

Why are foreign investors selling India?

A plain-English guide anyone can follow, with the research and the Excel behind it.

62

Business Standard articles read, 2008 to 2026

238

months of official NSDL data

1

Excel model, free to download

8 ideas · about 10 minutes · no finance degree needed

\$33 bn

pulled out of Indian shares by foreign investors in 2026 so far. A record, and the year isn't over.

Kavish Raj Singh

Co-founder, Investace Capital

BEFORE WE START

Six words you need.

That's all the finance this takes.

FPI

A foreign fund that buys Indian shares, like a US pension fund.

When FPIs sell more than they buy, money leaves India.

Nifty 50

India's 50 biggest listed companies, added up into one number.

'The market fell' usually means the Nifty fell.

Earnings

Profit. What a company keeps after paying all its costs.

Share prices follow earnings over time.

P/E

Price ÷ yearly profit. How many rupees you pay for ₹1 of profit.

P/E 22 = ₹22 for ₹1 of profit a year.

US 10-year yield

What the US government pays to borrow for 10 years. The world's 'safe' return.

At 5%, a dollar investor earns 5% doing nothing risky.

Rupees per dollar

How many rupees one dollar buys. Higher means a weaker rupee.

83.7 → 94.8: the rupee lost value.

The Excel has a Glossary tab with 33 terms, all in plain English.

THE RESEARCH

How I did it.

Three steps, all of it checkable.

1

Read

62 Business Standard articles on every time foreign money ran from India, from the 2008 crash to this month. The lines that mattered, highlighted.

2

Collected

238 months of NSDL data on what foreign investors bought and sold, beside the dollar, US interest rates, the rupee, oil, the Nifty and Korea.

3

Built

An Excel model where every number is a formula and every sheet explains itself in plain English. You can change my assumptions.

Why foreign investors are selling India, and what would bring them back

A flow model built on every month of NSDL data since 2007. Built by Kavish Raj Singh, co-founder of Investace Capital. 22 October 2026.

New to finance? Open the Glossary tab first: 33 terms explained in plain English. Then read Cover, Annual and Mosaic.

The short answer

FPI equity flow, 2026 so far (\$ bn)	(33.1) Jan to 21 Oct. The biggest year of selling on record, and 2025 was the previous record.
India factor, 2025 (\$ bn)	(18.6) What global conditions don't explain. 2025 had a falling dollar and booming EM, and India still lost money.
Earnings growth the Sep 2024 price assumed	11.7% Against 3–5% delivered in FY25 and FY26.
Return a foreign investor now needs in rupees	14.5% US 10-year above 5% plus a risk premium plus the rupee's average fall. The bar rose even as India got cheaper.
Odds of buying in the 12 months after \$10 bn+ of selling	65% History says rebounds are normal, but today's episode has already broken that once.
Odds of buying when the dollar then falls more than 5%	81% The single best friend of FPI inflows.
Probability-weighted 12-month flow, Nov 2026–Oct 2027 (\$ bn)	(21.6) Across the four worlds on the Scenarios sheet, at our probabilities.
Probability FPIs are net buyers over that year	11% From 1,000 simulated years.
India factor needed to turn buyers if the Fed cuts after a squeeze (\$ bn)	6.1 World 3. Compare: 2023 was +15.
Where the mosaic says we are today	Loaded, waiting for the trigger

The Excel's first tab: the short answer, with a note beside every number.

IDEA 1 OF 8

Is it the tax? No.

2008 had none, and they still left.

IN PLAIN ENGLISH

In 2008 India charged **zero tax** on long-term profits from shares. Foreign investors still pulled out **\$12 billion**. When the tax came back in 2018 and rose in 2024, the selling lasted days, not months.

So cutting the tax may lift the mood, but it won't bring the money back on its own.

