



SKS MICROFINANCE LIMITED

Registered Office: Ashoka Raghupati Chambers, D. No. 1-10-60 to 62, Opp. Shoppers Stop,
Begumpet, Hyderabad - 500 016, A.P. (India)

POSTAL BALLOT NOTICE
(pursuant to Section 192A of the Companies Act, 1956)

NOTICE is hereby given, pursuant to the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011 including any statutory modification or re-enactment thereof for the time being in force, that the Company is seeking consent of its Members to pass the proposed Resolutions as set out below, by means of Postal Ballot.

Explanatory Statement pursuant to Sections 173(2) and 192A of the Companies Act, 1956, along with a Postal Ballot Form, are annexed for your consideration.

The Company has appointed Mr. K.V.S. Subramanyam, Practicing Company Secretary, as the Scrutinizer for conducting the Postal Ballot process in a fair and transparent manner.

Members are requested to carefully read the instructions printed on the Postal Ballot Form, record their assent or dissent therein and return the Form duly completed, in the attached self-addressed pre-paid postage envelope, so as to reach the Scrutinizer on or before 5.00 p.m. on Monday, December 5, 2011. Postal Ballot Forms received thereafter will not be considered. The Scrutinizer will submit his report after completion of the scrutiny of the Postal Ballot Forms and the results of the Postal Ballot will be announced on Wednesday, December 7, 2011 at the Company's Registered Office at Ashoka Raghupati Chambers, D. No. 1-10-60 to 62, Opp. Shoppers Stop, Begumpet, Hyderabad - 500 016, A.P. (India).

Items of business requiring consent of shareholders through Postal Ballot:

Item No. 1 - Further Issue of Capital:

To consider and, if thought fit, to pass the following Resolution as a **Special Resolution**:

"RESOLVED that, pursuant to Section 81(1A) and all other applicable provisions of the Companies Act, 1956 (**"Act"**) (including any statutory modification or re-enactment thereof, for the time being in force) and in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the **"SEBI ICDR Regulations"**) and the enabling provisions of the Memorandum and Articles of Association of the Company, the Listing Agreements entered into with the Stock Exchanges, the provisions of the Foreign Exchange Management Act, 1999 as amended including the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 as amended and subject to any required approvals, consents, permissions and/ or sanction of the Ministry of Finance (Department of Economic Affairs) and of the Ministry of Commerce & Industry (Foreign Investment Promotion Board/ Secretariat for Industrial Assistance) and the SEBI and in accordance with the rules, regulations, guidelines, notifications, circulars and clarifications issued thereon from time to time by the Government of India (the **"GOI"**), the Reserve Bank of India (the **"RBI"**), the SEBI and/ or any other competent authorities and subject to necessary approvals, consents, permissions and sanctions of the authorities concerned and subject to such conditions and modifications as may be prescribed by any one of the above authorities/ regulators, while granting any such approvals, consents, permissions, and/ or sanctions which may be agreed to by the Board of Directors of the Company (hereinafter called the **"Board"** which term shall be deemed to include any Committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by this Resolution). The consent, authority and approval of the Company be and is hereby accorded to the Board to create, issue, offer and allot (including with provisions for reservation on firm and/ or competitive basis, of such part of issue and for such categories of persons including employees of the Company as may be permitted), either in India or in the course of international offering(s) in one or more foreign markets, such number of Equity Shares of the Company (**"Equity Shares"**), global depository receipts, foreign currency convertible bonds and/ or other financial instruments convertible into Equity Shares (including warrants, or otherwise, in registered or bearer form), fully convertible debentures, partly convertible debentures, non-convertible debentures with warrants and/ or any security convertible into Equity Shares with or without voting/ special rights and/ or Securities linked to Equity Shares and/ or Securities with or without detachable warrants with right exercisable by the warrant holder to convert or subscribe to Equity Shares pursuant to a green shoe option, if any (all of which are hereinafter collectively referred to as **"Securities"**) or any combination of Securities, in one or more tranches, whether rupee denominated or denominated in foreign currency, through public and/ or private offerings or any combination thereof of by issue of prospectus and/ or placement document/ or other permissible/ requisite offer document to any eligible person(s), including but not limited to Qualified Institutional Buyers in accordance with Chapter VIII of the SEBI ICDR Regulations or otherwise, foreign/ resident investors (whether institutions, incorporated bodies, mutual funds, individuals or otherwise), venture capital funds (foreign or Indian), foreign institutional investors, Indian and/ or multilateral financial institutions, mutual funds, non-resident Indians, stabilizing agents, pension funds, and/ or any other categories of investors, whether they be holders of Equity Shares of the Company or not (collectively called the **"Investors"**) whether or not such Investors are Members of the Company, as may be decided by the Board in its discretion and permitted under applicable laws and regulations for an aggregate amount not exceeding Rs. 900 crore or equivalent thereof in one or more foreign

