

## 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)

### NOTICE

Notice is hereby given that Eighth Annual General Meeting of the Members of SKS Microfinance Limited will be held on Wednesday, July 20, 2011, at 10:00 am at Sri Sathya Sai Nigamagmam, D. No.8-3-987/2, Srinagar Colony, Hyderabad - 500 073, Andhra Pradesh, India, to transact the following business:

#### ORDINARY BUSINESS

**Item No. 1 Adoption of Accounts**

To receive, consider, and adopt the audited Profit and Loss Account for the financial year ended March 31, 2011, the Balance Sheet as at that date and Reports of the Directors and Auditors thereon.

**Item No. 2 Re-appointment of Dr. Tarun Khanna**

To appoint a Director in place of Dr. Tarun Khanna, who retires by rotation and, being eligible, seeks re-appointment.

**Item No. 3 Re-appointment of Mr. Geoffrey Tanner Woolley**

To appoint a Director in place of Mr. Geoffrey Tanner Woolley, who retires by rotation and, being eligible, seeks re-appointment.

**Item No. 4 Re-appointment of Mr. Sumir Chadha**

To appoint a Director in place of Mr. Sumir Chadha, who retires by rotation and, being eligible, seeks re-appointment.

**Item No. 5 Appointment of Statutory Auditors**

To appoint Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, fix their remuneration and to pass the following resolution thereof:

**"RESOLVED** that M/s S R Batliboi & Co., Chartered Accountants, be and are hereby re-appointed as Statutory Auditors of the Company, from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as may be determined by the Board of Directors or the Audit Committee constituted by the Board of Directors."

#### SPECIAL BUSINESS

**Item No. 6 Appointment of Mr. M Ramachandra Rao (M R Rao) as a Director and approval of his appointment as the Managing Director & Chief Executive Officer of the Company**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

**"RESOLVED** that Mr. M Ramachandra Rao ("M R Rao"), who was appointed by the Board of Directors as an Additional Director of the Company under Section 260 of the Companies Act, 1956 and in accordance with the provisions of the Articles of the Company, with effect from October 4, 2010 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of the Director of Company, be and is hereby appointed as a Director of the Company.

**RESOLVED FURTHER** that pursuant to the provisions of Sections 198, 269, 309, 310, 311 and all other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereto or re-enactment thereof for the time being in force) and read with Schedule XIII thereto, in accordance with the provisions of the Articles of Association of the Company, and subject to such other approvals or sanctions, if any, consent of the Members of the Company be and is hereby accorded for the appointment of Mr. M R Rao as the Managing Director & Chief Executive Officer of the Company for a period of three years commencing from October 4, 2010 up to October 3, 2013, on such terms and conditions as mentioned in the Employment Agreement and remuneration, as set out in the explanatory statement relating to this resolution, with a liberty to the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any Committee constituted by the Board of

Directors) to alter or vary the said terms and conditions as the Board may deem fit and is acceptable to Mr. M R Rao, provided, however, that the total remuneration payable to Mr. M R Rao shall not exceed the limits as per the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956, including any amendment, modification, variation or re-enactment thereof.

**“RESOLVED FURTHER** that in the event of any statutory amendment, modification or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, the Board be and is hereby authorized to vary the remuneration either by reducing or increasing it including salary, commission, perquisites, allowances etc. within such a prescribed limit or ceiling without any further reference to Members 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, matters and things and execute all such deeds, documents, instruments and writings as may be required, with powers to settle all questions, difficulties or doubts that may arise in regard to the said appointment as the Board may in its sole and absolute discretion deem fit and delegate all or any of its powers herein conferred to any Director(s) and/ or officer(s) of the Company, to give effect to this resolution, if required, as it may be in its absolute discretion deem it necessary or desirable.”

**Item No. 7 Appointment of Dr. Vikram Akula as Executive Chairman of the Company**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

**“RESOLVED** that in supersession of the resolution passed by the Members of the Company in Seventh Annual General Meeting and in accordance with the provisions of Sections 198, 269, 309, 310, 311 and all other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereto or re-enactment thereof for the time being in force and read with Schedule XIII thereto, and in accordance with the provisions of the Articles of Association of the Company, and subject to approval of the Central Government and such other approvals or sanctions, if any, consent of the members of the Company be and is hereby accorded for appointment of Dr. Vikram Akula as Executive Chairman of the Company (designated as ‘Chairperson’) for a period of five years commencing from April 1, 2011; subject to review by the Board after completion of three years or any other date as may be extended by the Board on such terms and conditions as mentioned in the Employment Agreement and remuneration, as set out in the explanatory statement relating to this resolution, with a liberty to the Board of Directors of the Company (hereinafter referred to as the ‘Board’ which term shall be deemed to include any Committee constituted by the Board of Directors) to alter or vary the said terms and conditions as the Board may deem fit and is acceptable to Dr. Vikram Akula provided, however, that the total remuneration payable to Dr. Vikram Akula shall not exceed the limits as per the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956, including any amendment, modification, variation or re-enactment thereof.

