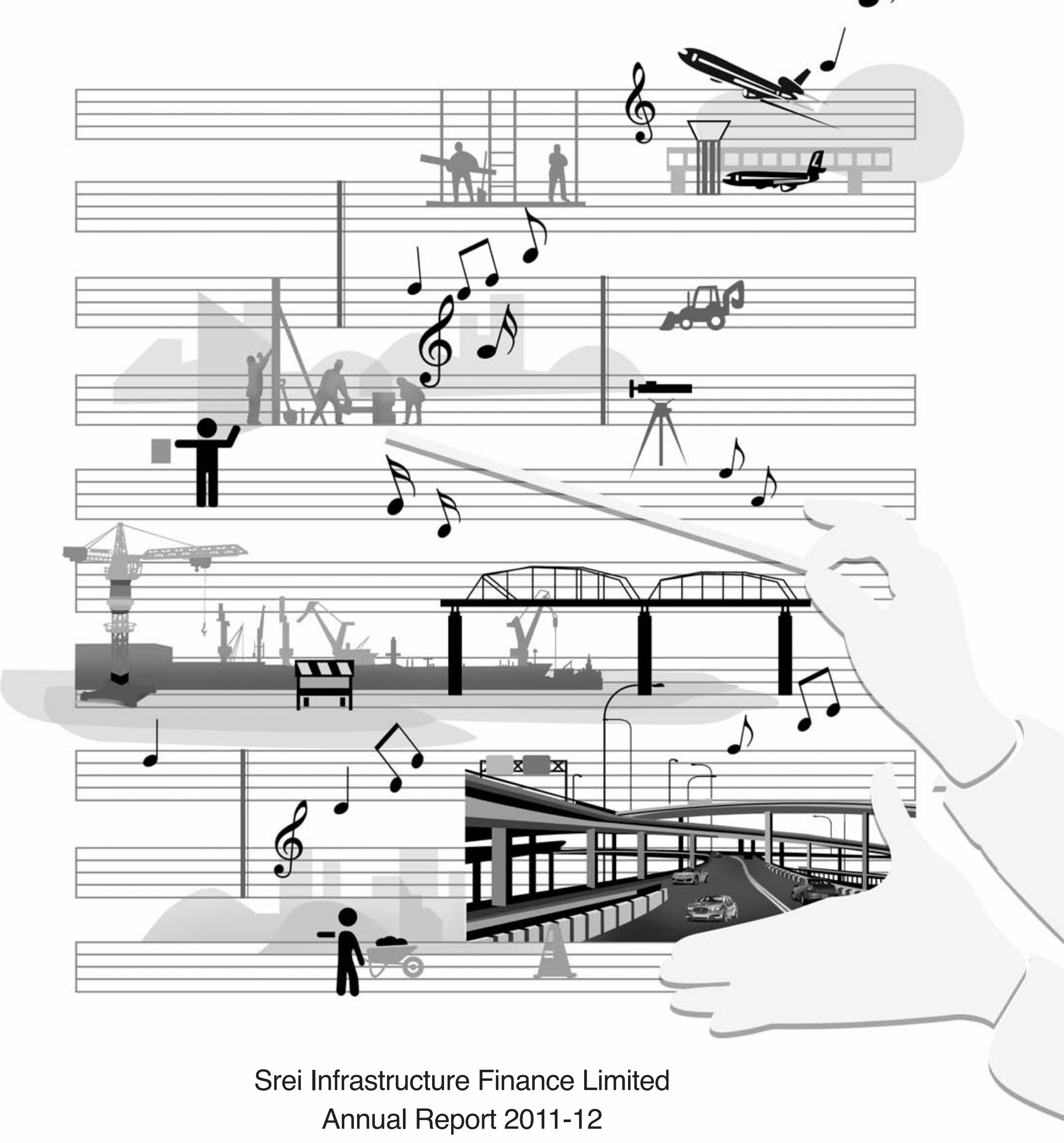
Invisible hand



Srei Infrastructure Finance Limited

Annual Report 2011-12

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

Sujitendra Krishna Deb

Chief Financial Officer

Sanjeev Sancheti

Company Secretary

Sandeep Lakhotia

Auditors

Messrs Haribhakti & Co.
Chartered Accountants

Principal Banker

Axis Bank Limited

Audit Committee

Salil K. Gupta
Chairman

V. H. Pandya

S. Rajagopal

Sujitendra Krishna Deb

Shyamalendu Chatterjee

Sunil Kanoria

Sandeep Lakhotia
Secretary

Compensation Committee

Salil K. Gupta
Chairman

Shyamalendu Chatterjee

Sujitendra Krishna Deb

Sunil Kanoria

Sandeep Lakhotia
Secretary

Committee of Directors

Hemant Kanoria
Chairman

Sunil Kanoria

Saud Ibne Siddique

Sandeep Lakhotia
Secretary

Share Transfer and Investors' Relations Committee

Salil K. Gupta
Chairman

Hemant Kanoria

Sunil Kanoria

Sandeep Lakhotia
Secretary

Asset Liability Management Committee

Sunil Kanoria
Chairman

Saud Ibne Siddique

Shyamalendu Chatterjee

Sanjeev Sancheti

Sandeep Lakhotia

S. B. Tiwari
Secretary

Central Credit and Investment Committee

Hemant Kanoria
Chairman

Sunil Kanoria

Saud Ibne Siddique

Ganesh P. Bagree
Secretary

Risk Committee

Shyamalendu Chatterjee
Chairman

Saud Ibne Siddique

Sujitendra Krishna Deb

Ashwini Kumar
Secretary

Registered Office

"Vishwakarma"
86C, Topsia Road (South)
Kolkata - 700 046
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Fax: +91 33 2285 7542 / 8501
Email: corporate@srei.com
Website: www.srei.com

Contents

1 billion = 100 crore, 1 million = 10 lakh

All figures attributed to Srei are figures of Srei Consolidated unless otherwise stated.

The visible reality is a challenging period with moderate growth and stretched balance sheets.

The invisible reality is some select hands working quietly to alleviate the pain of their respective stakeholders.

Srei Infrastructure Finance Limited is one such Invisible Hand. Working quietly persevering behind the scenes.

Leveraging its scale, experience, spread, portfolio and alliances. To protect stakeholder interests on one hand and to reinforce optimism on the other.

And in doing so, reporting better business growth than the prevailing industry average.

In a challenging 2011-12, most companies working in India's infrastructure sector reported weaker volume growth.

Srei strengthened revenues 49 per cent and disbursals 49 per cent.

Srei Infrastructure Finance Limited is different things to different people.

For some, Srei is a holistic infrastructure financial institution present in various business verticals.

For others, Srei is a national infrastructure driver, having financed over ₹57,000 crore in infrastructure equipment and projects over the last five years.

For some, Srei is a friend of entrepreneurs, helping them with advice and funding the timely purchase of capital equipment.

For others, Srei is a rural economy driver, building one of the largest global network of wirelessly connected IT kiosks reaching around 30 crore rural Indians.

But for all, Srei is really the invisible hand.

Empowering entrepreneurs. Investing in relationships. Providing knowledge. Widening opportunities. Strengthening businesses.

Building the nation. Enhancing hope.

Pedigree

- Established in 1989 as a non-banking finance company focused on growth coming out of India's infrastructure
- Headed by Hemant Kanoria (Chairman and Managing Director), Sunil Kanoria (Vice Chairman) and Saud Siddique (Joint Managing Director). Supported by a team of experienced professionals
- Some of the Institutions which have supported Srei: FMO, UPS Capital, HSBC, ANZ Grindlays, DBS, Austrian Development Bank, DEG and BIO

Presence

- Headquartered in Kolkata (India)
- Present across the length and breadth of India with 198 offices; established two offices in Russia and one in Germany
- Securities listed on the Bombay Stock Exchange, National Stock Exchange, Calcutta Stock Exchange and London Stock Exchange (the first Indian NBFC to list GDRs on this exchange)

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 its positioning as India's most innovative infrastructure solutions provider
- **Respect for people:** Srei acknowledges that its people are its most valuable assets and accordingly provides them with the best possible work environment and treats them like family. 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, ability to constantly enlarge its product basket while controlling risk and reducing cost of services has resulted in enhanced value for all 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

Key financials

Revenue
₹2,446
crore
For 2011-12

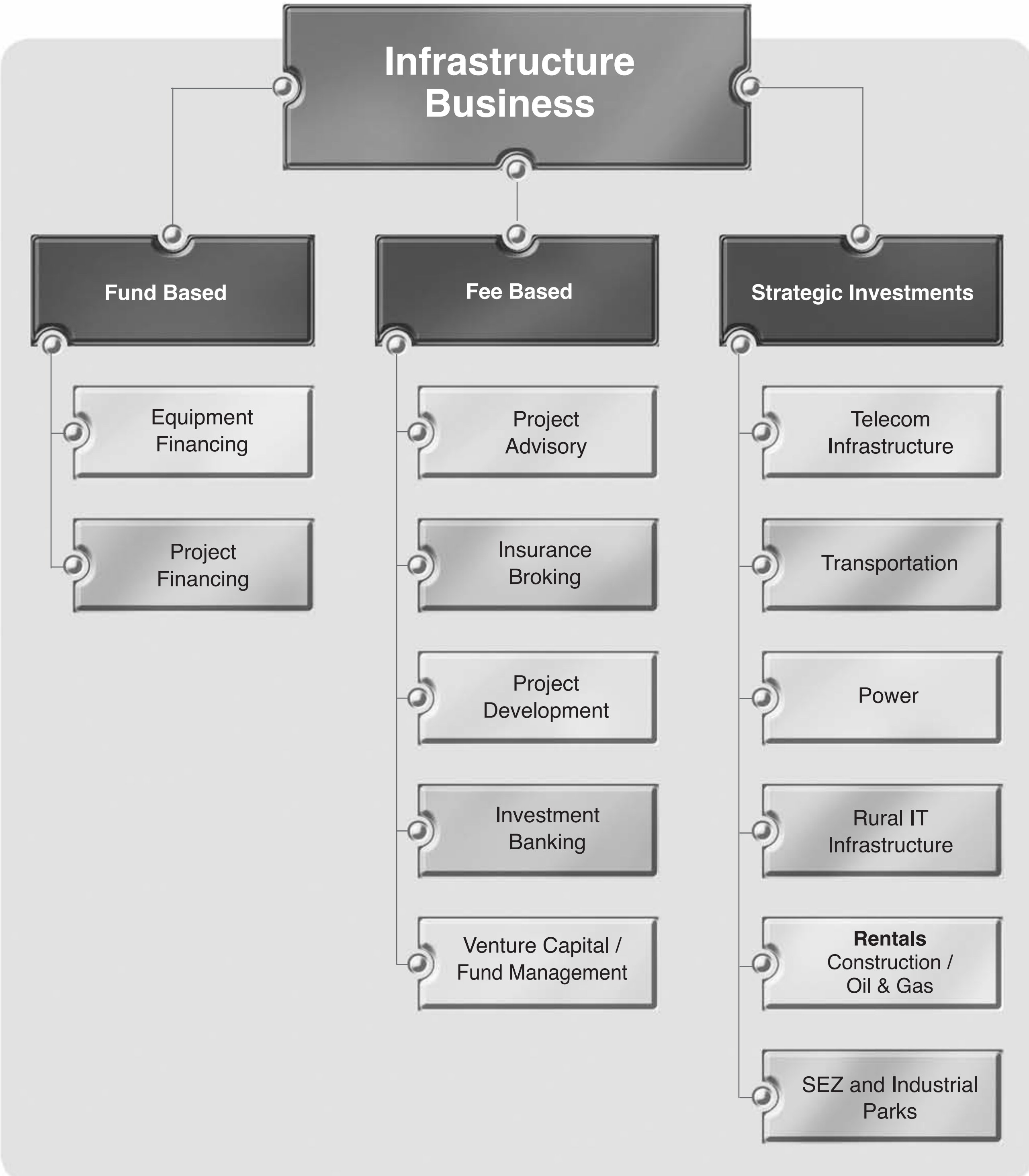
Disbursement growth
49
per cent to ₹18,600 crore In 2011-12

AUM growth
39.12
per cent
5 year CAGR

Net NPA (non-performing asset)
1.18
per cent
As on March 31, 2012

CAR* (capital adequacy ratio)
20.17
per cent
As on March 31, 2012

*Standalone


Infrastructure Business
Fund Based
Fee Based
Strategic Investments
Equipment Financing
Project Financing
Project Advisory
Insurance Broking
Project Development
Investment Banking
Venture Capital / Fund Management
Telecom Infrastructure
Transportation
Power
Rural IT Infrastructure
Rentals
Construction / Oil & Gas
SEZ and Industrial Parks

Chairman and Managing Director's message

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

Dear Shareholders,

The year 2011-12 has been quite challenging, when we have witnessed a good growth in disbursements, but tardy growth in profits. It is only because of our unique business model of being a holistic infrastructure institution that we have been able to withstand the downturn in the economy. Our business has therefore been well insulated as our infrastructure portfolio is well diversified, both in terms of the sectors and clients. The biggest advantage for the Company has been its deep understanding of the risks in the sector and ways to mitigate it which has been learnt over more than two decades of arduous practice.

Economy outlook

According to the Twelfth Five Year Plan (2012-17) projections, it is estimated that USD 200 billion is to be invested annually in infrastructure, of which 50 per cent is expected to come from the private sector. Srei, being one of the leading private sector infrastructure institutions in the country, is well positioned to capitalise on this opportunity. With over twenty three years of rich experience, Srei has a pivotal role to play in the coming years in driving the infrastructure success story, in partnership with its key stakeholders.

However, the macroeconomic scenario, both in India and abroad, is presently quite stressed. None of the key economic indicators are encouraging at this juncture. High interest rate, plunging Index for Industrial Production (IIP) figures, slowing export demand, depreciating rupee, unsustainable current account deficit and rising fiscal deficit have all resulted in a marked slowdown in economic growth as reflected in quarter-on-quarter declining GDP growth. In FY12, Indian economy could manage only 6.5 per cent GDP growth, far below expectation. Government's policy paralysis has further compounded the problem. Over and above these, a crisis in the Eurozone has been building up for almost two years now. The US economy, with high unemployment and diminishing consumption demand, is yet to recover from the 2008 crisis. As I write this, a sense of déjà vu overwhelms me, as if I am transported back to 2009, when world over, governments in most countries were prompt to come up with stimulus packages that provided temporary relief from the downturn. This time around, the possibility of fresh stimulus is less and it seems that there is a lot of uncertainty amongst leaders on the way forward.

Indian economy may remain trapped in a low growth phase for some time. However in spite of slowdown, during the year under review, your Company disbursed ₹18,600 crore and registered almost a 50 per cent rise in income from ₹1,638 crore in 2010-11 to ₹2,446 crore in 2011-12. The net profits have fallen from ₹179 crore in 2010-11 to ₹112 crore in 2011-12, which has been primarily due to marked-to-market (MTM) losses on account of foreign exchange, as rupee suddenly depreciated sharply. Though the exchange rate movements were closely followed, the magnitude and suddenness of the rupee depreciation caught everyone off-guard. The management is constantly monitoring the movement of rupee and adequate care is being taken to ensure that minimum impact is felt. During the year under review, RBI has also been successively increasing interest rates which have created pressure on the Net Interest Margin. The primary reason for RBI to do so has been to bring down inflation.

A closer look at our economy will reveal that over the years inflation has become a recurrent and persistent problem in India, but the interesting fact here is that almost every time, inflation has been driven by supply-side factors. So, to take care of supply side constraints, massive investment in infrastructure is the need of the hour. It has been seen that the higher interest rates and depreciating rupee have had a negative impact on the economy. It has added 'fuel to fire' in a situation where inflation remains uncontrolled and growth rate has declined. Therefore, it is necessary for the government to act with alacrity, by introducing policies and streamlining processes which will accelerate growth by creating an enabling environment for investments in infrastructure, industrial and services sectors. The government would need to work towards creating a more investor-friendly environment by promulgating laws so that

The objective is to gear up for the future – enhance our efficiency, serve our customers better and to enhance value for stakeholders.

conceptualisation to implementation of infrastructure projects can be carried out expeditiously. We sincerely believe that the private sector needs to provide continuous feedback to government and work with them to evolve the regulatory regime conducive for private sector participation in infrastructure. To make that happen, your Company has been in regular dialogue with the government and its various departments, both at the Centre and the State levels.

Company outlook

However, I am quite pleased to state that your Company has developed a remarkable resilience and is always able to bounce back enthusiastically while facing any challenge. Srei has maintained its market leadership in infrastructure equipment financing and has expanded its asset portfolio. Besides financing information technology (IT) and healthcare equipment, we have also taken up financing of logistics and rural infrastructure equipment. In equipment financing, we disbursed over ₹12,170 crore in FY12, up from ₹8,108 crore in FY11, growth of 50 per cent. In addition, your Company has expanded its project finance portfolio. Under project financing, ₹6,261 crore was disbursed in FY12 vis-à-vis ₹4,389 crore in FY11, growth of 43 per cent. In today's scenario of scarce liquidity and high cost of credit, the only way to counter a fall in margins is by expanding the volume of business. But the management has been extremely cautious about the selection of projects and asset quality. One of the key reasons for your Company's growth has been its strong ability to manage risks. Every time an asset or a project has been financed, starting from asset quality and detailed project evaluation to borrower profile; his track record, order book and competence - everything is subjected to meticulous evaluation. In addition, your Company follows stringent provisioning norms for non-performing assets (NPAs). Collective decision-making in order to minimise chances of error arising from individual judgment has resulted in excellent asset portfolio.

Our plans to replicate our business model in other geographies apart from Russia are still on. But keeping in mind the global slowdown, we have been looking at opportunities more carefully. However, the groundwork in terms of identifying prospective markets, understanding the regulatory and legal frameworks, suitable partner-search in those markets, is in progress. So that once the situation improves, we will lose no time in expanding our overseas operations. Meanwhile, the Russian operations have stabilised and are now on a growth path.

Your Company's unique Corporate Social Responsibility (CSR) driven business model, Srei Sahaj e-Village Limited, which aims to bridge the urban-rural digital divide, has been scaling up its operations. Sahaj today has 24,275 IT-enabled Common Service Centres (CSCs), each run by a Village Level Entrepreneur (VLE), catering to around 300 million people in the remotest of villages in six states namely West Bengal, Assam, Odisha, Bihar, Uttar Pradesh and Tamil Nadu. These CSCs would provide a bouquet of internet-driven services like issuance of birth and death certificates, registration of land records, offering of insurance and banking products, offering of e-learning courses, railway ticket booking, mobile recharges, utilities bill collections and even training rural youth to equip them for blue collar employment. Sahaj empowers rural youth and makes them self-reliant, but its actual impact on the society is transformational in nature as these VLEs eventually evolve into job-creators. The management remains committed to this initiative as we sincerely believe that this venture has the potential to metamorphose the socio-economic fabric of rural India.

The road ahead

A slowdown provides an opportunity to consolidate. We, at Srei, are trying to capitalise on this by investing in the training of our manpower and upgrading our systems, technology and processes. The objective is to gear up for the future - enhance our efficiency, serve our customers better and to enhance value for stakeholders. In the last few years, we have embraced technology in a big way to streamline our procedures. Human intellect is our key resource for pursuing a multi-dimensional growth strategy. Apart from providing training, your Company is continuously engaged in a process of selective recruitment for strategic positions. Slowdown cannot last long, so we must be ready when the opportunity beckons.

To conclude, despite the gloomy outlook globally, the infrastructure space continues to hold tremendous promise; we are sanguine to keep on growing intelligently, learning, adapting and performing. In addition, having established a presence across the entire life-cycle of any infrastructure project, the management will continuously strive to evolve synergies so as to optimise revenues from each project. Your Company will do its best in mitigating those risks which are within its control and make suitable recommendations to the government on the course of policy action to be adopted.

Our country continues to be one of the most promising investment destinations in the world and we are committed to making it infrastructurally strong. Your support and confidence continues to provide us the strength and conviction.

Thank you.

Hemant Kanoria

Hemant Kanoria
Chairman &
Managing Director

Srei's invisible hand continued to enhance value for its stakeholders during a visible slowdown in the economy – a safe insurance for the future.

Sunil Kanoria, *Vice Chairman,* explains the challenges of 2011-12 and how Srei was instrumental in strengthening India's infrastructure sector.

Q: How would you evaluate the Company's performance in 2011-12?

A The year 2011-12 was one of the most challenging that we have faced in a long time. Our raw material (funds) cost increased and it took time to pass this increase to customers. The pace of growth of economy declined and there was a danger that this would extend to our receivables.

It is markets like these that vindicate and validate the depth of our business model. On one hand, the Indian economy grew a shade under 7 per cent; during the last quarter of the financial year, growth was the slowest in 29 quarters at 5.3 per cent. On the other hand, Srei grew its revenues by 49 per cent.

Q: The big question: how did Srei outperform the growth of the Indian economy and infrastructure sector?

A Over the years, Srei has consciously selected to broaden its operating platform – to extend from fund to fee businesses on the one hand and within each to extend itself across sectors and spaces. We did this with the objective to capitalise on any possible upturn in business across the broad spread of the Indian economy: we were convinced that if one segment of the Indian economy would be passing through a period of sluggishness, there would be an improvement in another, leading to stable, secure and predictable growth. As it turned out, the strength of this business model was demonstrated during the last financial year when the entire Indian economy passed through a slowdown: yet, Srei grew its income from fund-based business by 63 per cent, more than compensating for degrowth in income in its fee-based business.

Q: Is there any other factor that helped Srei outperform its sectoral average?

A There were a number of strategic initiatives that insulated us relatively from the full brunt of the slowdown. We became selective about projects we were engaged in. We appraised the track record of promoters to commission projects on schedule. We scrutinised project fundamentals closely to ascertain competitive advantages. We sent our executives into the marketplace to work closely with customers and strengthen their competitiveness. We leveraged this customer proximity to protect our receivables on one hand and generate fresh business on the other. We recognised that the most effective way to beat the slowdown was by altering our promotional schemes that would make it easier for our customers to procure equipment. A number of these initiatives were unseen and invisible but will surely translate into attractive numbers over the foreseeable future.

Q: How did Srei grow its fund-based business 7.51 times the growth rate of the Indian economy and 5.84 times the growth rate of the Indian infrastructure sector spend against the GDP?

A In the equipment financing business (which is a part of our fund-based business), our disbursement grew by over 50 per cent. The big question: how did we outperform the sectoral growth rate by a long shot? The answer lies in a single word - ‘relationships’. We enjoyed engagements with major original equipment manufacturers (OEMs), which meant that our customers had more choices to select from. Our close engagement with our customers meant that we were the first lender to be repaid as we occupied prime share of our customer’s wallet space. The bottom line was that we didn’t hope and wait for the market to recover; we immediately altered the dynamics of our business. The result of this closer engagement was that we strengthened the business of our customers, strengthening their capability to repay us and the result was that our receivables continued to be timely and robust. I must also add that when it came to the project finance business, we were even more cautious on account of its enhanced risk exposure; we selected to work with projects marked by relatively lower risk and multiple exit routes.

Q: How did the fee-based business segment at Srei perform?

A The scenario for our fee-based business segment was more challenging than we envisaged for some good reasons. This business segment is largely driven by government projects. However, with the declining number of projects getting launched and competition intensifying, we were unable to meet the target that we set for ourselves at the beginning of the year. As a result, growth in this segment was negative.

Q: In the last annual report, the Company made references to the possibility of some of its strategic investments being divested with the objective to arrive at responsible price discovery and bring some cash back into the Company.

A Over the years, Srei has invested ₹2,027 crore in the equity of various infrastructure projects. It is our stated objective to progressively encash a part of this portfolio at various points in time. However, we ran into a challenging year that prevented this from transpiring. Besides, the telecom sector (where we have 79 per cent of our strategic investments), went through its own challenges, which prevented us from encashing attractive value. However, we must assure our shareholders that the long-term potential of each business continues to be robust and holds out prospects of attractive value enhancement over the medium-term.

Q: How will you evaluate Srei’s role in the Indian infrastructure market?

A Three things come to mind:

- **Endurance:** Srei has been operating in the Indian infrastructure sector for the last 23 years. In a business marked by mortality, where a number of peers have since been assimilated

Despite a slowdown, the country reported an increase in the number of infrastructure projects in 2011-12. The pace of road construction increased from 4.1 km between 2006-07 and 2008-09 to 7 km a day between 2009-10 and 2011-12.

into other companies and where a number of competitors have sold out, we continue to grow our business.

■ Evolution: Srei has progressively evolved from a loan provider to a holistic financier - project financing, equipment financing and equity investments – which has helped catalyse infrastructure creation in India. Consider: Srei as an investor has been involved in more than 5,412 lane km of road building, 587 MW of thermal power plants, 40,403 telecom towers and five oil rigs, among other projects.

■ Relationships: Srei has evolved from financier to consultant. Our role does not end with disbursement; we help customers deploy their assets, locate alternative projects where the equipment can be deployed during lean periods and help sell the equipment following project completion. As a result, we don't just provide equipment; we provide the power of relationships. So, much of the value that we provide is below the line and hence, invisible.

Q: Can you dwell on the power of this invisible contribution?

A As a Group, we have invested in the broad sweep of India's infrastructure - roads, power, oil & gas and telecom infrastructure, among others. When mid-sized or small companies found it difficult to raise the necessary funds, Srei provided the first round of capital in exchange for a stake in the project to kickstart the project. The recipient of funds benefited from timely (at times before schedule) project completion; Srei benefited from an enhanced value of its investment. This underplayed invisible role is how Srei has been strengthening the value of its balance sheet.

Telecom infrastructure: Viom is India's largest independent passive telecom infrastructure company with more than 40,400 towers and a high tenancy of 2.39x compared to the industry average of 1.6x. Our towers cover all 22 circles in India. The invisible way in which we innovated to spread the concept of sharing of telecom towers also resulted in lower telecom tariffs, increasing the penetration of telecom services.

Road projects: We selected to invest in 5,412 lane km of roads with the prospect of an attractive throughput. The result is we make it possible for large number of people and huge quantity of freight traffic to move from one point to another.

Power projects: We invested in power generation and distribution. A large number of people switch on light without recognising Srei's role.

Q: Do you think the challenges will continue?

A In the short-term, the outlook appears challenging for the following reasons:

■ Forex: This is something which is beyond our control and we have to be dependent on the market dynamics. We did hedge some of our forex exposure which was previously open, which is expected to reduce the impact. Though we need to account for the exchange differences in our quarterly results, actual significant repayments will only start from 2014.

■ Liquidity: The rate increase by the apex bank created a liquidity crunch, prompting us to arrange alternative options like borrowings from foreign banks and financial institutions.

■ Customer growth: Despite the challenging scenario, we expect to grow our customer base primarily due to the holistic relationships we enjoy, graduating from a mere lender into a partner.

Q: How will the infrastructure sector perform in 2012-13?

Infrastructure gap

Infrastructure investment: India invested USD 50 billion (about 4.7 per cent of GDP) in infrastructure last year (2010-11) compared with China's USD 635 billion (or close to 9 per cent of GDP).

Power: China's effective power capacity is more than five times that of India's. India suffered high losses in transmission and distribution, estimated at 27 per cent last year compared with less than 7 per cent for China. Average power consumption for a household in India is 40 per cent of that in China: 145 kwh per capita for India versus 360 kwh per capita for China.

Six decades of infrastructure development in India and China

	India			China		
Infrastructure Services	1951	1981	2011*	1952	1981	2011
Mobile Phones (million)	–	–	893.8	–	–	986.3
Mobile Phone Density (per 100 people)	–	–	76.9	–	–	73.2
Power Capacity (GW)	2.3	33.4	206.2	1.8	69.2	1,152.2
Power Generation (billion kwh)	6.6	129.2	865.8	7.2	8,309.3	3,695.9
Roads (1,000 km)	399.9	1,485.4	*4,236.4*	126.7	897.5	4,063.5
Rail Lines Route Length (km)	53,600	61,200	*64,400*	24,500	53,900	93,345
Electrified Tracks (km)	400	5,400	*19,600*	–	1,700	36,115
Rail Freight (billion-tonne-km)	44.1	158.5	*626.5*	.08	*571*	2,946.5
Rail Passenger (billion km)	66.5	208.6	*978.5*	.02	*138.2*	961.2

Sources and Notes: *2011 India data are for calendar year except when in italics. Indian data for 1951 and 1981 are in financial years. Indian data are from Economic Survey 2011-12 except telecom data are from Telecom Regulatory Authority of India.

Data for China are from China Online and Statistical Communique from Ministry of Statistics.

Italics represent data for latest available

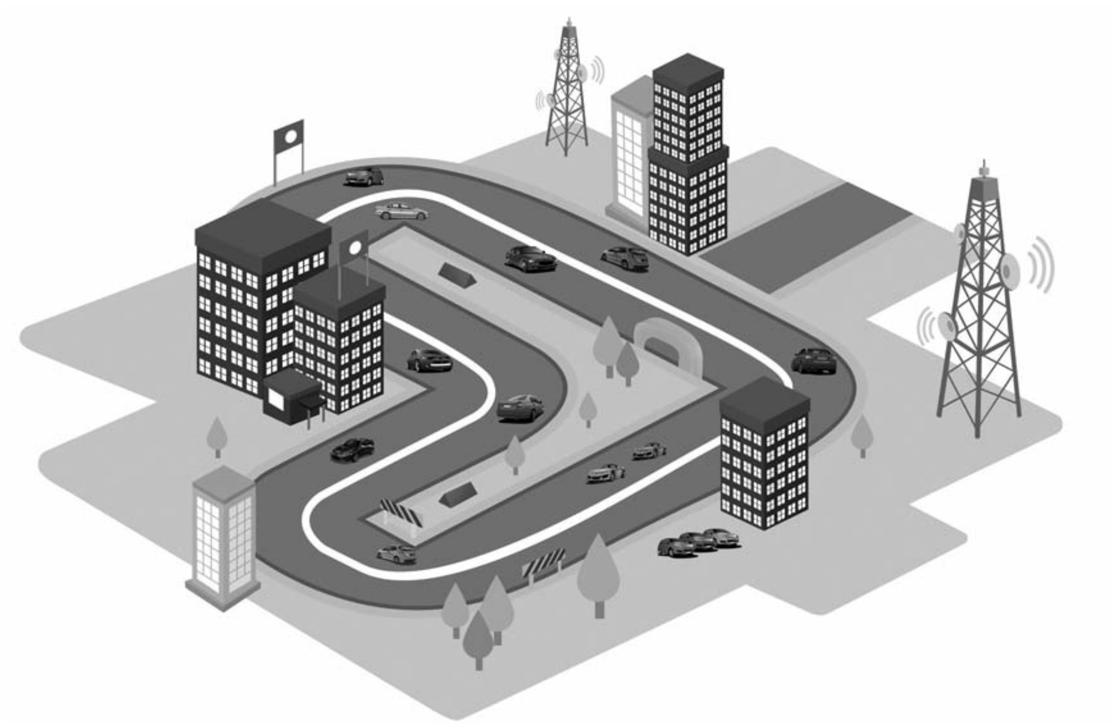
A Despite a slowdown, the country reported an increase in the number of infrastructure projects in 2011-12. The pace of road construction increased from 4.1 km between 2006-07 and 2008-09 to 7 km a day between 2009-10 and 2011-12. We continue to be optimistic as the Planning Commission has envisaged an investment of over USD 1 trillion in the country's infrastructure during the Twelfth Five-Year Plan (2012-17) with more than 50 per cent of this investment expected from the private sector.

Q: What can the shareholders expect in 2012-13?

A The start of the year has been gloomy. Liquidity is yet to improve. The funding cost is high; inflation is deterring spending. The government needs to take a firm stand on regulatory changes.

In this environment, we will focus on enhancing our business volume, albeit cautiously, to set off a decline in yields owing to enhanced funding costs. We will focus on reducing our cost-to-income ratio. We will focus on receivables to reduce our NPA. By doing these, we expect to add value in a significant way.

Invisible hand.
Present everywhere.



The road we drive on is being built by the public agency that engaged the construction giant whose on-site equipment was funded by Srei.

The mobile conversation we are engaged in is carried by telecom towers connected to a switch that is in turn connected to pan-Indian mobile towers funded/owned by Srei.

The electricity that provides illumination for our reading is generated by the power generating company whose assets were funded by Srei.

Srei is everywhere. Srei is invisible.

Srei is not static; the Company commenced operations with equipment financing, but progressively evolved to a Holistic Infrastructure Institution.

Srei doesn't just fund projects; the Company catalyses the growth of India's infrastructure (power projects, roads, hydel power plants, telecom towers and equipment rentals, among others).

Srei doesn't finance and forget; the Company leverages enduring relationships that make it possible for customers to protect their viability across the project life-cycle.

Srei isn't just another economic entity; it is a direct proxy of India's growth story.

Invisible hand alright. But evident everywhere.

Infrastructure project financing

Srei possessed the foresight to enter and grow its presence in the infrastructure project financing business in 1996, well before the country's infrastructure boom had started. What started out as a presence in a small way in this segment, has now extended to a range of infrastructure sectors (roads, power, ports, railways, aviation, mining, telecom and gas, among others). The project finance division had a loan book of ₹9,199 crore as on March 31, 2012, which has grown at a high CAGR of 132 per cent during the last five years.

Srei does not just provide funds; the Company leverages its extensive sectoral and project life cycle experience to advise entrepreneurs and companies on diverse options, overall financial structure, project management, business planning, among others – on how to structure their projects with the objective to mitigate risks and enhance sustainability. In providing this value-add over most financial institutions, Srei extends beyond supplying finance and provides something much more valuable. A business-strengthening proposition. Yet invisible.

Infrastructure equipment financing

Srei retained its industry leadership position across two decades in a challenging space marked by stiff competition. Srei strengthened its business proposition by entering into a joint venture with BNP Paribas, France, for infrastructure equipment financing; this resulted in fresh capital infusion on one hand and extension into emerging financing segments like IT and medical equipment on the other. The result: the business reported a CAGR in revenues of 69 per cent in the five years leading to 2011-12. BNP Paribas brought to this relationship an experience and knowledge of having worked in 40 countries. Effective. Yet invisible.

Fee-based business

Srei provided funds to industry and infrastructure service providers for years. Thereafter, the company made a significant extension in its business model; it moved into fee-based business activities (project advisory, project development, investment banking, venture capital & fund management and insurance broking). This mix of fund and fee-based services has helped the Company provide value-added services across project life-cycles. Friend, philosopher and guide. Yet invisible.

Strategic investment

Srei evolved from financing to investing in infrastructure companies. The Company also made strategic investments in companies engaged in telecom networks, transportation projects, power projects, equipment banks and rural IT infrastructure. These investments were about scale and competitiveness and were taking forward India's infrastructure growth agenda. The investee companies comprised the largest independent passive telecom infrastructure provider, one of the largest IT solution providers in rural India, India's one of the largest equipment banks, one of India's oldest power utility companies and various road BOT SPVs. So, Srei's additional dimensions extend beyond infrastructure equipment and project finance. Yet invisible.

Mentor

Srei is more than a financial intermediary; it is a mentor. The Company doesn't just fund equipment purchase; it leverages a rich industry exposure to more than 70 equipment brands to advise customers on what equipment they should procure as per their requirement. The right product selection translates into high equipment uptime, relatively low business cost and enhanced viability. Because of this ability to understand terrains on one hand and equipment versatility on the other, Srei is a preferred financier to partner with for a number of equipment manufacturers entering India. Positioned at the forefront when advising customers on critical business-influencing decisions. Yet invisible.

Srei's infrastructure involvement

5,412 lane km Roads	587 MW Power generation	14 service providers Tenants of Viom's telecom towers	77 Number of Infrastructure projects financed (2011-12)	130 Number of projects under Advisory services

Invisible hand.
Protective action.

The Reserve Bank of India increased interest rates 13 times during 18 months till October 2011 to control inflation. But in doing so, increased funding costs for equipment and infrastructure projects while draining liquidity from within the country.

Srei was not completely insulated from this impact. The Company chose to absorb a part of this increase in borrowing rates to keep funds costs affordable for most of its customers. The result was a decline in Srei's Gross interest spread by 61 bps to 3.15 per cent in 2011-12. However, the company countered this reality through an increase in disbursements by 49 per cent to ₹18,600 crore while protecting its net NPAs at 1.18 per cent, which, given how most large projects in India (especially roads) were questioned for their viability, was creditable.

> Even as the Company was impacted temporarily in the short-term due to marked-to-market loss provisions, it expects that there will be minimum impact in the longer term.

Even as its various initiatives were largely invisible to external stakeholders, the company protected its business through the following initiatives:

Alternative borrowing sources: Srei progressively replaced bank finance with cost-competitive alternatives like non-convertible debentures (NCDs). The Company expects to borrow low cost long-term funds from foreign commercial banks. The Company's strong relationships with its banking consortium enabled it to enhance securitisation from ₹1,717 crore in 2010-11 to ₹4,334 crore in 2011-12 even as this business activity was particularly stressed.

Asset-liability mismatch: There was constant endeavor by the Company to source long term rightly priced funds to ensure healthy asset liability profile. There was scarcity of long term resources in India and liquidity in the international market was also tight. Apart from Term Borrowing from Banks, Debentures and External Commercial Borrowings, the Company enjoys renewable credit lines from the domestic banks. It is expected that interest rate in India should come down gradually. The Company aims to source more long term debentures and ECBs in future to ensure healthy liquidity and assets liability profile.

Forex management: The Company selected not to hedge its existing unhedged foreign currency positions to circumvent paying a large hedging premium and because foreign currency loans are essentially long-term in nature. Even as the Company was impacted temporarily in the short-term due to marked-to-market loss provisions, it expects that there will be minimum impact in the longer term.

Infrastructure bonds: Srei's classification as an Infrastructure Finance Company (IFC) enabled it to mobilise over 13,500 retail investors and tax-free bonds worth ₹25 crore.

Result: Despite a challenging industry environment, Srei recorded a gross interest spread of 3.15 per cent in 2011-12 and a capital adequacy ratio* of 20.17 per cent in 2011-12 (RBI stipulation is 15 per cent).

20.17
per cent
CAR*

Over
13,500
retail investors
acquired
Tax-free infra bonds

3.15
per cent
Gross interest spread

*Standalone

Invisible hand.
Visible difference.

Srei's advisory business focused on technical parameters of bids, making project structures financially competitive and scoring higher over peers.

In 2011-12, there was a considerable slowdown in new projects launched in India. Srei was not insulated from this reality. Consequently, the Company's advisory business faced a decline in revenues. However, the Company responded to this reality through various counter-initiatives.

Technical focus: As projects declined and competition increased, Srei's advisory business focused on technical parameters of bids, making project structures financially competitive and scoring higher over peers.

Lean cost model: The advisory business engaged affordable manpower even as it remained largely lean, outsourcing most of its low-tech manpower requirement, thus keeping the model variable and scalable.

Right sector: The Company appraised and funded viable projects, growing disbursements by 49 per cent to ₹18,600 crore in 2011-12. The Company has always been prudent in selecting the industries to focus on; in the last financial year, the Company selected to go slow with projects in the oil & gas sector last year. However, due to changed business environment and brightening industry prospects, it is now optimistic of better deployment of its rigs.

Court ruling: The Supreme Court's cancellation of 122 2G licenses affected the industry's viability. Despite this challenging reality, Srei continued to offer innovative solutions and maintained an average tenancy of 2.39x for its telecom towers business compared to an industry average of 1.6x. Its robust business model comprises tower erection at one end and providing managed services at the other, making it possible to extend a one-off transaction into an ongoing relationship.

Result: Srei-partnered SPVs, bagged two toll projects worth ₹1,473 crore and executed two projects in 2011-12. Besides, the Company was awarded 36 advisory services projects in 2011-12, emphasising the viability of its business in a challenging environment.

Invisible hand.
Touch of growth.

Do you know?

• When you commute on Delhi Gurgaon Expressway or further on Delhi Jaipur HIghway, major equipment to build these were funded by Srei.

• The equipment to build Simhadri NTPC power plant with a generation capacity of 2,000 MW was funded by Srei.

• Companies like Punj Lloyd, Gannon and IVRCL were financed for their equipment needs by Srei.

India's manufacturing sector grew a mere 3 per cent in 2011-12. The country's GDP growth in the last quarter of 2011-12 was 5.3 per cent, its lowest in 29 quarters. Despite this evident slowdown, Srei posted a 49 per cent disbursement growth in 2011-12.

Srei's higher disbursement capitalised on the Ministry of Road Transport and Highways awarding projects for 6,500 km in 2011-12, compared with 5,083 km in 2010-11. Now that the Ministry has set a target of 8,800 km for 2012-13, Srei aims at higher disbursement in the road sector.

Srei capitalised on an improving reality through the following initiatives:

Project selection: Srei selected projects following through stringent scrutiny, covering project viability and profitable exits.

Process management: Srei strengthened processes, systems, credit policies and standard operating procedures. So even as the Company enhanced disbursals, net NPAs remained low at 1.18 per cent.

Value chain: Srei selected to be present across the infrastructure value chain – countering challenges, strengthening its risk understanding, diversifying and improving revenue streams.

Reach: Srei's 198 offices are strategically located across India, accessing critical ground level information leading to informed decisions. The Company leveraged its rich experience to enter new geographies.

Result: Srei reported a CAGR of 34 per cent in disbursements over the five years ending 2011-12.

34
per cent
Disbursement growth
5-year CAGR

39.12
per cent
AUM growth
5-year CAGR

1.18
per cent
Net NPA

Invisible hand.
Adequate protection.

In 2011-12, debt became dearer, new projects fewer and the equipment finance market increasingly competitive.

Even as Srei continued to lead this segment, it was not completely unaffected. Srei BNP Paribas countered the segment's challenges with the singular focus of strengthening its business in an uncertain industry environment through the following initiatives:

Capital availability: The Company opted for cost-effective fund mobilisation to enhance the adequate availability of low-cost capital.

Rising interest rates: The Company provided equipment finance around floating interest rates leading to higher operational flexibility and interest pass-through to customers. Besides, delinquency was compensated by penalties. The Company secured high-yield transactions, increased Srei Benchmark Rate (SBR) collections and optimised the borrowing mix, protecting its net interest margin.

Receivables management: The Company secured its industry position with adequate property collateral, made a timely exit from stressed accounts and emphasised vigilance when funding retail small and medium enterprises (SMEs).

Relationships: Srei BNP Paribas introduced schemes with equipment manufacturers to catalyse equipment offtake.

Focusing on sunrise sectors: Srei BNP Paribas focused on the following sunrise opportunities marked by aggressive growth and attractive profitability:

- Rural infrastructure (irrigation, transportation and storage)
- Pre-owned construction equipment, partnering customers across the asset life-cycle
- Logistics equipment with a focus on roads, railways and ports
- All Volvo brands (Volvo CE, Volvo Eicher CV, Volvo buses and Volvo Penta engines) by engaging as an all-India financier with Volvo Financial Services

Result: Srei BNP Paribas maintained its leadership as the dominant infrastructure equipment financing Company. Even as the broad industry segment grew around 18 per cent, Srei BNP Paribas recorded a revenue growth of 52 per cent and net profit growth of 51 per cent in 2011-12.

Events

EXCON Meet

- During this meet, schemes like Asset Power (pre-approved 100 per cent finance of a particular brand for existing customers) and Money Power (pre-approved vehicle loan for any brand) were introduced.
- The Company tied up with 19 manufacturers having disbursed over ₹531 crore (1,727 units).

