

## **CHAIRMAN'S SPEECH**

**Speech delivered by Shri Hemant Kanoria, Chairman and Managing Director (DIN 00193015), Srei Infrastructure Finance Limited at the 30th Annual General Meeting of the Company held on Saturday, 1st August, 2015 in Kolkata**

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Ladies and Gentlemen,

We, the Board of Directors, welcome you to the 30th Annual General Meeting of your Company.

Infrastructure remains to be the masthead of India's economy and its development. It is not an easy sector, but it is core to any country's growth and sustenance. Every nation has its well drawn-up roadmaps for infrastructure development. India created a hybrid model with both public-private partnerships and public sector investments in airports, ports, roads, power, telecom and others. Last two and a half decades of enthusiastic investments has thrown open a plethora of opportunities to NBFIs, banks, concessionaires, construction companies, contractors and service providers. It has created large employment and also facilitated the public at large.

However, during the last few years, the sector has been embroiled in myriad issues. The present government in the last one year has, with all its earnestness, been trying to put infrastructure sector back on track. It may not seem to be an easy task, but if intelligently done it can gather momentum very quickly and again be fast-tracked. The major challenges which need to be addressed by the government are :

1. to facilitate investments in infrastructure sector both through equity and debt
2. to resolve the pending disputes for the construction companies and infrastructure concessionaires
3. to improve availability of fuel to the power sector and reduce the cost of power to the consumers, while maintaining profitability of discoms.

Let me share with you some facts which make us upbeat about the future. There are few nascent signs of recovery visible now. The capital goods production within the Index of Industrial Production (IIP) averaged a growth rate of over 10% during last 3 months. Along with this, the sales of commercial vehicles have also picked up in last few months. These are early indicators for any uptick in the cycle of capacity expansion for the economy. Government is augmenting its capital expenditure and is advocating a preference for EPC over BOT model for the time being, as this is likely to crowd in private capital expenditure subsequently. Monetary conditions have eased and contrary to meteorological department's predictions if we have a good monsoon this will definitely help in keeping inflation under control and thus brighten prospects for further interest rate cuts. However, in this cycle, we feel instead of bank credit, private sector will rely more on corporate bonds and foreign direct investment for their funding needs. Two sectors where we foresee a major pick-up are roads and mining sectors. India is truly on a growth path and there is no looking back.

Unfortunately, the banks have been saddled with huge debt in infrastructure sector and they have not been able to find out solutions as yet. At this moment of time, your Company witnesses huge opportunity, as it has both the capacity and capability to address the problems in the sector. The focus and expertise developed over a period of more than 25 years can now be capitalised both through financing and investments in this sector.

Government has also been announcing schemes from time to time in various infrastructure verticals which will throw up new opportunities for your Company. In addition, the moving out of some of the players from the infrastructure sector has created unmatched potential for your Company. In spite of the fact that in the last few years, the NPAs have increased, but because of the wide and deep expertise that your Company has developed, it is constantly resolving them in collaboration with its clients.

Your Company has continued to be on the growth path and remains profitable. Income grew by 3% from Rs. 3,260 crore in 2013-14 to Rs. 3,361 crore in 2014-15. Net profits for 2014-15 stood at Rs. 129 crore and your Company's consolidated disbursements stood at Rs. 12,546 crore. We have consciously been growing cautiously and we seriously feel that at times growing with measured steps, is prudent. The total assets under management (AUM) were Rs. 35,241 crore during the year under review, while the net worth was at Rs. 3,174 crore. Your Company had a capital adequacy ratio of 16.97% as on 31st March, 2015. While average cost of funds during the year under review was at 11.2%, your Company managed a gross interest spread of 2.56%. Now that the economy has started looking up, with an office network of 86 branches and employee strength of over 2,000, your Company is set for robust growth in the times ahead.

Let me now share with you the statutory details.

Last year with the promulgation of the Companies Act, 2013, Corporate Social Responsibility (CSR) is now mandatory for all corporates fulfilling certain criteria. However, your Company has been involved in CSR activities since long. Our consistent efforts towards the betterment of society have been through various initiatives undertaken by Srei Group as well as through Srei Foundation, a public charitable trust established with the philosophy of 'service to humanity'. In accordance with our CSR policy, your Company spent Rs. 1.38 crore during 2014-15 in various sectors like education & skill development, healthcare / medical facilities, social & economic welfare and environmental sustainability.

During the year under review, your Company issued Secured Redeemable Non-Convertible Debentures through two public offerings. The aggregate amount raised from the said issues amounted to Rs. 476.14 crore which has been utilized towards the existing activities of the Company. Your Company has duly paid the interest due on the aforesaid Debentures on time. The public issue of the said Debentures has not only facilitated diversification of your Company's sources for mobilizing long term resources

but has also provided the retail investors an opportunity to participate in India's infrastructure development and progress.

During the last couple of years, the Promoter/Promoters' Group of your Company have increased their shareholding through creeping acquisition from 48.77% to 58.72%, thereby demonstrating the confidence in the business and the Company.

We continue to be bullish on the Indian economy and the prospects of your Company. As a matured and experienced holistic infrastructure institution, your Company is well prepared to capitalize on the opportunities. We express our gratitude to all of you. It is because of your faith in us that your Company has grown to be what it is today. With your good wishes, your Company is certainly destined for greater heights. We look forward to your continued support in our future endeavors.

Thank you.

Sd/-  
**(HEMANT KANORIA)**  
**Chairman**