



“Discussion on Recently Announced Consolidation Business,
Srei Infrastructure Finance Limited”

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Moderator: Ladies and gentlemen, good day, and welcome to Srei Infra Finance Conference Call hosted by Maybank Kim Eng To Discuss Their Recently Announced Consolidation Business. As a reminder, all the participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Asitav Sahoo from Maybank Kim Eng. Thank you, and over to you, Sir!

Asitav Sahoo: Thank you Stanford. Good morning ladies and gentlemen. Maybank Kim Eng Security is pleased to host the management team of Srei Infrastructure Finance To Discuss The Recently Announced Consolidation Of The Business.

We have with us from the management Mr. Sunil Kanoria – Vice Chairman – Srei Infrastructure Finance Limited, Mr. D.K. Vyas – MD – Srei Equipment Finance Limited, Mr. Amit Agarwal – Vice President – Investor Relations.

Mr. Kanoria will give us a brief overview of the announced consolidation of the business. Thank you and over to you Sir!

Sunil Kanoria: Thank you. Good morning friends, thank you for joining this call. Basically, I would just like to start off with my perspective of where the NBFC sector and kind of the world has changed for us, that is my perspective since September last year, it is little bit of a movement for India in the sector since the challenge we faced. I think the business models of our NBFC going forward will undergo a substantial change and disruption has happened there and therefore keeping that perspective in mind, we also felt that we need to look within and see how do we change and transform ourselves.

We were working on in the last few years because we were very clear that there will be some challenges and that is how over the last 2-3 years we were gradually reducing our loan book in the infra business and focusing on the equipment business and that had started to grow well in the last two years. We had also planned to raise capital for the equipment business. Unfortunately it is with a challenge in the sector, last year September we had to shelve the capital raise and since then we started to explore what could help us to take the business forward and grow it differently.

Through various mechanisms when we had decided in January, the demerger scheme whereby Srei Equipment could also get listed and we get two listed entities. That time we felt that the perspective was that the challenge would be curtailed and the challenge in the sector would not continue for too long and we felt that it could be good to divide both the company separately and be able to raise the capital in the equipment and again focus on the equipment business.

However with the challenges continuing, the working which we started to see is that our equipment business needs capital, needs consolidation and we started to work on various strategies in terms of consolidating all our financing business into one entity. The purpose of that basically was to look at where we have been discussing to attract strategic investors into a consolidated business or keep ourselves ready for an opportunity for merger or conversion into a bank. We believe that for the liability side to be managed going forward, we need a strong liability side solution for a long-term otherwise it will always be a challenge because resources are raw materials.

We had done this similar thing in 2006-2007 just to recall that Srei was one entity and when we needed capital and BNP Paribas came in, we hived off all our assets and liabilities into a separate entity which was the Srei Equipment got formed and BNP Paribas came in and the business built up.

Similarly now here due to that we do not have a conflict of two businesses and as it is for operational purpose, our loan book in Srei Infra is coming down. So we felt that is best to combined one, so that we are able to reduce our overall operational expenses also plus we have almost about Rs.8000 Crores of credit lines from banks in Srei Infra. As our book is gradually reducing that would have gone away, through this consolidation those lines would get transferred to Srei Equipment and as our loan book in the infra comes down, we will be able to utilize that for our equipment financing business.

And as you know today going forward to get new credit lines is a major challenge and these lines were created with the last many years and this will help us going forward, so that was one of the added benefit through this consolidation. Other aspect on the consolidation also benefit comes in, in terms of be ready for a merger or a conversion into a bank where you need a kind of a holding company structure as per the regulator. So Srei Infra can act as that role and you need to combine all your financing business into one entity. So this entity becomes that from that perspective.

And of course as I said the operational efficiencies comes in, capital rationalization happens. Also what we have done in the last some time is with the co-lending program of RBI which was announced last year in September, October. From the business angle, we have been focusing on the co-lending program through the iQuippo platform which we had created and that is helping us to build up still at a young stage, but I think the way we see the growth we expect that to grow in the coming months and that will help us to be in the market, add value to the market and also not require a huge amount of capital. We are able to utilize the strength and knowledge which we have created in this 30 years in this equipment space and manage it, focus more on the return on equity. Our existing book will gradually run down over a period of time and whatever capital gets released, we are able to focus on our equipment financing and these investments.

