



# GAMECHANGERS

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Innovate. Inspire. Implement.

Srei Infrastructure Finance Limited  
Annual Report 2010-11

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## Board of Directors

Salil K. Gupta  
Chief Mentor

Hemant Kanoria  
Chairman & Managing Director

Sunil Kanoria  
Vice Chairman

Saud Ibne Siddique  
Joint Managing Director

V. H. Pandya

S. Rajagopal

Satish C. Jha

Shyamalendu Chatterjee

Avinder Singh Bindra

Sujitendra Krishna Deb

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## Chief Financial Officer

Sanjeev Sancheti

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## Company Secretary

Sandeep Lakhota

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## Auditors

Messrs Haribhakti & Co.  
Chartered Accountants

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## Principal Banker

Axis Bank Limited

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## Audit Committee

Salil K. Gupta  
Chairman

V. H. Pandya

S. Rajagopal

Sujitendra Krishna Deb

Sunil Kanoria

Sandeep Lakhota  
Secretary

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## Compensation Committee

Salil K. Gupta  
Chairman

Hemant Kanoria

Sunil Kanoria

Sandeep Lakhota  
Secretary

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## Committee of Directors

Hemant Kanoria  
Chairman

Sunil Kanoria

Saud Ibne Siddique

Sandeep Lakhota  
Secretary

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## Share Transfer and Investors' Grievance Committee

Salil K. Gupta  
Chairman

Hemant Kanoria

Sunil Kanoria

Sandeep Lakhota  
Secretary

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## Asset Liability Management Committee

Sunil Kanoria  
Chairman

Saud Ibne Siddique

Sanjeev Sancheti

Sandeep Lakhota

S. B. Tiwari  
Secretary

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## Central Credit and Investment Committee

Hemant Kanoria  
Chairman

Sunil Kanoria

Saud Ibne Siddique

Ganesh P. Bagree  
Secretary

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## Risk Committee

Shyamalendu Chatterjee  
Chairman

Saud Ibne Siddique

Avinder Singh Bindra

Ashwini Kumar  
Secretary

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## Registered Office

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E-mail: corporate@srei.com  
Website: www.srei.com

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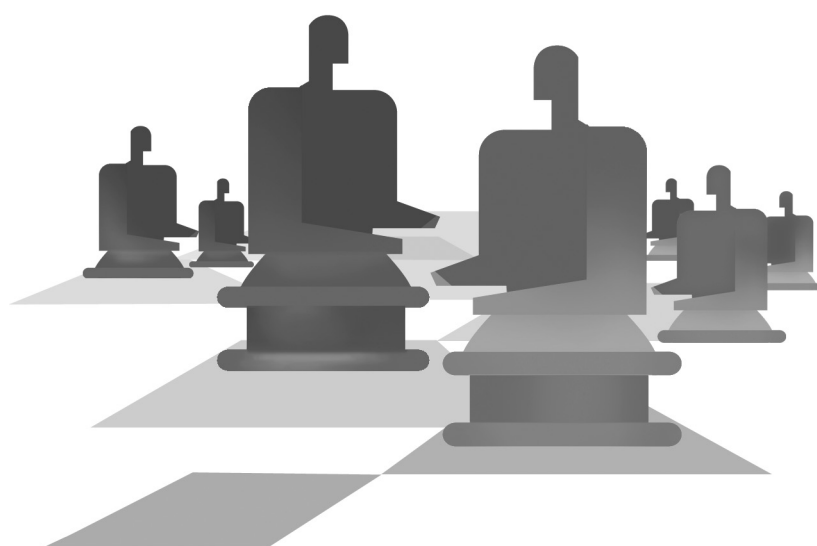
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1 billion = 100 crore  
1 million = 10 lakh

A holistic infrastructure approach. Synergistic integration. Customer-focussed innovations.

These initiatives have not merely strengthened the business model of Srei Infrastructure Finance Limited. They have enabled Srei to create infrastructure benchmarks.

The result is immediately evident: Srei grew disbursements by 60 per cent and profit after tax by 15 per cent in 2010-11.





Srei's 'gamechanging' is derived from a consistent ability to innovate and transform infrastructure dreams to reality. Gamechanging is not incidental to Srei but its hallmark. Like developing products through creative engineering to fund infrastructure projects. Like providing equipment financing solutions to construction companies.

Like helping customers make their assets profitable. Like creating professional entrepreneurs who run Srei businesses as 'owners'. Like managing the business with an eye on the sustainability than for the subsequent quarter. Like graduating from a single solution to a single-point solution. Like identifying niche infrastructure opportunities and growing them to global standards. Like extending from the limited to the holistic. Like harvesting stakes to bring in cash in businesses. Like creating synergies for enhanced value. Like cross-marketing Srei's multiple services to a single customer. Like nurturing nascent sectors at early stages. Like sowing, ploughing and harvesting investments. Like getting equipment manufacturers and users together under one roof. Like enabling customers to continuously improve their productivity.

When you put a number of these gamechangers together, you get a Srei that is innovative, comprehensive, overarching and holistic.

**Lineage**

- Established in 1989 as an NBFC with infrastructure focus
- Headed by Hemant Kanoria (Chairman and Managing Director), Sunil Kanoria (Vice Chairman) and Saud Ibne Siddique (Joint Managing Director)
- Business model endorsed by a cross section of high pedigree investors from India and abroad
- Backed by a strong professional team with adequate experience across diverse infrastructure segments

**Presence**

- Headquartered in Kolkata, India
- Present across India (77 offices) and in Russia (three offices)
- Shares listed on the Bombay Stock Exchange (BSE), National Stock Exchange (NSE) and Calcutta Stock Exchange (CSE)
- First Indian NBFC to be listed on the London Stock Exchange (GDRs)

**Philosophy  
Vision**

To be the most inspiring global holistic infrastructure institution.

**Mission**

To be an Indian multinational company providing innovative integrated infrastructure solutions.

**Core values**

- **Customer partnership:** At Srei, customer satisfaction is the benchmark for success. Srei delights its customers through a comprehensive range of personalised, fast, reliable, convenient, quality driven and yet cost-effective financial services.
- **Integrity:** Business integrity is a way of life at Srei; it stands by integrity in all its dealings and ensures strict adherence to the highest standards of business ethics.
- **Passion for excellence:** Srei’s passion for excellence is instrumental in positioning it as India’s most innovative infrastructure solution provider.
- **Respect for people:** Srei acknowledges the fact that its people are its most valuable assets and accordingly provides them with the best possible work environment and treats them like family members. The Company rewards excellence and initiative.
- **Stakeholder value enhancement:** Srei is committed to earning the trust and confidence of all its stakeholders. Its growth focus, the ability to constantly enlarge its product basket while controlling risk and reducing cost of services resulted in enhanced value for its stakeholders.
- **Professional entrepreneurship:** Srei’s in-depth knowledge of the infrastructure financing business in India, coupled with its spirit of entrepreneurship, helps it overcome obstacles and complexities with professional expertise.

**Over the years** ▶

**1989**

Started operations and identified infrastructure sector as the core area of business

**1997**

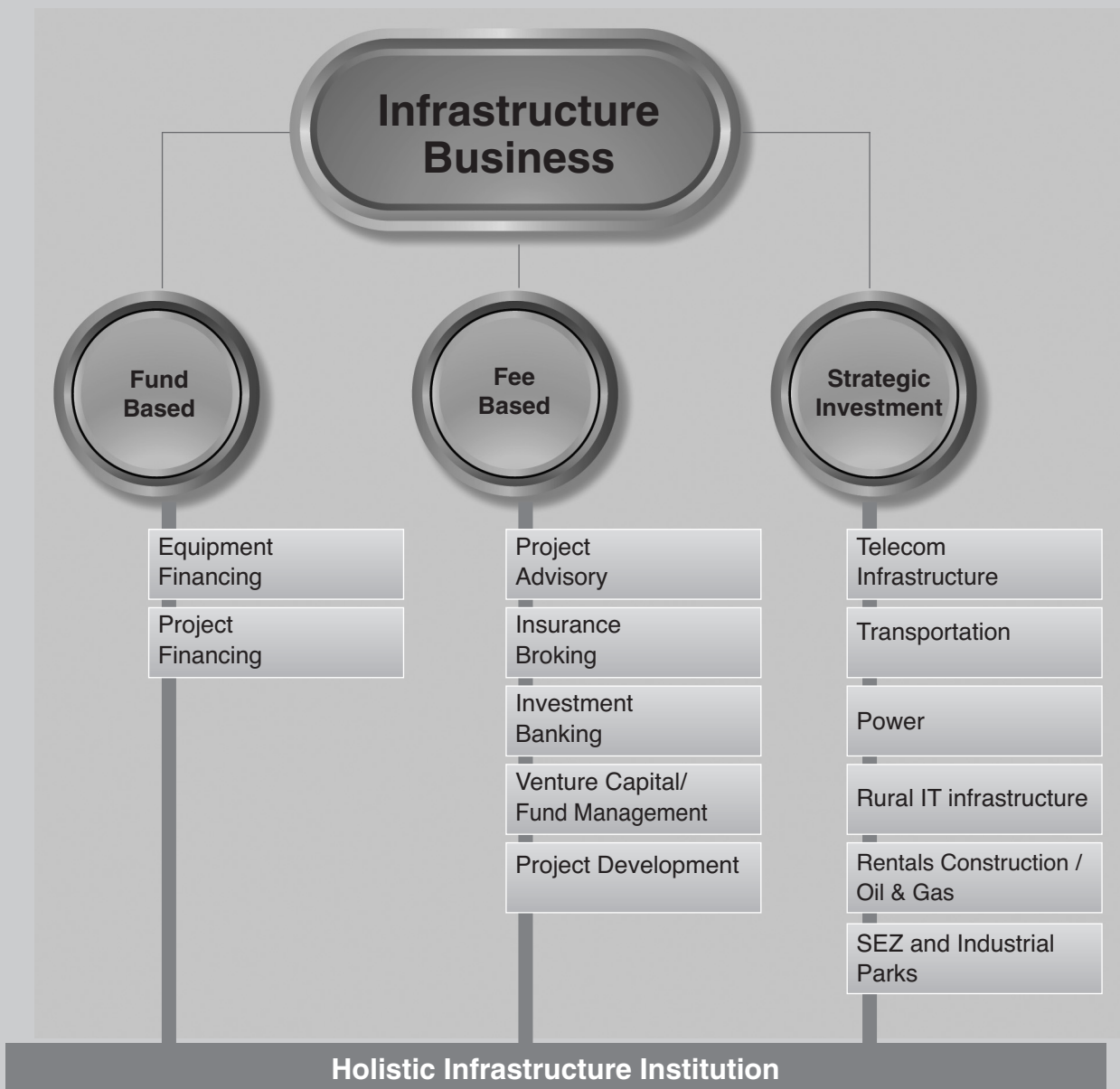
Equity investments by international developmental institutions - IFC, Washington (World Bank Group), DEG (owned by Government of Germany) and FMO (owned by Government of Netherlands) - as equity partners

**1992**

Initial Public Offering

**2002**

Conceived Quippo, India’s first equipment bank



## 2005

First Indian NBFC to be listed on the London Stock Exchange (GDRs)

## 2007

Joint venture with BNP Paribas for equipment financing business

## 2010

Synergistic integration of Srei and Quippo to create an integrated holistic infrastructure institution

## 2006

Geographical expansion into Russia; equity partners EBRD, DEG and FMO

## 2009

Strategic partnership with Tata Group for the passive telecom infrastructure business

## 2011

RBI according Infrastructure Finance Company (IFC) status

# Chairman and Managing Director's message



**Hemant Kanoria**, Chairman and Managing Director, Srei Infrastructure Finance Limited



*Dear fellow Shareholders,*

Your Company has completed its twenty second year of successful operations. It has been consistently growing and is now one of the large infrastructure institutions in the country. With a diversified portfolio of financial products and services in its repertoire, Srei is now a holistic infrastructure institution with a firm footprint in the Indian market and also exploring opportunities in the global arena, especially in the emerging economies. Your Company's commitment towards value creation for all stakeholders has earned it respect in the industry.

Successive years of pioneering and innovative thinking, synergistic diversification and thought-through implementation has enabled your Company to grow its asset base from ₹1,000 crore in 2001 to ₹20,505 crore today. The year under review has been a good one for your Company as it has registered a record ₹14,400 crore in disbursements. But it is just the beginning. India is in the cusp of an infrastructure boom, and Srei is all set to ride this wave and reap the benefits. Government envisages investment of USD 1 trillion during the Twelfth Five Year Plan (2012-17), where 50 per cent is expected to come from the private sector. This is indicative of the shape of things to come. The increased emphasis on private sector participation in infrastructure creation puts your Company in a uniquely advantageous position. With two decades of rich experience, Srei has a pivotal role to

play in the coming years.

### **Economy outlook**

The last three years have witnessed the emergence of a new world order. After the global financial crisis, the developed nations are mostly still in the recovery mode, although a sluggish one, and the emerging nations are acting as drivers of global growth. USA, with high unemployment and diminished consumption demand, is yet to return to normalcy. Some of the smaller Euro Zone member nations are trying hard to avoid another debt crisis. Political unrest in the Middle East and North Africa region is another development that the world cannot ignore.

Developed nations, in order to bail out their crisis-hit governments, had indulged in massive money-printing to pump-prime their economies. A lot of this excess liquidity has eventually flowed into the emerging economies in search of better investment avenues and this led to formation of asset bubbles triggering inflation. Commodity prices have shot up. Spurt in oil price is another major area of concern.

While India clocked a healthy 8.5 per cent growth during the year under review, inflation has remained high due to a combination of international and domestic factors. Government has resorted to monetary measures by increasing interest rate in order to curb inflation. The rise in cost of credit has already resulted in cost escalation for infrastructure projects.

Supply-side constraints are major contributors to India's inflation, especially food inflation. Urgent capacity addition in the infrastructure sector can only address these problems. In the last union budget, infrastructure status was extended to cold storage chains and capital investment in storage capacity was made eligible for Viability Gap Funding in order to make these attractive for private investment. In addition, increased allocations for the various sub-programmes under Bharat Nirmaan are likely to boost development of rural infrastructure and lead to long-term solutions in the supply-chain management of agricultural produce.

However, the rising interest rates are likely to result in a moderation of private investment. Last few quarters' data on construction, mining, manufacturing and even services sectors are pointers to that. The government has also scaled down GDP growth projection for FY12 to 8 - 8.5 per cent from 9 per cent. In this backdrop, postponing of infrastructure investments can only slow down the growth momentum further. Thus, government should consider taking the lead now. Fiscal prudence should not deter the government from investing in infrastructure because of the manifold long-term multiplier benefits that follow infrastructure creation. India's proposed move to a common Goods & Services Tax (GST) regime and adoption of a Direct Tax Code (DTC),

the decision to make scarce resources available through auction (e.g. telecom spectrum, oil & gas blocks, coal mines, etc.), the proposed disinvestment in select public sector units will all result in more resources at government's disposal.



The India Growth Story remains an attractive one in the long run, and private sector is poised to play a major role in infrastructure creation. The government would need to work towards creating a more investor-friendly environment and promulgate laws so that conceptualisation to implementation of infrastructure projects can be carried out expeditiously. There is substantial scope for improvement in this area. Government, at both Centre and in the States, would need to work proactively and also get private sector feedback on a regular basis.

Your Company is closely tracking the developments. With a wide bouquet of services and with a presence across the entire value chain of infrastructure projects, your Company is well

equipped to explore all possible opportunities emanating from the infrastructure space. A possible slowdown in infrastructure investment should be viewed as an opportunity to undertake larger projects, although possibly in a consortium approach. A likely fall in margin due to rising rates is expected to be countered by increasing the volume of business, and for that as always your Company will continue to rely on innovation.

## Company outlook

Your Company has maintained its market leadership in the infrastructure equipment finance business, and expanded its presence in the infrastructure project financing space. Srei's consolidated total income and profit (after tax) stood at ₹1,638 crore and ₹179 crore respectively as on 31st March, 2011.

An important development during the year under review has been the completion of the amalgamation process of Srei and Quippo which resulted in a total net worth of around ₹2,500 crore for your Company. This step significantly enhances your Company's gearing potential and prepares it for undertaking larger project financing and move into the league of large infrastructure players in the country. More importantly, this synergistic integration will result in Srei being present in all sectors of infrastructure financing portfolio like telecom, oil & gas, roads, power, ports, industrial parks and rural IT infrastructure, apart from being in equipment leasing, rentals & auctioning, project financing, project development, advisory and fund management.

Srei's presence across the infrastructure value chain creates many opportunities and mitigates risk, which may have arisen by being present only in a single area. Furthermore, it has a large team of specialists and professionals who meticulously examine each aspect of the project while undertaking

financing, advising or investing. Their commitment towards value addition to the customers has resulted in a huge customer base.

Risk-mitigation through stringent provisioning norms for NPA and collective decision-making remains central to your Company's sound business model. The collaborative approach with its joint venture partners, equipment manufacturers, bankers and investors has continuously strengthened its business model and has strengthened the bonding with the customers.

Another way of de-risking a business model is by expanding the geographical presence. Our Russian venture marked the beginning of our global aspirations. But the global financial crisis temporarily stalled our overseas expansion drive. However, it is back on track, and very soon your Company will start operations in Africa. The aim is to replicate the Indian experience in developing economies which are receiving a thrust on infrastructure creation. The approach towards global expansion would be more of advisory services and in a few cases may result in investments.

Your Company has been accorded the Infrastructure Finance Company (IFC) status by Reserve Bank of India (RBI). RBI had re-categorised certain infrastructure oriented NBFIs as IFCs recognising their contribution to the nation-building process. With this, your Company becomes the fifth institution to get this status. By virtue

of this, Srei's ability to access external commercial borrowings (ECBs) becomes easier than before and also raises its exposure limits in infrastructure projects. Subsequent to getting the IFC status, Srei has also provided the government a detailed wish-list on what special features and powers a IFC should be ideally endowed with in order to expeditiously contribute to the nation-building process.

The management consciously fosters a free and open work-culture where employees across the ranks are encouraged to express their view-points and exchange ideas. Many of the path-breaking innovations which have become synonymous with Srei today actually germinated from such ideas and subsequently evolved into implementable plans after thorough brainstorming. Your Company believes in investing in training programmes to nurture talent amongst employees.

Technology is a sine-qua-non in today's scenario especially when your Company is growing by leaps and bounds. At Srei, investing in technology remains at the forefront of innovation and to adhere to a process-oriented structure is the way of doing business. Specialists have been recruited who keep track of the latest developments on the technology front across the world and explore possibilities to integrate those into your Company's operations.

To conclude, the infrastructure space continues to look promising, but is

likely to throw up certain challenges, especially the rising interest rate. Some of the root causes of such a challenge remain external, even beyond the control of the government. And there will be certain issues which will be mostly domestic in nature, and therefore possible to control to some extent. Your Company will do its best in mitigating those risks which are within its control and even make suitable recommendations to the government on what course of policy action is warranted. The mantra would be to harness the internal talent and expertise across departments and form synergies to expand business by exploring multiple revenue generation opportunities from various projects.

We remain excited about the future and with a larger capital base your Company will surely scale new heights in its infrastructure journey. Your continued support is of great value to us and we hope to be always inundated with it.

Thank you.



**Hemant Kanoria**  
Chairman &  
Managing Director



Sunil Kanoria, Vice Chairman, explains how the mechanics of Srei has successively changed the dynamics of its business

“‘Gamechanging’ is not incidental to Srei but core to our business model”

**Q:** How deep is the Company’s ‘gamechanger’ positioning?

**A** The positioning is core to the Company. If there is no capability to ‘gamechange’, then there is no Srei. The result is that Srei has over the years acquired a brand and recall, which altered not just its share of the market but the very dynamics of the businesses it is present in.

**Q:** Is this ability to ‘gamechange’, a selective response to markets or situations or does it go more fundamental than that?

**A** Let me answer this question with reference to our business model. We have structured Srei on the lines of a holistic infrastructure institution in the following ways:

- We finance construction equipment, engage in project financing, provide infrastructure project advisory and also invest in infrastructure projects.
- We invest with the objective to generate capital returns as we seek timely opportunities to exit some business and enhance organisational value.
- We have, over the years, emerged as a serious player in the area of infrastructure project financing, which provides us with attractive cross-marketing opportunities among our various fee and fund businesses.

The simple explanation is that when it comes to infrastructure finance, we do everything. Our presence across the sectoral value chain means that we have emerged as a one-stop shop. Customers know that we have a number of solutions that can take the projects or their businesses ahead in the shortest time and at the lowest delivered cost. In turn, this means that we generate multiple-revenue streams leading to business sustainability.

**Q: For some years Srei has been growing the number and scale of its businesses. Shareholders need to know whether these investments are strategic in character or will be prudently divested (in full or part) based on their prevailing valuations.**

**A** At the end of the day, we need to appraise what the divestment can get us in one stroke compared to what the business may generate annually across the foreseeable future. There is something else that needs to be considered: as managers of various business interests, we must also appraise whether the selective divestment in one instance can bring in revenues that can enable us to invest in another attractive opportunity, with the objective to grow that investment in a way that its probable divestment becomes a profitable possibility a few years down the road. So this ability to disinvest, must be appraised along with our ability to put our money profitably

elsewhere with the overall idea of growing our investment cake in the fastest possible way, benefitting our shareholders.

**Q: How is this then linked to 'gamechanging' as a corporate direction?**

**A** In a simple way. When we disinvest (in full or part) any of our business, we are likely to liberate adequate resources that can be invested in multiple opportunities, which can potentially widen the value landscape for us across the foreseeable future. As a result, the possibility is not necessarily linear and steady; it could be diverse and aggressive. So what I am saying is that one disinvestment – when correctly timed and executed – can lay the foundation for attractive growth across the foreseeable future and, in doing so, can prove to be completely 'gamechanging'.

**Q: Coming back to the Srei business model. In what way is it equipped to 'gamechanging' over the foreseeable future?**

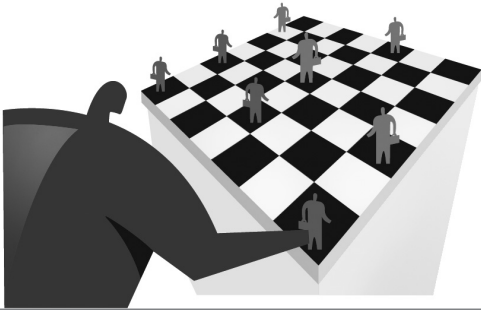
**A** Srei has over ₹2400 crore of investment portfolio across various infrastructure verticals. This is a merit-oriented structure with professional managers entrusted with the complete responsibility to grow their businesses with speed to enhance organisational value, while reporting periodically to the Board of Directors of the holding company. Most of our businesses are

more valuable today than when we invested in them, so the moment one disinvests (in full or part), there could be sizable value accretion on our books. Hence, the message I want to send out to shareholders is that there is considerable value locked into Srei (through its holding in various businesses), which our management will translate into value through appropriate disinvestment, dividend inflows and value appreciation.

**Q: Shareholders are curious that this still remains a strategy on paper.**

**A** Until now, this has remained a strategy on paper for a good reason. When we partnered with BNP Paribas three years ago, the result was a net worth infusion of ₹775 crore, following which we responded to opportunities as they arose, invested in diverse infrastructure businesses. Most of these infrastructure investments were extended in their gestation across three to five years; we are still in the process of nursing them and will progressively disinvest as soon as we see the emergence of attractive value.

I must explain this phenomenon further: in the infrastructure sector, it takes a few years for an asset to be commissioned. Once this happens, the risk of its non-commissioning is eliminated; thereafter one must focus on establishing the asset's viability for it to be valued correctly. This is precisely where a number of our invested businesses are at this stage; some have been commissioned, while



The value of infrastructure in this country has not been appraised accurately, creating investment opportunities.

others are on the verge of commissioning, following which we expect to encash an attractive value over the not-too-distant future.

In this regard, I request our shareholders to be patient. We expect disinvestment to occur during 2011-12, resulting in a price-discovery of some of our investments, which could indicate the real value of what we have on our books. I am confident that when shareholders perceive this disinvestment, they will appraise our overall portfolio more accurately and help reduce the existing mismatch in our market capitalisation.

### Q: Is this the right environment to facilitate 'gamechanging'?

**A** I would say that the prevailing environment is absolutely suited to our business model for some good reasons:

- The infrastructure sector is nascent in India, creating opportunities on the entry side, on account of the relative industry inexperience, room for innovation and need to fund projects with speed.
- There is a growing understanding of the valuation of infrastructure companies. This means that as the viability of infrastructure assets is

established, a number of institutions looking for reasonable, low risk and long-term rate of return will be willing to acquire these assets. This will provide a company like ours with an attractive divestment opportunity.

- There are a number of nascent industry segments that are relatively under-appraised in India; only a committed infrastructure company like ours can appraise risk and return faster than others. The telecom tower business is one such sector, which did not even exist some years ago but is considered large and investible today.
- The infrastructure sector will remain viable even as its market-facing downstream businesses are shaky. The telecom sector is again a relevant instance; the telecom tower business enhanced its viability during the year under review, even as telecom operators posted lower numbers in 2010-11.
- There is considerable haziness of the time between project conceptualisation, project funding and project commissioning with viability implications (the more delayed the project, the less viable it is). As an infrastructure player, we feel that this haziness creates attractive investment opportunities in the India

of today; this is precisely the space that we have decided to specialise in while making business investments.

- The value of infrastructure in this country has not been appraised accurately, creating investment opportunities.
- There is visible evidence of infrastructure viability being influenced by marketplace economics rather than government subsidy. The result is that infrastructure costs are more efficiently structured than before.

### Q: How is the Srei portfolio structured to enhance owner value?

**A** Srei invested in the power, road, telecom, port, oil & gas and SEZ sectors with a medium to long-term perspective. I say this because we have a reasonable idea that some value will be encashable in the medium-term, without compromising our overall position, while some value would be best left to the long-term for extensive and attractive unleashing. These investments were not made because we are presently in the industry; they were made because there was a rationale which makes their investing profitable and relevant.

For instance, consider the following:

**Telecom Infrastructure** – We invested in this sector, as we were convinced that irrespective of what happened on the service provider front, the sector would grow on the account of a large and growing population on the one hand and a need to communicate on the other. This was demonstrated during the last financial year, when operators reported lower numbers but passive telecom infrastructure companies (like our investment Viom) enhanced utilisation and reported higher returns.

**Road** – We foresaw that an increasing number of commuters would prefer using toll roads to travel faster with convenience. We selected to invest in roads with growing throughput across attractive destinations, where we could engage the local community and contractors successfully.

**Power** – Most companies preferred to invest on the generation side. Srei chose to invest in distribution networks as well as generation.

There are two points here that make our ‘gamechanging’ approach relevant. On a number of occasions, mid-sized companies struggle to raise funds for infrastructure projects, which translate into project delay and low viability. Srei helps change the game here; the Company provides the first round of capital in exchange for a stake to kickstart the project and then guides the Company to project completion, which in turn, enhances the value of its investment in the

company. As a result, Srei enhances project value and is also able to carve out an attractive share for itself.

### Q: To what extent did the ‘gamechanging’ translate into enhanced corporate value during the year under review?

**A** Srei reported attractive growth number during 2010-11: revenues increased 68.5 per cent and profit before tax increased 32.8 per cent. However, what most are likely to miss is that in the construction equipment segment, even as every single player yielded market share on account of growing competition, Srei was possibly the only Company that increased its market share, while retaining its industry leadership position. This contrarian performance was the result of our relationship model and an ability to work with clients for the long-term rather than for mere transactions.

### Q: Where is the opportunity in the country’s infrastructure sector today?

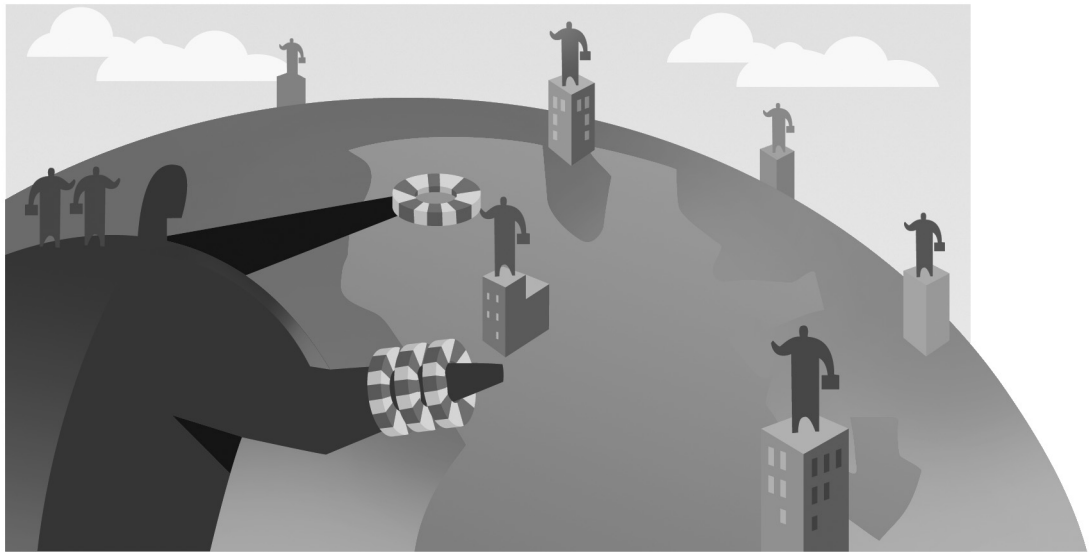
**A** I would like to draw the attention of our shareholders to only two numbers – the country’s infrastructure outlay in the Twelfth Plan is likely to be twice of the Eleventh Plan; the proportion of private sector funding is likely to increase from 34 per cent to 50 per cent. This means that the sheer quantum of funds invested through the private sector in the Twelfth Plan is likely to be significantly higher. This

increased private sector spending represents our opportunity; the private sector players are the one who are likely to seek capital and their growing exposure will mean wider opportunities for us. Besides, the increase in 3G rollout will enhance data flow across networks, which will increase our telecom infrastructure utilisation.

### Q: What can Srei’s shareholders expect in 2011-12?

**A** Let me start with the downside. We see an increase in our interest costs as successive hikes by the RBI will raise the cost of our funds, without a corresponding ability to pass them down immediately to our customers. We will need to counter this increase with a larger volume of business, lower cost-to-income ratio and a probable monetising of some of our investments. The last point is relevant; when shareholders see evidence that we can invest, nurture and disinvest, leading to responsible price discovery, they will be enthused about the quality of our investments and how they can lead to huge growth over the foreseeable future. That is when our market capitalisation will move closer to our fundamentals, enhancing value in the hands of our shareholders.

Gamechanger ) 1



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SREI EXTENDED FROM THE  
SINGLE TO THE HOLISTIC.



In the business of infrastructure financing, sustainable growth is derived from an ability to be everything to everybody.

When Srei entered the infrastructure financing segment in 1989, even before the country was liberalised – its role was limited to that of a construction equipment financier. This was also an environment when the country's infrastructure segment was dominated by few players with a negligible role for private sector players.

Srei persisted and persevered – its first 'gamechanger'. As the country opened up following liberalisation in 1991, opportunity widened for a first-mover like Srei to mobilise resources and fund a larger number of customers. This translated into

industry leadership, a position that the Company continues to enjoy even two decades later, with a significant lead over later entrants.

Srei enjoyed an attractive net interest margin during its first decade, but as competition increased, spreads declined. Srei countered this worrying phenomenon through a critical 'gamechanger': it leveraged its domain knowledge to extend across the infrastructure value chain – advisory services, project financing, project development, equipment financing (outright purchase, operating lease, rental or exchange lease), equipment leasing, rural IT infrastructure, asset sale/auction, capital markets, insurance and venture capital, among others.

The result of this extension was that

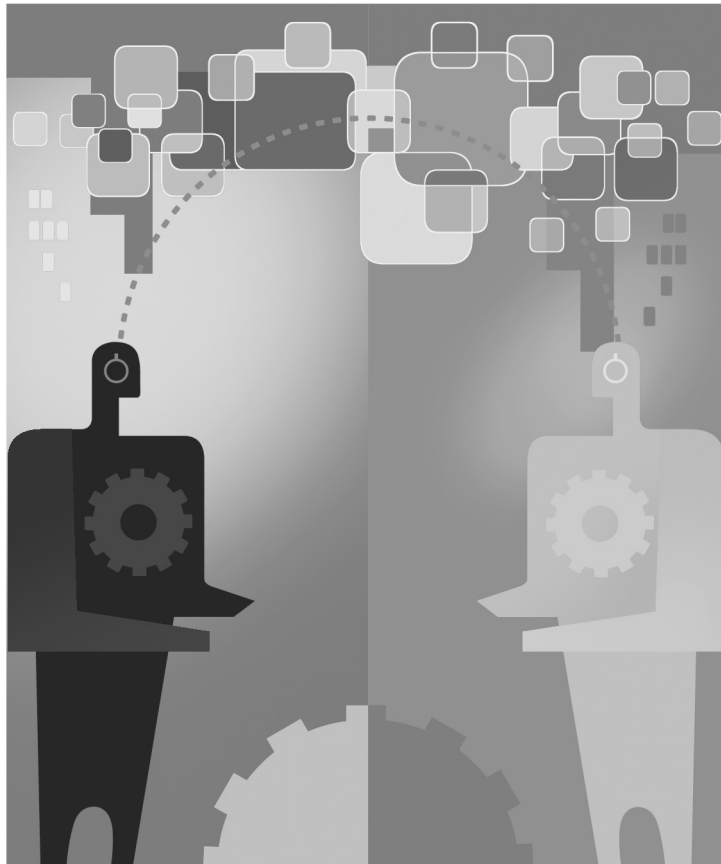
Srei extended from one business vertical to many; from a mere asset financier to a holistic infrastructure service provider; from thinning margins to attractive premia; from transactions to relationships; from vendor to a partner taking the customer's business ahead (over 80 per cent of Srei's business is generated from repeat clients); from selling to handholding; from equipment funding to project financing to project ownership; from marketing directly to cross-selling various services.

The result: the Company's revenues grew by ₹148 crore in its first decade of its existence; its revenues grew by ₹666 crore in just one year in 2010-11.

## Srei. Holistic infrastructure institution

Project advisory	Project financing	Equipment financing	Project development	Venture capital	Equipment sales
Project conceptualising	Debt	Equipment financing	Road	Equity	Valuation and disposal
Project monitoring	Mezzanine	– Ownership – Lease – Rental	Power	Mezzanine	Equipment rental
Fund mobilisation	Equity	Asset insurance	Port	Debt	
Investment banking			Industrial park and SEZ		

Gamechanger ) 2



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SREI EVOLVED FROM AN  
INTERMITTENT ‘GAMECHANGING’  
APPROACH TO AN ONGOING  
‘GAMECHANGING’ MINDSET.

In the business of infrastructure financing, the general perception is that innovation has a negligible role to play.

Srei proved this to be completely false; Srei introduced a number of 'gamechangers' that transformed its industry positioning.

- When most construction equipment financing companies were family-owned, Srei recruited the best industry professionals and delegated day-to-day management.
- When most industry players focused on nurturing home-grown skills, Srei engaged reputed international consultants to strengthen

documentation, risk management, credit appraisal, loan funding, loan disbursements, loan tracking, collection and other business drivers.

- When most industry players considered process automation as an expense, Srei perceived it as an investment that would enhance process discipline and facilitate organisation scaling.
- When most industry players were engaged in plain financing activity, Srei innovated ('Paison ki Nilami' auctioned equipment interest rates and Srei Partnership Week resulted in face-to-face interaction with clients during the slowdown) to build a stronger customer-connect.

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The result: Srei emerged as one of the largest infrastructure and construction equipment financing NBFCs in India, with a market share of over 30 per cent; its fee income increased from 8.4 per cent to 41.9 per cent of its profits (PBT) over the last decade; the Company plans to create a subsidiary to manage its roads portfolio; it plans to enter the water infrastructure and solid waste management segments; the Company emerged as a trusted advisor to prestigious infrastructure project providers and reported an NPA lower than the industry average.

## Gamechanger ) 3



## JOINT VENTURE WITH BNP PARIBAS.

In the competitive business of infrastructure financing, sustainable success is derived from an ability to create adequate financial room to be able to leverage the balance sheet and drive revenue growth.

In 2006-07, Srei's balance sheet was leveraged seven times, which made it difficult to mobilise additional debt and translated into modest revenue growth.

**Srei responded with an effective gamechanger in 2007:** the Company entered into a joint venture with BNP Paribas to de-leverage its balance sheet (infused ₹775 crore as net worth in exchange for a 50 per cent stake in an asset financing joint venture) on the one hand and rapidly grow its industry presence on the other.

The Srei-BNP Paribas portfolio grew at a CAGR of 25 per cent from March 2008 to March 2011 on a larger base compared with 30 per cent growth in the Srei portfolio between 2001 and 2007, notwithstanding growing competition. Besides, its cost-to-income ratio declined significantly.

**BNP Paribas** – the largest equipment leasing company in Europe and a global giant with operations in over 80 countries - brought to Srei deep learnings of people, products, processes and markets. This gamechanger enhanced net worth, borrowing room, lending capabilities, revenue possibilities and in other ways:

**New products:** BNP Paribas helped Srei introduce two new sub-businesses - financing Technology Solutions and Healthcare equipment – with considerable potential in India. Srei leveraged BNP Paribas' existing international relationships with large reputed IT vendors like Oracle, EMC, Fujitsu among others and with medical equipment vendors like GE, Siemens and Philips. This kick-started Srei's presence in these nascent verticals, growing disbursements to ₹450 crore

in 2009-10 and ₹750 crore in 2010-11.

**Financing Technology Solutions:** With IT hardware and software getting more pervasive for all businesses and becoming an integral element in all spheres of activity, the cost of acquisition and upgrades is a capital drain. Srei BNP Paribas transformed this reality into an opportunity and emerged as one of the prominent financiers for Technology Solutions; within only two years of entering this segment, it captured a sizeable share of business. The Company expects to disburse ₹1,200 crore in Technology Solutions financing in 2011-12.

**Financing Healthcare Equipment:** India is emerging as a medical care hub with rising investments in sophisticated healthcare equipment. Healthcare equipment accounts for 50-60 per cent of the cost of a medical project. Specially catering to high-end diagnostic and clinical equipment, deployment of latest technology has become convenient in several large hospitals. Some of the innovations that Srei BNP Paribas include enabling the clients to pay per scan/patient in partnership with vendors, enabling a quick deployment

of capital-intensive equipment with ease. The Company expects to disburse ₹300 crore in this segment in 2011-12.

**Improved risk management:** Srei incorporated best practices in risk management from BNP Paribas. The latter's competence in this segment is showcased in its emergence relatively unscathed from the deep financial crisis in Europe.

**Business focus:** The de-merger of the asset financing business from the parent company allowed Srei to respond more comprehensively to business opportunities with timely investments.

**Quicker documentation:** The Srei BNP Paribas association helped accelerate business growth on account of stronger documentation and due diligence with a corresponding low deal closure tenure.

**Business association:** The Company tied up with Volvo Financial Services as financier of Volvo products in India, covering all Volvo brands like Volvo CE, Volvo Eicher CVs, Volvo buses and Volvo Penta engines.

### Healthcare equipment market in India

- Estimated to grow at a CAGR of 17 per cent over five years to USD 2.075 billion (₹9,735 crore).
- Growth directly proportionate with healthcare delivery growth in India (USD 45.36 billion or ₹2,16,000 crore in 2009).
- High growth in a market disproportionately small, marked by low per capita spending.
- Growing presence of private players in India's healthcare sector; increased healthcare funding by the government

Source: indianexpress.com

## Gamechanger) 4



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## FROM ASSET FINANCE TO INFRASTRUCTURE FINANCE NBFC.

For nearly two decades, Srei was an NBFC with all its attending constraints:

- Lower disbursement capability to a single borrower
- Lower fund allocation from banks
- Lower credit rating, increasing borrowing costs
- Restricted access to ECB funds
- Restricted from issuing infrastructure bonds

The 'gamechanger' transpired in the form of Srei being classified as an Infrastructure Finance Company by Reserve Bank of India in 2011. The IFC status will take Srei's business ahead in the following ways:

- Increase the loan disbursement limit from 15 per cent to 25 per cent (₹650 crore) of owned funds to a single borrower and from 25 per cent to 40 per cent (₹1,000 crore) of owned funds for a single group of borrowers, enabling the Company to play a larger role as financier
- Investment in a single company and single group of companies to remain at 15 per cent and 25 per cent of the owned funds
- Increase the loan and investment to a single company from 25 per cent to 30 per cent of the owned funds to a single group of companies from 40 per cent to 50 per cent of the owned funds

- Increased lending limit for banks, from 15 per cent to 20 per cent of their capital fund for IFCs, will enable Srei to increase its borrowing

- Enable the Company to raise funds up to 50 per cent of its owned funds through ECB route, enabling it to borrow up to ₹275 million from the automatic approval route

- Enable the Company to raise long-term infrastructure bonds with attractive tax exemption for investors

Srei's IFC status will also provide an opportunity for a cross-sale presence in large projects through the syndication route and graduate it to a preferred partner for infrastructure projects.

### Lead investor advantage

By virtue of emerging as the lead partner in an infrastructure project, Srei will generate cross-sale opportunities for group companies (project advisory services, debt-syndication fees, insurance fees and fund management, among others), resulting in a bigger income slice.

During 2010-11, Srei in consortia was awarded ₹3,169 crore infrastructure projects with a hit rate of 18 per cent, among the highest in the industry. The Company co-developed projects, where it played the role of a true developer by taking the holistic responsibilities of capital investment, debt fund syndication, SPV operation and management/ project management/ O&M management/ tolling management among others and helped in timely project completion even as others were engaged in just project financing.

### Srei – a mark of integrity

- Institutionalised capital adequacy ratio (CAR) in 1997, a year before RBI stipulation and maintained consistently higher-than-the-bank stipulation for over a decade
- Institutionalised its asset-liability maturity five years before the RBI's insistence, covering ALM monitoring with processes and the creation of an asset-liability management committee



## THE SREI – QUIPPPO AMALGAMATION.

**A**s India invested in its infrastructure, diverse opportunities emerged: to finance equipment or projects singly or to finance-own-operate collectively.

Srei recognised growing competition in the former segment by graduating into a full-fledged asset owner in sectors with growing potential (like telecom towers) through Quippo.

In 2010-11, Srei amalgamated with Quippo, with the objective to enhance its net worth and reinforce its books with Quippo's investments.



The amalgamation is positioned as a 'gamechanger' for the following reasons: presence of all infrastructure businesses under one umbrella, expanded spectrum of infrastructure products and services to customers, wider service portfolio leading to stronger de-risking, lower operational costs and higher net worth to capitalise on the business potential.

### The amalgamation rationale

Following the Srei – Quippo amalgamation in 2010-11, Srei's standalone net worth increased from ₹790 crore in 2009-10 to ₹2,553 crore, increasing its gearing and enabling the company to borrow more in the future to grow its business. The amalgamation will also help Srei emerge as one of the largest NBFCs in India with speed.

Quippo's presence in attractively growing verticals (construction equipment rental, energy rental and oil and gas infrastructure) helped strengthen its position as a holistic integrated institution with all infrastructure businesses – equipment financing, project financing, advisory and development - under one umbrella. This holistic presence will facilitate comprehensive relationship-driven engagements leading to business derisking, functional business structure, declining costs and increasing profitability.

The result: Srei possessed a capital adequacy ratio of 22 per cent which increased to 29 per cent post-amalgamation, enhancing our borrowing, disbursement and revenue-generating capabilities. In the short-term, per share earnings may be diluted as the increase in income may not be significant (some businesses being in a nascent stage) compared with the rise in equity capital. Besides, Srei's existing holding in Quippo Infrastructure (16.8 per cent) was converted into 48.6 million shares as a part of the Company's treasury stock with significant value-enhancement potential.

## QUIPPO'S BUSINESSES

### Telecom towers

- Number of towers – 38,459
- Tenancy – 2.37
- Revenue of ₹3,000 crore in 2010-11

### Construction equipment rental

- Provides construction equipment rental services as well as trained operating personnel
- Possesses a fleet size of around 500 equipment across seven Indian locations
- The business is graduating from low-value retail assets to high-value assets with March 2011 revenues of ₹78 crore

### Energy rental

- The business rents power generation and heat recovery add-on equipment to SME customers
- Value proposition driven by the alternative to 'buy' in the area of gas-based power generation to users, by putting together containerised equipment to generate power, heat and cooling solutions, driving reliability and innovation on a 24/7 basis
- Provides access to know-how and support through on-ground personnel who operate the equipment
- The business generated revenues of ₹46 crore in 2010-11

### Oil and gas infrastructure

- Operates five on-shore oil rigs and one barge directly or through subsidiaries and JVs, provided on long-term lease contracts to customers with operating personnel and know-how
- March 2011 revenues of ₹109 crore
- Awarded an Oil Block CB-ONN-2005/11 (NELP VII Round) for exploration and production in Cambay Basin, Gujarat as a consortium.

Gamechanger ) 6

# GAMECHANGING IS IN OUR DNA

“Significant shifts in market share and fortunes occur not because companies try to play the game better than the competition but because they change the rules of the game”



Srei’s continuous gamechanging initiatives resulted in two-decades of market leadership, innovative customer solutions and enhanced shareholder value.

The raw material for any NBFC is capital and its success is measured by its effective utilisation, which translates into enhanced shareholder value. Each time Srei infused fresh capital in the business, the growth of its business was sharp. The evidence of how effectively Srei enhanced value for its shareholders is highlighted in the following table:

### Compounded Annual Growth Rate (CAGR) between 1991 and 2011

Total income	PAT (after minority)	Assets under management	Disbursement
49%	43%	55%	55%

#### 1992: Initial Public Offer

Srei decided to scale up its operations by going public to mobilise adequate resources for sustainable growth.

#### 1994: Rights Issue

Srei infused another round of capital by way of issue of right shares. Between FY 1992 and 1994, assets under management grew at a CAGR of 165%, total income grew at 185% and PAT grew at 136%.

#### 1996: Issue of Compulsorily Convertible Cumulative Preference Shares (CCPS)

Srei’s capital infusion was followed by increased disbursement and asset growth: between FY 1994 and 1996, assets under management grew at a

CAGR of 135%, total income grew at 113% and PAT grew at 98%. The ROE recorded for FY 1996 was 44% as against 31% in FY 1994.

### 2001: Issue of Mezzanine Capital

The company raised unsecured subordinated bond in the nature of mezzanine capital (Tier II). In FY 2001 itself the asset under management grew at 44 % as against the previous year. Between FY 1996 and 2001, the assets under management grew from ₹281.01 crore to ₹863.80 crore and the total income grew from ₹54.27 crore to ₹171.59 crore.

### 2005: First Indian NBFC to get listed on London Stock Exchange (LSE)

Following the GDR issue, the company's net worth increased to ₹410.13 crore in FY 2006 as against

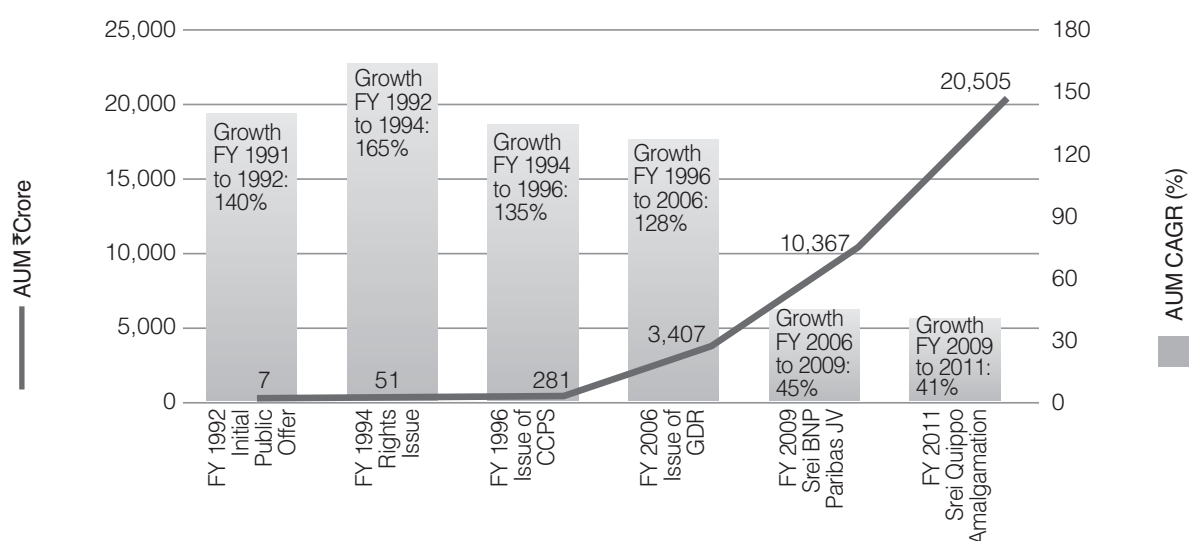
₹164.91 crore in FY 2005. This enabled the company to almost double AUM in a single financial year. Between FY 1996 and 2006, AUM and disbursement recorded a CAGR of 128%. During this period total income grew by 115%, while PAT grew at a very healthy 116%.

### 2008: Srei BNP Paribas Joint Venture

Srei entered into a 50:50 joint venture with BNP Paribas, hiving off its equipment financing business. This proved to be a game changer; wherein the company was able to increase net worth and consequently leveraging capability in a substantial way; this paved the way for the company to focus on Project Finance. The result was that AUM grew 45% and disbursement a healthy 39% between FY 2006 and 2009.

