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## Expect 75% profit growth next yr: Manappuram Gen Fin

The Manappuram Group entered into the jewellery retail business with its own trade mark Manappuram Jewellery in March. The business is not an offshoot of Manappuram General Finance, the company which provides loan against gold.

In an interview with CNBC-TV18, VP Nandakumar, CMD, [Manappuram General Finance & Leasing](#) spoke on the company's business plans in the new year and an outlook on profit growth for FY12 and beyond.

*Below is a verbatim transcript. Also watch the accompanying video.*

**Q: Could you tell us a little about this retail business foray what exactly are the plans?**

A: We have started retail business in March, as of now we have opened 7 stores - 3 in Kerala, 4 in Bengaluru. So it is going fine.

**Q: What kind of revenues are you expecting from this retail foray, are you planning to develop this as a very big arm of Manappuram?**

A: Yes, this is not an offshoot of Manappuram General Finance, this is another company promoted by me from the group.

**Q: You mean the revenues from this retail foray will not come on the Profit and Loss account of Manappuram General?**

A: This year I think we will be able to make a profit of around Rs 1 crore out of these operations. Even though we have started for seven years and our pre-operative expenses are very high in this business, even in spite of that writing off all the expenses we will be able to report a profit of Rs 1 crore this year.

**Q: You said it is a company floated by you which means the profits don't come to Manappuram General Finance?**

A: No it will not.

**Q: Gold has had a very strong run over the last 10 years we have seen positive returns, is there a risk that if gold prices go down and loan growth for you has happened a lot because of what gold prices have also done, do you think that perhaps a correction in gold prices could impact this going forward, what is your outlook?**

A: I don't think so because I have seen gold price falling down by 50% in the 90s when the European banks started selling gold. The price fell down by 50% from USD 430 per ounce to USD 220 per ounce.

During those days also as expected the collection remained the same because we are not lending merely against the bullion, we are lending against the Gold Plus. What is this plus - plus is a sentimental value. How this is ensured is one we lend only against household used jewellery.

The second thing is this is short-term loan which gets completely wound down in a matter of 100 days. Even if the loan is granted for a period of one year we charge interest for the days only. So people find it very convenient to avail the short-term loan. So, it gets completely closed in a matter of 100 days.

**Q: Aside of that loan growth for you has come primarily from Southern States, I am sure you understand the need to diversify, is there any internal target that you might have set at Manappuram General Finance to diversify your base into the North or even the west and what kind of targets have you set for FY11-FY12?**

A: Talking of geographical expansions, so even in the South; Andhra, Tamil Nadu, Karnataka and Kerala I think there is enough opportunity to expand. Our growth projections for this year and next year and going forward also for 3-4 years will be 75-25 will be the proportion, meaning 75% will be in this southern states and 25% will be in North, west and East of India.

**Q: Can you give us an idea of what will your revenue growth look like in the current year? Your total net interest income in Q2 for which we have numbers is Rs 179 crore, should we merely extrapolate this and expect that you will do something like Rs 700-750 crore in the full year and what can we expect in terms of net interest income growth for next year?**

A: I hope so. In the first two quarters we have reported a profit of around Rs 106 crore. For this quarter our expectation is between Rs 70-80 crore which is more than our budget. So I think we will be able to achieve. For the full year our profit is expected to be around Rs 280-290 crore. This is our expectation. Next year also we expect to have increase of some 70-75% over the current year.

**Q: That is an aggressive profit growth to maintain 70-80% over a year, is this sustainable, say FY13 over FY12 can you continue to grow at 70%. You are speaking of bottomline, it is a good growth rate can you maintain it?**

A; Yes I believe so. The reason is the opportunities I had because out of this gold loan in the country somewhere around 25% is in the organized sector. There is 75% with unorganized sector, with moneylenders. I think by increased awareness programme which we have already launched, in think in another 3-4 years we can grow at a rate of 60-70% YoY at a compounded rate. So I think it's possible.