Magma aims to stave off Covid impact with revamped loan book

SHOBHA ROY

Kolkata, April 15

Magma Fincorp, which re-aligned its product portfolio two years ago, is hoping to be in a "better stead" during the crisis triggered by the Covid-19 pandemic.

The NBFC had strategically scaled down its exposure to the tractor lending business and broadbased its loan book by focussing on affordable housing and used vehicles finance where profitability is higher and propensity to default lower.

Default risk

According to Sanjay Chamria, Vice-Chairman and Managing Director, Magma, it is difficult to estimate the exact impact of the current crisis on the economy.

However, given the fact that NBFCs and HFCs cater to the more vulnerable sections of society, whose cash flows are highly volatile, there is likely to be an impact on the recoverability of dues. Defaults are likely to be higher in unsecured personal loan and consumer loans. "A majority of our loans are given for income-earning assets and their repayment track record is higher than that given for consumption," Chamria told *BusinessLine*.

Sanjay Chamria, Vice-Chairman and Managing Director, Magma

More than 60 per cent of the NBFC's home loan customers are eligible for interest subsidy under the PMAY (Pradhan Mantri Awas Yojana) scheme. Any default in repayments may render them ineligible to get interest subsidy. Hence, customers will be more prudent in ensuring repayments, he said.

Magma plans to undertake a study to assess the severity of the impact of coronavirus on its customers across various States and districts.

Based on the assessment, the company will take a call on whether there is a need to rejig its product focus. "Corona has not impacted all States and districts equally and some places are more badly affected than others. So, we plan to commission a study on the severity of the virus in different districts and see how it impacts the livelihood or income earning of our customers," he said.

It will take the company one to two months to complete the assessment survey and, till then, it will focus on collections.

"We are in no hurry to lend because right now we would like to stabilise the portfolio quality, and that will be the focus of the company. In the process, we will see how affordable housing and used vehicles asset is behaving, and whether we should continue building our focus on that or if we should look at a revision in product focus, given the current circumstances," he said

The NBFC sector, which has been reeling under tough liquidity conditions post the IL&FS crisis, is likely to face a further asset-liability mismatch if they are not extended a moratorium on their liabilities.