

## India Flow Trails

## Dec'23: FIIs ending 2023 on a high note

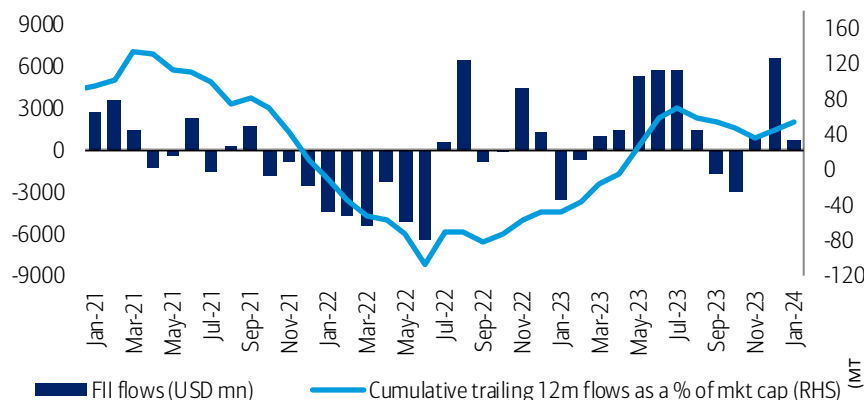
Equity Strategy

**Highest FII inflow post Covid, DII momentum strong.**

- Dec'23 witnessed **record FII inflows of US\$6.6bn** (highest since Dec'20), taking the total FII flows for **CY23 to US\$19bn** (vs US\$16bn in CY22)
- DII flows at US\$3.1bn** in Dec'23 (vs US\$3bn in Nov'23). Active DII flows stood at US\$3bn constituting 97% of total DII flows (vs US\$2.7bn in Oct'23), while passive flows came in at US\$0.1bn (vs US\$0.3bn in Oct'23). **CY23 DII flows were at US\$34bn** (vs US\$41bn in CY22)
- Majority schemes saw DII inflows.** Monthly/Yearly highest flows were seen in Sectoral funds (US\$0.7/3.7bn) followed by SMID caps (US\$0.6/7.7bn) and arbitrage funds (US\$0.6/3.6bn). DII AUM stood at US\$402bn.
- Sectoral FII flow:** Strong inflows were seen in Dec'23/CY23 in Financials (US\$2.8/4.9bn, highest monthly inflow post Covid) followed by Discretionary (US\$0.8/5.7bn) and Industrials (US\$0.5/5.1bn) FII AUM stands at US\$722bn.
- Continued upward momentum of SIP** with Dec'23 coming in at US\$2.1bn (vs US\$2bn in Nov'23). CY23 SIP inflow at US\$22bn (vs US\$19bn for CY22). CY23 saw total IPO announcements at US\$7.3bn, below its target of US\$16bn. CY24 IPO pipeline at US\$8bn indicates a growth of 14% over CY23 actual IPOs
- EM funds' positioning reverse:** EM fund positioning towards India moved to Neutral in Nov'23 after turning negative for the first time in Sep'23, China's position further dropped to 33% (vs 34.7% in Oct'23).

**Exhibit 1: Highest monthly FII inflow post Covid.**

Dec'23 saw record inflows of US\$6.6bn taking the total FII inflow of CY23 to US\$19bn (vs US\$16bn in CY22)



Source: BofA Global Research, NSDL; \*December data is till Dec 19th

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Details on page 2....

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Refer to important disclosures on page 13 to 15. Analyst Certification on page 11. 12644032

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Equity Strategy  
India

**Amish Shah, CFA** >>  
Research Analyst  
BofAS India  
+91 22 6632 8656  
shah.amish@bofa.com

**Udit Dhekale** >>  
Research Analyst  
BofAS India  
udit.dhekale@bofa.com

**Abbreviations:**

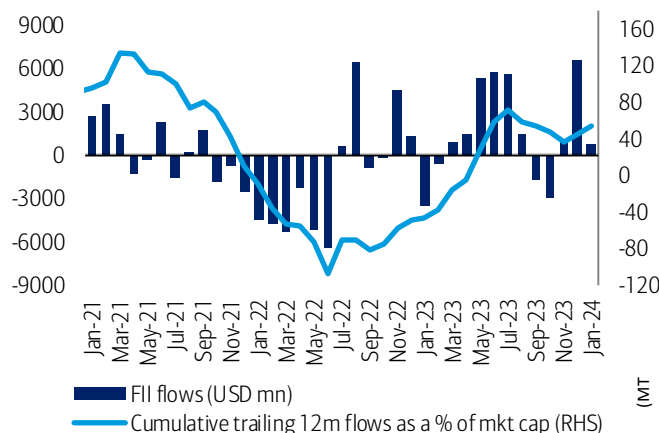
UW = Underweight  
OW = Overweight  
NW - Neutral weight  
RE - Real Estate  
EMs = Emerging markets  
MoM = Month on Month  
TTM = Trailing 12M  
MTD = Month-to-Date  
YTD = Year-to-Date

