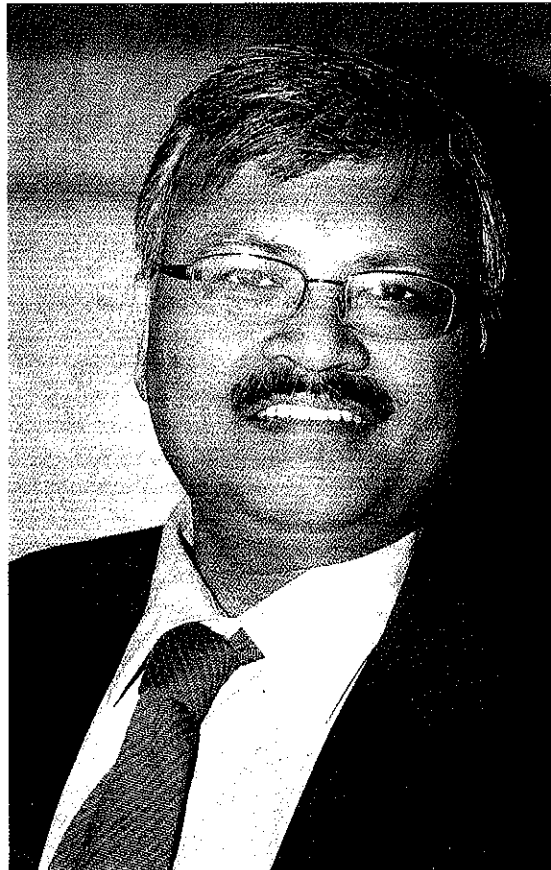


Slowdown in the short run

Since inception in 1989, SREI Infrastructure Finance Limited is known for its pioneering efforts in the field of infrastructure financing in India. Headquartered in Kolkata, the company today enjoys a pan-India presence with a network of 9 regional offices and 37 branches. Besides retaining its market leadership in the field of financing of infrastructure and construction equipment, the group has also diversified into infrastructure project financing and renewable energy equipment financing. Under the dynamic leadership of Sunil Kanoria, Director, Srei Infrastructure Finance Limited has crossed the \$ 1 billion mark in assets under management. Given the burgeoning demand from the infrastructure sector, the company is geared to grow at over 40 per cent annually. Kanoria has been instrumental in advocating the concept of renting of infrastructure equipment in India through "Quipo". His networking skills have helped SREI in attracting investments from multilateral and various international funding agencies. Kanoria who held the prestigious post as Member of the Working Group on Construction for the Tenth Five Year Plan (2002-07) of Planning Commission, Government of India, has been actively associated with various industry associations and has occupied many important positions. Excerpts from an interview with JUHI SHRIVASTAVA



Can you assess the journey of your company so far?

In one word the journey has been 'exciting'. To elaborate further, it has been challenging too. The Indian financial sector was in a nascent stage when our journey began as a non-banking financial services company. The new environment in the country had made it all the more challenging to operate especially in the wake of knee-jerk reactions from time to time by the Reserve Bank of India and the Union Finance Ministry to situational aberrations in the industry. We soon realised that if we are to survive in the industry we have to have a clear-cut goal ahead of us. We also felt that we have to strike out a niche area of operation for us. We have also realised that the country now committed to growth will have to give a bigger thrust to infrastructure development. This prompted us to concentrate on financing of infrastructure equipment. We have not looked back since.

Will you take us through the memorable moments?

The company has grown so rapidly that perhaps every moment is a memorable one. In 1992, the company got listed on the Bombay and Calcutta Stock Exchanges, then in 1995, on the National Stock Exchange. However, the most important one was the induction of IFC, Washington, FMO Netherlands and DEG Germany as equity shareholders of the company in 1997. As our company's shareholder, it was IFC's first foray into the Indian financial services sector, especially in a private initiative. Thereafter, a number of international financial institutions have invested in SREI. In 2002, the company promoted India's first infrastructure equipment

bank - QUIPO.