currency and/ or Indian rupees, inclusive of such premium as may be fixed on such Securities by offering the Securities in one or more countries through public issue(s), private placement(s), or a combination thereof at such time or times, at such price or prices, at a discount or premium to market price in such manner and on such terms and conditions including security, rate of interest, etc. as may be deemed appropriate by the Board in its absolute discretion including the discretion to determine the categories of Investors to whom the offer, issue and allotment shall be made to the exclusion of other categories of Investors at the time of such offer, issue and allotment considering the prevailing market conditions and other relevant factors and wherever necessary in consultation with Lead Manager(s) and/ or Underwriter(s) and/ or other Advisor(s) either in foreign currency or equivalent Indian Rupees inclusive of such premium as may be determined by the Board, in any convertible foreign currency, as the Board at its absolute discretion may deem fit and appropriate.

“RESOLVED FURTHER that in pursuance of the aforesaid Resolutions:

- a) the Securities to be so offered, issued and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company;
- b) the relevant date for the determination of applicable price for the issue of Securities to Qualified Institutional Buyers pursuant to Chapter VIII of the SEBI Regulations and/ or other applicable regulations, shall be the date on which the Board of the Company decides to open the proposed issue, or the date on which the holder of Securities which are convertible into or exchangeable with Equity Shares at a later date becomes entitled to apply for the said Equity Shares, as the case may be.
- c) the relevant date for the determination of applicable price for the issue of any other Securities, in terms of the preceding regulation shall be as per the regulations/ guidelines prescribed by the SEBI, the Ministry of Finance, the RBI, the GOI through its various departments, or any other regulator and the pricing of any Equity Shares issued upon the conversion of the Securities shall be made subject to and in compliance with the applicable rules and regulations; and such price shall be subject to appropriate adjustments in the applicable rules/ guidelines/ statutory provisions.

“RESOLVED FURTHER that the issue to the holders of the Securities which are convertible into or exchangeable with Equity Shares at a later date shall be, inter alia, subject to the following terms and conditions:

- a) in the event of the Company making a bonus issue by way of capitalization of its profits or reserves prior to the allotment of the Securities, the number of Securities to be allotted shall stand augmented in the same proportion in which the equity share capital increases as a consequence of such bonus issue and the premium, if any, shall stand reduced pro tanto;
- b) in the event of the Company making a rights offer by issue of Securities prior to the allotment of the Securities, the entitlement to the Securities will stand increased in the same proportion as that of the rights offer and such additional Securities shall be offered to the holders of the Securities at the same price at which the same are offered to the existing shareholders;
- c) in the event of merger, amalgamation, takeover or any other re-organization or restructuring or any such corporate action, the number of shares, the price and the time period as aforesaid shall be suitably adjusted; and
- d) in the event of consolidation and/ or division of outstanding Equity Shares into smaller number of shares (including by way of stock split) or re-classification of the Securities into other securities and/ or involvement in such other event or circumstances which in the opinion of stock exchange concerned requires such adjustments, necessary adjustments will be made.

“RESOLVED FURTHER that without prejudice to the generality of the above, subject to applicable laws, regulations and guidelines and subject to approvals, consents, permissions, if any, of any governmental body, authority or regulatory institution including any conditions as may be prescribed in granting such approvals or permissions by such governmental authority or regulatory institution, the aforesaid Securities may have such features and attributes or any terms or combination of terms that provide for the tradability and free transferability thereof in accordance with the prevailing practices in the capital markets including but not limited to the terms and conditions for issue of additional Securities and the Board be and is hereby authorized in its absolute discretion in such a manner as it may deem fit, to dispose of such Securities that are not subscribed.

“RESOLVED FURTHER that the Board be and is hereby authorized to issue and allot such number of Equity Shares as may be required to be issued and allotted upon conversion of any Securities or as may be necessary in accordance with the terms of the offering, all such Equity Shares raking pari passu with the then existing Equity Shares in all respects..