- **FII flows for India:** Dec'23 saw record inflows of US\$6.6bn (vs US\$1bn in Nov'23) taking the total FII inflows for CY23 to US\$19bn (vs US\$16bn in CY22; second highest inflow since CY20)
- **FII flows India vs other EMs:** India had the highest FII inflows among the EM basket in CY23 at US\$19bn followed by South Korea (US\$11bn) and Brazil (US\$9bn). Although EM fund allocation to India remains strong at 23.8% (vs 23.6% in Oct'23), EM fund positioning to India remain neutral after turning negative in Sep'23 while China's position further dropped to 33% in Nov'23 (vs 34.7% in Oct'23)
- **FII flows sectoral deployment:** Dec'23 saw inflows in 10/11 sectors with inflows seen in Financials (US\$2.8bn, highest inflow post Covid), Discretionary (US\$0.7bn) and Industrials (US\$0.5bn). Energy was the only sector which saw outflows of US\$0.5bn.
- **FII AUM:** FII AUM reached US\$723bn in Dec'23 with Industrials (6.22%, +7.9 bps) and RE (4.04%, +11 bps) seeing their highest ever AUM allocation. Discretionary (13.3%, -37 bps) and Staples (6.6%, -34 bps) saw AUM decreases.
- **FII sector positioning:** FII remains most OW in RE (+289 bps) followed by Disc. (+280bps), Energy (+278bps) & Financials (+234bps) while Materials (-516bps), Industrials (-396bps), and Staples (-165bps) were the most UW sectors.
- **DII flows:** DII flows continue to track strong at US\$3.1bn (vs US\$3bn in Nov'23' LTA of US\$2.6bn). Active funds contributed 97% of the total DII flows (US\$3bn) while passive funds inflows were at US\$0.1bn. Inflows to SMID cap funds continue to remain strong at US\$0.6bn; CY23 inflows in this category were at US\$7.7bn (vs US\$5.2bn for CY22). Sectoral funds saw record inflows of US\$0.7bn (highest since Jul'21) while arbitrage funds saw strong inflows of US\$0.6bn (vs US\$0.5bn in Nov'23). Large cap funds saw outflows of US\$0.4bn in CY23 (vs +US\$1.8bn in CY22), with Dec'23 recording minor outflows.
- **SIP inflows & Retail volumes** SIP inflows continued its upward momentum, with Dec'23 inflows at US\$2.1bn. CY23 inflows totaled to US\$22bn (vs US\$19bn in CY22). Retail trading activity reached its highest level of 56% in CY23, while FII trading activity fell to its lowest point of 26% in CY23. DII trading activity continues to track at 19%.
- **Primary Market Flows:** Deal count went up to 57 in Dec23 (vs 28 in Nov'23) while deal value was at its highest for the year at US\$6bn (vs US\$3bn in Nov'23). Jan'24 tracking at US\$ 0.7bn CY23 saw total IPO announcements at US\$7.3bn, below its target of US\$16bn. CY24 IPO pipeline at US\$8bn indicates a growth of 14% over CY23

# Focus Charts

## Exhibit 2: FII Inflows into Indian Equities Market

Dec'23 witnessed record FII inflows of US\$6.6bn (highest since Dec'20), taking the total FII flows for CY23 to US\$19bn (vs US\$16bn in CY22)

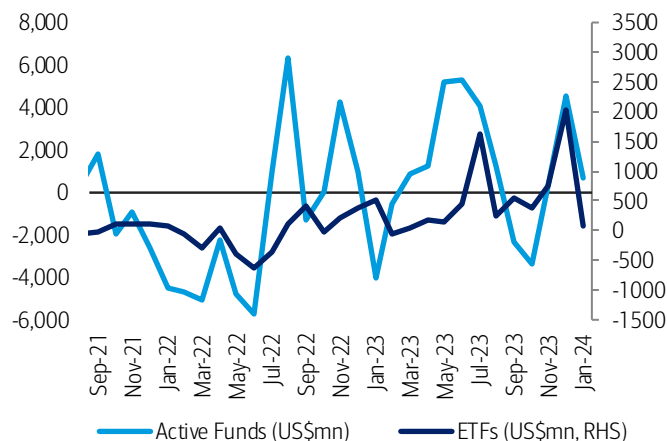


Source: BofA Global Research, NSDL; \*December data is till Dec 19th

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

Strong FII flows in Dec'23 were aided by highest ever inflows into passive funds (US\$2bn) and strong flows into active funds as well (US\$4.5bn)

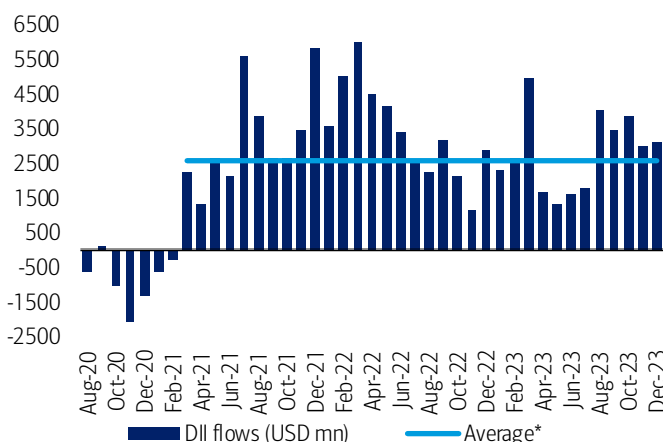


Source: BofA Global Research, NSDL, Bloomberg; \*\*December data is till Dec 19th

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## Exhibit 4: DII flows into Indian equities market

Dec'23 saw DII inflows of US\$3.1bn (vs US\$3bn in Nov'23). CY23 DII flows stand at US\$34bn (vs US\$41bn in CY22).



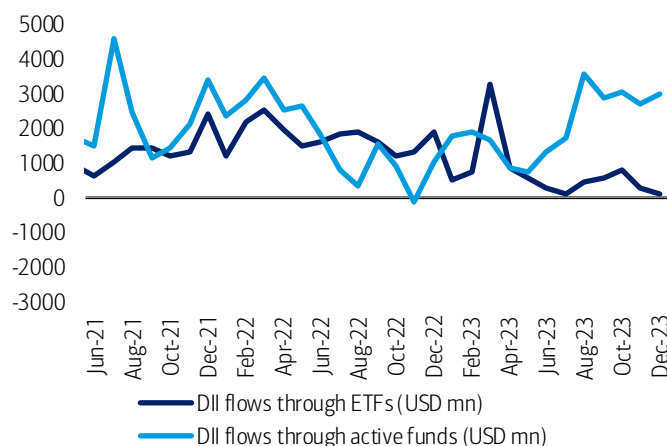
Source: BofA Global Research, AMFI, Bloomberg

\*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 came in at US\$3bn while passive funds inflows were US\$0.1bn (vs US\$2.7bn/US\$0.3bn in Nov'23)

