

Citi, JPMorgan opt out of SBI Funds IPO on low fees

Bloomberg

Some of Wall Street's biggest banks have opted out of advising on a planned \$1.4 billion initial public offering (IPO) of SBI Funds Management because of low fees, according to people familiar with the matter.

Citigroup Inc, which was part of the initial list of mandated advisers, pulled out over fees, the people said, asking not to be identified. SBI Funds later replaced Citi with Jefferies Financial Group. JPMorgan Chase & Co also decided not to pursue the transaction after pitching due to similar reasons, a person said.

Shareholders selling in the IPO — the State-run State Bank of India and France's Amundi SA — offered fees of about 0.01 per cent of the issue size, which bankers called rock bottom, after some domestic advisers quoted only a token fee for the mandate, the people said.

By comparison, companies paid an average fee of 1.86 per cent of the issue size last year, up from 1.67 per cent in 2024, according to LSEG

data. Kotak Mahindra Capital Co, Axis Bank, SBI Capital Markets, Motilal Oswal Investment Advisors, ICICI Securities and JM Financial were picked to work on the IPO, along with local units of Citigroup, HSBC Holdings Plc and Bank of America Corp, people familiar with the transaction said.

JUST SYMBOLIC

When SBI raised ₹25,000 crore through a share sale in July, it paid six bankers just ₹1 each, according to media reports.

In such deals, banks often accept symbolic fees as they vie for prestige, league-table credit and long-term relationships. With more than 200 private-sector firms expected to tap the IPO market this year, investment banks can be selective, focusing on deals that generate enough fees.

"Many banks have taken a decision not to participate in transactions that result in losses, particularly as several large private-sector deals are lined up where they can earn meaningful fees," said Pranav Haldea, MD, Prime Database Group.