

Manappuram Gold loan firm to raise Rs 1,000 crore

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KOCHI (Commodity Online): Kerala-based non-banking finance company, Manappuram General Finance & Leasing, is planning to raise around Rs 1,000 crore through a qualified institutional placement (QIP) in the third quarter of the fiscal.

According to a report in Economic Times, the fund-raising plan comes against the backdrop of a growing gold loan book and is intended to help the company comply with a regulatory norm stipulating that all NBFCs provide Rs 15 on every outstanding loan of Rs 100.

Manappuram plans to appoint three merchant bankers for the QIP. These include Citi, Religare and Enam. The presence of Citi is likely to help Manappuram gain further access to international investors.

The company plans to expand its gold loan book size from the present Rs 4,000 crore to Rs 8,000 crore in the current fiscal (FY11) and further by 80-100% in FY12. The company is in the business of providing loans against gold jewellery but does not raise deposits from the public even though it has been categorised as a deposit-taking NBFC.

The company said it has estimated the size of private gold holdings by Indian households to be around 20,000 tonnes, of which only 10% has been energised as gold loans, leaving a huge untapped potential.

The company has already raised Rs 245 crore through a QIP in May after having grown its loan book from Rs 2,500 crore in FY10 to Rs 4,000 crore this year. The banker for the QIP was Enam and some of the large investors included Capital World, Nomura Capital, Sloane Robinson, IDFC and SBI Caps.

Apart from Manappuram, Muthoot Finance and Muthoot Fincorp are significant players in the loan against gold segment. Muthoot Finance's loan book size has crossed Rs 10,000 crore so far this year. The company has 1,200 branches, out of which it provides loans against gold and plans to increase its network by another 500 this year.

While most Indians view taking loans against gold as a stigma, Manappuram is trying to build awareness on how middle and lower middle classes in rural India can leverage their gold holdings instead of borrowing funds at usurious rates from money lenders.

It has enlisted actors such as Akshay Kumar and south stars Vikram, Mohanlal, Venkatesh and Puneet Rajkumar as brand ambassadors to promote the product.