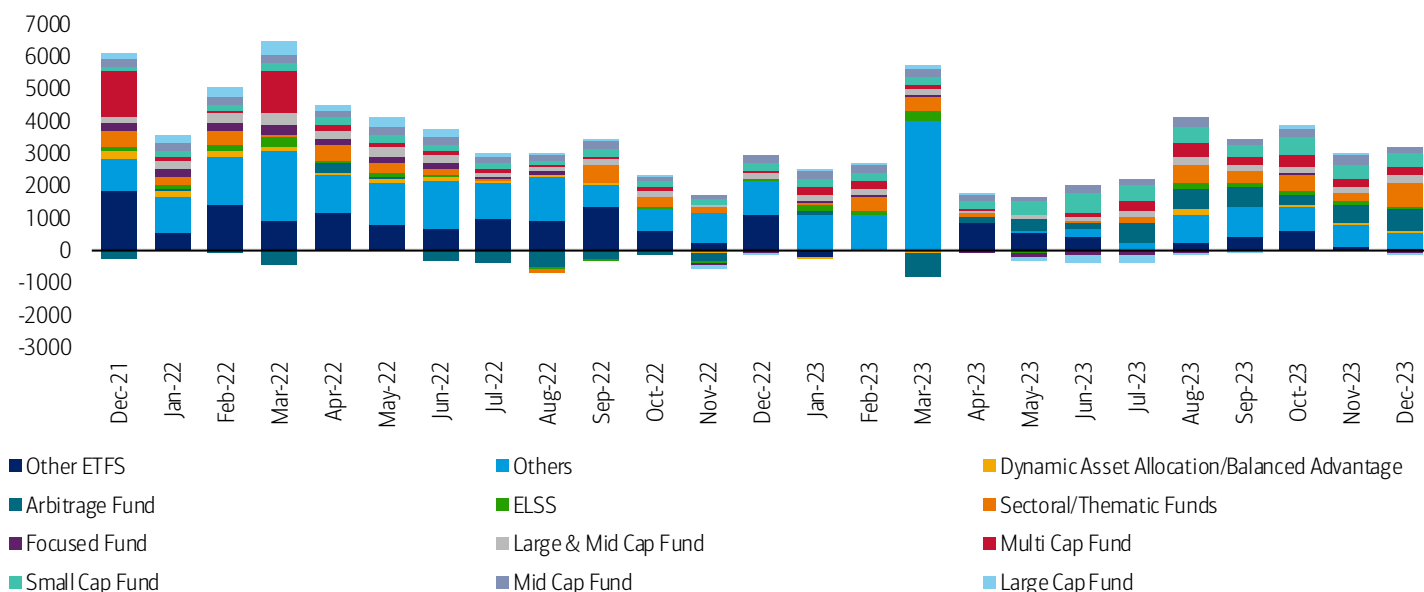


Source: BofA Global Research, AMFI, Bloomberg

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

Inflows to SMID cap funds continue to remain strong at US\$0.6bn; CY23 inflows in this category were at US\$7.7bn (vs US\$5.2bn for CY22). Sectoral funds saw record inflows of US\$0.7bn (highest since Jul'21) while arbitrage funds saw strong inflows of US\$0.6bn (vs US\$0.5bn in Nov'23). Large cap funds saw outflows of US\$0.4bn in CY23 (vs +US1.8bn in CY22), with Dec'23 recording minor outflows.

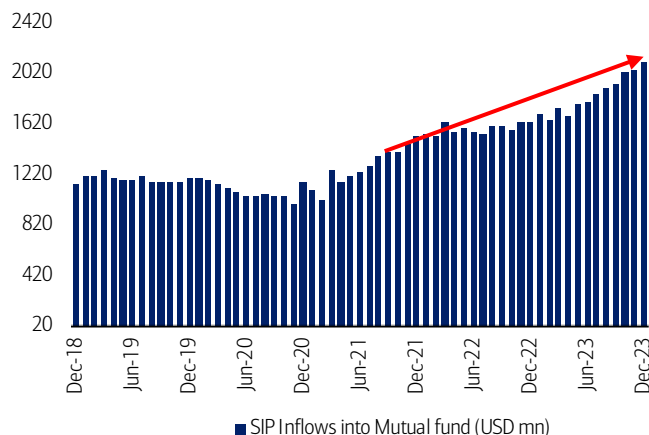


Source: BofA Global Research, AMFI, Bloomberg

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### Exhibit 7: SIP inflows into Mutual Funds

SIP inflows continued its upward momentum, with Dec'23 inflows at US\$2.1bn. CY23 inflows totaled to US\$22bn (vs US\$19bn in CY22).

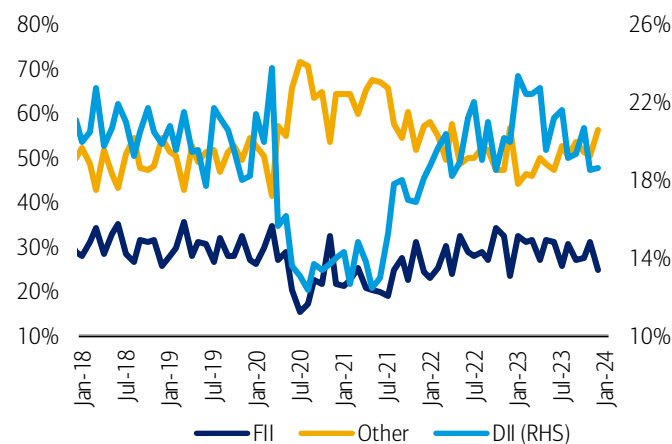


Source: BofA Global Research, AMFI, CMIE

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

Retail trading activity reached its highest level of 56% in CY23, while FII trading activity fell to its lowest point of 26% in CY23. DII trading activity continues to track at 19%.

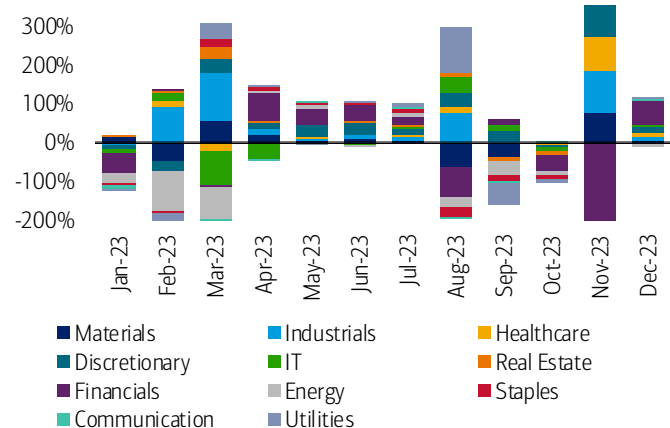


Source: BofA Global Research, Bloomberg

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

Strong inflows were seen in Financials (US\$2.8bn, highest inflow post Covid) followed by Discretionary (US\$0.8bn), Industrials (US\$0.5bn) and Materials (US\$0.2bn). Only one sector saw outflows in Dec'23 (Energy; -US\$0.5bn)

