

DII's sustained the market, FIIs are pulling it now

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India's benchmark stock index BSE Sensex closed at 84,058.9 points on Friday. The Sensex has crossed the 84,000-mark for the first time since October 1, 2024 and it is just 2% short of its all-time high of 85836.12 on September 26 2024. The Sensex is now up

7.2% on a year-to-date basis. What explains this movement in the market? Foreign Institutional Investors (FIIs) coming in once again has generated the recent tailwinds. But it is the Domestic Institutional Investors (DII) which sustained the market when it was faced with FII exodus. Here is a more detailed take on what has happened.

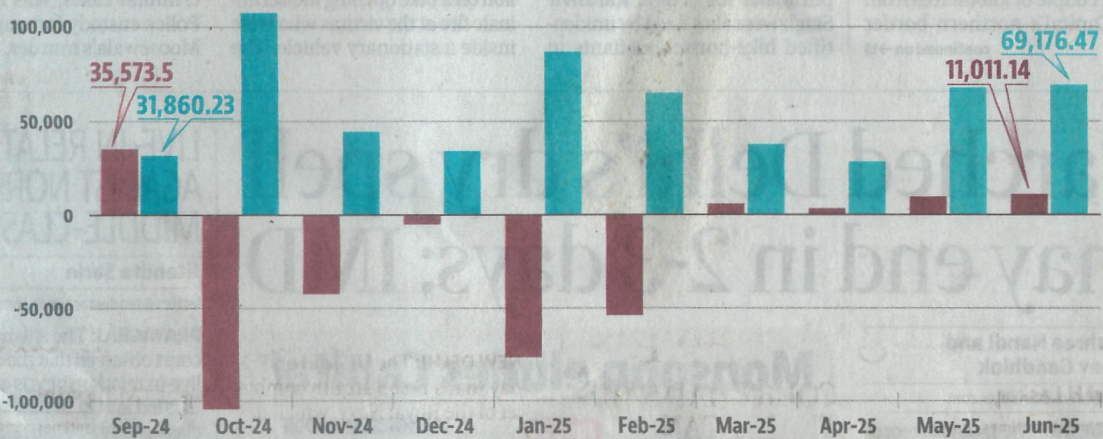


1 FIIs turning net buyers again is what is driving the market

Data as of June 26 shows that FIIs have now been net buyers for four months beginning March 2025 in Indian equity markets. They were net sellers from October 2024 to February 2025. DIIs remained net buyers throughout this period and had it not been for them, markets would have fallen even more. While DII buying sustained the markets, the recent rally (or

revival) is clearly driven by FII buying. Most of the DII buying continues to be driven by money coming into mutual funds via systematic investment plans (household savings in other words). To be sure, despite turning net buyers in recent months, FII (net investment) has not reached back to the levels in September 2024.

Monthly net investments by FIIs and DIIs in Indian equities (₹ crore) ■ FII ■ DII



