Kampani Jr revs up JM's M&A biz

Reeba Zachariah & Boby Kurian | TNN

TOP 10 PLAYERS

Adviser	Mkt Share (%)	Total Deal Value ($ m)	Average Deal Value ($ m)	Deal Count
JM Financial	38	24,717	2,060	12
Axis Bank	30	19,881	2,485	8
Macquarie	29	19,097	9,549	2
Citi	12	7,718	643	12
BofA ML	7	4,542	1,514	3
Morgan Stanley	7	4,312	479	9
Credit Suisse	6	4,205	701	6
JP Morgan	6	3,681	460	8
Kotak Bank	5	3,296	275	12
Ernst & Young	5	2,975	78	38

Source: Bloomberg

Mumbai: The 38-year-old **Vishal Kampani** has revved up JM Financial's deal-making prowess after a long time. The firm, founded by his father and legendary deal maker Nimesh Kampani, who still remains chairman, topped Bloomberg's list of merger and acquisition (M&A) activity in India last calendar and stood second by the size of deals advised in the rankings complied by Dealogic, a New York-based researcher on the deal economy.

This week, Prime Database said JM was the top investment banker handling more than Rs 42,000 crore of equity issuances in the Indian public market. It was involved with 62% of the overall public market activity in 2015, a year which saw home-grown deal makers Axis Capital, Kotak Mahindra and ICICI returning to big action. India Inc relied on the old warhorses of the deal street to effect corporate restructuring and asset sales as part of a broader move to repair balance sheets.

Kampani Jr said JM had its M&A gene intact even when the bulge-bracket Wall Street and European investment banks crowded the Indian market in the last decade. Some of the most complex and difficult transactions in recent years — like Diageo's acquisition of United Spirits and Aditya Birla's buyout of Pantaloons — had JM's stamp on them, he said in a recent meeting with **TOI**. But he was possibly more involved with transitioning the firm into diversified financial services, which it embarked on after a surprising split with Morgan Stanley in 2004.

Since then, JM has built a strong financing business, asset reconstruction unit, and an alternative investments platform with real estate and private equity funds. The company's FY15 revenue rose 39% to Rs 1,403 crore with financing business bringing in Rs 806 crore, investment banking and securities Rs 522 crore, and others contributing Rs 75 crore. All these units are well poised to beat past numbers this fiscal, going by the half-yearly performance.

JM advised, or was involved with, M&A deals worth $24.7 billion during 2015, Bloomberg data showed. This involved Adani restructuring, Cairn and Vedanta merger, Anil Ambani-led Reliance Group's acquisition of Pipavav Defence, the spectrum transaction between Videocon and Idea Cellular, and consolidation deals within Aditya Birla conglomerate, among others. JM is said to have brought Tillman Holdings to the table for the buyout of Reliance Communications' telecom tower business for over Rs 21,500 crore, one of last year's major deals, which is still in works.

These deals suggest JM has retained its clout in a superfluous deal advisory market. "After 2006, a lot of investment banking talent moved to foreign banks with relationships. They started pitching for deals based on these relationships," Kampani said, referring to India's notoriously low-fee deal market where earnings of investment banking units haven't kept pace with deal volumes, and never crossed $500 million seen in the boom years preceding the Lehman crisis.

The younger Kampani, who says he delegates work and empowers his colleagues more than his father, said the firm's long-standing ties with companies were sometimes a cushion for the latter to push for lower fees. He said JM has started to put its foot down with clients, especially on initial public offers (IPOs) and qualified institutional placements (QIPs) mandates.

"If there are seven banks to a deal, and each gets 2% of the total fee, it is not worth (the efforts and human capital involved)," Kampani said, explaining that companies don't want to upset any banker and so pay all equally. "I am told that we have a relationship and I should understand. But if we have a relationship, then you should pay me more," he laughs, while recalling a recent conversation with one of the clients. He said industry was beginning to see some differentiation in fees.

"Too many banks have been appointed on a transaction with fees split equally. Now, fees are being split in the 80:20 ratio, with the lead book runners getting 80% of the total fees and the next level of book runners fetching the remainder. This would enhance responsibility and accountability of the individual book managers," Kampani explained.