

HUGE SELLOFFS Stocks where FPIs held 33-74% and fundamentals are now weakening have fallen by up to 60% since the budget

FPI Exits Leave Even the Top Stocks in A Downward Spiral

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New Delhi: When the bluest of the blue chips take a hit, can others go unscathed? Out of the 38 BSE-listed stocks where foreign portfolio investors (FPIs) owned at least one-third of shareholding, only two have managed to deliver positive returns since the July 5 Union budget.

While some of these stocks lagged amid slowdown concerns, the biggest drag on them has been a brisk selloff by FPIs after the introduction of a tax surcharge in higher-income brackets, which would make many of the overseas portfolio investors to cough up more in taxes.

Analysts say stocks where the FPI ownership is higher than the long-term average and where fundamentals are weakening have become vulnerable to a sharp drop due to FPIs selling. FPIs have sold ₹11,740 crore worth of equities this month, the highest outflow since October 2018. Data compiled by corporate database Ace Equity showed stocks where FPIs held 33-74% have dropped up to 60% since the budget.

The HDFC twins, the bluest of blue chips, too, have tanked 6-7% since the budget. FPIs held 38.6% in HDFC Bank and 74.7% in housing major HDFC at the end of June quarter, data suggests.

"The surcharge aspect is quite tricky," said Naveen Kulkarni of Reliance Securities. "There may be

On the Skids

COMPANY	30 July	%Chg*
Axis Bank	674.4	-16.3
PTC India	56.0	-15.3
TeamLease	2665.5	-12.0
Page Indu	18,175.5	-10.9
Max India	60.7	-10.6
Just Dial	697.2	-9.5
NIIT Tech	1,204.6	-8.9
IndusInd Bank	1413.0	-7.8
Hero Motocorp	2,356.2	-6.3
IDFC	35.9	-4.0
Yes Bank	91.3	3.5

* Change from July 5, 2019
Compiled by: ETIG Database

many stocks where FPIs will start finding comfort in terms of valuations, but the attraction will essentially be offset by the increased tax burden," he said.

Among top FPI favourites, Mindtree shares have dropped 20% since the budget. FPIs held 33% stake in this firm at the end of June quarter. Others such as Manappuram Finance, Birlasoft, M&M, UPL, Cyient and Federal Bank have lost 17-20% in values since budget.

Among some of the other FPI favourites, PTC India, Page Industries, Hero MotoCorp, Axis Bank, TeamLease Services, Just Dial, Max India, IDFC, Yes Bank, IndusInd Bank and NIIT Technologies have fallen

10-14%.

The list includes many largecaps, where valuations had gotten stretched. "The overall sentiment is negative at this stage. If institutional investors, in particular, have to take out money, these are the stocks which will take a hit," Dhiraj Relli, managing director & CEO at HDFC Securities, told ETMarkets.com last week.

Meanwhile, Cox & Kings has slumped 60% since the budget after a series of debt defaults jolted the travel firm. FPIs held 36.1% in this stock at the end of June. Another FPI favourite Indiabulls Housing Finance has tanked 25%. The firm came under intense selling pressure this week after BJP leader Subramanian Swamy sent a letter to PM Narendra Modi, accusing the Indiabulls group firm of a ₹1 lakh crore fraud.

The company denied any wrongdoing. A study by brokerage Target Investing showed stocks such as Shriram Transport, Max Financial and Havells India could come under pressure. The brokerage expects FPIs to liquidate at least 20-30% of their shareholding in the stocks they currently over-own.

"For many stocks, fundamentals have been worrying while valuations are higher than their five-year average. The I-T surcharge announced in the budget has created the environment for such stocks to get de-rated. These stocks have stress, which we do not think, will go away soon," the brokerage said in a note.