0%

tax on long-term share profits in 2008

\$12 bn

pulled out anyway; \$13 bn was an early estimate

BUSINESS STANDARD

29 Dec 2008

FII pull out \$13 bn in '08, may start buying in H2-09

During a year when Indian stock market lost its valuation by more than half, foreign institutional investors (FIIs) have **pulled out an estimated \$13 billion** from domestic bourses.

BUSINESS STANDARD

3 Mar 2025

Will cutting capital gains tax alone bring back FIIs to Indian equities?

Merely cutting or even abolishing capital gains tax... **will not be enough to bring foreign investors back** to the Indian stock market, analysts believe.

IDEA 2 OF 8

Every big exit started abroad.

India's weak spots decided how bad it got.

IN PLAIN ENGLISH

When the US raises interest rates or the world panics, money runs home to safety first. India's own problems, like expensive oil or slow profits, decide how deep the selling goes. The wave we're in now is the biggest ever.

So watch the US first: rates, the dollar and oil decide when a wave turns.

EVERY BIG FOREIGN SELLING WAVE SINCE 2008

Jan 2008	Global financial crisis		-\$12 bn
Jun 2013	Taper tantrum		-\$4 bn
Aug 2015	China devaluation, MAT		-\$6 bn
Oct 2016	Trump, demonetisation		-\$5 bn
Feb 2018	Fed hikes, crude, rupee 74		-\$8 bn
Feb 2020	Covid crash		-\$8 bn
Oct 2021	Fed hikes, Ukraine		-\$34 bn
Oct 2024	China stimulus, earnings miss		-\$25 bn
Jul 2025	AI rotation, war, oil		-\$43 bn

BUSINESS STANDARD

5 Oct 2018

Markets stare at worst-ever FPI sell-off in 2018: All you need to know

The sell-off this year has come when the Fed has embarked upon delivering the biggest annual rate hike in more than a decade.

IDEA 3 OF 8

The bar went up.

US bonds now pay over 5%, risk-free.

IN PLAIN ENGLISH

Imagine a US bank paying you **5% a year, guaranteed**. Why would you send that money to India instead? Only if India pays more: the 5%, plus extra for the risk of shares, plus enough to cover the rupee's usual fall.

So a cheaper India still isn't enough. The bar rose faster than prices fell.

US 10-year yield, safe

5.15%

+

Extra for the risk of shares

5.0%

+

Rupee's average fall a year since 2007

3.96%

What India must return a year, in rupees

14.5%

They compound, not add: $(1 + 5.15\% + 5.0\%) \times (1 + 3.96\%) - 1$. It was 13.1% in Sep 2024, when US bonds paid 3.8%.

IDEA 4 OF 8

India didn't clear it.

Priced for about 12% growth, delivered under 5%.

IN PLAIN ENGLISH

A P/E of 22 is like paying ₹22 for a shop that **makes ₹1 profit a year**. That's only worth it if the profit grows fast, around 11.7% a year. Nifty companies' profits grew 3.4% and then 4.5%.

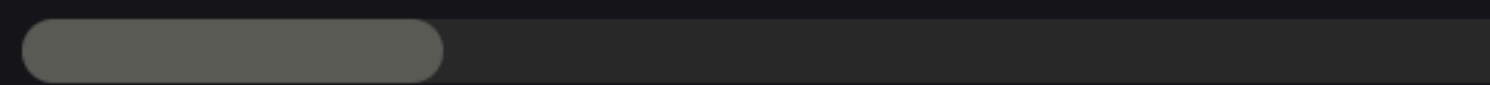
So India needs much faster profits or a much lower price. Profits are now recovering.

Growth the September 2024 price needed



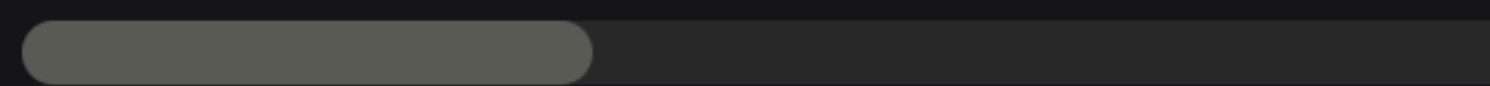
11.7%

What profits grew, FY25



3.4%

What profits grew, FY26



4.5%

BUSINESS STANDARD

12 Jun 2026

Deep dive: Hits & misses of Q4FY26 earnings season - JM Financial

...at the start of FY26, earnings were expected to grow 12–15 per cent, whereas actual growth was only 4.5 per cent...

