

CHAIRMAN'S SPEECH

Speech delivered by Shri Hemant Kanoria, Chairman and Managing Director (DIN 00193015), Srei Infrastructure Finance Limited at the 31st Annual General Meeting of the Company held on Saturday, 6th August, 2016 in Kolkata

Ladies and Gentlemen,

On my behalf and on behalf of the Board of Directors, I extend a warm welcome to you to the 31st Annual General Meeting of your Company.

The year under review has witnessed interesting events across the globe which can potentially change the direction in which businesses are being conducted the world over. The recent Brexit has now created many new uncertainties in the global economic and political landscape. For decades, leaders of nations have worked on opening up their trade boundaries to integrate the world. But now it seems that several of the global leaders have started to look inwards and are favouring protectionist policies, which can be detrimental to the larger interest of the world economy. In this backdrop, uncertainties in Europe would continue to linger for quite some time and we will all have to keep speculating on the way the future unfolds. China has also slowed down. In comparison, USA seem to be on a firm recovery path, while India has demonstrated strong economic growth and has emerged as the fastest growing economy in the world.

India, therefore, seems to be the shining star in the global economic landscape, with a strong domestic demand and signs of a nascent recovery in infrastructure investments, too. Also, our government's open-minded policy of encouraging foreign investment and foreign competition has created a feel-good factor about our economy amongst the global investor community which can translate into large scale investments. We believe that the opportunities unfolding now in India would help your Company to grow faster in the various areas of its identified businesses.

The infrastructure sector in India has had a roller-coaster ride over the last few years. In view of the cancellation of coal mines, spectrum allocation problems and unviable road sector projects in the past, many of the assets have stress and the banks and financial institutions which had taken exposure in such projects are now saddled with high non-performing loans (NPLs). There is no panacea for solving such problems, but it is possible to address the problematic issues in a thoughtful manner which will again result in the infrastructure sector picking up.

There are some areas like the road sector where the government has laid down a clear roadmap and EPC (engineering-procurement-construction) contracts are being continuously awarded which has alleviated to a large extent the problems of project developers as they now see a demand pick-up. In the power sector also, certain measures have been taken to solve the problems, but more clarity on dealing with the discoms (distribution companies) and fuel allocation for gencos (generation companies) needs to be brought in at the earliest.

At present, due to the stressed infrastructure portfolio with the financial sector, there is a general apprehension to finance more projects which has resulted in a slowdown of investment in infrastructure projects by the private sector. However, in spite of all these present issues, we are quite sanguine that your Company is geared up to address the problems and also capitalize on the large opportunity which our country has thrown open in the infrastructure space.

Company performance

Your Company remains to be among the very few players in the infrastructure space still exploring opportunities and expanding, most others have exited, either strategically or by default. With the increase in the number of contracts being awarded in mining, irrigation and road sectors, the demand for equipment by the contractors is also increasing which has generated more business for your Company.

There was an increase in the NPL in your Company during the last few years which has been gradually reduced and going forward with better recovery and higher

growth of the economy, the NPL ratios will further come down. While the business sentiment slowly started to turn around, your Company's main focus during the year under review has been on the recovery of loans. We stood by our customers, adopted a partnership approach, paid attention to their concerns and tried our level best to address those by offering customised solutions. This act of solidarity strengthened our bondage with the customers and will pay rich dividends in the future, as experienced in past phases of difficulty too.

Your Company has continued to perform steadily during the year under review. Srei posted a consolidated total income of Rs. 3,262 crore and consolidated PAT of Rs. 73 crore during 2015-16 and the consolidated disbursements stood at Rs. 14,533 crore. We have consciously been growing cautiously and we seriously feel that at times growing with measured steps, is prudent. The total consolidated assets under management (AUM) of your Company is Rs. 36,702 crore as at March 31, 2016, while the consolidated net worth stood at Rs. 3,231 crore. Your Company had a capital adequacy ratio of 17.54% as on 31st March, 2016.

Let me now share with you the statutory details.

During the year under review, your Company continued to undertake the CSR activities in accordance with the provisions of the Companies Act, 2013. In accordance with our CSR policy, your Company spent Rs. 1.35 crore during 2015-16 in various sectors like education & skill development, women empowerment, healthcare / medical facilities, social & economic welfare and environmental sustainability.

During the year under review, your Company issued Secured Redeemable Non-Convertible Debentures amounting to Rs. 200 crore. The aggregate amount raised from the said issue amounted to Rs. 163.54 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.

The Promoter/Promoters' Group of your Company have increased their shareholding to 60.80 per cent, thereby demonstrating the confidence in the business and your Company.

One of the high points of your Company has been the recent stake sale in Viom Networks Limited to American Tower Corporation. The overall transaction worth Rs. 7,600 crore resulted in a total FDI inflow of Rs. 5,856 crore into the telecom sector, out of which your Company has received a total amount of Rs. 2,931 crore. The transaction is one of the largest foreign direct investments in the Indian telecom sector in the last few years. Your Company will be able to lower its debt and reduce interest cost, thereby augmenting capital and improving future profitability.

The other major development has been the consummation of the purchase of 100 per cent shareholding of Srei Equipment Finance Ltd. BNP Paribas Lease Group (BPLG) decided to sell its 50 per cent shares in Srei Equipment to the parent company, Srei Infrastructure Finance Ltd., in lieu of a 5 per cent stake in the parent company. This has once again put your Company in full charge of the asset financing business. The consolidation of the equipment financing business will expand your Company's consolidated Net worth to about Rs. 4,800 crore further paving the way for multi-fold growth in business, revenue and profits. Your Company will also benefit from having BPLG as a Shareholder.

In July, 2016, Brickwork Ratings India Private Limited ("Brickwork") upgraded the rating assigned to Company's Non-Convertible Debentures (NCDs) aggregating to Rs. 4,500 Crores from BWR 'AA' (double A) to BWR 'AA+' (double A plus) with stable outlook. The rating indicates that the instruments are considered to have a high degree of safety regarding timely servicing of financial obligations. The upgradation in rating reflects your Company's ability to perform consistently despite a challenging business environment. The upgrade would enable your Company to raise resources from the market and financial institutions at lower interest thereby contributing to enhanced bottom line.

In order to pursue a multi-dimensional growth strategy and maintain the growth momentum, it is imperative to nurture human capital and embrace technological development. The management is tuned to these needs and sets aside enough resources for investing in both training and technology upgradation. The cohesive and collective team work coupled with the putting in place robust systems, processes, procedures and policies equip your Company to cope with the changing dynamics of business.

Therefore, your Company looks forward to a year of healthy growth that would translate into considerable value appreciation for all stakeholders. We continue to be bullish on the Indian economy and the prospects of your Company. We hope that with a larger capital base, your Company will scale new heights in its infrastructure ambitions. We are grateful for your unstinted support and we hope you will continue to encourage us in our future endeavors.

Thank you.

Place : Kolkata
Date : August 06, 2016

Sd/-
(HEMANT KANORIA)
Chairman