February Market Pulse: Investment Insights

February 2026: FPIs Turn Equity Buyers, Debt Flows Stay Strong; DIIs Support the Market as MF Buying Hits a Three-Year Low

- **FPIs Turn Equity Buyers in February; Debt Buying Continues**
  - **FPIs turned net buyers in equities in February**, with net inflows of **₹22,615 Cr** after **two consecutive months of selling**. Buying was largely **front-loaded**, with **₹19,675 Cr** invested in the **1st–15th**, followed by a much softer **₹2,940 Cr** in the **16th–28th**, indicating that the recovery in foreign flows lost pace toward the latter half of the month. The rebound was driven predominantly by **secondary market buying of ₹19,782 Cr**, while **primary market investments stood at ₹2,833 Cr**, suggesting that FPI participation was led more by on-market accumulation than fresh issuances.
  - **Debt flows remained supportive for FPIs**, with net inflows of **₹18,791 Cr** during the month, including **₹10,930 Cr** in the first half and **₹7,861 Cr** in the second. This suggests that even as FPIs returned to equities in February, their preference for **fixed-income exposure** stayed intact.
  - **CY2026 so far**, FPIs have still **sold ₹13,347 Cr in equities** while **investing ₹24,804 Cr in debt**, reinforcing a continued **equity-to-debt tilt** despite the rebound in February equity flows.

- **DII Flows: Domestic Institutions Stay the Market's Key Support in February and CY2026 So Far**
  - **Strong Equity Buying Continues in February: DIIs** remained firm buyers in **February**, with net equity inflows of **₹38,423 Cr**. Buying accelerated sharply in the **second half of the month** at **₹28,647 Cr**, compared with **₹9,776 Cr** in the **first half**, highlighting stronger domestic support as the month progressed.
  - **CY2026 Reflects Their Continued Anchor Role:** For **CY2026 so far**, **DIIs** have infused a robust **₹107,644 Cr** into equities, reinforcing their position as the market's key stabiliser—**absorbing supply, supporting liquidity, and cushioning volatility** during phases of shifting foreign flows.

- **Mutual Funds Equity Buying Falls to a Three-Year Low**
  - **Mutual Funds** remained net buyers in equities in **February**, investing **₹11,422 Cr**, though flows slowed sharply. After a marginal outflow of **₹603 Cr** in the first half, buying recovered to **₹12,025 Cr** in the second half, indicating selective deployment through the month. Notably, **February's equity buying was the lowest in nearly three years**, the weakest since **July 2023** when inflows stood at **₹7,707 Cr**, suggesting that as **FPI flows turned positive**, some domestic fund managers likely used the opportunity to **book profits**.
  - **CY2026 equity buying remains positive:** For **CY2026 so far**, **Mutual Funds** have infused **₹53,777 Cr** into equities, reflecting continued domestic support despite the moderation in February flows.

Monthly Investment Insights

Tracking Flows by Market Participants

Market Participants	For the month of February						CY2026 YTD	
	Equity (Crs)			Debt (Crs)			Equity (Crs)	Debt (Crs)
	1st - 15th	16th - 28th	Total	1st - 15th	16th - 28th	Total		
FPI	19,675	2,940	22,615	10,930	7,861	18,791	(13,347)	24,804
DII	9,776	28,647	38,423	-	-	-	107,644	-
*Mutual Funds	(603)	12,025	11,422	(44,711)	(51,747)	(96,458)	53,777	(187,265)

*DII investments include MFs Investments. Source: NSDL, SEBI, NSE

Mapping FPI Investments: Sector-wise Insights in Indian Equities

❖ **February 2026 Sectoral Rotation: FPIs Lean Into Capex and Domestic Cyclicals; IT Remains the Biggest Drag**

➢ **Capex, Industrials and Domestic Cyclicals Lead the Buying Trend: FPI buying in February 2026** remained focused on **capex-led and domestic cyclical sectors**. **Capital Goods** was the top pick at **₹12,135 Cr**, with flows stronger in the first half (**₹8,032 Cr**) than the second (**₹4,103 Cr**). **Financial Services** followed at **₹8,418 Cr**, again front-loaded (**₹6,175 Cr vs ₹2,243 Cr**). **Metals & Mining (₹5,638 Cr)**, **Oil & Gas** (**₹5,381 Cr**) and **Power** (**₹4,506 Cr**) also saw healthy inflows.

