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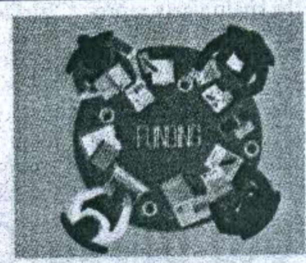
'NBFCs must keep pace with technologies to attract PE investment'



NEW DELHI: As banks grapple with bad loan problem, non-banking financial companies are witnessing rise in their market share, however, they will have to keep pace with technologies to attract investment, says a study.

"With banks tightening their purse strings owing to increasing bad loans, Indian non-banking financial companies (NBFCs) are growing their market share, however, they will have to keep pace with new technologies and changing customer aspirations to attract timely PE (private equity) investments," said a joint study by industry body Assocham and advisory firm PwC.

The study suggests that NBFCs must challenge the status quo in their business and find funds to invest into operating models with the potential to disrupt the industry.

With the digital advance of policy initiatives such as India Stack, Aadhaar Pay and Direct Benefit Transfer (DBT), and exponential increase in smartphone/Internet access, NBFCs need to think hard about tweaking their current business models to grow in a hybrid world --'digital plus physical'.

"New tech-based business models have the potential to crunch the learning period substantially and re-balance the strategic advantage of information access by inserting themselves into the value chain with technology," said the study titled 'Fuelling NBFCs through Private Capital'.

NBFCs will have to invest in new technologies to lower their cost of acquiring new segments, servicing existing customers and de-risking the portfolio in order to ride the wave of increasing formal credit penetration in a growing economy, the study noted.

Besides, in order to fulfil demands of the new-age customer in terms of credit facilities, NBFCs will have to invest in analytics and artificial intelligence capabilities to be able to connect to the customer in a hyper-personalised manner.

As most of public sector banks and some private banks are grappling with bad loans for last many years, it has generated a tremendous opportunity for NBFCs to ramp up its scale.

In the last two years, NBFCs have doubled their market share in SMEs (small and medium enterprises) and wholesale loans and have made substantial inroads in other consumer loan categories, the study said.

Coupled with lower cost, a focused approach on limited credit products and strong underlying risk management capabilities help NBFCs to not only underwrite credit to a targeted set of customers but also to control bad debts, making them one of the attractive sectors for PE funding, as per the study.

"Private equity firms can provide the necessary capital and financial muscle to undertake strategic decisions right from expanding existing markets, building newer capabilities, improving efficiency or even to refinancing existing high cost debt," it said. PTI

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Tech will help NBFCs meet credit demand

• **AGENCIES**/New Delhi

Amid the increasing pressure on the banking system due to bad loans, an ASSOCHAM-PwC study has noted that in order to meet credit demand, non-banking financial companies (NBFCs) in India could explore investments in newer technology, particularly in the area of analytics and artificial intelligence (AI). With banks implementing more stringent policies owing to increasing bad loans, Indian NBFCs are growing their market share.

However, the study stated that NBFCs will have to keep pace with new technologies and changing customer aspirations to attract timely private equity (PE) investments. "NBFCs must challenge the status quo in their business and find funds to invest into operating models with the potential to disrupt the industry," noted the study titled 'Fuelling NBFCs through private capital.' It added that in the wake of digital advance of policy initiatives such as India Stack, Aadhaar Pay, Direct Benefit Transfer (DBT) and exponential increase in smartphone/internet access, NBFCs need to think hard about tweaking their current business models to grow in a hybrid world.

The report also said in order to ride the wave of increasing formal credit penetration in a growing economy, NBFCs will need to invest in new technologies to lower the cost of acquiring new segments (including thin files), servicing existing customers and de-risking the portfolio.

"New tech-based business models have the potential to crunch the learning period substantially and re-balance the strategic advantage of information access by inserting themselves into the value chain with technology," the study noted. The paper noted that state-run and some private sector banks have been grappling with bad loans for around three years, which has, in turn, given a tremendous opportunity for the NBFCs to ramp up their scale.

Indian healthcare market may grow threefold by 2022: Study

The compounded average growth rate of the Indian healthcare market is seen to be 22% up to the year 2022, and that of Indian medical devices market to grow at a CAGR of 15%.

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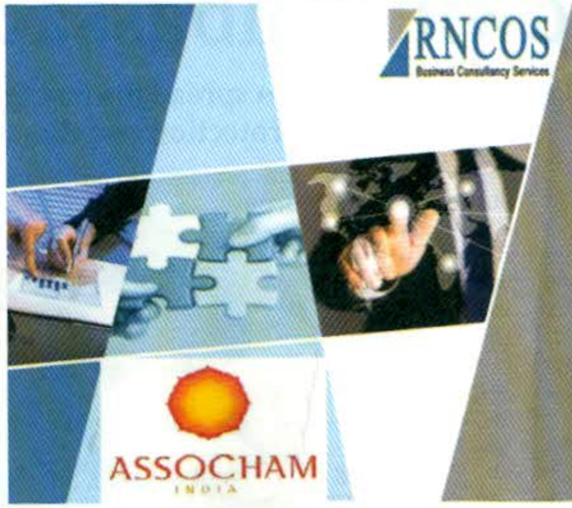
India's healthcare market may see a threefold rise as its size in value terms is likely to reach US$372 billion by 2022 from the level of $110 billion as of 2016. This will mean a compounded annual growth rate (CAGR) of 22 per cent, states an ASSOCHAM-RNCOS joint paper.

"Growing incidence of lifestyle diseases, rising demand for affordable healthcare delivery systems due to increasing healthcare costs, technological advancements, emergence of telemedicine, rapid health insurance penetration, mergers and acquisitions helping to reach untapped markets and government initiatives like e-health together with tax benefits, incentives and a host of upcoming regulatory policies are driving the healthcare market in India," noted the paper on 'Indian Healthcare Sector-An Overview,' jointly prepared by ASSOCHAM and research firm RNCOS.

The study reported that factors like growing geriatric population, uptick in medical tourism and gradual decline in cost of medical services will drive medical devices market in



India, which was valued at $4 bn as of 2016, and is likely to cross $11.bn mark by 2022, thereby registering a CAGR of 15 per cent.

It however noted that imports make up about 75 per cent of Indian medical devices market.

The paper noted that Goods and Services Tax (GST) will have a positive impact on Indian healthcare market, particularly the pharmaceutical sector.

"GST would not only streamline taxation structure but lead to ease of doing business by minimizing cascading effect of many taxes applied to a product, rationalize supply chain, enable flow of seamless tax credit, lower manufacturing cost, reduce cost of technology and make healthcare affordable."

Generic drugs account for about 70 per cent of India's $20 bn worth pharmaceutical market. Of these, anti-infectives occupy the largest share of 16 per cent followed by cardiovascular (13 per cent), gastro-intestinal (11 per cent), respiratory (nine per cent), vitamins/minerals (eight per cent) analgesic (seven per cent), anti diabetic (seven per cent) and others (29 per cent).

"Increasing expenditure on research and development (R&D), rising collaborations between Indian and foreign companies, reduction in product approval time and other such factors are driving the growth of Indian pharmaceutical market," highlighted the paper.