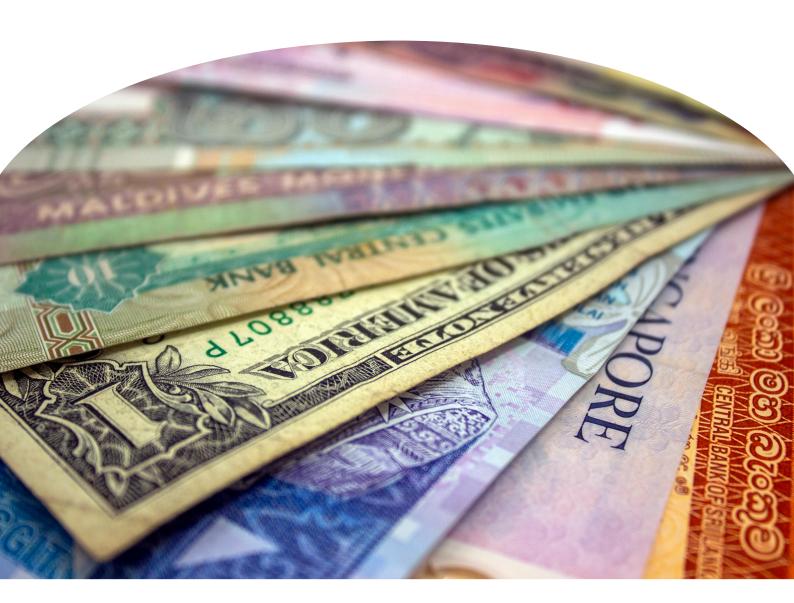


# Foreign Institutional Investors

Facts & Why are they selling?



## **FII Data**

Flls 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.]

## FIIs Could Have Earned More Returns by Investing in the Dow Jones than the Nifty 50

#### Let's understand how:

Flls 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%

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.

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

### 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 FIIs about investing in developing countries.



#### **Achintya Securities Private Limited**

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