FPI investments highest in 5 qtrs

₹87K cr infused in Sep qtr despite valuation concerns

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Foreign portfolio investors (FPIs) have pumped over ₹87,000 crore (over $10 billion) into domestic equities this quarter, the highest inflow since the three months ended June 2023.

A combination of better growth prospects, increased weightage in global indices, and large initial public offerings (IPOs) have ensured a healthy influx of foreign money to the Indian markets, which remain pricey compared to global peers.

FPI flows had slumped in the first two quarters (March and June) of calendar 2024 after pumping ₹53,036 crore in the December 2023 quarter. In the March 2024 quarter, FPIs were net buyers of ₹8,786 crore, while they turned net sellers to the tune of ₹3,040 crore in the June 2024 quarter.

The muted flows were largely due to uncertainty surrounding the outcome of India's parliamentary elections and the shock verdict, which was contrary to the expectations of Prime Minister Narendra Modi securing a simple majority on his own.

Though the Modi-led National Democratic Alliance returned to power, it is dependent on allies for its survival, unlike in the previous two terms. But even during these phases of muted flows, FPIs were huge buyers in the primary market.

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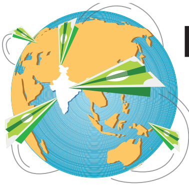

BACK WITH A BANG

Better growth prospects, large IPOs, and increased weighting in global indices have underpinned FPI flows

FPI flows into domestic equities (₹ cr)

Quarter ending	Primary markets	Stocks	Net inflows
Q1FY24	9,671	99,635	109,306
Q2FY24	10,371	21,842	32,214
Q3FY24	22,574	30,462	53,036
Q3FY24	13,013	-4,227	8,786
Q1FY25	22,030	-25,069	-3,040
Q2FY25*	27,607	59,405	87,013

*Q2FY25 data as on September 20
Source: NSDL
Data compiled by BS Research Bureau

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MF INVESTOR BASE TO BREAK 50 MN BARRIER IN SEP

The MF investor base is set to surpass the 50 million unique investor milestone this month, with net additions expected to exceed 10 million in 12 months.

OVER 93% RETAIL F&O TRADERS LOST MONEY IN 3 YRS

About 93 per cent of retail traders in equity derivatives incurred an average loss of ₹2 lakh in the past three financial years, a Sebi analysis showed.

MARKETS HIT FRESH HIGHS ON OPTIMISM AFTER FED RATE CUT

FPIs step on the gas in September quarter

FPIs invested ₹13,013 crore during the three months ended March 2024 and ₹22,030 crore in the next three months through primary markets, which includes IPOs, follow-on public offerings (FPOs), rights issue, and qualified institutional placements (QIPs).

India has had a robust IPO market this year. Till the end of August 2024, 50 Indian firms have together raised ₹53,453 crore through IPOs. Several large issuances, including those of Hyundai Motors India unit, are likely to hit the market in the coming months.

The opportunity to buy companies with potential at the listing stage and the gains given by these newly listed firms are wooing FPIs to bet in IPOs. The BSE IPO index, a gauge tracking newly listed firms, has surged 38 per cent in 2024.

But the September quarter saw FPIs lapping up shares from the secondary market as well, with their quarterly stock market purchases exceeding investments via the primary markets for the first time this year.

Political and policy continuity after the formation of the new government and hopes of better flows after the rate cut by the US Federal Reserve have made FPIs more bullish on India.

The broad-based gains in Indian markets are also a pull factor despite the elevated valuations. The benchmark Nifty is trading at a 12-month forward price to earnings (PE) of 21.2x against its 10-year average of 20.7x.

Till the end of August 2024, 50 Indian firms have together raised ₹53,453 crore through IPOs. Several large issuances, including those of Hyundai Motors India *(pictured)*, are likely to hit the market in the coming months

"Some of the issuances in the primary market have been of good companies. The weightage of India going up will attract flows from passive funds. Now, there is a possibility of cutting RBI rates as well," said Andrew Holland, chief executive officer of Avendus Capital Public Markets Alternate Strategies.

"Emerging markets do well when the dollar gets weaker, and India's growth story makes it a favourable destination for FPIs despite the rich valuations. Adverse geopolitical factors and the US election could add some volatility," Holland said.

With the US Federal Reserve cutting policy rates by 50 basis points and indicating two more hikes this year, experts believe the FPI flows could continue to remain favourable provided there is good earnings delivery.

"Initially, there will be some euphoria because of rate cuts, and probably, there will be more risk-taking. However, a rate cut is not a guarantee for robust flows, as there have been occasions when markets have not done well after the Fed cuts.

We have to see whether the earnings for the September quarter are justifying the valuations," said U R Bhat, co-founder of Alphaniti Fintech.