This broadly sums up the purpose and the reason why we went in for this consolidation. This will help us in our capital, help us in our creditors from a lending side and the rating brings in cost

efficiencies be able to better work with our customers and easier convenient structure for regulators and investors.

I would be basically open to any questions post this, that will be better.

Moderator: Sure, thank you Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Sameer Dalal from Natverlal & Sons.

Sameer Dalal: Hi! Sunil. You talked about this co-lending program. Now the co-lending will obviously be done by the subsidiary company. So can you give us an idea on how much is already done and how you plan on scaling that up. And the second question is you said you plan to run down the book of Srei Infra. So would not the lending activities of Srei Infra also be transferred to Srei equipment or the Infra as such will continue to sit on the books of Srei infra till they run down how exactly that will work?

Sunil Kanoria: No as I said that we are doing a slump sale, slump exchange of our entire portfolio, debt and loan book from Srei Infra into Srei Equipment, which is about Rs.11000 Crores left now. So therefore Srei Infra will become virtually a debt-free company. It will become a holding company and will be doing fee-based businesses only, no fund-based business will be conducted in Srei Infra going forward.

All will get consolidated into Srei Equipment itself, that is how we are doing it. Second in terms of the co-lending program as I said that the business is now virtually doubling every month. We have since I would say we kickstarted it off in December January by that time the guidelines came in and the banks started. We have almost done about Rs.1300 Crores of business till last month in the last 6-7 months and we are seeing a fair amount of traction, we have eight banks who have partnered with us on our co-lending programs, initial processes, teething troubles are there, which we are working out with the banks. We have ICICI Bank, Yes Bank, HDFC Bank, Axis, then United Bank, Syndicate Bank, Bank Of Baroda and Oriental Bank, who have already signed up and started business on the platform.

Sameer Dalal : So can you explain to us how it is generally a fee-based income on the co-lending programs and in the co-lending program at least you also have to have a certain stake in the loans. So how much will be percentage of the loans disbursed will be held by Srei and how much will be held by the co-lender and if you can explain the co-lending fees and also the risk that will remain on the books of Srei?

Sunil Kanoria : So in the co-lending 20% is from Srei and 80% is from the banks. The way it happens is there is an origination fee, which we earn and then there is a collection fee, which we earn, plus the differential on the, say for example if we have lent at 11% overall to the client or 12% to the client and with the bank if it is at say 9.5% on the 80% so balance 20% I am able to earn the higher spread. So our overall ROE on the asset, so increase this substantially without the risk of the full 100%.

- D.K. Vyas:** Just to add we also earn manufacturer subvention on the 100% of the asset, which comes to us.
- Sunil Kanoria:** Yes that is right.
- Sameer Dalal:** And what about the risk in case of a default how does the risk had distributed?
- Sunil Kanoria:** No it is 80%, 20% that is the rule very clear. 20% of the risk is with us and 80% is a pari passu.
- Sameer Dalal:** Last question now this is more to do with the merger. So you done this merger, which we are doing this slump sale business and you are moving the entire book to the subsidiary, but that is going to create for the existing Srei shareholders of Holdco discount right and it is going to be a massive... already we are trading at a huge discount of book value. So what are you going to be able to do to ensure that the Srei shareholders benefit and do not loose out because of this Holdco discount because the merger which you all were initially planning would have actually sell out the Srei shareholders to also benefit in reducing the Holdco discount. So how are you going to tackle something like that for the existing shareholders?
- Sunil Kanoria:** See what we are looking at is the discount will reduce only when there is a value created at the equipment business and how do we generate the value in the equipment business in a couple of ways which as I said we have been exploring and which was not getting fulfilled in the previous structure and that is the reason why there is a lot of deliberation, discussions and look at this.
- See going forward as I said that we need capital very clearly to grow and secondly we need a structural change to ensure that we are able to continuously get access to capital to be able to grow. In that journey two things which we have been key exploring on. One is we are in discussions in exploring strategic investors into the company who again similar to what BNP was at times are looking for an unlisted entity and are looking at no conflict of interest within the group that I have some business portfolio at the parent and some at the equipment level. So therefore that is one of the purpose and reason why we are consolidating.
- Second as I said that when we look forward, we believe that the regulatory environment would evolve and support transition into a bank and in case that kind of an opportunity comes as you know we have made attempts in the past in 2012 also when 2012-2013 when we applied for the banking license and now of course the banking license processes on tab, there are opportunities for mergers into banks also as we have seen recently in some of the cases in the market.
- So we would definitely explore those opportunities also and for doing that you need to be ready. So therefore you need to be ready with the structure from the regulatory perspective and from there you need a holding company structure under the regulators guidelines, so therefore Srei would become that and if we are able to convert or merge with a bank the value proposition to the shareholders can

