



SIFL/SECT/EA/21-22/10

April 08, 2021

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai - 400 001
Fax: 022-2272 2037/2039/2041/3121
BSE Scrip Code: 523756

The Secretary
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot no. C/1
G Block, Bandra-Kurla Complex
Bandra (E), Mumbai - 400 051
Fax: 022-2659 8237/38; 2659 8347/48
NSE Symbol: SREINFRA

Dear Sir,

Sub: Communique to Non-Convertible Debenture (NCD) Holders by Srei Equipment Finance Limited (SEFL)

Please find attached herewith a copy of the intimation made to the Stock Exchanges by Srei Equipment Finance Limited (SEFL), material wholly owned subsidiary of the Company.

This is for your information and record.

Thanking you.

Yours faithfully,
For **Srei Infrastructure Finance Limited**

Manoj Kumar
Company Secretary
FCS 6698

Encl. as above

Srei Infrastructure Finance Limited

CIN: L29219WB1985PLC055352

Registered Office: 'Vishwakarma' 86C, Topsia Road (South), Kolkata - 700046

Tel.: +91.33.22850112-15, 61607734, Fax: +91.33.2285 7542/8501

Email: corporate@srei.com Website: www.srei.com



SEFL/SECT/AA/21-22/03

April 07, 2021

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 001

The Secretary
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot no. C/1,
G Block, Bandra – Kurla Complex,
Bandra (E), Mumbai – 400 051

Dear Sir,

Sub: Communique to Non-Convertible Debenture (NCD) Holders

Please find attached herewith a communique being made to the Non-Convertible Debenture holders of the Company.

This is for information purposes.

Thanking you.

Yours faithfully,
For **Srei Equipment Finance Limited**

Ritu Bhojak
Company Secretary
FCS 8382

Encl: As above

Srei Equipment Finance Limited

CIN: U70101WB2006PLC109898

Head Office: Plot No.Y-10, Block EP, Sector-V, Salt Lake City, Kolkata – 700091

Tel: +913366394700/66022000 | Fax: +813366022200/2600

Email: sefl@srei.com | Website: www.srei.com

Registered Office: "Vishwakarma", 86C Topsia Road (South), Kolkata – 700046

Dear Investor,

We hope you and your family are safe and in good health.

The last twelve months have been extremely challenging for all of us following the unprecedented outbreak of a pandemic that disrupted lives and livelihoods. Your company prioritized health and safety of its employees, engaged with its customers and partners like never before, and continued its operations in an extremely adverse and challenging macro-economic environment. With the outbreak of the second wave of COVID-19, the situation will continue to remain uncertain for some more time.

Since our customers are primarily from the infrastructure space, most of them have been severely impacted by the pandemic induced lockdown, movement of migrant workers and twin shocks encompassing both demand and supply side of the value chain. Payment delays from government departments and large corporates added to their woes and impaired the ability of many of our SME borrowers to service their loans. As a result, our collections suffered with more than half of our customers opting for one-time restructuring of their loans.

In our existence of more than three decades, we have had the experience of facing several crises – from the NBFC crisis in the late '90s to the global financial crisis in 2008-09. From every crisis we emerged stronger and the learnings from such experiences helped us in developing a robust and resilient business model which stood the test of time, even while many infrastructure financing institutions converted into a bank or merged themselves with a larger player. Our business model had, over the years, created counter balancing features and mitigants for a variety of macro and micro risks. However, with the unfolding of the pandemic, the simultaneous impact on our borrowers across segments – all happening at once – left us with almost no real mitigant to address the consequences.

REPAYMENT OF LIABILITIES

As a financial intermediary, NBFCs like Srei are fundamentally dependent on borrowings from banks/other lenders for deployment of capital towards asset creation for our customers. Once the repayments from customers suffer, our ability to maintain our impeccable repayment track record with our creditors also suffers.

The question that probably has been at the top of your mind ever since the outbreak of COVID-19 is how your company will survive this crisis and repay the money it has borrowed.

