

Our business model has insulated us from NBFC crisis: Muthoot Pappachan Group

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The ongoing non-banking financial company (NBFC) crisis may have caused some temporary hiccups, but it did not have any major impact on the diversified Muthoot Pappachan Group, said its Chairman and Managing Director, Thomas John Muthoot, on Wednesday.

‘Challenging times’

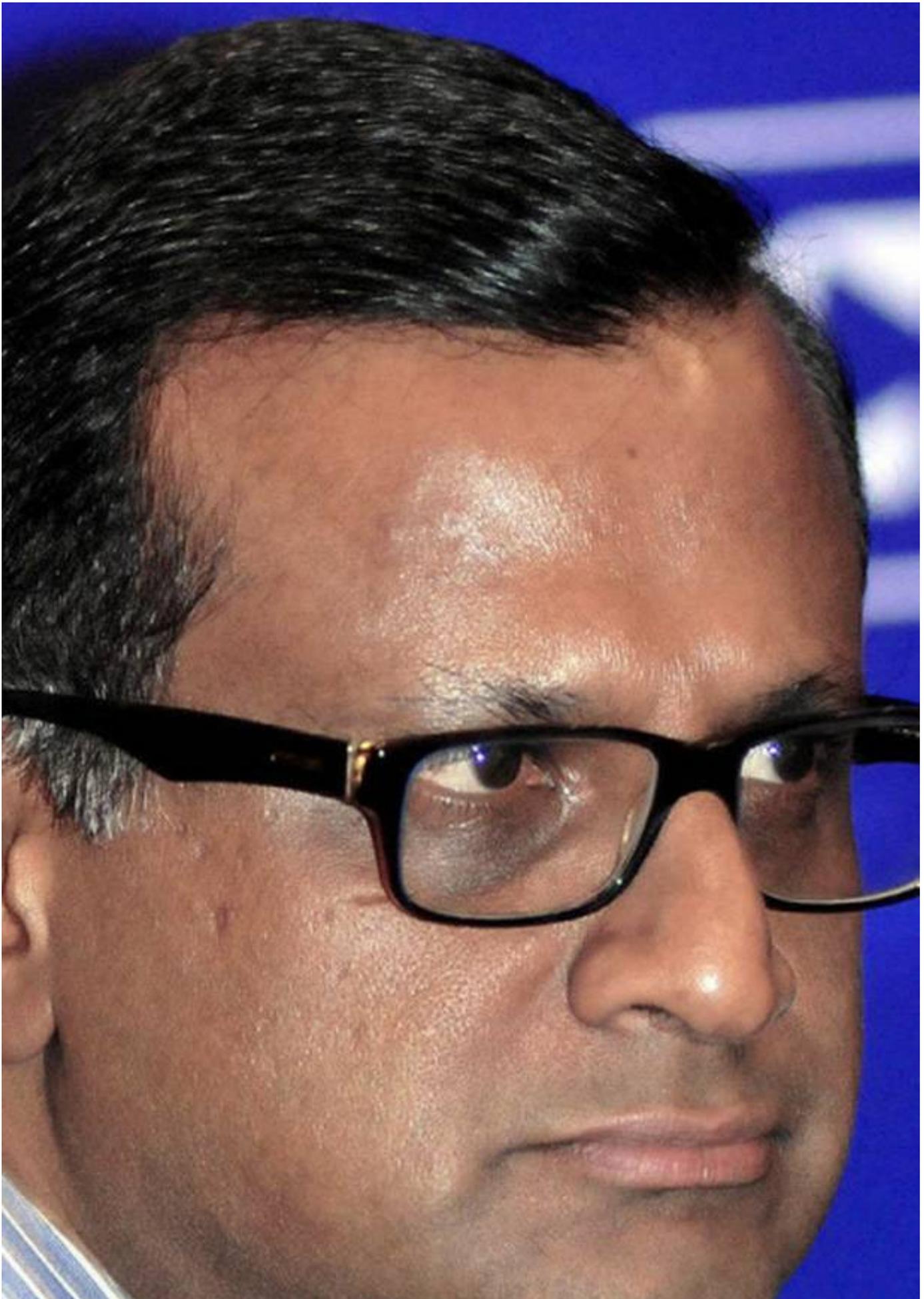
“It has been challenging times for the NBFC space. In the last nine months we have seen no day was passing without stories on NBFCs for good or bad reasons. But what I would like to tell you is that the NBFC space in which we are operating is very much positive on security and asset-liability management (ALM), mainly because we cater to small retail customers,” Muthoot told a round table meeting here. “What good has happened since the crisis broke out in October last year was that people started differentiating NBFCs from the ones who are into retail, the ones that have positive ALM, and that are capable of raising capital at short notice from those NBFCs that are lending, particularly to sectors where there is stress, such as real estate.

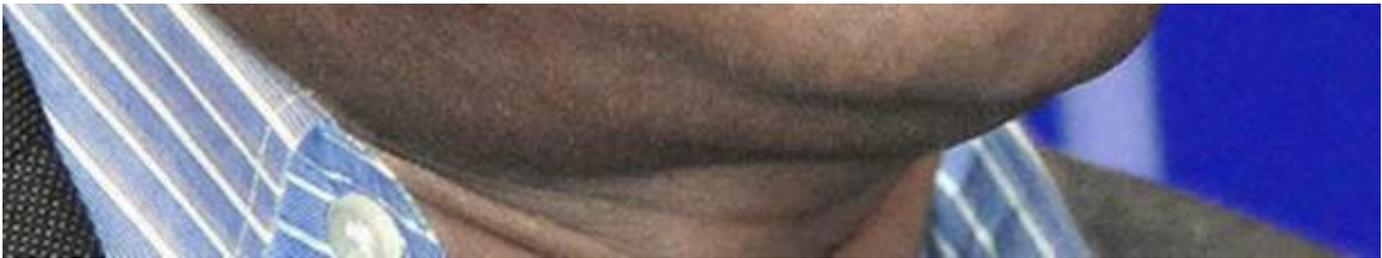
“This clear distinction is evident from how these NBFCs are seen in the stock market by investors,” he said.

According to Muthoot, the Reserve Bank of India has positively intervened in the last nine months bringing in some good changes, such as asking banks to buy portfolios from NBFCs and making NBFCs appoint risk officers.

Loans disbursed

Last year, the companies affiliated to the Muthoot Pappachan Group





disbursed ₹34,000 crore to 45 lakh customers.

These are mainly common people who take short-term loans by pledging gold or opting for microfinance, vehicle, or housing loans. Its gold loan business grew 16 per cent last year. Even though the company expected growth of 20 to 25 per cent, the floods in Kerala and cautious approach during the early days of the NBFC crisis blowing over led to decelerated growth, the official said.

“On a day we have about 75,000 to one lakh customers walk into our 3,600 branches across the country,” said Muthoot.

“We have learned a lesson from here. You have to increase the areas from where you can source funds, particularly when there are crises like what we face now.”

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