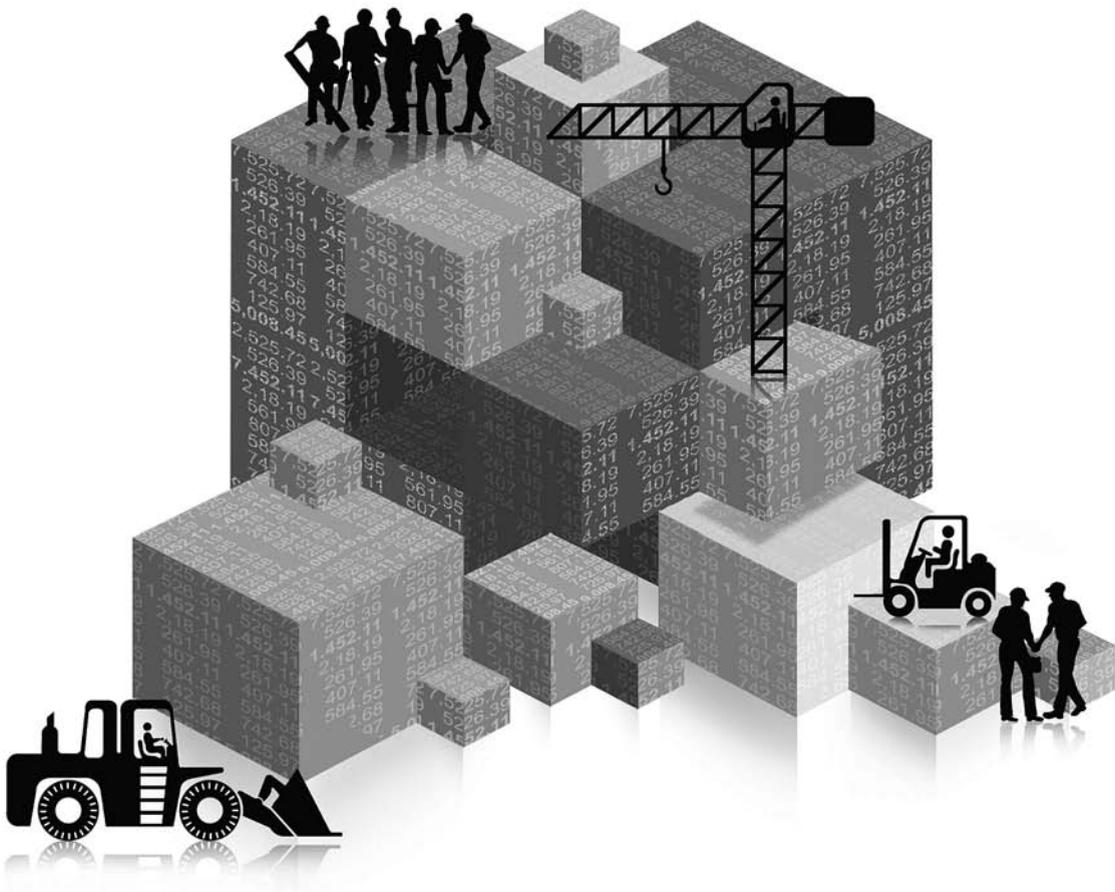




Srei Infrastructure Finance Limited
Annual Report 2009-10



The parts.
The whole.
The Srei story.

Board of Directors

Salil K. Gupta
Chief Mentor

Hemant Kanoria
Chairman & Managing Director

Sunil Kanoria
Vice Chairman

Saud Ibne Siddique
Joint Managing Director

K. K. Mohanty
Wholetime Director

V. H. Pandya

S. Rajagopal

Daljit Mirchandani

Shyamalendu Chatterjee

Satish C. Jha

Chief Financial Officer

Sanjeev Sancheti

Company Secretary

Sandeep Kr. Lakhotia

Auditors

Deloitte Haskins & Sells
Chartered Accountants

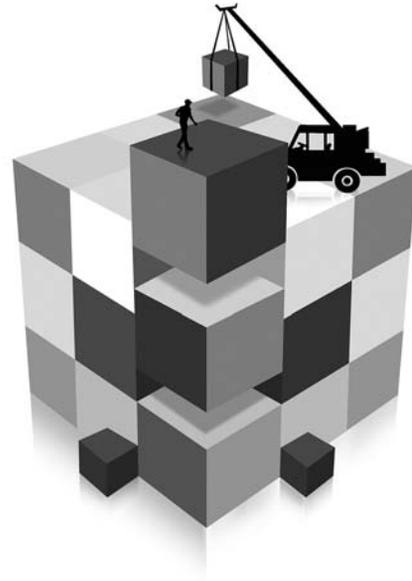
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1 billion = 100 crore 1 million = 10 lakh
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Srei Infrastructure Finance Limited is not just a simple Non Banking Finance Company. It is an Infrastructure Finance Company. A Holistic Infrastructure Institution. With a footprint across the infrastructure value chain.

Operationalised through an architecture to enhance corporate value.

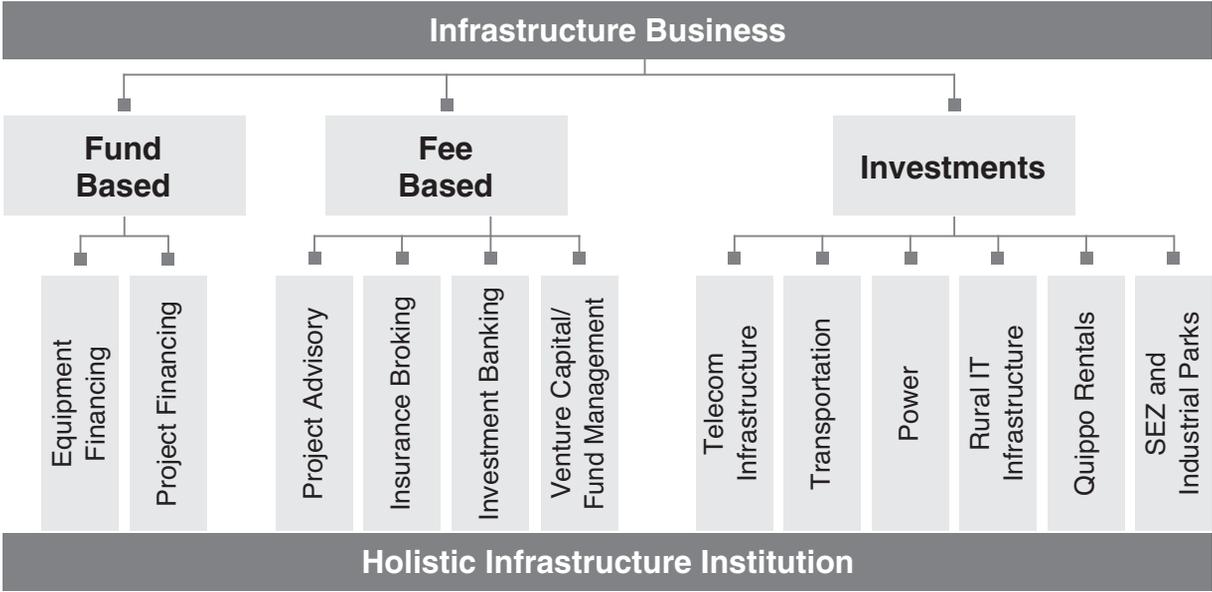
For today. For tomorrow.

For shareholders. For employees. For society.

This annual report highlights the parts. The whole. The real Srei story.

The parts.
The whole.





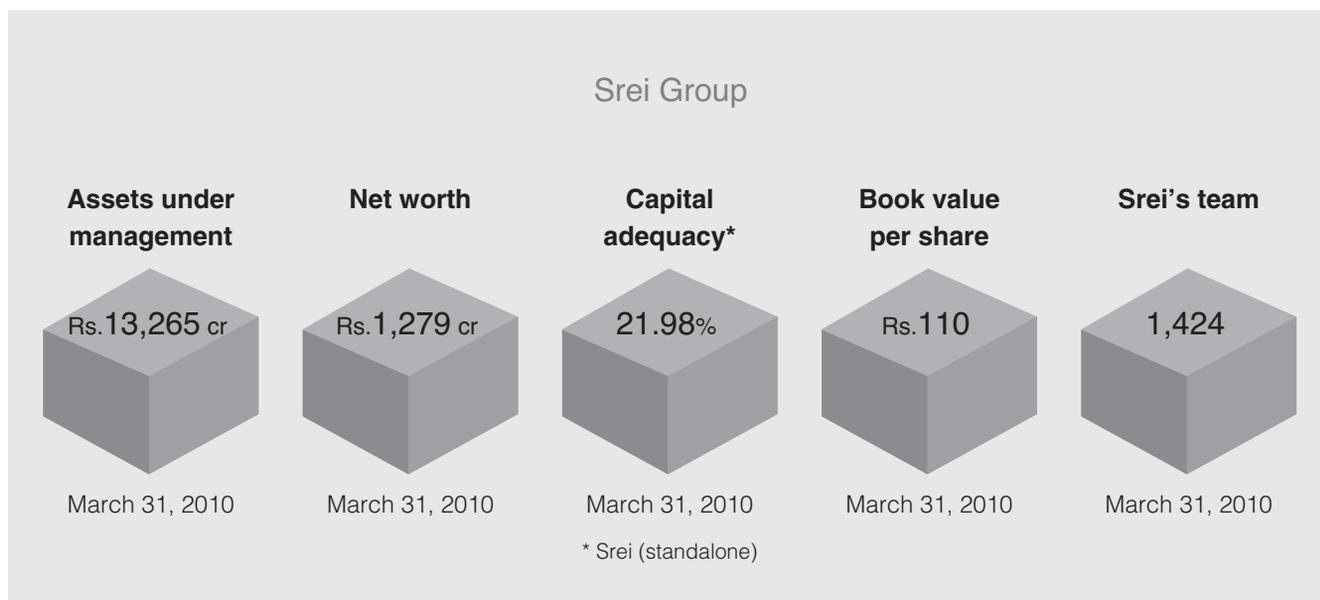
Srei, the engine of India's speeding infrastructure train. Through a ubiquitous presence across the entire infrastructure value chain.

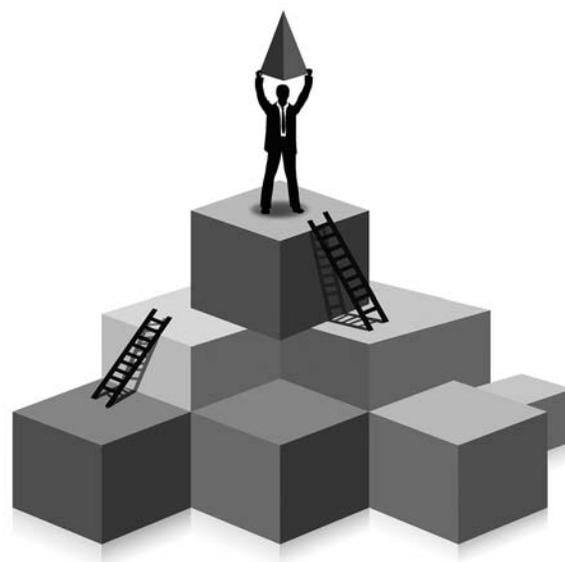
Parentage

- Started operations in 1989 as an infrastructure-focused non-banking finance company (NBFC)
- Visionary management team is headed by Hemant Kanoria, Chairman and Managing Director; Sunil Kanoria, Vice Chairman; Saud Siddique, Joint Managing Director and; K. K. Mohanty, Wholetime Director
- Managed by experienced team of world class professionals

Presence

- Headquartered in Kolkata, India
- Pan-India presence with 73 offices; presence in Russia with three offices
- Listed on the Bombay, National and Calcutta stock exchanges
- First Indian NBFC to be listed on the London Stock 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, which stands by integrity in all its dealings and ensures strict adherence to the highest standards of business ethics.

■ **Passion for excellence:** Srei's passion for excellence is instrumental in positioning it as India's most innovative infrastructure solution provider.

■ **Respect for people:** Srei acknowledges the fact that its people are its most valuable assets and accordingly provides them with the best possible work environment and treats them like family members. The Company rewards excellence and initiative.

■ **Stakeholder value enhancement:** Srei is committed to earning the trust and confidence of all its stakeholders. Its growth focus, the ability to constantly enlarge its product basket while controlling risk and reducing the cost of its services resulted in enhanced value for its stakeholders.

■ **Professional entrepreneurship:** Srei's in-depth knowledge of the infrastructural financing business in India, coupled with its spirit of entrepreneurship, helps it overcome obstacles and complexities with professional expertise.

Chairman and Managing Director's message



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

Dear fellow Shareholders,

India is the vanguard of sustainable growth globally and the black clouds of gloom have passed over our country quickly. There is reason to be upbeat because the economy is doing well. The year under review had been far less challenging compared to the preceding one, when the global financial crisis had dried up liquidity from the market. Quite contrastingly, 2009-10 marked a period of abundant liquidity, thanks to some pro-active and accommodative policy interventions from the Government. With the emphasis that Government has laid on infrastructure creation by envisaging a mammoth investment of USD 1 trillion during the Twelfth Five Year Plan (2012-17), India's economic prospects have brightened. This certainly augurs very well for your Company also.

The year under review was not one of crisis management. Business sentiment had started improving since the beginning and by the end of the year it was business as usual, at least in India. Your Company emerged stronger from the crisis and was able to conduct business smoothly, disbursing over Rs. 9,000 crore. During the difficult phase, we stood by our customers, with a partnership approach, offering them customised solutions. This act of solidarity strengthened our bond with the customers and paid rich dividends.

Economy outlook

The world has changed dramatically over the last two years. The financial crisis that began with the sub-prime crisis in the US mortgage markets had spread to other continents riding on the ignorance about financial products created, unethically, to serve the interests of a select few of the financial world. USA is yet to return to normalcy. Continued high unemployment has diminished consumption demand which is proving to be a challenge for several export-oriented nations which are highly dependent on demand from USA. The crisis that has surfaced in Europe happened essentially due to the profligate ways in which certain nations had run their governments. Many experts feel that there is a problem brewing in China too. The fastest growing nation is said to be overheated and the government there is trying its best to contain asset bubbles.

We are perhaps witnessing the formation of a new world order. The good news is that India figures prominently in this new global equation by being an emerging economy recording the second fastest growth rate consistently over several years now. During the crisis year, the Indian economy registered a 6.7% growth and during the year under review it clocked 7.4% growth,

and all this had happened in spite of India being a severely infrastructure-deficient nation. India's domestic demand growth remains robust.

To keep the domestic engine going, the Government's decision to add capacity to the infrastructure sector is the most logical move. The India Growth Story has plenty of takers and many are willing to invest in it. Thus, funding should not be a problem, if bankable projects can be offered. Many experts have expressed their concerns over India's fiscal deficit. But going by the Government's actions, it seems that fiscal prudence is not going to supersede investment in infrastructure. And that is the most logical way because the long-term multiplier benefits from infrastructure creation will be manifold leading to a stronger economy, more purchasing power in the hands of the people and a significantly better standard of living. In addition, India's proposed move to a common Goods & Services Tax (GST) regime, the adoption of a Direct Tax Code (DTC), the decision to make scarce resources available through auction (e.g. telecom spectrum, oil & gas blocks, coal mines, etc.), the proposed disinvestment in select public sector units are all opening up revenue avenues for the Government. So, fiscal deficit will be reined in systematically.

Company outlook

Your Company has maintained its market leadership in the infrastructure equipment finance business, and expanded its presence in the infrastructure project financing space. The fee-based activities of your Company also witnessed healthy growth. Srei's consolidated total income and profit (after tax) stood at Rs. 972 crore and Rs. 157 crore respectively as on March 31, 2010. During the year under review, the total assets under management stood at Rs. 13,265 crore.

With large investments envisaged by the Government in the infrastructure sector and your Company gaining knowledge and acquiring skills over a period of twenty years, it is now at a

take-off stage. Your Company is operating in all business verticals of infrastructure from advisory to financing and development. For your Company to expand the business multifold and move into the league of large infrastructure players in the country, it requires larger net worth. Therefore, the Company proposed to amalgamate Quippo Infrastructure Equipment Ltd. with Srei creating a much larger entity. This synergistic integration will result in your Company being present in all sectors of infrastructure like telecom, oil & gas, roads, power, ports, industrial parks and rural IT infrastructure; besides being in equipment leasing, rentals and auctioning, project financing, project development, advisory and fund management.

One of the key reasons why Srei has grown stronger in the last two decades of its existence has been its risk-mitigating measures. De-risking has become part of your Company DNA. Apart from following stringent provisioning norms for non-performing assets (NPA), there has always been an emphasis on collective decision-making so that chances of error arising from individual judgments are minimised.

The sound business model coupled with the credibility in the market helps your Company to borrow at competitive rates from both domestic and international sources. Various equity investors have also evinced interest in some of the strategic businesses. Srei shares a great



rapport with global equipment manufacturers. BNP Paribas association has added an edge to the competitiveness because the market leadership coupled with BNP linkage has made your Company a natural point of reference for new entrants in the equipment manufacturing space. Srei's expertise in providing finance and project advisory services has also endeared it to the construction companies and project developers who are willing to form consortia in undertaking infrastructure projects.

Regular dialogue with the Government is an integral part of development of infrastructure sector in the country. Private sector participation in infrastructure projects is picking up. Therefore, the regulatory regime in

this domain is also evolving. In such a scenario, regular feedback to the Government and relevant government bodies on various policy and regulatory issues is a must. Some of the recommendations get accepted, some not – but that is the way how it works towards creating an environment more appropriate for private sector involvement in infrastructure creation.

Srei team is extremely dedicated, innovative and customer oriented. They have steered your Company through very difficult times and almost doubled the growth rate in the year under review. The cohesive and collective teamwork will ensure a bright future.

We thank you for your support and we hope that with a larger capital base, your Company will scale new heights in its infrastructure ambitions.

Thank you.



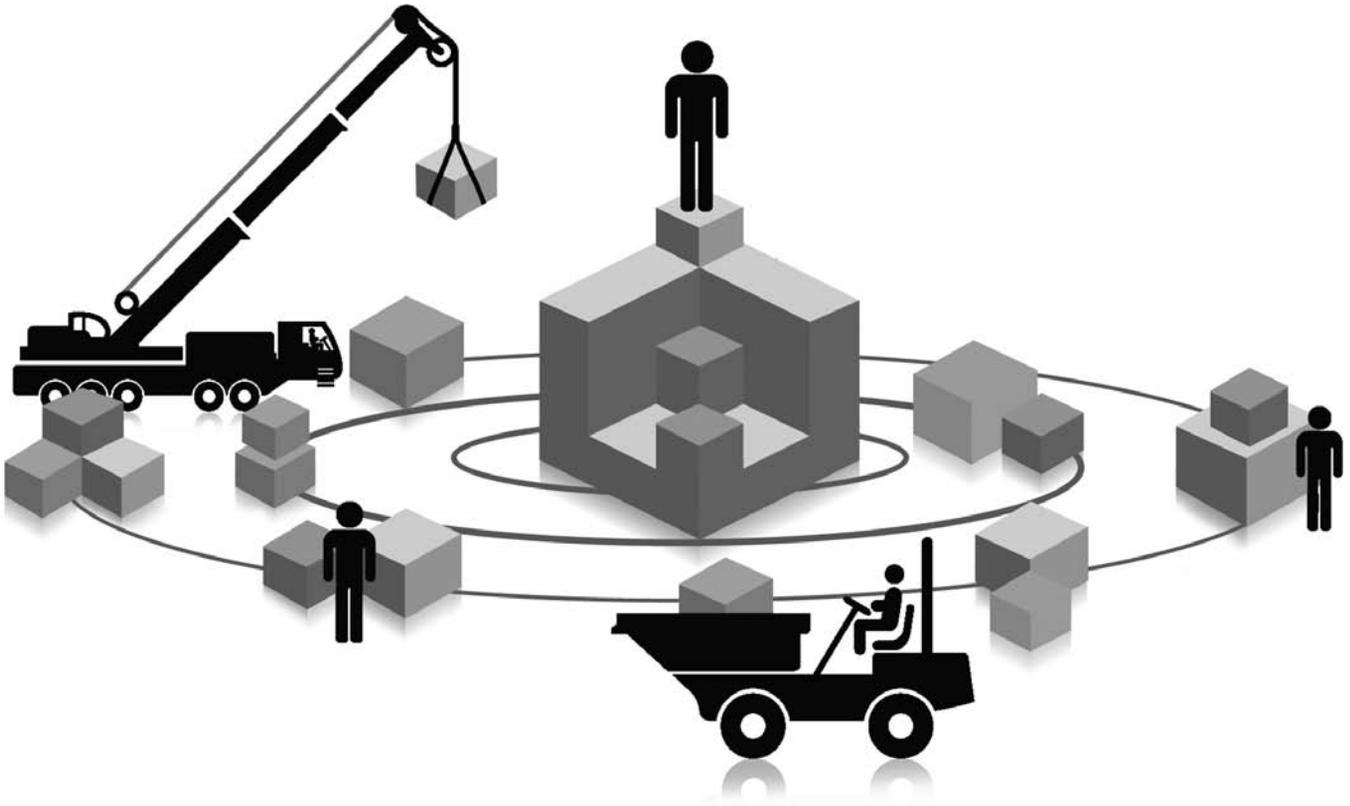
Hemant Kanoria
Chairman &
Managing Director

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Infrastructure wisdom

Across the spectrum



“Srei, at the epicentre of India’s infrastructure sector”

Over its two decades of existence in the field of infrastructure financing, Srei has developed a unique business model that ensures presence across the entire value chain – advisory services, project financing, project

development, equipment financing (outright purchase, operating lease, rental or exchange lease), asset sale/auction, insurance broking, capital market and fund management. The journey that started with equipment financing had enabled Srei to gain deep domain knowledge and

understanding of various infrastructure sectors and thus provide a foundation to position itself as a holistic infrastructure institution.

‘Relationship Management’ is one of the corner-stones on which the Srei model has been built. Srei enjoys excellent terms with various

infrastructure stakeholders namely project developers (big and small), equipment manufacturers (global and Indian), and financial institutions (domestic public sector banks, private commercial banks, foreign banks, international funding institutions and institutional investors). The ability to understand the dynamics of these players and to bring them together on a common platform for a project-specific cause so that their respective strengths can be harnessed is something that is unique to Srei. This differentiates Srei from its peers.

Srei's competitive edge thus positions it favourably to leverage on the ever-expanding opportunities in this space. Srei's ability to provide all infrastructure related services makes it the most preferred partner for most infrastructure players in India.

“Srei, a holistic infrastructure institution”

Having started with fund-based business of equipment financing, the Company quickly realised that in order to figure among the Big League of infrastructure players, reliance on a single channel of business would not suffice. This prompted Srei to gradually develop supplementary fee-based revenue models and also make strategic investments in select ventures with high growth potential. This evolved a business model

comprising a prudent mix of fund and fee-based revenue verticals. The management was aware that a presence in project financing was a must for being considered as a serious player in infrastructure. In addition, each such project opens up doors for multiple revenue opportunities like equipment financing, insurance broking, advisory fees, etc. Srei could also become a stakeholder in a project, arrange equity investment (from the capital market or private investors) or engage in debt syndication.

The presence across the value chain offers a win-win proposition for all. On one hand, the customer gets all services for his entire project life cycle under one umbrella and on the other, a single project yields multiple revenue streams for Srei. And this was possible because Srei entrenched itself firmly at the base of the infrastructure value chain, making it easier to climb thereafter.

“Srei at grassroots”

Since its inception during the late Eighties, Srei selected to cater to the lower end of the infrastructure pyramid – the equipment financing needs of the micro, small and medium entrepreneurs (MSMEs). Thereafter, the Company distinguished itself beyond traditional lending and devised a novel relationship model based on the three pillars --



Sunil Kanoria, Vice Chairman,
Srei Infrastructure Finance Limited

“

The presence across the value chain offers a win-win proposition for all. On one hand, the customer gets the service for his entire project life cycle under one umbrella and on the other, a single project yields multiple revenue streams for Srei.

”

relationship (customer's interest in mind), partnership (mutual interests in mind) and ownership (people interest in mind). The Company's business model proved to be more emotional than financial; within the financial, it proved to be more flexible than rigid. The result: the Company did not create borrowers, it created entrepreneurs.

“Srei - more than just financing”

As a service provider, Srei believes in expanding its role beyond financing, especially when it comes to equipment financing. Srei's role as an advisor to its customer is the value that it adds that differentiates it from its competition. On an average, every year at least 30-35% of Srei's customers are First Time Users (FTUs). These customers mostly belong to MSME segment and are small entrepreneurs about to debut in the infrastructure sector. A proper guidance to such players on the type of equipment that would serve their purpose and the type of financial product best suited for them delivers immense value to them. This not only generates customer confidence and hence loyalty, but also leads to generation of further business through referrals.

In certain cases, Srei even goes one step ahead. In cases where the initial project cycle (for which the equipment has been financed) is shorter than the loan repayment cycle, Srei has even guided the customer on projects

where the equipment can be re-deployed during their repayment cycle. Srei, through GoIndustry Henry Butcher, can also provide customers a suitable exit route for disposing off the equipment through auction.

“Financer-cum-advisor”

The value of Srei's domain and asset knowledge is something that is not visibly captured in its balance sheet. Srei's ability to guide its customers from a techno-commercial perspective in making the right choice of assets is a result of the deep insight on product features and their applications that Srei's sales executives learn diligently from equipment manufacturers. This helps in strengthening the business of the customers and therefore minimising scope of loans going bad. And Srei brings scale to this knowledge model because of its healthy working relationships with all major manufacturers many of whom are multinationals.

“Srei is a preferred partner for equipment manufacturers”

In the competitive domain of equipment financing, Srei retained its number one position for over 20 years. India's economy is expected to grow 8-9% in the next few years and to make that possible India's infrastructure has to grow at a rate at least twice that of GDP growth rate. Over the next few years, the resultant boom in construction equipment demand is expected to treble the

organised equipment market size of around USD 3.5-4 billion. This is luring a lot of global manufacturers to India. Srei, by virtue of its market position and domain knowledge, is poised to be the first point of reference for such players and reap benefits from such new associations.

“Srei, adding value as a whole”

As the infrastructure space has evolved, equipment financing has become very competitive. While project finance forms the middle of a growth curve, the highest part of the curve belongs to project development and ownership. In line with its commitment to enhancing shareholder value, the Company graduated to the project ownership end.

Srei sees itself as the facilitating centre of a unique model, putting together stakeholders in the following ways:

- Bringing in domestic partners who grew into construction companies from being asset finance customers. These players bring in local knowledge, minimise construction cost, mobilise faster and maintain scheduled delivery.
- Bringing in international players with technical knowledge, larger balance sheet, global experience and best practices.
- Improving project IRR through financial structuring and debt syndication at attractive rates.

“Srei controlling business flow from both ends”

When the Company’s strategic partners bid for large contracts, Srei not only provides them with the entire basket of services, including the option of joint bidding for the project, but also identifies business opportunities for its MSME and retail customers in terms of sub-contracting assignments. Srei brings together diverse parties with a focus on speedy project implementation. The various stakeholders also feel comfortable working with Srei because of the Company’s expertise in assessing various project related risks and taking steps accordingly to mitigate them. Consequent to this unique approach, major business flows through Srei.

“Srei - a beacon for global players interested in India”

The India Growth Story has generated a lot of interest globally. Indian infrastructure is on the cusp of a boom. A number of international players – both project developers as well as global equipment manufacturers are, therefore, on the lookout for business opportunities in India. However, they find it easier to

prospect the country through alliances with partners who possess a ground-up understanding of India’s complex market realities. Srei is ideally poised to play that role of a guiding partner and can provide such players with a 360 degree picture of the infrastructure scenario and the opportunities to be tapped, making it easier for such players in making informed investment decisions. By helping entry of more foreign capital into Indian infrastructure, Srei is also contributing to nation building.

“Srei as a policy facilitator”

A continuous dialogue with the Government and relevant government agencies is central to Srei’s business. This helps in evolving an environment favourable for enhanced private sector participation. Srei has made several insightful representations and recommendations on various policy and regulatory issues. RBI’s recent move to create a new category of NBFCs which are exclusively into infrastructure creation, namely Infrastructure Finance Company (IFC), is an endorsement of Srei’s belief that the infrastructure focussed NBFCs deserve the right attention.



“

Srei is ideally poised to play the role of a guiding partner and can provide international players with a 360 degree picture of the infrastructure scenario and the opportunities to be tapped, making it easier for such players in making informed investment decisions.

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Customer affection

Customer confidence = Sustained business growth



“Srei markets dreams”

Srei’s biggest national contribution has been in the successful transformation of many of its retail customers into entrepreneurs. Over the years, the Company leveraged its strategic insight to provide guidance to its customers on various facets of the infrastructure business. The initial hand-holding by Srei converted many of them into credible players in the field of infrastructure. For instance, a

Jodhpur customer with revenues of around Rs. 30 crore approached Srei for project leads. Since Srei was bidding for a project, it asked the customer to partner. When Srei was awarded the project, it was executed by the partner, the latter’s first BOT project. This arrangement did not just grow the customer’s business, but graduated him up the infrastructure value chain. The individual is now partnering Srei for a Rs. 350 crore

project in Haryana, transforming from an EPC contractor into a BOT partner in only a year’s time. Thus, in a way, Srei actually plays a pivotal role in enabling beginners to realise their dream by igniting the streak of entrepreneurship within them.

“A complement to strategic customers”

Over the years, the Company helped grow a number of MSMEs into visible

infrastructure creation companies (strategic customers) through timely funding. Wherever possible, Srei forms JVs with customers, helping them bid for projects. In doing so, Srei positions itself as a project development company that can share growth prospects with MSME and retail customers.

In select cases, if financial closure is delayed, Srei provides bridge finance. So a strategic partner will not only look at Srei for equipment finance, but also in how the Company can help grow their business through more orders, faster financial closures and instant equipment deployment, among others. Consequently, Srei is not only about equipment finance but a holistic business strengthening partner.

“Srei facilitates customer growth”

Srei assists customers in need. For instance, once a reputed domestic manufacturer initiated a large project in north east India that needed to be outsourced to contractors. Srei organised an event that made it possible for that player to prospect contractors. All those who attended got the opportunity to pitch their competence; when selected, they were able to arrange their equipment and funding at a single location. On

the other hand, the manufacturer was delighted having been able to interact with multiple quality contractors on a single occasion. Srei's ground-level knowledge and client database resulted in a win-win situation for all.

“Srei is present across the equipment value chain”

Over the years, the Company's unique customer proposition has comprised acquisition, deployment and exit of equipment.

Acquisition: It provides customers with in-depth knowledge on products, use and project suitability. It empowers customers through loans, operating leases and exchange offers, rentals, among others.

Deployment: It provides continuous asset deployment options across existing or new projects, minimising asset idling. Coverage of asset risk through provision of insurance is another value-add from Srei.

Exit: It provides customers with multiple exit options. For instance, the asset owner can deposit the asset in Srei's asset bank against rentals or make an outright sale.

As a result, a Srei customer is one for life; his satisfaction keeps the Company in business.



D. K. Vyas, Chief Executive Officer, Srei Equipment Finance Pvt. Ltd.

“
Srei's biggest national contribution has been in the successful transformation of many of its retail customers into entrepreneurs.”

“
A Srei customer is one for life; his satisfaction keeps the Company in business.”

Srei Group's customer mix

Customer base as on March 31, 2010: 18,045

MSME and retail customers as on March 31, 2010: 14,994

Strategic customers as on March 31, 2010: 3,051

Strategic investments

Perfect opportunities = Sterling returns



At the upper end of the infrastructure pyramid

As an equipment finance company, Srei's role was more of a facilitator in infrastructure creation. While that had a decent growth scope, the management was not content in restricting Srei's role in just one facet of the entire

infrastructure value chain. Srei was keen to leverage on the knowledge and insight developed over the years in various infrastructure verticals and thus expand its ambit of activities. The logical way forward for Srei was to get into active infrastructure creation through project advisory, financing and development functions and ultimately

graduate into project ownership through equity participation. Scope of growth from fund-based equipment financing is always limited. Thus, Srei's decision to graduate into fee-based advisory services and fund-based project financing was to enhance return on earnings (ROE) and increase shareholders' value.

Important vertical for long-term sustainability

Government of India realises that in order to keep the India Growth Story alive, stepping up the pace of infrastructure creation is a must. Indian infrastructure calls for urgent upgradation of its carrying capacity. After an investment target of USD 514 billion in infrastructure for the Eleventh Five Year Plan (2007-12), the Government has envisaged an even more ambitious USD 1 trillion investment for the Twelfth Plan. This speaks volumes about how infrastructure is increasingly seen as a growth driver for the economy.

In keeping with this reality, Srei has identified key areas capable of growing exponentially and generate long-term sustainable returns. The Company felt that it was imperative to have project ownership in these areas and create a robust investment portfolio through equity participation. Accordingly it has made strategic investments in sectors like road, telecom tower infrastructure, rural IT infrastructure, power and industrial parks. Diverse as they may appear, the common thread that links the sector preference is their long-term relevance in accelerating the growth of the Indian economy.

The Srei edge

Srei always believes in doing things differently. Its knack of venturing into unexplored territories and digging out opportunities hitherto gone unnoticed clearly demarcates Srei from the rest. This is highlighted in how Srei approaches road projects by bringing together various stakeholders and synergising their respective strengths in bringing down project cost while at the same time adhering to project schedules. This is also evident in how Srei has introduced pioneering processes and technologies to bring down operating costs of telecom service providers and thereby enhance telecom penetration. This is also showcased in how Srei is building up a rural IT infrastructure aimed at bridging the urban-rural digital divide by grooming a breed of village level entrepreneurs who work towards changing the face of rural India.

Shareholder value creation

Success in such innovative initiatives opens up a whole new horizon for Srei. With growth prospects very high for each of these segments, the sky is the limit for the ventures in which Srei has made strategic investments and these are expected to be huge value-spinners for the Company. Therefore, while presently the Company's infrastructure investment portfolio stands at Rs. 542 crore, there lies huge intrinsic value in the ventures. As per the investment policy, Srei would like to stay invested in these ventures for a medium to long-term and look for an opportune time to unlock value through divestment.



Anjan Mitra, Chief Investment Officer,
Srei Infrastructure Finance Limited

“
Srei has identified key areas capable of growing exponentially and generate long-term sustainable returns.

”

Roads

Bridging India



“Opportune sectoral entry”

The business of equipment financing evolved from niche to commodity, a trend noticed early by the Company due to its longstanding experience. Consequently, it graduated along the infrastructure value chain to establish a strong foothold in project development, the highest rung of the infrastructure value chain. The Company's experience made it possible to enter at the right junctures leading to maximum benefit.

After prudent analysis, the Company entered the roads segment when the supporting Public-Private Partnership (PPP) model was still in its growth phase, maximising benefits. It was awarded 12 projects following an in-depth analysis (facilitated by Srei's understanding of terrain, environment and traffic) and innovative model developed for its project development business.

Srei's success in road projects was largely due to its unique business model whereby it collaborated with partners who brought in the experience and best practices thereby reducing project cost and ensuring timely project delivery.

“Srei facilitating growth during critical phases”

While the Company may not intend to take an unduly large financial exposure on a project, it comes in early to disburse the first amount at the time of project groundbreaking. This early move is critical for timely project delivery, which in turn, leads to additional toll collection, reduces overheads and enhances credibility. This delivery is evident in the numbers: of the 12 projects awarded to the

Company, three are operational and generating more revenue than estimated. The remaining projects, at various stages, are expected to be completed on schedule. The result is that Srei is today a leading player in the country's road-building industry.

“Srei derives multiple revenues from a single project”

The revenue possibilities from a single project are lucrative in the following ways:

- Through road building, it is creating increased equipment finance opportunities; a quarter of road project cost comprises construction equipment.
- The Company also provides bridge loan financing (seed capital to start the project) to initiate projects before schedule and earn additional toll and other benefits following implementation. In turn, this creates an opportunity to invest in the project as a first mile financier.
- Srei is able to syndicate debt, widening its non-fund based income basket and exit when other lenders come in.
- When the Company invests in project equity, it adds value at each business stage.

While the average investment tenure for road projects stands at around 3 years, each project generates long-term cash flows that stretch up to 20-25 years. On completion of projects, Srei can securitise toll revenues, an area where it possesses expertise. Besides, for road maintenance and toll collection Srei partners with companies that provide such services.

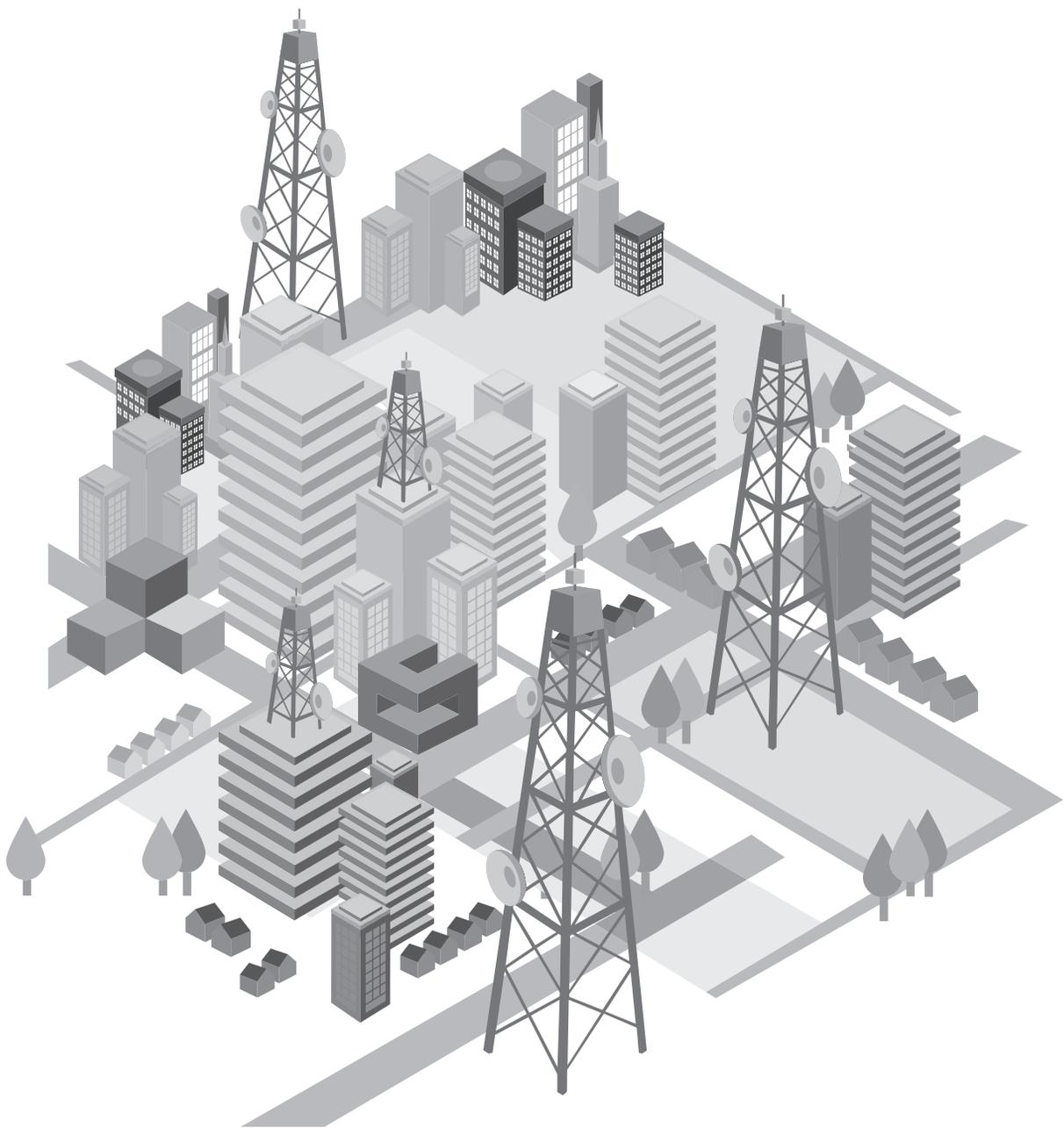


K. K. Mohanty, Wholetime Director,
Srei Infrastructure Finance Limited

“
Srei's success in road projects was largely due to its unique business model whereby it collaborated with partners who brought in the experience and best practices thereby reducing project cost and ensuring timely project delivery.
”

Telecom infrastructure

Connecting the world



“Scaling towering heights”

Quippo Telecom Infrastructure Limited (QTIL) was set up in the year 2005 with a mission to provide innovative shared telecom infrastructure solutions with world class technological prowess. QTIL was the first independent telecom infrastructure company in the country and started its operations with a portfolio of around 100 towers and only one tenant per tower. Driven by the business strategy of innovation and customer centricity, the company has seen phenomenal growth in the last five years, while providing end-to-end infrastructure solutions to its customers.

In 2009, QTIL announced its partnership with Tata Teleservices Ltd. (TTSL) with the merger of their passive infrastructure businesses, resulting in the formation of Quippo-WTTIL. The company further strengthened its leadership position with the acquisition of the tower arm of Tata Teleservices (Maharashtra) Limited in early 2010. Today Quippo-WTTIL is well positioned as one of the world's largest independent telecom infrastructure companies with over 39,000 towers and plans of rolling out nearly 25,000-30,000 additional towers in the next two years. The company has by far the highest tenancy of over 2 tenants per tower. Also, it is the strongest player in neutral host shared In-Building Communication Solutions (IBS) with installations already completed at most of the major airports.

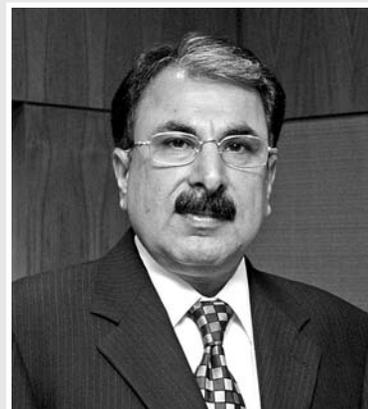
“The company’s unparalleled implementation capabilities”

QUIPPO-WTTIL has witnessed an impressive all-round growth and success during the last financial year. The network roll-out of over 18,000 towers by Quippo-WTTIL in the last financial year is one of the largest in the world. The company's Infrastructure Market Share (IMS) has gone up from 7% (March 2009) to 11% (March 2010). The incremental Infrastructure Market Share (IIMS) of the company has been the highest during this period at 35%. The Tenancy Market Share (TMS) of the company has also gone up from 8.5% to 15% during this period.

Additionally, QUIPPO-WTTIL entered into an exclusive tower sharing contract with Unitech Wireless following their foray into the Indian telecom market with Telenor - world's seventh largest telecom company. The roll-out of their services has been accredited as the most cost effective rollout in the world by the Global CEO of Telenor. It helped Unitech Wireless reduce its capex by 70% and opex by 50%, thus making it extremely competitive from the beginning of its operations.

“Value add through innovative technology play”

As a true network enabler, Quippo-WTTIL has always adopted a holistic approach towards its customers. Today, QUIPPO-WTTIL is the strongest player in neutral host shared IBS. This innovative service



Arun Kapur, Chief Executive Officer, Quippo-WTTIL

“QUIPPO-WTTIL has by far the highest tenancy of over 2 tenants per tower. Also, it is the strongest player in neutral host shared In-Building Communication Solutions (IBS) with installations already completed at most of the major airports.”

enables seamless signals and offers enhanced connectivity inside the buildings through a unified interface with any network available around the building, where the telecom operators can simply plug-in for network coverage. IBS offered by the company has seen strong traction among telecom operators and owners of public establishments, thus forming critical component of quality of service improvement initiatives of telecom operators.

Base Transceiver Station (BTS) Hotel is another innovative and pioneering concept designed by the company to provide uninterrupted connectivity to operators at complex locations using the existing street level infrastructure. Quippo-WTTIL has successfully piloted the first ever shared BTS Hotel concept of the country in Bangalore. Catering to all cellular technologies, this model will offer reduced opex by enabling unlimited number of operators to share the same infrastructure more efficiently. This concept will be best suited for institutions such as congested localities, airports, industrial areas, townships, high-rise apartments and can be enhanced even for rural connectivity. This unique proposition will prove to be a boon for offering seamless coverage in no entry zones such as Raj Bhavan (Central Delhi), Brigade Road (Bangalore) and Banjara Hills (Hyderabad) where usually towers are not permitted.

Another step reinforcing the company's commitment towards its customers is the introduction of the one-of-its-kind Tower Operating Centre (TOC). TOC connects all the 39,000 towers spread across the length and breadth of the country with a 24x7 monitoring system. It is also supported by a field work-force of more than 30,000 resulting in reduced downtime and efficient remote monitoring mechanism.

“Attractively positioned for the future”

The company's telecom business possesses an ability to grow attractively and sustainably. For instance, QUIPPO-WTTIL has contracts with major airports in the country to provide connectivity using its shared telecom infrastructure. This represents a strong business upside assuring robust revenue growth because any operator willing to provide services in these exclusive and high priority areas will now need to connect through the company's unique in-building network, reassuring strong returns with constant increase in traffic and entry of more service providers.

By the virtue of its sizeable tower portfolio and a 3G-ready infrastructure, Quippo-WTTIL is strongly positioned as a preferred telecom infrastructure partner for the telecom operators to launch their 3G, WiMax and other value-added services.

Milestones

2005

Quippo Telecom Infrastructure Ltd. (QTIL) was incorporated, India's first independent shared telecom infrastructure company.

2006

One of the first and foremost partners in the "Project MOST (Mobile Operators' Shared Towers)" upgrading world's first ever multi-technology, multi-shared tower, used by six operators (4 GSM & 2 CDMA) at Dhansa, New Delhi.

