

Auditor's Report on quarterly financial results and year to date results of SKS Microfinance Limited pursuant to Clause 41 of the Listing Agreement

To
**Board of Directors of
SKS Microfinance Limited**

1. We have audited the quarterly financial results of SKS Microfinance Limited ("the Company") for the quarter ended March 31, 2013 and the financial results for the year ended March 31, 2013, attached herewith, being submitted by the Company pursuant to the requirement of Clause 41 of the Listing Agreement, except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been audited by us. The quarterly financial results are the derived figures between the audited figures in respect of the year ended March 31, 2013 and the published year-to-date figures up to December 31, 2012, being the date of the end of the third quarter of the current financial year, which were subject to limited review. The financial results for the quarter ended March 31, 2013 have been prepared on the basis of the financial results for the nine-month period ended December 31, 2012, the audited annual financial statements as at and for the year ended March 31, 2013, and the relevant requirements of Clause 41 of the Listing Agreement and are the responsibility of the Company's management and have been approved by the Board of Directors of the Company. Our responsibility is to express an opinion on these financial results based on our review of the financial results for the nine-month period ended December 31, 2012 which was prepared in accordance with the recognition and measurement principles laid down in Accounting Standard (AS) 25, Interim Financial Reporting, issued pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended) as per Section 211(3C) of the Companies Act, 1956 and other accounting principles generally accepted in India; our audit of the annual financial statements as at and for the year ended March 31, 2013; and the relevant requirements of Clause 41 of the Listing Agreement.
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 results are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion and to the best of our information and according to the explanations given to us these quarterly financial results as well as the year to date results:
 - i. are presented in accordance with the requirements of clause 41 of the Listing Agreement in this regard; and
 - ii. give a true and fair view of the net profit and other financial information for the quarter ended March 31, 2013 and of the net loss for the year ended March 31, 2013.
4. Further, read with paragraph 1 above, we report that the figures for the quarter ended March 31, 2013 represent the derived figures between the audited figures in respect of the financial year ended March 31, 2013 and the published year-to-date figures up to December 31, 2012, being the date of the end of the third quarter of the current financial year, which were subjected to a limited review as stated in paragraph 1 above, as required under Clause 41(I)(d) of the Listing Agreement.

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S.R. BATLIBOI & Co. LLP

Chartered Accountants

SKS Microfinance Limited
Independent Auditors' Report for the quarter ended March 31, 2013

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5. Further, read with paragraph 1 above, we also report that we have, on the basis of the books of account and other records and information and explanations given to us by the management, also verified the number of shares as well as percentage of shareholdings in respect of aggregate amount of public shareholdings, as furnished by the Company in terms of clause 35 of the Listing Agreement and found the same to be correct.

Surbati bi e/l. LLP

For S.R. BATLIBOI & CO. LLP

Chartered Accountants

ICAI Firm registration number: 301003E

Surekha Gracias

per Surekha Gracias

Partner

Membership No.: 105488

Mumbai

May 8, 2013

Statement of Standalone Audited Financial Results for the Quarter / Year ended March 31, 2013