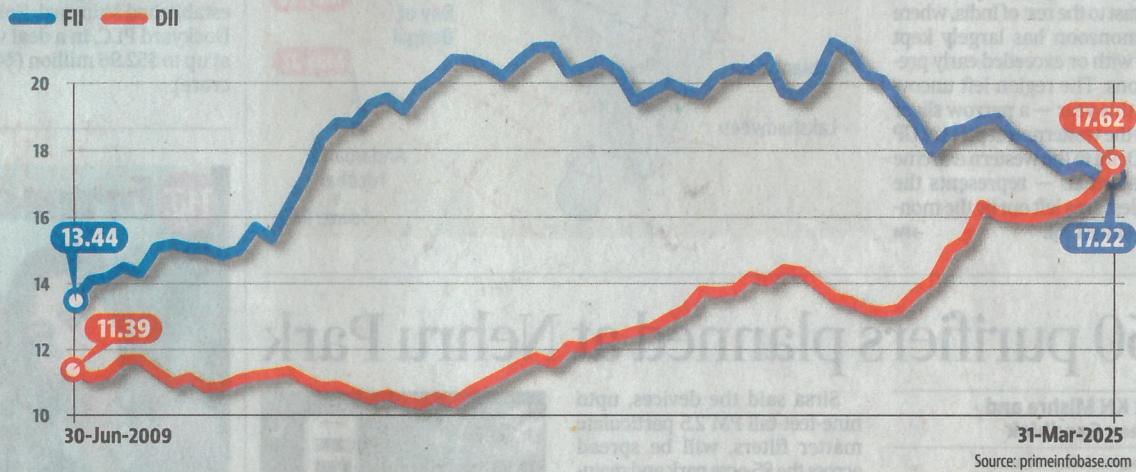
Source: StockEdge

2 DIIs now have a bigger ownership of Indian markets than FIIs

Apart from promoters, FIIs and DIIs are the largest holders of NSE-listed firms. Historically, FIIs have held a lead over DIIs in ownership of these shares. But the gap between FII and DII ownership has been falling for the past few years. The tables have finally turned thanks to the recent sell-off by FIIs in the markets. DII

ownership of NSE listed firms stood marginally ahead of FII ownership (17.62% versus 17.2%) in the quarter ending March 2025, the latest period for which this data is available. To be sure, it remains to be seen whether the recent rally in FII buying will put FIIs ahead of DIIs once again.

Percentage of equity shareholding across all NSE-listed companies (In %)



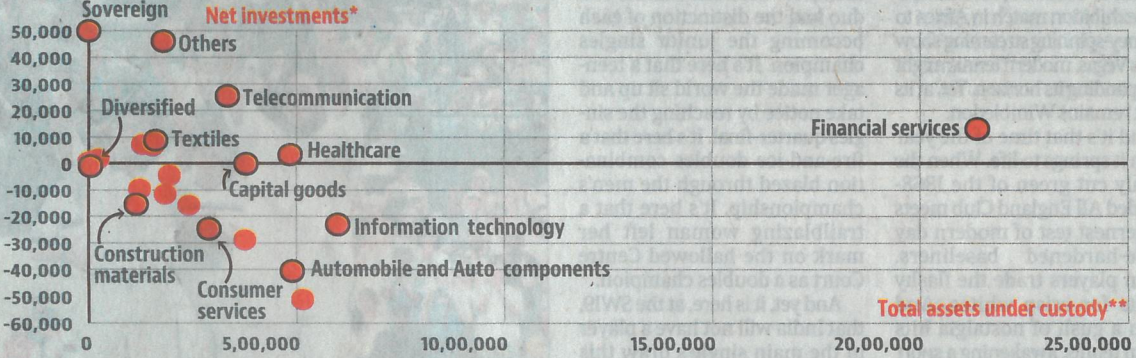
3 FIIs are not binge-buying anymore

India has often been described as a market where FIIs are more bullish about long-term gains despite the impression that short-term valuations border on exuberant. To be sure, this assessment is based on factors such as India being the fastest growing major economy, having a significant demographic dividend and equity market gains which can be made by a process of formalisation of the economy. An HT analysis of equity market data shows that there is more to the recent surge in FII buying than this generic sentiment about India.

The value of equities held by FIIs in the Indian market stands at Rs 71.52 lakh crore, as of June 15, 2025, according to data from NSDL. However, this is unevenly distributed across sectors. Companies

categorised under 'financial services' by BSE stand way ahead of others, accounting for as much as 30% of FII holdings. The IT sector and oil, gas and consumable fuels follows, accounting for around 8% and 7% of FII holdings. However, data on net investments show that except for healthcare, which accounts for around 7% of FII holdings, most sectors that foreign investors have invested in traditionally saw much higher FII sell-offs since September 2024. Meanwhile, sectors like chemicals (accounting for 1.8% of FII holdings) and textiles (0.3%), where FII holdings were relatively, saw an increase in investments — in the case of chemicals, FII investments increased by 6.8% and in textiles, it increased by 2.4%. This pattern suggests that overseas investors are hunting for undervalued pockets in the Indian market.

Which sectors do FIIs prefer? (in ₹crore)



*From September 1, 2024 to June 15, 2025 | **As of June 15, 2025 | Source: NSDL