

Capex to get more IPO cash, but companies keep powder dry

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MUMBAI: Behind the blockbuster exits by early investors and promoters this year, a quiet trend is emerging in initial public offerings: Nearly 20% of the money raised from fresh issuances in 2025 was earmarked for new projects, plant, and machinery, up significantly from just 8% last year, a *Mint* analysis shows.

The increase in expansion-related funding remains at odds with India Inc.'s broader hesitation towards major capacity additions. This also comes at a time when senior government functionaries have repeatedly urged the private sector to step up capital expenditure.

In recent years, investors have increasingly gravitated towards companies which prioritize capex visibility, balance-sheet strength and operational cash flows, said Feroze Azeez, joint CEO of Anand Rathii Wealth. "This shift has forced many companies, especially mid-caps and new-age firms to present cleaner, more conservative utilisation plans at the time of listing," Azeez said.

While rising capex allocations point to more efficient use of public money, they still pale against the sums pocketed by exiting investors. Of the ₹1.6 lakh crore raised by 96 companies so far, ₹98,356 crore or roughly 61% went to promoters and existing shareholders, the analysis



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showed. This is still below the peak of 71% in 2022, before a funding winter began, but the offer for sale (OFS) share has been steadily climbing for three years now.

According to Azeez, this is more reflective of a strong private-market exit cycle than of promoter ill-intent or business-model fatigue. Given the strong pipeline of late-stage start-ups and tech firms, where angels, early investors and growth private equity funds typically exit through IPOs, Azeez expects OFS to dominate in 2026 as well.

With OFS accounting for about 60% of IPO amounts, that leaves roughly 40% of IPO haul as fresh capital for companies themselves in 2025, money they are now directing towards

restarting expansion, supporting working capital and paring down debt.

More than 55-60% of this year's IPO proceeds have been allocated to balance sheet strengthening activities, "a marked shift from the broader patterns seen in earlier cycles," said Aziz.

Capital upgrades

The data sourced from Prime Database till December 3 indicates that debutants which went public in 2025 have set aside 47% of their IPO fresh issue proceeds for capex, spanning across new projects, capital upgrades, and acquisitions. That's a sharp climb from last year's 28%, but still short of the 50%-plus levels seen in 2022 and 2023.

Even as capex allocations

have nearly tripled this year from about ₹10,000 crore in 2022, about half is set aside to upgrade existing assets. These operational requirements have grown 47% in 2025 and 41% in 2024, after tripling in 2023, consistently outweighing greenfield and acquisition spends.

This suggests IPO money still goes primarily into existing asset enhancements, with new projects gathering pace just recently. Allocations for new expansions have nearly doubled to ₹12,078 crore in 2025, lifting their share of capex to 41% from 29% last year and signalling a more concrete revival in new capacity addition.

Capex has clearly picked up this year across manufacturing, renewables, electric vehicles, defence and logistics companies, Azeez said. But the momentum is still concentrated and does not signal a broad-based capex boom yet, he added. He expects capital goods, infrastructure, data centres and energy-transition themes like green hydrogen and storage to drive the next capex wave.

The inorganic leg, however, has moved in the opposite direction. Outlays for acquisitions now account for just 8% of overall capex funds, down from 41% in 2022 — the highest share among all three capex categories in this four-year stretch. The shift suggests India Inc. has turned increasingly inward, leaning more on organic growth

than acquisition-led expansion.

Promoters are cautious about mergers and acquisitions, deterred by rich public-market valuations and the availability of cheaper organic growth routes, said Nipun Lodha, head of investment banking at PL Capital.

Record cashflows are pushing mid and large corporates toward organic growth instead of buying capacity, said Anand Rathii Wealth's Azeez. Tougher M&A approvals in fintech, telecom, digital services and healthcare are also slowing deal appetite. With balance sheets cleaned up and weaker players consolidated between 2020-23, the easy M&A opportunities are gone, he added.

Other avenues

The balance funds were parked for debt retirement, brand building and advertising, general corporate expenditures and research and development (R&D).

Companies have consistently allocated 20-25% of IPO proceeds to reduce debt over the last four years; in 2025, it was almost ₹16,000 crore, nearly four times outlay in 2022. In the near term, IPO-driven deleveraging may be driven by refinancing and risk-management motives, said Azeez. But the sustained push suggests that firms are increasingly turning to internal accruals to finance their expansion plans, rather than relying on external debt, he added.