CHAPTER
6

FOREIGN PORTFOLIO INVESTORS AND FOREIGN VENTURE CAPITAL INVESTORS

6.1 FOREIGN PORTFOLIO INVESTORS

Foreign Portfolio Investors (FPIs) and Foreign Venture Capital Investors (FVCIs) occupy a central place in India's capital market architecture. By directing cross-border capital into listed equities, government and corporate debt, derivatives, and other financial instruments, they enhance market liquidity, improve price discovery, and supplement domestic sources of financing for capital formation. The year 2025-26 presented a more challenging external environment for portfolio flows to India. Net FPI outflows accelerated during the year, driven by heightened global risk aversion amid geopolitical tensions in West Asia that kept crude oil prices elevated, elevated higher US bond yields and portfolio rebalancing with preference for markets with emerging technology focused companies. Persistent rupee depreciation, relative underperformance of Indian equities vis-à-vis other major markets, relatively elevated market valuations, and concerns over moderating corporate earnings growth further weighed on foreign investor sentiment.

This chapter highlights important policy developments undertaken to facilitate FPIs in the country and provides an overview of key market activities and trends.

6.1.1 Policy Developments

A. **Single Window Automatic and Generalised Access for Trusted Foreign Investors (SWAGAT-FI) framework and 'India Market Access' website:** By offering a single-window access mechanism, SWAGAT-FI framework minimizes regulatory hurdles and streamlines compliance, strengthening India's position as a premier global investment hub. Alongside it, the 'India Market Access' digital initiative simplifies access to regulatory and procedural information for FPIs (**Box 6.1**).

Box 6.1: Transforming the Foreign Investment Experience - SWAGAT and India Market Access

Over the years, SEBI has undertaken progressive steps to make the onboarding and participation of FPIs smoother through measures such as risk-based KYC requirements, simplification of documentation and the introduction of the Common Application Form. Building upon these efforts and the feedback received during global investor roadshows, there was a recognized need to further ease regulatory provisions, particularly for objectively identified and verified low-risk FPIs.

To address this, SEBI, under the aegis of FPI Advisory Committee, deliberated on establishing a relatively relaxed onboarding and compliance regime. This culminated in the launch of two key initiatives as below:

The SWAGAT-FI Framework

The Single Window Automatic and Generalised Access for Trusted Foreign Investors (SWAGAT-FI) framework is designed specifically for eligible low-risk FPIs such as central banks, sovereign wealth funds, appropriately regulated pension and mutual funds, and insurance companies. Adopting the principle of proportionality in regulation, this framework offers a significantly lighter

(Contd.)

touch for verified low-risk and regulated entities, easing the regulatory burden and operational costs while encouraging larger stable inflows. Eligible FPI applicants may opt for SWAGAT-FI identification at the time of initial registration, and existing FPIs meeting the criteria may also convert to SWAGAT-FI status. To facilitate this streamlined experience, the framework extends the following key relaxations to eligible entities:

i. Option to register as FVCI without additional documentation, if already registered or applying as FPIs.

ii. Exemption from the FVCI Regulation requiring at least 66 per cent investment in eligible unlisted assets.

iii. Registration validity, KYC review, and fee payment (USD 2,500) to be applicable for a 10-year block instead of the standard 3-year cycle.

iv. Exemption from the 50 per cent aggregate contribution cap applicable to Non-Resident Indians, Overseas Citizens of India, and Resident Indian individuals in FPIs.

India Market Access Website for FPIs

To address the compliance challenges faced by FPIs due to multiple regulatory frameworks prescribed by various authorities such as RBI, SEBI and CBDT, an 'India Market Access' (www.indiamarketaccess.in) website, a centralized digital repository was developed in collaboration with MIIs. This unified, single-window platform streamlines the investment journey by offering step-by-step registration guidance, comprehensive advisory on documentation, and real-time updates on SEBI and RBI regulations, taxation, and repatriation guidelines. Designed to be a dynamic, user-friendly resource, the portal significantly enhances the ease of doing business and reinforces investor confidence in the Indian securities market.

B. **Relaxations for FPIs investing only in Government Securities (G-Secs):** In order to enhance ease of doing business through a risk-based approach and optimum regulation, certain relaxations were granted in onboarding and ongoing compliances for FPIs exclusively investing in G-Secs. These included exempting them from investor group details at registration under Fully Accessible Route (FAR); relaxing KYC review periodicity cycle to align with their bank account KYC review cycle; and requirement of reporting material change within 30 days, amongst other measures. SEBI also introduced a GS-FPI category for FPIs investing exclusively in Government Securities.