### 2011: Srei-Quippo Amalgamation

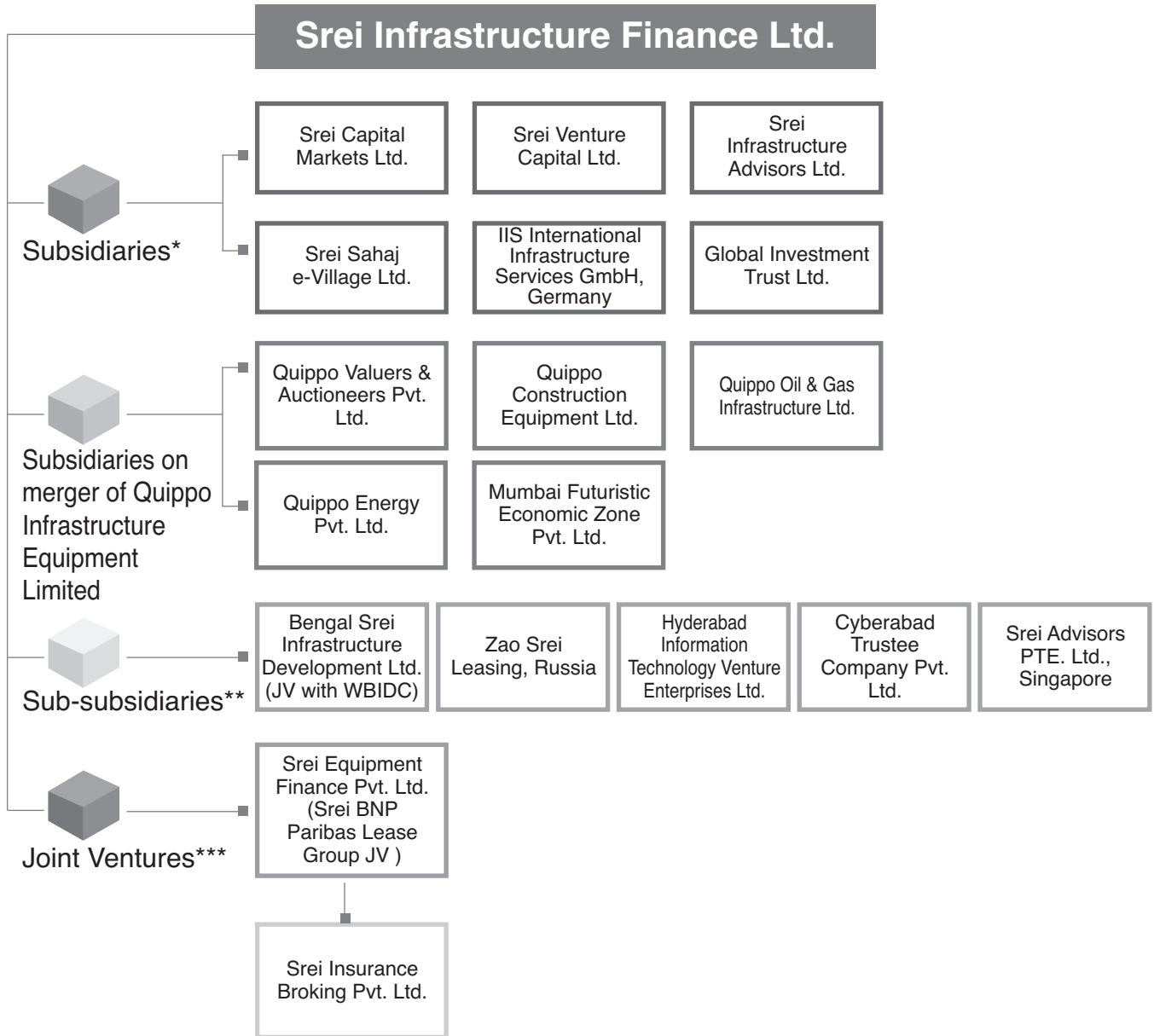
The amalgamation of Quippo with Srei, among other things, resulted in a substantial increase in net worth: from ₹1279.19 crore in FY 2010 to ₹2641.32 crore in FY 2011, which made it possible for the company to leverage its balance sheet to grow its project finance portfolio at a rapid pace. The result was that in FY 2011, the company grew its project finance portfolio by a brisk 47%. Outstanding debt in the balance sheet of Srei standalone remained low at two times its net worth, a significant launching pad to grow the lending business rapidly over the foreseeable future.



Significant financial growth over the last two decades is the result of Srei's "game changing" DNA.



# Group structure



\*Other Subsidiaries are Srei Forex Ltd., Controlla Electrotech Pvt. Ltd., Srei Mutual Fund Asset Management Pvt. Ltd. and Srei Mutual Fund Trust Pvt. Ltd.

\*\*Other Sub-subsidiaries are Quippo Infocomm Ltd., Quippo Prakash Marine Holdings Pte. Ltd. (Singapore), Quippo

Holding Cooperatief U.A. (Netherlands), Quippo International B.V. (Netherlands), Quippo Energy Middle East Ltd. (Dubai), Quippo Energy Yemen Ltd. (Yemen), Kasco Steel Ltd., Quippo Mara Infrastructure Ltd. (British Virgin Islands), and Quippo Prakash Pte. Ltd. (Singapore).

\*\*\*Other Joint Ventures are SICOM Srei Maharashtra Infrastructure Pvt. Ltd., NAC Infrastructure Equipment Ltd., Srei (Mauritius) Infrastructure Development Company Ltd., Mauritius and Aalat LLC, Abu Dhabi.

# Infrastructure report

The infrastructure investment is likely to rise from 5.15 per cent of gross domestic product (GDP) during the Tenth Five Year Plan period (2002-07) to about 7.55 per cent during the Eleventh Five Year Plan period (2007-12). A preliminary assessment suggested by the Planning Commission envisages that investment in infrastructure during the Twelfth Five Year Plan (2012-17) would need to be of the order of about USD 1,025 billion to achieve a share of 9.95 per cent as a proportion of GDP. It is expected that around 50 per cent of these investments will originate from the private sector.

Sector	XI Five Year Plan		XII Five Year Plan	
	₹billion (USD billion)	Share (%)	₹billion (USD billion)	Share (%)
Electricity (incl. NCE)	6,586 (165)	32.1	12,576 (314)	30.7
Roads and bridges	2,786 (70)	13.6	4,902 (123)	12.0
Telecommunication	3,451 (86)	16.8	10,116 (253)	24.7
Railways (incl. MRTS)	2,008 (50)	9.8	2,963 (74)	7.2
Irrigation	2,462 (62)	12.0	3,986 (100)	9.7
Water Supply and sanitation	1,116 (28)	5.4	1,852 (46)	4.5
Ports	406 (10)	2.0	1,050 (26)	2.6
Airports	361 (9)	1.8	662 (17)	1.6
Storage	89 (2)	0.4	257 (6)	0.6
Oil and gas pipelines	1,273 (32)	6.2	2,623 (66)	6.4
<b>Total</b>	<b>20,542 (514)</b>	<b>100</b>	<b>40,992 (1,025)</b>	<b>100</b>

## Budget 2011-12

This year, the Union Budget kept in mind the obstructions lying ahead at the macro economic level. As expected, the proposed expenditure for the infrastructure sector scaled up to ₹2,140 billion, a 23.3 per cent hike over 2010-11. It also amounts to 48.5 per cent of the total plan allocation.

Besides, the proposal for setting up an infrastructure debt fund, a number of steps have been planned to develop and activate the corporate bond market. Tax-free bonds worth ₹300 billion have been proposed, to be issued by government undertakings in 2011-12. FII investment limit in corporate bonds stands raised to USD 40 billion. FIIs are allowed to invest in unlisted bonds with a minimum lock-in period of three years. The provision to trade such bonds among themselves within that three-year period will help attract the much needed risk capital for this sector. The extension of individual investment in tax-saving infrastructure bonds up to a maximum of ₹20,000 to mobilise household savings into infrastructure was extended by a year. Reduction in withholding tax is also expected to attract foreign funds for infrastructure financing. A major boost was given to the sector from the supply side, by allocating 'infrastructure' status to cold chains, post-harvest storage and capital investments in the fertiliser sector.



# Roads

India has the second-largest road network with a total route length of 4.23 million km. Around 85 per cent of passenger traffic and 65 per cent of freight traffic is carried by roads. Since 2005, the number of vehicles on Indian roads increased 10.2 per cent annually, resulting in greater demand for better-quality roads. Road density in India, in terms of population, is 2.83 km per 1,000 people and in terms of land, it is 770 km per 1,000 sq. km.

Although National Highways (NH) account for around 2 per cent of the road network, they carry 40 per cent of total road traffic. However, about 30 per cent of NH network is still single-laned, 53 per cent double-laned and only 17 per cent is four/six/eight-laned.

The government plans to construct 35,000 km of highways by 2014 under

the National Highways Development Programmes (NHDP), with an investment of USD 60 billion. The Ministry of Road Transport and Highways recommended a total expressway network of around 18,637 km in the country for unhindered, high-speed and safe movement of traffic. Construction on the country's expressways will be initiated in three phases and is scheduled for completion in 2022.

## Budget 2011-12

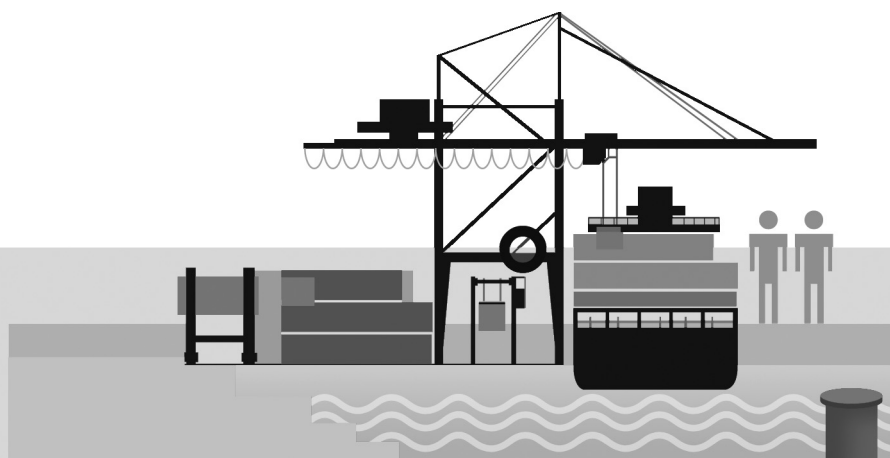
- Allocation of ₹103.4 billion for NHDP
- Support of ₹200 billion for rural roads under Pradhan Mantri Gram Sadak Yojna for 2011-12
- Announcement of infrastructure debt fund, increased FII investments and lowering of withholding tax
- National Highway Authority of India (NHAI) allowed to raise tax-free bonds amounting to ₹100 billion in 2011-12

- Exemption from basic custom duties for bio-asphalt and tunnel boring machines used in the construction of national highways
- Increase in MAT rate to 18.5 per cent is expected to be offset by reduction in surcharge to 5 per cent

## Government policy and initiatives

- 100 per cent FDI under automatic route in all road development projects
- Full income tax exemption for a period of 10 years
- Formulation of Model Concession Agreement
- IIFCL to provide viability gap funding up to 40 per cent of project cost (entire amount to be made available during construction phase)
- Concession period allowed up to 30 years

# Ports



The Indian coastline, spread across 7,500 km, is dotted with 13 major ports and 200 non-major ports. India has one of the largest merchant shipping fleets and is ranked 16th among maritime countries. The ports are key drivers of India's international trade, handling over 95 per cent of the country's total trade in terms of volume and about 70 per cent in terms of value. Indian ports crossed 1 billion tonne of cargo handling capacity in 2010-11.

As per Shipping Ministry's Vision 2020, the traffic at major ports is likely to touch 1,215 million tonne by 2019-20 and non-major ports are expected to touch 1,280 million tonne. Thus, the anticipated traffic at Indian ports will be 2,495 million tonne by 2019-20 from 850 million tonne in 2009-10, registering a decadal 11.32 per cent CAGR.

Rapid growth in traffic resulted in major ports operating at a capacity utilisation of more than 90 per cent, with some experiencing even more than 100 per cent capacity utilisation, thereby resulting in congestion, high berth occupancy and lengthier turnaround time for vessels. For efficient port operations, 70 per cent capacity utilisation is considered to be optimum.

Keeping in mind the optimum 70 per cent figure, major and non-major ports formulated plans for development of new terminals, upgrading existing berths and modernising operations by inducting state-of-the-art cargo-handling equipment, so that the overall capacity of Indian ports is scaled up to 3,230 million tonne by 2020.

424 projects, entailing investments of ₹1,280 billion were identified under National Maritime Development Programme (NMDP), aimed at deepening channels, construction/reconstruction of berth/jetties, procurement of equipment and rail-road connectivity works, among others.

72 ongoing projects involve funding of ₹184.93 billion. On completion of these, the total capacity of the major ports will scale up to 910.85 million tonnes. Another 352 new projects worth ₹1,094.49 billion have been identified to be implemented till 2020.

## Budget 2011-12

- Tariff Authority of Major Ports (TAMP) was allowed to raise tax-free bonds, amounting to ₹50 billion in 2011-12
- The proposal to create SPVs in the

form of notified infrastructure debt funds, and tax exemption on their income is expected to attract more foreign funds to the port sectors

- Inclusion of Special Economic Zones (SEZs) under MAT will adversely impact port development, especially those which are linked to SEZs

## Government policy and initiatives

- 100 per cent FDI permission for port projects (all areas of operation) under automatic route
- Full income tax exemption for a period of 10 years
- Model Concession Agreements have been standardised and simplified
- Standardisation of bidding documents to ensure uniformity and transparency in awarding projects
- TAMP regulates the ceiling for tariffs charged at major ports
- Autonomy given to non-major ports to set their own tariffs, leading to a healthy growth in traffic and greater private sector investment
- Private sector allowed to undertake construction of cargo-handling berths and dry docks, container terminals, warehouses and ship-repair facilities on BOT basis

# Telecom



India has the third-largest communication network after China and the US, with a subscriber base of 846.32 million (as on March 2011), up from 76.54 million in 2004. With a tele-density that rose from 7.02 per cent in March 2004 to 70.89 per cent in March 2011, Indian telecom market's growth rate is the fastest. The broadband subscriber figure stood at 11.87 million in March 2011.

Telecom growth spurt is expected to happen in villages and smaller towns where tele-density is already at 33.79 per cent. Telecom services in rural markets are projected to grow at 40 per cent annually.

Tower sharing business is expected to grow exponentially as passive infrastructure sharing substantially reduces operational costs and encourages new players to enter the business and roll-out their services instantly. Roll-out of new value-added 3G and 4G-enabled services will be the key to telecom growth, especially in urban India.

Revenue from India's telecom services industry which stood at USD 31 billion in 2008 is estimated to increase to USD 54 billion by 2012. By

2012, the government aims to activate 3G services in all cities/towns with more than 1 lakh population and achieve a broadband coverage of 20 million and 40 million internet connections. The government aims to have a rural subscriber base of 200 million by 2012, to reduce the urban-rural digital divide from the present 25:1 to 5:1.

All these developments augur well for the handset industry. Making India a telecom-manufacturing hub by establishing telecom-specific SEZs is also under active consideration by the government.

## Budget 2011-12

- Budget allocation for Bharat Nirman programme, which includes rural telephony, was increased by ₹100 billion from FY10-11 to ₹580 billion in FY11-12
- Plan to provide rural broadband connectivity to all 250,000 panchayats in the country in three years
- Allocation of ₹21 billion for schemes under Universal Services Obligation Fund (USOF)
- The exemption from basic countervailing and special additional

duties on components and accessories of mobile handsets, was given in Union Budget 2010-11 and was extended to 2011-12 and few more items were included in its ambit (like battery chargers, headphones, components of manufacture of PC connectivity cables and sub-parts of parts or components of PC connectivity cable)

- Increase in MAT rate to 18.5 per cent is expected to be offset by reduction in surcharge to 5 per cent

## Government policy and initiatives

- 100 per cent FDI allowed under automatic route in telecom equipment financing
- FDI ceiling of 74 per cent for telecom services (automatic up to 49 per cent, FIPB approval needed beyond 49 per cent)
- Introduction of a unified access licensing regime for telecom services on a pan-India basis
- New Telecom Policy to be unveiled in 2011-12, which will provide a roadmap on new licenses, license fees, spectrum charges and merger & acquisition (M&A) norms in the sector



# Power



India is the sixth-largest power consumer in the world with an installed capacity of 173,626.40 MW as on March 2011, drawn from thermal (65 per cent), nuclear (3 per cent), hydro (22 per cent) and renewable (10 per cent) sources. Besides, the country has around 19,509 MW of captive power generation capacities for various corporates. However, demand has continuously outstripped supply and a peak demand deficit of 12.7 per cent calls for expeditious capacity addition.

The Indian electricity demand in India is projected to grow at 7-8 per cent in the medium term. As per the targeted 62,000 MW capacity addition in Eleventh FYP, about 51,000 MW is expected to be achieved. According to Central Electricity Authority (CEA), a capacity addition of 75,000-100,000 MW is being envisaged for the Twelfth Five Year Plan, where the private sector will play a predominant part, and is expected to generate as much as 60 per cent of this capacity.

With the success of Restructured Accelerated Power Development and Reform Programme (R-APDRP), private participation is on the rise in the transmission and distribution space, with players being awarded

transmission projects and distribution circles under the franchisee route. The losses during power transmission and distribution are projected to come down to about 15 per cent during the Twelfth FYP from the present 28-29 per cent.

## Budget 2011-12

- The Central Plan outlay has allocated ₹663.82 billion for power sector
- Research and projects in atomic energy were allocated ₹37.82 billion and ₹10.25 billion for investment in Bharatiya Nabhikiya Vidyut Nigam Limited
- Ministry of New and Renewable Energy were allocated ₹21.5 billion
- National Hydro Electric Power Corporation was allocated ₹8.13 billion
- Allocation of ₹20.34 billion for the R-APDRP
- ₹60 billion has been allocated to Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY) under Bharat Nirman programme
- Parallel central excise duty exemption for domestic suppliers producing capital goods needed for expansion of existing mega power project (MPP) and ultra mega power project (UMPP) to bring the domestic

players on an even platform with foreign suppliers

- Announcement of infrastructure debt fund, increased FII investments and lowering of withholding tax
- Sunset date for tax holiday under Section 80IA for the sector has been extended by a year

## Government policy and initiatives

- 100 per cent FDI under automatic route allowed for power (except nuclear) generation, transmission and distribution, including renewable energy sector
- No income tax for a block of 10 years in the first 15 years of operation and import duty waiver on capital goods used for MPPs (above 1,000 MW generation capacity)
- Equipment import for MPP and UMPP allowed at concessional customs duty of 2.5 per cent, and of countervailing duty exemption
- Private sector allowed to establish coal, gas or liquid-based thermal projects of any size
- The Indian Energy Exchange (IEX) was launched for renewable energy certificate (REC) trading on February 23, 2011. Its first trading session received 125 buy-bids for non-solar RECs and 11 buy-bids for solar RECs cumulatively valued at ₹200,000

# Airports



India has 126 airports - 16 international, 84 domestic and 26 civil enclaves in defence airfields. India is witnessing a boom in passenger and cargo traffic. Passenger traffic recorded a 15 per cent growth in 2010-11 at 142 million passengers. It is projected that passenger traffic is likely to touch 540 million by 2025. At the same time, cargo traffic is expected to touch 9 million tonne from 2.33 million tonne in the previous financial year. The fleet size of scheduled airlines is poised to grow to 1,500 from 430 now.

The substantial rise in air traffic passengers in recent years occurred due to India's growing stature as a business and pleasure destination, a fast-growing middle class with higher

income levels and the advent of low-cost carriers. India is expected to be the fastest-growing civil aviation market in the world.

Considering the growth in the Indian economy, and the need to develop aviation infrastructure, investments to the tune of ₹1,350 billion is needed for airport development over the next 15 years. The PPP route in airport modernisation has so far produced encouraging results. Apart from airport modernisation at the metros, 16 greenfield airports have been approved, of which 12 are currently being developed.

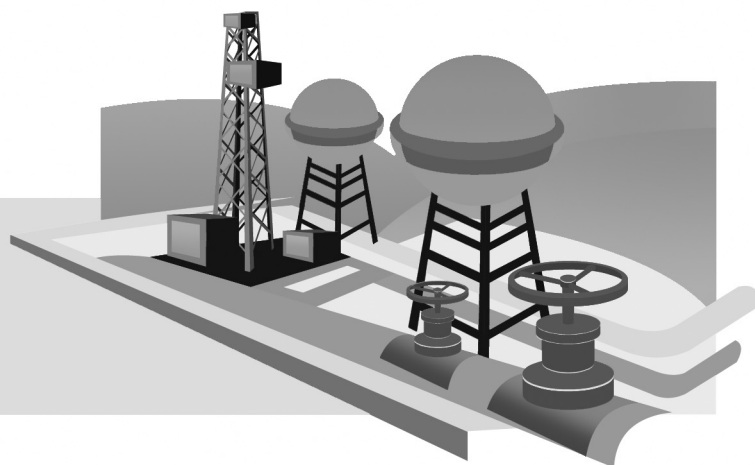
## Budget 2011-12

- The Budget proposes to infuse ₹12 billion worth of equity in to carrier Air India

## Government policy and initiatives

- 100 per cent FDI permissible for existing airports, approval of Foreign Investment Promotion Bureau (FIPB) needed for FDI beyond 74 per cent
- 100 per cent FDI permissible for greenfield airports under automatic route
- 49 per cent FDI permissible under automatic route in domestic airlines, but not by foreign airline companies
- Full income tax exemption for a period of 10 years
- 11 of the 35 non-metro airports completed and already in operation; 19 more are under implementation

# Oil & Gas



Oil accounts for 31 per cent of India's total energy consumption, unlikely to depreciate in years to come. Around 75 per cent of the total domestic oil consumption is met through imports. The dependence on petroleum and petroleum products continues to be high.

As per the economic survey 2010-11, crude oil production is estimated at 37.96 MMT (million metric tonne) for 2010-11, up from 33.69 MMT in 2009-10 and the natural gas production, including coal bed methane (CBM) for 2010-11 is 53.59 billion cubic metre (BCM) against 47.51 BCM in 2009-10.

The country's total installed oil-refining capacity is estimated to touch 185.40 MTPA (million metric tonne per

annum) by April 1, 2011 and about 240 MTPA by the end of 2011-12.

Government's Vision 2015 aims to expand the marketing network as well as quality of products and services to customers covering four broad areas of LPG (liquefied petroleum gas), kerosene, auto fuels and compressed natural gas/piped natural gas.

## Budget 2011-12

- Petroleum subsidies were provided for FY 2012, amounting to ₹236 billion
- Revision in provisions towards petroleum subsidy sharing to ₹384 billion for the ongoing fiscal

## Government policy and initiatives

- 100 per cent FDI allowed in exploration of crude oil and natural

gas under automatic route

- 100 per cent FDI allowed in pipelines for petroleum products, natural gas and LNG
- Committed towards developing a National Gas Grid, the government is exploring PPP route to set up a network of gas pipelines across India
- The ninth round of New Exploration Licensing Policy (NELP IX) has on offer 34 blocks (including 15 recycled blocks) covering a sedimentary basin area of 88,807 sq. km.
- The first eight rounds of NELP resulted in 235 blocks being awarded, entailing investments to the tune of USD 14 billion

# Railways



The Indian Railways is the fourth-largest rail network, covering 64,015 km, carrying 21 million passengers and 2.59 million tonne of freight traffic daily and is a major engine of socio-economic growth. On an average, around 220 km of new lines are added annually.

Freight movement by railways was encouraged with the announcement of the Railways Policy for Connectivity to coal and iron ore mines. This will provide an incentive to rail developers by way of returns on capital, through a surcharge on the freight over a period of 20-25 years. Further, the construction of Dedicated Freight Corridors (two projects between Mumbai-Delhi and Ludhiana-Kolkata) and development of four logistics hubs to be completed by 2018 is expected to revolutionise rail freight movement.

The Indian Railways has promoted

private sector participation in non-core sectors, namely logistic parks, warehouses, budget hotels and wagon-leasing schemes. The Ministry of Railways has eased conditions for the procurement and leasing of rail wagons to private operators, making the wagon leasing scheme more attractive for the private sector.

Indian Railways' Vision 2020 aims at developing one rapid rail transit system (RRTS) in each region of the country, along with eight high-speed rail corridors.

## Budget 2011-12

- Highest ever plan outlay of ₹576 billion
- 1,300 km of new lines, 867 km doubling, 1,017 km gauge conversion targeted in 2011-12. ₹96 billion provided for new lines, ₹54 billion for doubling, ₹25 billion for gauge conversion and ₹138 billion for acquisition of rolling stock

- Indian Railways allowed to raise tax-free bonds, amounting to ₹100 billion in 2011-12

## Government policy and initiatives

- Special task force to clear investment proposals within 100 days
- Private sector involvement encouraged in building healthcare and educational institutes, commercial complexes, cold storages, among others, on railway land to create new revenue streams
- Private operators allowed to run special freight trains
- RailTel created 37,000 route km long optic fibre cable (OFC)-based communication infrastructure to improve Indian Railway's communication and safety systems
- The OFC network, of which 26,650 route km is of high bandwidth capacity, can also be commercially exploited

# Mining



India produces 86 major minerals, contributing about 2 to 2.5 per cent to India's GDP. According to the Economic Survey 2010-11, mining and quarrying grew at around 6 per cent in 2010-11 compared with a growth of 1.3 per cent in 2008-09.

With coal accounting for nearly 55 per cent of India's power generation and India's demand for power continuously out-stripping supply, coal mining continue to grow. The dual effect of a rise in industrial production in India and recovery of global demand will provide a spurt to mining of other minerals too. All these will have a cumulative impact on the demand growth for mining equipment.

There is a rising demand for sophisticated equipment. Modern technology for locating deep-seated deposits in complex geological environments and off-shore zones and state-of-art drilling techniques with sophisticated rigs (such as rig control systems) for three-dimensional sub-surface delineation of ore bodies will determine the future contours of the mining industry.

Additionally, keeping in mind the environmental impact of mining and the problems concerning land acquisition, development of infrastructure facilities around the mineral bearing areas and developing the overall region will become integral to the mining industry.

## Budget 2011-12

- Total Plan outlay for the Ministry of Mines is put at ₹15.89 billion for 2011-12, an increase of about 41 per cent over last year

## Government policy and initiatives

- 100 per cent FDI allowed under the automatic route for mining of coal and lignite for captive consumption in iron, steel and cement production
- Automatic approval for 100 per cent FDI is now applicable to all non-atomic minerals, including diamonds and precious stones
- Introduction of a competitive bidding process for allocating coal blocks for captive mining to ensure greater transparency and increased participation in production from these blocks
- Establishment of a Coal Regulatory Authority to create a level playing field in the coal sector

## Projected production levels of select minerals

Sectors	2011-12 E
Coal ('000 tonne)	629,910
Finished steel ('000 tonne)	80.23*
Aluminium ('000 tonne)	1,250.00**
Copper cathode ('000 tonne)	705.00
Primary zinc ('000 tonne)	638.00
Primary lead ('000 tonne)	95.00

\* target for crude steel

\*\* excluding additional capacity of 2.5 lakh tonne from Vedanta Aluminium Ltd. at Jharsuguda

# Analysis of our financial statements\*

## 1. Review of the Profit and Loss Account

### Highlights, 2010-11

- Assets under management increased from ₹13,779 crore in 2009-10 to ₹20,505 crore in 2010-11, registering a growth of 49 per cent.
- Disbursements increased 60 per cent from ₹9,017 crore in 2009-10 to ₹14,400 crore in 2010-11. The disbursement recorded by equipment financing business was ₹10,010 crore whereas that for project finance was ₹4,389 crore in 2010-11.
- Total income increased 69 per cent from ₹972 crore in 2009-10 to ₹1,638 crore in 2010-11.
- Profit before tax increased 33 per cent from ₹218 crore in 2009-10 to ₹289 crore in 2010-11.
- Profit after tax and minority interest increased 15 per cent from ₹156 crore in 2009-10 to ₹179 crore in 2010-11.
- Earnings per share recorded at ₹13.4 in 2009-10 and ₹3.6 in 2010-11. The decrease is attributed to the increased number of shares owing to issuance of bonus shares and shares pursuant to amalgamation of Quippo with the Company.
- Net interest margin was 3.76 per cent in 2010-11 as against 3.99 per cent in 2009-10.

### Revenue

Group revenues grew from ₹972 crore in 2009-10 to ₹1,638 crore in

2010-11. Group revenues accrued from three verticals - fund-based businesses, fee-based businesses and investments.

Income from the fund-based businesses increased 40 per cent from ₹858 crore in 2009-10 to ₹1,203 crore in 2010-11. This was attributed by increase in assets under management of equipment finance business by 32 per cent and that of project finance by 47 per cent.

Company's fee-based businesses generated revenue of ₹121 crore in 2010-11 against ₹60 crore in 2009-10. Fee based business contributed 7 per cent to the total income in 2010-11 as against 6 per cent in 2009-10.

Net Income from rural IT infrastructure (Srei Sahaj) grew 58 per cent from ₹34 crore in 2009-10 to ₹54 crore in 2010-11 following increased services being offered through CSCs.

Income from strategic investments declined from ₹13 crore in 2009-10 to ₹11 crore in 2010-11. This income largely accrued from monetisation of existing investments. Since income from strategic investments will depend on the timing of divestment of such investments, income from this may vary from year to year.

Subsequent to amalgamation of Quippo with Srei wef 1st April 2010, equipment rental income from the merged entity contributed ₹232 crore to the total income.

Group's non-core income increased

by 156 per cent from ₹6 crore in 2009-10 to ₹16 crore in 2010-11. Non core income accounted for only 1.0 per cent of the total income of 2010-11, reflecting the continuing strength of the core businesses.

### Operational expenses

Group's total operating cost (before interest and depreciation) was ₹314 crore in 2010-11 ( ₹149 crore in 2009-10). The increase was mainly due to Quippo rental companies getting consolidated from 1st April 2010 post its amalgamation with Srei, resulting in additions of ₹96 crore to the Operating Expenses.

**Employee costs:** Expenses grew 97 per cent from ₹63 crore in 2009-10 to ₹123 crore in 2010-11, attributed to an increase in team strength from 1,424 as on March 31, 2010 to 2,116 as on March 31, 2011. This increase was due to (a) increase in manpower of the group for organic growth and (b) increase in manpower due to amalgamation of Quippo with Srei.

**Administrative costs:** Expenses increased from ₹86 crore in 2009-10 to ₹191 crore in 2010-11 owing to (a) amalgamation of Quippo with Srei and (b) increase in overheads due to increased manpower.

### Interest liability

Finance charges increased 56 per cent from ₹534 crore in 2009-10 to ₹830 crore in 2010-11. This increase was due to increase in borrowing by over 53 per cent in 2010-11.

Total income  
40.47%  
5-year CAGR

Profit after tax and  
minority interest  
20.80%  
5-year CAGR

Disbursement  
35.24%  
5-year CAGR

Asset under  
management  
41.26%  
5-year CAGR

\* Based on consolidated figures

## Taxation

Group's current tax liability increased from ₹34 crore in 2009-10 to ₹83 crore in 2010-11 due to (a) increase in profit before tax and (b) higher tax liability due to falling under normal tax as against MAT last year. Since most of the companies within the group fell under normal computation this financial year, MAT credit entitlement also reduced significantly from ₹22 crore to ₹1 crore. Hence the net current tax expenses increased sharply from ₹12 crore in 2009-10 to ₹82 crore in 2010-11. Tax expense increased further in 2010-11 due to prior period tax charge of ₹13 crore

as against ₹2 crore in 2009-10. The total tax expense including deferred tax liability increased from ₹61 crore in 2009-10 to ₹93 crore in 2010-11. The average tax expense rate was about 32 per cent in 2010-11 as against 28 per cent in 2009-10.

## 2. Analysis of the Balance Sheet Highlights, 2010-11

- Capital adequacy ratio was 29.36 per cent as on March 31, 2011 against 21.98 per cent as on March 31, 2010
- Book value per share declined from ₹110 as on March 31, 2010 to ₹53 as on March 31, 2011 due to increase in

number of equity shares.

Net Worth increased 106 per cent from ₹1,279 crore as on March 31, 2010 to ₹2,641 crore as on March 31, 2011.

- Debt-equity ratio was 3.81 as on March 31, 2011 against 5.14 as on March 31, 2010.

## Capital employed

Capital employed increased 62 per cent from ₹7,945 crore as on March 31, 2010 to ₹12,845 crore as on March 31, 2011 owing to merger of Quippo with the Company and overall increase in the level of activity in various business verticals.

## Sources of funds

	2010-11		2009-10		Y-o-Y growth (%)
	Amount (₹crore)	Percentage of total	Amount (₹crore)	Percentage of total	
Share capital	503	3.78	116	1.46	334%
Reserves and surplus	2,565	19.28	1,173	14.74	119%
Minority interest	74	0.56	24	0.30	207%
Secured loans	8,806	66.17	5,578	70.10	58%
Unsecured loans	1,258	9.45	992	12.47	27%
Deferred tax liability	101	0.76	74	0.93	38%
<b>Total</b>	<b>13,307</b>	<b>100</b>	<b>7,957</b>	<b>100</b>	<b>67%</b>

**Equity:** Share capital comprised 503,086,333 equity shares with a face value of ₹10 totalling ₹503 crore. Increase in share capital was due to a) issuance of bonus shares in the ratio of 4:5 – ₹92.92 crore and b) issue of shares to the shareholders of Quippo – ₹294.03 crore. Promoters' holding constituted 46.22 per cent and foreign holdings (non promoter) 14.26 per cent as on March 31, 2011.

**Reserves:** Group reserves grew 119 per cent from ₹1,173 crore as on March 31, 2010 to ₹2,565 crore as on March 31, 2011.

**External funds:** Secured debt increased 57.87 per cent from ₹5,577

crore as on March 31, 2010 to ₹8,806 crore as on March 31, 2011.

Secured loans comprised debentures, term loans and working capital loans. The growth in secured debt was largely due to an increase in term loans (24.25 per cent) and working capital loans (167.52 per cent). Of the outstanding term loans, 53.45 per cent (64.17 per cent in the previous year) was rupee-denominated debt and 46.55 per cent (35.83 per cent in the previous year) was from international sources.

Group increased its subordinated debentures/bonds/loans exposure by 28.23 per cent, strengthening its

capital adequacy.

## Public deposits

In April 2010, the Company decided to convert itself into a non-deposit-taking NBFC in order to qualify for registration as an Infrastructure Finance Company (IFC) and subsequently stopped accepting public deposits or renew such maturing deposits in any manner w.e.f. April 20, 2010. The Company has subsequently been classified as "Infrastructure Finance Company – Non Deposit Taking" NBFC w.e.f. March 31, 2011.

## Application of funds

	2010-11		2009-10		Y-o-y growth (%)
	Amount (₹crore)	Percentage of total	Amount (₹crore)	Percentage of total	
Net block including CWIP & PWIP	1,536	11.54	317	3.98	385
Goodwill	425	3.19	6	0.08	6,983
Deferred tax assets	36	0.27	1	0.01	3,500
Investments	2,031	15.26	671	8.43	203
Net current assets	9,278	69.73	6,958	87.45	33
Miscellaneous expenditure	1	0.01	4	0.05	(75)
<b>Total</b>	<b>13,307</b>	<b>100</b>	<b>7,957</b>	<b>100</b>	<b>67</b>

**Net block:** Group's net block (including CWIP & PWIP) was ₹1,536 crore as on March 31, 2011 against ₹317 crore as on March 31, 2010. The sharp increase in net block was due to (a) Quippo fixed assets causing increase in net fixed assets from ₹317 crore to ₹1,462 crore in 2010-11 (net block comprised assets for own use ₹972 crore and asset for operating leases ₹490 crore) (b) capital work in progress (CWIP) of ₹27 crore (previous year nil) and project work in progress (PWIP) of ₹47 crore (previous year nil).

**Sundry debtors:** Sundry debtors increased 110.90 per cent to ₹229 crore as on March 31, 2011. The debtors largely comprised of receivables from Quippo rental businesses, rural entrepreneurs for the IT infrastructure provided to them by Sahaj and Fee income debtors.

### Financial and other current assets:

This largely comprises of principal outstanding for equipment finance loans given to customers. This amount reflects the growth in the equipment finance business and outstanding equipment finance loan book grew by 31 per cent to ₹4,460 crore.

**Loans and advances:** This largely comprises of outstanding project finance loan book, which grew sharply from ₹3,260 crore to ₹4,340 crore, an increase of over 33 per cent. This reflects the strong growth in the project finance business. In line with the growth in business, total loans and advances also increased by 32 per cent from ₹3,619 crore to ₹4,760 crore.

### Current Liabilities & Provisions:

Current liabilities increased marginally by 9 per cent from ₹398 crore to

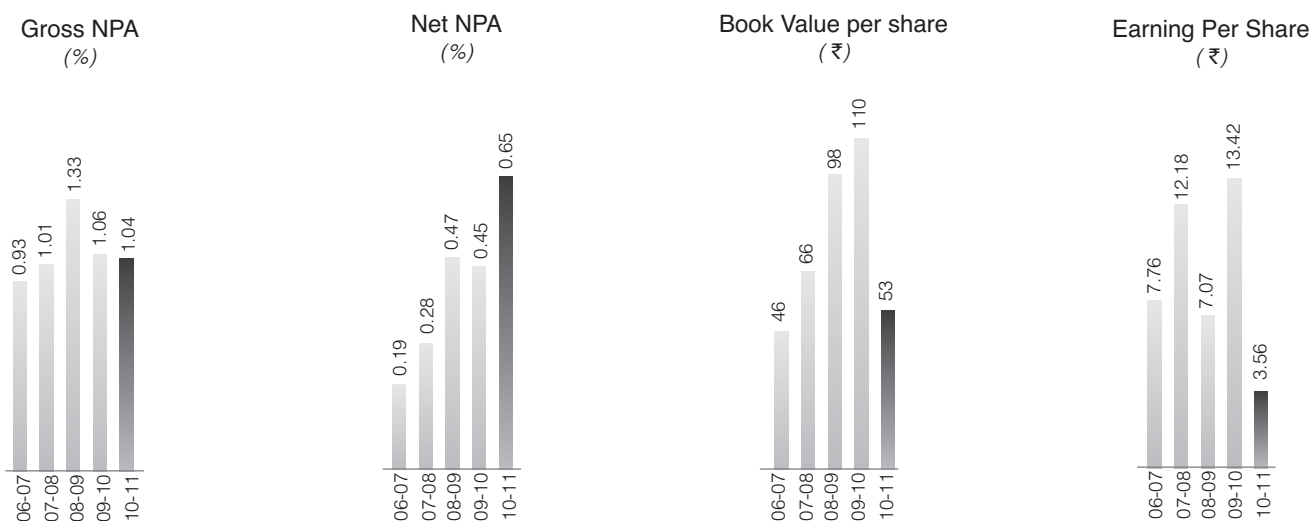
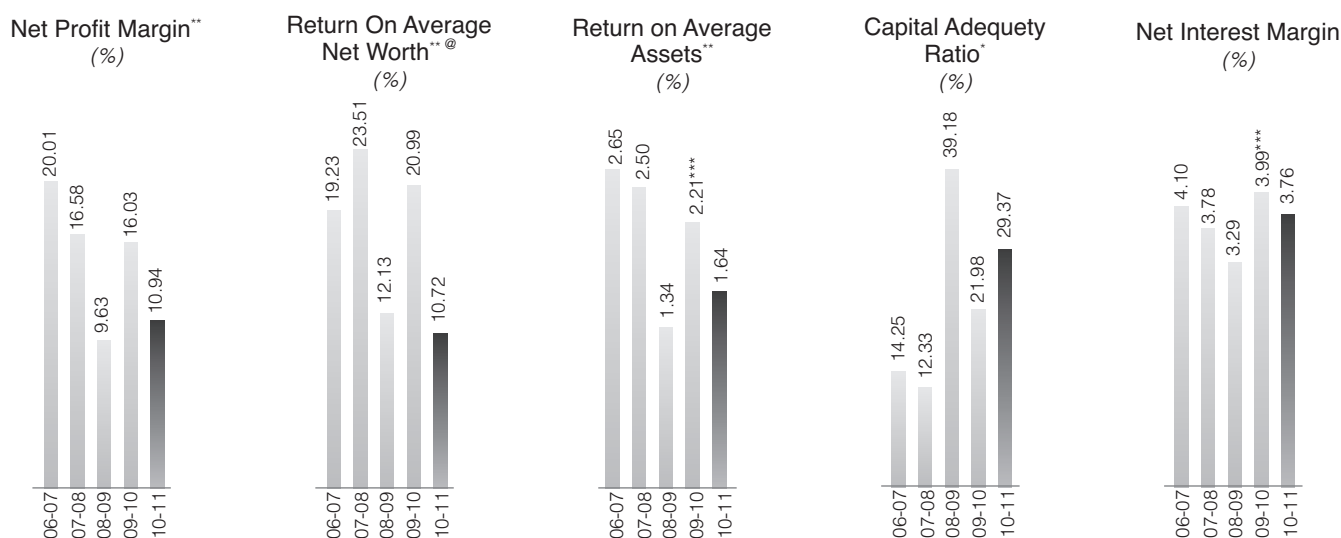
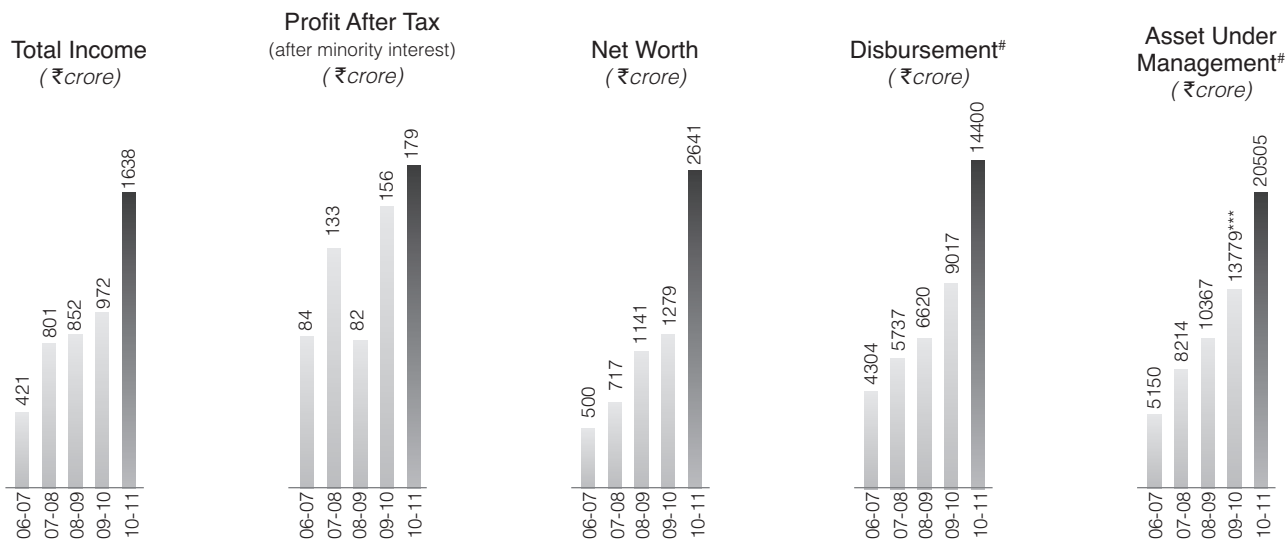
₹433 crore. Provisions however increased sharply by 126 per cent to ₹167 crore from ₹74 crore in 2009-10 mainly due to increase in provision for taxation, increased proposed dividend (due to increased equity share capital) and increased provision for standard and non standard assets.

### Non-performing assets

The Company has changed its NPA provisioning policy from being based on FFI norms to a more stringent policy based on best estimates of the Management. Further, Provision has also been provided on standard assets based on the new guidelines of RBI. Thus the total provision on standard and non standard assets increased from ₹50 crore to ₹87 crore. Gross NPA on a consolidated basis remained more or less constant at around 1 per cent, where as net NPA increased slightly from 0.5 per cent to 0.6 per cent.



# Changing the game. The evidence is here.



All figures are on Consolidated Basis

@On standalone Net Worth

\*Based on Standalone numbers

\*\*Based on Profit after Minority Interest

\*\*\*Based on re-grouped number

# For Disbursement and AUM, 100 per cent of Srei BNP Paribas (50:50 JV between Srei and BNP Paribas) has been considered

# Mapping uncertainties Managing risks.



Srei, being in the financing industry, has always been cautious and focused to keep its risks well under manageable levels. While doing business, Srei is exposed to various risks and endeavours to identify and manage them effectively by adopting best industry and regulatory practices, as inability to manage them may have serious repercussions. The Company promotes a high degree of awareness in identifying its business risks and adopting internal control measures to reduce them to an acceptable level.

## Risk management framework at Srei

At Srei, a robust risk management framework is in place to manage and mitigate risks present at all levels and across all aspects of its functioning, including business, strategic, operational, market, credit, liquidity, reputation and processes, among others. Gaining knowledge and experience of the various micro and macro operating fundamentals and situations under which the Company operates is the first step of risk management. With this knowledge, the Company identifies various factors that

are affecting its operations or may be a potential threat in the future. Risk quantification, integration and assessment are the next steps of risk management at SREI. Based on these, strategic decisions are taken and implemented to mitigate risks and maintain the required risk-return profile. Post decision making, the management continuously monitors these risks to determine the effectiveness of the risk management framework.

An overview of some of the major risks to the Company has been evaluated below.

## 01 Credit risk

**Risk explanation:** This is the financial risk that results in a loss to the Company owing to non-payment of financial obligation by its borrowers in accordance with agreed terms. The Company's direct lending, leasing business and derivatives transactions are subject to these risks.

### Risk mitigation

**Equipment financing** – The Company undertakes a stringent credit appraisal system for financing, as its customers belong to micro, small and medium enterprise (MSME) category. Its multi-check credit appraisal system analyses the transaction in details along with tracking the entrepreneur's credit worthiness. Also, the Company maintains a close relationship with the borrower, which helps in closely tracking their business operations and providing timely assistance to address the business uncertainties.

**Project finance** – Srei provides finance to various infrastructure projects as both sole lender and consortium lender. Each project/ transaction is analysed in great detail by a team of highly qualified and experienced professional to understand the various risk attached with it. After understanding the risk profile, suitable mitigants are identified and then lending decision is taken on the basis of risk return analysis and our risk appetite.

## 02 Liquidity and funding risk

**Risk explanation:** The Company's ability to meet its financial obligations in a timely manner and have adequate funding options, whenever required, are critical for maintaining a constant business cycle.

### Risk mitigation

- Srei regularly maps its assets and liabilities position, cash-flow situation and market conditions, which help it determine the average liquidity position that the Company needs to maintain at any given point.
- It also aligns the various payment dates with receipts to achieve the maximum possible liquidity.
- Strong credit worthiness and relationship with a large number of domestic and international banks ensure adequate funding arrangement for the Company. The Company's excellent track record with zero default and sound lending practices make it a preferred borrower.
- Post merger with Quippo, additional equity base has resulted in improved capital adequacy and increased borrowing ability.

## 03 Market risk

**Risk explanation:** Financing business is strongly driven by market factors such as interest rates, foreign exchange rates, market prices, equity prices and credit spreads which are highly fluctuating in nature. Inability to control these factors can lead to reduced profitability for the Company.

### Risk mitigation

- Majority of Company's assets and liabilities are floating in nature. Any mismatch in the form of a basis risk between the benchmark used on the liabilities against the ones on the assets is continuously monitored by ALCO and strategies are made to manage them.
- For foreign currency exposure, proper hedging strategies are in place and if required, open position is kept on the basis of our view on interest rate movement. A cap for the open position is also defined and it is regularly monitored, so that appropriate action for hedging can be taken, if required.

## 04 Residual value risk

**Risk explanation:** If the amount realised on disposing of leased assets or re-letting them at the end of the leased term is less than the amount projected at the lease inception, then it may lead to losses to the firm.

### Risk mitigation

- An experienced and knowledgeable team, along with a robust operating process, ensures that lease period is less than economic life of the leased equipment in lease transactions.
- The team regularly scrutinises the residual value exposure by evaluating the recoverability of the residual value of the leased equipment at the lease inception. This provides opportunity of re-letting the leased assets and also evaluating their projected disposal value at the end of the period.
- The Company also has options to use the leased assets in-house, should there be erosion in its market value.

## 05 Legal and compliance risk

**Risk explanation:** The inability of the Company to meet rules and regulations of the jurisdiction in which Srei operates, involvement in illegal contractual agreements resulting in disputes, illegal infringement of assets or any other legal matter may lead to losses.

### Risk mitigation

- The Company has competent teams, who are conversant with the local regulatory environment. These teams keep themselves updated of all relevant regulations, makes sure that the Company adheres to them and in case of any change in the regulatory environment, appropriate steps are taken in the Company.
- Srei's qualified and experienced legal team is involved in each transaction from the documentation to the final closure. The team makes sure that all documents are properly reviewed.
- The legal team works closely with the business teams to ensure that the transactions are based on unambiguous legal opinions; it provides legal support in cases of customer default, facilitating faster resolution.

## 06 Business processing risk

**Risk explanation:** The Company may incur monetary and productive time loss on account of an operational error or breakdowns or any kind of malfunction in the corporate systems.

### Risk mitigation

- Srei, over the years, has developed a very systematic, defined and stringent operating processes and policies that direct functioning of all the departments within the organisation.
- The process also has a proper operations control mechanism whereby all the transactions and events are cross-checked to mitigate business processing risk.

## 07 Information security risk

**Risk explanation:** Business loss for the Company owing to unauthorised access, use, disclosure, disruption or modification of information and data systems.

### Risk mitigation

- The Company has a robust information technology set-up with proper security measures being adopted to prevent any unauthorised use of information and its disclosure. The system also has features like off-site disaster recovery system that prevents any loss of data.
  - Standard globally accepted security features covering firewalls, encryption technologies and spam-guards are also in place.
  - All the documentation and processes in the system are password-protected with appropriate document back-up management systems.
- The system is also capable of generating reports on deviations and/or irregularities which is checked by the internal audit team and necessary actions are being taken.