“RESOLVED FURTHER that for the purpose of giving effect to the Resolutions described above, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things including but not limited to finalization and approval for the preliminary as well as final offer document(s), determining the form and manner of the issue, including the class of Investors to whom the Securities are to be issued and allotted, number of Securities to be allotted, issue price, face value, premium amount on issue/ conversion of the Securities, if any, rate of interest, execution of various transaction documents, creation of mortgage/ charge in accordance with Section 293(1)(a) of the Act, in respect of any Securities as may be required either on pari passu basis or otherwise, as it may in its absolute discretion deem fit and to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Securities and utilization of the issue proceeds as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this Resolution.

“RESOLVED FURTHER that the Board or any Committee thereof be and is hereby authorized to engage/ appoint the Lead Managers, Underwriters, Guarantors, Depositories, Custodians, Registrars, Stabilizing Agents, Trustees, Bankers, Advisors and all such agencies as may be involved or concerned in such offerings of Securities and to remunerate them by way of commission, brokerage, fees or the like and also to enter into and execute all such arrangements, agreements, memoranda, documents etc. with such agencies and to seek the listing of such Securities on one or more national and/or international stock exchange(s).

“**RESOLVED FURTHER** that the Board be and is hereby authorized to delegate to the extent permitted by law, all or any of the powers herein conferred to any Committee of Directors or the Managing Director or any Whole Time Director or any other Officer or Officers of the Company to give effect to the aforesaid Resolution.”

Item No. 2 - Increase in the Authorised Share Capital and alteration of Capital Clause in the Memorandum of Association of the Company:

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“**RESOLVED** that pursuant to sections 16 and 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from Rs. 95,00,00,000/- (Rupees Ninety Five Crores only) divided into 8,20,00,000 (Eight Crore Twenty Lakhs) Equity shares of Rs. 10/- (Rupees Ten only) each, and 1,30,00,000 (One Crore Thirty Lakhs) Preference shares of Rs. 10/- (Rupees Ten) each to Rs. 135,00,00,000/- (Rupees One Hundred Thirty Five Crores only) divided into 12,20,00,000 (Twelve Crore Twenty Lakhs) Equity Shares of Rs. 10/- (Rupees Ten only) each, and 1,30,00,000 (One Crore Thirty Lakhs) Preference Shares of Rs. 10/- (Rupees Ten) each, ranking pari passu with the existing equity shares.

“**RESOLVED FURTHER** that Clause V of the Memorandum of Association of the Company be and is hereby altered by substituting the existing clause with the following clause:

The Authorized Share Capital of the Company is Rs. 135,00,00,000/- (Rupees One Hundred Thirty Crores only) divided into:

- a) 12,20,00,000 (Twelve Crore Twenty Lakhs) Equity shares of Rs. 10/- (Rupees Ten) each,
- b) 1,30,00,000 (One Crore Thirty Lakhs) Preference shares of Rs. 10/- (Rupees Ten) each, whether convertible or non-convertible.

The Share capital of the Company (whether original, increased or reduced) may be subdivided into such classes of shares as may be allowed under the law for the time being in force relating to the Companies with such privileges or rights as may be attached and to be held upon such terms as may be prescribed by the Articles of Association of the Company.

“**RESOLVED FURTHER** that for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, filings, matters and things and execute all such deeds, documents, instruments and writings as may be required, with powers on behalf of the Company to settle all questions, difficulties or doubts that may arise in this regard as the Board may in its sole and absolute discretion deems fit and delegate all or any of its powers herein conferred to any director(s) and/ or officer(s) of the Company, if required, as it may in its absolute discretion deem it necessary or desirable.

Item No. 3 - Insertion of new objects clause and alteration of Main Objects Clause in the Memorandum of Association of the Company:

To consider and if thought fit, to pass the following resolution as a Special Resolution:

“**RESOLVED** that pursuant to the provisions of Section 17 and other applicable provisions, if any, of the Companies Act, 1956 subject to the confirmation by the Registrar of Companies and other approvals of the Central Government, Regulatory bodies, if any, consent of the members be and is hereby accorded to the Company to alter Clause III (A) of the Memorandum of Association of the Company by inserting the following new sub-clauses 6, 7 and 8 after sub-clause 5 relating to Main Objects of the Company:

6. To lend Loans for any purpose against pledge of gold including household and/or used gold jewellery or any other security including housing or commercial property with or without a mortgage on such terms as may seem expedient;
7. To extend working capital loans to kirana stores, which deal with fast-moving consumer goods and groceries.
8. To extend loans for purchase of mobile phones on such terms as may seem expedient;

“**RESOLVED FURTHER** that for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, filings, matters and things and execute all such deeds, documents, instruments and writings as may be required, with powers on behalf of the Company to settle all questions, difficulties or doubts that may arise in this regard as the Board may in its sole and absolute discretion deems fit and delegate all or any of its powers herein conferred to any director(s) and/ or officer(s) of the Company, if required, as it may in its absolute discretion deem it necessary or desirable.”

