

FII

DII



Capital
—SPROUT—

NEWSLETTER

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Greetings from Capital Sprout!

It gives me immense pleasure to share with our clients and readers across the globe the July 2022 issue of the Capital Sprout's Wealth Bulletin.

FII's have emerged as important players in the Indian capital market.

India is the destination of choice for FII because it consistently offers the potential for strong returns to investors. Positive fundamentals combined with fast growing markets have made India an attractive destination for foreign institutional investors (FIIs). Although the Foreign institutional investors (FIIs), whose investments are often called 'hot money' because they can be pulled out at anytime, have been blamed for large and concerted withdrawals of capital from the country at the time of recent financial crisis.

In this edition, we are going to cover article on the market movement caused by these investors and the level of effects of FII and DII on stock markets in India.

We have given the comparative analysis of the trends of the Foreign Institutional Investments (FII) & Domestic Institutional Investments (DII) in India. An attempt has been made to study the relationship between the FII/DII and the NIFTY 50 index returns. The variable in the analysis are the closing amounts of the FII/DII and the stock prices ranging from the year 2009 – 2021 and is confined to only one index NIFTY 50.

Based on the findings, various investors can learn the behavior of the relationship and impact of FII/DII with the index returns which can further be used to earn above average returns. Also the significant relation between the two suggests that FII & DII are vital to the growth and development of the stock market.

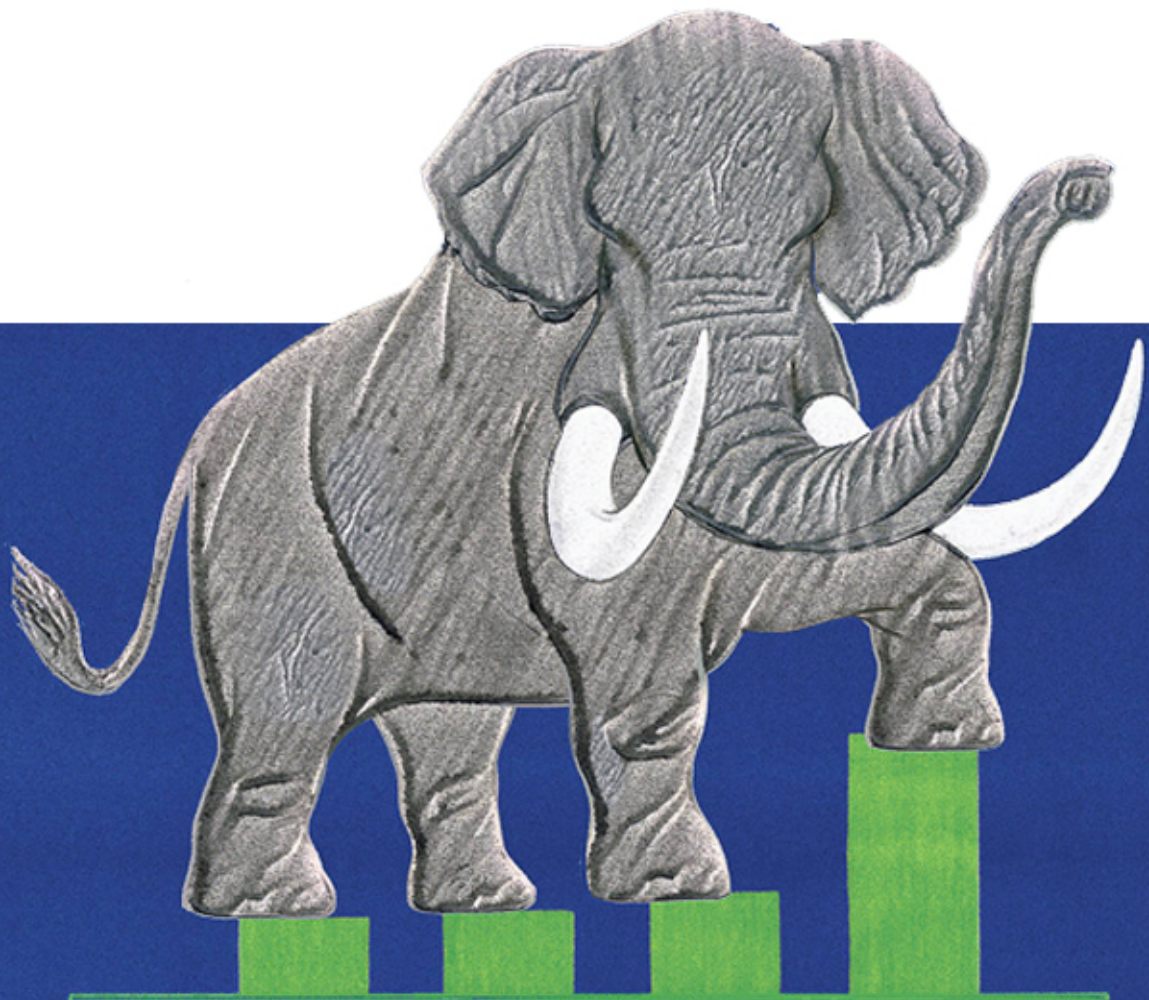
FII statistics have been proved pivotal in predicting the undercurrent of the market over the years. But in today's market, it is not only FIIs that influence markets. The shares of retail and Domestic Institutional Investments (DII) have also increased that thus offsets the recent pull out by FII. DII have been net buyers in recent times even as FII have been net sellers.

