

FPIs trim exposure to health care, IT sectors amid US policy shifts

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Foreign portfolio investors (FPIs) withdrew ₹14,124 crore from Indian equities in the second half of September, with the healthcare, information technology (IT), and consumer durables sectors bearing the brunt of the selloff.

According to data from Prime Database, outflows were sharpest in healthcare (₹4,521 crore), followed by IT (₹4,036 crore), consumer durables (₹3,301 crore), and fast-moving consumer goods (₹3,110 crore).

Analysts attribute the exodus to policy shifts by the United States. In September, the US government imposed higher H-1B visa fees and new restrictions, raising concerns over the sustainability of India's onsite-offshore IT delivery model. At the same time, investor sentiment towards Indian pharmaceuticals soured following the US decision to levy 100 per cent tariffs on select branded and patented drug exports — most generic drugs, the mainstay of Indian pharma, remain unaffected.

"The pharma sector's fundamentals are healthy but valuations appear stretched for most largecap stocks. In consumer durables, muted sales and sluggish single-digit growth have tempered expectations for a robust rebound," said G Chokkalingam, founder of Equinomics.

About IT stocks, Chokkalingam pointed to weak revenue growth, fears of possible US tariffs on service exports, and unresolved trade negotiations as reasons for continued outflows.

Some strategists see a silver lining in the wave of FPI selling.

"Paradoxically, the current environment of FPI selling is acting as a kind of 'safety valve' for the Indian stock market, preventing it from moving into excessive valuation territory like it did during the peak of September 2024. We believe that a combination of improving growth-inflation dynamics and FPI selling keeping a lid on 'irrational exuberance' is helping Indian equity markets remain at healthy valuation levels," wrote Vinod Karki, equity

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Wax and wane

US policy shifts swayed FPI investment trends

On upside	Net flows (₹ cr)
Auto	1,733
Capital goods	1,492
Oil & gas	728
Construction	726
Metals & mining	446
On downside	
Healthcare	-4,521
IT	-4,036
Consumer Durables	-3,301
FMCG	-3,110
Services	-1,222

Note: Data for September 16-30 period
Source: Primeinfobase.com

strategist at ICICI Securities, in a note.

Notably, the automobile and auto components sector saw net FPI buying of ₹1,733 crore, followed by capital goods (₹1,492 crore) and oil, gas and consumable fuels (₹728 crore).

At the end of September, FPIs had their highest equity allocations in financial services at 31.17 per cent, trailed by auto and auto components (8.05 per cent) and oil, gas and consumable fuels (6.98 per cent).