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DOMESTIC INSTITUTIONS MAY HAVE PULLED AHEAD OF FOREIGN FUNDS IN OWNERSHIP OF LISTED COS

IT'S A DII STREET THIS OCT

FII's Meet Their Match in Local Funds

Rajesh Mascarenhas

Mumbai: Through this October, Dalal Street presented a study in sharp contrasts — and lofty records. First, foreign investors pulled ₹1 lakh crore out of Indian equities in October, beating the record in the Covid-ravaged March of 2020 with consummate ease. Yet, the fall in equity gauges was nowhere as devastating as in that month, with domestic funds more than matching the sales momentum through record purchases.

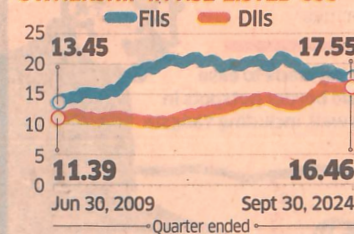
In the bargain, domestic institutional investors (DII) may have, for the first time this millennium, pulled ahead of overseas funds in owning locally listed firms — another

record that points to the shifting centre of gravity in the ownership of Indian risk assets.

To be sure, detailed ownership data for October-December will be published in January. Yet, by September end itself, the ownership gap between foreign institutional investors (FII) and DIIs had narrowed to a record low of 109 bps, underscoring the growing influence of domestic capital in Indian equities. "There has been a dramatic shift in ownership in Indian capital markets over past few quarters, with local investors taking the lead and FIIs losing influence," said Pranav Haldea, MD, Prime Database Group.

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OWNERSHIP IN NSE-LISTED COS



INSTITUTIONAL INVESTMENT (₹ CR)

Year	FII	DII
2020	1,00,759	-36,152
2021	-54,541	94,575
2022	-1,50,250	2,76,699
2023	1,32,648	1,84,650
2024*	-76,063	4,39,843

*as on October 29

Source: Primeinfobase.com

LARGCAPS MAY BEAT MID & SMALLCAPS IN SAMVAT 2081 >> 9

SIP Contributions

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“In the past, when FIIs sold, the market would collapse, and LIC and other domestic institutions would step in to prevent further damage. Now, things have changed,” Haldea said.

While the share of FIIs in NSE-listed companies rose to 17.55% at the end of September from 17.39% in the quarter ended June, the ownership of DIIs reached a record high of 16.46%, data from primeinfobase.com showed. DII ownership was 16.25% as of July. DIIs include mutual funds, insurance companies, pension funds and banks.

Historically, FIIs as a category have been key participants in the Indian markets. Their moves have often swayed market direction and valuations. However, of late, domestic institutions have stepped in to effectively counter the decline in FII holdings in the past few quarters, market participants said.

THE LOCAL FLAVOUR

“Over time, domestic money has indeed shifted from other asset classes to stocks as expected amid a rising per capita disposable income,” said Prateek Agrawal, MD & CEO, Motilal Oswal AMC. “Despite heavy selling by foreign investors, domestic investors have shown resilience, helping to stabilise the market.”

In the September quarter, when the Nifty surged to a record high past 26,000 toward the end of the three-month period, FIIs bought shares worth Rs 55,629 crore, whereas DIIs invested nearly Rs 1.03 lakh crore.

FII holdings declined 29 basis points from 17.68% to 17.39% in the previous quarter, while DII holdings increased by 19 basis points from 16.25% to 16.46%.

SIP (systematic investment plan) contributions from mutual funds, which surpassed ₹20,000 crore in April, continued to break records each month. The latest data from mutual fund industry bodies showed that monthly SIP contributions rose to ₹24,508.73 crore in September, up from ₹23,547.34 crore in August. The number of new SIPs registered in September stood at nearly 7 million.