Another memorable moment was the listing of the SREI GDR on the London Stock Exchange in April 2005. Last year, we have expanded our operation overseas to Moscow and Russia.

What is your company's procedure to provide finance?

We follow the best practices in the industry. Also our methods are increasingly innovative and aimed at offering the customer the best and most efficient deal by way of leases and loans.

Please offer your comments on the decision of the Reserve Bank of India to increase CRR and repo rates.

It is no secret that the country's apex bank is quite anxious to lessen the heat in the economy. Obviously the latest move of RBI is aimed at squeezing excess liquidity out of the sys-



Our strategy will also be to evolve methods of raising cheaper funds

tem that is fuelling inflation. A raise in the CRR limit is expected to squeeze out more than Rs 15,000 crore in one go. This will certainly halt the inflationary pressures building up in recent times. The repo rate rise has already made its impact as banks have stepped up their prime lending rates.

What are its affects on construction projects?

Lower availability of funds coupled with rising interest rates are always a hindrance to any economic activity, let alone construction activity. In the short run we are likely to see a slow down. On-going projects may be hit as costs have to be reworked. However, re-adjust-

All about QIEL (QUIPO Infrastructure Equipment Limited)

Quipo is the India's largest equipment rental company, servicing the high-growth verticals of construction, oil & gas, telecom, energy, and asset valuation and auctioning. It has an asset base of around Rs 500 crore. In addition to having a state-of-the-art equipment/asset bank for construction and other capital-intensive sectors, Quipo has a large pool of fully trained operations and maintenance personnel spread across various sites in India.

Quipo has been sponsored by SREI, one of the leading non-banking financial institutions in India. Having identified India's infrastructure sector as its principal growth area, SREI has built a unique business model, which revolves around the financing of infrastructure, construction and mining equipment, infrastructure project finance and renewable energy systems.

Quipo, through its subsidiaries, is involved in the renting of towers to leading telecom operators of the country and has been a forerunner and driver of the shared infrastructure initiative in India. It's oil and gas subsidiary is in the business of renting on-shore drilling rigs to oil majors and providing associated services. It has a strategic tie up with a leading global service provider in the oil and gas business.

Globally, the organised equipment rental business has played a substantive role in the growth of the construction industry. By expanding and strengthening its operations in the construction equipment rental business, Quipo will provide greater value addition to its customers. Quipo also has a JV with Larsen & Toubro and others for its operations in the southern states of India.

Other emerging businesses of Quipo include a JV with Henry Butcher, a company that provides plant and machinery valuation and conducts equipment auctions, and an energy rental business using small gas-based generators. These gas-based generators offer a cleaner and cheaper option for a combined power and heating or chilling solution.

ments will take place and if demands do not slow down, construction activities will pick up again.

How does the RBI move affect your business?

Being a part of the financial sector, we are no different. Clearly our cost of finance will escalate. We have increased our benchmark-lending rate by 150 basis points recently to 13 per cent.

What is your strategy to maintain the current momentum of your company's growth?

Our strength lies in our ability to innovate and meet specific requirement of our customers. Our strength also lies in

creating well-thought out and meaningful partnership with equipment manufacturers keeping in mind our customers' needs. We shall continue to pursue this in a more aggressive way. Our strategy will also be to evolve methods of raising cheaper funds to be able to serve our clients better.

What incentives will you offer to your customers to increase sales?

We are completely clued onto the needs of our customers and hence we look at tailor-made solutions.

With interest rates on the rise, would companies prefer hiring equipment rather than buying outright?

Internationally and economically, both hiring and ownership have a role to play in servicing the different needs of the customer. We feel, both will have its presence and grow together in complementary roles.

What are you doing in the mining sector?

We are providing leases and loans for the mining equipment to the customers.

What are your plans on the renewable energy front?

We are into financing of solar equipment and windmills in this sector and would continue to build the portfolio in this area.

What is your company's overall growth plan?

With the infrastructure equipment industry set to grow rapidly (the requirement today is almost \$ 15 million a day in India) the company is well poised. We expect to grow in the infrastructure sector and take advantage of the opportunities in this sector in the future.