

Sold by the World, **Bought** by India.

October 2026
Monthly Newsletter



Foreign investors have sold Indian equities at a record pace, and Indian savers have bought them. A primer on how India's market works now.

IN BRIEF

Foreign selling met domestic buying. From January 2022 till September 2026, foreign portfolio investors sold a net US\$43bn of Indian equities and domestic institutions bought US\$275bn.

A deep market, not a narrow one. India has 215 companies worth more than US\$5bn and 276 stocks that trade over US\$10m a day, more than any European market on either count.

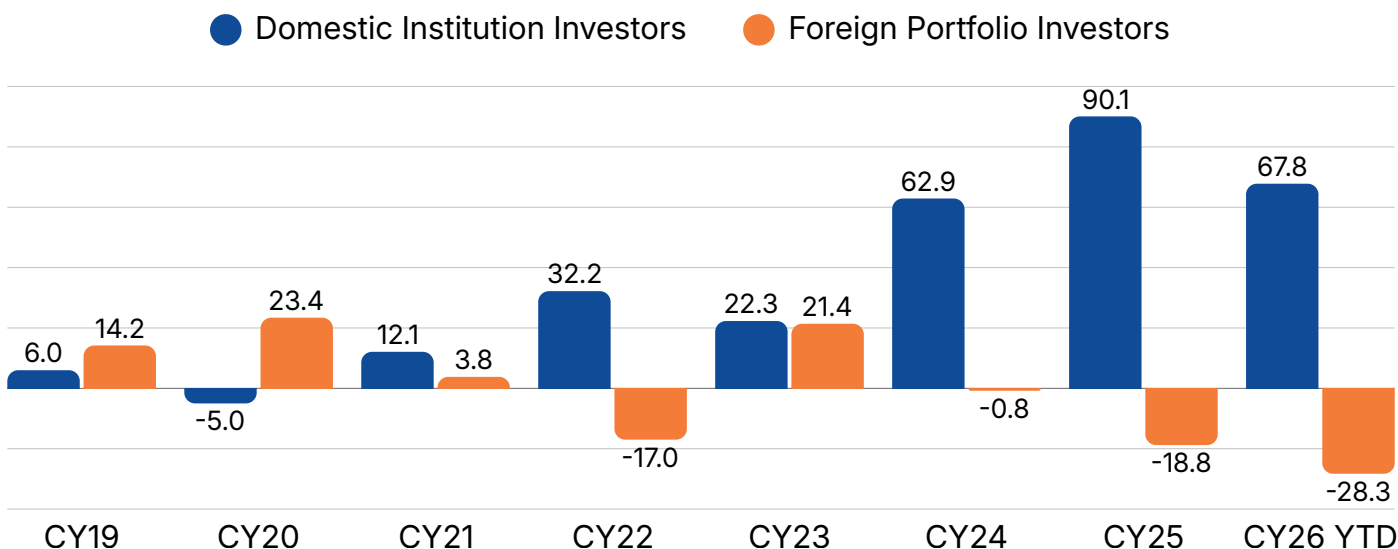
The index is an average of very different stories. In FY26, 120 of the Nifty 500 companies reported flat or lower profits while 79 grew them by more than 50%. Which companies you own matters as much as whether you own India.

What to watch. Whether household savings keep flowing in through monthly fund plans, and what brings foreign investors back.

Foreign investors sold a net US\$19 billion of Indian shares in 2025, the most in any year since NSE's records began in 2014. They sold a further US\$28 billion in the first nine months of 2026. Over the same period: in September 2026, the Nifty 50 was 12.4% lower than two years earlier. But the selling found a buyer larger than itself. Domestic institutions bought US\$90bn of Indian equities in 2025 and another US\$68bn by the end of September 2026. For every dollar foreign investors took out last year, Indian institutions put in nearly five. [1]

Behind those institutions stand Indian households, many of them investing a fixed amount each month through systematic investment plans (SIPs). SIP contributions reached ~US\$3.3bn in Aug 2026, and equity mutual funds have now had 65 consecutive months of net inflows. [2] This issue is about that shift: how large and liquid India's market has become, who owns it now, why the headline index tells only part of the story, and what a foreign institution arriving today needs to know.

