



Current yield around 30%: Manappuram Group

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Manappuram General Finance & Leasing has declared its first quarter results. The company's net profit was at Rs 14 crore versus Rs 6 crore. VP Nandakumar, Chairman and Managing Director, Manappuram Group of Companies said, the gold loan was about 96% of the company's portfolio. He added, this gold loan was a small ticket business. The average ticket size was only Rs 18,000 and the average duration was only three-months, he further said. "Our yield is around 30%," he said.

Here is a verbatim transcript of the exclusive interview with VP Nandakumar on CNBC-TV18. Also watch the accompanying video.

Q: If you can take us through what are the margins that you got in your gold loans? How much do gold loans form as a part of your total revenues and what are the kinds of spreads you enjoy or fees you enjoy in this product?

A: The gold loan is about 96% of our portfolio and out of our income the same percentage we are holding – the ratio is the same 96% because we have the same yield both in vehicle finance as well gold loans.

Q: What is your yield?

A: Our yield is around 30%.

Q: To me it sounds like a money lending operation. You take gold jewellery from people, give them for festival or marriage Rs 15,000 loans for 120 days – 30% - is there no law saying you can't charge money like that?

A: This gold loan is a small ticket business. The average ticket size is only Rs 18,000 and the average duration is only three-months.

Q: So what are you taking as collateral? You are telling people come and leave your jewellery with you and what if gold prices go the other way and what if gold prices go the other way?

A: If at all there is a downside fall we will call for the margin, but the thing is it being a short duration – three-month or so – it never happens. We are doing this business for the past several years from 1998 the company has started doing this business.

Q: So what are your bad loans – your NPAs?

A: Non-performing Asset (NPA) level is only 0.25% because in the gold loan business there is no NPA. But if at all any NPA arises, if it comes from wrong judgement or a surprise.