Srei Equipment Finance Limited
Annual Report 2013 - 14

YOUNG & MATURED

SREI BNP PARIBAS

D K Vyas, CEO, Srei BNP Paribas receiving the award from Shri Amit Mitra, Minister of Finance, Commerce and Industries, Govt. of West Bengal for ‘Fastest Growing Company - Turnover Exceeding INR 1,000 crore’ at 2nd ET Bengal Corporate Awards 2014.

Board of Directors

Didier Chappet Chairman (DIN: 06600628)	**Hemant Kanoria** Vice Chairman & Managing Director (DIN: 00193015)	**Sunil Kanoria** Joint Managing Director (DIN: 00421564)
Olivier De Ryck (DIN: 06800248)	**Kora Ipe Puthenpurockal** (DIN: 02780367)	**Shyamalendu Chatterjee** (DIN: 00048249)

Chief Executive Officer	Chief Financial Officer
Devendra Vyas	**C. R. Sudharsanam**

Company Secretary	Auditors
Naresh Mathur	**Deloitte Haskins & Sells** **Chartered Accountants**

Corporate Identification Number U70101WB2006PLC109898

Registered Office:	Head Office:	Corporate Office:
"Vishwakarma" 86C, Topsia Road (South) Kolkata 700046	Plot: Y-10, Block EP Sector V, Salt Lake City Kolkata 700091	Olisha House, 7th Floor 4 Govt Place (North) Kolkata 700001

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DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors of your Company has pleasure in presenting the Eighth Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2014.

FINANCIAL RESULTS AND OPERATIONS

The summarized financial performance of your Company for the year ended 31st March, 2014 is as under:

(₹ in Lakh)

Particulars	Year ended	
	31st March, 2014	31st March, 2013
Total revenue	261,933	237,377
Total expenditure (including depreciation and other expenses etc.)	200,237	182,514
Profit before Bad debts, provisions & tax	61,696	54,863
Bad Debts written off (Net of recovery), Provision for Non Performing Assets and Contingent Provision against Standard Assets	25,941	14,515
Profit Before Tax	**35,755**	**40,348**
Total Tax expense	13,217	13,356
Profit After Tax	**22,538**	**26,992**
Profit brought forward from earlier year	34,934	24,410
Profit available for Appropriation	57,472	51,402
Paid up Equity Share Capital	5,966	5,966
Amount transferred to Reserves	18,688	16,468
Net Worth	203,943	187,006

OPERATIONAL REVIEW

Your Company continues to maintain its market leadership in the infrastructure equipment financing business. Some of the key highlights of your Company's performance during the year under review are:

- The gross profit (before depreciation, bad debts, provision and tax) grew to ₹ 85,930 lakh from ₹ 77,257 lakh last year.
- Profit before taxation for the year was ₹ 35,755 lakh as against ₹ 40,348 lakh in the last year.
- Net profit after taxation for the year was ₹ 22,538 lakh as against ₹ 26,992 lakh in the last year.
- The total asset under management was ₹ 18,306.34 Crore as against ₹ 19,316.09 Crore last year.

The Capital Adequacy Ratio (CAR) of your Company stands at 17.13 per cent as on March 31, 2014, well above the regulatory minimum level of 15 percent prescribed by the Reserve Bank of India for systemically important non-deposit taking NBFCs (NBFCs-ND-SI) of this, the Tier I CAR was 12.63 per cent.

Your Company has complied with all norms prescribed by the Reserve Bank of India (RBI) including Fair Practices Code (FPC) as modified upto date, Anti Money Laundering (AML) & Know your customer (KYC) guidelines and also all the mandatory accounting standards notified by the Central Government under the Companies (Accounting Standards) Rules, 2006.

CONVERSION TO PUBLIC LIMITED COMPANY

Your Company was converted to a Public Limited Company w.e.f. November 01, 2013 as approved by the Registrar of Companies, West Bengal vide fresh Certificate of Incorporation dated November 01, 2013.

CAPITAL

The Authorised Share Capital of your Company is ₹ 75,00,00,000 (Rupees Seventy Five Crore only) divided into 7,50,00,000 Equity Shares of ₹ 10/- each fully paid up and the paid-up Equity Share capital of your Company is ₹ 59.66 Crore (Rupees Fifty Nine Crore Sixty Six Lakh only). The entire paid-up Equity share capital of your Company is held by Srei Infrastructure Finance Limited along with their nominees and BNP Paribas Lease Group along with their nominees in the proportion of 50:50. There was no increase in the Authorised and Paid-up Equity Share Capital of the Company in the year under review.

ECONOMIC REVIEW

a. Global Outlook

Five years after the global financial crisis, the global economy seems to be gradually stabilizing. The World Bank has predicted a 3.2 per cent global GDP growth in 2014 after growing at 2.4 per cent in 2013. The growth rate is further projected to stabilize to 3.4 per cent in 2015 and to 3.5 per cent in 2016. The projections by International Monetary Fund (IMF) are slightly more optimistic. IMF's global GDP growth projection for 2014 is at 3.7 per cent and for 2015 it is at 3.9 per cent.

The high-income economies are now showing signs of recovery. Economic growth in these countries is picking up, from 1.3 per cent in 2013 to 2.2 per cent in 2014 and is expected to stabilize at 2.4 per cent for each of 2015 and 2016. Growth in the emerging and developing economies (EDEs) is expected to pick up from 4.8 per cent in 2013 to 5.3 per cent in 2014 and then to 5.5 per cent in 2015 and to 5.7 per cent in 2016.

Amongst high-income economies, the recovery is most advanced in the US, with GDP expanding for ten quarters now. The US economy is projected to grow by 2.8 per cent in 2014 up from 1.8 per cent in 2013, and is further expected to go up to 2.9 per cent in 2015 and to 3.0 per cent in 2016. US economy has initiated the tapering of the Quantitative Easing (QE) programme, however the policy rate has been kept unchanged and will not be increased before six months after the end of the tapering. After two years of contraction, the Euro Zone has registered positive growth at 1.1 per cent in 2014, and the growth rate is expected to rise to 1.4 per cent in 2015 and to 1.5 per cent in 2016.The pickup will generally be more modest in economies under stress, despite some upward revisions including Spain. High debt (both public and private) and financial fragmentation are unlikely to stimulate domestic demand, but exports are expected to grow. Buoyed by easy credit conditions, growth in United Kingdom is expected to be 2.9 per cent in 2014, but expected to moderate to 2.5 per cent in 2015.

While EDEs have grown faster than developed economies, the pace of growth has been uneven in different geographies. While growth in countries in parts of Europe, Central Asia and Sub-Saharan Africa strengthened, countries in Latin America, Middle East and North Africa registered weak growth. While South Asia registered modest growth, that in East Asia & the Pacific eased for the third year in a row.

GDP in China, the second largest economy in the world, is projected to stay flat at 7.6 per cent in 2014 and then slow down to 7.5 per cent for the next two years due to government's conscious attempts to soft-lend the overheated economy.

Japan, world's third largest economy, is projected to grow at 1.4 per cent in 2014, but is expected to register 1 per cent growth in 2015 mostly due to the government's efforts to curb domestic demand by imposing high consumption tax.

However, there are a few red flags to watch out for. The European debt crisis can resurface later to haunt the fragile recovery that is in progress in the Euro Zone. Presently, the peripheral economies are dependent on the funding that will be provided by the European Central Bank (ECB) and the European Stability Mechanism (ESM). The ESM mainly relies on contributions of Germany, France, Italy and Spain. If Italy and Spain need assistance, the burden would become too big for Germany and France. Thus, risk will essentially shift from the peripheral economies to Germany and France, affecting the health of these economies.

China's total debt (including public, consumer and corporate borrowing) as a percentage of GDP has risen to 230 per cent. This is unlikely to metamorphose into any debt crisis (as being feared by a section of global experts) that can have global ramifications, but it has nonetheless prompted Chinese authorities to arrest the growth of the debt burden. A considerable slowing down of China's economic growth is very much on the cards.

In Japan, while monetary expansion was undertaken last year, the decision to hike consumption tax from 5 per cent to 8 per cent effective from April 2014 and then further to 10 per cent in October 2015 is likely to have a strong impact on economic growth.

In addition to monitoring the developments these major economies, the geo-political tension brewing in several EDEs should also be tracked.

b. Indian Scenario

For the first time in 20 years, India has experienced two successive years of sub 5 per cent GDP growth. After 4.5 per cent growth in FY13, India's GDP grew by about 4.7 per cent in FY14.

The increase in policy rates by Reserve Bank of India (RBI) in order to contain inflationary pressure has slowed down industrial growth considerably. Reduction in private consumption has also contributed. Manufacturing sector has contracted and domestic investment sentiment remains weak. Wholesale Price Index (WPI) inflation stood at a 9 month low of 5.03 per cent in February while Consumer Price Index (CPI) inflation fell to a 25 month low of 8.03 per cent. However, post February both WPI and CPI have started to creep up again.

India's banking sector is going through a tough phase. Gross NPAs in Indian banking system today are at about 4.5 per cent of total advances. If the restructured assets are added to it, the total level of stressed assets in the system is around 10 per cent. Some of the stress is still expected to be hidden in the balance sheets, which may surface in the next couple of quarters. Incidentally a large part of these stressed portfolio belongs to the infrastructure sector.

However, there is strong reason for hope. The 16th Lok Sabha election has delivered a decisive mandate with the Bhartiya Janata Party (BJP) led National Democratic Alliance (NDA) winning with a clear majority. With minimum coalition pressure, the new government is now expected to fast-track many pending reforms. Shri Narendra Modi has been sworn in as the Prime Minister of India and he has reduced the number of ministries with the intent of better co-ordination and faster implementation. This has further bolstered India's attractiveness to the investor community worldwide and ever since the election result there has been a massive inflow of Foreign Institutional Investment (FII) capital.

Net FII inflow stood at a net positive of USD 13.3 billion for FY14. Foreign Direct Investment (FDI) inflows registered a year-on-year growth of 8 per cent from USD 22.4 billion in FY13 to USD 24.3 billion in FY14. Aided by inflows in the form of portfolio flows, FDI, external commercial borrowings and augmented by repayments by public sector oil marketing companies of their foreign currency obligations to RBI, the INR has strengthened and foreign exchange reserves also increased. Tightening of government spending has also contributed to the appreciation of INR. India's Fiscal Deficit was 4.5 per cent of GDP in FY14 while Current Account Deficit (CAD) stood at 1.7 per cent of GDP.

Another reason why foreign investors seem to be upbeat about India than the domestic ones may be attributable to the developments in the international commodity markets. High commodity prices have been bothering India's growth prospects as India is more of a net importer of commodities. However, commodity prices have started coming down. Oil prices have been falling, though not by much. The drop in coal prices has been even sharper. Gold has fallen too. Aluminium prices are near their bottom. Currencies of commodity exporting nations like Brazil and Russia have depreciated of late on the back of outflow of foreign capital from those nations. If China slows down further, commodity prices are expected to fall further.

However, whether India will be able to take advantage of this situation depends a lot on the policies and programmes that will be pursued by the new Union Government. Thus, the new government's actions will essentially determine how the economy performs in FY15 and in the coming years. For India to emerge as a favoured investment destination, the steps taken to drive infrastructure creation will be crucial.

World Bank has projected India's GDP growth to be 6 per cent in 2014-15. Asian Development Bank (ADB) has come up with a more conservative estimate and expects India's GDP to grow at 5.5 per cent in FY15.

NBFIs IN INDIA

Non-banking Finance Companies (NBFCs) like Asset Finance Companies (NBFC-AFCs) and Infrastructure Finance Companies (NBFC-IFCs) form an integral part of the financial fabric of the Indian economy. Most of the banks are unable to cater to the finance needs of micro, small and medium enterprises (MSMEs) and it is these NBFCs which bridge the gap and act as an extended arm of the banking system in India.

During the year under review, the following regulatory changes took place in the NBFC space:

- RBI has issued guidelines on private placement by NBFCs in order to bring NBFCs at par with other financial entities as far as private placement is concerned. Private placement for NBFCs has been restricted to maximum 49 investors and NBFCs are not allowed to extend loans against security of its own debentures (issued either by way of private placement or public issue)
- NBFC-AFCs are allowed to raise external debt under automatic route for up to 5 years to finance equipment imports for leasing to infrastructure projects and currency risk of such debt should be hedged in full
- To augment resources for infrastructure, debt funds under NBFC route (i.e. NBFC-IDFs) are made eligible for recovering bad debts from defaulters without intervention of Courts
- RBI aligned loan restructuring norms for NBFCs with those of banks in order to minimize risk of defaults
- RBI advised all NBFCs to file and register records of all equitable mortgages created in their favour on or after 31st March, 2011 with the Central Registry
- NBFCs registered with RBI and fulfilling certain criteria, including Public Financial Institutions (PFIs) and RBI-registered NBFC-IDFs, are allowed to file shelf prospectus for public issuance of non-convertible debenture (NCD) securities
- RBI issued final guidelines for NBFCs with regard to easy recognition of financial distress, prompt steps for resolution and fair recovery for lenders. All systemically important non-deposit taking NBFCs (NBFCs-ND-SI), all deposit taking NBFCs (NBFCs-D) and all NBFC-Factors are to report the relevant credit information on a quarterly basis to Central Repository of Information on Large Credits (CRILC)

In addition, several other developments during the year under review would also have an impact on NBFCs. The Companies Act, 2013 has come up with a plethora of compliance norms. Your Company, like most others, will need to allocate more manpower to abide by such stringent compliance norms. By this Act, for any company the layer of investment companies has been capped at two, unless an Indian company acquires a foreign company having subsidiaries beyond two levels, or if a subsidiary company is required to have an investment subsidiary under any law, rule or regulation in force. Each sector has its own uniqueness which compels the companies within that sector to create structures suitable to manage the business complexity accordingly. This restriction will put Indian companies at a disadvantage vis-à-vis their international counterparts who are free to create the corporate structure suited for their business. This move can even become a hindrance towards mergers & acquisitions (M&As), formation of joint ventures (JVs) or special purpose vehicles (SPVs) and restructuring. In addition, issue of debentures/bonds has always been a crucial channel for mobilizing domestic resources for NBFCs. However, the Act, by imposing stringent conditions, has essentially deprived NBFCs from tapping the bond market.

Corporate Social Responsibility (CSR) has also become mandatory for entities fulfilling certain criteria. Your Company, fulfilling such criteria, would need to shape its CSR activities in a more structured manner.

REVIEW OF OPERATIONS

Your Company is a joint venture between your Company and BNP Paribas Lease Group, registered with RBI as a non-deposit taking NBFC (Category - Asset Finance) and is in the business of equipment financing with a wide spectrum of asset finance business which includes Construction & Mining equipment's, Technology and Solutions, Healthcare equipment's, Captive financing solutions for leading manufacturers like Volvo, Atlas Capco & Case New Holland (CNH) Construction & Mining segment contributes to a majority, and client profile includes the best names in the country today.

Your Company got converted to a Public Limited Company w.e.f. November 01, 2013 as approved by the Registrar of Companies, West Bengal vide fresh Certificate of Incorporation dated November 01, 2013.

Your Company has retained its position as one of the leading equipment financier in India in the year under review with a disbursement of asset cost of ₹ 9,392.73 Crores.

