

## India Flow Trails

## Feb'24: DIIs marching ahead, FIIs flat YTD

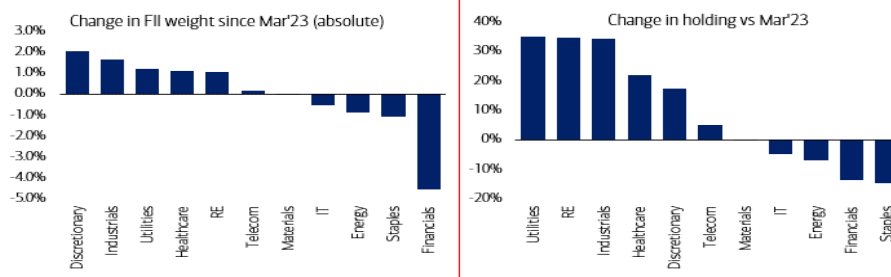
## Equity Strategy

## Financials continue to see FII outflows

- After witnessing significant outflows in Jan'24, Feb'24 saw reversal of FII flows (US\$0.2bn vs -US\$3bn in Jan'24). Mar'24 MTD flows tracking strong at US\$3.2bn.
- FII outflows were led by Financials** (-US\$0.9bn), Telecom & Realty (-US\$0.45bn each), Staples & Utilities (-US\$0.34bn each), while inflows were led by Discretionary (US\$0.74bn), Healthcare (US\$0.5bn), IT (US\$0.4bn), & Industrials (US\$0.35bn). FII AUM stands at US\$757bn (+1.4% MoM).
- DII flows came in at US\$5.4bn** in Feb'24 (vs US\$4.4bn in Jan'24), consistent with the financial year end monthly average. Active DII flows stood at US\$4.3bn constituting 91% of total DII flows (vs US\$3.9bn in Jan'24), while passive flows came in at US\$1bn (vs US\$0.4bn in Jan'24). DII AUM stood at US\$426bn (+3.1% MoM).
- DII inflows across schemes:** SMID caps inflows continued in Feb at US\$0.57bn (US\$0.64bn in Jan), while flows to large cap remain subdued at US\$0.1bn in Feb'24. Only focused funds saw minor outflows in Feb'24.
- Continued upward momentum of SIPs** with Feb'24 coming in at US\$2.31bn (vs US\$2.27bn in Feb'24). Feb'24 IPO announcements stand at US\$0.9bn, on track to achieve the CY24 target of US\$8bn.
- EM funds' positioning reverse:** EM fund positioning toward India was marginally negative at 0.08% vs Neutral in Jan'24, China's position further dropped to 28.5% (vs 33% in Nov'23).
- Change in FII holdings since Mar'23:** since Mar'23, FIIs have cut positions in Financials, Staples & Energy significantly, while they have increased their holdings in Utilities, Real Estate, Industrials, Healthcare & Discretionary.

**Exhibit 1: Change in FII holdings since Mar'23**

Utilities, Real Estate, Industrials have seen significant increase in holdings & weights while Staples, Financials and Energy have seen significant reduction



Source: BofA Global Research, Bloomberg, NSDL

Change in holdings = Change in sector weight since Mar'23 / Sector weight in Mar'23

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## Details on page 2....

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Refer to important disclosures on page 11 to 12.

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Equity Strategy  
India

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**Abbreviations:**

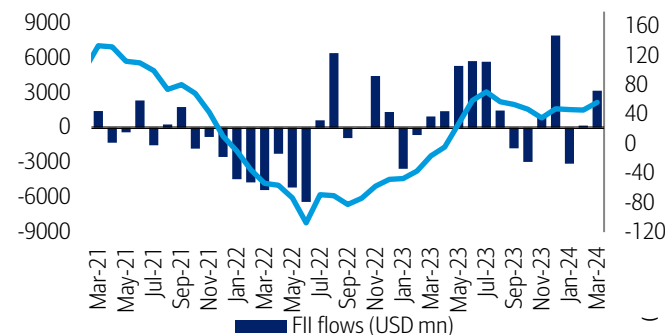
UW = underweight  
OW = overweight  
NW - neutral weight  
RE - Real Estate  
EMs = Emerging markets  
MoM = Month on Month  
TTM = Trailing 12M  
MTD = Month-to-Date  
YTD = Year-to-Date  
AUM = assets under management  
FII = foreign Institutional Investors  
DII = domestic Institutional Investors  
SMID = small and mid  
SIP = Systematic Investment Plan  
IPO = initial public offering  
LTA = long-term average

