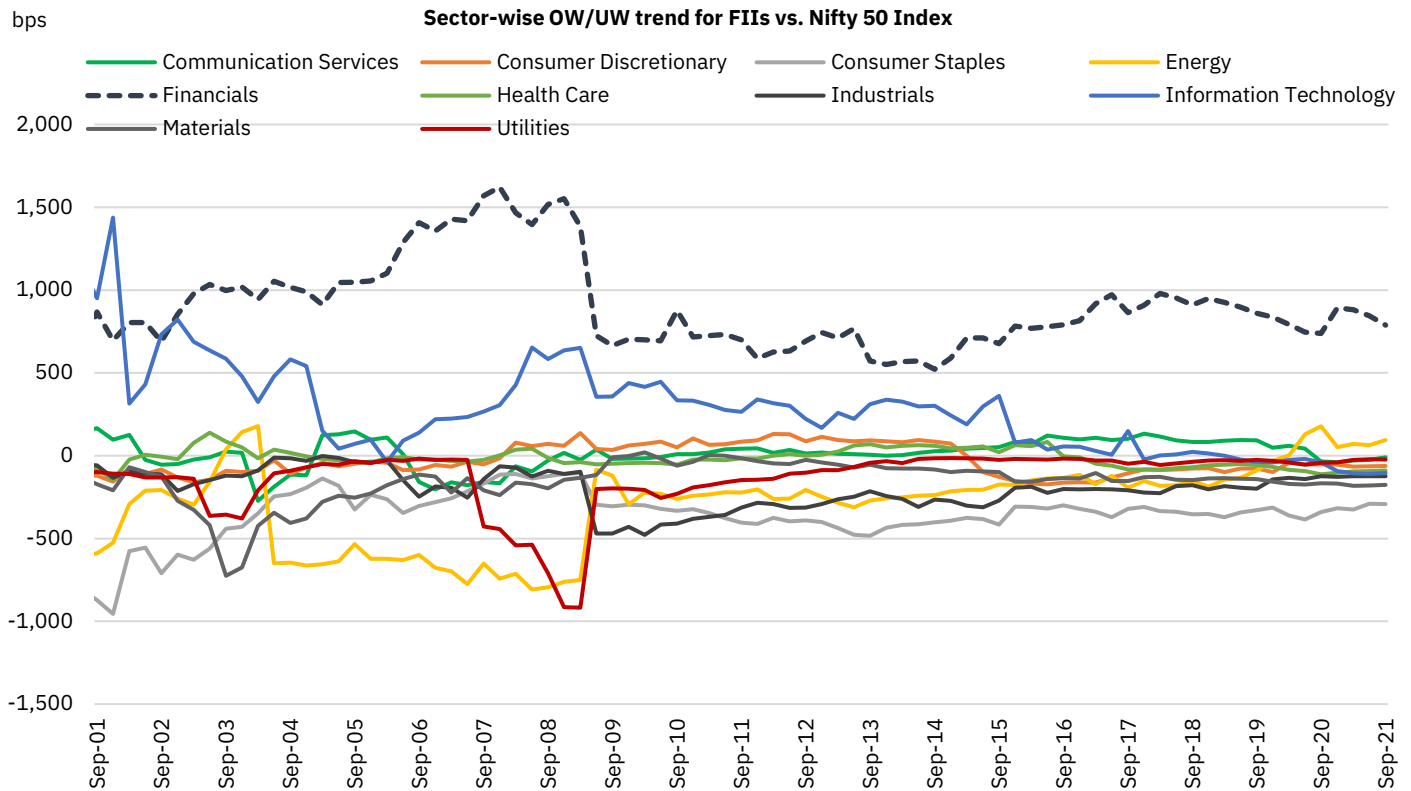
**Figure 51: FII sector allocation vs sector weight in Nifty 50 (September 2021)**



**Figure 52: FII sector-wise OW/UW in Nifty 50 relative to sector weight in the index (September 2021)**



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

**Figure 53: 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 2021)

**Private promoter stake inched up near 16-year high levels; Govt. stake dropped:** In line with the listed universe and the Nifty 50 Index, private promoter ownership in the Nifty 500 universe inched up 60bps QoQ to a four-quarter high of 44.3% in the September, primarily led by a strong 82bps QoQ jump in private Indian promoter share. Foreign promoter ownership, on the other hand, fell by 22bps QoQ to a nine-quarter low of 8.9%, marking the sixth consecutive quarter to see a drop. In contrast to the Nifty 50 universe and in-line with the overall listed stock, Government stake in the Nifty 500 universe fell by 32bps QoQ to 6.2%, reversing the rising trend seen over the previous three quarters. This is primarily attributed to underperformance of some of the constituent Government-owned companies during the quarter relative to the Index.

**DMFs saw a modest rise in ownership while FIIs' share dipped marginally:** In terms of institutional ownership, DMFs' aggregate share in Nifty 500 companies inched up by 9bps QoQ to 7.5% in the quarter ending September 2021—a tad lower than the increase seen in the broader listed as well as Nifty 50 universe. This marked the second consecutive quarter of a modest rise in DMF share, even as it is still 57bps shy of the peak share of 8.1% observed in the quarter ending March 2020. FIIs, on the other hand, saw their share falling marginally 12bps QoQ to 21.5%, translating into a total drop of nearly 100bps this year, partly reversing the 162bps increase seen during the second half of last year. The current FII share in the Nifty 500 universe is now 1.7pp below the 20-year peak level. This drop was yet again led by Financials, excluding which FII share inched up by a modest 14bps QoQ. Banks, Financial Institutions, and Insurance companies' share fell by the steepest 53bps QoQ to fresh record-lows of 4.6% in the September quarter.

**Retail ownership remained broadly steady in the Nifty 500 universe:** Retail investors ownership in Nifty 500 companies remained steady at 8.8%, in line with the trend seen in the broader listed universe, and is up by 21bps this year, a tad lower than around 50bps increase in 2020. A steady increase over the last couple of years is a reflection of strengthened participation of retail investors in Indian equity markets.

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*Private Indian promoter ownership in the Nifty 500 universe remained steady at 34.3% but that of foreign promoters fell by 13bps QoQ to a seven-quarter low of 9.4%.*

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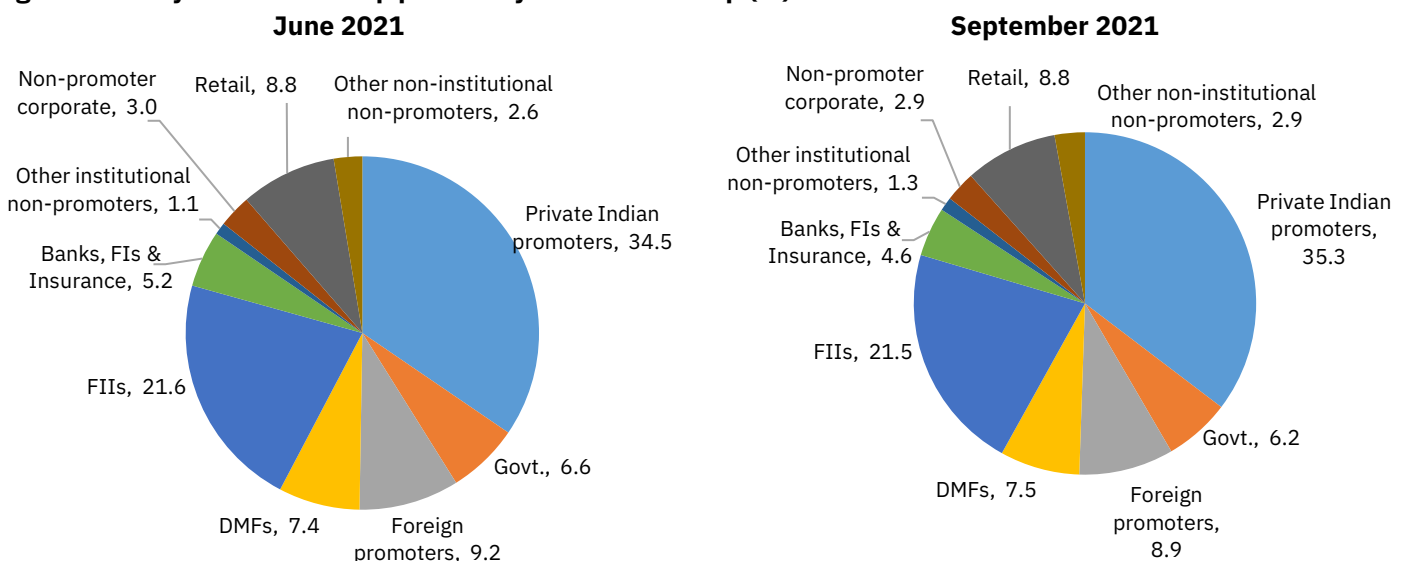


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*FIIs as well as DMFs saw their ownership falling in the March quarter.*

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



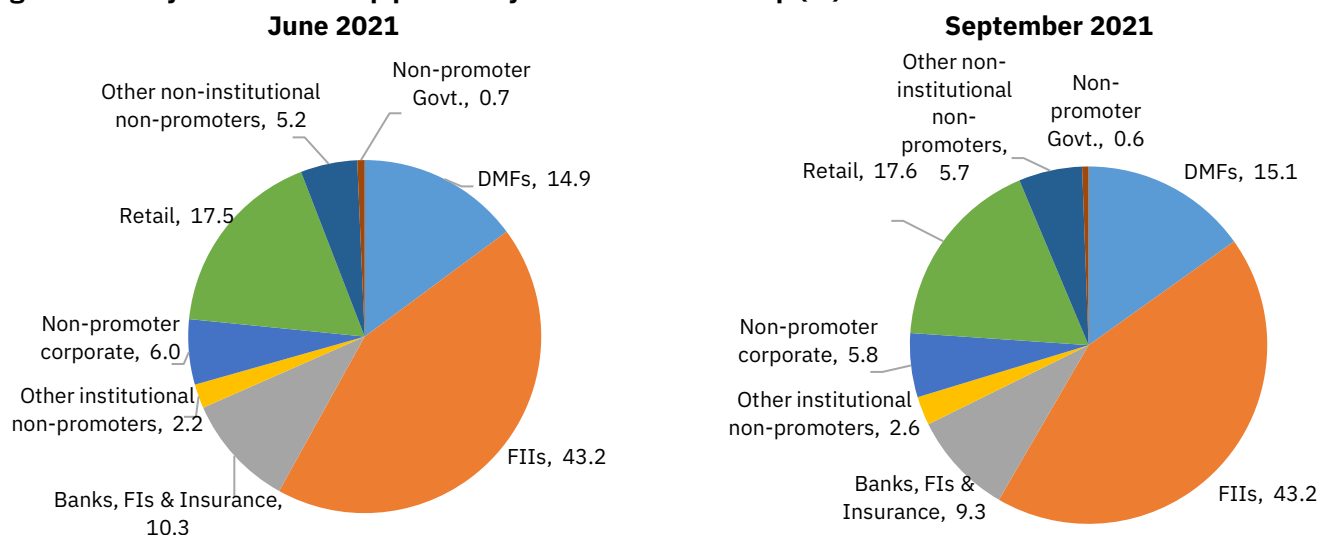
Source: CMIE Prowess, NSE. \*FII ownership includes ownership through depository receipts held by custodians.

