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FPI outflows top ₹1 trillion in H1FY27; financials, oil & gas worst hit

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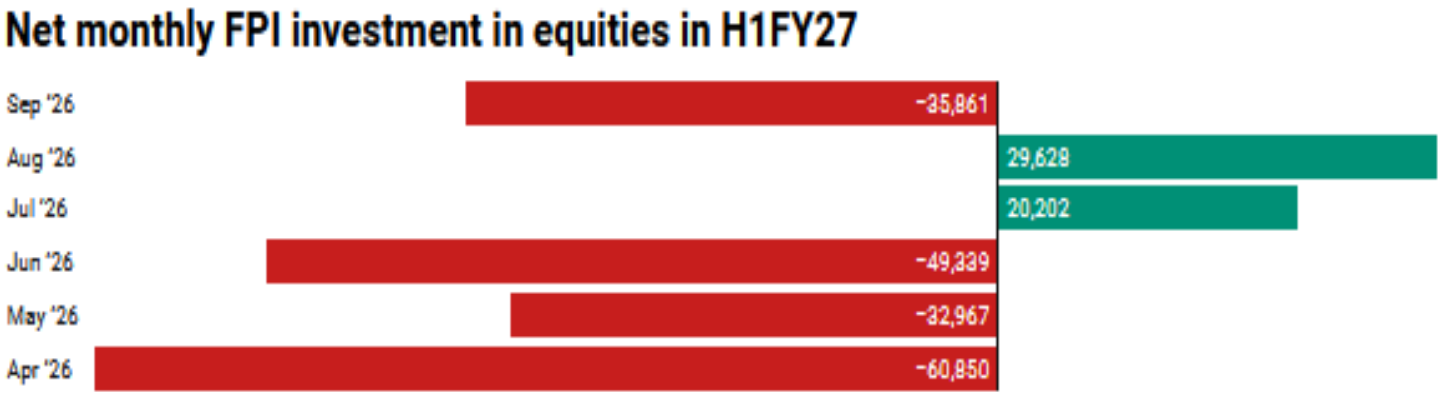


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The unabated selling pressure from foreign portfolio investors (FPIs) has resulted in net outflows crossing the ₹1 trillion mark in the first half of the ongoing financial year 2026-27 (H1FY27). But the selling was far from uniform. Financial services, oil & gas, autos and telecom bore the brunt of the outflows, while services, consumer durables and consumer services emerged as preferred pockets. The divergence points to a rotation towards sectors witnessing relatively better earnings visibility and domestic demand, even as high US yields, a strong dollar, elevated crude prices and India's valuation premium keep foreign investors cautious.

According to NSDL data, FPIs have been net sellers in four out of six months in H1FY27. August and July witnessed strong buying, but the trend could not sustain amid ₹35,861-crore outflows in September. Overall, six-month selling is

at ₹129,187 crore and year-to-date at ₹260,306 crore. Meanwhile, Nifty 50 has added 1 per cent in six months and lost 13 per cent on a YTD basis.



Unfortunately, this selling pressure is expected to continue in the near term, with flows seen remaining volatile.

"Foreign investors are not leaving India because the growth story has weakened. They are reallocating because a strong dollar, high global yields, and India's premium valuation compared to other emerging markets make the risk-reward less attractive right now," said Rajesh Singla, CEO and Fund Manager, Alpha AMC.

