

Adani FPO may fetch bankers ₹100-150 cr

Likely to top ₹93 crore from Yes Bank's ₹15k-cr FPO in 2020

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INVESTMENT BANKERS ARE set to pocket ₹100-150 crore in fees from the follow-on public offering (FPO) of Adani Enterprises. Adani's ₹20,000-crore FPO will be the country's largest and may happen in two or three tranches. The initial tranche will be of ₹10,000 crore.

The fee translates to 0.5-0.75% of the issue size, in line with payouts made for large offerings, and would include a variable component that may differ from banker to banker. This works out to a sizeable amount in absolute terms and is 9.4% of the fees pocketed by bankers from equity capital market activity in CY22. Banks earned ₹1,600 crore last year from total ECM issuances of ₹1.55 trillion, resulting in a 1% payout in percentage terms.

Fees may surpass ₹93 crore paid by Yes Bank's ₹15,000-crore FPO in 2020, the largest FPO till date, according to data from Prime Database. In percentage terms, this worked out to 0.6% of the issue size.

"It's a pretty large issue and total fees of ₹100-150 crore is in line with market rates. For the bankers, this is a good opportunity to rank higher in the league tables as well," said a banker.

Food delivery firm Zomato's ₹9,375-crore IPO fetched record fees of ₹229 crore for i-bankers, a significant amount for a large-sized offering, in 2021. The IPOs of Paytm, Zomato, Nykaa, PB Fintech and CarTrade - with a combined issue size of ₹41,736 crore - generated total fees of ₹940 crore for

TOP 10 FPOs AND FEES PAID

Company	Opening date	Offer price (₹)	Issue amount (₹ crore)	Fee paid to investment bankers (₹ cr)
Yes Bank	July 15, '20	12	15,000	92.9
ONGC	Mar 5, '04	750	10,542	NA
ICICI Bank	June 19, '07	940	10,044	55
NMDC	Mar 10, '10	300	9,930	0.1
NTPC	Feb 3, '10	202	8,480	5.9
Power Grid Corp	Nov 9, '10	90	7,442	10.6
Power Grid Corp	Dec 3, '13	90	6,959	17.8
ICICI Bank	Dec 1, '05	525	5,750	32
PFC	May 10, '11	203	4,578	NA
Ruchi Soya Inds	Mar 24, '22	650	4,300	80.9

Source : primedatabase.com

investment banks. This works out to be 2.25% on an average.

It is to be noted that these numbers are not strictly comparable. Fees charged by bankers for IPOs typically range from 2-3% of the issue size. This drops to 0.5-1.5% for FPOs. Fees for IPOs are higher because of the time and effort put in for market and price discovery.

Issuers typically have two or three structures for distributing fees. A fixed fee is distributed among all bankers handling the FPO mandate. Variable fees depend on parameters such as the procurement done by the banks on the institutional and retail/HNI side and the kind of work put in.

Actual fees paid to bankers of the Adani FPO will be disclosed after the issue closes on January 31.

ICICI Securities, Jefferies and SBI Capital were initially appointed for the FPO. Axis Capital, Elara Capital, BoB Capital Markets, IDBI Capital, JM Financial, Monarch Network Capital and IIFL Securities were appointed later.

The FPO has been marketed in the US, the UK, the West Asia and Singapore, and foreign institutional investors have evinced significant interest in it, according to two people in the know.

"The stock has done exceptionally well. Investors that have missed the bus may be keen to invest, given that the offer price is ₹400-500 below the recent price. Investors can expect 3-5% returns in a month's time. The key risk is an adverse market movement post the Budget since the stock is part of key benchmark indices," said an analyst.

The stock was quoting at ₹3,700 levels in September.

The floor price for the FPO has been fixed at a minimum of ₹3,112 per share and the cap price is ₹3,276 for all categories of investors. The company has announced a discount of ₹64 per FPO equity share for retail investors.

On Monday, shares of Adani Enterprises ended down 0.5% to ₹3,439.5 apiece.