

DIIs narrow India Inc ownership gap with FPIs

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DII-FPI shareholding gap narrows to a record low

DII ownership may have surpassed FPIs' after their January selloff

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The ownership gap between foreign portfolio investors (FPIs) and domestic institutional investors (DIIs) in Indian firms narrowed to a record low of 33 basis points (bps) by the end of December 2024. This marks the smallest gap since 2009, when data from Prime Database first became available.

Market observers believe DII ownership likely surpassed that of FPIs following the significant selloff by overseas funds in January. Last month, FPIs sold shares worth over ₹78,000 crore, while DIIs invested over ₹86,000 crore in domestic stocks.

The ownership gap between FPIs and DIIs peaked at 1,032 basis points in March 2015. Since then, FPIs have steadily reduced their stake in Indian equities.

Conversely, the rising financialisation of household savings, driven by the growing popularity of mutual funds, has empowered DIIs as the dominant force in the Indian equity market.

"This is a landmark moment for the Indian capital market," said Pranav Haldea, managing director, PRIME Database Group. "For years, FPIs have been the largest non-promoter shareholder category, with their investment decisions significantly influencing the overall market direction," Haldea said.

As of the end of the December 2024 quarter, DIIs had 16.9 per cent ownership in market capitalisation of all NSE-listed companies, according to a Prime Database report.

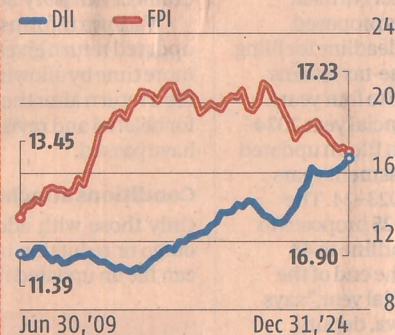
Meanwhile, FPIs' share fell to a 12-year low of 17.23 per cent. This shift was driven by a record ₹1.86 trillion investment by domestic institutions during the three-month period ending in December, coupled with ₹1 trillion in FPI outflows.

In value terms, DIIs owned equities worth ₹73.5 trillion, just 1.9 per cent less



SET TO CONVERGE DII, FPI holdings

The gap has narrowed to 33 bps from peak of 1,032 bps in 2015
Share in total mcap (%)



Source: PRIME Database

than FPIs. This marks a significant change from a decade ago. A decade ago, the value of DII holdings was less than half that of FPIs. DIIs include mutual funds (MFs), insurance companies and pension funds.

MFs have been the primary driver behind the rising influence of DIIs, fuelled by expanding retail participation. As of December 2024, MFs holdings accounted for a tenth of India's market cap, a record high. Equity MFs, both active and passive, have seen substantial growth in the post-Covid period. A robust market rally and the lack of other high-yielding investment options have attracted over 30 million new investors to MFs.

Active equity assets under management (AUM) have surged from ₹7.7 trillion in December 2019 to nearly ₹31 trillion in December 2024. In the same period, systematic investment plan (SIP) inflows have increased from ₹8,518 crore to ₹26,459 crore. However, insurance firms, another major component of DIIs, have

seen a moderation in their ownership.

For instance, LIC's share declined from 3.59 per cent in September 2024 to 3.51 per cent in December. Their overall share has dropped from 5.21 per cent to 5.16 per cent.

Rising DII dominance has contributed to lower market volatility, during sharp bouts of FPI selloff, seen last month. For context, last month's FPI selloff was second highest during a calendar month, yet the benchmark Sensex and Nifty cracked less than a per cent.

Meanwhile, the government's stake (as a promoter) decreased from 9.71 per cent to 9.3 per cent during the quarter, while private promoters' share also fell from 41.33 per cent to 41.08 per cent, with a net sale value of ₹50,647 crore.

Meanwhile, the combined share of retail investors and high-net-worth individuals (HNIs) reached an all-time high of 9.78 per cent, up from 9.58 per cent. Individual investors bought a net of ₹57,524 crore during the quarter.