IMPACT OF BUYING & SELLING OF FII/DII ON THE STOCK MARKET

The Stock market is a combined action of all the traders and investors no matter how big or small. Any market participant's buy or sell decision results in an impact on the price of any stock. Therefore, it is crucial to understand which segment of market participants are dominating.

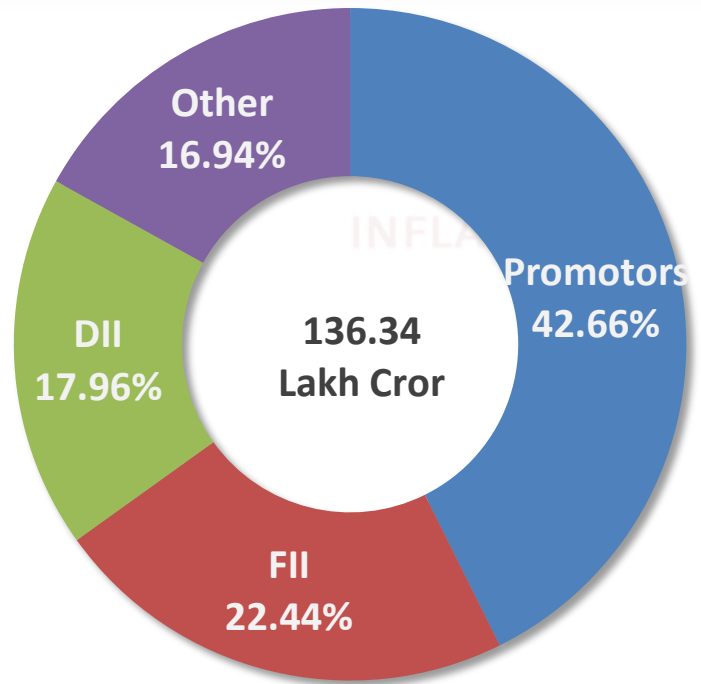
Stock markets are primarily driven by institutional money. This is because they invest huge amounts which otherwise is not possible for retail investors. FIIs and DIIs account for the bulk of the liquidity in the market. Analyzing their inflows and outflows can help predict broader trends in the market.

Historically, FIIs have had a greater influence on the domestic markets. However, the recent withdrawal of FIIs has partially been offset by the sustained flow from DIIs.



Nifty 50 stocks, Holding Analysis

According to a holding analysis of the most acceptable benchmark of the stock market "Nifty 50", shows that the total market capitalization of Nifty 50 stocks is Rs 136.34 lakh crore where promoters own 42.66%, FIIs own 22.44%, DIIs own 17.96%, and other retail investors own 16.94%.



The stock market is by and large ruled through supply and demand. Usually, demand outpaces supply in the stock market.