2007

QTIL acquired ~1,000 towers from Spice along with rights to roll out 12,000 towers.

2009

- QTIL and TTSL merged their passive infrastructure businesses.

- QUIPPO-WTTIL signed up a tower sharing agreement with Unitech Wireless.

2010

100% acquisition of tower business of TTML by QUIPPO-WTTIL.

Rural IT infrastructure

300 million rural customers



“Srei deepens its reach”

Srei Sahaj e-Village Ltd., a subsidiary of Srei Infrastructure Finance Ltd., is an initiative aimed at bridging the digital divide between urban and rural India, supplementing the efforts of Government of India’s National e-Governance Project (NeGP). In six states viz. Assam, Bihar, Orissa, Tamil Nadu, Uttar Pradesh and West Bengal, Srei Sahaj has a mandate of setting up over 28,000 Common Service Centres (CSCs) which would

provide to rural households a host of G2C and B2C services on-line to over 300 million rural customers. Such services range from railway ticket booking, e-payment of telephone bills, electricity bills, insurance premium, offering e-learning courses and computer courses, digital photography, registration of birth and death records, maintenance of land records and soil testing records, etc. The onus of operations and management of the CSCs rests on the Village Level Entrepreneurs (VLEs)

who become stakeholders in the CSCs with an initial investment. The CSCs are therefore sources of new employment generation.

For decades, rural India remained under-served on account of limited access to technology. In one sweep, Sahaj expects to level the playing field. With an agenda of promoting inclusive growth, provision of such services through Sahaj facilitates bringing remote rural areas into the mainstream economy.

“Bringing rural India within service providers’ reach”

Rural India accounts for nearly 40% of GDP and almost 70% of India’s population reside there. The network of CSCs (though restricted to only six states now) is poised to serve as an invaluable avenue for extending numerous services in the rural hinterland. Consider the following - for a utility provider who needs to collect outstanding in a cost-effective way or a product manufacturer who needs instant national reach or a mobile operator which wants to market its offerings or an insurance company collecting a premium. All such service providers can use Sahaj’s ready-to-serve distribution network that extends beyond the block and gram panchayat level accessible only to a few. Successful roll-out of such services can end the tedious practice of villagers commuting to the nearest town to avail such services. This is a revolutionary initiative and needs to be replicated in all states.

“A viable marketing and distribution platform”

There is a rich distribution capital resident within the company. Srei Sahaj has established an identity of its own in rural India, at least in the six states where it is presently operational. This is a kind of first-mover advantage which can be explored in order to market products/services or even in launching new products/services in the rural economy. Srei Sahaj, now being characterised by government recognition, people trust and brand confidence, can serve as an ideal platform for doing this.

“Opportunities unlimited”

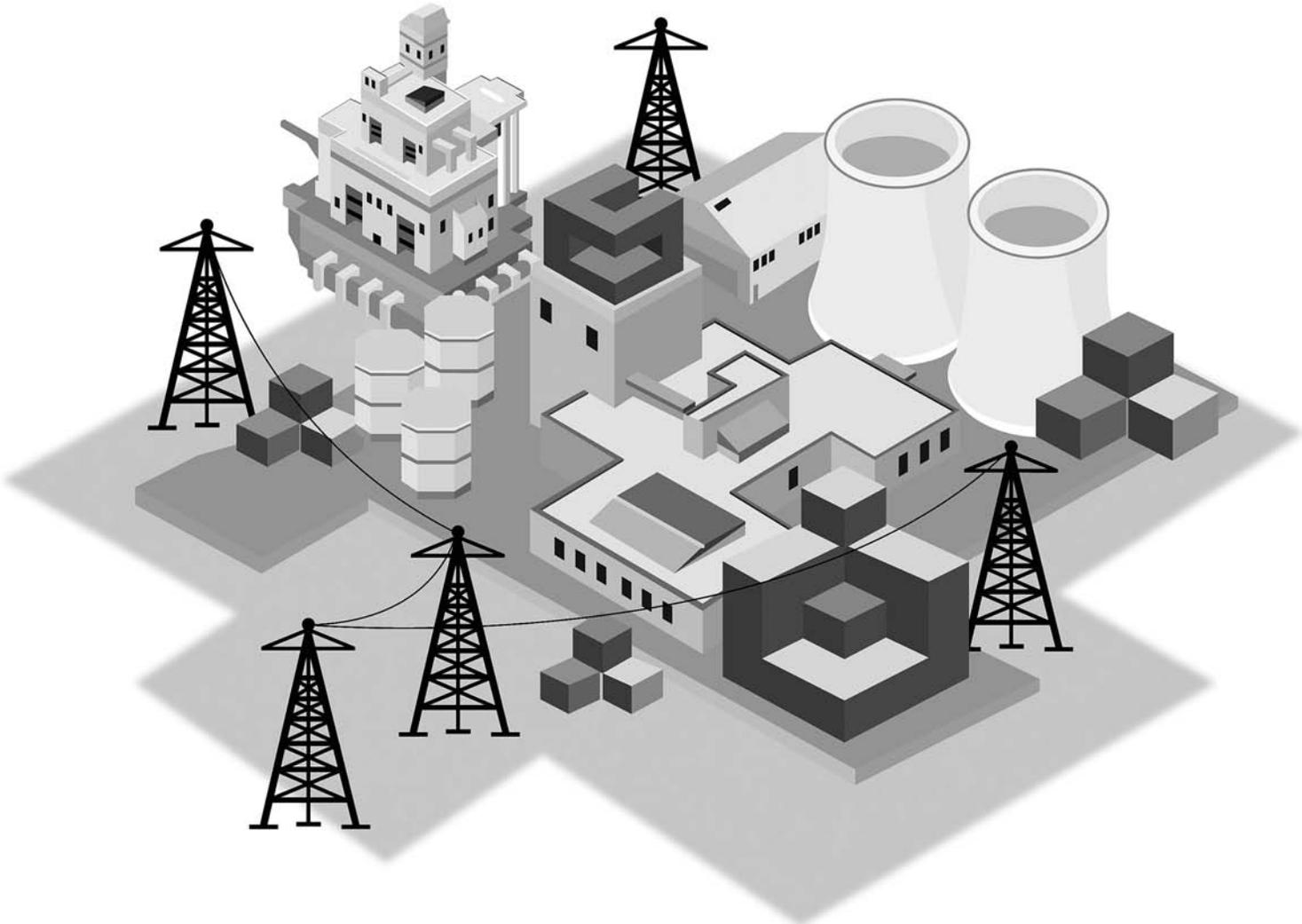
Rural India continues to lag behind urban India on crucial parameters. For example, India’s telecommunication network – 654 million subscribers and 618 million mobile phone connections as on May 2010 – is the world’s second largest, but in terms of tele-density rural cellular penetration is at around 30% compared to 90% plus figure in urban India. This reflects the huge scope of growth in rural cellular telephony. Similarly, the penetration of insurance in rural India is dismal. Even as India accounts for 16% of the world’s population, nearly 80% have no access to life, health and non-life insurance products. Life insurance penetration is a low 4.1%; non-life penetration 0.6%. Penetration is very low in rural India. These are expected to correct faster due to increasing rural incomes, growing needs for insurance products among rural masses and increasing penetration of banking in rural areas. In fact, even after 60 years of independence, financial inclusion remains a challenge for rural India.

As rural cellular penetration increases and as the situation of financial inclusion improves in rural India, the CSCs can emerge as the perfect platform for services like payment of phone bills and insurance premium. Also, the government’s thrust on basic amenities like electricity and water has the potential of creating revenue-earning opportunities for CSCs when rural households start paying those bills through these centres. The National Rural Employment Guarantee Act (NREGA) further expands Sahaj’s scope of activities.

- Srei Sahaj outlets grew from 1,600 as on March 31, 2008 to 11,317 as on March 31, 2009 and 15,513 as on March 31, 2010.

- Each Srei Sahaj centre has a partnership approach; physical infrastructure is invested by the VLE, while the IT infrastructure networking and basic end-support are invested by the company.

Power
Distribution
to generation



“Foray into power sector”

With India's peak power deficit at around 15% and growing, and with power generation targets in government plans increasing by the year, Srei realises how essential it is to have a presence in the power sector. The Company secured its place in the power sector through India Power Corporation Limited (IPCL) and subsequently ventured into providing rental proposition in the area of gas-based power generation through Quippo Energy Pvt. Ltd. (Quippo Energy) following Quippo's amalgamation into Srei.

Aiming to carve out a bigger pie in the power sector opportunities in the country, Srei, along with consortium partners, successfully steered ahead of its peers through acquisition of controlling stake in DPSC Ltd. (formerly Dishergarh Power Supply Corporation Ltd.), second of the two private sector power distribution companies in Bengal – in January 2010. Established in the year 1919, DPSC Ltd. is engaged in power generation, transmission and distribution, specifically in the industrial belt of Asansol in West Bengal, having an installed capacity of 42.2 MW and combined distribution capacity of 170 MVA. Aligned to its business proposition, Srei expects to reap benefits from its power sector initiative capitalising on opportunities in equipment financing, project advisory and contract syndication due to its longstanding experience in designing and implementing cost-effective projects.

“Pioneering concept of providing gas-based power solutions through leasing”

Srei entered in the area of providing gas-based, eco-friendly power solutions through Quippo Energy which provides users a unique rental proposition - an alternative to "buy" equipment for gas-based power generation. Quippo Energy possesses gas-based power and steam generation capacity of 54 MW. While customers operate these assets to generate power and steam, Quippo Energy provides back-up support that ensures uninterrupted cost-effective power generation, a unique solution in a power deficit nation. With power deficit expected to continue over the medium term, the relevance of this business model is expected to gain currency.

“Quippo's efficient model”

The use of natural gas is being preferred in industrial uses – from 1 kcal of gas 70% energy can be extracted in terms of steam whereas coal generates only around 25% – Quippo Energy's asset management efficiency facilitates an average asset uptime of 98.75%, resulting in the supply of clean, reliable and cost-effective power. This competence was demonstrated: Quippo Energy facilitated a fuel switch change in a reputed multinational automobile company from diesel to natural gas with spectacular results.

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Industrial parks

Uniquely positioned – West and East



“The right sector at the right time”

The Indian industrial sector is booming. The manufacturing sector, constituting 80% of the Index of Industrial Production (IIP), grew at 3.2% in 2008-09 and 10.6% in 2009-10, highlighting the growing significance of the industrial sector in accelerating India’s economic growth. In addition, exports

from the industrial sector are also exhibiting a steady growth with India emerging as the preferred supplier of numerous engineering and capital goods worldwide.

Both these factors make it imperative to create a robust platform, which supports the rapid creation of manufacturing capacities as well as

creates an environment for seamless exports. Industrial parks and Special Economic Zones (SEZs) have emerged as a preferred platforms for rapid capacity creation as they provide a plug-and-play environment for occupants, hastening capacity commissioning and a faster project payback.

“Srei’s involvement in industrial park projects is growing”

As a responsible infrastructure player, Srei entered the growing industrial park space in 2008-09. It is currently developing two industrial parks – one near Navi Mumbai and the other near Kharagpur. The cumulative investment for these projects is estimated at Rs. 3,000 crore. Part of these industrial zones are designated as SEZs.

Srei is implementing the industrial park near Kharagpur through a Special Purpose Vehicle (SPV), Bengal Integrated Auto Industrial Park Private Limited. BIAIPPL is a joint venture with West Bengal Industrial Infrastructure Development Corporation with Srei holding indirect economic interest. Part of the park is designated as SEZ. This park focuses on creating infrastructure for auto component industry and allied engineering and capital goods.

The industrial park near Navi Mumbai is being implemented through another SPV, Mumbai Futuristic Economic Zone Private Limited. This company will be a 100% subsidiary of Srei (through Quippo). This park focuses on the engineering sector and part of this park is also designated as SEZ.

“Srei is adding value to land”

Srei selected non-fertile lands to establish industrial parks at both locations. Consequently, land acquisition – usually a challenge for infrastructure creation in India – is not

a hindrance. The land acquisition is expected to be completed in the current year.

The industrial parks will provide a plug-and-play environment for occupants, whereby the developers will provide all infrastructures (power, utilities, roads, effluent treatment and land development) and open up the following windows from Srei:

- project blueprint counsel can be provided by the infrastructure advisory team
- project funding can be managed by the infrastructure financing team. In specific cases, the equipment finance division could also participate in end product financing
- Srei-approved contractors – customers for their equipment finance business – could participate in the land development process and this could generate business for the equipment finance team
- power can be provided by IPCL engaged in power generation and distribution
- internal roadways can be created by the infrastructure development team

Srei’s business model therefore creates stakeholder value through a growing presence in India’s infrastructure space and a potential generation of a multifold realisation over purchase and development cost in addition to miscellaneous business opportunities.

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Collaborations and associations

Value enrichment



“Srei – the natural choice for being a partner”

When it comes to forging a partnership for prospecting infrastructure opportunities in India, Srei is almost an automatic choice. The various reasons that may be attributed to this are the following :

- two decade plus experience in infrastructure financing and a bottoms-up understanding of doing business in different verticals
- adherence to the most stringent risk mitigation practices (those followed by Srei’s global fund providers) and therefore keeping NPAs at a minimum
- ability to provide all services across the value chain
- excellent relationship with equipment manufacturers (both Indian and foreign)
- foray into project financing adopting a consortium approach in collaboration with project developers
- knack of thinking out of the box while coming up with innovations to provide customised solutions to its customers and also the ability to spot investment opportunities in unconventional areas

In addition, Srei has a unique strength – its managerial acumen. On the basis of the requirements of a particular project, the Company can bring together different players on a common platform and synergise their strengths in order to generate a value

much bigger than that of the combined value of the individual stakeholders. This is essentially possible because of the fact that the Srei management is committed towards keeping alive the entrepreneurial streak within its team members. This is the source of the path-breaking innovations that Srei has introduced over the years. This is what takes Srei’s managerial capability to an altogether different level.

This particular attribute of Srei has brought it closer to two very respected brands – BNP Paribas of France and the Tata Group in India – who have forged two different types of collaboration with Srei. BNP belongs to that rare species of international financial giants who have emerged almost unscathed from the financial crisis, a testimony to its prudent risk management practices. The Tata name in itself is an epitome of integrity. While the Srei brand gets considerably enriched because of these associations, the arrangements are mutually beneficial. It is only because of the hidden value within the Group that such reputed brands have selected it as a partner.

“Association with BNP expands the horizon of opportunity”

BNP Paribas Lease Group (BPLG), a wholly owned subsidiary of French financial behemoth BNP Paribas, is the market leader in equipment



Saud Ibne Siddique, Joint Managing Director, Srei Infrastructure Finance Limited



When it comes to forging a partnership for prospecting infrastructure opportunities in India, Srei is almost an automatic choice.



financing in Europe. When it decided to enter the India market, Srei being the Indian market leader in the corresponding field was an automatic Joint Venture (JV) candidate. Srei Equipment Finance Pvt. Ltd. (Srei BNP) was formed as a 50:50 JV between Srei and BPLG with managerial control residing with Srei. Srei's managerial competence and robust systems and procedures were few of the key aspects that made this JV possible.

The BNP association has benefitted the JV in various ways :

- In addition to infrastructure and construction equipment financing, the JV also decided to get into financing of the following equipment classes – IT, medical and agriculture, drawing on the expertise that BPLG already has in these fields.
- Global IT vendors, who are familiar with BNP, feel comfortable in dealing with the JV in India.
- Global equipment manufacturers (most of whom have dealt with BNP abroad) making their debut in India automatically approach the JV.
- When the JV enters into an association with global equipment manufacturers to finance its products, it can plug into all existing customers of those players as also prospective clients interested in products of those manufacturers.

- The already robust risk management system of the JV stands further strengthened.

“Association with Tata Group adding a new level of reverence”

The demerger of Quippo Telecom Infrastructure Ltd. (QTIL), the business of passive telecom infrastructure through tower sharing, and amalgamating it into Wireless TT Infoservices Ltd., a Tata Group company in January 2009, has created one of the largest independently managed tower companies in India. The portfolio of more than 39,000 towers presents a huge opportunity of growth, especially with the start of the next phase of telecom revolution when operators start rolling out 3G, WiMax and other value-added services.

The Tata association brings to the table multiple value propositions :

- Unmatched governance standards leading to greater transparency.
- Assured tenancies of more than two for more than 35,000 towers since Tata Teleservices extend both GSM and CDMA services using these towers.
- Adopting Tata Group's processes and integrating those with Srei's innovations will create unmatched value to the operators.

Fiscal integrity

Reputation =
Security + earnings



“Deep networking insights”

Srei's growing funding of India's infrastructure is supported by one of the largest banking consortia in the country. Besides, Srei brought investments from international institutions like DEG (Germany) in 1995, IFC (Washington) and FMO (Netherlands) in 1997 and thereafter from BIO (Belgium), Nordic Investment Bank (Finland) and Proparco (France). These institutions have reconciled their comprehensive due diligence with growing disbursements to Srei, an endorsement of the robustness of the latter's business model. The result of these relationships translated into an ability to mobilise funds with speed: the Company has expanded the list of lenders by introducing new banks, mutual funds and financial institutions, a vindication of its longstanding industry respect.

More importantly, the value of these relationships with bankers, mutual funds and financial institutions provided the Company with an insight into trends ahead of industry cycles. For instance, indicators that the global economy was at a tipping point came well before the September 2008 meltdown. The Company moved with speed, liquidated its short-term exposure and concluded borrowing deals at the best market costs.

Based on its deep familiarity with financial products and reach into the market within India and abroad, the Company almost doubled securitisation volumes even as the securitisation market witnessed

shrank in volume. The Company's depth was reflected in premium for deals arising out of superior asset quality, indicating the comfort of financial institutions, bankers and mutual funds in lending to Srei even in adverse external environment.

“On time. Every time.”

The trust and credibility that Srei enjoys with its lenders is not captured by conventional accounting. For one, Srei survived economic slowdowns and periodic industry busts without corresponding liquidity issues or repayment rescheduling. The reality: Srei has grown consistently across a 20 year period in a business marked by high mortality.

“A pioneer in tapping international funding”

Srei was among the first Indian NBFCs to access the international market for funds, opening the way for others to do the same. In 2005, it became the first Indian infrastructure financing NBFC to get listed on the London Stock Exchange.

“Optimising borrowing costs”

Over the years, Srei created a buyer leadership in India's financial sector, resulting in access to the best terms and lowest borrowing costs.

“Srei's flexibility reduces delinquencies”

Srei's business focuses on the MSME and retail segment, marked by a mismatch between project cycle (about two to three years) and repayment cycle (about five years). In view of these realities, it is imperative



S. B. Tiwari, Head-Treasury,
Srei Infrastructure Finance Limited

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to evolve from the role of a traditional financier towards a business manager. The result: the Company provides advisory services in prudent equipment selection, project planning, manage clients' business cycles, cash flow, profitability, adequate equipment redeployment and exit flexibility in addition to financing. The result: timely debt and interest consideration leading to significantly low NPAs.

Even when the external environment became challenging (September 2008), Srei responded innovatively. It created a unique Srei Partnership Week during which its senior management interacted with customers in a personalised environment for a realistic insight into their respective businesses against the backdrop of the downturn. The Company was able to provide customised solutions which, in turn, improved the Company's collections even during the difficult financial phase between September 2008 and March 2009.

“Srei provisioning in line with global standards”

As regards management of NPAs and provisioning for bad loans, the Company has always adhered to the most stringent norms as followed by global financial institutions like IFC of Washington, DEG and KfW of Germany, FMO of The Netherlands, BIO of Belgium, among others. Those norms are even stricter than the RBI prescribed guidelines. The integrity of Srei's balance sheet had been strengthened through the following

initiatives:

- Institutionalised capital adequacy ratio in 1997, a year before RBI stipulation. Its capital adequacy ratio was consistently higher than the RBI stipulation.
- Institutionalised its asset-liability maturity five years before RBI's insistence on covering asset-liability mismatch (ALM) monitoring with processes and the creation of an asset liability management committee (ALCO).
- Created quarter-wise reports highlighting its performance and covenant adherence.

“Srei is environmentally more responsible”

Srei began to respect global environment and social responsibility criteria well before the turn of the century. The guidelines stipulated that it could not lend to projects that displaced people, harmed people or adversely impacted the environment.

Srei's financial snapshot, 2009-10

- Capital employed was Rs. 7,849 crore as on March 31, 2010
- Average debt cost for Srei was 9.82% in 2009-10 (10.63% in 2008-09)
- Cash balance was Rs. 291 crore as on March 31, 2010
- Debt-equity ratio was 5.09 in 2009-10



P.C. Patni, Head-Treasury, Srei Equipment Finance Pvt. Ltd.

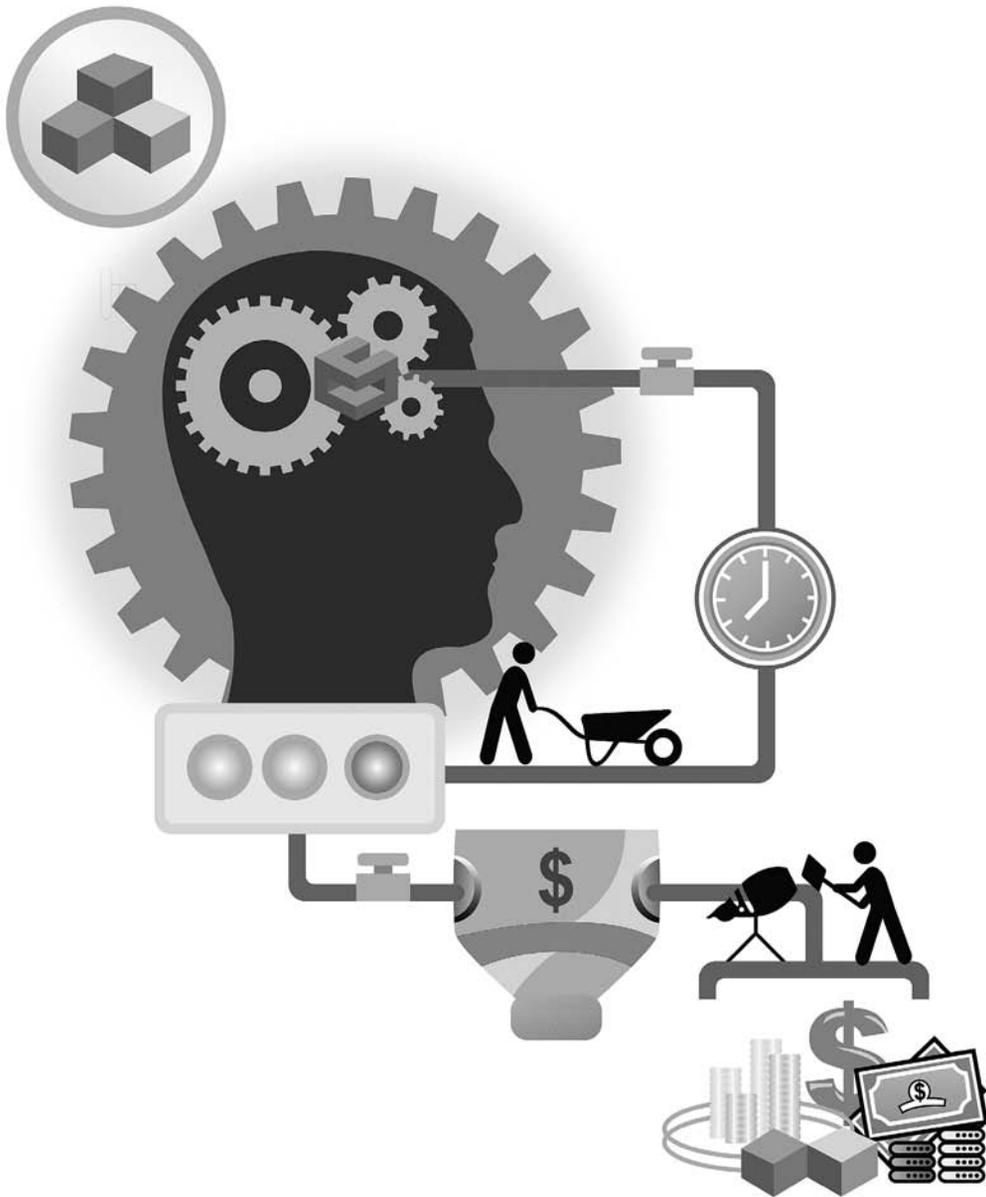


Over the years, Srei created a buyer leadership in India's financial sector, resulting in access to the best terms and lowest borrowing costs.



Rich experience

Leveraging intellectual capital



“Srei, a strong foundation”

The business of advisory and consulting is brand-enhancing, business-accretive and margin-widening. The business represents a logical extension of the Company’s conventional financing for the following reasons:

- The Company manages the businesses of its customers through strategic advice and guidance, when consolidated, this represents a huge knowledge repository.
- Private sector as well as government sector project sizes are becoming larger and more complex, increasing the need for specialised advice. Srei leverages its relationship-driven financial solutions model to provide project advisory services.
- The Company’s advisory business is fee-based and not constrained by funds availability. The large balance sheet size of the company and deep knowledge in regularity compliance need are useful for eligibility for large projects.

Srei’s services span the entire value chain: project conceptualisation, feasibility and detailed project report preparation, design support, attracting potential investors, facilitating bid preparation and managing bid process, selecting potential developers, converting ideas into value added business opportunities, project funding, debt syndication, equipment financing, insurance, getting international

business partners for the project and contractors for managing parts of the projects and all possible infrastructure related services.

Over the last four years, the Company has provided advisory services for more than 68 projects with project cost of over Rs. 70,000 crore; out of which 23 projects are at various implementation stages.

“Srei’s experience in growth sectors”

Srei possesses rich experience in various infrastructure segments.

Roads: The Company has played the role of Advisor for various road projects. One of them is the prestigious Ganga Expressway project; costing Rs. 30,000 crore which is the largest single Project under the PPP.

The Rs. 1,098 crore part elevated Agra Ring Road expressway project, connecting the Taj Mahal to the Yamuna Expressway, is another milestone of the Advisory groups’ achievements in the road sector.

Power Transmission: The Central Government launched three power transmission projects and Srei has become project advisor for all three, the cumulative project size of which is Rs. 5,550 crore.

Transportation: The Company is present in Bangalore and Lucknow metro rail projects and in monorail projects in Mumbai and Kolkata, the airport linkage of Delhi Metro with

Connaught Place in New Delhi, Bus Rapid Transport System (BRTS) project in Vizag and a number of JNNURM-linked transport projects in various cities in the role of a project advisor.

Others: The Company advised a number of projects in the social and healthcare infrastructure spaces; it has worked on six major urban holistic development projects in Uttar Pradesh covering roads, bridges, car parks, solid waste management, etc.

“Working with dynamic corporates”

The Company advised large and reputed corporates for some projects. Some of these are as follows:

- Siemens hired Srei Advisory team for the traction design work of the metro connecting Delhi airport and Connaught Place.
- Detailed Project Report (DPR) of Lucknow Metro with Delhi Metro Rail Corporation.
- Mumbai’s monorail project under execution by L&T appointed Srei as advisors.
- The Company was engaged in the detailed design of Bangalore Metro Track and Traction System with DB International of Germany.
- Srei has prepared the DPR for BRT Vizag and now is the Quality Control consultant for the same with McCormick Rankin International, Canada.

Successful project management for these large clients will open avenues for the Advisory in generating more business.

“Innovating the financial deal”

The Srei advisory has enriched itself in innovative financial structuring of PPP projects wherein the investment requirement by the government authorities is reduced to the bare minimum. Holistic development of all civic amenities including roads, water supply, sewerage treatment, car parking, decongestion, etc. were structured with no financial outgo from the government even for the consulting services for six major cities. Such innovative models will be worked for many other cities and towns in the country.

“In road to social sector”

The Srei Advisory is poised to enter into the social services including education, healthcare, skill development and rural employment generation in a big way. The structure and software for such services are at an advanced stage of preparation.

“A step ahead”

Srei Advisory is also working closely with the other wings of the Company including development and financing to bring best synergy and business opportunities for the group as a whole. We are targeting the power sector, city development, roads, industrial parks, tourism, non-conventional energy sectors and others.



Dr. Ratiranj Mandal, CEO-
Infrastructure Advisory Group,
Srei Infrastructure Finance Limited

“
The Srei advisory has enriched itself in innovative financial structuring of PPP projects wherein the investment requirement by the government authorities is reduced to the bare minimum.
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Innovation

Mind power = Money power



“Srei occupies attractive mind space”

Srei stands for new business concepts, unique business models, pioneering services, progressive management services, fresh revenue streams and new customer engagement schemes. The result: Srei has created more business avenues and across sectors than any other Indian NBFC in the last two decades in the following manner:

■ **Quippo Telecom:** Pioneer in shared telecom infrastructure. Some of the existing towers can accommodate up to 7-10 operators, enhancing viability. Besides, the entity's technological solutions for enabling seamless signal receiving in otherwise inaccessible areas/zones add greater value to telecom operators. Further, the entity's commissioning of ATMs inside telecom tower base stations has created additional revenue streams.

■ **Quippo Energy Rental:** India's first energy rental company. Provides eco-friendly, gas-based power solutions. Also provides gas-based combined steam solutions.

■ **Srei Sahaj e-Village:** A private-public partnership to set up a rural IT infrastructure of over 28,000 CSCs in six states, aimed at bridging the country's urban-rural digital divide, is fast emerging as India's leading government-people interface.

“Introducing novel schemes”

Srei enjoys an attractive track record of introducing novel schemes aimed at enhancing customer delight and at the same time enhancing stakeholder value. For instance, at EXCON 2009,

the third largest construction equipment exhibition in Asia featuring 464 exhibitors (140 international exhibitors), Srei launched three innovative customer engagement programmes and the result was that in just four days, the Company created an unmistakable recall value and concluded business for more than 1,000 equipment. Some of Srei's path-breaking schemes which have made Srei synonymous with innovation in the infrastructure fraternity of the country are as follows:

■ **Paison ki Nilaami:** Srei auctioned equipment interest rates for the first time in India in 2004 after the equipment cost, tenure and down payment was fixed.

■ **Srei Partnership Week:** This was an innovative response to a challenging marketplace in 2008-09. The Company created this event to communicate with clients face-to-face in a relaxed environment, covering 90% of its customers across all its branches in India. The result: a decline in the number of potential NPAs through timely action. It also invited manufacturers to market equipment concurrently; the result was increased acquisition and financing activity; Srei generated business worth Rs. 600 crore.

■ **Insuring three-in-one:** In 2008-09, the Company launched a new product wherein it arranged for an insurance company to provide three annual policies successively, the policy period synchronised with the loan. The result: the client does not have to apply for renewing the insurance policy for three years.



V.V. Ramana, Zonal Head (North & West), Srei Equipment Finance Pvt. Ltd.

“Srei stands for new business concepts, unique business models, pioneering services, progressive management services, fresh revenue streams and new customer engagement schemes.”



Debnil Chakravarty, Zonal Head (South & East), Srei Equipment Finance Pvt. Ltd.

“Srei enjoys an attractive track record of introducing novel schemes aimed at enhancing customer delight and at the same time enhancing stakeholder value.”

Srei-Quippo amalgamation

Srei grows into a giant



“Value Unlocking”

Realising the ever increasing thrust that Government of India is putting on infrastructure sector, Srei sensed that this is the opportune time to explore the rich embedded value within the organisation. Accordingly a Committee of Independent Directors was set up in October 2009 to explore the growth opportunities and business restructuring/consolidation possibilities. Following the Committee's recommendations, the Board of Directors of Srei at the meeting held on January 28, 2010 approved the proposal to amalgamate Quippo Infrastructure Equipment Ltd. (Quippo) into and with Srei with an objective to bring in synergistic integration among the various verticals of infrastructure businesses of Srei and Quippo.

“A perfect fit for the larger platform”

The merger does not mean that Srei is merely adding a new business portfolio. It implies expansion of existing Srei portfolios in a wider spectrum of infrastructure services and a vital step in bringing all

infrastructure businesses under one fold. Following the amalgamation, Srei will be able to create a fully integrated and holistic infrastructure institution and expand the spectrum of its services to the high growth verticals of Construction, Oil & Gas, Telecom and Energy, hitherto managed by Quippo. This wider service portfolio will lead to increased degree of business de-risking and create an efficient and functional structure for the businesses, reducing operational costs and thereby increasing profitability. This will make each business to grow independently and the Group to grow collectively without any conflict of interest.

“Timed to perfection”

Today as the Indian infrastructure sector is presenting huge opportunities, Srei and Quippo are well poised to reap benefits by leveraging on their longstanding expertise. The amalgamation would enable them to have access to greater financial resources, as well as enhance the managerial efficiencies, by effectively pooling the technical, distribution and marketing skills of

“One initiative - Multifold growth opportunity”

QUIPO WORLD				
Quippo Telecom One of the largest independent tower company in the world Over 39,000 telecom towers India's first tower rental company	Quippo Oil & Gas Provides state-of-the-art drilling equipment along with qualified operators India's first integrated rig rental services	Quippo Construction Provides equipment on rentals along with trained qualified and experienced operators India's first equipment rental company	Quippo Energy Rental Provides eco-friendly gas-based power solutions for short to medium term Provides gas-based combined heat solutions India's first energy rental company	Valuation and asset disposal Provides online and offline auctioning and disposal services for plant and machinery India's first equipment and industrial auctioneer & valuer



Bajrang Kr. Choudhary, Senior Vice President, Srei Infrastructure Finance Limited

“The merger means expansion of existing Srei portfolios in a wider spectrum of infrastructure services and a vital step in bringing all infrastructure businesses under one fold.”

each other. It would definitely help them build up a much larger institution better placed to capitalise on the fast growing infrastructure opportunity.

“The merger unlocks fund-based growth potential”

The Srei-Quippo merger is expected to increase Srei's net worth from about Rs. 790 crore as on March 31, 2010 to an estimated Rs. 2,400 crore. Correspondingly, capital-adequacy ratio is expected to strengthen significantly. This provides an opportunity to grow the fund-based business manifold.

“Rich embedded value”

The proposed merger will achieve the following things for Srei:

Brand: Srei will emerge as a holistic infrastructure institution, extending from financing infrastructure to a significant presence in rapidly growing infrastructure spaces.

Greater Synergy: Synergies across the group as well as tie-ups/alliances with companies, government agencies, etc., and niche expertise within the individual businesses can be utilised to capture greater share of market and to provide more comprehensive services to its customers.

Enhanced Net worth: Increase in net worth of the combined entity to facilitate capitalising on future infrastructure opportunities.

Skills: Earlier, diverse competencies in the two companies could not be leveraged effectively. The merged entity will now possess skills and knowledge needed to grow across in diverse segments.

Promoter's stake: Following the

merger, the promoters' holding will increase from 30% to 46%, strengthening their commitment to grow the business further and faster.

- The swap ratio for the merger is fixed at 3 equity shares of Srei for every 2 equity shares held in Quippo
- Srei also proposes to make bonus issue of 4 equity shares for every 5 equity shares held in the company by its shareholders. The swap ratio shall accordingly stand adjusted.
- The Appointed Date of the amalgamation shall be April 1, 2010
- Key Advisors for the transaction include:
 - Transaction Advisors: Kotak Mahindra Capital Company Limited; DBD Business Solution Pvt. Ltd.
 - Fairness Opinion: ICICI Securities Limited (to Srei); JM Financial Consultants Pvt. Ltd. (to QIEL)
 - Valuation Report: KPMG India Private Limited; BDO Consulting Private Limited
 - Legal Advisors: Amarchand & Mangaldas & Suresh A. Shroff & Co.
 - Due Diligence: Accounting – Ernst & Young Pvt. Ltd.; Legal – Amarchand & Mangaldas & Suresh A. Shroff & Co.
- The aforesaid Scheme of Amalgamation has been approved by Equity shareholders of the Company with requisite majority on May 31, 2010.



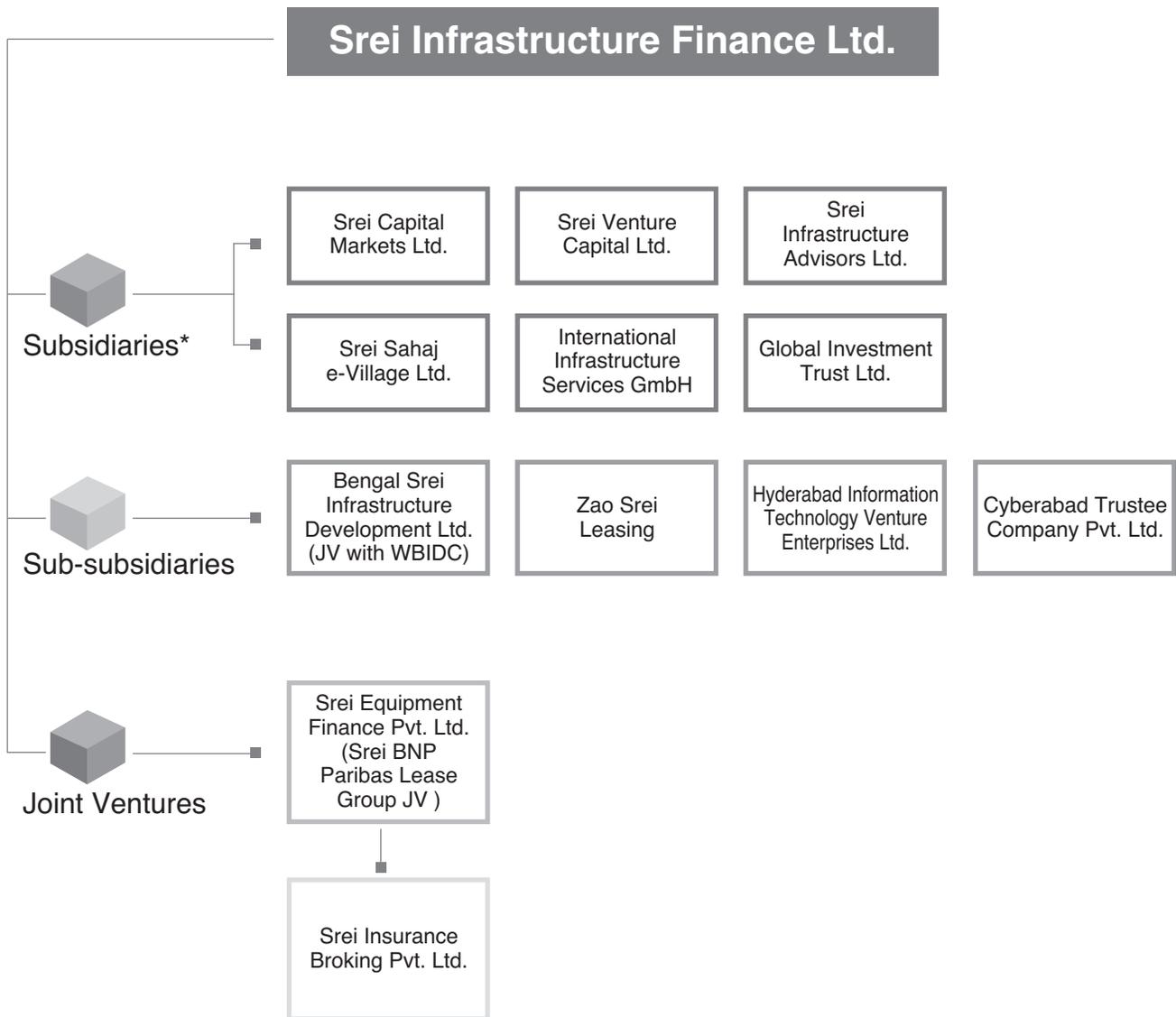
Sanjeev Sancheti, Chief Financial Officer, Srei Infrastructure Finance Limited

“The Srei-Quippo merger is expected to increase Srei's net worth from about Rs. 790 crore as on March 31, 2010 to an estimated Rs. 2,400 crore.”





Group structure



*Other subsidiaries are Srei Forex Ltd., Controlla Electrotech Pvt. Ltd., Srei Infocomm Services Ltd., Srei Mutual Fund Asset Management Pvt. Ltd., Srei Mutual Fund Trust Pvt. Ltd. and Srei Advisors Pte. Ltd.

Srei Equipment Finance Private Limited

Srei Equipment Finance Private Limited (Srei BNP) is a 50:50 joint venture between Srei Infrastructure Finance Ltd. and BNP Paribas Lease Group (BPLG), a wholly-owned subsidiary of BNP Paribas, France.

The Company caters to the equipment finance requirements of the infrastructure and mining industries and enjoys a dominant leadership position in this segment besides expanding its product line to the financing of IT, medical equipment and other asset classes.

Srei Insurance Broking Private Limited

This is a unique, all encompassing insurance services and brokerage company. Registered with the Insurance Regulatory Development Authority (IRDA), it is a composite broker offering services in the domains of Life Insurance, General Insurance and Reinsurance, as well as risk management advisory services.

Srei Capital Markets Limited

Srei Capital Markets Limited (SCML) is a SEBI registered Merchant Banker.

Active across the entire gamut of Merchant Banking & Corporate Advisory Services, SCML offers end-to-end solutions from concept to implementation. The offerings range from managing Equity & Debt Offerings, Private Equity & Institutional Placements, Debt Syndication, Mergers & Acquisitions and Valuations, Disinvestment related services.

Srei Infrastructure Advisors Limited

Srei Infrastructure Advisors Limited (SIAL) provides advisory services in the infrastructure sector including debt and equity syndications and investments.

Leveraging on Srei's wide experience and functional expertise in infrastructure sector, SIAL offers integrated and comprehensive professional services towards management and implementation of infrastructure projects and related components.

Bengal Srei Infrastructure Development Limited

Bengal Srei Infrastructure Development Ltd. was formed as a joint venture with West Bengal Industrial Development Corporation Limited. It commenced operations in early 2005 with a view to create, expand and modernise infrastructure facilities in West Bengal and other states of India.

Srei Sahaj e-Village Limited

Srei Sahaj e-Village Limited is involved in setting up Common Service Centres (CSCs), under the National e-Governance Plan (NeGP). The venture, launched at the end of 2006, started out as an outreach attempt to provide internet based services to the rural community. Sahaj has a mandate of setting up, operating and managing over 28,000 CSCs across six states namely West Bengal, Assam, Orissa, Bihar, Tamil Nadu and Uttar Pradesh.

IIS International Infrastructure Services GmbH, Germany

IIS International Infrastructure Services GmbH ("IIS") has been incorporated and is registered in Bonn, Germany to act as a holding company for investment in other countries.

ZAO Srei Leasing, Russia

ZAO Srei Leasing, a leasing company in Russia, is a subsidiary of IIS and has investments from EBRD, DEG and FMO. It has expanded its operation successfully in the equipment financing business.

Global Investment Trust Limited

Global Investment Trust Limited was set up with the objective of carrying out Trusteeship services and other functions incidental to it.

Srei Venture Capital Limited

Srei Venture Capital Limited (SVCL), a SEBI-registered venture capital fund, is committed to investing in the private equity, venture capital and mezzanine space with a primary focus on high growth sectors of the economy. Total funds under management as on March 31, 2010 is around Rs. 482 crore.

Hyderabad Information Technology Venture Enterprises Ltd. (HITVEL)

HITVEL, a subsidiary of SVCL, is an asset management company which manages SEBI-registered HIVE Fund (formed for providing financial assistance for IT & ITES sector in Andhra Pradesh). Currently, HITVEL is managing a corpus of Rs. 15 crore of HIVE Fund. HITVEL has been jointly promoted by APIDC, APIIC, SIDBI and SVCL.

Cyberabad Trustee Company Pvt. Ltd.

Cyberabad Trustee Company Private Limited (CTCPL), a subsidiary of SVCL, currently acts as a trustee company for SEBI-registered HIVE Fund.

Infrastructure report

Dr. Manmohan Singh, Hon'ble Prime Minister of India, on March 23, 2010 while addressing a conference at Vigyan Bhawan, New Delhi, pegged the required investment in India's infrastructure at Rs. 41 lakh crore for the entire Twelfth Five Year Plan (2012-17), double the infrastructure investment target for the Eleventh Plan (2007-12).

Mid-term appraisal of Eleventh Plan (2007-12) infrastructure investments

Sector	Rs. lakh crore	
	Eleventh Plan projection	Eleventh Plan revised projections in March 2010
Power	6.67	6.59
Roads and bridges	3.14	2.79
Telecom	2.58	3.45
Railways	2.62	2.01
Irrigation	2.53	2.46
Water supply and sanitation	1.44	1.12
Ports	0.88	0.40
Airports	0.31	0.36
Storage	0.22	0.09
Oil and gas pipelines	0.17	1.27
Total	20.56	20.54

Growing role of the private sector in infrastructure creation

The private sector share in total infrastructure investment is expected to be 36% during the Eleventh Plan, up from 25% achieved during the Tenth Plan. For the Twelfth Plan, the share of private sector in investment infrastructure is expected to be 50%.

Construction

The construction sector is the biggest beneficiary of India's infrastructure expansion. In a decade, India's position is expected to improve from ninth to third in the world construction markets. India's construction sector, which accounted for 8.5% of GDP in 2007-08, is expected to create multiple downstream opportunities for industries like steel, cement and construction equipment.