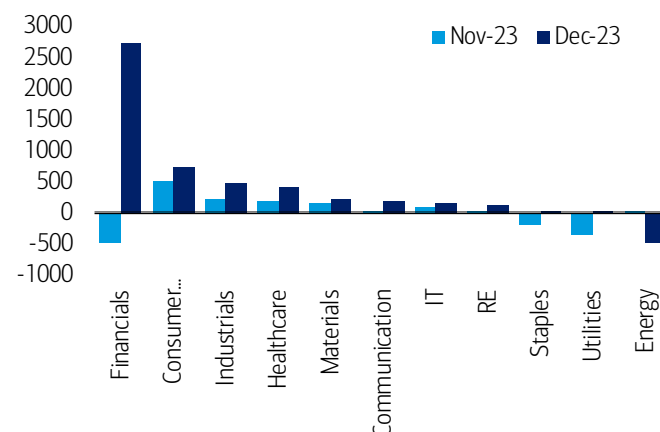


Source: BofA Global Research, NSDL, Bloomberg

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

Inflows were seen in 10/11 sectors with Financials and Discretionary leading the pack.

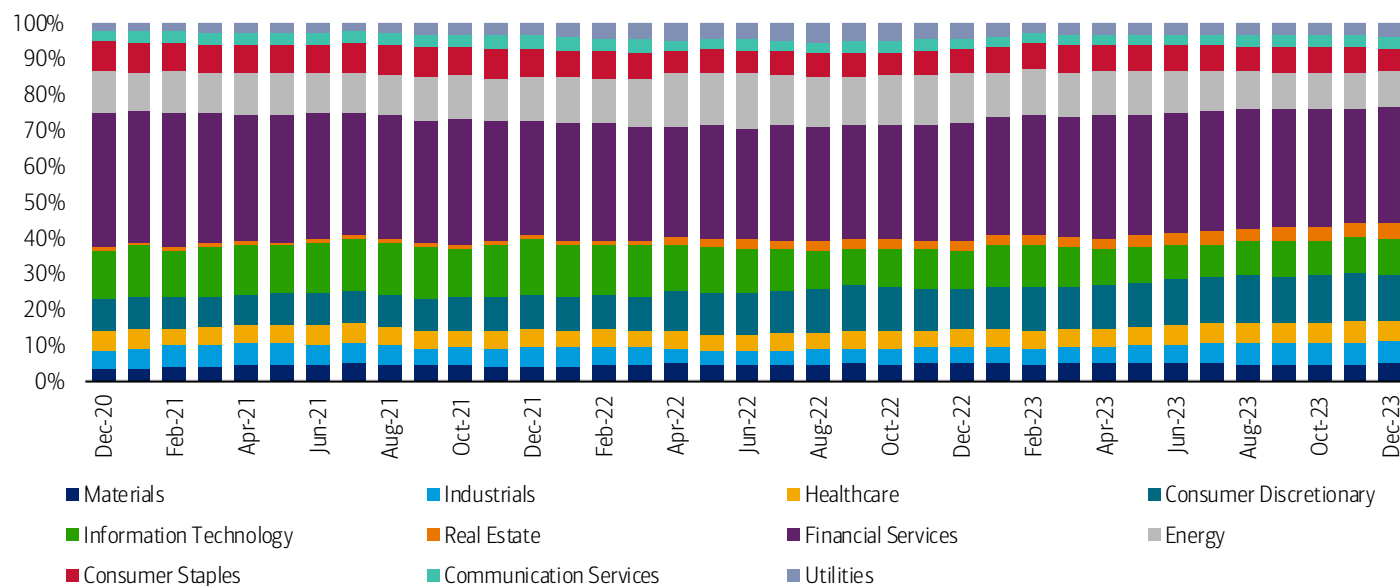


Source: BofA Global Research, NSDL, Bloomberg

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

FII AUM reached US\$723bn in Dec'23 with Industrials (6.22%, +7.9 bps) and RE (4.04%, +11 bps) seeing their highest ever AUM allocation. Discretionary (13.3%, -37 bps) and Staples (6.6%, -34 bps) saw AUM decreases.

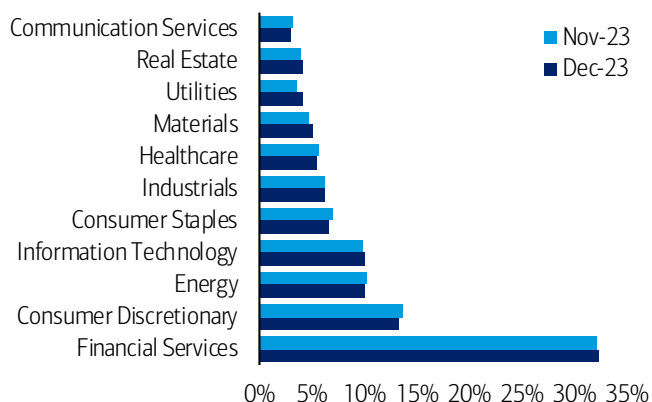


Source: BofA Global Research, NSDL, Bloomberg

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

...while rest remained at similar level

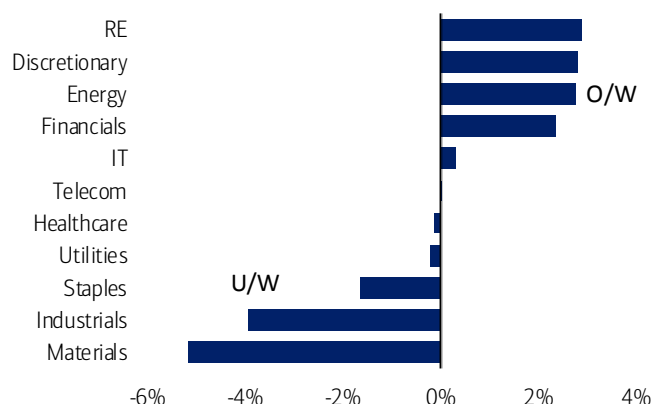


Source: BofA Global Research, NSDL, Bloomberg

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**Exhibit 13: FII sector positioning**

