



# “Srei Infrastructure Finance Ltd H1 FY15 Earnings Conference Call”

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**MODERATOR:** **MR. MANISH CHOWDHARY – DIRECTOR, IDFC  
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**Moderator:** Ladies and gentlemen good day and welcome to the Srei Infrastructure Finance Limited, H1 FY15 Earnings conference call hosted by IDFC Securities. As a reminder, all participant lines will be in the listen only mode, there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing \* and then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Chowdhary from IDFC Securities, thank you and over to you.

**Manish Chowdhary:** Hi and welcome everybody on this call. On behalf of IDFC Securities I would like to first of all thank the Srei Infrastructure Management team for giving us this opportunity to host the call. On behalf of Srei, we have Mr. Hemant Kanoria along with the senior management team of Srei Infrastructure, to take you through the details of the Q2 Earnings for the company. So, without any delay, I ask Mr. Kanoria to take you through the brief presentation, after which we can open up for a Q &A, so over to you.

**Hemant Kanoria:** Hello everyone. We have the results for the half year and this particular quarter. As expected that there has not been any surprises, it is just that the profits are lower in this quarter but if you look at the half year compared to the last year's half year, it has gone up marginally because we see that the improvement in the infrastructure sector, as we had indicated earlier also, would start taking place from the last quarter this financial year and from the next financial year, with the new government being in place. This half year and especially in this quarter we have seen a little rise in both the expenditure and also the non-performing loans. The expenditure increase has primarily been because of building up the organization and taking people in those particular areas, especially in Srei Equipment Finance because we are trying to diversify and expand the equipment financing portfolio from construction, mining, healthcare, IT and now getting into also agriculture equipments where we see a large market and we have also tied up with large number of companies from overseas who are wanting to sell their equipments in the agriculture space in India because people see that there would be a substantial demand in this field. What we have also done that our tie ups and MoUs with the various vendors, manufacturers is very tightly structured so that if there are any losses also, there can be a loss share position with the vendors and that is how we are foraying into it. This is retail business, which has higher margins and it also requires a larger number of people, so the feet on street, there would be more then what we were looking at earlier in our earlier model, so therefore the model is not changing but because we want to also from the perspective of risk have portfolio which is well diversified that is why we looked at this particular market and seen the growth opportunity here and also because there are not many players or doing it in a structured manner, that is why we felt that this would be important for us to expand. That has what has resulted spike in the cost and that would be taken care of in the future quarters by way of increasing the business and the profitability which would be enhanced from this business we are getting into. Coming to the point on NPA, which is again a worry for everyone and specially for the industry and also for companies like us but we are not overly worried about the NPA because we are well secured

with the equipments and also we have taken collateral properties from many of the construction companies over a period of time. So therefore from security perspective, we are well secured, but whereas there has been an increase primarily because of the fact that the government has still not started seeing with the contractors. So, the contractors huge cash flows would struck up with the government and it is estimated with almost about Rs. 3, 00,000 crore is stuck up with the government on account of bills which the contractors had worked, which the contractors have done and the government has not paid as yet, so that is almost a staggering figure of Rs. 3, 00,000 crore. So, we see that as the government starts paying and the new government is in place, they have put it, they have expanded cabinet also there before yesterday and we are quite hopeful that things would start rolling in and both from the policy perspective and also on the ground, the implementation part of it. So once the implementation starts, we see the easing of cash flows to the contractors will happen and thereby the NPA which we have provided for will start recovering our money. So, I would like to reemphasize the fact that in spite of the NPA increase, there is nothing that we are overly worried about because it is well secured full equipment and collaterals that we have from the client. And in many of the cases, we find that the clients are not in a position to payback at all and so stressed that they would not be in a position to survive in those particular cases, we are also selling off equipments, we are also liquidating the properties which we had as security to be in a position to realize our money. So, these are the steps which we have taken and the opportunities would be quite large; that is what we feel because this government is committed to have more investment going in the infrastructure sector, so whether its roads, power, now another sector which is going to open up in a big way is the mining sector because the government is thinking of having the MDO, so that would give us another opportunity because all the mining companies who need equipments would approach us for financing because we have good agreements with most of the vendors who basically manufacture the equipments and sell to them to the mining development contractors, so that would be another new area which we think will open up in a big way and also as the problems in the power sector settles down and the work settles down in the area of roads because the government has just last Friday announced that they would come out with almost Rs. 20,000 crores of EPC contracts from the National Highway and Ministry of Surface Transport, so I think that to be fair enough, the government is just being there in power for the last few months, so they are on the right track. Implementation is one of their prime most objectives and we would definitely see from the last quarter of the financial year and the next financial year; on here onwards see it improving. Another area of opportunity which is opened up because IDFC is now moving out of the infrastructure sector by becoming a bank, so therefore they would continue to do infrastructure business but at least that would not remain as their major focus because it is a bank they have to be doing almost everything that a bank would be required to be doing. So, I think that that would also open up more opportunities for companies like us because there would be fewer players and many players have also burned their fingers badly, so they are out of the market. So, I think that going forward, things seems to be quite promising but at this juncture we have the challenges, I would not say that there are no challenges, there are challenges and we are battling through these particular challenges but we are not despondent, we are quite hopeful that things would improve in the future. I request

