

# Private placement at its lowest since 2014

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The total amount of money various entities have raised through the private placement route is at its lowest since 2014.

They raised a total of ₹1.96 trillion in the first five months of 2022, revealed the numbers from PRIME Database. It is down 23.4 per cent from the ₹2.56 trillion raised in the corresponding period in 2021. The total is the lowest since 2014, when the total amount raised was ₹1.17 trillion.

A combination of lower requirements and higher interest rates are said to have acted as a dampener.

Mahendra Kumar Jajoo, chief investment officer (fixed income) at

## DROP IN FUNDRAISING



Compares fundraising for first five months across years

Source: PRIME Database

Mirae Asset Investment Managers (India), said a lot of corporates have surplus liquidity and limited requirements, which means there is no urgency for fundraising in the current environment. Public sector com-

panies, which are large issuers, have also been absent, with many also repaying their debt amid smooth flow of funds from the government.

"Everyone is focused on deleveraging," he said.

Any change in this scenario will only happen if companies begin to look at capital expenditure (capex) again, in the form of building new factories or production capabilities; or if there is increased need for working capital which the company uses for day-to-day operations.

Pranav Haldea, managing director at PRIME Database, said companies are going slow on fresh borrowings in light of adverse global growth scenario and limited need for fresh investments. "Capex requirements are not very significant," he said.

Investors are also not making fresh deployments in light of a volatile interest-rate scenario, he added. Many would prefer to wait until further clarity emerges, he said.

A private placement is when an entity raises money from a select and limited group of people without public advertisements. This has been a preferred mode of raising capital because of factors, including lower costs and faster pace of fund-raising.

Firms in sectors such as basic metals, civil engineering, electricity, and gas were the major users of this route, according to a study titled, *Choice of Private Placement as an Instrument for Raising Debt Resources: Evidence from Indian Firms*, published as part of the Reserve Bank of India's occasional papers, from authors Avdhesh Kumar Shukla and A Edwin Prabu who work in the Division of Financial Markets of the Department of Economic and Policy Research.