- **FII flows India vs other EMs:** Korea has surpassed India in cumulative FII inflows since Jan'23 among the EM basket at US\$19bn, followed by India (US\$18bn) and Taiwan (US\$11bn). Although EM fund allocation to India remains strong at 27% (vs 25% in Jan'24), EM fund positioning to India reduced to 0.08% vs Neutral in Jan'24 while China's position further dropped to 28.5% in Jan'24 (vs 33% in Nov'23).
- **FII sectoral deployment and ownership:** FII ownership remained steady at 18.7% in Feb'24. Outflows were seen in 6/11 sectors with outflows in Financials (-US\$0.9bn), Telecom & Realty (-US\$0.45bn each), Staples & Utilities (-US\$0.34bn each), while Discretionary (US\$0.74bn), Healthcare (US\$0.5bn), IT (US\$0.4bn), & Industrials (US\$0.35bn) saw inflows.
- **FII AUM:** FII AUM reached US\$757bn in Feb'24, led by Energy (11.39% +44bps), Discretionary (13.76%, +38bps), IT (10.45%, +31bps) and Healthcare (6.04%, +23bps), while Financials (29.08%, -75 bps) saw a sharp AUM decline.
- **FII sector positioning:** FIIs remain most OW on Energy (+325 bps) followed by Real Estate. (+273bps), Discretionary (+253bps) & Financials (+99bps) while Materials (-455bps), Industrials (-420bps), and Staples (-120bps) were the most UW sectors.
- **DII flows:** DII flows came in strong at US\$5.4bn in Feb'24 (vs US\$4.4bn in Jan'24) higher than its long-term average (LTA) of US\$2.6bn. Active funds contributed 91% of the total DII flows (US\$4.4bn), while passive fund inflows were at US\$1bn. SMID cap funds continued to witness strong inflows of US\$0.57bn in Feb'24. Sectoral funds saw solid inflows of US\$1.3bn (vs US\$0.6bn in Jan'24), Large cap funds saw subdued inflows of US\$0.1bn, with only one fund (Focused fund) seeing outflows in Feb'24 (-US\$0.06bn)
- **DII sector allocation:** DIIs ownership levels remain steady at 9.2% (+0.1% QoQ). Sectorally, Industrials saw a higher allocation (10.5%, +96bps) while allocation to Financials (32.3%, -132bps) and Healthcare (6.9%, -52bps) dropped further. Rest of the sectors remained steady.
- **DII sector positioning:** DMFs were most OW on Financials (+363bps), Healthcare (+96bps), and Discretionary (+40bps) while most UW on Staples (-149bps), Energy (-148bps) and IT (-99bps)
- **SIP inflows & Retail volumes** SIP inflows continued its upward momentum, with Feb'24 inflows at US\$2.3bn (vs US\$2.27bn in Jan'24). Retail trading activity was strong in Feb but has moderated in March so far, standing at 51% vs 57% in Feb, while the share of FII and DII inched up in March to 31/18% vs (26%/17%) in Feb
- **Primary Market Flows:** Deal count was 49 in Feb'24 (vs 63 in Jan'24) while deal value slightly inched up US\$3.4bn (vs US\$3.2bn in Jan'24). IPO: Feb'24 tracking at US\$ 0.9bn. Jan'24 IPO announcements stand at US\$0.7bn, on track to achieve the CY24 target of US\$8bn.

## Focus Charts

### Exhibit 2: FII Inflows into Indian Equities Market

After a significant outflows in Jan'23, Feb saw a muted FIIs inflows at US\$186mn in, but Mar is again seeing a pickup at US\$3.2bn MTD

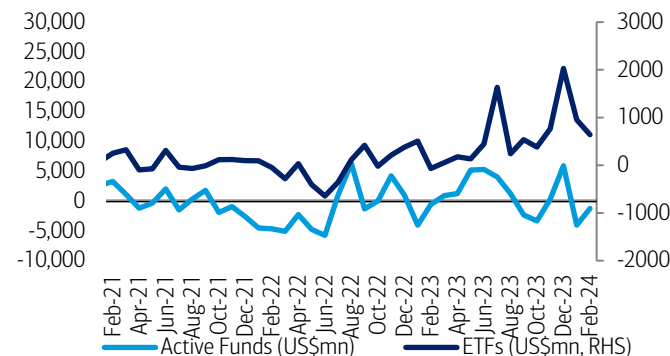


Source: BofA Global Research, NSDL; \*March data is till Mar 13th

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### Exhibit 3: FII flows through active and passive funds

Active funds saw outflows of US\$1.4bn while passive funds saw inflows of US\$1.6mn in Feb'24, Active funds have poured in US\$2.6bn in Mar till date

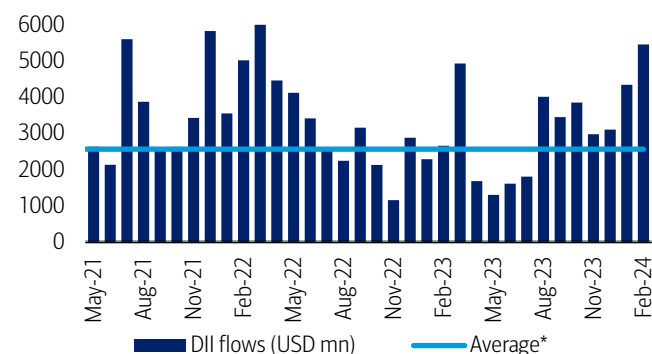


Source: BofA Global Research, NSDL, Bloomberg; \*March data is till Mar 13th

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### Exhibit 4: DII flows into Indian equities market

DII inflow continues to remain strong with Feb'24 tracking at US\$5.4bn (vs US\$4.3bn in Jan'24); higher than its LTA of US\$2.6bn.



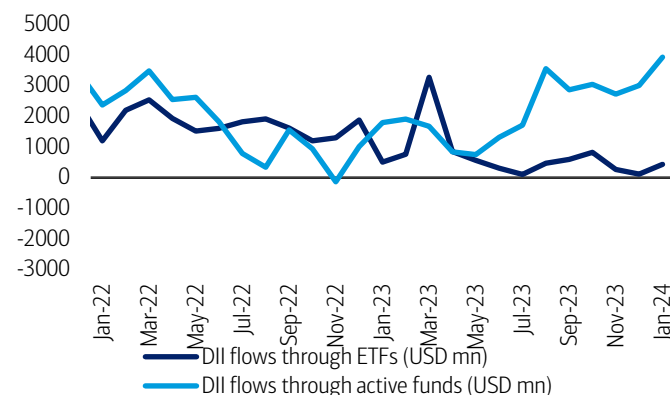
Source: BofA Global Research, AMFI, Bloomberg

\*Average excludes periods between witnessing exceptionally high flows >US\$4bn/month

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### Exhibit 5: DII flows through active & passive funds

Active DII flows for Feb'24 came in at US\$4.4bn (highest since July'21) while passive flows were at US\$1bn (vs US\$3.9bn/US\$0.4bn in Jan'24)