➢ **Construction** recorded **₹4,487 Cr**, with buying rising in the second half to **₹2,742 Cr** from **₹1,745 Cr**, while **Automobile** saw a sharp late-month pickup with **₹3,075 Cr** in the second half versus **₹511 Cr** in the first, indicating stronger interest in **domestic demand-linked themes**.

❖ **Technology Outflows Dominate While Consumption Sees Late-Month Pressure**

➢ On the selling side, **Information Technology** remained the clear laggard, recording the deepest outflows of **₹16,949 Cr**, with heavy selling in both halves of the month (**₹10,956 Cr** in the first and **₹5,993 Cr** in the second). **Consumer Services** also saw a sharp reversal, moving from **₹1,066 Cr** of buying in the first half to **₹5,238 Cr** of selling in the second, ending the month with net outflows of **₹4,172 Cr**. **FMCG** (**₹1,951 Cr**) and **Telecommunication** (**₹1,881 Cr**) remained under pressure, while **Consumer Durables** (**₹756 Cr**) and **Textiles** (**₹100 Cr**) also stayed net sold.

➢ **Healthcare** was relatively mixed, with first-half selling of **₹1,051 Cr** partly offset by second-half buying of **₹722 Cr**, resulting in a modest net outflow of **₹329 Cr**. **Utilities** remained largely flat with negligible net selling of **₹6 Cr**.

Sector-Wise FPI Equity Purchases: Feb, 2026 (Amount in Crs)				Sector-Wise FPI Equity Sales: Feb, 2026 (Amount in Crs)			
Sector	1st - 15th	16th - 28th	Total	Sector	1st - 15th	16th - 28th	Total
Capital Goods	8,032	4,103	12,135	Information Technology	(10,956)	(5,993)	(16,949)
Financial Services	6,175	2,243	8,418	Consumer Services	1,066	(5,238)	(4,172)
Metals & Mining	3,279	2,359	5,638	FMCG	(1,182)	(769)	(1,951)
Oil & Gas	4,678	703	5,381	Telecommunication	(106)	(1,775)	(1,881)
Power	3,272	1,234	4,506	Consumer Durables	(434)	(322)	(756)
Construction	1,745	2,742	4,487	Healthcare	(1,051)	722	(329)
Automobile	511	3,075	3,586	Textiles	(67)	(33)	(100)
Services	1,286	205	1,491	Utilities	(14)	8	(6)

Sector-Wise FPI Equity Purchases in Jan-Feb, 2026		Sector-Wise FPI Equity Sales in Jan-Feb, 2026	
Sector	Amount (Crs)	Sector	Amount (Crs)
Metals & Mining	17,164	Information Technology	(18,784)
Capital Goods	14,896	Consumer Services	(9,685)
Oil & Gas	4,441	FMCG	(9,448)
Construction	2,955	Telecommunication	(6,658)
Power	2,639	Healthcare	(6,491)
Chemicals	388	Realty	(1,921)
Forest Materials	40	Consumer Durables	(1,806)
		Construction Materials	(536)

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Jan–Feb 2026 Snapshot: Where FPIs Placed Their Biggest Bets

FPI Sectoral Positioning (Jan–Feb 2026): Metals & Capital Goods Lead Buying; IT Remains the Biggest Sell-Off

