

## NBFC Liquidity Has Improved, Strong Balance Sheet is Key

**ET Q&A**

There is a significant appetite for digital tech-

nology-enabled high-growth businesses in the capital market and India will witness several IPOs in that segment in the next few years, **Vishal Kampani**, managing director at JM Financial group, tells **Saikat Das** in an interview. He expects demand for credit to improve with the impact of the pandemic receding, and interest rates to remain low, aided by the Reserve Bank of India's accommodative policy stance. Edited excerpts:

### What lessons can NBFCs learn from the pandemic?

The biggest lesson from the pandemic is to have a strong balance sheet with healthy debt-to-equity ratios that can absorb higher provisioning and will allow access to liquidity even in challenging markets.

### What is your assessment of the industry credit demand?

With the pandemic impact receding gradually, the demand for credit is likely to improve from the current levels. With RBI's accommodative policy stance, interest rates are likely to remain low. On the infrastructure development side, growth will majorly be driven by brownfield projects. We could see rising vaccinations and an overall improvement in the economy.

### Do you have fintech lending plans?

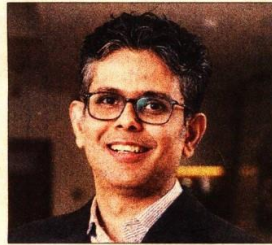
Fintech companies have smartly leveraged technology for their lending business. We continue to evaluate opportunities such as collaborating with the fintech universe and in case we find it attractive, we should look to lend to this segment.

### How will the third wave of Covid impact the economy, if at all?

We are better equipped to deal with the third pandemic wave. The infection rate may rise but won't be as sinister as it was in the past. The economy is expected to grow at a faster pace due to higher capital spending by the Centre and states and more project announcements are likely by the private sector.

### How is the deal street bracing up for more new-age IPOs?

We are witnessing a paradigm shift in the breadth and depth of the capital



**VISHAL KAMPANI**  
Managing Director, JM Financial

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markets. There is a significant appetite for digital technology-enabled high-growth businesses in the capital markets. We will see several IPOs in that segment in the next few years.

### NBFCs were mired in a liquidity crisis during the pandemic. What's the scene now?

The liquidity position of the NBFC sector, in general, is improving. A host of factors including adequate systemic liquidity and low funding cost leading to stable margins have helped strong NBFCs emerge from the several crises over the last few years. However, this need not be the case with smaller and lower-rated NBFCs.

### What's the way out?

One of the suggestions would be to allow NBFCs/HFCs access to external commercial borrowings for construction finance for residential and commercial projects. Such ECBs should have a minimum tenor say three years to ensure asset lending duration is matched with the available hedge.

### How do you plan to align with the reclassification of your businesses?

We have aligned our business segments to further sharpen the focus on our clients. They are investment banking, mortgage lending, alternative and distressed credit, wealth management and securities. They work closely as they deal with corporate, government, institutional, wealthy clients.

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