In Nifty 50 stocks, the promoter's holding changes in very few occasions. Even if there are variations in them, they are insignificant.

As 42.66% of the Promoter holding holds no liquidity, so the share price is ordinarily dependent on the movement of the remaining holding pattern. The remaining holding pattern is dominated by FIIs.

Nifty 50 stocks, Holding Analysis

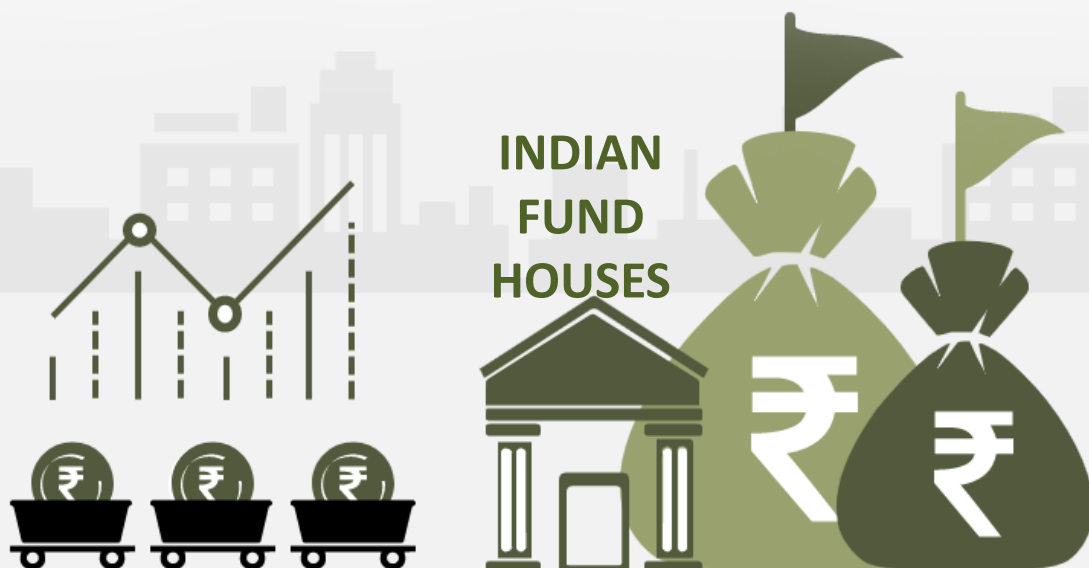
To take advantage of the best opportunities in the world, FII money will come and go depending on the overall outlook of our country or overall money flow situation globally. Thus, substantial buying and selling of FIIs can take place simultaneously.



After FIIs, the second main holding part belongs to DIIs. DIIs include mutual funds and other financial institutions.

When stocks are sold, the excess funds can be invested by DII primarily in India. Moreover, the regular flow of SIP is mostly in the equity market. Thus, there is least possibility of sudden heavy selling by DII.

Let us have a detailed look at the impact of FII/DII buying and selling has had on the stock market in the last 15 years.



FII & DII(Provisional Figures) v/s Nifty Data

Year 2008 to 2013

Year	Net Purchases/Sales INR Crore		NIFTY	
	FII	DII		
2008	-	-	2,959	31-12-2008
2009	24,820	26,106	5,201	31-12-2009
2010	61,225	-18,632	6,135	31-12-2010
2011	-26,957	29,482	4,624	31-12-2011
2012	1,01,166	-55,800	5,905	31-12-2012
2013	87,359	-72,371	6,304	31-12-2013
Total	2,47,613	-91,215		

The Nifty 50 increased **113 per cent** over the course of the five-year from **2959.15 points** on **December 31, 2008** to **6304 points** on **December 31, 2013**. In this instance, according to an analysis of their buying/selling, the **net buying by FII** was **INR 247613.20 Crore** while the **net selling by DII** was **INR 91214.54 Crore**. Statistics clearly shows that FIIs have dominated the market between the years 2009-2013.

