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IN DEPTH / CORPORATE

THE GIANT FORCE

All eggs in one basket is apparently a good idea for a family-run business, that's why the \$10-billion Kanoria Foundation now houses all diverse business portfolios of Srei

By Ashish Sinha

NESTLED IN THE POSH AND GREEN neighbourhood of South Kolkata is the main office of Srei Infrastructure Finance (Srei). It's only been around six years since Srei moved into the current office-cum-residence complex on Alipore Avenue. One of the two main buildings of this complex has offices of the key managerial persons of Srei such as its promoters, the Kanoria brothers — Hemant, Sunil, Sujit and Sanjeev, all four of whom are now the trustees of Kanoria Foundation, the single entity that holds all the diverse business entities of Srei.

The third floor of the office building is dedicated to Srei Foundation run by H.P. Kanoria, father of the Kanoria brothers and also a trustee of the parent foundation. This almost pale-yellow and white building complex, on its second floor, houses the offices of all four brothers, one of whom, Sanjeev, an eminent surgeon, scientist and entrepreneur, stays overseas, while Sujit, the managing director of Srishti Hotels, mostly spends time in the capital. The residences of the Kanoria family are in the adjoining building within the complex. The office and residence buildings are separated by a spacious lush green garden, beautifully lined with rows of well-groomed flowers and tall green hedges. "There is a swimming pool and a tennis court too for the family. This complex can accommodate a lot of people, especially during our annual conferences," says a company insider. Within Kolkata, Srei has a few more offices spread across the length and breadth of the fast expanding city.

"The weather in Kolkata is always good," says Hemant as we settle down in his spacious office with wide windows overlooking the lush green tree line outside. "Soon we will have an operational Westin Hotel in Kolkata. We are its developers," says Hemant, who is a trustee of Kanoria Foundation and also the chairman and managing director of Srei. His brother Sunil is the vice-



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chairman of Srei and the immediate past president of industry body ASSOCHAM. "We are also going to open a hospital in Mumbai soon. The Kanoria Foundation has made it possible to grow the business, while also focusing on our social commitments and duties," adds Hemant as we ease into an engaging conversation.

Srei is now inching towards completing three-decades in the business of infrastructure financing, infrastructure development and related business interests in projects such as roads, ports, telecom, power, rural infrastructure, housing, hospitality and healthcare. Under the umbrella of the foundation, it feels both business and projects for social benefits will get a boost.

But why put everything under one roof of Kanoria Foundation, we asked? "Continuity is very important for family-run businesses. The foundation lends solid governance to our diverse business portfolio. Also, we believe in *Nishkam Karma* (selfless work). Through the

trust, we can plough back revenue into not only the business but also social work," says Hemant who began his career at the young age of 17 when his father entrusted him with the independent charge of two family-owned flour mills located in West Bengal. But in the late 1980s, when the family exited the flour business, Hemant and Sunil joined forces and formed Srei.

Sunil has a similar take on the foundation. He says: "The basic idea of forming the foundation was simple. Institutions survive longer than any individual. Second, the foundation is built on a platform that allows professionalism especially professional entrepreneurs to enter and grow the business." As trustees, all brothers are required to manage the investments and not act as operational managers of their respective areas of businesses. Sunil gives an example to explain the concept of 'professional entrepreneurs': "Sahaj e-Village, which we started in 2007 to offer G2C (government-to-citizen) services in



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HEMANT KANORIA
Chairman & Managing
Director, Srei

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Kanoria
Foundation
FOR ENTREPRENEURS
ENTERPRISES



BUSINESS

<p>Financial services</p> <p>SREI</p>	<p>A Srie Venture</p> <p>Srie Equipment Finance Ltd.</p> <p>Srie Capital Markets Ltd.</p>
<p>Power</p> <p>INDIA POWER</p>	<p>A Srie Initiative</p> <p>Orissa Construction Equipment Ltd.</p> <p>Orissa O&G Infrastructure Pvt. Ltd.</p> <p>Orissa Vessels & Auctioneers Pvt. Ltd.</p> <p>India Power Corporation (Bhubaneswar) Ltd.</p> <p>India Power Corporation (Haldia) Ltd.</p> <p>IPCL Power Trading Pvt. Ltd.</p> <p>Swayambhu Natural Resources Pvt. Ltd.</p>
<p>Hospitality & housing</p> <p>SHRISTI</p>	<p>Shristi Hotels Ltd.</p> <p>Bengal Shristi India Dev. Ltd.</p> <p>TSSCI Shristi India Dev. Ltd.</p>
<p>Technology & digitization</p> <p>Xenolith</p>	<p>Xena Limited Pvt. Ltd.</p> <p>Bharat Connect Technologies Pvt. Ltd.</p> <p>Innovate Consulting And Solutions Pvt. Ltd.</p>
<p>Healthcare</p> <p>Suasth</p>	<p>Suasth Hospital (Navi Mumbai)</p>
<p>Aerospace</p> <p>TRIBHUVAN</p>	<p>Tribhuvan Technologies Pvt. Ltd.</p>
<p>Media</p> <p>be</p>	<p>Business Economics</p>
<p>Organic wellness</p> <p>Vedic Collection</p>	
<p>Agriculture & food</p>	<p>Amsouma Agriculture Pvt. Ltd.</p> <p>Vindhyachal Agro Farms Pvt. Ltd.</p> <p>Vindhyachal Active Food Park Pvt. Ltd.</p>

