

No impact of price fall on gold financiers: AGLOC

Mumbai, Apr 22 (PTI) AGLOC, an umbrella body of gold-loan companies, today said the current fall in price of yellow metal will not have any impact on the loan portfolios.

"A 15-20 per cent price fluctuation in gold prices will not have any significant impact on the gold loan portfolios of member companies as they have already factored in such fluctuations in the business model," Association Of Gold Loan Companies (AGLOC) said.

The association took a stock of the situation with members following the heavy fall in prices over the last fortnight. From a high in the Rs 33,000 region for 10 grams, the price plummeted to Rs 25,680 last week and is at Rs 26,750 level today, 20 per cent down.

The price fall has led to a slew of analyst reports, most of them sounding concerned for the gold loan players. Investors have also turned cautious, as there has been heavy selling in the stocks of gold loan financiers.

The AGLOC statement said it has been "noticed that there is regular redemption of earlier loans sanctioned at higher amount per gram of gold," but added that members companies have been advised to reduce the maximum loan rate commensurate with the prices of the gold.

Though the gold prices have fallen, it has been observed that loan demand continues to be robust in spite of reduction in amount lent per gram, it said.

"The gold loan companies are majorly lending against household jewellery where the impact of such temporary fluctuations on the business model is minimum," AGLOC's president George Alexander Muthoot said.

Muthoot, the largest gold financier, added that most of the lending is under Rs one lakh and that too for a short period of up to six months.

It can be noted that Reserve Bank of India has for long been expressing reservations over the business, specifically about the concentration of risk.