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Balance Sheet Needs

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A deleveraged capital structure emerges as the top goal of an initial share sale.

Indeed, debt repayment trumps even capital expenditure and expansion, which accounts for Rs 34,458 crore, or 23.3%, of the funds garnered at nearly 200 issuers, the data showed.

"On the face of it, it begins to look like promoters and lenders are using a hot IPO market to offload risk at full price to the public," said Pradyumna Nag, founder, Prequate Advisory, an investment banking advisory firm. "From a purely technical point of view, it shows that these offers are being engineered around an issuer's balance sheet needs and building liquidity for insiders – both of which are not focused on building investor wealth or much needed oxygen for productive new projects."

The data showed that working capital requirements form the next large bucket - at Rs 26,928 crore across 71 issuers, while general corporate purposes, often seen as the least transparent category, accounted for Rs 16,355 crore across 145 companies.

The tilt toward deleveraging is evident in issuance trends.

In 2024, 39 of the 93 IPOs included debt reduction as an objective. That number climbed to 51 out of 103 IPOs in 2025. In 2026 so far, 5 of the 12 IPO launches have already earmarked funds for paring debt.

IPO advisory firms said that this trend is not a positive sign from a capital markets standpoint as this also means the multiplier effect of an IPO's proceeds is taking place outside the company's balance sheet rather than within it.

"Until disclosure and investor scrutiny shifts from 'who is the IPO of' or 'how big is the IPO' to fundamentals such as 'what share goes into projects earning more

than the cost of equity', India's IPO boom will keep amplifying the mismatch between subsequent earnings releases and the price at IPO a few years back," said Nag.

RECENT TREND

To be sure, the data showed that this tilt toward deleveraging is a relatively recent phenomenon.

In 2020 and 2021, capital expenditure comfortably outpaced debt repayment as the primary use of IPO proceeds. The crossover came in 2024, when allocations toward debt repayment at Rs 12,014 crore exceeded capex spending of Rs 9,807 crore for the first time.

In 2025, capex regained ground at Rs 21,839 crore compared with Rs 16,733 crore for debt reduction, but the aggregate trend for 2024-2026 still leaves debt marginally ahead.

Not all market participants see this shift as a cause of concern, however.

Many view it as a prudent financial strategy in a buoyant equity market.

"This reflects a conscious move toward optimal capital restructuring, enabling firms to swap debt for equity in a bullish market and de-risk their financial profiles," said Samir Bahl, CEO, Anand Rathi Advisors.

"Companies are able to increase their PAT margins by lowering interest costs, resulting in savings flowing directly to the bottom line," Bahl said. "Also, deleveraging strengthens coverage ratios and boosts credit ratings. Ultimately, this positions firms for resilient, efficient, and sustainable growth with a stronger financial runway and greater autonomy."

The shift toward debt reduction is also driven by its immediate impact on financial metrics. Lower leverage reduces interest burden, improves profitability and strengthens cash flows, while also enhancing valuations.

DELEVERAGING VIA LISTINGS

Street Newbies Using IPO Muscle to Beat Down Debt

Over past three years, nearly ₹1.5 lakh cr of market debut proceeds allocated for repayment

Himadri Buch

Mumbai: India's IPO boom is increasingly being used by companies for repairing leveraged balance sheets instead of funding growth, with debt repayment emerging as the single largest end-use of the proceeds from recent share sales.

Data compiled from Prime Database showed that of the approximately ₹1.47 lakh crore earmarked

Raise in Last 3 Years (₹ crore)	Fund Requirement	Share (%)
35,055	Retirement of Debt	23.7
34,458	Expansion/New Project/Plant, Machinery	23.3
26,928	Capital Enhancement/Working Capital	18.2
19,399	Investment in Arm/JV/Associate Co	13.1
16,356	General Corporate Purpose	11.1

Source: primedatabase.com



Illustration: ZAHID

across all stated fund utilisation categories by IPO-bound companies in 2024, 2025 and 2026 so far, around ₹35,055 crore has been allocated toward repayment of borrowings.

Debt repayments by 95 companies constitute nearly a quarter of funds raised in the latest share sales.

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