Others

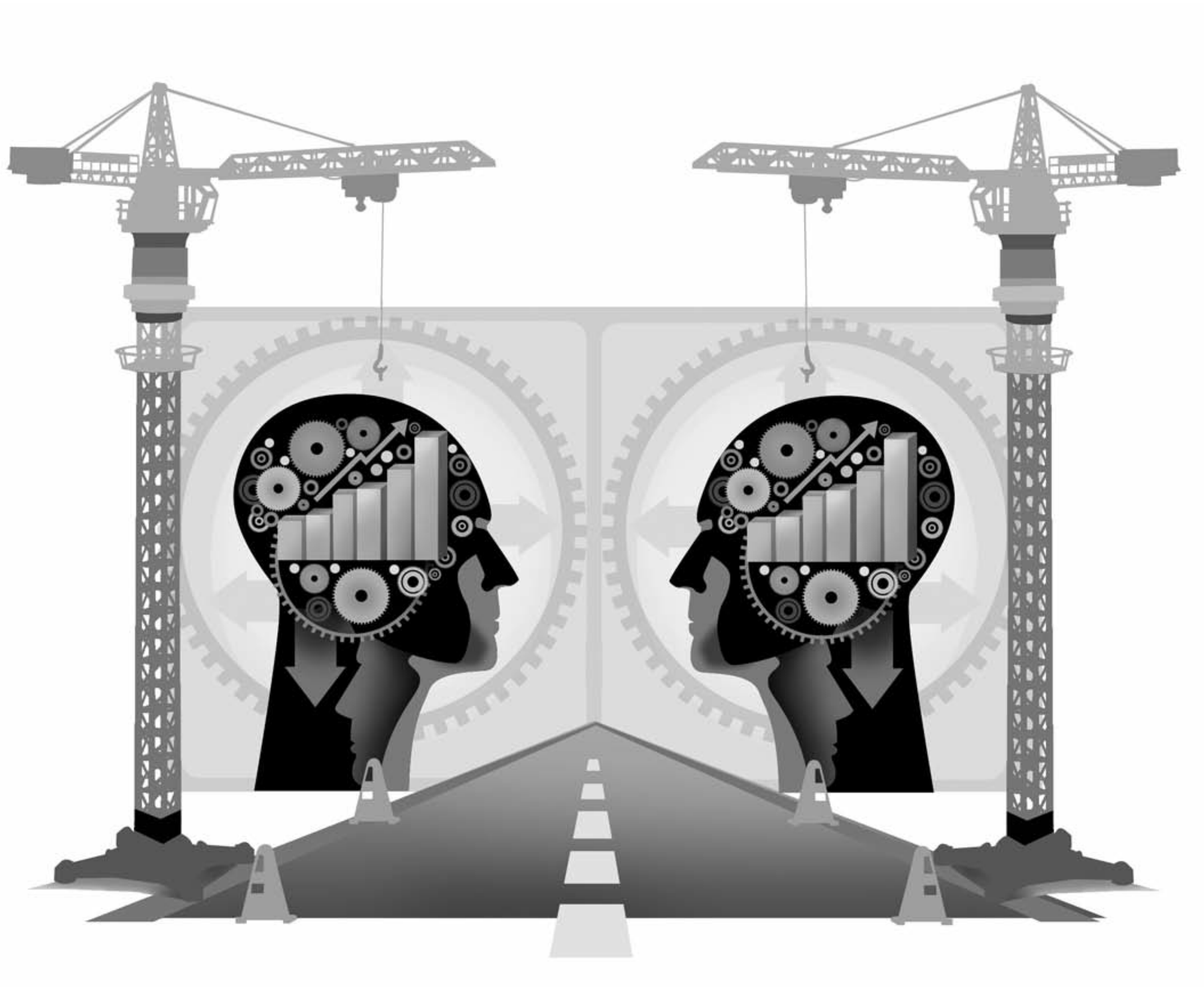
- The Khusiyo Ki Barish II (KKB-II) event catalysed offtake during sluggish monsoons.
- The Company participated in Cargo Transport Logistic (CTL) exhibition, Mumbai.
- Organised Milap 2011, inviting all prominent manufacturers around the theme of 'Together we make tomorrow happen'.

5
New business segments entered

18.5
per cent
Customer growth
5-year CAGR

₹17,474
crore
AUM

Invisible hand.
Making people grow.



As opposed to waiting for financial closure, Srei leveraged its immediate access to bridge financing to EPC contractors to support project SPV in mobilisation of necessary resources in the project site immediately.

The conventional practice in BOT road construction is for the project concessionaire to commence construction only following financial closure.

Srei partnered SPV has been awarded 14 road projects covering more than 5,412 lane km.

As opposed to waiting for financial closure, the Company leveraged its immediate access to bridge financing to EPC contractors to support project SPV in mobilisation of necessary resources in the project site immediately. This strategy helped the Company save nearly a year in financial negotiations and project commencement, kickstarting a virtuous cycle that benefited its contractors, sub-contractors, their employees and the local community.

Besides, Srei partnered relatively small and medium sized contractors possessing a deep understanding – geographic and social – of the local terrain. In turn, Srei assisted these contractors in their equipment financing requirement. More importantly, Srei provided these contractors their due credit and recognition in the project, enhancing their sense of ownership.

The result of this unseen strategy of transforming relatively unknown contractors into full-fledged project owners is that Srei's road construction projects are implemented faster than usual, advancing BOT revenues and accelerating payback.

Result: Of the 14 road construction projects allotted to Srei, seven were completed, and the remaining are under implementation as per schedule.

Aiding our Customer Partners

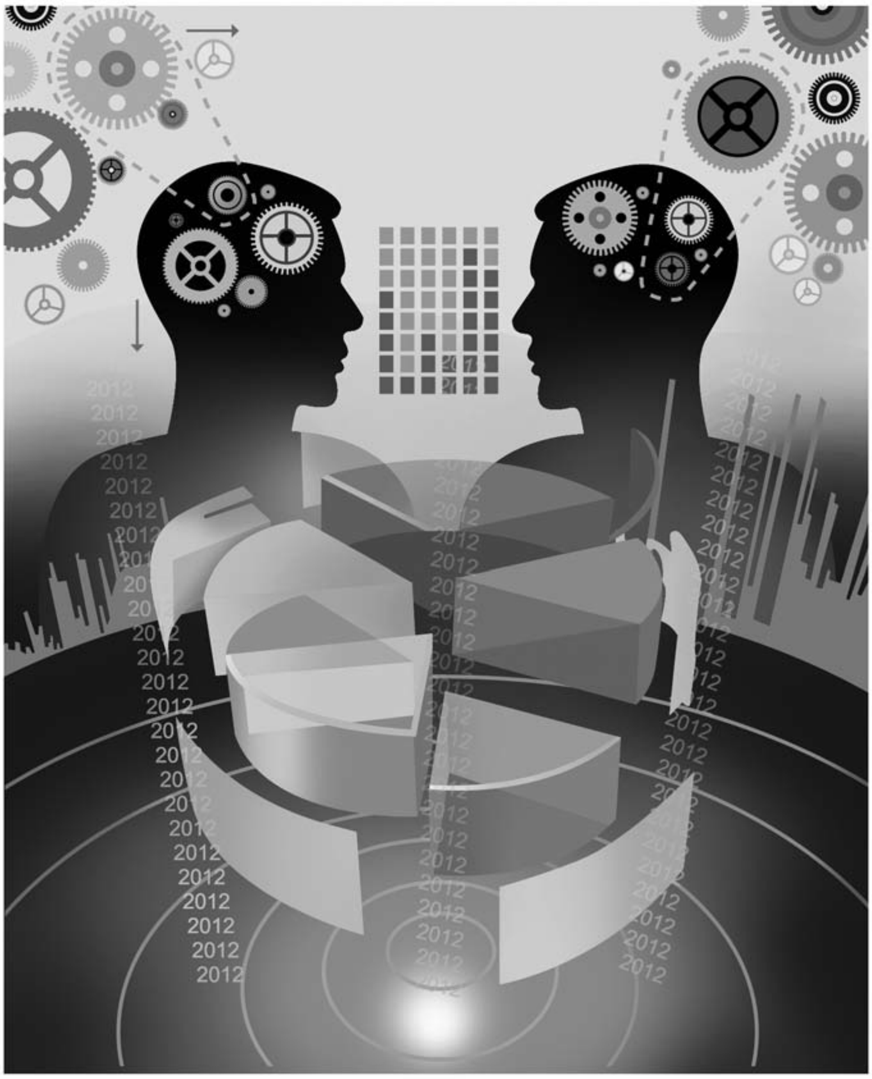
Srei success story also includes how we have been able to help our customer partners in growing them and helping them create a name for themselves in the industry.

Once a small time contractor, a customer partner from Rajasthan, today has some big contracts in his kitty, thanks to our support.

A customer partner from Hyderabad was in a fiasco when his payment from agricultural sector jobs was not coming through. We helped him to get work from one of our known contractors and today he is flourishing.

Another customer partner from Bhopal, who was just a small time contractor couple of years back, currently has equipments worth crores of rupees with him and of which 70% has been funded by us. He is today one of the biggest player in Madhya Pradesh.

Invisible hand.
Preferred partner.



> Srei has deployed executives across 198 offices in India; most of these locations are not necessarily cities and towns but industrial hubs in semi-urban locations.

The conventional practice for intending international equipment companies was to enter India, set up shop, deploy people and hope for the best.

Following Srei's experience, a number of these international companies revised their strategy.

A number of these companies prefer to decode the complexity of India through alliances with Srei. What is generally well known about Srei is that it is the market leader in equipment financing; what is not so well known is that the Company has deployed executives across 198 offices in India; most of these locations are not necessarily cities and towns but industrial hubs in semi-urban locations; most of these executives visit their customers and prospective clients periodically; their job is to possess an updated insight into the business models of their target audience; the objective is to advise the use of specific equipment that can take businesses ahead through enhanced uptime, efficiency, terrain adaptability and superior price-value.

These alliances (more than 67) at the close of 2011-12 shrunk the learning curve for OEM multinational companies (MNCs) entering India, helped them evolve innovative schemes customised to the local terrain during sectoral slowdowns, enabled them to generate a quicker return on their investment and carve out market shares quicker than they would otherwise have done had they ventured alone.

Catalyst to growth of Manufacturer Partners

With a varied experience of more than 23 years, strong parentage and a huge customer base, we have been able to help all our vendors in varied ways. We have helped them as a provider of funds, in growing their market reach, in increasing their business numbers and with continuously supporting them with new ideas and innovations.

Today we are proud to have a manufacturer partner retention ratio of 100% with more and more vendors willing to directly associate with us. All our vendors enjoy high volumes and deal with all major product line.

Strong customer relationship has helped manufacturers in building and developing themselves to suit their own requirements.

Further we also help them in financial closure with Bid-Bond guarantee, Performance guarantee, Rentalisation guarantee and their Working Capital requirements and equipment purchase.

Invisible hand. Touching lives. Reaching out.

At Srei, corporate social responsibility extends beyond helping individuals and institutions. We embrace it as a way of doing business rather than looking at it as an annual exercise.

Our presence as a key player in the infrastructure space emphasises our socio-economic accountability towards society. The result is an invisible hand extending beyond mere profit-seeking, towards holistic societal improvement.

We are making little difference to society through "Srei Foundation".

The Foundation's social and economic upliftment initiative is structured around three major areas comprising education, healthcare and wellness. Besides these, the Foundation draws social attention to our rich spiritual heritage and to imbibe right value system through the 'World Confluence of Humanity, Power and Spirituality'. Aptly called 'Enlightenment, a journey - through service', this unique event has been bringing together spiritual leaders of diverse faiths for the last three years.

Serving the role of an invisible hand rejuvenating souls for the better..across the globe.

To replenish mother earth's resources is our only hope for survival. Our businesses have internalised this and have been engaging in such activities.

Quippo Construction silently helped the cause of nature by lending a backhoe loader from its equipment bank to help clean the Santragachi Jheel, West Bengal's largest lake and home for migratory birds. Our assistance helped decongest the lake by over 25 per cent, ensuring visit of more than 6,000 migratory birds thereafter.

Our telecom business observed 'World Environment Day' by undertaking a massive pan-India tree plantation exercise. The power vertical attempted to create pollution-free surroundings by planting trees along the road side connecting NH-2 highway and Neamatpur.

Srei's environmental and social policy reinforces its commitment to sustainable development and has embedded the philosophy within core business process thus creating Environmental and Social Management System (ESMS). This policy forbids us to invest in projects with an adverse environmental impact.

We have extended our efforts to reach the deprived social segment also. We have partnered with The Friends Foundation of Asia, an NGO, to provide shelter to the homeless and medical care for the ill, especially those suffering from cancer. We have supported World Wildlife Fund India (country's largest voluntary body in the field of conservation) to conserve the Gangetic dolphins in six districts of West Bengal.

We inculcated a sense of responsibility in our employees by practicing ways to reduce the wasteful consumption of electricity. Distribution of paper carriers and seeds was initiated in the telecom offices. A similar initiative, Project Akshar: putting drop-boxes to collect discarded paper and converting them to extremely affordable, eco-friendly notebooks for children, was implemented at Srei, Delhi office.

We took responsibility of two schools at Santoshpur and Birati at Kolkata with over 600 students from class UKG to X. These schools provide quality English medium education to the children from the surrounding underprivileged backgrounds. Our efforts are inspired by the objective of nurturing the young souls through facilitation of better education and preparing them for creating a better tomorrow.

Along with other institutions, we have promoted the Institute for Inspiration and Self Development (IISD). Together with AOC International, IISD has undertaken a number of educational and training initiatives in West Bengal. The Company has supported the children of employees, of the contractor workers and other needy children with education and scholarship schemes.

We developed a CSR-driven model through Srei Sahaj attempting to bridge the urban-rural digital divide by leveraging technology in providing digital services to remote villages. In the process, we have created a network of Village Level Entrepreneurs (VLEs) who are essentially empowered rural youth, now self-reliant and capable of creating new jobs. In this network are a good number of women VLEs, most of them being housewives.

The Bill & Melinda Gates Foundation showed interest in our Srei Sahaj e-Village programme with a common objective of creating employment opportunities for the rural masses by empowering Village Level Entrepreneurs (VLEs).

Srei Foundation has conducted counseling sessions and medical camps to promote general health and well-being through family support programmes. Human beings are mortal but we can turn the 'end of a life' to a new beginning for other lives. In partnership with a reputed NGO, we are enhancing awareness on organ donation among our own employees. We also routinely sponsor and participate in the Walkathon.

Our journey has just begun. Srei looks forward to being proactively engaged with employees, customers and communities – the invisible hand addressing humanity through responsible corporate citizenship.

Group structure

Srei Infrastructure Finance Ltd.

Subsidiaries*

- Srei Capital Markets Ltd.
- Srei Venture Capital Ltd.
- Srei Infrastructure Advisors Ltd.
- Srei Sahaj e-Village Ltd.
- IIS International Infrastructure Services GmbH, Germany
- Global Investment Trust Ltd.
- Quippo Valuers & Auctioneers Pvt. Ltd.
- Quippo Construction Equipment Ltd.
- Quippo Oil & Gas Infrastructure Ltd.
- Quippo Energy Pvt. Ltd.
- Mumbai Futuristic Economic Zone Pvt. Ltd.
- Srei Insurance Broking Pvt. Ltd.

Sub-subsidiaries**

- Bengal Srei Infrastructure Development Ltd. (JV with WBIDC)
- Zao Srei Leasing, Russia
- Hyderabad Information Technology Venture Enterprises Ltd.
- Cyberabad Trustee Company Pvt. Ltd.
- Srei Advisors PTE. Ltd., Singapore

Joint Ventures***

- Srei Equipment Finance Pvt. Ltd. (Srei BNP Paribas Lease Group JV)

*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 Prakash Marine Holdings Pte. Ltd. (Singapore), Quippo Prakash Pte. Ltd. (Singapore), Quippo Energy Middle East Ltd. (Dubai), Quippo Energy Yemen Ltd. (Yemen), Quippo Energy Nigeria Pvt. Ltd. (Nigeria) and Quippo Mauritius Pvt. Ltd. (Mauritius).

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

Infrastructure Report

The Eleventh Five Year Plan (2007-12) emphasised the need for massive expansion in infrastructure investment based on a combination of public and private investment, the latter through various forms of public-private partnerships (PPPs). Substantial progress has been made in this respect. The total infrastructure investment is estimated to have increased from 5.7 per cent of GDP in the base year of the Eleventh Plan to around 8 per cent in the last year of the Plan. A large number of PPP projects have taken off, and many of them are currently operational in both the Centre and the states. The Twelfth Plan is expected to continue catalysing the pace of infrastructure investment, as this is critical for sustaining and accelerating growth. During the Twelfth Plan period (2012-17), infrastructure investment will go up to ₹50 lakh crore. It is expected that around 50 per cent of these investments will originate from the private sector.

Budget 2011-12

To meet the huge financing needs for infrastructure projects, the first Infrastructure Debt Fund with an initial size of ₹80 billion was launched in March 2012. In the current year, tax free bonds worth ₹600 billion are proposed to be issued through government undertakings. These include ₹100 billion each for National Highway Authority of India (NHAI), Indian Railways Finance Corporation (IRFC), India Infrastructure Finance Company Ltd. (IIFCL) and the power sector, besides ₹50 billion each for Housing and Urban Development Corporation Ltd. (HUDCO), National Housing Bank (NHB), Small Industries Development Bank of India (SIDBI) and ports. The salient proposals for the infrastructure sector in the Budget 2012-13 have been listed below:–

- To add sectors such as irrigation (including dams, channels and embankments), terminal markets, common infrastructure in agriculture markets, soil testing laboratories and capital investment in fertiliser sector as eligible sectors for Viability Gap Funding (VGF) under the scheme to support PPP in infrastructure. Oil and gas/LNG storage facilities and oil and gas pipelines, fixed network for telecommunication and telecommunication towers will also be made eligible sectors for VGF
- To facilitate sectors such as power, airlines, roads and bridges, port and shipyards, affordable housing, fertiliser and dams in raising overseas funds, rate of withholding tax on interest payment on external commercial borrowings (ECBs) was reduced from 20 per cent to 5 per cent for three years
- IIFCL has put in place a structure for credit enhancement and take-out finance to ease credit access to infrastructure projects
- Rationalisation of dividend distribution tax to remove its cascading effect in a multi-tier corporate structure.
- To enhance the allocation under Rural Infrastructure Development Fund (RIDF) to ₹200 billion with ₹50 billion exclusively earmarked to create warehousing facilities

Sources :

http://media2.intoday.in/indiatoday/images/budgeteng2012-b.pdf

http://indiamicrofinance.com/wp-content/uploads/2011/09/12th-Plan-India-draft-approach.pdf

Roads

India has a road network of over 4.32 million km. Around 85 per cent of passenger traffic and 65 per cent of freight traffic is carried by the countries roads. India has less than 4 km of roads per 1,000 people, including all its paved and unpaved roads. In terms of roads, which are motorable throughout the year or four or more lane highways, India had less than 0.07 km of highways per 1,000 people as of 2010.

Although National Highways (NH) account for only 1.7 per cent of the road network, they carry 40 per cent of the total road traffic. The total length of National Highways are 70,934 km, of which about 26 per cent is still single-laned, 51 per cent is double-laned and only 23 per cent is four/six/eight-laned.

India's road sector needs investments of USD 120 billion over the next five years. The National Highway Development Programme (NHDP) involves a total investment of USD 60 billion on concessions/contracts to be awarded by 2012. Under NHDP, about 15,000 km is completed and about 10,000 km is under construction. Over the next three years, it is proposed to take up new sections of about 25,000 km, through a combination of PPP and EPC (Engineering Procurement and Construction). However, India expects another 3,530 km of expressways to come up by 2014 from the projects under construction. The government has drawn up an ambitious target to lay 18,637 km network of new expressways by 2022.

Budget 2012-13

- Target to cover a length of 8,800 km under NHDP during FY 2012-13
- Allocation to the Road Transport and Highways Ministry enhanced by 14 per cent to ₹253.6 billion
- ECB allowed for capital expenditure on the maintenance and operations of toll systems for roads and highways, if they are part of the original project
- NHAI to raise ₹100 billion in 2012-13 through tax-free bonds
- Announced IDF, increased FII investment and lowered withholding tax
- Support of ₹240 billion for rural roads under Pradhan Mantri Gram Sadak Yojna for 2012-13, an increase of 20 per cent over the previous year
- Full exemption from import duty on specified equipment imported on road construction by contractors of Ministry of Road Transport and Highways, NHAI and State governments is being extended to contracts awarded by metropolitan development authorities. Tunnel boring machines and parts of their assembly are covered by this exemption. These are allowed to be imported duty-free and without end-use conditions

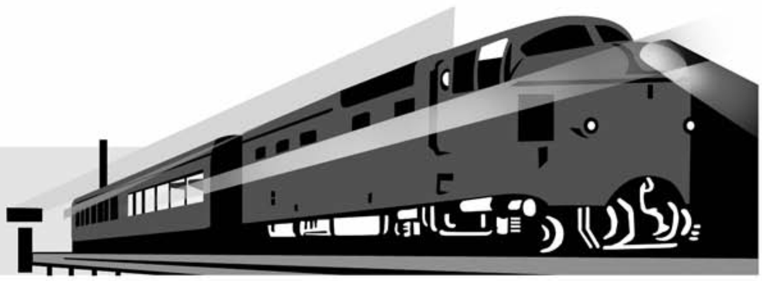
Government policy and initiatives

- 100 per cent FDI under automatic route in all road development projects including support services to land transport like operating highway bridges, toll roads, vehicular tunnels and services incidental to land transport like cargo handling, construction and maintenance of roads and bridges
- Full income tax exemption for a period of 10 years including highway widening projects
- 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

Sources :
http://media2.intoday.in/indiatoday/images/budgeteng2012-b.pdf

Growing pace

Between 2006-07 and 2008-09, NHAI constructed 4,522 km of highways which increased to 7,758 km between 2009-10 and 2011-12. The pace increased from building 4.1 km a day in the first three-year phase to 7 km a day in the subsequent three-year phase.



Railways

Indian Railways has a route network of about 64,000 km spread across 7,083 stations and operating around 19,000 trains daily. Over 23 million passengers travel by trains and around 2.65 million tonnes (MT) of freight is transported by trains on a daily basis.

The government increased the scope of PPP beyond providing maintenance and other such services. The government is providing new lines and increasing the rolling stock to build up capacity. The government is investing in building rail infrastructure in the country. With increasing participation expected from private players – both domestic and foreign – freight traffic is expected to grow rapidly over the medium to longterm. The Indian Railways has set a target of achieving a freight market share of 50 per cent by 2030 from 30 per cent in 2010. Additionally, Ministry of Railways proposes to develop 50 world-class stations in the PPP mode to improve and enhance railway infrastructure in the country.

Indian Railways' Mission 2020 aims at adding 25,000 route km to the railway network and increase the scope of PPP in railway projects.

Budget 2012-13

- Highest ever Plan outlay of ₹601 billion
- 725 km new lines, 700 km doubling, 800 km gauge conversion and 1,100 km electrification targeted in 2012-13
- ₹68.72 billion provided for new lines, ₹33.93 billion for doubling, ₹19.5 billion for gauge conversion and ₹8.28 billion for electrification
- IRFC Ltd. allowed ₹100 billion in 2012-13 through tax-free bonds

Government policy and initiatives

- Special task force to be set up to clear investment proposals within 100 days
- 31 projects covering a length of more than 5,000 km in 10 states being executed with contributions from state governments
- 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

Sources: http://www.ibef.org/
http://indiabudget.nic.in/ub2012-13/eb/po.pdf
http://media2.intoday.in/indiatoday/images/budgeteng2012-b.pdf

Ports

The long Indian coastline spanning around 7,500 km is serviced by 13 major ports and 200 non-major ports. India's ports handle more than 95 per cent of the country's total trade in terms of volume and about 70 per cent in terms of value.

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

Rapid growth in traffic resulted in major ports operating at a capacity utilisation of more than 90 per cent 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. India announced a combined USD 110 billion package to develop its ports and shipbuilding industry by 2020. The ten-year plan, known as Maritime Agenda 2010-2020, intends to develop the Indian ports capacity to 3,200 MT by 2020. This Plan will replace the existing National Maritime Development Programme (NMDP).

The goals of the new Plan are as follows:

- To create a port capacity of around 3,200 MT to handle the expected traffic of about 2,500 MT by 2020
- To bring ports at par with the best international ports in terms of performance and capacity
- To increase the tonnage under the Indian flag and Indian control and also the share of Indian ships in our EXIM trade
- To increase India's share in global ship building to 5 per cent from the present 1 per cent
- To increase the share of Indian seafarers from 6-7 per cent to at least 9 per cent in the global shipping industry by 2015

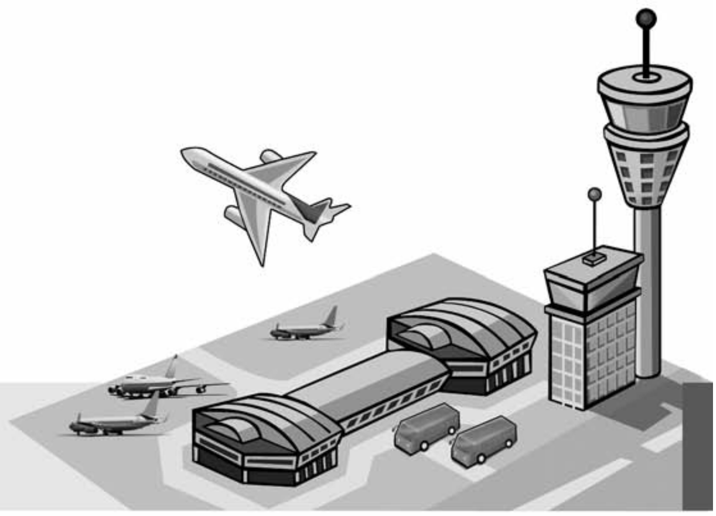
Budget 2012-13

- The reduction in withholding tax from 20 per cent to 5 per cent on ECB related payments will help ports raise low-cost foreign debt
- Ports allowed to raise ₹50 billion through tax-free bonds
- The Economic Survey FY12 pointed out that a major chunk of investment in the port sector is expected to come through the PPP mode. It also added that capacity expansion of ports in the 12th Plan is proposed largely through private sector investment and internal accruals

Government policy and initiatives

- 100 per cent FDI permitted 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 award of projects
- TAMP regulates the ceiling for tariffs charged at major ports
- Autonomy given to non-major ports to set their own tariffs led to a healthy growth in traffic and also greater private sector investment
- Private sector allowed to construct cargo-handling berths and dry docks, container terminals, warehouses and ship-repair facilities on BOT basis

Sources:
http://media2.intoday.in/indiatoday/images/budgeteng2012-b.pdf



Airports

Presently, India has 136 airports, of which 128 are owned by Airports Authority of India (AAI). These comprise 14 international airports, 81 domestic airports, eight custom airports, 25 civil enclaves and eight others. The number of scheduled passenger airline operators has grown to 15 and the number of aircrafts in their fleet has risen to more than 400. International flights increased to 706 flights per week. Due to enhanced opportunities for international connectivity, 69 foreign airlines from 49 countries are flying into India.

India is witnessing a boom in passenger and cargo traffic. The substantial rise in the number of air traffic passengers in recent years occured due to India's growing stature as a business and tourist destination, a fast-growing middle-class with higher income levels and the advent of low-cost carriers. 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 MT from 2.33 MT in the last financial year. The fleet size of scheduled airlines is poised to grow to 1,500.

Considering the need to develop aviation infrastructure in order to match India's economic growth, investments to the tune of ₹1,350 billion are needed in airport development over the next 15 years. The PPP route in airport modernisation has produced encouraging results. Apart from airport modernisation at the metros, 16 greenfield airports have been approved, of which 12 are currently being developed. AAI is also upgrading and modernising 35 non-metro airports in addition to the work already in progress under its aegis in Chennai and Kolkata airports.

Budget 2012-13

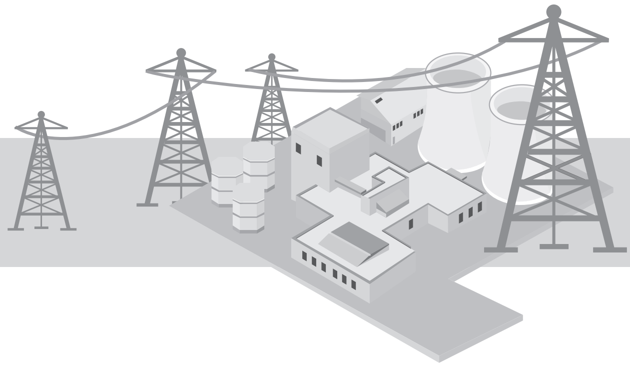
- Direct import of Aviation Turbine Fuel permitted for Indian carriers as actual users
- ECB to be permitted for working capital requirement of airline industry for a period of one year, subject to a total ceiling of USD 1 billion
- Proposal to allow foreign airlines to put in up to 49 per cent FDI in air transport undertaking under active consideration of the government
- Duty concessions to help the civil aviation sector
- Proposal to invest ₹40 billion in equity into the ailing national carrier, Air India, in the next fiscal year
- AAI was allocated ₹2.8 billion, of which ₹805 million was earmarked for airport development in the north eastern states
- Reduction in withholding tax

Government policy and initiatives

- 100 per cent FDI under automatic route for greenfield projects permitted
- 100 per cent FDI for existing airports is also possible with an approval from Foreign Investment Promotion Bureau (FIPB) beyond 74 per cent
- 49 per cent FDI permissible under automatic route in domestic airlines, but not by foreign airline companies
- Full exemption from income tax for airport projects for a period of 10 years
- Airport developers allowed to charge passengers development fees
- Indian airports emulating special economic zone (SEZ) aerotropolis model to enhance revenues; focus on revenues from retail, advertising, and vehicle parking, among others

Sources: http://www.ibef.org/
http://media2.intoday.in/indiatoday/images/budgeteng2012-b.pdf
http://profit.ndtv.com/News/Article/crisis-in-civil-aviation-top-10-developments-304024
http://www.indiaairportsummit.com/

Power



India's total installed generation capacity as on April 2012 stood at 201,637.03 MW, with thermal power, contributing 133,363.18 MW, nuclear 4,780.00 MW, hydroelectric power 38,990.40 MW and renewable energy 24,503.45 MW. The Government of India plans to install an Integrated National Power Grid by 2012 with around 200,000 MW generation capacity and 37,700 MW of inter-regional power transfer capacity.

While some progress was made in reducing Transmission and Distribution (T&D) losses, these still remain substantially higher than the global benchmark, at around 33 per cent. In order to address some of the issues in this segment, reforms have been undertaken by dividing of the State Electricity Boards into separate generation, transmission and distribution units and privatisation of power distribution was initiated either through outright privatisation or the franchisee route; results of these initiatives have been somewhat mixed. There was a gradual improvement in metering, billing and collection efficiency.

The Power Ministry has set a target for adding 76,000 MW of electricity capacity in the 12th Five-Year Plan (2012-17) and 93,000 MW in the 13th Five-Year Plan (2017-22). For the 12th Five-Year Plan, investments to the tune of USD 314 billion have been envisaged for the power sector.

Budget 2012-13

- The Central Plan Outlay for Ministry of Power is ₹624.25 billion of which ₹96.42 billion is budgetary support
- ECB in power sector permitted to partly finance the rupee debt of existing power plants
- To address the concern of fuel supply constraints, Coal India Limited (CIL) was advised to sign a fuel supply agreement with power plants that entered into long-term Power Purchase Agreements with distribution companies and will get commissioned on or before March 31, 2015
- Proposal for full exemption from basic customs duty and a concessional Countervailing Duty (CVD) of 1 per cent to steam coal till March 31, 2014
- Natural gas, LNG and certain uranium fuel to get full duty exemption this year
- Announcement of infrastructure debt fund, increased FII investment and lowering of withholding tax
- Allocated ₹49 billion to Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY) under Bharat Nirman programme
- Allocated ₹31.14 billion for Restructured Accelerated Power Development and Reform Programme (R-APDRP)
- Sunset Date for tax holiday under Section 80IA for the sector was extended by a year
- Additional depreciation of 20 per cent in the initial year is proposed to be extended to new assets acquired by power generation companies
- Power sector allowed to raise ₹100 billion in 2012-13 through tax-free bonds

Government policy and initiatives

- Except for nuclear energy (that is to remain in public sector domain), 100 per cent FDI under automatic route allowed for power generation, transmission and distribution, including non-conventional energy
- 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)
- The conditions for grant of excise duty exemption for goods supplied to mega power projects have been amended. Now, the project developers, instead of the manufacturers, have been made liable to pay the duty in case they do not ensure that exempted goods are used only in their projects
- The government removed tariff protection on capital goods
- Electrical machinery figures among the items that are to be produced at the SEZs cleared by the government
- Private sector allowed to establish coal, gas or liquid-based thermal projects of any size

Sources : http://www.ibef.org/
http://indiabudget.nic.in/ub2012-13/eb/po.pdf
http://media2.intoday.in/indiatoday/images/budgeteng2012-b.pdf

Telecom

India's total telecom subscriber base stood at 951.34 million as on March 2012. The overall tele-density reached 78.66 per cent. The broadband subscriber stood at 13.79 million.

The next spurt in telecom growth is expected to happen in villages and smaller towns where tele-density is at 39.22 per cent. Telecom services in rural markets are projected to grow at 40 per cent annually. The government aims to increase rural tele-density to 60 per cent by 2017 and to 100 per cent by 2020. The tower sharing business is expected to play a crucial role in increasing rural penetration. Sharing passive infrastructure 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 services will determine the course of telecom growth in urban India.

The government aims to provide 'broadband on demand' by 2015 and achieve a target of 175 million broadband users by 2017 and 600 million by 2020.

Budget 2012-13

- The central plan outlay for Department of Telecommunications is ₹152.31 billion of which ₹48 billion comprises budgetary support
- Fixed network for telecommunication and telecommunication towers are made eligible sectors for VGF
- Reduction in withholding tax

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)
- Working towards the national goal of carbon emission reduction, the Telecom Regulatory Authority of India (TRAI) directed operators to achieve carbon reduction to the extent of 5 per cent by 2012-13, 12 per cent by 2016-17 and 17 per cent by 2018-19. With regards to these norms under 'Green Telephony', TRAI further mandated for all operators that at least 50 per cent of all rural towers and 20 per cent of all urban towers are to be powered by hybrid power by 2015. The government has given an approval for the same
- The National Telecom Policy (NTP) 2012 was announced in May. The important features of the new policy include the following :
    - Licenses to be de-linked from spectrum
    - Allow spectrum pooling, sharing and trading
    - Allow sharing of networks
    - Unified licensing regime to allow operators to offer any service
    - Liberalise merger and acquisition norms in order to facilitate consolidation
    - Number portability on a pan-India basis
    - Abolition of roaming charges
    - Creation of a Telecom Finance Corporation to facilitate investments in the sector
    - To make India a global hub for telecom equipment manufacturing

Sources : http://www.ibef.org/
http://indiabudget.nic.in/ub2012-13/eb/po.pdf

Mining

Around 87 minerals are produced in India, of which four are fuel minerals, 10 metallic, 47 non-metallic, three atomic and 23 minor minerals. It contributes about 2 to 2.5 per cent to the country's GDP. The mining and quarrying sector has shown particular weakness in the year 2011-12.

With coal accounting for nearly 55 per cent of India's power generation and India's demand for power continuously out-stripping supply, mining of coal will continue to grow. India has an estimated coal reserve to the tune of 287 billion tonnes. Of this, 110 billion tonnes are 'proved' reserves.

There is a rising demand for more sophisticated equipment. Modern technology for locating deep-seated deposits in complex geological environments and off-shore zones and state-of-the-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 facility around the mineral bearing areas and simultaneously developing the overall region will become integral to the mining industry.

Budget 2012-13

■ Full exemption of basic customs duty and a 1 per cent concessional CVD to steam coal for a period of two years till March 31, 2014

■ Full exemption of basic customs duty on coal mining projects

■ Reduction in the basic customs duty from 10 per cent or 7.5 per cent to 2.5 per cent on machinery and instruments used in the mining sector to survey and prospect minerals

■ Increase in export duty from ₹3,000 per tonne to 30 per cent ad valorem on chromium ore

■ Increase in the basic customs duty from 5 per cent to 7.5 per cent on non-alloy, flat rolled steel

■ Introduction of TDS on trading in coal, lignite and iron ore

■ Reduction in withholding tax

Government policy and initiatives

■ 100 per cent FDI allowed under automatic route for coal and lignite mining for captive consumption in iron, steel and cement production

■ Automatic approval for 100 per cent FDI for mining of all non-atomic minerals, including diamonds and precious stones

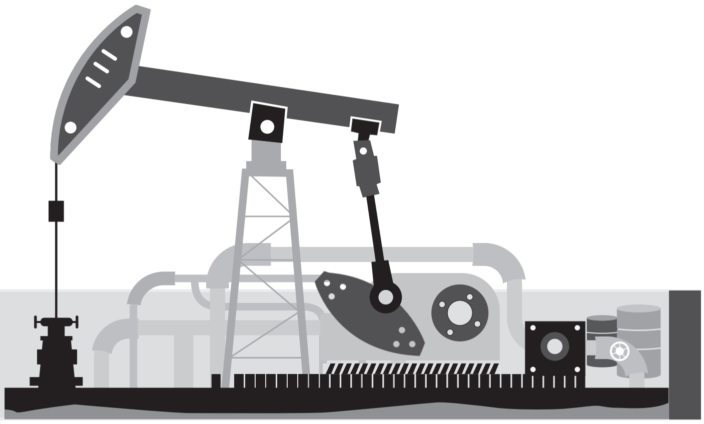
■ Coal India Limited (CIL) was advised to sign fuel supply agreements with power plants which have entered into long-term Power Purchase Agreements with distribution companies and will get commissioned on or before March 31, 2015. Further, an inter-ministerial group was set up to undertake a periodic review of the allocated coal mines and will make recommendations on de-allocations, if required

■ The Rashtriya Swasthya Bima Yojana (RSBY) to be extended to cover unorganised sector workers in hazardous mining

■ Introduction of a competitive bidding process to allocate coal blocks for captive mining to ensure greater transparency and increased participation in production from these blocks

Sources : http://pmindia.nic.in/getdoc.php?id=U3QB39277.pdf
http://www.ey.com/Publication/vwLUAssets/Exploring_India_Mining_the_opportunities/$FILE/Exploring_India_Mining_the_opportunities_FINAL.pdf
Union_Budget_analysis_2012_13

Oil and Gas



Coal and oil, together, represent about two-thirds of total energy use. Natural gas accounts for about 9 per cent share. India has about 5.7 billion barrels of proven oil reserves.

India's crude oil production was at 38.19 MMT (million metric tonne) for 2011-12; up from 37.70 MMT in 2010-11 and the natural gas production including coal bed methane (CBM) for 2011-12 was at 51.67 BCM (billion cubic metre) against 52.22 BCM in 2010-11. The country's total installed oil refining capacity was 193.39 MTPA (million metric tonne per annum) by 1st January, 2012. Shale gas has the potential of emerging as another potential energy source for India. Several shale formations are spread over sedimentary basins like Cambay, Satpura-Gondwana, Krishna-Godavari and Kaveri. The Directorate General of Hydrocarbons (DGH) has initiated steps to identify prospective areas of shale gas exploration.

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

- VGF allowed for oil and gas/LNG storage facilities and oil and gas pipelines
- Cess on crude petroleum oil produced in India increased to ₹4,500/MT from ₹2,500/MT
- Full exemption from basic duty on natural gas and Liquefied Natural Gas (LNG)

Government policy and initiatives

- 100 per cent FDI allowed in exploring crude oil and natural gas under automatic route
- 100 per cent FDI allowed in pipelines for petroleum products, natural gas and LNG
- The government is exploring PPP route to set up a network of gas pipelines across India with a commitment towards developing a Natural Gas Grid
- 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 signing of production-sharing contracts for 235 blocks

Sources : http://www.ibef.org/industry/oilandgas.aspx
Union_Budget_analysis_2012_13

Analysis of financial statements

1. Review of the Profit and Loss Account

Highlights, 2011-12

Assets under management increased from ₹20,505 crore in 2010-11 to ₹30,764 crore in 2011-12, registering a growth of 50 per cent.

Disbursements increased 49 per cent from ₹12,497 crore in 2010-11 to ₹18,600 crore in 2011-12. Disbursement recorded by the equipment financing business was ₹12,170 crore whereas that for project finance was ₹6,261 crore in 2011-12.

Total income increased 49 per cent from ₹1,638 crore in 2010-11 to ₹2,446 crore in 2011-12.

Profit before tax reduced 18 per cent from ₹289 crore in 2010-11 to ₹237 crore in 2011-12.

Profit before notional forex marked-to-market provisions and tax increased 9 per cent from ₹275 crore in 2010-11 to ₹302 crore in 2011-12.

Profit after tax and minority interest decreased 38 per cent from ₹179 crore in 2010-11 to ₹112 crore in 2011-12.

Earning per share was recorded at ₹2.2 in 2011-12 as against ₹7.74 in 2010-11.

Gross interest spread was 3.15 per cent in 2011-12 as against 3.76 per cent in 2010-11.

Revenue

Group revenues grew from ₹1,638 crore in 2010-11 to ₹2,446 crore in 2011-12. Group revenues accrued from three verticals -- fund-based businesses, fee-based businesses and investments.

Income from fund-based businesses increased 63 per cent from ₹1,203 crore in 2010-11 to ₹1,957 crore in 2011-12. This was attributed by an increase in interest bearing asset (including securitised asset) of equipment finance business by 45 per cent and that of project finance by 81 per cent.

The Company's fee-based businesses generated revenues of ₹91 crore in 2011-12 against ₹121 crore in 2010-11. Fee-based business contributed 4 per cent to the total income in 2011-12 as against 7 per cent in 2010-11.

Net Income from rural IT infrastructure (Srei Sahaj) grew 14 per cent from ₹54 crore in 2010-11 to ₹62 crore in 2011-12 following increased services being offered through CSCs.

Income from strategic investments increased from ₹11 crore in 2010-11 to ₹15 crore in 2011-12. This income largely accrued from monetising an existing investment. Incomes from strategic investments would vary from year to year as these depend on the timing of the sale of such investments.

Equipment rental income contributed ₹295 crore to the total income in 2011-12 as against ₹232 crore in 2010-11.

The Group's non-core income increased by 34 per cent from ₹16 crore in 2010-11 to ₹27 crore in 2011-12. Non-core income accounted for only 1.1 per cent of the total income of 2011-12, reflecting the continuing strength of the core businesses.

Operational expenses

The Group's total operating cost (before interest and depreciation) was ₹395 crore in 2011-12 (₹317 crore in 2010-11). The increase was mainly due to an increase in manpower and increased scale of operations.

Employee costs: Expenses grew 39 per cent from ₹123 crore in 2010-11 to ₹172 crore in 2011-12, attributed to an increase in team strength from 2,116 as on March 31, 2011 to 2,593 as on March 31, 2012 and due to general increase in employee wages.

Administrative costs: Expenses increased from ₹193 crore in 2010-11 to ₹223 crore in 2011-12, owing to increased overhead costs like power and fuel, repair and maintenance, travelling and conveyance, advertisement, etc. Most of these cost increases were driven by increased manpower and larger scale of operations (number of offices for the equipment finance business increased from 47 to 85).

Interest liability

Finance charges increased 89 per cent from ₹830 crore in 2010-11 to ₹1,565 crore in 2011-12. This increase was due to an increase in borrowing by over 58 per cent in 2011-12 and notional forex marked to market loss of ₹65 crore in 2011-12 against a profit of ₹14 crore in 2010-11.

Total income
32.21
per cent
5-year CAGR

Profit before notional forex marked to market provisions & tax
11.09
per cent
5-year CAGR

Disbursement
34.19
per cent
5-year CAGR

AUM
39.12
per cent
5-year CAGR

Taxation

The Group's current tax liability increased from ₹80 crore in 2010-11 to ₹90 crore in 2011-12 due to increase in deferred tax liability. However, income tax provision under MAT reduced in line with reduction in profit before tax. However, income tax in respect of earlier years increased from ₹13 crore in 2010-11 to ₹24 crore 2011-12. Thus, the total tax expense increased by 22 per cent from ₹93 crore in 2010-11 to ₹114 crore in 2011-12. The average tax expense rate was about 48 per cent in 2011-12 as against 32 per cent in 2010-11.

2. Analysis of the Balance Sheet Highlights, 2011-12

Capital adequacy ratio* was 20.17 per cent as on March 31, 2012 against 29.36 per cent as on March 31, 2011.

Book value per share increased from ₹53 as on March 31, 2011 to ₹54 as on March 31, 2012.

Net worth increased 4 per cent from ₹2,641 crore as on March 31, 2011 to ₹2,738 crore as on March 31, 2012.

Debt-equity ratio was 5.81 as on March 31, 2012 against 3.81 as on March 31, 2011.

Capital employed

Capital employed increased 47 per cent from ₹12,705 crore as on March 31, 2011 to ₹18,654 crore as on March 31, 2012, owing to the increased in the level of activity in various business verticals.

*Standalone

Sources of funds

	2011-12		2010-11		
	Amount (₹crore)	Percentage of total	Amount (₹crore)	Percentage of total	Y-o-Y growth (%)
Share capital	503	2.49	503	3.61	0
Reserves and surplus	2,675	13.24	2,565	18.43	4
Minority interest	91	0.45	74	0.53	23
Long-term borrowings	5,728	28.35	4,236	30.44	35
Short-term borrowings	8,212	40.65	4,071	29.25	102
Current maturities of long-term borrowings	1,976	9.78	1,686	12.11	17
Deferred tax liabilities (Net)	141	0.70	102	0.73	38
Other long-term liabilities	72	0.36	44	0.32	64
Trade payables	439	2.17	292	2.10	50
Others current liabilities	210	1.04	172	1.24	22
Long-term provisions	124	0.61	94	0.68	32
Short-term provisions	33	0.16	78	0.56	-58
Total	20,204	100	13,917	100	45

Equity: Share capital comprised 503,086,333 equity shares with a face value of ₹10 totaling ₹503 crore. There was no increase in equity capital as compared to the previous year. As on March 31, 2012 Promoters' holding constituted 47.07 per cent and foreign institutional investors constituted 13.03 per cent.

Reserves: Group reserves grew 4 per cent from ₹2,565 crore as on March 31, 2011 to ₹2,675 crore as on March 31, 2012.

External funds: Secured debt increased 57 per cent from ₹8,736 crore as on March 31, 2011 to ₹13,717 crore as on March 31, 2012. Secured loans comprised debentures, term loans and working capital loans. The growth in secured debt was largely due to increase in non-convertible debenture (116 per cent) and working capital loans (100 per cent). Of the outstanding term loans, 59.16 per cent (54.27 per cent in the previous year) was rupee-denominated debt and 40.84 per cent (45.73 per cent in the previous year) was from international sources.

During the year the group increased its subordinated debentures / bonds / loans exposure by 101.27 per cent, strengthening its capital adequacy.

Buyers credit exposure during the year increased to ₹187 crore from ₹69 crore in the previous financial year.

Other current and non-current liabilities: Other current and non-current liabilities increased 42 per cent from ₹508 crore to ₹721 crore. This was mainly due to 50 per cent increase in trade payables and 22 per cent increase in other current liabilities.

