

Manappuram Finance Q1 Profit Plummetts 75% Amid Rising Provisions



Manappuram Finance Ltd. has reported a steep decline in its first-quarter consolidated net profit, which fell by 75% year-on-year to ₹138.8 crore. The significant slump was primarily attributed to a sharp rise in provisions and a deterioration in the company's asset quality. The results for the April-June quarter of the fiscal year were announced recently, causing the company's shares to close lower on the National Stock Exchange (NSE). The news has sent ripples through the financial sector, as the non-banking financial company (NBFC) navigates a challenging economic environment.

The key factors behind the profit slump were rising provisions and a deteriorating asset quality. The company's provisions for bad debts surged to ₹71.7 crore from ₹53.3 crore in the corresponding quarter of the previous year. This increase in provisions reflects a more cautious approach to lending and an acknowledgment of a higher risk of loan defaults. The company's asset quality also worsened, with its gross non-performing asset (NPA) ratio rising to 3% as of June 30, up from 2.8% a quarter earlier. Similarly, the net NPA ratio increased to 2.6% from 2.4%.

While the microfinance segment experienced a sharp decline, the company's gold loan business showed resilience. The microfinance assets under management (AUM) plunged, shrinking from ₹12,310 crore in the same quarter last year to just ₹6,705 crore as of June. In contrast, the gold loan AUM, which is the core business of Manappuram Finance, grew by 22.4% year-on-year to

₹27,691 crore. This divergence highlights a shift in the company's portfolio mix, with the share of microfinance in the overall AUM dropping from 25% to 13% over the last year.

Amidst the financial results, the company also announced a leadership change. V.P. Nandakumar, the current managing director, is set to become the new chairman of the board starting August 28. This move follows the retirement of the incumbent chairman, Shailesh Jayantilal Mehta. The board also declared an interim dividend of ₹0.50 per share. These changes come as the company seeks to stabilize its performance and reinforce its core business segments.