The infrastructure equipment market had a de growth of around 20 per cent last year but the Company managed to improve its market share in standard assets with unit sales of approximate 56000 in 2013, the Indian earth moving and construction equipment industry was valued at approximately ₹ 18,000 Crores (USD 2.7bn).

The year 2013-14 had a challenging time for the industry, as it encountered project implementation, consolidation, cash flow mismatch challenges at large throughout all players and almost all the big companies going through corporate debt restructuring route.

During the year under review, the total disbursements in terms of asset cost of your Company had a de growth of approx. 27.75 per cent in line with the industry and the profits declined by nearly 11.38 per cent from ₹ 403 Crores to ₹ 357.55 Crores during the year.

During the year under review, new high yield businesses verticals like Pre-owned equipment financing & Rural equipment financing saw a significant growth in disbursement and will further show better results in terms of diversifying the portfolio going forward. During the year under review, the branch distribution network & foot on streets were further strengthened to create a reach and proximity with the client, improve new business vertical penetration and exploit the cross selling activities.

The view for the year ahead is to diversify the risk and stabilize, but retain the market leadership in the infra equipment space and improve penetration in high yield segments like Pre-owned & Rural equipment's financing. Your Company will have a cautious approach and watch policy decisions with strong focus on relationship with customers and continue assisting them in their business as partners.

The relationship between both the shareholders, Srei Infrastructure Finance Limited and BNP Paribas Lease Group, continues to be at the best terms and cross selling opportunities are being continuously explored.

BUSINESS OUTLOOK AND FUTURE PLANS

India's Twelfth Five Year Plan (2012-17) envisaged investments worth USD 1 trillion for infrastructure. However, now that two years have passed and not much progress has been made on the infrastructure front, that target looks ambitious. Ideally, Government should aim to have USD 700-800 billion invested in infrastructure by FY17.

The plans and targets for the various infrastructure verticals are likely to be announced in Union Budget 2014-15 by the new Government. Meanwhile, several initiatives have been taken on the infrastructure front during FY14 some of which are in progress while some have been announced:

- The Cabinet Committee on Investment is said to have cleared projects worth USD 89 billion and this is likely to provide some traction towards resolving issues with some of the stalled projects
- 3 more Industrial Corridors connecting Chennai & Bengaluru, Bengaluru & Mumbai and Amritsar & Kolkata are under different stages of preparatory work
- 8 National Investment & Manufacturing Zones (NIMZs) along Delhi Mumbai Industrial Corridor have been announced
- In the first 3 quarters of FY14, 29,350 MW of power generation capacity has been added, 3,928 km of national highways and 39,144 km of rural roads have been built, 3,343 km of new railway track have been laid and ports' cargo handling capacity has been increased by 217.5 million tonne per annum (MTPA)
- About 50,000 MW of thermal and hydel power capacity is under construction after receiving all clearances and approvals ; 78,000 MW of power capacity have been assured coal supply
- National Solar Mission to add 4 Ultra Mega Solar Power Projects each with capacity of over 500 MW in FY15
- 19 oil & gas blocks were given out for exploration
- 7 new airports are under construction ; a new policy to promote low-cost airports is on the anvil
- Railways have been allocated USD 5 billion budgetary support for FY15
- FDI policy has been liberalized for telecom, civil aviation, power trading exchange
- Infrastructure Debt Funds (IDFs) have been promoted to provide finance for infrastructure projects.

Now that inflationary trends have been arrested and assuming minimal impact on monsoon on account of EI Nino, there is likely to be a pause in the policy rate cycle. However, to revive the investment appetite and to provide a fillip to infrastructure creation, the new Government needs to implement speedy reforms in key areas like land acquisition, forest and environmental clearances, coal linkage, rolling out of Goods & Services Tax (GST), etc. Public - private partnership (PPP) is expected to continue as the favoured mode for infrastructure creation.

RESOURCES

The financial year was quite challenging amidst uncertainty in macro-economic environment with change in guard of regulator. But your Company has been able to steer through with its experience and excellent relationship with the lenders. Your Company has been mobilising the required resources at the best available rates from its bankers, financial institutions and other lenders, without making any compromise in asset liability matching and managing overall cost of funds.

Please take note that your Company has one of the country's largest consortium of banks and domestic and international financial institutions.

The tied-up Working Capital limits (fund based & non-fund based) of your Company is ₹ 10,094 crores as at the financial year end including non-fund based limit of ₹ 831 crores, with fresh sanction and/or enhancement of fund based limit during the year amounting to ₹ 1,183 Crores, from a consortium of 37 banks. The mobilization of fresh Term Loans during the year amounted to ₹ 1,445 Crores.

There have been challenges in terms of regulatory compliances, post new guidelines on Assignment and Securitization released by RBI in the last financial year and hence there has been marginal shrinkage in overall securitization volume during the financial year. Your Company sold its portfolio of loan assets worth ₹ 1,323 crores through securitization and assignment of receivables, releasing capital for additional business.

Your Company has raised Tier II Capital in the form of Subordinated Debentures aggregating to ₹ 127 crores during the financial year, in order to augment long term resources and strengthen its capital adequacy ratio.

Your Company was also able to marginally reduce its overall cost of borrowings through interest arbitrage measures by issue of Commercial Paper aggregating to ₹ 16,690 crores and Short Terms Loans from Banks and Institutions aggregating to ₹ 20,361 crores, during the financial year.

RISK MANAGEMENT

Management of risk remains an integral part of your Company's operations and it enables your Company to maintain high standards of asset quality at time of rapid growth of its lending business. During the year under review your Company has constituted a Risk Committee of Board and presently Mr. Sunil Kanoria, Joint Managing Director, Mr. Kora Ipe Puthenpurockal, Mr. Shyamalendu Chatterjee and Mr. Olivier De Ryck, Directors are Members of the Committee and Company Secretary acts as Secretary to the Committee. Beside the Members the Committee also invites other executives and / or consultants having expertise in the areas of risk management.

The risk management strategy of your Company is based on a clear understanding of various risks, adherence to well-laid risk identification, and assessment procedures and continuous monitoring. The policies and procedures established for this purpose are continuously benchmarked with industry best practices. The objective of risk management is to balance the trade-off between risk and return and ensure optimal risk-adjusted return on capital. It entails independent identification, measurement and management of risks across the businesses of your Company. Risk is managed through a framework of policies and principles approved by the Board of Directors supported by an independent risk function which ensures that your Company operates within a pre-defined risk appetite. The risk management function strives to proactively anticipate vulnerabilities at the transaction as well as at the portfolio level, through quantitative or qualitative examination of the embedded risks.

GOVERNANCE STRUCTURE

The risk strategy of your Company is enunciated and overseen by the Risk Committee of Board (RCB) mentioned as above, an independent Board level sub-committee that strives to put in place specific policies, frameworks and systems for effectively managing the various risks. Policies approved from time to time by the Board of Directors or the RCB in consultation with other sub-committees of the Board, viz. ALM & Treasury Committee (ALM) and Underwriting & Credit Committee (UCC), constitute the governing framework for various types of risk and business activities undertaken within this policy framework. Overall risk management is guided by well-defined procedures appropriate for the assessment and management of individual risk categories viz. credit risk, market risk, operational risk, liquidity risk, counterparty risk and group risk supplemented by periodic validations of the methods used. Under the guidance of RCB, the risk department is responsible for assessing and managing risks on a regular and dynamic basis. This entails, as an imperative, garnering adequate knowledge of macroeconomic trends, insights into dynamics of various sectors, understanding of regulatory environment and application of quantitative and qualitative tools facilitating an accurate assessment of risk at all times.

CORPORATE SOCIAL RESPONSIBILITY

Recognising its social responsibility, your Company had earlier established a public charitable trust in the name of 'Srei Foundation' with the objective of granting scholarships and other financial assistance to deserving and talented candidates. The Fund also supports setting up of schools, colleges, medical and scientific research institutions. Donations to Srei Foundation qualify for deduction under Section 80G of the Income Tax Act, 1961. Your Company has granted donation of ₹ 1,00,00,000/- (Rupees One Crore only) to Srei Foundation during the financial year 2013-14.

Your Company also made donations aggregating to ₹ 28,05,000/- (Rupees Twenty Eight Lakh Five Thousand only) to Suryodaya Schools, a division of IISD Edu World, established with the intent to promote and spread education among the under-privileged and weaker sections of the society.

Your Company also promotes all-round development of a clean environment and help in propagating and imparting education for the betterment of agriculture / horticulture and other similar activities.

Your Company is fully aware of the fact that as a corporate citizen, it is also entrusted with the responsibility to contribute for the betterment of the community at large. During the year under review, your Company supported a variety of charitable projects and social welfare activities and has contributed an aggregate sum of ₹ 3,80,32,857/- (Rupees Three Crore Eighty Lakh Thirty Two Thousand and Eight Hundred Fifty Seven only) to several welfare and charitable organisations.

Your Company has also duly constituted a Corporate Social Responsibility (CSR) Committee required in terms of Section 135 of the Companies Act, 2013 and the rules thereon with primary function of the Committee to undertake activities mandated by the statute. The Committee presently comprises Mr. Hemant Kanoria, Vice Chairman & Managing Director, Mr. Sunil Kanoria, Joint Managing Director and Mr. Shyamalendu Chatterjee, Non-Executive & Independent Director. Mr. Hemant Kanoria, Vice Chairman and Managing Director of your Company acts as the Chairman of the CSR Committee. Company Secretary acts as the Secretary to the CSR Committee.

DIVIDEND

In order to conserve the resources of your Company, the Board of Directors of your Company do not recommend any dividend for the year ended 31st March, 2014.

PUBLIC DEPOSITS

During the year under review, your Company, being a Non deposit taking Non Banking Financial Institution (NBFI), has not accepted any deposits from the public within the meaning of the provisions of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998. The Board of Directors of your Company has resolved that the Company will not accept any Public Deposits during the Financial Year 2014-15 in terms of aforesaid directions.

PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report and forms part of the Directors' Report.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTFLOW

Your Company has no activity relating to Conservation of Energy and Technology Absorption as stipulated in the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988. However, your Company uses information technology extensively in its operations and also continues its endeavour to improve energy conservation and utilisation, safety and environment.

During the year under review, the total foreign exchange expenditure of your Company was ₹ 7,135 lakh (previous year ₹ 6,954 lakh) and has not earned any foreign exchange (Previous Year - Nil).

DIRECTORS

Mr. Bertrand Gousset stepped down as Director and Chairman of your Company w.e.f. 15th May, 2013 due to his personal preoccupations. The Board wishes to place on record their deep appreciation of the contribution, advice and guidance extended by him during his tenure as Director and Chairman of your Company.

Mr. Didier Jean Chappet, Director of your Company was appointed as Chairman of Board of Directors of your Company w.e.f. 17th June, 2013 in place of Mr. Bertrand Gousset.

During the year under review, Mr. Anjan Mitra and Mr. Thierry Bonetto resigned as Directors of your Company w.e.f. 16th September, 2013 and 4th February, 2014 respectively due to their personal preoccupations. The Board wishes to place on record its sincere appreciation of the contribution, advice and guidance extended by Mr. Mitra and Mr. Bonetto during their tenure as Director of the Company.

During the year under review, Mr. Shyamalendu Chatterjee and Mr. Olivier De Ryck were appointed as Additional Directors of your Company w.e.f. 7th November, 2013 and 4th February, 2014 respectively and they shall hold office upto the date of the ensuing Annual General Meeting. Your Company has received notices from members pursuant to Section 160 of the Companies Act, 2013 signifying their intention to propose the candidature of Mr. Shyamalendu Chatterjee and Mr. Olivier De Ryck for the office of Directors.

In accordance with the provisions of Section 149 of the Companies Act, 2013 ('Act') read with Companies (Appointment and Qualification of Directors) Rules, 2014 and your Company's Articles of Association, the Board of Directors of your Company is seeking appointment of Mr. Kora Ipe Puthenpurockal and Mr. Shyamalendu Chatterjee as Independent Directors of the Company for a period of five consecutive years from the conclusion of the forthcoming Eighth Annual General Meeting (AGM) of the Company until the conclusion of the Thirteenth AGM of the Company. All these Directors have filed with your Company consent in Form DIR-2, intimation in Form DIR-8 under Section 164(2) of the Act and the aforesaid Rules and declaration of independence pursuant to Section 149(6) of the Act and the aforesaid Rules.

In accordance with the provisions of Section 152 of the Act and the aforesaid Rules and your Company's Articles of Association, Mr. Hemant Kanoria retires by rotation at the ensuing AGM and being eligible, offers himself for re-appointment.

The Board of Directors of your Company recommends the appointment/re-appointment of all the above Directors at the ensuing Eighth AGM.

AUDIT COMMITTEE

The Audit Committee of your Company comprises of Mr. Sunil Kanoria as Chairman, Mr. Olivier De Ryck, Mr. Shyamalendu Chatterjee and Mr. Kora Ipe Puthenpurockal, as Members of the Committee.

During the year under review, the Committee met 4 (four) times on 15th May, 2013, 8th August, 2013, 6th November, 2013 and 4th February, 2014.

DIRECTORS' RESPONSIBILTY STATEMENT

In terms of provisions of Section 217(2AA) of the Companies Act, 1956 (Act), your Directors confirm that:

(i) in the preparation of the annual accounts for the year ended 31st March, 2014, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year and of the profit of the Company for that year;

(iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the Directors have prepared the annual accounts for the year ended 31st March, 2014 on a going concern basis.

Further, your Directors confirm that your Company has adequate internal systems and controls in place to ensure compliance of laws applicable to your Company.

SECRETARIAL AUDIT REPORT

As a measure of good Corporate Governance practice, your Company appointed MR & Associates, Practising Company Secretary of repute, to conduct the Secretarial Audit. The Secretarial Audit Report for the financial year ended March 31, 2014 is provided in the Annual Report.

The Secretarial Audit Report confirms that your Company has complied inter alia with all the applicable provisions of the Companies Act, 1956, Depositories Act, 1996, Listing Agreements for Debt Securities with the Stock Exchanges, Securities Contracts (Regulation) Act, 1956 and all the Regulations and Guidelines of SEBI as applicable to your Company.

ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the excellent support and co-operation received from Srei Infrastructure Finance Limited, BNP Paribas Lease Group, the Financial Institutions, Banks, Central & State Government Authorities, RBI, SEBI, Ministry of Corporate Affairs (MCA), Registrar of Companies, Indian and Overseas Stock Exchanges, Depositories, Credit Rating Agencies, Customers, Manufacturers, Vendors, Suppliers, Business Associates, Shareholders, Debenture holders, Debenture Trustees and other Stakeholders during the year under review. Your Directors also place on record their deep appreciation for the valuable contribution of the employees at all levels for the progress of your Company during the year and look forward to their continued co-operation in realisation of the corporate goals in the years ahead.