come in because then the business can grow on its own merit and if a strategic partner comes in again that benefit would happen an unlocking of the value, which we saw even in 2007, I remember Srei at that time was traded as a consolidated business, traded very very low it was almost 0.3- 0.2 time book and when BNP Paribas came in and we demerged that with complete business into Srei Equipment, we had done the transaction and almost 2.9 time book that time. so I am just saying that if people believe that we had added certain value in the market place in the last 20 years and we have created a strong franchise and platform they will look at that because still India needs a huge amount of growth in the asset side, asset leasing is building up, international investors we are seeing are started to look at India now favorably especially with the new government coming in with the same majority and a strong majority and the same government continuing so it is bringing in political stability so overall the macros look positive. Yes there are challenges in the economy in the last sometime because the NBFC sector was catering to the growth in the economy.

If you see in the construction equipment just to give you some data since we have reduced our volumes substantially because of the lack of resources the total sales of equipment in the last six months has had a negative growth over 30% in some cases some areas and some equipments even 40%, so because we were a dominant player in that space it is not that the demand is not there, but the demand is getting suppressed because the segments where we were able to cater to and the distribution reach, which we had that is not there with the ecosystem at the moment, it may build up it would take some market share no doubt, but definitely there is a gap.

Sameer Dalal: Thanks. I will come back in queue if I have something more. Thank you.

Moderator: Thank you. The next question is from the line of Subhankar Ojha from SKS Capital & Research. Please go ahead.

Subhankar Ojha: Sir, purely from a shareholder perspective this Srei Infra, which will become a Holdco and Sir we will continue to be shareholders of Srei Infra right?

Sunil Kanoria: That is right.

Subhankar Ojha: And so there will be again the same concern will come in terms of a Holdco discount, which earlier we were trying to list equipment business separately, that we were trying to avoid that in terms of the Holdco discount, but now again that Holdco discount will come in, you think?

Sunil Kanoria: See, if you look at the discount in the market at the moment because of the sector is as it is very high, I would say that the value would only come if the business does well and it has a strong structure to support the growth of the business going forward and which is what I would said that even in 2007 Srei Infra was just a pure holding company and below that we have Srei Equipment Finance. There were no assets and no liabilities in Srei Infra at that point of time, but because we were able to get a

strong partner in that equipment business that the company got rerated because we were able to show the growth in that. So I believe that the way we are looking at is to see that how we focus on the business and what can be done well for the business because if the business is able to sustain and survive and grow, the value to the shareholders or shareholders will be there and therefore as management has also a major shareholder we are basically trying to focus on and that is the reason why we have even been able to manage our risk that people use to say that there would be a lot of risk, we will default, etc., but because in the last 20 years we have been prudent in our working in terms of not taking any ALM mismatches, focusing on our interest rate risk management, foreign exchange risk management, yes there it is inherent in our business so that risk we have been taking, but other areas we have been able to fairly manage and therefore we are not in the crisis of not being able to repay our loans, yes growth has got impacted because of the environment, but we are working out to realign and reuse our capabilities in a manner, which will benefit all that is the effort we are trying to do.

Subhankar Ojha: Sir, if I may ask one more question, in terms of what is the capital adequacy right now in both the businesses separately?

Sunil Kanoria: It is just marginally above the regulatory so in Srei Equipment is about 16.1% and Srei Infra is about 15.4%

Subhankar Ojha: So you will need to raise the capital immediately and basically what is the priority for us to get a strategic partner first and then probably apply for the banking license?

