



EQUITY MARKET

# SIP: how it works

What happens on each instalment date, what averaging does, and what it does not do

Industry figures for August 2026

For training and education only. Not investment advice.

**A SIP is a way of buying mutual fund units: a fixed amount, on a fixed date, at that day's NAV.**

It is a method, not a product. The scheme it buys carries the same risks whether the units are bought by SIP or in one go.

# Three parts of every SIP



## The mandate

The investor authorises the bank to pay each instalment automatically, through NACH or UPI AutoPay. It is set up once.



## The amount and date

The investor picks the amount, the date and the interval, usually every month. Each scheme sets its own minimum amount.



## The units

Each instalment buys units at the NAV that applies that day. A lower NAV buys more units. A higher NAV buys fewer.

**Stamp duty of 0.005% comes off each instalment before the units are allotted.**

*Source: SEBI Master Circular, 20 March 2026; AMFI SIP data page; Indian Stamp Act, 1899 (stamp duty).*

# Six instalments, one average cost

## A SIX-MONTH SIP

A SIP of ₹6,000 a month runs for six months.

NAV on the six dates: ₹20, ₹16, ₹12, ₹15, ₹16 and ₹20.

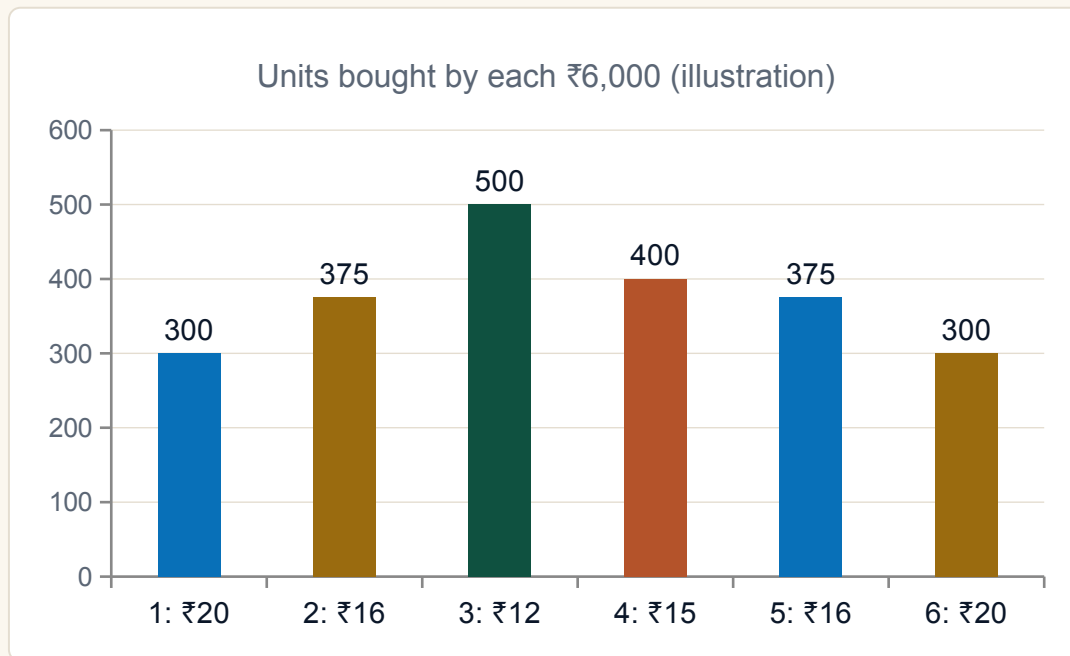
Stamp duty is ignored to keep the numbers round.

- 1 Units bought:  $300 + 375 + 500 + 400 + 375 + 300 = 2,250$  units.
- 2 Amount paid:  $6 \times ₹6,000 = ₹36,000$ .
- 3 Average cost =  $₹36,000 \div 2,250 \text{ units} = ₹16.00$  a unit.
- 4 The simple average of the six NAVs is  $₹99 \div 6 = ₹16.50$ . The cost is lower because more units were bought at the lower NAVs.

**A fixed amount buys more units when the NAV is low. That pulls the average cost per unit down.**

*Illustration with an invented scheme and assumed NAVs. Not a forecast.*

# Same rupees, different units



## Read the chart

- Each bar is one instalment of ₹6,000. The label shows the instalment number and the NAV that day.
- The tallest bar is the date the NAV was lowest: ₹12 bought 500 units.
- At the sixth NAV of ₹20, the 2,250 units are worth ₹45,000. The amount paid was ₹36,000.
- That gain came from this path of NAVs. Another path gives another result.

*Illustrative data from the example on the previous slide. Assumed NAVs; stamp duty ignored.*

# SIP and lump sum on three paths

| NAV on the six dates                                    | SIP: ₹6,000 on each date                        | Lump sum: ₹36,000 on date 1                         |
|---------------------------------------------------------|-------------------------------------------------|-----------------------------------------------------|
| <b>Falls, then recovers:</b><br>₹20, 16, 12, 15, 16, 20 | 2,250 units, worth ₹45,000.<br>Gain of ₹9,000.  | 1,800 units, worth ₹36,000.<br>No gain and no loss. |
| <b>Falls throughout:</b><br>₹30, 25, 24, 20, 16, 15     | 1,765 units, worth ₹26,475.<br>Loss of ₹9,525.  | 1,200 units, worth ₹18,000.<br>Loss of ₹18,000.     |
| <b>Rises throughout:</b><br>₹15, 16, 20, 24, 25, 30     | 1,765 units, worth ₹52,950.<br>Gain of ₹16,950. | 2,400 units, worth ₹72,000.<br>Gain of ₹36,000.     |

**Average cost is below the simple average NAV. It does not assure a profit or prevent a loss.**

*Illustration with assumed NAVs, valued at the NAV on the sixth date. Stamp duty ignored. Not a forecast.*

# A step-up SIP

## 10% MORE EACH YEAR

A SIP starts at ₹10,000 a month.

