

CHAIRMAN'S SPEECH

Speech delivered by Shri Hemant Kanoria, Chairman and Managing Director (DIN 00193015), Srei Infrastructure Finance Limited at the 32nd Annual General Meeting of the Company held on Saturday, July 22, 2017 in Kolkata

Ladies and Gentlemen,

I, once again, extend a warm welcome to you to the 32nd Annual General Meeting of your Company.

Year after year, for more than a quarter of a century, we look forward to congregate for this annual shareholder meeting. The faith that you have reposed in us over the years, has been a pillar of strength and the result of which is the tremendous and consistent growth of your Company. Over the years, there has been a series of events, developments, changes in policies and regulations ; some positive, some adverse, but your Company has traversed through this journey with grit and determination. The year under review has been the turning point for your Company. Once again, in spite of myriad issues in the infrastructure sector in the country, your Company has had both growth in disbursements and profit. It has also been well reflected in the stock prices as global investors have invested enthusiastically in your Company in the last one year.

On the international front, Brexit is resulting in a lot of pain for both Britain and Europe as a whole. In retrospect, it seems that Brexit has created more confusion and the European continent is trying to find an honourable and sustainable solution. The wave of de-globalization, which we had witnessed a year ago, now seems to be waning. Leaders are gradually coming to terms with the fact that it is not possible to be inward

looking always. Even the President of US, who had earlier adopted a very stringent and protectionist approach initially, has moderated his views and is willing to explore areas of co-operation with other nations. There seems to be a growing consensus that globalization is irreversible, and without it global growth cannot pick up in any meaningful way.

On the domestic front, the demonetization drive was clearly a disruptive event. The suddenness and severity took the whole country by surprise and derailed it temporarily. While the nation is still trying to decipher the advantages and disadvantages of this move and there is not yet any conclusive proof on whether it has been effective in curbing black money and corruption, there has been a definite pick-up in online transactions. This has certainly helped our nation to accelerate digitization and become one of the leading nations to adopt technology at the bottom most layer of the pyramid.

The introduction and implementation of the Insolvency & Bankruptcy Code (IBC) is a positive step towards effectively dealing with the 'twin balance sheet' problem. It augurs well for all the industries which are currently stressed as it provides them an opportunity for revival. Banks and financial institutions, which have been saddled with bad loans, also stand to gain as it would expedite decision making. This opens up a dual opportunity for your Company. Srei's borrowers, which are stressed, can be taken to IBC for a quick resolution. Also, many infrastructure assets which have already gone into resolution under IBC may undergo change in management eventually. This opens up brownfield opportunities for Infrastructure Finance Companies (IFCs) like Srei. This will allow IFCs and Asset Finance Companies (AFCs) to get more active in the infrastructure financing space. We see multiple opportunities due to the promulgation of IBC.

The other major development during the year under review has been the roll-out of the Goods & Services Tax (GST) aimed at unifying India into one composite market. I am sure that the number of GST rates will get reduced over time once the goods and services, which are presently outside the ambit of GST, are brought under its coverage. There is bound to be some teething problems as the level of preparedness to embrace it is not uniform across the spectrum, but this is one positive disruption which we all must accept and take in our strides. Your Company stands to gain from the wave of entrepreneurship that GST will eventually unleash. GST is also expected to script a revival for leasing which is an immensely cost effective tool for infrastructure creation. Since long, leasing has been a victim of multiple taxation in India, thus nullifying its efficacy. GST is expected to take care of that. However, certain issues regarding GST rates need to be ironed out which we, from Srei, have already highlighted to the government. Once those get sorted out, leasing can certainly be a game-changer for infrastructure creation and your Company stands to gain majorly from it.

With private investment remaining subdued for quite sometime in the infrastructure sector, the government has stepped up investments in sectors like roads, railways and waterways. The resultant demand for infrastructure and construction equipment from these steps will benefit your Company. Private sector's appetite for investment is also improving. There is a clear revival visible in the road and mining sectors. The recent 'open acreage policy' adopted by the government in the oil & gas sector is expected to provide a fillip to exploration activities which is good news for your Company. However, the power sector still remains trapped in a state of confusion, despite the government's efforts.

In addition, the global business community is following each and every development in India as our country continues to be the world's fastest growing major economy. After all, they are also on the lookout for good investment opportunities. I get a very positive vibe from the various interactions that I have with investors from around the world. I am genuinely very optimistic about the future of our country.

Let me now focus on the performance of your Company during the year under review. The consolidated income rose year-on-year by almost 43%, from Rs. 3,262 crore to Rs. 4,666 crore. The net profit which stood at Rs. 243 crore was a more than three-fold increase over last year's Rs. 73 crore. The consolidated disbursements stood at Rs. 17,604 crore, a 21% year-on-year growth, while the net worth grew a healthy 40% to Rs. 4,531 crore. Your Company's consolidated assets under management stood at Rs. 37,683 crore at the end of the year under review. In addition, on a consolidated basis, the gross non-performing loans (NPL) came down from 4.02% to 2.91%, while the net NPL reduced from 3.09% to 1.98%. Thus, clearly the year under review has been quite an exceptional one for your Company given the present circumstances around.

The core strength of your Company has always been the human capital. As always, we continue to invest in training and skill upgradation. The other area is embracing technology to strengthen and upgrade our existing systems and processes to remain ahead of competition. Therefore, making our employees familiar with the latest technologies is also now an integral part of nurturing human capital. The management is tuned to these needs and sets aside enough resources for this purpose.

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. 2.34 crore during 2016-17 being 2.39% of the average net profits of last 3 years, towards CSR activities, which is more than the minimum statutory requirement, being 2% of the average net profits of last 3 years. Your Company has undertaken CSR activities in various sectors like education & skill development, women empowerment, healthcare / medical facilities, and animal welfare.

During the year under review, your Company mobilized Rs. 628.54 crore through issuance of Secured Redeemable Non-Convertible Debentures of face value of Rs. 1000 each and the proceeds have been utilized towards the existing activities of the Company. Your Company has duly paid the interest due on the aforesaid Debentures on time. Your Company also bought back 44,866 nos. of Long Term Infrastructure Bonds from 2,436 Bond Holders which were issued and allotted by your Company in the financial year 2011-12 under Shelf Prospectus and Prospectus Tranche - 1 both dated 28th December, 2011. The buyback proceeds aggregating to Rs. 6.73 crore was paid on March 23, 2017.

To conclude, 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. As a matured and experienced holistic infrastructure institution, your Company is well prepared to capitalize on the opportunities that will unfold. We have had your unstinted support

over the years. With your good wishes, your Company is certainly destined for greater achievements. We look forward to your continued support in our future endeavours.

Thank you.

Place: Kolkata

Date : July 22, 2017

Sd/-

(HEMANT KANORIA)

Chairman