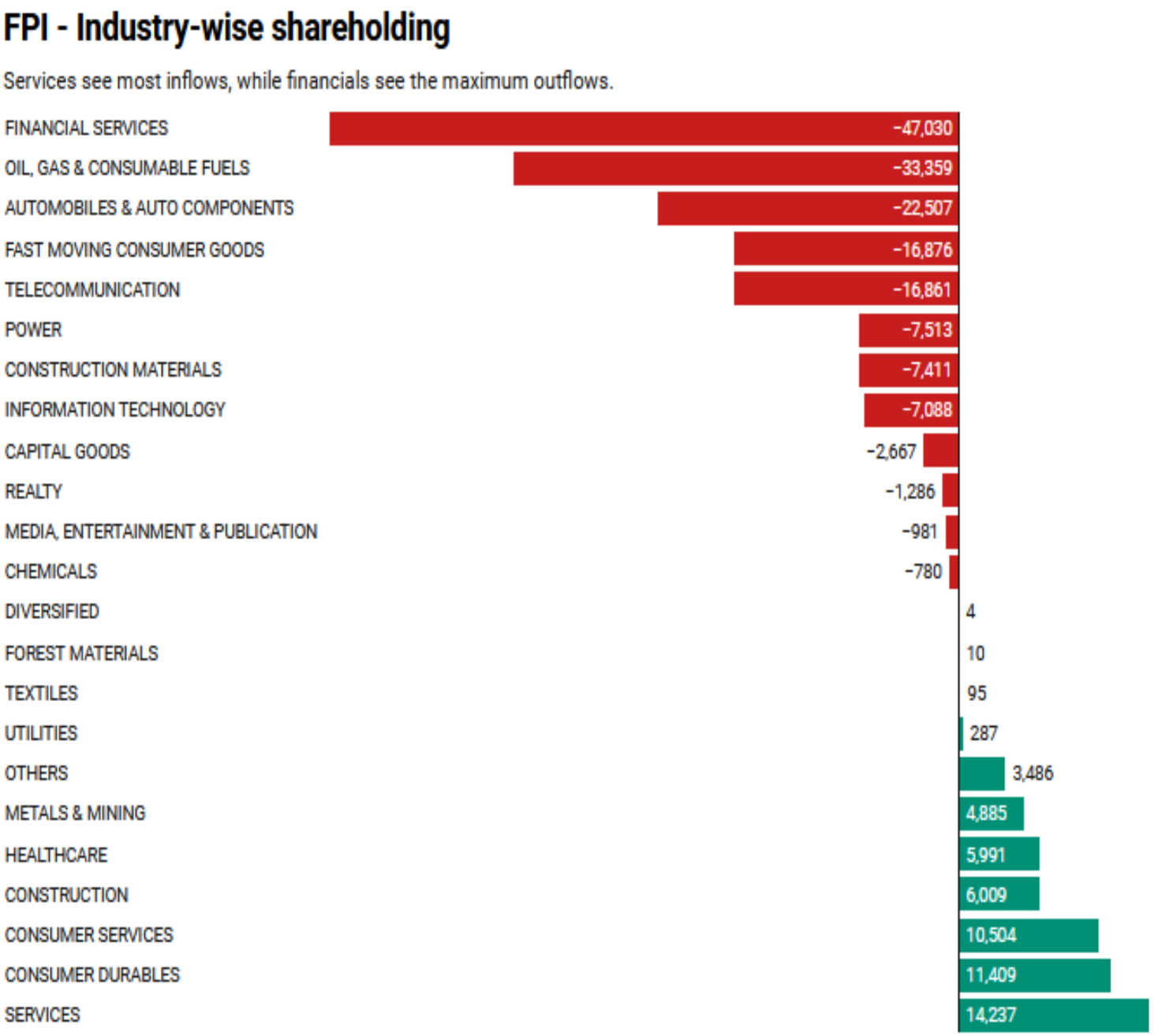
Selling cycles like this have historically run for a few quarters and then eased once valuations cooled and the global backdrop turned, Singla said, adding that he expects flows to stay uneven until then.

Sector-wise FPI trend

Sector-wise financials have suffered the most from FPI selloff. Between April and September 15, the sector has seen outflows worth ₹47,030 crore, according to Prime Database analysis. It was followed by the oil & gas segment, with FPI selloff of ₹33,359 crore in the same period.

"Financials are bearing the brunt of foreign selling most significantly, given their high weight in the indices and sensitivity to liquidity and growth expectations. Oil & gas remains vulnerable to elevated crude prices, margin concerns and the broader pressure on India’s external balances," said Ajit Mishra, SVP - Research at Religare Broking, making it difficult for foreign investors to hold with confidence.

Automobile (₹22,507 crore), FMCG (₹16,876 crore) and telecommunication (₹16,861 crore) are among other sectors that saw significant outflows during this period.



On the flip side, services has seen the most inflows at ₹14,237 crore. It is followed by consumer durables and consumer services sectors with net FPI buying of ₹11,409 crore and ₹10,504 crore.

Singla believes that services and consumer durables offer what foreign investors want in uncertain times, which is earnings visibility. These sectors are benefiting from relatively resilient domestic demand and the longer-term formalisation and consumption story. Moreover, services companies also earn in global markets, which gives some protection against currency and local risks.

What could bring FPIs back?

If global cues become conducive, FPIs could return to the Indian markets. "A moderation in US yields and dollar strength would be the key trigger, while

lower crude prices would further improve India’s external balances and inflation outlook. A clearer easing cycle from global central banks could also improve risk appetite towards emerging markets," said Mishra.

However, analysts at Bernstein in a recent note expressed pessimism around FPI return. The global brokerage said that despite massive outflows, FPIs have "little reason" to invest in India.
However, they may 'return to trade' in Indian equities rather than invest for the long-term, the note suggests. “With large-caps struggling to reinvent themselves, incumbent business models facing disruption from new technologies and small-and mid-caps (SMIDs) difficult to access at institutional scale, the case for a structural India allocation has become harder to make,” wrote Bernstein said.

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