



Srei Infra chairman Hemant Kanoria said the company will focus on equipment financing, and exit structured infrastructure financing.

Open to other resolution plans: Srei's Kanoria

Shayan Ghosh &
Deborshi Chaki

MUMBAI

Facing a special audit by the Reserve Bank of India (RBI) and under fire from a section of its lenders for restructuring its operations without prior approval, Kolkata-based non-bank lender Srei group has been in the eye of the storm lately. In an interview, Hemant Kanoria, chairman of Srei Infrastructure Finance Ltd, talked about the challenges faced by the group and the options before it. Edited excerpts:

What are the reasons behind RBI's special audit?

RBI has come out with certain regulations whereby it has directed NBFCs (non-banking financial companies) to align themselves with the norms governing banks in areas like provisioning. While we have started adhering to it and are in the process of reviewing and changing our business model, it cannot happen in a day. So, right now, we are in a transition period where we are reducing our loan book gradually. In our structured-finance model, it was important for us

to wield control to recover the money, either amicably or through courts. Our board is very clear that the company is and will always comply with all guidelines laid down by RBI.

Was there any non-adherence to regulatory norms that triggered the audit?

As NBFCs, we have to now shift to certain compliances on provisioning and non-performing loan (NPL) classification. In the past, we have been doing it differently, but now we are transitioning to the new norms. So that is what the special audit will bring up. But we

don't intend to deviate, and we will follow the

regulations and be compliant; internally, we are very clear about it. After the special audit, whatever are the directions from RBI, we are clear that we will comply with them, both in letter and in spirit.

Why did you move the National Company Law Tribunal (NCLT) without taking prior approval of all lenders?

Srei's consolidated debt, as of now, from Indian banks, is ₹20,000 crore. The company has paid more than ₹30,000



INTERVIEW

Open to other resolution plans, says Srei's Kanoria

FROM PAGE 1

crore interest to banks in the past three decades and about ₹20,000 crore as principal, always on time. The present imbroglio got created due to a never-before-seen pandemic. It got further compounded as payments of our borrowers have been stuck with government agencies and arbitration awards remain unresolved due to intermittent operations of courts because of covid. All these factors have led to a cash-flow mismatch. However, the underlying assets against our loans and receivables are substantial to repay our creditors in an orderly fashion. We have moved NCLT to structure an orderly repayment of our loans. We have so many creditors, and NCLT gives us a platform to address all creditors in one go.

Are you looking to restructure the outstanding debt?

Because of covid, many clients have been facing cash flow issues. The lockdown and the regulatory policy directing NBFCs to restructure customer loans without being granted relief on their own repayment obligations compounded the problem and affected our cash collections. We have proposed a structure where we make repayments in a manner which is aligned to our customers' cash flows. However, we are open to any other suggestions from bankers.

How long will it take Srei to wind down its structured infrastructure credit portfolio?

Over the next two to three years. We have started the process. The portfolio, which was ₹20,000 crore at its peak, is at ₹10,000 crore and is getting further reduced. Our focus will remain on equipment financing, and we do not plan to do structured infrastructure financing.