

India Market Strategy

How are investors positioned?

Equity Strategy

India

FII buyers in 2014 but sold in Oct; insurance turn buyers, MFs continue to buy

Foreigners (FIIs) turned net sellers in Oct'14, post 8 straight months of net buying. Annualised 2014 buying is yet lower than last few years. On an aggregate, domestics (DII) have net sold \$4.6bn in 2014 YTD (vs \$13.3bn net buying by FIIs). While mutual funds have been buying for 6 months now (since May, after 9 quarters of selling), domestic Insurance firms turned buyers in Oct'14, after 9 quarters of selling. This trend of domestic retail investors returning to equity market can provide technical support to the market in a scenario of muted foreign buying. The scale of buying arguably is yet not adequate support in case FIIs continue selling though.

FII went back to buying Consumer Staples in Sep14 qtr; also buying IT/ Pharma

In the Sep'14 quarter, FII ownership increased in Telecom, Consumer Staples, Banks, IT Services and Pharma, and declined in Cement, Engineering & Infra, Autos, Metals & Mining, Real Estate and Consumer Durables. This indicates relative preference for defensives/"safe" sectors over cyclicals (ex Banks) and is largely inline with the sector performances during the quarter. The shareholding pattern clearly reflects some unwinding of cyclicals towards defensives. Since Sep'13 qtr (when market touched recent lows), however, FII ownership has increased most in Telecom, Power Utilities, Autos, Engineering/Cap Goods and Banks. With respect to MSCI India, FIIs are most overweight Banks, Autos, Cement and Telecom, and underweight IT Services, Oil & Gas, Consumer Staples, Pharma and Metals & Mining. In MSCI India, FIIs are most OW in ICICI Bank, HDFC Bank, Tata Motors, Tech Mahindra and Power Grid. They are most UW in Reliance Industries, Hindustan Unilever, Infosys, TCS and Wipro. FIIs can still buy over \$150bn worth of stocks in MSCI India, with the largest room (FII ownership limit minus the current FII holding), available in IT Services, Oil & Gas, Banks and Telecom.

DII buying autos but remain UW; OW consumer staples, UW banks

In the Sep'14 quarter, domestics' (DII – mutual funds, insurance companies) ownership increased in Autos and Cement, while it declined in Media, Engineering, Banks and Power Utilities. Since Sep'13, however, DII ownership has increased most in Cement, Consumers (Durables and Staples), Power Utilities and Pharma. With respect to Nifty, DIIs are OW Consumer Staples and Oil & Gas and UW Banks, IT Services, Pharma and Autos. Overall deviation from the benchmark weights has increased in the quarter, reflecting more aggressive sector bets vs. last quarter. DII ownership of small & midcaps increased, led by mutual funds.

Pent-up consumption demand hopes? May face disappointment near-term

Consumer staples/discretionary and Autos have done well in anticipation of pent-up demand led consumption recovery, especially in the context of the October festive season; however we expect disappointment near-term. The findings from our recent UBS Evidence Lab Survey (see [Pent-up demand hopes—Hold your horses](#) dated 8th Oct) support our view of a gradual and mild economic recovery, with continued headwinds on near-term consumption due to the policy environment—including in urban India, where it is still early days for income levels to pick up. Our top-down view (backed by survey findings and peak multiples) is that the Consumer and Auto sectors' risk-reward profiles are relatively unattractive. We are UW Consumers and 2W Autos – our least preferred stocks include United Spirits, Hindustan Unilever and Hero MotoCorp. Some stocks may still meet expectations or even surprise positively. We prefer Maruti Suzuki India, Titan and Asian Paints.

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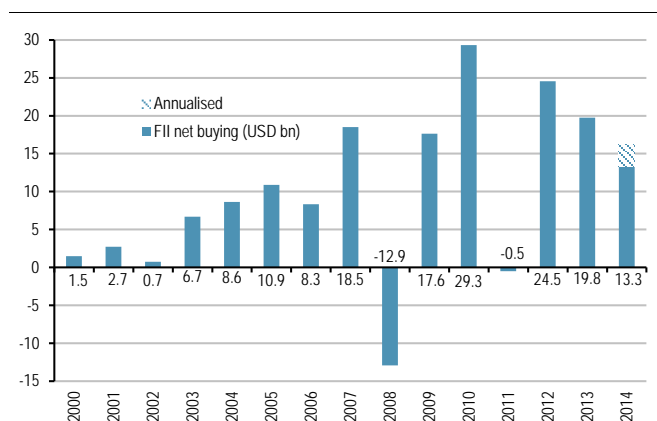
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Foreigners net buyers in 2014 but sold in Oct

FII net bought \$3.9bn in India equities in the Sep'14 quarter, while the net buying in 2014 YTD has been \$13.3bn. FIIs turned net sellers in Oct'14, post 8 straight months of net buying. Annualised 2014 buying is yet lower than last few years.

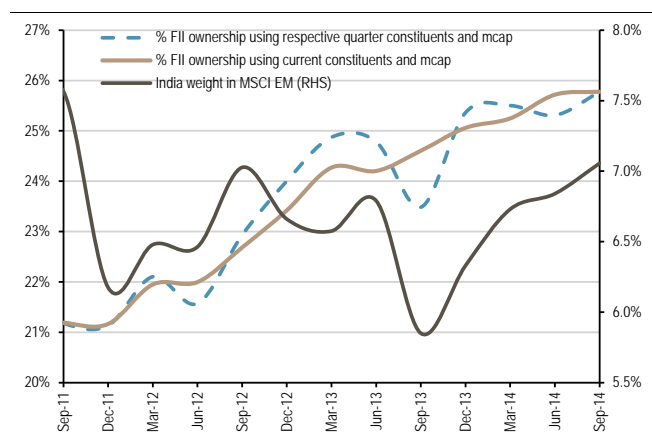
As of Sep'14, FIIs own 25.8/27.2% in MSCI India/Nifty stocks, and over 50% of free float.

Figure 1: FII net buying into equity—annual



Note: 2014 is ytd and shaded portion is annualised; Source: Bloomberg, UBS

Figure 2: FII ownership in MSCI India (including ADR/GDR) vs. India weight in MSCI India



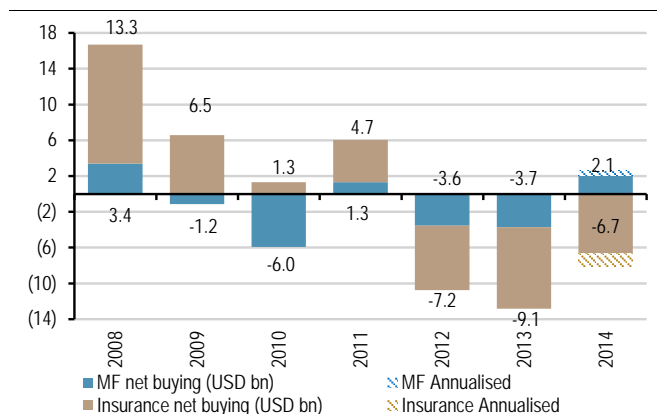
Source: Capitaline, Datastream, Bloomberg

Insurance turn buyers in Oct, MFs continue to buy

On an aggregate, DIIs have net sold \$4.6bn in 2014 YTD, but only \$0.3bn in the Sep'14 quarter. They net bought \$0.8bn in Oct'14. Mutual funds have been buying for 6 months now (since May, after 9 quarters of selling), on the back of net inflows by investors into equity mutual funds. Insurance firms turned buyers in Oct'14, after 9 quarters of selling.

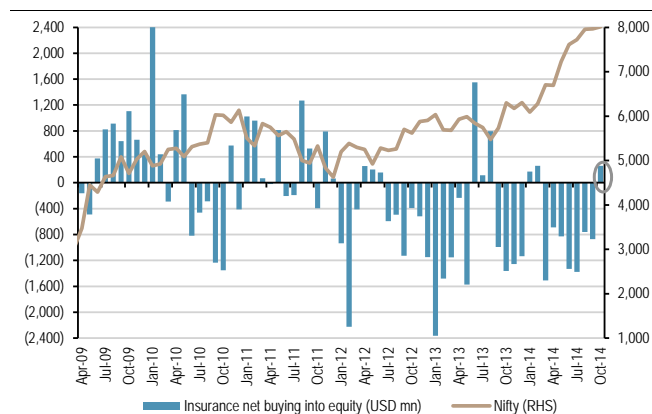
As of Sep'14, DIIs own 9.7%/10.4% in MSCI India/Nifty stocks.

