

We expect gold-loan business to grow 10%, says Manappuram Finance CEO

V Sajeer Kumar Kochi | Updated on May 17, 2019 Published on May 17, 2019

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Manappuram Finance, the Kerala-based gold loan NBFC, is eyeing banks, financial institutions, commercial papers, and public and private NCDs to diversify its funding sources. “We have the approvals to raise ₹1,000 crore through public issue of NCDs, and we are doing this in tranches,” said VP Nandakumar, MD and CEO, in an interaction with *BusinessLine*. In the first two tranches, the company raised nearly ₹400 crore. The NBFC will also raise long-term loans from reputed national and international financial institutions. . Edited excerpts:

With the NBFC sector undergoing tight liquidity conditions, how has the performance of Manappuram Finance been in this area?

While there is no denying that the NBFC sector is going through challenges in the aftermath of the IL&FS default — which has brought into sharp focus the lax standards of asset-liability management at some prominent NBFCs — the fact remains that gold loan NBFCs like ours have never faced any issues on this account. More than 70 per cent of our book is parked in gold loans, where the average loan is repaid in three to four months. Once the market was convinced that we do not face any asset-liability mismatch, we have been able to carry on with the business as usual. Our bank limits were renewed and CPs rolled over without any hitch.

Could you explain the trends in loan recovery?

We offer mostly short-term loans of three months, which minimise the price risk. With timely auction in case of defaults, credit loss is minimised. Our recovery trends in gold loans are in line with the previous years and better than the industry average. Likewise, in our micro-finance business, loans are given to joint liability groups (JLGs) where the members of the group act as a check on each other. Delinquencies here are under 1 per cent, and we believe the trend will continue.

How about the outlook in the current financial year?

We continue to do well, and we look forward to further improvement in our growth trajectory in FY20. We expect the gold loan business, which is our bedrock, to grow by about 10 per cent. We are investing in expanding our branch network, especially in the northern and eastern regions. We plan to open about 150 more branches this year.

We expect the non-gold business verticals to contribute handsomely to our AUM and profitability growth. Our micro finance subsidiary continues to break new ground and should cross an AUM of ₹5,000 crore by the end of FY20.

Likewise, commercial vehicle loans and home loans are growing at a rapid pace. At the consolidated level, we hope to reach an AUM of ₹23,000 crore in FY20.

Will the election results have an impact on the economy?

In general, national elections lead to an uptick in spending and economic activity. For instance, during the 2014 elections, expenditure by political parties exceeded ₹40,000 crore.

However, this is always a short-term phenomenon that dissipates once the campaigning comes to an end. From the standpoint of the broader economy, what matters for business is a stable environment and policy continuity.

Further, no matter which political party or coalition comes to power, it will be incumbent on the new government to adhere to a fair amount of fiscal discipline. We must avoid a lurch towards excessive populism so that India's macro-economic fundamentals are not compromised. Otherwise, our hard-won battle against the inflation monster will prove to be in vain.

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