## 08 Reputation risk

**Risk explanation:** Any misconduct by Srei's stakeholders or negligence by the Company to follow environmental norms, undertake social responsibility and follow proper governance may hamper goodwill and reputation.

### Risk mitigation

- Srei has a stringent policy to mitigate the risk arising from this issue. Regular reviews are conducted to improve its policies and procedures to safeguard itself against reputation and operational risks.
- Srei has a clean credit history with not a single instance of the Company failing to meet any of its financial obligations or not adopting proper governance measures.

## 09 Sustainability risk

**Risk explanation:** Srei's financing activities make it highly susceptible to this risk. Inability of the Company to identify a business model whereby the economic benefits are always higher than the environmental and social benefits may lead to huge losses and even termination of the business in the long run.

### Risk mitigation

- Srei's robust risk management framework assesses the environmental and social impact of projects financed by it. Srei's environmental and social management system screens all medium and large projects for categorisation based on the sensitivity of the environmental issues involved. Small projects, which mainly involve individual financing, are assessed informally by verbal questioning for environmental impact.
- Srei's environment policy is based on the guidelines and norms of best international practices, also referred to as IFC standards and incorporates requirements under Indian environmental rules and regulations. The Company regularly reviews its environmental and social policies.

# Directors' profile

## Salil K. Gupta Chief Mentor

He has more than fifty three years of experience. He is the former Chairman of West Bengal Industrial Development Corporation Ltd., a leading state financial institution. He is also the former President of the Institute of Chartered Accountants of India.

## Hemant Kanoria Chairman & Managing Director

He has over thirty one years of experience in industry, trade and financial services. He is the Chairman of FICCI National Committee on Infrastructure. He is the former President of the Calcutta Chamber of Commerce and former member of Board of Governors of Indian Institute of Management, Calcutta.

## Sunil Kanoria Vice Chairman

A Chartered Accountant, he has more than twenty three years of experience in the financial services industry. He is the Chairman of Eastern Region Council, ASSOCHAM and a governing body member of the Construction Industry Development Council (CIDC), in addition to holding other responsibilities. He has served as President of Merchants' Chamber of Commerce, Federation of Indian Hire Purchase Association (FIHPA) and Hire Purchase & Lease Association (HPLA).

## Saud Ibne Siddique Joint Managing Director

He has over twenty seven years of global infrastructure financing experience. He has worked with the International Finance Corporation (IFC), the private sector arm of the World Bank, for more than 16 years. During 2004-2007, he was based out of Hong Kong, and was the head of business development for infrastructure projects in the East Asia and Pacific region for IFC. He has also served as the CEO and Board Member of a publicly listed water infrastructure fund in Singapore. He was a member of the top management of Hyflux Ltd. in Singapore, one of the leading water infrastructure companies of Asia. He is a member of Board of Directors of the Emerging Africa Infrastructure Fund (EAIF). The EAIF, a USD 700 million fund, is sponsored by a prestigious group of investors including UK, Dutch, German, Swiss government entities and leading private global banks. He is a visiting faculty at the Indian Institute of Management, Calcutta.

## V. H. Pandya

He is an Economics and Law graduate and an associate of the Indian Institute of Bankers. He has spent over forty six years in the banking and finance industry, holding offices with India's central bank, the Reserve Bank of India (RBI), the capital markets regulator, Securities and Exchange Board of India (SEBI) and the Industrial Development Bank of India (IDBI).

# Directors' profile

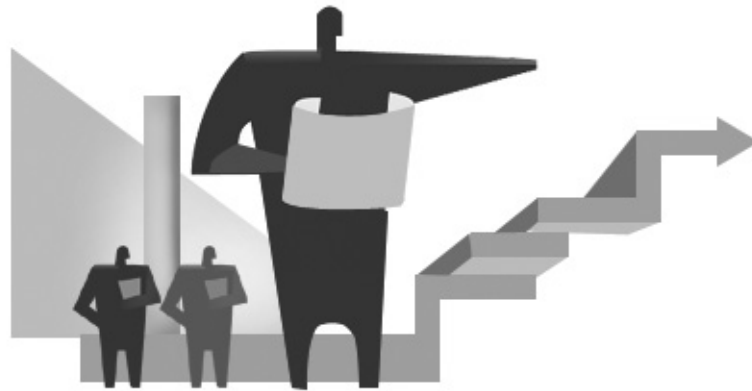
**S. Rajagopal** He has more than thirty eight years of experience in the banking industry. He is the former Chairman & Managing Director of Bank of India and the former Chairman of Indian Bank.

**Satish C. Jha** He was a Former Director and Chief Economist of Asian Development Bank, Manila and President of Bihar Council of Economic Development. He was also a Member, Economic Advisory Council to the Prime Minister and Chairman, Special Task Force on Bihar.

**Shyamalendu Chatterjee** He has over forty four years of experience in Commercial and Investment Banking. He was the Executive Director of UTI Bank Limited, Mumbai, since May 2002. He has extensive exposure in the area of International Banking having worked in SBI, London for three years and in Washington D. C. for five years. He has expertise in the areas of Corporate Finance, International Business, Retail Banking, Project Financing and Balance Sheet Management.

**Avinder Singh Bindra** He has had an illustrious career spanning thirty years with international financial institutions such as Citigroup and HSBC. At Citigroup, he has spent most of his career in the investment banking area, covering the Asia Pacific region, based out of Hong Kong. His assignments included managing Citigroup's debt, loan and equity businesses. In 2001, he joined HSBC as the Co - Head of Investment Banking, Asia Pacific. He subsequently set up and headed The Financing & Risk Advisory Group which offered strategic advice to major clients in the region.

**Sujitendra Krishna Deb** He is a Chartered Accountant with over 40 years of experience in the Assurance and Business Advisory services of a Big Four Firm in India, where he was a partner for little over last two decades; working experience in Due Diligence Review, Valuation and Internal Audits.



# Directors' Report

*Dear Shareholders*

Your Directors are pleased to present the Twenty Sixth Annual Report together with the Audited Accounts of your Company for the financial year ended March 31, 2011. The summarised consolidated and standalone financial performance of your Company is as follows:

## Financial Results

( ₹in Lakh)

	Consolidated		Standalone	
	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010
Total Income	1,63,809	97,216	74,624	47,013
Total Expenditure	1,14,575	68,234	50,317	30,809
Profit before Depreciation	49,234	28,982	24,307	16,204
Depreciation	12,409	4,328	1,808	1,014
Profit Before Bad debts / Provisions and Tax	36,825	24,654	22,499	15,190
Bad Debts / Provisions etc.	7,928	2,888	1,285	377
<b>Profit Before Tax</b>	<b>28,897</b>	<b>21,766</b>	<b>21,214</b>	<b>14,813</b>
Provision for Current Taxation	8,267	3,437	4,185	2,190
MAT Credit Entitlement	(94)	(2,190)	-	(2,190)
Deferred Tax	(203)	4,619	3,350	3,440
Income Tax in respect of earlier years	1,309	220	249	224
<b>Profit After Tax</b>	<b>19,618</b>	<b>15,680</b>	<b>13,430</b>	<b>11,149</b>
Minority Interest	1,694	94	-	-
Surplus brought forward from Previous Year	25,618	15,775	19,679	12,685
Adjustment on Amalgamation	(570)	-	-	-
<b>Profit Available For Appropriation</b>	<b>42,972</b>	<b>31,361</b>	<b>33,109</b>	<b>23,834</b>
Paid up Equity Share Capital	50,324	11,629	50,324	11,629
Amount transferred to Reserves	7,539	4,118	4,918	2,530



## OPERATIONAL REVIEW

Your Company is one of the leading private sector infrastructure financing institutions in India. 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) is ₹24,307 lakh as against ₹16,204 lakh in the last year.
- Profit before taxation is ₹21,214 lakh as against ₹14,813 lakh in the last year.
- Net profit after taxation is ₹13,430 lakh as against ₹11,149 lakh in the last year.
- The total assets under management of the Srei Group is ₹20,50,524 lakh as against ₹13,26,508 lakh in the last year.

The Consolidated Financial Statements have been prepared by your Company in accordance with the requirements of the accounting standards notified by the Central Government under the Companies (Accounting Standards)

Rules, 2006. The audited Consolidated Financial Statements together with Auditors Report thereon forms part of the Annual Report.

The Capital Adequacy Ratio of your Company was 29.36 per cent as on March 31, 2011, which is above the minimum level of 15 per cent prescribed by the Reserve Bank of India for systemically important non-deposit taking NBFCs (NBFCs-ND-SI).

Your Company has complied with all the norms prescribed by the Reserve Bank of India including the Fair Practices, Anti Money Laundering & Know Your Customer (KYC) guidelines and also all mandatory accounting standards notified by the Central Government under the Companies (Accounting Standards) Rules, 2006. It has adopted a sound and forward looking accounting policy of providing for non-performing assets in terms of the management's best estimates as well as the guidelines laid down by the Foreign Financial Institutions, which are more stringent than the guidelines of

the Reserve Bank of India.

## AMALGAMATION OF QUIPPPO INFRASTRUCTURE EQUIPMENT LIMITED INTO AND WITH YOUR COMPANY

The Board of Directors of your Company at its meeting held on January 28, 2010 had, based on the recommendations of the Committee of Independent Directors, approved amalgamation of Quippo Infrastructure Equipment Limited (Quippo) into and with your Company in terms of a Scheme of Amalgamation ("the Scheme") under Sections 391 to 394 of the Companies Act, 1956. The Board had approved the share swap ratio of 3:2, meaning thereby 3 (Three) equity shares of ₹10/- each fully paid-up in your Company for every 2 (Two) equity shares of ₹10/- each fully paid-up in Quippo. Such swap ratio is based upon the reports submitted by M/s. BDO Consulting Private Limited and KPMG India Private Limited respectively, and the fairness of the same had been

Your Board has recommended a Dividend of Re. 0.75 per Equity Share (7.5 per cent) for the Financial year 2010-11 to the Equity shareholders of your Company. The Dividend for the Financial year 2010-11 shall be subject to tax on dividend to be paid by your Company but will be tax-free in the hands of the shareholders.



confirmed by ICICI Securities Limited, an independent merchant banker. The Appointed Date of the amalgamation was April 1, 2010.

The aforesaid Scheme of Amalgamation of Quippo into and with your Company was approved by Equity shareholders of your Company with requisite majority at the meeting held on May 31, 2010. Subsequently, your Company filed the confirmation petition before the Hon'ble High Court at Calcutta and the Hon'ble High Court at Calcutta has sanctioned the Scheme vide its Order made on January 18, 2011. Thereafter, in accordance with Clause 4.11 of the Scheme, the Company fixed Friday, the February 11, 2011 as the Record Date for the purpose of issue and allotment of 9,29,15,839 Equity shares of ₹10/- each, fully paid-up as bonus shares by way of capitalisation of reserves to the equity shareholders of your Company in the ratio of 4 (four) equity shares of ₹10/- each (fully paid-up) for every 5 (five) equity shares of ₹ 10/- each held by the equity shareholders of your Company as on the record date. The Scheme has become effective w.e.f. March 04, 2011 after filing of certified copy of the Order with the Registrar of Companies, West Bengal at Kolkata. Consequently, all the assets and liabilities and the entire business of Quippo stands transferred to and vested in your Company, as a going concern, with effect from the Appointed Date.

Subsequently, pursuant to the aforesaid Scheme, your Company has, in March, 2011, issued and allotted 9,29,15,839 Equity Shares of ₹10/- each fully paid up as bonus shares in the ratio of 4:5 to the Equity shareholders of your Company by way of capitalisation of reserves and 29,40,25,696 Equity Shares of ₹10/- each fully paid up in the adjusted share exchange ratio of 27:10 to the shareholders of Quippo.

Fractional entitlements arising out of the aforesaid bonus issue were allotted cumulatively to Mr. Salil K. Gupta, Chief Mentor & Director (Category - Independent) of your Company, who held the said fractional entitlement shares in trust as trustee for the members entitled thereto, and had thereafter sold the said fractional bonus shares and paid to your Company the net sale proceeds thereof, for distributing to the members in proportion to and in lieu of their respective fractional entitlements. The aforesaid net sale proceeds have thereafter been distributed to the respective members in March, 2011.

Your Company constituted a Trust under the name and style of 'Srei Growth Trust' consisting of Mr. Salil K. Gupta, Mr. V. H. Pandya and Mr. S. Rajagopal, Independent Directors of your Company as Trustees to the Trust, for the purpose of holding 4,86,00,000 Equity shares allotted to your Company in terms of Clause 4.10 of the Scheme (in lieu of 1,80,00,000 Equity shares

held by your Company in Quippo) together with any and all additions and accretions as may happen to the same in future, who are holding the same in trust for the benefit of your Company and/or the shareholders of your Company.

### NON-ACCEPTANCE OF PUBLIC DEPOSITS AND APPLICATION TO RESERVE BANK OF INDIA (RBI) FOR REGISTRATION AS AN 'INFRASTRUCTURE FINANCE COMPANY'

In April 2010, your Company decided to convert itself into a non-deposit taking NBFC in order to qualify for registration as an Infrastructure Finance Company. Your Company had decided that it would not accept any further public deposits or renew such maturing deposits in any manner w.e.f. April 20, 2010 and the entire amount of outstanding public deposits as on April 19, 2010 together with interest promised to the depositors has been kept in an Escrow Account with Axis Bank Limited, a scheduled commercial bank for the purpose of making payment to the depositors as and when they raise the claim. The outstanding balance in the said Escrow Account is ₹249,77,795 as on March 31, 2011.

Further, during the year under review, your Company has been classified by the Reserve Bank of India (RBI) as 'Infrastructure Finance Company' within the overall classification of 'Non Banking Finance Company'. A fresh

Certificate of Registration dated March 31, 2011 classifying your Company as Infrastructure Finance Company - Non Deposit Taking has thereafter been received from the RBI.

### MUTUAL FUND ACTIVITY

Your Company received an in-principle approval during the financial year 2009-10 from the Securities and Exchange Board of India (SEBI) for setting up a Mutual Fund and the final approval is awaited.

### UNSECURED SUBORDINATED BONDS

In the year 2000, your Company had issued on rights basis 52,66,075 Unsecured Subordinated Bonds of ₹100/- each aggregating to ₹52,66,07,500/- vide Letter of Offer dated June 16, 2000. Each Bond has an overall tenure of 12 years, reckoned from the date of allotment viz. August 25, 2000 and the face value of the Bonds along with an overall premium of 20 per cent of the original face value is to be redeemed in seven installments, commencing from the completion of sixth year from the date of allotment.

Your Company has accordingly redeemed on August 25, 2010, being the fifth redemption date, ₹15/- towards principal amount and ₹3/- towards premium amount total aggregating to ₹18/- per Unsecured Subordinated Bond and the face value of the aforesaid Bonds accordingly stands reduced to ₹25/- per Bond. The aggregate principal amount

outstanding as on March 31, 2011 is ₹13.17 crore.

### DIVIDEND

Your Board has recommended a Dividend of Re. 0.75 per Equity Share (7.5 per cent) for the Financial year 2010-11 to the Equity shareholders of your Company. The Dividend for the Financial year 2010-11 shall be subject to tax on dividend to be paid by your Company but will be tax-free in the hands of the shareholders.

The dividend payout for the year under review has been formulated in accordance with your Company's policy to pay sustainable dividend linked to long term growth objectives of your Company to be met by internal cash accruals and the shareholders' aspirations.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### ECONOMIC REVIEW

#### a. Global Outlook

The developed economies, which were worst hit by the financial crisis of 2008, seem to be staging a slow recovery aided by strong dose of fiscal and monetary stimuli provided by respective governments. On the contrary, in many Emerging Market Economies (EMEs) which were less affected by the crisis and where domestic demand has been robust, there are signs of over-heating. While presenting the global economic outlook for the last year's annual report, your

Company had mentioned that inflation will emerge as a global phenomenon due to the massive money-printing undertaken by developed nations to pump-prime their economies. The scenario has indeed panned out as predicted. Today, most economies are resorting to various measures to bring inflation under control. Inflation is more pronounced in the EMEs. Asymmetry in monetary and liquidity conditions between developed economies and EMEs has led to larger capital inflows into the latter in search for better returns.

Post-crisis, the economic recovery has been mostly stimulus-induced, more so for the developed economies. But quantitative easing (QE) cannot carry on forever. Policy-makers in developed countries are faced with a dilemma - whether to delay stimulus exit in order to support growth or withdraw stimulus to contain sovereign debt concerns. Although the sovereign debt problem of several Euro Zone countries still persists, European Central Bank has raised benchmark interest rates in April. Other developed economies are expected to follow suit, in all likelihood during the next two quarters. USA has also resolved not to go for a third round of QE. The downgrading of outlook on US sovereign debt from 'stable' to 'negative' by rating agency Standard & Poor's is likely to lead to USD depreciation. Various EMEs have already resorted to monetary tightening, capital controls and

exchange rate intervention in order to curb inflationary trends and limit the adverse impact of excess capital inflows on their economies. With an upward bias on interest rates, policy making, especially in developed nations, is bound to be tested this year.

Another factor that will have a strong influence on the global economic outlook this year is the oil price. The political unrest that has erupted in several oil-rich Middle Eastern and North African nations is an area of concern. But what has further aggravated matters is the devastating earthquake and tsunami in Japan that led to a Chernobyl-type nuclear power crisis in Fukushima. Economies across the world may be forced to assess the safety factor of nuclear power option and that may lead to a higher reliance on oil and natural gas as an alternative energy source in the immediate future. Oil price has already registered a sharp rise in a very short span of time, and if there is a shift in the fuel-mix equation in the Japan crisis aftermath, oil prices are bound to rise further. Rise in oil price will also push up urea and fertiliser prices and this will further translate into rise in food prices. Since oil and natural gas serve as fuel for metals and minerals and also as fuel for transportation, commodity prices may also witness sharp rise. As it is, commodity prices have firmed up reflecting easy liquidity conditions in developed economies and the growing demand in EMEs. The combined

impact of all these will make inflation management even more challenging for most economies.

### **b. Indian Scenario**

Government remains committed to economic reforms, phasing down of fiscal deficit and introduction of a Direct Tax Code (DTC) and a unified Goods & Services Tax (GST) regime. Emphasis on infrastructure creation is central to the government's development plans. The last Union Budget has also emphasised on revamping the food production and logistics infrastructure which can address the supply-side bottlenecks that lead to huge wastage of food articles. All these steps augur well for India's future.

After registering a growth of 8 per cent in FY10, India's GDP grew at 8.5 per cent in FY11. Private consumption demand picked up during the first half of FY11 after remaining subdued for a few quarters. Lead indicators of private demand namely corporate sales, capital expenditure plans, non-oil imports and credit demand witnessed sustained growth momentum. However, high inflation has remained the over-riding concern for India's policy-makers. The average wholesale price index (WPI) inflation stood at 9.9 per cent during the first half of FY11 and has come down marginally to 8.5 per cent during the second half. Supply-side bottlenecks in food sector led to a very high food price inflation, but after government measures to bring down food prices, the inflation has

become more broad based and riding on rising commodity and fuel prices, the inflation has now become more demand-driven and has expanded to non-food manufacturing sector.

Sustained high level of inflation has fuelled inflationary expectations thereby prompting the RBI to curb inflation through policy rate hikes. During FY11, RBI raised the repo rate by 150 basis points. With repo rate at 7.25 per cent and WPI inflation at around 9 per cent, real interest rate is still negative indicating further hikes in policy rates. According to industry experts, RBI is likely to go in for rate hikes to the tune of 75-100 basis points during FY12. Rising cost pressures combined with increased interest rate is bound to impact expansion plans by firms leading to overall moderation in GDP growth. Industrial production figures in the last few months also corroborate this.

India continues to remain an attractive investment destination. In FY10, India received USD 37.7 billion as FDI. During April-February FY11, FDI inflows stood at USD 25.9 billion. During the same phase, FII inflows stood at USD 31.3 billion. Meanwhile India's trade deficit widened as FY11 saw exports at USD 245.9 billion and imports at USD 350.7 billion. Exports expanded faster than imports, but a decline in net invisibles translated into a widening of the current account deficit. The current account deficit remains buffered by higher capital inflows, but given that

typically lesser duration portfolio inflows figure more than the long-term FDI in the capital flow composition, the sustainability of India's current account deficit will be a concern area.

### NBFIs IN INDIA

The year under review witnessed several important developments in the NBFIs space. Earlier there were no regulations for issuance of non-convertible debentures (NCDs) with maturity of less than a year, either by SEBI or by RBI. Effective August 02, 2010, issuance of NCDs with a maturity of less than a year is subject to RBI guidelines. This step has imposed operational costs on issuers of NCDs which includes NBFIs like your Company. Not only will the issuer have to adhere to certain eligibility criteria, the tenor of NCDs will have to be at least 90 days from the date of issue. Also, the exercise date of option (put / call) attached, if any, should not fall within those 90 days.

Debt oriented Mutual Funds (DoMFs) invest in commercial papers of NBFIs like your Company. These DoMFs rely heavily on institutional investors like commercial banks whose redemption requirements are usually large and simultaneous. The DoMFs, on the other hand, are large lenders in the overnight markets such as collateralised borrowing and lending obligation (CBLO) and market repo where banks are large borrowers. Keeping in mind the growing trend of banks' investment in DoMFs and the fact that DoMFs

Government remains committed to economic reforms, phasing down of fiscal deficit and introduction of a Direct Tax Code (DTC) and a unified Goods & Services Tax (GST) regime.



The private sector is poised to contribute nearly 36 per cent of the total infrastructure investment of USD 514 billion during the Eleventh Five Year Plan (FYP), the government has taken up a more ambitious infrastructure creation drive for the Twelfth FYP (2012-17) where the total investment figure for infrastructure stands nearly doubled at USD 1 trillion and within that 50 per cent of the investment is expected to come from the private sector.



invest heavily on certificates of deposit (CDs) of such banks thereby creating a circular flow between banks and DoMFs which may lead to a systemic risk at times of liquidity crunch, RBI has stipulated that banks can invest in liquid schemes of DoMFs up to a prudential cap of 10 per cent of their net worth as on the March 31 of the previous year. This will restrict the quantum of funds that DoMFs will be able to amass thereby limiting their earnings from overnight markets.

Effective April 01, 2011, bank loans to NBFIs, other than micro finance institutions (MFIs), will not be accorded priority sector status.

The above mentioned modifications may result in higher cost of funds for NBFIs.

## BUSINESS OUTLOOK AND FUTURE PLANS

Encouraged by the fact that the private sector is poised to contribute nearly 36 per cent of the total infrastructure investment of USD 514 billion during the Eleventh Five Year Plan (FYP), the government has taken up a more ambitious infrastructure creation drive for the Twelfth FYP (2012-17) where the total investment figure for infrastructure stands nearly doubled at USD 1 trillion and within that 50 per cent of the investment is expected to come from the private sector.

However, for private sector to implement infrastructure projects, attention has to be given to regulations

which would ensure project viability. Regulations need to be fully thought through to avoid frequent changes in policies. Such changes can pose a risk for private investment by leading to time and cost overruns. The issue of user charges which has affected sectors like power, urban water supply, irrigation, etc. needs to be addressed. Land acquisition has also emerged as a sensitive issue. A comprehensive policy that takes care of the resettlement, rehabilitation and compensation of the displaced is the need of the hour, otherwise projects that involve acquisition of land are likely to get mired in protests and legal tangles. Clear guidelines for environmental clearances also need to be outlined for speedy project implementation. Shortage of skilled and semi-skilled manpower is emerging as a serious issue. This is one area where private sector has to partner the government for expeditious scaling up of human capital.

With regard to infrastructure financing, on the debt front a vibrant corporate bond market needs to be developed. There is too much reliance on commercial banks for infrastructure loans. 80 per cent of infrastructure projects are financed by public sector banks. Since such projects usually have long gestation periods of 10-15 years and bank deposits typically have tenures of three years or less, this creates asset-liability mismatch problem for commercial banks. As it is, banks are exhausting their prudential

limits in terms of sector, borrower and project exposures. Long-term resources at fixed interest rates are scarce. Floating rate loans with short reset periods can escalate project cost through higher interest burden, especially in a rising rate regime. While insurance companies, provident funds and pension funds are repositories of huge amount of long-term funds, ideal to match infrastructure project tenures, these entities are apprehensive of taking exposure in such projects. Insurance Regulatory and Development Authority (IRDA) guidelines stipulate insurance companies to invest in AA rated infrastructure projects or projects backed by government guarantees, whereas infrastructure projects are typically rated BBB. In addition, a sovereign credit rating of BBB- (Standard & Poor's) acts as a dampener for attracting investments from foreign funds. On the equity front, 70-80 per cent of the equity comes from project developers. Of late, there has been a rising level of interest of Private Equity (PE) players in infrastructure projects. PE players are actively investing in sectors like road and power generation and also taking exposures in port and airport projects.

Government has taken some initiatives to address the various bottlenecks towards infrastructure creation. The Viability Gap Funding (VGF) mechanism to enhance financial viability of competitively bid PPP

projects is one. India Infrastructure Finance Company Limited (IIFCL) has been set up to provide long-term debt with average maturity of ten years or more. It can provide subordinate debt. It can also extend refinance to banks and other eligible financial institutions for their loans to infrastructure projects and extend take-out finance thereby addressing the asset-liability mismatch problem of lender commercial banks to some extent. The UK subsidiary of IIFCL is also mandated to provide foreign currency loans to infrastructure projects in India. RBI is also allowing take-out financing of rupee loans through ECBs. The IIFCL is also putting in place a credit enhancement product aimed at lifting up credit ratings of bond issued by infrastructure companies by providing partial guarantee to these bonds. Enhancing ratings of these bonds to AA or higher will enable subscription from pension funds and insurance companies. The introduction of tax-saving infrastructure bonds is likely to mobilise a chunk of household savings into infrastructure financing. Investment limit of foreign institutional investors (FIIs) in corporate bonds of the infrastructure category has been raised from USD 5 billion to USD 25 billion per annum. Also FIIs have been allowed to invest in unlisted infrastructure bonds with a minimum lock-in period of 3 years and those bonds can be traded among themselves within that 3-year period. As of now, FIIs are allowed to invest in bonds floated by infrastructure

companies. The newly categorised IFCs, with their enhanced exposure limit, can supplement the banks' efforts in extending long-term loans to infrastructure projects.

On many fronts, work is in progress. Once issues like land acquisition, setting up of autonomous sector-specific regulatory bodies, scaling up of human capital, creating a vibrant domestic corporate bond market, etc. are addressed more comprehensively, more investment will flow into India's infrastructure.

With an enhanced emphasis on infrastructure creation, your Company is well positioned and well capitalised to tap the opportunities and expand its business portfolio both on project financing and equipment financing fronts. Your Company intends to increase its exposure to project financing significantly. However, the inflation rate and hence the interest rate would be closely monitored by the management of your Company. Depending on the cost of credit, the management would decide on a prudent mix of domestic and foreign resources in order to service its customers' needs in a cost-effective manner. Your Company is adequately geared to meet the challenges that might unfold in the coming months.

## BUSINESS REVIEW

The three main business activities of your Company are categorised as Fund based, Fee based and Strategic

Investments.

## I. FUND BASED ACTIVITIES

### INFRASTRUCTURE PROJECT FINANCE

The Government has identified infrastructure development as a key priority area in its five year plans. The Eleventh Five Year Plan (FY 2007-12) envisages investment of about ₹21 lakh crore (USD 514 billion) in the infrastructure sector. The Government of India has doubled the planned expenditure on infrastructure during the Twelfth Five Year Plan (FY 2012-17) to USD 1 trillion. It emphasises the importance of investment in infrastructure for achieving a sustainable and inclusive growth of 9 to 10 per cent in GDP over the next decade. The investment in infrastructure as a percentage of GDP is expected to increase from 5.15 per cent during the Tenth Five Year Plan to 7.55 per cent during the Eleventh Five Year Plan and to 10 per cent during the Twelfth Five Year Plan. This constitutes a significant shift in favour of investment in infrastructure.

Given the scale of investment required, a substantial proportion of the investment will have to be met through private financing or Public-Private-Participation (PPP). Private sector share in the infrastructure spending is expected to increase from an estimated 36 per cent in the Eleventh Five Year Plan to 50 per cent in the

Twelfth Five Year Plan. Your Company believes that given its history, capabilities and financial strength, it is well placed to benefit from these opportunities, particularly with the increasingly conducive policy and regulatory environment in India for infrastructure development. In this connection, your Company has been successful in obtaining from the RBI a change in your Company's classification to an Infrastructure Finance Company (IFC), which, among other things will help it to diversify its borrowings, access long-term funds to a greater extent, and give the flexibility to increase its exposure to borrowers and groups.

In recognition of this growth potential, your Company has remained focused on infrastructure financing for the last two decades, and has established itself as a holistic infrastructure institution, providing a range of innovative financial solutions including equipment/asset finance, operating leases, project loans, syndication, etc. Over the years, your Company has financed various small and medium sized projects that have contributed to the symbiotic growth of both the project developers and your Company. Leveraging upon its acute and in-depth knowledge of the infrastructure sector, combined with its expertise in financial structuring and the continued support of various bilateral/multilateral agencies, your Company was able to expand infrastructure project finance

business and has emerged as a strong niche player. While there are many financial institutions like IIFCL, IDFC, PFC, etc. to fund infrastructure development in the country, IFCs like your Company have been active in financing the small and medium sector projects, thus facilitating a more inclusive growth. Your Company also structures and syndicates debt transactions for mid-sized as well as large projects.

During the year under review, your Company recorded good growth. It has increased its aggregate portfolio size by over 48 per cent to ₹4,985 crore in the financial year 2010-11. The key infrastructure investments have included in various sectors viz. Power, Roads, SEZ & Industrial Parks, Oil and Gas, Telecommunications, Aviation, Logistics, Ports, etc. Through its structured risk mitigation techniques, its innovative financing structures, security packages and maturity profiles of loans, your Company has contributed to greater efficiency in financing and contributing to an increased availability of infrastructure services in the country.

#### **Power:**

In order to sustain 8 per cent plus GDP growth rate, the power sector has to grow at 1.8 to 2 times the GDP rate. This would mean year-on-year capacity addition of 15,000-20,000 MW. The Central Electricity Authority expects a capacity addition of 75,000 MW to 1,00,000 MW during the Twelfth Plan (2012-



17) and majority of the addition would be from coal based plants. The Eleventh Plan (2007-12) targeted an additional capacity generation of 92,700 MW by investing ₹6.59 lakh crore in this sector. The target was revised to 62,000 MW of which 51,000 MW is expected to be achieved by March 31, 2012. Capitalising on this vast opportunity, your Company has allocated over 30 per cent of its total allocation to this sector. With an interest in thermal power, renewable energy, hydro-electric power and co-generation & waste heat recovery systems, your Company has executed several transactions with power generation companies with financial participation over 2400 MW of thermal power plants, over 100 MW of wind farms and over 25 MW of biomass based power plant among others.

#### **Railways and Logistics:**

The Indian economy has not been able to realise its full growth potential for lack of infrastructure. In railways and logistics, the country suffers from serious deficiencies in terms of coverage, age of stock, average speed, etc. leading to high logistics cost for the economy (13-14 per cent of GDP). Rail and road network serve as the artery of this dynamic nation growing at a rate of 8-9 per cent per annum. The Eleventh Plan's investment of ₹2.10 lakh crore in this sector envisages private investment opportunity of ₹61,543 crore in railways and logistics. Your Company has examined investment opportunities in

financing rolling stocks (including liquid cargo container movement), setting up of Inland Container Depots (ICDs), warehouses and cold storages, and development of railway sidings. The proposed roll-out of GST will throw open vast opportunities in warehousing/ logistic facilities which will provide significant opportunity to your Company.

#### **Aviation and Airports:**

Airport standards across India, with a few recent exceptions, need considerable upgradation to come up to global benchmarks. The Eleventh Plan's investment of around ₹36,000 crore for the development of this sector, envisages 70 per cent to be financed by the private sector. This includes modernisation of passenger services, air traffic management as well as aircraft and ground handling facilities. Due to the steady growth of passenger traffic, both domestic and international, capacity augmentation is paramount. The aviation sector, along with air cargo services and logistics, would require large investments to meet the growing demand. Risk mitigation covenants and asset back comforts are critical inputs to financial structures in airline transactions. Your Company participated in a number of transactions in the aviation sector, using its understanding of the sector to provide innovative solutions to its customers. It has primarily financed helicopters for off-shore exploration of oil and gas, deployment for power and agri-infrastructure sectors.

In order to sustain 8 per cent plus GDP growth rate, the power sector has to grow at 1.8 to 2 times the GDP rate. This would mean year-on-year capacity addition of 15,000-20,000 MW.



The Indian telecom industry has expanded tremendously in size and reach, with the total number of landline and mobile subscribers crossing 800 million.



#### **Ports and Port Equipment:**

Modern ports are crucial support to the country's growing international trade. The sector requires large investments to expand capacity of existing ports and to replace obsolete equipment and cranes, so as to improve loading and unloading time. Dredging of waterway is another critical area of investment. To overcome these impediments, the Eleventh Plan envisages investment of around ₹40,000 crore to this sector, of which around 60 per cent is expected to be financed by the private sector. Your Company is looking into financing construction of new ports and expansion of existing ports.

#### **Telecommunications:**

The Indian telecom industry has expanded tremendously in size and reach, with the total number of landline and mobile subscribers crossing 800 million. However, tele-density in India is still lower compared to many developing countries and there is still plenty of scope to increase tele-density, particularly in rural areas, improve broadband facilities and increase 3G & other value added services. To meet these goals, the Eleventh Plan envisages an investment of ₹3.45 lakh crore, 69 per cent of which is expected to be financed by the private sector. Leveraging on its acute understanding of this industry and its long standing relationships with vendors, your Company has structured financing packages that include investment in critical equipment, telecom towers, rolling out of pan-India

licenses, rural connectivity, etc.

#### **Roads:**

For a country of India's size, an efficient road network is necessary both for national integration as well as for socio-economic development. The roads in India need massive investments to increase and improve network coverage, quality of roads and highways, rural penetration to connect villages to cities, etc. The Eleventh Plan envisages an investment of about ₹2.79 lakh crore to this sector, of which around 34 per cent is to be financed by the private sector. Your Company has invested selectively in road projects allotted by National Highway Authority of India (NHAI) (including a major expressway project). NHAI is now bidding out road projects expanded to 6 lanes. This gives your Company an excellent opportunity to become a significant player in this sector.

#### **Oil and Gas:**

The oil and gas sector serves as a critical economic driver for an economically growing and power-hungry nation. The Eleventh Plan envisages an investment of ₹22,500 crore for this sector, of which 32 per cent is envisaged to be financed by the private sector. This includes development of onshore and offshore oil rigs and drilling vessels. Your Company, with its expertise in structuring risk mitigation structures and asset-backed funding, has structured operating leases for onshore rigs and specialised deep sea pipe laying vessels.

## INFRASTRUCTURE EQUIPMENT FINANCE - SREI EQUIPMENT FINANCE PRIVATE LIMITED (SREI BNP PARIBAS)

Srei BNP Paribas, the joint venture between your Company and BNP Paribas Lease Group, is registered with the Reserve Bank of India (RBI) as a non-deposit taking Non-Banking Finance Company (NBFC) (Category - Asset Finance) and is in the business of equipment financing. In the year under review, the total disbursements of Srei BNP Paribas grew by 67 per cent from ₹6003 crore to ₹10,010 crore.

Srei BNP Paribas emerged as the largest equipment financier in India in the last financial year with a disbursement of over ₹10,000 crore, which has been far higher than the growth in the equipment sales. The industry grew at an average of 35 per cent and this year witnessed entry of new buyers especially in the entry segment. The market share of Srei BNP Paribas is at a dominant 33 per cent amongst all financiers in this business vertical.

Srei BNP Paribas has been a specialist in Infrastructure and construction equipment and continues to grow with consistency and has the most prudent credit practises and the most robust relationships with its customers and manufacturer partners. Srei BNP Paribas's customers include not only all

the large infrastructure companies in this sector but also the entire value chain of the infrastructure equipment business. Apart from this, Srei BNP Paribas also expanded its business in the technology equipment like computer hardware and software, and healthcare.

In the year under review, the economy has emerged from the shadows of recession and there has been a resurgence of demand for infrastructure and construction equipment. This increased demand for credit and equipment witnessed entry of new financiers and coupled with the inflationary trend, the margins have been under pressure.

The prognosis for the year ahead is positive and the investments are coming in from both private and public sector in the infrastructure equipment. Expansion both geographically and increase in headcount has been planned and being implemented as well. The relationship with BNP Paribas Lease Group continues to be at the best terms and flow of best practises and cross selling opportunities are being exploited.

## INTERNATIONAL BUSINESS OPERATIONS

Your Company has leasing operations in Russia.

Your Company's Russian business, ZAO Srei Leasing after consolidating during the economic crisis regained its momentum in 2010. With the oil prices

stabilising, the economy was showing signs of recovery. All major sectors in Russia have shown prominent signs of recovery, with special thrust on infrastructure which was put on hold during the economic crisis. ZAO Srei Leasing has started to scale up business with access to funding lines from various financial institutions. During the year, FMO subscribed to 10 per cent of the equity at a premium. Your Company is confident that the business operations will continue its robust growth in the years to come.

Your Company was approached by various institutions in Nigeria and Saudi Arabia for providing technical advisory services in the field of infrastructure business.

Your Company will continue to enhance its Russian operations and develop its advisory services in various other countries. Your Company harbours intentions of forming equipment financing companies across the globe, as and when the opportunities arise.

## II. FEE-BASED ACTIVITIES INFRASTRUCTURE PROJECT ADVISORY

The Infrastructure Project Advisory Division of your Company has through successful implementation of a number of projects gained professional strength in all major areas of Infrastructure like Power: Generation, Transmission and Distribution: and also in conventional and non-conventional energy, Transport, particularly Mass Rapid Transport System (MRTS)

including Bus Rapid Transport (BRT), Metrorail, Monorail & Comprehensive mobility plans for cities, Urban Development like Integrated City Development including Roads, Water Supply, Sewerage Treatment, Multi-level car parking, City Decongestion, etc. The Advisory division has also entered into the services of Social Infrastructure Sector including Education, Healthcare services and In-skill Development. It continues to provide services in conceptualisation of projects, in preparing feasibility reports, Detailed Project Reports and in financial structuring particularly of different PPP models.

Having completed the assignment in Delhi Airport hi-speed Metro link with M/s. Siemens and Mumbai monorail project with M/s. L&T, the services to the Bangalore Metro is coming to a closure. For services in the transport sector extended to Lucknow Metro with DMRC, the Advisory Division of your Company was one of the finalists from India for prestigious Bentley Award for an innovation incorporated and was presented a certificate of achievement for design excellence. The Advisory division of your Company has been recently awarded road network master plan study for the State of Uttar Pradesh.

In the Urban Infrastructure space, the Advisory Division was awarded a number of projects in the State of Karnataka on Urban Development including Development of a

Rehabilitation Centre at Sumanahalli, Development of markets at the lands available with BDA, Development of Economically Weaker Section Housing project at Kannmineke, Development of a Super-specialty Hospital at R.T. Nagar for Bangalore Development Authority and development of commercial complexes and a sport complex in Hubli-Dharwad, which are currently under execution. The Advisory Division in association with Tata Consulting Engineers is engaged in execution of a Water Supply project in Karnataka including Transaction Advisory and Bid Process Management for up-scaling of Water Supply in areas of Belgaum, Gulbarga and Hubli-Dharwad. The Transportation and the Urban Development verticals of the Advisory Division is also closely interacting with Delhi - Mumbai Integrated Development Corporation for some prestigious advisory role. Advisory Division is actively pursuing a project of construction of 1.60 km long tunnel through Simhachalam hill in Visakhapatnam on PPP model with Greater Visakhapatnam Municipal Corporation. This would be a landmark project in the State of Andhra Pradesh.

During the year, Infrastructure Advisory Division of your Company has received Quality Management System ISO 9001-2008 certificate based on the Certification Audit done by M/s. Swiss CERT Pvt. Ltd. This certificate is towards Quality Management Systems followed by the division towards

“Advisory Services for Infrastructure Projects including IT Infrastructure”.

Your Company has taken up several initiatives during the year in the Education Sector to help the Schools adopt the State of the Art tools and techniques in evaluation of students' performance in objective and scientific manner. Your Company has developed a simplified and unbiased student's performance evaluation process which reduces stress on school teachers/management to a great extent while adopting the new Continuous and Comprehensive Evaluation (CCE) system for implementation. The CCE solutions are now being made available to schools in the form of Web based and Windows based Application Software specifically developed in-house for this purpose. Your Company also imparts necessary training to School Teachers on CCE issues. Your Company has already filed Copyright applications for these CCE solutions developed in-house and launched a website [www.srei-education.com](http://www.srei-education.com) for creating mass awareness on solutions being offered.

Several other projects involving preparation of Feasibility Studies and Detailed Project Reports are being undertaken for various Municipal Corporations and Public Health Engineering Departments across the country.

A number of strategic steps have been initiated for enhanced revenue

generation in the years to come.

## INFRASTRUCTURE PROJECT DEVELOPMENT

Infrastructure Project Development has given your Company an opportunity to move up to the higher echelons of infrastructure value chain. Your Company's strong presence and functional expertise in infrastructure space through Equipment Financing, Project Financing and Project Development has placed your Company as a formidable player in the Indian Infrastructure Sector. Your Company marked its presence in the PPP space by focusing on Road and Highways sector and subsequently opening the window of opportunity into other sunrise sectors like Water infrastructure, Power Transmission & Distribution, Seaport Development Projects, Railways and Mining as well. Your Company's intellectual capital strength helped it to leverage and build inextricable partnerships with customers and other leading global Concessionaires. Your Company's domestic knowledge, strength of financial engineering & solutions, knowledge of customers as partners have created a unique model of "Prosperity through Partnership" and a win-win solution for all stakeholders.

Presently, your Company, under consortium arrangement in Roads and Highways, has a substantial portfolio of close to 5000 Lane-Km under development / Operation & Maintenance. These projects are a

diversified mix of annuity and toll-based projects and were awarded by the National Highways Authority of India (NHAI) under National Highways Development Programme (NHDP), Ministry of Road Transport and Highways and various other State Governments. During the year under review, your Company, under consortium arrangement, has been awarded two prestigious road projects worth ₹3200 crore in Orissa and Arunachal Pradesh to be implemented on BOT basis.

## III. STRATEGIC INVESTMENTS

Your Company's focus on infrastructure funding has given it a deep understanding of this sector, arising from its involvement in a range of projects spanning the infrastructure space and its close association with companies operating in this segment. In the process, it has added to its intellectual capital, created a range of relationships in local and international financial markets, and developed a customer base of small and medium sized businesses that it has supported over the years. All of these, taken together, provide opportunities for investments that add value both to your Company and the investee companies, and provides your Company with building blocks for future growth.

Your Company's own culture of entrepreneurship, partnership and innovation helps it align with entrepreneur driven companies that

Your Company's own culture of entrepreneurship, partnership and innovation helps it align with entrepreneur driven companies that are looking not only for growth capital, but for support in accessing markets, innovative financial structures, and insights into managing growth and risk.



Your Company is classified as an Infrastructure Finance Company (IFC) by the Reserve Bank of India within the overall classification of Non Banking Finance Company (NBFC).



are looking not only for growth capital, but for support in accessing markets, innovative financial structures, and insights into managing growth and risk. It is this ability to work together with investee companies as a partner rather than a pure-play financial investor that distinguishes your Company from most of its peers in the field. This in turn makes your Company one of the few players that can focus its resources on deal-making rather than deal origination; in a fast-growing economy, its reputation as an innovative investor and partner attracts a steady stream of investment proposals.

The strategic investment process in your Company involves:

- i. **Identifying, evaluating and selecting strategic investments:** Your Company focuses on identifying innovative infrastructure models that it develops by bringing in professional management or by attracting manager entrepreneurs - in doing so, it looks at the long term core business of the investee company and not at its short term cash flows. Hurdle rates on investment are clearly defined at the investment stage; this sets the basis for both performance monitoring and exits.
- ii. **Monitoring companies in the strategic investments portfolio:** involving monthly/quarterly reviews, participation in board meetings, tracking relevant developments, assisting in selected strategic

initiatives including M&A, and follow-on funding rounds. This participation is essential to protect the investment, mitigate risk and ensure exit at the appropriate time.

- iii. **Divestiture:** Your Company places particular emphasis at the entry stage itself on building exit mechanisms that offer multiple divestiture options. Innovative mechanisms such as sharing exit related incentives help facilitate exits.

Since your Company focuses on the long term core business of its strategic investments, it believes that the value embedded in these investments will be unlocked from time to time opportunistically and reflected in its enterprise valuation over a period of time as the infrastructure story in India unfolds.

## RESOURCES

Your Company is classified as an Infrastructure Finance Company (IFC) by the Reserve Bank of India within the overall classification of Non Banking Finance Company (NBFC). Your Company has more than two decades of vast experience in infrastructure financing and is able to contribute and participate actively in infrastructure financing in much larger way because of its footprint across the infrastructure value chain. It is being uniquely poised to play a vital role in this process of nation-building by providing credit facilities to numerous borrowers in the

infrastructure sector, facilitate deeper penetration of economic benefits and promote inclusive growth. Your Company has been mobilising resources at the most competitive rates and raised the required resources from its bankers and financial institutions all the while ensuring proper asset liability match.

#### **a) Bank Finance**

Your Company mobilised resources to the extent of ₹2,050 crore during the year at the most competitive rates available in the market and continued its focus on domestic sources, comprising of a consortium of eighteen Banks. Your Company will induct new member banks in the consortium in the ensuing financial year to widen its relationships and mobilises resources to fund the disbursements.

#### **b) Bonds / Debentures / Commercial Papers**

Your Company issued short-term debt instruments aggregating ₹9,991 crore during the year to various Mutual Funds with maturity within one year. Out of above ₹1,836 crore has been raised through Commercial Paper. Besides this, your Company issued debentures aggregating to ₹50 crore with maturity greater than one year during the year.

#### **c) Tier II Capital**

To augment resources and increase the capital base, your Company raised Tier II Capital aggregating to ₹50 crore during the year.

#### **d) Foreign Institutional Borrowings**

Your Company has drawn ECB of USD 70 million during the financial year and as it has been classified as an IFC during the year, therefore in the ensuing financial year, it will endeavour to mobilise much more long term funds under ECB window for on lending to borrower in the infrastructure sector. This will equip your Company with long term funds and enable to maintain healthy assets liability profile.

### **RISK MANAGEMENT**

The nature of your Company's businesses exposes it to a wide array of risks and these risks create a charge over the capital of your Company, if not managed properly. Your Company has put in place a robust risk management framework to identify, measure, aggregate and manage risks effectively, and to allocate capital among various sectors appropriately. Your Company manages risk through a framework of risk principles, organisational structures and risk measurement and monitoring processes that are closely aligned with its activities.

Your Company has developed the risk management governance structure to facilitate independence between the business and risk management. At the highest level, Risk Committee of the Board (RCB) has the overall responsibility to monitor and manage the enterprise wide risk, which is chaired by a Non Executive Director.

Under the guidance of RCB, Risk Management Department is responsible for managing Credit Risk, Market Risk and Operational Risk on a regular basis.

Your Company ensures that the business conducted within each division is consistent with the risk appetite of the Group. Your Company uses a comprehensive range of quantitative and qualitative tools for assessing, managing and monitoring risks. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories. As a matter of policy, your Company continually assesses the appropriateness and the reliability of our quantitative tools and metrics in light of the changing risk environment. Periodic portfolio reviews are conducted to ensure that the portfolio risk is within acceptable parameters. Your Company has the system for periodical monitoring of loan accounts at various levels to prevent slippages and to take corrective steps well in time to improve the asset quality. Your Company also emphasises on diversification of its portfolio to ensure that concentration risk in terms of single borrower, group, industry and geography can be mitigated.

Your Company has Asset Liability Management Committee (ALCO) in place, which manages Liquidity Risk, Interest Rate Risk, and Currency Risk and is responsible for Balance Sheet

Management. ALCO has the responsibility of managing borrowing rates, lending rates, spreads etc. in line with our overall objective of optimisation of returns within the applicable guidelines.

For managing Operational Risk, your Company focuses on processes, people and systems, so that any loss on account of failure of these factors can be mitigated. Operational Risk is monitored by ensuring compliance with the internal systems and procedures. Systems and procedures are reviewed on a regular basis.

## HUMAN RESOURCES ACTIVITIES

Rapid, complex and pervasive changes in the business environment are occurring that will continue to impact labour and talent- both in terms of quantity and quality. There are knowledge - driven transformations as well as cultural changes - within businesses and individuals' view on career life cycles. These require higher cognitive capabilities; extensive relationship management and leadership skills; and new human resource, development and career processes. This scenario poses special challenges on part of the human resources (HR) function, which needs to see its role evolving from an arbiter of human relations dealing only with issues of employee motivation and morale to one managing the resource supply chain.

With the constant focus on standardisation of specific policies and processes, the Performance Management System STEP 'Success Through Enhance Performance' has also been institutionalised and has been successfully running for the second year. Similarly LEaD Srei which is a Srei Institute of Entrepreneurship Development which envisions the development and nurturing of entrepreneurs has completed its pilot project with the first batch constituting of selected relationship managers, leaders and vendor/client partners. This year, the Institute aims for better delivery and specific Individual development plan (IDP) for key leaders. Such robust HR practices have led to retention and enhancement of manpower skills at your Company.

Employee orientation and regular engagement programme has also been helpful in creating the awareness and infusing deep bonding within employees and facilitating positive communication within the Organisation and this in-turn has led to stability and engagement among employees.

The rapidly changing scenario requires that organisations become much more adept at leveraging the value of "human capital" - their people. This means human capital management is quickly becoming a required organisational competence, and that HR functions must transform from a tactical outlook to a more cooperative, generative approach of 'creative' talent

solutions. The ability to execute business strategy is rooted in the ability to attract, retain and develop key talent. HR here has to play a seminal role in infusing innovation, generating superior business value, creating a strong leadership gene pool, building a unique Employment Value proposition and live up to the vision and mission of the Organisation at large.