Figure 3: DII net buying into equity—annual



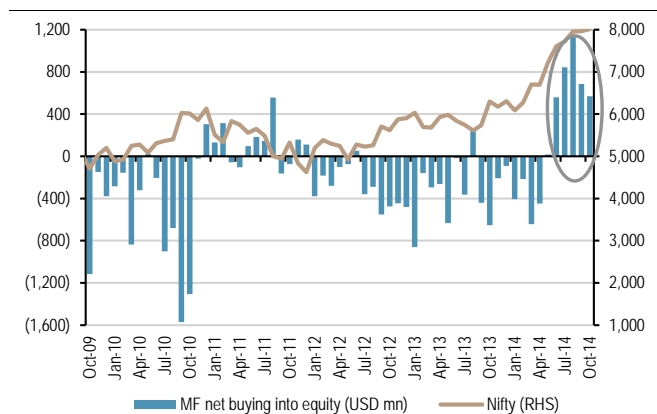
Source: Bloomberg, UBS

Figure 4: Insurance net buying into equity—monthly



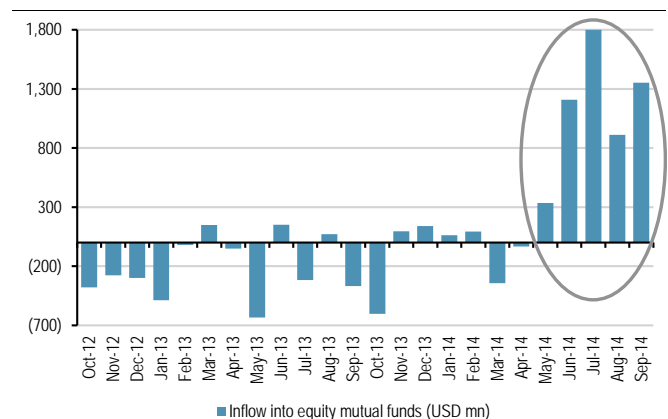
Note: 2014 is ytd and shaded portion is annualised; Source: Bloomberg, UBS

Figure 5: Mutual funds net buying into equity—monthly



Source: Bloomberg, UBS

Figure 6: Inflows into equity mutual funds—monthly



Source: AMFI, UBS

This trend of domestic retail investors returning to equity market can provide technical support to the market in a scenario of muted foreign buying. The scale of buying arguably is yet not adequate support in case FIIs continue selling though.

FIIs went back to buying Consumer Staples in Sep'14 qtr; also buying IT/ Pharma

Considering MSCI India, in the Sep'14 quarter, FII ownership increased in Telecom, Consumer Staples, Banks & FIs, IT Services and Pharma. FII ownership in Cement, Engineering & Infra, Autos, Metals & Mining, Real Estate and Consumer Durables declined. Power Utilities and Oil & Gas ownership was largely unchanged.

This indicates relative preference for defensives/"safe" sectors over cyclicals (ex Banks) during the quarter, and is largely inline with the sector performances during the quarter as well. The shareholding pattern clearly reflects some unwinding of cyclicals towards defensives in the Sep'14 quarter.

Since Sep'13 qtr (when market touched recent lows), however, FII ownership has increased most in Telecom, Power Utilities, Autos, Engineering/Cap Goods and Banks.

Figure 7: MSCI India - qoq sectoral change in FII ownership and performance

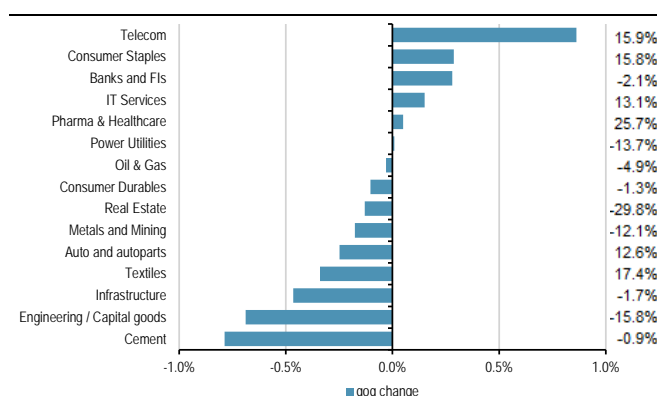
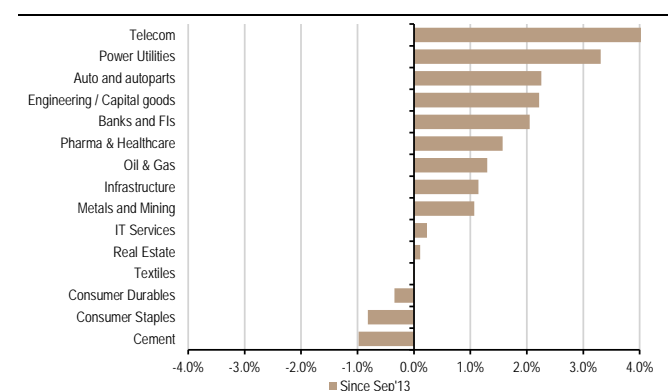


Figure 8: MSCI India - sectoral change since Sep'13 in FII ownership

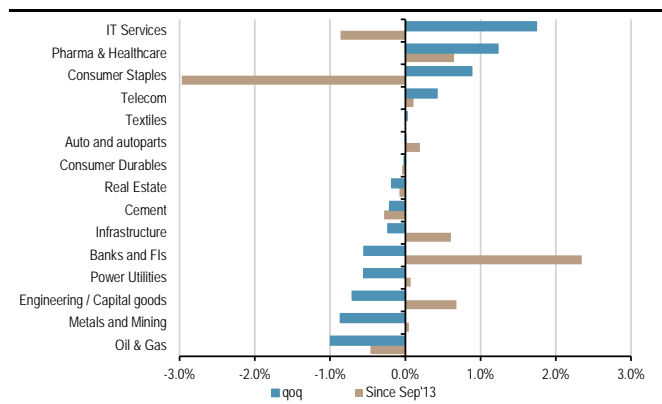


Note: Considering latest quarter constituents and market cap for both quarters for like to like comparison; Numbers on the right hand side in Figure 7 denote price performance in the Sep quarter; Source: Capitaline, Datastream, Bloomberg

As a % of total portfolio of MSCI India stocks, FII holding increased in IT Services, Pharma, Consumer Staples and Telecom, while it has decreased in Oil & Gas,

Metals & Mining, Engineering/Cap Goods, Power Utilities and Banks & FIs in the Sep'14 quarter.

Figure 9: MSCI India – change in sector holding as a % of portfolio



Note: Considering latest constituents for all quarters for like to like comparison;
Source: Capitaline, Datastream, Bloomberg

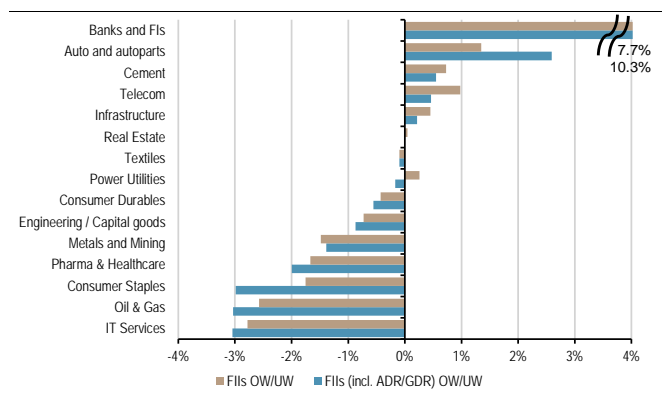
Since Sep'13 however, it has increased in Banks & FIs, Engineering/Cap Goods, Pharma and Infra, while it has decreased in Consumer Staples, IT Services, Oil & Gas and Cement.

FIs OW Banks and Autos, UW IT, Consumers

With respect to MSCI India, FIs (incl. ADR/GDR) are most overweight Banks, Autos, Cement and Telecom. They are Underweight in IT Services, Oil & Gas, Consumer Staples, Pharma and Metals & Mining. Overall deviation from the benchmark weights increased marginally in the quarter.

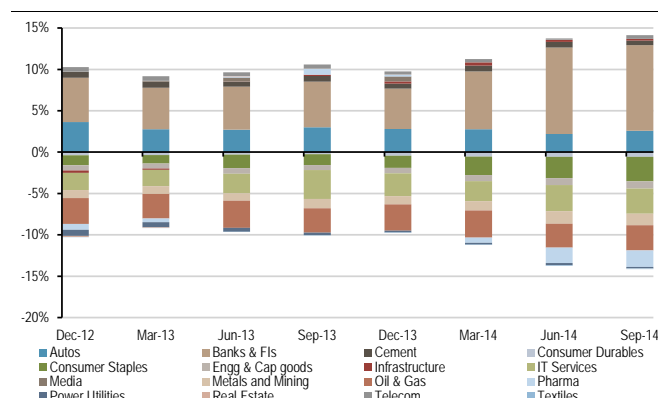
The FI OW in Autos increased during the quarter, after 3 quarters of decline, while that in Banks and FIs was largely stable after 2 quarters of increase. The FI UW in IT Services was largely stable in Sep'14, after an increase last quarter. The FI UW in Consumer Staples continues to rise, despite higher ownership in this quarter, possibly due to disproportionate increase in benchmark weights led by price performance. The FI UW in Pharma and Metals & Mining was largely stable during the quarter, after an increase last quarter.

