Holdings of top 20 FPIs rise

14% year-on-year increase comes at a time of sustained volatility

ILLUSTRATION: BINAY SINHA

BETTING BIG ON INDIA

FPI	Assets (₹cr)	% chg*
Capital	103,257	21.4
Govt of Singapore	70,596	54.7
Oppenheimer	29,270	-3.2
Vanguard	28,818	30.2
Norges	22,179	15.6
Canada Pension Plan Investment Board	17,263	22.4
First State	15,836	-8.3
Nalanda	15,750	10.1
DODGE & COX International Stock Fund	13,422	-9.8
Abu Dhabi Investment	12,278	7.8

*change as on March 31, 2019 over previous year
Source: nseinfobase.com

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Mumbai, 15 May

The investment value of top foreign portfolio investors (FPIs) saw a modest increase last year, amid sustained volatility and acute polarisation of Indian equities. The holding of the top 20 FPIs in Indian shares stood at ₹4.08 trillion as on March 31, 2019, up 14 per cent over the same period last year, according to data from nseinfobase.com. The data has taken into account funds that own more than 1 per cent in Indian stocks.

The investors whose holdings have risen 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 overall assets of sovereign wealth funds rose 12 per cent in FY19 to ₹1.66 trillion.

The holding of EuroPacific Growth Fund — the largest stand-alone FPI fund — rose to ₹83,541 crore at the end of March 2019. The fund's top five global holdings include HDFC Bank (3 per cent) and Reliance Industries (2.5 per cent) as on March 31, 2019.

EuroPacific Growth Fund, which manages assets of $160 billion worldwide, is an open-ended equity mutual fund that is managed by Capital Research and Management Company. The fund invests in companies based mostly across Europe, Asia, and the Pacific Basin.

Government of Singapore's holdings were worth ₹70,596 crore at the end of March 2019, up 55 per cent over the previous year, while that of Vanguard was ₹28,817 crore, up 30 per cent from the previous year.

In value terms, holdings of Prudential and Franklin reduced the most in FY19, by ₹3,924 crore and ₹5,130 crore, respectively.

"Indian markets, trading at 18 times the price-to-earnings (P/E) multiple, are pricing in earnings growth in the teens over the medium term, and remain the big 'growth hope' story for investors. Real GDP (gross domestic product) needs to grow 8 per cent-plus to deliver these earnings expectations," said Gautam Chhaochharia, analyst at UBS India.

Despite several challenges such as a fledging growth momentum, rating downgrades for some of the large corporates, and looming fear of defaults by certain corporate houses, the headline valuation for the benchmark index continued to remain high in India, brokerage Credit Suisse observed.

"The Nifty is currently trading at a 12-month forward P/E ratio of 18.2 times, versus a 10-year average of 15.4 times. Unless earnings catch up, this valuation is not sustainable," said Jitendra Gohil, head (India equity research), Credit Suisse.

He added that any negative development regarding trade negotiations could remain an overhang on global markets, but India could potentially outperform in a risk-off environment.

In the past five years, the value of holdings of the top 20 FPIs has risen 2.4 times, during a period when the country's benchmark indices rose 71 per cent. Two of the top five FPIs — Government of Singapore and Vanguard — have seen their investment value more-than-triple during this period.

There have been several policy changes, such as easing of FDI limits in various sectors, introducing the goods and services tax (GST), and the Insolvency and Bankruptcy Code, among others. Specific to FPIs, the government has brought more clarity into the tax regime, and also amended tax treaties with Mauritius and Singapore.