FII remains most OW in RE (+289bps) followed by Disc. (+280bps), Energy (+278bps) & Financials (+234bps) while Materials (-516bps), Industrials (-396bps), and Staples (-165bps) were the most UW sectors

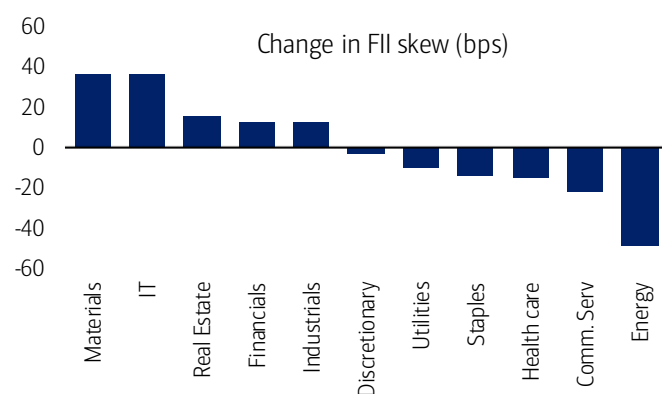


Source: BofA Global Research, NSDL, Bloomberg

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**Exhibit 14: Change in FII skew (in bps) vs Sep'23 peak**

Since markets peaked in Sep'23, Materials (+36bps), IT (+36bps), and RE (+16bps) saw the highest increase in allocation, while Energy (-49bps), Telecom (-23bps) saw the highest fall in allocation

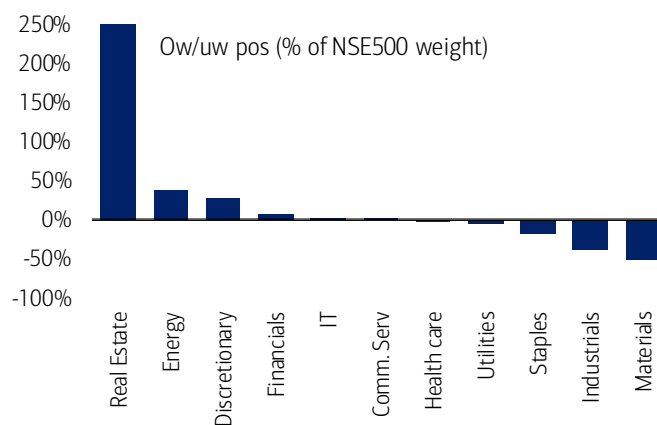


Source: BofA Global Research, NSDL, Bloomberg

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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

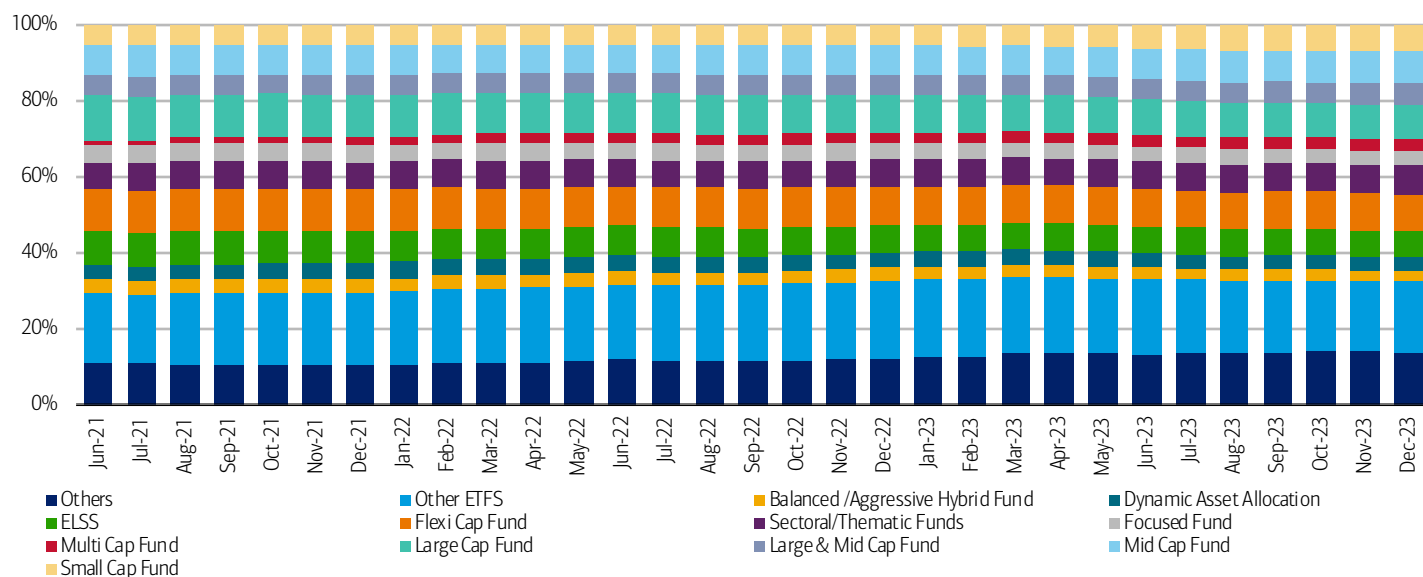


Source: BofA Global Research, NSDL, Bloomberg

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

DII equity AUM climbed up to US\$402bn in Dec'23 with Large & mid cap funds (5.6%, +6 bps) and Sectoral funds (7.7%, +17bps) seeing their highest AUM allocation. Focused funds (3.7%, -7bps) saw AUM decreases.

