

Small, mid-sized investment banks cash in on IPO boom

ROBUST GROWTH. No. of banks handling mainboard IPOs up from 21 in 2020 to 50 in '24

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A number of small- and mid-sized investment banks have piggybacked on the boom in initial public offerings (IPO) over the past year or so.

Data showed that the number of banks handling mainboard IPOs has more than doubled to 50 in 2024 from 21 in 2020. This is notable given that after the mid-90s, equity capital market banking has been a fairly concentrated space in India with a limited number of active foreign and domestic players.

Names like Equirus Capital, DAM Capital Advisors and Unistone Capital are seeing increasing mandates.

"The spurt in deal activity over the past couple of years has seen several new entrants," said Pranav Haldea, MD, PRIME Database. "Given the deal flow, the larger banks have had to reject mandates and are choosing to focus on bigger issuances. This has opened

up the space for smaller i-banks to handle such offerings."

UP THE LADDER

Smaller banks can devote more energy and resources for the companies whose issues they handle. A small issue, on the other hand, will be of low priority for a large investment bank in the overall scheme of things, said experts.

Banks handling SME IPOs doing transactions to the tune of ₹50-₹80 crore are attempting mainboard transactions in the range of ₹200-₹300 crore, said market watchers. "A ₹200-₹300 crore mainboard IPO can still be run like an SME IPO. The latter requires bankers to build relationships with wealthy investors and alternative investment funds."

"The same skill can be leveraged to bring in larger cheques," said a mid-sized banker.

Players who see investment banking as an ancillary activity, including brokers and full-service banks, have

Slice of pie

	No of IPOs in CY24
Equirus Capital	9
DAM Capital Advisors	8
Unistone Capital	7
Motilal Oswal Investment Advisors	5
HDFC Bank	4
Intensive Fiscal Services	4
Ambit Capital	3
BOB Capital Markets	3
Aryaman Financial Services	2
Fedex Securities	2
Hem Securities	2
Inga Ventures	2
ITI Capital	2
Keynote Financial Services	2
Pantomath Capital Advisors	2

Source: primedatabase.com

second or third banker but nothing stops you from becoming the seventh banker on a large deal."

HIGH FEES

Investment banking is a high margin business — a ₹300 crore deal can fetch ₹2-₹4 crore whereas a ₹500 crore deal can result in ₹6-₹9 crore as fees for bankers, estimates show. The average fee per book running lead manager (BRLM) has risen significantly across most issue size brackets over the years.

For instance, data showed that fees for issue sizes of ₹250-₹500 crore had increased 2.5x to ₹7.44 crore.

"This increase underscores the enhanced income in the industry, reflecting the heightened demand for skilled financial advisory services in the capital markets. Overall, the data clearly indicates that the merchant banking industry is experiencing robust growth, driven by increased market activity and higher fee structures," DAM Capital Advisor's draft offer document said.

become active. "When you see a fee pool that is rising exponentially and see everyone else participating and making tonnes of money, you ask yourself why am I not part of this?" the banker said.

"Banks can lean on lending relationships to get mandates. You may not become the lead banker or even the