

MAGFIL eyeing Rs 8,000 cr gold loan disbursal

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THRISSUR: Buoyed by demand for jewel loans in the wake of squeeze on personal loans by banks since the economic meltdown, Kerala-based Manappuram General Finance and Leasing Limited (MAGFIL) is targeting doubling disbursement of advances on gold to Rs 8,000 crore in the current fiscal.

The private sector company disbursed over Rs 4,000 crore as loan on gold security during 2008-09 and planned to increase it to Rs 8,000 crore this year, MAGFIL Chairman V P Nandakumar said here.

Gold loan business was secured even during the current economic slowdown as jewels are as good as cash on hand and can be converted into cash in any corner of the globe, he said.

With banks and other financial institutions opting to shrink disbursement of personal loans, the gold loan segment has witnessed increased activities, he said.

The monthly inflow of gold into MAGFIL was in the range of 3-3.75 tonnes during the economic gloom, he said.

Though gold loan business was largely concentrated in Kerala and Tamil Nadu, it had growth potential across the country, he said.

MAGFIL, the flagship company of Valapad-based Manappuram Group of companies, also planned to increase its branches from 675 to 950 in 15 states across the country during 2009-10, he said.

Nandakumar claimed MAGFIL was one of the few listed companies which had withstood the crash of the share markets in October 2007 when even multinational corporations fell flat under the impact of the 'global economic meltdown'. The company's share price then dropped from Rs 175 to Rs 150 only and since then had steadily increased to Rs 280 per share last week, he said.

He attributed the success of the group's business to the gold loan segment as it accounted for 95 per cent of the total assets.

The collateral value of the gold was Rs 2,000 crore and gold assets under management stood at Rs 1,400 crore as on March last.

Elaborating on the company's future plans, Nandakumar said the size of the loan book was expected to touch Rs 25,000 crore in five years.

To a query on mobilisation of funds for expanding business, he said the group had arrangements with different nationalised and scheduled private sector banks for over Rs 2000 crore overdraft facility and negotiations with State Bank of India for a tie-up of Rs 1000 crore has more or less been finalised.

He said MAGFIL and another group company Manappuram Finance Tamil Nadu Limited (MAGFIT) would be merged shortly.

On default on the part of loanees, Nandakumar said it was only about one per cent. MAGFIL allowed customers to pay interest due alone if they were unable to redeem the pledged ornaments before the expiry date. Competitors in the field insist on customers paying the principal amount along with interest on due date and reclaim the jewels before allowing re-pledge.

The approximate net profits of MAGFIL would be around Rs 20 crore for the first quarter ended last month. It had earned a net profit of Rs 46.49 crore in 2008-09, he said, adding that the company expected to increase this to Rs 103 crore this fiscal.

Foreign financial institutions like Sequoia Capital and Hudson Equity Holdings had invested Rs 70 crore in MAGFIL in 2007 and Asmore Alchemy and Granite Hill Rs 108 crore in 2008.