**RESOLVED FURTHER** that in the event of any statutory amendment, modification or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, the Board be and is hereby authorized to vary or increase the remuneration including salary, commission, perquisites, allowances etc. within such a prescribed limit or ceiling without any further reference to members 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, matters and things and execute all such deeds, documents, instruments and writings as may be required, including making application to the Central Government, if required, with powers to settle all questions, difficulties or doubts that may arise in regard to the said appointment as the Board may in its sole and absolute discretion deem fit and delegate all or any of its powers herein conferred to any Director(s) and/ or officer(s) of the Company, to give effect to this resolution, if required, as it may in its absolute discretion deem it necessary or desirable.”

**Item No. 8 Ratification of SKS Microfinance Employee Stock Options Plans instituted by the Company prior to its Initial Public Offer (IPO) and listing of Equity Shares of the Company on Stock Exchanges.**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

**“RESOLVED** that pursuant to clause 22.2A and all other applicable provisions of Securities & Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (the ‘Guidelines’), as amended from time to time, Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and all other applicable provisions, if any (including any amendment thereto or re-enactment thereof for the time being in force), the following SKS Employees Stock Option Schemes instituted

prior to the Initial Public Offer (IPO) of the Company and listing of its equity shares on Bombay Stock Exchange and National Stock Exchange, as amended up to date, be and are hereby ratified:

- SKS Microfinance Employee Stock Option Plan 2007 ('ESOP 2007');
- SKS Microfinance Employee Stock Option Plan 2008 ('ESOP 2008');
- SKS Microfinance Employees 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').

**RESOLVED FURTHER** that the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee constituted by the Board of Directors) and, as required, shall conform to the accounting policies as contained in the 'Guidelines'.

**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, 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 deem 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."

*by order of the Board of Directors  
for SKS Microfinance Limited*

SD/-

*Sudershan Pallap  
Company Secretary*

*Date: June 2, 2011  
Place: Hyderabad*

#### **Notes**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN THE MEETING AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing the proxy must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. Members/ proxies should bring duly filled in Attendance Slips sent herewith to attend the meeting.
4. The relative Explanatory Statement, pursuant to section 173 (2) of the Companies Act, 1956, in respect of the resolutions proposed at Item Nos. 6 to 8 above, is annexed hereto.
5. The Register of Directors' shareholding, maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the members at the AGM.
6. The Register of Members and Share Transfer Books will remain closed from July 15, 2011 to July 20, 2010 (both days inclusive).
7. The Certificate from the Auditors of the Company certifying that the Company's ESOP Plans are implemented in accordance with SEBI ESOP Guidelines will be available for inspection by Members at the AGM.
8. Members are requested to address all correspondences to the Registrar and Share Transfer Agents, Karvy Computershare Private Limited, Plot No. 17 to 24, Near Image Hospital, Vittalrao Nagar, Madhapur, Hyderabad 500081, AP, India.
9. The Ministry of Corporate Affairs (MCA), Government of India, recently issued Circulars allowing companies to send official documents, i.e. Annual Report, Notice of AGM etc., to their Shareholders through email as part of its green initiatives in corporate governance.

Recognizing the spirit of the Circulars issued by the MCA, your Company henceforth proposes to send official documents like Notice convening the General Meetings, Financial Statements, Directors' Report, Auditors' Report etc. to the email address as provided by you with the Depositories.

We request you to update your email address with your depository participant to ensure that the Annual Report and other documents reach you on your preferred email.

#### **ANNEXURE TO THE NOTICE**

##### **Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956**

##### **Item No. 6 Appointment of Mr. M R Rao as a Director and ratification of Mr. M R Rao's appointment as the Managing Director and Chief Executive Officer of the Company.**

Mr. M R Rao was appointed as an Additional Director of the Company by the Board of Directors with effect from October 4, 2010, pursuant to Section 260 of the Companies Act, 1956 read with Articles of Association of the Company. Mr. Rao holds office of Director

up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member along with a deposit of Rs. 500/- proposing the candidature of Mr. Rao as a Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Further, Mr. Rao was also appointed by the Board of Directors of the Company as the Managing Director & Chief Executive Officer (MD & CEO) of the Company on October 4, 2010 for a period of three years with effect from October 4, 2010 upon the recommendations of Nomination Committee and Remuneration & Compensation Committee, subject to the approval of the Members of the Company and other necessary approvals.

The main terms and conditions of appointment of Mr. M R Rao as the MD & CEO are specified in the Employment Agreement entered with him and the details of remuneration proposed are as follows:

- |                       |   |                            |
|-----------------------|---|----------------------------|
| 1. Fixed remuneration | - | Rs. 123.30 lakh per annum. |
| 2. Car lease          | - | Rs. 2.70 lakh per annum.   |
| 3. Other benefits     | - | Rs. 0.02 lakh per annum.   |
- i.e. Health Insurance, Accidental Insurance & Life Insurance.