This year the key focus will be in developing a strategic manpower plan by identifying the important segments & competencies which will provide a powerful agenda for integrating staffing, performance management, training and development, structure, and communications with common business focus and direction and maximise impact on Organisational performance.

As Human Capital measurement has long been an important activity, the Oracle HRMIS system will be fully functional by the end of second Quarter and move on to the second phase by the year end.

Your Company continues to induct talent for its present and future needs. The number of employees of Srei Group increased from 1424 on March 31, 2010 to 2116 on March 31, 2011.

## INFORMATION TECHNOLOGY

2010-11 was a year of true transformation for Srei IT. Your Company recognises that Technology plays a pivotal role in enhancing and



maintaining business performance. As your Company scales up for growth, it is imperative that the right investments are made in Technology to sustain business performance and also investing in niche technology that would make all business functions efficient, enriching the customer experience in dealing with your Company.

Over the years with changing business needs, the ERP solution was customised to handle newer business needs. As the business volumes and user base grew, the need for a specific line of business application became evident along with a high end ERP solution. Being a mission critical solution, it was necessary to address the problems without affecting the business continuity and completely mitigate any risk of technical failure.

Your Company began implementing a program to transform our enterprise resource planning (ERP) environment, to meet the demanding needs of the business and make it more efficient. Your Company has already initiated the implementation and integration of its front-office with back-office operations through Sunguard – Ambit 42 and Oracle Apps respectively, that will enable faster information exchange and dissemination, thereby expediting all fact based decision making.

Your Company realises how information technology can provide the edge to remain ahead of competition and thus constantly upgrades its technology both in terms of hardware

and software. Your Company has introduced the IT governance model for decision making and accountability.

Your Company is moving forward towards its commitment to new service desk model based on ITIL framework, data centre virtualisation and consolidation programs along with IT security enhancements.

Additional 29 branches were enabled through virtual private network (VPN) during the year under review. The entire voice and data connectivity was successfully migrated from Reliance to Tata which helped your Company in reducing the annual cost by 49 per cent.

Your Company now enjoys the facility of both audio as well as video conferencing facilities that not only provides real time mode of communication anywhere, anytime but also reduces the travel cost of the senior executives significantly and improves the communication across India and abroad.

The entire Srei group companies including the new branches were integrated through its mailing system seamlessly to provide significant improvement in collaboration across the group companies.

## INTERNAL CONTROL AND AUDIT

Your Company's vision, mission and core values have laid down the foundation for the entire internal control mechanism. On the administrative

Your Company began implementing a program to transform our enterprise resource planning (ERP) environment, to meet the demanding needs of the business and make it more efficient.



Your Company has been implementing the Environmental & Social Management System (ESMS) in full swing from financial year 2010-11.



controls side, your Company has a proper reporting structure, several oversight committees, defined roles and responsibilities at all levels and rigorous performance appraisal system to ensure appropriate checks and balances. On the financial controls side, management with the knowledge and understanding of the business, its organisation, operations, and processes has put in place appropriate controls including segregation of duties to deter and detect misstatements in financial reporting.

Your Company is having an independent Internal Audit Department reporting directly to the Audit Committee of the Board. The Audit Committee, which has a wide mandate, consists of eminent professionals who are well versed with financial management.

The Internal Audit Department is adequately staffed with Chartered Accountants and other professionals, well versed in the domains of business process as well as IT risks and controls. There is an Internal Audit Charter outlining the purpose and responsibilities of the Internal Audit Department. Internal Audit Team is involved in constant evaluation and implementation of adequate internal control measures to ensure good governance. The Team ensures seamless efficient business operation and supports mitigation of associated risks by the process owners.

The follow up role of the Internal Audit

Team involves implementation of corrective actions and improvements in business processes. The Audit Committee and Senior Management review the reports and implementation status of suggestion made by Audit Department from time to time. The effectiveness and quality of internal audit functions are monitored by the Audit Committee on an ongoing basis. Special care is taken to periodically train the talent - through in-house as well as vendor provided training programmes / workshops.

The Internal Audit and the Internal Control procedures adopted in your Company are adequate and commensurate with the size and complexity of its business.

## ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

Your Company has been implementing the Environmental & Social Management System (ESMS) in full swing from financial year 2010-11. Prior to investing or extending any financial support in any project, your Company targets to identify and manage Environmental and Social (E&S) risks and opportunities in the loan & investment appraisal assessing the environmental, social, labour, occupational health & safety risks associated with each client of it through Environmental & Social Management System (ESMS). Your Company adopted the ESMS with assistance from Nederlandse Financierings-

Maatschappij voor Ontwikkelingsianden N.V.(FMO), the core elements of which comprises of a self declared Environmental & Social policy & procedure, environmental risk categorisation and due diligence of a facility as per the policy guideline and mitigation measure, residual ESMS risk carrying out and taking of action plan, monitoring & record keeping of ongoing projects, ESMS audit, budget, training, senior management approval and continuous improvement of the same.

In your Company, any type of loan proposal is reviewed through a full scale of E&S due-diligence (rapid, sustainability and client risk assessment and if required site visiting). Your Company strictly follows International Financial Corporation (IFC) - Performance Standards (PS) and the country's E&S laws & legislation for E&S appraisal of high risk projects and medium/low risk category projects respectively. Your Company has developed an exclusion list of industries in which your Company neither participates nor invests.

Your Company is dedicated to continue sustainable finance practice as it is treated as a business strategy and opportunity and not as an add-on, feel-good charitable endeavour, but through operation, consumers and the public. Your Company believes that responsible corporate practice creates better business opportunity and provides a strong and confident long

term relationship with the stakeholders.

## SOCIAL RESPONSIBILITY

Recognising its social responsibility, your Company had 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 Rupees Fifty lakh to Srei Foundation during the financial year 2010-11.

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.

## CORPORATE GOVERNANCE

Your Company has always practised sound corporate governance and takes necessary actions at appropriate times for enhancing and meeting stakeholders' expectations while continuing to comply with mandatory provisions of corporate governance.

A separate section on Corporate Governance and a Certificate from the Auditors of your Company regarding compliance with the requirements of

corporate governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, form part of the Annual Report.

## TRANSFER TO INVESTOR EDUCATION & PROTECTION FUND

During the year under review, your Company has transferred a sum of ₹2,97,913/- to the Investor Education & Protection Fund, the dividend amount which was due & payable and remained unclaimed and unpaid for a period of seven years, as provided in Section 205A(5) of the Companies Act, 1956. Cumulatively, the dividend amount transferred to the said Fund upto March 31, 2011 was ₹24,79,293.69.

## SUBSIDIARY COMPANIES

The Share Capital of Srei Sahaj e-Village Limited, a subsidiary of your Company increased to ₹10 crore (Rupees Ten crore only) on September 06, 2010 consequent upon infusion of fresh capital by your Company. Similarly, the Share Capital of Srei Mutual Fund Asset Management Private Limited, a wholly owned subsidiary of your Company increased to ₹11 crore (Rupees Eleven crore only) on March 31, 2011 consequent upon infusion of fresh capital by your Company. The name of 'Srei Infocomm Services Limited', a subsidiary of Srei Infrastructure Advisors Limited, a subsidiary of your Company changed to 'Quippo Infocomm Limited' w.e.f.

September 15, 2010.

Further, Srei Advisors Pte. Limited, Singapore became a wholly owned subsidiary of IIS International Infrastructure Services GmbH, Germany, a subsidiary of your Company, w.e.f. March 10, 2011 consequent upon acquisition of balance 15 per cent shareholding.

Pursuant to the Scheme of Amalgamation (Scheme) of Quippo Infrastructure Equipment Limited (Quippo) into and with your Company sanctioned by the Hon'ble High Court at Calcutta vide its Order made on January 18, 2011 and effective w.e.f. March 04, 2011, subsidiary companies of Quippo viz. Quippo Construction Equipment Limited, Quippo Energy Private Limited, Mumbai Futuristic Economic Zone Private Limited, Quippo Oil and Gas Infrastructure Limited and step down subsidiary companies of Quippo viz. Quippo Prakash Marine Holdings Pte. Ltd., Singapore, Quippo Prakash Pte. Ltd., Singapore, Quippo Holding Cooperatief U.A., Netherlands, Quippo International B.V., Netherlands, Quippo Energy Middle East Limited, Dubai, Quippo Energy Yemen Limited, Yemen, Quippo Mara Infrastructure Limited, British Virgin Islands and Kasco Steel Limited, have become subsidiaries and/or step down subsidiaries of your Company w.e.f. March 04, 2011. Similarly, GoIndustry Quippo Valuers and Auctioneers Private Limited

(GoIndustry) which was a 50:50 joint venture between Quippo and Go Industry Limited, UK has become a Joint Venture between your Company and Go Industry Limited, UK w.e.f. March 04, 2011. Thereafter, the entire shareholding of Go Industry Limited, UK has been acquired by your Company and consequently, GoIndustry has become a 100 per cent subsidiary of your Company w.e.f. March 31, 2011. The name of the company has subsequently changed to "Quippo Valuers and Auctioneers Private Limited" w.e.f. April 16, 2011.

The Statement pursuant to Section 212 of the Companies Act, 1956, containing details of Company's subsidiaries in India and Overseas, forms part of the Annual Report.

In view of the exemption received from Ministry of Corporate Affairs, Government of India vide Letter no. 47/14/2011-CL-III dated January 28, 2011 and in compliance with General Circular No:2/2011 of Government of India, Ministry of Corporate Affairs, the audited statement of accounts along with the reports of the Board of Directors and Auditors relating to your Company's subsidiaries in India and Overseas are not annexed as required under Section 212(8) of the Companies Act, 1956. Shareholders who wish to have a copy of the full report and accounts of the aforesaid subsidiary companies will be provided the same by the Company Secretary on receipt

of a written request from them. These documents will also be available for inspection by any shareholder at the Registered Office of the Company and the concerned subsidiary companies during business hours on all working days. Further, the documents shall be available on the website of your Company. However, as directed by the Ministry of Corporate Affairs, Government of India, the financial data of the subsidiaries have been separately furnished and form part of the Annual Report. Further, in line with the Listing Agreement and in accordance with the Accounting Standard 21 (AS-21), Consolidated Financial Statements prepared by your Company include financial information of its subsidiary companies.

## **PARTICULARS OF EMPLOYEES**

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

During the year under review, the total foreign exchange earnings and expenditure of your Company was ₹238 lakh and ₹10,953 lakh respectively (previous year ₹47 lakh and ₹8,542 lakh respectively).

## SREI WEBSITE

The website of your Company, [www.srei.com](http://www.srei.com), carries a comprehensive database of information of interest to the investors including the financial results of your Company, dividend declared, any price sensitive information disclosed to the regulatory authorities from time to time, analyst / investor presentations, corporate profile and business activities of your Company and the services rendered by your Company to its investors.

## PROMOTER GROUP COMPANIES

Pursuant to intimation from Promoters of your Company, the names of

Promoters and companies comprising the “group” as defined in the Monopolies and Restrictive Trade Practices Act, 1969, have been disclosed in the Annual Report of your Company for the purpose of Regulation 3(1)(e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

## DIRECTORS

During the year under review, Mr. Avinder Singh Bindra was appointed as an Additional Director of your Company w.e.f. January 25, 2011 and he shall hold office upto the date of the ensuing Annual General Meeting. Your Company has received a notice from a member pursuant to Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Mr. Avinder Singh Bindra for the office of Director.

Further, Mr. Sujitendra Krishna Deb was appointed as an Additional Director of your Company w.e.f. May 19, 2011 and he shall hold office upto the date of the ensuing Annual General Meeting. Your Company has received a notice from a member pursuant to Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Mr. Sujitendra Krishna Deb for the office of Director.

Mr. Daljit Mirchandani resigned as Director of your Company w.e.f. August 09, 2010 due to his personal preoccupations. The Board wishes to place on record deep appreciation of

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During the year under review, your Company received approval of the Central Government for payment of remuneration by way of commission to Non-executive Directors of your Company



the contribution, advice and guidance extended by him during his tenure as Director of your Company.

Mr. Kishore Kumar Mohanty resigned as Wholetime Director of your Company w.e.f. close of business hours on January 31, 2011. However, he continued as a Director (Category - Non Executive) of your Company w.e.f. February 01, 2011. The Board wishes to place on record deep appreciation of his contribution during his tenure as a Wholetime Director of your Company.

In accordance with the provisions of the Companies Act, 1956 and your Company's Articles of Association, Mr. S. Rajagopal and Mr. Saud Ibne Siddique retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. All these Directors have filed Form DDA with your Company as required under the Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003. The brief resume / details relating to Directors who are to be appointed / re-appointed are furnished in the Notice of the Annual General Meeting.

During the year under review, your Company received approval of the Central Government for payment of remuneration by way of commission to Non-executive Directors of your Company of an aggregate maximum amount not exceeding 1 (one) percent of the net profits of your Company in

any financial year (computed in the manner referred to in Section 198 and 309(4) of the Companies Act, 1956) or ₹50,00,000/- (Rupees Fifty Lakh only), whichever is less for a period of three financial years w.e.f. 2010-11.

In accordance with the approval of Central Government, your Company paid remuneration of ₹50 lakh by way of commission on net profits calculated under Section 198 of the Companies Act, 1956, to Non-executive Directors of your Company for the financial year 2010-11.

## AUDIT COMMITTEE

The Audit Committee comprises of Mr. Salil K. Gupta, Mr. V. H. Pandya, Mr. S. Rajagopal, Mr. Sujitendra Krishna Deb, Independent & Non Executive Directors and Mr. Sunil Kanoria, Non Executive Director. Mr. Salil K. Gupta, Chief Mentor & Director of your Company is the Chairman of the Audit Committee.

## DIRECTORS' RESPONSIBILITY 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 financial year ended March 31, 2011, 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 judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for the 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 your Company and for preventing and detecting fraud and other irregularities; and
- (iv) The Directors have prepared the annual accounts for the financial year ended March 31, 2011 on a going concern basis.

## AUDITORS

Messrs Haribhakti & Co., Chartered Accountants having registration No. 103523W allotted by The Institute of Chartered Accountants of India (ICAI), retire as Auditors of your Company at the conclusion of the ensuing Annual General Meeting (AGM) and have confirmed their eligibility and willingness to accept the office of Auditors, if re-appointed. The Audit Committee and the Board of Directors of your Company recommend the re-appointment of Messrs Haribhakti & Co., Chartered Accountants, as the Auditors of your Company. Members are requested to consider their re-appointment as Auditors of your Company to hold office from conclusion of ensuing AGM to the conclusion of next AGM on remuneration to be decided by the Board of Directors based on recommendation of the Audit

Committee of your Company.

## ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the excellent support and co-operation received from the Financial Institutions, Banks, Central & State Government Authorities, Reserve Bank of India, Securities & Exchange Board of India, Indian and Overseas Stock Exchanges, Credit Rating Agencies, Customers, Manufacturers, Vendors, Suppliers, Shareholders 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**



**Hemant Kanoria**  
**Chairman & Managing Director**

Kolkata, 19th May 2011

## 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 March 31, 2011 and forming part thereof.

Sl. No.	Name	Age (Yrs.)	Designation	Qualification	Remuneration (₹)	Date of Commencement of Employment	Working experience in years	Previous Employment
1	Hemant Kanoria	48	Chairman & Managing Director	B.Com (Hons)	23,845,820	07-05-1994	31	Not Applicable
2	Saud Ibne Siddique	52	Joint Managing Director	B.Sc (Engg), MBA	32,538,613	01-04-2009	27	Hyflux Water Management Pte. Ltd., Singapore
3	Kishore Kumar Mohanty *	53	Wholetime Director	B.Tech, MBA	7,598,675	18-03-1995	36	Orissa State Financial Corporation
4	Sanjeev Sancheti	43	Chief Financial Officer	B.Com (Hons), ACA, AICWA	6,584,988	14-11-2007	20	Tebma Shipyards Ltd.
5	Anjan Mitra *	50	Chief Investment Officer	B.Com, CA	7,502,677	03-05-2010	28	Byrne Investments Ltd.
6	Ratiranjana Mandal	61	Infrastructure Advisory : CEO	B.Tech, M.Tech, Ph.D., PG in Project Mgmt.	7,279,808	01-12-2005	35	Govt. of India (Planning Commission)
7	Shailesh Pathak *	46	Infrastructure Advisory : President	B.Com, MBA, LLB	2,576,518	15-12-2010	25	Principle Indian Infrastructure Fund
8	Kamal Kumar Verma *	40	Infrastructure Project Development : CEO	B.Tech (Civil), MBA	1,469,267	03-03-2011	22	Essar Project (India) Ltd.

\*denotes that the person was in employment for part of the year

- Notes:**
- 1) The aforesaid appointments are contractual and are terminable by giving one / three / six months notice by either side.
  - 2) Remuneration includes basic salary, HRA, special allowance, commission, ex-gratia, LTA, medical, leave encashment, employer's contribution to provident fund, incentives and other perquisites.
  - 3) Mr. Hemant Kanoria is related to Mr. Sunil Kanoria, a Director of the Company.
  - 4) None of the employees hold 2 per cent or more of the paid-up share capital of the Company.



# Certificate by Chief Executive Officer (CEO) and Chief Financial Officer (CFO)

The Board of Directors

May 19, 2011

## **Srei Infrastructure Finance Limited**

'Vishwakarma'

86C Topsia Road (South)

Kolkata – 700 046

We, Saud Ibne Siddique, Joint Managing Director (CEO) and Sanjeev Sancheti, Chief Financial Officer (CFO) of Srei Infrastructure Finance Limited both certify to the Board that we have reviewed the financial statements of the Company for the financial year ended March 31, 2011 and to the best of our knowledge and belief, we certify that –

1. The Statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; that the Statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are no fraudulent or illegal transactions.
3. For the purposes of financial reporting, we accept the responsibility for establishing and maintaining the internal controls which are monitored by the Company's Internal Audit Team and have evaluated based on feedbacks received from the Company's Internal Audit Team, the effectiveness of the internal control systems of the Company pertaining to financial reporting and have reported to the Auditors and the Audit

Committee, the deficiencies, if any, in the operation and design of such internal controls.

4. We have indicated to the Auditors and the Audit committee:
  - (i) significant changes, if any in the internal controls over financial reporting during the year;
  - (ii) significant changes, if any in accounting policies made during the year and the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud, if any of which we have become aware and the involvement therein, if any of the management or an employee having a significant role in the Company's internal control system over financial reporting.

**Saud Ibne Siddique**

Joint Managing Director (CEO)

**Sanjeev Sancheti**

Chief Financial Officer (CFO)

# Auditors' Certificate on Corporate Governance

To

The Members,

## **Srei Infrastructure Finance Limited**

We have examined the compliance of conditions of Corporate Governance by Srei Infrastructure Finance Limited, for the year ended on March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, we certify that the Company has

complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **Haribhakti & Co.**

Chartered Accountants

(Firm Registration No.103523W)

**Anand Kumar Jhunjunwala**

Partner

Place : Kolkata

Dated : May 19, 2011

Membership No.056613



# Report on Corporate Governance

Corporate Governance is the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the Organisation. Good Corporate Governance leads to long term shareholder value and enhances interest of other stakeholders.

Srei is committed to the adoption of and adherence to the best Corporate Governance practices at all times and continuously benchmarks itself against each such practice in the industry. Srei understands and respects its fiduciary and trusteeship role and responsibility to its stakeholders and strives hard to meet their expectations. Srei believes that Corporate Governance is a journey for constantly improving sustainable value creation and is an upward moving target. Over the years, the governance processes and systems have therefore been strengthened at Srei.

The Company's Equity shares are presently listed on three Stock Exchanges in India and the Global Depository Receipts (GDRs) are listed on London Stock Exchange. Srei has

complied in all material respects with the features of Corporate Governance Code as per Clause 49 of the Listing Agreement with the domestic Stock Exchanges. In accordance with Clause 49 of the Listing Agreement with the domestic Stock Exchanges, the details of compliances by the Company for the year ended March 31, 2011 are as under:

## A. MANDATORY REQUIREMENTS

### 1. Company's philosophy on Code of Governance

The Company has endeavoured to benchmark itself against global standards in all areas, including Corporate Governance. Good Corporate Governance implies optimum utilisation of the resources and ethical behaviour of the enterprise to enhance the shareholders' value with strong emphasis on transparency, accountability and integrity, which are the primary objectives of Srei.

### 2. Board of Directors

#### ■ Composition

The Board has strength of 10 (Ten) Directors as on March 31, 2011. The

Board comprises of Executive, Non-Executive and Independent Directors. Three Directors are Non-Executive Directors, two Directors are Executive Directors (including the Chairman) and five Directors are Non-Executive and Independent Directors.

None of the Directors on the Board is a member of more than 10 committees and Chairman of more than 5 committees across all companies in which he is a Director. All the Directors have made necessary disclosures regarding committee positions occupied by them in other companies.

The Company has taken a Directors' and Officers' Liability Insurance Policy in order to safeguard and protect the interests of the Directors' from any contingent liabilities.

The Composition of the Board of Directors as on March 31, 2011 is in conformity with the provisions of Clause 49 of the Listing Agreement. The details of the Board of Directors as on March 31, 2011 are follows :

Sl. No.	Directors	Category
1.	Mr. Salil K. Gupta (Chief Mentor)	Non-Executive & Independent
2.	Mr. Hemant Kanoria (Chairman)	Chairman & Managing Director
3.	Mr. Sunil Kanoria (Vice Chairman)	Non-Executive
4.	Mr. V. H. Pandya	Non-Executive & Independent
5.	Mr. S. Rajagopal	Non-Executive & Independent
6.	Mr. S. Chatterjee	Non-Executive
7.	Dr. Satish C. Jha	Non-Executive & Independent
8.	Mr. Avinder Singh Bindra*	Non-Executive & Independent
9.	Mr. Daljit Mirchandani**	Non-Executive & Independent
10.	Mr. Saud Siddique	Joint Managing Director
11.	Mr. K. K. Mohanty***	Non-Executive

\*Appointed w.e.f. January 25, 2011

\*\*Resigned w.e.f. August 09, 2010

\*\*\*Resigned as Wholetime Director w.e.f. close of business hours on January 31, 2011 and continues to act as a Director (Category - Non-Executive) w.e.f. February 01, 2011

Mr. Hemant Kanoria, Mr. Sunil Kanoria and Mr. K. K. Mohanty hold 421732, 1802714 and 363948 Equity shares in the Company respectively as on March 31, 2011. None of the other directors hold any Equity shares in the Company. The shareholding of Mr. Sunil Kanoria is locked-in for a period of three years till March 17, 2014.

In terms of Clause 4.11 of the Scheme of Amalgamation of Quippo Infrastructure Equipment Limited (Quippo) into and with the Company, fractional entitlements comprising of 3005 Equity shares arising out of the bonus issue were allotted cumulatively to Mr. Salil K. Gupta, Independent Director of the Company who held the said fractional entitlement shares in trust as trustee for the members entitled thereto, and had thereafter sold the said fractional bonus shares and paid

to the Company the net sale proceeds thereof, for distributing to the members in proportion to and in lieu of their respective fractional entitlements. The aforesaid net sale proceeds have thereafter been distributed to the respective members in March, 2011.

Mr. Salil K. Gupta, Mr. V. H. Pandya and Mr. S. Rajagopal, Independent Directors of the Company are holding 4,86,00,000 Equity shares (allotted to the Company in terms of Clause 4.10 of the Scheme in lieu of 1,80,00,000 Equity shares held by the Company in Quippo) for the benefit of the Company and/or the shareholders of the Company as Trustees of 'Srei Growth Trust'. These shares are locked-in for a period of three years till March 17, 2014.

All the Independent Directors of the

Company furnish a declaration at the time of their appointment as also annually that they qualify the tests of their being independent as laid down under Clause 49. All requisite declarations were placed before the Board.

Except Mr. Hemant Kanoria and Mr. Sunil Kanoria, no Director of the Company is related to any other Director on the Board.

#### ■ Number of Board meetings held and the dates on which held

Five Board meetings were held during the year 2010-11 on May 11, 2010, June 28, 2010, August 09, 2010, October 28, 2010 and January 25, 2011. The maximum time gap between any two consecutive meetings did not exceed four months.

■ Attendance of each Director at Board meetings and at the last AGM

Directors	No. of Board meetings attended	Attendance at the last AGM held on August 09, 2010
Mr. Salil K. Gupta	5	Yes
Mr. Hemant Kanoria	5	Yes
Mr. Sunil Kanoria	4	Yes
Mr. V. H. Pandya	5	Yes
Mr. S. Rajagopal	5	Yes
Mr. S. Chatterjee	5	Yes
Dr. Satish C. Jha	3	No
Mr. Avinder Singh Bindra*	1	N.A.
Mr. Daljit Mirchandani**	1	No
Mr. Saud Siddique	5	Yes
Mr. K. K. Mohanty***	4	Yes

\*Appointed w.e.f. January 25, 2011

\*\*Resigned w.e.f. August 09, 2010

\*\*\*Resigned as Wholetime Director w.e.f. close of business hours on January 31, 2011 and continues to act as a Director (Category - Non-Executive) w.e.f. February 01, 2011

■ Number of other Companies or Committees in which the Director is a Director / Chairman

The following table gives the number of outside directorships and the Committee positions held by each of the Directors as on March 31, 2011 -

Directors	No. of Directorship in other Companies (other than Srei Infrastructure Finance Limited)		No. of Committee positions held in Indian Public Limited Companies (other than Srei Infrastructure Finance Limited)	
	Indian Public Limited Companies	Others	Chairman	Member
Mr. Salil K. Gupta	1	1	-	1
Mr. Hemant Kanoria	7	6	2	2
Mr. Sunil Kanoria	7	7	-	6
Mr. V. H. Pandya	4	-	2	-
Mr. S. Rajagopal	9	5	2	4
Mr. S. Chatterjee	1	1	-	-
Dr. Satish C. Jha	2	-	-	1
Mr. Avinder Singh Bindra*	-	3	-	-
Mr. Saud Siddique	2	1	-	-
Mr. K. K. Mohanty**	4	2	-	1

\*Appointed w.e.f. January 25, 2011

\*\*Resigned as Wholetime Director w.e.f. close of business hours on January 31, 2011 and continues to act as a Director (Category - Non-Executive) w.e.f. February 01, 2011

### 3. Audit Committee

#### ■ Terms of Reference, Composition, Name of Members and Chairman

The Audit Committee comprises of Mr. Salil K. Gupta, Mr. V. H. Pandya, Mr. S. Rajagopal, Independent & Non-Executive Directors and Mr. Sunil Kanoria, Non-Executive Director. Mr. Salil K. Gupta, Chief Mentor & Director of the Company is the Chairman of the Audit Committee. All the members of the Audit Committee are financially literate. The Head of Internal Audit Department and the Chief Financial Officer attends the meetings of the Audit Committee and the Company Secretary acts as the Secretary to the Audit Committee. The Committee also invites senior

executives, as it considers appropriate to be present at the meetings of the Committee. The Terms of Reference of this Committee includes ensuring proper disclosures in the financial statements, recommending re-appointment of statutory auditors and fixation of their remuneration, reviewing annual financial statements before submission to the Board, reviewing adequacy of internal control systems and other matters specified for Audit Committee in Section 292A of the Companies Act, 1956 and under the Listing Agreements. The Chairman of the Audit Committee was present at the last Annual General Meeting of the Company to answer shareholder queries.

#### ■ Meetings and attendance during the year

Five meetings of the Audit Committee were held during the year 2010-11 on May 11, 2010, June 28, 2010, August 09, 2010, October 28, 2010 and January 25, 2011. The attendance of each member of the Committee is given below :

Members	No. of Meetings attended
Mr. Salil K. Gupta	5
Mr. Sunil Kanoria	4
Mr. V. H. Pandya	5
Mr. S. Rajagopal	5

### 4. Remuneration of Directors

■ Details of remuneration paid/payable to Directors for the year ended March 31, 2011 are as follows: (Amount in Rupees)

Directors	Sitting Fees*	Salary & Perquisites <sup>1</sup>	Commission <sup>2</sup>	Total
Mr. Salil K. Gupta (Chief Mentor)	2,22,500	-	15,00,000	17,22,500
Mr. Hemant Kanoria (Chairman & Managing Director)	N.A.	170,45,820	60,00,000	230,45,820
Mr. Sunil Kanoria (Vice Chairman)	2,00,000	-	10,00,000	12,00,000
Mr. V. H. Pandya	87,500	-	5,00,000	5,87,500
Mr. S. Rajagopal	87,500	-	5,00,000	5,87,500
Mr. S. Chatterjee	55,000	-	5,00,000	5,55,000
Dr. Satish C. Jha	30,000	-	5,00,000	5,30,000
Mr. Avinder Singh Bindra**	10,000	-	5,00,000	5,10,000
Mr. Daljit Mirchandani***	10,000	-	-	10,000
Mr. Saud Siddique (Joint Managing Director)	N.A.	3,27,21,775	-	3,27,21,775
Mr. K. K. Mohanty#	N.A.	77,84,008	-	77,84,008

\* includes sitting fees paid for various Board Committee meetings

\*\* Appointed w.e.f. January 25, 2011

\*\*\* Resigned w.e.f. August 09, 2010

# Resigned as Wholetime Director w.e.f. close of business hours on January 31, 2011 and continues to act as a Director (Category - Non-Executive) w.e.f. February 01, 2011

1 includes basic salary, incentives, allowances, contribution to provident fund, leave encashment and other perquisites

2 The Commission for the year ended March 31, 2011 will be paid, subject to deduction of tax after adoption of the accounts by the members at the ensuing Annual General Meeting

- The appointment of Managing Director, Joint Managing Director and Wholetime Director is governed by resolutions passed by the Board of Directors and the Shareholders of the Company, which covers the terms and conditions of such appointment, and approval of Central Government, wherever applicable. Payment of remuneration to Managing Director, Joint Managing Director and Wholetime Director is governed by the respective Agreements executed between them and the Company, and approval of Central Government, wherever applicable. The agreement with the Joint Managing Director has been entered into by the Company for a period of 3 (Three) years w.e.f. April 01, 2009 whereas the agreement with the Managing Director and Wholetime Director has been entered into by the Company for a period of 5 (Five) years w.e.f. April 01, 2010. Mr. K. K. Mohanty resigned as Wholetime Director of the Company w.e.f. close of business hours on January 31, 2011 and continues to act as a Director (Category - Non-Executive) of the Company w.e.f. February 01, 2011.
- The Non-Executive Directors are paid remuneration by way of Sitting Fees for each meeting of the Board or any Committee thereof attended by them. However, the members of the Company at their meeting held on August 09, 2010 as well as the Central Government vide its letter dated March 04, 2011 have approved payment of commission to Non-Executive Directors of the

Company annually for each of the three financial years of the Company commencing from Financial Year 2010-11, upto a maximum limit of ₹50 lakh payable in one financial year to be divided amongst Non-Executive Directors in such manner as may be decided by the Board from time to time. No pecuniary transactions have been entered into by the Company with any of the Non-Executive Directors of the Company, save and except the payment of sitting fees and commission to them.

- The remuneration by way of commission to the Non-Executive Directors is decided by the Board of Directors and distributed to them based on their attendance and contribution at the Board and certain Committee meetings as well as time spent on operational matters other than at the meetings.

### 5. Code of Conduct for Directors and Senior Executives

A Code of Ethics as applicable to the Directors and Senior Executives has been approved by the Board. The said Code has also been displayed on the Company's website [www.srei.com](http://www.srei.com). The Board members and Senior Executives have affirmed their compliance with the Code and a declaration signed by the Chairman & Managing Director (CEO in terms of Clause 49) is given below:

It is hereby declared that the Company has obtained from all the Board members and Senior Executives an affirmation that they have complied with the Code of Ethics

for the financial year 2010-11.

sd/-

**Hemant Kanoria**

Chairman & Managing Director

### 6. Share Transfer and Investors' Grievance Committee

#### ■ Details of the Members, Compliance

##### Officer and No. of Complaints received

To expedite the process of share transfers, the Board of the Company has delegated the power of share transfers to the Share Transfer and Investors' Grievance Committee. The Share Transfer and Investors' Grievance Committee meets at least once in a fortnight to approve share transfer and other matters. The Committee comprises Mr. Salil K. Gupta, Chief Mentor & Director, Mr. Hemant Kanoria, Chairman & Managing Director and Mr. Sunil Kanoria, Vice Chairman & Non-Executive Director of the Company. Mr. Salil K. Gupta, Chief Mentor & Director of the Company is the Chairman of the Share Transfer and Investors' Grievance Committee. During the year 2010-11, the Share Transfer and Investors' Grievance Committee met 27 times. Mr. Sandeep Lakhota, Company Secretary is the Compliance Officer of the Company and assigned with the responsibilities of overseeing investor grievances.

Total number of shares physically transferred during the year 2010-11 was 13,118 shares compared to 9,680 shares during the year 2009-10.

During the financial year ended March 31, 2011, the Company received 19 complaints from the shareholders and none of the complaints received were pending as on that date.

The Company has formulated and put in place a comprehensive Investor Grievance Redressal Policy during the financial year 2010-11 prescribing the standards of shareholders' service & grievance redressal procedure and mechanism to be adhered to by the Registrar and Share Transfer Agents as well as the Company.

The Company has taken an initiative in fiscal year 2010-11 to send regular emails to the shareholders keeping them abreast of all the latest events, press releases and corporate announcements that are made by the Company from time to time. Weekly emails to new shareholders intimating corporate profile, annual reports and investor presentation and quarterly emails to all shareholders intimating financial results are being sent to those shareholders who have registered their email addresses with their respective Depository Participants (DP). In the wake of electronic regime being the order of the day, all shareholders are requested to update their email addresses with their respective Depository Participants (DP) to enable the Company to service them better.

Apart from the Audit Committee and Share Transfer and Investors' Grievance Committee, the Company inter alia has various other Committees like

Committee of Directors, Risk Committee, Central Credit & Investment Committee, Compensation Committee and Asset Liability Management Committee.

## 7. General Body Meetings

### ■ Details of the location of the last three AGMs and the details of the resolutions passed

The date, time and venue of the last three AGMs of the Company have been provided in the section on Shareholders' Information in the Annual Report. All the resolutions set out in the respective Notices were passed by the Shareholders.

No Special Resolution requiring a postal ballot was placed before the last Annual General Meeting of the Company held on August 09, 2010.

Similarly, no Special Resolution requiring a postal ballot is being proposed at the ensuing Annual General Meeting of the Company.

## 8. Disclosures

### ■ Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large

No transaction of material nature has been entered into by the Company with its directors or management and their relatives, etc. that may have a potential conflict with the interests of the

Company. The Register of Contracts containing transactions, in which directors are interested, is placed before the Board regularly.

Transactions effected with the related parties are disclosed in Note No. 26 of Schedule 18 to the Accounts in the Annual Report, in accordance with the requirements of Accounting Standard AS 18 issued by The Institute of Chartered Accountants of India.

### ■ Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years

During the last three years, there were no strictures or penalties imposed by either Stock Exchanges or SEBI or any statutory authority for non-compliance of any matter related to the capital markets.

In regard to the Application under Section 633 of the Companies Act, 1956 filed on November 26, 2008 in the Hon'ble Calcutta High Court by the Directors and Company Secretary of the Company, the Ad-interim order of injunction restraining the Regional Director and the Registrar of Companies, West Bengal from instituting or causing to be instituted any proceedings against the Directors and Company Secretary of the Company is still continuing.

### ■ Disclosure of Accounting Treatment

In accordance with the Scheme of

Amalgamation (the Scheme) of Quippo Infrastructure Equipment Limited (Quippo) into and with the Company, excess of the fair value of net assets taken over by the Company, over the paid up value of equity shares issued and allotted to the shareholders of Quippo, being ₹1,37,870 Lakh, has been credited to General Reserves of the Company. Had the Scheme, sanctioned by the Court, not prescribed this accounting treatment, this amount would have been credited to Capital Reserve, with no impact on net profit for the year.

**■ Insider Trading Code**

In accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Board of Directors of the Company has formulated 'Srei Code of Conduct for Prevention of Insider Trading' (Srei Code) in the shares and securities of the Company by its Directors and designated employees.

Mr. Sandeep Lakhota, Company Secretary is the Compliance Officer for monitoring adherence to the Regulations for the preservation of price sensitive information, pre-clearance of

trades and implementation of the Code of Conduct for the prohibition of Insider Trading.

**9. Means of Communication**

The Company regularly interacts with the shareholders through the multiple channels of communication such as publication of results, Annual Report, Press Release and the Company's Website. The Company also informs the Stock Exchanges in a prompt manner, all price sensitive and all such other matters which in its opinion, are material and relevant for the shareholders.

<p>■ Half-yearly report sent to each household of shareholders</p>	<p>Since half-yearly and annual results of the Company are published in prominent English daily newspaper having a nationwide circulation and prominent Bengali daily newspaper (having circulation in Kolkata) and regularly hosted on Company's website, these are not sent individually to the shareholders of the Company. There is no declaration/publication of second half yearly results as the audited annual results are taken on record by the Board and then communicated to the shareholders through the Annual Report.</p>
<p>■ Quarterly results</p>	<p>The Quarterly results of the Company are published in prominent Newspapers having nationwide circulation and regularly hosted on Company's website.</p>
<p>■ Newspapers in which results are normally published</p>	<p>Business Standard and Aajkaal.</p>
<p>■ Any website, where displayed</p>	<p>Yes, at the Company's website <a href="http://www.srei.com">www.srei.com</a></p>
<p>■ Whether it also displays official news releases</p>	<p>Yes</p>
<p>■ The presentations made to institutional investors or to the analysts</p>	<p>Yes</p>
<p>■ Whether MD &amp; A is a part of Annual Report or not</p>	<p>Yes</p>



## 10. General Shareholders' Information

A section on Shareholders' Information is separately provided in the Annual Report.

### B. NON MANDATORY REQUIREMENTS

<p><b>a) Chairman of the Board</b> Whether Non-Executive Chairman is entitled to maintain a Chairman's office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties</p>	Not Applicable as the Company has an Executive Chairman.
<p><b>b) Independent Directors</b> Independent Directors may have a tenure not exceeding, in the aggregate, a period of nine years, on the Board of the Company</p>	Not adopted.
<p><b>c) Remuneration Committee</b></p>	No, but the Company already has a Compensation Committee of the Board in place and the same comprises of majority of non-executive directors; the Chairman of the Committee being an Independent Director. No meeting of the Compensation Committee was held during the year 2010-11. The Chairman of Compensation Committee was present at the last Annual General Meeting of the Company to answer shareholder queries.
<p><b>d) Shareholder rights</b> A half-yearly declaration of financial performance including summary of the significant events in last six-months, may be sent to each household of shareholders</p>	Since half-yearly and annual results of the Company are published in a leading English daily newspaper having a nationwide circulation and a Bengali daily newspaper (having circulation in Kolkata) and regularly hosted on Company's website, these are not sent individually to the shareholders of the Company. There is no declaration/publication of second half yearly results as the audited annual results are taken on record by the Board and then communicated to the shareholders through the Annual Report.
<p><b>e) Audit qualifications</b> Company may move towards a regime of unqualified financial statements</p>	The Company is in the regime of unqualified financial statements.

<p><b>f) Training of Board Members</b></p> <p>A Company may train its Board members in the business model of the Company as well as the risk profile of the business parameters of the Company, their responsibilities as directors, and the best ways to discharge them</p>	<p>New Directors appointed by the Board are given formal induction and orientation with respect to the Company’s vision, strategic direction, core values including corporate governance practices, financial matters and business operations.</p> <p>The Board members are also provided with the necessary documents/brochures, reports and internal policies to enable them to familiarise with the Company’s procedures and practices.</p> <p>Periodic presentations are made at the Board and Board Committee Meetings, on business and performance updates of the Company, global business environment, business strategy and risks involved.</p> <p>Updates on relevant statutory changes encompassing important laws are regularly intimated to the Directors.</p>
<p><b>g) Mechanism for evaluating non-executive Board Members</b></p> <p>The performance evaluation of Non-Executive directors could be done by a peer group comprising the entire Board of Directors, excluding the director being evaluated; and Peer Group evaluation could be the mechanism to determine whether to extend/continue the terms of appointment of Non-Executive Directors.</p>	<p>Presently the Company does not have such a mechanism as contemplated for evaluating the performance of Non - Executive Directors.</p>
<p><b>h) Whistle Blower Policy</b></p>	<p>The Company has recently put in place a codified Whistle Blower Policy and employees of the Company are encouraged to escalate to the level of the Audit Committee any issue of concerns impacting and compromising with the interest of the Company and its stakeholders in any way. The Company is committed to adhere to highest possible standards of ethical, moral and legal business conduct and to open communication and to provide necessary safeguards for protection of employees from reprisals or victimisation, for whistle blowing in good faith.</p>

# Shareholders' Information

<b>1. Annual General Meeting</b>	
<b>a. Date and Time</b>	Saturday, the July 30, 2011 at 10.00 a.m.
<b>b. Venue</b>	Science City Mini Auditorium, JBS Haldane Avenue, Kolkata – 700 046
<b>2. Financial Calendar (Tentative)</b>	
<b>a. Financial reporting for 2011-12</b>	
<b>Quarter ending June 30, 2011</b>	On or before August 14, 2011
<b>Quarter/Half year ending September 30, 2011</b>	On or before November 14, 2011
<b>Quarter ending December 31, 2011</b>	On or before February 14, 2012
<b>Year ending March 31, 2012</b>	On or before May 30, 2012
<b>b. Annual General Meeting for the year ending on March 31, 2012</b>	August/September, 2012
<b>3. Book Closure Date</b>	Friday, July 22, 2011 to Saturday, July 30, 2011 (both days inclusive) for payment of Dividend
<b>4. Dividend Payment</b>	Credit/dispatch between August 05, 2011 and August 13, 2011
<b>5. Listing on Stock Exchanges</b>	<p>The Equity Shares and other Securities of the Company are presently listed on the following Stock Exchanges:</p> <ul style="list-style-type: none"> <li>a. The Calcutta Stock Exchange Limited 7, Lyons Range, Kolkata – 700 001</li> <li>b. Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001</li> <li>c. National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051</li> </ul> <p>The Global Depository Receipts (GDRs) issued by the Company are listed and admitted to trading on London Stock Exchange w.e.f. April 21, 2005.</p> <p>The Debt securities of the Company are listed on the Wholesale Debt Market (WDM) Segment of Bombay Stock Exchange Limited (BSE).</p>
<b>6. Listing Fees</b>	<p>Annual Listing fees for 2011-12 have been paid to all the above mentioned domestic and overseas Stock Exchanges.</p> <p>The Company has paid custodial fees for the year 2011-12 to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) on the basis of number of beneficial accounts maintained by them as on March 31, 2011.</p>

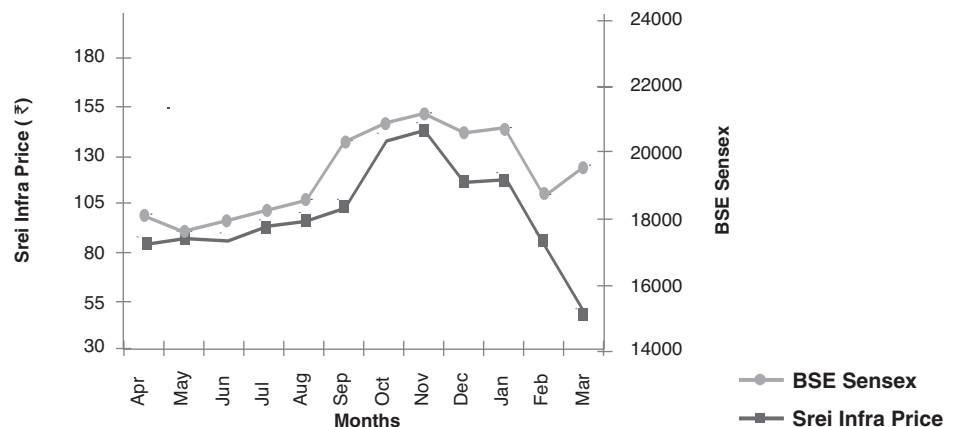
<b>7. ISIN Numbers</b>	Equity Shares - INE872A01014 Unsecured Subordinated Bonds - INE872A10015 Global Depository Receipts (GDRs) - US78465V2043
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<b>8. Stock Codes (Equity Shares &amp; GDRs)</b>	Equity Shares CSE - 29051, BSE - 523756 and NSE - SREINFRA Global Depository Receipts (GDRs) London Stock Exchange - SRI
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<b>9. Stock Market Data</b>	<b>Month</b>	<b>National Stock Exchange</b>		<b>Mumbai Stock Exchange</b>	
		<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
		₹	₹	₹	₹
	April, 2010	85.20	75.00	85.20	75.00
	May, 2010	90.00	74.50	87.90	74.35
	June, 2010	86.85	79.50	86.95	78.75
	July, 2010	92.35	80.30	92.30	80.15
	August, 2010	95.70	82.10	95.80	82.20
	September, 2010	102.70	88.55	102.70	88.50
	October, 2010	136.20	91.80	136.25	91.75
	November, 2010	141.85	92.50	141.90	93.00
	December, 2010	118.70	90.35	117.15	91.00
	January, 2011	116.90	78.25	116.90	78.35
	February, 2011*	85.90	35.75	85.70	35.65
	March, 2011*	48.25	39.25	48.20	40.65

\*Share prices ex-bonus w.e.f. 10.02.2011 (Record Date being 11.02.2011)

**Performance in comparison to BSE Sensex (monthly High)**



<b>10. Registered Office</b>																					
<b>a. Address</b>	"Vishwakarma", 86C Topsia Road (South), Kolkata – 700 046																				
<b>b. Telephone No.</b>	91-33-6160 7734																				
<b>c. Facsimile Nos.</b>	91-33-2285 7542/8501																				
<b>d. Website</b>	www.srei.com																				
<b>e. Email</b>	corporate@srei.com																				
<b>11. Registrar and Share Transfer Agent's details</b>																					
<b>a. Name &amp; Address</b>	Maheshwari Datamatics Private Limited, 6 Mangoe Lane, 2nd Floor, Kolkata - 700 001																				
<b>b. Telephone Nos.</b>	91-33-2243 5029/5809, 2248 2248																				
<b>c. Facsimile No.</b>	91-33-2248 4787																				
<b>d. Email</b>	mdpl@cal.vsnl.net.in																				
<b>12. Financial Year</b>	April 01 to March 31																				
<b>13. Particulars of Past three AGMs</b>	<table border="1"> <thead> <tr> <th>AGM</th> <th>Year</th> <th>Venue</th> <th>Date</th> <th>Time</th> </tr> </thead> <tbody> <tr> <td>25th*</td> <td>2009/10</td> <td>'Science City Mini Auditorium', JBS Haldane Avenue, Kolkata - 700 046</td> <td>09/08/2010 (Monday)</td> <td>10.30 a.m.</td> </tr> <tr> <td>24th**</td> <td>2008/09</td> <td>'Science City Mini Auditorium', JBS Haldane Avenue, Kolkata - 700 046</td> <td>12/09/2009 (Saturday)</td> <td>10.30 a.m.</td> </tr> <tr> <td>23rd***</td> <td>2007/08</td> <td>'Science City Mini Auditorium', JBS Haldane Avenue, Kolkata - 700 046</td> <td>20/09/2008 (Saturday)</td> <td>10.30 a.m.</td> </tr> </tbody> </table> <p>* Two Special resolutions were passed:</p> <ul style="list-style-type: none"> <li>■ To approve holding of an office or place of profit by Dr. Satish C. Jha, Director of the Company in Srei Venture Capital Limited, subsidiary of the Company.</li> <li>■ To approve payment of commission to Non-executive Directors of the Company of an aggregate maximum amount not exceeding one percent of the net profits of the Company in any financial year (computed in the manner referred to in Section 198 and 309(4) of the Companies Act, 1956) or ₹50,00,000/- (Rupees Fifty Lakh only) whichever is less for a period of three financial years from 2010-11 till 2012-13.</li> </ul> <p>** Two Special resolutions were passed:</p> <ul style="list-style-type: none"> <li>■ To approve holding of an office or place of profit by Mr. Saud Ibne Siddique, Joint Managing Director of the Company in Srei Venture Capital Limited, subsidiary of the Company.</li> <li>■ To approve holding of an office or place of profit by Mr. Saud Ibne Siddique, Joint</li> </ul>	AGM	Year	Venue	Date	Time	25th*	2009/10	'Science City Mini Auditorium', JBS Haldane Avenue, Kolkata - 700 046	09/08/2010 (Monday)	10.30 a.m.	24th**	2008/09	'Science City Mini Auditorium', JBS Haldane Avenue, Kolkata - 700 046	12/09/2009 (Saturday)	10.30 a.m.	23rd***	2007/08	'Science City Mini Auditorium', JBS Haldane Avenue, Kolkata - 700 046	20/09/2008 (Saturday)	10.30 a.m.
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Managing Director of the Company in Srei Capital Markets Limited, subsidiary of the Company.

**\*\*\* Three Special resolutions were passed:**

- To approve holding of an office or place of profit by Mr. Hemant Kanoria, Chairman & Managing Director of the Company in Srei Sahaj e-Village Limited, subsidiary of the Company.
- To approve holding of an office or place of profit by Mr. Salil K. Gupta, Chief Mentor & Director of the Company in Srei Sahaj e-Village Limited, subsidiary of the Company.
- To approve payment of commission to Non-executive Directors of the Company of an aggregate maximum amount not exceeding one percent of the net profits of the Company in any financial year (computed in the manner referred to in Section 198 and 309(4) of the Companies Act, 1956) or ₹35,00,000/- (Rupees Thirty Five Lakh only) whichever is less for a period of three financial years from 2008-09 till 2010-11.

