

Magma client plan pays off

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Mumbai: Magma Fincorp is expecting a profitable growth this fiscal after a mixed 2018-19 that saw the entire NBFC sector going through a difficult phase in the wake of the IL&FS crisis. Magma's focus on operational efficiencies and strengthening customer relationship is bearing fruit, Sanjay Chamria, the vice-chairman and managing director of the company, said.

The non-deposit-taking NBFC is implementing an ambitious digitisation exercise, which is expected to improve productivity and reduce the cost of operations.

Magma expects business from existing customers to grow 25-30 per cent from around 15 per cent as it cross-sells various products to its more than one million active clients. Asset quality is also expected to improve following initiatives such as own credit scores, early warning indicators and continuous portfolio monitoring.

Magma's optimism comes after a tough second half last fiscal where the sector faced liquidity constraints apart from a slowdown in segments such as passenger vehicles.

The IL&FS saga resulted in



UPBEAT: Sanjay Chamria

a higher cost of borrowings for the industry, though there has been some relief in the past few weeks. However, experts feel some of the NBFCs may still be affected.

"Some of the NBFCs are facing liquidity issues and ALM (asset-liability) mismatches. They have witnessed an increase in the cost of funds and are trying to shore up the liquidity levels now," Anshula Kant, managing director (stressed assets, risk & compliance), SBI, said in a recent note.

"However, with limited availability of liquidity and sell down of portfolios, net interest margins (NIMs) might be under pressure across the board with small and low rated NBFCs facing balance sheet contraction," Kant added.