DRAFT RED HERRING PROSPECTUS
Dated March 25, 2010
Please read Section 60B of the Companies Act, 1956
The Draft Red Herring Prospectus shall be updated upon filing with the RoC
100% Book Building Issue

SKS MICROFINANCE LIMITED

(The Company was incorporated as SKS Microfinance Private Limited on September 22, 2003 under the Companies Act, 1956. Pursuant to a resolution of its shareholders passed on May 2, 2009, the Company was converted into a public limited company and the word "private" was deleted from its name on May 20, 2009. For details of changes in the name and registered office of the Company, see "History and Certain Corporate Matters" on page 98 of this Draft Red Herring Prospectus)

Registered and Corporate Office: Ashoka Raghupathi Chambers, D No. 1-10-60 to 62, Opposite to Shoppers Stop, Begumpet, Hyderabad 500 016
Tel: (91 40) 4452 6000; **Fax**: (91 40) 4452 6001
Contact Person: Mr. S.K. Bansal, Company Secretary and Compliance Officer
Website: www.sksindia.com; **Email:** skscomplianceofficer@sksindia.com
PROMOTERS OF THE COMPANY: Dr. Vikram Akula, SKS Mutual Benefit Trust - Narayankhed, SKS Mutual Benefit Trust - Jogipet, SKS Mutual Benefit Trust - Medak, SKS Mutual Benefit Trust - Sadasivapet, SKS Mutual Benefit Trust - Sangareddy, Sequoia Capital India II LLC, Sequoia Capital India Growth Investments I, SKS Capital and Mauritius Unitus Corporation

PUBLIC ISSUE OF 16,791,579 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE) AGGREGATING UP TO RS. [●] MILLION (THE "ISSUE") CONSISTING OF A FRESH ISSUE OF 7,445,323 EQUITY SHARES ("FRESH ISSUE") BY SKS MICROFINANCE LIMITED ("SKS" OR THE "COMPANY" OR THE "ISSUER") AND AN OFFER FOR SALE OF 9,346,256 EQUITY SHARES ("OFFER FOR SALE") BY SEQUOIA CAPITAL INDIA II LLC, SKS MUTUAL BENEFIT TRUST - NARAYANKHED, SKS MUTUAL BENEFIT TRUST - JOGIPET, SKS MUTUAL BENEFIT TRUST - MEDAK, SKS MUTUAL BENEFIT TRUST - SADASIVAPET, SKS MUTUAL BENEFIT TRUST - SANGAREDDY, SKS CAPITAL AND MAURITIUS UNITUS CORPORATION (THE "SELLING SHAREHOLDERS"). THE FRESH ISSUE AND THE OFFER FOR SALE ARE JOINTLY REFERRED TO HEREIN AS THE "ISSUE". THE ISSUE WILL CONSTITUTE 21.6% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.

THE FACE VALUE OF THE EQUITY SHARES IS RS. 10 EACH.
THE PRICE BAND AND THE MINIMUM BID LOT WILL BE DECIDED BY THE COMPANY AND THE SELLING SHAREHOLDERS IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND ADVERTISED AT LEAST TWO(2) WORKING DAYS PRIOR TO THE BID/ ISSUE OPENING DATE.

In case of revision in the Price Band, the Bid/Issue Period will be extended for three additional working days after revision of the Price Band, subject to the Bid/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to National Stock Exchange of India Limited ("NSE") and Bombay Stock Exchange Limited ("BSE"), by issuing a press release, and also by indicating the change on the website of the Book Running Lead Managers ("BRLMs") and at the terminals of the Syndicate Members.

In terms of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957 ("SCRR"), this being an issue for less than 25% of the post-Issue capital of the Company, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers (QIB). 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. If at least 60% of the Issue cannot be allotted to QIBs, then the entire application money shall be refunded forthwith. Potential investors may participate in this Issue through an Application Supported by Blocked Amount ("ASBA") process providing details about the bank account which will be blocked by the Self Certified Syndicate Banks ("SCSBs") for the same. All investors other than QIBs can participate through the ASBA process. For details see "Issue Procedure" on page 258 of this Draft Red Herring Prospectus.

RISKS IN RELATION TO FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs. 10 each and the Issue Price is [●] times of the face value. The Issue Price (has been determined and justified by the Company, the Selling Shareholders and the BRLMs as stated under the paragraph on "Basis for Issue Price") should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

IPO GRADING

This Issue has been graded by [●] as [●] indicating [●]. For details see "General Information" on page 17 of this Draft Red Herring Prospectus.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is invited to "Risk Factors" on page xiv of this Draft Red Herring Prospectus.

ISSUER'S AND SELLING SHAREHOLDERS' ABSOLUTE RESPONSIBILITY

The Company and the Selling Shareholders, having made all reasonable inquiries, accept responsibility for and confirm that this Draft Red Herring Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which will make this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares offered through this Draft Red Herring Prospectus are proposed to be listed on the NSE and BSE. The Company has received an 'in-principle' approval from the NSE and the BSE, for the listing of the Equity Shares pursuant to letters dated [●] and [●], respectively. For the purposes of the Issue, the Designated Stock Exchange shall be [●].

BOOK RUNNING LEAD MANAGERS			REGISTRAR TO THE ISSUE
kotak Investment Banking	citi	CREDIT SUISSE	KARVY
Kotak Mahindra Capital Company Limited 1st Floor, Bakhtawar 229 Nariman Point Mumbai 400 021 Tel: (91 22) 6634 1100 Fax: (91 22) 2283 7517 Email: sks.ipo@kotak.com Investor Grievance Id: kmccredressal@kotak.com Website: www.kotak.com SEBI Registration No.: INM000008704 Contact Person: Mr. Chandrakant Bhole	**Citigroup Global Markets India Private Limited** 12th Floor, Bakhtawar Nariman Point Mumbai 400 021 Tel: (91 22) 6631 9999 Fax: (91 22) 6646 6056 Email: sks.ipo@citi.com Investor Grievance Id: investors.cgmib@citi.com Website: www.online.citibank.co.in/rhtm/citigroupglobalscreen1.htm SEBI Registration No.: INM000010718 Contact Person: Mr. Anuj Mithani	**Credit Suisse Securities (India) Private Limited** 9th Floor, Ceejay House Plot F, Shivsagar Estate Dr. Annie Besant Road, Worli Mumbai 400 018 Tel: (91 22) 6777 3777 Fax: (91 22) 6777 3820 E-mail: list.project-kuber@credit-suisse.com Investor Grievance Id: list.igcellmer-bnkg@credit-suisse.com Website: https://www.credit-suisse.com/in/ipo/ SEBI Registration No.: INM000011161 Contact Person: Mr. Abhishek Gupte	**Karvy Computershare Private Limited** Plot No 17-24, Vithal Rao Nagar Madhapur Hyderabad 500 081 Telephone: (91 40) 2342 0815 Facsimile: (91 40) 2343 1551 Email: sksmicro.ipo@karvy.com Website: http:\\karisma.karvy.com SEBI Registration No. INR00000221 Contact Person: Mr. M. Murali Krishna

BID/ISSUE PROGRAMME	
BID/ISSUE OPENS ON: [●]*	**BID/ISSUE CLOSES ON: [●]**

* *The Company may consider participation by Anchor Investors. The Anchor Investor Bid/ Issue Period shall be one day prior to the Bid/ Issue Opening Date.*

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SECTION I: GENERAL

DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise requires, the terms and abbreviations stated hereunder shall have the meanings as assigned therewith.

Term	Description
"SKS", "our Company", "we", "us", "our", "the Company", or "the Issuer"	SKS Microfinance Limited

Company Related Terms

Term	Description
Articles/Articles of Association	The articles of association of the Company
Auditors	The statutory auditors of the Company, S.R. Batliboi & Co., Chartered Accountants
BALICL	Bajaj Allianz Life Insurance Company Limited
Board of Directors/Board	The board of directors of the Company or a committee constituted thereof
Catamaran	Together, Catamaran Fund 1-A and Catamaran Fund 1-B
CoR	Certificate of Registration
Director(s)	The Director(s) of the Company, unless otherwise specified
Employee Stock Option Plan	Collectively ESOP 2007, ESOP 2008, ESOP 2008(ID) and ESOP 2009
ESOP 2007	SKS Microfinance Employees Stock Option Plan 2007
ESOP 2008	SKS Microfinance Employees Stock Option Plan 2008
ESOP 2008 (ID)	SKS Microfinance Employees Stock Option Plan 2008 (Independent Directors)
ESOP 2009	SKS Microfinance Employees Stock Option Plan 2009
ESPS 2007	Employees Stock Purchase Scheme 2007
EWT	SKS Microfinance Employee Welfare Trust
Group Companies	Includes those companies, firms and ventures promoted by our Promoters, irrespective of whether such entities are covered under section 370(1)(B) of the Companies Act and disclosed in "Our Promoters and Group Companies" on page 127 of this Draft Red Herring Prospectus
MBT – Jogipet	SKS Mutual Benefit Trust – Jogipet
MBT – Medak	SKS Mutual Benefit Trust – Medak
MBT – Narayankhed	SKS Mutual Benefit Trust – Narayankhed
MBT – Sadasivapet	SKS Mutual Benefit Trust – Sadasivapet
MBT – Sangareddy	SKS Mutual Benefit Trust – Sangareddy
Memorandum/ Memorandum of Association	The memorandum of association of the Company
MUC	Mauritius Unitus Corporation
Promoter Group	Includes such persons and entities constituting our promoter group in terms of Regulation 2(zb) of the SEBI Regulations
Promoters	Our promoters being Dr. Vikram Akula, SKS Mutual Benefit Trusts, SCI II, SCIGI I, SKS Capital and MUC
Registered Office of the Company	Ashoka Raghupathi Chambers, D No. 1-10-60 to 62, Opposite to Shoppers Stop, Begumpet, Hyderabad 500 016
Restated Shareholders' Agreement	Restated shareholders' agreement dated October 20, 2008 between the Company and Dr. Vikram Akula, ICP Holdings, SIP I, Kismet SKS II, SKS

Term	Description
	Mutual Benefit Trusts, SIDBI, MUC, Mr. Vinod Khosla, SKS Capital, SCI II, SCIGI I, Tejas Ventures, Yatish Trading Company Private Limited, Infocom Ventures, and Columbia Pacific Opportunity
SCI II	Sequoia Capital India II LLC
SCIGI I	Sequoia Capital India Growth Investments I
Selling Shareholders	SCI II, SKS Mutual Benefit Trusts, SKS Capital and MUC
SIDBI	Small Industries Development Bank of India
SIP I	Sandstone Investment Partners I
SKS Mutual Benefit Trusts or SKS MBTs	Collectively MBT – Jogipet, MBT – Medak, MBT – Narayankhed, MBT – Sadasivapet and MBT – Sangareddy
SKS Society or Swayam Krishi Sangam	Swayam Krishi Sangam, a society registered under the Andhra Pradesh (Telangana Areas) Public Societies Registration Act, 1350 Fasli (Act I of 1350 F.)
STAPL	SKS Trust Advisors Private Limited
Tree Line	Tree Line Asia Master Fund (Singapore) Pte. Limited

Issue Related Terms

Term	Description
Allotment/Allot/Allotted	Unless the context otherwise requires, means the allotment and transfer of Equity Shares pursuant to this Issue to the successful Bidders
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Anchor Investor	A Qualified Institutional Buyer, applying under the Anchor Investor Portion, with a minimum Bid of Rs. 100 million
Anchor Investor Bid/Issue Period	The day, one working day prior to the Bid/Issue Opening Date, on which Bids by Anchor Investors shall be submitted and allocation to Anchor Investors shall be completed
Anchor Investor Issue Price	The final price at which Equity Shares will be issued and Allotted to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which price will be equal to or higher than the Issue Price but not higher than the Cap Price. The Anchor Investor Issue Price will be decided by the Company and the Selling Shareholders in consultation with the BRLMs
Anchor Investor Margin Amount	An amount representing 25% of the Bid Amount payable by the Anchor Investors at the time of submission of their Bid
Anchor Investor Portion	Up to 30% of the QIB Portion which may be allocated by the Company to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors
Application Supported by Blocked Amount/ ASBA	An application, whether physical or electronic, used by all Bidders other than QIBs to make a Bid authorising an SCSB to block the Bid Amount in their specified bank account maintained with the SCSB
ASBA Bidder	Any Bidder other than a QIB Bidder intending to apply through ASBA
ASBA Bid cum Application Form or ASBA BCAF	The form, whether physical or electronic, used by an ASBA Bidder to make a Bid, which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus
ASBA Revision Form	The form used by the ASBA Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their ASBA Bid cum Application Forms or any previous ASBA Revision Form(s)
Banker(s) to the Issue/ Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Bankers to the Issue with whom the Escrow Account will be opened and in this case being [●]
Basis of Allotment	The basis on which the Equity Shares will be Allotted to successful Bidders

Term	Description
	under the Issue and which is described in the section entitled "Issue Procedure – Basis of Allotment" on page 282 of this Draft Red Herring Prospectus
Bid	An indication to make an offer during the Bidding/Issue Period by a Bidder, or during the Anchor Investor Bid/ Issue Period by the Anchor Investors, to subscribe to the Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto For the purpose of ASBA Bidders, it means an indication to make an offer during the Bidding/ Issue Period by an ASBA Bidder pursuant to the submission of ASBA Bid cum Application Form to subscribe to the Equity Shares
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form
Bid /Issue Closing Date	The date after which the Syndicate and the SCSBs will not accept any Bids for this Issue, which shall be notified in an English national newspaper, a Hindi national newspaper and a Telugu newspaper, each with wide circulation
Bid /Issue Opening Date	The date on which the Syndicate and the SCSBs shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a Telugu newspaper, each with wide circulation
Bid cum Application Form	The form used by a Bidder to make a Bid and which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus including the ASBA Bid cum Application Form (if applicable)
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form
Bidding/Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders (except Anchor Investors) and the ASBA Bidders can submit their Bids
Book Building Process/Method	Book building process as provided under Schedule XI of the SEBI Regulations, in terms of which the Issue is being made
BRLMs/Book Running Lead Managers	The Book Running Lead Managers to the Issue, in this case being Kotak, Citi, Credit Suisse
Business Day	Any day on which commercial banks in Mumbai are open for business
CAN/Confirmation of Allocation Note	Note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Citi	Citigroup Global Markets India Private Limited
Controlling Branches	Such branches of the SCSBs which coordinate with the BRLMs, the Registrar to the Issue and the Stock Exchanges
Credit Suisse	Credit Suisse Securities (India) Private Limited
Cut-off Price	Issue Price, finalised by the Company and the Selling Shareholders in consultation with the BRLMs. Only Retail Individual Bidders whose Bid Amount does not exceed Rs. 100,000 are entitled to Bid at the Cut-off Price. No other category of Bidders are entitled to Bid at the Cut-off Price
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Bid cum Application Forms used by the ASBA Bidders and a list of which is available on http://www.sebi.gov.in
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account or the Refund Account, as appropriate, or the amount

Term	Description
	blocked by the SCSB is transferred from the bank account of the ASBA Bidder to the Public Issue Account, as the case may be, after the Prospectus is filed with the RoC, following which the Board of Directors shall Allot Equity Shares to successful Bidders
Designated Stock Exchange	[●]
Draft Red Herring Prospectus	The Draft Red Herring Prospectus dated March 25, 2010 issued in accordance with Section 60B of the Companies Act and the SEBI Regulations, filed with SEBI and which does not contain complete particulars of the price at which the Equity Shares are offered and the size of the Issue
Eligible NRI	NRIs from jurisdictions outside India where it is not unlawful to make an issue or invitation under the Issue and in relation to whom the Draft Red Herring Prospectus constitutes an invitation to subscribe to the Equity Shares offered herein
Equity Shares	Equity shares of the Company of Rs. 10 each, unless otherwise specified
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder (excluding the ASBA Bidders) will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	The agreement dated [●] to be entered into by the Company, Selling Shareholders, the Registrar to the Issue, the BRLMs, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable, refunds of the amounts collected to the Bidders (excluding the ASBA Bidders) on the terms and conditions thereof
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form or the ASBA Bid cum Application Form or ASBA Revision Form
Floor Price	The lower end of the Price Band, at or above which the Issue Price will be finalised and below which no Bids will be accepted
Fresh Issue	The issue of 7,445,323 Equity Shares at the Issue Price by the Company
IPO	Initial Public Offering
Issue	Collectively, the Fresh Issue and the Offer for Sale
Issue Agreement	The agreement dated March 22, 2010 entered into among the Company, the Selling Shareholders and the BRLMs, pursuant to which certain arrangements are agreed to in relation to the Issue
Issue Price	The final price at which the Equity Shares will be issued and Allotted in terms of the Red Herring Prospectus. The Issue Price will be decided by the Company and the Selling Shareholders in consultation with the BRLMs on the Pricing Date
Issue Proceeds	The proceeds of the Issue that are available to the Company and the Selling Shareholders
Kotak	Kotak Mahindra Capital Company Limited
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
Monitoring Agency	[●]
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Mutual Funds Portion	5% of the QIB Portion (excluding the Anchor Investor Portion), or 503,748 Equity Shares available for allocation to Mutual Funds only, out of the QIB Portion (excluding the Anchor Investor Portion)
Net Proceeds	The Fresh Issue Proceeds that are available to the Company excluding the proceeds of the Offer for Sale and the Issue related expenses.
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount of more than Rs. 100,000 (but not including

Term	Description
	NRIs other than eligible NRIs)
Non-Institutional Portion	The portion of the Issue being not less than 1,679,157 Equity Shares available for allocation to Non-Institutional Bidders
Non-Resident	A person resident outside India, as defined under FEMA and includes a Non Resident Indian
Offer for Sale	The offer for sale by the Selling Shareholders of 9,346,256 Equity Shares of Rs. 10 each at the Issue Price
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to the Bidders for payment of the balance amount, as applicable
Pay-in-Period	The period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date. With respect to Anchor Investors, it shall be the Anchor Investor Bid/ Issue Period and extending until two working days after the Bid/ Issue Closing Date
Price Band	Price Band of a minimum price of Rs. [●] (Floor Price) and the maximum price of Rs. [●] (Cap Price) and include revisions thereof. The Price Band and the minimum Bid lot size for the Issue will be decided by the Company and the Selling Shareholders in consultation with the BRLMs and advertised, at least two working days prior to the Bid/ Issue Opening Date, in [●] edition of [●] in the English language, [●] edition of [●] in the Hindi language and [●] edition of [●] in the Telugu language
Pricing Date	The date on which the Company and the Selling Shareholders, in consultation with the BRLMs, finalises the Issue Price
Prospectus	The Prospectus to be filed with the RoC in accordance with Section 60 of the Companies Act, containing, *inter alia*, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account(s)	An account(s) opened with the Bankers to the Issue to receive monies from the Escrow Account and from the SCSBs from the bank accounts of the ASBA Bidders on the Designated Date
QIB Margin Amount	An amount representing at least 10% of the Bid Amount, paid by QIB Bidders (excluding Anchor Investors) at the time of submission of their Bid
QIB Portion	The portion of the Issue being at least 10,074,948 Equity Shares of Rs. 10 each to be Allotted to QIBs
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual fund registered with SEBI, FII and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, multilateral and bilateral development financial institution, venture capital fund registered with SEBI, foreign venture capital investor registered with SEBI, state industrial development corporation, insurance company registered with IRDA, provident fund with minimum corpus of Rs. 250 million, pension fund with minimum corpus of Rs. 250 million and National Investment Fund set up by Government of India and insurance funds set up and managed by the army, navy or air force of the Union of India.
Red Herring Prospectus or RHP	The Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus will be filed with the RoC at least three days before the Bid/Issue Opening Date and will become a Prospectus upon filing with the RoC after the Pricing Date
Refund Account(s)	The account opened with Escrow Collection Bank(s), from which refunds (excluding refunds to ASBA Bidders), if any, of the whole or part of the Bid

Term	Description
	Amount shall be made
Refund Banker(s)	[●]
Refunds through electronic transfer of funds	Refunds through ECS, Direct Credit, NEFT, RTGS or the ASBA process, as applicable
Registrar /Registrar to the Issue	Registrar to the issue, in this case being Karvy Computershare Private Limited
Retail Individual Bidders	Individual Bidders (including HUFs applying through their karta, and Eligible NRIs) who have not Bid for Equity Shares for an amount of more than Rs. 100,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being not less than 5,037,474 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders, excluding ASBA Bidders, to modify the quantity of Equity Shares or the Bid Amount in any of their Bid cum Application Forms or any previous Revision Form(s)
SEBI Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended from time to time
Self Certified Syndicate Bank(s) or SCSB(s)	A banker to the Issue registered with SEBI, which offers the facility of ASBA and a list of which is available on http://www.sebi.gov.in
Stock Exchanges	The BSE and the NSE
Syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	The agreement to be entered into between the Syndicate, the Company and the Selling Shareholders in relation to the collection of Bids in this Issue (excluding Bids from the ASBA Bidders)
Syndicate Members	Kotak Securities Limited
TRS or Transaction Registration Slip	The slip or document issued by a member of the Syndicate or the SCSB (only on demand), as the case may be, to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	The agreement among the Underwriters, the Company and the Selling Shareholders to be entered into on or after the Pricing Date

Technical and Industry Terms

Term	Description
ALCO	Asset Liability Committee
ALM	Asset Liability Management
CARE	Credit Analysis & Research Limited
CGAP	Consultative Group to Assist the Poor
CGT	Compulsory Group Training
CMS	Cash Management Services
CRAR	Capital Risk to Asset Ratio
CRISIL	Credit Rating and Information Services of India Limited
FMCG	Fast Moving Consumer Goods
JLG	Joint Liability Group
Kirana stores	Local retail shops being operated by our members at their place of business
KYC	Know Your Costumer
LUC	Loan Utilization Check
M-CRIL	Micro Credit Rating International Limited
MFI	Microfinance Institution
MIS	Management Information Systems
NBFC	Non Banking Financial Company
NBFC-ND	Non Banking Financial Company- Non Deposit Taking

Term	Description
NBFC-ND-SI	Non Banking Financial Company- Non Deposit Taking-Systemically Important
NGO	Non- government organization
NPA	Non Performing Asset
PDI	Perpetual Debt Instruments
PFIC	Passive Foreign Investment Company
PMLA	Prevention of Money Laundering Act
PPP	Purchasing Power Parity
RRB	Regional Rural Banks
SBLP	Self Help Group Bank Linkage Programme
SHG	Self Help Group

Conventional/General Terms

Term	Description
Act or Companies Act	Companies Act, 1956, as amended from time to time
AGM	Annual General Meeting
A.P.	Andhra Pradesh
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BOI	Body of Individuals
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CCPS	Compulsory Convertible Preference Shares
CDSL	Central Depository Services (India) Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
DDT	Dividend Distribution Tax
Depositories	NSDL and CDSL
Depositories Act	The Depositories Act, 1996 as amended from time to time
DER	Debt Equity Ratio
DP ID	Depository Participant's Identity
DP/Depository Participant	A depository participant as defined under the Depositories Act, 1996
DTAA	Double Tax Avoidance Agreement
ECS	Electronic Clearing Service
EGM	Extraordinary General Meeting
EEA	European Economic Area
EPS	Unless otherwise specified, Earnings Per Share, i.e., profit after tax for a fiscal year divided by the weighted average outstanding number of equity shares during that fiscal year
ESI	Employee's State Insurance Scheme
ESOP	Employee Stock Option Plan
ESPS	Employee Stock Purchase Scheme
FCNR Account	Foreign Currency Non-Resident Account
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto
FEMA Regulations	FEMA (Transfer or Issue of Security by a Person Resident Outside India)

Term	Description
	Regulations, 2000 and amendments thereto
FII(s)	Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investor) Regulations, 1995 registered with SEBI under applicable laws in India
Financial Year/ fiscal/ FY	Period of twelve months ended March 31 of that particular year
FIPB	Foreign Investment Promotion Board
FVCI	Foreign Venture Capital Investor registered under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000, as amended from time to time
GDP	Gross Domestic Product
GIR	General Index Register
GoI/Government	Government of India
HNI	High Net worth Individual
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
Income Tax Act/ I.T. Act	The Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally Accepted Accounting Principles in India
IRDA	Insurance Regulatory and Development Authority
ITDA	Integrated Tribal Development Agency
MAT	Minimum Alternate Tax
Mn	Million
MoU	Memorandum of Understanding
NAV	Net Asset Value
NCD	Non Convertible Debentures
NEFT	National Electronic Funds Transfer
NR	Non Resident
NRE Account	Non Resident External Account
NRI	Non Resident Indian, is a person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2000, as amended from time to time
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of up to 60% by NRIs including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general permission granted to OCBs under the FEMA. OCBs are not allowed to invest in this Issue
p.a.	per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax
PLR	Prime Lending Rate
RBI	The Reserve Bank of India

Term	Description
RBI Act	The Reserve Bank of India Act, 1934
Re.	One Indian Rupee
RoC	The Registrar of Companies, Andhra Pradesh situated at 2nd Floor, CPWD Building, Kendriya Sadan, Sultan Bazar, Koti, Hyderabad 500195, Andhra Pradesh
RONW	Return on Net Worth
Rs./ INR	Indian Rupees
RTGS	Real Time Gross Settlement
SAT	Securities Appellate Tribunal
SBAR	State Bank of India Benchmark Advance Rate
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, as amended from time to time
SICA	Sick Industrial Companies (Special Provisions) Act, 1985, as amended from time to time
Stamp Act	The Indian Stamp Act, 1899, as amended from time to time
State Government	The Government of a State of India
Stock Exchange(s)	BSE and/or NSE as the context may refer to
Takeover Code	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended
U.S. GAAP	Generally Accepted Accounting Principles in the United States of America
U.S./USA	United States of America
USD/US$	United States Dollars
VCFs	Venture Capital Funds as defined and registered with SEBI under the SEBI (Venture Capital Fund) Regulations, 1996, as amended from time to time

PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

Certain Conventions

All references to "India" contained in this Draft Red Herring Prospectus are to the Republic of India and all references to the "U.S.", "USA", or the "United States" are to the United States of America.

In this Draft Red Herring Prospectus, the Company has presented certain numerical information in "million" units. One million represents 1,000,000. For definitions, see "Definitions and Abbreviations" on page i of this Draft Red Herring Prospectus. In the section "Main Provisions of Articles of Association" on page 290 of this Draft Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles.

Financial Data

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our restated financial statements prepared in accordance with Indian GAAP and the Companies Act, and restated in accordance with the SEBI Regulations and Indian GAAP. Our current fiscal year commences on April 1 and ends on March 31 of next year. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP, IFRS and U.S. GAAP. This Draft Red Herring Prospectus does not contain a reconciliation of our financial statements to IFRS or U.S. GAAP nor does it include any information in relation to the differences between Indian GAAP, IFRS and U.S. GAAP.

Accordingly, the degree to which the Indian GAAP financial statements included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP and the Companies Act. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP and the Companies Act on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. In making an investment decision, investors must rely upon their own examination of the Company, the terms of the Issue and the financial information relating to the Company. We have not attempted to explain the differences between Indian GAAP, IFRS and U.S. GAAP herein or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

Any percentage amounts, as set forth in "Risk Factors", "Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Draft Red Herring Prospectus, unless otherwise indicated, have been calculated on the basis of our restated financial statements.

Currency and units of presentation

All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$", "USD" or "U.S Dollars" are to United States Dollars, the official currency of the United States of America. Based on the RBI reference rate, the exchange rate as on December 31, 2009 was USD 1 = Rs. 46.68.

Industry and Market data

Unless stated otherwise, industry and market data used throughout this Draft Red Herring Prospectus has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry and market data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified. To the extent to which the industry and market data used in this Draft Red Herring

Prospectus is meaningful depends on the reader’s familiarity with and understanding of the methodologies used in compiling such data.

NOTICE TO INVESTORS

The Equity Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Further, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Draft Red Herring Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), and, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the Securities Act and referred to in this Draft Red Herring Prospectus as "U.S. QIBs", for the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in the Draft Red Herring Prospectus as "QIBs") in transactions exempt from the registration requirements of the Securities Act and (b) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

This Draft Red Herring Prospectus has been prepared on the basis that all offers of Equity Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in member States of the European Economic Area ("EEA"), from the requirement to produce a prospectus for offers of Equity Shares. The expression "Prospectus Directive" means Directive 2003/71/EC of the European Parliament and Council and includes any relevant implementing measure in each Relevant Member State (as defined below). Accordingly, any person making or intending to make an offer within the EEA, of Equity Shares which are the subject of the placement contemplated in this Draft Red Herring Prospectus should only do so in circumstances in which no obligation arises for the Company or any of the Underwriters to produce a prospectus for such offer. None of the Company and the Underwriters has authorised, nor do they authorise, the making of any offer of Equity Shares through any financial intermediary, other than the offers made by the Underwriters which constitute the final placement of Equity Shares contemplated in this Draft Red Herring Prospectus.

FORWARD-LOOKING STATEMENTS

All statements contained in this Draft Red Herring Prospectus that are not statements of historical fact constitute "forward-looking statements." All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, our revenue and profitability, planned projects and other matters discussed in this Draft Red Herring Prospectus regarding matters that are not historical facts. These forward-looking statements and any other projections contained in this Draft Red Herring Prospectus (whether made by us or any third party) are predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. Investors can generally identify forward-looking statements by the use of terminology such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "objective", "plan", "project", "shall", "will", "will continue", "will pursue" "contemplate", "future", "goal", "propose", "may", "seek", "should", "will likely result", "will seek to" or other words or phrases of similar import. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the industries in India in which we have our businesses and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India, which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in our industry. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- Limited operating history;
- Ability to manage growth effectively;
- Success of new loans and services introduced by us;
- Competition from other banks and financial institutions;
- Ability to secure additional capital at terms favourable to us;
- Changes in laws and regulations that apply to us; and
- General economic and business conditions in India.

For further discussion of factors that could cause our actual results to differ, see "Risk Factors", "Business" and "Management Discussion and Analysis of Financial Condition and Results of Operations" on pages xiv, 73 and 190 of this Draft Red Herring Prospectus, respectively.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Forward looking statements speak only as of the date of this Draft Red Herring Prospectus. We, the Selling Shareholders, the members of the Syndicate and their respective affiliates do not have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, we and the Selling Shareholders will ensure that investors in India are informed of material developments until such time as the grant of listing and trading approvals by the Stock Exchanges.

SECTION II: RISK FACTORS

An investment in our Equity Shares involves a high degree of risk. You should carefully consider each of the following risk factors and all other information set forth in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. The risks and uncertainties described below are not the only risks that the Company currently faces. Additional risks and uncertainties not presently known to the Company or that the Company currently believes to be immaterial may also have an adverse effect on the Company's business, results of operations and financial condition. If any or some combination of the following risk, or other risks that are not currently known or believed to be material, actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline and you may lose all or part of your investment. In making an investment decision with respect to the Issue contemplated herein, you must rely on your own examination of the Company and the terms of such Issue, including the merits and risks involved. Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implications of any of the risks described in this section.

Internal Risks

Risks Relating to our Business

1. *Our limited operating history and our fast growing and rapidly evolving business make it difficult to evaluate our business and future operating results on the basis of our past performance, and our future results may not meet or exceed our past performance.*

   We were incorporated in 2003 as a private limited company in India and in 2005, we registered with the RBI as a NBFC. As a result of our limited operating history, there is limited historical financial and operating information available to help prospective investors evaluate our past performance with respect to making an investment in our Equity Shares. Our business is growing and the results and amounts set forth in our financial statements beginning on page 144 of this Draft Red Herring Prospectus may not provide a reliable indication of our future performance. Accordingly, you should evaluate our business and prospects in light of the risks, uncertainties and difficulties frequently encountered by high growth companies in the early stages of development. Our failure to address these risks and uncertainties successfully could adversely affect our business and operating results, and a decline in the trading price of our Equity Shares.

2. *If we are unable to manage our growth effectively, including our financial, accounting, administrative and technology infrastructure, our business and reputation could be adversely affected.*

   Our network of branches and members has expanded rapidly from 770 branches serving approximately 1.88 million members located in 16 states across India as of March 31, 2008 to 1,627 branches, serving approximately 5.30 million members located in 19 states across India as of September 30, 2009. We expect the expansion of our geographic footprint and network of branches and members to continue which may further constrain our capital resources and make asset quality management increasingly important. We will need to enhance and improve our financial, accounting, information technology, administrative and operational infrastructure and internal capabilities in order to manage the future growth of our business. We may not be able to implement the necessary improvements in a timely manner, or at all, and we may encounter deficiencies in existing systems and controls. If we are unable to manage our future expansion successfully, our ability to provide products and services to our members would be adversely affected, and, as a result, our reputation could be damaged and our business and results of operations materially and adversely impacted.

3. *Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements, capital expenditures and lender consents and there can be no assurance that we will be able to pay dividends in the future.*

We currently intend to invest our future earnings, if any, to fund our growth. The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. In addition, any dividend payments we make are subject to the prior consent of our lenders pursuant to the terms of the agreements we have with them. We have not paid any dividends historically and there can be no assurance that we will be able to pay dividends in the future.

4. *If we are unable to control the level of non-performing loans in the future, or if our loan loss reserves are insufficient to cover future loan losses, our financial condition and results of operations may be materially and adversely affected.*

All of our loans are unsecured. As of September 30, 2009, our net NPAs were 0.15% of our net loans outstanding. Non-performing or low credit quality loans can negatively impact our results of operations. We cannot assure you that we will be able to effectively control and reduce the level of the impaired loans in our total loan portfolio. The amount of our reported non-performing loans may increase in the future as a result of growth in our total loan portfolio, and also due to factors beyond our control, such as over-extended member credit that we are unaware of. If we are unable to manage our NPAs or adequately recover our loans, our results of operations will be adversely affected.

Our current loan loss reserves may not be adequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of our total loan portfolio. As a result, if the quality of our total loan portfolio deteriorates we may be required to increase our loan loss reserves, which will adversely affect our financial condition and results of operations. Our members are poor and, as a result, might be vulnerable if economic conditions worsen or growth rates decelerate in India, or if there are natural disasters such as floods and droughts in areas where our members live. Moreover, there is no precise method for predicting loan and credit losses, and we cannot assure you that our monitoring and risk management procedures will effectively predict such losses or that loan loss reserves will be sufficient to cover actual losses. If we are unable to control or reduce the level of our nonperforming or poor credit quality loans, our financial condition and results of our operations could be materially and adversely affected.

5. *Our introduction of new products and services may not be successful and, as a result our reputation would be harmed and our market leadership would be at risk.*

We may incur substantial costs to expand our range of products and services and cannot guarantee that such new products will be successful once they are offered due to our own shortcomings or as a result of circumstances beyond our control, such as general economic conditions. In addition, we may not correctly anticipate our members' needs or desires, which may change over time, and from time to time we have discontinued unsuccessful or non-strategic products. For example, in 2008 we discontinued our Individual Loan Product as a result of high administration costs. In the event that we fail to develop and launch new products or services successfully, we may lose any or all of the investments that we have made in promoting them, and our reputation with our members would be harmed and our market leadership in the microfinance industry would be at risk. If our competitors are better able to anticipate the needs of those individuals in our target market, our market share could decrease.

We currently distribute endowment or whole life insurance policies issued and underwritten by a third party insurance company to our members. Additionally, we have entered into arrangements with a mobile phone manufacturer and a service provider, as well as a consumer goods wholesaler, to facilitate the distribution of their products to our members. We have also piloted from time to time new products and other third party products and services. In the event that these products or any new products we introduce in the future do not meet the standards or expectations of our members or in the event of a default by these third parties from whom such products are sourced or disputes originating out of such products or distribution, we may be subject to reputational risk, which may have further impact our member base and our ability to grow our member base, consequently further adversely affecting our business, results of operations and financial condition.

6. *If we cannot secure the additional capital we need to fund our operations on acceptable terms or at all, our business will suffer.*

Our business requires significant capital. We have historically relied on significant debt and equity issuances, as well as cash flow from operations to fund our operations, capital expenditures and expansion. Expanding our geographic footprint and extending new proprietary and distributed product and service offerings to our members will have an impact on our long-term capital requirements, which are expected to increase significantly. Our ability to obtain additional capital is subject to a variety of uncertainties, including our future financial position, the continued success of our core loan products, our results of operations and cash flows, any necessary government regulatory approvals, contractual consents, general market conditions for capital-raising activities, and economic, political and other conditions in India and elsewhere. In addition, adverse developments in the Indian and world credit markets may significantly increase our debt service costs and the overall costs of our borrowings. We may not be able to secure timely additional financing on □avourable terms, or at all. The terms of any additional financing may place limits on our financial and operating flexibility. Any new securities we issue could have additional rights, preferences and privileges than those available to our shareholders. If we are unable to obtain adequate financing or financing on terms satisfactory to us, if and when we require it, our ability to grow or support our business and to respond to business challenges could be limited and our business prospects, financial condition and results of operations would be materially and adversely affected.

7. *Loans due within one year account for all of our interest income, and a significant reduction in short term loans may result in a corresponding decrease in our interest income.*

All of the loans we issue are due within one year of disbursement. The relatively short-term nature of our loans means that our long-term interest income stream is less certain than if a portion of our loans were for a longer term. In addition, our members may not obtain new loans from us upon maturity of their existing loans, particularly if competition increases. The potential instability of our interest income could materially and adversely affect our results of operations and financial position.

8. *Contingent liabilities could adversely affect our financial condition.*

As of September 30, 2009, we had contingent liabilities in the following amounts, as disclosed in our restated financial statements:

Type	**Amount** *(Rs. in million)*
Guarantees given for loans assigned	1,456.57
Contingent liability relating to tax matters	26.89

If any time we must recognize a material portion of these contingent liabilities, it would have a material adverse effect on our business, financial condition and results of operations.

9. *We have issued the following Equity Shares during the last year at a price that may be lower than the Issue Price.*

In the last one year, we have issued the following Equity Shares at a price that may be lower than the Issue Price.

Date of Allotment	Name of Allotee	Equity Shares	Face Value (Rs.)	Issue Price (Rs.)
March 26, 2009	SIP I	2,085,448	10.00	300.00
	Kismet SKS II	885,044	10.00	300.00
	ICP Holdings	81,383	10.00	300.00
August 18, 2009	Dr. Tarun Khanna	8,080	10.00	300.00
	Bajaj Allianz Life Insurance Company Limited	416,666	10.00	300.00
December 8, 2009	SIP I*	6,256,344	10.00	300.00
	Kismet SKS II*	2,655,131	10.00	300.00
	ICP Holdings I*	244,150	10.00	300.00
	Bajaj Allianz Life Insurance Company Limited**	1,250,000	10.00	300.00
December 24, 2009	Dr. Vikram Akula (pursuant to the options allotted under ESOP Plan 2007)	945,424	10.00	49.77
December 31, 2009	16 employees (on a preferential basis pursuant to the offer made to them at the AGM of the shareholders of the Company on September 30, 2009)	17,383	10.00	300.00
January 19, 2010	Catamaran Management Services Private Limited (as trustee for Catamaran)	937,770	10.00	300.00
March 23, 2010	Mr. Suresh Gurumani (pursuant to the options allotted under ESOP 2008)	225,000	10.00	300.00

* *Pursuant to receipt of Rs. 300 for each CCPS from SIP I, Kismet SKS II and ICP Holdings I on October 20, 2008, the CCPS were allotted on March 26, 2009 and were converted into Equity Shares of the Company, in the ratio of one Equity Share for every CCPS held, pursuant to the circular resolution passed by the Board of Directors on December 8, 2009 and taken on record on January 5, 2010.*

** *Pursuant to receipt of Rs. 300 for each CCPS from BALICL on May 21, 2009, the CCPS were allotted on August 18, 2009 and were converted into Equity Shares of the Company, in the ratio of one Equity Share for every CCPS held, pursuant to the circular resolution passed by the Board of Directors on December 8, 2009 and taken on record on January 5, 2010.*

For further details, see “Capital Structure” on page 26 of this Draft Red Herring Prospectus.

10. *If we are not able to attract, motivate, integrate or retain qualified personnel at levels of experience that are necessary to maintain our quality and reputation, it will be difficult for us to manage our business and growth.*

We depend on the services of our executive officers, key employees and Sangam Managers for our continued operations and growth. In particular, our senior management has significant experience in the microfinance, banking and financial services industries. The loss of any of our executive officers, key employees or senior managers could negatively affect our ability to execute our business strategy, including our ability to manage our rapid growth. Our business is also dependent on our team of Sangam Managers who directly manage our relationships with our members. Our business and profits would suffer adversely if a substantial number of our Sangam Managers left us or became ineffective in servicing our members over a period of time. Our future success will depend in large part on our ability to identify, attract and retain highly skilled managerial and other personnel. Competition for individuals with such specialized knowledge and experience is intense in our industry, and we may be unable to attract, motivate, integrate or retain qualified personnel at levels of experience that are necessary to maintain our quality and reputation or to sustain or expand our operations. For fiscal 2008, 2009 and the six month period ended September 30, 2009, our attrition rate for all employees was 24.6%, 29.7% and 22.0%, respectively. We define attrition as the number of employees that have resigned or been terminated for any reason during the specified period divided by the average number of employees for that same period times the number of months in the period. The loss of the services of such personnel or the inability to identify, attract and retain qualified personnel in the future would make it difficult for us to manage our business and growth and to meet key objectives.

11. *We have applied for, but have not yet received, consent from some of our lenders for certain transactions requiring such consent.*

Under our financing agreements with various banks, we are required to seek their consent to, inter alia, be able to offer new Equity Shares, change our capital structure, change our shareholding pattern, incur further debt and effectuate changes in the composition of the Board. In relation to the following transactions, we have made applications to lenders (a) transfers of Equity Shares held by certain shareholders to Tree Line. For further details of such transfers, please see "History and Certain Corporate Matters" on page 98 of this Draft Red Herring Prospectus; (b) preferential allotment of Equity Shares by the Company to certain employees, (c) allotment of Equity Shares to Catamaran, and (d) transfer of Equity Shares from SKS MBTs to Ms. V.L. Santha Kumari.

Further, we are required to intimate our Lenders of certain transactions, to offer new Equity Shares, change our capital structure, change our shareholding pattern, incur further debt, etc. we have sent letters notifying our Lenders of the various transactions undertaken by us.

We have received consents from 19 banks, of which two are conditional and are effective, subject to receipt of consents from all other lenders, and are yet to receive consents from two banks for the (a) preferential allotment of Equity Shares by the Company to certain employees, (b) allotment of Equity Shares to Catamaran and (c) for the transfer of certain Equity Shares from SKS MBTs to Ms. V.L. Santha Kumari. Further, we have received consents from four banks, and are yet to receive consents from five banks for the transfer of certain Equity Shares held by certain shareholders to Tree Line. We are yet to receive consents from lenders for (a) appointment of new Directors, and (b) incur further debt. If we do not receive such consents in a timely manner or at all, the abovementioned transactions will result in an event of default under the relevant financing agreements, which would entitle the respective lenders to call a default against us and enforce remedies under the terms of such financing agreements, including pre-payment. A default by us under the terms of any financing document may also trigger a cross-default under our other financing documents, or our other agreements or instruments, containing cross-default provisions. Any such termination and subsequent action taken by our lenders may individually or in aggregate, have an adverse effect on our business, results of operations and financial condition.

12. *Our business and results of operations would be adversely affected by strikes, work stoppages or increased wage demands by our employees.*

Our business and results of operations are dependent on the efforts of our employees. In September and October 2009, operations at two of our regional offices in the states of Andhra Pradesh and Maharashtra were interrupted by strikes by groups of our employees that organized themselves for this purpose in those regions. These employees demanded higher wages and attempted to interrupt our operations in each region. Our operations were not materially affected in either case and we did not agree to their demands. Both groups ceased their strikes and we resumed operations in the regions. For further information please see "Outstanding Litigation and other Material Developments - Cases by the Company, Andhra Pradesh" on page 227 of the Draft Red Herring Prospectus.

Although our employees are not currently unionized, there can be no assurance that they will not unionize in the future. If our employees unionize, it may become difficult for us to maintain flexible labour policies, and we could incur higher labour costs, which would adversely affect our business and results of operations.

13. *Our Sangam Managers and other employees may be the target of violent crime which may adversely affect our business, operations, and ability to recruit and retain employees.*

Within the past year, three of our Sangam Managers have been murdered in the course of robberies. We believe that the potential for such crimes is highest in the more remote villages we serve, where our Sangam Managers may be forced to transport cash further due to the lack of local banking facilities. In addition, our Sangam Managers have in the past been the targets of attacks by local parties. To the extent that our employees are subject to violent attacks, theft or robbery in the course of their duties, our ability to service such areas will be adversely affected and our employee recruiting and retention efforts may be curtailed which would negatively impact our expansion and growth. In addition, if we determine that certain areas of India pose a significantly higher risk of crime or political strife and instability, our ability to service such areas will be adversely affected and our expansion and growth may be curtailed.

14. Because we handle cash in a high volume of transactions occurring through a dispersed network of branches and Sangam Managers, we are exposed to operational risks, including fraud, petty theft and embezzlement, which could harm our results of operations and financial position.

Because we handle a large amount of cash through a high volume of small transactions taking place in our network, we are exposed to the risk of fraud or other misconduct by employees or outsiders. These risks are further exaggerated with the high level of delegation of power and responsibilities our business model requires. For instance, during fiscal 2009, we discovered 33 cases of cash embezzlement by employees in the aggregate amount of Rs. 7.08 million, 18 cases of misrepresentation by employees in the aggregate amount of Rs. 5.65 million and one case of fraudulent misrepresentation by our employee in collusion with a vendor in the amount of Rs. 9.61 million. Fraud and other misconduct can be difficult to detect and deter. For further details, see "Outstanding Litigation and other Material Developments" on page 224 of this Draft Red Herring Prospectus. Given the high volume of transactions processed by us, certain instances of fraud and misconduct may go unnoticed before they are discovered and successfully rectified. Even when we discover such instances of fraud or theft and pursue them to the full extent of the law or with our insurance carriers, there can be no assurance that we will recover any such amounts. In addition, our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect.

15. A failure of our operational systems or infrastructure, or those of third parties, could impair our liquidity, disrupt our businesses, cause damage to our reputation and result in losses.

Our business is highly dependent on our ability to process a large number of transactions. Our financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, adversely affecting our ability to process these transactions. As we grow our business, the inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses. Additionally, shortcomings or failures in our internal processes or systems could lead to an impairment of our financial condition, financial loss, disruption of our business and reputational damage.

Our ability to operate and remain competitive will depend in part on our ability to maintain and upgrade our information technology systems on a timely and cost-effective basis. The information available to and received by our management through our existing systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in our operations. We may experience difficulties in upgrading, developing and expanding our systems quickly enough to accommodate our growing customer base and range of products. Our failure to maintain or improve or upgrade our management information systems in a timely manner could materially and adversely affect our competitiveness, financial position and results of operations.

We may also be subject to disruptions of our operating systems, arising from events that are wholly or partially beyond our control including, for example, computer viruses or electrical or telecommunication service disruptions, which may result in a loss or liability to us.

16. *In the past our Auditors have included certain qualified statements in relation to matters specified in the Companies (Auditors' Report) Order, 2003, annexed to the Auditors' report in the audited financial statements.*

The report on our audited financial statements as of and for the year ended March 31, 2009 records statements that there were delays in the deposit of undisputed statutory dues to appropriate authorities and there were instances of fraud on our Company by our employees, which were in the nature of cash embezzlement, loans to non-existent borrowers on the basis of fictitious documentation and a case of fraud in collusion with our vendors.

The report on our audited financial statements as of and for the year ended March 31, 2008 records statements that the scope and coverage of our internal audit system was required to be enlarged; there were delays in the deposit of undisputed statutory dues to appropriate authorities; and there were instances of fraud on our Company by our employees, which were in the nature of cash embezzlement and loans to non-existent borrowers on the basis of fictitious documentation and a case of unauthorized cash collection by a borrower.

The report on our audited financial statements as of and for year ended March 31, 2007 records that the scope and coverage of our internal audit system was required to be enlarged, there were delays in the deposit of undisputed statutory dues to appropriate authorities; there were undisputed statutory dues remaining unpaid for more than six months; there was a default in repayment of bank term loan; and there were instances of fraud on our Company by our employees in the nature of cash embezzlement and a case of unauthorized cash collection by a borrower.

17. *If we fail to maintain effective internal control over financial reporting in the future, the accuracy and timing of our financial reporting may be adversely affected.*

We have taken steps intended to enhance our internal controls commensurate to the size of our business, primarily through the formation of a designated internal audit team with additional technical accounting and financial reporting experience. However certain matters such as fraud and embezzlement cannot be eliminated entirely given the cash nature of our business. If we fail to enhance our internal controls to meet the demands that will be placed upon us as a listed company, we may be unable to report our financial results accurately and prevent fraud. While we expect to remediate any such issues, we cannot assure you that we will be able to do so in a timely manner, which could impair our ability to accurately and timely report our financial position, results of operations or cash flows.

18. *Governmental and statutory regulations, including the imposition of an interest-rate ceiling, may adversely affect our operating results and financial position.*

As a non-deposit taking NBFC, we are subject to regulation by Indian governmental authorities, including the Reserve Bank of India, or RBI. These laws and regulations impose numerous requirements on us, including asset classifications and prescribed levels of capital adequacy, cash reserves and liquid assets. There may be future changes in the regulatory system or in the enforcement of the laws and regulations that could adversely affect us.

For instance, a number of states in India have enacted laws to regulate money lending transactions. These state laws establish maximum rates of interest that can be charged by a person lending money. For unsecured loans, these maximum rates typically range from 12.0% to 15.0% per annum. The RBI, however, has not established a ceiling on the rate of interest that can be charged by a NBFC in the microfinance sector. Currently, the RBI requires that the board of all NBFCs adopt an interest rate model taking into account relevant factors such as the cost of funds, margin and risk premium. It is unclear whether NBFCs are required to comply with the provisions of state money lending laws that establish ceilings on interest rates. Because of this ambiguity, we have applied for exemptions from the relevant state money lending legislation, where necessary. As of September 20, 2009, the Company has been specifically exempted from the provisions of the Money Lenders Act in Karnataka and there is a blanket exemption for all NBFCs in Rajasthan. Further, we have also received show cause notices from certain Government authorities in Andhra Pradesh in relation to compliance with relevant money lending statutes in relation to our operations in the District of Khammam in Andhra Pradesh. For further details, see "Outstanding Litigation and other Material Developments" on page 224 of the Draft Red Herring Prospectus.

In the event that the government of any state in India requires us to comply with the provisions of their respective state money lending laws, or imposes any penalty against us, our Directors or our officers, including for prior non-compliance, our business, results of operations and financial condition may be adversely affected.

Additionally, we are required to make various filings with the RBI, the RoC and other relevant authorities pursuant to the provisions of RBI regulations, Companies Act and other regulations. If we fail to comply with these requirements, or a regulator claims we have not complied, in meeting these requirements, we may be subject to penalties and compounding proceedings. For instance, in the past, we had to approach the Company Law Board for condoning the delay in filing certain forms and had to pay certain penalties. Further, in the past we have also filed an application to the RBI for extension of time for submission of certain filing.

19. Our failure to comply with financial and other restrictions imposed on us under the terms of our borrowings could adversely affect our ability to conduct our business and operations.

In connection with our borrowings from lenders, we have agreed to restrictive covenants that require, among other things, that we maintain certain levels of debt, capital and asset quality or limit the scope of our lending activities to certain specified geographies. These restrictive covenants require that we either obtain the prior approval of, or provide notice to, our lenders in connection with certain activities, such as altering our capital structure, raising additional capital, incurring additional indebtedness, declaring or paying dividends, undertaking any merger, amalgamation or restructuring or making substantial changes in the composition of our management. In the event that we breach a restrictive covenant, our lenders could deem us to be in default and seek early repayment of loans or increase our interest rates in certain circumstances. Our ability to execute expansion plans, including our ability to obtain additional financing on terms and conditions acceptable to us, could be severely and negatively impacted as a result of these restrictions and limitations. Our failure to comply with any of these covenants could result in an event of default, which could accelerate our need to repay the related borrowings and trigger cross-defaults under other borrowings. An event of default would also affect our ability to raise new funds or renew maturing borrowings as needed to conduct our operations and pursue our growth initiatives.

20. We may enter into joint ventures and strategic alliances in the future including outside India, which may entail various risks.

As part of our business strategy, we may in the future enter into significant strategic alliances or joint ventures, or pursue mergers, acquisitions or other business combinations with other companies. Depending on the nature of such alliances, our future strategic alliances may require us to offer products with which we have not had prior experience and assume high levels of debt or contingent liabilities, and divert our management's attention and other resources away from our core business. Any such investments or transactions outside India may require the prior approval of the RBI, which cannot be assured. In addition, we may be exposed to foreign currency risks if we enter into such alliances, joint ventures, or other transactions outside India.

21. *Downgrading of our credit ratings would increase our cost of borrowing funds and make our ability to raise new funds in the future or renew maturing debt more difficult.*

Some of our short term non-convertible debentures are currently rated P2+ by CRISIL and PR1+ by CARE. For details of our NCDs please see "Other Regulatory and Statutory Disclosures" on page 238 of this Draft Red Herring Prospectus. In addition, a portion of our assigned loans are rated P1+(SO) by CRISIL and PR1+(SO) by CARE. Downgrading of our credit ratings would increase the cost of raising funds. In addition, our ability to renew maturing debt may be more difficult and expensive. A downgrade in our credit ratings and an inability to renew maturing debt may also adversely affect perception of our financial stability.

22. *There is outstanding litigation against us and our Directors, any final judgments against us could have a material adverse effect on our business, results of operations, financial condition and prospects.*

There are certain proceedings pending in various courts and authorities at different levels of adjudication against us and our Directors. The amounts claimed in these proceedings have been disclosed to the extent ascertainable, excluding contingent liabilities but including amounts claimed jointly and severally from us and other parties. Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements that could increase expenses and current liabilities. Current significant proceedings and litigation against us and our Directors include:

- A civil case has been filed against us in the Court of the Principal Junior Civil Judge at Warangal. The matter seeks a permanent injunction against us to prevent our Company from retrieving certain sums of money lent and an order as to costs.
- A civil case has been filed in the District Consumer Redressal Forum, Jajpur, Orissa against us seeking an extension in the repayment tenor from one week to three months and reduction of rate of interest charged to the members.
- A civil case has been filed before the Authority under Minimum Wages Act and Assistant Commissioner of Labour, Srikakulam, Andhra Pradesh against us stating that we pay below minimum wages and demanding that wages be paid according to statutory law.
- A writ petition has been filed by Jagabandhu Sahu against the certain employees of the Company before the High Court of Orissa for the his alleged forced resignation, illegal detention and assault.
- An insolvency petition has been filed against the Company and others by certain individuals before the Additional Senior Civil Judge, Tirupati to declare them insolvent.
- Our Chairman of the Board, Dr. Vikram Akula, is involved in certain legal proceedings in India and the U.S. related to the custody of his minor son.

In addition, we have received several notices that may lead to legal proceedings against us. Further, we have from time to time initiated legal proceedings against various individuals relating to our business and operations. For further details of outstanding litigation against us and our Directors see "Outstanding Litigation and other Material Developments" on page 224 of the Draft Red Herring Prospectus.

23. *Our insurance coverage may not adequately protect us against losses, and successful claims that exceed our insurance coverage could harm our results of operations and diminish our financial position.*

We maintain insurance coverage of the type and in the amounts that we believe are commensurate with our operations, including directors' and officers' insurance and other general liability insurances. Our insurance policies, however, may not provide adequate coverage in certain circumstances and may be subject to certain deductibles, exclusions and limits on coverage, particularly with respect to our non-resident Directors. In addition, there are various types of risks and losses for which we do not maintain insurance, such as losses due to business interruption and natural disasters, because they are either uninsurable or because insurance is not available to us on acceptable terms. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or results in changes in our insurance policies, including premium increases or the imposition of a larger deductible or co-insurance requirement, could adversely affect our business, financial condition and results of operations and could cause the price of our Equity Shares to decline.

24. *Certain of our existing shareholders together may be able to exert substantial voting control over us after this Issue, which may limit your ability to influence corporate matters and may cause us to take actions that are not in our best interest.*

Upon completion of this Issue, certain of our existing shareholders representing our five largest shareholders will beneficially own, in the aggregate, approximately 53.5% of our outstanding Equity Shares. This concentration of ownership could limit your ability to influence corporate matters requiring shareholder approval. These existing shareholders will be able to exercise considerable influence over all matters requiring shareholder approval, including the election of directors, approval of lending and investment policies and the approval of corporate transactions, such as a merger or other sale of our Company or its assets. In addition, if our shareholders do not act together, such matters requiring shareholder approval may be delayed or not occur at all, which could adversely affect our business. Pursuant to the terms of an agreement with us, our existing investor SIPI will continue to have the right to appoint a nominee director to our board of directors. Moreover, these shareholders are not obligated to provide any business opportunities to us. If these shareholders invest in another company in competition with us, we may lose the support provided to us by them, which could materially and adversely affect our business, financial condition and results of operations.

25. *Certain of our shareholders, including some of our Promoters, are investment entities and accordingly they or their affiliates have invested or may invest in other companies engaged in similar businesses thereby giving rise to a conflict of interest.*

Certain of our shareholders, including some of our Promoters, are investment entities and accordingly they or their affiliates have invested or may invest in other companies engaged in similar businesses thereby giving rise to a conflict of interest. We cannot assure you that they will continue to act in our best interest and further we may lose the support provided to us by them, which could materially and adversely affect our business, financial condition and results of operations.

26. *Our management will have broad discretion over the use of the Net Proceeds and they might not apply the Net Proceeds in ways that increase the value of your investment.*

We intend to use the Net Proceeds for the purposes described in the “Objects of the Issue” on page 49 of this Draft Red Herring Prospectus. We currently intend to use the Net Proceeds from the Fresh Issue to fund our growth. Our management will have broad discretion to use the Net Proceeds and you will be relying on the judgment of our management regarding the application of these Net Proceeds. Our management might not apply the Net Proceeds in ways that increase the value of your investment.

Pending utilization of the Net Proceeds, we intend to invest such Net Proceeds in bank deposits as approved by our Board of Directors in accordance with our investment policy. Although the utilization of the Net Proceeds will be monitored by our Board of Directors and Monitoring Agency, if appointed, there are no limitations on interim investments that we can make using such Net Proceeds.

Our plans for the utilization of the Net Proceeds are subject to a number of variables. Any unanticipated increase in the cost of expansion could adversely affect our estimates of the cost and our ability to implement our plans as proposed. We may not be able to achieve the economic benefits expected of our proposed expansion plans and our failure to achieve such benefits may adversely affect our financial condition and results of operations. In addition, expansion plans and any other future plans could be delayed due to failure to receive regulatory approvals, technical difficulties, human resource, technological or other resource constraints, or for other unforeseen reasons, events or circumstances. We may not be able to attract personnel with sufficient skill or sufficiently train our personnel to manage such expansion plans.

27. *We have obtained certain loans which may be recalled by our lenders at any time.*

Certain of our indebtedness can be recalled at any time. As of September 30, 2009 our total indebtedness is Rs. 26,025.89 million. In addition, certain of our secured loans can also be recalled by our lenders at any time. If our lenders exercise their right to recall a loan, it could have a material adverse affect on our financial position. For further details of our unsecured loans, please refer to the section "Financial Statements" beginning on page 144 of this Draft Red Herring Prospectus.

Risks Relating to Our Participation in the Microfinance Sector as a NBFC

28. *Microcredit lending poses unique risks not generally associated with other forms of lending in India, and, as a result, we may experience increased levels of non-performing loans and related provisions and write-offs that negatively impact our results of operations.*

Our core mission is to provide loans to fund the small businesses and other income generating activities of our members. Our members are typically poor and illiterate women living in rural India, who have limited sources of income, savings and credit histories, and who cannot provide us with any collateral or security for their borrowings. We also disburse non-interest bearing loans to our members in the event of emergencies, such as pregnancy, funerals and natural disasters. In addition, we have extended loan repayment moratoriums of two to three weeks to members who have been victims of flood conditions. While we do extend such moratoriums on a case by case basis, extensive flood conditions could adversely affect the ability of our members to make loan payments on time and in turn negatively impact our results of operations.

As a result, our members pose a higher risk of default than borrowers with greater financial resources and more established credit histories and borrowers living in urban areas with better access to education, employment opportunities, and social services. In addition, we rely on non-traditional guarantee mechanisms in connection with our loan products, which are generally secured by informal individual and group guarantees, rather than tangible assets. As a result, our loan products pose a higher degree of risk than loans secured with physical collateral. Due to the precarious circumstances of our members and our non-traditional lending practices we may, in the future, experience increased levels of non-performing loans and related provisions and write-offs that negatively impact our business and results of operations.

29. *We have entered into assignment agreements to sell certain loans from our outstanding loan portfolio. If such assignment of loans is held to be unenforceable under applicable law, it could have a material adverse effect on our business, financial condition and results of operations.*

From time to time we sell and assign a group of similar loans from our outstanding loan portfolio to financial institutions in return for an upfront fixed consideration. As a part of such transactions, we often issue a corporate guarantee to the purchaser for an amount equal to a negotiated percentage of the value of the loans being assigned. In January 2009, the High Court of Gujarat held that the provisions of the Banking Regulation Act, 1949 do not permit banks to assign debt due to them, including the assignment of debt between two banks. This judgment has been appealed to the Supreme Court of India, which has not passed a final decision on the matter. In the event that one or more of the asset assignment agreements entered into by us are held by a court of law to be unenforceable, we may be required to terminate these assignment agreements and may suffer losses. Such events may adversely affect our business, financial condition and results of our operations and our ability to assign our loans.

30. *We require certain statutory and regulatory approvals for conducting our business and our failure to obtain or retain them in a timely manner, or at all, may adversely affect our operations.*

NBFCs in India are subject to strict regulation and supervision by the RBI. We require certain approvals, licenses, registrations and permissions for operating our business, including registration with the RBI as a NBFC. Additionally, we may need additional approvals from regulators to introduce new insurance and other fee based products to our members. In particular, we are required to obtain a certificate of registration for carrying on business as a NBFC that is subject to numerous conditions.

In addition, our branches are required to be registered under the relevant shops and establishments laws of the states in which they are located. The shops and establishment laws regulate various employment conditions, including working hours, holidays and leave and overtime compensation. Some of our branches have not applied for such registration while other branches still have applications for registration pending. If we fail to obtain or retain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected. If we fail to comply, or a regulator claims we have not complied, with any of these conditions, our certificate of registration may be suspended or cancelled and we shall not be able to carry on such activities. For further details, see "Government Approvals - III. Approvals to carry on our Business" on page 235 of this Draft Red Herring Prospectus.

31. *Our registered office is not owned by us and we enjoy only a leasehold right over this property.*

We have entered into two lease deeds, each dated December 31, 2009 for our registered office. Each of these leases are valid for a period of five years from January 1, 2010, and can be renewed for a further period of five years and the options for renewal shall have to be exercised at least six months prior to the expiry of the term of the lease granted. There can be no assurance that the term of such agreements shall be renewed at all or on terms that are not more onerous to us. Further, the lease deeds are not registered and such non-registration may impede our ability to enforce the terms thereof resulting in an interruption of our leasehold right.

32. *Pursuant to the Finance Bill, 2010, the tax rates applicable to our Company may increase and may have an adverse impact on our business.*

On February 26, 2010, the Central Government presented its proposed budget for the fiscal year ending March 31, 2011, or the Finance Bill, 2010. Subject to approval of the Parliament and the President, the Finance Bill, 2010 will be enacted into legislation, the Finance Act, 2010. If the Finance Act, 2010 is enacted, with or without modifications to the Finance Bill, 2010, tax rates could change and this may have an adverse impact on our business and results of operations and we can provide no assurance as to the extent of the impact of proposed changes.

33. *We may be required to increase our capital ratio or amount of loan loss reserves, which may result in changes to our business and accounting practices that would harm our business and results of operations.*

We are subject to the RBI minimum capital to risk weighted assets ratio regulations. Pursuant to Section 45I-C of the RBI Act, every NBFC is required to create a reserve fund and transfer thereto a sum not less than 20.0% of its net profit every year, as disclosed in the profit and loss account and before any dividend is declared. We are also required to maintain a minimum capital adequacy ratio of 10.0% in relation to our aggregate risk-weighted assets and risk adjusted assigned loans. The ratio must equal or exceed 12.0% by March 31, 2010, and 15.0% by March 31, 2011. The RBI may also in the future require compliance with other financial ratios and standards. Compliance with such regulatory requirements in the future may require us to alter our business and accounting practices or take other actions that could materially harm our business and operating results.

34. *The repeal of or changes in the regulatory policies that currently encourage financial institutions to provide capital to the microfinance sector could adversely impact the cost and availability of capital.*

The RBI requires domestic commercial banks operating in India to maintain 40.0% of their loan advances, or a credit equivalent amount of off-balance sheet exposure, whichever is higher, as "priority sector advances." These include advances to agriculture, including self help groups, or SHGs, and joint liability groups, or JLGs, of individual farmers, small enterprises, retail trade, microcredit, education loans and housing loans. In addition, the RBI also requires 18.0% of the loan advances to be applied towards the agriculture sector and 10.0% towards the "weaker sections," which are defined to include small farmers owning less than five acres and artisans whose individual credit limit does not exceed Rs. 50,000.00. When banks are unable to meet these requirements, they often rely on specialized institutions, including microfinance institutions, or MFIs, to provide them with access to qualifying advances through lending programs and loan assignments. These bank requirements result in significant funding for the microfinance sector. To the extent that changes in bank regulations eliminate or reduce banks requirements for priority sector advances, less capital would be available to MFIs. In such event, our access to funds and the cost of our capital would be negatively impacted, and our results of operations and financial condition would be adversely affected.

35. Competition from other banks and financial institutions, as well as state-sponsored social programs, may adversely affect our profitability and position in the Indian microcredit lending industry.

We face competition from lenders that target the lower-income segments of the Indian population, particularly other microfinance institutions and banks. Many of the institutions with which we compete have significantly greater assets and better access to, and lower cost of, funding than we do. In certain areas, they may also have better name recognition and larger member bases than us. We anticipate that we may encounter greater competition as we continue expanding our operations in India, which may result in an adverse effect on our business, results of operations and financial condition.

36. If we are unable to protect our trademarks and tradenames, others may be able to use our trademarks and tradenames to compete more effectively.

We have not yet obtained trademark registrations for our corporate name "SKS Microfinance" and our logo. We have applied to register our name and logo, however, we may not be able to protect our trademarks and tradenames, which we rely on to support our brand awareness with members and prospective members and to differentiate our product and service offerings from those of our competitors. In certain cases, we have not sought protection for our trademarks and tradenames in a timely matter, or at all. We cannot assure you that we will obtain such registrations of our corporate name and logo in a timely manner, or at all. As a result, we may not be able to prevent the use of our name or variations thereof by any other party, nor ensure that we will continue to have a right to use it. We further cannot assure you that our goodwill in such brand name or logo will not be diluted by third parties due to our failure to obtain the trademarks, which in turn would have a material adverse effect on our reputation, goodwill, business, financial condition and results of operations.

External Risks

External Risks Affecting Financial Institutions in India

37. *We are subject to fluctuations in interest rates and other market risks, which may materially and adversely affect our financial condition and results of operations.*

Our business substantially depends on interest income from operations. In fiscal 2009, 79.7% of our total income was interest income on portfolio loans. Market risk refers to the probability of variations in our interest income or in the market value of our assets and liabilities due to interest rate volatility. Changes in interest rates affect our interest income and the volume of loans we issue. Increases in short-term interest rates could increase our cost of borrowing and adversely affect our profitability. When interest rates rise, we must pay higher interest on our borrowings while interest earned on our assets does not rise as quickly because our loans are issued at fixed interest rates. Interest rate increases could result in adverse changes in our interest income, reducing our growth rate and the value of our financial assets. We hold a portfolio of loans and debt securities that have both fixed and floating interest rates. The market value of a security with a fixed interest rate generally decreases when the prevailing interest rates rise, which may have an adverse effect on our earnings and financial condition. In addition, we may incur costs (which, in turn, will impact our results) as we implement strategies to reduce future interest rate exposure. The market value of an obligation with a floating interest rate can be adversely affected when interest rates increase. Increases in interest rates may reduce gains or require us to record losses on sales of our loans and, as a result, adversely affect our financial condition.

38. *Natural disasters, terrorist attacks, pandemic diseases or other catastrophic events could adversely impact our business and results of operation and financial condition.*

Our registered office, branch offices and the majority of our infrastructure, including administrative, sales, and other personnel are located in India. A substantial portion of our operations and most of our members are located in areas of rural India that are particularly vulnerable to the effects of natural calamities such as floods or drought. In the event that an earthquake, terrorist attack or other catastrophe were to destroy any part of our facilities, destroy or disrupt vital infrastructure systems or interrupt operations for any extended period of time, our business, financial condition and operating results would be adversely affected. In addition, to the extent that such occurrences and the adverse economic conditions caused by them reduced our members' income levels and their ability to repay loans made by us, our loan repayments would decline and our results of operations, ability to raise new capital at acceptable rates and overall financial condition would be adversely affected.

Pandemic disease, caused by a virus such as H5N1, or the avian flu virus, or H1N1, the swine flu virus, could have an adverse effect on our business. The potential impact of such a pandemic on our results of operations and financial position is highly speculative, and would depend on numerous factors, including: the regions of the world most affected; the effectiveness of treatment of the infected population; our insurance coverage and related exclusions; the possible macroeconomic effects of a pandemic on our asset portfolio; the effect on lapses and surrenders of existing policies, as well as sales of new policies; and many other variables.

39. *Seasonality of the business may have an adverse impact on our business.*

Our business operations and the banking industry may are affected by seasonal trends in the Indian economy. Generally, the period from October to March is the peak period in India for retail economic activity. This increased, or seasonal, activity is the result of several holiday periods, improved weather conditions and crop harvests. We generally experience higher volumes of business during this period. Any significant event such as unforeseen floods, earthquakes, political instabilities, epidemics or economic slowdowns during this peak season would materially and adversely affect our results of operations and growth. During these periods, we may continue to incur operating expenses, but our income from operations may be delayed or reduced.

40. *All of our revenue is derived from business in India, and a decrease in economic growth in India could cause our business to suffer.*

We derive all of our revenue from our operations in India and, consequently, our performance and the quality and growth of our business are dependent on the health of the economy of India. This economy has sustained growth over the five years ended fiscal 2009 with an average real gross domestic product growth rate of approximately 8.5%. However, the Indian economy may be adversely affected by factors such as adverse changes in liberalization policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities or interest rates changes, which may also affect the microfinance industry. Any such factor may contribute to a decrease in economic growth in India which could adversely impact our business and financial performance.

41. *Economic developments and volatility in securities markets in other countries may cause the price of our Equity Shares to decline.*

The Indian economy and its securities markets are influenced by economic developments and volatility in securities markets in other countries. Investors' reactions to developments in one country may have adverse effects on the market price of securities of companies located in other countries, including India. For instance, the economic downturn in the U.S. and several European countries during a part of calendar year 2007, and in 2008 and 2009 has adversely affected market prices in the world's securities markets, including India. Negative economic developments, such as rising fiscal or trade deficits, or a default on national debt, in other emerging market countries may also affect investor confidence and cause increased volatility in Indian securities markets and indirectly affect the Indian economy in general.

42. *Political instability or changes in the Government in India or in the Government of the states where we operate could cause us significant adverse effects.*

We are incorporated in India and all of our operations, assets and personnel are located in India. Consequently, our performance and the market price and liquidity of the Equity Shares may be affected by changes in exchange rates and controls, interest rates, government policies, taxation, social and ethnic instability and other political and economic developments affecting India. The central government has traditionally exercised, and continues to exercise, a significant influence over many aspects of the economy. Our business is also impacted by regulation and conditions in the various states in India where we operate. Our business, and the market price and liquidity of the Equity Shares may be affected by interest rates, changes in central government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India. Since 1991, successive central governments have pursued policies of economic liberalization and financial sector reforms. However, there can be no assurance that such policies will be continued. A significant change in the central government's policies, in particular, those relating to the microfinance industry in India, could adversely affect our business, financial condition and results of operations and could cause the price of our Equity Shares to decline.

43. *Lack of sufficient power, information technology infrastructure, or physical infrastructure could limit or disrupt our operations and cause substantial adverse effects.*

Any disruption in basic infrastructure, or the failure of the central, state, or local governments of India to improve the existing infrastructure could negatively impact our ability to continue developing our products and delivering them to our members. This may result in additional costs for us and have an adverse effect on our business, financial condition and results of operations.

44. *Any downgrading of India's sovereign rating by international credit rating agencies may negatively impact our business and access to capital.*

Any adverse revision to India's credit rating for domestic and international debt by international rating agencies may adversely impact our ability to raise additional funds at interest rates and on terms that we find acceptable. In such event, our ability to grow our business and operate profitably would be severely constrained.

Risk Relating to the Issue

45. *The trading price of our Equity Shares may be subject to volatility and you may not be able to sell your Equity Shares at or above the Issue Price.*

The trading prices of publicly traded securities may be highly volatile. Factors affecting the trading price of our Equity Shares will include:

- variations in our operating results;
- announcements of new products, strategic alliances or agreements by us or by our competitors;
- increases and decreases in our member base;
- recruitment or departure of key personnel;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to research and report on our Equity Shares ;
- market conditions affecting the financial and microfinance sector, our members income generating activities and the economy as a whole; and
- adoption or modification of regulations, policies, procedures or programs applicable to our business.

In addition, if the stock markets experience a loss of investor confidence, the trading price of our Equity Shares could decline for reasons unrelated to our business, financial condition or operating results. The trading price of our Equity Shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors, among others, could materially affect the price of our Equity Shares.

46. *Our securities have no prior public market and the price of the Equity Shares may decline after the Issue, and an active trading market for our Equity Shares may not develop.*

Prior to this Issue, there has been no public market for our Equity Shares. We will apply for final approval for listing only after closing and allotment. Further, once we are listed on the Stock Exchanges, an active public trading market for our Equity Shares may not develop or, if it develops, may not be maintained. Our Company and the Selling Shareholders in consultation with the BRLMs will determine the Issue Price. The Issue Price may be higher than the trading price of our Equity Shares following this Issue. As a result, investors may not be able to sell their Equity Shares at or above the Issue Price or at the time that they would like to sell. The market price of the Equity Shares after the Issue may be subject to significant fluctuations in response to factors such as, variations in our results of operations, market conditions specific to the microfinance sector in India, the economic conditions of India and volatility of the securities markets in India and elsewhere in the world.

47. *Future issuances of Equity Shares or future sales of Equity Shares by our Promoters and certain shareholders, or the perception that such sales may occur, may result in a decrease of the market price of our Equity Shares.*

In the future, we may issue additional equity securities for financing and other general corporate purposes. In addition, our Promoters and certain shareholders may dispose of their interests in our

Equity Shares directly, indirectly or may pledge or encumber their Equity Shares. Any such issuances or sales or the prospect of any such issuances or sales could result in a dilution of shareholders' holding or a negative market perception and potentially in a lower market price of our Equity Shares.

48. *Any future issuance of Equity Shares may dilute your shareholding; and sales of our Equity Shares by our major shareholders may adversely affect the trading price of our Equity Shares.*

Upon consummation of this Issue, we will have 71,972,542 Equity Shares outstanding. Further, our existing shareholders will beneficially own 55,180,963 Equity Shares, which will represent approximately 76.7% of our post issue Equity Share capital. We have also issued employee stock options to certain of our employees. To the extent such outstanding employee stock options are exercised, there will be further dilution to investors in this Issue.

Any future equity issuances by us or issuances of stock options under employee stock option plan may lead to the dilution of investor shareholding in our Company or affect the trading price of the Equity Shares of our Company. In addition, sale of our Equity Shares by our major shareholders or any perception by investors that such sale may occur may adversely affect the trading price of our Equity Shares.

49. *There is no guarantee that the Equity Shares will be listed on the Indian stock exchanges in a timely manner, or at all, and prospective investors will not be able to immediately sell their Equity Shares on a Stock Exchange.*

In accordance with Indian law and practice, final approval for listing and trading of the Equity Shares will not be applied for or granted until after the Equity Shares have been issued and allotted. Approval will require the submission of all other relevant documents authorizing the issuance of the Equity Shares. Accordingly, there could be a failure or delay in listing the Equity Shares on the NSE and BSE, which would adversely affect the ability to sell Equity Shares.

In addition, pursuant to India regulations, certain actions are required to be completed before the Equity Shares can be listed and trading may commence. Investors' book entry or dematerialized electronic accounts with depository participants in India are expected to be credited only after the date on which the issue and allotment is approved by our Board of Directors. There can be no assurance that the Equity Shares allocated earlier to investors will be credited to their dematerialized electronic accounts, or that trading will commence on time after the issue and allotment has been approved by our board of directors, or at all.

50. *There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell Equity Shares or the price at which Equity Shares can be sold at a particular point in time.*

Subsequent to listing, our Equity Shares will be subject to a daily circuit breaker imposed on listed companies by all stock exchanges in India, which does not allow transactions beyond certain volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on the Equity Shares' circuit breaker will be set by the stock exchanges based on historical volatility in the price and trading volume of the Equity Shares. The stock exchanges are not required to inform us of the percentage limit of the circuit breaker, and they may change the limit without our knowledge. This circuit breaker would effectively limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of shareholders to sell Equity Shares or the price at which shareholders may be able to sell their Equity Shares.

Prominent Notes:

- Our net worth as of September 30, 2009 was Rs. 7,707.41 million and as of March 31, 2009 was Rs. 6,645.54 million.

- Public Issue of 16,791,579 Equity Shares at the Issue Price, aggregating to Rs. [•] million, comprising a Fresh Issue of 7,445,323 Equity Shares at the Issue Price by us and an Offer for Sale of 9,346,256 Equity Shares at the Issue Price by the Selling Shareholders. The Issue will constitute 21.6% of our fully-diluted post-Issue paid up capital.

- The net asset value per Equity Share as of September 30, 2009 was Rs. 157.34 and as of March 31, 2009 was Rs. 136.82.

- The average cost of acquisition per Equity Share by our Promoters, which has been calculated by taking the average of the amounts paid by them to acquire our Equity Shares, is as follows:

Name of Promoter	Average Cost of Acquisition per Equity Share (in Rs.)
Dr. Vikram Akula	24.54
MBT - Narayankhed	31.58
MBT - Jogipet	32.62
MBT - Medak	32.62
MBT - Sadasivapet	32.62
MBT - Sangareddy	32.62
SCI II	61.18
SCIGI I	137.53
SKS Capital	54.53
MUC	43.45

  For details of the related party transaction entered into us, see "Related Party Transactions" on page 138 of this Draft Red Herring Prospectus.

- Pursuant to a resolution of our shareholders dated May 2, 2009, we were converted in to a public limited company and on May 20, 2009 our name was changed from SKS Microfinance Private Limited to SKS Microfinance Limited. For details of changes in our name, see "History and Certain Corporate Matters" on page 98 of this Draft Red Herring Prospectus.

- Neither a member of the Promoter Group nor a Director, a director of any corporate Promoter nor any relative of any Director has financed the purchase by any other person of any securities of the Company during the six months immediately preceding the date of this Draft Red Herring Prospectus.

- Investors may contact any of the BRLMs for complaints, information or clarifications pertaining to the Issue. Any clarification or information relating to the Issue shall be made available by the BRLMs and us to the investors at large and no selective or additional information will be made available for a section of, or select group of, investors in any manner.

SECTION III: INTRODUCTION

SUMMARY OF INDUSTRY

Overview

Microfinance offers poor people access to basic financial services such as loans, savings, money transfer services and microinsurance, according to the Consultative Group to Assist the Poor, or CGAP, an independent policy and research organization. The industry emerged to alleviate poverty on the premise that poor people, like everyone else, need a diverse range of financial services to run their business, build assets and reduce vulnerability to fluctuations in their income. Their needs for financial services have been traditionally met through a variety of financial relationships, mostly informal. In the past two decades, different types of financial services providers for poor people have emerged, including non-government organizations, or NGOs; cooperatives; community-based development institutions like Self Help Groups, or SHGs, and credit unions; commercial and state banks and microfinance institutions, or MFIs, offering new possibilities.

The ultimate goal of microfinance is to enable the poor to build assets, increase incomes, reduce vulnerability to shocks and economic stress and improve quality of life by enabling better access to education and healthcare. The microfinance industry has grown at a rapid pace across the world and has created a positive impact in the lives of millions of poor people.

SUMMARY OF BUSINESS

Overview

We are the largest MFI in India in terms of total value of loans outstanding, number of borrowers, who we call members, and number of branches, according to the October 2009 CRISIL report titled India Top 50 Microfinance Institutions, or the CRISIL Report. We are a non-banking finance company, or NBFC, registered with and regulated by the Reserve Bank of India, or RBI. We are engaged in providing microfinance services to individuals from poor segments of rural India. Our mission is to eradicate poverty. We believe we do that by providing financial services to the poor and by using our channel to provide goods and services that the poor need.

Our core business is providing small loans exclusively to poor women predominantly located in rural areas in India. These loans are provided to such members essentially for use in their small businesses or other income generating activities and not for personal consumption. These individuals often have no, or very limited, access to loans from other sources other than private money lenders that we believe typically charge very high rates of interest.

We utilize a village centered, group lending model to provide unsecured loans to our members. This model ensures credit discipline through mutual support and peer pressure within the group to ensure individual members are prudent in conducting their financial affairs and are prompt in repaying their loans. Failure by an individual member to make timely loan payments will prevent other group members from being able to borrow from us in the future; therefore the group will typically make the payment on behalf of a defaulting member or, in the case of willful default, will use peer pressure to encourage the delinquent member to make timely payments, effectively providing an informal joint guarantee on the member's loan. We also use our distribution channel to help provide other services and goods that we have found that our members need. For instance, we also distribute and administer life insurance policy products for our members and have pilot programs to provide loans to our members to purchase select consumer products that increase their productivity.

In addition to our market leadership position and the expertise in microfinance which we have developed, we believe that our competitive strengths include our scalable operating model which leverages technology, diversified product revenues, diversified sources of capital and our pan-India distribution network. Our strategy is to further expand our membership, loans and product offerings by relying on these strengths.

We continue to finance our expansion by accessing multiple sources of capital, both debt and equity, including listed debentures, priority sector qualifying loans from banks, and equity investments from venture capital and private equity investors, institutions and others. Additionally, we seek to sell or assign our portfolio loans to banks to improve our financial position and finance our growth.

During the three year period from fiscal 2006 to fiscal 2009, we expanded our membership from 201,943 in five states to 3,953,324 in 18 states, and our branches expanded from 80 to 1,353. Our total loans outstanding increased at a CAGR of 162.9% from Rs. 780.50 million as of March 31, 2006 to Rs. 14,175.23 million as of March 31, 2009, and further increased to Rs. 28,011.08 million as of September 30, 2009. Over the three year period from fiscal 2006 to fiscal 2009, our profit after tax increased at a CAGR of 265.2%, from Rs. 16.47 million to Rs. 801.96 million. For the six month period ended September 30, 2009, our total income was Rs. 3,846.88 million and our profit after tax was Rs. 559.01 million.

History and Evolution

In 1997, Swayam Krishi Sangam, or SKS Society, was founded as a public society in the state of Andhra Pradesh, and it functioned as a non-governmental organization, or NGO, that provided microfinance in Andhra Pradesh. After several years of operation as a NGO, SKS Society and its inherent not for profit business model was limited in its ability to address the credit needs of the poor throughout India.

Accordingly, SKS Society decided it would transfer its business and operations to us as of a newly incorporated private limited company in India in 2003.

In 2003, we issued an aggregate of 99.5% of our fully diluted share capital to five newly created mutual benefit trusts, or SKS MBTs, that were established by SKS Society with the objective of promoting and enhancing the social and economic welfare of groups of poor women. Accordingly, we sought to provide the beneficiary member groups with a vehicle to foster the development of poor women with an initial corpus of share capital of our Company. The SKS MBTs subscribed to our equity shares in a series of transactions with funds initially donated by SKS Society to the beneficiary member groups of SKS Society.

At the time the SKS MBTs were formed, there were approximately 500 beneficiary member groups with approximately 16,600 women members that were located entirely in the state of Andhra Pradesh. As of March 13, 2010, the trust deeds of each of the SKS MBTs were amended to include all of our present and future members. As of the same date, there were approximately 220,000 beneficiary member groups with approximately 6.8 million women members located throughout India under the SKS MBTs. Each trust initially had five trustees comprised of three employees and two beneficiary members from each respective region where the groups were located. In November 2009, SKS Trust Advisors Private Limited, formerly Utthan Trust Advisors Private Limited, or STAPL, was designated the sole trustee of each SKS MBT. To continue representation from the beneficiary member groups, each of the SKS MBTs, on March 13, 2010, resolved to have the membership select and appoint up to 100 beneficiary representatives to represent their interests. The board of directors of STAPL currently is comprised of Dr. Vikram Akula and Dr. Ankur Sarin. In order to diversify and spread the decision making authority of STAPL, the board of directors is currently recruiting three additional independent directors.

Since 2003, we have completed several dilutive issuances with investments by our investors to fund our growth. In addition, to assist the SKS MBTs in maintaining a significant percentage holding of our share capital as we issued additional share capital to fund growth, we have provided the SKS MBTs with an extension of the time to pay the required purchase price of the dilutive issuances. As of the date of the filing of this Draft Red Herring Prospectus, the SKS MBTs held an aggregate of 14.7% of our fully diluted share capital. For further details, see "History and Certain Corporate Matters" on page 98 of this Draft Red Herring Prospectus.

We registered as a NBFC with the RBI in 2005 and were converted into a public limited company in May 2009.

Our Competitive Strengths

We believe we have the following competitive strengths:

Market Leadership

According to the CRISIL Report, we are the largest MFI in India in terms of total value of loans outstanding, number of borrowers, and number of branches as of September 30, 2008. As of September 30, 2009, we had approximately 5.3 million members, 1,627 branches, a presence in 19 states and loans outstanding of Rs. 28,011.08 million.

We believe that our market leadership position in the microfinance sector enhances our reputation and credibility with our members and our lenders. This enhanced reputation and credibility has numerous benefits, including the ability to secure capital at lower costs, recruit and retain employees, retain our existing members and expand into new regions and product areas.

Expertise in Microfinance

We have been focused on lending to poor women in India since our inception. Our experience has given us what we believe is a specialized understanding of the needs and behaviours of the individuals in this segment across India, the complexities of lending to these individuals and issues specific to the microfinance industry in India and its processes. We believe this gives us a competitive advantage over commercial banks. As a result of our experience we have developed skills in training our members and designing specialized financial products.

- *Specialized Financial Products*. We use our knowledge of our members, including their culture, habits and education to design customized financial products. For example, this knowledge enabled us to develop our core loan product with a small weekly repayment plan that corresponds with the cash flow of the member's business. We believe this approach to developing the terms and components of our financial products gives us a competitive advantage over banks and other traditional lenders.
- *Member Training*. We provide basic product awareness training for our members because the poor in India are often illiterate or semi-literate and therefore unaware of loan terms and interest rates. In particular, our training program is participatory and employs visual aids such as seeds, coins and cardboard cut-outs to explain the elements of our products and procedures. Our standardized training programs serve as a platform for increased trust and discipline within the member group and the larger aggregation of between three and 10 member groups we call a *Sangam*, which we believe translates to better loan portfolio performance and sustainable growth of our business. We believe this financial literacy training has a concurrent socio-economic benefit enabling women to apply what they have learned in our training program to other aspects of their lives.

Superior Asset Quality

We believe we have developed a unique model to ensure that our loans are repaid on time and with a low rate of default, given our high rates of portfolio growth. As of September 30, 2009 our net non performing assets, or NPAs, was 0.15% of our loans outstanding. In addition to traditional tools such as disciplined credit processes, and credit verification, our product structure, sales and collection process and segment specific approach are designed to result in a higher repayment rate for our loan portfolio. Some of these characteristics are outlined below:

- *Product Structure.* We structure our loans with a village centered, group lending model to provide unsecured loans to our members. This model ensures credit discipline through mutual support and peer pressure within the group to ensure individual members are prudent in conducting their financial affairs and are prompt in repaying their loans. Failure by an individual member to make timely loan payments will prevent other group members from being able to borrow from us in the future; therefore the group will typically make the payment on behalf of a defaulting member or, in the case of wilful default, will use peer pressure to encourage the delinquent member to make timely payments, effectively providing an informal joint guarantee on the member's loan. In addition, our loans are short term and primarily made for income generating activities or to fund increases in productivity. Finally, our loans are progressive, where only members who have successfully demonstrated their ability to timely repay previously granted smaller loans are permitted to take on larger loans. We believe that all of these features increase the likelihood that our members will successfully repay their loans.
- *Focus on Income Generating Loans for Low Income Households*. We primarily provide loans for income generating activities or to fund increases in productivity. We believe loans made for this purpose have the highest potential of generating additional income and therefore increase the likelihood of repayment of our loans. We also believe the low income segment is not as exposed to economic downturns and fluctuations because it is relatively insulated from the general economy of the country. This independence, or economic detachment, from the effects of the economy allows our members to continue their businesses without interruption, which ensures higher repayment rates.
- *Focus on Women*. We lend exclusively to women of the low income households, even if the loan proceeds are used in the household business that is run by the family, including the husband. We believe that women can positively influence loan repayment in their household because they are generally more risk averse, cooperate better in groups, and are generally more accessible than their working husbands and can meet regularly to handle the repayment of their loans. We believe that

providing women with access to capital in this manner increases their decision making stature in the household.

Scalable Operating Model

We also recognize that establishing and growing a successful rural microfinance business in India involves the significant challenge of addressing the rural poor that live in remote locations across India. To address this problem we believe that we have designed a scalable model and have developed systems and solutions for the following three components that we believe are required to effectively scale our business:

- *Capital*. The ability to access large and diverse groups of capital funds required for this market.
- *Capacity*. The capacity to provide our products and services to millions of members.
- *Cost Reduction*. The implementation of technology and process based systems to reduce the cost of conducting numerous complex transactions.

The benefits realized from scale and capacity have also been achieved through proven business models in other sectors such as food, consumer durables and retail. We have adapted some of these models to the MFI sector. We have standardized our recruitment and training programs and materials so that they can easily be replicated across the entire organization. This standardized approach also allows employees to efficiently move from region to region based on demand and growth requirements. Our business processes, from member acquisition to cash collections, have been standardized and appropriately documented. Our branch offices are similarly structured, allowing for the quick rollout of new branches. In addition, the terms and conditions of our loan products are generally uniform throughout India, although interest rates may vary from region to region.

We recognize that conducting business through millions of transactions across thousands of rural locations involves substantial repeat interactions with our members and our employees, thus increasing operating costs. To reduce operating costs, we have deployed and continually improve a sophisticated technology platform. This allows us to improve field level productivity by simplifying data entry, improving the accuracy and efficiency of collections and improving fraud detection. We also gather data on items related to our members and loan portfolio, which can be used for management decision making.

Access to Multiple Sources of Capital and Emphasis on Asset and Liquidity Management

We have constantly strived to diversify our sources of capital. As of September 30, 2009, we had outstanding loans of Rs. 26,025.91 million from more than 40 banks and other financial institutions and we had a debt to equity ratio of 3.38. Historically, the MFI sector has relied on priority sector funding from commercial banks. In addition to such funding, we are also able to fund the growth of our operations and loan portfolio through issuances of equity and private and publicly traded debt securities, loans with various maturities raised from domestic and international banks, and the securitization of components of our loan portfolio. We have also diversified our lenders among public sector domestic banks, private sector domestic banks, private sector foreign banks, and institutional investors. As of September 30, 2009, no single creditor represented more than 19.6% of our total indebtedness. We have recently obtained credit ratings for our debt securities to improve our access to, and reduce our, cost of capital. In 2009, several of our debt securities were rated by CRISIL and CARE at P1+(SO) and PR1+, respectively, which is the highest rating they give for such securities. We believe that we are one of the first MFIs in India to complete a rated bond issuance, issue commercial paper, assign a rated pool, sell a "weaker section" portfolio, list debt instruments on the BSE and complete an assignment of receivables with a public sector bank.

