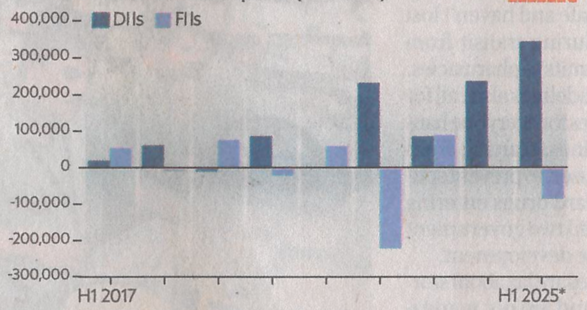
Movers & shakers

DIIs have pumped ₹3.4 trillion, the highest since 2017, into Indian equities in the first six months even as FIIs sold ₹82,389 crore



*Till 25 June.

Source: National Securities Depository Ltd, BSE

Local institutions' mega bet propels market as FIIs sell

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Even as foreign investors have turned cautious, their large domestic counterparts emerged as the engines of India's 2025 stock market rally, pumping in record inflows and offering a resilient counterweight to global volatility.

Domestic institutional investors (DIIs) infused ₹3.44 trillion into Indian equities from January to June—the highest ever for this period since 2017, data from NSDL and BSE showed.

Foreign institutional investors (FIIs) sold Indian equities worth ₹82,389 crore during the same period.

One of the biggest shifts in the market is that more Indian households are steadily investing through systematic investment plans (SIPs). It is a real change in how people think about saving, putting small amounts regularly into the stock market and becoming part-owners of strong Indian companies. This is not quick, speculative money; it is long-term and consistent, explained Jiten Doshi, co-founder and chief investment officer, Enam Asset Management Co.

According to Doshi, India's economic resilience—GDP

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DIIs' ₹3.4 trillion bet drives rally as FIIs continue to sell

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growth over 7%, stable inflation, robust corporate earnings—and liquidity driven by the Reserve Bank of India's (RBI) rate cuts are making equities the go-to vehicle for long-term wealth creation.

"The market rally is a function of three core forces: the earnings trajectory, the participation structure, and liquidity," says Doshi.

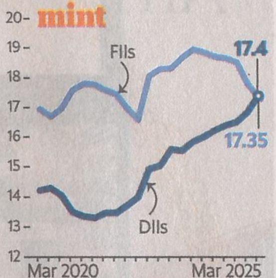
So far in 2025, the Nifty 50 has gained more than 7% but it has been anything but a smooth ride, with wild swings of volatility along the way. India's Volatility Index (VIX), or the fear gauge, declined from a high of 22.79 on 7 April, the month when Trump first announced reciprocal tariffs, to around 12 on Monday.

"Time and price corrections have played out across many sectors and stocks," says Jay Kothari, Global head of international business at DSP Asset Managers. That said, he feels a few names still look stretched on valuations, so it continues to be a stock picker's market.

Domestic inflows will not only remain resilient but also continue to outpace foreign investments in 2025 and beyond, largely driven by the "home-country bias" of Indian investors even as they will look for diversification globally in

Role reversal

DII ownership of Nifty 200 is at a four-year high, while FII holding is the lowest in five years.



Data is as of the end of each quarter.
Source: Prime Database

themes not available on Indian shores, he believes.

Even as investors diversify their portfolios, rising geopolitical tensions—from the Middle East to India-Pakistan, and the ongoing US-China tariff stand-off—are pushing many to lean more heavily toward their home markets.

Even as investors diversify their portfolios, geopolitical tensions make many lean to their home markets

"There's a clear shift toward relative safety and familiarity of India will help in attracting foreign flows," said Kothari.

India may be attracting steady interest, but it's not the only option for global investors. Some Asian markets like Taiwan and South Korea are also competing for foreign inflows, said Kothari. Meanwhile, Japan, the US, and Europe remain core allocations in most portfolios, especially as many investors benchmark against the MSCI ACWI.

The MSCI ACWI (All Country World Index) tracks large- and mid-cap stocks across 23 developed and 24 emerging markets, covering about 85% of the global investable equity universe with 2,528 constituents.

DII ownership has been steadily climbing. By the end of March 2025, domestic institutions held 17.4% of total shares in Nifty 200, the highest since the low of 13.3% in June 2021, according to Prime Database. Meanwhile, FII ownership slipped to 17.35% as of March 2025, the lowest since the 16.7% recorded as of June 2020.

Foreign flows are often seen through a 'push and pull' lens, either drawn in by compelling opportunities within emerging markets or redirected from developed markets due to weaker prospects there, notes a June report by GMO.

Even as near-term inflows into Indian equities remain strong on the back of steady DII support, foreign investors haven't been negative on India either, noted Nimesh Chandan, CIO at Bajaj Finserv AMC. In fact, he thinks foreign interest in Indian equities is only picking up, though a few pullbacks here and there are just part of the game, he adds.

"Not only do we see foreign participation in the secondary market, but also strong demand in initial public offers (IPOs) and qualified institutional placements (QIPs)."

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