

EARNINGS UPDATE Q4FY15



MAY 2015

SKS Microfinance Limited

BSE: 533228 • NSE: SKSMICRO

Corporate Identity No. L65999MH2003PLC250504

www.sksindia.com

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HIGHLIGHTS OF Q4FY15

- Incremental drawdowns of Rs. 2,414 Crs. in Q4FY15 (Rs. 931 Crs. Q3FY15). Full year drawdowns in FY15 were Rs. 5,020 Crs. (growth of 43% YoY)
- SKS completed Rs. 1,559 Crs. (Rs.1,817 Crs. in FY14) securitization transactions rated as 'AA(SO)' in FY15. Issued Non Convertible Debenture of Rs. 200 Crs. rated as 'A+' and commercial paper of Rs. 225 Crs. rated as 'A1+'. SKS also originated Rs.461 crs. (Rs.320 crs. in FY14) loans under managed portfolio in FY15 .
- Loan disbursement of Rs. 2,494 Crs. in Q4FY15 growth of 58% (YoY) and 62% (QoQ). Disbursement in FY15 was Rs.6,891 Crs. (growth of 44% YoY).
- Non-AP Portfolio grew by 47% (YoY) and 31% (QoQ) to Rs. 4,171 Crs. as of March 31, 2015.
- Cost-of-interest bearing liabilities# at 11.8% for Q4FY15 as compared to 12.9% in Q3FY15.
- Cost to income at 61.1% for FY15 as compared to 74.5% in FY14 (drop of 13.3% YoY) and drop of 7.0% between Q3FY15 and Q4FY15.
- The un-availed deferred tax benefit of Rs. 489 Crs. and MAT credit of Rs. 5.2 Crs. will be available to offset tax on future taxable income.
- PAT of Rs. 40.5 Crs. in Q4FY15 and Rs. 27.1 Crs. in Q4FY14 (Rs.41.1 Crs. in Q3FY15). PAT of Rs. 188 Crs. in FY15 compared to Rs. 70 Crs. in FY14.
- PAT movement QoQ has been flat largely due to increase in standard asset provisioning by Rs.10 crs. and MAT expense by Rs.6 crs in Q4FY15.
- Networth of Rs. 1,046 Crs. and capital adequacy at 31.7% as of March 31, 2015.
- Cash & Cash equivalent^ of Rs. 1,437 Crs.
- SKS applied for Small Finance Bank License

Note:

^ Excluding security deposit

including processing fee paid on Loans on Balance sheet

Figures rounded off to the nearest digit across the presentation. Figures and ratios have been regrouped wherever necessary

TURNAROUND ACHIEVED

INR crore

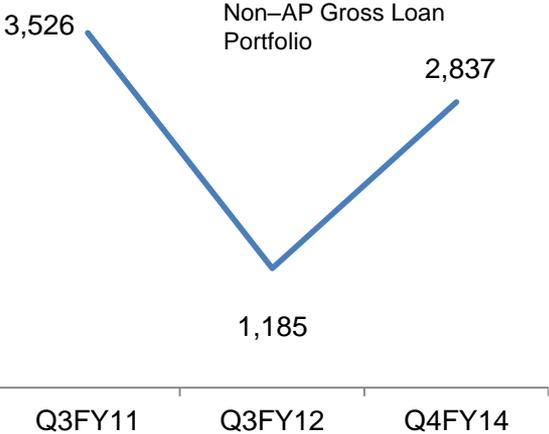
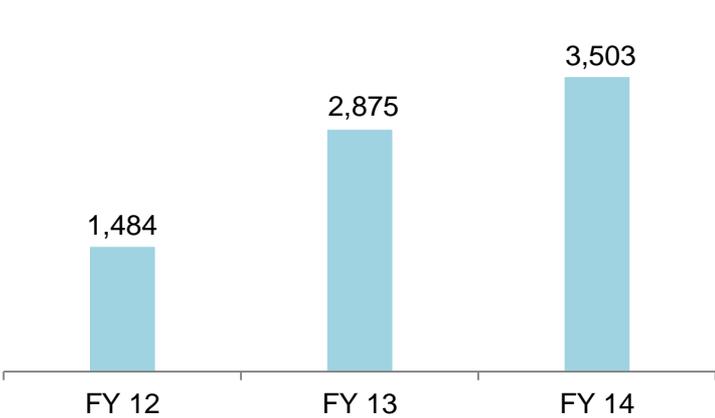
Balance Sheet Cleansed

Supply-side Shock Managed

Credit Growth Resumed

Drawdowns

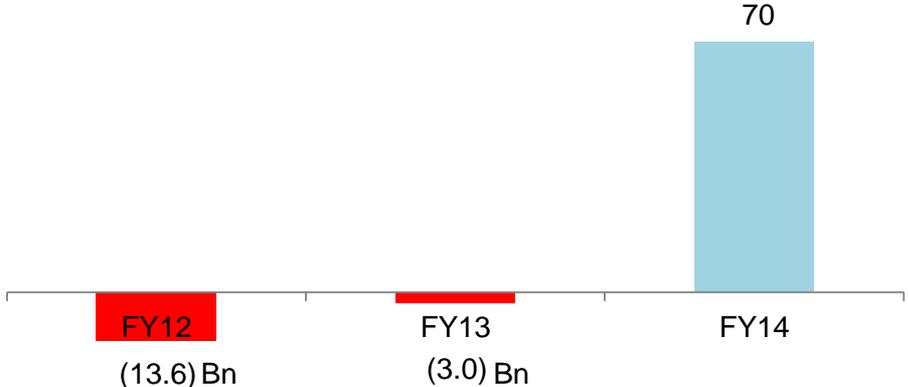
AP exposure of Rs. 1,360 crore written off/ provided for



Cost Structure Optimization

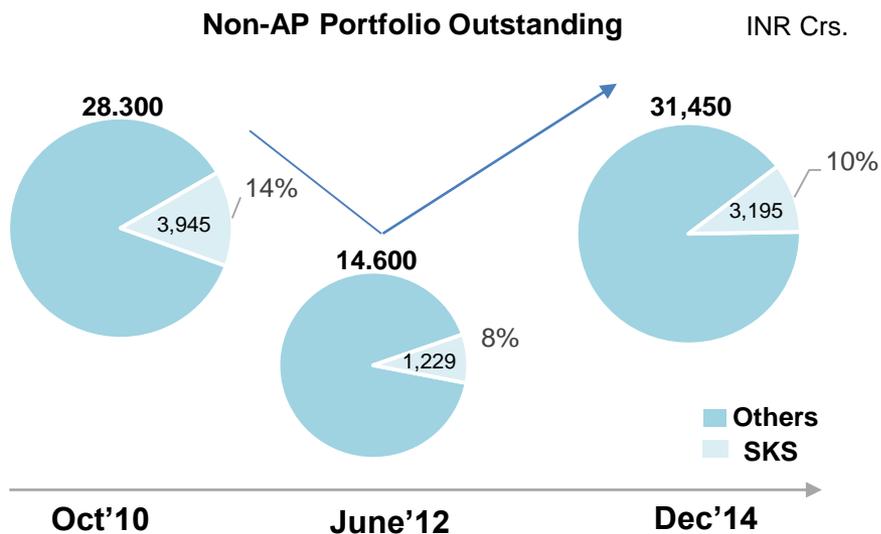
	Q3FY11	Q4FY14	Var.
Branches	2,403	1,255	-48%
Other Opex (INR crore)	51	21	-60%
Headcount	25,735	8,932	-65%
Personnel Cost (INR crore)	89	43	-52%

Return To Profitability

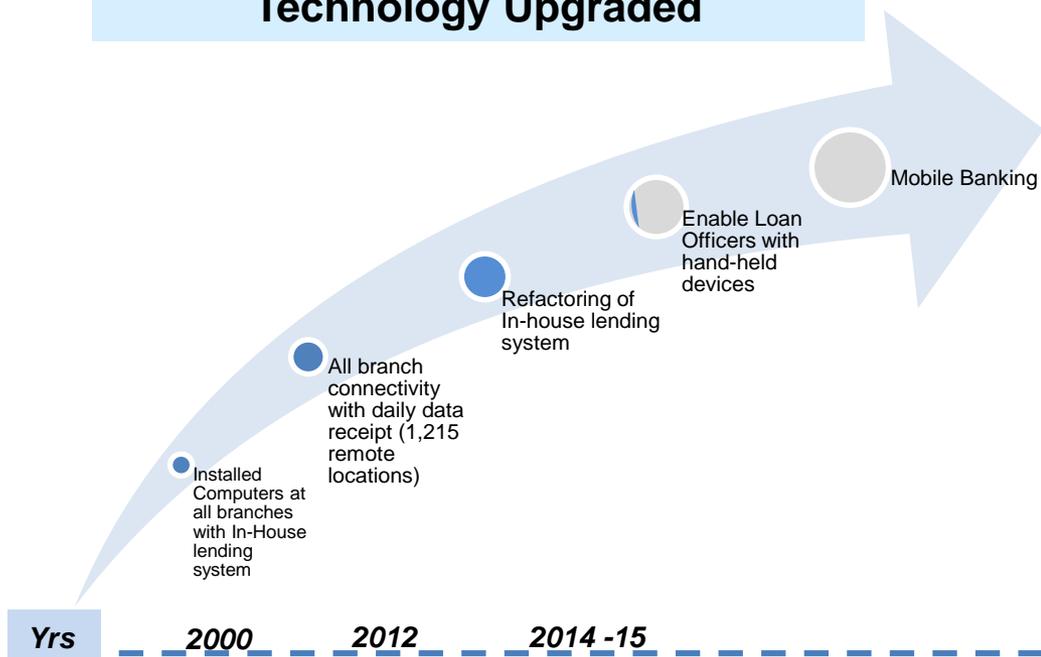


DURABLE FOUNDATION FOR SUSTAINABLE GROWTH

Market Share Regained



Technology Upgraded

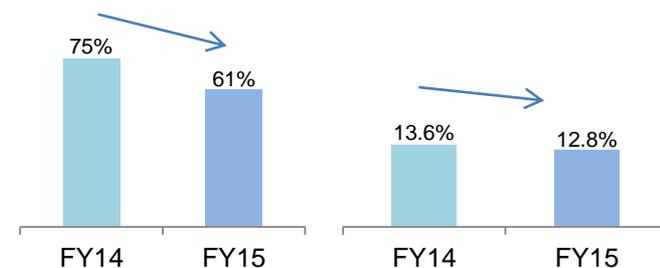


Capital Reinforced

- QIP of Rs. 398 crs in May'14
- Net worth - Rs. 1,046 crs
- CAR - 31.7%

Efficiency Gains

Cost to Income Cost of Borrowing[#]



