

# HOW FIRST CAPITAL ENSURED A FAST TURNAROUND AMIDST COVID-19

The Company is seeing an encouraging turnaround, largely driven by a relentless commitment to its clients and consistently delivering market-beating returns



**Mahesh Amarasinghe**  
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First Capital Holdings with over 35 years of expertise operating in the capital market of Sri Lanka has investment solutions for everyone; from retail mutual funds for ordinary folk to structured corporate, sovereign debt instruments and equity trading for sophisticated investors with larger appetites. The prolonged lockdown due to the COVID-19 pandemic has brought the economy to a standstill and eroded investor sentiment to new lows. First Capital, however, is already seeing an encouraging turnaround, largely due to two reasons: a relentless commitment to its clients and sharp investment decisions that consistently yield market-beating returns.

A senior executive at First Capital, managing a portfolio that serves the interest of both the investors and the issuing corporates, discuss the efforts that lead to success. For instance, by deploying technology, processes were quickly in place to ensure staff across the group were fully operational during the lockdown executing complex transactions and providing corporate clients finance advisory services to tide the cashflow crunch. A new online platform was introduced which helped clients monitor their portfolios and carry out transactions.

First Capital's ability to operate full tilt during the lockdown has also benefited its corporate clientele and investors with bigger appetites, says Mahesh Amarasinghe, who heads the corporate finance arm. He is the Assistant General Manager - Debt Structuring & Placement.

Structured debt instruments are typically locked-in until maturity, but First Capital was flexible enough to accommodate a few divestments during the lockdown. Importantly, however, the firm was able to structure new investments helping finance companies raise much-needed capital to tide over the economic impact of the pandemic.

Usually, Amarasinghe's unit handles around Rs 4-5 billion worth of new investments each year during the months of April and May. This year, amidst the lockdown the firm raised funds for corporates amounting to Rs2 billion. "Sentiment is improving, and investors are searching for stable and high-yielding investment opportunities in the corporate finance space," Amarasinghe said.

Throughout the lockdown, First Capital made sure that structured third-party payments and maturity dues were paid without delay. It was able to structure new debt instruments, issue trust certificates, handle legal documentation, and authenticate fund transfers all through remote-working and online processes.

First Capital has been the driver of

Sri Lanka's structured debt market, raising a total of Rs40.5 billion (19/20), Rs28.5 billion (18/19) and Rs24 billion (17/18), through Corporate Debt Structuring and Placement, including Rs7.25 billion (19/20) in listed IPOs in the last financial year.

Investors benefit because First Capital picks corporates to work with that can deliver attractive returns and provide security to investors. "We wouldn't structure a debt instrument unless we are prepared to invest in it ourselves," Amarasinghe said.

Amarasinghe added, that First Capital has been an advocate for better access to capital through financial disintermediation, where Issuers, the companies that are seeking funds to grow are able to look beyond traditional sources of funds such as banking and financial institutions and find opportunities to access investors to directly get involved and lend to projects. "This is what a vibrant capital market could do to grow business."

For Investors, corporate finance creates a more robust capital market structure that provide the opportunity of going directly into businesses and earn higher interest rates, in addition to the security that is behind this type of instrument. "For an investor investing in a Fixed Deposit, the obligation is only between the institution and the investor, however with structured corporate debt instruments such as securitizations, there is a regulator if listed, a security to back the funds and a trustee," Amarasinghe said.

Looking ahead, there are new investment opportunities opening in the corporate finance space that First Capital is positioned to exploit.

"We expect the M&A

market will gain momentum in the medium term as otherwise well-managed businesses navigate the uncertain period ahead," Amarasinghe said. Investors will also have opportunities to claim non-controlling equity stakes in well-managed and fundamentally strong small and medium-sized businesses that are now struggling due to the pandemic.

Another emerging investment opportunity for investors will be in the form of companies listing on the SME board of the Colombo Stock Exchange. As a registered sponsor, First Capital is well placed to prepare SMEs for a listing and connect investors with potentially better long-term returns. "This is an exciting investment area that we are eager to pursue in the medium term," Amarasinghe said. ●

**"FOR INVESTORS, CORPORATE FINANCE CREATES A MORE ROBUST CAPITAL MARKET STRUCTURE THAT PROVIDE THE OPPORTUNITY OF GOING DIRECTLY INTO BUSINESSES AND EARN HIGHER INTEREST RATES"**