C. **Ease of doing business for FPIs based in IFSCs:** In order to enhance ease of doing business for FPIs operating from IFSCs, the SEBI (FPI) Regulations, 2019 were amended to allow retail schemes in IFSCs with a resident Indian sponsor or manager to register as FPIs, align limits on sponsor contribution by resident Indian non-individuals in funds set up in IFSCs as specified by SEBI and IFSCA, and permit overseas Mutual Funds / Unit Trusts registering as FPIs to include Indian mutual funds as constituents.

D. **Digital Signature Certificate functionality:** Earlier, SEBI had permitted FPIs to use digital signatures for execution of the Common Application Form (CAF) and other registration-related documents. As a key step towards digitising the FPI onboarding process, a new Digital Signature Certificate (DSC) functionality from Indian DSC issuers has been developed within the CAF portal. This feature integrates the FPI registration application and DSC application into a single, unified process, thereby easing onboarding and further streamlining the registration process, as applicants can now directly apply for DSC while submitting the CAF on the portal.

E. **Amendment to additional disclosures framework:** To facilitate ease of compliance by FPIs, additional disclosures framework (specified on August 24, 2023) was amended to increase the threshold under size criteria for submission of additional disclosures from ₹25,000 crore to ₹50,000 crore.

F. **Review of SEBI (Custodian) Regulations, 1996:** In order to strengthen the compliance and governance framework for custodians and to align regulatory provisions with the evolving nature of their business, the SEBI (Custodian) Regulations, 1996 were amended and guidelines were issued to custodians. Key changes include:

   i. Enhancement of the minimum net worth requirement from ₹50 crore to ₹75 crore.

   ii. Incorporation of additional clauses, including provisions relating to redressal of client grievances, in the code of conduct to ensure uniformity with other intermediaries.

   iii. Strengthening of governance and risk management frameworks through enhanced Board oversight, clearly defined committee structures, and comprehensive risk management policies covering operational, legal, and other relevant risks.

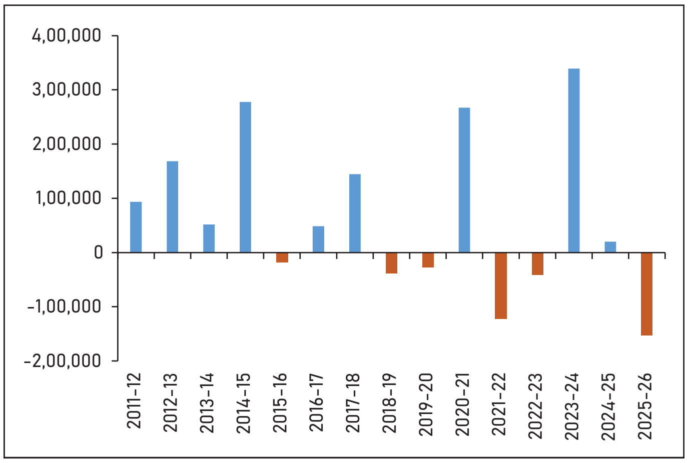
   iv. Specification of enhanced requirements relating to scalable infrastructure, business continuity planning, and orderly wind-down mechanisms to ensure continuity of services and safeguarding of client interests.

6.1.2 Market activity and trends observed

A. **FPI Investment flows**

   i. **Annual trend**: FPI investment in Indian markets turned sharply negative in 2025-26, recording net outflows of ₹1,52,692 crore, the highest annual outflow in any financial year on record. This marks a sharp reversal from the record inflow of ₹3,39,066 crore in 2023-24 and the marginal net inflow of ₹20,018 crore in 2024-25. FPI flows were cumulatively positive over the fifteen-year period from 2011-12 to 2025-26, despite experiencing net outflows in six of those years due to rising global volatility. **Chart 6.1** presents annual trends in net investment by FPIs since 2011-12.

Chart 6.1: Trend in Net Investments by FPIs (₹crore)



Source: NSDL

Despite net FPI outflows of ₹1,52,692 crore during 2025-26, the flow-to-AUC ratio (calculated as net total FPI flow in the year divided by AUC at the end of the previous financial year) stood at only 2.1 per cent. This indicates that the scale of withdrawal was relatively moderate compared to the overall size of FPI holdings. For comparison, the ratio stood at 2.7 per cent in 2021-22, reflecting relatively higher proportional outflows during that period. In contrast, 2023-24 recorded a positive ratio of 7.0 per cent, indicating strong net inflows relative to the existing FPI asset base.

