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COVID-19 HAS FORCED BANKS TO RAISE CAPITAL

NBFCs Better Placed with Liquidity Woes Easing: Kampani

Debt capital markets to be bigger business for JM Financial in the next 5 years, says MD

Saikat Das & Indulal PM

Mumbai: Liquidity crunch at non-banking finance companies (NBFC) has eased substantially after the Reserve Bank of India enhanced fund flows in the system, said Vishal Kampani, MD, JM Financial.

"The liquidity issue for NBFCs is a thing of the past as we have substantial surplus liquidity in the system," he told **ET** in an interaction.

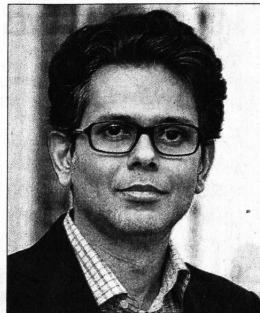
Banks have raised capital through equity issuances during the last six months purely from a defensive perspective, he said. But many are neither issuing capital at their preferred prices nor the best possible prices they would have otherwise got in the market.

"Had Covid-19 not affected the economy, many of these banks wouldn't have needed the capital," Kampani said.

He also said the sector will pull through despite the Covid-induced crisis. "Some cases of management and decision-making without adequate compliance will not fail the sector," said Kampani.

India's consumer markets have grown because of consumer finance companies. Similarly, the auto finance market has developed because of all the captive auto finance companies owned by the OEMs (original equipment manufacturers).

"NBFCs/HFCs (housing finance companies) have played a pioneering role in the country for mortgages and construction funding," he said. NBFCs have played an important role in the deve-



OUTLOOK POSITIVE

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VISHAL KAMPANI

Managing Director, JM Financial

lopment of the credit market in India, Kampani said.

JM Financial has emerged as a diversified financial conglomerate, ridding itself of its age-old "equity-focused investment banking" tag. It has expanded its presence into debt capital market, distressed assets, housing loans and asset management businesses.

"The biggest edge for us is our ability to handle complexities in transactions," said Kampani. He cited the Reliance-Future Retail and the IL&FS deals as examples.

JM Financial is bullish on debt capital markets (DCM).

"We can't be relying only on banks to fund us. For us, DCM will become as big, if not bigger, a business as equity capital markets over the next 3-5 years," said Kampani.