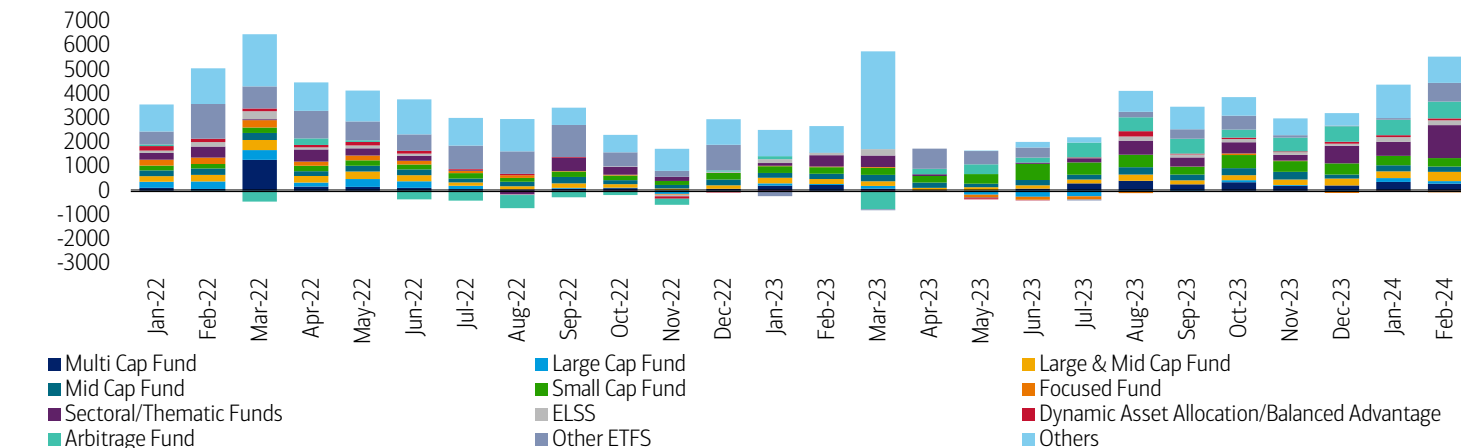


Source: BofA Global Research, AMFI, Bloomberg

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### Exhibit 6: Monthly DII flows: split across fund types

SMID cap funds inflows remained strong in Feb at US\$0.6bn in. Feb saw a sharp uptick in Sectoral/Thematic funds with inflows of US\$1.4bn (vs US\$0.6bn in Jan'24) Large cap fund inflows remained subdued at US\$0.1bn with only one fund (Focused fund) seeing outflows in Feb'24

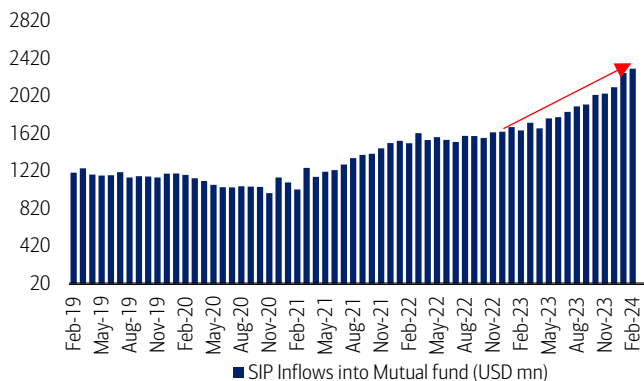


Source: BofA Global Research, AMFI, Bloomberg

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**Exhibit 7: SIP inflows into Mutual Funds**

SIP flows continue to hit an all-time high every month with Feb'24 inflows of US\$2.31bn (vs US\$2.27bn in Jan'24) registering a 2% MoM growth

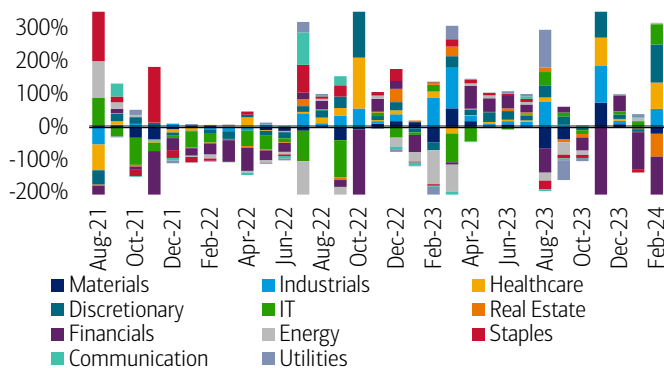


Source: BofA Global Research, AMFI, CMIE

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**Exhibit 9:- Sector wise monthly FII flows allocation**

Financials (US\$0.9bn), Telecom (US\$0.45bn), Realty (US\$0.44bn), & Staples (US\$0.3bn) saw outflows while, Discretionary (US\$0.74bn), Healthcare (US\$0.5bn), IT (US\$0.4bn), Industrials (US\$0.35bn) led the outflows

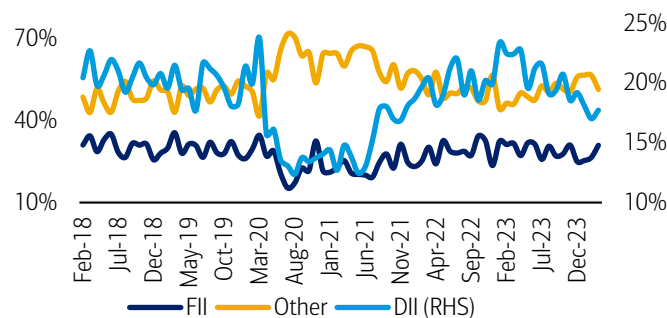


Source: BofA Global Research, NSDL, Bloomberg

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**Exhibit 8: Retail trading activity by FII, DII & Others**