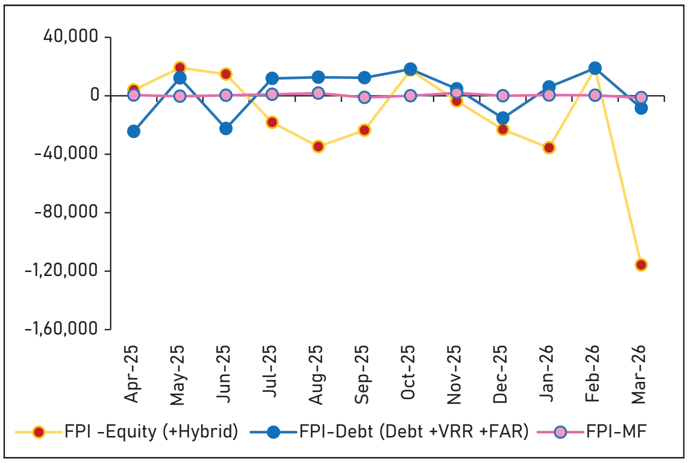
   ii. **Segment-wise FPI Flows:** Indian equity markets witnessed continuous foreign selling throughout the year, with net outflows of ₹1,80,832 crore, more than 40 per cent higher than the equity outflow recorded in the previous year. The debt segment, however, provided a stable accumulation, with net inflows of ₹25,807 crore, driven primarily by the FAR category (₹15,449 crore) and the General Limit route (₹12,429 crore), reflecting continued interest in Indian fixed income supported by residual passive flows linked to India's JP Morgan bond index inclusion. The equity outflows in 2025-26 were driven by a combination of US tariff-related uncertainties, geopolitical tensions in West Asia, subdued corporate earnings due to higher input cost and uncertainties over medium to long term inflation projection. Outflows were particularly intense in March 2026, which alone accounted for equity outflows of approximately ₹1.17 lakh crore. Q1 (April-June 2025) was the only quarter of net FPI equity buying, supported by RBI rate cuts and transitory improvement in global sentiment.

Table 6.1 presents segment-wise annual net investment of FPIs and **Chart 6.2** presents segment-wise monthly trends in net investments.

iii. **Investment Route-wise FPI flows in Equity Segment:** The net inflows through the primary market route declined by around 41 per cent, from ₹1,20,944 crore in 2024-25 to ₹70,822 crore in 2025-26. In contrast, net outflows through stock exchanges remained broadly unchanged across both the years, reflecting sustained secondary market selling by FPIs (**Chart 6.3**).

iv. **Sector-wise FPI flows in Equity Segment:** FPI flows in the equity segment during 2025-26 exhibited significant variation in investment allocation patterns. Among the sectors, Capital Goods (₹25,923 crore),

Chart 6.2: Segment-wise Monthly Trends in Net Investment by FPIs (₹crore)



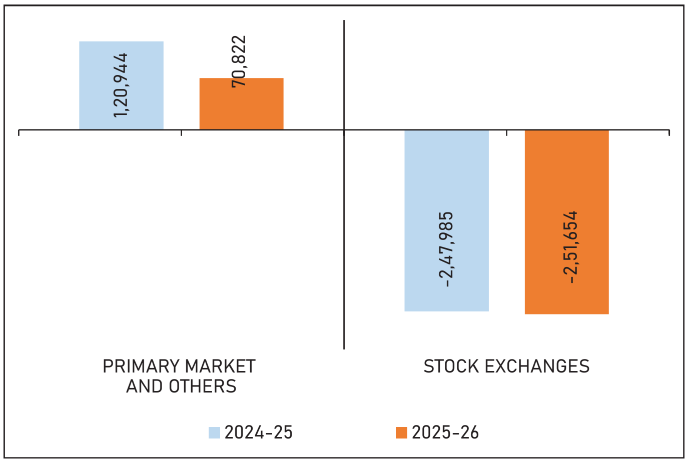
Source: NSDL

Table 6.1: Segment-wise Net Investment of FPIs (₹crore)

	Segment	2024-25	2025-26
	Equity	-1,27,041	-1,80,832
Debt	Debt-General Limit	55,734	12,429
	Debt-VRR	6,737	-2,071
	Debt-FAR	80,691	15,449
	Hybrid	4,425	-371
Mutual fund	Equity	-667	2,750
	Debt	-124	-595
	Hybrid	-9	-56
	Solution Oriented	-	-3
	Other	271	603
	AIF	-	5
Total		**20,018**	**-1,52,692**

