

Liquidity Crisis Triggered: Deeper Impact on NBFCs


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We all know that **NBFCs** play an important role in promoting inclusive growth in the country, more specifically micro and small business customers as well as other underserved customers by banking sector.

At close of 2018, NBFCs are yet to come out of the woods after infrastructure behemoth Infrastructure Leasing and Financial Services (IL&FS) defaulted on its loan obligations. The defaults laid bare the mismatches between assets and liabilities of some NBFCs, and the risks of defaulting on account of liquidity mismatches.

After the IL&FS Crisis, it is evident that rolling over debt (more specifically short term CPCs) has not been that easy. The repayment crisis has created a ripple effect in the market, leading to the shooting up of borrowing costs.

"NBFCs will be significantly impacted if the liquidity distress prolongs for an extended period of time" rating agency Moody's said in a report.

Any effects on the NBFCs operations will spill over to the broader economy mainly through the credit channel because NBFCs are provider of significant part of credit for the economy. This subsequently will slow down the consumption and economic growth.

Post IL&FS default, both public sector banks as well private sector banks have stopped or tightened lending to NBFCs and housing finance companies, it has further aggravated liquidity crunch in the markets and made it difficult for NBFCs to do normal business.



However, **Vistaar** was able to continue normal functioning during the crisis, due to our strong **Asset Liability Management (ALM)**, and we were able to fund our disbursements normally. We also have been able to create **strong pipeline** of debt from diversified lenders to take care of our future disbursement for next few months.

Snapshot - Dec, 2018

| | |
|------------------------------|--------|
| States | 14 |
| Branches | 220 |
| Districts | 150 |
| Customers | 37,098 |
| Employees | 2,053 |
| Disbursements (YTD) (₹ Crs.) | 571 |
| Enterprise POS (₹ Crs.) | 1,165 |
| Portfolio (₹ Crs.) | 1,391 |