IDEA 5 OF 8

The rupee shrank their returns.

Foreign investors count in dollars.

IN PLAIN ENGLISH

A US investor put **\$100** into the Nifty at its September 2024 top. In rupees it's down 13%. But the rupee also fell, from 83.7 to 94.8 per dollar. Converted back, the \$100 is now worth about **\$77**.

So a stronger rupee would lift their returns even if the Nifty stood still.

Put in, Sep 2024

\$100



Worth today, in dollars

\$77

This isn't new. Business Standard wrote the same lesson in 2013:

BUSINESS STANDARD

26 Aug 2013

Sensex back to March 2009 for FIIs

So, while in absolute terms, the Sensex has only dropped to 18,558.13, **for a foreign investor, the losses are about 57 per cent.**

IDEA 6 OF 8

There was somewhere better to go.

AI runs on chips. India makes almost none.

IN PLAIN ENGLISH

In 2025 the world's money chased artificial intelligence. Korea and Taiwan make the chips AI needs. India has almost no listed chip makers, so funds sold India to buy them.

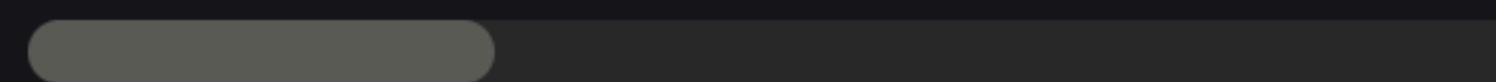
So if the AI chip trade cools, India is the big market that money could come back to.

Korea's market, 2025, in dollars



+79%

All emerging markets (EEM), 2025, in dollars



+31%

India (Nifty 50), 2025, in dollars



+6%

BUSINESS STANDARD

13 Oct 2026

Record FPI outflows top ₹3 trillion in CY26, nearly double 2025 tally

India, he said, has very little to offer on that front, so **it has become the market FPIs sell to fund those positions.** "The weak rupee is adding to it, as it cuts dollar returns..."