my colleague D K Vyas to give you more details on the Srei Equipment Finance business and then Sanjeev Sancheti my colleague will elaborate on the financials and then we will be open for any questions. Thank you. So, I would request D K Vyas to just give a snapshot brief on the Equipment Financing business.

**D K Vyas:**

In the Equipment Finance business in the first 6 months we had a disbursement of approximately Rs. 4700 crore compared to last year around Rs. 4400 crore. The construction and mining equipment segment had a de growth of around 17% YOY, for the first 6 months we have been able to successfully diversify our portfolio from construction and mining equipment to material handling and to agriculture, Mr. Hemant also mentioned about the same.. We also started bringing that small ticket, pre-owned construction equipment business. .We have been able to do reasonable amount of growth in IT and Medical . IT and Medical has grown compared to last year also around 20-25% disbursement term in the first 6 months. So, both construction and mining equipment has de growth but we have been able to get marginal growth in disbursement because of diversification which helped us to diversify our risk also from the construction mining equipment which used to be 90% plus in the past, now is around less than 85% in terms of disbursement and 80% coming from construction, 20% coming from different vertical which going forward, we are further trying to reduce it and balance it more. But our profit has de growth primarily because of NPA provision, we did extra provision, I think our provision in six month Rs. 51 crore, so if you look at our net NPA has come down compared to March from 3.9 to 3.5%, so making extra provisions and though we have in most of the cases security in terms of property, etc., but considering the guidelines and the management estimate, our net NPA has come down with extra provision. So, plan to continue to diversify our portfolio look at these verticals to grow new verticals which are material handling, Logistics, pre-owned equipment, agriculture, IT, Medical at the same time continue to maintain our market share though our disbursement have come down in construction, mining equipment, but the markets has in construction equipments have not come down. We are still maintaining 30% market share in the construction mining equipment and primarily the business is coming there from the smaller ticket size equipment because mostly the sale of equipment which will be happening in the smaller ticket equipment which is backhoe loader and up to 20 tons excavators, not the large ticket funding. This is all from the equipment side.

**Sanjeev Sancheti:**

I will just very quickly run through the financial numbers now. To give you perspective on the consolidated financials of the company, the asset under management as on 30<sup>th</sup> September has been over Rs. 32,000 crores, which is more or less at the same level as it was in the previous financial year. The disbursements have grown from Rs. 2400 crores to Rs. 3300 plus crores in this quarter. The Profit after Tax for the half year has grown from Rs. 88 crores to Rs. 93 crores for the quarter it is at Rs. 29 crores against Rs 41 crores for the previous quarters.

Coming to Srei BNP Paribas, again the disbursement for the quarter has grown from about Rs. 1800crores to Rs. 2100 crores. The NPA as already been told has gone up to about 4.61%, however, the net NPAs have actually gone down because of higher provisioning gone down to

3.5% as compared to the previous year. The cost of funds have also gone down slightly, which has resulted in a slightly higher yields at about 30 basis points, the Profit after Tax has gone down due to the higher provisioning from Rs. 70 crores in previous quarter to about Rs. 40 crores this quarter. The standalone balance sheet, the disbursement have actually gone up from about Rs. 500 crores to over Rs. 1200 crores, the NIMs have been stable for the quarter close to about 4%, the cost of funds have gone by about 50 basis points it has been close to about 11.5% for the last two quarters. The Profit before Tax have gone up from Rs. 17 crores to about Rs. 31 crores, whereas the Profit After Tax has gone up from Rs. 11 crores to Rs. 21 crores. This is in the brief snapshot of the financials. Now we would leave the floor open to question and answers.

