

Small IPOs face listing delays as mutual funds become picky

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Large mutual funds in India are becoming more selective about investing in smaller stock market listings, making companies that seek to raise between ₹400 crore and ₹2,000 crore either wait out a volatile market or turn to private equity and venture capital firms for funds.

"There is clearly more selectivity. In the ₹2,000-3,000 crore range, deals need sharper differentiation on growth, quality and valuation to see strong traction," said Raghav Gupta, joint chief executive officer, IIFL Capital. He added that there is rising participation from family offices, high net-worth individual/ultrahigh net-worth individual (HNIs/UHNI) investors, and alternative investment funds (AIFs) while select global long-only investors continue to back mid-sized, high-quality stories.

The shift is changing the primary market landscape. Domestic institutional investors (DIIs), led by mutual funds, are showing increased preference for bigger, more liquid deals and leaving a growing pile of mid-sized initial public offerings in limbo.

"Larger mutual fund AUMs (assets under management) naturally gravitate towards bigger, more liquid deals, while recent volatility has made investors more valuation conscious. The bar has gone up, not the appetite gone down," Gupta said, adding that some companies are exploring private capital either as a bridge or an alternative to IPOs. "This is opening up attractive opportunities for PE/VC (private



Domestic institutional investors are preferring bigger, more liquid deals.

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equity/venture capital) players to deploy capital in quality businesses."

Backed by relentless Systematic Investment Plan (SIP) inflows and deeper participation in anchor books, DIIs are exerting far greater discipline on valuations than during the 2021 IPO cycle, *Mint* reported in February.

Moreover, private capital is bridging the gap with over 10 IPO mandates having shifted to a dual model, *Mint* reported last month. The IPO firms are preparing for a public listing while also looking at raising funds from private sources, particularly for deals in the ₹500 crore to ₹2,000 crore range.

For context, a little over 40% to have filed draft papers aim to raise ₹2,500 crore or less, according to Prime Database.

Bankers warn the pipeline jam could persist until equity markets stabilize and risk appetite for smaller listings returns, though differentiated businesses and sector toppers could still find takers at this time.

"If the mutual funds are seeing that the secondary market is giving them more attractive opportunities to put their

money at work, they are less inclined to evaluating newer issues unless the business is differentiated or there is a huge value cushion," said Vikas Khattar, managing director and head of Equity Capital Markets and FSG coverage at Ambit.

The trend shows there is a reset in how Indian companies access capital. "At this stage, investors in general are more selective about IPOs, and within those, their preferences are tilted towards larger-sized issues. When the market starts recovering, the risk appetite for IPOs will increase again," Khattar said, adding that there will, however, continue to be exceptions for smaller, good companies looking to go public, even in volatile market conditions.

With a variety of businesses coming to the market, it is advisable to be more selective when investing in IPOs, Rounak Onkar, fund manager and research head, PPFAS Mutual Fund, told *Mint* in an emailed statement. As of 31 March 2026, Parag Parikh Mutual Fund's AUM was above ₹1.47 trillion.

Onkar added that allocations are contingent on the issue's pricing at a reasonable valuation for that business and compared to already listed peers in the market (if any).

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Companies seeking to raise ₹400-2,000 crore will be forced to either wait out a volatile market or turn to PE firms