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

%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	Banks, FIs & Insurance	FII's *	Non-promoter corporate	Retail
Dec-18	30.7	9.5	9.5	7.1	6.1	21.3	4.9	8.2
Mar-19	30.9	9.6	8.8	7.3	5.7	21.8	4.9	8.1
Jun-19	30.9	9.6	8.9	7.5	5.7	22.1	4.6	8.0
Sep-19	31.7	8.1	9.9	7.9	5.7	22.5	3.5	8.1
Dec-19	31.9	8.0	9.7	7.9	5.6	23.0	3.4	8.0
Mar-20	32.8	6.9	11.1	8.1	5.5	21.6	3.1	8.1
Jun-20	33.4	6.9	10.6	8.0	5.5	20.9	2.9	8.3
Sep-20	35.1	5.7	9.8	7.8	5.3	21.1	2.7	8.6
Dec-20	34.3	5.9	9.5	7.6	5.2	22.5	2.8	8.5
Mar-21	34.3	6.2	9.4	7.4	5.3	22.2	3.0	8.6
Jun-21	34.5	6.6	9.2	7.4	5.2	21.6	3.0	8.8
Sep-21	35.3	6.2	8.9	7.5	4.6	21.5	2.9	8.8
<i>QoQ change</i>	<i>82bps</i>	<i>-32bps</i>	<i>-22bps</i>	<i>9bps</i>	<i>-53bps</i>	<i>-12bps</i>	<i>-11bps</i>	<i>-3bps</i>

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

In terms of floating stock, FII share in the Nifty 500 Index remained broadly steady at 43.2% even as it fell by 114bps this year. FII share in the Nifty 500 Index is now 4.3pp lower than the peak share over the last two decades. Share of DMFs in the floating stock of Nifty 500 companies inched up by 27bps QoQ—the second increase in a row—to 15.1% as of September-end and is now 122bps shy of the two-decadal high share of 16.4% observed in the quarter ending March 2020. Retail ownership in the Nifty500 floating stock inched up by a modest 5bps QoQ to a nine-year high of 17.5%, translating into a 74bps jump this year. Retail share in Nifty500 floating stock is nearly 3.2pp higher than that in the Nifty 50 floating stock.

**Figure 55: Nifty 500: Ownership pattern by free float market cap (%)**


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



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

%	Domestic MFs	Banks, FIs & Insurance	FIIs	Non-promoter corporate	Retail
Dec-18	14.0	11.9	41.9	9.6	16.2
Mar-19	14.3	11.2	42.6	9.5	15.8
Jun-19	14.6	11.1	43.2	9.1	15.6
Sep-19	15.5	11.3	44.4	6.8	15.9
Dec-19	15.6	10.9	45.2	6.6	15.8
Mar-20	16.4	11.1	43.5	6.2	16.4
Jun-20	16.1	11.2	42.2	5.9	16.7
Sep-20	15.7	10.7	42.5	5.5	17.4
Dec-20	14.9	10.3	44.4	5.5	16.8
Mar-21	14.6	10.5	44.0	5.9	17.0
Jun-21	14.9	10.3	43.2	6.0	17.5
Sep-21	15.1	9.3	43.2	5.8	17.6
<i>QoQ change</i>	<i>27bps</i>	<i>-100bps</i>	<i>3bps</i>	<i>-18bps</i>	<i>5bps</i>

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

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

DMF ownership in Nifty 500 saw a gradual increase beginning 2014 to reach the highest level in last two decades by December 2019. The last fiscal year, however, saw some dip in DMF share, partly reflecting a moderation in SIP inflows post the COVID-19 pandemic as well as high redemption pressures, which has managed to reverse only partly in the first half of FY22. FII ownership in the Nifty 500 universe improved meaningfully post the GFC until 2015 but has since hovered between 21-23%. FII share fell in the first half of 2020 as COVID-induced risk-off sentiments led to flight of capital from riskier asset classes such as EM equities to safe havens. However, massive liquidity injection by global central banks improved risk appetite, leading to a huge influx of foreign capital into India from May 2020 onwards, thereby leading to pick-up in FII share. Negative global cues this year including shifting monetary policy settings by some important global central banks and negative developments in China led to some moderation in FII participation this year. Banks, financial institutions, and insurance, however, have been steadily reducing their exposure to Indian equities for quite some time now.

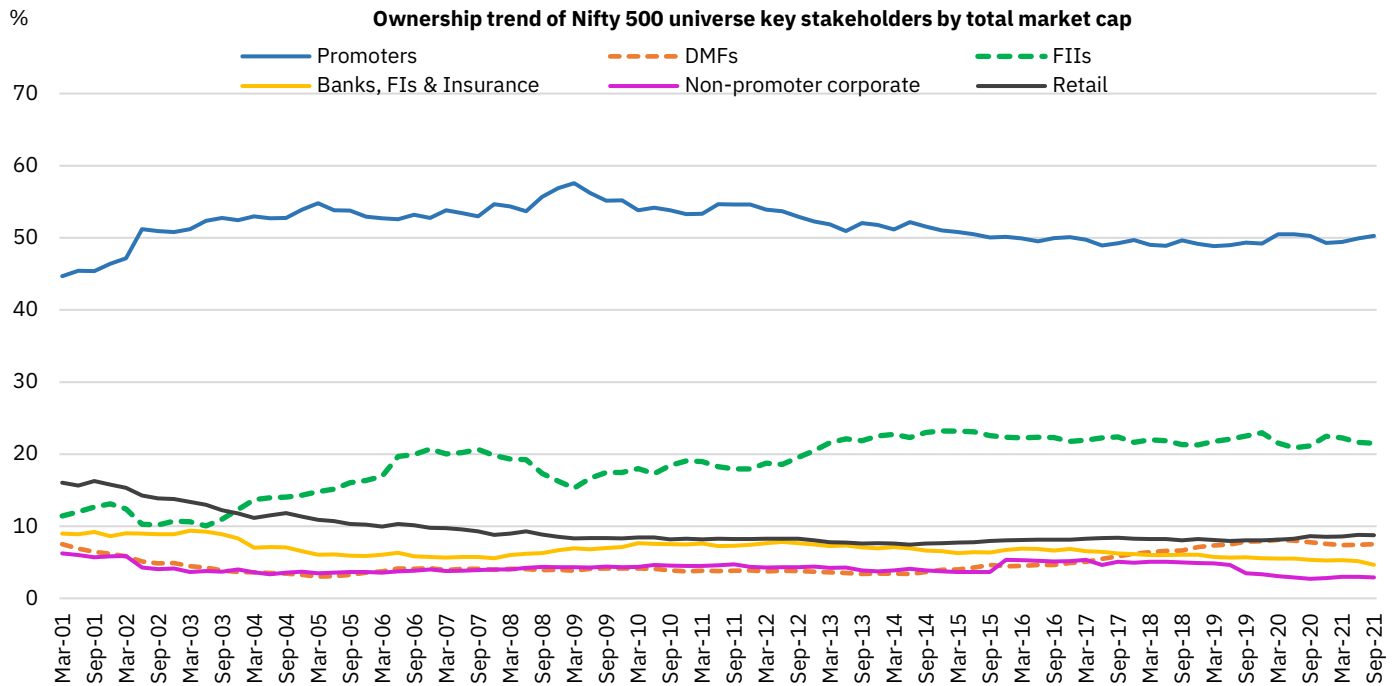
Retail ownership in the Nifty 500 Index fell sharply from the north of 16% in 2001 to sub-8% in 2013 and had hovered around these levels until December 2019, only to see a gradual increase thereafter.

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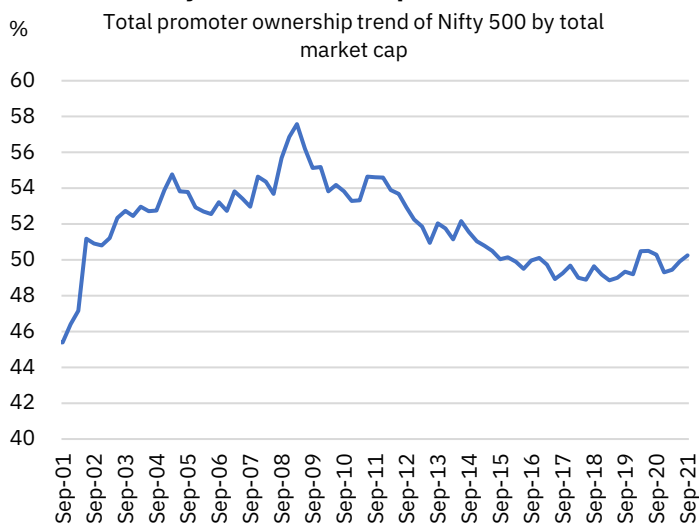
*FII ownership in Nifty 500 saw a steady rise post the GFC until 2015 and has since hovered between 21-23%.*

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

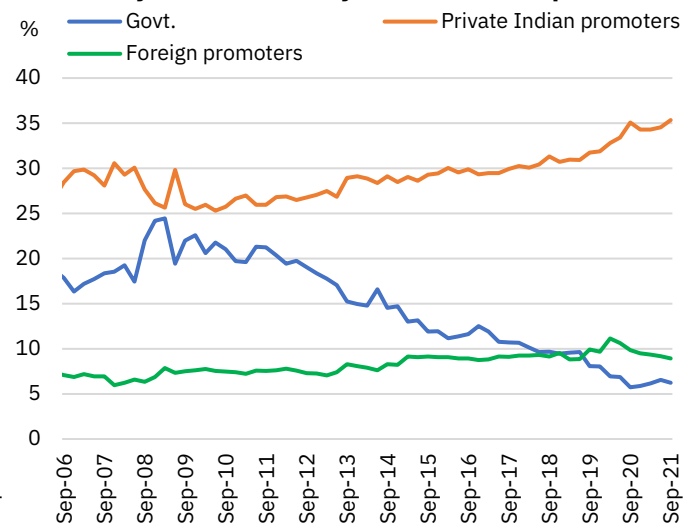
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**Figure 56: Nifty 500: Long-term ownership trend across key stakeholders by total market cap**


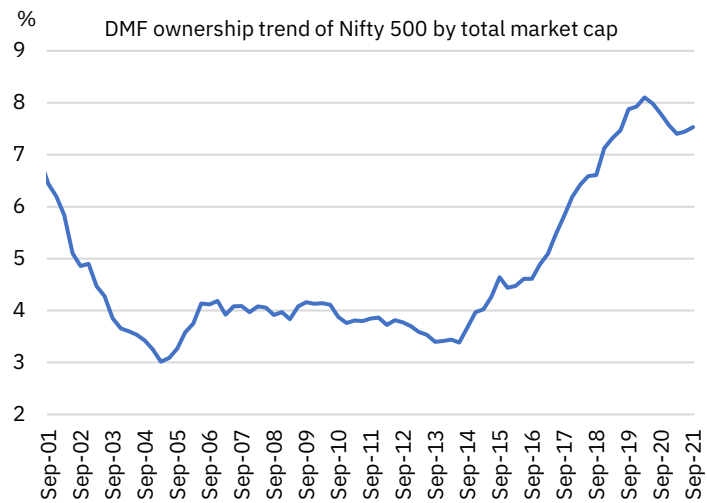
Source: CMIE Prowess, NSE \*FII ownership includes ownership through depository receipts held by custodians