**Moderator:** Thank you very much sir. We will now begin the question and answer session. We have the first question from the line of Sudhakar Prabhu from Span Capital. Please go ahead.

**Sudhakar Prabhu:** I had a couple of questions, my first question is on your NPA, this quarter we have seen almost 1% jump in your gross NPA, almost from 3.6 to 4.6%, does this include some one time item or something, or is it like, it has been across the board?

**D K Vyas:** Yes, this is due to one large account Shree Metaliks which has been classified as NPA. So it is one particular large account.

**Sudhakar Prabhu:** What is your coverage ratio as of now, in equipment finance business?

**Hemant Kanoria:** The provisioning coverage?

**Sudhakar Prabhu:** Yes.

**Sanjeev Sancheti:** So, now we have about, our loan loss provisioning has been close to more than 1.5% this quarter, so that we have seen the gross NPA and the net NPA has come down quite a bit.

**Sudhakar Prabhu:** And how should we look at your provisioning for the full year, I think last year your cost of credit was almost 1.6% NPA provisioning coverage, so how should we look at this year, for the full year it should be around 1.7-1.8%?

**Sanjeev Sancheti:** I think it will be closer to 1.7-1.75.

**Sudhakar Prabhu:** My third question is on your, you mentioned in your opening comments that the cost has gone up this quarter significantly because of your investment in new business and all, so should we see this the current cost as a run rate for the coming quarters also?

**Sanjeev Sancheti :** If you answer that there are two components of this cost, at least a part of it is importantly the regular run rate cost, there is a part of which is one time like you have incrementing impact and

some one time expenditure which will not repeat. So I think 50% of the increase would be continuing.

**Sudhakar Prabhu:** How much of that would be one time item which might not reoccur in coming quarters?

**D.K.Vyas:** Sanjeev just one second, I think what we have done is if you look at our portfolio earlier used to be around 80% strategic and the balance used to be retail SME, so all the new businesses which we bought into our all retail business, we call it MSME, medium and small and medium enterprise business, where the ticket size is low and we need feet on street large number of people, so what we have done, we have recruited people we have build a team and organization for rural infrastructure finance, tractors, etc.. So there are large number of people have been recruited for the retail business in terms of pre-owned business, rural business, the CME retail ticket size, material handling is smaller ticket size so those are the regions why the costs have gone up due to manpower.

**Sudhakar Prabhu:** Sir the point I am trying to understand is, out of this Opex cost of Rs. 80 crores, how much would be like recurring in coming quarters?

**D.K.Vyas:** Cost to income ratio which we used to maintain 30%, will be somewhere around 30%-35% in between. So that becomes part of recurring, because income also will go up because of high business volumes from the high ticket high yield business side. So cost to income will remain between 30%-35%.

**Sudhakar Prabhu:** My second question is on your infra finance business, if I see sequentially Q2 v/s Q1, we see income from financing activities fall from Rs. 545 to Rs. 435 crores. So how do you explain that?

**Sanjeev Sancheti:** No the fall is because last time we had the Kingfisher Income because of which, obviously that was the one time income.

**Sudhakar Prabhu:** My last question is, on the Viom stake sale thing, any progress on that because in one of your previous calls you had mentioned that you would like to do the deal by the end of this year so almost 6 months have passed. Is there any clarity on what you would like to do with it?

**Hemant Kanoria:** We are on track, in the case of Viom and as we had given indication that by the end of this financial year, we should be in a position to get it completed. So we are on track for that and we are quite sanguine that by the end of this financial year we should come out with the dilution, listing, etc. so everything is going on track there.

**Sudhakar Prabhu:** Is there any clarity of what you would like to do, would it be listing or stake sale?

**Hemant Kanoria:** Both are going on simultaneously because if you just follow one and if it does not happen, then our objective to achieve by March will not happen. So we are following both, it is on twin track. So one or the other will happen.