Sunil Kanoria: Well, these are I would say parallel options, which we are looking at. So whatever happens you do not know in light you explore various things, you are making attempt for many options and therefore it is a journey, if that these any of these options happen is what we are making effort, meanwhile we are trying to focus on the business to see that we are able to ensure that our repayments happen and our existing portfolio gradually runs down and we redeploy whatever I believe we have for our equipment business.

Subhankar Ojha: So Sir just hypothetical scenario so it takes time for you to get a strategic partner will the promoter use money or are they are going to come to the market for raising fund?

Sunil Kanoria: Well, we will keep all options open because market also we have to see because today the market would not give any values forget the value we will not even give the capital for the nonbank today the scenario is such, so we will be open to anything which will benefit the organization and the business. At the moment we have to sustain I believe that the storm is still on, we have seen these, we saw this in 1997 when the NBFC went into a major crisis when few NBFCs went under and there were mayhem in the sector of course the size was much, much, much smaller that time, after over 20 years we have again seen a challenge, which is disrupting the sector to my perspective and my experience

shows and therefore we have to realign and readjust ourselves and we hope that we will be able to withstand this challenge to the way we have seen many, many challenges and come out hopefully stronger maybe in a different form going forward.

Subhankar Ojha: Sure. Thank you so much and all the best Sir.

Moderator: Thank you. The next question is from the line of Jigar Walia from OHM Group. Please go ahead.

Jigar Walia: Sir, can you give some color on the asset quality for both the businesses right now.

Sunil Kanoria: In equipment, our gross NPA for March 2019, the NPA percentage is 5.01% and as I said my CRAR is 16.11% and whereas infra our net NPA is 10.5% under the Ind-AS accounting where we have incorporated all the regulatory also. So for Srei Infra is about 10.5% and for Srei equipment is about 5%.

Jigar Walia: 5% net NPA?

Sunil Kanoria: Yes that is right.

Jigar Walia: And post March qualitatively is it deteriorated much further?

Sunil Kanoria: No last few months has been basically stable I would say we have done some recovery, I mean the journey of some more recovery hopefully now with the Essar resolution also we should hopefully get our money soon. Some recoveries and the anvil.

Jigar Walia: How much, so the capital adequacy would fall much more significantly whether infra...?

Sunil Kanoria: No, after this only our capital adequacy is 16.1% and 15.4%.

Jigar Walia: And if at all the book has run down in Q1 then the capital adequacy probably would have cushion a bit in Q1 at the end?

Sunil Kanoria: That is right.

Jigar Walia: How much would be the equity issuance from equipment to the parent and will that be huge trend of as a capital adequacy to cushion up capital adequacy depending on valuation?

Sunil Kanoria: Yes that also helps, it is about close to Rs.1000 Crores.

- Jigar Walia:** Any guidance in terms of how much could be the co-lending business by the end of the year overall as a number.
- Sunil Kanoria:** The way we are seeing the ramp up I think we should be able to touch anywhere between Rs.5000 to 6000 Crores by this year end.
- Jigar Walia:** And you said parent will be debt-free or will there be some nominal debt which will be there?
- Sunil Kanoria:** There is nominal perpetual debt and all will be there, otherwise hardly any debt.
- Jigar Walia:** And the standalone net worth will continue as it doesn't change?
- Sunil Kanoria:** Yes.
- Jigar Walia:** So the new net worth for the equipment business will be the old net worth plus Rs.1000 Crores.
- Sunil Kanoria:** That is it. So close to about Rs.4000 Crores Rs.3900 odd Crores.
- Jigar Walia:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ravi Sundaram from Sundaram Mutual Fund. Please go ahead.
- Ravi Sundaram:** It is not Sundaram Mutual Fund . I am from my parent company Sundaram Investments this is a house fund, anyway I just wanted to correct that because it should not get misreported.
- I will go directly to the question Sir. My first question is around asset liability potential mismatches if you may have. What is the capital requirement that you foresee for the next six to twelve months Sir, short-term capital?
- Sunil Kanoria:** As I said that, we as a prudent policy for the last 20 years plus since IFC Washington an international investors had invested in 1997, 1996, we had a policy of not having a ALM mismatch and therefore we do not have ALM mismatch in terms of our assets and liabilities and we have a cushion a positive cushion in overall of about anywhere between 5% to 8% it ranges but that mismatch is not there, so we do not borrow short then lend long that has not been our philosophy since many years.
- Ravi Sundaram:** So I will come back to this holding company discount aspect I know you covered a bit on that. The original idea was to demerge right. When I say original idea and talk about what we had decided a few months back, a demerger of Srei Equipment Finance would have been much more value accretive right may the meaning to say Srei Equipment Finance when you look at that as a standalone entity

