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BOOMING DEBT PRIVATE PLACEMENTS : RS. 30944 CRORE RAISED IN 1997-98 : PRIME

While the primary capital market continued to languish and reached alarmingly low levels, fiscal 1997-98 witnessed a phenomenal growth in the private placement of debt with **153 institutional and corporate organisations through 251 issues mobilising an amount of Rs.30944 crore**. This has been reported by Mr.Prithvi Haldea of **PRIME** which operates the country's first and only data base on private placements.

Compared to 1996-97 when 159 organisations had raised Rs.18391 crore, **fiscal 1997-98 thus represents a substantial 68 per cent increase**. Incidentally, fiscal 1995-96 had witnessed a mobilisation of Rs.10035 crore. The size of the market has, as such, more than trebled over the last 2 years.

According to PRIME, in terms of arrangers, SBICAP made it to the top position being involved with issues aggregating Rs.12812 crore. DSP Merrill Lynch followed very closely with Rs.12730 crore. Kotak (Rs.11580 crore) and RR Financial (Rs.11284 crore) were at 3rd and 4th position respectively.

The highest mobilisation through debt private placement during the year was made by IDBI (Rs.3602 crore), followed by IFCI (3210), ICICI (2650), IRFC (1506), MSRDC (1170), KBJN (810), SAIL (767), Reliance Capital (651), Reliance Telecom (600), MSEB (600), HUDCO (561) and Sardar Sarovar (547).

Though a high 75 per cent of the total amount was mopped up by government organisations, this represented a fall from its 90 per cent share in 1996-97 and 95 per cent in 1995-96, as per the PRIME Annual Report.

Among government organisations, all- India financial institutions and banks led with a 39 per cent share (Rs.12182 crore) followed with a 22 per cent share by state level undertakings (Rs.6726 crore), a 13 per cent share by PSUs (Rs.4008 crore) and a 1 per cent share by state financial institutions (Rs.405 crore). On the other hand, the private sector raised Rs.7574 crore, representing 25 per cent of the total mobilisation.

Issuer Type	No.of Issuers	Amount (Rs.crore)	%
All-India Fin.Inst.& Banks	15	12182	39
State Fin.Inst.	3	405	1
Public Sector Undertakings	18	4008	13
State Level Undertakings	23	6726	22
Private Sector	94	7624	25
	153	30944	100

A significant feature of year, PRIME stated, was the growing emergence of state level undertakings, which raised resources primarily for infrastructure. From a meagre Rs.311 crore in 1995-96 to Rs.2630 crore in 1996-97, the recent fiscal saw this sector raising a high Rs.6726 crore. The major mobilisers were Maharashtra State Road Dev.Corp. (Rs.1171 crore), Krishna Bhagya Jala Nigam (810), MSEB (600), Andhra Pradesh Road Dev.Corp. (409), KSEB (396), HSEB (370), Himachal Pradesh State Forest Corp. (310), Andhra Pradesh Water Resources (303), Maharashtra Jeevan Pradhikaran (300) and RSEB (300).

On the other hand, there was a drop in the mobilisation efforts of PSUs ; down from Rs.5301 crore in 1996-97 to Rs.4008 crore in 1997-98.

The period witnessed **an increasing mobilisation by the private sector.** According to Mr.Haldea, 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.528 crore (5 per cent share), 1996-97 saw this jump to 111 companies raising Rs.1813 crore (10 per cent share) **and to Rs.7624 crore by 94 companies in 1997-98 (25 per cent share).**

The financial sector continued to dominate the market, collectively raising Rs.14851 crore or 48 per cent of the total amount, as per the PRIME analysis. Power ranked second with a 12 per cent share (Rs.3777 crore), followed by water resources (2186), roads (1630), telecommunications (1250), petrochemicals (970) and steel (867).

174 of the 251 issues went for credit rating. Of the total Rs.30944 crore, an amount of Rs.26325 crore (85%) was raised by rated issues and only Rs.4619 crore by unrated issues.

Only 109 of the 251 issues opted for listing. NSE occupied the top position with 105 of the 109 issues proposing listing with it. Delhi and Vadodara ranked followed with 4 and 2 issues. BSE was conspicuous by its absence.

An important characteristic of the private placement market, according to Mr.Haldea, has been that while on the one hand, the major mobilisers are financial institutions, banks and other government organisations, on the other hand, majority of the investment in these issues is also institutional like by banks, financial institutions, provident funds, trusts and rural banks. This, therefore, in no way reflects direct mobilisation of household savings as is the case of the primary capital market.