Source: NSDL

Chart 6.3: Investment Routes of FPI Flows in Equity (₹crore)

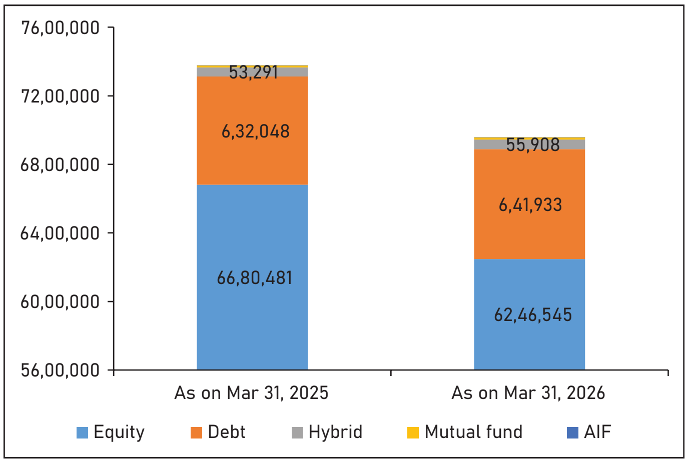


Note: Primary Market and Others data refer to purchase in primary market and instruments like preferential allotment, rights issue, bonus shares etc. Stock Exchanges data refers to purchase and sale (along with mutual fund units) in secondary market.

Source: NSDL

Telecom (₹24,746 crore), and Metals & Mining (₹20,305 crore) attracted substantial investments, indicating investor interest in infrastructure-linked and cyclical sectors. In contrast, IT recorded the highest net outflows (₹81,239 crore) owing to AI led disruption, followed by Financial Services (₹58,066 crore), FMCG (₹33,728 crore), and Healthcare (₹30,351 crore). This suggests sectoral rebalancing by FPIs amid evolving global growth expectations, valuation considerations, and changing risk sentiment (**Chart 6.4**).

Chart 6.5: Assets of FPIs in India



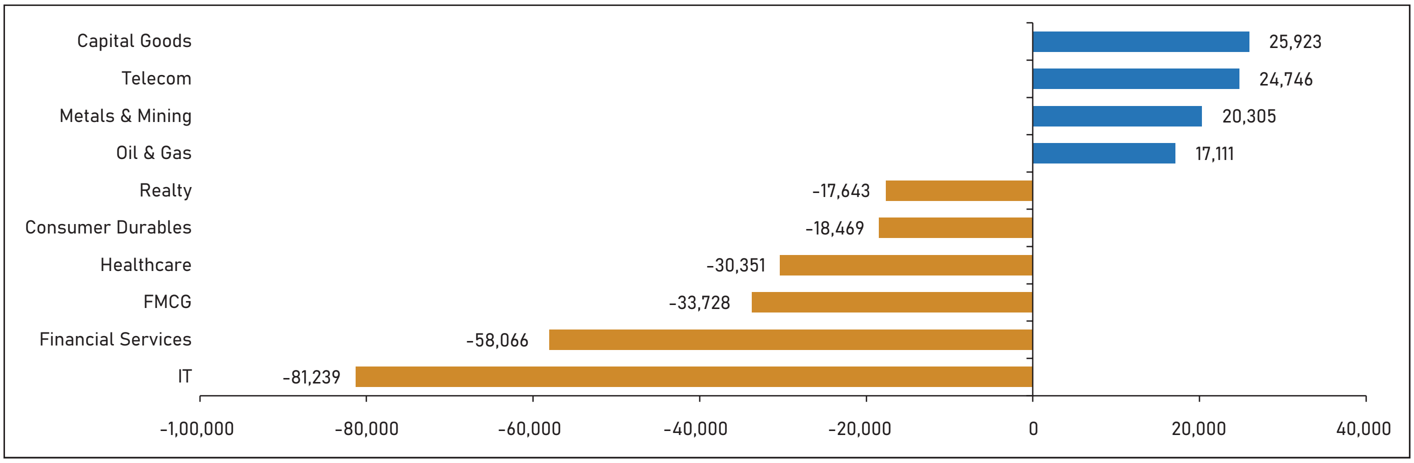
Note: The figures inside bars are in ₹crore.
Source: NSDL

