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Preferential equity listings hit a 25-year high in FY26 as companies tapped faster, targeted fundraising routes amid market volatility and capital needs

At 1,307, preferential equity listing hits record high in FY26, shows data

This is the highest in the data which goes back to 2000-01. This is 33 per cent more than the 986 listings seen in FY25. The data considers the listing of every allotment as a separate event, and listing date is considered for the issue rather than the date on which shares were allotted. The total value of these preferential equity issuances was ₹1.49 trillion, the third-highest on record. The previous highs were recorded in FY19 (₹1.96 trillion) and FY20 (₹1.63 trillion).

A preferential equity issuance is when a company issues equity to a select group of entities. They may include promoter or non-promoter group investors. Nearly 60 per cent of the total FY26 issuances were to non-promoter entities.

Some of the larger non-promoter issuances came from companies including private sector lender IDFC First Bank (around ₹7,500 crore) and pharmaceutical firm Biocon (₹6,950 crore). The largest issuance was by telecom player Vodafone Idea (₹36,950 crore), which opted to convert its spectrum auction outstanding amounts into equity. At least 244 listings involved companies in the small and medium enterprise (SME) segment, suggesting that the use of preferential issues extends beyond the larger companies.

Mehul Savla, partner at boutique investment bank RippleWave Equity Advisors, said that preferential equity issuances are usually popular during a strategic investment, or raising funds for a company which may not be doing well financially and has limited other avenues to raise capital. Some companies may also see action because of sector-specific dynamics, including those in financial services.

“At least for NBFCs (non-banking financial companies) and banks, equity is fundamental to their growth, especially in a scenario where deposit growth is slow... that trend is likely to continue,” he said.

Some preference equity issuances may come in for shares, while others would have some portion through warrants, Savla added. Warrants require a part-payment for the stake to be acquired, followed by the rest of the money when the warrants are converted into shares. Promoters often find it easier to manage liquidity through warrants. Private equity and other financial investors may prefer warrants because it improves the rate of return since the capital is committed for a smaller time frame.

The pace of execution and ability to target specific investors makes it an instrument of choice, especially during periods of volatility, suggested Pranav Haldea, managing director at Prime Database.

“Given the volatility we saw both at the beginning and end of the last financial year, it is not surprising that preferential equity issues gained popularity,” he said.

Source: Business Standard