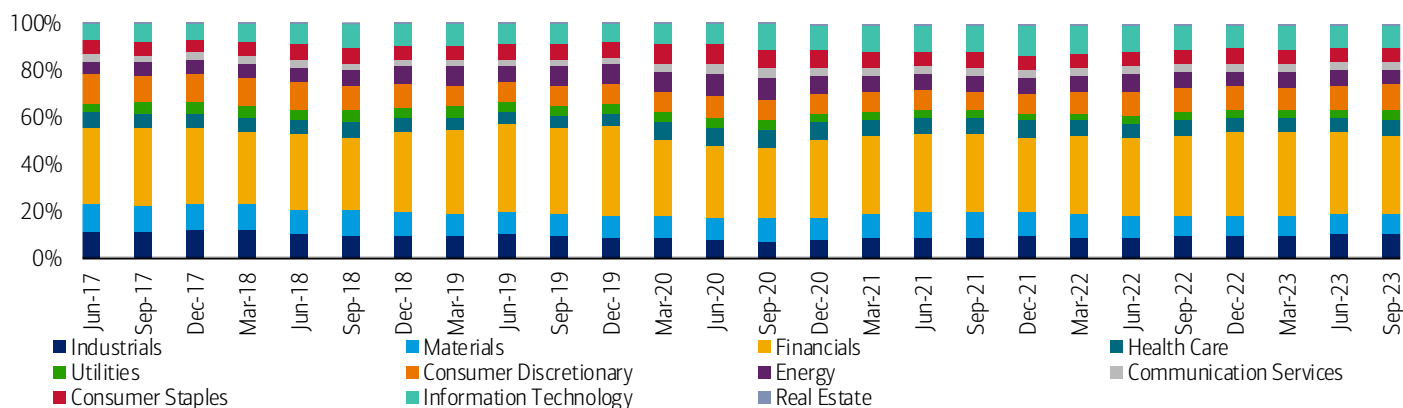


Source: BofA Global Research, AMFI, Bloomberg

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**Exhibit 17: Sector wise DIIs AUM split**

As of Sep'23, DII allocation was favored towards Financials (33.3%) followed by Industrials (10.3%), IT (9.25) and Materials (8.8%)

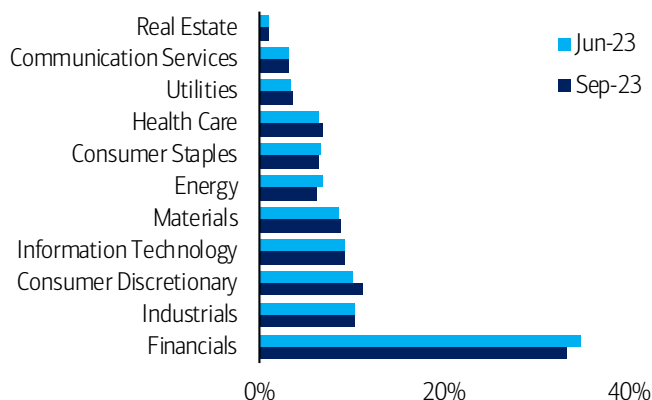


Source: BofA Global Research, CMIE

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

As of Sep23, Discretionary saw a higher allocation (11.1%, +100bps) while allocation to financials (33.7%, -130bps) and energy (6.2%, -50bps) dropped further. Rest of the sectors remained steady

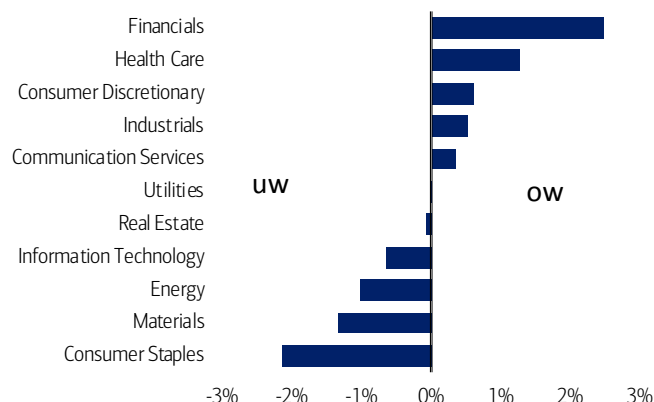


Source: BofA Global Research, CMIE

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**Exhibit 19: DMF Sector Positioning**

DMF's were most OW in Financials (+248bps), Healthcare (128bps), and Discretionary (+63bps) while most UW on Staples (-216bps), Materials (-135bps) and Energy (-101bps)

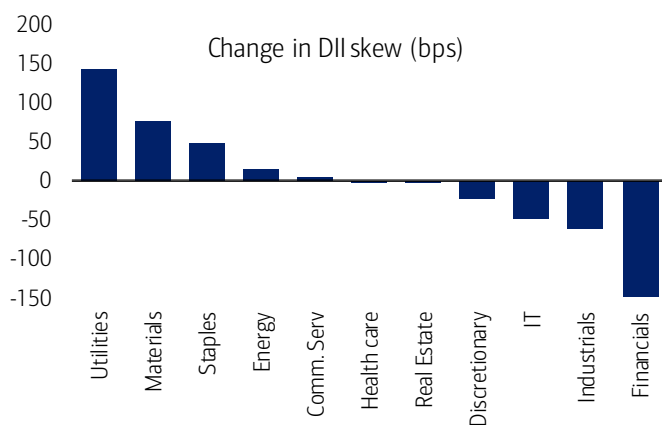


Source: BofA Global Research, CMIE

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**Exhibit 20: Change in DII skew (in bps) vs Sep'22 (near market high)**

DII's have increased their allocation to Utilities, Materials, and Staples the most since Sep22, while Financials, Industrials, and IT saw largest cut

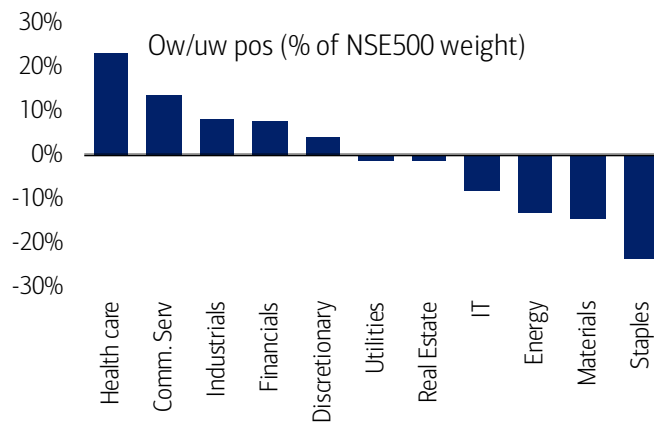


Source: BofA Global Research, CMIE

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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., Industrials, Staples, and Materials showing higher conviction



