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## **STEEP FALL--- ONLY Rs.5068 CRORE RAISED THRU DEBT PRIVATE PLACEMENTS IN 1<sup>ST</sup> QUARTER: PRIME**

On one hand, the public issues market nose-dived to a dismal level in the first quarter of the current fiscal 2002-03 with equity raising of only Rs.209 crore and a nil raising by debt. According to Mr.Prithvi Haldea of PRIME Database, on the other hand, a huge decline in mobilisation of debt (bonds) through private placement was also witnessed with **only Rs.5068 crore being mobilised by 42 institutions and corporates, compared to Rs.12375 crore by 82 issuers in the corresponding quarter of the previous fiscal.** This has been reported by **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.

**The first quarter's mobilisation, according to PRIME, as such was a huge 59 per cent lower than the same period of the previous year.** On a quarter-on-quarter basis, the April-June period registered a decline of 64 per cent over Rs.13906 mobilised in the January-March quarter. It may be mentioned that 2001-02 had witnessed for the first time in 6 years a decline on a year-to-year basis and the downward trend has continued into the new year. Incidentally, Rs. 46220 crore had been raised in the full previous year.

**According to Mr.Haldea, the major decline in mobilisation came courtesy the state level undertakings who recorded a 68 per cent fall from Rs.1696 crore to Rs.550 crore.** 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 KSEB (Rs.400 crore). In fact, only 3 SLUs entered the market.

**The quarter, as per PRIME, also witnessed a 67 per cent decline in mobilisation by the all-India financial institutions/ banks, down from Rs.4346 crore to Rs.1449 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 HUDCO (Rs.450 crore), followed by IDBI (259), IRFC (205) and EXIM Bank (175).

**A notable development of the period, according to Mr.Haldea, was the increasing dominance of the private sector which, for the first time this quarter gained the top sectoral position. However, its share at Rs.1876 crore was still 56 per cent lower compared to the same quarter in the previous year.** Significantly, most of the private sector debt was of AAA category and was raised for retirement of old expensive debt or acquisitions. Leading the mobilisers in this sector was RIL (Rs.340 crore), followed by GE Capital (270), Indo Gulf (200), Ballarpur (140) and Ashok Leyland (125).

The raisings by PSUs too saw a 46 percent decline. While the previous year's quarter had seen a mobilisation of Rs.1670 crore, only Rs.904 crore was raised in the current quarter. Major mobilises were SAIL (Rs. 500 crore), NTC (200) and IPCL (125).

As per PRIME, Government organisations and financial institutions, put together, still continued to dominate, mobilising a high 63 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 29 per cent share, followed with an 18 per cent share by PSUs, an 11 per cent share by SLUs and a 6 per cent share by state financial institutions.

Issuer Type	No.of Issuers	Amount (Rs.crore)	%
All-India Fin.Inst.& Banks	9	1449	29
State Fin.Inst.	2	288	6
Public Sector Undertakings	5	904	18
State Level Undertakings	3	550	11
Private Sector	23	1876	37
	42	5068	100

The highest mobilisation through debt private placements during the quarter was by SAIL (Rs.500 crore), followed by HUDCO (450), KSEB (400), RIL (340), GE Capital (270), IDBI (259), APPFC (208) and IRFC (205).

According to PRIME, on an industry-wise basis, the financial services sector continued to dominate the market, collectively raising Rs.2320 crore or 46 per cent of the total amount. Power ranked second with a 10 per cent share (Rs.530 crore), followed by steel (530).

In addition to the above one-year tenor mobilisation of Rs. 5068 crore, an amount of Rs.4788 crore was raised through 158 deals of less than 1 year tenor debentures by 39 issuers. Moreover, an amount of Rs. 555 crore in 7 deals was raised through pass-through certificates (securitised paper).