- **Cyclicals & Capex Lead FPI Buying in Jan–Feb 2026**
  - **Cyclicals and capex-linked sectors dominated FPI buying in Jan–Feb 2026. Metals & Mining** emerged as the top bought sector at **₹17,164 Cr**, followed by **Capital Goods** at **₹14,896 Cr**, highlighting strong foreign investor preference for industrial and investment-linked themes.
  - **Oil & Gas** also saw meaningful inflows at **₹4,441 Cr**, while **Construction** (**₹2,955 Cr**) and **Power** (**₹2,639 Cr**) reflected continued interest in domestic infrastructure and cyclical plays. Buying in **Chemicals** remained modest at **₹388 Cr**, while **Forest Materials** was largely negligible at **₹40 Cr**.
- **IT Faces the Sharpest Selling in CY26 So Far**
  - **On the sell side, IT remained the biggest drag on FPI allocations. Information Technology** saw the sharpest outflows at **₹18,784 Cr**, indicating continued caution toward global-demand-sensitive sectors. This was followed by selling in **Consumer Services** (**₹9,685 Cr**) and **FMCG** (**₹9,448 Cr**), suggesting pressure on consumption-oriented pockets as well.
  - **Telecommunication** (**₹6,658 Cr**) and **Healthcare** (**₹6,491 Cr**) also witnessed notable exits, while **Realty** (**₹1,921 Cr**), **Consumer Durables** (**₹1,806 Cr**) and **Construction Materials** (**₹536 Cr**) remained net sold.
- **Cyclicals Preferred, IT & Consumption Trimmed**: Net-net, CY2026 so far, FPI flows reflect a clear preference for cyclicals and capex-led themes, even as investors continued to pare exposure to IT and consumer-facing sectors.

Indian Benchmark Indices: Tracking Performance

Absolute Returns: A Snapshot of Indices Performance(%)		
Benchmark	**February**	**CY2026 YTD**
Sensex	(1.19)	(4.62)
Nifty 50	(0.56)	(3.64)
Nifty Midcap 150	1.66	(1.93)
Nifty Smallcap 250	0.75	(4.82)

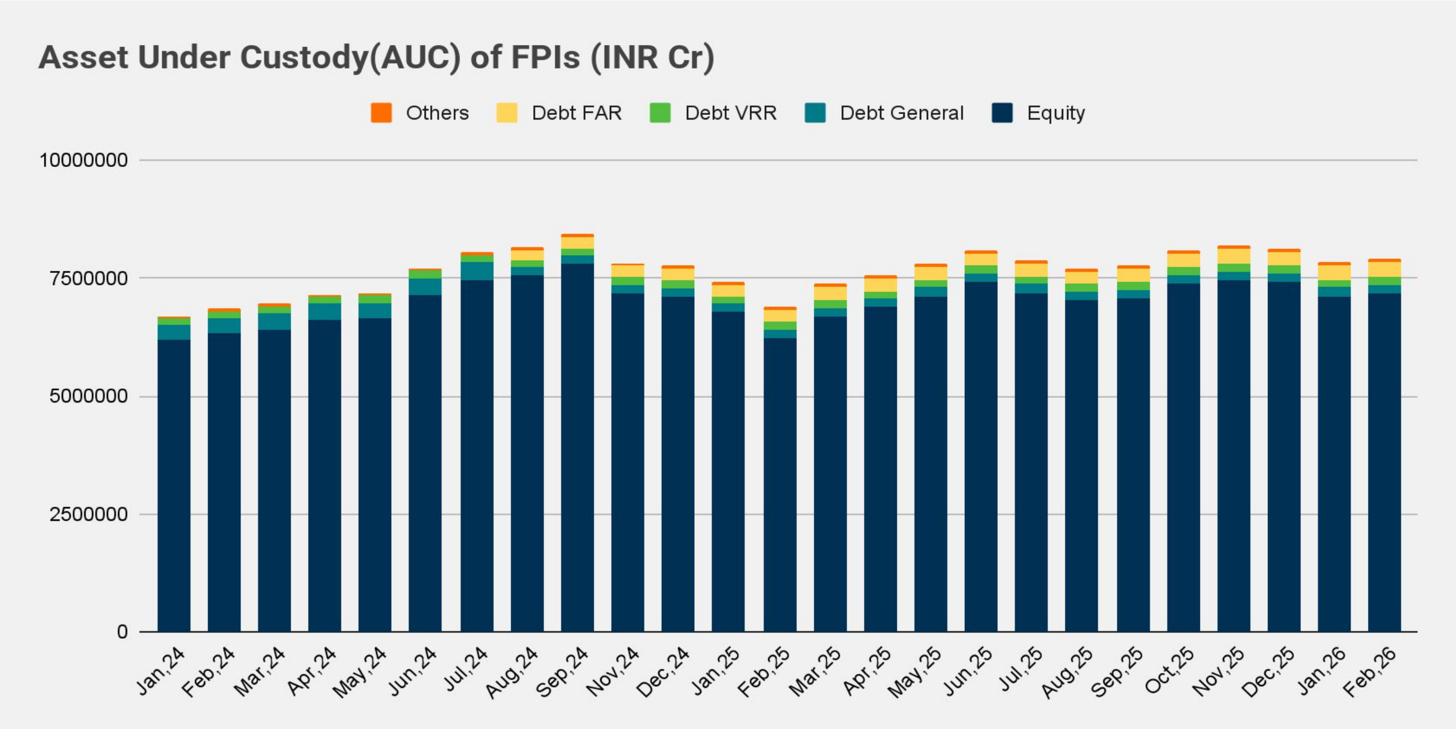
- **Broader Markets Outperform in February; CY2026 Returns Still Negative**
  - **Large caps remained under pressure in February**, with the **Sensex** down **1.19%** and the **Nifty 50** slipping **0.56%**. In contrast, **broader markets outperformed**, as the **Nifty Midcap 150** rose **1.66%** and the **Nifty Smallcap 250** gained **0.75%**, indicating selective buying beyond benchmark names.
  - **For CY2026 YTD, however, all key indices remain in the red.** The **Nifty Midcap 150** has been the most resilient with a decline of **1.93%**, followed by the **Nifty 50**, down **3.64%**. The **Sensex** is down **4.62%**, while the **Nifty Smallcap 250** has seen the sharpest fall at **4.82%**. **Net-net, February reflected improving risk appetite in broader markets, but CY2026 YTD performance still points to a weak start overall.**

