

As DIIs dictate valuations, SIP muscle reshapes IPO market

Experts say DIIs are exerting greater discipline on valuations than during the 2021 IPO cycle

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Domestic institutional investors (DIIs), led by mutual funds (MFs), are emerging as the decisive force in India's initial public offering (IPO) market, reshaping how new listings are priced. Backed by relentless systematic investment plan (SIP) inflows and deeper participation in anchor books, they are exerting far greater discipline on valuations than during the 2021 IPO cycle, experts said.

Mint's analysis of Tracxn and Venture Intelligence data covering 43 companies shows average IPO premiums over the last private round have shrunk sharply. In 2021, select consumer and tech firms listed at roughly twice their prior valuations on average. By 2025, the average premium had moderated to about 20%, with several high-profile names even listing at discounts.

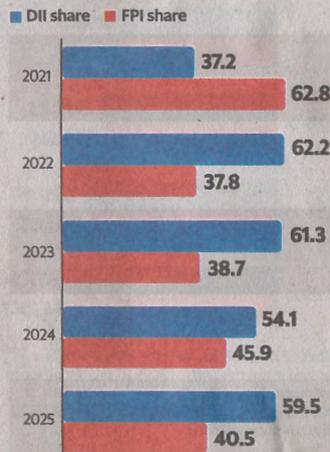
"DIIs now have a significant voice when it comes to valuations as compared to the 2021 IPO cycle," said Sonia Dasgupta, managing director (MD) and chief executive officer (CEO) of investment banking at JM Financial. Steady SIP inflows, she added, have boosted their influence across anchor books and public markets.

What began as consistent domestic fund flows has transformed into a structural shift in India's capital markets. Institutional investors now hold the balance of power in IPO pricing; reshaping exit strategies, valuation expectations and the very criteria for going public.

That growing clout is prompting companies and private equity backers to recalibrate listing plans—prioritizing visible profitability, stronger unit eco-

DII dominance

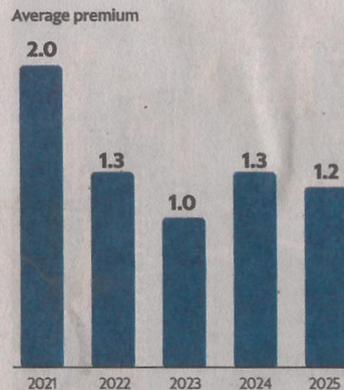
Average investor share (%) in IPO anchor books



Source: PRIME Database, Mint analysis

Falling premiums

Average IPO valuation premium over the last private funding round valuation (in times)



Note: Analysis based on 43 technology and consumer focused start-ups

Source: Tracxn, Venture Intelligence, Mint analysis

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nomics and capital efficiency ahead of market debut, said Prashant Singhal, partner and India Markets leader at EY. "The era of funding cash burns through IPOs is fading," he added.

The foundation of DII leverage lies in liquidity. SIP inflows have grown at roughly 30% annually since 2020, creating a deep domestic liquidity pool waiting to be deployed. That firepower is increasingly visible in IPO anchor allocations.

In 2025, MF alone contributed nearly 42% of average anchor books, edging past foreign portfolio investors (FPI) at 41%. *Mint's* analysis of PRIME Database data showed. DIIs, including MFs, insurance companies and alternate investment funds, commanded nearly 60% of average anchor allocations.

The turnaround is stark. In 2021, FPIs dominated with about 63% of anchor

allocations, while MFs accounted for roughly 30%. Since 2022, DIIs have held the majority even as the average anchor book size has remained stable over the years at about 34% of issue size, the analysis showed.

Foreign capital's relative retreat has accelerated the shift, said Pushkar Jauhari, MD and head of private equity at ValueQuest. He noted that India competes with global markets for FPI flows and they allocate confidently in markets where growth and value-creation is predictable and valuations are attractive.

"This hasn't been the case for us for a while as consumption and credit offtake slowed down," he added. "Currency depreciation has added to the pressure as well."

Since early 2022, the rupee has fallen about 18% against the dollar, eroding

dollar returns for FPIs, forcing them to sell in public markets. Hence, DIIs now dominate public markets as well.

As of February 2026, DIIs held nearly a quarter of Nifty 50 companies compared with FPIs' 24.3%. Across NSE-listed equities, DIIs own nearly 19% while FPI ownership has slipped to a 13-year low of 17%.

Relentless FPI selling has hung over markets for over a year, halting the post-pandemic rally in September 2024 and raising the bar for returns. The valuation discipline in IPOs has sharpened accordingly, experts said.

"The drive for immediate valuation increase has gone away," said Singhal of EY. "Promoters and VCs (venture capital firms) are increasingly willing to compound value alongside public investors rather than maximise IPO-day gains."

A separate *Mint* analysis found that private equity firms and VCs comprised just one-third of offer-for-sale portions in last year's IPOs, down sharply from nearly 64% in the 2021 IPO wave. This suggests private investors are no longer rushing for the exit at IPOs and are increasingly willing to leave more value on the table for public shareholders.

The reset is visible in pricing.

For instance, Urban Company and Pine Labs took a 26% and 34% haircut to their private valuations respectively during their stock market debut. This reflects a current trend where a lot of technology or consumer focused start-ups are listing at valuations lower than their last private rounds.

ValueQuest's Jauhari noted that while investing in IPOs, investors are increasingly focusing on profitability track record rather than revenue growth alone, leading to more "sensible valuations".

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30%

The rate at which SIP inflows grew annually since 2020

42%

MF's share of avg anchor books in '25, edging past FPI