[#] including processing fee paid on Loans on Balance sheet

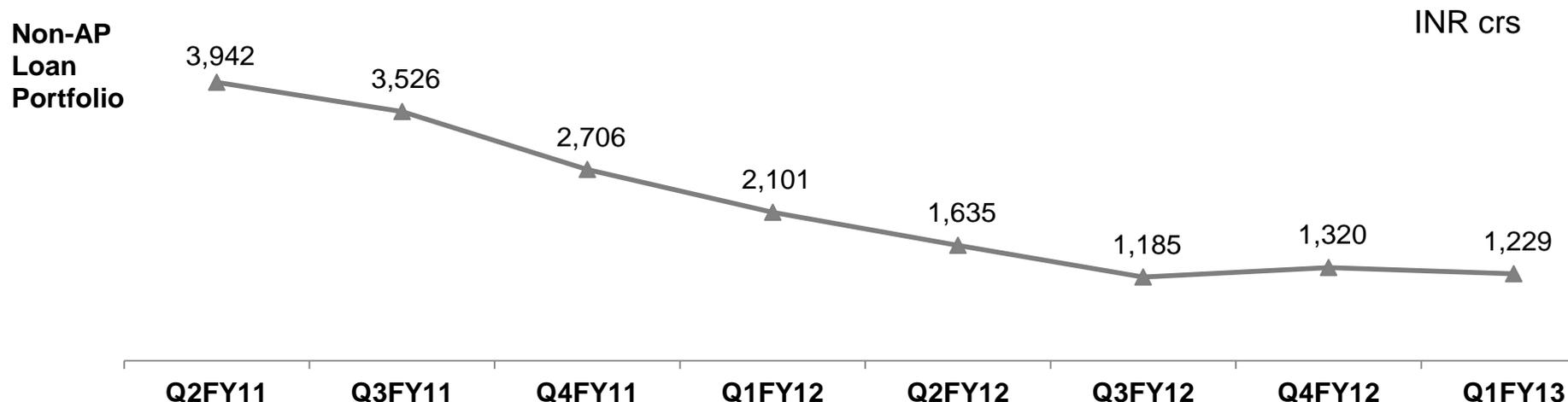
CLARITY ON MAJOR UNCERTAINTIES POST AP MFI CRISIS

WHAT DOESN'T KILL YOU, MAKES YOU STRONGER - POSITIVE DEVELOPMENTS POST AP MFI CRISIS

Concerns	Clarity
Will there be multiple regulators?	<ul style="list-style-type: none">▪ Regulatory clarity – RBI to be the sole regulator
Funding uncertainty?	<ul style="list-style-type: none">▪ Priority sector status continues▪ MFIs are the only indirect priority sector dispensation
Will there be contagion?	<ul style="list-style-type: none">▪ No contagion▪ More than 4.5 years no other state has followed suit
Has the operating model been challenged?	<ul style="list-style-type: none">▪ Collection efficiency maintained despite disbursements being a fraction of collections.▪ No alternative credit delivery model has gained currency.
What will be the economics under regulated interest rate regime?	<ul style="list-style-type: none">▪ RoA of 3-4% on a steady-state basis

OPERATING MODEL VAILIDITY ESTABLISHED

Collection efficiency of 97% during wind-down mode dispels ever greening myth



1.9 million borrowers repaid loans without incremental lending

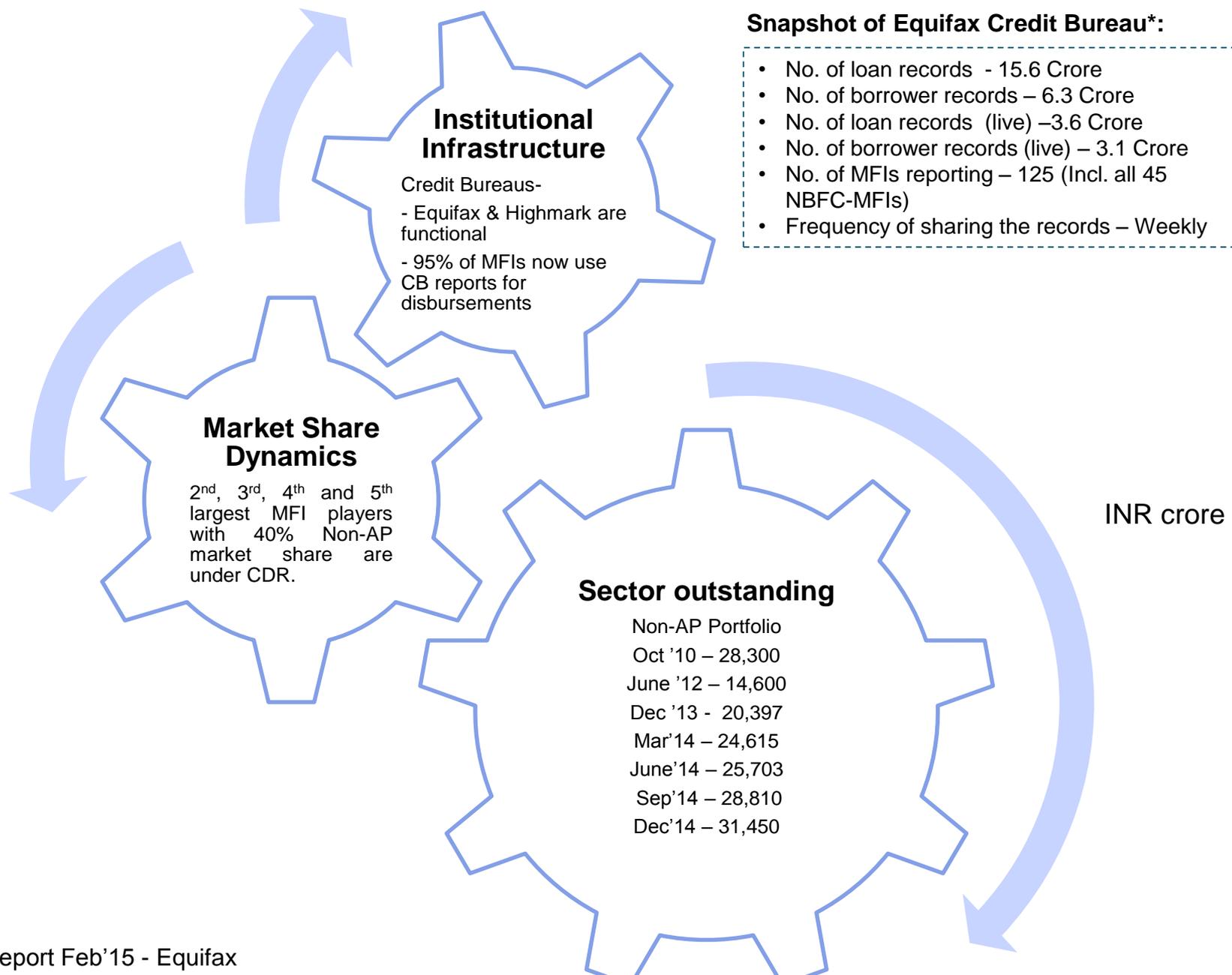
in Millions

No. of non-AP borrowers who repaid on-time during this period	5.2
No. of non-AP members who availed loans during this period	3.3
No. of non-AP members who didn't receive any incremental credit from SKS during this period	1.9

Internal generation -- and not incremental debt -- aids prompt repayment

MFI Industry non- AP Portfolio Outstanding (Rs Cr)	
Oct'10	28,300
June'12	14,600

COMPETITIVE LANDSCAPE CHANGES TO SKS' ADVANTAGE



Snapshot of Equifax Credit Bureau*:

- No. of loan records - 15.6 Crore
- No. of borrower records – 6.3 Crore
- No. of loan records (live) –3.6 Crore
- No. of borrower records (live) – 3.1 Crore
- No. of MFIs reporting – 125 (Incl. all 45 NBFC-MFIs)
- Frequency of sharing the records – Weekly

Institutional Infrastructure

Credit Bureaus-
 - Equifax & Highmark are functional
 - 95% of MFIs now use CB reports for disbursements

Market Share Dynamics

2nd, 3rd, 4th and 5th largest MFI players with 40% Non-AP market share are under CDR.

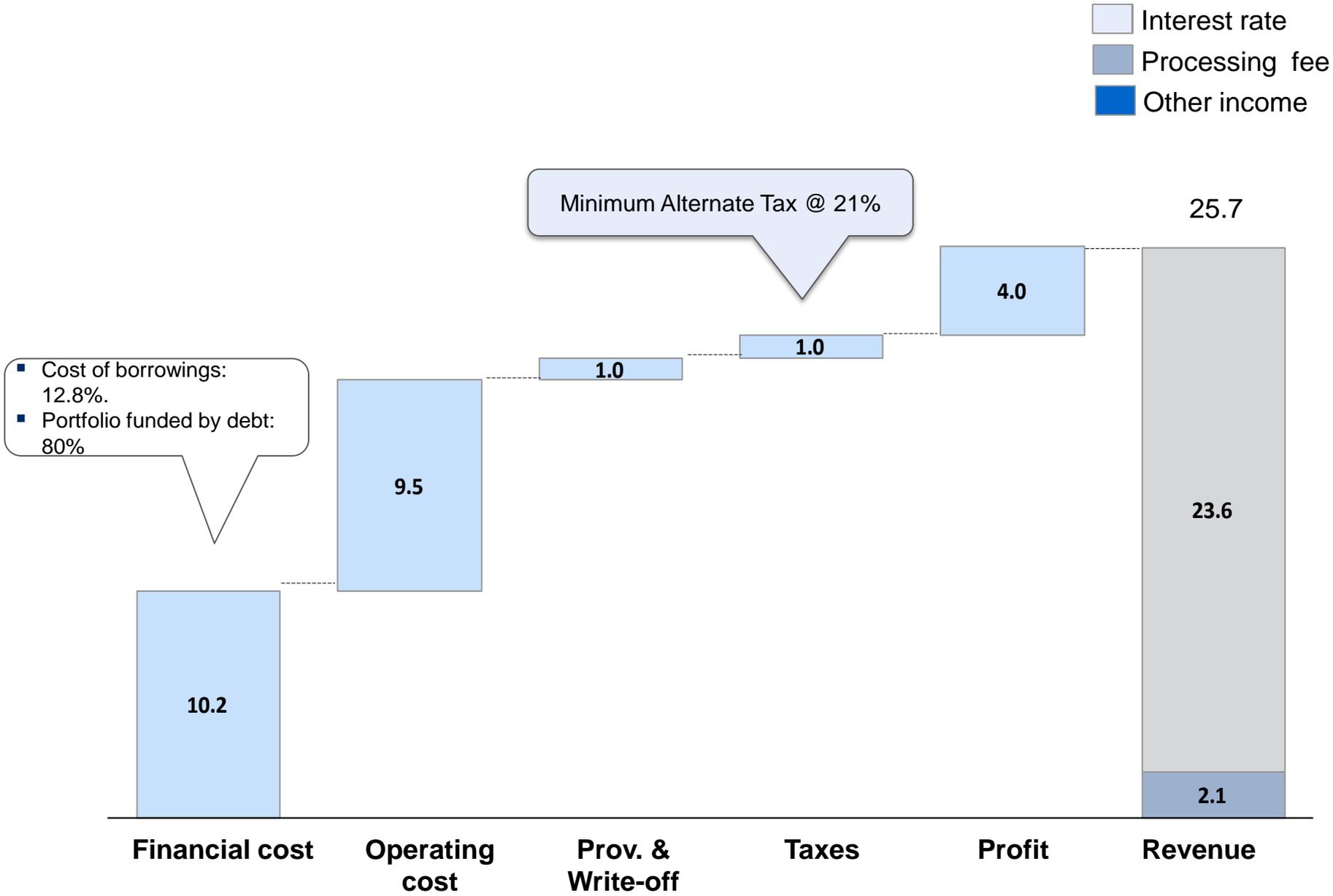
Sector outstanding

Non-AP Portfolio
 Oct '10 – 28,300
 June '12 – 14,600
 Dec '13 - 20,397
 Mar'14 – 24,615
 June'14 – 25,703
 Sep'14 – 28,810
 Dec'14 – 31,450

