IPO proceeds increasingly flow into digital infrastructure

Investors are shifting focus from physical expansion to scalability and capital efficiency

Agnidev Bhattacharya
agnidev.bhattacharya@livemint.com
MUMBAI

Regulation is also shaping how capital is labelled and deployed. ISTOCKPHOTO

More than half of initial public offering (IPO)-linked capital expenditure (capex) in India in the first quarter of 2026 went into technology, cloud and network infrastructure, reflecting a broader shift in how newly listed companies are deploying capital.

The trend was visible in the composition of IPO spending patterns. Data from Uniqus Consultech shows capex accounted for about 30% of the ₹18,778 crore raised across 18 mainboard IPOs in the quarter. Within that, over 50% went into tech and related infrastructure, overtaking traditional outlays such as factories, warehouses and other physical assets.

Technology-linked capex in IPOs had historically remained limited, according to Raghuram K., partner for accounting and reporting consulting at Uniqus. Tech-related spending through IPO capex was minimal in the March quarter of 2025 and stood at around ₹170 crore in the same period of 2024, he said.

The change is not being driven only by a handful of technology listings, though they are part of the mix. Recent Q1 IPOs such as Amagi Media Labs, Shadowfax and Fractal Analytics have naturally tilted capital allocation towards digital infrastructure. But experts say the pattern is spreading beyond pure-play tech issuers.

From late 2025, a growing number of IPO-bound companies, including Urban Company, Pine Labs, PhysicsWallah, Capillary Technologies and Meesho, have begun explicitly earmarking funds for technology platforms, cloud capabilities and data infrastructure as core use of proceeds, Uniqus's Raghuram told *Mint*.

"What was once occasional is quietly becoming standard practice, driven both by the profile of companies now entering public markets and the growing strategic importance of digital infrastructure across industries," he said.

The second driver is how investors now evaluate capital itself. IPO bankers say the market has shifted away from treating physical expansion as the primary signal of growth.

"The market is no longer rewarding capacity creation alone," said Aakash Agrawal, associate director at Anand Rathi Investment Banking. "It is rewarding scalability, operating leverage, predictability and capital efficiency. Technology investments are now directly linked to all four."

The implication is widening beyond tech-heavy sectors. Financial services, retail, manufacturing, healthcare and logistics are increasingly embedding software systems, data architecture, cloud infrastructure and automation into their growth strategies, he added.

Regulation is also shaping how this capital is labelled and deployed. Securities and Exchange Board of India rules restrict the use of IPO proceeds for unidentified acquisitions and general corporate purposes to 35% of the issue size, pushing issuers to define specific operational uses, which often include technology investments.

At the same time, the IPO pipeline itself is shrinking in size. According to Prime Database, the average mainboard IPO in Q12026 raised about ₹1,043 crore, down from about ₹1,750 crore a year ago, a sign of continued market volatility and selective issuance. Against that backdrop, investors are tightening scrutiny over what IPO capital is actually expected to deliver.

Agarwal said that till at least 2024, capex was largely visible in the form of factories, warehouses or physical expansion. Today, a significant part of competitive advantage sits inside invisible infrastructure like cloud systems, automation layers, proprietary data systems, customer acquisition engines and AI-led workflows. "In many cases, these investments improve margins and scalability, thereby complementing traditional brick-and-mortar expansion."

Experts agree that institutional investors are increasingly scrutinizing whether a company's capex strategy improves long-term efficiency and return on capital, rather than simply expanding physical footprint. Purely asset-heavy expansion stories without clear technology-enabled productivity layers are becoming harder to justify at premium valuations, they said.

"Investors today have a mature understanding of digital businesses, and valuation premiums are being driven not by technology spend in isolation, but by clear evidence that these investments improve unit economics," Agrawal said, adding that digital infra has transitioned from a sectoral trait to a baseline expectation for market entrants.

WINDS OF CHANGE

CAPEX accounted for 30% of ₹18,778 crore raised across 18 mainboard IPOs in the March quarter

WITHIN that, over 50% went into tech and related infra, overtaking traditional outlays

THE change is not being driven only by a handful of tech listings, though they are part of the mix

IPO bankers say the market has shifted away from physical expansion as the primary growth signal