there are very few businesses that have currently listed of that sort and that business sounds far more healthier than the parent company in terms of the financials that you have. So just probably just to get your views once more on the holding company discount because now that is going to be reverse merged, I will not say reverse merged. This of course is going to be amalgamated into the parent company, this holding company discount would fall in and eventually, anyway this stock is trading at a historical low valuations. I have not seen Srei Infra traded this valuation for a very long time so that is the kind of a question that I had?

Sunil Kanoria:

See basically we debated this a lot and that time in January we announced a scheme of the demerger and which would have listed the Srei Equipment also that was the as you rightly said that was the thought process and we would be able to raise capital but the way last six months further trends and development has happened more and more we saw the sector the belief basically is that the business, I may demerge and listed but then what, what do I need, I need capital, and I need continuous source of funding, both those when we were looking at the market it was very uncertain and therefore what would have happened is that I may have done that but our objective of strengthening the business and growing it would not have served and therefore when we saw various options which are available to us to be able to access capital and create a long-term structure, we saw that few options one as I said as a strategic investor who was keen but was not keen on the listed entity they want to be a long-term partner something like what BNP was so therefore they said that if it gets listed we would not it would not serve our purpose and we want to be together as good long-term strategic partners. So that is where we came from and we thought that okay this is one option. Then we explored that if that does not happened then what, what are my options then we clearly felt that we need to transform our self in to a bank in order to access long-term continuous capital. Otherwise raising because the banking system will not gives new money they may buy existing portfolio but new money from banking system will be far in-between, your bond markets are very limited and shallow you cannot access that. So what are your sources you have just nothing, no option we are not a public deposit taking company, RBI will not allow us. So we cannot do that so we saw that these options are not there and therefore if we keep ourselves ready for that and at least we able to make an attempt if I create the structure which a regulator wants for it to be a bank or convert into a bank or a merge with a bank so at least I will be ready in the next few months to explore that opportunity and we have been also in discussions at the policy level in the government with the change which has happened to give that perspective right from the Prime Minister's office to the ministry to give that perspective that how important it is for this transformation. We even learn if you see in 2008 when the global crises happens even in the US nonbank like Goldman, Morgan they have all converted into the banks which mitigated many of the risk those days. I am not saying it is exactly same as India but even in India if you see first capital merge with IDFC, Indiabulls has announced merger with Lakshmi Vilas even in 1997 if you look back three things happen when the challenge happened. One some of the NBFCs converted into banks, Kotak was a nonbank became a bank, 20th Century Finance become a bank, Times Financials became a bank. So some became a bank, some merged with banks like ITC Classic

and all those they merged with banks, some fell by the way side, some went belly up and some became stronger because the regulatory framework started, environment is improved. So many companies who were focusing on their sectors and areas of strength that built up with the economic growth. However again in 20 years, the challenge happens and we have to look within and revisit our models.

Ravi Sundaram: Thank you that was very convincing. Now coming back to the business, I looked at Q4, post Q4 how has been the business. Are there any fresh slippages, how about your disbursements, how are we doing there?

Sunil Kanoria: Well disbursements is except the co-lending the rest of the disbursement is hardly anything. Since October until now if I see now it is nine months plus, we have primarily focused on co-lending and recoveries very negligible new business because as I said that our asset liability was fairly matched whatever are repayment happens is going for repayments. So therefore we do not and whatever little been, we want to keep that liquidity, so therefore we are not growing our book. So what happens is when our book is reducing all our percentage if you see our March 2019 percentages of NPAs and all why have that gone up as a percentage because our entire portfolio book has come down by Rs.6000, 7000 Crores so if that is coming down this as a percentage in absolute number even if it does not grow as a percentage it grows. So we will have to pass this journey and transition, we have little choice to adjust and correct our self to the new world now.