Year 2014 to 2018

The Nifty 50 increased by **72 per cent** during these five years from **6304 points** on **December 31, 2013** to **10862 points** on **December 31, 2018**, in the calendar year **2014–18**. The **net selling of FII** in this instance was **INR 62607 crore**, whereas the **net buying of DII** was **INR 260941 crore**. Statistics clearly indicates that DIIs have dominated the market between the years 2014-2018.

Year	Net Purchases/Sales INR Crore		NIFTY	
	FII	DII		
2014	73,656	-29,648	8,283	31-12-2014
2015	-16,436	64,653	7,946	31-12-2015
2016	-11,839	40,081	8,186	31-12-2016
2017	-41,122	89,211	10,531	31-12-2017
2018	-66,869	96,646	10,863	31-12-2018
Total	-62,609	2,60,943		

FII & DII(Provisional Figures) v/s Nifty Data

Year 2019 to 2021

Year	Net Purchases/Sales INR Crore		NIFTY	
	FII	DII		
2019	35,731	46,915	12,169	31-12-2019
2020	73,482	-46,041	13,982	31-12-2020
2021	-85,670	92,406	17,354	31-12-2021
Total	23,543	93,280		

The Nifty 50 increased by 60 per cent during these three years from **10862 points** on **December 31, 2018** to **17354.1 points** on **December 31, 2021**, in the calendar year 2019-21. The **net buying of FII** in this instance was **INR 23543.4 crore**, whereas the **net buying of DII** was **INR 93279 crore**. The figures indicate that DII dominated the market during this period as well.

Last 6 Months

The market movement remains in a very narrow range from January 2022 to July 2022; however it is evident that the FII's huge selling has not had an impact on the market due to sustained flow from DIIs.

Let us hope that the Indian economy becomes even stronger and holds sway over the stock market.

Year	Net Purchases/Sales INR Crore		NIFTY	
	FII	DII		
Feb-22	-49,323	39,992	16,794	28-02-2022
Mar-22	-43,281	39,677	17,465	31-03-2022
Apr-22	-39,903	30,843	17,103	29-04-2022
May-22	-54,293	50,836	16,585	31-05-2022
Jun-22	-58,112	46,072	15,780	30-06-2022
Jul-22	-7,614	10,547	17,158	29-07-2022
Total	-2,52,526	2,17,966		

Performances



Equity Market

Indices	01 st July, 2022	29 th July, 2022	High	Low
BSE S&P SENSEX	52,908	57,570	57,619	52,094
NIFTY 50	15,752	17,158	17,158	15,385

Mutual Fund

During the month of July-22. Net Inflow in Debt Mutual fund is **0.05 Lakh crore** but Net inflow in Equity oriented fund is **Rs. 0.09 Lakh crore**

AUM Data of Mutual Fund for the Month of July - 2022

(INR. In Lakh Crore)

Particulars	AUM As On 30-06-2022	Fresh Fund Mobilize During July-22	Redemption During July-22	AUM As On 31-07-2022
Total AUM of all mutual funds scheme	37.50	8.30	8.07	37.73
AUM of equity oriented (growth) schemes	14.08	0.22	0.14	14.16

Source: Association of Mutual Fund of India (AMFI)

Performances

SIP Contribution

(INR. In Crore)

Year	SIP Contribution	SIP AUM
JULY-22	12,140	6,09,296
Weightage of SIP AUM in total AUM		16.14%

FII & DII Inflow/Outflow Position

FII's are selling continue in the month of July 22. But the difference of sale & purchase is reduced significantly as compared to last 8 months. Does buying from FII's starts again, that only time will tell. DII's shows bullish trend in similar period. FII'S Net outflow in Cash segment **Dec-21 to June-22** is approx **Rs. 3.25 Lakh crore**. DII's Net Inflow in Cash segment during **Dec-21 to June-22** is approx **Rs. 2.73 Lakh crore** which shows the positive impact in Mutual fund industry.

Inflow/Outflow position in the month of July - 2022

(INR. In Crore)

For The Month Of June	Gross Purchase	Gross Sale	Net
FII	1.43 Lakh	1.50 Lakh	- 0.07 Lakh
DII	1.20 Lakh	1.09 Lakh	+0.11 Lakh

