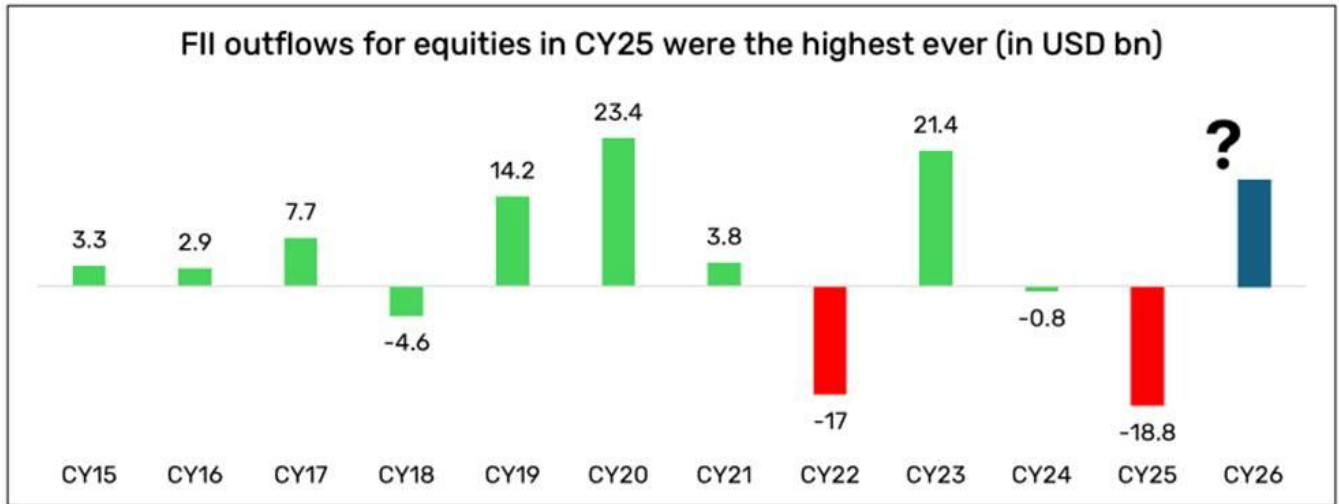




WILL FIIs MAKE A COMEBACK?

DECADE-LOW FII OWNERSHIP COULD LIMIT FURTHER DOWNSIDE



REASONS FOR OUTFLOWS

Indian equities trading at valuation premium led FPIs to rotate to cheaper emerging markets.

Global risk-off environment due to trade and tariff uncertainty weakened Emerging Markets equity flows.

Global capital rotation toward AI-heavy markets diverted flows away from India.

FPIs exited via secondary markets while selectively participating in primary issuances.

CASE FOR RETURN



Source: NSDL, CEIC, JM Financial

- FII ownership of Indian equities is at a decade low of **15.6%**, indicating that FIIs are meaningfully under-invested and suggesting limited downside from further positioning-led selling.
- From this low base, even a small increase in ownership (for example, from 15.6% to 16.6%) would require incremental buying.
- Such buying would represent a relatively large percentage increase in FII exposure and add fresh demand to the market, potentially pushing the price upwards.
- Therefore, any stabilization or modest return of FPI inflows could have a disproportionately positive impact on equity prices.

Source: JM Financial, mint, NSE Indices. Data as on 31st December 2025.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.