Domestic funds seek lower IPO valuations as pricing power shifts, says report

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Indian domestic funds are gaining influence over IPO pricing as market weakness and foreign selling push investors to demand lower valuations, Bloomberg reported.

India's domestic funds are pushing harder on IPO pricing and using their growing influence to bring down valuations even for the biggest offerings, as weakness in the broader stock market changes the terms of dealmaking, according to a report by Bloomberg.

Bloomberg reported that persistent foreign selling is allowing local money managers to demand cheaper entry points, with companies facing the risk of delaying or scrapping share sales if they do not adjust pricing. The change is visible in valuations.

Citing data from fintech platform Chittorgarh, Bloomberg said the median price-to-book ratio for IPOs that raised at least Rs 1,000 crore, or $104 million, fell to 7.4 times in 2026 from 10.2 times last year. The data also showed that only two loss-making companies were part of this cohort, compared with at least five each in 2025 and 2024.

Bloomberg said Indian stocks have been under pressure from the Iran war, global trade tensions and concerns around the growing artificial intelligence industry. In that environment, domestic institutions accounted for 33 per cent of the proceeds raised through first-time share sales this year, according to Prime Database data cited by Bloomberg. That compares with 24 per cent in 2021.

The effect has spread to marquee listings. The initial public offering of the National Stock Exchange of India Ltd (NSE), the country's second-largest ever, was downsized by about 15 per cent. Rapid-commerce firm Zepto paused its offering in August this year, while the hospitality unit of Prestige Estates Projects also put its plans on hold last week after withdrawing its papers.

While fund managers still see IPO pricing as often frothy, the current market is making investors more selective and forcing companies to recalibrate valuations for new listings. Market participants believe investors have become more selective about what they buy and are looking for businesses with stronger margins and greater earnings visibility.

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