On behalf of the Board of Directors

Place : Kolkata
Date : 21st May, 2014

Didier Chappet
Chairman

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 referred to in the Directors' Report for the year ended 31st March, 2014 and forming part thereof

Sl. No.	Name	Age As on 31.03.2014	Designation	Qualification	Remuneration (₹)	Date of Commencement of Employment	Working Experience (Years) (Total)	Previous Employment (Designation)
1	Mr. Hemant Kanoria	51	Vice Chairman & Managing Director	B. Com (Hons)	36,131,022	02-04-2008	34	-
2	Mr. Sunil Kanoria	49	Joint Managing Director	B. Com (Hons), CA	36,948,206	02-04-2008	29	-
3	Mr. D. K. Vyas	45	Chief Executive Officer	B. Com, CA	26,050,000	01-04-1997	22	G P Agrawal & Co. Chartered Accountants (Partner)
4	Mr. C. R. Sudharsanam #	58	Chief Financial Officer	B. Com, Grad CWA, ACA, FCMA (UK)	8,495,213	01-11-2008	32	BNP Paribas, Canada (Finance & Control - Project Manager (A2 System))
5	Mr. Prakash Chand Patni	55	Head - Resource Mobilisation	B. Com (Hons), CA	6,419,430	08-07-1995	30	Aketa Limited (Vice President Finance)
6	Mr. Rohit Chawla	43	Head - ARM	BBS, MBA	6,421,707	05-03-2001	20	K & Co. (Manager - Head of Investment Cell)
7	Mr. Nilabhra Sinha	44	Zonal Head	B. Com (Hons), ICWA (Inter)	6,725,379	26-09-2002	19	L & T Finance Limited (Assistant Manager)
8	Mr. Ramana Venkat Vallabhajoysula	41	Business Head	B. Com (Hons), CFA, PGDBM	6,195,399	01-10-2003	12	GE Capital CEF Limited (Area Sales Manager - South CE)
9	Mr. Debnil Chakravarty	41	Business Head	B. A. (Hons), ICFAI, CFA, PGDBA	6,295,408	02-01-2008	16	ICICI Bank Limited (Product Risk Manager - Commercial Business)
10	Mr. Sukanta Nag	54	Chief Risk & Credit Officer	M. Com, ACA, ICWA, CS, CAIIB	10,719,794	02-04-2012	29	Credit Analysis & Research Limited (CARE Ratings) (Chief General Manager)

Notes:

1 The aforesaid appointment is terminable by giving One / Three months Notice by either side except in # case where it is on contractual basis for 3 years.

2 Remuneration includes Basic Salary, Commission, House Rent Allowance, Special Allowance, Leave Travel Allowance, Medical reimbursement, Leave encashment, Employer's contribution to Provident Fund, Incentive and other perquisites.

3 Mr. Hemant Kanoria, Vice Chairman & Managing Director and Mr. Sunil Kanoria, Joint Managing Director of the Company are related to each other.

4 None of the employees hold 2% or more of the Paid-up Share capital of the Company.

SECRETARIAL AUDIT REPORT

The Board of Directors

Srei Equipment Finance Limited

(Formerly Srei Equipment Finance Private Limited)

1. We have examined the registers, records and documents of Srei Equipment Finance Limited ("the Company") for the financial year ended on March 31, 2014 based on our examination and verification of the registers, records and documents produced before us and according to the information and explanations given to us by the Company, we report that the Company has, in our opinion, complied with the provisions of the Companies Act, 1956 and the Companies Act, 2013 as applicable ("the Act") and Rules made there under and the Memorandum and Articles of Association of the Company, with regard to -

    a. maintenance of various statutory registers and documents and making necessary entries therein;

    b. since no dividend declared during the financial year so there was no closure of the Register of Members;

    c. closure of Register of Debenture holders;

    d. forms, returns, documents and resolutions required to be filed with the Registrar of Companies and Central Government;

    e. service of documents by the Company on its Members, Debenture Trustees, Auditors and the Registrar of Companies;

    f. notice of Board meetings and Committee meetings of Directors;

    g. the meetings of Directors and Committees of Directors including passing of resolutions by circulation;

    h. the 7th Annual General Meeting held on 8th August, 2013.;

    i. minutes of proceedings of General Meetings and of Board and Committee meetings;

    j. approvals of the Members, the Board of Directors, the Committees of Directors and government authorities, wherever required;

    k. constitution of the Board of Directors / Committee(s) of directors and appointment, retirement and re-appointment of Directors;

    l. payment of remuneration to the Directors including the Managing Director and Whole-time Directors ;

    m. appointment and remuneration of Auditors;

    n. payment of interest on debenture and redemption of debentures;

    o. transfer and transmission of company's shares and debentures, issue and dispatch of duplicate share certificates and all shares are maintained with the Depositories in Dematerialized Form;

    p. alterations made to memorandum of association / articles of association:

    q. there was no declaration and payment of dividends;

    r. no amount was transferred as required under the Act to the Investor Education and Protection Fund as there was no unclaimed dividend or debenture during the period under review;

    s. borrowings and registration, modification and satisfaction of charges are maintained as per the requirement of the Act;

    t. investment of the Company's funds excluding inter corporate loans and investments and loans to others;

    u. no guarantees have been extended by the Company given in connection with any loan taken by subsidiary and / or associate companies;

    v. form of balance sheet as prescribed under Part I of Schedule VI to the Act and form of Statement of Profit & Loss as per Part II of the said Schedule;

    w. directors report;

    x. contracts, common seal, registered office and publication of name of the company;

    y. the Company has not accepted any fixed deposits and hence provisions of Section 58A and 58AA of the Act are not applicable to the Company and generally, all other applicable provisions of the Act and the Rules made under that Act.

2. We further report that the Company has, in our opinion, complied with the provisions of the Depositories Act, 1996

and the Bye-laws framed hereunder by the Depositories with regard to dematerialization / rematerialisation of securities.

3. We further report that:

   (a) the Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements, shareholdings / debenture holdings and directorships in other companies and interests in other entities;

   (b) the Directors have complied with the disclosure requirements in respect of their eligibility of appointment;

   (c) there was no prosecution initiated against the Company and no fines or penalties were imposed on the Company during the year under review, under the Companies Act and all other Rules, Regulations and Guidelines as applicable, against the Company, its Directors and Officers. However show cause notice has been received by the Company against its Directors and Officers.

4. We further report that:

   (a) the Company has complied with the requirements of the Securities and Exchange Board of India (issue and Listing of Debt Securities) Regulations, 2008;

   (b) the Company has complied with the requirements under the Debt Listing Agreement with the Stock Exchanges and the provisions of Securities and Exchange India (Issue and Listing of Debt Securities) Regulations, 2008;

   (c) the Company has complied with the requirements and provisions of Non Banking Financial (Non-Deposit accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

For MR & Associates

Partner
M R Goenka
C P No. 2551

Place : Kolkata
Date : 21st May, 2014

INDEPENDENT AUDITOR'S REPORT

To the Members,

Srei Equipment Finance Limited

(Formerly Srei Equipment Finance Private Limited)

Report on the Financial Statements

We have audited the accompanying financial statements of Srei Equipment Finance Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 read with General Circular 8/2014 dated April 4, 2014, issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 1956 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

(b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 8/2014 dated April 4, 2014, issued by the Ministry of Corporate Affairs;

   (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E

per Bhaswar Sarkar
Partner
Membership Number: 55596

Place : Kolkata
Date : May 21, 2014

ANNEXURE REFERRED TO IN OF OUR INDEPENDENT AUDITOR REPORT OF EVEN DATE

Re: Srei Equipment Finance Limited ('the Company')

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has physically verified a part of its fixed assets during the year but there is a regular programme of verification of fixed assets in a phased manner to cover all items over a period of three years which, in our opinion is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification of fixed assets during the year.

(c) There was no substantial disposal of fixed assets during the year.

(ii) The Company does not have any inventory and therefore, clause 4 (ii) of the Order is not applicable and hence not commented upon.

(iii) (a) As informed, the Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Act and hence, clauses 4 (iii) (b) to (d), of the Order are not applicable and hence not commented upon.

(e) As informed, the Company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act and hence, clauses 4 (iii) (f) and (g) of the Order are not applicable and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of those areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the company.

(v) According to the information and explanations provided by the management, there has been no transaction that needs to be entered into the register maintained under Section 301 of the Act. Therefore, clause 4(v) of the Order is not applicable and hence not commented upon.

(vi) As informed, the Company has not accepted any deposits from the public under the provisions of Section 58A and 58AA of the Act and the rules framed thereunder.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) The Company is not engaged in any manufacturing or mining activities, and thus, the provisions relating to maintenance of cost records under section 209(1)(d) of the Act are not applicable and hence not commented upon.

(ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, customs duty, cess and other material statutory dues applicable to it. During the year, the Company did not have any dues towards wealth tax, investor education and protection fund and excise duty.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, cess and other undisputed statutory dues applicable to the Company were outstanding, at the year end, for a period of more than six months from the date they became payable. During the year, there were no dues towards investor education and protection fund, wealth tax and excise duty.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, and cess that has not been deposited on account of any dispute, are as follows:

Name of Statue	Nature of dues	Amount (₹ in lakh)	Period to which the amount relates	Forum where dispute is pending
WB-CST	Tax on Sec 5(2) & Sec 6(2) of the CST Act	62	2010-11	Appellate Authority, West Bengal
Finance Act, 1994	Service Tax on financial and business auxiliary services, interest payments and utilization of cenvat credit	535	2002-03 to 2009-10	High Court at Calcutta
WB-VAT	VAT on sale of fixed assets and Sec 6(2) of the CST Act, 1956	75	2007-08, 2009-10	Appellate Authority, West Bengal
AP-VAT	VAT on sale of repossessed assets	452	2008-09, 2011-12	High Court, Andhra Pradesh
Income Tax Act, 1961	Income Tax	673	2008-09 to 2011-12	Jurisdictional Assessing Officer / CIT (Appeals), Kolkata

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.

(xii) Based on our examination of the documents and records, we are of the opinion that the Company has maintained adequate records in respect of loans and advances granted primarily on the security of underlying assets and backed by collateral security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order, are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order, are not applicable to the Company and hence not commented upon.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) Having regard to the management's explanations set out in Note No. 2.7(a) to the financial statements regarding the Company's practice of rolling forward short term loans to finance lending / leasing contracts with customers for periods in excess of twelve months and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under section 301 of the Act.

(xix) According to the information and explanations given to us and the records examined by us, securities / charges have been created in respect of debentures issued by the Company.

(xx) The Company has not raised any money by public issue during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no material fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E

per Bhaswar Sarkar
Partner
Membership Number: 55596

Place : Kolkata
Date : May 21, 2014

BALANCE SHEET as at 31st March, 2014

(₹ in Lakh)

	Note No.	As at 31st March, 2014		As at 31st March, 2013	
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	2.1	5,966		5,966	
Reserves and Surplus	2.2	203,690	209,656	181,152	187,118
Non-current liabilities					
Long-term borrowings	2.3	409,238		432,886	
Deferred tax liabilities (Net)	2.4	15,694		15,287	
Other long term liabilities	2.5	14,550		15,315	
Long-term provisions	2.6	15,814	455,296	13,538	477,026
Current liabilities					
Short-term borrowings	2.7	739,521		743,638	
Trade payables	2.8	28,218		37,291	
Other current liabilities					
- Current maturities of long term borrowings	2.9	160,834		178,113	
- Other current liabilities	2.9	21,873		17,083	
Short-term provisions	2.10	11,317	961,763	8,530	984,655
TOTAL			**1,626,715**		**1,648,799**
ASSETS					
Non-current assets					
Fixed assets					
Tangible assets	2.11	125,358		124,283	
Intangible assets	2.11	3,786		1,810	
Non current investments	2.13	113		184	
Long-term loans and advances					
- Financial assets	2.14	769,314		841,006	
- Other long term advances	2.15	2,589		6,958	
Other non current assets	2.16	26,868	928,028	20,153	994,394
Current assets					
Current investments	2.13	2,971		2,953	
Trade receivables	2.17	6,597		4,020	
Cash and bank balances	2.18	61,736		102,894	
Short-term loans and advances					
- Financial assets	2.14	170,482		103,429	
- Other short term advances	2.19	1,441		1,292	
Other current assets					
- Current maturities of long term financial assets	2.14	448,282		427,710	
- Other current assets	2.20	7,178	698,687	12,107	654,405
TOTAL			**1,626,715**		**1,648,799**
Summary of Significant Accounting Policies	1.3				

The accompanying notes are an integral part of the financial statements

For S.R. BATLIBOI & CO. LLP
Chartered Accountants
(Firm's Registration No. 301003E)

on behalf of the Board of Directors

per Bhaswar Sarkar
Partner
(Membership No. 55596)

Didier Chappet
Chairman

Hemant Kanoria
Vice Chairman and Managing Director

Devendra Vyas
Chief Executive Officer

Place : Kolkata,
Date : 21st May, 2014

CR Sudharsanam
Chief Financial Officer

Sanjay Chaurasia
Company Secretary

STATEMENT OF PROFIT AND LOSS for the year ended 31st March, 2014

(₹ in Lakh)

	Note No.	Year ended 31st March, 2014	Year ended 31st March, 2013
INCOME			
Revenue from operations	2.21	261,793	237,320
Other income	2.22	140	57
Total revenue		**261,933**	**237,377**
EXPENDITURE			
Employee benefits expenses	2.23	9,603	11,521
Finance cost	2.24	153,289	136,660
Depreciation / Amortization / Impairment	2.11	24,234	22,394
Other expenses	2.25	13,027	11,855
Miscellaneous expenditure written off		84	84
Total expenditure		**200,237**	**182,514**
PROFIT BEFORE BAD DEBTS, PROVISIONS AND TAX		**61,696**	**54,863**
Bad debts written off (Net)	2.6.2	23,083	13,191
Provision for Non Performing Assets	2.6.1	2,892	457
Contingent provisions against standard assets	2.6.1	(34)	867
		25,941	**14,515**
PROFIT BEFORE TAX		**35,755**	**40,348**
Tax expense :			
- Current tax		12,810	9,202
- Deferred tax		407	4,154
Total Tax Expense		**13,217**	**13,356**
PROFIT AFTER TAX		**22,538**	**26,992**
Earnings per equity share (basic and diluted)* (₹)	2.27	**37.78**	**47.60**
[Nominal Value of Equity Shares of ₹ 10/- each (31st March 2013 : ₹ 10/-each)]			
Summary of Significant Accounting Policies	1.3		

The accompanying notes are an integral part of the financial statements

For S.R. BATLIBOI & CO. LLP
Chartered Accountants
(Firm's Registration No. 301003E)

per Bhaswar Sarkar
Partner
(Membership No. 55596)

Place : Kolkata,
Date : 21st May, 2014

on behalf of the Board of Directors

Didier Chappet
Chairman

Hemant Kanoria
Vice Chairman and Managing Director

Devendra Vyas
Chief Executive Officer

CR Sudharsanam
Chief Financial Officer

Sanjay Chaurasia
Company Secretary

CASH FLOW STATEMENT for the year ended 31st March, 2014

(₹ in Lakh)

