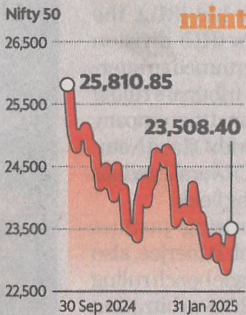
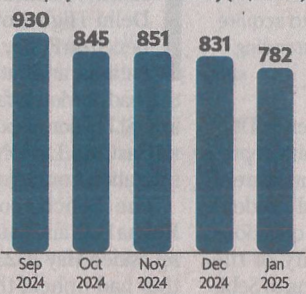


## FPI hit

DIIs bid lower to make FPI exits costly, causing Nifty to drop 12.3% from its record high.



FPI equity assets under custody (in \$ billion)



Source: Bloomberg and NSDL

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# FPI selling not an exodus, yet hurting

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The noise around heavy selling by foreign investors in India masks a key caveat: there are no signs of a large-scale exodus. Yet, foreign portfolio investors or FPIs are also willing to exit at lower levels, which is amplifying the bearish sentiment.

FPIs have net sold shares worth \$21 billion over four months through January end, per data from National Securities Depository Ltd. That's about 2.7% of their total equity holdings worth \$782 billion as of January. This actual selling accounts for just 14.2% of the \$148 billion decline in their assets from a cumulative \$930 billion as of September end. The rest is attributable to unre-

alized losses to their portfolios.

"The figure of actual selling as a proportion of total assets might be insignificant, but what's causing the turbulence is willingness to continue selling at lower levels despite being underweight on India," said Nilesh Shah, managing director at Kotak Mahindra Asset Management Company.

Shah explained that domestic institutional investors (DIIs) like mutual funds were bidding at lower levels to make FPI exits costly. This has caused the Nifty to fall 12.3% from a record high of 26,277.35 on 27 September to 23,031.4 on Thursday. The small- and mid-cap (smid) indices have fallen more than the benchmark, which is typical in a correction, with small-cap index slipping into

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bear market territory—a drop of 20% or more from the record high—on Friday.

The Nifty Smallcap index has plunged 22.4% from a high of 18,688.3 on 24 September to 14,501.65 on Friday. The Nifty Midcap 150 has traded down 18.5% from its all-time high of 22,515.4 on 25 September to 18,346.8 on Friday.

The underperformance of smids to Nifty stocks might also be attributed to the intensified selling by FPIs on these counters post December after they had increased weights of small- and mid-caps at the cost of blue chips. FPI aggregate shareholding in Nifty Smallcap 250 rose to 13.25% as of three months ended December from 12.83% in the preceding quarter, according to capital market data provider Prime Database.

Aggregate shareholding in Nifty Midcap 150 rose to 15.31% from 14.86% over the period. However, their ownership in Nifty 50 fell to 22.97% in December quarter from 23.29% as of September, the data shows. Any investment in the smid space should be done only for the "long term" and the exercise of "stock picking" should be ideally undertaken through a fund manager, said Swarup Mohanty, VC and chief executive of Mirae Asset Investment Managers (India).

For an extended version of the story, go to [livemint.com](https://www.livemint.com).

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