In addition to traditional cash flow management techniques, we also manage our cash flow through active asset liability strategies. We have structured our model to primarily borrow on a long term basis while lending on short term basis. This allows us to better meet the growing loan demands of our rapidly increasing membership even if external borrowings and funding sources face temporary dislocation. We also manage our liquidity through stringent financial metrics that assess our ability to meet our corporate debt and ongoing operational obligations. This allows us to monitor the funding needs of our growth in a disciplined and well defined manner.

Diversified Sources of Revenue

We believe that diversification of our business and revenue base is a key component of our success, both with respect to our product offerings and the geographies which we serve:

- *Diversified Geographies*. As of September 30, 2009, we had 1,627 branches in 19 states across India with no state accounting for more than 28.8% of our outstanding loan portfolio. Our broad footprint across India allows us to lend in almost all geographies in India which mitigates our exposure to local economic slowdowns and disruptions resulting from political circumstances or natural disasters.
- *Diversified Product Offerings*. While our core business is providing our members with our traditional loan products, we also offer other loans we call productivity loans, that are designed for purchase of goods that enhance the productivity of our members. We also offer access to insurance products and loans to finance them. Such other products have different pricing structures and payment terms which allow us to diversify and increase our revenue streams and revenue base. We also believe that providing our members with these other products fosters brand loyalty.

Pan-India Rural Distribution Network

We believe that our presence throughout India results in significant competitive advantages, particularly in the following areas:

- *Distribution Platform*. Our pan-India presence in the low income segment gives us a well developed distribution network in rural India. Our regular contact with members for product sales, collections, product training, and group decision making gives us the capability to offer a variety of financial products nationally in areas that most companies cannot. This distribution channel allows us to facilitate the sale of these alternative products at a lower cost to our members.
- *Product Pricing Power.* Our national presence and large volumes give us the leverage to negotiate favourable terms with institutions that want to distribute their products through our network and result in lower pricing for the products that are distributed to our members. We believe this gives us a competitive advantage over other regional lenders as well as other products distributors as we can provide our members with a larger range of products at lower costs.

Experienced Management Team and Board of Directors

Our management team has significant experience in the microfinance and financial services industry and has developed the knowledge to identify and offer products and services that meet the needs of our members, while maintaining effective risk management and competitive margins. In addition to our founder and Chairman, Dr. Vikram Akula, our senior management team is comprised of our Chief Executive Officer and Managing Director, Chief Operating Officer and Chief Financial Officer. Substantially all of our senior managers have over 17 years of experience with well reputed national and multinational companies, particularly in the retail and commercial banking industries. We continuously train our management in the field of microfinance through specialized internal and external programs.

Our Board is comprised of experienced investor, industry and management professionals. Out of a total of 10 seats on our Board, five are represented by independent Directors.

Our Strategy

Expand our Membership through Increased Geographic Coverage and Penetration in Existing Markets

We are focused on growing our membership base to increase the aggregate number of loans we can make in our loan portfolio. In order to increase our membership, we seek to:

- establish branches in new geographies, including areas where the first mover advantage is important to establishing brand recognition and customer loyalty;
- establish additional branches in areas in which we are already present and where we can leverage our leadership position and brand recognition to increase membership; and
- increase membership through greater penetration in our existing branches.

Expand our Range of Income Generating and Productivity Loan Products

Our goal is to provide our members with loan products that yield an increase in income generated as a result of the loan. We believe this focused approach to lending will allow us to sustain high repayment rates and provide economic benefits to our members and their families. One of the elements of our strategy is to continue to increase our revenue base from our members. In order to achieve these increases in revenue we are introducing newer and more innovative loan products including loans for the purchase of products such as mobile phones that we believe will increase the productivity of a member. We have entered in to a strategic relationship, with Nokia India Private Limited, or Nokia, and Bharti Airtel Limited, or Airtel, where we issue a loan to a member for the purchase of a Nokia mobile phone and Airtel service. These relationships require us to assist our members that purchase Nokia phones and Airtel service with our loans, with the subscription of the new mobile phone, the related documentation and to collect payment from them. Under a pilot program with METRO Cash & Carry India Private Limited, or METRO, we provide working capital financing to our members operating local retail shops called *kirana* stores that purchase supplies from METRO on a wholesale basis. In addition, we have recently commenced a pilot program to provide home improvement loans to our members. HDFC has licensed us a portion of their proprietary technology systems to allow us to track and support the loans we disburse in the program. We also believe that a wider variety of loan products differentiates us from competitors and increases member retention. We are also increasing the principal amount of our loans on a measured basis to members that demonstrate a strong track record of loan repayment and increased capacity to pay. We have recently obtained the RBI's approval to market and distribute mutual funds as an agent for an initial period of two years.

Leverage our Distribution Channels into New Revenue Streams

We have built a large distribution network in rural India. We believe we can leverage this network to distribute financial products of other institutions to our members at a cost lower than other institutions. Our network also allows such distributors to access a segment of the market to which many do not otherwise have access. Currently, we have a distributor relationship with Bajaj Allianz Life Insurance Company Limited, or BALICL, for the sale of their life insurance products, while meeting the protection or savings needs of our members. We receive a fee based commission on these sales and believe that increases in this type of revenue lowers our revenue risk exposure to longer term interest income based products. Having distributed over 2.3 million policies as of September 30, 2009, we also believe that the predominantly longer term and repetitive nature of these products increases member loyalty and retention.

Continue to Develop our Information Technology Platform and Risk Management Systems

We recognize that our ability to compete effectively as an MFI requires us to utilize technology to effectively control the risks, costs and errors associated with the complex transactions that are inherent in our rapidly growing business. We have developed and implemented a proprietary technology system that provides field level data entry, loan tracking and loan portfolio reporting on an aggregated enterprise-wide basis, which we believe has reduced our transaction costs and increased our ability to manage loan applications, disbursements, duration and other member specific data. We intend to further develop this system to enable real-time internet based reporting from all of our branches as well as integration with other accounting systems that we are currently using. In addition, we intend to purchase and implement an integrated risk management system that will further enhance our ability to manage the risks inherent to our business.

Pursue Strategic Business Alliances

We constantly evaluate and form new strategic business alliances to strengthen our market share and product offerings. We have entered into strategic alliances with Nokia, Airtel, BALICL, HDFC and METRO. In addition, we believe that we have unique knowledge, experience and business models that we could leverage in other countries. We may enter into joint ventures and strategic relationships to make an entry into these markets. While we have not made any such investments or acquisitions as of the date hereof, we are evaluating the potential for such opportunities, and may proceed, in a measured way, in the future.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our restated financial statements as of and for the six months ended September 30, 2010 and years ended March 31, 2009, 2008, 2007, 2006 and 2005. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Regulations and presented under "Financial Statements" on page 144 of this Draft Red Herring Prospectus. The summary financial information presented below should be read in conjunction with our restated financial statements, the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 190 of this Draft Red Herring Prospectus.

STATEMENT OF RESTATED ASSETS AND LIABILITIES

(Rs. in million)

	Particulars	As at Sept 30, 2009	As at March 31,				
			2009	2008	2007	2006	2005
A	**Fixed assets**						
	Gross block	304.44	250.99	123.29	36.51	10.32	-
	Less : Accumulated depreciation	163.54	126.86	48.36	15.88	0.99	-
	Net block	**140.90**	**124.13**	**74.93**	**20.63**	**9.33**	**-**
	Capital work in progress (including capital advances)	0.14	0.07	4.00	0.04	-	-
	Sub-total	**141.04**	**124.20**	**78.93**	**20.67**	**9.33**	**-**
B	**Intangible assets**						
	Gross block	131.35	121.24	100.00	47.95	47.95	-
	Less: Accumulated amortization	81.49	65.55	35.66	17.02	8.13	-
	Net block	**49.86**	**55.69**	**64.34**	**30.93**	**39.82**	**-**
	Capital work in progress (including capital advances)	10.64	9.83	1.68	0.54	-	-
	Sub-total	**60.50**	**65.52**	**66.02**	**31.47**	**39.82**	**-**
C	**Investment**	**2.00**	**-**	**-**	**-**	**-**	**-**
D	**Deferred tax assets (net)**	**79.91**	**42.40**	**9.39**	**8.90**	**-**	**-**
E	**Current assets, loans and advances**						
	Cash and bank balances	7,206.81	15,470.21	2,752.28	564.54	175.73	20.54
	Other current assets	671.39	333.46	49.14	11.74	3.88	0.17
	Loans and advances	28,273.23	14,353.21	7,931.70	2,712.87	788.69	-
	Sub-total	**36,151.43**	**30,156.88**	**10,733.12**	**3,289.15**	**968.30**	**20.71**
F	**Total (F =A+B+C+D+E)**	**36,434.88**	**30,389.00**	**10,887.46**	**3,350.19**	**1,017.45**	**20.71**
G	**Liabilities and provisions**						
	Loan funds						
	Secured loans	26,025.91	20,971.31	7,898.45	2,490.19	692.18	-
	Unsecured loans	-	394.37	-	-	-	-
	Deferred tax liabilities (net)	-	-	-	-	3.31	-

	Particulars	As at Sept 30, 2009	As at March 31,				
			2009	2008	2007	2006	2005
	Current liabilities and provisions						
	Current liabilities	2,406.04	2,223.77	769.44	81.61	141.24	0.03
	Provisions	295.52	154.01	96.88	64.46	25.12	0.02
	Total	**28,727.47**	**23,743.46**	**8,764.77**	**2,636.26**	**861.85**	**0.05**
	NET WORTH (F - G)	**7,707.41**	**6,645.54**	**2,122.69**	**713.93**	**155.60**	**20.66**
	Net worth represented by:						
	Share capital:						
	Equity share capital	483.26	479.01	443.32	266.43	139.07	20.60
	Preference share capital	104.05	91.56	-	-	-	-
	Stock options outstanding	19.73	19.29	2.57	-	-	-
	Reserves and surplus						
	Securities premium account	5,533.92	5,048.24	1,471.32	408.91	-	-
	Statutory reserve	313.28	202.07	41.62	8.33	1.00	0.06
	Profit and loss account	1,253.17	805.37	163.86	30.26	15.53	0.00
	NET WORTH	**7,707.41**	**6,645.54**	**2,122.69**	**713.93**	**155.60**	**20.66**

Note 1: The above statement should be read in conjunction with the significant accounting policies and notes on adjustments for Restated Summary Statements in Annexure D of our "Financial Statements" on page 144 of this Draft Red Herring Prospectus.

STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNT

(Rs. in million)

	Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
			2009	2008	2007	2006	2005
A	**INCOME**						
	Income from operations	3,413.64	5,060.40	1,624.66	444.95	89.59	-
	Other income	433.24	479.59	75.42	11.71	9.85	0.70
	Sub-total	**3,846.88**	**5,539.99**	**1,700.08**	**456.66**	**99.44**	**0.70**
B	**EXPENDITURE**						
	Financial expenses	1,274.35	1,944.31	564.65	138.53	27.79	-
	Personnel expenses	946.36	1,376.73	477.55	129.67	27.53	-
	Operating and other expenses	468.08	734.90	275.26	98.96	19.25	0.24
	Depreciation and amortization	52.80	108.47	51.11	23.79	7.53	-
	Provisions and write offs	248.68	135.01	42.08	20.32	7.51	-
	Sub-total	**2,990.27**	**4,299.42**	**1,410.65**	**411.27**	**89.61**	**0.24**
C	**Profit before prior period items and tax as per audited financial statements**	**856.61**	**1,240.57**	**289.43**	**45.39**	**9.83**	**0.46**
	Prior period [(income) / expenses]	-	-	-	(18.64)	-	-
D	**Profit before tax as per audited financial statements**	**856.61**	**1,240.57**	**289.43**	**64.03**	**9.83**	**0.46**
	Adjustments on account of changes in accounting policies [(increase) / decrease in income]	-	-	-	19.53	(19.79)	(0.09)
	Adjustments on account of prior period items [(increase) / decrease in income]	-	-	-	(0.89)	0.89	
E	**Profit before tax as restated**	**856.61**	**1240.57**	**289.43**	**45.39**	**28.73**	**0.55**
F	**Tax expense**						
¤	**Per audited financial statements** [(increase) / decrease in income]						
	Current tax	335.00	453.30	111.63	36.79	1.47	0.17
	Deferred tax	(37.50)	(33.01)	(0.49)	(12.21)	3.31	-
	Taxation of earlier periods	2.97	2.68	2.84	-	-	0.04
	Fringe benefit tax	0.10	15.35	8.99	2.77	0.62	-
	Sub-total	**300.57**	**438.32**	**122.97**	**27.35**	**5.40**	**0.21**
	Restatement tax adjustments [(increase) / decrease in income]						
	Adjustment on account of prior period taxes	(2.97)	0.29	(0.16)	2.84	-	(0.04)
	Tax impact on restatement adjustments	-	-	-	(6.86)	6.86	-
	Sub-total	**(2.97)**	**0.29**	**(0.16)**	**(4.02)**	**6.86**	**(0.04)**
	Total tax expense as restated	**297.60**	**438.61**	**122.81**	**23.33**	**12.26**	**0.17**
G	**Profit after tax as restated (E-F)**	**559.01**	**801.96**	**166.62**	**22.06**	**16.47**	**0.38**
H	Surplus brought forward from previous year, as restated	805.37	163.86	30.26	15.53	-	0.07
I	Opening reserve adjustment relating to earlier years for: [(increase) / decrease in income]						

	Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
			2009	2008	2007	2006	2005
	- Employee benefit provision as per AS 15 (Revised) as per audited financial statements	-	-	(0.27)	-	-	-
	- Restatement adjustment for prior period miscellaneous expenditure write / off	-	-	-	-	-	0.35
	- Restatement adjustment for prior period tax	-	-	-	-	-	0.04
	Sub-total	-	-	(0.27)	-	-	0.39
J	**Profit available for appropriation**	**1,364.38**	**965.82**	**197.15**	**37.59**	**16.47**	**0.06**
	Transferred to statutory reserve as per audited financial statements	111.21	160.45	33.29	7.33	0.94	0.06
K	**Surplus carried to Balance Sheet**	**1,253.17**	**805.37**	**163.86**	**30.26**	**15.53**	**-**

Note: The above statement should be read in conjunction with the significant accounting policies and notes on adjustments for Restated Summary Statements in Annexure D of our "Financial Statements" on page 144 of this Draft Red Herring Prospectus.

STATEMENT OF RESTATED CASH FLOW

(Rs. in million)

Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
		2009	2008	2007	2006	2005
Cash flow from operating activities						
Profit before tax as Restated	**856.61**	**1240.57**	**289.43**	**45.39**	**28.73**	**0.55**
Adjustments for:						
Depreciation and amortization	52.80	108.47	51.11	23.79	9.11	-
Provision for employee benefits	38.20	46.67	18.85	1.77	0.33	-
Stock options and share purchase scheme	0.43	22.07	2.57	-	-	-
Share issue expenses	3.59	29.39	0.90	3.76	2.65	(0.09)
Provision for standard assets and non-performing assets	48.74	6.96	32.15	10.53	3.09	-
Bad debts written off	94.17	103.30	4.48	9.79	4.42	-
Loss on assigned loans	105.77	24.75	5.45	-	-	-
Other balances written off	19.31	28.69	8.68	1.80	0.22	-
(Profit)/Loss on disposal of fixed assets	0.01	(0.01)	-	-	-	-
Dividend income	-	-	(0.14)	(0.59)	(0.11)	-
Restated operating profit before working capital changes	**1,219.63**	**1,610.86**	**413.48**	**96.24**	**48.44**	**0.46**
Movements in working capital:						
(Increase) / decrease in current assets	(337.94)	(289.15)	(38.75)	(9.23)	(2.11)	(0.16)
(Increase) / decrease in loans and advances	(170.09)	(115.38)	(61.52)	(61.40)	(7.54)	-
(Increase) / decrease in portfolio loans	(13,930.03)	(6,469.63)	(5,179.43)	(1,873.02)	(768.32)	-
(Decrease) / increase in current liabilities	182.27	1,454.33	687.83	(61.22)	138.85	0.00
Cash generated from operations	**(13,036.16)**	**(3,808.97)**	**(4,178.39)**	**(1,908.63)**	**(590.68)**	**0.30**
Direct taxes paid	(319.70)	(456.50)	(136.74)	(6.89)	(3.97)	(0.10)
Net cash generated from operating activities (A)	**(13,355.86)**	**(4,265.47)**	**(4,315.13)**	**(1,915.52)**	**(594.65)**	**0.20**
Cash flow from investing activities						
Purchase of fixed assets (including capital work in progress)	(53.72)	(124.02)	(90.75)	(26.22)	(10.32)	-

Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
		2009	2008	2007	2006	2005
Sale of fixed assets	0.02	0.18	-	-	-	-
Purchase of intangible assets (including capital work in progress)	(10.91)	(29.40)	(53.18)	(0.54)	(47.95)	-
Bank deposits not considered as cash and cash equivalent (net)	781.12	(2,146.20)	(108.88)	(13.52)	(14.50)	-
Purchase of investments	(2.00)	-	(100.00)	(320.00)	(75.00)	-
Sale / Redemption of investments	-	-	100.00	320.00	75.00	-
Dividend income	-	-	0.14	0.59	0.11	-
Purchase of Pre-incorporation expenses	-	-	-	-	(1.95)	-
Net cash flow from investing activities (B)	**714.51**	**(2,299.44)**	**(252.67)**	**(39.69)**	**(74.61)**	**-**
<u>Cash flow from financing activities</u>						
Proceeds from issuance of share capital (including securities premium)	502.42	3,698.82	1,239.31	536.26	118.47	-
Share issue expenses	(3.59)	(29.40)	(0.90)	(3.76)	(0.71)	-
Secured borrowings (net)	5,004.60	13,072.86	5,408.25	1,798.01	692.18	-
Unsecured borrowings (net)	(344.37)	394.37	-	-	-	-
Net cash generated from financing activities (C)	**5,159.06**	**17,136.65**	**6,646.66**	**2,330.51**	**809.94**	**-**
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	**(7,482.29)**	**10,571.74**	**2,078.86**	**375.30**	**140.68**	**0.20**
Cash and cash equivalents at the beginning of the period/ year	13,187.12	2,615.38	536.52	161.22	20.54	20.34
Cash and cash equivalents at the end of the period/ year	**5,704.83**	**13,187.12**	**2,615.38**	**536.52**	**161.22**	**20.54**
<u>Composition of cash and cash equivalents:</u>						
Cash on hand	357.81	12.04	106.79	40.39	11.75	0.00
Balance with banks						
On Current accounts	3,397.02	1,567.26	1,483.95	424.04	149.47	0.04
On Deposit accounts (net of bank deposits not considered as cash and cash equivalent)	1,950.00	11,607.82	1,024.64	72.09	-	20.50
Total	**5,704.83**	**13,187.12**	**2,615.38**	**536.52**	**161.22**	**20.54**

Note 1: The above statement should be read in conjunction with the significant accounting policies and notes on adjustments for Restated Summary Statements in Annexure D of our “Financial Statements” on page 144 of this Draft Red Herring Prospectus.

Note 2: The above Cash Flow Statement has been prepared under the ‘Indirect Method’ as set out in the Accounting Standard 3 on Cash Flow Statements notified accounting standard by Companies (Accounting Standards) Rules, 2006 (as amended).

THE ISSUE

Total Issue of Equity Shares	16,791,579 Equity Shares
Fresh Issue by the Company	7,445,323 Equity Shares
Offer for Sale by the Selling Shareholders	9,346,256 Equity Shares*
Of which	
A) Qualified Institutional Buyers (QIB) portion#	At least 10,074,948 Equity Shares
Of which	
Available for allocation to Mutual Funds only	503,748 Equity Shares
Balance for all QIBs including Mutual Funds	9,571,200 Equity Shares
B) Non-Institutional Portion**	Not less than 1,679,157 Equity Shares available for allocation
C) Retail Portion**	Not less than 5,037,474 Equity Shares available for allocation
Pre and post Issue Equity Shares	
Equity Shares outstanding prior to the Issue	64,527,219 Equity Shares
Equity Shares outstanding after the Issue	71,972,542 Equity Shares
Use of Net Proceeds	See "Objects of the Issue" on page 49 of this Draft Red Herring Prospectus. The Company will not receive any proceeds from the Offer for Sale.

Allocation to all categories, except Anchor Investor Portion, if any, shall be made on a proportionate basis.

* *The Selling Shareholders are offering an aggregate of 9,346,256 Equity Shares, which have been held for a period of at least one year prior to the date of filing of this Draft Red Herring Prospectus and hence, are eligible for being offered for sale in the Issue.*

\# *The Company and the Selling Shareholders may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to Anchor Investors. For further details, see "Issue Procedure" on page 258 of this Draft Red Herring Prospectus.*

** *Subject to valid Bids being received at or above the Issue Price, under subscription, if any, in any category, except in QIB portion, would be allowed to be met with spill over from any other category or combination of categories at the discretion of the Company and Selling Shareholders, in consultation with the BRLMs and the Designated Stock Exchange. If at least 60% of the Issue cannot be allocated to QIBs, the entire application money shall be refunded.*

GENERAL INFORMATION

Registered and Corporate Office of the Company

SKS Microfinance Limited
Ashoka Raghupathi Chambers
D No. 1-10-60 to 62,
Opposite to Shoppers Stop, Begumpet,
Hyderabad 500 016
Tel: (91 40) 4452 6000
Fax: (91 40) 4452 6001
Registration No.: 41732
CIN: U65999AP2003PLC041732
Website: www.sksindia.com

Address of the RoC

We are registered with the RoC situated at:
2nd Floor, CPWD Building
Kendriya Sadan
Sultan Bazar, Koti
Hyderabad 500195
Andhra Pradesh

Board of Directors of the Company

Our Board of Directors consists of:

Name	Designation
Dr. Vikram Akula	Chairman
Mr. Suresh Gurumani	Managing Director and Chief Executive Officer
Mr. P. H. Ravi Kumar	Independent Director
Dr. Tarun Khanna	Independent Director
Mr. V. Chandrasekaran	Independent Director (Nominee Director of SIDBI)
Mr. Geoffrey Tanner Woolley	Independent Director
Mr. Sumir Chadha	Director
Mr. Ashish Lakhanpal	Director
Mr. Paresh Patel	Director
Mr. Pramod Bhasin	Independent Director

For further details of our Directors, see "Our Management" on page 108 of this Draft Red Herring Prospectus.

Company Secretary and Compliance Officer

Mr. S.K. Bansal is the Company Secretary and Compliance Officer of the Company. His contact details are as follows:

SKS Microfinance Limited
Ashoka Raghupathi Chambers,
D No. 1-10-60 to 62,
Opposite to Shoppers Stop,
Begumpet,
Hyderabad 500 016
Tel: (91 40) 4452 6000
Fax: (91 40) 4452 6001

Email: skscomplianceofficer@sksindia.com

Investors can contact the Compliance Officer or the Registrar in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allocation, credit of allotted Equity Shares in the respective beneficiary account and refund orders. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue with a copy to the relevant SCSB giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked, ASBA account number and the designated branch of the relevant SCSB where the ASBA Form was submitted by the ASBA Bidder.

Book Running Lead Managers

Kotak Mahindra Capital Company Limited
1st Floor, Bakhtawar
229 Nariman Point
Mumbai 400 021
Tel: (91 22) 6634 1100
Fax: (91 22) 2283 7517
Email: sks.ipo@kotak.com
Investor Grievance Id: kmccredressal@kotak.com
Website: www.kotak.com
SEBI Registration No.: INM000008704
Contact Person: Mr. Chandrakant Bhole

Citigroup Global Markets India Private Limited
12th Floor, Bakhtawar
Nariman Point
Mumbai 400 021
Tel: (91 22) 6631 9999
Fax: (91 22) 6646 6370
Email: sks.ipo@citi.com
Investor Grievance Id: investors.cgmib@citi.com
Website: www.online.citibank.co.in/rhtm/citigroupglobalscreen1.htm
SEBI Registration. No. : INM000010718
Contact Person: Mr. Anuj Mithani

Credit Suisse Securities (India) Private Limited
9th Floor, Ceejay House
Plot F, Shivsagar Estate
Dr. Annie Besant Road, Worli
Mumbai 400 018
Tel: (91 22) 6777 3777
Fax: (91 22) 6777 3820
E-mail: list.project-kuber@credit-suisse.com
Investor Grievance Id: list.igcellmer-bnkg@credit-suisse.com
Website: https://www.credit-suisse.com/in/ipo/
SEBI Registration No.: INM000011161
Contact Person: Mr. Abhishek Gupte

Syndicate Members

Kotak Securities Limited
1st Floor, Bakhtawar
229 Nariman Point
Mumbai 400 021
Tel: (91 22) 66341100
Fax: (91 22) 66303927
E-mail: umeshgupta@kotak.com
Website: www.kotak.com
Contact Person: Mr. Umesh Gupta
SEBI Registration Nos.: BSE: IMB010808153
NSE: IMB230808130

Legal Advisors to the Issue

Domestic Legal Counsel to the Company

Amarchand & Mangaldas & Suresh A. Shroff & Co.

Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg, Lower Parel
Mumbai 400 013
Tel: (91 22) 2496 4455
Fax: (91 22) 2496 3666

1-10-20/2b, 4th Floor
Pooja Edifice
Chickoti Gardens, Begumpet
Hyderabad 500 016
Tel: (91 40) 6633 6622 / 6633 7666
Fax: (91 40) 6649 2727

Domestic Legal Counsel to the Underwriters

S&R Associates
64, Okhla Industrial Estate Phase III
New Delhi 110 020
Tel: (91 11) 4069 8000
Fax: (91 11) 4069 8001

International Legal Counsel to the Underwriters

Wilson Sonsini Goodrich & Rosati
Professional Corporation
650 Page Mill Road
Palo Alto, CA 94304
Tel: (650) 493 9300
Fax: (650) 493 6811

Registrar to the Issue

Karvy Computershare Private Limited
Plot No. 17 to 24, Vithalrao Nagar
Madhapur
Hyderabad 500 086
Telephone: (91 40) 2342 0815
Facsimile: (91 40) 2343 1551
Email: sksmicro.ipo@karvy.com
Website: www.karvy.com
Contact Person: Mr. M. Murali Krishna
SEBI Registration Number: INR 000000221

Auditors to the Company

S.R. Batliboi & Co.
6th Floor, Express Towers, Nariman Point
Mumbai 400 021
Tel: (91 22) 6657 9720
Fax: (91 22) 2287 6401
Email: viren.mehta@in.ey.com

Bankers to the Issue and Escrow Collection Banks

[●]

Self Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as SCSB for the ASBA process are provided at www.sebi.gov.in and for details on designated branches of SCSB collecting as per ASBA Bid cum Application Form, please refer to the abovementioned link.

Bankers to the Company

Kotak Mahindra Bank
6-3-1109/1, 2nd Floor, Nava Bharat Chambers
Raj Bhavan Road
Somajiguda
Hyderabad 500 082
Tel: (91 40) 6629 9061
Fax: (91 40) 6675 4755
Email: chakrapani.g@kotak.com
Website: www.kotak.com
Contact Person: Mr. G. Chakrapani

HDFC Bank
6-1-73, Ground Floor
Saeed Plaza, Lakdikapool
Hyderabad 500 004
Tel: (91 40) 6683 1074
Fax: (91 40) 2324 4998
Email: manish.shah@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. Manish Shah

ICICI Bank
3-6-268, Himayatnagar
Hyderabad 500 029
Telephone: (91 40) 2322 7128/7290
Fax: (91 40) 2322 7138
Email: srinivasa.gutti@icicibank.com
Website: www.icicibank.com
Contact Person: Mr. Sreenivas Gutti

Axis Bank
6-3-879/B, 1st Floor
G. Pullareddy Building
Greenlands, Begumpet Road
Hyderabad - 500 016
Tel: (91 40) 2340 0731/732
Fax: (91 40) 2340 1784
Email: jayanth.p@axisbank.com
Website: www.axisbank.com
Contact Person: Mr. Jayanth Manohar

Monitoring Agency

[●]

Statement of Inter Se Allocation of Responsibilities for the Issue

The following table sets forth the distribution of responsibility and co-ordination for various activities amongst the BRLMs:

Activity	Activity	Responsibility	Co-ordination
1.	Capital Structuring with relative components and formalities such as type of instruments, etc.	Kotak, Citi, Credit Suisse	Kotak
2.	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, ROC and SEBI including finalisation of Prospectus and ROC filing	Kotak, Citi, Credit Suisse	Kotak
3.	Appointment of other intermediaries viz., Registrar(s), Printers, Advertising Agency and Bankers to the Issue	Kotak, Citi, Credit Suisse	Kotak
4.	Drafting and approval of all statutory advertisement	Kotak, Citi, Credit Suisse	Kotak
5.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (4) above including corporate advertisement, brochure, etc.	Kotak, Citi, Credit Suisse	Credit Suisse
6.	International Institutional Marketing of the Issue, which will cover, *inter alia* : • Preparation of Road show presentation & FAQ • Finalizing the list and division of investors for one to one meetings, and • Finalizing the International road show schedule and investor	Kotak, Citi, Credit Suisse	Citi

Activity	Activity	Responsibility	Co-ordination
	meeting schedules		
7.	Domestic institutions / banks / mutual funds marketing of the Issue, which will cover, *inter alia*: • Finalizing the list and division of investors for one to one meetings, and • Finalizing investor meeting schedules	Kotak, Citi, Credit Suisse	Credit Suisse
8.	Non-Institutional and Retail Marketing of the Issue, which will cover, *inter alia*, • Formulating marketing strategies, preparation of publicity budget • Finalise Media & PR strategy • Finalising centers for holding conferences for press and brokers • Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material • Finalize collection centers	Kotak, Citi, Credit Suisse	Kotak
9.	Co-ordination with Stock Exchanges for Book Building Software, bidding terminals and mock trading	Kotak, Citi, Credit Suisse	Citi
10.	Finalization of Pricing, in consultation with the Company and the Selling Shareholders	Kotak, Citi, Credit Suisse	Citi
11.	Post-issue activities, which shall involve : • essential follow-up steps including follow-up with bankers to the issue and Self Certified Syndicate Banks to get quick estimates of collection and advising the issuer about the closure of the issue, based on correct figures, finalisation of the basis of allotment or weeding out of multiple applications, listing of instruments, despatch of certificates or demat credit and refunds and co-ordination with various agencies connected with the post-issue activity such as registrars to the issue, bankers to the issue, Self Certified Syndicate Banks, etc. • Finalising underwriting arrangement*	Kotak, Citi, Credit Suisse	Citi

** In case of under-subscription in the Issue, the lead merchant banker responsible for underwriting arrangements shall be responsible for invoking underwriting obligations and ensuring that the notice for devolvement containing the obligations of the underwriters is issued in terms of these regulations and as agreed to in the underwriting agreement*

Credit Rating

As this is an issue of Equity Shares, there is no credit rating for the Issue.

IPO Grading

This Issue has been graded by [●] as [●] indicating [●]. The rationale furnished by the IPO grading agency for its grading will be updated at the time of filing the Red Herring Prospectus filed with the RoC.

Experts

Except the report of [●] in respect of the IPO grading of this Issue annexed herewith, the Company has not obtained any expert opinions.

Trustees

As this is an issue of Equity Shares, the appointment of trustees is not required.

Book Building Process

Book building, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band which will be decided by the Company and the Selling Shareholders in consultation with the Book Running Lead Managers and advertised at least two working (2) days prior to the Bid/Issue opening date. The Issue Price is finalised after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

1. The Company;

2. The Selling Shareholders;

3. BRLMs;

4. Syndicate Member who is an intermediary registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The Syndicate Member is appointed by the BRLMs;

5. Escrow Collection Bank(s);

6. SCSBs; and

7. Registrar to the Issue.

This being an issue for less than 25% of post issue equity capital of the Company, the SEBI Regulations read with rule 19(2) (b) of the SCRR, have permitted an issue of securities to the public through the 100% Book Building Process, wherein at least 60% of the Issue shall be allocated on a proportionate basis to QIBs. 5% of the QIB Portion (excluding Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs including Mutual Funds subject to valid bids being received at or above the Issue Price. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. We and the Selling Shareholders will comply with the SEBI Regulations and any other ancillary directions issued by SEBI for this Issue. In this regard, we and the Selling Shareholders have appointed the BRLMs to manage the Issue and to procure subscriptions to the Issue.

QIBs are not allowed to withdraw their Bid(s) after the Bid /Issue Closing Date. For further details, see "Terms of the Issue" on page 251 of this Draft Red Herring Prospectus.

In addition, QIBs are required to pay the QIB Margin Amount, representing 10% of the Bid Amount, upon submission of their Bid. QIBs that are Anchor Investors are required to pay 25% of their Bid Amount at the time of submission of the Bid and the remaining amount within two days of the Bid/Issue Closing Date. Anchor Investors cannot withdraw their Bids after the Anchor Investor Bid/Issue Date. Allocation to QIBs (other than Anchor Investors) will be on a proportionate basis.

The process of Book Building under SEBI Regulations is subject to change from time to time and investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue.

Illustration of Book Building Process and Price Discovery Process (*Investors should note that this example is solely for illustrative purposes and is not specific to the Issue. Also, this excludes Bidding for the Anchor Investor Portion*)

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, offer size of 3,000 equity shares and receipt of five bids from bidders out which one bidder has bid for 500 shares at Rs. 24 per share while another has bid for 1,500 shares at Rs. 22 per share. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding period. The illustrative book given below shows the demand for the shares of the Company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the Company is able to offer the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The Company and the Selling Shareholders in consultation with the BRLMs will finalise the Issue Price at or below such cut off price, i.e. at or below Rs. 22. All bids at or above the Issue Price and cut off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken by the Bidders for Bidding:

- Check eligibility for Bidding (see "Issue Procedure - Who Can Bid?" on page 259 of this Draft Red Herring Prospectus);

- Ensure that you have an active demat account and the demat account details are correctly mentioned in the Bid cum Application Form;

- Ensure that you have mentioned your PAN to the Bid Cum Application Form. In accordance with the SEBI Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction (see "Issue Procedure" on page 258 of this Draft Red Herring Prospectus);

- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid Cum Application Form; and

- Bids by QIBs will only have to be submitted to the BRLMs.

Withdrawal of the Issue

The Company and the Selling Shareholders, in consultation with the BRLMs, reserve the right not to proceed with the Issue anytime after the Bid/Issue Opening Date but before the Allotment of Equity Shares. In such an event the Company would issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. The Company shall also inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed.

In the event that the Company decides not to proceed with the Issue after Bid/ Issue Closing Date, the Company would be required to file fresh draft red herring prospectus with SEBI.

Bid/Issue Programme

BID/ISSUE OPENS ON	**[●], 2010***
BID/ISSUE CLOSES ON	**[●], 2010**

** The Company and the Selling Shareholders may consider participation by Anchor Investors. The Anchor Investor Bid/ Issue Period shall be one day prior to the Bid/ Issue Opening Date.*

Bids and any revision in Bids shall be accepted only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, Bids and any revision in Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) during the Bidding Period (excluding the ASBA Bidders) and uploaded till (i) 4.00 p.m. in case of Bids by QIBs and Non-Institutional Bidders and (ii) until 5.00 p.m. or such extended time as permitted by the NSE and the BSE, in case of Bids by Retail Individual Bidders. It is clarified that the Bids not uploaded in the book would be rejected. Bids by the ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the NSE and the BSE.

In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical Bid form, for a particular Bidder, the details as per the physical form of the Bidder may be taken as the final data for the purpose of Allotment. In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical or electronic Bid cum Application Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask for rectified data from the SCSB.

Due to limitation of time available for uploading the Bids on the Bid/ Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/ Issue Closing Date and, in any case, no later than the times mentioned above on the Bid/ Issue Closing Date. All times mentioned in the Draft Red Herring Prospectus are Indian Standard Time. Bidders are cautioned that in the event a large number of Bids are received on the Bid/ Issue Closing Date, as is typically experienced in public offerings, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, the Company, the Selling Shareholders, the BRLMs and Syndicate members will not be responsible. Bids will be accepted only on Business Days.

On the Bid/ Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids submitted by Retail Individual Bidders after taking into account the total number of Bids received up to the closure of time period for acceptance of Bid cum Application Forms as stated herein and reported by the BRLMs to the Stock Exchanges within half an hour of such closure.

The Company and the Selling Shareholders, in consultation with the BRLMs, reserve the right to revise the Price Band during the Bidding/ Issue Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side i.e. the floor price can move up or down to the extent of 20% of the floor price disclosed at least two (2) working days prior to the Bid/ Issue Opening Date and the Cap Price will be revised accordingly.

In case of revision of the Price Band, the Issue Period will be extended for a minimum of three additional working days after revision of Price Band subject to the Bid/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release and also by indicating the changes on the websites of the BRLMs and at the terminals of the Syndicate.

Underwriting Agreement

After the determination of the Issue Price but prior to filing of the Prospectus with the RoC, we and the Selling Shareholders will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered in this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that their respective Syndicate Members do not fulfill their underwriting obligations. The underwriting shall be to the extent of the Bids uploaded by the Underwriters including through its Syndicate/Sub Syndicate. The Underwriting Agreement is dated [●]. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions specified therein.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before the filing of the Prospectus with the RoC)

Name and Contact Details of the Underwriter	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten *(Rs. in million)*
Kotak Mahindra Capital Company Limited 1st Floor, Bakhtawar, 229 Nariman Point, Mumbai 400 021 Tel: (91 22) 6634 1100 Fax: (91 22) 2283 7517	[●]	[●]
Citigroup Global Markets India Private Limited 12th Floor, Bakhtawar, Nariman Point, Mumbai 400 021 Tel: (91 22) 6631 9999 Fax: (91 22) 6646 6370	[●]	[●]
Credit Suisse Securities (India) Private Limited 9th Floor, Ceejay House, Plot F, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai 400 018 Tel: (91 22) 6777 3777 Fax: (91 22) 6777 3820	[●]	[●]
Kotak Securities Limited 1st Floor, Bakhtawar 229 Nariman Point Mumbai 400 021 Tel: (91 22) 66341100 Fax: (91 22) 66303927	[●]	[●]

The above mentioned amount is indicative underwriting and this would be finalised after the pricing and actual allocation.

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). Our Board of Directors, at its meeting held on [●], has authorised the entry into the Underwriting Agreement mentioned above on behalf of the Company.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs and the Syndicate Member shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the underwriting agreement, will also be required to procure subscriptions for/subscribe to Equity Shares to the extent of the defaulted amount.

CAPITAL STRUCTURE

The share capital of the Company as at the date of filing this Draft Red Herring Prospectus, before and after the Issue, is set forth below:

(Rs. in million, except share data)

		Aggregate Nominal Value	Aggregate Value at Issue Price
A)	**AUTHORISED SHARE CAPITAL**		
	82,000,000 Equity Shares of Rs. 10 each	820.00	
	13,000,000 Preference Shares of Rs. 10 each	130.00	
B)	**ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL BEFORE THE ISSUE**		
	64,527,219 Equity Shares of Rs. 10 each	645.27	
C)	**PRESENT ISSUE IN TERMS OF THIS DRAFT RED HERRING PROSPECTUS***		
	16,791,579 Equity Shares of Rs. 10 each	167.91	[●]
	Out of the above:		
	Fresh Issue		
	7,445,323 Equity Shares of Rs. 10 each	74.45	[●]
	Offer for Sale**		
	9,346,256 Equity Shares of Rs. 10 each	93.46	[●]
D)	**EQUITY SHARE CAPITAL AFTER THE ISSUE**		
	71,972,542 Equity Shares of Rs. 10 each	719.73	[●]
E)	**SHARE PREMIUM ACCOUNT**		
	Before the Issue	6,143.32	
	After the Issue	[●]	

* *The Issue in terms of this Draft Red Herring Prospectus has been authorized by the Board of Directors pursuant to a resolution dated January 5, 2010 and by the shareholders pursuant to a resolution in an EGM on January 8, 2010. The Offer for Sale has been authorized pursuant to resolutions of the Board of Directors of the Company on January 5, 2010. For approvals by Selling Shareholders, see "Other Regulatory and Statutory Disclosures" on page 238 of this Draft Red Herring Prospectus.*

** *The following Equity Shares constitute the Offer for Sale and are being offered by each of the Selling Shareholders:*

Selling Shareholders	Number of Equity Shares
MBT – Jogipet	391,417
MBT – Medak	391,417
MBT – Narayankhed	448,108
MBT – Sadasivapet	391,417
MBT – Sangareddy	391,417
MUC	1,063,381
SCI II	3,989,703
SKS Capital	2,279,396
Total	**9,346,256**

Changes in Authorised Share Capital

1. The initial authorised share capital of Rs. 60,000,000 divided into 3,000,000 Equity Shares of Rs. 10 each sub-divided into (i) 2,000,000 “Class A” Equity Shares of Rs. 10 each, and (ii) 1,000,000 “Class B” Equity Shares of Rs. 10 each and 3,000,000 Preference Shares of Rs. 10 each was increased to Rs. 62,000,000 divided into 3,200,000 Equity Shares of Rs. 10 each sub-divided into (i) 2,100,000 “Class A” Equity Shares of Rs. 10 each, and (ii) 1,100,000 “Class B” Equity Shares of Rs. 10 each and 3,000,000 Preference Shares of Rs. 10 each, pursuant to a resolution of the shareholders passed at an EGM held on December 19, 2003.

2. The authorised share capital was reclassified from Rs. 62,000,000 divided into 3,200,000 Equity Shares of Rs. 10 each sub-divided into (i) 2,100,000 “Class A” Equity Shares of Rs. 10 each, and (ii) 1,100,000 “Class B” Equity Shares of Rs. 10 each and 3,000,000 Preference Shares of Rs. 10 each to Rs. 62,000,000 by consolidating the existing “Class A” and “Class B” Equity Shares into one class of Equity Shares divided into 3,200,000 Equity Shares of Rs. 10 each totalling Rs. 32,000,000 and 3,000,000 Preference Shares of Rs. 10 each, pursuant to a resolution of the shareholders passed at an EGM held on March 15, 2006.

3. The authorised share capital was further increased from Rs. 62,000,000 divided into 3,200,000 Equity Shares of Rs. 10 and 3,000,000 Preference Shares of Rs. 10 each to Rs. 200,000,000 divided into 17,000,000 Equity Shares of Rs. 10 each and 3,000,000 Preference Shares of Rs. 10 each, pursuant to a resolution of the shareholders passed at an EGM held on March 15, 2006.

4. The authorised share capital was further increased from Rs. 200,000,000 divided into 17,000,000 Equity Shares of Rs. 10 each and 3,000,000 Preference Shares of Rs. 10 each to Rs. 400,000,000 divided into 37,000,000 Equity Shares of Rs. 10 each and 3,000,000 Preference Shares of Rs. 10 each, pursuant to a resolution of the shareholders passed at an EGM held on February 9, 2007.

5. The authorised share capital was further increased from Rs. 400,000,000 divided into 370,00,000 Equity Shares of Rs. 10 each and 3,000,000 Preference Shares of Rs. 10 each to Rs. 550,000,000 divided into 52,000,000 Equity Shares of Rs. 10 each and 3,000,000 Preference Shares of Rs. 10 each, pursuant to a resolution of the shareholders passed at an EGM held on October 27, 2007.

6. The authorised share capital was further increased from Rs. 550,000,000 divided into 52,000,000 Equity Shares of Rs. 10 each and 3,000,000 Preference Shares of Rs. 10 each to Rs. 850,000,000 divided into 82,000,000 Equity Shares of Rs. 10 each and 3,000,000 Preference Shares of Rs. 10 each, pursuant to a resolution of the shareholders passed at an AGM held on August 07, 2008.

7. The authorised share capital was further increased from Rs. 850,000,000 divided into 82,000,000 Equity Shares of Rs. 10 each and 3,000,000 Preference Shares of Rs. 10 each to Rs. 950,000,000 divided into 82,000,000 Equity Shares of Rs. 10 each and 13,000,000 Preference Shares of Rs. 10 each, pursuant to a resolution of the shareholders passed at an EGM held on October 08, 2008.

Notes to Capital Structure

1. Share Capital History of the Company

a) The following is the history of the equity share capital of the Company:

Date of Allotment and when made fully paid up	Number of Equity Shares	Nature of Consideration	Face value (Rs.)	Issue Price (Rs.)
September 22, 2003	10,000 Equity Shares allotted pursuant to subscription to the Memorandum of Association	Cash	10.00	10.00

Date of Allotment and when made fully paid up	Number of Equity Shares	Nature of Consideration	Face value (Rs.)	Issue Price (Rs.)
November 21, 2003	Allotment of 50 Equity Shares to: (i) Mr. Sitaram Rao – 10 Equity Shares (ii) Mr. G.V. Ramana Babu – 10 Equity Shares (iii) Mr. Ashish Damani – 10 Equity Shares (iv) Mr. P.V. Kalyanachakrawarthy -10 Equity Shares (v) Ms. Praseeda Kunam -10 Equity Shares	Cash	10.00	10.00
December 19, 2003	Allotment of 2,050,000 Equity Shares to : (i) Ms. Praseeda Kunam, as Trustee of MBT – Medak – 400,000 Equity Shares (ii) Ms. Praseeda Kunam, as Trustee of MBT – Jogipet – 400,000 Equity Shares (iii) Ms. Praseeda Kunam, as Trustee of MBT – Narayankhed – 450,000 Equity Shares (iv) Ms. Praseeda Kunam, as Trustee of MBT – Sangareddy – 400,000 Equity Shares (v) Ms. Praseeda Kunam, as Trustee of MBT – Sadasivapet – 400,000 Equity Shares	Cash	10.00	10.00
February 20, 2006	Allotted 500,000 Equity Shares to SIDBI	Cash	10.00	10.00
March 16, 2006	Allotted 1,065,120 Equity Shares to the Ravi and Pratibha Reddy Foundation Inc	Cash	10.00	10.00
March 22, 2006	Allotted 4,550,000 Equity Shares to: (i) Dr. G.V. Ramana Babu, as Trustee of MBT – Medak-900,000 Equity Shares (ii) Dr. G.V. Ramana Babu, as Trustee of MBT – Jogipet-900,000 Equity Shares (iii) Dr. G.V. Ramana Babu, as Trustee of MBT – Narayankhed-950,000 Equity Shares (iv) Dr. G.V. Ramana Babu, as Trustee of MBT – Sangareddy-900,000 Equity Shares (v) Dr. G.V. Ramana Babu, as Trustee of MBT – Sadasivapet-900,000 Equity Shares	Cash	10.00	10.00
March 31, 2006	Allotted 5,232,000 Equity Shares to: (i) Unitus Equity Fund – 2,099,040 Equity Shares (ii) Mr. Vinod Khosla – 2,099,040 Equity Shares (iii) The Ravi and Pratibha Reddy Foundation, Inc. – 1,033,920 Equity Shares	Cash	10.00	10.00
	Allotted 500,000 Equity Shares to SIDBI	Cash	10.00	10.00
March 31, 2007	Allotted 818,000 Equity Shares under ESPS 2007 to the employees	Cash	10.00	10.00

Date of Allotment and when made fully paid up	Number of Equity Shares	Nature of Consideration	Face value (Rs.)	Issue Price (Rs.)
	Allotted 1,636,138 Equity Shares to Dr. Vikram Akula	Cash	10.00	10.00
	Allotted 10,281,739 Equity Shares to: (i) MUC - 1,319,069 Equity Shares (ii) Mr. Vinod Khosla - 1,319,069 Equity Shares (iii) SKS Capital - 1,319,069 Equity Shares (iv) SCI II - 5,430,468 Equity Shares (v) Odyssey Capital Private Limited - 894,064 Equity Shares	Cash	10.00	49.77
November 20, 2007	Allotted 514,250 Equity Shares under ESPS 2007	Cash	10.00	49.77
January 22, 2008	Allotted 3,863,415 Equity Shares *(as partly paid shares, which were made fully paid on December 8, 2009)* to: (i) Mr. G.V. Ramana Babu as Trustee for MBT - Sadasivapet -772,683 Equity Shares) (ii) Mr. G.V. Ramana Babu as Trustee for MBT - Jogipet (772,683 Equity Shares) (iii) Mr. G.V. Ramana Babu as Trustee for MBT - Medak (772,683 Equity Shares) (iv) Mr. G.V. Ramana Babu as Trustee for MBT - Sangareddy (772,683 Equity Shares) (v) Mr. G.V. Ramana Babu as Trustee for MBT - Narayankhed (772,683 Equity Shares)	Cash	10.00	70.67
	Allotted 16,981,184 Equity Shares to : (i) SIDBI – 807,461 Equity Shares (ii) Yatish Trading Company Private Limited – 962,050 Equity Shares (iii) Infocom Ventures – 283,020 Equity Shares (iv) Mr. Vinod Khosla – 820,757 Equity Shares (v) MUC – 2,274,020 Equity Shares (vi) SCI II – 2,847,013 Equity Shares (vii) SKS Capital – 3,678,027 Equity Shares (viii) Columbia Pacific Opportunity – 275,944 Equity Shares (ix) SCIGII – 2,996,396 Equity Shares (x) SVB India Capital Partners I, L.P – 275,944 Equity Shares (xi) Tejas Ventures – 1,760,552 Equity Shares	Cash	10.00	70.67
August 25, 2008	Allotted 517,500 Equity Shares under ESPS 2007	Cash	10.00	70.67
March 26, 2009	Allotted 3,051,875 Equity Shares to: (i) SIP I – 2,085,448 Equity Shares (ii) Kismet SKS II – 885,044 Equity Shares (iii) ICP Holdings I – 81,383 Equity Shares	Cash	10.00	300.00

Date of Allotment and when made fully paid up	Number of Equity Shares	Nature of Consideration	Face value (Rs.)	Issue Price (Rs.)
August 18, 2009	Allotted 8,080 Equity Shares to Dr. Tarun Khanna	Cash	10.00	300.00
	Allotted 416,666 Equity Shares to BALICL	Cash	10.00	300.00
December 8, 2009	Conversion of CCPS to Equity Shares in the ratio of one Equity Share for every CCPS held, allotted to: (i) SIP I* – 6,256,344 Equity Shares (ii) Kismet SKS II* – 2,655,131 Equity Shares (iii) ICP Holdings I* – 244,150 Equity Shares (iv) BALICL** – 1,250,000 Equity Shares	-	10.00	300.00
December 24, 2009	Allotted 945,424 Equity Shares to Dr. Akula pursuant to exercise of stock options granted under ESOP Plan 2007	Cash	10.00	49.77
December 31, 2009	Allotted 17,383 Equity Shares to 16 employees on a preferential basis,	Cash	10.00	300.00
January 19, 2010	Allotted 937,770 Equity Shares on a preferential basis to Catamaran Management Services Private Limited as trustee for Catamaran	Cash	10.00	300.00
March 23, 2010	Allotted 225,000 Equity Shares to Mr. Suresh Gurumani pursuant to exercise of stock options granted under ESOP 2008	Cash	10.00	300.00

* *Pursuant to receipt of Rs. 300 for each CCPS from SIP I, Kismet SKS II and ICP Holdings I on October 20, 2008, the CCPS were allotted on March 26, 2009 and were converted into Equity Shares of the Company, in the ratio of one Equity Share for every CCPS held, pursuant to the circular resolution passed by the Board of Directors on December 8, 2009 and taken on record on January 5, 2010.*

** *Pursuant to receipt of Rs. 300 for each CCPS from BALICL on May 21, 2009, the CCPS were allotted on August 18, 2009 and were converted into Equity Shares of the Company, in the ratio of one Equity Share for every CCPS held, pursuant to the circular resolution passed by the Board of Directors on December 8, 2009 and taken on record on January 5, 2010.*

(b) The following is the history of the preference share capital of the Company:

Date of Allotment and when made fully paid up	Number of Equity Shares	Nature of Consideration	Face value (Rs.)	Issue Price (Rs.)
March 26, 2009	Allotted 9,155,625 CCPS* to: (i) SIP I– 6,256,344 (ii) Kismet SKS II – 2,655,131 (iii) ICP Holdings I – 244,150	Cash	10.00	300.00
August 18, 2009	Allotted 1,250,000 CCPS* to BALICL	Cash	10.00	300.00

* *The CCPS were converted to Equity Shares of the Company pursuant to the circular resolution passed by the Board of Directors on December 8, 2009 and taken on record on January 5, 2010.*

Currently, there are no outstanding Preference Shares.

Other than as specified above, the Company has not issued Equity Shares or Preference Shares during the preceding one year from the date of this Draft Red Herring Prospectus.

2. *Promoters' Contribution and Lock-in*

(a) *History of Equity Shares held by the Promoters*

The Equity Shares held by the Promoters were acquired/ allotted in the following manner:

Sr. No.	Date of Allotment/Transfer	Nature of consideration	No. of Equity Shares	Face Value (Rs.)	Issue/Acquisition Price (Rs.)	Percentage of Pre-Issue Paid-up Capital	No. of Equity Shares pledged	Percentage of Equity Shares pledged
Dr. Vikram Akula								
1.	September 22, 2003	Cash	5,000	10.00	10.00	0.01	-	-
2.	May 8, 2004	Cash	(5,000) (1)	10.00	10.00	(0.01)	-	-
3.	March 31, 2007	Cash	1,636,138	10.00	10.00	2.5	-	-
4.	September 30, 2008	Cash	(1,636,138)(2)	10.00	103.91	(2.5)	-	-
5.	December 24, 2009	Cash	945,424	10.00	49.77	1.5	-	-
6.	February 10, 2010	Cash	(945,424) (3)	10.00	US$ 13.67	(1.5)	-	-
	Total		**Nil**					
MBT – Narayankhed								
1.	December 19, 2003	Cash	450,000	10.00	10.00	0.7	-	-
2.	March 22, 2006	Cash	950,000	10.00	10.00	1.5	-	-
3.	January 22, 2008	Cash	772,683	10.00	70.67	1.2	134,000	6.2
4.	January 5, 2010	Gift	(18,990) (4)	10.00	-	(0.03)	-	-
	Total		**2,153,693**					
MBT – Jogipet								
1.	December 19, 2003	Cash	400,000	10.00	10.00	0.6	-	-
2.	March 22, 2006	Cash	900,000	10.00	10.00	1.4	-	-
3.	January 22, 2008	Cash	772,683	10.00	70.67	1.2	134,000	6.5
4.	January 5, 2010	Gift	(19,000) (4)	10.00	-	(0.03)	-	-
	Total		**2,053,683**					
MBT – Medak								
1.	December 19, 2003	Cash	400,000	10.00	10.00	0.6	-	-
2.	March 22, 2006	Cash	900,000	10.00	10.00	1.4	-	-
3.	January 22, 2008	Cash	772,683	10.00	70.67	1.2	134,000	6.5
4.	January 5, 2010	Gift	(19,000) (4)	10.00	-	(0.03)	-	-
	Total		**2,053,683**					
MBT – Sadasivapet								
1.	December 19, 2003	Cash	400,000	10.00	10.00	0.6	-	-
2.	March 22, 2006	Cash	900,000	10.00	10.00	1.4	-	-
3.	January 22, 2008	Cash	772,683	10.00	70.67	1.2	134,000	6.5
4.	January 5, 2010	Gift	(19,000) (4)	10.00	-	(0.03)	-	-
	Total		**2,053,683**					
MBT – Sangareddy								
1.	December 19, 2003	Cash	400,000	10.00	10.00	0.6	-	-
2.	March 22, 2006	Cash	900,000	10.00	10.00	1.4	-	-
3.	January 22, 2008	Cash	772,683	10.00	70.67	1.2	134,000	6.5
4.	January 5, 2010	Gift	(19,000)(4)	10.00	-	(0.03)	-	-
	Total		**2,053,683**					
SCI II								
1.	March 31, 2007	Cash	5,430,468	10.00	49.77	8.4	-	-
2.	January 22, 2008	Cash	2,847,013	10.00	70.67	4.4	-	-
3.	September 30, 2008	Cash	818,069(5)	10.00	103.91	1.3	-	-
	Total		**9,095,550**					
SCIGI I								
1.	January 22, 2008	Cash	2,996,396	10.00	70.67	4.6	-	-
2.	July 29, 2009	Cash	1,955,078(6)	10.00	240.00	3.0	-	-
	Total		**4,951,474**					
SKS Capital								
1.	January 16, 2007	Cash	2,099,040(7)	10.00	10.00	3.3	-	-
2.	March 31, 2007	Cash	1,319,069	10.00	49.77	2.0	-	-
3.	January 22, 2008	Cash	3,678,027	10.00	70.67	5.7	-	-
4.	September 30, 2008	Cash	818,069(8)	10.00	103.91	1.3	-	-
	Total		**7,914,205**					
MUC								
1.	March 31, 2006	Cash	2,099,040(9)	10.00	10.00	3.3	-	-
2.	March 31, 2007	Cash	1,319,069	10.00	49.77	2.0	-	-
3.	January 22, 2008	Cash	2,274,020	10.00	70.67	3.5	-	-
4.	July 29, 2009	Cash	(2,000,000)(10)	10.00	240.00	(3.1)	-	-

Sr. No.	Date of Allotment/Transfer	Nature of consideration	No. of Equity Shares	Face Value (Rs.)	Issue/Acquisition Price (Rs.)	Percentage of Pre-Issue Paid-up Capital	No. of Equity Shares pledged	Percentage of Equity Shares pledged
	Total		**3,692,129**					

(1) *Transferred to Mr. G.S.V. Ramana Babu.*

(2) *Transferred to SKS Capital and SCI II.*

(3) *Transferred to Tree Line pursuant to a Share Purchase Agreement dated December 10, 2009. For further details, please see "History and Certain Corporate Matters – Material Agreements - Share Purchase Agreement dated December 10, 2009 between Dr. Vikram Akula, Tree Line Asia Master Fund (Singapore) Pte Limited and the Company" on page 105 of this Draft Red Herring Prospectus.*

(4) *Transferred by the SKS MBTs to the mother of (Late) Mr.V.L. Sitaram Rao, our ex-Director and CEO in lieu of the services rendered by him to the SKS MBTs.*

(5) *Transfer from Dr. Vikram Akula.*

(6) *Transfer from MUC.*

(7) *Transfer from the Ravi and Pratibha Reddy Foundation, Inc.*

(8) *Transfer from Dr. Vikram Akula.*

(9) *Transfer from Unitus Equity Fund.*

(10) *Transferred to SCIGI I and ICP Holdings.*

(b) *Details of Promoters' contribution locked in for three years*

The Equity Shares which are being locked-in are not ineligible for computation of promoters' contribution in accordance with the provisions of the SEBI Regulations. In this connection we confirm the following:

(i) The Equity Shares offered for minimum 20% promoters' contribution are not acquired for consideration of intangible asset or bonus shares out of revaluations reserves or reserves without accrual of cash resource or against shares which are otherwise ineligible for computation of promoters' contribution;

(ii) The minimum promoters' contribution does not include any Equity Shares acquired during the preceding one year at a price lower than the price at which Equity Shares are being offered;

(iii) Our Company has not been formed by the conversion of partnership firm into a company;

(iv) The Equity Shares held by the promoters and offered for minimum 20% promoters' contribution are not subject to pledge;

(v) The minimum promoters' contribution does not consist of any private placement made by solicitation of subscriptions from unrelated persons either directly or through any intermediary;

(vi) The minimum promoters' contribution does not consist of Equity Shares for which specific written consent has not been obtained from the respective shareholders for inclusion of their subscription in the minimum promoters' contribution subject to lock-in.

Pursuant to the SEBI Regulations, the Promoters have given an undertaking that an aggregate of 20% of the fully diluted post-Issue capital of the Company held by them shall be locked in for a period of three years from the date of Allotment of Equity Shares in the Issue.

The details of such lock-in are set forth in the table below:

Sr. No.	Date of Allotment/Transfer	Nature of consideration	No. of Equity Shares locked in	Face Value	Issue/Acquisition Price (Rs.)	Percentage of Post-Issue Paid-up Capital
Dr. Vikram Akula*						

Sr. No.	Date of Allotment/Transfer	Nature of consideration	No. of Equity Shares locked in	Face Value	Issue/Acquisition Price (Rs.)	Percentage of Post-Issue Paid-up Capital
1.		-	-	-	-	-
SCI II						
1.	January 22, 2008	Cash	2,265,423	10.00	70.67	3.1
2.	September 30, 2008	Cash	818,069	10.00	103.91	1.1
SCIGI I						
1.	January 22, 2008	Cash	2,996,396	10.00	70.67	4.2
MBT – Narayankhed						
1.	March 22, 2006	Cash	945,261	10.00	10.00	1.3
MBT – Jogipet						
1.	December 19, 2003	Cash	1,365	10.00	10.00	0.0
2.	March 22, 2006	Cash	900,000	10.00	10.00	1.3
MBT – Medak						
1.	December 19, 2003	Cash	1,365	10.00	10.00	0.0
2.	March 22, 2006	Cash	900,000	10.00	10.00	1.3
MBT – Sadasivapet						
1.	December 19, 2003	Cash	1,365	10.00	10.00	0.0
2.	March 22, 2006	Cash	900,000	10.00	10.00	1.3
MBT – Sangareddy						
1.	December 19, 2003	Cash	1,365	10.00	10.00	0.0
2.	March 22, 2006	Cash	900,000	10.00	10.00	1.3
SKS Capital						
1.	January 22, 2008	Cash	2,655,491	10.00	70.67	3.7
2.	September 30, 2008	Cash	818,069	10.00	103.91	1.1
MUC						
1.	January 22, 2008	Cash	1,620,482	10.00	70.67	2.3

* *The stock options granted to Dr. Vikram Akula have been locked in for a period of three years from the date of Allotment in this Issue. For details, please see below.*

(i) *Details of share capital locked in for one year*

In addition to 20% of the post-Issue shareholding of the Company held by the Promoters and locked in for three years as specified above and the Equity Shares constituting the Offer for Sale, the entire pre-Issue share capital of the Company will be locked in for a period of one year from the date of Allotment in this Issue in accordance with the SEBI Regulations, except as provided below.

(ii) *Lock in of stock options allotted to Dr. Vikram Akula*

Dr. Vikram Akula has consented to lock-in the existing 2,676,271 stock options that have been granted to him for a period of three years from the date of Allotment in this Issue. For details of the stock options that have been granted to Dr. Akula see, "Employee Stock Option Plans and Stock Purchase Plan" below.

The Company has received a Letter of Undertaking dated January 19, 2010 from Dr. Vikram Akula whereby he has consented that he will not sell, transfer, encumber or pledge the Equity Shares held by him to any person for the period commencing from the date of listing of the Equity Shares to three years after the listing or the date of cessation of his employment, whichever is earlier.

(iii) *Lock in of Equity Shares Allotted to Anchor Investors*

Equity Shares Allotted to Anchor Investors, in the Anchor Investor Portion shall be locked in for a period of 30 days from the date of Allotment of Equity Shares in the Issue.

(iv) *Other Requirements in respect of lock-in*

Locked-in Equity Shares of the Company held by the Promoters can be pledged only with banks or public financial institutions as collateral security for loans granted by such scheduled banks or public financial institutions provided that the pledge of the Equity Shares is one of the terms of the sanction of the loan.

The Equity Shares held by persons other than the Promoters prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the SEBI Takeovers Code, as applicable.

Equity Shares held by the Promoter may be transferred to and amongst the Promoter Group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the SEBI Takeovers Regulations, as applicable.

The Promoters' contribution has been brought in to the extent of not less than the specified minimum lot and from the persons defined as Promoters under the SEBI Regulations.

3. Details of transactions in Equity Shares by the Promoter, Promoter Group, directors of the Promoters and our Directors

The following are the Equity Shares that have been sold or purchased by the Promoter, Promoter Group, directors of our Promoters and our Directors during the period of six months preceding the date on which the Draft Red Herring Prospectus is filed with SEBI.

Promoter/Promoter Group	Nature of Transaction	Date of transfer	Transferred to	Purchased from	Number of Equity Shares transferred (each of Rs. 10)	Transfer Price (per Equity Share)
SKS Mutual Benefit Trust, Narayankhed*	Gift	January 5, 2010	Ms. V.L. Santha Kumari	-	18,990	-
SKS Mutual Benefit Trust, Jogipet*	Gift	January 5, 2010	Ms. V.L. Santha Kumari	-	19,000	-
SKS Mutual Benefit Trust, Medak*	Gift	January 5, 2010	Ms. V.L. Santha Kumari	-	19,000	-
SKS Mutual Benefit Trust, Sadasivpet*	Gift	January 5, 2010	Ms. V.L. Santha Kumari	-	19,000	-
SKS Mutual Benefit Trust, Sangareddy*	Gift	January 5, 2010	Ms. V.L. Santha Kumari	-	19,000	-
Dr. Vikram Akula	Sale	February 10, 2010	Tree Line	-	945,424	USD 13.67

* *Transferred by the SKS MBTs to the mother of (Late) Mr. Sitaram Rao, our ex-Director and CEO in lieu of the services rendered by him to the SKS MBTs.*

In addition to the above, the following transfers are proposed to be undertaken by the following Directors of SKS:

– 225,000 Equity Shares are proposed to be transferred by Mr. Suresh Gurumani to Tree Line pursuant to a Share Purchase Agreement dated January 27, 2010, subject to certain terms and conditions set out therein. Mr. Suresh Gurumani has received approval from the RBI on February 18, 2010 for this transfer. For further details, see "History and Certain Corporate Matters – Material Agreements - Share Purchase Agreements dated January 27, 2010 between Mr. Suresh Gurumani, Mr. M.R. Rao and Certain Employees, Tree Line and the Company" on page 106 of this Draft Red Herring Prospectus.

4. *Shareholding Pattern of the Company*

The table below presents our shareholding pattern before the proposed Issue and as adjusted for the Issue:

Shareholders	Pre-Issue		Post-Issue#	
	No. of Equity Shares	Percentage	No. of Equity Shares	Percentage
Promoters (A)				
SKS MBT – Narayankhed	2,153,693	3.3	1,705,585	2.4
SKS MBT –Jogipet	2,053,683	3.2	1,662,266	2.3
SKS MBT –Medak	2,053,683	3.2	1,662,266	2.3
SKS MBT – Sadasivapet	2,053,683	3.2	1,662,266	2.3
SKS MBT – Sangareddy	2,053,683	3.2	1,662,266	2.3
SCI II	9,095,550	14.1	5,105,847	7.1
SCIGI I	4,951,474	7.7	4,951,474	6.9
SKS Capital	7,914,205	12.3	5,634,809	7.8
MUC	3,692,129	5.7	2,628,748	3.7
Total (A)	**36,021,783**	**55.8**	**26,675,527**	**37.1**
Promoter Group (B)				
-	-	-	-	-
Total (A + B)	**36,021,783**	**55.8**	**26,675,527**	**37.1**
Non-Promoter Group (C)				
SIP I	8,341,792	12.9	8,341,792	11.6
Mr. Vinod Khosla	4,238,866	6.6	4,238,866	5.9
Kismet SKS II	3,660,500	5.7	3,660,500	5.1
Yatish Trading Company Private Limited	1,856,114	2.9	1,856,114	2.6
SIDBI@	1,807,461	2.8	1,807,461	2.5
Tejas Ventures	1,760,552	2.7	1,760,552	2.4
BALICL	1,666,666	2.6	1,666,666	2.3
Tree Line*	945,424	1.5	1,170,424	1.6
Catamaran Management Services Private Limited##	937,770	1.5	937,770	1.3
ICP Holding I	802,018	1.2	802,018	1.1
Infocom Ventures	283,020	0.4	283,020	0.4

Shareholders	Pre-Issue		Post-Issue#	
	No. of Equity Shares	Percentage	No. of Equity Shares	Percentage
Others				
SKS Employees & EWT**	2,092,133	3.0	1,867,133	2.6
Dr. Tarun Khanna	8,080	0.0	8,080	0.0
Others	105,040	0.2	105,040	0.1
Total (C)	**28,505,436**	**44.2**	**28,505,436**	39.6
Total Pre-Issue Share Capital (A+B+C)	**64,527,219**	**100.0**	**55,180,963**	**76.7**
Public (Pursuant to the Issue) **(D)**	-	-	16,791,579	23.3
Total Post-Issue Share Capital (A+B+C+D)	**64,527,219**	**100.0**	**71,972,542**	**100.0**

** *Pursuant to Share Purchase Agreements dated January 27, 2010 and subject to terms and conditions set out therein, (a) Mr. Suresh Gurumani proposes to transfer 225,000 Equity Shares to Tree Line. Mr. Suresh Gurumani has received approval from the RBI on February 18, 2010 for this transfer,the same have thus not been included under the post issue shareholding; (b) Mr. M.R. Rao, our Chief Operating Officer, proposes to transfer 62,500 Equity Shares to Tree Line; (c) Mr. S. Dilli Raj, our Chief Financial Officer, proposes to transfer 25,000 Equity Shares to Tree Line; (d) certain other employees, not being our key managerial personnel, propose to transfer an aggregate of 160,000 Equity Shares to Tree Line, and (e) Ms. V.L. Santha Kumari proposes to transfer 75,000 Equity Shares to Tree Line. Applications for the approvals of RBI towards such transfers have been made on January 27, 2010. For further details, please see "History and Certain Corporate Matters – Material Agreements - Share Purchase Agreements dated January 27, 2010 between Mr. Suresh Gurumani, Mr. M.R. Rao and Certain Employees, Tree Line and the Company" on page 106 of this Draft Red Herring Prospectus.*

Assuming that the existing shareholders, except Selling Shareholders and Employees who hold Equity Shares issued under ESOP and ESPS schemes of the Company, shall continue to hold the same number of Equity shares after Issue.

* *225,000 Equity Shares ,included under the post issue shareholding, are proposed to be transferred by Mr. Suresh Gurumani to Tree Line pursuant to a Share Purchase Agreement dated January 27, 2010, subject to certain terms and conditions set out therein. Mr. Suresh Gurumani has received approval from the RBI on February 18, 2010 for this transfer.*

Allotted as the trustee for Catamaran.

@ *Pursuant to a letter dated January 6, 2010, SIDBI has exercised its right of co-sale of 37,675 Equity Shares held by it under the Restated Shareholders Agreement and the Share Transfer Agreement and Tree Line has by its letter dated February 10, 2010 expressed its in-principle intention to acquire such Equity Shares, subject to regulatory approvals.*

5. *Equity Shares held by top ten shareholders*

(a) On the date of filing this Draft Red Herring Prospectus with SEBI:

Sl. No.	Shareholder	No. of Equity Shares held	Percentage
1	SCI II	9,095,550	14.1
2	SIP I	8,341,792	12.9
3	SKS Capital	7,914,205	12.3
4	SCIGI I	4,951,474	7.7
5	Mr. Vinod Khosla	4,238,866	6.6
6	MUC	3,692,129	5.7
7	Kismet SKS II	3,660,500	5.7
8	MBT – Narayankhed	2,153,693	3.3
9	MBT – Medak	2,053,683	3.2
10	MBT – Sadasivapet	2,053,683	3.2

(b) 10 days prior to, the date of filing this Draft Red Herring Prospectus with SEBI:

Sl. No.	Shareholder	No. of Equity Shares held	Percentage
1	SCI II	9,095,550	14.1
2	SIP I	8,341,792	13.0
3	SKS Capital	7,914,205	12.3
4	SCIGI I	4,951,474	7.7
5	Mr. Vinod Khosla	4,238,866	6.6
6	MUC	3,692,129	5.7
7	Kismet SKS II	3,660,500	5.7
8	MBT – Narayankhed	2,153,693	3.3
9	MBT – Medak	2,053,683	3.2
10	MBT – Sadasivapet	2,053,683	3.2

(c) Two years prior to the date of filing this Draft Red Herring Prospectus with SEBI:

S. No.	Shareholder	No. of Equity Shares held	Percentage
1.	SCI II	8,277,481	17.2
2.	SKS Capital	7,096,136	14.8
3.	MUC	5,692,129	11.9
4.	Mr. Vinod Khosla	4,238,866	8.8
5.	SCIGI I	2,996,396	6.2
6.	MBT – Narayankhed	2,172,683	4.5
7.	MBT – Jogipet	2,072,683	4.3
8.	MBT – Medak	2,072,683	4.3
9.	MBT – Sadasivapet	2,072,683	4.3
10.	MBT – Sangareddy	2,072,683	4.3

6. Employee Stock Option Plans and Stock Purchase Plan

A. SKS Microfinance Employees Stock Option Plan 2007 ("ESOP 2007")

The Company instituted ESOP 2007 pursuant to a special resolution dated September 8, 2007 passed at an AGM of the Company. The main purposes of the ESOP 2007 are:

i) To attract and retain appropriate human talent in the employment of the Company and to motivate employees with rewards and incentive opportunities.

ii) To achieve sustained growth of the Company and the creation of shareholder value by aligning the interests of the employees with the long term interests of the Company and to create a sense of ownership and participation among employees.

The total number of shares (which mean Equity Shares of the Company and securities convertible into Equity Shares) that may be issued under ESOP 2007 are 1,852,158 Equity Shares. The ESOP 2007 came into effect on September 8, 2007 and is valid up to September 7, 2011, or such other date as may be decided by the Board of Directors. The ESOP 2007 was implemented by the Board of Directors and the Compensation Committee. Unless otherwise specified, the vested options were to be exercised prior to the expiry of 48 months from the date of vesting.

The Company has granted 1,852,158 options convertible into 1,852,158 Equity Shares of face value of Rs.10 each on various dates as tabulated below, which represents 2.9% of the pre-Issue paid up equity capital of the Company and 2.4% of the fully diluted post-Issue paid up capital of the Company. The following table sets forth the particulars of the options granted under ESOP 2007 as of the date of filing this Draft Red Herring Prospectus:

Particulars	Details
Options granted	1,852,158
Date of grant	October 15, 2007
Exercise price of options (in Rs.)	49.77
Total options vested	1,852,158
Options exercised	945,424
Total number of Equity Shares that would arise as a result of full exercise of options already granted	1,852,158
Options forfeited/ lapsed/ cancelled	-
Variation in terms of options	-
Money realised by exercise of options (in Rs.)	47,053,753
Options outstanding (in force)	906,734
Person wise details of options granted to	
i) Directors and key managerial employees	1,852,158
ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	-
iii) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	-
Fully diluted EPS on a pre-Issue basis	Rs. 8.94 (As on September 30, 2009)
Difference between employee compensation cost using the intrinsic value method and the employee compensation cost that shall have been recognised if the Company has used fair value of options and impact of this difference on profits and EPS of the Company	Nil
Vesting schedule	Immediate
Lock-in	-
Impact on profits of the last three years (Rs.)	13,488,355
Intention of the holders of Equity Shares allotted on exercise of options to sell their Equity Shares within three months after the listing of Equity Shares pursuant to the Issue	The holders of Equity Shares allotted on exercise of options pursuant to ESOP 2007 may sell their Equity Shares within the three month period after the listing of the Equity Shares.
Intention to sell Equity Shares arising out of ESOP 2007 within three months after the listing of Equity Shares by Directors, senior managerial personnel and employees having Equity Shares amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)	None

Details regarding options granted to Directors and key managerial employees are set forth below:

Name of Director/key managerial personnel	Total No. of options granted under ESOP 2007	No. of options exercised under ESOP 2007	Total No. of options outstanding under ESOP 2007	No. of Equity Shares held	Plan
Dr. Vikram	1,852,158	945,424*	906,734#	-	ESOP

Name of Director/key managerial personnel	Total No. of options granted under ESOP 2007	No. of options exercised under ESOP 2007	Total No. of options outstanding under ESOP 2007	No. of Equity Shares held	Plan
Akula					2007

* Equity Shares resulting from these stock options were transferred to Tree Line pursuant to a Share Purchase Agreement dated December 10, 2009, subject to certain stipulations set out therein.

\# Dr. Vikram Akula has consented to lock-in the stock options of the Company held by him for a period of three years.

B. Employees Share Purchase Scheme ("ESPS 2007")

The Company instituted ESPS 2007 pursuant to a special resolution dated February 9, 2007 passed at an EGM of the Company. The ESPS 2007 was implemented by the Compensation Committee and the SKS Microfinance Employee Welfare Trust (EWT). The EWT was constituted on March 28, 2007 pursuant to a resolution passed by the Board of Directors dated March 5 2007. The effective date of the ESPS 2007 was March 31, 2007 and it shall be in effect till March 31, 2020. The object of ESPS 2007 is:

(i) to attract and retain appropriate human talent in the employment of the Company and to motivate the employees with incentives and reward opportunities,

(ii) To achieve sustained growth and creation of shareholder value by aligning the interest of the employees with the long term interests of the Company; and

(iii) To create a sense of ownership and participation amongst the employees.

The EWT was constituted for promoting welfare of the employees and for, amongst other aspects, for introducing appropriate incentive plans and benefits for employees from time to time to motivate such employees to contribute to the growth and profitability of the Company and for administration, management, funding, implementation and all other matters incidental to such plans. The Company had entered into arrangements with the EWT with an objective to provide financial assistance to the eligible employees. Under the ESPS 2007 the Company provides EWT with loans aggregating to an amount equivalent to the issue price of the total number of Equity Shares to be allotted. The EWT in turn provides interest free loan as per the terms of the financing agreement entered into with the employees in order to facilitate their acquisition of the Equity Shares and the Equity Shares are agreed to be pledged by the employees in favour of the EWT as per the terms of a pledge agreement. The loans granted by the EWT do not carry interest on the amounts outstanding upto the due dates for the entire amount. In the event the loan amount remains outstanding after the specified due date as may be specified in the finance agreement the employee is required to pay to the EWT an interest on an annual basis on the entire amount outstanding at the State Bank of India Prime Lending Rate. In the event the employee is terminated or has resigned from the service of the Company, then the Equity Shares to the extent of the unpaid amount of the interest free loan granted by the EWT shall stand transferred to the EWT.

Under ESPS 2007, 1,849,750 Equity Shares were issued for the benefit of the eligible employees, which represents 2.9% of the pre-Issue paid up equity capital of the Company and 2.4% of the fully diluted post-Issue paid up capital of the Company. The following table sets forth the particulars of the Equity Shares granted under the ESPS 2007 as of the date of filing the Draft Red Herring Prospectus.

Particulars	Details of Tranche I	Details of Tranche II	Details of Tranche III
Shares Issued	818,000	514,250	517,500
Date of issue	March 31, 2007	November 20, 2007	August 25, 2008
Allotment price of share (Rs.)	10.00	49.77	70.67
Person wise details of shares granted to			
i) Directors and key managerial employees	Refer below		
ii) Any other employee who was allotted Equity Shares amounting to 5% or more of the Equity Shares allotted during the year	Not Applicable	Not Applicable	Not Applicable
iii) Identified employees who were allotted Equity Shares, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of allotment	Not Applicable	Not Applicable	Not Applicable
Fully diluted EPS on a pre-Issue basis	Rs. 8.94 (as on September 30, 2009)		
Difference between employee compensation cost using the intrinsic value method and the employee compensation cost that shall have been recognised if the Company has used fair value and impact of this difference on profits and EPS of the Company	Not Applicable	Not Applicable	Not Applicable
Lock-in	-	-	-
Impact on profits of the last three years (Rs.)	Nil	Nil	5,345,775
Intention of the holders of Equity Shares allotted to sell their shares within three months after the listing of Equity Shares pursuant to the Issue	The holders of Equity Shares allotted on issue of Equity Shares pursuant to ESPS- 2007 may sell their equity shareholding within the 3 month period after the listing of the Equity Shares.		
Intention to sell Equity Shares arising out of the ESPS 2007 within three months after the listing of Equity Shares by Directors, senior managerial personnel and employees having Equity Shares amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)	None		

Details regarding Equity Shares allotted to Directors and key managerial employees are set forth below:

Name of Director / Key Managerial Personnel	Number of Equity Shares allotted	Date of allotment/Transfer
Mr. M.R. Rao	456,666*	• 200,000 Equity Shares allotted on March 31, 2007. • 163,750 Equity Shares allotted on August 25, 2008. • 86,250 Equity Shares have

Name of Director / Key Managerial Personnel	Number of Equity Shares allotted	Date of allotment/Transfer
		been transferred from EWT on August 25, 2008. • 6,666 Equity Shares transferred from EWT on July 29, 2009.
Mr. S. Dilli Raj	102,666	• 100,000 Equity Shares have been transferred from EWT on February 1, 2008. • 2,666 Equity Shares transferred from EWT on July 29, 2009.

** Out of the 456,666 Equity Shares, 100,000 Equity Shares have been transferred to EWT on July 29, 2009 at a price of Rs. 300.00 per Equity Share.*

C. SKS Microfinance Employee Stock Option Plan 2008 ("ESOP 2008")

The Company instituted ESOP 2008 pursuant to a special resolution dated November 8, 2008 passed at an EGM of the Company. The main purposes of the ESOP 2008 are:

i) To attract and retain appropriate human talent in the employment of the Company and to motivate employees with rewards and incentive opportunities; and

ii) To achieve sustained growth of the Company and the creation of shareholder value by aligning the interests of the employees with the long term interests of the Company and to create a sense of ownership and participation among employees.

The total number of shares (which mean Equity Shares of the Company and securities convertible into Equity Shares) that may be issued under ESOP 2008 are 2,669,537 Equity Shares. The ESOP 2008 came into effect on November 10, 2008 and is valid up to November 9, 2014, or such other date as may be decided by the Board of Directors. The ESOP 2008 was implemented by the Board of Directors and the Compensation Committee. Unless otherwise specified, the vested options were to be exercised prior to the expiry of 60 months from the date of vesting.

The Company has granted 2,669,537 options convertible into 2,669,537 Equity Shares of face value of Rs.10 each on various dates as tabulated below, which represents 4.1% of the pre-Issue paid up equity capital of the Company and 3.4% of the fully diluted post-Issue paid up capital of the Company. The following table sets forth the particulars of the options granted under ESOP 2008 as of the date of filing the Draft Red Herring Prospectus:

Particulars	Details of Tranche I	Details of Tranche II
Options granted	1,769,537	900,000
Date of grant	November 10, 2008	December 8, 2008
Exercise price of options (in Rs.)	300.00	300.00
Total options vested	1,769,537	225,000
Options exercised	-	225,000
Total number of Equity Shares that would arise as a result of full exercise of options already granted	1,769,537	900,000
Options forfeited/ lapsed/ cancelled	-	-
Variation in terms of options	-	-
Money realised by exercise of options (in Rs.)	-	Rs. 67.5 mn
Options outstanding (in force)	1,769,537	675,000
Person wise details of options granted to		

Particulars	Details of Tranche I	Details of Tranche II
i) Directors and key managerial employees	1,769,537	900,000
ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	-	-
iii) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	-	-
Fully diluted EPS on a pre-Issue basis	Rs. 8.94 (As on September 30, 2009)	
Difference between employee compensation cost using the intrinsic value method and the employee compensation cost that shall have been recognised if the Company has used fair value of options and impact of this difference on profits and EPS of the Company	Nil	Nil
Vesting schedule	Immediate	25% equally at the end of each year
Lock-in	-	-
Impact on profits of the last three years	5,159,964	406,032
Intention of the holders of Equity Shares allotted on exercise of options to sell their Equity Shares within three months after the listing of Equity Shares pursuant to the Issue	The holders of Equity Shares allotted on exercise of options pursuant to ESOP 2008 may sell their equity shares within the three month period after the listing of the Equity Shares.	
Intention to sell Equity Shares arising out of ESOP 2008 within three months after the listing of Equity Shares by Directors, senior managerial personnel and employees having Equity Shares amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)	None	

Details regarding options granted to Directors and key managerial personnel are set forth below:

Name of Director/ key managerial personnel	Total No. of options granted under ESOP 2008	No. of options exercised under ESOP 2008	Total No. of options outstanding under ESOP 2008	No. of Equity Shares held	Plan
Dr. Vikram Akula	1,769,537#	-	1,769,537#	-	ESOP 2008-Tranche I
Mr. Suresh Gurumani	900,000	225,000	675,000	225,000*	ESOP 2008 - Tranche II

* *Mr. Suresh Gurumani proposes to transfer these 225,000 Equity Shares to Tree Line pursuant to a Share Purchase Agreement dated January 27, 2010, subject to certain terms and conditions set out therein. Mr. Suresh Gurumani has received approval from the RBI on February 18, 2010 for the aforesaid transfer. For further details, please see "History and Certain Corporate Matters – Material Agreements - Share Purchase Agreements dated January 27, 2010 between Mr. Suresh Gurumani, Mr. M.R. Rao and Certain Employees, Tree Line and the Company" on page 106 of this Draft Red Herring Prospectus.*

\# *Dr. Vikram Akula has consented to lock-in the stock options of the Company held by him for a period of three years from the date of Allotment in the Issue.*

D. SKS Microfinance Employees Stock Option Plan 2008 (Independent Directors) ("ESOP 2008 (ID)")

The Company instituted ESOP 2008 (ID) pursuant to a special resolution dated January 15, 2008 passed at an EGM of the Company. The Stock Option Plan 2008 was amended pursuant to the Board resolution dated January 5, 2010 and EGM held on January 8, 2010 and the name has been changed to SKS Microfinance Employees Stock Option Plan 2008 (Independent Directors). The purpose of the ESOP 2008 (ID) is to:

(i) To attract and retain independent Directors' on the Board of the Company who are eminent and revered personality in their respective fields;

(ii) To commensurate independent Directors for the value addition and contribution made by them to the Company; and

(iii) To remunerate adequately, each Independent Directors' to be on the Board of the Company.

The total number of Equity Shares that may be issued under ESOP-2008 (ID) are 195,000 Equity Shares (as amended, pursuant to a resolution of the shareholders dated January 08, 2010. The ESOP-2008 (ID) came into effect on January 16, 2008 and is valid up to January 15, 2015, or such other date as may be decided by the Board of Directors. The ESOP 2008 (ID) was implemented by the Board of Directors. Unless otherwise specified the vested options were to be exercised prior to the expiry of 60 months from the date of vesting.

The Company has granted 159,000 options convertible into 159,000 Equity Shares each under ESOP 2008 (ID).

These options represent 0.2% of the pre-Issue paid up equity capital of the Company and 0.2% of the fully diluted post-Issue paid up capital of the Company. The following table sets forth the particulars of the options granted under the ESOP 2008 (ID) as of the date of filing the Draft Red Herring Prospectus:

Particulars	Details of Tranche I	Details of Tranche II	Details of Tranche III	Details of Tranche IV
Options granted	45,000	6,000	18,000	90,000
Date of Grant	February 1, 2008	November 10, 2008	July 29, 2009	February 1, 2010
Exercise price of options (in Rs.)	70.67	70.67	300.00	300.00
Total options vested	45,000	6,000	18,000	-
Options exercised	-	-	-	-
Total number of Equity Shares that would arise as a result of full exercise of options already granted	45,000	6,000	18,000	90,000
Options forfeited/ lapsed/ cancelled	-	-	-	-
Variation in terms of options	-	-	-	-
Money realised by exercise of options (in Rs.)	-	-	-	-
Options outstanding (in force)	45,000	6,000	18,000	90,000
Person wise details of options granted to				
i) Directors and key managerial employees	45,000	6,000	18,000	90,000
ii) Any other employee who received a grant in any one year of options amounting to 5% or	-	-	-	-

Particulars	Details of Tranche I	Details of Tranche II	Details of Tranche III	Details of Tranche IV
more of the options granted during the year				
iii) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	-	-		-
Fully diluted EPS on a pre-Issue basis	Rs.8.94 (as on September 30, 2009)			
Difference between employee compensation cost using the intrinsic value method and the employee compensation cost that shall have been recognised if the Company has used fair value of options and impact of this difference on profits and EPS of the Company	-	-	-	-
Vesting schedule	Immediate	Immediate	Immediate	25% equally at the end of each year
Lock-in	-	-	-	-
Impact on profits of the last three years(Rs.)	511,436	145,455	15,727	Nil
Intention of the holders of Equity Shares allotted on exercise of options to sell their shares within three months after the listing of Equity Shares pursuant to the Issue	The holders of Equity Shares allotted on exercise of options pursuant to ESOP 2008 (ID) may sell their Equity Shares within the three month period after the listing of the Equity Shares.			
Intention to sell Equity Shares arising out of the ESOP 2008 (ID) within three months after the listing of Equity Shares by Directors, senior managerial personnel and employees having Equity Shares amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)	None			

Details regarding options granted to independent Directors are set forth below:

Name of Director	Total No. of options granted under ESOP 2008 (ID)	No. of options exercised under ESOP 2008 (ID)	Total No. of options outstanding under ESOP 2008 (ID)	No. of Equity Shares held	Plan
Mr. Gurcharan Das*	15,000	-	15,000	-	ESOP 2008 (ID) - Tranche I
Mr. P.H. Ravi Kumar	15,000	-	15,000	-	ESOP 2008 (ID) - Tranche I
Dr. Tarun	15,000	-	15,000	-	ESOP

Name of Director	Total No. of options granted under ESOP 2008 (ID)	No. of options exercised under ESOP 2008 (ID)	Total No. of options outstanding under ESOP 2008 (ID)	No. of Equity Shares held	Plan
Khanna					2008 (ID) - Tranche I
Dr. Tarun Khanna	3,000	-	3,000	-	ESOP 2008 (ID) - Tranche II
Mr. P.H. Ravi Kumar	3,000	-	3,000	-	ESOP 2008 (ID) - Tranche II
Mr. Geoffrey Tanner Woolley	18,000	-	18,000	-	ESOP 2008 (ID) - Tranche III
Mr. P.H. Ravi Kumar	18,000	-	18,000	-	ESOP 2008 (ID) - Tranche IV
Dr. Tarun Khanna	18,000	-	18,000	-	ESOP 2008 (ID) - Tranche IV
Mr. Geoffrey Tanner Woolley	18,000	-	18,000	-	ESOP 2008 (ID) - Tranche IV
Mr. Pramod Bhasin	36,000	-	36,000	-	ESOP 2008 (ID) - Tranche IV

* *Resigned with effect from January 5, 2010*

E. SKS Microfinance Employees Stock Option Plan 2009 ("ESOP 2009")

The Company instituted ESOP 2009 pursuant to a special resolution dated December 10, 2009 passed at an EGM of the Company. The main purposes of the ESOP 2009 are:

(i) To provide means to enable the Company to attract and retain appropriate human talent in the employment of the Company;

(ii) To motivate the employees of the Company with incentives and reward opportunities;

(iii) To achieve sustained growth of the Company and the creation of shareholder value by aligning the interests of the employees with the long term interests of the Company; and

(iv) To create a sense of ownership and participation amongst the employees.

The total number of Equity Shares that may be issued under ESOP 2009 (as amended, pursuant to a resolution of shareholders dated December 10, 2009) are 2,499,490 Equity Shares. The ESOP 2009 came into effect on September 30, 2009 and is valid up to November 30, 2014, or such other date as may be decided by the Board of Directors. The ESOP 2009 was implemented by the Board of Directors and the Compensation Committee. The vested options were to be exercised prior to the expiry of six years from the date of grant of the Options as may be determined by the Board/Compensation Committee.

