

September 28, 2010

CARE REAFFIRMS/REVALIDATES RATING FOR LONG/MEDIUM-TERM & SHORT-TERM INSTRUMENTS/FACILITIES OF SREI INFRASTRUCTURE FINANCE LTD.

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Short-term debt (including Commercial Paper)	500.0	PR1+ (PR One plus)	Reaffirmed
Unsecured Subordinated Tier II bonds (Series I)	50.0	CARE AA- (Double A minus)	Reaffirmed
Unsecured Subordinated Tier II bonds (Series II)	200.0		Reaffirmed
Secured Redeemable Bond/Note (Series I – Tranche I)	43.0	CARE AA (Double A)	Reaffirmed
Secured Redeemable Bond/Note (Series I – Tranche II)	7.0		Revalidated
Secured Redeemable Bond/Note (Series II)	493.0 (enhanced from.200)		Retained
Mezzanine Capital	21.06	CARE AA- (Double A minus)	Reaffirmed
Fixed Deposit programme	4.67	CARE AA (FD) (Double A)	Withdrawn
Long term bank facilities	4447.92 (reduced from 4550)	CARE AA (Double A)	Retained
Short term bank facilities	750.0	PR1+ (PR one plus)	Retained

Rating Rationale

The above ratings continue to draw strength from the satisfactory track record of the company, established experience of the promoter group with prominent position in infrastructure financing industry, access to long term foreign funds at competitive rates, comfortable asset quality, satisfactory financial position with low gearing & adequate 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 subsidiary companies yielding low return and increasing competition in the asset financing business. Company's continuing ability to maintain regulatory CAR, asset quality, present level of profitability and impact of the ensuing merger of Quippo Infrastructure Equipment Ltd. (Quippo) with itself would remain the key rating sensitivities.

¹Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications

Company Profile

Srei Infrastructure Finance Ltd. (Srei), 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 Jan.1, 2008 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 now 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 loans to corporate in the infrastructure space.

Srei earned PAT (before defd. tax provision) of Rs.113.7 crore on total income of Rs.470.1 crore in FY10 (as against PAT & total income of Rs.84.4 crore and Rs.326.4 crore respectively). Overall debt-equity ratio as on Mar.31, 2010, after considering mezzanine capital/Tier II capital as debt, was comfortable at 3.78. Interest coverage (before provisions & write-offs) at 1.61 in FY10 was also satisfactory. CAR as on Mar.31, 2010, was comfortable at 21.98% as against the regulatory requirement of 12%.

The asset quality was satisfactory with the proportion of standard advances being 100% as on Mar.31, 2010. This was due to recent financing of most of the assets. Collection efficiency pertaining to loans & operating lease was satisfactory in FY10, almost closed to 100%.

As per the unaudited working results for Q1FY11, Srei's total income witnessed a significant increase from Q1FY10, on account of higher disbursements. PAT also increased notably during the said period. CAR as on Jun.30, 2010, was comfortable at 19.54% as against the regulatory requirement of 12%.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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