



Foreign Institutional Investors

Facts & Why are they selling?



14th April 2025

FII Data

FII have consistently been selling since April 2021.

Below are the yearly net outflows, with all figures in crores:

- 2021: -92,279.52
- 2022: -2,78,429.52
- 2023: -16,510.59
- 2024: -3,02,434.91
- 2025: -97,554.06 (As of 7th Feb 2025)

[This is a provisional figure, realized by the exchange on a daily basis and subject to change.]

FII's Could Have Earned More Returns by Investing in the Dow Jones than the Nifty 50

Let's understand how:

FIIs started leaving India in April 2021, so we will look at the five years prior — from April 2016 to April 2021.

FII's Returns in Nifty 50

Metric	Nifty 50	USD/INR
April 2016	7,849.80	0.0151
April 2021	14,631.10	0.0135

- **Return:** 86.38%
- **Transaction Cost:** 15%*
- **Loss Due to Rupee Depreciation:** 10.59%
- **Return Post Transaction Cost:** 73.42%
- **Return Post Dollar Conversion:** 55.05%
- **CAGR:** 9.17%

FII's Returns in Dow Jones

Metric	Dow Jones
April 2016	17,773.64
April 2021	33,874.85

- **Return:** 90.60%
- **Transaction Cost:** 15%*
- **Return Post Transaction Cost:** 77.01%
- **CAGR:** 12.10%

*Transaction cost includes STCG, LTCG, brokerage, demat charges, etc. and we assume similar costs in both countries.

This comparison highlights why FIIs might have preferred shifting investments to U.S. markets, and the cherry on top: the Federal Reserve has been cutting interest rates.

Other Reasons for FII Selling

1. Increased Taxes on Investment Gains in India:

- LTCG increased from 10% to 12.5%
- STCG increased from 15% to 20%
- This reduces alpha and overall returns.

2. SEBI's Increased Supervision of F&O Markets:

- SEBI introduced six new rules regulating the Futures & Options market for retail investors.
- Three rules were implemented by 20th November 2024, and two more came into effect on 1st February 2025.

3. Fed Interest Rate Cuts:

- The Federal Reserve cut interest rates from 5.5% in August 2024 to 4.5% by January 2025, making U.S. markets more attractive.

4. Overvaluation of Indian Markets:

- Nifty 50's P/E ratio peaked at 42 on 8th February 2021, indicating a highly overvalued market.
- Currently, it stands at 21.41 — close to its lifetime mean of 20.87.

5. Rupee Depreciation:

- The constant depreciation of the Indian rupee reduces the value of FIIs' investments when converted back to USD.

6. Chinese Government Stimulus:

- Continuous stimulus packages from the Chinese government attracted foreign investment.

7. President Trump's Policies:

- Tariffs imposed on countries like China, Canada, and Mexico, along with threats of a 100% tariff on BRICS nations, have raised concerns among FII's about investing in developing countries.



Achintya Securities Private Limited
Member: NSE, BSE, MCX | DP: NSDL, CDSL

