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India's domestic funds push IPO valuations lower amid market strain

The median price-to-book ratio for IPOs raising at least ₹1,000 crore fell to 7.4 times in 2026 from 10.2 times last year as local funds push for lower valuations

Bloomberg



While fund managers still think pricing is often frothy, the new market reality is making investors much more selective | Image: Bloomberg

By Alex Gabriel Simon

India’s domestic funds are driving a harder bargain on IPO pricing, using their growing clout to rein in valuations even for the biggest deals as the broader stock market struggles.

Domestic funds are reining in valuations for even the biggest initial public offerings in India as they increasingly exert their pricing power to push for discounts that reflect the broader equity market’s struggles.

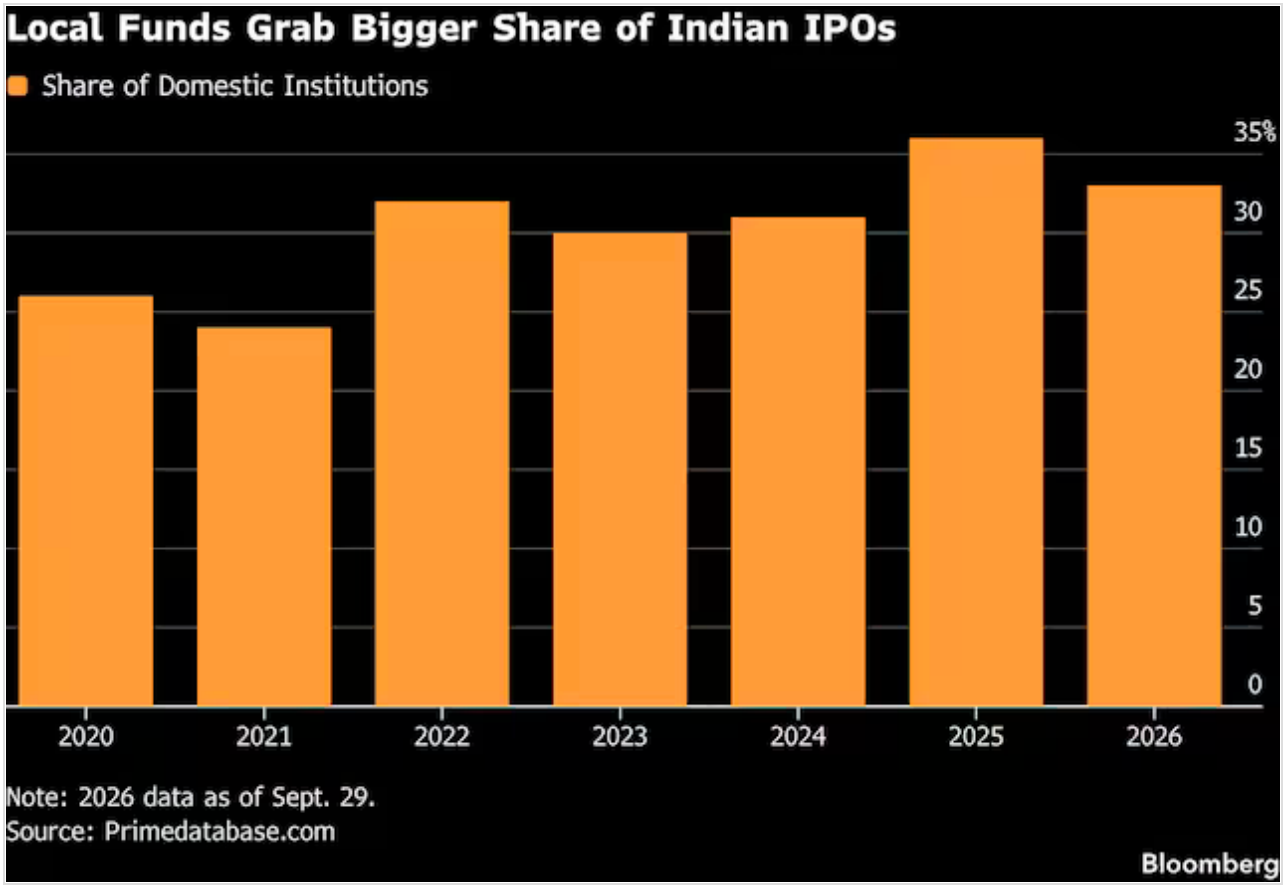
The median price-to-book ratio for IPOs that raised at least ₹1,000 crore ($104 million) has

dropped to 7.4 times in 2026, compared to 10.2 times last year, according to data from fintech platform Chittorgarh, a meaningful change even accounting for the distortion of book values for financial companies. Only two loss-making companies were part of the cohort, compared with at least five each in 2025 and 2024, the data show.

Indian stocks have been under pressure from the Iran war, global trade tensions and the anxiety around the growing artificial intelligence industry. With persistent foreign selling, local money managers are seizing control of deal terms, forcing companies to offer cheaper entry points or risk scrapping sales entirely.

"A year back, companies were not budging on pricing," Ritesh Taksali, chief investment officer at Edelweiss Life Insurance said. "Now you can get some companies at a good discount. There was a lot of FOMO before, people are now more cognizant of what they're buying and how much margin of safety is available."

The share of domestic institutions in proceeds raised by companies through first-time share sales stood at 33 per cent this year, according to market data provider primedatabase.com. That compares with just 24 per cent in 2021.



The impact has spread to marquee listings like the IPO of National Stock Exchange of India, the country's second-largest ever, downsized by about 15 per cent. Rapid-commerce firm

Zepto Pvt. hit pause on its offering in August, as did the hospitality unit of Prestige Estates Projects Ltd. last week.

While fund managers still think pricing is often frothy, the new market reality is making investors much more selective.

In recent years, there has been a “persistently reasonable amount of time spent on analyzing and tracking new firms,” Gaurav Misra, Mirae Asset Mutual Fund’s head of equities said. “I would like, as a buyer, for more value to be left on the table. But IPOs I have participated in have not been over priced to us.”

“The clearest sign is at the top end,” said Rajesh Singla, CEO and Fund Manager at Alpha AMC. “NSE trimmed the size of its offer ahead of opening, which read as sellers listening to what investors were willing to pay.”

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