**Sudhakar Prabhu:** But does Viom require funds for expansion or is it like more of a secondary stake sale?

**Hemant Kanoria:** Both are there.

**Moderator:** We have the next question from the line of Rohit Gala from Insync Capital. Please go ahead.

**Rohit Gala:** I have a general observation Sir. So your company is trying hard to portray as very investor friendly, but then you have not been able to get the significant FII or DII, who are otherwise active in NBFC space and Srei if you look at, you are trading at a very steep discount to the book value whereas as the NBFC, the other NBFC at 2x or 3x of their book so do you not think that this is high time you should address the concerns and focus on the shareholder's value creation, rather than focusing on creating assets for a company. Also last call you have mentioned that you want to sell your treasury shares somewhere at Rs. 200 a piece but is there any road map that that you would like to keep in the conference calls? Also if you look at it today, the best measure of performance of the banking or NBFCs Bank, NIFTY, which is at a lifetime high and if you look at the Srei Infra, as a stock you have been stagnant for the last five years I think, you have given 0 returns,. So is there anything that you would like to do differently this time around to address the concerns the shareholders have and any roads map how do, you know, how would you like to create shareholder's value because the VIOM stake sale on the listing, I have been hearing for the last 4 quarters now. It is being I think 12 to 18 months but there has not been any significant progress. We have been hearing in every conference call that there is something happening but nothing as of now. Would you like to give any guidance, any road map which will probably address the concern that we have?

**Hemant Kanoria:** No, you are absolutely right. You see that basically as one point which you mentioned about, that why Srei is trading so low, that is something which baffles us also, basically we are in the Infrastructure sector, in the Infrastructure sector if you generally see, peoples' sentiments for the last 2 and half, 3 years is not very good. Because the sentiments are not good, so we are also getting the brunt of the perception which exist in the Infrastructure sector. We are specialists in this particular sector and if we get into something else and start doing something else then we may not be that successful, so the diversification which we are doing is based in this sector itself, like in the equipment financing also as we mentioned that we have gradually diversified into IT equipments, into Medical equipments, now we are looking at Agriculture equipments to see that how we can increase our net interest margin. For the Infrastructure sector, I think that until and unless there are certain things which needs to be addressed by the Governments, they are done. We will not see steep rise in the sentiments in this sector. So therefore we are sanguine about it and we can be hopeful and sanguine because logically if you look at it, Infrastructure is something which is critical for the development of the country. So maybe, that the country and the Government are making certain mistakes in some places which

they are gradually trying to correct but it is a time taking process and Infrastructure is no way that we can expedite things because it is a slow and steady sector. . If you have any suggestions or any ideas that what else we can do or the shareholders suggest to us that this is something else which you can do and which will help in augmenting the shareholders' value faster. We are very happy to look at it, we are not looking with closed mind so we will be very happy to be guided.

**Moderator:** We have the next question from the line of Sameer Dalal from Natvarlal and Sons. Please go ahead.

**Sameer Dalal:** Two questions; first one is to do with your Infrastructure book, your loan book grew by about Rs. 1291 odd crores. Can you tell us what sectors are growing and how you expect the growth for this business going forward?

**Hemant Kanoria:** Fortunately RBI has also added a couple of areas, three areas in the Infrastructure segment. And one is on Hospital, second is hotel, and third is warehouses and cold chains. What we have started doing is, that we also diversify and reduce our risk; we have started looking at these particular sectors too. And this 6 months, the fresh disbursements which we have seen has been primarily in these two, three areas and in some hospitals we have looked at, some hotels we have done and also in the roads and power, additional funding which is there in some of the projects so those are the kind of things that we have looked at.

**Sameer Dalal:** Okay and do you have any sanctions which have already been approved but the disbursements have not been done. Is there some sort of visibility you can give us, how your disbursement growth would be going forward over the next couple of quarters?