Power



Overview

- India has an installed generation capacity of 159,648.49 MW – 64.4% from thermal, 24.7% from hydro, 2.9% from nuclear and 7.8% from renewable energy sources
- Although India accounts for about 4% of the world's total annual energy consumption, its per capita consumption stands at a low 704.2 kWh (as in 2007-08) vis-à-vis the global average of over 2,800 kWh
- A peak demand shortage of 12.6%

Targets

- Achieve an Eleventh Plan power capacity target of 92,700 MW by 2012 instead of the earlier estimate of 78,577 MW (as of June 2007) to sustain the country's economic growth
- Strengthen the National Power Grid through the addition of over 60,000 km of transmission network by 2012 which will carry 60% of the country's generated power
- Achieve an investment of USD 17.36 billion and USD 12.5 billion in

transmission and distribution respectively across the Eleventh Plan

- Initiate 13 Ultra Mega Power Projects (of 4,000 MW generation capacity each)
- Reach electricity to all un-electrified hamlets and provide an access to all rural households through the Rajeev Gandhi Grameen Vidyutikaran Yojna (RGGVY) by 2012

Government policy and initiatives

- 100% FDI under automatic route allowed for power projects (except nuclear power) in generation, transmission and distribution, including the renewable energy sector
- No income tax for a block of 10 years in the first 15 years of operation and an import duty waiver on capital goods used for mega power projects (above 1,000 MW generation capacity)
- Permission to establish coal, gas or liquid-based thermal projects of any size in the private sector.

- Introduction of Restructured Accelerated Power Development and Reforms Programme (R-APDRP) to bring down AT&C loss levels to 15% by 2011-12

- Increased annual allocation for power to Rs. 5,130 crore (130% rise over previous year) and for renewable energy sector to Rs. 1,000 crore (61% increase) in the Union Budget, 2010-11

- Clean energy cess of Rs. 50/MT on domestic and imported coal

Optimism

India's power demand is expected to increase 315-335 GW by 2017, if India's economy continues grow annually at 8% average rate. This will require a five to ten-fold rise in power generation, entailing investments worth USD 600 billion. India launched its ambitious solar energy mission aimed at generating 20,000 MW of solar power by 2022. An additional 60,000 circuit km of transmission networks are expected by 2012.

Source : Ministry of Power, Central Electricity Authority, Economic Survey 2009-10

Roads



Overview

- India has the world's second largest road network, aggregating over 3.34 million km
- Carries 85% of the country's passenger traffic and 61% of the freight traffic
- Although national highways account for only 2% of the road network, they carry 40% of the traffic
- PPP route preferred for road projects; increasing emphasis on BOT (toll) model

Targets

- Six-lane 6,500 km of Golden Quadrilateral and select National Highways by 2012
- Four-lane 7,300 km on North-South and East-West corridors by 2012
- Four-lane 20,000 km of National Highways by 2012
- Widen 20,000 km of two-lane National Highways by 2012

- Develop 1,000 km of Expressways by 2012
- Undertake building and upgrading of 9,940 km of National and State Highways under the Special Accelerated Road Development Programme in the North-East (SARDP-NE) region by 2012
- Construct 129,707 km of new rural roads and renew/upgrade 100,740 km of existing roads by 2012 under Pradhan Mantri Gram Sadak Yojana (PMGSY) covering 60,638 rural habitations

Government policy and initiatives

- 100% FDI under the automatic route in all road development projects
- Full income tax exemption for a period of 10 years
- Formulation of a Model Concession Agreement
- IIFCL to provide viability gap

- funding up to 40% of the project cost (entire amount to be made available during the construction phase)
- Concession period allowed to be extended up to 30 years
- Annual allocation increased to Rs. 19,894 crore (13.5% rise over previous year) in Union Budget 2010-11

Optimism

Road freight traffic is projected to grow at 15-18% annually and passenger traffic at 12-15%. With an announced target of constructing 20 km of national highways per day, NHA proposes to award around 12,000 km of road building contracts to the private sectors in 2010-11. Government intends to award 7,000 km of road construction on BOT basis and 5,000 km on EPC basis in 2010-11. NHA plans to increase road building outlay for 2010-11 by 64.6% to Rs. 47,736 crore.

Source : Planning Commission, Ministry of Road Transport & Highways, Ministry of Commerce & Industry, Economic Survey 2009-10, Business Standard, The Economic Times

Ports



Overview

- India's 13 major ports (handling 75% of the total traffic) and 200 non-major ports together handle around 95% of India's total merchandise trade by volume
- Total traffic at ports is estimated to increase by 5.6% from 732 million tonnes in 2008-09 to 773 million tonnes in 2009-10
- Total port capacity is estimated to grow from 885 million tonnes in 2008-09 to 947 million tonnes in 2009-10
- Traffic handled by non-major ports estimated at 27.6% in 2009-10
- Average turnaround time at India's major ports stood at 3.87 days in 2008-09

Targets

- Create additional capacity of 485 million tonnes in major ports and 345 million tonnes in non-major ports by 2012
- National Maritime Development Programme (NMDP) formulated to

facilitate private investment for improving efficiency of port infrastructure at major ports; an estimated investment of USD 12.4 billion envisaged for NMDP

Government policy and initiatives

- 100% FDI permitted for port projects (all areas of operation) under the automatic route
- Full income tax exemption for a period of 10 years
- Formulation of Model Concession Agreement
- Tariff Authority for Major Ports (TAMP) regulates the ceiling for tariffs charged at major ports
- Of the 276 projects identified under NMDP, 50 projects worth Rs. 5,717.28 crore stand completed and work is in progress for 74 projects worth Rs. 16,502.68 crore. Of the remaining, 16 projects have been approved but yet to be awarded, 29 are pending approval, 82 are in planning stage

and 25 projects have been dropped

- Autonomy given to non-major ports to set their own tariffs has led to healthy growth in traffic and also greater private sector investment
- Private sector allowed to undertake construction of cargo-handling berths and dry docks, container terminals, warehouses and ship-repair facilities on BOT basis

Optimism

With India experiencing robust growth in its foreign trade, in order to meet the projected traffic demand India's ports need to increase cargo handling capacity to 1,855 million tonnes by 2012 with an investment of about USD 20.61 billion. The capacity addition target for major ports stands at 168.45 million tonnes for 2010-11. Growing importance of non-major ports is likely to witness greater private sector investment. Gujarat, Maharashtra and Andhra Pradesh are likely to drive the port capacity expansion of the country over the next five years.

Airports



Overview

- India has 126 airports – 11 international, 89 domestic airports and 26 civil enclaves in defence airfields
- 15 scheduled passenger airline operators with a fleet of more than 400 aircraft providing services to/from 82 airports
- Top six airports handle about 73% of the country's total passenger traffic
- 69 foreign carriers from 49 countries allowing 706 flights per week
- Growth in domestic passenger traffic has been robust in 2009-10 owing to sustained improvement in economic environment ; however cargo traffic has stagnated

Targets

- Modernise and redevelop four metro airports totalling almost Rs. 24,000 crore by 2012
- Develop 35 non-metro airports at an

estimated cost of Rs. 4,662 crore

- Develop city-side infrastructure at 24 non-metro airports through PPP mode
- Upgrade CNS/ATM facilities and other equipment

Government policy and initiatives

- 100% FDI permissible for existing airports, approval of Foreign Investment Promotion Bureau (FIPB) needed for FDI beyond 74%
- 100% FDI permissible for greenfield airports under automatic route
- 49% FDI permissible under automatic route in domestic airlines, but not by foreign airline companies
- Full income tax exemption for a period of 10 years
- Among the metro airports, work in Delhi and Kolkata is almost completed, while that in Chennai and Mumbai to be completed in 2011 and

2012 respectively

- Nine of the 35 non-metro airports completed and operative
- Encouraged by the example set by the greenfield airports set up in Hyderabad and Bangalore, an 'in-principle' approval given to 12 more

Optimism

With India's healthy economic growth and consequent rise in disposable incomes, aviation is bound to grow. With a domestic air passenger volume at more than 44 million (fourth in the world after the USA. China and Japan), the figure is expected to grow at 9-10% annually. The number of international passengers is also bound to multiply owing to India's growing stature as an investment and tourism destination. Additional capacity creation at the airports is the need of the hour.

Railways



Overview

- Indian Railways is the third largest rail network in the world under a single management
- Carrying more than 2 million tonnes of freight traffic and nearly 19 million passengers daily
- Out of freight and passenger traffic, the freight segment accounts for about 70% of the revenue

Targets

- Construct dedicated freight corridors (DFCs) – western DFC (1,483 km) from Mumbai to Dadri/Tughlakabad catering largely to container transport requirement and eastern DFC (1,806 km) from Ludhiana to Dankuni to transport mostly coal and steel
- 4 logistic hubs in Rewari (Haryana), Navi Mumbai, Ahmedabad and Kanpur to come up along the DFCs by 2018

- Commercial exploitation of vacant railway land and air space
- Promote PPP in various facets of railway operations
- High speed rail corridors envisaged
- 50 stations to be upgraded to world-class standards

Government policy and initiatives

- Private sector involvement encouraged in building healthcare and educational institutes, commercial complexes, cold storages, etc. on railway land for creating new revenue streams
- Special Task Force to clear investment proposals within 100 days
- Private sector allowed to participate in wagon leasing
- Private operators allowed to run special freight trains
- New policy to be launched for the

construction and operation of private freight terminals

- 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

Optimism

Private investment in railways is expected to increase from the current USD 217.88 million to USD 1.08 billion across the next three years. Around 700 km of railway tracks have been targeted for doubling during the next financial year. Indian Railways proposes to import 50 electric and 50 diesel locomotives in three years, expecting a freight load of 1,100 million tonne and passenger traffic of 8,400 million by 2012.

Source : Ministry of Railways, Economic Survey 2009-10, Business Standard, Financial Express

Oil & Gas



Overview

- Around 75% of the total domestic oil consumption was met through imports; the dependence on petroleum and petroleum products continued to be high.
- The projected production of crude oil is 36.7 MMT (million metric tonne) during 2009-10 vis-à-vis 33.5 MMT in 2008-09 and the projected production for natural gas (including coal bed methane [CBM]) for 2009-10 is 50.2 BCM (billion cubic metric tonne) vis-à-vis 32.8 BCM in 2008-09.
- Total installed capacity of refineries stood at 177.97 MMTPA (million metric tonne per annum) on April 2009

Targets

- Achieve a total refinery capacity of 240.96 MMTPA by 2012
- Establish the Rajiv Gandhi Institute of Petroleum Technology, an institute to cater to the education and training

requirements of all segments of the petroleum and natural gas industry (estimated cost Rs. 695.58 crore)

- Vision 2015 to expand 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

Government policy and initiatives

- 100% FDI allowed in exploration of crude oil and natural gas under automatic route
- 100% FDI allowed in pipelines for petroleum products, natural gas and LNG
- The government is exploring the PPP route to set up a network of gas pipelines across India resulting in a National Gas Grid
- The eighth round of the New Exploration Licensing Policy (NELP

VIII), which put up for bid 70 oil and gas blocks covering an area of about 163,535 sq.km., attracted investments of around USD 1.34 billion for the 36 blocks awarded

- In the fourth round of CBM (CBM IV), out of 10 new blocks, eight were awarded

Optimism

As an emerging economy, India is poised to experience a significant rise in the demand for oil and gas: expected to increase from 186.54 million tonnes of oil equivalent (MMTOE) in 2009-10 to 233.58 MMTOE in 2011-12. During 2009-10, crude oil production is projected to grow by 11% and natural gas production by 53%. Pipe consumption in the oil and gas sector is expected to grow at 25% annually. The rise in exploration activities will result in a growing demand for drilling equipment and oil rigs.

Source : Ministry of Petroleum & Natural Gas, Ministry of Commerce & Industry, Economic Survey 2009-10, CRISIL, IBEF

Telecom



Overview

- India has the third largest communication network after China and the USA with a subscriber base of 653.92 million (as on May 2010)
- Second largest wireless network in the world with 617.53 million wireless connections (as on May 2010)
- All-India tele-density at 55.38% (as on May 2010)
- Broadband subscription at 9.24 million (as on May 2010)

Targets

- Activate 3G services in all cities/towns with more than 1 lakh population
- Achieve a broadband coverage of 20 million and 40 million internet connections by 2012
- Provide broadband connectivity to every school, healthcare facility and Gram Panchayat by 2012

- Make India a telecom manufacturing hub by facilitating the establishment of telecom specific SEZs

Government policy and initiatives

- 100% FDI allowed under automatic route in telecom equipment financing
- FDI ceiling of 74% for the telecom services (automatic up to 49%, FIPB approval needed beyond 49%)
- Introduction of a unified access licensing regime for telecom services on a pan-India basis
- In Union Budget 2010-11, it was announced that exemption from basic counter veiling duty and special additional duties would be extended to parts of battery chargers and hands-free headphones (earlier only applicable for parts of mobile phones)

Optimism

The next spurt in telecom growth is

expected to happen in villages and smaller towns. The Government set a target of 200 million rural subscribers by 2012 to narrow down the urban-rural digital divide from the present 25:1 to 5:1. The tower sharing business is expected to grow exponentially as the sharing of passive infrastructure like towers substantially reduces operational costs and encourages new players to enter the business and roll out services quickly. Now that the auction of 3G spectrum is completed, roll-out of new value-added 3G-enabled services will be the key to telecom growth especially in urban India. This will provide a further boost to the handset industry. Revenue from India's telecom services industry which stood at USD 31 billion in 2008 is estimated to increase to USD 54 billion by 2012.

Mining



Overview

- The mining industry, catering to a range of basic industries, including power generation, steel, metals and cement, accounts for around 3% of India's GDP
- India's 25.2 billion tonnes of iron ore, 257.4 billion tonnes of coal and 3.3 billion tonnes of bauxite constitute 3%, 10% and 4% respectively of the world's resources
- 80% of mining is in coal and the balance 20% is in various metals and other raw materials such as gold, copper, iron, lead, bauxite, zinc and uranium
- India produces 450 million tonnes of coal annually, around 50 million

tonnes less than domestic demand

Targets

- Achieve 680 million tonnes of coal production by 2012
- De-block 20 billion tonnes of coal reserves for power projects

Government policy and initiatives

- 100% FDI allowed under automatic route for mining of coal and lignite for captive consumption in iron, steel and cement production
- Introduction of a competitive bidding process for allocating coal blocks for captive mining to ensure greater transparency and increased

participation in production from these blocks

- Establishment of a Coal Regulatory Authority to create a level playing field in the coal sector

Optimism

With coal accounting for nearly 55% of India's power generation and India's demand for power outstripping supply, coal mining will continue to grow. The dual effect of a rise in industrial production in India and recovery of global demand will encourage the mining of other minerals as well. All these will have a cumulative impact on the growth of demand for mining equipment.

Analysis of our financial statements*

1. Review of the Profit and Loss Account

Highlights, 2009-10

- Disbursements increased 36% from Rs. 6,620 crore in 2008-09 to Rs. 9,017 crore in 2009-10
- Total assets under management increased 28% from Rs. 10,367 crore in 2008-09 to Rs. 13,265 crore in 2009-10
- Income from operations increased 15% from Rs. 843 crore in 2008-09 to Rs. 970 crore in 2009-10
- Profit before tax increased 107% from Rs. 105 crore in 2008-09 to Rs. 218 crore in 2009-10
- Profit after tax increased 90% from Rs. 83 crore in 2008-09 to Rs. 157 crore in 2009-10
- Earning per share increased from Rs. 7.07 in 2008-09 to Rs. 13.42 in 2009-10
- Net interest margin increased from 3.29% in 2008-09 to 4.31% in 2009-10

Revenue

Group revenues grew from Rs. 852 crore in 2008-09 to Rs. 972 crore in 2009-10. Group revenues accrued from three verticals – fund-based businesses, fee-based businesses and investments.

Income from the fund-based businesses increased 20% from

Rs. 730 crore in 2008-09 to Rs. 858 crore in 2009-10. This was largely attributed to a rise in the project financing business where assets under management increased by around 114%.

The Company's fee-based businesses generated a revenue of Rs. 60 crore in 2009-10 against Rs. 87 crore in 2008-09. Interestingly, fee-based income in 2009-10 was evenly spread across a number of projects (preferred revenue stream) as against a single large fee of Rs. 61 crore from the Ganga Expressway project in 2008-09.

Income from rural IT infrastructure (Srei Sahaj) grew 86% from Rs. 18 crore in 2008-09 to Rs. 34 crore in 2009-10 following a significant increase in operational CSCs in 2009-10.

Income from proprietary investments increased from Rs. 6 crore in 2008-09 to Rs. 13 crore in 2009-10. This income largely accrued from monetisation of existing investments. Since income from proprietary investments will depend on the timing of divestment of such investments, income from this may vary from year to year.

The Group's non-core income declined from Rs. 11 crore in 2008-09

to Rs. 6 crore in 2009-10. Other income accounted for only 0.3% of the total income of 2009-10, reflecting the continuing strength of the core businesses.

Operational expenses

The Group's total operating cost (before interest and depreciation) was Rs. 149 crore in 2009-10 (Rs. 160 crore in 2008-09) despite increased operations.

Employee costs: Expenses grew 16% from Rs. 54 crore in 2008-09 to Rs. 63 crore in 2009-10, attributed to an increase in team strength from 1,083 as on March 31, 2009 to 1,424 as on March 31, 2010.

Administrative costs: Expenses declined from Rs. 107 crore in 2008-09 to Rs. 86 crore in 2009-10 owing to a significant drop in professional fee from Rs. 64 crore in 2008-09 (largely owing to the additional one-time professional fee expenses incurred for the execution of Ganga Expressway project) to Rs. 35 crore in 2009-10.

Interest liability

Finance charges increased 2% from Rs. 522 crore in 2008-09 to Rs. 533 crore in 2009-10. Total interest liability during the year increased only marginally owing to the following factors:

Total income
32.64%
5-year CAGR

Profit after tax
25.54%
5-year CAGR

Disbursement
29.45%
5-year CAGR

AuM
31.32%
5-year CAGR

* Based on consolidated figures

- Efficient cost management
- Easing of interest rates in the domestic market
- Favourable movement in the exchange and LIBOR rates

Taxation

The Group's current tax liability increased from Rs. 7 crore in 2008-09 to Rs. 37 crore in 2009-10 owing to a considerable increase in profit before tax. This was partly offset by the MAT credit entitlement, which reduced net tax outflow to Rs. 15 crore for 2009-10. However, the total tax expense including deferred tax liability increased from Rs. 22 crore in 2008-

09 to Rs. 61 crore in 2009-10. This was mainly due to a sharp increase in the deferred tax liability from Rs. 22 crore in 2008-09 to Rs. 46 crore in 2009-10. The average tax expense rate was about 28% in 2009-10 as against 21% in 2008-09.

2. Analysis of the Balance Sheet

Highlights, 2009-10

- Capital adequacy ratio was 21.98% as on March 31, 2010 against 39.18% as on March 31, 2009
- Book value per share increased from Rs. 98.20 as on March 31, 2009

to Rs. 110.14 as on March 31, 2010

- Shareholders' funds increased 12% from Rs. 1,149 crore as on March 31, 2009 to Rs. 1,290 crore as on March 31, 2010

- Debt-equity ratio was 5.09 as on March 31, 2010 against 3.73 as on March 31, 2009

Capital employed

The employed capital increased 45% from Rs. 5,481 crore as on March 31, 2009 to Rs. 7,957 crore as on March 31, 2010 owing to increased operations across all business verticals.

Sources of funds

	2009-10		2008-09		Y-o-Y growth (%)
	Amount (Rs. crore)	Percentage of total	Amount (Rs. crore)	Percentage of total	
Share capital (including warrants)	116	1.46	134	2.45	(13)
Reserves and surplus	1,173	14.74	1,015	18.52	16
Minority interest	24	0.30	22	0.40	7
Secured loans	5,578	70.10	3,752	68.45	49
Unsecured loans	992	12.47	531	9.69	87
Deferred tax liability	74	0.93	27	0.49	168
Total	7,957	100.00	5,481	100.00	45

Equity: Share capital comprised 116,144,798 equity shares with a face value of Rs. 10 totaling Rs. 116 crore. The promoters' holding constituted 30.02% and foreign holdings 20.22% as on March 31, 2010.

Reserves: Group reserves grew 16% from Rs. 1,015 crore as on March 31, 2009 to Rs. 1,173 crore as on March 31, 2010.

External funds: Secured debt increased 48.67% from Rs. 3,752

crore as on March 31, 2009 to Rs. 5,577 crore as on March 31, 2010.

Secured loans comprised debentures, term loans and working capital loans. The growth in secured debt was largely due to an increase in term loans (46.56%) and working capital loans (84.89%). Of the outstanding term loans, 64.20% (52.10% in the previous year) was rupee-denominated debt and 35.80% (47.90% in the previous year) was

from international sources.

Unsecured loans experienced a churn in the debt mix from conventional short-term loans from banks and institutions to low-cost debentures and commercial paper. The Group increased its subordinated debentures/bonds/loans exposure by 174.24%, strengthening its capital adequacy.

Public deposits

The total deposits outstanding as on March 31, 2010 was Rs. 5.20 crore as compared with Rs. 5.15 crore as on March 31, 2009. In April 2010, the Company decided to convert itself

into a non-deposit-taking NBFC in order to qualify for registration as an Infrastructure Finance Company (IFC) and subsequently stopped accepting public deposits or renew such maturing deposits in any manner

w.e.f. April 20, 2010. The Company subsequently received the regulatory approval for the category of a non-deposit-taking NBFC.

Application of funds

	2009-10		2008-09		Y-o-y growth (%)
	Amount (Rs. crore)	Percentage of total	Amount (Rs. crore)	Percentage of total	
Net block	317	3.98	314	5.73	1
Goodwill	6	0.08	6	0.11	-
Deferred tax assets	1	0.01	0.22	-	282
Investments	671	8.43	444	8.10%	51
Net current assets	6,958	87.45	4,714	86.00	48
Miscellaneous expenditure	4	0.05	3	0.05	64
Total	7,957	100.00	5,481	100.00	45

Net block: The Group's net block was Rs. 317 crore as on March 31, 2010 against Rs. 314 crore as on March 31, 2009. The net block comprised own assets (15% as on March 31, 2010), intangible assets (1% as on March 31, 2010) and assets for operating lease (84% as on March 31, 2010). The Group added assets worth Rs. 49 crore in 2009-10 of which assets totalling Rs. 43 crore were operating lease assets for growing the business.

Sundry debtors: Sundry debtors increased 60.43% to Rs. 108 crore as on March 31, 2010. The debtors largely comprised receivables from rural entrepreneurs (Srei Sahaj business) for the IT infrastructure provided to them; the large rollout of CSCs in 2009-10 resulted in a significant increase in the sale of IT assets and consequently outstanding

debtors' balance.

Financial and other current assets:

This segment mainly represented the outstanding principal amount of equipment finance loans given to customers. The outstanding balance under this account grew 4.9% to Rs. 3,143 crore as on March 31, 2010 against Rs. 2,996 crore as on March 31, 2009 owing to a growth in the equipment finance business.

Loans and advances: This account mainly represented outstanding principal amount of project finance loans disbursed. Outstanding loans and advances grew 169.3% to Rs. 3,619 crore as on March 31, 2010 from Rs. 1,344 crore as on March 31, 2009, owing to a sharp increase in the project financing business.

Non-performing assets

Gross NPA on a consolidated basis,

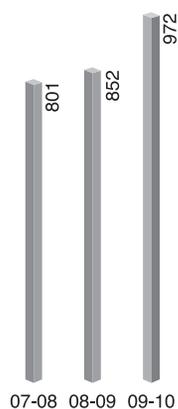
as per RBI, increased to 0.90% of total assets in 2009-10 from 0.79% in 2008-09. On a net basis, the consolidated NPAs as per RBI were 0.29%.

As per FLI standards, the gross NPA was 1.06% in 2009-10 as against 1.33% in 2008-09. The net NPA was 0.45% for this year against 0.47% for the previous year.

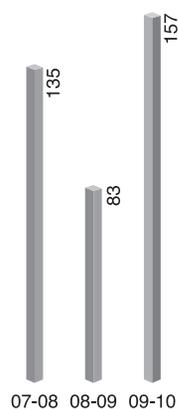
Over a period of time, Srei has consistently kept NPA levels under check primarily owing to its robust due diligence mechanism prior to disbursement and its conservative approach in NPA provisions that conforms with standards set by Indian regulatory authorities, foreign lending institutions and credit rating agency parameters.

Performance scorecard

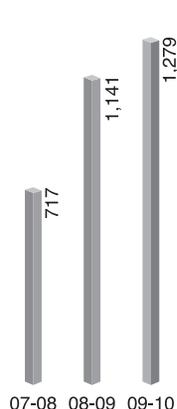
Total income
(Rs. crore)



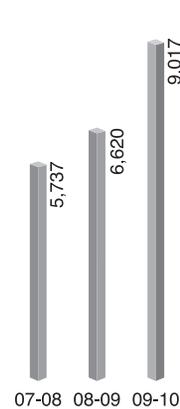
Profit after tax
(Rs. crore)



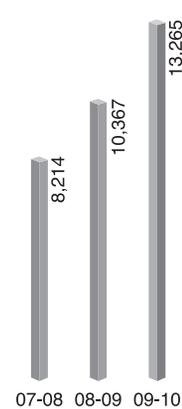
Net worth
(Rs. crore)



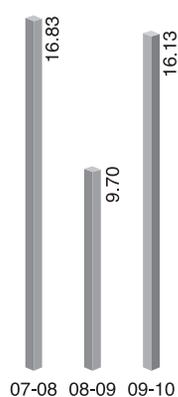
Disbursement #
(Rs. crore)



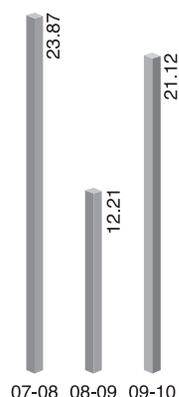
Assets under management #
(Rs. crore)



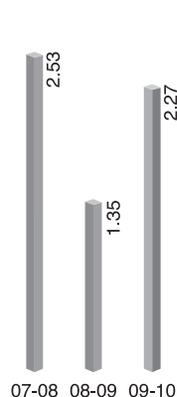
Net profit margin
(%)



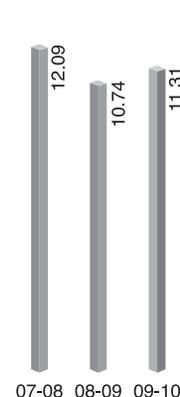
Return on average net worth *
(%)



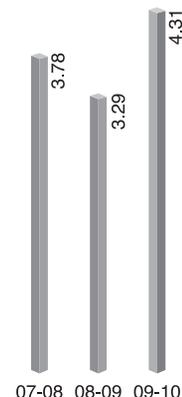
Return on average assets
(%)



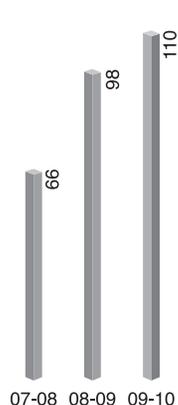
Return on average capital employed
(%)



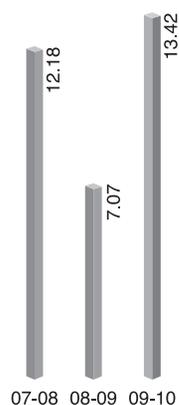
Net interest margin
(%)



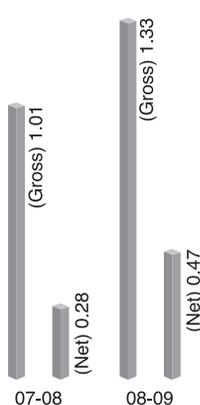
Book value per share
(Rs.)



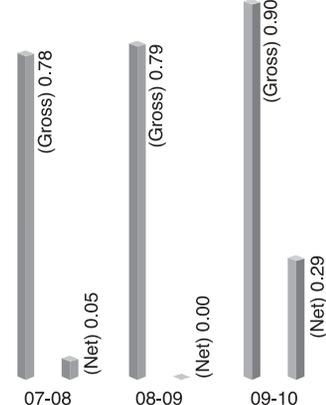
Earning per share
(Rs.)



NPA as per FLI
(%)



NPA as per RBI
(%)



All figures on consolidated basis

For Disbursement and Assets under Management, 100% of Srei BNP (50:50 JV between SIFL and BPLG) has been considered

* On standalone net worth

Mapping uncertainties Managing risks



The business of financing is really the business of managing risk.

The recent global financial crisis not only disrupted all kinds of financial markets, it also gave way to bankruptcies of bank and non-bank finance companies across the globe. While the exact causes are yet to be fully comprehended, most analysts identified risk management failure as one of the key factors that cause the

unprecedented increase in asset prices, the availability of cheap credit leading to build-up of excessive leverage and the massive underpricing of risk. The crisis has therefore, not only vilified the risk management function of financial institutions, but also vindicated the importance of this function for the survival of finance companies and the stability of the financial system.

Srei uses a multi-faceted approach to manage its risks, aimed at insuring the net income against disruptions from any kind of risk, minimising volatility in income with a pro-cyclically bias.

Risk in general terms is defined as uncertainties in the achievement of objectives, leading to a negative organisational effect. These uncertainties may either be systemic

i.e. caused by the factors affecting an entire industry, sector, or economic such as interest rate risk, foreign exchange risk and regulatory risk, among others, or unsystemic i.e. caused by factors specific to a particular firm, like fire, theft, project failure, bad debt and shortage of liquidity, among others.

In an organisation like Srei, there are risks present at all levels and across all aspects of its functioning, including business, strategic, operational, market, credit, liquidity, reputation and processes, among others. To manage and mitigate these risks and reduce the uncertainties prevalent, an enterprise-wide risk management framework was established that allows all risks to be aggregated using a consistent measurement system as well as take account of the correlation between these risks. An enterprise's risk management framework includes

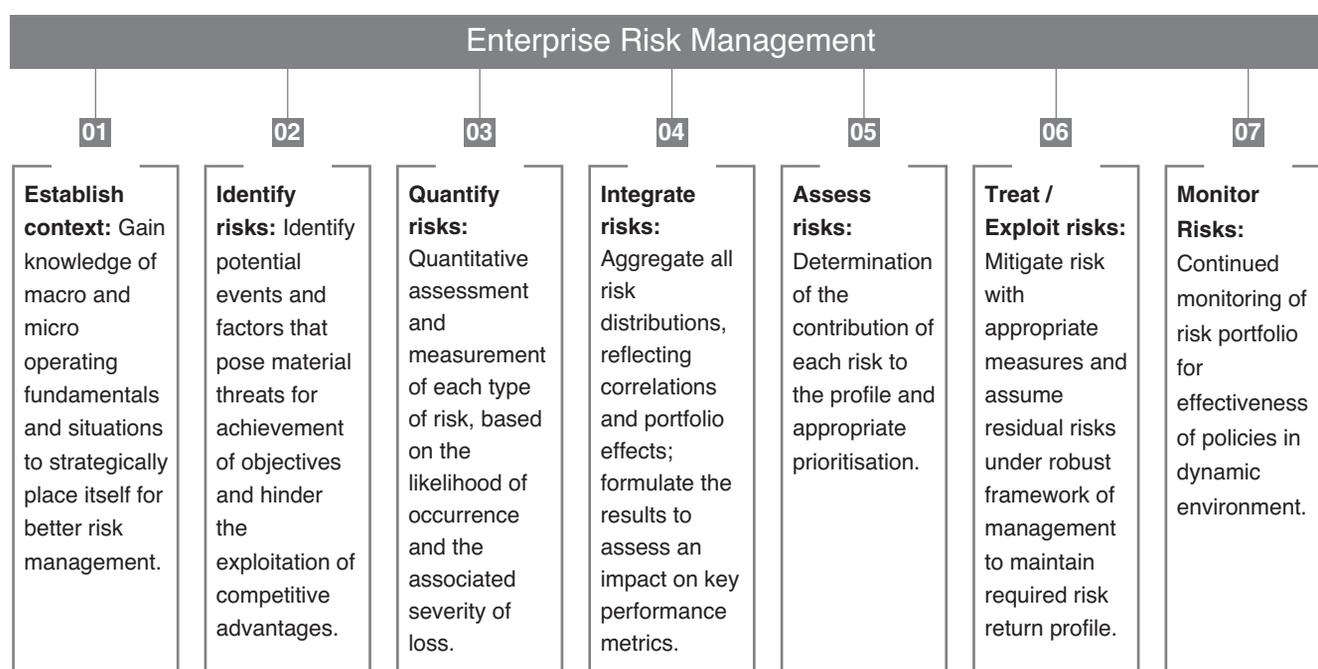
all systems and processes that lead to managing risks and seizing opportunities towards the achievement of objectives.

These seven steps constitute a comprehensive risk management framework. Thus, Srei aims to gain a complete knowledge of the internal and external operating environment to identify all potential threats that negatively affect its market position and achievement of its objectives. The quantitative assessment of loss pertaining to each risk helps in the aggregation of all risks to determine the overall impact on the company, prioritisation of risks within the aggregate risk profile, and decision-making regarding which risks to mitigate, while assuming the residual risks so as to maintain the required risk-return profile of the Company.

There is also a constant need to

review and monitor the risk profile and assess the viability of policy measures in today's dynamic environment to attain long-term viability and sustainability. These step-by-step processes of enterprise-wide risk management help Srei optimise its returns, given the portfolio of risks it assumes.

Prudent risk management is the goal of any business enterprise. For a finance company like Srei, these risks take on a multitude of forms – from dominant risks such as credit risk to small but significant risks like sustainability risk or legal risk. The ultimate goal of risk management is to keep the aggregate risk within the Company's risk appetite or risk tolerance limit, so as to ensure long-term survival despite all the business uncertainties that Srei is exposed to. In particular, the key risks are:



01 | Credit risk

Credit risk is the risk of a financial loss arising if a borrower or counter-party fails to meet a contractual payment obligation. It arises principally from direct lending and leasing business, as well as from off-balance sheet products like derivatives transaction and from Srei Group debt security holdings. Credit risk requires the largest regulatory capital requirement.

Mitigation measures: This is more relevant for fund-based businesses, namely equipment financing and project financing.

Equipment finance: Srei's customers belong to the micro, small and medium enterprise (MSME) category. The Company has been financing this

customer segment for two decades now and is completely aware of the intricacies of this kind of business. It has created a multi-check credit appraisal system verifying project details, project and entrepreneur's credit worthiness. The Company maintains a continuous relationship with all its clients that helps in collaborative addressal of business uncertainties. All these have resulted in keeping NPAs well below the national average.

Project finance: Srei provides senior secured loans to various infrastructure projects both, as the sole lender and a consortium of lenders. The highly experienced project finance team structures non-recourse funding in a

manner such that all risks are duly identified along with appropriate mitigants. All projects and their various parts and components undergo detailed due diligence and review during the credit appraisal process and are further examined by a dedicated and independent credit function. Srei also has strong systems and processes in place to manage and administer its collaterals on project finance. Due to its effective risk mitigation techniques and transaction structuring expertise, the project finance division achieved a zero NPA portfolio as on March 31, 2010.

02 | Liquidity risk

Srei may not have sufficient financial resources to meet its liabilities as they fall due, or to meet its commitments. This risk could arise from a mismatch in the timing of cash flows of the Company with its repayment commitment.

Mitigation measures: In most cases, an inability to match the debt

repayment cycle with the funds receivable cycle affects viability. Srei created a framework for the stringent and regular mapping of assets and liabilities to avoid such mismatches. The Company aligns its interest payment with customers' cash flows to achieve the most effective risk mitigation method. Additionally, the

Company also monitors its cash-flow situation, asset-liability positions and market conditions, on a daily basis that enables it to identify probable mismatches between receipts and payments well in advance. All these enable Srei to meet its financial obligations in a timely manner.

03 | Funding risk

Funding risk, a form of liquidity risk, arises when the liquidity needed to fund illiquid asset positions cannot be obtained at the expected terms as and when required.

Mitigation measures: The Company enjoys sound relationships with most scheduled banks and financial institutions in India and with leading international financial institutions (like DEG, FMO, KfW, HSBC and UPS, among others.). Besides, Srei enjoys

a zero-default repayment record and reliable asset financing opportunities, making it a preferred borrowing company (for providers). Also, the Company's modest gearing of 4.48 (standalone) and strong capital adequacy ratio 21.98% (standalone) as on March 31, 2010, positioned it attractively to mobilise funds. Besides, the Company has on average utilised less than 50% of its working capital limit of Rs. 1,775 crore during the year 2009-10, reflecting its liquidity to fund

future growth initiatives over the long-term. In addition, the Srei-Quippo merger has strengthened its financial ratios and its ability to borrow large sums of low-cost funds from the market to fund its future growth. In addition, the Company raised its borrowing limits with its domestic banking consortium which is expected to seamlessly accommodate its growth appetite.

04 | Market risk

Certain fluctuating market factors, such as foreign exchange rates, market prices, interest rates, credit spreads and equity prices could reduce Srei's income or portfolio value.

Mitigation measures: The Company has limited exposure to market risk, primarily in the form of interest rate

risk and foreign exchange risk. The interest rate risk exposure emanates from a mismatch, if any, in the interest rates on the Company's assets and liabilities. Since both, assets and liabilities, are typically floating, the limited risk on our asset-liability mismatch is in the form of a basis risk between the benchmark used on the liabilities against the ones on the

assets. The ALCO continuously monitors these mismatches and suggests strategies to manage them. The Company's risk from currency fluctuation is restricted to its foreign currency debt of Rs. 755.52 crore. The Company mitigates this risk through a prudent hedging strategy which covers its earnings against adverse currency fluctuations.

05 | Residual value risk

Residual value risk arises because of operating lease transactions, a situation where the values recovered from disposing of leased assets or re-letting them at the end of the leased term, called the 'residual values', differ from those projected at the lease inception.

Mitigation measures: Srei structures

its operating lease transactions in a robust manner, wherein it is ensured that the lease period is less than the economic life of the leased equipment. The business regularly monitors residual value exposure by reviewing the recoverability of the residual value projected at lease inception. This entails considering the

potential of re-letting of operating lease assets and their projected disposal proceeds at the end of their lease terms. The Company also has the option to operate the leased equipment itself, in order to recover the residual value, should there be an erosion in the market value of the leased facility.

06 | Operational risk

Operational risk is the risk of loss arising from fraud, unauthorised activities, errors, omissions, inefficiencies, systems failure or from some external events. Operational risks can be further divided into the following categories:

a | Legal risk

Legal risk arises owing to various factors such as defective contractual relationships, involvement in actual or potential disputes, failure to adhere to the laws of the jurisdiction in which Srei operates, illegal infringement on assets and rights and so on.

Mitigation measures: The Company's legal team is involved in every transaction – from the documentation to its closure – ensuring transparent and water-tight documentation. The legal team works closely with the business teams to

ensure that the transactions are based on unambiguous legal opinions and also provides legal support in cases of customer default, facilitating faster resolution of the cases.

b | Compliance risk

Compliance risk is the risk of loss caused by failure in compliance with domestic and overseas laws and regulations.

Mitigation measures: Srei belongs to a regulated NBFC sector. The

Company has a competent team that monitors regulations, changes, alternatives and applicability. This enables Srei to improve systems and processes to ensure a complete and consistent regulatory adherence.

The Company has never been censured for regulatory non-compliance across its two decade history, attracting the association of leading global brands, with BNP Paribas and Tatas being the most prominent.

c | Business processing risk

Risk of loss caused by clerical mistakes or by the breakdown or malfunction of corporate systems.

Mitigation measures: Srei has in place a system of laid down processes and policies that guide the

functioning of all departments of the Company. It has a well defined control mechanism with a system of checks and balances that controls the negative effects of business processing risk. The Company also

proposes to introduce a risk and control self-assessment (RCSA) system to identify gaps in its processes and design mitigation initiatives accordingly.

d | Information security risk

Risk arising because of unauthorised access, use, disclosure, disruption or modification of information and data systems that are useful to Srei, resulting in a loss or breakdown.

Mitigation measures: Srei manages an elaborate information technology set-up and resources. Well defined policies are in place to ensure

information security as well as business continuity planning through an off-site disaster recovery. Standard globally accepted security features covering firewalls, encryption technologies and spam-guards are also in place. Srei's system provides for controlled access with very stringent password protection facilities and appropriate document

back-up management systems. Reports on deviations and/or irregularities, if any, are checked by the internal audit department. Findings on control points are circulated on a monthly basis. Corrective actions, wherever necessary, are taken, either on a reactive or proactive basis.

07 | Reputational risk

Reputational risk arises owing to negligence of various concerns such as environmental protection, social responsibility, governance and operation rules and regulations, that can lead to a total loss of goodwill and

reputation of Srei in the financial world. Reputational risk can also arise because of misconduct by Srei's stakeholders.

Mitigation measures: Srei regularly reviews its policies and procedures to

safeguard itself against reputational and operational risks. Srei has always aspired to the highest standards of conduct and, as a matter of practice, takes account of reputational risks to its business.

08 | Sustainability risk

Sustainability risk is especially relevant for Srei due to its project financing activities, and it arises owing to the provision of financial services to companies or projects, which run counter to the needs of Srei's sustainable development. In effect, these risks arise when the environmental and social effects outweigh the economic benefits. Sustainability risks can be avoided and even mitigated if environmental, social, health and safety issues related to infrastructure projects can be properly identified and mitigation

measures adopted accordingly.

Mitigation measures: Assessment of the environmental and social impact of projects financed by Srei is firmly embedded in Srei's overall risk management processes. Srei adopted an environmental policy in August 1999. The policy is based on the guidelines and norms of best international practices, also referred to as IFC Standards and incorporates requirements under Indian environmental regulations and rules. Srei's environmental and social

management system screens all medium and large projects for categorisation based on the sensitivity of the environmental issues involved. Small projects, that mainly involve individual financing, are assessed informally by verbal questioning for environmental impacts.

These policies are currently being reviewed with the objective of updating its policy on environmental as well as the introduction of social, health and safety (ESHS) issues.

While most banks and financial institutions face these risks, the approaches adopted by each to manage the risks vary significantly. Sophistication of risk measurement methods, that utilise all data and information available within the Company to arrive at a better estimation of its risk profile, is one of the key differentiating factors between institutions. At Srei, there is a constant effort to improve its risk management system. The lessons learnt from the global financial crisis, especially with respect to scenario stress-testing and contingent planning, will be incorporated into the existing risk system to be better prepared to deal with market turbulences.

Directors' profile

Salil K. Gupta Chief Mentor

He has over fifty two years of experience. He has been the former Chairman of West Bengal Industrial Development Corporation Ltd. (a leading State financial institution) and has also been the former President of the Institute of Chartered Accountants of India.

Hemant Kanoria Chairman & Managing Director

He has over thirty years of industry experience. He is the former President of the Calcutta Chamber of Commerce, former member of Board of Governors of Indian Institute of Management, Calcutta, past Chairman of the NBFITask Force, the Federation of Indian Chamber of Commerce and Industry (FICCI), a member of the Steering Committee of The Energy & Resources Institute's (TERI's) Repository of Environmental Activities and Technology and Chairman, Infrastructure Committee, Confederation of Indian Industry (Eastern Region).

Sunil Kanoria Vice Chairman

He has over twenty two years of experience in the financial services industry. He is a governing body member of Construction Industry Development Council (CIDC), ASSOCHAM and among other responsibilities, has served as past President in Merchants' Chamber of Commerce, Federation of Indian Hire Purchase Association (FIHPA) and Hire Purchase & Lease Association (HPLA).

Saud Ibne Siddique Joint Managing Director

He has over twenty six years of rich experience in global infrastructure financing. He has worked with the International Finance Corporation (IFC), the private sector arm of the World Bank, for more than sixteen years. During 2004-07, 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 in Asia.

K. K. Mohanty Wholetime Director

He has over thirty five years of experience in asset financing, project funding, profit and credit appraisal, structuring syndication and receivables management including eleven years' experience in the Orissa State Financial Corporation.

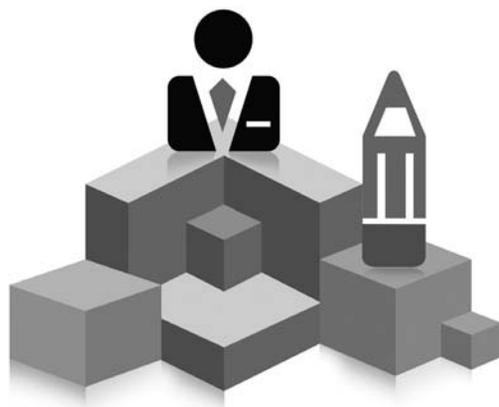
V. H. Pandya He is an associate of the Indian Institute of Bankers. He has spent over forty five years in the banking and financial industry, holding offices with India's central bank, the Reserve Bank of India (RBI), the capital markets regulator, Securities and Exchange Board of India (SEBI) and the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

S. Rajagopal He possesses over thirty seven years of experience in the banking industry. He has been the former Chairman & Managing Director of Bank of India and a former Chairman of Indian Bank.

Daljit Mirchandani He is currently the Chairman of Ingersoll-Rand in India. Mr. Mirchandani has held several key positions in the Kirloskar Group, including Executive Director in Kirloskar Oil Engines, the flagship company of the Kirloskar Group (KOEL). He was also the Chairman of the Karnataka State Council of the Confederation of Indian Industry (CII) in 2005.

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

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



Directors' Report

Dear Shareholders,

Your Directors are pleased to present the Twenty Fifth Annual Report together with the Audited Accounts of your Company for the financial year ended March 31, 2010. The summarised consolidated and standalone financial performance of your Company is as follows:

Financial Results

(Rs. in Lakh)

	Consolidated		Standalone	
	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2009
Total Income	97,216	85,153	47,013	32,643
Total Expenditure	68,234	68,313	30,809	26,666
Profit before Depreciation	28,982	16,840	16,204	5,977
Depreciation	4,328	3,658	1,014	769
Profit Before Bad debts / provisions and Tax	24,654	13,182	15,190	5,208
Bad Debts / Provisions etc.	2,888	2,688	377	171
Profit Before Tax	21,766	10,494	14,813	5,037
Provision for Taxation	5,866	2,235	3,440	-
Income Tax in respect of earlier years	220	2	224	1
Profit After Tax	15,680	8,257	11,149	5,036
Minority Interest	94	49	-	-
Pre Acquisition Adjustment	-	(4)	-	-
Surplus brought forward from Previous Year	15,775	13,353	12,685	12,135
Profit Available For Appropriation	31,361	21,557	23,834	17,171
Paid up Equity Share Capital	11,629	11,629	11,629	11,629
Amount transferred to Reserves	4,118	4,279	2,530	3,128

OPERATIONAL REVIEW

Your Company is one of the leading private sector infrastructure financing institutions in India. Some of the key highlights of your Company's performance during the year under review are:

- The gross profit (before depreciation, bad debts, provision and tax) is Rs. 16,204 lakh as against Rs. 5,977 lakh in the last year.
- Profit before taxation is Rs.14,813 lakh as against Rs. 5,037 lakh in the last year.
- Net profit after taxation is Rs. 11,149 lakh as against Rs. 5,036 lakh in the last year.
- The total assets under management of the Srei Group is Rs. 13,26,508 lakh as against Rs. 10,36,685 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.

