

Bankers rake in moolah amid IPO boom

GOOD GOING. 2023 saw 57 IPOs raise ₹49,434 crore, with average fees of ₹23 crore a issue

Ashley Coutinho
Mumbai

Fees from initial public offerings (IPOs) swelled last year amid an uptick in share sales in the second half. Bankers earned over ₹1,300 crore, 31 per cent higher than the previous year, and more than any other year except 2021, which saw a record fee collection from 63 offerings.

The year 2023 saw 57 IPOs hit the market and garner ₹49,434 crore, implying fees of ₹23 crore on average per issue. This is lower than the average per-issue collection of ₹25 crore and ₹42 crore for the previous two years.

At ₹102 crore, the ₹4,326 crore Mankind Pharma IPO fetched the most for bankers last year. Other IPOs that garnered the most fees include Tata Technologies

(₹54.6 crore) and RR Kabel (₹52 crore), data from the PRIME Database show. "It was a good year for bankers, given the sizeable number of issuances that hit the market in the second half," said Pranjal Srivastava, Partner, Investment Banking at Centrum Capital.

"The fee pool would have been even higher had the average issue size not been lower. The total earnings for CY23 could still beat those of CY21 if the earnings from block deals and qualified institutional placements are considered."

Sixteen companies raised over ₹1,000 crore last year, with Mankind Pharma, Tata Technologies, and JSW Infrastructure garnering over ₹10,000 crore. The average issue size was ₹867 crore, significantly lower than in the previous three years.

The fees are directly cor-

Minting money

This year saw the second-largest fee mop-up from IPOs

	No. of IPOs	Issue size	Fees in ₹ crore
2013	3	1,284	40
2014	5	1,201	36
2015	21	13,614	426
2016	26	26,494	541
2017	36	67,147	643
2018	24	30,959	498
2019	16	12,362	248
2020	15	26,613	369
2021	63	1,18,723	2,646
2022	40	59,302	999
2023	57	49,434	1,308

Source : primedatabase.com

related to deal activity and volumes and typically range between 2 and 3 per cent of the issue size for IPOs. Fees, in percentage terms, for issues of more than ₹5,000 crore could drop to 1.5 per cent.

Pranav Haldea, Managing

Director, PRIME Database Group, said, "The fee paid to bankers is directly proportional to deal activity, barring IPOs of public sector and new-age technology companies."

Public sector entities follow a competitive bidding process, which typically results in a low, flat fee. Fees for new-age firms tend to be on the higher side given the first-to-the-market nature of most of these companies and the complexity of the work involved for bankers, said Haldea.

SKEWING THE FEE POOL

In 2021, several new-age technology companies tapped the market, skewing the fee pool. Zomato and Paytm, for instance, paid record fees of ₹229 and ₹324 crore, respectively, that year. In 2022, on the other hand, LIC paid a flat fee of around

₹1 crore to bankers, resulting in a dip in the overall fee pool. This was despite the fact that LIC was the largest IPO on record.

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 sides. Some issuers also keep a discretionary fee, which they pay if they are satisfied by the work put in by bankers.

The IPO pipeline for this year remains robust. As many as 27 companies hold the regulatory approval to launch an offer, and another 34 are awaiting a regulatory nod for their offer documents. Together, these could raise over ₹64,000 crore.