Item No. 4 - Amendments to all Employee Stock Option (“ESOP”) plans of the Company to extend the maximum permissible exercise period by three years, provided, however, that within this maximum permissible period the precise exercise period for specific stock options will be determined by the Board and/ or the Remuneration & Compensation Committee:

To consider and if thought fit, to pass the following resolution as a **Special Resolution**:

“**RESOLVED** that all Employee Stock Option Plans (“ESOPs”) of the Company be and are hereby amended to extend the maximum permissible exercise period prescribed therein by three years provided however that within this extended maximum permissible period, the precise exercise period for specific stock options will be determined by the Board and/ or the Remuneration & Compensation Committee.

“**RESOLVED FURTHER** that subject to the Securities & Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and subject to the relevant ESOP Plan of the Company as amended above, the Board of Directors of the Company and/ or the Remuneration & Compensation Committee of the Company be and is hereby severally authorized to increase, at its respective sole discretion and at one time or at multiple times for each stock option, the exercise

period(s) of any and/ or all stock options granted (whether vested or unvested) or to be granted under any ESOP Plan of the Company up to the maximum permissible exercise period permissible under the respective ESOP Plan as amended above.”

Item No. 5 - SKS Microfinance Employee Stock Option Plan - 2011 (“ESOP-2011”):

To consider and if thought fit, to pass the following resolution as a **Special Resolution**:

“**RESOLVED** that pursuant to the provisions of Sections 81, 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (the “Act”) and in accordance with the provisions of the Memorandum and Articles of Association of the Company and the provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (the “SEBI Guidelines”) (including any statutory modification(s) or re-enactment of the Act, Rules or the Guidelines, for the time being in force) and subject to such approval(s), permission(s) and sanction(s) as may be required from time to time from any authority(ies) and subject to such condition(s) and modification(s) as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (the “Board”, which term shall be deemed to include the Compensation Committee or any other Committee thereof, for the time being authorized by the Board to exercise the powers conferred on the Board and/ or such other persons who may be authorized by the Board/ any Committee thereof in this regard), the consent of the Company be and is hereby accorded to the Board to create, issue, offer, allocate and allot at any time, subject to applicable laws, to the benefit of such person(s) as may be in permanent employment of the Company including Directors of the Company, whether working in India or outside India (hereinafter referred to as “Employees”) under the Scheme titled “**SKS Microfinance Employees Stock Option Plan - 2011**” [hereinafter referred to as “ESOP - 2011” or the “Scheme - 2011” or the “Plan - 2011”] such number of Equity Stock Options (“Options”), convertible into Equity Shares not exceeding in aggregate 13,50,000 (Thirteen lakhs and Fifty thousand only) Equity Shares of the Company at such price, and in one or more tranches and on such terms and conditions, as may be fixed or determined by the Board in accordance with the provisions of applicable law, as may be prevailing at that time, to the present and future employees and other persons eligible to receive the same in terms of applicable laws under the ESOP - 2011 on the terms and conditions as may be specified by the Board in its absolute discretion.

“**RESOLVED FURTHER** that without prejudice to the generality of the above, but subject to the terms, as approved by the Members, the Board be and is hereby authorized to implement the ESOP - 2011 in one or more tranches in such manner as the Board may determine.

“**RESOLVED FURTHER** that as is required, the Company shall conform to the accounting policies as contained in the SEBI Guidelines or other applicable laws.

“**RESOLVED FURTHER** that the Equity Shares to be issued as stated aforesaid shall rank pari-passu with all the existing equity shares of the Company for all purposes.

“**RESOLVED FURTHER** that for the purpose of giving effect to any creation, offer, issue, allotment or listing of the Equity Shares (if any), the Board be and is hereby authorized on behalf of the Company to evolve, decide upon and bring into effect the ESOP - 2011 and do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary or desirable, pay fees and commission and incur expenses in relation thereof as may be required, if any and to settle all questions, difficulties or doubts that may arise in relation to the implementation of the ESOP - 2011 and to the shares issued therein (including to amend or modify any of the terms thereof) and to make any modifications, changes, variations, alterations or revisions in the Scheme from time to time or to suspend, withdraw or revive the Scheme from time to time as may be specified by any statutory authority without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by authority of this resolution.”

by order of the Board of Directors
for SKS Microfinance Limited

Sd/-

Sudershan Pallap
Company Secretary

Date: November 1, 2011
Place: Hyderabad

Explanatory statement to Item Nos. 1 to 5 of the Postal Ballot Notice, pursuant to Section 173 (2) of the Companies Act, 1956

Item No. 1 - Further Issue of Capital:

The Company is proposing to increase its capital base by way of infusion of fresh equity to augment the resources of the Company and to ensure that its growth is not impeded on account of capital constraints. For this purpose, the Company seeks your approval by way of the Special Resolution as set out in Item No.1.