Figure 10: FI sectoral OW/UW wrt sector weights in MSCI India – Sept'14



Source: Capitaline, Datastream, Bloomberg

Figure 11: FI sectoral OW/UW sequential movement wrt sector weights in MSCI India



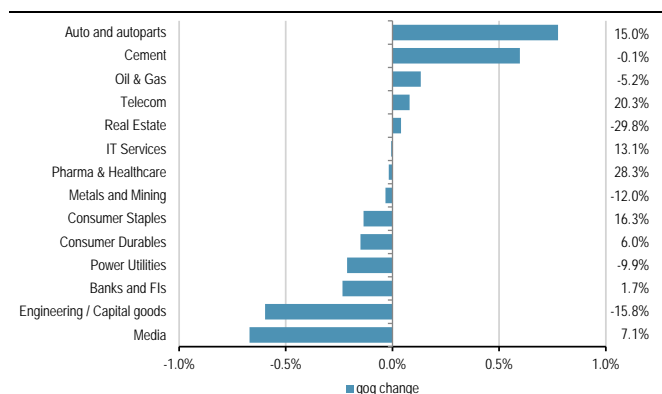
Source: Capitaline, Datastream, Bloomberg

DIIIs buying autos but remain UW; OW consumer staples

For Nifty, in terms of sectors, in the Sep'14 quarter, DII ownership increased in Autos and Cement, while it declined in Media, Engineering, Banks & FIs and Power Utilities. It marginally increased in Oil & Gas and Telecom, and marginally declined in Consumers (Durables and Staples).

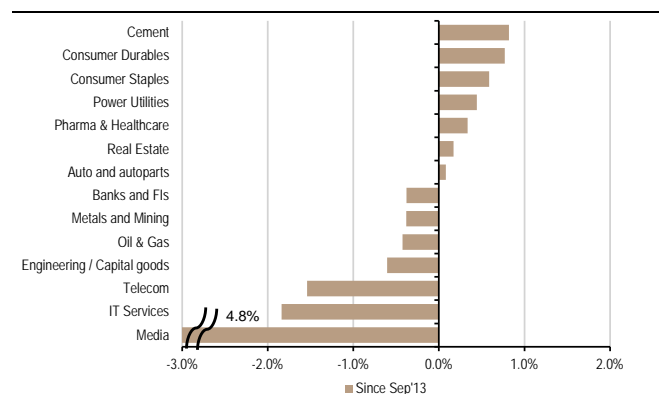
Since Sep'13, however, DII ownership has increased most in Cement, Consumers (Durables and Staples), Power Utilities and Pharma, while it declined in Media, IT Services, Telecom and Engineering/Cap Goods.

Figure 12: Nifty - qoq sectoral change in DII ownership and performance



Note: Considering latest quarter constituents and market cap for both quarters for like to like comparison; Numbers on the right hand side denote price performance in the Sep quarter; Source: Capitaline, Datastream, Bloomberg

Figure 13: Nifty - sectoral change since Sep'13 in DII ownership

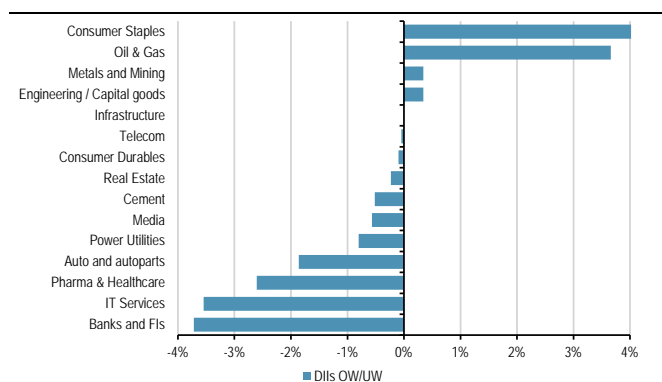


Note: Considering latest quarter constituents and market cap for both quarters for like to like comparison; Source: Capitaline, Datastream, Bloomberg

With respect to Nifty, DIIs are Overweight Consumer Staples and Oil & Gas and Underweight in Banks & FIs, IT Services, Pharma and Autos. Overall deviation from the benchmark weights has increased in the quarter, reflecting more aggressive sector bets vs. last quarter.

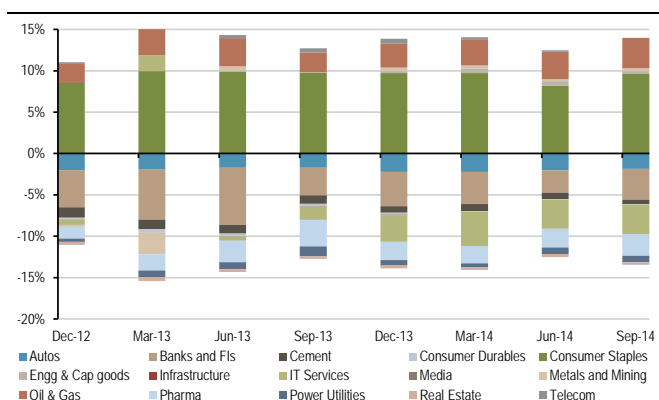
The DII OW in Consumer Staples has increased in Sep'14 (after the decline last quarter), and that in Oil & Gas has been increasing over the last 4 quarters. The DII UW in Banks has increased after the decline last quarter, while that in IT Services remained unchanged after the decrease last quarter. The UW in Pharma has been increasing over the past 2 quarters.

Figure 14: DII sectoral OW/UW wrt sector weights in Nifty – Sept'14



Source: Capitaline, Datastream, Bloomberg

Figure 15: DII sectoral OW/UW sequential movement wrt sector weights in Nifty



Source: Capitaline, Datastream, Bloomberg

DII, led by mutual funds, buying SMIDs

We segregated the BSE500 constituents (using market cap) into "Top 50" – large caps and "others" – SMID (small and midcap). FII ownership of large caps increased during the quarter, while that of SMID remained unchanged. DII ownership of large caps remained largely unchanged, while that of SMID increased, led by mutual funds.

Figure 16: FII (incl. ADR/GDR) ownership – large vs. SMID

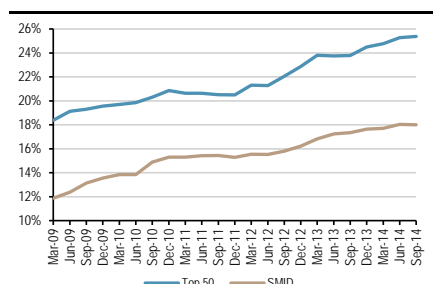


Figure 17: DII ownership – large vs. SMID

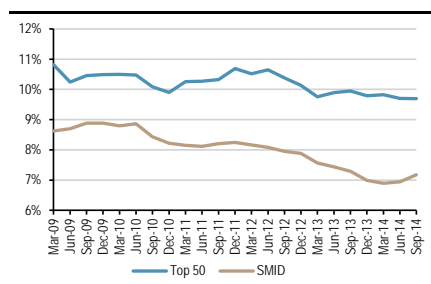
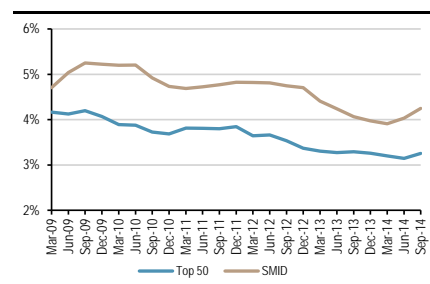


Figure 18: Mutual funds ownership – large vs. SMID

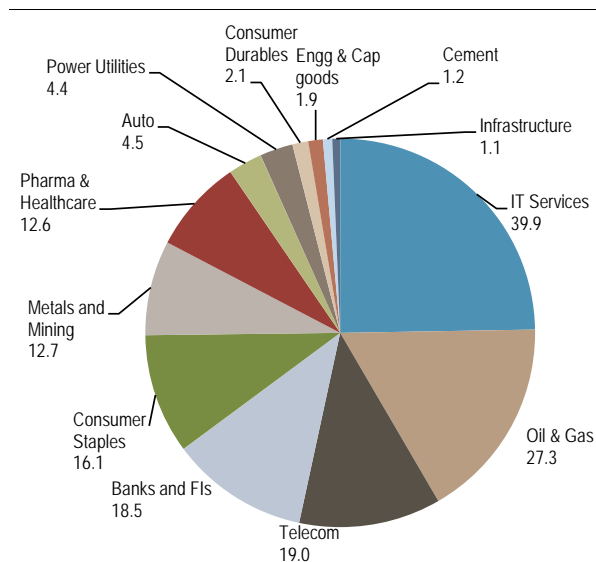


Note: Shareholding as of Sep'14 for c.370 co.s for which it is available, shareholding as of Jun'14 for the remaining; Source: Capitaline

How much more room for FIIs to buy?

