

# Bankers pocket a tidy sum in fees from Zomato IPO

Swaraj Singh Dhanjal  
swaraj.d@livemint.com  
MUMBAI

Investment bankers handling Zomato Ltd's ₹9,375 crore initial public offering (IPO) earned ₹229 crore in fees, the food delivery unicorn's final offer documents showed, making it one of the biggest payouts for any Indian IPO.

Zomato was advised by Kotak Mahindra Capital, Morgan Stanley, Credit Suisse, Bank of America and Citi. According to data from primary market tracker Prime Database, the fees paid by Zomato to the five bankers far exceeded every other ₹5,000-crore-plus IPO.

In comparison, investment

banks earned ₹97.34 crore from Gland Pharma's ₹6,479.5 crore IPO in November, ₹90.85 crore from ICICI Prudential Life Insurance's ₹6,056.79 crore IPO in 2016, and ₹85.25 crore from Blackstone-backed Sona BLW Precision Forging Ltd's ₹5,550 crore IPO in June.

Other larger issuances such as SBI Cards and Payment Services Ltd's ₹10,340.79 crore IPO saw banks earn only ₹48.34 crore, while HDFC Life Insurance Co Ltd's ₹8,695 crore IPO got them only ₹35.61 crore.

"While the fee may look large, one should keep in mind that this was a first-of-its-kind IPO in the Indian market of a leading tech company. It

## Big bucks

Bankers handling Zomato's share sale earned ₹229 crore in fees, making it one of the biggest payouts for any Indian IPO.

**Top IPOs by issue amount**  
(since 1 January 2016)

	Issue amount (₹ cr)	Merchant banker fee as a % of issue amount
General Insurance Corp. of India	11,256.83	0.12
SBI Cards & Payment Services	10,340.79	0.47
New India Assurance Co.	9,585.82	0.14
Zomato	9,375.00	2.44
HDFC Standard Life Insurance Co.	8,695.01	0.41

Source: primedatabase.com

PARAS JAIN/MINT

needed substantial effort from advisors in preparation of the prospectus and working with the regulator to get approval for the deal as well as extensive marketing in overseas markets to get marquee investors, as is clearly visible from the anchor

book of the IPO," a person aware of the fund-raising effort said requesting anonymity.

Shares of Zomato will start trading on Friday. The IPO closed on 16 July with a subscription of 40 times.

To be sure, the IPO fee is not equally distributed among the five bankers, as IPOs with several bankers have a two-tiered payout model. The so-called 'lead-left merchant bank' and global coordinators get paid more than others in the syndicate listed as book-running lead managers.

"As a percentage of the issue size, the fee is within the range of 2-3% that one would usually see in an IPO, which are under ₹5,000 crore in size. For larger IPOs, it tends to go below 2%. But the Zomato IPO is probably not comparable to other deals as the banker syndicate was appointed with the optionality of exploring an overseas IPO as well, and substantial work also

TURN TO PAGE 6

# Bankers mop up a tidy sum in fees from Zomato IPO

FROM PAGE 1

happened on that front; and so, the fee would have been structured in line with what an overseas IPO would have paid the banks," said an investment banker seeking anonymity.

For merchant banks, the big bucks from Zomato come at a time when an IPO frenzy has lifted their revenues amid an overall fall in fee income.

According to financial market tracker Refinitiv, investment banking activities in India generated \$437.9 million in the first half of 2021, a 10% drop from the first half of last year, making it the lowest first-half period since 2016 (\$263.6 million).

Equity capital markets underwriting fees reached the highest in more than a decade at \$126.0 million, a 25.2% jump from the same period in 2020, according to Refinitiv.

Indian firms raised \$3.9 billion via IPOs in the first half of 2021, more than three times the amount raised in the same period last year.