

Sharp dip likely in i-banker bonuses as deal activity shrinks

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INVESTMENT BANKERS FROM top domestic firms could take home 30-40% of annual salary as bonuses, on average — much lower than last year when payouts were as high as 100-200%.

FY23 was a difficult year with little deal activity, particularly in the second and fourth quarters, as a series of unprecedented interest rate hikes by central banks worldwide, geopolitical tensions and market volatility dampened sentiment, said bankers.

Indian corporates raised ₹52,116 crore through main board IPOs in FY23. This is less than half of the ₹1.11 trillion mobilised by 53 IPOs in the previous year, which was an all-time high, according to Prime Database. The amount raised

TOP ECM INVESTMENT BANKS FOR FY23



through qualified institutional placements stood at ₹9,335 crore, 67% lower than FY22 and 89% lower than the year before. Total equity issuances stood at ₹76,076 crore, 56% lower than FY22 and 60% lower than FY21.

“The bonuses this year will be a

lot lower than the previous year. The last quarter was bleak and the visibility for this year in terms of deal activity remains uncertain, which will impact payouts for bankers,” said Gopal Agrawal, MD & head of investment banking, Edelweiss Financial Services.

Block deals and secondary exits will, however, continue to see interest going forward, Agrawal said.

Another senior banker, on condition of anonymity, said, “Bonuses will vary from firm to firm. For top domestic banks, 30-40% should be expected. Top performers will get

higher payouts but overall it was a difficult year and the sentiment remains bearish,”

Fees for equity capital market (ECM) underwriting for FY23 stood at \$211.4 million, down 48% from a year ago, data from financial markets data tracker Refinitiv showed. ECM activity includes initial public offerings (IPOs), qualified institutional placements, offer for sale and follow-on offers.

Fees specific to IPOs slid to \$92 million in FY23, a third of what bankers got in FY22. Fees are directly correlated to deal activity and volumes. Fees charged by bankers for IPOs typically range from 2-3% of an issue size. This drops to 0.5-1.5% for follow-on offerings.

“The bonuses are directly correlated to the fees collected,” said Pranav Haldea, managing director, Prime Database. “The overall fee

pool, in turn, is directly related to the amount of deal activity and the volume of funds being raised. The IPO activity as a percentage of the overall fundraising, public sector versus private sector issuances and the number of offerings from new-age technology companies will all have a bearing on the fee pool.”

About 39% or ₹20,557 crore of the amount garnered through IPOs was by LIC, without which the IPO fundraising would have been just ₹31,559 crore. Despite being the largest IPO ever, LIC's public offering 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 government, to bag the state insurer LIC's IPO mandate.

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Other large issues that hit the market in FY23 include Delhivery (₹5,235 crore) and Global Health (₹2,206 crore). The average deal size was on the higher side at ₹1,409 crore. According to Prime Database, as many as 25 out of the 37 IPOs came in just three months of the year (May, November and December), with Q4 of FY23 seeing the lowest amount being raised in the last nine years.

Only two out of the 37 IPOs (Delhivery & Tracxn) were from new-age technology companies (NATCs). The previous fiscal had seen five NATC IPOs raising ₹41,733 crore.

IPO activity is likely to remain muted for the next couple of quarters. Fifty-four companies proposing to raise ₹76,189 crore hold Sebi approval. Another 19 companies looking to raise about ₹32,940 crore are awaiting Sebi approval. Out of these, four are NATCs which are looking to raise roughly ₹8,100 crore.