Flows in US\$ billion, by calendar year



Source: NSE Market Pulse, September 2026.

01 Big Enough to Stand on its Own

Start with scale, because it explains how domestic money could absorb selling of this size at all. Companies listed on NSE were worth US\$5.14trn at the end of August 2026, about 136% of GDP, and 3,055 companies are listed on the exchange. [2] Size alone is not the point; depth is. As per a CLSA report, India has 215 companies worth more than US\$5bn, fourth in the world after the US, China and Japan. It has 276 stocks that trade more than US\$10m a day, more than the UK, Germany and France combined. [3]



Number of stocks. Liquidity measured by average daily traded value. Source: CLSA, India Themes 2026 (6 January 2026), using Bloomberg data; counts reflect late 2025. [3]

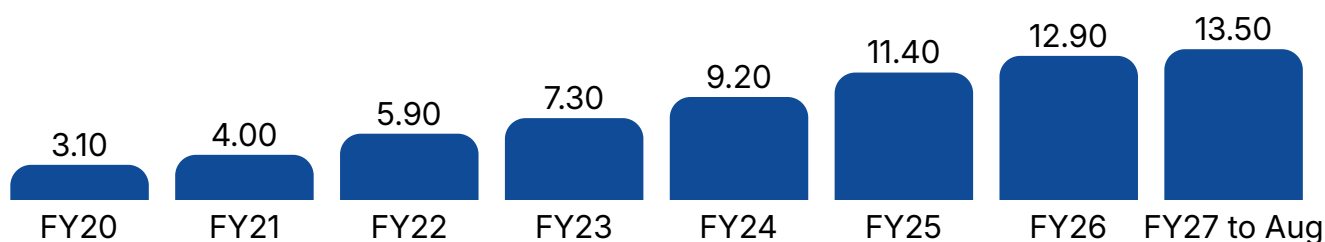
Breadth adds to depth. The ten largest stocks make up 38% of India's benchmark, compared with 47% in China, 59% in Brazil, 64% in Korea and 75% in Taiwan, and eight sectors each account for more than 5% of the index. [3] In practice, an investor can build a sizeable position in India across many companies and sectors, rather than in a handful of names.

02 The New Owners

Size explains why the market could take the selling. The bigger change is who was buying. In 2014, foreign portfolio investors bought a net US\$16bn of Indian equities while domestic institutions were net sellers. By 2025 the roles had reversed. [1] The change came from households. The number of investors registered on NSE has more than quadrupled since FY20, to 13.5 crore (135 million) by August 2026. [2]

More than four times as many investors as in FY20

Unique investors registered on NSE, Crore (1 crore=10million)



Source: Unique investors (by tax identification number, PAN) registered on NSE, crore; fiscal years ending March; FY27 as at 31 August 2026. Source: NSE Market Pulse, September 2026, "NSE at a glance". [2]

Much of that money arrives through SIPs, which turn monthly salaries into a steady flow into equity funds, and domestic institutions have been net buyers for 37 consecutive months. [2] Ownership has followed the flows. By September 2025, foreign investors held 16.8% of BSE 500 companies, their lowest share in about 13 years and down from nearly 21% less than three years earlier. Domestic mutual funds held a record 11.5%, and together with insurers, domestic institutions now own more than foreign investors do. [3]

Foreign ownership is also less committed than the headline suggests. As per a CLSA report, 91% of foreign money invested in India sits in funds that are not dedicated to India, such as global and emerging-market funds. Much of it moves with broad appetite for emerging-market risk rather than a specific view on India, so it can leave when sentiment turns, whatever India's own fundamentals.

This changes how the market behaves. Foreign selling no longer decides the market's direction on its own, but India now depends more on its own savers continuing to invest. That base has held through two years of weak index returns, and it is the flow to watch.

03 The Index is an Average of Very Different Stories

The headline index tells you how India did. It does not tell you how Indian companies did. In FY26, the median Nifty 500 company grew profits by 14.9%, but 120 companies reported flat or lower profits and 79 grew them by more than half. [4]

Index	Profits flat or down	up 0-20%	Up 20-50%	Up more than 50%	Median growth
Nifty 50	11	24	12	3	13.6%
Nifty Next 50	11	22	10	5	11.9%
Nifty Midcap 150	27	50	36	30	18.1%
Nifty Smallcap 250	71	61	52	41	14.8%
Nifty 500	120	157	110	79	14.9%

Number of companies by year-on-year growth in profit after tax, FY26, constituents as at 31 March 2026. Based on interim financials; the 20-50% band combines the source's 20-30%, 30-40% and 40-50% bands.