“The foundation allows professionalism especially professional entrepreneurs to enter and grow the business”

SUNIL KANORIA *Vice-Chairman, Srei*

remote villages of Assam, Bihar, Odisha, Tamil Nadu, Uttar Pradesh and West Bengal, is the best example. As a foundation, we have increased the footprint of Sahaj to 23 states from nine within a period one year. Also, SahajMitr, the service centres, have grown to over 61,000 from 36,000 in the same period. The business model has been re-chiseled to make it financially viable for village-level entrepreneurs (who manage Sahaj service centres). All this would not have happened so fast without a focused approach that comes from working

for a foundation,” says Sunil.

Business Foundation

In the past 12 months, Srei recorded two remarkable business deals. In April 2016, it completed the sale of Viom Networks, its telecom tower business, to American Tower Corporation in one of the largest foreign direct investment transactions in the Indian telecommunications sector. The transaction amounting to over Rs 7,600 crore resulted in a total foreign direct investment inflow of Rs 5,856 crore into the telecommunications infrastructure of the country, out of which Srei received a total of Rs 2,931 crore. Then in November last year, India Power Corporation (IPCL) — a Kanoria Foundation entity run by Hemant's son Raghav Raj Kanoria — completed the acquisition of 1,000 MW thermal power plant of Meenakshi Energy from French power giant Engie for \$1 (yes, dollar one). The transaction will magnify IPCL's

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SOCIAL

<p>Srei Alternative Investment Funds</p> <p>Srei Mutual Funds Trust Pvt. Ltd.</p> <p>Srei Insurance Broking Pvt. Ltd.</p>	<p>Equip Energy Pvt. Ltd.</p> <p>Sahaj e-Village Ltd.</p> <p>Swachh Environment Pvt. Ltd.</p> <p>Active Economic Zones</p> <p>Bharat Road Network Ltd.</p> <p>V-Leg Parts Pvt. Ltd.</p>	<p>IndiaGinger Power Services Pvt. Ltd.</p> <p>Mamakshi Energy Ltd.</p> <p>Ranchajyoti Integrated InfraDev. Ltd.</p> <p>Vithal Hospitality Pvt. Ltd.</p>
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SREI
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Suryodaya
Suryodaya Schools



Institute of Inspiration
and Self Development



Srihari Global School

Guidhan Projects Pvt. Ltd.

activities between 2012-13 and 2014-15.

In 2008, Srei formed a 50:50 joint venture with BPLG and created SEFL. It now has 100 per cent shareholding in the company after a share swap deal with BPLG (which now owns 5 per cent in Srei). "SEFL finances every third construction and mining equipment sold in the country," says D.K. Vyas, CEO of SEFL. Asked why BPLG exited the joint venture, Sunil says BPLG wanted to participate in the larger infrastructure story in India and therefore decided to become a shareholder in Srei, and not just SEFL. "From Srei's perspective, the transaction was value accretive and led to an immediate and substantial jump in shareholder value," says Sunil.

Hemant says the process of adding value through various efforts of the company to enable shareholders to optimise their investments will be an ongoing effort of Srei management. And that could even mean stake dilution in some of the strategic investment portfolios in future.

For instance, Sahaj, which is one of Srei's many strategic initiatives in the infrastructure space, may see a change in its shareholding structure soon. But unlike Viom, the Kanorias are not ready to exit from this business. "The stake dilution could be anywhere between 10-35 per cent. It will depend on valuation. If we get the desired price, we can dilute up to 35 per cent. Hopefully, we will be able to make an announcement during financial year 2017-18," says Hemant.

