



Volatility will keep funds in 'safe heaven': Manappuram

Below is a transcript of VP Nandakumar's interview with CNBC-TV18. Also watch the accompanying video.

Globally, gold was hit record highs on Monday as no real breakthrough emerges from the escalating debt crisis in the euro zone and the concerns of risky assets in United States. Talking in CNBC-TV18, in his exclusive interview, VP Nandakumar, CMD of Manappuram General Finance and Leasing says, "The demand-supply gap on one hand and the economic conditions in US and Europe, will lead to continual investments in this safe haven."

On his outlook on gold prices, he sees gold prices crossing USD 1700 per ounce from the current level in a year's time.

Q: What is your outlook on gold prices?

A: The worry is about the risk factor involved and about the price going up now. There is scope for the price to go up in the near future because of the demand-supply gap that exists. The demand is ever increasing both within India and also in Asian countries, especially from China and the supply side does not match with the increasing demand. There is a demand-supply gap on one side. Also, with the economic conditions prevailing in countries like US and in the European countries, investment in this safe haven will continue to go up.

The scope for price of gold to go up in the near future and cross USD 1700 per ounce from the current level is possible a year's time period.

Q: Can you give us the details about the IBM deal? How will that contribution from IBM change your expansion plans or what does it mean for you?

A: The deal with IBM is to manage our IT infrastructure and to bring in the latest technology. It is a long term deal worth about Rs 250 crore for a period of 10 years, hence they will manage our IT infrastructure, provide us with latest solution as far as our HR management is concerned and other related areas. This will help us to develop and ensure we use the best technology since; tech will be the key driver in future.

Q: Can you tell us about the NCD issue? What kind of money are you looking to raise through that?

A: In one month it is likely to be over. We may be coming out with the issue size of 500 crore where we will be pricing at 12% interest for a period of five years and it is a very attractive rate.

Q: Are you witnessing any kind of pressure over there?

A: We expect a reasonable margin and that margin could be achieved. On the macro side, we expect this will bring a return on equity of around 20-25%.

Q: How do you see your retail jewellery business panning out? How do you see growth profitability from this segment?

A: The retail jewellery business has very little connection with Manappuram Finance Ltd these are no way connected with Manappuram Finance. This jewellery business and also the healthcare business are totally different companies from the group.

We have opened 12 jewellery showrooms in Tamil Nadu, Karnataka and Kerala. We started this business last year, so the average shop life that is shop in existence was hardly 100 days. We achieved a turnover of nearly 150 crore.

This year we are expecting to add 10 more stores again in Andhra, Karnataka and Tamil Nadu so that we see a good scope. With these and with existing shops we hope that our turnover will be growing up to around Rs 800 crore and I am sure that in another one, one and a half year we will be able to breakeven the business.