Your company had anticipated that the situation was becoming challenging and hence had proactively approached the Hon'ble National Company Law Tribunal ("NCLT") with a scheme that proposed repayment of the loans that it had borrowed in an orderly manner over a period of time. This is one of a

kind instance of a NBFC proactively proposing a repayment plan in anticipation of stress in multiple sectors in which it operates.

Your company will repay its loans through the recoveries and hence a scheme has been proposed to all our creditors to realign the repayment schedule with our expected collections from customers.

For 31 years, Srei has had an impeccable track record and has paid more than Rs 30,000 crore interest and ~Rs 20,000 crore as principal, always on time. The present imbroglio got created due to a never-before-seen pandemic. Your company's business model is based on confidence and trust. Any arrangement on the liability side has to be done in a structured manner; otherwise it has the potential to create confusion. Hence, we moved the Hon'ble NCLT in order to structure an orderly repayment to all our creditors.

We wish to assure our investors that the collateral/securities against the loans given by your company together with the receivables are sufficient to repay all the liabilities in an orderly manner over a period of time. Our strong OEM relationships, ~90,000 retail investors, ~80,000 shareholders and long standing partnerships with domestic banks, financial institutions and international development finance institutions gives me confidence that your company will weather the impact of this pandemic on its business and emerge out of it stronger. Your support makes us strong and we are sure you will continue to support your company for years to come.

WAY FORWARD

Srei has been an infrastructure focused systemically important NBFC with ~100,000 customers across the construction and mining, healthcare, technology and agricultural equipment value chain. Over the last three decades, given our financing solutions for asset creation and project development, we have successfully attracted growth capital and debt from both domestic and international institutions.

In 1989, when we started our company, the construction and mining equipment sales stood at ~Rs 150 crore per annum for the industry as a whole. Srei's pioneering efforts in the 1990s helped introduce the mechanisation in the construction field, thereby increasing efficiency and productivity across the spectrum. Today, the construction and mining equipment market in India stands at ~Rs 50,000 crore per annum and we have been one of the prime movers in this field.

However, we are now clear that we need to prune the balance sheet, operate primarily in the bank compliant asset market and change the duration of our liabilities to meet the extant and emerging regulations.

We have already initiated necessary steps in this regard including aggressive sell down of assets, reduced disbursements and attempt to re-profile our liabilities. While because of the pandemic and the heightened risk aversion towards NBFCs some of these transformations have not happened at the

pace at which we wanted, we are totally committed to come out stronger on the other side in full compliance of the present regulatory guidelines. The present asset and liability profile needs time to be corrected to the current dispensation and we need support and guidance from the RBI and our banking partners to ensure effective transition of our business model.

We remain confident of receiving support from all our stakeholders, which makes us believe that together we will make tomorrow happen.

APPOINTMENT OF ADVISORS

Your company has appointed Ernst & Young as its primary advisor to work alongside the creditors and their advisors. In the coming months, we expect concrete engagement/progress in the following areas:

- a Debt realignment plans through a consultative process across different creditor classes, under the auspices of the Hon'ble NCLT or as advised by the commercial banks, the largest category of creditors to the company.
- b Equity raising plans to shore up the capital base in Srei Equipment Finance Limited, the operating company. Depending on the recommendation of the transaction advisors and comfort of the creditors, we have the flexibility to optimally choose the corporate structure keeping in mind extant regulatory, tax and legal guidelines.
- c Stabilising the ongoing operations and employee morale through greater operational flexibility under the guidance of the board and in line with the objectives of the banks, without any coercive steps impacting salaried professionals.
- d Continued partnership with all our stakeholders in these extraordinary times including banks, financial institutions, bondholders, regulators, employees, directors, auditors, advisors, shareholders and all well-wishers.

TRANSPARENCY AND FEEDBACK

We have always followed high governance standards and transparency. Even when there have been unwarranted insinuations and motivated leaks, we have maintained our high professional standards. In the same spirit, we are happy to seek out your views, feedback and suggestions on any aspect of our overall strategy outlined in this letter. You may please email us at connect@sreibonds.com with your suggestions.

We need the support of each one of you so that the company can navigate through this challenging period. We will also request you to not pay heed to rumours/speculations which are intended to damage the reputation of your company.

Best regards,
Chairman