**Hemant Kanoria:** That would be very difficult and we would not like to do that at this particular juncture because to be very honest with you, the Infrastructure sector has gone through its own set of challenges. So we are very careful in new disbursements and new sanctions. So as the market and as the Government keeps on announcing certain things, then only we look at those particular areas. So let us supposed to give you an example on the power sector. In the power sector, as we all know that there are lot of issues because of the coal and fuel supply for both gas and the thermal power plant. So therefore we have been going slow. If we see, the things have been set up by the Government in a manner which is favorable for the Power plant, then we will increase our disbursements, otherwise we will continue to do very selective business there.

**Sameer Dalal:** Okay, so you are currently standing at about Rs. 12345 crores of disbursement in your infrastructure books, what is the target? Where would you like to finish by the end of this financial year?

**Hemant Kanoria:** That is a little difficult to give you the guidance on, because as I said that chasing target is not our objective for this particular financial year. It is doing business, which is sound, where the risks are low, and for that would be the objective we would like to pursue. Profitability

definitely, so on the profitability side, we are looking at is, what are the cross-selling which we can do? The client that we have can we take our investment banking mandate for them, so therefore we can increase our fee based income and also we are looking at that how we can intelligently work out on the interest rates, so that we can again reduce our costs. So the profitability growth would be our objective and not the disbursement growth for the Infrastructure Project Financing Book.

**Sameer Dalal:**

Now this is just like certain numbers which are different in your presentation and which are there in your Standalone release of results. In your presentation, on Page 22, it says your NPA provisioning and write-offs and provisions for standard assets works out to about Rs. 9 crores for the quarter whereas if you see your Standalone results which you have released, the provisioning is showing as high as Rs. 22 crore. So I just want to get the difference why this discrepancy? Is there something which has been classified differently in the way you are presenting it here and the way you present it in your Standalone results?

**Sanjeev Sancheti:**

The loan related provisioning are all coming in the NPA, okay and any impairment of assets which we provide for other than the loans, coming in 'The Operating Expenditure'. So that is why you are taking the difference.

**Sameer Dalal:**

Now, then if I, just go back to your Standalone results. If you see the numbers, there has been a jump in your 'Operating and other expenses' from last quarter which was about Rs. 10.3 crores to about Rs. 17.3 crores, there has been a jump of about Rs. 7 crores. And last year it was about Rs. 8.8 crores, so what is this 'Operating and other expense' jump that we have seen in the Standalone books in this current quarter?

**Sanjeev Sancheti:**

There are few things there. There is about a crore of increase on account of manpower expenses, and then there is an increase in the depreciation because of the change in The Companies Act, which is about Rs. 2.5-3 crores, then there is this 'The Asset Impairments' provision for about Rs. 4 - 5 crores and there is some 'Consulting Expenditure'.

**Sameer Dalal:**

I am sorry Sanjeev, I would think your 'Employee Expenses' would be classified in your 'Employee Benefit Expenses'. I am just talking about Part C in your total, in your expenses Part C; if you look at it. 'Operating and Other Expenses' at Rs. 17.3 crores v/s Rs. 10.3 crores so I understand your 'Employee Expenses' have gone up but that would be in your 'Employee Benefit', your depreciation which you talked about...

**Sanjeev Sancheti:**

I will tell you, I understood that, I was looking at presentation. We have a 'Repair and Maintenance' cost increase of about Rs. 1.5 crores, which is office maintenance, which is a onetime. And there is some increase of about Rs. 1.5 crores in IT Expenditure which is because of a rate increase which happened retrospective from 1<sup>st</sup> April and there has been cost of some one-time "Consulting" which we have given a mandate to Mc Kinsey. All these 3 put together, it is a different number. Almost all of it is a one-time.