Part I	Sr No.	Particulars	Quarter ended				Year ended	
			March 31, 2013 Audited (refer note 2)	December 31, 2012 Unaudited	March 31, 2012 Unaudited	March 31, 2013 Audited	March 31, 2012 Audited	
	1	Income from operations	8,304.83	7,270.93	5,279.50	27,825.47	39,347.24	
		Other operating income	1,204.62	1,234.65	1,335.50	5,994.28	4,222.85	
		Total income from operations	9,509.45	8,505.58	6,615.00	33,219.75	43,570.09	
	2	Expenses						
		Employee benefits expenses	3,977.55	3,746.62	5,572.12	17,267.04	26,111.88	
		Depreciation and amortization expenses	137.19	149.84	249.04	643.55	1,001.97	
		Provisions and write offs	96.72	28.36	27,781.64	24,442.20	17,349.16	
		Other expenses	1,735.23	1,467.97	2,283.99	8,345.44	15,095.98	
		Total expenses	5,946.69	5,392.79	35,886.79	50,698.32	159,558.99	
	3	Profit / (loss) from operations before other income & finance costs (1-2)	3,562.76	3,112.79	(29,271.79)	(17,478.57)	(115,988.90)	
	4	Other income	688.20	514.63	553.04	2,036.62	3,660.18	
	5	Profit (loss) before finance costs (3+4)	4,250.96	3,627.42	(28,718.75)	(15,441.95)	(112,328.72)	
	6	Finance costs	3,980.59	3,512.29	4,234.08	14,271.92	20,045.80	
	7	Profit / (loss) before tax (5-6)	270.37	115.13	(32,952.83)	(29,713.87)	(132,374.52)	
	8	Tax expense (Including deferred tax)					3,685.17	
	9	Profit / (loss) after tax (7-8)	270.37	115.13	(32,952.83)	(29,713.87)	(136,059.69)	
	10	Paid-up equity share capital (Face Value of Rs. 10 Each)	10,821.27	10,821.27	7,235.69	10,821.27	7,235.69	
	11	Reserves (excluding Revaluation reserves)					35,781.33	
	12	Earnings Per Share (EPS) (Not annualised)					(188.06)	
		Basic	0.25	0.11	(45.54)	(30.55)	(188.06)	
		Diluted	0.25	0.11	(45.54)	(30.55)	(188.06)	
Part II		Particulars of shareholding						
A		Public shareholding						
1		- Number of shares	80,050,068	79,026,592	45,701,368	80,050,068	45,701,368	
		- Percentage of shareholding	73.97%	73.03%	63.16%	73.97%	63.16%	
2		Promoters and Promoter Group Shareholding						
		a) Pledged / Encumbered						
		- Number of shares	Nil	Nil	Nil	Nil	Nil	
		- Percentage of shares	Nil	Nil	Nil	Nil	Nil	
		(% of the total shareholding of promoter and promoter group)	Nil	Nil	Nil	Nil	Nil	
		b) Non - encumbered						
		- Percentage of shares	Nil	Nil	Nil	Nil	Nil	
		(% of the total shareholding of promoter and promoter group)	Nil	Nil	Nil	Nil	Nil	
		- Number of shares	28,162,630	29,186,106	26,655,527	28,162,630	26,655,527	
		- Percentage of shares	100%	100%	100%	100%	100%	
		(% of the total share capital of the company)	26.03%	26.97%	36.84%	26.03%	36.84%	
B		Particulars	Quarter ended March 31, 2013					
		Investor complaints						
		Pending at the beginning of the quarter						
		Received during the quarter	1					
		Disposed off during the quarter						
		Remaining unresolved at the end of the quarter	1					



SIGNED FOR IDENTIFICATION
 BY *S. R. Batliboi*
 S. R. BATLIBOI & CO. LLP
 MUMBAI

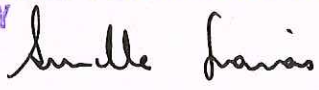
SKS MICROFINANCE LIMITED

Regd. Office: 3rd floor, My Home Tycoon, Block A, 6-3-1192, Kundanbagh, Begumpet, Hyderabad - 500 016 (A.P.)

Standalone Statement of Assets and Liabilities

Rs. In lakhs

Particulars	As at	As at
	March 31, 2013 Audited	March 31, 2012 Audited
A. EQUITY AND LIABILITIES		
1. Shareholders' funds		
(a) Share capital	10,821.27	7,235.69
(b) Reserves and surplus	28,217.93	35,781.33
Shareholders' funds	39,039.20	43,017.02
2. Share application money pending allotment	-	451.28
3. Non-current liabilities		
(a) Long-term borrowings	26,560.35	28,455.05
(b) Long-term provisions	26,326.17	4,351.32
Non-current liabilities	52,886.52	32,806.37
4. Current liabilities		
(a) Short-term borrowings	57,052.13	13,090.56
(b) Other current liabilities	99,424.81	80,025.83
(c) Short-term provisions	2,742.46	2,821.24
Current liabilities	159,219.40	95,937.63
TOTAL - EQUITY AND LIABILITIES	251,145.12	172,212.30
B. ASSETS		
1. Non-current assets		
(a) Fixed assets		
Tangible assets	847.03	1,619.26
Intangible assets	271.13	426.11
Intangible assets under development	13.08	15.60
(b) Non-current investments	20.00	20.00
(c) Long-term loans and advances	28,257.45	30,213.18
(d) Other non-current assets	3,642.63	2,201.67
Non-current assets	33,051.32	34,495.82
2. Current assets		
(a) Trade receivables	15.74	21.04
(b) Cash and bank balances	86,058.77	66,918.15
(c) Short-term loans and advances	128,279.18	64,767.62
(d) Other current assets	3,740.11	6,009.67
Current assets	218,093.80	137,716.48
TOTAL - ASSETS	251,145.12	172,212.30

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MUMBAI



SKS MICROFINANCE LIMITED

AUDITED FINANCIAL RESULTS FOR THE QUARTER / YEAR ENDED MARCH 31, 2013

Notes:

