

# Business Standard

## Manappuram eyes universal bank licence

**Firm seeks to ramp up priority sector lending, is also in talks with MFIs for acquiring a stake**

Neelasri Barman | Mumbai March 13, 2015 Last Updated at 00:32 IST



Gold loan company Manappuram Finance, which gave up plans to add a small finance bank, now has bigger ambitions. It is eyeing a universal bank licence.

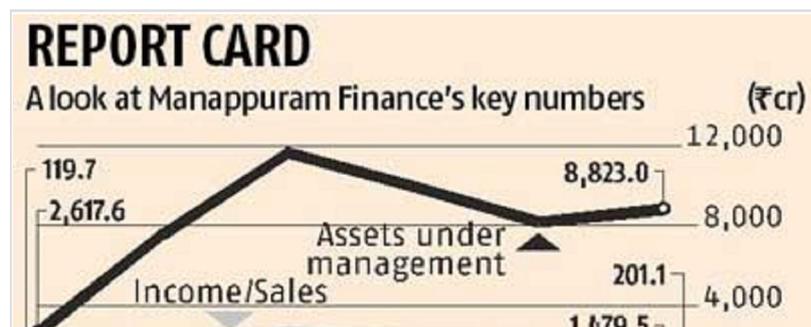
As a building block for bigger presence in the financial sector, it is looking to scale up its priority sector lending (PSL). The company is also in discussion with good microfinance institutions (MFIs) for acquiring a stake.

“We intend to apply for a universal banking licence in about five years. Meantime, we plan to diversify our portfolio. We have taken steps in this direction, where our focus is more on PSL like affordable home finance, micro finance and financing of commercial vehicles,” said V P Nandakumar, managing director and chief executive officer.

Earlier, the company was exploring whether to apply for a small finance bank licence. “We realised some of the conditions might not be acceptable for us, like the 75 per cent PSL requirement. Our company is a gold loan company. As of date, gold loans do not come under PSL. The norms for a small finance bank mandate 75 per cent of advances going towards the priority sector, which we found a big challenge,” said Nandakumar.

If the company had to bring down gold loans to the level of 25 per cent of total advances, he said, they would have to close many of their branches, a loss of customers. “This will have an impact on profitability. That is why we felt converting to a small finance bank might not be a good idea,” he said.

Manappuram hopes by 2020, around 40 per cent of its portfolio would be in non-gold loans. Currently, more than 90 per cent is in gold loans. For universal banking, the PSL mandate will be much less and easier to meet, as a result of which they decided to continue to diversify towards that objective.



“Converting into a bank will lead to lower cost of funds due to the current account and savings account (Casa) advantage. We are hopeful of mobilising Casa if we convert to a bank,” said Nandakumar.



Manappuram has a microfinance portfolio of around Rs 300 crore and a gold loan portfolio of Rs 9,000 crore. The home loan portfolio is expected to be about Rs 5 crore by the end of this

financial year, as it started only a month earlier. The commercial vehicles portfolio is around Rs 20 crore.

“We are in discussions with good MFI companies for acquiring a stake. These companies are in the north, northeast or central India. We intend to have a reasonable portfolio in the medium term. The people and technology of MFI companies are very important,” said Nandakumar.

It might not acquire the entire stake in such MFIs, as the idea is to try and retain the promoters and people there. For an acquisition, the size of these companies could be Rs 100-500 crore, he added.