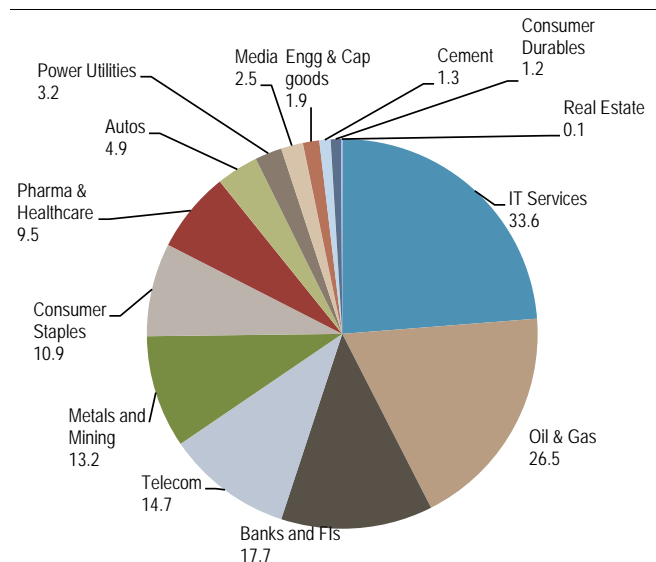
FIIs hold \$340bn of stocks in Indian equity markets. Our calculations show that FIIs can still buy over \$150bn worth of stocks in the MSCI India, with the largest room (FII ownership limit minus the current FII holding) in terms of market cap, available in IT Services, Oil & Gas, Banks, Telecom, Consumer Staples and Metals & Mining. Ex Banks and Telecom, FIIs are underweight these sectors.

Figure 19: FII room (\$bn) left in MSCI India



Source: Datastream, Capitaline, Bloomberg, UBS

Figure 20: FII room (\$bn) left in Nifty



Source: Datastream, Capitaline, Bloomberg, UBS

Which stocks have room?

Among the MSCI India stocks, FIIs are most OW in ICICI Bank, HDFC Bank, Tata Motors, Tech Mahindra and Power Grid. They are most UW in Reliance Industries, Hindustan Unilever, Infosys, TCS and Wipro.

Stockwise, in terms of market cap, they have most room (FII ownership limit minus the current FII holding) to buy Infosys, Bharti Airtel, Reliance Industries, ONGC and Hindustan Unilever. They have least room to buy HDFC Bank, DLF, JP Associates, M&M Financial and ACC.

Significant stock ownership changes

MSCI India stocks like Idea Cellular, Hindalco, Dr. Reddy's Labs, M&M, Apollo Hospitals, ICICI Bank, Dabur, REC, Power Grid and HUL saw an increase in FII ownership, while JP Associates, Shriram Transport, Reliance Capital, Cipla, ACC, Ambuja, JSPL, JSW Steel, Tata Motors and Bajaj Auto saw a decline.

Figure 21: MSCI India stocks with notable FII ownership change in Sept-14

		FII (incl. ADRs/GDRs) %					Change qoq	Change yoy	Price change qoq
		Sep-13	Dec-13	Mar-14	Jun-14	Sep-14			
Top 10 increase									
Idea Cellular	IDEA IN	17.3	19.1	19.5	21.6	25.0	3.3	7.7	25.4%
Hindalco Inds.	HNDL IN	32.5	34.7	34.8	35.3	37.3	2.1	4.8	-4.4%
Dr Reddy's Labs	DRRD IN	49.4	50.5	52.3	53.8	55.5	1.7	6.0	23.4%
M & M	MM IN	40.8	41.7	41.9	44.3	45.5	1.2	4.7	18.7%
Apollo Hospitals	APHS IN	42.9	42.9	42.3	42.3	43.4	1.0	0.5	12.6%
ICICI Bank	ICICIB IN	66.7	67.6	69.0	69.2	70.2	1.0	3.5	1.2%
Dabur India	DABUR IN	20.7	19.9	19.2	19.7	20.5	0.8	-0.2	18.7%
Rural Elec.Corp.	RECL IN	19.8	19.4	18.7	19.2	19.9	0.6	0.1	-30.5%
Power Grid Corpn	PWGR IN	16.9	25.4	26.2	26.9	27.4	0.6	10.5	-2.8%
Hind. Unilever	HUVR IN	15.3	14.8	14.1	14.6	15.1	0.5	-0.2	20.4%
Top 10 decrease									
JP Associates	JPA IN	24.9	27.4	28.9	30.9	28.7	-2.2	3.9	-65.6%
Shriram Trans.	SHTF IN	49.7	49.7	48.9	50.3	48.6	-1.6	-1.1	3.6%
Reliance Capital	RCAPT IN	20.6	21.1	20.6	21.2	19.8	-1.4	-0.8	-30.7%
Cipla	CIPLA IN	24.8	24.9	24.4	24.8	23.7	-1.1	-1.1	42.9%
ACC	ACC IN	20.9	20.0	19.7	19.7	18.7	-1.1	-2.3	-4.4%
Ambuja Cem.	ACEM IN	31.8	32.1	32.2	32.6	31.6	-1.1	-0.2	-3.2%
Jindal Steel	JSP IN	21.3	21.9	22.3	22.4	21.4	-1.0	0.0	-46.4%
JSW Steel	JSTL IN	17.2	18.6	19.2	21.4	20.4	-0.9	3.3	-6.5%
Tata Motors	TTMT IN	46.1	48.1	48.4	48.3	47.3	-0.9	1.2	16.6%
Bajaj Auto	BJAUT IN	17.8	18.7	18.7	18.6	17.7	-0.9	-0.1	1.5%

Source: Datastream, Capitaline, Bloomberg, UBS

Nifty stocks like IDFC, ACC, Tata Motors, Bajaj Auto and Ambuja saw an increase in DII ownership, while L&T, ICICI Bank, Hindalco, Zee and Tata Power saw a decline.

Figure 22: Nifty stocks with notable DII ownership change in Sep-14

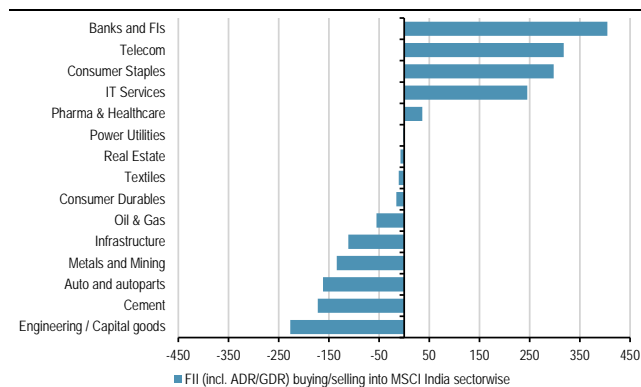
		DII %							
		Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Change qoq	Change yoy	Price change qoq
Top 5 increase									
IDFC	IDFC IN	11.4	11.6	10.7	10.8	14.6	3.8	3.2	1.6%
ACC	ACC IN	1.9	3.1	3.2	3.2	4.1	1.0	2.2	-4.4%
Tata Motors	TTMT IN	11.6	9.4	9.2	9.6	10.5	0.9	-1.1	16.6%
Bajaj Auto	BJAUT IN	7.7	6.3	6.6	6.8	7.7	0.9	0.0	1.5%
Ambuja Cem.	ACEM IN	9.5	9.4	9.3	9.0	9.9	0.9	0.4	-3.2%
Top 5 decrease									
Larsen & Toubro	LT IN	20.8	20.2	19.5	19.4	18.5	-0.9	-2.3	-14.3%
ICICI Bank	ICICIB IN	27.8	24.5	23.1	23.1	22.2	-0.9	-5.6	1.2%
Hindalco Inds.	HNDL IN	10.8	10.3	10.4	10.9	10.0	-0.9	-0.8	-4.4%
Zee Entertainment	Z IN	6.2	4.0	3.4	2.1	1.4	-0.7	-4.8	7.5%
Tata Power Co.	TPWR IN	22.9	22.1	19.2	22.5	21.8	-0.7	-1.1	-23.0%

Source: Capitaline, Bloomberg, UBS

Sectoral buying/selling

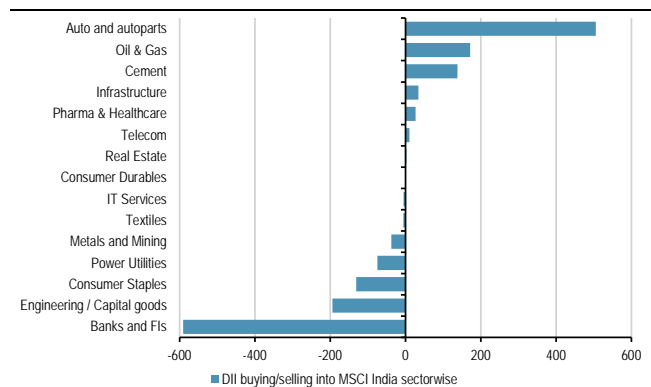
The following charts show the amount of sectoral FII/DII buying/selling, on the basis of quarter average market cap and % ownership change.

