FIIs Sold, DIIs Bought - And Your Equity Fund Didn't Blink

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How to read foreign and domestic institutional flows without letting them run your SIP decisions.

Another month, another headline: foreign institutional investors pulled crores out of Indian equities, and market commentary duly turned nervous. If you have an SIP running in an equity mutual fund, this is the point where the questions start. Should you pause the SIP? Is your fund about to fall along with the market? Does it matter that FIIs are "leaving India" – again? The honest answer is that it matters less than the headline suggests, and understanding why requires knowing what FIIs and DIIs actually are, and where your mutual fund sits between them.

FII, DII, and where your mutual fund fits

At its core, FII – Foreign Institutional Investor, now formally termed FPI, or Foreign Portfolio Investor, after SEBI's 2014 reclassification – refers to overseas entities such as global pension funds, sovereign wealth funds, foreign mutual funds and hedge funds that buy and sell Indian stocks from outside the country. DII, Domestic Institutional Investor, is the home-grown counterpart: Indian mutual funds, insurance companies led by LIC, banks, and pension funds such as EPFO, all investing money that originates within India.

Mutual funds are the largest single category inside the DII bucket. When you invest through an SIP, that money does not go straight into the stock market – it first becomes part of a mutual fund scheme's pool, which a fund manager then deploys into stocks and bonds according to the scheme's mandate. That structural detail is most of the story: FII money is foreign capital reacting largely to global conditions such as US interest rates, the dollar index and global risk appetite. DII money, and mutual fund money in particular, is domestic savings reacting mostly to what Indian investors do with their own SIPs and lump sums – month to month, largely independent of what foreign investors decide to do.

The ownership numbers behind the headline

Two figures describe the current balance of power between foreign and domestic ownership of Indian stocks, and both point the same way.

By September 30, 2025, FIIs' share of ownership in NSE-listed companies had fallen to approximately 16.7 per cent – reportedly its lowest level in roughly 13 years – down from about 17.05 per cent just three months earlier, according to Prime Database figures reported in the business press. Over the same window, mutual funds' ownership share climbed to an approximate all-time high of 10.93 per cent.

Date	FII ownership share (NSE-listed)	MF ownership share
30 Jun 2025	~17.05 per cent	rising
30 Sep 2025	~16.71 per cent (~13-yr low)	~10.93 per cent (all-time high)

Flow data tells a matching story. Over calendar year 2025, DIIs – banks, insurers, pension funds and mutual funds combined – invested an approximate net of Rs 6 trillion into Indian equities, reportedly the highest calendar-year figure since BSE began tracking the data in 2007, more than the roughly Rs 5.26 trillion put in during CY24. Over the same year, FPIs pulled out an approximate net of $23.3 billion (about Rs 2.03 trillion) from Indian equities. As of August 2025, DIIs had extended a buying streak to 25 consecutive months, and mutual funds specifically accounted for about 75 per cent – roughly Rs 8.8 trillion of the approximate Rs 11.4 trillion – of that entire streak.

None of this happens by accident. It happens because SIP contributions arrive every month regardless of what the Sensex did last week, and fund managers are structurally obliged to deploy that money.

Why the SIP money keeps flowing regardless of FII direction

Here is the mechanism in slightly more concrete terms. Suppose an equity mutual fund runs an SIP book collecting roughly Rs 1,000 crore a month from retail investors – a plausible order of magnitude for a large scheme, given that industry-wide monthly SIP contributions have run into the tens of thousands of crore in recent years. That money is not optional cash sitting on the sidelines: the scheme's mandate typically requires it to stay close to fully invested in equities. So whether FIIs sold Rs 5,000 crore or bought Rs 5,000 crore that same month, the fund manager still has approximately Rs 1,000 crore of fresh SIP money that needs to go into stocks.

This is the structural reason DII buying has stayed positive through 25 straight months even while FIIs were net sellers for stretches of that period – mutual fund cash flow is largely decoupled from the daily FII print. It also explains why, during the October 2024 episode when FIIs pulled out an approximate $11.5 billion (about Rs 1 lakh crore) – one of the largest such outflows on record – the broader market fell only about 8.2 per cent, nowhere close to the roughly 66 per cent and 37 per cent drawdowns seen during the 2008 Global Financial Crisis and the 2020 Covid crash respectively, when DIIs had far less scale to counter the selling.

The mistake investors keep making

The recurring investor mistake, restated almost every year since at least 2019 in financial press coverage, is to treat “FIIs are selling” as a personal cue to pause or stop an SIP. Financial advisors quoted across multiple market cycles – the 2019 slowdown, the 2020 Covid crash, and the 2024–25 FII outflow phase – have made essentially the same point each time: stopping an SIP during a correction forfeits the benefit of rupee-cost averaging, since each instalment buys more units at a lower price. On retail trading forums, the same instinct shows up in blunter language – comments posted during heavy FII-selling phases have urged investors to keep buying in small quantities every day rather than exit, reflecting the same averaging logic in plainer words.

Where this doesn't fully apply

This analysis assumes a diversified, long-horizon equity fund – a large-cap, flexi-cap or multi-cap scheme, for instance. If your exposure is concentrated in a specific FII-heavy sector, or in a small- or mid-cap fund with thinner liquidity, the picture changes: those segments can see sharper, faster price moves on heavy FII-selling days, because DII buying does not always arrive in the same stocks or at the same pace. The October 2024 episode illustrated this – sectors such as Defence, PSU stocks, Oil & Gas and Real Estate fell 15–26 per cent even as the broader market fell only about 8 per cent, while Healthcare, IT and Financial Services held up with 3–6 per cent declines.

FII and DII: the four combinations that matter

Four combinations are worth knowing. FIIs buying plus DIIs buying tends to produce a strong, broad rally, as seen in the 2020–21 post-Covid recovery. FIIs selling plus DIIs buying – the pattern of the last two-plus years – tends to produce a range-bound market or a mild, cushioned correction rather than a crash. FIIs buying plus DIIs selling has been comparatively rare in recent Indian market history. FIIs selling plus DIIs selling – the pattern that coincided with the 2008 Global Financial Crisis, when DIIs lacked sufficient scale to absorb the selling – is the combination that has historically produced the sharpest falls. The difference matters most when DII firepower is limited relative to FII selling, which, on the current ownership-share numbers, is increasingly not the situation India is in.

The Value Research view

The number worth sitting with is not a single day's FII/DII figure – it is the ownership-share trend. For over a decade, “FIIs move the market” was close to a fact rather than an assumption: foreign investors held roughly twice the equity stake that domestic mutual funds did. That gap has now nearly closed. A reader who checks the daily FII/DII net-buy number and reacts to it is, in effect, watching a scoreboard that matters progressively less than it used to. The more useful habit is checking whether your own SIP is still running – because that, multiplied across millions of similar SIPs, is now doing roughly as much to determine what your fund's NAV does as the foreign-flow number that makes the news.

The one thing to do

The single most useful thing to do with FII/DII headlines is to stop treating them as a referendum on your own SIP. Keep the SIP running – that decision, multiplied across the millions of SIPs now funding the mutual-fund side of this equation, is doing more to shape your fund's actual return than any one month's foreign-flow number.