In the event of loss or inadequacy of profit in any financial year during the tenure of the appointment, the MD & CEO shall, subject to approval of the Central Government, if required, be paid the above, as minimum remuneration, subject to restrictions, if any, set out in schedule XIII to the Companies Act, 1956, from time to time.

In addition to the above, Mr. Rao will also be eligible to participate in the Company's variable compensation plan; wherein his target variable pay will be Rs. 54.00 lakh per annum. This payout will be determined by the Board of Directors based on his performance/ achievements.

The valuation of perquisites will be as per the applicable Income Tax rules, in cases where the same is otherwise not possible to be valued.

The Board has approved the Employment Agreement containing details of Mr. Rao's role and responsibilities as the MD & CEO besides outlining the other terms and conditions of his appointment .

Pursuant to the provisions of Sections 198, 269, 309, 310, 311 and all other applicable provisions, if any, of the Companies Act, 1956 read with schedule XIII thereto, the approval of the Members is required for the ratification of appointment and payment of remuneration as stated above to Mr. M R Rao.

The Board recommends the resolution set forth in Item No. 6 of the Notice for approval of the Members.

This may be treated as an abstract of the terms and conditions governing the appointment and payment of remuneration to Mr. Rao pursuant to Section 302 of the Companies Act, 1956.

The aforesaid re-appointment and remuneration payable to Mr. Rao may further be varied, altered or modified as may be agreed to by the Board of Directors and Mr. Rao, in the light of any amendment/ modification of the Companies Act, 1956, or any re-enactment thereof within the limits provided under the Companies Act, 1956.

The Board recommends the resolution set forth in Item No. 6 of the Notice for the approval of Members.

None of the Directors of the Company other than Mr. Rao is interested or concerned in the resolution.

**Brief Profile of Mr. M R Rao in terms of Clause 49 IV (G) (i) of the Listing Agreement is as follows:**

Mr. Madapati Ramachandra Rao has been the Managing Director & Chief Executive Officer of SKS Microfinance with effect from October 4, 2010. Joining the Company as Chief Operating Officer (COO) on October 24, 2006, Mr. Rao was promoted as Deputy Chief Executive Officer with effect from September 7, 2010.

Mr. Rao, a Post Graduate in Management Studies (specialization in marketing) from BITS Pilani, has 25 years of experience in retail financial services. Prior to joining SKS, he was associated with ING Vysya Life Insurance, American Express and Esanda Finanz & Leasing Ltd.

Mr. Rao has played a pivotal role in the rapid growth of SKS Microfinance with the client base increasing from 2.02 lakh borrowers in five states to 73.07 lakh borrowers in 19 states within five years. During the period, the number of branches increased from 80 to 2,379.

He does not hold directorship in any other Company.

He is member of following Committees of the Board of Directors of the Company:

He is member of following Committees of the Board of Directors of the Company:

1. Asset Liability Management/ Risk Management Committee
2. ESOP Allotment Committee
3. Finance Committee
4. Shareholders'/ Investors' Grievance Committee

Mr. Rao does not hold Chairmanship/ Committee Membership in any other Company.

#### **Shares/ ESOPs held in the Company**

- 2,94,166 Equity Shares issued to Mr. Rao under SKS Microfinance Employees Share Purchase Scheme 2007.

Details of Mr. Rao's Shares/ ESOPs are also included separately in the Corporate Governance Report.

#### **Item No. 7 Appointment of Dr. Vikram Akula as Executive Chairman of the Company.**

Dr. Vikram Akula is the founder and presently the Executive Chairman of the Company (designated as "Chairperson"). He has made significant contributions to the Company's growth as also played a key role in implementing SKS' investment plans and business strategies. In recognition of Dr. Akula's accomplishments and the larger role being played by him in the development of the Company, the Board of Directors of the Company, upon the recommendations of Nomination Committee and Remuneration and Compensation Committee, has appointed him as the Executive Chairman of the Company (designated as 'Chairperson') for a period of five years, subject to review by the Board after three years and also Members' approval and other necessary approvals as may be required in this regard. Dr. Akula has taken over as the Executive Chairman from April 1, 2011 after fulfilling necessary formalities.

The main terms and conditions of appointment of Dr. Vikram Akula as the Executive Chairman of the Company (designated as 'Chairperson') are specified in the Employment Agreement entered with him. Details of remuneration proposed are as follows:

- |                       |   |  |
|-----------------------|---|--|
| 1. Fixed remuneration | - | Rs. 110.60 lakh per annum.   |
| 2. Perquisites        | - | Rs. 12.91 lakh per annum (Two cars, fuel and drivers at current valuation).<br>The perquisite tax will be borne by Dr. Vikram Akula. |
| 3. Other benefits     | - | Rs. 0.02 lakh per annum<br>i.e., Health Insurance and Accidental & Life Insurance  |

In the event of loss or inadequacy of profit in any financial year during the tenure of the appointment, the Executive Chairman shall, subject to approval of the Central Government, if required, be paid the above, as minimum remuneration, subject to restrictions, if any, set out in schedule XIII to the Companies Act, 1956, from time to time.