Section 81(1A) of the Companies Act, 1956 and the relevant clauses of the Listing Agreement with the Stock Exchanges where the Equity Shares of the Company are listed provides, inter alia, that when it is proposed to increase the issued capital of a Company by allotment of further shares, such further shares shall be offered to the existing Members of such Company in the manner laid down in Section 81 unless the Members in a General Meeting decide otherwise. Since the Special Resolution proposed in the Postal Ballot Notice results in the further issue of Equity Shares of the Company other than to the members of the Company, consent of the Members is being sought pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the Listing Agreement executed by the Company with the Stock Exchanges where the Equity Shares of the Company are listed.

It is proposed to create, offer, issue and allot Equity Shares and/ or other Security at such price, at a discount or premium to market price or prices in a such manner and on such terms and conditions including Security, rate of interest, etc., as may be deemed appropriate by the Board at its absolute discretion including the discretion to determine the categories of investors to whom the offer, issue and allotment shall be made at the time of such offer, issue and allotment considering the prevailing market conditions and other relevant factors and wherever necessary in consultation with lead managers, either in foreign currency or equivalent Indian rupees inclusive of such premium as may be determined by the Board, in any convertible foreign currency, as the Board at its absolute discretion may deem fit and appropriate. The Company intends to issue Securities for a value of up to Rs. 900 crore.

The Special Resolution also seeks to empower the Board of Directors (hereinafter called the "**Board**" which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by this resolution) to undertake a Qualified Institutional Placement with Qualified Institutional Buyers as defined by SEBI ICDR Regulations. The Board of Directors may in their discretion adopt this mechanism, as prescribed under Chapter VIII of the SEBI ICDR Regulations in order to augment the resources of the Company and to ensure that its growth is not impeded on account of capital constraints without the need for fresh approval from the shareholders. The pricing of the Securities to be issued to Qualified Institutional Buyers pursuant to Chapter VIII of the SEBI ICDR Regulations shall be freely determined subject to such price not being less than the price calculated in accordance with Regulation 85 of the SEBI ICDR Regulations.

The Special Resolution seeks to give the Board powers to issue Securities in one or more tranche or tranches, at such time or times, at such price or prices and to such person(s) including institutions, incorporated bodies and/ or individuals or otherwise as the Board, in its absolute discretion, deems fit. The detailed terms and conditions for the offer will be determined by the Board in consultation with the Advisors, Lead Managers, Underwriters and such other authority or authorities as may be required to be consulted by the Company considering the prevailing market conditions and in accordance with the applicable provisions of law, and other relevant factors.

The Equity Shares allotted or arising out of conversion of any Securities would be listed. The issue/ allotment/ conversion would be subject to the availability of regulatory approvals, if any. The conversion of Securities held by foreign investors, into Equity Shares would be subject to the applicable foreign investment cap.

As and when the Board does take a decision on matters on which it has the discretion, necessary disclosures will be made to the stock exchanges under the provisions of the Listing Agreement.

The Resolution, if passed, will have the effect of allowing the Board to issue and allot Securities to the investors who may or may not be the existing shareholders of the Company.

The Directors of the Company may be deemed to be concerned or interested in the proposed resolution to the extent of Securities issued/ allotted to them, if any.

The Board of Directors of the Company recommends passing of the aforesaid Resolution.

None of the Directors of the Company is concerned or interested in the said Resolution.

Item No. 2 - Increase in the Authorised Share Capital and alteration of Capital Clause in the Memorandum of Association of the Company:

The present Authorized Share Capital of the Company is Rs. 95 crore (Rupees Ninety Five Crore only) divided into 8,20,00,000 (Eight Crore Twenty Lakhs) Equity Shares of Rs. 10/- (Rupees Ten only) each, and 1,30,00,000 (One Crore Thirty Lakhs) Preference Shares of Rs. 10/- (Rupees Ten only) each, whether convertible or non-convertible.

It is recommended to increase the Company's Authorized Share Capital from Rs. 95,00,00,000/- (Rupees Ninety Five Crore only) to Rs. 135,00,00,000/- (Rupees One Hundred Thirty Five Crore only) by creating 4,00,00,000 (Four Crore) equity shares of Rs. 10/- (Rupees Ten Only) each, subject to Members approval through Postal Ballot.