	2013-14	2012-13
A. Cash Flows from Operating Activities		
Net Profit Before Tax	35,755	40,348
Non cash adjustment to reconcile profit before tax to net cash flows:		
Depreciation / amortization / impairment	24,234	22,394
Bad Debts written off (net)	23,083	13,191
Provision for Non Performing Assets	2,892	457
Contingent Provisions against Standard Assets	(34)	867
Loss on sale of Fixed Assets (net)	184	86
Miscellaneous Expenditure Written off	84	84
Interest & Finance Charges	153,289	136,660
Dividend Income from Current Investments (Non Trade)	(135)	(44)
Operating profit before working capital changes	**239,352**	**214,043**
Movements in working capital :		
(Increase) / Decrease in Trade Receivables / Others	18	(34)
(Increase) in Financial Assets	(39,016)	(370,841)
(Decrease) in Trade Payables / Others	(5,820)	(25,403)
Decrease in Fixed Deposit (Deposits with original maturity period of more than three months)	36,707	5,269
Cash generated from / (used in) operations	**231,241**	**(176,966)**
Interest paid (net of foreign exchange fluctuation)	(152,621)	(129,491)
Advance taxes paid (including Tax deducted at Source)	(10,470)	(6,532)
Net Cash (used in) / generated from operating activities	**68,150**	**(312,989)**
B. Cash flows from investing activities		
Purchase of Fixed Assets	(28,541)	(23,017)
Purchase of Investments	-	(3,137)
Proceeds from Redemption of Investments	53	-
Dividend Income from Current Investments (Non Trade)	135	44
Proceeds from Sale of Fixed Assets	1,072	174
Net Cash (Used) / Generated in Investing Activities	**(27,281)**	**(25,936)**
C. Cash Flows from Financing Activities		
Increase in Equity Share Capital (including Securities Premium)	-	19,964
Proceeds from issuance of debentures	12,680	66,200
Repayment on redemption of debentures	(57,289)	(61,519)
Increase / (Decrease) in Working Capital facilities (net)	(20,432)	261,135
Increase in Other Loans (net)	19,997	57,587
Net Cash (Used) / Generated in Financing Activities	**(45,044)**	**343,367**
Net Increase / (Decrease) in Cash and Cash Equivalents	**(4,175)**	**4,442**
Cash & Cash Equivalents at the beginning of the year	**24,952**	**20,510**
Cash and Cash Equivalents at the end of the period (*refer note 2.18*)	**20,777**	**24,952**
Note:		
Components of Cash and Cash Equivalents:		
Cash on hand	678	448
In Current Account	20,099	23,493
Fixed Deposits with original maturity period being three months or less	-	1,011
[(Receipts under lien with banks ₹ Nil (31st March, 2013 : ₹ 1,011 lakh)]	**20,777**	**24,952**
Cash and Bank Balances are represented by :		
Cash and Cash Equivalents	20,777	24,952
Fixed Deposits with original maturity period exceeding three months	43,227	79,934
(Receipts under lien with banks as security ₹ 42,798 lakh (31st March 2013 : ₹ 79,822 lakh)	**64,004**	**104,886**
Summary of Significant Accounting Policies (*refer note 1.3*)		

For S.R. BATLIBOI & CO. LLP
Chartered Accountants
(Firm's Registration No. 301003E)

per Bhaswar Sarkar
Partner
(Membership No. 55596)

Place : Kolkata,
Date : 21st May, 2014

on behalf of the Board of Directors

Didier Chappet
Chairman

Hemant Kanoria
Vice Chairman and Managing Director

Devendra Vyas
Chief Executive Officer

CR Sudharsanam
Chief Financial Officer

Sanjay Chaurasia
Company Secretary

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014

SIGNIFICANT ACCOUNTING POLICIES

1.1 Corporate Information

Srei Equipment Finance Limited (Formerly, Srei Equipment Finance Private Limited) (the 'Company') is a public limited Company domiciled in India and incorporated under the provisions of the Companies Act' 1956. The Company has received a Certificate of Registration from the Reserve Bank of India ('RBI') on 3rd September, 2008 to commence / carry on the business of Non-Banking Financial Institution ('NBFC') without accepting public deposits.

1.2 Basis Of Preparation

The financial statements have been prepared to comply in all material respects with the notified Accounting Standard ('AS') by Companies (Accounting Standards) Rules, 2006 (as amended), the relevant provisions of the Companies Act, 1956 (the 'Act') read with General Circular 8/2014 dated April 4, 2014, issued by the Ministry of Corporate Affairs ('MCA'), in respect of Section 133 of the Companies Act, 2013 and as per the guidelines issued by Reserve Bank of India ('RBI') as applicable to a Non-Banking Financial (Non-deposit accepting or holding) Companies ('NBFC Regulation'). The financial statements have been prepared under the historical cost convention on an accrual basis. The notified Accounting Standards (AS) are followed by the Company insofar as they are not inconsistent with the NBFC Regulation. The accounting policies applied by the Company are consistent with those used in the previous reporting year / period.

1.3 Significant Accounting Policies

i. Operating cycle

'An operating cycle' is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. The normal operating cycle for the company is considered to be of twelve months.

ii. Presentation and disclosure in financial statements

The financial statements are presented and prepared according to revised Schedule VI notified under the Companies Act, 1956.

iii. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in India requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon the management's best knowledge of current events and actions, actual results could differ from these estimates. Any revisions to the accounting estimates are recognized prospectively in the current and future years.

iv. Fixed Assets and Depreciation / Amortisation

a) Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation / amortisation and impairment losses, if any. Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Cost comprises purchase price and directly attributable expenditure on making the asset ready for its intended use.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

b) Depreciation / Amortisation

Depreciation / Amortisation is provided on Straight Line Method ('SLM'), which reflects the management's estimate of the useful lives of the respective fixed assets and the rates derived from such useful lives are greater than or equal to the corresponding rates prescribed in Schedule XIV to the Act.

The rate of depreciation considered by the Company where the rate is higher than the Schedule XIV is as follows:

Particulars	Useful life considered by the Company (in months)
Plant & Machinery	60 to 144
Heavy Earth Moving Equipment	72
Motor Vehicles	66
Furniture and Fixture	84

Fixed Assets costing up to Rs. 5,000/- are depreciated fully over a period of 12 months from the date of purchase.

Lease hold assets including improvements are amortised over the period of the lease.

Depreciation on assets purchased / sold during the period is recognized on a pro-rata basis.

Amortisation is provided on Straight Line Method ('SLM'), which reflect the management's estimate of the useful life of the intangible asset.

Particulars	Useful life considered by the Company (in months)
Softwares	60 to 72

c) Impairment of assets

The carrying amount of assets is reviewed at each Balance Sheet date to determine if there is any indication of impairment based on internal / external factors. An impairment loss is recognized to the extent, the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is higher of the net selling price and its value in use.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed, had usual depreciation been charged and no impairment provision recognised.

v. Borrowing Costs

Borrowing costs consists of interest and other ancillary cost that an entity incurs in connection with borrowing of funds and includes exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Ancillary costs of borrowings are amortised over the life of the underlying borrowings.

Borrowing costs relating to the acquisition / construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

vi. Operating Leases

Where the Company is the lessor

Leases under which substantially all risks and benefits of ownership of the asset are not transferred to the lessee are classified as operating leases. Assets given on operating leases are included in fixed assets. Lease income is recognised in Statement of Profit and Loss on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Statement of Profit and Loss. Initial direct costs incurred for execution of operating lease arrangements are recognised immediately in Statement of Profit and Loss.

Where the Company is the lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

vii. Finance Leases

Leases under which substantially all risks and benefits of ownership of the asset are transferred to the lessee are classified as finance leases. Assets given under finance lease are recognized as a receivable at an amount equal to the net investment in the lease. After initial recognition, the Company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance lease. The interest income is recognized in the Statement of Profit and Loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the Statement of Profit and Loss.

viii. Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and market value. Long-term investments are carried at cost. However, provision for diminution in the value is recognized in case of a decline, other than temporary, in the value of a long term investment. On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

ix. Financial Assets

a) Financial Assets include assets under loan / hypothecation facility. These are shown net of assets securitized / assigned.

b) Financial Assets are carried at net investment amount including installments fallen due, interest accrued and assets acquired in satisfaction of debt.

x. Provisioning / Write-off of assets

The Company recognizes provision, for standard assets, non-performing Assets (NPAs) and other receivables, in accordance with applicable guidelines issued by RBI. The Company also makes additional provision for NPA and other receivables based on the management's best estimate.

The Company considers a restructured account as one where the Company, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Company would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest. Restructured accounts are classified as standard or sub standard in accordance with guidelines on restructuring applicable to NBFCs. Necessary provision for diminution in the fair value of a restructured account is made in addition to the provision as required by RBI guidelines.

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

Provision on standard assets is made as per the notification DNBS.PD.CC.No.207 / 03.02.002 / 2010-11 issued by Reserve Bank of India.

Financial assets overdue for more than four years, as well as those, which, as per the management are not likely to be recovered, are considered as bad debts and written off in the accounts.

xi. Foreign currency transactions and balances

a) Initial recognition

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the prevailing exchange rate between the reporting currency and the foreign currency at the date of the transaction.

b) Conversion

Year-end foreign currency monetary items are reported using the year-end foreign exchange rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates prevailing at the date when the values were determined.

c) Exchange differences

Exchange differences arising on the settlement or reporting of monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements and / or on conversion of monetary items, are recognized as income or expenses in the period in which they arise.

d) Forward Exchange Contracts (not intended for trading or speculation purpose)

The premium or discount arising at the inception of a forward exchange contract is amortized as expense or income over the life of the contract and any charge payable in respect of such foreign exchange contracts are recognized when such charges become due under the terms of the contract. Exchange differences on such contracts are recognized in the Statement of Profit and Loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or expense for the period.

e) Derivatives and Hedges

The Company, in order to hedge itself against the adverse impact of fluctuations in foreign currency rates / variable interest benchmark (LIBOR) on underlying liability, enters into the derivative contracts. The Company does not enter into derivative contracts for speculation or trading purposes. In accordance with the ICAI announcement, derivative contracts, other than foreign currency forward contracts covered under AS 11, are “marked to market” on a portfolio basis, and the net loss, if any, after considering the offsetting effect of gain on the underlying hedged item, is charged to the Statement of Profit and Loss. Net gain, if any, after considering the offsetting effect of loss on the underlying hedged item, is ignored. The Company believes that the above treatment reflects the true effect of the hedge and also reflects the economic substance of the impact of derivative contracts.

xii. Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Income from Operations is recognized in the Statement of Profit and Loss on accrual basis as stated herein below except that revenue from non-performing assets is recognized, on receipt basis as per the Prudential Norms / Directions of RBI, applicable to Non-Banking Financial Companies.

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

(a) Income from financial assets is recognized based on the internal rate of return to provide a constant periodic rate of return on the net investment outstanding over the period of the contract or as per the terms of the contract.

(b) Income from operating lease is recognized as rentals (net of value added tax), on straight line basis over the period of the lease.

(c) Fees for processing of loans are recognized when a binding obligation for granting loan has been entered into.

(d) Interest for delayed payment and changes to Company's benchmark interest rate revision are accrued, due to uncertainty of realization, recognized only to the extent of probable recovery. These charges are usually realized on full and final settlement.

(e) Gains and interest differential arising on securitized / assigned assets are recognized over the tenure of agreements as per guideline on securitization of standard assets issued by RBI, and included under income from financial assets, while loss, if any is recognised upfront.

(f) Interest income on fixed deposits / margin money / pass through certificates is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

(g) Referral income is recognized when it becomes due under the term of relevant mutually agreed arrangement.

(h) Income from dividend is recognized when the Company's right to receive such dividend is established by the Balance Sheet date.

xiii. Retirement and other employee benefits

(a) Employee benefits in the form of Provident Fund and Employees' State Insurance are defined contribution plans and related contributions are charged to the Statement of Profit and Loss, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

(b) Gratuity liability is a defined benefit obligation and is provided for on the basis of actuarial valuation under projected unit credit method at the Balance Sheet date.

(c) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation as per projected unit credit method at the Balance Sheet date.

(d) Actuarial gains / losses are immediately taken to the Statement of Profit and Loss and are not deferred.

xiv. Income tax

Tax expense comprises of current {net of Minimum Alternate Tax (MAT) credit entitlement} and deferred tax.

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income tax reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by the same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that these can be realized against future taxable profits.

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

At each Balance Sheet date, the Company re-assesses unrecognized deferred tax assets.It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

MAT credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is recognized by crediting to Statement of Profit and Loss and shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

xv. Segment reporting

The Company's operating businesses are organized and managed separately according to the nature of facilities provided, with each segment representing a strategic business unit that offers different facilities and serves different markets. The analysis of geographical segments is based on the areas in which customers of the Company are located.

xvi. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

xvii. Provisions, Contingent Liabilities and Contingent Assets

a) Provisions

A provision is recognized when the Company has a present obligation as a result of past event and it is probable that outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimates required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

b) Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements. Contingent Assets are neither recognized nor disclosed in the financial statements.

xviii. Cash and cash equivalents

Cash and cash equivalents in the Cash Flow Statement comprise of cash on hand and balances with banks, cheques on hand, remittances in transit and short-term investments with an original maturity of three months or less.

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

xix. Debt Redemption Reserve ("DRR")

The Company is not required to create DRR as per Circular No. 04/2013 dated 11th February, 2013 issued by MCA since debentures have been issued on private placement basis. But as a matter of prudence, the Company, as per the management's discretion, creates debt redemption reserve for redemption of subordinated debentures / loans qualifying for Tier I / Tier II Capital on straight line basis over the tenure of the respective debenture / loans qualifying for Tier I / Tier II Capital.

xx. Assets under Management

Contracts securitized or assigned are derecognized from the books of account in accordance with the applicable guidelines issued by the RBI. Contingent liabilities, if any, in respect of such contracts are disclosed separately.

xxi. Miscellaneous Expenditure (to the extent not written off / adjusted)

Miscellaneous expenses incurred on issue of Equity shares and Global Depository Receipts (GDRs), Long Term Bonds and Debentures, are amortised as follows:

i) Expenses on issue of Equity shares and GDRs are amortised over a period of ten years.

ii) Expenses incurred on issue of Bonds and Debentures are amortised over the tenure of the respective Bonds and Debentures.

2.1 SHARE CAPITAL

(₹ in lakh, except number of shares)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Authorised		
Equityshares, ₹ 10/- par value		
75,000,000 (31st March, 2013 : 75,000,000) Equity shares	7,500	7,500
	7,500	**7,500**
Issued, subscribed and fully paid-up Equity shares, ₹ 10/- par value 59,660,000 (31st March, 2013 : 59,660,000) Equity Shares	5,966	5,966
Total	**5,966**	**5,966**

2.1.1 Reconciliation of Equity Shares

The reconciliation of the number of Equity Shares outstanding and the corresponding amount thereof as at the Balance Sheet date is set out below:

Equity Shares	As at 31st March, 2014		As at 31st March, 2013	
	No. of Shares	₹ in Lakh	No. of Shares	₹ in Lakh
At the beginning of the year	59,660,000	5,966	53,220,000	5,322
Add: Issued as fully paid during the year	-	-	6,440,000	644
At the end of the year	59,660,000	5,966	59,660,000	5,966

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.1.2 Terms / rights attached to Equity Shares

The Company's authorized capital consists of only one class of shares referred to as Equity Shares having a par value of ₹ 10/- each. Each holder of Equity Shares is entitled to one vote per share.

The dividend, if any, proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of Equity Shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of Equity Shares held by the shareholders.