B. Assets under custody of custodians

i. **Segment wise distribution:** FPI Assets Under Custody (AUC) in India declined to ₹69,57,108 crore as on March 31, 2026 (a fall of 5.7 per cent) from ₹73,76,495 crore at the end of March 31, 2025, reflecting the combined impact of net selling by FPIs, and mark-to-market valuation losses arising from broader market correction. The decline was primarily driven by equity assets, which fell from ₹66,80,481 crore to ₹62,46,545 crore. In contrast, debt AUC remained broadly stable and increased marginally from ₹6,32,048 crore to ₹6,41,933 crore consistent with the net inflows recorded in the segment. Equity assets constituted 89.8 per cent of total assets held by FPIs while debt constituted 9.2 per cent as on March 31, 2026 (**Chart 6.5**).

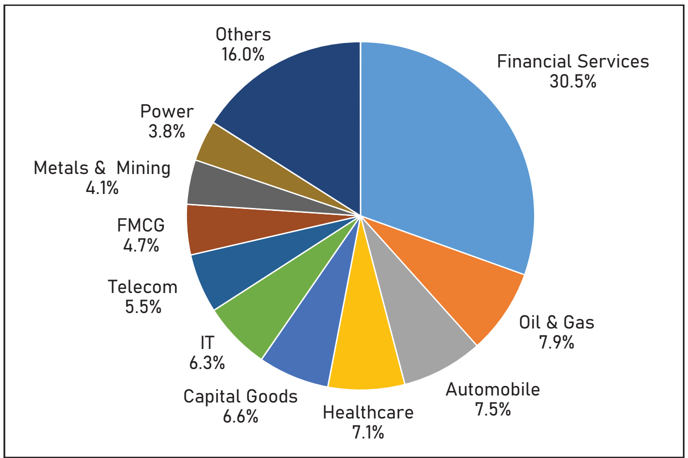
ii. **Sectoral distribution of FPI Assets:** Of the total equity AUC of ₹62.5 lakh crore as on March 31, 2026, the largest share remained with Financial Services (₹19.0 lakh crore; 30.5 per cent), followed by Oil & Gas (₹4.9 lakh crore; 7.9 per cent), Automobile (₹4.7 lakh crore; 7.5 per cent), and Healthcare (₹4.4 lakh crore; 7.1 per cent). The most notable shifts relative to March 2025 were the 2.7 percentage point decline in IT's share - from 9.0 per cent to 6.3 per cent, reflecting FPI selling in technology stocks

Chart 6.4: Major Sector-wise FPI Flows in Equity Segment during 2025-26 (₹crore)



Source: NSDL

Chart 6.6: Sector-wise Distribution of FPI Equity Assets (2025-26)



Source: NSDL

amid global AI-disruption concerns - and a 1.7 percentage point increase in Capital Goods (**Chart 6.6**).

Of the total debt AUC (comprising Debt-General Limit, Debt VRR and Debt FAR) of ₹6.4 lakh crore as on March 31, 2026, the largest share is of Sovereign Sector (53 per cent), followed by Financial Services (5 per cent).

iii. **Geographical distribution of FPI Assets:** As on March 31, 2026, a total of 12,199 FPIs were registered in India - an increase of 333 (2.8 per cent) from March 2025. The USA retained its dominant position, with 3,602 entities accounting for 40.7 per cent (₹28,35,005 crore) of total AUC. Ireland and France were the only top-10 jurisdictions to record AUC increases (+8.4 per cent and +8.1 per cent respectively) (**Table 6.2**). Norway, with only 24 registered FPIs, accounted for ₹2,48,525 crore in AUC, resulting in the highest AUC-per-FPI ratio (approximately ₹10,355 crore per entity) among top 10 jurisdictions.

C. **FPI Limits in corporate bonds and their utilisation :** In 2025-26, the overall upper limit for investment by FPIs in corporate bonds increased from ₹7,63,503 crore in 2024-25 to ₹8,80,835 crore. However, the overall debt utilisation as a percentage of total investment limits in the corporate bond category declined from 15.8 per cent as on March 31, 2025 to 15.0 per cent as on March 31, 2026 (**Table 6.3**).

