

Mutual funds' IPO anchor investments tripled to ₹21,583 cr in 2024, rising in 2025

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Mutual funds' participation in the initial public offerings as anchor investors has been rising steadily even as the concern on overvaluation in the secondary market gets louder amid steady inflow in equity funds.

Mutual funds' investment as anchor investors more than tripled in calendar 2024 to ₹21,583 crore across 34 IPOs against ₹6,651 crore in 29 issues in 2023, according to data sourced from Equirus Capital. In 2022, MFs invested ₹9,028 crore in 24 issues.

The uptrend in MF participation continued in the first six months of 2025 though the number of IPOs has fallen given the bearish market sentiments. Yet,

the MF investments touched ₹16,368 crore across 16 IPOs in the first six months of this year, according to Geojit Insights.

In fact, March was the first month in nearly two years without an IPO on the mainboard. The last time such a pause occurred was in May 2023.

With increasing clout in terms of equity AUM, MFs have become important anchor investors in IPOs.

However, MFs bet big on Hexaware Technologies, one of the largest issues this year so far and pumped in ₹7,505 crore, while it was less than ₹2,000 crore in other issues.

GAINING MOMENTUM

In general, MF participation gives retail investors the confidence to participate in an IPO as they believe that fund houses would have taken the decision after thorough research on the company.

Bhavesh Shah, Managing Director and Head Investment Banking, Equirus Securities, said that with increasing clout in terms of equity AUM, MFs have become important anchor investors in IPOs.

From the MF perspective, anchor investments give them a certainty of getting a meaningful size investment that justifies the relatively intense research effort that goes into evaluation and selection process, he said.

In an IPO, anchor investments are subject to a lock-in period of 120 days. This ensures that the shares allotted cannot be sold for a certain duration. From the date of allotment, 50 per cent of anchor investors shares are locked in for 90 days and the remaining for another 30 days.

ON LOCK-IN PERIOD

On the concern on lock-in period, Sriram BKR, Senior Investment Strategist, Geojit Financial Services, said fund managers are fully aware of the lock-in when they make the investment decision based on their own research.

In an equity portfolio construction, he said investments are made across investment horizons and certain portion of it is held for longer period to gain the maximum return.

More than the lock-in, the concern arises only if the investment thesis goes wrong, he added.