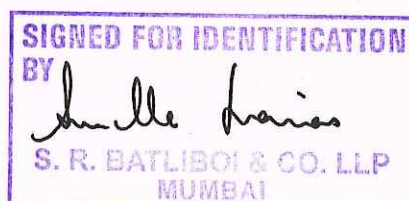
1. The above results have been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on May 3, 2013 and May 8, 2013 respectively, in terms of clause 41 of Listing Agreement.
2. The figures of quarter ended March 31, 2013 are the balancing figures between audited figures in respect of the full financial year upto March 31, 2013 and the unaudited published year-to-date figures upto the December 31, 2012, being the date of the end of the third quarter of the financial year ended March 31, 2013 which were subjected to limited review.
3. The Government of Andhra Pradesh promulgated 'The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Ordinance 2010' on October 15, 2010, subsequently enacted the same as 'The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Act, 2011 (Act 1 of 2011)' ('AP MFI Act') on December 31, 2010. The AP MFI Act resulted in restriction of the Company's operations and reduction in the collection rates in the state of Andhra Pradesh. As a result, the Company reassessed the provisioning estimates for the non-performing portfolio in the state of Andhra Pradesh during the financial year ended March 31, 2011 and elected to apply the provisioning requirements as prescribed in the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

The Reserve Bank of India ('RBI') issued the 'Non Banking Financial Company-Micro Finance Institutions (NBFC-MFIs) – Directions' on December 2, 2011 which provide the regulatory framework, including the prudential norms for asset classification and provisioning, applicable to NBFC-MFIs. The norms relating to asset classification and provisioning were to be applicable with effect from April 1, 2012 to all NBFC-MFIs. However, RBI deferred the implementation of these norms to April 1, 2013. Subsequently, RBI issued certain modifications to the NBFC-MFI directions on August 3, 2012. The modifications clarified that provisioning made towards portfolio in the state of Andhra Pradesh should be in accordance with extant NBFC prudential norms and such provision should be added back notionally to the net owned funds for the purpose of calculation of the capital to risk assets ratio ('CRAR') and would be progressively reduced by 20% each year, over 5 years i.e. from March 31, 2013 to March 31, 2017.

The Micro Finance Institutions (Development and Regulation) Bill, 2012, which lays down the foundation for a central regulation of the microfinance industry and consequently will override the AP MFI Act, is pending in the Parliament for its approval.

The Company provided entirely on the residual exposure in the state of Andhra Pradesh during the quarter ended September 30, 2012. The provisioning on AP portfolio is in compliance with the extant RBI prudential norms. With this, the Company has fully provided for its exposure in the state of Andhra Pradesh.

Further, an appeal filed by the Company challenging the judgement of the Andhra Pradesh High Court on the constitutional validity of the AP MFI Act came up for hearing before the Supreme Court of India on March 18, 2013. The Supreme Court, by its Order, directed that the interim orders issued by the High Court of Andhra Pradesh dated October 22, 2010 as modified by the Order dated October 29, 2010, shall continue pending further orders of the Supreme Court. The Supreme Court also made it clear that if the Company complies with the said orders of the High



Court, no coercive steps can be taken against the Company. The interim order of the High Court dated October 22, 2010 permits the Company to carry on business by due adherence to Sections 9 and 16 of the AP MFI Act, which prescribes the ceiling on amount recoverable on loans in respect of interest and provides the penalty for any coercive actions.

4. The net deferred tax asset amounting to Rs. 55,525 lakhs as at March 31, 2013 has not been recognized. The said sum of Rs. 55,525 lakhs will be available to offset tax on future taxable income. Once there is virtual certainty of future taxable profits supported by convincing evidence in accordance with the requirements of Accounting Standard (AS) 22 – Accounting for Taxes on Income, notified by Companies (Accounting Standards) Rules, 2006, (as amended), deferred tax assets will be recognized. For the quarter ended March 31, 2013, the Company has posted a net profit of Rs. 270.36 lakhs and given the carried forward tax loss, no current tax provision is required for this quarter.
5. The Company operates in a single reportable segment i.e. lending to members, who have similar risks and returns for the purpose of AS 17 on 'Segment Reporting' notified under the Companies (Accounting Standard) Rules, 2006 (as amended). The Company operates in a single geographical segment i.e. domestic.
6. Figures for the previous periods have been regrouped/ rearranged wherever necessary to conform to current period presentation.

Place: Hyderabad

Date: May 8, 2013

For SKS Microfinance Limited

