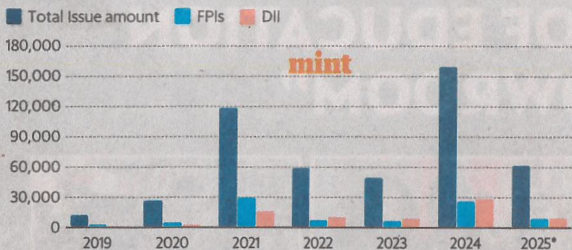


Local surge

Domestic investors, backed by record inflows into mutual funds, are increasingly positive on public listings.

Anchor category-wise allotment amount (in ₹ crore)



*Latest data as on 7 August 2025.

Source: Ministry of commerce and industry

SATISH KUMAR/MINT

IPO power shift: Domestic funds take front seat

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MUMBAI

India's booming market for initial public offerings (IPOs) is undergoing a decisive shift, with domestic institutional investors (DIIs) such as mutual funds, insurance companies, and banks establishing dominance over foreign players in underwriting new share sales.

Data from the past 24 months show DIIs are now responsible for at least 50% of the subscriptions in an IPO's anchor book—allocations made to select large investors at a fixed price before an offering opens, helping gauge demand and stabilize the deal.

That marks a sharp break from the days when foreign portfolio investors were the primary anchors in Indian public listings.

While global uncertainties have spooked foreign portfolio investors (FPIs), India's deepening capital markets have enabled midsize and large IPOs to sail through with strong institutional and retail participation, making new

share offerings less susceptible to wider macroeconomic shifts.

FPIs have turned net sellers in India, offloading shares worth \$31 billion (₹2.7 trillion) from October to July, while DIIs purchased shares worth ₹6.65 trillion.

When it comes to IPOs larger than Rs 1,500 crore, the participation of FPIs and DIIs remains broadly even.

"There is a balanced mix between DIIs and FPIs as we see it in most large IPOs. However, there is one clear trend where domestic investors, backed by the record inflows into mutual funds, are increasingly positive on the domestic stories," said Arvind Vashista, India head of equity capital markets at Citi.

"In many instances, DIIs lead the price-setting in IPOs, and given the depth of the local market, it is giving a lot of comfort to issuers that at the right price and size, IPOs are doable."

A *Mint* analysis of anchor investor allocations since 2019

IPO power shift: Domestic funds take front seat

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reveals how domestic institutions investors gradually overtook foreign portfolio investors in IPO anchor books.

In 2019, while FPIs contributed ₹2,624 crore, DIIs put in ₹1,475 crore. Two years later, FPI allocations surged to ₹29,030 crore, but domestic institutions narrowed the gap significantly with ₹16,433 crore.

The reversal came in 2022, when FPI anchor investments dropped to ₹7,105 crore and DIIs stepped up with ₹10,903 crore. In 2024, the divergence became more pronounced—FPIs subscribed ₹26,122 crore, while DIIs outpaced them with ₹29,254 crore in anchor allotments.

So far this year, through 7 August, the pattern has held. Of the ₹61,499 crore raised

The reversal in IPO allocations mirrors the secondary market, where DIIs are closing in on FPIs' share

through 37 IPOs, FPIs accounted for ₹8,913 crore in anchor investments and DIIs for ₹10,306 crore. Mutual funds alone accounted for ₹7,920 crore.

The broader reversal in IPO allocations mirrors the secondary market, where DIIs—dominated by mutual funds—are closing in on FPIs' share. In the secondary market, investors buy shares from existing holders, and the money goes to the seller, not the company.

This reversal in favour of domestic institutions is likely to persist, with mutual funds—



Global investors have turned more selective. **BLOOMBERG**

which currently account for 10.5-11% of the secondary market versus FPIs' 17%—expected to overtake foreign investors in the coming years, said Pranav Haldea, managing director of Prime Database Group.

"Mutual funds now play a key role in IPO pricing, leveraging their size. Participation

in the anchor book allows them to deploy large, regular inflows into fresh paper at pre-decided prices rather than only chasing limited supply in already listed stocks," he said.

Prakash Bulusu, joint chief executive, private wealth and securities, IIFL Capital Services Ltd, added that the growing dominance of DIIs in IPO anchor books represented a structural shift rather than a cyclical blip.

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