The Company has granted 2,395,910 options convertible into 2,395,910 Equity Shares of face value Rs. 10 each. The options granted by the Company under ESOP 2009 represent 3.7% of the pre-Issue paid up equity capital of the Company and 3.1% of the fully diluted post-Issue paid up capital of the Company. The following table sets forth the particulars of the options granted under ESOP 2009 as of the date of filing this Draft Red Herring Prospectus:

Particulars	Details of Tranche I	Details of Tranche II
Options granted	514,750	1,881,160
Date of grant	November 3, 2009	December 16, 2009
Exercise price of options	Rs. 300.00	1,313,160 at Rs. 150.00 per option and 568,000 at Rs. 300.00 per option
Total options vested	Nil	Nil
Options exercised	Nil	Nil
Total number of Equity Shares that would arise as a result of full exercise of options already granted	514,750	1,881,160
Options forfeited/ lapsed/ cancelled	Nil	Nil
Variation in terms of options	Nil	Nil
Money realised by exercise of options	Nil	Nil
Options outstanding (in force)	514,750	1,881,160
Person wise details of options granted to		
i) Directors and key managerial employees	Nil	Nil
ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	Nil	Nil
iii) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil	Nil
Fully diluted EPS on a pre-Issue basis	Rs. 8.94 (as on September 30, 2009)	
Difference between employee compensation cost using the intrinsic value method and the employee compensation cost that shall have been recognised if the Company has used fair value of options and impact of this difference on profits and EPS of the Company	Not Applicable	Not Applicable
Vesting schedule	Year 1- 40% Year 2- 25% Year 3- 25% Year 4 – 10%	20 % equally at the end of each year
Lock-in	Nil	Nil
Impact on profits of the last three years	Not Applicable	Not Applicable
Intention of the holders of Equity Shares allotted on exercise of options to sell their shares within three months after the listing of Equity Shares pursuant to the Issue	The holders of Equity Shares allotted on exercise of options pursuant to ESOP 2009 may sell their Equity Shares within the three month period after the listing of the Equity Shares.	

Particulars	Details of Tranche I	Details of Tranche II
Intention to sell Equity Shares arising out of ESOP 2009 within three months after the listing of Equity Shares by Directors, senior managerial personnel and employees having Equity Shares amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)	None	

7. The Company, Promoters, Directors and the BRLMs have not entered into any buy back arrangements for purchase of the specified securities of the Company, other than the arrangements, if any, entered for safety net facility as permitted under the SEBI Regulations.

8. Except as stated above, none of our Directors, key managerial personnel, BRLMs or their associates hold any Equity Shares in the Company.

9. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

10. The Promoter Group, the Directors of the Company which is a Promoter of the Company, the Directors of the Company and their relatives have not financed the purchase by any other person of securities of the Company other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of the Draft Red Herring Prospectus.

11. Apart from the options granted under the ESOP 2007, ESOP 2008, ESOP 2009 and ESOP 2008 (ID) there are no outstanding financial instruments or any other rights which would entitle the existing promoters or shareholders or any other person any option to acquire our Equity Shares after the Issue.

12. Except as may be disclosed above, we presently do not intend to or propose to alter the capital structure by way of split or consolidation of the denomination of our Equity Shares, or issue Equity Shares on a preferential basis or issue of bonus or rights or further public issue of Equity Shares or qualified institutions placement, within a period of six months from the date of opening of the Issue.

13. There shall be only one denomination of Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

14. The Equity Shares being issued in this Issue will be fully paid up at the time of Allotment.

15. As of the date of filing of this Draft Red Herring Prospectus, the total number of holders of Equity Shares are 230.

16. The Company has not raised any bridge loans against the Net Proceeds.

17. The Company has not issued any Equity Shares out of revaluation reserves. Except as disclosed in above, the Company has not issued any Equity Shares for consideration other than cash.

18. As per the RBI regulations, OCBs are not allowed to participate in the Issue.

19. The Company, Directors, Promoters or Promoter Group shall not make any payments direct or indirect, discounts, commissions, allowances or otherwise under this Issue except as disclosed in this Draft Red Herring Prospectus.

20. Except as stated above, the Equity Shares held by the Promoters are not subject to any pledge.

21. Over-subscription to the extent of 10% of the Issue can be retained for the purpose of rounding off.

22. The Company has not issued or allotted any Equity Shares out of revaluation reserves or for consideration other than cash or in terms of scheme approved under Sections 391 to 394 of the Companies Act, 1956.

23. At least 60% of the Issue shall be allocated to QIBs on a proportionate basis. 5% of the QIB Portion (excluding Anchor Investor Portion) shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for allocation to the QIBs including Mutual Funds subject to valid Bids being received at or above the Issue Price. Further, not less than 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue will be available for allocation to Retail Individual Bidders, subject to valid Bids being received from them at or above the Issue Price. Under-subscription, if any, in the Non-Institutional and Retail Individual categories would be allowed to be met with spill over from any other category at the discretion of the Company and the BRLMs.

    Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company and the Selling Shareholders in consultation with the BRLMs and the Designated Stock Exchange.

    For further details, see "Issue Structure" on page 254 of this Draft Red Herring Prospectus.

OBJECTS OF THE ISSUE

The Issue comprises of a Fresh Issue and an Offer for Sale. We intend to utilise the Net Proceeds for the following objects:

(a) augment our capital base to meet our future capital requirements arising out of growth in our business; and
(b) to achieve the benefits of listing on the Stock Exchanges.

We will not receive any of the proceeds from the Offer for Sale.

The main objects clause of our Memorandum of Association and the objects incidental and ancillary to the main objects enable us to undertake the activities for which the funds are being raised by us in the Issue. Further, we confirm that the activities we have been carrying out until now are in accordance with the objects clause of our Memorandum of Association.

Utilisation of the Net Proceeds

The Net Proceeds amounting to Rs. [●] million shall be utilised to augment our capital base to meet our future capital requirements arising out of growth in our business.

Means of Finance

The details of the Net Proceeds are summarised in the table below:

(Rs. in million)

Particulars	
Proceeds of the Fresh Issue	[●]
Issue related expenses	[●]
Net Proceeds of the Issue	[●]

We are engaged in providing microfinance services to individuals from poor segments of rural India. As there is no project to be implemented, the Net Proceeds will be used to augment our capital base to meet our future capital requirements arising out of growth in our business.

Interim Use of Funds

Pending utilisation for the purposes described above, we intend to invest such Net Proceeds in bank deposits as approved by our Board of Directors in accordance with our investment policy. Our management, in accordance with the policies established by our Board of Directors from time to time and subject to the relevant regulations of RBI, will have flexibility in deploying the Net Proceeds of the Issue subject to the Objects of the Issue.

Issue Expenses

The expenses of this Issue include, among others, underwriting and management fees, printing and distribution expenses, legal fees, advertisement expenses and listing fees. The estimated Issue expenses are set forth in the table below:

Activity	Expense* *(Rs. in million)*	Expense *(% of total expenses)*	Expense *(% of Issue Size)*
Lead Management, Underwriting and Selling Commission, Brokerage	[●]	[●]	[●]
SCSB Commission	[●]	[●]	[●]
Bankers to the Issue			
Advertising and marketing expenses	[●]	[●]	[●]
Printing and stationery (including	[●]	[●]	[●]

Activity	Expense* *(Rs. in million)*	**Expense** *(% of total expenses)*	**Expense** *(% of Issue Size)*
courier, transportation charges)			
Others (Registrar fees, legal fees, listing costs etc)	[●]	[●]	[●]
Fees paid to IPO Grading agency	[●]	[●]	[●]
Total	**[●]**	**[●]**	**[●]**

Will be incorporated after finalisation of the Issue Price.

The Issue expenses, except the listing fee, shall be shared between the Company and the Selling Shareholders. The listing fees will be paid by the Company.

Monitoring of Utilization of Funds

We may appoint a monitoring agency in relation to the Issue as required under the provisions of the SEBI Regulations. Our Board and the monitoring agency, if appointed, shall monitor the utilization of the Net Proceeds. We will disclose the utilization of the Net Proceeds under a separate head along with details, for all such Net Proceeds that have not been utilized. We will indicate investments, if any, of unutilized Net Proceeds in our balance sheet.

Pursuant to Clause 49 of the Listing Agreement, our Company shall on a quarterly basis disclose to the Audit Committee, the uses and applications of the Net Proceeds. On an annual basis, our Company shall prepare a statement of funds utilised for purposes other than those stated in this Draft Red Herring Prospectus and place it before the Audit Committee. Such disclosure shall be made only until such time that all the Net Proceeds have been utilised in full. The statement will be certified by our statutory auditors. In addition, the report submitted by the monitoring agency, if appointed, will be placed before the Audit Committee of our Company, so as to enable the Audit Committee to make appropriate recommendations to the Board.

Our Company shall be required to inform material deviations in the utilisation of Net Proceeds to the Stock Exchanges and shall also be required to simultaneously make the material deviations / adverse comments of the Audit Committee / monitoring agency public through advertisements in newspapers.

No part of the Net Proceeds will be paid by us as consideration to our Promoters, our Directors, Group Entities or key management personnel, except in the normal course of business and in compliance with applicable law.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by the Company and Selling Shareholders in consultation with the BRLMs on the basis of demand from the investors for the Equity Shares through the Book Building Process. The face value of the Equity Shares of the Company is Rs. 10 each and the Issue Price is [●] times the face value.

Qualitative Factors

We believe the following business strengths allow us to successfully compete in the microfinance sector:

- Market Leadership
- Superior asset quality
- Expertise in microfinance
- Diversified Sources of Revenue
- Pan-India rural distribution network
- Scalable operating model
- Access to multiple sources of capital and emphasis on asset and liability management
- Experienced management team and board of directors

For further details, see "Business - Our Competitive Strengths" and "Risk Factors" on pages 74 and xiv of the Draft Red Herring Prospectus.

Quantitative Factors

The information presented below relating to the Company is based on the restated financial statements of the Company for fiscal 2009, 2008, 2007 prepared in accordance with Indian GAAP.

Some of the quantitative factors, which form the basis for computing the price, are as follows:

1. *Basic and Diluted Earnings per Share (EPS) as per Accounting Standard 20*

Earnings per equity share ("**EPS**")

Year ended	Basic		Diluted	
	EPS (Rs.)	Weight	EPS (Rs.)	Weight
March 31, 2009	17.94	3	16.25	3
March 31, 2008	5.53	2	5.41	2
March 31, 2007	1.58	1	1.58	1
Weighted Average	**11.08**		**10.19**	

Note:

a. Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period.

b. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares except where the results are anti-dilutive.

2. *Price Earning Ratio (P/E) in relation to the Issue Price of Rs. [●] per share of Rs. 10 each*

a.	P/E ratio in relation to the Floor Price	: [●] times
b.	P/E ratio in relation to the Cap Price	: [●] times
c.	P/E based on EPS for the year ended March 31, 2009	: [●] times
d.	P/E based on Weighted average EPS	: [●] times

3. *Average Return on Networth ("RoNW")*

Return on Net Worth as per our restated financial statements

Year ended	RoNW (%)	Weight
March 31, 2009	12.07	3
March 31, 2008	7.85	2
March 31, 2007	3.09	1
Weighted Average	**9.17**	

Note: The RoNW has been computed by dividing net profit after tax as restated, by Net Worth as at the end of the year.

4. *Minimum Return on Total Net Worth after Issue needed to maintain pre-Issue EPS for the year ended March 31, 2009 is [●].*

5. *Net Asset Value*

Particulars	Amount. (Rs.)
Net Asset Value per Equity Share as of September 30, 2009	157.34
Net Asset Value per Equity Share after the Issue	[●]
Issue Price per equity share	[●]

NAV per equity share has been calculated as networth as divided by the closing number of shares at the end of fiscal 2009.

6. *Comparison with other listed companies*

We believe that none of the listed companies in India are engaged exclusively in the business of microfinance.

Since the Issue is being made through the 100% Book Building Process, the Issue Price has been determined on the basis of investor demand. The BRLMs believe that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. For further details, see "Risk Factors", "Business" and "Financial Statements" on pages xiv, 73 and 144, respectively, to have a more informed view. The face value of the Equity Shares is Rs. 10 each and the Issue Price is [●] times the face value of the Equity Shares.

STATEMENT OF TAX BENEFITS

The Board of Directors
SKS Microfinance Limited
Ashoka Raghupathi chambers,
D No - 1-10-60 to 62,
Opp Shopper's Stop, Begumpet,
Hyderabad — 500 016 (A.P)

Dear Sirs,

Statement of Possible Tax Benefits available to SKS Microfinance Limited and its shareholders

We hereby report that the enclosed statement provides the possible tax benefits available to SKS Microfinance Limited ('the Company') under the Income-tax Act, 1961 and presently in force in India and to the shareholders of the Company under the Income Tax Act, 1961 and Wealth Tax Act, 1957 and the Gift Tax Act, 1958, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon their fulfilling such conditions which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed in the enclosed statement are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance as to whether:

i) the Company or its shareholders will continue to obtain these benefits in future; or
ii) the conditions prescribed for availing the benefits have been / would be met with.

The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of their understanding of the business activities and operations of the Company.

We shall not be liable to any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

For S.R. Batliboi & Co.
Chartered Accountants

per Viren H. Mehta
Partner
Membership No.: 048749
Firm's registration number: 301003E

Place: Mumbai
Date: March 17, 2010

General Tax Benefits to the Company

1. Dividends earned are exempt from tax in accordance with and subject to the provisions of section 10(34) read with section 115-O of the Act. However, as per section 94(7) of the Act, losses arising from sale/ transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

2. The Company will be entitled to amortise certain preliminary expenditure, specified under section 35D(2) of the I.T. Act, subject to the limit specified in Section 35D(3). The deduction is allowable for an amount equal to one-fifth of such expenditure for each of five successive assessment years beginning with the assessment year in which the business commences.

3. Income by way of interest, premium on redemption or other payment on notified securities, bonds, certificates issued by the Central Government is exempt from tax under section 10(15) of the Income-tax Act, 1961 (herein after referred to as 'the Act') in accordance with and subject to the conditions and limits as may be specified in notifications.

4. The depreciation rates in respect of Motor Cars is 15%, of furniture & fittings is 10%, of Intangible assets is 25%, of Computers 60%, of Buildings (Residential) 5% and of Buildings (Others) is 10%.

5. The amount of tax paid under Section 115JB by the company for any assessment year beginning on or after 1st April 2006 will be available as credit for ten years succeeding the Assessment Year in which MAT credit becomes allowable in accordance with the provisions of Section 115JAA.

6. In case of loss under the head "Profit and Gains from Business or Profession", it can be set-off against other income and the excess loss after set-off can be carried forward for set-off - against business income of the next eight Assessment Years.

7. The unabsorbed depreciation, if any, can be adjusted against any other income and can be carried forward indefinitely for set-off against the income of future years.

8. If the company invests in the equity shares of another company, as per the provisions of Section 10(38), any income arising from the transfer of a long term capital asset being an equity share in a company is not includible in the total income, if the transaction is chargeable to Securities Transaction Tax.

9. Income earned from investment in units of a specified Mutual Fund is exempt from tax under section 10(35) of the Act. However, as per section 94(7) of the Act, losses arising from the sale/ redemption of units purchased within three months prior to the record date (for entitlement to receive income) and sold within nine months from the record date, will be disallowed to the extent such loss does not exceed the amount of income claimed exempt.

10. Further, as per section 94(8) of the Act, if an investor purchases units within three months prior to the record date for entitlement of bonus, is allotted bonus units without any payment on the basis of holding original units on the record date and such person sells/ redeems the original units within nine months of the record date, then the loss arising from sale/ redemption of the original units will be ignored for the purpose of computing income chargeable to tax and the amount of loss ignored shall be regarded as the cost of acquisition of the bonus units.

11. In accordance with section 112, the tax on capital gains on transfer of listed shares, where the transaction is not chargeable to Securities transaction tax, held as long term capital assets will be the lower of:

(a) 20 per cent (plus applicable surcharge and Education cess and Secondary Higher Education Cess) of the capital gains as computed after indexation of the cost. or

(b) 10 per cent (plus applicable surcharge and Education cess and Secondary Higher Education Cess) of the capital gains as computed without indexation.

12. In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in a company, where such transaction has suffered Securities Transaction Tax, is chargeable to tax at the rate of 15% (plus applicable surcharge and Education cess and Secondary Higher Education Cess). If the provisions of Section 111A are not applicable to the short term capital gains, then the tax will be chargeable at the rate of 30% plus surcharge and Education Cess and Secondary Higher Education Cess as applicable.

13. Under section 36(1)(vii), any bad debt or part thereof written off as irrecoverable in the accounts is allowable as a deduction from the total income.

14. Under section 36(1)(viii) of the Act, subject to the conditions specified therein, a deduction is allowable in respect of an amount not exceeding 20% of the profits derived from eligible business [viz., providing long-term finance for industrial or agricultural development or development of infrastructure facility in India or construction or purchase of houses in India for residential purposes] provided such amount is transferred to a special reserve account created and maintained for this purpose. Provided that where the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and general reserves, no allowance under this clause shall be made in respect of such excess.

15. Section 14A of the Act restricts claim for deduction of expenses incurred in relation to incomes which do not form part of the total income under the Act. Thus, any expenditure incurred to earn tax exempt income is not a tax deductible expenditure.

Section 115-O

Tax rate on distributed profits of domestic companies (DDT) is 15%, the surcharge on Income tax is at 10%, and the Education cess and Secondary Higher Education cess is 3%.

Tax Rates

The tax rate is 30%. The surcharge on Income tax is 10%, only if the total income exceeds Rs. 1 Crore. Education cess and Secondary Higher Education cess is 3%.

General Tax Benefits to the Shareholders of the Company

(I) Under the Income-tax Act

A) Residents

1. Dividends earned on shares of the company are exempt from tax in accordance with and subject to the provisions of section 10(34) read with section 115-O of the Act. However, as per section 94(7) of the Act, losses arising from sale/ transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

2. Shares of the company held as capital asset for a period of more than twelve months preceding the date of transfer will be treated as a long term capital asset.

3. Long term capital gain arising on sale of shares is fully exempt from tax in accordance with the provisions of section 10(38) of the Act, where the sale is made on or after October 1, 2004 on a recognized stock exchange and the transaction is chargeable to securities transaction tax.

4. Section 14A of the Act restricts claim for deduction of expenses incurred in relation to incomes which do not form part of the total income under the Act. Thus, any expenditure incurred to earn tax exempt income (ie dividend/exempt long-term capital gains) is not a tax deductible expenditure.

5. Under section 36(1)(xv) of the Act, securities transaction tax paid by a shareholder in respect of taxable securities transactions entered into in the course of its business, would be allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head "Profits and gains of business or profession".

6. As per the provision of Section 71(3), if there is a loss under the head "Capital Gains", it cannot be set-off with the income under any other head. Section 74 provides that the short term capital loss can be set-off against both Short term and Long term capital gain. But Long term capital loss cannot be set-off against short term capital gain. The unabsorbed short term capital loss can be carried forward for next eight assessment years and can be set off against any capital gains in subsequent years. The unabsorbed long term capital loss can be carried forward for next eight assessment years and can be set off only against long term capital gains in subsequent years

7. Taxable long term capital gains would arise [if not exempt under section 10(38) or any other section of the Act] to a resident shareholder where the equity shares are held for a period of more than 12 months prior to the date of transfer of the shares. In accordance with and subject to the provisions of section 48 of the Act, in order to arrive at the quantum of capital gains, the following amounts would be deductible from the full value of consideration:

   (a) Cost of acquisition/ improvement of the shares as adjusted by the cost inflation index notified by the Central Government; and

   (b) Expenditure incurred wholly and exclusively in connection with the transfer of shares

8. Under section 112 of the Act, taxable long-term capital gains are subject to tax at a rate of 20% (plus applicable surcharge and cess) after indexation, as provided in the second proviso to section 48 of the Act. However, in case of listed securities or units, the amount of such tax could be limited to 10% (plus applicable surcharge and cess), without indexation, at the option of the shareholder in cases.

9. Short term capital gains on the transfer of equity shares, where the shares are held for a period of not more than 12 months would be taxed at 15% (plus applicable surcharge and education cess), where the sale is made on or after October 1, 2004 on a recognized stock exchange and the transaction is chargeable to securities transaction tax. In all other cases, the short term capital gains would be taxed at the normal rates of tax (plus applicable surcharge and education cess) applicable to the resident investor. Cost indexation benefits would not be available in computing tax on short term capital gain.

10. Under section 54EC of the Act, long term capital gain arising on the transfer of shares of the Company [other than the sale referred to in section 10(38) of the Act] is exempt from tax to the extent the same is invested in certain notified bonds within a period of six months from the date of such transfer (upto a maximum limit of Rs 50 lakhs) for a minimum period of three years.

11. In accordance with section 54F, long-term capital gains arising on the transfer of the shares of the Company held by an individual and on which Securities Transaction Tax is not payable, shall be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for

construction of a residential house within three years subject to regulatory feasibility. Such benefit will not be available if the individual-

- owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or

- purchases another residential house within a period of one year after the date of transfer of the shares; or

- constructs another residential house within a period of three years after the date of transfer of the shares; and

- the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

12. If an individual or HUF receives any property, which includes shares, without consideration, the aggregate fair market value of which exceeds Rs 50000, the whole of the fair market value of such property will be considered as income in the hands of the recipient. Similarly, if an individual or HUF receives any property, which includes shares, for consideration which is less than the fair market value of the property by an amount exceeding Rs 50000, the fair market value of such property as exceeds the consideration will be considered as income in the hands of the recipient

Tax Rates

For Individuals, HUFs, BOI and Association of Persons:

Slab of income (Rs.)	**Rate of tax (%)**
0 – 160,000	Nil
160,001 – 300,000	10%
300,001 – 5,00,000	20%
500,001 and above	30%

Notes:

(i) In respect of women residents below the age of 65 years, the basic exemption limit is Rs. 190,000.

(ii) In respect of senior citizens resident in India, the basic exemption limit is Rs. 240,000.

(iii) Education Cess will be levied at the rate of 2% of Income Tax.

(iv) Secondary and Higher Education Cess will be levied at the rate of 1% of Income Tax (not including Education Cess).

B) Non-Residents

1. Dividends earned on shares of the Company are exempt in accordance with and subject to the provisions of section 10(34) read with Section115-O of the Act. However, as per section 94(7) of the Act, losses arising from sale/ transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt

2. Long term capital gain arising on sale of Company's shares is fully exempt from tax in accordance with the provisions of section 10(38) of the Act, where the sale is made on or after October, 1 2004 on a recognized stock exchange and the transaction is chargeable to securities transaction tax.

3. In accordance with section 48, capital gains arising out of transfer of capital assets being shares in the company shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and the full value of the consideration received or accruing as a result of the transfer into the same foreign currency as was initially utilised in the purchase of the shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency, such that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing/arising from every reinvestment thereafter in, and sale of, shares and debentures of, an Indian company including the Company.

4. As per the provisions of Section 90, the Non Resident shareholder has an option to be governed by the provisions of the tax treaty, if they are more beneficial than the domestic law wherever India has entered into Double Taxation Avoidance Agreement (DTAA) with the relevant country for avoidance of double taxation of income.

5. In accordance with section 112, the tax on capital gains on transfer of listed shares, where the transaction is not chargeable to Securities Transaction Tax, held as long term capital assets will be at the rate of 10% (plus applicable surcharge and Education cess and Secondary Higher Education Cess). A non-resident will not be eligible for adopting the indexed cost of acquisition and the indexed cost of improvement for the purpose of computation of long-term capital gain on sale of shares.

6. In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in a company where such transaction has suffered Securities Transaction Tax is chargeable to tax at the rate of 15% (plus applicable surcharge and Education cess and Secondary Higher Education Cess). If the provisions of Section 111A are not applicable to the short term capital gains, then the tax will be chargeable at the applicable normal rates plus surcharge and Education Cess and Secondary Higher Education Cess as applicable.

7. In accordance with section 54EC, long-term capital gains arising on transfer of the shares of the Company and on which Securities Transaction Tax is not payable, the tax payable on the capital gains shall be exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long-term specified asset, subject to regulatory feasibility. The long-term specified assets notified for the purpose of investment are bonds of Rural Electrification Corporation Ltd. (REC) and National Highways Authority of India (NHAI). Notification issued by Government of India specifies that no such bonds will be issued to a person exceeding Rs. 50 lakhs.

   If only a part of the capital gain is so invested, the exemption would be limited to the amount of the capital gain so invested.

   If the specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the specified asset is transferred.

8. In accordance with section 54F, long-term capital gains arising on the transfer of the shares of the Company held by an individual and on which Securities Transaction Tax is not payable, shall be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for construction of a residential house within three years subject to regulatory feasibility. Such benefit will not be available if the individual-

- owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
- purchases another residential house within a period of one year after the date of transfer of the shares; or
- constructs another residential house within a period of three years after the date of transfer of the shares; and
- the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

C) Non-Resident Indians

Further, a Non-Resident Indian has the option to be governed by the provisions of Chapter XII-A of the Income-tax Act, 1961 which reads as under:

1. In accordance with section 115E, income from investment or income from long-term capital gains on transfer of assets other than specified asset shall be taxable at the rate of 20% (plus "Education cess and Secondary Higher Education Cess"). Income by way of long term capital gains in respect of a specified asset (as defined in Section 115C(f) of the Income-tax Act, 1961), shall be chargeable at 10% (plus "Education cess and Secondary Higher Education Cess").

2. In accordance with section 115F, subject to the conditions and to the extent specified therein, long-term capital gains arising from transfer of shares of the company acquired out of convertible foreign exchange, and on which Securities Transaction Tax is not payable, shall be exempt from capital gains tax, if the net consideration is invested within six months of the date of transfer in any specified new asset.

3. In accordance with section 115G, it is not necessary for a Non-Resident Indian to file a return of income under section 139(1), if his total income consists only of investment income earned on shares of the company acquired out of convertible foreign exchange or income by way of long-term capital gains earned on transfer of shares of the company acquired out of convertible foreign exchange or both, and the tax deductible has been deducted at source from such income under the provisions of Chapter XVII-B of the Income-tax Act, 1961.

4. In accordance with section 115-I, where a Non-Resident Indian opts not to be governed by the provisions of Chapter XII-A for any assessment year, his total income for that assessment year (including income arising from investment in the company) will be computed and tax will be charged according to the other provisions of the Income-tax Act, 1961.

5. As per the provisions of Section 90, the NRI shareholder has an option to be governed by the provisions of the tax treaty, if they are more beneficial than the domestic law wherever India has entered into Double Taxation Avoidance Agreement (DTAA) with the relevant country for avoidance of double taxation of income.

6. In accordance with section 10(38), any income arising from the transfer of a long term capital asset being an equity share in a company is not includible in the total income, if the transaction is chargeable to Securities Transaction Tax.

7. In accordance with section 10(34), dividend income declared, distributed or paid by the Company (referred to in section 115-O) will be exempt from tax.

8. In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in a company where such transaction has suffered Securities Transaction Tax is chargeable to tax at the rate of 15% (plus applicable surcharge and Education cess and Secondary Higher Education Cess). If the provisions of Section 111A are not applicable to the short term capital gains, then the tax will be chargeable at the applicable normal rates plus surcharge and Education Cess and Secondary Higher Education Cess as applicable.

9. In accordance with section 54EC, long-term capital gains arising on transfer of the shares of the Company on which Securities Transaction Tax is not payable, shall be exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long- term specified asset subject to regulatory feasibility. The long-term specified assets notified for the purpose of investment are bonds of Rural Electrification Corporation Ltd. (REC) and National Highways Authority of India (NHAI). Notification issued by Government of India specifies that no such bonds will be issued to a person exceeding Rs.50 lakhs.

   If only a part of the capital gain is so invested, the exemption would be limited to the amount of the capital gain so invested.

   If the specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head “Capital Gains” of the year in which the specified asset is transferred.

10. In accordance with section 54F, long-term capital gains arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family on which Securities Transaction Tax is not payable, shall be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for construction of a residential house within three years subject to regulatory feasibility. Such benefit will not be available if the individual or Hindu Undivided Family-

    - owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
    - purchases another residential house within a period of one year after the date of transfer of the shares; or
    - constructs another residential house within a period of three years after the date of transfer of the shares; and

- the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head “Income from house property”.

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head “Capital Gains” of the year in which the residential house is transferred.

D) Foreign Institutional Investors (FIIs)

1. In accordance with section 10(34), dividend income declared, distributed or paid by the Company (referred to in section 115-O) will be exempt from tax in the hands of Foreign Institutional Investors (FIIs).

2. In accordance with section 115AD, FIIs will be taxed at 10% (plus applicable surcharge and Education cess and Secondary Higher Education Cess) on long-term capital gains (computed without indexation of cost and foreign exchange fluctuation), if Securities Transaction Tax is not payable on the transfer of the shares and at 15% (plus applicable surcharge and Education cess and Secondary Higher Education Cess) in accordance with section 111A on short-term capital gains arising on the sale of the shares of the Company which is subject to Securities Transaction Tax. If the provisions of Section 111A are not applicable to the short term capital gains, then the tax will be charged at the rate of 30% plus surcharge and Education cess and Secondary Higher Education cess, as applicable.

   In accordance with section 10(38), any income arising from the transfer of a long term capital asset being an equity share in a company is not includible in the total income, if the transaction is chargeable to Securities Transaction Tax.

3. As per the provisions of Section 90, the Non Resident shareholder has an option to be governed by the provisions of the tax treaty, if they are more beneficial than the domestic law wherever India has entered into Double Taxation Avoidance Agreement (DTAA) with the relevant country for avoidance of double taxation of income.

4. Under section 196D (2) of the Income-tax Act, 1961, no deduction of tax at source will be made in respect of income by way of capital gain arising from the transfer of securities referred to in section 115AD.

5. In accordance with section 54EC, long-term capital gains arising on transfer of the shares of the Company on which Securities Transaction Tax is not payable, shall be exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long- term specified asset. The long-term specified assets notified for the purpose of investment are bonds of Rural Electrification Corporation Ltd. (REC) and National Highways Authority of India (NHAI). Notification issued by Government of India specifies that no such bonds will be issued to a person exceeding Rs.50 lakhs.

   If only a part of the capital gain is so invested, the exemption would be limited to the amount of the capital gain so invested.

   If the specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the specified asset is transferred.

E) Persons carrying on business or profession in shares and securities.

Under section 36(1)(xv) of the Act, securities transaction tax paid by a shareholder in respect of taxable securities transactions entered into in the course of its business, would be allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head "Profits and gains of business or profession".

A non resident taxpayer has an option to be governed by the provisions of the Income-tax Act, 1961 or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial (section 90(2) of the Income-tax Act, 1961).

F) Mutual Funds

Under section 10(23D) of the Act, exemption is available in respect of income (including capital gains arising on transfer of shares of the Company) of a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 or such other Mutual fund set up by a public sector bank or a public financial institution or authorized by the Reserve Bank of India and subject to the conditions as the Central Government may specify by notification.

***G)* Venture Capital Companies/Funds**

In terms of section 10(23FB) of the I.T. Act, income of:-

Venture Capital company which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and notified as such in official Gazette; and

Venture Capital Fund, operating under a registered trust deed or a venture capital scheme made by Unit trust of India, which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and fulfilling such conditions as may be notified in the official Gazette, from investment in a Venture Capital Undertaking, is exempt from income tax,

Exemption available under the Act to the Venture Capital Fund is subject to investment in the specified sector.

(II) Under the Wealth Tax and Gift Tax Acts

1. "Asset" as defined under section 2(ea) of the Wealth-tax Act, 1957 does not include shares held in a Company and hence, these are not liable to wealth tax.

2. Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Any gift of shares of the Company is not liable to gift-tax. However, in the hands of the Donee the same will be treated as income unless the gift is from a relative as defined under Explanation to Section 56(vi) of Income-tax Act, 1961.

Notes:

1. The above Statement sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

2. The above statement covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefit under any other law.

3. The above statement of possible tax benefits are as per the current direct tax laws relevant for the assessment year 2010-11. Several of these benefits are dependent on the Company or its shareholder fulfilling the conditions prescribed under the relevant tax laws.

4. This statement is intended only to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her investment in the shares of the Company.

5. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the relevant DTAA, if any, between India and the country in which the nonresident has fiscal domicile.

6. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

SECTION IV: ABOUT THE COMPANY

THE MICROFINANCE INDUSTRY

Overview

Microfinance offers poor people access to basic financial services such as loans, savings, money transfer services and microinsurance, according to the Consultative Group to Assist the Poor, or CGAP, an independent policy and research organization. The industry emerged to alleviate poverty on the premise that poor people, like everyone else, need a diverse range of financial services to run their business, build assets and reduce vulnerability to fluctuations in their income. Their needs for financial services have been traditionally met through a variety of financial relationships, mostly informal. In the past two decades, different types of financial services providers for poor people have emerged, including non-government organizations, or NGOs; cooperatives; community-based development institutions like Self Help Groups, or SHGs, and credit unions; commercial and state banks and microfinance institutions, or MFIs, offering new possibilities.

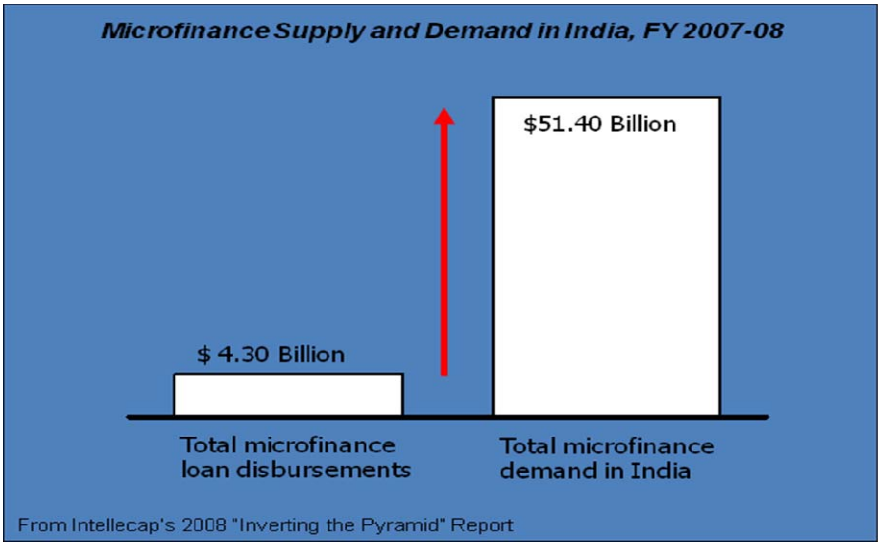
The ultimate goal of microfinance is to enable the poor to build assets, increase incomes, reduce vulnerability to shocks and economic stress and improve quality of life by enabling better access to education and healthcare. The microfinance industry has grown at a rapid pace across the world and has created a positive impact in the lives of millions of poor people.

Demographics and Demand

The measure of a person who is poor or that is living in poverty is generally classified across various thresholds of daily income. The World Bank defines poverty in two segments: extreme poverty, which is defined as living on less than $1.25 per day using purchasing power parity, or PPP, and moderate poverty, which is defined as living on less than $2.00 per day using PPP. PPP is a measure that adjusts for differences in currency exchange rates among countries to price the amount of goods and services in each currency equally.

In 2008, the World Bank estimated that 1.4 billion people in the developing world were living on less than $1.25 per day in 2005, and 2.6 billion people in the developing world were living on less than $2.00 per day using PPP. The bank also estimated that there are approximately, 828.0 million poor people, or approximately 150.0 million poor households in India. Microfinance penetration of these households as indicated in the 2009 Bharat Microfinance Report by Sa-Dhan is estimated to be at 22.6 million MFI clients and 63.6 million SHG clients in 2009 (Sa-Dhan publishes Bharat Microfinance report on an annual basis by collecting self reported data from member as well as non member MFIs).

According to the 2008 Inverting the Pyramid Report by Intellecap, an independent industry research firm, the total estimated demand for micro-credit in India was approximately $51.4 billion (Rs. 2,399.35 billion). This demand is currently being addressed by the two largest microfinance models in India, MFIs and SHGs. The same report estimated the 2008 total loan disbursements for these two models at approximately $4.30 billion (Rs. 200.72 billion). Total microfinance loan disbursements do not include loans made by traditional commercial rural banks and other informal money lenders. The chart below shows the relative MFI loan disbursements for 2008 and the projected demand for microcredit.



History and Evolution of Microfinance in India

Access to Banking

A significant proportion of the poor, many of whom work as agricultural and unskilled or semi-skilled wage labourers, micro-entrepreneurs and low-salaried workers, were historically excluded from the formal financial system.

According to the Government of India's 2008 Report of the Committee on Financial Sector Reforms chaired by Raghuram Rajan, or the Raghuram Report, only 34.3% of the people in the lowest income quartile have savings and only 17.7% have a bank account. By contrast, in the highest income quartile, 92.4% have savings and 86.0% have bank accounts. Factors contributing to such low savings rates and bank account participation are the lack of access to banks in rural India and cultural perceptions of risk among the poor associated with formal banking. In addition, the poor lack access to other formal sources of credit as well.

The same report estimated that 29.8% of the lowest income quartile obtained a loan in the last two years, of which only 2.9% were from banks. In comparison, 16.3% of the highest income quartile obtained a loan in the last two years, of which 7.5% were from banks. In other words, the lowest income quartile obtained only 9.6% of all loans from banks while the highest income quartile obtained 45.8% of all loans from banks. Even though the majority of small loans by banks are at low interest rates, the poor borrow predominantly from informal sources, especially money lenders, landlords, local shopkeepers and traders at much higher rates. In the lowest income quartile, over 79.0% of loans were from these sources, while only 10.8% were from SHGs and MFIs. The 2006 World Bank Report on Improving Access to Finance for Rural Poor, or Improving Access Report, found that the interest charged on loans from informal sources averaged 48.0% per annum.

Several steps have been taken by the Government of India and the Reserve Bank of India, or RBI, to increase access to banking in India. The banking sector witnessed large scale branch expansion after the initial phase nationalization of banks in 1969. Mandatory requirements were placed on banks to direct large proportions of their credit to priority sectors, including agriculture, small-scale industries and other sectors identified as critical to economic and social development.

However, the Raghuram Report found that these efforts achieved limited success for several reasons:

- *Ineffective Branch Services*. While mandated branching, especially by public sector banks in rural areas, has made it easier to reach a significant portion of the population, these branches have not served the poor in an effective manner.
- *Ignored Segments of the Priority Sector.* Priority sector requirements have forced banks to focus on particular sectors, however, the focus has tended to migrate towards the more bankable within the priority sector rather than a broad participation for everyone in the sector.
- *Interest Rate Ceilings.* Mandatory interest rate ceilings for small loans further reduces the commercial banks' motivation to provide services to the poor as higher fixed costs and higher perceived credit risk associated with small loans require lenders to increase, not lower, interest rates to meet demand.

In addition, the Improving Access Report found that the efforts of the Government of India and the RBI were also hampered by the following factors:

- *Collateral Requirements.* Banks require collateral, which the poor generally lack. The majority of loans extended by commercial banks, RRBs and co-operatives are collateralized, with 89.0% of households who borrowed from RRBs and 87.0% of households who borrowed from commercial banks reporting they had to provide collateral to obtain loans.
- *Bureaucratic Procedures and Bribes.* There were long processing times for loans with borrowers reporting that it took on average 33 weeks for a loan to be approved by a commercial bank. In addition, 27.0% of the borrowers surveyed reported having to pay a bribe to obtain a loan from a RRB, with the bribe amounts ranging from 10.0% to 20.0% of the loan amount.
- *Lack of Credit Information*. Uncertainty and lack of reliability of credit information forces banks to assess higher risk quotients on loans they disburse to the poor. To offset the higher risk, banks need to charge borrowers higher rates of interest, which interest rate ceilings prevent them from charging.

Microfinance Models

Microfinance has attempted to fill the void left between mainstream commercial banks and private money lenders and has emerged as a fast growing enabler for access to financial services for the poor. Key factors promoting the rise of microfinance models include:

- *Tailored models for the poor*. Separate models tailored to the poor with the use of group based lending structures, specialized loan products, training and support of the borrowers and simplified lending requirements.
- *Improved Financing*. Financing sources for microfinance have increased with access to bank lending, commercial instruments and institutional equity investors such as venture capital and private equity.
- *Favourable Regulatory Policies*. The Government of India adopted policies and introduced regulations to enhance microfinance lending.

Interest rates charged by microfinance organizations vary widely. Often they reflect inherently high operational and funding costs associated with rural lending activities and small loan sizes. For example, EDA-Rural Systems, in its 2004 Maturing of Indian Microfinance report, found that SHGs charged an effective interest rate of 24.0% to 28.0%, while MFIs charged 32.0% to 38.0%. As MFIs have grown there has been evidence of some reduction in effective interest rates. According to the Microfinance MCRIL Analytics 2009 report, the portfolio yield of MFIs surveyed was 31.4% in March 2009. Individual money lenders can charge significantly higher rates.

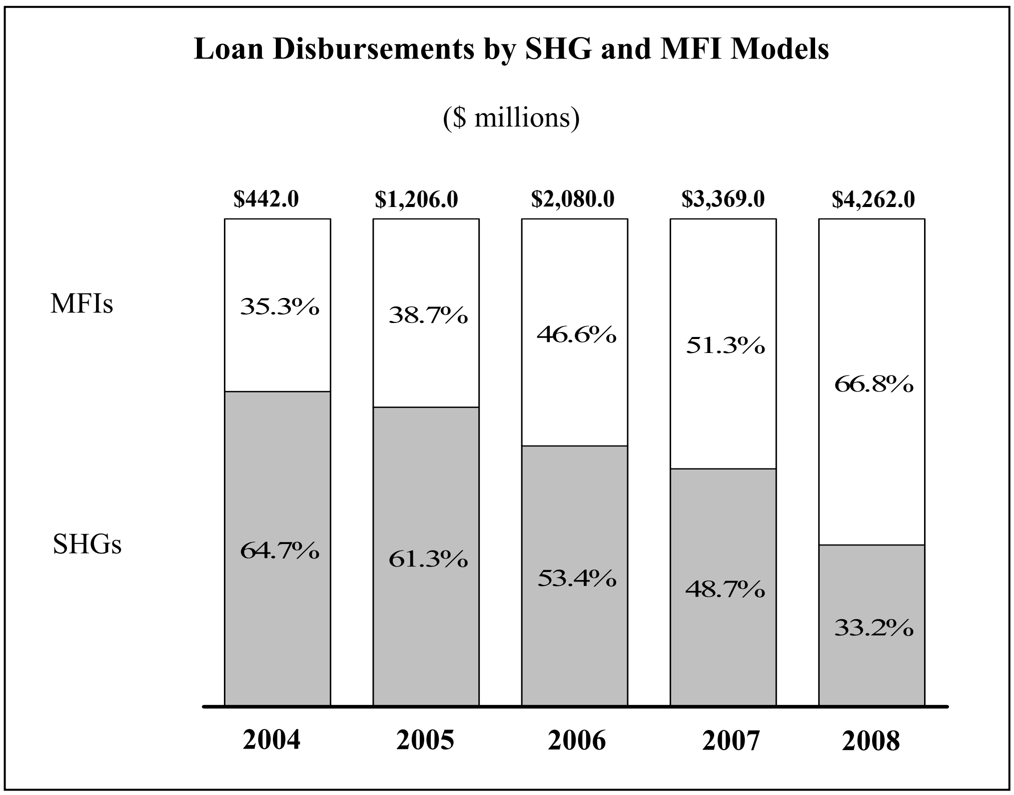
Microfinance has also focused on women as the recipients of loans. The focus on women follows the experiences of microfinance institutions in South Asia that indicate women tend to be better credit risks, reinvest profits in their households and cooperate better, thereby enabling a group lending model. According to the 2009 State of the Microcredit Summit Campaign report, 83.2% of approximately 106.6 million microfinance borrowers worldwide in 2007 were women.

Currently, there are two microfinance models in India, the SHG model and the MFI model.

The SHG Model

An SHG is a group of 10 to 20 poor women in a village who come together to contribute regular savings to a common fund to deposit with a bank as collateral for future loans. The group has collective decision making power and obtains loans from partner banks and other sources of capital, including MFIs in some instances. The SHG then loans these funds to its members at terms decided by the group. Members of the group meet on a monthly basis to conduct transactions and group leaders are responsible for maintaining their own records, often with the help of NGOs or government agency staff. In India, the microfinance movement started with the introduction of the SHG-Bank Linkage Programme in the 1980s by NGOs that was later formalized by the Government of India in the early 1990s. Pursuant to the programme, financial institutions, primarily public sector RRBs, are encouraged to partner with SHGs to provide them with funding support, which is often subsidized by the government.

The SHG model is currently the dominant model in India in terms of number of borrowers and loans disbursed. The MFI model, however, is gaining market share from the SHG model. In its 2008 Inverting the Pyramid Report, Intellecap reported market share for the SHG model on a steady decline from 2004 to 2008 as indicated in the chart below.



Mr. K.G. Karmakar, in his book titled Microfinance in India, attributes the decline of the SHG model in recent years to the following factors:

- *Weak Social Structure.* Most of the groups formed are neither natural nor voluntary, and the social intermediation and facilitation processes which are prerequisites for success are extremely weak.
- *Unequal Participation and Influence.* In most SHGs, there is a dominance of two or three members, while others are passive. This structural imbalance reduces access of the poorest to institutional credit.

- *Inadequate Management and Skills.* SHG financial management and bookkeeping practices are generally inadequate. They also lack focus and the ability to develop the relevant skills necessary to succeed and build scale.
- *Inconsistent Standards.* There is divergence in the quality of best practices and inconsistent development objectives.

SHGs are also showing signs of weak loan performance. According to the RBI's 2009 Report on Trends and Progress in India, bank recovery rates are relatively low. About 29.6% of banks reported recovery rates of about 95.0% under the programme, 38.2% of banks reported recovery rates in the range of 80.0% to 94.0%, another 22.1% of banks reported recovery rates in the range of 50.0% to 79.0%, and 10.1% of banks reported recovery rates of less than 50.0%.

Emergence of the MFI Model

The MFI model has gained significant momentum in India in recent years and continues to grow as a viable alternative to SHGs. In contrast to an SHG, an MFI is a separate legal organization that provides financial services directly to borrowers. MFIs have their own employees, record keeping and accounting systems and are often subject to regulatory compliance. MFIs require borrowers from a village to organize themselves in small groups, typically of five women, that have joint decision making responsibility for the approval of member loans. The groups meet weekly to conduct transactions. MFI staff travel to villages to attend weekly group meetings where they disburse loans and collect repayments. Unlike SHGs, loans are issued by MFIs without collateral or prior savings.

MFIs now exist in a variety of legal forms both for profit and not for profit, including trusts, societies, cooperatives, non-profit NBFCs registered under Section 25 of the Companies Act, or Section 25 Companies, and for profit MFIs registered with the RBI as NBFCs. Trusts, cooperatives and Section 25 companies are regulated by the specific legislation under which they are registered and not by the RBI. Since there is no capital adequacy requirement for societies and trusts, they are not subjected to net owned funds requirements or prudential norms. MFIs seeking to obtain a NBFC license are required to have a minimum capitalization of only Rs. 20.00 million. Recent legislation requires NBFCs to maintain a capital adequacy ratio of at least 12.0% by March 31, 2010 and 15.0% by March 31, 2011.

Favourable regulatory policies for MFIs, combined with weaknesses of the SHG model, continue to support MFI growth. According to the Bharat Microfinance Report, the total MFI channel outreach grew from 10.0 million clients in 2007 to 22.6 million clients in 2009, representing a CAGR of 50.3%. The same report found that the total outstanding loan portfolio grew from Rs. 34,560.00 million in 2007 to Rs. 117,340.00 million in 2009, representing a CAGR of 84.3%.

For-profit MFIs have obtained a majority of the market share both in terms of clients and in terms of total outstanding loan portfolio. According to the same Bharat Microfinance Report, for-profit MFIs had 62.0% of all clients and 75.0% of outstanding loans as of March 2009.

The average loan outstanding per client has also increased in recent years. According to the 2009 Microfinance India State of the Sector Report, the average loan outstanding per client increased from Rs. 4,200.00 in 2008 to Rs. 5,200.00 in 2009, representing an increase of 23.8%. This increase is driven by increases in the percentage of borrowers that had loans exceeding Rs. 10,000.00, which grew from 20.0% in 2008 to 38.0% in 2009.

In addition to sustained growth in terms of borrowers and outstanding loan portfolio, the MFI model is demonstrating strong loan repayment rates as well. The RBI's November – December 2007 survey of MFIs reported a recovery rate of greater than 90.0%.

Impact of Microfinance on the Poor

Microfinance provides the poor with long term economic and social benefits. Sustained access to micro-credit enables the poor to increase household income. These economic improvements are often accompanied by wider ranging social developments that improve the quality of life through improved social standing for women, nutrition, education and healthcare.

Economic and Social Benefits

By utilizing borrowed funds for additional working capital for their business and for investments in additional income generating assets, borrowers are able to increase business activity and generate additional household income. This additional income, if either reinvested by purchasing additional land, animals or facilities or deposited in savings, can further increase household income. The reinvestments will either expand an existing business, add new businesses that diversify sources of income and reduce income exposure from fluctuations in any one business or increase savings that reduce the need to sell family assets during times of crisis.

For the household, improved economic conditions can result in secondary economic and social benefits as well. Women are the largest borrowers of microfinance and women generally tend to direct additional income toward better nutrition, education and healthcare for the family. Households are able to send more children to school for longer periods and to make greater investments in their children's education. Increased earnings can lead to better nutrition, living conditions, and a lower incidence of illness. Increased earnings and access to microinsurance also mean that households may seek out and pay for health care services when needed.

For women, money management, greater control over resources, and access to knowledge can lead to more choices and potentially a voice in family and community matters. Economic empowerment is accompanied by increases in self-esteem, self-confidence, and new opportunities. Qualitative and quantitative studies have documented how access to financial services has improved the status of women within the family and the community. Women often become more assertive and confident. In regions where female mobility is strictly regulated, women have often become more visible and are better able to negotiate the public sphere. Women involved in microfinance may also own assets, including land and housing, and play a stronger role in decision making.

Studies have been undertaken on the economic and social impacts of microfinance in India. Some illustrate its positive effects on the poor with either the SHG or MFI models. Some of the key findings in India focused reports are summarized below:

- *The 2007-2008 RBI report on Trends and Progress of Banking in India*. In the SHG model, there has been a shift towards higher income levels when comparing the periods prior to the emergence of SHGs as compared to the following periods. For example, approximately 74.0% of sample households had an annual income level of less than Rs. 22,500.00 prior to the emergence of SHGs, which declined to 57.0% in the following period. In addition, approximately 30.0% of SHGs were also involved in community service activities such as increasing water supply, health care and anti-alcohol campaigns.

- *Assessing Development Impact of Micro Finance Programmes, 2008.* A seven year commissioned study by SIDBI of 4,510 households, of which 3,253 households were active borrowers, with 25 MFIs across 10 states in India. Selected results provided below suggest significant improvements.

    - 77.0% were able to develop their existing activities
    - 37.0% were able to diversify into new activities
    - 39.0% were able to repay their past costly debts and current debts
    - 76.0% were able to increase their income through MFI assistance
    - 66.0% improved their food consumption
    - 56.0% could improve their housing conditions
    - 47.0% could acquire additional household assets
    - 77.0% could provide better educational facilities

- *The Maturing of Indian Microfinance, 2004*. A five year commissioned study undertaken by EDA-Rural Systems of approximately 5,400 households, out of which 4,000 were active borrowers with a total of 20 microfinance institutions in India. The comparison of selected results between members and non-members as well as between microfinance models provided below and suggests material poverty reducing effects.

Poverty Reducing Effects Comparison – Members and Non-Members		
Borrower Households	**Members**	**Non-Members**
Increasing household income	45.0%	26.0%
Acquiring productive asset in last two years	36.0	14.0%
With multiple sources of income	67.0%	50.0%
Investing in housing in last two years	23.0%	20.0%

Poverty Reducing Effects by Microfinance Model		
Borrower Households	**SHG**	**MFI**
Increasing household income	41.0%	70.0%
Acquiring productive asset in last two years	23.0%	51.0%
With multiple sources of income	67.0%	82.0%
Investing in housing in last two years	21.0%	25.0%

- *Profiling of Micro Enterprises in Tamil Nadu and Uttar Pradesh, 2005.* The report by the Institute for Financial Management and Research's Centre for Micro Finance estimated that microfinance clients sampled from two leading microfinance *institutions* made an average weekly profit of Rs. 707.00 from their businesses. The study also found that the average loan size was Rs. 7,117.00. The table below shows a breakdown of profits by business activity.

Borrower Profits by Activity		
Activity	**Categories of Activities**	**Average Weekly Profit (Rs.)**
Agriculture	Buying land, leasing coconut fields and other agriculture	272.00
Animal Husbandry	Buffalos, cows and goats	316.00
Construction	Painting, centering and electrical	1,500.00
Production	Carpet weaving, sari weaving, sewing, gem cutting and polishing and quarrying	543.00
Trading	Shops for groceries, tea, petty goods, cloth and flowers	520.00
Transportation	Auto and bicycle rickshaws, and pushcarts	943.00

Sources of Funds

With increasing awareness about the strengths and benefits of MFIs, the industry has been able to attract commercial capital, both debt and equity, from multiple sources. The access to commercial capital has enabled MFIs to scale and grow rapidly.

Banks are a major source of funding for MFIs since loans to MFIs qualify for mandatory priority sector lending that banks in India are subject to. The loans can be used to meet sub-targets for agriculture, micro-credit and lending to weaker sections. Larger MFIs have also started accessing traditional capital markets with listed bonds, debentures and similar instruments. More recently, MFIs have securitized assets and sold their loans to banks. These transactions also often meet mandatory bank priority sector lending requirements.

MFIs have also raised capital with the issuance of equity to various investors including, venture capital, private equity insurance agencies and financial institutions.

Policy for Microfinance in India

The policy of the Government of India has long favoured the continued development of the microfinance industry in India. The RBI, SIDBI and NABARD are the largest and most active government affiliated entities regulating and supporting the industry. Collectively, these organizations have initiated significant legislation and funding with the intent support to the microfinance movement in India. A summary of the major initiatives is presented below.

RBI Initiatives

Banks in India are required to lend a certain required percentage, either directly or indirectly, to specified sectors of the population and industry designated as priority sectors. Currently, domestic commercial banks are required to maintain 40.0% of their adjusted net bank credit or credit equivalent amount of assigned or securitized assets, whichever is higher as total priority sector advances. These include loans for agriculture, small enterprises, retail trade, micro-credit, education and housing. Of the 40.0% total requirement, 18.0% of the net bank credit or credit equivalent of assigned or securitized asserts must qualify as agriculture and allied activities sector loans. Additionally, 10.0% must qualify as designated weaker section loans.

In 2007, the RBI enacted rules to include microfinance loans within the purview of these mandatory priority sector bank lending requirements. Qualifying loans could not exceed Rs. 50,000.00 per borrower. These rules thus allowed banks to lend to SHGs and MFIs to satisfy their priority sector lending requirements, reducing their need to satisfy the requirements through direct lending which they often found difficult to meet with the lack of a strong rural banking network.

In the same year, the RBI also enacted rules that provided for bank purchases of securitized assets comprised of loans by SHGs and MFIs to priority sector borrowers to qualify for the mandatory priority sector bank lending requirements.

While the RBI has enacted rules that subject banks to interest rate ceilings for micro-credit loans, microfinance institutions that are registered as NBFCs are currently not subject to similar interest rate ceilings.

SIDBI Initiatives

SIDBI is a government funded financial institution chartered to be the principal financial institution in India for the promotion, financing and development of industry in the small scale sector and to coordinate other institutions with similar focus in India. SIDBI both funds and coordinates the development of microfinance institutions in India.

To encourage development, SIDBI has provided initial funding to several MFIs, including our Company. It was one of the first banks to lend to microfinance institutions without any collateral or security in assets. The bank has also provided substantial grants to participants in the sector. To further support the regulation and formalization of the industry, it provided transformational loans to several MFIs organized as NGOs to become NBFCs.

In addition, to encourage ratings for the industry that third parties could use to analyze the performance of the industry, SIDBI provided grants to two affiliated companies EDA-Rural Systems Private Limited and Micro-Credit Ratings International Private Limited, or M-CRIL, to support the creation of formal ratings systems. SIDBI has also provided these organizations with grants to sponsor impact and other research studies.

In 1999, it formed a separate SIDBI Foundation for Microcredit to provide support for the promotion, financing and development of the microfinance sector in India. This foundation has served to provide training, educational visits to other countries and formal course materials for management schools that provide instruction programmes.

NABARD Initiatives

The Government of India has consistently supported the microfinance sector with new regulations designed to further promote consistent and well defined standards. In 2007, the Government proposed legislation that appointed NABARD as the regulator of all microfinance entities, other than NBFCs. Even though this proposed legislation was not voted on by the Parliament, the Government has recently announced its intent to propose new legislation with similar regulation.

Future outlook and key trends for Indian MFIs

Reaching a critical mass

According to the Bharat Microfinance Report, MFIs member base increased from 14.1 million in 2008 to 22.6 million in 2009. Increased scale and sophistication can lead to greater costs savings. In addition, scale and sophistication can ensure greater access to funds for growth at lower costs, which could result in improved pricing for borrowers.

Increasing role of technology

Larger MFIs are increasingly relying on technology to control costs and enhance scalability. They have implemented computerized management information systems and internet based technologies in the field to ensure real-time data transfers. Graphical user interfaces have been simplified to standardize data entry, enable the use of vernacular languages and minimize need for specialized training. Finally, some MFIs are exploring the use of mobile phones, global positioning system enabled systems and smart cards to enable real-time data transfer and greater autonomy in the field.

Distribution of products and services other than credit

Microfinance is increasingly seen as being more than micro-credit and the member network and reach of MFIs is viewed as a potential distribution channel to the poor. Various financial products and services such as insurance, housing loans, savings deposits, money transfer services and pension products can be distributed through MFIs.

BUSINESS

Overview

We are the largest MFI in India in terms of total value of loans outstanding, number of borrowers, who we call members, and number of branches, according to the October 2009 CRISIL report titled India Top 50 Microfinance Institutions, or the CRISIL Report. We are a non-banking finance company, or NBFC, registered with and regulated by the Reserve Bank of India, or RBI. We are engaged in providing microfinance services to individuals from poor segments of rural India. Our mission is to eradicate poverty. We believe we do that by providing financial services to the poor and by using our channel to provide goods and services that the poor need.

Our core business is providing small loans exclusively to poor women predominantly located in rural areas in India. These loans are provided to such members essentially for use in their small businesses or other income generating activities and not for personal consumption. These individuals often have no, or very limited, access to loans from other sources other than private money lenders that we believe typically charge very high rates of interest.

We utilize a village centered, group lending model to provide unsecured loans to our members. This model ensures credit discipline through mutual support and peer pressure within the group to ensure individual members are prudent in conducting their financial affairs and are prompt in repaying their loans. Failure by an individual member to make timely loan payments will prevent other group members from being able to borrow from us in the future; therefore the group will typically make the payment on behalf of a defaulting member or, in the case of willful default, will use peer pressure to encourage the delinquent member to make timely payments, effectively providing an informal joint guarantee on the member's loan. We also use our distribution channel to help provide other services and goods that we have found that our members need. For instance, we also distribute and administer life insurance policy products for our members and have pilot programs to provide loans to our members to purchase select consumer products that increase their productivity.

In addition to our market leadership position and the expertise in microfinance which we have developed, we believe that our competitive strengths include our scalable operating model which leverages technology, diversified product revenues, diversified sources of capital and our pan-India distribution network. Our strategy is to further expand our membership, loans and product offerings by relying on these strengths.

We continue to finance our expansion by accessing multiple sources of capital, both debt and equity, including listed debentures, priority sector qualifying loans from banks, and equity investments from venture capital and private equity investors, institutions and others. Additionally, we seek to sell or assign our portfolio loans to banks to improve our financial position and finance our growth.

During the three year period from fiscal 2006 to fiscal 2009, we expanded our membership from 201,943 in five states to 3,953,324 in 18 states, and our branches expanded from 80 to 1,353. Our total loans outstanding increased at a CAGR of 162.9% from Rs. 780.50 million as of March 31, 2006 to Rs. 14,175.23 million as of March 31, 2009, and further increased to Rs. 28,011.08 million as of September 30, 2009. Over the three year period from fiscal 2006 to fiscal 2009, our profit after tax increased at a CAGR of 265.2%, from Rs. 16.47 million to Rs. 801.96 million. For the six month period ended September 30, 2009, our total income was Rs. 3,846.88 million and our profit after tax was Rs. 559.01 million.

History and Evolution

In 1997, Swayam Krishi Sangam, or SKS Society, was founded as a public society in the state of Andhra Pradesh, and it functioned as a non-governmental organization, or NGO, that provided microfinance in Andhra Pradesh. After several years of operation as a NGO, SKS Society and its inherent not for profit business model was limited in its ability to address the credit needs of the poor throughout India.

Accordingly, SKS Society decided it would transfer its business and operations to us as of a newly incorporated private limited company in India in 2003.

In 2003, we issued an aggregate of 99.5% of our fully diluted share capital to five newly created mutual benefit trusts, or SKS MBTs, that were established by SKS Society with the objective of promoting and enhancing the social and economic welfare of groups of poor women. Accordingly, we sought to provide the beneficiary member groups with a vehicle to foster the development of poor women with an initial corpus of share capital of our Company. The SKS MBTs subscribed to our equity shares in a series of transactions with funds initially donated by SKS Society to the beneficiary member groups of SKS Society.

At the time the SKS MBTs were formed, there were approximately 500 beneficiary member groups with approximately 16,600 women members that were located entirely in the state of Andhra Pradesh. As of March 13, 2010, the trust deeds of each of the SKS MBTs were amended to include all of our present and future members. As of the same date, there were approximately 220,000 beneficiary member groups with approximately 6.8 million women members located throughout India under the SKS MBTs. Each trust initially had five trustees comprised of three employees and two beneficiary members from each respective region where the groups were located. In November 2009, SKS Trust Advisors Private Limited, formerly Utthan Trust Advisors Private Limited, or STAPL, was designated the sole trustee of each SKS MBT. To continue representation from the beneficiary member groups, each of the SKS MBTs, on March 13, 2010, resolved to have the membership select and appoint up to 100 beneficiary representatives to represent their interests. The board of directors of STAPL currently is comprised of Dr. Vikram Akula and Dr. Ankur Sarin. In order to diversify and spread the decision making authority of STAPL, the board of directors is currently recruiting three additional independent directors.

Since 2003, we have completed several dilutive issuances with investments by our investors to fund our growth. In addition, to assist the SKS MBTs in maintaining a significant percentage holding of our share capital as we issued additional share capital to fund growth, we have provided the SKS MBTs with an extension of the time to pay the required purchase price of the dilutive issuances. As of the date of the filing of this Draft Red Herring Prospectus, the SKS MBTs held an aggregate of 14.7% of our fully diluted share capital. For further details, see “History and Certain Corporate Matters” on page 98 of this Draft Red Herring Prospectus.

We registered as a NBFC with the RBI in 2005 and were converted into a public limited company in May 2009.

Our Competitive Strengths

We believe we have the following competitive strengths:

Market Leadership

According to the CRISIL Report, we are the largest MFI in India in terms of total value of loans outstanding, number of borrowers, and number of branches as of September 30, 2008. As of September 30, 2009, we had approximately 5.3 million members, 1,627 branches, a presence in 19 states and loans outstanding of Rs. 28,011.08 million.

We believe that our market leadership position in the microfinance sector enhances our reputation and credibility with our members and our lenders. This enhanced reputation and credibility has numerous benefits, including the ability to secure capital at lower costs, recruit and retain employees, retain our existing members and expand into new regions and product areas.

Expertise in Microfinance

We have been focused on lending to poor women in India since our inception. Our experience has given us what we believe is a specialized understanding of the needs and behaviors of the individuals in this segment across India, the complexities of lending to these individuals and issues specific to the microfinance industry in India and its processes. We believe this gives us a competitive advantage over commercial banks. As a result of our experience we have developed skills in training our members and designing specialized financial products.

- *Specialized Financial Products*. We use our knowledge of our members, including their culture, habits and education to design customized financial products. For example, this knowledge enabled us to develop our core loan product with a small weekly repayment plan that corresponds with the cash flow of the member's business. We believe this approach to developing the terms and components of our financial products gives us a competitive advantage over banks and other traditional lenders.
- *Member Training*. We provide basic product awareness training for our members because the poor in India are often illiterate or semi-literate and therefore unaware of loan terms and interest rates. In particular, our training program is participatory and employs visual aids such as seeds, coins and cardboard cut-outs to explain the elements of our products and procedures. Our standardized training programs serve as a platform for increased trust and discipline within the member group and the larger aggregation of between three and 10 member groups we call a *Sangam*, which we believe translates to better loan portfolio performance and sustainable growth of our business. We believe this financial literacy training has a concurrent socio-economic benefit enabling women to apply what they have learned in our training program to other aspects of their lives.

Superior Asset Quality

We believe we have developed a unique model to ensure that our loans are repaid on time and with a low rate of default, given our high rates of portfolio growth. As of September 30, 2009 our net non performing assets, or NPAs, was 0.15% of our loans outstanding. In addition to traditional tools such as disciplined credit processes, and credit verification, our product structure, sales and collection process and segment specific approach are designed to result in a higher repayment rate for our loan portfolio. Some of these characteristics are outlined below:

- *Product Structure.* We structure our loans with a village centered, group lending model to provide unsecured loans to our members. This model ensures credit discipline through mutual support and peer pressure within the group to ensure individual members are prudent in conducting their financial affairs and are prompt in repaying their loans. Failure by an individual member to make timely loan payments will prevent other group members from being able to borrow from us in the future; therefore the group will typically make the payment on behalf of a defaulting member or, in the case of wilful default, will use peer pressure to encourage the delinquent member to make timely payments, effectively providing an informal joint guarantee on the member's loan. In addition, our loans are short term and primarily made for income generating activities or to fund increases in productivity. Finally, our loans are progressive, where only members who have successfully demonstrated their ability to timely repay previously granted smaller loans are permitted to take on larger loans. We believe that all of these features increase the likelihood that our members will successfully repay their loans.
- *Focus on Income Generating Loans for Low Income Households*. We primarily provide loans for income generating activities or to fund increases in productivity. We believe loans made for this purpose have the highest potential of generating additional income and therefore increase the likelihood of repayment of our loans. We also believe the low income segment is not as exposed to economic downturns and fluctuations because it is relatively insulated from the general economy of the country. This independence, or economic detachment, from the effects of the economy allows our members to continue their businesses without interruption, which ensures higher repayment rates.
- *Focus on Women*. We lend exclusively to women of the low income households, even if the loan proceeds are used in the household business that is run by the family, including the husband. We believe that women can positively influence loan repayment in their household because they are generally more risk averse, cooperate better in groups, and are generally more accessible than their working husbands and can meet regularly to handle the repayment of their loans. We believe that

providing women with access to capital in this manner increases their decision making stature in the household.

Scalable Operating Model

We also recognize that establishing and growing a successful rural microfinance business in India involves the significant challenge of addressing the rural poor that live in remote locations across India. To address this problem we believe that we have designed a scalable model and have developed systems and solutions for the following three components that we believe are required to effectively scale our business:

- *Capital*. The ability to access large and diverse groups of capital funds required for this market.
- *Capacity*. The capacity to provide our products and services to millions of members.
- *Cost Reduction*. The implementation of technology and process based systems to reduce the cost of conducting numerous complex transactions.

The benefits realized from scale and capacity have also been achieved through proven business models in other sectors such as food, consumer durables and retail. We have adapted some of these models to the MFI sector. We have standardized our recruitment and training programs and materials so that they can easily be replicated across the entire organization. This standardized approach also allows employees to efficiently move from region to region based on demand and growth requirements. Our business processes, from member acquisition to cash collections, have been standardized and appropriately documented. Our branch offices are similarly structured, allowing for the quick rollout of new branches. In addition, the terms and conditions of our loan products are generally uniform throughout India, although interest rates may vary from region to region.

We recognize that conducting business through millions of transactions across thousands of rural locations involves substantial repeat interactions with our members and our employees, thus increasing operating costs. To reduce operating costs, we have deployed and continually improve a sophisticated technology platform. This allows us to improve field level productivity by simplifying data entry, improving the accuracy and efficiency of collections and improving fraud detection. We also gather data on items related to our members and loan portfolio, which can be used for management decision making.

Access to Multiple Sources of Capital and Emphasis on Asset and Liquidity Management

We have constantly strived to diversify our sources of capital. As of September 30, 2009, we had outstanding loans of Rs. 26,025.91 million from more than 40 banks and other financial institutions and we had a debt to equity ratio of 3.38. Historically, the MFI sector has relied on priority sector funding from commercial banks. In addition to such funding, we are also able to fund the growth of our operations and loan portfolio through issuances of equity and private and publicly traded debt securities, loans with various maturities raised from domestic and international banks, and the securitization of components of our loan portfolio. We have also diversified our lenders among public sector domestic banks, private sector domestic banks, private sector foreign banks, and institutional investors. As of September 30, 2009, no single creditor represented more than 19.6% of our total indebtedness. We have recently obtained credit ratings for our debt securities to improve our access to, and reduce our, cost of capital. In 2009, several of our debt securities were rated by CRISIL and CARE at P1+(SO) and PR1+, respectively, which is the highest rating they give for such securities. We believe that we are one of the first MFIs in India to complete a rated bond issuance, issue commercial paper, assign a rated pool, sell a "weaker section" portfolio, list debt instruments on the BSE and complete an assignment of receivables with a public sector bank.

In addition to traditional cash flow management techniques, we also manage our cash flow through active asset liability strategies. We have structured our model to primarily borrow on a long term basis while lending on short term basis. This allows us to better meet the growing loan demands of our rapidly increasing membership even if external borrowings and funding sources face temporary dislocation. We also manage our liquidity through stringent financial metrics that assess our ability to meet our corporate debt and ongoing operational obligations. This allows us to monitor the funding needs of our growth in a disciplined and well defined manner.

Diversified Sources of Revenue

We believe that diversification of our business and revenue base is a key component of our success, both with respect to our product offerings and the geographies which we serve:

- *Diversified Geographies*. As of September 30, 2009, we had 1,627 branches in 19 states across India with no state accounting for more than 28.8% of our outstanding loan portfolio. Our broad footprint across India allows us to lend in almost all geographies in India which mitigates our exposure to local economic slowdowns and disruptions resulting from political circumstances or natural disasters.
- *Diversified Product Offerings*. While our core business is providing our members with our traditional loan products, we also offer other loans we call productivity loans, that are designed for purchase of goods that enhance the productivity of our members. We also offer access to insurance products and loans to finance them. Such other products have different pricing structures and payment terms which allow us to diversify and increase our revenue streams and revenue base. We also believe that providing our members with these other products fosters brand loyalty.

Pan-India Rural Distribution Network

We believe that our presence throughout India results in significant competitive advantages, particularly in the following areas:

- *Distribution Platform*. Our pan-India presence in the low income segment gives us a well developed distribution network in rural India. Our regular contact with members for product sales, collections, product training, and group decision making gives us the capability to offer a variety of financial products nationally in areas that most companies cannot. This distribution channel allows us to facilitate the sale of these alternative products at a lower cost to our members.
- *Product Pricing Power.* Our national presence and large volumes give us the leverage to negotiate favourable terms with institutions that want to distribute their products through our network and result in lower pricing for the products that are distributed to our members. We believe this gives us a competitive advantage over other regional lenders as well as other products distributors as we can provide our members with a larger range of products at lower costs.

Experienced Management Team and Board of Directors

Our management team has significant experience in the microfinance and financial services industry and has developed the knowledge to identify and offer products and services that meet the needs of our members, while maintaining effective risk management and competitive margins. In addition to our founder and Chairman, Dr. Vikram Akula, our senior management team is comprised of our Chief Executive Officer and Managing Director, Chief Operating Officer and Chief Financial Officer. Substantially all of our senior managers has over 17 years of experience with well reputed national and multinational companies, particularly in the retail and commercial banking industries. We continuously train our management in the field of microfinance through specialized internal and external programs.

Our Board is comprised of experienced investor, industry and management professionals. Out of a total of 10 seats on our Board, five are represented by independent Directors.

Our Strategy

Expand our Membership through Increased Geographic Coverage and Penetration in Existing Markets

We are focused on growing our membership base to increase the aggregate number of loans we can make in our loan portfolio. In order to increase our membership, we seek to:

- establish branches in new geographies, including areas where the first mover advantage is important to establishing brand recognition and customer loyalty;
- establish additional branches in areas in which we are already present and where we can leverage our leadership position and brand recognition to increase membership; and
- increase membership through greater penetration in our existing branches.

Expand our Range of Income Generating and Productivity Loan Products

Our goal is to provide our members with loan products that yield an increase in income generated as a result of the loan. We believe this focused approach to lending will allow us to sustain high repayment rates and provide economic benefits to our members and their families. One of the elements of our strategy is to continue to increase our revenue base from our members. In order to achieve these increases in revenue we are introducing newer and more innovative loan products including loans for the purchase of products such as mobile phones that we believe will increase the productivity of a member. We have entered in to a strategic relationship, with Nokia India Private Limited, or Nokia, and Bharti Airtel Limited, or Airtel, where we issue a loan to a member for the purchase of a Nokia mobile phone and Airtel service. These relationships require us to assist our members that purchase Nokia phones and Airtel service with our loans, with the subscription of the new mobile phone, the related documentation and to collect payment from them. Under a pilot program with METRO Cash & Carry India Private Limited, or METRO, we provide working capital financing to our members operating local retail shops called *kirana* stores that purchase supplies from METRO on a wholesale basis. In addition, we have recently commenced a pilot program to provide home improvement loans to our members. HDFC has licensed us a portion of their proprietary technology systems to allow us to track and support the loans we disburse in the program. We also believe that a wider variety of loan products differentiates us from competitors and increases member retention. We are also increasing the principal amount of our loans on a measured basis to members that demonstrate a strong track record of loan repayment and increased capacity to pay. We have recently obtained the RBI's approval to market and distribute mutual funds as an agent for an initial period of two years.

Leverage our Distribution Channels into New Revenue Streams

We have built a large distribution network in rural India. We believe we can leverage this network to distribute financial products of other institutions to our members at a cost lower than other institutions. Our network also allows such distributors to access a segment of the market to which many do not otherwise have access. Currently, we have a distributor relationship with Bajaj Allianz Life Insurance Company Limited, or BALICL, for the sale of their life insurance products, while meeting the protection or savings needs of our members. We receive a fee based commission on these sales and believe that increases in this type of revenue lowers our revenue risk exposure to longer term interest income based products. Having distributed over 2.3 million policies as of September 30, 2009, we also believe that the predominantly longer term and repetitive nature of these products increases member loyalty and retention.

Continue to Develop our Information Technology Platform and Risk Management Systems

We recognize that our ability to compete effectively as an MFI requires us to utilize technology to effectively control the risks, costs and errors associated with the complex transactions that are inherent in our rapidly growing business. We have developed and implemented a proprietary technology system that provides field level data entry, loan tracking and loan portfolio reporting on an aggregated enterprise-wide basis, which we believe has reduced our transaction costs and increased our ability to manage loan applications, disbursements, duration and other member specific data. We intend to further develop this system to enable real-time internet based reporting from all of our branches as well as integration with other accounting systems that we are currently using. In addition, we intend to purchase and implement an integrated risk management system that will further enhance our ability to manage the risks inherent to our business.

Pursue Strategic Business Alliances

We constantly evaluate and form new strategic business alliances to strengthen our market share and product offerings. We have entered into strategic alliances with Nokia, Airtel, BALICL, HDFC and METRO. In addition, we believe that we have unique knowledge, experience and business models that we could leverage in other countries. We may enter into joint ventures and strategic relationships to make an entry into these markets. While we have not made any such investments or acquisitions as of the date hereof, we are evaluating the potential for such opportunities, and may proceed, in a measured way, in the future.

Our Business Model and Methodology

Our lending business is based on a group lending model. This model has been refined for over 30 years by MFIs internationally and in Bangladesh, and is based on the idea that the poor have skills that are under-utilized. Further, that if the poor are given access to credit, they will be able to identify new opportunities and grow existing income generating activities such as running local retail shops called *kirana* stores, providing tailoring and other assorted trades and services, raising livestock, cottage production such as pottery, basket weaving and mat making, land and tree leasing. We believe that access to basic financial services can significantly increase economic opportunities for poor families and in turn help improve their lives. Approximately 57.7% of our members belong to the "weaker section" of Indian society, as defined by the RBI.

Our lending model is comprised of five key elements that we have summarized below.

- *Village Selection*. We believe it is important for us to determine the feasibility of a village for our lending business before we commence operations in that area. We designate field level employees, we call Sangam Managers, to be responsible for a specified village or set of villages. Our Sangam Managers conduct a comprehensive survey to evaluate the local conditions and potential for operations based on several key factors that include total population, poverty level, road access, political stability and safety. After a village has been selected, our employees conduct public meetings in the village to introduce themselves and our Company. In these meetings, we explain the concepts of group lending, our lending procedures and the requirements for group formation.

- *Focus on Women*. We lend exclusively to women of the low income households, even if loan proceeds are used in the household business that is run by the family, including the husband. We believe that women can positively influence loan repayment in their household because they are generally more risk averse, cooperate better in groups, and are generally more accessible than their working husbands and can meet regularly to handle the repayment of their loans. We believe that providing women with access to capital in this manner increases their decision making stature in the household. As decision makers, we believe women can help direct disposable income to the more basic needs of the home such as nutrition, education and home repairs.

- *Member Training*. We believe it is crucial to build a culture of product awareness and credit discipline from the early stages of group formation. We address this through training and education. Once a group is formed, we conduct training sessions we call Compulsory Group Training, or CGTs, consisting of a series of hour long sessions. These sessions are participatory and designed to provide basic product awareness by employing visual aids such as seeds, coins and cardboard cut-outs to explain the elements of our products and procedures. During the training period, our employees also collect quantitative data on each potential member to ensure she qualifies for the program and to record baseline information for future analysis. On the last day, a group recognition test is administered and members are officially inducted. Many of the training sessions have an everyday beneficial effect on our members such as the ability to sign their name, count cash and work in groups.

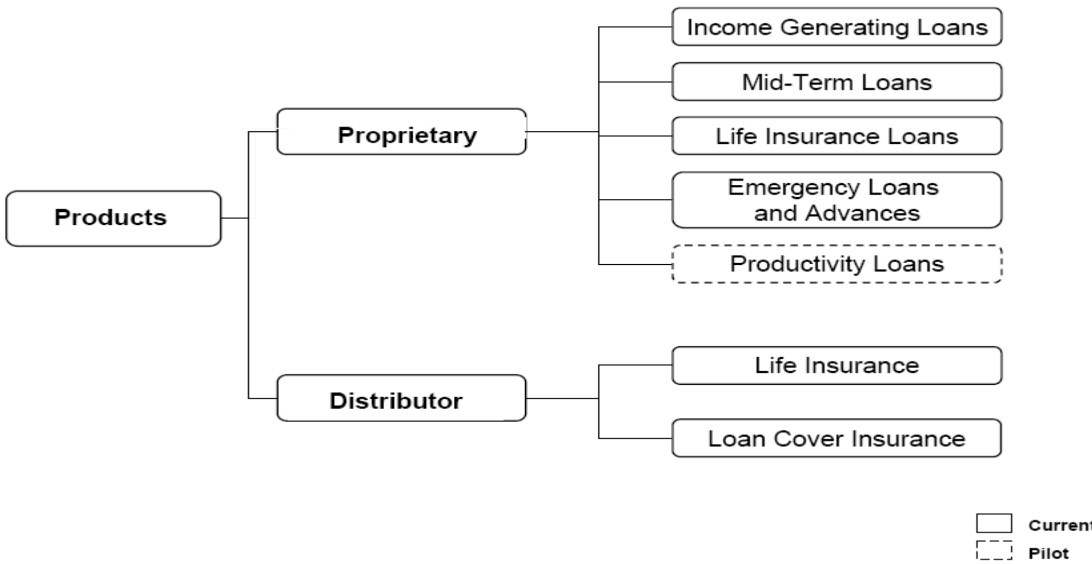
- *Group Lending*. We believe this model ensures credit discipline through mutual support and peer pressure within the group to ensure individual members are prudent in conducting their financial affairs and are prompt in repaying their loans. Failure by an individual member to make timely loan payments will prevent other group members from being able to borrow from us in the future; therefore the group will typically make the payment on behalf of a defaulting member or, in the case of wilful default, will use peer pressure to encourage the delinquent member to make timely payments, effectively providing an informal joint guarantee on the member's loan. These groups are self-selected and each member is eligible to obtain loans individually, though the group serves as an informal guarantor for others in the group. We believe that the optimal group size is exactly five women. This size is small enough for members to effectively exert peer pressure and large enough for them to have ability to repay for other members in the group in the event of a default. As other members are added and new five members groups are formed, we consolidate a series of such groups within a village to form a center, which we call a *Sangam*. A *Sangam* consists of three to 10 groups, has to approve the addition of any new group and also takes on responsibility for any member of any of the groups in that *Sangam*. This serves as an additional layer of informal joint guarantee further ensuring repayment of loans. We commence financial transactions once a *Sangam* is formed. We obtain loan applications from members of the group during the CGTs. A group, and the Sangam that the group belongs to, must approve any loan to a member in the group. Since the failure of an individual member to make timely loan repayments precludes other group members from being able to borrow from us in the future, groups are very careful and selective in choosing their members and approving loans. This structure provides and additional verification of a member's credit worthiness. Further, to ensure credit discipline and that our loans are being utilized for the purpose for which they are requested, we initially issue loans to groups within the *Sangam* on a staggered basis, with only two loans issued per group in the first week.

- *Village Level Lending and Collection*. Our approach to rural lending involves providing credit to members in their village, rather than requiring members to travel in order to obtain loans. Meetings begin early in the morning in order not to interfere with the daily activities of our members. We have developed a network that reaches each of the *Sangams* we lend to on a weekly basis. This allows us to regularly collect payments on outstanding loans and disburse new loans, reinforce group stability, address community issues and eliminate the travel and time constraints that members face with other lenders.

Our Products

The diagram below illustrates our product family including current and pilot products.

SKS MICROFINANCE PRODUCT FAMILY



Proprietary Products

We currently have four loan products and are piloting one other.

The table below indicates the relative composition of our loan portfolio by type and by number of loans outstanding per product as of September 30, 2009:

	Outstanding Principal Amount		**Number of Loans Outstanding**	
Loan Type	**Rs. (millions)**	**%**	**Number**	**%**
Income Generating Loans	23,383.76	83.5%	3,101,422	63.0%
Mid-Term Loans	4,169.22	14.9%	1,105,230	22.5%
Life Insurance Loans	272.89	1.0%	639,935	13.0%
Emergency Loans*	0.04	0.0%	23	0.0%
Productivity Loans	54.78	0.2%	47,092	1.0%
Individual Loans	130.39	0.5%	24,213	0.5%
Total	**28,011.08**	**100.0%**	**4,917,915**	**100.0%**

**Excludes Rs. 12.56 million in interest-free funeral advances outstanding as of September 30, 2009.*

Income Generating Loans

This is our core loan product for use by women in rural areas and is intended to provide capital for their small businesses. The loans are made to members for businesses such as running local retail shops called *kirana* stores, providing tailoring and other assorted trades and services, raising livestock, cottage production such as pottery, basket weaving and mat making, land and tree leasing. Loans granted under the Income Generating Loan program range from Rs. 2,000.00 to Rs. 12,000.00 for the first loan. Subsequent loan amounts are determined by past credit history and increased each year in set increments up to a maximum of Rs. 30,000.00. The annual effective interest rate of the loans range from 26.7% to 31.4%, with an interest prepayment equal to 1.0% of the loan amount. The term of an Income Generating Loan is 50 weeks. Principal and interest payments are due on a weekly basis during the loan term. We also issue moratoriums on a case by case basis in the event of a flood or other disaster in the region that we determine makes our members in the region unable to repay their loans on time. As of September 30, 2009, 83.5% of our outstanding loan portfolio consisted of Income Generating Loans.

We require our members to purchase Loan Cover Insurance provided by third party insurance companies concurrently with the issuance of an Income Generating Loan and Mid-Term Loans. The purpose of this product is to reduce the risk of loss in the event of the death of a member or her husband. The insurance covers the entire original principal balance on an Income Generating Loan and is paid directly to us by the insurer in the event of a death. Any surplus of insurance proceeds received after deducting the then outstanding balance on an Income Generating Loan is paid to the member.

Mid-Term Loans

Mid-Term Loans are for the same end use as an Income Generating Loan, but become available any time after the completion of 20 weeks of an Income Generating Loan cycle. The loan amount is smaller than an Income Generating Loan and is designed to provide members, who have obtained an Income Generating Loan, with additional capital while their Income Generating Loan is still being paid off. Loan amounts range from Rs. 2,000.00 to Rs. 15,000.00 in each annual cycle with an interest prepayment equal to 1.0% of the loan amount. The annual effective interest rate of the loan ranges from 26.7% to 31.4%. The term of the loan is 50 weeks. Principal and interest payments are due on a weekly basis during the loan term, subject to a moratorium in the event of a flood or other disaster in the region that we determine makes our members in the region unable to repay their loans on time. As of September 30, 2009, 14.9% of our outstanding loan portfolio consisted of Mid-Term Loans.

Life Insurance Loans

Life Insurance Loans are issued to our members to assist them in the purchase of whole life insurance policies we distribute and administer for BALICL. We have issued these interest free loans to our members to pay their insurance premiums during their initial 25 weeks period, in order to help promote a culture of savings and preparation. The loans are interest free and have a fixed principal amount of Rs. 500.00. The term of the loan is 25 weeks and payments are due on a weekly basis during the term of the loan. As of September 30, 2009, 1.0% of our outstanding loan portfolio consisted of Life Insurance Loans.

Emergency Loans and Advances

The Emergency Loans and Advances are offered to members for use in the case of emergencies such as pregnancies, funerals and hospitalizations. Loans range from Rs. 500.00 to Rs. 2,000.00. We do not charge interest or fees on these loans. While these loans generate a loss for us, we believe they serve an important role in serving the social needs of the poor. The term of an Emergency Loan is 20 weeks, with lump sum repayment due at the end of the term. Loans for funerals are typically paid upon receipt of any proceeds from loan cover insurance policies. As of September 30, 2009, less than 0.1% of our outstanding loan portfolio consisted of Emergency Loans and Advances.

Productivity Loans

We are currently piloting loan products that members can use to purchase consumer products that we believe will increase the productivity of members and their businesses. We are selective about the products for which we issue such loans. To ensure our loan is used for the purchase of the specified product, we first enter in to a strategic relationship with the supplier of the product that we have selected and specify that the loan disbursement will be made directly to the supplier of the product rather than to the member. For example, we are piloting a program with Nokia and Airtel for the financing of mobile phones and mobile telephone services, respectively, for our members. The annual effective interest rate of the mobile phone program loans range from 30.6% to 36.2%. The term of this loan is 25 weeks. Principal payments are due on a weekly basis during the term of the loan and the entire interest payable is paid in advance.

We are also piloting a business to business loan program with METRO to fund the working capital needs of our members who own and operate *kirana* stores. The program allows these members to purchase their inventory of consumer goods and groceries from METRO at wholesale prices. Loan amounts range from Rs. 5,000.00 to Rs. 25,000.00 and are interest free. The term of the loan is 14 days. We receive a fixed commission from METRO for the total purchases a *kirana* store makes from METRO while utilizing our productivity loan. As of September 30, 2009, 0.2% of our outstanding loan portfolio consisted of Productivity Loans.

Individual Loans

We piloted an individual loan program for direct loans to members that had completed at least one loan cycle with us. These loans were note based on the group lending model and were intended for members that had already utilized our other loan products and still required additional capital. Loan proceeds were limited to business uses similar to our other loan products. Loans amounts were limited to Rs. 50,000.00. The term of the Individual Loan ranged from 12 to 18 months. We piloted these loans in three states for a limited time during the period from September 2005 to August 2008 and no longer offer such loans.

Interest Rate Model

All of our loans are denominated in Indian Rupees, are offered at fixed interest rates, with principal and interest payable in weekly installments. The interest rates we charge our members are principally based on our high operating and funding costs, particularly our high personnel and administrative costs which are significantly greater than those of most commercial banks and traditional non-bank finance companies. The table below shows our costs as a percentage of our average total loans outstanding plus assigned loans outstanding for fiscal 2009, 2008 and 2007.

Expense	Fiscal 2009	Fiscal 2008	Fiscal 2007
Financial expenses	11.09%	8.51%	7.48%
Personnel expenses	7.85%	7.20%	7.00%
Operating and other expenses	4.81%	4.92%	6.63%
Total*	**23.75%**	**20.63%**	**21.11%**

** Excludes provisions and write-offs and tax expenses.*

We have in the past progressively reduced the interest rates we charge our members whenever our costs have been reduced, either from scale or lowered funding costs. We may continue to reduce our interest rates in the future as we achieve such economies of scale in other markets or further economies of scale in existing regions.

Distributor Products

We also distribute and administer various insurance policy products for insurance companies based in India. These policies are issued and underwritten by third party insurers and we distribute and administer them on their behalf. We receive commissions and earn fees for such arrangements. The table below indicates the relative composition of our Distributor Products portfolio by type and by revenue for the six month period ended September 30, 2009 and by number of policies outstanding as of September 30, 2009:

	Revenue		Policies Outstanding	
Insurance Type	**Rs. (millions)**	**%**	**Number**	**%**
Loan Cover Insurance	96.03	50.6	9,488,349	80.1
Life Insurance	93.73	49.4	2,355,179	19.9
Total	189.76	100.0	11,843,528	100.0

Loan Cover Insurance

We distribute term life insurance products issued and underwritten by insurance companies in India. We market the insurance policies to our members as Loan Cover Insurance. The policies are designed to provide monetary support in event of death of the member or death of the spouse of the member. These policies generally provide for the repayment of the original principal amount of the loan. We charge the member a fee for the administration of the policy, including the initial sale, payment collection and disbursements on any payable policies.

Life Insurance

We have been distributing endowment or whole life insurance policies issued and underwritten by BALICL for the past 18 months to our members. We are the master policy holder and issue individual policies on behalf of BALICL. The policies require a weekly payment of Rs. 20 and have a term of five years. Upon death, we disburse to the beneficiary the full sum assured of Rs. 5,000 plus the account value, which is equal to the aggregate of the premiums paid plus interest accrued, if any, less any charges for the administration of the policy. In the event the death is deemed an accidental death, the beneficiary receives Rs. 10,000 plus the account value. Upon maturity in five years where no death has occurred, we disburse to the policyholder the account value. We charge BALICL a fee as the master policyholder for administration of the policy, including the initial sale, payment collection and disbursements on any payable policies.

Credit application and approval process

We require each member seeking a loan from us to submit an application in her weekly *Sangam* meeting that is managed by our Sangam Managers. We use a standardized loan application form that must be signed by both the member and the center leader, who serves as a witness. Once complete, a new loan application is only accepted at a *Sangam* meeting in which all five members of the group to which the applicant belongs are present and a minimum of 70% of the center members are present. Once we have accepted the loan application, we review the information provided by the member on items such as the purpose of the loan, the amount, and the relevant expertise of the member in the business, as well as experience, if any, we have had with prior loans the member may have obtained from us.

We approve new loans based on qualitative information about the applicant and the approval of the other members in the *Sangam*. This approval process follows the following steps.

- Unanimous consent of all members present at the *Sangam* meeting to the issuance of the loan to the member. We believe this serves to put the entire *Sangam* group on notice of the loan and the awareness that a default on the loan will prevent any other member from obtaining a new loan.
- Approval of loan application by the branch manager. On a weekly basis, the branch manager leads a deliberation on each applicant's family, occupational background and previous loan history, if any. If the branch staff unanimously agrees to grant the applicant a loan, the branch manager approves the loan and the funds are disbursed to the member in the next weekly *Sangam* meeting.

