

Mcap contribution of large firms lower in India than US

Large number of IPOs in recent years raised dispersion

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The Indian stock market derives less of its total value from a few large firms than was the case 30 years ago, and is now a less concentrated market than the US, the biggest equity market.

The change occurred after 2020, when the US became increasingly concentrated, even as the Indian markets became markedly less so, shows an analysis of data from the National Stock Exchange (NSE) Market Pulse publication.

India's Herfindahl-Hirschman Index (HHI) score fell from 167.9 to 80.9 between 2020 and 2025. The HHI is a measure of concentration, used in the context of market capitalisation. Higher numbers indicate greater concentration. The HHI score for the US rose from 95 in 2020 to 164 in 2025.

India's HHI has seen a continued decline even during periods marked by major crises. It declined between 2005-2010, which was marked by the global financial crisis. It also fell during 2010-2015 and 2020-2025, which saw markets affected by the taper tantrum and the Covid-19 pandemic, respectively.

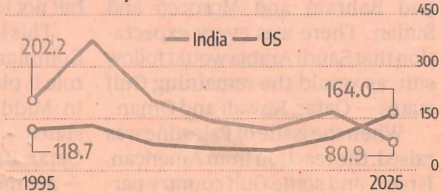
For the US stock market, concentration in large technology companies increased after 2020, resulting in Microsoft, Nvidia, Alphabet, Amazon, Apple, Meta, and Tesla being baptised as the "Magnificent Seven" in 2023 because of their outperformance. This is not true of all developed markets, Japan for example, saw a decline in HHI from 83.9 to 75.9 in the same period.

Among emerging markets, China's HHI index dropped during this period from 301.2 in 1995 to 37.7 in 2025. China's HHI decline was led by a diversification away from the real estate sector, which accounted for 34 per cent of the market capitalisation of the country in 1995 and only 2 per cent in 2025. Information technology (IT), meanwhile, rose from 2 per cent in 1995 to 18 per cent in 2025, even as industrials contributed to 16 per cent. India has seen a diversification away from a commodities-led market with the dominance of materials (25 per cent in 1995) giving way to financials (25 per cent in 2025). Industrials, consumer discretionary, and IT are also key contributors.

India's top 10 firms, largely represent banking and financial services, energy, IT services, and fast moving consumer goods (FMCG), noted Joshy Jacob, professor at the Indian Institute of Management, Ahmedabad. These capital-heavy firms have significant limits to profitable scaling, structurally limiting the concentration of market capitalisation in India. Furthermore, the large number of tech-native start-ups and midcaps listed in the market have lowered market cap

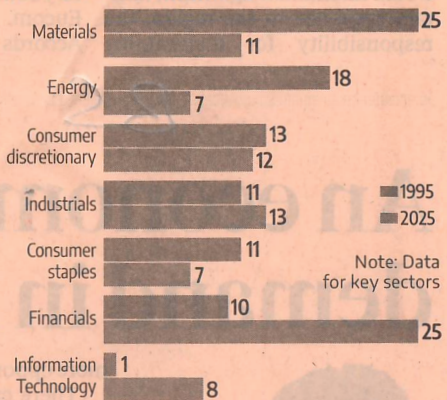
Changing mix

Units: Countrywise HHI score



Note: Herfindahl-Hirschman Index (HHI) is used here as a measure of market capitalisation concentration. Higher numbers indicate greater concentration

India sector-wise market capitalisation (share %)



Note: Data for key sectors

Source: NSE Market Pulse (April 2026)

concentration, suggested Jacob.

"In contrast to the increased dispersion of market capitalisation, the concentration of market share of Indian businesses has gone up in India. Whether the declining trend of market cap concentration will continue into the future may depend on new listings, and the continued growth of the recently listed tech-native firms," he said.

Jacob attributed the jump in market cap concentration in the US to the emergence of two-sided platforms, tech firms and intangible-heavy firms, "which have strong moats and easy-to-scale global businesses". "The out-of-sync concentration of market cap as compared to revenues is powered by their high global growth expectations and super-additive profit margins," he said.

Indian stock markets have seen a record amount of money raised by new companies listing their shares on the stock exchange through initial public offerings (IPOs). There were 103 IPOs in 2025, which raised ₹1.76 trillion in 2025, according to primedatabase.com data. Three of the largest IPO years were after 2020. The other two, in addition to 2025, were 2021 (₹1.19 trillion) and 2024 (₹1.6 trillion).

