

"SREI Understands Customer's Requirement Better"

The business model of Srei Infrastructure Finance Ltd is much based on customized service support. This is quite vital as Mr. Sunil Kanoria, Director, Srei, claims owing to the long gestation of construction projects involved in the country requiring long-term finance. In an interview to P. P. Basistha, Mr. Kanoria also the Vice Chairman & Managing Director of Quipo Infrastructure Limited, an associate of Srei gave an insight of the company's business model and details of the range of services offered by the company, so as to fit the "customized" tag.

Please provide an overview of the country's construction equipment demand scenario?

The country's construction equipment scenario is quite buoyant. The situation is well expected to continue in the coming years and further beyond. Demand for the equipment would be led by, as well known, through the sustained growth of the construction sector, which would continue to grow at a rate of 15 percent and above over the years on account of infrastructure development in the country.

But significantly, demand of

equipment would be led owing to the supply-demand gap of equipment. The gap has started become noticeable in recent years. This is owing to the unprecedented boom that has come in the construction sector. Shortage of equipment is highly prevalent for higher tonnage earth moving, concrete and piling equipment.

Though shortage of equipment is owing to non-availability and supply constraints but it is also worth mentioning that there exists a wide potential for supply of equipment in the country's construction sector and in turn

make it comprehensively mechanized. This is through addressing the issues of "equipment availability," "accessibility of equipment" through addressing various logistics and interstate taxation issues, "dissemination of knowledge" for greater usage of equipment where projects are labor intensive and above all making equipment "affordable" between the end users for its mass use.

It is encouraging to know that the issues are being addressed to a very great extent by the equipment manufacturers. However, it would be important for the government to address the issues on a mass scale for greater availability, accessibility, and affordability of equipment.

Give an insight of the country's infrastructure project finance situation? Would you describe the developments happening in the sector as encouraging?

It is positive to observe that government is laying emphasis on developing projects through the "PPP" route. This would make the infrastructure projects commercial viable and go on to address the



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issue of fund availability in the long run for the projects to be financed. To make the PPP route grow and flourish it would be imperative to identify bankable projects by the government at its end. Risks have to be collectively shared by the government and private participants while executing and commissioning the projects.

It is heartening to know that viability gap funding is picking up and government is addressing the issues of infrastructure finance through setting up of institutions like IIFCL and IIDFC.

But on the negative front, long-term funds are not available for infrastructure projects. This is much on contrary owing to the long gestation period involved in execution of the projects. Unfortunately, the issue is not getting addressed at an

appropriate order by the government.

Srei maintains that the company's product and services are "customized" to fit in the users requirements. Elaborate on the same both in respect of equipment and infrastructure project finance. At Srei we understand the customer's requirement better. This is based on our long experience of 18 years in the construction sector. Having the requisite experience enables us to judge and understand the requirement of the customer on the ground and provide him the customized service support.

For example, during monsoon, the cash flow of the construction companies becomes slow. This is owing to the tardy execution of work, hindered by rain. During the period, we reduce the installments

apart from providing adequate room to the contractors for negotiation with us. This is so as to get finance to the contractors through a comfortable option.

On product support part we have got "Quipo" as a construction equipment bank, with range of equipment at its disposal, to fit in the "customized" requirement of the contractors. The equipment support is provided with operator, spares and service support.

The "customized" character of Srei's financial services can be further described taking account the company's construction equipment finance support. At Srei we provide assistance for hire purchase, financial lease, operating lease etc to buyers of construction equipment as per their customized requirement.

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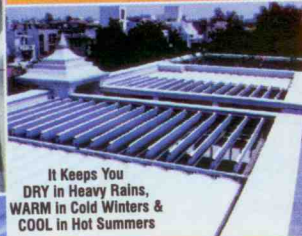
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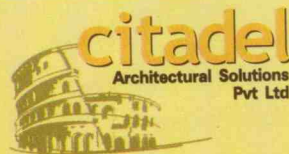
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With construction projects becoming highly mechanized, putting in demand of advanced equipment, what are Srei's present and future plans to tie up with range of equipment manufacturers, so as to fit in market requirements.

Srei has got tie up with range of construction equipment manufacturers consisting, Volvo, Caterpillar, Komatsu, Mait, Terex to name a few. Through the tie-ups with construction equipment companies, we provide comprehensive and assorted equipment support to construction companies based on their requirement. With mechanization catching up we would be looking for further tie-ups with other foreign equipment manufacturers. We would be looking for tie-ups for sourcing cranes, tunnel boring, piling machines etc.

What about company's infrastructure project finance. Is the company's focus on built operate transfer (BoT) and bankable projects? Which are the infrastructure projects, Srei has led its financial support and what has been the model of financing?

Srei provides finance and equipment support bankable and BoT projects. There had been number of projects for which Srei has provided its support.

A number of state governments have been proactive in attempting to improve their road network along with key projects of NHAI. The steps taken include enabling legislation, the encouragement of private sector participation and funding from multilateral agencies to implement major road projects. We had supplied various kinds of road equipment, concrete equipment, and material handling

equipment, to principal contractors as a part of infrastructure financing.

The projects have been at Bharatpur (UP), Mahua in Rajasthan, Neelamangla and Kumkur in Karnataka. We have also undertaken projects in Maharashtra and West Bengal.

The funding position of Srei for construction and construction projects finance is quite comfortable. The company has built up its financial reserves base through attracting investments from multilateral and international funding agencies comprising, IFC-Washington, DEG-Germany, FMO-Netherlands, BIO-Belgium, Finfund-Finland, Swedfund-Sweden, US Exim all for infrastructure project finance. Today Srei has assets under management over US\$1 billion.

The recent initiative of the company for construction finance has been through a joint 50:50 venture involving Rs 775 crore with BNP Paribas Lease Group, the leasing arm of BNP Paribas. The partnership is a strategic partnership for equipment finance in India.

Srei has financed NHAI and other significant projects and provided financial support to important construction companies.

Since Srei also provides techno-economic consultancy, what is the knowledge expertise of the company behind providing techno-economic consultancy? Which are the projects Srei has provided its techno-economic consultancy support?

The knowledge expertise of Srei behind providing techno-economic consultancy support for construction projects is based on its good deal of business experience in the country's

construction sector. The expertise is based on the knowledge bank created through the experience.

Mention about the insurance service business of Srei.

Srei Insurance Services Ltd is a composite insurance broker licensed by the Insurance Regulatory Development Authority. At Srei insurance services, we have team of professionals with experience, with distinct expertise in niche markets involving, construction and manufacturing company's liabilities and financial risks. Srei Insurance Services has necessary skills to cover all aspects of risks, to purchase insurance at minimum cost as well as to handle settlement of claims.

The services and responsibilities of Srei's insurance services comprises evaluation of company's risk profile based on the company's business environment. Recommendation of the most cost effective, integrated insurance package, customized to fit in the companies risk profile.

What is the resource mobilization mechanism of the company? How far is the government policy conducive for the growth of construction equipment and infrastructure project finance industry?

The resource mechanism of the company is based both through tapping domestic and international financial markets. The company has gone through the global depository receipts route to tap finance. The government's policy for infrastructure projects finance commands much reservation. This is as because it does not allow long term finance to come at home. This is absolutely paradoxical when it is well known that construction projects, especially the high end ones have large scale gestation periods.