**14. Distribution of Shareholding as on March 31, 2011**

Category (Shares)	No. of Shareholders		No. of Shares	
	Total	per cent	Total	per cent
Up to 500	41602	70.49	7448853	1.48
501 to 1,000	9157	15.51	6834529	1.36
1,001 to 2,000	4221	7.15	6498779	1.29
2,001 to 3,000	1060	1.80	2677188	0.53
3,001 to 4,000	873	1.48	3094754	0.62
4,001 to 5,000	419	0.71	1896472	0.38
5,001 to 10,000	884	1.50	6395183	1.27
10,001 and above	802	1.36	468240575	93.07
<b>Total</b>	<b>59018</b>	<b>100.00</b>	<b>503086333</b>	<b>100.00</b>

**15. Dividend History (Last 5 Years)**

Financial Year	Dividend Per Share* ( ₹)	Total Dividend** ( ₹in lakh)
2009-10	1.20	1,625
2008-09	1.00	1,359
2007-08	1.20	1,631
2006-07	1.00	1,274
2005-06	1.65	2,050

\*share of paid up value of ₹10/- per share, \*\*inclusive of dividend distribution tax

### 16. Categories of Shareholders as on March 31, 2011

Category Code	Category of Shareholder	Number of Shareholders	Total Number of Shares	As a Percentage of (A+B+C)
<b>A</b>	Shareholding of Promoter and Promoter Group			
1	Indian	5	64572286	12.84
2	Foreign	1	167937030	33.38
	<b>Total Shareholding of Promoter and Promoter Group</b>	<b>6</b>	<b>232509316</b>	<b>46.22</b>
<b>B</b>	Public Shareholding			
1	Institutions	70	126549632	25.15
2	Non-institutions	58941	144005785	28.62
	<b>Total Public Shareholding</b>	<b>59011</b>	<b>270555417</b>	<b>53.78</b>
<b>C</b>	Shares held by Custodians and against which Depository Receipts have been issued	1	21600	0.00
	<b>GRAND TOTAL (A+B+C)</b>	<b>59018</b>	<b>503086333</b>	<b>100.00</b>

### 17. Equity Share Capital history

The Paid up Capital of the Company consists of 50,30,86,333 Equity shares of ₹10/- each fully paid up and allotted as under :

Date of Allotment	No. of Shares	Issue Price ( ₹per Share)
30.03.1985	2,742	10
27.06.1986	31,600	10
24.05.1987	16,000	10
13.12.1988	5,000	10
30.05.1990	6,08,558	10
20.04.1991	2,56,100	10
31.08.1992	32,20,000	10
13.01.1994	41,40,000	20
13.11.1997	4,54,54,545	22
05.09.1998	27,688	15
01.06.1999	5,500	10
18.04.2005	3,45,94,000	44.38
22.11.2005	2,10,50,056	33
20.02.2006	3,556	37
13.05.2006	880	39

	<b>Date of Allotment</b>	<b>No. of Shares</b>	<b>Issue Price ( ₹per Share)</b>	
	19.02.2007	200	28	
	11.05.2007	400	29	
	08.11.2007	800	41	
	31.03.2008	72,00,000	100	
	05.03.2011	38,69,41,535*	N.A.	
	<b>Total</b>	<b>50,35,59,160</b>		
	<b>Less: Shares forfeited on 14.03.2000</b>	<b>4,72,827</b>		
	<b>Total Shares as on date</b>	<b>50,30,86,333</b>		
	*Equity Shares issued and allotted without consideration being received in cash pursuant to the Scheme of Amalgamation of Quippo Infrastructure Equipment Limited (Quippo) into and with the Company sanctioned by the Hon'ble High Court at Calcutta vide its Order made on January 18, 2011 and effective w.e.f. March 04, 2011			
<b>18. Credit Ratings</b>	<b>Agency</b>	<b>CARE</b>	<b>FITCH</b>	<b>ICRA</b>
	Secured NCDs / Bonds	CARE AA	AA-(ind)	–
	Short term Debt Instruments	PR1+	F1+(ind)	A1+
	Unsecured Subordinated Bonds/ Debts (Tier II Capital)	CARE AA-	AA-(ind)	LA+
	Banking Facilities	CARE AA	–	–
	For Long Term Bank Facilities	PR1+		
	For Short Term Bank Facilities			
	Note: The Company decided not to accept any further public deposits or renew any maturing deposits w.e.f. April 20, 2010. Therefore, at the request of the Company, CARE has withdrawn "CARE AA (FD)" and ICRA has withdrawn "MAA-" Ratings assigned to Fixed Deposit Programme of the Company during financial year 2010-11.			
<b>19. Measures adopted to protect the interests of the Shareholders</b>				
<b>a. Share Transfer Processing</b>	Requests for share transfers are processed and share certificates returned within a time period of 21 days from the date of receipt, subject to the documents being valid and complete in all respects. The Share Transfer and Investors' Grievance Committee meets at			



	<p>least once in a fortnight. During the year 2010-11, the Share Transfer and Investors' Grievance Committee met 27 times. Total number of shares physically transferred during the year 2010-11 was 13,118 Equity shares. There are no legal cases relating to transfer of shares.</p> <p>The Company obtains from a Company Secretary in Practice half-yearly certificate of compliance with the share transfer formalities as required under Clause 47(c) of the Listing Agreement with Stock Exchanges and files a copy of the certificate with the Stock Exchanges.</p>																				
<b>b. Bad Delivery</b>	In case of Bad Delivery, the relevant documents are sent immediately after specifying the defects through a covering letter.																				
<b>c. Redressal of Grievances</b>	Necessary system has been put in place in order to attend with promptness any grievances or queries by the Shareholders. An exclusive email id has also been designated by the Company for prompt redressal of shareholder grievances. The Shareholders can email their queries/grievances to investor.relations@srei.com. The Company has also formulated and put in place a comprehensive Investor Grievance Redressal Policy during the financial year 2010-11.																				
<b>d. Prevention of Fraudulent Transfers</b>	A locking provision is in existence whereby, whenever any intimation is received from the shareholders regarding loss of shares or of any legal dispute, the shares are immediately kept locked so that fraudulent transfer is stalled.																				
<b>e. Dematerialisation of Shares</b>	<p>Based on a SEBI directive, the Equity shares of the Company are permitted to be traded only in dematerialised form and are available for demat under both the Depositories in India - National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).</p> <p>As on March 31, 2011, a total of 19,44,16,736 Equity shares of the Company representing 38.64 per cent of the total Equity Share Capital were held in dematerialised form (92.96 per cent as on March 31, 2010). Pursuant to the Scheme of Amalgamation effective March 04, 2011, 29,40,25,696 Equity shares of the Company were allotted in physical form.</p> <p>The bifurcation of shares held in Physical and Demat form as on March 31, 2011 is given below -</p> <table border="1"> <thead> <tr> <th>Physical / Electronic</th> <th>No. of Holders</th> <th>No. of Shares</th> <th>Per cent</th> </tr> </thead> <tbody> <tr> <td>Physical</td> <td>4193</td> <td>308669597</td> <td>61.35</td> </tr> <tr> <td>NSDL</td> <td>37133</td> <td>162741653</td> <td>32.35</td> </tr> <tr> <td>CDSL</td> <td>17692</td> <td>31675083</td> <td>6.30</td> </tr> <tr> <td><b>Total</b></td> <td><b>59018</b></td> <td><b>503086333</b></td> <td><b>100.00</b></td> </tr> </tbody> </table>	Physical / Electronic	No. of Holders	No. of Shares	Per cent	Physical	4193	308669597	61.35	NSDL	37133	162741653	32.35	CDSL	17692	31675083	6.30	<b>Total</b>	<b>59018</b>	<b>503086333</b>	<b>100.00</b>
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CDSL	17692	31675083	6.30																		
<b>Total</b>	<b>59018</b>	<b>503086333</b>	<b>100.00</b>																		

20. Outstanding GDRs / ADRs / Warrants / any Convertible Instruments, conversion date and likely impact on Equity

**(a) GDRs**

In April, 2005, 86,48,500 Global Depository Receipts (GDRs) were issued by the Company through book building process at a price of US\$ 4.05 per GDR, each GDR representing four underlying Equity shares of the Company. The GDRs are presently listed and traded on the London Stock Exchange. As on March 31, 2011, 21,600 Equity shares of the Company representing 0.004 per cent of the paid up Share Capital of the Company are held as shares underlying the GDRs.

GDR is not a specific time-bound instrument and can be surrendered any time and converted into the underlying equity shares in the Company. The shares so released in favour of the investors upon surrender of GDRs can either be held by the investors concerned in their name or sold off in the Indian secondary markets for cash. To the extent of the shares so sold in Indian markets, GDRs can be reissued under the available head room.

Deutsche Bank Trust Company Americas is the Depository and ICICI Bank Limited is the Custodian of all the Equity Shares underlying the GDRs issued by the Company.

**(b) Shares issued pursuant to Scheme of Amalgamation**

Pursuant to the Scheme of Amalgamation of Quippo Infrastructure Equipment Limited (Quippo) into and with the Company sanctioned by the Hon'ble High Court at Calcutta vide its Order made on January 18, 2011 and effective w.e.f. March 04, 2011, the Company has issued and allotted in March, 2011, 9,29,15,839 Equity Shares of ₹10/- each fully paid up as bonus shares to the Equity shareholders of the Company by way of capitalisation of reserves and 29,40,25,696 Equity Shares of ₹10/- each fully paid up to the shareholders of Quippo. Subsequent to the aforesaid allotment, the paid up share capital of the Company has increased to 50,30,86,333 Equity Shares of ₹10/- each fully paid up.

21. Address for Shareholders' correspondence

The Company Secretary  
Srei Infrastructure Finance Limited  
'Vishwakarma', 86C Topsia Road (South), Kolkata - 700 046  
Email : secretarial@srei.com, investor.relations@srei.com

22. Transfer of Unclaimed amounts to Investor Education and Protection Fund

Pursuant to Section 205C of the Companies Act, 1956, dividends that are unpaid/unclaimed for a period of seven years from the date they became due for payment are required to be transferred by the Company to the Investor Education and Protection Fund (IEPF) administered by the Central Government. Given below are the dates of declaration of dividend and corresponding dates when unpaid/unclaimed dividends are due for transfer to IEPF:

Financial Year	Date of Declaration of Dividend	Due Date of Transfer to IEPF
2003 - 04	August 28, 2004	October 03, 2011
2004 - 05	September 17, 2005	October 23, 2012
2005 - 06	August 19, 2006	September 24, 2013
2006 - 07	September 25, 2007	October 31, 2014
2007 - 08	September 20, 2008	October 26, 2015
2008 - 09	September 12, 2009	October 14, 2016
2009 - 10	August 09, 2010	September 09, 2017

The shareholders are regularly advised to claim the unencashed dividends lying in the unpaid dividend accounts of the Company before the due dates for crediting the same to

	<p>the Investor Education and Protection Fund. Separate letters have been sent on December 31, 2010 and March 31, 2011 to the shareholders who are yet to encash the dividend for the financial year 2003-04 indicating that the unclaimed amount will be transferred to the Investor Education and Protection Fund (IEPF), if not claimed by the shareholders before the due date of transfer to the said Fund.</p> <p>During the year under review, the Company has credited a sum of ₹2,97,913/- to the Investor Education and Protection Fund pursuant to Section 205C of the Companies Act, 1956 read with the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001. Cumulatively, the aggregate dividend amount transferred to the said Fund upto March 31, 2011 stands at ₹24,79,293.69.</p>
<b>23. Nomination</b>	<p>Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be transferable in case of death of the registered shareholder(s). Nomination forms can be obtained from the Company's Registrar and Share Transfer Agent. Nomination facility in respect of shares held in electronic form is available with the depository participants as per bye-laws and business rules applicable to NSDL and CDSL.</p>
<b>24. National Electronic Clearing Service (NECS)</b>	<p>SEBI had vide its Circular No. DCC/FITTCIR-3/2001 dated October 15, 2001 advised that all companies should mandatorily use ECS facility, wherever available. In the absence of ECS facility, companies may use warrants for distributing the dividends and vide its Circular No. D&amp;CC/FITTCIR-04/2001 dated November 13, 2001, SEBI had advised companies to mandatorily print the Bank Account details furnished by the Depositories, on the dividend warrants. This ensures that the dividend warrants, even if lost or stolen, cannot be used for any purpose other than for depositing the money in the accounts specified on the dividend warrants and ensures safety for the investors. However, members who wish to receive dividend in an account other than the one specified while opening the Depository Account, may notify their DPs about any change in the Bank Account details. Remittance of money through Electronic Clearing System (ECS) has been replaced by National Electronic Clearing Service (NECS) with effect from October 01, 2009. Advantages of NECS over ECS include faster credit to the beneficiary's account and ease of operations for the remitting agency.</p>
<b>25. Reconciliation of Share Capital Audit</b>	<p>As stipulated by SEBI, a qualified practising Company Secretary carries out an audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the concerned Stock Exchanges. The audit confirms that the total Listed and Paid up Capital is in agreement with the aggregate of the total number of shares in dematerialised form (held with NSDL and CDSL) and total number of shares in physical form.</p>
<b>26. Compliance Officer</b>	<p>Mr. Sandeep Lakhotia Company Secretary "Vishwakarma", 86C Topsia Road (South), Kolkata - 700 046 Tel : 91-33-6160 7734 Fax : 91-33-2285 7542/8501 E-mail : secretarial@srei.com, investor.relations@srei.com</p>

# List of Promoters

List of Promoters of the Company forming part of the same “Group” for the purposes of Regulation 3(1)(e)(i) of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997

Sl. No.	Names
1.	Hemant Kanoria & Family
2.	Sunil Kanoria & Family
3.	Adisri Investment Private Limited and subsidiaries
4.	Bharat Connect Private Limited and subsidiaries
5.	Adhyatma Commercial Private Limited and subsidiaries
6.	Deigratia International Pte Limited
7.	Hari Prasad Kanoria Family Nidhi
8.	Hari Prasad Sanjeev Kumar HUF
9.	Hari Prasad Hemant Kumar HUF
10.	Sujit Kanoria HUF
11.	Hemant Kanoria HUF
12.	Anantraj Kanoria & Family
13.	Raghavraj Kanoria & Family
14.	Champa Devi Kanoria & Family
15.	Sunil Kanoria HUF
16.	Hari Prasad Kanoria & Family
17.	Sangita Kanoria & Family
18.	Divita Kanoria & Family
19.	Sujit Kanoria & Family
20.	Madhulika Kanoria & Family
21.	Sunita Kanoria & Family
22.	Nityashree Kanoria & Family
23.	Sidhishree Kanoria & Family
24.	Avanishree Kanoria & Family
25.	Sanjeev Kanoria HUF
26.	Sanjeev Kanoria & Family
27.	Manisha Lohia & Family
28.	Mukundraj Kanoria & Family
29.	Vatsalraj Kanoria & Family
30.	Any Company / entity promoted by any of the above

Note: Family for this purpose includes spouse, dependent children and parents.

## Auditors' Report

### To the Members, Srei Infrastructure Finance Limited

1. We have audited the attached Balance Sheet of SREI INFRASTRUCTURE FINANCE LIMITED ("the Company") as at March 31, 2011 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) [the 'Order'], issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - i. We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - iii. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - v. On the basis of the written representations received from the directors as on March 31, 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Companies Act, 1956 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, 2011;
    - b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
    - c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**For Haribhakti & Co.**  
Chartered Accountants  
(Firm Registration No.103523W)

**Anand Kumar Jhunjhunwala**

Place : Kolkata

Partner

Date : 19th May, 2011

Membership No. 056613

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, the fixed assets of the Company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
- (c) No fixed assets have been disposed off by the Company during the year.
- (ii) (a) According to the information and explanations given to us, the stock in trade has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of stock in trade followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of stock in trade and no material discrepancies were noticed on physical verification.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions stated in clauses 4 (iii)(a) to (g) of the Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchase of shares and securities held as stock in trade, fixed assets and with regard to the sale of services. During the course of our audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in such internal control system of the Company.
- (v) According to the information and explanations given to us, there were no contracts or arrangements referred to in section 301 of the Companies Act, 1956 during the year that need to have been entered in the register maintained under that section. Accordingly, clauses 4(v) (a) and (b) of the Order are not applicable to the Company.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India, the relevant provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies
- (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) Being a Non-Banking Financial Company, the provisions of clause 4 (viii) of the Order are not applicable to the Company.
- (ix) (a) According to the information and explanations given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues, were in arrears, as at 31st March, 2011 for a period of more than six months from the date they became payable. We were informed that the Company intends to file a writ petition with respect to the amendment made by the Finance Act, 2009, disallowing the provision for diminution in the value of any asset, with retrospective effect from Assessment year 2001-02 for the purpose of determining tax liability as per the provisions of Section 115JB of the Income Tax Act, 1961.
- (c) According to the information and explanations given to us, the dues as on 31st March, 2011 of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute, are as follows:

Name of the Statute	Nature of dues	Amount (₹)	Period to which the amount relates (Financial year)	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	187,824,192	2005-06, 2006-07 and 2007-08	ITAT, New Delhi
Income Tax Act, 1961	Fringe Benefit Tax *	22,594,091	2005-06 to 2008-09	Hon'ble High Court, Calcutta
The Interest Tax Act, 1974	Interest Tax	48,581,167	1999-2000	Hon'ble High Court, Calcutta

\* The Company has challenged the constitutional validity of Fringe Benefit Tax (FBT) before the Hon'ble High Court at Calcutta and the Hon'ble Court has granted interim stay on levy of such FBT on the Company. In view of this, the Company has not provided for any liability against FBT, since it's inception. FBT has since been abolished with effect from 1st April, 2009.

- (x) The Company has no accumulated losses as at the end of the financial year covered by our audit. The Company has not incurred cash losses in the said financial year and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks and debenture holders.
- (xii) In our opinion and according to the information and explanations given to us, the Company has maintained adequate documents and records in cases where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, 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 respect of dealing or trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company in its own name, except to the extent of the exemption granted under Section 49 of the Companies Act, 1956.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions, are not prejudicial to the interest of the Company.
- (xvi) In our opinion and according to the information and explanations given to us, term loans have been prima facie applied for the purposes for which the loans were obtained.
- (xvii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have prima facie not been used during the year for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us and the records examined by us, securities / charges have been created in respect of all debentures issued by the Company during the year, except in respect of debentures which are unsecured in nature.
- (xx) The Company has not raised money by way of public issue during the year.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the management.

For **Haribhakti & Co.**  
Chartered Accountants  
(Firm Registration No.103523W)

**Anand Kumar Jhunjhunwala**  
Partner  
Membership No.056613

Place : Kolkata  
Date : 19th May, 2011

## Balance Sheet as at 31st March, 2011

(₹ in Lakh)

	Schedule	31st March, 2011		31st March, 2010	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	50,324		11,629	
Reserves and Surplus	2	204,989	255,313	67,381	79,010
<b>Loan Funds</b>					
Secured	3	451,856		284,071	
Unsecured	4	77,108	528,964	69,751	353,822
<b>Deferred Tax Liability (Refer Note II 14 of Schedule 18)</b>			6,790		3,440
<b>Total</b>			<b>791,067</b>		<b>436,272</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	5	42,857		10,104	
Less: Depreciation		3,601		1,793	
Net Block			39,256		8,311
Capital Work in Progress (Refer Note II 19 of Schedule 18)			599		-
<b>Investments</b>	6		250,551		70,733
<b>Current Assets, Loans and Advances</b>					
Stock for Trade (Refer Annexure I of Schedule 18)		262		11	
Sundry Debtors	7	4,641		365	
Cash & Bank Balances	8	2,514		5,255	
Other Current Assets	9	5,547		84	
Loans & Advances	10	502,398		359,217	
		515,362		364,932	
Less: Current Liabilities and Provisions					
Current Liabilities	11	8,282		5,628	
Provisions	12	6,419		2,076	
		14,701		7,704	
<b>Net Current Assets</b>			500,661		357,228
<b>Total</b>			<b>791,067</b>		<b>436,272</b>
Significant Accounting Policies and Notes to Financial Statements as per our report of even date	18				

The Schedules referred to above form an integral part of the Balance Sheet.  
This is the Balance Sheet referred to in our report of even date.

For **Haribhakti & Co.**  
Chartered Accountants  
(Regn No. 103523W)

On behalf of the Board of Directors

**Anand Kumar Jhunjunwala**  
Partner  
M. No. 056613

**Hemant Kanoria**  
Chairman & Managing Director

**Salil K. Gupta**  
Chief Mentor & Director

**Sandeep Lakhota**  
Company Secretary

Place : Kolkata  
Date : 19th May, 2011

10 Lakh is equal to 1 Million



**Profit and Loss Account** for the year ended 31st March, 2011

(₹ in Lakh)

	Schedule	31st March, 2011	31st March, 2010
<b>INCOME</b>			
Income from Operations	13	74,570	46,997
Other Income	14	54	16
<b>Total</b>		<b>74,624</b>	<b>47,013</b>
<b>EXPENDITURE</b>			
Staff Expenses	15	3,022	1,968
Administrative & Other Expenses	16	3,878	3,963
Interest & Finance Charges	17	43,417	24,878
Depreciation	5	1,808	1,014
<b>Total</b>		<b>52,125</b>	<b>31,823</b>
<b>PROFIT BEFORE BAD DEBTS, PROVISIONS AND TAX</b>			
		<b>22,499</b>	<b>15,190</b>
Bad Debts written off		1	289
Provision for Standard Assets (Refer Note II 6 of Schedule 18)		1,196	-
Provision for Premium on Unsecured Subordinated Bonds		88	88
		<b>1,285</b>	<b>377</b>
<b>PROFIT BEFORE TAX</b>			
		<b>21,214</b>	<b>14,813</b>
Provision for Tax:			
- Current Tax		4,185	2,190
- MAT Credit Entitlement		-	(2,190)
- Deferred Tax		3,350	3,440
- Income Tax in respect of Earlier Years		249	224
<b>PROFIT AFTER TAX</b>			
		<b>13,430</b>	<b>11,149</b>
Surplus brought forward from previous year		19,679	12,685
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>			
		<b>33,109</b>	<b>23,834</b>
<b>APPROPRIATIONS</b>			
Special Reserve (As per Reserve Bank of India guidelines)		2,690	2,280
Debt Redemption Reserve (Refer Note II 4 of Schedule 18)		2,228	(50)
General Reserve		-	300
Proposed Dividend		3,773	1,394
Corporate Dividend Tax on Proposed Dividend		627	231
Surplus carried to Balance Sheet		23,791	19,679
<b>Total</b>		<b>33,109</b>	<b>23,834</b>
<b>Earnings Per Equity Share (Basic &amp; Diluted) in ₹</b>			
		<b>5.80</b>	<b>5.33</b>
(Face Value ₹ 10/- per Share)			

Significant Accounting Policies and Notes to Financial Statements  
as per our report of even date

18

The Schedules referred to above form an integral part of the Profit & Loss Account.

This is the Profit & Loss Account referred to in our report of even date.

For **Haribhakti & Co.**

Chartered Accountants  
(Regn No. 103523W)

On behalf of the Board of Directors

**Anand Kumar Jhunjunwala**  
Partner  
M. No. 056613

**Hemant Kanoria**  
Chairman & Managing Director

**Salil K. Gupta**  
Chief Mentor & Director

**Sandeep Lakhotia**  
Company Secretary

Place : Kolkata

Date : 19th May, 2011

10 Lakh is equal to 1 Million

## Cash Flow Statement for the year ended 31st March, 2011

(₹ in Lakh)

	31st March, 2011	31st March, 2010
<b>A. Cash Flows from Operating Activities<sup>1</sup></b>		
<b>Net Profit Before Tax</b>	<b>21,214</b>	<b>14,813</b>
<b>Adjustment for :</b>		
Depreciation	1,808	1,014
Bad Debts written off	1	289
Provision for Standard Assets	1,196	-
Provision for Premium on Unsecured Subordinated Bonds	88	88
Interest Expenses	43,417	24,878
Income from Trade Investments	(28)	(1,185)
Profit on sale of Investments (net)	(70)	(1,123)
Liabilities No Longer Required Now Written Back	(44)	-
Dividend Income	(40)	(143)
Provision for Diminution in value of Stock for Trade	90	7
Provision for Diminution in value of Investments	-	138
<b>Operating Profit before Working Capital Changes</b>	<b>67,632</b>	<b>38,776</b>
<b>Adjustments for:</b>		
(Increase) / Decrease in Receivables/Others	(150,572)	(236,673)
(Increase) / Decrease in Stock for Trade	(341)	26
(Increase) / Decrease in Fixed Deposit (Deposit with original maturity period of more than three months)	(1,593)	22,901
(Decrease) / Increase in Trade Payables	572	2,689
<b>Cash Generated from Operations</b>	<b>(84,302)</b>	<b>(172,281)</b>
Interest Paid (net of foreign exchange fluctuation)	(41,749)	(24,173)
Direct Taxes paid	(3,394)	(2,148)
<b>Net Cash (Used in) / Generated from Operating Activities</b>	<b>(129,445)</b>	<b>(198,602)</b>
<b>B. Cash Flows from Investing Activities</b>		
Purchase of Fixed Assets	(33,191)	(1,290)
(Increase) in Investments	(13,417)	(21,682)
(Increase) of Investments in Subsidiary	(1,990)	(15)
Income from Trade Investments	28	1,185
Dividend Received	40	143
<b>Net Cash (Used) / Generated in Investing Activities</b>	<b>(48,530)</b>	<b>(21,659)</b>
<b>C. Cash Flows from Financing Activities</b>		
Increase/ (Decrease) in Debentures (net)	(21,000)	30,500
Increase/ (Decrease) in Working Capital facilities (net)	149,649	64,007
Increase/ (Decrease) in Other Loans (net)	46,493	125,559
Dividend Paid	(1,393)	(1,160)
Dividend Tax	(231)	(197)
<b>Net Cash (Used) / Generated in Financing Activities</b>	<b>173,518</b>	<b>218,709</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	<b>(4,457)</b>	<b>(1,552)</b>
<b>Cash &amp; Cash Equivalents as on 1st April</b>	<b>4,505</b>	<b>6,057</b>
Less : Cash & Bank Balance transferred as per Scheme of Arrangement	-	-
Cash & Cash Equivalents acquired on Amalgamation (Refer Note II 1 of Schedule 18)	123	-
<b>Cash &amp; Cash Equivalents as on 31st March</b>	<b>171</b>	<b>4,505</b>
<b>Notes:</b>		
<sup>1</sup> The above Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard 3 (AS 3) 'Cash Flow Statements' notified by the Central Government under Companies (Accounting Standards) Rules, 2006		
Cash and Cash Equivalents are represented by:		
Cash in Hand	2	7
In Current Account	169	4,498
<b>Total</b>	<b>171</b>	<b>4,505</b>

Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

This is the Cash Flow Statement referred to in our report of even date.

For **Haribhakti & Co.**  
Chartered Accountants  
(Regn No. 103523W)

On behalf of the Board of Directors

**Anand Kumar Jhunjhunwala**  
Partner

**Hemant Kanoria**  
Chairman & Managing Director

**Salil K. Gupta**  
Chief Mentor & Director

**Sandeep Lakhota**  
Company Secretary

M. No. 056613  
Place : Kolkata  
Date : 19th May, 2011

10 Lakh is equal to 1 million

**Schedules to the Balance Sheet** as at 31st March, 2011

(₹ in Lakh)

	31st March, 2011	31st March, 2010
<b>SCHEDULE 1 - SHARE CAPITAL</b>		
<b>Authorised</b>		
710,000,000 Equity Shares of ₹ 10/- each	71,000	40,000
(Previous year 400,000,000 Equity Shares of ₹ 10/- each)		
10,000,000 Preference Shares of ₹ 100/- each	10,000	30,000
(Previous year 30,000,000 Preference Shares of ₹ 100/- each)		
	<b>81,000</b>	<b>70,000</b>
<b>Issued and Subscribed</b>		
503,559,160 Equity Shares of ₹ 10/- each	50,356	11,661
(Previous year 116,617,625 Equity Shares of ₹ 10/- each)		
<b>Paid up</b>		
503,086,333* Equity Shares of ₹ 10/- each fully paid up	50,309	11,614
(Previous year 116,144,798 Equity Shares of ₹ 10/- each)		
Add : Share Forfeiture Account	15	15
	<b>50,324</b>	<b>11,629</b>

\* of the above equity shares:

(a) 92,915,839 shares (previous year Nil) were allotted as Bonus Shares by capitalisation of Securities Premium (Refer Note II 1 of Schedule 18)

(b) 294,025,696 shares (previous year Nil) were allotted pursuant to Scheme of Amalgamation, without payment being received in cash and includes 48,600,000 shares allotted to 'Srei Growth Trust' (Refer Note II 1 of Schedule 18)

	31st March, 2011		31st March, 2010	
<b>SCHEDULE 2 - RESERVES &amp; SURPLUS</b>				
<b>Capital Reserves</b>				
As per Last Balance Sheet	1,945		165	
Add: Addition during the year	-	1,945	1,780	1,945
Securities Premium Account	29,046		29,046	
Less: Issuance of Bonus shares (Refer Note II 1 of Schedule 18)	9,292	19,754	-	29,046
<b>Other Reserves:</b>				
<b>General Reserve</b>				
As per Last Balance Sheet	1,734		1,434	
Add: Addition on account of Amalgamation (Refer Note II 1 of Schedule 18)	137,870	139,604	300	1,734
<b>Bond/Debt Redemption Reserve (Refer Note II 4 of Schedule 18)</b>				
As per Last Balance Sheet	4,250		4,300	
Add: Addition during the year	3,020		742	
	7,270		5,042	
Less: Reversal due to repayment of Bond/ Debt	792	6,478	792	4,250
<b>Special Reserve as per Reserve Bank of India Guidelines</b>				
As per Last Balance Sheet	10,727		8,447	
Add: Addition during the year	2,690	13,417	2,280	10,727
<b>Profit &amp; Loss Account</b>				
As per Last Balance Sheet	19,679		12,685	
Add: Addition during the year	4,112	23,791	6,994	19,679
	<b>204,989</b>		<b>67,381</b>	

	31st March, 2011	31st March, 2010
<b>SCHEDULE 3 - SECURED LOANS</b>		
Debentures (Refer Note II 3.6 of Schedule 18)	1,700	-
<b>Term Loans:</b>		
Domestic Banks (Refer Note II 3.3 of Schedule 18)	121,925	131,702
Foreign Banks (Refer Note II 3.2 of Schedule 18)	44,590	44,890
Foreign Financial Institutions (Refer Note II 3.2 of Schedule 18)	57,507	30,572
Working Capital Facilities from Banks (Refer Note II 3.1 of Schedule 18)	226,088	76,439
Public Deposits (Refer Note II 3.4 of Schedule 18)	46	468
	<b>451,856</b>	<b>284,071</b>

10 Lakh is equal to 1 Million

## Schedules to the Balance Sheet as at 31st March, 2011

(₹ in Lakh)

	31st March, 2011	31st March, 2010
<b>SCHEDULE 4 - UNSECURED LOANS</b>		
Debentures (Refer Note II 3.6 of Schedule 18)	7,800	30,500
Subordinated Bonds (Refer Note II 2 of Schedule 18)	31,317	27,106
Short Term Loans and Advances: (Refer Note II 3.5 of Schedule 18)		
Domestic Financial Institution	5,000	-
Commercial Paper (Refer Note II 3.7 of Schedule 18)	24,973	11,995
Others	8,018	150
	<b>77,108</b>	<b>69,751</b>

## SCHEDULE 5 - FIXED ASSETS

Particulars	Gross Block				Depreciation / Amortisation				Net Block	
	As of April 1, 2010	Additions during the year	Sales / Adjustments during the year	As of March 31st, 2011	As of April 1, 2010	For the year	Sales / Adjustments during the year	As of March 31st, 2011	As of March 31st, 2011	As of March 31st, 2010
<b>Assets for Own use:</b>										
Freehold Land	224	2,158	-	2,382	-	-	-	-	2,382	224
Buildings	49	11,941	-	11,990	11	111	-	122	11,868	38
Leasehold Improvements	21	1,080	-	1,101	-	26	-	26	1,075	21
Furniture & Fixtures	76	531	-	607	10	23	-	33	574	66
Machinery	140	298	-	438	15	28	-	43	395	125
Motor Vehicle- General	-	23	-	23	-	-	-	-	23	-
<b>Total (A)</b>	<b>510</b>	<b>16,031</b>	<b>-</b>	<b>16,541</b>	<b>36</b>	<b>188</b>	<b>-</b>	<b>224</b>	<b>16,317</b>	<b>474</b>
<b>Intangible Assets:</b>										
Software	20	55	-	75	2	11	-	13	62	18
<b>Total (B)</b>	<b>20</b>	<b>55</b>	<b>-</b>	<b>75</b>	<b>2</b>	<b>11</b>	<b>-</b>	<b>13</b>	<b>62</b>	<b>18</b>
<b>Total (C) = (A+B)</b>	<b>530</b>	<b>16,086</b>	<b>-</b>	<b>16,616</b>	<b>38</b>	<b>199</b>	<b>-</b>	<b>237</b>	<b>16,379</b>	<b>492</b>
<b>Assets for Operating Lease:</b>										
Aeroplane/Aircraft	1,987	-	-	1,987	436	243	-	679	1,308	1,551
Plant & Machinery	7,587	16,667	-	24,254	1,319	1,366	-	2,685	21,569	6,268
<b>Total (D)</b>	<b>9,574</b>	<b>16,667</b>	<b>-</b>	<b>26,241</b>	<b>1,755</b>	<b>1,609</b>	<b>-</b>	<b>3,364</b>	<b>22,877</b>	<b>7,819</b>
<b>Total E = (C+D)</b>	<b>10,104</b>	<b>32,753</b>	<b>-</b>	<b>42,857</b>	<b>1,793</b>	<b>1,808</b>	<b>-</b>	<b>3,601</b>	<b>39,256</b>	<b>8,311</b>
Previous Year	8,814	1,290	-	10,104	779	1,014	-	1,793	8,311	

Note:

i) The Additions during the year include assets received by the Company in the form of freehold land (₹ 2,158 Lakh) and building (₹ 120 Lakh) as sole contributor in a Trust named 'Sunshine Fund' on distribution by the fund.

## Schedules to the Balance Sheet as at 31st March, 2011

### SCHEDULE 6 - INVESTMENTS

#### Fully Paid Up Long Term - At Cost

(₹ in Lakh)

Particulars	Face Value (₹)	Quantity		Amount	
		31st March		31st March	
		2011	2010	2011	2010
<b>I. In Government / Government Guaranteed Securities, Bonds &amp; Units</b>					
<b>(i) Unquoted</b>					
National Saving Certificate (Lodged with Sales Tax authorities)	15,000	-	-	0.15	0.15
				<b>0.15</b>	<b>0.15</b>
<b>(ii) Quoted</b>					
10.65% Andhra Pradesh Power Finance Corporation Loan, 2013	100,000	-	120	-	120.97
7.77% Karnataka State Development Loan, 2015	100	57500	57500	58.36	58.36
7.77% Tamilnadu State Development Loan, 2015	100	16020	16020	16.26	16.26
8.40% Transmission Corporation of Andhra Pradesh Ltd, 2014	1,000,000	1	1	9.92	9.92
11.50% West Bengal Finance Corporation, 2011	100	-	6066	-	6.74
11.50% West Bengal Finance Corporation, 2010	100	-	9099	-	9.99
9.10% West Bengal Infrastructure Development Finance Corporation Ltd., 2016	1,000,000	2	2	20.45	20.45
				<b>104.99</b>	<b>242.69</b>
<b>Sub Total - I</b>				<b>105.14</b>	<b>242.84</b>
<b>II. In Subsidiary Companies - Equity Shares</b>					
<b>Unquoted</b>					
Srei Capital Markets Ltd.	10	5050000	5050000	505.00	505.00
Srei Forex Ltd. (net of provision for diminution ₹ 50 Lakh (Previous year ₹ 50 Lakh))	10	500000	500000	-	-
Srei Venture Capital Ltd.	10	250000	250000	25.00	25.00
Global Investment Trust Ltd.	10	50000	50000	5.00	5.00
Srei Infrastructure Advisors Ltd.	10	500000	500000	50.00	50.00
Srei Sahaj e-Village Ltd.	10	9510000	5100000	951.00	51.00
Controlla Electrotech Private Ltd.	10	35305	35305	707.87	707.87
IIS International Infrastructure Services GmbH, Germany		**	**	3,389.96	3,389.96
Srei Mutual Fund Asset Management Private Ltd.	10	11000000	100000	1,100.00	10.00
Srei Mutual Fund Trust Private Ltd.	10	50000	50000	5.00	5.00
Quippo Oil & Gas Infrastructure Ltd (Refer Note II 1 of Schedule 18)	10	29940000	-	10,409.09	-
Quippo Construction Equipment Ltd (Refer Note II 1 of Schedule 18)	10	50000	-	96.00	-
Quippo Energy Private Ltd (Refer Note II 1 of Schedule 18)	10	1000000	-	20,189.70	-
Mumbai Futuristic Economic Zone Private Ltd (Refer Note II 1 of Schedule 18)	10	10000	-	8,046.60	-
Quippo Valuers & Auctioneers Private Ltd. (Formerly GoIndustry Quippo Valuers & Auctioneers Private Ltd.) (Refer Note II 1 of Schedule 18)	10	200000	-	232.13	-
<b>Sub-Total - II</b>				<b>45,712.35</b>	<b>4,748.83</b>
** There is no system of issuance of distinctive shares in the country of registration.					
<b>III. In Joint Venture - Equity Shares</b>					
<b>Unquoted</b>					
Srei Equipment Finance Private Ltd.	10	25000000	25000000	2,500.00	2,500.00
<b>Sub-Total - III</b>				<b>2,500.00</b>	<b>2,500.00</b>
<b>IV. In Equity Shares</b>					
<b>i) Unquoted - Trade</b>					
New India Co-operative Bank Ltd.	10	573	573	0.06	0.06
Quippo Infrastructure Equipment Ltd. (Refer Note II 1 of Schedule 18)	10	-	18000000	-	1,851.50
National Stock Exchange of India Ltd.	10	57200	57200	2,062.06	2,062.06
TN (DK) Expressways Ltd. (Refer Note 1)	10	13000	13000	1.30	1.30
Madurai Tuticorin Expressways Ltd. (Refer Note 1)	10	19500	19500	1.95	1.95
Guruvayoor Infrastructure Private Ltd. (Refer Note 1)	10	20010000	20010000	2,001.00	2,001.00
Jaora-Nayagaon Toll Road Co. Private Ltd. (Refer Note 1)	10	2800	2800	0.28	0.28
Mahakaleshwar Tollways Private Ltd. (Refer Note 2)	10	5000	5000	0.50	0.50
Diana Capital Ltd.	10	-	87500	-	175.00
Viom Networks Ltd (Formerly Wireless TT Info Services Ltd.) (Refer Note II 1 of Schedule 18)	10	60734888	6451613	137,823.68	10,000.00
Nagpur Seoni Expressway Ltd. (Refer Note 1)	10	4800000	4800000	480.00	480.00
Orbis Power Venture Private Ltd. (Refer Note 3)	10	-	8500	-	0.85
India Power Corporation Ltd. (Refer Note 3)	1	959310000	-	0.85	-
Maharashtra Border Check Post Network Ltd.	10	2500	-	0.25	-
Kurukshetra Expressway Private Ltd. (Refer Note 1)	10	4900	-	0.49	-
Shree Jagannath Expressways Private Ltd (Refer Note 4)	10	4800	-	0.48	-
Orissa Steel Expressways Private Ltd (Refer Note 5)	10	5000	-	0.50	-
Ghaziabad Aligarh Expressway Private Ltd (Refer Note 1)	10	5000	-	0.50	-
Royal Infracore Private Ltd	10	100000	-	10.00	-
Cardinal Logistics Private Ltd (Refer Note II 1 of Schedule 18)	10	1200	-	0.10	-
Quippo Telecom Infrastructure Ltd (Refer Note II 1 of Schedule 18)	10	77550000	-	0.00	-
				<b>142,384.00</b>	<b>16,574.50</b>

10 Lakh is equal to 1 million

## Schedules to the Balance Sheet as at 31st March, 2011

### SCHEDULE 6 - INVESTMENTS

#### Fully Paid Up Long Term - At Cost

(₹ in Lakh)

Particulars	Face Value (₹)	Quantity		Amount	
		31st March		31st March	
		2011	2010	2011	2010
<b>ii) Quoted - Trade</b>					
Alpic Finance Ltd. (net of provision for diminution ₹ 0.01 Lakh (previous year ₹ 0.01 Lakh))	10	100	100	-	-
Apple Finance Ltd. (net of provision for diminution ₹ 0.02 Lakh (previous year ₹ 0.02 Lakh))	10	100	100	-	-
HDFC Bank Ltd.	10	402	402	1.00	1.00
CRISIL Ltd.	10	200	200	0.10	0.10
Hotline Glass Ltd. (net of provision for diminution ₹ 218.34 Lakh (previous year ₹ 218.34 Lakh))	10	8006030	8006030	-	-
Indian Metal & Ferro Alloys Ltd.	10	119615	165596	167.42	231.83
ICICI Bank Ltd. (net of provision for diminution ₹ Nil (previous year ₹ 86.01 Lakh))	10	-	10000	-	95.25
IDFC Ltd.	10	91000	91000	183.35	183.35
Kotak Mahindra Bank Ltd.	10	500	500	0.02	0.02
Mahanagar Telephone Nigam Ltd.	10	-	140000	-	182.80
Power Grid Corporation of India Ltd.	10	8000	14000	9.44	16.53
Tata Steel Ltd.	10	3500	4000	24.83	28.34
				<b>386.17</b>	<b>739.23</b>
<b>iii) Quoted - Non Trade</b>					
New Era Urban Amenities Ltd. (net of provision for diminution ₹ 0.01 Lakh (Previous year ₹ 0.01 Lakh))	10	100	100	-	-
<b>Sub-Total - IV (i+ii+iii)</b>				<b>142,770.17</b>	<b>17,313.73</b>
<b>V. In Subsidiary Companies - Preference Shares</b>					
<b>Unquoted - Trade</b>					
0.1% Non-convertible Cumulative Redeemable Preference Shares, 2019 - Quippo Construction Equipment Ltd.	100	9961	9961	-	-
0.1% Non-convertible Cumulative Redeemable Preference Shares, 2019 - Quippo Energy Private Ltd.	100	2353	2353	-	-
<b>Sub-Total - V</b>				<b>-</b>	<b>-</b>
<b>VI. Interest in a Beneficiary Trust</b>					
Srei Growth Trust (Refer Note II 1 of Schedule 18)				1,851.50	-
<b>Sub-Total - VI</b>				<b>1,851.50</b>	<b>-</b>
<b>VII. In Bonds/Debentures/Units</b>					
<b>i) Quoted - Trade</b>					
Morgan Stanley Mutual Fund	10	2000	2000	0.20	0.20
Unit Trust of India	10	400	400	0.04	0.04
				<b>0.24</b>	<b>0.24</b>
<b>ii) Unquoted - Trade</b>					
India Global Competitive Fund	100	3875000	3875000	3,875.00	3,875.00
Infrastructure Project Development Fund	100	13319900	13219900	13,319.90	13,219.90
Infrastructure Project Development Capital	100	17182130	9987800	17,182.13	9,987.80
Medium and Small Infrastructure Fund	100	280000	700000	280.00	700.00
Sunshine Fund	100	-	2250500	-	2,250.50
Prithvi Infrastructure Fund	100	11499000	9999000	11,499.00	9,999.00
Infra Construction Fund	100	11456800	5898800	11,456.80	5,898.80
				<b>57,612.83</b>	<b>45,931.00</b>
<b>Sub-Total - VII (i+ii)</b>				<b>57,613.07</b>	<b>45,931.24</b>
<b>TOTAL = I + II + III + IV + V + VI + VII</b>					
Less: Amortisation of Premium/Discount on Government Securities				1.47	4.00
				<b>250,550.76</b>	<b>70,732.64</b>
Aggregate Book Value of Quoted Investments				<b>489.93</b>	<b>978.16</b>
Aggregate Market Value of Quoted Investments				<b>22,539.23</b>	<b>1,871.47</b>
Aggregate Book Value of Unquoted Investments				<b>250,060.83</b>	<b>69,754.48</b>

#### Note:

- (1) Under Pledge With Bank.
- (2) 2,550 equity shares of Mahakaleshwar Tollways Private Ltd. are under Pledge with Bank.
- (3) The equity shares of India Power Corporation Ltd. have been allotted against Company's holding in Orbis Power Venture Private Ltd., pursuant to Scheme of Amalgamation between Orbis Power Venture Private Ltd. and India Power Corporation Ltd. as sanctioned by Hon'ble High Court at Calcutta vide order dated 2nd March 2011.
- (4) 3,308 equity shares of Shree Jagannath Expressways Private Ltd. are under Pledge with Bank.
- (5) 4,900 equity shares of Orissa Steel Expressways Private Ltd. are under Pledge with Bank.
- (6) Refer Note II 24 of Schedule 18 for movement in Investments.

10 Lakh is equal to 1 million

## Schedules to the Balance Sheet as at 31st March, 2011

(₹ in Lakh)

	31st March, 2011	31st March, 2010
<b>SCHEDULE 7 - SUNDRY DEBTORS</b>		
Sundry Debtors - Operating Lease (Secured, Considered good)		
- Debts outstanding for a period exceeding six months	-	-
- Other Debts	-	36
Sundry Debtors - Others (Unsecured, Considered good)		
- Debts outstanding for a period exceeding six months	1,274	-
- Other Debts	3,367	329
	<b>4,641</b>	<b>365</b>
<b>SCHEDULE 8 - CASH AND BANK BALANCES</b>		
Cash in hand	2	7
Balances with Scheduled Banks		
- In Unclaimed Dividend Accounts	37	36
- In Current Accounts	132	4,462
- In Fixed Deposits [includes ₹ 2,343 Lakh under lien (previous year ₹ 750 Lakh)]	2,343	750
	<b>2,514</b>	<b>5,255</b>
<b>SCHEDULE 9 - OTHER CURRENT ASSETS</b>		
Interest accrued but not due on Loan/ Investments/ Fixed deposits	5,547	84
	<b>5,547</b>	<b>84</b>
<b>SCHEDULE 10 - LOANS &amp; ADVANCES</b>		
Secured, Considered Good:		
- Loans - Subsidiary Companies (Refer Note II 21 of Schedule 18)	43,782	5,710
- Loans - Others (Refer Note II 9 of Schedule 18)	428,347	171,785
- Advance for Operating Lease Assets	354	140,030
Unsecured, Considered Good:		
- Loans - Subsidiary Companies (Refer Note II 21 of Schedule 18)	482	1,490
- Loans - Others	5,282	14,172
Advances recoverable in cash or in kind or for value to be received:		
- Advance Tax [net of provision for tax for ₹ Nil (previous year ₹ 3,700 Lakh)]	-	781
- MAT Credit Entitlement	2,401	2,401
Unsecured, Considered Good:		
- Advances - Subsidiary Companies (Refer Note II 21 of Schedule 18)	2,400	2,411
- Advances - Others	19,350	20,437
	<b>502,398</b>	<b>359,217</b>
<b>SCHEDULE 11 - CURRENT LIABILITIES</b>		
Sundry Creditors for Operating Lease Assets		
- total outstanding dues of micro, small and medium enterprises	-	-
- total outstanding dues of creditors other than micro, small and medium enterprises	161	-
Sundry Creditors - Others		
- total outstanding dues of micro, small and medium enterprises	-	-
- total outstanding dues of creditors other than micro, small and medium enterprises	71	18
Amounts to be credited to Investor Education and Protection Fund*		
- Unpaid dividend	37	36
- Unpaid matured deposits	42	52
Other liabilities	4,888	4,265
Interest accrued but not due on borrowings	3,083	1,257
	<b>8,282</b>	<b>5,628</b>
* There is no amount overdue as at Balance Sheet date		
<b>SCHEDULE 12 - PROVISIONS</b>		
Provision for Taxation [net of Advance tax/Tax deducted at source ₹ 7,878 lakh (previous year ₹ Nil)]	257	-
Proposed Dividend	3,773	1,394
Provision for Corporate Dividend Tax	627	231
Provision for Non Performing Assets	-	-
Contingent Provisions against Standard Assets as per the norms of Reserve Bank of India (Refer Note II 6 of Schedule 18)	1,195	-
Provision for Employee Benefits	389	203
Provision for Premium on Unsecured Subordinated Bonds	178	248
	<b>6,419</b>	<b>2,076</b>

## Schedules to the Profit and Loss Account for the year ended 31st March, 2011

(₹ in Lakh)

	31st March, 2011	31st March, 2010
<b>SCHEDULE 13 - INCOME FROM OPERATIONS</b>		
[Gross, including tax deducted at source ₹ 2,415 Lakh (previous year ₹ 2,268 Lakh)]		
Income from Loans	60,273	38,586
Income from Leases	2,428	898
Fee Based Income	10,542	4,852
Income from Long term Trade Investments	28	1,185
Profit on Sale of Long term Trade Investments (net)	70	1,123
Profit on Sale of Stock for Trade (net)	995	42
Interest from Stock for Trade	26	34
Dividend Income	40	143
Interest received from Govt. Securities/Banks	168	134
	<b>74,570</b>	<b>46,997</b>
<b>SCHEDULE 14 - OTHER INCOME</b>		
Liabilities No Longer Required Written Back	44	-
Miscellaneous Income	10	16
	<b>54</b>	<b>16</b>
<b>SCHEDULE 15 - STAFF EXPENSES</b>		
Salaries, Allowances, Commission & Bonus	2,753	1,785
Contribution to Provident and Other Funds	228	156
Staff Welfare Expenses	41	27
	<b>3,022</b>	<b>1,968</b>
<b>SCHEDULE 16 - ADMINISTRATIVE &amp; OTHER EXPENSES</b>		
Communication Expenses	69	59
Legal & Professional Fees	1,320	2,182
Electricity Charges	91	47
Rent (Refer Note II 7 of Schedule 18)	687	443
Rates and Taxes	154	21
Brokerage and Service Charges	1	8
Auditors' Remuneration (Refer Note II 16 of Schedule 18)	50	38
Repairs - Building	35	69
- Machinery	111	20
- Others	129	121
Travelling and Conveyance	645	550
Directors' Fees	7	9
Insurance	16	11
Printing and Stationery	79	62
Advertisement, Subscription and Donation	348	106
Provision for Diminution in value of Long term Investments	-	138
Provision for Diminution in value of Stock for Trade	90	7
Miscellaneous Expenses	46	72
	<b>3,878</b>	<b>3,963</b>

10 Lakh is equal to 1 million



## Schedules to the Profit and Loss Account for the year ended 31st March, 2011

(₹ in Lakh)

	31st March, 2011	31st March, 2010
<b>SCHEDULE 17 - INTEREST &amp; FINANCE CHARGES</b>		
Interest on Debentures	2,368	2,751
Interest on Other Fixed Loans:		
- Term Loans from Domestic Banks/Financial Institutions	13,682	9,182
- Term Loans from Foreign Banks/Financial Institutions	9,728	7,968
- Public Deposits	23	43
- Bonds	3,258	895
Interest on Working Capital Facilities	8,530	2,172
Interest - Others	793	51
Other Financial Charges (Refer Note II 22 of Schedule 18)	5,035	1,816
	<b>43,417</b>	<b>24,878</b>

## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

#### I. Significant Accounting Policies

##### 1. Basis of Preparation

The financial statements have been prepared in conformity with Generally Accepted Accounting Principles in India to comply in all material respects with the notified Accounting Standards ('AS') under the Companies Accounting Standard Rules, 2006, the relevant provisions of the Companies Act, 1956 ('the Act') and the guidelines issued by the Reserve Bank of India ('RBI') as applicable to a Non Banking Finance Company ('NBFC'). The financial statements have been prepared under the historical cost convention on accrual basis except as otherwise stated elsewhere. The accounting policies applied by the Company are consistent with those applied in the previous year except as otherwise stated elsewhere.