Tracking FPI's AUC in Indian Markets

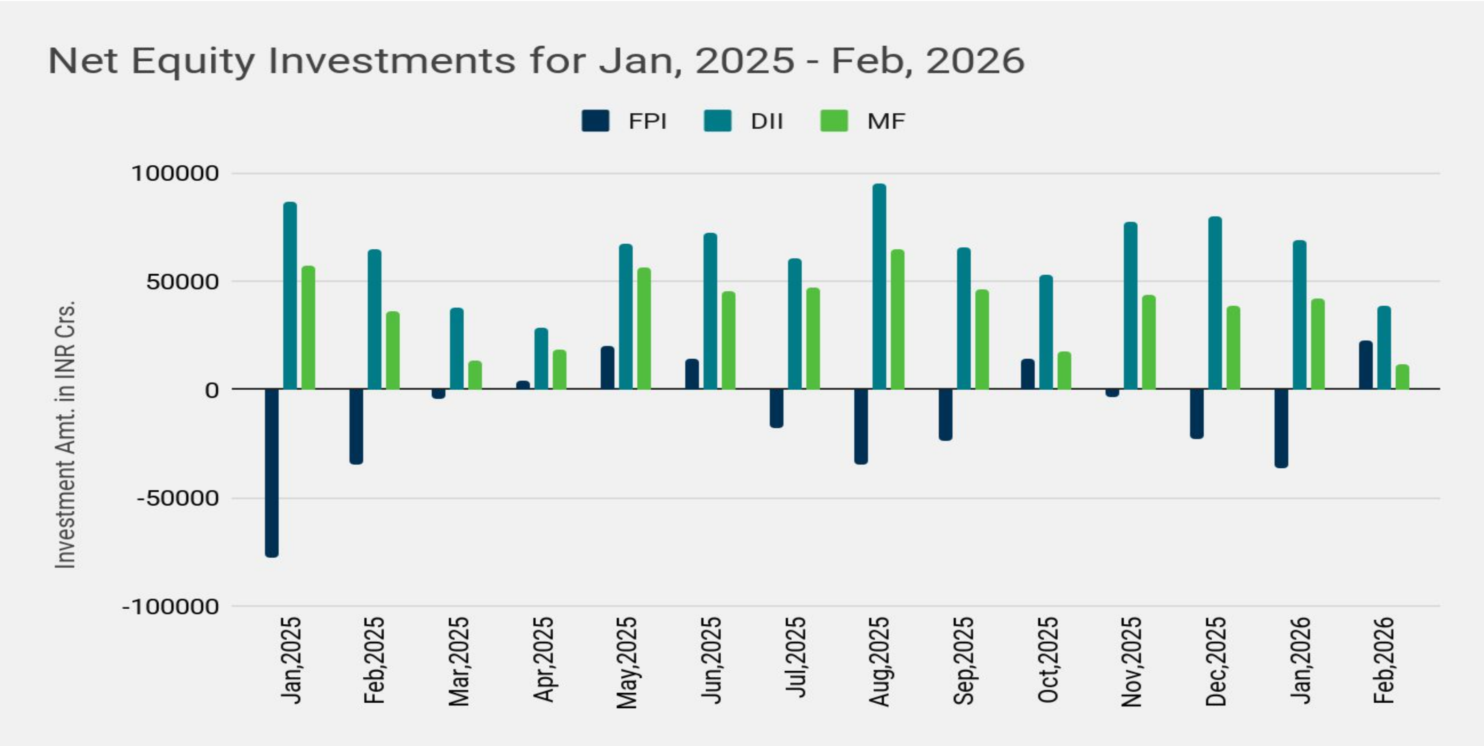
FPIs' AUC Rebounds in Feb'26 as Equity Recovers; Debt FAR Continues to Rise

