

10<sup>th</sup> June, 2003

Annual Review

## **Rs.48424 CRORE RAISED THRU DEBT PRIVATE PLACEMENTS IN 2002-03 : PRIME**

The recently concluded fiscal 2002-03 witnessed a continuing activity in mobilisation of debt (bonds) through private placement, with **171 institutions and corporates mobilising an amount of Rs.48424 crore**. This has been reported in the Annual Report released 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.

**According to Mr.Haldea of PRIME, the year's mobilisation of Rs.48424 crore was 5 per cent higher than Rs. 46220 crore which was raised in the previous year, though 8 per cent lower than Rs.52456 crore that was mobilised in 2000-01.**

**A notable development of the year, according to Mr.Haldea, was the continuing decline in mobilisation by the state level undertakings who recorded a 31 per cent fall from Rs.6334 crore in 2001-02 to Rs.4389 crore.** It may be noted that these institutions had mobilised Rs.11314 crore in 2000-01. The increasing defaults by SLUs in payment of interest/ redemption, leading to RBI's directions to banks to become more diligent with investments in such placements has been 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 mobilisers was Sardar Sarovar (Rs.800 crore), followed by GEB (694), MKVDC (419), JKSPDC (292) and MSRDC (262).

**The year also witnessed, according to PRIME, a continuing decline in mobilisation by the all-India financial institutions/ banks, this time by 7 per cent, down from Rs.18603 crore to Rs.17369 crore.** Incidentally, their mobilisation was Rs.22787 crore in 2000-01. The major fall came because of lower mobilisation by ICICI and IFCI. Leading the pack of mobilisers in this category was EximBank (Rs.2505 crore), followed by IRFC (1785), HUDCO (1524), NHB (1475) and IDBI (1360).

**According to Mr.Haldea, another sector which witnessed a decline in the mobilisation, though only of 8 per cent, was the private sector.** In fiscal 2000-01, corporates had raised Rs.9169 crore, which grew by a huge 22 per cent to Rs.11200 crore in 2001-02. In 2002-03, the mobilisation by the corporates fell down to Rs.10250 crore. 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 Reliance (Rs.1590 crore), followed by GE Capital (1226), Panatone Finvest (565), Grasim (425), Indo Gulf (400) and ACC (400).

**Mr. Haldea stated that one sector which saw a huge jump was the PSUs. Their raisings witnessed a 50 per cent improvement.** While 2000-01 had seen a mobilisation of Rs.6912 crore, in the year 2001-02, an amount of Rs.8375 crore had been raised. **The mobilisation in 2002-03 touched a high Rs.12549 crore. Major mobilisers were NHAI (Rs. 5593 crore), NTPC (2173), PGCI (1784), NHPC (690), NTC (616) and SAIL (500).**

**According to PRIME, Government organisations and financial institutions, put together, continued to dominate, mobilising a high 79 per cent of the total amount, though down from 79 per cent in 2001-02 and 83 per cent in 2000-01.** Among government organisations, all-India financial institutions/ banks led with a 36 per cent share, followed with a 26 per cent share by PSUs, 9 per cent share by state level undertakings and an 8 per cent share by state financial institutions.

Issuer Type	No.of Issuers	Amount (Rs.crore)	%
All-India Fin.Inst.& Banks	44	17369	36
State Fin.Inst.	10	3867	8
Public Sector Undertakings	15	12549	26
State Level Undertakings	23	4389	9
Private Sector	79	10250	21
	171	48424	100

The top 10 mobilisers of debt private placements during the year were NHAI (Rs.5593 crore), Exim Bank (2505), NTPC (2173), IRFC (1785), PGCI (1784), APPFC (1593), RIL (1590), HUDCO (1524), NHB (1475) and IDBI (1361).

**On an industry-wise basis, the financial services sector, as per PRIME, continued to dominate the market, collectively raising Rs.24454 crore or 50 per cent of the total amount.** Power ranked second with a 16 per cent share (Rs.7793 crore), followed by roads & highways (5856).

According to PRIME in addition to the above one-year tenor mobilisation of Rs.48424 crore, **a huge amount of Rs.21730 crore** (previous year Rs. 12907 crore) was raised through 649 deals (previous year 494) of **less than 1 year tenor bonds.**

Moreover, the PRIME study shows that a huge increase was also witnessed in the issue of **pass-through certificates** (securitised paper). **An amount of Rs. 5889 crore** (previous year Rs.1576 crore) was raised through 54 deals (previous year 22).