Source: NSE, Corporate India's evolution (July 2026), Table 15; CMIE Prowess, LSEG. [4]

The spread widens further down the market. In the Smallcap 250, nearly a third of companies reported flat or lower profits, while almost one in five grew them by more than half. Midcaps had both the fewest decliners and the highest median growth. Companies also move between groups: of the 108 small caps in the Nifty 500 in FY21 that were still in the index five years later, 23 had moved up to mid or large cap by FY26. [4]

This is what makes India a stock picker's market: the gap between the best and worst outcomes inside the index is wide. That does not make outperformance easy. Smaller companies are not cheap: in early January 2026, mid caps traded at a 39% premium to the Nifty 50 on forward earnings, against a long-run average of 15%. [3] And S&P's SPIVA scorecard for India shows that by the end of 2025, 79% of active mid- and small-cap funds had lagged their benchmark over ten years, as had 76% of large-cap funds. [5] The opportunity is real, and so is the difficulty of capturing it.

04 A different economy underneath

The market a foreign investor buys today is also not the one they would have bought a generation ago. In March 2000, information technology made up 35% of the Nifty 500's market value; by March 2026 it was 8%. Financials rose from 7% to 26% and are now the largest sector, while industrials, consumer discretionary and utilities have gained ground. [4]

Sector	March 2000	March 2015	March 2026
Financials	7.2	19.5	25.9
Industrials	4.5	9.5	12.2
Consumer discretionary	5.0	9.9	11.3
Materials	8.5	9.9	10.7
Energy	6.3	11.1	8.3
Information Technology	35.3	13.2	8.0
Health care	5.6	8.0	6.8
Consumer staples	13.2	9.0	6.5
Utilities	1.5	4.2	5.1
Communication Services	11.9	4.8	4.2
Real Estate	0.9	1.0	1.2

Share of Nifty 500 market capitalisation, %, at end of March. Sorted by 2026 weight; columns may not sum to 100 because of rounding. Source: NSE, Corporate India's evolution (July 2026).

Profits have broadened as well as grown. Aggregate Nifty 500 profits rose 31-fold between FY03 and FY26, faster than sales, which rose 21-fold. Over the same span the profit margin rose from 6.0% in FY00 to a record 10.9% in FY26. Profits are also less concentrated. The 50 largest companies earned 87% of Nifty 500 profits in FY18 but 51% in FY26, because companies outside the Nifty 50 grew profits by 16.9% a year over FY17–FY26, against 12.5% for the Nifty 50. [4] For an investor, the opportunity has widened well beyond the index heavyweights.

India's market is now large and liquid enough to own in size, and its direction is increasingly set by Indian savers rather than by shifts in global allocations. Beneath the headline index, hundreds of companies are moving in very different directions. For a foreign institution coming in now, the question is not whether to own India but how: which companies, which sectors, and how much. A foreign investor today joins a market where Indian savers are the largest buyers.

Sources and notes

[1] NSE, Market Pulse, September 2026 (Vol. 8, Issue 9), Key market charts: category-wise net inflows into Indian equities, US\$bn, calendar years 2014–2026 (2026 as at 31 August). Cumulative January 2022 to August 2026.

[2] NSE, Market Pulse, September 2026: "NSE at a glance". Key market charts (category-wise turnover, FY27 to date; distribution of cash-market turnover, August 2026).

[3] CLSA, India Themes 2026: Best ideas in Indian equities, 6 January 2026,

[4] NSE Economic Policy and Research, Corporate India's evolution: Scale, performance and diversification, July 2026, based on CMIE Prowess and LSEG. Summary.

[5] S&P Dow Jones Indices, SPIVA India Scorecard, Year-End 2025:

[6] K S & K, "How Are Foreign Portfolio Investors Regulated in Indian Markets?", 28 September 2026.

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