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


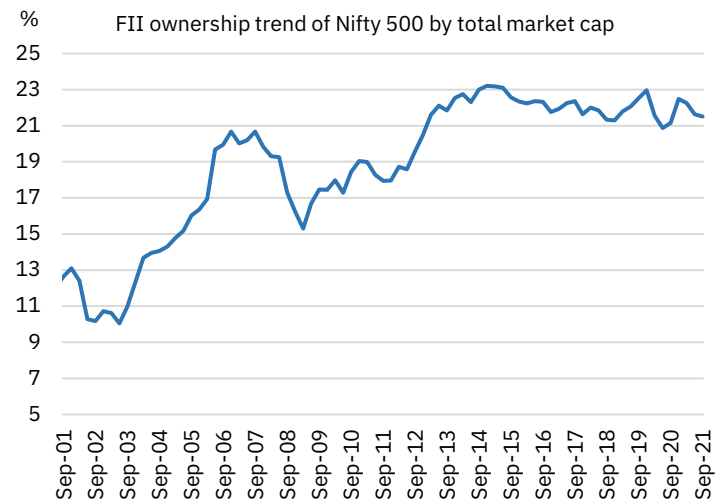
Source: CMIE Prowess, NSE

**Figure 58: Indian and foreign promoter ownership trend of the Nifty 500 universe by total market cap**


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

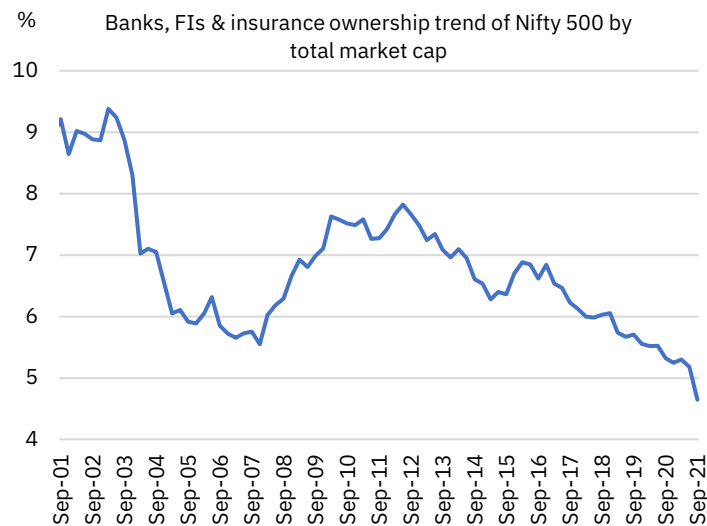


**Figure 60: FII ownership trend of the Nifty 500 universe by total market cap**

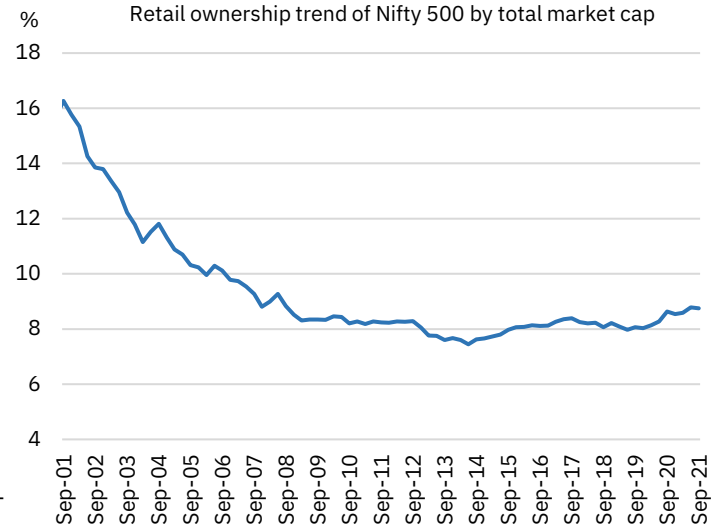


Source: CMIE Prowess, NSE \*FII ownership includes ownership through depository receipts held by custodians

**Figure 61: Banks, FIs & Insurance ownership trend of the Nifty 500 universe by total market cap**



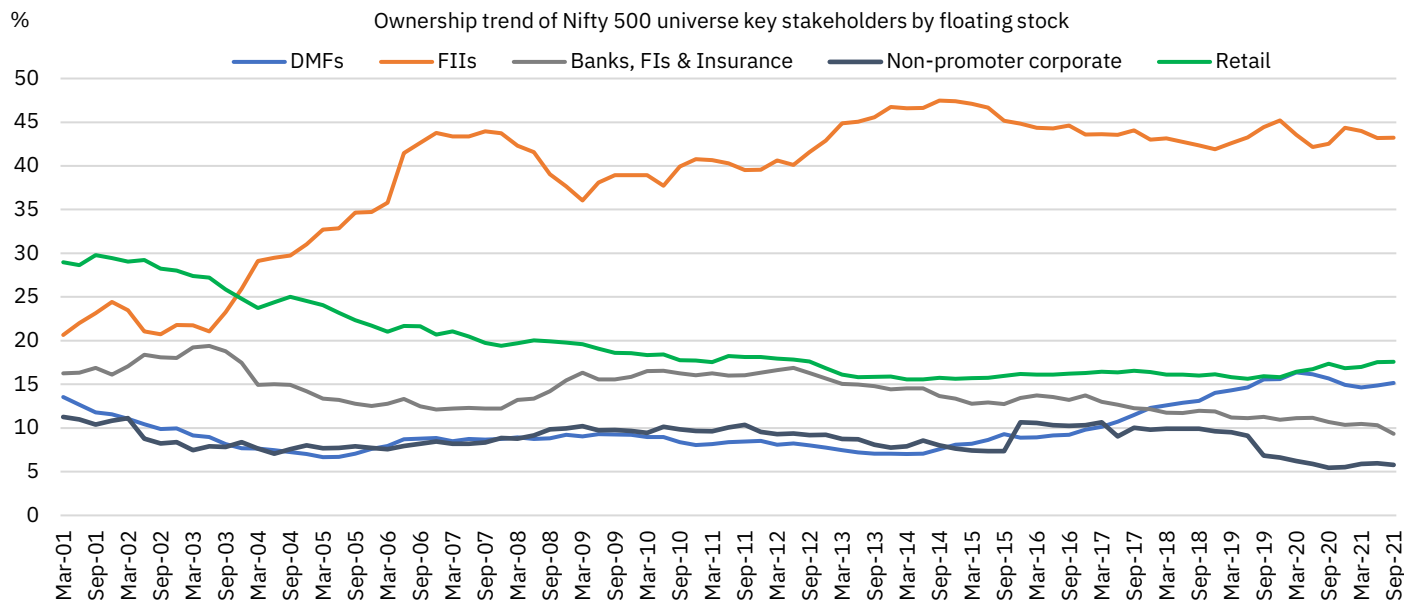
**Figure 62: Retail ownership trend of the Nifty 500 universe by total market cap**



Source: CMIE Prowess, NSE

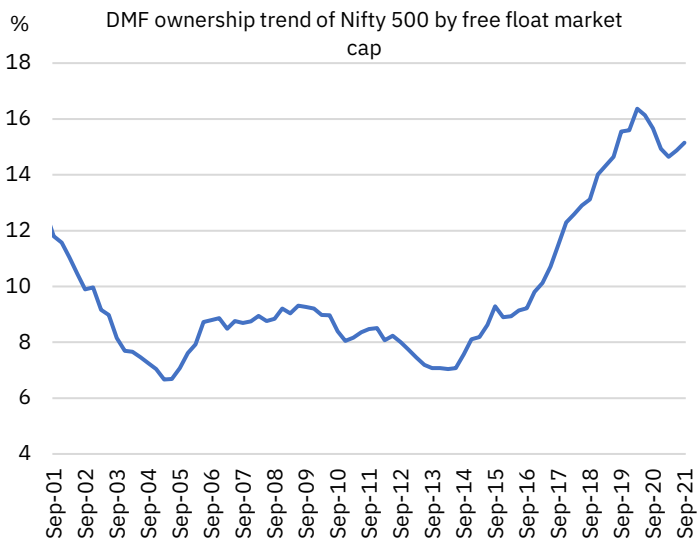
Our long-term ownership analysis on the floating stock of the Nifty 500 Index also shows that while DMF ownership is hovering around 122bps lower than its highest level since 2001, current FII ownership is 425bps lower than the peak of 47.5% observed in the quarter ending September 2014.

**Figure 63: Nifty 500: Long-term ownership trend across key stakeholders by free float market cap**

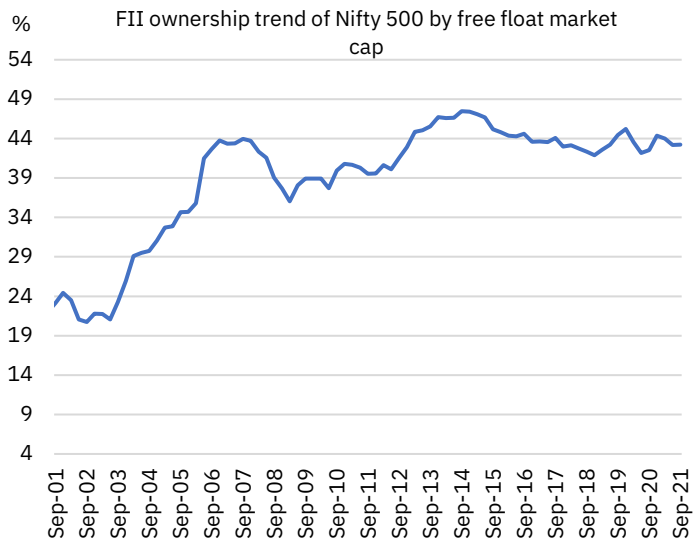


Source: CMIE Prowess, NSE \*FII ownership includes ownership through depository receipts held by custodians

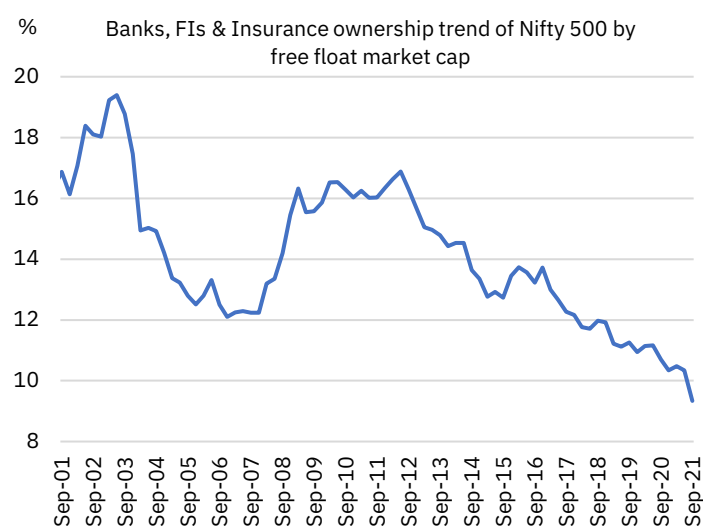
**Figure 64: DMF ownership trend of the Nifty 500 universe by free float market cap**



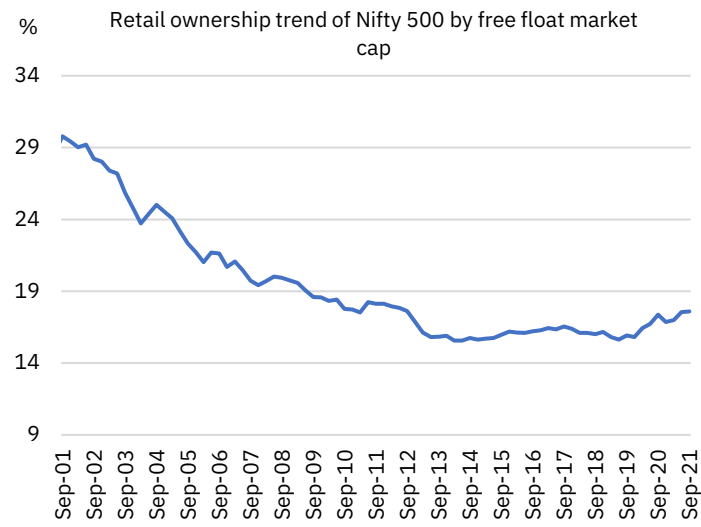
**Figure 65: FII ownership trend of the Nifty 500 universe by free float market cap**



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

**Figure 66: Banks, FIs & Insurance ownership trend of the Nifty 500 universe by free float market cap**


Source: CMIE Prowess, NSE

**Figure 67: Retail ownership trend of the Nifty 500 universe by free float market cap**


**Sector-wise ownership of the Nifty 500 universe (September 2021):** As of September 2021, Real Estate sector had the highest promoter shareholding at 67.4%, up nearly 390bps QoQ—the steepest sequential jump in the sector within the Nifty500 universe in last 55 quarters. This was followed by Utilities and Information Technology, both of which saw their aggregate promoter share rising by 189bps and 79bps to 61.3% and 55.2% respectively in the quarter ending September 2021. Promoter share in other sectors either remained broadly steady or dipped marginally in the quarter gone by. Utilities continued to lead in terms of Government ownership, even as the share has fallen sharply over the years, down 5.2pp and 152bps in this year and last quarter respectively to 19.6%. This is the lowest Government share in the sector within the Nifty 500 universe over the period of the study. This was followed by Energy at 13.5% and Financials at 10.1% (-93bps QoQ). Barring Consumer Discretionary, Communication Services and Industrials, all other sectors saw a drop in the aggregate Government ownership in the Nifty 500 universe in the September quarter.

