SBI Funds pays tiny banker fees on IPO

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The nine investment banks that manage SBI Funds Management's initial public offering, the first billion-dollar debut this year, will receive one of the worst payouts on a large debut in the country.

The managers will split fees of ₹46.25 crore, or 0.05 per cent of the deal value, according to a company filing. About 97.5 per cent lower than those on the similar-sized 2025 offering of rival ICICI Prudential Asset Management Co, which paid investment banks ₹188 crore, according to its prospectus.

SBI Funds, the largest asset manager, is jointly owned by State Bank of India Ltd (SBI) and France's Amundi SA. Its prospectus estimates total expenses at ₹113 crore, or 1.16 per cent of the offer size. Many Wall Street firms, including Citigroup Inc and JPMorgan Chase & Co, chose not to pursue roles on the IPO because of the unusually low fees, said people familiar with the matter.

The IPO follows a pattern of state-owned companies paying low fees. When SBI raised ₹25,000 crore through a qualified institutional placement in July last year, six investment banks were paid a symbolic one rupee each, according to media reports.

The debut of Life Insurance Corporation Ltd paid a total of 118 million rupees, or 0.06% of ₹20,560 crore in proceeds, according to primedatabase.com.

For "marquee transactions involving state-owned enterprises and their subsidiaries, banks are often willing to sacrifice economics for league table credit, prestige and long-term client relationships," said Pranav Haldea, managing director, Prime Database Group.