2.1.3 The details of shareholders holding more than 5% shares are set out below:

Class of shares and names of shareholders	As at 31st March, 2014		As at 31st March, 2013	
	No. of Shares	% held	No. of Shares	% held
Equity shares, ₹ 10/- par value				
Srei Infrastructure Finance Limited	29,830,000	50	29,830,000	50
BNP Paribas Lease Group	29,830,000	50	29,830,000	50

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.2 RESERVES AND SURPLUS

(₹ in lakh)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Capital reserve		
Opening balance	31	31
Add / Less: Transferred to / from Surplus	-	-
Closing balance	**31**	**31**
Securities premium account		
Opening balance	103,980	84,660
Add: Received on issue of equity shares during the year	-	19,320
Closing balance	**103,980**	**103,980**
Debt redemption reserve		
Opening balance	26,776	15,707
Add: Transferred from Surplus for the year	14,180	11,408
Less: Transferred to Surplus on redemption	-	339
Closing balance	**40,956**	**26,776**
Special reserve as per Reserve Bank of India Guidelines		
Opening balance	15,431	10,032
Add: Transferred from Surplus	4,508	5,399
Closing balance	**19,939**	**15,431**
Surplus in the Statement of Profit and Loss		
Opening balance	34,934	24,410
Add: Net profit after tax transferred from Statement of Profit and Loss	22,538	26,992
Amount available for appropriation	57,472	51,402
Appropriations:		
Amount transferred to Special reserve	(4,508)	(5,399)
Amount transferred to Debt redemption reserve	(14,180)	(11,408)
Amount transferred from Debt redemption reserve	-	339
Closing balance	**38,784**	**34,934**
Total Reserves and Surplus	**203,690**	**181,152**

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.3 LONG TERM BORROWINGS

(₹ in Lakh)

Particulars	As at 31st March, 2014			As at 31st March, 2013		
	(a) Total	(b) Current Maturities (refer note 2.9)	(c)=(a)-(b) Non-current portion	(a) Total	(b) Current Maturities (refer note 2.9)	(c)=(a)-(b) Non-current portion
A. Secured						
Debentures						
Non-convertible debentures (*refer note 2.3.1*)	53,024	42,924	10,100	84,063	31,039	53,024
Term loans (*refer note 2.3.2*)						
From banks						
- Rupee loans	242,256	85,027	157,229	253,888	96,568	157,320
- Foreign currency loans	115,393	16,324	99,069	129,798	24,373	105,425
From Financial institutions						
- Rupee loans	49,110	11,810	37,300	28,445	6,240	22,205
- Foreign currency loans	3,770	1,560	2,210	18,290	15,016	3,274
Other loans from banks						
Buyer's credit in foreign currency (*refer note 2.3.3*)	3,189	3,189	-	5,239	4,251	988
(A)	**466,742**	**160,834**	**305,908**	**519,723**	**177,487**	**342,236**
B. Unsecured						
Debentures						
Subordinated perpetual debentures (Tier I Capital) [*refer note 2.3.4*]	3,750	-	3,750	3,750	-	3,750
Subordinated redeemable debentures (Tier II Capital) [*refer note 2.3.5*]	74,580	-	74,580	61,900	-	61,900
Term loans (*refer note 2.3.6*)						
Subordinated loans (Tier II Capital)						
- From banks (Rupee loans)	25,000	-	25,000	25,000	-	25,000
Other loans (*refer note 2.3.7*)						
Foreign currency loans						
- From financial institutions	-	-	-	626	626	-
(B)	**103,330**	**-**	**103,330**	**91,276**	**626**	**90,650**
Total (A+B)	**570,072**	**160,834**	**409,238**	**610,999**	**178,113**	**432,886**
Less: Amount disclosed under the head "other current liabilities" (*refer note 2.9*)		160,834	-		178,113	-
Net amount		**-**	**409,238**		**-**	**432,886**

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.3.1 Secured Non-Convertible Debentures

Date of Allotment	Face Value per Debenture (₹) ##	Amount outstanding (₹ in lakh) *		Interest rate (%)	Earliest redemption date
		As at 31st March, 2014	As at 31st March, 2013		
19 July 2012	10,00,000	10,100	10,100	11.50%	19 July 2015
19 December 2011	10,00,000	2,500	2,500	11.35%	18 December 2014 #
01 December 2011	10,00,000	2,500	2,500	11.35%	15 December 2014
05 December 2011	10,00,000	2,500	2,500	11.35%	11 December 2014 #
01 December 2011	10,00,000	3,000	3,000	11.35%	25 November 2014 #
01 November 2011	10,00,000	1,000	1,000	11.00%	23 October 2014
02 November 2011	10,00,000	300	300	11.00%	23 October 2014
27 August 2009	40,000	279	279	10.75%	26 August 2014
27 August 2009	1,00,000	2,475	2,475	11.00%	26 August 2014
27 August 2009	1,00,000	3,620	3,620	10.50%	26 August 2014**
03 August 2012	10,00,000	19,750	19,750	10.75%	03 August 2014
01 December 2011	10,00,000	5,000	5,000	11.35%	30 April 2014
17 February 2012	10,00,000	-	690	10.40%	17 February 2014
07 September 2011	10,00,000	-	250	10.55%	14 February 2014
08 March 2011	10,00,000	-	500	11.25%	16 January 2014
24 October 2011	10,00,000	-	2,000	11.35%	20 December 2013
24 October 2011	10,00,000	-	2,000	11.35%	20 November 2013
07 September 2011	10,00,000	-	250	10.55%	13 September 2013
26 August 2011	10,00,000	-	1,500	10.60%	06 September 2013
27 August 2009	70,000	-	209	10.75%	26 August 2013
13 August 2010	10,00,000	-	18,500	9.15%	13 August 2013
08 December 2011	10,00,000	-	500	10.75%	12 June 2013
15 June 2011	10,00,000	-	2,700	10.90%	12 June 2013
19 December 2011	10,00,000	-	440	10.52%	06 June 2013 #
25 May 2011	10,00,000	-	1,500	10.95%	13 May 2013
Total		**53,024**	**84,063**		

* Includes current maturities.

** Put / Call Option has been exercised on 26 August 2012 while the original maturity date is 26 August 2014.

In cases, where face value has been partially redeemed, those have been shown at outstanding face value.

All the above debentures are redeemable at par except those marked # which are redeemable at premium.

Security: The above non-convertible debentures are secured by way of pari passu charge on the Company's immovable properties located at Pune / West Bengal and an exclusive first charge on the respective receivables from financial assets of the Company.

2.3.2 Term Loan from banks and financial Institutions

Particulars	Outstanding * (₹ in lakh)	Repayment terms (₹ in lakh)				Tenure (years)	Rate of Interest per annum	Nature of security
	As at 31st March, 2014	Monthly	Quarterly	Half yearly	Single installment			
Rupee Term Loans								
From banks #	242,256 (253,888)	74,940 (105,036)	155,316 (148,852)	- -	12,000 -	3-6 (3-5)	10%-12% (10%-12%)	Hypothecation of specific assets covered by respective hypothecation loan agreements and operating lease agreements with customers and receivables arising there from.
From financial institutions	49,110 (28,445)	49,110 (24,570)	- (3,875)	- -	- -	5-7 (5-10)	10%-12% (10%-12%)	
Total (A)	**291,366**** **(282,333)**	**124,050** **(129,606)**	**155,316** **(152,727)**	**-** **-**	**12,000** **-**			
Foreign currency term loans								
From banks	115,393 (129,798)	- -	11,982 (10,860)	103,411 (118,938)	- -	5-7 (5-7)	<10% (<10%)	Hypothecation of specific assets covered by respective hypothecation loan agreements and operating lease agreements with customers and / or receivables arising there from.
From financial institutions	3,770 (18,290)	- -	- -	3,770 (18,290)	- -	7-10 (7-10)	<10% (<10%)	
Total (B)	**119,163** **(148,088)**	**-** **-**	**11,982** **(10,860)**	**107,181** **(137,228)**	**-** **-**			

*Includes current maturities.

**Includes ₹ 840 lakh (₹ 8,303 lakh) guaranteed by two directors of the Company.

The above figures includes ₹ 9,203 lakh (₹16,746 lakh) lying in the bucket range of 12%-14% p.a (12%-14% p.a)

Figures in bracket indicate previous year's figures.

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.3.3 Buyer's credit in foreign currency from banks

These are repayable in single installment and have tenure ranging from 0-3 years and bear interest rate of less than 10% per annum (31st March, 2013: Less than 10% per annum).These loans are secured by import documents covering title to capital goods and extension of pari passu charge on assets covered under working capital facilities.

2.3.4 Unsecured subordinated perpetual debentures (Tier I Capital)

As at 31st March, 2014, the amount outstanding in respect of unsecured subordinated perpetual debentures is ₹ 3,750 lakh (31st March, 2013: ₹ 3,750 lakh) which is 1.87% (31st March, 2013 : 2.04%) of total Tier I Capital as on Balance Sheet date. The coupon rate of these perpetual debentures is 12.50% (31st March, 2013 : 12.50%) . These perpetual debentures have call option which is exercisable on 30th December 2021 with prior approval of RBI.

2.3.5 Unsecured Subordinated Redeemable Non-Convertible Debentures (Tier II Capital)

During the year ended 31st March, 2014, the Company raised subordinated redeemable non-convertible debentures qualifying for Tier II Capital amounting ₹ 12,680 lakh (31st March, 2013 ₹ 10,100 lakh).The following table sets forth, the detail of the bonds outstanding as at the Balance Sheet date:

Date of Allotment	Face value per debenture (₹)	Amount outstanding (₹ in lakh)		Coupon rate (%)	Earliest redemption date
		As at 31st March, 2014	As at 31st March, 2013		
07 May 2013	10,00,000	2,080	-	11.25%	07 May 2023
24 January 2013	10,00,000	900	900	11.25%	24 January 2023
17 December 2012	10,00,000	1,700	1,700	11.50%	17 December 2022
20 December 2013	10,00,000	1,000	-	11.10%	20 December 2020
27 September 2013	10,00,000	1,600	-	11.00%	27 September 2020
29 June 2013	10,00,000	1,000	-	10.85%	29 June 2020
31 March 2010	10,00,000	7,450	7,450	10.00%	31 March 2020
19 March 2010	10,00,000	2,550	2,550	10.00%	19 March 2020
24 December 2009	10,00,000	10,000	10,000	10.00%	24 December 2019
29 November 2013	10,00,000	1,000	-	11.00%	29 May 2019
29 November 2013	10,00,000	500	-	11.00%	29 May 2019
24 July 2013	10,00,000	1,500	-	10.75%	24 May 2019
28 March 2013	10,00,000	2,500	2,500	11.50%	28 September 2018
27 September 2011	10,00,000	6,800	6,800	12.00%	27 September 2018
08 February 2013	10,00,000	5,000	5,000	11.60%	08 August 2018
07 May 2013	10,00,000	1,500	-	11.10%	07 August 2018
29 June 2013	10,00,000	2,500	-	10.75%	29 April 2018
31 March 2011	10,00,000	5,000	5,000	11.50%	31 March 2018
03 August 2007	10,00,000	10,000	10,000	12.00%	03 August 2017
30 December 2011	10,00,000	2,500	2,500	12.60%	30 July 2017
31 March 2011	10,00,000	2,500	2,500	11.00%	30 September 2016
26 October 2010	10,00,000	5,000	5,000	9.15%	26 April 2016
Total		**74,580**	**61,900**		

All the above debentures are redeemable at par in single installment.

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.3.6 Unsecured Subordinated Term Loans (Tier II Capital)

Particulars	Outstanding (₹ in lakh)	Repayment terms (₹ in lakh)			Tenure (years)	Rate of Interest per annum
	As at 31st March, 2014	Quarterly	Half yearly	Single installment		
Subordinated term loans (Tier II Capital)						
Rupee loan from banks	25,000	10,000**	5,000#	10,000	5-7	12%-14%
	(25,000)	(10,000)	(5,000)	(10,000)	(5-7)	(12%-14%)
Total (A)	**25,000**	**10,000**	**5,000**	**10,000**		
	(25,000)	**(10,000)**	**(5,000)**	**(10,000)**		

** Payable after remaining moratorium of 36 months (48 months).

Payable after remaining moratorium of 39 months (51 months).

Figures in bracket indicate previous year's figures.

2.3.7 Other Unsecured Long- term Loans

Particulars	Outstanding* (₹ in lakh)	Repayment terms (₹ in lakh)			Tenure (years)	Rate of Interest per annum
	As at 31st March, 2014	Quarterly	Half yearly	Single installment		
Other foreign currency loans						
From financial institutions	-	-	-	-	-	<10%
	(626)	-	(626)	-	(8)	(<10%)
Total (A)	**-**	**-**	**-**	**-**		
	(626)	**-**	**(626)**	**-**		

*Includes current maturities.

Figures in bracket indicate previous year's figures.

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.4 DEFERRED TAX LIABILITIES (NET)

In terms of AS 22 'Accounting for Taxes on Income', net deferred tax liability (DTL) of ₹ 407 lakh (31st March, 2013: net deferred tax liability of ₹ 4,154 lakh) has been recognised in the Statement of Profit and Loss for the year ended 31st March 2014 and consequently, the net DTL as at 31st March, 2014 stands at ₹ 15,694 lakh (31st March, 2013: ₹ 15,287 lakh).

