

Top FPIs' assets more than double in 5 yrs

In comparison, India's benchmark indices have risen just 70%

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Despite sustained outflows seen last year, overseas investors continue to keep the faith in the country's long-term growth potential.

The investment value of 25 top foreign portfolio investors (FPIs) in Indian shares has more than doubled in the past five years between December 2013 and December 2018, shows data collated from PRIME Database.

This was at a time when the country's benchmark indices rose just 70 per cent. The investors include a number of sovereign wealth funds such as the Government of Singapore, Abu Dhabi Investment Authority, Canada Pension Plan Investment Board, and Norges.

The data looks at funds that own more than 1 per cent in Indian stocks. FPIs, one of the largest drivers of Indian equities, own roughly 25 per cent of Indian equities. Controlling stakeholders, or promoters, own almost 50 per cent.

Three of the top five FPIs — Capital, Government of Singapore, and Vanguard — have seen their investment value more than triple during this period.

The holding of EuroPacific Growth Fund, for instance, has risen to ₹80,739 crore at the end of December 2018. The fund's top five global holdings include HDFC Bank (2.7 per cent) and Reliance Industries (2.3 per cent) as on January 31, 2019.

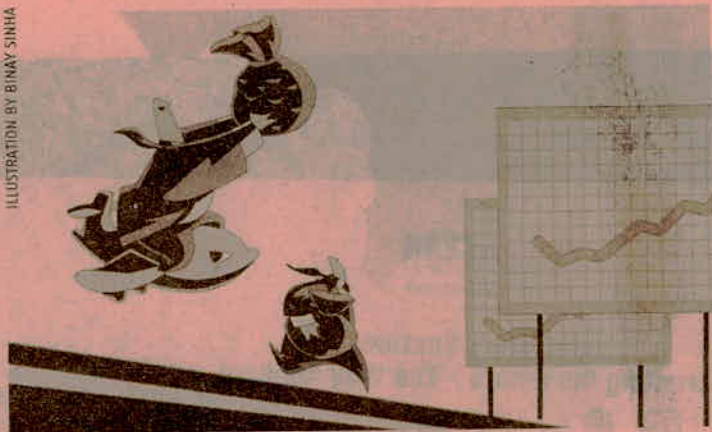
EuroPacific Growth Fund, which managed assets of nearly \$150 billion worldwide, is an open-ended equity mutual fund and managed by Capital Research and Management Company. The fund invests in companies based chiefly in Europe, Asia, and the Pacific Basin.

Government of Singapore's holdings are worth ₹51,181 crore, while that of Vanguard was ₹25,163 crore at the end of December 2018.

Foreign brokerage Goldman Sachs has been strategically overweight on India since March 2014, expecting pro-growth government policies and structural reforms to drive a pick-up in economic growth and a recovery in corporate profits.

"While earnings have improved, Indian equities have almost doubled over the past five years... We expect markets to consolidate heading into the elections and Nifty to reach 12,000, our 12-month target as political uncertainty wanes and earnings accrue," said Goldman Sachs ana-

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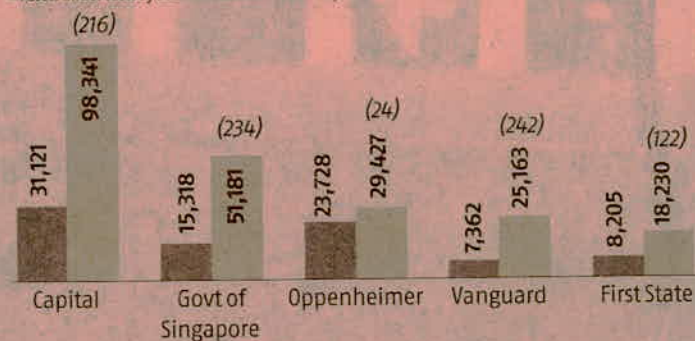


BULLISH ON INDIA

Value of three of the top five FPIs has tripled in five years

■ Assets under custody 2013 ■ Assets under custody 2018

(% change in bracket)



Note: Data as on Dec 31 for each of the year; Assets include stocks where funds' stake is more than 1%
Source: PRIME Database

lysts led by Sunil Koul in their September 2018 note.

In the past five years, the government has initiated several policy changes, such as the goods and services tax (GST), Insolvency and Bankruptcy Code, easing of foreign direct investment limits in various sectors, direct transfer of subsidy benefits, financial inclusion and digitisation measures, the Make in India programme, Ujjwala Yojana, and the Ujwal Discom Assurance Yojana for the power distribution sector.

Specific to FPIs, the government has brought more clarity in the tax regime and amended tax treaties with Mauritius and Singapore, among others.

"India continues to remain attractive among the other emerging economies," said U R Bhat, managing director, Dalton Capital Advisors (India). "The earnings growth is likely to pick up in the next few quarters. The formalisation of economy, reform measures such as GST, and investment in infrastructure will make Corporate India more competitive," added Bhat.

The valuation for Indian equities,

however, remains expensive and some de-rating is warranted, given the general elections in April-May, according to Credit Suisse.

The benchmark Nifty is trading at a 12-month forward price-to-earnings multiple of 17.1, versus the 10-year average of 15.3.

Despite this, equity markets could gradually grind higher as corporate earnings are set to accelerate, says the brokerage in a recent note, even as the Reserve Bank of India's 25-basis point rate cut provides further impetus to the economy.

"The third quarter earnings so far portray good earnings momentum, which should get further fillip once the consumption stimulus, announced in the form of income transfer and tax rebate for lower income groups, starts to show its effect," said Jitendra Gohil, CFA and head of India equity research, Credit Suisse Wealth Management, India.

The brokerage likes select names in financials, chemicals, construction materials, and information technology, but is cautious on consumer companies, given the overstretched valuations.