

June 14, 2010

**CARE REAFFIRMS THE RATING FOR THE BANK FACILITIES OF  
SREI INFRASTRUCTURE FINANCE LTD. (FOR ENHANCED AMOUNT)**

**Ratings**

<b>Facilities</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Long term bank facilities	4550.0 (enhanced from 1,675.0)	<b>'CARE AA' (Double A)</b>	Retained
Short term bank facilities	750.0 (reduced from 800.0)	<b>'PR1+' (PR One Plus)</b>	Retained
<b>Total facilities</b>	<b>5300.0</b>		

**Rating Rationale**

The above rating draws strength from the satisfactory track record of the company, experience of the promoter group and their prominent position in infrastructure financing, access to long term foreign funds at competitive rates, comfortable financial position with low gearing & satisfactory CAR (capital adequacy ratio) and comfortable asset-liability maturity profile. The long-term rating is however, constrained by the risk associated with the volatility in interest rates, exchange risks in respect of foreign currency borrowings, entry into new areas of financing, big ticket leasing involving longer gestation period, company's significant exposure to associate as well as subsidiary companies yielding low return and volatile economic scenario with increasing competition in the asset financing business. Sustaining the present level of profitability and maintaining regulatory CAR would remain the key rating sensitivities. The aforesaid rating also takes into account Srei's recent decision to amalgamate Quippo Infrastructure Equipment Ltd. (Quippo) – an unlisted associate company, with itself with effect from Apr.1, 2010.

**Company Profile**

Srei Infrastructure Finance Ltd. (SIFL), is an over 20 years old Kolkata based registered NBFC. After divestment of major part of its equipment financing and leasing business together with the assets & liabilities as on Dec.31, 2007 to Srei Equipment Finance Pvt. Ltd. (SEFPL), a joint venture company between SIFL and BNP Paribas Lease Group – a 100% subsidiary of BNP Paribas, the company is engaged in strategic equipment financing business (i.e., equipment worth of more than Rs.15 crore), project financing, infrastructure project advisory and providing short term/bridge loans to large corporates. Of late, the Board of Directors of SIFL, approved the amalgamation of Quippo Infrastructure Equipment Ltd. (Quippo) – an unlisted associate company of SIFL, with itself with effect from April 1, 2010.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

SIFL earned PAT (before defd. tax provision) of Rs.84.4 crore on total income of Rs.326.4 crore in FY09 (as against PAT & total income of Rs.98.8 crore and Rs.463.2 crore respectively). Overall debt-equity ratio as on Mar.31, 2009, after considering mezzanine capital/Tier II capital of Rs.78.9 crore as debt, was very comfortable at 1.61. Interest coverage (before provisions & write-offs) at 1.53 in FY09 was also satisfactory.

The asset quality was satisfactory with the proportion of standard advances being 100% as on Mar.31, 2009. This was due to recent financing of most of the assets. Collection efficiency pertaining to loans & operating lease was satisfactory at 97.8% in FY09.

Liquidity position of Srei has been comfortable as assets maturing in the next five years exceed the corresponding liabilities.

As per the unaudited working results for 9MFY10, SIFL's total income witnessed an increase over 9MFY09, on account of higher disbursements. PAT (before defd. tax) level also increased over the above period. Consequently, profitability margin increased and was comfortable. Interest coverage (before prov. & write offs) was satisfactory. CAR as on Dec.31, 2009, was comfortable at 18.92% as against the regulatory requirement of 12%.

#### **Analyst Contact**

Name: Saurav Chatterjee/Anuj Mehrotra

Tel # 033-22831800

Mobile # 9830714920/9903031877

Email: [saurav.chatterjee@careratings.com](mailto:saurav.chatterjee@careratings.com) / [anuj.mehrotra@careratings.com](mailto:anuj.mehrotra@careratings.com)

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

**HEAD OFFICE: MUMBAI**

**Mr. D.R. Dogra**

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

**Mr. Rajesh Mokashi**

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

**Mr. Ankur Sachdeva**

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4<sup>th</sup> Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,  
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

**Website: www.careratings.com**

**OFFICES**

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, <b>Ahmedabad - 380 015.</b> Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's PlaceNo. 6, Raja Ram Mohan Roy Road, Richmond Circle, <b>Bangalore - 560 025.</b> Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr.Ashwini Jani Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, <b>Chennai 600 002</b> Tel: 044 2849 7812/2849 0811 Mobile – 91766 47599 E-mail : ashwini.jani@careratings.com</p>	<p>Mr. Rahul Patni Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar<b>Hyderabad - 500 029</b> Tel – 040 _40102030 Mobile – 91600 04563 E-mail: rahul.patni@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3<sup>rd</sup> Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani <b>Kolkata - 700 071.</b> Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, <b>New Delhi - 110 001.</b> Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail : swati.agrawal@careratings.com</p>