

**Limited Review Report****Review Report to  
The Board of Directors  
SKS Microfinance Limited**

1. We have reviewed the accompanying statement of unaudited financial results ('the Statement') of SKS Microfinance Limited ('the Company') for the quarter ended December 31, 2012, 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 reviewed by us. This Statement is the responsibility of the Company's management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.
2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
3. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement of unaudited financial results prepared in accordance with recognition and measurement principles laid down in Accounting Standard 25 "Interim Financial Reporting", notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended) and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.



For S.R. Batliboi &amp; Co.

Firm registration number: 301003E

Chartered Accountants



per Surekha Graclas

Partner

Membership No.: 105488

Place: Mumbai

Date: January 24, 2013

**SKS MICROFINANCE LIMITED**

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

Statement of Standalone Unaudited Financial Results for the Quarter / Nine month ended December 31, 2012							
							Rs. In lakhs
Part I		Quarter ended			Nine months ended		Year ended
Sr No.	Particulars	December 31, 2012 Unaudited	September 30, 2012 Unaudited	December 31, 2011 Unaudited	December 31, 2012 Unaudited	December 31, 2011 Unaudited	March 31, 2012 Audited
1	Income from operations	7,270.92	6,348.83	7,891.71	19,520.64	54,067.74	39,347.24
	Other operating income	1,234.65	1,407.84	815.86	4,189.66	2,887.74	4,222.85
	<b>Total income from operations</b>	<b>8,505.55</b>	<b>7,756.67</b>	<b>8,707.57</b>	<b>23,710.30</b>	<b>36,955.08</b>	<b>43,570.09</b>
2	<b>Expenses</b>						
	Employee benefits expenses	2,746.62	4,737.29	6,521.19	15,289.49	20,539.77	26,111.88
	Depreciation and amortization expenses	149.84	182.10	246.34	506.36	752.93	1,001.97
	Provisions and write offs	28.36	23,356.88	35,866.40	34,345.56	89,567.52	117,349.16
	Other expenses	1,480.01	2,581.11	5,269.40	6,653.11	12,825.21	15,127.33
	<b>Total expenses</b>	<b>5,404.83</b>	<b>30,857.38</b>	<b>47,903.33</b>	<b>44,774.52</b>	<b>123,685.43</b>	<b>159,590.34</b>
3	Profit / (loss) from operations before other income & finance costs (1-2)	3,100.75	(25,100.71)	(39,195.76)	(21,064.22)	(86,730.35)	(116,020.25)
4	Other income	514.63	336.46	568.08	1,348.42	3,107.13	3,660.18
5	Profit (loss) before finance costs (3+4)	3,615.38	(22,764.25)	(38,627.67)	(19,715.80)	(83,623.22)	(112,360.07)
6	Finance costs	3,560.25	3,451.38	4,147.05	10,268.43	15,796.49	20,014.45
7	Profit (loss) before tax (5-6)	115.13	(26,215.63)	(42,774.72)	(29,984.23)	(99,421.71)	(132,374.52)
8	Tax expense (including deferred tax)	-	-	3.98	-	3,685.15	3,685.17
9	Profit (loss) after tax (7-8)	115.13	(26,215.63)	(42,778.70)	(29,984.23)	(103,106.86)	(136,059.69)
10	Paid-up equity share capital (Face Value of Rs.10 Each)	10,821.27	10,821.17	7,235.69	10,821.27	7,235.69	7,235.69
11	Reserves (excluding Revaluation reserves)						35,781.33
12	Earnings Per Share (EPS) (Not annualised)						
	Basic	0.11	(26.30)	(59.12)	(32.61)	(142.52)	(188.06)
	Diluted	0.11	(26.30)	(59.12)	(32.61)	(142.52)	(188.06)
<b>Part II</b>							
<b>A Particulars of shareholding</b>							
1	Public shareholding						
	- Number of shares	79,026,592	76,199,437	45,701,368	79,026,592	45,701,368	45,701,368
	- Percentage of shareholding	73.03%	70.42%	63.16%	73.03%	63.16%	63.16%
2	Promoters and Promoter Group Shareholding						
	a) Pledged / Encumbered						
	- Number of shares	Nil	Nil	Nil	Nil	Nil	Nil
	- Percentage of shares	Nil	Nil	Nil	Nil	Nil	Nil
	(% of the total shareholding of promoter and promoter group)	Nil	Nil	Nil	Nil	Nil	Nil
	- Percentage of shares	Nil	Nil	Nil	Nil	Nil	Nil
	(% of the total share capital of the company)	Nil	Nil	Nil	Nil	Nil	Nil
	b) Non - encumbered						
	- Number of shares	29,186,106	32,612,261	26,655,527	29,186,106	26,655,527	26,655,527
	- Percentage of shares	100%	100%	100%	100.00%	100.00%	100%
	(% of the total shareholding of promoter and promoter group)	100%	100%	100%	100.00%	100.00%	100%
	- Percentage of shares	26.97%	29.58%	36.84%	26.97%	36.84%	36.84%
	(% of the total share capital of the company)	26.97%	29.58%	36.84%	26.97%	36.84%	36.84%
<b>B</b>							
Particulars		Quarter ended December 31, 2012					
	Investor complaints						
	Pending at the beginning of the quarter	-					
	Received during the quarter	1					
	Disposed off during the quarter	1					
	Remaining unresolved at the end of the quarter	-					