Portfolio and Risk Management

The initial focus of our loan portfolio management efforts is on our Sangam Managers, who are given primary responsibility for both the issuance of loans and the collection of loan payments from our members. We believe that these employees, who are personally involved with forming of groups, leading weekly *Sangam* meetings in the villages and maintaining relationships with individual members, are an important factor in enabling us to attain a repayment rate in excess of 99.0%.

Assembling our members together in groups and *Sangams* allows us to efficiently manage our loan portfolio. All members of a group are required to attend the weekly *Sangam* meetings, during which loan repayments are made. Our Sangam Managers maintain relationships with all members that they manage in order to ensure and verify that loan payments are made timely and correctly. Sangam Managers input data regarding loan disbursements and collection into our management information system on a daily basis. In the event of a late or missed loan payment, the officer responsible for managing the loan and our branch managers commences a standardized collection process that includes direct in person visits with the member to determine the cause of the missed payment and the solutions to remedy it.

We also regularly conduct audits or reviews of our members and the use of the funds they obtained from us as loans. We call these audits and reviews loan utilization checks, or LUCs. In an LUC, one of our Sangam Managers will visit member's household or place of business to verify whether the loan funds received have been used for the purpose that the member stated in her loan application and to evaluate the status of the member's business. For every loan a member obtains from us, we conduct an LUC in the second week after disbursement of the loan.

To manage our loan portfolio, debt and assigned loans on a corporate wide basis, we have an audit team comprised of over 350 employees and a defined audit process that includes a branch rating system linked to branch manager compensation incentives. In addition, to ensure independence from our operations, our audit team reports directly to the Audit Committee of our Board.

Cash management

All of our disbursements and collections from members are done in cash, making cash management an important element of our business. To reduce the potential risks of theft, fraud and mismanagement, we have recently implemented an integrated cash management system that was operational in approximately 636 of our branches as of September 30, 2009.

The system utilizes an internet banking software platform that interfaces with various banks to provide us with up to date real time cash information for these branches and the loan activity in them. We believe this integrated system augments our management information systems, and facilitates our bank reconciliations, audits and cash flow management. The system also reduces errors.

We have adopted a cash investment policy that limits cash investments to interest bearing fixed deposit accounts. We do not invest our cash in any other instruments or securities.

Information Technology

An integral part of the ability to scale for any organization is its ability to understand what the status of its product sales, revenues, costs and risks in operating the business. We are committed to implementing technology systems and processes that provide us with up to date management information about our business to allow us to make informed strategic decisions as we grow.

We believe that we are a leader and innovator in the use of technology in the microfinance industry. With the assistance of carefully selected technology vendors, we have built our technology platform in to a business tool for achieving and maintaining high levels of customer service, enhancing operational efficiency and creating competitive advantages for our organization. Our information technology systems include the following components:

- *Information Management*. Through our technology platform, we gather data on items that pertain to our members and to our loan portfolio. Having access to this detailed information allows us to efficiently drive important corporate decision making on issues such as new products, timing of access to funding and loan portfolio concentration risks. Our system maintains profile and transactional information centrally using relational databases. Our customer information is the core of the information model, and has relational linkages to transactional information. This data organization provides our management with analytical capabilities which are harnessed for customer relationship management and product and service performance analytics.
- *Application Systems*. As part of our information technology strategy, we have embarked on a project to develop an application platform based on service oriented architecture and open standards. This application platform will form the basis for developing and integrating business applications with each other and common data elements.

This platform will provide for reusing and harnessing a set of common functionalities which we believe will reduce development and integration efforts and aid in the effective management of information across our organization.

- *Electronic Delivery Channels and Branch Infrastructure*. Each of our branches has branch terminals which provide facilities for branch data entry, loan processing, and collections along with detailed management information systems, or MIS, for branch officials.
- *Networking*. Networking in rural India is a challenge and we have made extensive use of the cellular telephony network and other technologies to establish connectivity with our remote branches.
- *Internal Systems*. In addition to the systems which provide core business functionality, we have deployed an enterprise resource planning system for our internal finance and accounting processes and other internal systems for functions such as human resource management. Messaging and collaboration systems have been deployed at a third party managed data center facility in order to ensure consistent information exchange across our organization.

We have made significant investments in maintaining and updating our technology infrastructure, systems applications and business solutions. For fiscals 2007, 2008, 2009 and six month period ended September 30, 2009, we invested approximately Rs. 15.58 million, Rs. 109.38 million, Rs. 102.57 million, and Rs. 37.62 million, respectively in developing and maintaining our information technology systems and infrastructure.

Sales and Marketing

Our sales personnel consist of branch managers, assistant managers and Sangam Managers who sell and market our proprietary products and distribute our distributor products solely through weekly *Sangam* meetings. For the six month period ended September 30, 2009, each of our Sangam Managers managed approximately 547 members on average. As of September 30, 2009, we had 15,220 sales personnel, which comprised 86.9% of our total workforce, and 1,627 branches. Our branches are supported by administrative support staff and management personnel in area and regional offices.

Our sales personnel are typically locally hired and trained so that they have a strong understanding of the local areas in which they will work. We ensure, however, that they are not appointed to the same village or region of villages to avoid a conflict of interest. In many cases, our Sangam Managers come from the same villages our members reside in. We believe this has the additional benefit of creating additional employment in the rural villages in which we operate. We train each employee in a two month program that covers both financing principles and field operations.

In addition, we also maintain a direct customer contact program which we call a Sangam Leaders Meeting. In this program, Sangam members elect a Sangam Leader to serve as the key contact and relationship person for the Sangam with our organization. We conduct Sangam Leader Meetings to inform them of our current and historical events, which allow them to better communicate the objectives of our organization to our members and better understand their expectations of our services.

We also have a corporate marketing program that includes participation in conferences, press and media coverage as well as promotional materials.

Social Initiatives

In addition to the products we directly offer our members as a NBFC, we are involved in social programs both directly and through our support of SKS Society.

Flood Relief

In the event of a flood, we provide direct relief efforts to our members in flood affected areas. For example, we recently donated Rs. 5.02 million in flood relief supplies such as blankets, rice and utensils to members affected by the 2009 floods in the states of Andhra Pradesh and Karnataka.

SKS Society

We were initially organized as a public society in the state of Andhra Pradesh, and it functioned as a NGO that provided microfinance in Andhra Pradesh. Since our acquisition of the microfinance business of SKS Society in 2005, SKS Society has continued to work with the poor across India. In November 2009, our Board of Directors approved a donation of Rs. 10.0 million to SKS Society to support their efforts. For example, SKS Society runs an ultra poor program that addresses the issues of extreme poverty on three levels: economic, social and health, and aims to graduate clients into being able to run sustainable income-generating enterprises.

SKS Society is also running a program addressing the challenge of deworming children in rural India. Estimates indicate that at least 400.0 million school-age children worldwide are infected by roundworm, whipworm, and hookworm. This can lead to stunting, anemia and children being underweight. In 2009, we joined with SKS Society in its partnership with Deworm the World to provide deworming tablets to up to 1.0 million school-aged children in the communities in which we operate. The initial focus area is the state of Andhra Pradesh.

Competition

We face our most significant organized competition from other MFIs and banks in India. In addition, many of our potential members in the lower income segments do not have access to any form of organized institutional lending, and rely on loans from informal sources, especially money lenders, landlords, local shopkeepers and traders at much higher rates

Other Microfinance Institutions

According to the Bharat Microfinance Report, there are 35 for-profit and 198 non-profit MFIs operating in India. These organizations utilize various legal entities including non-profit companies, trusts, societies, co-operatives and NBFCs. According to the CRISIL Report, the top 10 MFIs in India held approximately 74.0% of the total loans outstanding as of March 31, 2009.

Banks

We believe traditional commercial banks as well as regional rural and cooperative banks, have generally not directly targeted the rural lower income segments of the population for new customers. However, some banks do participate in microfinance by financing the loan programs of SHGs often in partnership with NGOs. Banks also indirectly participate in microfinance by making loans and providing other sources of funding to other MFIs. In addition, we are aware that some commercial banks are beginning to directly compete with for-profit MFIs for lower income segment customers in certain geographies.

Properties

Registered Office

Our registered office and headquarters are located in leased premises at Ashoka Raghupati Chambers, D. No. 1-10-60 to 62, Begumpet, Hyderabad – 500 016, Andhra Pradesh.

Other Properties

As of September 30, 2009, we also had 24 regional offices and 1,627 branches that we lease throughout India.

Employees

As of September 30, 2009 we had 17,520 full-time employees, of which we believe some belong to the 'weaker section' of the population as defined by the RBI. We conduct periodic reviews of our employees' job performance and determine salaries and discretionary bonuses based upon those reviews and general market conditions.

We believe that we have a good working relationship with our employees and we have not experienced any significant labour disputes. Our employees are not subject to any collective bargaining agreements or represented by labour unions.

Our compensation and benefit packages are competitive with others in the microfinance industry, and we comply with all provisions of the applicable labour laws. The compensation philosophy for our personnel is that compensation is linked to performance, with rewards through various incentive programs. Each of our employees has individual objectives based on strategic corporate goals. Sangam Managers are compensated with performance bonuses based on the number of new members they generate. They are not compensated or incentized on loan performance or loan size. More senior employees such as Area Managers and above are also required to maintain a strong loan portfolio and increase our customer base. When operational and financial targets are met, our employees are eligible to receive a bonus in accordance with our compensation program. We also grant employees that meet well defined seniority or tenure metrics options to purchase Equity Shares of the Company that vest on industry standard schedules. Additionally, we have employee stock option plans and an employee stock purchase scheme and have granted options to our employees pursuant to the plans. Our goal oriented culture and incentive programs have contributed to developing a highly motivated workforce that is focused on building strong relationships with our members and partners by delivering personalized customer service, growing profitability and striving for the best operational efficiencies possible. For further details of the stock option plans, see "Capital Structure" on page 26 of this Draft Red Herring Prospectus.

We have a high employee attrition rate. For fiscal 2008, 2009 and the six month period ended September 30, 2009, our employee attrition rate was 24.6%, 29.7% and 22.0%, respectively. We define attrition as the total employee terminations and resignations divided by the average employee headcount for the period times the number of months in the period. We believe these high attrition rates are the result of a mix of factors that include, better job opportunities, personal or family concerns, higher education and terminations. We continue to focus on retention efforts and the implementation of new programs to decrease our attrition.

Intellectual Property

In addition to other intellectual property such as copyrights and licenses, as of September 30, 2009, we had applied in India for 12 trademarks, including the composite trademark for "SKS Microfinance" in English and nine other Indian languages, and our logo.

We are not dependent on patents, software licenses or other intellectual property that is material to our business or results of operations.

Insurance

We maintain insurance policies that we believe are customary for companies operating in our industry. In addition to professional liability insurance, we maintain insurance policies covering our fixed assets, equipment and leased properties and that protect us in the event of natural disasters or third-party injury, and key person life insurance policies on Dr. Vikram Akula and Mr. Suresh Gurumani.

REGULATIONS AND POLICIES

We are registered with the RBI as a NBFC and operate as a non-deposit systemically important NBFC and, are sub-classified as a "loan company". Our business activities are governed by the rules, regulations, notifications and circulars issued by the Reserve Bank of India applicable to non-deposit accepting NBFCs.

Following are the significant regulations that affect our operations:

The Reserve Bank of India Act, 1934

Pursuant to an amendment to the RBI Act in 1964, the RBI was entrusted with the responsibility of regulating and supervising activities of NBFCs by virtue of powers vested to it through Chapter III B of the RBI Act. Section 45-I (f) of the RBI Act defines a NBFC as:

(i) a financial institution which is a company;

(ii) a non-banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner; or

(iii) such other non-banking institution or class of such institutions as the RBI may, with the previous approval of the Central Government and by notification in the Official Gazette, specify.

As per the RBI Act, a financial institution has been defined as a non-banking institution carrying on as its business or part of its business, amongst other activities, the financing, whether by way of making loans or advances or otherwise, of any activity, other than its own, or the carrying on of any class of insurance business.

Any company which carries on the business of a non-banking financial institution as its principal business is to be treated as a NBFC. RBI pursuant to a press release dated April 8, 1999 has further indicated that in order to identify a particular company as a NBFC, it will consider both the assets and the income pattern as evidenced from the last audited balance sheet of the company to decide its principal business. A company would be categorized as a NBFC if its financial assets were more than 50% of its total assets (netted off by intangible assets) and income from financial assets is more than 50% of the gross income. Both these tests are required to be satisfied as the determinant factor for classifying the principal business of a company as that of a NBFC.

With effect from January 9, 1997, NBFCs were not permitted to commence or carry on the business of a non banking financial institution without obtaining a Certificate of Registration (CoR). Further, with a view to imparting greater financial soundness and achieving the economies of scale in terms of efficiency of operations and higher managerial skills, the RBI raised the requirement of minimum net owned fund from Rs. 2.5 million to Rs. 20 million for a NBFC commencing business on or after April 21, 1999. Further, every NBFC was required to submit to the RBI a certificate, from its statutory auditor within one month from the date of finalization of the balance sheet and in any case not later than December 30th of that year, stating that it was engaged in the business of non-banking financial institution and it held a CoR.

Capital Reserve fund

Pursuant to Section 45 IC of the RBI Act, every NBFC is required to create a reserve fund and transfer thereto a sum not less than 20% of its net profit every year, as disclosed in the profit and loss account and before any dividend is declared. Such a fund is to be created by every NBFC including a NBFC not accepting/holding public deposit (NBFC-ND). Further, no appropriation can be made from such fund by the NBFC except for the purposes specified by the RBI from time to time and every such appropriation shall be reported to the RBI within 21 days from the date of such withdrawal.

Prudential Norms

The RBI has issued the Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, as amended from time to time ("Prudential Norms Directions"), which contain detailed directions on prudential norms for a NBFC-ND. The Prudential Norms Directions, amongst other requirements prescribe guidelines regarding income recognition, asset classification, provisioning requirements, constitution of audit committee, capital adequacy requirements, concentration of credit/investment and norms relating to infrastructure loans. The Prudential Norms Directions are not applicable to certain NBFCs which are investment companies. In terms of the Prudential Norms Directions, all NBFCs-ND with an asset size of Rs. 1,000 million or more as per their last audited balance sheet will be considered as a systemically important NBFC-ND.

Asset Classification

The Prudential Norms Directions require that every NBFC shall, after taking into account the degree of well defined credit weaknesses and extent of dependence on collateral security for realisation, classify its lease/hire purchase assets, loans and advances and any other forms of credit into the following classes:

(i) Standard assets;

(ii) Sub-standard assets;

(iii) Doubtful assets; and

(iv) Loss assets.

Further, such class of assets would not be entitled to be upgraded merely as a result of rescheduling, unless it satisfies the conditions required for such upgradation.

Provisioning Requirements

A NBFC-ND, after taking into account the time lag between an account becoming non performing, its recognition, the realization of the security and erosion overtime in the value of the security charged, shall make provisions against sub-standard assets, doubtful assets and loss assets in the manner provided for in the Prudential Norms Directions.

Disclosure Requirements

A NBFC-ND is required to separately disclose in its balance sheet the provisions made in terms of the above paragraph without netting them from the income or against the value of the assets. These provisions shall be distinctly indicated under separate heads of accounts and shall not be appropriated from the general provisions and loss reserves held, if any by it. Further every systemically important NBFC (NBFC-ND-SI) shall disclose the following particulars in its balance sheet (i) Capital to Risk Assets Ratio (CRAR), (ii) Exposure to real estate sector, both direct and indirect, and (iii) Maturity pattern of assets and liabilities

Exposure Norms

The Prudential Norms Directions prescribe credit exposure limits for financial institutions in respect of the loans granted and investments undertaken by a NBFC-ND-SI. A NBFC-ND-SI shall not lend money exceeding 15% of its owned fund to any single borrower and the lending to any single group of borrowers shall not exceed 25% of the NBFC-ND-SI's owned fund. As regards investments, a NBFC-ND-SI shall not invest in the shares of a company exceeding 15% of its owned fund, while the investment in the shares of a single group of companies shall not exceed 25% of its owned fund.

The loans and investments of NBFC-ND-SI taken together should not exceed 25% of its owned fund to or in a single party and 40% of its owned fund to or in a single group of parties. However, this prescribed ceiling shall not be applicable on a NBFC-ND-SI for investments in the equity capital of an insurance company to the extent specifically permitted by the RBI. Any NBFC-ND-SI not accessing public funds, either directly or indirectly may make an application to the RBI for modifications in the prescribed ceilings. Further, every NBFC-ND-SI is required to formulate a policy in respect of exposures to a single party/a single group of parties.

Capital Adequacy Norms

As per the Prudential Norms Directions, every NBFC-ND-SI is subject to capital adequacy requirements. A minimum capital ratio consisting of Tier I and Tier II capital of not less than 10% of its aggregate risk weighted assets on balance sheet and of risk adjusted value of off-balance sheet items is required to be maintained. 'Tier I" Capital means owned fund as reduced by investment in shares of other non-banking financial companies and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, ten per cent of the owned fund; and "Tier II" capital includes, (a) preference shares other than those which are compulsorily convertible into equity; (b) revaluation reserves at discounted rate of fifty five percent; (c) general provisions and loss reserves to the extent these are not attributable to actual diminution in value or identifiable potential loss in any specific asset and are available to meet unexpected losses, to the extent of one and one fourth percent of risk weighted assets; (d) hybrid debt capital instruments; (e) subordinated debt to the extent the aggregate does not exceed Tier I capital; and (f) perpetual debt instruments issued by a NBFC-ND-SI in each year to the extent it does not exceed 15% of its aggregate Tier I capital, as on March 31 of the previous fiscal year.

Currently, the RBI requires that such ratio shall not be less than 12% by March 31, 2010 and 15% by March 31, 2011. Also, the total of Tier II capital of a NBFC -ND shall not exceed 100% of Tier I capital.

Information To Be Furnished In Relation To Certain Changes

As per the Prudential Norms Directions, a NBFC-ND is required to furnish the following information to the Regional Office of the Department of Non-Banking Supervision of the RBI within one month of the occurrence of any change: (i) complete postal address, telephone/fax number of the registered/corporate office, (ii) name and residential address of the directors of the company, (iii) names and official designations of its principal officers, (iv) names and office address of its auditors, and (v) specimen signatures of the officers authorized to sign on behalf of the company.

Monthly Return

As per the RBI circulars dated September 6, 2005 and June 4, 2009, all NBFC – ND-SIs with an asset size of Rs. 1,000 million and above are required to submit a monthly return on the important financial parameters to the RBI. It has been clarified by the RBI that the asset size as stated aforesaid may be less then Rs. 1,000 million as on the balance sheet date but may subsequently add on assets before the next balance sheet due to several reasons, including business expansion. Once the asset size of the NBFC reaches Rs. 1,000 million or above, it shall come under the regulatory requirement of the NBFC-ND-SI despite not having such assets as on the last balance sheet.

It has been further clarified by the RBI that if the asset size of the NBFC falls below Rs. 1,000 million in any given month (which may be due to temporary fluctuations and not due to actual downsizing), then such a NBFC shall continue to submit the monthly returns on the important financial parameters to the RBI until the submission of the next audited balance sheet to the RBI and a specific dispensation is received in this regard.

Asset Liability Management

The RBI has prescribed the Guidelines for Asset Liability Management ("ALM") System in relation to NBFCs ("ALM Guidelines") that are applicable to all NBFCs through a Master Circular on Miscellaneous Instructions to Non-Banking Financial Companies dated July 1, 2009. As per this Master Circular, the

NBFCs (engaged in and classified as equipment leasing, hire purchase finance, loan, investment and residuary non-banking companies) meeting certain criteria, including, an asset base of Rs. 1,000 million, irrespective of whether they are accepting / holding public deposits or not, are required to put in place an ALM system. The ALM system rests on the functioning of ALM information systems within the NBFC, ALM organization including an Asset Liability Committee ("ALCO") and ALM support groups, and the ALM process including liquidity risk management, management of marketing risk, funding and capital planning, profit planning and growth projection, and forecasting/ preparation of contingency plans. It has been provided that the management committee of the board of directors or any other specific committee constituted by the board of directors should oversee the implementation of the system and review its functioning periodically. The ALM Guidelines mainly address liquidity and interest rate risks. In case of structural liquidity, the negative gap (i.e. where outflows exceed inflows) in the 1 to 30/ 31 days time-bucket should not exceed the prudential limit of 15% of outflows of each time-bucket and the cumulative gap of up to one year should not exceed 15% of the cumulative cash outflows of up to one year. In case these limits are exceeded, the measures proposed for bringing the gaps within the limit should be shown by a footnote in the relevant statement.

Further for the purposes of monitoring the asset liability gap and strategize action to mitigate the risk associated thereto, the Company in 2007 constituted an Asset Liability Management/Risk Management Committee and also appointed five private consultants to develop a structure/organization for monitoring and controlling the overall risk management framework.

Concentration of Credit

With effect from April 1, 2007, no NBFC-ND-SI is permitted to lend more than 15% of its owned fund to any single borrower or more than 25% of its owned fund to a single group of borrowers.

Fair Practices Code

On September 28, 2006 the RBI prescribed broad guidelines towards a fair practices code that was required to be framed and approved by the board of directors of all NBFCs. On July 1, 2009 the RBI issued a Master Circular on fair practices and has required that the Fair Practices Code of each NBFC is to, be published and disseminated on its website. Among others, the code prescribes the following requirements, to be adhered to by NBFCs:

(i) Inclusion of necessary information affecting the interest of the borrower in the loan application form.

(ii) Devising a mechanism to acknowledge receipt of loan applications and establishing a time frame within which such loan applications are to be disposed.

(iii) Conveying, in writing, to the borrower the loan sanctioned and terms thereof. The acceptance of such terms should be kept on record by the NBFC.

(iv) Giving notice to the borrower of any change in the terms and conditions and ensuring that changes are effected prospectively.

(v) Refraining from interfering in the affairs of the borrowers except for the purposes provided in the terms and conditions of the loan agreement.

(vi) Not resorting to undue harassment in the matter of recovery of loans, and an appropriate grievance redressal mechanism for resolving disputes in this regard in this regard is to be established.

(viii) Periodical review of the compliance of the fair practices code and the functioning of the grievances redressal mechanism at various levels of management, a consolidated report whereof may be submitted to the board of directors.

The Fair Practices Code prescribed by the RBI was approved by the Board of the Company on November 2, 2006 and the Company is in compliance with the same.

KYC Guidelines

The RBI has issued a Master Circular on Know Your Customer ("KYC") guidelines dated July 1, 2009 and advised all NBFCs to adopt such guidelines with suitable modifications depending upon the activity undertaken by them and ensure that a proper policy framework on KYC and anti-money laundering measures is put in place. The KYC policies are required to have certain key elements such as customer acceptance policy, customer identification procedures, monitoring of transactions and risk management, adherence to KYC guidelines by the persons authorized by the NBFCs' and including brokers/ agents, due diligence of persons authorized by the NBFCs and customer service in terms of identifiable contact with persons authorized by NBFCs.

Corporate Governance Guidelines

In order to enable NBFCs to adopt best practices and greater transparency in their operations, the RBI introduced corporate governance guidelines on May 8, 2007. The RBI consolidated the corporate governance guidelines issued by it from time to time in the Master Circular dated July 1, 2009. As per this Master Circular, all NBFCs-ND-SI are required to adhere to certain corporate governance norms, including:

(i) Constitution of an audit committee;

(ii) Constitution of a nomination committee to ensure fit and proper status of the proposed and existing Directors;

(iii) Constitution of asset liability management committee to monitor the asset gap and strategize actions to mitigate the associated risk. Further a risk management committee may also be formed to manage the integrated risk;

(iv) Informing the Board of Directors, at regular intervals, the progress made in having a progressive risk management system, a risk management policy and the strategy being followed. The Board of Directors also needs to be informed about compliance with corporate governance standards, including in relation to the composition of various committees and their meetings; and

(v) Frame internal guidelines on corporate governance for enhancing the scope of the guidelines.

Rating of Financial Product

Pursuant to the RBI circular dated February 4, 2009, all NBFCs with an assets size of Rs. 1,000 million and above are required to furnish at the relevant regional office of the RBI, within whose jurisdiction the registered office of the NBFC is functioning, information relating to the downgrading and upgrading of assigned rating of any financial products issued by them within 15 days of such change.

Norms for Excessive Interest Rates

The RBI, through its circular dated May 24, 2007, directed all NBFCs to put in place appropriate internal principles and procedures in determining interest rates and processing and other charges. In addition to the aforesaid instruction, the RBI has issued a circular dated January 2, 2009 and a Master Circular on Fair Practices Code dated July 1, 2009 for regulating the rates of interest charged by the NBFCs. These circulars stipulate that the board of each NBFC is required to adopt an interest rate model taking into account the various relevant factors including cost of funds, margin and risk premium. The rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different categories of borrowers are required to be disclosed to the borrowers in the application form and expressly communicated in the sanction letter. Further, this is also required to be made available on the NBFCs website or published in newspapers and is required to be updated in the event of any change therein. Further, the rate of interest would have to be an annualized rate so that the borrower is aware of the exact rates that would be charged to the account.

Enhancement of Capital funds Raising Option

Pursuant to the RBI circular on Enhancement of NBFCs' Capital Raising Option for Capital Adequacy Purposes dated October 29, 2008, NBFCs-ND-SI have been permitted to augment their capital funds by issuing perpetual debt instruments ("PDI") in accordance with the prescribed guidelines provided under the circular. Such PDI will be eligible for inclusion as Tier I capital to the extent of 15% of the total Tier I capital as on March 31 of the previous accounting year. Any amount in excess of the amount admissible as Tier I capital will qualify as Tier II capital within the eligible limits. The minimum investment in each issue/tranche by any single investor shall not be less than Rs. 0.5 million. It has been clarified that the amount of funds so raised shall not be treated as public deposit within the meaning of clause 2 (1) (xii) of the Non Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

Foreign Currency Short Term Borrowings

Pursuant to RBI circular on Raising of Short Term Foreign Currency Borrowings – NBFC-ND dated December 23, 2008, NBFCs-ND-SI have been permitted, as a temporary measure, to raise foreign currency short term borrowings with the prior approval of the RBI subject to certain conditions in terms of the RBI press release dated October 31, 2008. In this regard, all NBFCs that have availed short term currency loans are required to furnish monthly return within 10 days form the end of the month to which it pertains.

Supervisory Framework

In order to ensure adherence to the regulatory framework by NBFCs-ND-SI, the RBI has directed such NBFCs to put in place a system for submission of an annual statement of capital funds, and risk asset ratio etc. as at the end of March every year, in a prescribed format. This return is to be submitted electronically within a period of three months from the close of every financial year. Further, a NBFC is required to submit a certificate from its statutory auditor that it is engaged in the business of non banking financial institution requiring to hold a CoR under the RBI Act. This certificate is required to be submitted within one month of the date of finalization of the balance sheet and in any other case not later than December 30 of that particular year. Further, in addition to the auditor's report under Section 227 of the Companies Act, the auditors are also required to make a separate report to the Board of Directors on certain matters, including correctness of the capital adequacy ratio as disclosed in the return NBS-7 to be filed with the RBI and its compliance with the minimum CRAR, as may be prescribed by the RBI.

Opening of Offices or Undertaking Investment Abroad by NBFCs

The RBI has issued Draft Guidelines for extending no objection certificate for opening of branch/subsidiary/representative office or undertaking investment abroad by NBFCs on January 24, 2008. These guidelines amongst others require every NBFC to obtain prior approval of the RBI for opening of subsidiaries/Joint Ventures/representative office abroad or for undertaking investment in foreign entities. NBFCs are required to comply with certain conditions such as maintaining minimum net owned fund as prescribed in the explanation to Section 45-IA of the RBI Act, complying with the regulations issued under FEMA, 1999 from time to time; and complying with KYC norms as prescribed under these guidelines for permitting subsidiaries/Joint Ventures/representative office or making investments abroad.

Anti Money Laundering

The RBI has issued a Master Circular dated July 1, 2009 to ensure that a proper policy frame work for the Prevention of Money Laundering Act, 2002 ("PMLA") is put into place. The PMLA seeks to prevent money laundering and provides for confiscation of property derived from, or involved in money laundering and for other matters connected therewith or incidental thereto. It extends to all banking companies, financial institutions, including NBFCs and intermediaries. Pursuant to the provisions of PMLA and the RBI guidelines, all NBFCs are advised to appoint a principal officer for internal reporting of suspicious transactions and cash transactions and to maintain a system of proper record (i) for all cash transactions of value of more than Rs. 1 million; (ii) all series of cash transactions integrally connected to each other which have been valued below Rs. 1 million where such series of transactions have taken place within one month and the aggregate value of such transaction exceeds Rs. 1 million. We have appointed Mr. Suresh Gurumani, Mr. S. Dilli Raj, Ms. Kanchan Pandhre and Mr. Manish Kumar as the principal officers in this respect pursuant to Board resolution dated November 10, 2008. Further, all NBFCs are required to take appropriate steps to evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities. Further, NBFCs are also required to maintain for at least ten years from the date of transaction between the NBFCs and the client, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

Additionally, NBFCs should ensure that records pertaining to the identification of their customers and their address are obtained while opening the account and during the course of business relationship, and that the same are properly preserved for at least ten years after the business relationship is ended. The identification records and transaction data is to be made available to the competent authorities upon request.

Securitization

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI Act") is the central law in India pertaining to the Securitization of assets. According to provisions of the SARFAESI Act any securitization or reconstruction company, may acquire the assets of a bank or financial institution by entering into an agreement with such bank or financial institution for the transfer of such assets to the company on terms which may be mutually agreed to by the contracting parties. The SARFAESI Act further states that in case the bank or financial institution is a lender in relation to any financial assets acquired by the means as mentioned above, then the company acquiring the assets shall be deemed to be the lender. Further, all material contracts entered into by the bank or financial institution, in this regard, also get transferred pursuant to such purchase.

Applicable Foreign Investment Regime

FEMA Regulations

Foreign investment in India is governed primarily by the provisions of the FEMA which relates to regulation primarily by the RBI and the rules, regulations and notifications thereunder, and the policy prescribed by the Department of Industrial Policy and Promotion, GoI, ("FDI Policy") which is regulated by the FIPB.

The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended ("FEMA Regulations") to prohibit, restrict or regulate, transfer by or issue of security to a person resident outside India. As specified by the FEMA Regulations, no prior consent and approval is required from the FIPB or the RBI, for FDI under the "automatic route" within the specified sectoral caps. In respect of all industries not specified as FDI under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI.

Foreign Direct Investment

FDI is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the approval route, depending upon the sector in which FDI is sought to be made. Investors are required to file the required documentation with the RBI within 30 days of such issue/ acquisition of securities.

Under the approval route, prior approval of the FIPB and/or RBI is required. FDI for the items/ activities not under the automatic route (other than in prohibited sectors) may depend upon the activity be brought in through the approval route. Further:

(a) As per the sector specific guidelines of the Government of India, 100% FDI/ NRI investments are allowed under the automatic route in certain NBFC activities subject to compliance with guidelines of the RBI in this regard.

(b) Minimum Capitalisation Norms for fund-based NBFCs are the following:

  (i) For FDI up to 51% - US$ 0.5 million to be brought upfront
  (ii) For FDI above 51% and up to 75% - US $ 5 million to be brought upfront
  (iii) For FDI above 75% and up to 100% - US $ 50 million out of which US $ 7.5 million to be brought upfront and the balance in 24 months

(c) Minimum capitalization norm of US$0.5 million is applicable in respect of all permitted non-fund based NBFCs with foreign investment

(d) Foreign investors can set up 100% operating subsidiaries without the condition to disinvest a minimum of 25% of its equity to Indian entities, subject to bringing in US$ 50 million specified in (b) (iii) above (without any restriction on number of operating subsidiaries without bringing in additional capital)

(e) Joint ventures operating NBFC's that have 75% or less than 75% foreign investment will also be allowed to set up subsidiaries for undertaking other NBFC activities, subject to the subsidiaries also complying with the applicable minimum capital inflow, i.e., (b) (i) and (b) (ii) above.

Where FDI is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment. In cases where FIPB approval is obtained, the prior approval of the RBI may not be required other than in certain circumstances although a declaration in the prescribed form, detailing the foreign investment, must be filed with the RBI once the foreign investment is made in the Indian company. Every Indian company issuing shares or convertible debentures in accordance with the RBI regulations is required to submit a report to the RBI within 30 days of receipt of the consideration and another report within 30 days from the date of issue of the shares to the non resident purchaser.

NBFC's having FDI are required to submit a certificate from the statutory auditors on half yearly basis certifying compliance with the terms and conditions of the FDI regulations. Such certificate should be submitted not later than one month from the close of the half year to which the certificates pertains to the regional office of the RBI in whose jurisdiction the head office of the Company is registered.

Calculation of Total Foreign Investment in Indian Companies

On February 13, 2009, the Indian Government issued two press notes setting out guidelines for foreign investment in India. Press Note 2 of 2009 prescribes the guidelines for the calculation of total foreign investment (direct and indirect) in Indian companies. Press Note 3 of 2009 prescribes the transfer of ownership or control of Indian companies in sectors with caps from resident Indian citizens to non-resident entities. Additionally, Press Note 4 of 2009 issued on February 25, 2009 clarifies the guidelines on downstream investments by Indian companies.

Laws relating to our Operations in the Insurance Sector

Any person including companies registered under the Companies Act and any NBFC registered with the RBI desirous to act as a corporate agent or composite corporate agent is required to obtain a licence from the Insurance Regulatory and Development Authority of India under the provisions of the Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002, as amended.

Further, pursuant to the RBI circular dated February 10, 2004, NBFCs registered with RBI may take up insurance agency business subject to its obtaining requisite permission from the IRDA and compliance with the IRDA regulations. Further, administration of group insurance policies are subject to the guidelines on Group Insurance Policies issued by IRDA on July 14, 2005. These guidelines prescribe, amongst other stipulations, formulation of a 'group' and guidelines on the premium to be charged and benefits admissible to each member of such group, commission to be paid to the agent or corporate agent, and restrictions on payment of any description to the agent or corporate agent or group organizer or group manager, administering such group policies.

Laws relating to Employment

Shops and Establishments Legislations in Various States

The provisions of various Shops and Establishments legislations, as applicable, regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work.

Labour Laws

The Company is required to comply with various labour laws, including the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, the Payment of Wages Act, 1936, the Payment of Gratuity Act, 1972, Employees State Insurance Act, 1948 and the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

Laws relating to Intellectual Property

The Trade Marks Act, 1999 and the Copyright Act, 1957 amongst others govern the law in relation to intellectual property, including brand names, trade names and service marks and research works.

Other regulations

In addition to the above, the Company is required to comply with the provisions of the Companies Act, FEMA, various tax related legislations and other applicable statutes for its day-to-day operations.

HISTORY AND CERTAIN CORPORATE MATTERS

The Company was incorporated as SKS Microfinance Private Limited, on September 22, 2003 under the Companies Act, 1956. The Registered Office of the Company is situated at Ashoka Raghupathi Chambers, D No. 1-10-60 to 62, Opposite to Shoppers Stop, Begumpet, Hyderabad 500 016, Andhra Pradesh. The Company had obtained a certificate of registration from the RBI on January 20, 2005 to commence the business of a non-banking financial institution without accepting public deposits. With effect from September 1, 2005, the Company acquired business operations, assets and loan portfolio from SKS Society that was structured as a NGO and that was engaged in microfinance.

The name of the Company was changed from SKS Microfinance Private Limited to SKS Microfinance Limited pursuant to a resolution of our shareholders passed at an EGM held on May 2, 2009 and fresh certificate of incorporation bearing CIN number U65999AP2003PLC041732 was issued on May 20, 2009. Subsequently, a fresh certificate of registration dated June 3, 2009 was obtained from RBI for carrying on the business of non-banking financial institution without accepting public deposits.

The Company is the largest MFI in India in terms of total value of loans outstanding, number of borrowers and number of branches, according to the October 2009 CRISIL report titled India Top 50 Microfinance Institutions, or the CRISIL Report. The Company is engaged in providing microfinance services to women in the lower income segment predominantly located in rural areas in India. For details regarding the description of activities, services and products, see "Business" on page 73 of this Draft Red Herring Prospectus.

Changes in Registered Office

Date	Address
August 19, 2004	Flat No. 301, 3rd Floor, Babukhan Estate, Basheerbagh, Hyderabad 500 001
May 16, 2007	8-2-608/1/1, Karama Enclave, Road No 10, Banjara Hills, Hyderabad 500 034
July 20, 2008	#2-3-578/1, Maruthi Mansion, Kachi Colony, Nallagutta, Minister Road, Secunderabad 500 003
January 15, 2010	Ashoka Raghupathi Chambers, D No. 1-10-60 to 62, Opposite to Shoppers Stop, Begumpet, Hyderabad 500 016

The changes mentioned above were made to enable greater operational efficiency.

Our Main Objects

The main objects as contained in our Memorandum of Association are:

1. To reduce poverty in India, by carrying on the business of providing Microfinance services (mainly Non Banking Financial Services as permitted by the Reserve bank of India) exclusively to large number of poor men and women directly or indirectly, and thus to help them and their families out of poverty and improve their standard of living.

2. To carry on the business of financing development activities through long term loans and other means of financing upon such terms and conditions as the company may think fit for the purposes of:

   (i) agricultural development (which term includes, *inter alia,* land acquisition and development, irrigation, watershed development, crop cultivation, plantation, horticulture, forestry, animal husbandry and allied activities, such as dairy, poultry, fishery, aqua culture and floriculture).

(ii) industrial development (which term includes, *inter alia*, agro-processing, mining and quarrying utilities – (including water, power and renewable sources of energy), manufacturing, (including handicrafts, construction, trade and distribution, transport and services of all kinds).

(iii) market linkage development (which term includes, *inter alia,* provision of inputs for and marketing of output of agricultural and industrial development activities including facilities for storage, trading and transport for such inputs and outputs).

(iv) habitat development (which term includes, inter alia, purchase, construction upgradation, extension and modification of buildings and infrastructure for residential, agricultural, commercial or industrial purposes).

But exclusively targeted to the poor men and women in generation and enhancement of livelihoods in India.

3. To provide collateral free credit to poor men and women, deliver credits, thrift and savings, insurance and other financial services to them in the cities, towns, villages of India with a view to provide them sustainable livelihood and enhancement of their and their family's family living conditions based on their needs, skills and traditional livelihood occupations and to carry on the business of microfinance.

4. To carry on and undertake the business of insurance, including life and general insurance as intermediary or agent of other insurance companies, subject to the rules and regulations prescribed by the Insurance Regulatory and Development Authority and/or Reserve Bank of India, Non-Banking Finance Companies Rules, as applicable to insurance business.

5. To carry on and undertake the business of research, consultancy, technical assistance and training in the field of livelihood promotion, development finance and other financial services, as intermediary for other companies or organizations.

Key Events and Milestones

Date	Details
September 22, 2003	Incorporation of SKS Microfinance Private Limited
January 20, 2005	Registration with RBI in the name of SKS Microfinance Private Limited to carry on the business as a non-banking financial institution without accepting deposits
September 1, 2005	Transfer of all assets and properties, pursuant to a MoU including the existing loans and receivables in relation to micro finance activities, to the Company from SKS Society
January 31, 2006	Issue of 1,000,000 Equity Shares to SIDBI pursuant the Subscription cum Shareholders Agreement dated January 31, 2006
March 24, 2006	Issue of Equity Shares pursuant to equity investments by the following: (i) MUC – 2,099,040 Equity Shares; (ii) Mr. Vinod Khosla – 2,099,040 Equity Shares; and (iii) The Ravi and Pratibha Reddy Foundation – 2,099,040 Equity Shares.
February 28, 2007	The membership of the Company crosses 500,000 in more than 250 branches across 11 states.
March 29, 2007	Issue of Equity Shares pursuant to equity investments by the following: (i) MUC – 1,319,069 Equity Shares; (ii) Mr. Vinod Khosla – 1,319,069 Equity Shares; (iii) SKS Capital - 1,319,069 Equity Shares; (iv) Odyssey Capital Private Limited – 894,064 Equity Shares; and (v) SCI II – 5,430,468 Equity Shares.
September 30, 2007	The membership of the Company crosses 1,000,000 in more than 500 branches across 15 states.

Date	Details
December 14, 2007	Social and Corporate Governance Award issued by BSE and Nasscom Foundation for Best Corporate Social Responsibility Practice
December 27, 2007	Issue of Equity Shares pursuant to equity investments by the following: (i) SIDBI – 807,461 Equity Shares; (ii) Yatish Trading Company Private Limited – 962,050 Equity Shares; (iii) Infocom Ventures – 283,020 Equity Shares; (iv) Mr. Vinod Khosla – 820,757 Equity Shares; (v) MUC – 2,274,020 Equity Shares; (vi) SCI II – 2,847,013 Equity Shares; (vii) SKS Capital – 3,678,027 Equity Shares; (viii) Columbia Pacific Opportunity – 275,944 Equity Shares; (ix) SCIGI I – 2,996,396; (x) SVB India Capital Partners I, L.P – 275,944 Equity Shares; and (xi) Tejas Ventures – 1,760,552 Equity Shares.
May 6, 2008	Certification bearing number 17998/08/S received from IQ Net that the quality management system of the Company is in compliance with the standard ISO 9001:2000 in relation to the conducting of internal audits as per the policies and applicable standards.
July 31, 2008	The membership of the Company crosses 2,500,000 in more than 1,100 branches across 15 states.
October 20, 2008	Issue of Equity Shares pursuant to equity investments by the following: (i) Sandstone Investment Partners I – 2,085,448 Equity Shares and 6,256,344 Preference Shares (ii) Kismet SKS II – 885,044 Equity Shares and 2,655,131 preference shares (iii) ICP Holdings I – 81,383 Equity Shares and 244,150 preference shares
February 27, 2009	Issue of 2,500 10.5% secured redeemable NCD of face value of Rs. 100,000 each aggregating to Rs. 250 million to Yes Bank Limited on a private placement basis.
April 23, 2009	Issue of 750 10.0% secured redeemable NCD of face value of Rs. 1,000,000 each aggregating to Rs. 750 million to Standard Chartered Bank on a private placement basis. The said debentures have been listed on BSE pursuant to the listing agreement dated April 24, 2009.
April 30, 2009	The membership of the Company crosses 4,000,000 in more than 1,400 branches across 18 states.
May 20, 2009	Fresh certificate of incorporation consequent to the change of the name on conversion to a public limited company pursuant to a resolution of its shareholders dated May 2, 2009
June 3, 2009	Registration with the RBI in the name of SKS Microfinance Limited to carry on the business of non-banking financial institutions without accepting deposits pursuant to the change in the name of the Company on conversion to a public limited company.
August 31, 2009	The membership of the Company crosses 5,000,000 in more than 1,600 branches across 19 states.
November 24, 2009	Religare Asset Management Company Limited has subscribed to commercial papers issued by the Company for value of Rs. 250 million having a discount rate of 8.10% per annum
November 10, 2009	Yes Bank Limited has subscribed to commercial papers issued by the Company for value of Rs. 1,000 million having a discount rate of 8.00% per annum
December 9, 2009	Issue of 500 NCD of Rs. 1,000,000 each aggregating to Rs. 500 million to BALICL at a coupon rate of 9.25% per annum
December 23, 2009	Issue of 500 NCD of Rs. 1,000,000 each aggregating to Rs. 500 million to Yes Bank Limited at a coupon rate of 8.30% per annum. The said debentures have been listed on BSE pursuant to the listing agreement dated December 29, 2009.
December 30, 2009	Tata Capital Limited has subscribed to commercial papers issued by the Company for value of Rs. 200 million having a discount rate of 8.10% per annum

Date	Details
January 11, 2010	Sanction by State Bank of India of Rs. 350 million towards term loans and Rs. 650 million towards cash credit for on lending purpose.
January 12, 2010	Availing of microfinance corporate loan facility with HDFC for Rs. 100 million to provide financial assistance for undertaking housing finance activities
January 18, 2010	Agreement with HDFC on Technology license and service usage for undertaking housing finance activities.
January 19, 2010	Issue of 937,770 Equity Shares pursuant to equity investments by Catamaran
February 3, 2010	Tie up with State Bank of India, State Bank of Hyderabad and State Bank of Mysore for online integration of 585 branch bank accounts of the Company through CMS
February 4, 2010	Religare Asset Management Company Limited subscribed to commercial papers issued by the Company for value of Rs. 250 million having a discount rate of 6.6% per annum.
February 10, 2010	MOU with Future Group for purchase of supplies by *kirana* stores on a wholesale basis located in and around New Delhi
March 8, 2010	Sanction of Tier-II unsecured subordinated debt of Rs. 1,000 million by SIDBI for a tenure of 8 years

Amendments to the Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of Shareholder Resolution	Particulars
December 19, 2003	Increase in the authorised share capital of the Company from Rs. 60,000,000 divided into 3,000,000 Equity Shares of Rs. 10 each and 3,000,000 preference shares of Rs. 10 each to Rs. 62,000,000 divided into 3,200,000 Equity Shares of Rs. 10 each and 3,000,000 preference shares of Rs. 10 each.
March 15, 2006	Reclassification of the authorised share capital from Rs. 62,000,000 divided into 3,200,000 Equity Shares of Rs. 10 each sub-divided into (i) 2,100,000 “Class A” Equity Shares of Rs. 10 each, and (ii) 1,100,000 “Class B” Equity Shares of Rs. 10 each and 3,000,000 Preference Shares of Rs. 10 each to Rs. 62,000,000 by consolidating the existing “Class A” and “Class B” Equity Shares into one class of Equity Shares divided into 3,200,000 Equity Shares of Rs. 10 each totalling Rs. 32,000,000 and 3,000,000 Preference Shares of Rs. 10 each. Increase in the authorised share capital of the Company from Rs. 62,000,000 divided into 3,200,000 Equity Shares of Rs. 10 and 3,000,000 Preference Shares of Rs. 10 each to Rs. 200,000,000 divided into 17,000,000 Equity Shares of Rs. 10 each and 3,000,000 Preference Shares of Rs. 10 each.
February 9, 2007	Increase in the authorised share capital from Rs. 200,000,000 divided into 17,000,000 Equity Shares of Rs. 10 each and 3,000,000 preference shares of Rs. 10 each to Rs. 400,000,000 divided into 37,000,000 Equity Shares of Rs. 10 each and 3,000,000 preference shares of Rs. 10 each.
October 27, 2007	Increase in the authorised share capital Rs. 400,000,000 divided into 37,000,000 Equity Shares of Rs. 10 each and 3,000,000 preference shares of Rs. 10 each to Rs. 550,000,000 divided into 52,000,000 Equity Shares of Rs. 10 each and 3,000,000 preference shares of Rs. 10 each.
August 7, 2008	Increase in the authorised share capital from Rs. 550,000,000 divided into 52,000,000

Date of Shareholder Resolution	Particulars
	Equity Shares of Rs. 10 each and 3,000,000 preference shares of Rs. 10 each to Rs. 850,000,000 divided into 82,000,000 Equity Shares of Rs. 10 each and 3,000,000 preference shares of Rs. 10 each.
October 8, 2008	Increase in the authorised share capital from Rs. 850,000,000 divided into 82,000,000 Equity Shares of Rs. 10 each and 3,000,000 preference shares of Rs. 10 each to Rs. 950,000,000 divided into 82,000,000 Equity Shares of Rs. 10 each and 13,000,000 preference shares of Rs. 10 each.
May 2, 2009	Pursuant to the conversion of the Company to a public limited company, the name of the Company changed from "SKS Microfinance Private Limited" to "SKS Microfinance Limited"

Promoters and Subsidiaries

For details regarding our Promoters, see "Our Promoters and Group Companies" on page 127 of the Draft Red Herring Prospectus. We do not have any subsidiaries.

Total Number of Shareholders of the Company

For details of members and the shareholding pattern of the Company, see "Capital Structure - Shareholding Pattern of the Company" on page 35 of the Draft Red Herring Prospectus. As of the date of filing of this Draft Red Herring Prospectus, the total number of holders of Equity Shares are 230.

Details of Major Events of the Company

For details on the various rounds of equity investments in the Company, please see the sub-section titled "Material Agreements" below.

There have been no injunctions or restraining order against the Company.

For details of the Company's business, products, marketing, the description of its activities, products, market of segment, the growth of the Company, standing of the Company with reference to the prominent competitors with reference to its products, major suppliers and customers, environmental issues and geographical segment, see "The Microfinance Industry" and "Business" on pages 64 and 73, respectively of this Draft Red Herring Prospectus.

For details of the management of the Company and managerial competence, please see section titled "Our Management" on page 108 of this Draft Red Herring Prospectus.

Material Agreements

Lease Deeds for the Registered Office of the Company

The Company has entered into two lease deeds dated December 31, 2009 with (i) Mr. K. Vijaya Bhaskar Reddy, Mr. N. Jaideep Reddy, Mr. K. Laxma Reddy, Ms. K. Leela Reddy, Mr. N. Jaiveer Reddy, Ms. K. Neeraja, Ms. N. Shilpitha Reddy, Mr. G. Sunil Reddy, Ms. A. Uma, Ms. M. Mitelesh Kumari, Mr. K. Alok, Mr. K. Gowtham Reddy, Mr. Nabeel Hussain, Mr. Rizwan Hyder, Ms. Bilquis Hussain, Mr. M. Sankeerth Reddy, Mr. A. Narender Reddy, Ms. A. Prashanthi, Mr. C. H. Devi Reddy, Ms. C. H. Surya Kumari, Mr. B. Rajesh Reddy, Ms. Padma Reddy, Mr. S. Suresh Kumar, Ms. G. Renuka in relation to the office space admeasuring 36,220 sq. ft, and (ii) Ms. R. Amala Devi, Ms. R. Utthara Devi and Ms. R. Preetha Devi in relation to the office space admeasuring 43,780 sq. ft (collectively the "Lessors"), in the commercial complex building at Ashoka Raghupati Chambers at D No. 1-10-60 to 62, opposite Shopper's Stop, Begumpet, Hyderabad 500 016. The terms of the leases are for a period of five years from January 1, 2010 to December 31, 2014. The Company shall have the option to renew the lease for a further period of five years and the options for renewal shall have to be exercised at least six months prior to the expiry of the term of the lease granted. The Company is not permitted to sublease or part with the possession of the premises in favour of any third party without prior consent of the Lessors.

The Company and the Lessors are not entitled to terminate this lease deed for an initial two years period of the term, except for breach of terms and conditions failing which the Company is required to pay the monthly rental for the unexpired period of the lease. The Company and the Lessors shall be entitled to terminate the lease deed upon happening of certain events.

Shareholders Agreements

Shares of the Company have been subscribed to by various investors in the following manner:

(i) Subscription-cum-shareholders agreement dated January 31, 2006 executed between the Company, Mr. Sitaram Rao, Dr. Vikram Akula and SIDBI whereby SIDBI had acquired 1,000,000 Equity Shares.

(ii) An investment was made by MUC, Mr. Vinod Khosla, and Ravi & Pratibha Reddy Foundation Inc, ("First Round Investors") pursuant to a share subscription agreement dated March 27, 2006. Pursuant to the investment a shareholders' agreement dated March 27, 2006 was entered into between the Company and Dr. Vikram Akula, SIDBI, SKS MBTs and the First Round Investors.

(iii) Subsequent to the investment by the First Round Investors, the next round of investment was made by Mr. Vinod Khosla, SKS Capital, Odyssey Capital Private Limited, SCI II ("Second Round Investors") and MUC, through a share subscription agreement dated March 29, 2007. Pursuant to this round investment, a shareholders' agreement dated March 29, 2007 was entered into between the Company and Dr. Vikram Akula, SIDBI, SKS MBTs, MUC, and the Second Round Investors.

(iv) Further, the next round of investment was further made by the SKS MBTs, MUC, Mr. Vinod Khosla, SKS Capital, SCI II, SCIGI I, Tejas Ventures, Yatish Trading Company Private Limited, SIDBI, Infocom Ventures, SVB India Capital Partners I L.P., and Columbia Pacific Opportunity, through a share subscription agreement dated December 27, 2007. Pursuant to such investment, a shareholders agreement dated December 27, 2007 was entered into between the Company and Dr. Vikram Akula, SIDBI, SKS MBTs, MUC, Mr. Vinod Khosla, SKS capital, SCI II, SCIGI I, Tejas Ventures, Yatish Trading Company Private Limited, Infocom Ventures, SVB India Capital Partners I L.P., and Columbia Pacific Opportunity.

(v) The next round of investments made by ICP Holdings - I, SIP I and Kismet SKS II ("Fourth Round Investors") through a share subscription agreement dated October 20, 2008. Pursuant to the such investment, an amended and restated shareholders agreement dated October 20, 2008 superseding all the aforementioned shareholders agreements has been entered into between the Company Dr. Vikram Akula, SKS MBTs, SIDBI, Fourth Round Investors, MUC, Mr. Vinod Khosla, SKS Capital, SCI II, SCIGI I, Tejas Ventures, Yatish Trading Company Private Limited, Infocom Ventures, and Columbia Pacific Opportunity (collectively referred to as "Investors") ("Restated Shareholders Agreement"). Pursuant to the IPO Committee's meeting held on December 23, 2009, the Company sent termination notices on December 29, 2009 to all Investors who held Equity Shares as of December 23, 2009. However, the above mentioned Restated Shareholders Agreement stood automatically terminated as of January 5, 2010, when the Board (including a majority of the Investor Directors) authorised the Issue, which was further approved by the shareholders of the Company at their EGM held on January 8, 2010.

(vi) *Terms and Conditions as stated in the Shareholders Agreement*

Right to appoint Nominees: The Board is required to consist of 11 Directors immediately following closing (as contemplated therein). Each of SIP I, SCI II, SKS Capital, Kismet SKS II, MUC, SIDBI, and Mr. Vinod Khosla have been given a right to individually nominate one Director to the Board. Additionally Dr. Vikram Akula would have to be appointed as a Director on the Board, if he is not the Chief Executive Officer. Further, the Chief Executive Officer is required to be appointed as a Director on the Board. Subject to the approval of the majority of the Board of Directors, the SKS MBTs have a right to appoint one Director who shall be independent from the Company, the shareholders and Dr. Vikram Akula. The majority of the Investor Directors have the right to jointly nominate two Directors who shall be independent from the Company, Dr. Vikram Akula and the other shareholders. SIDBI, SKS MBTs, MUC, Mr. Vinod Khosla, SKS Capital, Kismet SKS II, SCI II, SCIGI I, Tejas Ventures, Yatish Trading Company Private Limited, Infocom Ventures shall have the right to appoint nominee Directors so long as they directly or indirectly through their affiliates continue to own not less than 5% of the Company's outstanding Equity Shares. SIP I would continue to have the right to appoint a Director as long as it holds 25% of its original shareholding (directly or jointly with its affiliates).

IPO: If the Board and a majority of the Investor directors mutually agree to pursue an initial public offer all the Investor Directors and Dr. Vikram Akula shall cooperate in good faith to effect the IPO as expeditiously as possible and on such terms and conditions which shall maximize the price per share to be received by the Investors and Company in the IPO.

Committees: The Board may constitute such committees, including an audit committee and a compensation committee, with such composition and functions as may be determined by a majority of the Directors, comprising at least two nominee Directors from SIDBI, MUC, Mr. Vinod Khosla, SKS Capital, Kismet SKS II, SCI II, Tejas Ventures, Yatish Trading Company Private Limited, Infocom Ventures. If an executive committee of the Board is established, the three largest Investors by shareholding shall have the right to nominate one Director each to serve on such executive committee. Notwithstanding the foregoing, SIP I shall have the right to nominate one Director to each committee of the Board.

Appointment of Certain Managerial Personnel: The Company appointed Dr. Vikram Akula as the Chief Executive Officer, Mr. M.R. Rao as the Chief Operating Officer and Mr. S. Dilli Raj as the Chief Financial Officer. Any changes to these appointments shall require the approval of Board of Directors including 51% of directors appointed by Investors of the Restated Shareholders Agreement.

Termination: The Restated Shareholders Agreement automatically terminates in the event of an IPO, however SIP I would continue to have the right to appoint a nominee Director on the Board even after the IPO, so as it directly or jointly with its affiliates, 25% of its shareholding.

(vii) A deed of Addendum to the Shareholders Agreement dated March 24, 2009 was entered into between the Company and Investors, wherein the definition of aggregate fourth round investor price as stated in the Shareholders Agreement, was amended to mean Rs. 300 per share allotted to ICP Holdings, SIP I and Kismet SKS II resulting in the increase in the shareholding of ICP Holdings, SIP I and Kismet SKS II.

(viii) Further, a Share Subscription Agreement was entered into between the Company and BALICL dated May 21, 2009, whereby BALICL acquired 416,666 Equity Shares and 1,250,000 compulsorily convertible preference shares aggregating to 1,666,666 Equity Shares.

Share Transfer Agreement dated March 26, 2009 by and between the Investors

Pursuant to a Share Transfer Agreement dated March 26, 2009 Dr. Vikram Akula, SKS Mutual Benefit Trusts, SIDBI, ICP Holdings I, SIP I, Kismet SKS II, MUC, Mr. Vinod Khosla, SKS Capital, SCI II, SCIGI I, Tejas Ventures, Yatish Trading Company Private Limited, Infocom Ventures, and Columbia Pacific Opportunity have agreed to certain covenants, obligations and restrictions with respect to transfer of shares which includes amongst others prior written consent of majority of the Investor directors, right of first refusal and co-sale rights. The agreement is co-terminous with the duration of the Restated Shareholders Agreement.

Put Call Agreement

A Put/Call agreement dated July 25, 2007 was executed between the Company, Dr. Vikram Akula, SKS Capital, and SCI II whereby Dr. Vikram Akula has a put option against SKS Capital and SCI II, and SKS Capital and SCI II each have a call option against Dr. Vikram Akula to purchase upto 818,069 equity shares respectively, held by Dr. Vikram Akula in the Company. Subsequent to this agreement a Share Purchase Agreement dated June 2, 2008 was executed between the parties whereby SKS Capital and SCI II have exercised their call option.

Share Subscription Agreement between Dr. Vikram Akula, Catamaran Fund 1-A and Catamaran Fund 1-B (represented by their trustees Catamaran Management Services Private Limited) and the Company

Pursuant to the Share Subscription Agreement dated January 16, 2010 between Dr. Vikram Akula (as a founder), Catamaran Fund 1-A and Catamaran Fund 1-B collectively represented by their trustees Catamaran Management Services Private Limited and the Company, Catamaran has agreed to subscribe to 937,770 Equity Shares of the Company, subject to certain other conditions.

Certain terms and conditions of the Share Subscription Agreement are as follows:

(i) The Company shall utilize the subscription price as working capital or for other related purpose at the discretion of the Company, acting through its Board and not for repayment of debts, other than in the ordinary course of business.

(ii) The Company shall constitute an Advisory Council to provide operational expertise to the Company for an initial period of 24 months from the closing of this transaction. For details, see "Our Management" on page 108 of this Draft Red Herring Prospectus.

(iii) The Company shall not raise any finance against the issue of securities (other than by way of an initial public offer) resulting in a dilution of 10% of the share capital of the Company, during the period commencing from the closing date and ending on the third anniversary of the completion of its initial public offering, without the approval of the majority of the shareholders.

(iv) The Equity Shares subscribed by Catamaran shall be subject to lock in for a period of two years from the closing. However, the said lock in shall not apply, if the Company fails to complete the initial public offer within the period of nine months from the closing of this transaction or if the Company completes the initial public offering and the market value of the Equity Shares as calculated on the basis of average closing prices in a calendar week falls below Rs. 400 (Rupees Four Hundred Only) per Equity Share.

The Company or Catamaran may terminate the agreement in the event of breach of any of the material representations, warranties, covenants or other obligations by the other party and if the same is not cured or remedied by the defaulting party within 30 business days of the receipt of the written notice of the default from the non defaulting party. The share subscription agreement is governed by the laws of India.

Share Purchase Agreement dated December 10, 2009 between Dr. Vikram Akula, Tree Line Asia Master Fund (Singapore) Pte Limited and the Company

Pursuant to the Share Purchase Agreement dated December 10, 2009 entered into between Dr. Vikram Akula, Tree Line Asia Master Fund (Singapore) Pte Limited (Tree Line) and the Company, Dr. Vikram Akula has agreed to sell 945,424 Equity Shares of the Company and Tree Line has agreed to purchase these

Equity Shares pursuant to completion of certain conditions. The aggregate consideration for the sale and transfer of the 945,424 Equity Shares of the Company is equal to US$ 12,924,042. The share purchase agreement is governed by the laws of the state of New York, United States.

Dr. Vikram Akula has received approval from the RBI on February 3, 2010 for the aforesaid transfer.

Dr. Vikram Akula has acquired the aforesaid Equity Shares through the exercise of the stock options in accordance with the terms of the ESOP. For details of ESOP please see the section titled "Capital Structure – Notes to Capital Structure – SKS Microfinance Employees Stock Option Plan 2007" on page 37 of the Draft Red Herring Prospectus.

Share Purchase Agreements dated January 27, 2010 between Mr. Suresh Gurumani, Mr. M.R. Rao and certain employees, Tree Line and the Company

Pursuant to two Share Purchase Agreements with Tree Line and the Company, each dated January 27, 2010, (a) Mr. Suresh Gurumani, and (b) Mr. M.R. Rao and certain other employees, including the Chief Financial Officer, Mr. S. Dilli Raj, have agreed to sell an aggregate of 472,500 Equity Shares held by them in the Company and Tree Line has agreed to purchase such Equity Shares, subject to completion of certain conditions.

As per the terms of the relevant Share Purchase Agreement regarding Mr. Suresh Gurumani, he proposes to transfer 225,000 Equity Shares to Tree Line. The aggregate consideration for the sale and transfer of the 225,000 Equity Shares of the Company is equal to Rs. 143,262,000. Mr. Suresh Gurumani has received approval from the RBI on February 18, 2010 for the aforesaid transfer.

As per the terms of the relevant Share Purchase Agreement regarding Mr. M.R. Rao and other employees, (a) Mr. M.R. Rao, our Chief Operating Officer, proposes to transfer 62,500 Equity Shares to Tree Line; (b) Mr. S. Dilli Raj, our Chief Financial Officer, proposes to transfer 25,000 Equity Shares to Tree Line; and (c) certain other employees, not being our key managerial personnel, propose to transfer an aggregate of 160,000 Equity Shares to Tree Line. The aggregate consideration for the sale and transfer of the 247,500 Equity Shares of the Company is equal to Rs. 157,588,200. These Equity Shares have been acquired by the aforesaid employees pursuant to the ESPS 2007. For details of ESPS 2007 and ESOP 2008, see "Capital Structure – Notes to Capital Structure – Employee Stock Option Plans and Stock Purchase Plan" on page 37 of this Draft Red Herring Prospectus. Applications for the approval towards the aforesaid transfers (excluding the proposed transfer by Mr. Suresh Gurumani) have been filed with the RBI by these sellers on January 27, 2010.

Share Purchase Agreement dated January 27, 2010 between Tree Line, Ms. V.L. Santha Kumari and the Company

Pursuant to the Share Purchase Agreement dated January 27, 2010 entered into between Tree Line, Ms. V.L. Santha Kumari and the Company, Ms. V.L. Santha Kumari has agreed to sell 75,000 Equity Shares of the Company and Tree Line has agreed to purchase these Equity Shares pursuant to completion of certain conditions. The aggregate consideration for the sale and transfer of the 75,000 Equity Shares of the Company is equal to Rs. 47,754,000. The share purchase agreement is governed by the laws of India. Application to the RBI dated January 27, 2010 has been made for its approval for the aforesaid transfer.

Other Agreements

Composition Agreement and Deed of Assignment between Dr. Palash Sen (representing 'Euphoria') and the Company.

The Company has entered into a Composition Agreement dated March 19, 2009 with Dr. Palash Sen (representing "Euphoria", which is marketed as a band of music composers and singers). As per the terms of the Agreement, the Company has commissioned Euphoria to compose and record an anthem song ('Udhte Jaayein, Badhte Jaayein') including its various versions based on the theme provided by the Company and to reassign all contractual rights including rights relating to lyrics, musical works, sound recording obtained from third parties relating to the song and also agrees to assign and transfer the copyright in relation to the literary works, musical works and sound recording in the name of the Company. The Company shall on assignment have the exclusive, unlimited and perpetual right on the intellectual property rights in relation to the song and shall have the right to manufacture, reproduce, advertise, sell, license, distribute or use by any method under any trade name or trademark at its own discretion, to assign the intellectual property rights to any third party and also to register the copy right in the name of the Company.

Pursuant to the aforesaid Agreement, the Company has entered into a Deed of Assignment dated May 18, 2009 with Dr. Palash Sen ("Assignor") (representing "Euphoria"). As per the terms of this Deed of Assignment, the Assignor has agreed to irrevocably convey and assign exclusive, royalty free, worldwide intellectual property rights together with the Assignor's rights, title and all related intellectual property right in relation thereto, to the Company and also waive any right to raise any objection or claims to the Indian Copyright Board with respect to ownership of intellectual property rights.

Service Agreement dated January 2, 2010 between the Company and Aspiring Minds Assessment Private Limited ('AMAPL')

The Company has entered into a service agreement with Aspiring Minds Assessment Private Limited (AMAPL) on January 2, 2010. Pursuant to this agreement AMAPL would be assisting SKS in its entry-level recruitment decisions. The services of AMAPL would be utilized in the evaluation of candidates interested in joining the Company more particularly at entry level jobs. AMAPL will assist the Company with hiring team inputs on whether the candidate should be hired or rejected on the basis of his personality. Dr. Tarun Khanna, an independent Director of the Company is a member of AMAPL, therefore the Central Government approval as required under Section 297 of the Companies Act has been obtained.

Strategic Partners and Financial Partners

The Company does not have any strategic partners and financial partners which are not in our ordinary course of business.

OUR MANAGEMENT

Under our Articles of Association we cannot have fewer than three directors and more than 12 directors. We currently have 10 Directors on our Board.

The following table sets forth details regarding our Board as of the date of filing the Draft Red Herring Prospectus with SEBI:

Name, Designation, Father's Name, Address, Occupation and DIN	Age (Years)	Status of Director in the Company	Nationality	Other Directorships
Dr. Vikram Akula S/o Mr. Krishna Akula Address: House No. 69, Whisper Valley, Raidurga, Serilingampally, Survey No. 4&6, Hyderabad 500 008 Occupation: Service Term: Liable to retire by rotation DIN: 00906907	41	Chairman, *Non-Executive Director*	American	• Tejas Ventures • STAPL • Tejas Capital • Akula Ventures LLC
Mr. Suresh Gurumani S/o Mr. O.N. Gurumani Address: 2203C, Chaitanya Towers, Appa Saheb Marathe Marg, Prabhadevi, Mumbai 400 025 Occupation: Service Term: Five years with effect from April 1, 2009 DIN: 00636844	47	Managing Director *Chief Executive Officer*	Indian	Alpha Microfinance Consultants Private Limited
Mr. P.H. Ravi Kumar S/o Mr. P.V. Subramanyam Puranam Venhata Address: 501, Yashowan, T.H. Kataria Marg, Mahim (W), Mumbai 400 016 Occupation: Service Term: Liable to retire by rotation DIN: 00280010	57	Independent Director *Non Executive Director*	Indian	• Federal Bank Limited • Fedbank Financial Services Limited • Ever Ready Industries India Limited • Bharat Forge Limited • United Stock Exchange of India Limited • Ackruti City Limited • BOB Capital Markets Limited • Titan Energy Limited • Invent Assets Securitisation & Reconstruction Private Limited
Dr. Tarun Khanna	42	Independent Director	Indian	• GVK Biosciences Private Limited

Name, Designation, Father's Name, Address, Occupation and DIN	Age (Years)	Status of Director in the Company	Nationality	Other Directorships
S/o Mr. Ramesh Pal Khanna Address: 66 Druid Hill Road, Newton 02461, United States Of America Occupation: Professor Term: Liable to retire by rotation DIN: 01760700		*Non Executive Director*		• TVS Logistics Services Limited • The AES Corporation, USA
Mr. V. Chandrasekaran S/o Mr. Ranga Swamy Vaidyanatha Swamy Address: 20, Asara Society, Ram Mandir Road, Kherwadi, Bandra East, Mumbai 400 051 Occupation: Retired Banker Term: Not liable to retire by rotation DIN: 01262266	61	Independent Director *Non Executive Director* *Nominee Director of SIDBI*	Indian	-
Mr. Geoffrey Tanner Woolley S/o Mr. Jack Boyd Woolley Address: 398 Columbus Avenue, No. 320, Boston, MA 02116 Occupation: Investment Manager Term: Liable to retire by rotation DIN: 00306749	50	Independent Director *Non Executive Director*	American	• Elevar Equity LLC • Hild Partners LLC • Huntsman Gay Capital Impact, LLC • Montara Point LLC • SHOF Managment Co., LLC • MorAmerica Capital Corp • Sorenson Opportunity Fund Founders, LLC • Sorenson Housing Opportunity Fund • Unitus Investment Group LLC • Unitus Investments Group Management, LLC • Unitus Investments Management LLC • University Opportunity Fund
Mr. Pramod Bhasin S/o Mr. Satya Dev Bhasin Address: C 6/6 Vasant Vihar, New Delhi 110057 Occupation: Service Term: Liable to retire by	57	Independent Director *Non Executive Director*	Indian	• Genpact Limited • New Delhi Television Limited • Ngen Media Services Private Limited • NIIT Institute of Process Excellence Limited

Name, Designation, Father's Name, Address, Occupation and DIN	Age (Years)	Status of Director in the Company	Nationality	Other Directorships
rotation DIN: 01197009				
Mr. Sumir Chadha S/o Mr. Surinder Mohan Singh Chadha Address: 1440 Oak Rim Drive, Hillsborough, California 94010, United States of America Occupation: Investment Manager Term: Liable to retire by rotation DIN: 00040789	38	Non Executive Director *Nominee Director of SCIGI I and SCI II*	American	• Times Internet Limited • Sequoia Capital India Advisors Private Limited • People Interactive (India) Private Limited • Minglebox Communications Private Limited • WestBridge Ventures I, LLC • WestBridge Ventures Co-Investment I, LLC • WestBridge Advisors I, LLC • WestBridge Ventures I, Investment Holdings • CBD Holdings • SCI II • SC India Management II, LLC • Sequoia Capital India Investments Holdings II • Sequoia Capital India Growth Investments Holdings I • Nambe Investment Holdings • Sequoia Capital India Investments Holdings III • Sequoia Capital India Investments III • SCIGI I • Sequoia Capital India Operations – US LLC • Sequoia Capital India Operations LLC • Satellier Inc. • SC India Holdings Limited • Guruji.com Technologies • Saffronart Management Corporation • SCIOinspire Holdings Inc. • Sequoia Capital India Growth Investment Holdings II • Beaver Investment Holdings • Ironwood Investment Holdings • Tejas Ventures • SCI Growth Investments II
Mr. Ashish Lakhanpal S/o Mr. Vinod Lakhanpal Address: 12520, Ansin Circle Drive, Potomac, MD 20854, United States of America. Occupation: Investment	36	Non Executive Director *Nominee Director of SKS Capital and Kismet SKS II*	American	• Kismet Holdings LLC • Kismet Capital LLC • Kismet TMF Holdings LLC • Kismet TMF Cayman, Inc • Lumina Worldwide Inc. • TMF Holdings Inc. • Beringer International Limited • Brisa Assets Limited • Claremont Pacific Limited

Name, Designation, Father's Name, Address, Occupation and DIN	Age (Years)	Status of Director in the Company	Nationality	Other Directorships
Manager Term: Liable to retire by rotation DIN: 02410201				• Decision Global Limited • Encanto Pacific Limited • Equity Link Global Limited • Nuvo Pacific Limited • Rex Globe Limited • Somerset Asian Limited • Ultima Worldwide Limited • SKS Capital Partners LLC • SKS Capital • Kismet SKS II • Kismet TMF GP, LLC
Mr. Paresh Patel S/o Mr. Dinesh Patel Address: Wellington Mews, 33 Nathalal Parekh Marg, Colaba, Mumbai 400 016 Occupation: Investment Manager Term: Liable to retire by rotation DIN: 01689226	39	Non Executive Director *Nominee Director of SIP I*	American	• Sandstone Capital Advisors Private Limited • Sandstone Capital LLC

None of our Directors are related to each other.

Brief Profile of the Directors

Dr. Vikram Akula is the Chairman of the Company. He became a member of the Board of Directors of the Company on September 22, 2003. He holds a degree of Bachelor of Arts (B.A.) from Tufts University, and Master of Arts (M.A.) from Yale University and Doctor of Philosophy (Ph.D.) from the University of Chicago. He has over 10 years of experience in the field of microfinance, and has worked as a community organizer with the Deccan Development Society in India. Prior to joining the Company he was with Mckinsey & Company. Dr. Akula is currently also on the board of STAPL, the trustee for the SKS MBTs and is founder of SKS NGO. Dr. 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.

Mr. Suresh Gurumani is the Managing Director and CEO of the Company. He joined the Board of Directors of the Company on December 8, 2008. He is a qualified Chartered Accountant with 22 years of experience in the banking sector. Before the joining the Company, he was with Barclays Bank Plc as Retail Banking head. He was appointed for a term of 5 years with effect from April 1, 2009 pursuant to a resolution of our shareholders dated September 30, 2009, and the date of expiry of his term is March 31, 2014.

Mr. P.H Ravi Kumar is an Independent Director of the Company. He became a member of the Board of Directors of the Company on March 22, 2006. He has over 37 years of experience in financial services sector including over 32 years as a commercial banker, spanning retail, corporate and treasury banking areas in India and abroad. He has a Bachelor's Degree in Commerce from Osmania University, Hyderabad and is an Associate of Indian Institute of Bankers, Mumbai and of Charted Institute of Bankers London. He is also a fellow of Chartered Institute of Securities and Investment, London. He is currently the Managing Director and CEO of Invent Assets Securitisation & Reconstruction Private Limited. He was earlier the Managing Director & CEO of NCDEX Ltd. and was also the Senior General Manager & Head of Emerging Corporates (SMEs) & Agri Business at ICICI Limited.

Mr. Sumir Chadha is a Nominee Director of SCI II on the Board of the Company. He became a member of the Board of Directors of the Company on May 16, 2007 pursuant to the Amended and Restated Shareholders Agreement dated March 29, 2007 entered into between the Company and Dr. Vikram Akula, SIDBI, MBTs, MUC, Mr. Vinod Khosla, SKS Capital, Odyssey Capital Private Limited and SCI II. He 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 10 years of experience in investing Indian venture capital industry including offshore services, consumer internet and financial services. Prior to co-founding WestBridge in 2000 (which merged with Sequoia Capital in 2006) 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. 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. He holds a degree of Bachelor of Science in Business Management from Brigham Young University and Master of Business Administration from the University of Utah. He has over 25 years of experience as an investment manager. He co-founded Dominion Ventures, Kreos Partners and is also the Managing Director and co-founder of Huntsman Gay Capital Impact.

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. He holds a Bachelors of Science in Engineering degree from Princeton University in 1988, *summa cum laude*, Phi Beta Kappa, and a Ph.D. in Business Economics from Harvard University in 1993. He has almost 20 years of experience as an author, educator, consultant and investor in emerging markets worldwide.

Mr. Pramod Bhasin is an Independent Director of the Company. He became a member of the Board of Directors of the Company on November 4, 2009. He has 25 years of experience in corporate management. He is a Chartered Accountant from Thomson McLintock & Co., London, and holds a Bachelor of Commerce degree from Delhi University. He is the president and chief executive officer of Genpact Limited. Prior to this he was with General Electric for a period of 25 years.

Mr. V. Chandrasekaran is a Nominee Director of SIDBI on the Board of the Company. He became a member of the Board of Directors of the Company on February 1, 2008, pursuant to the Subscription cum Shareholders Agreement dated January 31, 2006. He holds a Bachelors degree in Engineering and a Masters degree in Financial Management from Mumbai University. He has seven years of experience in the industry and around 30 years of experience in development banking. While joining the Board of the company, he was the Executive Director of SIDBI and has since retired.

Mr. Paresh Patel is a Nominee Director of SIP I on the Board of the Company. He became a member of the Board of Directors of the Company on November 10, 2008 pursuant to the Shareholders' Agreement dated October 20, 2008. He has 10 years of experience as an investment manager. He is a graduate of Harvard Business School and Boston College. He is currently the Chief Executive Officer of Sandstone Capital, an India-focused hedge fund. Prior to Sandstone Capital LLC, Mr. Patel was Managing Director of Sparta Group, a private investment company. He is also a founder member of the South Asia Research Initiative at Harvard University.

Mr. Ashish Lakhanpal is a Nominee Director of SKS Capital and Kismet SKS II on the Board of the Company. He became a member of the Board of Directors of the Company on November 10, 2008 pursuant to Restated Shareholders' Agreement dated October 20, 2008. He holds a MBA from Harvard

Business School and a Bachelor of Arts, Summa Cum Laude, from Georgetown University. He has 10 years of experience as an investment manager. He is the founder and managing director of Kismet Capital, LLC, prior to which he managed Think Capital, LLC, a U.S. based private investment firm. Mr. Lakhanpal has prior experience with Goldman Sachs & Co. and McKinsey & Co.

Borrowing Powers of the Board

Pursuant to the resolution passed by the shareholders of the Company at their EGM held on May 2, 2009 and in accordance with the provisions of the Companies Act, the Board has been authorized to borrow monies (apart from temporary loans obtained from the bankers of the Company in the ordinary course of business) time to time, for the purpose of Company's business in excess of the aggregate of the paid-up capital of the Company and its free reserves (not being reserves set apart for any specific purpose), provided that the total amount of such borrowings together with the amounts already borrowed and outstanding, shall not exceed Rs. 50 billion over and above the aggregate, for the time being, of the paid up capital and free reserves of the Company.

Details of Appointment of the Directors

Name of Directors	Date of Resolution	Term	Date of Expiration of Term
Mr. Sumir Chadha	Shareholders resolution passed at the Annual General Meeting dated September 30, 2009	Liable to retire by rotation	-
Mr. P.H.Ravi Kumar	Shareholders resolution passed at the Annual General Meeting dated August 7, 2008	Liable to retire by rotation	-
Dr. Tarun Khanna	Shareholders resolution passed at the Annual General Meeting dated September 30, 2009	Liable to retire by rotation	-
Mr. Ashish Lakhanpal	Shareholders resolution passed at the Annual General Meeting dated September 30, 2009	Liable to retire by rotation	-
Mr. Paresh Patel	Shareholders resolution passed at the Extraordinary General Meeting dated March 25, 2009	Liable to retire by rotation	-
Dr. Vikram Akula	Board resolution dated November 10, 2008 (to act as Chairman, Non Executive Director)	Liable to retire by rotation	-
Mr. Suresh Gurumani	Shareholders resolution passed at the Annual General Meeting dated September 30, 2009	Five years with effect from April 1, 2009	March 31, 2014
Mr. Geoffrey Tanner Woolley	Shareholders resolution passed at the Annual General Meeting dated September 30, 2009	Liable to retire by rotation	-

Name of Directors	Date of Resolution	Term	Date of Expiration of Term
Mr. V. Chandrasekaran	Board resolution dated February 1, 2008 as nominee director of SIDBI	Not liable to retire by rotation	-
Mr. Pramod Bhasin	Board resolution dated November 4, 2009	Liable to retire by rotation	-

Terms of Appointment of the Executive Directors

Mr. Suresh Gurumani was appointed on December 8, 2008 as the Chief Executive Officer and Managing Director of the Company. Further, the shareholders of the Company by way of a resolution dated September 30, 2009 confirmed his appointment as the Managing Director for a period of five years with effect from April 1, 2009. The consolidated salary, inclusive of employer's contribution to provident fund payable to Mr. Suresh Gurumani, as its director during the tenure of his appointment would amount to Rs. 15,000,000 per annum and performance bonus of Rs. 1,500,000 per annum with annual increments up to maximum of 100% with liberty to the Board of Directors to sanction any further increase over and above the 100% as it may in its absolute discretion determine. The amount payable of performance bonus will depend on Mr. Suresh Gurumani's performance rating against the performance targets and benchmarks as determined from time to time by the Board of Directors/Committee based on the Company's achievement of the results of operation contemplated by its business plan.

Subject to the above, the total monthly salary is Rs. 1,250,000 comprising of the following:

Basic Salary – Rs. 585,206
House Rent Allowance – Rs. 234,082
Children Education Allowance – Rs. 200
Medical Allowance – Rs. 1,250
Fuel Reimbursement – Rs. 9,000
Leave Travel Allowance – Rs. 43,890
Driver's Salary – Rs. 7,000
Vehicle Maintenance and Insurance - Rs. 7,000
Food Vouchers - Rs. 7,500
Post Allowance - Rs. 275,284
Employer Contribution to Provident Fund - Rs. 79,588

In addition to the above Mr. Suresh Gurumani is entitled to a onetime bonus of Rs. 10,000,000 which was paid in April 2009. However, in the event of resignation from the Company on or before the completion of one year of service from the date of joining, he shall be liable to refund such amount before expiry of the notice period.

Further, the Company also provides certain insurance benefits such as life insurance cover amounting to Rs.40,000,000, hospitalization floater cover of Rs. 125,000 and group personal accident cover of Rs.100,000.

Other service contracts entered into with the Directors

None of the Directors of the Company have entered into any service contract with the Company.

Details of Remuneration of the Directors

The following table sets forth the remuneration paid to the Company's executive Directors during the fiscal 2009:

Name of the Director	Salary *(Rs. in million)*	Monetary Value of Perquisites *(Rs. in million)*	Contribution to the Provident Fund	ESOPs	Total *(Rs. in million)*
Dr. Vikram Akula (acting as a non executive Director pursuant to Board resolution dated November 10, 2008)	7.00	-	-	10.97	17.97
Mr. Suresh Gurumani*	13.17	1.2	0.26	0.17	14.8

* *Appointed as the Chief Executive Officer and Managing Director of the Company with effect from December 8, 2008*

The following table sets the remuneration paid to the Company's non-executive Directors during the fiscal 2009:

Name of the Director	Sitting fees paid during financial year 2008 *(Rs. in million)*	Commission paid during financial year 2008 *(Rs. in million)*	Total *(Rs. in million)*
Mr. Gurcharan Das*	0.01	Nil	0.01
Mr. P.H. Ravi Kumar	0.04	Nil	0.04
Dr. Tarun Khanna	0.01	Nil	0.01
Mr. Geoffrey Tanner Woolley	0.03	Nil	0.03
Mr. Sumir Chadha**	0.00	Nil	0.00
Mr. V. Chandrasekaran	0.02	Nil	0.02
Mr. Ashish Lakhanpal**	0.00	Nil	0.00
Mr. Paresh Patel**	0.00	Nil	0.00

* *Resigned with effect from January 5, 2010.*

** *Waived their sitting fees.*

In addition to the above, the Company has also implemented a Stock Option plan for the Independent Directors of the Company. For more information please see the chapter titled "Capital Structure" on page 26 of this Draft Red Herring Prospectus.

Corporate Governance

The provisions of the Listing Agreement to be entered into with BSE and NSE and the SEBI Regulations in respect of corporate governance will be applicable to the Company immediately upon the listing of the Company's Equity Shares on the Stock Exchanges. The Company undertakes to adopt the corporate governance code as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges on listing. The Board of Directors consists of a total of 10 Directors of which five are independent Directors (as defined under Clause 49 of the Listing Agreement), which constitutes 50% of our Board of Directors. This is in compliance with the requirements of Clause 49 of the Listing Agreement.

In terms of Clause 49, the Company has already appointed independent Directors and constituted the following committees:

Audit Committee

The Audit Committee was reconstituted on January 5, 2010.

Members:	Mr. P.H. Ravi Kumar	Chairman (Independent Director)
	Mr. Paresh Patel	Member (Non-executive Director)
	Mr. V. Chandrasekaran	Member (Non-executive Independent Director)

The purpose of the Audit Committee is to monitor and provide effective supervision of the managements financial reporting with a view to ensure accurate, timely and proper discloser by maintaining transparency and, integrity and quality of financial reporting. The powers of the Audit Committee include the following:

- to investigate any activity within its terms of reference;
- to seek information from any employee;
- to obtain outside legal or other professional advise; and
- to secure attendance of outsiders with relevant expertise, if it considers necessary.

Terms of Reference/ Scope of the Audit Committee are:

General Functions and Powers:

a. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

b. Recommending to the Board, the appointment, reappointment and if required the replacement or removal of the statutory auditor and the fixation of audit fees;

c. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;

d. Reviewing with the management the annual financial statements before submission to the Board for approval, with particular reference to:

    - Matters required to be included in the Directors Responsibility Statement to be included in the Board report in terms of clause (2AA) of Section 217 of the Companies Act,;
    - Changes, if any, in accounting policies and practices and reasons for the same;
    - Major accounting entries involving estimates based on the exercise of judgement by management;
    - Significant adjustments made in the financial statements arising out of audit findings;
    - Compliance with listing and other legal requirements relating to financial statements;
    - Disclosure of any related party transactions; and
    - Qualifications in the draft audit report.

e. Reviewing with the management, the quarterly financial statements before submission to the Board for approval;

f. Reviewing with the management the statement of use / application of funds raised through an issue(public issue, rights issue, preferential issue etc.) the report submitted by the monitoring agency and making appropriate recommendations to the Board to take up steps in this matter;

g. Reviewing with the management, performance of the statutory and internal auditors and adequacy of the internal control systems;

h. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

i. Discussion with internal auditors, any significant findings and follow up there-on;

j. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularly or a failure of internal control systems of a material nature and reporting the matter to the Board;

k. Discussion with statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

l. To look into reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors; and

m. To review the functioning of the Whistle Blower mechanism.

Shareholders'/Investors' Grievance Committee

Members:	Mr. P.H. Ravi Kumar	Chairman (Non executive Independent Director)
	Mr. Suresh Gurumani	Member (Managing Director, CEO)
	Dr. Tarun Khanna	Member (Non-executive Independent Director)
	Mr. Ashish Lakhanpal	Member (Non-executive Director)

The Committee was reconstituted pursuant to Board resolution dated January 5, 2010. The Committee performs amongst others the role / functions as are set out in Clause 49 of the Listing Agreement with Stock Exchanges and includes:

a. Review and redress the Shareholders /Investor's Grievance Committee like transfer of shares, debentures, non receipt of balance sheet, declaration of dividends;

b. Deal with all aspects relating to issue and allotment of shares and debentures and /or other securities of the Company;

c. to consider and approve subdivision, consolidation, transfer and issue of duplicate shares and debenture certificate;

d. function in close association with the compensation committee for the allotment of Equity Shares under the Stock Option or Stock Purchase Plans and to accept and implement the recommendation of the compensation committee;

e. to delegate any of the powers mentioned above to the company executives; and

f. authority to do any other matter in relation to the above functions and powers.

Other Committees of the Board

Finance Committee

Members:	Mr. Paresh Patel	Chairman (Non-executive Director)
	Mr. P.H. Ravi Kumar	Member (Non-executive Independent Director)
	Mr. Suresh Gurumani	Member (Managing Director, CEO)
	Mr. Ashish Lakhanpal	Member (Non-executive Director)

The Finance Committee was reconstituted on July 29, 2009.

Terms of reference / Scope of the Finance Committee

a. Review and approve the loan facilities (on balance sheet and /or off balance sheet) and borrowings within the limit specified. If the facilities are beyond the limits, the same shall be reviewed and thereafter proposed to the Board for approval;

b. Nominate and designate representatives to carry out the required documentation for the facilities approved by the Committee;

c. Review the annual budget and revisions made to the business plan and make specific recommendation to the Board on its adoption, including where desirable, comments on expense level, revenue structures, fees and charges, adequacy of proposed funding levels and adequacy of provision for reserves; and

d. Review of the cash flows in comparison of the liquidity metric and review of the funding mix from time to time, to ensure mitigation of concentration risk in terms of specific lenders or lender class.

Asset Liability Management/Risk Management Committee

Members:	Mr. Paresh Patel	Chairman (Non-executive Director)
	Mr. P.H. Ravi Kumar	Member (Non-executive Independent Director)
	Mr. Suresh Gurumani	Member (Managing Director, CEO)
	Mr. Ashish Lakhanpal	Member (Non-executive Director)
	Dr. Vikram Akula	Member (Chairman and Non-executive Director)

The Asset Liability Management/Risk Management Committee has been constituted on May 16, 2007 pursuant to relevant RBI regulations to monitor the asset liability gap and to strategize action to mitigate risks associated with the Company.

Terms of Reference /Scope of the Asset Liability Management/Risk Management Committee:

a. The scope of the Committee pertains to the review or operational risk (including sub risk for operational risk), information technology risk, integrity risk

b. The role and function of the Committee shall include:

- Addressing concerns regarding asset liability mismatches and interest rate risk exposure;
- Taking strategic actions to mitigate the risk associated with the nature of the business;
- Achieving optimal return on capital employed, whilst maintaining acceptable levels of risk including and relating to liquidity, market, & operational aspects) and adhering to the policies and regulations;
- Reporting statement of short term dynamic liquidity, structural liquidity and interest rate sensitivity to the RBI; and
- Apprising the Board of Directors at regular intervals regarding the process made in putting in place a progressive risk management system and risk management policy and strategy.

Remuneration and Compensation Committee

Members:	Dr. Tarun Khanna	Chairman (Non-executive Independent Director)
	Mr. Sumir Chadha	Member (Non-executive Director)
	Mr. Pramod Bhasin	Member (Non-executive Independent Director)
	Mr. Geoffrey Tanner Woolley	Member (Non-executive Independent Director)

The Remuneration and Compensation Committee was reconstituted pursuant to Board resolution dated

January 5, 2010 to discharge the Board's responsibilities relating to the compensation of the Company's Executive Directors and senior management. The Compensation Committee has the overall responsibility of approving and evaluating the compensation plans, policies and programs for Executive Directors and Senior Management of the Company.

Terms of reference and scope of the Remuneration and Compensation Committee:

The role and functions of the Remuneration and Compensation Committee includes as follows:

a. Determining on behalf of the Board and on behalf of the shareholders with agreed terms of reference, the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.

b. Determining the revenue matrix, salary and bonus to be paid to Whole time Director(s) or Managing Director of the Company;

c. Determining the sitting fee to be paid to the members of the Board;

d. Determining the revenue matrix, salary and bonus to be paid to "Key Management Personnel" of the company;

e. To identify, appoint and review the performance of "Key Management Personnel" of the company;

f. Making recommendation to the Board of Directors with respect to the compensation to be paid to the Executive Directors and Key Management Personnel of the company;

g. Determining the criteria for the grant of options or shares under the Stock Option or Stock Purchase Scheme;

h. Considering any other matter as may be required by under the Stock Option or Stock Purchase Scheme of the Company.

i. Authority to do any matter in relation to the above functions/powers.

j. To delegate any of the powers mentioned above to the Company Executives

Nomination Committee

Members:	Dr. Tarun Khanna	Chairman (Non-executive independent Director)
	Mr. Sumir Chadha	Member (Non-executive Director)
	Mr. Ashish Lakhanpal	Member (Non-executive Director)
	Mr. Geoffrey Tanner Woolley	Member (Non-executive independent Director)

The Nomination Committee has been constituted on May 16, 2007 to ensure that the general character of the management or the proposed management of the non-banking financial company shall not be prejudicial to the interest of its present and future stakeholders and to ensure 'fit and proper' credentials/status of proposed/existing Directors of the company.

Terms of reference and scope of the Nomination Committee

The role and function of the Nomination Committee is as follows:

a. To ensure fit and proper credentials of proposed/existing Directors;

b. Appointment and reappointment of Directors on the Board;

c. Filling of a vacancy on the Board; and

d. Appointment of members to the Executive Committee of the Board.

