

SKS MICRO FINANCE LIMITED

Regd. Office: 3rd floor, My Home Tycoon, Block A, 6-3-1192, Kundanbagh, Begumpet, Hyderabad - 500 016 (A.P.)

Statement of Standalone Unaudited Financial Results for the Quarter / Half year ended September 30, 2012

Part I		Quarter ended					Six months ended		Rs. In lakhs
		September 30, 2012 Unaudited	June 30, 2012 Unaudited	September 30, 2011 Unaudited	September 30, 2012 Unaudited	September 30, 2011 Unaudited	Year ended March 31, 2012 Audited		
1	Income from operations	6,348.83	5,900.88	11,216.51	12,249.72	26,176.03	39,347.24		
	Other operating income	1,407.84	1,547.17	966.62	2,955.01	2,071.49	4,222.85		
	Total income from operations	7,756.67	7,448.05	12,183.13	15,204.73	28,247.52	43,570.09		
2	Expenses								
	Employee benefits expenses	4,737.29	4,805.58	6,659.22	9,542.87	14,018.57	26,111.88		
	Depreciation and amortization expenses	182.10	174.41	265.23	356.52	506.59	1,001.97		
	Provisions and write offs	23,356.88	960.32	35,334.93	24,317.20	53,701.12	117,349.16		
	Other expenses	2,581.11	2,571.99	3,847.42	5,153.09	7,555.82	15,127.33		
	Total expenses	30,857.38	8,512.30	46,106.80	39,369.68	75,782.10	159,590.34		
3	Profit / (loss) from operations before other income & finance costs (1-2)	(23,100.71)	(1,064.25)	(33,923.67)	(24,164.95)	(47,534.58)	(116,020.25)		
4	Other income	336.46	497.33	931.32	833.79	2,539.04	3,660.18		
5	Profit (loss) before finance costs (3+4)	(22,764.25)	(566.92)	(32,992.35)	(23,331.16)	(44,995.54)	(112,360.07)		
6	Finance costs	3,451.38	3,316.81	5,351.47	6,768.19	11,651.44	20,014.45		
7	Profit (loss) before tax (5-6)	(26,215.63)	(3,883.73)	(38,343.82)	(30,099.35)	(56,646.98)	(132,374.52)		
8	Tax expense (Including deferred tax)	-	-	110.19	-	3,681.17	3,685.17		
9	Profit (loss) after tax (7-8)	(26,215.63)	(3,883.73)	(38,454.01)	(30,099.35)	(60,328.15)	(136,059.69)		
10	Paid-up equity share capital (Face Value of Rs.10 Each)	10,821.17	7,326.36	7,235.58	10,821.17	7,235.58	7,235.69		
11	Reserves (excluding Revaluation reserves)						35,781.33		
12	Earnings Per Share (EPS) (Not annualised)								
	Basic	(26.30)	(5.32)	(53.15)	(34.84)	(83.39)	(188.06)		
	Diluted	(26.30)	(5.32)	(53.15)	(34.84)	(83.39)	(188.06)		
Part II									
A	Particulars of shareholding								
1	Public shareholding								
	- Number of shares	76,199,437	45,701,368	45,669,447	76,199,437	45,700,258	45,701,368		
	- Percentage of shareholding	70.42%	62.38%	63.13%	70.42%	63.16%	63.16%		
2	Promoters and Promoter Group Shareholding								
	a) Pledged / Encumbered								
	- Number of shares	Nil	Nil	Nil	Nil	Nil	Nil		
	- Percentage of shares								
	(% of the total shareholding of promoter and promoter group)	Nil	Nil	Nil	Nil	Nil	Nil		
	- Percentage of shares								
	(% of the total share capital of the company)	Nil	Nil	Nil	Nil	Nil	Nil		
	b) Non - encumbered								
	- Number of shares	32,012,261	27,562,261	26,675,527	32,012,261	26,655,527	26,655,527		
	- Percentage of shares								
	(% of the total shareholding of promoter and promoter group)	100%	100%	100%	100.00%	100.00%	100%		
	- Percentage of shares								
	(% of the total share capital of the company)	29.58%	37.62%	36.87%	29.58%	36.84%	36.84%		
B	Particulars	Quarter ended September 30, 2012							
	Investor complaints								
	Pending at the beginning of the quarter	-	-	-	-	-	-		
	Received during the quarter	18	18	18	18	18	18		
	Disposed off during the quarter	18	18	18	18	18	18		
	Remaining unresolved at the end of the quarter	-	-	-	-	-	-		

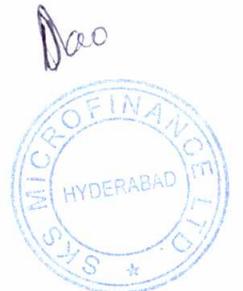


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Standalone Statement of Assets and Liabilities

Particulars	As at	As at
	September 30, 2012 Unaudited	March 31, 2012 Audited
A. EQUITY AND LIABILITIES		
1. Shareholders' funds		
(a) Share capital	10,821.17	7,235.69
(b) Reserves and surplus	27,782.32	35,781.33
Shareholders' funds	38,603.49	43,017.02
2. Share application money pending allotment	-	451.28
3. Non-current liabilities		
(a) Long-term borrowings	27,531.91	28,455.05
(b) Long-term provisions	26,310.31	4,351.32
Non-current liabilities	53,842.22	32,806.37
4. Current liabilities		
(a) Short-term borrowings	37,693.47	13,090.56
(b) Other current liabilities	55,010.75	75,887.11
(c) Short-term provisions	1,941.59	2,821.24
Current liabilities	94,645.81	91,798.91
TOTAL - EQUITY AND LIABILITIES	187,091.52	168,073.58
B. ASSETS		
1. Non-current assets		
(a) Fixed assets		
Tangible assets	1,030.34	1,619.26
Intangible assets	324.74	426.11
Intangible assets under development	8.40	15.60
(b) Non-current investments	20.00	20.00
(c) Long-term loans and advances	28,386.93	30,213.18
(d) Other non-current assets	2,291.35	2,201.67
Non-current assets	32,061.76	34,495.82
2. Current assets		
(a) Trade receivables	5.21	21.04
(b) Cash and bank balances	33,721.71	66,918.15
(c) Short-term loans and advances	117,139.25	64,767.62
(d) Other current assets	4,163.59	1,870.95
Current assets	155,029.76	133,577.76
TOTAL - ASSETS	187,091.52	168,073.58