IDEA 7 OF 8

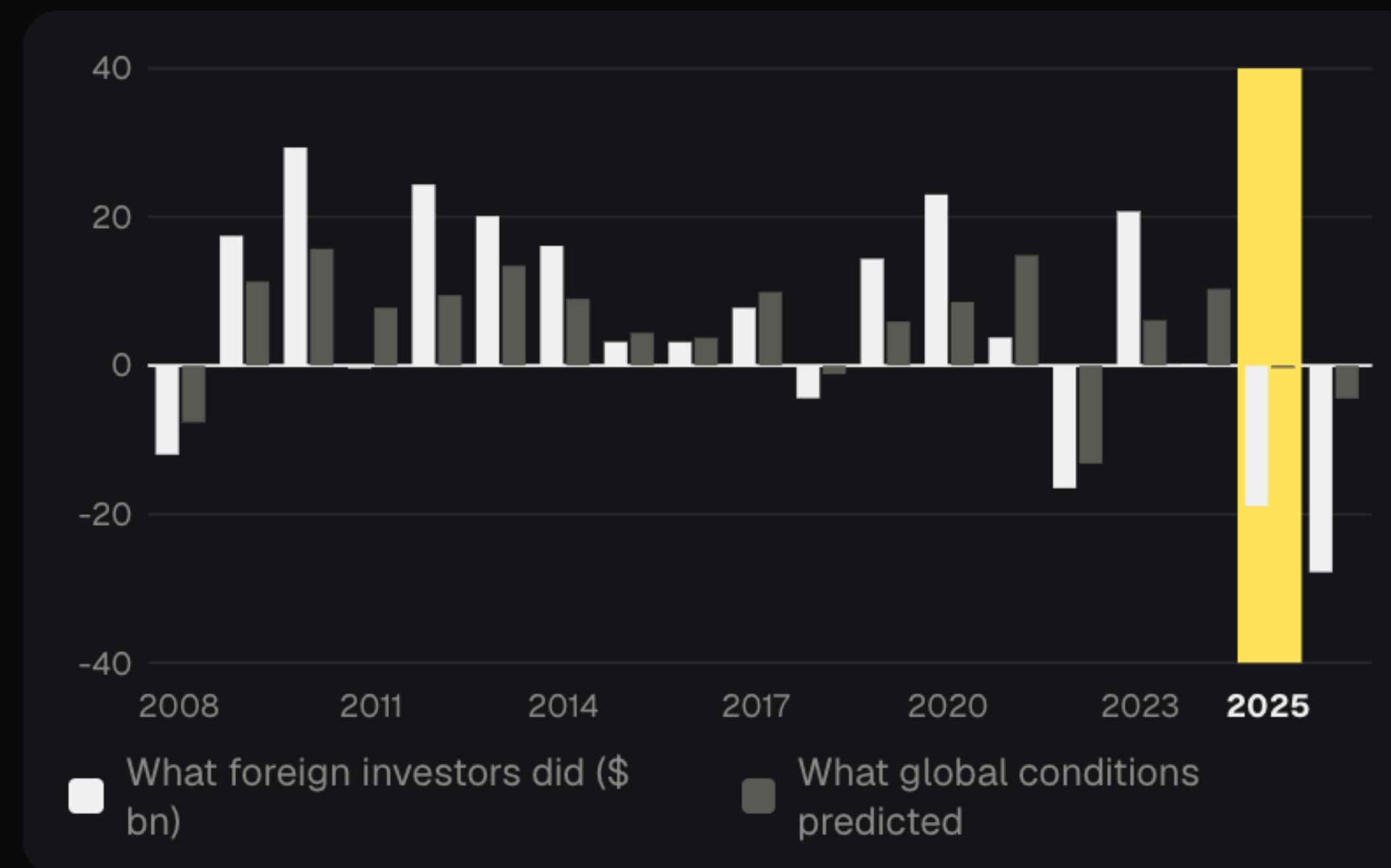
2025 broke the rule.

A weak dollar wasn't enough this time.

IN PLAIN ENGLISH

Since 2008, every year the dollar fell and emerging markets rose, foreign money came *into* India. 2025 had both: the dollar fell 9% and emerging markets rose 31%. Foreign investors took **\$19 billion out**.

So the problem was India's own story: profits, price and the rupee.



BUSINESS STANDARD

23 Dec 2025

Year-end 2025: India stocks lag EM, Asia in worst showing in decades

...the index's underperformance versus the MSCI Emerging Markets Index is **the worst seen since 1993**, according to Bloomberg data.

IDEA 8 OF 8

History says they come back.

Once the dollar turns.

IN PLAIN ENGLISH

I checked every month since 2008. In **30 of 37** cases where the dollar then fell more than 5% over a year, foreign investors were net buyers. After 2008 they put back \$17.5 bn in 2009. After 2022, \$20.7 bn in 2023.

So when the turn comes, it tends to come fast.

81%

of the time they were buyers in the year after the dollar fell 5% or more

65%

turned buyers within a year after selling \$10 bn or more

WHAT WOULD CHANGE MY MIND

Twelve signposts, written down in advance.

So I can't fool myself later.

India's side

4 of 5 met

Is India getting more attractive?