Accordingly, pursuant to sections 16 and 94 and other applicable provisions, if any, of the Companies Act, 1956 - the Resolution seeks approval of the Members for increase in the Authorized Share Capital of the Company and making changes in the Memorandum of Association of the Company.

The Directors of the Company may be deemed to be concerned or interested in the proposed resolution to the extent of Securities

issued/ allotted to them, if any.

The Board of Directors of the Company recommends passing of the aforesaid Resolution.

None of the Directors of the Company is concerned or interested in the said Resolution.

Item No. 3 - Insertion of new objects clause and alteration of Main Objects Clause in the Memorandum of Association of the Company:

SKS is currently reaching over one lakh (1,00,000) villages in India with a presence in 19 states. The Company has begun leveraging its 2,379- strong branch network and its financing ability to provide more financial services to the bottom of the pyramid.

In this direction, the Company has undertaken pilot projects in gold loans, housing finance, mobile handset loans and lending to kirana stores (Sangam Stores).

Gold Loan

Currently, the gold loan market is dominated by usurious pawn-brokers with players in the organized sector having limited reach in the rural India. To bridge this gap, the Company has initiated the Gold Loan pilot project. The objective is to enable borrowers to get loans at competitive rates in order to increase their business and address other emergencies. The Company plans to target its current borrowers as well as new ones with this product. The pilot project has been successfully implemented in 50 branches.

Housing Loans

The Company, in association with HDFC, has launched a housing loan pilot product for its Sangam members (borrowers) who have been with the Company for a minimum period of three years. With the loans, Sangam members can repair their houses, such as changing a thatched or asbestos roof to RCC, or make improvements such as building a washroom or adding an extra room. Loans range from Rs. 50,000 to Rs. 150,000. The loan has a repayment period of three to five years depending on the repayment capacity of the Sangam members and the principal and interest payments are due on a monthly basis.

Mobile Handset Loans

India has a high potential in the mobile telephony market, but the high cost of mobile handsets is a key deterrent for rural borrowers of SKS. Considering this, the Company has launched a mobile finance program that offers its borrowers mobile handsets at a relatively lower price with the option of paying for the same in small, easy installments.

The Company has partnered with Nokia India Pvt. Ltd. to supply quality handsets to its borrowers. A loan product has been designed to facilitate finance for handset purchases. Under this program, the Company has disbursed 3.5 lakh mobile loans to its borrowers in six states of India. This initiative has instilled confidence in its borrowers and improved their business through better access to communication.

Sangam Stores

A Sangam Store is a kirana store run by an SKS borrower. The objective of the Company's Sangam Store lending initiative is to enable Sangam Store owners to buy fast-moving consumer goods and groceries from a wholesale vendor, which they would then resell in their retail kirana stores. Besides giving them access to quality products at competitive prices, the program results in saving of time and transport costs for the borrower. About 8% of the total borrower base of SKS has been running kirana stores (that is, 5 lakh kirana stores). With SKS providing finance and the wholesaler facilitating timely supplies, Sangam Stores are in a position to enhance the volume of business.

A suitable credit product has been designed to meet this specific need. SKS has also partnered with one of the world's most reputed wholesalers, Metro Cash and Carry (India) Pvt. Ltd., in Hyderabad. SKS has already enrolled 3,500 stores for the program and is now planning to expand this program geographically (to Bengaluru and Kolkata) as well as to different customer segments (non-borrowers).

SKS is building new relationships to extend the non-borrower program across the country. The Company has also developed a mobile-based MIS system to collect and consolidate orders and track the loan portfolio. The software system will help SKS in scaling the program in multiple locations working with multiple partners. The program can act as the first step in creating distribution channels for a wide range of other non-financial products. The Company believes that it can offer profitable products benefiting around 5 lakh Sangam Store owners with trickle-down benefits to its broader borrower base.

As informed in the Eighth Annual Report, the Company's focus will be on reaching out to the last mile with the above-mentioned bouquet of products.

Based on the success of the pilots, the Company proposes to scale them into new business verticals and proposes to amend Main Objects of the Memorandum of Association ("MOA").

Pursuant to the provisions of Section 17 and other applicable provisions, if any, of the Companies Act, 1956 - the Board of Directors recommend an amendment to the Main Objects of the Memorandum of Association to undertake the following activities as main objects of the Company in addition to the present activities:

1. Provide loans for any purpose against pledge of gold including household and/ or used gold jewellery
2. Providing loans for purchase of mobile phones
3. Extending working capital loans to kirana stores (Sangam Stores) -- both for members and non-members
4. Housing loans
5. Providing other secured and unsecured loans

The Board of Directors of the Company recommends passing of the aforesaid Resolution.