SIGNED FOR IDENTIFICATION  
BY  
*Anil Kumar*  
B. R. BATLIBOI & CO.  
MUMBAI

**SKS MICROFINANCE LIMITED**

**UNAUDITED FINANCIAL RESULTS FOR THE QUARTER / NINE MONTH ENDED  
DECEMBER 31, 2012**

**Notes:**

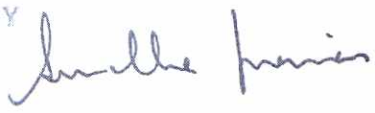
1. The above results have been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on January 21, 2013 and January 24, 2013 respectively, in terms of clause 41 of Listing Agreement.
2. The Statutory Auditors have carried out the 'Limited Review' of the results for the quarter ended December 31, 2012.
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.

Further, 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.

4. The net deferred tax asset amounting to Rs.55,633.62 lakhs as at December 31, 2012 has not been recognized. The said sum of Rs. 55,633.62 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 December 31, 2012, the Company

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BY  
  
S. R. BATLIBOI & CO.



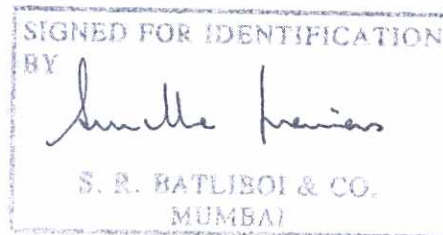
has posted a net profit of Rs. 115.13 lakhs and given the carried forward tax loss, no current tax provision is required for this quarter.

5. During the quarter ended December 31, 2012, the Company adopted the accounting policy for securitisation transactions, as notified by the RBI in its circular "Revisions to the Guidelines on Securitisation Transactions" issued on August 21, 2012. Accordingly, the income from securitisation transactions during the quarter ended December 31, 2012 is lower by Rs.139.59 lakhs, on account of change in the method of deferral of recognition of income, prescribed in the revised guidelines issued by the RBI.
6. 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.
7. Figures for the previous periods have been regrouped/ rearranged wherever necessary to conform to current period presentation.

Place: Hyderabad

For SKS Microfinance Limited

Date: January 24, 2013



Statement of Standalone Unaudited Financial Results for the Quarter / Nine month ended December 31, 2012

Rs. In Lakhs

Sr No.	Particulars	Quarter ended			Nine months ended			Year ended March 31, 2012 Audited
		December 31, 2012 Unaudited	September 30, 2012 Unaudited	December 31, 2011 Unaudited	December 31, 2012 Unaudited	December 31, 2011 Unaudited	December 31, 2011 Unaudited	
1	Income from operations	7,270.93	6,348.83	7,891.71	19,520.64	34,067.74	39,347.24	
	Other operating income	1,234.65	1,407.84	815.86	4,189.66	2,887.34	4,222.85	
	Total income from operations	8,505.58	7,756.67	8,707.57	23,710.30	36,955.08	43,570.09	
2	Expenses							
	Employee benefits expenses	3,746.62	4,737.29	6,521.19	13,289.49	20,539.77	26,111.88	
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11	Reserves (excluding Retention reserves)						35,781.33	
12	Earnings Per Share (EPS) (Not annualised)							
	Basic	0.11	(26.30)	(59.12)	(32.01)	(142.52)	(188.06)	
	Diluted	0.11	(26.30)	(59.12)	(32.01)	(142.52)	(188.06)	
<b>Part II</b>								
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<b>Particulars of shareholding</b>								
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	- Percentage of shareholding	73.03%	70.42%	63.16%	73.03%	63.16%	63.16%	
2	Promoters and Promoter Group Shareholding							
	a) Pledged / Encumbered	Nil	Nil	Nil	Nil	Nil	Nil	
	- Number of shares	Nil	Nil	Nil	Nil	Nil	Nil	
	- Percentage of shares	Nil	Nil	Nil	Nil	Nil	Nil	
	- Percentage of the total shareholding of promoter and promoter group	Nil	Nil	Nil	Nil	Nil	Nil	
	- Percentage of shares	Nil	Nil	Nil	Nil	Nil	Nil	
	- Percentage of the total share capital of the company)	Nil	Nil	Nil	Nil	Nil	Nil	
	b) Non - encumbered	29,186,106	32,012,261	26,655,527	29,186,106	26,655,527	26,655,527	
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	- Percentage of shares	100%	100%	100%	100.00%	100.00%	100%	
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<b>Particulars</b>								
<b>B</b>								
<b>Investor complaints</b>								
	Pending at the beginning of the quarter	-	-	-	-	-	-	
	Received during the quarter	1	1	1	1	1	1	
	Disposed off during the quarter	1	1	1	1	1	1	
	Remaining unresolved at the end of the quarter	-	-	-	-	-	-	



## SKS MICROFINANCE LIMITED

### UNAUDITED FINANCIAL RESULTS FOR THE QUARTER / NINE MONTH ENDED DECEMBER 31, 2012

#### 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 January 21, 2013 and January 24, 2013 respectively, in terms of clause 41 of Listing Agreement.
2. The Statutory Auditors have carried out the 'Limited Review' of the results for the quarter ended December 31, 2012.
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Place: Hyderabad

Date: January 24, 2013

For SKS Microfinance Limited

