

# THE ECONOMIC TIMES

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## Trump Sends NSA Waltz to UN

Special envoy Steve Witkoff, deputy secretary of state Christopher Landau said to be in running for NSC chair



AROUND THE WORLD ►► 14

## US and Ukraine Sign Resources Deal

Sought by Donald Trump, long-awaited agreement will allow Kyiv to reimburse Washington for future military assistance



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### INDIA FLEXES DOMESTIC MUSCLE

# A HISTORIC STOCK SWAP

## It's DII-Street, After 22 Years

Armed with a flood of retail inflows, DIIs overtake foreigners in equity ownership

Rajesh Mascarenhas & Kairavi Lukka

**Mumbai:** Domestic institutional investors (DIIs) have surpassed foreign portfolio investors (FPIs) in ownership of companies listed on the National Stock Exchange for the first time in more than 22 years, underscoring the growing appetite of Indians for equities.

The data also highlights overseas fund managers' shrinking interest in Indian stocks, as rich share valuations along with a slowdown in earnings growth have prompted them to cut their holdings here.

In the March quarter, DII holdings rose 73 basis points (0.73 percentage point) to 17.62%, while FPI holdings edged down 2 basis points to 17.22%, showed data compiled by primeinfo-

### Change of Guard



QUARTER-ENDED

Source: primeinfobase.com

In Oct 2008, stock market dropped 25% as foreigners sold ₹16,000 cr of equities

Fall was just 2-3% this Jan even as FPIs sold ₹87,000 cr

FPIs BEGIN TO OPEN THE TAPS  
►► PAGE 5

base.com. FPIs held 20.71% ten years ago, more than the then combined 18.47% holding of DIIs, retail investors and high-net-worth individuals.

Domestic institutions, including mutual funds, insurance companies and pension funds, have been pumping money into the stock market for the past five years, armed

with a flood of inflows from individual investors who have shifted a portion of their savings from traditional avenues such as fixed deposits and real estate to equities, enamoured by superior returns.

"The savings landscape in India has evolved," said Aditya Birla Sun Life Mutual Fund chief executive A Balasubramanian.

Insurers Join the Party ►► 5

## Insurers Join the Party

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"More individuals are now opting for mutual funds, the National Pension System, insurance and direct equities... this has led to an increase in DIIs' ownership of equities," said Balasubramanian.

While the DII holding is likely to go up, he also expects the current FPI inflows to be sustained, "as broader emerging market capital flows are returning to India while significant inflows may resume in the second half of the year".

The Nifty50 index declined half a per cent in the March quarter, while the Nifty Midcap 150 and Nifty Smallcap 250 plunged 10% and 15%, respectively. FPIs sold shares worth ₹1.36 lakh crore in the March quarter, whereas DIIs invested nearly ₹1.9 lakh crore. The retail ownership in NSE-listed companies declined marginally by 19 bps while the stake of high-net-worth individuals fell 11 bps.

Prime Database Group managing director Pranav Haldea said the Indian capital market is having a landmark moment. "Domestic mutual funds, flush with retail money coming through SIPs, continued to play a huge role in this," he said. These mutual funds have made a net investment of ₹1.16 lakh crore in the last quarter, taking their share in NSE-listed companies to double digits for the first time

at 10.35% as on March 31, up from 9.93% three months earlier, he added.

Domestic insurance companies, too, joined the party with a net purchase of ₹47,538 crore during the quarter. Alternative investment funds and portfolio management services net bought ₹3,885 crore and ₹1,137 crore, respectively.

Increased domestic participation has contributed to a more resilient market of late. Earlier, in October 2008, when foreigners sold ₹16,000 crore in equities, the market had



dropped 25%. But now, even when they sold ₹87,000 crore in a single month this January, the Nifty declined just 2-3%, showing how resilient the Indian market is, and that gives confidence to investors, said fund managers. "We are likely to see DIIs holding a larger share until foreign investors decisively come back, which is possible only when US 10-year GSec yields fall to 3.5% levels," said Amit Jain, cofounder of Ashika Global Family Office Services. "The country has delivered a consistent 7% CAGR over the past 25 years, an exceptional record globally. This sustained growth creates a 'TINA' (there is no alternative) factor for investors looking for long-term opportunities."

Even in NSE 500 stocks, DII ownership surpassed FPIs for the first time.