None of the Directors of the Company is concerned or interested in the said Resolution.

Item No. 4 - Amendments to all Employee Stock Option ("ESOP") plans of the Company to extend the maximum permissible exercise period by three years, provided, however, that within this maximum permissible period the precise exercise period for specific stock options will be determined by the Board and/ or the Remuneration & Compensation Committee:

In order to attract, motivate, retain qualified and skilled professionals in the field of microfinance, the following Employees Stock Option Plans (ESOP Plans) were instituted by the Company:

- SKS Microfinance Employee Stock Option Plan 2007 ('ESOP - 2007');
- SKS Microfinance Employee Stock Option Plan 2008 ('ESOP - 2008');
- SKS Microfinance Employee Stock Option Plan 2008 (Independent Directors) ('ESOP - 2008 (ID)');
- SKS Microfinance Employee Stock Option Plan 2009 ('ESOP - 2009'); and
- SKS Microfinance Employee Stock Option Plan 2010 ('ESOP - 2010').

The aforesaid ESOP Plans have been amended and duly ratified by the Shareholders of the Company in the 8th Annual General Meeting of the Company held on July 20, 2011 in conformity with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

The ESOP Plans provide that the maximum period within which the options can be exercised by eligible employees is a period, to be determined by the Board or the Remuneration & Compensation Committee, not exceeding 5 or 6 years from the date of vesting. However, considering the present environmental challenges in the microfinance sector, it is imperative for the Company to retain experienced, qualified and skilled employees with the Company. Hence, it is proposed to amend all Employee Stock Option ("ESOP") plans of the Company to extend the maximum permissible exercise period by three years, provided, however, that within this maximum permissible period the precise exercise period for specific stock options will be determined by the Board and/ or the Remuneration & Compensation Committee.

Accordingly, the Resolutions seek approval of the Members to amend the ESOP plans as explained above and to authorize the Board of Directors of the Company and/ or the Remuneration & Compensation Committee of the Board to increase the exercise period(s) of any and/ or all ESOPs granted under any ESOP Plan of the Company by one or more period(s), in the aggregate, the maximum permissible exercise period under the relevant ESOP Plan as amended by the proposed Resolution.

The Directors of the Company may be deemed to be concerned or interested in the proposed resolution to the extent of Stock Options granted to them, if any.

The Board of Directors of the Company recommends passing of the aforesaid Resolution.

Item No. 5 - SKS Microfinance Employee Stock Option Plan - 2011 ("ESOP - 2011"):

In order to attract qualified and skilled professionals, to motivate/ retain the employees of the Company with incentives and reward to create a sense of ownership and participation amongst them, the Company has instituted Employees Stock Option Plans ('ESOPs') from time to time.

In this direction, it is proposed to institute the Employee Stock Option Plan (ESOP) 2011 ("ESOP - 2011") by issuing 13,50,000 (Thirteen Lakh Fifty Thousand Only) Equity Stock Options ("Options"), convertible into 13,50,000 (Thirteen Lakh Fifty Thousand Only) Equity Shares of the Company at such price, and in one or more tranches and on such terms and conditions, as may be fixed or determined by the Board subject to the provisions of applicable law, rules, regulations and guidelines for the time being in force.

The main features of ESOP - 2011 and Information as required under clause 6.2 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (SEBI Guidelines) are given below:

a) Total number of Options to be granted: 13,50,000 (Thirteen Lakh Fifty Thousand Only) options convertible into 13,50,000 (Thirteen Lakh Fifty Thousand Only) Equity Shares of Rs. 10/- each fully paid up.

SEBI Guidelines require that in case of any corporate action(s) or change in capital structure such as rights issues, bonus issues, sub-division or consolidation of the nominal value of shares, merger and sale of division and others, a fair and reasonable adjustment needs to be made to the Options granted.