Figure 23: FII buying/selling–MSCI India sectorwise



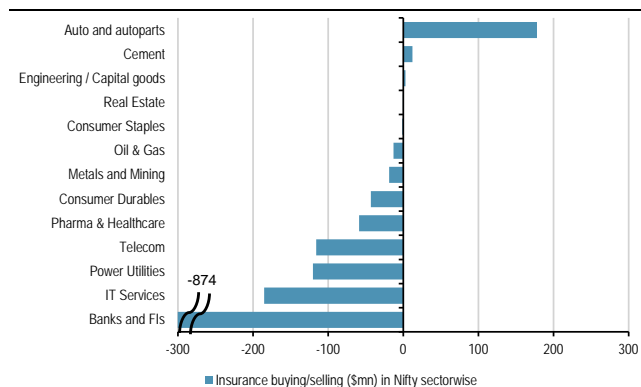
Note: In \$mn; Source: Capitaline, Datastream, Bloomberg

Figure 24: DII buying/selling–MSCI India sectorwise



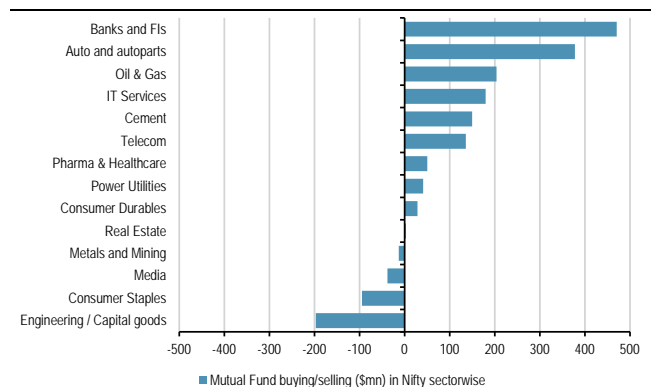
Note: In \$mn; Source: Capitaline, Datastream, Bloomberg

Figure 25: Insurance buying/selling–Nifty sectorwise



Note: In \$mn; Source: Capitaline, Bloomberg

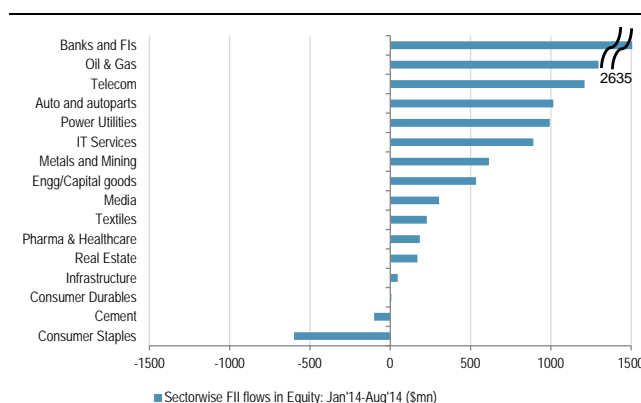
Figure 26: Mutual fund buying/selling–Nifty sectorwise



Note: In \$mn; Source: Capitaline, Bloomberg

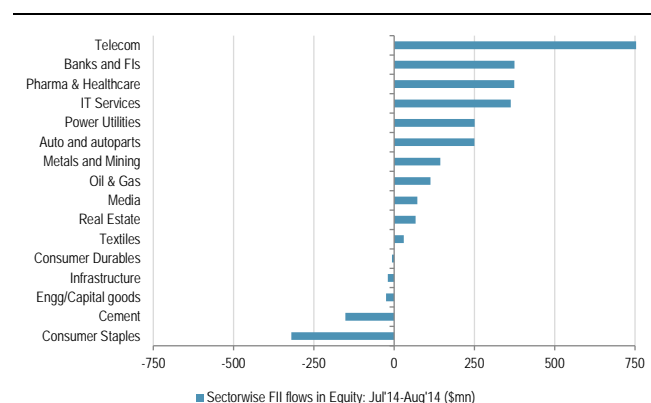
The following charts represent the sectorwise net investment into Indian equities by FIIs.

Figure 27: Sectorwise FII flows in Equity: Jan'14-Aug'14



Note: In \$mn; Source: SEBI, NSDL

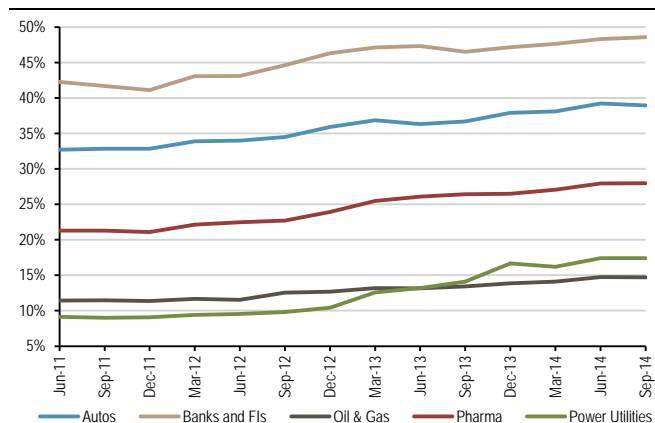
Figure 28: Sectorwise FII flows in Equity: Jul'14-Aug'14



Note: In \$mn; Source: SEBI, NSDL

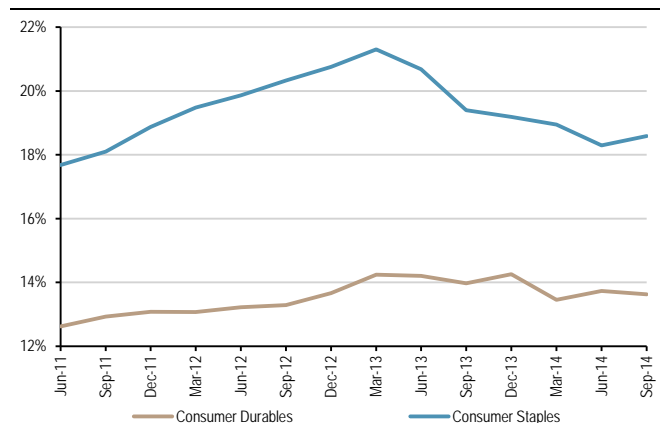
The following charts show the broad trends in FII ownership for various sectors.

Figure 29: FII ownership gradually increasing in Autos, Banks, Oil & Gas, Pharma and Power Utilities



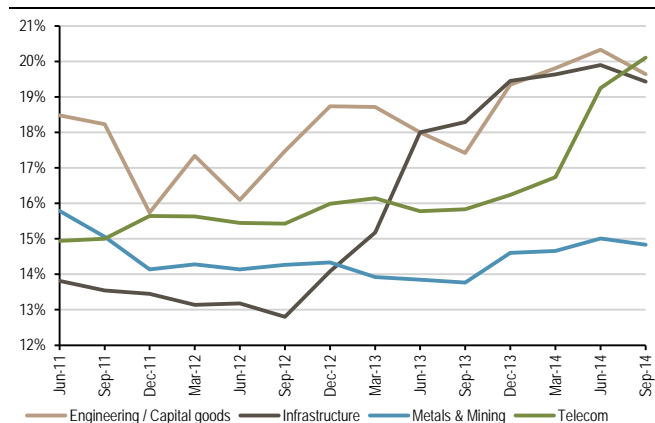
Note: MSCI India; Source: Capitaline, Datastream, Bloomberg

Figure 30: FII ownership has been going down in Consumer Durables and Staples (ex Sep'14)



