

Cos Load Up on Privately Placed Debt

Debt Pvt Placements

Issue amount (₹ Cr)



Source: primedatabase.com

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Mumbai: India Inc is tapping the low-cost private placement route to raise funds like never before.

Fund mobilisation through corporate bonds that are privately placed has hit a record ₹8.97 lakh crore in 2023, with three weeks left in the year.

This surpasses the previous record of ₹7.95 lakh crore raised in 2020. Last year, India Inc raised ₹7.58 lakh crore through this route, according to primedatabase.com.

Fund managers attribute the unprecedented mobilisation to the heightened demand for credit driven by increased economic activity amid faster-than-expected growth, coupled with the low cost of funding.

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■ LIC Steps Up Buys of Top Corp Bonds ▶▶ 13

Cost-efficient Method to Raise Capital

Who Raised How Much in 2023

Issuer Type	Amount (₹ Cr)
Public Sector Banks & Institutions	3,14,560
Private Sector NBFCs	2,21,026
Private Sector Cos	2,05,731
Private Sector Banks	1,15,385
Public Sector Cos	35,743
State Level Undertakings	3,885
State Financial Institutions	863
Total	8,97,192

Data as on December 6; Source: primedatabase.com



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“Private placement emerges as the most cost-efficient method for swiftly raising capital compared to other forms of fundraising such as IPOs (initial public offerings), QIPs (qualified institutional placements) or bank loans,” said Ajay Manglunia, MD and head, investment grade group, JM Financial. “It features price discovery through bidding, bidder confidentiality, and lower funding costs.”

Of the total, public sector banks and financial institutes accounted for Rs 3.15 lakh crore, private sector non-banking financial companies (NBFCs) raised Rs 2.21 lakh crore, and corporates raised Rs 2.06 lakh crore, shows data from primedatabase.com. Additionally, private sector banks secured Rs 1.15 lakh crore, while public sector companies raised Rs 35,743 crore.

India’s economy expanded 7.6% in the September quarter from a year earlier, exceeding expectations, as manufacturing posted strong growth and investments gathered pace. Manufacturing, which has a nearly 19% weight in the economy, posted a nine-quarter high growth of 13.9%.

“In the midst of increased economic activities and constrained liquidity in the banking system, India Inc has resorted to the corporate bond market through private placement to secure funds,” said Sandeep Bagla, chief executive officer of Trust Mutual Fund. “As banks primarily concentrate on retail services

and contend with elevated interest rates, corporates are increasingly opting for the private placement of bonds to substitute existing costly debt.”

HDFC, a prominent mortgage lender which has now merged with HDFC Bank, emerged as the leading fundraiser through private placements in 2023, with Rs 74,062 crore mopped up in multiple tranches. Institutions such as the National Bank for Agriculture and Rural Development (Nabard), Power Finance Corp (PFC) and State Bank of India (SBI) each raised over Rs 50,000 crore through this avenue. Among private sector companies, Reliance Industries Ltd secured Rs 20,000 crore in 2023.

“Private placements offer the opportunity to access institutional investors and high net worth individuals with relatively fewer disclosures and compliance requirements,” said Ketan Dalal, managing director, Katalyst Advisors. “From the investor’s perspective, the chance to invest in debt from robust corporate entities often results in a mutually beneficial scenario.”

According to Pranav Haldea, managing director of Prime Database Group, a combination of factors, including expensive overseas borrowing, a surge in credit demand, and higher bank loan rates, played a key role in triggering the record fundraising through corporate bonds via private placements.