In case of DMF ownership, Financials, Industrials, and consumption-oriented sectors, viz. Consumer Discretionary and Consumer Staples saw a 30-40bps rise in share in the quarter gone by to 9.9%, 8.7%, 8.5% and 5.3% respectively. Sectors that witnessed a drop in DMF ownership in the September quarter include Communication Services (-87bps QoQ to 8.3%), Real Estate (-45bps QoQ to 4.2%), Utilities (-20bps QoQ to 5.8%) and Energy (-18bps QoQ to 5.4%). DMF ownership in other sectors, viz. Healthcare, Information Technology and Materials remained broadly steady.

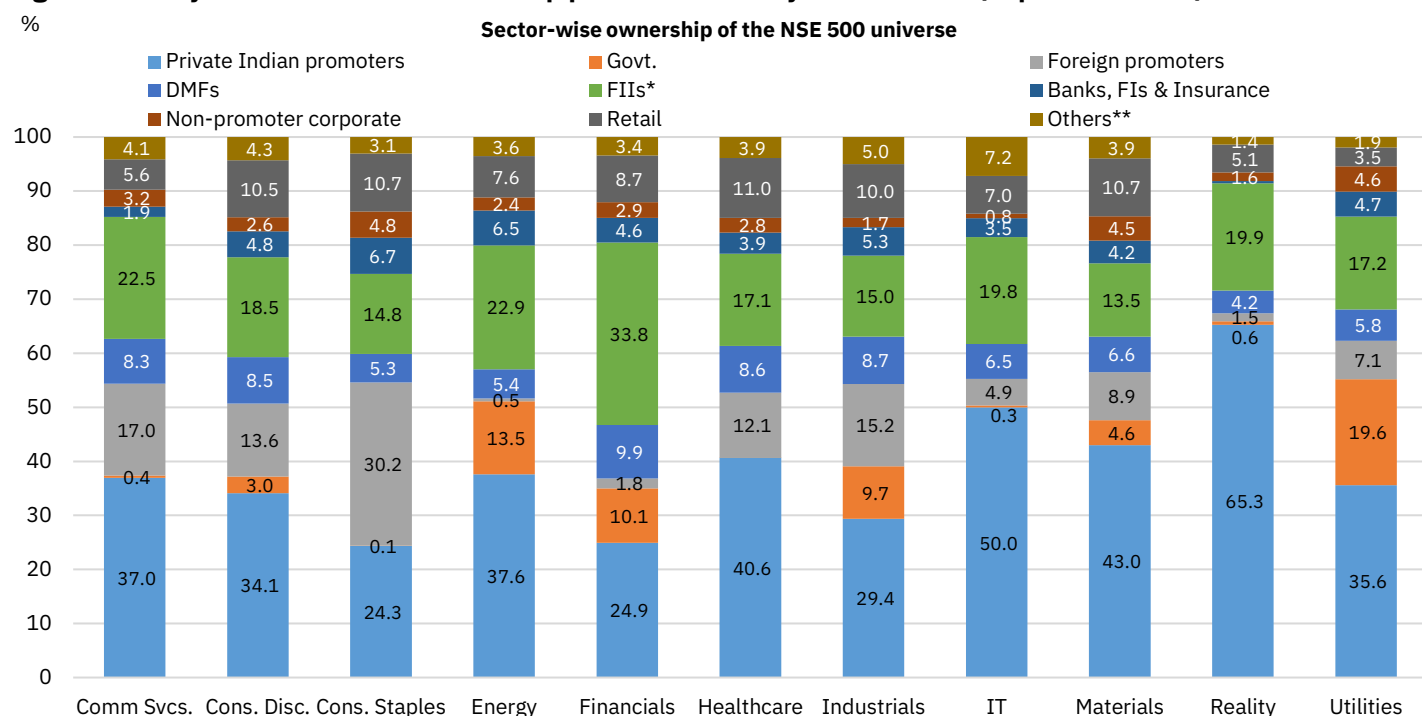
FII's remained the biggest non-promoter owners of Financials at 33.8% even as the share has fallen by a steep 257bps this year (-43bps in the quarter gone by). This was followed by Energy at 22.9% (+35bps QoQ) and Communication Services at 22.5% (+66bps QoQ). Besides Energy and Communication Services, other sectors that saw an increase in FII share last quarter included Industrials (+34bps to 15.0%) and Materials (+17bps QoQ to a 14-quarter high of 13.5%). All other sectors witnessed a drop in FII ownership led by Real Estate (-162bps QoQ to a 11-quarter low of 19.9%), Utilities (-67bps QoQ to 17.2%), Financials (-43bps QoQ to 33.8%) and Information Technology (-41bps QoQ 19.8%).

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*Sector-wise, Financials, Industrials and consumption-oriented sectors, viz. Consumer Discretionary and Consumer Staples saw a 30-40bps rise in DMF share in the quarter gone.*

*FII's remained the biggest non-promoter owners of Financials in the Nifty 500 universe but with a reduced share, followed by Energy and Communication Services.*

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**Figure 68: Nifty 500: Sector-wise ownership pattern across key stakeholders (September 2021)**


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 2021):

The table below shows the sector allocation for key stakeholders in Nifty 500 companies as of September 2021. The concentration of Government ownership in Financials, Energy and Utilities sector was at 74.1% as of September-end, up 13bps QoQ primarily led by a surge in absolute allocation to Energy and Utilities, that more than offset the drop in allocation to Financials. This is a tad higher than Government exposure to these three sectors in the overall listed universe but much lower than that in the Nifty 50 universe. In case of institutional investors, DMFs have a much lower allocation to Financials at 31.0% as compared to FIIs at 37.2%, even as the gap between the two has fallen to 19-quarter lows. While FIIs have significantly reduced their absolute allocation to Financials this year, DMFs have kept it more-or-less steady.

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

%	Private Indian promoters	Govt	Foreign promoters	Domestic MFs	FIIs*	Banks, FIs & Insurance	Non-promoter corporate	Retail
Communication Services	3.2	0.2	5.9	3.4	3.2	1.3	3.4	2.0
Consumer Discretionary	7.2	3.6	11.3	8.5	6.4	7.7	6.8	9.0
Consumer Staples	6.4	0.1	31.6	6.5	6.4	13.5	15.7	11.4
Energy	10.3	20.9	0.5	6.9	10.3	13.5	8.1	8.4
Financials	16.7	38.2	4.8	31.0	37.2	23.2	24.1	23.4
Health Care	7.2	0.0	8.4	7.2	5.0	5.2	6.0	7.9
Industrials	6.5	12.3	13.4	9.1	5.5	9.0	4.6	9.0
Information Technology	20.6	0.8	8.1	12.5	13.4	11.0	4.2	11.6
Materials	14.5	8.8	11.9	10.4	7.5	10.9	18.6	14.6
Real Estate	2.5	0.1	0.2	0.8	1.2	0.1	0.7	0.8
Utilities	4.8	15.0	3.8	3.7	3.8	4.8	7.7	1.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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

## DMFs turned incrementally positive on smaller financial companies primarily at the expense of Energy:

DMFs' turned incrementally positive on financial companies as reflected from their mild OW position on the sector within the Nifty 500 Index. This, however, contrasts with a strengthened OW position on the sector within the Nifty 50 Index, indicating the sustenance of a relatively cautious view of DMFs on smaller banks and NBFCs for yet another quarter.

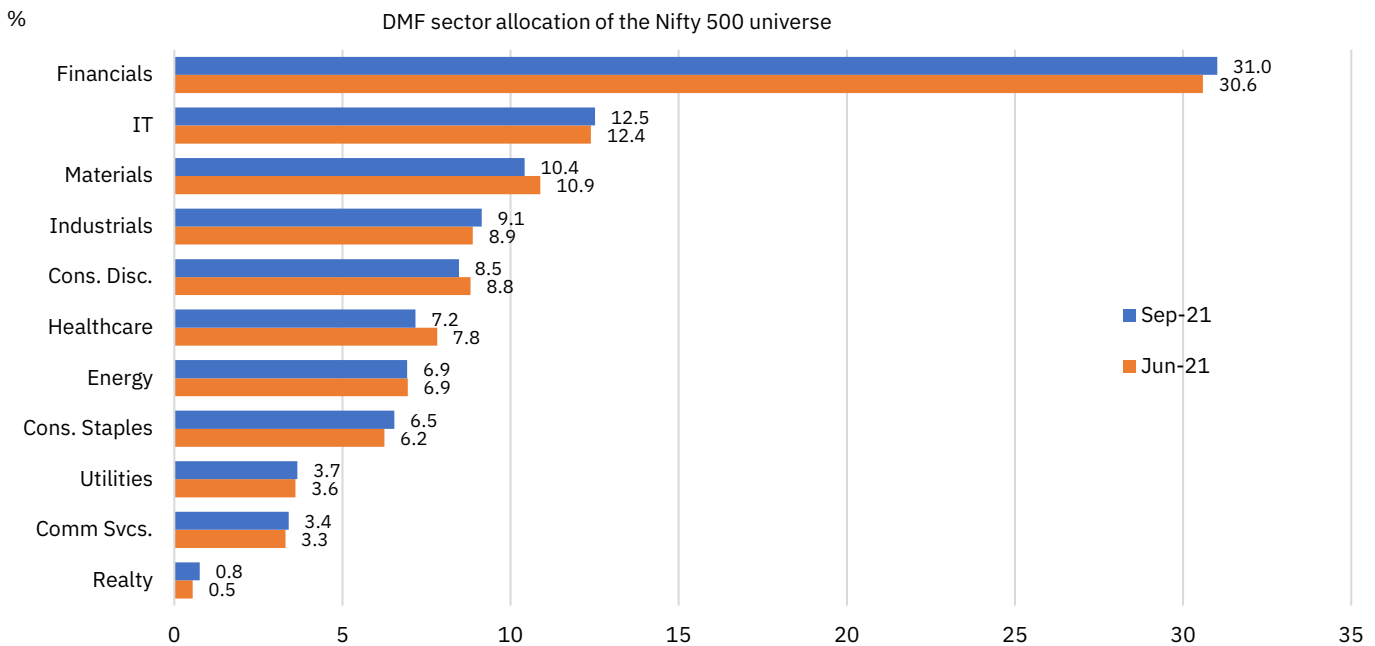
Similar to the trend seen in the Nifty 50 Index and echoing FIIs' stance, DMFs remained bearish on India's consumption theme, albeit incrementally less so, with an UW position on Consumer Staples. Besides Consumer Staples and Financials, DMFs turned further negative on Energy and Information Technology, reflecting negative global cues, trimmed OW stance on Healthcare, and turned slightly more positive on Industrials, indicating expectations of an improvement in industrial demand amid easing restrictions and normalization of business activities. DMFs broadly maintained their stance on other sectors, retaining a neutral view on Materials, Real Estate, Utilities, Communication Services and Consumer Discretionary.