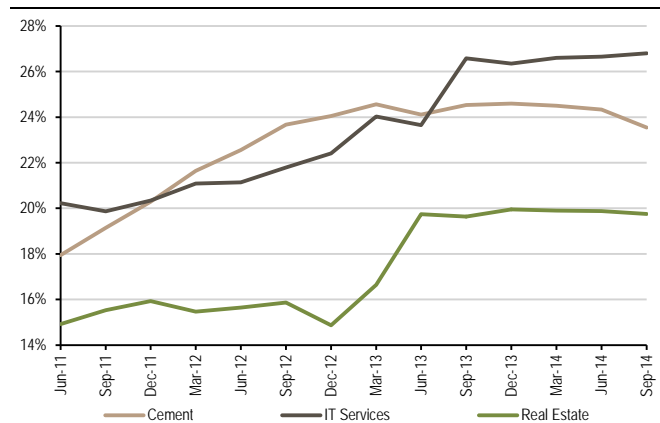
Note: MSCI India; Source: Capitaline, Datastream, Bloomberg

Figure 31: Mixed trend in Engg/Cap goods, Infra, Metals & Mining, Telecom



Note: MSCI India; Source: Capitaline, Datastream, Bloomberg

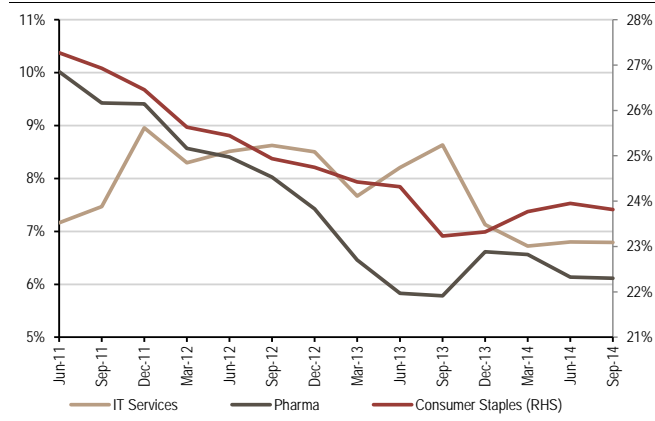
Figure 32: FII ownership largely unchanged recently in Cement, Real Estate and Telecom



Note: MSCI India; Source: Capitaline, Datastream, Bloomberg

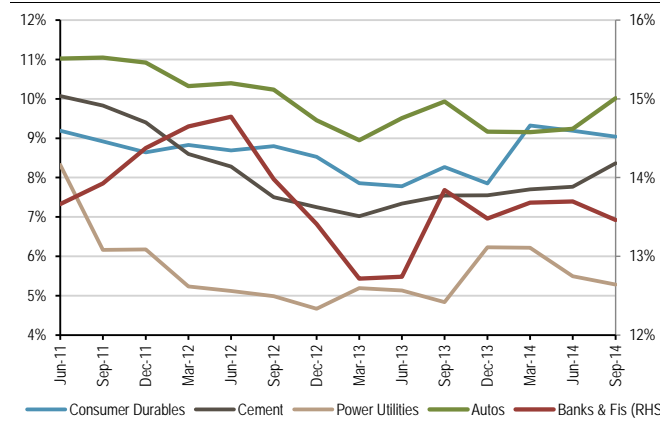
The following charts show the broad trends in DII ownership for various sectors.

Figure 33: DII ownership was broadly trending down in Consumer Staples, IT and Pharma, now stable/rising



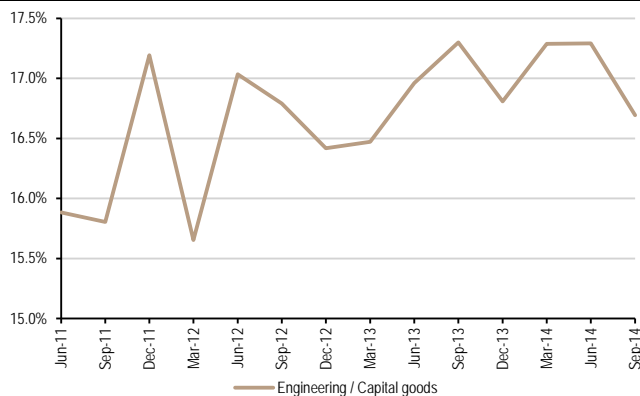
Note: Nifty; Source: Capitaline, Bloomberg

Figure 34: Mixed trend in Autos, Consumer Durables, Cement, Power Utilities & Banks



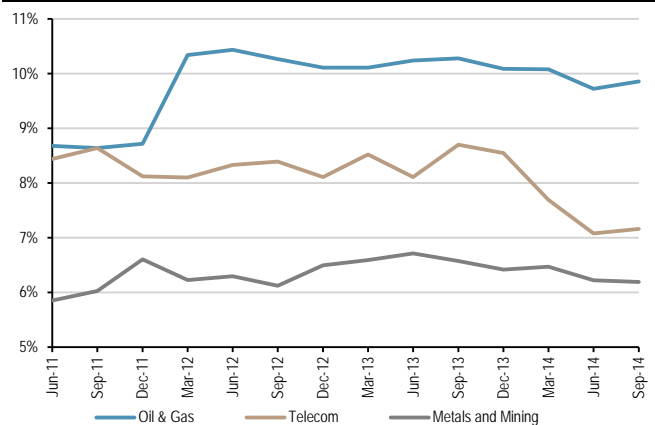
Note: Nifty; Source: Capitaline, Bloomberg

Figure 35: DII ownership volatile in Engineering and Capital Goods



Note: Nifty; Source: Capitaline, Bloomberg

Figure 36: DII ownership largely stable but falling recently in Oil & Gas, Telecom and Metals & Mining

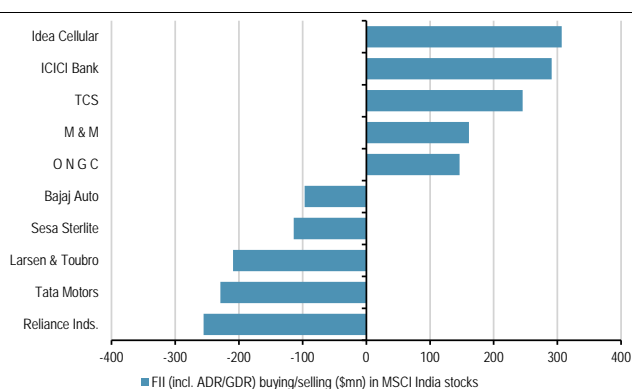


Note: Nifty; Source: Capitaline, Bloomberg

Stock buying/selling

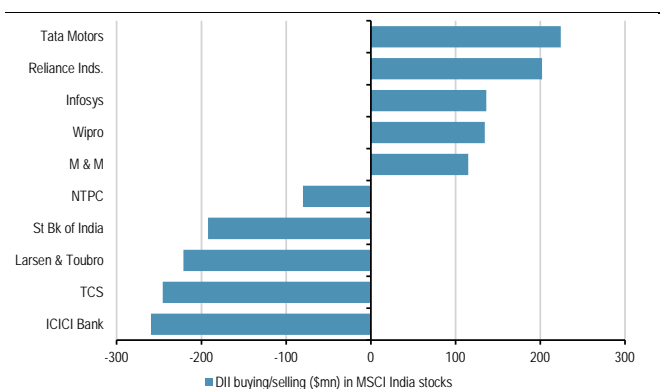
The following charts show the amount of FII/DII buying/selling in the quarter for top 5 stocks each, on the basis of quarter average market cap and % ownership change.

Figure 37: FII buying/selling–MSCI India stocks



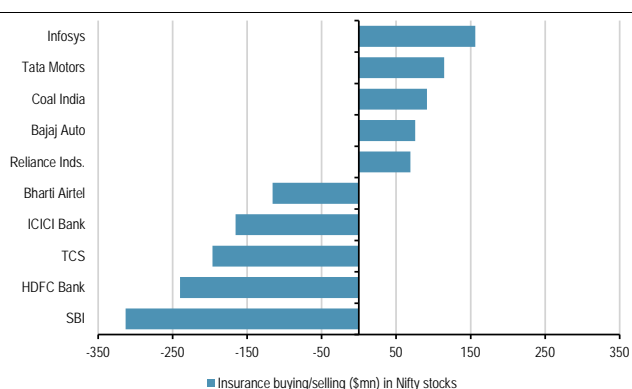
Note: In \$mn; Source: Capitaline, Datastream, Bloomberg

Figure 38: DII buying/selling–MSCI India stocks



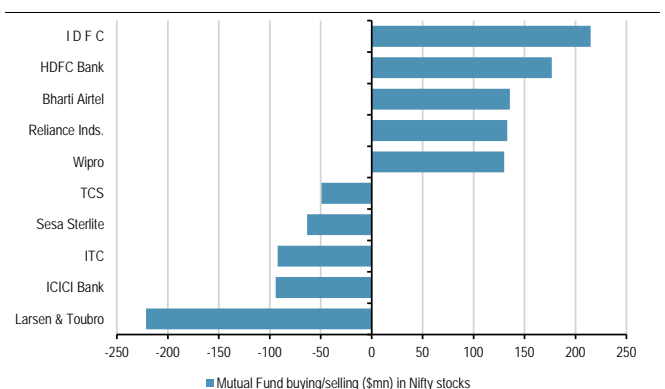
Note: In \$mn; Source: Capitaline, Datastream, Bloomberg

Figure 39: Insurance buying/selling–Nifty stocks



Note: In \$mn; Source: Capitaline, Bloomberg

Figure 40: Mutual fund buying/selling–Nifty stocks



Note: In \$mn; Source: Capitaline, Bloomberg

We would like to thank Devendra Alhat, an employee of Cognizant, for his assistance in preparing this research report. Cognizant staff provides research support services to UBS.

