

# Banker fees for equity offerings halve in 2022

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**FEES COLLECTED BY** investment bankers in 2022 from activities related to the equity capital market has more than halved from the previous year amid a decline in public share sales. Fees for ECM underwriting stood at \$203.1 million, down 54% from a year ago, data from Refinitiv, a financial markets data tracker, showed.

Forty companies raised ₹59,412 crore through main board IPOs in CY22, 50% lower than the ₹1,18,723 crore mobilised by 63 IPOs in 2021. Overall public equity fundraising slid 55% to ₹90,995 crore in CY22 from the year ago.

"Fees are directly correlated to deal activity and volumes. ECM activity slid 65% globally and about 50% in India, and the fall in fees is a result of this dip," said V Jayasankar, whole time director, Kotak Investment Banking, which lead the ranking for India's ECM underwriting in 2022 with \$2.98 billion in related proceeds and a 15.4% market share.

Of the mainboard issuances, ₹20,557 crore or 35% of the amount raised, was by state insurer LIC. Despite being the largest IPO ever, it earned the bankers miniscule fees. This is because the investment bankers involved in the deal had quoted a flat fee of ₹1 crore, the minimum set by the

## GOING DOWNHILL

ECM fees (\$ million)



Source: Refinitiv

government, to bag the state insurer LIC's IPO mandate.

LIC was followed by Delhivery (₹5,235 crore) and Adani Wilmar (₹3,600 crore). The average deal size was a high ₹1,485 crore. As many as 17 out of the 40 IPOs came in the last two months of the year alone, which shows the volatile conditions prevalent through most of the year which are not conducive for IPO activity.

"Unlike in 2021, only one IPO (Delhivery) was from a new-age technology company (NATC). This may have had a bearing on the overall fee pool considering several of these companies had paid higher fees to bankers," said Pranav Haldea, MD, PRIME Database.

In 2021, seven NATC IPOs raised ₹42,826 crore. IPOs of Paytm, Zomato, Nykaa, PB Fintech and CarTrade garnered ₹940 crore for investment banks. Zomato's ₹9,375-crore IPO

fetched record fees of ₹229 crore for i-bankers, a sizeable amount for a large-sized offering. Fees charged by bankers for IPOs typically range from 2-3% of an issue's size, dropping to 0.5-1.5% for follow-on offerings.

Issuers typically have two or three structures for distributing fees. A fixed fee is distributed among all bankers handling the IPO mandate. Variable fees depend on parameters such as the procurement done by the banks on the institutional and retail/HNI side. Some issuers also keep a discretionary fee, which they pay if they are satisfied by the work put in by bankers. Issuances from the financials sector accounted for majority of the ECM activity with a 28.1% market share worth \$5.5 billion in proceeds, a 50.4% decline from a year ago, according to Refinitiv.

Healthcare captured a 16.2% market share as proceeds grew 11.1% from a year ago to \$3.1 billion, while industrials saw a 31.1% increase in proceeds and captured a 12.5% market share. Follow-on offerings, which accounted for 60.8% of India's overall ECM proceeds, raised \$11.8 billion, down 33.8% from a year ago.

DCM underwriting fees totaled \$172 million, a 1% increase from the year-ago period. Syndicated lending fees declined 14% from the comparable period last year and generated \$187.6 million in 2022.