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DEBT PRIVATE PLACEMENTS RISE TO RS.13585 CRORE IN FIRST HALF: PRIME

While the primary capital market for equity and debt reached low levels with only 42 public issues raising a meagre Rs.341 crore, the first six months of fiscal 1997-98 witnessed a major growth in the private placement of debt with a **total of 80 institutional and corporate organisations through 107 issues mobilising an amount of Rs.13585 crore.** This has been reported in the Six Monthly Report of **PRIME** which operates the country's first and only data base on private placements. Reports put out by some other organisations have erroneously placed the amount at only Rs.7000 crore to Rs.8000 crore.

According to Mr.Prithvi Haldea of PRIME, over 98 per cent of the amount was raised by the government sector and large corporates. On the other hand, a majority of the investors in the private placement issues continued to be institutional investors like financial institutions, banks, provident funds, trusts, rural banks and corporates. This, therefore, reflects more of an inter-institutional funds transfer and not mobilisation of household savings as in the case of the primary capital market.

In the previous full year, as per PRIME, 159 organisations through 204 issues had raised Rs.18391 crore. The first six months, as such on a pro-rata basis, represent a substantial increase. Incidentally, the first six months of fiscal 1996-97 had witnessed a mobilisation of Rs.8906 crore. The increase in the current six month's mobilisation is, therefore, a significant 52 per cent.

The largest private placement mobiliser of the 6 - month period was IDBI (Rs.1950 crore), followed by IRFC (1381), IFCI (1250), ICICI (875), SAIL (497), IPCL (450), Krishna Bhagya (400), HUDCO (337), APWRDC (303), RSEB (300) and Reliance Capital (300).

Mr.Haldea stated that though a high 76 per cent of the total amount was mobilised by government organisations, this represented a fall from its 90 per cent share in the preceding full fiscal. All- India financial institutions and banks led with a 42 per cent share (Rs.5716 crore) followed by a 17 per cent share by state level undertakings (Rs.2265 crore) and 16 per cent share by PSUs (Rs.2194 crore).

The period, according to PRIME, witnessed **an increasing mobilisation by the private sector.** Declining interest rates on the one hand and poor conditions in the primary capital market led to several corporates opting for the private placement route. **While only 15 private sector companies had made placements in 1995-96 aggregating Rs.448 crore (4 per cent share), fiscal 1996-97 saw this rise to 111 companies raising Rs.1813 crore (10 per cent share).** In the first six months of current fiscal, the private sector raised a high Rs.3260 crore, representing 24 per cent of the total mobilisation.

Significantly, unlike the previous year, the mobilisation from the private sector in the current period was from fewer companies (48) and most of these were large corporates with big issues. The average size of the private sector's issue in the period was Rs.68 crore compared to only Rs.16 crore in fiscal 1996-97. Major

mobilisation were made by Reliance Capital (Rs.300 crore), Gujarat Industries Power (252), Indo Gulf Fertilizers (200), Ashok Leyland (200), Reliance Industries (150), L&T (150), M&M (106), ACC (100), Grasim (100), Nestle (100), Hindalco (100), Apple Finance (100) and TVS Suzuki (100). Other names included SPIC, Nicholas Piramal, GNVF, Tata Tea, Tata Sons, Indian Rayon and E.I.D.Parrry.

Issuer Type	No.of Issuers	No.of Issues	Amount (Rs.crore)
All-India Fin.Inst.& Banks	7	16	5716
State Fin.Inst.	2	2	150
Public Sector Undertakings	11	12	2194
State Level Undertakings	12	15	2265
Private Sector	48	62	3260
	80	107	13585

As per the PRIME analysis, the financial services sector comprising FIs, banks and private sector finance companies continued to dominate cornering Rs.6679 crore or 49 per cent of the total amount (similar to 51 per cent in the previous year). Power ranked second with an 11 per cent share (Rs.1437 crore). The other sectors included water resources (1180), petrochemicals (700), steel (523) and fertilizers (440).

The period saw the emergence of the bookbuilding route in private placement issues. The lead was taken by the Rs.450 crore issue of IPCL. Subsequent issues included HUDCO, Hindalco, HAL, IDBI, Indo-Gulf and ITI.

Mr.Haldea reported that the coupon rates continued to decline during the period. While tax-free bond issues offered rates of 8.75 per cent, the taxable debentures/bonds had coupon rates ranging from 12.25 per cent to 17 per cent. The previous quarter had witnessed rates as high as 22 per cent. The tenor ranged from 6 months to 120 months.

80 of the 107 issues went for credit rating. Of the total of Rs.13585 crore, an amount of Rs.12250 crore was raised by rated issues and Rs.1336 crore by unrated issues.

Only 53 of the 107 issues opted for listing. NSE occupied the first position with 50 of the 53 issues proposing listing with it. Delhi ranked second with 2 issues followed by Pune and Vadodara ranking third with 1 issue each. BSE was conspicuous by its absence.

The 6-month period, as per the PRIME report, also witnessed a significant mobilisation through private placement of preference shares. As many as 14 companies raised Rs.470 crore through this route.