

# TCS, RIL, Infosys, HUL among top 10 stocks under-owned by FIIs, MFs

By *Kshitij Anand*, [ECONOMICTIMES.COM](#) | 25 May, 2015, 03.31PM IST

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NEW DELHI: The blue-chip of the blue-chip names such as Tata Consultancy Services (TCS), Reliance Industries, Infosys, HUL, HDFC, Sun Pharma, etc. are among the top ten [stocks](#) which are under-owned by both foreign institutional investors (FIIs) and [Mutual Funds](#) (MFs).

Even though foreign institutional investors might have been slowly raising their stake in [Sensex](#) companies, which is now at an all-time high of 29 per cent, and 24 per cent for the overall market cap of India, but they are under-owned in most of the blue-chip names.

The given list of stocks should only be taken as a reference and investors should not alter their decision making with respect to buying or selling stocks based on the underweight stance on both FIIs and MFs, say experts.

"There can be various reasons why FIIs and MFs are underweight some companies. Within the FIIs or MFs also there can be different reasons why someone is underweight a specific company," says Vikas Gupta, EVP & [Fund Manager](#), Arthveda Fund Management Pvt. Ltd.

Hence, investors should take their own call while deciding to invest in a particular company. "We cannot advise retail or any kind of investors to follow suite," adds Gupta.

Also, FIIs do not follow [Nifty](#) allocation but benchmark themselves against MSCI India and other similar benchmarks designed for them. These benchmarks are adjusted for the FII limits.

Gupta is of [the view](#) that herding is the reason why markets are so precarious and risky. Each investor should make up their own mind as to what they want to invest in and why within a well-thought out investment framework.



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FII top 10 under-owned stocks

Blbg code	Scrip Name	Current OW / UW	Dec-14
INFO IN Equity	Infosys Ltd	-4.3%	-4.3%
HDFC IN Equity	Housing Development Finance Corp Ltd	-3.8%	-3.0%
RIL IN Equity	Reliance Industries Ltd	-3.0%	-3.8%
TCS IN Equity	Tata Consultancy Services Ltd	-3.0%	-3.0%
HUVR IN Equity	Hindustan Unilever Ltd	-2.2%	-2.2%
SUNP IN Equity	Sun Pharmaceutical Industries Ltd	-1.8%	-1.7%
ITC IN Equity	ITC Ltd	-1.7%	-1.8%
LT IN Equity	Larsen & Toubro Ltd	-1.4%	-1.4%
WPRO IN Equity	Wipro Ltd	-1.3%	-1.3%
SBIN IN Equity	State Bank of India	-1.0%	-1.0%

Source: BofA Merrill Lynch Global Research, exchange filings

Domestic MFs- Top under owned stocks

Scrip Name	Weight in Nifty	Weight in MF portfolio	Current OW / UW	Dec-14
HDFC	6.9%	1.1%	-5.8%	-5.1%
Infosys	7.5%	3.4%	-4.1%	-3.4%
TCS	4.5%	1.1%	-3.4%	-3.5%
RIL	5.0%	1.7%	-3.2%	-3.6%
ICICI Bank	6.8%	4.2%	-2.6%	-2.7%
HDFC Bank	6.9%	4.5%	-2.4%	-2.3%
Tata Motors	3.3%	0.9%	-2.3%	-2.5%
HUL	2.2%	0.2%	-2.0%	-1.8%
Sun Pharma	2.1%	0.6%	-1.5%	-1.7%
M&M	2.0%	0.5%	-1.4%	-1.6%

Source: BofA Merrill Lynch Global Research, exchange filings

Sector wise, FIIs are underweight in metals & mining stocks due to more than proportionate buying in the sector as compared to its weight.

Financials continue to remain the highest overweight (OW) sector for the FIIs (at 14.5% OW). However, a significant part of the high OW is on account of index exclusion of some of the large capital private banks such as HDFC Bank, [Axis Bank](#) etc., BofA-ML said in a report.

Private sector banks have mere \$2bn headroom left for the FIIs, largely led by [ICICI Bank](#) and Yes Bank. On the other hand, IT is the most underweight (UW) sector for the FIIs (at 8.1% UW).

Underweight on IT is at an all-time high with all three large software companies namely -Infosys, TCS and [Wipro](#) being in the top- 10 UW stocks for the FIIs, added the BofA-ML report.

However, MF portfolio is in contrast with that of FIIs, with Financials being major underweight sector, sector on which FIIs are heavily overweight.

Presumably, the FIIs and MFs are savvier investors. But the fact is if they are underweight then automatically, it can be concluded that most likely the retail investors together with some other DIIs are overweight on the same stocks.

Experts advise that there is no point in suddenly thinking that the other group is savvier and doing the right thing and following suite. FIIs going underweight could depend on various factors.

"Continued sales by foreign portfolio investors amid fresh worries on retrospective taxes MAT kept investors on the sidelines in the month of April," says Vivek Gupta, CMT - Director Research, CapitalVia Global Research Limited.

"Foreign portfolio investors (FPIs) have dragged the government to court over the MAT levy and five of them have filed writ petitions against the Income Tax Department at the Bombay High Court," he adds.

After the recent correction [Tata Motors](#), HDFC Bank and Infosys is also likely to show recovery and may continue their major bullish trend, thus offering opportunity to buy at the lower level

Gupta is of the view that among these blue-chip stocks; TCS, Tata Motors, Infosys and HDFC Bank are looking attractive for buy side. TCS is trading in range and is likely to show good up move with the breakout of the consolidation phase.

*Top three rules by Dr Vikas Gupta which investors should keep in mind while choosing stocks. Applying all of the listed rules can infer with a bit of effort what one should do for the specific stocks.*

#### **Make sure you are only in companies with strong balance sheets:**

Balance sheet strength of Financials is harder to judge and hence financials require one to be even more circumspect. Keep away from companies which have had high gross NPAs. Their lending procedures have been lax and more potential NPAs could be in the making. Judging what price is appropriate to pay for such companies is very difficult. Ideally, keep away.

#### **Identify risk companies:**

Companies with very low profitability are again risky and one should keep away since they are destroying shareholder capital.

#### **Avoid buying quality companies at high prices:**

Finally, the most likely way retail investors could lose money even if they have avoided all the above is overpaying for high quality. So try to avoid buying high quality companies which are extremely overvalued.

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