Your Company has complied with all the norms prescribed by the Reserve

Bank of India including the Fair practices, Anti money laundering and 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 guidelines laid down by the Foreign Financial Institutions, which are more stringent than the guidelines of the Reserve Bank of India.

AMALGAMATION OF QUIPPA INFRASTRUCTURE EQUIPMENT LIMITED INTO AND WITH THE COMPANY

The Board of Directors of your Company at its meeting held on January 28, 2010 has, based on the recommendations of the Committee of Independent Directors, approved amalgamation of Quippo Infrastructure Equipment Limited (Quippo) into and with your Company in terms of a Scheme of Amalgamation ("the Scheme") under Sections 391 to 394 of the Companies Act, 1956. The Board has approved the share swap ratio of 3:2, meaning thereby 3 (Three) equity shares of Rs.10/- each fully paid-up in your Company for every 2 (Two) equity shares of Rs. 10/- each fully paid-up in

Quippo. Such swap ratio is based upon the reports submitted by M/s. BDO Consulting Private Limited and KPMG India Private Limited respectively, and the fairness of the same has been confirmed by ICICI Securities Limited, an independent merchant banker. The Appointed Date of the amalgamation shall be April 01, 2010.

The Board, in the same meeting, has also decided to issue bonus shares in the ratio of 4:5, meaning thereby, 4 (Four) bonus equity shares of your Company of Rs. 10/- each fully paid-up for every 5 (Five) existing equity shares of Rs. 10/- each. The Board has also proposed that the bonus issue be made a part of the Scheme. Thus, the Scheme provides that the bonus shares shall be issued and allotted to the shareholders of your Company upon the Scheme becoming effective but as per a record date, which shall be a date prior to the Record Date fixed by Quippo in terms of the Scheme for the purpose of allotment of equity shares of your Company to the shareholders of Quippo in consideration of the amalgamation. In the light of the proposed bonus issue, the share swap ratio of 3:2 as mentioned above will stand adjusted.

It is also proposed under the Scheme that upon the same becoming effective,

Your Board has recommended a Dividend of Rs. 1.20 per Equity Share (12%) for the Financial year 2009-10 to the Equity shareholders of your Company. The Dividend for the Financial year 2009-10 shall be subject to tax on dividend to be paid by your Company but will be tax-free in the hands of the shareholders.



the shareholding of your Company in Quippo shall not be cancelled, and accordingly, your Company shall be entitled to be allotted appropriate number of its equity shares in lieu of its current shareholding in Quippo, in accordance with the share swap ratio. However, since a company in India is not permitted to hold its own shares, the equity shares in your Company to be allotted in lieu of your Company's current shareholding in Quippo, shall be allotted to one or more persons who shall hold the said shares (together with any and all additions and accretions as may happen to the same in future) in trust and for the benefit of your Company and/or its shareholders. Such trustee(s) shall within a period of 3 (three) years from the date of such allotment or within such extended period as may be agreed to by your Company and the trustee(s), shall transfer or dispose of the said shares. Until such sale or disposal, the trustee(s) shall be entitled to exercise the voting rights in respect of such shares held by them in your Company, in a manner deemed expedient by them.

The Board of Directors of your Company believes that synergistic integration through amalgamation of Quippo into and with your Company shall result in:

(a) integration of the businesses presently being carried on by Quippo and your Company, which shall be beneficial to the interests of the shareholders, creditors and

employees of both companies and to the interests of public at large, as such amalgamation would create greater synergies between the businesses of the two companies and would enable them to have access to better financial resources, as well as would increase the managerial efficiencies, while effectively pooling the technical, distribution and marketing skills of each other;

- (b) enhancement of net worth of the combined business to capitalise on future infrastructure growth potential;
- (c) creation of a fully integrated and holistic infrastructure institution bringing all infrastructure business under one umbrella, i.e., the present infrastructure leasing, development, advisory and financing business of your Company, and the present infrastructure business of Quippo together;
- (d) synergies across the group as well as tie-ups/alliances with companies, govt. agencies, etc., and niche expertise within the individual business can be utilized to capture greater share of market and to provide more comprehensive services to its customers; and
- (e) de-risking and augmenting shareholders' value besides aligning interest of shareholders in a single entity.

The aforesaid Scheme of Amalgamation of Quippo into and with your Company has been approved by Equity shareholders of your Company with requisite majority at their meeting held on May 31, 2010.

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

During the year under review, the Reserve Bank of India (RBI) vide circular DNBS.PD. CC No. 168 / 03.02.089 /2009-10 dated February 12, 2010 introduced a separate category of Non Banking Finance Companies (NBFCs) as 'Infrastructure Finance Companies' (IFCs) based on the representations made by the NBFCs engaged predominantly in infrastructure financing. An 'Infrastructure Finance Company' means a non deposit taking non-banking finance company (NBFC) which –

- i) deploys a minimum 75 per cent of its total assets in infrastructure loans;
- ii) has net owned funds of Rs. 300 crore or above;
- iii) has a minimum credit rating 'A' or equivalent of CRISIL, FITCH, CARE, ICRA or equivalent rating by any other accredited rating agencies; and
- iv) has a CRAR of 15 percent (with a minimum Tier I capital of 10 per cent).

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 has since applied to the Reserve Bank of India (RBI) for change in classification of your Company from 'Asset Finance Company' to 'Infrastructure Finance Company'.

MUTUAL FUND ACTIVITY

During the year under review, your Company has received an in-principle approval from the Securities and Exchange Board of India (SEBI) for setting up a Mutual Fund and accordingly, Srei Mutual Fund Asset Management Private Limited and Srei Mutual Fund Trust Private Limited were incorporated on November 27, 2009 as wholly owned subsidiaries of your Company.

UNSECURED SUBORDINATED BONDS

In the year 2000, your Company had issued on rights basis 52,66,075 Unsecured Subordinated Bonds of Rs. 100/- each aggregating to Rs. 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 percent 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, 2009, being fourth redemption date, Rs. 15 towards principal amount and Rs. 3 towards premium amount total aggregating to Rs. 18 per Unsecured Subordinated Bond and the face value of the aforesaid Bonds stands reduced to Rs. 40 per Bond w.e.f. August 26, 2009. The aggregate principal amount outstanding as on March 31, 2010 is Rs. 21.06 crore.

DIVIDEND

Your Board has recommended a Dividend of Rs. 1.20 per Equity Share (12%) for the Financial year 2009-10 to the Equity shareholders of your Company. The Dividend for the Financial year 2009-10 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 financial crisis that engulfed the world after the collapse of Lehman Brothers in September 2008 had affected the developed nations more severely. A sharp fall in gross domestic product (GDP) coupled with rising unemployment was a common feature in most of these nations. To counter the crisis, they introduced massive doses of monetary and fiscal stimuli. By the third quarter of 2009, the advanced economies returned to the path of positive growth. However, what these

economies are mostly experiencing is jobless growth which implies that their road to recovery will be a prolonged one.

Compared to the advanced economies, the impact of the crisis on emerging economies has been muted. While the governments of these countries also resorted to accommodative policies, these economies maintained positive growth even during the crisis and bounced back much faster. There has been some decline in exports, but robust domestic demand has served as a growth engine in these economies.

According to the World Economic Outlook (WEO) of the International Monetary Fund (IMF), global GDP growth for 2010 is estimated to be 4.25%. This is in stark contrast to the 1.9% growth projected for 2010 in last year's WEO. Such recovery in global growth has been entirely due to the unprecedented government support across economies. In 2010, growth rates in USA, Euro Zone, U.K. and China are expected at 3.1%, 1%, 1.3% and 10% respectively. Growth projections for emerging economies for 2010 and 2011 are markedly higher. However, policy makers across the world need to be vigilant on the possible problem of sovereign debt default that looms large on several nations (includes a few Euro Zone nations) and accordingly gear up for the consequences from such eventualities.

b. Situation in India

Despite the global slowdown, FY09 saw India growing at 6.7% as was predicted by the Reserve Bank of India (RBI) last year. However, the FY10 GDP growth is now projected at a healthy 7.2%, a figure far better than all estimates made a year back. Apart from China, India is the only major economy that escaped negative GDP growth rate on a consistent basis quarter after quarter. Fiscal stimulus in India was miniscule, so the impact on growth will not be much even as government starts unwinding a part of it. With headline inflation touching double digits, RBI has initiated monetary tightening in a calibrated manner. Projections for GDP growth in FY11 are also robust. While RBI has estimated GDP to grow at 8% with an upward bias, the IMF's projection is even higher at 8.8%.

Consumption had all along remained strong in India. Going ahead, capacity expansion is the key. Typically capex starts picking up after few months of a pick up in Index of Industrial Production (IIP). With industrial recovery gaining momentum and core infrastructure sectors like cement, coal, electricity and steel registering decent growth, capex is not far behind.

India continues to remain an attractive investment destination. In FY09, India received USD 35 billion as FDI. FII inflow has also remained robust. The government is working on creating an FDI-friendly regime. The government remains committed towards economic

reforms. Roadmaps stand prepared for a gradual phasing down of the fiscal deficit, introduction of a unified Goods & Services Tax (GST) regime and implementation of a Direct Tax Code (DTC). Emphasis on infrastructure creation is central to the government's development plans. All these steps augur well for India's future.

NBFIs IN INDIA

The role of Non Banking Financial Institutions (NBFIs) in asset creation and infrastructure development is well acknowledged. They act as principal channels of credit delivery to the micro, small and medium enterprises (MSMEs) which remain under-served by banks and other financial institutions in spite of being the back-bone of the India Growth Story. On the infrastructure front, the MSMEs account for majority of the contractors and transporters whose service is central to the infrastructure creation process. Thus, by serving these MSMEs, the NBFIs are promoting inclusive growth and contributing to the nation-building process.

The year under review witnessed many developments in the NBFIs space, especially those which belonging to the infrastructure financing domain.

Acknowledging the fact that NBFIs which are exclusively into financing of infrastructure are doing a great service to the nation, recently RBI has created a new category of NBFIs, namely the Infrastructure Finance Companies (IFCs). Quite expectedly, IFCs are likely to be treated differently from other

NBFIs and are likely to have policy guidelines which will enable them for longer tenure borrowing and also realise their dues effectively.

As it is, IFCs were allowed to source ECB from multilateral / regional financial institutions and government-owned development financial institutions under the 'approval route'. To facilitate their borrowing, RBI has expanded the list of eligible lenders by including reputed international banks. However, the total outstanding ECBs including the proposed ECB cannot exceed 50% of the owned funds of the IFC.

The IFCs also stand to benefit from government's proposed move to allow private financial institutions to issue tax-free infrastructure bonds. While government is yet to finalise on the eligibility criteria of such players, IFCs are most likely to fit the bill as they already have to abide by certain stringent criteria. So far, the privilege of floating infrastructure bonds had been restricted to select state-owned firms. Inclusion of IFCs will greatly revolutionise infrastructure financing in India.

BUSINESS OUTLOOK AND FUTURE PLANS

The Eleventh Five Year Plan (FYP) covering 2007-12 envisaged a total investment of USD 514 billion in the various infrastructure sectors. With an emphasis on public-private partnership (PPP), the private sector was expected to bear 30% of the total investment. However, a mid-term appraisal of the

Eleventh Plan shows that the private sector response has been phenomenal and they have invested more than expected. Private sector investments accounted for 80% of total investments in ports, 82% in telecom, 64% in airports, 44% in electricity, 16% in roads and 4% in railways. This has encouraged the government to go for a more ambitious infrastructure creation drive for the Twelfth FYP (2012-17) where the total investment figure for infrastructure stands doubled at USD 1 trillion and within that 50% of the investment is expected to come from the private sector.

However, availability of long-term finance remains a challenge in India. Asset-liability mismatch discourages banks to take too much exposure in infrastructure projects. The option of borrowing long-term capital from abroad is there, but restricted. Project developers are allowed to access external commercial borrowings (ECBs) and foreign currency convertible bonds (FCCBs), but usually it is the bigger players with better credit ratings who can tap such funds. But keeping in mind the surfeit of foreign exchange inflow due to India's attractiveness as an emerging market destination, government tries to limit entry of foreign capital (for various considerations like resultant inflation, appreciation of domestic currency to hurt exports, etc.) and thus imposes restrictions in terms of quantum, end-use, approvals, etc.

It is not that India does not have long-term capital. India has huge reserves

Projections for GDP growth in FY11 are also robust. While RBI has estimated GDP to grow at 8% with an upward bias, the IMF's projection is even higher at 8.8%.



Private sector share in the infrastructure spending is expected to increase from an estimated 36 per cent in the Eleventh FYP to 50 per cent in the Twelfth FYP (2012-17). Thus, the role of the financial institutions such as Banks, NBFCs, Foreign Institutional Investors, Private Equity firms and the capital markets has become vitally important in the Indian infrastructure market.



of long-term capital in insurance and pension funds which can typically match infrastructure project tenure. But government allows a very limited exposure for these funds to invest in infrastructure projects. Government is aware that across the world there have been numerous instances where misadventure by fund managers had wiped out life-time savings of millions of people.

Therefore, with limited availability of long-term capital in the country and a restricted window to tap foreign capital, the focus has to be on creating an atmosphere where the large domestic savings can be mobilised into infrastructure investment. As it is, India's domestic savings account for almost 33% of GDP. To facilitate resource mobilisation for infrastructure financing, the government is now actively considering a proposal to allow private financial institutions to issue tax-free infrastructure bonds.

Government promoted Indian Infrastructure Finance Company Ltd. (IIFCL), which was set up to provide a boost for PPP projects, has so far had a mixed track record. Its Rs. 10,000 crore re-financing facility is still to receive an overwhelming response, especially the scheme being restricted to only road and port sectors. So Rs. 3,000 crore from the corpus is now being made available for direct lending (where infrastructure projects from all sectors are eligible to borrow). IIFCL is expected to disburse Rs. 11,000 crore in FY11.

To catalyse long-term lending for infrastructure projects, government has introduced the take-out financing scheme through IIFCL. For the time being, IIFCL's total exposure to this scheme has been capped at Rs. 25,000 crore. Once implemented, the scheme would help banks by-pass the asset-liability mismatch problem. The scheme awaits a final approval from the government. A decision is yet to be taken whether take-out financing facility would be available to only new projects (to be launched) or ongoing projects as well.

With an enhanced emphasis on infrastructure creation, your Company is well positioned and well capitalised to tap the opportunities and expand its business portfolio. Both project financing and equipment financing are expected to pick up riding on a robust demand-led growth of the domestic economy. However, the developments in the advanced economies in the aftermath of the rollback of stimulus packages need to be monitored closely. Any adverse development in those countries is bound to have some impact on India. The management of your Company continues to be vigilant on these fronts. Thus, there are enough reasons for your Company to be cautiously optimistic.

BUSINESS REVIEW

The three main business areas of your Company have been in Infrastructure Equipment Financing, Infrastructure Project Financing and Infrastructure Project Advisory.

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

Srei BNP, the joint venture between your Company and BNP Paribas Lease Group, is registered with the Reserve Bank of India (RBI) as a non-deposit taking Non-Banking Finance Company (NBFC) (Category - Asset Finance) and is in the business of equipment financing. In the year under review, the total disbursements of Srei BNP grew by 8.76 per cent from Rs. 5,519 crore to Rs. 6,003 crore. Srei BNP has been able to consolidate and increase its market share during the year and all other operational metrics are higher.

The year under review began with some challenges, but as the outlook improved the disbursements grew. With the formation of the stable government, several new projects were announced and the demand for equipment increased. Srei BNP introduced several new schemes in association with the manufacturers to spur the demand, and accelerate the sales - like Srei Partnership Week (SPW), which served the dual purpose of getting confidence back among customers and increasing customer reach.

Srei BNP also started a new business line this year - Technology Solutions, for financing equipment in the Technology and Telecom sector. This was a very successful initiative and was done in association with the knowhow from

BNP Paribas, who have sectoral expertise in this field. Srei BNP has been able to forge relationships with some global majors for financing mutual customers. Srei BNP has also selectively started financing healthcare equipment to large hospitals and diagnostic centres. Srei BNP has clients who are among the best in Technology and Healthcare in India, and acts as a substantial sectoral risk diversification.

The partnership with BNP Paribas Lease group has been fruitful, and there is substantial mutual learning. On the human resources front, there has been minimal attrition and Srei BNP has been able to attract good talent into the organisation in the past year. The morale of the employees is high and the business is expected to grow substantially in the forthcoming year.

INFRASTRUCTURE PROJECT FINANCE

The recent global financial crisis, which is now receding, has had a less severe impact on the Indian economy than it had on the rest of the world. Infrastructure sector investments are expected to drive India's economic growth and development during the next decade. The Government of India has placed an increased focus on infrastructure development with a planned expenditure of about USD 1 trillion during the Twelfth FYP, more than double the allocation under the current plan. Private sector share in the infrastructure spending is expected to increase from an estimated 36 per cent

in the Eleventh FYP to 50 per cent in the Twelfth FYP (2012-17). Thus, the role of the financial institutions such as Banks, NBFCs, Foreign Institutional Investors, Private Equity firms and the capital markets has become vitally important in the Indian infrastructure market.

Private sector investment in infrastructure depends on two key aspects – economic viability of projects and investor friendly regulatory framework. Various drivers such as consistently high GDP growth rates during the last decade, changing GDP composition, India's demographic transition and high rates of industrial growth have resulted in a rising price inelasticity of demand for infrastructure facilities. This means that both businesses and households are now able and willing to pay such user charges for infrastructure facilities that make these projects economically viable. Furthermore, the ongoing regulatory reforms and incentives provided by the government, including different schemes for various PPP projects, provide an impetus as well as regulatory certainty for such projects. As a result, infrastructure development projects are not only becoming economically viable but also investor friendly for private sector participation.

In recognition of this growth potential, your Company has remained focused on infrastructure financing for the last twenty years, and has established itself as a holistic infrastructure finance company, providing a range of innovative financial solutions including

equipment finance, asset hypothecation loans, operating leases, project loans, syndication, etc. Over the years, your Company has financed various small and medium sized projects that have contributed to the symbiotic growth of both the project developers and your Company. Leveraging upon its acute and in-depth knowledge of the infrastructure sector, combined with its expertise in financial structuring and the continued support of various bilateral/multilateral agencies, your Company got the impetus to make a foray into infrastructure project finance and has emerged as a strong niche player. While there are many financial institutions like IIFCL, IDFC, PFC, etc. to fund infrastructure development in the country, NBFCs like your Company have been active in financing the small and medium sector projects, thus facilitating a more inclusive growth. Your Company also structures and syndicates debt transactions for mid-sized projects as well as participates in debt consortia for large projects.

During the year under review, your Company has had an impressive growth. It has increased its aggregate portfolio size to Rs. 3,586 crore in financial year 2009-10, as compared to Rs. 1,368 crore in financial year 2008-09. The key infrastructure investments have included the following sectors: Power, Ports, Roads, Aviation, Oil and Gas, Mining, Logistics, Industrial Parks, Telecommunications, SEZs, Urban Infrastructure and the like. Through its structured risk mitigation techniques, its

appetite to experiment with financing structures, security packages and maturity profiles of loans, your Company has contributed to innovation and greater efficiency in financing, contributing to an increased availability of infrastructure services in the country.

Power:

The power sector in India continues to suffer from a large peak demand deficit. The Eleventh Plan targeted an additional capacity generation of 92,700 MW by investing Rs. 6.59 lakh crore in this sector. The investment opportunity for the private sector is Rs. 1.86 lakh crore during this five year period and Rs. 43,726 crore for financial year 2010-11 alone. Capitalising on this opportunity, your Company has allocated over 20 per cent of its total allocation to this sector. With an interest in thermal power, renewable energy, hydroelectric power, and co-generation and waste heat recovery systems, your Company has executed several transactions with power generation companies including interim finance for a 600 MW thermal power plant in Andhra Pradesh, short term loan for a gas based power project, project finance for 300 MW coal-based power plant, among other approvals.

Railways and Logistics:

Indian railways suffers from some serious deficiencies in terms of track coverage, age of rolling stock, average speed, etc. leading to high logistics cost for the economy (13-14 per cent of GDP). The Eleventh Plan's investment

of Rs. 2.10 lakh crore in this sector envisages private investment opportunity of Rs. 61,543 crore in railways and logistics. Your Company has examined investment opportunities in financing rolling stocks, setting up of Inland Container Depots (ICDs), warehouses and cold storages, and development of railway sidings. On March 31, 2010, the total exposure of your Company to this sector stood at approximately Rs. 48 crore, and your Company is exploring various financing options under the new scheme declared in the Railway Budget of 2010. Your Company is already a pioneer in rolling stock financing in India, and with the entry of new private sector players in this sector, it is evaluating PPP models for asset backed financing of rolling stock, containers, and terminal facilities, so as to provide a more efficient logistics system of freight movement.

Aviation and Airports:

Airport standards across India, with a few recent exceptions, need considerable upgradation to come up to global benchmarks. The Eleventh Plan's investment of around Rs. 36,000 crore for the development of this sector, envisages 70 per cent to be financed by the private sector. This includes modernisation of passenger services, air traffic management as well as aircraft and ground handling facilities. Due to the steady growth of passenger traffic, both domestic and international, capacity augmentation is paramount. The aviation sector, along with air cargo services and logistics, would require

large investments to meet the growing demand. Risk mitigation covenants and asset back comforts are critical inputs to financial structures in airline transactions. Your Company participated in a number of transactions in the aviation sector, using its understanding of the sector to provide innovative solutions to its customers. Your Company's exposure to this industry stood at Rs. 170 crore at the end of the financial year. It has primarily financed aircraft and helicopters for non scheduled and private operators backed by charter hire arrangements with creditworthy clients.

Ports and Port Equipment:

Modern ports are crucial support to the country's growing international trade. The sector requires large investments to expand capacity of existing ports and to replace obsolete equipment and cranes, so as to improve loading and unloading time. Dredging of waterway is another critical area of investment. To overcome these impediments, the Eleventh Plan envisages investment of around Rs. 40,000 crore to this sector, of which around 60 per cent is expected to be financed by the private sector. Your Company has participated in the modernisation of ports through financing of greenfield non-major ports, material handling systems, dredging vessels, and has also developed and expanded multi-modal transport facilities. As equipment financing forms a major part of your Company's activity, increased focus has been placed on financing port equipment, dredgers, etc. It is also looking into financing

construction of new ports and expansion of existing ports through consortia.

Mining:

Mining is a very important sector because minerals like coal and iron ore play a significant role in the growth of an economy. India has huge untapped deposits of minerals like coal, iron, manganese, chrome, bauxite, alumina, copper, etc. Thus, the Eleventh Plan envisages private sector investment opportunity of Rs. 14,120 crore in the mining sector. Even though private sector has always had a significant presence in this industry, there is a huge opportunity to mechanise and upgrade mining and related equipment. Your Company, with its major operations based in Eastern India, is strategically located to provide financial solutions to mining companies in Chhattisgarh, Jharkhand and Orissa. It has undertaken several transactions and has a total exposure of Rs. 157 crore in the mining sector. It is involved in the development of captive coal mines for power plants in Orissa. It is also devising plans to increase exposure by way of financing other mining developmental projects such as land acquisition, construction of haulage roads, railway sidings and coal washeries.

Telecommunications:

The Indian telecom industry has expanded tremendously in size and reach, with the total number of landline and mobile subscribers reaching 654 million in May 2010. However, there is

The power sector in India continues to suffer from a large peak demand deficit. The Eleventh Plan targeted an additional capacity generation of 92,700 MW by investing Rs. 6.59 lakh crore in this sector. The investment opportunity for the private sector is Rs. 1.86 lakh crore during this five year period and Rs. 43,726 crore for financial year 2010-11 alone.



The Eleventh Plan envisages an investment of about Rs. 2.79 lakh crore to this sector, of which around 34 per cent is to be financed by the private sector. Your Company has invested selectively in road projects allotted by NHAI with an exposure of Rs. 301 crore as on March 31, 2010.



much scope to increase reach in rural India, improve broadband facilities, and increase 3G and other value added services. To meet these goals, the Eleventh Plan envisages an investment of Rs. 3.45 lakh crore, 69 per cent of which is expected to be financed by the private sector. With such a huge investment opportunity, your Company reported a total exposure of Rs. 1,235 crore in this sector. Leveraging on its acute understanding of this industry and its long standing relationships with vendors, your Company has structured financing packages that include investment in critical equipment, telecom towers, license acquisition, etc. In the last financial year, your Company has financed the expansion of cable broadband network in multiple states in India.

Roads:

Roads are essential for commerce in any country as it connects ports, ICDs and warehouses to cities and other markets. The roads in India need massive investment to increase and improve network coverage, quality of roads and highways, rural penetration to connect villages to cities, etc. The Eleventh Plan envisages an investment of about Rs. 2.79 lakh crore to this sector, of which around 34 per cent is to be financed by the private sector. Your Company has invested selectively in road projects allotted by NHAI with an exposure of Rs. 301 crore as on March 31, 2010. During the year, your Company has provided debt syndication facilities for several road

projects to develop portions of the National Highway and other toll roads. It also participated in NHAI annuity based projects for select developers.

Oil and Gas:

Though oil and gas sector is a very volatile industry, it is a critical economic driver. The Eleventh Plan envisages an investment of Rs. 22,500 crore for this sector, of which 32 per cent is envisaged to be financed by the private sector. This includes development of onshore and offshore oil rigs and drilling vessels. Your Company, with its high expertise in structuring risk mitigation deals and asset-backed funding, has structured operating leases for onshore rigs and specialised deep sea pipe laying vessels. On March 31, 2010, its total exposure to this sector is Rs. 427 crore and is continuously increasing.

Since infrastructure projects are capital intensive, they need a range of other financial services in addition to provisioning of debt capital - pre-project advisory for project conceptualisation and appraisal, capital markets intermediation, debt and equity fund raising, bond placement, general insurance risk cover, project development, equipment financing, etc. Your Company, with the help of its different divisions and subsidiaries, attempts to cross-sell these products and services over the project life cycle with an aim to increase its pre-tax return on equity. Your Company has successfully leveraged its strengths such as sector

expertise, innovative risk mitigation techniques, competitive pricing, and transaction structuring to form strong corporate relationships with clients and gain privileged access to project developers. Moreover, to keep up this growth momentum, your Company continues to hire professionals with vast experience in infrastructure financing to augment and build its repository of quality intellectual capital so as to differentiate itself and gain from it. These positive developments position your Company well to take advantage of the huge investment opportunity provided by the Indian Government in this sector, and to strengthen its position as one of the leading players in the infrastructure financing arena.

INFRASTRUCTURE PROJECT ADVISORY

The Infrastructure Project Advisory group of your Company is moving ahead with renewed strength in the areas of Project Planning and Conceptualisation, Preparation of Feasibility Reports and Detailed Project Reports, Bid Process Management, Evaluation of Bids and Selection of Partners, SPV Structuring and Financial Structuring for various PPP infrastructure projects. Your Company provides integrated and comprehensive professional services towards development of infrastructure projects with a focus on sectors like Roads, Ports, Energy, Airports, SEZs, Industrial Parks, Urban Transport (MRTS/BRTS), Water Supply and Sanitation, Tourism Infrastructure,

Education, Health Services, etc.

In the transportation space, your Company has been associated with several prestigious projects in different Indian cities:

- Under Mass Rapid Transport System (MRTS), your Company has been involved in various capacities in the Delhi Airport High Speed Metro Link, Bangalore Metro Project, Mumbai Monorail System, Lucknow Metro System and the proposed Light Rail Transit System in Kolkata.
- Under Bus Rapid Transport System (BRTS), your Company has also been entrusted with the preparation of detailed project report (DPR) and quality supervision for implementation of BRTS on two corridors in Vishakhapatnam and also been given the exclusive mandate for transaction advisory services for implementation for BRTS bus stations and pedestrian grade separated facilities for Greater Vishakhapatnam Municipal Corporation.
- Under National Urban Transport Policy (NUTP), your Company also has the mandate for preparing a Transportation Mobility Plan for Vadodara and providing advisory services for studies on 'Establishment of Traffic & Transit Management Centres' for Bangalore.

In power sector, your Company was appointed as Consultants by Rural Electrification Corporation Ltd. to undertake selection of private

developer for two Power Transmission Projects through international competitive bidding route, namely Transmission Strengthening System associated with North Karanpura (1,980 MW) and Augmentation of Talcher-II Transmission System and also as review consultants by Power Finance Corporation for the third project, namely import of NER/ER surplus power by Northern Region. With this, your Company now holds the distinction of advising all the three transmission projects, set up under the aegis of Ministry of Power, for selection of private developer. The bidding documents have been finalised in consultation with Central Electricity Authority and Ministry of Power and based on these documents the successful bidders have been selected for all the three transmission projects through tariff based competitive bidding process. Your Company has been appointed as Consultant by India Power Corporation Ltd. to undertake techno-economic feasibility study for setting up of 2x660 MW coal-based thermal power project in Gujarat. Your Company has carried out the requisite pre-feasibility studies and submitted its report.

In the urban infrastructure space, your Company provided consultancy to the Government of Uttar Pradesh for the Integrated Urban Rejuvenation Plan (IURP) project for six cities (Ghaziabad, Meerut, Agra, Aligarh, Allahabad and Varanasi) wherein the scope of the work involves IURP preparation, project identification, conceptualisation,

conducting pre-feasibility and bid-process management. Under this, the Agra Ring Road - a Rs. 1,098 crore project - was successfully closed.

Keeping in view, the Government's emphasis on improving the social infrastructure, your Company during the year under review, has taken up a number of innovative projects in the fields of education, healthcare and rural development which have tremendous business potential and can evolve as self-sustainable business models:

- Your Company had been engaged by Himachal Pradesh Infrastructure Development Board in advising them on setting up of Medical Colleges along with upgradation of District Hospitals at Hamirpur and Una to Multi-Specialty Hospitals under Public Private Partnership framework.
- Your Company has also evolved a business model aimed at delivering improved healthcare services in rural areas through Primary Healthcare Centres (PHCs) managed by Entrepreneur Doctors under PPP framework. Viability Gap Funding is to be provided by the Centre and State Government through schemes under National Rural Health Mission. The proposal is under active consideration of certain state governments for implementation.
- Your Company has developed a simplified and unbiased students performance evaluation process which reduces stress on school teachers / management under the Central Board of Secondary

Education (CBSE) Board to a great extent while implementing the new Continuous and Comprehensive Evaluation (CCE) system. This solution is being offered to CBSE affiliated schools in some states initially but shall be extended to all states across the country in due course.

- In order to generate employment and livelihood opportunities for the rural masses, your Company has developed a business model for Dairy Farming undertaken through Self-Help Groups (SHGs). This project, which can be funded through the existing Government Schemes of Swarnajayanti Gram Swarajgar Yojana (SGSY) and National Rural Employment Guarantee Act (NREGA), is initially being taken up as a Demonstration Project in Madhya Pradesh and it has the potential to be replicated all across the country.

Water Supply and Sanitation:

With rapid urbanisation, municipalities are grappling with the challenges related to water supply, sewerage and solid waste management. Your Company realises the untapped potential in this field and is working towards exploring that opportunity:

- Your Company has been involved in preparation of DPRs for various districts in the State of Arunachal Pradesh on sewerage, solid waste management, construction and improvement of storm water drains under the Urban Infrastructure

Development Scheme for Small and Medium Towns (UIDSSMT) Scheme.

- Your Company has provided consultancy services to Public Health Engineering Departments of Government of Bihar and Haryana with regard to preparation of Pre Feasibility Report and DPR on water supply and sewerage schemes in various towns in these states.

Your Company is empanelled with various government organisations and enjoys strategic associations with some of the best players in the industry. During the year under review, your Company has signed a Memorandum of Understanding (MoU) with Aker Wirth GmbH (a global provider of engineering, construction and technology products and solutions for sectors like oil & gas, mining & metals, micro tunnelling and construction) to jointly harness emerging business opportunities in areas of common interest in procuring business, identifying opportunities for leasing of plants and machineries and looking out to supplying such plants and machineries to clients in India, Sri Lanka, Bangladesh, Nepal, Thailand and Myanmar.

INTERNATIONAL BUSINESS OPERATIONS

Your Company's international business primarily consists of its leasing business in Russia and advisory services in Saudi Arabia and Nigeria.

Your Company's Russian business, ZAO Srei Leasing, was adversely

impacted by the financial crisis during last year. The global financial crisis in 2008-09 affected Russia somewhat higher than other European nations. However, since the last quarter of 2009, the Russian Economy has shown signs of improvement although it has been slow. These were challenging times but your Company has weathered the storm successfully and maintained its track record of profitability since its inception, even under adverse circumstances. These were possible through a concerted strategy comprising of proactive client partnerships coupled with active follow up and close monitoring of receivables. A high loan to value ratio, collateral of equipment and a satisfactory asset-liability match added to the resilience of your Company in a market where survival was a challenge to many. Your Company is confident of taking advantage of the economic revival and generating a superior performance in the coming years. Your Company is currently concentrating on strengthening its business by building partnerships with financially strong creditworthy customers, using extensive risk management tools and diversifying into other infrastructure sectors.

During the previous financial year, your Company had set up a leasing company in the UAE, Aalat LLC, in joint venture with Waha Capital but the said company could not commence its operation due to severe financial crisis and slowdown of construction activities in the UAE. The company is geared to

commence its operations as soon as the UAE economy starts showing signs of revival.

Your Company has entered into a new line of business initiative last year - for providing technical advisory services for setting/scaling up leasing companies in foreign countries. The first step in this regard was to provide advisory services in Saudi Arabia followed by Nigeria. Both these assignments are progressing successfully. Your Company has also been approached by other international clients for providing similar services in other nations. This will provide opportunities to your Company to establish footprints in many foreign shores in a short period of time.

RESOURCES

Your Company is an NBFC with focus on Infrastructure Finance and being uniquely poised to play a vital role in this process of nation building by extending credit to numerous borrowers in the infrastructure sector, facilitates deeper penetration of economic benefits and promote inclusive growth. Your Company requires resources on a continuous basis to equip itself with funds to disburse at all times. Your Company took up the challenge of mobilising resources at the most competitive rates and lived up to the expectations by raising the required resources from its bankers and financial institutions all the while ensuring proper asset-liability match.

Your Company has entered into a new line of business initiative last year - for providing technical advisory services for setting/scaling up leasing companies in foreign countries. The first step in this regard was to provide advisory services in Saudi Arabia followed by Nigeria. Both these assignments are progressing successfully.



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 has decided that it would not accept any further public deposits or renew such maturing deposits in any manner w.e.f. April 20, 2010.



a) Fixed Deposits

The total deposits outstanding as on March 31, 2010 was Rs. 520.35 lakh as compared to Rs. 514.99 lakh as on March 31, 2009. There were unclaimed matured deposits of Rs. 51.63 lakh representing 200 depositors as at March 31, 2010 who have been informed about the maturity of deposits with a request to claim their deposits back.

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 has 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 a scheduled commercial bank.

b) Bank Finance

Your Company mobilised resources to the extent of Rs. 2,900 crore during the year at the most competitive rates available in the market for the industry. Your Company continued its focus on domestic sources, comprising of a consortium of 15 banks.

c) Bonds / Debentures / Commercial Papers

Your Company issued short-term debt instruments aggregating Rs. 6,543 crore during the year to various Mutual Funds. Out of above, Rs. 180 crore has been raised through commercial paper

and Rs. 6,363 crore all by way of Bonds/Debentures with maturities upto one year.

d) Tier II Capital

To augment resources and increase the capital base, your Company has raised Tier II Capital aggregating to Rs. 200 crore during the year.

e) Foreign Institutional Borrowings

Your Company has drawn ECB of USD 33.25 million during the current financial year. Beside this, your Company has RBI approval for ECB of USD 70 million which would be drawn during the forthcoming financial year.

RISK MANAGEMENT

The recent global financial crisis not only disrupted all kind of financial markets, it also gave way to bankruptcies of banks and companies across the globe. While the exact causes are yet to be fully comprehended, most analysts identify risk management failure as one of the key weaknesses that caused the unprecedented increase in asset prices, the availability of cheap credit leading to build up of excessive leverage, and the resulting massive under pricing of risk. The crisis has, therefore, not only vilified the risk management function of financial institutions, but has also vindicated the importance of this function for the survival of companies and the stability of the financial system.

Your Company uses a multi-faceted approach to manage its risks, which is

aimed at insuring the net income against disruptions from any kind of risk, thereby minimising volatility in income with a pro-cyclically bias. In an organisation like your Company, there are risks present on all levels and aspects of its functioning, including business, strategic, operational, market, credit, liquidity, reputation, processes and the like. Hence, to manage and mitigate these risks and reduce the uncertainties that are all prevalent, an enterprise wide risk management framework has been established by your Company that allows all risks to be aggregated using a consistent measurement system as well as take account of the correlation between these risks.

While most banks and financial institutions face these risks, the approaches adopted by each to manage the risks vary significantly. Sophistication of risk measurement methods, that utilise all data and information available within the organisation to arrive at a better estimation of its risk profile, is one of the key differentiating factors between institutions. Your Company constantly reviews its risk management system with a view to improve the same. The lessons learnt from the global financial crisis, especially with respect to scenario stress testing and contingent planning, are being incorporated into the existing risk management system to get better prepared to deal with future market turbulences, such as the one faced in the recent past.

HUMAN RESOURCES ACTIVITIES

While the world economy recovers from the economic crisis, the market is inviting for players on account of unlocking opportunities. But with this comes demanding customers, impeccable quality and crunched timelines. So as organisations battle the challenges of intense global competition, rapid technological change and a changing demographic base, it is critical that your Company has in its armoury a sound human capital strategy that creates a stakeholder focused empowered workforce thereby making Human Capital Strategy a key differentiator in corporate success.

In Srei Group, which is constantly undergoing business expansion and diversification, the Human Resources (HR) Department of your Company makes continuous effort of repositioning HR as a 'trusted business partner' from a 'traditional support/back-office' function and closely align HR with business to enable business transformation and growth. This was impossible without the right design and deployment of the HR teams in terms of structure, size and distribution. Hence, Zonal HR Structure was incorporated in your Company to operate closely from customer interfacing units i.e. branches and regions pan-India.

Additionally, your Company realised the need of consolidating its diversified businesses and strategies in terms of

managing risk, execution, diversity and scale. This deliberated the initiative of standardising the Srei Policies & Processes for the entire Group. This initiative was outsourced to a reputed external expert team with the intent of creating world-class employee policies benchmarked with the industry standards and well customised to your Company's diverse business needs.

One of the most imperative efforts was to re-look into the Performance Management System (PMS) Policy with the clear purpose of creating a culture-driven organisation. Hence, the PMS process was not only simplified but also standardised for the entire Srei Group. The HR team has well begun this activity on an extensive scale with full commitment through PMS awareness programmes pan-India covering each of the appraisee and appraiser.

Amidst your Company's diversified platform in terms of businesses, market, customer-base, location and teams, HR was poised with the challenge of integrating the People Development strategy across the Group. This influenced the creation of an HR Synergy Team consisting of cross-functional team of selected top leaders. This Synergy team is partnering HR in various employee engagement, development, motivation and hygiene-enabling activities.

Your Company has identified Leadership Development as a critical issue for viability of its business goals. As part of this endeavour, your

Company focuses upon the nurturing and development of leaders wherein your Company has sponsored for its leaders to attend international and national management development programmes.

At the broader spectrum, your Company lives by its DNA and 'entrepreneurship' is one of them. The mission to nurture 'entrepreneurs' or 'leaders for future' has proudly shaped into an innovative and unique initiative - LeAD Srei. LeAD Srei is a Srei Institute of Entrepreneurship Development which envisions the development and nurturing of entrepreneurs. A pilot project is already underway wherein the first batch constituting of selected relationship Managers, leaders and vendor/client partners would undergo a high-end, customer-based and business-based development curriculum. The infrastructure and faculty base is being organised. This innovative initiative would perhaps change the landscape of People Development Area.

For the first time, your Company participated in the Great Place to Work Study conducted by Economic Times on a pan-India scale. This has helped your Company to benchmark with the best workplaces in India and further sketch a guiding agenda for its leaders and HR department for organisational development.

Your Company continues to induct talent for its present and future needs. The number of employees of Srei Group increased from 1,083 on March

31, 2009 to 1,424 on March 31, 2010.

INFORMATION TECHNOLOGY

Your Company realises how technology can provide the edge to remain ahead of competition and thus constantly upgrade its technology both in terms of hardware and software. Your Company has already networked all the offices and integrated front-office with back-office operations through Microsoft Dynamics (AXAPTA), an ERP Solution which enables faster information exchange and dissemination, thereby expediting all decision making.

Over the years with changing business needs, the ERP solution was customised to handle newer business rules and MIS needs. As the user base grew, the performance of the solution began to degrade considerably. Being a mission critical solution, it was necessary to address the problems without affecting the business and completely mitigate any risk of technical failure. Your Company decided to approach the challenge and entrusted the responsibility to Microsoft Consulting Services with an objective to improve the performance of the application. Based on the study conducted, the ERP application along with the Database was successfully upgraded resulting in significant improvement in the performance of the application and has brought stability to the application.

On one hand, the application performance was improved by well over 35 per cent and on the other hand,

the connectivity cost for both data as well as voice for the entire group was reduced by almost 50 per cent.

Additional 12 branches were enabled through virtual private network (VPN) during the year under review. Your Company now enjoys the facility of both audio as well as video conferencing facilities that can reduce the travel cost of the senior executives significantly and improve the communication across India and abroad.

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

INTERNAL CONTROL AND AUDIT

Your Company is having an independent Internal Audit Department reporting directly to the Audit Committee of the Board. Internal Audit Team is involved in constant evaluation and implementation of adequate internal control measures to ensure good governance. The Team ensures seamless efficient business operation and supports mitigation of associated risks by the process owners.

The follow up role of the Internal Audit Team involves implementation of corrective actions and improvements in business processes. The Audit Committee and Senior Management review the reports and implementation status of suggestion made by Audit Department from time to time. The effectiveness and quality of internal

audit functions are monitored by the Audit Committee on an ongoing basis.

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

ENVIRONMENT PROTECTION POLICY

Your Company is getting support and guidance from International Finance Corporation (IFC) of the World Bank Group, DEG-Germany, FMO-Netherlands and other highly reputed multi-lateral agencies on environmental issues. While endorsing the view that environment protection is the key to any long-term sustainable development, your Company ensures that environmental dimensions are factored into all of your Company's business considerations and activities especially while undertaking review, clearance and supervision of projects. Your Company ensures that its assets and project financing do not cause adverse environmental and social impacts.

Non-conventional sources of energy have emerged as the only viable option to achieve the goal of sustainable development. India is at the forefront of international effort to harness renewable energy resources. In line with its concern for environmental issues, your Company has a fully operational renewable energy department which finances pollution-free renewable energy technologies.

SOCIAL RESPONSIBILITY

Recognising its social responsibility, your Company had created 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 Twenty Five Lakh to Srei Foundation during the financial year 2009-10.

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

CORPORATE GOVERNANCE

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

A separate section on Corporate Governance and a Certificate from the Auditors of your Company regarding compliance with the requirements of corporate governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, form part of the Annual Report.

At the broader spectrum, your Company lives by its DNA and 'entrepreneurship' is one of them. The mission to nurture 'entrepreneurs' or 'leaders for future' has proudly shaped into an innovative and unique initiative - LeAD Srei. LeAD Srei is a Srei Institute of Entrepreneurship Development which envisions the development and nurturing of entrepreneurs.



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.



TRANSFER TO INVESTOR EDUCATION & PROTECTION FUND

During the year under review, your Company has transferred a sum of Rs. 3,18,028.90 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 till March 31, 2010 was Rs. 21,81,380.69.

SUBSIDIARY COMPANIES

During the year under review, Srei Mutual Fund Asset Management Private Limited and Srei Mutual Fund Trust Private Limited were incorporated on November 27, 2009 as wholly owned subsidiaries of your Company with initial capital of Rs. 5 lakh (Rupees Five lakh) each. The Share Capital of Srei Mutual Fund Asset Management Private Limited was subsequently increased to Rs. 10 lakh (Rupees Ten lakh) on February 17, 2010 and thereafter to Rs. 10.10 crore (Rupees Ten crore ten lakh) on April 14, 2010 consequent upon infusion of fresh capital by your Company.

During the year under review, a short term investment was made in the Equity shares of Orbis Power Venture Private Limited (Orbis) and thereby it became a subsidiary of your Company w.e.f. January 2, 2010. Subsequently, Orbis acquired 57.17% shareholding in DPSC Limited on January 29, 2010 and therefore, DPSC Limited became a

subsidiary of your Company. Consequent upon increase in paid up share capital of Orbis, Orbis and its subsidiary company, DPSC Limited ceased to be subsidiaries of your Company w.e.f. March 31, 2010.

Further, Srei Advisors Pte. Limited, Singapore became a subsidiary of IIS International Infrastructure Services GmbH, Germany, a subsidiary of your Company, w.e.f. February 25, 2010.

