

30<sup>th</sup> October 2013

## RS. 1.70 LAKH CRORE RAISED THROUGH COMMERCIAL PAPERS IN H1 2013-14: PRIME

Corporate India raised **Rs.1.70 lakh crore** through issuance of commercial paper (CP) in the first half of this fiscal according to Pranav Haldea, Managing Director of PRIME, the country's premier database on primary capital market.

This amount, which was raised by **169 issuers**, was however **down by 15 per cent** from Rs. 2.01 lakh crore raised by 184 issuers in the similar period last year. Amounts raised and number of issuers in the first half of the last 5 years are given below:

YEAR (Apr-Sep)	NO.OF ISSUERS	AMOUNT (Rs.crore)
2008-09	114	34,829
2009-10	118	50,805
2010-11	180	84,994
2011-12	208	1,66,672
2012-13	184	2,01,395
2013-14	169	1,70,089

CPs are unsecured money market instruments issued to raise short-term funds with maturity period of less than one year.

According to Mr. Haldea, fund raising through CPs, which had witnessed a lot of buoyancy in last 2 years, nearly dried up after RBI in mid-July raised the lending rates by 200 basis points under the marginal standing facility, which is a penal lending rate. This had pushed up the short-term rates by more than 300 basis points, making it unviable for companies to borrow from the markets.

The subsequent easing of short-term rates has again led to companies going to the CP market in place of higher-cost borrowings from banks. **Fund raised through CP, which were at Rs. 36,702 crore in June and which fell to Rs. 29,520 crore in July and further to just Rs. 7,652 crore in August, saw a reversal of trend in September with Rs. 18,684 crore being raised.**

In the first half this year, **60 per cent of the funds raised were with a YTM of between 8 to 9 per cent** while another 17 per cent were at a YTM of less than 8 per cent. The **private sector led with a 57 per cent share** followed by All-India Financial Institutions and Banks category at 24 per cent and PSUs at 19 per cent. **Indian Oil Corp. Ltd. was the highest issuer raising Rs.13,985 crore** followed by Housing Development Finance Corp. at Rs.11,075 crore. The **highest mobilisation was from the Financial Services / Banking / Term Lending sector at 61 per cent** followed by Oil Exploration/ Drilling/ Refining at 15 per cent and Pharmaceuticals & Drugs at 7 per cent.

**65 per cent of the funds raised were for a tenure between 1-3 months. 98 per cent of the issues (by amount) were rated A1+.**