THE TIMES OF INDIA

Rating companies reaffirm faith in Manappuram

The writer has posted comments on this articleTNN | Jun 26, 2012, 05.23AM IST

KOCHI: Credit rating agencies Crisil and Brickwork Ratings have removed Manappuram Finance Ltd (MFL) from their "rating watch with developing implications", indicating a degree of safety regarding the company's ability to fulfil its debt obligations.

Crisil has reaffirmed its 'CRISIL A1+' rating for various debt programs of Manappuram, while Brickwork has reaffirmed the rating of BWR AA- for the Rs 750-crore issue of Manappuram and removed the ratings from its ratings watch.

Both rating agencies had placed Manappuram on ratings watch after the Reserve Bank of India (RBI) issued a directive on February 6 saying that the company had collected deposits from the public in the name of Manappuram Agro Farms (Magro), a sole proprietorship, in violation of the terms and conditions of its registration as a non-deposit taking NBFC.

"The rating reaffirmation takes cognizance of the measures taken by MFL to address the observations made by the RBI," said Brickwork in a release on Monday. The company had roughly Rs 148 crore in public deposits as of February 6, and has been returning the amount to its depositors in a phased manner. Following the RBI action, Jagdish Capoor, former deputy governor of RBI, was appointed as non-executive chairman of MFL. The company's board constituted a committee of independent directors to conduct detailed compliance, internal control and risk management, corporate governance and any conflict of interest involving the company or its management.

V P Nandakumar has provisioned for Rs 141.56 crore through the sale of 4.75% of his holding in Manappuram and made repayments of Rs 33.88 crore. He has also deposited Rs 119.18 crore in an escrow account maintained with a public sector bank.

Established in 1992, Thrissur-based Manappuram Finance (formely, Manappuram General Finance and Leasing Ltd), is a non-deposit taking NBFC and is mainly engaged in providing retail advances against bullion asset collaterals, in the form of household used jewellery.

MFL had 2,908 branches across India at the end of FY12. The company has a strong presence in South India, with 73% of its total branches in the states of Kerala, Tamil Nadu, Karnataka and Andhra Pradesh. This has led to geographic concentration with maximum exposure to southern states, significant dependence on loans from banks, regulatory risks and volatility in the price of gold.

MFL's assets under management (AUM) increased to Rs 11,630 crore in fiscal 2012 from Rs 7,549 crore in the previous fiscal. Total loan disbursement increased 76% in 2012, and interest income increased 124% to Rs 2,616 crore in 2012 from Rs 1,165 crore in 2011. Net profit as of March 2012 stood at Rs 591 crore as against Rs 283 crore a year earlier, an increase of around 109%.

MFL had a capital adequacy ratio of 23.26% and Tier I capital ratio of 20.53% as on March 31, 2012. Interest spread stood at 14.02% in fiscal 2012 as compared to 16.39% in 2011.

However, gross NPAs increased to Rs 64.65 crore in fiscal 2012 from Rs 23.46 crore in 2011. Gross NPAs as a percentage to total advances increased to 0.67% from 0.37% and net NPA increased to 0.37% from 0.12%.