IPO Committee

Members:	Dr. Vikram Akula	Chairman (Chairman, Non-executive)
	Mr. Sumir Chadha	Member (Non-executive Director)
	Mr. Paresh Patel	Member (Non-executive Director)
	Mr. Suresh Gurumani	Member (Managing Director and CEO)
	Mr. Ashish Lakhanpal	Member (Non-executive Director)

The IPO Committee was constituted pursuant to a circular resolution dated December 17, 2009 and the taken on record by the Board of Directors dated January 5, 2010. The IPO Committee was reconstituted on February 12, 2010.

The terms of reference of SKS IPO Committee

The role and functions of the SKS IPO Committee includes as follows:

a) Evaluating the viability of the proposed IPO of the company vis-a-vis market conditions, investors interest and recommend to the Board on the timings of the proposed IPO, the number of equity shares that may be offered under the Issue, the objects of the Issue, allocation of the Equity Shares to a specific category of persons and the estimated expenses on the Issue as percentage of Issue size;

b) Identify, appoint and enter into necessary agreements / arrangements with the book running lead managers, underwriters syndicate members, brokers / sub brokers, Bankers, escrow collection bankers, registrars, legal advisors, placement, agents, depositories, trustees, custodians, advertising agencies, monitoring agency stabilization agent and all such persons or agencies as may be involved in or concerned with and to negotiate and finalize the terms of their appointment, including mandate letter, negotiation, finalization and execution of the memorandum of understandings etc.;

c) Remunerating all such intermediaries, advisors, agencies and persons as may be involved in or concerned with the Issue, if any, by way of commission, brokerage, fees or the like and opening bank accounts, share/securities accounts, escrow or custodian accounts, in India or abroad;

d) Guiding the intermediaries in the preparation and finalization of the Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus and the preliminary and final international wrap, and approving the same including any amendments, supplements, notices or corrigenda thereto, together with any summaries thereto;

e) Finalizing and arranging for the submission of the Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus and the preliminary and final international wrap and any amendments, supplements, notices or corrigenda thereto, to SEBI, the Stock Exchanges, Registrar of Companies and other appropriate government and regulatory authorities, institutions or bodies;

f) Making applications for listing of the shares in one or more stock exchange(s) for listing of the equity shares of the Company and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s);

g) Seeking, if required, the consent of the Company's lenders, parties with whom the Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in India or outside India, and any other consents that may be required in connection with the Issue, if any;

h) Determining and finalizing the price band for the Issue, any revision to the price band and the final Issue Price after bid closure, determining the bid opening and closing dates and determining the price at which the Equity Shares are offered or issued/allotted to investors in the Issue.

i) Making applications to the Foreign Investment Promotion Board, RBI and such other authorities as may be required for the purpose of allotment of shares to non-resident investors;

j) Opening with the bankers to the Public Issue such accounts as are required by the regulations issued by SEBI;

k) To do all such acts, deeds, matters and things and execute all such other documents, etc. as it may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, finalize the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of share certificates in accordance with the relevant rules;

l) To settle all questions, difficulties or doubts that may arise in regard to such issues or allotment as it may, in its absolute discretion deem fit."

m) To delegate any of the powers mentioned above to the Company Executives."

Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

The provisions of Regulation 12 (1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 will be applicable to the Company immediately upon the listing of its Equity Shares on the Stock Exchanges**.** We shall comply with the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 1992 following the listing of our Equity Shares.

Shareholding of Directors in the Company
Except as set out below, none of the Directors hold any Equity Shares in the Company:

S. No.	Name of the Director	No. of Equity Shares	Pre-Issue Percentage Shareholding	Post-Issue Percentage Shareholding
1.	Dr. Tarun Khanna	8,080	0.01%	[●]
2.	Mr. Suresh Gurumani	235,000*	0.4%	[●]

* *225,000 Equity Shares are proposed to be transferred by Mr. Suresh Gurumani to Tree Line pursuant to a Share Purchase Agreement dated January 27, 2010, subject to certain terms and conditions set out therein. Mr. Suresh Gurumani has received approval from the RBI on February 18, 2010 for this transfer. For further details, please see "History and Certain Corporate Matters – Material Agreements - Share Purchase Agreements dated January 27, 2010] between Mr. Suresh Gurumani, Mr. M.R. Rao and Certain Employees, Tree Line and the Company" on page 106 of this Draft Red Herring Prospectus.*

Interest of our Directors

All the Directors may be deemed to be interested to the extent of fees payable to them if any, for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them, if any under the Articles of Association, and to the extent of remuneration paid to them, if any for services rendered as an officer or employee of the Company.

The Directors may also be regarded as interested in the Equity Shares, if any, held by them or by the companies/firms/ventures promoted by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as Directors, members, partners, trustees and Promoter, pursuant to this Issue. All of the Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Further, some of our Directors may be interested to the extent of stock options that have been granted to them.

The Directors have no interest in any property acquired by the Company within two years of the date of this Draft Red Herring Prospectus.

Except as stated in "Related Party Transactions" on page 138 of this Draft Red Herring Prospectus, the Directors do not have any other interest in the business of the Company.

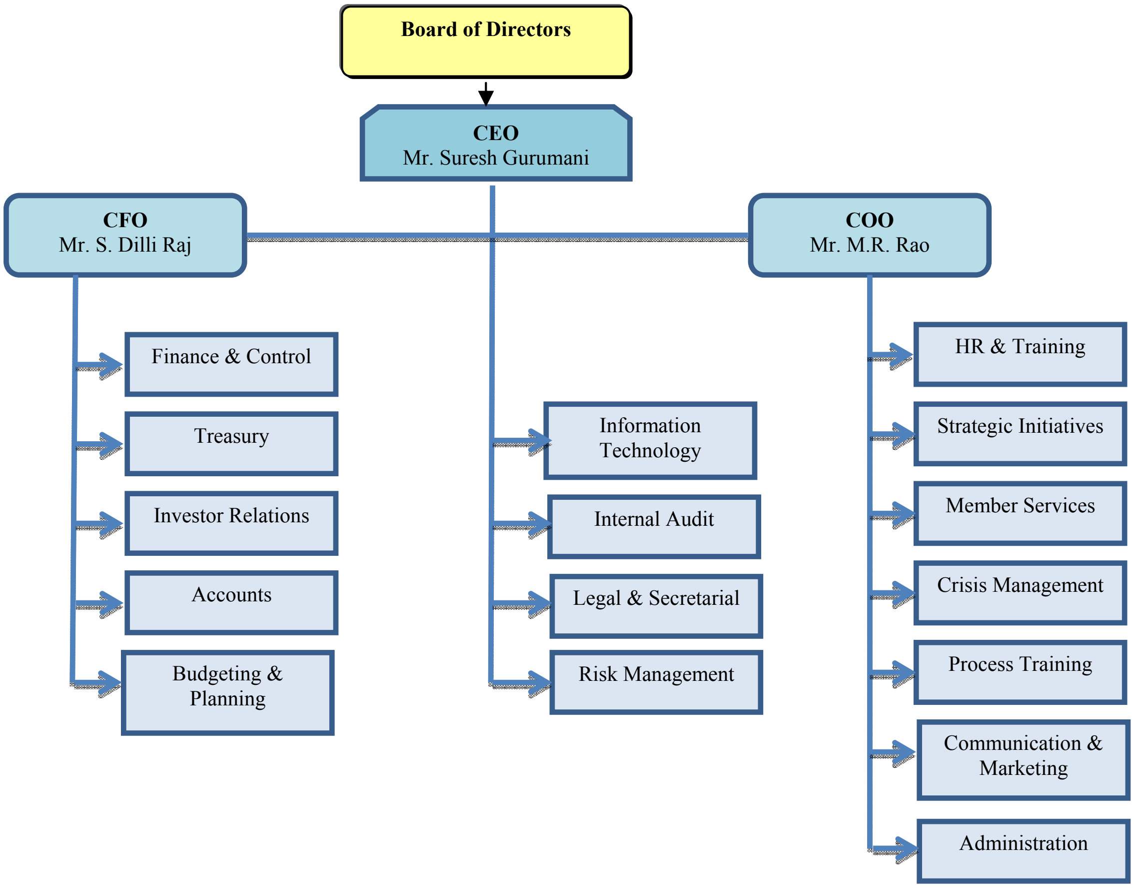
Changes in our Board of Directors in the Last Three Years

The following changes have occurred in Board of Directors of the Company in the last three years:

Name of Director	Date of Appointment / Re-appointment	Date of Cessation	Reason
Mr. Sumir Chadha	• Appointed as an additional Director to represent SCI II, as its nominee pursuant to Board resolution dated May 16, 2007; • Appointed as a Director pursuant to AGM dated August 7, 2008; and • Re-appointed as Director liable to retire by rotation pursuant to AGM dated September 30, 2009.		Appointment
Mr. P.H. Ravi Kumar	• Re-appointed as a Director pursuant to AGM dated September 8, 2007; and • Appointed as a Director pursuant to AGM dated August 7, 2008.		Appointment
Mr. Gurcharan Das	• Appointed as the additional independent Director pursuant to Board resolution dated February 1, 2008; • Appointed as an Independent Director of the Company pursuant to AGM dated August 7, 2008; • Re-appointed as a Director pursuant to the AGM dated September 30, 2009 liable to retire by rotation; and • Resigned from the office of the Directors of the Company pursuant to Board resolution dated January 5, 2010.	January 5, 2010	Cessation
Dr. Tarun Khanna	• Appointed as additional Director pursuant to the Board resolution dated February 1, 2008; • Appointed as a Director in the capacity of an Independent Director pursuant to AGM dated August 7, 2008; and • Re-appointed as a Director liable to retire by rotation pursuant to the AGM dated September 30, 2009.		Appointment
Mr. R.M. Nair	• Resigned from the office of the Directors of the Company pursuant to Board resolution dated February 1, 2008.	February 1, 2008	Cessation
Mr. Shekhar Iyer	• Resigned from the office of the Directors of the Company pursuant to Board resolution dated November 10, 2008.	November 10, 2008	Cessation
Mr. Sitaram Rao	• Resigned from the office of the Directors of the	November	Cessation

Name of Director	Date of Appointment / Re-appointment	Date of Cessation	Reason
	Company pursuant to Board resolution dated November 10, 2008.	1, 2008	
Mr. Ashish Lakhanpal	• Appointed as additional Director pursuant to the Board resolution dated November 10, 2008; and • Appointed as a Director pursuant to the AGM dated September 30, 2009.		Appointment
Mr. V. Chandrasekaran	Appointed as a Director (nominee of SIDBI) pursuant to the Board resolution dated February 1, 2008.		Appointment
Mr. Paresh Patel	• Appointed as additional Director (nominees of SIP I) pursuant Board resolution dated November 10, 2008; and • Appointed as Director of the Company to represent SIP I pursuant to AGM dated March 25, 2009.		Appointment
Dr. Vikram Akula	• Resigned as Managing Director and Chief Executive Officer and was appointed as the Chairman, Non Executive Director with effect from December 8, 2008 pursuant to the Board resolution dated November 10, 2008.		Appointment
Mr. Suresh Gurumani	• Appointed as an additional Director pursuant to Board resolution dated September 30, 2008; • Appointed as the Managing Director pursuant to the Board resolution dated November 10, 2008; and • Re-appointed as the Managing Director pursuant to Board resolution dated July 29, 2009 and AGM dated September 30, 2009.		Appointment
Mr. Geoffrey Tanner Woolley	• Pursuant to the letter dated May 4, 2009 issued by MUC has withdrawn the nomination of Mr. Geoffrey Tanner Woolley as its nominee; • Appointed as an additional Director pursuant to the Board resolution dated May 6, 2009; and • Appointed as Director pursuant the AGM of the shareholders held on September 30, 2009.		Appointment
Mr. Pramod Bhasin	• Appointed as an additional Director pursuant to the Board resolution dated November 4, 2009.		Appointment

Organisational Chart



Advisory Council

The Company entered into a Share Subscription Agreement dated January 16, 2010 with Catamaran (represented by their trustees Catamaran Management Services Private Limited) and Dr. Vikram Akula. The said agreement required the constitution of an Advisory Council to provide operational expertise to the Company. For details see "History and Certain Corporate Matters" on page 98 of this Draft Red Herring Prospectus. The Company has accordingly constituted an Advisory Council on February 12, 2010.

The Advisory Council will advise the Board, amongst other aspects, on the following:

a. Managing next phase of growth;
b. Best industry practices to benchmark;
c. Corporate governance policies and practices;
d. Improving the disclosure standards;
e. Risk management & internal control; and
f. Best international accounting practices.

Key Managerial Personnel

The details of our Key Managerial Personnel are as under:

Mr. Suresh Gurumani – for details see "Brief Profile of the Directors". For the fiscal year ended March 31, 2009, the total remuneration that he received was Rs. 14.8 million.

Mr. M.R. Rao, aged 46 years and an Indian national, is the Chief Operating Officer of the Company. He joined the Company on October 24, 2006. He holds a Post Graduate degree in Management Studies (specialisation in marketing) from BITS, Pilani. He has 22 years of experience in retail financial services. Before joining the Company, he was with ING Vysya as head Alternate Channels. For the fiscal year ended March 31, 2009, the total remuneration that he received was Rs. 12,012,710.

Mr. S. Dilli Raj, aged 41 years and an Indian national, is the Chief Financial Officer of the Company. He joined the Company on January 28, 2008. He holds a degree of Bachelor in Commerce from Vivekananda College, Chennai and Masters in Business Administration from Central University of Pondicherry. He has 18 years of experience in funding, finance, taxation & accounting. Before joining the Company, he was with First Leasing Company of India Limited as the Chief Financial Officer. For the fiscal year ended March 31, 2009, the total remuneration that he received was Rs. 5,396,377.

All our key managerial personnel are permanent employees of the Company and none of key managerial personnel are related to each other.

Retirement Benefits of Key Management Personnel

Our key managerial personnel are entitled to the benefits in regard to the gratuity and provident fund as per the applicable laws. The Company provides for payment of gratuity to employees at retirement or termination of employment due to resignation who have rendered continuous service for not less than five years and for death or disability. The amount of gratuity to be paid is computed at the rate of 15 days of wages for every completed year of service.

Shareholding of the Key Managerial Personnel

Except as stated below, none of our Key Managerial Personnel hold Equity Shares in the Company*.

Name of the Key Managerial Personnel	Number of Equity Shares
Mr. S. Dilli Raj	102,666**
Mr. M.R. Rao	356,666**

* The Company has received Letters of Undertaking dated January 19, 2010 from Mr. Suresh Gurumani, Mr. S. Dilli Raj and Mr. M.R. Rao ("KMP"). In accordance with the terms of these letters, the KMP have consented that they will not sell, transfer, encumber or pledge the Equity Shares held by them to any person for the period commencing from the date of listing of the Equity Shares to three years after the listing or the date of cessation of employment of the KMP, whichever is earlier.

** Pursuant to Share Purchase Agreements dated January 27, 2010 and subject to stipulations set out therein, (a) Mr. M.R. Rao, our Chief Operating Officer, proposes to transfer 62,500 Equity Shares to Tree Line; and (b) Mr. S. Dilli Raj, our Chief Financial Officer, proposes to transfer 25,000 Equity Shares to Tree Line. Applications for the approvals of RBI towards such transfers have been made on January 27, 2010. For further details, please see "History and Certain Corporate Matters – Material Agreements - Share Purchase Agreements dated January 27, 2010 between Mr. Suresh Gurumani, Mr. M.R. Rao and Certain Employees, Tree Line and the Company" on page 106 of this Draft Red Herring Prospectus.

For details of shareholding of Mr. Suresh Gurumani, please see "Our Management – Shareholding of Directors in the Company" on page 121 of this Draft Red Herring Prospectus.

Bonus or Profit Sharing Plan for our Key Managerial Personnel

The Company has a performance-based cash bonus sharing plan, which is common for all employees and does not have a profit sharing plan.

Interests of Key Management Personnel

The KMP of the Company do not have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of their shareholding, if any, in the Company or to the extent of the stock options that have been granted to them.

None of our KMP have been paid any consideration of any nature from the Company, other than their remuneration.

Changes in Key Management Personnel during the Last Three Years

Name	Date	Reason
Ms. Jennifer Leonard	March 31, 2007	Resignation
Mr. S. Dilli Raj	Appointed on January 28, 2008	Appointment
Dr. Vikram Akula	Resigned as Managing Director and Chief Executive Officer with effect from December 8, 2008	Resignation
Mr. Suresh Gurumani	Appointed as CEO and Managing Director with effect from December 8, 2008 pursuant to board resolution dated November 10, 2008	Appointment

Details of Other Agreements

Other than as stated above, none of our Directors or Key Managerial Personnel have been selected pursuant to any arrangement or understanding with major shareholders, customers, suppliers or others.

Payment or Benefit to officers of the Company

Except as stated otherwise in this Draft Red Herring Prospectus, no amount or benefit has been paid or given or is intended to be paid or given to any of the officers except the normal remuneration for services rendered as Directors, officers or employees, since the incorporation of the Company.

Employees Share Purchase and Stock Option Scheme

For details of our ESOP and ESPS, see Employee Stock Option Plans and Stock Purchase Plan in "Capital Structure" on page 26 of the Draft Red Herring Prospectus.

OUR PROMOTERS AND GROUP COMPANIES

Our Promoters

Dr. Vikram Akula, SKS Mutual Benefit Trusts, MUC, SKS Capital, SCI II and Sequoia Capital India Growth Investments –I are the Promoters of our Company.

1. *Dr. Vikram Akula*

Dr. Vikram Akula, 41, is the founder of the Company and Chairman of our Company. For further details, see "Our Management" on page 108 of this Draft Red Herring Prospectus.

Dr. Akula is an American national and his social security number is 055 - 643781, his driving license number is A240-8716-8317 (issued by the State of Illinois, USA) and his passport number is 43207046314. His PAN number is AGSPA2340K

2. *SKS Mutual Benefit Trust - Medak:*

MBT - Medak was originally formed pursuant to a trust deed dated June 26, 2003. The trust deed was thereafter amended and restated on November 25, 2009. Pursuant to further changes and additions in relation to the activities to be undertaken for the benefit of the beneficiaries the trust deed was amended on March 13, 2010. Under the terms of the trust deed, the trustee of MBT-Medak can hold and stands possessed of the trust funds upon trust and in its discretion, subject to the limitation set forth in trust deed, and may distribute the whole or any part thereof or any income or property or the corpus of the trust fund for the purposes of the objectives as mentioned in the Trust Deed. The trustee is also vested with the general superintendence, direction and management of the affairs of the MBT-Medak and all powers, authorities and discretion appurtenant to or incidental to the purpose of the MBT - Medak, subject to the provisions of the bye-laws. Further, no distribution of the trust funds are permitted to be made unless at the time of such distribution the members of the board of directors of the trustee have no economic ties with, and are independent of, the Settlor, the Company and their respective its affiliates and associates.

The registered office of MBT-Medak is Plot No.13, NGO's Colony, Near Telephone Tower, Medak, Andhra Pradesh. The overall objective of MBT - Medak is to promote and enhance the social and economic well being of the beneficiaries by adopting any and all such lawful means as may be appropriate or necessary.

SKS Society is the settlor of MBT-Medak. The beneficiaries of MBT-Medak consists of members of *Sangam*s or Self Help Groups formed with an objective of socio-economic development of women living in a neighbourhood and functioning for the mutual benefit of its members, who are promoted by SKS Society or its affiliates and associates and is reflected in the register of Sangams maintained by the settlor. To continue representation from the beneficiary member groups, MBT-Medak, on March 13, 2010, resolved to have the membership select and appoint up to 100 beneficiary representatives to represent their interests.

Financial performance of MBT- Medak:

(In Rs.)

Particulars	FY 2009	FY 2008	FY 2007
Trust Fund	15,839,950	15,828,828	13,067,179
Trust Income/Receipt	-	-	-
Surplus of Income Over Expenditure	(26,528)	(18,790)	(18,258)

SKS Trust Advisors Private Limited ("STAPL"), previously known as Utthan Trust Advisors Private Limited, a company incorporated in India on November 10, 2009 with its registered office at Ashoka Raghupathi Chambers, D.No. 1-10-60 to 62, Opp. Shopper's Stop, Begumpet, Hyderabad 500 016, is the trustee of MBT-Medak. STAPL was set up with an objective of assisting in the management and governance of the SKS Mutual Benefit Trusts.

Board of Directors of STAPL as of March 19, 2010:

Name	Position
Dr. Vikram Akula	Chairperson and Director
Dr. Ankur Sarin	Director

Under the terms of the Trust Deed, the board of directors of STAPL is required to consist of at least two and no more than seven persons. The members of the Board shall not have economic ties with, and shall be independent of, the Settlor, the Company and their respective affiliates and associates.

For further details, see, "Business- History and Evolution" on page 73 of this Draft Red Herring Prospectus.

Shareholding pattern of STAPL as of March 19, 2010:

S. No.	Name	No. of Shares held	Percentage
1.	Mr. K.V.S. Subramaniyam	9,999	99.9
2.	Dr. Ankur Sarin	1	0.1
	TOTAL	10,000	100

3. *SKS Mutual Benefit Trust - Sangareddy:*

MBT- Sangareddy was originally formed pursuant to a trust deed dated June 24, 2003. The trust deed was thereafter amended and restated on November 25, 2009. Pursuant to further changes and additions in relation to the activities to be undertaken for the benefit of the beneficiaries the trust deed was amended on March 13, 2010. Under the terms of the trust deed, the trustee of MBT-Sangareddy can hold and stands possessed of the trust funds upon trust and in its discretion, subject to the limitation set forth in trust deed, and may distribute the whole or any part thereof or any income or property or the corpus of the trust fund for the purposes of the objectives as mentioned in the Trust Deed. The trustee is also vested with the general superintendence, direction and management of the affairs of the Trust and all powers, authorities and discretion appurtenant to or incidental to the purpose of the MBT - Sangareddy, subject to the provisions of the bye-laws. Further, no distribution of the trust funds are permitted to be made unless at the time of such distribution the members of the board of directors of the trustee have no economic ties with, and are independent of, the Settlor, the Company and their respective its affiliates and associates.

The registered office of MBT- Sangareddy is House No.1-87/2/C, beside Church Road, Siddhartha Nagar, Sangareddy, Medak, Andhra Pradesh. The overall objective of MBT- Sangareddy is to promote and enhance the social and economic well being of the beneficiaries by adopting any and all such lawful means as may be appropriate or necessary.

SKS Society is the settlor of MBT- Sangareddy. The beneficiaries of MBT- Sangareddy consists of members of *Sangam*s or Self Help Groups formed with an objective of socio-economic development of women living in a neighbourhood and functioning for the mutual benefit of its members, who are promoted by SKS Society or its affiliates and associates and is reflected in the register of Sangams maintained by the settlor. To continue representation from the beneficiary member groups, MBT- Sangareddy, on March 13, 2010, resolved to have the membership select and appoint up to 100 beneficiary representatives to represent their interests.

Financial performance of MBT- Sangareddy:

(In Rs.)

Particulars	FY 2009	FY 2008	FY 2007
Trust Fund	15,837,860	15,830,468	13,076,496
Trust Income/Receipt	-	-	-
Surplus of Income Over Expenditure	(26,408)	(18,730)	(17,769)

STAPL is the trustee of MBT- Sangareddy. For more details of STAPL, see above.

4. SKS Mutual Benefit Trust - Jogipet:

MBT - Jogipet was originally formed pursuant to a trust deed dated June 30, 2003. The trust deed was thereafter amended and restated on November 25, 2009. Pursuant to further changes and additions in relation to the activities to be undertaken for the benefit of the beneficiaries the trust deed was amended on March 13, 2010. Under the terms of the trust deed, the trustee of MBT-Jogipet can hold and stands possessed of the trust funds upon trust and in its discretion, subject to the limitation set forth in trust deed, and may distribute the whole or any part thereof or any income or property or the corpus of the trust fund for the purposes of the objectives as mentioned in the Trust Deed. The trustee is also vested with the general superintendence, direction and management of the affairs of the Trust and all powers, authorities and discretion appurtenant to or incidental to the purpose of the MBT - Jogipet, subject to the provisions of the bye-laws. Further, no distribution of the trust funds are permitted to be made unless at the time of such distribution the members of the board of directors of the trustee have no economic ties with, and are independent of, the Settlor, the Company and their respective its affiliates and associates.

The registered office of MBT - Jogipet is House No. 11/78, Vasavinagar colony, Jogipet, Medak District, Andhra Pradesh. The overall objective of MBT - Jogipet is to promote and enhance the social and economic well being of the beneficiaries by adopting any and all such lawful means as may be appropriate or necessary.

SKS Society is the settlor of MBT- Jogipet. The beneficiaries of MBT- Jogipet consists of members of *Sangam*s or Self Help Groups formed with an objective of socio-economic development of women living in a neighbourhood and functioning for the mutual benefit of its members, who are promoted by SKS Society or its affiliates and associates and is reflected in the register of Sangams maintained by the settlor. To continue representation from the beneficiary member groups, MBT- Jogipet, on March 13, 2010, resolved to have the membership select and appoint up to 100 beneficiary representatives to represent their interests.

Financial performance of MBT- Jogipet:

(In Rs.)

Particulars	FY 2009	FY 2008	FY 2007
Trust Fund	15,805,227	15,814,006	13,066,486
Trust Income/Receipt	-	-	-
Surplus of Income Over Expenditure	(26,408)	(18,730)	(21,860)

STAPL is the trustee of MBT- Jogipet. For more details of STAPL, see above.

5. ***SKS Mutual Benefit Trust - Narayankhed:***

MBT - Narayankhed was originally formed pursuant to a trust deed dated June 26, 2003. The trust deed was thereafter amended and restated on November 25, 2009. Pursuant to further changes and additions in relation to the activities to be undertaken for the benefit of the beneficiaries the trust deed was amended on March 13, 2010. Under the terms of the trust deed, the trustee of MBT-Narayankhed can hold and stands possessed of the trust funds upon trust and in its discretion, subject to the limitation set forth in trust deed, and may distribute the whole or any part thereof or any income or property or the corpus of the trust fund for the purposes of the objectives as mentioned in the Trust Deed. The trustee is also vested with the general superintendence, direction and management of the affairs of the Trust and all powers, authorities and discretion appurtenant to or incidental to the purpose of the MBT - Narayankhed, subject to the provisions of the bye-laws. Further, no distribution of the trust funds are permitted to be made unless at the time of such distribution the members of the board of directors of the trustee have no economic ties with, and are independent of, the Settlor, the Company and their respective its affiliates and associates.

The registered office of MBT - Narayankhed is Near Basweshwar chowk, Bypass road, Narayankhed, Medak District, Andhra Pradesh. The overall objective of MBT - Narayankhed is to promote and enhance the social and economic well being of the beneficiaries by adopting any and all such lawful means as may be appropriate or necessary.

SKS Society is the settlor of MBT- Narayankhed. The beneficiaries of MBT- Narayankhed consists of members of *Sangam*s or Self Help Groups formed with an objective of socio-economic development of women living in a neighbourhood and functioning for the mutual benefit of its members, who are promoted by SKS Society or its affiliates and associates and is reflected in the register of Sangams maintained by the settlor. To continue representation from the beneficiary member groups, MBT- Narayankhed, on March 13, 2010, resolved to have the membership select and appoint up to 100 beneficiary representatives to represent their interests.

Financial performance of MBT- Narayankhed:

(In Rs.)

Particulars	FY 2009	FY 2008	FY 2007
Trust Fund	16,840,823	16,830,451	14,076,977
Trust Income/Receipt	-	-	-
Surplus of Income Over Expenditure	(26,408)	(18,730)	(17,659)

STAPL is the trustee of MBT- Narayankhed. For more details of STAPL, see above.

6. ***SKS Mutual Benefit Trust - Sadasivapet:***

MBT - Sadasivapet was originally formed pursuant to a trust deed dated June 26, 2003. The trust deed was thereafter amended and restated on November 25, 2009. Pursuant to further changes and additions in relation to the activities to be undertaken for the benefit of the beneficiaries the trust deed was amended on March 13, 2010. Under the terms of the trust deed, the trustee of MBT-Sadasivapet can hold and stands possessed of the trust funds upon trust and in its discretion, subject to the limitation set forth in trust deed, and may distribute the whole or any part thereof or any income or property or the corpus of the trust fund for the purposes of the objectives as mentioned in the Trust Deed. The trustee is also vested with the general superintendence, direction and management of the affairs of the Trust and all powers, authorities and discretion appurtenant to or incidental to the purpose of the MBT - Sadasivapet, subject to the provisions of the bye-laws. Further, no distribution of the trust funds are permitted to be made unless at the time of such distribution the members of the board of directors of the trustee have no economic ties with, and are independent of, the Settlor, the Company and their respective its affiliates and associates.

The registered office of MBT - Sadasivapet is Raghavendra Colony, Opp. APSEB Office, Mominpet Road, Sadashivpet, Medak District, Andhra Pradesh. The overall objective of MBT - Sadasivapet is to promote and enhance the social and economic well being of the beneficiaries by adopting any and all such lawful means as may be appropriate or necessary

SKS Society is the settlor of MBT- Sadasivapet. The beneficiaries of MBT- Sadasivapet consists of members of *Sangam*s or Self Help Groups formed with an objective of socio-economic development of women living in a neighbourhood and functioning for the mutual benefit of its members, who are promoted by SKS Society or its affiliates and associates and is reflected in the register of Sangams maintained by the settlor. To continue representation from the beneficiary member groups, MBT- Sadasivapet, on March 13, 2010, resolved to have the membership select and appoint up to 100 beneficiary representatives to represent their interests.

Financial performance of MBT- Sadasivapet:

(In Rs.)

Particulars	FY 2009	FY 2008	FY 2007
Trust Fund	15,828,141	15,828,019	13,075,510
Trust Income/Receipt	-	-	-
Surplus of Income Over Expenditure	(26,408)	(18,730)	(18,159)

STAPL is the trustee of MBT- Sadasivapet. For more details of STAPL, see above.

7. Mauritius Unitus Corporation

MUC is a company incorporated in Mauritius. The registered office of MUC is IFS Court, Twenty Eight, Cyber City, Ebene, Mauritius.

Principal Business of MUC

This company is engaged in the activity of investing in microfinance company's shares and securities.

As on March 19, 2010 MUC holds investments in five companies, all of which are incorporated in India and operate in the financial services sector.

Board of Directors of MUC as of March 19, 2010:

Name	Position
Mr. Christopher Brookfield	Director
Ms. Johanna Posada	Director
Mr. Couldip Basanta Lala	Director
Mr. Dev Joory	Director

Shareholding pattern of MUC as of March 19, 2010:

The share capital of MUC is held by Unitus Equity Fund LP (Unitus Equity), an exempt limited partnership duly constituted in the Cayman Islands. Unitus Equity has an investment committee consisting of Mr. Jim Bunch, Mr. Jim Sorenson, Mr. Bernard Wendeln, Mr. Mike Murray and Mr. Geoffrey Tanner Woolley. Unitus Investment Management, Inc, a company incorporated in the state of Washington, U.S.A, is the asset manager of Unitus Equity. The registered office of Unitus Equity is PO Box 2636 GT, Strathvale House, 90 N Church Street, Grand Cayman, Cayman Islands.

As of March 19, 2010 Unitus Equity had 94 investors consisting of companies and individuals, with one investor that holds more than 10% of Unitus Equity. As on March 19, 2010 Unitus Equity holds investments in six companies, of which five are incorporated in India while one in Mexico. All the investments made by Unitus Equity are in the microfinance sector.

Financial performance of MUC

The financial year of MUC is from January to December of the same calendar year. Further, the audited accounts for the financial year ended December 31, 2009 are in the process of being prepared.

(In USD)

Particulars	2008	2007	2006
Sales & Other Income	3,743	22,912	106
PAT	(18,416)	6,448	(16,641)
Equity Capital	11,790,437	9,218,438	768,438
Reserves	(28,609)	(10,193)	(16,641)

Other information

MUC is an unlisted company. It is neither a sick company within the meaning of SICA nor is it under winding up.

8. SKS Capital

SKS Capital is a company incorporated in Mauritius. The registered office of SKS Capital is 3rd Floor, Harbour Front Building, President John Kennedy Street, Port Louis, Republic of Mauritius.

Principal Business of SKS Capital

SKS Capital is engaged in the activity of investing in shares and securities.

As on March 19, 2010 SKS Capital holds investment only in SKS Microfinance Limited.

Board of Directors of SKS Capital as of March 19, 2010:

Name	Position
Ms. Tanya Sek Sum	Chairperson
Mr. Salim Jhumka	Secretary
Mr. Ashish Lakhanpal	Director

Shareholding pattern of SKS Capital as of March 19, 2009:

Sr. No.	Name	No. of Shares held	Percentage
1.	SKSCP	7,979,674	85.81
2.	QSM	1,320,080	14.19
	TOTAL	**9,299,754**	**100.00**

The share capital of SKS Capital is held by SKS Capital Partners, LLC (SKSCP), a company incorporated in Delaware, United States of America, and QS Microfinance Inc. (QSM), a company incorporated in the British Virgin Islands. The registered office of SKSCP is c/o Think Capital, LLC 480 Mundet Place Hillside, NJ 07205.

Kismet Capital, LLC, a company incorporated in Delaware, United States of America, is the Managing Member (i.e. investment manager) of SKSCP. Mr. Ashish Lakhanpal manages and controls the beneficial interest of Kismet Capital, LLC.

As of March 19, 2010 SKSCP has 28 investors consisting of individuals and body corporates, and four investors own more than 10% of SKSCP. Mr. Ashish Lakhanpal also has indirect holding in SKSCP. As of March 19, 2010 SKSCP has made investments in two companies, both of which are incorporated in Mauritius. SKSCP is focused on the financial services sector, specifically opportunities arising in micro-finance, micro-housing, micro-insurance and related sectors.

Financial performance of SKS Capital

The financial year of SKS Capital is from January to December of the same calendar year. Further, the audited accounts for the financial year ended December 31, 2009 are in the process of being prepared.

(In USD, except per share data)

Particulars	2008	2007
Sales & Other Income	1,680	0
PAT	-33,073	-26,417
Equity Capital	9,299,754	1,550,000
Share Application	30,551	9,379,486
Reserves	10,912,109	-26,417
EPS (Basic)	-0.004	-0.017
(Diluted)	-0.004	-0.002
Book Value per share	2.177	7.041

As SKS Capital was incorporated in 2007, there is no financial information for fiscal 2006.

Other Information

SKS Capital is an unlisted company. It is neither a sick company within the meaning of SICA nor is it under winding up.

9. Sequoia Capital India Growth Investments I

SCIGI I is a company incorporated in Mauritius. The registered office of SCIGI I is 608 St. James Court, St. Denis Street, Port Louis, Mauritius.

Principal Business of SCIGI I

SCIGI I is engaged in the activity of investments in Indian companies and foreign companies which have businesses in India.

As on March 19, 2010 SCIGI I holds investments in eight companies, seven of which are incorporated in India and one in Mauritius. SCIGI I does not have any specific sector focus.

Board of Directors of SCIGI I as of March 19, 2010:

Name	Position
Mr. Sumir Chadha	Board Member
Mr. Aslam Koomar	Board Member
Ms. Suzanne Gujadhur	Board Member

Shareholding pattern of SCIGI I as of March 19, 2010:

Sr. No.	Name	Percentage
1	Sequoia Capital India Growth Fund I, LP	91.49
2	Sequoia Capital India Growth Principals Fund I, LP	8.51
	TOTAL	**100.0**

The share capital of SCIGI I is principally held by Sequoia Capital India Growth Fund I, L.P (SCIGF), a company incorporated in Cayman Islands. SC India GF Management I, LP (SCIGFM), a company incorporated in Cayman Islands is the asset manager to SCIGF. The registered office of SCIGF is c/o Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1 – 1111. The principal shareholders of SCIGFM are SCV WB Holdings (owned by Mr. Sumir Chadha and his family), registered in Cayman Islands, KPB Investments (owned by Mr. KP Balaraj and his family), DS Capital (owned by Mr. Sandeep Singhal and his family) and SNJ Capital (owned by Mr. Surendra Jain and his family), all of which are registered in Mauritius.

As of March 19, 2010 SCIGF had 106 investors, consisting of individuals and body corporates. As on March 19, 2010 SCIGF holds investments in 21 companies, of which 17 are incorporated in India, three in USA and one in Mauritius. SCIGF does not have any sector specific focus and has invested in various sectors including, IT/ITES companies, infrastructure, financial services and retail sectors. SCIGF has investments in six companies which are in the financial services sector.

Financial performance of SCIGI I

The financial year of SCIGI I is from January to December of the same calendar year. Further, the audited accounts for the financial year ended December 31, 2009 are in the process of being prepared.

(In USD, except per share data)

Particulars	2008	2007*
Sales & Other Income	27,828	33,656
PAT	(28,857)	(13,711)
Unrealized loss / gain on investments	(16,782,764)	17,179,525
Equity Capital	67,999,219	26,040,000
Reserves	354,193	17,165,814
EPS (Basic)** – (face value of shares - $1 each)	0.27	1.71
(Diluted)	0.25	0.66
Book Value per share	1.11	4.30

* *from the date of incorporation, being June 20, 2007 to December 31, 2007*
** *Unrealized loss / gain on investments has been included for EPS computation*

Other information

SCIGI I is an unlisted company. It is neither a sick company within the meaning of SICA nor is it under winding up.

10. Sequoia Capital India II LLC

SCI II is a company incorporated in Mauritius. The registered office of SCI II is IFS Court, Twenty Eight, Cybercity, Ebene, Mauritius.

Principal Business of SCI II

This company is engaged in the activity of equity and equity related investments in both Indian and non-Indian companies which have business linkages to India.

As on March 19, 2010 SCI II holds investments in 20 companies, of which 13 are incorporated in India, three in USA, three in Mauritius and one in Cayman Islands. SCI II does not have any sector specific focus and has invested in various sectors including, IT / ITES companies, internet, mobile and financial services retail sectors.

Board of Directors of SCI II as of March 19, 2010:

Name	Position
Mr. Dev Joory	Board Member
Mr. Fareed Soreefan	Board Member
Mr. Sumir Chadha	Board Member
Mr. Uday Khemka	Board Member
Ms. Ann Wingerstrand *	Board Member

** Permanent Alternate to Mr. Uday Khemka*

Shareholding pattern of SCI II as of March 19, 2010:

The share capital of SCI II is primarily held by 29 investors of which 17 are companies, 10 are institutions and two are individuals.

SC India Management II, LLC (SCM), a company incorporated in Mauritius is the asset manager to SCI II. The principal shareholders of SCM are SCV WB Holdings (owned by Mr. Sumir Chadha and his family), registered in Cayman Islands, KPB Investments (owned by Mr. KP Balaraj and his family), DS Capital (owned by Mr. Sandeep Singhal and his family) and SNJ Capital (owned by Mr. Surendra Jain and his family), registered in Mauritius.

Financial performance of SCI II

The financial year of SCI II is from January to December of the same calendar year. Further, the audited accounts for the financial year ended December 31, 2009 are in the process of being prepared.

(In USD, except share data)

Particulars	2008	2007	2006
Sales & Other Income	30,677	7,827,644	235,833
PAT	(5,386,014)	2,557,192	(4,904,261)
Unrealized loss / gain on investments	(11,291,241)	48,707,162	12,496,661
Equity Capital	137,929,002	111,528,356	86,213,283
Reserves	39,627,992	56,305,247	5,040,583
EPS (Basic)* – (20,203 shares of the face value of shares - $10,000 each)	(825)	2,537	376
(Diluted)	(825)	2,537	376

Particulars	2008	2007	2006
Book Value per share	8,789	8,307	4,518

* *Unrealized loss / gain on investments has been included for EPS computation*

Other information

SCI II is an unlisted company. It is neither a sick company within the meaning of SICA nor is it under winding up.

We confirm that the permanent account number, bank account number, registration number and passport number of our Promoters, as available, have been submitted to BSE and NSE, at the time of filing the Draft Red Herring Prospectus with them.

Change in Control

Each trust initially had five trustees comprised of three employees and two beneficiary members from each respective region where the groups were located. In November 2009, SKS Trust Advisors Private Limited, formerly Utthan Trust Advisors Private Limited, was designated the sole trustee of each SKS MBT.

Except as stated above, there has been no change in the control of our corporate Promoters in the last three years.

Payment of benefits to our Promoters

Except as stated in the section "Financial Statements - Related Party Transactions" on page 177 of this Draft Red Herring Prospectus, there has been no payment of benefits to our Promoters during the two years prior to the filing of this Draft Red Herring Prospectus.

Group Companies

None of our Promoters have promoted any companies, firms, ventures, etc.

Other Confirmations

None of our Promoters and relatives of Promoters have been declared as willful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past and no proceedings pertaining to such penalties are pending against them.

Additionally, none of the Promoters and relatives of Promoters have been debarred or prohibited from accessing the capital markets for any reasons by the SEBI or any other authorities. None of the Promoter Group and persons in control of the Promoters (whether promoters are body corporates) or any companies in which the Promoters are or were associated as promoter, director or person in control have been debarred or prohibited from accessing the capital markets for any reasons by the SEBI or any other authorities.

Litigation

For details relating to the legal proceeding involving the Promoters, see "Outstanding Litigation and Defaults" on page 224 of the Draft Red Herring Prospectus.

Common Pursuits and Interests of Promoters

The Promoters of our Company are interested to the extent of their shareholding in us and the dividend they are entitled to receive, if declared, by our Company. Further, our individual Promoter also holds certain stock options of our Company.

Except as stated otherwise in this Draft Red Herring Prospectus, we have not entered into any contracts, agreements or arrangements during the preceding two years from the date of this Draft Red Herring Prospectus in which the Promoters are directly or indirectly interested and no payments have been made to them in respect of the contracts, agreements or arrangements which are proposed to be made with them including the properties purchased by our Company other than in the normal course of business.

Further, except as disclosed in the sections titled "Our Promoters and Group Companies" on page 127 of this Draft Red Herring Prospectus, our Promoters do not have any interest in any venture that is involved in any activities similar to those conducted by us which could result in any conflict of interest. We shall adopt necessary procedures and practices as permitted by law to address any conflict situations, if and when they may arise. For, further details on the related party transactions, to the extent of which our Company is involved, see "Related Party Transactions" on page 138 of the Draft Red Herring Prospectus.

Disassociation by our Promoters in the last three years

There has been no disassociation by our Promoters in the last three years.

RELATED PARTY TRANSACTIONS

For details of the related party transactions, see “Financial Statements – Related Party Transactions” on page 177 of the Draft Red Herring Prospectus.

DIVIDEND POLICY

The declaration and payment of any dividends in the future will be recommended by our Board of Directors and approved by our shareholders at their discretion, and will depend on a number of factors, including but not limited to, our earnings, general financial conditions, capital requirements, results of operations, contractual obligations, overall financial position, applicable Indian legal restrictions, our Articles of Association and other factors considered relevant by the Board of Directors. The Company has not paid any dividends in the past and it has no stated dividend policy. The Board may from time to time also pay interim dividends.

INDEBTEDNESS

Set forth below is a brief summary of our aggregate borrowings as of September 30, 2009

Category of Borrowing	Outstanding Amount *(Rs. in million)*
Term Loan	24,475.60
Secured NCD	1,000.00
Commercial paper	0.00
Fixed deposits	0.00
Cash Credit Bank Borrowings	550.31
Total Borrowings	**26,025.91**

Restrictive covenants with respect to our borrowings

Under these agreements, we are required to:

- Obtain the consent of the lender if a resolution is passed by the board for winding up or the Company commits or omit any act, deed or thing whatsoever so as to incur winding up or liquidation proceedings.
- Inform the lender of any adverse material change in the financial condition or prospects of the Company.
- Keep our properties insured.
- Maintain all accounts.
- Obtain prior consent of the respective lender for
  - effecting any change in its constitution, management, ownership or control of the Company.
  - making any change in the shareholding pattern.
  - making any alterations to our Memorandum and Articles.
  - effecting any scheme of amalgamation or reconstruction.
  - making any drastic change in the management set-up of the Company.
  - undertaking any expansion, diversification, restructuring or mergers.
  - issuing any debentures, raise any loans, accept deposits from public, issue equity or preference capital, change its capital structure or create any charge on its assets or give any guarantees without the prior approval of the lenders.
  - declaring any dividend. or distribute profits, except where the instalments of principal and interest payable to the lender are being paid regularly and there are no irregularities whatsoever in respect of the same
  - creating any subsidiaries or become a subsidiary.
  - undertaking any merger, consolidation, reorganization, scheme or arrangement or compromise with its creditors or shareholders.
  - revaluing assets of the company.
  - creating any charges on all or any of our assets during currency of loan.
  - making any changes to the composition of its board of directors.

SECTION V: FINANCIAL INFORMATION

AUDITORS' REPORT

(as required by Part II of Schedule II to the Companies Act, 1956)

To

The Board of Directors
SKS Microfinance Limited,
D No. 1-10-60 to 62,
Opp Shopper's Stop, Begumpet
Hyderabad – 500016
Andhra Pradesh
India

Dear Sirs,

1. We have examined the restated financial information of SKS Microfinance Limited ('Company') annexed to this report for the purpose of inclusion in the offer document prepared by the Company in connection with its proposed Initial Public Offer ('IPO'). Such financial information which has been approved by the Board of Directors of the Company has been prepared in accordance with the requirements of:

    a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 ('the Act') and

    b. the Securities and Exchange Board of India (Issue of Capital and Disclosure requirements) Regulations 2009, as amended ('the Regulations') issued by the Securities and Exchange Board of India ('SEBI'), as amended from time to time in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

2. We have examined such restated financial information taking into consideration:

    a. the terms of reference vide our engagement letter dated December 4, 2009 to carry out work on such financial information, proposed to be included in the offer document of the Company in connection with its proposed IPO; and

    b. the Guidance Note on Reports in Company Prospectuses (Revised) issued by the Institute of Chartered Accountants of India.

3. The Company proposes to make an IPO of equity shares of Rs. 10 each at such premium, arrived at by the 100% book building process (referred to as 'the Issue'), as may be decided by the Board of Directors.

Financial information as per audited financial statements:

4. The restated financial information has been extracted by the management from the financial statements of the Company for the years ended March 31, 2009, March 31, 2008, March 31, 2007, March 31, 2006 and March 31, 2005 and six months ended September 30, 2009 and approved by the Board of Directors. The audits for the years ended March 31, 2005 and March 31, 2006 were conducted by previous auditors, V. Nagarajan & Co., and accordingly, reliance has been placed on the financial statements audited by them for the said years.

5. In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the Regulations and terms of our engagement agreed with you, we further report that:

a. The Statement of Restated Assets and Liabilities (Annexure A) and schedules forming part thereof, Statement of Restated Profit and Loss Account (Annexure B) and schedules forming part thereof, Statement of Restated Cash Flow (Annexure C) and Significant Accounting Policies, Notes to Restated Summary Statements (Refer Annexure D) (together referred to as 'Restated Summary Statements') of the Company, including as at and for the years ended March 31, 2009, March 31, 2008, March 31, 2007, March 31, 2006 and March 31, 2005 and six months ended September 30, 2009, examined by us, are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Notes to Restated Summary Statements (Refer Annexure D).

b. Based on the above, we are of the opinion that the restated financial information has been made after incorporating:

   - The impact arising on account of changes in accounting policies adopted by the Company as at and for the period ended September 30, 2009 applied with retrospective effect in the Restated Summary Statements;

   - Adjustments for the material amounts in the respective financial years to which they relate;

   - There are no extraordinary items which need to be disclosed separately in the Restated Summary Statements; and

   - There are no qualifications in the auditors' reports, which require any adjustments to the Restated Summary Statements.

   Further, the statement on matters specified in the Companies (Auditors' Report) Order, 2003, annexed to the auditors' reports on the financial statements for the years ended March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006, included, certain qualified statements which do not require any corrective adjustments in the restated financial statements. Such statements are included in paragraph 3(h) of Annexure D.

6. We have not audited any financial statements of the Company as of any date or for any period subsequent to September 30, 2009. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Company as of any date or for any period subsequent to September 30, 2009.

Other financial information:

7. At the Company's request, we have also examined the following financial information proposed to be included in the offer document prepared by the management and approved by the Board of Directors of the Company and annexed to this report relating to the Company, for the year ended March 31, 2009, March 31, 2008, March 31, 2007, March 31, 2006 and 2005 and six months ended September 30, 2009:

   i. Statement of other income (Annexure E)

   ii. Statement of related party transactions (Annexure F)

   iii. Statement of contingent liabilities (Annexure G)

   iv. Statement of dividends declared (Annexure H)

   v. Capitalization statement as at September 30, 2009 (Annexure I)

   vi. Statement of accounting ratios (Annexure J)

vii. Statement of tax shelter (Annexure K)

viii. Statement of terms of loan borrowings as at September 30, 2009 (Annexure L)

8. In our opinion, the financial information as disclosed in the annexures to this report, read with the respective significant accounting policies and notes disclosed in Annexure D, and after making adjustments and re-groupings as considered appropriate and disclosed in Annexure D, has been prepared in accordance with Part II of Schedule II of the Act and the Regulations.

9. This report should not be in any way construed as a reissuance or redating of any of the previous audit reports issued by us or by other firm of Chartered Accountants, nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. We have no responsibility to update our report for events and circumstances occurring after the date of the report.

11. This report is intended solely for your information and for inclusion in the offer document in connection with the proposed IPO of the Company, and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Co.
Chartered Accountants

Per Viren H. Mehta
Partner
Membership No: 048749
Firm's registration number: 301003E
Place: Mumbai
Date: February 1, 2010

FINANCIAL STATEMENTS

ANNEXURE A - STATEMENT OF RESTATED ASSETS AND LIABILITIES

(Rs. in million)

	Particulars	As at Sept 30, 2009	As at March 31,				
			2009	2008	2007	2006	2005
A	Fixed assets						
	Gross block	304.44	250.99	123.29	36.51	10.32	-
	Less : Accumulated depreciation	163.54	126.86	48.36	15.88	0.99	-
	Net block	**140.90**	**124.13**	**74.93**	**20.63**	**9.33**	**-**
	Capital work in progress (including capital advances)	0.14	0.07	4.00	0.04	-	-
	Sub-total	**141.04**	**124.20**	**78.93**	**20.67**	**9.33**	**-**
B	Intangible assets						
	Gross block	131.35	121.24	100.00	47.95	47.95	-
	Less: Accumulated amortization	81.49	65.55	35.66	17.02	8.13	-
	Net block	**49.86**	**55.69**	**64.34**	**30.93**	**39.82**	**-**
	Capital work in progress (including capital advances)	10.64	9.83	1.68	0.54	-	-
	Sub-total	**60.50**	**65.52**	**66.02**	**31.47**	**39.82**	**-**
C	**Investment**	**2.00**	**-**	**-**	**-**	**-**	**-**
D	**Deferred tax assets (net)**	**79.91**	**42.40**	**9.39**	**8.90**	**-**	**-**
E	Current assets, loans and advances						
	Cash and bank balances	7,206.81	15,470.21	2,752.28	564.54	175.73	20.54
	Other current assets	671.39	333.46	49.14	11.74	3.88	0.17
	Loans and advances (Refer Schedule 1)	28,273.23	14,353.21	7,931.70	2,712.87	788.69	-
	Sub-total	**36,151.43**	**30,156.88**	**10,733.12**	**3,289.15**	**968.30**	**20.71**
F	**Total (F =A+B+C+D+E)**	**36,434.88**	**30,389.00**	**10,887.46**	**3,350.19**	**1,017.45**	**20.71**
G	Liabilities and provisions						
	Loan funds						
	Secured loans (Refer Schedule 2)	26,025.91	20,971.31	7,898.45	2,490.19	692.18	-
	Unsecured loans (Refer Schedule 3)	-	394.37	-	-	-	-
	Deferred tax liabilities (net)	-	-	-	-	3.31	-
	Current liabilities and provisions						
	Current liabilities (Refer Schedule 4)	2,406.04	2,223.77	769.44	81.61	141.24	0.03
	Provisions (Refer Schedule 5)	295.52	154.01	96.88	64.46	25.12	0.02
	Total	**28,727.47**	**23,743.46**	**8,764.77**	**2,636.26**	**861.85**	**0.05**
	NET WORTH (F - G)	**7,707.41**	**6,645.54**	**2,122.69**	**713.93**	**155.60**	**20.66**

	Particulars	As at Sept 30, 2009	As at March 31,				
			2009	2008	2007	2006	2005
	Net worth represented by:						
	Share capital:						
	Equity share capital	483.26	479.01	443.32	266.43	139.07	20.60
	Preference share capital	104.05	91.56	-	-	-	-
	Stock options outstanding	19.73	19.29	2.57	-	-	-
	Reserves and surplus						
	Securities premium account	5,533.92	5,048.24	1,471.32	408.91	-	-
	Statutory reserve	313.28	202.07	41.62	8.33	1.00	0.06
	Profit and loss account	1,253.17	805.37	163.86	30.26	15.53	0.00
	NET WORTH	**7,707.41**	**6,645.54**	**2,122.69**	**713.93**	**155.60**	**20.66**

Note 1: The above statement should be read in conjunction with the significant accounting policies and notes on adjustments for Restated Summary Statements in Annexure D.

As per our report of even date

For S. R. Batliboi & Co.

Chartered Accountants

per Viren H. Mehta

Partner
Membership No:048749

Firm's Registration No: 301003E

Place: Mumbai
Date: February 1, 2010

ANNEXURE B – STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNT

(Rs. in million)

	Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
			2009	2008	2007	2006	2005
A	**INCOME**						
	Income from operations (Refer Schedule 6)	3,413.64	5,060.40	1,624.66	444.95	89.59	-
	Other income	433.24	479.59	75.42	11.71	9.85	0.70
	Sub-total	**3,846.88**	**5,539.99**	**1,700.08**	**456.66**	**99.44**	**0.70**
B	**EXPENDITURE**						
	Financial expenses (Refer Schedule 7)	1,274.35	1,944.31	564.65	138.53	27.79	-
	Personnel expenses (Refer Schedule 8)	946.36	1,376.73	477.55	129.67	27.53	-
	Operating and other expenses (Refer Schedule 9)	468.08	734.90	275.26	98.96	19.25	0.24
	Depreciation and amortization	52.80	108.47	51.11	23.79	7.53	-
	Provisions and write offs (Refer Schedule 10)	248.68	135.01	42.08	20.32	7.51	-
	Sub-total	**2,990.27**	**4,299.42**	**1,410.65**	**411.27**	**89.61**	**0.24**
C	**Profit before prior period items and tax as per audited financial statements**	**856.61**	**1,240.57**	**289.43**	**45.39**	**9.83**	**0.46**
	Prior period [(income) / expenses]	-	-	-	(18.64)	-	-
D	**Profit before tax as per audited financial statements**	**856.61**	**1,240.57**	**289.43**	**64.03**	**9.83**	**0.46**
	Adjustments on account of changes in accounting policies [(increase) / decrease in income] (**Refer Note 2 of Annexure D**)	-	-	-	19.53	(19.79)	(0.09)
	Adjustments on account of prior period items [(increase) / decrease in income] (**Refer Note 2 of Annexure D**)	-	-	-	(0.89)	0.89	
E	**Profit before tax as restated**	**856.61**	**1240.57**	**289.43**	**45.39**	**28.73**	**0.55**
F	**Tax expense**						
¤	**Per audited financial statements** [(increase) / decrease in income]						
	Current tax	335.00	453.30	111.63	36.79	1.47	0.17
	Deferred tax	(37.50)	(33.01)	(0.49)	(12.21)	3.31	-
	Taxation of earlier periods	2.97	2.68	2.84	-	-	0.04
	Fringe benefit tax	0.10	15.35	8.99	2.77	0.62	-
	Sub-total	**300.57**	**438.32**	**122.97**	**27.35**	**5.40**	**0.21**
	Restatement tax adjustments [(increase) / decrease in income]						
	Adjustment on account of prior period taxes (**Refer Note 2 of Annexure D**)	(2.97)	0.29	(0.16)	2.84	-	(0.04)
	Tax impact on restatement adjustments (**Refer Note 2 of Annexure D**)	-	-	-	(6.86)	6.86	-
	Sub-total	**(2.97)**	**0.29**	**(0.16)**	**(4.02)**	**6.86**	**(0.04)**

	Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
			2009	2008	2007	2006	2005
	Total tax expense as restated	**297.60**	**438.61**	**122.81**	**23.33**	**12.26**	**0.17**
G	**Profit after tax as restated (E-F)**	**559.01**	**801.96**	**166.62**	**22.06**	**16.47**	**0.38**
H	Surplus brought forward from previous year, as restated	805.37	163.86	30.26	15.53	-	0.07
I	Opening reserve adjustment relating to earlier years for: [(increase) / decrease in income]						
	- Employee benefit provision as per AS 15 (Revised) as per audited financial statements (**Refer Note 3(f) of Annexure D**)	-	-	(0.27)	-	-	-
	- Restatement adjustment for prior period miscellaneous expenditure write / off (**Refer Note 2 of Annexure D**)	-	-	-	-	-	0.35
	- Restatement adjustment for prior period tax (**Refer Note 2 of Annexure D**)	-	-	-	-	-	0.04
	Sub-total	-	-	(0.27)	-	-	0.39
J	**Profit available for appropriation**	**1,364.38**	**965.82**	**197.15**	**37.59**	**16.47**	**0.06**
	Transferred to statutory reserve as per audited financial statements	111.21	160.45	33.29	7.33	0.94	0.06
K	**Surplus carried to Balance Sheet**	**1,253.17**	**805.37**	**163.86**	**30.26**	**15.53**	**-**

Note: The above statement should be read in conjunction with the significant accounting policies and notes on adjustments for Restated Summary Statements in Annexure D.

As per our report of even date

For S. R. Batliboi & Co.

Chartered Accountants

per Viren H. Mehta

Partner
Membership No:048749
Firm's Registration No: 301003E

Place: Mumbai

Date: February 1, 2010

ANNEXURE C - STATEMENT OF RESTATED CASH FLOW

(Rs. in million)

Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
		2009	2008	2007	2006	2005
Cash flow from operating activities						
Profit before tax as Restated	**856.61**	**1240.57**	**289.43**	**45.39**	**28.73**	**0.55**
Adjustments for:						
Depreciation and amortization	52.80	108.47	51.11	23.79	9.11	-
Provision for employee benefits	38.20	46.67	18.85	1.77	0.33	-
Stock options and share purchase scheme	0.43	22.07	2.57	-	-	-
Share issue expenses	3.59	29.39	0.90	3.76	2.65	(0.09)
Provision for standard assets and non-performing assets	48.74	6.96	32.15	10.53	3.09	-
Bad debts written off	94.17	103.30	4.48	9.79	4.42	-
Loss on assigned loans	105.77	24.75	5.45	-	-	-
Other balances written off	19.31	28.69	8.68	1.80	0.22	-
(Profit)/Loss on disposal of fixed assets	0.01	(0.01)	-	-	-	-
Dividend income	-	-	(0.14)	(0.59)	(0.11)	-
Restated operating profit before working capital changes	**1,219.63**	**1,610.86**	**413.48**	**96.24**	**48.44**	**0.46**
Movements in working capital:						
(Increase) / decrease in current assets	(337.94)	(289.15)	(38.75)	(9.23)	(2.11)	(0.16)
(Increase) / decrease in loans and advances	(170.09)	(115.38)	(61.52)	(61.40)	(7.54)	-
(Increase) / decrease in portfolio loans	(13,930.03)	(6,469.63)	(5,179.43)	(1,873.02)	(768.32)	-
(Decrease) / increase in current liabilities	182.27	1,454.33	687.83	(61.22)	138.85	0.00
Cash generated from operations	**(13,036.16)**	**(3,808.97)**	**(4,178.39)**	**(1,908.63)**	**(590.68)**	**0.30**
Direct taxes paid	(319.70)	(456.50)	(136.74)	(6.89)	(3.97)	(0.10)
Net cash generated from operating activities (A)	**(13,355.86)**	**(4,265.47)**	**(4,315.13)**	**(1,915.52)**	**(594.65)**	**0.20**
Cash flow from investing activities						
Purchase of fixed assets (including capital work in progress)	(53.72)	(124.02)	(90.75)	(26.22)	(10.32)	-

Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
		2009	2008	2007	2006	2005
Sale of fixed assets	0.02	0.18	-	-	-	-
Purchase of intangible assets (including capital work in progress)	(10.91)	(29.40)	(53.18)	(0.54)	(47.95)	-
Bank deposits not considered as cash and cash equivalent (net)	781.12	(2,146.20)	(108.88)	(13.52)	(14.50)	-
Purchase of investments	(2.00)	-	(100.00)	(320.00)	(75.00)	-
Sale / Redemption of investments	-	-	100.00	320.00	75.00	-
Dividend income	-	-	0.14	0.59	0.11	-
Purchase of Pre-incorporation expenses	-	-	-	-	(1.95)	-
Net cash flow from investing activities (B)	**714.51**	**(2,299.44)**	**(252.67)**	**(39.69)**	**(74.61)**	**-**
Cash flow from financing activities						
Proceeds from issuance of share capital (including securities premium)	502.42	3,698.82	1,239.31	536.26	118.47	-
Share issue expenses	(3.59)	(29.40)	(0.90)	(3.76)	(0.71)	-
Secured borrowings (net)	5,004.60	13,072.86	5,408.25	1,798.01	692.18	-
Unsecured borrowings (net)	(344.37)	394.37	-	-	-	-
Net cash generated from financing activities (C)	**5,159.06**	**17,136.65**	**6,646.66**	**2,330.51**	**809.94**	**-**
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	**(7,482.29)**	**10,571.74**	**2,078.86**	**375.30**	**140.68**	**0.20**
Cash and cash equivalents at the beginning of the period/ year	13,187.12	2,615.38	536.52	161.22	20.54	20.34
Cash and cash equivalents at the end of the period/ year	**5,704.83**	**13,187.12**	**2,615.38**	**536.52**	**161.22**	**20.54**
Composition of cash and cash equivalents:						
Cash on hand	357.81	12.04	106.79	40.39	11.75	0.00
Balance with banks						
On Current accounts	3,397.02	1,567.26	1,483.95	424.04	149.47	0.04
On Deposit accounts (net of bank deposits not considered as cash and cash equivalent)	1,950.00	11,607.82	1,024.64	72.09	-	20.50
Total	**5,704.83**	**13,187.12**	**2,615.38**	**536.52**	**161.22**	**20.54**

Note 1: The above statement should be read in conjunction with the significant accounting policies and notes on adjustments for Restated Summary Statements in Annexure D.

Note 2: The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 on Cash Flow Statements notified accounting standard by Companies (Accounting Standards) Rules, 2006 (as amended).

As per our report of even date

For S. R. Batliboi & Co.

Chartered Accountants

per Viren H. Mehta
Partner
Membership No.048749
Firm's Registration No: 301003E

Place: Mumbai

Date: February 1, 2010

SCHEDULE 1 - LOANS AND ADVANCES

(Rs. in million)

	Particulars	As at Sept 30, 2009	As at March 31,				
			2009	2008	2007	2006	2005
A.	**Portfolio loans (Unsecured, considered good)**						
	Loans under joint liability group scheme	27,814.02	13,625.11	7,188.56	2,606.41	726.41	-
	Individual loans	115.64	502.24	604.90	32.38	42.44	-
	Subtotal (A)	**27,929.66**	**14,127.35**	**7,793.46**	**2,638.79**	**768.85**	**-**
B.	**Portfolio loans (Unsecured, considered doubtful)**						
	Loans under joint liability group scheme	65.46	37.27	14.51	3.14	11.65	-
	Individual loans	15.96	10.61	0.93	-	-	-
	Subtotal (B)	**81.42**	**47.88**	**15.44**	**3.14**	**11.65**	**-**
C.	**Other loans and advances**						
	Secured, considered good						
	Employee loans	1.88	3.81	9.26	9.84	1.18	-
	Unsecured, considered good						
	Loans to directors	-	-	-	16.36	-	-
	Loans to SKS Microfinance Employees Welfare Trust	98.76	69.81	33.83	8.23	-	-
	Advances recoverable in cash or kind or value to be received	72.73	44.01	68.98	6.00	3.17	-
	Deposits	62.64	58.02	10.37	3.13	0.71	-
	Interest accrued and due on portfolio loans	3.71	2.33	0.36	0.74	-	-
	Advance fringe benefit tax (net of provisions)	4.94	-	-	-	-	-
	Others	-	-	-	25.54	3.13	-
	Unsecured, considered doubtful						
	Advances recoverable in cash or kind	17.49	-	-	1.1	-	-
	Subtotal (C)	**262.15**	**177.98**	**122.80**	**70.94**	**8.19**	**-**
	Total	**28,273.23**	**14,353.21**	**7,931.70**	**2,712.87**	**788.69**	**-**

SCHEDULE 2 - SECURED LOANS

(Rs. in million)

Particulars	As at Sept 30, 2009	As at March 31,				
		2009	2008	2007	2006	2005
Term loans						
From banks	18,285.25	14,290.74	5,935.10	2,014.51	492.18	-
(Secured by hypothecation of portfolio loans and by lien on bank deposits)						
From financial institutions	6,190.35	4,933.04	1,963.35	475.68	200.00	-
(Secured by hypothecation of portfolio loans and by lien on bank deposits)						
Debentures						
2,500, 10.5% Secured Redeemable Non-Convertible Debentures of Rs. 100,000 each redeemable at par at the end of one year from the date of allotment February 27, 2009	250.00	250.00	-	-	-	-
(Secured by hypothecation of portfolio loans)						
7,500, 10% Secured Redeemable Non - Convertible Debentures of Rs. 100,000 each redeemable at par at the end of one year from the date of allotment April 23, 2009 (Secured by hypothecation of portfolio loans)	750.00	-	-	-	-	-
Other borrowings: Banks overdraft (Due within one year)	550.31	1,497.53	-	-	-	-
(Secured by hypothecation of portfolio loans and by lien marked on bank deposits)						
Total	**26,025.91**	**20,971.31**	**7,898.45**	**2,490.19**	**692.18**	**-**

SCHEDULE 3 - UNSECURED LOANS

(Rs. in million)

Particulars	As at Sept 30, 2009	As at March 31,				
		2009	2008	2007	2006	2005
Terms Loans						
From banks	-	150.00	-	-	-	-
Commercial paper (short term) 250.00	-	244.37	-	-	-	-
Less: Unamortized interest (5.63)						
Total	**-**	**394.37**	**-**	**-**	**-**	**-**

SCHEDULE 4 - CURRENT LIABILITIES

(Rs. in million)

Particulars	As at Sept 30, 2009	As at March 31,				
		2009	2008	2007	2006	2005
Sundry creditors	263.90	130.46	46.73	13.38	2.64	0.02
Employee payable	139.79	138.14	33.83	19.19	3.92	-
Payable to banks for assigned loans	1,387.19	1,442.55	548.13	-	-	-
Deferred income	430.16	421.75	112.44	29.40	-	-
Interest accrued but not due	154.39	68.31	26.15	10.69	3.63	-
Statutory dues	30.61	22.56	2.16	8.95	4.17	0.01
Un-disbursed loan on account of managed loans	-	-	-	-	115.85	-
Due to Swayam Krishi Sangam Society	-	-	-	-	6.93	-
Others	-	-	-		4.10	-
Total	**2,406.04**	**2,223.77**	**769.44**	**81.61**	**141.24**	**0.03**

SCHEDULE 5 - PROVISIONS

(Rs. in million)

Particulars	As at Sept 30, 2009	As at March 31,				
		2009	2008	2007	2006	2005
Provision for taxation (net of advance tax payments)	55.55	34.34	19.55	33.16	4.50	0.02
Provision for fringe benefit tax (net of advance tax payments)	-	0.86	0.54	0.36	0.37	-
Provision for standard assets and non performing assets	128.72	62.49	61.49	30.44	19.92	-
Provision for loss on assigned loans	22.05	5.96	-	-	-	-
Provision for gratuity	10.49	1.81	0.08	0.50	0.33	-
Provision for leave encashment and availment	78.71	48.55	15.22	-	-	-
Total	**295.52**	**154.01**	**96.88**	**64.46**	**25.12**	**0.02**

SCHEDULE 6 - INCOME FROM OPERATIONS

(Rs. in million)

Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
		2009	2008	2007	2006	2005
Interest income on portfolio loans	2,847.93	4,417.69	1,330.79	396.36	62.92	-
Membership fees	69.58	75.78	36.65	10.79	2.61	-
Loan origination charges	-	86.71	87.99	18.90	10.22	-
Income from assignment of loans	496.13	480.22	165.62	-	-	-
Income from loan management services	-	-	3.61	18.90	13.84	-
Total	**3,413.64**	**5,060.40**	**1,624.66**	**444.95**	**89.59**	**-**

SCHEDULE 7 - FINANCIAL EXPENSES

(Rs. in million)

Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
		2009	2008	2007	2006	2005
Interest :						
On term loans from banks	860.80	1,308.03	424.98	97.80	15.21	-
On term loans from financial institutions	278.24	400.40	96.52	27.31	0.41	-
On other loans	5.63	39.95	-	6.35	10.47	-
On overdraft facility	9.28	22.46	0.29	-	-	-
On debentures	46.24	2.86	-	-	-	-
Loan processing fees	66.58	137.48	28.18	3.27	1.06	-
Guarantee fees	0.21	1.42	1.73	-	-	-
Bank charges	7.37	31.71	12.95	3.80	0.64	-
Total	**1,274.35**	**1,944.31**	**564.65**	**138.53**	**27.79**	**-**

SCHEDULE 8 - PERSONNEL EXPENSES

(Rs. in million)

Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
		2009	2008	2007	2006	2005
Salaries and incentives	812.85	1,189.37	417.32	109.97	24.04	-
Staff leave encashment	46.50	56.30	16.90	6.31	0.77	-
Contribution to Provident fund	27.51	37.63	13.15	3.79	0.81	-
Contribution to ESIC	7.88	12.11	4.49	0.70	0.37	
Gratuity	8.75	13.33	3.63	1.76	-	-
Staff welfare expenses	42.44	45.92	19.49	7.14	1.54	-
Directors stock option expenditure	0.43	22.07	2.57	-	-	-
Total	**946.36**	**1,376.73**	**477.55**	**129.67**	**27.53**	**-**

SCHEDULE 9 - OPERATING AND OTHER EXPENSES

(Rs. in million)

Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
		2009	2008	2007	2006	2005
Rent	63.71	88.12	26.26	8.78	1.32	-
Rates and taxes	6.27	25.68	11.64	4.61	1.16	-
Insurance	1.11	1.05	0.86	0.89	0.25	-
Repairs and maintenance:		-	-	-	-	-
Plant and machinery	6.71	6.87	2.04	1.49	0.33	-
Others	26.63	35.50	15.33	5.02	0.95	-
Electricity charges	10.96	15.23	4.86	1.65	0.34	-
Travelling and conveyance	167.86	253.60	110.18	38.89	7.90	-
Communication expenses	39.79	49.48	16.87	5.67	1.24	-
Printing and stationery	65.59	112.19	51.67	17.69	2.06	-
Professional and consultancy charges	44.10	69.53	18.07	5.11	1.27	0.12
Directors' sitting fees	0.13	0.21	0.17	0.12	-	-
Auditors' remuneration						
Audit fees	2.95	3.90	2.50	2.22	0.46	0.02
Certification fees	-	0.13	-	-	-	-
Out of pocket expenses	0.77	0.75	0.43	-	0.04	-
Share issue expenses	3.59	29.39	0.90	3.76	0.71	-
Other balances written off	19.31	28.69	8.68	1.80	0.22	-
Amortization of pre incorporation expenses	-	-	-	-	0.48	0.09
Incorporation charges	-	-	-	-	-	0.01
Filing fees	-	-	-	-	-	0.00
Loss on disposal of fixed assets	0.01					
Miscellaneous expenses	8.59	14.58	4.80	1.26	0.52	-
Total	**468.08**	**734.90**	**275.26**	**98.96**	**19.25**	**0.24**

SCHEDULE 10 - PROVISIONS AND WRITE OFFS

(Rs. in million)

Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
		2009	2008	2007	2006	2005
Provision for standard and non performing assets	48.74	6.96	32.15	10.53	3.09	-
Bad debts written off	94.17	103.30	4.48	9.79	4.42	-
Loss from assigned loans	105.77	24.75	5.45	-	-	-
Total	**248.68**	**135.01**	**42.08**	**20.32**	**7.51**	**-**

ANNEXURE D - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ADJUSTMENTS FOR RESTATED SUMMARY STATEMENT

Background:

The restated summary statement of assets and liabilities of the Company as at September 30, 2009, March 31, 2009, March 31, 2008, March 31, 2007, March 31, 2006 and March 31, 2005 and the related restated summary statement of profits and losses and cash flows for the six months period ended September 30, 2009 and the years ended at March 31, 2009, March 31, 2008, March 31, 2007, March 31, 2006 and March 31, 2005 (hereinafter collectively referred to as "Restated Summary Statements") relate to SKS Microfinance Limited ("the Company") and have been prepared specifically for inclusion in the offer document to be filed by the Company with the Securities and Exchange Board of India ("SEBI") in connection with its proposed Initial Public Offering.

These Restated Summary Statements have been prepared to comply in all material respects with the requirements of Schedule II to the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (the "Regulations").

1. Significant Accounting Policies

a. Basis of preparation of financial statements

The financial statements have been prepared to comply in all material respects with the Notified accounting standards by Companies (Accounting Standards) Rules, 2006 (as amended), the relevant provisions of the Companies Act, 1956 ('the Act') and the provisions of the Reserve Bank of India ('RBI') as applicable to a non banking financial company. The financial statements have been prepared under the historical cost convention on an accrual basis except interest/discount on a loan which have been classified as Non Performing Assets and is accounted for on cash basis. The accounting policies have been consistently applied by the Company and are consistent with those applied in the previous year.

b. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

i. Interest income on loans given is recognized under the internal rate of return method. Income on non-performing assets is recognized only when realized and any interest accruing on such assets is de-recognized totally by reversing the interest income already recognized.

ii. Interest income on deposits with banks is recognized on a time proportion accrual basis taking into account the amount outstanding and the rate applicable.

iii. Membership fees are recognized on an upfront basis.

iv. On sale of receivables under asset assignment arrangement, the profit arising on account of sale is recognized over the life of the receivables assigned on an accrual basis and loss, if any, arising on account of sale is accounted immediately.

v. Dividend income is accounted on establishment of right to receive basis by the Balance Sheet date.

vi. All other income is recognized on an accrual basis.

d. Fixed assets

All fixed assets are stated at historical cost less accumulated depreciation and impairment loss, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

e. Intangibles

i. Goodwill is amortized using the straight-line method over a period of five years.

ii. Software cost related to computers are capitalized and amortized using the written down value method at a rate of 40% per annum.

f. Depreciation

i. Depreciation on fixed assets has been provided on the written down value method as per the useful lives of the assets estimated by the management or the rates prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher.

ii. Fixed assets costing upto Rs. 5,000 individually are fully depreciated in the year of purchase.

g. Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

h. Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

i. Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

j. **Foreign currency transactions**

i. All transactions in the foreign currency are recognized at the exchange rate prevailing on the date of transactions.

ii. Foreign currency monetary items are reported using the exchange rate prevailing at the close of the financial year and net gain or losses are recognized as income or expense.

iii. Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

k. **Retirement and other employee benefits**

i. The monthly contributions towards Provident Fund and Employee's State Insurance Scheme are charged to Profit and Loss Account for the year. There are no other obligations of the Company other than the contributions made in the funds.

ii. Gratuity liability is defined benefit obligations and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of the financial year.

iii. Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method at the end of the financial year.

iv. Actuarial gains/losses are immediately taken to Profit and Loss Account and are not deferred.

l. **Income taxes**

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of the deferred tax assets are reviewed at each balance sheet date. The Company writes down the carrying amount of the deferred tax assets to the extent that it is no longer reasonably certain or virtually certain as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available.

m. **Earnings per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as fraction of an equity share to the extent that they were entitled to participate in dividends related to a fully paid equity share during the reporting period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

n. <u>Provisions</u>

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

o. <u>Cash and cash equivalents</u>

Cash and Cash equivalents in the Cash Flow Statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

p. <u>Employee share based payments</u>

1. In case of Employee Share Purchase Plan, measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. The Company measures compensation cost relating to employee share purchase plan using the fair value method. Such compensation expense is recognized immediately as these are granted and vested immediately.

2. In case of Employee Stock Option Plan, measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. The Company measures compensation cost relating to employee stock options using the Black-Scholes Model. Compensation expense is amortized over the vesting period of the option on the straight line basis.

q. <u>Classification of loan portfolio</u>

<u>Estimate for the year ended March 31, 2006</u>

i. All loans and advances overdue up to 4 weeks have been classified as Standard assets, overdue beyond 4 weeks and up to 50 weeks (which is the maximum loan duration) are classified as Sub-standard assets. Loans overdue beyond the loan durations' are classified as doubtful of recoveries.

ii. Loans and advances where possibility of recovery is remote in the assessment of the management are classified as loss assets.

<u>Estimate for the year ended March 31, 2007 and March 31, 2008</u>

i. **Loans are classified as follows:**

Asset Classification	Loans under JLG	Individual Loans
Non Performing	Overdue over 8 weeks	Overdue over 3 months

Asset Classification	Loans under JLG	Individual Loans
Assets		
Sub-Standard	Overdue for 8 weeks – 25 weeks	Overdue for 3 – 6 months
Doubtful assets	Overdue for 25weeks – 50 weeks	Overdue for 6 – 12 months
Loss Assets	Overdue for more than 50 weeks	Overdue for more than 12 months

"Overdue" refer to interest and/ or installment remaining unpaid from the day it became receivable.

ii. All other loans & advances are classified as standard, sub-standard, doubtful, and loss assets in accordance with the extant Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

iii. Under exceptional circumstances, management may renegotiate loans by rescheduling repayment terms for clients have defaulted in repayment but who appear willing and able to repay their loans under longer term agreement. All rescheduled loans are separately identified and provided for in full.

Estimate for the year ended March 31, 2009 and for the period ended Sept 30, 2009

i. **Loans are classified as follows:**

Asset classification	Loans under JLG scheme	Individual loans
Non-performing assets	Overdue over 8 weeks	Overdue over 3 months
Sub-standard	Overdue for 8 weeks – 25 weeks	Overdue for 3 – 6 months
Doubtful assets	--	Overdue for 6 – 12 months
Loss assets	Overdue for more than 25 weeks	Overdue for more than 12 months

"Overdue" refers to interest and/ or installment remaining unpaid from the day it became receivable.

ii. All other loans & advances are classified as standard, sub-standard, doubtful, and loss assets in accordance with the extant Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

r. Provision policy for portfolio loans

Estimate for the year ended March 31, 2006

i. The Provision of 1% is provided on advance outstanding and classified as Standard assets, provision of 10% is provided on advances classified as Sub-standard, up to 25 weeks, and 50% between 25-50 weeks, whereas, 100% provision is provided for in case of advances classified as Doubtful and loss assets.

ii. All rescheduled loans are provided for in full.

iii. Advances classified as loss assets by the management are either written off or fully provided for in Income and Expenditure Account.

iv. The provision, thus made, is larger than the provision required under the Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions 1998.

Estimate for the year ended March 31, 2007

Loans are provided for as per the management's estimates, subject to the minimum provision required as per Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. The provision norms adopted by the Company is as follows:

Provisioning norms for JLG loans:

Asset classification	Arrear period	Provision as per RBI prudential norms	Estimated provision adopted by the Company
Standard	Less than 8 weeks	NIL	1%
Sub-standard	Over 8 weeks – 25 weeks	NIL	10%
Doubtful assets	Over 25 weeks – 50 weeks	10%	50%
Loss assets	More than 50 weeks	100%	100%

Provisioning norms for Individual loans:

Asset classification	Arrear period	Provision as per RBI prudential norms	Estimated provision adopted by the Company
Standard	Less than 3 months	NIL	1%
Sub-standard	Over 3 – 6 months	NIL	10%
Doubtful assets	Over 6 – 12 months	10%	50%
Loss assets	More than 12 months	100%	100%

All other loans and advances are provided for in accordance with the extant Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

Estimate for the year ended March 31, 2008

Loans are provided for as per the management's estimates, subject to the minimum provision required as per Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. The provision norms adopted by the Company is as follows:

Provisioning norms for JLG loans:

Asset classification	Arrear period	Provision as per RBI prudential norms	Estimated provision adopted by the Company
Standard	Less than 8	NIL	0.75%

Asset classification	Arrear period	Provision as per RBI prudential norms	Estimated provision adopted by the Company
	weeks		
Sub-standard	Over 8 weeks – 25 weeks	NIL	10%
Doubtful assets	Over 25 weeks – 50 weeks	10%	50%
Loss assets	More than 50 weeks	100%	100%

Provisioning norms for Individual loans:

Asset classification	Arrear period	Provision as per RBI prudential norms	Estimated provision adopted by the Company
Standard	Less than 3 months	NIL	0.75%
Sub-standard	Over 3 – 6 months	NIL	10%
Doubtful assets	Over 6 – 12 months	10%	50%
Loss assets	More than 12 months	100%	100%

All other loans and advances are provided for in accordance with the extant Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

Estimate for the year ended March 31, 2009 and for the period ended Sept 30, 2009

Loans are provided for as per the management's estimates, subject to the minimum provision required as per Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. The provisions norm adopted by the Company is as follows:

Joint Liability Group (JLG) loans - provisioning and write off policy

Asset classification	Arrear period	Provision as per RBI prudential norms	Estimated provision adopted by the Company
Standard	Less than 8 weeks	Nil	Note 1
Sub-standard	Over 8 weeks - 25weeks	Nil	50%
Loss assets	More than 25 weeks	100%	Write off

Individual Loan Portfolio (ILP) loans - provisioning and write off policy

Asset classification	Arrear period	Provision as per RBI prudential norms	Estimated provision adopted by the Company
Standard	Less than 3 months	NIL	Note 1
Sub-standard	Over 3 – 6	NIL	10%

Asset classification	Arrear period	Provision as per RBI prudential norms	Estimated provision adopted by the Company
	months		
Doubtful assets	Over 6 – 12 months	10%	50%
Loss assets	More than 12 months	100%	100%

Note 1:

i. Standard asset provision is linked to the Portfolio at risk (PAR) as shown below:

If Portfolio at risk	Estimated provision adopted by the Company (% of Standard assets)
0 – 1%	0.25%
Above 1% to 1.5%	0.50%
Above 1.5% to 2%	0.75%
Above 2%	1.00%

Portfolio at risk represents overdue as percentage at gross loans outstanding computed separately for JLG loans and ILP loans.

ii. All other loans & advances are provided for in accordance with the extant Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

iii. All overdue loans where the tenure of the loan is completed and in the opinion of the management amount is not recoverable, are written off.

iv. Further all loss assets identified per the extant RBI guidelines are provided / written off.

2. Adjustments arising out of change in accounting policies and prior period adjustment [(increase)/decrease in income]

(Rs. in million)

Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
		2009	2008	2007	2006	2005
I) Change in accounting policies for:						
a) Accounting for miscellaneous expenditure** [Note 3(a) below]	-	-	-	(1.74)	1.48	(0.09)
b) Accounting of interest income on loans [Note 3(b) below] c) Accounting of depreciation for assets costing below Rs. 5000 [Note 3(c) below]	-	-	-	22.85)	(22.85)	-
	-	-	-	(1.58)	1.58	-
Total	**-**	**-**	**-**	**19.53**	**(19.79)**	**(0.09)**
II) Prior period items						
a) Prior period expenses [Note 3(d) below]	-	-	-	(0.89)	0.89	-
Total	**-**	**-**	**-**	**(0.89)**	**0.89**	**-**
III) Taxes						

Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
		2009	2008	2007	2006	2005
a) Prior period taxes*** [Note 3(d) below]	(2.97)	0.29	(0.16)	2.84	-	(0.04)
b) Tax impact on restatement adjustments [Note 3(e) below]	-	-	-	(6.86)	6.86	-
Total	**(2.97)**	**0.29**	**(0.16)**	**(4.02)**	**6.86**	**(0.04)**

** An amount of Rs.0.35 million for change in accounting policy for accounting of miscellaneous expenditure has been adjusted against the opening reserve for the year 2004-05 as it pertains to the period prior to the year 2004-05.

*** An amount of Rs.0.04 million relating to prior period taxes has been adjusted against the opening reserve for the year 2004-05 as it pertains to the period prior to the year 2004-05.

3. Notes to Restated Summary Statements

a. Accounting for miscellaneous expenditure:-

During the year ended March 31, 2004 and March 31, 2006 the Company had incurred miscellaneous expenditure in the nature of pre incorporation expenses and share issue expenses respectively. This expenditure was being amortized over a period of five years as per the company's policy, as against the requirement of Accounting Standard 26, "Intangible assets" notified accounting standard by Companies (Accounting Standards) Rules, 2006 (as amended), which requires miscellaneous expenditure in nature of pre incorporation expenses and share issue expenses to be charged off in the year in which these are incurred. Accordingly, restatement adjustment has been made to the audited Balance Sheet, Profit and Loss Account and Cash Flow Statement ('the Audited Financial Statements'), for the year ended March 31, 2005 and March 31, 2006 and March 31, 2007.

b. Accounting for interest income on loans:-

Till the year ended March 31, 2006 the Company has accounted its interest income on portfolio loans on flat interest rate method, as against the requirement of the Accounting Standard - 9 "Revenue Recognition" notified accounting standard by Companies (Accounting Standards) Rules, 2006 (as amended), which provides that the interest income is to be recognized on internal rate of return method. The change in the accounting policy was adopted during the year ended March 31, 2007. Accordingly, restatement adjustments have been made to the Audited Financial Statements, for the year ended March 31, 2006 and March 31, 2007.

c. Accounting for depreciation on assets costing below Rs. 5000:-

Till the year ended March 31, 2006 the assets costing below Rs. 5000 were depreciated on Written Down Value method using the rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 ('the Act'), as against the requirement of the Act to charge 100% depreciation on acquisition of such items. The change in the accounting policy was adopted during the year ended March 31, 2007. Accordingly, restatement adjustments have been made to the Audited Financial Statements, for the year ended March 31, 2006 and March 31, 2007.

d. Prior period items:-

In the Audited Financial Statements for the period ended April 1, 2009 to Sep 30, 2009 and the years ended March 31, 2005, 2006, 2007, 2008, 2009, certain items of income/expenses both in the nature of taxes, employee welfare and statutory dues were identified as prior period items. For the purpose of this statement, such prior period items have been appropriately adjusted in the respective years.

e. Tax impact on restatement adjustments:-

Income Tax has been computed on restatement adjustments made as detailed above and has been adjusted in the restated profits and losses for the years ended March 31, 2009, 2008, 2007, 2006 and 2005.

f. Adoption of Accounting Standard AS-15 (Revised 2005) Employee Benefits

The Company adopted Accounting Standard 15 (Revised 2005) Accounting for retirement Benefits during the year ended March 31, 2008. This change did not have a material impact either on the profits for the year ended March 31, 2008 or on the liability as at April 1, 2007.

g. The figures have been re-grouped / re-classified wherever necessary.

h. Non adjusting items

Audit qualification

There are no qualifications in the auditors' reports which may require any adjustments to the Restated Summary Statements. Further, the statement on matters specified in the Companies (Auditors' Report) Order, 2003, annexed to the auditors' reports on the audited financial statements for the years ended March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006, included, certain qualified statements which do not require any corrective adjustments in the restated summary statements are as follows:

For the financial year ended March 31, 2009

- **Delay in discharge of undisputed statutory dues**

  Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty and cess have generally been regularly deposited with the appropriate authorities, *except in case of dues of employees' profession tax which have not been regularly deposited with the appropriate authorities though the delays in deposit have not been serious.*

- **Reporting on frauds on/by the Company**

  Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no material frauds on or by the Company were noticed / reported during the year although there were some instances of frauds on the Company by its employees as given below:

  (a) *Thirty-three cases of cash embezzlements by the employees of the Company aggregating to Rs 7,079,683 were reported during the year.* The services of all such employees involved have been terminated and the Company is in the process of taking legal action. We have been informed that nine of these employees are absconding. The outstanding loan balance (net of recovery) aggregating to Rs 5,377,428 has been written off;

  (b) *Eighteen cases of loans given to non-existent borrowers on the basis of fictitious documentation created by the employees of the Company aggregating to*

Rs.5,645,657 were reported during the year. The services of all such employees involved have been terminated and the Company is in the process of taking legal action. The outstanding loan balance (net of recovery) aggregating to Rs.4,253,379 has been written off; and

(c) *One case of fraud by an employee of the Company in collusion with vendors has been reported during the year. The aggregate value of transactions is Rs.9,610,755 (including Rs.3,051,510 in respect of the previous year).* The services of the said employee and the arrangement with the said vendors have been terminated. The Company has initiated legal action and criminal proceedings against such employee. *The financial effect of the loss incurred by the Company is not currently quantifiable.*

For the financial year ended March 31, 2008

- **Adequacy of internal audit system**

Company has an internal audit system, *the scope and coverage of which, in our opinion requires to be enlarged to be commensurate with the size and nature of its business.*

- **Delay in discharge of undisputed statutory dues**

Undisputed statutory dues including provident fund, employees' state insurance, sales-tax, wealth-tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases;* in case of advance income-tax, *there has been a significant delay in one case*; and in case of dues for service tax, *there have been considerable delays in many cases.*

- **Reporting on frauds on/by the Company**

We have been informed that during the period covered by our audit report, *following cases of frauds were noticed or reported by the Company as given below*:

(a) *Twenty-one cases of cash embezzlements by the employees of the Company aggregating to Rs.6,290,091.* The services of all such employees involved have been terminated and the Company is in the process of taking legal action. We have been informed that eleven of these employees are absconding. The outstanding loan balance (net of recovery) aggregating to Rs.5,665,580 has been written off;

(b) *Two cases of misrepresentation by the employees of the Company aggregating to Rs.1,354,000*. The services of all such employees involved have been terminated and the Company is in the process of taking legal action. We have been informed that one such employee is absconding. The outstanding loan balance (net of recovery) aggregating to Rs.925,753 has been provided for; and

(c) *Misrepresentation by a borrower who collected loan repayments from other borrowers aggregating to Rs.1,55,000*. The Company is pursuing the borrower to repay the money. The amount has been fully written off.

For the financial year ended March 31, 2007

- **Adequacy of internal audit system**

The Company has an internal audit system, *the scope and coverage of which, in our* *opinion requires to be enlarged to be commensurate with the size and nature of its business.*

- **Delay in discharge of undisputed statutory dues**

Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases* and in case of dues for service tax*, these have not been regularly deposited with the appropriate authorities and there have been serious delays in large number of cases.*

- **Undisputed statutory dues remaining unpaid for more than six months as at the balance sheet date**

According to the information and explanations given to us, undisputed dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other statutory dues which were outstanding, at the year end for a period of more than six months from the date they became payable are as follows:

Name of the statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Due Date	Date of Payment
Employee State Insurance Corporation	Contribution to the fund	123,754	November 2005 – September 2006	21st of the following month	Of the total, Rs. Rs.64,033 paid on April 17, 2007
Maharashtra Professional Tax Act, 1975	Professional Tax	16,620	April 2006 – September 2006	15th of the following month	-
Service Tax Act	Service tax on membership fees	648,535	September 2005 – September 2006	5th of the following month	-
Service Tax Act	Interest on service tax dues above	87,001	September 2005 – September 2006	Not Applicable	-
Service Tax Act	Service tax on loan processing fees	951,262	September 2005 – September 2006	5th of the following month	-
Service Tax	Interest on service tax	104,938	September 2005 –	Not	-

Name of the statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Due Date	Date of Payment
Act	dues above		September 2006	Applicable	
Service Tax Act	Service tax on income from management services	434,194	May 2006 – September 2006	5th of the following month	-
Service Tax Act	Interest on service tax dues above	36,237	May 2006 – September 2006	Not Applicable	-

- **Default in Term loan repayment**

  Based on our procedures and as per the information and explanations given by the management, *the Company has defaulted in repayment of dues to bank. Term loan repayment amounting to Rs 5,000,000 became due for repayment on January 18, 2007 which was repaid by the Company on January 23, 2007.* The Company has not defaulted in repayment of dues to a financial institution. The Company did not have any outstanding debentures during the year.