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

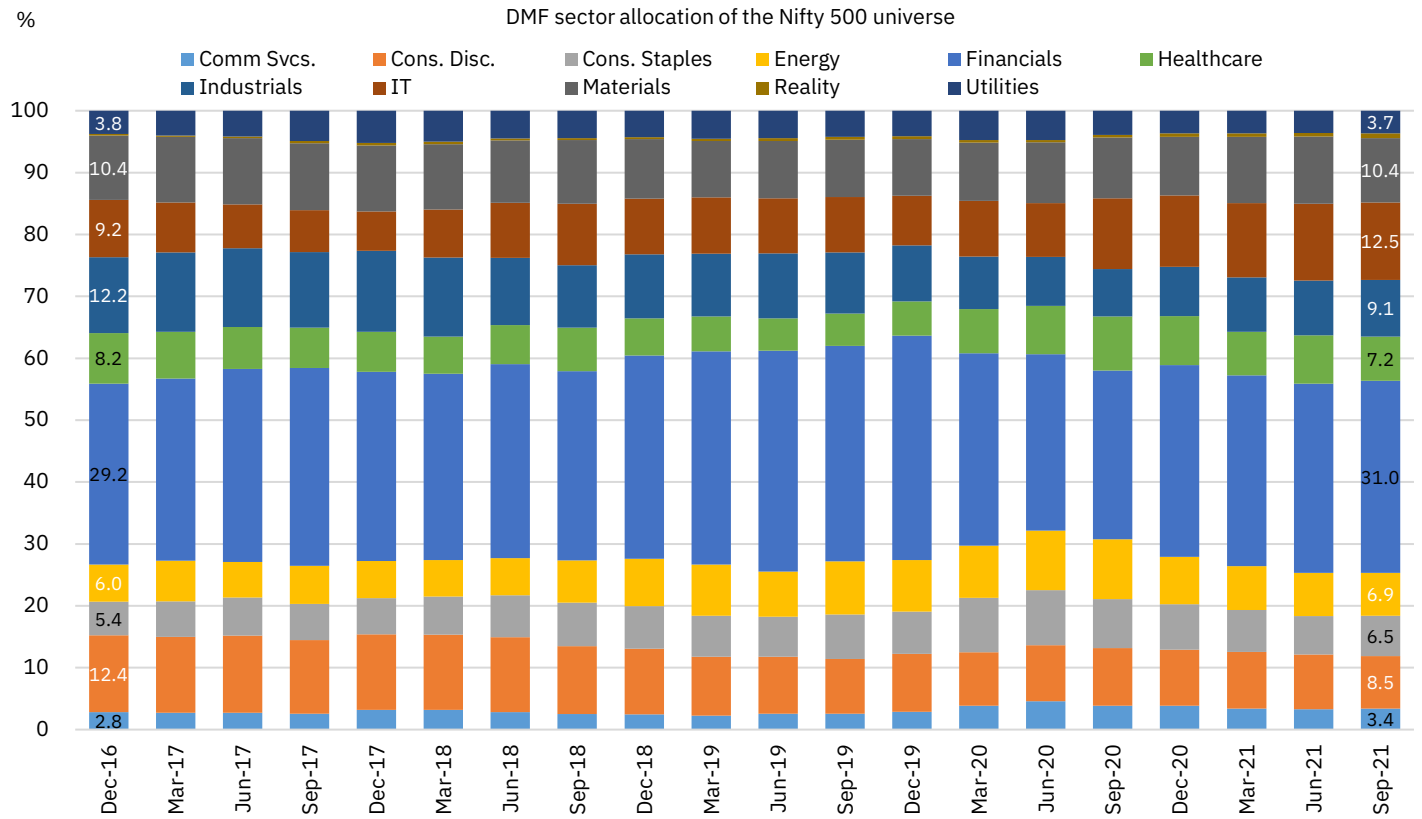
*DMFs turned incrementally positive on smaller banks and NBFCs at the expense of strengthened UW stance on Energy and Information Technology.*

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

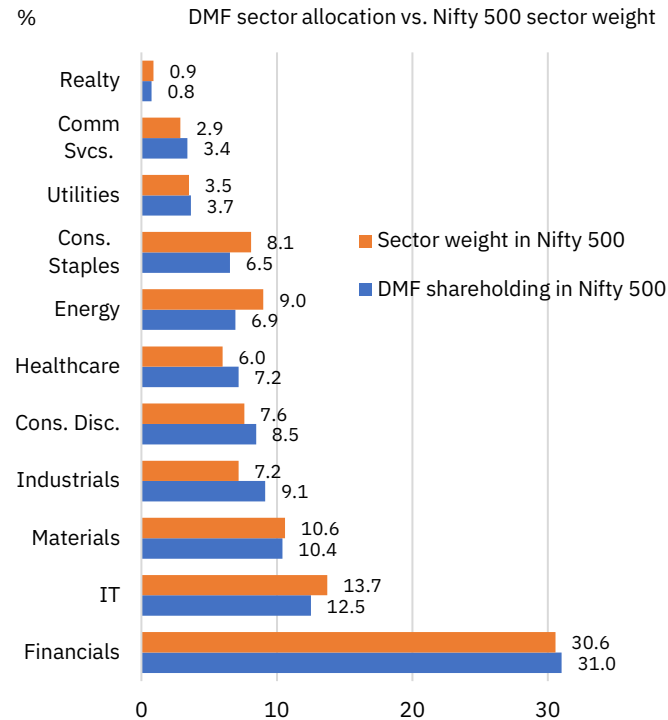
**Figure 69: DMF sector allocation of the Nifty 500 universe (September 2021 vs. June 2021)**



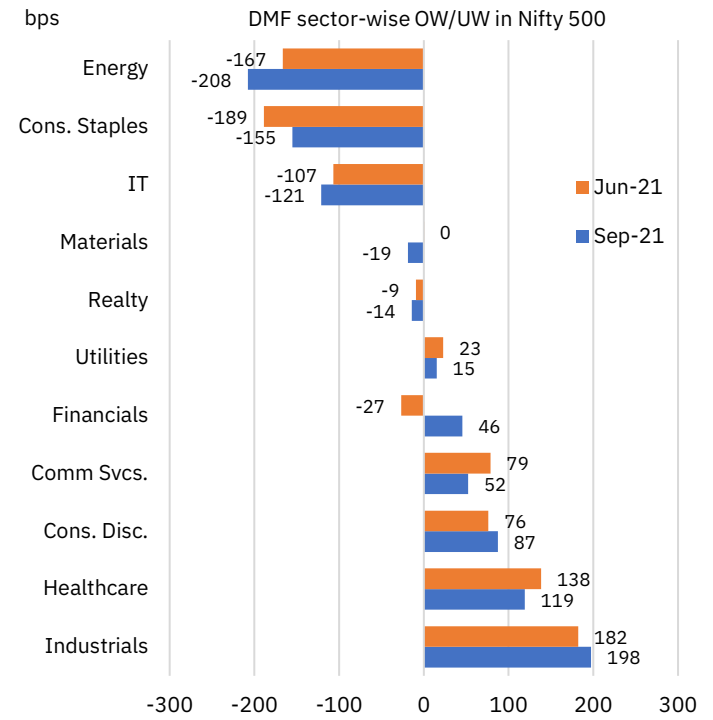
Source: CMIE Prowess, NSE.

**Figure 70: DMF sector allocation of the Nifty 500 universe over last five years**


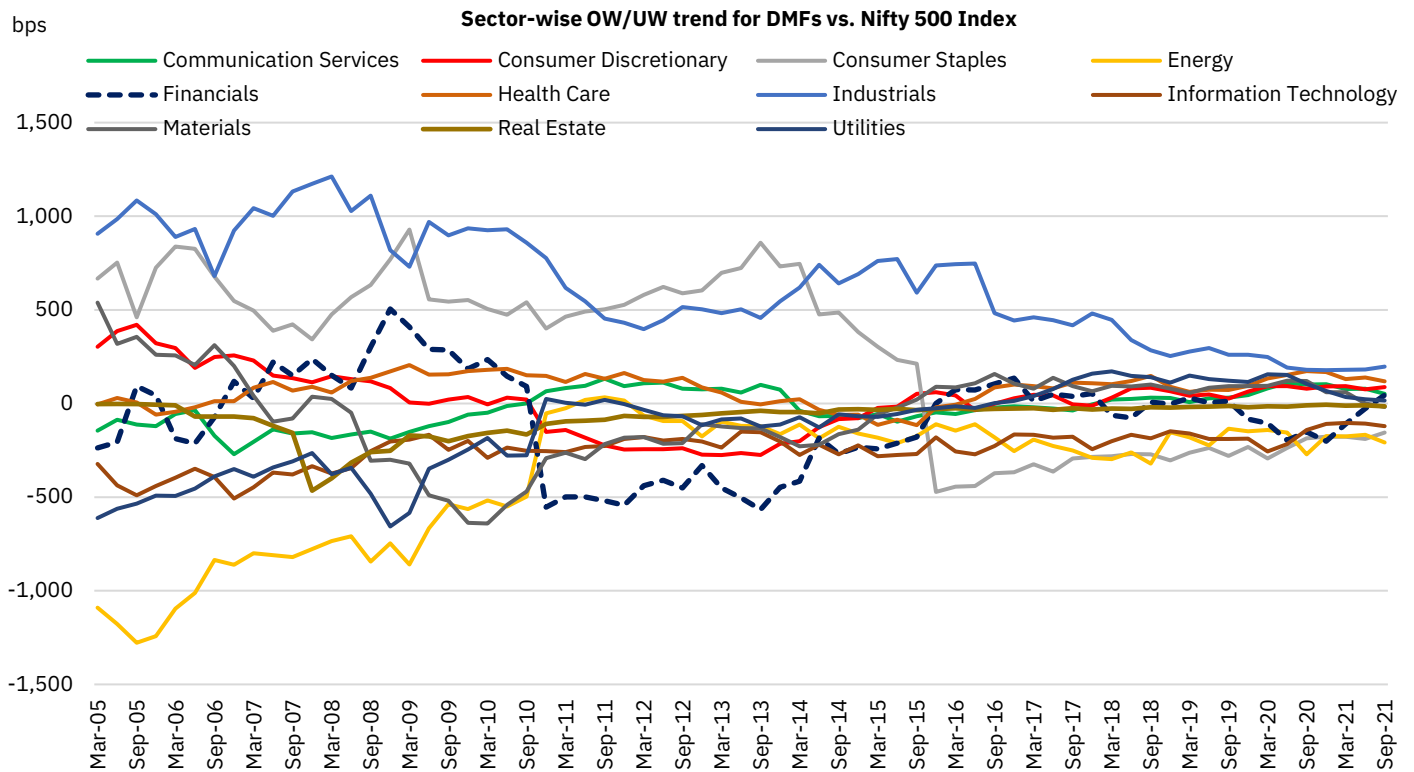
Source: CMIE Prowess, NSE

**Figure 71: DMF sector allocation vs sector weight in Nifty 500 (September 2021)**


Source: CMIE Prowess, NSE

**Figure 72: DMF sector-wise OW/UW in Nifty 500 relative to sector weight in the index (September 2021)**




**Figure 73: DMF vs Nifty 500—Sector-wise OW/UW trend (bps)**


Source: CMIE Prowess, NSE

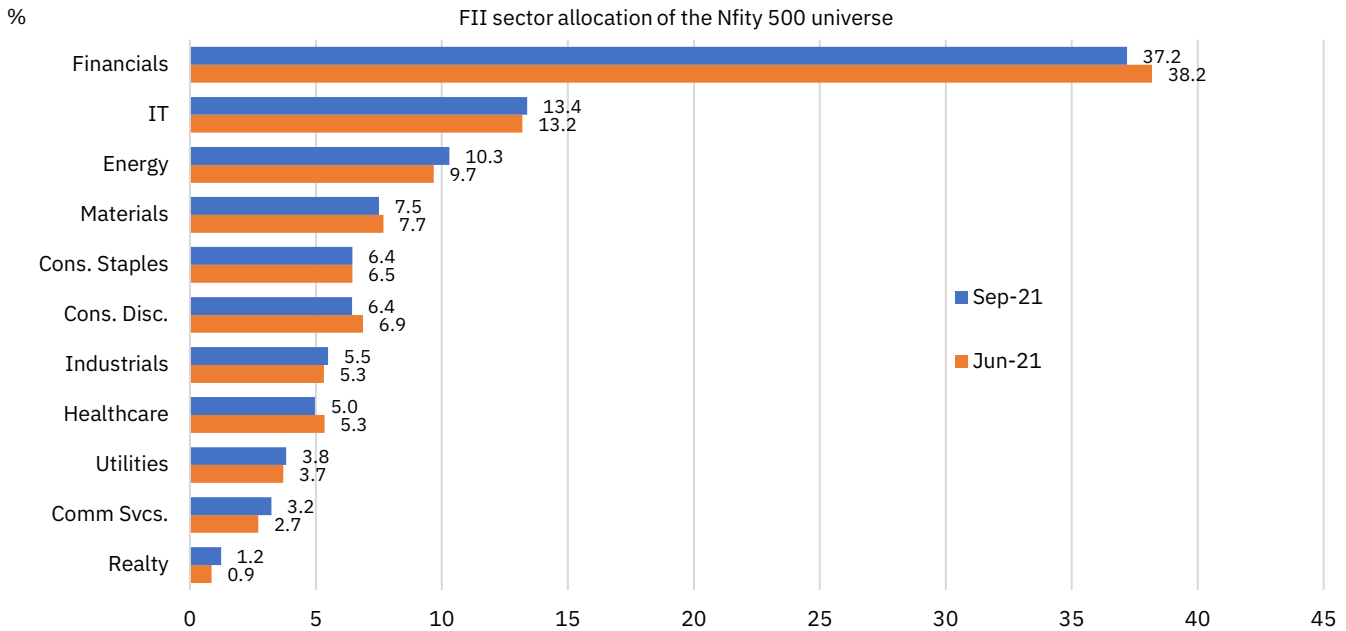
**FII's sector stance contrasted DMFs' with an outsized but reduced OW bet on Financials and persistent negative stance on India's investment theme:** FIIs kept their relative sector positioning within the Nifty 500 Index broadly unchanged in the quarter gone by. Except for an equally strong negative view on Consumer Staples, FII stance on other sectors has remained in contrast to that of DMFs for yet another quarter. Unlike DMFs who increased their relative allocation to Financials while maintaining a cautious stance, FIIs marginally trimmed their OW position on the sector to near 19-quarter lows. Besides Financials, FIIs further increased their OW position on Energy in the September quarter.