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

In view of the exemption received from Ministry of Corporate Affairs, Government of India vide Letter no. 47/52/2010-CL-III dated March 26, 2010, 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 viz., Srei Capital Markets Limited, Srei Venture Capital Limited, Srei Forex Limited, Global Investment Trust Limited, Srei Sahaj e-Village Limited, Srei Infrastructure Advisors Limited, Controlla Electrotech Private Limited, Srei Infocomm Services Limited (subsidiary of Srei Infrastructure Advisors Limited), Bengal Srei Infrastructure Development Limited (subsidiary of Srei Infrastructure Advisors Limited), Hyderabad Information Technology Venture Enterprises Limited (subsidiary of Srei Venture Capital Limited), Cyberabad Trustee Company Private

Limited (subsidiary of Srei Venture Capital Limited) and IIS International Infrastructure Services GmbH, Germany for the financial year ended March 31, 2010, and ZAO Srei Leasing, Russia (subsidiary of IIS International Infrastructure Services GmbH, Germany) for the financial year ended December 31, 2009 are not annexed as required under Section 212(8) of the Companies Act, 1956. Shareholders who wish to have a copy of the full report and accounts of the aforesaid subsidiary companies will be provided the same by the Company Secretary on receipt of a written request from them. These documents will also be available for inspection by any shareholder at the registered office of the Company and the concerned subsidiary companies during business hours on all working days. Further, the documents shall be available on the website of your Company. However, as directed by the Ministry of Corporate Affairs, Government of India, the financial data of the subsidiaries have been separately furnished and form part of the Annual Report.

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 Rs. 47 lakh and Rs. 8,542 lakh respectively (previous year Rs. 7 lakh and Rs. 15,930 lakh respectively).

SREI WEBSITE

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

PROMOTER GROUP COMPANIES

Pursuant to intimation from Promoters of your Company, the names of Promoters and companies comprising the "group" as defined in the

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

DIRECTORS

During the year under review, Dr. Satish C. Jha was appointed as an Additional Director of your Company w.e.f. January 28, 2010 and he shall hold office upto the date of the ensuing Annual General Meeting. Your Company has received a notice from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Dr. Satish C. Jha for the office of director.

Mr. Hemant Kanoria and Mr. K. K. Mohanty were re-appointed as Chairman & Managing Director and Wholtime Director respectively of your Company for a period of five years w.e.f. April 1, 2010. 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. Hemant Kanoria as Chairman & Managing Director and Mr. K. K. Mohanty as Wholtime Director of your Company w.e.f. April 1, 2010.

Mr. Somabrata Mandal resigned as director of your Company w.e.f. September 12, 2009 due to his personal preoccupations. The Board wishes to place on record deep appreciation of the contribution, advice

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



and guidance extended by him during his tenure as Director of your Company.

Your Company has received approval of the Central Government, Ministry of Corporate Affairs vide Letter No. A-59154211-CL.VII dated June 14, 2010 regarding appointment of Mr. Saud Ibne Siddique as Joint Managing Director of your Company for a period of three years w.e.f. 01.04.2009 to 31.03.2012.

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

In accordance with the approval of Central Government, your Company has paid remuneration of Rs. 35 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 financial year 2009-10.

AUDIT COMMITTEE

The Audit Committee comprises of Mr. Salil K. Gupta, Mr. V. H. Pandya, Mr. S.

Rajagopal, Independent & Non Executive Directors and Mr. Sunil Kanoria, Non Executive Director. Mr. Salil K. Gupta, Chief Mentor & Director of the Company is the Chairman of the Audit Committee.

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, 2010, 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 the Company at the end of the financial year and of the profit of the 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 the 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, 2010 on a going concern basis.

AUDITORS

Messrs Deloitte Haskins & Sells, Chartered Accountants, the Auditors of your Company will hold office till the conclusion of the ensuing Annual General Meeting. The retiring auditors have not offered themselves for reappointment. It is proposed to appoint Messrs Haribhakti & Co., Chartered Accountants having registration No. 103523W allotted by The Institute of Chartered Accountants of India (ICAI), as Auditors of your Company in place of the retiring

auditors. Your Company has obtained a written consent from Messrs Haribhakti & Co., Chartered Accountants to the effect that their appointment, if made, will be within the limits specified under Section 224(1B) of the Companies Act, 1956. The Audit Committee and the Board of Directors of your Company recommend the appointment of Messrs Haribhakti & Co., Chartered Accountants as the Auditors of your Company.

ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the excellent support and co-operation

received from the Financial Institutions, Banks, Central & State Government Authorities, Reserve Bank of India, Securities & Exchange Board of India, Indian and overseas Stock Exchanges, Credit Rating Agencies, Customers, Manufacturers, Vendors, Suppliers, Depositors, Shareholders and other Stakeholders during the year under review. Your Directors also place on record their deep appreciation of 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.

Kolkata, June 28, 2010

On behalf of the Board of Directors



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, 2010 and forming part thereof.

Sl. No.	Name	Age (Yrs.)	Designation	Qualification	Remuneration (Rs.)	Date of Commencement of Employment	Working experience in years	Previous Employment
1	Mr. Abhilash Kamti*	32	Senior Vice President - Treasury	BBM, MBA (Fin & Mktg)	1,405,001	01-12-2008	11	Paramount Airways
2	Dr. Ahindra Chakrabarti*	61	Advisor - Training	M.Com., LLB, Ph.D.	1,647,081	14-05-2008	31	Fortune Institute of International Business
3	Mr. Anil Kumar Yadav*	40	Senior Vice President- Infrastructure Project Finance	B.E.(Civil), MBM, Diploma in Steel Manufacturing	569,316	17-08-2009	18	Gulf International Bank
4	Mr. Ankur Rajan	37	Vice President - Advisory Services	B.E. (Electrical), MBA (Finance)	2,659,201	17-01-2009	15	IL&FS Infrastructure Dev. Corp. Ltd.
5	Mr. Arnab Basu	43	Head - International Business	B.E., PGDBM	4,104,700	05-09-2006	14	ICICI Bank Ltd.
6	Mr. Arunava Sengupta	46	Head - Infrastructure Project Development	B.E.(Civil)	3,079,046	07-12-2007	24	Banowarilal & Agarwal (P) Ltd.
7	Mr. Bajrang Kumar Choudhary	41	Senior Vice President - MD's Secreteriat	B.Com., ACA	4,260,721	05-09-2005	15	Apeejay Surrendra Group
8	Mr. Debashish Chakraborty*	46	Senior Vice President - Advisory Services	MA, PGDBA	1,726,397	17-09-2009	20	Essar Investment Ltd.
9	Mr. Deepak Kumar Gupta*	44	Head - Human Resource	B.Sc., PGDBM & IR, MBA	1,097,003	08-01-2008	22	Enam Securities Pvt. Ltd.
10	Mr. Hemant Kanoria	47	Chairman & Managing Director	B. Com (H)	12,264,000	07-05-1994	30	Not Applicable
11	Mr. Indranil Sarkar*	43	Senior Vice President - Infrastructure Project Finance	B.E., MBA (Fin), Master of International Affairs	1,009,118	07-12-2009	20	Infrastructure Development Finance Co. Ltd.
12	Mr. Kishore Kumar Mohanty	52	Wholtime Director	B. Tech, MBA	6,432,000	18-03-1995	35	Orissa State Financial Corporation
13	Mr. Madhusudan Dutta*	57	Group Head - HR	B.Com, PGDBM (HR), LLB	3,414,926	01-07-2009	28	Quippo Infrastructure Equipment Limited
14	Ms. Monika Pal Bharti	40	Vice President - Advisory Services	B.Sc., PGDM (Mkt, Fin, HR, Ob & Comp)	3,974,343	01-07-2006	18	Pradeshya Industrial & Investment Corporation of U.P. Ltd.
15	Mr. Naveen Bansal	45	Vice President & Head - Special Project	B Com (H)	2,824,166	14-06-2006	25	Shree Sidhi Silicons (P) Ltd.
16	Mr. Navodit Mehra	42	Vice President - Legal	B.A (H), LLB, DII	2,457,118	17-09-2007	17	Deccan Aviation Ltd.
17	Mr. Praveen Mohanty*	44	Senior Vice President - Infrastructure Project Finance	B.A (H), PHD	1,675,772	01-09-2009	23	Not Applicable
18	Mr. Praveen Sethia*	43	Senior Vice President & Head - Infrastructure Project Development	B.Com, ACA, AICWA	3,452,463	10-03-2007	16	ICICI Bank Ltd.
19	Mr. Raghuvir Bhandari*	59	Group Finance Advisor - Strategic Planning Cell	B.A., ACA	1,041,731	01-07-2008	37	Electrosteel Castings Ltd.
20	Mr. Rajdeep Khullar	48	Head - Legal	B.Com, LLB	4,265,226	02-02-1998	26	The Right Address Ltd.
21	Dr. Ratiranjana Mandal	60	CEO - Advisory Services	B.Tech, M.Tech, Ph.D., PG in Project Mgmt.	4,868,750	12-11-2007	34	Govt. of India (Planning Commission)
22	Mr. S. Balasubramanian*	52	Senior Vice President - Core (IPF)	B.Com, ICWA, CAIIB (Part - I)	2,626,242	01-07-2008	32	Infrastructure Development Finance Co. Ltd.
23	Mr. Sanjeev Sancheti	42	Chief Financial Officer	B.Com (H), ACA, AICWA	4,807,230	14-11-2007	19	Tebma Shipyards Ltd.
24	Mr. Saud Ibne Siddique	51	Joint Managing Director	B.Sc (Engg.), MBA	33,495,319	01-04-2009	26	Hyflux Water Management Pte. Ltd., Singapore
25	Mr. Shashi Bhushan Tiwari	53	Head - Treasury	B.Sc (H), LLB, DBM, CAIIB	2,858,025	03-12-1999	31	IDBI Bank Ltd.
26	Mr. Talluri Raghupati Rao*	46	Senior Vice President - Advisory Services	B.E (Civil), PG Diploma in Const. Mgt, Master of Planning	1,939,202	03-09-2009	27	IL&FS Infrastructure Dev. Corp. Ltd.

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

Notes: 1) The aforesaid appointment is contractual and is terminable by giving one / three / six months notice by either side.

2) Remuneration includes basic salary, commission, 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% or more of the paid-up share capital of the Company.

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

The Board of Directors

May 11, 2010

Srei Infrastructure Finance Limited

'Vishwakarma', 86C Topsia Road (South)
Kolkata – 700046

We, Hemant Kanoria, Chairman & Managing Director (CEO) and Sanjeev Sancheti, Chief Financial Officer (CFO) of Srei Infrastructure Finance Limited both certify to the Board that we have reviewed the financial statements of the Company for the twelve months ended March 31, 2010 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.

Hemant Kanoria

Chairman & 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 March 31, 2010 as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor 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 the future viability of the Company nor the efficiency with which the Management has conducted the affairs of the Company.

For **Deloitte Haskins & Sells**

Chartered Accountants
Registration No. 302009E

Abhijit Bandyopadhyay

Partner
Membership No. 054785

Place : Kolkata

Dated : May 11, 2010



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 believes in adopting and adhering to the best Corporate Governance practices and continuously benchmarking 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.

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 and best practices followed internationally on Corporate Governance, the details of compliances by the Company for the year ended March 31, 2010 are as under:

A. MANDATORY REQUIREMENTS

1. Company's philosophy on Code of Governance

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

2. Board of Directors

■ Composition

The Board has strength of 10 (Ten) Directors as on March 31, 2010. The Board comprises of Executive, Non-Executive and Independent Directors. Two directors are non-executive directors, three 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 Composition of the Board of Directors as on March 31, 2010 is in conformity with the provisions of Clause 49 of the Listing Agreement. The details of the Board of Directors as on March 31, 2010 are as follows:

Sl. No.	Directors	
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. Daljit Mirchandani	Non Executive & Independent
7	Mr. Somabrata Mandal*	Non Executive & Independent
8	Mr. S. Chatterjee**	Non Executive
9	Dr. Satish C. Jha***	Non Executive & Independent
10	Mr. Saud Siddique#	Joint Managing Director
11	Mr. K. K. Mohanty	Wholetime Director

* Resigned w.e.f. September 12, 2009

*** Appointed w.e.f. January 28, 2010

** Appointed w.e.f. April 29, 2009

Appointed as Joint Managing Director w.e.f. April 1, 2009

Mr. Hemant Kanoria and Mr. K. K. Mohanty hold 234296 and 172000 Equity shares in the Company respectively as on March 31, 2010. None of the other directors hold any Equity shares in the Company.

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 such declarations are 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

Six Board meetings were held during the year 2009-2010 on April 29, 2009, June 12, 2009, July 27, 2009, September 12, 2009, October 26, 2009 and January 28, 2010. 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 September 12, 2009
Mr. Salil K. Gupta	6	Yes
Mr. Hemant Kanoria	6	Yes
Mr. Sunil Kanoria	6	Yes
Mr. V. H. Pandya	6	Yes
Mr. S. Rajagopal	6	Yes
Mr. Daljit Mirchandani	4	No
Mr. Somabrata Mandal*	-	No
Mr. S. Chatterjee**	6	Yes
Dr. Satish C. Jha***	1	N.A.
Mr. Saud Siddique#	6	Yes
Mr. K. K. Mohanty	3	No

* Resigned w.e.f. September 12, 2009

*** Appointed w.e.f. January 28, 2010

** Appointed w.e.f. April 29, 2009

Appointed as Joint Managing Director w.e.f. April 1, 2009

■ 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, 2010 -

Directors	No. of Directorship in other Companies		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	–	–
Mr. Hemant Kanoria	10	6	1	2
Mr. Sunil Kanoria	8	7	–	6
Mr. V. H. Pandya	4	1	2	–
Mr. S. Rajagopal	9	6	2	4
Mr. Daljit Mirchandani	2	1	2	1
Mr. S. Chatterjee*	–	1	–	–
Dr. Satish C. Jha**	3	–	–	1
Mr. Saud Siddique***	2	1	–	–
Mr. K. K. Mohanty	6	2	–	1

* Appointed w.e.f. April 29, 2009

** Appointed w.e.f. January 28, 2010

*** Appointed as Joint Managing Director w.e.f. April 1, 2009

3. Audit Committee

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

The Audit Committee comprises of Mr. Salil K. Gupta, Mr. V. H. Pandya, Mr. S. Rajagopal, Independent & Non Executive Directors and Mr. Sunil Kanoria, Non Executive Director. Mr. Salil K. Gupta, Chief Mentor & Director of the Company is the Chairman of the Audit Committee. All the members of the Audit Committee are financially literate. The Head of Internal Audit

Department and the Chief Financial Officer attends the meetings of the Audit Committee and the Company Secretary acts as the Secretary to the Audit Committee. The Committee also invites senior executives, as it considers appropriate to be present at the meetings of the Committee. The Terms of Reference of this Committee includes ensuring proper disclosures in the financial statements, recommending re-appointment of statutory auditors and fixation of their

remuneration, reviewing annual financial statements before submission to the Board, reviewing adequacy of internal control systems and other matters specified for Audit Committee in Section 292A of the Companies Act, 1956 and under the Listing Agreements. The Chairman of the Audit Committee was present at the last Annual General Meeting of the Company to answer shareholder queries.

■ Meetings and attendance during the year

Five meetings of the Audit Committee were held during the year 2009-2010 on April 29, 2009, June 12, 2009, July 27, 2009, October 26, 2009 and January 28, 2010. The attendance of each member of the Committee is given below :

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

4. Remuneration of Directors

■ Details of remuneration paid/payable to Directors for the year ended March 31, 2010 are as follows:

(Amount in Rupees)

Directors	Sitting Fees*	Salary & Perquisites ¹	Commission ²	Total
Mr. Salil K. Gupta (Chief Mentor)	2,37,500	–	10,00,000	12,37,500
Mr. Hemant Kanoria (Chairman & Managing Director)	N.A.	86,64,000	36,00,000	1,22,64,000
Mr. Sunil Kanoria (Vice Chairman)	3,02,500	–	4,00,000	7,02,500
Mr. V. H. Pandya	97,500	–	4,00,000	4,97,500
Mr. S. Rajagopal	97,500	–	4,00,000	4,97,500
Mr. Daljit Mirchandani	40,000	–	10,00,000	10,40,000
Mr. Somabrata Mandal**	-	–	–	–
Mr. S. Chatterjee***	60,000	–	3,00,000	3,60,000
Dr. Satish C. Jha#	10,000	–	–	10,000
Mr. Saud Siddique (Joint Managing Director)@	N.A.	3,34,95,319	–	3,34,95,319
Mr. K. K. Mohanty (Wholetime Director)	N.A.	64,32,000	–	64,32,000

* includes sitting fees paid for various Board Committee meetings

** Resigned w.e.f. September 12, 2009

*** Appointed w.e.f. April 29, 2009

Appointed w.e.f. January 28, 2010

@ Appointed as Joint Managing Director w.e.f. April 1, 2009

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

² The Commission for the year ended March 31, 2010 will be paid, subject to deduction of tax after adoption of the accounts by the members at the Annual General Meeting

- The appointment of Managing Director, Joint Managing Director and Wholetime Director is governed by resolutions passed by the Board of Directors and the Shareholders of the Company, which covers the terms and conditions of such appointment, and approval of Central Government, wherever applicable. Payment of remuneration to Managing Director, Joint Managing Director and Wholetime Director is governed by the respective Agreements executed between them and the Company, and approval of Central Government, wherever applicable. The agreement with the Joint Managing Director is entered into by the Company for a period of 3 (Three) years w.e.f. 01.04.2009 whereas the agreement with the Managing Director and Wholetime Director is entered into by the Company for a period of 5 (Five) years w.e.f. 01.04.2010.
- The Non-Executive Directors are paid remuneration by way of Sitting Fees for each meeting of the Board or any Committee thereof attended by them. However, the members of the Company at their meeting held on September 20, 2008 as well as the Central Government vide its letter dated June 5, 2009 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 2008-09, upto a maximum limit of Rs. 35 lakh payable in one financial year

to be divided amongst Non-Executive Directors in such manner as may be decided by the Board from time to time. No pecuniary transactions have been entered into by the Company with any of the Non-Executive Directors of the Company, save and except the payment of sitting fees and commission to them.

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

5. Code of Conduct for Directors and Senior Executives

A code of conduct as applicable to the Directors and Members of the Senior Management 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 Conduct for the year 2009-10.

sd/-

Hemant Kanoria
Chairman & Managing Director

6. Share Transfer and Investors' Grievance Committee

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

To expedite the process of share transfers, the Board of the Company has delegated the power of share transfers to the Share Transfer and Investors' Grievance Committee. The Share Transfer and Investors' Grievance Committee meets at least once in a fortnight to approve share transfer and other matters. The Committee comprises Mr. Salil K. Gupta, Chief Mentor & Director, Mr. Hemant Kanoria, Chairman & Managing Director and Mr. Sunil Kanoria, Vice Chairman & Non Executive Director of the Company. Mr. Salil K. Gupta, Chief Mentor & Director of the Company is the Chairman of the Share Transfer and Investors' Grievance Committee. During the year 2009-2010, the Share Transfer and Investors' Grievance Committee met 27 times. Mr. Sandeep Lakhota, Company Secretary is the Compliance Officer of the Company and assigned with the responsibilities of overseeing investor grievances.

Total number of shares physically transferred during the year 2009-2010 was 9,680 shares compared to 13,637 shares during the year 2008-2009.

During the financial year ended March 31, 2010, the Company received 11 complaints from the shareholders and none of the complaints received were pending as on that date.

7. General Body Meetings

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

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

No Special Resolution requiring a postal ballot was placed before the last Annual General Meeting of the Company held on September 12, 2009.

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

8. Disclosures

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

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

containing transactions, in which directors are interested, is placed before the Board regularly.

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

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

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

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

and Company Secretary of the Company is still continuing.

■ Srei Code of Conduct for Prevention of Insider Trading

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

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

<ul style="list-style-type: none"> ■ Half-yearly report sent to each household of shareholders 	<p>Since half-yearly and annual results of the Company are published in prominent English daily newspaper having a nationwide circulation and prominent Bengali daily newspaper (having circulation in Kolkata) and regularly hosted on Company's website, these are not sent individually to the shareholders of the Company. There is no declaration/publication of second half yearly results as the audited annual results are taken on record by the Board and then communicated to the shareholders through the Annual Report.</p>
<ul style="list-style-type: none"> ■ Quarterly results 	<p>The Quarterly results of the Company are published in prominent Newspapers having nationwide circulation and regularly hosted on Company's website.</p>
<ul style="list-style-type: none"> ■ Newspapers in which results are normally published 	<p>Business Standard and Aajkaal.</p> <p>Pursuant to Clause 51 of the Listing Agreement, all data related to quarterly financial results, shareholding pattern, etc. are hosted on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by SEBI in association with National Informatics Centre, within the time frame prescribed in this regard. However, SEBI has since discontinued the EDIFAR system w.e.f. April 1, 2010.</p>
<ul style="list-style-type: none"> ■ Any website, where displayed 	<p>Yes, at the Company's website www.srei.com</p>
<ul style="list-style-type: none"> ■ Whether it also displays official news releases 	<p>Yes</p>
<ul style="list-style-type: none"> ■ The presentations made to institutional investors or to the analysts 	<p>Yes</p>
<ul style="list-style-type: none"> ■ Whether MD & A is a part of Annual Report or not 	<p>Yes</p>

10. General Shareholders' Information

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

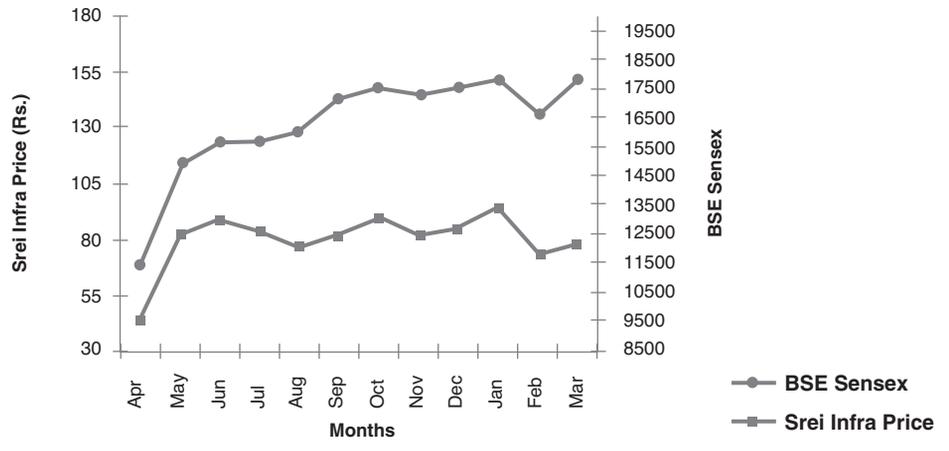
B. NON MANDATORY REQUIREMENTS

<p>a) Chairman of the Board</p> <p>Whether Non-executive Chairman is entitled to maintain a Chairman's office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties</p>	<p>Not Applicable as the Company has an Executive Chairman.</p>
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<p>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</p>	Not adopted.
<p>c) Remuneration Committee</p>	No, but the Company already has a Compensation Committee of the Board in place and the same comprises of majority of non-executive directors; the Chairman of the Committee being an Independent Director. One meeting of the Compensation Committee was held during the year 2009-2010 on January 27, 2010. The Chairman of Compensation Committee was present at the last Annual General Meeting of the Company to answer shareholder queries.
<p>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</p>	Since half-yearly and annual results of the Company are published in a leading English daily newspaper having a nationwide circulation and a Bengali daily newspaper (having circulation in Kolkata) and regularly hosted on Company's website, these are not sent individually to the shareholders of the Company. There is no declaration/publication of second half yearly results as the audited annual results are taken on record by the Board and then communicated to the shareholders through the Annual Report.
<p>e) Audit qualifications Company may move towards a regime of unqualified financial statements</p>	Presently not applicable to the Company.
<p>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</p>	Presently the Company does not have such a training programme.
<p>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</p>	Presently the Company does not have such a mechanism as contemplated for evaluating the performance of Non - Executive Directors.
<p>h) Whistle Blower Policy</p>	Not adopted.

Shareholders' Information

1. Annual General Meeting	
a. Date and Time	Monday, the August 9, 2010 at 10.30 a.m.
b. Venue	Science City Mini Auditorium, JBS Haldane Avenue, Kolkata – 700046
2. Financial Calendar (Tentative)	
a. Financial reporting for 2010-2011	
Quarter ending June 30, 2010	July/August, 2010
Quarter/Half year ending September 30, 2010	October, 2010
Quarter ending December 31, 2010	January, 2011
Year ending March 31, 2011	May 2011
b. Annual General Meeting for the year ending on March 31, 2011	August/September, 2011
3. Book Closure Date	Friday, July 23, 2010 to Monday, the August 9, 2010 (both days inclusive)
4. Date for payment of Dividend	On or after August 10, 2010
5. Listing on Stock Exchanges	<p>The Equity Shares and other Securities of the Company are presently listed on the following Stock Exchanges:</p> <p>a. The Calcutta Stock Exchange Association Limited 7, Lyons Range, Kolkata – 700 001</p> <p>b. Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001</p> <p>c. National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051</p> <p>The Global Depository Receipts (GDRs) issued by the Company are listed and admitted to trading on London Stock Exchange w.e.f. April 21, 2005.</p> <p>The Debt securities of the Company are listed on the Wholesale Debt Market (WDM) Segment of Bombay Stock Exchange Limited (BSE).</p>
6. Listing Fees	<p>Listing fees for 2010-2011 have been paid to all the abovementioned domestic and overseas Stock Exchanges as per the Listing Agreement.</p> <p>The Company has paid custodial fees for the year 2010-2011 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, 2010.</p>

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 - SREINTFIN Global Depository Receipts (GDRs) London Stock Exchange - SRI																																																																																																												
9. Stock Market Data	<table border="1" data-bbox="541 890 1490 1552"> <thead> <tr> <th rowspan="2">Month</th> <th colspan="2">National Stock Exchange</th> <th colspan="2">Mumbai Stock Exchange</th> </tr> <tr> <th>High Rs.</th> <th>Low Rs.</th> <th>High Rs.</th> <th>Low Rs.</th> </tr> </thead> <tbody> <tr> <td>April, 2009</td> <td>43.50</td> <td>24.65</td> <td>43.30</td> <td>24.55</td> </tr> <tr> <td>May, 2009</td> <td>83.00</td> <td>39.55</td> <td>83.00</td> <td>39.50</td> </tr> <tr> <td>June, 2009</td> <td>88.50</td> <td>59.15</td> <td>88.80</td> <td>59.00</td> </tr> <tr> <td>July, 2009</td> <td>83.40</td> <td>45.10</td> <td>83.25</td> <td>45.15</td> </tr> <tr> <td>August, 2009</td> <td>75.50</td> <td>59.55</td> <td>75.45</td> <td>59.55</td> </tr> <tr> <td>September, 2009</td> <td>82.25</td> <td>69.00</td> <td>82.20</td> <td>69.10</td> </tr> <tr> <td>October, 2009</td> <td>89.35</td> <td>70.00</td> <td>89.20</td> <td>68.50</td> </tr> <tr> <td>November, 2009</td> <td>82.40</td> <td>63.00</td> <td>82.20</td> <td>62.40</td> </tr> <tr> <td>December, 2009</td> <td>83.70</td> <td>67.15</td> <td>83.70</td> <td>67.25</td> </tr> <tr> <td>January, 2010</td> <td>94.00</td> <td>67.00</td> <td>94.20</td> <td>67.00</td> </tr> <tr> <td>February, 2010</td> <td>72.50</td> <td>60.55</td> <td>72.40</td> <td>60.55</td> </tr> <tr> <td>March, 2010</td> <td>78.20</td> <td>66.00</td> <td>78.20</td> <td>66.30</td> </tr> </tbody> </table> <p data-bbox="541 1575 1207 1605">Performance in comparison to BSE Sensex (monthly High)</p>  <table border="1" data-bbox="541 1615 1490 2066"> <caption>Performance in comparison to BSE Sensex (monthly High)</caption> <thead> <tr> <th>Month</th> <th>Srei Infra Price (Rs.)</th> <th>BSE Sensex</th> </tr> </thead> <tbody> <tr> <td>Apr</td> <td>43.50</td> <td>11500</td> </tr> <tr> <td>May</td> <td>83.00</td> <td>14500</td> </tr> <tr> <td>Jun</td> <td>88.50</td> <td>15500</td> </tr> <tr> <td>Jul</td> <td>83.40</td> <td>15500</td> </tr> <tr> <td>Aug</td> <td>75.50</td> <td>16500</td> </tr> <tr> <td>Sep</td> <td>82.25</td> <td>17500</td> </tr> <tr> <td>Oct</td> <td>89.35</td> <td>17500</td> </tr> <tr> <td>Nov</td> <td>82.40</td> <td>17000</td> </tr> <tr> <td>Dec</td> <td>83.70</td> <td>17000</td> </tr> <tr> <td>Jan</td> <td>94.00</td> <td>17500</td> </tr> <tr> <td>Feb</td> <td>72.50</td> <td>16500</td> </tr> <tr> <td>Mar</td> <td>78.20</td> <td>17500</td> </tr> </tbody> </table>	Month	National Stock Exchange		Mumbai Stock Exchange		High Rs.	Low Rs.	High Rs.	Low Rs.	April, 2009	43.50	24.65	43.30	24.55	May, 2009	83.00	39.55	83.00	39.50	June, 2009	88.50	59.15	88.80	59.00	July, 2009	83.40	45.10	83.25	45.15	August, 2009	75.50	59.55	75.45	59.55	September, 2009	82.25	69.00	82.20	69.10	October, 2009	89.35	70.00	89.20	68.50	November, 2009	82.40	63.00	82.20	62.40	December, 2009	83.70	67.15	83.70	67.25	January, 2010	94.00	67.00	94.20	67.00	February, 2010	72.50	60.55	72.40	60.55	March, 2010	78.20	66.00	78.20	66.30	Month	Srei Infra Price (Rs.)	BSE Sensex	Apr	43.50	11500	May	83.00	14500	Jun	88.50	15500	Jul	83.40	15500	Aug	75.50	16500	Sep	82.25	17500	Oct	89.35	17500	Nov	82.40	17000	Dec	83.70	17000	Jan	94.00	17500	Feb	72.50	16500	Mar	78.20	17500
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10. Registered Office																					
a. Address	"Vishwakarma", 86C Topsia Road (South), Kolkata – 700 046																				
b. Telephone No.	91-33-3988 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 700001																				
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 1 to March 31																				
13. Particulars of Past three AGMs	<table border="1"> <thead> <tr> <th>AGM</th> <th>Year</th> <th>Venue</th> <th>Date</th> <th>Time</th> </tr> </thead> <tbody> <tr> <td>24th*</td> <td>2008/09</td> <td>'Science City Mini Auditorium', JBS Haldane Avenue, Kolkata - 700046</td> <td>12/09/2009 (Saturday)</td> <td>10.30 a.m.</td> </tr> <tr> <td>23rd**</td> <td>2007/08</td> <td>'Science City Mini Auditorium', JBS Haldane Avenue, Kolkata - 700046</td> <td>20/09/2008 (Saturday)</td> <td>10.30 a.m.</td> </tr> <tr> <td>22nd***</td> <td>2006/07</td> <td>'Science City Mini Auditorium', JBS Haldane Avenue, Kolkata - 700046</td> <td>25/09/2007 (Tuesday)</td> <td>10.30 a.m.</td> </tr> </tbody> </table> <p>* Two Special resolutions were passed:</p> <ul style="list-style-type: none"> ■ 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. <p>** Three Special resolutions were passed:</p> <ul style="list-style-type: none"> ■ To approve holding of an office or place of profit by Mr. Hemant Kanoria, Chairman & Managing Director of the Company in Srei Sahaj e-Village Limited, subsidiary of the Company. ■ To approve holding of an office or place of profit by Mr. Salil K. Gupta, Chief Mentor & Director of the Company in Srei Sahaj e-Village Limited, subsidiary of the Company. 	AGM	Year	Venue	Date	Time	24th*	2008/09	'Science City Mini Auditorium', JBS Haldane Avenue, Kolkata - 700046	12/09/2009 (Saturday)	10.30 a.m.	23rd**	2007/08	'Science City Mini Auditorium', JBS Haldane Avenue, Kolkata - 700046	20/09/2008 (Saturday)	10.30 a.m.	22nd***	2006/07	'Science City Mini Auditorium', JBS Haldane Avenue, Kolkata - 700046	25/09/2007 (Tuesday)	10.30 a.m.
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- To approve 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 2008-2009.

*** One Special resolution was passed:

- To approve holding of an office or place of profit by Mr. K. K. Mohanty, Wholetime Director of the Company in Srei Insurance Broking Private Limited (formerly Srei Insurance Services Limited), erstwhile subsidiary of the Company.

14. Distribution of Shareholding as on March 31, 2010

No. of Shares	No. of Shareholders		No. of Shares	
	Total	%	Total	%
Up to 500	44254	83.81	6929569	5.96
501 to 1000	4133	7.83	3483802	3.00
1001 to 2000	1952	3.70	3074398	2.65
2001 to 3000	753	1.43	1958210	1.69
3001 to 4000	294	0.55	1076945	0.93
4001 to 5000	370	0.70	1774139	1.53
5001 to 10000	504	0.95	3779480	3.25
10001 and above	545	1.03	94068255	80.99
Total	52805	100.00	116144798	100.00

15. Dividend History (Last 5 Years)

Financial Year ended	Dividend Per Share (Rs.)	Total Dividend* (Rs. in lakh)
31.03.2009	1.00	1359.00
31.03.2008	1.20	1631.00
31.03.2007	1.00	1274.00
31.03.2006	1.65	2050.00
31.03.2005	1.50	1335.65

*inclusive of dividend distribution tax

16. Categories of Shareholders as on March 31, 2010

Category	No. of Shares held	Percentage of Shareholding
Promoters (including promoters group)	34871985	30.02
Foreign Institutional Investors (FIIs)	22169214	19.09
Banks, Mutual Funds & Institutional Investors	6718703	5.78
Public		
- Private Corporate Bodies	17656712	15.20
- Indian Public	33409367	28.77
NRIs / Foreign National	1306817	1.13
Shares underlying Global Depository Receipts	12000	0.01
Grand Total	116144798	100.00

17. Equity Share Capital history

The Paid up Capital of the Company consists of 11,61,44,798 Equity shares of Rs. 10/- each fully paid up and allotted as under :

Date of Allotment	No. of Shares	Issue Price (Rs. per Share)
30.03.1985	2742	10
27.06.1986	31600	10
24.05.1987	16000	10
13.12.1988	5000	10
30.05.1990	608558	10
20.04.1991	256100	10
31.08.1992	3220000	10
13.01.1994	4140000	20
13.11.1997	45454545	22
05.09.1998	27688	15
01.06.1999	5500	10
18.04.2005	34594000	44.38
22.11.2005	21050056	33
20.02.2006	3556	37
13.05.2006	880	39
19.02.2007	200	28
11.05.2007	400	29
08.11.2007	800	41
31.03.2008	7200000	100
Total	116617625	
Less: Shares forfeited on 14.03.2000	472827	
Total Shares as on date	116144798	

18. Credit Ratings

Agency	CARE	FITCH	ICRA
Secured NCDs / Bonds	CARE AA		
Fixed Deposits*	CARE AA (FD)		MAA-
Short term Debt Instruments	PR1+	F1+(ind)	A1+
Unsecured Subordinated Bonds/ Debts (Tier II Capital)	CARE AA-	AA-(ind)	LA+

* The Company has decided not to accept any further public deposits or renew any maturing deposits w.e.f. April 20, 2010

<p>19. Measures adopted to protect the interests of the Shareholders</p>																									
<p>a. Share Transfer Processing</p>	<p>Requests for share transfers are cleared and advices mailed within a time period of 30 days from the date of receipt, if the same are found to be valid in all respects. The Share Transfer and Investors' Grievance Committee meets at least once in a fortnight. During the year 2009-2010, the Share Transfer and Investors' Grievance Committee met 27 times. Total number of shares physically transferred during the year 2009-2010 was 9,680 Equity shares. There are no legal cases relating to transfer of shares.</p>																								
<p>b. Bad Delivery</p>	<p>In case of Bad Delivery, the relevant documents are sent immediately after specifying the defects through a covering letter.</p>																								
<p>c. Redressal of Grievances</p>	<p>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.</p>																								
<p>d. Prevention of Fraudulent Transfers</p>	<p>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.</p>																								
<p>e. Dematerialisation of Shares</p>	<p>Based on a SEBI directive, the Equity shares of the Company are permitted to be traded only in dematerialised form and are available for demat under both the Depository Systems in India - National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).</p> <p>As on March 31, 2010, a total of 10,79,71,289 Equity shares of the Company representing 92.96% of the total Equity Share Capital were held in dematerialised form.</p> <p>The bifurcation of shares held in Physical and Demat form as on March 31, 2010 is given below -</p> <table border="1" data-bbox="541 1803 1495 2047"> <thead> <tr> <th>Particulars</th> <th>No. of Holders</th> <th>No. of Shares</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Physical Segment</td> <td>4291</td> <td>8173509</td> <td>7.04</td> </tr> <tr> <td>Demat Segment</td> <td></td> <td></td> <td></td> </tr> <tr> <td>NSDL</td> <td>33101</td> <td>88447719</td> <td>76.15</td> </tr> <tr> <td>CDSL</td> <td>15413</td> <td>19523570</td> <td>16.81</td> </tr> <tr> <td>Total</td> <td>52805</td> <td>116144798</td> <td>100.00</td> </tr> </tbody> </table>	Particulars	No. of Holders	No. of Shares	Percentage	Physical Segment	4291	8173509	7.04	Demat Segment				NSDL	33101	88447719	76.15	CDSL	15413	19523570	16.81	Total	52805	116144798	100.00
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Total	52805	116144798	100.00																						

<p>20. Outstanding GDRs / ADRs / Warrants / any Convertible Instruments, conversion date and likely impact on Equity</p>	<p>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, 2010, 12,000 Equity shares of the Company representing 0.01% of the paid up Share Capital of the Company are held as shares underlying the GDRs.</p> <p>In October 2007, the Company issued and allotted 2,50,00,000 convertible Warrants to the entities belonging to the Promoters' Group of the Company. Each Warrant was convertible into one Equity share of Rs. 10/- each in one or more tranches at a price of Rs. 100/- per Equity share (including premium of Rs. 90/-) within a period of 18 months from date of the allotment. 72,00,000 Equity shares were allotted to the Promoters' Group of the Company during the financial year 2007-2008 on exercise of conversion option against Warrants held by them and the said Equity shares are presently under lock-in. The balance 1,78,00,000 Warrants stand lapsed and the amount of Rs. 17.80 crore received earlier from the Promoters' Group as subscription money was forfeited by the Company in April 2009.</p>																								
<p>21. Address for Shareholders' correspondence</p>	<p>The Company Secretary Srei Infrastructure Finance Limited 'Vishwakarma', 86C Topsia Road (South), Kolkata - 700 046 Email : secretarial@srei.com, investor.relations@srei.com</p>																								
<p>22. Transfer of Unclaimed amounts to Investor Education and Protection Fund</p>	<p>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:</p> <table border="1" data-bbox="512 1615 1473 1940"> <thead> <tr> <th>Financial Year</th> <th>Date of Declaration of Dividend</th> <th>Due Date of Transfer to IEPF</th> </tr> </thead> <tbody> <tr> <td>2002 - 2003</td> <td>August 30, 2003</td> <td>October 5, 2010</td> </tr> <tr> <td>2003 - 2004</td> <td>August 28, 2004</td> <td>October 3, 2011</td> </tr> <tr> <td>2004 - 2005</td> <td>September 17, 2005</td> <td>October 23, 2012</td> </tr> <tr> <td>2005 - 2006</td> <td>August 19, 2006</td> <td>September 24, 2013</td> </tr> <tr> <td>2006 - 2007</td> <td>September 25, 2007</td> <td>October 31, 2014</td> </tr> <tr> <td>2007 - 2008</td> <td>September 20, 2008</td> <td>October 26, 2015</td> </tr> <tr> <td>2008 - 2009</td> <td>September 12, 2009</td> <td>October 14, 2016</td> </tr> </tbody> </table> <p>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</p>	Financial Year	Date of Declaration of Dividend	Due Date of Transfer to IEPF	2002 - 2003	August 30, 2003	October 5, 2010	2003 - 2004	August 28, 2004	October 3, 2011	2004 - 2005	September 17, 2005	October 23, 2012	2005 - 2006	August 19, 2006	September 24, 2013	2006 - 2007	September 25, 2007	October 31, 2014	2007 - 2008	September 20, 2008	October 26, 2015	2008 - 2009	September 12, 2009	October 14, 2016
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	<p>February 16, 2010 to the shareholders who are yet to encash the dividend for the financial year 2002-2003 indicating that the unclaimed amount will be transferred to the Investor Education and Protection Fund (IEPF), if not claimed by the shareholders before the due date of transfer to the said Fund.</p> <p>During the year under review, the Company has credited a sum of Rs. 3,18,028.90 to the Investor Education and Protection Fund pursuant to Section 205C of the Companies Act, 1956 and the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001. Cumulatively, the aggregate dividend amount transferred to the said Fund as on March 31, 2010 stands at Rs. 21,81,380.69.</p>
23. Nomination	<p>Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be transferable in case of death of the registered shareholder(s). Nomination facility in respect of shares held in electronic form is also available with the depository participants as per bye-laws and business rules applicable to NSDL and CDSL. Nomination forms can be obtained from the Company's Registrar and Share Transfer Agent.</p>
24. National Electronic Clearing Service (NECS)	<p>SEBI had vide its Circular No. DCC/FITTCIR-3/2001 dated October 15, 2001 advised that all companies should mandatorily use ECS facility, wherever available. In the absence of ECS facility, companies may use warrants for distributing the dividends and vide its Circular No. D&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 1, 2009. Advantages of NECS over ECS include faster credit to the beneficiary's account and ease of operations for the remitting agency.</p>
25. Secretarial Audit for Reconciliation of Capital	<p>As stipulated by SEBI, a qualified practising Company Secretary carries out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the concerned Stock Exchanges. The audit confirms that the total Listed and Paid-up Capital is in agreement with the aggregate of the total number of shares in dematerialised form (held with NSDL and CDSL) and total number of shares in physical form.</p>
26. Compliance Officer	<p>Mr. Sandeep Lakhotia Company Secretary "Vishwakarma", 86C Topsia Road (South), Kolkata - 700 046 Tel : 91-33-3988 7734 Fax : 91-33-2285 7542/8501 E-mail : secretarial@srei.com, investor.relations@srei.com</p>

List of Promoters

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

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

Family for this purpose includes spouse, dependent children and parents

Auditors' Report

To the Members, Srei Infrastructure Finance Limited

1. We have audited the attached Balance Sheet of SREI INFRASTRUCTURE FINANCE LIMITED ("the Company") as at 31st March, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the 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. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose 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 as follows:
 - (a) 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;
 - (b) 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;
 - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2010 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No.302009E)

Abhijit Bandyopadhyay
Partner
Membership No. 054785

Place : Kolkata
Date : 11th May, 2010

Annexure to the Auditors' Report

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

The nature of the Company's business/activities during the year is such that clauses 4 (viii) and (xiii) are not applicable to the Company.

- (i) In respect of its fixed assets:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All the fixed assets were verified during the year and no material discrepancies were observed as per the reports submitted to us.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal, has in our opinion, not affected the going concern status of the Company.
- (ii) In respect of shares and securities held as stock in trade:
- (a) As explained to us, stock in trade was physically verified during the year by the management at reasonable intervals.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stock in trade followed by the management were reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of stock in trade and no material discrepancies were noticed on physical verification.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clauses 4 (iii) (a) to (g) are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and shares and securities held as stock in trade and for the sale of services. We have not observed any continuing failure to correct major weaknesses in such internal controls.
- (v) There were no contracts or arrangements referred to in Section 301 of the Companies Act, 1956, during the year that need to have been entered in the register maintained

under that section. Accordingly clauses 4(v) (a) and (b) 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 and the relevant provisions of Sections 58A, provisions of Section 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- (viii) In respect of statutory dues:
- (a) According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Custom Duty, Cess and any other material statutory dues with the appropriate authorities during the year.

According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty, cess and other material statutory dues, were in arrears, as at 31 March, 2010 for a period of more than six months from the date they became payable. We are informed that the Company intends to file a writ petition with respect to the amendments made by the Finance Act, 2009 disallowing the provision in the value of diminution in the value of assets with retrospective effect from 2001 for the purpose of determining tax liability as per the provision of Section 115JB of the Income Tax Act.

- (b) According to the information and explanations given to us, details of dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited as on 31st March, 2010 on account of any dispute are given below:

Name of Statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	187,824,192	2005-06; 2006-07 and 2007-08	ITAT, New Delhi

The levy of service-tax on hire purchase and leasing transactions introduced with effect from 16 July, 2001 has been challenged by Trade Associations and the Company before the Hon'ble High Court at Calcutta and Chennai High Court and a stay has been obtained. Pending disposal of writ petitions, the Company is not recognizing service-tax on the aforesaid transactions.

The Assessment Order disallowing special reserve (created as per Section 45IC of the RBI Act, 1934) and Debt Redemption Reserve for the purpose of determining tax liability as per the provision of Section 115JB of the Income Tax Act is in the process of being challenged by the company, before the Hon'ble Income Tax Appellate Tribunal, New Delhi.

- (ix) The Company does not have any accumulated losses as at the end of the year. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.
- (xi) 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.
- (xii) Based on our examination of the records and evaluation of the related internal controls, the Company has maintained proper records of transactions and contracts in respect of its dealing in shares, securities, debentures and other investments and timely entries have been made therein. The aforesaid securities 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.
- (xiii) 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 are not prima facie prejudicial to the interest of the Company.