- **Reporting on frauds on/by the Company**

  We have been informed that during the period covered by our audit report, *six cases of frauds were noticed / reported by the Company as given below*

  (a) *Five cases of cash embezzlements by the employees of the Company aggregating to Rs. 751,095.* Of these, we have been informed that three employees are absconding. The services of all five employees involved have been terminated and the Company is in the process of taking legal action. We have been informed that the Company is adequately covered by fidelity insurance cover;

  (b) *Misrepresentation by a member who collected loans disbursed to several other members aggregating to Rs. 165,000.* The Company is pursuing the member to repay the money. The loan balance remaining uncollected has been fully provided.

<u>For the financial year ended March 31, 2006 as per the previous auditor V. Nagarajan & Co.</u>

- **Adequacy of internal audit system**

  The Company has an internal audit system, the scope and coverage of which, in our opinion requires being covered Head office and be enlarged to be commensurate with the size and nature of its business, including its future expansion.

- **Delay in discharge of undisputed statutory dues**

  According to the records of the company, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, income-tax, sales-tax, wealth-tax, service tax, fringe benefit tax, custom duty, excise-duty, cess and other statutory dues applicable to it, except for:

(a) Non-deposit of ESI contribution of Rs.498,411/- (including of employees share of Rs.124,559/-) as on 31.03.06 pending registration with ESI authorities.

(b) Professional Tax of Rs.29,661/- outstanding as on 31.03.06, of which Rs.4,589/- still remains outstanding.

- **Undisputed statutory dues remaining unpaid for more than six months as at the balance sheet date**

  According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, customs duty and excise duty were outstanding, as at March 31, 2006 for a period of more than six months from the date they became payable*,* except to the extent referred above.

- **Reporting on frauds on/by the Company**

  Based on the audit procedures performed and information and explanations given to us by the management, we report that there was a solitary instance of fraud which was in the nature of misappropriation of collection from customers to the extent of Rs. 34,000/- by an employee, which is yet to be recovered.

i. Subsequent Events

1. Pursuant to the Board resolution dated December 8, 2009, 3,863,415 equity shares of Rs. 10 each, Re.0.50 paid up issued at a premium of Rs.60.67 have been converted into fully paid up equity shares.

2. Pursuant to the Board resolution dated December 8, 2009, 10,405,625 0% compulsorily convertible preference shares of Rs. 10 each, fully paid up issued at a premium of Rs.290 per share (compulsorily convertible on December 26, 2009 with an option to the holder to convert the holding at any time before that date) have been converted into 10,405,625 fully paid up equity shares.

3. Pursuant to the Board resolution dated July 29, 2009 approved by the shareholders on September 30, 2009, issuing 20,883 equity shares of Rs.10 each fully paid up at a premium of Rs.290 per equity share; the Share Allotment Committee has allotted 17,383 equity shares of Rs.10 each fully paid up at a premium of Rs.290 per equity share to certain employees of the Company vide its resolution dated December 31, 2009.

4. Pursuant to the approval of the Compensation Committee vide its resolution dated December 22, 2009, the Share Allotment Committee has allotted 945,424 equity shares of Rs.10 each fully paid up at a premium of Rs.47.05 per equity share (which includes non-cash share premium of Rs.7.28 per equity share) to Mr.Vikram Akula (Chairman) on exercise of stock options granted and vested under Employee Stock Plan 2007, vide its resolution dated December 24, 2009.

5. Pursuant to the Board resolution dated January 13, 2010 approved by the shareholders on January 18, 2010, the Shareholders/Investor Grievance Committee has allotted 312,590 equity shares of Rs.10 each fully paid up at a premium of Rs.290 per equity share to Catamaran Management Services Private Limited, Trustee to CATAMARAN FUND 1-A and 625,180 equity shares of Rs.10 each fully paid up at a premium of Rs.290 per equity

share to Catamaran Management Services Private Limited, Trustee to CATAMARAN FUND 1-B, vide its resolution dated 19 January, 2010. CATAMARAN FUND 1-A and CATAMARAN FUND 1-B are trusts formed under Indian Trusts Act, 1882, represented by their Trustee, Catamaran Management Services Private Limited.

6. As a result of changes mentioned in paragraphs 1 to 5 above, the equity share capital of the Company has increased by Rs.159.76 million, securities premium has increased by Rs.544.15 million and the preference share capital has decreased by Rs.104.05 million.

ANNEXURE E - STATEMENT OF OTHER INCOME

(Rs. in million)

Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
		2009	2008	2007	2006	2005
Other income	433.24	479.59	75.42	11.71	9.85	0.70
Profit before tax, as restated	856.61	1240.57	289.43	45.39	28.73	0.55
% of other income to net profit before tax, as restated	50.58%	38.66%	26.06%	25.80%	34.28%	127.27%

The details of other income for the period April 1, 2009 to September 30, 2009 and years ended March 31, 2009, March 31, 2008, March 31, 2007, March 31, 2006 and March 31, 2005:

(Rs. in million)

Particulars	Recurring / Non-recurring	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
			2009	2008	2007	2006	2005
Interest on bank deposits	Recurring	220.28	171.37	20.16	1.84	0.42	0.70
Insurance commission	Recurring	93.73	118.84	-	-	-	-
Dividend from mutual fund	Recurring	-	-	0.14	0.59	0.11	-
Group insurance administrative charges	Recurring	96.03	175.37	45.82	4.91	2.43	-
Profit on disposal of fixed assets	Non-Recurring	-	0.01	-	-	-	-
Miscellaneous income	Non-Recurring	23.20	14.00	9.30	4.37	6.89	0.00
Total		**433.24**	**479.59**	**75.42**	**11.71**	**9.85**	**0.70**

ANNEXURE F - STATEMENT OF RELATED PARTY TRANSACTIONS

I. Names of the related parties and their relationship

<table>
<tr><th rowspan="2">Category of Related Parties</th><th rowspan="2">For the Period Apr 1 to Sep 30, 2009</th><th colspan="5">For the period ended March 31,</th></tr>
<tr><th>2009</th><th>2008</th><th>2007</th><th>2006</th><th>2005</th></tr>
<tr><td rowspan="3">Entities holding significant influence</td><td colspan="4">Sequoia Capital India II, LLC</td><td rowspan="3">Swayam Krishi Sangam Society</td><td rowspan="3">-</td></tr>
<tr><td colspan="3">Sequoia Capital India Growth Investment I</td><td>-</td></tr>
<tr><td colspan="3">Tejas Ventures</td><td>-</td></tr>
<tr><td rowspan="2">Key management personnel</td><td>-</td><td colspan="5">Mr. Vikram Akula
(Managing director and CEO till October 13, 2008)</td></tr>
<tr><td>Mr. Suresh Gurumani
(Managing Director and CEO from December 8, 2009)</td><td colspan="5">-</td></tr>
<tr><td>Relatives of key management personnel</td><td>-</td><td colspan="5">Mr. Krishna Akula (Father of Mr. Vikram Akula), (related party till October 13, 2008)</td></tr>
</table>

ANNEXURE F – STATEMENT OF RELATED PARTY TRANSACTIONS

II. Related Party transactions

(Rs. in million)

Nature of Transaction	Entities with Significant Influence						Key Management Personnel						Relatives of Key Management Personnel						Total					
Transactions during the year/period ended	**Apr 1, 09 to Sept 30, 09**	**2008-2009**	**2007-2008**	**2006-2007**	**2005-2006**	**2004-2005**	**Apr 1, 09 to Sept 30, 09**	**2008-2009**	**2007-2008**	**2006-2007**	**2005-2006**	**2004-2005**	**Apr 1, 09 to Sept 30, 09**	**2008-2009**	**2007-2008**	**2006-2007**	**2005-2006**	**2004-2005**	**Apr 1, 09 to Sept 30, 09**	**2008-2009**	**2007-2008**	**2006-2007**	**2005-2006**	**2004-2005**
Issue of equity shares (including securities premium)	-	-	537.37	270.27	-	-	-	-	-	16.36	-	-	-	-	-	-	-	-	-	-	537.37	286.63	-	-
Rent expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.88	0.90	0.65	-	-	-	0.88	0.90	0.65	-
Loan given	-	-	-	-	-	-	-	-	-	16.36	-	-	-	-	-	-	-	-	-	-	-	16.36	-	-
Remuneration	-	-	-	-	-	-	8.37	32.79	16.59	4.93	2.40	-	-	-	-	-	-	-	8.37	32.79	16.59	4.93	2.40	-
Business acquisition	-	-	-	-	55.22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55.22	-
Interest paid	-	-	-	-	10.47	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10.47	-
Balances at year / period end	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share capital outstanding	158.07	138.52	130.34	54.30	-	-	-	-	16.36	16.36	-	-	-	-	-	-	-	-	158.07	138.52	146.70	70.66	-	-
Incentive payables	-	-	-	-	-	-	0.75	10.00	7.04	1.10	-	-	-	-	-	-	-	-	0.75	10.00	7.04	1.10	-	-
Loan outstanding	-	-	-	-	-	-	-	-	-	16.36	-	-	-	-	-	-	-	-	-	-	-	16.36	-	-
ESOP outstanding	-	-	-	-	-	-	0.41	0.18	2.51	-	-	-	-	-	-	-	-	-	0.41	0.18	2.51	-	-	-
Rent payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.06	-	-	-	-	-	0.06	-	-

ANNEXURE G – STATEMENT OF CONTINGENT LIABILITIES

(Rs in million)

Particulars	As at Sept, 30 2009	As at March, 31				
		2009	2008	2007	2006	2005
Guarantees given by the Company for the loans assigned to various banks (including cash collaterals placed with banks).	1456.57	1,958.16	276.09	-	-	-
Guarantees provided by the Company for the management of portfolio of other banks.		-	-	27.00	8.00	-
Contingent liability relating to tax matters	26.89	-	-	-	-	-

ANNEXURE H - STATEMENT OF DIVIDEND DECLARED:

Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
		2009	2008	2007	2006	2005
Equity shares - Face value – (Rs.)*	10	10	10	10	10	10
Final dividend	Nil	Nil	Nil	Nil	Nil	Nil

ANNEXURE I - CAPITALISATION STATEMENT AS AT SEPTEMBER 30, 2009

(Rs. in million)

Particulars	Pre-Issue	Post-issue**
Debt		
Short term debt	1,550.31	[●]
Long term debt	24,475.60	[●]
Total debt	**26,025.91**	[●]
Shareholders' funds		
Share capital (Equity and Preference Share Capital)	587.31	[●]
Stock Options Outstanding	19.73	[●]
Reserves and surplus	7,100.39	[●]
Total shareholders' funds	**7,707.41**	[●]
Total debt / shareholders' funds (ratio)	**3.38**	[●]

** The corresponding Post-Issue Debt / Shareholders' ration are not determinable at this stage as it can be ascertained only after the conclusion of the book building process.

ANNEXURE J - STATEMENT OF ACCOUNTING RATIOS

EARNINGS PER SHARE AND RETURN ON NET WORTH

Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
		2009	2008	2007	2006	2005
Earnings per Share (EPS) – Basic (Rs.)	11.65*	17.94	5.53	1.58	6.31	0.18
Earnings per Share (EPS) - Diluted (Rs.)	8.94*	16.25	5.41	1.58	6.31	0.18
Return on Net Worth (%) for equity shareholder	7.35*	12.24	7.85	3.09	10.58	1.84

*The indicated figures have not been annualized

NET ASSET VALUE (NAV) PER EQUITY SHARE

Particulars	As at Sept 30, 2009	For the year ended March 31,				
		2009	2008	2007	2006	2005
NAV per equity share (Rs.)	157.34	136.82	47.88	26.80	11.19	10.03

Basis of computation:

Formulae:

Earnings per Share (Rs.)	Net profit after tax as restated / Weighted average number of equity shares outstanding during the year**
Net Asset Value per Share (Rs.)	Net worth for equity shareholders / Number of equity shares outstanding as at the year / period ended **
Return on Net Worth	Net profit after tax as restated/ Net worth for equity shareholders

Note 1: Net worth for equity shareholders = Equity share capital + Reserves and surplus + Stock options outstanding

Note 2: Profit before tax, as restated and appearing in the statement of Restated Profit and Loss of the Company has been considered for the purpose of computing the above ratios.

Note3: Earnings per Share is calculated in accordance with Accounting Standard 20 'Earnings Per Share', notified accounting standard by Companies (Accounting Standards) Rules, 2006 (as amended).

** includes 3,863,415 equity shares of Rs. 10 each, Re.0.50 paid up considered as 193,171 equity shares of Rs. 10 each fully paid

Note 4: Weighted average number of shares outstanding during the year for Basic and Diluted Earnings per share

Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
		2009	2008	2007	2006	2005
Nominal value of equity shares - (Rs.)	10	10	10	10	10	10
(A) weighted average number of equity shares outstanding during the year – for	48,003,151	44,692,320	30,114,632	13,942,063	2,611,834	2,060,050

Particulars	For the period Apr 1, 2009 to Sept 30, 2009	For the year ended March 31,				
		2009	2008	2007	2006	2005
computing Basic Earning per Share						
(B) weighted average number of equity shares outstanding during the year – for computing Diluted Earning per Share	62,509,590	49,340,181	30,816,591	13,942,063	2,611,834	2,060,050
(C) Shares outstanding as at the period / year end – For computing Net Asset Value	48,325,773	47,901,027	4,331,652	26,643,047	13,907,170	2,060,050

Note 5: <u>Net worth for equity shareholders</u>

Particulars	Net worth as per Restated Assets and Liabilities stated in Annexure A of the Restated Summary Statements	Preference Share Capital	Net worth for the equity share holders
	(a)	(b)	(c) = (a) – (b)
As at September 30, 2009	7,707.41	104.05	7,603.36
As at March 31, 2009	6,645.54	91.56	6,553.98
As at March 31, 2008	2,122.69	-	2,122.69
As at March 31, 2007	713.93	-	713.93
As at March 31, 2006	155.60	-	155.60
As at March 31, 2005	20.66	-	20.66

ANNEXURE K - STATEMENT OF TAX SHELTER

(Rs in million)

Particulars	**As at Sept 30, 2009**	**As at March 31,**				
		2009	**2008**	**2007**	**2006**	**2005**
Profits before tax, as restated	**856.61**	**1240.57**	**289.43**	**45.39**	**28.73**	**0.55**
Income tax rate - statutory rate	33.99%	33.99%	33.99%	33.66%	33.66%	33.66%
Tax at statutory rate **(A)**	291.16	421.67	98.38	15.28	9.67	0.19
Adjustments:						
Permanent Difference						
Exempt income (dividend income)	-	-	(0.14)	(0.60)	(0.11)	-
Disallowance of prior period expenditure	-	-	0.30	2.47	-	-
Expenses of capital nature (share issue and pre incorporation expenses)	3.29	29.39	0.90	5.50	5.80	0.09
Others	-	-	1.99	0.02	-	-
Total permanent difference (B)	**3.29**	**29.39**	**3.05**	**7.39**	**5.69**	**0.09**
Timing Difference						
Difference between tax depreciation and book depreciation	11.02	14.12	(12.82)	6.72	(14.47)	-
Disallowance for provision for bad and doubtful assets	82.32	6.96	32.15	10.53	3.09	-
Interest income on non performing assets de-recognised in books offered for tax	-	8.49	0.02	0.35	-	-
Expenses disallowable under Section 43B of the Income tax Act, 1961	30.16	33.33	11.53	10.20	0.50	-
Others	-	-	(1.28)	3.04	-	-
Total timing difference (C)	**123.50**	**62.90**	**29.60**	**30.84**	**(10.88)**	**-**
Total adjustments (B + C)	**126.79**	**92.29**	**32.65**	**38.23**	**(5.19)**	**0.09**
Tax on total adjustments at statutory rate **(D)**	43.10	31.73	11.10	12.87	(1.75)	**0.03**
Tax liability after considering the adjustments **(A + D)**	334.26	453.04	109.48	28.15	7.92	0.22
Interest on income tax under Section 234B and 234C of Income Tax Act, 1961	**-**	**-**	2.17	2.41	**-**	**-**
Total tax payable	**334.26**	**453.04**	**111.65**	**30.56**	**7.92**	**0.22**

Figures for the six months period ended September 30, 2009 are based on provisional computation and actual tax liability will be determined on the basis of results of operation of the Company for the financial year ended March 31, 2010.

ANNEXURE L: STATEMENT OF TERMS OF LOAN BORROWINGS AS AT SEPTEMBER 30, 2009

Sr. No.	Bank / Financial Institution	Type of Facility	Total Sanctioned Amount *(Rs. In Millions)*	Amount Outstanding as on 30-Sep-09 *(Rs. In Millions)*	Date of Availment	Drawdown Amount *(Rs. In Millions)*	Current Rate of Interest	Repayment Schedule	Security
1	ABN Amro Bank	Term Loan	1,000.00	390.57	28-Aug-07	300.00	11.25%	Principal: Quarterly Interest: Monthly	Book Debts
					3-Sep-07	100.00	11.35%		
					10-Sep-07	100.00	11.45%		
					26-Oct-07	250.00	11.50%		
					13-Nov-07	150.00	11.50%		
					12-May-08	100.00	12.25%		
2	Andhra Bank	Term Loan	250.00	229.17	23-Jun-09	50.00	11.50%	Principal & Interest: Monthly	Book Debts
					15-Sep-09	200.00			
3	Allahabad Bank	Term Loan	250.00	50.00	30-Jun-09	50.00	12.00%	Principal & Interest: Monthly	Book Debts
4	Axis Bank	Term Loan	450.00	100.00	26-Jul-07	200.00	11.00%	Principal: Quarterly Interest: Monthly	Book Debts
					30-Jul-07	100.00	11.00%		
					3-Aug-07	40.00	11.00%		
					13-Aug-07	50.00	11.00%		
					23-Oct-07	60.00	11.00%		
			400.00	171.43	28-May-08	400.00	11.00%		
			500.00	285.71	29-Aug-08	500.00	11.00%		
			500.00	500.00	7-Sep-09	500.00	11.25%		
5	Bank of Baroda	Term Loan	250.00	156.25	29-Dec-08	250.00	12.00%	Principal: Quarterly Interest: Monthly	Book Debts
6	Bank of Bahrain & Kuwait	Term Loan	65.00	43.33	13-Aug-08	65.00	13.00%	Principal: Quarterly Interest: Monthly	Book Debts
7	Bank of Maharashtra	Term Loan	500.00	469.20	25-Mar-09	200.00	11.00%	Principal: Quarterly Interest: Monthly	Book Debts
					5-Sep-09	300.00			
8	Bank of Rajasthan	Term Loan	200.00	50.00	8-Sep-08	200.00	14.00%	Principal: Quarterly Interest: Monthly	Book Debts
			400.00	400.00	12-Aug-09	100.00	11.00%		
					27-Aug-09	300.00			
9	Barclays Bank	Term Loan	250.00	115.00	28-Oct-07	250.00	14.00%	Principal: Quarterly Interest: Monthly	Book Debts
10	BNP Paribas Bank	Term Loan	200.00	133.33	11-Feb-09	200.00	12.70%	Principal: Quarterly Interest: Monthly	Book Debts
11	Central Bank of India	Term Loan	350.00	218.75	29-Sep-08	350.00	12.50%	Principal: Quarterly Interest: Monthly	Book Debts
			500.00	175.00	31-Mar-09	200.00	12.50%		
			1,000.00	958.33	31-Mar-09	500.00	12.00%		
					25-Jun-09	500.00	12.00%		
12	Centurion Bank of Punjab	Term Loan	250.00	90.90	15-Oct-07	100.00	11.50%	Principal & Interest: Monthly	Book Debts
					17-Oct-07	100.00			
					22-Oct-07	50.00			
13	Citi Bank & OPIC	Term Loan	780.00	780.00	28-Feb-08	780.00	10.40%	Principal: Bullet Interest: Monthly	Book Debts
			249.85	249.85	6-Dec-08	249.85	14.00%		
14	City Union Bank	Term Loan	50.00	50.00	29-Jul-09	50.00	11.50%	Principal: Quarterly	Book Debts

Sr. No.	Bank / Financial Institution	Type of Facility	Total Sanctioned Amount *(Rs. In Millions)*	Amount Outstanding as on 30-Sep-09 *(Rs. In Millions)*	Date of Availment	Drawdown Amount *(Rs. In Millions)*	Current Rate of Interest	Repayment Schedule	Security
								Interest: Monthly	
15	Corporation Bank	Term Loan	100.00	8.33	26-Sep-06	100.00	11.50%	Principal & Interest: Monthly	Book Debts
			200.00	100.00	16-Aug-07	200.00	11.00%	Principal: Quarterly Interest: Monthly	
			200.00	150.00	21-Aug-08	200.00	12.00%		
16	Development Credit Bank	Term Loan	100.00	20.00	30-Mar-07	100.00	13.50%	Principal: Quarterly Interest: Monthly	Book Debts
			150.00	75.00	11-Mar-08	150.00	13.75%		
17	Dena Bank	Term Loan	500.00	470.00	31-Jan-09	100.00	13.25%	Principal: Quarterly Interest: Monthly	Book Debts
					25-Mar-09	200.00	13.25%		
					25-Sep-09	200.00	11.50%		
18	Dhanalakshmi Bank	Term Loan	150.00	93.75	17-Dec-08	150.00	14.00%	Principal: Quarterly Interest: Monthly	Book Debts
			150.00	150.00	19-Aug-09	150.00	11.00%		
19	Friends of Women's World Banking	Term Loan	50.00	5.56	1-May-08	50.00	11.50%	Principal & Interest: Monthly	Book Debts
			50.00	11.11	17-Jul-08	50.00	12.50%		
			30.00	8.33	4-Aug-08	30.00	12.50%		
			20.00	7.80	3-Oct-08	20.00	13.50%		
			100.00	54.44	20-Oct-08	30.00	13.50%		
					2-Nov-08	20.00			
					2-Feb-09	20.00			
					9-Apr-09	30.00			
20	HDFC Bank	Term Loan	45.00	3.75	4-Dec-06	45.00	9.25%	Principal: Quarterly Interest: Monthly	Book Debts
			485.00	165.00	28-May-07	200.00	11.50%		
					11-Jun-07	80.00			
					18-Jun-07	80.00			
					25-Jun-07	125.00			
			270.00	210.00	27-May-08	270.00	12.50%		
			520.00	265.71	24-Jun-08	220.00	12.50%		
					7-Jul-08	200.00	13.50%		
					21-Jul-08	100.00			
21	HSBC Bank	Term Loan	350.00	87.50	18-Nov-08	350.00	13.10%	Principal: Quarterly Interest: Monthly	Book Debts
			187.50	179.17	16-Jun-09	50.00	10.50%		
					30-Jul-09	137.50	9.50%		
			150.00	150.00	20-Aug-09	150.00	9.35%		
22	ICICI Bank	Term Loan	1,000.00	727.27	31-Jul-08	1,000.00	13.05%	Principal: Quarterly Interest: Monthly	Book Debts
			750.00	500.00	25-Sep-08	750.00	13.75%		
			2,000.00	2,000.00	29-Sep-09	2,000.00	8.00%	Principal: Bullet Interest: Monthly	Book Debts
23	IDBI Bank	Term Loan	150.00	2.00	15-Mar-07	20.00	10.00%	Principal: Quarterly Interest: Monthly	Book Debts
				26.00	15-Mar-07	130.00	10.75%		
			250.00	150.00	29-Apr-08	250.00	11.00%		
			250.00	150.00	29-Apr-08	250.00	11.50%		
			400.00	400.00	31-Mar-09	400.00	13.25%		
24	Indian Overseas Bank	Term Loan	500.00	375.00	6-Oct-08	500.00	12.50%	Principal: Quarterly Interest: Monthly	Book Debts
25	Indusind	Term	500.00	291.67	13-Jun-08	250.00	12.60%	Principal:	Book

Sr. No.	Bank / Financial Institution	Type of Facility	Total Sanctioned Amount *(Rs. In Millions)*	Amount Outstanding as on 30-Sep-09 *(Rs. In Millions)*	Date of Availment	Drawdown Amount *(Rs. In Millions)*	Current Rate of Interest	Repayment Schedule	Security
					19-Jun-08	250.00			
			780.00	700.00	25-Sep-09	700.00	9.25%	Principal: Bullet Interest: Monthly	Book Debts
26	ING Vysya Bank	Term Loan	50.00	8.33	24-Jan-07	50.00	11.75%	Principal: Quarterly Interest: Monthly	Book Debts
			350.00	116.66	3-Jul-07	100.00	11.75%		
					11-Jul-07	100.00			
					16-Jul-07	100.00			
					23-Jul-07	50.00			
			350.00	116.66	28-Sep-07	350.00	11.75%		
			250.00	152.25	27-Jun-08	150.00	11.75%		
					1-Jul-08	45.00			
					24-Dec-08	55.00			
			100.00	83.33	30-Jan-09	100.00	12.75%		
			400.00	250.00	25-Sep-09	250.00	11.25%		
27	Jammu & Kashmir Bank	Term Loan	250.00	125.00	7-Jul-08	250.00	8.75%	Principal: Quarterly Interest: Monthly	Book Debts
			250.00	250.00	24-Jun-09	50.00	10.75%		
					27-Aug-09	200.00			
28	Karnataka Bank	Term Loan	100.00	90.91	11-Feb-09	100.00	11.75%	Principal: Quarterly Interest: Monthly	Book Debts
29	Karur Vysya Bank	Term Loan	250.00	166.67	30-Apr-08	250.00	12.00%	Principal: Quarterly Interest: Monthly	Book Debts
30	Kotak Mahindra Bank	Term Loan	1,000.00	770.00	7-Sep-09	400.00	9.25%	Principal: Bullet Interest: Monthly	Book Debts
					15-Sep-09	200.00			
					22-Sep-09	170.00			
31	Oriental Bank of Commerce	Term Loan	500.00	100.00	25-Sep-09	100.00	12.00%	Principal: Quarterly Interest: Monthly	Book Debts
32	Punjab National Bank	Term Loan	200.00	131.43	8-Sep-08	200.00	11.00%	Principal & Interest: Monthly	Book Debts
			750.00	583.28	7-Nov-08	500.00		Principal: Quarterly Interest: Monthly	
					26-Mar-09	250.00			
33	Rabo India Finance	Term Loan	600.00	300.00	15-Jul-08	600.00	9.00%	Principal: Half-yearly Interest: Monthly	Book Debts
34	SIDBI	Term Loan	500.00	57.53	31-Mar-06	98.04	8.50%	Principal: Quarterly Interest: Monthly	Book Debts
					5-Oct-06	120.00			
					6-Nov-06	120.00			
					4-Jan-07	60.00			
			1,250.00	550.00	8-Feb-08	750.00	11.25%	Principal & Interest: Monthly	
					18-Mar-08	500.00	11.00%		
			2,400.00	1,745.58	12-Sep-08	1,200.00	12.85%	Principal: Quarterly Interest: Monthly	
					11-Dec-08	600.00	13.50%		
					31-Dec-08	600.00			
			750.00	750.00	25-Mar-09	750.00	13.00%	Principal & Interest: Monthly	

Sr. No.	Bank / Financial Institution	Type of Facility	Total Sanctioned Amount *(Rs. In Millions)*	Amount Outstanding as on 30-Sep-09 *(Rs. In Millions)*	Date of Availment	Drawdown Amount *(Rs. In Millions)*	Current Rate of Interest	Repayment Schedule	Security
			4,000.00	2,000.00	9-Sep-09	2,000.00	11.50%	Principal & Interest: Monthly	
35	South Indian Bank	Term Loan	150.00	62.49	28-Dec-07	150.00	12.25%	Principal: Quarterly Interest: Monthly	Book Debts
			250.00	79.17	26-Mar-09	100.00	12.25%		
36	Standard Chartered Bank	Term Loan	300.00	131.25	2-Nov-07	45.00	11.25%	Principal: Quarterly Interest: Monthly	Book Debts
					12-Nov-07	45.00			
					19-Nov-07	45.00			
					26-Nov-07	45.00			
					22-Dec-07	45.00			
					2-Jan-08	45.00			
					12-Feb-08	30.00			
			150.00	87.50	14-May-08	45.00	11.25%		
					23-May-08	45.00			
					30-May-08	45.00			
					13-Jun-08	15.00	12.50%		
			150.00	100.00	15-Jul-08	47.00	12.25%		
					21-Jul-08	47.00			
					23-Jul-08	56.00	14.25%		
			400.00	289.17	24-Oct-08	20.00	15.25%		
					12-Dec-08	100.00	13.00%		
					6-Jan-09	100.00	12.25%		
					15-Jan-09	180.00			
		NCD	750.00	750.00	23-Apr-09	750.00	10.00%	Principal: Bullet Interest: Monthly	Book Debts
37	State Bank of Mauritius	Term Loan	150.00	100.00	29-Aug-08	150.00	14.00%	Principal: Quarterly Interest: Monthly	Book Debts
38	State Bank of Travancore	Term Loan	250.00	120.00	31-Mar-09	150.00	12.00%	Principal & Interest: Monthly	Book Debts
39	TATA Capital	Term Loan	400.00	300.00	28-Sep-08	400.00	13.50%	Principal: Quarterly Interest: Monthly	Book Debts
			400.00	400.00	25-Sep-09	400.00	10.00%		
40	Union Bank of India	Term Loan	250.00	208.33	26-Mar-09	250.00	11.75%	Principal: Quarterly Interest: Monthly	Book Debts
41	United Bank of India	Term Loan	750.00	550.00	25-Feb-09	100.00	11.00%	Principal: Quarterly Interest: Monthly	Book Debts
					25-Mar-09	200.00			
					25-Sep-09	250.00			
42	Vijaya Bank	Term Loan	500.00	458.35	8-Apr-09	150.00	12.25%	Principal: Quarterly Interest: Monthly	Book Debts
					29-Jun-09	100.00			
					8-Sep-09	250.00	11.75%		
43	Yes Bank	Term Loan	350.00	87.50	27-Sep-07	200.00	12.75%	Principal: Quarterly Interest: Monthly	Book Debts
					27-Mar-08	150.00			
		NCD	250.00	250.00	27-Feb-09	250.00	10.50%	Principal: Bullet Interest: Monthly	Book Debts

Secured Loans- Cash Credit						
Sr. No.	**Bank / Financial Institution**	**Type of Facility**	**Total Sanctioned Amount** *(Rs. In Millions)*	**Amount Outstanding as on 30-Sep-09** *(Rs. In Millions)*	**Current Rate of Interest**	**Security**
1	State Bank of Mysore	Cash Credit	1,000	550.31	11.25%	Book Debts

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our restated summary statements as of and for the fiscal years ended March 31, 2006, 2007, 2008, 2009 and the six month period ended September 30, 2009, including the schedules and notes thereto and the reports thereon, which appear in the section titled "Financial Statements" on page 144 of this Draft Red Herring Prospectus. The financial statements presented and discussed herein have been prepared to comply in all material respects with the notified accounting standards by Companies (Accounting Standards) Rules, 2006 (as amended), the relevant provisions of the Companies Act and the provisions of the RBI as applicable to a non banking financial company, which differs in certain significant respects from IFRS and U.S. GAAP. Our fiscal year ends on March 31 of each year. Accordingly, all references to a particular fiscal year are to the twelve-month period ended on March 31 of that year. The forward-looking statements contained in this discussion and analysis are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such statements. Factors that may cause such a difference include, but are not limited to, those discussed in "Forward-Looking Statements" and "Risk Factors", beginning on pages xiii and xiv, respectively, of this Draft Red Herring Prospectus.

Overview

We are the largest MFI in India in terms of total value of loans outstanding, number of borrowers, who we call members, and number of branches, according to the October 2009 CRISIL report titled India Top 50 Microfinance Institutions, or the CRISIL Report. We are a non-banking finance company, or NBFC, registered with and regulated by the Reserve Bank of India, or RBI. We are engaged in providing microfinance services to individuals from poor segments of rural India. Our mission is to eradicate poverty. We believe we do that by providing financial services to the poor and by using our channel to provide goods and services that the poor need.

Our core business is providing small loans exclusively to poor women predominantly located in rural areas in India. These loans are provided to such members essentially for use in their small businesses or other income generating activities and not for personal consumption. These individuals often have no, or very limited, access to loans from other sources other than private money lenders that we believe typically charge very high rates of interest.

We utilize a village centered, group lending model to provide unsecured loans to our members. This model ensures credit discipline through mutual support and peer pressure within the group to ensure individual members are prudent in conducting their financial affairs and are prompt in repaying their loans. Failure by an individual member to make timely loan payments will prevent other group members from being able to borrow from us in the future; therefore the group will typically make the payment on behalf of a defaulting member or, in the case of willful default, will use peer pressure to encourage the delinquent member to make timely payments, effectively providing an informal joint guarantee on the member's loan. We also use our distribution channel to help provide other services and goods that we have found that our members need. For instance, we also distribute and administer life insurance policy products for our members and have pilot programs to provide loans to our members to purchase select consumer products that increase their productivity.

In addition to our market leadership position and the expertise in microfinance which we have developed, we believe that our competitive strengths include our scalable operating model which leverages technology, diversified product revenues, diversified sources of capital and our pan-India distribution network. Our strategy is to further expand our membership, loans and product offerings by relying on these strengths.

We continue to finance our expansion by accessing multiple sources of capital, both debt and equity, including listed debentures, priority sector qualifying loans from banks, and equity investments from venture capital and private equity investors, institutions and others. Additionally, we seek to sell or assign our portfolio loans to banks to improve our financial position and finance our growth.

During the three year period from fiscal 2006 to fiscal 2009, we expanded our membership from 201,943 in five states to 3,953,324 in 18 states, and our branches expanded from 80 to 1,353. Our total loans outstanding increased at a CAGR of 162.9% from Rs. 780.50 million as of March 31, 2006 to Rs. 14,175.23 million as of March 31, 2009, and further increased to Rs. 28,011.08 million as of September 30, 2009. Over the three year period from fiscal 2006 to fiscal 2009, our profit after tax increased at a CAGR of 265.2%, from Rs. 16.47 million to Rs. 801.96 million. For the six month period ended September 30, 2009, our total income was Rs. 3,846.88 million and our profit after tax was Rs. 559.01 million.

Factors Affecting Our Financial Results

Our financial condition and results of operations are affected by numerous factors, including:

Fluctuations in our Member Base

Our financial results are directly affected by the number of members we serve from time to time. Growth in our member base drives corresponding growth in our interest income, commission and fees received, as members utilize our loan products and also avail our other financial products and services.

Our Network and Outreach

Our results of operations are also dependent upon the geographic reach and service capabilities of our network of branches. As of September 30, 2009, we had 1,627 branches spread across 19 states in India. Our Sangam Managers and branches are supported by administrative support staff and management personnel in regional offices and our headquarters office. As of September 30, 2009, we had 24 regional offices.

Our Sangam Managers market and sell our proprietary products, distribute our alliance partners' products and, together with our branch managers, manage our customer relationships with members through weekly Sangam meetings. As of September 30, 2009, each of our Sangam Managers managed an average of 547 members. Approximately 15,000 employees, or 86.9% of our workforce, were employed in our branches.

Our Ability to Manage Financial Expenses and Fluctuations in Interest Rates Effectively

Our results of operations are dependent on our ability to manage financial expenses, and the impact of fluctuations in interest rates, effectively. Our financial expenses are comprised of interest, loan processing fees, guarantee fees and bank charges. The tenure of our income generating loan product, which comprises the substantial part of our total loan portfolio, is 50 weeks. The interest charged to members for such loans is fixed over the 50-week period.

Our debt service costs and costs of funds depend on many external factors, including developments in the Indian credit market and, in particular, interest rate movements and the existence of adequate liquidity in the debt markets. Internal factors which will impact our cost of funds include changes in our credit ratings, available credit limits and access to loan assignment transactions. With the growth of our operations we have had to increasingly access the debt capital markets and a variety of commercial borrowings and we have generally benefited from competitive rates. We have also benefited from selling portions of our loan portfolio at relatively lower cost resulting in an overall reduction in the expense of servicing our debt capital. Due to our competitive cost of funds, we have been able to offer competitive interest rates on our loans to our members. An increase in our cost of funds could reduce spreads earned on our loan products. Furthermore, competition from banks and other Non-Banking Financial Companies, or NBFCs, continues to increase in the rural and semi-urban India, and as a result there could be further downward pressure on such spreads.

During the six month period ended September 30, 2009, the RBI continued its stance of maintaining ample liquidity in the Indian credit market. For the twelve month period ended September 30, 2009, to alleviate pressure on interest rates and infuse systemic liquidity into the markets, the RBI has cumulatively cut the benchmark rates including the cash reserve ratio by 400 basis points from 9.0% to 5.0%, repo rate by 425 basis points from 9.0% to 4.8%, and reserve repo rate by 275 basis points from 6.0% to 3.3%, respectively.

In the credit market, the gradual moderation in lending and deposit rates continued through the second quarter of fiscal 2010, demonstrating the transmission of lower policy rates, though with lags.

The sharp decline in the Wholesale Price Index, or WPI, inflation rate from the peak level of 12.9% in August 2008 yielded space for the adoption of growth-supportive accommodative monetary policy to mitigate the impact of the crisis. According to the Macroeconomic and Monetary Developments: RBI Second Quarter Review 2009-10, after remaining negative for 13 consecutive weeks, the WPI inflation rate turned modestly positive in September 2009, and increased to 4.78% in the week as of November 14, 2009.

In the fiscal years ended 2009, 2008, 2007 and 2006, our finance expenses were Rs. 1,944.31 million, Rs. 564.65 million, Rs. 138.53 million and Rs. 27.79 million representing as a percentage of our total income, 35.1%, 33.2%, 30.3% and 27.9%, respectively. For the six month ended September 30, 2009, our finance expenses totalled Rs. 1,274.35 million.

Availability of Funding Sources

Our ability to meet demand for new loans will depend on our ability to obtain additional debt on suitable terms. Our funding sources are broad based and spread across public sector banks, domestic private banks, foreign banks and financial institutions. As of September 30, 2009, our total outstanding borrowings from domestic private banks, public sector banks, foreign banks and financial institutions were 39.1%, 23.3%, 13.8% and 23.8% of our total funds base, respectively. Further, assigned loans are 16.0% of our total funds base outstanding as of September 30, 2009, thus, diversifying our funding abilities across a spectrum of institutions and financial products.

We manage our cash flow through active asset liability management strategies. We have structured our model to primarily borrow on a long term basis while lending on a short term basis.

Credit Quality, Provisions and Write-Offs

The credit quality of our loans is a key driver of our results of operations, as quality loans help to reduce the risk of losses from loan impairment. We believe that our historically low level of non-performing assets, or NPAs, is a function of the joint liability features of our lending model. In our model, if one group member defaults, the other group members or the members organized in the applicable regional Sangam meeting agree to make up the missed payment in order to maintain the group's and the Sangam's eligibility to receive future loans and advances. Because our lending model provides mechanisms for other members to pay on behalf of a defaulting primary borrower, we believe our loan products intrinsically promote high levels of collection and low levels of default.

Our members have maintained on-time repayment rates of greater than 99% during the previous four financial years. We believe that our model of group lending, as well as the stringent audit and control processes that we follow, enable us to achieve a high rate of repayment and a lower level of non-performing assets. Our Net NPAs were 0.18%, 0.16% and 0.05% as of March 31, 2009, 2008 and 2007, respectively. As of September 30, 2009, our Net NPAs were 0.15%. We believe these ratios are superior to those exhibited by other retail asset classes such as retail loans, automobile loans, credit card debt and short term personal loans during the corresponding periods.

In addition, pursuant to regulations prescribed by the RBI, we are required to make provisions for our substandard, doubtful and loss assets. Our audit committee has approved a policy for making provisions against loans in arrears sooner than the time prescribed by the RBI. Based on our policy, our provisions as of September 30, 2009 were Rs. 110.34 million, while the RBI required provision for the same period was Rs. 6.83 million.

Our Ability to Manage Operating Expenses

Our results of operations are affected by our ability to manage operating expenses, including those relating to headcount. As we expand our core business and expand our product and service offerings to members, we will need to increase headcount, adding Sangam Managers, area managers and operational management and technology staff. For the fiscal years ended March 31, 2009, 2008, 2007 and 2006, our operating expenses were Rs. 734.90 million, Rs. 275.26 million, Rs. 98.96 million and Rs. 19.25 million, respectively. For the six month period ended September 30, 2009, our operating expense were Rs. 468.08 million.

Traveling and conveyance expenses for the six month period ended September 30, 2009, represent 35.9% of our total operating expenses because we provide local financial services in thousands of villages situated throughout rural and semi-urban India. Our Sangam Managers incur substantial travel expenses visiting villages, many of which are remote, to market and sell our products and services, maintain member relationships, conduct Sangam meetings, disburse loans, collect repayments and report transactions at local banks. For the fiscal years ended March 31, 2009, 2008, 2007 and 2006, our travel expenses were Rs. 253.60 million, Rs. 110.18 million, Rs. 38.89 million and Rs. 7.90 million, respectively. For the six months ended September 30, 2009, our travel expenses were Rs. 167.86 million.

Rent expenses for the six month period ended September 30, 2009 represent 13.6% of our total operating expenses, as we lease substantially all our facilities. We expect rent expenses to increase as we extend our geographic reach and expand our network of branches and members. For the fiscal years ended March 31, 2009, 2008, 2007 and 2006, our rent expenses were Rs. 88.12 million, Rs. 26.26 million, Rs. 8.78 million and Rs. 1.32 million, respectively. For the six month period ended September 30, 2009, our rent expenses were Rs. 63.71 million.

Our Ability to Deliver New or Enhanced Financial Products and Services

We believe that diversification of our business and revenue base is a key component of our success. While our core business is providing our members with our traditional income generating loan products, we also offer productivity loans, which are designed to enhance the productivity of our members' businesses. We also facilitate distribution of our alliance partners' products and methods of financing them. Our non-core product and service offerings have different pricing structures and payment terms than our core loan products. This differentiation allows us to diversify and increase our revenue streams and revenue. We believe that providing our members with expanded financial product and service offerings fosters brand loyalty.

Regulatory Developments

We are registered with the RBI as a non-deposit taking NBFC. We are currently required by the RBI to maintain a minimum capital to risk asset ratio of 10.0%. Further, the RBI has recently issued new requirements increasing our minimum capital to risk asset ratio to 12.0% as of April 1, 2010 and to 15.0% as of April 1, 2011. We believe these increases will not have a material impact on our results of operations or financial condition. The RBI also requires us to make provisions for NPAs, which we maintain at a higher rate than that prescribed by the RBI.

The RBI has set targets and sub-targets for domestic and foreign banks operating in India to lend to certain designated priority sectors such as the lower income segment of the population. The target for total priority sector loans for domestic banks is 40.0% of its net bank credit and 32.0% for foreign banks. The microcredit loans provided by banks either directly or through a non-banking intermediary, such as SKS, meet the priority sector lending requirements stipulated by the RBI. For further details please refer to "The Microfinance Industry – Policy for Microfinance in India" on page 71 of the Draft Red Herring Prospectus. The instruments available to banks to fulfill their priority sector lending obligations provide considerable flexibility for large scale, or bulk funding of MFIs. Portfolio buyouts, inter-bank participation certificates, structured debt instruments and bulk loans to MFIs are all available to banks for this type of financing.

Changes in the regulatory framework affecting NBFCs, and in particular those increasing the requirements for capital risk to asset or placing restrictions on securitization, accessing foreign funds or lending to NBFCs, would materially and adversely affect our results of operations and growth.

Seasonality

Our business operations and the banking industry may are affected by seasonal trends in the Indian economy. Generally, the period from October to March is the peak period in India for retail economic activity. This increased, or seasonal, activity is the result of several holiday periods, improved weather conditions and crop harvests. We generally experience higher volumes of business during this period. Any significant event such as unforeseen floods, earthquakes, political instabilities, epidemics or economic slow downs during this peak season would materially and adversely affect our results of operations and growth. During these periods, we may continue to incur operating expenses, but our income from operations may be delayed or reduced.

Critical Accounting Policies

Management's discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended), the relevant provisions of the Companies Act and the regulations, rules, provisions and directions of the RBI applicable to a NBFC. The financial statements have been prepared under the historical cost convention on an accrual basis except interest/discount on a loan which have been classified as NPA and is accounted for on a cash basis. We have applied the accounting policies consistently. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, related disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. We continually evaluate our estimates and judgments, the most critical of which are those related to revenue recognition. We base our estimates and judgments on historical experience and other factors that we believe to be reasonable under the circumstances. Materially different results can occur as circumstances change and additional information becomes known. Our significant accounting policies are more fully described under the notes to restated summary statements in the section titled "Financial Statements" on page 144 of the Draft Red Herring Prospectus. We have identified the following critical accounting policies.

Revenue Recognition

We recognize revenue to the extent that the revenue can be reliably measured and that it is probable that the economic benefits will flow to the Company. Except as noted below, we recognize all income on an accrual basis.

We recognize interest income on loans disbursed under the internal rate of return, or IRR, method. As compared to the flat method of recognizing interest income, the IRR method recognizes the revenue over the period of the loan and interest is calculated on the reduced balance of the loan amount. This method of accounting matches the recognition of financial expenses, showing an equal treatment of income and expenses. Further, income on NPAs is recognized only when realized and any interest accruing on such assets is de-recognized totally by reversing the interest income already recognized.

We recognize interest income on deposits with banks on a time proportion accrual basis taking into account the amount outstanding and the applicable interest rate.

We recognize income from membership fees paid by our members on an upfront basis.

We account for dividend income on establishment of right to receive basis by the balance sheet date.

Assignment of loans

From time to time we sell and assign a group of similar loans from our outstanding loan portfolio to financial institutions in return for an upfront fixed consideration equal to the aggregate outstanding principal amount of the loans plus a discounted value of the future interest payments of the loans assigned. The consideration we derive from the assignment of our loan portfolios in these transactions depend on a number of factors including the term of the loans, yield of the loan portfolio assigned and the negotiated discounting rate. While we receive the consideration as a lump sum up front payment on the date of assignment of the loan portfolio, we recognize the income from the assignment over the life of the assigned loans to reflect our income in line with interest income on portfolio loans.

We recognize income from assignments of loans, over the life of the receivables assigned on an accrual basis. We recognize loss, if any, arising from assignments of loans immediately.

Impairment

We review the carrying amounts of our assets at each balance sheet date to analyze whether there is any indication of impairment based on internal or external factors. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, we discount estimated future cash flows to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

Investments

We classify an investment as a current investment if it is readily realizable and not intended to be held for more than a year. We classify all other investments as long-term investments. Current investments are carried at the lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost, subject to a provision for a decline in the value of the investment where such decline is not temporary.

Retirement and Other Employee Benefits

Our monthly contributions to the Provident Fund and the Employee's State Insurance Scheme are immediately expensed in the period in which they are made. We have no other similar obligations.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation using the projected unit credit method and made at the end of the fiscal year.

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for on the basis of an actuarial valuation using the projected unit credit method and made at the end of the fiscal year.

Actuarial gains and losses are immediately expensed and are not deferred.

Income Taxes

Tax expense includes current and deferred income tax and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act. Fringe benefit tax has been retracted effective April 1, 2009. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the applicable fiscal year and reversal of timing differences from earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted as of the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of the deferred tax assets are reviewed as of each balance sheet date. We write down the carrying amount of the deferred tax assets to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax assets can be realized. Any such write down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Provisions

A provision is recognized when an enterprise has a present obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of such outflow can be made. Provisions are not discounted to present value and are determined based on the best estimate of the amount required to settle the obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect management's current best estimates.

Employee Share Based Payments

Measurement and disclosure of the employee share-based payment plans under our Employee Share Purchase Scheme 2007, or ESPS 2007, is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments issued by the ICAI. We measure compensation cost related to our ESPS 2007 using the fair value method and recognized the expense immediately.

Measurement and disclosure of the employee share-based payment plans under our Employee Stock Option Plan, or ESOP, is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments issued by the ICAI. We measure compensation cost relating to employee stock options using the Black-Scholes Model. Compensation expense is amortized over the vesting period of the option on a straight line basis.

Provision Policy for Portfolio Loans

We maintain provision policy for all loans to members that comply with RBI requirements, as prescribed in the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. We write off all overdue loans where the tenure of the loan is completed and in the opinion of management the amount is not recoverable, as well as any loss assets identified as such under existing RBI guidelines. In addition, we maintain provisioning standards in excess of the RBI requirements with respect to our loans outstanding.

Provisions and write offs for assigned loans are made on the basis of the actual short collection of the assigned loan, or as per our provisioning policy for loans, whichever is higher, subject to maximum of any guarantee given to the to the assignee bank. Short collection is the difference between the amount to be collected and the amount actually collected from the member. Short collection for any principal amount due is immediately written off in the period in which the short collection occurs and short collection for any interest payable is provided for in the period in which the short collection occurs.

The following table compares applicable RBI regulations to our provisioning policies for our proprietary loans for the six month period ended September 30, 2009, and the fiscal years ended 2009, 2008 and 2007.

Year ended March 31, 2009 and six month period ended September 30, 2009.			
Provisions and Write Offs for Proprietary loans			
Asset Classification	**Arrear Period**	**Provision as per RBI prudential norms**	**Estimated Provision adopted by the Company**
Standard	Less than 8 weeks	Nil	(1)
Sub-Standard	Over 8 weeks – 25 weeks	Nil	50%
Loss Assets	More than 25 weeks	100%	Write Off

(1) When RBI regulations stipulate a nil provision, we conservatively calculate a provision using the portfolio at risk method. In this method, the standard asset provision is linked to a portfolio at risk calculation representing the amount overdue as a percentage of gross loans and advances, and the provision is determined using the following guidelines.

PAR	Estimated Provision adopted by the Company (% of Standard Assets)
0 – 1%	0.25%
Above 1% to 1.5%	0.50%
Above 1.5% to 2%	0.75%
Above 2%	1.00%

(2) All other loans and advances are provided for in accordance with the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

(3) All overdue loans where the tenure of the loan is completed and in the opinion of the management, the amount is not recoverable, are written off.

(4) All loss assets identified pursuant to the RBI guidelines are provided for or written off.

Year ended March 31, 2008			
Provisions and Write Offs For Proprietary loans			
Asset Classification	**Arrear Period**	**Provision as per RBI prudential norms**	**Estimated Provision adopted by the Company**
Standard	Less than 8 weeks	Nil	0.75%
Sub-Standard	Over 8 weeks – 25 weeks	Nil	10%
Doubtful assets	Over 25 weeks – 50 weeks	10%	50%
Loss Assets	More than 50 weeks	100%	Write Off

Year ended March 31, 2007			
Provisions and Write Offs for Proprietary loans			
Asset Classification	**Arrear Period**	**Provision as per RBI prudential norms**	**Estimated Provision adopted by the Company**
Standard	Less than 8 weeks	Nil	1%
Sub-Standard	Over 8 weeks – 25 weeks	Nil	10%
Doubtful assets	Over 25 weeks – 50 weeks	10%	50%
Loss Assets	More than 50 weeks	100%	Write Off

The Principal Components of Our Statement of Profit and Loss Account

Income

Income from Operations

Income from operations consists of interest income on portfolio loans, income from assignment of loans and membership fees.

Other Income

Other income consists of income from interest on deposits, group insurance administrative charges, insurance commission, profit on disposal of fixed assets, dividend income from mutual fund investments and other miscellaneous income.

Expenses

Our total expenses are comprised of financial expenses, personnel expenses, operating and other expenses, depreciation and amortization and provisions and write offs.

Financial Expenses

Financial expenses consist of interest payments on borrowings, loan processing fees, bank charges and guarantee fees.

Personnel Expenses

Personnel expenses consist of salaries and employee benefits provided to our employees.

Operating and Other Expenses

Operating and other expenses includes lease payments for our facilities, traveling and conveyance costs reimbursed to our employees for travel to village meetings, branch offices and our headquarters, printing and stationery costs relating primarily to loan documentation and notarization, compensation we paid to professional firms and consultants, and write offs relating to petty misappropriation of loan disbursement and repayment amounts.

Depreciation and Amortization

Depreciation and amortization expenses are generated by the depreciation of our equipment and other fixed assets and technology we purchased to assist with management of our network of branches and members.

Provisions and Write offs

Provisions and write offs includes bad debts written off with respect to our loans and losses relating to loans we assigned to third parties and provisions for NPAs.

Results of Operations

The following table sets forth a summary of our results of operations based on our restated summary statements for the six month period ended September 30, 2009 and fiscal years ended March 31, 2009, 2008 and 2007.

Selected Financial Information (Rs. in million)								
	Six month period ended September 30		Years Ended March 31,					
	2009	% of total income	2009	% of total income	2008	% of total income	2007	% of total income
Income								
Income from operations								
Interest income on portfolio loans	2,847.93	74.0	4,417.69	79.7	1,330.79	78.3	396.36	86.8
Income from assignment of loans	496.13	12.9	480.22	8.7	165.62	9.7	-	-
Other	69.58	1.8	162.49	2.9	128.25	7.5	48.59	10.6
Operating Income	**3,413.64**	**88.7**	**5,060.40**	**91.3**	**1,624.66**	**95.6**	**444.95**	**97.4**
Other Income								
Interest on bank deposits	220.28	5.7	171.37	3.1	20.16	1.2	1.84	0.4
Group insurance administrative charges	96.03	2.5	175.37	3.2	45.82	2.7	4.91	1.1
Insurance commission	93.73	2.4	118.84	2.1	-	-	-	-
Others	23.20	0.6	14.01	0.3	9.44	0.6	4.96	1.1
Subtotal	**433.24**	**11.3**	**479.59**	**8.7**	**75.42**	**4.4**	**11.71**	**2.6**
Total	**3,846.88**	**100.0**	**5,539.99**	**100.0**	**1,700.08**	**100.0**	**456.66**	**100.0**
Expenditure								
Financial expenses								
Interest on borrowings	1,200.19	31.2	1,773.70	32.0	521.79	30.7	131.46	28.8
Loan processing fees	66.58	1.7	137.48	2.5	28.18	1.7	3.27	0.7
Others	7.58	0.2	33.13	0.6	14.68	0.9	3.80	0.8
Subtotal	**1,274.35**	**33.1**	**1,944.31**	**35.1**	**564.65**	**33.2**	**138.53**	**30.3**
Personnel expenses								
Salaries & Incentives	812.85	21.1	1,189.37	21.5	417.32	24.6	109.97	24.1
Others	133.51	3.5	187.36	3.4	60.23	3.5	19.70	4.3
Subtotal	**946.36**	**24.6**	**1,376.73**	**24.9**	**477.55**	**28.1**	**129.67**	**28.4**
Operating and other expenses								
Traveling and Conveyance	167.86	4.4	253.60	4.6	110.18	6.5	38.89	8.5
Printing and Stationery	65.59	1.7	112.19	2.0	51.67	3.0	17.69	3.9
Others	234.63	6.1	369.11	6.7	113.41	6.7	42.38	9.3
Subtotal	**468.08**	**12.2**	**734.90**	**13.3**	**275.26**	**16.2**	**98.96**	**21.7**
Depreciation and amortization	**52.79**	**1.4**	**108.47**	**2.0**	**51.11**	**3.0**	**23.79**	**5.2**
Provisions and write offs	**248.68**	**6.5**	**135.01**	**2.4**	**42.08**	**2.5**	**20.32**	**4.4**
Total	**2,990.27**	**77.8**	**4,299.42**	**77.6**	**1,410.65**	**83.0**	**411.27**	**90.1**
Profit before tax	**856.61**	**22.3**	**1,240.57**	**22.4**	**289.43**	**17.0**	**45.39**	9.9
Tax Expense	297.60	7.7	438.61	7.9	122.81	7.2	23.33	5.1
Net Profit	**559.01**	**14.6**	**801.96**	**14.5**	**166.62**	**9.8**	**22.06**	**4.8**

Results of Operations for Fiscal 2009 compared to Fiscal 2008

Income

Our total income is comprised of income from operations and other income. Income from operations consists of interest income on portfolio loans, income from assignment of loans, loan origination charges, and membership fees. Other income consists of income from interest on bank deposits, dividend income from investments, insurance commission, group insurance administrative charges, profit on disposal of fixed assets and other miscellaneous income.

Our total income increased by 225.9% from Rs. 1,700.08 million in fiscal 2008 to Rs. 5,539.99 million in fiscal 2009. This increase was due to an increase in income from operations of Rs. 3,435.74 million, or 211.5%, and an increase in other income of Rs. 404.17 million, or 535.9%.

Income from operations

The table set forth below provides a summary of our income from operations for fiscal 2009 and fiscal 2008.

(Rs. in million)

	Fiscal 2009	**Fiscal 2008**
Interest income on portfolio loans	4,417.69	1,330.79
Income from assignment of loans	480.22	165.62
Loan origination charges	86.71	87.99
Membership fees	75.78	36.65
Income from loan management services	0	3.61
Total	**5,060.40**	**1,624.66**

The increase in income from operations is primarily due to an increase in our interest income on loans of Rs. 3,086.90 million, or 232.0%, to Rs. 4,417.69 million in fiscal 2009 from Rs. 1,330.79 million in fiscal 2008, as a result of an increase in new loans of Rs. 27,189.85 million, or 161.8%, to Rs. 43,992.15 million in fiscal 2009 from Rs. 16,802.30 million in fiscal 2008, and an increase in loans outstanding at the beginning of the year of Rs. 5,166.97 million, or 195.6%, to Rs. 7,808.90 million in fiscal 2009 from Rs. 2,641.93 million in fiscal 2008.

The increase in income from operations was also partially due to an increase in our income from assignment of loans of Rs. 314.60 million, or 190.0%, to Rs. 480.22 million in fiscal 2009 from Rs. 165.62 million in fiscal 2008. This increase was primarily the result of an increase in the sale of assigned loans of Rs. 10,310.32 million, or 251.31%, to Rs. 14,413.00 million in fiscal 2009 from Rs. 4,102.68 million in fiscal 2008, and the recognition of unamortized income from the sale of assigned loans existing at the beginning of the year.

Until fiscal 2008, we charged members an initial processing fee when disbursing loans, and amortized the charge over the life of the loan on a straight line method. In fiscal 2009, we discontinued charging such loan origination fees. Income from loan origination charges of Rs. 86.71 million in fiscal year ended 2009 was from unamortized processing fees collected from members for loans issued in fiscal 2008.

Our members currently pay a relatively small one time non-refundable membership fee of Rs. 50 when they are first accepted as members and are recognized in the period they are collected. Membership fees increased Rs. 39.13 million, or 106.8% from fiscal 2008 to fiscal 2009. This increase was primarily the result of increase in our membership during the same period.

Our membership increased from 1.88 million in fiscal 2008 to 3.95 million in fiscal 2009 and the number of branches we operate increased from 770 to 1,353.

Other Income

The table set forth below provides a summary of our other income for fiscal 2009 and fiscal 2008.

(Rs. in million)

	Fiscal 2009	Fiscal 2008
Interest on bank deposits	171.37	20.16
Group insurance administrative charges	175.37	45.82
Insurance commission	118.84	-
Profit on disposal of fixed assets	0.01	-
Dividend from mutual fund investments	-	0.14
Miscellaneous Income	14.00	9.30
Total	**479.59**	**75.42**

The increase in other income is primarily due to an increase in our income from interest on bank deposits of Rs. 151.21 million, or 750.0% from fiscal 2008 to fiscal 2009. This increase in income from interest on bank deposits was the result of increased deposits of Rs. 10,583.18 million, or 1,032.9%, and an equity issuance of Rs. 3,698.82 million we completed in fiscal year ended 2009. We increased our borrowings and invested equity to augment our liquidity and ability to continue to issue more loans to our members at a growing rate during the global financial crisis of 2008 and 2009.

An increase of Rs. 129.55 million, or 282.7%, from fiscal 2008 to fiscal 2009 in income from Group Insurance administrative charges also contributed to the increase of our other income. This increase is due to the increase in our loan portfolio because we require our members to purchase insurance to cover the principal amount of any loan they obtain and charge the member to administer the insurance policy.

Other income also includes Rs. 118.84 million in fiscal 2009 of income from insurance commission relating to a new life insurance product that we began distributing to our members on behalf of a third party insurance company.

Expenses

Our total expenses are comprised of financial expenses, personnel expenses, operating and other expenses, depreciation and amortization and provisions and write off's. Our total expenses increased by 204.8% from Rs. 1,410.65 million in fiscal 2008 to Rs. 4,299.42 million in fiscal 2009. This increase was primarily due to an increase in financial expenses of Rs. 1,379.67 million, or 244.3%, an increase in personnel expenses of Rs. 899.18 million, or 188.3%, an increase in operating and other expenses of Rs. 459.64 million, or 167.0%, an increase in depreciation and amortization of Rs. 57.36 million, or 112.2%, and an increase in provisions and write offs of Rs. 92.93 million, or 220.8%.

Financial expenses

The table set forth below provides a summary of our financial expenses for fiscal 2009 and fiscal 2008.

(Rs. in million)

	Fiscal 2009	Fiscal 2008
Interest on borrowings	1,773.70	521.79
Loan processing fees	137.48	28.18
Bank charges	31.71	12.95
Guarantee fees	1.42	1.73
Total	**1,944.31**	**564.65**

Our financial expenses are the largest component of our total expenses and represented 45.2% of total expenses for fiscal 2009. Financial expenses increased by 244.3% to Rs. 1,944.31 million in fiscal 2009 from Rs. 564.65 million in fiscal 2008. This increase in financial expenses was primarily the result of an increase in interest on borrowings of 239.9% from Rs. 521.79 million in fiscal 2008 to Rs. 1,773.70 million in fiscal 2009 resulting from an increase of Rs. 13,467.23 million, or 170.5%, in our secured and unsecured loans. We increased our secured and unsecured borrowings in fiscal 2009 to match an increase of Rs. 6,421.51 million, or 81.0%, in our loans and advances and to augment our liquidity and ability to continue to issue more loans to our members at a growing rate during the global financial crisis of 2008 and 2009.

Financial expenses also increased as a result of an increase of 387.9% in loan processing fees related to our additional borrowings from Rs. 28.18 million in fiscal 2008 to Rs. 137.48 million in fiscal 2009.

Bank charges consist of bank transaction fees and taxes we pay to the government of India imposed on each cash withdrawal transaction in excess of Rs. 0.10 million we conduct with our banks. Our financial expenses increased as a result of an increase in bank charges of 144.9% from Rs. 12.95 million in fiscal 2008 to Rs. 31.71 million in fiscal 2009. The cash withdrawal tax has been eliminated effective April 1, 2009.

Guarantee fees consist of fees we pay third parties to guarantee loans we obtain from financial institutions for our operations. Pursuant to the terms of the guarantee, fees decrease in proportion to the outstanding balance on the loan. We received such a guarantee for a loan we obtained in fiscal 2008 which remains outstanding and in good standing. From fiscal 2008 to fiscal 2009, fees for this guarantee decreased by Rs. 0.31 million, or 17.9%, as a result of reductions in the principal outstanding on the loan the guarantee was related to.

Personnel expenses

Our personnel expenses consist of salaries and employee benefits. These expenses are a significant component of our total expenses and represented 32.0% of total expenses for fiscal 2009. Personnel expenses increased by 188.3% from Rs. 477.55 million in fiscal 2008 to Rs. 1,376.73 million as of March 31, 2009, which was due in part to an increase in our total employees from 6,818 as of March 31, 2008 to 12,814 as of March 31, 2009, and in part to an annual increase in salaries and bonuses for our employees effective at the beginning of fiscal 2009. The average rate of this increase for our employees was 10.3%.

Operating and other expenses

The table set forth below provides a summary of our operating and other expenses for fiscal 2009 and fiscal 2008.

(Rs. in million)

	Fiscal 2009	**Fiscal 2008**
Rent	88.12	26.26
Traveling and conveyance	253.60	110.18
Printing and stationery	112.19	51.67
Professional and consultancy charges	74.31	21.00
Other balances written off	28.69	8.68
Others	177.99	57.47
Total	**734.90**	**275.26**

Our operating and other expenses represented 17.1% of our total expenses for fiscal 2009. Operating and other expenses increased by 167.0% from Rs. 275.26 million in fiscal 2008 to Rs. 734.90 million in fiscal 2009. This increase is primarily the result of an increase in the number of loans we issued to our members and the opening of 583 new branches across India in fiscal 2009.

Rent consists of rent payments for our branch offices, regional offices, area offices and our headquarters. Rent represented only 9.5% and 12.0% of our total operating and other expenses for fiscal 2008 and fiscal

2009. Rent increased 235.6% from Rs. 26.26 million in fiscal 2008 to Rs. 88.12 million in fiscal 2009 primarily as result of the opening of new branches.

Traveling and conveyance represented 40.0% and 34.5% of our total operating and other expenses for fiscal 2008 and fiscal 2009 and is the largest component of our operating and other expenses. These expenses consist of costs related to reimbursements to employees for travel to village meetings, branch offices and our headquarters. Our operating and other expenses increased as a result of an increase in traveling and conveyance of 130.2% from Rs. 110.18 million in fiscal 2008 to Rs. 253.60 million in fiscal 2009. The increase in traveling and conveyance expenses is the result of increases in our membership, the number of loans we issued to our members and in the number of villages in which we operate.

Printing and stationery consists of costs related to loan documentation, notaries, and printing costs. These expenses increased 117.1% from Rs. 51.67 million in fiscal 2008 to Rs. 112.19 million in fiscal 2009, which is the result of an increase in the number of loans we issued to members.

Professional and consultancy charges, including auditor fees, increased 253.9% as a result of the growth in our operations and certain non-recurring strategic projects.

Other balances written off consists of write offs related to the misappropriation of loan disbursements and repayments. These write offs represented less than 0.25% of our total outstanding loan portfolio in fiscal 2009 and fiscal 2008.

Depreciation and amortization

Depreciation and amortization increased by 112.2% to Rs. 108.47 million in fiscal 2009 from Rs. 51.11 million in fiscal 2008. The increase was primarily the result of the timing of new purchases of fixed and intangible assets such as computers, software and furniture of Rs. 138.83 million in fiscal 2008 to Rs. 149.18 million in fiscal 2009. New purchases in fiscal 2008 were at the end of the year and therefore were not depreciated and amortized for the entire year, while new purchases in fiscal 2009 were at the beginning of the year and therefore were depreciated and amortized for the entire year.

Provisions and Write Offs

The table set forth below provides a summary of our provisions and write offs for fiscal 2009 and fiscal 2008.

(Rs. in million)

	Fiscal 2009	**Fiscal 2008**
Bad debts written off	103.30	4.48
Loss from assigned loans	24.75	5.45
Provision for Standard and Non performing assets	6.96	32.15
Total	**135.01**	**42.08**

Provisions and write offs represented 3.1% of total expenses for fiscal 2009 and increased 220.8% from Rs. 42.08 million in fiscal 2008 to Rs. 135.01 million in fiscal 2009. The increase is primarily the result of an increase in bad debts written off of Rs. 98.82 million, or 2,205.8%, loss from assigned loans of Rs. 19.29 million, or 354.0%, as offset by a decrease in provision for standard and non performing assets (expense) of Rs. 25.19 million.

The ratio of bad debts written off to loans increased from 0.06% in fiscal 2008 to 0.73% in fiscal 2009. The increase in bad debts written off is primarily the result of a change in our provisioning policy for portfolio loans whereby loans overdue between 25 to 50 weeks were written off 100.0% in fiscal 2009 and written off 50.0% in fiscal 2008 and in part as a result of an 81.5% increase in our loans from fiscal 2008 to fiscal 2009. The ratio of loss from assigned loans to assigned loan portfolio increased from 0.20% in fiscal 2008 to 0.24% in fiscal 2009. The increase in loss from assigned loans is a result of a 285.1% increase in our assigned loans from fiscal 2008 to fiscal 2009. Losses on assigned loans are subject to a cap that ranges in general from 5.0% to 16.1% of the total value of the assigned loans depending on the bank and terms of the assignment.

The ratio of provision for standard and non performing assets to loans decreased from 0.41% in fiscal 2008 to 0.05% in fiscal 2009. The provision for standard and non performing assets pertaining to loan portfolio decreased 1.3% from Rs. 61.49 million in fiscal 2008 to Rs. 60.72 million in fiscal 2009. The decrease was primarily a result of an increase of Rs. 18.53 million in the provision for loans and advances as a result of a change in our provision policy for loans and advances whereby loans overdue between 9 to 25 weeks were provisioned 50.0% in fiscal 2009 and 10.0% in fiscal 2008, and loans overdue between 26 to 50 weeks were provisioned or written off 100.0% in fiscal 2009 and 50.0% in fiscal 2008; as offset by a decrease of Rs. 19.30 million in the provision for loans as a result of a change in our provision policy for loans and advances whereby loans overdue between 0-8 weeks were provisioned 0.25% in fiscal 2009 and 0.75% in fiscal 2008.

Profit Before Tax

As a result of the factors stated above, our profit before tax increased 328.6% from Rs. 289.43 million in fiscal 2008, representing 17% of total income, to Rs. 1,240.57 million in fiscal 2009, representing 22% of total income.

Tax Expense

Our income tax expense increased 257.1% from Rs. 122.81 million in fiscal 2008 to Rs. 438.61 million in fiscal 2009. This increase was primarily due to an increase in current tax of Rs. 341.67 million, an increase in fringe benefit tax of Rs. 6.36 million, as offset by an increase in deferred tax of Rs. 32.52 million in fiscal 2009. Our effective tax rate on profits decreased from 39.3% in fiscal 2008 to 34.1% in fiscal 2009.

Profit after Tax

As a result of foregoing factors, profit after tax increased 381.3% from Rs. 166.62 million in fiscal 2008, representing 9.8% of total income, to Rs. 801.96 million in fiscal 2009, representing 14.5% of total income.

Results of Operations for fiscal 2008 compared to fiscal 2007

Income

Our total income increased by 272.3% from Rs. 456.66 million in fiscal 2007 to Rs. 1,700.08 million in fiscal 2008. This increase was due to an increase in income from operations of Rs. 1,179.71 million, or 265.1%, and an increase in other income of Rs. 63.71 million, or 544.1%.

Income from operations

The table set forth below provides a summary of our income from operations for fiscal 2008 and fiscal 2007.

(Rs. in million)

	Fiscal 2008	Fiscal 2007
Interest income on portfolio loans	1,330.79	396.36
Income from assignment of loans	165.62	0
Loan origination charges	87.99	18.90
Membership fees	36.65	10.79
Income from loan management services	3.61	18.90
Total	**1,624.66**	**444.95**

The increase in income from operations is primarily due to an increase in our interest income on loans of Rs. 934.43 million, or 235.8%, to Rs. 1,330.79 million in fiscal 2008 from Rs. 396.36 million in fiscal 2007, as a result of an increase in new loans of Rs. 12,279.86 million, or 271.5%, to Rs. 16,802.30 million in fiscal 2008 from Rs. 4,522.44 million in fiscal 2007 and an increase in loans outstanding at the beginning of the year of Rs. 1,861.43 million, or 238.5%, to Rs. 2,641.93 million in fiscal 2008 from Rs. 780.50 million in fiscal 2007.

In addition, during the same period, our number of members increased from 0.60 million in fiscal 2007 to 1.88 million in fiscal 2008, and the number of branches we operate increased from 276 to 770.

The increase in our total income in fiscal 2008 was also partially due to Rs. 165.62 million in new income from the assignment of loans to banks. For fiscal 2008, income from assignment of loans represented 9.7% of total income.

Loan origination charges increased Rs. 69.09 million, or 365.6%, from Rs. 18.90 million in fiscal 2007 to Rs. 87.99 million in fiscal 2008. For fiscal 2008, loan origination charges represented 5.2% of total income.

Our membership fees increased Rs. 25.86 million, or 239.7%, from Rs. 10.79 million in fiscal 2007 to Rs. 36.65 million in fiscal 2008. This increase is directly proportional to our increase in membership during the same period of 1.28 million members.

Other Income

The table set forth below provides a summary of our other income for fiscal 2008 and fiscal 2007.

(Rs. in million)

	Fiscal 2008	**Fiscal 2007**
Interest on bank deposits	20.16	1.84
Group insurance administrative charges	45.82	4.91
Dividend from mutual fund investments	0.14	0.59
Miscellaneous income	9.3	4.37
Total	**75.42**	**11.71**

The increase in other income is primarily due to an increase in our income from interest on bank deposits of Rs. 18.32 million, or 995.7% from fiscal 2007 to fiscal 2008, that was the result of increased deposits of Rs. 952.55 million, or 1,321.3%, from Rs. 72.09 million in fiscal 2007 to Rs. 1,024.64 million in fiscal 2008, and equity issuance of Rs. 1,239.31 million completed in fiscal 2008. We increased our borrowings and invested equity to augment our liquidity and ability to continue to issue more loans to our members at a growing rate.

An increase of Rs. 40.91 million, or 833.2%, from fiscal 2007 to fiscal 2008 in income from Group Insurance administrative charges also contributed to the increase of our other income. This increase is due to the increase in our loan portfolio over the same period.

Expenses

Our total expenses increased by 243.0% from Rs. 411.27 million in fiscal 2007 to Rs. 1,410.65 million in fiscal 2008. This increase was primarily due to an increase in financial expenses of Rs. 426.12 million, or 307.6%, an increase in personnel expenses of Rs. 347.88 million, or 268.3%, an increase in operating and other expenses of Rs. 176.30 million, or 178.2%, an increase in depreciation and amortization of Rs. 27.32 million, or 114.8%, and an increase in provisions and write offs of Rs. 21.76 million, or 107.1%.

Financial expenses

The table set forth below provides a summary of our financial expenses for fiscal 2008 and fiscal 2007.

(Rs. in million)

	Fiscal 2008	Fiscal 2007
Interest on borrowings	521.79	131.46
Loan processing fees	28.18	3.27
Bank charges	12.95	3.80
Guarantee fees	1.73	0
Total	**564.65**	**138.53**

Our financial expenses are the largest component of our total expenses and represented 40.0% of total expenses for fiscal 2008. Financial expenses increased by 307.6% to Rs. 564.65 million in fiscal 2008 from Rs. 138.53 million in fiscal 2007. This increase was primarily the result of an increase in interest on borrowings of 296.9% from Rs. 131.46 million in fiscal 2007 to Rs. 521.79 million in fiscal 2008 resulting from an increase of Rs. 5,408.26 million, or 217.2% in our secured and unsecured loans from fiscal 2007 to fiscal 2008 to match an increase of Rs. 5,218.83 million, or 192.4%, in our loans and advances and to augment our liquidity and ability to continue to issue more loans to our members at a growing rate.

Financial expenses also increased as a result of an increase of 761.8% from Rs. 3.27 million in fiscal 2007 to Rs. 28.18 million in fiscal 2008 in loan processing fees related to our additional borrowings.

Our financial expenses increased as a result of an increase in bank charges of 240.8% from Rs. 3.80 million in fiscal 2007 to Rs. 12.95 million in fiscal 2008.

We began paying guarantee fees in fiscal 2008 and such fees represented 0.31% of total financial expenses for same period.

Personnel expenses

Our personnel expenses are a significant component of our total expenses and represented 33.9% of total expenses for fiscal 2008. Personnel expenses increased by 268.3% from Rs. 129.67 million in fiscal 2007 to Rs. 477.55 million in fiscal 2008, which was due in part to an increase in our total employees from 2,381 as of March 31, 2007 to 6,818 as March 31, 2008, and in part to an annual increase in salaries and bonuses for all employees effective at the beginning of fiscal 2008. The average rate of this increase was 18.6%.

Operating and other expenses

The table set forth below provides a summary of our operating and other expenses for fiscal 2008 and 2007.

(Rs. in million)

	Fiscal 2008	Fiscal 2007
Rent	26.26	8.78
Traveling and conveyance	110.18	38.89
Printing and stationery	51.67	17.69
Professional and consultancy charges	21.00	7.33
Other balances written off	8.68	1.80
Other	57.47	24.47
Total	**275.26**	**98.96**

Our operating and other expenses represented 19.5% of our total expenses for fiscal 2008. Operating and other expenses increased by 178.2% from Rs. 98.96 million in fiscal 2007 to Rs. 275.26 million in fiscal 2008. This increase is primarily the result of an increase in the number of loans we issued to our members and the opening of 494 new branches across India.

Rent represented only 8.9% and 9.5% of our total operating expenses for fiscal 2007 and fiscal 2008. Rent increased 199.1% from Rs. 8.78 million in fiscal 2007 to Rs. 26.26 million in fiscal 2008 primarily as a result of opening new branches.

Traveling and conveyance represented 39.3% and 40.0% of our total operating expenses for fiscal 2007 and fiscal 2008. Our operating and other expenses increased as a result of an increase in traveling and conveyance of 183.3% from Rs. 38.89 million in fiscal 2007 to Rs. 110.18 million in fiscal 2008. The increase in traveling and conveyance expenses is the result of increases in our membership, the number of loans we issued to our members and in the number of villages in which we operate.

Printing and stationery expenses increased 192.1% from Rs. 17.69 million in fiscal 2007 to Rs. 51.67 million in fiscal 2008, which is the result of an increase in the number of loans we issued to members.

Professional and consultancy charges, including auditor fees, increased 186.5% as a result of the growth in our operations and certain non-recurring strategic projects.

Other balances written off consists of write offs related to petty misappropriation of loan disbursements and repayments. These write offs represented less than 0.25% of our total outstanding loan portfolio in fiscal 2008 and fiscal 2007.

Depreciation and amortization

Depreciation and amortization increased by 114.8% to Rs. 51.11 million in fiscal 2008 from Rs. 23.79 million in fiscal 2007. The increase was primarily the result of new purchases of fixed and intangible assets such as computers, software and furniture of Rs. 26.18 million in fiscal 2007 to Rs. 138.83 million in fiscal 2008.

Provisions and Write Offs

The table set forth below provides a summary of our provisions and write offs for fiscal 2008 and fiscal 2007.

(Rs. in million)

	Fiscal 2008	**Fiscal 2007**
Bad debts written off	4.48	9.79
Loss from assigned loans	5.45	0
Provision for standard and non performing assets	32.15	10.53
Total	**42.08**	**20.32**

Provisions and write offs represented 3.0% of total expenses for fiscal 2008 and increased 107.1% from Rs. 20.32 million in fiscal 2007 to Rs. 42.08 million in fiscal 2008. The increase is primarily the result of an increase in provision for standard and non performing assets (expense) of Rs. 21.62 million, or 205.3% and a new write off for this period of loss from assigned loans of Rs. 5.45 million, as offset by a decrease in bad debts written off of Rs. 5.31 million, or 54.2%.

The ratio of bad debts written off to loans decreased from 0.37% in fiscal 2007 to 0.06% in fiscal 2008. The decrease in bad debts written off is primarily the result of a change in our provision policy for fiscal 2007 for loans whereby we began classifying loans overdue in excess of 50 weeks as bad debts written off. Prior to this period we did not write off loans.

The ratio of loss from assigned loans to assigned loans was 0.20% in fiscal 2008 representing a new write off for this period of loss from assigned loans of Rs. 5.45 million.

The ratio of provision for standard and non performing assets to loans increased from 0.40% in fiscal 2007 to 0.41% in fiscal 2008. The provision for standard and non performing assets pertaining to loan portfolio increased 118.0% from Rs. 28.21 million in fiscal 2007 to Rs. 61.49 million in fiscal 2008. The increase was the result of an increase of Rs. 34.02 million in the provision for loans and advances related to an increase in our total loan portfolio, as offset by a decrease of Rs. 0.74 million in bad debts during the same period.

Profit Before Tax

As a result of the factors stated above, our profit before tax increased 537.7% from Rs. 45.39 million in fiscal 2007, representing 9.9% of total income, to Rs. 289.43 million in fiscal 2008, representing 17.0% of total income.

Tax Expense

Our income tax expense increased 426.4% from Rs. 23.33 million in fiscal 2007 to Rs. 122.81 million in fiscal 2008. This increase was primarily due to an increase in current tax on our profit of Rs. 74.84 million, an increase in fringe benefit tax of Rs. 6.22 million, an increase in deferred tax of Rs. 11.72 million in fiscal 2008. Our effective tax rate decreased from 45.3% in fiscal 2007 to 39.3% in fiscal 2008.

Profit after Tax

As a result of foregoing factors, profit after tax increased 655.3% from Rs. 22.06 million in fiscal 2007, representing 4.8% of total income, to Rs. 166.62 million in fiscal 2008, representing 9.8% of total income.

Financial Position

As of September 30, 2009 our net worth was Rs. 7,707.41 million. Our net worth increased by Rs. 4,522.85 million, or 213.1%, to Rs. 6,645.54 million as of March 31, 2009 from Rs. 2,122.69 million as of March 31, 2008. The following discussion compares our financial position as of March 31, 2009 and March 31, 2008.

Assets

The following table set forth the principal components of our assets.

(Rs. in million)

	As of September 30, 2009	As of March 31,		
		2009	2008	2007
Fixed Assets	141.04	124.20	78.93	20.67
Intangible Assets	60.50	65.52	66.02	31.47
Investments	2.00	-	-	-
Deferred tax (net)	79.91	42.40	9.39	8.90
Cash and Bank Balances	7,206.81	15,470.21	2,752.28	564.54
Loans and Advances	28,273.23	14,353.21	7,931.70	2,712.87
Other Current Assets	671.39	333.46	49.14	11.74
Total Assets	**36,434.88**	**30,389.00**	**10,887.46**	**3,350.19**

As of September 30, 2009, we had total assets of Rs. 36,434.88 million. We had total assets of Rs. 30,389.00 million as of March 31, 2009, compared to Rs. 10,887.46 million as of March 31, 2008, and Rs. 3,350.19 million as of March 31, 2007. The increases in our total assets were primarily due to significant growth in our loan portfolio resulting from the expansion of our member base and geographic reach.

Fixed Assets

As of September 30, 2009, we had fixed assets of Rs. 141.04 million. We had fixed assets of Rs. 124.20 million as of March 31, 2009, compared to Rs. 78.93 million as of March 31, 2008, and Rs. 20.67 million as of March 31, 2007. The increases in our fixed assets were principally due to purchases of equipment for our expanding network of branches.

Intangible Assets

As of September 30, 2009, we had intangible assets of Rs. 60.50 million. Our intangible assets decreased to Rs. 65.52 million as of March 31, 2009 from Rs. 66.02 million as of March 31, 2008. This marginal reduction resulted from a decline in additions on acquisition of computer software from Rs. 53.18 million in 2008 to Rs. 29.40 million in 2009, which was partially offset by an increase in amortization cost to Rs. 65.55 million as of March 31, 2009 from Rs. 35.66 million as of March 31, 2008, as the new acquisitions in 2008 were amortized for the full year.

Our intangible assets increased to Rs. 66.02 million as of March 31, 2008 from Rs. 31.47 million as of March 31, 2007 due to software upgrades to the technology we use to manage our network of branches and members.

Deferred Taxes, Net

Our deferred taxes are a net asset mainly comprised of temporary differences to be used as income tax deductions in future fiscal periods. We had deferred taxes of Rs. 42.40 million as of March 31, 2009, compared to Rs. 9.39 million as of March 31, 2008. This increase was primarily due to a disallowance of provision for standard and non performing assets created as a percentage of the total loan portfolio amounting to Rs. 12.34 million and a disallowance of certain expenses allowable only on cash basis amounting to Rs. 12.58 million. Both amounts may be applied in future fiscal periods.

We had deferred taxes of Rs. 9.39 million as of March 31, 2008, compared to Rs. 8.90 million as of March 31, 2007. This increase was primarily due to a disallowance of provision for standard and non performing assets created as a percentage of the total loan portfolio amounting to Rs. 7.35 million that may be applied in future fiscal periods, which was offset by Rs. 5.46 million of deferred tax liabilities due to timing differences in depreciation on fixed assets resulting from prior periods.

Cash and Bank Balances

Our cash and bank balances consist of cash on hand, cash in the bank, short term deposits and collateral deposits against borrowings. As of September 30, 2009 our balance was Rs. 7,206.81 million. Our cash and bank balances increased to Rs. 15,470.21 million as of March 31, 2009 from Rs. 2,752.28 million as of March 31, 2008 due to the receipt of the proceeds from our March 2009 equity issuance and an increase in our borrowings.

Our cash and bank balances increased to Rs. 2,752.28 million as of March 31, 2008 from Rs. 564.54 million as of March 31, 2007 due to the receipt of the proceeds from our March 2008 equity issuance and an increase in our borrowings.

The following table shows our cash and bank balances as of September 30, 2009, and as of March 31, 2009, 2008 and 2007:

(Rs. in million)

	As of September 30, 2009	As of March 31,		
		2009	2008	2007
Cash on hand	357.81	12.04	106.79	40.39
Cash in bank	3,397.02	1,567.26	1,483.95	424.04
Short term deposits	1,950.00	12,677.82	1,024.64	70.24
Security deposits	1,501.98	1,213.09	136.90	29.87
Total	**7,206.81**	**15,470.21**	**2,752.28**	**564.54**

Loans and Advances

Our total loans and advances increased by Rs. 6,421.51 million, or 81.0%, to Rs. 14,353.21 million as of March 31, 2009, from Rs. 7,931.70 million as of March 31, 2008 due to expansion of our geographic footprint and growth in our network of branches and members. Loans and advances represented 47.2% of our total assets as of March 31, 2009, compared to 72.9% of our total assets as of March 31, 2008.

Our total loans and advances increased by Rs. 5,218.83 million, or 192.4%, to Rs. 7,931.70 million as of March 31, 2008, from Rs. 2,712.87 million as of March 31, 2007, due to expansion of our geographic footprint and growth in our network of branches and members. Loans and advances represented 81.0% of total assets as of March 31, 2007.

Our total loans outstanding were Rs. 14,175.23 million, or 98.8%, Rs. 7,808.89 million, or 98.5% and Rs. 2,641.93 million, or 97.4%, of total loans and advances as of March 31, 2009, 2008 and 2007. As of September 30, 2009, our total loans outstanding were Rs. 28,011.08 million, or 99.1% of total loans and advances.

The following table shows our loans and advances as of September 30, 2009, and as of March 31, 2009, 2008 and 2007:

(Rs. in million)

	As of September 30, 2009	As of March 31,		
		2009	2008	2007
Income generating loans	27,553.03	13,265.37	7,203.07	2,609.55
Individual loans	130.39	512.10	595.68	32.38
Life insurance loans	272.89	395.20	-	-
Productivity loans	54.78	2.56	10.14	-
Other loans and advances	262.15	177.98	122.8	70.94
Total	**28,273.23**	**14,353.21**	**7,931.70**	**2,712.87**

Liabilities and Provisions

The following table sets forth the principal components of our liabilities as of September 30, 2009, and as of March 31, 2009, 2008 and 2007.

(Rs. in million)

	As of September 30, 2009	As of March 31,		
		2009	2008	2007
Secured Loans	26,025.91	20,971.31	7,898.45	2,490.19

	As of September 30, 2009	As of March 31,		
		2009	2008	2007
Unsecured Loans	-	394.37	-	-
Current Liabilities	2,406.04	2,223.77	769.44	81.61
Provisions	295.52	154.01	96.88	64.46
Total	**28,727.47**	**23,743.46**	**8,764.77**	**2,636.26**

As of September 30, 2009 our total liabilities were Rs. 28,727.47 million. Our total liabilities increased to Rs. 23,743.46 million as of March 31, 2009, from Rs. 8,764.77 million, and Rs. 2,636.26 million, as of March 31, 2008 and 2007, respectively. These increases were due to short term and long term borrowings we made to satisfy the credit needs of our growing member base.

Secured and Unsecured Loans

The table set forth below provides a summary of our secured and unsecured loans as of September 30, 2009, and as of March 31, 2009, 2008 and 2007.

(Rs. in million)

	As of September 30, 2009	As of March 31,		
		2009	2008	2007
Secured Loans				
Term loans				
From banks	18,285.25	14,290.74	5,935.10	2,014.51
From financial institutions	6,190.35	4,933.04	1,963.35	475.68
Debentures				
10.5% Secured Redeemable Non-Convertible Debentures	250.00	250.00	-	-
10.0% Secured Redeemable Non - Convertible Debentures	750.00	-	-	-
Other borrowings	550.31	1,497.53	-	-
Unsecured loans				
Term loans				
From banks	-	150.00	-	-
Commercial paper (short term)	-	244.37	-	-
Total	**26,025.91**	**21,365.68**	**7,898.45**	**2,490.19**

As of September 30, 2009, we had Rs. 26,025.91 million in balances related to secured loans from banks and other entities. These loans are secured by our cash and bank balances.

As of March 31, 2009, outstanding loans totalled Rs. 21,365.68 million (including unsecured loans in the amount of Rs. 394.37 million). This represented an increase of Rs. 13,467.23 million, or 170.5%, from Rs. 7,898.45 million in outstanding loans as of March 31, 2008. Our outstanding loans in the amount of Rs. 7,898.45 million as of March 31, 2008 represented a Rs. 5,408.26 million, or 217.2%, increase from our outstanding loans of Rs. 2,490.19 million as of March 31, 2007. These increases were due to short term and long term borrowings we made to satisfy the credit needs of our growing member base.

Current Liabilities

As of September 30, 2009 our current liabilities were Rs. 2,406.04 million. Our current liabilities increased to Rs. 2,223.77 million as of March 31, 2009, from Rs. 769.44 million and Rs. 81.61 million, as of March 31, 2008 and 2007, respectively. These increases resulted primarily from the commencement of loan assignments and differences in the timing of repayments from members and our payments to banks with respect to assigned loans, as well as an increase in deferred income resulting from unamortized group insurance administrative charges and loan processing fees that we receive as a lump sum up front payment from our members to members and accelerating costs associated with growth in our network of branches and members.

Provisions

As of September 30, 2009, our provision for standard and non performing assets was Rs. 128.72 million. Our total gross NPAs as of September 30, 2009 were 0.29%, and as of March 31, 2009, 2008 and 2007 our ratios are 0.34%, 0.20% and 0.12%, respectively.

The provision for standard and non performing assets was Rs. 62.49 million, Rs. 61.49 million, Rs. 30.44 million as of March 31, 2009, 2008 and 2007, respectively. Our total gross non-performing loans increased by Rs. 32.44 million, or 210.1%, to Rs. 47.88 million as of March 31, 2009 from Rs. 15.44 million as of March 31, 2008. Our total gross non-performing loans increased by Rs. 12.30 million, or 391.7%, to Rs. 15.44 million as of March 31, 2008 from Rs. 3.14 million as of March 31, 2007. These increases resulted from growth in the in our total loans.

The ratio of provision on standard and non performing assets to our loans is 0.44%, 0.79% and 1.2% as of March 31, 2009, 2008 and 2007 respectively. As of September 30, 2009, the ratio of provision on standard and non performing assets to our loans is 0.46%

Non Convertible Debentures

We issued 10.5% secured redeemable non convertible debentures of Rs. 250.00 million in February 2009. The non convertible debentures are redeemable at par at the end of one year. We also issued 10.0% secured redeemable nonconvertible debentures of Rs. 750.00 million in April 2009. As of September 30, 2009, non convertible debentures in the aggregate amount of Rs. 1,000 million were outstanding. All of the outstanding debentures are secured by our portfolio loans.

