

## Huge potential available in the gold finance market: Manappuram General Finance & Leasing

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*In an interview with ET Now, VP Nandakumar, CMD, Manappuram General Finance & Leasing Ltd., talked about the impact of RBI policy on gold loans and expected growth of loans for this fiscal. Excerpts:*

**ET Now:** Now after the RBI has removed the PSL status for gold loans, the stock has seen a major underperformance. What kind of impact have you seen over the last two quarters from the move in terms of your cost of borrowings?

**VP Nandakumar:** By removing PSL tag, the cost of funds have gone up by 1.5% but the overall costs have moved up by 4% not because of the PSL is removed but also because of the overall interest rate increasing.

**ET Now:** So at what rate currently are you borrowing and at what rate currently are you lending?

**VP Nandakumar:** Currently our average interest rate is around 13%.

**ET Now:** Given the point that you mentioned with respect to the rising interest rates, how will that affect your cost of borrowings and also in turn your margin picture, how are you likely to see it pan out?

**VP Nandakumar:** Yeah. The net interest margin has come down but with a growth in the portfolio, you are able to bring down the non-interest operating expenses by 2%, so the overall impact because of this is around 2%.

**ET Now:** Is the entire gold finance business getting slightly crowded because till now NBFCs and PSU banking stocks have been the key players now but what I now understand from ICICI Bank, HDFC Bank and Axis Bank is that they also want to be part of this growing market?

**VP Nandakumar:** Yeah. These players have entered this market, that is right but the market is so large. The family gold in the country is estimated to be around 18000 tonnes. What is seen in

the organised market is around 500-600 tonnes only. There is a huge potential available outside, so that means there is enough opportunity for at least a dozen players. In that context, I do not see a competition is emerging.

**ET Now: So then what kind of a growth rate are you expecting in gold loans for this fiscal?**

**VP Nandakumar:** Our AUM is around 11000 crores. We are hopeful of growing to Rs 13000 crores by the end of this year.

**ET Now: Any NCD issue plans?**

**VP Nandakumar:** We have the plan to come out with an NCD issue in January but it all depends upon the market conditions, so if the market is moved, we may range up to 1000 crores.

**ET Now: But what makes you think that market is bad because currently the market for NCD is very strong and vibrant?**

**VP Nandakumar:** The one issue here is that market is not that matured like a negative market unlike the other developed economies. When the interest rates come down, the market for this will go up, so the situation may improve in another three months time. When the situation is positive, definitely we have the plan to come out with an NCD issue.