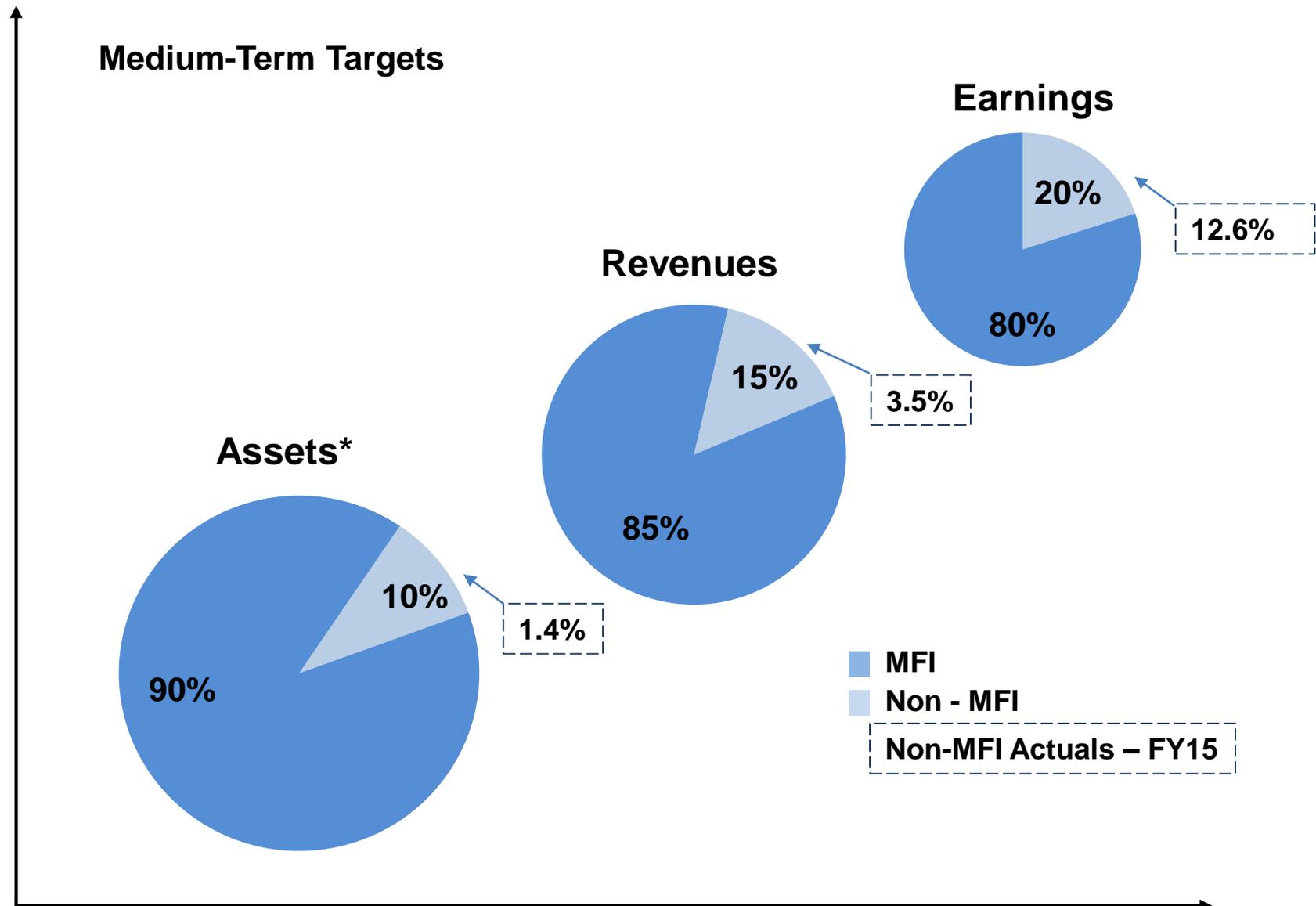
INR crore

* Source: Pin report Feb'15 - Equifax

STEADY-STATE ROA OF 4% CAN BE TARGETED



CREATIVE DISTURBANCE TO ASSET-REVENUE-EARNING CORRELATION



*Note: Core microfinance will continue to be more than 90% of credit assets

OPERATIONAL HIGHLIGHTS

OPERATIONAL HIGHLIGHTS

Particulars	Mar-14	Mar-15	YoY%	Dec-14	QoQ%
Branches#	1,255	1,268	1%	1,268	-
Centers (Sangam)	228,188	227,125	0%	229,172	-0.9%
- Centers in non-AP States	157,511	156,457	-1%	158,451	-1.3%
Employees (i) + (ii) + (iii) + (iv) + (v) + (vi)	8,932	9,698	9%	9,089	7%
• Field Staff (i) + (ii) + (iii) + (iv) + (v)	8,681	9,416	8%	8,812	7%
– Sangam Managers* (i)	5,259	5,286	1%	5,104	4%
– Sangam Manager Trainees(ii)	281	777	177%	446	74%
– Branch Management Staff (iii)	2,191	2,266	3%	2,185	4%
– Area Managers (iv)	85	99	16%	90	10%
– Regional Office Staff (v)	865	988	14%	987	-
• Head Office Staff (vi)	251	282	12%	277	2%
Members (in '000)	5,783	6,402	11%	6,196	3%
– Members in non-AP States (in '000)	3,864	4,482	16%	4,274	5%
Active borrowers (in '000)	4,963	5,325	7%	5,228	2%
– Active borrowers in non-AP States (in '000)	3,262	3,648	12%	3,540	3%
No. of loans disbursed (in '000)	1,336	1,857	39%	1,271	46%
Disbursements (for the quarter) (INR Crs.)	1,580	2,494	58%	1,544	62%
Gross loan portfolio – Non-AP (INR Crs.) (A+B+C)	2,837	4,171	47%	3,195	31%
• Loans outstanding (A)	1,523	2,911	91%	2,724	7%
• Securitized (B)	1,075	918	-15%	289	218%
• Managed loans (C)	234	342	46%	181	89%
Operational Efficiency – Non-AP :					
Off-take Avg (Disbursements/ No of Loans disbursed) (INR)	11,849	13,443	13%	12,152	11%
Gross loan portfolio/ Active Borrowers (INR)	8,698	11,434	31%	9,024	27%
Gross loan portfolio/ No. of Sangam Managers (Rs. '000)	6,275	8,994	43%	7,196	25%
Active borrowers / No. of Branches	2,864	3,214	12%	3,111	3%
Active borrowers / No. of Sangam Managers	721	787	9%	797	-1%

*Sangam Managers are our loan officers who manage our centers (also called Sangams). As of Mar '15, we had 4,638 Sangam Managers in Non-AP States # Incl. 44 Gold branches

PRODUCTIVITY GAINS & COST EFFICIENCY ENABLE SKS TO LEVERAGE THE CONDUCTIVE ENVIRONMENT

	Best before AP MFI crisis	Worst during AP MFI crisis	FY14	FY15	Q4FY15
<u>Productivity – Non-AP:</u>					
Borrowers/ SM	489*	287	721	787	787
Gross Loan Portfolio/ SM ('000)	3,640*	1,320	6,275	8,994	8,994
Offtake Avg.	10,299*	9,237	11,849	12,273	13,443
<u>Cost Efficiency:</u>					
Financial Cost % ^{\$}	6.6%	9.8%	8.3%	8.3%	9.1%
Cost of borrowings %	10.3%^	16.0%^	13.6%#	12.8%#	11.8%#
Opex/ Gross Loan Portfolio %	10.4%	21.7%	9.6%	9.5%	8.9%
Cost to Income Ratio	52.4%	275%	74.5%	61.1%	59.4%
<u>Credit Quality - Non-AP:</u>					
Gross NPA%	0.20%*	5.5%	0.1%	0.1%	0.1%
Net NPA%	0.16%*	2.9%	0.1%	0.05%	0.05%
Collection Efficiency %	99.8%*	94.9%	99.9%	99.8%	99.8%

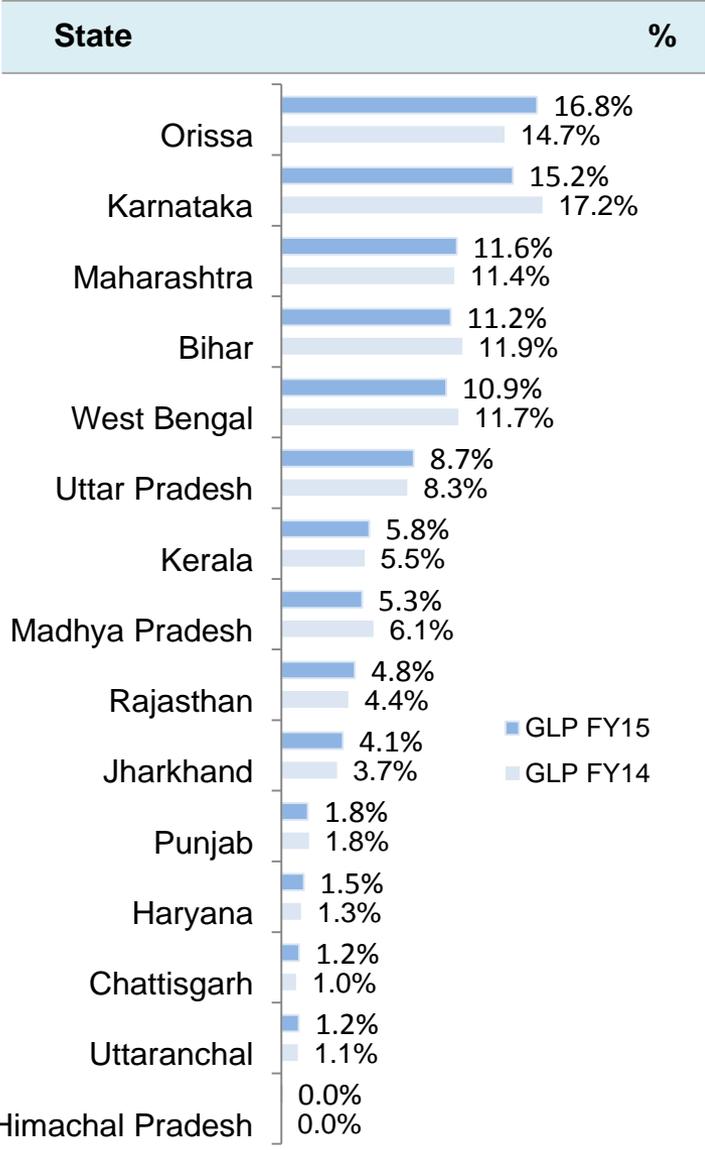
*Enterprise figures - includes figures from AP state

^{\$} Financial expenses to Avg. Gross Loan Portfolio

[^]Includes processing fee for on and off balance sheet (b/s) funding

[#] Includes processing fee for on b/s funding only, for Q1FY15 Rs. 2.4 Crs. ,Q2FY15 Rs. 6.3 Crs., Q3FY15 Rs. 2.8 Crs. & Q4FY15 Rs. 2.8 Crs.