Sahaj now acts as business correspondents for some of the banks; distributing life, general and health insurance products; accepting utility bill payments; offering e-commerce and e-learning services; facilitating enrol-

AS TRUSTEES, ALL BROTHERS ARE REQUIRED TO MANAGE THE INVESTMENTS AND NOT JUST THEIR BUSINESSES

consolidated enterprise value to nearly Rs 15,000 crore, making it one of the largest power generation and utilities company in the country, the company said. However, for Raghav, the transaction is more than just a value buy. "The deal enhances IPCL's ability to expand energy access to rural households, powering millions of lives in the process," says Raghav.

There have been several other examples of excellence. From partnering with French BNP Paribas Lease Group (BPLG) to create the largest equipment finance company in the country — Srei Equipment Finance (SEFL), which is now a 100 per cent subsidiary of Srei; to recovering loans (around Rs 450 crore) from now defunct Kingfisher Airlines, the Kanoria brothers have largely been on a roll but for the slowdown in infrastructure

ment of Aadhar and Pan card. "Earlier it was G2C, now it is B2C. It is a brick-and-click model. We have physical centres in villages providing products and services using a technology platform. Sahaj will be EBITDA positive this financial year and will continue to add around 1,000-1,500 centres every month. Many villagers now aspire to become a village-level entrepreneur because the business model is viable," says Hemant.

Bharat Road Network (BRNL), another Srei initiative and one of India's leading infrastructure companies in the build-operate-transfer (BOT) sector, is probably next in line. With an execution experience of 14 road projects worth Rs 12,750 crore across 5,400 lane kilometres, BRNL is currently managing a well-diversified BOT asset portfolio of close to 2,450 lane kilometres of highways with a

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“SEFL finances every third construction and mining equipment sold in the country”

D.K. VYAS
CEO, SEFL

total capital cost of over Rs 7,900 crore that are completed/under implementation in consortium with reputed domestic and acclaimed international partners under the public-private-partnership (PPP) framework. “We encourage our employees to act like entrepreneurs,” says Hemant, explaining how people are allowed to make mistakes. “But we also urge them to not sweep their mistakes under the carpet,” the cautious entrepreneur adds revealing the strong review mechanism in the group.

Sound Performance

A glance at Srei numbers gives a glimpse into the unlimited possibilities of growth for most group entities. During 2015-16, Srei posted an income of Rs 3,262 crore and registered a net profit of Rs 72.52 crore. Its consolidated disbursements during the period stood at Rs 14,533 crore, a growth of 15.84 per cent over Rs 12,546 crore in 2014-15. The total consolidated assets under management (AUM) for FY16 was at Rs 36,702 crore. It is expected to close 2016-17 with AUM of over Rs 37,500 crore. “Taking cognisance of the macroeconomic sce-



“The deal enhances IPCL’s ability to expand energy access to rural households”

RAGHAV RAJ KANORIA
Director, IPCL

nario, the management consciously adopted a cautious approach and exercised extreme prudence in its disbursements. The quality of loan portfolio has been consistently improving and stressed clients are being closely monitored towards prudent recovery,” said Hemant in the latest annual report of the company. Disbursements recorded by the equipment financing business in FY16 stood at Rs 9,158 crore, whereas that for project finance was reported at Rs 5,374 crore.

The group revenues accrue from three verticals — fund-based businesses, fee-based businesses and investments — were mixed. The income from fund-based businesses increased by about 6 per cent from Rs 2,945 crore in 2014-15 to Rs 3,119 crore in 2015-16. The company’s fee-based income was Rs 50 crore in 2015-16 as against Rs 161 crore in 2014-15. The contribution of fee-based income in total income was about 2 per cent. Income from investments was Rs 6 crore in 2015-16 as against Rs 57 crore in 2014-15. “Income from investments would vary from year-to-year as these would depend on the timing of the sale of such investments,” the company said. Equipment rental income contributed Rs 34 crore to the total income in 2015-16 as against Rs 152 crore in 2014-15. The group’s non-core income increased by about 18 per cent from Rs 45 crore in 2014-15 to Rs 53 crore in 2015-16. Simply put, in terms of the total loan book per se, Rs 18,700 crore is in equipment financing and about Rs 14,000 crore in project financing, Sunil had said in May last year.

In the coming months and years, Kanoria Foundation is evaluating its plans of adding more hotels, hospitals, education institutions and what not. Also under works are plans to gradually exit or considerably reduce its existing holdings. “Investing in technology is a priority area for us. In our business of equipment finance, we see technology playing a bigger role,” says Hemant. On the other hand, Sunil is happy that his son Anant Raj Kanoria has taken the flag of Kanoria Foundation overseas. Anant, who heads the international business for Srei, is developing affordable housing projects in Nigeria. One thing is very clear as we conclude our engagement with the Kanoria family, that the Kanoria brothers understand the importance of staying united and working with devotion. ■

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For more on Srei, visit www.businessworld.in