Other current and non-current provisions

Provisions however reduced marginally by 9 per cent to ₹157 crore from ₹173 crore in 2010-11 mainly due to decrease in provision for taxation and proposed dividend.

Total provision on standard and non standard assets increased from ₹86 crore to ₹114 crore. Gross NPA on a consolidated basis increased to 1.58 per cent from 1.04 per cent, whereas net NPA increased from 0.65 per cent to 1.18 per cent.

Application of funds

	2011-12		2010-11		
	Amount (₹crore)	Percentage of total	Amount (₹crore)	Percentage of total	Y-o-Y growth (%)
Fixed assets	2,075	10.27	1,539	11.06	35
Goodwill	440	2.18	425	3.05	4
Deferred tax assets (Net)	32	0.16	36	0.26	-11
Non-current investments	2,101	10.4	2,031	14.59	3
Long-term financial assets	3,079	15.24	2,462	17.69	25
Short-term financial assets	405	2	466	3.35	-13
Current maturities of long-term financial assets	1,588	7.86	1,364	9.8	16
Long-term loan assets	2,235	11.06	1,687	12.12	32
Short-term loan assets	445	2.2	537	3.86	-17
Current maturities of long-term loan assets	5,847	28.96	2,321	16.68	152
Trade receivables	347	1.72	234	1.68	48
Inventories	13	0.06	17	0.12	-24
Current investments	22	0.11	-	-	-
Cash and bank balances	409	2.02	169	1.21	142
Other long-term advances	100	0.49	228	1.64	-56
Other short-term advances	289	1.43	89	0.64	225
Other non-current assets	465	2.3	257	1.85	81
Other current assets	312	1.54	55	0.4	467
Total	20,204	100	13,917	100	45

Net block: Group's net block (including CWIP) was ₹2,075 crore as on March 31, 2012 against ₹1,539 crore as on March 31, 2011. The increase in net block was mainly due to increase in assets on operating lease of ₹388 crore (net block comprised assets for own use ₹1,007 crore, asset for operating leases ₹878 crore) and capital work in progress (CWIP) of ₹190 crore.

Financial assets

This comprises of principal outstanding for equipment finance loans given to customers. This amount reflects the growth in the equipment finance business. Outstanding equipment finance loan book grew by 18 per cent to ₹5,072 crore.

Loans asset: This largely comprises of outstanding project finance loan book, which grew sharply from ₹4,545 crore to ₹8,527 crore, an increase of 88 per cent. This reflects the strong growth in the project finance business.

Trade receivables: Trade receivables increased by 48.5 per cent to ₹347 crore as on March 31, 2012. 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.

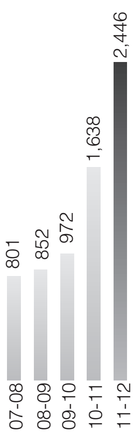
Cash and bank balance: Cash and bank balances increased 142 per cent to ₹409 crore in 2011-12 as against ₹169 crore in 2010-11.

Other current and non-current assets

Other current and non-current assets increased 85 per cent from ₹629 crore to ₹1,166 crore. This was mainly due to 225 per cent increase in other short term advances, 87 per cent increase in other non-current assets and 467 per cent increase in other current assets.

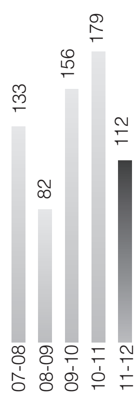
Invisible hands worked across businesses, tiers, locations and time to protect the Company's performance in a challenging industry environment.

Total income
(₹crore)

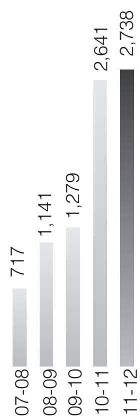


PBT
(after removing effect of forex)
(₹crore)

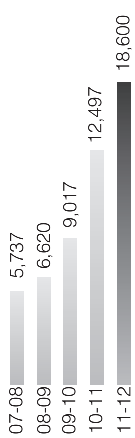
PAT
(₹crore)



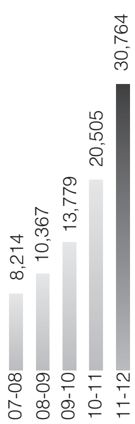
Net worth
(₹crore)



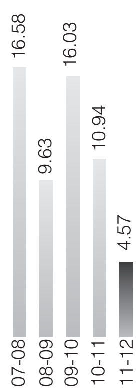
Disbursement#
(₹crore)



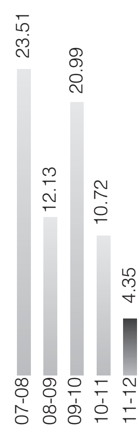
AUM#
(₹crore)



NPM**
(%)



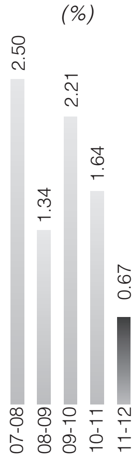
Return on average net worth@ **
(%)



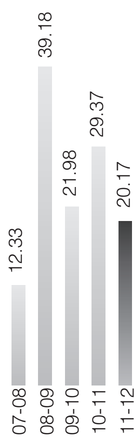
** Based on Profit after Minority Interest
@ Based on Standalone Networth

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

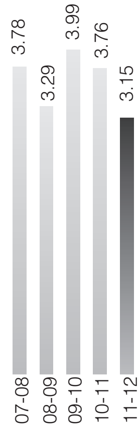
Return on average** asset
(%)



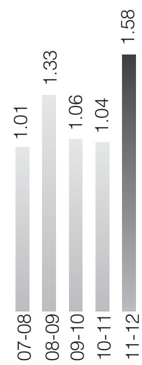
CAR*
(%)



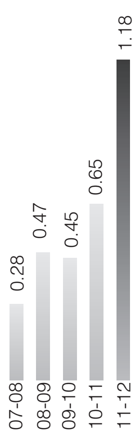
Gross interest spread
(%)



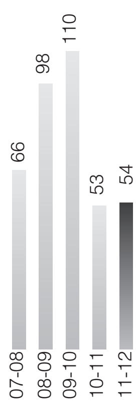
Gross NPA
(%)



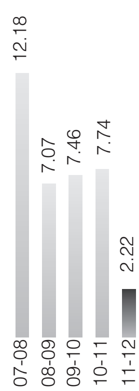
Net NPA
(%)



Book value
(₹)



EPS
(₹)



*   Based on Standalone Nos.
** Based on Profit after Minority Interest

Risk management

While doing its business, Srei is exposed to various risks and managing them ensures for sustainable growth. Srei has always remained cautious and focused to keep its risks within manageable levels. The Company endeavours to identify and manage risks effectively by adopting best industry and regulatory practices. It promotes a high degree of awareness in identifying business risks and adopting internal control measures to reduce them to acceptable levels.

Srei has robust and integrated risk management systems to ensure that risks assumed by it are within the defined risk appetite and are adequately compensated. It has in place a well-established risk management structure to manage various financial and non-financial risks, which include business, strategic, operational, market, credit, liquidity, reputational and process risks.

Srei's Board of Directors is at the fountainhead of all risk management policies and strategies and is responsible for setting Srei's aggregate risk appetite. In its functions, it is supported by Board sub-committees – risk committee of the Board, central credit and investment committee and asset liability management committee. Srei has a prudent risk governance structure, which ensures that the function of risk management remains the responsibility of all the employees and are actively encouraged to manage risks at various levels.

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, it identifies various factors that affect operations or may be a potential threat. Risk quantification, integration and assessment are the next steps and based on these, strategic decisions are taken and implemented to maintain the desired risk-return profile. Post decision making, risk monitoring is a continuous process, which ensures risks always remain within our appetite and appropriate decisions can be taken in a timely manner.

An overview of major risks affecting the Company is evaluated below.

01 Credit risk

Any delay or non-payment of loans from borrowers may result in significant financial losses and hence management of credit risk is the most important aspect of the lending activity.

Each project/transaction is analysed in great detail by a team of highly qualified and experienced professionals to understand the various risks attached with it. All transactions pass through a stringent credit appraisal and before taking any exposure, all relevant risks (business, industry, financial, management, project and sustainability) are critically analysed along with the available and possible mitigants. Srei also has a robust internal credit rating mechanism for transactional risk measurement. A framework for risks-based pricing is in place, which ensures that the Company is adequately compensated for the risks being taken. Decision on any credit proposal is taken on the basis of analysing overall risks, our risk appetite and risk-return analysis.

Post approval, disbursement is made only after compliance of approved terms and conditions, which passes multiple scrutinies. Srei also has strong mechanism for portfolio risk management. All accounts are closely monitored and reviewed periodically to identify early warning signals and corrective steps are taken in a timely manner. Best industry practices are also captured in credit policy, credit risk policy, standard operating procedures and credit appraisal manual. All internal policies are periodically reviewed and updated based on change in environmental, regulation and market dynamics.

02 Liquidity and funding risk

Srei's ability to meet financial obligations in a timely manner and have adequate funding options is critical for maintaining the business cycle. Srei regularly maps its assets and liabilities position, cash-flow situation and market condition, which helps it determine the average liquidity position that it needs to maintain at any given point. Various payment dates are also aligned with receipts to achieve the maximum possible liquidity. Along with the gap and liquidity ratio analysis, we also use scenarios and stress case analysis to assess liquidity and funding risk.

Strong credit-worthiness and relationships with a large number of domestic and international banks ensure adequate funding arrangements. The Company's excellent track record with zero default and sound lending practices make it a preferred borrower. By exploring new instruments of borrowings and new markets, we continue to expand and diversify our borrowing base. Our prudent lending practices and good credit rating help secure funds at competitive terms.

03 Interest rate risk

Net interest margin (NIM) is the primary source of income and hence, it is essential to maintain it at satisfactory levels, even in case of unfavourable interest rate movements. Rate-sensitive-asset and liability gap analysis is carried out to assess interest rate risk. Rate of interest on majority of the Company's assets and liabilities are floating in nature. The asset liability committee (ALCO) periodically reviews the cost of borrowings and the Srei benchmark rate (SBR) and decision on revision of SBR is taken, whenever required. Any mismatch between the benchmark used on the liabilities against the ones on the assets is continuously monitored by ALCO and strategies are created to manage them.

04 Foreign exchange risk

To diversify our borrowing mix and optimise cost of funds, we also borrow in foreign currency. We have proper hedging strategies in place to hedge foreign currency exposure. If any open position is kept on the basis of our view on interest rate movements, it is kept well within our risk appetite. Value at risk (VAR) is used for assessing forex risks and open positions are made well within our risk appetite. Our balance sheet size provides an adequate cushion for any loss on this portfolio on account of adverse foreign exchange rate movements. The open forex position is continuously monitored and kept within the defined limit by using appropriate hedging tools.

05 Operational risk

Any operational error or breakdown / malfunction may result in business processing risks. If this risk is not properly managed, the Company may have to incur both monetary and productivity losses. Over the years, Srei developed 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 transactions and events are cross-checked to avoid processing risks. Key responsibility areas of employees are clearly defined and reviewed on an ongoing basis.

Business loss owing to unauthorised access, use, disclosure, disruption or modification of information and data systems may lead to information security risks. To mitigate these risks, the Company has a robust information technology set-up with proper security measures being adopted to prevent unauthorised use of information and its disclosure. The system also has features like off-site disaster recovery that prevents loss of data. Globally-accepted security features covering firewalls, encryption technologies and spam-guards are also in place. All documentation and processes are password-protected with appropriate document back-up management systems. We also have a proper system in place to maintain confidentiality of Company information.

06 Sustainability risk

On account of financing infrastructure projects, Srei may get exposed to environmental and social risks. Assessment and mitigation of sustainability risks is an integral part of Srei's overall risk management framework. While analysing a credit proposal, we not only look at economic project benefits but also the environmental and social benefits, which are critical aspects for sustainability. All projects are categorised on the basis of sensitivity of the environmental and social issues attached with the project. Sustainability risk is not only analysed at the time of initial loan approval, but is also periodically during loan tenure. We also partner with the borrower to mitigate risks arising out of environmental and social issues. Srei's environmental and social risk management policy is based on guidelines and norms of best international practices (also referred to as IFC standards) and incorporates requirements under Indian environmental rules and regulations.

07 Legal and compliance risk

Unfavourable outcome of litigation and non-compliance with rules and regulations may lead to financial losses and affect growth. As a mitigation measure, the Company has competent teams, who are well-conversant with the local regulatory environment. These teams remain updated on all relevant regulations and ensure that these are adhered to. In case of any changes in the regulatory environment, appropriate steps are swiftly taken.

To avoid any losses on account of deficiency in documentation, Srei's qualified and experienced legal team gets involved in every transaction right from documentation to the final closure. The legal team works closely with the business team to ensure that transactions are based on unambiguous legal opinions. Legal disputes are managed by an experienced and professional team by evaluating probability and impact analysis of the outcome of litigation.

08 Reputational risk

Reputational risk may arise from negative perception on the part of customers, counterparties, shareholders, investors and regulators that can adversely affect the Company's ability to maintain existing or establish new business relationships and continue to source funds. Srei has a stringent policy to handle reputational risk arising from these issues. Regular reviews are conducted to improve policies and procedures to safeguard against reputational risk. An appropriate whistle blowing policy is also in place.

Srei has a clean credit history with no instance of failing to meet financial obligations or not adopting proper governance measures. We respond quickly and effectively to complaints and manage these promptly. Strong relationships with various stakeholders also plays an important role in mitigating reputational risk.

Directors' Profile

Salil K. Gupta
Chief Mentor

He has more than 54 years of experience and has served as the former Chairman of West Bengal Industrial Development Corporation Limited, a leading state financial institution. He has also served as the President of The Institute of Chartered Accountants of India.

Hemant Kanoria
Chairman & Managing Director

He has over 32 years of experience in industry, trade and financial services. He is presently the Chairman of the National Committee on Infrastructure of Federation of Indian Chambers of Commerce & Industry (FICCI), Member of FICCI National Executive Committee and Council Member of Indo-German Chamber of Commerce. Previously, he has been on the Board of Governors of Indian Institute of Management - Calcutta, Member of Regional Direct Taxes Advisory Committee, Government of India and President of Calcutta Chamber of Commerce.

Sunil Kanoria
Vice Chairman

He is a Chartered Accountant with more than 24 years of experience in the financial services industry. He is presently the Vice President of The Associated Chambers of Commerce & Industry of India (ASSOCHAM), Member of the Central Direct Taxes Advisory Committee and the Governing body member of the Construction Industry Development Council (CIDC). He has also served as President of Merchants' Chamber of Commerce, Federation of Indian Hire Purchase Association (FIHPA) and Hire Purchase & Lease Association (HPLA) and has also served as a Member on Planning Commission's Working Group on Construction for the Tenth Five Year Plan.

Saud Ibne Siddique
Joint Managing Director

He has over 28 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, based out of Washington DC. 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 also previously worked with Swiss Bank Corporation in New York on structured financing and asset securitisation transactions. He is a member of the Board of Directors and Chairman of the Audit Committee 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, Swedish and Swiss government entities and leading private global banks. He has been a visiting faculty at the Indian Institute of Management, Calcutta.

Directors' Profile

V. H. Pandya Director	He is an Economics and Law graduate and an associate of the Indian Institute of Bankers. He has spent over 47 years in the banking and financial industry, holding offices with India's Central Bank - Reserve Bank of India (RBI), the Capital Markets Regulator - Securities and Exchange Board of India (SEBI) and the Industrial Development Bank of India (IDBI).
S. Rajagopal Director	He is the former Chairman & Managing Director of Bank of India and a former Chairman of Indian Bank and has more than 39 years of experience in the banking industry.
Shyamalendu Chatterjee Director	He has over 45 years of experience in Commercial and Investment Banking. He was the Executive Director of UTI Bank Limited, Mumbai. He has extensive exposure in the areas of International Banking having worked in SBI, London for 3 years and in Washington D. C. for 5 years. He has expertise in the areas of Corporate Finance, International Business, Retail Banking, Project Financing and Balance Sheet Management, among others.
Satish C. Jha Director	He is a Former Director and Chief Economist of Asian Development Bank, Manila and President of Bihar Council of Economic Development. He was also a Member of the Economic Advisory Council to the Prime Minister and Chairman, Special Task Force on Bihar.
Sujitendra Krishna Deb Director	He is a Chartered Accountant with over 41 years of experience in the Assurance and Business Advisory services of a Big Four Firm in India, where he was a partner for a little over two decades; experience in Due Diligence Review, Valuation and Internal Audits, among others.

Directors' Report

Dear Shareholders

Your Directors are pleased to present the Twenty Seventh Annual Report together with the Audited Accounts of your Company for the financial year ended March 31, 2012. The summarised consolidated and standalone financial performance of your Company is as follows:

Financial Results

(₹in Lakh)

	Consolidated		Standalone	
	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2011
Total Revenue	2,44,633	1,63,809	1,18,069	74,624
Total Expenses (including depreciation etc.)	2,12,504	1,27,072	1,05,017	52,213
Profit before bad debts, provisions & tax	32,129	36,737	13,052	22,411
Bad Debts & Provisions etc.	8,452	7,840	2,173	1,197
Profit Before Tax	**23,677**	**28,897**	**10,879**	**21,214**
Current Tax	5,466	8,267	1,760	4,185
Mat Credit entitlement	(189)	(94)	(49)	-
Deferred Tax	3,674	(203)	1,198	3,350
Income Tax in respect of earlier years	2,411	1,309	2,174	249
Profit After Tax before Minority Interest	**12,315**	**19,618**	**5,796**	**13,430**
Minority Interests	1,134	1,694	-	-
Net Profit	**11,181**	**17,924**	**-**	**-**
Pre Acquisition Profit/(Loss)	-	474	-	-
Minority Interests of Pre Acquisition Profit/(Loss)	(39)	(474)	-	-
Profit After Tax after adjustment of Minority Interests	**11,142**	**17,924**	**-**	**-**
Adjustment on account of Amalgamation	-	(570)	-	-
Surplus brought forward from Previous Year	30,339	25,618	23,791	19,679
Profit Available For Appropriation	**41,481**	**42,972**	**29,587**	**33,109**
Paid up Equity Share Capital	50,324	50,324	50,324	50,324
Amount transferred to Reserves	9,965	8,227	4,193	4,918

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/ amortisation, bad debts, provision and tax) is ₹14,592 lakh as against ₹24,219 lakh in the last year.
- Profit before taxation is ₹10,879 lakh as against ₹21,214 lakh in the last year.
- Net profit after taxation is ₹5,796 lakh as against ₹13,430 lakh in the last year.
- The total assets under management of the Srei Group is ₹30,76,435 lakh as against ₹20,50,524 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 (CAR) of your Company stood at 20.17 per cent as on March 31, 2012, well above the regulatory minimum level of 15 per cent prescribed by the Reserve Bank of India for systemically important non-deposit taking NBFCs (NBFCs-ND-SI). Of this, the Tier I CAR was 14.59 per cent.

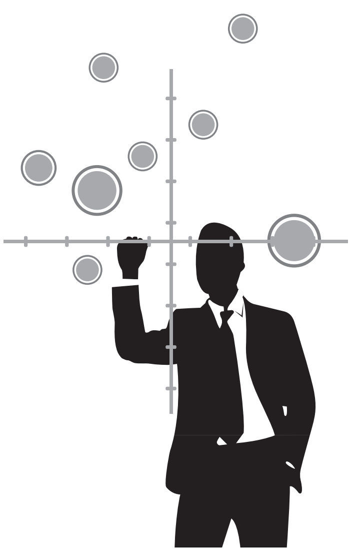
Your Company has complied with all the norms prescribed by the Reserve Bank of India (RBI) including the Fair practices, Anti money laundering & Know your customer (KYC) guidelines and also all the mandatory accounting standards notified by the Central Government under the Companies (Accounting Standards) 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 RBI.

AMALGAMATION OF QUIPPO INFRASTRUCTURE EQUIPMENT LIMITED INTO AND WITH YOUR COMPANY

The Scheme of Amalgamation of Quippo Infrastructure Equipment Limited (Quippo) into and with your Company was approved by the Hon'ble High Court at Calcutta vide its Order made on January 18, 2011. 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 stand transferred to and vested in your Company, as a going concern, with effect from the Appointed Date i.e. April 01, 2010.

During the year under review, an application for dissolution without winding up of Quippo was filed before the Hon'ble High Court at Calcutta which approved the same vide its Order dated November 22, 2011. The said dissolution has become effective w.e.f. December 21, 2011 after filing of certified copy of the Order with the Registrar of Companies, West Bengal at Kolkata.

During the year under review, your Company has been notified as a Public Financial Institution (PFI) under Section 4A of the Companies Act, 1956 by the Ministry of Corporate Affairs (MCA), Government of India vide its notification dated September 26, 2011.



PUBLIC DEPOSITS

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 amount payable to the depositors as on March 31, 2012 is ₹49,73,000/-.

During the year under review, your Company has not accepted any deposits from the public within the meaning of the provisions of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

PUBLIC FINANCIAL INSTITUTION (PFI)

During the year under review, your Company has been notified as a Public Financial Institution (PFI) under Section 4A of the Companies Act, 1956 by the Ministry of Corporate Affairs (MCA), Government of India vide its notification dated September 26, 2011.

MUTUAL FUND ACTIVITY

During the year under review, the Securities and Exchange Board of India (SEBI) has permitted your Company to set up a Mutual Fund for Infrastructure Debt Fund Schemes. Accordingly, your Company is in the process of complying with the necessary requirements for the grant of Certificate of Registration for the Mutual Fund.

PROMOTERS' GROUP SHAREHOLDING

The Promoters' Group of your Company has increased their net shareholding in your Company during the year by 0.85 per cent from 46.22 per cent to 47.07 per cent, through the creeping acquisition route allowed as per SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

The Promoters' Group has shown increased commitment to the business strategy and substantial growth of your Company and your Company believes that this will result in enhanced value for all the stakeholders.

As on March 31, 2012, 17.23 per cent (out of 47.07 per cent) of shareholding held by the Promoters' Group of your Company is under pledge.

PUBLIC ISSUE OF LONG TERM INFRASTRUCTURE BONDS IN THE NATURE OF SECURED REDEEMABLE NON-CONVERTIBLE DEBENTURES

Your Company was classified by the

RBI as 'Infrastructure Finance Company' (IFC) within the overall classification of 'Non Banking Finance Company' in March, 2011. Consequently, your Company became eligible to issue Long Term Infrastructure Bonds eligible for deduction under Section 80CCF of Income Tax Act, 1961.

During the year under review, your Company raised ₹24,88,56,000 (Rupees Twenty four crore eighty eight lakh fifty six thousand only) through the public issue of Long Term Infrastructure Bonds of face value of ₹1000 each, in the nature of Secured Redeemable Non-convertible Debentures (the Bonds), eligible for deduction under Section 80CCF of the Income Tax Act, 1961. The issue opened on December 31, 2011 and closed on March 06, 2012. The Bonds were thereafter allotted on March 22, 2012. These Bonds are listed on the Wholesale Debt Market (WDM) Segment of the Bombay Stock Exchange Limited (BSE). The entire proceeds have been utilised for the purpose of 'Infrastructure Lending' in terms of Central Board of Direct Taxes (CBDT) Notification dated September 09, 2011.

The public issue of Long Term Infrastructure Bonds has not only facilitated diversification of your Company's sources for mobilising long term resources but has also provided the retail investors an opportunity to participate in India's infrastructure development and progress. The various communication efforts of your Company surrounding the Bonds played a meaningful role in enhancing your Company's brand image amongst relevant constituencies.

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, 2011, being sixth 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 ₹10/- per Bond. The aggregate principal amount outstanding as on March 31, 2012 is ₹5.27 crore.

DIVIDEND

Your Company has had a consistent dividend policy that balances the dual objectives of appropriately rewarding shareholders through dividends and retaining capital, in order to maintain a healthy capital adequacy ratio to support long term growth of your Company. Consistent with this policy, your Board has recommended a Dividend of ₹0.50 per Equity Share (5 per cent) for the Financial year 2011-12 to the Equity shareholders of your Company. The Dividend shall be subject to tax on dividend to be paid by your Company but will be tax-free in the hands of the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ECONOMIC REVIEW

a. Global Outlook

The International Monetary Fund (IMF) predicts that global GDP growth will be 3.5 per cent in 2012 and is likely to improve to 4.1 per cent in 2013. The developed economies will grow the slowest vis-à-vis Emerging Market Economies (EMEs) and developing nations.

Amongst the developed nations, the Eurozone will fare the worst. Sovereign debt problem in Europe had been simmering for quite a while, but last autumn the European crisis became acute. Strong policy measures were taken and to alleviate immediate pressure on the financial markets in the Eurozone, the European Central Bank had to inject liquidity of more than € 1 trillion through two long-term refinancing operations. Also, the European Union adopted a tough fiscal pact. The proposed fiscal correction, tightening of credit conditions and persistently high unemployment would limit the growth prospects in the Eurozone in the short to medium term. While economies like Germany and France will have very low but positive growth in 2012, other debt-ridden economies like Spain and Italy will register negative growth thereby dragging down growth of the entire region. As per IMF projections, euro area is likely to grow at minus 0.3 per cent in 2012 and 0.9 per cent in 2013.

The US economy, on the other hand, is showing signs of a gradual recovery from the 2008 crisis with consumer spending picking up and declining unemployment. However, with hardly any pick-up in industrial growth and mixed signals from housing data, there are still some lingering concerns over the sustainability of recovery in the US. Federal Reserve has not ruled out the possibility of further fiscal stimulus through a third round of quantitative easing (QE3). IMF projects a 2.1 per cent growth in the US in 2012 and 2.4 per cent in 2013.

The EMEs and developing nations encounter challenges mostly external in nature. Low demand from developed economies leads to lower exports from EMEs and developing nations. The liquidity injection in the US after the 2008 crisis had fuelled commodity prices across the world driving up inflation in EMEs and developing nations. In addition, these nations are exposed to volatile capital flows leading to sharp changes in their exchange rates. With demand in developed nations not likely to pick up anytime soon and with a fresh round of liquidity injection (this time in Europe), the EMEs and developing nations are likely to remain exposed to the above-mentioned challenges. Since last year, many of them had 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. The impact of the policies in these economies has been varied. While inflation has started moderating in Brazil and Russia, China still faces problems of overheating and trying for a soft-landing. Policy making in these nations is likely to be tested for one more year. As per IMF, in 2012 China is likely to grow at 8.2 per cent, Russia at 4 per cent and Brazil at 3 per cent.

International crude oil prices have been rising since January 2012 fuelled by geo-political tensions and abundant global liquidity. Any disruption in supply can lead to a sharp hike in oil price and this will have a cascading impact across industries and make inflation management difficult, especially in EMEs where demand is still buoyant.

b. Indian Scenario

The year under review was a particularly difficult year for doing business in India. Wholesale Price Index (WPI) inflation remained above 9 per cent from April to November, 2011. To rein in inflation, RBI resorted to raising the interest rate. After raising repo rate by 150 basis points in FY11, RBI increased it by another 125 basis points in FY12. While inflation has started moderating since December, 2011, it is still around 7 per cent mark which is way above RBI's comfort level. The higher interest rate regime, however, slowed down the economy and GDP growth averaged 6.9 per cent in the first three quarters of FY12. The Index of Industrial Production (IIP) figure reflects how the high interest rate has affected economic activity. IIP registered a growth of only 3.5 per cent between April - February FY12 vis-à-vis 8.1 per cent during the corresponding figure in FY11. With capital goods and intermediate goods registering negative growths during this phase, it is quite likely that GDP growth in FY12 will be less than the forecast of 6.9 per cent. The slowdown in growth has also been mirrored in the deceleration of non-food credit growth.

India's infrastructure deficit and the resultant supply bottlenecks have played a role in fuelling inflation. However, our economy is saddled with the twin problems of a high and sustained fiscal deficit and a growing current account deficit (CAD), and this limits government's ability to boost demand through pump-priming the economy. CAD for FY12 is expected to be at a record high of 3.5 to 4 per cent of GDP. India's CAD has usually been bridged with capital account inflows. However, overall capital inflows have declined sharply in April - December FY12 with portfolio flows far lower vis-à-vis previous year. The consequent drawdown of forex reserves worth USD 7.1 billion during April - December FY12 also sharply depreciated the rupee. Companies who accessed foreign funding suddenly found themselves exposed to foreign exchange risk.

In addition, if we factor in the uncertainty that has been created amongst investors and potential investors from the Union Budget announcements on General Anti Avoidance Rules (GAAR) and retrospective taxation, further capital flight from India is very much a possibility if Government does not quickly take steps to allay investor concerns. Thus, the rupee is likely to remain under pressure going forward.

To ease liquidity situation and to improve the investment climate, RBI cut the Cash Reserve Ratio (CRR) by 125 basis points from January 2012 onwards and followed it up with a 50 basis point cut in repo and reverse repo rates each in April 2012. The cut in repo rate comes after a gap of 3 years. It is easy to pull a string, pushing it is difficult. Thus, while raising policy rates did ultimately lead to moderation in inflation by curbing investment, it remains to be seen how long it takes for the repo rate cut to trigger fresh investments.

Another concern area is the front-loading of Government's borrowing programme. It envisages a borrowing of USD 75 billion in the first half of FY13. Even if RBI cuts policy rates, lack of liquidity in the market will ensure that end interest rates remain high. Thus, government borrowing can crowd out private investment.

A recent CRISIL report shows that non-performing assets (NPAs) are on the rise with default rates at a ten year high. Tight liquidity scenario and elevated interest rates imply that banking system's capability to lend will be tested in FY13.

Rating agency Standard & Poor's has downgraded India's outlook from stable to negative. This is likely to push up borrowing cost from overseas markets.

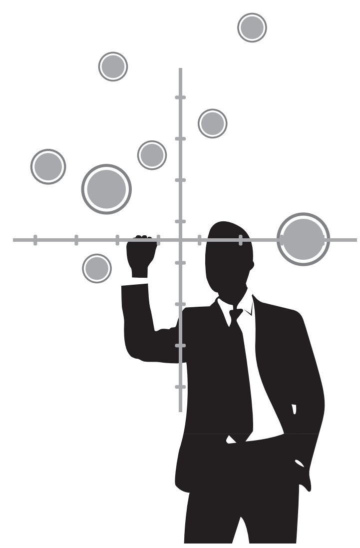
To sum it up, FY13 is likely to be an extremely challenging year for India's policy makers.

NBFIs IN INDIA

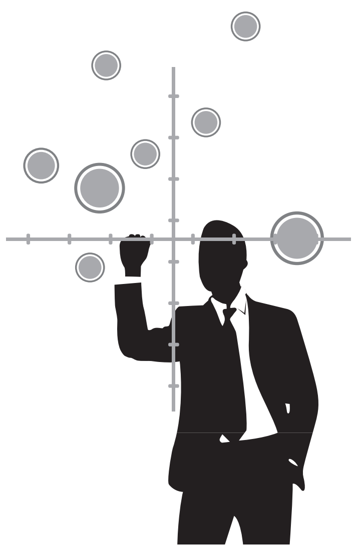
The year under review witnessed RBI issuing guidelines to allow banks and non banking finance companies (NBFCs) to sponsor Infrastructure Debt Funds (IDFs). The IDFs can be set as Mutual Funds (IDF-MFs) or as NBFCs (IDF-NBFCs) which would be regulated by Securities & Exchange Board of India (SEBI) and RBI respectively. All NBFCs, including Infrastructure Finance Companies (IFCs) registered with RBI, may sponsor IDF-MFs. However, only IFCs are eligible to sponsor IDF-NBFCs. Sponsor IFCs are to contribute minimum 30 per cent and maximum 49 per cent to the equity of the fund.

For setting up IDF, any NBFC has to have minimum 5 years of experience

Rating agency Standard & Poor's has downgraded India's outlook from stable to negative. This is likely to push up borrowing cost from overseas markets.



The year under review also witnessed further relaxation of the external commercial borrowing (ECB) window for IFCs.



with profits for last 3 years, should have minimum net owned funds of ₹300 crore, a capital adequacy ratio of 15 per cent and NPAs should be less than 3 per cent of net advances.

In case of IDF-NBFC, the entity must have a minimum credit rating of 'A' of CRISIL or equivalent rating, its Tier II capital cannot exceed Tier I and can invest only in public private partnership (PPP) and post commercial operational date (post-COD) infrastructure projects which have completed at least one year of satisfactory commercial operation. IDF-NBFC, registered with RBI, can raise resources through issue of either Rupee or Dollar denominated bonds of minimum 5-year maturity and the investors would be primarily domestic and off-shore institutional investors, especially insurance and pension funds, which have long-term resources. IDF-NBFC also needs to enter into a tripartite agreement with the project concessionaire and the project authority.

Eligible non-resident investors can invest in Rupee denominated units issued by IDF-MFs registered with SEBI. Any IDF-MF must invest minimum 90 per cent of its funds in debt securities of infrastructure companies or special purpose vehicles (SPVs) across all infrastructure sectors, project stages and project types.

After careful evaluation of the eligibility criteria and the degree of flexibility of investing, your Company has embarked on the process of floating an IDF-MF to tap India's infrastructure opportunities.

The year under review also witnessed further relaxation of the external commercial borrowing (ECB) window for IFCs. RBI has allowed IFCs to avail of credit enhancement under the automatic route for domestic debt raised through issue of capital market instruments like debentures and bonds from eligible direct/indirect foreign equity holder(s), which as per extant guidelines could be availed only from multilateral/regional financial institutions and Government owned development financial institutions, under the approval route.

RBI, while laying down guidelines on Credit Default Swaps (CDS) for corporate bonds, has stipulated that NBFCs shall only participate in CDS market as users and will be allowed to buy credit protection only to hedge their credit risk on corporate bonds held by them. NBFCs are not allowed to sell protection and hence cannot enter into short positions in CDS contracts. NBFCs can unwind their CDS position with the original counterparty or by assigning them in favour of buyer of the underlying bond.

NBFCs are to maintain a minimum capital adequacy ratio based on risk weights assigned to both on and off balance sheet items. They, however, recognise only six categories as off balance sheet items which have linkages to NBFC activities. To expand the off balance sheet regulatory framework, RBI has now stipulated that NBFCs will need to calculate the total risk weighted off balance sheet credit exposure as the sum of the risk-weighted amount of the market related and non-market related off balance sheet items.

RBI has instructed NBFCs to strictly adhere to issuance of non-convertible debentures (NCDs) with a tenor of 90 days to 1 year.

In a separate development during the year under review, the Cabinet Committee on Infrastructure has come up with a master list of Infrastructure Sectors which now has 5 major sectors and 29 sub-sectors. The 5 major sectors are (a) Transport, (b) Energy, (c) Water Sanitation, (d) Communication, and (e) Social & Commercial Infrastructure. This master list will serve as a reference point, although the Committee allows flexibility to each financing agency to spell out its reasons and draw its own list of eligible sub-sectors out of the master list with adequate justification for inclusion or exclusion of any sub-sector from its list. Such a master list will also serve as a reference point for NBFCs, especially IFCs.

BUSINESS OUTLOOK AND FUTURE PLANS

India has stepped into the Twelfth Five Year Plan (2012-17) where the total investment figure for infrastructure is envisaged at USD 1 trillion and within that 50 per cent of that is expected to come from the private sector. However, the prolonged high interest regime has affected the infrastructure verticals and today the sector is saddled with depleting order books, broken cash cycles, high leveraging, debt restructuring and a rising NPAs.

Union Budget FY13 was expected to come up with initiatives that would set in motion infrastructure activities. Some of the welcome announcements were:

- Allowing ECB window to the cash-starved power and aviation sectors
- Increasing the scope for Viability Gap Funding (VGF) to new areas like irrigation, oil & gas pipelines, agriculture market terminals, etc.
- Allowing infrastructure public sector undertakings (PSUs) to raise tax-free bonds worth USD 12 billion
- Allowing import duty exemptions for equipment imports in solar power, energy-saving devices, safety equipment for railways, aircraft maintenance equipment, specified road construction equipment, coal mining machinery, etc.
- Providing incentives for affordable housing.

While plan outlay for FY13 registered an increase of 22 per cent over previous year, outlay for infrastructure for FY13 stands increased to almost USD 30 billion, an increase of 32 per cent over previous year. The budget also announced that the first infrastructure debt fund (IDF) will be launched soon.

Government is also committed towards implementing a Direct Tax Code (DTC) and introducing a Goods & Services Tax (GST). The micro-issues on these fronts are being ironed out.

However, to get the private sector enthused about investing in 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 as those pose a risk for private investment by leading to time and cost overruns. The issue of land acquisition remains a sensitive issue with different states adopting different policies regarding resettlement, rehabilitation and compensation of the displaced. Clarity on guidelines for environmental clearances is also a must 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. Planning Commission Chairman Mr. Montek Singh Ahluwalia has gone on record saying Twelfth FYP will focus on skill upgradation of human capital. These issues, once addressed, will result in greater investment flow into India's infrastructure.

However, the budget proposals on GAAR and taxation on retrospective basis have put a huge question mark on the future of the India Growth Story. The principal motive for GAAR is to plug any loophole that would allow an entity to go without paying capital gains tax or withholding tax while conducting any transaction (sale or purchase) of an asset based in India. But applying it on a retrospective basis, and that too for 50 years, has made investors nervous. Government is trying to address these investor concerns.

Clarity in policy and regulations is the need of the hour. On the policy front, your Company has established a regular channel of communication and feedback with relevant Ministries and government agencies. This is because the management of your Company is upbeat and confident about India's prospects among its global peers. Your Company believes the recent problems on the policy front are temporary in nature and will get addressed in due course. India will continue to remain an attractive investment destination.

RBI has started lowering its policy rates and it is expected that CRR will be cut further to inject more liquidity into the system. And once Government succeeds in bringing in some clarity on the policy front, investment will ultimately pick up, and with that investment in infrastructure too. And when that happens, your Company with its in-depth knowledge of the infrastructure business, strong financial position, prudent risk management techniques and its knack for innovation, will be all set to take advantage of the opportunities that would unfold. Even if the business environment remains tough, your Company is adequately geared to meet the challenges.

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) envisaged an 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. During the previous financial year, your Company successfully obtained from RBI a change in your Company's classification to an Infrastructure Finance Company (IFC), which among other things has helped it to diversify its borrowings, access long-term funds to a greater extent, and a flexibility to increase its exposure to borrowers and groups. During the year, your Company has been notified as a Public Financial Institution under the provisions of the Companies Act, 1956.

Given the thrust on infrastructure creation and recognising the growth potential in the sector, 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, project finance, operating leases, debt 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/ banks 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.

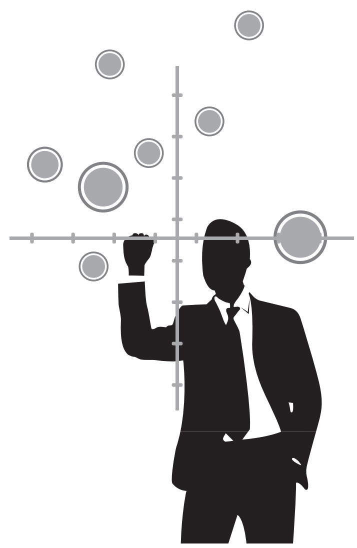
During the year under review, your Company sustained its healthy growth. Its aggregate portfolio size recorded a growth by over 78 per cent to ₹8,897 crore in the financial year 2011-12. The key infrastructure investments in various sectors included Conventional Power, Renewable Energy, Roads, Ports, SEZ & Industrial Parks, Telecommunications, Oil and Gas, Urban Infrastructure, etc. Through its structured risk mitigation techniques, its innovative financing structures, security packages and maturity profiles of loans, your Company was able to contribute to an increased availability of infrastructure services in the country with better efficiency.

Power:

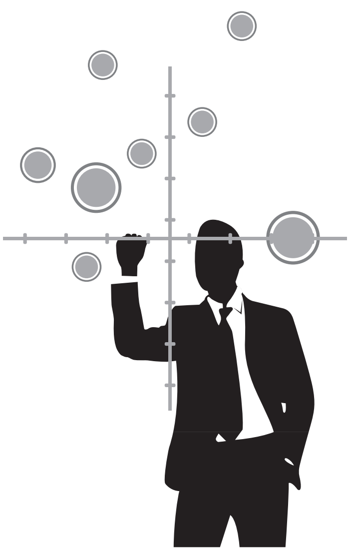
Power generation in the country has grown at CAGR of 5.8 per cent during the period FY 1990-91 to FY 2010-11. It is estimated that, in order to sustain GDP growth at 9 per cent, the demand for grid power will grow by 6 per cent per annum to 1,200 billion units (Bu) by the end of the Twelfth Plan. If fuel oil / diesel based captive generation is to be curtailed, as it should be for energy efficiency, we have to plan for grid supply of at least 1,350 Bu.

Although the Eleventh Plan had targeted creation of 79 GW of additional capacity for grid power, actual realisation may not exceed 50 GW, largely on account of slippages in public sector projects. The shortfall in achieving the targets has been primarily due to poor project implementation, shortage of indigenous power equipment and slow down of capacity addition due to lack of fuel, particularly coal. As more than 80 GW of new power capacity is already under construction, it may be reasonable to target 100 GW of new power capacity during the next Plan. This will, however, need an effective resolution of issues on availability of fuel (notably coal) and effective measures for improving financial health of power utilities. Over 40 GW of planned capacity has been mothballed as of March 2012, due to coal supply bottlenecks and price curbs. The Twelfth Plan should, therefore, aim at capacity creation of about 100 GW, which will include 29 GW of capacity from projects which were supposed to be completed in the Eleventh Plan, but are now expected to be completed in the first two years of the Twelfth Plan. Capitalising on this vast opportunity, your Company has allocated about 35 per cent of its total allocation to this sector. With an interest in thermal power, wind power, solar power, hydro-electric power and power from co-generation & waste heat recovery systems, during the year, your Company has executed several transactions with power generation companies with financial participation

Power generation in the country has grown at CAGR of 5.8 per cent during the period FY 1990-91 to FY 2010-11.



Considering the growth in the Indian economy and the need to develop aviation infrastructure, investments to the tune of USD 30 billion are required in airport development over the next fifteen years.



in over 2700 MW of thermal power plants, over 500 MW of wind farms and over 500 MW of hydro power plant among others. During the year, your Company also financed power transmission and distribution projects.

Railways and Logistics:

The Indian Railways' contribution to national integration has been unparalleled. It has played a unique role in meeting the transportation needs of the common man, while simultaneously serving as a critical infrastructure facilitator for the carriage of goods. Indian Railways are one of the largest rail networks in the world carrying 22 million passengers every day and carrying 923 million tonne of freight a year.

Like other sub-sectors of infrastructure, there is a need to improve the railway sector in order to ensure a better future for the country. The private sector's contribution to railways has increased considerably over the years from 0.6 per cent in the Tenth Five Plan to 4.1 per cent in the Eleventh Plan. The Indian Railways has allowed private sector entities to operate container trains. The Indian Railways has put into place 'Vision 2020' which envisages private investments in the railways at USD 304 billion spread across augmentation of capacity and modernisation over the next 10 years. The Twelfth Five Year Plan envisages an investment of USD 74 billion as compared to USD 50 billion in the Eleventh Plan which will result in the emergence of many opportunities in the railway segment. Your Company has examined investment opportunities in financing rolling stocks (including liquid cargo container movement), setting up of Inland Container Depots (ICDs), warehouses & cold storages and development of railway sidings. The proposed Wagon Leasing Scheme announced by the Indian Railways is expected to throw open vast business opportunities for your Company.

Aviation and Airports:

Airport standards across India, with a few recent exceptions, need considerable up-gradation to come up to global benchmarks. The Eleventh Plan saw extensive modernisation of the airport infrastructure through a combination of public & private investment. Chennai and Kolkata airports are being modernised by the public sector along with 35 non-metro airports. The two major metro airports viz. Delhi & Mumbai have been successfully modernised in the PPP model. In addition, Hyderabad, Bangalore and Cochin airports offer good examples of the success of the PPP model.

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 USD 30 billion are required in airport development over the next fifteen years. In addition, 'Vision 2020' issued in 2007, envisages the requirement of 1,000 aircraft upto 2020. It also aims at modernisation of all the airports with multiple airports at large metropolitan cities. To meet these goals, the Planning Commission has allocated USD 17 billion for the aviation sector in the Twelfth Plan as compared to USD 9 billion in the Eleventh Plan. Your Company has participated in a number of transactions in the aviation sector in the past and will continue to closely follow developments and opportunities in this sector.

Ports and Port Equipment:

The capacity of our ports to deal effectively with growing international trade volumes has increased in the Eleventh Plan in part on account of private investment in the so-called minor ports, as well as container terminals dry-bulk and liquid handling facilities in the major ports. As a result, both berthing time and turn-around times have fallen. However, investment in ports will meet only 50 per cent of the Eleventh Plan target. It is imperative that the pace of expansion of the port sector will increase in the Twelfth Plan. It is estimated that investments in the port sector during the Twelfth Plan would be approximately USD 26 billion, an increase of about 160 per cent from the previous plan period. During the year, your Company has expanded exposure to this sector by financial participation in a mix of major ports, minor ports and captive ports. The port sector now comprises about 10 per cent of the portfolio of your Company.

Telecommunications:

The Indian telecom industry has expanded tremendously in size and reach, with the total number of landline and mobile subscribers crossing 950 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 Twelfth Plan envisages an investment of USD 253 billion. Today, the sector faces several challenges and is mired in controversy on the allotment and cancellation of 2G licenses. In spite of the challenges, leveraging on its acute understanding of this industry and its long standing relationships with vendors, during the year, your Company has structured financing packages that include investment in telecom towers and rural connectivity.