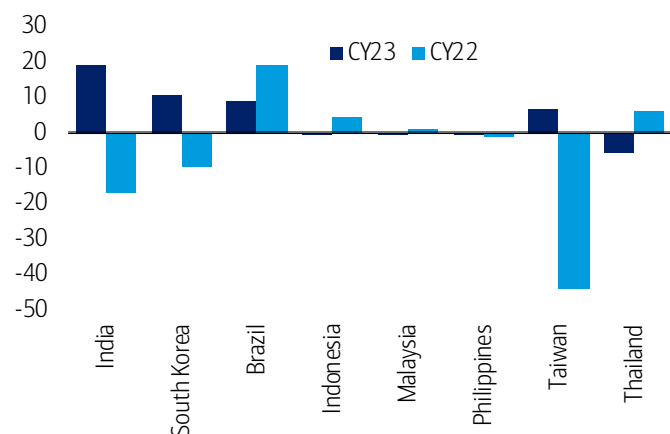
Source: BofA Global Research, CMIE

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**Exhibit 22: Cumulative FII flows**

In CY23, India saw highest inflows (+\$19bn) amongst EMs followed by South Korea (\$11bn). India and Korea had witnessed outflows in CY22.

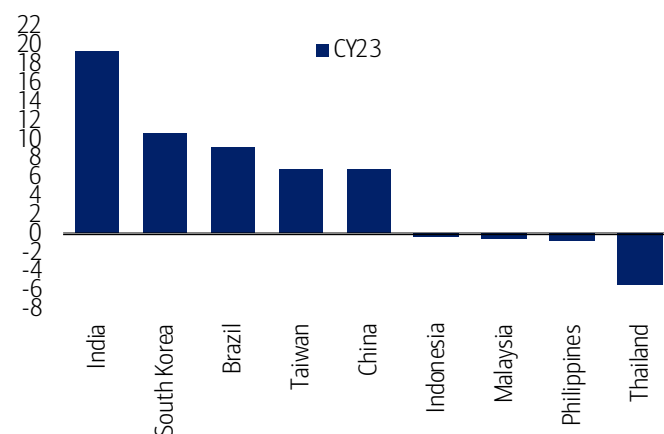


Source: BofA Global Research, Bloomberg

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**Exhibit 23: Cumulative FII flows**

CY23, FIIs have withdrawn money from Thailand, Philippines, Malaysia and Indonesia

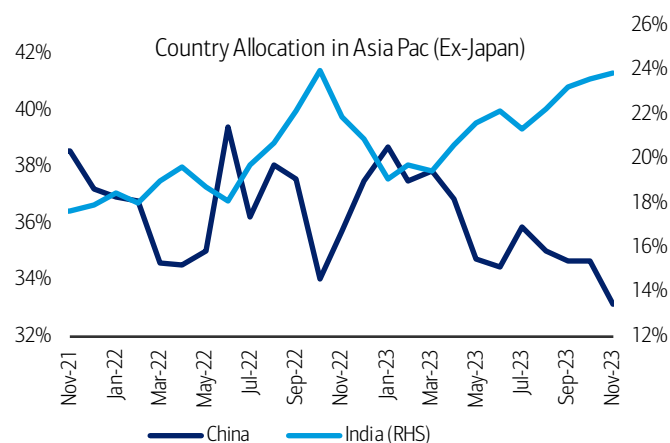


Source: BofA Global Research, Bloomberg \*Data of China till 30<sup>th</sup> June 23.

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**Exhibit 24: EM AUM: country allocation (%) for India & China**

EM fund allocation to India continued its upward trajectory in Nov'23 (24%, +24bps MoM) while allocation to China shrank by 152bps MoM to 33%

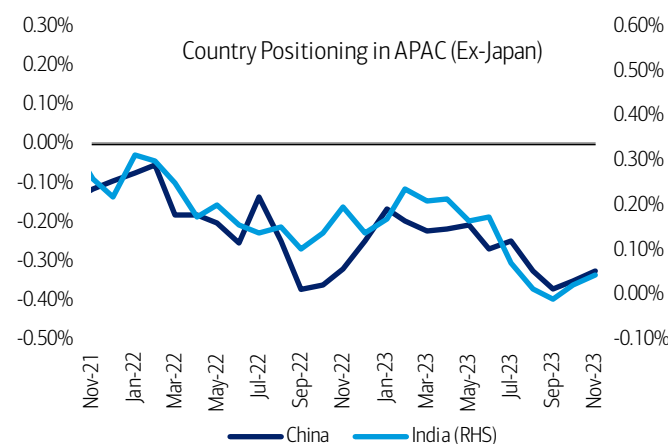


Source: BofA Global Research, BofA Asia Pac Quantitative Strategy, MSCI, FTSE, FactSet, 13F Filings, Benchmark Indices, Country Stock Exchanges

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**Exhibit 25: Country positioning for India and China (ow/uw)**

India's position turned Neutral (+0.045%) in Nov'23, after moving into the negative territory in Sep'23. China UW position also improved (-0.33% vs -0.35% in Oct'23)

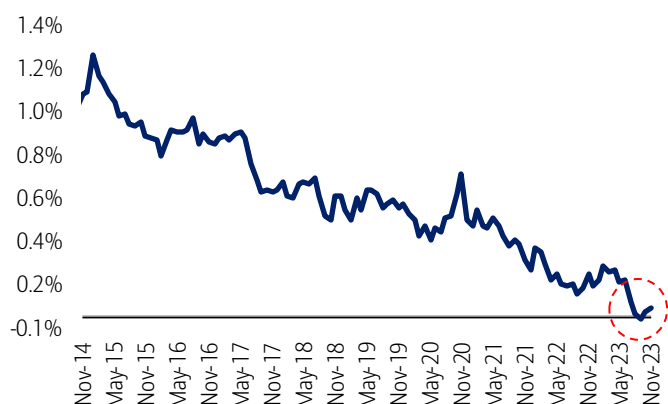


Source: BofA Global Research, BofA Asia Pac Quantitative Strategy, MSCI, FTSE, FactSet, 13F Filings, Benchmark Indices, Country Stock Exchanges

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**Exhibit 26: India Country Positioning**

After moving into the negative territory for the first time in Sep'23, India's active positioning moved up to Neutral weight (+0.045%) in Nov'23.