SKS MICROFINANCE LIMITED

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER / HALF YEAR ENDED SEPTEMBER 30, 2012

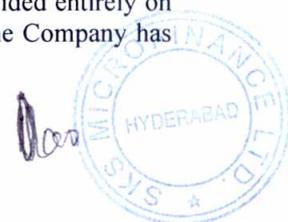
Notes:

1. The above results have been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on October 23, 2012 and October 29, 2012 respectively, in terms of clause 41 of Listing Agreement.
2. The Statutory Auditors have carried out the 'Limited Review' of the results for the quarter ended September 30, 2012.
3. a. The Company has allotted 30,498,069 equity shares of Rs.10 each at a premium of Rs.65.40 per equity share aggregating Rs.22,995.54 lakhs through a qualified institutions placement ('QIP') to qualified institutional buyers, in accordance with Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('the SEBI ICDR Regulations') on July 19, 2012. The issue and allotment of shares was approved by the QIP Committee of the Board of Directors in its meeting held on July 19, 2012, pursuant to the approval of the shareholders obtained through a postal ballot on December 7, 2011.
b. The Company has also allotted 4,450,000 equity shares of Rs. 10 each at a premium of Rs. 65.40 per share aggregating Rs.3,355.30 lakhs to M/s. Kumaon Investment Holdings, on a preferential basis under Chapter VII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. The preferential issue was carried out in accordance with the Special Resolution passed by the shareholders of the Company in the Ninth Annual General Meeting held on August 10, 2012.
4. The Government of Andhra Pradesh promulgated "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Ordinance 2010" on October 15, 2010, subsequently enacted the same as "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Act, 2011 (Act 1 of 2011)" ('AP MFI Act') on December 31, 2010. The AP MFI Act resulted in restriction of the Company's operations and reduction in the collection rates in the state of Andhra Pradesh. As a result, the Company reassessed the provisioning estimates for the non-performing portfolio in the state of Andhra Pradesh during the financial year ended March 31, 2011 and elected to apply the provisioning requirements as prescribed in the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

The Reserve Bank of India ('RBI') issued the 'Non Banking Financial Company-Micro Finance Institutions (NBFC-MFIs) – Directions' on December 2, 2011 which provide the regulatory framework, including the prudential norms for asset classification and provisioning, applicable to NBFC-MFIs. The norms relating to asset classification and provisioning were to be applicable with effect from April 1, 2012 to all NBFC-MFIs. However, RBI deferred the implementation of these norms to April 1, 2013. Subsequently, RBI issued certain modifications to the NBFC-MFI directions on August 3, 2012. The modifications clarified that provisioning made towards portfolio in the state of Andhra Pradesh should be in accordance with extant NBFC prudential norms and such provision should be added back notionally to the net owned funds for the purpose of calculation of the capital to risk assets ratio ('CRAR') and would be progressively reduced by 20% each year, over 5 years i.e. from March 31, 2013 to March 31, 2017.

Further, the Micro Finance Institutions (Development and Regulation) Bill, 2012, which lays down the foundation for a central regulation of the microfinance industry and consequently overrides the AP MFI Act, is pending in the Parliament for its approval.

Due to such evolving regulatory environment, with no precedence, the Company has provided entirely on the residual exposure in the state of Andhra Pradesh of Rs. 23,325.81 lakhs. With this, the Company has fully provided for its exposure in the state of Andhra Pradesh.



5. The Company has incurred a loss during the quarter ended September 30, 2012. The net deferred tax asset amounting to Rs.55,706.88 lakhs as at September 30, 2012 has not been recognized. The said sum of Rs. 55,706.88 lakhs will be available to offset tax on future taxable income. Once there is virtual certainty of future taxable profits supported by convincing evidence in accordance with the requirements of Accounting Standard (AS) 22 – Accounting for Taxes on Income, notified by Companies (Accounting Standards) Rules, 2006, (as amended), deferred tax assets will be recognized.
6. The Company has received a show cause notice (SCN) from service tax authorities on October 23, 2012 to explain as to why the assignment of portfolio loans should not be classified under “recovery agent service” and the related income from asset assignment transactions should not be subject to service tax. The SCN relates to the period FY 2007-08 to FY 2011-12 and indicates an amount of Rs. 3,424.94 lakhs as service tax on the income from asset assignment during the said period. The SCN provides 30 days to respond and allows for a personal hearing. The Company will explain its stand to the authorities. Based on the merits of the case, the management including its tax advisors believe that its position is likely to be upheld in the appellate process. Accordingly, no provision has been made as at September 30, 2012 for the amount indicated in the SCN.
7. The Company operates in a single reportable segment i.e. lending to members, who have similar risks and returns for the purpose of AS 17 on ‘Segment Reporting’ notified under the Companies (Accounting Standard) Rules, 2006 (as amended). The Company operates in a single geographical segment i.e. domestic.
8. Figures for the previous periods have been regrouped/ rearranged wherever necessary to conform to current period presentation.

Place: Hyderabad

Date: October 29, 2012

For SKS Microfinance Limited

