

IPO fee pool set to eclipse last year's total

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Ola and FirstCry spark windfall for i-bankers

SUNDAR SETHURAMAN
Mumbai, 20 August

Investment bankers (i-bankers) are raking in cash from the initial public offering (IPO) boom. The fees collected so far this year for handling maiden share sales are set to exceed the total collected during the full calendar year of 2023.

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Both IPOs were managed by about half a dozen bankers. The fee pool is divided among bankers, but the breakdown of fees paid to individual firms isn't disclosed. Bankers attributed the improvement in fees to larger-sized offerings and a higher percentage of fees in some issues. Other issues that earned bankers above ₹50 crore in fees this year include Go Digit General Insurance, which earned bankers ₹70.2 crore; Aadhar Housing Finance (₹56.3 crore); Akums Drugs and Pharmaceuticals (₹56 crore); and Emcure Pharmaceuticals (₹51.2 crore).

The average fee received for IPOs by i-bankers is 2.53 per cent, compared to 2.65 per cent last year. The percentage fee is down because smaller deals typically charge higher fees in percentage terms.

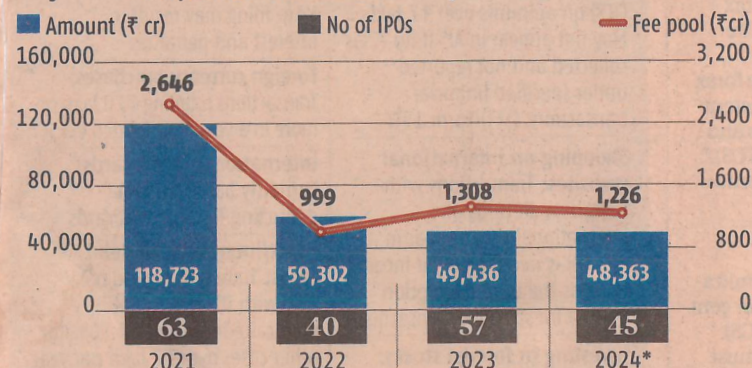
"Bankers are flooded with work. They also have to use their resources judiciously. One has to pick and choose. Activity is abundant in both IPOs and other primary market deals. Many of the new-age companies that are coming up with issues pay you decently," said Deepak Kaushik, group head of equity capital markets at SBI Capital Markets. And it's not the large issues driving



ILLUSTRATION: BINAY SINHA

CASHING IN

This year's IPO fee pool is set to cross last entire year's tally



*As on August 14

TOP FEE-GENERATORS OF 2024

Company	Fee (₹ cr)	Issue size (₹ cr)
Ola	145	6,146
FirstCry	96	4,194
Go Digit	70	2,615
Aadhar Housing	56	3,000
Akums Drugs	56	1,857

Source: PRIME Database

up the fee pool. Bankers said that although the quantum of fees looks bigger in more major issues, even some smaller transactions are attractive if one considers the fee as a percentage of the issue size.

Saraswati Saree Depot, which raised ₹152 crore through its IPO, paid 8 per cent of its issue size as a fee to its bankers. Bankers earned over a 5 per cent fee in half a dozen IPOs, which all raised less than ₹500 crore.

Except for Akums Drugs, all IPOs over ₹1,000 crore have paid less than 3 per cent of the fee to bankers.

"Bankers strive to get a certain mini-

imum of fees. If the issue size is small, the percentage fee will be higher. Smaller issues require more work. You can afford to charge lower fees if it is a bigger issue. The total amount you earn will be far higher. You can expect to make a 4 per cent fee normally in up to a ₹500 crore IPO," said Pranjal Srivastava, partner (investment banking) at Centrum Capital.

Given the issue pipeline for the remainder of the year, bankers are looking at a rewarding year. However, it seems unlikely that the fee pool will surpass that of 2021, which was a record year. "With the transactions still left, investment banks should be making three times what they made last year. Currently, the total fee pool will cross the previous year's tally. A lot of transactions are in the pipeline," said Kaushik. Some of the large issues waiting to hit the market are the Indian arm of South Korean automotive giant Hyundai, food delivery major Swiggy, financing solutions provider Hero FinCorp, and green cement manufacturer JSW Cement. All these companies are currently awaiting Sebi approval for their IPOs.