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Annual Review

DEBT PRIVATE PLACEMENTS RECORD 25 PER CENT INCREASE IN 1998-99 : PRIME

The recently concluded fiscal 1998-99 witnessed a continuing booming activity in the private placement of debt, with **204 institutions and corporates mobilising an amount of Rs.38933 crore**. This has been reported in the Annual Report released by **PRIME** which operates the country's premier data base on debt private placements.

According to Mr.Prithvi Haldea of PRIME, fiscal 1998-99, as such, represents a significant 25 per cent increase over Rs.30983 crore which had been raised in the previous year. Incidentally, full fiscals 1995-96, 1996-97 and 1997-98 had witnessed mobilisations of Rs.10035 crore, Rs.18391 crore and Rs.30983 crore respectively, and thus, the growth in this activity has been consistent and substantial.

The highest mobilisation through debt private placements, according to PRIME, during the year was by IDBI (Rs.5462 crore), followed by ICICI (3087), IFCI (2922), APSEB (2019), MKVDC (1158), IIBI (997), SAIL (767), KSEB (705), GE Capital (692) and HUDCO (681).

The PRIME report states that the Government organisations and development financial institutions continued to dominate, mobilising a high 81 per cent of the total amount in private placements. This represented an increase from their 75 per cent share in 1997-98, though a fall from 90 per cent in 1996-97.

Among government organisations, the all-India financial institutions and banks led with a 48 per cent share (Rs.18604 crore) followed with a 24 per cent share by state level undertakings (Rs.9479 crore), an 8 per cent share by PSUs (Rs.3110 crore) and a 1 per cent share by state financial institutions (Rs.314 crore).

Issuer Type	No.of Issuers	Amount (Rs.crore)	%
All-India Fin.Inst.& Banks	28	18604	48
State Fin.Inst.	2	314	1
Public Sector Undertakings	17	3110	8
State Level Undertakings	30	9479	24
Private Sector	127	7426	19
	204	35933	100

According to Mr.Haldea, mobilisation by state level undertakings continued to be upbeat, most of which has been for the infrastructure sector (mainly power, roads and water resources). From a meagre Rs.311 crore in full 1995-96 and Rs.2630 crore in 1996-97, 1997-98 had seen this sector raise a high Rs.6726 crore. In 1998-99, the mobilisation by SLUs jumped to Rs.9479 crore. The major issuers were APSEB (Rs.2019 crore), MKVDC (1158), KSEB (705), Maharashtra Jeevan Pradhikaran (675), KBJN (615), Grid Corp.of Orissa (558), and MSEB (500).

On the other hand, there was a drop in the mobilisation efforts of PSUs ; down from Rs.5301 crore in 1996-97 to Rs.4008 crore in 1997-98 to Rs.3110 crore in 1998-99.

The period also witnessed, according to PRIME, **a marginal decline in the mobilisation by the private sector. While Rs.7763 crore had been raised by 95 companies in 1997-98, the recent year saw 127 companies from this sector raise Rs.7426 crore.**

Notably, the financial services sector continued to dominate the market, collectively raising Rs.21291 crore or 54 per cent of the total amount, as per the PRIME report. Power ranked second with an 18 per cent share (Rs.7073 crore), followed by water resources (2944), steel (1215) and telecommunications (1184).

As in the past, private placement market has been restricted to only institutional investors, with hardly any retailing. The placements do not in any way reflect any direct mobilisation of household savings as is in the case of primary capital market.