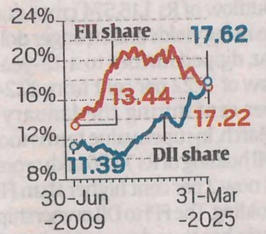
After 15 yrs, domestic institutions upstage FPIs in ownership of listed stocks on NSE

DIIs shareholding at 17.62% in NSE listed companies surpasses that of FPIs at 17.22%

THE HOME SURGE



GEORGE MATHEW & HITESH VYAS
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IN WHAT could significantly change how the stock market responds to global cues, the share of domestic institutional investors (DIIs) has surpassed that of foreign portfolio investors (FPIs) as on March 31, 2025. DIIs include insurers and mutual funds, which have seen a steady flow of funds from retail investors in recent years.

The share of DIIs in the NSE universe of listed companies reached an all-time high of 17.62 per cent as on March 31 this year, and surpassed the FPI share of 17.22 per cent for the first time in at least 15 years, data compiled by PRIME Database shows. The DII shareholding rose from 16.89 per cent in December-end 2024 to 17.62 per cent in March-end 2025 following a staggering net investment of Rs 1.89 lakh crore during the three months.

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Domestic institutions upstage FPIs in ownership of listed stocks on NSE

Nilesh Shah, Managing Director, Kotak Mahindra AMC, said, "Earlier when FPIs used to pull out, our markets fell sharply but now their selling is absorbed through domestic flows, which is more based on domestic fundamentals and economic realities. FPI flows, on the other hand, are linked more to their own reasons of profit booking, meeting liquidity requirements, etc."

For over a decade-and-a-half (for which data is available), FPIs had a significant say in the Indian markets with their buying and selling decisions often influencing market trends. Now DIIs jump in when FPIs exit, and cushion the fall in stock prices. The growing participation of retail investors in mutual funds and insurance products has helped alter the dynamics, with DIIs now able to effectively step in and offer resistance.

In the last two years, retail investors rushed in to participate in equities by registering with mutual funds and enrolling into systematic investment plans (SIPs). The MF industry's net equity assets under management grew 94 per cent to Rs 29.45 lakh crore as of March 2025, from Rs 15.17 lakh crore in March 2023.

The MF share in companies listed on the NSE also recorded an all-time high, and touched double digits, of 10.35 per cent as on March 31, 2025 (up from 9.93 per cent). While state-owned LIC is the largest domestic investor with Rs 15.17 lakh crore investment in 282 listed companies, among mutual funds, SBI Mutual Fund tops the list with an investment of Rs 7.26 lakh crore in 595 companies, followed by ICICI Mutual Fund at Rs 5.33 lakh crore.

The share of FPIs, with a net outflow of Rs 1,16,574 crore due to rising yields and stronger dollar, dipped further to a 12-year low of 17.22 per cent from 17.24 per cent during the January-March. In rupee value terms too, DII holding of Rs 71.76 lakh crore is now 2 per cent higher than FII holding. The FPI to DII ownership ratio has thus dropped below 1 to 0.98 as on March 31, 2025.

The widest gap between FPI and DII holding was in the quarter ended March 31, 2015, when the share of DIIs was over 10 percentage points lower than the share of FII. In rupee value terms, the DII holding was 49.82 per cent lower than FPI holding on March 31, 2015, and the FPI to DII ownership ratio was 1.99.

"For years, FIIs have been the largest non-promoter shareholder category in the Indian market with their investment decisions having a huge bearing on the overall direction of the market. This is no longer the case," said Pranav Haldea, Managing Director, PRIME Database Group.

Indian markets will continue their march towards even more atmanirbharta (self-reliance) in the quarters and years to follow, with the day not too far when the share of MFs alone shall overtake that of FIIs.

As on date, DIIs along with retail individuals (with up to Rs 2 lakh shareholding in a company) and high networth individuals (over Rs 2 lakh), have a combined share of 27.10 per cent as on March 31, 2025. FPIs continue to remain an important constituent, but markets are much more decoupled now since DIIs almost always enter at lower prices when FPIs exit.

In the last four years, the BSE's Sensex has surged nearly 56 per cent and the Nifty 60 per cent. Analysts said as long as domestic stock markets provide decent returns, retail flows are likely to continue and will likely lead to a further rise in DII investment and holding. The pace may, however, be slower due to concerns over stretched valuations, they said.

EXPLAINED

A floor to stock prices

THE STEADY rise in DII shareholding over the last five years acts as a counterweight to FPIs at times when they sell. In effect, DIIs through their active purchases when FPIs sell, provide a floor to stock prices.