

# SKS MICROFINANCE CLARIFIES

**In relation to the termination of Suresh Gurumani, as Managing Director and CEO of SKS Microfinance Ltd. ("SKS"), there have been several misleading media reports. In the interest of our stakeholders, we wish to clarify the following:**

1. On October 4, 2010, the Board of Directors of SKS Microfinance terminated the employment of Suresh Gurumani as Managing Director ("MD") of the Company.
2. The directors present, or otherwise participating in the meeting, unanimously decided to terminate the employment of Suresh Gurumani as MD and CEO. There were no dissenting votes. Eight out of ten directors were present or otherwise participating in the meeting; the two directors not present were Suresh Gurumani, who refused to participate, and another director who was traveling in the US and unable to attend the meeting and not reachable by audio conference.
3. Subsequent to the termination of Suresh Gurumani, Mr. M.R. Rao was appointed as a Director, Managing Director and Chief Executive Officer of the Company on October 04, 2010 with unanimous approval of all the directors present or otherwise participating in the meeting.
4. We note that Suresh Gurumani was an **employee** and also a **director** on the Board of Directors ("Board") of SKS, which are two separate capacities. So, though the Board of Directors terminated him as Managing Director, Suresh Gurumani shall continue in his capacity as a director on the Board of the Company, until removed by shareholders at a general body meet, as per the Companies Act, 1956.
5. As such, with the appointment of M.R. Rao as a Director and Managing Director, there would have been a majority of non-independent directors (6 of 11). Therefore, as disclosed to the stock exchanges, Mr. Ashish Lakhanpal has tendered his resignation so that at least 50% of the Board is

independent as per the requirements of the Listing Agreement in connection with the prescribed ratio for independent and non-independent Directors. We note that Ashish Lakhanpal was NOT an independent Director of SKS. We also note that, prior to resigning, Lakhanpal cast his vote in favor of termination of Suresh Gurumani.

6. On October 8, 2010, a shareholder holding 18 shares (which is less than .00002% of the company's share capital) filed a petition requesting the Andhra Pradesh High Court to "declare as void, illegal and arbitrary and without jurisdiction the Resolution passed," by the Board of Directors on October 4, 2010. The High Court did not grant that prayer and has NOT held that the termination of Suresh Gurumani as MD and CEO of the Company violated the law. Also, there was NO direction by the High Court to retain Gurumani as a Director on the Board of SKS.
7. In relation to the appointment of the new MD and CEO of the Company, the High Court has NOT imposed any "restraint" on the new MD and CEO of SKS. The said Court order simply restates a statutory provision of the Companies Act that already exists: namely, that any major policy decisions should be approved by the Board of Directors. The Court observed that "*in tune with the provisions of the Companies Act, 1956.... the Managing Director and Chief Executive Officer of the respondent company shall not take any major policy decisions concerning the respondent company without prior approval of the Board of Directors.*"



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