The investor asks for a step-up of 10% once a year.

Compare it with a level SIP of ₹10,000 a month over three years.

- 1 Year 1:  $12 \times ₹10,000 = ₹1,20,000$ .
- 2 Year 2:  $12 \times ₹11,000 = ₹1,32,000$ . Year 3:  $12 \times ₹12,100 = ₹1,45,200$ .
- 3 Total paid in three years:  $₹1,20,000 + ₹1,32,000 + ₹1,45,200 = ₹3,97,200$ .
- 4 The level SIP pays  $36 \times ₹10,000 = ₹3,60,000$ . The step-up SIP puts in ₹37,200 more.

**A step-up changes how much is invested. It does not change how an instalment works, or the risk.**

*Illustration with assumed amounts. It shows money paid in, not what the units are worth.*

# Each instalment has its own clock

## TWELVE INSTALMENTS

Equity-oriented scheme. A SIP on the 10th of each month of 2026.

Assumed exit load: 1% within 12 months.

All units are redeemed on 15 February 2027.

- 1 The January and February 2026 instalments have been held for more than 12 months. The other ten have not.
- 2 Exit load: none on the units from the first two instalments, 1% on the units from the other ten.
- 3 Tax: a gain on the first two is long-term. A gain on the other ten is short-term.
- 4 As of October 2026: long-term gains are taxed at 12.5% above ₹1.25 lakh a year, short-term gains at 20%.

**The holding period runs from each instalment's own date, not from the start of the SIP.**

*Illustration. Exit load assumed; each scheme sets its own. Tax rates as of October 2026. Source: fund-house tax reckoners for 2026-27, on the Income-tax Act, 2025 (secondary).*

# Where SIPs stand

For August 2026, the latest month AMFI has published. These change every month; quote the month.

SIP INFLOW, ₹ CRORE

**32,297**

Collected through SIPs during August 2026.

CONTRIBUTING  
ACCOUNTS

**10.02 cr**

1,001.79 lakh SIP accounts that AMFI counts as contributing.

OUTSTANDING  
ACCOUNTS

**10.75 cr**

1,075.32 lakh SIP accounts outstanding.  
66.4 lakh new SIPs were registered.

SIP ASSETS, ₹ LAKH  
CRORE

**18.62**

₹18,61,652 crore, about 21.4% of the industry's net assets.

Source: AMFI, 'Mutual Fund SIP' data page, August 2026. Industry net assets ₹87,07,888 crore: AMFI Monthly Report, August 2026.

# If you learnt this from older material

## What older decks say

- Long-term gains on equity funds are tax-free.
- A transaction charge is taken from purchases.
- Small purchases get the NAV of the application day.
- The whole instalment buys units.

## What holds now

- 12.5% above ₹1.25 lakh a year, since 23 July 2024.
- The charge was abolished on 8 August 2025.
- NAV of the day funds are available before cut-off, any amount.
- Stamp duty of 0.005% comes off first.

**The mechanics of a SIP have not changed. The tax and the deductions around it have.**

*Sources: SEBI Master Circular for Mutual Funds, 20 Mar 2026; SEBI circular of 8 Aug 2025; fund-house tax reckoners for 2026-27 (secondary).*

# Four things people get wrong



**'A SIP is a kind of scheme.'**

It is a way of buying units of a scheme. The scheme, its NAV and its risks are the same for every buyer.



**'A SIP cannot lose money.'**

It can. On the falling path in this deck, ₹36,000 paid in was worth ₹26,475: a loss of ₹9,525.



**'A SIP always beats a lump sum.'**

It depends on the path of the NAV. On the rising path in this deck the lump sum ended ahead.



**'After a year, the whole SIP is long-term.'**

Each instalment has its own holding period for tax and for exit load. Only the earliest ones have crossed a year.

# Check yourself

**Q1**

A SIP of ₹4,000 buys units on three dates at NAVs of ₹50, ₹40 and ₹32. Ignore stamp duty. How many units, and what is the average cost per unit?

**Q2**

On the next date the NAV of that scheme is ₹36. What is the holding worth, and what does this show about averaging?

**Q3**

A client says: 'My SIP in an equity fund is one year old today, so I can redeem all of it as long-term.' What do you explain?

# Sources and disclaimer

## SOURCES FOR THE FIGURES IN THIS DECK

- SIP contribution ₹32,297 crore, 1,001.79 lakh contributing and 1,075.32 lakh outstanding accounts, 66.4 lakh new SIPs, SIP assets ₹18,61,652 crore: AMFI 'Mutual Fund SIP' page, August 2026.
- Industry net assets ₹87,07,887.74 crore on 31 Aug 2026: AMFI Monthly Report for August 2026.
- Applicable NAV, stamp duty on each instalment, exit load cap and transaction charge: SEBI Master Circular for Mutual Funds, 20 Mar 2026; SEBI circular of 8 Aug 2025.
- Tax on equity-oriented fund units as of October 2026: Income-tax Act, 2025, as summarised in fund-house tax reckoners for 2026-27 (secondary source).
- Rule points as verified in Trustner Academy's fact sheet, 7 Oct 2026.
- The schemes, NAVs, amounts and exit load in the worked examples and quiz are invented for illustration.

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