Big HDFC merger brings little cheer to advisors

Fee pool for $64-bn deal just over $1 mn

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A $64 billion merger of two big lenders is yielding almost no fees to financial advisors, highlighting investment bankers' struggle for profits in India.

Housing Development Finance Corporations (HDFC's) merger with HDFC Bank, which created one of the most valuable banks in the world, has about 18 advisors who got credit for a fee pool of just over $1 million, according to people familiar with the matter. Morgan Stanley and Bank of America (BofA) will take the bulk of that pool while the rest will be paid just a token amount, they said, asking not to be identified.

The fee pool is disproportionately small as the board and executives of the companies — led by Deepak Parekh, then chairman of HDF — drove the merger process, and the role of the advisers was limited, the people said. Many of the advisers became aware that a merger was imminent only a day before the announcement and didn't have to do any work on the deal, they said. "India is a tough place from a fee perspective unless one can offer value-added services or is structuring complex transactions," said Pranav Haldea, managing director of Prime Database Group, which provides information on fundraisings.

Morgan Stanley and Bank of America will take the bulk of the $1-mn pool, while the rest will be paid just a token amount

"This is an extremely price-conscious market, and thus, one always needs to keep costs under check," he added.

Major global banks, including Citigroup, Goldman Sachs, JPMorgan Chase & Co, and Jefferies Financial, and leading domestic advisory firms like Kotak Mahindra Capital and Axis Capital, were among the 18 advisors who got league table credit for the deal.

Morgan Stanley and BofA were paid more than others as they provided a fairness opinion on the valuation for the proposed transaction, while the rest of the advisers didn't do much, the people said. HDFC Bank and the advisors declined to comment.

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