PORTFOLIO MIX



CONCENTRATION NORMS

Metric	% Cap on Disbursement*	POS % Cap of Network
State	<ul style="list-style-type: none"> <15% (20% for Karnataka & Orissa) 	<ul style="list-style-type: none"> 50%
District	<ul style="list-style-type: none"> <3 % (4% for Karnataka & Orissa) 	<ul style="list-style-type: none"> 5% (Only 5% of total operating districts can go up to 10% of Network)
Branch	<ul style="list-style-type: none"> <1 % (1.25 % for Karnataka & Orissa) 	<ul style="list-style-type: none"> 1% (Only 5% of the total operating branches can go up to 2% of Network)
NPA	<ul style="list-style-type: none"> No disbursement to a branch with NPA > 1 % 	
Collection efficiency	<ul style="list-style-type: none"> No disbursement to a branch with on-time collection efficiency of < 95% 	

*Subject to tolerance of 10%

Note: Portfolio percentage are based on proportion of gross loan portfolio of respective states.

VINTAGE OF NON-AP BRANCHES IS ~6.5 YEARS

State	No. of Branches	Wt. Avg. Vintage (in Yrs.)*
Karnataka	170	7.3
Odisha	147	6.9
West Bengal	135	6.4
Bihar	121	6.7
Maharashtra	118	6.8
Uttar Pradesh	114	6.0
Madhya Pradesh	67	6.8
Rajasthan	59	6.6
Jharkhand	41	6.3
Kerala	48	5.0
Chhattisgarh	21	6.7
Punjab	18	5.6
Haryana	16	5.9
Uttarakhand	11	5.0
Gujarat	1	7.2
Delhi	1	5.7
Himachal Pradesh	3	0.3
Non-AP	1091	6.6

As of Mar 2015

* Excludes 44 Gold Loan Branches.

PORTFOLIO OUTSTANDING BY ECONOMIC ACTIVITY

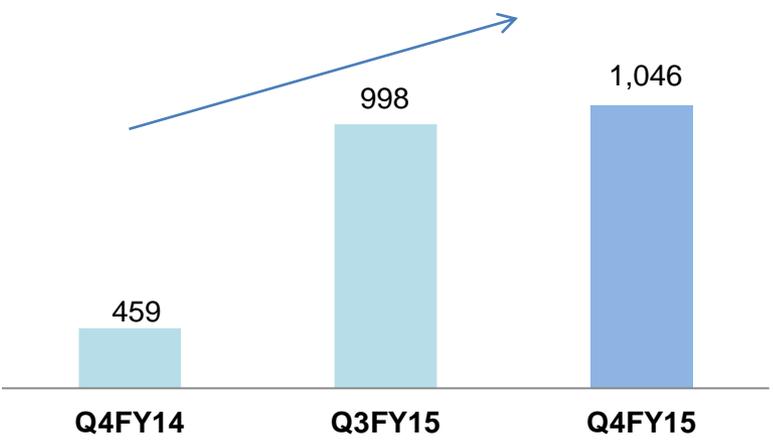
Purpose	% Mix
Livestock	26%
Tailoring, Cloth weaving	11%
Grocery stores and other retail outlets	9%
Masonry, Painting, Plumbing, Electrician, Carpenter and related	8%
Trading of vegetables & fruits	8%
Vehicle repairs	6%
Trading of agri-commodities	5%
Eateries	5%
Agriculture	4%
Garments & Footwear retailing	3%
Other income generating activities	15%

REVIEW OF FINANCIALS

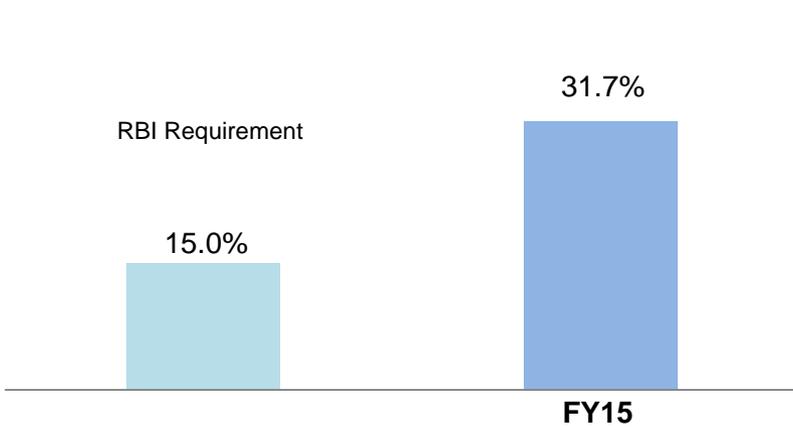
STRONG SOLVENCY AND SUFFICIENT LIQUIDITY

INR Crs.

Networth

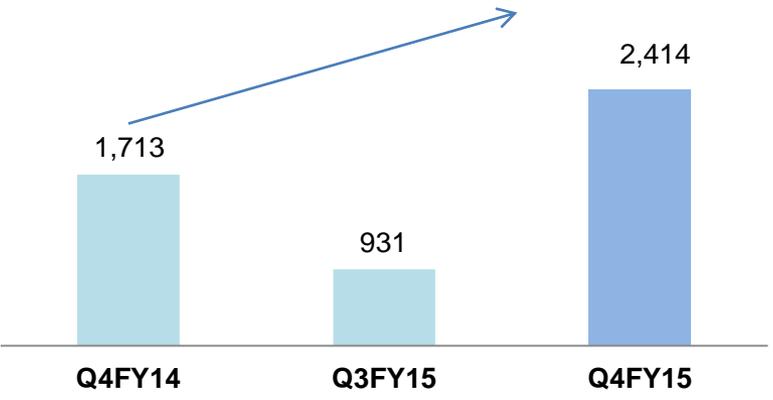


Capital Adequacy

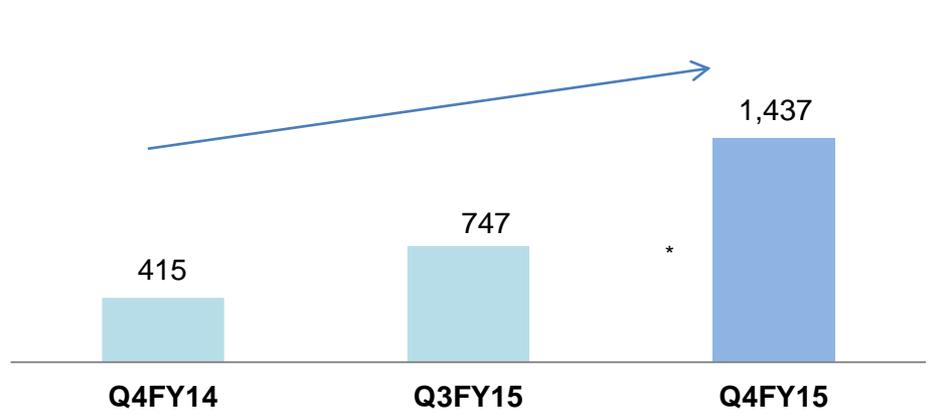


Drawdowns

- FY 15 Rs. 5,020
- FY 14 Rs. 3,503



Cash and Cash Equivalent[^]

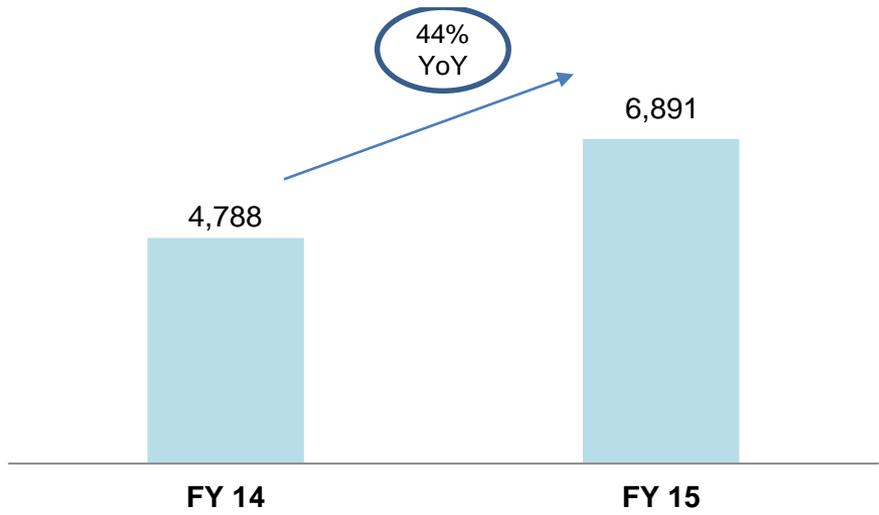


[^] Excluding security deposit

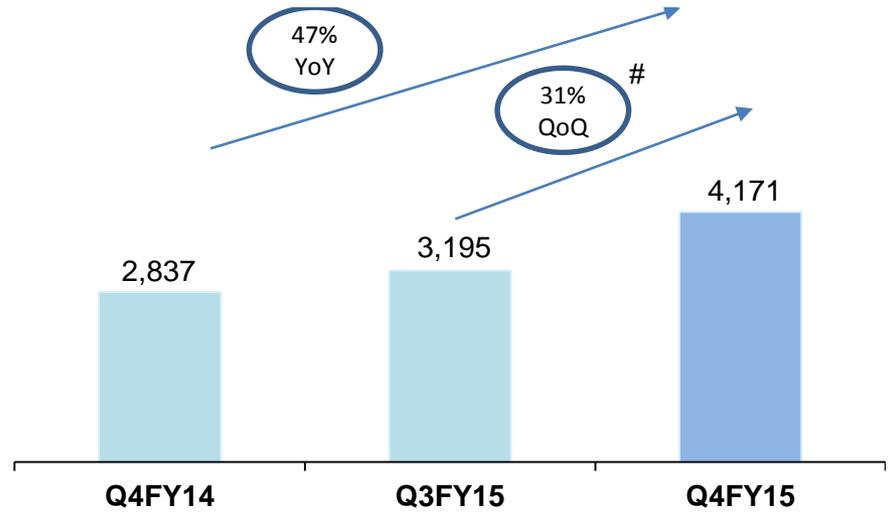
PAT GROWS TO RS. 188 CRS. (RS. 70 CRS.)