Accordingly, if any additional Equity Shares are required to be issued for making such fair and reasonable adjustment, the ceiling of 13,50,000 (Thirteen Lakh Fifty Thousand Only) Equity Shares shall be deemed to be increased to the extent of such additional Equity Shares issued/ to be issued. Further the Board and/ or the Remuneration & Compensation Committee shall in such cases also have the power to make appropriate adjustments to the number of shares to be allotted pursuant to the exercise of the Options, the Exercise price and other rights and obligations under the Options granted.

b) Identification of classes of employees entitled to participate in the ESOP - 2011: All permanent employees of the Company, including the Directors thereof, whether in whole time employment or not and whether working in India or outside India, but excluding the Promoters of the Company or persons belonging to the Promoter Group, as may be decided by the Board/ Remuneration & Compensation Committee from time to time, would be entitled to be granted Options under the ESOP - 2011.

c) Requirements of vesting and period of vesting and maximum period within which the Options shall be vested: The Options granted shall vest so long as the employee continues to be in the employment of the Company. The Board may, at its discretion, lay

down the period of time and/ or specify certain performance metrics on the achievement of which the granted Options may vest (subject to the minimum vesting period as specified below). The vesting of the Options may also happen in tranches in accordance with the above-mentioned conditions.

The Options would vest not earlier than 1 (one) year but not later than 5 (five) years from the date of grant of Options. The exact proportion in which and the exact period over which the Options would vest would be determined by the Board, subject to the minimum vesting period of 1 (one) year from the date of grant of Options.

d) Exercise Price or Pricing Formula: The exercise price shall be decided by the Board of Directors and/ or the Remuneration & Compensation Committee which shall be in accordance with the SEBI Guidelines and other applicable laws, as applicable, and which shall not be less than the face value of the Shares to be issued upon exercise of the Options.

The Company shall be entitled to recover from the employee any tax that may be levied upon or in relation to the Options.

e) Exercise period and the process of exercise: The exercise period would commence from the date of vesting and will expire on completion of a period of up to 5 (five) years from the date of grant of the Options. The Options shall become exercisable in part or in full within the overall exercise period permitted under the ESOP - 2011.

The Options will be exercisable by the employees by a written application to the Company to exercise the Options in such manner, and on execution of such documents, as may be prescribed by the Board/ from time to time. The Options will lapse if not exercised within the specified exercise period and would be available for being re-granted in future.

f) Appraisal Process for determining the eligibility of the employees to ESOP: The appraisal process for determining the eligibility of the employee will be specified by the Board, and will be based on criteria such as role/ designation of the employee, length of service with the Company, past performance record, future potential of the employee and/ or such other criteria that may be determined by the Board at its sole discretion.

g) Maximum number of Options to be issued per employee and in aggregate: The aggregate number of Options/underlying Shares that may be granted under the ESOP - 2011 shall not exceed 13,50,000 (Thirteen Lakh Fifty Thousand Only) Equity Shares. Further, Options under each Grant to an Employee shall not exceed 0.5% of the total issued and paid-up equity capital of the Company in any year provided that the aggregate number of Options granted per employee under the total tenure of the plan in any case shall not exceed 1% of the total issued and paid-up equity capital at the time of grant of Options.

h) Maximum number of Options to be issued to Employees and Non-executive Directors (including Independent Directors) and in aggregate: The number of Options that may be granted to any Employee and Non-executive Director (including any Independent Director) in any financial year under ESOP - 2011 shall not exceed 0.5% of the issued and paid-up capital and in aggregate under the total tenure of the plan shall not exceed 1% of the total issued and paid-up capital of the Company at the time of grant of Options.

i) Statement to the effect that the Company shall conform to the accounting policies specified in Clause 13.1 of SEBI Guidelines: The Company shall comply with the disclosure and the accounting policies as specified in Schedule I referred to in Clause 13.1 of SEBI Guidelines.

j) Method which the Company shall use to value its options: To calculate the employee compensation cost, the Company shall use the Fair Value Method for valuation of the Options granted.

k) Declaration: In case the Company calculates the employee compensation cost using the Intrinsic Value of the Stock Options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the Fair Value of the Options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

A certificate issued by M/s. Ravi & Subramanyam, Practicing Company Secretaries, stating that ESOP - 2011 is in accordance with the above SEBI Guidelines is available at the Registered Office of the Company for inspection of Members during business hours on all working days.

The proposed offer, issue and allotment of Options/ Shares to the Employees of the Company under the ESOP - 2011 shall be effective subject to the approval of the Shareholders of the Company by way of a Special Resolution in accordance with the provisions of Sections 81 and 81(1A) of the Companies Act, 1956 read with the provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

The Directors of the Company may be deemed to be concerned or interested in the proposed Resolution to the extent of Stock Options proposed to be granted to them, if any.

The Board of Directors of the Company recommends passing of the aforesaid Resolution.

by order of the Board of Directors
for SKS Microfinance Limited

Sd/-

Sudershan Pallap
Company Secretary

Date: November 1, 2011
Place: Hyderabad