

Budget incentives likely to reshape India's IPO moves

IPO-bound firms may redirect proceeds from debt repayment to greenfield capex in FY27

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The Union Budget 2026, with its record ₹12.2 trillion capex outlay and incentives such as tax credits and production-linked incentives (PLI) for sectors including railways, green energy, semiconductors, biopharma, and textiles, is likely to reshape initial public offering (IPO) strategies of several private firms.

Companies looking to go public in FY27 are likely to pivot from debt repayment and high offer-for-sale (OFS) components towards increased greenfield capex in their fundraises, boosting fresh equity for factories, machinery and capacity expansion, multiple dealmakers told Mint.

"We anticipate 10-20% rise in capex allocation in DRHPs (draft red herring prospectus) for these sectors within Q1 FY27, as firms leverage tax credits and PLI extensions to justify higher valuations," said Vipin Singhal, director at Anand Rathi Investment Banking. "This realignment will counter prior debt-heavy patterns."

It's just a week since finance minister Nirmala Sitharaman unveiled the budget. Already, IPO bankers are hunting mandates to ride the government's capex wave, bankers said. Though it is too early to identify specific companies and themes, investment banks may push companies to tweak "use of proceeds" even pre-filing. This can help companies better capture budgetary incentives and play the market sentiment, Singhal said.

Government spending is not directly linked to capex needs of IPO-bound companies, but it cascades through supply chains, boosting contractors,



Union Budget 2026's ₹12.2 trillion capex push—along with tax credits and PLI incentives—is set to reshape IPO strategies across capital-intensive sectors over the next two years.

PTI

manufacturers, and suppliers. At 4.4% of GDP, this capex doubles down on 'Viksit Bharat', with new tax breaks for factories and wider PLI for chemicals and electronics parts.

There is some scope for companies

rather than simply look at the balance sheet, the banker said. "The market is no longer rewarding deleveraging stories with the same valuation multiples it did in 2024," this person said.

"The Budget has created clear fiscal

capture the new incentives."

For the past two fiscals, the IPO market has seen exit-heavy deals, where offer-for-sale components dominated and fresh issue proceeds were largely earmarked for deleveraging.

Since 2021, the share of capex and related costs like project expansion and real estate spending to the total IPO size has hovered around 20-25% each year, according to data from market intelligence firm Prime Database.

In 2025, nearly 20 startups, such as Groww, Urban Company, PhysicsWallah and Lenskart, saw major stake sales in their IPOs, with marquee investors like Peak XV, Accel, Tiger Global and SoftBank seeking complete or partial exit opportunities.

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CAPEX OVER EXITS

CAPEX allocation in IPO prospectuses could rise 10-20% by Q1 FY27 as firms leverage incentives

BANKS chasing IPO mandates are urging firms to tweak use of the proceeds before filing IPO papers

GOVT capex at 4.4% of GDP may boost supply chains rather than directly funding IPO-bound firms

INVESTOR scrutiny of IPO 'objects of the offer' will intensify, with a sharper focus on capex multipliers

to change the way they view IPO fundraises, an investment banker at a boutique firm said, seeking anonymity.

The 'objects of the offer' section of the prospectus will likely be scrutinized more heavily by institutional investors who will now seek "multiplier effects"

incentives for companies to build things like new factories rather than just optimizing existing ones. You will now see more firms switch their fresh issue utility from 'general corporate purposes' to specific machinery procurement and factory automation to