Where is the IPO money going? Debt repayment beats expansion in 2026- Moneycontrol.com

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IPO-bound companies in 2026 are allocating more fresh issue proceeds to debt retirement rather than capacity expansion, brand building, or capital buffers.

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Debt repayment remains the biggest fund requirement for Indian companies in 2026.

AI Powered Summary

2026 IPO firms focus more on retiring debt than expansion.

Debt retirement rose to 39% of fresh issue proceeds.

Brand building and R&D spending saw a notable decline.

IPO-bound companies in 2026 plan to use the proceeds of their fresh issue component more on retiring debt, and less on capacity expansion, enhancing capital buffers, or building their brand, as compared to the previous year.

Companies coming to the public markets have focused on debt repayment and business expansion in 2026. Of the Rs 46,712 crore raised through the fresh issue route, firms allocated 39% at Rs 18,068 crore for debt retirement in the first nine months of 2026, up from Rs 12,662 crore during the same time as last year, which is 32% of the total fresh issue raised for the first nine month of 2019.

"There is a perception that IPOs with an offer for sale (OFS) are bad because the money goes to existing shareholders, while IPOs involving fresh capital are good," said Pranav Haldea, managing director of Prime Database Group.

However, even in fresh-capital IPOs, a significant portion of the proceeds goes towards debt repayment. "While this may improve the company's balance sheet, the money is not necessarily being invested in fresh capacity, expansion, or acquisitions that could create value in the future," he added.

Capacity expansion saw an increase in fundraising, as expansion, new projects, plant and machinery accounted for Rs 10,418 crore in fund requirements during the period, as against Rs 8,857 crore raised last year.

However, funds raised for capital enhancement and working capital requirements stood at Rs 4,521 crore till September 2026, which was 9% of the total fresh issue raised, down from Rs 7,534 crore in 2025, which marked 19% of the fresh issue component.

General corporate purposes (GCP) accounted for Rs 5,553 crore, compared with Rs 4,368 crore in the previous calendar year. The higher figure also comes despite increased scrutiny from the regulator regarding funds raised for GCP.

Funds required for acquisitions and strategic investments rose to Rs 3,436 crore in the first nine months of 2026, making up nearly 8% of the fresh issue portion compared with Rs 534 crore in 2025, which was around 1%.

Investment in subsidiaries, joint ventures and associate companies stood at Rs 665 crore, slightly higher than Rs 591 crore in the previous year.

Issue expenses accounted for Rs 3,687 crore till September 2026, against Rs 3,355 crore in 2025. Meanwhile, spending towards brand building and advertising declined to Rs 341 crore from Rs 471 crore. Research and development requirements stood at Rs 196 crore, compared with Rs 750 crore in 2025.