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DEBT PRIVATE PLACEMENTS RISE TO RS.7529 CRORE IN FIRST QUARTER : PRIME

The first quarter of fiscal 1997-98 witnessed a major growth in the private placement of debt with a **total of 42 institutional and corporate organisations through 47 issues mobilising an amount of Rs.7529 crore**. This has been reported by Mr.Prithvi Haldea in the Quarterly Report of **PRIME** which has recently launched the country's first and only data base on private placements. Reports put out by some other organisations have erroneously placed the amount at only Rs.2500 crore to Rs.3000 crore.

In the previous full year, 158 organisations through 204 issues had raised Rs.18104 crore. The first quarter, as such on a pro-rata basis, represents a substantial increase. Incidentally, the first quarter of fiscal 1996-97 had witnessed a mobilisation of Rs.3201 crore. The increase in the current quarter's mobilisation is, therefore, a significant 135 per cent according to **PRIME**.

The largest private placement mobiliser of the quarter was IRFC (Rs.1381 crore) which was followed by IDBI (1200), IFCI (500), SAIL (497), IPCL (450), Krishna Bhagya (400), RSEB (300), Reliance Capital (300), Sardar Sarovar (250) and Vidarbha Irrigation (227).

As per Mr.Haldea, though a high 73 per cent of the total amount was mobilised by government organisations, this represented a fall from its 90 per cent share in the preceding full fiscal. All- India financial institutions and banks led with a 41 per cent share (Rs.3081 crore) followed by a 16 per cent share each by PSUs (Rs.1222 crore) and state level undertakings (Rs.1207 crore).

The quarter witnessed a major **emergence of the private sector** according to **PRIME**. Declining interest rates on the one hand and poor conditions in the primary capital market led to several corporates opting for the private placement route. **While only 15 private sector companies had made placements in 1995-96 aggregating Rs.448 crore (4 per cent share), fiscal 1996-97 saw this rise to 110 companies raising Rs.1766 crore (10 per cent share).** In the first quarter of current fiscal, the private sector raised Rs.2019 crore, representing 27 per cent of the total mobilisation.

Significantly, unlike the previous year, the mobilisation from the private sector in the current quarter was from fewer companies (29) and almost all of these were large corporates with big issues. The average size of the private sector's issue in the first quarter was Rs.70 crore compared to only Rs.16 crore in fiscal 1996-97. Major mobilisation were made by Reliance Capital (Rs.300 crore), Reliance Industries (150), L&T (150), M&M (106), Indo-Gulf (100), ACC

(100), Grasim (100) and TVS Suzuki (100). Other names included SPIC, Nestle, Gujarat Alkalies, Tata Sons, Indian Rayon and E.I.D.Parrry.

Issuer Type	No.of Issuers	No.of Issues	Amount (Rs.crore)
All-India Fin.Inst.& Banks	3	4	3081
State Fin.Inst.	1	1	80
Public Sector Undertakings	4	4	1222
State Level Undertakings	5	5	1127
Private Sector	29	33	2019
	<u>42</u>	<u>47</u>	<u>7529</u>

According to Mr.Haldea, the financial services sector comprising FIs, banks and private sector finance companies dominated the scene cornering Rs.3724 crore or 49 per cent of the total amount (similar to 51 per cent in the previous year). Power ranked second with a 10 per cent share (Rs.727 crore). The other sectors included petrochemicals (Rs.675 crore), water resources (650), steel (523) and auto (206).

The quarter witnessed the emergence of the bookbuilding route in private placement issues. The lead was taken by the Rs.450 crore issue of Indian Petrochemicals Corp.Ltd.

Coupon rates presented an interesting picture. While tax-free bond issues offered rates of 10.5 per cent, the taxable debentures/bonds had coupon rates ranging from 13 per cent to a high 22 per cent. The tenor ranged from 18 months to 84 months.

As per PRIME, 40 of the 47 issues went for credit rating. Of the total, an amount of Rs.7310 crore was raised by rated issues and Rs.219 crore by unrated issues.

Only 28 issues opted for listing. NSE occupied the first position with 27 of the 28 companies proposing to list their issues with it. Pune and Vadodara ranked second with 1 issue each.