Roads:

A good road network is a critical infrastructure requirement for rapid growth. India has the second largest road network in the world totalling over 4.24 million km but most of it is of poor quality. Half of the network is not paved and the National Highways account for only 2 per cent of the total length. The roads in India need massive investments to increase & improve network coverage, quality of roads, rural penetration to connect villages to cities, etc. The Twelfth Plan envisages an investment of USD 123 billion in this sector, which is more than 70 per cent higher than USD 70 billion planned under the Eleventh Plan. During the year, your Company has selectively participated in financing road projects aggregating over 1,500 km allotted by National Highway Authority of India (NHAI) and State Authorities.

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

Srei BNP Paribas, a joint venture between your Company and BNP Paribas Lease Group, is registered with RBI as a non-deposit taking NBFC (Category - Asset Finance) and is in the business of equipment financing with a wide spectrum of asset finance business which includes Technology and Solutions, Healthcare, Captive financing solutions for leading manufacturers like Volvo and Logistic Solutions. Infrastructure is the sector, which contributes to a majority, and client profile includes the best names in the country today. Some of the large names have been in a stress but the superior risk mitigation and relationship that Srei BNP Paribas enjoys with the customers help keep all major accounts regular.

Srei BNP Paribas has been able to maintain its position as one of the leading equipment financier in India in the last financial year in continuation to its previous year with a disbursement of asset cost of over ₹15,000 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 30 per cent amongst all financiers in this business vertical.

In the year under review, the total disbursements in terms of asset cost of Srei BNP Paribas grew by 50 per cent from ₹10,010 crore to ₹15,016 crore, with an increase in portfolio by 45 per cent, and the profit before tax from ₹213 crore to ₹305 crore.

During the year under review, Srei BNP Paribas made a start in logistics, pre-owned equipment and farm equipment. These new businesses will help in diversification of portfolio, and open new vistas for future. New branches have been added and the geographical footprint has increased.

The prognosis for the year ahead is positive, but circumspect in certain geographies and sectors. Investments in infrastructure sector will grow, both in public and private sector, and the contribution of new business like logistics and pre-owned equipment will add to the business volumes. The relationship between both the shareholders, Srei Infrastructure Finance Limited and BNP Paribas Lease Group, continues to be at the best terms and best practices and cross selling opportunities are being exploited. Srei BNP Paribas will have a cautious approach and watch policy decisions with strong focus on relationship with customers and assisting in their business as partners.

In order to improve the capital adequacy ratio and infuse fresh Capital for growth, both the shareholders subscribed to 16,10,000 Equity shares respectively of Srei BNP Paribas in June, 2011 at a price of ₹310/- per Equity share aggregating to ₹99.82 crore.

INTERNATIONAL BUSINESS OPERATIONS

Ever since the turn of the century, like every innovative business in India, your Company too wanted to take Indian business to the world, as an Infrastructure Company. This marked the first step towards globalisation of your Company's business and thus the first overseas subsidiary company in Germany was set up in year 2003 in the name of IIS International Infrastructure Services GmbH (IIS) as a limited liability company. The objective for setting up IIS was to provide infrastructure advisory and equipment renting company in Europe and other foreign countries.

Through IIS, your Company has made investments in leasing and advisory business in Russia, Singapore and UAE. IIS is the overseas holding company and acts as the fulcrum for making overseas investments in various countries and IIS is providing strategic directions to these subsidiaries on ongoing basis.

Your Company commenced business in Russia in year 2006 through its step down subsidiary, ZAO Srei Leasing (ZSL). Your Company holds 64 per cent share capital in ZSL through IIS with the balance 36 per cent being held by International financial institutions like EBRD, DEG and FMO. The company is in active operation since last six years and survived severe financial crisis in Russia during 2008-09. In 2011, the Russian economy has demonstrated recovery trends backed by high oil prices. The leasing market grew by almost 50 per cent to USD 50 billion approx. Capitalising on this trend, the company has recorded over 100 per cent growth in its business in 2011 continuing the trend of profitability since its inception in 2006.

ZSL has invested in relationship development with major vendors and financial institutions which have helped the company achieve growth in disbursements and access to affordable funds. ZSL remained focused in liquid infrastructure assets which has enabled the company to maintain portfolio quality. At the same time, the company has also adopted a cautious approach and is looking to finance clients with strong balance sheets and sustainable business models.

In order to increase market visibility, ZSL is aggressively undertaking branding exercises, the impact of which was seen in the previous year and will be more prominent in coming years. As on September 30, 2011, ZSL ranked among top 60 leasing companies in Russia out of about 700 leasing companies in the country *(Source: Expert RA).*

With business volumes growing, there is

a need to establish best industry practices from across the globe to efficiently manage the operations. Keeping this in mind, ZSL is planning to ramp up its activities by strengthening Standard Operating Procedures (SOPs) for various critical business processes, increase manpower, extend its distribution network by opening three representative offices in the country. The company is also in the process increasing its share capital by USD 10 million approx in the current year by way of a rights issue to its existing shareholders. This would be big boost to the aggressive business strategies planned for ZSL during next three years.

With the leasing market expected to grow further by about 30-50 per cent in 2012, ZSL is anticipating an average business growth of about 50-60 per cent during next three years. Keeping the momentum, the company will continue to invest in relationship development in the current year and look to expand its geographical presence in Russia which will help the company achieve a sustainable growth and enhance shareholder value in the long run.

II. FEE-BASED ACTIVITIES

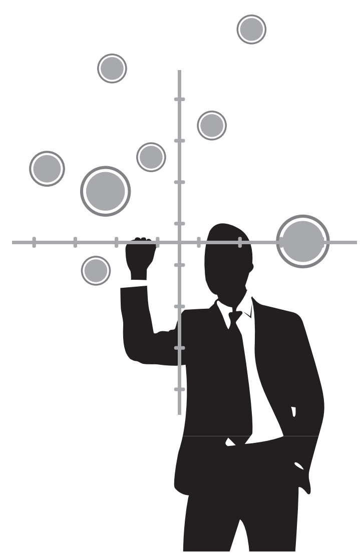
INFRASTRUCTURE PROJECT ADVISORY

Infrastructure Project Advisory Division of your Company has now proven credentials through successful execution of key assignments and is positioning itself in all major thrust areas of infrastructure in energy & power, transportation – through sustainable approach in mass public transport, conventional transport planning of urban and regional areas, etc. Our endeavour in urban development sector is through integrated city development in roads, water supply, sewerage, tourism, recreation, etc. The Advisory Division has streamlined its focus in Social Infrastructure Sector in Education and Skill Development. It continues to provide services in conceptualisation, feasibility, detailed project reports, bid process, business plan and structuring of PPP models with innovative tools.

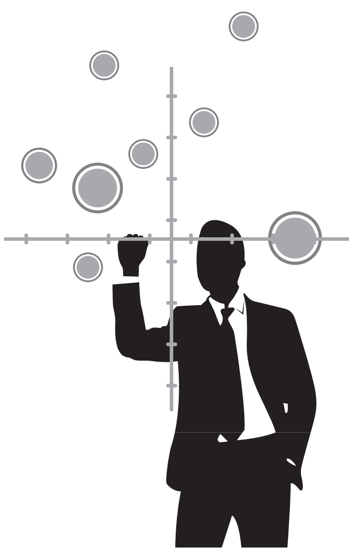
Your Company has successfully concluded execution of key assignments in mass transportation assignments in Bangalore, Mumbai and Lucknow. The Advisory Division of your Company is involved in prestigious strategic road master planning of Uttar Pradesh and this assignment has been delivered with specialised in-house inputs on demand modelling with precision. The Advisory Division has positioned itself in future strategy for more business opportunities from the State.

In the Urban Infrastructure space, the Advisory Division is advancing its progress in Southern States and has been rewarded with overwhelming mandates by Bangalore Development Authority in detail planning and design of Rehabilitation of EWS Housing Schemes and Redevelopment of Sheshdripuram Market Projects. Your Company has managed to bag

Your Company has successfully concluded execution of key assignments in mass transportation assignments in Bangalore, Mumbai and Lucknow.



Your Company continues its efforts in the Education Sector to help the Schools adopt the State of the Art tools and techniques in evaluation of students' performance in an objective and scientific manner.



sizeable mandates from Cuttack Development Authority on PPP structuring of Housing Projects. The Advisory Division is currently involved in consultancy for City Development Plans of ten Municipalities in the State of Madhya Pradesh. In tourism sector, your Company has been awarded with an assignment by Asian Development Bank (ADB) for Transaction Advisory services for development of Vizag Tourism Cluster and Lepakshi Tourism Cluster in the State of Andhra Pradesh. Your Company has also penetrated in the western region through a focused approach and secured project management mandates in water sector in Goa. Your Company is also involved in strategic global advisory support (first in India) to foreign developers in recreation sectors like giant Aquarium / Oceanarium for the cities of Mumbai (Thane) & Jalandhar. These assignments are in progress and likely to multiply in coming years.

Your Company continues its efforts in the Education Sector to help the Schools adopt the State of the Art tools and techniques in evaluation of students' performance in an objective and scientific manner. The CCE solution compatible software programme package developed by your Company is being installed in schools in the form of Web based and Windows based Applications. Your Company also imparts necessary training to School Teachers on CCE issues and has been empanelled by CBSE. During the year, your Company has successfully completed the capacity building programme for CCE training mandated by CBSE for 100 schools pan-India. Advisory skills have acquired the status of 'Knowledge Partners' in your Company and have been synergising with other verticals to enhance value added services and cross functional specialised services. The Advisory Division has been teaming with Infrastructure Project Development and Srei Sahaj Groups in transportation (Personal Rapid Transit in Amritsar) and capacity buildings programmes (National Schemes on Skill Development) and have been quite successful.

To enhance the business spectrum of advisory through strategic approach, your Company is targeting ambitious projects in infrastructure sector. The Advisory Division of your Company has been contemplating its efforts on attracting business opportunities emerging from the implementation of 'Delhi Mumbai Industrial Corridor Project' and has been empanelled by DMICDC as 'Consultants as Programme Managers'. This is a mega project and given an opportunity, the Advisory Division will gain a key recognition in the advisory segment - nationally and globally for all times to come. This will lead to sustainable stream of revenues in focussed areas and identify strategic investment potential.

INFRASTRUCTURE PROJECT DEVELOPMENT

Infrastructure Project Development has given your Company an opportunity to emerge as India's one of the leading Infrastructure Developers in the Road sector. This feat could be achieved because of your Company's strong presence and functional expertise in the infrastructure space through equipment financing, project financing and project management expertise. Your Company's intellectual capital strength helped it to leverage and build inextricable partnerships with customers and other leading global concessionaires and ensures effective coordination and smooth sailing of projects from beginning to end. Your Company's in-house 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 arrangements with various companies, has a diversified portfolio of annuity and toll-based road projects close to 5,500 lane km with a total Capital Cost of around ₹13,000 crore, awarded by the National Highways Authority of India (NHAI) under National Highways Development Programme (NHDP), Ministry of Road Transport and Highways (MORTH) and various other State Governments. During the year under review, your Company as co-developer has successfully completed the construction of Thrissur-Angamali Road Project in Kerala on NH-47 under NHAI and Jaora Nayagaon Road Project in Madhya Pradesh on SH-31 under Madhya Pradesh Road Development Corporation (MPRDC). Your Company has also received the commercial operation date (COD) for Chandikhole Jagatpur Bhubaneswar Project in Odisha on NH-5 under NHAI and the collection of Toll together with work for six laning of the project has commenced. Your Company, under consortium arrangement, has further bagged two more prestigious Road projects worth ₹1,400 crore, one in Maharashtra (Solapur - Maharashtra Karnataka Border) on NH-9 under NHAI and the other in Rajasthan (Bikaner to Suratgarh) on NH-15 under PWD Rajasthan on build-operate-transfer (BOT) basis under your Company's expanding portfolio.

III. STRATEGIC INVESTMENTS

The investment macro-scenario during FY 2012 was adversely impacted by high domestic interest rates, tightening liquidity, depressed primary markets, sudden depreciation of the Indian Rupee, rising energy costs and the negative fall-out of international financial markets grappling with the Eurozone debt crisis. Unlike 2008, there was a lack of swift policy responses by the authorities to the emerging situation; the problems associated with sluggish decision-making were further compounded by controversies over financial wrong-doing. This increased economic uncertainty levels and impacted investor sentiments adversely. In particular, sectors such as telecom, power and mining were hard-hit by negative investor sentiments.

Your Company has always taken a long term view on its investments. While there has been continued investor interest in our investment portfolio, optimising value for shareholders requires that we exercise patience and wait for the right opportunity to capture value. Economic conditions during 2011 were not conducive to realising right value. With approximately USD 7 billion of initial public offerings (IPOs) being cancelled or deferred during 2011, either raising equity or exiting through IPOs was not available as an option. While private equity (PE) funds were active during the year, deal sizes were relatively small and mismatches in valuation expectations between sellers and prospective investors was a common refrain in the PE space.

However, with signs of recovery in the US economy, and global stock markets beginning to show an upward trend during the last quarter of FY 2012, the changing economic scenario may offer better opportunities during FY 2013, especially if policy inaction is addressed and domestic reforms are pushed through. In the interim, the focus of your Company will be on closely managing existing investments with a view to enhancing value.

Your Company believes strongly in the resilience of the Indian economy and its ability to sustain and improve growth rates over the longer term. Based upon this conviction, your Company continues to look at new investment opportunities related to the infrastructure & financial sectors where it can add value with its deep knowledge of the sector, its skilled resources, the ability to access financing & scale up operations, and bring in partners where needed. Such transactions carry relatively lower risk while holding out the prospect of above average returns. Your Company will also continue to focus on identifying opportunities in emerging verticals within the infrastructure sector that offer strong prospects for future growth, such as water and waste management and renewable energy.

In terms of the investment process & risk management, your Company continues to refine its policies, procedures and risk review systems to ensure that its investment portfolio is subject to sound controls and decisions are taken after thorough and exhaustive analysis to safeguard shareholders' interests.

RESOURCES

Your Company is classified as an IFC by RBI within the overall classification of NBFCs in India. 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 ₹4,085 crore during the year at the most competitive rates available in the market and continued its focus on domestic sources.

b) Bonds / Debentures / Commercial Papers

Your Company has focused to mobilised long term funds by issue of Non Convertible Debentures (NCDs) to maintain healthy assets liability profile. You Company has mobilised ₹653 crore by issue of Long Term NCDs during the FY 2012. You Company has also mobilised ₹24.89 crore by issue of Long Term Infrastructure Bonds during FY 2012. Your Company has also raised ₹7,114.50 crore through Commercial Papers during FY 2012.

c) Tier II Capital

To augment resources and increase the capital base, your Company raised Tier II Capital aggregating to ₹350 crore during the year.

d) Foreign Institutional Borrowings

Your Company has drawn ECB of USD 30 million and Euro 15 million during the FY 2012 inspite of tight liquidity in the international market. Your Company has drawn Euro 15 million from Oesterreichische Entwicklungsbank AG (Development Bank of Austria) which is their first loan in India. As liquidity in the international market improves, your Company 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 asset-liability profile.

RISK MANAGEMENT

Management of wide array of risks is an integral part of your Company's business. With experience of more than twenty years in the lending business, your Company has always remained very cautious while taking risks to ensure long term sustainability of your Company. Your Company has a robust and integrated Risk Management system to ensure that the risks are properly identified, assessed, measured, aggregated, mitigated and monitored effectively. The Risk Management Architecture in your Company comprises of Risk Management Structure, Risk Management Policies and Risk Management Implementation & Monitoring Systems.

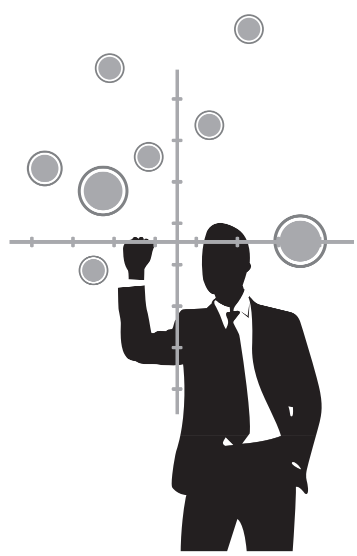
Risk governance structure of your Company ensures independence between the business and risk management. Risk Committee of the Board (RCB) has the overall responsibility of developing framework for the prudent risk management in the company. RCB is a sub-committee of the Board, which is headed by a non executive Director. Under the guidance of RCB, risk management department is responsible for managing enterprise wide risk on a regular and dynamic basis. Your Company ensures that various risks are properly identified and assessed while conducting each business. After identifying the risks, suitable mitigants are explored; thereafter decisions are taken on the basis of Company's risk appetite and analysis of risk-return matrix. 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. Appropriateness of all the risk assessment methodology is continuously reviewed in light of dynamic risk environment.

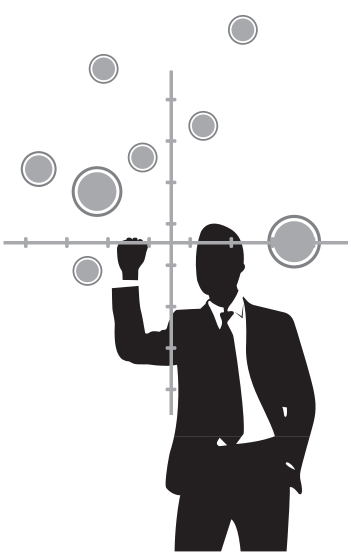
All the loan proposals are routed through a very stringent risk assessment process. Team of qualified and experienced personnel scrutinises the proposals at various stages and during the assessment process all the relevant information from formal and informal channels are collected to arrive at an appropriate decision. Your Company's internal policies are more conservative and stringent than the minimum regulatory requirement. Your Company also follows best industry practices in the area of risk management to reduce the possibility of losses. For portfolio risk management, various caps are stipulated based on company's risk appetite. Your Company emphasises on diversification of its portfolio to ensure that concentration risk in terms of single borrower, group, industry and geography can be mitigated. These caps are periodically reviewed based on changes in macro-economic environment, regulatory environment and industry dynamics. Existing credit exposure in the portfolio is continuously monitored and reviewed. Corrective action, if required, is taken well in advance based on early warning signal, so that any surprise in the portfolio can be avoided. Your Company keeps close track of macro economic development including changes and its impact on movement in interest rate, foreign exchange rate and liquidity position in the market. Interest rate risk is managed by linking lending rate of interest to Srei Benchmark Rate (which is used for linking rate of interest on loans given by your Company) and reviewing it periodically with change in your Company's cost of funds. Your Company has Asset Liability Management Committee (ALCO) in place, which periodically reviews SBR, borrowing mix, liquidity, funding, ALM position and currency risk. Well diversified base of lenders and product mix coupled with prudent lending practices ensure that adequate funding is made available to your Company at all times.

For managing operational risk, your Company emphasises on well defined and effective policies and procedures in alignment of your Company's business and needs. It is continuously monitored through effective control system. Checks and balances are in place and roles and accountability are clearly defined to mitigate operational risk. With well defined communication system, your Company ensures that prompt action is taken in case of need to minimise the losses. To minimise losses from information security risk,

For managing operational risk, your Company emphasises on well defined and effective policies and procedures in alignment of your Company's business and needs.



A robust Performance Management System called "STEP" (Success through Enhanced Performance) has also been institutionalised and has been successfully enabling talent management for the third consecutive year.



your Company focuses on upgradation of IT infrastructure in line with the best emerging practices.

In addition to the above, at enterprise level, various other risks are also identified and its impact on your company's business is assessed. Concrete action plan is made to minimise the impact of risk and residual risks is managed on a continuous basis and kept within our risk appetite.

HUMAN RESOURCES ACTIVITIES

In today's dynamic world, the dynamics of every business is constantly in motion. Hence the Human Resource Development (HRD) function today helps organisation build its capability to take care of the shareholders' expectations by facilitating human capital management, talent management & development and talent retention. Therefore this poses special challenges on part of the HRD function, which needs to see its role evolving from an arbitrator of human relations dealing only with issues of employee motivation and morale to one managing the resource supply chain and contributing to business in a substantial way.

Therefore, a robust Performance Management System called "STEP" (Success through Enhanced Performance) has also been institutionalised and has been successfully enabling talent management for the third consecutive year.

Similarly, LEaD Srei which stands for Leadership, Entrepreneurship and Development, is constantly endeavoring and nurturing key talent. LEaD Srei has successfully conducted around thirty workshops. This year the Institute aims for successful graduation of participants.

Your Company has also adopted to infuse young talent at the entry level through a well structured 'Management Trainee' programme. In order to ensure that the trainees are groomed to build organisation's capability, a quarterly management trainee review was implemented and adhered to.

As Human Capital measurement has long been an important activity, the Oracle HR MIS got rolled out in your Company by the end of September, 2011.

This year the function will continue to pursue the theme of building the organisation's capability in order to deliver expected returns to the shareholders.

Your Company continues to induct talent for its present and future needs. The number of employees of Srei Group increased from 2,116 on March 31, 2011 to 2,593 on March 31, 2012.

INFORMATION TECHNOLOGY

The realm of Information Technology (IT) is a fast changing one. IT is setting the pace at which the world around us is changing. The challenges and opportunities facing the customers and consumers of IT have become very different to what they were a decade ago or even a year ago. The world of tomorrow is one where uncertainty and fierce global competition are going to be the norm. Rightly so, your Company is looking up to IT more than ever before.

Each year cedes a new set of experiences which paves the path for better tomorrow through constant drive to learn, improve and reinvent in the process.

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

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. While Oracle Financials and HRMS (Human Resource Management System) are already implemented, the Sunguard – Ambit 42 is in final stages of completion. This will enable faster information exchange and dissemination, thereby expediting all fact based decision making.

Your Company is increasing its focus on customer service and has identified the need to reach out to customers through multiple channels using IT. Various technological initiatives like Line of Business Applications, Internet-based services, workforce collaboration, and virtualisation have helped your Company to take a lead in this direction.

Your Company is also looking at mobility as a gamechanger. Your Company is in the process of empowering its employees, customers and distributors with these end-point devices. Collaboration is another big priority. Connecting the feet-on-street workforce to decision-making to risk management to the delivery of product and quality services will be a key enabler.

Your Company has moved forward towards its commitment to implement new service desk model based on ITIL framework, data centre virtualisation and consolidation programmes along with IT security enhancements. This has not only increased the reliability and availability of data center significantly, it has also helped your Company in reducing the cost to a great extent.

Your Company is also on the verge of completing ISO 27001 certification for its Data Centre operations.

The entire Srei group companies are completely networked through a secured virtual private network (VPN) and are integrated through its ERP/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 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 has 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, who are well experienced in financial services and related risks and controls. The department has professionals who are experienced in IT risks and controls also. The purpose, scope, authority and responsibility of the internal audit department are delineated in the Audit Charter approved by the Audit Committee. Internal Audit Department influences and facilitates improvements in the control environment by constantly evaluating the risk management and internal control measures. The Team ensures seamless efficient business operation and supports mitigation of associated risks by the process owners.

The Internal Audit Department plays an active role in tracking the management action plans and issue resolution. It monitors progress of action plans resulting from audit reviews and provide periodical updates on the status of outstanding issues to the Audit Committee and Senior Management. The effectiveness and quality of internal audit functions are reviewed by the Audit Committee on an ongoing basis. Training needs to update the skills of the Internal Audit Department staff are identified regularly. Such trainings are provided either through external vendors or internally.

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

Environmental & Social Management System (ESMS) has been adopted by your Company to adequately meet, respond to and enhance benchmarks in Environmental and Social (E&S) management. ESMS reduces the business risk of its portfolio related to E&S issues and adhere to Sustainable Finance Practice, which has been integrated as a part of overall Credit & Risk Policy. This management system is aimed at properly evaluating, assessing and ensuring customer compliance with relevant E&S requirements and encourages clients to take corrective action & mitigation plans.

The core elements of our ESMS are a self declared Policy Framework, due-diligence (rapid, sustainability, client risk assessment, project/activity risk categorisation and if required site visiting), appraisal (analysis of E&S impacts and client's capacity & commitment to address them), mitigation measures, action plans, monitoring & review of ongoing projects, training & workshop and continuous improvement of the system.

In your Company, a full scale E&S due-diligence is carried out for any business activity as per International Finance Corporation Performance Standards and Country's E&S Laws, Rules & Notifications, based on which a 'go' or 'no go' decision is given by ESMS team. Your Company neither participates nor invests in certain activities and industries, which fall in the exclusion list of your Company.

Over the past years, your Company has been able to successfully manage, reduce and control the E&S risks associated with its portfolio. In the year under review, your Company rejected several business opportunities due to non-conformity to E&S policy like absence of sufficient regulatory clearances, public interest litigations, land and other issues. On the other hand, your Company has encouraged sustainable development by investing in various renewable energy projects. Your Company will endeavour a Corporate Rollout Programme by conducting E&S training for its clients across the country for carrying out business with better management of E&S risks, thereby enhancing your Company's USP and brand name in the market.

Your Company believes in a sustainable finance business approach by considering conservation, management and sustainable use of human and natural resources. This endeavour certainly creates a strong and confident long term relationship with its stakeholders.

CORPORATE 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 2011-12.

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

Your Company is fully aware of the fact that as a corporate citizen, it is also entrusted with the responsibility to contribute for the betterment of the community at large. During the year under review, your Company supported a variety of charitable projects and social welfare activities and has contributed a sum of ₹82,13,082/- (Rupees Eighty two lakh thirteen thousand and eighty two only) to several welfare and charitable organisations.

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

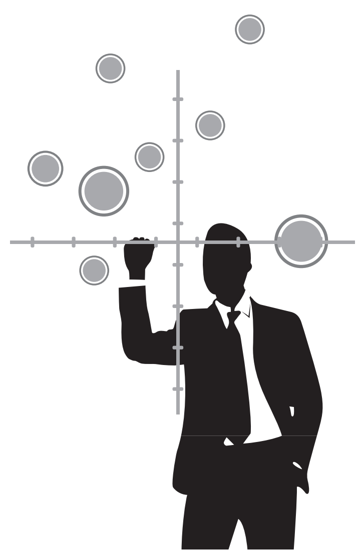
During the year under review, your Company has transferred a sum of ₹3,54,549/- to the Investor Education & Protection Fund, the dividend amount which was due & payable and remained unclaimed and unpaid for a period of seven years, as provided in Section 205A(5) of the Companies Act, 1956. Cumulatively, the dividend amount transferred to the said Fund upto March 31, 2012 was ₹28,33,842.69.

SUBSIDIARY COMPANIES

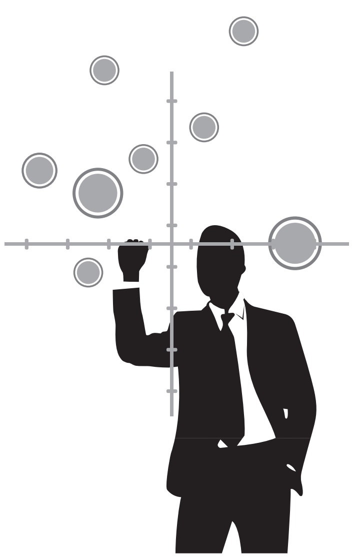
During the year under review, the Share Capital of Srei Mutual Fund Asset Management Private Limited, a wholly owned subsidiary of your Company was enhanced to ₹13 crore (Rupees Thirteen crore only) consequent upon infusion of fresh capital by your Company.

Your Company enhanced its aggregate stake from 99.80 per cent to 99.90 per cent in Quippo Oil & Gas Infrastructure Limited, a subsidiary of your Company by acquisition of 30,000 equity shares. IIS International Infrastructure Services GmbH (IIS), Germany, a subsidiary of your Company has enhanced its stake in Zao Srei Leasing, Russia, a sub-subsidiary of your Company, from 57.14 per cent to 64.20 per cent by acquisition of 25,950 equity shares. Further, IIS has infused further capital of SGD 50,000 (Singapore Dollars Fifty Thousand only) in Srei Advisors Pte. Limited, Singapore, a wholly owned subsidiary of IIS. Quippo Infocomm Limited (QIL) has ceased to be a sub-subsidiary of your Company w.e.f. July 16, 2011 consequent upon sale of

Your Company enhanced its aggregate stake from 99.80 per cent to 99.90 per cent in Quippo Oil & Gas Infrastructure Limited.



Your Company has acquired 51 per cent shareholding in Srei Insurance Broking Private Limited (SIBPL) and hence, SIBPL has become a subsidiary of your Company w.e.f. March 31, 2012.



43,000 equity shares of QIL by Srei Infrastructure Advisors Limited, a subsidiary of your Company, at par value.

Further, Quippo Construction Equipment Limited (QCEL), a subsidiary of your Company reduced its stake from 68 per cent to 40.28 per cent in Kasco Steel Limited (KSL) pursuant to which KSL ceased to be a sub-subsidiary of your Company w.e.f. September 22, 2011. Subsequently, QCEL disposed off its entire shareholding in KSL on December 03, 2011.

Further, Quippo Holding Cooperatief U.A., Netherlands, a subsidiary of Quippo Oil and Gas Infrastructure Limited and Quippo International B.V., Netherlands, a subsidiary of Quippo Holding Cooperatief U.A., Netherlands were liquidated w.e.f. February 13, 2012. Quippo Mara Infrastructure Limited, British Virgin Islands, a subsidiary of Quippo International B.V., Netherlands ceased to be a sub-subsidiary of your Company w.e.f. February 13, 2012 on account of liquidation of its holding company.

During the year under review, Quippo Mauritius Private Limited, Mauritius was incorporated on March 05, 2012 as a wholly owned subsidiary of Quippo Energy Private Limited, a wholly owned subsidiary of your Company. Thereafter, Quippo Energy Nigeria Private Limited, Nigeria was incorporated on March 22, 2012 as a wholly owned subsidiary of Quippo Mauritius Private Limited, Mauritius.

Further, consequent upon receipt of requisite approvals of the regulatory authorities, your Company has acquired 51 per cent shareholding in Srei Insurance Broking Private Limited (SIBPL) and hence, SIBPL has become a subsidiary of your Company w.e.f. March 31, 2012.

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

In compliance with General Circular No: 2/2011 dated February 08, 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 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 your 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 with the Stock Exchanges 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 ₹117 lakh and ₹18,972 lakh respectively (previous year ₹238 lakh and ₹10,953 lakh respectively).

SREI WEBSITE

The website of your Company, www.srei.com, has been redesigned to present the Company's businesses up-front on the home page. The redesigned site carries a comprehensive database of information of interest to the investors including the financial results of your Company, dividend declared, shareholding pattern, any price sensitive information disclosed to the regulatory authorities from time to time, analyst reports, investor presentations, media coverage, corporate profile and business activities of your Company and the services rendered by your Company to its investors.

DIRECTORS

During the year under review, Mr. Kishore Kumar Mohanty resigned as Director of your Company w.e.f. June 07, 2011 due to his personal preoccupations. The Board wishes to place on record its sincere appreciation of the sterling contribution made by Mr. Mohanty towards the growth and development of your Company through his wealth of knowledge and experience during his long tenure of over ten years as a Director of your Company.

Further, Mr. Avinder Singh Bindra resigned as Director of your Company w.e.f. February 07, 2012 due to his personal preoccupations. The Board wishes to place on record deep appreciation of the contribution, advice and guidance extended by him during his tenure as a Director of your Company.

Mr. Saud Ibne Siddique was re-appointed as the Joint Managing Director of your Company for a further period of 3 (three) years w.e.f. April 01, 2012 based on the recommendation of the Compensation Committee of your Company. In accordance with the provisions of Section 302 of the Companies Act, 1956, the Members were furnished an abstract of the terms of re-appointment and payment of remuneration to Mr. Saud Ibne Siddique as Joint Managing Director of your Company.

Further, the status of directorship of Mr. Shyamalendu Chatterjee was changed from being a Non-Executive Director to an Independent Director w.e.f. April 01, 2012 in accordance with Clause 49I(A) of the Listing Agreement.

In accordance with the provisions of the Companies Act, 1956 and your Company's Articles of Association, Mr. Salil K. Gupta, Mr. Shyamalendu Chatterjee and Dr. Satish C. Jha retire by rotation at the ensuing Annual General Meeting (AGM) 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 ensuing AGM. The Board of Directors of your Company recommends the re-appointment of all the above Directors at the ensuing AGM.

In accordance with the approval of Central Government read with General Circular No: 4/2011 dated March 04, 2011 of Government of India, Ministry of Corporate Affairs, your Company has approved payment of 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 2011-12.

AUDIT COMMITTEE

The Audit Committee comprises of Mr. Salil K. Gupta, Mr. V. H. Pandya, Mr. S. Rajagopal, Mr. Sujitendra Krishna Deb, Mr. Shyamalendu Chatterjee, 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, 2012, 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, 2012 on a going concern basis.

AUDITORS

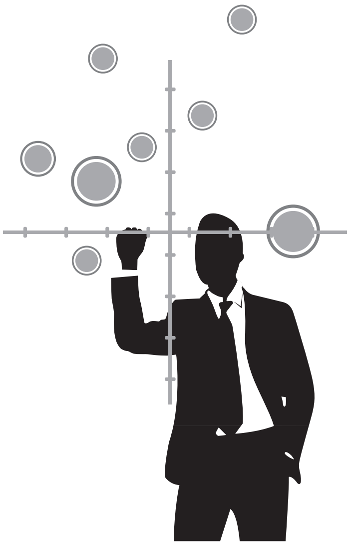
Messrs Haribhakti & Co., Chartered Accountants having registration No. 103523W allotted by The Institute of Chartered Accountants of India (ICAI), retire as Auditors of your Company at the conclusion of the ensuing Annual General Meeting (AGM) and have confirmed their eligibility and willingness to accept the office of Auditors, if re-appointed. Your Company has received a confirmation from Messrs Haribhakti & Co., Chartered Accountants to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. They have also confirmed that they hold a valid peer review certificate as prescribed under Clause 41(1)(h) of the Listing Agreement.

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.

SECRETARIAL AUDIT REPORT

As a measure of good corporate governance practice, your Company appointed Dr. K. R. Chandratre, Practising Company Secretary, to conduct the Secretarial Audit. The Secretarial Audit Report for the financial year ended March 31, 2012 is provided in the Annual Report.

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



2011 and the SEBI (Prohibition of Insider Trading) Regulations, 1992.

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, RBI, SEBI, Ministry of Corporate Affairs (MCA), Registrar of Companies, Indian and Overseas Stock Exchanges, Depositories, Credit Rating Agencies, Customers, Manufacturers, Vendors, Suppliers, Business Associates, Shareholders 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

Kolkata

May 14, 2012

Hemant Kanoria

Chairman & Managing Director

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, 2012 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	49	Chairman & Managing Director	B.Com (Hons)	22,273,333	07-05-1994	32	–
2	Saud Ibne Siddique	53	Joint Managing Director	B.Sc (Engg), MBA	33,907,296	01-04-2009	28	Hyflux Water Management Pte. Ltd., Singapore
3	Sanjeev Sancheti	44	Chief Financial Officer	B.Com (Hons), ACA, AICWA	7,308,313	14-11-2007	21	Tebma Shipyards Ltd.
4	Anjan Mitra	51	Chief Investment Officer	B.Com (Hons), ACA	10,365,001	03-05-2010	29	Byrne Investments Ltd.
5	Shailesh Pathak	47	Infrastructure Advisory : President	B.Com, MBA, LLB	10,152,608	15-12-2010	26	Principle Indian Infrastructure Fund
6	Kamal Kumar Verma	41	Infrastructure Project Development : CEO	B.Tech (Civil), MBA	12,522,855	03-03-2011	23	Essar Project (India) Ltd.
7	Bajrang Kumar Choudhary	43	Infrastructure Project Development : President	B.Com (Hons), ACA	8,010,923	05-09-2005	17	Apeejay Securities Pvt. Ltd.
8	Arunava Sengupta	48	Infrastructure Project Development : COO	BE (Civil)	9,867,789	07-12-2007	26	Banowari Lal & Agarwal (P) Ltd.
9	Kartik Seetharaman	47	Infrastructure Project Finance: Sr. Vice President	B.Tech, PGDM (Marketing)	7,446,072	01-04-2011	18	Future Capital Holdings Limited

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.

Secretarial Audit Report

The Board of Directors
Srei Infrastructure Finance Limited
"Vishwakarma"
86C, Topsia Road (South)
Kolkata - 700 046

I have examined the registers, records and documents of Srei Infrastructure Finance Limited ("the Company") for the financial year ended on March 31, 2012 according to the provisions of

- The Companies Act, 1956 and the Rules made under that Act;
- The Securities Contracts (Regulation) Act, 1956 ('SCRA'), the Rules made under that Act;
- The Depositories Act, 1996 and the Regulations and Bye-laws framed under that Act;
- The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (`SEBI Act')
  - The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
  - The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; and
  - The Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998;
- The Equity Listing Agreements with Calcutta Stock Exchange Limited, Bombay Stock Exchange Limited and National Stock Exchange of India Limited and GDR Listing Agreement with London Stock Exchange and Debt Listing Agreement with Bombay Stock Exchange Limited.

1. Based on my examination and verification of the registers, records and documents produced to me and according to the information and explanations given to me by the Company, I report that the Company has, in my opinion, complied with the provisions of the Companies Act, 1956 ("the Act") and the Rules made under the Act and the Memorandum and Articles of Association of the Company, with regard to:

(a) maintenance of various statutory registers and documents and making necessary entries therein;
(b) closure of the Register of Members / Debenture holders;
(c) forms, returns, documents and resolutions required to be filed with the Registrar of Companies and Central Government;
(d) service of documents by the Company on its Members, Debenture holders, Debenture Trustees, Auditors and the Registrar of Companies;
(e) notice of Board meetings and Committee meetings of Directors;
(f) the meetings of Board and Committees of Board including passing of resolutions by circulation;
(g) the 26th Annual General Meeting held on July 30, 2011;
(h) minutes of proceedings of General Meetings and of the Board and its Committee meetings;
(i) approvals of the Members, the Board of Directors, the Committees of Board and government authorities, wherever required;
(j) constitution of the Board of Directors / Committee(s) of Board, appointment, retirement and re-appointment of Directors including the Managing Director, Joint Managing Director and Whole-time Directors;
(k) payment of remuneration to Directors including the Managing Director, Joint Managing Director and Whole-time Directors;
(l) appointment and remuneration of Auditors;
(m) transfers and transmissions of the Company's shares and debentures, issue and allotment of shares and debentures and issue and delivery of original and duplicate certificates of shares and debentures;
(n) payment of interest on debentures and redemption of debentures;
(o) declaration and payment of dividends;
(p) transfer of certain amounts as required under the Act to

the Investor Education and Protection Fund;

(q) borrowings and registration, modification and satisfaction of charges;

(r) investment of the Company's funds including inter corporate loans and investments and loans to others;

(s) giving guarantees in connection with loans taken by subsidiaries and associate companies;

(t) form of balance sheet as prescribed under Part I, form of statement of profit and loss as prescribed under Part II and General Instructions for preparation of the same as prescribed in Schedule VI to the Act;

(u) Buy-back of Equity shares;

(v) Board's Report;

(w) contracts, common seal, registered office and publication of name of the Company; and

(x) generally, all other applicable provisions of the Act and the Rules made under the Act.

2. I further report that:

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

(b) the Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the Code of Ethics for Directors and Management Personnel;

(c) the Company has obtained all necessary approvals under the various provisions of the Act; and

(d) there was no prosecution initiated and no fines or penalties were imposed during the year under review under the Companies Act, SEBI Act, SCRA, Depositories Act, Listing Agreement and Rules, Regulations and Guidelines framed under these Acts against / on the Company, its Directors and Officers.

3. I further report that the Company has complied with the provisions of the Depositories Act, 1996 and the Bye-laws framed thereunder by the Depositories with regard to dematerialisation / rematerialisation of securities and reconciliation of records of dematerialised securities with all securities issued by the Company.

4. I further report that:

(a) the Company has complied with the requirements under the Equity Listing Agreements entered into with the Calcutta Stock Exchange Limited, Bombay Stock Exchange Limited, and National Stock Exchange of India Limited and GDR Listing Agreement with London Stock Exchange and the Debt Listing Agreement with Bombay Stock Exchange Limited;

(b) the Company has complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997/ 2011 including the provisions with regard to disclosures and maintenance of records required under the Regulations;

(c) the Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 including the provisions with regard to disclosures and maintenance of records required under the Regulations;

(d) the Company has not issued any Stock Options and hence the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 with regard to implementation of Employee Stock Option Scheme, grant of Options and other aspects are not applicable; and

(e) the Company has complied with the provisions of the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008.

(f) The Company has not bought back any securities and hence the provisions of Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 are not applicable.

Dr. K. R. Chandratre
Practising Company Secretary
Certificate of Practice No. 5144

May 11, 2012

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

The Board of Directors
Srei Infrastructure Finance Limited
'Vishwakarma'
86C Topsia Road (South)
Kolkata – 700 046

May 14, 2012

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 financial year ended on March 31, 2012 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, 2012, as stipulated in Clause 49 of the Listing Agreement of the Company with the stock exchanges.

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

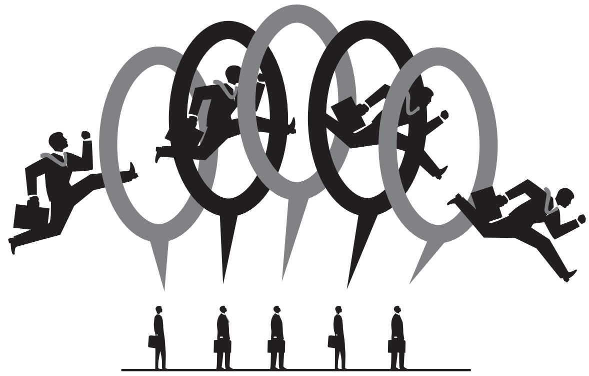
In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

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

Anand Kumar Jhunjhunwala
Partner
Membership No.056613

Place : Kolkata
Dated : May 14, 2012



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, 2012 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 9 (Nine) Directors as on March 31, 2012. The Board comprises of Executive, Non-Executive and Independent Directors. Two 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 agenda papers along with the explanatory notes for Board meetings are sent well in advance to the Directors. In some instances, documents are tabled at the meetings and presentations are also made by the respective executives on the matters related to them at the Board meetings.

The Composition of the Board of Directors as on March 31, 2012 is in conformity with the provisions of Clause 49 of the Listing Agreement. The details of the Board of Directors as on March 31, 2012 are as under:

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. Sujitendra Krishna Deb*	Non Executive & Independent
9.	Mr. Avinder Singh Bindra**	Non Executive & Independent
10.	Mr. Saud Siddique	Joint Managing Director
11.	Mr. K. K. Mohanty***	Non-Executive

*Appointed w.e.f. May 19, 2011
** Resigned w.e.f. February 07, 2012
***Resigned w.e.f. June 07, 2011

Mr. Hemant Kanoria (Promoter) and Mr. Sunil Kanoria hold 421732 and 1802714 Equity shares in the Company respectively as on March 31, 2012. 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.

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 pursuant to amalgamation of Quippo Infrastructure Equipment Limited (Quippo) into and with the Company 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 2011-12 on May 19, 2011, July 30, 2011, October 20, 2011, December 19, 2011 and February 03, 2012. A Circular Resolution was approved by the Board of Directors on March 28, 2012. 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 July 30, 2011
Mr. Salil K. Gupta	5	Yes
Mr. Hemant Kanoria	5	Yes
Mr. Sunil Kanoria	4	Yes
Mr. V. H. Pandya	3	Yes
Mr. S. Rajagopal	5	Yes
Mr. S. Chatterjee	5	Yes
Dr. Satish C. Jha	3	No
Mr. Sujitendra Krishna Deb*	4	Yes
Mr. Avinder Singh Bindra**	4	Yes
Mr. Saud Siddique	4	Yes
Mr. K. K. Mohanty***	-	N.A.

*Appointed w.e.f. May 19, 2011
** Resigned w.e.f. February 07, 2012
***Resigned w.e.f. June 07, 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, 2012 -

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	2	-	1
Mr. Hemant Kanoria	6	5	2	1
Mr. Sunil Kanoria	4	2	-	3
Mr. V. H. Pandya	4	-	2	-
Mr. S. Rajagopal	9	5	1	4
Mr. S. Chatterjee	1	1	-	1
Dr. Satish C. Jha	2	-	-	1
Mr. Sujitendra Krishna Deb*	-	-	-	-
Mr. Saud Siddique	2	2	-	-

*Appointed w.e.f. May 19, 2011
**Includes Directorships in private limited companies, foreign companies, companies under Section 25 of the Companies Act, 1956 and alternate directorships
***Includes only Audit Committee and Shareholders' Grievance Committee

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, Mr. Sujitendra Krishna Deb, 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 Statutory Auditors of the Company are invited to attend the Audit Committee meetings. 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.

The Audit Committee has recommended to the Board of Directors, the re-appointment of Messrs Haribhakti & Co., Chartered Accountants, as the Auditors of the Company to hold office till the conclusion of the next Annual General Meeting.