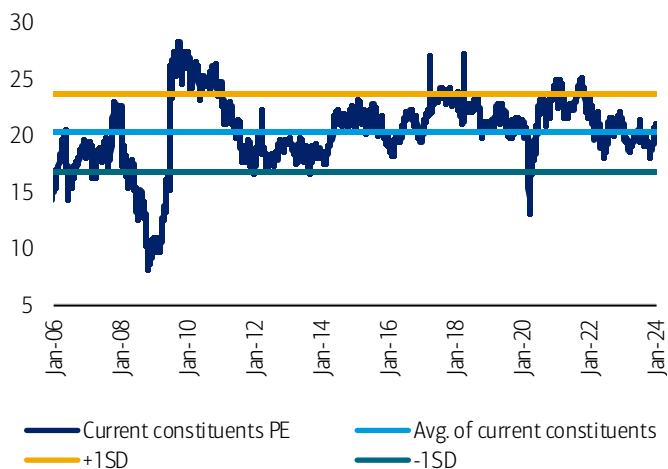


Source: BofA Global Research, BofA Asia Pac Quantitative Strategy, MSCI, FTSE, FactSet, 13F Filings, Benchmark Indices, Country Stock Exchanges

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**Exhibit 28: BofA Nifty Band Chart**

Nifty trading at 20.5x vs long-term average at 19x basis bottom-up weighted average of 1yr fwd earnings of current Nifty constituents

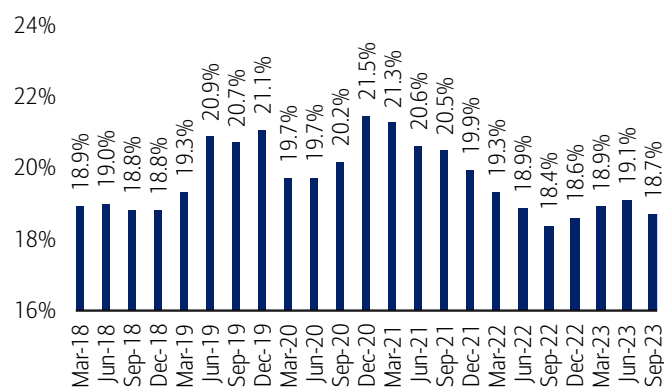


Source: BofA Global Research, Bloomberg

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**Exhibit 27: FII ownership % (NSE500)**

FII ownership levels fell to 18.7% from 19.1% largely on the back of DII and retail participants increasing their share at a faster pace than FIIs.

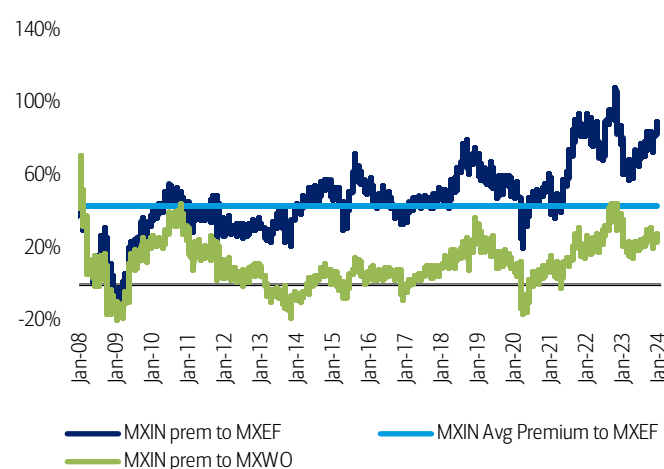


Source: BofA Global Research, CMIE, Bloomberg

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**Exhibit 29: MSCI India premium to EM, World**

MSCI India valuation premiums to EM/World at shrunk to 92%/26% from the peak of 117%/48%, but remains elevated vs average levels (43%/11%)

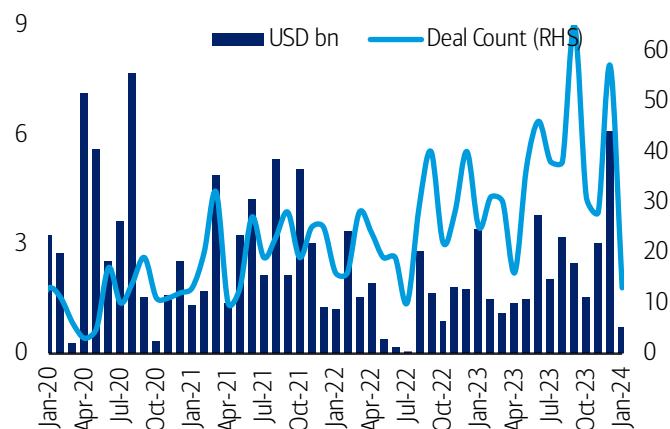


Source: BofA Global Research, Bloomberg

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**Exhibit 30: Primary Market Deals**

Deal count went up to 57 in Dec'23 (vs 28 in Nov'23) while deal value was at its highest for the year at US\$6bn (vs US\$3bn in Nov'23). Jan'24 tracking at US\$0.7bn

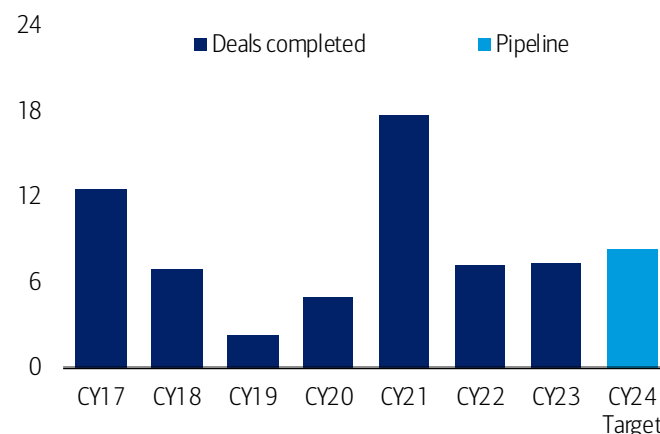


Source: BofA Global Research, Bloomberg

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**Exhibit 31: IPO expectations for CY23**

CY23 saw total IPO announcements at US\$7.3bn, below its target of US\$16bn. CY24 IPO pipeline at US\$8bn indicates a growth of 14% over CY23



Source: BofA Global Research, Bloomberg, Media articles

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**Analyst Certification**

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# Disclosures

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R1</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R1</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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