INR Crs.

Disbursements

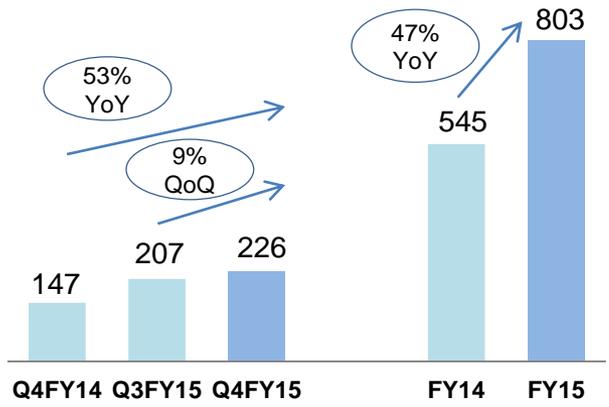


Non-AP Gross Loan Portfolio

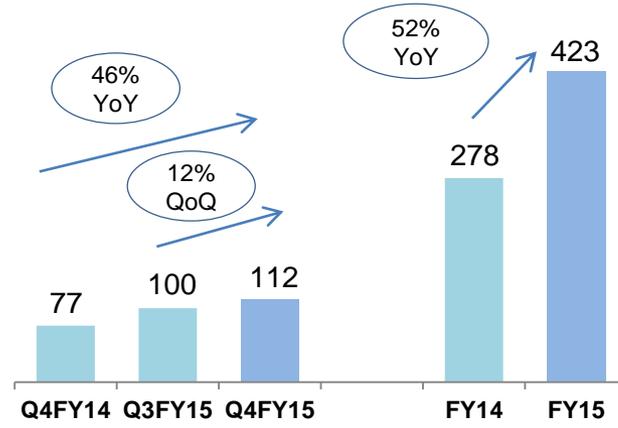


Non-AP Gross Loan Portfolio growth QoQ based on monthly average is 21%.

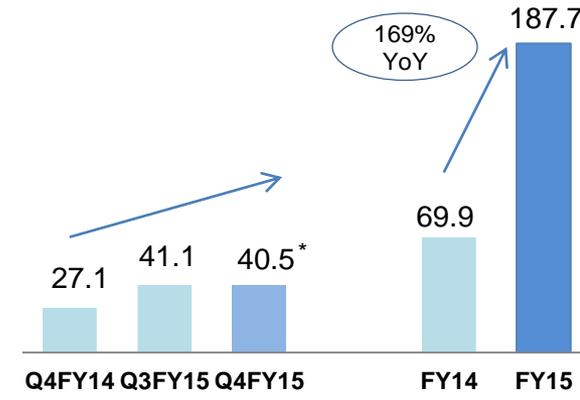
Gross Revenue



Net Interest Income*



PAT



*Interest income on Portfolio loans + Excess interest spread on securitization + Loan processing fees + BC Fee - Financial Cost

*Post MAT of Rs. 6 Crs.

QOQ PROFIT GROWTH MUTED BY STANDARD ASSET PROVISIONING AND MAT

INR Crs.

Particulars	Q4FY14	Q4FY15	YoY%	Q4FY15 As % of Total Revenue	Q3FY15	QoQ%
<u>Income from Operations</u>						
Interest income on Portfolio loans	95	152	60%	67%	154	-1%
Excess interest spread on securitization	22	25	13%	11%	10	155%
Loan processing fees	9	13	37%	6%	11	11%
<u>Other Income</u>						
Income on investments	5	14	192%	6%	14	-3%
Recovery against loans written off	8	4	-45%	2%	5	-17%
Facilitation fees from Cross-sell	3	10	240%	4%	8	21%
BC fees	6	8	45%	4%	4	98%
Other miscellaneous income	0.0	0.5	-	-	0.2	-
Total Revenue	147	226	53%	100%	207	9%
Financial expenses	55	85	55%	38%	79	9%
Personnel expenses	43	60	39%	27%	63	-5%
Operating and other expenses	20	22	14%	10%	21	7%
Depreciation and amortization	1	1	9%	0%	1	-2%
Total Operating Cost	64	84	31%	37%	85	-2%
Provision & Write-offs	2	11	-	5%	2	-
Total Expenditure	120	180	49%	79%	166	8%
Profit before Tax	27.1	46.4	71%	21%	41.1	13%
Tax expense	-	5.9		3%	-	
Profit after Tax	27.1	40.5	49%	18%	41.1	-1%

QOQ MOVEMENT OF KEY EXPENDITURE ITEMS

INR Crs.

S.no.	Particulars	Increase	Decrease	Net Change
A.	Personnel cost		7.6	(8) ↑
		-	One-time incentive to non-core mgmt. staff given in Q3FY15	
B.	Provision & Write-offs	10	-	10 ↓
		Increase in Standard asset Provisioning in Q4FY15 i.e. 1% of increase in gross loan portfolio		
C.	MAT	6	-	6 ↓
		Provision for MAT in Q4FY15		
A+B+C	Total	16	7.6	8 ↓

CREDIT GROWTH, FEE INCOME AND REDUCTION IN COST OF BORROWINGS DRIVE PROFIT GROWTH

INR Crs.

Particulars	FY14	FY15	YoY%	FY15 As % of Total Revenue
<u>Income from Operations</u>				
Interest income on Portfolio loans	393	566	44%	71%
Excess interest spread on securitization	56	67	20%	8%
Loan processing fees	34	46	35%	6%
<u>Other Income</u>				
Income on Investments	25	44	74%	6%
Recovery against loans written off	18	26	48%	3%
Facilitation fees from Cross-sell	9	29	223%	4%
BC fees	9	23	148%	3%
Other miscellaneous income	0.7	1.5	114%	0%
Total Revenue	545	803	47%	100%
Financial expenses	214	279	30%	35%
Personnel expenses	166	232	40%	29%
Operating and other expenses	77	84	10%	10%
Depreciation and amortization	4	5	12%	1%
Total Operating Cost	246	320	30%	40%
Provision & Write-offs	15	10	-31%	1%
Total Expenditure	475	609	28%	76%
Profit before Tax	70	194	177%	24%
Tax expense	-	5.9		
Profit after Tax	70	188	169%	23%

GUIDANCE VS. ACTUAL

	FY14 Guidance	FY14 Actual	FY15 Guidance	FY15 Actual
Non-AP Disbursement	4,500 - 4,800	4,788	6,000	6,891
Non-AP Gross Loan Portfolio	2,800 - 3,000	2,837	4,000	4,171
Profit After Tax (Post MAT @ 21%)	55 – 60	70	125 - 150	188

GUIDANCE FOR FY16

	FY16
Incremental debt requirement	7,000
Non-AP Disbursement	9,000
Non-AP Gross Loan Portfolio	6,000
Profit After Tax (Post MAT @ 21%)	235

STRONG CAPITAL BASE AND ROBUST LIQUIDITY DRIVE SKS BALANCE SHEET

Particulars	Q4FY14	Q4FY15	YoY%	Q3FY15	QoQ%
Equity share capital	108	126	17%	126	0%
Stock options outstanding	20	25	28%	24	5%
Reserves and surplus	331	895	170%	848	6%
Capital & Reserves	459	1,046	128%	998	5%
Loan funds	1,531	3,280	114%	2,545	29%
Payable towards Securitisation	180	180	-	52	-
Expenses & other payables	28	23	-17%	23	2%
Provision for Taxation	6	2	-72%	5	-65%
Unamortised loan processing fees	21	31	49%	24	30%
Employee benefits payable	7	19	161%	15	22%
Interest accrued but not due on borrowings	6	10	63%	15	-33%
Interest accrued and due on borrowings	2	6	-	-	-
Provision for leave benefits & gratuity	11	14	36%	14	6%
Statutory dues payable	1	3	114%	3	-16%
Unrealized gain on securitization transactions	37	42	14%	9	-
Provision for standard and NPA -- Non-AP	29	42	44%	32	29%
Provision for standard and NPA -- AP	179	0.1	-100%	8	-98%
Liabilities	2,038	3,652	79%	2,745	33%
Total Liabilities	2,497	4,699	88%	3,743	26%
Fixed assets	7	5	-22%	4	16%
Intangible assets	5	5	10%	5	1%
Investment	0	0.2	0%	0.2	0%
Cash and bank balances	671	1,659	147%	904	84%
Trade receivable	5	9	69%	10	-9%
Interest accrued and due on loans	1	1	-25%	1	-32%
Interest accrued but not due on loans	7	11	46%	10	11%
Interest accrued but not due on deposits with banks	10	8	-19%	8	-2%
Interest strip on securitization transactions	37	42	14%	10	-
Portfolio loans -- Non-AP	1,460	2,824	93%	2,708	4%
Portfolio loans -- AP	193	13	-93%	24	-44%
Loans placed as collateral	68	86	27%	16	-
Security deposits for rent and other utilities	4.0	4	-4%	4	-1%
Advances for Loan Cover Insurance	0.7	1	-5%	1	-9%
Surrender amount receivable from insurance co.	0.3	0	-100%	0.2	-100%
Loans to SKS employee benefit trust	5.4	5	-10%	5	-4%
Advance Income Tax	14.0	14	2%	19	-27%
Prepaid insurance	2.4	3	20%	4	-26%
Other advances	6	8	25%	9	-15%
Total Assets	2,497	4,699	88%	3,743	26%
Note:1 Non-AP Securitized/Managed Portfolio	1,309	1,260	-4%	470	168%
2. Non-AP Gross Loan Portfolio	2,837	4,171	47%	3,195	31%

