The Magnificent 7: FPIs' wild ride through 7 sectors' selloff

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Foreign portfolio investors (FPIs) in India seem to have their own 'Magnificent 7' when it comes to profit-booking.

In the US equity market, the term 'Magnificent 7' refers to seven stocks that together accounted for more than half of the market capitalisation gains last year. In India, seven sectors have been responsible for most of the FPI selling over the past five months.

Since October, FPIs have offloaded Indian equities worth ₹2.1 trillion, with seven sectors — financial services, oil and gas, automotive (auto) and auto components, fast-moving consumer goods (FMCG), consumer services, construction, and power — contributing ₹2.04 trillion, or 96 per cent of the total selling.

Foreign investors sold financial services stocks valued at ₹52,488 crore, oil and gas stocks at ₹50,565 crore, auto stocks at ₹32,067 crore, FMCG stocks at ₹28,108 crore, and consumer services stocks at ₹17,005 crore. In contrast, FPIs were net buyers in sectors such as information technology (IT) (₹6,000 crore), real estate (₹3,258 crore), and telecommunications (₹738 crore). They also showed interest in textile and chemical stocks.

Chokkalingam G, founder of Equinomics Research, explained the reasoning behind these trends: "The depreciation of the rupee has benefited Indian IT firms. US President Donald Trump has also refrained from imposing tariffs on Indian IT exports. Realty stocks, which were undervalued, have seen renewed interest due to sustained demand and no sign of a slowdown in real estate prices. Telecommunications, meanwhile, remains one of the few growth sectors amid an otherwise challenging macroeconomic landscape."

Since October, FPIs sold ₹2.1 trillion in equities, 96% from seven sectors

Despite the selloff, financial services remained the largest sectoral allocation for FPIs at 30.83 per cent, followed by IT at 9.87 per cent and oil, gas and consumable fuels at 7 per cent.

The FPI outflows began in October 2024, driven by China's stimulus measures aimed at reviving its struggling economy. The election of Trump as US president further intensified global concerns, as his policy proposals were seen as disruptive to the global economy. This shift dampened the appeal of emerging markets like India and spurred demand for US debt securities. Since taking office, President Trump has partially implemented his tariff threats, deferring some and granting exemptions to products covered under free trade agreements.

Analysts suggest that FPI selling may persist until there is greater stability in US trade policy or a recovery in corporate earnings in India.

THE 7 OUTLAWS OF FPI SELLING

7 sectors ride into the dust storm, driving 90%+ of FPI selling with under 60% exposure

Sector	Net selling (₹ crore)	Share in total (%)	Weighting (%)* Oct '24	Weighting (%)* Feb'25
1. Financial services	-52,488	24.7	29.1	30.8
2. Oil & gas	-50,565	23.8	5.5	7.0
3. Automotive & auto components	-32,067	15.1	7.5	7.0
4. Fast-moving consumer goods	-28,108	13.2	5.6	6.1
5. Consumer services	-17,005	8.0	4.4	4.3
6. Construction	-12,755	6.0	1.7	1.8
7. Power	-11,453	5.4	4.3	3.4
Total for 7 sectors (₹ trillion)	**-2.04**	**96.1**	**58.1**	**60.4**
Overall across 25 sectors (₹ trillion)	**-2.12**	**100.0**	**100.0**	**100.0**

FPI: Foreign portfolio investor; *as percentage of total FPI assets; sector classification by National Securities Depository

Source: *Primeinfobase.com*