

# Not Just Cos, IPO Managers Too See Big Money Flowing In

Investment banks have earned ₹1,390 cr until early September as ₹62,752 cr was raised through 38 public issues

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**ET Intelligence Group:** With stock markets rallying, it is not just companies that are raising significant funds from the primary market. Investment banks, too, are earning increasingly more as they ensure these companies get listed. Data compiled by Prime Database show that the fees paid to investment banks have risen at a faster rate than the increase in the number of IPOs — and the amount being raised in each calendar year.

**₹229 CR**

**FEES EARNED FROM THE ZOMATO IPO, HIGHEST IN ABSOLUTE TERMS**

In 2021, book running lead managers (BLRMs) have earned a combined ₹1,390 crore in fees until early September, raising funds to the tune of ₹62,752 crore from 38 IPOs. The fees include underwriting commission, brokerage and selling commission. For 2021, the lead managers' fees constituted the largest portion of the issue expenses — pegged at 2.2% of the amount being raised.

In contrast, in 2020, 15 IPOs raised ₹26,613 crore amidst the pandemic with lead managers earning fees of ₹369 crore (1.4% of the amount being raised). In the pre-pandemic year of 2019, 16 IPOs together

## A Tidy Sum

CALENDAR YEAR	NUMBER OF IPOs	AMOUNT RAISED	FEES OF BOOK RUNNING LEAD MANAGERS	ISSUE EXPENSES
2019	16	12,362	248	531
2020	15	26,613	369	758
2021*	38	62,752	1,391	2,387
<b>CAGR %</b>	<b>52</b>	<b>125</b>	<b>137</b>	<b>112</b>

(Fig in ₹cr) \*Year till early September Source: Primeinfobase.com



raised ₹12,362 crore with lead managers earning 2% of this amount as their fees.

The highest fees (in absolute terms) earned in the year 2021 stood

at ₹229 crore in the case of Zomato's IPO in July, while the lowest fees of ₹3.9 crore were in the case of the Indian Rail Finance Corporation (IRFC) floated at the beginning of

the year. Zomato's IPO got oversubscribed 38 times whereas the oversubscription stood at 3.5 times in the case of IRFC.

When considering fees as a proportion of the amount raised, the lead managers earned the highest proportion of 7.3% of the amount raised in the case of Ami Organics that rolled out its IPO in early September. The IPO was oversubscribed 64.5 times.

Thirty more IPOs are expected to hit the primary market over the next couple of months to raise around ₹45,000 crore. Assuming the lead manager fees to be in the range of 2-2.5% of the amount raised, the investment banking firms will close the year making an additional income of ₹900 to ₹1,125 crore.