■ Meetings and attendance during the year

Five meetings of the Audit Committee were held during the year 2011-12 on May 19, 2011, July 30, 2011, October 20, 2011, December 19, 2011 and February 03, 2012. 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	3
Mr. S. Rajagopal	5
Mr. Sujitendra Krishna Deb*	3

*Appointed w.e.f. May 19, 2011

4. Remuneration of Directors

■ Details of remuneration paid/payable to Directors for the year ended March 31, 2012 are as follows:

(Amount in Rupees)

Directors	Sitting Fees#	Salary & Perquisites1	Commission2	Total
Mr. Salil K. Gupta (Chief Mentor)	3,60,000	-	15,00,000	18,60,000
Mr. Hemant Kanoria (Chairman & Managing Director)	N.A.	1,62,73,333	60,00,000	2,22,73,333
Mr. Sunil Kanoria (Vice Chairman)	5,40,000	-	10,00,000	15,40,000
Mr. V. H. Pandya	87,500	-	5,00,000	5,87,500
Mr. S. Rajagopal	1,40,000	-	5,00,000	6,40,000
Mr. S. Chatterjee	1,05,000	-	5,00,000	6,05,000
Dr. Satish C. Jha	60,000	-	5,00,000	5,60,000
Mr. Sujitendra Krishna Deb*	97,500	-	5,00,000	5,97,500
Mr. Avinder Singh Bindra**	85,000	-	-	85,000
Mr. Saud Siddique (Joint Managing Director)	N.A.	3,39,07,296	-	3,39,07,296
Mr. K. K. Mohanty***	-	-	-	-

includes sitting fees paid for various Board Committee meetings

* Appointed w.e.f. May 19, 2011

** Resigned w.e.f. February 07, 2012

*** Resigned w.e.f. June 07, 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, 2012 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 and Joint Managing 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 and Joint Managing 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, 2012 whereas the agreement with the Managing Director has been entered into by the Company for a period of 5 (Five) years w.e.f. April 01, 2010. The said appointments may be terminated by giving respectively clear 90 (Ninety) days or 3 (Three) months notice in writing.

- 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 and reimbursement of out-of-pocket expenses incurred, wherever applicable, for attending such meetings. The sitting fees as determined by the Board are presently ₹20,000/- for attending each meeting of the Board, ₹15,000/- for attending each meeting of the Audit Committee and ₹10,000/- for attending each meeting of remaining Committees.

  Further, 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. In accordance with the approval of Central Government read with General Circular No: 4/2011 dated March 04, 2011 of Government of India, Ministry of Corporate Affairs, your Company has approved payment of 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 2011-12.

  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. 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 2011-12.

sd/-

Hemant Kanoria
Chairman & Managing Director

6. Share Transfer and Investors' Relations Committee

- Details of the Members, Compliance Officer and No. of Complaints received

The Share Transfer and Investors' Relations Committee oversees and reviews redressal of shareholder and investor grievances, transfer & transmission of shares, issue of duplicate shares, exchange of new design share certificates, recording dematerialisation & rematerialisation of shares and related matters. The Share Transfer and Investors' Relations 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' Relations Committee. During the year 2011-12, the Share Transfer and Investors' Relations Committee met 26 times. Mr. Sandeep Lakhotia, 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 2011-12 was 18,212 shares compared to 13,118 shares during the year 2010-11.

During the financial year ended March 31, 2012, the Company received 11 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 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.

It has been a constant endeavour of the Company 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. 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 to enable the Company to serve them better.

Apart from the Audit Committee and Share Transfer and Investors' Relations 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 Resolution requiring a postal ballot was placed before the last Annual General Meeting of the Company held on July 30, 2011.

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

Transactions effected with the related parties are disclosed under Note No. 35 in 'Notes to the Financial Statements' in the Annual Report, in accordance with the requirements of Accounting Standard AS 18 issued by The Institute of Chartered Accountants of India.

Besides the transactions reported in the Annual Report as aforesaid, 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.

- 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.

- 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 Prohibition of Insider Trading' (Srei Code) in the shares and securities of the Company by its Directors and designated employees. The said Code is available on the Company's website www.srei.com.

Mr. Sandeep Lakhotia, 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.

Half-yearly report sent to each household of shareholders	Since half-yearly and annual results of the Company are published in leading English daily newspaper having a nationwide circulation and prominent Bengali daily newspaper (having circulation in Kolkata) and regularly hosted on the 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.
Quarterly results	The Quarterly results of the Company are published in prominent English Newspapers having nationwide circulation as well as a Bengali Newspaper and regularly hosted on Company's website.
Newspapers in which results are normally published	Business Standard and Aajkaal.
Any website, where displayed	Yes, at the Company's website www.srei.com
Whether it also displays official news releases	Yes
The presentations made to institutional investors or to the analysts	Yes
Whether MD & A is a part of Annual Report or not	Yes

10. General Shareholders' Information

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

B. NON MANDATORY REQUIREMENTS

a) Chairman of the Board 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	Not Applicable as the Company has an Executive Chairman.
b) Independent Directors Independent Directors may have a tenure not exceeding, in the aggregate, a period of nine years, on the Board of the Company	Not adopted.
c) Remuneration Committee	No, but the Company already has a Compensation Committee of the Board in place and the same comprises of Non-executive Directors; the Chairman of the Committee being an Independent Director. The Chairman of Compensation Committee was present at the last Annual General Meeting of the Company to answer shareholder queries. No meeting of the Compensation Committee was held during the year 2011-12. However, a circular resolution was approved by the Compensation Committee on March 27, 2012 recommending re-appointment of the Joint Managing Director of the Company.
d) Shareholder rights 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	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.
e) Audit qualifications Company may move towards a regime of unqualified financial statements	The Company is in the regime of unqualified financial statements.

f) Training of Board Members 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	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. 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. 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. Updates on relevant statutory changes encompassing important laws are regularly intimated to the Directors.
g) Mechanism for evaluating Non-Executive Board Members 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	Presently the Company does not have such a mechanism as contemplated for evaluating the performance of Non-Executive Directors.
h) Whistle Blower Policy	The Company has formulated 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. The Company affirms that none of the employees have been denied access to the Audit Committee.

Shareholders' Information

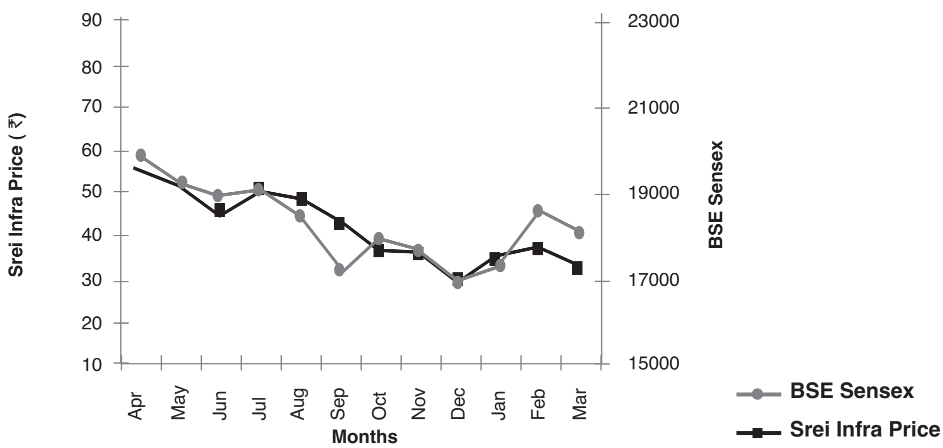
1. Annual General Meeting	
a. Date and Time	Friday, August 10, 2012 at 10.30 a.m.
b. Venue	Science City Mini Auditorium, JBS Haldane Avenue, Kolkata – 700 046
2. Financial Calendar (Tentative)	
a. Financial reporting for 2012-13	
Quarter ending June 30, 2012	On or before August 14, 2012
Quarter/Half year ending September 30, 2012	On or before November 14, 2012
Quarter ending December 31, 2012	On or before February 14, 2013
Year ending March 31, 2013	On or before May 30, 2013
b. Annual General Meeting for the year ending on March 31, 2013	August/September, 2013
3. Book Closure Date	Friday, August 03, 2012 to Friday, the August 10, 2012 (both days inclusive) for payment of Dividend
4. Dividend Payment	Credit/dispatch between August 20, 2012 and August 28, 2012
5. Listing on Stock Exchanges	The Equity Shares and other Securities of the Company are presently listed on the following Stock Exchanges: a. The Calcutta Stock Exchange Limited 7, Lyons Range, Kolkata – 700 001 b. Bombay Stock Exchange Limited P.J. Towers, Dalal Street, Fort, Mumbai – 400 001 c. National Stock Exchange of India Limited Exchange Plaza, C/1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051 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. The Debt securities of the Company are listed on the Wholesale Debt Market (WDM) Segment of Bombay Stock Exchange Limited (BSE).
6. Listing Fees	Annual Listing fees for 2012-13 have been paid to all the above mentioned domestic and overseas Stock Exchanges. The Company has paid custodial fees for the year 2012-13 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, 2012.

7. ISIN Numbers	Equity Shares - INE872A01014 Unsecured Subordinated Bonds - INE872A10015 Global Depository Receipts (GDRs) - US78465V2043
8. Stock Codes (Equity Shares & GDRs)	Equity Shares CSE - 29051, BSE - 523756 and NSE - SREINFRA Global Depository Receipts (GDRs) London Stock Exchange - SRI
9. Stock Market Data	

Month	National Stock Exchange			Bombay Stock Exchange		
	High ₹	Low ₹	Volume	High ₹	Low ₹	Volume
April, 2011	55.60	44.50	3,23,54,718	55.60	44.50	85,87,660
May, 2011	52.35	36.50	3,43,58,318	52.20	33.70	1,33,38,592
June, 2011	44.40	36.70	2,02,06,554	44.50	36.75	56,49,243
July, 2011	50.20	41.80	1,62,91,069	50.15	41.85	36,64,612
August, 2011	48.20	34.20	2,03,20,371	48.25	34.40	52,22,481
September, 2011	42.40	31.15	4,27,55,645	42.55	31.20	92,21,930
October, 2011	37.45	30.20	1,04,88,960	36.40	30.00	29,07,658
November, 2011	36.30	21.90	1,79,36,512	36.20	21.90	44,36,294
December, 2011	28.90	23.05	1,88,54,525	29.25	22.00	29,82,773
January, 2012	34.35	24.10	1,84,36,305	34.35	24.05	41,28,719
February, 2012	38.00	29.40	5,46,68,857	37.15	29.25	1,19,91,635
March, 2012	33.00	24.50	2,61,26,089	33.00	24.65	69,84,174

Note: Volume is the total monthly volume of trade in number of shares

Performance in comparison to BSE Sensex (monthly High)



10. Registered Office

a. **Address**	"Vishwakarma", 86C Topsia Road (South), Kolkata – 700 046
b. **Telephone No.**	91-33-6160 7734
c. **Facsimile Nos.**	91-33-2285 7542/8501
d. **Website**	www.srei.com
e. **Email**	corporate@srei.com

11. Registrar and Share Transfer Agent's details

a. **Name & Address**	Maheshwari Datamatics Private Limited, 6 Mangoe Lane, 2nd Floor, Kolkata - 700 001
b. **Telephone Nos.**	91-33-2243 5029/5809, 2248 2248
c. **Facsimile No.**	91-33-2248 4787
d. **Email**	mdpl@cal.vsnl.net.in

12. Financial Year

April 01 to March 31

13. Particulars of Past three AGMs

AGM	Year	Venue	Date	Time
26th*	2010/11	'Science City Mini Auditorium', JBS Haldane Avenue, Kolkata - 700 046	30/07/2011 (Saturday)	10.00 a.m.
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.

* One Special resolution was passed:

- To approve holding of an office or place of profit by Mr. Shyamalendu Chatterjee, Director of the Company in Srei Sahaj e-Village Limited, subsidiary of the Company.

** Two Special resolutions were passed:

- 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.
- To approve payment of commission to Non-executive Directors of the Company of an aggregate maximum amount not exceeding one per cent 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 Lakhs only) whichever is less for a period of three financial years from 2010-11 till 2012-13.

*** Two Special resolutions were passed:

- 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.

- To approve holding of an office or place of profit by Mr. Saud Ibne Siddique, Joint Managing Director of the Company in Srei Capital Markets Limited, subsidiary of the Company.

14. Distribution of Shareholding as on March 31, 2012

Category (Shares)	No. of Shareholders		No. of Shares	
	Total	Per cent	Total	Per cent
Up to 500	45002	72.66	8251741	1.64
501 to 1000	8798	14.20	6784331	1.35
1001 to 2000	4098	6.62	6402539	1.27
2001 to 3000	1119	1.81	2866799	0.57
3001 to 4000	785	1.27	2800056	0.56
4001 to 5000	460	0.74	2125476	0.42
5001 to 10000	876	1.41	6481187	1.29
10001 and above	800	1.29	467374204	92.90
Total	61938	100.00	503086333	100.00

15. Dividend History (Last 5 Years)

Financial Year	Dividend Per Share* (₹)	Total Dividend** (₹in lakh)
2010 - 11	0.75	4385
2009 - 10	1.20	1625
2008 - 09	1.00	1359
2007 - 08	1.20	1631
2006 - 07	1.00	1274

*share of paid up value of ₹10/- per share

**inclusive of dividend distribution tax

16. Categories of Shareholders as on March 31, 2012

Category Code	Category of Shareholder	Number of Shareholders	Total Number of Shares	As a Percentage of (A+B+C)
A	Shareholding of Promoter and Promoter Group			
1	Indian	5	88882989	17.67
2	Foreign	1	147937030	29.41
	Total Shareholding of Promoter and Promoter Group*	**6**	**236820019**	**47.07**
B	Public Shareholding			
1	Institutions	62	65644775	13.05
2	Non-institutions	61869	200599939	39.87
	Total Public Shareholding	**61931**	**266244714**	**52.92**
C	Shares held by Custodians and against which Depository Receipts have been issued (Public)	1	21600	0.00
	GRAND TOTAL (A+B+C)	**61938**	**503086333**	**100.00**

*17.23 per cent (out of 47.07 per cent) shareholding held by the Promoters' Group is under pledge

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
21.11.1997	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

Date of Allotment	No. of Shares	Issue Price (₹per Share)
13.05.2006	880	39
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.
Total	**50,35,59,160**	
Less: Shares forfeited on 14.03.2000	4,72,827	
Total Shares as on date	**50,30,86,333**	

*Equity Shares issued and allotted without consideration being received in cash pursuant to 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 18.01.2011 and effective w.e.f. 04.03.2011

18. Credit Ratings

Agency	CARE	ICRA	Brickwork
NCDs / Bonds	CARE AA	-	BWR AA
Short term Debt Instruments	CARE A1+	ICRA A1+	-
Unsecured Subordinated Bonds/ Debts (Tier II Capital)	CARE AA	ICRA A+	BWR AA
Banking Facilities	CARE AA (For Long Term Bank Facilities) CARE A1+ (For Short Term Bank Facilities)	–	–

19. Measures adopted to protect the interests of the Shareholders

a. Share Transfer Processing

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' Relations Committee meets at least once in a fortnight. During the year 2011-12, the Share Transfer and Investors' Relations Committee met 26 times. Total number of shares physically transferred during the year 2011-12 was 18,212 Equity shares. There are no legal cases relating to transfer of shares.

The Company obtains from a Company Secretary in Practice half-yearly certificate of compliance pertaining to 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.
b. Bad Delivery	In case of Bad Delivery, the relevant documents are sent immediately after specifying the defects through a covering letter.
c. Redressal of Grievances	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. A comprehensive Investor Grievance Redressal Policy has been formulated and put in place by the Company.
d. Prevention of Fraudulent Transfers	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.
e. Dematerialisation of Shares	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).

As on March 31, 2012, a total of 44,56,31,476 Equity shares of the Company representing 88.58 per cent of the total Equity Share Capital were held in dematerialised form (38.64 per cent as on March 31, 2011). The entire Promoters' Group shareholding in the Company is in dematerialised form.

The bifurcation of shares held in Physical and Demat form as on March 31, 2012 is given below -

Physical / Electronic	No. of Holders	No. of Shares	Per cent
Physical	4,044	5,74,54,857	11.42
NSDL	38,927	39,16,00,818	77.84
CDSL	18,967	5,40,30,658	10.74
Total	**61,938**	**50,30,86,333**	**100.00**

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

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, 2012, 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 Depositary and ICICI Bank Limited is the Custodian of all the Equity Shares underlying the GDRs issued by the Company.
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
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
2010 - 11	July 30, 2011	September 05, 2018

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 the Investor Education and Protection Fund. Separate letters have been sent on February 24, 2012 and March 31, 2012 to the shareholders who are yet to encash the dividend for the financial year 2004-05 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.

During the year under review, the Company has credited a sum of ₹3,54,549/- 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, 2012 stands at ₹28,33,842.69.

23. Nomination	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 Agents or can be downloaded from the Company's website www.srei.com. 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.

24. National Electronic Clearing Service (NECS)	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&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.
25. Reconciliation of Share Capital Audit	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.
26. Secretarial Audit	The Company undertook a Secretarial Audit of records and documents as a good corporate governance practice. The Secretarial Audit Report confirms that the Company has complied inter alia with all the applicable provisions of the Companies Act, 1956, Depositories Act, 1996, Listing Agreements with the Stock Exchanges, Securities Contracts (Regulation) Act, 1956 and all the Regulations and Guidelines of SEBI as applicable to the Company, including the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and the SEBI (Prohibition of Insider Trading) Regulations, 1992. The Secretarial Audit Report for the financial year ended March 31, 2012 is provided in the Annual Report.
27. Compliance Officer	Mr. Sandeep Lakhotia Company Secretary "Vishwakarma", 86C Topsia Road (South), Kolkata - 700 046 Tel : 91-33-6160 7734 Fax : 91-33-2285 7542/8501 Email : secretarial@srei.com, investor.relations@srei.com
28. Role of Company Secretary in overall governance process	The Company Secretary plays a key role in ensuring that the Board procedures are followed and regularly reviewed. The Company Secretary ensures that all relevant information, details and documents are made available to the Directors and senior management for effective decision making at the meetings. The Company Secretary is primarily responsible to ensure compliance with applicable statutory requirements and is the interface between the management and regulatory authorities for governance matters. All the Directors of the Company have access to the advice and services of the Company Secretary.

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, 2012 and also the Statement of Profit and Loss 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' (the 'Act'), 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 Statement of Profit and Loss 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 Statement of Profit and Loss 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 Act;

v. On the basis of the written representations received from the directors as on March 31, 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

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 Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;

b) in the case of the Statement of Profit and Loss, 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's Registration No.103523W)

Anand Kumar Jhunjhunwala
Partner
Membership No. 056613

Place : Kolkata
Date : 14th May, 2012

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

(ii) In respect of shares and securities held as stock for trade:

(a) According to the information and explanations given to us, the stock for 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 for 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 for 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 Act. 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 for 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 during the year, referred to in section 301 of the Act, 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 Act 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, custom duty, cess and other material statutory dues applicable to it.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, cess and other material statutory dues, were in arrears, as at March 31, 2012 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, the dues as on March 31, 2012 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 (₹ in lakh)	Period to which the amount relates (Financial year)	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	471	2005-06 and 2006-07	ITAT, New Delhi remanded back to the Assessing Officer
Income Tax Act, 1961	Income Tax	388	2005-06	CIT (Appeals), New Delhi
Income Tax Act, 1961	Income Tax	493	2007-08	ITAT, New Delhi
Income Tax Act, 1961	Income Tax	493	2007-08	CIT (Appeals), New Delhi
Income Tax Act, 1961	Income Tax	1,809	2008-09	Hon'ble Supreme Court, New Delhi (SLP filed on 04.05.2012)
Income Tax Act, 1961	Fringe Benefit Tax	226	2005-06 to 2008-09	Hon'ble High Court, Calcutta

(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 during the year, 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 Act.

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

(xx) We have verified the end use of money raised during the year by public issue of Infrastructure Bonds, as disclosed in Note 4.1 in the financial statements.

(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's Registration No.103523W)

Anand Kumar Jhunjhunwala
Partner
Membership No. 056613

Place : Kolkata
Date : 14th May, 2012

Balance Sheet as at 31st March, 2012

(₹ in Lakh)

	Note	As at 31st March, 2012	As at 31st March, 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	50,324	50,324
Reserves and Surplus	3	207,877	204,989
		258,201	255,313
Non-Current Liabilities			
Long-Term Borrowings	4	319,654	162,189
Deferred Tax Liabilities (Net)	5	7,988	6,790
Other Long-Term Liabilities	6	832	1,000
Long-Term Provisions	7	3,617	1,448
		332,091	171,427
Current Liabilities			
Short-Term Borrowings	8	586,649	276,499
Trade Payables	9	266	257
Other Current Liabilities			
- Current Maturities of Long-Term Borrowings	4	78,429	90,276
- Others	10	11,620	7,171
Short-Term Provisions	11	3,071	4,835
		680,035	379,038
		1,270,327	805,778
ASSETS			
Non-Current Assets			
Fixed Assets	12		
- Tangible Assets		43,509	39,194
- Intangible Assets		84	62
- Capital work in Progress		6,278	911
Non-Current Investments	13.1	262,213	250,551
Long-Term Loans and Advances			
- Loan Assets	14	266,511	199,466
- Other Long-Term Advances	15	2,864	3,031
Other Non-Current Assets	16	6,365	8,380
		587,824	501,595
Current Assets			
Current Investments	13.2	2,200	-
Trade Receivables	17	3,355	4,641
Cash and Bank Balances	18	14,936	2,265
Short-Term Loans and Advances			
- Loan Assets	14	27,664	43,709
- Other Advances	19	21,798	14,939
Other Current Assets			
- Current Maturities of Long-Term Loan Assets	14	588,206	234,718
- Other Current Assets	20	24,344	3,911
		682,503	304,183
		1,270,327	805,778
Significant Accounting Policies and Notes to Financial Statements	1 to 42		

The Notes 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
(Firm's Registration No. 103523W)

On behalf of the Board of Directors

Anand Kumar Jhunjhunwala
Partner
Membership No. 056613

Hemant Kanoria
Chairman & Managing Director

Salil K. Gupta
Chief Mentor & Director

Place : Kolkata
Date : 14th May, 2012

Sandeep Lakhotia
Company Secretary

10 Lakh is equal to 1 Million

Statement of Profit and Loss for the year ended 31st March, 2012

(₹ in Lakh)

	Note	Year ended 31st March, 2012	Year ended 31st March, 2011
INCOME			
Revenue from Operations	21	117,678	74,570
Other Income	22	391	54
Total		118,069	74,624
EXPENSES			
Finance Cost	23	94,800	43,505
Employee Benefit Expenses	24	4,176	3,022
Administrative and Other Expenses	25	4,501	3,878
Depreciation and Amortisation Expense	12	1,540	1,808
Total		105,017	52,213
Profit before Bad Debts, Provisions & Tax		13,052	22,411
Bad Debts / Advances written off		50	1
Provision for Bad & Doubtful Debts		37	-
Provision for Non-Performing Assets		1,100	-
Contingent Provisions against Standard Assets		986	1,196
		2,173	1,197
Profit Before Tax		10,879	21,214
Tax Expense :			
- Current Tax		1,760	4,185
- Mat Credit Entitlement		(49)	-
- Deferred Tax		1,198	3,350
Total Tax for current year		2,909	7,535
Profit After Tax for current year		7,970	13,679
Income tax in respect of earlier years		2,174	249
Profit After Tax		5,796	13,430
Earnings per Equity Share (Basic and Diluted) (in ₹)	26	1.15	5.80
(Par Value ₹ 10/- per Equity Share)			
Significant Accounting Policies and Notes to Financial Statements	1 to 42		

The Notes referred to above form an integral part of the Statement of Profit and Loss

This is the Statement of Profit and Loss referred to in our report of even date.

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

On behalf of the Board of Directors

Anand Kumar Jhunjhunwala
Partner
Membership No. 056613

Hemant Kanoria
Chairman & Managing Director

Salil K. Gupta
Chief Mentor & Director

Place : Kolkata
Date : 14th May, 2012

Sandeep Lakhotia
Company Secretary

10 Lakh is equal to 1 Million

Cash Flow Statement for the year ended 31st March, 2012

(₹ in Lakh)

	31st March, 2012	31st March, 2011
A. Cash Flows from Operating Activities		
Net Profit Before Tax	10,879	21,214
Adjustment for :		
Depreciation and Amortisation	1,540	1,808
Bad Debts written off	50	1
Contingent Provisions against Standard Assets	986	1,196
Provision for Premium on Unsecured Subordinated Bonds	88	88
Loss on sale of Fixed Assets (net)	53	-
Finance Cost	94,800	43,417
Income from Trade Investments	-	(28)
Profit on sale of Investments (net)	-	(70)
Liabilities No Longer Required written back	-	(44)
Dividend Income	(28)	(40)
Provision for Dimunition in value of Stock for Trade	16	90
Operating Profit before Working Capital Changes	108,384	67,632
Adjustments for:		
(Increase) / Decrease in Receivables / Others	(421,246)	(150,572)
(Increase) / Decrease in Current Investments / Stock for Trade	(2,200)	(341)
(Increase) / Decrease in Fixed Deposit (Deposit with original maturity period of more than three months)	(644)	(1,048)
(Decrease) / Increase in Trade Payables	2,304	572
Cash Generated from Operations	(313,402)	(83,757)
Interest Paid	(91,022)	(41,749)
Direct Taxes paid	(9,880)	(3,394)
Net Cash (Used in) / Generated from Operating Activities	(414,304)	(128,900)
B. Cash Flows from Investing Activities		
Purchase of Fixed Assets	(11,474)	(33,191)
Proceeds from Sale of Fixed Assets	177	-
(Increase) in Investments (Other than Subsidiary)	(6,316)	(13,417)
(Increase) of Investments in Subsidiary	(355)	(1,990)
Investments in Joint Venture	(4,991)	-
Income from Trade Investments	-	28
Dividend Received	28	40
Net Cash (Used) / Generated in Investing Activities	(22,931)	(48,530)
C. Cash Flows from Financing Activities		
Increase / (Decrease) in Debentures (net)	94,199	(21,000)
Increase / (Decrease) in Working Capital facilities (net)	219,776	149,649
Increase / (Decrease) in Other Loans (net)	139,518	46,493
Dividend Paid	(3,771)	(1,393)
Dividend Tax Paid	(612)	(231)
Net Cash (Used) / Generated in Financing Activities	449,110	173,518
Net Increase / (Decrease) in Cash & Cash Equivalents	11,875	(3,912)
Cash & Cash Equivalents at the beginning of the year	716	4,505
Add: Cash & Cash Equivalents acquired on Amalgamation	-	123
Cash & Cash Equivalents at the end of the year	12,591	716

Explanations:

1. 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
2. Previous year's figures have been regrouped / reclassified 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
(Firm's Registration No. 103523W)

On behalf of the Board of Directors

Anand Kumar Jhunjhunwala
Partner
Membership No. 056613

Hemant Kanoria
Chairman & Managing Director

Salil K. Gupta
Chief Mentor & Director

Place : Kolkata
Date : 14th May, 2012

Sandeep Lakhotia
Company Secretary

10 Lakh is equal to 1 Million

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

1 Significant Accounting Policies

1.1 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 an 'Infrastructure Finance Company – Non Deposit Taking' Non-Banking Finance Company ('NBFC'). The financial statements have been prepared under the historical cost convention, on accrual basis. The accounting policies applied by the Company are consistent with those applied in the previous year except as otherwise stated elsewhere.

Presentation and disclosure in Financial Statements

During the year ended 31st March, 2012, the revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company for preparation and presentation of its financial statements. Except accounting for dividend on investment in subsidiary, the adoption of new Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

Operating Cycle

As per the revised Schedule VI, *"An operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents"*.

For the company, there is generally no clearly identifiable normal operating cycle and hence the normal operating cycle for the company is assumed to have a duration of 12 months.

Current and Non-Current Asset

An asset is classified as 'current' when it satisfies any of the following criteria:

- it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle; or
- it is held primarily for the purpose of being traded; or
- it is expected to be realised within twelve months after the reporting date; or
- it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as 'non-current'.

Current and Non-Current Liability

A liability is classified as 'current' when it satisfies any of the following criteria:

- it is expected to be settled in the Company's normal operating cycles; or
- it is held primarily for the purpose of being traded; or
- it is due to be settled within twelve months after the reporting date; or
- the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

All other liabilities are classified as 'non-current'.

1.2 Use of estimates

The preparation of financial statements requires the management to make estimates and assumptions which are 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 the 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.

1.3 Fixed Assets, Depreciation / Amortisation and Impairment

i) 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.

ii) Depreciation / Amortisation

Depreciation / Amortisation is provided on Straight Line Method ('SLM'), which reflects the management's estimate of the useful lives of the respective fixed assets and the rates derived from such useful lives 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
I	Assets for Own Use	
i)	Buildings	45 - 61 years
ii)	Furniture & Fixtures	16 years
iii)	Motor Vehicles	11 years
iv)	Computers	4 - 6 years
v)	Office Equipment	21 years
vi)	Intangible Assets	3 - 6 years
II	Assets for Operating Lease	
vii)	Plant and Machinery	10 - 30 years
viii)	Aircrafts	9 years

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

Depreciation / Amortisation on assets purchased / sold during the reporting period 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.

iii) 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.

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

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.

1.4 Capital Work in Progress

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

1.5 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. These form part of the borrowing costs.

Borrowing costs also include exchange differences arising from Foreign currency borrowings, to the extent they are regarded as an adjustment to the borrowing costs.

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

1.6 Operating Leases

Assets given on operating leases are included in fixed assets. 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 Statement of Profit and Loss as they are incurred.

1.7 Investments

Investments that are intended to be held for not more than a year are classified as current investments. All other investments are classified as non-current investments. Current investments are carried at lower of cost and market price determined category-wise. All non-current 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.

1.8 Stock for Trade

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

1.9 Loan Assets

Loan Assets include loans advanced by the Company, secured by collateral offered by the customers, if applicable.

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.

1.10 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. Provision for doubtful debtors towards fee based income is also made on similar basis.

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.

1.11 Foreign Currency Transactions and Balances

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

i) Initial Recognition

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

ii) Conversion

Year end 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 prevailing at the date when the values were determined.

iii) 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 year 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. Exchange differences arising out of foreign currency borrowings are considered as an adjustment to interest cost and recognised in accordance to para 1.5 above.

iv) 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 year 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 year in which it is cancelled or renewed.

v) 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 Statement of Profit and Loss. Net gains are ignored as a matter of prudence.

1.12 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.

i) Income from Loans and Leases:

Income from Loans and Leases is recognised in the Statement of Profit and Loss 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 RBI, applicable to NBFCs.

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 lease term or other systematic basis which is more representative of the time pattern of the users benefit.

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

d) Delayed-payment interest / incremental interest pursuant to upward revision in benchmark interest rate is accrued, only to the extent of probable recovery, as per the best estimate of the management.

e) Gains arising on securitisation / assignment of assets, if any, 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 loans under the head 'Revenue from Operations'.

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

ii) 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.

iii) Other Operating Income

a) Income from Dividend of shares of corporate bodies is accounted when the Company's right to receive the dividend is established.

b) Income from investment in units of Funds is recognised on cash basis as per the Prudential Norms of RBI.

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 non-current and current investments are recognised when a binding obligation has been entered into.

e) All other operating income is accounted for on accrual basis.

1.13 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 reporting period, are charged to the Statement of Profit and Loss.

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 Statement of Profit and Loss and are not deferred.

1.14 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 Statement of Profit and Loss and shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

1.15 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'.

1.16 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 to financial statements. Contingent Assets are neither recognised nor disclosed in the financial statements.

1.17 Cash and Cash Equivalents

Cash and cash equivalents in the Cash Flow Statement comprises of cash on hand, cash at Bank, demand deposits with banks, cheques on hand, remittances in transit and short-term highly liquid investments with an original maturity of three months or less.

1.18 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.

1.19 Assets under Management

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

1.20 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.

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

NOTES TO FINANCIAL STATEMENTS

2. SHARE CAPITAL

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Authorised		
Equity Shares, ₹ 10/- par value per share		
710,000,000 (31st March, 2011: 710,000,000) Equity Shares	71,000	71,000
Preference Shares, ₹ 100/- par value per share		
10,000,000 (31st March, 2011: 10,000,000) Preference Shares	10,000	10,000
	81,000	81,000
Issued and subscribed		
Equity Shares, ₹ 10/- par value per share		
503,559,160 (31st March, 2011: 503,559,160) Equity Shares	50,356	50,356
Fully Paid-up		
Equity Shares, ₹ 10/- par value per share		
503,086,333[1] (31st March, 2011: 503,086,333) Equity Shares	50,309	50,309
Forfeited Shares (472,827 Equity Shares)	15	15
	50,324	50,324

[1] Includes 21,600 shares represented by 5,400 Global Depository Receipts (GDRs) issued vide Prospectus dated 18.04.2005.

2.1 Reconciliation of Equity Shares outstanding

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

Equity Shares	31st March, 2012		31st March, 2011	
	No. of Shares	₹ in lakh	No. of Shares	₹ in lakh
At the beginning of the financial year	503086333	50,309	116144798	11,614
Add: Issued as fully paid-up bonus shares by capitalisation of Securities Premium	-	-	92915839	9,292
Add: Allotment pursuant to Scheme of Amalgamation, without payment being received in Cash	-	-	294025696	29,403
At the end of the financial year	503086333	50,309	503086333	50,309

10 Lakh is equal to 1 Million

2.2 Rights, preferences and restrictions in respect of each class of Shares

The Company's authorised capital consists of two classes of shares, referred to as equity shares and preference shares, having par value of ₹ 10/- and ₹ 100/- each respectively. Each holder of equity shares is entitled to one vote per share. The preference shareholders have a preferential right over equity share holders, in respect of repayment of capital and payment of dividend. However, no such preference shares have been issued by the Company during the years ended 31st March, 2011 & 31st March, 2012.

The Company declares and pays dividend in Indian rupees. The dividend, if any, proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

Dividend per equity share proposed for the current year is ₹ 0.50 (Previous year: ₹ 0.75).

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

2.3 Shares allotted as fully paid-up without payment being received in cash / by way of bonus shares (during 5 years preceding 31st March, 2012)

Pursuant to amalgamation of Quippo Infrastructure Equipment Limited (Transferor Company) into and with the Company, approved by the Equity Shareholders of the Company and sanctioned by the Hon'ble High Court of Calcutta on 18th January, 2011, the Company issued and allotted 92,915,839 equity shares of ₹ 10/- par value, as fully paid up bonus shares, to the pre-amalgamation equity shareholders of the Company on 5th March, 2011.

Further, the Company issued and allotted 294,025,696 equity shares of ₹ 10/- par value, as fully paid-up, towards consideration for the aforesaid amalgamation, to the shareholders of the Transferor Company on 5th March, 2011. This includes 48,600,000 equity shares allotted to Srei Growth Trust, a Trust settled by the Company on 4th March, 2011, to receive equity shares of the Company in exchange of the Company's shareholding in the Transferor 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 'Non-Current Investments' in the Balance Sheet.

2.4 Shareholders holding more than 5% equity shares each, are set out below:

Name of the Shareholders	31st March, 2012		31st March, 2011	
	No. of Shares	% of holding	No. of Shares	% of holding
Deigratia International Pte Limited	147937030	29.41	167937030	33.38
Opulent Venture Capital Trust	57974595	11.52	57974595	11.52
Srei Growth Trust*	48600000	9.66	48600000	9.66
Adisri Investment Private Limited	38992840	7.75	38992840	7.75
Adhyatma Commercial Private Limited	34705703	6.90	10395000	2.07
Fidelity Investment Trust Fidelity Series Emerging Markets Fund	31414121	6.24	-	-

* Held in the name of Trustees

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

3. RESERVES AND SURPLUS

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Capital Reserves		
Opening balance	1,945	1,945
Closing balance	1,945	1,945
Securities Premium Reserve		
Opening balance	19,754	29,046
Less: Issuance of Bonus shares	-	(9,292)
Closing balance	19,754	19,754
Bond / Debt Redemption Reserve		
Opening balance	6,478	4,250
Add: Addition during the year (refer note 3.1)	3,818	3,020
Less: Transfer to Surplus, on repayment of Bond / Debt	(792)	(792)
Closing balance	9,504	6,478
Special Reserve (Reserve Fund as per Section 45-IC of the Reserve Bank of India Act, 1934)		
Opening balance	13,417	10,727
Add: Addition during the year	1,167	2,690
Closing balance	14,584	13,417
General Reserve		
Opening balance	139,604	1,734
Add: Addition on account of Amalgamation	-	137,870
Closing balance	139,604	139,604
Surplus		
Opening balance	23,791	19,679
Add: Net profit after tax transfer from Statement of Profit and Loss	5,796	13,430
Amount available for appropriation	29,587	33,109
Appropriations:		
Proposed dividend	2,515	3,773
Corporate dividend tax on proposed dividend	393	627
Special Reserve	1,167	2,690
Bond / Debt Redemption Reserve (net)	3,026	2,228
Closing balance	22,486	23,791
Total Reserves and Surplus	207,877	204,989

10 Lakh is equal to 1 Million

Srei Infrastructure Finance Limited

3.1 Bond / Debt Redemption Reserve

During the year, the Company has created Bond / Debt Redemption Reserve of ₹ 3,797 lakh (Previous year: ₹ 3,020 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 Bond / Debt during the year.

During the year, the Company has also created Bond / Debt Redemption Reserve of ₹ 21 lakh (Previous year: ₹ Nil) towards redemption of Long-Term Infrastructure Bonds, which were raised during the year.

4. LONG-TERM BORROWINGS

(₹ in Lakh)

Particulars	31st March, 2012			31st March, 2011		
	Non-Current Maturities	Current Maturities	Total	Non-Current Maturities	Current Maturities	Total
A. Secured						
Bonds / Debentures:						
Long-Term Infrastructure Bonds (refer note 4.1)	2,489	-	2,489	-	-	-
Non-Convertible Debentures (refer note 4.2)	65,300	1,700	67,000	1,700	-	1,700
Term Loans (refer note 4.3):						
From Banks:						
- Rupee Loans	105,998	56,926	162,924	64,545	42,380	106,925
- Foreign Currency Loans	25,442	12,718	38,160	11,147	33,443	44,590
From Financial Institutions:						
- Foreign Currency Loans	55,336	5,325	60,661	53,173	4,334	57,507
Deposits						
Public Deposits (refer note 4.4)	-	-	-	16	29	45
Other Loans						
Buyer's Credit from Banks - Foreign Currency Loans (refer note 4.5)	-	1,233	1,233	1,081	-	1,081
(A)	254,565	77,902	332,467	131,662	80,186	211,848
B. Unsecured						
Bonds / Debentures:						
Non-Convertible Debentures	-	-	-	-	4,300	4,300
Subordinated bonds/debentures (Tier II Capital) (refer note 4.6)	65,000	527	65,527	30,527	790	31,317
Term Loans						
From Financial Institutions	-	-	-	-	5,000	5,000
Deposits						
Inter-Corporate Deposits	89	-	89	-	-	-
(B)	65,089	527	65,616	30,527	10,090	40,617
Total (A+B)	319,654	78,429	398,083	162,189	90,276	252,465

10 Lakh is equal to 1 Million

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

4.1 Long-Term Infrastructure Bonds – Secured, Redeemable, Non-convertible Debentures

During the year, the Company has raised ₹ 2,489 lakh (Previous year: ₹ Nil) through public issue of Long-Term Infrastructure Bonds in the nature of Secured, Redeemable Non-Convertible Debentures, eligible for deduction under section 80 CCF of the Income-Tax Act, 1961. Fund raised has been utilised for the purposes of infrastructure lending as per the terms of the issue.

Maturity profile and rate of interest of these Bonds are as set out below:

(₹ in Lakh)

Rate of Interest	Maturity Profile		Total
	2016-17	2012-16	
8.90%	1,291	-	1,291
9.15%	1,198	-	1,198
Total	2,489	-	2,489

Bonds with interest rate of 8.90% have an overall tenure of 10 years and those with 9.15%, 15 years. Buyback option is available for all bonds at the end of 5 years i.e. on 22.03.2017. Bonds are secured by exclusive charge on specific receivables of the Company & pari-passu mortgage/charge on immovable property.

4.2 Non-Convertible Debentures

(₹ in Lakh)

Rate of Interest	Maturity Profile*						Total
	2021-22	2016-17	2015-16	2014-15	2013-14	2012-13	
9.75% [1]	-	-	-	-	-	1,700	1,700
10.80% [2]	-	6,668	6,666	6,666	-	-	20,000
10.90% [2]	-	-	-	-	5,000	-	5,000
11.00% [2]	-	-	-	-	300	-	300
11.40% [2]	-	-	-	6,700	-	-	6,700
11.75% [2]	-	29,300	-	-	-	-	29,300
11.90% [2]	4,000	-	-	-	-	-	4,000
Total	4,000	35,968	6,666	13,366	5,300	1,700	67,000

* Includes current maturities

[1] Secured against Receivables of the Company.

[2] Secured against Receivables of the Company and mortgage of immovable property.

All the above debentures are redeemable at par.

10 Lakh is equal to 1 Million

4.3 Term Loans

(₹ in Lakh)

Rate of Interest	Maturity Profile*				Total
	Beyond 5 years	3-5 years	1-3 years	0-1 years	
From Banks - Rupee Loans[1]	259	33,425	72,314	56,926	162,924
From Banks - Foreign Currency Loans	13,739	10,940	763	12,718	38,160
From Financial Institutions - Foreign Currency Loans[2]	11,737	20,066	23,533	5,325	60,661
Total	25,735	64,431	96,610	74,969	261,745

* Includes current maturities

The above Term Loans are secured by charge on specific assets covered by loan / lease agreements with customers and / or receivables arising therefrom.

[1] Includes ₹ 2,111 lakh (Previous year ₹ 2,372 lakh) guaranteed by subsidiary company.

[2] Includes loans of ₹ 14,333 lakh (Previous year ₹ 13,713 lakh) guaranteed by Export Import Bank of the United States.

4.4 Public Deposits

In order to qualify for registration as an 'Infrastructure Finance Company', 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 is 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 at 31st March, 2012 is ₹ 88 lakh (₹ 250 Lakh as at 31st March, 2011).

4.5 Buyer's credit from Banks (Foreign Currency Loan)

These foreign currency loans from banks are repayable by bullet payment and have tenures ranging from 1-3 years. These loans are secured by import documents covering title to capital goods and extension of pari passu charge towards working capital facilities.

4.6 Unsecured Subordinated bonds / debentures (Tier II Capital)

During the year ended 31st March, 2012, the Company raised subordinated debt qualifying for Tier II capital amounting to ₹ 35,000 lakh (31st March, 2011: ₹ 5,000 lakh). The following table sets forth the details of the outstanding as at 31st March, 2012:

(₹ in Lakh)

Rate of Interest	Maturity Profile						Total
	2021 - 22	2020 - 21	2019 - 20	2017 - 18	2016 - 17	2012 - 13	
10.20%	-	-	20,000	-	-	-	20,000
10.50%	-	5,000	-	-	-	527*	5,527
11.40%	10,000	-	-	-	-	-	10,000
11.75%	-	-	-	1,000	85	-	1,085
11.85%	-	-	-	-	2,000	-	2,000
11.90%	21,915	-	-	-	-	-	21,915
12.00%	-	-	-	-	5,000	-	5,000
Total	31,915	5,000	20,000	1,000	7,085	527	65,527

*The interest rate is floating and is computed based on average yield to maturity (YTM) calculated from the balance maturity of 12 year Government of India (GOI) security paper for the remaining tenure of the Bonds.

*Each bond is having an overall tenure of 12 years, reckoned from the date of allotment. The bonds shall be redeemed at a premium of 20% of the original face value.

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

5. DEFERRED TAX LIABILITIES (Net)

In terms of Accounting Standard 22, the net Deferred Tax Liability (DTL) recognised during the year is ₹ 1,198 lakh (Previous year: ₹ 3,350 lakh). Consequently, the net DTL as at year-end stands at ₹ 7,988 lakh (31st March, 2011 ₹ 6,790 lakh). The break-up of major components of net DTL is as follows:

(₹ in Lakh)

Particulars	Liability / (Asset) as at	
	31st March, 2012	31st March, 2011
Depreciation on Fixed Assets	6,598	5,222
Deferred Revenue Expenditure	2,695	2,059
Others	(1,305)	(491)
Total	7,988	6,790

6. OTHER LONG-TERM LIABILITIES

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Interest Accrued but not due on Borrowings	5	2
Capital Advances	-	75
Security Deposits & Retentions	827	923
Total	832	1,000

7. LONG-TERM PROVISIONS

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Provision for Employee Benefits (Non-Current Portion) (refer note 34)		
Gratuity	120	89
Unavailed Leave	216	144
(A)	336	233
Others		
Provision for Non-Performing Assets (refer note 7.1)	1,100	-
Contingent Provisions against Standard Assets (refer note 7.1)	2,181	1,195
Provision for Premium on Unsecured Subordinated Bonds	-	20
(B)	3,281	1,215
Total (A+B)	3,617	1,448

10 Lakh is equal to 1 Million

7.1 Nature of certain provisions and their movement year-on-year.

Provision for non-performing assets (NPAs) is made in the financial statements according to the Prudential Norms prescribed by RBI for NBFCs. The Company also makes additional provision based on the management's best estimate, to the extent considered necessary.

The Company creates a general provision at 0.25% of the standard assets outstanding on the balance sheet date, as per the RBI Prudential Norms.

