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Rs.14778 CRORE RAISED THRU DEBT PRIVATE PLACEMENTS IN 1ST HALF : PRIME

A huge decline in mobilisation of debt (bonds) through private placement was witnessed with **only Rs.14778 crore being mobilised by 88 institutions and corporates, compared to Rs.24258 crore by 133 issuers in the corresponding period of the previous fiscal. The first half's mobilisation as such was a huge 39 per cent lower than the same period of the previous year.** 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 July–September quarter saw a raising of Rs.9608 crore, registering an increase of 86 per cent over Rs.5169 crore mobilised in the April–June quarter according to Mr.Haldea. 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.

As per PRIME, the period witnessed a 48 per cent decline in mobilisation by the all-India financial institutions/ banks, down from Rs.8867 crore to Rs.4621 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.1305 crore), followed by IDBI (510), HUDCO (450) and PNB (390).

The major decline in mobilisation, according to PRIME, also came courtesy the state level undertakings who recorded a 32 per cent fall to Rs.1985 crore compared to Rs.2908 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 GEB (Rs.500 crore) followed by SSNNL (400) and KSEB (400). In fact, only 10 SLUs entered the market.

A notable development of the period, according to Mr.Haldea, was the increasing dominance of the private sector which, for the first time, gained the top sectoral position. 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. However, its share at Rs.4810 crore was still 30 per cent lower compared to Rs.6869 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.640 crore), followed by GE Capital (582), Indo Gulf (300), Rabo (265) and ACC (250).

The raisings by PSUs too saw a 44 percent decline. While the previous year's corresponding period had seen a mobilisation of Rs.4888 crore, only Rs.2739 crore was raised in the current period. Major mobilises were Power Grid (Rs.1284 crore), SAIL (Rs. 500 crore), NTC (366) and IPCL (250).

According to PRIME, Government organisations and financial institutions, put together, still continued to dominate, mobilising a high 67 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 31 per cent share, followed with a 19 per cent share by PSUs, a 13 per cent share by SLUs and a 4 per cent share by state financial institutions.

Issuer Type	No.of Issuers	Amount (Rs.crore)	%
All-India Fin.Inst.& Banks	20	4621	31
State Fin.Inst.	3	622	4
Public Sector Undertakings	8	2739	19
State Level Undertakings	10	1985	13
Private Sector	47	4810	33
	88	14778	100

The highest mobilisation through debt private placements during the period was by IRFC (Rs.1305 crore), followed by Power Grid (1283), RIL (640), GE Capital (582), IDBI (510), GEB (500) and SAIL (500).

On an industry-wise basis, the financial services sector, according to PRIME, continued to dominate the market, collectively raising Rs.6826 crore or 46 per cent of the total amount. Power ranked second with a 20 per cent share (Rs.3023 crore), followed by steel (565).

Mr.Haldea stated that in addition to the above one-year tenor mobilisation of Rs. 14778 crore, a significant additional amount of Rs.8430 crore was raised through 315 deals of less than 1 year tenor debentures by 53 issuers. Moreover, an amount of Rs. 1740 crore in 21 deals was raised through pass-through certificates (securitised paper).