Shareholders' Equity

As of September 30, 2009, our shareholders' equity was Rs. 7,707.41 million, representing 21.2% of our total assets.

Our shareholders' equity increased by Rs. 4,522.85 million, or 213.1%, to Rs. 6,645.54 million as of March 31, 2009 from Rs. 2,122.69 million as of March 31, 2008. This increase resulted from a capital infusion in the amount of Rs. 3,698.82 million in 2009 and net income generated during fiscal 2009. Shareholders' equity represented 21.9% and 19.5%, of our total assets as of March 31, 2009 and 2008, respectively.

As of September 30, 2009, our preference share capital was Rs. 104.05 million, representing 1.35% of our net worth, comprised of 10,405,625 zero percent compulsorily convertible preference shares issued at various times in fiscal 2009 and during the six month period ended September 30, 2009. On December 8, 2009, these compulsorily convertible preference shares were converted to equity shares at a conversion ratio of 1:1.

Our shareholders' equity increased by Rs. 1,408.76 million, or 197.3%, to Rs. 2,122.69 million as of March 31, 2008 from Rs. 713.93 million as of March 31, 2007. This increase resulted from a capital infusion in the amount of Rs. 1,239.31 million in 2008 and net income generated during fiscal 2008. Shareholders' equity represented 21.3% of our total assets as of March 31, 2007.

Liquidity and Capital Resources

Liquidity

The purpose of the liquidity management function is to ensure that we have funds available to make loans to our members, to repay principal and interest on borrowings and to fund our working capital needs. We have constantly strived to diversify our sources of capital. While many of our MFI competitors rely on priority sector funding from commercial banks, we have been able to fund the growth of our operations and loan portfolio through equity issuances, debt securities, loans with various maturities raised from banks and other entities and the assignment of loans. For the six months ended September 30, 2009, we received an aggregate Rs. 12,975.00 million from these sources, and as of September 30, 2009, we had cash available for use in our operations of Rs. 5,704.83 million. We currently invest our surplus cash reserves in short term deposits. Based upon our current level of expenditures, we believe our current working capital, together with cash flows from operating activities and the proceeds from the offerings contemplated herein, will be adequate to meet our anticipated cash requirements for capital expenditures and working capital for at least the next 12 months.

We regularly monitor our funding levels to ensure we are able to satisfy the requirements for loan disbursements and maturity of our liabilities. We maintain diverse sources of funding and liquid assets to facilitate flexibility in meeting our liquidity requirements. Liquidity is provided principally by short term and long term borrowings from banks and other entities, sales of equity securities and debentures, retained earnings and proceeds from assignments of loans. All our loan agreements and debentures contain a number of covenants including financial covenants. In addition, some loans contain provisions which allow the lender, at its discretion to call for repayment of the loan at short notice and/or require us to prepay on a pari passu basis if any other loan is being repaid. Such covenants, if acted upon, may have an impact on our liquidity.

Cash flows

The following table summarizes our cash flows for the six months ended September 30, 2009 and for fiscal 2009, 2008, and 2007.

(Rs. in million)

	Six month period ended September 30, 2009	**Year ended March 31,**		
		2009	**2008**	**2007**
Net cash generated from operating activities	(13,355.86)	(4,265.47)	(4,315.13)	(1,915.52)
Net cash flow from investing activities	714.51	(2,299.44)	(252.67)	(39.69)
Net cash from financing activities	5,159.06	17,136.65	6,646.66	2,330.51
Net increase/(decrease) in cash and cash equivalents	(7,482.29)	10,571.74	2,078.86	375.30

Operating Activities

Our operations resulted in net cash outflow of Rs. 4,265.47 million, Rs. 4,315.13 million and Rs. 1,915.52 million in fiscal 2009, fiscal 2008 and fiscal 2007, respectively.

As of September 30, 2009, we generated Rs. 13,355.86 million in net cash outflow from our operations. From fiscal 2008 to fiscal 2009, our net cash outflow from operations decreased by Rs. 49.66 million, or 1.2%, primarily as a result of an increase in operating profit before tax of Rs. 1,197.38 million as offset by an increase in direct taxes paid of Rs. 319.76 million and by an increase in working capital of Rs. 827.96

million, which was primarily the result of an Rs. 1,290.20 million increase in our loan portfolio during the same period.

From fiscal 2007 to fiscal 2008, our net cash outflow from operations increased by Rs. 2,399.61 million, or 125.3%, primarily as a result of an increase in working capital of Rs. 2,587.00 million and an increase in direct taxes paid of Rs. 129.85 million, as offset by an increase in operating profit before tax of Rs. 317.24 million.

Our net cash used in operating activities was primarily deployed in increases in portfolio loans made and for paying interest on borrowings during the respective periods.

Investing Activities

Net cash used in investing activities was Rs. 2,299.44 million, Rs. 252.67 million and Rs. 39.69 million in fiscal 2009, fiscal 2008 and fiscal 2007, respectively.

As of September 30, 2009, we generated Rs. 714.51 million in net cash inflow from our investing activities. From fiscal 2008 to 2009, net cash used in investing activities increased by Rs. 2,046.77 million, or 810.1%, as a result of an increase of Rs. 2,037.32 million in bank deposits under lien for our borrowings, and Rs. 33.09 million net increase in expenditure relating to fixed assets, which was partially offset by a Rs. 23.78 million net decrease in expenditure relating to intangible assets.

From fiscal 2007 to 2008, net cash used in investing activities increased by Rs. 212.98 million, or 536.6%, as a result of an increase of Rs. 95.36 million in liens on our bank deposits for our borrowings, and an increase in expenditure of Rs. 64.53 million relating to fixed assets and Rs. 52.64 million relating to intangible assets.

Financing Activities

Net cash inflow from financing activities was Rs. 17,136.65 million, Rs. 6,646.66 million and Rs. 2,330.51 million in fiscal 2009, 2008 and 2007, respectively.

As of September 30, 2009, we generated Rs. 5,159.06 million in net cash inflow from our financing activities. From fiscal 2008 to 2009, net cash from financing activities increased by Rs. 10,489.99 million, or 157.8%, as a result of an increase in borrowings of Rs. 8,058.98 million and equity financings in aggregate amount of Rs. 2,459.51 million related to the sale of preference shares and equity shares. As of September 30, 2009, 6.0% of our loans from banks and other entities consisted of short-term indebtedness with maturities of one year or less, including drawings on existing credit lines, and 94.0% consisted of long-term indebtedness with maturities of more than one year. The section entitled “Financial Indebtedness” on page 140 of this Draft Red Herring Prospectus sets forth balances on our existing indebtedness with banks and other entities as of September 30, 2009.

From fiscal 2007 to 2008, net cash from financing activities increased by Rs. 4,316.15 million, or 185.2%, as a result of an increase in borrowings of Rs. 3,610.24 million and an equity issuance of Rs. 703.05 million related to the sale of equity shares.

Capital Expenditure

For the six months ended September 30, 2009, and fiscal 2009, 2008 and 2007, we invested Rs. 64.63 million, Rs. 153.42 million, Rs. 143.93 million and Rs. 26.76 million, respectively, in capital expenditure, including computers, furniture and fixtures and computer software. The following table sets forth our capital expenditures for the six month period ended September 30, 2009, and fiscal 2009, 2008 and 2007.

(Rs. in million)

	Six month period ended September 30, 2009	Fiscal		
		2009	2008	2007
Tangible Assets	53.58	123.95	86.75	26.18
Intangible Assets	0.28	19.56	51.51	-
Capital work in progress	10.78	9.91	5.67	0.58
Total	**64.63**	**153.42**	**143.93**	**26.76**

Contractual Obligations and Commercial Commitments

The table below sets forth information regarding our contractual obligations and commercial commitments as of September 30, 2009, and as of March 31, 2009, 2008 and 2007:

(Rs. in million)

	As of September 30, 2009	As of March 31,		
		2009	2008	2007
Operating lease payments recognized during the period	63.72	88.12	26.26	8.78
Minimum Lease Obligations				
Not later than one year	35.64	40.94	-	-
Later than one year but not later than five years	72.76	145.91	-	-
Later than five years	-	-	-	-
Total	**172.12**	**274.97**	**26.26**	**8.78**

Contractual obligations and operating lease payments increased by Rs. 248.71 million, or 947.1%, to Rs. 274.97 million for fiscal 2009 from Rs. 26.26 million for fiscal 2008. Our minimum lease obligations of Rs. 186.85 million represent a new lease agreement we executed for our headquarters office on July 2009.

Assignment Arrangements

For the six month period ended September 30, 2009, fiscal 2009 and 2008, we assigned loans of Rs. 1,735.07 million, Rs. 13,977.40 million and Rs. 4,102.68 million, respectively. The following table sets forth information regarding our assignment activity for the six month period ended September 30, 2009, and fiscal 2009, 2008 and 2007.

(Rs. in million)

	Six month period ended September 30, 2009	Fiscal		
		2009	2008	2007
Total book value of the loan asset assigned	1,735.07	13,977.40	4,102.68	-
Sale consideration received for the loan asset assigned	1,735.07	14,413.00	4,102.68	-

Under the agreement for the assignment of loans we transfer all the rights and obligations relating to the loan assets assigned as shown above to various banks. The guarantee given by us under the asset assignment has been disclosed here below under the note "Contingent Liabilities".

Contingent Liabilities

The following table sets forth the principal components of our contingent liabilities.

	As of September 30, 2009	As of March 31,		
		2009	2008	2007
Guarantees given for loans assigned	1,456.57	1,958.16	276.09	-
Guarantees given for portfolio management	-	-	-	27.00
Contingent liability relating to tax matters	26.89	-	-	-

Contingent liabilities principally relate to guarantees for the loans assigned and liabilities of disputed tax payments and indemnities. As of September 30, 2009, our contingent liabilities were Rs. 1,483.46 million. Our contingent liabilities increased to Rs. 1,958.16 million as of March 31, 2009, from Rs. 276.09 million and Rs. 27.00 million as of March 31, 2008 and 2007, respectively.

Capital Risk to Asset Ratios

We are currently required by the RBI to maintain a minimum capital risk to asset ratio of 10.0%. Our capital adequacy ratios are as follows:

(Rs. in million)

	As of Sept 30, 2009	As of March 31,		
		2009	2008	2007
Tier I capital (1)	7,443.22	6,426.77	2,044.71	673.56
Tier II capital (2)	104.05	91.56	0	0
Total Tier I and Tier II capital	7,547.27	6,518.33	2,044.71	673.56
Total risk weighted assets	30,456.86	16,703.58	8,265.11	2,732.00
	(%)			
Tier I capital to risk assets ratio	24.4	38.5	24.7	24.7
Tier II capital to risk assets ratio	0.3	0.6	-	-
Total capital to risk assets ratio (3)	24.7	39.1	24.7	24.7

(1) Tier I capital means, owned funds as reduced by investment in shares of other NBFCs and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, 10% of the owned fund.
(2) Tier II capital includes Preference Share Capital, Revaluation Reserves, General Provisions and Loss Reserves, Hybrid Debt Capital Instruments and Sub-ordinate Debts to the extent the aggregate does not exceed Tier I Capital.
(3) The total capital to risk assets ratio is calculated as capital funds (Tier I capital plus Tier II capital) divided by risk-weighted assets (the weighted average of funded and non-funded items after applying the risk weights as assigned by the RBI).

As a consequence of increases in our share capital in the six month period ended September 30, 2009 and in fiscal 2009, our net worth has also increased resulting in capital risk to asset ratios of 39.1% as of March 31, 2009 and 24.7% as of September 30, 2009, above the ratio of 10.0% currently prescribed by the RBI. Our loan assignment activities also strengthen our capital risk to asset ratio by reducing our risk-weighted assets.

Interest Rate Risk

Since we have fixed rate rupee assets and a mix of floating and fixed rate liabilities, movements in domestic interest rates constitute the main source of interest rate risk. We assess and manage the interest rate risk on our balance sheet through the process of asset liability management. Our cost of borrowings will be negatively impacted by an increase in interest rates. Exposure to fluctuations in interest rates is measured primarily by way of gap analysis of the maturity profile of our assets and liabilities.

Liquidity risk

Liquidity risk arises from the absence of liquid resources, when funding loans, and repaying borrowings. This could be due to a decline in the expected collection, or our inability to raise adequate resources at an appropriate price. This risk is minimized through a mix of strategies, including the maintenance of back up bank credit lines and following a forward-looking borrowing program based on projected loans and maturing obligations.

Analysis of certain changes

Unusual or infrequent events or transactions

There have been no events or transactions to our knowledge, other than those described in this Draft Red Herring Prospectus, which may be termed as "unusual" or "infrequent".

Significant economic changes

Other than as mentioned under "Factors Affecting Our Financial Results" beginning on page 191 of this section, there are no other significant economic changes, to our knowledge, that materially affect or are likely to affect our income from continuing operations.

Known trends or uncertainties

Other than as identified and described elsewhere in this Draft Red Herring Prospectus, particularly in the sections "Risk Factors" and this section beginning on pages xiv and 190, respectively, of this Draft Red Herring Prospectus, to our knowledge, there are no trends or uncertainties that have or are expected to have a material adverse impact on sales, revenues or income of the Company from continuing operations.

Future changes in relationship between costs and revenues

Other than as described elsewhere in this Draft Red Herring Prospectus, particularly as mentioned under "Factors Affecting Our Financial Results" beginning on page 191 of this section, to our knowledge there are no known factors that might affect the future relationship between costs and revenues.

Reasons for material increases in net sales or revenue

Reasons for changes in sales or revenues are explained under "Results of Operations" beginning on page 198 of this section.

Total turnover of each major industry segment

Our business activity primarily falls within a single business segment, which is microfinance.

New product or business segment

Other than as described in the section titled "Business" on page 73, we do not have any new products or business segments.

Dependence on suppliers or customers

We are not dependent on a single or few suppliers or customers.

Competitive conditions

For details, please refer to the discussions of our Company's competition in the sections titled "Risk Factors", "Business" and "The Microfinance Industry" on pages xiv, 73 and 64, respectively of this Draft Red Herring Prospectus.

Significant developments occurring after September 30, 2009

1. We have issued the following Equity Shares since September 30, 2009:

Date of Allotment	Name of Allotee	Equity Shares	Face Value (Rs.)	Issue Price (Rs.)
December 8, 2009	SIP I*	6,256,344	10.00	300.00
	Kismet SKS II*	2,655,131	10.00	300.00
	ICP Holdings I*	244,150	10.00	300.00
	Bajaj Allianz Life Insurance Company Limited**	1,250,000	10.00	300.00
December 24, 2009	Dr. Vikram Akula (pursuant to the options allotted under ESOP Plan 2007)	945,424	10.00	49.77
December 31, 2009	Sixteen employees (on a preferential basis pursuant to the offer made to them at the AGM of the shareholders of the Company on September 30, 2009)	17,383	10.00	300.00
January 19, 2010	Catamaran Management Services Private Limited (as trustee for Catamaran)	937,770	10.00	300.00
March 23, 2010	Mr. Suresh Gurumani	225,000	10.00	300.00

* *Pursuant to receipt of Rs. 300 for each CCPS from SIP I, Kismet SKS II and ICP Holdings I on October 20, 2008, the CCPS were allotted on March 26, 2009 and were converted into Equity Shares of the Company, in the ratio of one Equity Share for every CCPS held, pursuant to the circular resolution passed by the Board of Directors on December 8, 2009 and taken on record on January 5, 2010.*

** *Pursuant to receipt of Rs. 300 for each CCPS from BALICL on May 21, 2009, the CCPS were allotted on August 18, 2009 and were converted into Equity Shares of the Company, in the ratio of one Equity Share for every CCPS held, pursuant to the circular resolution passed by the Board of Directors on December 8, 2009 and taken on record on January 5, 2010.*

2. We have issued 500 non convertible debentures of Rs. 1,000,000 each aggregating to Rs. 500,000,000 to Yes Bank Limited at a coupon rate of 8.30% per annum. The said debentures have been listed on BSE pursuant to the listing agreement dated December 29, 2009.

3. Pursuant to a Share Subscription Agreement dated January 16, 2010 with Catamaran (represented by their trustees Catamaran Management Services Private Limited), Dr. Vikram Akula and the Company, an Advisory Council to provide operational expertise to the Company was constituted on January 5, 2010. Please see "Our Management" on page 108 of this Draft Red Herring Prospectus.

4. 3,863,415 partly paid shares held by the SKS MBTs were fully paid up pursuant to a resolution of the Board on December 8, 2009.

5. Mr. Pramod Bhasin was appointed as an additional director and Mr. Gurcharan Das resigned from the Board of the Company. See "Our Management - Changes in our Board of Directors in the Last Three Years" on page 122 of this Draft Red Herring Prospectus.

6. The Company on January 15, 2010 has changed its registered office to Ashoka Raghupathi Chambers, D No. 1-10-60 to 62, Begumpet, Opposite Shoppers Stop Hyderabad 500 016, Andhra Pradesh.

SELECTED STATISTICAL INFORMATION

OPERATIONAL METRICS:

Particulars	Fiscal 2007 – 2009 (CAGR %)	Period ended September 30, 2009	Year ended 31 Mar 09	Year ended 31 Mar 08	Year ended 31 Mar 07
No. of branches	121.4	1,627	1,353	770	276
No. of states	-	19	18	16	11
No. of districts	72.6	340	307	219	103
No. of centers (Sangam)	151.4	173,575	129,461	63,142	20,479
No. of employees	132.0	17,520	12,814	6,818	2,381
- Loan officers	142.0	9,697	7,943	3,740	1,356
- Trainee Assistants	42.0	2,885	774	1,306	384
- Branch management staff	135.4	2,638	2,217	1,035	400
- Area & Regional office staff	212.1	1,963	1,597	581	164
- Head office staff	91.7	337	283	156	77
No. of members	155.9	5,301,181	3,953,324	1,879,258	603,933
No. of active borrowers	161.9	4,362,122	3,520,826	1,629,474	513,108
Disbursements *(Rs. in million)*	215.0	32,318.63	44,849.77	16,802.30	4,522.44
Gross loan portfolio *(Rs. in million)* (A+B+C)	198.2	32,079.66	24,564.13	10,506.02	2,761.62
- Loans outstanding (A)	-	28,011.08	14,175.23	7,808.90	2,641.93
- Assigned loans (B)	-	4068.58	10,388.90	2,697.12	-
- Managed loans (C)	-	-	-	-	119.69
Gross loan portfolio / No. of active borrowers	-	7,354	6,977	6,447	5,382
Gross loan portfolio/ No. of loan officers *(Rs. in million)*	-	3.31	3.09	2.81	2.04
Members / No. of branches	-	3,258	2,922	2,441	2,188
Members / No. of loan officers	-	547	498	502	445

Loans outstanding by states

The following table illustrates our loan portfolio outstanding across states as of September 30, 2009.

(Rs. in million)

State	As of September 30, 2009*	%
Andhra Pradesh	8,070.44	28.8
West Bengal	3,864.18	13.8
Karnataka	3,084.89	11.0
Orissa	2,986.82	10.7
Maharashtra	2,071.43	7.4
Bihar	1,898.93	6.8
Madhya Pradesh	1,475.07	5.3
Rajasthan	977.77	3.5
Uttar Pradesh	892.65	3.2
Gujarat	665.65	2.4
Jharkhand	527.39	1.9
Kerala	509.06	1.8
Chhattisgarh	470.11	1.7
Haryana	174.83	0.6
Delhi	171.62	0.6

State	As of September 30, 2009*	%
Uttaranchal	126.34	0.4
Other states**	43.9	0.1
Total	**28,011.08**	**100.0**

**Does not include assigned loans*
***Other states include Punjab, Himachal Pradesh and Tamil Nadu*

State wise portfolio at risk (PAR)

The following table sets forth an analysis of portfolio at risk as a percentage of total loans outstanding in the respective state as of September 30, 2009

(Rs. in million)

State	As of September 30, 2009	Portfolio at risk	%
Andhra Pradesh	8,070.44	10.61	0.13
West Bengal	3,864.18	14.54	0.38
Karnataka	3,084.89	23.38	0.76
Orissa	2,986.82	8.18	0.27
Maharashtra	2,071.43	0.91	0.04
Bihar	1,898.93	1.19	0.06
Madhya Pradesh	1,475.07	0.73	0.05
Rajasthan	977.77	0.94	0.10
Uttar Pradesh	892.65	3.67	0.41
Gujarat	665.65	0.17	0.03
Jharkhand	527.39	6.18	1.17
Kerala	509.06	0.21	0.04
Chhattisgarh	470.11	5.65	1.20
Haryana	174.83	4.56	2.61
Delhi	171.62	0.46	0.27
Uttaranchal	126.34	0.04	0.03
Other states*	43.9	0.01	0.02
Total	**28,011.08**	**81.43**	**0.29**

* *Other states include Punjab, Himachal Pradesh and Tamilnadu*

Portfolio at risk represents overdue exceeding 8 weeks for income generating loans and 3 months for individual loans.

Break-up of loans outstanding by members' economic activity:

The following table sets forth an analysis of loan portfolio outstanding according to the borrowers' principal economic activity as of September 30, 2009

(Rs. in million)

Economic activity	As of September 30, 2009*	%
Trade	8,468.40	30.2
Livestock	6,187.97	22.1
Services	5,867.40	21.0
Production	2,492.40	8.9
Agri-related	1,158.84	4.1
Other economic activities	3,378.00	12.1
Productivity loans*	458.07	1.6
Grand total	**28,011.08**	**100.0**

* *Productivity loans include individual loans, loans issued (for financing life insurance products, mobile phones, water purifiers and working capital loans for kirana stores) to our members.*

FINANCIAL METRICS:

A) Yield analysis:

Particulars	Definition	Six month period ended September 30, 2009#	Fiscal 2009	Fiscal 2008	Fiscal 2007
Gross yield	Gross revenue / Average GLP*	13.58%	31.59%	25.63%	24.65%
Portfolio yield@	Operating income / Average GLP	11.81%	28.43%	23.88%	23.44%
Financial cost ratio (1)**	Financial cost / Average GLP	4.50%	11.09%	8.51%	7.48%
Operating cost ratio (2)^	Operating costs / Average GLP	5.18%	12.66%	12.12%	13.63%
Loan loss ratio (3)	Loan loss provision / Average GLP	0.88%	0.77%	0.63%	1.10%
Taxes (4)	Tax expense / Average GLP	1.05%	2.50%	1.85%	1.26%
Total expense ratio [(1)+(2)+(3)+(4)]	Total expense / Average GLP	11.61%	27.02%	23.12%	23.46%
Return on risk assets	Profit after tax / Average GLP	1.97%	4.57%	2.51%	1.19%

The indicated figures for the six month period ended September 30, 2009 have not been annualized.
* *Average GLP is computed as an average of opening and closing balances of loans outstanding and assigned loans outstanding.*
@ *Operating income is the interest earned on portfolio loans and income from assignment of loans.*
** *Includes interest expense, loan processing fees, guarantee fees and bank charges on borrowings but excludes discount charges paid on assigned loans and cost of equity. Weighted average 'cost of borrowing' as on September 30, 2009 was 11.4 %.*
^ *Operating costs includes personnel costs, depreciation and other operating expenses.*

B) Profit & Loss and Balance Sheet ratios:

Particulars	Definition	Six month period ended September 30, 2009	Fiscal 2009	Fiscal 2008	Fiscal 2007
Non funds based income %	Non funds based income /Total Income	20.2%	17.2%	20.5%	12.8%
Cost to income	Operating cost** / Total Income less financial expenses	57.0%	61.7%	70.8%	79.3%
Return on average equity	Profit after tax / Average Net worth	7.8%	18.3%	11.7%	5.1%
Basic EPS	Profit after tax / No. of equity shares	11.65	17.94	5.53	1.58
Diluted EPS	Profit after tax / No. of diluted equity shares	8.94	16.25	5.41	1.58
Gross NPA	Gross NPA /Gross portfolio*	0.29%	0.34%	0.20%	0.12%
Net NPA	Net NPA / Net portfolio*	0.15%	0.18%	0.16%	0.05%
Debt to equity	Loan funds / Net worth#	3.38	3.22	3.72	3.49
Capital risk to assets ratio	Total capital / Total risk weighted assets	24.7%	39.1%	24.7%	24.7%

Net worth includes compulsory convertible Preference share capital
* *Excludes assigned loan portfolio*
** *Operating costs includes personnel costs, depreciation and other operating expenses*

Asset Liability Management structure:

The following table sets forth an analysis of the maturity profile of our interest - bearing assets and interest -bearing liabilities across time buckets as of September 30, 2009

(Rs. in million)

Days	0-30	31-90	91-180	181-365	Greater than 365	Total
ASSETS						
Cash & cash equivalents	5,749.43	256.80	443.28	343.90	413.40	7,206.81
Loans (net of provision)	3,688.54	6,778.54	8,618.35	8,815.27	-	27,900.70*
Total assets	**9,437.97**	**7,035.34**	**9,061.63**	**9,159.17**	**413.40**	**35,107.51**
As of total assets	26.9%	20.0%	25.8%	26.1%	1.2%	100.0%
LIABILITIES						
Borrowings	923.44	3,468.29	5,223.42	6,996.35	9,414.41	26,025.91
Total liabilities	**923.44**	**3,468.29**	**5,223.42**	**6,996.35**	**9,414.41**	**26,025.91**
As of total liabilities	3.5%	13.3%	20.1%	26.9%	36.2%	100.0%
Positive/ (Negative) mismatch of assets over liabilities	**8,514.53**	**3,567.05**	**3,838.21**	**2,162.82**	**(9,001.01)**	**9,081.60**

** Includes net provision of Rs. 110.38 million*

Analysis of seasonality of business:

The following table sets forth an analysis of our disbursements and profit after tax for the fiscal year 2008 and 2009

(Rs. in million)

	H1- FY 08	H2 – FY 08	Total	H1- FY 09	H2 – FY 09	Total
Disbursements	5,584.37	11,217.93	16,802.30	19,964.19	24,885.58	44,849.77
% of annual disbursements	33.2	66.8	100.0	44.5	55.5	100.0
Profit after tax	37.66	128.96	166.62	295.55	506.41	801.96
% of PAT for the year	22.6	77.4	100.0	36.9	63.1	100.0

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Save as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against the Company, our Directors and our Promoters and there are no defaults, non payment of statutory dues, over-dues to banks/financial institutions/small scale undertaking(s), over dues to any other creditor to whom the Issuer owes Rs.100,000 which is outstanding for more than 30 days, except in the ordinary course of business, defaults against banks/financial institutions/small scale undertaking(s), defaults in dues payable to holders of any debentures, bonds and fixed deposits and arrears of preference shares issued by the Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraphs (a) and (b) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, our Promoter or Directors.

Litigation involving the Company

Cases against the Company

1. A suit (OS 13 of 2008) has been filed against the Company by Ms. Vangari Jaya in the Court of the Principal Junior Civil Judge at Warangal alleging that the Company has unlawfully retained a promissory note and other land documents which were given as security for a loan taken by her, even after the repayment of such loan. The plaintiff also alleges the use of force by the Company against her, in furtherance of repayment of the loan and also states that the agents of the Company took away her household articles. The reliefs claimed are that of permanent injunction restraining the Company and its agents from interfering with the property of the plaintiff along with costs. The Company in its reply dated February 10, 2009 has denied all allegations made by the plaintiff. The matter is currently pending and the date of the next hearing is scheduled for April 9, 2010.

2. A petition (C.D. Case number 125 of 2009) has been filed against the Company by Ms. Laxmi Biswal and others before the District Consumer Redressal Forum, Jajpur, Orissa alleging that the Company charges a high rate of interest and also that the period of one week to make the weekly payment of installment for the repayment of a loan of Rs. 12,000 is very short. The reliefs claimed are for restoration of the rate of interest and to allow quarterly installments instead of weekly repayment of the dues. The Company in its reply dated January 21, 2010 has denied the allegations by the plaintiff. The next date of the hearing is scheduled for March 29, 2010.

3. A minimum wages suit (MW/10/2008/2009) has been filed against Mr. J. Venkatadri, an employee of the Company by the Assistant Labour Officer, Rajam, Srikakulam District, Andhra Pradesh before the Assistant Commissioner of Labour alleging that the Company has paid wages below minimum wages to three of its employees and that the difference in wages due to the employees, according to the minimum rate of wages be paid. The Company has filed a counter reply to the same dated April 21, 2009 submitting to the authority that it has been paying more than minimum wages to its employees. The matter is currently pending before the aforementioned Assistant Labour officer.

4. A writ petition, number 32 of 2010 has been filed before the High Court of Orissa by Mr. Jagabandhu Sahu (the "Petitioner"), a former employee of the Company against the certain employees of the Company and others alleging forced resignation of the Petitioner by certain employees of the Company based on allegations levied against him for defects in certain bills and vouchers. The Petitioner also alleged that he was illegally detained and physically abused by the police at the behest of certain employees of the Company. The petition seeks an order from the High Court seeking action against the IIC Nabarangpur Police Station and certain employees of the Company for illegal detention and assault as per the Code of Criminal Procedure, 1898.

5. An insolvency petition (No. 12 of 2010) dated March 10, 2010 has been filed by Ms. P. Varalakshmi and 13 others against the Company and others before the Additional Senior Civil Judge, Tirupati to adjudge them as insolvent. The matter has been posted for hearing on April 23, 2010.]

Notices received by the Company

1. The Company has received a reply and demand notice dated December 4, 2009 on behalf of Maruthi Infra Ventures Private Limited ("MIVPL"). The said notice has been sent to the Company by MIVPL pursuant to the termination of the lease of the erstwhile registered office of the Company situated at #2-3-578/1, Maruthi Mansion, Kachi Colony, Nallagutta, Minister Road, Secunderabad 500 003 through a notice issued by the Company dated November 20, 2009 citing non compliance with the lease deed including amongst others non-compliance with certain local enactments dealing with clearances from the Greater Hyderabad Municipal Corporation, the local fire department and the Airports Authority of India. The reply and demand notice has also been sent pursuant to the alleged refusal of the Company to pay rent for a period of four months with respect to the premises and also the payment of deposit for the premises which was withheld by the Company. The total amount demanded is Rs. 5.94 million. The Company has served a legal notice dated March 1, 2010 upon MIVPL and others (the "Noticees") seeking recovery of the security deposit that was paid to the Noticees by the Company for use of Blocks A and B of the Company's previous office situated at Maruthi Mansion. An amount of Rs. 23.89 million has been claimed after deduction of rents for certain months along with interest at 24% per annum from February 1, 2010 and a further Rs. 7.09 million which the Company claims were business losses caused to it pursuant to modifications made to the office, registry of the previous lease deed and transport expenses to the new office.

2. The Company has received a notice dated December 8, 2009 on behalf of Mr. Ajay Modi and others ("Complainants"). The said notice has been sent to the Company by the Complainants pursuant to the termination of the lease of the erstwhile registered office of the Company situated at #2-3-578/1, Maruthi Mansion, Kachi Colony, Nallagutta, Minister Road, Secunderabad 500 003 through a notice issued by the Company dated November 20, 2009 citing non compliance with the lease deed including amongst others non-compliance with certain local enactments dealing with clearances from the Greater Hyderabad Municipal Corporation, the local fire department and the Airports Authority of India. The notice has also been sent pursuant the refusal of the Company to pay rent for a period of two months with respect to its erstwhile registered office through and also the payment of caution deposit for the premises which was withheld by the Company. The total amount demanded is Rs. 0.68 million by way of rent or Rs. 14.94 million which is the balance amount of rent up to June 30, 2013. The Company has served a legal notice dated March 1, 2010 upon Mr. Ajay Modi and others seeking recovery of the security deposit that was paid to the Noticees by the Company for use of the ground floor portion of Block A and certain parking lots of the Company's previous office situated at Maruthi Mansion. An amount of Rs. 3.00 million has been claimed after deduction of rents for the months of August 2009, November 2009, December 2009 and January 2010 along with interest at 24% per annum from February 1, 2010 and a further Rs. 0.64 million which the Company claims were business losses caused to it pursuant to modifications made to the office, registry of the previous lease deed and transport expenses to the new office.

3. The Company has received a notice dated November 20, 2008 from Mr. Rajendra Roy. The notice was sent pursuant to the alleged non-payment of rent for the month of October 2008 and certain other dues amounting to Rs. 16,285, for the use of the property situated at 1234/1 Jaiprakashnagar, Adhartal, Jabalpur.

4. The Company has received a notice dated April 20, 2009 sent on behalf of Ms. Sonia Devi ("Complainant"), the wife of a former employee of the Company who died in a road accident claiming to be his legal heir. The notice states that pursuant to the death of Mr. Mithulal Dadi, the

Company would be liable to pay Rs. 300,000 to the Complainant based on the life insurance provided to him, and not his parents, who it is claimed have forged documents in order to claim the said amount.

5. The Company has received a legal notice dated November 02, 2008 on behalf of Ms. Shyamali Chakraborty, a member of the Company ("Complainant"). The said notice has been sent pursuant to the alleged harassment and manhandling of the complainant with respect to repayment of a loan of Rs. 7,000, by the employees of the Company.

6. The Company has received a notice dated May 16, 2009 on behalf of Ms. N. Padma ("Complainant"). The said notice has been sent pursuant to the alleged non payment of monthly arrears and misuse of property, belonging to the Complainant, which was leased by the Company for the purposes of a branch office.

7. The Company has received a notice dated December 24, 2009 from Manik Guru ("Complainant"). The said notice has been sent pursuant to the alleged forcible entry of one of the Company's employees, Mr. Saroj Sahu, into the house of the Complainant subsequent misbehavior, snatching of money and gold chain and threatened assault.

8. The Company has received a legal notice dated October 7, 2009 on behalf of Ms. Shampa Roy ("Complainant"). The said notice has been sent pursuant to the alleged harassment of the Complainant by the employees of the Company with respect to repayment of a loan amount of Rs. 12,000 and refusal to an extension of time with respect to repayment.

9. The Company has received a notice dated February 4, 2010 on behalf of Arefa Bibi ("Complainant"), a member of the Company. The said notice has been sent pursuant to the alleged willful misstatement of certain facts pertaining to the marital status of the Complainant in the false pass books that were issued to her by the Company resulting in defamation. The Complainant also alleges that two pass books were issued to her and that the same were falsely prepared by the Company. The said notice has been filed after the alleged lodging of a complaint with the branch of the Company located at Soro, Orissa.

10. The Company has received a show cause notice dated March 2, 2010 from the Office of the Sub-Collector and Agency Divisional Officer, Bhadrachalam. The said notice alleges that the acts of money lending carried out by the Company in Bhadrachalam town are violative of the provisions of the A.P. Scheduled Areas Money Lenders Regulation, 1969 ("Regulations") and also the A.P. Scheduled Areas Land Transfer Regulations, 1970. The notice seeks the Company to show cause within 15 days of its receipt, as to why the deemed action under the regulations should not be initiated against the Company and the advances made not be declared to be in violation of the Regulations failing which, demand action would be initiated.

11. The Company has received a notice dated March 12, 2010 from the Assistant Project Manager, IKP, DRDA, Dammapet. The notice alleged that the Company is in violation of the provisions of the A.P. Scheduled Areas Money Lenders Regulation, 1969 and states that provisions under the same need to be complied with within a week of the receipt of the notice, failing which, action would be initiated against the Company.

12. The Company has received a Letter of Demand dated March 4, 2010 from Ms. Dipti Sarkar and Mr. Himadri Sarkar (the "Complainants"), owners of a property situated at No. 27, Manmatha Nath Ganguly Road, Kolkata, which was leased to the Company for a period of 11 months from April 1, 2009. The said notice has been served alleging certain losses that accrued to the Complainants due to the Company vacating the said premises without notice, non payment of telephone and electricity charges, account of damage and breakage caused to the property and amounts illegally held by the Company pursuant to default in furnishing TDS certificates. The notice calls for the payment of Rs. 8,810 after setting off the total amount due from the Company, with the advance money received. The Company in its reply dated March 18, 2010 has denied the

allegations made in the notice and demands a refund of approximately Rs. 0.27 million, being the security deposit amount made to the Complainants by the Company at the time of entering into the lease.

Certain other complaints/notices

Yatish Trading Company Private Limited ("Yatish Trading"), one of our shareholders, has sent a letter dated March 10, 2010 ("Letter") to SEBI, a copy of which has been forwarded by Yatish Trading to the BRLMs on March 16, 2010. In the Letter, Yatish Trading has contended, *inter alia*, that it should be provided with an exit option in the Issue in accordance with the terms of the Restated Shareholders' Agreement dated October 20, 2008. For further details of the Restated Shareholders' Agreement, please see "History and Certain Corporate Matters - Shareholders Agreements" on page 103 of the Draft Red Herring Prospectus. The Company is in discussions with Yatish Trading to resolve this matter in an amicable manner.

Criminal Proceedings against certain of our employees

An FIR (Crime No. 19 of 2010) dated January 20, 2010 has been filed against certain of the employees of the Company with the police station at Bailhongal, Orissa. The said FIR has been filed pursuant to the suicide committed by Mr. U.S. Matolli, the husband of Ms. Manjula, a member of the Company. The FIR alleges that Mr. Matolli committed suicide owing to harassment by the Company's officials for the repayment of a loan taken by Ms. Manjula. The matter is currently under investigation.

Cases by the Company

Andhra Pradesh

1. The Company has initiated criminal proceedings by filing 17 First Information Reports ("FIRs") in various police stations across the state of Andhra Pradesh. Three FIRs pursuant to the theft of certain amounts from our employees while they were on duty. 11 FIRs were filed against certain employees of the Company in relation to misappropriation of certain sums of money belonging to the Company. One FIR was filed pursuant to a theft at one of our branch offices. One FIR was filed against one of our employees pursuant to an armed attack at our erstwhile registered office. One FIR was filed pursuant to a forgery committed by one of our employees. The aggregate amount in these matters is approximately Rs. 2.99 million and the matters are currently under investigation.

2. The Company has filed a suit (O.S. Number 364 of 2009) in the court of the Junior Civil Judge at Karimnagar. The said matter has been filed against the Swayam Krushi Private Employees Samkshema Sangham Society, an organization claiming to represent the workers employed by the Company at two of the Company's branch offices situated in the Karimnagar district of Andhra Pradesh. The suit has been filed pursuant to the members of the Society obstructing and preventing the employees of the Company from attending office at the said branches as well as obstructing the business of the Company. The next date of hearing is scheduled for April 1, 2010.

3. The Company has filed a writ petition (No. 4363 of 2010) before the High Court of Andhra Pradesh. The said writ petition has been filed against the District Collector, Khammam District of Andhra Pradesh amongst others, pursuant to the issuance of a proceeding letter dated August 7, 2009 by the District Collector ordering the implementation of regulations to prevent private money lending within the district and restraining the Company's representatives from carrying on business. A reply to the above letter was sent by the Company on February 16, 2010 stating that there was no requirement for registration under the provisions of the Andhra Pradesh (Andhra Region Scheduled Areas) Money-Lenders Regulations, 1960 ("Regulations"). The petition seeks to set aside the order as illegal, arbitrary and violative of the provisions of the Regulations and also Articles 14, 16 and 21 of the Constitution of India. Interim suspension of the proceeding letter was granted for a period of 6 weeks from February 24, 2010 by the High Court in the W.P.M.P.

No. 5461 of 2010 in W.P. No. 4363 of 2010 filed by the Company. The next date of hearing is set for four weeks from the date of the order.

Bihar

The Company has initiated criminal proceedings by filing 78 FIRs in various police stations across the state of Bihar. 70 FIRs were filed pursuant to the theft of certain amounts from our employees while they were on duty. Eight FIRs were filed against certain employees of the Company in relation to misappropriation of certain sums of money belonging to the Company. The aggregate amount in these matters is approximately Rs. 8.95 million and the matters are currently under investigation.

Chhatisgarh

The Company has initiated criminal proceedings by filing nine FIRs in various police stations across the state of Chhatisgarh. Three FIRs were filed pursuant to the theft of certain amounts from our employees while they were on duty. Two FIRs were filed against certain employees of the Company in relation to misappropriation of certain sums of money belonging to the Company. Two FIRs were filed pursuant to thefts at two of our branch offices. Two FIRs were filed against the members of the Company for embezzlement of certain sums of money. The aggregate amount in these matters is approximately Rs. 2.89 million and the matters are currently under investigation.

National Capital Region

The Company has initiated criminal proceedings by filing three FIRs in various police stations across the National Capital Region. Two FIRs were filed pursuant to the theft of certain amounts from our employees while they were on duty. One FIR was filed against certain employees of the Company in relation to misappropriation of certain sums of money belonging to the Company. The aggregate amount in these matters is approximately Rs. 1.00 million and the matters are currently under investigation.

Gujarat

The Company has initiated criminal proceedings by filing three FIRs in various police stations across the State of Gujarat. One FIR was filed pursuant to the theft of certain monies from one of our employees while on duty. The Company has filed an FIR, with the police station at Kadi, Gujarat on August 20, 2009. The FIR was filed with respect to Mr. Virender Chouhan, an employee of the Company stating that since he is absconding the same cannot be recorded as fraud but as a missing persons' case. One FIR was filed against an employee of the Company in relation to misappropriation of certain sums of money belonging to the Company. The aggregate amount in these matters is approximately Rs. 1.13 million and the matters are currently under investigation.

Haryana

The Company has initiated criminal proceedings by filing one FIR in the Chand Hat Police station in the state of Haryana. The said FIR has been filed pursuant to the theft of Rs. 60,000 from an employee of the Company while on duty. The matter is currently under investigation.

Jharkhand

The Company has initiated criminal proceedings by filing 29 FIRs in various police stations across the state of Jharkhand. 27 FIRs were filed pursuant to the theft of certain amounts from our employees while they were on duty. One FIR was filed against certain employees of the Company in relation to misappropriation of certain sums of money belonging to the Company. One FIR was filed pursuant to the robbery at our branch office at Bokaro. The aggregate amount in these matters is approximately Rs. 2.26 million and the matters are currently under investigation.

Karnataka

1. The Company has initiated criminal proceedings by filing 32 FIRs in various police stations across the state of Karnataka. 16 FIRs were filed pursuant to the theft of certain amounts from our employees while they were on duty. One FIR was filed pursuant to the murder of one of our employees while on duty. One FIR was filed for the murder of and theft from one of our employees while on duty. 12 FIRs were filed against certain employees of the Company in relation to misappropriation of certain sums of money belonging to the Company. Two FIRs were filed pursuant to the theft at two of our branch offices. The aggregate amount in these matters is approximately Rs. 7.66 million and the matters are currently under investigation.

2. The Company has filed an appeal (No. 307/2010) dated January 22, 2010 before the State Consumer Redressal Commission at Bangalore. The said appeal has been filed pursuant to the ex-parte order of the District Consumer Redressal Forum at Hassan, Karnataka directing the Company to pay a sum of Rs. 4,215 towards medical expenses spent by Ms. Mallamma, a member of the Company and on other grounds including deficiency of service and directing to pay the costs along with interest at the rate of 10% till the date of realization. The appeal has been filed to set aside the order of the District Consumer Redressal Forum and remanding the matter to the District forum. The next date of hearing is scheduled for April 2, 2010.

Madhya Pradesh

The Company has initiated criminal proceedings by filing 36 FIRs in various police stations across the state of Madhya Pradesh. 24 FIRs were filed pursuant to the theft of certain amounts from our employees while they were on duty. One FIR was filed pursuant to the murder of one of our employees while he was on duty. Five FIRs were filed against certain employees of the Company in relation to misappropriation of certain sums of money belonging to the Company. Five FIRs were filed pursuant to thefts at five of our branch offices. One FIR was filed pursuant to the injuries sustained by one of our employees while on official duty. The aggregate amount in these matters is approximately Rs. 4.19 million and the matters are currently under investigation.

Maharashtra

The Company has initiated criminal proceedings by filing 25 FIRs in various police stations across the state of Maharashtra. 13 FIRs were filed pursuant to the theft of certain amounts from our employees while they were on duty. 11 FIRs were filed against certain employees of the Company in relation to misappropriation of certain sums of money belonging to the Company. FIR was filed pursuant to the alleged theft of our branch office by a former employee. The aggregate amount in these matters is approximately Rs. 7.60 million and the matters are currently under investigation.

Orissa

The Company initiated criminal proceedings by filing 47 FIRs in various police stations across the state of Orissa. 38 FIRs were filed pursuant to the theft of certain amounts from our employees while they were on duty. Five FIRs were filed against certain employees of the Company in relation to misappropriation of certain sums of money belonging to the Company. Two FIRs were filed pursuant to thefts at our branch offices. One FIR was filed pursuant to pursuant to an attack on one of the employees of the Company by former employees of the Company and another FIR was filed pursuant to the attempted murder of one of our employees. The aggregate amount in these matters is approximately Rs. 10.24 million and the matters are currently under investigation.

Rajasthan

The Company has initiated criminal proceedings by filing eight FIRs in various police stations across the state of Rajasthan. Six FIRs were filed pursuant to the theft of certain amounts from our employees while they were on duty. One FIR was filed against certain employees of the Company in relation to misappropriation of certain sums of money belonging to the Company. One FIR was filed pursuant to the theft at one of our b ranch offices situated at Mangroi. The aggregate amount in these matters is approximately Rs. 0.76 million and the matters are currently under investigation.

Uttar Pradesh

The Company has initiated criminal proceedings by filing 33 FIRs in various police stations across the state of Uttar Pradesh. 20 FIRs were filed pursuant to the theft of certain amounts from our employees while they were on duty. 13 FIRs were filed against certain employees of the Company in relation to misappropriation of certain sums of money belonging to the Company. The aggregate amount in these matters is approximately Rs. 8.02 million and the matters are currently under investigation.

Uttarkhand

The Company has initiated criminal proceedings by filing four FIRs in various police stations across the state of Uttarkhand. Three FIRs were filed pursuant to the theft of certain amounts from our employees while they were on duty. One FIR was filed against certain employees of the Company in relation to misappropriation of certain sums of money belonging to the Company. The aggregate amount in these matters is approximately Rs. 0.61 million and the matters are currently under investigation.

West Bengal

1. The Company has initiated criminal proceedings by filing 34 FIRs in various police stations across the state of West Bengal. 32 FIRs were filed pursuant to the theft of certain amounts from our employees while they were on duty. One FIR was filed against certain employees of the Company in relation to misappropriation of certain sums of money belonging to the Company. One FIR was filed pursuant to the robbery at our branch office at Agarpura. The aggregate amount in these matters is approximately Rs. 3.01 million and the matters are currently under investigation.

2. The Company has served a legal notice dated March 5, 2010 on Mr. Buddhadeb Choudhary, Mr. Chandan Kumar Mondal and Ms. Chandrani Mondal (the "Noticees"). The said notice has been sent pursuant to a lease deed dated October 10, 2009 for the use of the premises named 'Raima Apartment' situated at Kaikhali, Salt Lake City, Kolkata, by the Company belonging to the Noticees, at a monthly rent of Rs. 80,000 and a Cash deposit of Rs. 0.32 million. The notice has been sent pursuant to the inability of the Noticees to give peaceful possession of the property to the Company and for the refund of the cash deposit amounting to Rs. 0.32 million along with interest at a rate of 24% payable from October 10, 2009.

Tax Proceedings

1. The Company has filed an appeal (No. 0360/08-09) dated January 20, 2009 with the Commissioner of Income Tax (Appeals) (IV), Hyderabad (the "Commissioner") against the assessment order of the Deputy Commissioner of Income Tax, Circle 3 (2) dated December 22, 2008 in respect of fiscal 2006. The said appeal has been filed with respect to claim on deprecation of intangible assets, provisioning for loan losses, derecognizing interest on non-performing assets and disallowance of expenditure against exempted income. The total amount disputed by way of tax is Rs. 5.51 million and the said amount has been paid under protest. The Commissioner in its order dated January 20, 2010 partly allowed the appeal. The Company has filed an appeal before the Income-Tax Appellate Tribunal, Hyderabad on March 22, 2010 against the order of the Commissioner.

2. The Company has filed an appeal on February 1, 2010 before the Commissioner of Income Tax (Appeals) (IV), Hyderabad. The said appeal has been filed with respect to the Assessment Order dated December 29, 2009 for the assessment year 2007-08 wherein the overall assessed income of the Company was taken to be Rs. 104.00 million after disallowing certain deductions claimed by

the Company with respect to depreciation of client creating cost, interest on interest free loan provided by the Company to the Dr. Vikram Akula and service tax on loan processing fee relating to the prior period and holding the Company liable to pay an amount of Rs. 5.11 million. The appeal has been filed on the grounds that the assessing officer erred in facts and law while passing the order and that the same should be altered or varied. The matter is yet to be listed.

Litigation against the Directors

Cases involving Dr. Vikram Akula (in India)

1. Dr. Vikram Akula filed a petition (OP No. 1167/2009) on October 12, 2009 in the Family Court, Hyderabad ("Family Court") against his former wife, Ms. Malini Byanna, under Section 25 of the Guardians and Wards Act, 1890 read with Section 7 of the Family Courts Act, 1984 praying for the title of guardian of the exclusive custody of his minor son, Tejas on October 12, 2009. He also filed an interlocutory application (IA No. 770/2009) in the said petition (OP No. 1167/2009) on October 12, 2009 seeking an injunction against Ms. Byanna from disturbing the custody of Tejas and the Family Court through its order dated October 12, 2009 granted an interim injunction to this effect. Ms. Byanna filed an interlocutory application (IA No. 805/2009) praying to vacate the interim injunction. The Family Court passed a common order on November 24, 2009 in both the interlocutory applications filed declaring the ad interim injunction granted on October 12, 2009 absolute. Ms. Byanna filed an appeal against the order passed by the Family Court on November 24, 2009 (FCA No. 324/2009) in the Andhra Pradesh High Court ("APHC") and the APHC ordered a stay of all further proceedings in the case filed by Dr. Akula pending before the Family Court on December 22, 2009. The petition (FCA No. 324 of 2009) was heard again on February 15, 2010. The matter came up for further hearing on March 18, 2010 before the APHC and the order passed dated December 22, 2009 was vacated. The matter has now been posted on March 30, 2010.

   Ms. Byanna filed a transfer petition in the APHC (CMP No. 610/2009) in November 2009 requesting the transfer of the case to another Family Court in Hyderabad. The case was heard on March 8, 2009 after which it was adjourned. The next hearing in the APHC is on March 29, 2010.

   On February 25, 2010, the Family Court adjourned the matter in the original petition (O.P.No. 1167 of 2009) because of the order of the APHC (in FCA No. 324 of 2009) dated December 22, 2009. The next date of hearing in this petition is scheduled for March 31, 2010.

   Against the order of the Family Court dated November 24, 2009, Ms. Byanna filed a petition before the Supreme Court of India ("SC") (SLP (Civil) No. 5019-3020/2010). The SC through an interim order dated February 18, 2010 to a petition filed by Ms. Byanna (I.A. 3-4 in SLP (Civil) No. 5019-3020/2010) passed orders permitting Ms. Byanna to visit Tejas at Hyderabad and have his company for a week from February 20, 2010. Further, the SC also noted that its earlier order dated January 25, 2010 regarding video conferencing of Tejas and Ms. Byanna shall continue and if there is a technical problem in such conferencing, Tejas would be allowed to talk to Ms. Byanna on telephone. Also through an interim application she sought daily, unsupervised videoconference for one hour with Tejas. The matter is now listed on March 26, 2010.

   On October 18, 2009, Dr. Akula lodged a First Information Report ("FIR") (Case No. 463/2009) with the Jubilee Hills Police Station stating that Ms. Byanna kidnapped their son on October 18, 2009 and was proceeding to leave for the US. He further stated that as this was in violation of the orders dated October 12, 2009 of the Family Court, requisite legal action be taken against Ms. Byanna. Against the aforementioned FIR, Ms. Byanna approached the APHC on October 30, 2009 (Criminal Petition No. 8850 of 2009) and obtained a stay order against the proceedings to be initiated pursuant to the FIR. Dr. Akula filed an application to vacate the stay on November 18, 2009, which is in the process of being adjudicated.

Separately, Ms. Byanna filed a *habeas corpus* writ petition in APHC (WP No. 28420/2009) against Dr. Akula on December 23, 2009 requesting the APHC to direct Dr. Akula to produce Tejas under the direction of the Court in the Circuit Court of Cook County, USA by declaring the action of Dr. Akula in attempting to hold the custody of Tejas as illegal. The APHC directed Dr. Akula to produce Tejas before the APHC on December 29, 2009 and further directed the Station House Officer, Raidurg Police Station to serve a copy of the order to Dr. Akula. The APHC by its order dated December 29, 2009 noted that its order dated December 23, 2009 could not be implemented as the counsel to Dr. Akula came to know about such order belatedly and could not intimate Dr. Akula, also on account of the fact Dr. Akula and his family had left India on December 23, 2009. The APHC, through the said order dated December 29, 2009 ordered Dr. Akula to hand over the custody of Tejas to Ms. Byanna at her address in the USA no later than January 3, 2010. A petition filed by Dr. Akula on December 29, 2009 before the APHC stating that the order of the APHC dated December 29, 2009 would result in Ms. Byanna not returning to India along with Tejas as she was a US national, was rejected on December 31, 2009 by the APHC. On January 4, 2010, Ms. Byanna filed a contempt case (Case No. 7/2010) in the APHC against Dr. Akula alleging that he violated the orders of the APHC dated December 29, 2009 by not handing over the custody of Tejas to her and also filed an interim application (IA No. 8/2010) seeking physical delivery of the child.

Dr. Akula filed a petition in the SC (SLP (Crim) No. 38-40/2010) on January 5, 2010 requesting that the implementation of the order of the APHC requiring him to hand over Tejas to Ms. Byanna in U.S. by January 3, 2010 be stayed and prayed for a stay of all further proceedings in the matter. The SC, through an order dated January 12, 2010, directed the listing of the petition on January 25, 2010 and ordered a stay of all further proceedings in the contempt case pending in the APHC, till then. On January 25, 2010 the matter was adjourned to February 1, 2010 on which date the SC directed the petitions to be placed before them on February 15, 2010. On February 15, 2010, the SC directed that the matters be listed after two weeks. The matter is now listed on March 26, 2010.

On January 5, 2010, the APHC passed orders of issuance of notice and personal appearance of Dr. Akula on January 19, 2010, pursuant to which Dr. Akula appeared in person before the APHC and informed it about the stay order granted by the SC. The APHC adjourned the case by four weeks. It came up on February 15, 2009 and, due to the stay of contempt case granted by the Supreme Court on January 12, 2010 (in SLP Crl. 38-40 of 2010), the case (W.P.No. 28420 of 2009) was adjourned in the APHC until March 17, 2010 and will be listed after two weeks.

2. A minimum wages suit (MW 1469 of 2007) has been filed against Dr. Akula by the Inspector, Minimum Wages Act and Assistant Labour Officer before the Assistant Commissioner of Labour, Anakapalli, Andhra Pradesh alleging that the Company has paid wages below the minimum wages to certain of its employees and that the difference in wages due to the employees, according to the minimum rate of wages be paid. The Company has filed a counter reply dated April 21, 2009 submitting to the authority that it has been paying more than minimum wages to its employees and that Dr. Akula is not the employer in his personal capacity in the present case and hence the present proceeding be dismissed against him for misjoinder of parties. The matter is currently pending.

3. A notice on behalf of Mr. Narasimha Rao Deshpande dated January 17, 2010 has been served upon Dr. Vikram Akula. The notice has been sent pursuant to the alleged forced and involuntary resignation of Mr. Deshpande from the Company on the basis of certain allegations involving Mr. Deshpande’s dishonest intentions made by Dr. Akula in an email dated November 28, 2007 and subsequent threats made by Mr. P. Sheshagiri, the Assistant Vice President of Internal Audit. It is also claimed that the said resignation was not accepted by the Company. The notice calls for the payment of salary and other benefits from the month of December 2007 till the date of the notice, failing which legal proceedings would be initiated against Dr. Akula. The Company in its reply dated January 28, 2010 has stated that the resignation of Mr. Deshpande was made purely for personal reasons and that there was no harassment involved and also that since the notice period of two months was not given prior to resignation, Mr. Deshpande would not be entitled to any pay.

Cases involving Dr. Vikram Akula (in U.S.)

Dr. Vikram Akula and Ms. Malini Byanna were married on December 18, 1999 in Illinois, U.S and Tejas was born to them on February 16, 2001. In October 2001, Dr. Akula moved the Circuit Court of Cook County, Illinois ("Circuit Court") for the dissolution of his marriage and a judgement for dissolution was entered into by the Circuit Court on December 4, 2002. The said judgement incorporated a marital settlement agreement and a custody agreement pursuant to which Ms. Byanna was granted custody of Tejas and Dr. Akula was granted visitation rights and was also required to make monthly support payments and bear certain expenses including in relation to Tejas' education.

As regards the custody of Tejas, a petition (Case number 01 D 15700) was filed on December 12, 2008 by Ms. Byanna against Dr. Akula to modify child support payment in the Cook County Trial Court, Illinois, U.S. ("Trial Court"). A child support arrangement was entered into pursuant to agreement of the parties, and the support payable by Dr. Akula was modified to USD 3,250.00 per month. Additionally, Ms. Byanna also filed a petition on December 16, 2008 against Dr. Akula for adjudication of indirect civil contempt on account of his alleged failure to produce tax information in the Trial Court. Dr. Akula has filed his reply in relation these petitions on February 23, 2009 and the matters are currently pending.

A joint petition was filed on June 18, 2009 by both Dr. Akula and Ms. Byanna in the Trial Court to travel to India together in July of 2009 and an order was passed permitting Dr. Akula, Ms. Byanna and Tejas to travel to India for six weeks.

The parties decided to relocate to India and enrolled Tejas in school in Hyderabad. On October 15, 2009, Ms. Byanna filed an emergency petition in the Trial Court seeking the return of Tejas after she left Tejas in Dr. Akula's care in India. Ms. Byanna also filed a petition in the Trial Court on October 15, 2009 for adjudication of indirect civil contempt against Dr. Akula due to Dr. Akula refusing to withdraw Tejas from school upon Ms. Byanna's demands. On October 15, 2009, the Trial Court entered an order that Tejas would not be withdrawn from the International School in Hyderabad or from the city of Hyderabad itself pending further order of court. This Court further found Ms. Byanna's petition not to be an emergency, gave Dr. Akula seven days to file a response and set the matter for hearing on November 23, 2009.

An emergency petition was filed on October 20, 2009 by Dr. Akula in the Trial Court against the order passed by the Trial Court on October 15, 2009 as Ms. Byanna sought to abscond with Tejas to the U.S. from Hyderabad. Pending the ruling on its jurisdiction, the Trial Court on October 20, 2009 ordered supervised visitation for Ms. Byanna. A response to Dr. Akula's emergency petition was filed on October 23, 2009 by Ms. Byanna and remains pending. Additionally, the Trial Court sought the contact details of the judge who was hearing the case in relation to the custody of Tejas in Hyderabad. On October 21, 2009, Ms. Byanna filed her "Notice of Interlocutory Appeal." A petition for leave to appeal was filed against the October 20, 2009 order of the Trial Court on October 22, 2009 by Ms. Byanna in the Illinois Appellate Court. The appeal was stayed pending the Trial Court's final ruling on jurisdiction; subsequent status reports have been filed with the Illinois Appellate Court periodically since then. On October 22, 2009, Dr, Akula filed his "Response to Emergency Petition for Temporary Restraining Order, Preliminary Injunction Thereafter and for Further Relief, Motion for Return of Child and Petition for Adjudication of Indirect Civil Contempt of Court."

On October 15, 2009 Dr. Akula submitted a petition for Executive Clemency to the State of Illinois in relation to his conviction of April 21, 2004 pertaining to domestic battery, a misdemeanor offence, by the Circuit Court of Cook County, Illinois. The matter had been heard before the Circuit Court pursuant to a complaint made against Dr. Akula by Ms. Byanna, in relation to an incident that occurred on March 17, 2004 during the course of a post-divorce legal dispute between Dr. Akula and Ms. Byanna pertaining to the custody of their son and other matters. In connection with this matter, Dr. Akula was conditionally discharged and not subjected to a fine or an order of confinement. This petition remains pending, with a hearing scheduled for April 13, 2010. On September 25, 2009, Ms. Byanna and her parents, Mr.

Narasimhaiah Byanna and Ms. Sharada Byanna, submitted letters in support of Dr. Akula's clemency petition.

An emergency petition was filed on October 28, 2009 in the Illinois Appellate Court by Ms. Byanna seeking the return of Tejas to U.S. On November 2, 2009, Dr. Akula filed his response to Ms. Byanna's petition for leave to appeal and his "Response to Emergency Motion to Return Minor Child to the United States." The Appellate Court denied Ms. Byanna's emergency motion to return the minor child to the United States on November 3, 2009.

On November 2, 2009, Dr. Akula filed his two-count "Emergency Petition for Declaratory Judgment and Motion to Dismiss Respondent's Emergency Petition." On November 17, 2009, Ms. Byanna filed her separate responses to each of the two counts of Dr. Akula's petition.

On November 10, 2009, Dr. Akula filed his "Response in Opposition to Motion for Presence of the Minor Child." On November 12, 2009, Dr. Akula filed his "Addendum to Response in Opposition to Motion for Presence of the Minor Child." On November 19, 2009, the Trial Court passed an order for Tejas' presence before the Court for the hearing on jurisdiction. On November 23, 2009, Dr. Akula filed an emergency motion to reconsider this Court's ruling requiring Tejas' presence in Chicago. On November 23, 2009, Ms. Byanna filed her "Motion for Summary Judgment" on Dr. Akula's "Emergency Petition for Declaratory Judgment and Motion to Dismiss Respondent's Emergency Petition." On November 24, 2009, this Court denied Dr. Akula's motion to reconsider the order requiring Tejas' presence for the hearing on jurisdiction and transferred the case to Judge Pamela E. Loza.
This matter remains pending before the Trial Court.

On December 2, 2009, Dr. Akula filed his "Motion for Summary Judgment or, in the Alternative, for Registration of Indian Orders, and Dismissal of Respondent's Emergency Petition." An emergency petition was filed in the Trial Court on December 9, 2009 by Ms. Byanna seeking the return of Tejas to U.S. for Christmas, which was granted by the Trial Court on December 16, 2009. Dr. Akula filed a petition for leave to appeal was filed in the Illinois Appellate Court against this order on December 22, 2009. That same day, the Appellate Court stayed the order of the Trial Court dated December 16, 2009 and ordered the Trial Court to not issue any further orders on custody or visitation rights until the issue on jurisdiction was resolved. Ms. Byanna filed a motion to dismiss the appeal as moot on December 30, 2009, which was granted. An interim application was filed on December 23, 2009 before the Trial Court seeking a judgment that Ms. Byanna and Tejas reside in Illinois, that the proceedings in the Indian courts were not in conformity of the Uniform Child-Custody Jurisdiction and Enforcement Act and the order of the Indian court would not be enforceable. This petition remains pending and undetermined before the Trial Court.

On February 8, 2010, Ms. Byanna filed a petition for Declaratory and Injunctive Relief. On February 19, 2010, Dr. Akula filed a reply to this petition and sought a Motion for Summary Judgment. On February 25, 2010, Ms. Byanna filed a Motion for Summary Judgment. Dr. Akula and Ms. Byanna filed their responses to each others' Motions for Summary Judgment on March 3, 2010. The Trial Court conducted a hearing and indicated it would rule on jurisdiction but did not specify a date. The matter remains pending.

Litigation involving Promoters

Cases against Dr. Vikram Akula

For cases involving Dr. Vikram Akula, see "Cases involving Directors" above.

Material Developments since the Last Balance Sheet Date

In the opinion of the Board, other than as disclosed in this Draft Red Herring Prospectus, there has not arisen, since the date of the last financial statements set out herein, any circumstance that materially or adversely affects our profitability taken as a whole or the value of our consolidated assets or our ability to pay our material liabilities over the next twelve months. See also, "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 190 of this Draft Red Herring Prospectus.

GOVERNMENT AND OTHER APPROVALS

We have received the necessary consents, licenses, permissions and approvals from the government and various governmental agencies required for our present business and except as mentioned below, no further approvals are required for carrying on our present business.

I. Approvals for the Issue

Corporate Approvals

1. Our Board of Directors has, pursuant to resolutions passed at its meeting held on January 5, 2010 authorised the Issue, subject to the approval by the shareholders of the Company under Section 81(1A) of the Companies Act.

2. Our shareholders have, pursuant to a resolution dated January 8, 2010 under Section 81(1A) of the Companies Act, authorised the Issue.

3. The board of directors of MUC at its meetings held on March 17, 2010 approved the Offer for Sale of Equity Shares by MUC. The board of directors of SCI II at its meetings held on February 11, 2010 approved the Offer for Sale of Equity Shares by SCI II. The board of directors of SKS Capital at its meetings held on March 3, 2010 approved the Offer for Sale of Equity Shares by SKS Capital. The Trustees of SKS MBTs, STAPL, have authorised the Offer for Sale at their meeting held on March 12, 2010.

Approval from the Stock Exchanges

1. In-principle approval from the National Stock Exchange of India Limited dated [●].

2. In-principle approval from the Bombay Stock Exchange Limited dated [●].

Other Approvals

1. Approval of the RBI shall be sought by the Selling Shareholders, for the transfer of Equity Shares forming part of the Offer for Sale in this Issue in compliance with the FEMA Regulations.

II. Incorporation Details of the Company

1. Certificate of Incorporation dated September 22, 2003 issued to the Company under the name "SKS Microfinance Private Limited" by the Registrar of Companies, Andhra Pradesh at Hyderabad.

2. Fresh Certificate of Incorporation dated May 20, 2009 issued to the Company upon change of name to "SKS Microfinance Limited" by the Registrar of Companies, Andhra Pradesh at Hyderabad.

III. Approvals to carry on our Business

The Company requires various approvals for it to carry on its business in India. Certain approvals have elapsed in their normal course and the Company has either made an application to the appropriate authorities for renewal of such licences and/or approvals or is in the process of making such applications. The approvals that the Company requires include the following:

1. Certificate of Registration (No. N-09.00415) under Section 45IA of RBI Act, 1934 from the Reserve Bank of India dated January 20, 2005 to commence or carry on the business of non-banking financial institution without accepting public deposits.
2. The Company has received a new Certificate of Registration under Section 451A of RBI Act, 1934 from the Reserve Bank of India dated June 3, 2009 to carry on the business of non-banking financial institution without accepting public deposits subsequent to change of name to "SKS Microfinance Limited".

3. Approval (No. DNBS.CO.ZMD South/6662/09.19.044/2008-09) from the RBI dated May 13, 2009 for opening a liaison office in Palatine Illinois, USA.

4. Service Tax Code bearing number AAICS2940JST001, issued by the Commissioner of Customs, Central Excise and Service Tax, pursuant to the certificate of registration under the Finance Act and Service Tax Rules, 1994.

5. Permanent Account Number issued pursuant to the Income Tax Act: AAICS2940J.

6. Tax Deduction Account Number issued pursuant to the Income Tax Act: HYDS 09803D.

7. License (No. 4901533) dated December 8, 2008 issued by the IRDA pursuant to the Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002 to act as a corporate agent under the Insurance Act, 1938. The license is valid for a period of 3 (three) years.

8. Registration under the Employees State Insurance Corporation (52-25421-101) dated February 22, 2006.

9. Registration (No. AP/HY/52172/Enf/C-I/T-4/2005/1207) dated October 5, 2005 under the Employees Provident Fund and Miscellaneous Provisions Act, 1952.

10. The Company has made applications for the registration of its trademark and logo. Applications for trademark and logo were made in 10 languages with the Registrar of Trademarks on May 13, 2009 and 2 applications for registration of trademark and logo individually were made on August 31, 2009. These applications are currently pending.

11. Approval (No. DNBS (H) CMS/3811/00.50.576/2009-10) received from RBI dated January 22, 2010 permitting the Company to market and distribute mutual fund products for a period of two years.

12. Approval received from the Regional Director, Ministry of Corporate Affairs, Government of India dated February 1, 2010 for entering into an agreement with M/s Aspiring Minds Assessments Private Limited in relation to assisting the Company on assessment and entry level recruitment decisions.

13. Registration under Shops and Establishment Act (as of March 15, 2010):

    (i) The Company received registration certificates for 1,312 of our branches located across India under the respective state Shops and Establishments Acts;

    (ii) The Company applied for registration for 351 of our branches located across India under the respective state Shops and Establishments Acts;

    (iii) The Company is yet to apply for registration certificates for 134 of our branches located across India under the respective state Shops and Establishments Acts; and

(iv) The Company is not required to obtain registration certificate for 305 of our branches under certain state Shops and Establishments Acts which are located in those states.

14. The Company had applied for notification to the Revenue Departments of various states under the applicable Money Lending Acts of the respective states and the same are pending. The Company has been intimated by the Revenue Department of the Government of Rajasthan, that all non-banking financial companies registered with the Reserve Bank of India under section 45-IA of the Reserve Bank of India Act, 1934 are exempted from the provisions of the Rajasthan Money Lenders Act, 1963. Further, Notification No. F.13(1)Rev.6/2000/50 dated 19th July, 2006 issued by the Revenue Department of Rajasthan states that all NBFCs registered with Reserve Bank of India under Section 45-IA of the RBI Act, 1934 are exempted from the applicability of the Rajasthan Money Lender Act, 1963. Further, it was also intimated by the Joint Secretary of Government Cooperative Department of the Government of Karnataka, that the Company is exempted from the provisions of the Karnataka Money Lenders Act, 1961 Further, a notification dated May 25, 2007 exempts the Company from the application of the Karnataka Money-Lenders Act, 1961.

The relevant money lenders legislation in the states of Andhra Pradesh, Delhi, Haryana, Punjab, Himachal Pradesh, Uttar Pradesh, Uttaranchal, Madhya Pradesh and Chhattisgarh are not applicable to the activities undertaken by the Company. However as an abundant caution the Company has made applications for exemption from the applicability of the provisions of the Money Lenders Acts for the following states:

1. Chhattisgarh
2. Delhi
3. Haryana
4. Himachal Pradesh
5. Madhya Pradesh
6. Punjab
7. Uttar Pradesh
8. Uttaranchal

The Company has made applications for exemption from the applicability of the relevant Money Lenders Acts of the following states due to ambiguity in law and the same are pending:

1. Orissa
2. Jharkhand
3. Maharashtra
4. Kerala
5. Bihar
6. West Bengal
7. Tamil Nadu
8. Gujarat

The Joint Registrar, Co-operative Societies, State of Gujarat by a letter dated September 9, 2008 (bearing no. VHT/01/K.1/1019/08) stated that the relevant provision for exempting the Company from the applicability of the provisions of the money lenders legislation has not been implemented in the State of Gujarat. In response to the aforesaid reply, the Company has made a fresh application dated January 28, 2010 before the Joint Registrar, Co-operative Societies, Gujarat, seeking clarification for the same and for granting exemption to the Company from the applicability of the said relevant money lenders legislation. The said application is pending.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorized by the resolution of the Board of Directors passed at their meeting held on January 5, 2010, subject to the approval of shareholders through a special resolution to be passed under to Section 81 (1A) of the Companies Act and such other regulatory authority as may be necessary.

The shareholders have authorised the Issue by a special resolution in accordance with Section 81(1A) of the Companies Act, passed at the extra-ordinary general meeting of the Company held on January 8, 2010.

Authority from the Selling Shareholders

The board of directors of MUC at its meetings held on March 17, 2010 approved the Offer for Sale of Equity Shares by MUC. The board of directors of SCI II at its meetings held on February 11, 2010 approved the Offer for Sale of Equity Shares by SCI II. The board of directors of SKS Capital at its meetings held on March 3, 2010 approved the Offer for Sale of Equity Shares by SKS Capital. The Trustees of SKS MBTs, STAPL, have authorised the Offer for Sale at their meeting held on March 12, 2010.

Based on letters provided by the Selling Shareholders, we understand that they have held the Equity Shares proposed to be offered and sold by them in the Issue for more than one year prior to the date of filing of this Draft Red Herring Prospectus and that they have not been prohibited from dealings in securities market and the Equity Shares offered and sold by them are free from any lien, encumbrance or third party rights.

Prohibition by SEBI, RBI or other Governmental Authorities

We confirm that the Company, the Selling Shareholders, Promoters, Directors, Promoter Group entities and persons in control of the Company, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI or the RBI or any other regulatory or governmental authority.

The companies, with which any of the Promoters, Directors or persons in control of the Company or any natural person behind the Promoters are or were associated as promoters, directors or persons in control have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI or the RBI or any other regulatory or governmental authority.

None of the Directors are associated in any manner with any entities, which are engaged in securities market related business and are registered with the SEBI for the same.

Neither the Company, its Directors, Promoters and the relatives of Promoters (as defined under the Companies Act) have been identified as wilful defaulters by the RBI or any other governmental authority. There are no violations of securities laws committed by any of them in the past or are pending against them.

Eligibility for the Issue

The Company is eligible for the Issue under Regulation 26(2) of the SEBI Regulations as explained under:

(a) (i) the issue is made through the book building process and the issuer undertakes to allot at least fifty per cent. of the net offer to public to qualified institutional buyers and to refund full subscription monies if it fails to make allotment to the qualified institutional buyers;

or

(ii) at least fifteen per cent. of the cost of the project is contributed by scheduled commercial banks or public financial institutions, of which not less than ten per cent. shall come from the appraisers and the issuer undertakes to allot at least ten per cent. of the net offer to public to qualified institutional buyers and to refund full subscription monies if it fails to make the allotment to the qualified institutional buyers;

(b) (i) the minimum post-issue face value capital of the issuer is ten crore rupees;

or

(ii) the issuer undertakes to provide market-making for at least two years from the date of listing of the specified securities, subject to the following:

(A) the market makers offer buy and sell quotes for a minimum depth of three hundred specified securities and ensure that the bid-ask spread for their quotes does not, at any time, exceed ten per cent.;

(B) the inventory of the market makers, as on the date of allotment of the specified securities, shall be at least five per cent. of the proposed issue.

Further, as the Issue size is proposed to be more than 10% and less than 25% of the issued Equity Share capital of the Company, we shall ensure that the number of prospective allottees to whom the Equity Shares will be allotted shall not be less than 1,000; otherwise the entire application money will be refunded forthwith. In case of delay, if any, in refund the Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

Further, the Issue is subject to the fulfillment of the following conditions as required by Rule 19(2)(b) of the SCRR:

- A minimum 2,000,000 Equity Shares (excluding reservations, firm Allotments and promoters contribution) are offered to the public;

- The Issue size, which is the Issue Price multiplied by the number of Equity Shares offered to the public, is a minimum of Rs. 1,000 million; and

- The Issue is made through the Book Building method with 60% of the Issue size allocated to QIBs.

DISCLAIMER CLAUSE OF SEBI

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, KOTAK MAHINDRA CAPITAL COMPANY LIMITED, CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED AND CREDIT SUISSE SECURITIES (INDIA) PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF

ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, KOTAK MAHINDRA CAPITAL COMPANY LIMITED, CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED AND CREDIT SUISSE SECURITIES (INDIA) PRIVATE LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MARCH 25, 2010 WHICH READS AS FOLLOWS:

WE, THE LEAD MERCHANT BANKER(S) TO THE ABOVE MENTIONED FORTHCOMING ISSUE, STATE AND CONFIRM AS FOLLOWS:

1. **WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;**

2. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:**

   (A) **THE DRAFT RED HERRING PROSPECTUS FILED WITH SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**

   (B) **ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED OR ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**

   (C) **THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.**

3. **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID.**

4. **WHEN UNDERWRITTEN, WE WILL SATISFY OURSELVES ABOUT THE CAPABILITY OF THE UNDERWITTERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

5. **WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR EQUITY SHARES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE EQUITY SHARES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING**

PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.

6. **WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF THE PROMOTERS' CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.**

7. **WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. NOT APPLICABLE.**

8. **WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.**

9. **WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION. NOTED FOR COMPLIANCE.**

10. **WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE. NOT APPLICABLE.**

    AS THE OFFER SIZE IS MORE THAN RS. 10 CRORES, HENCE UNDER SECTION 68B OF THE COMPANIES ACT, 1956, THE EQUITY SHARES ARE TO BE ISSUED IN DEMAT MODE ONLY.

11. **WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.**

12. **WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:**

    (A) **AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER; AND**

    (B) **AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY SEBI FROM TIME TO TIME.**

13. **WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.**

14. **WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC.**

15. **WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.**

The filing of the Draft Red Herring Prospectus does not, however, absolve the Company from any liabilities under Section 63 or Section 68 of the Companies Act or from the requirement of obtaining such statutory and/or other clearances as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up at any point of time, with the Book Running Lead Managers, any irregularities or lapses in the Draft Red Herring Prospectus.

All legal requirements pertaining to the Issue will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies, Andhra Pradesh in terms of Section 60B of the Companies Act. All legal requirements pertaining to the Issue will be complied with at the time of registration of the Prospectus with the Registrar of Companies, Andhra Pradesh in terms of Sections 56, 60 and 60B of the Companies Act.

Caution - Disclaimer from the Company, the Selling Shareholders and the BRLMs

The Company, the Selling Shareholders and the BRLMs accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at the Company's instance and anyone placing reliance on any other source of information, including the Company's web site www.sksindia.com, would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Issue Agreement entered into between the BRLMs, the Selling Shareholders and the Company and the Underwriting Agreement to be entered into between the Underwriters, the Selling Shareholders and the Company.

All information shall be made available by the Company, the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centres or elsewhere.

Neither the Company, its Directors and officers, the Selling Shareholders, their directors and officers nor any member of the Syndicate is liable for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Each of the BRLMs and their associates and/or affiliates may engage in transactions with, and perform services for, the Company, its affiliates or associates in the ordinary course of business and have engaged, or may in future engage, in commercial banking and investment banking transactions with the Company or its affiliates or associates for which they have received, and may in future receive, compensation.

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Underwriter and their respective directors, officers, agents, affiliates, and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not Issue, sell, pledge, or transfer the Equity Shares of the Company to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Underwriter and their respective directors, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

Disclaimer in respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are not minors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian Mutual Funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds) and to FIIs, eligible NRIs and other eligible foreign investors (i.e., FVCIs, multilateral and bilateral development financial institutions). This Draft Red Herring Prospectus does not, however, constitute an invitation to purchase shares offered hereby in any jurisdiction other than India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Hyderabad, India only.

No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI for its observations and SEBI shall give its observations in due course. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are only being offered and sold (i) within the United States only to persons reasonably believed to be "qualified institutional buyers", as defined in Rule 144A under the Securities Act (as defined in Rule 144A under the Securities Act and referred to in this Draft Red Herring Prospectus as "U.S. QIBs", for the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in the Draft Red Herring Prospectus as "QIBs")

in transactions exempt from, or not subject to, the registration requirements of the Securities Act, and (ii) outside the United States in reliance on Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Until the expiry of 40 days after the commencement of the Issue, an offer or sale of Equity Shares within the United States by a dealer (whether or not it is participating in the Issue) may violate the registration requirements of the Securities Act.

Equity Shares Offered and Sold within the United States

Each purchaser that is acquiring the Equity Shares issued pursuant to this Issue within the United States, by its acceptance of this Draft Red Herring Prospectus and of the Equity Shares, will be deemed to have acknowledged, represented to and agreed with the Company and the BRLMs that it has received a copy of this Draft Red Herring Prospectus and such other information as it deems necessary to make an informed investment decision and that:

(1) the purchaser is authorized to consummate the purchase of the Equity Shares issued pursuant to this Issue in compliance with all applicable laws and regulations;

(2) the purchaser acknowledges that the Equity Shares issued pursuant to this Issue have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;

(3) the purchaser (i) is a U.S. QIB, (ii) is aware that the sale to it is being made in a transaction exempt from or not subject to the registration requirements of the Securities Act, and (iii) is acquiring such Equity Shares for its own account or for the account of a U.S QIB with respect to which it exercises sole investment discretion;

(4) the purchaser is not an affiliate of the Company or a person acting on behalf of an affiliate;

(5) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a U.S. QIB in a transaction meeting the requirements of Rule 144A or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act and (B) in accordance with all applicable laws, including the securities laws of any State or other jurisdiction of the United States;

(6) the Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any such Equity Shares;

(7) the purchaser will not deposit or cause to be deposited such Equity Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;

(8) the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless the Company determines otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, OR (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

(9) the Company will not recognize any offer, sale, pledge or other transfer of such Equity Shares made other than in compliance with the above-stated restrictions; and

(10) the purchaser acknowledges that the Company, the BRLMs, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify the Company, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

All Other Equity Shares Offered and Sold in this Issue

Each purchaser that is acquiring the Equity Shares issued pursuant to this Issue outside the United States, by its acceptance of this Draft Red Herring Prospectus and of the Equity Shares issued pursuant to this Issue, will be deemed to have acknowledged, represented to and agreed with the Company and the BRLMs that it has received a copy of this Draft Red Herring Prospectus and such other information as it deems necessary to make an informed investment decision and that:

(1) the purchaser is authorized to consummate the purchase of the Equity Shares issued pursuant to this Issue in compliance with all applicable laws and regulations;

(2) the purchaser acknowledges that the Equity Shares issued pursuant to this Issue have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;

(3) the purchaser is purchasing the Equity Shares issued pursuant to this Issue in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the Securities Act;

(4) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Equity Shares issued pursuant to this Issue, was located outside the United States at the time the buy order for such Equity Shares was originated and continues to be located outside the United States and has not purchased such Equity Shares for the account or benefit of any person in the United Sates or entered into any arrangement for the transfer of such Equity Shares or any economic interest therein to any person in the United States;

(5) the purchaser is not an affiliate of the Company or a person acting on behalf of an affiliate of the Company;

(6) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial

owner and/or any person acting on its behalf reasonably believes is a U.S. QIB in a transaction meeting the requirements of Rule 144A or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act and (B) in accordance with all applicable laws, including the securities laws of any State or other jurisdiction of the United States;

(7) the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless the Company determines otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, OR (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

(8) the Company will not recognize any offer, sale, pledge or other transfer of such Equity Shares made other than in compliance with the above-stated restrictions; and

(9) the purchaser acknowledges that the Company, the BRLMs, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify the Company, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

Each person in a Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State) who receives any communication in respect of, or who acquires any Equity Shares under, the offers contemplated in this Draft Red Herring Prospectus will be deemed to have represented, warranted and agreed to and with each Underwriter and the Company that:

1. it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

2. in the case of any Equity Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Equity Shares acquired by it in the placement have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Underwriters has been given to the offer or resale; or (ii) where Equity Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Equity Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an "offer of Equity Shares to the public" in relation to any of the Equity Shares in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member

State.

Disclaimer Clause of BSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. The Disclaimer Clause as intimated by BSE to the Company, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to the RoC filing.

Disclaimer Clause of the NSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. The Disclaimer Clause as intimated by NSE to the Company, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to the RoC filing.

Filing

A copy of this Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Plot No.C4-A,'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC at the Office of the Registrar of Companies, 2nd Floor, CPWD Building, Kendriya Sadan, Sultan Bazar, Koti, Hyderabad 500195, Andhra Pradesh.

Listing

Applications will be made to the BSE and NSE for permission deal in and for an official quotation of the Equity Shares. [●] will be the Designated Stock Exchange with which the Basis of Allotment will be finalised.

If the permissions to list, deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, the Company and the Selling Shareholders will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within 8 days after the Company and the Selling Shareholders becomes liable to repay it, i.e., from the date of refusal or within 10 weeks from the Bid/Issue Closing Date, whichever is earlier, then the Company, the Selling Shareholders and every Director of the Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% p.a. on application money, as prescribed under Section 73 of the Companies Act.

The Company and the Selling Shareholders shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 7 working days of finalisation of the Basis of Allotment for the Issue.

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the auditors, the legal advisors, the Bankers to the Issue; and (b) the Book Running Lead Manager, the Syndicate Members, the Escrow Collection Banks, legal advisors, bankers, underwriters, IPO grading agency and the Registrar to the Issue to act in their respective capacities, have been obtained and would be filed along with a copy of the Red Herring Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and such consents will not be withdrawn up to the time of delivery of the Draft Red Herring Prospectus for registration with the RoC.

In accordance with the Companies Act and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation, 2009, S.R. Batliboi & Co., Chartered Accountants, the Company's Auditors have given their written consent to the inclusion of their report dated February 1, 2010 and statement of tax benefits dated March 17, 2010 in the form and context in which it appears in the Draft Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

Expert Opinion

Except the report of [●] in respect of the IPO grading of this Issue annexed herewith, the Company has not obtained any expert opinions.

Issue Related Expenses

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated expenses of the Issue are as follows:

Activity	Expense* *(Rs. in million)*	Expense *(% of total expenses)*	Expense *(% of Issue Size)*
Lead Management, Underwriting and Selling Commission, Brokerage	[●]	[●]	[●]
SCSB Commission	[●]	[●]	[●]
Bankers to the Issue			
Advertising and marketing expenses	[●]	[●]	[●]
Printing and stationery (including courier, transportation charges)	[●]	[●]	[●]
Others (Registrar fees, legal fees, listing costs etc)	[●]	[●]	[●]
Fees paid to IPO Grading agency	[●]	[●]	[●]
Total	[●]	[●]	[●]

** Will be incorporated after finalisation of Issue Price*

The Issue expenses, except the listing fee, shall be shared between the Company and the Selling Shareholders in the proportion to the number of shares sold to the public as part of the Issue. The listing fees will be paid by the Company.

Fees Payable to the Book Running Lead Managers and Syndicate Members

The total fees payable to the BRLMs and the Syndicate Members (including underwriting commission and selling commission and other expenses as agreed to by the Company and the Selling Shareholders) will be as stated in the Engagement Letter with the BRLMs, a copy of which is available for inspection at the Registered Office of the Company.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Memorandum of Understanding dated March 18, 2010 entered into among the Company, the Selling Shareholders and the Registrar to the Issue, a copy of which is available for inspection at the Registered Office of the Company.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable it to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

Particulars regarding Public or Rights Issues during the Last Five Years

We have not made any public or rights issues during the last five years.

Previous issues of Equity Shares otherwise than for cash

Except as stated in "Capital Structure" on page 26 of this Draft Red Herring Prospectus and "History and Corporate Matters" on page 98 of this Draft Red Herring Prospectus, the Company has not issued any Equity Shares for consideration otherwise than for cash.

Commission and Brokerage paid on Previous Issues of the Equity Shares

Since this is the initial public issue of Equity Shares, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since the Company's inception.

Previous capital issue during the previous three years by listed group companies, subsidiaries and associates of the Company

None of the group companies, associates and subsidiaries of the Company is listed on any stock exchange.

Promise vis-à-vis objects – Public/ Rights Issue of the Company and/ or listed group companies, subsidiaries and associates of the Company

The Company has not undertaken any previous public or rights issue.

None of the group companies, associates and subsidiaries of the Company is listed on any stock exchange.

Outstanding Debentures or Bonds

Except as disclosed below, the Company does not have any outstanding debentures or bonds as of the date of filing this Draft Red Herring Prospectus:

- 750 10% secured redeemable non convertible debentures of face value of Rs. 1 million each aggregating to Rs. 750 million issued to Standard Chartered Bank on a private placement basis which were rated as P2+ by CRISIL. The said debentures have been listed on the BSE pursuant to a listing agreement dated April 24, 2009;

- 500 8.30% secured non convertible debentures of Rs. 1 million each aggregating to Rs. 500 million issued to Yes Bank Limited on a private placement basis which were rated as PR1+ by CARE. The said debentures have been listed on the BSE pursuant to a listing agreement dated December 28, 2009; and

- 500 9.25% secured non convertible debentures of Rs. 1 million each aggregating to Rs. 500 million issued to BALICL on a private placement basis which were rated as PR1+ by CARE.

Outstanding Preference Shares

The Company does not have any outstanding preference shares.

Stock Market Data of our Equity Shares

This being an initial public issue of the Company, the Equity Shares are not listed on any stock exchange.

Mechanism for Redressal of Investor Grievances

The Memorandum of Understanding between the Registrar to the Issue, the Selling Shareholders and the Company will provide for retention of records with the Registrar to the Issue for a period of at least three years from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of Equity Shares applied for, amount paid on application, Depository Participant, and the bank branch or collection centre where the application was submitted.

All grievances relating to the ASBA process may be addressed to the SCSB, giving full details such as name, address of the applicant, application number, number of Equity Shares applied for, amount paid on application and the Designated Branch or the collection centre of the SCSB where the ASBA Bid cum Application Form was submitted by the ASBA Bidders.

Disposal of Investor Grievances by the Company

The Company estimates that the average time required by the Company or the Registrar to the Issue or the SCSB in case of ASBA Bidders for the redressal of routine investor grievances shall be ten working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, the Company will seek to redress these complaints as expeditiously as possible.

The Company has also constituted an Investors' Grievance Committee to review and redress the shareholders and investor grievances such as transfer of shares, non-recovery of balance payments, declared dividends, approve subdivision, consolidation, transfer and issue of duplicate shares.

The Company has appointed Mr. S.K.Bansal, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

SKS Microfinance Limited
Ashoka Raghupathi Chambers
D No. 1-10-60 to 62
Opposite to Shoppers' Stop
Begumpet
Hyderabad 500 016
Tel: (91 40) 4452 6000
Fax: (91 40) 4452 6001
Email: skscomplianceofficer@sksindia.com

Changes in Auditors

There have been no changes in the Auditors in the last three years.

Capitalisation of Reserves or Profits

Except as disclosed in this Draft Red Herring Prospectus, we have not capitalised our reserves or profits at any time during the last five years.

Revaluation of Assets

The Company has not revalued its assets in the last five years.

SECTION VII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued/transferred are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of this Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus, Bid cum Application Form, the Revision Form, the CAN, the ASBA form, Listing Agreements with the stock exchanges and other terms and conditions as may be incorporated in the Allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by the SEBI, the Government of India, Stock Exchanges, the RoC, the RBI and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being issued/transferred shall be subject to the provisions of the Companies Act, our Memorandum and Articles of Association and shall rank pari-passu with the existing Equity Shares of the Company including rights in respect of dividend. The Allottees in receipt of Allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of Allotment. For further details, see "Main Provisions of the Articles of Association" on page 290 of this Draft Red Herring Prospectus.

Mode of Payment of Dividend

We shall pay dividends to our shareholders in accordance with the provisions of the Companies Act. In respect of the Offer for Sale, all dividends, if any, in respect of the year in which the Equity Shares are transferred pursuant to the Offer for Sale, will be payable to the Bidders who have been issued and allotted Equity Shares in such Offer for Sale.

Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Issue Price is Rs. [●] per Equity Share. The Anchor Investor Issue Price is Rs. [●] per Equity Share.

At any given point of time there shall be only one denomination for the Equity Shares.

Compliance with SEBI Regulations

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividends, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation, subject to any statutory and any preferential claims being satisfied; and

- Subject to applicable law including any RBI rules and regulations, right of free transferability; and such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreement executed with the Stock Exchanges, and the Company's Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please refer to "Main Provisions of the Articles of Association" on page 290 of this Draft Red Herring Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the SEBI Regulations, the trading of our Equity Shares shall only be in dematerialised form. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one (1) Equity Share subject to a minimum Allotment of [●] Equity Shares.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint-tenants with benefits of survivorship.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Hyderabad.

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of the Company or to the Registrar and transfer agents of the Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- To register himself or herself as the holder of the Equity Shares; or

- To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with the Company. Nominations registered with respective depository participant of the applicant would prevail. If the investors require changing their nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Fresh Issue, including devolvement of underwriters within 60 days from the Bid/Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight (8) days after the Company becomes liable to pay the amount, the Company shall pay interest prescribed under Section 73 of the Companies Act.

The requirement for 90% minimum subscription is not applicable to the Offer for Sale. In case of under subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale.

If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith.