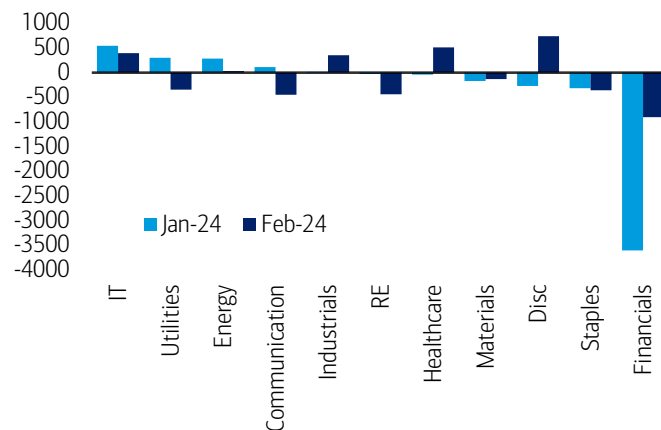
Retail trading activity was strong in Feb at 57% similar to Jan'24 while moderating in Mar to 51% share of FII and DII inched up to 31% & 18% in Mar vs 26%/17% in Feb

Source: BofA Global Research, Bloomberg, March data is till 13<sup>th</sup> March 2024

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**Exhibit 10: Sector-wise monthly FII flows allocation (\$mn)**

Outflows were seen in 6/11 sectors with Financials leading the pack.

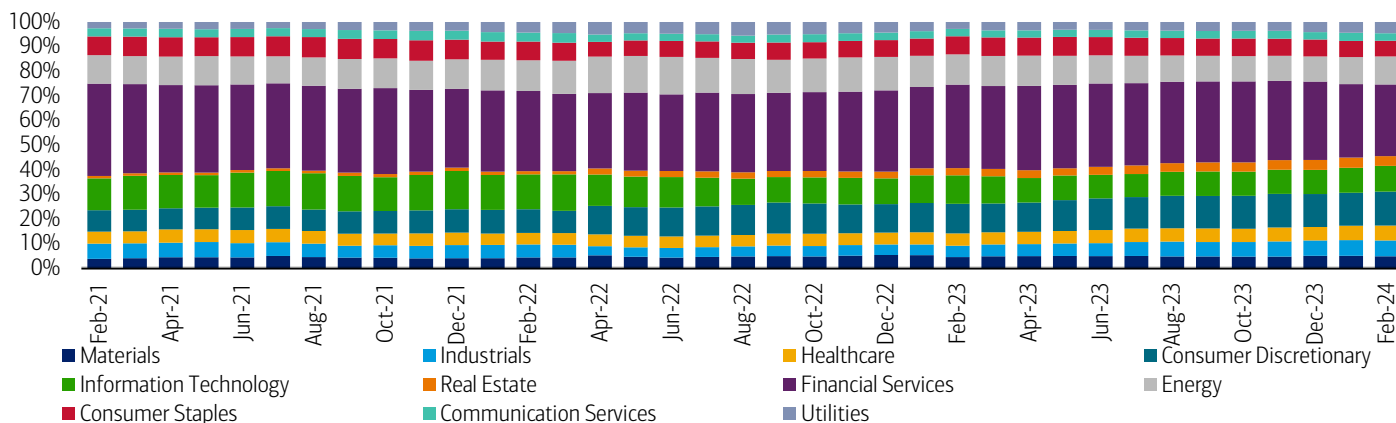


Source: BofA Global Research, NSDL, Bloomberg

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**Exhibit 11: Sector-wise split of FII AUM**

FII AUM reached US\$757bn in Feb'24 led by Energy (11.39% +44bps), Discretionary (13.76%, +38bps), IT (10.45%, +31bps) and Healthcare (6.04%, +23bps), while Financials (29.08%, -75 bps) saw sharp AUM decline.

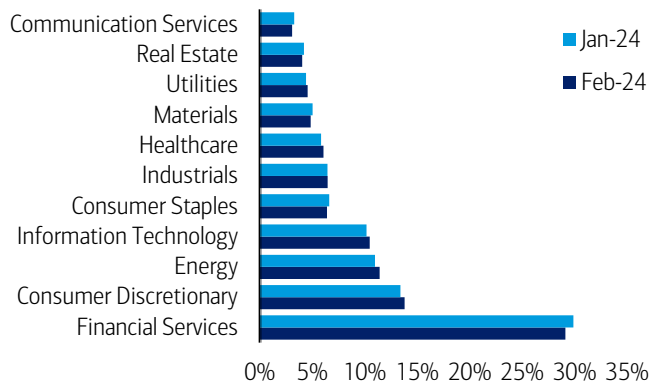


Source: BofA Global Research, NSDL, Bloomberg

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**Exhibit 12: FII AUM allocation amongst sectors**

...while rest remained at similar level

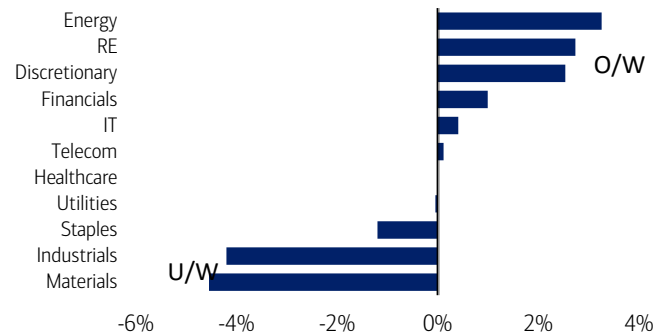


Source: BofA Global Research, NSDL, Bloomberg

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**Exhibit 13: FII sector positioning**

FII remains most OW in Energy (+325 bps) followed by Real Estate. (+273bps), Discretionary (+253bps) & Financials (+99bps) while Materials (-455bps), Industrials (-420bps), and Staples (-120bps) were the most UW sectors