The break-up of major components of such net DTL is as follows:

(₹ in lakh)

Particulars		As at 31st March, 2014	As at 31st March, 2013
Deferred tax liability on:			
Depreciation on Fixed Assets		18,010	16,577
Deferred Revenue Expenditure		2,209	2,153
Gross deferred tax liability	**(A)**	**20,219**	**18,730**
Deferred tax asset on:			
Provisions for Standard assets and NPAs		4,441	3,313
Others		84	130
Gross deferred tax asset	**(B)**	**4,525**	**3,443**
Net Deferred Tax Liability (A-B)		**15,694**	**15,287**

2.5 OTHER LONG TERM LIABILITIES

(₹ in lakh)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Interest accrued but not due on borrowings	2,711	5,268
Acceptances	817	457
Sundry liabilities (Interest Capitalisation) Account*	943	-
Others		
Trade Deposits	10,079	9,590
Total	**14,550**	**15,315**

*As per Reserve Bank of India Guidelines

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.6 LONG-TERM PROVISIONS

(₹ in lakh)

Particulars		As at 31st March, 2014	As at 31st March, 2013
Provision for employee benefits (*refer note 2.31*)			
Gratuity		248	400
		248	400
Less: Current portion of provision for employee benefits (*refer note 2.10*)			
- Gratuity		200	150
	(A)	**48**	**250**
Other provisions (*refer note 2.6.1*)			
- Provision for NPAs		14,139	11,279
- Contingent provision against standard assets		1,627	2,009
	(B)	**15,766**	**13,288**
Total (A+B)		**15,814**	**13,538**

2.6.1 Movement of other provisions

Provision for Non-Performing Assets (NPAs) has been recognized in the financial statements according to the Prudential Norms prescribed by RBI. Further, financial assets overdue for more than four years, as well as those, which, as per the management are not likely to be recoverable, are written off as bad debts in the accounts. The Company has recognized additional provision towards financial assets, based on the management's best estimates as stated below:

(₹ in lakh)

Particulars	Balance as at 1st April, 2013	Net movement after considering Bad debts written off	Balance as at 31st March, 2014
Provision for NPA as per RBI Prudential norms*	6,503	5,847	12,350
Additional provision as per management estimate	4,807	(2,955)	1,851
Contingent provision against standard assets as per RBI Prudential norms	3,314	(34)	3,280
Total	**14,624**	**2,858**	**17,481**
Previous year	13,299	1,324	14,624

*Includes provision for diminution in fair value of restructured advances amounting to ₹ 2,248 lakh (31st March 2013: Nil)

2.6.2 Bad debts written off (Net)

Bad debts written off during the year amounting to ₹ 23,083 lakh (31st March, 2013 : ₹ 13,191 lakh) is net of recovery of ₹ 5,856 lakh (31st March, 2013 : ₹ 2,935 lakh)

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.7 SHORT TERM BORROWINGS

(₹ in lakh)

Particulars	As at 31st March, 2014	As at 31st March, 2013
A. Secured		
Working capital facilities from banks (Rupee loan) [Note (a) below]	657,715	671,142
Debentures [*refer note 2.7.1*]	-	26,250
Short - term foreign currency loan from banks [Note (b) below]	-	8,145
Buyer's credit foreign currency loans from banks [Note (c) below]	22,737	27,692
Short - term rupee loan from banks [Note (d) below]	7,500	-
(A)	**687,952**	**733,229**
B. Unsecured		
Commercial papers (from other than banks) [Note (e) below]	51,569	10,409
(B)	**51,569**	**10,409**
Total (A+B)	**739,521**	**743,638**

Notes :

(a) Working capital facilities including working capital demand loans (earmarked against cash credit limits) from banks are secured by hypothecation of underlying assets (both short-term and long-term financial assets) covered by respective hypothecation loan agreements and operating lease agreements with customers and receivables arising therefrom ranking pari passu (excluding assets specifically charged to others). As per the prevalent practice, these facilities are renewed on a year to year basis and therefore, are revolving in nature. As at 31st March, 2014 working capital facilities from banks include working capital demand loans aggregating ₹ 479,800 lakh (31st March, 2013: ₹ 465,000 lakh). Rate of interest for working capital demand loans ranges from 10% to 12% per annum (31st March, 2013 : from 10% to 12% per annum) and for working capital facilities, ranges from 10% to 16% per annum (31st March, 2013 : from 11% to 16% per annum)

(b) Short - term foreign currency loans from banks were bearing interest at the rate ranging from 10% to 12% per annum (31st March, 2013: from 10% to 12% per annum) and were secured by hypothecation of specific assets covered by respective hypothecation loan agreements with customers and receivables arising therefrom.

(c) Buyer's credit in the form of foreign currency loans from banks were secured by import documents covering title to capital goods and extension of pari passu charge for working capital facilities bearing interest rate of less than 10% per annum (31st March, 2013: Less than 10% per annum)

(d) Short term rupee loan from banks bearing interest rate from 10% to 12% per annum (31st March, 2013: Nil) is secured by hypothecation of specific assets covered by respective hypothecation loan agreements and operating lease agreements with customers and receivables arising there from.

(e) Rate of Interest ranges from 10% to 11% per annum (31st March, 2013: from 8% to 11% per annum)

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.7.1 Secured Non-Convertible Debentures

Date of Allotment	Face value per debenture (₹)	Amount outstanding (₹ in lakh)		Interest Rate (%)	Earliest redemption date
		As at 31st March, 2014	As at 31st March, 2013		
06 August 2012	1,000,000	-	6,000	10.75%	06 August 2013
03 August 2012	1,000,000	-	20,250	10.75%	03 August 2013
Total		**-**	**26,250**		

*All the above debentures are redeemable at par.

Security: The above non-convertible debentures were secured by way of pari passu charge on the Company's immovable properties located at West Bengal and exclusive first charge on specific receivables from financial assets of the Company.

2.8 TRADE PAYABLES

(₹ in lakh)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Due to Micro and Small enterprises (*refer note 2.34*)	-	-
Due to others		
Trade payables	21,748	34,037
Acceptances	6,470	3,254
Total	**28,218**	**37,291**

2.9 OTHER CURRENT LIABILITIES

(₹ in lakh)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Current maturities of long-term borrowings (*refer note 2.3*) **(A)**	**160,834**	**178,113**
Interest accrued but not due on borrowings	13,885	10,660
Sundry liabilities (Interest Capitalisation) Account*	3,117	-
Other payables		
Trade deposits	2,604	1,294
Forward contracts payable	877	1,619
Advances from customers for operating leases	124	833
Employees payables	507	2,008
Commission payable to Directors	226	270
Other liabilities	533	399
(B)	**21,873**	**17,083**
Total (A + B)	**182,707**	**195,196**

*As per Reserve Bank of India Guidelines

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.10 SHORT TERM PROVISIONS

(₹ in lakh)

Particulars		As at 31st March, 2014	As at 31st March, 2013
Other provisions (*refer note 2.6.1*)			
- Contingent provision against standard assets		1,653	1,305
	(A)	**1,653**	**1,305**
Current portion of provision for employee benefits (*refer note 2.6*)			
Gratuity		200	150
Leave benefits		729	680
	(B)	**929**	**830**
Provision for Income taxes [net of Advance tax / Tax deducted at source of ₹ 13,497 lakh (31st March, 2013: ₹ 3,027 lakh)]	**(C)**	**8,735**	**6,395**
Total (A+B+C)		**11,317**	**8,530**

2.11 FIXED ASSETS

(₹ in lakh)

Particulars	Gross block				Depreciation / amortization / impairment					Net book value
	As at April 01, 2013	Additions	Deductions / Retirement	As at March 31, 2014	As at April 01, 2013	For the year	Impairment Charge	Less on Deductions	As at March 31, 2014	As at March 31, 2014
I. Tangible assets:										
Assets for Own use										
Land- Freehold	4	-	-	4	-	-	-	-	-	4
Buildings	92	-	-	92	8	2	-	-	10	82
Furniture and fixtures	2,036	93	-	2,129	839	258	-	-	1,097	1,032
Motor vehicles	186	66	48	204	59	19	-	26	52	152
Computers and office equipments	1,245	108	-	1,353	618	164	-	-	782	571
(A)	**3,563**	**267**	**48**	**3,782**	**1,524**	**443**		**26**	**1,941**	**1,841**
Assets given on operating lease										
Aircrafts	806	-	-	806	258	49	-	-	307	499
Earthmoving Equipments	27,624	5,348	1,263	31,709	10,316	3,542	99	1,218	12,739	18,970
Motor vehicles	54,977	9,141	2,250	61,868	23,509	8,851	226	2,156	30,430	31,438
Plant & Machinery	23,612	4,288	-	27,900	5,472	2,504	-	-	7,976	19,924
Wind Mills	40,277	-	-	40,277	5,846	2,165	-	-	8,011	32,266
Computers	23,937	4,785	2,012	26,710	6,911	3,919	475	918	10,387	16,323
Furniture and fixtures	4,629	1,498	-	6,127	1,306	724	-	-	2,030	4,097
(B)	**175,862**	**25,060**	**5,525**	**195,397**	**53,618**	**21,754**	**800**	**4,292**	**71,880**	**123,517**
Total for Tangible assets (C)= (A+B)	**179,425**	**25,327**	**5,573**	**199,179**	**55,142**	**22,197**	**800**	**4,318**	**73,821**	**125,358**
II. Intangible assets:										
Assets for Own use										
Softwares	742	2,462	-	3,204	551	521	-	-	1,072	2,132
Tenancy right	8	-	-	8	8	-	-	-	8	-
(D)	**750**	**2,462**	**-**	**3212**	**559**	**521**	**-**	**-**	**1,080**	**2,132**
Assets given on operating lease										
Softwares	3,087	752	3	3,836	1,468	693	23	2	2,182	1,654
(E)	**3,087**	**752**	**3**	**3,836**	**1,468**	**693**	**23**	**2**	**2,182**	**1,654**
Total for Intangible assets (F)= (D+E)	**3,837**	**3,214**	**3**	**7,048**	**2,027**	**1,214**	**23**	**2**	**3,262**	**3,786**
Total for Fixed Assets (C+ F)	**183,262**	**28,541**	**5,576**	**206,227**	**57,169**	**23,411**	**823**	**4,320**	**77,083**	**129,144**

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.11 FIXED ASSETS (Contd...)

(₹ in lakh)

Particulars	Gross block				Depreciation / amortization / impairment					Net book value
	As at April 01, 2012	Additions	Deductions / Retirement	As at March 31, 2013	As at April 01, 2012	For the year	Impairment Charge	Less on Deductions	As at March 31, 2013	As at March 31, 2013
I. Tangible assets:										
Assets for Own use										
Land- Freehold	4	-	-	4	-	-	-	-	-	4
Buildings	72	20	-	92	6	2	-	-	8	84
Furniture and fixtures	1,944	94	2	2,036	561	279	-	1	839	1,197
Motor vehicles	153	80	47	186	66	18	-	25	59	127
Computers and office equipments	1,161	152	68	1,245	521	162	-	65	618	627
(A)	**3,334**	**346**	**117**	**3,563**	**1,154**	**461**	**-**	**91**	**1,524**	**2,039**
Assets given on operating lease										
Aircrafts	806	-	-	806	209	49	-	-	258	548
Earthmoving Equipments	24,800	3,084	260	27,624	6,155	4,245	84	168	10,316	17,308
Motor vehicles	46,870	8,477	370	54,977	15,618	7,939	232	280	23,509	31,468
Plant & Machinery	20,134	3,535	57	23,612	3,235	2,242	-	5	5,472	18,140
Wind Mills	40,277	-	-	40,277	3,683	2,163	-	-	5,846	34,431
Computers	18,834	5,103	-	23,937	3,427	3,484	-	-	6,911	17,026
Furniture and fixtures	2,971	1,658	-	4,629	531	555	220	-	1,306	3,323
(B)	**154,692**	**21,857**	**687**	**175,862**	**32,858**	**20,677**	**536**	**453**	**53,618**	**122,244**
Total for Tangible assets (C)= (A+B)	**158,026**	**22,203**	**804**	**179,425**	**34,012**	**21,138**	**536**	**544**	**55,142**	**124,283**
II. Intangible assets:										
Assets for Own use										
Softwares	675	68	1	742	400	152	-	1	551	191
Tenancy right	8	-	-	8	8	-	-	-	8	-
(D)	**683**	**68**	**1**	**750**	**408**	**152**	**-**	**1**	**559**	**191**
Assets given on operating lease										
Softwares	2,341	746	-	3,087	900	568	-	-	1,468	1,619
(E)	**2,341**	**746**	**-**	**3,087**	**900**	**568**	**-**	**-**	**1,468**	**1,619**
Total for Intangible assets (F)= (D+E)	**3,024**	**814**	**1**	**3,837**	**1,308**	**720**	**-**	**1**	**2,027**	**1,810**
Total for Fixed Assets (C+ F)	**161,050**	**23,017**	**805**	**183,262**	**35,320**	**21,858**	**536**	**545**	**57,169**	**126,093**

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.12 LEASES

a) In the capacity of Lessee

(i) The Company has taken certain office premises under cancellable operating lease arrangements which generally, range between 11 months to 9 years, and are usually renewable by mutual agreement. For the year ended 31st March, 2014, lease payments charged to the Statement of Profit and Loss with respect to such leasing arrangements aggregate to ₹ 2,256 lakh (31st March, 2013: ₹ 2,036 lakh).

(ii) In addition to the above, the Company has also taken certain other office premises under non-cancellable operating lease arrangements which, generally range between 2 to 9 years, and are usually renewable by mutual agreement. For the year ended 31st March, 2014 total lease payments aggregating to ₹ 107 lakh (31st March, 2013: ₹ 178 lakh) in respect of such arrangements have been recognized in the Statement of Profit and Loss. The future minimum lease payments in respect of above non-cancellable operating leases are as follows:

(₹ in lakh)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Not later than one year	116	137
Later than 1 year but not later than 5 years	151	110
Later than five years	8	-
Total	**275**	**247**

None of the operating lease agreements entered into by the Company provides for any contingent rent payment.

b) In the capacity of Lessor (Operating Lease)

The Company has given assets on operating lease arrangements (*refer note 2.11*) for periods ranging between 1 to 12 years. Such arrangements do not have clauses for contingent rent.

The future minimum lease receivables in respect of non-cancellable operating leases are as follows:

(₹ in lakh)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Not later than one year	34,249	37,946
Later than 1 year but not later than 5 years	59,837	65,707
Later than five years	18,611	18,017
Total	**112,697**	**121,670**

c) In the capacity of Lessor (Finance Lease)

The Company has given an asset under finance lease arrangement for a period of 5 years. Such arrangement does not have clause for contingent rent and hence, the Company has not recognized any contingent rent as income during the year.

The details of gross Investments, unearned finance income and future minimum lease payments in respect of the above non-cancellable finance lease are as follows :

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

Gross Investments

(₹ in lakh)

Particulars	As at 31st March, 2014	As at 31st March, 2013
i. not later than one year;	74	70
ii. later than one year and not later than five years;	151	225
iii. later than five years;	-	-
Total	**225**	**295**

Unearned finance Income

(₹ in lakh)

Particulars	As at 31st March, 2014	As at 31st March, 2013
i. not later than one year;	23	30
ii. later than one year and not later than five years;	22	45
iii. later than five years;	-	-
Total	**45**	**75**

Minimum lease payments

(₹ in lakh)

Particulars	As at 31st March, 2014	As at 31st March, 2013
i. not later than one year;	51	40
ii. later than one year and not later than five years;	129	180
iii. later than five years;	-	-
Total	**180**	**220**

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.13 INVESTMENTS

(₹ in lakh, except number of shares)

Particulars	As at 31st March, 2014			As at 31st March, 2013		
	Current	Non Current	Total	Current	Non Current	Total
Long term trade investments (unquoted) **						
Pass Through Certificates -Series A2 in	127	48	175	153	184	337
Indian Infrastructure Equipment Receivable Trust, December 2012						
37 units of Face Value of ₹ 4,72,156 each						
Pass Through Certificates - Series A2 in	44	65	109	-	-	-
Indian Infrastructure Equipment Receivable Trust, December 2013						
12 units of Face Value of ₹ 9,12,259 each						
Subtotal (A)	**171**	**113**	**284**	**153**	**184**	**337**
Non trade investments (unquoted) *						
Investment in India Global Competitive Fund (IGCF)						
2,800,000 units of Face Value of ₹ 100/- each	2,800	-	2,800	2,800	-	2,800
Subtotal (B)	**2,800**	**-**	**2,800**	**2,800**	**-**	**2,800**
Total (A + B)	**2,971**	**113**	**3,084**	**2,953**	**184**	**3,137**

* At cost or market value, whichever is lower

** At cost

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.14 FINANCIAL ASSETS (GROSS)

(₹ in lakh)

Particulars	As at 31st March, 2014			As at 31st March, 2013		
	Long-term		Short - term	Long-term		Short - term
	Non - Current	Current maturities		Non - Current	Current maturities	
(Secured, considered good, unless otherwise stated)						
Financial assets ** ## @@	769,314	448,282	170,482	841,006	427,710	103,429
Total	**769,314**	**448,282**	**170,482**	**841,006**	**427,710**	**103,429**

** Includes non-performing assets of ₹ 77,140 lakh (31st March, 2013: ₹ 46,551 lakh)

@@ Includes restructured standard assets under CDR mechanism of ₹ 41,203 lakh as on 31st March, 2014 (31st March, 2013: ₹ 3,864 lakh)

The above financial assets are secured by underlying hypothecated assets and in certain cases, are additionally secured by immovable properties and pledge of equity shares of the borrowers by way of collateral security. Securities, created / to be created by the borrowers, against financial assets are based on the valuation of the underlying assets, where applicable, carried out by an external valuer which has been relied upon by the auditors.

