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Rs.28146 CRORE RAISED THRU DEBT PRIVATE PLACEMENTS IN 9-MONTH FISCAL : PRIME

A 14 per cent decline in mobilisation of debt (bonds) through private placement was witnessed with **Rs.28146 crore being mobilised by 141 institutions and corporates, compared to Rs.32751 crore by 167 issuers in the corresponding period of the previous fiscal.** This has been reported by Mr.Prithvi Haldea of **PRIME** which operates the country's premier and only database on debt private placements. Only such deals which have a tenor and put/ call option of more than 1 year are reflected in this database.

However, on a quarter-on-quarter basis, the October–December quarter, Mr.Haldea stated, saw a raising of Rs.12499 crore, registering an increase of 18 per cent over Rs.10589 crore mobilised in the July–September quarter. It may be mentioned that 2001-02 had witnessed a decline for the first time in 6 years on a year-to-year basis and this downward trend has continued into the current year. Incidentally, Rs. 46220 crore had been raised in the full previous year.

According to PRIME, the period witnessed a 25 per cent decline in mobilisation by the all-India financial institutions/ banks, down from Rs.12409 crore to Rs.9310 crore. This was substantially due to ICICI withdrawing from the scene after its conversion into a bank. Leading the pack of mobilisers in this category was IRFC (Rs.1605 crore), followed by Exim Bank (1360), IDBI (1147) and LICHF (675).

A major decline in mobilisation, according to Mr.Haldea, also came courtesy the state level undertakings who recorded a 32 per cent fall to Rs.3153 crore compared to Rs.4650 crore in the corresponding period of the previous year. The directives of RBI to banks to become more diligent with investments in debt private placements, especially those made by SLUs, as well as the rising incidence of defaults on interest payments by SLUs, was the major reason for the decline. Most of the funds raised by SLUs continued to be for the infrastructure sector, mainly power, roads and water resources. The leader in this category was SSNNL (Rs.766 crore) followed by GEB (620), HPSEB (250), and PSIDC (250). In fact, only 15 SLUs entered the market.

As per PRIME, a notable development of the period was the increasing dominance of the private sector. The drying up of the public equity market as well as attractive interest rates in the bonds market were the major reasons for this rise. Its share at Rs.8985 crore was 15 per cent higher compared to Rs.7788 crore in the same period in the previous year. Significantly, most of the private sector debt was of AAA category and was raised for retirement of either old expensive debt or for acquisitions. Leading the mobilisers in this sector was RIL (Rs.1190 crore), followed by GE Capital (887), Citicorp Finance (425) and ACC (400).

The raisings by PSUs too, according to PRIME, saw a 38 percent decline. While the previous year's corresponding period had seen a mobilisation of Rs.6825 crore, only Rs.4233 crore was raised in the current period. Major mobilises were Power Grid (Rs.1784 crore), NTPC (Rs. 537 crore) and SAIL (500).

As per PRIME, Government organisations and financial institutions, put together, still continued to dominate, mobilising a high 68 per cent of the total amount, though down from 76 per cent in the previous year and 83 per cent in 2000-01. Among government organisations, all-India financial institutions/ banks led with a 33 per cent share, followed with a 15 per cent share by PSUs, an 11 per cent share by SLUs and a 9 per cent share by state financial institutions.

Issuer Type	No.of Issuers	Amount (Rs.crore)	%
All-India Fin.Inst.& Banks	29	9310	33
State Fin.Inst.	9	2466	9
Public Sector Undertakings	12	4233	15
State Level Undertakings	15	3153	11
Private Sector	76	8985	32
	141	28146	100

The highest mobilisation through debt private placements during the period, according to PRIME, was by Power Grid (Rs.1784 crore), followed by IRFC (1605), Exim Bank (1360), RIL (1190), IDBI (1147), WBIDFC (909) and GE Capital (887).

On an industry-wise basis, PRIME report stated that the financial services sector continued to dominate the market, collectively raising Rs.14557 crore or 51 per cent of the total amount. Power ranked second with a 16 per cent share (Rs.4465 crore), followed by water (1188).

Mr.Haldea stated, that in addition to the above one-year tenor mobilisation of Rs. 28146 crore, a significant additional amount of Rs.12000 crore was raised through 483 deals of less than 1 year tenor debentures by 61 issuers. Moreover, an amount of Rs. 3237 crore in 37 deals was raised through pass-through certificates (securitised paper).