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Vi's FPO: A ₹287 cr bonanza for i-bankers

BIG BUCKS

The Vi deal has proved to be the second-most lucrative in terms of fees paid to investment banks

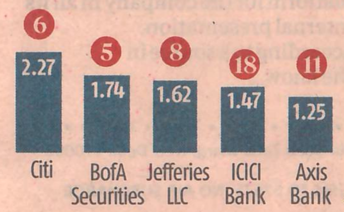
Top fee generating deals	Issue open	Type	Size (₹cr)	BRLM fee (₹cr)	Fee as % of issue size
Paytm	Nov 8, '21	IPO	18,300	324	1.77
Vodafone Idea	Apr 18, '24	FPO	18,000	287	1.59
Zomato	Jul 14, '21	IPO	9,375	229	2.44
PolicyBazaar	Nov 1, '21	IPO	5,710	168	2.95
Nykaa	Oct 28, '21	IPO	5,350	148	2.77

Note: BRLM is book running lead manager

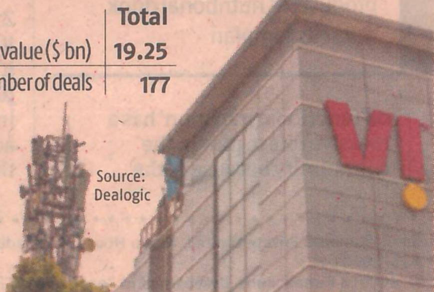
Source: PRIME Database

BRLM: 2024 LEADERBOARD

	Total
Deal value ($ bn)	19.25
Number of deals	177



Source: Dealogic



SAMIE MODAK
Mumbai, 26 April

The just-concluded follow-on public offer (FPO) of Vodafone Idea Limited (VIL) has not only brought relief to the struggling telecom operator but also to the three investment banks that managed the ₹18,000 crore share sale. According to the final prospectus filed by the Mumbai-based firm, it has paid ₹287 crore, 1.6 per cent of the issue size, as book running lead manager (BRLM) fees.

This, according to PRIME Database, is the second-highest BRLM fee paid for a domestic FPO or an initial public offering (IPO). The record is held by One 97 Communications (Paytm), which paid ₹324 crore in such fees following its ₹18,300-crore IPO in November 2021. That offering, however, was a disappointment, with shares plunging 27 per cent on debut, marking the worst first-day performance for an IPO of ₹1,000 crore or more.

The VIL deal is particularly profitable for the BRLMs as the fee pool will be divided among only three investment banks: Axis Capital, Jefferies, and SBI Capital Markets. Usually, a deal of this magnitude involves at least six bankers. For instance, Paytm had appointed seven BRLMs.

VIL's FPO was the largest ever in the domestic market. Including both IPOs and FPOs, the deal was the third-largest, after the IPOs of state-owned LIC (₹20,557 crore) and Paytm, surpassing YES Bank's ₹15,000 crore FPO in 2020.

However, not all large deals are lucrative for investment banks, especially those involving government-owned entities. LIC paid a small fee of ₹11.8 crore, which was split among 16 investment banks that worked on its IPO.

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YES Bank also paid a relatively low fee of ₹93 crore to eight bankers for its FPO, which was part of a government-approved rescue package. Interestingly, the government is the largest shareholder in VIL but is classified as a "public" shareholder, while the Aditya Birla group and UK's Vodafone Plc are its promoters.

"The VIL deal was not easy to execute. Given the telco's high debt levels and its uncertain business outlook, it was difficult to convince long-term investors about the turnaround story. The over ₹2,075 crore equity infusion by the Birla group at a price which was 35 per cent above the FPO price set the tone for the deal," said an investment banker.

Following the listing of new shares, Aditya Birla Group Chairman Kumar Mangalam Birla stated that the equity infusion will aid the company in making a "smart turnaround" as the country needs three robust wireless telephony networks.

Following the deal, Jefferies' and Axis' rankings have catapulted on the 2024 equity capital market (ECM) league table to three and five, respectively, according to Dealogic data. American investment banks Citi and BofA are currently at the top.

Industry players said the VIL deal has added glitter to the calendar year 2024, which has started on a strong note. Investment banks pocketed a record $123.4 million (₹1,000 crore) for handling ECM (equity capital market) deals during the first three months of 2024, 2.34 times more than that during Q1 of 2023, according to LSEG Data & Analytics.