

1<sup>st</sup> November, 2001

## **Rs.22848 CRORE RAISED THRU DEBT PRIVATE PLACEMENTS IN 1<sup>ST</sup> HALF : PRIME**

While the public issuances for both debt and equity nosedived to a dismal level in the first half of the current fiscal 2001-02 raising only Rs.1101 crore and Rs.6 crore respectively, the debt private placement market continued to thrive as in the past 5 years.

The first half witnessed **118 institutions and corporates mobilising an amount of Rs.22848 crore through debt private placement.** This has been reported by Mr.Prithvi Haldea of **PRIME** which operates the country's premier and only data base on debt private placements.

**In line with the international practice, PRIME now takes cognisance of only such debt placements which have a tenor and put/ call option of more than 1 year. On a comparable basis, this half's mobilisation of Rs.22848 crore was almost similar to Rs. 23057 crore raised by 122 issuers in the corresponding period of the previous year.** Incidentally, the previous full fiscal had seen a mobilisation of Rs.52456 crore of such paper.

**A notable development of the period, according to Mr.Haldea, was the huge increase in the mobilisation by the private sector.** In the first half of 2000-01, the corporates had raised Rs.4812 crore. In the current year, the raising by the private sector recorded a 31 per cent gain to reach Rs.6304 crore. Leading the pack of mobilisers was Reliance Petroleum (Rs.1061 crore), followed by GE Capital (520), TISCO (350), Gujarat Ambuja Cement (300) and Tata Power (300). **The increasing mobilisation by the private sector can be partly explained by the near-demise of the IPO route.**

**The raisings by PSUs too saw a 34 per cent improvement, according to the PRIME report.** While the first half of the previous year had seen a mobilisation of Rs.3642 crore, an amount of Rs.4881 crore was raised in the current period. The major mobilisers were REC (869 crore), Power Grid (761), SAIL (700), NTPC (575) and BPCL (445).

**On the other hand, the recent half witnessed a near-similar level in mobilisation by the all-India financial institutions/ banks,** rising marginally from Rs.8038 crore to Rs.8056 crore. Leading the pack of mobilisers was ICICI (Rs.2449 crore), followed by IDBI (1403), HUDCO (738) and Canara Bank (450).

**Significantly, the mobilisation by state level undertakings, according to PRIME, nosedived by 51 per cent,** from Rs.5858 crore to Rs.2891 crore in the relevant periods. This has been partly a result of the new RBI guidelines to banks on investments in state paper. It may be mentioned that most of the funds raised by SLUs have been for the infrastructure sector, mainly power, roads and water resources. The leader in mobilisation during the 6-month period was Krishna Bhagya Jala Nigam (Rs.356 crore), followed by GEB (300), Maharashtra Vikrikar (244), JKSPDC (200) and GSRTC (200).

**According to PRIME, Government organisations and financial institutions/ banks put together witnessed a major decline, with their share falling from 79 per cent in the first half of the previous year to 72 per cent in the recent half year period.** Among government organisations, all-India financial institutions/ banks led with a 35 per cent share (Rs.8056 crore) followed with a 21 per cent share by public sector undertakings (Rs.4881 crore), a 13 per cent share by state level undertakings (Rs.2891 crore) and a 3 per cent share by state financial institutions (Rs.716 crore).

Issuer Type	No.of Issuers	Amount (Rs.crore)	%
All-India Fin.Inst.& Banks	19	8056	35
State Fin.Inst.	2	716	3
Public Sector Undertakings	11	4881	21
State Level Undertakings	24	2891	13
Private Sector	62	6304	28
	118	22848	100

**Significantly, a total of Rs.12272 crore (or 54 per cent) was raised by AAA rated paper as per the PRIME study.** On the other hand, Rs.2025 crore of paper was not rated at all.

**On an industry-wise basis, the financial services sector including banking and term lending, continued to dominate the market, collectively raising Rs.10756 crore or 47 per cent of the total amount.** Power ranked second with a 17 per cent share (Rs.3785 crore), followed by petroleum (1967) and steel (1050).

**Maharashtra-based organisations led the resource mobilisation activity** at Rs.9897 crore (or 43 per cent of the total), followed by Delhi at Rs.6798 crore and Karnataka at Rs.1940 crore, according to PRIME.