In addition to the above, Dr. Akula will also be eligible to participate in the Company's variable compensation plan, wherein his target variable pay will be Rs. 47.40 lakh per annum. This payout will be determined by the Board of Directors based on his performance/ achievements.

The valuation of perquisites will be as per the applicable Income Tax Rules, in cases where the same is otherwise not possible to be valued.

The Board has approved the Employment Agreement containing details of Dr. Akula's role and responsibilities as Executive Chairman of the Company besides outlining the other terms and conditions of his appointment..

Pursuant to the provisions of Sections 198, 269, 309, 310, 311 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto, the approval of members is required for the appointment and payment of remuneration as stated above to Dr. Akula.

The aforesaid appointment and remuneration payable to Dr. Akula may further be varied, altered or modified as may be agreed to by the Board of Directors and Dr. Akula, in the light of any amendment/ modification of the Companies Act, 1956, or any re-enactment thereof within the limits provided under the Companies Act, 1956

The Board recommends the resolution set forth in Item No. 7 of the Notice for the approval of Members.

This may be treated as an abstract of the terms and conditions governing the appointment and payment of remuneration to Dr. Vikram Akula pursuant to Section 302 of the Companies Act, 1956.

None of the Directors of the Company other than Dr. Vikram Akula is interested or concerned in the resolution.

**Brief profile of Dr. Vikram Akula in terms of Clause 49 IV (G) (i) of the Listing Agreement is as follows:**

Dr. Vikram Akula is the Founder and Executive Chairman of the Company. He became a member of the Board of Directors of the Company on September 22, 2003.

Dr. Vikram Akula holds a degree of Bachelor of Arts from Tufts University, a Master of Arts from Yale University and a Doctor of Philosophy from the University of Chicago. He has over 15 years of involvement in the field of microfinance, and has worked as a community organizer with the Deccan Development Society in Hyderabad, India. Before founding SKS Microfinance, Dr. Akula had worked with McKinsey & Company.

Dr. Vikram Akula has received several awards for his work, including the Ernst & Young Entrepreneur of the Year in India (Business Transformation in 2010; Start-up in 2006), the World Economic Forum's Young Global Leader Award (2008), Social Entrepreneur of the Year in India (2006), and the Echoing Green Public Service Entrepreneur Fellowship (1998-2002). In 2006, he was named by Time magazine as one of the world's 100 most influential people.

Dr. Akula also holds Directorship in Agsri Agricultural Services Pvt. Ltd.

He is member of following Committees of the Board of Directors of the Company:

1. ESOP Allotment Committee (Chairman)
2. IPO Committee
3. Strategic Initiatives and Organization Redesigning Committee (Chairman)

Dr. Akula does not hold Chairmanship/ Committee Membership in any other Indian Company.

**Shares/ ESOPs held in the Company**

- 9,06,734 stock options granted under SKS Microfinance Employees Stock Option Plan 2007
- 17,69,537 stock options granted under SKS Microfinance Employees Stock Option Plan 2008.

Details of Dr. Akula's Shares/ ESOPs are also included separately in the Corporate Governance Report.

**Item No. 8 - Ratification of SKS Microfinance Employee Stock Options Plans (ESOPs) of the Company.**

In order to attract, motivate, retain qualified and skilled professionals in the field of microfinance, the following Employees Stock Option Plans ('pre-IPO ESOPs') were instituted by the Company prior to the Initial Public Offer (IPO) of the Company.

- SKS Microfinance Employee Stock Option Plan 2007 ('ESOP 2007');
- SKS Microfinance Employee Stock Option Plan 2008 ('ESOP 2008');
- SKS Microfinance Employees 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 pre-IPO ESOPs were established prior to the listing of the equity shares of the Company on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

As per Clause 22.2A (1) of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended, (the 'Guidelines'), which read as follows:

*No listed Company shall make any fresh grant of options under any ESOP Scheme framed prior to its IPO and prior to the listing of its equity shares (pre-IPO scheme) unless:*

- a) such pre-IPO scheme is in conformity with these guidelines; and*
- b) such pre-IPO scheme is ratified by its shareholders in a general meeting subsequent to the IPO.*

*Provided that the ratification under item (b) may be done any time prior to grant of new options under such pre-IPO scheme.*

The pre-IPO ESOPs have been amended and prepared in conformity with the 'Guidelines'.

To comply with the 'Guidelines', approval of the shareholders is sought by way of a special resolution for the ratification of the pre-IPO ESOPs for enabling the Company to make fresh grant of stock options under the pre-IPO ESOPs.