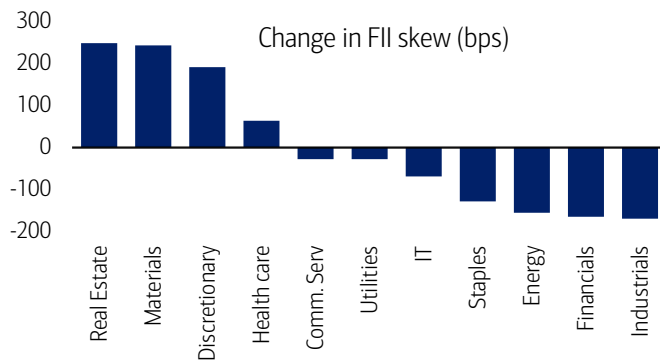


Source: BofA Global Research, NSDL, Bloomberg

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**Exhibit 14: Change in FII skew (in bps) vs Oct'21 peak**

Since Oct'21, RE (247bps), Materials(242bps) and Discretionary (191bps) saw the highest increase in allocation while Industrials (169bps), Financials (165bps), Energy (155bps) and Staples (128bps) saw a fall in allocations.

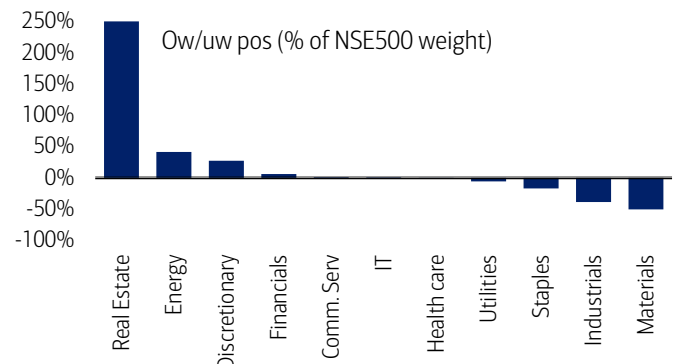


Source: BofA Global Research, NSDL, Bloomberg

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**Exhibit 15: FII sector positioning intensity**

Benchmarked to NSE500 weights, FII ow/uw skew intensity is most significant on RE, Energy, Discretionary, Materials & Industrials indicating higher conviction

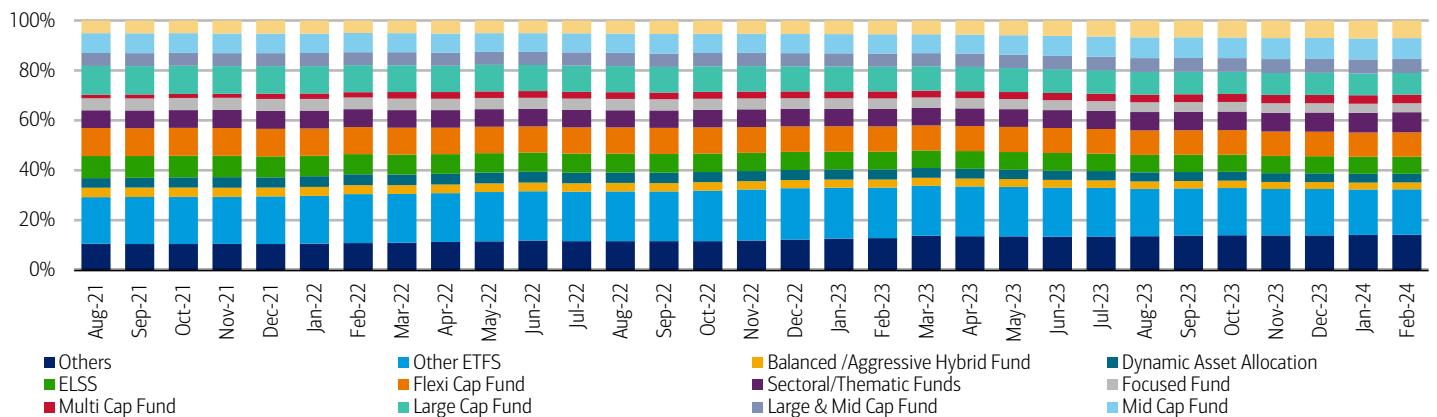


Source: BofA Global Research, NSDL, Bloomberg

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**Exhibit 16: Split of Domestic equity AUM**

DII equity AUM inched up to US\$426bn in Feb'24 with Sectoral/Thematic funds (8.1%, +26bps) seeing highest increase in the AUM share while Large cap funds (8.6%, 6bps) saw its lowest AUM allocation.

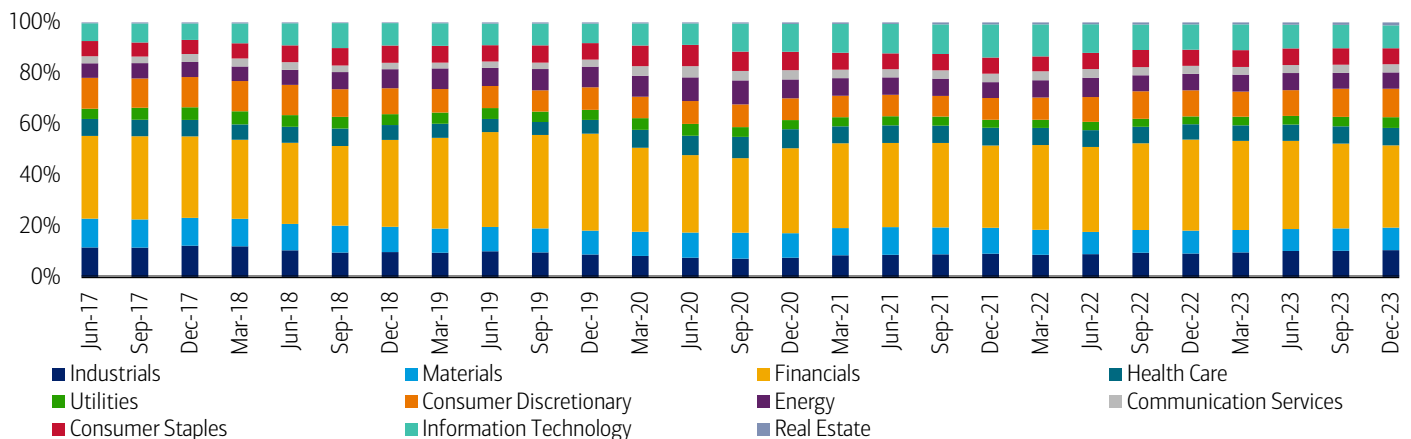


Source: BofA Global Research, AMFI, Bloomberg

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**Exhibit 17: Sector wise DII's AUM split**