- **Total AUC recovers after January's dip: FPIs' Assets Under Custody (AUC)** rose to **₹79.02 Lakh Cr** in **February 2026** from **₹78.40 Lakh Cr** in **January 2026** — an increase of **~₹0.62 Lakh Cr (+0.79% MoM)**. The recovery suggests an improvement in market value and positioning after the equity-led correction seen in January.
- **Equity AUC drives the rebound: Equity holdings** increased to **₹71.78 Lakh Cr** in **Feb'26** from **₹71.25 Lakh Cr** in **Jan'26**, up **~₹0.52 Lakh Cr (+0.74% MoM)**. This rebound in equity AUC was the key contributor to the rise in overall custody levels.
- **Debt AUC remains supportive; FAR continues to strengthen: Debt General** rose to **₹1.85 Lakh Cr** from **₹1.81 Lakh Cr**, while **Debt VRR** edged up to **₹1.72 Lakh Cr** from **₹1.69 Lakh Cr. Debt FAR** increased further to **₹2.95 Lakh Cr** from **₹2.87 Lakh Cr**, indicating continued preference for the FAR route.
- **CY2026 trend remains negative: FPIs' total AUC** declined to **₹79.02 Lakh Cr** in **Feb'26** from **₹81.39 Lakh Cr** in **Dec'25** — down **~₹2.36 Lakh Cr (-2.9%)**. The fall was largely driven by an **equity-led reduction**, with **equity AUC** slipping to **₹71.78 Lakh Cr** from **₹74.26 Lakh Cr**, a decline of **~₹2.49 Lakh Cr (-3.3%)**.