As at 31st March, 2014 financial assets include assets aggregating ₹ 44,632 lakh (31st March, 2013: ₹ 8,317 lakh) pending to be given on finance (repossessed assets) and tangible assets aggregating ₹ 9,880 lakh (31st March, 2013: ₹ 3,918 lakh) acquired in satisfaction of debt.

2.14 FINANCIAL ASSETS GROSS - (Contd...)

Disclosure of Restructured Accounts

(₹ in lakh)

Sl. No.	Type of Restructuring		Under CDR Mechanism				
	Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total
	Details						
1	Restructured Accounts on April 1, 2013	No. of Borrowers	1	2	-	-	3
		Amount Outstanding	3,864	6,010	-	-	9,874
		Provision there on *	-	601	-	-	601
2	Fresh restructuring during the year	No. of Borrowers	4	1	-	-	5
		Amount Outstanding	29,291	7,431	-	-	36,722
		Provision there on *	2,807	743	-	-	3,550
3	Upgradation to restructured Standard category during the year	No. of Borrowers	2	(2)	-	-	2
		Amount Outstanding	8048 **	(6,010)	-	-	8,048
		Provision there on *	1,084	(601)	-	-	1,084
4	Restructured Standard advances which cease to attract higher provisioning and / or additional risk weight and hence need not be shown as restructured standard advances at the beginning of the next year	No. of Borrowers	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-
		Provision there on *	-	-	-	-	-
5	Downgradations of restructured accounts during the year	No. of Borrowers	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-
		Provision there on *	-	-	-	-	-
6	Write-Offs of restructured accounts during the year	No. of Borrowers	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-
		Provision there on *	-	-	-	-	-
7	Restructured Accounts on March 31, 2014	No. of Borrowers	7	1	-	-	8
		Amount Outstanding	41,203	7,431	-	-	48,634
		Provision there on *	3,891	743	-	-	4,634

* Provision as stated above includes provision for diminution in fair value of restructured advances.

** Being the opening balance as increased by interest accruals up to the balance sheet date

There are no other restructured accounts under SME debt restructuring mechanism and other category.

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.15 OTHER LONG-TERM ADVANCES

(₹ in lakh)

Particulars	As at 31st March, 2014	As at 31st March, 2013
(Unsecured, considered good)		
Capital advances	892	5,295
Security deposits	1,182	1,144
Other loans and advances		
- Advances to employees	27	31
- Advance income tax [net of Income tax provision of ₹ 162 lakh (31st March, 2013: ₹ 162 lakh)]	488	488
Total	**2,589**	**6,958**

2.16 OTHER NON CURRENT ASSETS

(₹ in lakh)

Particulars	As at 31st March, 2014	As at 31st March, 2013
(Unsecured, considered good)		
Balances with Service Tax / VAT Authorities etc.	890	1,069
Miscellaneous expenditure to the extent not written off or adjusted	-	28
Non-current portion of other bank balances		
- Fixed deposit with banks (*refer note 2.18*)	2,268	1,992
Prepaid expenses	3,369	3,764
Receivable on forward exchange contracts	20,315	13,250
Others advances	26	50
Total	**26,868**	**20,153**

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.17 TRADE RECEIVABLES (OPERATING LEASES)

(₹ in lakh)

Particulars	As at 31st March, 2014	As at 31st March, 2013
(Unsecured, considered good unless otherwise stated)		
Debts outstanding for a period exceeding six months from the date they became due		
Considered good	301	8
Considered doubtful (Non Performing Assets)	600	151
	901	**159**
Other debts		
Considered good	5,741	3,737
Considered doubtful (Non Performing Assets)	17	155
	5,758	3,892
	6,659	**4,051**
Less: Provision for bad and doubtful debts (*refer note 2.6.1*)	62	31
Total	**6,597**	**4,020**

2.18 CASH AND BANK BALANCES

(₹ in lakh)

Particulars	As at 31st March, 2014	As at 31st March, 2013
A. Cash and cash equivalents		
Cash on hand	678	448
Balances with banks- In current accounts	20,099	23,493
Fixed deposits with banks (having original maturity of 3 months or less) *	-	1,011
(A)	**20,777**	**24,952**
B. Other bank balances		
Fixed deposit with banks (having original maturity of more than 3 months but less than 12 months) **	31,655	53,085
Fixed deposit with banks (having original maturity of more than 12 months) **	11,572	26,849
Less: Non-current portion of other bank balances (*refer note 2.16*)	2,268	1,992
(B)	**40,959**	**77,942**
Total (A+B)	**61,736**	**102,894**

* Includes deposits under lien with banks as security aggregating ₹ Nil lakh (31st March, 2013: ₹ 1,011 lakh).

** Includes deposits under lien with banks as security aggregating ₹ 42,798 lakh (31st March, 2013 : ₹ 79,822 lakh).

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.19 OTHER SHORT TERM ADVANCES

(₹ in lakh)

Particulars	As at 31st March, 2014	As at 31st March, 2013
(Unsecured, considered good)		
Advances to employees	250	219
Security deposits	768	753
Advances to vendors	423	320
Total	**1,441**	**1,292**

2.20 OTHER CURRENT ASSETS

(₹ in lakh)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Balances with Service Tax / VAT Authorities etc.	638	1,066
Interest accrued on fixed deposits	258	311
Miscellaneous expenses to the extent not written off or adjusted	28	84
Prepaid expenses	2,316	2,613
Receivable on forward exchange contracts	3,287	7,232
Other advances	651	801
Total	**7,178**	**12,107**

2.21 REVENUE FROM OPERATIONS

(₹ in lakh)

Particulars	For the year ended 31st March,	
	2014	2013
Income from Financial Assets**	215,847	192,024
Income from Operating Lease	40,296	36,409
Interest on fixed deposits	5,609	7,934
Interest Income from Investments	41	116
Liabilities no longer required written back	-	837
Total	**261,793**	**237,320**

** Includes interest income aggregating ₹ 205,745 lakh (31st March, 2013 : ₹ 177,660 lakh), fee income and other income attributable to financial assets.

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.22 OTHER INCOME

(₹ in lakh)

Particulars	For the year ended 31st March,	
	2014	2013
Dividend income from current investments	135	44
Miscellaneous income	5	13
Total	**140**	**57**

2.23 EMPLOYEE BENEFITS EXPENSES

(₹ in lakh)

Particulars	For the year ended 31st March,	
	2014	2013
Salaries and bonus *	8,050	9,889
Contribution to provident and other funds	438	396
Gratuity (*refer note 2.31*)	50	182
Staff welfare	334	304
Managerial remuneration	731	750
Total	**9,603**	**11,521**

* Includes provision no longer required written back in respect of performance incentive aggregating to ₹ 855 lakh accrued in the previous year (31st March, 2013: Nil)

2.24 FINANCE COST

(₹ in lakh)

Particulars	For the year ended 31st March,	
	2014	2013
Interest expense	1,32,781	1,14,931
Other borrowing costs	20,456	20,851
Other Finance charges		
Net Loss on foreign currency transaction and translations	52	878
Total	**1,53,289**	**1,36,660**

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.25 OTHER EXPENSES

(₹ in lakh)

Particulars	For the year ended 31st March,	
	2014	2013
Communication expenses	369	320
Legal and professional fees	2,914	2,041
Electricity charges	339	326
Rent	2,363	2,214
Rates and taxes	27	33
Brokerage and service charges	1,060	1,655
Auditor's remuneration (*refer note 2.25.1*)	116	121
Repairs and maintenance charges	1,731	1,484
Travelling and conveyance	2,415	2,184
Director's sitting fees	2	1
Insurance	28	32
Printing and stationery	187	161
Advertisement and subscription	126	177
Conference and seminar	172	108
Charity and donations	383	348
Loss on sale of Fixed assets (net)	184	86
Miscellaneous expenses	611	564
Total	**13,027**	**11,855**

2.25.1 Auditors Remuneration

(₹ in lakh)

Particulars	For the year ended 31st March,	
	2014	2013
Audit Fees	46	36
Other services (certification etc.)	63	82
Reimbursement of expenses	7	3
Total	**116**	**121**

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.26 SEGMENT REPORTING

The Company is engaged in providing asset finance to customers in India. Consequently, it has one reportable business segment i.e. asset financing and one reportable geographical segment, i.e. India.

2.27 EARNING PER SHARE

(₹ in lakh)

Particulars	For the year ended 31st March,	
	2014	2013
Net Profit attributable to Equity Shareholders (₹ in lakh)	22,538	26,992
Weighted average number of Equity Shares Basic (Nos.)	59,660,000	56,704,658
Weighted average number of Potential Equity Shares (Nos.)	-	-
Weighted average number of Equity Shares Diluted (Nos.)	59,660,000	56,704,658
Nominal Value of Equity per share (₹)	10	10
Basic and Diluted Earnings per share (₹)	37.78	47.60

2.28 CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

(₹ in lakh)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Contingent liabilities		
Claims against the company not acknowledged as debt		
Disputed demands		
- Sales tax	62	7
- Service tax	555	555
- Value added tax (VAT)	527	237
- Income tax	1232	1186
(A)	**2,376**	**1,985**
Guarantees		
Bank guarantees*	480	786
(B)	**480**	**786**
Total (A+B)	**2,856**	**2,771**
Commitments		
Estimated amount of capital contracts remaining to be executed [Net of advances of ₹ 892 lakh (31st March, 2013: ₹ 5,295 lakh)]	3,792	6,470
Other commitments (*refer note 2.28.1*)		

* Excludes ₹ 697 lakh (31st March, 2013: ₹ 697 lakh) issued on behalf of the Joint Venturer to give effect to the Scheme of Arrangement, against which the Company holds counter guarantee.

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.28.1

The Company has entered into Options / Swaps / Forward contracts for the purpose of hedging currency and interest rate related risks in relation to borrowings. Option, Swap and Forward contracts outstanding as at the Balance Sheet date are as follows:

i) Currency Options and Swaps

(Amount in lakh)

Sl. No.	Currency	As at 31st March, 2014		As at 31st March, 2013	
		No. of contracts	Amount in foreign currency	No. of contracts	Amount in foreign currency
1	USD / INR	13	USD 1,922	22	USD 2,761
2	YEN / USD	1	YEN 13,598	1	YEN 26,217
3	EUR / INR	1	EUR 28	2	EUR 48
4	SGD / USD	1	SGD 279	1	SGD 349

ii) Interest Rate Swaps

(Amount in lakh)

Sl. No.	Currency	As at 31st March, 2014		As at 31st March, 2013	
		No. of contracts	Amount in foreign currency	No. of contracts	Amount in foreign currency
1	USD	6	USD 1,247	7	USD 1,528
2	EUR	1	EUR 28	1	EUR 39

iii) Forward Contracts

(Amount in lakh)

Sl. No.	Currency	As at 31st March, 2014		As at 31st March, 2013	
		No. of contracts	Amount in foreign currency	No. of contracts	Amount in foreign currency
1	USD / INR	25	USD 110	22	USD 250
2	EUR / INR	21	EUR 120	26	EUR 160
3	YEN / INR	1	YEN 515	-	-
4	CHF / INR	-	-	1	CHF 4

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.29 C.I.F Value of Imports

(₹ in lakh)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Capital goods (for operating lease)	1,282	1,745
Total	**1,282**	**1,745**

2.30 Expenditure in Foreign Currency

(₹ in lakh)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Finance charges	6,943	6,822
Others	192	132
Total	**7,135**	**6,954**

2.31 Employee Benefit

The trustees of the gratuity scheme for the employees of the Company have entrusted the administration of the scheme to the Life Insurance Corporation of India (LIC).

(a) Expenses recognized in the Statement of Profit and Loss are as follows:

(₹ in lakh)

Particulars	Gratuity		Leave	
	Year ended 31st March, 2014	Year ended 31st March, 2013	Year ended 31st March, 2014	Year ended 31st March, 2013
Current service cost	177	145	205	192
Interest cost	62	50	28	24
Expected return on plan assets	(42)	(28)	-	-
Past Service Cost	-	-	-	-
Net actuarial losses / (gains)	(147)	15	33	72
Net benefit expense	**50**	**182**	**266**	**288**
Expected return on plan assets	9.25%	9.25%	N.A.	N.A.