Appendix

Figure 41: FII sector-wise overweight/underweight with respect to MSCI India

	FII OW/UW						FII (incl. ADR/GDR) OW/UW					
	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14
Auto and autoparts	1.7%	1.5%	1.5%	1.4%	0.9%	1.3%	2.7%	3.0%	2.8%	2.8%	2.2%	2.6%
Banks and FIs	2.7%	2.8%	2.7%	4.7%	8.0%	7.7%	5.2%	5.5%	4.9%	7.0%	10.4%	10.3%
Cement	0.8%	0.8%	0.8%	0.9%	0.9%	0.7%	0.6%	0.7%	0.6%	0.7%	0.7%	0.6%
Consumer Durables	(0.1%)	(0.1%)	(0.3%)	(0.4%)	(0.4%)	(0.4%)	(0.3%)	(0.2%)	(0.4%)	(0.5%)	(0.6%)	(0.6%)
Consumer non-durables	(0.2%)	(0.1%)	(0.1%)	(0.8%)	(1.5%)	(1.8%)	(1.6%)	(1.3%)	(1.5%)	(2.2%)	(2.6%)	(3.0%)
Engineering / Capital goods	(0.6%)	(0.6%)	(0.6%)	(0.6%)	(0.7%)	(0.7%)	(0.7%)	(0.6%)	(0.7%)	(0.7%)	(0.9%)	(0.9%)
Infrastructure	0.2%	0.3%	0.5%	0.6%	0.5%	0.5%	0.0%	0.2%	0.3%	0.4%	0.2%	0.2%
IT Services	(2.4%)	(1.7%)	(2.9%)	(2.4%)	(3.0%)	(2.8%)	(2.4%)	(3.5%)	(2.8%)	(2.4%)	(3.1%)	(3.0%)
Media	0.6%	0.0%	0.8%	0.0%	0.0%	0.0%	0.5%	0.0%	0.6%	0.0%	0.0%	0.0%
Metals and Mining	(1.0%)	(1.0%)	(1.1%)	(1.2%)	(1.6%)	(1.5%)	(0.9%)	(1.1%)	(1.0%)	(1.1%)	(1.5%)	(1.4%)
Oil & Gas	(3.0%)	(2.9%)	(2.9%)	(2.9%)	(2.4%)	(2.6%)	(3.3%)	(2.9%)	(3.2%)	(3.3%)	(2.9%)	(3.0%)
Pharma & Healthcare	0.4%	0.8%	0.5%	(0.5%)	(1.7%)	(1.7%)	0.1%	0.7%	0.2%	(0.6%)	(1.9%)	(2.0%)
Power Utilities	(0.1%)	(0.0%)	0.1%	0.2%	0.3%	0.3%	(0.5%)	(0.3%)	(0.2%)	(0.2%)	(0.3%)	(0.2%)
Real Estate	0.2%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	(0.0%)
Telecom	0.9%	0.9%	0.8%	0.8%	0.6%	1.0%	0.5%	0.5%	0.4%	0.4%	0.2%	0.5%
Textiles	(0.0%)	(0.0%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.0%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)

Source: Capitaline, Datastream, Bloomberg, UBS

Figure 42: DII sector-wise overweight/underweight with respect to Nifty

	DII OW/UW %					
	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14
Auto and autoparts	(1.7%)	(1.7%)	(2.2%)	(2.2%)	(2.0%)	(1.9%)
Banks and FIs	(6.9%)	(3.3%)	(4.1%)	(3.9%)	(2.7%)	(3.7%)
Cement	(1.1%)	(1.0%)	(0.8%)	(0.8%)	(0.8%)	(0.5%)
Consumer Durables	(0.3%)	(0.3%)	(0.3%)	(0.1%)	(0.1%)	(0.1%)
Consumer non-durables	9.8%	9.8%	9.7%	9.7%	8.2%	9.6%
Engineering / Capital goods	0.1%	0.1%	0.3%	0.5%	0.6%	0.3%
Infrastructure	(0.0%)	(0.1%)	(0.1%)	0.0%	0.0%	0.0%
IT Services	(0.5%)	(1.6%)	(3.2%)	(4.1%)	(3.5%)	(3.3%)
Media	0.0%	0.0%	0.0%	0.0%	0.0%	(0.6%)
Metals and Mining	0.6%	(0.0%)	0.4%	0.4%	0.2%	0.3%
Oil & Gas	3.4%	2.4%	2.9%	3.1%	3.3%	3.7%
Pharma & Healthcare	(2.6%)	(3.2%)	(2.2%)	(2.1%)	(2.2%)	(2.6%)
Power Utilities	(0.8%)	(1.2%)	(0.7%)	(0.5%)	(0.8%)	(0.8%)
Real Estate	(0.3%)	(0.3%)	(0.3%)	(0.3%)	(0.4%)	(0.2%)
Telecom	0.4%	0.5%	0.6%	0.3%	0.2%	(0.0%)

Source: Capitaline, Bloomberg, UBS

Figure 43: FII sectoral ownership—MSCI India (using current quarter constituents and market cap)

FII (incl. ADRs/GDRs) %	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14
Auto and autoparts	32.9%	32.9%	33.9%	34.0%	34.5%	35.9%	36.9%	36.3%	36.7%	37.9%	38.1%	39.2%	39.0%
Banks and FIs	41.7%	41.1%	43.1%	43.1%	44.6%	46.3%	47.1%	47.3%	46.5%	47.2%	47.6%	48.3%	48.6%
Cement	19.1%	20.3%	21.6%	22.6%	23.7%	24.1%	24.6%	24.1%	24.5%	24.6%	24.5%	24.3%	23.6%
Consumer Durables	12.9%	13.1%	13.1%	13.2%	13.3%	13.7%	14.2%	14.2%	14.0%	14.3%	13.4%	13.7%	13.6%
Consumer Staples	18.1%	18.9%	19.5%	19.9%	20.3%	20.8%	21.3%	20.7%	19.4%	19.2%	18.9%	18.3%	18.6%
Engineering / Cap goods	18.2%	15.7%	17.3%	16.1%	17.5%	18.7%	18.7%	18.0%	17.4%	19.3%	19.8%	20.3%	19.6%
Infrastructure	13.5%	13.4%	13.1%	13.2%	12.8%	14.1%	15.2%	18.0%	18.3%	19.5%	19.6%	19.9%	19.4%
IT Services	19.9%	20.3%	21.1%	21.1%	21.8%	22.4%	24.0%	23.6%	26.6%	26.4%	26.6%	26.7%	26.8%
Metals and Mining	15.1%	14.1%	14.3%	14.1%	14.3%	14.3%	13.9%	13.8%	13.8%	14.6%	14.7%	15.0%	14.8%
Oil & Gas	11.5%	11.4%	11.7%	11.5%	12.6%	12.7%	13.2%	13.2%	13.4%	13.9%	14.1%	14.7%	14.7%
Pharma & Healthcare	21.3%	21.1%	22.1%	22.5%	22.7%	23.9%	25.5%	26.1%	26.4%	26.5%	27.1%	27.9%	28.0%
Power Utilities	9.0%	9.1%	9.4%	9.6%	9.8%	10.4%	12.6%	13.2%	14.1%	16.7%	16.2%	17.4%	17.4%
Real Estate	15.5%	15.9%	15.5%	15.6%	15.9%	14.9%	16.6%	19.7%	19.6%	20.0%	19.9%	19.9%	19.8%
Telecom	15.0%	15.6%	15.6%	15.4%	15.4%	16.0%	16.1%	15.8%	15.8%	16.2%	16.7%	19.2%	20.1%
Textiles	21.8%	21.9%	22.1%	21.7%	20.6%	19.0%	18.2%	17.9%	18.0%	17.5%	17.9%	18.3%	17.9%
MSCI India	21.2%	21.2%	21.9%	22.0%	22.7%	23.4%	24.3%	24.2%	24.6%	25.1%	25.2%	25.7%	25.8%