The following table sets forth the movement of aforesaid Provisions year-on-year:

(₹ in Lakh)

Particulars	Provisions for NPAs		Contingent Provisions against Standard Assets	
	Year ended		Year ended	
	31st March, 2012	31st March, 2011	31st March, 2012	31st March, 2011
Opening balance	-	-	1,195	-
Provision made during the year	1,100	-	986	1,195
Closing balance	**1,100**	**-**	**2,181**	**1,195**

8. SHORT-TERM BORROWINGS

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
A. Secured		
Loans repayable on demand		
Working Capital Facilities from banks (Rupee Loan) (refer note 8.1)	149,000	143,000
Other Loans		
Working Capital Facilities from banks (Rupee Loan) (refer note 8.1)	293,646	82,006
Short-Term Loans from Banks (refer note 8.2)		
- Rupee Loans	40,000	15,000
- Foreign Currency Loans	5,087	-
Buyer's credit from Banks - Foreign Currency Loan (refer note 4.5)	1,984	-
Deposits		
Public Deposits (refer note 4.4)	16	1
(A)	489,733	240,007

10 Lakh is equal to 1 Million

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
B. Unsecured		
Deposits		
Inter Corporate Deposits		
- From Related Parties	1,090	1,775
- From Others	15,068	6,244
Other Loans		
Non-Convertible Debentures	-	3,500
Rupee Loan from Banks	15,000	-
Commercial Papers (refer note 8.3)		
- From Banks	-	965
- From Others	65,758	24,008
(B)	96,916	36,492
Total (A+B)	586,649	276,499

8.1 Working capital facilities from banks, including working capital demand loans earmarked against such facilities, are secured by hypothecation of underlying assets (short-term as well as long-term loan assets) covered by hypothecation loan of agreements and operating lease agreements with customers and receivables arising therefrom, ranking pari passu (excluding assets specifically charged to others). As per the prevalent practice, these facilities are renewed on a year-to-year basis and therefore, are revolving in nature.

8.2 Short-Term Loans from banks are secured by charge on specific assets covered by loan/ facility agreements with customers and / or receivables arising therefrom.

8.3 Face value of Commercial Paper outstanding as at 31st March, 2012 is ₹ 67,850 lakh (as at 31st March, 2011 ₹ 26,120 lakh). Face value of maximum outstanding at any time during the year ended 31st March, 2012 was ₹ 207,850 lakh (Previous year ₹ 63,500 lakh). Face value of Commercial Paper repayable within one year is ₹ 67,850 lakh (Previous year ₹ 26,120 lakh).

9. TRADE PAYABLES

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Trade Payables		
Due to Micro, Small and Medium Enterprises[1]	-	-
Due to others	266	257
Total	266	257

[1] 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, 2012 as micro, small or medium enterprises. Consequently, the interest paid / payable by the company to such Suppliers, during the year is ₹ Nil (Previous year: ₹ Nil).

10 Lakh is equal to 1 Million

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

10. OTHER CURRENT LIABILITIES - OTHERS

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Interest Accrued but not due on Borrowings	6,868	3,081
Advance from Customers	312	-
Statutory Liabilities	600	915
Security Deposits & Retentions	1,723	1,490
Payable to Employees	234	135
Commission Payable to Directors	110	110
Unclaimed Dividend	39	37
Unclaimed Matured Public Deposits and Interest Accrued thereon	38	50
Liability for Operating Expenses	1,696	1,343
Loss payable on Derivative Contracts	-	10
Total	11,620	7,171

11. SHORT-TERM PROVISIONS

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Provision for Employee Benefits (Current Portion) (refer note 34)		
Unavailed leave	40	20
(A)	40	20
Others		
Proposed Dividend	2,515	3,773
Provision for Corporate Dividend Tax	408	627
Provision for Premium on Unsecured Subordinated Bonds	108	158
Provision for Taxation (net of Advance tax / Tax deducted at source)	-	257
(B)	3,031	4,815
Total (A+B)	3,071	4,835

10 Lakh is equal to 1 Million

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

12. FIXED ASSETS

(₹ in Lakh)

Particulars	Gross Block / Original Cost				Depreciation / Amortisation and Impairment[1]				Net Carrying Value	
	As at April 01, 2011	Additions / adjustments during the year	Disposals / adjustments during the year	As at March 31, 2012	As at April 01, 2011	For the year	Disposals/ adjustments during the year	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
I. Tangible Assets:										
Assets for Own use										
Land- Freehold	2,382	-	224	2,158	-	-	-	-	2,158	2,382
Buildings[2]	11,990	168	-	12,158	122	222	-	344	11,814	11,868
Leasehold Improvements	1,101	931	-	2,032	26	112	-	138	1,894	1,075
Furniture and Fixtures	607	263	17	853	33	55	14	74	779	574
Computers	94	59	-	153	27	27	-	54	99	67
Office Equipment	344	267	3	608	16	38	-	54	554	328
Motor Vehicles	23	20	-	43	-	3	-	3	40	23
Total (A)	16,541	1,708	244	18,005	224	457	14	667	17,338	16,317
Assets given on Operating Lease										
Plant & Machinery[3]	24,254	4,345	-	28,599	2,685	827	-	3,512	25,087	21,569
Aircrafts	1,987	-	-	1,987	679	224	-	903	1,084	1,308
Total (B)	26,241	4,345	-	30,586	3,364	1,051	-	4,415	26,171	22,877
Total (I)= (A+B)	42,782	6,053	244	48,591	3,588	1,508	14	5,082	43,509	39,194
II. Intangible Assets:										
Computer Software	75	54	-	129	13	32	-	45	84	62
Total (II)	75	54	-	129	13	32	-	45	84	62
Total Fixed Assets= (I+II)	42,857	6,107	244	48,720	3,601	1,540	14	5,127	43,593	39,256
Previous year	10,104	32,753	-	42,857	1,793	1,808	-	3,601	39,256	
III. Capital work in Progress	911	5,367	-	6,278	-	-	-	-	6,278	911

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

[2]Building includes ₹ 9,918.95 lakh in respect of which conveyance is pending.

[3]Additions to Plant & Machinery includes borrowing costs for qualifying assets capitalised during the year amounting to ₹ 174.98 lakh (Previous year: ₹ Nil) as per AS 16 ("Borrowing Costs").

10 Lakh is equal to 1 Million

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

13.1 NON-CURRENT INVESTMENTS

Particulars	Face value (₹)	Quantity		₹ in lakh	
		As at 31st March, 2012	As at 31st March, 2011	As at 31st March, 2012	As at 31st March, 2011
A. Trade Investments - at cost unless otherwise stated					
I. In Equity Instruments (Unquoted)					
(a) In Subsidiaries					
Srei Capital Markets Ltd.	10	5050000	5050000	505.00	505.00
Srei Forex Ltd. (Net of provision for other than temporary diminution aggregating ₹ 50 lakh (31st March, 2011: ₹ 50 lakh)	10	500000	500000	-	-
Srei Insurance Broking Pvt. Limited (subsidiary w.e.f. 31st March, 2012)	10	1275000	-	143.67	-
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	9510000	951.00	951.00
Controlla Electrotech Pvt. 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 Pvt. Ltd.	10	13000000	11000000	1,300.00	1,100.00
Srei Mutual Fund Trust Pvt. Ltd.	10	50000	50000	5.00	5.00
Quippo Oil & Gas Infrastructure Ltd.	10	29970000	29940000	10,420.04	10,409.09
Quippo Construction Equipment Ltd.	10	50000	50000	96.00	96.00
Quippo Energy Pvt. Ltd.	10	1000000	1000000	20,189.70	20,189.70
Mumbai Futuristic Economic Zone Pvt. Ltd.	10	10000	10000	8,046.60	8,046.60
Quippo Valuers & Auctioneers Pvt. Ltd.	10	200000	200000	232.13	232.13
Subtotal- (a)				**46,066.97**	**45,712.35**
(b) In Joint Ventures					
Srei Equipment Finance Pvt. Ltd.	10	26610000	25000000	7,491.00	2,500.00
Subtotal- (b)				**7,491.00**	**2,500.00**
(c) Others					
TN (DK) Expressways Ltd. (Pledged with Bank)	10	13000	13000	1.30	1.30
Madurai Tuticorin Expressways Ltd. (Pledged with Bank)	10	19500	19500	1.95	1.95
Guruvayoor Infrastructure Pvt. Ltd.(Pledged with Bank)	10	20010000	20010000	2,001.00	2,001.00
Jaora-Nayagaon Toll Road Co. Pvt. Ltd. (Pledged with Bank)	10	2800	2800	0.28	0.28

10 Lakh is equal to 1 Million

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

Particulars	Face value (₹)	Quantity		₹ in lakh	
		As at 31st March, 2012	As at 31st March, 2011	As at 31st March, 2012	As at 31st March, 2011
Mahakaleshwar Tollways Pvt. Ltd. (2,550 Equity Shares Pledged with Bank)	10	5000	5000	0.50	0.50
Viom Networks Ltd.	10	61075688	60734888	138,477.17	137,823.68
Nagpur Seoni Expressway Ltd. (Pledged with Bank)	10	4800000	4800000	480.00	480.00
India Power Corporation Ltd.	1	959310000	959310000	0.85	0.85
Maharashtra Border Check Post Network Ltd.	10	2500	2500	0.25	0.25
Kurukshetra Expressway Pvt. Ltd. (Pledged with Bank)	10	4900	4900	0.49	0.49
Shree Jagannath Expressways Pvt. Ltd. (3,308 Equity Shares Pledged with Bank)	10	4800	4800	0.48	0.48
Orissa Steel Expressways Pvt. Ltd. (4,900 Equity Shares Pledged with Bank)	10	5000	5000	0.50	0.50
Ghaziabad Aligarh Expressway Pvt. Ltd. (Pledged with Bank)	10	5000	5000	0.50	0.50
Potin Pangin Highway Pvt. Ltd.	10	5000	-	0.50	-
Suratgarh Bikaner Toll Road Company Pvt. Ltd.	10	5000	-	0.50	-
Solapur Tollways Pvt. Ltd.	10	4900	-	0.49	-
Royal Infrasoft Pvt. Ltd.	10	100000	100000	10.00	10.00
Quippo Telecom Infrastructure Ltd.	10	77550000	77550000	-	-
Subtotal- (c)				140,976.76	140,321.78
Total I (Subtotal a+b+c)				194,534.73	188,534.13
II. In Preference Shares (Unquoted)					
In Subsidiaries					
Quippo Construction Equipment Ltd.,					
0.1% Non-convertible Cumulative Redeemable Preference Shares, 2019	100	9961	9961	-	-
Quippo Energy Pvt. Ltd.,					
0.1% Non-convertible Cumulative Redeemable Preference Shares, 2019	100	2353	2353	-	-
Total II				-	-
III. Interest in a Beneficiary Trust					
Srei Growth Trust (represented by Trustees)	-	-	-	1,851.50	1,851.50
Total III				1,851.50	1,851.50

10 Lakh is equal to 1 Million

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

Particulars	Face value (₹)	Quantity		₹ in lakh	
		As at 31st March, 2012	As at 31st March, 2011	As at 31st March, 2012	As at 31st March, 2011
IV. In Units of Trusts and Schemes of Venture Funds					
India Global Competitive Fund	100	3875000	3875000	3,875.00	3,875.00
Infrastructure Project Development Fund	100	13589900	13319900	13,589.90	13,319.90
Infrastructure Project Development Capital	100	22208130	17182130	22,208.13	17,182.13
Medium and Small Infrastructure Fund	100	280000	280000	280.00	280.00
Prithvi Infrastructure Fund	100	11705910	11499000	11,705.91	11,499.00
Infra Construction Fund	100	11615800	11456800	11,615.80	11,456.80
Total IV				63,274.74	57,612.83
Total A (Trade Investments) (I+II+III+IV)				259,660.97	247,998.46
B. Other Investments - at cost unless otherwise stated					
V. In Equity Instruments (Quoted)					
New Era Urban Amenities Ltd. (Net of provision for other than temporary diminution aggregating ₹ 0.01 lakh (31st March, 2011: ₹ 0.01 lakh))	10	100	100	-	-
Alpic Finance Ltd. (Net of provision for other than temporary diminution aggregating ₹ 0.01 lakh (31st March, 2011: ₹ 0.01 lakh))	10	100	100	-	-
Apple Finance Ltd. (Net of provision for other than temporary diminution aggregating ₹ 0.02 lakh (31st March, 2011: ₹ 0.02 lakh))	10	100	100	-	-
HDFC Bank Ltd.	2	2010	402	1.00	1.00
CRISIL Ltd.	1	2000	200	0.10	0.10
Hotline Glass Ltd. (Net of provision for other than temporary diminution aggregating ₹ 218.35 lakh (31st March, 2011: ₹ 218.35 lakh))	10	8006030	8006030	-	-
Indian Metal & Ferro Alloys Ltd.	10	119615	119615	167.42	167.42
IDFC Ltd.	10	91000	91000	183.35	183.35
Kotak Mahindra Bank Ltd.	10	500	500	0.02	0.02
Power Grid Corporation of India Ltd.	10	8000	8000	9.44	9.44
Tata Steel Ltd.	10	3500	3500	24.83	24.83
Total V				386.16	386.16

10 Lakh is equal to 1 Million

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

Particulars	Face value (₹)	Quantity		₹ in lakh	
		As at 31st March, 2012	As at 31st March, 2011	As at 31st March, 2012	As at 31st March, 2011
VI. In Equity Instruments (Unquoted)					
New India Co-operative Bank Ltd.	10	573	573	0.06	0.06
National Stock Exchange of India Ltd.	10	57200	57200	2,062.06	2,062.06
ABG Kolkata Container Terminal Pvt. Ltd.	10	1200	1200	0.10	0.10
Total VI				2,062.22	2,062.22
VII. In Government or Trust securities (Quoted)					
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
9.10% West Bengal Infrastructure Development Finance Corporation Ltd., 2016	1,000,000	2	2	20.45	20.45
				104.99	104.99
Less: Amortisation of premium / discount on Government securities				(1.47)	(1.47)
Total VII				103.52	103.52
VIII. In Government or Trust securities (Unquoted)					
National Savings Certificate (Lodged with Sales Tax Authorities)	15000			0.15	0.15
Total VIII				0.15	0.15
IX. In Mutual Funds (Quoted)					
Morgan Stanley Mutual Fund	10	2000	2000	0.20	0.20
Unit Trust of India	10	400	400	0.04	0.04
Total IX				0.24	0.24
Total B (Other Investments) (V+VI+VII+VIII+IX)				2,552.29	2,552.29
Total Non-current Investments (A+B)				262,213.26	250,550.75
Aggregate amount of quoted non-current investments				489.92	489.92
Aggregate market value of quoted non-current investments				658.85	1,009.43
Aggregate amount of unquoted non-current investments				261,723.34	250,060.83
Aggregate provision for diminution in value of non-current investments				268.39	268.39

** There is no system of issuance of distinctive shares in the country of registration.

All the Investments mentioned above are fully paid-up

10 Lakh is equal to 1 Million

13.2 CURRENT INVESTMENTS

Particulars	Face value (₹)	Quantity		₹ in lakh	
		As at 31st March, 2012	As at 31st March, 2011	As at 31st March, 2012	As at 31st March, 2011
Other Investments (fully paid-up)					
In Bonds and Debentures (Unquoted)					
9.9% Yes Bank Limited Unsecured Redeemable NCD Tier II, 2022	1,000,000	220	-	2,200.00	-
Total Current Investments				2,200.00	-
Aggregate amount of unquoted current investments				2,200.00	-

14. LOAN ASSETS

(₹ in Lakh)

Particulars	31st March, 2012			31st March, 2011		
	Long-Term			Long-Term		
	Non-Current Maturities	Current Maturities	Short-Term	Non-Current Maturities	Current Maturities	Short-Term
Considered Good, unless otherwise stated						
Secured:[1]						
- Loans to Related parties	51,626	3,220	-	36,770	3,700	3,312
- Loans to Others	213,445	583,498	26,650	161,720	229,812	36,815
(A)	265,071	586,718	26,650	198,490	233,512	40,127
Unsecured:						
- Loans to Related parties	272	238	-	-	480	2
- Loans to Others	1,168	1,250	1,014	976	726	3,580
(B)	1,440	1,488	1,014	976	1,206	3,582
Total (A+B)[2]	266,511	588,206	27,664	199,466	234,718	43,709

[1] Secured by underlying assets and in certain cases are additionally secured by immovable properties and / or pledge of Equity Shares of the borrowers by way of collateral security.

[2] Includes Non-Performing Assets of ₹ 10,997 Lakh (Previous year ₹ Nil)

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

15. OTHER LONG-TERM ADVANCES

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Unsecured, Considered Good		
Advances		
- Capital Advances	285	41
- Advance to Vendors for Operating Expenses	40	1
- Employee Advances	43	80
- Advance against investments	-	1
Security Deposits		
- To Related parties (refer note 35)	2,400	2,400
- To Others	16	64
Share Application Money	-	380
Contribution to Corpus of Trusts (Related Parties) (refer note 35)	1	1
Prepaid Expenses	79	63
Total	2,864	3,031

16. OTHER NON-CURRENT ASSETS

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Unsecured, Considered Good		
Fixed Deposit Account with original maturity of more than twelve months (Under Lien)	98	250
Unamortised Ancillary Borrowing Costs	5,911	4,164
Interest Accrued but not due	3	3,676
Income Accrued but not due	353	290
Total	6,365	8,380

10 Lakh is equal to 1 Million

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

17. TRADE RECEIVABLES

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Sundry Debtors (Unsecured)		
Outstanding for more than Six Months		
- Considered Good	-	1,274
- Considered Doubtful	245	-
Less: Provision for Doubtful Debts	(37)	-
(A)	208	1,274
Other Debts		
- Considered Good	3,147	3,367
(B)	3,147	3,367
Total (A+B)	3,355	4,641

18. CASH AND BANK BALANCES

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
A. Cash and Cash Equivalents:		
Cash on Hand	5	2
Balances with Banks - in Current Account	5,442	132
Cheques on Hand[1]	6,774	-
Fixed Deposits with banks (having original maturity of 3 months or less)[2]	331	545
Unclaimed Dividend Account	39	37
(A)	12,591	716
B. Other Bank Balances :		
Fixed Deposits with banks (having original maturity of more than 3 months)[3]	2,443	1,799
Less: Non-current portion of other bank balances disclosed separately under 'Other Non-Current Assets'	(98)	(250)
(B)	2,345	1,549
Total (A+B)	14,936	2,265

[1] Cheques on Hand as at 31st March, 2012 have been realised subsequently.

[2] At 31st March, 2012, it includes deposits under lien with banks as security amounting to ₹ 331 lakh (Previous year ₹ 545 lakh)

[3] At 31st March, 2012, it includes deposits under lien with banks as security amounting to ₹ 2,345 lakh (Previous year ₹ 1,549 lakh)

10 Lakh is equal to 1 Million

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

19. OTHER SHORT-TERM ADVANCES

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Unsecured, Considered Good		
Advances		
- Advance to Vendors for Operating Expenses	679	396
- Employee Advances	35	69
- Advance to Related parties	438	-
Security Deposits		
- To Others	12,167	11,825
Share Application Money	-	3
Prepaid Expenses	83	245
MAT Credit Entitlement	49	2,401
Advance Tax [(net of provision for tax ₹ 9,668 lakh) (Previous year ₹ 7,878 lakh)]	8,347	-
Total	21,798	14,939

20. OTHER CURRENT ASSETS

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Unamortised Ancillary Borrowing Costs	2,259	1,731
Interest Accrued but not due	17,281	1,871
Income Accrued but not due	51	47
Stock for Trade (refer Annexure I to Notes to Financial Statements)	246	262
Gains receivable on Derivative Contracts	4,507	-
Total	24,344	3,911

10 Lakh is equal to 1 Million

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

21. REVENUE FROM OPERATIONS

(₹ in Lakh)

Particulars	2011 - 12	2010 - 11
Income from Loans	103,609	60,273
Income from Leases	4,433	2,428
Fee Based Income	6,661	10,542
Assignment Income	2,670	-
Income from Long-Term Trade Investments	-	28
Profit on Sale of Long-Term Trade Investments (net)	-	70
Profit on Sale of Stock for Trade (net)	-	995
Interest from Stock for Trade	2	26
Dividend Income	28	40
Interest received from Govt. Securities / Banks	275	168
Total	117,678	74,570

22. OTHER INCOME

(₹ in Lakh)

Particulars	2011 - 12	2010 - 11
Liabilities No Longer Required Written Back	-	44
Other Non-Operating Income	391	10
Total	391	54

10 Lakh is equal to 1 Million

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

23. FINANCE COST

(₹ in Lakh)

Particulars	2011 - 12	2010 - 11
Interest Expense:		
Interest on Bonds & Debentures	6,962	5,625
Interest on Term Loans	32,021	24,770
Interest on Public Deposits	3	23
Interest on Working Capital Facilities	33,460	8,530
Finance charges on Commercial Papers	12,342	2,327
Other Interest	1,134	793
Other Borrowing Costs:		
Amortisation of ancillary Borrowing costs	2,687	2,281
Amortisation of Premium on Unsecured subordinated bonds	88	88
Other Finance Charges	589	428
Applicable net (gain) / loss on foreign currency transactions and translations	5,514	(1,360)
Total	94,800	43,505

24. EMPLOYEE BENEFIT EXPENSES

(₹ in Lakh)

Particulars	2011 - 12	2010 - 11
Salaries, Allowances, Commission & Bonus	3,846	2,753
Contribution to Provident and Other Funds	263	228
Staff Welfare Expenses	67	41
Total	4,176	3,022

10 Lakh is equal to 1 Million

25. ADMINISTRATIVE & OTHER EXPENSES

(₹ in Lakh)

Particulars	2011 - 12	2010 - 11
Communication Expenses	86	69
Legal & Professional Fees	1,319	1,320
Electricity Charges	114	91
Rent	602	687
Rates and Taxes	146	154
Brokerage and Service Charges	11	1
Auditors' Remuneration (refer note 25.1)	57	50
Repairs - Building	79	35
- Machinery	238	111
- Others	280	129
Travelling and Conveyance	836	645
Directors' Fees	15	7
Insurance	49	16
Printing and Stationery	82	79
Advertisement, Subscription and Donation	429	348
Provision for Diminution in value of Stock for Trade	16	90
Loss on sale of Fixed Assets	53	-
Miscellaneous Expenses	89	46
Total	4,501	3,878

25.1 Auditors' Remuneration

(₹ in Lakh)

Particulars	2011 - 12*	2010 - 11
As Auditor	40	30
For Other Services	16	18
For Reimbursement of Expenses	1	2
Total	57	50

* Includes Service Tax

26. EARNINGS PER EQUITY SHARE

(₹ in Lakh)

Particulars	2011 - 12	2010 - 11
Profit after tax attributable to Equity Shareholders (₹ in lakh)	5,796	13,430
Weighted average number of Equity Shares (Basic)	503,086,333	231,616,033
Weighted average number of Potential Equity Shares	-	-
Weighted average number of Equity Shares (Diluted)	503,086,333	231,616,033
Nominal Value of Equity per share (₹)	10	10
Basic Earnings per share (₹)	**1.15**	**5.80**
Diluted Earnings per share (₹)	**1.15**	**5.80**

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

27. Contingent Liabilities And Commitments (to the extent not provided for)

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Contingent Liabilities		
Bank Guarantees[1]	1,707	1,929
Corporate Guarantee to Banks	13,815	4,795
Disputed Income Tax[2]	3,654	2,364
Fringe Benefit Tax[3]	226	226
Total	19,402	9,314
Commitments		
Estimated amount of capital contracts remaining to be executed and not provided for (Net of advances)	2,782	1,010
Uncalled liability on partly paid-up shares, held as Stock for Trade	-	1
Other Commitments *(refer note 28)*		

[1] Includes ₹ 892 lakh (31st March, 2011: ₹ 1,017 lakh) issued on Company's behalf by a Joint Venture Company.

[2] Certain Assessment Orders disallowing Special Reserve (created as per Section 45-IC 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, Disallowance of Provision for earned leave encashment, matters relating to deduction u/s 36(i)(viii), Upfront Fees on Borrowings and Long-Term Capital Gain arising out of transaction under a Scheme of Arrangement sanctioned by the Hon'ble Calcutta High Court on 28.01.08 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.

[3] 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.

28. 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 year end are as follows:

(₹ in Lakh)

Category	Currency	31st March, 2012		31st March, 2011	
		No. of Contracts	Amount in Foreign Currency	No. of Contracts	Amount in Foreign Currency
Options / Swaps	USD / INR	7	USD 967.6	7	USD 1207.2
Options / Swaps	EUR / INR	1	EUR 150	-	-
Options / Swaps	JPY / USD	1	JPY 8020	-	-
Forwards	USD / INR	4	USD 32	1	USD 0.59
Forwards	EUR / INR	-	-	1	EUR 5.4
Interest Rate Swaps	USD / INR	6	USD 981.8	-	-

Foreign currency exposures, which are not hedged by derivative instruments, amount to ₹ 44,253 lakh as at 31st March, 2012 (31st March, 2011: ₹ 48,267 lakh).

29. C.I.F. Value Of Imports

(₹ in Lakh)

Particulars	2011 - 12	2010 - 11
Operating Lease Assets	1,254	535
Total	1,254	535

10 Lakh is equal to 1 Million

30. Expenditure In Foreign Currency

(₹ in Lakh)

Particulars	2011 - 12	2010 - 11
Finance Charges	18,526	10,521
Professional / Consultation Fees	6	23
On Other Matters	440	409
Total	18,972	10,953

31. Earnings In Foreign Currency

(₹ in Lakh)

Particulars	2011 - 12	2010 - 11
Fee Based Income	14	142
Income from Loans	103	95
Other Income (conference participation fee received)	-	1
Total	117	238

32. Dividend Remitted In Foreign Currencies

The company remits the equivalent of the dividend payable to equity shareholders and holders of GDRs. For GDR holders, the dividend is remitted in Indian rupees to the custodian bank.

Particulars	31st March, 2012	31st March, 2011
Number of Non-Resident Shareholders	10	9
Number of shares held (Equity Shares of ₹ 10/- par value, per share)	175,437,126	143,451

(₹ in Lakh)

Particulars	2011 - 12	2010 - 11
Dividend Remitted	1,316	2
Related Year	2010-11	2009-10

33. Leases

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 Statement of Profit and Loss with respect to such leasing arrangements aggregate to ₹ 592 lakh (Previous year: ₹ 677 lakh).

Some of the above 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.

(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 Statement of Profit and Loss.

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

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Not later than 1 year	10	10
Later than 1 year but not later than 5 years	36	37
Later than 5 years	104	112
Total	150	159

10 Lakh is equal to 1 Million

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

(iii) Sub lease payments received (or receivable) recognised in the Statement of Profit and Loss for the year is ₹ 1,701 lakh (Previous year: ₹ 1,451 lakh). Future minimum sublease payments expected to be received under non-cancellable subleases as at 31st March, 2012 is ₹ 887 lakh (31st March, 2011: ₹ 1,327 lakh).

b. In the capacity of Lessor

The Company has given assets on Operating lease (refer note 12) for periods ranging between 5 to 15 years. Some of these lease agreements stipulate rental computation on the basis of earnings of the Lessee. Such contingent rent recognised during the year is ₹ 1,514 lakh (Previous year ₹ Nil).

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

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Not later than 1 year	680	2,180
Later than 1 year but not later than 5 years	966	13,107
Later than 5 years	-	30,000
Total	1,646	45,287

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

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

(a) Expenses recognised in the Statement of Profit and Loss are as follows: (₹ in Lakh)

Particulars	Gratuity		Leave	
	31st March, 2012	31st March, 2011	31st March, 2012	31st March, 2011
Current service cost	57	41	79	107
Interest cost	15	9	8	6
Expected return on plan assets	(9)	(7)	-	-
Past Service Cost	-	10	-	-
Net actuarial losses / (gains)	(2)	30	41	25
Net benefit expense	61	83	128	138
Actual return on plan assets	9.15%	9.15%	N.A.	N.A.

(b) Net Liability recognised in the Balance Sheet is as follows: (₹ in Lakh)

Particulars	Gratuity		Leave	
	31st March, 2012	31st March, 2011	31st March, 2012	31st March, 2011
Defined benefit obligation	228	190	255	183
Fair value of plan assets	(108)	(101)	-	-
Net liability	120	89	255	183
- Non-Current	120	89	215	160
- Current	-	-	40	23

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

Particulars	Gratuity		Leave	
	31st March, 2012	31st March, 2011	31st March, 2012	31st March, 2011
Opening defined benefit obligation	190	100	183	104
Interest cost	15	9	8	6
Current service cost	57	41	79	107
Benefit paid	(32)	-	(56)	(59)
Actuarial losses / (gains)	(2)	30	41	25
Plan Amendments	-	10	-	-
Closing defined benefit obligation	228	190	255	183

10 Lakh is equal to 1 Million

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

Particulars	Gratuity	
	31st March, 2012	31st March, 2011
Opening fair value of plan assets	101	69
Expected return on plan assets*	9	7
Contribution by the Company	30	25
Benefits paid	(32)	-
Actuarial (losses) / gains	(0)	0
Closing fair value of plan assets	108	101

* Determined based on government bond rate

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

Particulars	31st March, 2012	31st March, 2011
Discount rate (%)	8.70%	8.40%
Return on Plan Assets (Gratuity Scheme)	9.15%	9.15%
Mortality Rate	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate

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

Particulars	Gratuity					Leave	
	31st March, 2012	31st March, 2011	31st March, 2010	31st March, 2009	31st March, 2008	31st March, 2012	31st March, 2011
Defined benefit obligation	228	190	100	59	36	255	183
Fair value of plan assets	108	101	69	41	15	-	-
Deficit	120	89	31	18	21	255	183
Experience adjustments on plan liabilities – gain / (loss)	(6)	(32)	0	0	(22)	(47)	(26)
Experience adjustments on plan assets – gain / (loss)	(0)	0	(1)	(1)	(6)	-	-
Actuarial gain / (loss) due to change on assumptions	9	2	4	5	5	5	1

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

(h) The amount provided for defined contribution plan is as follows: (₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Provident fund	200	143
Employee state insurance	1	1
Total	201	144

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

35. Related Party Disclosures

Related Parties:

Subsidiaries & Step-down Subsidiaries:	Country of Origin
Srei Capital Markets Limited	India
Srei Venture Capital Limited	India
Srei Infrastructure Advisors Limited	India
Global Investment Trust Limited	India
Controlla Electrotech Private Limited	India
Srei Mutual Fund Asset Management Private Limited	India
Srei Mutual Fund Trust Private Limited	India
IIS International Infrastructure Services GmbH, Germany	Germany
Srei Forex Limited	India
Srei Insurance Broking Private Limited (Subsidiary w.e.f. 31.03.2012)	India
Srei Sahaj e-Village Limited	India
Bengal Srei Infrastructure Development Limited (Subsidiary of Srei Infrastructure Advisors Limited)	India
Quippo Infocomm Limited (ceased to be a subsidiary of Srei Infrastructure Advisors Limited w.e.f 16.07.2011)	India
Hyderabad Information Technology Venture Enterprises Limited (Subsidiary of Srei Venture Capital Limited)	India
Cyberabad Trustee Company Pvt. Limited (Subsidiary of Srei Venture Capital Limited)	India
ZAO Srei Leasing, Russia (Subsidiary of IIS International Infrastructure Services GmbH, Germany)	Russia
Srei Advisors Pte Limited, Singapore (Subsidiary of IIS International Infrastructure Services GmbH, Germany)	Singapore
Quippo Valuers and Auctioneers Private Limited	India
Quippo Oil & Gas Infrastructure Limited	India
Quippo Energy Private Limited	India
Quippo Construction Equipment Limited	India
Mumbai Futuristic Economic Zone Private Limited	India
Quippo Prakash Marine Holdings Pte. Limited (Subsidiary of Quippo Oil & Gas Infrastructure Limited)	Singapore
Quippo Prakash Pte. Limited (Subsidiary of Quippo Prakash Marine Holdings Pte. Limited)	Singapore
Quippo Holding Cooperatief U.A. (Subsidiary of Quippo Oil & Gas Infrastructure Limited, liquidated on 13.02.2012)	Netherlands
Quippo International B.V. (Subsidiary of Quippo Holding Cooperatief U.A., liquidated on 13.02.2012)	Netherlands
Quippo Energy Middle East Limited (Subsidiary of Quippo Energy Private Limited)	Dubai
Quippo Energy Yemen Limited (Subsidiary of Quippo Energy Private Limited)	Yemen
Kasco Steel Limited(ceased to be a subsidiary of Quippo Construction Equipment Limited w.e.f. 22.09.2011)	India
Quippo Mara Infrastructure Limited (Subsidiary of Quippo International B.V., Ceased to be Sub-subsidiary w.e.f. 13.02.2012 on account of liquidation of its holding company)	British Virgin Islands
Quippo Mauritius Private Limited (Subsidiary of Quippo Energy Private Limited w.e.f. 05.03.2012)	Mauritius
Quippo Energy Nigeria Private Limited (Subsidiary of Quippo Mauritius Private Limited w.e.f. 22.03.2012)	Nigeria

Joint Venture:	Country of Origin
Srei Equipment Finance Private Limited	India

Trusts:	Country of Origin
Srei Mutual Fund Trust	India
Srei Growth Trust	India

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

Key Management Personnel (KMP):	
Name	Designation
Hemant Kanoria	Chairman & Managing Director
Saud Ibne Siddique	Joint Managing Director
Sanjeev Sancheti	Chief Financial Officer

Enterprises over which KMP and their relatives have significant influence
Viom Networks Limited (w.e.f. 18.11.2011)

Summary of Transactions with Related Parties

(₹ in Lakh)

Name of related party & Nature of relationship	Nature of Transactions & Outstanding balances	2011 - 12	2010 - 11
(A) Subsidiaries:			
Srei Sahaj e-Village Limited	Loan Advanced	14,550	8,690
	Refund of Loan Advanced	11,992	4,380
	Interest Received on Loan	1,479	1,173
	Recovery of Rent	20	20
	Rent Received	23	-
	Recovery of Bank Guarantee Charges	13	11
	Bank Guarantee Arranged	-	45
	Bank Guarantee Closed	-	2,617
	Purchase of Services	9	-
	Equity Contribution	-	900
	Guarantee in the form of Put option to bank against Loan facility	6,000	-
	Corporate Guarantee issued by the Company - Closed	2,981	-
	Corporate Guarantee issued by the Company - Outstanding	-	2,981
	Balance Receivable - Loan	13,753	11,195
	Balance Receivable - Interest accrued but not due	72	103
	Balance Payable - Purchase of Services	9	-
	Outstanding Guarantee in the form of Put option to bank against Loan facility	6,000	-
Srei Capital Markets Limited	Loan Advanced	120	20
	Refund of Loan Advanced	30	209
	Interest Received on Loan	2	-
	Consultancy Fees Paid	10	-
	Balance Receivable - Loan	90	-
	Balance Receivable - Interest accrued but not due	2	-
Srei Venture Capital Limited	Loan given	-	6
	Refund of Loan Advanced	-	6
	Interest Received on Loan	-	0.20
	Advance given	400	-
	Balance Receivable - Advance	400	-

10 Lakh is equal to 1 Million

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

(₹ in Lakh)

Name of related party & Nature of relationship	Nature of Transactions & Outstanding balances	2011 - 12	2010 - 11
	Balance Receivable - Others	23	-
	Purchase of units of Trust	270	-
Srei Infrastructure Advisors Limited	Loan advanced	-	1
	Refund of Loan Advanced	2	8
	Interest Received on Loan	0.11	0.25
	Business Auxiliary Services rendered	0.12	1
	Balance Receivable - Loan	-	2
Bengal Srei Infrastructure Development Limited	Loan advanced	182	33
	Refund of Loan Advanced	150	-
	Interest Received on Loan	22	18
	Balance Receivable - Loan	182	150
	Balance Receivable - Interest accrued but not due	17	-
Srei Forex Limited	Loan advanced	0.20	0.20
	Business Auxiliary Services rendered	0.05	0.05
	Loan write off	0.20	0.20
Srei Mutual Fund Asset Management Private Limited	Subscription to Equity Shares	200	1,090
	Deposit Received	395	1,000
	Deposit Refunded	265	40
	Interest on Deposit Paid	85	52
	Balance Payable - Deposit	1,090	960
	Balance Payable - Interest accrued but not due	6	-
Controlla Electrotech Private Limited	Security deposit Refund received	-	11
	Rent Paid	8	8
	Business Auxiliary Services rendered	0.05	0.05
	Balance Receivable - Deposit	2,400	2,400
	Corporate Guarantee issued by Subsidiary - Outstanding	2,500	-
Quippo Infocomm Limited (ceased to be a subsidiary of Srei Infrastructure Advisors Limited w.e.f 16.07.2011)	Loan advanced	100	235
	Interest Received on Loan	10	14
	Balance Receivable - Loan	-	235
	Balance Receivable - Interest accrued but not due	-	13
Quippo Energy Private Limited	Deposit Received	480	55
	Deposit Refunded	1,145	-
	Rent Received	246	31
	Balance Received - Others	17	-
	Interest on Deposit	9	15
	Buyers Credit on LC facility arranged by the Company	1,917	1,081
	Buyers Credit Facility Charges	22	4
	Suppliers Credit on LC facility arranged by the Company - Closed	1,847	-

10 Lakh is equal to 1 Million

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

(₹ in Lakh)

Name of related party & Nature of relationship	Nature of Transactions & Outstanding balances	2011 - 12	2010 - 11
	Balance Payable - Deposit	165	830
	Balance Payable - Interest accrued but not due	-	13
	Buyers Credit outstanding on LC facility arranged by the Company	3,217	1,081
	Suppliers Credit outstanding on LC facility arranged by the Company	-	1,847
	Corporate Guarantee issued by the Company - Outstanding	5,495	5,495
	Balance Receivable	-	17
Quippo Oil & Gas Infrastructure Limited	Loan advanced	4,425	100
	Refund of Loan Advanced	500	97
	Rent Received	1,514	-
	Interest Received on Loan	773	362
	Guarantee in the form of Put Option to Bank against loan facility	4,000	-
	Bank Guarantee Closed	308	-
	Balance Receivable - Loan	8,835	4,910
	Balance Receivable - Others	132	-
	Bank Guarantee Outstanding	-	308
	Corporate Guarantee issued by the Company Outstanding	1,900	- 1,900
	Outstanding Guarantee in the form of Put option to bank against Loan facility	4,000	-
Quippo Construction Equipment Limited	Loan advanced	5,850	350
	Refund of Loan Advanced	5,411	-
	Interest Received on Loan	1,994	1,651
	LC facility charges	23	-
	Suppliers Credit on LC facility arranged by the Company	15,545	-
	Suppliers Credit on LC facility arranged by the Company closed during the year	8,174	-
	Suppliers Credit outstanding on LC facility arranged by the Company	7,096	-
	Balance Receivable - Loan	17,052	16,579
	Balance Payable - Interest accrued but not due	-	325
	Corporate Guarantee issued by the Company - Outstanding at year end	3,006	-
Quippo Valuers and Auctioneers Private Limited	Deposit Received	50	-
	Deposit Refunded	200	-

10 Lakh is equal to 1 Million

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

(₹ in Lakh)

Name of related party & Nature of relationship	Nature of Transactions & Outstanding balances	2011 - 12	2010 - 11
	Interest on Deposit Paid	16	14
	Business Auxiliary Services rendered	60	-
	Balance Payable - Deposit	-	150
Mumbai Futuristic Economic Zone Private Limited	Deposit Received	145	-
	Deposit Refunded	145	-
	Loan advanced	1,894	4,303
	Interest on Deposit Paid	1	-
	Interest Received on Loan	1,550	619
	Balance Receivable - Loan	11,989	10,095
	Balance Receivable - Interest accrued but not due	75	52
IIS International Infrastructure Services GmbH	Loan advanced	462	-
	Refund of Loan Advanced	229	-
	Interest Received on Loan	12	-
	Balance Receivable - Loan	238	-
	Balance Receivable - Interest accrued but not due	2	-
	Balance Receivable - Others	38	-
Hyderabad Information Technology Venture Enterprises Limited	Consultancy Fees Received	2	-
(B) Joint Venture:			
Srei Equipment Finance Private Limited	Security Deposit received	54	669
	Security Deposit paid	-	7
	Security Deposit refund received	50	96
	Security Deposit refunded	7	-
	Advance paid	-	270
	Refund of advance received	-	270
	Rent paid	-	211
	Rent received	1,388	999
	Balance Payable - Security Deposit	1,425	1,421
	Balance Receivable - Security Deposit	-	7
	Equity Contribution	4,991	-
	Purchase of Investment	143	-

10 Lakh is equal to 1 Million

Schedules to the Balance Sheet and Profit and Loss Account

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 & Outstanding balances	2011 - 12	2010 - 11
(C) Trusts:			
Srei Growth Trust	Contribution to corpus	0.25	0.25
	Income Received	364	-
	Dividend Paid	364	-
Srei Mutual Fund Trust	Contribution to corpus	1	1
(D) Key Management Personnel:			
Hemant Kanoria	Remuneration	163	178
	Commission	60	60
	Dividend paid	3	3
Saud Ibne Siddique	Remuneration	339	325
Kishore Kumar Mohanty	Remuneration	-	76
(Upto 31.01.2011)	Dividend paid	-	2
Sanjeev Sancheti	Remuneration	73	66
	Loan advanced	5	-
	Refund of Loan Advanced	4	-
	Interest received on Loan	0.21	-
	Balance Receivable - Loan	1	-
(E) Enterprises over which KMPs and their relatives have significant influence:			
Viom Networks Limited	Deposit Received	76	-
(w.e.f. 18.11.2011)	Rent received	306	-
	Balance Receivable - Others	6	-
	Balance Payable - Deposit	660	-

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

37. Loans & Advances include Loan of ₹ 3,175 lakh (Previous year ₹ 1,199 lakh) due from a private company having at least one common director with the Company.

38. Details of loans / advances to Subsidiary Companies:

(₹ in Lakh)

Name of the Company	Maximum Amount Outstanding during		Amount Outstanding as at 31st March,	
	2011 - 12	2010 - 11	2012*	2011
Srei Capital Markets Limited	90	216	90	-
Srei Sahaj e-Village Limited	14,324	11,356	13,753	11,195
Srei Infrastructure Advisors Limited	2	9	-	2
Bengal Srei Infrastructure Development Limited	182	150	182	150
Controlla Electrotech Private Limited	2,400	2,411	2,400	2,400
Srei Forex Limited	0.20	0.20	-	-
Srei Venture Capital Limited	423	6	423	-
Quippo Energy Private Limited	3,217	1,098	3,217	1,098
Quippo Infocomm Limited	335	235	-	235
Quippo Oil & Gas Infrastructure Limited	8,967	5,007	8,967	4,910
Quippo Construction Equipment Limited	18,401	16,604	17,052	16,579
Mumbai Futuristic Economic Zone Private Limited	13,508	10,095	11,989	10,095
IIS International Infrastructure Services GmbH	481	-	276	-

* Refer Note 35

The outstanding Loans and Advances are interest bearing except that of Controlla Electrotech Private Limited and Srei Venture Capital Limited.

10 Lakh is equal to 1 Million

Schedules to the Balance Sheet and Profit and Loss Account

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS (Contd.)

39. Disclosure in respect of Company's Joint Venture in India pursuant to Accounting Standard 27 'Financial Reporting of Interest in Joint Ventures' :

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	31st March, 2012	31st March, 2011
Current & Non-Current Liabilities	574,106	435,940
Current & Non-Current Assets	644,187	491,183
Contingent Liabilities	9,583	12,090
Capital Commitments (Net of Advances)	2,091	3,530

Particulars	2011 - 12	2010 - 11
Income	91,058	62,086
Expenses (Including Depreciation & Taxation)	81,210	55,541

40. Information as required by Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 is furnished vide Annexure – II and III attached herewith.
41. As notified by the Ministry of Corporate Affairs of the Government of India, revised Schedule VI under the Companies Act, 1956 is applicable to all financial statements for the financial year commencing on or after 1st April, 2011. Accordingly, the financial statements for the year ended 31st March, 2012 are prepared in accordance with the aforesaid revised Schedule VI.
42. Figures pertaining to the previous year have been rearranged / regrouped, reclassified and restated, wherever necessary, to make them comparable with those of current year.