(b) Net Liability recognised in Balance Sheet are as follows:

(₹ in lakh)

Particulars	Gratuity		Leave	
	Year ended 31st March, 2014	Year ended 31st March, 2013	Year ended 31st March, 2014	Year ended 31st March, 2013
Defined benefit obligation	815	767	729	680
Fair value of plan assets	(567)	(367)	-	-
Net liability	**248**	**400**	**729**	**680**

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

(c) Changes in the present value of the defined benefit obligations are as follows:

(₹ in lakh)

Particulars	Gratuity		Leave	
	Year ended 31st March, 2014	Year ended 31st March, 2013	Year ended 31st March, 2014	Year ended 31st March, 2013
Opening defined benefit obligation	767	586	680	568
Interest cost	62	50	28	24
Current service cost	177	145	205	192
Benefit paid	(33)	(25)	(217)	(176)
Actuarial losses / (gains)	(158)	11	33	72
Plan Amendments	-	-	-	-
Closing defined benefit obligation	**815**	**767**	**729**	**680**

(d) The details of fair value of plan assets at the Balance Sheet date are as follows:

(₹ in lakh)

Particulars	Gratuity	
	As at 31st March, 2014	As at 31st March, 2013
Opening fair value of plan assets	367	266
Expected return on plan assets*	42	28
Contribution by the Company	202	102
Benefits paid	(33)	(25)
Actuarial (losses) / gains	(11)	(4)
Closing fair value of plan assets	**567**	**367**

*Determined based on government bond rate

(e) The principal assumptions used in determining the gratuity and leave liability are as shown below:

(₹ in lakh)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Discount rate (%)	9.25%	8.20%
Expected Return on Plan Assets (Gratuity Scheme)	9.25%	9.25%
Mortality Rate	Indian Assured Lives Mortality (2006-08) (modified) Ult	

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

(f) The amounts for the current and previous years are as follows :

(₹ in lakh)

Particulars	Gratuity					Leave	
	31st March 2014	31st March 2013	31st March 2012	31st March 2011	31st March 2010	31st March 2014	31st March 2013
Defined benefit obligation	815	767	586	468	283	729	680
Fair value of plan assets	567	367	266	177	107	-	-
Deficit	248	400	320	291	176	729	680
Experience adjustments on plan liabilities – gains/ (losses)	28	42	3	(72)	21	(89)	(46)
Experience adjustments on plan assets – gains/(losses)	(10)	(4)	-	1	(1)	-	-

g) The estimate of future salary increase, considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employee market.

h) The Company expects to contribute ₹ 200 lakh to gratuity fund in the year 2014- 2015 (₹ 150 lakh to gratuity fund in 2013- 2014)

i) Amount provided for defined contribution plans are as follows:

(₹ in lakh)

Particulars	For the year ended	
	31st March, 2014	31st March, 2013
Provident fund	474	432
Employee state insurance	7	7
Total *	**481**	**439**

* Includes in respect to Managerial Personnel

2.32 Related Party Disclosure

Related party disclosures, as stipulated by "AS 18: Related Party Disclosures" are given below:

List of Related Parties

Enterprises having joint control over the Company	Nature of Relationship
Srei Infrastructure Finance Limited	Joint Venturer
BNP Paribas Lease Group	Joint Venturer

Key Management Personnel (KMP)

Name	Designation
Mr. Hemant Kanoria	Vice Chairman & Managing Director
Mr. Sunil Kanoria	Joint Managing Director
Mr. D K Vyas	Chief Executive Officer
Mr. CR Sudharsanam	Chief Financial Officer
Enterprise over which KMP is having significant influence	
Viom Networks Limited	

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

Summary of Transactions

(₹ in lakh)

Name of the Related Party	Nature of relationship	Nature of transactions	Year ended 31st March, 2014		Year ended 31st March, 2013	
			For the Year	Balance as at 31st March, 2014	For the Year	Balance as at 31st March, 2013
BNP Paribas Lease Group	Joint Venturer	Issue of Equity Shares including securities premium	-	-	9,982	-
Srei Infrastructure Finance Limited	Joint Venturer	Issue of equity shares including securities premium	-	-	9,982	-
		Rent payment	1,568	-	1,456	-
		Security Deposit paid for Leased Premises	-	1,425	-	1,425
Viom Networks Limited	Enterprise over which KMP is having significant influence	Interest income	1,524	-	1,633	
		Loan given	-	-	-	12,093
Mr. Hemant Kanoria *	Vice Chairman and Managing Director	Managerial Remuneration	361	129	375	167
Mr. Sunil Kanoria *	Joint Managing Director	Managerial Remuneration	370	128	375	159
Mr. D K Vyas	Chief Executive Officer	Salary and Allowances	261	24	245	16
		Loan Given / (Repayment)	(13)	-	(22)	13
		Interest Income on loan given	-	**	2	-
		Rent paid for leased premise	5	-	-	-
Mr. CR Sudharsanam	Chief Financial Officer	Salary and Allowances	85	-	94	-
		Advance given	-	5	-	-
Mrs. Sangeeta Vyas	Spouse of Chief executive officer	Rent paid for leased premise	-	-	8	-
		Refund of Security deposit for leased premise	(4)	-	-	-
		Security deposit paid for leased premise	-	-	-	4

** ₹ 41,759

*Apart from the transactions referred above, Mr. Hemant Kanoria, Vice Chairman & Managing Director and Mr. Sunil Kanoria, Joint Managing Director of the Company have extended their personal guarantees in favour of financial institution / banks, the outstanding amount of which as at 31st March, 2014 is ₹ 840 lakh (31st March, 2013: ₹ 8,303 lakh) and ₹ 840 lakh (31st March, 2013: ₹ 4,428 lakh) respectively for the loans taken by the Company from such institutions / banks.

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.33 ASSETS UNDER MANAGEMENT

2.33.1 Securitisation of receivables

In terms of Reserve Bank of India Guidelines on securitization of assets issued on 1st February, 2006, details of financial assets securitized by the Company during the year 31st March, 2014 are as under:

(₹ in lakh, except in respect of total number of contracts)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Total number of contracts securitized	4,570	3,484
Book Value of contracts securitized	87,314	67,409
Sales consideration *	87,314	67,409
Gain / (Loss) (net) on securitization	-	-
Subordinated assets as on Balance Sheet date	-	-

* excludes unmatured finance charges thereon.

The aggregate amount of collateral security provided by the Company against the securitized pools stands as follows on the Balance Sheet date:

Particulars	As at 31st March, 2014	As at 31st March, 2013
Bank / Other deposits provided as collateral as on Balance Sheet date	16,622	8,011
Credit enhancements provided by third parties;		
- First loss facility	-	-
- Second loss facility	-	-

2.33.2 Assignment of receivables

In terms of Reserve Bank of India guidelines on securitisation of assets issued on 21st August, 2012, during the year ended 31st March, 2014, the Company has assigned financial assets to the extent of ₹ 50,000 lakh (31st March, 2013: Nil) for purchase consideration of ₹ 50,000 lakh (31st March, 2013: Nil). The total amount of exposures retained by the Company on such assignment to comply with the Minimum Retention Requirement (MRR) is ₹ 5,000 lakh (31st March, 2013: Nil). Assets assigned are derecognized from the books of account. At 31st March, 2014 the Company has lodged bank deposits of ₹ 25,700 lakh (31st March, 2013: ₹ 72,164 lakh) as collateral against total assigned contracts outstanding at the year end.

2.33.3 The Aggregate amount of assets derecognized / loans originated in terms of paragraphs 2.33.1 to 2.33.2 above that are Assets Under Management of the Company are as under :

(₹ in lakh)

Particulars	Amount outstanding As at 31st March, 2014	Amount outstanding As at 31st March, 2013
Securitization	113,189	65,462
Assignment of Receivables	90,730	217,348
Total	**203,919**	**282,810**

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.33 ASSETS UNDER MANAGEMENT (CONTINUED)

2.33.4 Disclosure as per revised guidelines on Securitisation Transactions

In terms of Reserve Bank of India Guidelines on securitization of assets issued on 21st August, 2012, details of securitized contracts by the Company outstanding at the year end are as under:

No. / (₹ in lakh)

Sl. No.	Particulars	31st March, 2014	31st March, 2013
1.	No. of SPVs sponsored by the NBFC for securitisation transactions	9	6
2.	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	113,189	65,462
3.	Total amount of exposures retained by the NBFC to comply with Minimum retention ratio (MRR) as on the date of Balance Sheet		
	a) Off-balance sheet exposures		
	* First loss	-	-
	* Others	-	-
	b) On-balance sheet exposures		
	* First loss	15,043	6,432
	* Others	284	337
4.	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own securitisations		
	* First loss	-	-
	* Loss	-	-
	ii) Exposure to third party securitisations		
	* First loss	-	-
	* Others	-	-
	b) On-balance sheet exposures		
	i) Exposure to own securitisations		
	* First loss	-	-
	* Others	1,579	1,579
	ii) Exposure to third party securitisations		
	* First loss	-	-
	* Others	-	-

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.33.5 Disclosure as per revised guidelines on Securitisation Transactions

In terms of Reserve Bank of India Guidelines on assignment of assets issued on 21st August, 2012, details of assigned contracts by the Company outstanding at the year end are as under:

No. / (₹ in lakh)

Sl. No.	Particulars	31st March, 2014	31st March, 2013
1.	No. of transactions assigned by the Company	2	-
2.	Total amount outstanding	50,000	-
3.	Total amount of exposures retained by the NBFC to comply with Minimum retention ratio (MRR) as on the date of Balance Sheet		
	a) Off-balance sheet exposures		
	* First loss	-	-
	* Others	-	-
	b) On-balance sheet exposures		
	* First loss	-	-
	* Others	5,000	-
4.	Amount of exposures to assignment transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own assignment		
	* First loss	-	-
	* Loss	-	-
	ii) Exposure to third party assignment		
	* First loss	-	-
	* Others	-	-
	b) On-balance sheet exposures		
	i) Exposure to own assignment		
	* First loss	-	-
	* Others	-	-
	ii) Exposure to third party assignment		
	* First loss	-	-
	* Others	-	-

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

2.34 MICRO, SMALL AND MEDIUM ENTERPRISES

No interest was payable by the Company during the year ended 31st March, 2014 and 31st March, 2013 to the Suppliers who are covered under the Micro, Small and Medium Enterprise Development Act, 2006 based on the information available with the Company.

2.35 Information as required by Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 is furnished vide Annexure – I attached herewith.

2.36 IMPAIRMENT OF ASSETS

The Company has tested for impairment purposes, the carrying value of certain motor vehicles, computers, softwares and earth moving equipments with due consideration to expected recovery of such carrying value based on past trends and from redeployment to customers during the year ended 31st March, 2014 or thereafter under highly competitive market conditions. Based on the above, impairment losses aggregating ₹ 823 lakh (31st March, 2013: ₹ 536 lakh) have been recognized in the Statement of Profit and Loss for the year 31st March, 2014.

2.37 The Company has converted to a Public Limited Company w.e.f. 1st November, 2013 and the new name of the Company stands changed to 'Srei Equipment Finance Limited' vide fresh Certificate of Incorporation dated 1st November, 2013 received from the Registrar of Companies, West Bengal

2.38 The Reserve Bank of India (RBI) vide its Notification No. DNBS (PD).No. 272/CGM(NSV)-2014 dated 23rd January, 2014 has issued directions to NBFCs (Non Deposit Accepting or Holding) to make a provision for diminution in the fair value of restructured advances in addition to the provision on restructured advances as indicated in Para 4.4.1 of the said notification. Accordingly, the Company has made provision/loss of ₹ 2,248 lakh against diminution in the fair value of restructured advances as on 31st March, 2014 as disclosed in note no : 2.6.1 of the financial statements.

2.39 COMPARATIVE FIGURES

Previous year figures including those given in brackets have been regrouped / rearranged wherever considered necessary.

Signatories to Notes 1 and 2.1 to 2.39

For S.R. BATLIBOI & CO. LLP
Chartered Accountants
(Firm's Registration No. 301003E)

on behalf of the Board of Directors

per Bhaswar Sarkar
Partner
(Membership No. 55596)

Didier Chappet
Chairman

Hemant Kanoria
Vice Chairman and Managing Director

Devendra Vyas
Chief Executive Officer

Place : Kolkata,
Date : 21st May, 2014

CR Sudharsanam
Chief Financial Officer

Sanjay Chaurasia
Company Secretary

ANNEXURE - 1 TO NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014

I. Disclosure of details as required in terms of paragraphs 10 of Non Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

1. Capital to Risk Asset Ratio (CRAR)

Sl. No.	Items	Current year	Previous year
i	CRAR (%)	17.13	16.19
ii	CRAR – Tier I Capital (%)	12.63	11.47
iii	CRAR – Tier II Capital (%)	4.50	4.72

2. Exposure to Real Estate

Category		Current year	Previous year
a)	**Direct Exposure**		
(i)	Residential Mortgages		
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to ₹ 15 lakh may be shown separately)	-	-
(ii)	Commercial Real Estate		
	Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non- fund based (NFB) limits;	-	-
(iii)	Investments in Mortgage Securities (MBS) and other securitised exposures		
	a. Residential,	-	-
	b. Commercial Real Estate	-	-
b)	**Indirect exposure**		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	-

ANNEXURE - 1 TO NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

3. Asset Liability Management

Maturity pattern of certain items of assets and liabilities as at 31st March, 2014 are as follows;

(₹ in lakh)

	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings from Banks	66,470	61,074	45,625	82,770	157,659	499,065	122,406	13,721	1,048,790
Market Borrowings	5,282	26,005	28,505	29,507	18,564	36,430	13,180	-	157,473
Assets									
Advances	131,369	93,379	64,281	128,714	235,271	649,995	154,300	43,466	1,500,775
Investments	16	15	15	44	80	113	1	-	284

Notes:

1. The borrowings indicated above do not include unsecured subordinated perpetual debentures and unsecured subordinated debentures/loan amounting to ₹ 103,330 lakh since the same forms part of Tier I / Tier II Capital.

2. The maturity pattern of working capital facilities sanctioned by the banks has been apportioned in proportion to the maturity pattern of the financial assets.

II. Disclosure of details as required in terms of paragraphs 10 of Non Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

(₹ in lakh)

Sl. No.	Particulars	As at 31st March, 2014		As at 31st March, 2013	
		Amount outstanding	Amount overdue	Amount outstanding	Amount overdue
	Liabilities side:				
1)	**Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid:**				
	a) Debentures				
	- Secured	61,247	-	118,984	-
	- Unsecured				
	(Other than falling within the meaning of public deposits)	83,828	-	70,255	-
	b) Deferred Credits	-	-	-	-
	c) Term loans	420,564	-	441,375	-
	d) Inter- corporate loans and borrowings	-	-	-	-
	e) Commercial paper	51,569	-	10,409	-
	f) Other Loans	709,044	-	729,543	-

ANNEXURE - 1 TO NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

(₹ in lakh)

Sl. No.	Particulars	As at 31st March, 2014 Amount Outstanding	As at 31st March, 2013 Amount Outstanding
	Assets side:		
2)	**Break-up of Loans and Advances including bills receivables** [other than those included in (4) below]:		
	(a) Secured	-	-
	(b) Unsecured	35,034	37,607
	Total (a) + (b)	**35,034**	**37,607**
3)	**Break-up of Leased Assets and Stock on Hire and other assets counting towards AFC activities**		
	(a) Financial assets	1,343,446	1,363,828
	(b) Assets on operating Lease	131,830	127,914
	(c) Repossessed Assets	44,632	8,317
	Total (a) + (b) + (c)	**1,519,908**	**1,500,059**
4)	**Break up of Investments**		
	Long term Investments		
	1) Unquoted		
	i) Shares : (a) Equity	-	-
	Total	-	-

5) Borrower Group-wise Classification of assets financed as in (3) above

(₹ in lakh)

Sl. No.	Related Parties	Amount net of provisions					
		As at 31st March, 2014			As at 31st March, 2013		
		Secured	Unsecured	Total	Secured	Unsecured	Total
1.	**Related parties**						
	a) Subsidiaries	-	-	-	-	-	-
	b) Companies in the same group	-	-	-	-	-	-
	c) Other related parties	-	-	-	-	-	-
2.	**Other than related parties**	**1,505,707**	**-**	**1,505,707**	**1,488,749**	**-**	**1,488,749**

ANNEXURE - 1 TO NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2014 (CONTD.)

6) Investor Groupwise Classification of all Investments in Shares and Securities

(₹ in lakh)

Sl. No.	Related Parties	As at 31st March, 2014		As at 31st March, 2013	
		Market Value/Break up or Fair value or NAV	Book value (net of provision)	Market Value/Break up or Fair value or NAV	Book value (net of provision)
1.	**Related parties**				
	a) Subsidiaries	-	-	-	-
	b) Companies in the same group	-	-	-	-
	c) Other related parties	-	-	-	-
2.	**Other than related parties**	**102.10***	**2,800**	**102.06***	**2,800**

* Break up Value

7) Other Information:

(₹ in Lakh)

Sl. No.	Particulars	As at 31st March, 2014	As at 31st March, 2013
i.	Gross Non-Performing Assets		
	(a) Related Parties	-	-
	(b) Other than related Parties	77,758	46,857
ii.	Net Non-Performing Assets		
	(a) Related Parties	-	-
	(b) Other than related Parties	63,557	35,547
iii.	Assets acquired in satisfaction of debt	9,880	3,918

NOTE

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