Table 6.2: Geographical Distribution of Registered FPIs

Sr. No.	Country	No. of FPIs as on			AUC as on (₹crore)				
		March 31, 2025	March 31, 2026	Change %	March 31, 2025	March 31, 2026	Change %	Share (%) as on Mar 31, 2025	Share (%) as on Mar 31, 2026
1	USA	3,571	3,602	0.9	29,38,081	28,35,018	-3.5	39.8	40.7
2	Singapore	631	679	7.6	6,93,651	5,64,016	-18.7	9.4	8.1
3	Luxembourg	1,448	1,456	0.6	5,50,966	5,05,664	-8.2	7.5	7.3
4	Ireland	846	897	6.0	4,23,013	4,58,376	8.4	5.7	6.6
5	Mauritius	596	630	5.7	3,57,244	3,12,774	-12.4	4.8	4.5
6	United Kingdom	655	650	-0.8	3,42,027	2,94,635	-13.9	4.6	4.2
7	Norway	24	24	0.0	2,64,594	2,48,525	-6.1	3.6	3.6
8	Japan	480	476	-0.8	2,22,407	2,11,759	-4.8	3.0	3.0
9	Canada	825	830	0.6	2,00,465	1,92,262	-4.1	2.7	2.8
10	France	65	75	15.4	1,47,042	1,58,880	8.1	2.0	2.3
11	Others*	2,725	2,880	5.7	12,37,005	11,75,197	-5.0	16.8	16.9
Total		**11,866**	**12,199**	**2.8**	**73,76,495**	**69,57,108**	**-5.7**	**100**	**100**

Note: *AUC amounting to 16.9 per cent share as on March 31,2026 is collectively held by FPIs from 46 countries
Source: NSDL

Table 6.3: Foreign Investment Limits in Corporate Bonds (₹crore)

Year	Upper Limit (A)	Investment (B)	Unutilised Auctioned Limits available with FPIs (C)	Total Investment (D)=(B)+(C)	% of Limits Utilised (E)	Limit Available for Investment (F)
2024-25	7,63,503	1,20,559	-	1,20,559	15.8	6,42,944
2025-26	8,80,835	1,31,941	-	1,31,941	15.0	7,48,894

Source: NSDL

D. **Offshore derivatives instruments:** ODIs or participatory notes (PNs) are instruments issued by SEBI-registered FPIs to overseas investors seeking exposure to Indian securities and derivatives without directly registering as FPIs. The value of investments in ODIs on equity and debt (including derivatives) decreased by seven per cent from ₹1,35,764 crore as on March 31, 2025 to ₹1,25,939 crore as on March 31, 2026 (**Table 6.4**).

6.2 FOREIGN VENTURE CAPITAL INVESTORS

To augment the domestic pool of risk capital and facilitate cross-border investment into innovative enterprises, SEBI has put in place a regulatory framework for Foreign Venture Capital Investors (FVCIs). Registered FVCIs are permitted to invest directly in venture capital undertakings or route investments through domestic Venture Capital Funds (VCFs) registered as Category I Alternative Investment Funds, across instruments such as equity, equity-linked securities, and debt. The eligible investee universe encompasses knowledge-intensive and technology-driven sectors including biotechnology, information technology, nanotechnology, and infrastructure, among others. The framework offers select operational flexibilities - including exemption from pricing guidelines applicable to foreign portfolio investors - making it a preferred route for long-horizon, early-stage capital, and has contributed meaningfully to deepening India's venture capital ecosystem.

As on March 31, 2026, the number of registered FVCIs in India stood at 275. During 2025-26, 29 new FVCIs were registered, while an equal number of registrations were cancelled or surrendered, resulting in no net increase over the previous year. The sector-wise cumulative net investment by FVCIs is given in **Table 6.5.** The cumulative net investment of FVCIs increased by 36 per cent during 2025-26, as compared to 2024-25.

Table 6.5: Cumulative Net Investments by FVCIs (₹crore)

Sectors	2024-25	2025-26
Information Technology	1,023	3,045
Telecommunication	328	2,075
Pharmaceuticals	51	51
Biotechnology	0	78
Media/Entertainment	64	330
Services sector	254	97
Industrial products	0	103
Others	45,945	58,967
Total	**47,665**	**64,745**

Table 6.4: Value of ODIs/ PNs (₹crore)

As at the end of	Notional Value of ODIs	Notional Value of ODIs on Equity	Notional Value of ODIs on Debt	Notional Value of ODIs on Hybrid Securities	AUC of FPIS	Notional Value of ODIs as a % of AUC of FPIs
2024-25	1,35,764	98,669	36,597	498	73,76,495	1.8
2025-26	1,25,939	1,07,707	18,088	144	69,57,108	1.8

Source: NSDL