Signatories to Notes 1 to 42

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

On behalf of the Board of Directors

Anand Kumar Jhunjhunwala
Partner
Membership No. 056613

Hemant Kanoria
Chairman & Managing Director

Salil K. Gupta
Chief Mentor & Director

Place : Kolkata
Date : 14th May, 2012

Sandeep Lakhotia
Company Secretary

10 Lakh is equal to 1 Million

ANNEXURE I TO NOTES TO FINANCIAL STATEMENTS

Stock for Trade as at 31st March, 2012

Equity Shares: Trade	Face Value	Quantity	Cost	Value
	(₹)	(Nos.)	(₹ in Lakh)	
Bala Techno Industries Ltd.	10	5000	1	-
Hotline Glass Ltd.	10	110609	12	-
Kamala Tea Co. Ltd.	10	25000	11	11
Shanghi Polyesters Ltd.	10	2000	0@	-
IDBI Bank	10	60000	104	63
Karur Vysya Bank	10	6259	26	23
Can Fin Homes Ltd.	10	132201	211	149
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 Limited	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#
			365	246
Less: Provision for diminution			119	
Total			246	

@ Book value ₹ 19,800;

* Book value ₹ 1; # Valued at ₹ 1

10 Lakh is equal to 1 Million

ANNEXURE II TO NOTES TO FINANCIAL STATEMENTS (Refer Note 40)

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, 2012	31st March, 2011
i)	CRAR (%)	20.17	29.36
ii)	CRAR – Tier I Capital (%)	14.59	25.13
iii)	CRAR – Tier II Capital (%)	5.58	4.23

2. Exposure to Real Estate Sector

(₹ in Lakh)

Category		31st March, 2012	31st March, 2011
a)	Direct exposure		
i)	Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to ₹ 15 lakh may be shown separately)	-	-
ii)	Commercial Real Estate - Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non- fund based (NFB) limits;	-	-
iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
	a) Residential	-	-
	b) Commercial Real Estate	-	-
b)	Indirect exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-

3 Asset Liability Management

Maturity pattern of certain items of assets and liabilities as at 31st March, 2012 are as follows;

(₹ in Lakh)

Particulars	1 day to 30 / 31 days (one month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings from Banks	78,864	13,941	73,068	153,401	155,877	156,693	101,231	39,717	772,792
Market Borrowings	223	2,436	1	2,664	17,875	42,203	65,273	15,738	146,413
Assets									
Advances (refer note - 2 below)	74,745	19,438	74,874	242,453	205,112	149,266	101,515	45,912	913,315
Investments (including Current Investments & Stock for trade)	2,446	-	-	-	-	490	-	261,723	264,659

Notes:

1 The borrowings indicated above do not include unsecured subordinated bonds amounting to ₹ 65,527 lakh, since the same forms a part of Tier II Capital.

2 Advances represent the maturity pattern of loan assets and rentals on operating lease assets.

3 The maturity pattern of working capital facilities sanctioned by the banks has been apportioned in ratio to the maturity pattern of Advances.

10 Lakh is equal to 1 Million

ANNEXURE III TO NOTES TO FINANCIAL STATEMENTS (Refer Note 40)

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 Liabilities Side:		Amount Outstanding	Amount Overdue
1	**Loans and advances availed by the non - banking financial company inclusive of interest accrued thereon but not paid:**		
(a)	Debentures / Bonds:		
	Secured	72,061	-
	Unsecured (Other than falling within the meaning of public deposit)	66,519	-
(b)	Deferred Credits	-	-
(c)	Term Loans	324,093	-
(d)	Inter - corporate loans and borrowing	16,635	-
(e)	Commercial Papers	65,758	-
(f)	Other Loans:		
	Working capital facility	446,519	-
	Public Deposit	57	38

(₹ in Lakh)

Assets Side:		Amount Outstanding
2	**Break-up of Loans and Advances including bills receivables [other than those included in (3) below]:**	
	(a) Secured	878,439
	(b) Unsecured	59,313
3	**Break-up of Leased Assets and Stock on Hire and other assets counting towards AFC activities**	
	(a) Financial assets	-
	(b) Assets and advance for Operating Lease	-
	(c) Repossessed Assets	-
4	**Break up of Investments**	
	Current Investments*	
	1 Quoted:	
	(i) Shares: Equity	235
	(ii) Debentures and bonds	-
	(iii) Units of mutual funds	-
	(iv) Government Securities	-
	(v) Others	-
	2 Unquoted:	
	(i) Shares: Equity	11
	(ii) Debentures and bonds	2,200
	(iii) Units of mutual funds	-
	(iv) Government Securities	-
	(v) Others	-
	Long-Term investments	
	1 Quoted:	
	(i) Shares: Equity	386
	(ii) Debentures and bonds	-
	(iii) Units of mutual funds	0.24
	(iv) Government Securities	104
	(v) Others	-

* Including Stock for Trade

10 Lakh is equal to 1 Million

ANNEXURE III TO NOTES TO FINANCIAL STATEMENTS (Refer Note 40)

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	196,597
(b) Preference	-
(ii) Debentures, bonds / units	
(iii) Units of mutual funds	-
(iv) Government Securities	0.15
(v) Others (Investment in Funds & Trust)	65,126

5 Borrower group-wise classification of assets financed as in (2) and (3) above:

(₹ in Lakh)

Category	Amount net of provisions		
	Secured	Unsecured	Total
1 Related Parties			
(a) Subsidiaries	54,846	3,349	58,195
(b) Companies in the same group	-	-	-
(c) Other related parties	-	-	-
2 Other than related parties	823,593	55,964	879,557
Total	878,439	59,313	937,752

6 Investor group wise classification of all investments (current and long-term) in shares and securities (both quoted and unquoted):

(₹ in Lakh)

Category	Market Value / Break up or fair value or NAV	Book Value (net of provisions)
1 Related Parties		
(a) Subsidiaries	46,067	46,067
(b) Companies in the same group	7,491	7,491
(c) Other related parties	140,329	140,329
2 Other than related parties	70,941	70,772
Total	264,828	264,659

7 Other Information:

(₹ in Lakh)

Particulars	Amount
i. Gross Non-Performing Assets	
(a) Related Parties	-
(b) Other than related Parties	10,997
ii. Net Non-Performing Assets	
(a) Related Parties	-
(b) Other than related Parties	9,897
iii. Assets acquired in satisfaction of debt	-

10 Lakh is equal to 1 Million

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"), it's subsidiaries (including their subsidiaries, associate and joint ventures), trusts, and jointly controlled entity (including its subsidiary) [the Company, it's subsidiaries, associate, trusts and jointly controlled entity collectively referred to as "the Group"] as at 31st March, 2012, the Consolidated Statement of Profit and Loss 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, associate and joint ventures) and trusts whose financial statements reflect total net assets of ₹ 83,629 lakhs as at 31st March, 2012, total net revenues of ₹ 27,268 lakhs and net cash outflows of ₹ 2,111 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 it's subsidiary) in whose financial statements the Group's share of profit is ₹ 9,862 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, associate and joint ventures), trusts and the jointly controlled entity (including it's subsidiary), is based solely on the reports of the other auditors except for in case of two foreign sub-subsidiaries where reliance has been placed on the management accounts for the 3 month period ended 31st March, 2012, in case of three joint ventures of subsidiaries, two trusts, two sub-subsidiaries (ceased with effect from 16th July, 2011 and 22nd September, 2011 respectively) and two sub-subsidiaries 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), Accounting Standard 23, (Accounting for Investments in Associates in 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, it's aforesaid subsidiaries (including their subsidiaries, associate and joint ventures), trusts and jointly controlled entity (including it's 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, 2012;

(b) in the case of the Consolidated Statement of Profit and Loss, 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's Registration No.103523W)

Anand Kumar Jhunjhunwala
Partner
Membership No. 056613

Place : Kolkata
Date : 14th May, 2012

Consolidated Balance Sheet as at 31st March, 2012

(₹ in Lakh)

	Note	As at 31st March, 2012	As at 31st March, 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	50,324	50,324
Reserves and Surplus	3	267,543	256,482
		317,867	306,806
Minority Interests		9,128	7,379
Non-Current Liabilities			
Long-Term Borrowings	4	572,758	423,601
Deferred Tax Liabilities (Net)		14,053	10,150
Other Long-Term Liabilities	5	7,141	4,397
Long-Term Provisions	6	12,391	9,423
		606,343	447,571
Current Liabilities			
Short-Term Borrowings	7	821,218	407,149
Trade Payables	8	43,849	29,173
Other Current Liabilities			
- Current Maturities of Long-Term Borrowings	4	197,609	168,634
- Others	9	21,037	17,185
Short-Term Provisions	10	3,326	7,840
		1,087,039	629,981
		2,020,377	1,391,737
ASSETS			
Non-Current Assets			
Fixed Assets	11		
- Tangible Assets		186,911	144,587
- Intangible Assets		1,594	1,591
- Capital work in Progress		19,021	7,762
Goodwill		43,988	42,534
Deferred Tax Assets (Net)		3,183	3,583
Non-Current Investments	12.1	210,051	203,144
Long-Term Loans and Advances			
- Financial Assets	13	307,896	246,231
- Loan Assets	14	223,457	168,655
- Other Long-Term Advances	15	9,984	22,803
Other Non-Current Assets	16	46,474	25,726
		1,052,559	866,616
Current Assets			
Inventories		1,318	1,692
Current Investments	12.2	2,200	-
Trade Receivables	17	34,691	23,361
Cash and Bank Balances	18	40,877	16,898
Short-Term Loans and Advances			
- Financial Assets	13	40,544	46,565
- Loan Assets	14	44,463	53,714
- Other Advances	19	28,939	8,894
Other Current Assets			
- Current Maturities of Long-Term Financial Assets	13	158,807	136,398
- Current Maturities of Long-Term Loan Assets	14	584,748	232,056
- Other Current Assets	20	31,231	5,543
		967,818	525,121
		2,020,377	1,391,737
Significant Accounting Policies and Notes to Consolidated Financial Statements	1 to 35		

The Notes 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
(Firm's Registration No. 103523W)

On behalf of the Board of Directors

Anand Kumar Jhunjhunwala
Partner
Membership No. 056613

Hemant Kanoria
Chairman & Managing Director

Salil K. Gupta
Chief Mentor & Director

Sandeep Lakhotia
Company Secretary

Place : Kolkata
Date : 14th May, 2012

10 Lakh is equal to 1 Million

Consolidated Statement of Profit and Loss for the year ended 31st March, 2012

(₹ in Lakh)

	Note	Year ended 31st March, 2012	Year ended 31st March, 2011
INCOME			
Revenue from Operations	21	243,390	163,167
Other Income	22	1,243	642
Total		244,633	163,809
EXPENSES			
Finance Cost	23	156,503	83,008
Employee Benefit Expenses	24	17,180	12,344
Administrative and Other Expenses	25	22,318	19,311
Depreciation / Amortisation and Impairment Expense	11	16,503	12,409
Total		212,504	127,072
Profit before Bad Debts, Provisions & Tax		32,129	36,737
Bad Debts / Advances written off (net of recovery)		5,121	3,507
Provision for Bad & Doubtful Debts		367	485
Provision for Non-Performing Assets		1,795	1,612
Contingent Provisions against Standard Assets		1,169	2,236
		8,452	7,840
Profit Before Tax		23,677	28,897
Tax Expense :			
- Current Tax		5,466	8,267
- MAT Credit Entitlement		(189)	(94)
- Deferred Tax		3,674	(203)
Total Tax for current year		8,951	7,970
Profit After Tax for current year		14,726	20,927
Income tax in respect of earlier years		2,411	1,309
Profit After Tax Before Minority Interests		12,315	19,618
Minority Interests		1,134	1,694
Net Profit		11,181	17,924
Pre Acquisition Profit / (Loss)		-	474
Minority Interest of Pre Acquisition Profit / (Loss)		(39)	(474)
Profit After Tax After Adjustment Of Minority Interests		11,142	17,924
Earnings per Equity Share (Basic and Diluted) (in ₹)	26	2.22	7.74
(Par Value ₹ 10/- per Equity Share)			
Significant Accounting Policies and Notes to Consolidated Financial Statements	1 to 35		

The Notes referred to above form an integral part of the Statement of Profit and Loss

This is the Statement of Profit and Loss referred to in our report of even date.

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

Anand Kumar Jhunjhunwala
Partner
Membership No. 056613

Place : Kolkata
Date : 14th May, 2012

On behalf of the Board of Directors

Hemant Kanoria
Chairman & Managing Director

Salil K. Gupta
Chief Mentor & Director

Sandeep Lakhotia
Company Secretary

10 Lakh is equal to 1 Million

Consolidated Cash Flow Statement for the year ended 31st March, 2012

(₹ in Lakh)

	31st March, 2012	31st March, 2011
A. Cash Flows from Operating Activities		
Net Profit Before Tax	23,677	28,897
Adjustment for:		
Depreciation / Amortisation and Impairment	16,503	12,409
Bad Debts / Advances written off (net of recovery)	5,121	3,507
Provision for Bad & doubtful debts	367	485
Contingent Provision against Standard Assets	1,169	2,236
Provision for Non-Performing Assets	1,795	1,612
Provision for Premium on Unsecured Subordinated Bonds	88	88
Loss on sale of Fixed Assets (net)	556	943
Finance Cost	156,503	82,920
Income from Trade Investments	-	(70)
Miscellaneous Expenditure written off	43	228
Liabilities No Longer Required written back	229	(113)
Investment written off	12	-
Fixed Assets written off	3	-
Dividend Income	(48)	(46)
Provision for Diminution in value of Stock for Trade	16	90
Provision for Diminution in value of Investments	-	45
Operating Profit before Working Capital Changes	206,034	133,231
Adjustments for:		
(Increase) / Decrease in Receivables / Others	(463,900)	(116,925)
(Increase) / Decrease in Stock for Trade	374	(583)
(Increase) / Decrease in Financial & Loan Assets	(61,666)	(106,058)
(Increase) / Decrease in Fixed Deposit (Deposit with original maturity period of more than three months)	(26,860)	(4,722)
(Decrease) / Increase in Trade Payables	16,374	(4,866)
Cash Generated from Operations	(329,644)	(99,923)
Interest Paid	(151,490)	(80,515)
Direct Taxes Paid	(14,357)	(5,809)
Net Cash (Used in) / Generated from Operating Activities	(495,491)	(186,247)
B. Cash Flows from Investing Activities		
Purchase of Fixed Assets	(71,671)	(56,989)
Proceeds from Sale of Fixed Assets	1,023	948
(Increase) / Decrease in Investments (net)	(8,421)	(14,242)
Income from Trade Investments	-	70
Dividend Received	48	46
Net Cash (Used) / Generated in Investing Activities	(79,021)	(70,167)
C. Cash Flows from Financing Activities		
Increase / (Decrease) in Debentures (net)	125,335	2,960
Increase / (Decrease) in Working Capital facilities (net)	340,692	212,612
Increase / (Decrease) in Other Loans (net)	126,612	37,902
Dividend Paid	(3,745)	(1,393)
Dividend Tax Paid	(613)	(232)
Net Cash (Used) / Generated in Financing Activities	588,281	251,849
Net Increase / (Decrease) in Cash & Cash Equivalents	13,769	(4,565)
Cash & Cash Equivalents at the beginning of the year	10,647	12,701
Add: Cash & Cash Equivalents acquired on Amalgamation	-	2,511
Cash & Cash Equivalents at the end of the year	24,416	10,647

Explanations: -

1. 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
2. Previous year's figures have been regrouped / reclassified 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
(Firm's Registration No. 103523W)

Anand Kumar Jhunjhunwala
Partner
Membership No. 056613

Place : Kolkata
Date : 14th May, 2012

On behalf of the Board of Directors

Hemant Kanoria
Chairman & Managing Director

Salil K. Gupta
Chief Mentor & Director

Sandeep Lakhotia
Company Secretary

10 Lakh is equal to 1 Million

Srei Infrastructure Finance Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Significant Accounting Policies

1.1 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. The accounting policies applied by the Company are consistent with those applied in the previous year except as otherwise stated elsewhere.

Presentation and disclosure in Consolidated Financial Statements

During the year ended 31st March, 2012, the revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company for preparation and presentation of its financial statements. Except accounting for dividend on investment in subsidiary, the adoption of new Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

Operating Cycle

As per the revised Schedule VI, *"An operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents"*.

For the company, there is generally no clearly identifiable normal operating cycle and hence the normal operating cycle for the company is assumed to have a duration of 12 months.

Current and Non-Current Asset

An asset is classified as 'current' when it satisfies any of the following criteria:

- it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle; or
- it is held primarily for the purpose of being traded; or
- it is expected to be realised within twelve months after the reporting date; or
- it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as 'non-current'.

Current and Non-Current Liability

A liability is classified as 'current' when it satisfies any of the following criteria:

- it is expected to be settled in the Company's normal operating cycles; or
- it is held primarily for the purpose of being traded; or
- it is due to be settled within twelve months after the reporting date; or
- the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

All other liabilities are classified as 'non-current'.

1.2 Use of estimates

The preparation of consolidated financial statements requires the management to make estimates and assumptions which are 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 the 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.

1.3 Principles of Consolidation

Srei Infrastructure Finance Limited (the Holding Company) and its subsidiaries (including their subsidiaries, associate and joint ventures), trusts 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 consolidated 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.

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.

1.4 Fixed Assets, Depreciation / Amortisation and Impairment

i) 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.

ii) Depreciation / Amortisation

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

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

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
I	Assets for Own Use	
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
II	Assets for Operating Lease	
viii)	Aircrafts	9 - 18 years
ix)	Earthmoving Equipment	3 - 9 years
x)	Motor Vehicles	3 - 6 years
xi)	Plant & Machinery	10 - 30 years
xii)	Computers	3 - 6 years
xiii)	Furniture & Fixture	3 - 16 years

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

Depreciation / Amortisation on assets purchased / sold during the reporting period 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.

iii) 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.

1.5 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.

1.6 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. These form part of the borrowing costs.

Borrowing costs also include exchange differences arising from Foreign currency borrowings, to the extent they are regarded as an adjustment to the borrowing costs.

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

1.7 Operating Leases

Assets given on operating leases are included in fixed assets. 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 Statement of Profit and Loss as they are incurred.

1.8 Investments

Investments that are intended to be held for not more than a year are classified as current investments. All other investments are classified as non-current investments. Current investments are carried at lower of cost and market price determined category-wise. All non-current 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.

1.9 Stock for Trade

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

1.10 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.

1.11 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.

1.12 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. Provision for doubtful debtors towards fee based income is also made on similar basis.

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.

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.

1.13 Foreign Currency Transactions

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

i) Initial Recognition

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

ii) Conversion

Year end 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 prevailing at the date when the values were determined.

iii) 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 year or reported in previous consolidated financial statements and / or on conversion of monetary items, are recognised as income or expense in the year in which they arise. Exchange differences arising out of foreign currency borrowings are considered as an adjustment to interest cost and recognised in accordance to para 1.6 above.

iv) 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 year 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 year in which it is cancelled or renewed.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

v) 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 Statement of Profit and Loss. Net gains are ignored as a matter of prudence.

1.14 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.

i) Income from Financial Assets, Loans and Leases:

Income from Financial assets, Loans and Leases are recognised in the Statement of Profit and Loss 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 RBI, applicable to NBFCs.

a) Interest income from financial and 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 lease term or other systematic basis which is more representative of the time pattern of the users benefit.

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, if any, 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 'Revenue from Operations'.

ii) 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.

iii) 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.

iv) 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.

v) 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.

vi) Other Operating Income

a) Income from Dividend of shares of corporate bodies is accounted when the Company's right to receive the dividend is established.

b) Income from investment in units of Funds is recognised on cash basis as per the Prudential Norms of RBI.

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 non-current and current investments 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.

1.15 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 reporting period, are charged to the Statement of Profit and Loss.

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 Statement of Profit and Loss and are not deferred.

1.16 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 Statement of Profit and Loss and shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

1.17 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.

1.18 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 to financial statements. Contingent Assets are neither recognised nor disclosed in the consolidated financial statements.

1.19 Cash and Cash Equivalents

Cash and cash equivalents in the Cash Flow Statement comprises of cash on hand, cash at Bank, demand deposits with banks, cheques on hand, remittances in transit and short-term highly liquid investments with an original maturity of three months or less.

1.20 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.

1.21 Assets under Management

Contracts securitised, assigned or co-branded are derecognised from the books of accounts. Contingent liabilities thereof, if any, are disclosed separately in the notes to consolidated financial statements.

1.22 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.

1.23 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.

1.24 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.

Notes To Consolidated Financial Statements

2. SHARE CAPITAL

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Authorised		
Equity Shares, ₹ 10/- par value per share 710,000,000 (31st March, 2011: 710,000,000) Equity Shares	71,000	71,000
Preference Shares, ₹ 100/- par value per share 10,000,000 (31st March, 2011: 10,000,000) Preference Shares	10,000	10,000
	81,000	81,000
Issued and Subscribed		
Equity Shares, ₹ 10/- par value per share 503,559,160 (31st March, 2011: 503,559,160) Equity Shares	50,356	50,356
Fully Paid-up		
Equity Shares, ₹ 10/- par value per share 503,086,333[1] (31st March, 2011: 503,086,333) Equity Shares	50,309	50,309
Forfeited Shares (472,827 Equity Shares)	15	15
	50,324	50,324

[1] Includes 21,600 shares represented by 5,400 Global Depository Receipts (GDRs) issued vide Prospectus dated 18.04.2005.

10 Lakh is equal to 1 Million

3. RESERVES AND SURPLUS

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Capital Reserves		
Opening balance	2,104	1,979
Add: Addition during the year	36	125
Closing balance	2,140	2,104
Securities Premium Reserve		
Opening balance	60,309	69,574
Add: Addition during the year	1,275	27
Less: Issuance of Bonus shares	-	(9,292)
Closing balance	61,584	60,309
Bond / Debt Redemption Reserve:		
Opening balance	10,531	6,303
Add: Addition during the year	7,934	5,323
Less: Transfer to Surplus, on repayment of Bond / Debt	(1,108)	(1,095)
Closing balance	17,357	10,531
Special Reserve (Reserve Fund as per Section 45-IC of the Reserve Bank of India Act, 1934)		
Opening balance	16,461	12,463
Add: Addition during the year	3,139	3,998
Closing balance	19,600	16,461
General reserve		
Opening balance	136,803	1,737
Add: Addition on account of Amalgamation	-	137,870
Add: Addition during the year	-	2
Add / (Less): Adjusted during the year	4	(2,806)
Closing balance	136,807	136,803
Foreign Currency Translation Reserve		
Opening balance	(65)	(336)
Add: Addition during the year	1,195	271
Closing balance	1,130	(65)
Surplus		
Opening balance	30,339	25,618
Add: Net profit after tax transferred from Statement of Profit and Loss	11,142	17,924
Less: Adjustment on account of Amalgamation	-	(570)
Amount available for appropriation	41,481	42,972
Appropriations:		
Proposed dividend	2,515	3,778
Corporate dividend tax on proposed dividend	393	628
Bond / Debt Redemption Reserve (net)	6,826	4,228
Special Reserve	3,139	3,997
General Reserve	-	2
Profit on sale of Investment in Subsidiaries	(312)	-
Profit on sale of Investment in Associate	(5)	-
Closing balance	28,925	30,339
Total Reserves and Surplus	267,543	256,482

10 Lakh is equal to 1 Million

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

4. LONG-TERM BORROWINGS

(₹ in Lakh)

Particulars	31st March, 2012			31st March, 2011		
	Non-Current Maturities	Current Maturities	Total	Non-Current Maturities	Current Maturities	Total
A. Secured						
Bonds / Debentures:						
Long-Term Infrastructure Bonds (refer note 4.1)	2,489	-	2,489	-	-	-
Foreign Guaranteed Local:						
Currency Bonds	-	-	-	-	188	188
Non-Convertible Debentures	93,597	31,269	124,866	41,751	12,165	53,916
Term Loans:						
From Banks						
- Rupee Loans	165,252	113,930	279,182	141,384	88,065	229,449
- Foreign Currency Loans	125,156	38,197	163,353	102,512	49,752	152,264
From Other Financial Institutions						
- Rupee Loans	3,307	1,152	4,459	4,443	1,873	6,316
- Foreign Currency Loans	64,509	7,693	72,202	63,518	5,335	68,853
Deposits:						
Public Deposits	-	-	-	16	29	45
Other Loans:						
Buyer's Credit from Banks - Foreign Currency Loans	2,203	3,320	5,523	4,512	48	4,560
(A)	456,513	195,561	652,074	358,136	157,455	515,591
B. Unsecured						
Bonds / Debentures:						
Non-Convertible Debentures	-	-	-	-	4,300	4,300
Subordinated Perpetual debentures (Tier I Capital)	1,875	-	1,875	-	-	-
Subordinated bonds / debentures (Tier II Capital)	90,900	527	91,427	51,776	790	52,566
Zero Coupon Redeemable Convertible Bonds	2,252	-	2,252	1,795	-	1,795
0.1% Non-Convertible Cumulative Redeemable Preference Shares	73	-	73	73	-	73
Term Loans:						
From Banks:						
Rupee Loans						
- Subordinated loans from banks (Tier II Capital)	12,500	-	12,500	-	-	-
- Other term loans from banks	2,750	1,000	3,750	6,250	251	6,501
Foreign Currency Loans						
- Other term loans from banks	-	-	-	2,019	-	2,019
From Other Parties:						
Rupee Loans:						
- Other term loans from financial institution	-	-	-	-	5,000	5,000
Foreign Currency Loans:						
- Other term loans from financial institution	2,278	215	2,493	727	568	1,295
Loans Repayable on Demand						
Others						
- Foreign Currency Loans	3,528	306	3,834	2,825	270	3,095
Deposits						
Inter-Corporate Deposits	89	-	89	-	-	-
(B)	116,245	2,048	118,293	65,465	11,179	76,644
Total (A+B)	572,758	197,609	770,367	423,601	168,634	592,235

4.1 Long-Term Infrastructure Bonds – Secured, Redeemable, Non-convertible Debentures

During the year, the Company has raised ₹ 2,489 lakh (Previous year: ₹ Nil) through public issue of Long-Term Infrastructure Bonds in the nature of Secured, Redeemable Non-Convertible Debentures, eligible for deduction under section 80 CCF of the Income-Tax Act, 1961. Fund raised has been utilised for the purposes of infrastructure lending as per the terms of the issue.

10 Lakh is equal to 1 Million

5. OTHER LONG-TERM LIABILITIES

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Acceptances	486	1,547
Interest Accrued but not due on Borrowings	5	2
Capital Advances	9	75
Security Deposits & Retentions	6,485	2,468
Loss payable on Derivative Contracts	156	305
Total	7,141	4,397

6. LONG-TERM PROVISIONS

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Provision for Employee Benefits (Non-Current Portion)		
Gratuity	345	272
Unavailed leave	678	482
(A)	1,023	754
Others		
Provision for Non-Performing Assets	7,964	6,413
Contingent Provision against Standard Assets	3,404	2,236
Provision for Premium on Unsecured Subordinated Bonds	-	20
(B)	11,368	8,669
Total (A+B)	12,391	9,423

7. SHORT-TERM BORROWINGS

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
A. Secured		
Bond / Debentures:		
Non-convertible Debentures	-	5,000
Term loans:		
From Banks		
- Rupee Loans	52,366	20,286
- Foreign Currency Loans	5,087	3,206
From Other Financial Institutions		
- Foreign Currency Loans	-	2,545
Loans Repayable on Demand:		
Working Capital Facilities from banks		
- Rupee Loans	279,855	193,959
Cash Credit		
- Rupee Loans	315	196
Deposits		
Public Deposits	16	1
Other Loans		
Working Capital Facilities from banks	368,817	130,439
Buyer's Credit from Banks - Foreign Currency Loan	13,137	2,361
(A)	719,593	357,993
B. Unsecured		
Bond / Debentures:		
Non-convertible Debentures	-	4,450
Term Loans:		
From Banks		
- Foreign Currency Loans		
- Other term loans from banks	-	28
Deposits:		
Inter Corporate Deposits from Others	15,068	6,394
Other Loans:		
Rupee Loan from Banks	15,000	12,500
Commercial Papers	71,557	25,784
(B)	101,625	49,156
Total (A+B)	821,218	407,149

10 Lakh is equal to 1 Million

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

8. TRADE PAYABLES

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Trade Payables		
For Services	33,084	23,319
Acceptances	9,681	5,479
Others		
Operating Lease	74	161
Employees	1,010	214
Total	43,849	29,173

9. OTHER CURRENT LIABILITIES - OTHERS

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011t
Interest Accrued but not due on Borrowings	11,310	6,268
For Capital Goods	2,093	-
Advance from Customers	1,035	1,732
Statutory Liabilities	1,487	3,057
Security Deposits & Retentions	734	1,682
Payable to Employees	226	161
Forward Contract Payable	483	95
Commission Payable to Directors	208	175
Unclaimed Dividend	39	37
Unclaimed Matured Public Deposits and Interest Accrued thereon	38	50
Liability for Operating Expenses	3,028	3,574
Bank Overdraft	25	58
Advance from parties	312	-
Interest Swap	19	130
Loss payable on Derivative Contracts	-	166
Total	21,037	17,185

10. SHORT-TERM PROVISIONS

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Provision for Employee Benefits (Current Portion)		
Unavailed leave	116	126
Gratuity	51	78
(A)	167	204
Others		
Proposed Dividend	2,515	3,778
Provision for Corporate Dividend Tax	408	628
Provision towards Customer Claims	-	308
Provision for Doubtful Vendor Advances	128	7
Provision for Premium on Unsecured Subordinated Bonds	108	158
Provision for Taxation (net of Advance tax / Tax deducted at source)	-	2,757
(B)	3,159	7,636
Total	3,326	7,840

10 Lakh is equal to 1 Million

11. FIXED ASSETS

(₹ in Lakh)

Particulars	Gross Block / Original Cost				Depreciation / Amortisation and Impairment					Net Carrying Value	
	As at April 01, 2011	Additions / adjustments during the year	Disposals / adjustments during the year	As at March 31, 2012	As at April 01, 2011	For the year	Impairment during the period	Disposals / adjustments during the year	As at March 31, 2012	As at March 31 2012	As at March 31, 2011
I. Tangible assets:											
Assets for Own use											
Land- Freehold	2,490	-	321	2,169	-	-	-	-	-	2,169	2,490
Land - Leasehold	147	-	-	147	1	-	-	-	1	146	146
Buildings	14,689	175	-	14,864	274	272	-	-	546	14,318	14,415
Leasehold Improvements	1,309	962	-	2,271	90	141	-	-	231	2,040	1,219
Furniture and Fixtures	2,269	636	40	2,865	465	230	-	27	668	2,197	1,804
Motor Vehicles	185	652	9	828	56	53	-	1	108	720	129
Machinery	12,645	503	-	13,148	4,340	321	-	-	4,661	8,487	8,305
Equipment	80,352	9,061	2,957	86,456	14,527	6,024	-	1,810	18,741	67,715	65,825
Computer	1,576	220	-	1,796	549	325	-	2	872	924	1,027
Office Equipment	1,206	314	18	1,502	260	142	-	8	394	1,108	946
(A)	116,868	12,523	3,345	126,046	20,562	7,508	-	1,848	26,222	99,824	96,306
Assets given on Operating Lease											
Aircrafts	2,390	-	-	2,390	759	249	-	-	1,008	1,382	1,631
Earthmoving Equipments	4,326	8,115	41	12,400	1,462	1,045	596	26	3,077	9,323	2,864
Motor Vehicles	10,362	13,079	6	23,435	4,892	2,462	462	6	7,810	15,625	5,470
Plant & Machinery	37,812	20,993	-	58,805	4,636	1,934	402	-	6,972	51,833	33,176
Computers	4,848	4,662	91	9,419	593	1,130	15	24	1,714	7,705	4,255
Furniture and Fixtures	1,034	452	-	1,486	149	112	6	-	267	1,219	885
(B)	60,772	47,301	138	107,935	12,491	6,932	1,481	56	20,848	87,087	48,281
Total (I) = (A+B)	177,640	59,824	3,483	233,981	33,053	14,440	1,481	1,904	47,070	186,911	144,587
II. Intangible assets:											
Assets for Own use											
Computer Softwares	1,352	380	-	1,732	502	357	-	-	859	873	850
Tenancy Rights	4	-	-	4	3	1	-	-	4	-	1
(C)	1,356	380	-	1,736	505	358	-	-	863	873	851
Assets given on Operating lease											
Softwares	966	205	-	1,171	226	224	-	-	450	721	740
(D)	966	205	-	1,171	226	224	-	-	450	721	740
Total (II) = (C+D)	2,322	585	-	2,907	731	582	-	-	1,313	1,594	1,591
Total Fixed Assets Total = (I + II)	179,962	60,409	3,483	236,888	33,784	15,022	1,481	1,904	48,383	188,505	146,178
Previous year	83,097	100,171	3,306	179,962	22,790	12,409	-	1,415	33,784	146,178	
III. Capital work in Progress	7,762	11,259	-	19,021	-	-	-	-	-	19,021	7,762

10 Lakh is equal to 1 Million

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

12.1 NON-CURRENT INVESTMENTS

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
In Government Guaranteed Securities, Bonds & Units	104	105
In Other Securities	209,947	203,039
Total	210,051	203,144

12.2 CURRENT INVESTMENTS

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
In Bonds and Debentures (Unquoted)	2,200	-
Total	2,200	-

13. FINANCIAL ASSETS

(₹ in Lakh)

Particulars	31st March, 2012			31st March, 2011		
	Long-Term			Long-Term		
	Non-Current Maturities	Current Maturities	Short-Term	Non-Current Maturities	Current Maturities	Short-Term
Secured, Considered Good	307,896	158,807	40,544	246,231	136,398	46,565
Total	307,896	158,807	40,544	246,231	136,398	46,565

14. LOAN ASSETS

(₹ in Lakh)

Particulars	31st March, 2012			31st March, 2011		
	Long-Term			Long-Term		
	Non-Current Maturities	Current Maturities	Short-Term	Non-Current Maturities	Current Maturities	Short-Term
Secured, Considered Good	222,288	583,498	43,449	167,679	231,330	50,134
(A)	222,288	583,498	43,449	167,679	231,330	50,134
Unsecured	1,169	1,250	1,014	976	726	3,580
(B)	1,169	1,250	1,014	976	726	3,580
Total (A+B)	223,457	584,748	44,463	168,655	232,056	53,714

15. OTHER LONG-TERM ADVANCES

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Unsecured, Considered good:		
Advances		
- Capital Advances	7,029	7,179
- Advance to Vendors for Operating Expenses	39	1
- Employee Advance	59	102
- Advance against investments	23	24
Statutory Liabilities	10	185
Security Deposits - to Others	342	12,238
Share Application Money	-	380
Contribution to Corpus of Trusts (Related Parties)	2	2
Prepaid Expenses	2,319	2,650
Other Advances	161	42
Total	9,984	22,803

10 Lakh is equal to 1 Million

16. OTHER NON-CURRENT ASSETS

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Unsecured, Considered Good:		
Fixed Deposit Account with original maturity of more than twelve months	31,518	14,868
Unamortised Ancillary Borrowing Costs	5,911	4,164
Interest Accrued but not due	13	3,577
Income Accrued but not due	353	289
Miscellaneous Expenditure to the extent not written off or adjusted	56	98
Gains receivable on Derivative Contracts	8,623	2,730
Total	46,474	25,726

17. TRADE RECEIVABLES

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Sundry Debtors (Unsecured)		
Outstanding for more than Six Months		
- Considered Good	14,787	11,234
- Considered Doubtful	597	408
Less: Provision for Doubtful Debts	(351)	(403)
(A)	15,033	11,239
Other Debts		
- Considered Good	19,658	12,122
(B)	19,658	12,122
Total (A+B)	34,691	23,361

18. CASH AND BANK BALANCES

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
A. Cash and Cash Equivalents:		
Cash on Hand	134	96
Balances with Banks - in Current Account	16,142	8,188
Cheques on Hand	6,774	671
Fixed Deposits with banks (having original maturity of 3 months or less)	1,327	1,655
Unclaimed Dividend Account	39	37
(A)	24,416	10,647
B. Other Bank Balances :		
Fixed Deposits with banks (having original maturity of more than 3 months and less than 12 months)	4,652	5,767
Fixed Deposits with banks (having original maturity of more than 12 months)	11,809	484
(B)	16,461	6,251
Total (A+B)	40,877	16,898

19. OTHER SHORT-TERM ADVANCES

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Unsecured, Considered good		
Advances		
- Advance to Vendors for Operating Expenses	1,368	820
- Employee Advance	330	267
- Advance against Insurance	1	-
Security Deposits - to Others	12,825	323
Share Application Money	-	3
Others	7	-
Gratuity Fund	-	8
Prepaid Expenses	2,010	2,581
Balance with Revenue Authorities	11,542	2,233
MAT Credit Entitlement	309	2,618
Other Advances	547	41
Total	28,939	8,894

10 Lakh is equal to 1 Million

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

20. OTHER CURRENT ASSETS

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Unsecured, Considered Good		
Unamortised Ancillary Borrowing Costs	2,259	1,731
Interest Accrued but not due	17,365	1,963
Income Accrued but not due	81	82
Stock for Trade	246	262
Gains receivable on Forward Exchange Contracts	7,745	-
Derivative Asset Forward	2,224	41
Other Receivables	1,269	1,421
Miscellaneous Expenditure to the extent not written off or adjusted	42	43
Total	31,231	5,543

21. REVENUE FROM OPERATIONS

(₹ in Lakh)

Particulars	2011 - 12	2010 - 11
Income from Loans / Financial Assets	181,141	112,505
Income from Leases	13,117	7,692
Income from IT Infrastructure and CSC Services	6,173	5,426
Fee Based Income	7,895	12,100
Income from Equipment Rental	29,456	23,215
Assignment Income	2,670	-
Income from Long-term Trade Investments	-	28
Income from Stock for Trade	2	26
Profit on Sale of Long-term Trade Investments (net)	-	70
Profit on Sale of Stock for Trade (net)	-	995
Dividend Income	48	46
Interest received from Govt. Securities / Banks	2,888	1,064
Total	243,390	163,167

22. OTHER INCOME

(₹ in Lakh)

Particulars	2011 - 12	2010 - 11
Liabilities No Longer Required Written Back	229	113
Other Non-Operating Income	1,014	529
Total	1,243	642

23. FINANCE COST

(₹ in Lakh)

Particulars	2011 - 12	2010 - 11
Interest Expense:		
Interest on Bonds & Debentures	12,827	12,664
Interest on Term Loans	65,030	46,904
Interest on Public Deposits	3	23
Interest on Working Capital Facilities	47,563	14,463
Finance Charges on Commercial Papers	17,296	3,352
Other Interest	1,044	776
Other Borrowing Costs:		
Other Finance Charges	6,172	6,091
Applicable net (gain) / loss on foreign currency transactions and translations	6,480	(1,353)
Amortisation of Premium on Unsecured subordinated bonds	88	88
Total	156,503	83,008

10 Lakh is equal to 1 Million

24. EMPLOYEE BENEFIT EXPENSES

(₹ in Lakh)

Particulars	2011 - 12	2010 - 11
Salaries, Allowances, Commission & Bonus	16,085	11,446
Contribution to Provident and Other Funds	736	693
Staff Welfare Expenses	359	205
Total	17,180	12,344

25. ADMINISTRATIVE & OTHER EXPENSES

(₹ in Lakh)

Particulars	2011 - 12	2010 - 11
Communication Expenses	458	1,201
Outsourced Manpower Expenses	724	639
Site & Site Mobilisation Expenses	1,989	1,836
Legal & Professional Fees	3,967	4,016
Power & Fuel	1,484	573
Rent	1,476	1,357
Equipment Hire & Leasing	526	298
Rates and Taxes	721	475
Brokerage and Service Charges	828	492
Auditors' Remuneration	178	126
Repairs - Building	79	37
Machinery	2,321	1,970
Others	1,158	531
Travelling and Conveyance	2,845	2,275
Directors' Fees	21	12
Insurance	649	547
Printing and Stationery	247	197
Advertisement, Subscription and Donation	1,291	507
Provision for Diminution in value of Long-Term Investments	-	45
Provision for Diminution in value of Stock for Trade	16	90
Provision for Customer Claims	17	309
Provision for Diminution in value of Inventories	183	-
Loss on sale of Fixed Assets (Net)	556	943
Investment written off	12	-
Fixed Assets written off	3	-
Expenses for Liquidation of overseas Subsidiary	50	-
Miscellaneous Expenditure Written off	43	228
Miscellaneous Expenses	476	607
Total	22,318	19,311

26. EARNINGS PER EQUITY SHARE

Particulars	2011 - 12	2010 - 11
Profit after tax attributable to Equity Shareholders (₹ in lakh)	11,181	17,924
Weighted average number of Equity Shares (Basic)	503,086,333	231,616,033
Weighted average number of Potential Equity Shares	-	-
Weighted average number of Equity Shares (Diluted)	503,086,333	231,616,033
Nominal Value of Equity per share (₹)	10	10
Basic Earnings per share (₹)	2.22	7.74
Diluted Earnings per share (₹)	2.22	7.74

27. 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.

10 Lakh is equal to 1 Million

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

28. 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 31st March, 2012	% Holding 31st March, 2011
Subsidiaries			
Srei Capital Markets Limited	India	100	100
Srei Venture Capital Limited	India	100	100
Srei Infrastructure Advisors Limited	India	100	100
Global Investment Trust Limited	India	100	100
Controlla Electrotech Private Limited	India	100	100
Srei Mutual Fund Asset Management Private Limited	India	100	100
Srei Mutual Fund Trust Private Limited	India	100	100
IIS International Infrastructure Services GmbH	Germany	92.54	92.54
Srei Forex Limited	India	100	100
Srei Insurance Broking Private Limited (w.e.f. 31.03.2012)	India	51	-
Srei Sahaj e-Village Limited	India	95.10	95.10
Quippo Valuers and Auctioneers Private Limited	India	100	100
Quippo Oil & Gas Infrastructure Limited	India	99.90	99.80
Quippo Energy Private Limited	India	100	100
Quippo Construction Equipment Limited	India	100	100
Mumbai Futuristic Economic Zone Private Limited	India	100	100
Sub-Subsidiaries			
Quippo Infocomm Limited (ceased to be a Subsidiary of Srei Infrastructure Advisors Limited w.e.f. 16.07.2011)	India	-	100
Bengal Srei Infrastructure Development Limited (Subsidiary of Srei Infrastructure Advisors Limited)	India	51	51
Hyderabad Information Technology Venture Enterprises Limited (Subsidiary of Srei Venture Capital Limited)	India	51	51
Cyberabad Trustee Company Pvt. Limited (Subsidiary of Srei Venture Capital Limited)	India	51	51
ZAO Srei Leasing (Subsidiary of IIS International Infrastructure Services GmbH)	Russia	64.20	57.14
Srei Advisors Pte Limited (Subsidiary of IIS International Infrastructure Services GmbH)	Singapore	100	100
Quippo Prakash Marine Holdings Pte. Limited (Subsidiary of Quippo Oil & Gas Infrastructure Limited)	Singapore	51	51
Quippo Prakash Pte. Limited (Subsidiary of Quippo Prakash Marine Holdings Pte. Limited)	Singapore	73.90	73.90
Quippo Holding Cooperatief U.A. (Subsidiary of Quippo Oil & Gas Infrastructure Limited, Liquidated on 13.02.2012)	Netherlands	-	91
Quippo International B.V. (Subsidiary of Quippo Holding Cooperatief U.A., Liquidated on 13.02.2012)	Netherlands	-	100
Quippo Mara Infrastructure Limited (Subsidiary of Quippo International B.V., Ceased to be a Sub-subsidiary w.e.f. 13.02.2012 on account of liquidation of its holding company)	British Virgin Islands	-	50.10
Quippo Energy Middle East Limited (Subsidiary of Quippo Energy Private Limited)	Dubai	100	100
Quippo Energy Yemen Limited (Subsidiary of Quippo Energy Private Limited)	Yemen	100	100
Kasco Steel Limited (Ceased to be a subsidiary of Quippo Construction Equipment Limited w.e.f. 22.09.2011)	India	-	68
Quippo Mauritius Private Limited (Subsidiary of Quippo Energy Private Limited w.e.f. 05.03.2012)	Mauritius	100	-
Quippo Energy Nigeria Private Limited (Subsidiary of Quippo Mauritius Private Limited w.e.f. 22.03.2012)	Nigeria	100	-

Name of the Company	Country of incorporation	% Holding 31st March, 2012	% Holding 31st March, 2011
Joint Venture (including its subsidiary)			
Srei Equipment Finance Pvt. Limited (SEFPL)	India	50	50
Srei Insurance Broking Pvt. Limited (Ceased to be a Subsidiary of SEFPL w.e.f. 31.03.2012)	India	-	100
Joint Venture of Subsidiary			
Srei (Mauritius) Infrastructure Development Company Limited (JV between Srei Infrastructure Advisors Limited and The State Investment Corporation Limited 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 Limited (JV between Quippo Construction Equipment Limited, L & T Finance Holdings Limited, Nagarjuna Construction Company Limited and National Academy of Construction)	India	50	50
SICOM Srei Maharashtra Infrastructure Private Limited (JV between Srei Infrastructure Advisors Limited and SICOM Limited)	India	50	50

29. Contingent Liabilities And Commitments (to the extent not provided for)

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
Contingent Liabilities		
Bank Guarantees	3,309	3,183
Bank Guarantees against receivables securitised / assigned	4,324	6,835
Guarantee against Co branded agreement	-	11
Guarantee against receivable assigned	-	5
Disputed Income Tax and Interest tax demand	13,814	12,831
Fringe Benefit Tax	285	299
Claim against the company but not acknowledge as debts	476	46
Total	22,208	23,210
Commitments		
Estimated amount of capital contracts remaining to be executed and not provided for (Net of advances)	5,193	8,062
Uncalled liability on partly paid-up shares, held as Stock for Trade and other Investments	-	1
Commitment on account of derivative contract (refer note 29.1)		
Other Commitments	1,770	-

29.1 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 year end are as follows:

(Amount in Lakh)

Category	Currency	31st March, 2012	31st March, 2011
Options / Swaps	EUR / INR	EUR 187	EUR 54
Options / Swaps	JPY / USD	JPY 8,020	-
Options / Swaps	SGD / USD	SGD 175	SGD 175
Options / Swaps	USD / INR	USD 2,246	USD 2,532
Options / Swaps	YEN / USD	YEN 19,201	YEN 25,130
Forwards	CHF / INR	CHF 2	-
Forwards	EUR / INR	EUR 112	EUR 47
Forwards	SGD / INR	SGD 3	-
Forwards	USD / INR	USD 182	USD 113
Interest Rate Swaps	EUR	EUR 25	-
Interest Rate Swaps	USD	USD 2,306	USD 797

10 Lakh is equal to 1 Million

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

30. The audited financial statements of IIS International Infrastructure Services GmbH (IIS), Quippo Prakash Marine Holdings Pte. Ltd., Quippo Energy Middle East Limited and management accounts of Srei (Mauritius) Infrastructure Development Corporation Ltd., Quippo Energy Yemen Limited, Quippo Prakash Pte. Limited and Aalat LLC up to 31st March, 2012 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) and Srei Advisors Pte Ltd. subsidiaries of IIS is prepared upto 31st December every year. Management accounts for the period 1st January, 2011 to 31st March, 2011 and 1st January, 2012 to 31st March, 2012 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.