- Sameer Dalal:** So you see this moving back to about Rs. 10 crore levels per quarter?
- Sanjeev Sancheti:** Rs. 10 crores to Rs. 11 crores, around that, absolutely.
- Sameer Dalal:** Then one last question, actually couple of things more; first of all discussion on KS Oil and Deccan, you know on the last quarter also we discussed that assets would be sold and we would get some realizations which would help our balance sheet, I just wanted to know what is the progress on either of them.
- Sanjeev Sancheti:** KS Oil, I think the process of the sale has started, I think it should take about 2 quarter be able to close that, So to KS Oil we believe already the mandates for sale is given. The process is on, i think within maybe 15 days or maybe a month there will be an evaluation once the bids are received and it may take at least 6 months' time before we get final verdict.
- Management:** And Deccan, there has not been much moving there on Deccan and we have made additional provisioning as well and, yes we have 5 land parcel at our security, and we are trying to dispose off, or do some structuring with that land parcels. So it will take some time. Since the property market is not good and there are no wholesale buyers in the market, so it may take some time before we get the exit.
- Sameer Dalal:** So you do not see anything for either of these actually, I mean KS oil maybe, but I think.
- Sanjeev Sancheti:** KS oil, we expect to happen probably towards the end of this year. Okay, that is the best case scenario.
- Sameer Dalal:** In the year or financial year?
- Sanjeev Sancheti:** Financial year, not the calendar year.
- Sameer Dalal:** Maybe by March, you will see some sort of ...
- Sanjeev Sancheti:** So what Kishore is saying, maybe about 4-6 months is the kind of time we expect to take.
- Sameer Dalal:** And Deccan can nothing in this financial year.
- Sanjeev Sancheti:** At this point in time, the kind of buyers we are looking at, we are not getting people, so we will like to wait for sometime so that we do not have the value destruction. So we will wait for an opportune moment. The properties are good but we are just waiting for some revival in the prices.
- Sameer Dalal:** And lastly, I just wanted to bring one thing up. You know, Hemant you mentioned why you are not getting the valuation in the stock price, I guess lot of people are looking at your return and equity and that is coming in much lower, that is because you have lot of investment assets.

Viom, you have been talking for a year for offloading it, but it has not been happening. I guess, people in the market are waiting for you to actually deliver on what being said here, so I think maybe if that happens you will see a valuation. So I really hope you can do that soon.

**Sanjeev Sancheti:** Viom will be critical, we understand that and a lot of work is going on there and we are very sanguine that this should happen sooner than later.

**Sameer Dalal:** Because if you look at it, it is earning you nothing.

**Sanjeev Sancheti:** Let me assure you that the top management here, absolutely the top management here is fully focused on getting this exit at the earliest.

**Moderator:** We have the next question from the line of Pritesh Bumb from Prabhudas Liladher. Please go ahead.

**Pritesh Bumb:** Just one or two questions actually, I see that disbursements for the quarter was about Rs. 1291 crores, two things are there; what I am not seeing is, the fee based income is a little lower still, it might be higher in disbursement, so what kind of fees are you booking on this disbursement.

**Sanjeev Sancheti:** No, this 'Fee Income' which you are talking about is not the 'Fee Income' which relates to any of the lending business, this is my advisory business. And this is generally little lumpy, it is difficult to go on quarter-on-quarter but we are quite sure that, you know because there is a build-up case and then the billing starts. And lot of this billings happen to the Government sectors, etc. So the projects were in our hand and we have shown this by March, you know probably by next quarter in the next March, we have substantial amount of billing, which is going to happen.

**Pritesh Bumb:** But generally, you will be getting some fees out of this lending to Infra

**Sanjeev Sancheti:** That is a part of my NIM.

**Pritesh Bumb:** Okay, you directly book it to your net interest margins.

**Sanjeev Sancheti:** Of course on accounting there are various heads, but when it gets clubbed into reporting then obviously it is together. The fee income which we report separately is actually independent fee income.

**Pritesh Bumb:** And just to clarify, despite the higher disbursement, it is not reflected in your yields for the quarter.

**Sanjeev Sancheti:** One thing I told you know, the fee is got nothing to do with disbursements. This fee is again for advisory business.