Profit growth, latest quarter

12.9%

needs at least 12.0%

✓ Met

Nifty P/E

17.6

needs below 18.0

✓ Met

India's premium to other EMs

77%

needs below 60%

Not yet

Korea's market off its high

-34.7%

needs below -20.0%

✓ Met

Funds' position in India

-32%

needs below -25%

✓ Met

The global trigger

0 of 5 met

Has the world stopped pulling money home?

US 10-year yield

5.15

needs below 4.50

Not yet

US 3-month rate

4.06

needs below 3.75

Not yet

Dollar index

101.6

needs below 97.0

Not yet

Oil (Brent, \$)

112

needs below 85

Not yet

Rupees per dollar

94.79

needs below 92.00

Not yet

Proof

0 of 2 met

Are they actually buying?

Foreign buying, last 3 months (\$bn)

-5.9

needs at least 0

Not yet

Tax cut announced

0

needs at least 1

Not yet

MY READ, 22 OCTOBER 2026

The gunpowder is there.

The match isn't.

IN PLAIN ENGLISH

India's side is mostly ready: profits are growing again, prices are lower, the chip trade is cooling and funds own very little India. What's missing is the global trigger: US rates and oil coming down. Until then, selling can carry on. When it turns, history says the money comes back fast.

What I'm watching first

US 10-year yield

now 5.15%

below 4.5%

Oil (Brent)

now \$112

below \$85

Rupees per dollar

now 94.79

below 92

My model gives a **11%** chance that foreign investors are net buyers over the next 12 months, and about **49%** if US rates fall after a squeeze. It's a scenario model, not a prediction.

CHECK IT YOURSELF

Download the Excel.

Then argue with my assumptions.

- 1 **New to finance?** Start on the Glossary tab: 33 terms in plain English.
- 2 Every sheet has an **"In plain English"** column saying what each number is and where it comes from.
- 3 On **Scenarios**, change the blue and yellow cells. The answer, the odds and the stage all update.



Free download, every sheet and every source
kavishrajsingh.com/fii

What did the price assume?

US 10-year yield at the time (%)	3.8%	5.1%	What a dollar investor earns, risk-free, lending to the US government for 10 years. Pulled live from the Monthly sheet.
Equity risk premium a foreign investor wants for India	5.0%	5.0%	The extra yearly return demanded for owning Indian shares instead. My assumption: change it and the sheet updates.
Rupee's average yearly fall vs \$, 2007–2026	4.0%	4.0%	How much the rupee lost against the dollar each year, on average, since 2007. A dollar investor loses this just from the currency.
Return needed in rupees to clear that bar	13.1%	14.5%	Worked out as $(1 + \text{US yield} + \text{risk premium}) \times (1 + \text{rupee fall}) - 1$. The yearly return India must offer, in rupees, to beat US bonds.
Dividend payout ratio of the Nifty	30%	30%	Share of profit paid out as dividends. An assumption.
Earnings yield (1 / forward P/E)	4.5%	5.7%	Worked out as $1 + \text{P/E}$. The profit you get for each rupee invested.
Earnings growth the price assumed, every year, forev	11.7%	12.8%	Worked out as required return – payout + P/E (the Gordon growth formula). The profit growth, every year forever, that would justify the price.
Earnings growth actually delivered	3.4%	4.5%	What companies actually delivered (row 7).
Gap	(8.3%)	(8.3%)	Delivered minus assumed. Negative means the price expected far more than companies delivered. This gap is the heart of the selling.

The Valuation tab: numbers on the left, what they mean on the right.

"I don't want to sound certain. I want to become less wrong."

Which signpost do you think turns first? Tell me in the comments.

Personal views, for information and education only. Not investment advice, not a recommendation, not a forecast to trade on. Scenario probabilities are my judgement. Clippings: short excerpts from Business Standard, credited by date; the yellow highlights are mine. Data: NSDL, Yahoo Finance, NSE, JM Financial, BofA, Korea Exchange. I am a co-founder of Investace Capital, the brand of SM Research Services Pvt Ltd, SEBI Registered Research Analyst INH000017736. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. Investment in securities market are subject to market risks.