**Information as required under clause 6.2 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (the 'Guidelines') are given below:**

**I. SKS Microfinance Employee Stock Option Plan 2007 ('ESOP 2007')**

The Company instituted ESOP 2007 pursuant to a special resolution passed at the Fourth Annual General Meeting of the Company held on September 8, 2007 (**Original Scheme**). The Board of Directors in their meeting held on November 6, 2010 amended and recommended for the ratification of the ESOP 2007 (**Modified Scheme**) by the Members of the Company.

Total number of options	18,52,158
Number of options granted	18,52,158
Number of options exercised	9,45,424
Number of options yet to be exercised	9,06,734
Number of options available for further grant including forfeited options *	Nil
Identification of classes of employees entitled to participate in the ESOP 2007	<b>Original scheme:</b> All permanent employees of the Company including <b>Promoter Directors</b> . <b>Modified Scheme:</b> All permanent employees of the Company including Directors <b>except Promoter Directors</b> .
Requirements of vesting and period of vesting	<b>Original scheme:</b> Immediate vesting on the date of grant. <b>Modified Scheme:</b> Minimum period - 1 year from the date of grant. Period of vesting - 4 years from the date of grant.
Maximum period (subject to clause 9.1 of the Guidelines) within which the options shall be vested	4 years
Exercise price or pricing formula	<b>Original scheme:</b> Rs. 49.77 for the options already granted. <b>Modified Scheme:</b> The price will be determined by the Remuneration and Compensation Committee at the time of grant of further options.
Exercise period and process of exercise	<b>Period:</b> 5 years <b>Process:</b> The employee may, at any time during the Exercise Period, and subject to fulfillment of conditions of the Grant, exercise the options by submitting an application to the Remuneration and Compensation Committee to issue and allot him/ her shares pursuant to the vested options, accompanied by payment of an amount equivalent to the Exercise Price in respect of such shares.
The appraisal process for determining the eligibility of employees to ESOP 2007	As determined by the Remuneration and Compensation Committee under the policy framed by the Board of Directors.
Maximum number of options to be issued per employee and in aggregate	The maximum number of options to be issued per employee being fresh grant in any financial year under ESOP 2007 shall not exceed 0.5% of the issued capital (excluding outstanding warrants and conversions) of the Company provided the aggregated number of options to be issued per employee in any financial year shall not exceed 1%.
Disclosure and Accounting Policies	The Company shall comply with the disclosure and the accounting policies prescribed as per the 'Guidelines' and prescribed by the authorities concerned from time to time.
Method used to value options	Fair Value Method

\* In case any options lapse or are otherwise forfeited, the same will be added back to the pool and will be made available for future grants.

The Company complies with the disclosures and the accounting policies as specified in Schedule I referred to clause 13.1 of the Guidelines.

## II. SKS Microfinance Employee Stock Option Plan 2008 ('ESOP 2008')

The Company instituted ESOP 2008 pursuant to a special resolution passed at an Extraordinary General Meeting of the Company held on November 8, 2008 (**Original Scheme**). The Board of Directors in their meeting held on November 6, 2010 amended and recommended for the ratification of the ESOP 2008 (**Modified Scheme**) by the members of the Company.

Total number of options	26,69,537
Number of options granted	26,69,537
Number of options exercised	2,25,000
Number of options yet to be exercised	17,69,537
Number of options available for further grant including forfeited options *	4,50,000
Identification of classes of employees entitled to participate in the ESOP 2008	<p><b>Original scheme:</b> All permanent employees of the Company including Promoter Directors.</p> <p><b>Modified Scheme:</b> All permanent employees of the Company including Directors except Promoter Directors.</p>
Requirements of vesting and period of vesting	<p><b>Original scheme:</b> Immediate vesting on the date of grant.</p> <p><b>Modified Scheme:</b> Minimum period - 1 year from the date of grant. Period of vesting - 4 years from the date of grant.</p>
Maximum period (subject to clause 9.1 of the Guidelines) within which the options shall be vested	5 years
Exercise price or pricing formula	<p><b>Original scheme:</b> Rs. 300 for the options already granted.</p> <p><b>Modified Scheme:</b> The price will be determined by the Remuneration and Compensation Committee at the time of grant of further options.</p>
Exercise period and process of exercise	<p><b>Period:</b> 5 years</p> <p><b>Process:</b> The employee may, at any time during the Exercise Period, and subject to fulfilment of conditions of the Grant, exercise the options by submitting an application to the Remuneration and Compensation Committee to issue and allot him shares pursuant to the vested options, accompanied by payment of an amount equivalent to the Exercise Price in respect of such shares.</p>
The appraisal process for determining the eligibility of employees to ESOP 2008	As determined by the Remuneration and Compensation Committee under the policy framed by Board of Directors.
Maximum number of options to be issued per employee and in aggregate	The maximum number of options to be issued per employee being fresh grant in any financial year under ESOP 2008 shall not exceed 0.5% of the issued capital (excluding outstanding warrants and conversions) of the Company provided the aggregated number of options to be issued per employee in any financial year shall not exceed 1%.
Disclosure and Accounting Policies	The Company shall comply with the disclosure and the accounting policies prescribed as per the 'Guidelines' and prescribed by the authorities concerned from time to time.
Method used to value options	Fair Value Method

\* In case any options lapse or are otherwise forfeited, the same will be added back to the pool and will be made available for future grants.

