

Moneycontrol Startup Conclave: MFs and VCs divided over new-age block deals

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Debate on governance post-IPO for startups.

VCs and MFs differ on investor exits' impact.

Founders' stakes and public holdings discussed.



India's new-age stock market is seeing a wave of large block deals as early venture capital and private equity investors sell stakes in companies they backed before their IPOs.

The sell-down has brought mutual funds and VCs to different sides of the debate. While fund managers are increasingly becoming buyers of these shares, VCs argue that selling after holding a company for years is a natural part of the investment cycle.

The issue came up at the Moneycontrol Startup Conclave 2026 in Bangalore, where ICICI Prudential AMC CIO S Naren flagged the changing ownership structure as private investors cash out, while leading VCs argued that such exits are a normal part of investing.

“When private equity players eventually sell their stock, the founders are left with a small stake, unlike the old promoters. You are then left with a large public holding and significant mutual fund ownership,” Naren said.

His comments come against a sharp rise in secondary-market transactions involving listed new-age companies. Block and bulk deals involving these companies crossed Rs 67,000 crore in 2026, with 153 sell-side transactions worth roughly Rs 67,170 crore recorded between January 1 and September 18, according to Prime Database data analysed by Moneycontrol. Nearly Rs 61,640 crore, or about 92 percent of the total, changed hands between May and September.

The selling has accelerated as post-IPO lock-ins expired, giving early investors a liquidity window to monetise holdings built over years in the private market. The shares are increasingly being absorbed by mutual funds and other institutional investors, shifting the ownership of these companies from their early backers to public-market investors.

Naren said that transition can create a different set of challenges once the investors who backed a company through its private-market years begin to exit.

“At that stage, we have seen public companies make mistakes because at that point the independent directors have to behave a lot like promoters in the company,” he said.

VCs see it differently

For VCs, however, large block deals are a consequence of the long holding periods that define venture investing, rather than a sign of a problem with listed startups.

Prashanth Prakash, founding partner at Accel, said investors cannot be expected to remain shareholders indefinitely.

“You cannot expect VCs to remain in a company forever. We remain invested in companies for 12-13 years,” Prakash said.

The ownership structure naturally changes once a company enters the public markets, he said, with early investors making way for a wider pool of shareholders.

“Once it's a public company all stakeholders need to take responsibility for governance,” Prakash said.

Mridul Arora, co-managing partner at Elevation Capital, similarly pointed to the length of time VCs remain invested.

“I want people to look at the average holding we have in a company versus holding periods for mutual funds. The average holding period for us is 10-12 years,” Arora said.

“Governance is non-negotiable, but there is a big difference between people's appreciation of what VCs do and how long they hold,” he added.

Rahul Taneja, partner at Lightspeed India, said his firm's average holding period is also close to a decade.

“Our average holding period in companies is upwards of nine years. And if there are no proper governance structures, you would not hold for that long. We have a fiduciary duty to our LPs,” Taneja said.

The debate comes as India's new-age companies enter a phase where the IPO is increasingly becoming a liquidity event for early investors rather than the end of their investment journey.

In several of these transactions, mutual funds and other institutional investors have emerged as buyers of large blocks sold by early backers. For VCs and PE funds, the transactions offer a route to return capital to their limited partners after years of holding private-company stakes. For public-market investors, they offer access to companies that were previously available primarily through private markets.

The result is a rapid shift in the shareholder base of India's new-age listed companies, with founders and early investors gradually making way for a broader pool of institutional and public shareholders.