Source: Datastream, Capitaline, Bloomberg, UBS

Figure 44: DII sectoral ownership—Nifty (using current quarter constituents and market cap)

DII %	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14
Auto and autoparts	11.0%	10.9%	10.3%	10.4%	10.2%	9.5%	8.9%	9.5%	9.9%	9.2%	9.2%	9.2%	10.0%
Banks and FIs	13.9%	14.4%	14.6%	14.8%	14.0%	13.4%	12.7%	12.7%	13.8%	13.5%	13.7%	13.7%	13.5%
Cement	9.8%	9.4%	8.6%	8.3%	7.5%	7.3%	7.0%	7.3%	7.5%	7.5%	7.7%	7.8%	8.4%
Consumer Durables	8.9%	8.6%	8.8%	8.7%	8.8%	8.5%	7.9%	7.8%	8.3%	7.9%	9.3%	9.2%	9.0%
Consumer Staples	26.9%	26.5%	25.6%	25.4%	24.9%	24.7%	24.4%	24.3%	23.2%	23.3%	23.8%	24.0%	23.8%
Engineering / Cap goods	15.8%	17.2%	15.7%	17.0%	16.8%	16.4%	16.5%	17.0%	17.3%	16.8%	17.3%	17.3%	16.7%
IT Services	7.5%	9.0%	8.3%	8.5%	8.6%	8.5%	7.7%	8.2%	8.6%	7.1%	6.7%	6.8%	6.8%
Media	13.2%	12.8%	12.5%	13.1%	12.5%	11.4%	8.7%	7.8%	6.2%	4.0%	3.4%	2.1%	1.4%
Metals and Mining	6.0%	6.6%	6.2%	6.3%	6.1%	6.5%	6.6%	6.7%	6.6%	6.4%	6.5%	6.2%	6.2%
Oil & Gas	8.6%	8.7%	10.3%	10.4%	10.3%	10.1%	10.1%	10.2%	10.3%	10.1%	10.1%	9.7%	9.9%
Pharma & Healthcare	9.4%	9.4%	8.6%	8.4%	8.0%	7.4%	6.5%	5.8%	5.8%	6.6%	6.6%	6.1%	6.1%
Power Utilities	6.2%	6.2%	5.2%	5.1%	5.0%	4.7%	5.2%	5.1%	4.8%	6.2%	6.2%	5.5%	5.3%
Real Estate	0.2%	0.2%	0.2%	0.2%	0.4%	0.8%	0.2%	0.3%	0.2%	0.2%	0.2%	0.3%	0.4%
Telecom	8.6%	8.1%	8.1%	8.3%	8.4%	8.1%	8.5%	8.1%	8.7%	8.6%	7.7%	7.1%	7.2%
Nifty	11.1%	11.5%	11.4%	11.5%	11.2%	10.9%	10.5%	10.6%	10.9%	10.5%	10.5%	10.4%	10.4%

Source: Capitaline, Bloomberg, UBS

Figure 45: Shareholding pattern of MSCI India companies (using respective quarter constituents and market cap)

	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14
Promoter	51.2%	51.3%	50.4%	50.5%	49.5%	48.9%	48.6%	48.1%	49.5%	49.0%	48.3%	49.6%	49.3%
FIs	17.9%	18.0%	18.8%	18.5%	19.7%	20.8%	21.5%	21.5%	21.1%	21.9%	21.9%	21.9%	22.3%
FIs (incl. ADR/GDR)	21.2%	21.1%	22.1%	21.6%	22.9%	24.0%	24.9%	24.8%	23.5%	25.4%	25.5%	25.3%	25.8%
DIs	10.3%	10.8%	10.7%	10.9%	10.7%	10.4%	10.3%	10.2%	10.1%	9.8%	10.1%	9.8%	9.7%
Insurance Companies	6.6%	7.0%	7.1%	7.2%	7.1%	7.0%	6.8%	6.9%	6.8%	6.6%	6.8%	6.7%	6.5%
Mutual Funds	3.7%	3.7%	3.6%	3.7%	3.6%	3.5%	3.4%	3.4%	3.3%	3.2%	3.2%	3.1%	3.2%
Others	17.3%	16.8%	16.8%	17.0%	16.8%	16.6%	16.3%	16.9%	16.9%	15.7%	16.1%	15.3%	15.2%
FII net inflows (\$ mn)	-643.9	-361.9	8866.0	-349.7	7617.1	8414.3	10150.6	2958.7	61.2	6583.8	4085.6	5831.8	3896.3
Insurance net inflows (\$ mn)	1608.4	465.8	-3573.3	618.2	-2211.1	-2057.4	-4996.5	-259.9	-82.8	-3751.8	-1074.9	-2848.9	-3010.0
Mutual funds net inflows (\$ mn)	540.8	196.0	-843.1	-122.1	-1198.4	-1400.2	-1314.6	-912.0	-546.9	-952.1	-1265.5	129.6	2671.5
MSCI India return qoq	-12.7%	-7.1%	14.9%	-1.6%	8.6%	4.2%	-3.5%	2.5%	-0.7%	8.8%	4.1%	12.9%	4.4%

Note: Using respective quarter constituents; Source: Datastream, Capitaline, Bloomberg, UBS

Figure 46: Shareholding pattern of Nifty companies (using respective quarter constituents and market cap)

	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14
Promoter	48.0%	51.0%	49.9%	49.5%	48.3%	47.6%	46.8%	46.2%	47.7%	47.7%	46.4%	47.8%	47.2%
FIs	18.1%	17.4%	18.4%	18.3%	19.8%	20.8%	21.9%	21.9%	21.6%	22.0%	22.8%	22.7%	23.4%
FIs (incl. ADR/GDR)	21.9%	20.8%	22.0%	21.7%	23.3%	24.4%	25.6%	25.7%	23.6%	26.0%	26.8%	26.5%	27.2%
DIs	11.5%	11.2%	11.2%	11.6%	11.4%	11.2%	11.1%	11.1%	10.9%	10.6%	10.7%	10.4%	10.4%
Insurance Companies	7.4%	7.3%	7.5%	7.7%	7.6%	7.6%	7.5%	7.6%	7.4%	7.2%	7.3%	7.1%	6.9%
Mutual Funds	4.1%	3.9%	3.7%	3.9%	3.8%	3.6%	3.6%	3.6%	3.5%	3.4%	3.4%	3.3%	3.5%
Others	18.6%	17.0%	16.9%	17.2%	17.0%	16.8%	16.5%	17.0%	17.8%	15.8%	16.1%	15.3%	15.2%
FII net inflows (\$ mn)	-643.9	-361.9	8866.0	-349.7	7617.1	8414.3	10150.6	2958.7	61.2	6583.8	4085.6	5831.8	3896.3
Insurance net inflows (\$ mn)	1608.4	465.8	-3573.3	618.2	-2211.1	-2057.4	-4996.5	-259.9	-82.8	-3751.8	-1074.9	-2848.9	-3010.0
Mutual funds net inflows (\$ mn)	540.8	196.0	-843.1	-122.1	-1198.4	-1400.2	-1314.6	-912.0	-546.9	-952.1	-1265.5	129.6	2671.5
Nifty return qoq	-12.5%	-6.5%	14.5%	-0.3%	8.0%	3.5%	-3.8%	2.8%	-1.8%	9.9%	6.3%	13.5%	4.6%

Source: Capitaline, Bloomberg, UBS

Statement of Risk

We believe the risks to our long-term estimates (for example, for corporate earnings) and macroeconomic variables (such as GDP growth rates and inflation) are an economic slowdown, a weakening currency, global economic events, and government policy changes.

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12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	47%	34%
Neutral	FSR is between -6% and 6% of the MRA.	42%	28%
Sell	FSR is > 6% below the MRA.	11%	21%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 30 September 2014.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

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UBS Securities India Private Ltd: Gautam Chhaochharia; Sanjena Dadawala.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Asian Paints Ltd.	ASPN.BO	Buy	N/A	Rs650.40	27 Oct 2014
Hero MotoCorp	HROM.BO	Neutral	N/A	Rs3,086.70	27 Oct 2014
Hindustan Unilever	HLL.BO	Neutral	N/A	Rs721.90	27 Oct 2014
Maruti Suzuki India	MRTI.BO	Buy	N/A	Rs3,169.95	27 Oct 2014
Titan Company	TITN.BO	Buy	N/A	Rs400.20	27 Oct 2014
United Spirits Ltd	UNSP.BO	Sell	N/A	Rs2,662.65	27 Oct 2014

Source: UBS. All prices as of local market close.

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