##### 2. Use of estimates

The preparation of financial statements requires the management to make estimates and assumptions considered to arrive at the reported amounts of assets and liabilities and disclosure of contingent liabilities as on the date of the financial statements and reported income and expenses during the reporting year. Although these estimates are based upon the management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to the accounting estimates are recognised prospectively in the current and future years.

##### 3. Fixed Assets, Depreciation/Amortisation and Impairment

###### 3.1 Fixed Assets

Fixed assets are carried at cost less accumulated depreciation / amortisation and impairment losses, if any. Cost comprises of the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for their intended use, are also capitalised to the extent they relate to the period till such assets are ready to put to use.

Intangible Assets expected to provide future enduring economic benefits are carried at cost less accumulated amortisation and impairment losses, if any. Cost comprises of purchase price and directly attributable expenditure on making the asset ready for its intended use.

###### 3.2 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 thereof are greater than or equal to the corresponding rates prescribed in Schedule XIV of the Act. The details of estimated useful life for each category of assets are as under:

Asset category	Estimated Useful Life
<b>I Assets for Own Use</b>	
i) Buildings	45-61 years
ii) Furniture & Fixtures	16 years
iii) Computers	4-6 years
iv) General Plant & Machinery	21 years
v) Motor Vehicles	11 years
vi) Intangible Assets	3-6 years

10 Lakh is equal to 1 million

## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

Asset category		Estimated Useful Life
<b>II</b>	<b>Assets for Operating Lease</b>	
vii)	Aeroplane / Aircraft	9 years
viii)	Oil Rig	9 years
ix)	Gas Genset	10 years

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

Depreciation on assets purchased / sold during the year is recognised on pro-rata basis.

Lease-hold assets including improvements are amortised over the period of the lease or the estimated useful life of the asset, whichever is lower, subject to the minimum rates prescribed in Schedule XIV of the Act.

#### 3.3. Impairment of Fixed 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 recognised wherever the carrying amount of an asset exceeds its recoverable amount.

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

A previously recognised 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 by charging usual depreciation if there was no impairment.

#### 4. Capital Work in Progress / Advance for Operating Lease

Capital work in progress / advance for operating lease is stated at cost and includes development and other expenses, including interest during construction period.

#### 5. Borrowing Costs

Borrowing costs relating to the acquisition / construction of qualifying assets are capitalised 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.

The ancillary costs incurred in connection with the arrangement of borrowings are amortised over the life of underlying borrowings. Premium payable on redemption of bonds is amortised over the tenure of the bonds.

All other costs related to borrowings are recognised as expense in the period in which they are incurred.

#### 6. Investments

Investments 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 price determined category-wise. All long term investments including investments in Subsidiary Companies are carried at cost. However, provision for diminution in value, other than temporary in nature, is made to recognise a decline on an individual basis. The cost of Investments acquired on amalgamations is determined as per the terms of the scheme of amalgamation.

Cost is arrived at on weighted average method for the purpose of valuation of investment.

#### 7. Stock for Trade

Stock for trade is carried at lower of cost and market price, determined category-wise.

#### 8. Loan Assets

Loan Assets include loans advanced by the Company, secured by collateral offered by the customers, if applicable. These are shown net of assets securitised.

Loan assets are carried at net investment amount including installments fallen due and are net of unmatured / unearned finance charges, amounts received, assets not paid for, etc.

#### 9. Provisioning / Write-off of assets

The Company makes provision for Standard and Non-Performing Assets as per the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, as amended from time to time. The Company also makes additional provision towards loan assets, to the extent considered necessary, based on the management's best estimate.

Loan 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.

Provision for doubtful debtors towards fee based income is provided based on the management's best estimate.

## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

#### 10. Foreign Currency Transactions

The reporting currency of the Company is the Indian Rupee (₹).

##### Initial recognition

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

##### Conversion

Foreign currency monetary items are reported using the year end 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. Non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

##### 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 recognised as income or expense in the year in which they arise. The foreign exchange gain or loss arising on borrowings is included in Finance Charges.

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

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the respective contracts. Exchange differences on such contracts are recognised 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 recognised as income or expense in the period in which it is cancelled or renewed.

##### Derivatives and Hedges

In terms of the announcement made by The Institute of Chartered Accountants of India, the accounting for derivative contracts (other than those covered under AS-11) is done based on the "marked to market" principle, on a portfolio basis, and the net loss, after considering the offsetting effect on the underlying hedged item, is charged to the Profit & Loss Account. Net gains are ignored as a matter of prudence.

#### 11. Revenue Recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

##### 11.1 Income from Loans and Leases:

Income from Loans and Leases is recognised in the Profit and Loss Account on accrual basis as stated herein below, except in the case of non-performing assets where it is recognised, upon realisation, as per the Prudential Norms / Directions of the Reserve Bank of India, applicable to Non-Banking Financial Companies.

- (a) Interest income from loan assets is recognised 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 recognised on straight line basis over the period of the lease.
- (c) Fees on processing of loans are recognised when a binding obligation for granting loan has been entered into.
- (d) Delayed payment interest / incremental in interest pursuant to upward revision in benchmark interest rate is accrued, due to uncertainty of realisation, only to the extent of probable recovery, as per the best estimate of the management.
- (e) Gains arising on securitisation/assignment of assets are recognised over the tenure of agreements as per guideline on securitisation of standard assets issued by RBI, while loss, if any is recognised upfront. These are considered as income from loan assets under the head income from operations.

##### 11.2 Fee Based Income

Fees for advisory services are accounted based on the stage of completion of assignments, when there is reasonable certainty of its ultimate realisation/ collection.

Other fee based income is accounted for on accrual basis.

##### 11.3 Other Operating Income

- (a) Income from Dividend of shares of corporate bodies is accounted when the right to receive the payment is established.
- (b) Income from investment in units of Funds is recognised on cash basis as per the Prudential Norms of the Reserve Bank of India.
- (c) Interest income on fixed deposits/margin money is recognised on time proportion basis taking into account the amount outstanding and the rate applicable.
- (d) Profit or Loss on sale of investments and stock for trade is recognised when a binding obligation has been entered into.
- (e) All other operating income is accounted for on accrual basis.

## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

#### 12. Retirement and other employee benefits

- a) Employee benefits in the form of Provident Fund and Employee State Insurance are defined contribution plans and the Company's contributions, paid or payable during the year, are charged to Profit and Loss Account.
- b) Gratuity liability is a defined benefit plan and is provided for on the basis of actuarial valuation on projected unit credit method at the Balance Sheet date.
- c) 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 charged to the profit and loss account and are not deferred.

#### 13. Taxes on Income

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

Current tax is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act, 1961. Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year 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. 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 realised. 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 they can be realised against future taxable profits.

At each balance sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised 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 realised.

MAT credit is recognised 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 recognised 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 created by way of a credit to the profit and loss account 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 the Company will pay normal income tax during the specified period.

#### 14. Segment Reporting

Based on the risks and returns associated with business operations and in terms of Accounting Standard-17 (Segment Reporting), the Company is predominantly engaged in a single reportable segment of 'Financial Services' during the year.

#### 15. Provision, Contingent Liabilities and Contingent Assets

A provision is recognised 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 best estimate 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. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

#### 16. Cash and Cash Equivalents

Cash and cash equivalents in the cash flow statement comprise of cash at bank and in hand, cheques on hand, remittances in transit and short term investments with an original maturity of three months or less.

#### 17. Earnings per Share (EPS)

Basic EPS is 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 year.

For the purpose of calculating diluted EPS, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

#### 18. Assets under Management

Contracts securitised, assigned or co-branded are derecognised from the books of accounts. Contingent liabilities, if any, thereof are disclosed separately.

#### 19. Prior Period and Extra Ordinary Items

Prior Period and Extra Ordinary items having material impact on the financial affairs of the Company are disclosed separately.

#### 20. Miscellaneous Expenditure

Miscellaneous Expenditure on issue of Bonds and Debentures are amortised over the tenure of the respective Bonds and Debentures.

## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

#### II. Notes to the Financial Statements

##### 1. Scheme of Amalgamation

The Board of Directors of the Company at its meeting held on 28th January, 2010 had, based on the recommendation of the Committee of Independent Directors, approved amalgamation of Quippo Infrastructure Equipment Limited (Transferor Company) into and with the Company in terms of a Scheme of Amalgamation (the Scheme) under Sections 391 to 394 of the Companies Act, 1956. The Scheme was approved by the Equity Shareholders of the Company in the meeting held on 31st May, 2010, convened by the Hon'ble High Court at Calcutta (the Court).

Pursuant to the sanction of the scheme by the Court vide its Order made on January 18, 2011, all the assets, rights, obligations, liabilities and the entire business of the Transferor Company were transferred to and vested in the Company, as a going concern with effect from 1st April, 2010 ('Appointed Date') and accordingly, the sanctioned Scheme has been given effect to in these financial statements. The Transferor Company alongwith its subsidiaries had been primarily engaged in the business of infrastructure equipment rental and matters incidental and ancillary thereto.

As per the Scheme of Amalgamation, the Effective Date is the date on which all the conditions and matters referred to in the Scheme are fulfilled and the Scheme becomes operative and effective from the Effective Date. All the conditions and matters prescribed in the Scheme were fulfilled on 4th March, 2011. Accordingly, the Scheme became effective from 4th March, 2011. Pending completion of relevant formalities of transfer of certain assets and liabilities acquired pursuant to the Scheme, in the Company's name, such assets and liabilities remain included in the books of the Company in the name of the Transferor.

In accordance with the Scheme and as per the sanction by the Court:

- a) The Company has issued and allotted 92,915,839 equity shares of ₹ 10/- each fully paid up as bonus shares to the pre-amalgamation equity shareholders of the Company in the ratio of 4:5, by way of capitalisation of Securities Premium on 5th March, 2011.
- b) Further, the Company has issued and allotted 294,025,696 equity shares of ₹ 10/- each fully paid up as consideration for the amalgamation to the shareholders of the Transferor Company on 5th March, 2011.
- c) A Trust in the name of "Srei Growth Trust" has been settled by the Company on 4th March, 2011 to inter alia, receive equity shares of the Company in exchange of the Company's shareholding in the Transferor Company. The Company, in lieu of its shareholding in the Transferor Company, is entitled to be allotted equity shares of itself on amalgamation. However, since a company cannot hold its own shares, the Company settled the aforesaid Trust to hold such shares. Consequently, 48,600,000 equity Shares of the Company of ₹10/- each fully paid up were issued and allotted to Srei Growth Trust, which is holding such shares in trust for the benefit of the Company and/or the shareholders of the Company. The beneficial interest in the Trust amounting to ₹ 1,851.50 Lakh representing the cost of shares of the Transferor Company is shown under 'Investments' in the Balance Sheet.
- d) Accounting for Amalgamation:

The amalgamation of Transferor Company with the Company has been accounted for on the basis of the Purchase Method as stated in the Accounting Standard (AS) -14 on 'Accounting for Amalgamations' as below:

- (i) All assets and liabilities of the Transferor Company were transferred to and vested in the Company at their respective fair values as on 31st March 2010, w.e.f. 1st April, 2010.
- (ii) Excess of the fair value of net assets taken over by the Company, over the paid up value of Equity Shares issued & allotted to the shareholders of the Transferor Company, being ₹ 137,870 Lakh has been credited to General Reserves of the Company. Had the Scheme, sanctioned by the Court, not prescribed this accounting treatment, this amount would have been credited to Capital Reserve, with no impact on net profit for the year.
- (iii) Inter Company balance of ₹ 100 Lakh on account of loan given by the Company to the Transferor Company has been cancelled.
- (iv) The Authorised Share Capital of the Company has increased from ₹ 70,000 Lakh to ₹ 81,000 Lakh divided into 710,000,000 Equity Shares of ₹ 10/- each and 10,000,000 Preference Shares of ₹ 100/- each.

In view of the above, the figures of current year are not comparable with those of the previous year.

##### 2. Tier II Capital

###### Unsecured Subordinated Redeemable Non Convertible Bonds

- 2.1 During the year, the Company has allotted 500 Unsecured Subordinated Redeemable Non-Convertible Bonds in the nature of Debentures of face value ₹ 10 Lakh each on private placement basis, forming part of Tier II Capital, aggregating to ₹ 5,000 Lakh for cash at par on 10th November, 2010.

Each bond is having an overall tenure of 10 years, reckoned from the date of allotment. The bonds shall be redeemed at face value at the end of 10 years from the date of allotment i.e. 10th November, 2020. Interest is payable semi annually @ 10.50% p.a.

- 2.2 The Company has allotted 2,000 Unsecured Subordinated Redeemable Non-Convertible Bonds in the nature of Debentures of ₹ 10 Lakh each on private placement basis forming part of Tier II Capital aggregating to ₹ 20,000 Lakh for cash at par on 23rd March, 2010.

## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

Each bond is having an overall tenure of 10 years, reckoned from the date of allotment. The bonds shall be redeemed at face value at the end of 10 years from the date of allotment i.e. 23rd March, 2020. Interest is payable semi annually @ 10.20% p.a.

- 2.3 The Company has allotted 500 Unsecured Subordinated Redeemable Non- Convertible Bonds in the nature of Debentures of ₹ 10 Lakh each on private placement basis forming part of Tier II Capital aggregating to ₹ 5,000 Lakh for cash at par on 30th March, 2007.

Each bond is having an overall tenure of 10 years, reckoned from the date of allotment. The bonds shall be redeemed at face value at the end of 10 years from the date of allotment i.e. 29th March, 2017. Interest is payable annually @ 12% p.a.

- 2.4 The Company has allotted 5,266,075 Unsecured Subordinated Bonds to the equity shareholders in the nature of Tier II Capital of ₹ 100 each aggregating to ₹ 5,266 Lakh for cash at par on 25th August, 2000 on rights basis.

Each bond is having an overall tenure of 12 years, reckoned from the date of allotment. The bonds shall be redeemed in 7 installments at a premium of 20% of the original face value starting from 6th year on 25th August, 2006 at the rate of 15% of the face value and premium thereon for 6 years and balance 10% in the year thereafter.

The fifth such installment of ₹ 948 Lakh representing 15% of the face value together with 20% of the premium towards redemption has been paid on 25th August, 2010. The face value of the aforesaid Bonds stands reduced to ₹ 25/- per Bond.

Premium payable on redemption of these Subordinated Bonds is provided over the tenure of the bond.

The unsecured subordinated bonds redeemable within one year amounts to ₹ 790 Lakh (Previous year ₹ 790 Lakh)

### 3. Borrowings

- 3.1 Working Capital facilities from banks are secured by hypothecation of assets covered by hypothecation agreements and operating lease agreement with the customers and receivables arising therefrom ranking pari passu (excluding assets which are specifically charged to others).
- 3.2 Term loans from Foreign Banks & Foreign Financial Institutions are secured by hypothecation of specific assets covered by hypothecation agreements and operating lease agreements with the customers and receivables arising therefrom.
- 3.3 Term loans from Domestic Banks are secured by hypothecation/assignment of specific assets covered by hypothecation agreements and operating lease agreements and receivables arising therefrom.
- 3.4 In April 2010, the Company decided to convert itself into a non-deposit taking NBFC in order to qualify for registration as an 'Infrastructure Finance Company' and hence the Company decided not to accept or renew public deposits w.e.f. 20th April, 2010. The amount of public deposits outstanding as on 19th April, 2010 (including matured and unclaimed deposits) along with accrued and future interest thereof has been kept in the form of a Fixed Deposit, under lien, with Axis Bank Limited, a scheduled commercial bank, for the purpose of making payment to the depositors. The outstanding balance of the Fixed Deposit as on 31st March, 2011 is ₹ 250 Lakh. Public deposits (including matured and unclaimed deposits) repayable within one year, aggregate to ₹ 71 Lakh (previous year ₹ 468 Lakh).
- 3.5 Unsecured Short Term Loans and Advances represent amount repayable within one year amounting to ₹ 37,991 Lakh (Previous year ₹ 12,145 Lakh).
- 3.6 The Company has issued Non-Convertible Debentures (NCDs) on private placement basis aggregating to ₹ 820,500 Lakh during the year ended 31st March, 2011 (Previous year ₹ 637,300 Lakh).

The outstanding balance as on 31st March, 2011 is ₹ 9,500 Lakh (Previous year ₹ 30,500 Lakh). All the NCDs outstanding as on 31st March, 2011 are redeemable at par. Details of such privately placed NCDs are given below:

#### (A) CARE AA Rated Paper

(₹ in Lakh)

Date of Allotment	31st March, 2011	31st March, 2010	Earliest Redemption Date
23-03-2010	1,000	1,000	15-09-2011
06-04-2010	900	-	30-09-2011
07-04-2010	1,400	-	10-10-2011
07-04-2010	1,000	-	30-06-2011
04-11-2010*	1,500	-	02-05-2012
17-01-2011*	200	-	10-01-2013
Sub-Total (A)	6,000	1,000	

## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

#### (B) CARE PR1+ Rated Paper

(₹ in Lakh)

Date of Allotment	31st March, 2011	31st March, 2010	Earliest Redemption Date
19-02-2010	-	2,500	28-04-2010
19-02-2010	-	1,500	19-05-2010
21-06-2010	1,000	-	21-06-2011
24-11-2010	1,500	-	23-11-2011
Sub-Total (B)	2,500	4,000	

#### (C) ICRA A1+ Rated Paper

Date of Allotment	31st March, 2011	31st March, 2010	Earliest Redemption Date
24-09-2009	-	5,000	23-09-2010
04-10-2010	1,000	-	04-10-2011
05-10-2009	-	1,000	27-09-2010
22-12-2009	-	2,500	18-06-2010
19-03-2010	-	10,000	16-06-2010
19-03-2010	-	7,000	16-07-2010
Sub - Total (C)	1,000	25,500	
<b>Total (A+B+C)</b>	<b>9,500</b>	<b>30,500</b>	

\* Secured by charge on receivables pertaining to Infrastructure Financing & Leasing business.

3.7 Face value of Commercial Paper outstanding as at 31st March, 2011 is ₹ 26,120 Lakh (as at 31st March 2010 ₹ 12,500 Lakh). Face value of maximum outstanding at any time during the year ended 31st March, 2011 was ₹ 63,500 Lakh (Previous year ₹ 18,000 Lakh). Face value of Commercial Paper repayable within one year is ₹ 26,120 Lakh (Previous year ₹ 12,500 Lakh).

#### 4. Debt Redemption Reserve

During the year, the Company has created Debt Redemption Reserve of ₹ 3,020 Lakh (Previous year ₹ 742 Lakh) towards redemption of Unsecured Subordinated Bonds/ Debentures/ Debt (Tier II Capital). Debt Redemption Reserve of ₹ 792 Lakh (Previous year ₹ 792 Lakh) has been reversed due to repayment of loan during the year.

#### 5. Securitisation

No securitisation contract has been entered into by the Company during the current and previous year.

#### 6. Provisioning / Write-off of assets

Provision for non performing assets (NPAs) is made in the financial statements according to the Prudential Norms prescribed by RBI for NBFCs. Additional provision of 0.25% on Standard assets has also been made during the year, as per a new stipulation of RBI on Standard assets. The Company also makes additional provision towards loan assets, based on the management's best estimate, unlike previous years when provision on loan assets was made as per the norms of Foreign Financial Institutions (FFIs).

Details of provision towards loan assets is as stated below:

(₹ in Lakh)

Particulars	1st April, 2010	Charged to Profit & Loss Account during the year	31st March, 2011
Provision on Standard Assets as per RBI	-	1,196	1,196

## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

#### 7. Leasing Arrangements

##### a. In the capacity of Lessee

- (i) The Company has certain cancellable operating lease arrangements for office premises, which range between 11 months to 15 years and are usually renewable by mutual consent on mutually agreeable terms. Lease payments charged to the Profit and Loss Account with respect to such leasing arrangements aggregate ₹ 677 Lakh (Previous year ₹ 433 Lakh).
- (ii) Further, the Company also has certain non-cancellable operating lease arrangements for office premises, which range between 5 to 21 years and are usually renewable by mutual consent on mutually agreeable terms. In respect of such arrangements, lease payments for the year aggregating to ₹ 10 Lakh (Previous year ₹ 10 Lakh) have been recognised in the Profit & Loss Account.

The future lease payments in respect of the above non-cancellable operating leases are as follows:

Particulars	(₹ in Lakh)	
	As at 31st March, 2011	As at 31st March, 2010
Not later than one year	10	10
Later than 1 year but not later than 5 years	37	39
Later than five years	112	121

Some of the above cancellable and non-cancellable lease agreements have escalation clause of 5% p.a. None of the operating lease agreements entered into by the Company provide for any contingent rent payment and hence, the Company has not paid any contingent rent in the current and previous year.

- (iii) Sub lease payments received (or receivable) recognised in the Profit and Loss Account for the year is ₹ 1,451 Lakh (Previous year ₹ 642 Lakh). Future minimum sublease payments expected to be received under non-cancellable subleases as at 31st March, 2011 is ₹ 1,327 Lakh (Previous year ₹ Nil).

##### b. In the capacity of Lessor

The Company has given assets on Operating lease (Refer Schedule 5 to Balance Sheet) for periods ranging between 5 to 15 years. These agreements for Operating leases do not have a clause for contingent rent and hence, the Company has not recognised any contingent rent as income in the current and previous year.

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

Particulars	(₹ in Lakh)	
	As at 31st March, 2011	As at 31st March, 2010
Not later than one year	2,180	680
Later than 1 year but not later than 5 years	13,107	2,286
Later than five years	30,000	41

\* Some of the Operating Lease agreements are cancellable during a pre-specified future time period, during which lessee can cancel the respective agreement. As these agreements are non-cancellable as on the reporting date, full lease period has been considered for disclosure of future minimum lease rentals.

8. Assets for Operating lease include gross value of assets pending to be leased out, amounting to ₹ 6,487 Lakh (Previous year ₹ Nil).

9. Loans & Advances include Loan of ₹ 1,199 Lakh (Previous year ₹ 3,793 Lakh) due from a private company having at least one common director with the Company.

#### 10. Impairment of Fixed Assets

None of the Company's Fixed Assets are considered impaired as on the Balance Sheet date.

#### 11. Disclosure pursuant to Accounting Standard (AS) 15 (Revised) - Employee Benefits

Contribution to Regional Provident Fund Authority charged to Profit and Loss Account during the year is ₹ 143 Lakh (Previous year ₹ 104 Lakh). Contribution to Employee State Insurance Corporation charged to Profit and Loss Account is ₹ 1.02 Lakh (Previous year ₹ 0.19 Lakh).

Gratuity benefit to employees has been funded under separate arrangement with the Life Insurance Corporation of India (LIC).

The following table sets out the details of amount recognised in the financial statements in respect of employee benefit schemes.



## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

(₹ in Lakh)

Employee Benefits: Defined benefit plans (As per actuarial valuation)		Gratuity	
		31st March, 2011	31st March, 2010
<b>I</b>	<b>Components of employer expenses</b>		
1	Current Service Cost	41	27
2	Interest cost	9	6
3	Expected return on plan assets	(7)	(5)
4	Curtailement cost / (credit)	-	-
5	Settlement cost / (credit)	-	-
6	Past Service Cost	10	16
7	Actuarial Losses / (Gains)	30	(3)
8	Other Adjustments	-	-
9	Employee Contributions	-	-
10	Total expenses recognised in the Statement of Profit & Loss Account for the year ended (Total 1 to 9 above)	83	41
<b>II</b>	<b>Actual Contribution and Benefits Payments for the year ended</b>		
1	Actual benefit payments	-	(4)
2	Actual Contributions	25	28
<b>III</b>	<b>Net assets / (liability) recognised in balance sheet as at</b>		
1	Present value of Defined Benefit Obligation	191	100
2	Fair value of plan assets	101	69
3	Funded status [Surplus/(Deficit)]	(90)	(31)
4	Unrecognised past service cost	-	-
5	Net asset/ (liability) recognised in balance sheet as at	(90)	(31)
<b>IV</b>	<b>Change in Defined Benefit Obligations during the year ended</b>		
1	Present Value of DBO at beginning of year	100	59
2	Current Service cost	41	27
3	Interest cost	9	6
4	Curtailement cost / (credit)	-	-
5	Settlement cost / (credit)	-	-
6	Plan amendments	10	16
7	Acquisitions	-	-
8	Actuarial (Gains) / Losses	30	(4)
9	Benefits paid	(0)	(4)
10	Employee Contribution	-	-
11	Other Adjustments	-	-
12	Present Value of DBO at the end of year	190	100
<b>V</b>	<b>Change in Fair value of Assets during the year ended</b>		
1	Plan assets at beginning of year	69	41
2	Acquisition/Settlement Adjustment	0	-
3	Expected return on plan assets	7	5
4	Actual Company contribution	25	27
5	Employees contribution	-	-
6	Benefits paid	-	(4)
7	Actuarial Gains / (Losses)	0	(1)
8	Other Adjustments	-	-
9	Plan assets at the end of the year	101	69

## Schedules to the Balance Sheet and Profit and Loss Account

## SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

(₹ in Lakh)

Employee Benefits: Defined benefit plans (As per actuarial valuation)		Gratuity	
		31st March, 2011	31st March, 2010
<b>VI Actuarial Calculation</b>			
1	Experience Gain / (Loss) adjustment on plan liabilities	(32)	(0)
2	Experience Gain / (Loss) adjustment on plan assets	0	(1)
3	Actuarial Gain / (Loss) due to change in assumptions	2	4
<b>VII Actuarial Assumptions</b>			
1	Discount Rate	8.40%	8.30%
2	Expected return on plan assets (The rate of return declared by LIC has been taken as expected rate of return on plan assets)	9.15%	9.15%
3	Salary Escalation	10.00%	10.00%
4	Mortality	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
5	Retirement/ Superannuation Age (in years)		
-	For Directors	65 years	65 years
-	For Other Employees	60 years	60 years
6	Withdrawal Rate for Gratuity:		
-	Age under 25 years	5.00%	5.00%
-	Ages from 25 to 29 years	3.00%	3.00%
-	Ages from 30 to 34 years	2.00%	2.00%
-	Ages from 35 to 49 years	1.00%	1.00%
-	Ages from 50 to 54 years	2.00%	2.00%
-	Ages from 55 years to retirement age	3.00%	3.00%

## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

**Privilege Leave benefits** to employees are not funded. The following table sets out the details of amount recognised in the financial statements:

(₹ in Lakh)

Employee Benefits: Defined benefit plans (As per actuarial valuation)	Privilege Leave 31st March,2011
<b>I Components of employer expenses</b>	
1 Current Service Cost	50
2 Interest cost	6
3 Expected return on plan assets	-
4 Curtailment cost / (credit)	-
5 Settlement cost / (credit)	-
6 Past Service Cost	-
7 Actuarial Losses / (Gains)	25
8 Other Adjustments	-
9 Employee Contributions	-
10 Total expenses recognised in the Statement of Profit & Loss Account for the year ended (Total of 1 to 9 above)	81
<b>II Net assets / (liability) recognised in balance sheet as at</b>	
1 Present value of Defined Benefit Obligation	122
2 Fair value of plan assets	-
3 Funded status [Surplus/(Deficit)]	(122)
4 Unrecognised past service cost	-
5 Net asset/ (liability) recognised in balance sheet as at	(122)
<b>III Change in Defined Benefit Obligations during the year ended</b>	
1 Present Value of DBO at beginning of year	100
2 Current Service cost	50
3 Interest cost	6
4 Curtailment cost / (credit)	-
5 Settlement cost / (credit)	-
6 Plan amendments	-
7 Acquisitions	-
8 Actuarial (Gains) / Losses	25
9 Benefits Paid	(59)
10 Employee Contribution	-
11 Other Adjustments	-
12 Present Value of DBO at the end of year	122
<b>IV Change in Fair value of Assets during the year ended</b>	
1 Fair Value of Plan assets at beginning of year	-
2 Acquisition/Settlement Adjustment	-
3 Expected return on plan assets	-
4 Actual Company contribution	-
5 Actuarial Gains / (Losses)	-
6 Benefits Payments	-
7 Fair Value of Plan assets at the end of the year	-

## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

(₹ in Lakh)

Employee Benefits: Defined benefit plans (As per actuarial valuation)	Privilege Leave 31st March,2011
<b>V Actuarial Calculations</b>	
1 Experience Gain / (Loss) adjustment on plan liabilities	26
2 Experience Gain / (Loss) adjustment on plan assets	0
3 Actuarial Gain / (Loss) due to change in assumptions	1
<b>VI Actuarial Assumptions</b>	
1 Discount Rate	8.40%
2 Expected return on plan assets	NA
3 Salary Escalation	10.00%
4 Mortality	LIC (1994-96) Ultimate
5 Retirement/ Superannuation Age (in years)	
- For Directors	65 years
- For Other Employees	60 years
6 Withdrawal Rate :	
- Age under 25 years	5%
- Ages from 25 to 29 years	3%
- Ages from 30 to 34 years	2%
- Ages from 35 to 49 years	1%
- Ages from 50 to 54 years	2%
- Ages from 55 years to retirement age	3%

The Company has adopted the actuarial valuation for privilege leave benefit from the current financial year. The profit for the year would have been higher by ₹ 3 Lakh had the valuation method not been changed.

**Sick Leave Availment benefit** to employees is not funded. The following table sets out the details of amount recognised in the financial statements:

(₹ in Lakh)

Employee Benefits: Defined benefit plans (As per actuarial valuation)	Sick Leave 31st March,2011
<b>I Assets / Liabilities</b>	
1 Projected Benefit Obligation	61
2 Fair value of plan assets	-
<b>II Actuarial Assumptions</b>	
1 Discount Rate	8.40%
2 Expected return on plan assets	NA
3 Salary Escalation	10.00%
4 Mortality	LIC (1994-96) Ultimate
5 Retirement/ Superannuation Age (in years)	
- For Directors	65 years
- For Other Employees	60 years

## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

(₹ in Lakh)

Employee Benefits: Defined benefit plans (As per actuarial valuation)	Sick Leave 31st March, 2011
6 Withdrawal Rate :	
- Age under 25 years	5%
- Ages from 25 to 29 years	3%
- Ages from 30 to 34 years	2%
- Ages from 35 to 49 years	1%
- Ages from 50 to 54 years	2%
- Ages from 55 years to retirement age	3%

The Company has adopted the actuarial valuation for sick leave benefit from the current financial year. The profit for the year would have been higher by ₹ 50 Lakh had the valuation method not been changed.

The estimates of future salary increase, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

12. The Company has not received any memorandum from 'Suppliers' (as required to be filed by the 'Suppliers' with the notified authority under the Micro, Small and Medium Enterprises Development Act, 2006) claiming their status as on 31st March 2011 as micro, small or medium enterprises. Consequently, the amount paid / payable to these parties during the year is ₹ Nil (Previous year ₹ Nil).

13. Interest income includes ₹ 12 Lakh (Previous year ₹ 26 Lakh) on long term investments.

#### 14. Deferred Tax

In terms of Accounting Standard 22, net deferred tax liability (DTL) of ₹ 3,350 Lakh (Previous year ₹ 3,440 Lakh) has been recognised during the year and consequently, the net DTL as at March 31, 2011 stands at ₹ 6,790 Lakh (as at March 31, 2010 ₹ 3,440 Lakh).

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

(₹ in Lakh)

Particulars	As at 31st March, 2011	As at 31st March, 2010
	Asset / (Liability)	Asset / (Liability)
Depreciation on Fixed Assets	(5,222)	(1,688)
Deferred Revenue Expenditure	(2,059)	(2,289)
Unabsorbed Depreciation	-	514
Others	491	23
Net Deferred Tax Asset / (Liability)	(6,790)	(3,440)

15. The Company has entered into Options/Swaps/Forward contracts (being derivative instruments) which are not intended for trading or speculation, for the purpose of hedging currency and interest rate related risks. Options, Swaps and Forward contracts outstanding as at 31st March, 2011 are as follows:

Amount in million

Category	Currency	As at 31st March, 2011		As at 31st March, 2010	
		No. of Contracts	Amount in Foreign Currency	No. of Contracts	Amount in Foreign Currency
Options	USD/INR	7	USD 120.72	7	USD 127.86
Forwards	USD/INR	1	USD 0.059	2	USD 1.94
Forwards	Euro/INR	1	Euro 0.54	4	Euro 3.82

1 million = 10 Lakh

Foreign currency exposures, which are not hedged by derivative instruments, as at 31st March, 2011 amount to ₹ 48,267 Lakh (Previous year ₹ 18,066 Lakh).

## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

#### 16. Auditors' Remuneration

(₹ in Lakh)		
Particulars	2010-11	2009-10
Audit Fees	30	26
Taxation Matters	-	5
Other Services	18	6
Out of Pocket Expenses	2	1
<b>Total</b>	<b>50</b>	<b>38</b>

#### 17. Managerial Remuneration

##### (a) Directors' remuneration:

(₹ in Lakh)		
Particulars	2010-11	2009-10
i) Remuneration to Chairman and Managing Director, Joint Managing Director & Whole Time Director:		
Salary	491	426
Allowances	47	25
Contribution to Provident Fund	42	35
Commission to Chairman & Managing Director	60	36
ii) Commission to Non Executive Directors	50	35
<b>Total</b>	<b>690</b>	<b>557</b>

##### (b) Computation of Net Profit in accordance with Section 198 of the Companies Act, 1956:

(₹ in Lakh)		
Particulars	2010-11	2009-10
<b>Profit Before Tax for the year ended</b>	<b>21,214</b>	<b>14,813</b>
Add: Director's remuneration (including commission)	690	557
Sitting Fees	7	9
Depreciation as per book of accounts	1,808	1,014
Provision for diminution in value of investments	-	138
	<b>23,719</b>	<b>16,531</b>
Less: Depreciation as per Section 350 of the Companies Act, 1956	1,808	1,014
Profit on sale of Investments (Net)	70	1,123
<b>Net Profit for the year ended</b>	<b>21,841</b>	<b>14,394</b>
Non-Executive Director's Commission @ 1% of the above	218	144
For Non-Executive Directors, restricted to	50	35
For Chairman and Managing Director, restricted to	60	36

Provision for gratuity & leave in respect of Directors is not included above, as actuarial valuation is done on an overall basis.

## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

#### 18. Capital Commitments

(₹ in Lakh)

Particulars	As at 31st March, 2011	As at 31st March, 2010
Estimated amount of capital contracts remaining to be executed (Net of advances)	1,010	757

19. Capital Work-in-Progress ₹ 599 Lakh represents advance against capital expenditure (previous year ₹ Nil).

#### 20. Contingent Liabilities

(₹ in Lakh)

Particulars	As at 31st March, 2011	As at 31st March, 2010
a. Bank Guarantees @	1,929	4,575
b. Corporate Guarantee to Banks	4,795	1,095
c. Disputed income tax and Interest tax demand #	2,364	1,878
d. Fringe Benefit Tax ##	226	-
<b>Total</b>	<b>9,314</b>	<b>7,548</b>

@ includes ₹ 1,017 Lakh (previous year ₹ 1,326 Lakh) issued on Company's behalf by a Joint Venture Company.

# The Assessment Orders disallowing Special Reserve (created as per Section 45IC of the RBI Act, 1934) and Debt Redemption Reserve for the purpose of determining tax liability as per the provision of Section 115JB, Disallowances under section 14A, Disallowance of Provision for NPA, Provision for earned leave encashment and Interest on certain loans under the normal provisions of the Income Tax Act have been challenged by the company before the appropriate authorities. Pending disposal of the cases filed, the Company has not provided for the Income Tax liabilities arising out of the same.

## The Company has challenged the constitutional validity of Fringe Benefit Tax (FBT) before the Hon'ble High Court at Calcutta and the Hon'ble Court has granted interim stay on levy of such FBT on the Company. In view of this, the Company has not provided for any liability against FBT since its inception upto the date of its abolition i.e., 31st March, 2009.

#### 21. Details of loans/advances to Subsidiary Companies:

(₹ in Lakh)

Name of Company	Maximum Amount Outstanding during the period		Amount Outstanding as at 31st March	
	2010-11*	2009-10	2011*	2010
Srei Capital Markets Ltd.#	216	412	-	189
Srei Sahaj e-Village Ltd.	11,356	8,794	11,195	6,885
Srei Infrastructure Advisors Ltd.#	9	66	2	9
Bengal Srei Infrastructure Development Ltd.	150	127	150	117
Controlla Electrotech Private Ltd.	2,411	2,431	2,400	2,411
Srei Forex Ltd.	0.20	1	-	-
Srei Venture Capital Ltd.	6	332	-	-
Srei Mutual Fund Asset Management Private Ltd.	-	7	-	-
Orbis Power Venture Pvt Ltd. (Subsidiary w.e.f. 01.01.10 and ceased to be subsidiary w.e.f. 31.03.10)	-	13,000	-	-
Quippo Energy Private Ltd.	1,098	-	1,098	-
Quippo Infocomm Ltd.	235	-	235	-
Quippo Oil & Gas Infrastructure Ltd.	5,007	-	4,910	-
Mumbai Futuristic Economic Zone Private Ltd.	10,095	-	10,095	-
Quippo Construction Equipment Ltd.	16,604	-	16,579	-

## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

\*Refer Note II 25 of Schedule 18

# The amounts are receivable on demand.

The outstanding loans and advances are interest bearing except that of Controlla Electrotech Private Ltd.

22. Other financial charges include ₹ 2,281 Lakh (Previous year ₹ 1,264 Lakh) towards upfront fees on loan processing and ₹ 2,327 Lakh (Previous year ₹ 175 Lakh) towards interest on Commercial paper.

#### 23. CIF Value of Imports

(₹ in Lakh)

Particulars	2010-11	2009-10
Operating Lease Assets	535	17,518

#### 24. Details of movements in long term investments during the year are given as follows:

Particulars	Face Value ₹	Purchase		Sale/Redemption	
		Quantity Nos.	Cost (₹ in Lakh)	Quantity Nos.	Cost (₹ in Lakh)
<b>Equity Shares</b>					
Srei Mutual Fund Asset Management Private Ltd	10	10,900,000	1,090	-	-
Srei Sahaj e-Village Ltd.	10	9,000,000	900	-	-
Quippo Valuers & Auctioneers Private Ltd #	10	200,000	232	-	-
Quippo Construction Equipment Ltd.#	10	50,000	96	-	-
Mumbai Futuristic Economic Zone Private Ltd.#	10	10,000	8,047	-	-
Quippo Oil & Gas Infrastructure Ltd.#	10	29,940,000	10,409	-	-
Quippo Energy Private Ltd.#	10	1,000,000	20,190	-	-
Diana Capital Ltd.	10	-	-	87,500	175
Ghaziabad Aligarh Expressway Private Ltd.	10	5,000	1	-	-
ICICI Bank Ltd.	10	-	-	10,000	95
Indian Metal & Ferro Alloys Ltd.	10	31	0.02	46,012	64
Kurukshetra Expressway Private Ltd.	10	4,900	0.49	-	-
Maharashtra Border Check Post Network Ltd.	10	19,500	2	17,000	2
Mahanagar Telephone Nigam Ltd.	10	-	-	140,000	183
Orissa Steel Expressways Private Ltd.	10	5,000	1	-	-
Powergrid Corporation Ltd.	10	-	-	6,000	7
Shree Jagannath Expressways Private Ltd	10	4,800	0.48	-	-
Tata Steel Ltd.	10	-	-	500	4
Viom Networks Ltd. (Formerly Wireless TT Info Services Ltd.) #	10	54,283,957	127,824	-	-
Royal Infracore Private Ltd.	10	100,000	10	-	-
Quippo Telecom Infrastructure Ltd.#	10	77,550,000	0	-	-
Cardinal Logistics Private Ltd.#	10	1,200	0.10	-	-
<b>Bonds/Debentures/Units</b>					
10.65% Andhra Pradesh Power Finance Corporation Loan, 2013	100000	-	-	120	121
11.50% West Bengal Finance Corporation, 2010	100	-	-	9,099	10
11.50% West Bengal Finance Corporation, 2011	100	-	-	6,066	7



## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

Particulars	Face Value ₹	Purchase		Sale/Redemption	
		Quantity Nos.	Cost (₹ in Lakh)	Quantity Nos.	Cost (₹ in Lakh)
Infra Construction Fund	100	5,558,000	5,558	-	-
Infrastructure Project Development Capital	100	7,194,330	7,194	-	-
Infrastructure Project Development Fund	100	100,000	100	-	-
Medium and Small Infrastructure Fund	100	-	-	420,000	420
Prithvi Infrastructure Fund	100	1,500,000	1,500	-	-
Sunshine Fund	100	1,700	2	2,252,200	2,252

# including equity shares received by the Company from the Transferor Company under the Scheme of Amalgamation, as referred to in Note 1 to Schedule 18.

#### 25. Related Party Disclosures

##### Related parties:

Subsidiaries & Step-down Subsidiaries:	Country of Origin
Srei Sahaj e-Village Ltd.	India
Srei Capital Markets Ltd.	India
Srei Venture Capital Ltd.	India
Srei Infrastructure Advisors Ltd.	India
Global Investment Trust Ltd.	India
Controlla Electrotech Private Ltd.	India
Srei Mutual Fund Asset Management Private Ltd.	India
Srei Mutual Fund Trust Private Ltd.	India
IIS International Infrastructure Services GmbH, Germany	Germany
Srei Forex Ltd.	India
Bengal Srei Infrastructure Development Ltd. (Subsidiary of Srei Infrastructure Advisors Ltd.)	India
Quippo Infocomm Ltd. (Formerly Srei Infocomm Ltd.), (Subsidiary of Srei Infrastructure Advisors Ltd.)	India
Hyderabad Information Technology Venture Enterprises Ltd. (Subsidiary of Srei Venture Capital Ltd.)	India
Cyberabad Trustee Company Pvt. Ltd. (Subsidiary of Srei Venture Capital Ltd.)	India
ZAO Srei Leasing, Russia (Subsidiary of IIS International Infrastructure Services GmbH, Germany)	Russia
Srei Advisors Pte Ltd., Singapore (Subsidiary of IIS International Infrastructure Services GmbH, Germany)	Singapore
Quippo Valuers and Auctioneers Private Ltd. (Formerly GoIndustry Quippo Valuers and Auctioneers Private Ltd.) w.e.f. 31.03.2011	India
# Quippo Oil & Gas Infrastructure Ltd.	India
# Quippo Energy Private Ltd.	India
# Quippo Construction Equipment Ltd.	India
# Mumbai Futuristic Economic Zone Private Ltd.	India
# Quippo Prakash Marine Holdings Pte. Ltd. (Subsidiary of Quippo Oil & Gas Infrastructure Ltd.)	Singapore
# Quippo Prakash Pte. Ltd. (Subsidiary of Quippo Prakash Marine Holdings Pte. Ltd.)	Singapore
# Quippo Holding Cooperatief U.A. (Subsidiary of Quippo Oil & Gas Infrastructure Ltd.)	Netherlands

## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

Subsidiaries & Step-down Subsidiaries:	Country of Origin
# Quippo International B.V. (Subsidiary of Quippo Holding Cooperatief U.A.)	Netherlands
# Quippo Energy Middle East Ltd. (Subsidiary of Quippo Energy Private Ltd.)	Dubai
# Quippo Energy Yemen Ltd. (Subsidiary of Quippo Energy Private Ltd.)	Yemen
# Kasco Steel Ltd. (Subsidiary of Quippo Construction Equipment Ltd.)	India
# Quippo Mara Infrastructure Ltd. (Subsidiary of Quippo International B.V.)	British Virgin Islands
Joint Ventures:	
Srei Equipment Finance Private Ltd.	India
# Quippo Valuers and Auctioneers Private Ltd. (Formerly GoIndustry Quippo Valuers and Auctioneers Private Ltd.) upto 30.03.2011	India
Trusts:	
Srei Mutual Fund Trust w.e.f. 07.08.2010	India
Srei Growth Trust w.e.f. 04.03.2011	India
Key Management Personnel:	
Name	Designation
Hemant Kanoria	Chairman & Managing Director
Saud Ibne Siddique	Joint Managing Director
Kishore Kumar Mohanty (upto 31.01.2011)	Whole time Director
Sanjeev Sancheti	Chief Financial Officer

# Pursuant to the Scheme of Amalgamation of Quippo Infrastructure Equipment Limited (Quippo) into and with the Company sanctioned by the Hon'ble High Court at Calcutta vide its Order made on January 18, 2011 and effective w.e.f. March 04, 2011, these Companies have become subsidiaries and/or step down subsidiaries of the Company.

Similarly, Quippo Valuers and Auctioneers Private Limited (Formerly GoIndustry Quippo Valuers and Auctioneers Private Limited) (QVAPL) which was a 50:50 joint venture between Quippo and Go Industry Limited, UK became a Joint Venture between the Company and Go Industry Limited, UK w.e.f. March 04, 2011. Thereafter, the entire shareholding of Go Industry Limited, UK has been acquired by the Company and consequently, QVAPL has become a 100% subsidiary of the Company w.e.f. March 31, 2011. The name has been changed to "Quippo Valuers and Auctioneers Private Limited" w.e.f. April 16, 2011.

