for Informed Investment Decisions

Press Release

Brickwork Ratings assigns 'BWR AA' for SREI Infrastructure Finance Limited's proposed unsecured subordinated Debenture (Tier II) Issue of ₹ 250 Cr (INR Two Hundred Fifty crores only) and NCD Issue of ₹ 500 Cr (INR Five Hundred crores only)

Unsecured Subordinated Debenture (Tier II) Issue ₹ 250 Cr Rating: BWR AA **NCD Issue ₹ 500 Cr Rating: BWR AA**	**Outlook : Stable**

Brickwork Ratings (BWR) has assigned the rating of BWR AA (Pronounced BWR Double A) with a stable outlook for the proposed Unsecured Subordinated Debenture (Tier II) Issue of ₹ 250 Cr and long term NCD Issue of ₹ 500 Cr of SREI Infrastructure Finance Ltd (SIFL).

The rating "BWR AA" stands for an instrument that is considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

The rating, inter alia, factors experience of Promoter group in infrastructure financing business, Company's market share in equipment finance, asset quality, capital adequacy ratio, conservative provisioning norms and Infrastructure Finance Company status as per RBI norms. However, the rating is constrained by high interest rate environment, competition in equipment leasing and financing business, high exposure to power sector & high exposure to Subsidiaries.

BWR has essentially relied upon the half yearly financial results of the Company for FY12, projected financials, publicly available information and information and clarifications provided by the Company.

SREI Infrastructure Finance Limited (SIFL) is a Kolkata based NBFC, incorporated in 1985. The Company is involved in financing infrastructure in telecom, oil & gas, roads, power, ports, industrial parks and rural IT infrastructure, and is also engaged in equipment leasing, rentals & auctioning, project financing, project development, advisory and fund management. In March 2011, SIFL was classified as an Infrastructure Finance Company ("IFC") by RBI within the overall classification of NBFC. As of September 2011, SIFL had disbursements amounting to ₹9549.5 crores and AUM of ₹26,001 crores on a consolidated basis.

In H1FY12, Tangible Networth increased by 95% from ₹1399 Cr in H1FY11 to ₹ 2726 Cr in H1FY12 on a consolidated basis. Outstanding borrowings increased by 71% in same period from ₹7672 Cr to ₹13,135 Cr. The total operating income stood at ₹ 1091 Cr in H1FY12 vs ₹677 Cr in H1FY11. However, net profit has reduced from ₹125 Cr in H1FY11 to ₹79 Cr in H1FY12, mainly due to notional mark to market forex losses of around ₹39 crores.

On a standalone level, SIFL's capital adequacy was 23.03% as on 30th September 2011, as compared to 29.3% in FY11. For H1FY12, Gross NPA as well as net NPA on a standalone basis was 0.1%.

SIFL mainly generates revenue from project finance and equipment finance activities. Though the Company has invested substantial amount in subsidiaries in the form of strategic investments, its value is yet to be realized. Higher interest rates environment coupled with competition in equipment leasing and financing business may lead to compression in NIM. SIFL's ability to remain adequately capitalized, scale up its operations in highly competitive equipment financing market while maintaining the quality of the assets and earnings profile are key rating sensitivities.

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