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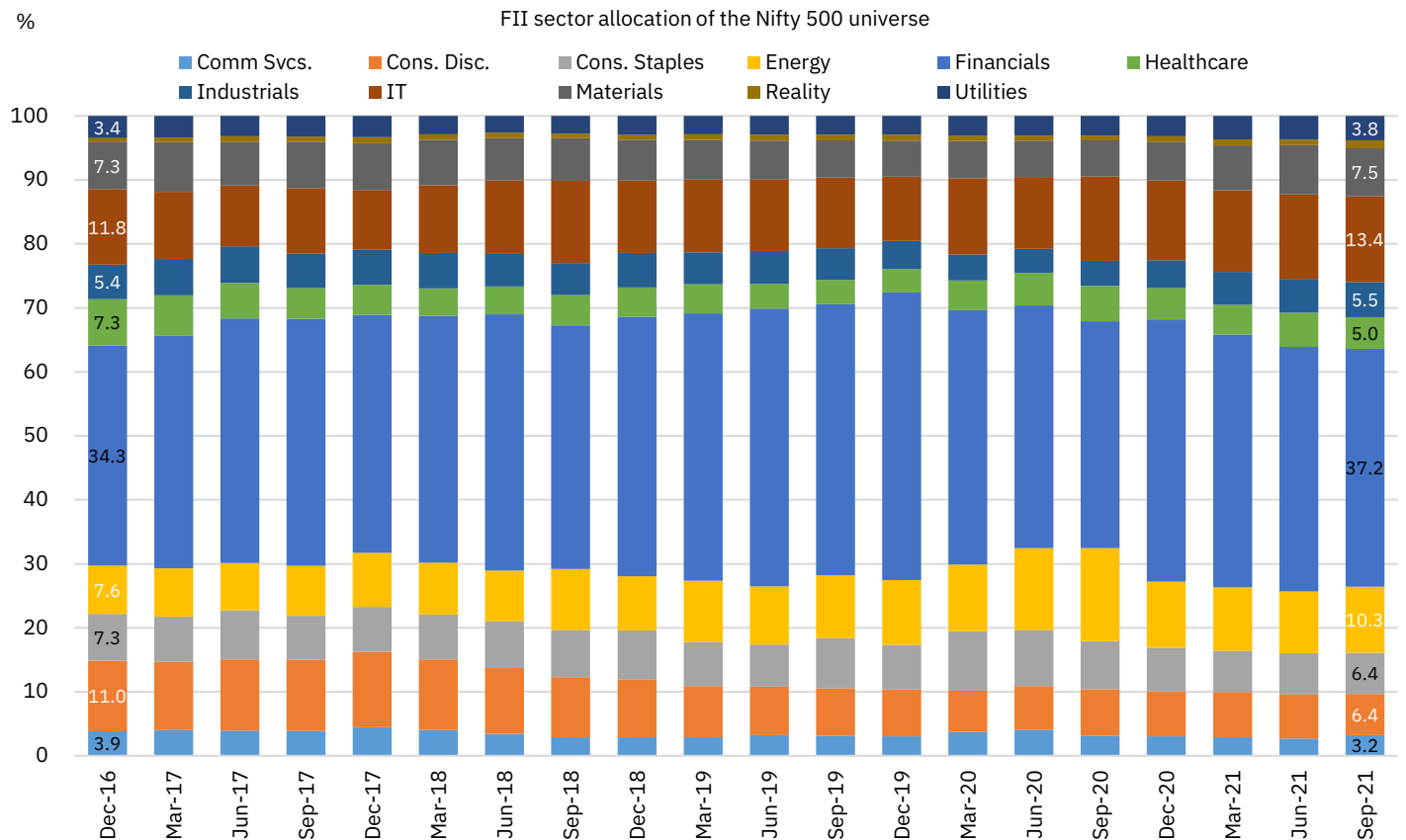
*FIIs continued to play the India story through Financials and Energy with the two accounting for 47.5% of their exposure to Nifty 500 vs. their combined weight of 39.6% in the Index as of September-end.*

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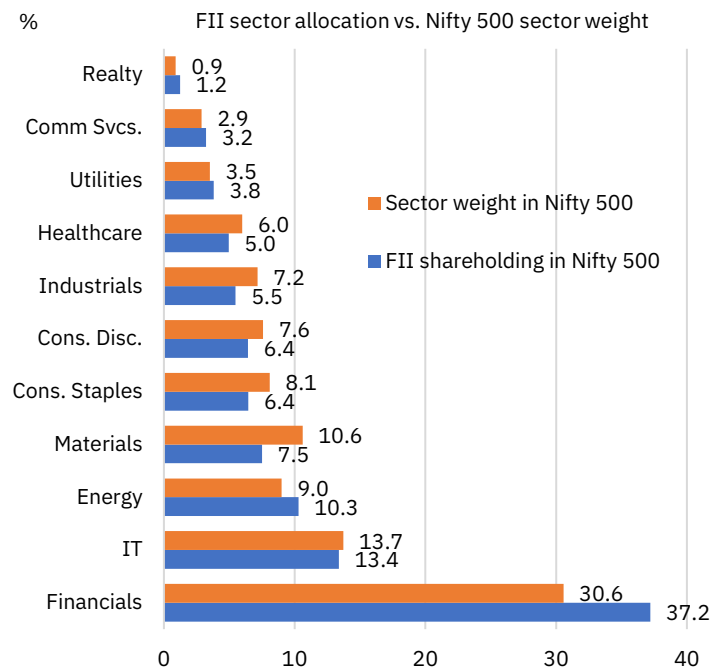
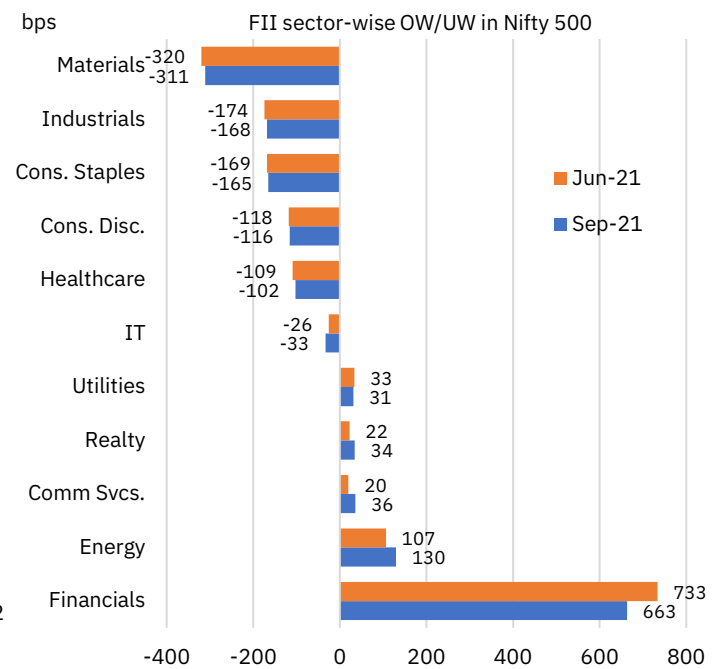
Contrary to DMFs, FIIs have perennially remained negative on the investment theme in the economy, maintaining their UW stance on Industrials and Materials since 2006. FIIs have also maintained their cautious view on India's consumption story and are UW on Consumer Staples as well as Consumer Discretionary, possibly reflecting valuation discomfort and uncertain demand environment particularly in the wake of COVID resurgence. Amongst other sectors, FIIs maintained a negative stance on Healthcare and a neutral position on Utilities, Communication Services, Information Technology and Real Estate.

**Figure 74: FII sector allocation of the Nifty 500 universe (September 2021 vs. June 2021)**


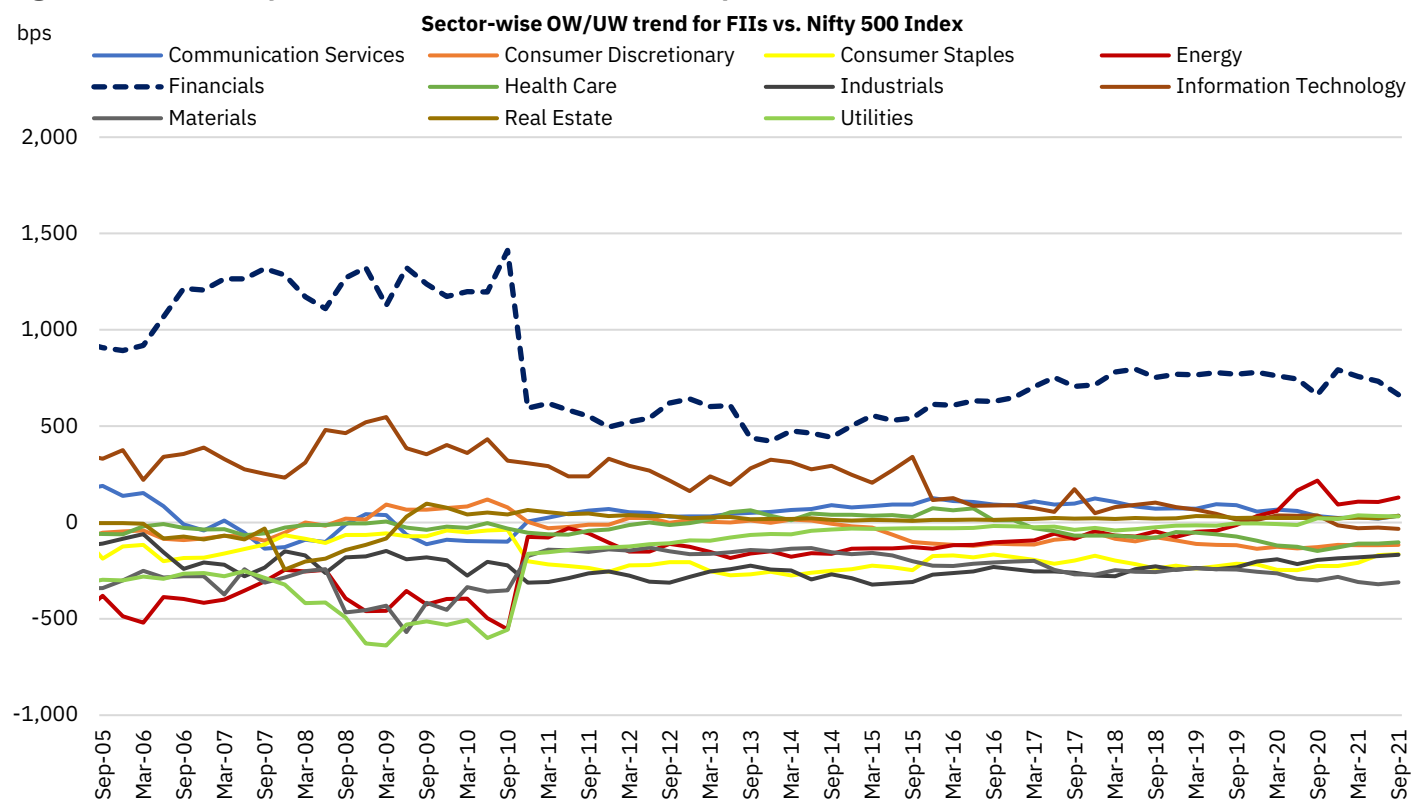
Source: CMIE Prowess, NSE \*FII ownership includes ownership through depository receipts held by custodians.