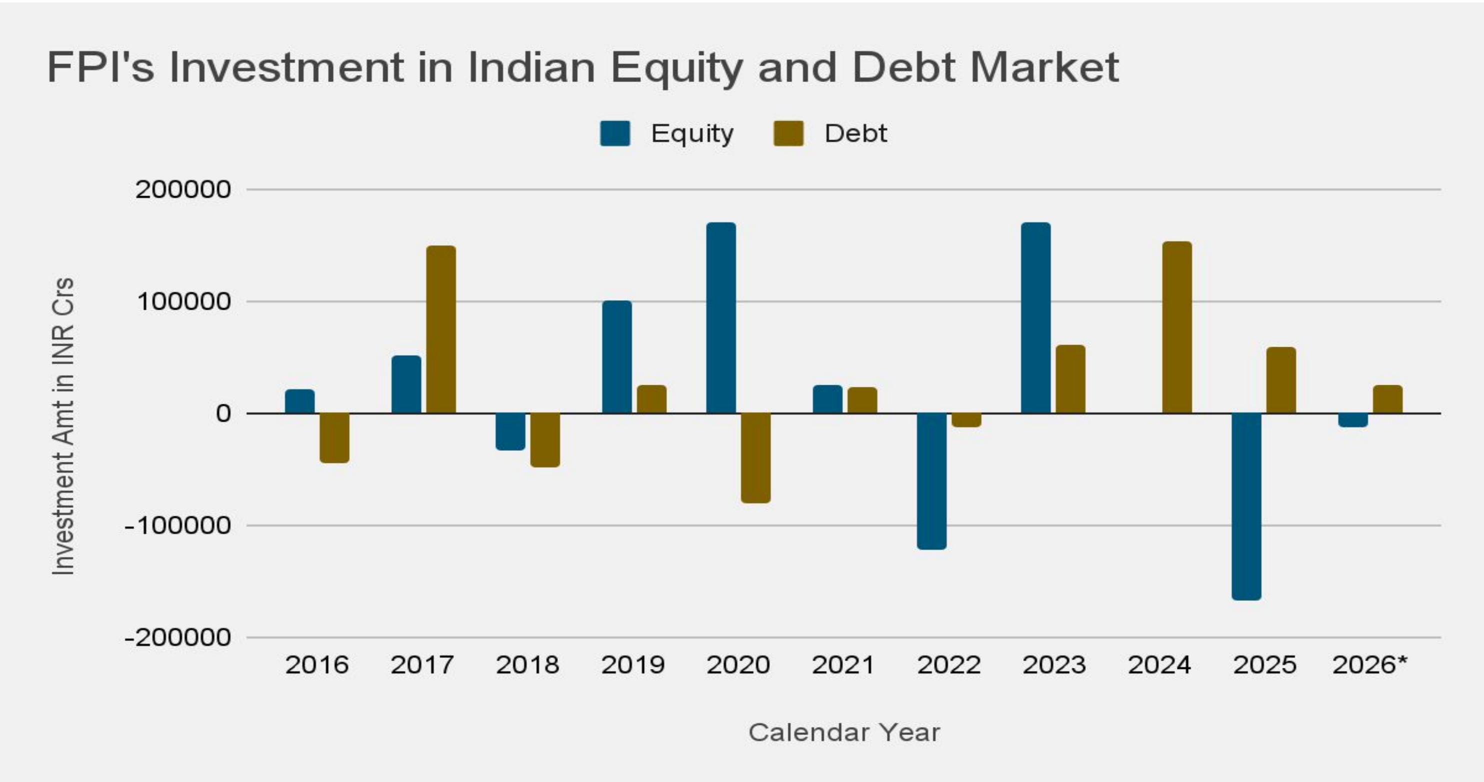
Asset Under Custody(AUC) of FPIs (INR Cr)					Key Sectoral Breakdown of FPI Equity AUC (INR Cr)			
Segment	Feb,26	Jan,26	Change		Sector	Feb,26	Jan,26	Change
Equity	7,177,819	7,125,350	52,469		Financial Services	2,326,577	2,302,818	23,759
Debt General	184,839	181,179	3,660		Automobile	564,150	536,293	27,857
Debt VRR	172,031	169,361	2,670		Oil & Gas	536,467	524,352	12,115
**Corporate Bonds	128,661	124,589	4,072		Healthcare	472,362	439,490	32,872
Debt FAR	294,702	286,589	8,113		Capital Goods	463,894	421,683	42,211
Others	72,854	77,875	(5,021)		IT	417,719	533,953	(116,234)
Total	**7,902,245**	**7,840,354**	61,891		Telecom	362,925	378,716	(15,791)



Equity Investment Breakdown by Participant



FPI's Strategic Investments in Equity and Debt Markets



*Data is updated as of 28th February. DII investments include MF investments.

Source: NSDL, SEBI

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