Ravi Sundaram: Thank you Sir. One last question if I may squeeze in. My question is you have been in this business for a very, very long time decades of experience. So how do you feel this NBFC crisis well just is purely on personal point of view, how do you see this NBFC crisis eventually sorting it out?

Sunil Kanoria: See I feel my 30 years of experience and I have shared it also I feel there are three kind of NBFC model which will sustain long-term, one is companies who are focused on a particular asset class and has an expertise on that particular asset where the mentality and which was there in the 90's also that they are not giving money they are giving a piece of asset whether you provide a truck or whether you provide a construction equipment or particular aircraft or the railcar. This is what we were always a leasing company we were never a loan company, we were always a leasing company because of tax issues all this leases were off and we had to start writing loans but the mentality if you have that you are providing a piece of asset and not money you will be able to differentiate yourself from a bank and that is why how could we compete with the likes of HDFC, likes of IndusInd and all in our space so many years only because we were looking at our business differently in our equipment business. So I believe that is the model which will sustain and survive in any economy, if you look at the developed world also leasing companies who have strength in their asset continues to grow. The other area end because of the technologies which have come in, in financial world you may have Fintechs which will sustain and grow which has built up very strong risk engines with very strong technology

driven businesses. Something little bit like Bajaj Finance strives who have built up a very strong franchise, distribution and technology for risk management and distribution. That I believe is like a digital banking that may still sustain and grow because technology can really breach the banking regulation environment in a different way and in the middle, you will have NBFCs who would be able to maybe lever 1 to 2 times maximum 2.5, 3 times sponsored by Sovereign Funds, funds family offices, large groups, corporates who would be able to get a higher yield on their debt because they may be able to lever one to two times and they are able to do business in an environment where banks cannot do whether it is wholesale lending in terms of again shares or in terms of corporate lending, structured credits these are areas which will to my mind there is a need and demand for that capital but there it will need very strong capital and low gearing so I believe that these are kind of three models going forward which will evolve and will have a good opportunity for growth.

Ravi Sundaram: Thank you very much Sir. Those were my questions, thanks a lot for your patient answer.

Moderator: Thank you. The next question is from the line of Hitesh Gulati from Haitong Securities. Please go ahead.

Hitesh Gulati: Hi! Sir, this is Hitesh here. Sir my question is more on the construction equipment finance growth rate. Just wanted to get a sense of given that we are seeing a slowdown in a lot of other NBFC segments in terms of overall asset slowdown, what is your sense on how growth will be in this segment going forward for the industry as a whole and for us also specifically Sir.

Sunil Kanoria: You see as I said that in the last six, seven months the sales of construction mine equipment in the country has really come down dramatically is anyway from range from 30% to 40% depending on product-to-product. So therefore and that has happened not because with the demand being not there only, but the financing options had reduced quite a bit and partly through the demand because of the election and all. I believe that the way the government has emphasized a strong push to the infra structure. There is never a vacuum in the economy when there is a need and demand it may be slow to be able to break that ice but there will be some solutions which will come in and I believe that there will be a strong growth in the construction mine equipment space in the country going forward. A lot of infra project government has no choice but to spend on infra. They are committed also and they are showing those signs. You need players, you need the ecosystem to develop to support that growth. So keeping that in mind, we are working out solutions to see how we are able to cater to that segment where we have been supporting for the last 30 years how do we still continuously grow, creating different business models, creating solutions to meet that kind of a demand and that is the journey which we are on. I will give you an example like say for example in last few weeks itself, we started to focus on raising funding from overseas and so we have had good successes. We again have an institution FMO who has give us a line recently. It is \$100 million we have taken from the Swedish Government last week which will help us to support Swedish manufacturers in the country in the

equipment space. This was the journey we did in the late 90's also. Srei's 70% to 80% of our funding till 2005-2006 was all international institutions. My domestic funding was very limited and again and because we were dealing with all the global manufacturers. We are again making effort there in between RBI did not allow ECBs so it was the window was closed now that it has opened up. So we are again focusing with our multilateral institutions to support us to see that that combined with our co-lending program how are we able to cater to the market.

