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FPIs chase new shares, Street breakout stalls

Demand for new shares rather than existing ones keeps indices subdued

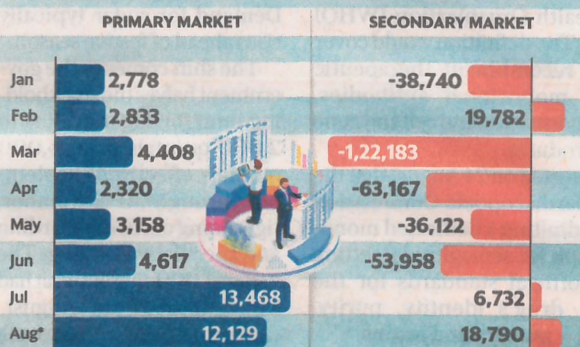
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MUMBAI

Foreign investors returning to India are chasing discounted block deals and new share sales rather than buying from the open market, blunting the impact of fresh capital on broader indices. September's mega-issuances led by the National Stock Exchange may reinforce the trend, leaving little money to bid up existing stocks and keeping local indices range-bound.

Benchmark Sensex and Nifty gained just 0.6% and 0.9% respectively over the last two months, a period when foreign portfolio investors (FPIs) ploughed in ₹50,000 crore, reversing a long selling spree that began in September 2024. The muted market response suggests that much of this money is being channelled into new and newly available shares, rather than existing stocks in the secondary market.

FLOW CHART

FPIs net invested ₹45,711 cr in primary markets so far in 2026
Net equity FPI flows (in ₹ crore)



FPI: foreign portfolio investors. *Latest data as on 28 Aug 2026
Source: PRIME Database

CAPITAL SHIFT

NIFTY gained just 0.6% over the last two months

FPIs ploughed in ₹50,000 crore in the same period

THIS reverses a selling spree that began in Sep 2024

liquidity, the secondary market could remain range-bound through September, she added.

The combined value of initial public offerings (IPOs), qualified institutional placements (QIPs) and secondary-market block trades in August reached almost ₹1.07 trillion, the highest monthly level so far this year, a *Mint* analysis of Prime Database data showed.

Block deals drove much of the gains. Their value jumped 63% from July to nearly ₹80,000 crore in August, the highest monthly amount in 14 months, as per Prime Database, as promoters as well as private equity and venture capital funds behind companies which went for IPOs sold shares after their six-month lock-in periods expired.

"We saw a strong cohort of new-age companies, including Lenskart, Groww and Fractal, list between November 2025 and February 2026, with their six-month lock-ins expiring in

With promoter and institutional shareholders continuing to monetize their holdings, equity supply could remain elevated, particularly with large IPOs such as NSE and Jio

Platforms in the pipeline, said Tanvi Kanchan, associate director at Anand Rath Share and Stock Brokers. If this supply continues to absorb a sizable share of incremental FPI

FPIs are back, but a market breakout may have to wait

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stages since May," said Rohit Bhayana, co-founder and chief executive of Oister Global.

The demand for such scaled, category-leading businesses has been strong, he said, even as secondary-market sentiment remained subdued amid the West Asia war.

On 26 August, block deals of over ₹10,300 crore were executed across Billionbrains Garage Ventures (Groww), PhysicsWallah and Lenskart, among others, said Kanchan. "Large domestic mutual funds, insurers and pension money such as NPS Trust bought into the Lenskart block, while select foreign investors like Goldman Sachs also participated in the PhysicsWallah deal."

Companies also raised ₹22,406 crore through IPOs and ₹5,450 crore through QIPs in August, according to data from Prime Database. Together, those offerings accounted for almost 40% of the ₹29,361 crore that FPIs net-invested in Indian equities last month, *Mint's* analysis showed.

In July, IPOs worth ₹29,648



Firms raised ₹22,406 crore through IPOs in August. REUTERS

crore and QIPs worth ₹25,114 crore added to the supply of shares, alongside ₹48,454 crore of bulk and block deals. More than two-thirds of FPI investments went into the primary market, the analysis showed.

"That means the FPI flow is absorbing supply rather than necessarily pushing secondary-market prices higher," said Piyush Mehta, smallcase manager and chief investment officer at Caprize Investment.

FPIs have net invested ₹45,711 crore in India's primary markets so far in 2026, even as they have pulled out

nearly ₹2.7 trillion from the secondary markets, the analysis showed.

Bhayana of Oister Global attributes that divergence to a combination of timing, valuations and allocation. The shift coincided with a global realization that investors may have over-invested in artificial intelligence (AI) and data centres, prompting a search for other markets, he said.

With few emerging-market alternatives, India was an obvious destination as valuations became more reasonable, while the expiry of lock-ins opened up fresh supply, Bhayana said. "It was an opportune moment when supply just found its demand."

A deliberate effort by investment banks and IPO book-runners to bring high-quality foreign portfolio investors (FPIs) back to India through primary allocations also helped, according to Bhayana. "There is an obvious incentive to give them (FPIs) meaningful allocations in good IPOs at favourable valuations."

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