**Figure 75: 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 76: FII sector allocation vs sector weight in Nifty 500 (September 2021)**

**Figure 77: FII sector-wise OW/UW in Nifty 500 relative to sector weight in the index (September 2021)**


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

**Figure 78: FII vs Nifty 500—Sector-wise OW/UW trend (bps)**


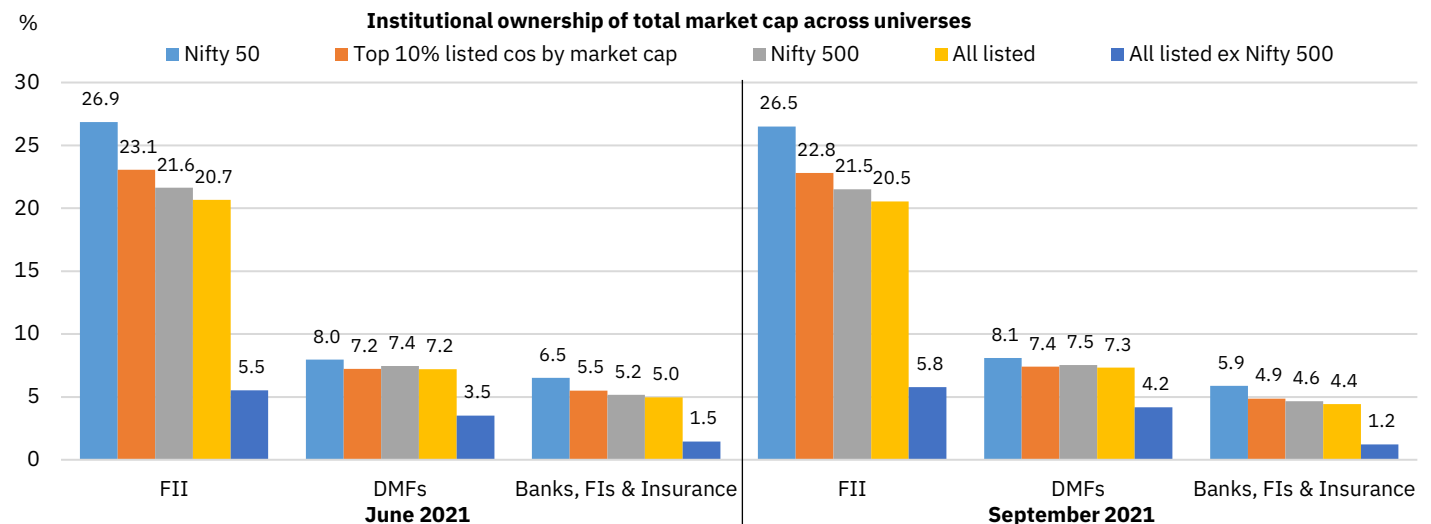
Source: CMIE Prowess, NSE \*FII ownership includes ownership through depository receipts held by custodians

## Institutional ownership concentration analysis

**Institutional ownership remained concentrated to larger companies:** The charts below depict how institutional money is concentrated in the larger companies within the listed universe. FII ownership (including ownership through depository receipts) fell across the board in the September quarter, albeit modestly, translating into a net selling (drop in exposure) of ~Rs 180bn and Rs 359bn in the floating stock of Nifty 50 and the overall NSE-listed universe respectively. DMFs, on the other hand, increased their ownership in equity markets for the second quarter in a row, with net buying (increase in exposure) by DMFs in the September quarter estimated at ~Rs294bn in the overall NSE-listed floating stock. Banks, FIs and insurance companies were big sellers of Indian equity markets in the September quarter, with net selling amounting to ~Rs 1.3trn during the quarter. That said, FIIs' portfolio, with nearly 70% of investments made towards Nifty 50 companies (~54% of the NSE-listed universe), remains far more concentrated as compared to DMFs', albeit incrementally less so, with the latter having a relatively much lower (60%) share of their portfolio allocated to Nifty 50. Banks, FIs and Insurance companies, however, have a slightly more concentrated portfolio as compared to FIIs, with 71.5% of their investments done in Nifty 50 companies.

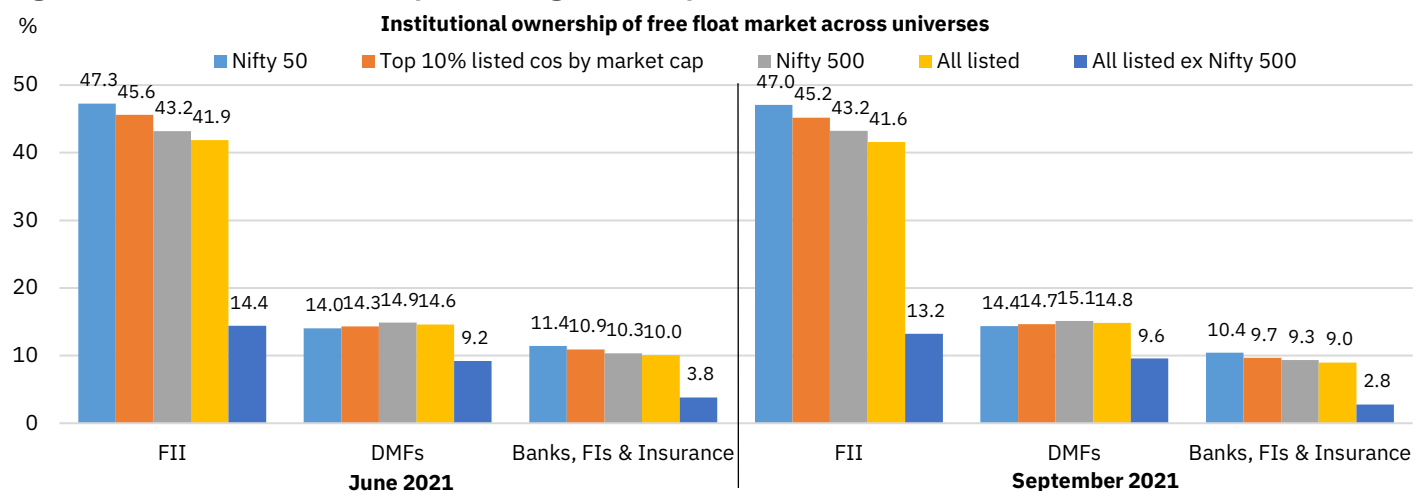
*FIIs' portfolio, with nearly 72% of investments made towards Nifty 50 companies, is far more concentrated as compared to DMFs' who have a relatively much lower (62%) share of their portfolio allocated to Nifty 50.*

**Figure 79: Institutional share of total market cap (September 2021 vs. June 2021)**



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

**Figure 80: Institutional ownership of floating stock (September 2021 vs. June 2021)**



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%:

We now combine the institutional ownership trends with concentration trends in the market. We consider the FII portfolio in India since 2001, not in terms of its value, but in terms of the *number* of stocks. On expected lines, FIIs have always had a relatively more concentrated portfolio, with investments restricted to around 1200 odd stocks during the 10-year period ending December 2020. The bull market of 2020 and 2021, however, have led to a significant rise in the breadth of FIIs' portfolios in the search for alpha. FIIs, for instance, invested in more than 200 new companies in 2021. During this period (2010-), FIIs have poured in nearly US\$153bn on a net basis into the Indian equity markets. Despite widened pool of invested companies, number of companies within the NSE listed space where FIIs have at least 5% share have remained broadly steady at the 600 mark for nearly 15 years now, but more than 60% of them are from Nifty 500 universe. In other words, FIIs today have at least 5% ownership in ~72% of the Nifty 500 Universe (by no of companies), and the share has inched up marginally this year, reflecting an incrementally more concentrated portfolio despite a widened ownership.

In contrast with foreign investors, domestic mutual funds have led an amplified version of this behaviour, particularly between 2014 and early 2020. Notice how the number of Nifty 500 companies with at least 5% DMF ownership has almost doubled from 137 in June 2014 to ~299 in March 2020 only to fall marginally post that. While the FIIs have broadly held their position, other institutional players have ceded space to DMFs. That said, the number of DMF-held companies has remained broadly steady over the last few quarters, indicating reduced concentration post March 2020.

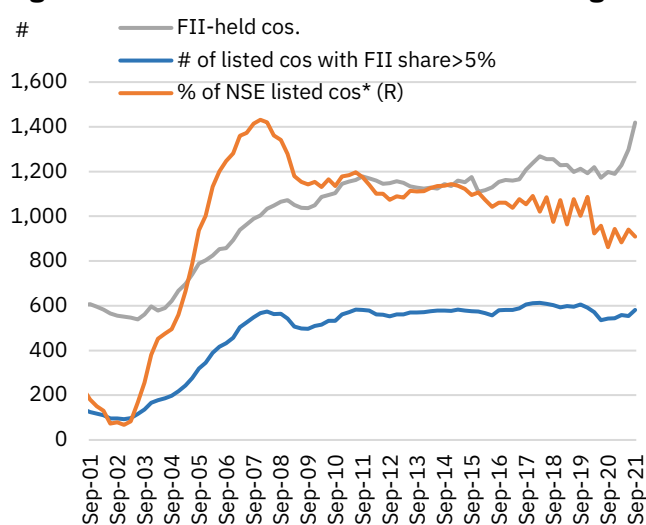
Our Market Concentration analysis in the October edition of Market Pulse (Read [here](#)) shows similar results, with HHI (Herfindahl-Hirschman Index) for Domestic Institutional Investors (Include banks, mutual funds, insurance companies, NBFCs, domestic venture capital funds, AIFs, PMS clients, among others) steadily falling since June 2020. The HHI for FIIs, however, has been inching up since mid-2021, indicating a cautious view. This is also reflected in a gradual dip in FII ownership over the last few quarters.

