

The great un-bundling: How maturing Indian markets are shrugging off concentration

RINGSIDE VIEW.



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The National Stock Exchange's latest 'Market Pulse' report from April offers an interesting comparative study, benchmarking global markets and revealing the key structural shifts in Indian markets that are driving greater maturity and resilience.

According to the report, over the past three decades, global markets have undergone a marked shift in sectoral composition. For instance, the US markets have seen a sharp rise in technology dominance, while China has transitioned from a real estate-led model to a balanced mix of technology and financials. On the other hand, Japan's market structure has remained relatively stable, with gradual diversification.

FINANCIALS DOMINATE
"India's transition has been distinct: From a commodity-

led market to one increasingly dominated by financials, alongside a declining share of materials and energy. These shifts are reflected in rising concentration levels in the US markets, whereas India has moved in the opposite direction, with declining concentration indicating broader dispersion across firms and sectors," according to the study.

In 1995, materials dominated with a 25 per cent share of total market capitalisation, followed by energy at 18 per cent and consumer discretionary at 13 per cent.

By 2025, the financial sector emerged as the leading sector, accounting for 25 per cent of overall market capitalisation. Industrial and consumer discretionary follow with shares of 13 per cent and 12 per cent, respectively.

Notably, the share of information technology has increased significantly to 8 per cent in 2025, compared to 1 per cent in 1995, the report further said.

However, information technology sector hit a high of 16 per cent in 2000.

Sector-wise market capitalisation in India (1995-2025) (% share)

	1995	2000	2005	2010	2015	2020	2025
Materials	25	10	12	13	10	11	11
Healthcare	3	6	5	4	9	7	6
Financials	10	6	11	14	16	23	25
Cons. staples	11	17	8	6	10	11	7
Industrials	11	6	9	7	12	9	12
Cons. discretionary	13	6	9	7	12	9	12
Real estate	2	1	1	2	1	1	2
Comm. services	6	9	5	4	5	3	4
IT	1	25	13	10	12	14	8
Energy	18	14	19	16	11	10	7
Utilities	1	2	7	8	4	4	4

Source: LSEG Workspace, NSE EPR

OWNERSHIP CHANGES

While the NSE report captures evolving sectoral dominance, a separate study by Prime Database highlights a decline in the long-standing dominance of foreign portfolio investors (FPIs) in Indian markets.

FPI holdings, which peaked at 25.72 per cent in March 2023, fell sharply to a 13-year low of 16.6 per cent as of December 31, 2025.

In contrast, mutual fund holdings touched a record 11.1 per cent, while domestic institutional investors (including DMFs) hit a new peak of 18.72 per

cent. According to the NSE study, FPI holdings increased in communication services and energy, while most sectors saw either stable or declining foreign share in the respective sector's market capitalisation.

Communication services recorded a 25-quarter high of 23.7 per cent, while the energy sector recorded a five-quarter high of 16.7 per cent. Consumer discretionary and financials witnessed the sharpest declines, with FPI share falling to 15.9 per cent (a 14-quarter low) and 23.4 per cent (near a 21-year low), respectively.

Despite this moderation, FPIs continue to remain the largest non-promoter shareholders in financials. Consumer staples, healthcare, and utilities also recorded modest declines, while ownership in other sectors remained broadly unchanged.

These trends underscore significant structural changes in Indian equity markets. Unlike earlier periods when a handful of sectors or stocks drove market movements, the current diversification signals a clear progression towards market maturity.

A more balanced presence of FPIs and domestic institutional investors is also likely to help cushion volatility.

That said, it remains to be seen whether this trend sustains or whether sectors such as capital markets, agro, food processing, supply chain, healthcare and pharmaceuticals emerge as dominant drivers.

For now, one conclusion stands out: The era of single-sector dominance in Indian markets appears unlikely to return anytime soon.