#### Summary of Transactions with Related Parties

(₹ in Lakh)

Name of related party & Nature of relationship	Nature of Transactions and Outstanding balances	2010-11	2009-10
<b>(A) Subsidiaries:</b>			
Srei Infrastructure Advisors Ltd.	Loan advanced	1	1
	Refund of Loan advanced	8	58
	Interest received on Loan	0.25	8
	Business Auxiliary Services rendered	1	1
	Balance receivable – Loan	2	9
Srei Venture Capital Ltd.	Loan given	6	325
	Refund of Loan advanced	6	325
	Interest received on Loan	0.20	23
Srei Sahaj e-Village Ltd.	Loan advanced	8,690	7,210
	Refund of Loan advanced	4,380	1,500
	Interest received on Loan	1,173	745
	Business Auxiliary Services rendered	-	1
	Recovery of Rent	20	21
	Recovery of Bank Guarantee Charges	11	52

## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

#### Summary of Transactions with Related Parties

(₹ in Lakh)

Name of related party & Nature of relationship	Nature of Transactions and Outstanding balances	2010-11	2009-10
	Bank Guarantee Arranged	45	2,572
	Bank Guarantee Closed	2,617	-
	Equity Contribution	900	-
	Corporate guarantee expired	-	6,000
	Corporate guarantee – Outstanding as at year end	2,981	2,981
	Balance receivable – Loan	11,195	6,885
	Balance receivable – Interest accrued but not due	103	-
	Bank Guarantee Outstanding	-	2,572
Bengal Srei Infrastructure Development Ltd.	Loan advanced	33	33
	Refund of Loan advanced	-	26
	Interest received on Loan	18	14
	Balance receivable – Loan	150	117
Global Investment Trust Ltd.	Fixed Assets Purchased	-	3
Srei Forex Ltd.	Loan advanced	0.20	1
	Business Auxiliary Services rendered	0.05	0.05
	Loan Write-off	0.20	1
	Balance receivable – Loan	-	0.05
Srei Capital Markets Ltd.	Loan advanced	20	367
	Refund of Loan advanced	209	403
	Consultancy Fees paid	-	43
	Balance receivable – Loan	-	189
Srei Mutual Fund Trust Pvt. Ltd.	Subscription to Equity Shares	-	5
Srei Mutual Fund Asset Management Private Ltd.	Subscription to Equity Shares	1,090	10
	Deposit Received	1,000	-
	Deposit Refunded	40	-
	Interest on Deposit	52	-
	Balance Payable – Deposit	960	-
Controlla Electrotech Pvt. Ltd.	Security deposit Refund received	11	-
	Rent Paid	8	8
	Business Auxiliary Services rendered	0.05	0.10
	Balance Receivable – Deposit	2,400	2,411
Quippo Infocomm Ltd.	Loan advanced	235	-
	Interest received on Loan	14	-
	Balance receivable – Loan	235	-
	Balance receivable – Interest accrued but not due	13	-
Orbis Power Venture Pvt. Ltd. (Ceased on 31.03.10)	Loan advanced	-	13,020
	Loan Processing Fees Received	-	260
	Refund of Loan advanced	-	138
	Interest received on Loan	-	13
Quippo Energy Private Ltd.	Deposit Received	55	-
	Rent Received	31	-
	Interest on Deposit	15	-
	Buyers Credit on LC facility arranged by the Company	1,081	-
	Buyers Credit Facility Charges	4	-
	Balance Payable – Deposit	830	-
	Balance Payable – Interest accrued but not due	13	-
	Buyers Credit outstanding on LC facility arranged by the Company	1,081	-
	Suppliers Credit outstanding on LC facility arranged by the Company	1,847	-
	Corporate guarantee – Outstanding as at year end	5,495	-
	Balance Receivable	17	-
Quippo Oil & Gas Infrastructure Ltd.	Loan advanced	100	-
	Refund of Loan advanced	97	-
	Interest received on Loan	362	-
	Balance receivable – Loan	4,910	-

## Schedules to the Balance Sheet and Profit and Loss Account

## SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

## Summary of Transactions with Related Parties

(₹ in Lakh)

Name of related party & Nature of relationship	Nature of Transactions and Outstanding balances	2010-11	2009-10
	Corporate guarantee – Outstanding as at year end	1,900	-
	Bank Guarantee Outstanding	308	-
Quippo Construction Equipment Ltd.	Loan advanced	350	-
	Interest received on Loan	1,651	-
	Balance receivable – Loan	16,579	-
	Balance receivable – Interest accrued but not due	325	-
Quippo Valuers and Auctioneers Private Ltd.	Interest on Deposit	14	-
	Balance Payable – Deposit	150	-
Mumbai Futuristic Economic Zone Private Ltd.	Loan advanced	4,303	-
	Interest received on Loan	619	-
	Balance receivable – Loan	10,095	-
	Balance receivable – Interest accrued but not due	52	-
<b>(B) Joint Venture:</b>			
Srei Equipment Finance Pvt. Ltd.	Loan advanced	-	43,544
	Refund of loan advanced	-	43,544
	Security deposit received	669	35
	Security deposit paid	7	24
	Security deposit refund received	96	-
	Interest received on Loan	-	1,600
	Advance paid	270	-
	Refund of advance received	270	-
	Rent paid	211	104
	Rent received	999	642
	Balance Payable - Security Deposit	1,421	752
	Balance Receivable - Security Deposit	7	96
<b>(C) Trust:</b>			
Srei Growth Trust	Contribution to corpus	0.25	-
Srei Mutual Fund Trust	Contribution to corpus	1	-
<b>(D) Key Management Personnel:</b>			
Hemant Kanoria	Remuneration	178	87
	Commission	60	36
	Dividend paid	3	2
Saud Ibne Siddique	Remuneration	325	335
Kishore Kumar Mohanty	Remuneration	76	64
	Dividend paid	2	1
Sanjeev Sancheti	Remuneration	66	48

26. Disclosure in respect of Company's Joint Venture in India pursuant to Accounting Standard 27 'Financial Reporting of Interest in Joint Ventures' as at 31st March 2011:

Name of the Venture	Country of Incorporation	Proportion of Ownership Interest
Srei Equipment Finance Private Ltd	India	50%
The aggregate of the Company's share in the above venture is:		
		(₹ in Lakh)
Particulars	2010-11	2009-10
Net Fixed Assets	27,188	20,176
Net Current Assets	419,545	315,893
Loans/ Borrowings	388,585	283,837
Income	59,874	43,841
Expenses (Including Depreciation & Taxation)	53,330	39,485
Contingent Liabilities	12,090	7,729
Capital Commitments (Net of Advances)	3,530	8

## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

#### 27. Earnings Per Share - Basic and Diluted Earnings per Share

Particulars	2010-11	2009-10
1 Net Profit after tax attributable to Equity Shareholders (₹ In Lakh)	13,430	11,149
2 Weighted average number of Equity Shares Basic (Nos.)	231,616,033	209,060,637*
3 Weighted average number of Potential Equity Shares (Nos.)	-	-
4 Weighted average number of Equity Shares Diluted (Nos.)	231,616,033	209,060,637*
5 Nominal Value of Equity per share (₹)	10	10
6 Basic Earnings per share (₹)	5.80	5.33
7 Diluted Earnings per share (₹)	5.80	5.33

\* Adjusted for issuance of Bonus shares in 2010-11 in the ratio of 4:5 pursuant to the Scheme as mentioned in Note 1 above.

28. Uncalled liability on partly paid shares held as stock for trade is ₹ 1 lakh, net of advance (Previous year ₹ Nil).

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

#### 30. Expenditure in foreign currencies

Particulars	2010-11	2009-10
Finance charges	10,521	8,015
Professional / Consultation Fees	23	223
Staff welfare	-	9
On other matter	409	295
<b>Total</b>	<b>10,953</b>	<b>8,542</b>

(₹ in Lakh)

#### 31. Earning in foreign currencies

Particulars	2010-11	2009-10
Fee Based Income	142	47
Income from Loans	95	-
Other Income (conference participation fee received)	1	-
<b>Total</b>	<b>238</b>	<b>47</b>

#### 32. Amount remitted in foreign currencies for dividend (including one Foreign Financial Institution)

Particulars	2010-11	2009-10
Number of Non Resident Shareholders	9	9
Number of Shares held (Equity Shares of ₹ 10/- each)	143,451	143,451
Dividend Remitted (₹ in Lakh)	2	1
Related Year	2009-10	2008-09

33. The Company has been classified by RBI as 'Infrastructure Finance Company – Non Deposit Taking' within the overall classification of 'Non Banking Finance Company' w.e.f. 31st March, 2011.

34. Previous year's financial statements have been audited by M/s Deloitte Haskins & Sells, Chartered Accountants.

35. Previous year's figures have been regrouped / rearranged, wherever considered necessary.

Signatories to Schedules 1 to 18.

For **Haribhakti & Co.**  
Chartered Accountants  
(Regn. No. 103523W)

On behalf of the Board of Directors

**Anand Kumar Jhunjunwala**  
Partner  
M. No. 056613

**Hemant Kanoria**  
Chairman & Managing Director

**Salil K. Gupta**  
Chief Mentor & Director

**Sandeep Lakhotia**  
Company Secretary

Place : Kolkata

Date : 19th May, 2011

## ANNEXURE I TO NOTES TO THE FINANCIAL STATEMENTS

## Stock for Trade as at 31st March, 2011

Equity Shares: Trade	Face Value	Quantity	Cost	Value
	(₹)	(Nos.)	(₹ in Lakh)	
Bala Techno Synthetics Ltd.	10	5000	1	0
Hotline Glass Ltd.	10	110609	12	0
Kamala Tea Co. Ltd.	10	25000	11	11
Shanghi Polyster Ltd.	10	2000	0	0
IDBI Bank	10	60000	104	85
Karur Vysya Bank	10	4400	23	18
Karur Vysya Bank -Partly paid (Refer Note II 28 of Schedule 18)	10	1859	2	6
Can Fin Homes Ltd.	10	132201	211	142
Quippo Telecom Infrastructure Ltd.	10	25929041	0*	0#
L.D.Textile Industries Ltd.	10	42000	0*	0#
Shentracon Chemicals Ltd.	10	99400	0*	0#
India Lead Ltd.	10	418668	0*	0#
Mega Marketshare Resources Ltd.	10	6000	0*	0#
PAAM Pharmaceuticals (Delhi) Ltd.	10	1210	0*	0#
Standard Chrome Ltd.	10	300	0*	0#
Kanel Oil & Export Ltd.	10	3100	0*	0#
Kesoram Textiles Ltd.	10	20	0*	0#
NEPC Agro Foods Ltd.	10	1333	0*	0#
			<b>364</b>	
Less: Provision for diminution			102	
<b>Total</b>			<b>262</b>	

\* Book value ₹ 1; # Valued at ₹ 1

## Equity Shares purchased and/or sold during the year

Equity Shares: Trade	Face Value (₹)	Purchase		Sale/Redemption	
		Quantity	Cost	Quantity	Cost
		(Nos.)	(₹ in Lakh)	(Nos.)	(₹ in Lakh)
Bank of Maharashtra	10	20000	14	20000	14
Can Fin Homes Ltd.	10	132201	211	-	-
City Union Bank	10	30019	15	30019	15
Federal Bank Ltd	10	38000	135	38000	135
ICICI Bank	10	10000	99	10000	99
IDBI Bank	10	60000	104	-	-
Karur Vysya Bank	10	4400	23	-	-
Karur Vysya Bank -Partly paid	10	1859	2	-	-
Quippo Telecom Infrastructure Ltd. @	10	25929041	36,301	-	-
Viom Networks Ltd @#	10	23499515	47,452	23499515	47,452
India Glycols Ltd.	10	9500	15	9500	15

@ As per the Scheme of demerger of Passive Telecom towers of Quippo Telecom Infrastructure Ltd. (QTIL) into Viom Networks Ltd. (Viom) on a going concern basis, the Company has received 17,674,062 equity shares of ₹10/- each fully paid up of Viom Networks Ltd. against 25,929,041 nos. equity shares of QTIL. Consequently, the cost of equity shares of QTIL has been considered as cost of equity shares of Viom Networks Ltd.

## ANNEXURE I TO NOTES TO THE FINANCIAL STATEMENTS

### Bonds / Debentures / Government Securities purchased and sold during the year

Bonds / Debentures / Government Securities : Trade	Purchase		Sale/Redemption	
	Face Value	Cost	Face Value	Cost
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
HDFC Ltd NSE Mibor +196 bps	10	1,006	10	1,006
IDFC Ltd NSE Mibor +210 bps	10	1,008	10	1,008
Tata Power 9.15 NCD 23JL11	25	575	25	575
Tata Power 9.15 NCD 23JL12	25	575	25	575
Tata Power 9.15 NCD 23JL13	25	575	25	575
Tata Power 9.15 NCD 23JL14	25	575	25	575
Tata Power 9.15 NCD 23JL15	25	575	25	575
Tata Power 9.15 NCD 23JL16	25	575	25	575
Tata Power 9.15 NCD 23JL17	25	575	25	575
Tata Power 9.15 NCD 23JL18	25	575	25	575
Tata Power 9.15 NCD 23JL19	25	575	25	575
Tata Power 9.15 NCD 23JL20	25	575	25	575
Tata Power 9.15 NCD 23JL21	20	460	20	460
Tata Power 9.15 NCD 23JL22	20	460	20	460
Tata Power 9.15 NCD 23JL23	20	460	20	460
Tata Power 9.15 NCD 23JL24	20	460	20	460
Tata Power 9.15 NCD 23JL25	20	460	20	460

### Mutual Funds units purchased and redeemed during the year

Mutual Fund Units : Trade	Purchase		Sale/Redemption	
	Units	Cost	Units	Cost
	Nos.	(₹ in Lakh)	Nos.	(₹ in Lakh)
JP Morgan India Liquid Fund- Super Institutional				
Daily Dividend Plan-Reinvest	234,953,017	23,514	234,953,017	23,514

### Compulsorily Convertible Debentures (CCD) purchased and redeemed during the year

Compulsorily Fully Convertible Debenture: Trade	Purchase		Sale/Redemption	
	Face Value	Cost	Face Value	Cost
	(₹)	(₹ in Lakh)	(₹)	(₹ in Lakh)
10% Viom Networks Ltd. (formerly 10% Quippo Telecom Infrastructure Ltd.) #	100	11,152	100	11,152

# As per the conversion terms of the CCD, 5,825,453 nos. of equity shares of ₹10/- each fully paid up of Viom Networks Ltd. were issued to the Company. Consequently, the cost of CCD has been considered as cost for equity shares of Viom Networks Ltd.

## ANNEXURE II TO NOTES TO THE FINANCIAL STATEMENTS (Refer Note II 29 of Schedule 18)

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

### 1. Capital to Risk Assets Ratio (CRAR)

Sl. No.	Item	31st March, 2011	31st March, 2010
i)	CRAR (%)	29.36	21.99
ii)	CRAR – Tier I Capital (%)	25.13	16.13
iii)	CRAR – Tier II Capital (%)	4.23	5.86

### 2. Exposure to Real Estate Sector

Category	31st March, 2011	31st March, 2010
<b>a) Direct Exposure</b>		
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 upto ₹ 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 Backed Securities (MBS) and other securitised exposures -		
a) Residential	-	-
b) Commercial Real Estate	-	-
<b>b) Indirect Exposure</b>		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-

### 3. Asset Liability Management

Maturity pattern of certain items of assets and liabilities

(₹ 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
<b>Liabilities</b>									
Borrowings from Banks	9,023	3,154	19,289	111,106	68,153	138,076	50,930	22,845	422,576
Market Borrowings	2,270	960	6,503	4,357	6,092	17,144	18,881	18,864	75,071
<b>Assets</b>									
Advances (refer note-2 below)	11,071	1,888	22,450	122,460	71,480	136,496	91,059	44,220	501,124
Investments (Including Stock for trade)	262	-	-	-	-	490	-	250,061	250,813

#### Notes:

- The borrowings indicated above do not include unsecured subordinated bonds amounting to ₹ 31,317 Lakh, since the same forms a part of Tier II Capital.
- Advances represent the maturity pattern of loan assets and rentals on operating lease assets.
- The maturity pattern of working capital facilities sanctioned by the banks has been apportioned in ratio of the maturity pattern of the Loan Assets.



## ANNEXURE III TO NOTES TO THE FINANCIAL STATEMENTS (Refer Note II 29 of Schedule 18)

Disclosure of details as required in terms of paragraph 13 of Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

(₹ in Lakh)

Particulars	Amount Outstanding	Amount Overdue
<b>Liabilities Side:</b>		
<b>(1) Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:</b>		
(a) Debentures /Bonds:		
Secured	1,763	-
Unsecured (Other than falling within the meaning of public deposit)	39,778	-
(b) Deferred Credits	-	-
(c) Term Loans	230,543	-
(d) Inter-corporate loans and borrowing	8,301	-
(e) Commercial Papers	24,973	-
(f) Other Loans:		
Working capital facility	226,636	-
Public Deposit	95	42
<b>Assets Side :</b>		
<b>(2) Break-up of Loans and Advances including bills receivables [other than those included in (3) below]:</b>		
(a) Secured		472,483
(b) Unsecured		29,915
<b>(3) Break-up of Leased Assets and Stock on Hire and other assets counting towards AFC activities</b>		
(a) Financial assets		-
(b) Assets and advance for Operating Lease		-
(c) Repossessed Assets		-
<b>(4) Break up of Investments</b>		
Current Investments*		
(1) Quoted:		
(i) Shares: Equity		251
(ii) Debentures and bonds		-
(iii) Units of mutual funds		-
(iv) Government Securities		-
(v) Others		-
(2) Unquoted:		
(i) Shares: Equity		11
(ii) Debentures and bonds		-
(iii) Units of mutual funds		-
(iv) Government Securities		-
(v) Others		-
Long term investments		
(1) Quoted:		
(i) Shares: Equity		2,238
(ii) Debentures and bonds		-
(iii) Units of mutual funds		0.24
(iv) Government Securities		104
(v) Others		-

## ANNEXURE III TO NOTES TO THE FINANCIAL STATEMENTS (Refer Note II 29 of Schedule 18)

Disclosure of details as required in terms of paragraph 13 of Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

(₹ in Lakh)

Assets Side :	Amount Outstanding
(2) Unquoted:	
(i) Shares: (a) Equity	1,90,596
(b) Preference	0
(ii) Debentures, bonds / units	-
(iii) Units of mutual funds	-
(iv) Government Securities	0.15
(v) Others (Investment in Funds)	57,613

### (5) Borrower group-wise classification of assets financed as in (2) and (3) above:

Category	Amount net of provisions		
	Secured	Unsecured	Total
<b>1. Related Parties</b>			
(a) Subsidiaries	43,782	2,882	46,664
(b) Companies in the same group	-	-	-
(c) Other related parties	-	7	7
<b>2. Other than related parties</b>	428,701	27,026	455,727
<b>Total</b>	<b>472,483</b>	<b>29,915</b>	<b>502,398</b>

### (6) Investor group wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

Category	Market Value / Break up or fair value or NAV	Book Value (net of provisions)
<b>1. Related Parties</b>		
(a) Subsidiaries	45,712	45,712
(b) Companies in the same group	2,500	2,500
(c) Other related parties	21,530	1,852
<b>2. Other than related parties</b>	201,268	200,749
<b>Total</b>	<b>271,010</b>	<b>250,813</b>

### (7) Other Information:

Particulars	Amount
i. Gross Non-Performing Assets	
(a) Related Parties	-
(b) Other than related Parties	-
ii. Net Non-Performing Assets	
(a) Related Parties	-
(b) Other than related Parties	-
iii. Assets acquired in satisfaction of debt	-

\* Stock for Trade

## BALANCE SHEET ABSTRACT

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO COMPANIES ACT, 1956 (AS AMENDED)

Balance Sheet Abstract and Company's General Business Profile

<b>I. Registration Details</b>			
Registration No	L29219WB1985PLC055352	State Code	21
Balance Sheet Date	31st March 2011		
<b>II. Capital Raised during the year (Amount in ₹ Lakh)</b>			
Public Issue	Nil	Right Issue	Nil
Bonus Issue	9,292	Private Placement	Nil
Preferential Allotment	Nil	Others	29,403
<b>III. Position of Mobilisation and Deployment of Funds (Amount in ₹ Lakh)</b>			
Total Liabilities	791,067	Total Assets	791,067
<b>Source of Funds</b>			
Paid up Capital	50,324	Reserves & Surplus	204,989
Secured Loans	451,856	Unsecured Loans	77,108
Deferred Tax	6,790		
<b>Application of Funds</b>			
Net Fixed Assets (Including CWIP)	39,855	Investments	250,551
Net Current Assets	500,661	Misc. Expenditure	-
Accumulated Losses	-		
<b>IV. Performance of the Company (Amount in ₹ Lakh)</b>			
Turnover	74,624	Total Expenditure	53,410
Profit Before Tax [+] (+ for Profit, - for Loss)	21,214	Profit After Tax [+]	13,430
Earnings Per Share (in ₹ )		Dividend Per Share	₹ 0.75
Basic	5.80	Dividend Rate(%)	7.50
Dilutive	5.80		
<b>V. Generic names of Three Principal Products / Services of Company (as per monetary terms)</b>			
Item Code No (ITC Code)	Not Applicable		
Products Description	Financing Services		
Item code No. (ITC Code)	-		
Products Description	-		
Item Code No. (ITC Code)	-		
Products Description	-		

On behalf of the Board of Directors

**Hemant Kanoria**  
Chairman & Managing Director

**Salil K. Gupta**  
Chief Mentor & Director

**Sandeep Lakhota**  
Company Secretary

Place : Kolkata

Date : 19th May, 2011

## Consolidated Financial Statements Auditors' Report

To The Board of Directors of  
**Srei Infrastructure Finance Limited**

1. We have audited the attached Consolidated Balance Sheet of SREI INFRASTRUCTURE FINANCE LIMITED ("the Company"), its subsidiaries (including their subsidiaries and joint ventures) and jointly controlled entity (including its subsidiary) [the Company, its subsidiaries and jointly controlled entity collectively referred to as "the Group"] as at 31st March, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These Consolidated Financial Statements are the responsibility of the Company's Management and have been prepared by the management on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries (including their subsidiaries and joint ventures) whose financial statements reflect total net assets of ₹ 72,524 lakhs as at 31st March, 2011, total net revenues of ₹ 22,867 lakhs and net cash outflows of ₹ 310 lakhs, for the year ended on that date, as considered in the Consolidated Financial Statements. We also did not audit the financial statements of the jointly controlled entity (including its subsidiary) in whose financial statements the Group's share of profit is ₹ 6,544 lakhs, for the year ended on that date, as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries (including their subsidiaries and joint ventures) and the jointly controlled entity (including its subsidiary), is based solely on the reports of the other auditors except for in case of two foreign sub-subsidiaries and a joint venture of a subsidiary where reliance has been placed on the management accounts for the 3 month period ended 31st March, 2011 and in case of five sub-subsidiaries and a joint venture of a subsidiary where reliance has been placed on the management accounts.
4. We report that the Consolidated Financial Statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) and Accounting Standard 27 (Financial Reporting of

Interests in Joint Ventures) as notified under the Companies (Accounting Standards) Rules, 2006.

5. Based on our audit and on consideration of the separate audit reports on individual financial statements of the Company, its aforesaid subsidiaries (including their subsidiaries and joint ventures) and jointly controlled entity (including its subsidiary), the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2011;

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

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

For **Haribhakti & Co.**  
Chartered Accountants  
(Firm Registration No.103523W)

**Anand Kumar Jhunjunwala**

Partner

Place : Kolkata

Date : 19th May, 2011

Membership No.056613

## Consolidated Balance Sheet as at 31st March, 2011

(₹ in Lakh)

	Schedule	31st March, 2011		31st March, 2010	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	50,324		11,629	
Reserves and Surplus	2	256,482	306,806	117,338	128,967
<b>Minority Interest</b>			7,379		2,361
<b>Loan Funds</b>					
Secured	3	880,637		557,747	
Unsecured	4	125,773		99,212	
			1,006,410		656,959
<b>Deferred Tax Liability</b>			10,150		7,363
<b>Total</b>			<b>1,330,745</b>		<b>795,650</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	5	179,962		40,130	
Less: Depreciation		33,784		8,422	
Net Block			146,178		31,708
<b>Capital Work in Progress</b>			2,741		-
<b>Project Work in Progress</b>			4,709		-
<b>Goodwill</b>			42,534		622
<b>Investments</b>	6		203,144		67,074
<b>Deferred Tax Assets</b>			3,583		84
<b>Current Assets, Loans and Advances</b>					
Inventories		1,691		1,007	
Sundry Debtors	7	22,870		10,844	
Cash & Bank Balances	8	31,765		29,097	
Financial & Other Current Assets	9	455,304		340,115	
Loans & Advances	10	476,047		361,851	
			987,677		742,914
Less: Current Liabilities and Provisions					
Liabilities	11	43,254		39,793	
Provisions	12	16,707		7,385	
					47,178
<b>Net Current Assets</b>			927,716		695,736
<b>Miscellaneous Expenditure</b>	13		140		426
(To the extent not written off or adjusted)					
<b>Total</b>			<b>1,330,745</b>		<b>795,650</b>

Significant Accounting Policies and Notes to

Financial Statements as per our report of even date 19

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For Haribhakti &amp; Co.

Chartered Accountants

[Regn No. 103523W]

Anand Kumar Jhunjunwala

Partner

M. No. 056613

Place : Kolkata

Date : 19th May 2011

10 Lakh is equal to 1 Million

On behalf of the Board of Directors

Hemant Kanoria  
Chairman & Managing DirectorSalil K. Gupta  
Chief Mentor & DirectorSandeep Lakhota  
Company Secretary

**Consolidated Profit and Loss Account** for the year ended 31st March, 2011

(₹ in Lakh)

	Schedule	31st March, 2011	31st March, 2010
<b>INCOME</b>			
Income from Operations	14	163,167	96,957
Other Income	15	642	259
<b>Total</b>		<b>163,809</b>	<b>97,216</b>
<b>EXPENDITURE</b>			
Staff Expenses	16	12,344	6,259
Administrative & Other Expenses	17	19,083	8,623
Interest and Finance Charges	18	82,920	53,279
Depreciation	5	12,409	4,328
Miscellaneous Expenditure written off	13	228	73
<b>Total</b>		<b>126,984</b>	<b>72,562</b>
<b>PROFIT BEFORE BAD DEBTS AND PROVISIONS</b>			
		<b>36,825</b>	<b>24,654</b>
Bad Debts/Advances written off (net of recovery)		3,507	2,590
Provision for Bad & doubtful debts		485	-
Contingent Provisions against Standard Assets		2,236	-
Provision for Non Performing Assets		1,612	210
Provision for Premium on Unsecured Subordinated Bonds		88	88
		<b>7,928</b>	<b>2,888</b>
<b>PROFIT BEFORE TAX</b>			
		<b>28,897</b>	<b>21,766</b>
Provision for Tax:			
-Current Tax		8,267	3,437
-MAT Credit Entitlement		(94)	(2,190)
-Deferred Tax		(203)	4,619
-Income Tax in respect of earlier years		1,309	220
<b>PROFIT AFTER TAX BEFORE MINORITY INTERESTS</b>			
		<b>19,618</b>	<b>15,680</b>
Minority Interest		1,694	94
<b>NET PROFIT</b>			
		<b>17,924</b>	<b>15,586</b>
Pre Acquisition Profit/(Loss)		474	-
Minority Interest of Pre Acquisition Profit/(Loss)		(474)	-
<b>PROFIT AFTER TAX AFTER ADJUSTMENT OF MINORITY INTERESTS</b>			
		<b>17,924</b>	<b>15,586</b>
Surplus brought forward from previous year		25,618	15,775
Adjustment on account of Amalgamation (Refer Note II 3 of Schedule 19)		(570)	-
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>			
		<b>42,972</b>	<b>31,361</b>
<b>APPROPRIATIONS</b>			
Special Reserve (As per Reserve Bank of India Directions)		3,997	3,151
Debt Redemption Reserve (Net)		4,228	667
General Reserve		2	300
Proposed Dividend		3,778	1,394
Corporate Dividend Tax on Proposed Dividend		628	231
Surplus carried to Balance Sheet		30,339	25,618
<b>Total</b>		<b>42,972</b>	<b>31,361</b>
<b>Earnings Per Equity Share (Basic &amp; Diluted) in ₹</b>			
		7.74	7.46
(Face Value ₹ 10/- per Share)			
Significant Accounting Policies and Notes to Financial Statements as per our report of even date			
	19		

The Schedules referred to above form an integral part of the Profit and Loss Account. This is the Profit and Loss Account referred to in our report of even date.

**For Haribhakti & Co.**  
Chartered Accountants  
[Regn No. 103523W]

**Anand Kumar Jhunjunwala**  
Partner  
M. No. 056613

Place : Kolkata  
Date : 19th May 2011

10 Lakh is equal to 1 Million

**On behalf of the Board of Directors**

**Hemant Kanoria**  
Chairman & Managing Director

**Salil K. Gupta**  
Chief Mentor & Director

**Sandeep Lakhota**  
Company Secretary

## Consolidated Cash Flow Statement for the year ended 31st March, 2011

(₹ in Lakh)

	31st March, 2011	31st March, 2010
<b>A. Cash Flows from Operating Activities<sup>1</sup></b>		
<b>Net Profit Before Tax</b>	<b>28,897</b>	<b>21,766</b>
<b>Adjustment for :</b>		
Depreciation	12,409	4,328
Bad Debts/stock for trade written off	3,507	2,590
Provision for Bad & doubtful debts	485	-
Provision for Standard Assets	2,236	-
Provision for Non- Performing Assets & Doubtful debts	1,612	210
Provision for Premium on Unsecured Subordinated Bonds	88	88
Loss on sale of Fixed Assets(net)	943	13
Interest Expenses	82,920	53,279
Income from Trade Investments	(70)	(1,185)
Miscellaneous Expenditure Written off	228	73
Liabilities No Longer Required Now Written Back	(113)	(4)
Dividend Income	(46)	(145)
Provision for Diminution in value of Stock for Trade	90	7
Provision for diminution in value of Investments	45	138
<b>Operating Profit before Working Capital Changes</b>	<b>133,231</b>	<b>81,158</b>
Adjustments for:		
(Increase) / Decrease in Receivables/Others	(116,925)	(229,089)
(Increase) / Decrease in Stock for Trade	(583)	26
(Increase) / Decrease in Financial Assets	(106,058)	(17,374)
(Increase) / Decrease in Fixed Deposit (Deposit with original maturity period of more than three months)	(5,320)	22,518
(Decrease) / Increase in Trade Payables	(4,866)	4,150
<b>Cash Generated from Operations</b>	<b>(100,521)</b>	<b>(138,611)</b>
Interest Paid	(80,515)	(55,683)
Direct Taxes paid	(5,809)	(2,768)
<b>Net Cash (Used in) / Generated from Operating Activities</b>	<b>(186,845)</b>	<b>(197,062)</b>
<b>B. Cash Flows from Investing Activities</b>		
Purchase of Fixed Assets	(56,989)	(5,621)
Proceeds from Sale of Fixed Assets	948	202
(Increase) / Decrease in Investments	(14,242)	(22,968)
Income from Trade Investments	70	1,185
Dividend Received	46	145
<b>Net Cash (Used) / Generated in Investing Activities</b>	<b>(70,167)</b>	<b>(27,057)</b>
<b>C. Cash Flows from Financing Activities</b>		
Increase / (Decrease) in Debenture (net)	2,960	64,551
Increase / (Decrease) in Working Capital facilities (net)	212,612	58,529
Increase / (Decrease) in Other Loans (net)	37,902	105,706
Dividend Paid	(1,393)	(1,162)
Dividend Tax	(232)	(198)
<b>Net Cash (Used) / Generated in Financing Activities</b>	<b>251,849</b>	<b>227,426</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	<b>(5,163)</b>	<b>3,307</b>
<b>Cash and Cash Equivalents as on 1st April</b>	<b>12,701</b>	<b>9,394</b>
<b>Add: Cash and Cash Equivalent acquired on scheme of amalgamation</b>	<b>2,511</b>	<b>-</b>
<b>Cash and Cash Equivalents as on 31st March</b>	<b>10,049</b>	<b>12,701</b>
Notes:		
1 The above Cash Flows from operating activities have been prepared under the Indirect Method as set out in the Accounting Standard 3 (AS 3) 'Cash Flow Statements' notified by the Central Government under Companies (Accounting Standards) Rules, 2006		
1 Cash and Cash Equivalents are represented by:		
Cash in Hand	96	53
In Current Account	8,225	9,945
Cheques in Hand	671	-
Fixed Deposits with original maturity period being three months or less	1,057	2,703
	10,049	12,701
2 Cash and Bank Balances are represented by :		
Cash and Cash Equivalents	10,049	12,701
Fixed Deposits with original maturity period exceeding three months	21,716	16,396
	31,765	29,097
3. Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.		

This is the Cash Flow Statement referred to in our report of even date.

**For Haribhakti & Co.**  
Chartered Accountants  
[Regn No. 103523W]

**Anand Kumar Jhunjunwala**  
Partner  
M. No. 056613  
Place : Kolkata  
Date : 19th May 2011

**Hemant Kanoria**  
Chairman & Managing Director

**Salil K. Gupta**  
Chief Mentor & Director

**On behalf of the Board of Directors**

**Sandeep Lakhota**  
Company Secretary

10 Lakh is equal to 1 Million



## Schedules to the Consolidated Balance Sheet as at 31st March, 2011

(₹ in Lakh)

	31st March, 2011		31st March, 2010	
<b>SCHEDULE 1 - SHARE CAPITAL</b>				
<b>Authorised</b>				
710,000,000 Equity Shares of ₹ 10/- each (Previous year 400,000,000 Equity Shares of ₹ 10/- each)		71,000		40,000
10,000,000 Preference Shares of ₹ 100/- each (Previous year 30,000,000 Preference Shares of ₹ 100/- each)		10,000		30,000
		<b>81,000</b>		<b>70,000</b>
<b>Issued and Subscribed</b>				
503,559,160 Equity Shares of ₹ 10/- each (Previous year 116,617,625 Equity Shares of ₹ 10/ each)		11,661		11,661
<b>Paid up</b>				
503,086,333* Equity Shares of ₹ 10/- each fully paid up (Previous year 116,144,798 Equity Shares of ₹ 10/- each)		50,309		11,614
Add : Share Forfeiture Account		15		15
<b>*of the above equity shares:</b>		<b>50,324</b>		<b>11,629</b>
(a) 92,915,839 shares (previous year Nil) were allotted as Bonus Shares by capitalisation of Securities Premium (Refer Note II 3 of Schedule 19)				
(b) 294,025,696 shares (previous year Nil) were allotted pursuant to the Scheme of Amalgamation, without payment being received in cash and includes 48,600,000 shares allotted to 'Srei Growth Trust' (Refer Note II 3 of Schedule 19)				
<b>SCHEDULE 2 - RESERVES &amp; SURPLUS</b>				
<b>Capital Reserves</b>				
As per Last Balance Sheet		1,979		199
Add: Addition during the year		125	2,104	1,780
<b>Share Premium Account</b>				
As per Last Balance Sheet		69,574		69,574
Add: Addition during the year		27		-
		69,601		69,574
Less: Issuance of Bonus shares		(9,292)	60,309	-
<b>General Reserve</b>				
As per Last Balance Sheet		1,737		1,437
Add: Addition on account of amalgamation (Refer Note II 3 of Schedule 19)		137,870		-
Add: Other addition during the year		2		300
		139,609		1,737
Less: Adjusted during the year		(2,806)	136,803	-
<b>Bond/Debt Redemption Reserve</b>				
As per Last Balance Sheet		6,303		5,636
Add: Addition during the year		5,323		1,795
		11,626		7,431
Less: Reversal due to repayment of Bond/ Debt		(1,095)	10,531	(1,128)
<b>Special Reserve as per Reserve Bank of India Directions</b>				
As per Last Balance Sheet		12,463		9,312
Add: Addition during the year		3,998	16,461	3,151
<b>Foreign currency translation reserve</b>				
As per Last Balance Sheet		(336)		(404)
Add: Addition during the year		271	(65)	68
<b>Profit &amp; Loss Account</b>				
As per Last Balance Sheet		25,618		15,775
Add: Addition during the year		4,721	30,339	9,843
		<b>256,482</b>		<b>117,338</b>

10 Lakh is equal to 1 Million

## Schedules to the Consolidated Balance Sheet as at 31st March, 2011

(₹ in Lakh)

	31st March, 2011	31st March, 2010
<b>SCHEDULE 3 - SECURED LOANS</b>		
Debentures	58,916	42,729
Term Loans:		
Domestic Banks	245,262	242,543
Foreign Banks	114,602	92,417
Domestic Financial Institutions	11,558	5,590
Foreign Financial Institutions	109,051	46,152
Working Capital Facilities from Banks	341,014	127,472
Foreign Guaranteed Local Currency Bonds	188	375
Public Deposits	46	468
Other Secured Loans	-	1
	<b>880,637</b>	<b>557,747</b>
<b>SCHEDULE 4 - UNSECURED LOANS</b>		
Debentures	8,750	34,650
Subordinated Debenture/Bonds/Loan	57,561	44,888
Zero Coupon Redeemable Convertible Bonds	1,795	-
0.1% Non Convertible Cumulative Redeemable Preference Shares	73	-
Short Term Loans and Advances:		
Domestic Banks	12,500	-
Domestic Financial Institutions	5,000	-
Others	6,394	150
Other Loans and Advances:		
Commercial Papers	25,784	17,750
Domestic Banks	4,000	-
Foreign Banks	270	678
Foreign Financial Institutions	821	1,096
Others	2,825	-
	<b>125,773</b>	<b>99,212</b>

## SCHEDULE 5 - FIXED ASSETS

(₹ in Lakh)

Particulars	Gross Block					Depreciation / Amortisation					Net Block	
	As of April 1, 2010	Additions as per Scheme of Amalgamation*	Additions during the year	Sales / Adj during the year	As of March 31, 2011	As of April 1, 2010	Additions as per Scheme of Amalgamation*	For the year	Sales / Adj during the year	As of March 31, 2011	As of March 31, 2011	As of March 31, 2010
<b>Assets for Own use:</b>												
Freehold Land	235	272	2,158	175	2,490	-	-	-	-	-	2,490	235
Lease hold Land	-	147	-	-	147	-	1	-	-	1	146	-
Buildings	2,484	452	11,981	228	14,689	74	51	162	13	274	14,415	2,410
Leasehold Improvements	21	197	1,229	138	1,309	-	40	73	23	90	1,219	21
Furniture & Fixtures	1,290	655	593	269	2,269	243	147	192	117	465	1,804	1,047
Motor Vehicles	82	81	47	25	185	21	26	18	9	56	129	61
Machinery	1,587	8,941	2,231	114	12,645	508	2,508	1,432	108	4,340	8,305	1,079
Equipments	-	32,009	52,726	1,601	83,134	-	11,416	4,911	991	15,336	67,798	-
<b>Total (A)</b>	<b>5,699</b>	<b>42,754</b>	<b>70,965</b>	<b>2,550</b>	<b>116,868</b>	<b>846</b>	<b>14,189</b>	<b>6,788</b>	<b>1,261</b>	<b>20,562</b>	<b>96,306</b>	<b>4,853</b>
Intangible Assets:												
Software	487	213	656	4	1,352	99	179	228	4	502	850	388
Tenancy Right	4	-	-	-	4	2	-	1	-	3	1	2
<b>Total (B)</b>	<b>491</b>	<b>213</b>	<b>656</b>	<b>4</b>	<b>1,356</b>	<b>101</b>	<b>179</b>	<b>229</b>	<b>4</b>	<b>505</b>	<b>851</b>	<b>390</b>
<b>Total (C) (A+B)</b>	<b>6,190</b>	<b>42,967</b>	<b>71,621</b>	<b>2,554</b>	<b>118,224</b>	<b>947</b>	<b>14,368</b>	<b>7,017</b>	<b>1,265</b>	<b>21,067</b>	<b>97,157</b>	<b>5,243</b>
<b>Assets for Operating Lease:</b>												
Aeroplanes/Aircraft	3,058	-	-	668	2,390	588	-	269	98	759	1,631	2,470
Earthmoving Equipments	3,329	-	997	-	4,326	989	-	473	-	1,462	2,864	2,340
Motor Vehicles	8,260	-	2,186	84	10,362	3,208	-	1,736	52	4,892	5,470	5,052
Plant & Machinery	8,981	-	21,094	-	30,075	1,460	-	1,769	-	3,229	26,846	7,521
Wind Mills	7,737	-	-	-	7,737	974	-	433	-	1,407	6,330	6,763
Computers	932	-	3,916	-	4,848	114	-	479	-	593	4,255	818
Furnitures and Fixtures	750	-	284	-	1,034	102	-	47	-	149	885	648
<b>Total (D)</b>	<b>33,047</b>	<b>-</b>	<b>28,477</b>	<b>752</b>	<b>60,772</b>	<b>7,435</b>	<b>-</b>	<b>5,206</b>	<b>150</b>	<b>12,491</b>	<b>48,281</b>	<b>25,612</b>
Intangible Assets												
Software	893	-	73	-	966	40	-	186	-	226	740	853
<b>Total (E)</b>	<b>893</b>	<b>-</b>	<b>73</b>	<b>-</b>	<b>966</b>	<b>40</b>	<b>-</b>	<b>186</b>	<b>-</b>	<b>226</b>	<b>740</b>	<b>853</b>
<b>Total (C+D+E)</b>	<b>40,130</b>	<b>42,967</b>	<b>100,171</b>	<b>3,306</b>	<b>179,962</b>	<b>8,422</b>	<b>14,368</b>	<b>12,409</b>	<b>1,415</b>	<b>33,784</b>	<b>146,178</b>	<b>31,708</b>
Previous year	35,610	-	4,864	344	40,130	4,223	-	4,328	129	8,422	31,708	-

\*Refer Note II 3 of Schedule 19

10 Lakh is equal to 1 Million

## Schedules to the Consolidated Balance Sheet as at 31st March, 2011

(₹ in Lakh)

	31st March, 2011	31st March, 2010
<b>SCHEDULE 6 - INVESTMENTS, FULLY PAID UP</b>		
In Government, Government guaranteed securities, bonds & units	105	243
In Other Securities	203,039	66,831
	<b>203,144</b>	<b>67,074</b>
<b>SCHEDULE 7 - SUNDRY DEBTORS</b>		
Sundry Debtors - Operating Lease (Secured, Considered good)		
- Debts outstanding for a period exceeding six months	62	89
- Other Debts	197	342
Sundry Debtors - Others (Unsecured, Considered good)		
- Debts outstanding for a period exceeding six months	11,332	5,874
- Other Debts	11,279	4,539
Sundry Debtors - Others (Unsecured, Considered Doubtful)		
- Debts outstanding for a period exceeding six months	496	
- Less: Provision for Doubtful Debts	(496)	-
	<b>22,870</b>	<b>10,844</b>
<b>SCHEDULE 8 - CASH AND BANK BALANCES</b>		
Cash in hand	96	53
Balances with Scheduled Banks		
- In Unclaimed Dividend Accounts	37	36
- In Current Accounts	8,188	9,909
- In Fixed Deposit Account [includes ₹ 21,967 Lakh under lien (previous year ₹ 17,608 Lakh)]	22,773	19,099
Cheques in Hand	671	-
	<b>31,765</b>	<b>29,097</b>
<b>SCHEDULE 9 - FINANCIAL &amp; OTHER CURRENT ASSETS</b>		
Interest accrued but not due on investments/Fixed deposits/Loans/ Financial Assets	9,041	161
Stock for Trade	262	11
Financial Assets	446,001	339,943
	<b>455,304</b>	<b>340,115</b>
<b>SCHEDULE 10 - LOANS &amp; ADVANCES</b>		
Secured, Considered Good:		
- Loans	427,865	171,785
- Advance for Operating Lease Assets	354	140,030
Unsecured Loan, Considered Good:		
- Loan Others	5,764	14,172
Advances recoverable in cash or in kind or for value to be received:		
- Advance Tax [net of provision for tax ₹ Nil (previous year ₹ 5,325 Lakh)]	-	913
- MAT Credit Entitlement	2,438	2,727
Unsecured, Considered Good:		
- Advances - Others	39,626	32,224
	<b>476,047</b>	<b>361,851</b>
<b>SCHEDULE 11 - CURRENT LIABILITIES</b>		
Book Overdraft	53	1,295
Sundry Creditors for Operating Lease Assets		
- total outstanding dues of micro,small and medium enterprises	-	-
- total outstanding dues of creditors other than micro, small and medium enterprises	601	54
Sundry Creditors - Others		
- total outstanding dues of micro,small and medium enterprises	-	-
- total outstanding dues of creditors other than micro, small and medium enterprises	22,388	27,449
Amounts to be credited to Investor Education & Protection Fund*		
- Unpaid dividend	37	36
- Unpaid matured deposits	42	52
Other liabilities	13,910	7,089
Interest accrued but not due on borrowings	6,223	3,818
	<b>43,254</b>	<b>39,793</b>

\* There is no amount overdue as at Balance Sheet date

10 Lakh is equal to 1 Million

## Schedules to the Consolidated Balance Sheet as at 31st March, 2011

(₹ in Lakh)

	31st March, 2011	31st March, 2010
<b>SCHEDULE 12 - PROVISIONS</b>		
Provision for Tax {(Net of advance tax for ₹ 11,936 Lakh (Previous year ₹ Nil))}	2,384	-
Provision for Fringe Benefits Tax	7	7
Proposed Dividend	3,778	1,394
Provision for Corporate Dividend Tax	627	231
Provision for Non Performing Assets	6,442	4,992
Contingent Provisions against Standard Assets as per the norms of Reserve Bank of India	2,236	-
Provision for Employee Benefits	1,055	513
Provision for Premium on Unsecured Subordinated Bonds	178	248
	<b>16,707</b>	<b>7,385</b>
<b>SCHEDULE 13 - MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or Adjusted)		
<b>Opening Balance</b>		
Share issue expenses	39	39
Bonds and Debentures issue expenses	246	51
Share issue expenses (GDR)	141	170
	426	260
<b>Add: Addition during the year</b>		
Preliminary expenses	10	-
Bonds and Debentures issue expenses	-	239
	436	499
<b>Less: Adjustment</b>		
Share issue expenses	39	-
Bonds and Debentures issue expenses	29	-
	68	-
<b>Less: Amounts written off during the year</b>		
Preliminary expenses	10	-
Bonds and Debentures issue expenses	77	44
Share issue expenses (GDR)	141	29
	228	73
<b>Closing Balance</b>		
Share issue expenses	-	39
Bonds and Debentures issue expenses	140	246
Share issue expenses (GDR)	-	141
	<b>140</b>	<b>426</b>

## Schedules to the Consolidated Profit & Loss Account

for the year ended 31st March, 2011

(₹ in Lakh)

	31st March, 2011	31st March, 2010
<b>SCHEDULE 14 - INCOME FROM OPERATIONS</b>		
Income from Financial Assets & Loans	112,505	78,714
Income from Leases	7,692	4,734
Income from I T Infrastructure and CSC Services	5,426	3,436
Fee Based Income	12,100	6,022
Income from Equipment Rental	23,215	-
Income from Long term Trade Investments	28	1,185
Interest from Stock for Trade	26	121
Profit on Sale of Long term Trade Investments (net)	70	1,123
Profit on Sale of Stock for Trade (net)	995	42
Dividend Income	46	145
Interest received from Govt. Securities/Banks	1,064	1,435
	<b>163,167</b>	<b>96,957</b>
<b>SCHEDULE 15 - OTHER INCOME</b>		
Liabilities No Longer Required Written Back	113	4
Others	529	255
	<b>642</b>	<b>259</b>
<b>SCHEDULE 16 - STAFF EXPENSES</b>		
Salaries, Allowances, Commission & Bonus	11,446	5,815
Contribution to Provident and Other Funds	693	355
Staff Welfare Expenses	205	89
	<b>12,344</b>	<b>6,259</b>
<b>SCHEDULE 17 - ADMINISTRATIVE &amp; OTHER EXPENSES</b>		
Communication Expenses	1,201	749
Outsourced Manpower Expenses	639	-
Site & Site Mobilisation Expenses	1,836	-
Legal & Professional Fees	4,016	3,496
Power & Fuel	573	181
Rent	1,357	763
Equipment Hire & Leasing	298	-
Rates and Taxes	475	274
Brokerage and Service Charges	492	150
Auditors' Remuneration	126	70
Repairs - Building	37	72
Machinery	1,970	176
Others	531	346
Travelling and Conveyance	2,275	1,341
Directors' Fees	12	16
Insurance	547	52
Printing and Stationery	197	139
Advertisement, Subscription and Donation	507	271
Provision for Diminution in value of Long term Investments	45	138
Provision for Diminution in value of Stock for Trade	90	7
Provision for Customer Claims	309	-
Loss on sale of Fixed Assets (net)	943	13
Miscellaneous Expenses	607	369
	<b>19,083</b>	<b>8,623</b>
<b>SCHEDULE 18 - INTEREST &amp; FINANCE CHARGES</b>		
Interest on Debentures	7,644	7,729
Interest on Other Fixed Loans:		
- Term Loans from Domestic Banks/Financial Institutions	27,569	21,767
- Term Loans from Foreign Banks/Financial Institutions	17,982	12,262
- Public Deposits	23	43
- Bonds	5,020	1,746
Interest on Working Capital Facilities	14,463	5,667
Interest - Others	776	102
Other Financial Charges	9,443	3,963
	<b>82,920</b>	<b>53,279</b>

10 Lakh is equal to 1 Million

## Schedules to the Consolidated Balance Sheet and Profit and Loss Account

### SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### I Significant Accounting Policies

##### 1. Basis of Preparation

The consolidated financial statements have been prepared in conformity with Generally Accepted Accounting Principles in India to comply in all material respects with the notified Accounting Standards ('AS') under the Companies Accounting Standard Rules, 2006, the relevant provisions of the Companies Act, 1956 ('the Act') and the guidelines issued by the Reserve Bank of India ('RBI') as applicable to a Non Banking Finance Company ('NBFC'). The consolidated financial statements have been prepared under the historical cost convention on accrual basis except as otherwise stated elsewhere. The accounting policies applied by the Company are consistent with those applied in the previous year except as otherwise stated elsewhere.

##### 2. Use of estimates

The preparation of consolidated financial statements requires the management to make estimates and assumptions, considered to arrive at the reported amounts of assets and liabilities and disclosure of contingent liabilities as on the date of the financial statements and reported income and expenses during the reporting year. Although these estimates are based upon the management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to the accounting estimates are recognised prospectively in the current and future years.

##### 3. Principles of Consolidation

Srei Infrastructure Finance Limited (the Holding Company) and its subsidiaries (including their subsidiaries and joint venture) and Joint Venture (including its subsidiary) are collectively referred to as 'the Group'. The consolidated financial statements of the Group have been prepared in accordance with Accounting Standard 21 (AS-21) "Consolidated Financial Statements", Accounting Standard 23 (AS-23) "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard 27 (AS-27) "Financial Reporting of Interests in Joint Ventures" notified by the Central Government under the Companies (Accounting Standards) Rules, 2006. The consolidated financial statements have been prepared on the following basis:

- a) The financial statements of the Holding Company and its subsidiary companies have been combined on line by line basis by adding together the book value of like items of Assets, Liabilities, Income and Expenses after eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses.
- b) In case of investments in subsidiaries, where the shareholding is less than 100%, minority interest in the net assets of consolidated subsidiaries consist of:
  - i) The amount of equity attributable to minorities at the date on which Investment in the subsidiary is made.
  - ii) The minorities' share of movements in equity since the date the holding subsidiary relationship came into existence.
- c) Foreign subsidiaries representing non integral foreign operations are translated for the purpose of consolidation, as follows (in accordance with AS – 11):
  - i) The assets and liabilities, both monetary and non-monetary, are translated at closing rate.
  - ii) Income and expense items are translated at average rate for the period.
  - iii) All resulting exchange differences are accumulated in foreign currency translation reserve until disposal of the net investment.
- d) Uniform accounting policies for like transactions and other events in similar circumstances have been adopted and presented, to the extent possible, in the same manner as the Holding Company's separate financial statements.
- e) The excess of cost of the Holding Company of its investment in the subsidiary over the Holding Company's portion of equity of the subsidiary as at the date of investment is recognised in the financial statements as Goodwill. It is tested for impairment on a periodic basis and written-off if found impaired.
- f) The excess of Holding Company's portion of equity of the Subsidiary, over cost as at the date of investment, is treated as Capital Reserve.

## Schedules to the Consolidated Balance Sheet and Profit and Loss Account

### SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

- g) Investment in associate is accounted using the equity method and disclosed separately in the Consolidated Balance Sheet.
- h) Interests in Joint Ventures have been accounted by using the proportionate consolidation method as per Accounting Standard 27 – “Financial Reporting of Interests in Joint Ventures” notified by the Central Government under the Companies (Accounting Standards) Rules, 2006.