The Company has not given any guarantee for loans taken by others from financial institutions.

- (xiv) Term loans availed by the Company are deposited in centralised bank accounts from where utilisation is made. To the best of our knowledge and belief and according to the information and explanations given to us, these term loans availed were prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
- (xv) According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.
- (xvi) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xvii) According to the information and explanations given to us and the records examined by us, no debentures have been issued by the Company requiring the creation of security/charge.
- (xviii) The Company has not raised money by any public issue during the year.
- (xix) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No.302009E)

Abhijit Bandyopadhyay
Partner
Membership No. 054785

Place : Kolkata
Date : 11th May, 2010

Balance Sheet as at 31st March, 2010

(Rupees in Lakh)

	Schedule		2010		2009
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	11,629		11,629	
Equity Warrants Issued and Subscribed		-		1,780	
Reserves and Surplus	2	67,381	79,010	56,077	69,486
Loan Funds					
Secured	3	284,071		115,161	
Unsecured	4	70,256		19,100	
			354,327		134,261
Deferred Tax Liability			3,440		-
Total			436,777		203,747
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	5	10,104		8,814	
Less: Depreciation		1,793		779	
Net Block			8,311		8,035
Investments	6		70,733		48,051
Current Assets, Loans and Advances					
Sundry Debtors	7	365		722	
Cash & Bank Balances	8	5,255		29,708	
Other Current Assets	9	95		107	
Loans & Advances	10	359,722		121,078	
			365,437		151,615
Less: Current Liabilities and Provisions					
Current Liabilities	11	5,628		2,072	
Provisions	12	2,076		1,882	
			7,704		3,954
Net Current Assets			357,733		147,661
Total			436,777		203,747
Significant Accounting Policies and Notes to Financial Statements as per our report of even date	18				

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For **Deloitte Haskins & Sells**

Chartered Accountants
(Regn No. 302009E)

Abhijit Bandyopadhyay

Partner
M. No. 054785

Place : Kolkata

Date : 11th May, 2010

10 Lakh is equal to 1 Million

On behalf of the Board of Directors

Hemant Kanoria
Chairman & Managing Director

Salil K. Gupta
Chief Mentor & Director

Sandeep Lakhota
Company Secretary

Profit and Loss Account for the year ended 31st March, 2010

(Rupees in Lakh)

	Schedule	2010	2009
INCOME			
Income from Operations	13	46,997	32,227
Other Income	14	16	416
Total		47,013	32,643
EXPENDITURE			
Staff Expenses	15	1,968	1,438
Administrative & Other Expenses	16	3,963	5,835
Finance Charges	17	24,878	19,393
Depreciation		1,014	769
Total		31,823	27,435
PROFIT BEFORE BAD DEBTS, PROVISIONS AND TAX			
		15,190	5,208
Bad Debts written off		289	83
Provisions as per the norms of Reserve Bank of India & Foreign Financial Institutions		-	-
Provision for Premium on Unsecured Subordinated Bonds		88	88
		377	171
PROFIT BEFORE TAX			
		14,813	5,037
Provision for Tax:			
- Current Tax		2,190	211
- Mat credit entitlement		(2,190)	(211)
- Deferred Tax		3,440	-
- Income Tax in respect of Earlier Years		224	1
PROFIT AFTER TAX			
		11,149	5,036
Surplus brought forward from previous year		12,685	12,135
PROFIT AVAILABLE FOR APPROPRIATION			
		23,834	17,171
APPROPRIATIONS			
Special Reserve (As per Reserve Bank of India guidelines)		2,280	1,020
Debt Redemption Reserve (Refer Note II 4 of Schedule 18)		(50)	2,108
General Reserve		300	-
Proposed Dividend		1,394	1,161
Corporate Dividend Tax on Proposed Dividend		231	197
Surplus carried to Balance Sheet		19,679	12,685
Total		23,834	17,171
Earnings Per Equity Share (Basic & Diluted) in Rs.			
		9.60	4.34
(Face Value Rs. 10/- per Share)			
Significant Accounting Policies and Notes to Financial Statements as per our report of even date	18		

For **Deloitte Haskins & Sells**
Chartered Accountants
(Regn No. 302009E)

On behalf of the Board of Directors

Abhijit Bandyopadhyay
Partner
M. No. 054785

Hemant Kanoria
Chairman & Managing Director

Salil K. Gupta
Chief Mentor & Director

Sandeep Lakhota
Company Secretary

Place : Kolkata
Date : 11th May, 2010

10 Lakh is equal to 1 Million

Cash Flow Statement for the period ended 31st March, 2010

(Rupees in Lakh)

	2010	2009
A. Cash Flow from Operating Activities¹		
Net Profit Before Tax	14,813	5,037
Adjustment for :		
Depreciation	1,014	769
Bad Debts written off	289	83
Provision for Premium on Unsecured Subordinated Bonds	88	88
Profit on sale of Fixed Assets	-	(354)
Interest Expenses	24,878	19,393
Income from Trade Investments	(1,185)	(2,452)
Profit on sale of Investments(net)	(1,123)	(94)
Dividend Income	(143)	(62)
Provision for Diminution in value of Stock for Trade	7	5
Provision for Diminution in value of Investments	138	216
Operating Profit before Working Capital Changes	38,776	22,629
Adjustments for:		
(Increase) / Decrease in Receivables/Others	(236,673)	(34,436)
(Increase) / Decrease in Stock for Trade	26	25
(Decrease) / Increase in Trade Payables	2,689	(6,573)
Cash Generated from Operations	(195,182)	(18,355)
Interest Paid(net of foreign exchange fluctuation)	(24,173)	(19,660)
Direct Taxes paid	(2,148)	(562)
Net Cash (Used in) / Generated from Operating Activities	(221,503)	(38,577)
B. Cash Flows from Investing Activities		
Purchase of Fixed Assets	(1,290)	(8,540)
Proceeds from Sale of Fixed Assets	-	534
Amount received towards transfer of business	-	37,500
(Increase) in Investments	(21,682)	(13,015)
(Increase) of Investments in Subsidiary	(15)	(45)
Investments in Joint Venture	-	(2,295)
Income from Trade Investments	1,185	2,452
Dividend Received	143	62
Net Cash (Used) / Generated in Investing Activities	(21,659)	16,653
C. Cash Flows from Financing Activities		
Net Increase in Borrowings	220,066	44,842
Dividend Paid	(1,160)	(1,394)
Dividend Tax	(197)	(237)
Net Cash (Used) / Generated in Financing Activities	218,709	43,211
Net Increase / (Decrease) in Cash & Cash Equivalents	(24,453)	21,287
Cash & Cash Equivalents as on 1st April 2009	29,708	8,421
Cash & Cash Equivalents as on 31st March 2010	5,255	29,708

Notes:

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		
1. Cash and Cash Equivalent at the end of the year as per Balance Sheet	5,255	29,708
Less: Fixed Deposits under Lien	750	130
	4,505	29,578
2. Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.		
This is the Cash Flow Statement referred to in our report of even date.		

For **Deloitte Haskins & Sells**
Chartered Accountants
(Regn No. 302009E)

On behalf of the Board of Directors

Abhijit Bandyopadhyay
Partner
M. No. 054785

Hemant Kanoria
Chairman & Managing Director

Salil K. Gupta
Chief Mentor & Director

Sandeep Lakhotia
Company Secretary

Place : Kolkata
Date : 11th May, 2010

10 Lakh is equal to 1 million

Schedules to the Balance Sheet as at 31st March, 2010

(Rupees in Lakh)

	2010	2009
SCHEDULE 1 - SHARE CAPITAL		
Authorised		
400,000,000 Equity Shares of Rs. 10/- each (Previous year 400,000,000 shares of Rs.10/- each)	40,000	40,000
30,000,000 Preference Shares of Rs. 100/- each (Previous year 30,000,000 shares of Rs. 100/- each)	30,000	30,000
	70,000	70,000
Issued and Subscribed		
116,617,625 Equity Shares of Rs. 10/- each (Previous year 116,617,625 shares of Rs. 10/ each)	11,661	11,661
Paid up		
116,144,798 Equity Shares of Rs.10/- each fully paid up (Previous year 116,144,798 shares of Rs. 10/- each)	11,614	11,614
Add : Forfeited Shares	15	15
	11,629	11,629

(Rupees in Lakh)

	2010	2009
SCHEDULE 2 - RESERVES & SURPLUS		
Capital Reserves		
As per Last Balance Sheet	165	
Add: Addition during the year (Refer Note II 1 of Schedule 18)	1780	165
Securities Premium Account	29,046	29,046
Other Reserves:		
General Reserve		
As per Last Balance Sheet	1,434	1,434
Add: Addition during the year	300	-
Bond/Debt Redemption Reserve		
As per Last Balance Sheet	4,300	2,192
Add: Addition during the year	742	2,900
	5,042	5,092
Less: Reversal due to repayment of Bond/ Debt	792	792
Special Reserve as per Reserve Bank of India Guidelines		
As per Last Balance Sheet	8,447	7,427
Add: Addition during the year	2,280	1,020
Profit & Loss Account		
As per Last Balance Sheet	12,685	12,135
Add: Addition during the year	6,994	550
	67,381	56,077

(Rupees in Lakh)

	2010	2009
SCHEDULE 3 - SECURED LOANS		
Term Loans:		
Domestic Banks (Refer Note II 3.3 of Schedule 18)	131,702	30,000
Foreign Banks (Refer Note II 3.2 of Schedule 18)	44,890	50,720
Foreign Financial Institutions (Refer Note II 3.2 of Schedule 18)	30,572	21,556
Working Capital Facilities from Banks (Refer Note II 3.1 of Schedule 18)	76,439	12,432
Public Deposits (Refer Note II 3.4 of Schedule 18)	468	453
	284,071	115,161

10 Lakh is equal to 1 Million

Schedules to the Balance Sheet as at 31st March, 2010

(Rupees in Lakh)

	2010	2009
SCHEDULE 4 - UNSECURED LOANS		
Debentures (Refer Note II 3.7 of Schedule 18)	30,500	-
Subordinated Bonds (Refer Note II 2 of Schedule 18)	27,106	7,896
Short Term Loans and Advances: (Refer Note II 3.6 of Schedule 18)		
Domestic Banks	-	10,000
Commercial Paper	12,500	-
Others	150	1,204
	70,256	19,100

SCHEDULE 5 - FIXED ASSETS

(Rupees in Lakh)

Particulars	Gross Block				Depreciation / Amortisation				Net Block		
	As of 1st April, 2009	Additions during the year	Sales / Adjustments during the year	As of 31st March, 2010	As of 1st April, 2009	For the year	Sales / Adjustments during the year	As of 31st March, 2010	As of 31st March, 2010	As of 31st March, 2009	
Assets for Own use:											
Freehold Land	224	-	-	224	-	-	-	-	224	224	
Buildings	49	-	-	49	10	1	-	11	38	39	
Leasehold Improvements	-	21	-	21	-	-	-	-	21	-	
Furniture & Fixtures	19	57	-	76	2	8	-	10	66	17	
Machinery	43	97	-	140	4	11	-	15	125	39	
Total (A)	335	175	-	510	16	20	-	36	474	319	
Intangible Assets - Others											
Software	5	15	-	20	-	2	-	2	18	5	
Total (B)	5	15	-	20	-	2	-	2	18	5	
Total (C) (A+B)	340	190	-	530	16	22	-	38	492	324	
Assets for Operating Lease:											
Aeroplanes/Aircraft	1,987	-	-	1,987	212	224	-	436	1,551	1,775	
Plant & Machinery	6,487	1,100	-	7,587	551	768	-	1,319	6,268	5,936	
Total (D)	8,474	1,100	-	9,574	763	992	-	1,755	7,819	7,711	
Total (C+D)	8,814	1,290	-	10,104	779	1,014	-	1,793	8,311	8,035	
Previous Year	454	8,540	180	8,814	10	769	-	779	8,035		

10 Lakh is equal to 1 million

Schedules to the Balance Sheet as at 31st March, 2010

SCHEDULE 6 - INVESTMENTS

Fully Paid Up Long Term - At Cost

(Rupees in Lakh)

Particulars	Face Value (Rs.)	Quantity		Amount	
		2010	2009	2010	2009
I. In Government / Government Guaranteed Securities, Bonds & Units					
Unquoted					
National Saving Certificate (Lodged with Sales Tax authorities)	15,000	-	-	0.15	0.15
				0.15	0.15
Quoted					
10.65% Andhra Pradesh Power Finance Corporation Loan, 2013 (Refer Note 1)	100,000	120	120	120.97	120.97
7.77% Karnataka State Development Loan, 2015 (Refer Note 1)	100	57500	57500	58.36	58.36
7.77% Tamilnadu State Development Loan, 2015 (Refer Note 1)	100	16020	16020	16.26	16.26
8.40% Transmission Corporation of Andhra Pradesh Ltd, 2014 (Refer Note 1)	1,000,000	1	1	9.92	9.92
11.50% West Bengal Finance Corporation, 2011 (Refer Note 1)	100	6066	6066	6.74	6.74
11.50% West Bengal Finance Corporation, 2010 (Refer Note 1)	100	9099	9099	9.99	9.99
9.10% West Bengal Infrastructure Development Finance Corporation Ltd., 2016 (Refer Note 1)	1,000,000	2	2	20.45	20.45
				242.69	242.69
Sub Total - I				242.84	242.84
II. In Subsidiary Companies - In Equity Shares					
Unquoted					
Srei Capital Markets Ltd.	10	5050000	5050000	505.00	505.00
Srei Forex Ltd. (net of provision for diminution Rs.50 Lakh (Previous year Rs.50 Lakh))	10	500000	500000	-	-
Srei Venture Capital Ltd.	10	250000	250000	25.00	25.00
Global Investment Trust Ltd.	10	50000	50000	5.00	5.00
Srei Infrastructure Advisors Ltd.	10	500000	500000	50.00	50.00
Srei Sahaj e-Village Ltd.	10	510000	510000	51.00	51.00
Controlla Electrotech Private Ltd.	10	35305	35305	707.87	707.87
IIS International Infrastructure Services GmbH, Germany		**	**	3,389.96	3,389.96
Srei Mutual Fund Asset Management Private Ltd.	10	100000	-	10.00	-
Srei Mutual Fund Trust Private Ltd.	10	50000	-	5.00	-
Sub-Total - II				4,748.83	4,733.83
** There is no system of issuance of distinctive shares in the country of registration.					
III. In Joint Venture - In Equity Shares					
Unquoted					
Srei Equipment Finance Private Ltd.	10	25000000	25000000	2,500.00	2,500.00
Sub-Total - III				2,500.00	2,500.00
IV. In Equity Shares					
i) Unquoted - Trade					
New India Co-operative Bank Ltd.	10	573	573	0.06	0.06
Quippo Infrastructure Equipment Ltd. (Refer Note 5)	10	18000000	14000000	1,851.50	1,851.50
National Stock Exchange of India Ltd.	10	57200	57200	2,062.06	2,062.06
TN (DK) Expressways Ltd. (Refer Note 2)	10	13000	13000	1.30	1.30
Madurai Tuticorin Expressways Ltd. (Refer Note 2)	10	19500	19500	1.95	1.95
Guruvayoor Infrastructure Private Ltd. (Refer Note 2)	10	20010000	20010000	2,001.00	2,001.00
Jaora-Nayagaon Toll Road Co. Ltd. (Refer Note 2)	10	2800	2800	0.28	0.28
Mahakaleshwar Tollways Private Limited	10	5000	-	0.50	-
Diana Capital Ltd.	10	87500	-	175.00	-
Wireless TT Info Services Ltd.	10	6451613	-	10,000.00	-
Nagpur Seoni Expressway Ltd. (Refer Note 2)	10	4800000	4800000	480.00	480.00
Orbis Power Venture Private Limited	10	8500	-	0.85	-
				16,574.50	6,398.15
ii) Quoted - Trade					
Alpic Finance Ltd. (net of provision for diminution Rs.0.01 Lakh (Previous year Rs.0.01 Lakh))	10	100	100	-	-
Apple Finance Ltd. (net of provision for diminution Rs.0.02 Lakh (Previous year Rs.0.02 Lakh))	10	100	100	-	-
HDFC Bank Ltd.	10	402	402	1.00	1.00
CRISIL Ltd.	10	200	200	0.10	0.10

10 Lakh is equal to 1 million

Schedules to the Balance Sheet as at 31st March, 2010

SCHEDULE 6 - INVESTMENTS

Fully Paid Up Long Term - At Cost

(Rupees in Lakh)

Particulars	Face Value (Rs.)	Quantity		Amount	
		2010	2009	2010	2009
GAIL India Ltd.	10	-	66000	-	188.57
Hotline Glass Ltd. (net of provision for diminution Rs.218.34 Lakh (Previous year Rs.166 Lakh))	10	8006030	8006030	-	52.04
Indian Metal & Ferro Alloys Ltd.	10	165596	642182	231.83	1,076.06
ICICI Bank Ltd. (net of provision for diminution Rs.86.01 Lakh (Previous year Nil))	10	10000	445419	95.25	4,491.34
IDFC Ltd.	10	91000	91000	183.35	183.35
Kotak Mahindra Bank Ltd.	10	500	500	0.02	0.02
Century Plyboards (India) Ltd.	10	-	1725000	-	984.54
Mahanagar Telephone Nigam Ltd.	10	140000	140000	182.80	182.80
Mahindra & Mahindra Ltd.	10	-	10000	-	65.17
Power Grid Corporation of India Ltd.	10	14000	160000	16.53	180.41
Steel Authority of India Ltd.	10	-	85000	-	182.92
Tata Steel Ltd.	10	4000	4000	28.34	28.34
				739.23	7,616.66
iii) Quoted - Non Trade					
New Era Urban Amenities Ltd. (net of provision for diminution Rs. 0.01 Lakh (Previous year Nil))	10	100	100	-	0.01
				-	0.01
Sub-Total - IV (i+ii+iii)				17,313.73	14,014.82
V. In Preference Shares					
i) Unquoted - Trade					
0.1% Non-convertible Cumulative Redeemable Preference Shares, 2019 - Quippo Construction Equipment Ltd. - (Refer Note 3)	100	9961	-	-	-
0.1% Non-convertible Cumulative Redeemable Preference Shares, 2019 - Quippo Energy Private Ltd. (Refer Note 4)	100	2353	-	-	-
Sub-Total - V				-	-
VI. In Bonds/Debentures/Units					
i) Quoted - Trade					
Morgan Stanley Mutual Fund	10	2000	2000	0.20	0.20
Unit Trust of India	10	400	400	0.04	0.04
				0.24	0.24
ii) Unquoted - Trade					
India Global Competitive Fund	100	3875000	3375000	3,875.00	3,375.00
Infrastructure Project Development Fund	100	13219900	13219900	13,219.90	13,219.90
Infrastructure Project Development Capital	100	9987800	6247800	9,987.80	6,247.80
Medium and Small Infrastructure Fund	100	700000	700000	700.00	700.00
Bharat Opportunity Fund	100	-	770000	-	770.00
Sunshine Fund	100	2250500	2250500	2,250.50	2,250.50
Prithvi Infrastructure Fund	100	9999000	-	9,999.00	-
Infra Construction Fund	100	5898800	-	5,898.80	-
				45,931.00	26,563.20
Sub-Total - VI (i+ii)				45,931.24	26,563.44
TOTAL = I + II + III + IV + V + VI				70,736.64	48,054.93
Less: Amortisation of Premium/Discount on Government Securities				4.00	4.00
				70,732.64	48,050.93
Aggregate Book Value of Quoted Investment				978.16	7,855.60
Aggregate Market Value of Quoted Investment				1,871.47	3,876.53
Aggregate Book Value of Unquoted Investment				69,754.48	40,195.33

Note:

- (1) Under Pledge With Bank as Trustee for Public depositors as per RBI circular dated 04.01.2007
- (2) Under Pledge With Bank.
- (3) These preference shares have been allotted pursuant to Scheme of Arrangement between Quippo Infrastructure Equipment Ltd. and Quippo Construction Equipment Ltd. as sanctioned by Hon'ble High Courts of Delhi and Andhra Pradesh vide their orders dated 28.11.08 & 05.12.08 respectively.
- (4) These preference shares have been allotted pursuant to Scheme of Arrangement between Quippo Infrastructure Equipment Ltd. and Quippo Energy Private Ltd. as sanctioned by Hon'ble High Courts of Delhi and Andhra Pradesh vide their orders dated 28.11.08 & 05.12.08 respectively.
- (5) Received 40,00,000 (Forty Lakh Only) nos. Equity shares of Rs. 10/- as bonus during the year.
- (6) Refer Note II 25 of Schedule 18 for movement in Investments.

10 Lakh is equal to 1 million

Schedules to the Balance Sheet as at 31st March, 2010

(Rupees in Lakh)

	2010	2009
SCHEDULE 7 - SUNDRY DEBTORS		
Sundry Debtors Operating Lease - Secured, Considered good		
Debts outstanding for a period exceeding six months	-	-
Other Debts (Refer Note II 6 of Schedule 18)	36	267
Sundry Debtors - Others (Unsecured, Considered good)		
Debts outstanding for a period exceeding six months	-	-
Other Debts	329	455
	365	722
SCHEDULE 8 - CASH AND BANK BALANCES		
Cash & Bank Balances		
Cash in hand	7	4
With Scheduled Banks		
- In Unclaimed Dividend Account	36	35
- In Current Account	4,462	6,018
- In Fixed Deposit Account [includes Rs. 750 Lakh under lien (previous year - Rs. 130 Lakh under lien)]	750	23,651
	5,255	29,708
SCHEDULE 9 - OTHER CURRENT ASSETS		
Interest accrued but not due on investments/ Fixed deposits/ Loans	84	63
Stock for Trade (Refer Annexure 1 to Schedule 18)	11	44
	95	107
SCHEDULE 10 - LOANS & ADVANCES		
Secured, Considered Good:		
- Loan (Refer Note II 6 of Schedule 18)	171,785	94,886
- Loan to Subsidiary Companies (Refer Note II 22 of Schedule 18)	5,710	-
- Advance for Operating Lease	140,030	3,594
Unsecured, Considered Good:		
- Loan to Subsidiary Companies (Refer Note II 22 of Schedule 18)	1,490	1,584
- Loan Others (Refer Note II 6 of Schedule 18)	14,172	1,400
Advances recoverable in cash or in kind or for value to be received		
Advance Tax [net of provision for tax Rs. 3,700 Lakh (previous year Rs. 1,510 Lakh)]	781	1,047
MAT credit entitlement	2,401	211
Other Advances - Subsidiary Companies (Refer Note II 22 of Schedule 18)	2,411	2,411
- Others	20,942	15,945
	359,722	121,078
SCHEDULE 11 - CURRENT LIABILITIES		
Sundry Creditors - Others		
- total outstanding dues of micro, small and medium enterprises	-	-
- total outstanding dues of creditors other than micro, small and medium enterprises	18	56
Amounts to be credited to Investor Education and Protection Fund*		
Unpaid dividend	36	35
Unpaid matured deposits	52	62
Other liabilities	4,265	1,525
Interest accrued but not due on loans	1,257	394
	5,628	2,072
* There is no amount overdue as at Balance Sheet date		
SCHEDULE 12 - PROVISIONS		
Proposed Dividends	1,394	1,161
Provision for Corporate Dividend Tax	231	197
Provision as per the norms of Reserve Bank of India & Foreign Financial Institution	-	-
Provision for Employee Benefits	203	206
Provision for Premium on Unsecured Subordinated Bonds	248	318
	2,076	1,882

10 Lakh is equal to 1 million

Schedules to the Profit and Loss Account for the year ended 31st March, 2010

(Rupees in Lakh)

	2010	2009
SCHEDULE 13 - INCOME FROM OPERATIONS		
Income from Loans	38,586	10,919
Income from Operating Lease	256	1,529
Assignment Receipt	-	8,900
Fee Based Income	4,852	7,406
Income from Trade Investments		
- Long term	1,185	2,452
Profit on Sale of Trade Investments (net)		
- Long term	1,123	94
- Stock for Trade	42	113
Interest from Trade Investments		
- Long term	-	5
- Stock for Trade	34	79
Dividend from Trade Investments	143	62
Income from Sub-letting	642	464
Interest received from Govt. Securities/Banks	134	204
	46,997	32,227
SCHEDULE 14 - OTHER INCOME		
Profit on sale of Fixed Assets	-	354
Other Income	16	62
	16	416
SCHEDULE 15 - STAFF EXPENSES		
Salaries, Allowances, Commission & Bonus	1,785	1,329
Contribution to Provident and Other Funds	156	99
Staff Welfare Expenses	27	10
	1,968	1,438
SCHEDULE 16 - ADMINISTRATIVE & OTHER EXPENSES		
Communication Expenses	59	41
Legal & Professional Fees	2,182	4,538
Electricity Charges	47	11
Rent (Refer Note II 7 of Schedule 18)	443	150
Rates and Taxes	21	15
Brokerage and Service Charges	8	11
Auditors' Remuneration (Refer Note II 18 of Schedule 18)	38	27
Repairs - Building	69	-
- Machinery	20	15
- Others	121	61
Travelling and Conveyance	550	493
Director Fees	9	10
Insurance	11	2
Printing and Stationery	62	45
Advertisement and Subscription	106	105
Provision for Diminution in value of Stock for Trade	7	5
Provision for Diminution in value of Investments	138	216
Miscellaneous Expenses	72	90
	3,963	5,835

10 Lakh is equal to 1 million

Schedules to the Balance Sheet and Profit and Loss Account

(Rupees in Lakh)

	2010	2009
SCHEDULE 17 - FINANCE CHARGES		
Interest on Debentures	2,751	424
Interest on Other Fixed Loans		
- Term Loans from Domestic Banks/Financial Institutions	9,182	1,901
- Term Loans from Foreign Banks/Financial Institutions	7,968	15,308
- Public Deposits	43	48
- Bonds	895	919
Interest on Working Capital Facilities	2,172	550
Interest - Others	51	180
Other Financial Charges (Refer Note II 23 of Schedule 18)	1,816	63
	24,878	19,393

Schedules to the Balance Sheet and Profit and Loss Account

SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON FINANCIAL STATEMENTS

I. Significant Accounting Policies

1. Basis of Preparation

- 1.1 The financial statements are prepared in accordance with the historical cost convention and the accrual basis of accounting.
- 1.2 These are presented in accordance with Generally Accepted Accounting Principles in India, provisions of the Companies Act, 1956, Accounting Standards notified by the Central Government under the Companies (Accounting Standards) Rules, 2006 and the guidelines issued by the Reserve Bank of India, wherever applicable.
- 1.3 The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities including Contingent Liabilities as of the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

2. Revenue Recognition

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

2.1 Income from Loans

It 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.

2.2 Income from Operating Lease

It is recognised as rentals, as accrued over the period of lease, net of value added tax, if applicable.

2.3 Securitisations, Assignments and Co-Branded Arrangements

Income arising from securitisation and assignment of loans is amortised over the life of the contract. In case of co-branded arrangements income is accounted on accrual basis over the life of the contract as provided under respective arrangements. These are included in income from loans under Income from Operations.

2.4 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.

2.5 Other Operating Income

Dividend Income is accounted when the right to receive the payment is established. Income from investment in Funds is recognised on cash basis as per the Prudential Norms of the Reserve Bank of India. All other operating income is accounted for on accrual basis.

10 Lakh is equal to 1 million

Schedules to the Balance Sheet and Profit and Loss Account

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

2.6 Other Income

Other income is accounted for on accrual basis.

3. Fixed Assets and Depreciation/Amortisation

3.1 Fixed Assets include assets given under Operating Lease. Fixed Assets are stated at Cost less accumulated depreciation. Cost includes taxes, duties, freight and incidental expenses related to the acquisition and installation of the assets.

3.2 Intangible Assets expected to provide future enduring economic benefits are stated at cost less amortisation. Cost comprises purchase price and directly attributable expenditure on making the asset ready for its intended use.

3.3 Depreciation is provided on straight line method applying the rates prescribed in Schedule XIV to the Companies Act, 1956 or based on estimated useful life, whichever is higher. 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	61 years
ii)	Furniture & Fixture	16 years
iii)	Computers	6 years
iv)	General Plant & Machinery	21 years
v)	Intangible Assets	6 years
II	Assets for Operating Lease	
vi)	Aeroplanes / Aircrafts	9 years
vii)	Oil Rig	9 years
viii)	Gas Gensets	10 years
ix)	Intangible Assets	3 - 6 years

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

3.4 Depreciation on assets sold during the year is recognised on a pro-rata basis to the profit and loss account till the date of sale.

3.5 Lease-hold assets are amortised over the period of the lease.

4. Impairment of Fixed Assets

Wherever events or changes in circumstances indicate that the carrying amount of fixed assets may be impaired, the Company subjects such assets to a test of recoverability, based on discounted cash flows expected from use or disposal thereof. If the assets are impaired, the Company recognises an impairment loss as the excess of the carrying amount over the 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 amount after reversal is not increased beyond the carrying amount that would have prevailed by charging usual depreciation if there was no impairment.

5. Capital Work in Progress / Advance for Operating Lease

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

6. Investments

6.1 Investments are classified into "Current" and "Long Term" investment.

6.2 All long term investments including investments in Subsidiary Companies are stated at cost. Provision for diminution in value, other than temporary, is considered wherever necessary on individual basis.

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

6.4 Investments held as stock for trade are valued at lower of cost and market price determined category-wise.

7. Loan Assets

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

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

Schedules to the Balance Sheet and Profit and Loss Account

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

8. Provision for Non-Performing Assets and Bad Debts

8.1 Relating to Loans Assets & Operating Lease Receivables:

8.1.1 Provisions for non performing assets are considered in the financial statements according to Prudential Norms prescribed by the Reserve Bank of India (RBI) for Non-Banking Financial Companies. Additional provision as per the norms of Foreign Financial Institutions (FFI) has also been made as follows:

Loan Assets:

Asset Classification	Arrear Period	Provision as per RBI	Provision as per FFI	Provision adopted by the Company
		% of Portfolio	% of Portfolio	% of Portfolio
Standard	Upto 90 days	Nil	Nil	Nil
	91 to 180 days	Nil	20	20
Sub-Standard	181 to 360 days	10	50	50
	361 to 365 days	10	100	100
	More than 12 months to 24 months	10	100	100
Doubtful (Unsecured)	More than 24 months	100	100	100
Doubtful (Secured)	More than 24 months to 36 months	20	100	100
	More than 36 months to 60 months	30	100	100
	Above 60 months	50	100	100
Loss	As per Management discretion	100	100	100

Operating Lease Receivables:

Asset Classification	Arrear Period	Provision as per RBI	Provision as per FFI	Provision adopted by the Company
		% of Outstanding	% of Outstanding	% of Outstanding
Standard	Upto 90 days	Nil	Nil	Nil
	91 to 180 days	Nil	20	20
	181 to 360 days	Nil	50	50
	361 to 365 days	Nil	100	100
Sub-Standard	More than 12 months to 24 months	10	100	100
	More than 24 months to 30 months	40	100	100
Doubtful	More than 30 months to 36 months	40	100	100
	More than 36 months to 48 months	70	100	100
	More than 48 months	100	100	100
Loss	As per Management discretion	100	100	100

8.1.2 Loan Assets overdue for more than four years or as per the management discretion are considered as bad debts and written off.

8.2 Provision for other debts arising from services is considered in the financial statements according to the Prudential Norms prescribed by the Reserve Bank of India for Non-Banking Financial Companies.

9. Foreign Currency Transactions

9.1 Foreign currency transactions are recorded at the exchange rates prevailing at the time of transaction.

9.2 Monetary Assets and liabilities expressed in foreign currencies are translated into the reporting currency at the exchange rate prevailing at the Balance Sheet date except with respect to liabilities where exchange fluctuation losses are to be borne by customers. Any loss or gain arising on loans payable has been included in Finance Charges as per the provisions of Accounting Standard - 16 "Borrowing Costs" and Accounting Standard - 11 (revised 2003) "The Effect of Changes in Foreign Exchange Rates" notified by the Central Government under the Companies (Accounting Standards) Rules, 2006.

Schedules to the Balance Sheet and Profit and Loss Account

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

9.3 In respect of forward exchange contracts entered into by the Company, the difference between the forward rate and the exchange rate on the date of the transaction are recognised as income or expense over the life of the contract.

Gain/loss on settlement of transactions arising on renewal/cancellation are recognised as income or expense in the period in which these are renewed or cancelled.

9.4 In respect of Derivative contracts, premium paid, gains/losses on settlement and provisions for losses determined in accordance with principles of prudence, on category wise basis, are recognised in the Profit & Loss Account.

10. 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.

11. Borrowing Costs

Borrowing costs to the extent attributed to the acquisition/construction of qualifying assets are capitalised up to the date when such assets are ready for its intended use and all other borrowing costs are recognised as an expense in the period in which they are incurred.

12. Employee Benefits

12.1 Short term employee benefits

Short term employee benefits based on expected obligation on undiscounted basis are recognised as expense in the Profit and Loss Account of the period in which the related service is rendered.

12.2 Defined contribution plan

Company's contribution towards Regional Provident Fund Authority and Employee State Insurance Corporation are charged to the Profit and Loss Account.

12.3 Defined benefit plan

Company's liability towards gratuity is a defined benefit plan. Such liabilities are ascertained by an independent actuary as per the requirements of Accounting Standard – 15 (revised 2005) "Employee Benefits".

All actuarial gains and losses are recognised in Profit and Loss Account in the year in which they occur.

13. Segment Reporting

Segment information is reported in the consolidated financial statements.

14. Taxes on Income

14.1 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.

14.2 Deferred tax is recognised on timing differences, being the differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets subject to the consideration of prudence are recognised and carried forward only to the extent that there is a 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.

15. Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events; it is probable that there will be an outflow of resources and a reliable estimate can be made of the amount of the obligation. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

16. Earnings per Share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard-20, Earnings Per Share notified by the Central Government under the Companies (Accounting Standards) Rules, 2006. Basic earnings per equity share has been computed by dividing net profit after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing the net profit after tax for the year by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

17. Assets under Management

17.1 Contracts securitised or assigned are derecognised from the books of accounts. Co-branded loan transactions are originated by the Company on behalf of partner bank/financial institution.

17.2 Contingent liabilities, if any, for such contracts are disclosed separately.

Schedules to the Balance Sheet and Profit and Loss Account

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

18. Miscellaneous Expenditure

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

II. Notes to the Financial Statements

1. Issue of Warrants on Preferential Allotment basis

The Company on 30th October, 2007 issued and allotted 25,000,000 warrants of Rs. 10/- each to the Promoters' Group of the Company by way of Preferential Allotment. Each warrant was convertible into Equity shares of Rs. 10/- each in one or more tranches at a price of Rs. 100/- per share (including premium of Rs. 90/-) within a period of 18 months from the date of allotment of the warrants.

Out of 25,000,000 warrants, conversion option for 7,200,000 warrants was exercised in 2007-08. Conversion option for balance 17,800,000 warrants were not exercised during the year ended 31st March, 2009 and has since expired and hence forfeited on 29th April, 2009. The amount of Rs. 1,780 Lakh received as subscription money has been transferred to Capital Reserve.

2. Tier II Capital

2.1 Unsecured Subordinated Redeemable Non Convertible Bonds

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

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

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

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

2.1.3 The unsecured subordinated redeemable non convertible bonds repayable within one year amounts to Rs Nil (Previous year Nil).

2.2 Unsecured Subordinated Bonds

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

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

The fourth such installment of Rs. 948 Lakh representing 15% of the face value together with 20% of the premium towards redemption has been paid on 25th August, 2009 being fourth redemption date. The face value of the aforesaid Bonds stands reduced to Rs. 40/- per Bond.

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

2.2.2 The unsecured subordinated bonds redeemable within one year amounts to Rs. 790 Lakh (Previous year Rs. 790 Lakh)

3. Loans

3.1 Working Capital facilities from banks are secured by hypothecation of assets covered by loan assets/ hypothecation/ Operating Lease agreements and receivables arising there from ranking pari passu (excluding assets which are specifically charged to others).

3.2 Term loan from Foreign Banks & Foreign Financial Institutions are secured by hypothecation of specific assets covered by loan assets/ hypothecation agreements and Operating Lease agreement and receivables arising there from.

3.3 Term loan from Domestic Banks are secured by hypothecation/assignment of specific assets covered by loan assets/ hypothecation agreements and Operating Lease agreement and receivables arising there from.

3.4 Public Deposits are secured by pledge of certain Government Securities as per RBI Circular dated 04.01.2007. Public Deposits (including matured and unclaimed) repayable within one year aggregate to Rs. 468 Lakh (Previous year Rs. 488 Lakh).

3.5 Secured Loans and advances from Domestic Banks include Rs Nil Lakh (Previous year Rs. 30,000 Lakh) guaranteed by the directors.

3.6 Unsecured Short Term Loans and Advances include amount repayable within one year amounting to Rs. 12,650 Lakh (Previous year Rs. 11,204 Lakh).

Schedules to the Balance Sheet and Profit and Loss Account

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

3.7 Company has issued on private placement basis Non-Convertible debentures (NCDs) aggregating to Rs. 637,300 Lakh during the year ended 31st March, 2010 (Previous year Rs. 43,500 Lakh).

The outstanding balance as on 31st March, 2010 is Rs. 30,500 Lakh (Previous year Rs. Nil). All the NCDs outstanding as on 31st March, 2010 are redeemable at par and are unsecured. Details of such privately placed NCDs are given below:

(Rupees in Lakh)

(A) CARE AA Rated Paper

Date of Allotment	As at 31st March, 2010	As at 31st March, 2009	Earliest Redemption Date
23-03-2010	1,000	-	15-09-2011
Sub-Total (A)	1,000	-	

(B) CARE PR1+ Rated Paper

Date of Allotment	As at 31st March, 2010	As at 31st March, 2009	Earliest Redemption Date
19-02-2010	2,500	-	28-04-2010
19-02-2010	1,500	-	19-05-2010
Sub - Total (B)	4,000	-	

(C) ICRA A1+ Rated Paper

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

3.8 Commercial Paper outstanding as at 31st March, 2010 amounts to Rs. 12,500 Lakh (as at 31st March 2009 – Nil). Maximum outstanding at any time during the year ended 31st March, 2010 was Rs. 18,000 Lakh (Previous year – Nil).

4. During the year, the Company has created Debt Redemption Reserve of Rs. 742 Lakh (Previous year Rs. 2,900 Lakh) towards redemption of Unsecured Subordinated Debenture/Bonds/Debt i.e. Mezzanine Capital (Tier II Capital). Debt Redemption Reserve of Rs. 792 Lakh (Previous year Rs. 792 Lakh) has been reversed due to repayment of loan during the year.

5. Assets under Management

5.1 Securitisation

In terms of Reserve Bank of India Guidelines on securitisation of assets issued on 1st February 2006, details of loans securitised by the Company are as under:

(Rupees in Lakh)

Particulars	31.03.2010	31.03.2009
Total number of contracts securitised during the year	-	1
Book Value of contracts securitised (on date of securitisation)	-	6,019
Sale consideration (on date of securitisation)	-	6,026
(Loss)/Gain on securitisation (on date of securitisation)*	-	7
Subordinated assets as on balance sheet date	-	-
Bank/Other deposits provided as collateral as on balance sheet date	-	-
Guarantee against securitised contracts	-	Nil

* Gain from securitisation is amortised over the life of the contracts and loss is charged off upfront in Profit and Loss Account.

Schedules to the Balance Sheet and Profit and Loss Account

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

5.2 There are no contracts outstanding in terms of foregoing paragraph 5.1 above as at 31st March, 2010.

6. Performance wise classification of assets and total provision made thereon:

Loan Assets:

(Rupees in Lakh)

Asset Classification	Arrear Period	Book Value as at 31st March, 2010	Provisions as at 31st March, 2010		Total Provision as at 31st March, 2010
			As per RBI	Additional Provision as per FFI	
Standard	Upto 90 days	193,157	-	-	-
	91 to 180 days	-	-	-	-
	Sub Total	193,157	-	-	-
Sub-Standard	181 to 360 days	-	-	-	-
	361 to 365 days	-	-	-	-
	More than 12 months to 24 months	-	-	-	-
	Sub Total	-	-	-	-
Doubtful (Unsecured)	More than 24 months	-	-	-	-
Doubtful (Secured)	More than 24 months to 36 months	-	-	-	-
	More than 36 months to 60 months	-	-	-	-
	Above 60 Months	-	-	-	-
	Sub Total	-	-	-	-
Loss	As per Management discretion	-	-	-	-
	Sub Total	-	-	-	-
Grand Total		193,157	-	-	-

Secured loan assets include Rs. 12,261 Lakh for which charge is in the process of creation.

Operating Lease Receivables:

(Rupees in Lakh)

Asset Classification	Arrear Period	Outstanding as at 31st March, 2010	Provisions as at 31st March, 2010		Total Provision as at 31st March, 2010
			As per RBI	Additional Provision as per FFI	
Standard	Upto 90 days	36	-	-	-
	91 to 180 days	-	-	-	-
	181 to 360 days	-	-	-	-
	361 to 365 days	-	-	-	-
	Sub Total	36	-	-	-
Sub-Standard	More than 12 months to 24 months	-	-	-	-
	More than 24 months to 30 months	-	-	-	-
	Sub Total	-	-	-	-
Doubtful	More than 30 months to 36 months	-	-	-	-
	More than 36 months to 48 months	-	-	-	-
	Above 48 months	-	-	-	-
	Sub Total	-	-	-	-
Loss	As per Management discretion	-	-	-	-
	Sub Total	-	-	-	-
Grand Total		36	-	-	-

Schedules to the Balance Sheet and Profit and Loss Account

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

7. In accordance with the Accounting Standard 19 on 'Leases' as notified by the Companies (Accounting Standards) Rules, 2006 the following disclosures in respect of Operating Leases is made :

a. In the capacity of Lessee

The Company has leasing arrangements in respect of operating leases for office premises. These leasing arrangements which are not non-cancellable in nature range between 11 months and 21 years, generally and are usually renewable by mutual consent on mutually agreeable terms. Minimum lease payments charged to the Profit and Loss Account with respect to the leasing arrangements referred to above aggregate Rs. 443 Lakh (Previous year Rs. 150 Lakh).

Sub lease payments received or receivable recognised in the Profit and Loss Account for the year ended 31 March, 2010 aggregates Rs. 642 Lakh (Previous year Rs. 464 Lakh).

b. In the capacity of Lessor

The Company has given assets on Operating lease for periods ranging between 5 to 6 years based on the nature of equipment.

8. The Company is of the opinion that Service-tax on property rental received is not payable based on legal opinion obtained and accordingly is not collecting Service-tax on such rental received.
9. Loans & Advances include amounts of Rs. 3,793 Lakh (Previous year Rs. 2,528 Lakh) due from private companies having at least one common director with the Company.
10. None of the Company's Fixed Assets are considered impaired as on the Balance Sheet date.

11. Disclosure pursuant to Accounting Standard (AS) 15 (Revised):

Contribution to Regional Provident Fund Authority charged to Profit and Loss Account aggregates to Rs. 104 Lakh (Previous year Rs. 28 Lakh). Besides, Rs.1 Lakh (Previous year Rs. 14 Lakh) has been paid to "Srei International Finance Provident Fund Trust" towards Company's share of shortfall between the return from the investments of the trust and the Government notified interest rate. Contribution to Employee State Insurance Corporation charged to Profit and Loss Account aggregates to Rs. 0.19 Lakh (Previous year Rs. 0.07 Lakh).

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

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

(Rupees in Lakh)

Employee Benefits: Defined benefit plans (As per actuarial valuation)	Gratuity	
	31st March, 2010	31st March, 2009
I Components of employer expenses		
1 Current Service Cost	27	15
2 Interest cost	6	3
3 Expected return on plan assets	(5)	(2)
4 Curtailment cost / (credit)	-	-
5 Settlement cost / (credit)	-	-
6 Past Service Cost	16	-
7 Actuarial Losses / (Gains)	(3)	6
8 Other Adjustments	-	-
9 Employee Contributions	-	-
10 Total expenses recognised in the Statement of Profit & Loss Account for the year ended (Total 1 to 9)	41	22
II Actual Contribution and Benefits Payments for the year ended		
1 Actual benefit payments	(4)	-
2 Actual Contributions	28	25
III Net assets / (liability) recognised in balance sheet as at		
1 Present value of Defined Benefit Obligation	100	59
2 Fair value of plan assets	69	41
3 Funded status [Surplus/(Deficit)]	(31)	(18)
4 Unrecognised past service cost	-	-
5 Net asset/ (liability) recognised in balance sheet as at	(31)	(18)

Schedules to the Balance Sheet and Profit and Loss Account

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

(Rupees in Lakh)

Employee Benefits: Defined benefit plans (As per actuarial valuation)		Gratuity	
		31st March, 2010	31st March, 2009
IV Change in Defined Benefit Obligations during the year ended			
1	Present Value of DBO at beginning of year	59	36
2	Current Service cost	27	15
3	Interest cost	6	3
4	Curtailment cost / (credit)	-	-
5	Settlement cost / (credit)	-	-
6	Plan amendments	16	-
7	Acquisitions	-	-
8	Actuarial (Gains) / Losses	(4)	5
9	Benefits paid	(4)	-
10	Employee Contribution	-	-
11	Other Adjustments	-	-
12	Present Value of DBO at the end of year	100	59
V Change in Fair value of Assets during the year ended			
1	Plan assets at beginning of year	41	15
2	Acquisition/Settlement Adjustment	-	-
3	Expected return on plan assets	5	2
4	Actual Company contribution	27	25
5	Employees contribution	-	-
6	Benefits paid	(4)	-
7	Actuarial Gains / (Losses)	(1)	(1)
8	Other Adjustments	-	-
9	Plan assets at the end of the year	69	41
VI Actuarial Calculation			
1	Experience Loss / (Gain) adjustment on plan liabilities	-	-
2	Actuarial Loss / (Gain) due to change in assumptions	(4)	5
Actuarial Loss / (Gain) due on Defined Benefit Obligations		(4)	5
3	Experience Loss / (Gain) adjustment on plan assets	1	1
VII Actuarial Assumptions			
1	Discount Rate	8.30%	8.00%
2	Expected return on plan assets	9.15%	9.15%*
3	Salary Escalation	10.00%	10.00%
4	Mortality	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
5	Retirement/ Superannuation Age	60 yrs.	60 yrs.
6	Withdrawal Rate for Gratuity:		
	Ages from 20-24	5.00%	5.00%
	Ages from 25-29	3.00%	3.00%
	Ages from 30-34	2.00%	2.00%
	Ages from 35-49	1.00%	1.00%
	Ages from 50-54	2.00%	2.00%
	Ages from 55+	3.00%	3.00%

* The rate of return declared by LIC has been taken as expected rate of return on plan assets.

