

Retail investors take biggest hit from mkt slump

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Retail investors have been hit hard amid the recent market fall, as their favourite bets have fallen the most compared to other stakeholders such as foreign investors and domestic institutions. In the NSE 500 universe — a mix of large, mid, and smallcaps — stocks where retail shareholders have a stake of over 20 per cent have dropped 45 per cent from their 52-week highs, according to *Bloomberg* data. Meanwhile, stocks with over 20 per cent holdings by domestic institutional investors (DIIs) have fallen by 34 per cent, while global funds with such stakes have slipped 29 per cent.

During this period, Indian benchmark indices — Nifty 50 and Sensex — have fallen by 14.3 per cent and 13.6 per cent, respectively, from their previous peak. The mid and

smallcap benchmarks are testing bearish territory after falling nearly 20 per cent from their peak. Since September 26 last year, the market capitalisation (mcap) of stocks in which retail investors hold more than 20 per cent has fallen by 26.6 per cent, while that of stocks held by DIIs and foreign portfolio investors (FPIs) has declined by 15.1 per cent and 15.2 per cent, respectively, according to data compiled by *Business Standard*.

Stocks such as Sterling and Wilson Renewable Energy, Adani Green Energy, and Honasa Consumer saw the steepest declines in mcap. Whirlpool of India, IndusInd Bank, and Tanla Platforms were among the other major losers.

Higher losses for retail investors could largely be due to panic selling, margin calls, and the absence of institutional support, according to Ajit Mishra, senior vice-president for research at Religare Broking. “In



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contrast, stocks with strong DII and foreign institutional investor ownership tend to hold up better, as institutions step in to buy during corrections,” he observed.

Given that smallcaps have fallen the most, retail investors have not stopped being aggressive. The value of retail investors’ investments in smallcap companies as of the October–December 2024-25 quarter st-

ood at over ₹10.3 trillion, the highest apart from the promoter category.

Most investors tend to get influenced by stock momentum during a bull market, according to Chokkalingam G, founder and head of research at Equinomics Research. This trend has been observed globally across different market cycles, affecting both high-quality and inferior stocks.

FAVOURIED BETS SEE VALUE EROSION

Shareholders > 20% stake	Avg fall from their respective 52-week highs (%)
Retail investors	-44
DIIs	-34
FIIIs	-29

DIIs: Domestic institutional investors
FIIIs: Foreign institutional investors
Source: Bloomberg

He pointed out that historically, during every market downturn, retail investors tend to suffer the most. This is because, in many cases, valuations are stretched, profits and growth are weak, businesses lack durability, and there are governance issues within companies. While market-wide corrections occur, Chokkalingam noted that quality stocks typically decline less com-

pared to inferior ones.

In the smallcap category, which excludes the 100 largecap stocks and the next 150 midcap stocks, foreign investors hold a 21.36 per cent stake, while domestic institutions hold a 24.95 per cent stake. Small investors, however, hold nearly an all-time high of 26.56 per cent, according to Primeinfobase.com. This trend does not apply to largecap companies, where domestic and global institutions hold a considerably larger share than retail investors. These institutions account for over 35 per cent of the stake, while retail investors hold only 12.25 per cent.

Market strategy

Regarding the current market downturn, Kranthi Bathini, director of equity strategy at WealthMills Securities, suggests that recovery in these counters depends on the type of stocks retail investors are holding.

“Ultimately, stock prices are

slaves to earnings,” he said, adding that if earnings outlooks remain positive, stock prices are likely to rebound. However, if earnings visibility is unclear, retail investors must carefully assess their positions. For traders, he stressed the importance of setting stop-loss levels as a crucial risk management strategy.

Such market corrections, Bathini said, are a natural part of a bull market, and long-term investors should take advantage of market dips to accumulate quality stocks.

Mishra echoed similar views. If a stock has strong fundamentals and long-term growth potential and is only down due to market sentiment, it may be worth holding or even averaging down, he said. “However, if the company has weak financials, high debt, or poor management, it’s better to cut losses and shift to stronger stocks.”

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