    Quippo Mauritius Private Ltd. (subsidiary of Quippo Energy Private Ltd.) and Quippo Energy Nigeria Private Ltd. (subsidiary of Quippo Mauritius Private Ltd.) was formed during the year without any receipt of Equity Contribution as per the law applicable in the country of its incorporation. Upto 31st March 2012, both the Companies were 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 these Companies were available for consolidation

31. The Share Capital of Srei Mutual Fund Asset Management Private Limited, a wholly owned subsidiary of the Company has been increased to ₹ 1,300 lakh as on March 31, 2012 consequent upon infusion of fresh capital aggregating to ₹ 200 lakh by the Company.

32. 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:

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(₹ in Lakh)

Particulars	31st March, 2012	31st March, 2011
EQUITY AND LIABILITIES		
Shareholders' Funds		
Share capital	2,661	2,500
Reserves and surplus	67,420	52,744
	70,081	55,244
Non-current liabilities		
Long-term borrowings	175,699	197,367
Deferred tax liabilities (Net)	5,567	3,044
Other long-term liabilities	4,970	3,470
Long-term provisions	7,004	6,581
	193,240	210,462
Current liabilities		
Short-term borrowings	233,078	123,039
Trade payables	33,067	27,433
Other current liabilities		
- Current maturities of long-term borrowings	106,840	68,178
- Other current liabilities	6,020	3,097
Short-term provisions	1,861	3,730
	380,866	225,477
TOTAL	644,187	491,183
ASSETS		
Non-Current Assets		
Fixed Assets		
- Tangible Assets	62,007	26,305
- Intangible Assets	858	884
Long-term Loans and Advances		
Financial Assets	307,896	246,230
Other Long-term Advances	2,790	2,299
Other Non-Current Assets	41,764	19,544
	415,315	295,262
Current Assets		
Trade Receivables	1,277	268
Cash and Bank Balances	21,859	9,271
Short-term Loans and Advances		
- Financial Assets	40,544	46,565
- Other Advances	346	499
Other Current Assets		
- Current Maturities of Long-term Financial Assets	158,807	136,398
- Other Current Assets	6,039	2,920
	228,872	195,921
TOTAL	644,187	491,183

Particulars	2011 - 12	2010 - 11
STATEMENT OF PROFIT AND LOSS		
INCOME		
Revenue from operations	91,036	61,939
Other income	22	147
TOTAL	91,058	62,086

10 Lakh is equal to 1 Million

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(₹ in Lakh)

Particulars	2011 - 12	2010 - 11
EXPENDITURE		
Employee Benefits Expense	5,124	3,362
Finance cost	52,196	32,765
Depreciation / Amortisation / Impairment	7,834	4,027
Administrative and Other expenses	5,431	3,920
Miscellaneous Expenditure written off	43	218
TOTAL	70,628	44,292
PROFIT BEFORE BAD DEBTS, PROVISIONS AND TAX	20,430	17,794
Bad debts written off (net of recovery)	4,884	5,112
Provision for Non Performing Assets	131	971
Contingent provisions against standard assets	182	1,041
PROFIT BEFORE TAX	15,233	10,670
Provision for Tax	5,384	4,126
PROFIT AFTER TAX	9,849	6,544
Proportionate Share in Reserves of Joint Venture:		
Capital Reserves	16	18
Debt Redemption Reserve	7,853	4,053
Special Reserve as per Reserve Bank of India Directions	5,016	3,043
Securities Premium Account	42,330	37,500
Statement of Profit and Loss	12,205	8,130
TOTAL	67,420	52,744
Contingent Liabilities	9,583	12,090
Capital Commitments (Net of Advances)	2,091	3,530

33. Related Party Disclosures

List of related parties:

Joint Venture:
Srei Equipment Finance Private Limited

Key Management Personnel (KMP):	
Name	Designation
Hemant Kanoria	Chairman & Managing Director
Saud Ibne Siddique	Joint Managing Director
Sanjeev Sancheti	Chief Financial Officer

Enterprises over which KMP and their relatives have significant influence
Viom Networks Limited (w.e.f. 18.11.2011)

10 Lakh is equal to 1 Million

Summary of transactions with related parties:

(₹ in Lakh)

Name of related party and Nature of transactions	2011 - 12		2010 - 11	
	Value of Transaction / Outstanding	Amount Considered in Consolidation	Value of Transaction / Outstanding	Amount Considered in Consolidation
(A) Joint venture				
Srei Equipment Finance Private Limited				
Security Deposit Received	54	27	669	335
Security Deposit Paid	-	-	7	4
Security Deposit Refund Received	50	25	96	48
Security Deposit Refunded	7	4	-	-
Advance Paid	-	-	270	135
Refund of Advance Received	-	-	270	135
Rent Paid	-	-	211	106
Rent Received	1,388	694	999	500
Balance Payable - Security Deposit	1,425	713	1,421	711
Balance Receivable - Security Deposit	-	-	7	4
Equity Contribution	4,991	2,496	-	-
Purchase of Investment	143	72	-	-

(₹ in Lakh)

Name of related party and Nature of relationship	Nature of transactions and outstanding balances	2011 - 12	2010 - 11
(B) Key Management Personnel			
Hemant Kanoria	Remuneration	163	178
	Commission	60	60
	Dividend paid	3	3
Saud Ibne Siddique	Remuneration	339	325
Kishore Kumar Mohanty	Remuneration	-	76
(Upto 31.01.2011)	Dividend paid	-	2
Sanjeev Sancheti	Remuneration	73	66
	Loan advanced	5	-
	Refund of Loan Advanced	4	-
	Interest received on Loan	0.21	-
	Balance Receivable-Loan	1	-
(C) Enterprises over which KMPs and their relatives have significant influence:			
Viom Networks Limited (w.e.f. 18.11.2011)	Deposit Received	76	-
	Rent received	306	-
	Balance Receivable-Others	6	-
	Balance Payable-Deposit	660	-

10 Lakh is equal to 1 Million

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

34. Segment Reporting

Segment wise details (information provided in respect of revenue items for the year ended 31st March, 2012 and in respect of assets / liabilities as at 31st March, 2012 – 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:-

(₹ in Lakh)

Particulars	Financial Services		Infrastructure Equipment		Others Services		Total	
	CY	PY	CY	PY	CY	PY	CY	PY
Segment Revenue	214,619	139,067	29,726	23,273	6,468	6,093	250,813	168,433
Segment Result before Interest & Finance Charges	169,412	105,631	10,947	7,410	(179)	(1,136)	180,180	111,905
Interest & Finance Charges	148,863	77,673	6,709	4,839	931	496	156,503	83,008
Tax Expenses	-	-	-	-	-	-	11,362	9,279
Net Profit After Tax	-	-	-	-	-	-	12,315	19,618
Segment Assets	1,870,021	1,266,342	95,779	86,401	42,851	31,905	2,008,651	1,384,648
Segment Liabilities	1,596,209	988,430	70,557	68,175	9,601	2,939	1,676,367	1,059,544
Capital Expenditures	50,347	44,815	9,702	53,854	360	1,502	60,409	100,171
Depreciation	9,423	5,861	6,587	6,117	493	431	16,503	12,409
Other non-cash expenditure	43	228	-	-	-	-	43	228

35. Figures pertaining to the previous year have been rearranged / regrouped, reclassified and restated, wherever necessary, to make them comparable with those of current year.

Signatories to Note 1 to 35

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

Anand Kumar Jhunjhunwala
Partner
Membership No. 056613

Place : Kolkata
Date : 14th May, 2012

On behalf of the Board of Directors

Hemant Kanoria
Chairman & Managing Director

Salil K. Gupta
Chief Mentor & Director

Sandeep Lakhotia
Company Secretary

10 Lakh is equal to 1 Million

Information on Subsidiary Companies Pursuant to Direction Under Section 212 (8) of the Companies Act, 1956

(₹ in Lakh)

Sl.No.	Name of Companies	Srei Capital Markets Ltd.	Srei Venture Capital Ltd.	Bengal Srei Infrastructure Development Ltd.	Srei Forex Ltd.	Controlla Electrotech Pvt. Ltd.	Srei Infrastructure Advisors Ltd.	Srei Mutual Fund Asset Management Pvt. Ltd.	Srei Mutual Fund Trust Pvt. Ltd.	Global Investment Trust Ltd	Srei Sahaj e-Village Ltd.
	Financial year ending on	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012
	Currency										
	Exchange rate on last day of reporting period										
1	Share Capital	505.00	25.00	5.00	50.00	3.53	50.00	1,300.00	5.00	5.00	1,000.00
2	Reserves & Surplus	167.42	1,080.48	(20.98)	(14.33)	(129.74)	(40.03)	(185.20)	(2.06)	7.55	(4,598.58)
3	Liabilities	171.17	506.19	206.78	86.45	2,400.29	0.13	27.78	0.28	1.37	25,832.98
4	Total Liabilities	843.59	1,611.67	190.80	122.12	2,274.08	10.10	1,142.58	3.22	13.92	22,234.40
5	Total Assets	843.59	1,611.67	190.80	122.12	2,274.08	10.10	1,142.58	3.22	13.92	22,234.40
6	Investments (Refer Annexure)	231.81	1,095.69	100.00	-	-	3.75	-	-	-	100.25
7	Turnover	305.76	636.36	33.98	-	11.31	2.80	85.20	0.30	2.05	8,238.35
8	Profit / (Loss) beforeTax	16.88	67.94	(53.10)	(0.41)	(37.79)	1.99	(138.73)	(1.29)	1.15	(2,361.88)
9	Provision for Tax	3.48	18.00	(12.76)	-	1.86	2.15	-	-	0.45	-
10	Profit / (Loss) after Tax	13.40	49.94	(40.34)	(0.41)	(39.65)	(0.16)	(138.73)	(1.29)	0.70	(2,361.88)
11	Proposed Dividend	-	-	-	-	-	-	-	-	-	-

Place : Kolkata

Date : 14th May, 2012

10 Lakh is equal to 1 Million

Information on Subsidiary Companies Pursuant to Direction Under Section 212 (8) of The Companies Act, 1956

(₹ in Lakh)

Sl.No.	Name of Companies	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 and Auctioneers Private Ltd.	Quippo Oil & Gas Infrastructure Limited	Quippo Energy Private Limited	Quippo Construction Equipment Limited	Quippo Prakash Marine Holdings Pte. Limited
	Financial year ending on	31st March, 2012	31st March, 2012	31st March, 2012	31st December, 2011	31st December, 2011	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012
	Currency			Euro	Rubles	Singapore Dollar					USD
	Exchange rate on last day of reporting period			67.876	1.649	40.934					50.870
1	Share Capital	25.00	5.00	4,323.70	6,061.18	28.69	20.00	3,000.00	113.97	64.13	3,207.90
2	Reserves & Surplus	64.37	0.43	(123.76)	859.29	(4.41)	257.04	(5,312.64)	2,426.53	(6,329.42)	1,584.15
3	Liabilities	0.30	0.10	553.71	24,009.70	9.24	51.38	16,305.44	12,446.71	26,998.86	4,403.91
4	Total Liabilities	89.67	5.53	4,753.66	30,930.17	33.52	328.42	13,992.80	14,987.21	20,733.57	9,195.95
5	Total Assets	89.67	5.53	4,753.66	30,930.17	33.52	328.42	13,992.80	14,987.21	20,733.57	9,195.95
6	Investments (Refer Annexure)	-	-	4,705.91	-	-	-	4,028.27	35.68	750.00	26.85
7	Turnover	9.17	0.40	149.00	3,856.34	-	360.23	6,274.73	5,233.88	7,226.78	-
8	Profit / (Loss) beforeTax	(2.46)	0.04	42.60	365.86	(9.86)	37.35	(2,325.41)	228.81	(471.59)	(302.54)
9	Provision for Tax	1.74	(0.03)	6.04	72.04	-	11.38	(109.28)	70.78	-	(1.36)
10	Profit / (Loss) after Tax	(4.20)	0.07	36.56	293.82	(9.86)	25.97	(2,216.13)	158.03	(471.59)	(301.18)
11	Proposed Dividend	-	-	-	-	-	-	-	-	-	-

Place : Kolkata

Date : 14th May, 2012

10 Lakh is equal to 1 Million

Information on Subsidiary Companies Pursuant to Direction Under Section 212 (8) of The Companies Act, 1956

(₹ in Lakh)

Sl.No.	Names of Companies	Quippo Prakash Pte. Limited.	Quippo Energy Middle East Limited	Quippo Energy Yemen Limited	Mumbai Futurlstic Economic Zone Pvt. Ltd	Quippo Mauritius Private Limited	Quippo Energy Nigeria Private Limited	Srei Insurance Broking Private Limited
	Financial year ending on	31st March, 2012[3]	31st March, 2012[2]	31st March, 2012[3]	31st March, 2012	31st March, 2012[1]	31st March, 2012[1]	31st March, 2012
	Currency	USD	AED	USD				
	Exchange rate on last day of reporting period	50.870	13.848	50.870				
1	Share Capital	36.34	13.85	24.24	1.00			250.00
2	Reserves & Surplus	3,966.28	(4.11)	-	(2.06)			101.58
3	Liabilities	54,385.41	0.21	-	12,136.66			22.88
4	Total Liabilities	58,388.02	9.94	24.24	12,135.60			374.46
5	Total Assets	58,388.02	9.94	24.24	12,135.60			374.46
6	Investments (Refer Annexure)	-	-	-	-			-
7	Turnover	11,359.26	-	-	-			294.47
8	Profit / (Loss) beforeTax	3,177.94	(0.21)	-	(0.49)			100.08
9	Provision for Tax	892.87	-	-	-	-	-	29.43
10	Profit / (Loss) after Tax	2,285.07	(0.21)	-	(0.49)			70.65
11	Proposed Dividend	-	-	-	-			-

Note:

[1] The Companies were formed during the year without any receipt of Equity Contribution as per the law applicable in the country of its incorporation. Upto 31st March, 2012, both the Companies were yet to start its operations and there were no transactions in the Company during the year ended on that date.

[2] For the period 1st October, 2011 to 31st March, 2012

[3] Based on unaudited financial statement.

On behalf of the Board of Directors

Place : Kolkata
Date : 14th May, 2012

Hemant Kanoria — Chairman & Managing Director
Salil K. Gupta — Chief Mentor & Director
Sandeep Lakhotia — Company Secretary

10 Lakh is equal to 1 Million

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 (₹ in Lakh)	Quoted Unquoted
1	Srei Capital Markets Limited					
	Long Term Investments (at cost)					
	In Equity Shares					
	Andhra Bank Limited	100	Indian Rupees	10	0.01	Quoted
	Bank of Baroda Limited	100	Indian Rupees	10	0.07	Quoted
	Bank of India Limited	100	Indian Rupees	10	0.02	Quoted
	Corporation Bank Limited	100	Indian Rupees	10	0.13	Quoted
	HDFC Bank Limited	100	Indian Rupees	10	0.25	Quoted
	ICICI Bank Limited	100	Indian Rupees	10	0.19	Quoted
	IDBI Bank Limited	120	Indian Rupees	10	0.04	Quoted
	ING Vysya Bank Limited	415	Indian Rupees	10	0.26	Quoted
	Oriental Bank of Commerce Limited	100	Indian Rupees	10	0.04	Quoted
	State Bank of India Limited	134	Indian Rupees	10	0.80	Quoted
	In Bonds / Debentures / Units:					
	Infrastructure Project Development Fund	230,000	Indian Rupees	100	230.00	Unquoted
	TOTAL				231.81	
2	Srei Venture Capital Limited					
	Long Term Investments (at cost)					
	In Subsidiary Company - Equity Shares:					
	Cyberabad Trustee Company Private Limited	25,500	Indian Rupees	10	2.55	Unquoted
	Hyderabad Information Technology Venture Enterprises Limited	127,500	Indian Rupees	10	46.74	Unquoted
	In Equity Shares:					
	Reliance Power Limited	5,115	Indian Rupees	10	14.39	Quoted
	Pilani Investments & Industries Corporation Limited	3,000	Indian Rupees	10	108.00	Unquoted
	Violet Arch Capital Advisors Private Limited	1,774,800	Indian Rupees	10	900.01	Unquoted
	In Bonds / Debentures / Units:					
	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
	TOTAL				1,095.69	
3	Bengal Srei Infrastructure Development Limited					
	Long Term Investment (at cost)					
	In Equity Share:					
	Bengal Integrated Auto Industrial Park Private Limited	1,000,000	Indian Rupees	10	100.00	Unquoted
	TOTAL				100.00	
4	Srei Infrastructure Advisors Limited					
	Long Term Investment (at cost)					
	In Subsidiary Company - Equity Shares:					
	Bengal Srei Infrastructure Development Limited	25,500	Indian Rupees	10	2.55	Unquoted
	In Equity Shares:					
	Quippo Infocomm Limited	7,000	Indian Rupees	10	0.70	Unquoted
	In Joint Venture - Equity Shares:					
	Srei (Mauritius) Infrastructure Development Company Limited	292,800	Mauritius Rupees	10	-	Unquoted

10 Lakh is equal to 1 Million

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
	SICOM Srei Maharashtra Infrastructure Private Limited	5,000	Indian Rupees	10	0.50	Unquoted
	TOTAL				3.75	
5	Srei Sahaj e-Village Limited					
	Long Term Investment (at cost)					
	In Equity Share:					
	Maharashtra Border Checkpost Network Limited	2,500	Indian Rupees	10	0.25	Unquoted
	CSC e-Governance Services India Limited	10,000	Indian Rupees	1000	100.00	Unquoted
	TOTAL				100.25	
6	IIS International Infrastructure Services GmbH					
	Long Term Investment (at cost)					
	In Subsidiary Company - Equity Shares:					
	ZAO Srei Leasing	235,950	Rubles	1000	4,662.42	Unquoted
	Srei Advisors Pte Limited	70,100	SGD	1	26.44	Unquoted
	In Joint Venture - Equity Shares:					
	Aalat LLC	@		@	17.05	Unquoted
	TOTAL				4,705.91	
7	Quippo Oil and Gas Infrastructure Limited					
	Long Term Investment (at cost)					
	In Subsidiary Company & Fellow Subsidiaries - Equity Shares:					
	Quippo Prakash Marine Holdings Pte Limited	51,000	SGD	1	14.90	Unquoted
	Quippo Prakash Marine Holdings Pte Limited	1,045,500	USD	5	2,433.41	Unquoted
	Quippo Prakash Pte Limited	51	SGD	1	0.02	Unquoted
	In Subsidiary Company - Unsecured Reedemable Convertible Bond					
	Quippo Prakash Marine Holdings Pte Limited	3,981,502	USD	1	1,579.94	Unquoted
	TOTAL				4,028.27	
8	Quippo Energy Private Limited					
	Long Term Investment (at cost)					
	In Subsidiary Company - Equity Shares:					
	Quippo Energy Middle East Limited	100	AED	1000	12.63	Unquoted
	Quippo Energy Yemen Limited	10,200	YER	1000	23.05	Unquoted
	TOTAL				35.68	
9	Quippo Construction Equipment Limited					
	Long Term Investment (at cost)					
	In Joint Venture - Equity Shares					
	NAC Infrastructure Equipment Limited	7,500,000	Indian Rupees	10	750.00	Unquoted
	TOTAL				750.00	
10	Quippo Prakash Marine Holdings Pte Limited					
	Long Term Investment (at cost)					
	In Subsidiary Company - Equity Shares:					
	Quippo Prakash Pte Limited	73,900	SGD	1	26.85	Unquoted
	TOTAL				26.85	

@ There is no system of issuance of distinctive shares in the country of registration

10 Lakh is equal to 1 Million

Notes

Notes

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.

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Srei Infrastructure Finance Limited

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'Vishwakarma', 86C, Topsia Road (South)
Kolkata - 700 046
www.srei.com

SREI INFRASTRUCTURE FINANCE LIMITED

Registered Office : "Vishwakarma"
86C, Topsia Road (South), Kolkata - 700 046
Website : www.srei.com, Email : investor.relations@srei.com

Notice

NOTICE is hereby given that the Twenty-seventh Annual General Meeting of the Members of Srei Infrastructure Finance Limited will be held on Friday, the August 10, 2012 at 10.30 a.m. in the Science City Mini Auditorium, JBS Haldane Avenue, Kolkata - 700 046 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Statement of Profit and Loss for the financial year ended March 31, 2012, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on the Equity Shares of the Company.
3. To elect a Director in place of Mr. Salil K. Gupta who retires by rotation and being eligible, seeks re-appointment.
4. To elect a Director in place of Mr. Shyamalendu Chatterjee who retires by rotation and being eligible, seeks re-appointment.
5. To elect a Director in place of Dr. Satish C. Jha who retires by rotation and being eligible, seeks re-appointment.
6. To re-appoint Messrs Haribhakti & Co., Chartered Accountants having registration No. 103523W allotted by The Institute of Chartered Accountants of India (ICAI), Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the Board of Directors of the Company based on the recommendation of the Audit Committee, in addition to reimbursement of all out-of-pocket expenses as may be incurred in connection with the audit of the accounts of the Company.

SPECIAL BUSINESS :

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956, including Schedule XIII to the Companies Act, 1956 and subject to approval of such other authorities as may be required, consent of the Company be and is hereby accorded to the re-appointment of Mr. Saud Ibne Siddique as Joint Managing Director of the Company for a further period of 3 (three) years on and from April 01, 2012, that is to say, from April 01, 2012 to March 31, 2015 on the remuneration and other terms and conditions mentioned herein below and as set out in the draft Agreement to be entered into between the Company and Mr. Saud Ibne Siddique, a copy whereof initialled by the Chairman for the purposes of identification has been placed before this meeting, which Agreement is hereby specifically approved with liberty to the Board of Directors to increase, reduce, alter or vary the terms of remuneration and perquisites including monetary value thereof as set out in the Agreement, at any time(s) and from time to time and in such manner as the Board of Directors may deem fit -

a. **Salary:** In the scale of ₹10,00,000 to ₹30,00,000 (Rupees Ten lakhs only to Rupees Thirty lakhs only) per month, or such other higher amount as may be permissible under the provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, and as may be decided by the Board of Directors of the Company from time to time. (The present salary of Mr. Siddique is fixed at ₹20,00,000 (Rupees Twenty lakhs only) per month).

b. **Annual Incentive:** A fixed annual incentive of ₹1,00,00,000 (Rupees One crore only) would be paid on an annual basis on the completion of the year.

c. **Perquisites:** In addition to the aforesaid, the Joint Managing Director shall be entitled to the following perquisites:

   i) **Reimbursements : Medical and Others**
   Reimbursement of actual medical and other expenses incurred upto a maximum of 1 (One) month's basic salary.

   ii) **Leave Travel Concession**
   Reimbursement of actual travelling expenses, for proceeding on leave, once in a year in respect of self and family, restricted to an amount equivalent to 1 (One) month's salary per annum.

   iii) **Leave**
   Entitled for leave 30 days annually with full pay or encashment thereof as per the rules of the Company.

   iv) **Contribution to Provident Fund, Superannuation Fund and Annuity Fund**
   The Company's contribution to Provident Fund or Superannuation or Annuity Fund as per the rules of the Company, applicable for Senior Executives of the Company.

   v) **Gratuity**
   Gratuity at a rate of half month's salary for each completed year of service or at such higher rate to be decided by the Board not exceeding 1 (One) month's salary for each completed year of service as per the rules of the Company.

   Explanation:
   Perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in absence of any such rules, perquisites shall be evaluated at the actual cost.

d. In the event of absence or inadequacy of profits in any financial year during the currency of tenure of service of the Joint Managing Director, Mr. Saud Ibne Siddique shall be paid the above remuneration as the minimum remuneration.

e. The Joint Managing Director will report to the Board at the Board Meetings and at such other times as may be required by the Chairman & Managing Director and/or the Board. He will discharge his duties under the overall supervision, control, direction and instruction of the Board. He will diligently and efficiently manage the business and affairs of the Company in the best interest of the Company and generally assist in its operations, administration, implementation of business plans, achieving business and profitability targets, compliances of Rules and Regulations including statutory compliances, implementing sound commercial practice and good Corporate Governance in the Company.

   He will also discharge specific duties as may be assigned to him by the Board of Directors of the Company from time to time and shall also do and perform all other acts, deeds and things which in the ordinary course of business he may consider necessary or proper in the interest of the Company.

   Mr. Saud Ibne Siddique will generally look after the affairs of the Company and will specifically look after and be responsible for functioning of various departments of the Company viz., Infrastructure Project Financing and Investments. However, the Board of Directors and / or the Chairman and Managing Director shall have the power and authority to alter, vary and change the areas of responsibility of Mr. Saud Ibne Siddique, as may be deemed fit in the best interest of the Company.

f. The Joint Managing Director shall not be paid any sitting fees for attending the meetings of the Board or Committees thereof from the date of his re-appointment.

g. Though the Joint Managing Director is initially posted at Kolkata, his services may be transferred to any other place at the discretion of the Board.

h. Subject to provisions of the Act, the Joint Managing Director shall while he continues to hold office of the Joint Managing Director, be subject to retirement by rotation, but he shall ipso facto immediately cease to be the Joint Managing Director if he ceases to hold office of Director for any cause. However, the Joint Managing Director re-appointed as a Director of the

Company immediately on retirement by rotation, shall continue to hold his office of Joint Managing Director and such re-appointment as such Director shall not be deemed to constitute a break in his appointment / service as Joint Managing Director of the Company.

i. The Company will enter into an agreement with Mr. Saud Ibne Siddique, which will contain, inter alia, the above terms and conditions;

RESOLVED FURTHER THAT Mr. Hemant Kanoria, Chairman & Managing Director and Mr. Sandeep Lakhotia, Company Secretary of the Company be and are hereby severally authorised to do and perform all such acts, deeds, matters and things as may be considered necessary to give effect to the resolution."

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (THE 'MEETING') IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY, IN ORDER TO BE VALID AND EFFECTIVE, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto and forms part of the Notice.
3. Members holding shares in physical mode are requested to intimate changes in their address / bank mandate to the Registrar and Share Transfer Agents, M/s. Maheshwari Datamatics Private Limited, 6 Mangoe Lane, Kolkata - 700 001. Members holding shares in electronic mode are requested to send the intimation for change of address / bank mandate to their respective Depository Participants.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, August 03, 2012 to Friday, August 10, 2012 (both days inclusive) for the purpose of payment of dividend.
5. Dividend on Equity shares for the year ended March 31, 2012 as recommended by the Board, if sanctioned at the Meeting, will be credited/dispatched between August 20, 2012 and August 28, 2012 -
   a. to those Members, holding Equity shares in physical form, whose names appear on the Company's Register of Members, at the close of business hours on Friday, August 10, 2012 after giving effect to all valid transfers in physical form lodged on or before Thursday, August 02, 2012 with the Company and/or its Registrar and Share Transfer Agents; and
   b. in respect of shares held in electronic form, to all beneficial owners as per details furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.

   Members who are holding shares in electronic form may note that bank particulars registered with their respective Depository Participants will be used by the Company for payment of dividend. The Company or its Registrar and Share Transfer Agents cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised by the Members concerned to their respective Depository Participants.
6. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to write to the Company's Registrar and Share Transfer Agents, M/s. Maheshwari Datamatics Private Limited, 6 Mangoe Lane, Kolkata - 700 001, enclosing their share certificates to enable the Company to consolidate their holdings into a single folio.
7. As a measure of economy, copies of the Annual Report will not be distributed at the Meeting. Members are requested to carry their copies of the Annual Report to the Meeting.
8. Members who have not yet surrendered their old share certificate(s) for exchange with new certificate(s) bearing hologram, logo and barcoding are requested to surrender the same to the Company's Registrar and Share Transfer Agents, M/s. Maheshwari Datamatics Private Limited.
9. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number

(PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN details to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company's Registrar and Share Transfer Agents, M/s. Maheshwari Datamatics Private Limited.

10. Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, dividends for the financial year ended March 31, 2005 and thereafter, which remain unpaid or unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund established by the Central Government. Members who have not encashed the dividend warrant(s), so far for the financial year ended March 31, 2005, or any subsequent financial years are requested to make their claim to the Company at its Registered Office. It may please be noted that once the unclaimed dividend is transferred to the said Fund, as above, no claims shall lie against the Company or the aforesaid Fund in respect of such amount. The Company has already sent letters and reminders to all such Members at their registered addresses in this regard.

11. The Register of Directors' shareholding, maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the Members at the Meeting.

12. Relevant documents referred to in the Notice are open for inspection by the Members at the Registered Office of the Company on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. upto the date of the Meeting.

13. Members desirous of obtaining any relevant information with regard to the accounts of the Company at the Meeting are requested to send their requests to the Company at least seven days before the date of the Meeting, so as to enable the Company to keep the information ready.

14. In compliance with General Circular No:2/2011 dated February 08, 2011 of Government of India, Ministry of Corporate Affairs, the copy of audited statement of accounts along with the reports of the Board of Directors and Auditors relating to the Company's subsidiaries in India and Overseas have not been attached with the Balance Sheet of the Company. The Company Secretary will make these documents available upon receipt of request from any Member of the Company interested in obtaining the same. However, as directed by the Ministry of Corporate Affairs, Government of India, the financial data of the subsidiaries have been separately furnished and forms part of the Annual Report. These documents will also be available for inspection at the Registered Office of the Company and the concerned subsidiary companies during business hours on all working days, except Saturdays, upto the date of the Meeting. Further, the documents shall be available on the website of the Company. In addition, in line with the Listing Agreement and in accordance with the Accounting Standard 21 (AS-21), Consolidated Financial Statements prepared by the Company include financial information of its subsidiary companies.

15. The Ministry of Corporate Affairs (MCA), Government of India, through its circular nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively, has allowed companies to send documents including Annual Report to their Members electronically as part of its green initiative in corporate governance.

    To enable the Company to support this green initiative of the Government in full measure, Members who have not registered / updated their email addresses, so far, are requested to register / update their email addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their email addresses with the Company's Registrar and Share Transfer Agents, M/s. Maheshwari Datamatics Private Limited.

16. At the ensuing Meeting of the Company, Mr. Salil K. Gupta, Mr. Shyamalendu Chatterjee and Dr. Satish C. Jha, Directors retire by rotation and being eligible, seek re-appointment. Moreover, Mr. Saud Ibne Siddique is proposed to be re-appointed as Joint Managing Director of the Company.

Pursuant to the Clause 49(IV)(G) of the Listing Agreement with the Stock Exchange(s), the particulars of the aforesaid Directors are given below:

Name of Director	Mr. Salil K. Gupta	Mr. Shyamalendu Chatterjee	Dr. Satish C. Jha	Mr. Saud Ibne Siddique
Date of Birth	14.08.1928	24.12.1946	01.04.1934	02.05.1958
Date of Appointment	20.04.1991	29.04.2009	28.01.2010	29.10.2007 (Director) 01.04.2009 (Joint Managing Director)
Expertise in specific functional areas	Over 54 years of experience in the field of Corporate management & finance; former President of The Institute of Chartered Accountants of India; former Chairman of West Bengal Industrial Development Corporation Limited	Over 45 years of experience in Commercial and Investment Banking with State Bank of India and Axis Bank Limited (formerly UTI Bank Limited); former Executive Director of Axis Bank Limited (formerly UTI Bank Limited)	Former Director and Chief Economist of Asian Development Bank. Lastly, Member, Economic Advisory Council to the Prime Minister and Chairman, Special Task Force on Bihar	Over 28 years of rich experience in global infrastructure financing including top management infrastructure operating company experience with a global water infrastructure company; formerly with International Finance Corporation (IFC), Washington for more than 16 years including as head of business development for infrastructure projects in East Asia and Pacific region for IFC; former Assistant Vice President of Swiss Bank Corporation, New York
Qualification	B.Com., FCA	B.A. (Hons.)	MS, PhD from Stanford University and University of Illinois	B.Sc. (Engineering), MBA
List of outside Directorships held	• Srei Sahaj e-Village Limited • Corporate Health Check Services Private Limited • Jagaran Microfin Private Limited	• Nabil Bank, Nepal • Srei Sahaj e-Village Limited	• Walchand Peoplefirst Limited • Srei Venture Capital Limited	• Srei Venture Capital Limited • Srei Capital Markets Limited • Emerging Africa Infrastructure Fund, Africa
Chairman / Member of the Committees of Board of Directors of the Company	Chairman - Audit Committee Chairman - Share Transfer and Investors' Relations Committee	Member - Audit Committee	Nil	Nil
Chairman / Member of the Committees of Board of Directors of other Public Limited Companies in which he is a Director –				
a) Audit Committee	1 (Chairman - Nil) (Srei Sahaj e-Village Limited)	1 (Chairman - Nil) (Srei Sahaj e-Village Limited)	1 (Chairman - Nil) (Walchand Peoplefirst Limited)	Nil

Name of Director	Mr. Salil K. Gupta	Mr. Shyamalendu Chatterjee	Dr. Satish C. Jha	Mr. Saud Ibne Siddique
b) Shareholders' Grievance Committee	Nil	Nil	Nil	Nil
Shareholding in the Company	Nil	Nil	Nil	Nil
Relationship with other Directors	–	–	–	–

By Order of the Board of Directors
For **Srei Infrastructure Finance Limited**

Sandeep Kr. Lakhotia

Dated : May 14, 2012
Place : Kolkata

Sandeep Lakhotia
Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 7

Mr. Saud Ibne Siddique was appointed as the Joint Managing Director of the Company for a period of three years with effect from April 01, 2009 to March 31, 2012, with the approval of the Members of the Company at the Annual General Meeting of the Company held on September 12, 2009, in accordance with applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act. The approval of the Central Government under Section 269 and applicable provisions of the Companies Act, 1956 in respect of appointment and payment of remuneration to Mr. Saud Ibne Siddique as Joint Managing Director of the Company was obtained vide letter dated June 14, 2010. The current term of office of Mr. Saud Ibne Siddique was due to expire on March 31, 2012.

Considering the dedicated and meritorious services rendered by Mr. Saud Ibne Siddique towards the growth of the Company, the Board of Directors of the Company, at the recommendation of the Compensation Committee, has decided to re-appoint him as Joint Managing Director of the Company on the remuneration, other terms and conditions as mentioned in the Resolution, for a further period of 3 (three) years beginning from April 01, 2012 to March 31, 2015, subject to approval of the Members of the Company and all such statutory approvals as may be required.

The remuneration of Mr. Saud Ibne Siddique as proposed in the Resolution is in accordance with the provisions of Schedule XIII to the Companies Act, 1956.

The Statement as required under Clause 1(C) of Section II of Part II of Schedule XIII to the Companies Act, 1956 is as follows:

I. General Information:

1. Nature of Industry:	Financial services Industry
2. Date or expected date of commencement of commercial production:	The Company is not into commercial production. It is a Company incorporated under the Companies Act, 1956 and registered as a Non Banking Financial Institution (Category: Infrastructure Finance Company) with the Reserve Bank of India. The Company is also notified as a Public Finance Institution (PFI) under Section 4A of the Companies Act, 1956.
3. In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:	Not Applicable

4. Financial performance based on given indicators:

(₹in Lakh)

	Standalone		Consolidated	
Particulars	**Financial Year ended on 31.03.2012 (Audited)**	**Financial Year ended on 31.03.2011 (Audited)**	**Financial Year ended on 31.03.2012 (Audited)**	**Financial Year ended on 31.03.2011 (Audited)**
1. Income				
(a) Income from Operations	1,14,703	73,243	2,37,782	1,60,938
(b) Other Operating Income	2,975	1,327	5,608	2,229
Total Income from Operations	1,17,678	74,570	2,43,390	1,63,167
2. Expenses				
(a) Employee Benefits Expense	4,176	3,022	17,180	12,344
(b) Legal and Professional Fees	1,319	1,320	3,967	4,016
(c) Operating and Other Expenses	3,182	2,558	18,351	15,295
(d) Bad Debts written off	50	1	5,121	3,507
(e) Provision for Bad and Doubtful Debts	1,137	-	2,162	2,097
(f) Contingent Provisions against Standard Assets	986	1,196	1,169	2,236
(g) Depreciation/Amortisation/Impairment	1,540	1,808	16,503	12,409
Total Expenses	12,390	9,905	64,453	51,904
3. Profit from Operations before Other Income, Finance Cost & Exceptional Items	1,05,288	64,665	1,78,937	1,11,263
4. Other Income	391	54	1,243	642
5. Profit from ordinary activities before Finance Cost & Exceptional Items	1,05,679	64,719	1,80,180	1,11,905
6. Finance Cost	94,800	43,505	1,56,503	83,008

(₹in Lakh)

Particulars	Standalone Financial Year ended on 31.03.2012 (Audited)	Standalone Financial Year ended on 31.03.2011 (Audited)	Consolidated Financial Year ended on 31.03.2012 (Audited)	Consolidated Financial Year ended on 31.03.2011 (Audited)
7. Profit from ordinary activities after Finance Cost but before Tax & Exceptional Items	10,879	21,214	23,677	28,897
8. Exceptional Items	-	-	-	-
9. Profit from ordinary activities before Tax	**10,879**	**21,214**	**23,677**	**28,897**
10. Current Tax Expenses	2,909	7,535	8,951	7,970
11. Income Tax in respect of earlier years	2,174	249	2,411	1,309
12. Net Profit (before adjustment for Minority Interest)	**5,796**	**13,430**	**12,315**	**19,618**
13. Share of Profit/(Loss) of Minority Interest			1,134	1,694
14. Net Profit after taxes and Minority Interest			**11,181**	**17,924**

5. Export performance and net foreign exchange collaborations: Not Applicable

6. Foreign Investment of Collaborators, if any: Not Applicable

II. Information about the Appointee, Mr. Saud Ibne Siddique:

1. Background details:	Mr. Saud Ibne Siddique has over 28 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, based out of Washington DC. 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 also previously worked with Swiss Bank Corporation in New York on structured financing and asset securitisation transactions. He is a member of the Board of Directors and Chairman of the Audit Committee 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, Swedish and Swiss government entities and leading private global banks. He has been a visiting faculty at the Indian Institute of Management, Calcutta.
2. Past remuneration:	Salary of ₹15,48,400 per month plus annual incentive and other perquisites.

3. Recognition or awards:	Mr. Saud Ibne Siddique has received the following significant awards during his career - i. IFC Power Department High Performance Recognition in 2000; ii. World Bank High Performance Recognition Award in 2000; iii. IFC Power Department Outstanding Performance Award in 2000 & 2002; iv. IFC Corporate Outstanding Performance Award in 2003, 2005 & 2006; v. IFC East Asia Pacific Department High Performance Recognition Award in 2005; vi. IFC Infrastructure Department High Performance Recognition Award in 2006; vii. IFC Team Leader Outstanding Performance Award in 2006; and viii. IFC Corporate Long Term Performance Recognition Award in 2006.
4. Job profile and his suitability:	Mr. Saud Ibne Siddique will generally look after the affairs of the Company and will specifically look after and be responsible for functioning of various departments of the Company viz., Infrastructure Project Financing and Investments. However, the Board of Directors and / or the Chairman & Managing Director shall have the power and authority to alter, vary and change the areas of responsibility of Mr. Saud Ibne Siddique, as may be deemed fit in the best interest of the Company. The Joint Managing Director will also carry on the following functions with respect to the Company's activities :- i. The decision making process in respect of the Company's strategy, policies, code of conduct and achieving performance targets by providing necessary inputs. ii. Implementing the policies and code of conduct of the Board. iii. Managing the day to day affairs of the Company with respect to investments in infrastructure to achieve the targets and goals set by the Board and to maximize the shareholders', investors' and customers' value. iv. Providing timely, accurate, substantive and material information, including information on financial matters and exceptions to the Investors and Shareholders of the Company with respect to activities mentioned in (iii) above. v. Ensuring compliance of all regulations, rules and laws of the Country as may be applicable to the Company with respect to activities mentioned in (iii) above. vi. Ensuring timely and efficient services to the shareholders, investors and customers of the Company. vii. Setting up and implementing efficient Internal Control Systems and procedures commensurate with the business requirements of the Company with respect to activities mentioned in (iii) above. viii. Implementing and complying with Code of Corporate Governance as required by various statutory authorities. ix. Co-operating and facilitating efficient working at various levels and branches / regional offices of the Company.
5. Remuneration proposed:	Salary of ₹20,00,000 per month plus annual incentive and other perquisites as more fully described in the Resolution.

6. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case expatriates the relevant details would be w.r.t. the country of his origin):	The proposed remuneration is comparable with the remuneration drawn by the peers in the Financial Services Industry and is necessitated due to complexities of business and diversified activities of the Company.
7. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:	Mr. Saud Ibne Siddique is a Managerial Personnel having requisite professional expertise and holding Nil shares of the Company. Apart from receiving remuneration as stated in the Resolution, he does not receive any other emoluments from the Company. Mr. Saud Ibne Siddique is not directly or indirectly related with any of the managerial personnel of the Company.

III. Other Information:

Reasons for loss or inadequate profits:	Not Applicable
Steps taken or proposed to be taken for improvement:	Not Applicable
Expected increase in productivity and profits in measurable terms:	Not Applicable

IV. Disclosures:

The Shareholders of the Company shall be informed of the remuneration package of the managerial person:	Salary of ₹20,00,000 per month plus annual incentive and other perquisites as more fully described in the Resolution.
The following disclosures shall be mentioned in the Board of Director's Report under the heading "Corporate Governance", if any attached to the Annual Report: i. All elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc., of all the Directors; ii. Details of fixed component and performance linked incentives along with the performance criteria; iii. Service contracts, notice period, severance fees; iv. Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable.	The requisite details as required under the Listing Agreement have been furnished in the Corporate Governance Report, forming part of the Annual Report of the Company for the Financial Year 2011-12.

In accordance with the provisions of Section 302 of the Companies Act, 1956, the Members were furnished an abstract of the terms of re-appointment together with the remuneration payable to Mr. Saud Ibne Siddique as Joint Managing Director of the Company.

The Board of Directors of the Company considers that the re-appointment of Mr. Saud Ibne Siddique as Joint Managing Director of the Company for the period proposed in the Resolution is in the best interest of the Company.

The Directors, therefore, recommend the Resolution to be passed as a Special Resolution by the Members.

Copy of the Agreement between the Company and Mr. Saud Ibne Siddique is available for inspection at the Registered Office of the Company on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.

Mr. Saud Ibne Siddique may be deemed to be concerned or interested in the proposed Resolution in so far as it relates to his own appointment and remuneration. None of the other Directors of the Company are, in any way, concerned or interested in the proposed Resolution.

By Order of the Board of Directors
For **Srei Infrastructure Finance Limited**

Sandeep Kr. Lakhotia

Sandeep Lakhotia
Company Secretary

Dated : May 14, 2012
Place : Kolkata

Srei Infrastructure Finance Limited

Registered Office:

'Vishwakarma', 86C, Topsia Road (South)

Kolkata - 700 046

www.srei.com

SREI INFRASTRUCTURE FINANCE LIMITED

Registered Office : "Vishwakarma"
86C, Topsia Road (South), Kolkata - 700 046
Website : www.srei.com, Email : investor.relations@srei.com

PROXY

DP ID No.*		Regd. Folio No.	
Client ID No.*		No. of Share(s) held	

*Applicable for shares held in electronic form.

I/We____of ____

being a member / members of **Srei Infrastructure Finance Limited,** hereby appoint ________________________________

of____ or failing him ___________________________________ of

____ as my / our Proxy to attend and vote for me / us and on my / our behalf at the **Twenty-seventh Annual General Meeting** of the Company to be held on Friday, August 10, 2012 at 10.30 a.m. and at any adjournment(s) thereof.

Affix
Revenue
Stamp

Signed this ___________ day of ______________ 2012.

Signature across Revenue Stamp

Note : The Proxy, to be valid, should be deposited at the Registered Office of the Company not less than Forty-Eight Hours before the time fixed for holding the aforesaid Meeting. Further, a Proxy need not be a Member of the Company.

SREI INFRASTRUCTURE FINANCE LIMITED

Registered Office : "Vishwakarma"
86C, Topsia Road (South), Kolkata - 700 046
Website : www.srei.com, Email : investor.relations@srei.com

ATTENDANCE SLIP

DP ID No.*		Regd. Folio No.	
Client ID No.*		No. of Share(s) held	

*Applicable for shares held in electronic form.

I hereby record my presence at the **Twenty-seventh Annual General Meeting** of the Company held on Friday, August 10, 2012 at 10.30 a.m. in the Science City Mini Auditorium, JBS Haldane Avenue, Kolkata - 700 046.

Full name of Shareholder / Proxy ____

(in block letters)

Signature of the Shareholder / Proxy