Retail investors make Rs 18,000 crore bold contra bet on 6 falling bluechip stocks. Will it pay off?

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Retail investors used the June quarter decline in some of India's biggest companies to mount an estimated Rs 17,914 crore contrarian bet, accumulating shares of Infosys, Reliance Industries, TCS, Wipro, HCL Technologies and ITC even as all six stocks fell.

The wager is heavily concentrated in technology, the sector most exposed to uncertain global corporate spending and AI disruption. Infosys, TCS, Wipro and HCL Technologies attracted an estimated Rs 12,230 crore, accounting for more than two-thirds of the buying across the six stocks, shows data from PRIME Database.

That concentration sets up a direct test of whether retail investors have successfully bought near the bottom or merely averaged down before earnings visibility has improved.

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Infosys attracted the largest estimated net purchase at Rs 3,864 crore, followed by Reliance Industries at Rs 3,764 crore, TCS at Rs 3,291 crore and Wipro at Rs 3,152 crore. Retail investors bought an estimated Rs 1,923 crore of HCL Technologies and Rs 1,920 crore of ITC.

The stocks declined between 0.26% and 20.11% during the quarter. Both HCL Technologies and Infosys fell 20%, TCS lost 14% and Wipro declined 9.%. Reliance Industries fell 4%, while ITC slipped 0.26%.

The PRIME Infobase report estimates net buying by multiplying the change in the number of shares held between March and June by the volume-weighted average closing price during the quarter. It defines retail investors as individuals whose holding in a company is valued at up to Rs 2 lakh.

Retail vs FIIs

The contrarian nature of the trade is evident in the divergence between retail and institutional activity. Reliance Industries was the biggest estimated sale by foreign institutional investors during the quarter, with FIIs cutting shares worth Rs 26,011 crore. Infosys also appeared among the largest sales by FIIs, domestic institutional investors and mutual funds.

Wipro, meanwhile, was the biggest estimated sale by both DIIs and mutual funds. DIIs sold shares worth Rs 6,058 crore, while mutual funds cut an estimated Rs 5,321 crore. Retail investors went in the opposite direction, buying an estimated Rs 3,152 crore of Wipro.

The buying was also accompanied by a significant expansion in the shareholder base. Five of the six companies ranked among the 10 stocks recording the largest increase in the number of retail shareholders during the quarter.

Wipro added 4.08 lakh retail shareholders, Reliance Industries added 2.20 lakh and Infosys gained 2.04 lakh. TCS added 1.50 lakh retail investors, while HCL Technologies added 1.41 lakh.

The strongest warning on the trade comes from the uncertain outlook for IT services, which accounted for four of the six stocks and most of the money deployed.

“IT remains the sector most dependent on factors outside India's control — global tech-spending recovery and US client budgets — making it more appropriate for tactical rather than high-conviction structural positioning at this point in the cycle,” Axis Direct said in a recent note.

Enterprise technology expenditure, discretionary digital-transformation budgets and client decision-making in the US and Europe continue to influence revenue growth, according to the brokerage. While artificial intelligence-related investment, large contracts and cloud migration offer medium-term opportunities, Axis Direct said near-term earnings visibility remains constrained by cautious client spending.

It therefore considers IT more suitable for selective tactical exposure than an overweight structural allocation until there is clearer evidence of a sustained recovery in global technology spending.

HSBC was also guarded despite seeing greater valuation comfort.

“Valuations also look appealing for Indian IT, and the sector has seen some rebound recently. Still, we’re staying cautious, as deflation-related concerns are likely to keep the sentiment clouded and upside capped,” HSBC said.

None of the six stocks accumulated by retail investors appeared in HSBC’s list of its top 10 India stock ideas.

The ownership data reflect that caution. Retail investors’ share of the IT sector’s market capitalisation increased to 7.26% from 6.34%, indicating greater ownership, but IT’s weight within the overall retail portfolio fell to 5.43% from 6.09% as the sector underperformed other parts of the market.

Institutional portfolios moved in the same direction. IT’s share of FII holdings fell to 4.76% from 6.19%, while its share of DII portfolios dropped to 5.83% from 7.55%. The sector’s weight in mutual-fund holdings declined to 5.08% from 6.68%.

Retail ownership grows, but timing record is mixed

The purchases came during a quarter in which the value of retail holdings across NSE-listed companies increased sharply.

Retail ownership by market value rose to 7.39% as of June 30 from 7.12% at the end of March. The market value of retail holdings climbed 19.52% to Rs 34.63 lakh crore, while retail's share of the non-promoter free float increased to 14.83% from 14.24%.

The picture was less straightforward when measured by the number of shares. Retail's average ownership by share volume declined to 15.55% from 15.95%.

The report's broader performance scorecard also offers a cautionary signal for the dip-buying strategy.

Retail investors increased their holdings in 1,130 companies during the quarter. Those stocks rose by an average of 24%. In contrast, the 1,051 companies in which retail investors reduced holdings gained an average of 35.79%.

Stocks that retail investors sold therefore outperformed those they accumulated by 11.57 percentage points during the quarter. That comparison does not determine future returns, but it shows that the contrarian purchases had not yet been validated by relative price performance.

The case for buying largecap stocks

The more constructive argument rests on two themes: improving relative valuations in large companies and a market shift toward businesses with stronger earnings quality.

“Market tide is accelerating in favor of high growth and high quality companies,” said Vinay Paharia, chief investment officer at PGIM India Mutual Fund.

Paharia said the trend had gathered pace since the beginning of the fiscal year, potentially supported by expectations of stable but higher economic growth and improved foreign fund flows. Earnings expectations remain strong for high-growth, high-quality companies, he said, even as expectations for cyclical segments have started weakening.

Christy Mathai, fund manager for equities at Quantum Mutual Fund, also pointed to valuation support in parts of the large-cap universe.

“Although the near-term earnings trend is tied to global developments, valuations have become conducive in several pockets—large-caps in particular trade below their long-term averages,” Mathai said.

Near-term volatility is likely to persist as geopolitical conditions evolve, according to Mathai, but short-term disruptions may have a limited effect on the intrinsic value of businesses. He said investors may consider staggered equity allocations to benefit from favorable valuations and potential volatility.

The comments provide a valuation case for selective accumulation, but neither constitutes a stock-specific recommendation on the six companies bought by retail investors.

Outside technology, the strategists' sector views remain selective rather than uniformly bullish.

Axis Direct favors sectors with strong domestic earnings visibility, policy support, healthy balance sheets and sustainable cash-flow generation. It remains overweight on financials, defence, capital goods, power and utilities, telecom, automobiles and healthcare, while adopting a selective approach toward IT and maintaining caution on FMCG and paints until margin pressures ease.

HSBC similarly favors high-quality growth companies in domestically driven sectors such as financials, automobiles, retail, services and hospitals. Within consumption, it prefers consumer discretionary companies to staples, which it considers more expensive and more exposed to rural demand and rising food inflation.

That leaves the Rs 18,000 crore retail trade dependent on company earnings rather than the simple assumption that a falling stock must rebound.

For the four IT companies, the key hurdle is evidence of a sustainable recovery in global technology expenditure and client decision-making. Across the broader basket, earnings delivery will have to compensate for the risk that the June-quarter declines did not fully capture weaker growth or margin expectations.

"As H2CY26 unfolds, we expect earnings delivery rather than valuation expansion to be the primary driver of market performance, making disciplined stock selection increasingly important," Axis Direct said.