As of Dec'23, DII allocation was favored towards Financials (32.3%) followed by Discretionary (11.2%), Industrials (10.5%) and IT (9%)

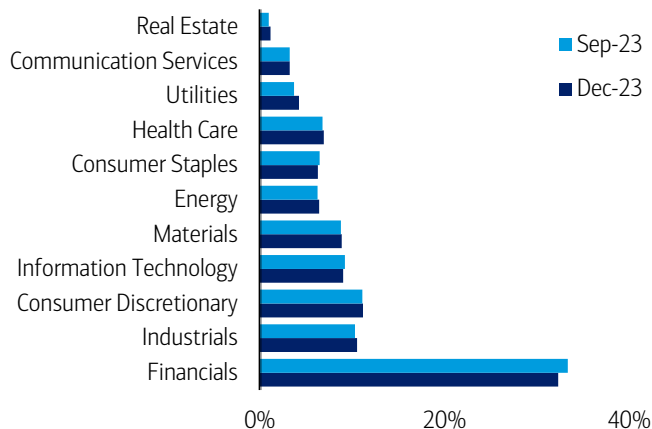


Source: BofA Global Research, CMIE

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**Exhibit 18: DMF AUM allocation amongst sectors**

As of Dec'23, Industrials saw a higher allocation (10.5%, +96bps) while allocation to Financials (32.3%, -132bps) and Healthcare (6.9%, -52bps) dropped further. Rest of the sectors remained steady

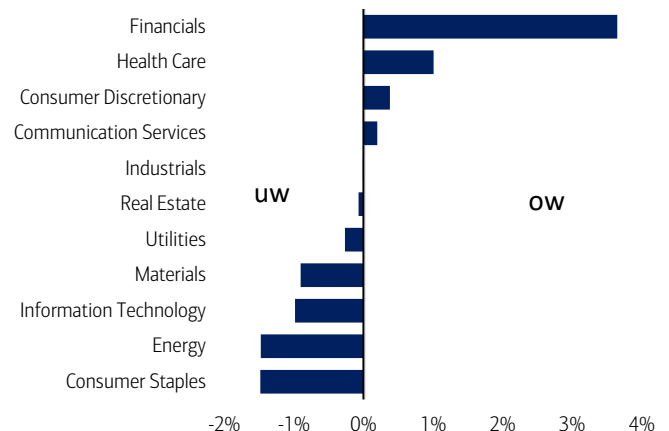


Source: BofA Global Research, CMIE

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**Exhibit 19: DMF Sector Positioning**

DMF's were most OW in Financials (+363bps), Healthcare (+96bps), and Discretionary (+40bps) while most UW on Staples (-149bps), Energy (-148bps) and IT (-99bps)

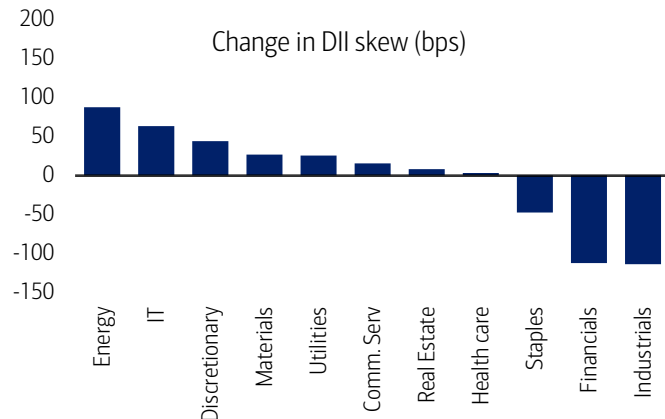


Source: BofA Global Research, CMIE

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### Exhibit 20: Change in DII skew (in bps) vs Sep'21 (near market high)

DII's have increased their allocation to Energy, IT, Discretionary the most since Sep'21, while Industrials, Financials, and Staples saw largest cuts

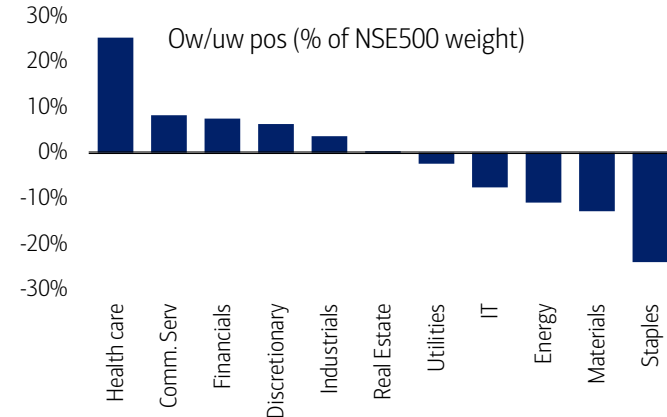


Source: BofA Global Research, CMIE

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### Exhibit 21: DII sector positioning intensity

Benchmarked to NSE500 weights, DII OW/UW skew intensity is more significant on Healthcare, Comm. Serv, Financials, Staples, and Materials showing higher conviction