Hitesh Gulati: Sir just on this co-lending also if you could just give your view on that Sir how we are going to use that going forward Sir.

Sunil Kanoria: As I said that we have already started through our iQuippo platform. We have eight banks in this thing we have already done about Rs.1300 plus Crores of business on the platform we expect this to grow as things get ironed out as the banks are coming in as the process are working out. So we should hopefully see about Rs.6000 Crores of business this year through the platform of co-lending.

Hitesh Gulati: Thank you Sir. That is it from my side.

Moderator: Thank you. A follow-up question is from the line of Ravi Sundaram from Sundaram Investments. Please go ahead.

Ravi Sundaram: You mentioned that you are looking at something like Rs.6000 Crores plus here I am not getting into the numbers as quite I just want to understand around the modern when we see when we do co-lending how is the revenue model work like if I do let us say Rs.100 Crores what is the bank's proportion what would be Srei's proportion in that something like that?

Sunil Kanoria: I had mentioned that earlier 20% is Srei and the bank is about 80% that is the 80:20 model which we are working with and whatever the we agree with the bank particularly pricing beyond that we get our origination fee and our collection fees on the portfolio and the yield on our 20% goes higher because our overall pricing is higher and the banks are lower. So these overall gives me a good amount of return with the lower risk.

Ravi Sundaram: Excellent, thank you Sir.

Moderator: Thank you. A follow-up question is from the line of Parin Jhaveri from JNJ Holdings. Please go ahead.

Parin Jhaveri: Hi! Good afternoon, thank you for taking my questions. I have two questions, how would co-lending be different from originating loan and then selling as a pool in terms of the return profile.

Sunil Kanoria: In the selling out portfolio, there are certain guidelines you have to follow-up RBI, you have to hold the portfolio for six months, you have to then get the rating done, then you look at the pool sell, you may have to provide some first loss FSG etc., in that depending on portfolio and depending on the bank who is buoying it. So there is a process which is there, whereas in the co-lending you do new business you are able to underwrite new transaction and new business jointly. There is a process involved because banks also have to go through that process whoever is on the co-lending and that is the reason why we are using technology. We are investing in that technology. We have created the platform with iQuippo whereby the platform is getting linked to the banks. So origination happens the banks approve Srei approves and the transaction gets consummated. It is taking time at the movement little bit but it is improving day-by-day as we are ironing out operational issues with the banks, but there is a very strong positivity with the banking system. They are very keen to build this platform and grow because they know the strength of Srei and we have built our risk engine which incorporates our learning's of this 30 years into our risk engine which is attached to the platform which throws up the risk parameters on the each piece of asset which is being lent.

Parin Jhaveri: Thanks. And another question is while answering you are saying your capital adequacy which is on the quite... basically there is not much room over there and the stock which is trading at about 0.2 the book of... it is trading 0.2 at price to book. So are not the promoters even thinking of putting additional or buying from the market or maybe basically a preferential issue or something?

Sunil Kanoria: Yes, that is what I said that we are working on various options to get the capital to be able to grow but you see, we need to create a model which will sustain for long. See today I put in few hundred Crores that will not solve the problem. As I said that there is a disruption in the environment and there is a business models are changing so we have to first get the business model corrected. Then it make sense to go to capital that is the reason why I cannot even go to the market and there is capital whatever I am going to say tomorrow after a few hundred Crores of capital I raise what next I need to first correct the business model itself and that is the journey we are on. Once we get the business model corrected where we know that going forward our capital, resource constraint will not be there I would not say capital would not be in terms of equity but I need both that in equity to sustain pure equity just does not serve the purpose also on getting returns.

Parin Jhaveri: Okay, thank you Sir.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Sunil Kanoria: Thank you very much everyone to have joined the call today. I hope I have been able to clarify your doubts and concerns. And thanks for all your support. For any further queries, anyone can always reach out to us, we will be happy to answer. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, On behalf of Maybank Kim Eng, that concludes this conference. Thank you for joining us. You may now disconnect your lines.