The Company complies with the disclosures and the accounting policies as specified in Schedule I referred to clause 13.1 of the Guidelines.



### III. SKS Microfinance Employees Stock Option Plan 2008 (Independent Directors) ('ESOP 2008 (ID)'):

The Company instituted SKS Microfinance Stock Options Plan 2008 pursuant to a special resolution passed at an Extraordinary General Meeting of the Company held on January 16, 2008. The Plan was further amended pursuant to the special resolution passed at an Extraordinary General Meeting held on January 8, 2010 and the name has been changed to SKS Microfinance Employees Stock Option Plan 2008 (Independent Directors).

Total number of options	1,95,000
Number of options granted	1,59,000
Number of options exercised	46,000
Number of options yet to be exercised	1,13,000
Number of options available for further grant including forfeited options *	36,000
Identification of classes of employees entitled to participate in ESOP 2008 (ID)	Independent Directors
Requirements of vesting and period of vesting	Minimum period - 1 year from the date of grant. Period of vesting - 4 years from the date of grant.
Maximum period (subject to clause 9.1 of the Guidelines) within which the options shall be vested	5 years
Exercise price or pricing formula	<b>Pre IPO Grant:</b> Rs. 70.67 for 51,000 options granted and Rs. 300.00 for 1,08,000 options granted.  <b>Future options:</b> The price will be determined by the Remuneration and Compensation Committee at the time of grant of options.
Exercise period and process of exercise	<b>Period:</b> 5 years  <b>Process:</b> The employee may, at any time during the Exercise Period, and subject to fulfillment of conditions of the Grant, exercise the options by submitting an application to the Remuneration and Compensation Committee to issue and allot him shares pursuant to the vested options, accompanied by payment of an amount equivalent to the Exercise Price in respect of such shares.
The appraisal process for determining the eligibility of employees to ESOP 2008 (ID)	As determined by the Remuneration and Compensation Committee under the policy framed by Board of Directors.
Maximum number of options to be issued per employee and in aggregate	The number of options that may be granted to any Independent Director in any financial year under ESOP 2008 (ID) shall not exceed 36,000 and in aggregate the options available for grant under ESOP 2008 (ID).
Disclosure and Accounting Policies	The Company shall comply with the disclosure and the accounting policies prescribed as per the 'Guidelines' and prescribed by the authorities concerned from time to time.
Method used to value options	Fair Value Method

\* In case any options lapse or are otherwise forfeited, the same will be added back to the pool and will be made available for future grants.

The Company complies with the disclosures and the accounting policies as specified in Schedule I referred to clause 13.1 of the Guidelines.

#### IV. SKS Microfinance Employee Stock Option Plan 2009 (ESOP 2009):

The Company instituted ESOP 2009 pursuant to a special resolution passed at the Sixth Annual General Meeting of the Company held on September 30, 2009 and as amended vide special resolution passed at an Extraordinary General Meeting of the Company held on December 10, 2009.

Total number of options	24,99,490
Number of options granted	24,06,250
Number of options exercised	3,25,368
Number of options yet to be exercised	17,03,622
Number of options available for further grant including forfeited options *	4,70,500
Identification of classes of employees entitled to participate in the ESOP 2009	Permanent employees of the Company including Directors, except Promoter Directors.
Requirements of vesting and period of vesting	Minimum period - 1 year from the date of grant. Period of vesting - 4/ 5 years from the date of grant.
Maximum period (subject to clause 9.1 of the Guidelines) within which the options shall be vested	5 years
Exercise price or pricing formula	<b>Pre IPO Grant:</b> Rs. 300.00 for 10,88,750 options granted and Rs. 150.00 for 13,17,500 options granted.  <b>Future options:</b> The price will be determined by the Remuneration and Compensation Committee/ Board at the time of grant of options.
Exercise period and process of exercise	<b>Period:</b> 5/ 6 years.  <b>Process:</b> The employee may, at any time during the Exercise Period, and subject to fulfillment of conditions of the Grant, exercise the options by submitting an application to the Remuneration and Compensation Committee to issue and allot him shares pursuant to the vested options, accompanied by payment of an amount equivalent to the Exercise Price in respect of such shares.
The appraisal process for determining the eligibility of employees to ESOP 2009	As determined by the Remuneration and Compensation Committee under the policy framed by Board of Directors.
Maximum number of options to be issued per employee and in aggregate	The maximum number of options to be issued per employee being fresh grant in any financial year under ESOP 2009 shall not exceed 0.5% of the issued capital (excluding outstanding warrants and conversions) of the Company provided the aggregated number of options to be issued per employee in any financial year shall not exceed 1%.
Disclosure and Accounting Policies	The Company shall comply with the disclosure and the accounting policies prescribed as per the 'Guidelines' and prescribed by the authorities concerned from time to time.
Method used to value options	Fair Value Method.