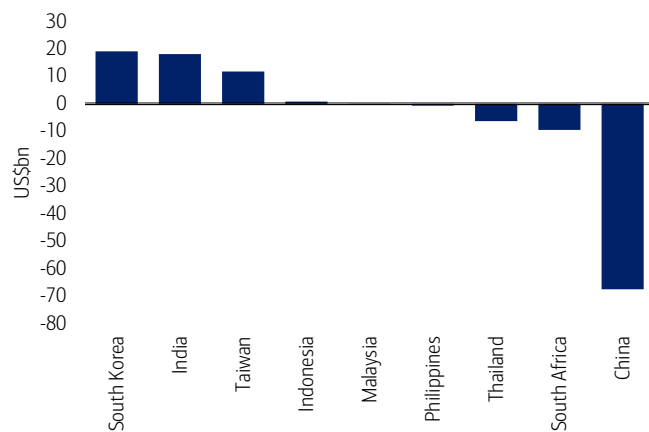


Source: BofA Global Research, CMIE

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### Exhibit 22: Cumulative FII flows

Since Jan'23, Korea saw the highest inflows (US\$19bn), followed by India (US\$18bn) and Taiwan (US\$12bn), while the highest outflows were seen in China (US\$68bn), South Africa (US\$10bn), and Thailand (US\$6.3bn)

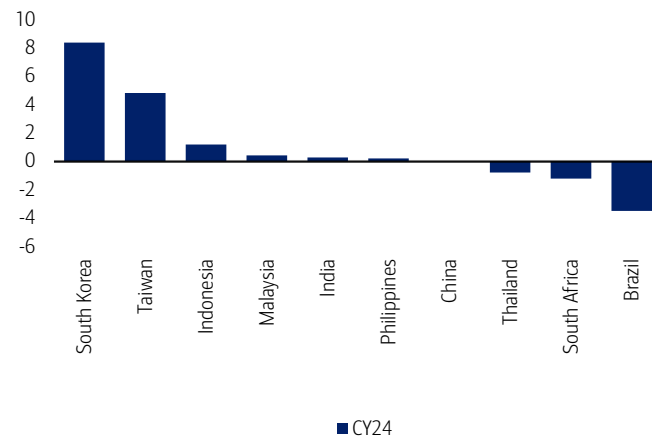


Source: BofA Global Research, Bloomberg \*Data of China till Dec 23

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### Exhibit 23: Cumulative FII flows

Since Jan'24, Korea, Taiwan & Indonesia have seen significant FII inflows while Thailand and South Africa have seen FII outflows

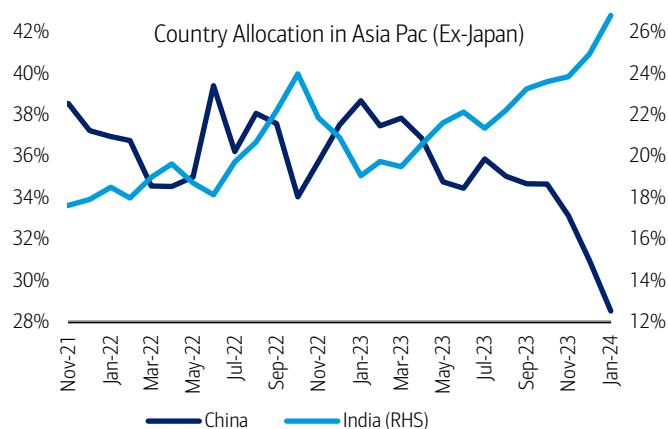


Source: BofA Global Research, Bloomberg \*Data of China till Dec 23

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**Exhibit 25: EM AUM: country allocation (%) for India & China**

EM fund allocation to India continued its upward trajectory in Jan'24 (27%, +186bps MoM) while allocation to China shrank by 243bps MoM to 28.5%



Source: BofA Global Research, BofA Asia Pac Quantitative Strategy, MSCI, FTSE, FactSet, 13F Filings, Benchmark Indices, Country Stock Exchanges

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**Exhibit 27: India Country Positioning**

India's active positioning reduced to -0.08% vs Neutral weight in Dec'23.

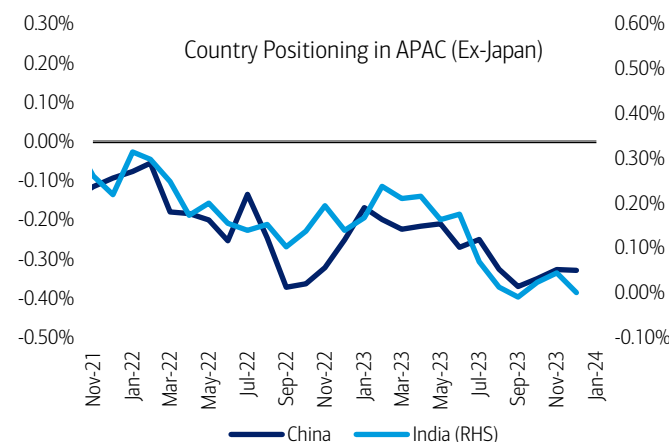


Source: BofA Global Research, BofA Asia Pac Quantitative Strategy, MSCI, FTSE, FactSet, 13F Filings, Benchmark Indices, Country Stock Exchanges

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**Exhibit 26: Country positioning for India and China (ow/uw)**

India's position became marginally UW in Jan'24 at -0.08%. China position declined further (-0.34% vs -0.33% in Dec'23)

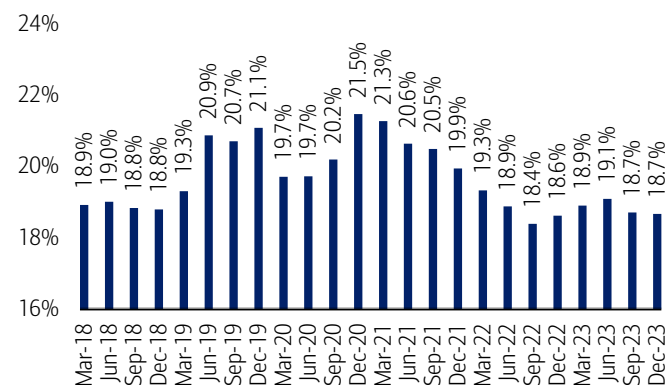


Source: BofA Global Research, BofA Asia Pac Quantitative Strategy, MSCI, FTSE, FactSet, 13F Filings, Benchmark Indices, Country Stock Exchanges

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**Exhibit 28: FI ownership % (NSE500)**

FI ownership levels fell to 18.7% from 19.1% in June'23 largely on the back of DIIs and retail participants increasing their share at a faster pace than FIIs.