EQUITY RAISE & SECURITISATION AID NII GROWTH & REDUCE COST-TO-INCOME

Particulars		Q4 FY14	Q3 FY15	Q4 FY15
Spread Analysis (as % of Avg. Gross Loan Portfolio)				
Gross Yield	(I)	20.4%	25.4%	24.2%
Portfolio Yield		16.2%	20.1%	18.9%
Financial Cost	(a)	7.6%	9.7%	9.1%
Operating Cost	(b)	8.8%	10.5%	8.9%
Provision and Write-offs	(c)	0.2%	0.2%	1.1%
Taxes	(d)	-	-	0.6%
Total Expense	II = (a+b+c+d)	16.6%	20.4%	19.8%
Return on Avg. Gross Loan Portfolio	(I) - (II)	3.8%	5.0%	4.3%
Efficiency:				
Cost to Income		69.0%	66.4%	59.4%
Asset Quality – Non-AP:				
Collection Efficiency		99.9%	99.8%	99.8%
Gross NPA		0.1%	0.1%	0.1%
Net NPA		0.1%	0.1%	0.05%
Gross NPA (INR Crs.)		1.9	2.6	2.4
Net NPA (INR Crs.)		1.6	1.8	1.3
Leverage:				
Debt : Equity		3.3	2.5	3.1
Debt : Equity (Incl. Securitised & Managed Loans)		6.5	3.0	4.5
Capital Adequacy:				
		20.7%	34.6%	31.7%
Profitability:				
EPS - Diluted (INR) (Not Annualised)		2.5	3.2	3.2
Book Value (INR)		42.4	79.2	82.9

PROFITABILITY RATIOS IMPROVE

Particulars		FY14	FY15
Spread Analysis (as % of Avg. Gross Loan Portfolio)			
Gross Yield	(I)	21.2%	23.9%
Portfolio Yield		17.5%	18.8%
Financial Cost	(a)	8.3%	8.3%
Operating Cost	(b)	9.6%	9.5%
Provision and Write-offs	(c)	0.6%	0.3%
Taxes	(d)	-	0.2%
Total Expense	II = (a+b+c+d)	18.5%	18.3%
Return on Avg. Gross Loan Portfolio	(I) - (II)	2.7%	5.6%
Efficiency:			
Cost to Income		74.5%	61.1%
Asset Quality – Non-AP:			
Collection Efficiency		99.8%	99.8%
Gross NPA		0.1%	0.1%
Net NPA		0.1%	0.05%
Gross NPA (INR Crs.)		1.9	2.4
Net NPA (INR Crs.)		1.6	1.3
Leverage:			
Debt : Equity		3.3	3.1
Debt : Equity (Incl. Securitised & Managed Loans)		6.5	4.5
Capital Adequacy:			
		20.7%	31.7%
Profitability:			
Return on Avg. Assets (Incl. Securitised & Managed Loans)*		2.3%	4.3%
ROE*		16.7%	21.6%
EPS - Diluted (INR) (Not Annualised)		6.4	15.0
Book Value (INR)		42.4	82.9

ROA is 3.2% and ROE is 15.9% for Q4FY15

FINANCIAL ARCHITECTURE

FINANCIAL ARCHITECTURE (1/2)

Lenders Mix

On Balance Sheet*	Mar-15	Dec-14	Mar-14
Yes Bank	14.6%	14.9%	19.1%
Dena Bank	7.7%	5.5%	7.2%
State Bank Group	7.6%	5.1%	9.4%
SIDBI	6.6%	2.9%	10.7%
ICICI Bank	6.5%	11.1%	8.2%
Andhra Bank	6.4%	4.5%	5.7%
IDBI Bank	5.9%	0.7%	13.1%
Bank of Maharashtra	5.6%	7.7%	-
HDFC Bank	5.3%	4.8%	2.9%
Axis Bank	4.4%	6.7%	5.3%
Kotak Mahindra Bank	4.2%	6.1%	-
Bank of India	4.0%	7.6%	-
IndusInd Bank	3.9%	6.5%	9.1%
Standard Chartered Bank	3.0%	-	-
HSBC Bank	2.5%	2.1%	-
Ratnakar Bank	2.5%	3.2%	-
IDFC	2.5%	3.2%	-
South Indian Bank	2.2%	3.1%	-
Citi Bank	2.0%	1.3%	2.8%
Others	2.6%	3.3%	6.6%
Grant Total	2,990	2,375	1,531

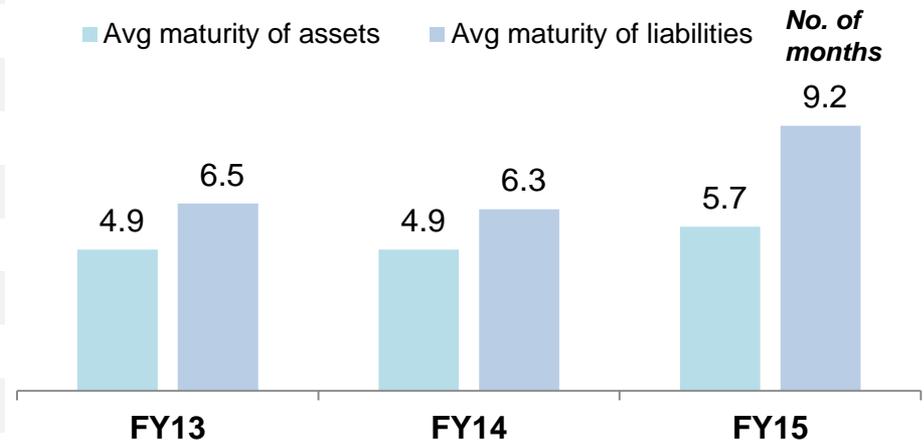
* Includes Term loan and cash credit facilities

Funding Mix

INR Crs.

	FY15	% Mix	FY14	% Mix
Term Loans	2,867	61%	1,434	48%
Securitisation	1,090	23%	1,205	41%
Managed Loans	348	7%	237	8%
NCD	200	4%	-	-
Cash Credit	124	3%	94	3%
Commercial Paper	89	2%	-	-
Total	4,718	100%	2,970	100%

Positive ALM Mismatch



ALM data includes securitized, assigned & managed loans

FINANCIAL ARCHITECTURE (2/2)

Funding Cost Analysis

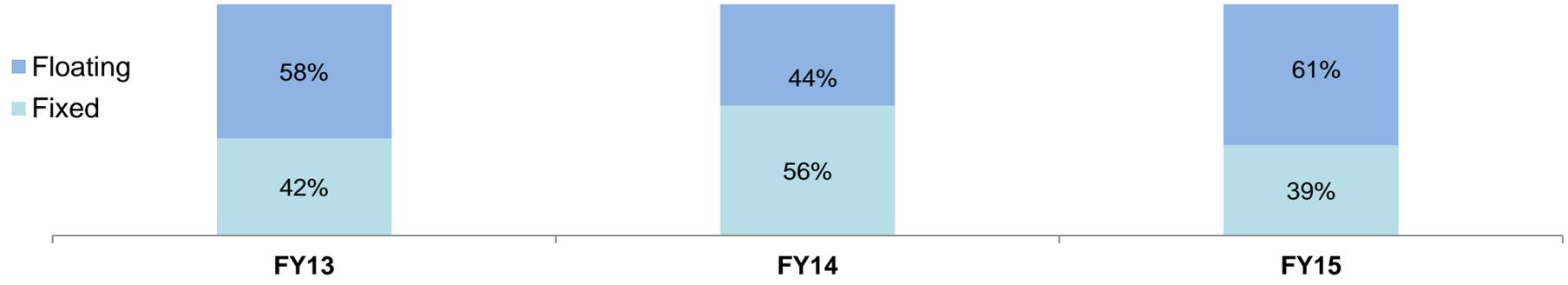
Metric	FY14	FY15	Q3FY15	Q4FY15
Cost of interest bearing liabilities (excluding processing fee paid & other charges)	12.7%	12.1%	12.5%	11.4%
Cost of interest bearing liabilities (including processing fee paid on Loans on Balance sheet)	13.6%	12.8%	12.9%	11.8%
Cost of interest bearing liabilities (including processing fee and other charges paid for On & Off B/S loans)	14.2%	13.2%	13.2%	12.4%
Loan Processing Fees (INR Crs.)	17.3	16.9	3.6	4.7
Drawdowns (INR Crs.)	3,503	5,020	931	2,414
Financial Cost^	8.3%	8.3%	9.7%	9.1%

^ Financial expenses to Avg. Gross Loan Portfolio

Note: SKS expenses towards loan processing fees are paid upfront whereas loan processing fees received from borrowers are amortized over the period of contract.

The above percentages are based on monthly averages (except financial cost %).

Interest Rate Mix



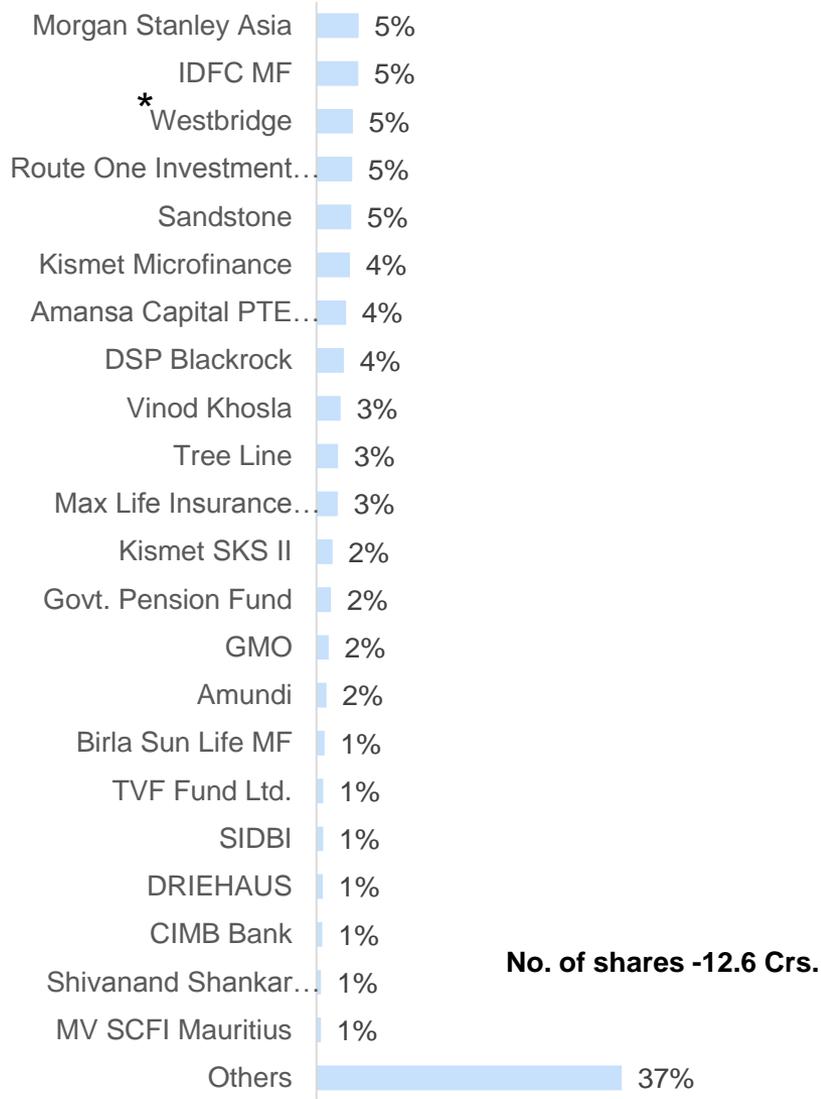
EXTERNAL ASSESSMENT

Rating Instrument	Rating	Rating Agency	Rating Amount (Rs. Crs.)
MFI Grading	MFI 1	CARE Ratings	N/A
Bank Loan Rating (Long-term facilities)	CARE A+	CARE Ratings	2,800
Bank Loan Rating (Short-term facilities)	CARE A1+	CARE Ratings	
Short-term Debt (CP/NCD)	CARE A1+	CARE Ratings	200
Long-term Debt (NCD)	CARE A+	CARE Ratings	200
Long-term Debt	[ICRA] A+	ICRA Limited	300
Short-term Debt	[ICRA] A1+	ICRA Limited	
Securitisation Pool*	CARE AA (SO)	CARE Ratings	1,386
Securitisation Pool^	ICRA AA (SO)	ICRA Limited	173