\* In case any options lapse or are otherwise forfeited, the same will be added back to the pool and will be made available for future grants.

The Company complies with the disclosures and the accounting policies as specified in Schedule I referred to clause 13.1 of the Guidelines

## V. SKS Microfinance Employee Stock Option Plan 2010 (“ESOP 2010”):

The Company instituted ESOP 2010 pursuant to a special resolution passed at the Seventh Annual General Meeting of the Company held on July 16, 2010.

Total number of options	12,00,000
Number of options granted	Nil
Number of options exercised	Nil
Number of options yet to be exercised	Nil
Number of options available for further grant including forfeited options *	12,00,000
Identification of classes of employees entitled to participate in the ESOP 2010	Permanent employees of the Company including Directors, except Promoter Directors.
Requirements of vesting and period of vesting	Minimum period - 1 year from the date of grant. Period of vesting - 4/ 5 years from the date of grant.
Maximum period (subject to clause 9.1 of the Guidelines) within which the options shall be vested	5 years
Exercise price or pricing formula	The exercise price shall be decided by the Board of Directors and/ or the Remuneration and Compensation Committee, which shall be in accordance with the ‘Guidelines’ and other applicable laws, as applicable, and price shall not be less than face value of shares to be issued.
Exercise period and process of exercise	The exercise period would commence from the date of vesting and will expire on completion of a period of up to 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 ESOP 2010.  The options will be exercisable by the employees by a written application to the Company to exercise the options in such a 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.
The appraisal process for determining the eligibility of employees to the ESOP 2010	As determined by the Board of Directors 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.
Maximum number of options to be issued per employee and in aggregate	The maximum number of options to be issued per employee being fresh grant in any financial year under ESOP 2010 shall not exceed 0.5% of the issued capital (excluding outstanding warrants and conversions) of the Company provided the aggregated number of options to be issued per employee in any financial year shall not exceed 1%.
Disclosure and Accounting Policies	The Company shall comply with the disclosure and the accounting policies prescribed as per the ‘Guidelines’ and prescribed by the authorities concerned from time to time.
Method used to value options	Fair Value Method.

\* In case any options lapse or are otherwise forfeited, the same will be added back to the pool and will be made available for future grants.

The Company will comply with the disclosures and the accounting policies as specified in Schedule I referred to clause 13.1 of the Guidelines.

### **Applicable to all the pre-IPO ESOPs**

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 of the Company and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' report.

The complete details of all the above-stated pre-IPO ESOPs have been disclosed by the Company in its Prospectus dated August 5, 2010 for the IPO.

The Certificate from the Auditors of the Company certifying that the Company's ESOP Plans are implemented in accordance with the 'Guidelines' will be available for inspection by members at the AGM.

All the above-stated pre-IPO ESOPs are available for inspection by the members of the Company at the Registered Office on any working day between 10.00 am to 12.00 noon prior to the date of the meeting.

The Directors of the Company to the extent of their entitlements under above Plans may be deemed to be interested.

The Board recommends the resolution set forth in Item No. 8 of the Notice for the approval of members.

In view of the above, approval of members is sought to ratify the above-stated pre-IPO ESOPs in order to make fresh grant of options available under the respective schemes from time to time as per terms of the Plan.

*by order of the Board of Directors  
for SKS Microfinance Limited*

*SD/-  
Sudershan Pallap  
Company Secretary*

*Date: June 2, 2011  
Place: Hyderabad*

## Additional information on Directors seeking re-appointment

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### **Dr. Tarun Khanna: Brief profile and expertise**

Dr. Tarun Khanna is an Independent Director of the Company. He became a member of the Board of Directors of the Company on February 1, 2008.

Dr. Khanna holds a Bachelors of Science degree in Engineering from Princeton University, summa cum laude, Phi Beta Kappa and a Doctor of Philosophy in Business Economics from Harvard University. He has about 21 years of experience as an author, educator, consultant and investor in emerging markets worldwide.

Dr. Khanna is the Jorge Paulo Lemann Professor at the Harvard Business School, where he has studied and worked with multinational and indigenous companies. He was named Harvard University's Director of the South Asia Initiative in the fall of 2010.

Dr. Khanna was appointed Young Global Leader (under 40) by the World Economic Forum in 2007. He was elected as a Fellow of the Academy of International Business in 2009

Dr. Khanna holds Directorship in the following Indian Companies (other than SKS Microfinance):

1. GVK Biosciences Private Ltd.
2. TVS Logistics Services Ltd.

He is a member of following Committees of the Board of Directors of the Company:

1. Nomination Committee (Chairman)
2. Remuneration and Compensation Committee (Chairman)
3. Shareholders'/ Investors' Grievance Committee

Dr. Khanna does not hold Chairmanship/ Committee Membership in any other Indian Company.

