

# Issuances slip, i-bankers feel the pinch

Average bonus to be 30-50% of annual pay this year as against 100-200% last fiscal year

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Domestic investment bankers may take home 30-50 per cent of their annual pay as average bonus, far lower than the 100-200 per cent they pocketed last financial year. FY19 saw a lull in equity capital market (ECM) activity, particularly in the latter half of the year, impacting revenues.

The amount mopped up by way of initial public offerings (IPOs) and qualified institutional placements (QIPs) dipped about 80 per cent over the previous fiscal year, while the amount of buyback offers declined 17 per cent.

"The revenues on the ECM side have fallen 50-60 per cent over the previous year and only a few select bankers will pocket sky-high bonuses this year," said a senior banker in a top domestic

investment bank (i-bank). Bonuses are commensurate with deal activity in any given year. Bankers, on average, pocket 2-3 per cent as fee for managing IPOs and 1.5-2 per cent for handling QIPs. Buybacks fetch ₹1-2 crore per deal.

"There has been a significant drop in issuances over the previous fiscal, which will impact bonus and other variable payouts," observed Pranav Haldea, managing director, PRIME Database, a primary market tracker.

In FY18, the uptick in the secondary market, significant domestic flows and the rush for exits by private equity players had helped the cause of IPOs. A flurry of QIPs hit the market driven by the need to retire debt.

The average deal size in FY19 was ₹1,048 crore. With an issue size of ₹2,800 crore, the IPO of HDFC Asset Management was the largest. Only two

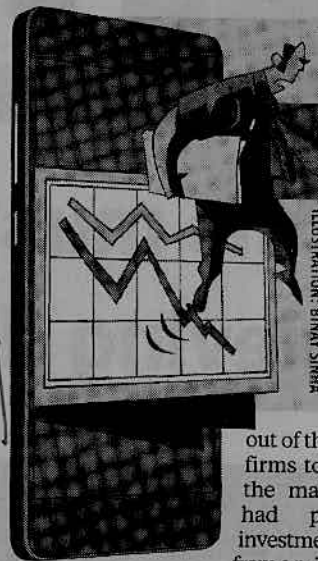


ILLUSTRATION: BINAY SINHA

## TAKING A HIT

Equity capital market activity saw a huge slump in FY19

(In ₹ crore)

	IPOs		QIPs		Buyback offers	
	No.	Amount	No.	Amount	NO.	Acquired amount
FY15	8	2,770	44	28,429	10	436
FY16	24	14,500	20	19,358	16	1,778
FY17	25	28,225	22	13,671	49	33,931
FY18	45	81,553	52	62,520	59	53,013
FY19	14	14,674	13	10,489	63	44,068

Source: PRIME Database

out of the 14 firms to hit the market had prior investment from a private equity or venture capital player.

Offers for sale (OFS) by such investors stood at ₹1,655 crore, accounting for 11 per cent of the IPO amount.

OFS by promoters at ₹9,458 crore accounted for a further 64 per cent of the IPO amount. In FY18, more than 80 per cent of the amount through IPOs were share sales by existing investors.

The largest QIP was of DLF, which raised ₹3,173 crore, accounting for 30 per cent of the QIP amount. While banks had led most of the QIP activity in FY19, realty contributed 42 per cent

to the QIP mop-up in FY19.

The IPO pipeline for FY20 remains strong, with 64 firms holding regulatory approval to raise over ₹63,000 crore. Domestic bankers have been cornering a larger share of the equity fundraising pie even as foreign players have become selective, experts said.

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