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FPIs favour IPOs over listed stocks for 3rd year running; will trend last?

In 2026 alone, FPIs have poured in ₹55,524 crore into the primary market, while selling in the secondary market hit a record ₹3.15 trillion till September so far.

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Illustration: Binay Sinha

While foreign portfolio investors (FPIs) have been net sellers in the secondary market for the third year now, they have continued to pour money into primary markets, signalling a clear preference for IPOs even as they pare their exposure to listed stocks.

In 2026 alone, FPIs have poured in ₹55,524 crore into the primary market, while selling in the secondary market hit a record ₹3.15 trillion till September so far, according to Prime Database data.

In the last two years, too, FPI flow trend has followed the same trajectory. For instance, in 2025, they sold Indian stocks worth ₹2.40 trillion but bought IPO market shares worth ₹73,910 crore. In 2024, their selling on Dalal Street was ₹1.21 trillion and buying in the IPO market was ₹1.22 trillion, helping clock positive FPI flows for the year of ₹427 crore.

YEAR	NET INVESTMENTS (Rs.crore)		
	PRIMARY	SECONDARY	TOTAL
2024	121,637	-121,210	427
2025	73,910	-240,193	-166,284
2026 (till September)	55,524	-315,827	-260,303

Source: Prime Database

FPI trend: IPO vs secondary market

The two markets clearly do not move in tandem.

What explains this trend?

While it is often believed that secondary market moves have a rub-off effect on the primary market, the same does not appear to be true.
Apurva Sheth, head of market perspectives and research at SAMCO Securities, said part of this trend is structural in nature. In the primary market, FPIs can only buy; they can sell only if they hold a stake through pre-IPO, private equity, or venture capital investments. "At worst, FIIs stop buying; they rarely become sellers."

FPIs have remained net buyers in India's primary market in every calendar year since December 2009, except 2011, when NSDL began reporting the split.
Additionally, Sheth said that many platforms, such as fintech and new-age manufacturing businesses, are unavailable in the secondary market, so FIIs are churning out of slower-growth listed companies into high-growth names coming to market.

FIIs are participating where they see a specific company, valuation or allocation opportunity, not necessarily making a broad bullish call on Indian equities, said Devarsh Vakil, Head of Research, HDFC Securities.
Apart from access to booming sectors, analysts believe time spent is another consideration for FPIs. Prasenjit Paul of 129 Wealth Fund said a meaningful part of IPO participation is tactical, where FPIs look for quick listing gains, while secondary-market buying is generally done with a longer holding period.

Can Jio IPO mark primary market top?

"As long as IPOs are priced rationally, investors will continue to participate for short-term listing gains, and that demand itself encourages more companies to enter the market. The record number of IPOs in 2026 is showing the market's capacity to absorb new supply," he said.
Going ahead, analysts said that IPO pricing will decide if the sentiment sustains.

"If future issues are priced for perfection into a risk-off market, the IPO cycle could turn sharply colder; if they are priced realistically, they may restore confidence in India's primary market," Vakil said.
Currently, the IPO pipeline remains healthy with Reliance Jio's mega IPO set to hit the market. According to multiple reports, Jio IPO could open as soon as October-end.

After the Jio IPO, the primary market could face some strain, since giant issues like NSE and Reliance pull heavy money out of the system, cautioned Prathamesh Kadival, research analyst at Bonanza. Such large offers soak up liquidity that smaller companies depend on, leaving thinner demand for them, he added.
"Investors may also turn choosy, backing only the big names while ignoring the rest. So a short reversal looks possible, with weaker IPOs struggling for support. Still, if domestic inflows stay strong, the market should absorb the load and bounce back from it," according to the Bonanza analyst.

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