

Year-end may not bring cheer for I-bankers

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New Delhi, 19 November

YEAR-END bonuses of investment bankers in India are set to shrink by an average of 20 to 30 per cent this year, compared to last year.

With the number of merger and acquisition (M&A) deals drying up, and few companies hitting the capital market to raise funds, most I-bankers in India fear a drop in bonuses. Besides, the global economic uncertainties are also feared to contribute to the shrinkage.

"The investment banking sector in India, as a whole, is not doing well. On an average, the cut in bonuses could be 20 to 30 per cent. In some cases, it could be as high as 50 per cent," said Ronesh Puri, managing director, head-hunting firm, Executive Access.

Take the case of Sumit Arora (name changed), who works with a global investment banker in India. Last year, Arora got ₹15 lakh as bonus. However, Arora, who works with the Indian clients of the global banker, says his bonus this year may be less than ₹10 lakh. Another I-banker with a global firm said he feared a 50 per cent cut in his year-end bonus.

A close look at the market reveals their fears are not misplaced. Last week, there were reports of the Indian unit of Japan-based brokerage Nomura Holdings Inc asking a few senior investment bankers to quit, as part of the parent firm's cost-cutting drive.

"From where would the bonus come? This year was bad, compared to last year. Not many initial public offerings (IPOs) are taking place. There is no fund-raising by firms. The I-banking sector in India is highly dependent on IPOs," said Jagannadham Thunuguntla, strategist &

head (research), SMC Global Securities. In the January-September period, there were 28 public issues. Of these, 17 were small issues, with issue sizes of less than ₹100 crore.

"If the quarterly numbers of investment banks are any indication, they are not doing well. Some of these are talking about cost restructuring and employee re-alignment," said Sunil Goel, director, GlobalHunt, an executive search firm.

Bonuses are usually, linked to the performances of both the individual, as well as of the company and the sector. If the sector is not faring well, there would obviously be a drop in bonuses, Goel said.

Yearly bonuses account for almost 30-40 per cent of the overall compensation packages of I-bankers.

The number of deals has also declined. The July-September quarter recorded

the lowest quarterly deal count since 2009. According to Ernst & Young's quarterly report on transactions, 158 M&A deals were recorded in India during the last quarter (July-September). The total disclosed deal value during the last quarter was \$5.2 billion. This was a decline of 67.5 per cent, compared to the same period last year, when the total disclosed deal value stood at \$16 billion. The deal count declined by 43 per cent, compared to the July-September quarter in 2010.

A recent study by compensation consulting firm Johnson Associates projected investment bankers' (Wall Street executives) bonuses would tumble 20 per cent, while equity traders and senior management would see their year-end bonuses decline 30 per cent. Fixed income traders would be hit the hardest, with their year-end incentives expected to decline by as much as 45 per cent.

ON AN AVERAGE, the cut in year-end bonuses could be 20 to 30 per cent. In some cases, it could be as high as 50 per cent