

SHIFTING FOCUS

I-banks look to smaller cities for better returns

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MUMBAI

Investment banks, or i-banks, are seeing greater revenues from cities other than Mumbai, the country's financial capital, as a result of growing mid-market business in other large and small cities.

Around three-fourths of the deals investment bankers are sewing up are from north and south India, said investment bankers. Mumbai lies along the west coast.

"The Mumbai market has matured and Delhi-based promoters are now more willing to open up and share financial data, something unthinkable even two years back," said Sujay Kotak, assistant vice-president, **Singhi Advisors Ltd**, a boutique investment bank.

The non-Mumbai market accounts for over 70% of Singhi's revenue, while only three years ago this figure was 20%. The company is in talks with promoters from Ludhiana, Coimbatore, Kochi, Baroda and Kanpur, among other cities, for funding and stake sale opportunities. "There is tremendous potential for a deal size of around ₹100-500 crore," said Mahesh Singhi, managing director.

Among the transactions Singhi closed last year were the sale of Delhi-based **Shalaks Pharmaceuticals Pvt. Ltd's** dermatology and baby care brands to Singapore-based **Invida Holdings Pvt. Ltd**, and a majority stake sale in **Maharaja White-**

As large companies build in-house teams to handle mergers and acquisitions, i-banks are turning to mid-size firms

line, a Delhi consumer appliances firm, to France's **SEB Group**.

Rothschild (India) Pvt. Ltd, the Indian unit of the European investment bank NM Rothschild, says Delhi now accounts for over 15% of its overall revenue and Mumbai for about 10%. "Even two years ago when we opened a Delhi office, there were hardly any significant operations of investment bankers," said managing director Chandresh Ruparel.

Several large corporate houses headquartered in Mumbai, such as the Tata, Birla and Mahindra groups, have built in-house teams to handle mergers and acquisitions, forcing i-banks to turn to mid-size companies for business, say experts.

"Even when it comes to fees, the large corporates follow the concept of a fixed fee while mid-size companies follow a percentage model, which is usually higher," said Jacob Mathew, managing director, **MAPE Advisory Group Pvt. Ltd**, a mid-market i-bank.

"It is also a function of which industries are getting traction,"

said Deepesh Garg, managing director, **o3 Capital Advisors Pvt Ltd**. "Previously, it was the infrastructure space which saw markets like Hyderabad and other southern areas getting a lot of investments."

The focus is on the consumer segment, which includes apparel, food and personal care products, and most companies in this space are based in north India, Garg added.

o3 Capital gets around 80% of its revenue from deals struck outside Mumbai. One-third of these are from cities in north India. Balaji Srinivas, managing director of **Aureos India Advisors Pvt. Ltd**, said about 15% of the private equity firm's investments will go into deals originating in states like Bihar and Orissa.

"In the last two years, there has been a conscious strategy to focus on such markets as Mumbai emerges as an over-banked market. The focus is on mid-market companies," said a Mumbai-based consultant who did not want to be identified. "Typically, the mid-size i-banks try to vie for sell-side mandates."

Small and medium enterprises around Delhi are "particularly vibrant", said Vinod Wadhvani, director at **Ambit Corporate Finance Pte Ltd**. "The bigger corporate houses headquartered outside Mumbai, including Hero, Bharti, Torrent, Adani, Wipro, GMR and GVR, too are constantly expanding and restructuring their businesses."

A number of Mumbai-based i-banks, including **Avendus Capital Pvt. Ltd**, **Kotak Mahindra Capital Co. Ltd** and **Edelweiss Capital** stepped up their practice in south India from 2007-08, said a Chennai-based investment banker who did not want to be named. "The south provides an attractive destination for mid-market players as it offers a diverse set of industries," he said.