

# FPIs stick to India via the primary route

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Despite domestic equities becoming the worst-performing among emerging markets in 2025, foreign portfolio investors (FPIs) have continued to invest in India through its primary markets, and the trend is expected to persist next year.

Investment bankers and money managers have attributed this trend to FPIs' conviction in the country's long-term structural growth prospects, even as the cohorts tactically reduce their cash market exposure due to a range of factors, including softer US interest rates and a slowdown in earnings growth.

While FPIs have net sold a record ₹2.34 trillion of cash or secondary market shares this calendar, following steeper valuations compared to emerging market (EM) peers amid an earnings growth pause, their purchases through the primary route at ₹73,749 crore this year have been the second-highest, only to the record ₹80,314 crore inflows in 2021. This bullishness on India is also evident historically. From 2015 to the end of 2025, FPIs have been net sellers six out of 11 times in the cash market. Their cumulative net cash sales is this period was ₹2.91 trillion.

However, they offset these outflows through ₹5.35 trillion in cumulative primary market purchases, resulting in a total net buying of ₹2.44 trillion (₹5.35 trillion minus ₹2.91 trillion) by FPIs over the past 11 years. "Secondary market sell-



FPIs' primary route purchases at ₹73,749 crore this year have been the second-highest after ₹80,314 crore inflows in 2021. ISTOCKPHOTO

ing should not be mistaken for loss of confidence, as FPIs are still voting for India through the primary market," said Raghav Gupta, joint chief executive, IIFL Capital.

While Nifty 50 net profit rose 7.9% year-on-year (y-o-y) in the September quarter of the current fiscal (FY 26), it declined 8.1% from the preceding quarter due to notable profit declines by industrials and financials, per National Stock Exchange (NSE) data.

Accompanied by relatively costlier valuations, with the Nifty trading at 18 times FY28 earnings (within a 16-20 times historic range), this has resulted in increased sales by FPIs in cash markets this year.

However, explaining the logic behind the FPI preference for initial public offerings

(IPOs), Gupta said, "Primary markets allow FPIs to access India's growth at cleaner entry points, better valuations and with longer-term conviction, which is very different from how secondary market allocations are managed."

"It is a game of rebalancing,"

**From 2015 to the end of 2025, foreign portfolio investors have been net sellers six out of 11 times in the cash market**

agreed Vikas Khattar, managing director, co-head of Investment Banking and head - Equity Capital Markets, Ambit Group.

"Relative valuations in the secondary market

have encouraged investors to take money off the table. Besides, IPOs provide these investors with an opportunity and a pricing benefit to build large positions, and hence we have seen them coming in droves. It is evident that in years where large IPOs have hit the market, the FPI participation has risen," Khattar said.

For instance, the current year, through 30 December, which has seen a record fundraising of ₹1.76 trillion by 103 companies that launched initial public offerings per Prime-Database, has attracted primary market inflows of ₹73,749 crore from FPIs.

Key FPIs who participated as anchors in Tata Capital's October issuance, the year's largest at ₹15,511.87 crore, were Morgan Stanley, Goldman Sachs, and Nomura. LG Electronics India, which raised ₹11,607.01 crore through the offer for sale route, attracted the likes of BlackRock and wealth funds from Singapore, Norway, and the UAE.

IIFL Capital's Gupta believes that FPI interest in India's primary markets will continue to grow next year, particularly in manufacturing, financialization, and domestic consumption themes.

Ashish Gupta, chief investment officer of Axis Mutual Fund, believes that FPI interest in IPOs will sustain itself due to the listing of firms in new lines of business and those with more attractive valuations than listed peers.

One of the reasons for FPI outflows was the relative attractiveness of other EMs. While MSCI India Index generated a gross return of only 4.8% in the year through November, the MSCI China and MSCI South Korea indices delivered gross returns of 33% and 78%, in the same period, according to global index provider MSCI.

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