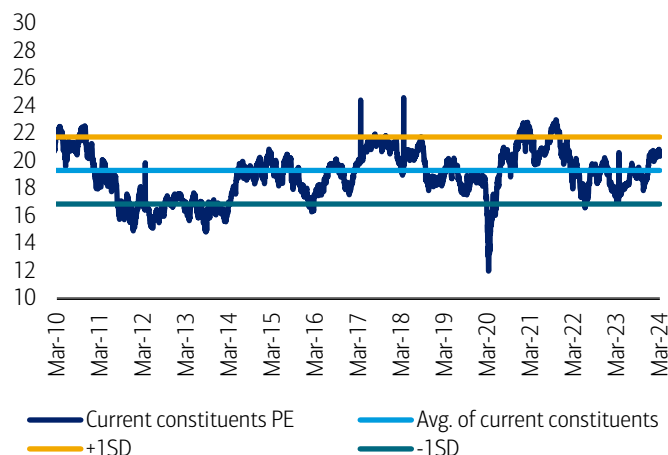
Source: BofA Global Research, CMIE, Bloomberg

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**Exhibit 29: Nifty Band Chart**

Nifty trading at 20.3x vs long-term average at 19x basis bottom-up weighted average of 1yr fwd earnings of current Nifty constituents

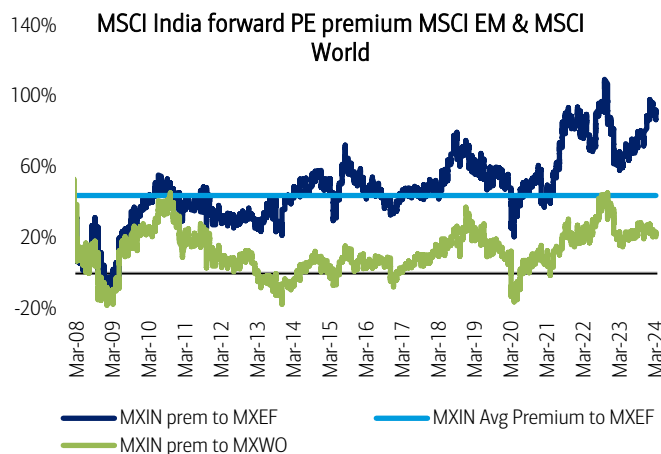


Source: BofA Global Research, Bloomberg

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**Exhibit 30: MSCI India premium to EM, World**

MSCI India valuation premiums to EM/World at 87%/21% from the peak of 117%/48%, but remains elevated vs average levels (44%/11%)

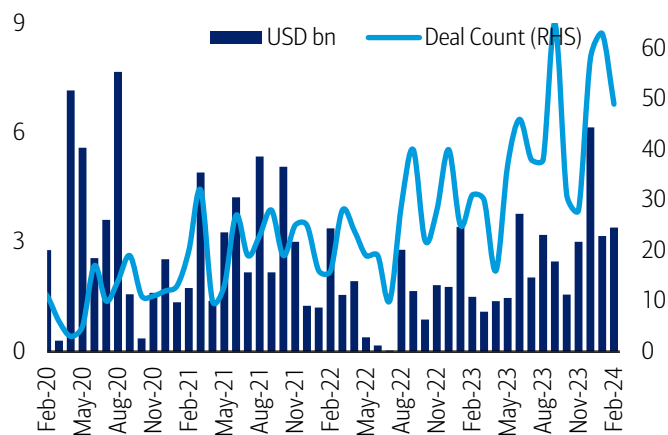


Source: BofA Global Research, Bloomberg

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**Exhibit 31: Primary Market Deals**

Deal count went up to 49 in Feb'24 (vs 63 in Jan'24) while deal value slightly inched up to US\$3.4bn (vs US\$3.2bn in Jan'24). Mar'24 tracking at US\$ 2bn

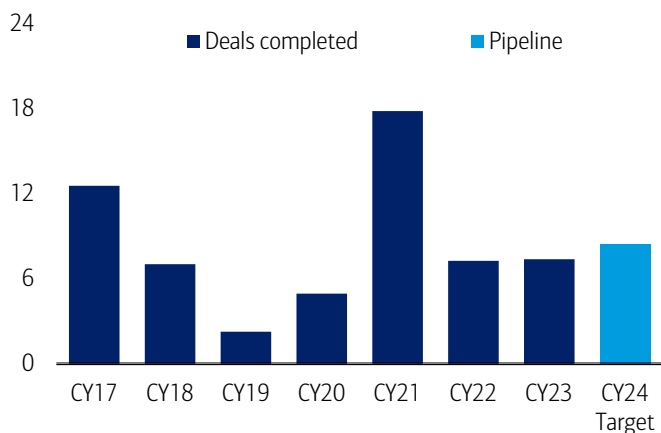


Source: BofA Global Research, Bloomberg

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**Exhibit 32: IPO expectations for CY24**

Jan'24 IPO announcements stand at US\$0.9bn, on track to achieve the CY24 target of US\$8bn..



Source: BofA Global Research, Bloomberg, Media articles

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