Rs 1.43 lakh crore out: FII ownership in Indian companies slips to 14-year low

FII stake falls below 16 percent for first time in over a decade amid heavy secondary market selling, raising questions over foreign appetite for Indian equities

FII ownership in Indian companies slips to 14-year low as foreign investors pull out Rs 1.43 lakh crorePSUWatch.com

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New Delhi: Foreign institutional investors' (FIIs) ownership in Indian listed companies has fallen to its lowest level in nearly 14 years, underscoring a steady shift in global capital flows even as domestic investors continue to cushion the impact of sustained overseas selling.

Data released by PRIME Database Group showed that FII shareholding in Indian companies declined to **15.88 percent as on June 30, 2026**, from **16.12 percent at the end of March**, marking the lowest level since 2012. The decline coincided with aggressive foreign selling during the April-June quarter, when overseas investors withdrew **Rs 1.43 lakh crore** from Indian equities.

The outflow was driven almost entirely by the secondary market, where FIIs sold shares worth **Rs 1.53 lakh crore**, reflecting a broad-based reduction in exposure rather than a slowdown in fresh capital raising activity.

The latest data reinforces a trend that has been visible over the past few years: foreign investors, once the dominant force in Indian equities, are steadily losing their influence as domestic institutional investors (DIIs), mutual funds and retail investors account for a growing share of market participation.

Changing ownership landscape

The decline in foreign ownership comes despite Indian benchmark indices continuing to trade near record levels for much of the year, highlighting the growing ability of domestic capital to absorb large-scale overseas selling.

Analysts say the fall in FII holdings is not merely a function of quarterly selling but reflects a structural change in India's equity ownership pattern. Systematic investment plan (SIP) inflows into mutual funds, expanding retail participation and rising allocations by domestic institutions have increasingly offset foreign withdrawals that, in earlier years, would have triggered much sharper market corrections.

"The Indian market is no longer as dependent on foreign capital as it was a decade ago. Domestic investors have emerged as a stabilising force, reducing the market's vulnerability to global risk-off episodes," a market analyst said.

Why are FIIs selling?

The June-quarter outflows came against the backdrop of elevated global bond yields, persistent geopolitical uncertainties and a stronger US dollar, all of which prompted global investors to rebalance portfolios in favour of developed markets.

Higher returns on US Treasury securities have narrowed the relative attractiveness of emerging market equities, while concerns over stretched valuations in parts of the Indian market have also prompted foreign funds to book profits after a prolonged rally.

Several sectors that had witnessed strong foreign participation, particularly financials, information technology and consumer stocks, saw profit-taking during the quarter.

Limited impact on markets

Despite the record outflows, Indian equities remained relatively resilient, thanks to consistent buying by domestic investors. This marks a significant departure from earlier market cycles, when heavy FII selling often led to sharp corrections and heightened volatility.

The resilience suggests that India's capital markets are gradually transitioning from being foreign-driven to domestically anchored, with household savings increasingly finding their way into equities through mutual funds and direct investments.

What investors should watch

While the decline in foreign ownership does not necessarily signal weakening confidence in India's long-term growth story, it does indicate that overseas investors are becoming more selective amid changing global financial conditions.

Going forward, the trajectory of FII flows is likely to depend on the US interest-rate cycle, movements in the dollar, global risk sentiment and India's corporate earnings outlook. A moderation in global yields or attractive earnings growth could encourage foreign funds to rebuild exposure, while continued valuation concerns may keep inflows subdued.