#### 4. Fixed Assets, Depreciation/Amortisation and Impairment of assets

##### 4.1 Fixed Assets

Fixed Assets are carried at cost less accumulated depreciation / amortisation and impairment losses, if any. Cost comprises of the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take substantial period of time to get ready for their intended use are also capitalised to the extent they relate to the period till such assets are ready to put to use.

Intangible Assets expected to provide future enduring economic benefits are carried at cost less accumulated amortisation and impairment losses, if any. Cost comprises of purchase price and directly attributable expenditure on making the asset ready for its intended use.

##### 4.2 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 thereof are greater than or equal to the corresponding rates prescribed in Schedule XIV of the Act. The details of estimated useful life for each category of assets are as under:

Asset category	Estimated Useful Life
<b>I Assets for Own Use</b>	
i) Buildings	45 - 61 years
ii) Furniture & Fixture	5 - 16 years
iii) Motor Vehicles	11 years
iv) Computers	4 - 6 years
v) General Plant & Machinery	9 - 24 years
vi) Equipments	6 - 25 years
vii) Intangible Assets	3 - 6 years
<b>II Assets for Operating Lease</b>	
viii) Aeroplane / Aircraft	9 - 18 years
ix) Earthmoving Equipment	3 - 9 years
x) Motor Vehicles	3 - 6 years
xi) Plant & Machinery	10 - 21 years
xii) Wind Mills	19 years
xiii) Computers	3 - 6 years
xiv) Furniture & Fixture	3 - 16 years
xv) Oil Rig	9 years
xvi) Gas Genset	10 years
xvii) Intangible Assets	3 - 6 years

Fixed Assets costing up to ₹ 5,000/- are depreciated fully over a period of 1 month to 12 months from the date of purchase.

Depreciation on assets purchased / sold during the year is recognised on pro-rata basis.

Lease-hold assets including improvements are amortised over the period of the lease or the estimated useful life of the asset, whichever is lower, subject to the minimum rates prescribed in Schedule XIV of the Act.

## Schedules to the Consolidated Balance Sheet and Profit and Loss Account

### SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

#### 4.3 Impairment of Fixed 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 recognised wherever the carrying amount of an asset exceeds its recoverable amount.

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

A previously recognised 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 by charging usual depreciation if there was no impairment.

#### 5. Capital Work in Progress / Advance for Operating Lease

Capital work in progress / advance for operating lease is stated at cost and includes development and other expenses, including interest during construction period.

#### 6. Project Work in Progress

Project Work in Progress includes cost of land, direct expenses like land development cost and other expenses including interest net of incidental income earned on temporary investment of project fund.

#### 7. Borrowing Costs

Borrowing costs relating to the acquisition / construction of qualifying assets are capitalised 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.

The ancillary costs incurred in connection with the arrangement of borrowings are amortised over the life of underlying borrowings. Premium payable on redemption of bonds is amortised over the tenure of the bonds.

All other costs related to borrowings are recognised as expense in the period in which they are incurred.

#### 8. Operating Leases

Assets given on operating leases are included in fixed assets. Lease income is recognised in the Profit and Loss Account on a straight line basis over the lease term. Costs, including depreciation are recognised as expense in the Profit and Loss Account. Initial direct costs incurred before the asset is ready to be put to use, are included in the cost of the asset and those incurred afterwards, are recognised in the Profit and Loss Account as they are incurred.

#### 9. Investments

Investments 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 price determined category-wise. All long term investments including investments in Subsidiary Companies are carried at cost. However, provision for diminution in value, other than temporary in nature, is made to recognise a decline on an individual basis. The cost of Investments acquired on amalgamations is determined as per the terms of the scheme of amalgamation.

Cost is arrived at on weighted average method for the purpose of valuation of investment.

#### 10. Stock for Trade

Stock for trade is carried at lower of cost and market price, determined category-wise.

#### 11. Financial Assets

Financial Assets include assets under Loan/Hypothecation facility. These are shown net of assets securitised.

Financial Assets are valued at net investment amount including instalments fallen due and are net of unmatured/unearned finance charges etc. and assets acquired in satisfaction of debt.

#### 12. Loan Assets

Loan Assets include loans advanced by the Company, secured by collateral offered by the customers, if applicable. These are shown net of assets securitised.

Loan assets are carried at net investment amount including instalments fallen due and are net of unmatured / unearned finance charges, amounts received, assets not paid for, etc.



## Schedules to the Consolidated Balance Sheet and Profit and Loss Account

### SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

#### 13. Provisioning / Write-off of assets

The Company makes provision for Standard and Non-Performing Assets as per the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, as amended from time to time. The Company also makes additional provision towards loan assets, to the extent considered necessary, based on the management's best estimate.

Loan 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.

Provision for doubtful debtors towards fee based income is provided based on the management's best estimate.

In the financial statements of a foreign sub-subsidiary, provision for doubtful debtors has been determined based on specific customer identification, customer payment trends, subsequent receipts and settlements and analysis of expected future cash flows.

#### 14. Foreign Currency Transactions

The reporting currency of the Company is the Indian Rupee (₹).

##### 14.1 Initial Recognition

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

##### 14.2 Conversion

Foreign currency monetary items are reported using the year end 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. Non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

##### 14.3 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 recognised as income or expense in the year in which they arise. The foreign exchange gain or loss arising on borrowings is included in Interest & Finance Charges.

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

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the respective contracts. Exchange differences on such contracts are recognised 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 recognised as income or expense in the period in which it is cancelled or renewed.

##### 14.5 Derivatives and Hedges

In terms of the announcement made by The Institute of Chartered Accountants of India, the accounting for derivative contracts (other than those covered under AS-11) is done based on the "marked to market" principle, on a portfolio basis and the net loss, after considering the offsetting effect on the underlying hedged item, is charged to the Profit & Loss Account. Net gains are ignored as a matter of prudence.

#### 15. Revenue Recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

##### 15.1 Income from Financial Assets, Loans and Leases

Income from Financial assets, Loans and Leases are recognised in the Profit and Loss Account on accrual basis as stated herein below, except in the case of non-performing assets where it is recognised, upon realisation, as per the Prudential Norms / Directions of the Reserve Bank of India, applicable to Non-Banking Financial Companies.

(a) Interest income from financial and loan assets is recognised based on the internal rate of return, to provide a constant

## Schedules to the Consolidated Balance Sheet and Profit and Loss Account

### SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

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 recognised on straight line basis over the period of the lease.
- (c) Fees on processing of loans are recognised when a binding obligation for granting loan has been entered into.
- (d) Delayed payment interest/incremental in interest pursuant to upward revision in benchmark interest rate is accrued, due to uncertainty of realisation, only to the extent of probable recovery, as per the best estimate of the management.
- (e) Gains arising on securitisation/assignment of assets are recognised over the tenure of agreements as per guideline on securitisation of standard assets issued by RBI, while loss, if any is recognised upfront. These are considered as income from financial/loan assets under the head income from operations.

#### 15.2 Income from IT Infrastructure and CSC Services

Income from IT Infrastructure is recognised on despatch of goods to customers, when all significant risks and rewards of ownership are transferred to the buyer as per the terms of sale and is accounted for as net of returns. Income, as disclosed, is exclusive of value added tax.

Receipts on account of CSC Services are accounted for in accordance with the terms of the relevant underlying agreements with the Village Level Entrepreneurs (VLE) and service providers.

#### 15.3 Government Support

Government support is recognised on the basis of claims raised arising out of reasonable assurance that the Company will comply with the conditions attached with them and there is reasonable certainty of collection of the grants.

#### 15.4 Income from Equipment Rental

Revenue is recognised in accordance with Accounting Standard (AS-9) "Revenue Recognition" on the basis of rendering of services to customers on a proportionate time basis, in accordance with the respective Contracts/Agreements.

#### 15.5 Fee Based Income

Fees for advisory services are accounted based on the stage of completion of assignments, when there is reasonable certainty of its ultimate realisation/collection.

Other fee based income is accounted for on accrual basis.

#### 15.6 Other Operating Income

- (a) Income from Dividend of shares of corporate bodies is accounted when the right to receive the payment is established.
- (b) Income from investment in units of Funds is recognised on cash basis as per the Prudential Norms of the Reserve Bank of India.
- (c) Interest income on fixed deposits/margin money is recognised on time proportion basis taking into account the amount outstanding and the rate applicable.
- (d) Profit or Loss on sale of investments and stock for trade are recognised when a binding obligation has been entered into.
- (e) Claims lodged with the insurance companies are accounted for on accrual basis, to the extent these are measurable and ultimate collection is reasonably certain.
- (f) All other operating income is accounted for on accrual basis.

#### 16. Retirement and Other Employee Benefits

- a) Retirement and Employee benefits in the form of Provident Fund and Employee State Insurance are defined contribution plans and the company's contributions, paid or payable during the year, are charged to Profit and Loss Account.
- b) Gratuity liability is a defined benefit plan and is provided for on the basis of actuarial valuation on projected unit credit method at the Balance Sheet date.
- c) 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 charged to the Profit and Loss Account and are not deferred.

## Schedules to the Consolidated Balance Sheet and Profit and Loss Account

### SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

#### 17. Taxes on Income

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

Current tax is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act, 1961. Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year 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. 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 realised. 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 they can be realised against future taxable profits.

At each balance sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised 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 realised.

MAT credit is recognised 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 recognised 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 created by way of a credit to the Profit And Loss account 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 the Company will pay normal income tax during the specified period.

#### 18. Segment Reporting

Based on the risks and returns associated with business operations and in terms of Accounting Standard-17 (Segment Reporting), the Group is predominantly engaged in 'Financial Services' and 'Infrastructure Equipment Services' as primary reportable segments.

#### 19. Provision, Contingent Liabilities and Contingent Assets

A provision is recognised 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 best estimate 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. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the consolidated financial statements.

#### 20. Cash and Cash Equivalents

Cash and cash equivalents in the cash flow statement comprise of cash at bank and in hand, cheques in hand, remittances in transit and short term investments with an original maturity of three months or less.

#### 21. Earnings Per Share (EPS)

Basic EPS is 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 year.

For the purpose of calculating diluted EPS, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

#### 22. Assets under Management

Contracts securitised, assigned or co-branded are derecognised from the books of accounts. Contingent liabilities, if any, thereof are disclosed separately.

## Schedules to the Consolidated Balance Sheet and Profit and Loss Account

### SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

#### 23. Prior Period and Extra Ordinary Items

Prior Period and Extra Ordinary items having material impact on the financial affairs of the Company are disclosed separately.

#### 24. Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost of inventory is determined using the 'weighted average' basis and includes all costs incurred in bringing the goods to their present location and condition.

The Company provides for obsolete, slow-moving and damaged inventory based on management estimates of the usability of such inventory.

#### 25. Miscellaneous Expenditure

The expenses incurred on issue of Equity Shares, 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 on issue of Bonds and Debentures are amortised over the tenure of the respective Bonds and Debentures.

Preliminary expenses are written off in the year of incurrence.

#### II. Notes to the Consolidated Financial Statements

1. In accordance with Accounting Standard 21 "Consolidated Financial Statements" notified by Central Government under Companies (Accounting Standards) Rules, 2006, the Consolidated Financial Statements of the Group include the financial statements of the Holding Company and all its subsidiaries and sub-subsidiaries which are more than 50% owned and controlled. Enterprises over which the Company exercises significant influence are considered for preparation of the Consolidated Financial Statements as per Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements" and Interests in Joint Ventures have been accounted by using the proportionate consolidation method as per Accounting Standard 27 "Financial Reporting of Interests in Joint Ventures", notified by the Central Government under the Companies (Accounting Standards) Rules, 2006. Investments that are acquired and held exclusively with a view to subsequent disposal in the near future are not considered for consolidation.

2. The details of subsidiaries (including their subsidiaries and joint ventures), associates and joint venture (including its subsidiary) are as follows :-

Name of the Company	Country of incorporation	% Holding As at 31st March, 2011	% Holding As at 31st March, 2010
<b>Subsidiaries</b>			
Srei Sahaj e-Village Ltd.	India	95.10	51
Srei Capital Markets Ltd.	India	100	100
Srei Venture Capital Ltd.	India	100	100
Srei Infrastructure Advisors Ltd.	India	100	100
Global Investment Trust Ltd.	India	100	100
Controlla Electrotech Private Ltd.	India	100	100
Srei Mutual Fund Asset Management Private Ltd.	India	100	100
Srei Mutual Fund Trust Private Ltd.	India	100	100
IIS International Infrastructure Services GmbH	Germany	92.54	92.54
Srei Forex Ltd.	India	100	100
Orbis Power Venture Private Ltd.	India	*	17
#Quippo Valuers and Auctioneers Private Ltd. (Formerly GoIndustry Quippo Valuers and Auctioneers Private Ltd.) w.e.f. 31.03.2011	India	100	-
# Quippo Oil & Gas Infrastructure Ltd.	India	99.80	-
# Quippo Energy Private Ltd.	India	100	-
# Quippo Construction Equipment Ltd.	India	100	-
# Mumbai Futuristic Economic Zone Private Ltd.	India	100	-

## Schedules to the Consolidated Balance Sheet and Profit and Loss Account

### SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Name of the Company	Country of incorporation	% Holding As at 31st March, 2011	% Holding As at 31st March, 2010
<b>Sub-Subsidiaries</b>			
Quippo Infocomm Ltd. (Formerly Srei Infocomm Services Ltd.), (Subsidiary of Srei Infrastructure Advisors Ltd.)	India	100	100
Bengal Srei Infrastructure Development Ltd. (Subsidiary of Srei Infrastructure Advisors Ltd.)	India	51	51
Hyderabad Information Technology Venture Enterprises Ltd. (Subsidiary of Srei Venture Capital Ltd.)	India	51	51
Cyberabad Trustee Company Private Ltd. (Subsidiary of Srei Venture Capital Ltd.)	India	51	51
ZAO SREI Leasing (Subsidiary of IIS International Infrastructure Services GmbH)	Russia	57.14	63.49
Srei Advisors Pte Ltd. (Subsidiary of IIS International Infrastructure Services GmbH)	Singapore	100	85
DPSC Ltd. (Subsidiary of Orbis Power Venture Private Ltd.)	India	**	58.88
# Quippo Prakash Marine Holdings Pte. Ltd. (Subsidiary of Quippo Oil & Gas Infrastructure Ltd.)	Singapore	51	-
# Quippo Prakash Pte. Ltd. (Subsidiary of Quippo Prakash Marine Holdings Pte. Ltd.)	Singapore	73.90	-
# Quippo Holding Cooperatief U.A. (Subsidiary of Quippo Oil & Gas Infrastructure Ltd.)	Netherlands	91	-
# Quippo International B.V. (Subsidiary of Quippo Holding Cooperatief U.A.)	Netherlands	100	-
# Quippo Mara Infrastructure Ltd. (Subsidiary of Quippo International B.V.)	British Virgin Islands	50.10	-
# Quippo Energy Middle East Ltd. (Subsidiary of Quippo Energy Private Ltd.)	Dubai	100	-
# Quippo Energy Yemen Ltd. (Subsidiary of Quippo Energy Private Ltd.)	Yemen	100	-
# Kasco Steel Ltd. (Subsidiary of Quippo Construction Equipment Ltd.)	India	68	-
<b>Joint Venture (including its subsidiary)</b>			
Srei Equipment Finance Private Ltd. (SEFPL)	India	50	50
Srei Insurance Broking Private Ltd. (Subsidiary of SEFPL)	India	100	100
# Quippo Valuers and Auctioneers Private Ltd. (Formerly GoIndustry Quippo Valuers and Auctioneers Private Ltd.) upto 30.03.2011	India	-	-
<b>Joint Venture of Subsidiary</b>			
Srei (Mauritius) Infrastructure Development Company Ltd. (JV between Srei Infrastructure Advisors Ltd and The State Investment Corporation Ltd of Mauritius)	Mauritius	50	50
Aalat LLC (JV between IIS International Infrastructure Services GmbH and Waha Capital PJSC)	United Arab Emirates, Abu Dhabi	49	49
NAC Infrastructure Equipment Ltd. (JV between Quippo Construction Equipment Ltd., L & T Finance Holdings Ltd., Nagarjuna Construction Company Ltd. and National Academy of Construction)	India	50	-
SICOM Srei Maharashtra Infrastructure Private Ltd. (JV between Srei Infrastructure Advisors Ltd. and SICOM Ltd.) w.e.f. 27.08.2010	India	50	-
<b>Associate of Subsidiary</b>			
Spice Internet Service Provider Private Ltd. (Ceased to be Associate of Srei Sahaj e-Village Ltd. w.e.f. 20.08 2010)	India	-	49

\* Ceased to be subsidiary w.e.f. 31st March 2010

\*\* Ceased to be sub-subsidiary w.e.f. 31st March 2010

## Schedules to the Consolidated Balance Sheet and Profit and Loss Account

### SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

# Pursuant to the Scheme of Amalgamation of Quippo Infrastructure Equipment Limited (Quippo) into and with the Company sanctioned by the Hon'ble High Court at Calcutta vide its Order made on January 18, 2011 and effective w.e.f. March 04, 2011, these Companies have become subsidiaries and/or step down subsidiaries of the Company.

Similarly, Quippo Valuers and Auctioneers Private Limited (Formerly GoIndustry Quippo Valuers and Auctioneers Private Limited) (QVAPL) which was a 50:50 joint venture between Quippo and Go Industry Limited, UK became a Joint Venture between the Company and Go Industry Limited, UK w.e.f. March 04, 2011. Thereafter, the entire shareholding of Go Industry Limited, UK has been acquired by the Company and consequently, QVAPL has become a 100% subsidiary of the Company w.e.f. March 31, 2011. The name has been changed to "Quippo Valuers and Auctioneers Private Limited" w.e.f. April 16, 2011.

#### 3. Scheme of Amalgamation

The Board of Directors of the Company at its meeting held on 28th January, 2010 had, based on the recommendation of the Committee of Independent Directors, approved amalgamation of Quippo Infrastructure Equipment Limited (Transferor Company) into and with the Company in terms of a Scheme of Amalgamation (the Scheme) under Sections 391 to 394 of the Companies Act, 1956. The Scheme was approved by the Equity Shareholders of the Company in the meeting held on 31st May, 2010, convened by the Hon'ble High Court at Calcutta (the Court).

Pursuant to the sanction of the scheme by the Court vide its Order made on 18th January, 2011, all the assets, rights, obligations, liabilities and the entire business of the Transferor Company were transferred to and vested in the Company, as a going concern with effect from 1st April, 2010 ('Appointed Date') and accordingly, the sanctioned Scheme has been given effect to in these financial statements. The Transferor Company alongwith its subsidiaries had been primarily engaged in the business of infrastructure equipment rental and matters incidental and ancillary thereto.

As per the Scheme of Amalgamation, the Effective Date is the date on which all the conditions and matters referred to in the Scheme are fulfilled and the Scheme becomes operative and effective from the Effective Date. All the conditions and matters prescribed in the Scheme were fulfilled on 4th March, 2011. Accordingly, the Scheme became effective from 4th March, 2011. Pending completion of relevant formalities of transfer of certain assets and liabilities acquired pursuant to the Scheme, in the Company's name, such assets and liabilities remain included in the books of the Company in the name of the Transferor Company.

In accordance with the Scheme and as per the sanction by the Court:

- a) The Company has issued and allotted 92,915,839 equity shares of ₹ 10/- each fully paid up as bonus shares to the pre-amalgamation equity shareholders of the Company in the ratio of 4:5, by way of capitalisation of Securities Premium on 5th March, 2011.
- b) Further, the Company has issued and allotted 294,025,696 equity shares of ₹ 10/- each fully paid up as consideration for the amalgamation to the shareholders of the Transferor Company on 5th March, 2011.
- c) A Trust in the name of "Srei Growth Trust" has been settled by the Company on 4th March, 2011 to inter alia, receive equity shares of the Company in exchange of the Company's shareholding in the Transferor Company. The Company, in lieu of its shareholding in the Transferor Company, is entitled to be allotted equity shares of itself on amalgamation. However, since a company cannot hold its own shares, the Company settled the aforesaid Trust to hold such shares. Consequently, 48,600,000 equity Shares of the Company of ₹ 10/- each fully paid up were issued and allotted to Srei Growth Trust, which is holding such shares in trust for the benefit of the Company and/or the shareholders of the Company. The beneficial interest in the Trust amounting to ₹ 1,851.50 Lakh representing the cost of shares of the Transferor Company is shown under 'Investments' in the Balance Sheet.

#### d) Accounting for Amalgamation:

The amalgamation of Transferor Company with the Company has been accounted for on the basis of the Purchase Method as stated in the Accounting Standard (AS) -14 on 'Accounting for Amalgamations' as below:

- (i) All assets and liabilities of the Transferor Company were transferred to and vested in the Company at their respective fair values as on 31st March 2010, w.e.f. 1st April, 2010.
- (ii) Excess of the fair value of net assets taken over by the Company, over the paid up value of Equity Shares issued & allotted to the shareholders of the Transferor Company, being ₹ 137,870 Lakh has been credited to General Reserves of the Company. Had the Scheme, sanctioned by the Court, not prescribed this accounting treatment, this amount would have been credited to Capital Reserve, with no impact on net profit for the year.
- (iii) Inter Company balance of ₹ 100 Lakh on account of loan given by the Company to the Transferor Company has been cancelled.
- (iv) The Authorised Share Capital of the Company has increased from ₹ 70,000 Lakh to ₹ 81,000 Lakh divided into 710,000,000 Equity Shares of ₹ 10/- each and 10,000,000 Preference Shares of ₹ 100/- each.

In view of the above, the figures of current year are not comparable with those of the previous year.

## Schedules to the Consolidated Balance Sheet and Profit and Loss Account

### SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

4. The audited financial statements of IIS International Infrastructure Services GmbH (IIS), Quippo Prakash Marine Holdings Pte. Ltd. and management accounts of Quippo Prakash Pte. Ltd., Srei (Mauritius) Infrastructure Development Corporation Ltd., Quippo Holding Cooperatief U.A., Quippo International B.V., Quippo Energy Middle East Limited and Quippo Energy Yemen Limited up to 31st March 2011 have been prepared in accordance with International Financial Reporting Standards, generally followed in the country of their incorporation. Differences in accounting policies arising there from are not material.
- The audited financial statements of ZAO Srei Leasing (ZAO), a subsidiary of IIS is prepared upto 31st December every year. Management accounts for the period 1st January, 2010 to 31st March, 2010 and 1st January 2011 to 31st March 2011 have been used for consolidation with IIS. The audited financial statements of ZAO have been prepared in accordance with International Financial Reporting Standards, generally followed in the country of their incorporation. Differences in accounting policies arising there from are not material.
- The audited financial statements of Srei Advisors Pte Ltd., subsidiary of IIS and Aalat LLC, Joint Venture of IIS is prepared upto 31st December every year. The first audited financial of Srei Advisors Pte Ltd. and Aalat LLC, since incorporation was prepared upto 31st December, 2010. Management accounts for the period 1st January 2011 to 31st March 2011 has been used for consolidation with IIS. The audited financial statements of Srei Advisors Pte Ltd. and Aalat LLC have been prepared in accordance with International Financial Reporting Standards, generally followed in the country of their incorporation. Differences in accounting policies arising there from are not material.
5. Company's shareholding in Srei Sahaj e-Village Ltd. has increased to 95.10% during the year on infusion of fresh capital. Srei Advisors Pte. Limited, Singapore has become a wholly owned subsidiary of IIS International Infrastructure Services GmbH, Germany, a subsidiary of the Company, w.e.f. March 10, 2011 consequent upon acquisition of balance 15% shareholding. The Share Capital of Srei Mutual Fund Asset Management Private Limited, a wholly owned subsidiary of the Company has been increased to ₹ 1,100 Lakhs as on March 31, 2011 consequent upon infusion of fresh capital aggregating to ₹ 1,090 lakhs by the Company.
6. Quippo Mara Infrastructure Limited (QMIL), a subsidiary of Quippo International B.V. was formed without any receipt of Equity Contribution as per the law applicable in the country of its incorporation. Upto 31st March 2011, QMIL was yet to start its operations and there were no transactions in the Company during the year ended on that date. Therefore, no financial statement of QMIL was available for consolidation.
7. The Reporting Company's proportionate share in the assets, liabilities, income and expenses of its Joint Venture Company included in these consolidated financial statements are given below:

Particulars	(₹ in Lakh)	
	31st March, 2011	31st March, 2010
<b>Balance Sheet</b>		
<b>SOURCES OF FUNDS</b>		
<b>Shareholders' Funds</b>		
Share Capital	2,500	2,500
Reserves and Surplus	52,744	46,198
<b>Loan Funds</b>		
Secured	348,858	257,081
Unsecured	39,727	26,756
<b>Deferred Tax Liability</b>	3,045	3,922
<b>Total</b>	<b>446,874</b>	<b>336,457</b>
<b>APPLICATION OF FUNDS</b>		
<b>Fixed Assets</b>		
Gross Block	37,090	26,347
Less: Depreciation	9,902	6,171
Net Block	<b>27,188</b>	<b>20,176</b>
<b>Current Assets, Loans and Advances</b>		
Sundry Debtors	268	336
Cash & Bank Balances	23,497	18,331
Financial & Other Current Assets	430,432	323,813
Loans & Advances	9,279	8,794
	<b>463,476</b>	<b>351,274</b>

## Schedules to the Consolidated Balance Sheet and Profit and Loss Account

SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Contd.)

(₹ in Lakh)

Particulars	31st March, 2011	31st March, 2010
<b>Less: Current Liabilities and Provisions</b>		
Liabilities	33,996	30,915
Provisions	9,935	4,466
	<b>43,931</b>	<b>35,381</b>
<b>Net Current Assets</b>	<b>419,545</b>	<b>315,893</b>
Miscellaneous Expenditure (to the extent not written off or adjusted)	141	388
<b>Total</b>	<b>446,874</b>	<b>336,457</b>
Particulars	2010-11	2009-10
<b>Profit and Loss Account</b>		
<b>INCOME</b>		
Income from Operations	59,727	43,724
Other Income	147	117
<b>Total</b>	<b>59,874</b>	<b>43,841</b>
<b>EXPENDITURE</b>		
Staff Expenses	3,363	2,193
Administrative & Other Expenses	3,921	2,656
Interest & Finance Charges	32,765	26,799
Depreciation	4,027	3,106
Miscellaneous Expenditure written off	218	73
<b>Total</b>	<b>44,294</b>	<b>34,827</b>
<b>PROFIT BEFORE BAD DEBTS AND PROVISIONS</b>	<b>15,580</b>	<b>9,014</b>
Bad Debts/Advances written off (net of recovery)	2,898	2,289
Provision for Non Performing Assets	971	-
Contingent Provisions against Standard Assets	1,041	-
<b>PROFIT BEFORE TAX</b>	<b>10,670</b>	<b>6,725</b>
Provision for Tax	4,126	2,369
<b>PROFIT AFTER TAX</b>	<b>6,544</b>	<b>4,356</b>
<b>Proportionate Share in Reserves of Joint Venture:</b>		
Capital Reserves	18	18
Debt Redemption Reserve	4,053	2,053
Special Reserve as per Reserve Bank of India Directions	3,043	1,735
Securities Premium Account	37,500	37,500
Profit and Loss Account	8,130	4,892
<b>Total</b>	<b>52,744</b>	<b>46,198</b>
Contingent Liabilities	12,090	7,729
Capital Commitments (Net of Advances)	3,530	8

8. Financial Assets at the commencement of the year included certain long term project loans aggregating to ₹ 5,375 lakhs, being share of the Company in Joint Venture, given in earlier years. Against the above, during the year, the Joint Venture Company has recovered an amount of ₹ 5,000 lakhs and the balance amount of ₹ 375 lakhs considered as doubtful of recovery has been provided for in their accounts.

9. **Related Party Disclosures****Related Parties:****Joint Ventures:**

Srei Equipment Finance Private Ltd.

Quippo Valuers and Auctioneers Private Ltd. (Formerly GoIndustry Quippo Valuers and Auctioneers Private Ltd.) upto 30.03.2011

**Trusts :**

Srei Mutual Fund Trust w.e. f. 07. 08. 2010

Srei Growth Trust w.e. f. 04. 03. 2011 (Refer Note 3)

**Key Management Personnel**

Name	Designation
Hemant Kanoria	Chairman & Managing Director
Saud Ibne Siddique	Joint Managing Director
Kishore Kumar Mohanty (Upto 31. 01. 2011)	Wholetime Director
Sanjeev Sancheti	Chief Financial Officer



## Schedules to the Consolidated Balance Sheet and Profit and Loss Account

### SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

#### Summary of Transactions with Related Parties

(₹ in Lakh)

Name of related party and Nature of transaction	Value of Transaction/ Outstanding	Amount Considered in Consolidation	Value of Transaction/ Outstanding	Amount Considered in Consolidation
	2010-11		2009-10	
<b>(A) Joint Venture:</b>				
<b>Srei Equipment Finance Private Ltd.</b>				
Loan advanced	-	-	43,544	21,772
Refund of loan advanced	-	-	43,544	21,772
Security deposit received	669	335	35	18
Security deposit paid	7	4	24	12
Security deposit refund received	96	48	-	-
Advance paid	270	135	-	-
Refund of advance received	270	135	-	-
Interest received on Loan	-	-	1,600	800
Rent paid	211	106	104	52
Rent received	999	500	642	321
Balances Outstanding:				
Security Deposit payable	1,421	711	752	376
Security Deposit receivable	7	4	96	48

(₹ in Lakh)

Name of related party and Nature of relationship	Nature of Transactions and Outstanding balances	2010-11	2009-10
<b>(B) Trusts:</b>			
Srei Mutual Fund Trust	Contribution to corpus	1	-
Srei Growth Trust	Contribution to corpus	0.25	-
<b>(C) Key Management Personnel:</b>			
Hemant Kanoria	Remuneration	178	87
	Commission	60	36
	Dividend paid	3	2
Saud Ibne Siddique	Remuneration	325	335
Kishore Kumar Mohanty	Remuneration	76	64
	Dividend paid	2	1
Sanjeev Sancheti	Remuneration	66	48

#### 10. Capital Commitments

(₹ in Lakh)

Sr.	Particulars	As at 31st March, 2011	As at 31st March, 2010
10.1	Estimated amount of capital contracts remaining to be executed (Net of advances)	8,062	761

#### 11. Contingent Liabilities

(₹ in Lakh)

Sr.	Particulars	As at 31st March, 2011	As at 31st March, 2010
11.1	Bank Guarantee	3,183	5,079
11.2	Bank Guarantees against receivables securitised/assigned	6,835	4,060
11.3	Guarantee against co-branded agreements	11	40
11.4	Guarantee against receivables assigned	5	85
11.5	Disputed tax matters	13,130	5,448
11.6	Claims against the Company not acknowledged as debts	46	3

## Schedules to the Consolidated Balance Sheet and Profit and Loss Account

### SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

#### 12. Earnings Per Share

##### Basic and Diluted Earnings Per Share

Particulars	Year ended 31st March	
	2011	2010
i Net Profit after Tax attributable to Equity Shareholders (₹ in Lakh)	17,924	15,586
ii Weighted average number of Equity Shares Basic (Nos.)	231,616,033	209,060,637*
iii Weighted average number of Potential Equity Shares (Nos.)	-	-
iv Weighted average number of Equity Shares Diluted (Nos.)	231,616,033	209,060,637*
v Nominal Value of Equity per share (₹)	10	10
vi Basic Earnings per share (₹)	7.74	7.46
vii Diluted Earnings per share (₹)	7.74	7.46

\* Adjusted for issuance of Bonus shares in 2010-11 in the ratio of 4:5 pursuant to the Scheme as mentioned in Note 3 above.

13. Segment wise details (information provided in respect of revenue items for the year ended 31st March, 2011 and in respect of assets/ liabilities as at 31st March, 2011 – denoted as “CY” below, previous year denoted as “PY”) as required by AS - 17 “Segment Reporting” notified by the Central Government under the Companies (Accounting Standards) Rules, 2006 are as under:-

Particulars	(₹ in Lakh)							
	Financial Services		Infrastructure Equipment Services*		Others		Total	
	CY	PY	CY	PY	CY	PY	CY	PY
Segment Revenue	139,067	93,734	23,273	-	6,093	4,272	168,433	98,006
Segment Result before								
Interest & Finance Charges	105,631	72,639	7,410	-	(1,136)	2,494	111,905	75,133
Interest & Finance Charges	77,673	51,908	4,839	-	496	1,459	83,008	53,367
Tax Expenses							9,279	6,086
Net Profit After Tax							19,618	15,680
Segment Assets	1,266,342	790,066	86,401	-	31,905	23,186	1,384,648	813,252
Segment Liabilities	988,430	664,218	68,175	-	2,939	12,442	1,059,544	676,660
Capital Expenditures	44,815	4,652	53,854	-	1,502	212	100,171	4,864
Depreciation	5,861	4,150	6,117	-	431	178	12,409	4,328
Other non-cash expenditure	228	73	-	-	-	-	228	73

\* During the year, new entities have been considered for consolidation and based on their operational activities, the Company has identified new business segment as ‘Infrastructure Equipment Services’.

14. The Company has been classified by RBI as ‘Infrastructure Finance Company – Non Deposit Taking’ within the overall classification of ‘Non Banking Finance Company’ w.e.f. 31st March, 2011.
15. Previous year’s consolidated financial statements have been audited by M/s Deloitte Haskins & Sells, Chartered Accountants.
16. Previous year’s figures have been regrouped /rearranged, wherever considered necessary.

Signatories to Schedules 1 to 19

For **Haribhakti & Co**  
Chartered Accountants  
(Regn. No. 103523W)

On behalf of the Board of Directors

**Anand Kumar Jhunjunwala**  
Partner  
M. No. 056613

**Hemant Kanoria**  
Chairman & Managing Director

**Salil K. Gupta**  
Chief Mentor & Director

**Sandeep Lakhotia**  
Company Secretary

Place : Kolkata

Date : 19th May, 2011

## Information on Subsidiary Companies Pursuant to Direction Under Section 212 (8) of the Companies Act, 1956

Sl.No.	Name of Companies	Srei Capital Markets Ltd.	Srei Venture Capital Ltd.	Bengal Srei Infrastructure Development Ltd.	Srei Forex Ltd.	Controla Electrotech Private Ltd.	Quippo Infocomm Ltd.	Srei Infrastructure Advisors Ltd.	Srei Mutual Fund Asset Management Private Ltd.	Srei Mutual Fund Trust Private Ltd.	Global Investment Trust Ltd
	Financial year ending on	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011
	Currency										
	Exchange rate on last day of the financial year										
1	Share Capital	505.00	25.00	5.00	50.00	3.53	5.00	50.00	1,100.00	5.00	5.00
2	Reserves & Surplus	154.00	1,030.54	19.34	(13.92)	(90.09)	(304.05)	(39.87)	(46.48)	(0.78)	6.84
3	Liabilities	88.00	65.33	175.01	86.04	2,400.12	308.33	2.16	14.32	0.28	1.22
4	Total Liabilities	747.00	1,120.87	199.35	122.12	2,313.56	9.28	12.29	1,067.84	4.50	13.06
5	Total Assets	747.00	1,120.87	199.35	122.12	2,313.56	9.28	12.29	1,067.84	4.50	13.06
6	Investments (Refer Annexure)	1.81	695.68	100.00	-	-	-	8.05	-	-	-
7	Turnover	484.35	543.57	122.30	-	10.60	9.10	0.04	51.55	0.12	0.68
8	Profit/(Loss) before Taxation	38.39	59.77	18.34	(0.18)	(38.10)	(302.39)	(46.29)	(46.48)	(0.78)	0.04
9	Provision for Taxation:	11.08	15.16	2.24	-	3.04	-	0.01	-	-	0.04
10	Profit/(Loss) after Tax	27.31	44.61	16.10	(0.18)	(41.14)	(302.39)	(46.30)	(46.48)	(0.78)	0.00
11	Proposed Dividend	-	-	5.00	-	-	-	-	-	-	-

## Information on Subsidiary Companies Pursuant to Direction Under Section 212 (8) of The Companies Act, 1956



Sl.No.	Name of Companies	March 31, 2011	Hyderabad Information Technology Venture Enterprises Ltd.	Cyberabad Trustee Co Private Ltd.	IIS International Infrastructure Service GmbH	ZAO Srei Leasing	Srei Advisors Pte Ltd.	Quippo Valuers & Auctioneers Private Ltd.	Quippo Oil & Gas Infrastructure Ltd.	Quippo Energy Private Ltd.
	Financial year ending on	March 31, 2011	March 31, 2011	March 31, 2011	December 31, 2010 <sup>3</sup>	December 31, 2010 <sup>2</sup>	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011
	Currency				Rubles	SGD				
	Exchange rate on last day of the financial year									
1	Share Capital	1,000.00	25.00	5.00	1,5690	34,8000				
2	Reserves & Surplus	(2,236.70)	68.57	0.36	5,765.34	6.99	20.00	3,000.00		113.97
3	Liabilities	19,124.30	54.66	0.10	537.87	4.63	231.07	(3,096.53)		2,268.51
4	Total Liabilities	17,887.60	148.23	5.46	13,334.41	123.79	54.97	13,336.29		10,188.57
5	Total Assets	17,887.60	148.23	5.46	19,637.62	135.41	306.04	13,239.76		12,571.05
6	Investments (Refer Annexure)	100.25	-	-	19,637.62	135.41	306.04	13,239.76		12,571.05
7	Turnover	6,444.10	15.48	0.34	3,778.35	-	-	4,040.46		26.77
8	Profit/(Loss) before Taxation	(2,451.89)	7.19	0.15	4,045.54	147.33	292.46	3,714.49		4,603.03
9	Provision for Taxation:	-	2.22	0.05	64.81	4.74	30.62	(1,363.62)		471.65
10	Profit/(Loss) after Tax	(2,451.89)	4.97	0.10	113.50	0.29	11.54	(285.91)		131.42
11	Proposed Dividend	-	-	-	190.83	4.45	19.08	(1,067.71)		340.23
					-	-	-	-		0.01

(₹ in Lakh)

## Information on Subsidiary Companies Pursuant to Direction Under Section 212 (8) of The Companies Act, 1956

Sl.No.	Names of Companies	Quippo Construction Equipment Ltd.	Quippo Prakash Maritime Holdings Pte Ltd.	Quippo Prakash Marine. Holdings Pte Ltd.	Quippo Prakash Marine. Holdings Pte Ltd.	Quippo Holding Cooperative U.A.	Quippo International B.V.	Quippo Energy Middle East Ltd.	Quippo Energy Yemen Ltd.	Kasco Steel Ltd.	Quippo Mara Infrastructure Ltd.	Mumbai Futuristic Economic Zone Private Ltd.
	Financial year ending on	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011
	Currency	USD	USD	USD	Euro	Euro	Euro	AED	YER			
	Exchange rate on last day of the financial year	44.5900	44.5900	44.5900	63.1840	63.1840	63.1840	12.1380	0.2091			
1	Share Capital	64.13	2,811.88	31.85	22.22	11.37	3.64	21.33	25.00			1.00
2	Reserves & Surplus	(5,857.83)	1,652.57	3,406.24	(39.69)	(27.14)	(2.38)	(0.10)	(2.26)			(1.58)
3	Liabilities	21,666.17	3,713.34	50,196.40	37.66	16.04	-	-	0.05			10,294.12
4	Total Liabilities	15,872.47	8,177.79	53,634.49	20.18	0.27	1.26	21.23	22.79			10,293.54
5	Total Assets	15,872.47	8,177.79	53,634.49	20.18	0.27	1.26	21.23	22.79			10,293.54
6	Investments (Refer Annexure)	767.00	23.54	-	11.37	-	-	-	-			-
7	Turnover	7,465.65	-	7,162.61	-	-	-	-	-			-
8	Profit/(Loss) before Taxation	(333.90)	(149.91)	924.79	(23.40)	(11.38)	(2.39)	-	-	(0.18)		(0.81)
9	Provision for Taxation:	-	-	(2,664.59)	-	-	-	-	-	-		-
10	Profit/(Loss) after Tax	(333.90)	(149.91)	3,589.38	(23.40)	(11.38)	(2.39)	-	-	(0.18)		(0.81)
11	Proposed Dividend	-	-	-	-	-	-	-	-	-		-

### Note:

<sup>1</sup>For the period 27th November, 2009 to 31st March, 2011

<sup>2</sup>For the period 9th September, 2009 to 31st December, 2010

<sup>3</sup>For the year ended 31st December, 2010

<sup>4</sup>For the period 8th August, 2010 to 31st March, 2011 and based on unaudited financial statement.

<sup>5</sup>For the period 10th January, 2011 to 31st March, 2011 and based on unaudited financial statement.

<sup>6</sup>The Company was formed without any receipt of Equity Contribution as per the law applicable in the country of its incorporation.

Upto 31st March, 2011, the Company was yet to start its operations and there were no transactions during the year ended on that date.

<sup>7</sup>Based on unaudited financial statement.

On behalf of the Board of Directors

Place : Kolkata

Date : 19th May, 2011

**Hemant Kanoria**  
Chairman & Managing Director

**Saill K. Gupta**  
Chief Mentor & Director

**Sandeep Lakhota**  
Company Secretary

## Annexure to Information on Subsidiary Companies Pursuant to Direction Under Section 212 (8) of The Companies Act, 1956

Sl. No.	Name of the Company	No. of shares / units / bonds	Currency	Face Value	Book value (₹ Lakh) *	Quoted / Unquoted
<b>1</b>	<b>Srei Capital Markets Limited</b>					
	<b>Long Term Investments (at cost)</b>					
	<b>In Equity Shares :</b>					
	Andhra Bank Ltd.	100	Indian Rupees	10	0.01	Quoted
	Bank of Baroda Ltd.	100	Indian Rupees	10	0.07	Quoted
	Bank of India Ltd.	100	Indian Rupees	10	0.02	Quoted
	Corporation Bank Ltd.	100	Indian Rupees	10	0.13	Quoted
	HDFC Bank Ltd.	100	Indian Rupees	10	0.25	Quoted
	ICICI Bank Ltd.	100	Indian Rupees	10	0.19	Quoted
	IDBI Bank Ltd.	120	Indian Rupees	10	0.04	Quoted
	ING Vysya Bank Ltd.	415	Indian Rupees	10	0.26	Quoted
	Oriental Bank of Commerce Ltd.	100	Indian Rupees	10	0.04	Quoted
	State Bank of India Ltd.	134	Indian Rupees	10	0.80	Quoted
	<b>TOTAL</b>				<b>1.81</b>	
<b>2</b>	<b>Srei Venture Capital Limited</b>					
	<b>Long Term Investments (at cost)</b>					
	<b>In Subsidiary Company - Equity Shares:</b>					
	Cyberabad Trustee Company Private Ltd.	25,500	Indian Rupees	10	2.55	Unquoted
	Hyderabad Information Technology Venture Enterprises Ltd.	127,500	Indian Rupees	10	46.74	Unquoted
	<b>In Equity Shares:</b>					
	Reliance Power Ltd.	5,115	Indian Rupees	10	14.39	Quoted
	Pilani Investments & Industries Corporation Ltd.	3,000	Indian Rupees	10	108.00	Unquoted
	<b>In Bonds / Debentures / Units:</b>					
	Medium & Small Infrastructure Fund (Class A)	22,000	Indian Rupees	100	22.00	Unquoted
	Medium & Small Infrastructure Fund (Class B)	2,000	Indian Rupees	100	2.00	Unquoted
	Infrastructure Project Development Fund	500,000	Indian Rupees	100	500.00	Unquoted
	<b>TOTAL</b>				<b>695.68</b>	
<b>3</b>	<b>Bengal Srei Infrastructure Development Limited</b>					
	<b>Long Term Investment (at cost)</b>					
	<b>In Equity Shares :</b>					
	Bengal Integrated Auto Industrial Park Private Ltd.	1,000,000	Indian Rupees	10	100.00	Unquoted
	<b>TOTAL</b>				<b>100.00</b>	
<b>4</b>	<b>Srei Infrastructure Advisors Limited.</b>					
	<b>Long Term Investment (at cost)</b>					
	<b>In Subsidiary Company - Equity Shares:</b>					
	Quippo Infocomm Ltd.	50,000	Indian Rupees	10	5.00	Unquoted
	Bengal Srei Infrastructure Development Ltd.	25,500	Indian Rupees	10	2.55	Unquoted
	<b>In Joint Venture - Equity Shares:</b>					
	Srei (Mauritius) Infrastructure Development Company Ltd.	292,800	Mauritius Rupees	10	-	Unquoted
	SICOM Srei Maharashtra Infrastructure Private Ltd.	5,000	Indian Rupees	10	0.50	Unquoted
	<b>TOTAL</b>				<b>8.05</b>	
<b>5</b>	<b>Srei Sahaj e-Village Limited</b>					
	<b>Long Term Investment (at cost)</b>					
	<b>In Equity Shares :</b>					
	Maharashtra Border Checkpost Network Ltd.	2,500	Indian Rupees	10	0.25	Unquoted
	CSC e-Governance Services India Ltd.	10,000	Indian Rupees	1,000	100.00	Unquoted
	<b>TOTAL</b>				<b>100.25</b>	

## Annexure to Information on Subsidiary Companies Pursuant to Direction Under Section 212 (8) of The Companies Act, 1956

Sl. No.	Name of the Company	No. of shares / units / bonds	Currency	Face Value	Book value (₹ Lakh) *	Quoted / Unquoted
<b>6</b>	<b>IIS International Infrastructure Services GmbH</b>					
	<b>Long Term Investment (at cost)</b>					
	<b>In Subsidiary Company - Equity Shares:</b>					
	ZAO Srei Leasing	210,000	Rubles	1,000	3,756.16	Unquoted
	Srei Advisors Pte Ltd	20,100	SGD	1	6.32	Unquoted
	<b>In Joint Venture - Equity Shares:</b>					
	Aalat LLC	@		@	15.87	Unquoted
					<b>3,778.35</b>	
<b>7</b>	<b>Quippo Oil and Gas Infrastructure Limited.</b>					
	<b>Long Term Investment (at cost)</b>					
	<b>In Subsidiary Company &amp; Fellow Subsidiaries - Equity Shares:</b>					
	Quippo Prakash Marine Holdings Pte Ltd	51,000	SGD	1	14.90	Unquoted
	Quippo Prakash Marine Holdings Pte Ltd	1,045,500	USD	1	2,433.41	Unquoted
	Quippo Prakash Pte Ltd	51	SGD	1	0.02	Unquoted
	Quippo Holding Cooperatief U.A.	@		@	12.19	Unquoted
	<b>In Subsidiary Company - Unsecured Redeemable Convertible Bond:</b>					
	Quippo Prakash Marine Holdings Pte Ltd	3,981,502	USD	1	1,579.94	Unquoted
					<b>4,040.46</b>	
<b>8</b>	<b>Quippo Energy Private Limited</b>					
	<b>Long Term Investment (at cost)</b>					
	<b>In Subsidiary Company - Equity Shares:</b>					
	Quippo Energy Middle East Ltd., LLP	30	AED	1,000	3.72	Unquoted
	Quippo Energy Yemen Ltd.	10,200	YER	1,000	23.05	Unquoted
					<b>26.77</b>	
<b>9</b>	<b>Quippo Construction Equipment Limited</b>					
	<b>Long Term Investment (at cost)</b>					
	<b>In Subsidiary Company - Equity Shares:</b>					
	Kasco Steel Ltd	170,000	Indian Rupees	10	17.00	Unquoted
	<b>In Joint Venture - Equity Shares:</b>					
	NAC Infrastructure Equipment Ltd.	7,500,000	Indian Rupees	10	750.00	Unquoted
					<b>767.00</b>	
<b>10</b>	<b>Quippo Prakash Marine Holdings Pte Ltd</b>					
	<b>Long Term Investment (at cost)</b>					
	<b>In Subsidiary Company - Equity Shares:</b>					
	Quippo Prakash Pte Ltd	73,900	SGD	1	23.54	Unquoted
					<b>23.54</b>	
<b>11</b>	<b>Quippo Holding Cooperatief U.A.</b>					
	<b>Long Term Investment (at cost)</b>					
	<b>In Subsidiary Company - Equity Shares:</b>					
	Quippo International B.V.	@		@	11.37	Unquoted
					<b>11.37</b>	

@ There is no system of issuance of distinctive shares in the country of registration.

\* Book value is net of provision for diminution.







**SREI INFRASTRUCTURE FINANCE LIMITED**

Website : www.srei.com, Email: investor.relations@srei.com

**MEMBERS FEEDBACK FORM 2011 – 12**

It has been the constant endeavour of the Company to improve the standard of its investor services. The Company has stipulated internal timeframes for responding to investors' correspondence and adherence therefore is monitored by the Share Transfer and Investors' Grievance Committee.

In pursuit of excellence in Corporate Governance and to constantly improve standards of service, communication and disclosures, we are conducting a small survey to assess the requirement and satisfaction of valuable investors like you. We shall be grateful if you could spare your valuable time in filling up this questionnaire and submit the same to us.

DP ID

E MAIL   
(for holdings in physical mode)

CLIENT ID

FOLIO NO.

Signature of Member

Areas	Excellent	Very Good	Good	Needs Improvement
<b>INFORMATION:</b>				
Quality of Information:				
a) Annual Report, Investor Presentations and regular updates				
b) Company's Website				
<b>SERVICE:</b>				
Timely Receipt:				
a) Annual Reports				
b) Share Certificate(s)/Other Documents				
c) Dividend Warrants/Payment through NECS				
Conduct of Annual General Meeting/Extraordinary General Meeting				
Reminder regarding unpaid dividend				
Speed of Response to Shareholder Query/Grievance				
<b>OVERALL RATING</b>				

Views/Suggestions for improvement in our services .....

Note: Members are requested to send this feedback form to the Company at its registered address.



## Cautionary Statement

This report contains forward looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures and financial results, are forward looking statements. Forward looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.



**Srei Infrastructure Finance Limited**

**Registered Office**

'Vishwakarma', 86C, Topsia Road (South)

Kolkata - 700 046

[www.srei.com](http://www.srei.com)