Schedules to the Balance Sheet and Profit and Loss Account

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

12. The Company has challenged constitutional validity of Fringe Benefits Tax before the Hon'ble High Court at Calcutta and the Hon'ble Court has granted interim stay on levy of such Fringe Benefits Tax on the Company. In view of this, the Company has not provided for any liability against Fringe Benefits Tax till 31st March, 2009. However, consequent upon abolition of Fringe Benefit Tax from Financial Year 2009-10, no liability arises for the year.
13. No interest was payable by the Company during the year to the 'suppliers' covered under the Micro, Small and Medium Enterprises Development Act, 2006. The above information takes into account only those suppliers who have responded to enquiries made by the Company for this purpose.
14. Interest income includes Rs. 26 Lakh (Previous year Rs. 27 Lakh) on long term investments.
15. Interest from Government Securities/Banks, Loan Assets, fee based income and other income wherever applicable includes tax deducted at source of Rs. 2,268 Lakh (Previous year Rs. 1,029 Lakh).
- 16.1 The Deferred tax liability of Rs. 3,440 Lakh (as at 31st March, 2009 Rs. Nil) arising out of timing difference as on 31 March, 2010 is on account of the following:

(Rupees in Lakh)

Components of Deferred Tax	As at	As at
	31st March, 2010	31st March, 2009
	Asset / (Liability)	Asset / (Liability)
Depreciation	(1,688)	(1,341)
Deferred Revenue Expenditure	(2,289)	(14)
Unabsorbed Depreciation	514	1,355*
Others	23	-
Net Deferred Tax Asset / (Liability)	(3,440)	Nil

* recognised to the extent of deferred tax liability

- 16.2 Provision for Income Tax has been computed on the basis of Minimum Alternate Tax (MAT) in accordance with Sec 115JB of the Income Tax Act, 1961. Considering the future profitability and taxable positions in the subsequent years, the Company has recognised 'MAT credit entitlement' of Rs. 2,190 Lakh (Previous year Rs. 211 Lakh) as an asset by crediting to the Profit and Loss account an equivalent amount and included under "Loans & Advances" in accordance with the Guidance Note on "Accounting for credit available in respect of Minimum Alternate Tax under Income Tax Act, 1961" issued by The Institute of Chartered Accountants of India.
17. 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. Option, Forwards and Swap contracts outstanding as at 31st March, 2010 are as follows:

Amount in million

Category	Currency	As at 31st March, 2010		As at 31st March, 2009	
		No. of Contracts	Amount in Foreign Currency	No. of Contracts	Amount in Foreign Currency
Options	USD/INR	7	USD 127.86	7	USD 135.00
Forwards	USD/INR	2	USD 1.94	-	-
Forwards	Euro/INR	4	Euro 3.82	-	-

1 million = 10 Lakh

Foreign currency exposures, which are not hedged by derivative instruments, as at 31st March, 2010 amounts to Rs. 18,066 Lakh (Previous year Rs. 3,804 Lakh).

18. Auditor's Remuneration

(Rupees in Lakh)

Particulars	2009-10	2008-09
Audit & Limited Review Fees	26	26
Taxation Matters	5	-
Other Services	6	-
Out of Pocket Expenses	1	1
Total	38	27

Schedules to the Balance Sheet and Profit and Loss Account

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

19. Managerial Remuneration

(a) Managing Executive and Non Executive Directors' remuneration for the year ended: (Rupees in Lakh)

Particulars	31st March, 2010	31st March, 2009
Salary	426	193
Allowances	25	49
Contribution to Provident Fund	35	19
Commission to Chairman & Managing Director	36	36
Commission to Non Executive Directors	35	35
Total	557	332

(b) Computation of Net Profit in accordance with Section 198 of the Companies Act, 1956: (Rupees in Lakh)

Particulars	31st March, 2010	31st March, 2009
Profit Before Tax for the year ended	14,813	5,037
Add: Director's remuneration (including commission)	557	332
Sitting Fees	9	10
Depreciation as per book of accounts	1,014	769
Provision for diminution in value of investments	138	216
Loss on sale etc. of Fixed Assets for Own Use (Net)	-	-
	16,531	6,364
Less: Depreciation as envisaged under section 350 of the Companies Act, 1956	1,014	769
Profit on sale etc. of Fixed Assets for Own Use	-	354
Profit on sale of Investments (Net)	1,123	94
Net Profit for the year ended	14,394	5,147
Non-Executive Director's Commission @ 1% of the above	144	51
For Non-Executive Directors, restricted to	35	35
For Chairman cum Managing Director restricted to	36	36

(c) Salary includes provision of Rs. 35 Lakh (Previous year Rs. 35 Lakh) towards commission payable to non-executive directors of the Company, in terms of approval from Shareholders and Central Government.

(d) Provision for gratuity in respect of Directors is not included above, as actuarial valuation is done on an overall basis.

20. Capital Commitments

(Rupees in Lakh)

Particulars	As at 31st March, 2010	As at 31st March, 2009
Estimated amount of capital contracts remaining to be executed (Net of advances)	757	77

21. Contingent Liabilities

(Rupees in Lakh)

Particulars	As at 31st March, 2010	As at 31st March, 2009
a. Bank Guarantee	4,575	3,088
b. Corporate Guarantee to bank	1,095	5,180
c. Disputed income tax demand for AY 2006-07 #	82	287
d. Disputed income tax demand for AY 2007-08 #	389	462
e. Disputed income tax demand for AY 2008-09 #	1,407	-
Total	7,548	9,017

The Assessment Orders disallowing Special Reserve (created as per Section 451C of the RBI Act, 1934) and Debt Redemption Reserve for the purpose of determining tax liability as per the provision of Section 115JB, Disallowances under section 14A, Disallowance of Provision for NPA, Provision for earned leave encashment and Interest on certain loans under the normal provision of the Income Tax Act have been challenged by the company before the appropriate authorities. Pending disposal of the cases filed, the Company has not provided for the Income Tax liabilities arising out of the same.

Schedules to the Balance Sheet and Profit and Loss Account

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

22. Details of loans/advances to Subsidiaries: (Rupees in Lakh)

Name of Company	Maximum Amount Outstanding during the period	Amount Outstanding as at 31st March, 2010
Srei Capital Markets Ltd.	412	189
Srei Sahaj e-Village Ltd.	8,794	6,885
Srei Infrastructure Advisors Ltd.	66	9
Bengal Srei Infrastructure Development Ltd.	127	117
Controlla Electrotech Private Ltd.	2,431	2,411
Srei Forex Ltd.	1	-
Srei Venture Capital Ltd.	332	-
Srei Mutual Fund Asset Management Private Limited	7	-
Orbis Power Venture Private Limited (subsidiary w.e.f 02.01.10 and ceased to be a subsidiary w.e.f. 31.03.10)	13,000	-

The amounts are repayable on demand except that of Controlla Electrotech Private Ltd., Bengal Srei Infrastructure Development Ltd. and Srei Sahaj e-Village Ltd. The outstanding loans and advances are interest bearing except that of Srei Capital Markets Ltd. and Controlla Electrotech Private Ltd.

23. Other financial expenses include Rs. 1,264 Lakh (Previous year Rs. 40 Lakh) paid towards upfront fees on loan processing.

24. CIF Value of Imports (Rupees in Lakh)

Particulars	For the year ended 31st March, 2010	For the year ended 31st March, 2009
Operating Lease Assets	17,518	11,231

25. Details of movements in long term investments during the year are given as follows:

Particulars	Face Value Rs.	Purchase		Sale/Redemption	
		Quantity	Cost (Rs. in Lakh)	Quantity	Cost (Rs. in Lakh)
Equity Shares:					
Srei Mutual Fund Asset Management Private Ltd.	10	100,000	10	-	-
Srei Mutual Fund Trust Private Ltd.	10	50,000	5	-	-
Mahakaleshwar Tollways Private Ltd.	10	5,000	1	-	-
Diana Capital Ltd.	10	87,500	175	-	-
Wireless TT Info Services Ltd.	10	6,451,613	10,000	-	-
Orbis Power Venture Private Ltd.	10	8,500	1	-	-
GAIL India Ltd.	10	-	-	66,000	189
Indian Metal & Ferro Alloys Ltd.	10	-	-	476,586	844
ICICI Bank Ltd.	10	-	-	435,419	4,310
Century Plyboards (India) Ltd.	10	-	-	1,725,000	985
Mahindra & Mahindra Ltd.	10	-	-	10,000	65
Power Grid Corporation of India Ltd.	10	-	-	146,000	164
Steel Authority of India Ltd.	10	-	-	85,000	183
Machilipatnam Port Ltd	10	38,000	4	38,000	4
Bonds/Debentures/Units:					
Bharat Opportunity Fund	100	-	-	770,000	770
India Global Competitive Fund	100	500,000	500	-	-
Infrastructure Project Development Capital	100	3,740,000	3,740	-	-
Prithvi Infrastructure Fund	100	10,000,000	10,000	1,000	1
Infra Construction Fund	100	5,900,000	5,900	1,200	1

Schedules to the Balance Sheet and Profit and Loss Account

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

26. Related Party Transactions

Related parties:

Subsidiary Companies:	
Srei Infrastructure Advisors Ltd.	Global Investment Trust Ltd.
Srei Venture Capital Ltd.	Srei Forex Ltd.
Srei Sahaj e-Village Ltd.	Srei Capital Markets Ltd.
Srei Infocomm Services Ltd. (Subsidiary of Srei Infrastructure Advisors Ltd.)	Hyderabad Information Technology Venture Enterprises Ltd. (Subsidiary of Srei Venture Capital Ltd.)
Bengal Srei Infrastructure Development Ltd. (Subsidiary of Srei Infrastructure Advisors Ltd.)	IIS International Infrastructure Services GmbH, Germany
Cyberabad Trustee Company Pvt. Ltd. (Subsidiary of Srei Venture Capital Ltd.)	Controlla Electrotech Private Ltd.
Srei Mutual Fund Trust Private Ltd. w.e.f. 27.11.09	Srei Mutual Fund Asset Management Private Ltd. w.e.f. 27.11.09
Orbis Power Venture Private Ltd. (w.e.f. 02.01.2010 and ceased to be a subsidiary w.e.f. 31.03.2010)	DPSC Ltd. (Subsidiary of Orbis Power Venture Private Ltd w.e.f.29.01.2010)
Srei Advisors Pte Ltd., Singapore (Subsidiary of IIS International Infrastructure Services GmbH, Germany w.e.f. 25.02.10)	ZAO Srei Leasing, Russia (Subsidiary of IIS International Infrastructure Services GmbH, Germany)

Joint Venture:

Srei Equipment Finance Private Ltd.

Key Management Personnel	
Name	Designation
Hemant Kanoria	Chairman & Managing Director
Saud Ibne Siddique	Joint Managing Director w.e.f. 01.04.2009
Kishore Kumar Mohanty	Whole time Director
Sanjeev Sancheti	Chief Financial Officer

Summary of Transactions with Related Parties

(Rupees in Lakh)

Name of related party & Nature of relationship	Nature of Transactions and Outstanding balances	2010	2009
(A) Subsidiaries:			
Srei Infrastructure Advisors Ltd.	Subscription to Equity Shares	-	45
	Loan advanced	1	66
	Refund of Loan advanced	58	-
	Interest received on Loan	8	4
	Business Auxilliary Services rendered	1	-
	Balance receivable	9	70
Srei Venture Capital Ltd.	Loan/advance given	325	26
	Refund of Loan/advance	325	26
	Interest received on Loan	23	-
Srei Sahaj e-Village Ltd.	Loan advanced	7,210	830
	Refund of Loan advanced	1,500	-
	Interest received on Loan	745	166
	Business Auxilliary Services rendered	1	-
	Recovery of Rent	21	-
	Recovery of Bank Guarantee Charges	52	-
	Bank Guarantee Arranged	2,572	-
	Corporate guarantee given on behalf of Subsidiary	-	6,000
	Corporate guarantee expired	6,000	-
	Corporate guarantee – Outstanding as at year end	2,981	8,981
	Loan receivable	6,885	1,175
Bank Guarantee Outstanding	2,572	-	

Schedules to the Balance Sheet and Profit and Loss Account

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

(Rupees in Lakh)

Name of related party & Nature of relationship	Nature of Transactions and Outstanding balances	2010	2009
Bengal Srei Infrastructure Development Ltd.	Loan advanced	33	150
	Refund of Loan advanced	26	40
	Interest received on Loan	14	5
	Balance receivable	117	115
Global Investment Trust Ltd.	Loan advanced	-	1
	Refund of Loan advanced	-	2
	Fixed Assets Purchased	3	-
Srei Forex Ltd.	Loan advanced	1	3
	Business Auxilliary Services rendered	0.05	-
	Loan Write-off	1	83
	Balance receivable	0.05	-
Srei Capital Markets Ltd.	Loan advanced	367	510
	Refund of Loan advanced	403	685
	Consultancy Fees paid	43	-
	Balance receivable	189	225
Srei Mutual Fund Trust Pvt. Ltd.	Subscription to Equity Shares	5	-
Srei Mutual Fund Asset Management Private Ltd.	Subscription to Equity Shares	10	-
Controlla Electrotech Pvt. Ltd.	Security deposit paid	-	2,411
	Rent Paid	8	6
	Business Auxilliary Services rendered	0.10	-
	Security Deposit receivable	2,411	2,411
Orbis Power Venture Pvt. Ltd.	Loan advanced	13,020	-
	Loan Processing Fees Received	260	-
	Refund of Loan advanced	138	-
	Interest received on Loan	13	-
(B) Joint Venture:			
Srei Equipment Finance Pvt. Ltd.	Subscription to Equity Shares	-	2,295
	Amount received towards transfer as per Scheme of Arrangement	-	37,500
	Loan advanced	43,544	46,997
	Refund of loan advanced	43,544	46,997
	Loan received	-	5,937
	Refund of Loan received	-	27,991
	Security deposit received	35	717
	Security deposit paid	24	72
	Interest received on Loan	1,600	2,083
	Interest paid on Loan	-	49
	Rent paid	104	36
	Rent received	642	464
	Balances Outstanding:		
	Security Deposit payable	752	717
Security Deposit receivable	96	72	
(C) Key Management Personnel:			
Hemant Kanoria	Remuneration	87	103
	Commission	36	36
	Dividend paid	2	2
Saud Ibne Siddique	Remuneration	335	-
Kishore Kumar Mohanty	Remuneration	64	65
	Dividend paid	1	1
Sanjeev Sancheti	Remuneration	48	41

Schedules to the Balance Sheet and Profit and Loss Account

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

27. Disclosure in respect of Company's Joint Venture in India pursuant to Accounting Standard 27 'Financial Reporting of Interest in Joint Ventures' as at 31st March 2010:

a)	Name of the Venture	Country of Incorporation	Proportion of Ownership Interest
	Srei Equipment Finance Private Ltd	India	50%

- b) The aggregate of the Company's share in the above venture is: (Rupees in Lakh)

Particulars	2010	2009
Net Fixed Assets	20,176	20,095
Net Current Assets	316,853	300,713
Loans/ Borrowings	284,798	274,005
Income	43,650	46,765
Expenses (Including Depreciation & Taxation)	39,294	43,638
Contingent Liabilities	7,729	4,026
Capital Commitments (Net of Advances)	8	56

28. Earnings Per Share - Basic and Diluted Earnings per Share

Particulars	2010	2009
1 Net Profit after tax attributable to Equity Shareholders (Rs. In Lakh)	11,149	5,036
2 Weighted average number of Equity Shares Basic (Nos.)	116144798	116144798
3 Weighted average number of Potential Equity Shares (Nos.)	-	-
4 Weighted average number of Equity Shares Diluted (Nos.)	116144798	116144798
5 Nominal Value of Equity per share (Rs.)	10	10
6 Basic Earning per share (Rs.)	9.60	4.34
7 Diluted Earnings per share (Rs.)	9.60	4.34

29. Schedule to the Balance Sheet as required by the Reserve Bank of India vide notification dated 29th March, 2003 (as per Annexure – II attached).

Additional information pursuant to the provisions of para 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956

(Rupees in Lakh)

Particulars	31.03.2010	31.03.2009
30. Expenditure in foreign currencies:		
a) Finance charges	8,015	15,509
b) Professional / Consultation Fees	223	285
c) Staff welfare	9	-
d) On other matter	295	136
31. Earning in foreign currencies:		
Fee Based Income	47	7
32. Amount remitted in foreign currencies for dividend (including one Foreign Financial Institution):		
a) Number of Non Resident Shareholders	9	12
b) Number of Shares held (Equity Shares of Rs. 10/- each)	143,451	166,175
c) Dividend Remitted (Rs. in Lakh)	1	2
d) Related Year	2008-09	2007-08

Schedules to the Balance Sheet and Profit and Loss Account

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

- 33.** The Company is a Non Banking Finance Company (NBFC) and being currently classified as Asset Finance Company (Deposit Taking). In terms of Reserve Bank of India (RBI) Circular DNBS.PD.CC.No.168/03.02.089/2009-10 dated 12th February, 2010, the Company has approached RBI for change in classification as Infrastructure Finance Company (IFC) based on the asset pattern for the year ended 31st March, 2009. However the Company has been advised by RBI to convert into non deposit taking NBFC in order to qualify for classification as IFC in terms of the captioned circular. Accordingly, the Company has complied with the steps advised by RBI and has requested RBI for change in classification as Infrastructure Finance Company.
- As a result, the Company has decided that it would not accept any further public deposits or renew the maturing deposits in any manner w.e.f. 20th April, 2010.
- 34.** The Board of Directors of the Company at its meeting held on 28th January, 2010 has, based on the recommendation of the Committee of Independent Directors, approved amalgamation of Quippo Infrastructure Equipment Limited (Quippo) into and with the Company in terms of a Scheme of Amalgamation under Sections 391 to 394 of the Companies Act, 1956. The Appointed Date of the amalgamation shall be 1st April, 2010.
- 35.** Previous year figures have been regrouped / rearranged, wherever considered necessary.

Signatories to Schedules 1 to 18.

For **Deloitte Haskins & Sells**

Chartered Accountants

(Regn. No. 302009E)

On behalf of the Board of Directors

Abhijit Bandyopadhyay

Partner

M. No. 054785

Hemant Kanoria

Chairman & Managing Director

Salil K. Gupta

Chief Mentor & Director

Sandeep Lakhoria

Company Secretary

Place : Kolkata

Date : 11th May, 2010

ANNEXURE I - NOTES TO THE FINANCIAL STATEMENTS

Stock for Trade as at 31st March, 2010

Equity Shares: Trade	Face Value	Quantity	Cost	Value
	(Rs.)	(Nos.)	(Rs. in Lakh)	
Bala Techno Synthetics Ltd.	10	5000	1	0
Hotline Glass Ltd.	10	110609	12	0
Kamala Tea Co. Ltd.	10	25000	11	31
Shanghi Polyester Ltd.	10	2000	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#
			24	
Less: Provision for diminution			13	
Total			11	

* Book value Re.1; # Valued at Re.1

Equity Shares purchased and/or sold during the year

Equity Shares: Trade	Face Value	Purchase		Sale/Redemption	
		Quantity	Cost	Quantity	Cost
		(Nos.)	(Rs. in Lakh)	(Nos.)	(Rs. in Lakh)
Shriram Asset Management Company Ltd.	10	-	-	15000	2
Dwarikesh Sugar Mills Ltd	10	-	-	25,000	23

Bonds / Debentures / Government Securities purchased and sold during the year

Bonds / Debentures / Government Securities : Trade	Purchase		Sale/Redemption	
	Face Value	Cost	Face Value	Cost
	(Rs. in Lakh)	(Rs. in Lakh)	(Rs. in Lakh)	(Rs. in Lakh)
0% Infrastructure Development Finance Corporation, 2011	5,500	5,132	5,500	5,132
0% National Bank For Agriculture & Rural Development, 2017	5,987	7,726	5,987	7,726
0% National Bank For Agriculture & Rural Development, 2018	3,696	4,493	3,696	4,493
0% National Bank For Agriculture & Rural Development, 2019	12,734	14,246	12,734	14,246
0% National Housing Bank, 2018	12,664	13,748	12,664	13,748
0% National Housing Bank, 2019	4,592	5,002	4,592	5,002
10.25% Tech Mahindra Ltd, 2013	1,000	1,038	1,000	1,038
10.40% Tata Steel Limited, 2019	1,100	1,103	1,100	1,103
10.70% Indian Railway Finance Corporation Ltd, 2023	130	152	130	152
10.85% Cholamandalam DBS Finance Ltd, 2013	30	30	30	30
11.25% Power Finance Corporation, 2018	40	46	40	46
11.75% Jaiprakash Associates Ltd, 2014	2,000	2,035	2,000	2,035
11.75% Jaiprakash Associates Ltd, 2015	450	457	450	457
12.50% Deccan Chronicle Holdings Ltd, 2011	2,000	2,111	2,000	2,111
6% Industrial Development Bank Of India, 2011	3	3	3	3

ANNEXURE I - NOTES TO THE FINANCIAL STATEMENTS

Bonds / Debentures / Government Securities purchased and sold during the year (Contd.)

Bonds / Debentures / Government Securities : Trade	Purchase		Sale/Redemption	
	Face Value	Cost	Face Value	Cost
	(Rs. in Lakh)	(Rs. in Lakh)	(Rs. in Lakh)	(Rs. in Lakh)
6.75% Industrial Credit And Investment Corporation Of India Limited, 2010	2	2	2	2
6.85% Indian Infrastructure Finance Company Ltd, 2014	1,700	1,707	1,700	1,707
7.05% National Textile Corporation Limited, 2010	10	10	10	10
7.40% Industrial Development Bank Of India, 2010	2	2	2	2
7.50% Industrial Credit And Investment Corporation Of India Limited, 2015	10	9	10	9
8.00% Industrial Development Bank Of India, 2013	5	5	5	5
8.45% Indian Railway Finance Corporation Ltd, 2018	500	494	500	494
8.49% Power Finance Corporation Ltd, 2011	20	20	20	20
8.50% Nuclear Power Corporation Of India Ltd, 2019	500	502	500	502
8.55% Indian Railway Finance Corporation Ltd, 2019	2,000	2,002	2,000	2,002
8.58% Allahabad Bank, 2024	130	130	130	130
8.65% Rural Electrification Corporation Ltd, 2019	80	80	80	80
8.70% Power Finance Corporation Ltd, 2020	50	50	50	50
8.70% PNB Housing Finance Ltd, 2016	500	505	500	505
8.80 % Central Bank Of India, 2024	50	50	50	50
8.80% Powergrid Corporation Ltd, 2020	1,000	998	1,000	998
8.80% Rural Electrification Corporation Ltd, 2019	1,000	1,003	1,000	1,003
8.80% Steel Authority Of India Ltd, 2019	5,000	5,005	5,000	5,005
8.81% Tamil Nadu Electricity Board, 2019	1,900	1,911	1,900	1,911
8.85% Industrial Development Bank Of India, 2016	330	334	330	334
8.90% Industrial Development Bank Of India, 2024	100	101	100	101
8.95% Bank Of Maharashtra, 2024	100	100	100	100
8.95% Industrial Development Bank Of India, 2024	100	101	100	101
9.00% Industrial Development Bank Of India, 2012	8	8	8	8
9.00% Industrial Development Bank Of India, 2013	3	3	3	3
9.00% Industrial Development Bank Of India, 2024	260	262	260	262
9.00% L&T Infrastructure Finance Co Ltd, 2012	1,000	1,009	1,000	1,009
9.10% Bank Of Maharashtra, 2021	100	101	100	101
9.15% Bank Of Baroda (Perpetual), 2019	1,000	1,001	1,000	1,001
9.20% Housing Development Finance Corporation Ltd, 2018	1,000	1,016	1,000	1,016
9.25% IDBI Bank Ltd, 2014	2,500	2,567	2,500	2,567
9.25% Power Finance Corporation Ltd, 2012	5	5	5	5
9.40% Syndicate Bank(Perpetual), 2019	500	506	500	506
9.48% Citi Finance Ltd, 2013	10	10	10	10
9.50% Housing Development Finance Corporation Ltd, 2017	1,000	1,029	1,000	1,029
9.50% Tourism Finance Corporation Of India Ltd, 2019	100	103	100	103
9.50%, Axis Bank Ltd, 2022	500	504	500	504
9.60% Reliance Capital Ltd, 2012	1,000	1,016	1,000	1,016
9.75% ICICI Home Finance Company Ltd , 2019	1,000	1,023	1,000	1,023
9.75% LIC Housing Finance Ltd, 2017	1,000	1,046	1,000	1,046
9.85% Mahindra & Mahindra Financial Services Ltd, 2019	2,500	2,484	2,500	2,484
9.90% Housing Development Finance Corporation Ltd, 2018	1,000	1,053	1,000	1,053
Tata Steel Ltd (NSE Mibor +2.5%), 2011	2,000	1,965	2,000	1,965
10.25% Government Of India, 2012	6	6	6	6
10.85% HDFC Bank Ltd, 2023	500	559	500	559

ANNEXURE I - NOTES TO THE FINANCIAL STATEMENTS

Bonds / Debentures / Government Securities purchased and sold during the year (Contd.)

Bonds / Debentures / Government Securities : Trade	Purchase		Sale/Redemption	
	Face Value	Cost	Face Value	Cost
	(Rs. in Lakh)	(Rs. in Lakh)	(Rs. in Lakh)	(Rs. in Lakh)
10.90 % Andhra Pradesh Power Finance Corporation Ltd, 2013	10	10	10	10
11.30% Government Of India, 2010	12	13	12	13
11.50 % Maharashtra State Financial Corporation, 2011	10	10	10	10
11.50% Sardar Sarovar Nagar Nigam Ltd, 2012	30	31	30	31
12.32% Government Of India, 2011	3	3	3	3
12.40% Government Of India, 2013	17	20	17	20
12.50% Andhra Pradesh Power Finance Corporation Ltd, 2013	5	5	5	5
13.50% Maharashtra State Road Development Corporation, 2016	7	8	7	8
6.17% Government Of India, 2023	50	45	50	45
6.25% Government Of India, 2018	400	376	400	376
6.40% State Development Loan, Tamil Nadu, 2013	17	16	17	16
6.80% State Development Loan, Karnataka, 2012	4	4	4	4
7.36% State Development Loan, Andhra Pradesh, 2014	4	4	4	4
7.37% Government Of India, 2014	2	2	2	2
7.39% State Development Loan, Andhra Pradesh, 2015	5	5	5	5
7.40% Government Of India, 2035	100	93	100	93
7.49% Government Of India, 2017	6	6	6	6
7.50% Government Of India, 2034	180	166	180	166
7.77% State Development Loan, Karnataka, 2015	2	2	2	2
7.77% State Development Loan, Andhra Pradesh, 2015	6	6	6	6
7.77% State Development Loan, Kerala, 2015	6	6	6	6
7.80% State Development Loan, Andhra Pradesh, 2012	2	2	2	2
8.00% State Development Loan, Karnataka, 2012	7	7	7	7
8.00% Tamil Nadu Electricity Board, 2011	11	11	11	11
8.00% Oil Bond, 2026	75	73	75	73
8.07% Government Of India, 2017	4	4	4	4
8.20% Indian Railway Finance Corporation Ltd, 2019	1,000	996	1,000	996
8.20% Indian Railway Finance Corporation Ltd, 2024	600	594	600	594
8.20% Indian Railway Finance Corporation Ltd, 2020	1,000	994	1,000	994
8.20% Oil Bond, 2024	130	129	130	129
8.24% Government Of India (Oil Bond), 2027	188	191	188	191
8.24% Government Of India, 2027	100	99	100	99
8.28% Government Of India, 2032	330	328	330	328
8.30% Fertilizer Bond, 2023	39	40	39	40
8.32% State Development Loan, Uttar Pradesh, 2019	20	20	20	20
8.33% State Development Loan, Gujarat, 2020	77	78	77	78
8.40% Government Of India (Oil Bond), 2025	55	57	55	57
8.42% State Development Loan, West Bengal, 2019	45	45	45	45
8.44% State Development Loan, Uttar Pradesh, 2019	50	50	50	50
8.45% Andhra Pradesh State Development Loan, 2018	25	25	25	25
8.49% State Development Loan, Bihar, 2019	50	51	50	51
8.90% State Bank Of India, 2023	240	242	240	242
9.40% Government Of India, 2012	5	5	5	5
9.40% State Development Loan, Andhra Pradesh, 2018	30	32	30	32
9.85% Government Of India, 2015	10	11	10	11

ANNEXURE I - NOTES TO THE FINANCIAL STATEMENTS

Mutual Funds units purchased and redeemed during the year

Mutual Fund Units : Trade	Purchase		Sale/Redemption	
	Units	Cost	Units	Cost
		(Rs. in Lakh)		(Rs. in Lakh)
NLPIDD Canara Robeco Treasury Advantage Institutional Daily Dividend Fund	8,060,643	1,000	8,060,643	1,000
DWS Ultra Short Term Fund - Institutional Daily Dividend	184,689,493	18,502	184,689,493	18,502
HDFC Cash Management Fund- Treasury Advantage Plan-Wholesale-Daily Dividend-Option Reinvest	19,949,125	2,001	19,949,125	2,001
HSBC Ultra Short Term Bond Fund- Institutional - Daily Dividend	9,989,883	1,000	9,989,883	1,000
ICICI Prudential Flexible Income Plan Premium -Daily Dividend	9,458,639	1,000	9,458,639	1,000
Kotak Flexi Debt Scheme Institutional-Daily Dividend	9,953,865	1,000	9,953,865	1,000
LIC MF Liquid Fund-Dividend Plan	9,110,165	1,000	9,110,165	1,000
Principal Ultra Short Term Fund --Dividend Reinvestment Daily	9,982,054	1,000	9,982,054	1,000
Principal Cash Management Fund -Liquid Option-Institutional Premium Plan-Dividend Reinvestment Daily	20,003,477	2,000	20,003,477	2,000
Reliance Liquidity Fund - Daily Dividend Reinvestment Option	169,963,204	17,002	169,963,204	17,002
Reliance money manager fund - Institutional Option -Daily Dividend Plan	1,748,798	17,508	1,748,798	17,508
SBI Magnum Insta Cash Fund-Daily Dividend Option	5,971,703	1,000	5,971,703	1,000

ANNEXURE II - NOTES TO THE FINANCIAL STATEMENTS

Disclosure of details as required in terms of paragraph 13 of Non Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

(Rupees in Lakh)

Particulars		Amount Outstanding	Amount Overdue
Liabilities Side:			
(1)	Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid		
	(a) Secured Debentures /Bonds -		
	Secured	-	-
	Unsecured (Other than falling within the meaning of public deposit)	58,039	-
	(b) Deferred Credits	-	-
	(c) Term Loans	207,773	-
	(d) Inter-corporate loans and borrowing	150	-
	(e) Commercial Papers	12,500	-
	(f) Public Deposits (Refer Note 1)	541	52
	(g) Other Loans (Working capital facility)	76,633	-
(2)	Break up of (1)(f) above (Outstanding Public Deposits inclusive of interest accrued thereon but not paid):		
	(a) In the form of Unsecured Debentures	-	-
	(b) In the form of partly secured Debentures i.e. Debentures where there is a shortfall in the value of security	-	-
	(c) Other public deposits (Refer Note 1)	541	52
Assets Side :			
(3)	Break-up of Loans and Advances including bills receivables [other than those included in (4) below]:		
	(a) Secured		177,495
	(b) Unsecured		42,197
(4)	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		147,885
	(c) Repossessed Assets		-
(5)	Break up of Investments		
	Current Investments		
	(1) Quoted:		
	(i) Shares: Equity		0.11
	(ii) Debentures and bonds		-
	(iii) Units of mutual funds		-
	(iv) Government Securities		-
	(v) Others		-
	(2) Unquoted:		
	(i) Shares: Equity		11
	(ii) Debentures and bonds		-
	(iii) Units of mutual funds		-
	(iv) Government Securities		-
	(v) Others		-

ANNEXURE II - NOTES TO THE FINANCIAL STATEMENTS

Disclosure of details as required in terms of paragraph 13 of Non Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

Assets Side :		Amount Outstanding
Long term investments		
(1) Quoted:		
(i) Shares: Equity		739
(ii) Debentures and bonds		-
(iii) Units of mutual funds		0.24
(iv) Government Securities		239
(v) Others		-
(2) Unquoted:		
(i) Shares: Equity		23,823
(ii) Debentures, bonds / units		-
(iii) Units of mutual funds		-
(iv) Government Securities		0.15
(v) Others (Investment in Funds)		45,931

(6) Borrower group-wise classification of assets financed as in (3) and (4) above:

Category	Amount net of provisions		
	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	5,710	3,901	9,611
(b) Companies in the same group	-	-	-
(c) Other related parties	-	96	96
2. Other than related parties	319,670	38,200	357,870
Total	325,380	42,197	367,577

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

Category	Market Value / Break up or fair value or NAV	Book Value (net of provisions)
1. Related Parties		
(a) Subsidiaries	4,749	4,749
(b) Companies in the same group	-	-
(c) Other related parties	2,500	2,500
2. Other than related parties	64,408	63,495
Total	71,657	70,744

(8) Other Information:

Particulars	Amount
i. Gross Non-Performing Assets	
(a) Related Parties	-
(b) Other than related Parties	-
ii. Net Non-Performing Assets	
(a) Related Parties	-
(b) Other than related Parties	-
iii. Assets acquired in satisfaction of debt	-

Note-1: As defined in Paragraph 2(1) (xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

BALANCE SHEET ABSTRACT

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO COMPANIES ACT, 1956 (AS AMENDED)

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No	L29219WB1985PLC055352	State Code	21
Balance Sheet Date	31st March 2010		

II. Capital Raised during the year (Amount in Rs.Thousands)

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
Preferential Allotment	Nil		

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	44,448,071	Total Assets	44,448,071
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Source of Funds

Paid up Capital	1,162,962	Reserves & Surplus	6,737,905
Equity Warrants	-	Unsecured Loans	7,025,643
Secured Loans	28,407,199	Deferred Tax	344,000

Application of Funds

Net Fixed Assets	831,061	Investments	7,073,261
Net Current Assets	35,773,387	Misc. Expenditure	-
Accumulated Losses	-		

IV. Performance of the Company (Amount in Rs. Thousand)

Turnover	4,701,324	Total Expenditure	3,219,983
Profit Before Tax [+]	1,481,341	Profit After Tax [+]	1,114,977
(+ for Profit, - for Loss)			
Earnings Per Share (in Rs.)		Dividend Per Share	Re.1.20
Basic	9.60	Dividend Rate(%)	12%
Dilutive	9.60		

V. Generic names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No (ITC Code)	Not Applicable		
Products Description	Financing Activity		
Item code No. (ITC Code)	-		
Products Description	-		
Item Code No. (ITC Code)	-		
Products Description	-		

On behalf of the Board of Directors

Hemant Kanoria
Chairman & Managing Director

Salil K. Gupta
Chief Mentor & Director

Sandeep Lakhotia
Company Secretary

Place : Kolkata

Date : 11th May, 2010

Statement Pursuant to Section 212 of The Companies Act, 1956 Relating to Subsidiary Companies



Name of the Subsidiary Company	Srei Venture Capital Ltd.	Global Investment Trust Ltd.	Srei Capital Markets Ltd.	Srei Forex Ltd.	Srei Infrastructure Advisors Ltd.	Controlia Electrotech Private Ltd.	Srei Sahaj e - Village Ltd.	Bengal Srei Infrastructure Development Ltd.	Hyderabad Information Technology Venture Enterprises Ltd.	Cyberabad Trustee Company Private Ltd.	Srei Infocomm Services Ltd.	IIS International Infrastructure Services GmbH	ZAO Srei Leasing
Accounting year of the Subsidiary Company	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	Dec 31, 2009
Shares of the Subsidiary Company													
a. Number and Face Value	250,000 Equity Shares of Rs.10/- each fully paid up	50,000 Equity Shares of Rs.10/- each fully paid up	5,050,000 Equity Shares of Rs.10/- each fully paid up	500,000 Equity Shares of Rs.10/- each fully paid up	500,000 Equity Shares of Rs.10/- each fully paid up	35,305 Equity Shares of Rs.10/- each fully paid up	1,000,000 Equity Shares of Rs.10/- each fully paid up	50,000 Equity Shares of Rs.10/- each fully paid up	250,000 Equity Shares of Rs.10/- each fully paid up	50,000 Equity Shares of Rs.10/- each fully paid up	50,000 Equity Shares of Rs.10/- each fully paid up	6,370,000 Euro#	330,750 Shares of RUB 1000/- each fully paid up
b. Extent of holding	100%	100%	100%	100%	100%	100%	51%	51% Held by Srei Infrastructure Advisors Ltd. & its Nominees	51% Held by Srei Venture Capital Ltd.	51% Held by Srei Venture Capital Ltd.	100% Held by Srei Infrastructure Advisors Ltd. & its Nominees	92.54%	63.49% Held by IIS International Infrastructure Services GmbH
Net Aggregate amount of Profit/(Loss) of the Subsidiary Company so far as it concerns the members of Srei Infrastructure Finance Limited.													
a. Not dealt with in the Account of Srei Infrastructure Finance Limited for the year ended March 31, 2010													
i for the Subsidiary's financial year ended March 31, 2010	Rs. 725,319	Rs. 73,938	Rs. 644,191	Rs. (13,326)	Rs. 27,380	Rs. (4,049,316)	Rs. 7,966,332	Rs. (1,236,489)	Rs. 464,331	Rs. 12,435	Rs. 8,322	Euro 1,065	RUB 3,282,264.00
ii for the previous financial years of the Subsidiary since it became the Holding Company's Subsidiary	Rs. 97,867,277	Rs. 609,989	Rs. 12,025,532	Rs. (1,360,895)	Rs. 615,567	Rs. (4,021,206)	Rs. 13,552,617	Rs. 1,809,493	Rs. 5,906,105	Rs. 12,780	Rs. (174,312)	Euro (237,336)	RUB 6,119,159
b. Dealt with in the Account of Srei Infrastructure Finance Limited for the year ended March 31, 2010													
i for the Subsidiary's financial year ended March 31, 2010	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	N.A
ii for the previous financial years of the Subsidiary since it became the Holding Company's Subsidiary	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	N.A

@ For the financial year ended 31st December, 2009

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

Hemant Kanoria
Chairman & Managing Director

Sailesh K. Gupta
Chief Mentor & Director

On behalf of the Board of Directors
Sandeep Lakhota
Company Secretary

Place : Kolkata
Date : 11th May, 2010

Consolidated Financial Statements Auditors' Report

To The Board Of Directors Of

Srei Infrastructure Finance Limited

1. We have audited the attached Consolidated Balance Sheet of SREI INFRASTRUCTURE FINANCE LIMITED ("the Company"), its subsidiaries (including its subsidiaries and joint venture) and jointly controlled entities (including its subsidiary) (the Company, its subsidiaries and jointly controlled entities constitute "the Group") as at 31st March, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include investments in the jointly controlled entities accounted in accordance with Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company's Management and have been prepared 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.
 - a. We did not audit the financial statements of certain subsidiaries (including their subsidiaries and joint venture), whose financial statements reflect total assets of Rs. 46,073 lakh as at 31st March, 2010, total revenues of Rs. 14,057 lakh and net cash inflows amounting to Rs. 1,451 lakh for the year ended on that date as considered in the Consolidated Financial Statements. We have also not reviewed the financial statements of a subsidiary of the joint venture of the Company whose financial statements reflect total assets of Rs. 304 lakh, total revenues of Rs. 194 lakh and net cash outflows amounting to Rs. 22 lakh for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these subsidiaries (including their subsidiaries and joint venture) and the subsidiary of the joint ventures is based solely on the reports of the other auditors except for in case of a foreign sub subsidiary where reliance has also been placed on the management accounts for the 3 month period ended 31st March 2010 and 31st March 2009.
 - b. *Without qualifying our opinion we draw attention to the note no. 8 to Schedule 19(II) regarding certain long term project loans of the Joint Venture Company. We have not been provided appropriate audit evidence to justify the recoverability of these loans.*
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 the 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. a. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) and Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified under the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of the separate audit reports on individual financial statements of the Company, its aforesaid subsidiaries (including its subsidiaries and joint venture) and joint ventures (including its subsidiary) and to the best of our information and according to the explanations given to us the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2010;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No.302009E)

Abhijit Bandyopadhyay

Place : Kolkata

Partner

Date : 11th May, 2010

Membership No. 054785

Consolidated Profit and Loss Account for the year ended 31st March, 2010

(Rupees in Lakh)

	Schedule	2010	2009
INCOME			
Income from Operations	14	96,957	84,313
Other Income	15	259	840
Total		97,216	85,153
EXPENDITURE			
Staff Expenses	16	6,259	5,383
Administrative & Other Expenses	17	8,623	10,665
Finance Charges	18	53,279	52,221
Depreciation		4,328	3,658
Miscellaneous Expenditure written off		73	44
Total		72,562	71,971
PROFIT BEFORE BAD DEBTS AND PROVISIONS		24,654	13,182
Bad Debts/Advances written off		2,590	87
Provisions as per the norms of Reserve Bank of India & Foreign Financial Institutions		210	2,513
Provision for Premium on Unsecured Subordinated Bonds		88	88
		2,888	2,688
PROFIT BEFORE TAX		21,766	10,494
Provision for Tax:			
- Current Tax		3,437	701
- MAT Credit Entitlement		(2,190)	(711)
- Deferred Tax		4,619	2,199
- Fringe Benefits Tax		-	46
- Income Tax in respect of earlier years		220	2
PROFIT AFTER TAX BEFORE SHARE OF RESULTS OF ASSOCIATE AND MINORITY INTERESTS		15,680	8,257
Share of loss of Associates		-	-
PROFIT AFTER TAX BEFORE MINORITY INTERESTS		15,680	8,257
Minority Interest		94	49
NET PROFIT		15,586	8,208
Minority Interest of Pre Acquisition (Profit)/ Loss		-	(4)
PROFIT AFTER TAX AFTER ADJUSTMENT OF MINORITY INTERESTS		15,586	8,204
Surplus brought forward from previous year		15,775	13,353
PROFIT AVAILABLE FOR APPROPRIATION		31,361	21,557
APPROPRIATIONS			
Special Reserve (As per Reserve Bank of India Guidelines)		3,151	1,647
Debt Redemption Reserve (Net)		667	2,629
General Reserve		300	3
Proposed Dividend		1,394	1,163
Corporate Dividend Tax on Proposed Dividend		231	198
Adjustment due to conversion of Subsidiary into Joint Venture		-	142
Surplus carried to Balance Sheet		25,618	15,775
Total		31,361	21,557
Earnings Per Equity Share (Basic & Diluted) in Rs.		13.42	7.07
(Face Value Rs. 10/- per Share)			
Significant Accounting Policies and Notes to Financial Statements as per our report of even date	19		

The Schedules referred to above form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our report of even date.

For Deloitte Haskins & Sells

Chartered Accountants
(Regn. No. : 302009E)

Abhijit Bandyopadhyay
Partner
M. No. : 054785

Place : Kolkata
Date : 11th May 2010
10 Lakh is equal to 1 Million

On behalf of the Board of Directors

Hemant Kanoria
Chairman & Managing Director

Salil K. Gupta
Chief Mentor & Director

Sandeep Lakhota
Company Secretary

Consolidated Cash Flow Statement for the year ended 31st March, 2010

(Rupees in Lakh)

	2010	2009
A. Cash Flow from Operating Activities¹		
Net Profit Before Tax	21,766	10,494
Adjustment for :		
Depreciation	4,328	3,658
Bad Debts/stock for trade written off	2,590	87
Provision for Non- Performing Assets & Doubtful debts	210	2,513
Provision for Premium on Unsecured Subordinated Bonds	88	88
Loss on sale of Fixed Assets(net)	13	-
Profit on sale of Fixed Assets	-	353
Interest Expenses	53,279	52,221
Income from Trade Investments	(1,185)	(2,452)
Miscellaneous Expenditure Written off	73	44
Liabilities No Longer Required Now Written Back	(4)	-
Dividend Income	(145)	(67)
Provision for Diminution in value of Stock for Trade	7	5
Provision for Diminution in value of Investments	138	166
Operating Profit before Working Capital Changes	81,158	67,110
Adjustments for:		
(Increase) / Decrease in Receivables/Others	(229,089)	(70,277)
(Increase) / Decrease in Stock for Trade	26	25
(Increase) / Decrease in Financial Assets	(17,374)	163,961
(Decrease) / Increase in Trade Payables	4,150	6,382
Cash Generated from Operations	(161,129)	167,201
Interest Paid	(55,683)	(54,661)
Direct Taxes paid	(2,768)	(963)
Net Cash (Used in) / Generated from Operating Activities	(219,580)	111,577
B. Cash Flows from Investing Activities		
Purchase of Fixed Assets	(5,621)	5,806
Proceeds from Sale of Fixed Assets	202	1,604
(Increase) / Decrease in Investments	(22,968)	(12,359)
Income from Trade Investments	1,185	2,452
Dividend Received	145	67
Net Cash (Used) / Generated in Investing Activities	(27,057)	(2,430)
C. Cash Flows from Financing Activities		
Issue of Equity Capital (including premium)	-	37,582
Net Increase in Borrowings	228,786	(124,719)
Dividend Paid	(1,162)	(1,396)
Dividend Tax	(198)	(237)
Net Cash (Used) / Generated in Financing Activities	227,426	(88,770)
Net Increase / (Decrease) in Cash & Cash Equivalents	(19,211)	20,377
Cash & Cash Equivalents as on 1st April, 2009	48,308	27,931
Cash & Cash Equivalents as on 31st March, 2010	29,097	48,308

Notes:

1	The above Cash Flows from operating activities have been prepared under the Indirect Method as set out in the Accounting Standard 3 (AS 3) 'Cash Flow Statements' notified by the Central Government under Companies (Accounting Standards) Rules, 2006		
1	Cash and Cash Equivalent at the end of the year as per Balance Sheet	29,097	48,308
	Less: Fixed Deposits under Lien	17,608	14,592
		11,489	33,716
2	Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.		