### **Shares/ ESOPs held in the Company**

- 8,080 Equity Shares allotted to Dr. Tarun Khanna (on preferential basis) on August 18, 2009.
- 36,000 stock options granted under SKS Microfinance Employees Stock Option Plan 2008 (Independent Directors).

Details of Dr. Khanna's shares/ ESOPs are also included separately in the Corporate Governance Report.

### **Mr. Geoffrey Tanner Woolley: Brief profile and expertise**

Mr. Geoffrey Tanner Woolley is an Independent Director of the Company. He became a member of the Board of Directors of the Company on March 22, 2006.

Mr. Woolley holds a degree of Bachelor of Science in Business Management from Brigham Young University and a Master of Business Administration from the University of Utah. He has about 26 years of experience as an investment manager. He co-founded Dominion Ventures and Kreos Partners.

Mr. Woolley does not hold Directorship in any other Indian Companies (other than SKS Microfinance).

He is a member of following Committees of the Board of Directors of the Company.

1. Nomination Committee
2. Remuneration and Compensation Committee
3. Strategic Initiatives and Organization Redesigning Committee.

### **Shares/ ESOPs held in the Company**

- 36,000 stock options granted under SKS Microfinance Employees Stock Option Plan 2008 (Independent Directors).

Details of Mr. Woolley's shares/ ESOPs are also included separately in the Corporate Governance Report.

### **Mr. Sumir Chadha: Brief profile and expertise**

Mr. Sumir Chadha is a Nominee Director of WestBridge Ventures II, LLC (formerly known as Sequoia Capital India II LLC) on the Board of the Company. He became a member of the Board of Directors of the Company on May 16, 2007.

Mr. Chadha holds a degree in Master of Business Administration from Harvard Business School and a Bachelor of Science in Computer Science from Princeton University. He has about 11 years of experience in investing in Indian venture capital industry including offshore

services, consumer Internet and financial services. Prior to co-founding WestBridge (Sequoia Capital) in 2000, he was with Goldman Sachs & Co. and with McKinsey & Co. He is also the co-founder and Chairman of the Global Indian Venture Capital Association and also a Charter Member of The Indus Entrepreneurs.

Mr. Chadha holds Directorship in the following Indian Companies (other than SKS Microfinance):

1. India Shelter Finance Corporation Ltd.
2. Star Health & Allied Insurance Co. Ltd.
3. Minglebox Communications Pvt. Ltd.
4. Quick Heal Technologies Pvt. Ltd.
5. Star Health Investments Pvt. Ltd.
6. WestBridge Advisors Pvt. Ltd.

He is a member of following Committees of the Board of Directors of the Company:

1. IPO Committee
2. Nomination Committee
3. Remuneration and Compensation Committee
4. Strategic Initiatives and Organization Redesigning Committee

Mr. Chadha does not hold Chairmanship/ Committee Membership in any other Company.

**Shares/ ESOPs held in the Company**

Mr. Chadha does not hold any Shares/ ESOPs in the Company.

**Disclosure in terms of 49 (IV) (G) (ia) of the Listing Agreement**

There are no inter-se relationships between the Board Members.

**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)

**PROXY FORM**

Eighth Annual General Meeting on July 20, 2011

Folio No./ DP Client ID: .....

No. of Shares held: .....

I/ We ..... of ..... in the district of ..... being a member/ members of the Company hereby appoint ..... of ..... in the district of ..... or failing him/ her ..... of ..... in the district of ..... as my/ our proxy to vote for me/ us on my/ our behalf at the **Eighth Annual General Meeting** of the Company to be held at Sri Sathya Sai Nigamagmam, D. No. 8-3-987/2, Srinagar Colony, Hyderabad - 500 073, A.P (India) at 10.00 am on Wednesday, July 20, 2011 and at any adjournment(s) thereof.

Affix  
15 Paise  
Revenue  
Stamp

Signed this ..... day of ..... 2011

Signature .....

**Note:** This form duly completed, stamped and signed must be deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.

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**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)

**ATTENDANCE SLIP**

Eighth Annual General Meeting on July 20, 2011

Folio No./ DP Client ID: .....

No. of Shares held: .....

I certify that I am a member/ proxy for the member of the Company.

I hereby record my presence at the **Eighth Annual General Meeting** of the Company held at Sri Sathya Sai Nigamagmam, D. No. 8-3-987/2, Srinagar Colony, Hyderabad - 500 073, A.P (India) at 10.00 am on Wednesday, July 20, 2011.

Full name of Member: .....

Signature: .....

Full name of Proxy : .....

Signature: .....

**Note:** Please fill up this attendance slip and hand it over at the entrance of the meeting hall. Your entry to the Meeting will be regulated by this attendance slip.