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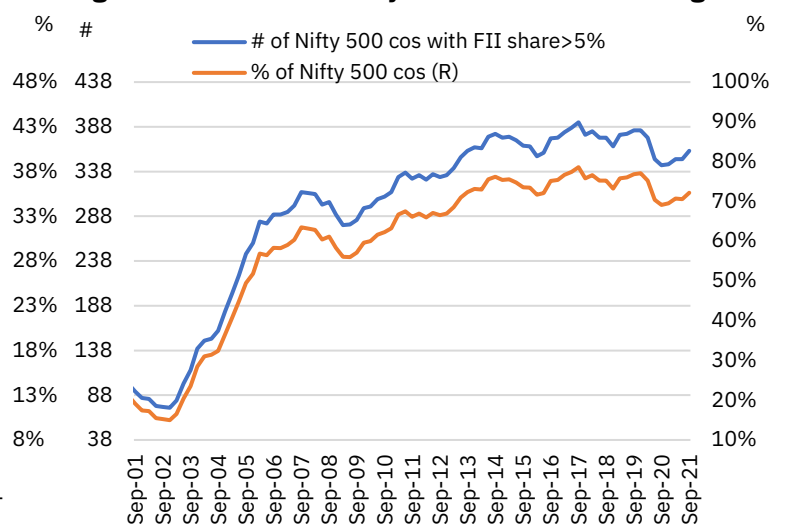
*FIIs' investment concentration in terms of companies with at least 5% ownership within the Nifty500 universe has inched up marginally this year, while that of DMFs have fallen.*

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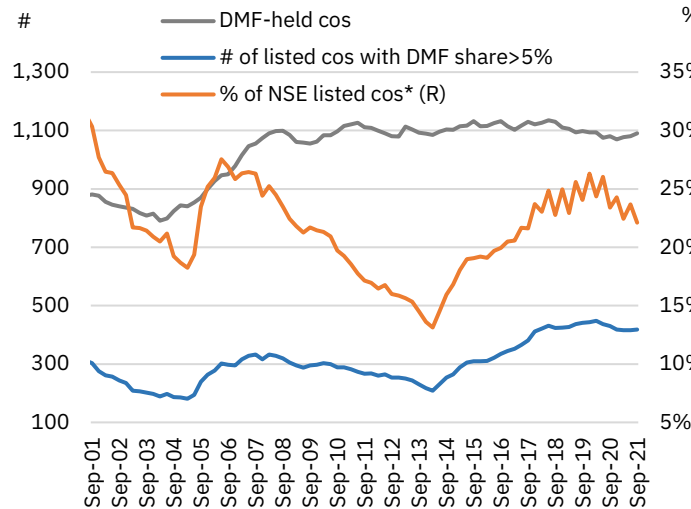
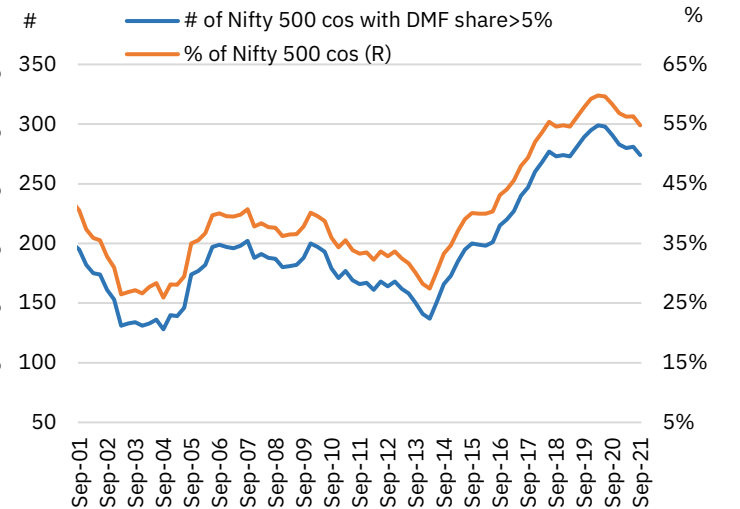
**Figure 81: Number of listed cos with FII holding >5%**



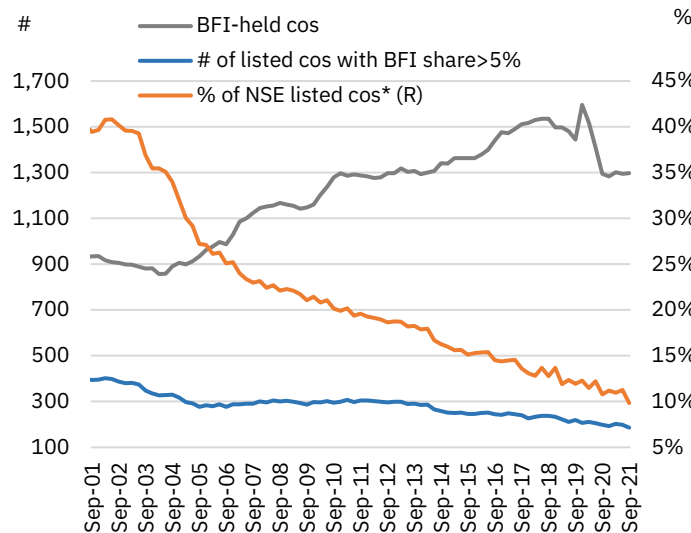
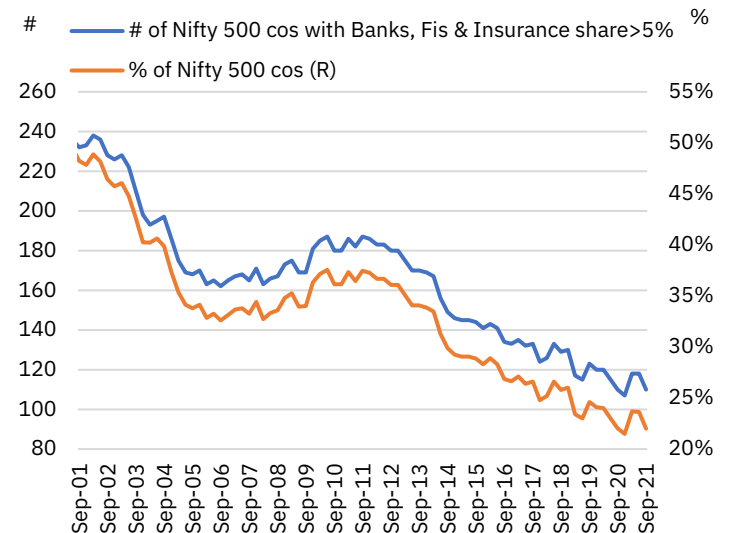
**Figure 82: Number of Nifty500 cos with FII holding >5%**



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

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

**Figure 84: Number of Nifty500 cos with DMF holding >5%**


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

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

**Figure 86: Number of Nifty500 companies with Banks, FIs & Insurance holding >5%**


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

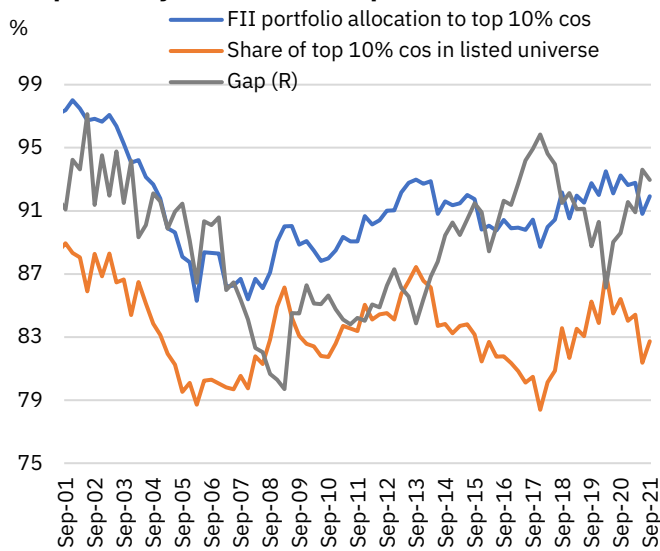
**Concentration of Institutional money in the top 10% companies by market cap:** The 'foreign' portfolio was highly concentrated in 2001, with ~98% of the entire holdings in just the top 10% of stocks. That has since changed with increased understanding of the markets, dropping to 85% in 2006, and then gradually rising, to reach ~93% in March 2020. Just to clarify here: The rise in concentration between December 2017 and March 2020 is merely a market feature—notice the commensurate (actually more acute) rise in the market-cap share of the top 10% of listed stocks during this period. The stronger rally seen in mid- and small-cap stocks in the last one year, however, has changed this dynamic over the last 18 months. As a result, the gap between the share of top 10% of the listed stocks in the overall NSE-listed universe and FII portfolio allocation to such stocks has widened meaningfully over the last few quarters.

It is the DMFs that actually saw their portfolios turning far more concentrated between 2017 to early 2020. The top 10% of stocks by market cap occupied ~87% of their total portfolio in March 2020 vs. 75% in December 2017, even as the share has come off marginally over the last few quarters, in line with reduced share of these companies in the

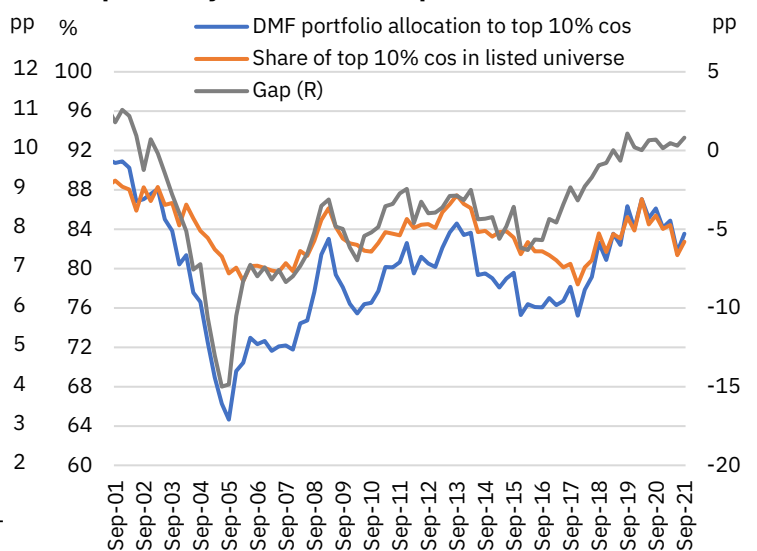
overall listed universe. That said, the difference between DMFs portfolio allocation to top 10% stocks and the share of such stocks in the overall listed universe has remained in the positive territory for the ninth quarter in a row, following a perennial under allocation for the previous 16 years.

What one can gather from both the views (The top 10% of the portfolio and the number of stocks with at least 5% ownership) is that while FIIs have widened their holdings, their portfolio has turned incrementally more concentrated this year. DMFs, on the other hand, have benefited from a surge in SIP inflows this year, leading to a lower portfolio concentration.

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

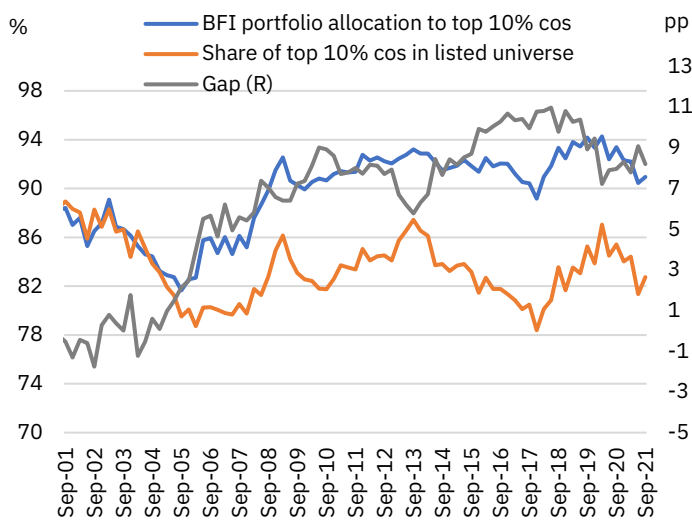


**Figure 88: Trend of DMF portfolio allocation to top 10% companies by total market cap**

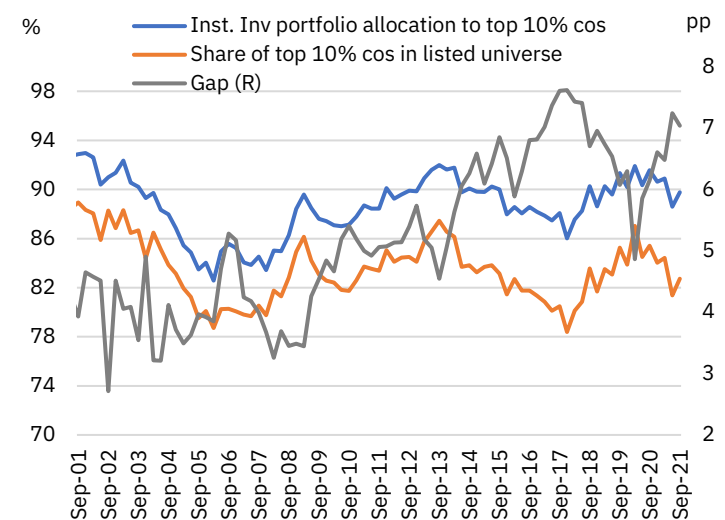


Source: CMIE Prowess, NSE \*FII ownership includes ownership through depository receipts held by custodians

**Figure 89: Trend of Banks, FIs & Insurance companies' portfolio allocation to top 10% cos by total market cap**



**Figure 90: Trend of institutional investment share in top 10% companies by total market cap**



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

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