- Pritesh Bumb:** Okay, so Srei Infrastructure Finance business, if I see your yield on average funds on page number 22 of your presentation, so the yields has come down quarter-on-quarter?
- Sanjeev Sancheti:** That is because of the Kingfisher. It is a one-time income.
- Pritesh Bumb:** And one thing I wanted is how much will be your borrowing from the wholesale market or bulk, non-bank?
- Sanjeev Sancheti:** Non-bank wholesale, I do not think it will be more than 7-10%
- Pritesh Bumb:** Why I am asking is, if I can judge any cost of funds reduction going ahead, so that is the reason.
- Sanjeev Sancheti:** We are already, if you see, in this particular quarter, over the last quarter we would have had gained about 70 basis points of reduction in the cost and that's largely because the short term market has improved substantially and we are able to do good amount of interest rate arbitrage plus our cash credit limits also we have been able to negotiate.
- Pritesh Bumb:** So how much rate are you borrowing at currently?
- Sanjeev Sancheti:** 11.5% in Srei and 10.8 in Srei BNP Paribas.
- Pritesh Bumb:** And one observation in the Srei BNP Paribas part or the Equipment finance part, I see that your disbursement as well as AUM has dropped quarter-on-quarters. So basically, this is a reversed trend which we have seen in last 2, 3 quarters I think but contrary to what banks have done because banks have grown their CV book or construction equipment book sequentially. So what I want to understand is there any market share loss which you are seeing from your side?
- Sanjeev Sancheti:** No, we still continue to be 30%. The reason for the fall in the disbursements has largely been because as Mr. Hemant Kanoria was telling that we have been very cautious in lending to the Infrastructure sectors. The most of the disbursements which have happened over the last two quarters have happened in the non-infrastructure sector as you said, in sectors like medical equipments, in farm equipment, etc. We have built a team and we started building portfolio around that because there are 2 reasons for that, one is that these are retail assets which gives you higher returns and secondly that we are also help you in balancing the risks.
- Sanjeev Sancheti:** Just to clarify one more point, the construction equipment financing from banks has not increase only to the CDR customers because most of the construction gone into CDR. So underl CDR, the banks are funding them under the CDR mechanism which is not too large in volume but yes those are the done.

- Pritesh Bumb:** But if I see some banks which are not there in CDR something like a HDFC Bank which has grown after a long time in their construction equipment and they are usually conservative, so I was just wondering if we are seeing something else and these guys are saying something else?
- Sanjeev Sancheti:** HDFC Bank also, the market share from the Construction Equipment Manufacture Association shared the data and our market share consistently is 30% quarter-on-quarter, HDFC Bank is number 2 somewhere around 14%-15%. I do not want to quote their number, it is just to inform you, it is just we get from various association, the data company informed me.
- Moderator:** We have the next question from the line of Rohit Gala from Insync Capital. Please go ahead.
- Rohit Gala:** I missed out, there was a large account you mentioned which has been classified as NPA. What was it Sir?
- Management:** Shree Metaliks.
- Rohit Gala:** And what is the amount?
- D.K.Vyas :** I think it is Rs. 100 odd crores.
- Rohit Gala:** Is there any pipeline that you see, which may again be a similar case or are we done completely with respect to the asset quality?
- Management:** I think as we said in the beginning cost of risk this year could be in the range of 1.7%., somewhere around that. We do not expect cost of risk to come down this financial year. It could be around 1.7%.
- Rohit Gala:** Lastly, with respect to yesterday's RBI guideline, so are we in a position to comply with before 2018?
- Sanjeev Sancheti:** As far as the capital adequacy is concerned, both the companies are above 10, so we are already complying with it. Mandatorily and the infrastructure finance company anyway was always 10% Tier-1. As far as provisioning is concerned, Srei BNP Paribas, in most of the cases, in normal cases, we do 90 days. In Srei we are from 180 days but our provisions, our gross NPAs are not very large, so from 2016 onwards, we should be able to start to increase anyway. The RBI has given a very staggered plan of increase so I am sure that it is not going to be any substantial impact on our profitability.
- Moderator:** We have the next question from the line of Sameer Bhise from IDFC Securities. Please go ahead.
- Sameer Bhise:** Just a few data points; wanted gross NPA numbers in absolute terms for both the businesses.



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- Sanjeev Sancheti:** Absolute numbers, Srei standalone is about Rs.470 crores.
- Sameer Bhise:** And any broad number on standard re-structural outstanding?
- Sanjeev Sancheti:** About Rs. 800 crores in equipment.
- Sameer Bhise:** How much is standalone business?
- Sanjeev Sancheti:** Standalone is Rs. 470 crores approximately.
- Moderator:** As there are no further questions at this time, I now handover the floor back to Mr. Manish Chowdhary.
- Manish Chowdhary:** Thank you everyone for being on the call and thanks again to the entire management team, Mr. Hemant Kanoria and Sanjeev Sancheti and others.
- Moderator:** Thank you. On behalf of IDFC Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.