



February 25, 2012

Mr Ravi Nessman
Chief of Bureau
Associated Press
B 101-B/02 Statesman House
Barakhamba Road.
New Delhi - 110001

Dear Mr Nessman,

This has reference to your report, 'Lender's own probe links it to suicides', which was disseminated by The Associated Press on Thursday, February 24, 2012, making baseless allegations against SKS Microfinance Limited.

At the outset, SKS Microfinance Limited deplores such irresponsible journalism.

To ensure that the facts are correctly disseminated, it may please be noted that:

1. The AP report is a mere repetition of the charges made against the MFI sector one and a half years back and a restatement of the earlier unsubstantiated allegations, particularly regarding alleged microfinance-related suicides around October 2010 in the State of Andhra Pradesh. For reasons best known to itself, The Associated Press has used these old reports and presentations/ videos to malign the reputation of SKS Microfinance Limited.
2. The Associated Press has done this despite the fact that the Andhra Pradesh police investigation/ courts have exonerated the Company in 14 out of 15 alleged suicide cases. Trial is pending in one case, and SKS Microfinance is confident that its employee will be exonerated in this case as well. The 15 alleged suicide cases were part of a list of 76 names of alleged suicide victims submitted by the Andhra Pradesh Government in its Supreme Court affidavit verified by a notary on July 19, 2011.
3. The Board of SKS Microfinance Limited has not authorized any private investigation into the alleged suicides in the later part of 2010 in the State of Andhra Pradesh. Such investigations, in matters related to criminal cases, are the preserve of the Government and SKS has always extended all possible cooperation to the official machinery in such cases. The Board's Minutes, signed by then Executive Chairman, Dr Vikram Akula, would confirm the fact that there was neither any study authorised by the Board nor did the Board ever discuss the alleged report.
4. It is pertinent to note that the Associated Press report does not disclose any timelines with regard to the alleged reports – as to when they were allegedly commissioned and submitted, giving the impression that they are fresh insights. The alleged suicides have been investigated and in almost all cases SKS employees have been exonerated already by Governmental agencies/ courts.
5. The reporter from AP has relied on sources with doubtful credibility while doing this report. An internal investigation into misappropriation/ dereliction charges against

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certain employees of the Company began in November 2011. In fact, Mr Ramesh Vautrey, whose name has been cited in the AP report himself had authorised the termination of one of his immediate reportees in December 2011 after the employee concerned confessed, pleaded guilty to all charges and returned the misappropriated/ misused cash funds of the Company. Mr Ramesh Vautrey himself is currently facing enquiry for serious charges of misconduct. The enquiry against him has begun well before the AP report appeared. Mr Ramesh Vautrey, who has been stripped of all his official responsibilities in January 2011, is ironically portrayed in the AP report as a whistleblower.

6. It is pertinent to note that SKS Microfinance is known for its pioneering initiatives with regard to Customer Protection Principles. It was the first microfinance company in India to start a Toll-free Member Helpline in July 2009. The Helpline is now operational in eight Indian languages.

SKS Microfinance has already announced in December 2011 its plans to integrate Customer Protection Principles into the business model of the Company and realign the employee incentive system by integrating customer protection into the KRAs. As part of this effort to build responsible customer interface culture, the Company has already capped its interest rates well below RBI rates and proposes to cap its Return on Asset in the core microfinance business. SKS Microfinance has further created an independent vertical – an Ombudsman -- for proactively handling customer approaches and complaints. Mr Verghese Jacob, a seasoned corporate and social sector expert with three decades of experience, has been appointed as its Ombudsman to drive its customer protection policies.

SKS Microfinance is currently examining all legal options available to itself against the report.

SKS Microfinance requests you to disseminate a rejoinder stating all the above-mentioned facts immediately and at least as prominently as your libellous report. The Company reserves all our rights against The Associated Press and any publication which disseminates your scurrilous report. Further, SKS Microfinance reserves the right to report and the Company intends to fully cooperate in any regulatory proceedings against your publication, the journalist in question and your “sources” for a deliberate attempt at market manipulation.

Faithfully yours,

J S Sai
Executive Vice President - Public Affairs

Cc: Ms Erika Kinetz

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