

LIC listing pushes up govt ownership in NSE cos to 7.15% in Q1

Synopsis

For the past 13 years, (since June 2009), the share of the government in listed companies has been steadily declining, from 22.48 per cent in June 2009, to 7.15 per cent in June 2022, primarily due to divestment, lack of many new listings as also lacklustre performance of many central units relative to their private peers.



The [LIC](#) share sale -- the largest issue despite being a highly trimmed down one, has pushed government holding in listed companies to a high of 7.15 per cent in the June quarter from 5.48 per cent in the March quarter. But in value terms, government holding in NSE companies jumped by 20.24 per cent to Rs 16.99 lakh crore -- primarily due to LIC issue, which is now valued as the tenth largest in terms of market capitalisation of Rs 4.29 lakh crore -- in the June quarter. It was Rs 14.13 lakh crore in March 2022, according to an analysis by Prime Database.

This is way lower than the value of [Reliance Industries](#) NSE -0.73 % which has a market cap of Rs 17.63 lakh crore.

The government shareholding, (as a promoter) in NSE listed companies has jumped to 7.15 per cent as of June 30, 2022, from 5.48 per cent in March 2022.

According to Pranav Haldea, the managing director of [Prime Database Group](#), this was primarily on account of the Rs 20,557-crore LIC IPO in May (which is only around a third of what was initially planned, selling only 3.5 per cent).

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On the other hand, the share of private promoters declined to 44.33 per cent in June from 45.12 per cent in March. Surprisingly, since June 2009, private promoter share has been steadily increasing from 33.60 per cent.

In value terms, private promoter holding has gone up over seven times to Rs 105.32 lakh crore in June 2022 from just Rs 14.49 lakh crore in June 2009, mostly aided by new listings.

Of this, domestic private promoters' share has gone up from 26.44 per cent to 35.67 per cent over the past 13 years, while foreign promoters' share has gone up from 7.16 per cent to just 8.66 per cent.

According to the analysis, the top 10 companies by market capitalisation accounted for a huge 90.68 per cent of overall [FPI](#) holding, up from 90.51 per cent in March 2022, 85.61 per cent of overall DII holding (up from 85.19 per cent) and 82.93 per cent of overall MF holding (up from 82.65 per cent), showing high levels of concentration in holdings of institutional investors, says Haldea.

Even though the share of retail and [HNI](#) investors also came down, the collective share of retail, HNI and MFs reached an all-time high of 17.42 per cent, from 17.38 per cent.

The share of HNIs also declined to 2.08 per cent from 2.21 per cent and so did the combined retail and HNI share which declined to 9.47 per cent from 9.63 per cent.

But in value terms the share of retail investors declined to 7.40 per cent or Rs 17.58 lakh crore from 7.42 per cent or Rs 19.15 lakh crore.

The share of domestic institutional investors (MFs, insurers, banks, financial institutions, pension funds etc, along with retail and high net-worth individual investors) reached an all-time high of 23.53 per cent in June 2022, from 23.34 per cent in March 2022, on the back of net inflows from DIIs to the tune of Rs 1,28,277 crore during the quarter.

This also had the share of foreign portfolio investors (FPIs) coming down to a decadal low of 19.2 per cent (or Rs 45.62 lakh crore) as they were on a selling spree in the quarter pulling out a record Rs 1,07,340 crore.

Their ownership is down by 96 bps from 20.16 per cent in March 2022. In March 2015, their share was 23.30 per cent while the combined share of DIIs, retail and HNI was just 18.47 per cent.

However, FPIs are still the largest non-promoter shareholders in the domestic market and their investment decisions have a huge bearing on the stock prices and overall direction of the market.

The value of FPI holdings in NSE companies stood at Rs 45.62 lakh crore in June 2022, down 12.26 per cent from Rs 51.99 lakh crore in March 2022. FPIs pulled out Rs 69,476 crore from the stocks of the financial services and information technology sector during the quarter and invested Rs 5,087 crore in services and healthcare.

According to Haldea, this further showcases the rise of domestic investors and the huge counter balancing role they have played to foreign investors.

The gap between FPI and DII holding decreased to its lowest level this quarter, with DII holding now being just 26.77 per cent lower than FPI holding. In March 2022, DII holding was 31.99 per cent lower than FPI holding. The widest gap between FPI and DII holding was in March 2015, when DII holding was 55.45 per cent lower than FPI holding.

The FPI to DII ownership ratio also declined to an all-time low of 1.37 in June 2022 down from 1.47 in March 2022. Since June 2009, FPI share has increased from 16.02 per cent to 19.20 per cent while DII share has jumped from 11.38 per cent to 14.06 per cent.