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

For **Deloitte Haskins & Sells**
Chartered Accountants
[Regn No. 302009E]

On behalf of the Board of Directors

Abhijit Bandyopadhyay
Partner
M. No. 054785
Place : Kolkata
Date : 11th May, 2010
10 Lakh is equal to 1 Million

Hemant Kanoria
Chairman & Managing Director

Salil K. Gupta
Chief Mentor & Director

Sandeep Lakhota
Company Secretary

Schedules to the Consolidated Balance Sheet as at 31st March, 2010

(Rupees in Lakh)

		2010		2009
SCHEDULE 1 - SHARE CAPITAL				
Authorised				
400,000,000 Equity Shares of Rs. 10/- each		40,000		40,000
(Previous year 400,000,000 shares of Rs.10/- each)				
30,000,000 Preference Shares of Rs. 100/- each		30,000		30,000
(Previous year 30,000,000 shares of Rs. 100/- each)				
		70,000		70,000
Issued and Subscribed				
116,617,625 Equity Shares of Rs. 10/- each		11,661		11,661
(Previous year 116,617,625 shares of Rs. 10/ each)				
Paid up				
116,144,798 Equity Shares of Rs.10/- each fully paid up		11,614		11,614
(Previous year 116,144,798 shares of Rs. 10/- each)				
Add : Forfeited Shares		15		15
		11,629		11,629
SCHEDULE 2 - RESERVES & SURPLUS				
Capital Reserves				
As per Last Balance Sheet	199		184	
Add: Addition during the year	1,780	1,979	15	199
Share Premium Account				
As per Last Balance Sheet	69,574		31,992	
Add: Addition during the year	-	69,574	37,582	69,574
General Reserve				
As per Last Balance Sheet	1,437		1,434	
Add: Addition during the year	300	1,737	3	1,437
Bond/Debt Redemption Reserve				
As per Last Balance Sheet	5,636		3,822	
Add: Addition during the year	667	6,303	1,814	5,636
Special Reserve as per Reserve Bank of India Guidelines				
As per Last Balance Sheet	9,312		7,909	
Add: Addition during the year	3,151	12,463	1,403	9,312
Foreign currency translation reserve				
As per Last Balance Sheet	(404)		181	
Add: Addition during the year	68	(336)	(585)	(404)
Profit & Loss Account				
As per Last Balance Sheet	15,775		13,353	
Add: Addition during the year	9,843	25,618	2,422	15,775
		117,338		101,529
SCHEDULE 3 - SECURED LOANS				
Debentures		42,729		41,348
Term Loans:				
Banks		242,543		124,687
Foreign Banks		92,417		86,237
Domestic Financial Institutions		5,590		12,814
Foreign Financial Institutions		46,152		40,107
Working Capital Facilities from Banks		127,472		68,943
Foreign Guaranteed Local Currency Bonds		375		563
Public Deposits		468		453
Other Secured Loans		1		3
		557,747		375,155

10 Lakh is equal to 1 Million

Schedules to the Consolidated Balance Sheet as at 31st March, 2010

(Rupees in Lakh)

	2010	2009
SCHEDULE 4 - UNSECURED LOANS		
Debentures	34,650	-
Subordinated Debenture/Bonds/Loan	44,888	16,368
Short Term Loans and Advances:		
Domestic Banks	-	12,500
Domestic Financial Institutions	-	10,250
Others	150	1,204
Other Loans and Advances:		
Commercial Papers	17,750	-
Domestic Banks	-	3,750
Foreign Banks	678	1,220
Domestic Financial Institutions	-	6,250
Foreign Financial Institutions	1,096	1,532
	99,212	53,074

SCHEDULE 5 - FIXED ASSETS

(Rupees in Lakh)

Particulars	Gross Block				Depreciation / Amortisation				Net Block	
	As of 1st April, 2009	Additions during the year	Sales / Adjustments during the year	As of 31st March, 2010	As of 1st April, 2009	For the year	Sales / Adjustments during the year	As of 31st March, 2010	As of 31st March, 2010	As of 31st March, 2009
Assets for Own use:										
Freehold Land	235	-	-	235	-	-	-	-	235	235
Buildings	2,501	-	17	2,484	34	40	-	74	2,410	2,467
Leasehold Improvements	-	21	-	21	-	-	-	-	21	-
Furniture & Fixtures	1,150	177	37	1,290	115	138	10	243	1,047	1,035
Motor Vehicles	80	7	5	82	11	11	1	21	61	69
Machinery	1,394	198	5	1,587	269	240	1	508	1,079	1,125
Total (A)	5,360	403	64	5,699	429	429	12	846	4,853	4,931
Intangible Assets - Others										
Software	334	153	-	487	57	42	-	99	388	277
Tenancy Right	4	-	-	4	1	1	-	2	2	3
Total (B)	338	153	-	491	58	43	-	101	390	280
Total (C) (A+B)	5,698	556	64	6,190	487	472	12	947	5,243	5,211
Assets for Operating Lease:										
Aeroplanes/Aircraft	3,058	-	-	3,058	297	291	-	588	2,470	2,761
Earthmoving Equipments	3,261	162	94	3,329	556	463	30	989	2,340	2,705
Motor Vehicles	7,869	577	186	8,260	1,713	1,582	87	3,208	5,052	6,156
Plant & Machinery	7,858	1,100	-	8,958	621	838	-	1,459	7,499	7,237
Wind Mills	7,737	-	-	7,737	541	433	-	974	6,763	7,196
Computers	129	803	-	932	8	106	-	114	818	121
Furnitures and Fixtures	-	750	-	750	-	102	-	102	648	-
Solar Equipments	-	23	-	23	-	1	-	1	22	-
Total (D)	29,912	3,415	280	33,047	3,736	3,816	117	7,435	25,612	26,176
Intangible Assets										
Software	-	893	-	893	-	40	-	40	853	-
Total (E)	-	893	-	893	-	40	-	40	853	-
Total (C+D+E)	35,610	4,864	344	40,130	4,223	4,328	129	8,422	31,708	31,387
Previous year	53,024	14,383	31,797	35,610	9,651	3,658	9,086	4,223	31,387	

Schedules to the Consolidated Balance Sheet as at 31st March, 2010

(Rupees in Lakh)

	2010	2009
SCHEDULE 6 - INVESTMENTS, FULLY PAID UP		
In Government, Government guaranteed securities, bonds & units	243	243
In Other Securities	66,831	44,139
	67,074	44,382
SCHEDULE 7 - SUNDRY DEBTORS		
Sundry Debtors Operating Lease - Secured, Considered good		
Debts outstanding for a period exceeding six months	89	77
Other Debts	342	466
Sundry Debtors Others - Unsecured, Considered good		
Debts outstanding for a period exceeding six months	5,874	1,534
Other Debts	4,539	4,682
	10,844	6,759
SCHEDULE 8 - CASH AND BANK BALANCES		
Cash & Bank Balances		
Cash in hand	53	58
With Scheduled Banks		
- In Unclaimed Dividend Account	36	35
- In Current Account	9,909	9,104
- In Fixed Deposit Account [includes Rs 17608 Lakh under lien (previous year Rs. 14,592 Lakh)]	19,099	39,111
	29,097	48,308
SCHEDULE 9 - FINANCIAL & OTHER CURRENT ASSETS		
Interest accrued but not due on investments/Fixed deposits/Loans	161	236
Stock for Trade	11	44
Financial Assets	314,127	299,343
	314,299	299,623
SCHEDULE 10 - LOANS & ADVANCES		
Secured, Considered Good:		
- Loan	171,785	94,886
- Advance for Operating Lease	140,030	3,594
Unsecured Loan, Considered Good:		
- Loan Others	14,172	1,400
Advances recoverable in cash or in kind or for value to be received		
Advance Tax [net of provision for tax Rs.5,325 Lakh (previous year Rs. 2,159 Lakh)]	913	1,594
MAT Credit Entitlement	2,727	792
Others	32,224	32,097
	361,851	134,363
SCHEDULE 11 - CURRENT LIABILITIES		
Sundry Creditors for Operating Lease		
- total outstanding dues of micro,small and medium enterprises	-	-
- total outstanding dues of creditors other than micro,small and medium enterprises	54	811
Sundry Creditors - Others		
- total outstanding dues of micro,small and medium enterprises	-	-
- total outstanding dues of creditors other than micro,small and medium enterprises	1,633	3,077
Amounts to be credited to Investor Education and Protection Fund*		
Unpaid dividend	36	35
Unpaid matured deposits	52	62
Other liabilities	8,384	2,835
Interest accrued but not due on loans	3,818	6,064
	13,977	12,884

* There is no amount overdue as at Balance Sheet date

10 Lakh is equal to 1 Million

Schedules to the Consolidated Balance Sheet as at 31st March, 2010

(Rupees in Lakh)

	2010	2009
SCHEDULE 12 - PROVISIONS		
Provision for Fringe Benefits Tax	7	54
Proposed Dividend	1,394	1,163
Provision for Corporate Dividend Tax	231	198
Provision as per the norms of Reserve Bank of India & Foreign Financial Institution	4,992	4,903
Provision for Employee Benefits	513	486
Provision for Premium on Unsecured Subordinated Bonds	248	318
	7,385	7,122
SCHEDULE 13 - MISCELLANEOUS EXPENDITURE		
(To the extent not written off or Adjusted)		
Opening Balance		
Share issue expenses	39	41
Bonds and Debentures issue expenses	51	128
Share issue expenses (GDR)	170	398
	260	567
Add: Addition during the year		
Bonds and Debentures issue expenses	239	-
	499	567
Less: Adjustment		
Share issue expenses	-	-
Bonds and Debentures issue expenses	-	64
Share issue expenses (GDR)	-	199
	-	263
Less: Amounts written off during the year		
Share issue expenses	-	2
Bonds and Debentures issue expenses	44	13
Share issue expenses (GDR)	29	29
	73	44
Closing Balance		
Share issue expenses	39	39
Bonds and Debentures issue expenses	246	51
Share issue expenses (GDR)	141	170
	426	260

Schedules to the Consolidated Profit and Loss Account for the year ended 31st March, 2010

(Rupees in Lakh)

	2010	2009
SCHEDULE 14 - INCOME FROM OPERATIONS		
Income from Financial Assets & Loans	78,714	55,044
Income from Operating Lease	4,352	5,376
Assignment Receipt	-	8,900
Income from I T Infrastructure and CSC Services	3,436	1,847
Fee Based Income	4,852	7,406
Professional Fees	1,170	1,252
Income from Trade Investments		
- Long term	1,185	2,452
Interest from Trade Investments		
- Long term	-	5
- Stock for Trade	121	79
Profit/Loss on sale of Investments(net)		
- Long term	1,123	94
- Stock for Trade	42	393
Interest received from Govt. Securities/Banks	1,435	1,166
Dividend from Trade Investments	145	67
Income from Sub-letting	382	232
	96,957	84,313

10 Lakh is equal to 1 Million

Schedules to the Consolidated Profit and Loss Account for the year ended 31st March, 2010

(Rupees in Lakh)

	2010	2009
SCHEDULE 15 - OTHER INCOME		
Profit on sale of Fixed Assets	-	353
Liabilities No Longer Required Written Back	4	-
Others	255	487
	259	840
SCHEDULE 16 - STAFF EXPENSES		
Salaries, Allowances, Commission & Bonus	5,815	5,044
Contribution to Provident and Other Funds	355	273
Staff Welfare Expenses	89	66
	6,259	5,383
SCHEDULE 17 - ADMINISTRATIVE & OTHER EXPENSES		
Communication Expenses	749	217
Legal & Professional Fees	3,496	6,404
Electricity Charges	181	95
Rent	763	582
Rates and Taxes	274	286
Brokerage and Service Charges	150	157
Auditors' Remuneration	70	57
Repairs - Building	72	-
Machinery	176	155
Others	346	296
Travelling and Conveyance	1,341	1,288
Directors' Fees	16	15
Insurance	52	54
Printing and Stationery	139	129
Advertisement and Subscription	271	370
Provision for Diminution in value of Stock for Trade	7	5
Provision for Diminution in value of Investments	138	166
Loss on sale of Fixed Assets(net)	13	-
Miscellaneous Expenses	369	389
	8,623	10,665
SCHEDULE 18 - FINANCE CHARGES		
Interest on Debentures	7,729	6,624
Interest on Other Fixed Loans:		
Term Loans from Domestic Banks/Financial Institutions	21,767	13,204
Term Loans from Foreign Banks/Financial Institutions	12,262	22,614
Public Deposits	43	48
Bonds	1,746	1,724
Interest on Working Capital Facilities	5,667	6,262
Interest Others	102	164
Other Financial Charges	3,963	1,581
	53,279	52,221

10 Lakh is equal to 1 Million

Schedules to the Consolidated Balance Sheet and Profit and Loss Account

SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

I-A Principal Accounting Policies

1. Basis of Preparation

- 1.1 The Consolidated financial statements are prepared in accordance with the historical cost convention and the accrual basis of accounting.
- 1.2 These are presented in accordance with Generally Accepted Accounting Principles in India, provisions of the Companies Act, 1956, Accounting Standards notified by the Central Government under the Companies (Accounting Standards) Rules, 2006 and the guidelines issued by the Reserve Bank of India, wherever applicable.
- 1.3 The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities including Contingent Liabilities as of the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

2. Principles of Consolidation

The consolidated financial statements 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 Srei Infrastructure Finance Limited (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 fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.
- b) In case of investments in subsidiaries where the holdings are 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.
 - iii) Minority interest's share of net profit for the year of consolidated subsidiaries as identified and adjusted against profit after tax of the group.
- 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 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 recognized in the financial statements as Goodwill. It is tested for impairment on a periodic basis and written-off if found impaired.
- f) The excess of Holding Company's portion of equity of the Subsidiary over cost as at the date of investment is treated as Capital Reserve.
- 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.

I-B Significant Accounting Policies

1.1 Revenue Recognition

Income from Operations is recognized in the Profit & Loss Account on accrual basis as stated herein except in the case of non-performing assets where it is recognized, upon realisation, as per the Prudential Norms of Reserve Bank of India, applicable to Non-Banking Financial Companies.

1.2 Income from Financial Assets & Loans

It is recognized 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.

Schedules to the Consolidated Balance Sheet and Profit and Loss Account

SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

1.3 Income from Operating Lease

It is recognized as rentals, as accrued over the period of lease, net of value added tax, if applicable.

1.4 Securitizations, Assignments and Co-Branded Agreements

Income arising from securitization and assignment of Financial Assets & Loans is amortized over the life of the contract. In case of co-branded arrangements income is accounted on accrual basis over the life of the contract as provided under respective arrangements. These are included in Income from Financial Assets & Loans under Income from Operations.

1.5 Fee Based Income

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

1.6 Income from IT Infrastructure

Income from IT infrastructure has been disclosed net of associated costs. The associated costs comprise of movement in inventory and other direct expenses.

1.7 Other Operating Income

Dividend Income is accounted when the right to receive the payment is established. Income from investment in Funds is recognized on cash basis as per the Prudential Norms of the Reserve Bank of India. All other operating income is accounted for on accrual basis.

1.8 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.

1.9 Other Income

All other income is accounted for on accrual basis.

2. Fixed Assets and Depreciation/Amortization

2.1 Fixed Assets include assets given under Operating Lease. Fixed Assets are stated at Cost less accumulated depreciation. Cost includes taxes, duties, freight and incidental expenses related to the acquisition and installation of the assets.

2.2 Intangible Assets expected to provide future enduring economic benefits are stated at cost less amortization. Cost comprises purchase price and directly attributable expenditure in making the asset ready for its intended use.

2.3 Depreciation is provided on straight line method applying the rates prescribed in Schedule XIV to the Companies Act, 1956 or based on estimated useful life, whichever is higher. 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	61 years
ii) Furniture & Fixture	16 years
iii) Motor Vehicles	11 years
iv) Computers	6 years
v) General Plant & Machinery	21 years
vi) Intangible Assets	6 years
II. Assets for Operating Lease	
vii) Aeroplanes/ Aircrafts	9 - 18 years
viii) Ships	10 years
ix) Earthmoving Equipments	3 - 9 years
x) Motor Vehicles	3 - 6 years
xi) Plant & Machinery	21 years
xii) Wind mills	19 years
xiii) Computers	3 - 6 years
xiv) Furniture & Fixture	3 - 5 years
xv) Solar Equipments	5 years
xvi) Oil Rig	9 years
xvii) Gas Gensets	10 years
xviii) Intangible Assets	3 - 6 years

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

Schedules to the Consolidated Balance Sheet and Profit and Loss Account

SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

2.4 Depreciation on assets sold during the year is recognised on a pro-rata basis to the profit and loss account till the date of sale.

2.5 Lease-hold assets are amortized over the period of the Lease.

3. Impairment of Fixed Assets

Wherever events or changes in circumstances indicate that the carrying amount of fixed assets may be impaired, the Company subjects such assets to a test of recoverability, based on discounted cash flows expected from use or disposal thereof. If the assets are impaired, the Company recognizes an impairment loss as the excess of the carrying amount over the recoverable amount.

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

A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However the carrying amount after reversal is not increased beyond the carrying amount that would have prevailed by charging usual depreciation if there was no impairment.

4. Capital Work in Progress / Advance for Operating Lease

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

5. Investments

5.1 Investments are classified into "Current" and "Long Term" investments.

5.2 All long term investments including investments in subsidiary companies are stated at cost. Provision for diminution in value, other than temporary, is considered wherever necessary on an individual basis.

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

5.4 Investments held as stock for trade are valued at lower of cost and market price determined category-wise.

6. Financial Assets

6.1 Financial Assets includes assets under Loan / Hypothecation facility. These are shown net of assets securitized.

6.2 Financial Assets are valued at net investment amount including installments fallen due and net of unmatured / unearned finance charges etc., amounts received, assets not paid for and include assets acquired in satisfaction of debt.

7. Loan Assets

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

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

8. Provision for Non-Performing Assets and Bad Debts

8.1 Relating to Loans & Operating Lease Receivables:

8.1.1 Provisions for Non-Performing assets are considered in the financial statements according to Prudential Norms prescribed by the Reserve Bank of India (RBI). Additional provision as per the norms of Foreign Financial Institutions (FFI) has also been made as follows:

Financial & Loan Assets:

Asset Classification	Arrear Period	Provision as per RBI	Provision as per FFI	Provision adopted by the Company
		% of Portfolio	% of Portfolio	% of Portfolio
Standard	Upto 90 days	Nil	Nil	Nil
	91 to 180 days	Nil	20	20
Sub-Standard	181 to 360 days	10	50	50
	361 to 365 days	10	100	100
	More than 12 months to 24 months	10	100	100
Doubtful (Unsecured)	More than 24 months	100	100	100
Doubtful (Secured)	More than 24 months to 36 months	20	100	100
	More than 36 months to 60 months	30	100	100
	Above 60 months	50	100	100
Loss	As per Management discretion	100	100	100

Schedules to the Consolidated Balance Sheet and Profit and Loss Account

SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Operating Lease Receivables:

Asset Classification	Arrear Period	Provision as per RBI	Provision as per FFI	Provision adopted by the Company
		% of Outstanding	% of Outstanding	% of Outstanding
Standard	Upto 90 days	Nil	Nil	Nil
	91 to 180 days	Nil	20	20
	181 to 360 days	Nil	50	50
	361 to 365 days	Nil	100	100
Sub-Standard	More than 12 months to 24 months	10	100	100
	More than 24 months to 30 months	40	100	100
Doubtful	More than 30 months to 36 months	40	100	100
	More than 36 months to 48 months	70	100	100
	More than 48 months	100	100	100
Loss	As per Management Discretion	100	100	100

8.1.2 Loan and financial assets overdue for more than four years or as per the management discretion are considered as bad debts and written off.

8.2 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.

8.3 Provision for other debts arising from services is considered in the financial statements according to the Prudential Norms prescribed by the Reserve Bank of India.

9. Foreign Currency Transactions

9.1 Foreign currency transactions are recorded at the exchange rates prevailing at the time of transaction.

9.2 Monetary Assets and liabilities expressed in foreign currencies are translated into Indian Rupees at the exchange rate prevailing at the Balance Sheet date except with respect to liabilities where exchange fluctuation losses are to be borne by customers. Any loss or gain arising from loans payable has been included in Finance Charges as per the provisions of Accounting Standards 16 and 11 notified by the Central Government under the Companies (Accounting Standards) Rules, 2006.

9.3 In respect of forward exchange contracts entered into by the Company, the difference between the forward rate and the exchange rate on the date of the transaction are recognized as income or expense over the life of the contract.

Gain/loss on settlement of transactions arising on renewal/cancellation are recognized as income or expense in the period in which these are renewed or cancelled.

9.4 In respect of Derivative contracts, premium paid, gains/losses on settlement and provisions for losses determined in accordance with principles of prudence, on category wise basis, are recognized in the Profit & Loss Account.

10. Prior Period and Extra Ordinary Items

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

11. Borrowing Costs

Borrowing costs to the extent attributed to the acquisition/construction of qualifying assets are capitalized up to the date when such assets are ready for its intended use and all other borrowing costs are recognized as an expense in the period in which they are incurred.

12. Employee Benefits

12.1 Short term employee benefits

Short term employee benefits based on expected obligation on undiscounted basis are recognized as expense in the Profit and Loss account of the period in which the related service is rendered.

12.2 Defined contribution plan

Company's contribution towards Regional Provident Fund Authority and Employee State Insurance Corporation are charged to the Profit and Loss Account.

12.3 Defined benefit plan

Company's liability towards gratuity is a defined benefit plan. Such liabilities are ascertained by an independent actuarial as per the requirements of Accounting Standard – 15 (revised 2005) "Employee Benefits".

All actuarial gains and losses are recognized in Profit and Loss Account in the year in which they occur.

Schedules to the Consolidated Balance Sheet and Profit and Loss Account

SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

13. Taxes on Income

- 13.1 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.
- 13.2 Deferred tax is recognized on timing differences being the differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
- 13.3 Deferred tax assets subject to the consideration of prudence are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.
- 13.4 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 realized against future taxable profits.

14. Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events; it is probable that there will be an outflow of resources and a reliable estimate can be made of the amount of the obligation. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

15. Earnings per Share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard-20, Earnings Per Share notified by the Central Government under the Companies (Accounting Standards) Rules, 2006. Basic earnings per equity share has been computed by dividing net profit after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing the net profit after tax for the year by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

16. Assets under Management

- 16.1 Contracts securitised or assigned are derecognised from the books of accounts. Co-branded loan transactions are originated by the Company on behalf of partner bank/financial institution.
- 16.2 Contingent liabilities, if any, for such contracts are disclosed separately.

17. Inventories

Inventories have been valued at purchase cost on weighted average method or net realisable value whichever is lower.

18. Miscellaneous Expenditure:

Miscellaneous Expenditure represents:

- i. Expenses incurred on issue of Equity Shares, Global Depository Receipts (GDRs), Long Term Bonds and Debentures, which are amortized as follows:-
 - (a) The expenses on issue of Equity Shares, GDRs are amortized over a period of ten years from the year in which the same was incurred
 - (b) The expenses on issue of Bonds and Debentures are being amortized over the tenure of the respective Bonds and Debentures.
- ii. Preliminary expenses are written off in the year of incurrence.

II. Notes on Consolidated Financial Statements

1. In accordance with Accounting Standard 21 "Consolidated Financial Statements" notified by Central Government under Companies (Accounting Standards) Rules, 2006, the Consolidated Financial Statements of the Holding Company includes the financial statements of all its subsidiaries and sub-subsidiaries which are more than 50% owned and controlled. Enterprises over which the Company exercise 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.

Schedules to the Consolidated Balance Sheet and Profit and Loss Account

SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

2. The details of subsidiaries (including their subsidiaries and joint ventures), associates and joint ventures (including their subsidiary) are as follows –

Name of the Company	Country of incorporation	% Holding As at 31st March, 2010	% Holding As at 31st March, 2009
Subsidiary			
Srei Infrastructure Advisors Ltd.	India	100	100
Srei Venture Capital Ltd.	India	100	100
Srei Sahaj e-Village Ltd.	India	51	51
Srei Capital Markets Ltd.	India	100	100
Srei Forex Ltd.	India	100	100
Global Investment Trust Ltd.	India	100	100
Controlla Electrotech Private Ltd.	India	100	100
IIS International Infrastructure Services GmbH	Germany	92.54	92.54
Srei Mutual Fund Trust Private Ltd. w.e.f. 27.11.2009	India	100	-
Srei Mutual Fund Asset Management Private Ltd w.e.f. 27.11.2009	India	100	-
Orbis Power Venture Private Ltd.(refer note no. 6 below)	India	17	-
Sub-Subsidiaries			
Srei Infocomm Services Ltd. (Subsidiary of Srei Infrastructure Advisors Ltd.)	India	100	100
Bengal Srei Infrastructure Development Limited (Subsidiary of Srei Infrastructure Advisors Ltd.)	India	51	51
ZAO SREI Leasing (Subsidiary of IIS International Infrastructure Services GmbH)	Russia	63.49	63.49
Hyderabad Information Technology Venture Enterprises Ltd. (Subsidiary of Srei Venture Capital Ltd.)	India	51	51
Cyberabad Trustee Company Pvt. Ltd. (Subsidiary of Srei Venture Capital Ltd.)	India	51	51
Srei Advisors Pte Ltd., (Subsidiary of IIS International Infrastructure Services GmbH, Germany w.e.f. 25.02.2010)	Singapore	85	-
DPSC Ltd. (Subsidiary of Orbis Power Venture Private Ltd w.e.f.29.01.2010) (refer note no. 6 below)	India	58.88	-
Associate			
Quippo Infrastructure Equipment Ltd. (ceased to be associate w.e.f. 30.09.2008)	India	16.85	16.85
Joint Venture (including its subsidiary)			
Srei Equipment Finance Pvt. Ltd. (SEFPL)	India	50	50
Srei Insurance Broking Pvt. Ltd. (Subsidiary of SEFPL)	India	100	100
Joint Venture of Subsidiary			
Srei (Mauritius) Infrastructure Development Corporation Ltd. (JV between Srei Infrastructure Advisors Ltd and The State Investment Corporation Ltd of Mauritius)	Mauritius	50	50
Aalat LLC (JV between IIS International Infrastructure Services GmbH and Waha Capital PJSC w.e.f. 30.12.2009)	United Arab Emirates, Abu Dhabi	49	-
Associate of Subsidiary			
Spice Internet Service Provider Private Ltd. (Associate of Srei Sahaj e-Village Ltd. w.e.f. 16.03.2010)	India	49	-

3. The audited financial statements of IIS International Infrastructure Services GmbH (IIS) and management accounts of Srei (Mauritius) Infrastructure Development Corporation Ltd. up to 31st March 2010 have been prepared in accordance with

Schedules to the Consolidated Balance Sheet and Profit and Loss Account

SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

International Financial Reporting Standards. Differences in accounting policies arising there from are not material.

The audited Balance Sheet of ZAO Srei Leasing (ZAO), subsidiary of IIS is prepared upto 31st December every year. Management accounts for the period 1st January, 2009 to 31st March, 2009 and 1st January 2010 to 31st March 2010 has been used for consolidation with IIS. The accounts of ZAO have been prepared in accordance with International Financial Reporting Standards. Differences in accounting policies arising there from are not material.

4. During the year, the Company has invested 100% equity stake in Srei Mutual Fund Asset Management Private Ltd. and Srei Mutual Fund Trust Private Ltd. and accordingly have become subsidiaries of the Company w.e.f. 27th November, 2010.
5. Srei Mutual Fund Trust Private Ltd, Srei Mutual Fund Asset Management Private Ltd., Srei Advisors Pte Ltd., Aalat LLC and Spice Internet Service Provider Private Ltd. have not been consolidated since the amounts involved in respect of the same are not material and the first financial year of these companies have not yet ended.
6. Orbis Power Venture Private Ltd. and its subsidiary, DPSC Ltd. have not been considered for consolidation since the control was intended to be temporary. Orbis Power Venture Private Limited became the subsidiary of the Company w.e.f. 2nd January, 2010 and it ceased to be a subsidiary w.e.f. 31st March, 2010.
7. The Reporting Company's Proportionate share in the assets, liabilities, income and expenses of its Joint Venture Company included in these consolidated financial statements are given below:

(Rupees in Lakh)

Particulars	2009-10	2008-09
Balance Sheet		
SOURCES OF FUNDS		
Shareholders' Funds		
Share Capital	2,500	2,500
Reserves and Surplus	46,198	41,842
Loan Funds		
Secured	257,864	242,327
Unsecured	26,933	31,678
Deferred Tax Liability	3,922	2,683
Total	337,417	321,030
APPLICATION OF FUNDS		
Fixed Assets		
Gross Block	26,347	23,281
Less: Depreciation	6,171	3,186
Net Block	20,176	20,095
Current Assets, Loans and Advances		
Sundry Debtors	411	289
Cash & Bank Balances	18,331	15,649
Financial & Other Current Assets	297,997	282,505
Loans & Advances	8,970	13,967
	325,709	312,410
Less: Current Liabilities and Provisions		
Liabilities	4,232	7,291
Provisions	4,624	4,406
	8,856	11,697
Net Current Assets	316,853	300,713
Miscellaneous Expenditure	388	222
Total	337,417	321,030
Profit and Loss Account		
INCOME		
Income from Operations	43,629	46,560
Other Income	21	205
Total	43,650	46,765
EXPENDITURE		
Staff Expenses	2,194	2,305
Administrative & Other Expenses	2,502	2,439
Finance Charges	26,748	31,962
Depreciation	3,106	2,711

Schedules to the Consolidated Balance Sheet and Profit and Loss Account

SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rupees in Lakh)

Particulars	2009-10	2008-09
Miscellaneous Expenditure written off	73	42
Total	34,623	39,459
PROFIT BEFORE BAD DEBTS AND PROVISIONS	9,027	7,306
Bad Debts/Advances written off	2,302	81
Provisions as per the norms of Reserve Bank of India & Foreign Financial Institutions	-	1,933
PROFIT BEFORE TAX	6,725	5,292
Provision for Tax	2,369	2,165
PROFIT AFTER TAX	4,356	3,127
Proportionate Share in Reserves of Joint Venture:		
Capital Reserves	18	18
Debt Redemption Reserve	2,053	1,336
Special Reserve as per Reserve Bank of India Guidelines	1,735	865
Securities Premium Account	37,500	37,500
Profit and Loss Account	4,892	2,123
	46,198	41,842
Contingent Liabilities	7,729	4,026
Capital Commitments (Net of Advances)	8	56

8. Financial Assets includes certain long term project loans amounting to Rs. 5,375 lakh, being share of the Company in Joint Venture. There has been considerable delay in executing these projects; the Joint Venture is in the process of assessing the status of these projects. However in view of the Joint Venture, the principal amounts in these loans are recoverable as per the respective loan agreements.

9. Related Party Transactions

Joint Venture:

Srei Equipment Finance Private Ltd.

Key Management Personnel

Name	Designation
Hemant Kanoria	Chairman & Managing Director
Saud Ibne Siddique	Joint Managing Director (w.e.f. 01.04.2009)
Kishore Kumar Mohanty	Wholetime Director
Sanjeev Sancheti	Chief Financial Officer

Summary of Transactions with Related Parties

(Rupees in Lakh)

Name of related party and Nature of transaction	Value of Transaction/ Outstanding	Amount Considered in Consolidation	Value of Transaction/ Outstanding	Amount Considered in Consolidation
	2009-10		2008-09	
(A) Joint Venture:				
Subscription to Equity Shares	-	-	2,295	1,148
Amount received towards transfer as per Scheme of Arrangement	-	-	37,500	18,750
Loan advanced	43,544	21,772	46,997	23,499
Refund of loan advanced	43,544	21,772	46,997	23,499
Loan received	-	-	5,937	2,969
Refund of Loan received	-	-	27,991	13,996

Schedules to the Consolidated Balance Sheet and Profit and Loss Account

SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rupees in Lakh)

Name of related party and Nature of transaction	Value of Transaction/ Outstanding	Amount Considered in Consolidation	Value of Transaction/ Outstanding	Amount Considered in Consolidation
	2009-10		2008-09	
Security deposit received	35	18	717	359
Security deposit paid	24	12	72	36
Interest received on Loan	1,600	800	2,083	1,042
Rent paid	104	52	36	18
Rent received	642	321	464	232
Balances Outstanding:				
Security Deposit payable	752	376	717	359
Security Deposit receivable	96	48	72	36

(Rupees in Lakh)

Name of related party and Nature of relationship	Nature of Transactions and Outstanding balances	2009-10	2008-09
(B) Associate:			
Quippo Infrastructure Equipment Limited (ceased to be associate w.e.f. 30.09.2008)	Interest/ Finance Charges received	-	637
	Loan Advanced	-	4183
	Sale of Assets	-	3
(C) Key Management Personnel:			
Hemant Kanoria	Remuneration	87	103
	Commission	36	36
	Dividend paid	2	2
Saud Ibne Siddique	Remuneration	335	-
Kishore Kumar Mohanty	Remuneration	64	65
	Dividend paid	1	1
Sanjeev Sancheti	Remuneration	48	41

10. Capital Commitments

(Rupees in Lakh)

Sr.	Particulars	2009-10	2008-09
10.1	Estimated amount of capital contracts remaining to be executed (Net of advances)	761	163

11. Contingent Liabilities

(Rupees in Lakh)

Sr.	Particulars	2009-10	2008-09
11.1	Bank Guarantee	9,139	3,512
11.2	Guarantee against receivables assigned	85	599
11.3	Guarantee against co-branded agreements	40	88

Schedules to the Consolidated Balance Sheet and Profit and Loss Account

SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rupees in Lakh)

Sr.	Particulars	2009-10	2008-09
11.4	Legal Cases	-	28
11.5	Disputed tax demands	5,448	3,664
11.6	Claims against the Company not acknowledged as debts	3	-

12. Earnings Per Share

Basic and Diluted Earnings Per Share

	Particulars	Year ended 31st March	
		2010	2009
i	Net Profit after Tax attributable to Equity Shareholders (Rs. in Lakh)	15,586	8,204
ii	Weighted average number of Equity Shares Basic (Nos.)	116144798	116144798
iii	Weighted average number of Potential Equity Shares (Nos.)	-	-
iv	Weighted average number of Equity Shares Diluted (Nos.)	116144798	116144798
v	Nominal Value of Equity per share (Rs.)	10	10
vi	Basic Earnings per share (Rs.)	13.42	7.07
vii	Diluted Earnings per share (Rs.)	13.42	7.07

13. Segment wise details as required by AS - 17 "Segment Reporting" notified by the Central Government under the Companies (Accounting Standards) Rules, 2006 is as under:

(Rupees in Lakh)

Particulars	Financing Activity	Others	Total
Segment Revenue	92,594	5,435	98,029
	(81,767)	(3,386)	(85,153)
Segment Result before Finance Charges	72,576	2,557	75,133
	(61,337)	(1,466)	(62,803)
Finance Charges	51,908	1,459	53,367
	-	-	(52,309)
Tax Expenses	-	-	4,619
	(2,129)	(108)	(2,237)
Net Profit After Tax	-	-	15,680
	-	-	(8,257)
Segment Assets	787,796	25,456	813,252
	(563,851)	(6,413)	(570,264)
Segment Liabilities	662,332	14,328	676,660
	(452,034)	(11,796)	(449,597)
Capital Expenditure	4,650	214	4,864
	(11,119)	(3,264)	(14,383)
Depreciation	4,130	198	4,328
	(3,486)	(172)	(3,658)
Other non-cash expenditure	73	-	73
	(42)	(2)	(44)

Amount in brackets represent previous year figures

Schedules to the Consolidated Balance Sheet and Profit and Loss Account

SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

14. The Company is a Non Banking Finance Company (NBFC) and being currently classified as Asset Finance Company (Deposit Taking). In terms of Reserve Bank of India (RBI) Circular DNBS.PD.CC.No.168/03.02.089/2009-10 dated 12th February, 2010, the Company has approached RBI for change in classification as Infrastructure Finance Company (IFC) based on the asset pattern for the year ended 31st March, 2009. However the Company has been advised by RBI to convert into non deposit taking NBFC in order to qualify for classification as IFC in terms of the captioned circular. Accordingly, the Company has complied with the steps advised by RBI and has requested RBI for change in classification as Infrastructure Finance Company. As a result, the Company has decided that it would not accept any further public deposits or renew the maturing deposits in any manner w.e.f. 20th April, 2010.
15. The Board of Directors of the Company at its meeting held on 28th January, 2010 has, based on the recommendation of the Committee of Independent Directors, approved amalgamation of Quippo Infrastructure Equipment Limited (Quippo) into and with the Company in terms of a Scheme of Amalgamation under Sections 391 to 394 of the Companies Act, 1956. The Appointed Date of the amalgamation shall be 1st April, 2010.
16. The previous year's figures have been regrouped /rearranged wherever considered necessary.

Signatories to Schedules 1 to 19

For **Deloitte Haskins & Sells**

Chartered Accountants

(Regn. No. 302009E)

On behalf of the Board of Directors

Abhijit Bandyopadhyay

Partner

M. No. 054785

Hemant Kanoria

Chairman & Managing Director

Salil K. Gupta

Chief Mentor & Director

Sandeep Lakhota

Company Secretary

Place : Kolkata

Date : 11th May, 2010

Information on Subsidiary Companies Pursuant to Direction Under Section 212 (8) of The Companies Act, 1956

Sl.No.	Particulars	(Rupees in Lakh)											
		Srei Venture Capital Ltd.	Global Investment Trust Ltd.	Srei Capital Markets Ltd.	Srei Forex Ltd.	Srei Infrastructure Advisors Ltd.	Controlla Electrotech Private Ltd.	Srei Sahaj e - Village Ltd.	Hyderabad Information Technology Venture Enterprises Ltd.	Cyberabad Trustee Co. Pvt. Ltd.	Srei Infocomm Services Ltd.	Srei IIS International Infrastructure Services GmbH	Bengal Srei Infrastructure Development Ltd.
	Financial year ending on	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st December, 2009
	Currency												Rupee
	Exchange rate on last day of the financial year												1.535
1	Share Capital	25.00	5.00	505.00	50.00	50.00	3.53	100.00	25.00	5.00	3,865.18	5.00	5,077.84
2	Reserves & Surplus	985.93	6.84	126.70	(13.74)	6.43	(48.97)	215.19	63.70	0.25	(143.36)	9.07	289.42
3	Liabilities	272.23	2.28	262.27	85.91	10.72	2,410.87	17,028.71	51.07	0.11	29.05	125.39	13,531.55
4	Total Liabilities	1,283.16	14.12	893.97	122.17	67.15	2,365.43	17,343.90	139.77	5.36	3,750.87	139.46	18,898.81
5	Total Assets	1,283.16	14.12	893.97	122.17	67.15	2,365.43	17,343.90	139.77	5.36	3,750.87	139.46	18,898.81
6	Investments (Refer Annexure)	731.68	-	1.81	-	52.41	-	0.49	-	-	3,627.43	100.00	-
7	Turnover	579.60	4.00	444.88	0.15	10.83	11.19	8,917.15	14.46	0.35	33.87	78.87	43,428.18
8	Profit/(Loss) before Taxation	15.77	1.07	9.60	(0.13)	0.40	(38.46)	20.90	6.72	0.18	7.07	(12.69)	121.39
9	Provision for Taxation:												
	Current Tax	9.32	0.39	6.80	-	0.12	1.83	-	2.12	0.05	6.39	-	70.08
	MAT Credit Entitlement	-	-	-	-	-	-	-	-	-	-	-	-
	Deferred Tax	(1.23)	(0.06)	-	-	-	0.20	(58.76)	(0.04)	-	-	-	-
	Income tax of earlier years	0.43	-	(3.64)	-	-	-	-	-	-	-	(0.33)	-
10	Profit after Taxation	7.25	0.74	6.44	(0.13)	0.28	(40.49)	79.66	4.64	0.13	0.68	(12.36)	51.31
11	Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	-

Place : Kolkata

Date : 11th May, 2010

Hemant Kanoria

Chairman & Managing Director

Saill K. Gupta

Chief Mentor & Director

On behalf of the Board of Directors

Sandeep Lakhotia

Company Secretary

Annexure to Information on Subsidiary Companies Pursuant to Direction Under Section 212 (8) of The Companies Act, 1956

Details of Investments as at 31st March, 2010

Sl. No.	Name of the Company	No. of shares / units / bonds	Face Value (Rupees)	Book Value (Rs. Lakh)	Quoted / Unquoted
1.	Srei Venture Capital Limited				
	Long term Investments (at cost)				
	In Subsidiary Company:				
	Cyberabad Trustee Company Private Limited	25500	10	2.55	Unquoted
	Hyderabad Information Technology Venture Enterprises Limited	127500	10	46.74	Unquoted
	In Equity Shares:				
	Reliance Power Ltd.	5115	10	14.39	Quoted
	Pilani Investment & Industries Corporation Ltd.	3000	10	108.00	Unquoted
	In Bonds / Debentures / Units:				
	Medium & Small Infrastructure Fund (Class A)	55000	100	55.00	Unquoted
	Medium & Small Infrastructure Fund (Class B)	5000	100	5.00	Unquoted
	Infrastructure Project Development Fund	500000	100	500.00	Unquoted
	TOTAL			731.68	
2.	Srei Capital Markets Limited				
	Long term Investments (at cost)				
	In Equity Shares:				
	Andhra Bank Limited	100	10	0.01	Quoted
	Bank of Baroda Limited	100	10	0.07	Quoted
	Bank of India Limited	100	10	0.02	Quoted
	Corporation Bank Limited	100	10	0.13	Quoted
	HDFC Bank Limited	100	10	0.25	Quoted
	ICICI Bank Limited	100	10	0.19	Quoted
	IDBI Bank Limited	120	10	0.04	Quoted
	Oriental Bank of Commerce Limited	100	10	0.04	Quoted
	State Bank of India Limited	134	10	0.80	Quoted
	ING Vysya Bank Limited	415	10	0.26	Quoted
	TOTAL			1.81	
3.	Srei Infrastructure Advisors Limited				
	Long term Investments (at cost)				
	In Subsidiary Company:				
	Srei Infocomm Services Limited	50000	10	5.00	Unquoted
	Bengal Srei Infrastructure Development Limited	25500	10	2.55	Unquoted
	In Joint Venture:				
	Srei (Mauritius) Infrastructure Development Company Ltd.	292800	10*	44.86	Unquoted
	TOTAL			52.41	
4.	Srei Sahaj e-Village Limited				
	Long term Investments (at cost)				
	In Associate:				
	Spice Internet Service Provider Private Ltd.	4900	10	0.49	Unquoted
	TOTAL			0.49	
5.	IIS International Infrastructure Services GmbH				
	Long term Investments (at cost)				
	In Subsidiary Company:				
	ZAO Srei Leasing	210000	1000**	3,607.17	Unquoted
	Srei Advisory Pte Ltd.	17085	1***	5.02	Unquoted
	In Joint Venture:				
	Aalat LLC	#	#	15.24	Unquoted
	TOTAL			3,627.43	
6.	Bengal Srei Infrastructure Development Ltd.				
	Long term Investments (at cost)				
	In Equity Shares:				
	Bengal Integrated Auto Industrial Park Pvt. Ltd.	1000000	10	100.00	Unquoted
	TOTAL			100.00	

* In Mauritius Rupees

** In Rubbles

*** In Singapore Dollar

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



SREI INFRASTRUCTURE FINANCE LIMITED

Regd Office: 'VISHWAKARMA', 86C, TOPSIA ROAD (SOUTH), KOLKATA - 700046

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 **Twentyfifth Annual General Meeting** of the Company to be held on Monday, the 9th August, 2010 at 10.30 a.m. and
 at any adjournment(s) thereof.



Signed this _____ day of _____ 2010.

Signature across Revenue Stamp

Note : The proxy must be returned so as to reach the Registered Office of the Company not later than Forty-Eight Hours before the time for holding the aforesaid meeting.



SREI INFRASTRUCTURE FINANCE LIMITED

Regd Office: 'VISHWAKARMA', 86C, TOPSIA ROAD (SOUTH), KOLKATA - 700046

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 **Twentyfifth Annual General Meeting** of the Company held on Monday, the 9th August, 2010 at 10.30 a.m. in the Science City Mini Auditorium, JBS Haldane Avenue, Kolkata – 700046.

Full name of Shareholder / Proxy _____
(in block letters)

Signature of the Shareholder / Proxy

Cautionary Statement

This report contains forward looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures and financial results, are forward looking statements. Forward looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.



Srei Infrastructure Finance Limited

Registered Office:

'Vishwakarma', 86C, Topsia Road (South)

Kolkata - 700 046

www.srei.com