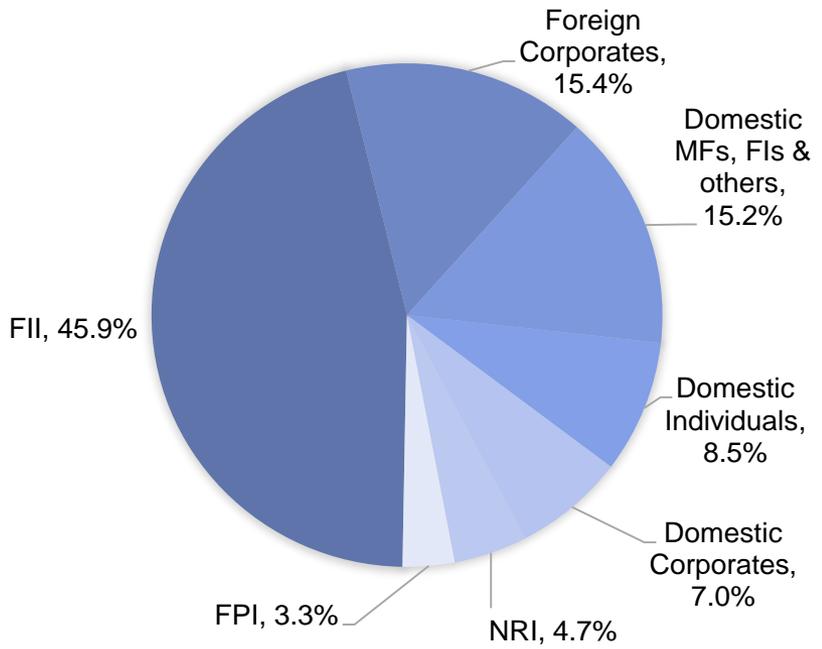
* for six securitisation transactions done during FY15

^ for two securitisation transactions done during FY15

CAPITAL STRUCTURE AS ON 31ST MARCH 2015



SHAREHOLDING PATTERN



*Includes Kumaon Investment

Excludes no. of Outstanding ESOPs 0.4 crs

Note: The Investment under different accounts by a fund are clubbed under their respective names

ADJUSTED PRICE TO BOOK COMPUTATION

	Mar-15
Book value per share (INR) (A)	83
Present value of DTA per share (B)^	24
Book value per share – Including PV of DTA (INR) (A+B)	107
Adjusted Price to Book Ratio (times)	4.3

Note:

^ Estimated Present Value of Deferred Tax Assets not recognized in books per share.

DTA as on Mar 31, 2015 is Rs. 489 Crs.. Discount rate assumed at 12.8% and applied over next 6 years' estimated profit.

SKS Market Price as of May 04, 2015 – Rs. 463

ANNEXURES

OUR PROVISIONING POLICY

Asset Classification

	<u>RBI NBFC-MFI norms</u>	<u>SKS compliance</u>
Standard Assets	0-90 days	0-60 days
Sub-Standard Assets	91-180 days	61-180 days
Loss Assets	>180 days	>180 days

Provisioning Norms

Standard Assets	1% of overall Portfolio reduced by Provision for NPA (If provision for NPA < 1% of overall Portfolio)	0.25-1% depending on NPA or as stipulated by RBI, whichever is higher
Sub-Standard Assets	50% of instalments overdue*	50% of outstanding principal*
Loss Assets	100% of instalments overdue*	100% of outstanding principal/ write-off*

* The aggregate loan provision will be maintained at higher of 1% of overall portfolio or sum of provisioning for sub-standard and loss assets.

COMPLIANCE WITH RBI NBFC-MFI REGULATORY FRAMEWORK (1/2)

RBI PSL norms for NBFC-MFIs

SKS compliance

NBFC-MFIs

- Qualifying assets to constitute not less than 85% of its total assets (excluding cash and bank balances)
 - At least 50% of loans for income generation activities
- Qualifying assets - 94%
 - Income generation loans >97%

Qualifying Assets Criteria*

Income of Borrower's Family

- Rural : <=Rs.120,000
 - Non-Rural : <=Rs. 1,60,000
- ✓

Ticket Size

- <= 60,000 – 1st cycle
 - <= Rs.100,000 – Subsequent cycle
- ✓

Indebtedness

- <= Rs. 100,000
- ✓

Tenure

- If loan amt. > Rs.15,000, then >= 24 months
- ✓

Collateral

- Without collateral
- ✓

Repayment Model

- Weekly, Fortnightly and Monthly
- ✓

* SKS compliance relates to income generation loans which comprise 95% of total loans.

COMPLIANCE WITH RBI NBFC-MFI REGULATORY FRAMEWORK (2/2)

RBI PSL norms for NBFC-MFIs

SKS compliance

Pricing Guidelines

Interest Rate	<ul style="list-style-type: none"> A. Margin cap – 10% above cost of borrowings B. Avg. base rate of top 5 commercial banks X 2.75 Lower of the A and B. 		Margin 9.7% Interest rate 23.6%
Processing Fees	<ul style="list-style-type: none"> <= 1% of loan amt. 		
Insurance Premium	<ul style="list-style-type: none"> Actual cost of insurance can be recovered from borrower and spouse Administrative charges can be recovered as per IRDA guidelines 		
Penalty	<ul style="list-style-type: none"> No penalty for delayed payment 		
Security Deposit	<ul style="list-style-type: none"> No security deposit/ margin to be taken 		<ul style="list-style-type: none"> SKS has never taken security deposit/ margin

SKS LOAN PORTFOLIO QUALIFIES FOR OVERALL PSL TARGET OF 40% AND ALL SUB-TARGETS UNDER NEW PSL NORMS

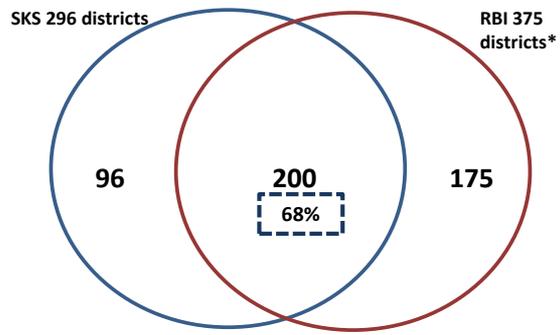
	RBI			SKS	
S.no.	Sector	Category	Target for Banks %	Qualifying Portfolio of SKS %	Explanation
1	Agriculture	Target	18%	30%	Livestock, Agri & Allied
2	Small & Marginal farmers	Sub-target	7% (Mar'16) 8% (Mar'17)	30%	
3	Weaker	Target	10%	100%	100% Loans are to women beneficiaries (with less than Rs.1 lac). Further, Minority communities constitute 16% and economically weaker sections 71% of loan portfolio.
4	Micro-enterprises	Target	7% (Mar'16) 7.5% (Mar'17)	100%	Loans to MFIs for on-lending to microenterprises.

Note: Refer Slide no.16 for details on purpose wise loan portfolio outstanding.

SKS FINANCIAL INCLUSION COVERAGE...

Strong reach in under-banked areas

68% of SKS branches are in RBI under-banked districts list

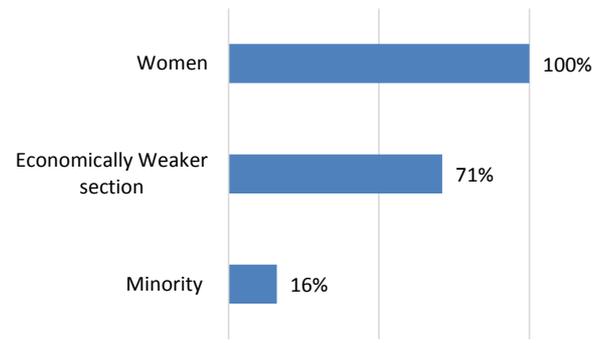


SKS covers 68% of below average & low financial inclusion districts identified by Crisil

CRISIL level of financial inclusion	SKS Coverage of those districts
High	18%
Above average	15%
Below average	51%
Low	16%
Grand Total	100%

68% (covering Below average and Low categories)

Weaker & Minority section coverage



* Source: RBI under-banked districts data
 [1] Source: CRISIL Inclusix: An index to measure India's progress on Financial Inclusion, June 2013

... IS SUPPORTED BY ROBUST CUSTOMER CENTRIC PRACTISES

Doorstep Service



Doorstep delivery (i.e. at Center meetings)

Financial literacy



3 day process consisting of hour-long sessions designed to educate clients on SKS processes and credit discipline.

Dedicated customer service

SKS Toll free Number
1800 300 10000

Call Timings:
 Morning 7:30 AM to Evening 3:30 PM
 (Monday to Friday)

You can call this number from any number FREE of cost.

Toll-free helpline number with seven different vernacular languages

PRODUCT OFFERINGS

	IGL	MTL	LTL	Other product offerings	Gold loans
Loan portfolio (INR Crs)	2,257	1,138	675	65	49
Ticket size range	INR 7,591 to INR 14,959		INR 21,943 to INR 29,809	<ul style="list-style-type: none"> Solar lamp: 1,772 Mobile phone: 2,495 	INR 2,000 to INR 200,000
Avg. Ticket Size (INR)	13,565	12,751	28,739	2,048	13,705
Eligibility*	<ul style="list-style-type: none"> Completion of CGT / GRT Age limit 18 years to 55 years 	<ul style="list-style-type: none"> With IGL - Between 20th to 46th week With LTL – Between 20th to 96th week 	<ul style="list-style-type: none"> Minimum Two IGL Loan cycle completed No current IGL outstanding 	<ul style="list-style-type: none"> With IGL – Between 4th to 46th week With LTL – Between 4th to 100th week 	Maximum LTV as % of gold value on disbursement <ul style="list-style-type: none"> SP3: 68% SP4: 75%
Tenure	50 weeks		104 weeks	25 weeks	<ul style="list-style-type: none"> SP3: 0 - 365 days SP4: 0 - 270 days
Annual effective interest rate	23.55%			<ul style="list-style-type: none"> Solar: 22.85% Mobile: 20.5% 	<ul style="list-style-type: none"> SP3: 15% - 24% SP4: 19.2% - 26%
Processing fee	1%			<ul style="list-style-type: none"> Solar: 0.7% Mobile: 0.9%-1.0% 	<ul style="list-style-type: none"> SP3 & SP4: 0.5%

* Eligibility criteria over and above the criteria prescribed by the RBI

HIGHLIGHTS - LONG TERM LOANS (LTL)

Product Details	
Purpose	Income generating activity
Ticket Size	Rs.21,943 to Rs.29,809
Tenure	104 Weeks
Eligibility	- Completion of two IGL^ Loan cycles - No current IGL outstanding
Product design	Equal weekly installment (EWI) similar to IGL Eg.: IGL Rs.13K Ticket size : Rs. 300 EWI LTL Rs.26K Ticket size : Rs. 320 EWI

FY15 - Snapshot	LTL		Enterprise Gross loan Portfolio		% Mix LTL	
	FY14	FY15	FY14	FY15	FY14	FY15
No. of Loans Disbursed in '000	20	259	4,133	5,621	0.5%	5%
Avg. Ticket Size INR	26,962	28,687	11,584	12,259		
Amount of Loan Disbursed ('In Crs.)	55	743	4,788	6,891	1%	11%*
Portfolio Outstanding (in Crs.)	52	675	2,837	4,171	1.8%	16%

*Disbursement capped at 25% of overall disbursement

^ Income Generating Loans with ticket size of Rs.7,591 to Rs.14,959 with tenure of 50 weeks

LEVERAGING THE DISTRIBUTION STRENGTH

	FY 14			FY15			Q3FY15			Q4FY15		
	Mobile phone	Solar lamp	Total	Mobile phone	Solar lamp	Total	Mobile phone	Solar lamp	Total	Mobile phone	Solar lamp	Total
No. of Units Facilitated (in Lacs)	1.8	1.0	2.8	4.5	3.9	8.4	0.9	1.4	2.3	1.4	1.2	2.6
Gross Fees (after service tax) INR Crs.	6.3	2.7	9.0	15.9	12.4	28.3	3.4	4.6	8.0	5.5	3.7	9.2
Less: Incentives INR Crs.	0.5	0.3	0.8	2.5	2.1	4.6	0.7	0.6	1.2	1.1	0.9	2.0
*Net Fees INR Crs.	5.8	2.4	8.2	13.4	10.3	23.7	2.7	4.1	6.8	4.4	2.8	7.2
Loan Portfolio INR Crs.	2.3	14.6	17.0	33.1	25.2	58.3	23.4	22.6	45.9	33.1	25.2	58.3
Net Fee Income as % of PAT	8.3%	3.5%	11.7%	7.2%	5.5%	12.6%	6.6%	9.9%	16.5%	10.9%	6.9%	17.8%
Loan Portfolio Mix	0.1%	0.5%	0.6%	0.8%	0.6%	1.4%	0.7%	0.7%	1.4%	0.8%	0.6%	1.4%

* Net fee post the incentive payout and sans transfer pricing of other operating cost

UPDATE ON GOLD LOANS - PILOT PROGRAMME

INR crore

Particulars	Mar 15
Total Gold Loan Portfolio Outstanding	49.2
Current Gold Holding Value*	70
Security Coverage (70/49 crores)	141%
SKS Non-AP Gross Loan Portfolio	4,171
Gold loans as % of SKS Non-AP Gross Loan Portfolio	1.2%

Notes:

* Based on Current value of Rs. 2,418/ gm – Mar 31, 2015 and applied on net weight of gold i.e. after deduction for stones and impurities on gross weight)

(Source: India Bullion & Jewellers Association Ltd. – 22 carat spot rate)

INTERNAL AUDIT PLAYS A CRITICAL ROLE IN PROCESS MONITORING

Strength

- 196 strong headcount
- ISO 9001:2008 certified process
- All branches are inspected monthly based on a 4 tier grading system
- Grading linked to incentives/appraisals of field staff
- Head Office audit by KPMG

Scope

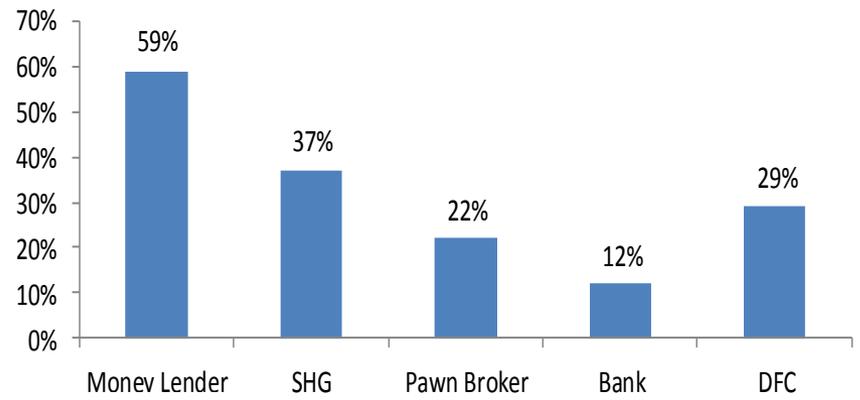
- Branches 1,268
- Branches per Internal Audit staff 8
- Regional Offices 22

		Scope of Audit								
Audit area	Frequency	Client Acquisition	Center Meeting Process	Document verification (KYC, Loan utilization check etc.)	Monitoring process by supervisors	Adherence to Process / Policies	Statutory Requirements (Credit bureau, Fair practices etc.)	Client Visits*	High Risk items (Frauds etc.)	Fixed Assets verification^
IGL Branches	Monthly	√	√	√	√	√	√	√	√	√
Gold Loan Branches	45 days	√	-	√	√	√	√	-	√	√
Regional Offices	Quarterly	-	-	-	-	√	√	-	-	√
Head office	Quarterly	-	-	-	-	√	√	-	-	√

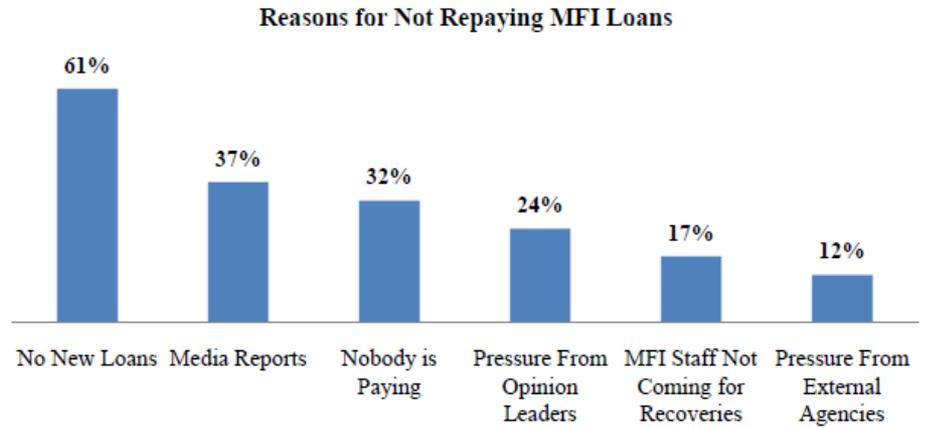
Note:
 * Approximately 30% of the clients are covered by Internal Audit in an year during the branch audits. Clients visited on a sample basis to check for Loan confirmations, Loan utilization (LUC) , arrears and awareness on Client Protection Principles (CPP)
 ^ Fixed Assets are verified on Annual basis

WHAT ARE CLIENTS DOING POST THE ANDHRA PRADESH MFI CRISIS?

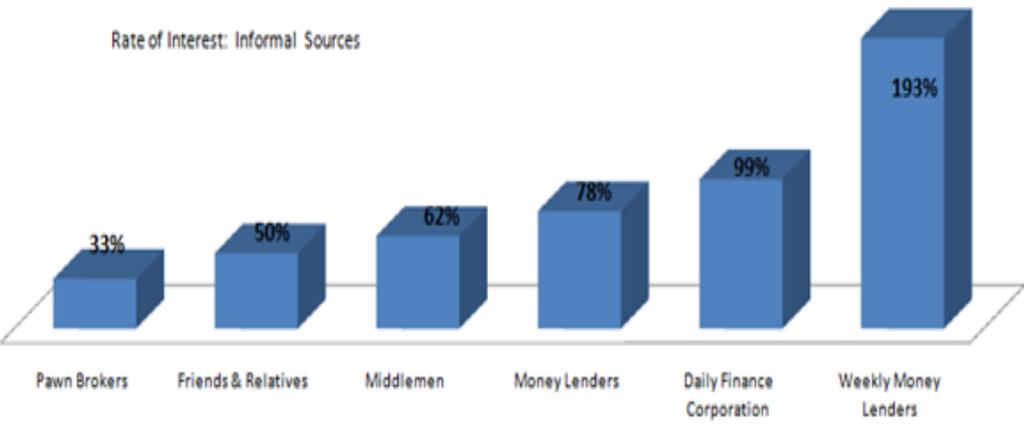
Sources of Credit (in the absence of MFI Loans)



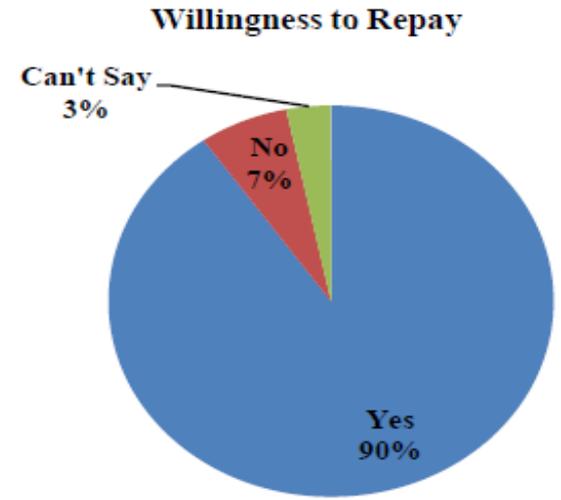
Reasons for not repaying MFI loans



Interest rates charged by informal sources (in the absence of MFIs)



Willingness to repay



Source: "What are Clients doing post the Andhra Pradesh MFI Crisis?", MicroSave, 2011



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