Further, we shall ensure that the number of prospective allotees to whom Equity Shares will be allotted shall not be less than 1,000.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are only being offered and sold (i) in the United States only to persons reasonably believed to be "qualified institutional buyers", as defined in Rule 144A of the Securities Act (as defined in Rule 144A under the Securities Act and referred to in this Draft Red Herring Prospectus as "U.S. QIBs", for the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in the Red Herring Prospectus as "QIBs") in transactions exempt from, or not subject to, the registration requirements of the Securities Act, and (ii) outside the United States in reliance on Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Arrangement for disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on transfer of shares

Except for lock-in of the pre-Issue Equity Shares and Promoters' minimum contribution in the Issue as detailed in "Capital Structure" on page 26 of this Draft Red Herring Prospectus, and except as provided in our Articles, there are no restrictions on transfers of Equity Shares. There are no restrictions on transfers of debentures except as provided in our Articles. There are no restrictions on transmission of shares/ debentures and on their consolidation/ splitting except as provided in our Articles. Please see "Main Provisions of our Articles of Association" on page 290 of this Draft Red Herring Prospectus.

ISSUE STRUCTURE

The Issue of 16,791,579 Equity Shares for cash at a price of Rs. [●] per Equity Share (including share premium of Rs. [●] per Equity Share) comprising a Fresh Issue of 7,445,323 Equity Shares at the Issue Price by the Company and on Offer for Sale of 9,346,256 Equity Shares at the Issue Price by the Selling Shareholders aggregating to Rs. [●] million. The Issue will constitute 21.6% of the fully diluted post Issue paid up capital of the Company. In case of under-subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale.

The Issue is being made through the 100% Book Building Process.

	QIBs#	**Non-Institutional Bidders**	**Retail Individual Bidders**
No. of Equity Shares*	At least 10,074,948 Equity Shares	Not less than 1,679,157 Equity Shares available for allocation or Issue size less allocation to QIBs and Retail Individual Bidders.	Not less than 5,037,474 Equity Shares available for allocation or Issue less allocation to QIBs and Non-Institutional Bidders.
Percentage of Issue size available for Allotment/allocation	At least 60% of the Issue size shall be available for allocation. However, up to 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation proportionately to Mutual Funds only.	Not less than 10% of Issue or the Issue less allocation to QIBs and Retail Individual Bidders shall be available for allocation.	Not less than 30% of the Issue or the Issue less allocation to QIBs and Non-Institutional Bidders shall be available for allocation.
Basis of Allotment/Allocation if respective category is oversubscribed	Proportionate as follows: (a) 503,748 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) 9,571,200 Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares so that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter.	Such number of Equity Shares so that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares, and in multiple of [●] Equity Shares thereafter.
Maximum Bid	Such number of Equity Shares not exceeding the Issue size, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue size subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares	[●] Equity Shares and in multiples of	[●] Equity Shares and in multiples of

	QIBs[#]	Non-Institutional Bidders	Retail Individual Bidders
	thereafter.	[●] Equity Shares thereafter.	[●] Equity Shares thereafter.
Allotment Lot	[●] Equity Shares and in multiples of 1 Equity Share thereafter	[●] Equity Shares and in multiples of 1 Equity Share thereafter	[●] Equity Shares and in multiples of 1 Equity Share thereafter
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply**	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, multilateral and bilateral development financial institutions, Mutual Funds, FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, VCFs, state industrial development corporations, FVCIs, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million, pension funds with minimum corpus of Rs. 250 million in accordance with applicable law, National Investment Fund and insurance funds set up and managed by the army, navy or air force of the Union of India	Resident Indian individuals, Eligible NRIs, HUFs (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts, sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals.	Resident Indian individuals, Eligible NRIs and HUFs (in the name of Karta) such that the Bid Amount per individual Bidder does not exceed Rs. 100,000 in value.
Terms of Payment	Margin Amount shall be payable at the time of submission of the Bid cum Application Form to the Syndicate Members.***	Margin Amount shall be payable at the time of submission of the Bid cum Application Form to the Syndicate Members.	Margin Amount shall be payable at the time of submission of the Bid cum Application Form to the Syndicate Members.[##]
Margin Amount	At least 10% of Bid Amount.	Full Bid Amount on Bidding.	Full Bid Amount on Bidding.

[#] *The Company and the Selling Shareholders may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to Anchor Investors. The Anchor Investor Marin Amount of atleast 25% shall be payable at the time of submission of the Bid cum Application Forms by the Anchor Investors. For further details, see "Issue Procedure" on page 258 of this Draft Red Herring Prospectus.*

[##] *In case of ASBA Bidders, the SCSBs shall be authorised to block such funds in the bank account of the ASBA Bidder that are specified in the ASBA Bid cum Application Form.*

* *Subject to valid Bids being received at or above the Issue Price. In accordance with Rule 19(2)(b) of the SCRR, this being an Issue for less than 25% of the post–Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue will be allocated on a proportionate basis to QIBs and out of the QIB Portion (excluding the Anchor Investor Portion), 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. However, if the aggregate demand from Mutual Funds is less than 503,747 Equity Shares, the balance Equity Shares available for Allotment in the Mutual Fund Portion will be added to the QIB Portion and allocated proportionately to the QIBs in proportion to their Bids. Further, not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.*

Under-subscription, if any, in any category except in the QIB category would be allowed to be met with spill-over from other categories at the sole discretion of the Company in consultation with the BRLMs and the Designated Stock Exchange.

** *In case the Bid cum Application Form is submitted in joint names, the Bidders should ensure that the demat account is also held in the same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.*

*** *After the Bid /Issue Closing Date, depending on the level of subscription, additional Margin Amount, if any, may be called for from QIBs.*

Withdrawal of the Issue

The Company and the Selling Shareholders, in consultation with the BRLMs, reserves the right not to proceed with the Issue including at anytime after the Bid/Issue Opening Date but before the Board meeting for Allotment of Equity Shares. In such an event the Company shall issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. The Company shall also inform the same to stock exchanges on which the Equity Shares are proposed to be listed.

In the event that the Company decides not to proceed with the Issue after Bid/ Issue Closing Date and thereafter determines that it will proceed with an initial public offering of its Equity Shares, the Company shall file a fresh draft red herring prospectus with SEBI.

Bid/Issue Programme

BID/ISSUE OPENS ON	**[●], 2010***
BID/ISSUE CLOSES ON	**[●], 2010**

* *The Company may consider participation by Anchor Investors. The Anchor Investor Bid/ Issue Period shall be one day prior to the Bid/ Issue Opening Date.*

Bids and any revision in Bids shall be accepted only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, Bids and any revision in Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) during the Bidding Period (excluding the ASBA Bidders) and uploaded till (i) 4.00 p.m. in case of Bids by QIBs and Non-Institutional Bidders and (ii) until 5.00 p.m. or such extended time as permitted by the NSE and the BSE, in case of Bids by Retail Individual Bidders. It is clarified that the Bids not uploaded in the book would be rejected. Bids by the ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the NSE and the BSE.

In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical Bid form, for a particular Bidder, the details as per the physical form of the Bidder may be taken as the final data for the purpose of allotment. In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical or electronic Bid cum Application Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask for rectified data from the SCSB.

Due to limitation of time available for uploading the Bids on the Bid/ Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/ Issue Closing Date and, in any case, no later than the times mentioned above on the Bid/ Issue Closing Date. All times mentioned in the Draft Red Herring Prospectus are Indian Standard Time. Bidders are cautioned that in the event a large number of Bids are received on the Bid/ Issue Closing Date, as is typically experienced in public offerings, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, the Company, the Selling Shareholders, the BRLMs and Syndicate members will not be responsible. Bids will be accepted only on Business Days.

On the Bid/ Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids submitted by Retail Individual Bidders after taking into account the total number of Bids received up to the closure of time period for acceptance of Bid cum Application Forms as stated herein and reported by the BRLMs to the Stock Exchanges within half an hour of such closure.

The Company and the Selling Shareholders, in consultation with the BRLMs, reserve the rights to revise the Price Band during the Bidding/ Issue Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side i.e. the floor price can move up or down to the extent of 20% of the floor price disclosed at least two (2) working days prior to the Bid/ Issue Opening Date and the Cap Price will be revised accordingly.

In case of revision of the Price Band, the Issue Period will be extended for a minimum of three additional working days after revision of Price Band subject to the Bid/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release and also by indicating the changes on the websites of the BRLMs and at the terminals of the Syndicate.

ISSUE PROCEDURE

This section applies to all Bidders. Please note that all Bidders other than QIBs can participate in the Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to such applications before making their application through the ASBA process.

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue shall be allocated to QIBs on a proportionate basis. Out of the QIB Portion (excluding Anchor Investor Portion), 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Allocation to Anchor Investors shall be on a discretionary basis and not on a proportionate basis.

Bidders are required to submit their Bids through the Syndicate. ASBA Bidders are required to submit their Bids to SCSBs.

Investors should note that the Equity Shares will be allotted to all successful Bidders only in dematerialised form. The Bid cum Application Forms which do not have the details of the Bidders' depository account shall be treated as incomplete and rejected. Bidders will not have the option of being Allotted Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Resident Indians and Eligible NRIs applying on a non-repatriation basis	White
Eligible NRIs, FIIs or Foreign Venture Capital Funds, registered Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	Blue
ASBA Bidders (through physical form)	White
Anchor Investors*	Pink

**Bid cum Application forms for Anchor Investors have been made available at the office of the BRLMs.*

Bidders are required to submit their Bids through the Syndicate. Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in the Red Herring Prospectus as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

ASBA Bidders shall submit a Bid cum Application Form either in physical or electronic form to the SCSB authorising blocking of funds that are available in the bank account specified in the Bid cum Application Form used by ASBA Bidders.

- Only Bidders other than QIBs can participate by way of ASBA process.

- Only QIBs can participate in the Anchor Investor Portion.

Who can Bid?

- Indian nationals resident in India who are not minors in single or joint names (not more than three);

- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;

- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;

- Mutual Funds registered with SEBI;

- Eligible NRIs on a repatriation basis or on a non repatriation basis subject to applicable laws. NRIs other than eligible NRIs are not eligible to participate in this issue;

- Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Regulations and other laws, as applicable);

- FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual;

- Sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals only under the Non-Institutional Bidders category.

- Venture Capital Funds registered with SEBI;

- Bids by FVCIs;

- Bids by multilateral and bilateral development institutions;

- State Industrial Development Corporations;

- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their constitution to hold and invest in equity shares;

- Scientific and/or industrial research organisations authorised to invest in equity shares;

- Insurance Companies registered with Insurance Regulatory and Development Authority;

- Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;

- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- National Investment Fund; and
- Insurance funds set up and managed by the army, navy or air force of the Union of India.

As per the existing regulations, OCBs cannot participate in this Issue.

Participation by Associates of BRLMs and Syndicate Members

The BRLMs and Syndicate Members shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLMs and Syndicate Members may subscribe to or purchase Equity Shares in the Issue, either in the QIB Portion or in Non-Institutional Portion as may be applicable to such investors, where the allocation is on a proportionate basis.

The BRLMs, and any persons related to the BRLMs, the Promoter and the Promoter Group cannot apply in the Issue under the Anchor Investor Portion.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than [●] Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

No mutual fund scheme shall invest more than 10% of its net asset value in the equity shares or equity related instruments of any single company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

Bids by Eligible NRIs

1. Bid cum Application Forms have been made available for Eligible NRIs at the Registered Office of the Company and with members of the Syndicate.

2. Eligible NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. The Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

Bids by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-issue issued capital (i.e., 10% of 71,747,540 Equity Shares). In respect of an FII investing in our equity shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. With the approval of the board and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended (the "SEBI FII Regulations"), an FII, as defined in the SEBI FII Regulations may issue, deal or hold, off shore derivative instruments (defined under the SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by a foreign institutional investor against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms. The FII is also required to ensure that no further issue or transfer of any Offshore Derivative Instrument issued by it is made to any persons that are not regulated by an appropriate foreign regulatory authority as defined under the SEBI Regulations. Associates and affiliates of the underwriters including the BRLMs and the Syndicate Members that are FIIs may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue.

Bids by SEBI registered Venture Capital Funds

As per the current regulations, the following restrictions are applicable for SEBI Registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI.

Accordingly, the holding by any individual venture capital fund registered with SEBI in one company should not exceed 25% of the corpus of the venture capital fund. Further, Venture Capital Funds can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer.

The above information is given for the benefit of the Bidders. The Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Share thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Other Bidders (Non-Institutional Bidders and QIBs):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of

[●] Equity Shares thereafter. A Bid cannot be submitted for more than the Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **A QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin upon submission of Bid.**

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

(c) **For Bidders in the Anchor Investor Portion:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100 million and in multiples of [●] Equity Shares thereafter. Bids by Anchor Investors under the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids. A Bid cannot be submitted for more than 30% of the QIB Portion. **Anchor Investors cannot withdraw their Bids after the Anchor Investor Bid/ Issue Period.**

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Red Herring Prospectus.

Information for the Bidders:

(a) The Company and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date in the Red Herring Prospectus to be registered with the RoC and also publish the same in two national newspapers (one each in English and Hindi) and in one Telugu newspaper with wide circulation. This advertisement shall be in the prescribed format.

(b) The Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.

(c) Copies of the Bid cum Application Form and, at the request of potential investors, copies of the Red Herring Prospectus will be available with the Syndicate and the SCSBs.

(d) Any investor (who is eligible to invest in the Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from the Registered Office.

(e) Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLMs or Syndicate Members or their authorised agent(s) to register their Bids.

(f) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms (other than ASBA Bid cum Application Forms) should bear the stamp of the members of the Syndicate, otherwise they will be rejected. Bids by ASBA Bidders shall be accepted by the Designated Branches in accordance with the SEBI Regulations and any circulars issued by SEBI in this regard.

Method and Process of Bidding

(a) The Company and the Selling Shareholders in consultation with the BRLMs will decide the Price Band and the minimum Bid lot size for the Issue and the same shall be advertised in [●] edition of [●] in the English language, [●] edition of [●] in the Hindi language and [●] edition of [●] in the Telugu language at least two working days prior to the Bid/ Issue Opening Date. The Syndicate and the SCSBs shall accept Bids from the Bidders during the Bid/Issue Period.

(b) The Bid/Issue Period shall be for a minimum of three working days and shall not exceed 10 working days. The Bid/ Issue Period maybe extended, if required, by an additional three working days, subject to the total Bid/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be published in two national newspapers (one each in English and Hindi) and one Telugu newspaper with wide circulation and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.

(c) During the Bid/Issue Period, eligible investors, other than QIBs, who are interested in subscribing for the Equity Shares should approach Syndicate or their authorised agents to register their Bid. The Syndicate shall accept Bids from all other Bidders and have the right to vet the Bids during the Bidding/ Issue Period in accordance with the terms of the Red Herring Prospectus.

(d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" below) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.

(e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate or SCSBs. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate or SCBS will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph entitled "Build up of the Book and Revision of Bids".

(f) Except in relation to Bids received from the Anchor Investors, the members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(g) The BRLMs shall accept Bids from the Anchor Investors during the Anchor Investor Bid/ Issue Period i.e. one working day prior to the Bid/ Issue Opening Date. Bids by Anchor Investors under the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids.

(h) Along with the Bid cum Application Form, all Bidders (other than ASBA Bidders) will make payment in the manner described in the section entitled "- Escrow Mechanism - Terms of payment and payment into the Escrow Accounts" on page 264 of this Draft Red Herring Prospectus.

(i) Upon receipt of the ASBA Bid cum Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid cum Application Form, prior to uploading such Bids with the Stock Exchanges.

(j) If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges.

(k) If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form and will enter each Bid option into the electronic bidding system as a separate Bid and generate a TRS for each price and demand option. The TRS shall be furnished to the ASBA Bidder on request.

Bids at Different Price Levels and Revision of Bids

(a) The Company and the Selling Shareholders, in consultation with the BRLMs, reserves the right to revise the Price Band during the Bid/ Issue Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side i.e. the floor price can move up or down to the extent of 20% of the floor price disclosed at least two days prior to the Bid/ Issue Opening Date and the Cap Price will be revised accordingly.

(b) The Company and the Selling Shareholders, in consultation with the BRLMs will finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

(c) The Company and the Selling Shareholders, in consultation with the BRLMs, can finalise the Anchor Investor Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Anchor Investors.

(d) The Bidders can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may bid at the Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB and Non-Institutional Bidders and such Bids from QIB and Non-Institutional Bidders shall be rejected.

(e) Retail Individual Bidders, who Bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders shall submit the Bid cum Application Form along with a cheque/demand draft for the Bid Amount based on the cap of the Price Band with the members of the Syndicate. In case of ASBA Bidders bidding at Cut-off Price, the ASBA Bidders shall instruct the SCSBs to block amount based on the cap of the Price Band.

Escrow mechanism, terms of payment and payment into the Escrow Accounts

For details of the escrow mechanism and payment instructions, please refer to the section entitled "Issue Procedure - Payment Instructions" on page 273 of this Draft Red Herring Prospectus.

Electronic Registration of Bids

(a) The members of the Syndicate and SCSBs will register the Bids using the on-line facilities of the Stock Exchanges. There will be at least one on-line connectivity facility in each city, where a stock exchange is located in India and where Bids are being accepted. The BRLMs, the Company and the Registrar are not responsible for any acts, mistakes or errors or omission and commissions in relation to, (i) the Bids accepted by the Syndicate Members and the SCSBs, (ii) the Bids uploaded by the Syndicate Members and the SCSBs, (iii) the Bids accepted but not uploaded by the Syndicate Members and the SCSBs or (iv) with respect to ASBA Bids, Bids accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.

(b) The Stock Exchanges will offer an electronic facility for registering Bids for the Issue. This facility will be available with the Syndicate and their authorised agents and the SCSBs during the Bidding/ Issue Period. The Syndicate Members and the Designated Branches can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/ Issue Closing Date, the members of the Syndicate and the Designated Branches shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLMs on a regular basis.

(c) Based on the aggregate demand and price for Bids registered on the electronic facilities of the BSE and the NSE, a graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor: Bidders should ensure that the name given in the Bid cum Application Form is exactly the same as the name in which the Depositary Account is held. In case the Bid cum Application Form is submitted in joint names, Bidders should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.

- Investor Category – Individual, Corporate, FII, NRI, Mutual Fund, etc.

- Numbers of Equity Shares bid for.

- Bid Amount.

- Bid cum Application Form number.

- Whether Margin Amount has been paid upon submission of Bid cum Application Form.

- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

With respect to ASBA Bids, at the time of registering each Bid, the Designated Branches of the SCSBs shall enter the following information pertaining to the Bidder into the electronic bidding system:

- Name of the Bidder(s).

- Application Number.

- PAN.

- Number of Equity Shares Bid for.

- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate or the Designated Branches. The registration of the Bid by the member of the Syndicate or the Designated Branches does not guarantee that the Equity Shares shall be allocated/Allotted either by the members of the Syndicate, the Selling Shareholders or the Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) In case of QIB Bidders, members of the Syndicate have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed on page 277 of this Draft Red Herring Prospectus.

(h) The permission given by BSE and NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company, the Selling Shareholders and/or the BRLMs are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, the Promoter, the management or any scheme or project of the Company; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

(i) Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate or the Designated Branches, the decision of the Company and the Selling Shareholders, in consultation with the BRLMs and the Registrar, based on the physical records of Bid Application Forms shall be final and binding on all concerned.

(j) Details of Bids in the Anchor Investor Portion will not be registered on the on-line facilities of electronic facilities of BSE and NSE.

Build up of the book and revision of Bids

(a) Bids received from various Bidders through the members of the Syndicate and the SCSBs shall be electronically uploaded to the Stock Exchanges' mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

(c) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and such Bidder is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate and the Designated Branches will not accept incomplete or inaccurate Revision Forms.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate or the SCSB through whom such Bidder had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(f) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had Bid at Cut-off Price could either (i) revise their Bid or (ii) shall make additional payment based on the cap of the revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to Bid at Cut-off Price), with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(g) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders, who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(h) The Company and the Selling Shareholders, in consultation with the BRLMs, shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of Rs. 5,000 to Rs. 7,000.

(i) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. With respect to the ASBA Bids, if revision of the Bids results in an incremental amount, the SCSB shall block the additional Bid amount. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(j) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and may get a revised TRS from the members of the Syndicate or the SCSB, as applicable. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

Price Discovery and Allocation

(a) Based on the demand generated at various price levels, the Company and the Selling Shareholders in consultation with the BRLMs shall finalise the Issue Price.

(b) Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the sole discretion of the Company in consultation with the BRLMs. If at least 60% of the Issue is not allocated to the QIBs, the entire subscription monies shall be refunded.

(c) Allocation to Non-Residents, including Eligible NRIs and FIIs registered with SEBI, applying on repatriation basis will be subject to applicable law, rules, regulations, guidelines and approvals.

(d) The BRLMs, in consultation with the Company, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(e) QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

(f) The Basis of Allotment shall be put on the website of the Registrar to the Issue.

Signing of Underwriting Agreement and RoC Filing

(a) The Company, Selling Shareholders, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on or immediately after the finalisation of the Issue Price.

(b) After signing the Underwriting Agreement, the Company will update and file the updated Red Herring Prospectus with the RoC in accordance with the applicable law, which then would be termed ‘Prospectus’. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

Pre-Issue Advertisement

Subject to Section 66 of the Companies Act, the Company shall, after registering the Red Herring Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI Regulations, in one English language national daily newspaper, one Hindi language national daily newspaper and one Telugu language daily newspaper, each with wide circulation.

Advertisement regarding Issue Price and Prospectus

The Company will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price and the Anchor Investor Issue Price. Any material updates between the date of the Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note ("CAN")

(a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLMs or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the Issue. The approval of the basis of Allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, investors should note that the Company shall ensure that the date of Allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

(b) The BRLMs or members of the Syndicate or the Registrar will then dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) The approval of the basis of Allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, investors should note that the Company shall ensure that the instructions by the Company for the demat credit of the Equity Shares to all investors in the Issue shall be given on the same date.

(d) Bidders who have been allocated Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the Allotment to such Bidder.

(e) The Issuance of CAN is subject to "Notice to Anchor Investors - Allotment Reconciliation and Revised CANs" and "Notice to QIBs - Allotment Reconciliation and Revised CANs" as set forth under the section "Issue Procedure" on page 258 of this Draft Red Herring Prospectus.

Notice to Anchor Investors: Allotment Reconciliation and Revised CANs

A physical book will be prepared by the Registrar on the basis of the Bid cum Application Forms received from Anchor Investors. Based on the physical book and at the discretion of the Company, the Selling Shareholders and the BRLMs, select Anchor Investors may be sent a CAN, within two working days of the Anchor Investor Bid/ Issue Period, indicating the number of Equity Shares that may be allocated to them. The provisional CAN shall constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the Anchor Investors to pay the entire Anchor Investor Issue Price for all the Equity Shares allocated to such Anchor Investor. This provisional CAN and the final allocation is subject to the physical application being valid in all respect along with receipt of stipulated documents, the Issue Price being finalised at a price not higher than the Anchor Investor Issue Price and allotment by the Board of Directors. In the event that the Issue Price is higher than the Anchor Investor Issue Price, a revised CAN will be sent to Anchor Investors. The price of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. Anchor Investors should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares or increased price of Equity Shares. The Pay-in Date in the revised CAN shall not be later than two working days after the Bid/ Issue Closing Date. Any revised CAN, if issued, will supersede in entirety the earlier CAN.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid cum Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Regulations, certain Bids may be rejected due to technical reasons, non-receipt of funds, insufficient funds, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

(a) The funds shall be transferred to the Public Issue Account on the Designated Date, following which the Company and the Selling Shareholders shall Allot and transfer the Equity Shares. The Company and the Selling Shareholders will ensure that the Allotment of Equity Shares and credit to the successful Bidders' depository account is done within 15 days of the Bid/Issue Closing Date.

(b) In accordance with the SEBI Regulations, Equity Shares will be issued or transferred and Allotment shall be made only in the dematerialised form to the Allottees.

(c) Allottees will have the option to re-materialise the Equity Shares so Allotted as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/ allotted to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

(a) Check if you are eligible to apply;

(b) Ensure that you have Bid within the Price Band;

(c) Read all the instructions carefully and complete the Bid cum Application Form;

(d) Ensure that the details about Depository Participant and Beneficiary Account are correct as

Allotment of Equity Shares will be in the dematerialised form only;

(e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate or with respect to ASBA Bidders ensure that your Bid is submitted at a Designated Branch of the SCSB where the ASBA Bidder or the person whose bank account will be utilised by the ASBA Bidder for Bidding has a bank account;

(f) With respect to ASBA Bids ensure that the ASBA Bid cum Application Form is signed by the account holder in case the applicant is not the account holder. Ensure that you have mentioned the correct bank account number in the ASBA Bid cum Application Form;

(g) Ensure that you have been given a TRS for all your Bid options;

(h) Ensure that you have funds equal to the Bid Amount in your bank account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch of the SCSB;

(i) Instruct your respective banks to not release the funds blocked in the bank account under the ASBA process;

(j) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

(k) Except for Bids submitted on behalf of the Central Government or the State Government and officials appointed by a court, all Bidders should mention their Permanent Account Number (PAN) allotted under the IT Act;

(l) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects;

(m) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don’ts:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not submit a Bid through the ASBA process if you are a QIB;

(c) Do not Bid/ revise Bid Amount to less than the lower end of the Price Band or higher than the higher end of the Price Band;

(d) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate or the SCSB;

(e) Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest;

(f) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate or the SCSBs only;

(g) Do not bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders, for bid amount in excess of Rs. 100,000);

(h) Do not Bid for a Bid Amount exceeding Rs. 100,000 (for Bids by Retail Individual Bidders);

(i) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

(j) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground; and

(k) Do not submit the Bid without the QIB Margin Amount in case of Bids by a QIB.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bids must be:

(A) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable.

(B) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

(C) For Retail Individual Bidders, the Bid must be for a minimum of [•] Equity Shares and in multiples of [•] thereafter subject to a maximum Bid Amount of Rs. 100,000.

(D) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [•] Equity Shares thereafter. Bids cannot be made for more than the Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.

(E) For Anchor Investors, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds or equal to Rs. 100 million and in multiples of [•] Equity Shares thereafter.

(F) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(G) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Depository Account and Bank Account Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as "Demographic Details"). These Bank Account details would be used for giving refunds (including through physical refund warrants, direct credit, ECS, NEFT and RTGS) to the Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs or the Registrar to the Issue or the Escrow Collection Banks or the SCSBs nor the Selling Shareholders nor the Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN

DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, Escrow Collection Banks, Selling Shareholders nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories, which matches the three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

The Company and the Selling Shareholders in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice or refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Bids by Non Residents including NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and revision to Bids must be made in the following manner:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

2. In a single name or joint names (not more than three and in the same order as their Depositary Participant Details).

3. Bids on a repatriation basis shall be in the names of individuals, or in the name of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Bids by Eligible NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

As per the existing policy of the Government of India, OCBs are not permitted to participate in the Issue.

There is no reservation for Eligible NRIs and FIIs and all applicants will be treated on the same basis with other categories for the purpose of allocation.

Bids under Power of Attorney

In case of Bids (including ASBA Bids) made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, FIIs, Mutual Funds, insurance companies and provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with a minimum corpus of Rs. 250 million a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, the Company and the Selling Shareholders reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In addition to the above, certain additional documents are required to be submitted by the following entities:

a. With respect to Bids by FIIs and Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form.

b. With respect to Bids by insurance companies registered with the Insurance Regulatory and Development Authority, in addition to the above, a certified copy of the certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form.

c. With respect to Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with a minimum corpus of Rs. 250 million, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form.

The Company and the Selling Shareholders in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that the Company and the BRLMs may deem fit.

PAYMENT INSTRUCTIONS

Escrow Mechanism for Bidders other than ASBA Bidders

The Company, the Selling Shareholders and the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s) in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid

Amount from Bidders in a certain category would be deposited in the Escrow Account.

The Escrow Collection Banks will act in terms of the Draft Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Banks for and on behalf of the Bidders shall maintain the monies in the Escrow Account until the Designated Date. The Escrow Collection Banks shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the funds represented by allocation of Equity Shares (other than ASBA funds with the SCSBs) from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Bankers to the Issue. The balance amount after transfer to the Public Issue Account shall be transferred to the Refund Account. Payments of refund to the Bidders shall also be made from the Refund Account are per the terms of the Escrow Agreement and the Draft Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Company, the Selling Shareholders, the Syndicate, the Escrow Collection Banks and the Registrar to the Issue to facilitate collections from the Bidders.

Payment mechanism for ASBA Bidders

The ASBA Bidders shall specify the bank account number in the ASBA Bid cum Application Form and the SCSB shall block an amount equivalent to the application money in the bank account specified in the Bid cum Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/ rejection of the ASBA Bid or receipt of instructions from the Registrar to unblock the Bid Amount. In the event of withdrawal or rejection of Bid cum Application Form or for unsuccessful Bid cum Application Forms, the Registrar shall give instructions to the SCSB to unblock the application money in the relevant bank account within one day of receipt of such instruction. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/ failure of the Issue or until rejection of the ASBA Bid, as the case may be.

Payment into Escrow Account for Bidders other than ASBA Bidders

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/Allotment as per the following terms:

1. QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the section entitled "Issue Structure" on page 254 of this Draft Red Herring Prospectus.

2. The Bidders for whom the applicable Margin Amount is equal to 100%, shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.

3. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled.

4. The payment instruments for payment into the Escrow Account should be drawn in favour of:

    (a) In case of Resident QIB Bidders: "[●]"

    (b) In case of Non Resident QIB Bidders: "[●]"

(c) In case of Resident Retail and Non-Institutional Bidders: "[●]"

(d) In case of Non-Resident Retail and Non-Institutional Bidders: "[●]"

5. Anchor Investors would be required to pay the Anchor Investor Margin Amount at the time of submission of the application form through RTGS mechanism and the balance shall be payable within two working days of the Bid/ Issue Closing Date. In the event of Issue Price being higher than the price at which allocation is made to Anchor Investors, the Anchor Investors shall be required to pay such additional amount to the extent of shortfall between the price at which allocation is made to them and the Issue Price. If the Issue Price is lower than the price at which allocation is made to Anchor Investors, the amount in excess of the Issue Price paid by Anchor Investors shall not be refunded to them.

6. For Anchor Investors, the payment instruments for payment into the Escrow Account should be drawn in favour of:

   (a) In case of resident Anchor Investors: "[●]"

   (b) In case of non-resident Anchor Investors: "[●]"

7. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.

8. In case of Bids by NRIs applying on non-repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of a Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR or NRO Account.

9. In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.

10. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

11. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.

12. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to the Bidders.

13. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/Money Orders/ Postal orders will not be accepted.

Payment by cash/ stockinvest/ money order

Payment through cash/ stockinvest/ money order shall not be accepted in this Issue.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. With respect to ASBA Bidders, the ASBA Bid cum Application Form or the ASBA Revision Form shall be submitted to the Designated Branches.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made. Bids by QIBs under the Anchor Investor Portion and QIB Portion (excluding Anchor Investor Portion) will not be considered as multiple Bids.

The Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories. In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as a multiple master.

2. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.

3. The Registrar to the Issue will obtain, from the depositories, details of the applicant's address

based on the DP ID and Beneficiary Account Number provided in the Bid cum Application Form and create an address master.

4. The addresses of all the applications in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. The applications with same name and same address will be treated as multiple applications.

5. The applications will be scrutinised for DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.

6. Subsequent to the aforesaid procedures, a print out of the multiple master will be taken and the applications (other than ASBA Bids) will be physically verified to tally signatures as also father's/ husband's names. On completion of this, the applications with same signatures and father's/ husband's names will be identified as multiple applications.

Permanent Account Number or PAN

The Bidders, or in the case of a Bid in joint names, each of the Bidders, should mention his/ her Permanent Account Number (PAN) allotted under the Income Tax Act. In accordance with the SEBI Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. **Any Bid cum Application Form without the PAN is liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground**.

REJECTION OF BIDS

In case of QIB Bidders, the Company and the Selling Shareholders, in consultation with the BRLMs may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Individual Bidders, the Company and the Selling Shareholders have a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk. With respect to ASBA Bids, the Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the Bidder's bank account, the respective Designated Branch ascertains that sufficient funds are not available in the Bidder's bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Bid by the SCSB, the Company would have a right to reject the ASBA Bids only on technical grounds.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for. With respect to ASBA Bids, the amounts mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of the Equity Shares Bid for;

- Age of First Bidder not given;

- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;

- Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;

- PAN not mentioned in the Bid cum Application Form;
- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Submission of more than five ASBA Bid cum Application Forms per bank account;
- Bids at Cut-off Price by Non-Institutional and QIB Bidders.
- Bids for number of Equity Shares which are not in multiples of [•];
- Category not ticked;
- Multiple Bids as defined in this Draft Red Herring Prospectus;
- In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/money order/postal order/cash;
- Signature of sole and / or joint Bidders missing. With respect to ASBA Bids, the Bid cum Application form not being signed by the account holders, if the account holder is different from the Bidder;
- Bid cum Application Forms does not have the stamp of the BRLMs or Syndicate Members or the SCSB;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and the Draft Red Herring Prospectus and as per the instructions in the Draft Red Herring Prospectus and the Bid cum Application Forms;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's account number;
- With respect to ASBA Bids, inadequate funds in the bank account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the bank account;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids in respect whereof the Bid cum Application Form do not reach the Registrar to the Issue prior to the finalisation of the Basis of Allotment;
- Bids where clear funds are not available in Escrow Accounts as per final certificate from the

Escrow Collection Banks;

- Bids by QIBs not submitted through members of the Syndicate;
- Bids by persons in the United States excluding U.S. QIBs as defined in Rule 144A of the Securities Act;
- Bids by any person outside India if not in compliance with applicable foreign and Indian Laws;
- Bids not uploaded on the terminals of the Stock Exchanges; and
- Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

- Agreement dated [●], between NSDL, the Company and the Registrar to the Issue;
- Agreement dated [●], between CDSL, the Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

(a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

(b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

(c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

(d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

(e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

(f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

(g) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

(h) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate or the Designated Branch where the Bid was submitted and cheque or draft number and issuing bank thereof or with respect to ASBA Bids, bank account number in which the amount equivalent to the Bid Amount was blocked.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc.

PAYMENT OF REFUND

Bidders other than ASBA Bidders must note that on the basis of the names of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Selling Shareholders, the Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

Mode of making refunds

The payment of refund, if any, for Bidders other than ASBA Bidders would be done through various modes in the following order of preference:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned centres, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS.

2. Direct Credit – Applicants having bank accounts with the Refund Bank (s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.

3. RTGS – Applicants having a bank account at any of the abovementioned centres and whose refund amount exceeds Rs. 5 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid cum Application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

4. NEFT – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund,

duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. The process flow in respect of refunds by way of NEFT is at an evolving stage, hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value upto Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY

With respect to Bidders other than ASBA Bidders, the Company and the Selling Shareholders shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two working days of date of Allotment of Equity Shares.

In case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Company and the Selling Shareholders shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Regulations, the Company and the Selling Shareholders further undertake that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 days of the Bid/Issue Closing Date;

- With respect to Bidders other than ASBA Bidders, dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 days of the Bid/Issue Closing Date would be ensured. With respect to the ASBA Bidders' instructions for unblocking of the ASBA Bidder's Bank Account shall be made within 15 days from the Bid/Issue Closing Date; and

The Company and the Selling Shareholders shall pay interest at 15% per annum for any delay beyond the 15 day time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"*Any person who:*

(a) ***makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or***

(b) ***otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,***

***shall be punishable with imprisonment for a term which may extend to five years.*"**

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.

- The Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the aggregate demand in this category is less than or equal to 5,037,474 Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.

- If the aggregate demand in this category is greater than 5,037,474 Equity Shares at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate basis of Allotment, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

- The Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the aggregate demand in this category is less than or equal to 1,679,157 Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.

- In case the aggregate demand in this category is greater than 1,679,157 Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate basis of Allotment refer below.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIB Bidders will be made at the Issue Price.

- The QIB Portion shall be available for Allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- Allotment shall be undertaken in the following manner:

  (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion (excluding Anchor Investor Portion) shall be determined as follows:

    (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion (excluding Anchor Investor Portion), allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion (excluding Anchor Investor Portion).

    (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion (excluding Anchor Investor Portion) then all Mutual Funds shall get full Allotment to the extent of valid Bids received above the Issue Price.

    (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below;

  (b) In the second instance Allotment to all QIBs shall be determined as follows:

    (A) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

    (B) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

    (C) Under-subscription below 5% of the QIB Portion (excluding Anchor Investor Portion), if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

- The aggregate Allotment to QIB Bidders shall not be less than 10,074,948 Equity Shares.

D. For Anchor Investor Portion

- Allocation of Equity Shares to Anchor Investors at the Anchor Investor Issue Price will be at the discretion of the Company and Selling Shareholders, in consultation with the BRLMs, subject to compliance with the following requirements:

  (a) not more than 30% of the QIB Portion will be allocated to Anchor Investors;

  (b) one-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors;

(c) allocation to Anchor Investors shall be on a discretionary basis and subject to a minimum number of two Anchor Investors for allocation upto Rs. 2,500 million and minimum number of five Anchor Investors for allocation more than Rs. 2,500 million.

- The number of Equity Shares Allotted to Anchor Investors and the Anchor Investor Issue Price, shall be made available in the public domain by the BRLMs before the Bid/ Issue Opening Date by intimating the Stock Exchanges.

Method of Proportionate Basis of Allotment in the Issue

In the event of the Issue being over-subscribed, the Company shall finalise the basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalised in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorised according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate Allotment is less than [•] Equity Shares per Bidder, the Allotment shall be made as follows:

  - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and

  - Each successful Bidder shall be allotted a minimum of [•] Equity Shares.

e) If the proportionate Allotment to a Bidder is a number that is more than [•] but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5 it would be rounded off to the lower whole number. Allotment to all in such categories would be arrived at after such rounding off.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

g) Subject to valid Bids being received, allocation of Equity Shares to Anchor Investors shall be at the sole discretion of the Company and the Selling Shareholder, in consultation with the BRLMs.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue Details

Sr. No.	Particulars	Issue details
1.	Issue size	200 million equity shares
2.	Allocation to QIB (60%)	120 million equity shares
3.	Anchor Investor Portion	36 million equity shares
4.	Portion available to QIBs other than Anchor Investors [(2) minus (3)]	84 million equity shares
	Of which:	
	a. Allocation to MF (5%)	4.20 million equity shares
	b. Balance for all QIBs including MFs	79.8 million equity shares
3	No. of QIB applicants	10
4	No. of shares applied for	500 million equity shares

B. Details of QIB Bids

Sr. No.	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	Total	**500**

A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/ Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 4.20 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 79.80 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
A1	50	0	8.05	0
A2	20	0	3.22	0
A3	130	0	20.92	0
A4	50	0	8.05	0
A5	50	0	8.05	0
MF1	40	0.84	6.30	7.14
MF2	40	0.84	6.30	7.14
MF3	80	1.68	12.61	14.29
MF4	20	0.42	3.15	3.57

Type of QIB bidders	Shares bid for	Allocation of 4.20 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 79.80 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
MF5	20	0.42	3.15	3.57
	500	**4.20**	**79.80**	**35.71**

Please note:

1. The illustration presumes compliance with the requirements specified in this Draft Red Herring Prospectus in the section entitled "Issue Structure" on page 254 of this Draft Red Herring Prospectus.

2. Out of 84 million equity shares allocated to QIBs, 4.2 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 million equity shares in QIB category.

3. The balance 79.80 million equity shares (i.e. 84 - 4.2 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 million equity shares (including five MF applicants who applied for 200 million equity shares).

4. The figures in the fourth column entitled "Allocation of balance 79.80 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:

   - For QIBs other than Mutual Funds (A1 to A5)= No. of shares bid for (i.e. in column II) X 79.80 / 495.80.

   - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 79.80 / 495.80.

   - The numerator and denominator for arriving at allocation of 84 million shares to the 10 QIBs are reduced by 4.2 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Letters of Allotment or Refund Orders or instructions to the SCSBs

The Company shall give credit to the beneficiary account with depository participants within two working days from the date of the finalisation of basis of allotment. Applicants residing at the centres where clearing houses are managed by the RBI, will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. The Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk within 15 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within 15 days of closure of Bid / Issue. In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 15 days of the Bid/Offer Closing Date.

Interest in case of delay in despatch of Allotment Letters or Refund Orders/ instruction to SCSB by the Registrar

The Company agrees that the allotment of Equity Shares in the Issue shall be made not later than 15 days of the Bid/ Issue Closing Date. The Company further agrees that it shall pay interest at the rate of 15% p.a. if the allotment letters or refund orders have not been despatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given in the disclosed manner within 15 days from the Bid/ Issue Closing Date.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by the Company as a Refund Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

UNDERTAKINGS BY THE COMPANY

The Company undertakes the following:

- That the complaints received in respect of this Issue shall be attended to by the Company expeditiously and satisfactorily;

- That all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of Allotment;

- That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer;

- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;

- That the Promoters' contribution in full has already been brought in;

- That the certificates of the securities/ refund orders to the non-resident Indians shall be despatched within specified time;

- That no further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.; and

- That adequate arrangements shall be made to collect all Applications Supported by Blocked Amount and to consider them similar to non-ASBA applications while finalizing the basis of allotment.

The Selling Shareholders undertake the following:

- That the Equity Shares being sold pursuant to the Offer for Sale, have been held by them for a period of more than one year prior to the date of filing the Draft Red Herring Prospectus and the Equity Shares are free and clear of any liens or encumbrances, and shall be transferred to the successful Bidders within the specified time;

- That the Selling Shareholders shall take steps to transfer the Equity Shares to successful Bidders within the specified time;

- That the Selling Shareholders shall inform the Company of any material developments known to them or which would have been reasonably known to them, which effects their ability to sell the Equity Shares in the Issue;

- That the funds required for despatch of refund orders or Allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by the Selling Shareholders; and

- That the refund orders or Allotment advice to the successful Bidders shall be dispatched within specified time.

The Company and the Selling Shareholders shall not have recourse to the Issue Proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

The Company shall transfer to the Selling Shareholders, the proceeds from the Offer for Sale, on the same being permitted to be released in accordance with applicable laws.

Withdrawal of the Issue

The Company and the Selling Shareholders, in consultation with the BRLMs, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date but before the Allotment of Equity Shares. In such an event the Company would issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. The Company shall also inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed.

Any further issue of Equity Shares by the Company shall be in compliance with applicable laws.

Utilisation of Issue Proceeds

The Board of Directors certify that:

- All monies received out of the Fresh Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;

- Details of all monies utilised out of the Fresh Issue shall be disclosed, and continue to be disclosed till the time any part of the Net Proceeds remains unutilised, under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised; and

- Details of all unutilised monies out of the Fresh Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet indicating the form in which such unutilised monies have been invested.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of GoI ("Industrial Policy") and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. Under the sector specific guidelines of the GoI, 100% FDI is allowed under the automatic route in certain NBFC activities subject to compliance with guidelines of the RBI in this regard.

FIIs are permitted to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI Policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are only being offered and sold (i) in the United States only to persons reasonably believed to be "qualified institutional buyers", as defined in Rule 144A of the Securities Act (as defined in Rule 144A under the Securities Act and referred to in this Draft Red Herring Prospectus as "U.S. QIBs", for the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in the Red Herring Prospectus as "QIBs") in transactions exempt from, or not subject to, the registration requirements of the Securities Act, and (ii) outside the United States in reliance on Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The above information is given for the benefit of the Bidders. The Company and the Selling Shareholders and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

SECTION VIII: MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

Pursuant to Schedule II of the Companies Act and the SEBI Regulations, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures and/or on their consolidation/splitting are detailed below. Please note that the each provision herein below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association.

CAPITAL

Article 1 provides that

Authorised Share Capital

The authorized share capital of the Company shall be such amount as is given in Clause V of the Memorandum of Association.

Article 2 provides that

Shares at the Disposal of the Directors:

Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares, and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

Article 3 provides that

Consideration for Allotment:

The Board of Directors may allot and issue shares of the Company as payment or part payment for any property purchased by the Company or in respect of goods sold or transferred or machinery or appliances supplied or for services rendered to the Company in or about the formation of the Company or the acquisition and/or in the conduct of its business; and any shares which may be so allotted may be issued as fully/partly paid up shares and if so issued shall be deemed as fully/partly paid up shares.

Article 5 provides that

Increase of Capital

The Company at its General Meeting may, from time to time, by an Ordinary Resolution increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. The new shares shall be issued on such terms and conditions and with such rights and privileges annexed thereto as the resolution shall prescribe, and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company and with a right of voting at General Meeting of the Company in conformity with Section 87 of the Companies Act, 1956. Whenever the capital of the Company has been increased under the provisions of the Articles, the Directors shall comply with the provisions of Section 97 of the Act.

Article 6 provides that

Reduction of Capital

The Company may, subject to the provisions of Sections 78, 80, 100 to 105 (both inclusive) and other applicable provisions of the Act from time to time, by Special Resolution reduce its capital and any Capital Redemption Reserve Account or Share Premium Account in any manner for the time being authorized by law, and in particular, the capital may be paid off on the footing that it may be called up again or otherwise.

Article 7 provides that

Sub-division and Consolidation of Share Certificate :

Subject to the provisions of Section 94 of the Act, the Company in General Meeting, may by an ordinary resolution from time to time:

(a) Divide, sub-divide or consolidate its shares, or any of them, and the resolution whereby any share is sub-divided, may determine that as between the holders of the shares resulting from such sub-division one or more of such shares have some preference of special advantage as regards dividend capital or otherwise as compared with the others

(b) Cancel shares which at the date of such general meeting have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

Article 9 provides that

Power to issue Shares with differential voting rights:

The Company shall have the power to issue Shares with such differential rights as to dividend, voting or otherwise, subject to the compliance with requirements as provided for in the Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001, or any other law as may be applicable.

Article 10 provides that

Power to issue preference shares:

Subject to the provisions of Section 80 of the Act, the Company shall have the powers to issue preference shares which are liable to be redeemed and the resolution authorizing such issue shall prescribe the manner, terms and conditions of such redemption.

Article 11 provides that

Further Issue of Shares:

(1) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares then

  a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid up on those shares at that date.

b) The offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of offer within which the offer, if not accepted, will be deemed to have been declined.

c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right.

d) After the expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as they think most beneficial to the Company

(2) Notwithstanding anything contained in sub-clause (1) the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.

(a) If a special resolution to that effect is passed by the Company in General Meeting, or

(b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.

(3) Nothing in sub-clause (c) of (1) hereof shall be deemed:

(a) To extend the time within which the offer should be accepted; or

(b) To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

(4) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debentures issued or loans raised by the Company:

(i) To convert such debentures or loans into shares in the Company; or

(ii) To subscribe for shares in the Company.

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

(a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and

(b) In the case of debentures or loans other than debentures issued to or loans obtained from the Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

Article 15 provides that

Money due on shares to be a debt to the Company:

The money (if any) which the Board shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise in respect of any shares allotted by them, shall immediately on the inscription of the name of allottee in the Register of Members as the name of the holder of such shares become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

Article 16 provides that

Members or heirs to pay unpaid amounts:

Every Member or his heir's executors or administrators shall pay to the Company the portion of the capital represented by his share or shares which may, for the time being remain unpaid thereon, in such amounts, at such time or times and in such manner, as the Board shall from time to time, in accordance with the Company's regulations require or fix for the payment thereof.

SHARE CERTIFICATES

Article 17 provides that

a) Every Member entitled to certificate for his shares:

(i) Every member or allottee of shares shall be entitled, without payment, to receive one or more certificates specifying the name of the person in whose favour it is issued, the shares to which it relates, and the amount paid thereon. Such certificates shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of fractional coupon of requisite value, save in case of issue of share certificates against letters of acceptance of or renunciation or in cases of issues of bonus shares. Such share certificates shall also be issued in the event of consolidation or sub-divisions of the shares of the Company.

(ii) Every such certificate shall be issued under the seal of the Company, which shall be affixed in the presence of (1) two Directors or persons acting on behalf of the Directors under duly registered powers of attorney; and (2) the Secretary or some other persons appointed by the Board for the purpose and the two Directors or their attorneys and the secretary or other persons shall sign the Share Certificate, provided that if the composition of the Board permits, at least one of the aforesaid two Directors shall be a person other than the Managing Director.

(iii) Particulars of every share certificate issued shall be entered in the Registrar of Members against the name of the person to whom it has been issued, indicating date of issue.

b) Joint ownership of shares:

Any two or more joint allottees of shares shall be treated as a single member for the purposes of this article and any share certificate, which may be the subject of joint ownership, may be delivered to any one of such joint owners on behalf of all of them. The Company shall comply with the provisions of Section 113 of the Act.

c) Director to sign Share Certificates:

A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means, such as engraving in metal or lithography but not by means of rubber stamp, provided that the Director shall be responsible for the safe custody of such machine, equipment or other materials used for the purpose.

d) *Issue of new certificate in place of one defaced, lost or destroyed or Renewal of Certificates*

If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, a new Certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every Certificate under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act or rules applicable in this behalf.

The provision of these Articles shall mutatis mutandis apply to debentures of the Company.

e) *Renewal of Share Certificate:*

When a new share certificate has been issued in pursuance of clause (d) of this article, it shall state on the face of it and against the stub or counterfoil to the effect that it is issued in lieu of share certificate No………….. sub-divided/replaced on consolidation of shares.

When a new certificate has been issued in pursuance of clause (d) of this Article, it shall state on the face of it against the stub or counterfoil to the effect that it is duplicate issued in lieu of share certificate No……. The word 'Duplicate' shall be stamped or punched in bold letters across the face of the share certificate and when a new certificate has been issued in pursuance of clauses (c), (d), (e) and (f) of this Article, particulars of every such share certificate shall be entered in a Register of Renewed and Duplicate Certificates indicating against it, the names of the persons to whom the certificate is issued, the number and the necessary changes indicated in the Register of Members by suitable cross references in the "remarks" column.

f) All blank forms, share certificates shall be printed only on the authority of a resolution duly passed by the Board.

Article 20 provides that

Rights of Joint Holders

If any share stands in the names of two or more persons, the person first named in the Register shall, as regards receipt of dividends or bonus or service of notices and all or any other matter connected with the Company, except voting at meeting and the transfer of the shares be deemed the sole holder thereof but the joint holders of share shall be severally as well as jointly liable for payment of all installments and calls due in respect of such share and for all incidents thereof according to the Company's regulations.

LIEN

Article 24 provides that

Company's lien on shares /debentures

The Company shall have a first and paramount lien upon all the shares /debentures (other than fully paid up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at fixed time in respect of such shares/debentures, and no equitable interest in any shares shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed, the registration of a transfer of shares/debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from provisions of this clause. The fully paid up shares shall be free from all lien and that in the case of partly paid shares the Company's lien shall be restricted to moneys called or payable at a fixed time in respect of such shares.

CALLS ON SHARES

Article 27 provides that

Board to have right to make calls on shares

The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution), make such call as it thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him to the person or persons and the member(s) and place(s) appointed by the Board. A call may be made payable by installments.

Provided that the Board shall not give the option or right to call on shares to any person except with the sanction of the Company in General Meeting.

Article 32 provides that

Calls to carry Interest:

If a member fails to pay any call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at 5% per annum or such lower rate as shall from time to time be fixed by the Board but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such member.

Article 36 provides that

Payment in anticipation of call may carry interest

(a) The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same, whole or any part of the moneys due upon the shares held by him beyond the sums actually called for and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon, provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

(b) The member shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment become presently payable.

(c) The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the

Company.

FORFEITURE OF SHARES

Article 37 provides that

Board to have right to forfeit shares:

If any member fails to pay any call or installment of a call or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may at any time thereafter during such time as the call or installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

Article 38 provides that

Notice for forfeiture of shares:

(a) The notice shall name a further day (not earlier than the expiration of fourteen days from the date of notice) and place or places on which such call or installment and such interest thereon (at such rate as the Directors shall determine from the day on which such call or installment ought to have been paid) and expenses as aforesaid, are to be paid.

(b) The notice shall also state that in the event of the non-payment at or before the time the call was made or installment is payable the shares will be liable to be forfeited.

Article 39 provides that

Effect of forfeiture

If the requirements of any such notice as aforesaid were not complied with, every or any share in respect of which such notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited share and not actually paid before the forfeiture. There shall be no forfeiture of unclaimed dividends before the claim becomes barred by law.

Article 42 provides that

Member to be liable even after forfeiture:

Any member whose shares have been forfeited shall, notwithstanding the forfeiture be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture together with the interest thereon from time to time of the forfeiture until payment at such rates as the Board may determine and the Board may enforce the payment thereof, if it thinks fit.

TRANSFER AND TRANSMISSION OF SHARES

Article 48 provides that

Register of Transfers

The Company shall keep a "Register of Transfers" and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any shares.

Article 49 provides that

Endorsement of Transfer:

In respect of any transfer of shares registered in accordance with the provisions of these Articles, the Board may, at their discretion, direct an endorsement of the transfer and the name of the transferee and other particulars on the existing share certificate and authorize any Director or officer of the Company to authenticate such endorsement on behalf of the Company or direct the issue of a fresh share certificate, in lieu of and in cancellation of the existing certificate in the name of the transferee.

Article 50 provides that

Instrument of Transfer:

The instrument of transfer of any share shall be in writing and all the provisions of Section 108 of the Act, and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof. The Company shall use a common form of transfer in all cases.

Article 53 provides that

Directors may refuse to register transfer:

Subject to the provisions of Section 111A of the Act, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the Company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a Member in or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transfer, as the case may be, was delivered with the Company, send notice of refusal to the transferee and transferor or to the person giving notice of such transmission, as the case may be, giving reasons for such refusal. Provided that registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the Company has a lien on shares.

Article 56 provides that

*Title to shares of deceased members***:**

The executors or administrators or holders of a Succession Certificate or the legal representatives of a deceased member (not being one or two joint holders) shall be the only person recognized by the Company as having any title to the shares registered in the name of such member, and the Company shall be bound to recognize such executors or administrators or holders of a Succession Certificate or the legal representatives shall have first obtained Probate holders or Letter of Administration or Succession Certificate as the case may be, from a duly constituted Court in the Union of India. Provided that in any case where the Board in its absolute discretion, thinks fit, the Board may dispense with the production of Probate or Letter of Administration or Succession Certificate, upon such terms as to indemnity or otherwise as the Board in its absolute discretion may think necessary and register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member as a member

Article 57 provides that

Transfers not permitted:

No share shall in any circumstances be transferred to any infant, insolvent or person of unsound mind, except fully paid shares through a legal guardian.

Article 58 provides that

58. Transmission of shares:

Subject to the provisions of these presents, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any members, or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence as the Board thinks sufficient, that he sustains the character in respect of which he proposes to act under this Articles, or of his title, either be registering himself as the holder of the shares or elect to have some person nominated by him and approved by the Board, registered as such holder, provided, nevertheless, if such person shall elect to have his nominee registered, he shall testify that election by executing in favour of his nominee an instrument of transfer in accordance with the provision herein contained and until he does so he shall not be freed from any liability in respect of the shares.

Article 60 provides that

Instrument of transfer to be stamped:

Every instrument of transfer shall be presented to the Company duly stamped for registration, accompanied by such evidence as the Board may require to prove the title of the transferor his right to transfer the shares and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board.

Article 62 provides that

No fee on Transfer or Transmission:

No fee shall be charged for registration of transfers, transmission, probate, succession certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.

Article 64 provides that

Dematerialisation of Securities

(i) Definitions: For the purpose of this Article:

"*Beneficial Owner*" means a person whose name is recorded as such with a depository.

"*Bye-Laws*" means Bye-laws made by a Depository under Section 26 of the Depositories Act, 1996.

"*Depositories Act*" means the Depository Act, 1996, including any statutory modifications or re-enactment for the time being in force.

"*Depository*" means a Company formed and registered under the Act and which has been granted a Certificate of Registration under the Securities and Exchange Board of India Act 1992.

"*Member*" means the duly registered holder from time to time of the shares of the Company and includes every person whose name is entered as beneficial owner in the records of the depository.

"*Participant*" means a person registered as such under Section 12 (1A) of the Securities and Exchange Board of India Act, 1992.

"*Record*" includes the records maintained in form of books or stored in a computer or in such other form as may be determined by the Regulations issued by the Securities and Exchange Board of India in relation to the Depository Act, 1996.

"*Registered Owner*" means a depository whose name is entered as such in the records of the Company.

"*SEBI*" means the Securities and Exchange Board of India

"*Security*" means such security as may be specified by the Securities and Exchange Board of India from time to time.

Words imparting the singular number only includes the plural number and vice versa.

Words imparting persons include corporations.

Words and expressions used and not defined in the Act but defined in the Depositories Act, 1996 shall have the same meaning respectively assigned to them in that Act.

(ii) *Company to Recognize interest in Dematerialized Securities under the Depositories Act, 1996.*

Either the Company or the investor may exercise an option to issue, de-link, hold the securities (including shares) with a depository in Electronic form and the certificates in respect thereof shall be dematerialized, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereto shall be governed by the provisions of the Depositories Act, 1996 as amended from time to time or any statutory modification(s) thereto or re-enactment thereof.

(iii) *Dematerialisation / Re-Materialisation of Securities:*

Notwithstanding anything to the contrary or inconsistent contained in these Articles, the Company shall be entitled to dematerialize its existing securities, re-materialize its securities held in Depositories and/or offer its fresh securities in the de-materialized form pursuant to the Depositories Act, 1996 and the rules framed there under, if any.

(iv) *Option to Receive Security Certificate or hold Securities with Depository:*

Every person subscribing to or holding securities of the Company shall have the option to receive the security certificate or hold securities with a Depository. Where a person opts to hold a security with the Depository, the Company shall intimate such Depository of the details of allotment of the security and on receipt of such information, the Depository shall enter in its record, the name of the allottees as the beneficial owner of that security.

(v) *Securities in Electronic Form:*

All securities held by a Depository shall be dematerialized and held in electronic form. No certificate shall be issued for the securities held by the Depository. Nothing contained in Section 153, 153A, 153B, 187 B, 187 C and 372 of the Act, shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners.

(vi) *Beneficial Owner Deemed as Absolute Owner:*

Except as ordered by the Court of competent jurisdiction or by law required, the Company shall be entitled to treat the person whose name appears on the register of members as the holders of any share or whose name appears as the beneficial owner of the shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognize any benami, Trust Equity, equitable contingent, future, partial interest, other claim to or interest in respect of such shares or (except only as by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has expressed or implied notice thereof but the Board shall at their sole discretion register any share in the joint names of any two or more persons or the survivor or survivors of them.

(vii) *Rights of Depositories and Beneficial Owners:*

Notwithstanding anything to the contrary contained in the Act, or these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.

Save as otherwise provided above, the Depository is the registered owner of the securities, and shall not have any voting rights or any other rights in respect of the securities held by it.

Every person holding securities of the Company and whose name is entered as a beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a Depository.

(viii) *Register and Index Of Beneficial Owners:*

The Company shall cause to be kept a Register and Index of members with details of shares and debentures held in materialized and dematerialized forms in any media as may be permitted by law including any form of electronic media.

The Register and Index of beneficial owners maintained by a Depository under the Depositories Act, 1996 shall be deemed to be a Register and Index of members for the purposes of this Act. The Company shall have the power to keep in any state or country outside India a Branch register of Members resident in that State or Country.

(ix) *Cancellation of Certificates upon Surrender By Person:*

Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a participant, the Company shall cancel such certificates and shall substitute in its record, the name of the depository as the Registered Owner in respect of the said securities and shall also inform the Depository accordingly.

(x) *Service of Documents:*

Notwithstanding anything contained in the Act, or these Articles, to the contrary, where securities are held in a depository, the record of the beneficial ownership may be served by such depository on the Company by means of hard copies or through electronic mode or by delivery of floppies or discs.

(xi) *Allotment Of Securities:*

Where the securities are dealt within a Depository, the Company shall intimate the details of allotment of relevant securities to the Depository on allotment of such securities.

(xii) *Transfer Of Securities:*

The Company shall keep a Register of Transfers and shall have recorded therein fairly and distinctly, particulars of every transfer or transmission of any share held in material form. Nothing contained in these Articles shall apply to transfer of securities held in depository.

(xiii) *Distinctive Number Of Securities Held In A Depository*

The shares in the capital shall be numbered progressively according to their several denominations, provided, however that the provisions relating to progressive numbering shall not apply to the share of the Company which are in dematerialized form. Except in the manner provided under these Articles, no share shall be sub-divided. Every forfeited or surrendered share be held in material form shall continue to bear the number by which the same was originally distinguished.

(xiv) *Provisions Of Articles To Apply To Shares Held In Depository:*

Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares held in physical form subject to the provisions of the Depository Act, 1996.

(xv) *Depository To Furnish Information:*

Every Depository shall furnish to the Company information about the transfer of securities in the name of the beneficial owner at such intervals and in such manner as may be specified by laws and the Company in that behalf.

(xvi) *Option To Opt Out In Respect Of Any Such Security:*

If a beneficial owner seeks to opt out of a Depository in respect of any security, he shall inform the Depository accordingly. The Depository shall on receipt of such information make appropriate entries in its records and shall inform the Company. The Company shall within 30 (thirty) days of the receipt of intimation from a Depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee as the case may be.

(xvii) *Overriding Effect Of This Article:*

Provisions of the Articles will have full effect and force not withstanding anything to the contrary or inconsistent contained in any other Articles of these presents.

Article 66 provides that

Buy Back of Shares:

The Company shall be entitled to purchase its own shares or other securities, subject to such limits, upon such terms and conditions and subject to such approvals as required under Section 77 A and other applicable provisions of the Act, The Securities and Exchange Board of India Act, 1992 and the Securities and Exchange Board of India (Buy Back of Securities) Regulations 1998 and any amendments, modification(s), repromulgation (s) or re- enactment(s) thereof.

Article 67 provides that

Copies of Memorandum and Articles to be sent to members

Copies of the Memorandum and Articles of Association of the Company and other documents referred to in Section 39 of the Act shall be sent by the Company to every member at his request within seven days of the request on payment of such sum as may be prescribed.

SHARE WARRANTS

Article 68 provides that

Rights to issue share warrants:

(a) The Company may issue share warrants subject to, and in accordance with provisions of Section 114 and 115 of the Act.

(b) The Board may, in its discretion, with respect to any share which is fully paid up on application in writing signed by the person registered as holder of the share, and authenticated by such evidence (if any) as the Board may from time to time require as to the identity of the person signing the application, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require having been paid, issue a warrant.

CONVERSION OF SHARES INTO STOCK AND RECONVERSION

Article 72 provides that

Rights to convert shares into stock & vice-versa:

The Company in General Meeting may, by an Ordinary Resolution, convert any fully paid-up shares into stock and when any shares shall have been converted into stock the several holders of such stock, may henceforth transfer their respective interest therein, or any part of such interest in the same manner and subject to the same Regulations as, and subject to which shares from which the stock arise might have been transferred, if no such conversion had taken place. The Company may, by an Ordinary Resolution reconvert any stock into fully paid up shares of any denomination. Provided that the Board may, from time to time, fix the minimum amount of stock transferable, so however such minimum shall not exceed the nominal amount of shares from which the stock arose.

GENERAL MEETINGS

Article 74 provides that

Annual General Meetings:

The Company shall, in addition to any other meetings hold a General Meeting which shall be called as its Annual General Meeting, at the intervals and in accordance with the provisions of the Act.

Article 75 provides that

Extraordinary General Meetings:

The Board may, whenever it thinks fit, convene an Extraordinary General Meeting at such date, time and at such place as it deems fit, subject to such directions if any, given by the Board.

Article 76 provides that

Extraordinary Meetings on requisition:

The Board shall on, the requisition of members convene an Extraordinary General Meeting of the Company in the circumstances and in the manner provided under Section 169 of the Act.

Article 77 provides that

Notice for General Meetings:

All General Meetings shall be convened by giving not less than twenty- one days notice excluding the day on which the notice is served or deemed to be served (i.e. on expiry of 48 hours after the letter containing the same is posted) and the date of the meeting, specifying the place and hour of the meeting and in case of any special business proposed to be transacted, the nature of that business shall be given in the manner mentioned in Section 173 of the Act. Notice shall be given to all the share-holders and to such persons as are under Act and/or these Articles entitled to receive such notice from the Company but any accidental omission to give notice to or non-receipt of the notice by any member shall not invalidate the proceedings of any General Meeting.

Article 79 provides that

Special and Ordinary Business:

(a) All business shall be deemed special that is transacted at an Extraordinary General Meeting and also that is transacted at an Annual General Meeting with the exception of sanctioning of dividend, the consideration of the accounts, balance sheet and the reports of the Directors and Auditors, the election of Directors in place of those retiring by rotation and the appointment of and the fixing up of the remuneration of the auditors.

(b) In case of special business as aforesaid, an explanatory statement as required under Section 173 of the Act shall be annexed to the notice of the meeting.

Article 85 provides that

Voting at Meeting:

At any General Meeting, a resolution put to the vote at the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) is demanded in accordance with the provisions of Section 179 of the Act. Unless a poll is so demanded, a declaration by the Chairman that the resolution had, on a show of hands been carried unanimously or by a particular majority or lost and an entry to that effect in the book of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against that resolution.

Article 86 provides that

Decision by poll:

If a poll is duly demanded, it shall be taken in such manner as the Chairman directs and the results of the poll shall be deemed to be the decision of the meeting on the resolution in respect of which the poll was demanded.

VOTE OF MEMBERS

Article 90 provides that

Voting rights of Members:

a) On a show of hands every member holding equity shares and present in person shall have one vote.

b) On a poll, every member holding equity shares therein shall have voting rights in proportion to his shares of the paid up equity share capital.

c) On a poll, a member having more than one vote, or his proxy or other persons entitled to vote for him need not use all his votes in the same way.

Article 93 provides that

Proxy:

On a poll, votes may be given either personally or by proxy.

DIRECTOR

Article 98 provides that

Number of Directors:

Unless otherwise determined by General Meeting, the number of Directors shall not be less than three and not more than twelve, including all kinds of Directors.

Article 101 provides that

Additional Directors:

The Board of Directors shall have power at any time and from time to time to appoint one or more persons as Additional Directors provided that the number of Directors and Additional Directors together shall not exceed the maximum number fixed. An additional Director so appointed shall hold office up to the date of the next Annual general Meeting of the Company and shall be eligible for re-election by the Company at that Meeting.

Article 102 provides that

Alternate Directors:

The Board of Directors may appoint an Alternate Director to act for a Director (hereinafter called the original Director) during the absence of the original Director for a period of not less than 3 months form the state in which the meetings of the Board are ordinarily held. An Alternate Director so appointed shall vacate office if and when the original Director return to the state in which the meetings of the Board are ordinarily held. If the terms of the office of the original Director is determined before he so returns to the state aforesaid any provision for the automatic reappointment of retiring Director in default of another appointment shall apply to the original and not to the Alternate Director.

Article 103 provides that

Remuneration of Directors:

Every Director other than the Managing Director and the Whole-time Director shall be paid a sitting fee not exceeding such sum as may be prescribed by the Act or the Central Government from time to time for each meeting of the Board of Directors or any Committee thereof attended by him and shall be paid in addition thereto all traveling, hotel and other expenses properly incurred by him in attending and returning from the meetings of the Board of Directors or any committee thereof or General Meeting of the Company or in connection with business of the Company to and from any place.

Article 104 provides that

Remuneration for extra services:

If any Director, being willing, shall be called upon to perform extra services or to make any special exertions in going or residing away from the town in which the Registered Office of the Company may be situated for any purposes of the Company or in giving any special attention to the business of the Company or as member of the Board, then subject to the provisions of the Act the Board may remunerate the Director so doing either by a fixed sum, or by a percentage of profits or otherwise and such remuneration, may be either in addition to our in substitution for any other remuneration to which he may be entitled.

Article 113 provides that

Power to remove Director by ordinary resolution:

Subject to the provisions of the Act, the Company may by an ordinary resolution in General Meeting remove any Director before the expiration of his period of office and may, by an ordinary resolution, appoint another person instead; the person so appointed shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected as Director.

Article 118 provides that

Meetings of the Board:

a) The Board of Directors shall meet at least once in every three calendar months for the dispatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit provided that at least four such meetings shall be held in every year.

b) The Managing Director may, at any time summon a meeting of the Board and the Managing Director or a Secretary or a person authorised in this behalf on the requisition of Director shall at any time summon a meeting of the Board. Notice in writing of every meeting of the Board shall be given to every Director for the time being in India, and at his usual address in India to every other Director.

Article 131 provides that

Debenture Directors:

Any Trust Deed for securing debentures or debenture stock may if so arranged provide for the appointment from time to time by the trustee thereof or by the holders of debentures or debenture stock of some person to be a Director of the Company and may empower such trustee or holders of debentures or debenture stock from time to time to remove any Directors so appointed. A Director appointed under this Article is herein referred to as a “Debenture Director” and the Debenture Director means a Director for the time being in office under this Article. A Debenture Director shall not be bound to hold any qualification shares, not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provision shall have effect notwithstanding any of the other provisions herein contained.

Article 132 provides that

Nominee Directors:

a) So long as any moneys remain owing by the Company to any All India Financial Institutions, State Financial Corporation or any financial institution owned or controlled by the Central Government or State Government or any Non Banking Financial Company controlled by the

Reserve Bank of India or any such Company from whom the Company has borrowed for the purpose of carrying on its objects or each of the above has granted any loans / or subscribes to the Debentures of the Company or so long as any of the aforementioned companies of financial institutions holds or continues to hold debentures /shares in the Company as a result of underwriting or by direct subscription or private placement or so long as any liability of the Company arising out of any guarantee furnished on behalf of the Company remains outstanding, and if the loan or other agreement with such corporation so provides, the corporation shall have a right to appoint from time to time any person or persons as a Director or Directors whole- time or non whole- time (which Director or Director/s is/are hereinafter referred to as "Nominee Directors/s) on the Board of the Company and to remove from such office any person or person so appointed and to appoint any person or persons in his /their place(s).

b) The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as they holds or continues to hold Debentures/shares in the Company as result of underwriting or by direct subscription or private placement or the liability of the Company arising out of the Guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall vacate such office immediately on the moneys owing by the Company to the Corporation are paid off or they ceasing to hold Debentures/Shares in the Company or on the satisfaction of the liability of the Company arising out of the guarantee furnished.

c) The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and of the Meetings of the Committee of which Nominee Director/s is//are member/s as also the minutes of such Meetings. The Corporation shall also be entitled to receive all such notices and minutes.

d) The Company shall pay the Nominee Director/s sitting fees and expenses to which the other Directors of the Company are entitled, but if any other fees commission, monies or remuneration in any form is payable to the Directors of the Company the fees, commission, monies and remuneration in relation to such Nominee Director/s shall accrue to the nominee appointer and same shall accordingly be paid by the Company directly to the Corporation.

e) Provided that the sitting fees, in relation to such Nominee Director/s shall also accrue to the appointer and same shall accordingly be paid by the Company directly to the appointer.

Article 133 provides that

Register of Charges:

The Directors shall cause a proper register to be kept, in accordance with the Act, of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified.

Article 136 provides that

Powers to be exercised by Board only by Meeting:

a) The Board of Directors shall exercise the following powers on behalf of the Company and the said powers shall be exercised only by resolution passed at the meeting of the Board:

(i) Power to make calls on shareholders in respect of moneys unpaid on their shares;

(ii) Power to issue debentures;

(iii) Power to borrow money otherwise than on debentures:

(iv) Power to invest the funds of the Company;

(v) Power to make loans.

b) The Board of Directors may by a meeting delegate to any committee or the Directors or to the Managing Director the powers specified in sub clauses (iii), (iv) and (v) above.

c) Every resolution delegating the power set out in sub clause (iii) above shall specify the total amount up to which moneys may be borrowed by the said delegate.

d) Every resolution delegating the power referred to in sub-clause (iv) above shall specify the total amount, up to which the fund may invested and the nature of the investments which may be made by the delegate.

e) Every resolution delegating the power referred to in sub-clause (v) above shall specify the total amount up to which the loans may be made by the delegate, the purposes for which the loans may be made and the maximum amount of loans which may be made for each such purpose in individual cases.

MANAGING DIRECTOR(S)/ WHOLE-TIME DIRECTOR(S)

Article 137 provides that

a) The Board may from time to time and with such sanction of the Central Government as may be required by the Act, appoint one or more of the Directors to the office of the Managing Director or whole-time Directors.

b) The Directors may from time to time resolve that there shall be either one or more Managing Directors or Whole time Directors.

c) In the event of any vacancy arising in the office of a Managing Director or Whole-time Director, the vacancy shall be filled by the Board of Directors subject to the approval of the members.

d) If a Managing Director or whole time Director ceases to hold office as Director, he shall ipso facto and immediately cease to be Managing Director/whole time Director.

e) The Managing Director or whole time Director shall not be liable to retirement by rotation as long as he holds office as Managing Director or whole-time Director.

Article 138 provides that

Powers and duties of Managing Director or whole-time Director:

The Managing Director/Whole-time Director shall subject to the supervision, control and direction of the Board and subject to the provisions of the Act, exercise such powers as are exercisable under these presents by the Board of Directors, as they may think fit and confer such power for such time and to be exercised as they may think expedient and they may confer such power either collaterally with or to the exclusion of any such substitution for all or any of the powers of the Board of Directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any such powers. The Managing Directors/ whole time Directors may exercise all the powers entrusted to them by the Board of Directors in accordance with the Board's direction.

Article 139 provides that

Remuneration of Managing Directors/whole time Directors:

Subject to the provisions of the Act and subject to such sanction of Central Government\Financial Institutions as may be required for the purpose, the Managing Directors\whole-time Directors shall receive such remuneration (whether by way of salary commission or participation in profits or partly in one way and partly in another) as the Company in General Meeting may from time to time determine.

Article 140 provides that

Reimbursement of expenses:

The Managing Directors\whole-time Directors shall be entitled to charge and be paid for all actual expenses, if any, which they may incur for or in connection with the business of the Company. They shall be entitled to appoint part time employees in connection with the management of the affairs of the Company and shall be entitled to be paid by the Company any remuneration that they may pay to such part time employees.

Article 141 provides that

Business to be carried on by Managing Directors/ Whole time Directors:

a. The Managing Directors\whole-time shall have subject to the supervision, control and discretion of the broad, the management of the whole of the business of the Company and of all its affairs and shall exercise all powers and perform all duties in relation to the Management of the affairs and transactions of Company, except such powers and such duties as are required by law or by these presents to be exercised or done by the Company in General Meeting or by Board of Directors and also subject to such conditions or restriction imposed by the Act or by these presents.

b. Without prejudice to the generally of the foregoing and subject to the supervision and control of the Board of Directors, the business of the Company shall be carried on by the Managing Director/ Whole time Director and he shall have all the powers except those which are by law or by these presents or by any resolution of the Board required to be done by the Company in General Meeting or by the Board.

c. The Board may, from time to time delegate to the Managing Director or Whole time Director such powers and duties and subject to such limitations and conditions as they may deem fit. The Board may from time to time revoke, withdraw, alter or vary all or any of the powers conferred on the Managing Director or Whole time Director by the Board or by these presents.

Article 144 provides that

Right to dividend:

a) The profits of the Company, subject to any special rights, relating thereto created or authorized to be created by these presents and subject to the provisions of the presents as to the Reserve Fund, shall be divisible among the members in proportion to the amount of capital paid up on the shares held by them respectively and the last day of the year of account in respect of which such dividend is declared and in the case of interim dividends on the close of the last day of the period in respect of which such interim dividend is paid.

b) Where capital is paid in advance of calls, such capital shall not, confer a right to participate in the profits.

Article 145 provides that

Declaration of Dividends:

The Company in General Meeting may declare dividends but no dividend shall exceed the amount recommended by the Board.

Article 146 provides that

Interim Dividends:

The Board may from time to time pay to the members such interim dividends as appear to them to be justified by the profits of the Company.

Article 147 provides that

Dividends to be paid out of profits:

No dividend shall be payable except out of the profits of the year or any other undistributed profits except as provided by Section 205 of the Act.

Article 150 provides that

Adjustment of dividends against calls:

Any General Meeting declaring a dividend may make a call on the members as such amount as the meeting fixed, but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend may, if so arranged between the Company and the members be set off against the call.

Article 155 provides that

Unpaid or Unclaimed Dividend:

(a) Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, the Company shall transfer the total amount of dividend which remains unpaid or unclaimed within the said period of 30 days, to a special account to be opened by the Company in that behalf in any scheduled bank called "SKS Unpaid Dividend Account".

(b) Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the fund known as Investors Education And Protection Fund established under section 205C of the Act.

(c) No unclaimed or unpaid dividend shall be forfeited by the Board before the claim becomes barred by law.

CAPITALISATION OF PROFITS

Article 156 provides that

Capitalisation of Profits:

a) The Company in General Meeting, may, on recommendation of the Board resolve:

(i) That it is desirable to capitalise any part of the amount for the time being standing to the credit of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution; and

(ii) That such sum be accordingly set free for distribution in the manner specified in the sub-clause (b) amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportion.

b) The sum aforesaid shall not be paid in cash but shall be applied, either in or towards:

(i) Paying up any amounts for the time being unpaid on shares held by such members respectively

(ii) Paying up in full, unissued share of the Company to be allotted and distributed, credited as fully paid up, to and amongst such members in the proportions aforesaid; or

(iii) Partly in the way specified in sub-clause (i) and partly that specified in sub clause (ii).

c) The Board shall give effect to the resolution passed by the Company in pursuance of this regulation.

d) A share premium account and a capital redemption reserve account may, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

Article 157 provides that

Power of Directors for declaration of bonus issue:

a) Whenever such a resolution as aforesaid shall have been passed, the Board shall:

(i) make all appropriations and applications of the undivided profits resolved to be capitalized thereby and all allotments and issues of fully paid shares, if any, and

(ii) generally do all acts and things required to give effect thereto.

b) The Board shall have full power:

(i) to make such provisions, by the issue of fractional certificates or by payments in cash or otherwise as it thinks fit, in the case of shares or debentures becoming distributable in fraction; and also

(ii) to authorize any person, on behalf of all the members entitled thereto, to enter into an agreement with the Company providing for the allotment to such members, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalization or (as the case may require) for the payment of by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to the capitalised of the amounts or any parts of the amounts remaining unpaid on the shares.

c) Any agreement made under such authority shall be effective and binding on all such members.

ACCOUNTS

Article 158 provides that

Books of Account to be kept:

a) The Board of Directors shall cause true accounts to be kept of all sums of money received and expended by the Company and the matters in respect of which such receipts and expenditure takes place, of all sales and purchases of goods by the Company, and of the assets, credits and liabilities of the Company.

b) If the Company shall have a Branch Office, whether in or outside India, proper books of account relating to the transactions effected at the office shall be kept at that office, and proper summarized returns made upto date at intervals of not more than three months, shall be sent by Branch Office to the Company at its registered office or to such other place in India, as the Board thinks fit where the main books of the Company are kept.

c) All the aforesaid books shall give a fair and true view of the affairs of the Company or of its Branch Office, as the case may be with respect to the matters aforesaid, and explain its transactions.

AUDIT

Article 162 provides that

Accounts to be audited:

Every Balance Sheet and Profit & Loss Account shall be audited by one or more Auditors to be appointed as hereinafter set out.

a. The Company at the Annual General Meeting in each year shall appoint an Auditor or Auditors to hold office from the conclusion of that meeting until conclusion of the next Annual General Meeting and every Auditor so appointed shall be intimated of his appointment within seven days.

b. Where at an Annual General Meeting, no Auditors are appointed, the Central Government may appoint a person to fill the vacancy.

c. The Company shall within seven days of the Central Government's power under sub clause (c.) becoming exercisable, give notice of that fact to the Government.

d. The Directors may fill any casual vacancy in the office of an Auditor but while any such vacancy continues, the remaining auditors (if any) may act. Where such a vacancy is caused by the resignation of an Auditor, the vacancy shall only be filled by the Company in General Meeting.

e. A person, other than a retiring Auditor, shall not be capable of being appointed at an Annual General Meeting unless special notice of a resolution of appointment of that person to the office of Auditor has been given by a member to the Company not less than fourteen days before the meeting in accordance with Sec. 190 and the Company shall send a copy of any such notice to the retiring Auditor and shall give notice thereof to the members in accordance with provisions of Sec. 190 and all the other provision of Section 225 shall apply in the matter. The provisions of this sub-clause shall also apply to a resolution that a retiring auditor shall not be re-appointed.

f. The persons qualified for appointment as Auditors shall be only those referred to in Section 226 of the Act.

g. None of the persons mentioned in Sec. 226 of the Act as are not qualified for appointment as auditors shall be appointed as Auditors of the Company.

SERVICE OF DOCUMENTS AND NOTICE

Article 166 provides that

How -Document is to be served on members :

a) A document (which expression for this purpose shall be deemed to have included and include any summons, notice requisition, process order, judgment or any other document in relation to or in winding up of the Company) may be served or sent to the Company on or to any member either personally or by sending it by post to his registered address or (if he has no registered address in India) to the address, if any, within India supplied by him to the Company for the service of notice to him.

b) All notices shall, with respect to any registered share to which persons are entitled jointly, be given to whichever of such persons is named first in the Register and the notice so given shall be sufficient notice to all the holders of such share.

c) *Where a document is sent by post:*

 (i) Service thereof shall be deemed to be effected by properly addressing, paying and posting a letter containing the notice provided that where a member has intimated to the Company in advance that documents should be sent to him under a certificate of posting or by registered post without acknowledgement due and has deposited with the Company a sum sufficient to defray expenses of doing so, service of the documents shall not be deemed to be effected unless it is sent in the manner intimated by the member, and

 (ii) Unless the contrary is provided, such service shall be deemed to have been effected

  a. In the case of a notice of a meeting, at the expiration of forty-eight hours the letter containing the notice is posted; and

  b. In any other case, at the time at which the letter would be delivered in ordinary course of post.

Article 170 provides that

Persons entitled to notice of General Meetings:

Subject to the provisions of the Act and these Articles, notice of General Meeting shall be given:

(i) To the members of the Company as provided by these presents

(ii) To the persons entitled to a share in consequence of the death or insolvency of a member.

(iii) To the Auditors for the time being of the Company; in the manner authorized by as in the case of any member or members of the Company.

WINDING UP

Article 175 provides that

Application of assets:

Subject to the provisions of the Act as to preferential payment the assets of the Company shall, on its winding up, be applied in satisfaction of its liabilities pari passu and, subject to such application shall be distributed among the members according to their rights and interests in the Company.

Article 176 provides that

Division of assets of the Company in specie among members:

If the Company shall be wound up whether voluntarily or otherwise, the liquidators may with sanction of a special resolution divide among the contributories in specie or kind any part of the assets of the Company and any with like sanction vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories of any of them, as the liquidators with the like sanction shall think fit, in case any share to be divided as aforesaid involve as liability to calls or otherwise any persons entitled under such division to any of the said shares may within ten days after the passing of the special resolution by notice in writing, direct the liquidators to sell his proportion and pay them the net proceeds, and the liquidators shall, if practicable, act accordingly.

INDEMNITY AND RESPONSIBILITY

Article 177 provides that

Director’s and others’ right to indemnity:

a) Subject to the provisions of the Act, the Managing Director and every Director, Manager, Secretary and other Officer or Employee of the Company shall be indemnified by the Company against any liability and it shall be the duty of Directors, out of the funds of the Company to pay, all costs and losses and expenses (including traveling expenses) which any such Director, Officer or Employee may incur or become liable to by reason of any contract entered into or act or deed done by him as such Managing Director, Director, Officer or Employee or in any way in the discharge of his duties.

b) Subject as aforesaid the Managing Director and every Director, Manager, Secretary or other Officer or Employee of the Company shall be indemnified against any liability incurred by them or in defending any proceeding whether civil or criminal in which judgment is given in their or his favour or in which he is acquitted or discharged or in connection with any application under Sec. 633 of the Act in which relief is given to him by the Court.

Article 178 provides that

Not responsible for acts of others:

a) Subject to the provisions of Sec. 201 of the Act no Director or other Officer of the Company shall be liable for the acts, receipt, neglects or defaults of any other Director or Officer, or for joining in any receipt or other act for conformity or for any loss or expenses happening to the Company through insufficiency or deficiency of title to any property acquired by order of the Director for or on behalf of the Company, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested, or for any loss or damage arising from the bankruptcy, insolvency, or tortuous act of any person, Company or Corporation, with whom any moneys, securities or effects shall be entrusted or deposited or for any loss occasioned by any error of judgment or over sight in his part or for any other loss or damage or misfortune whatever which shall happen in the execution of the duties of his office of in relation thereto, unless the same happens through his own willful act or default.

b) Without prejudice to the generality foregoing it is hereby expressly declared that any filing fee payable or any document required to be filed with Register of Companies in respect of any act done or required to be done by any Director or other Officer by reason of his holding the said office, shall be paid and borne by the Company.

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

Copies of the following contracts which have been entered or are to be entered into by the Company (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been attached to the copy of this Draft Red Herring Prospectus delivered to the Registrar of Companies, Andhra Pradesh at Hyderabad for registration. Copies of the abovementioned contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered and Corporate Office of the Company located Ashoka Raghupathi Chambers, D No. 1-10-60 to 62, Opposite to Shoppers Stop, Begumpet, Hyderabad 500 016 from 10 a.m. to 4 p.m. on working days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

A. Material Contracts for the Company

1. MoU for transfer of business from SKS Society to the Company dated September 1, 2005;

2. Subscription-cum-shareholders agreement dated January 31, 2006 executed between the Company, Mr. Sitaram Rao, Dr. Vikram Akula and SIDBI;

3. Share subscription agreement entered into between the Company and Dr. Vikram Akula, MUC, Mr. Vinod Khosla, and Ravi & Pratibha Foundation Inc. dated March 27, 2006;

4. Amended and restated shareholders agreement entered into between the Company and Dr. Vikram Akula, SIDBI, SKS Mutual Benefit Trusts, MUC, Mr. Vinod Khosla and Ravi & Pratibha Reddy Foundation Inc. dated March 27, 2006;

5. Amended and restated shareholders agreement entered into between the Company and Dr. Vikram Akula, SIDBI, SKS Mutual Benefit Trusts, MUC, Mr. Vinod Khosla, SKS Capital, Odyssey Capital Private Limited, and SCI II, dated March 29, 2007;

6. Share subscription agreement entered into between the Company and Dr. Vikram Akula, MUC, Mr. Vinod Khosla, SKS Capital, Odyssey Capital Private Limited, and SCI II dated March 29, 2007;

7. Amended and restated shareholders agreement entered into between the Company and Dr. Vikram Akula, SIDBI, SKS Mutual Benefit Trusts, MUC, Mr. Vinod Khosla, SKS capital, SCI II, SCIGI I, Tejas Ventures, Yatish Trading Company Private Limited, Infocom Ventures, SVB India Capital Partners I L.P., and Columbia Pacific Opportunity dated December 27, 2007;

8. Share subscription agreement entered into between the Company and Dr. Vikram Akula, SIDBI, SKS Mutual Benefit Trusts, MUC, Mr. Vinod Khosla, SKS Capital, SCI II, SCIGI I, Tejas Ventures, Yatish Trading Company Private Limited, Infocom Ventures, SVB India Capital Partners I L.P., and Columbia Pacific Opportunity dated December 27, 2007;

9. Amended and Restated shareholders agreement entered into between the Company and Dr. Vikram Akula, SIP I, SKS Mutual Benefit Trusts, SIDBI, MUC, Mr. Vinod Khosla, SKS Capital, Kismet SKS II, SCI II, SCIGI I, Tejas Ventures, Yatish Trading Company Private Limited, Infocom Ventures, ICP Holdings and Columbia Pacific Opportunity dated October 20, 2008;

10. Deed of Addendum to the Amended and restated shareholders agreement entered into between the Company and Dr. Vikram Akula, SIP I, SKS Mutual Benefit Trusts, SIDBI, MUC, Mr. Vinod Khosla, SKS Capital, Kismet SKS II, SCI II, SCIGI I, Tejas Ventures, Yatish Trading Company Private Limited, Infocom Ventures, ICP Holdings and Columbia Pacific opportunities dated March 24, 2009;

11. Share Transfer Agreement dated March 26, 2009 by and between the Investors;

12. Put/Call agreement dated July 25, 2007 between the Company, Dr. Vikram Akula, SKS Capital, and SCI II;

13. Share subscription agreement entered into between the Company and Dr. Vikram Akula, SIP I, Kismet SKS II and ICP Holdings I dated October 20, 2008;

14. Deed of Addendum to the Share Subscription Agreement entered into between the Company and Dr. Vikram Akula, SIP I, Kismet SKS II and ICP Holdings I dated March 24, 2009;

15. Share Subscription Agreement entered into by the Company and BALICL dated May 21, 2009;

16. Deed of Amendment to Share Subscription Agreement entered into by the Company and BALICL dated August 18, 2009;

17. Share Purchase Agreement dated December 10, 2009 between Dr. Vikram Akula, Tree Line Asia Master Fund (Singapore) Pte Limited and the Company;

18. Share Subscription Agreement for subscription of shares by Catamaran (represented by their trustees Catamaran Management Services Private Limited) dated January 16, 2010;

19. Share Purchase Agreements dated January 27, 2010 between Mr. Suresh Gurumani, Mr. M.R. Rao and certain employees, Tree Line and the Company;

20. Share Purchase Agreement dated January 27, 2010 between Tree Line, Ms. V.L. Santha Kumari and the Company;

21. Composition Agreement and Deed of Assignment between Dr. Palash Sen (representing 'Euphoria') and the Company;

22. Service Agreement dated January 2, 2010 between the Company and Aspiring Minds Assessment Private Limited; and

23. Lease Deeds for the Registered Office of the Company.

B. Material Contracts to the Issue

1. Letter of Engagement dated March 22, 2010 issued by the Company for the appointment of the BRLMs;

2. Issue Agreement dated March 22, 2010 between the Company, the Selling Shareholders and the BRLMs;

3. Memorandum of Understanding dated March 18, 2010 between the Company, the Selling Shareholders and the Registrar to the Issue;

4. Escrow Agreement dated [●] between the Company, the BRLMs, the Selling Shareholders, Escrow Collection Bank and the Registrar to the Issue;

5. Syndicate Agreement dated [●] between the Company, the Selling Shareholders, the BRLMs and the Syndicate Members; and

6. Underwriting Agreement dated [●] between the Company, the Selling Shareholders, the BRLMs and the Syndicate Members.

C. Documents for Inspection

1. Certified copies of the updated Memorandum and Articles of Association of the Company as amended from time to time;

2. Certificate of Incorporation of the Company dated September 22, 2003. Fresh Certificate of Incorporation of the Company dated June 3, 2009;

3. Resolutions of the Board of Directors of the Company dated January 5, 2010 in relation to the Issue and other related matters;

4. Shareholders' Resolution dated January 8, 2010 in relation to this Issue and other related matters;

5. Resolutions of the board of directors of MUC dated March 17, 2010, SCI II dated February 11, 2010, SKS Capital dated March 3, 2010 and the Trustees of SKS MBTs, STAPL dated March 12, 2010 authorizing the Offer for Sale;

6. The examination report of S.R. Batliboi & Co., Chartered Accountants, dated February 1, 2010 prepared as per Indian GAAP and mentioned in this Draft Red Herring Prospectus;

7. Consent from the Auditors for inclusion of their names as the auditors and of their reports on restated summary statements in the form and context in which they appear in this Draft Red Herring Prospectus;

8. The report of S.R. Batliboi & Co., Chartered Accountants, dated March 17, 2010 on the Statement of Tax Benefits;

9. Consent of Directors, BRLMs, the Syndicate Members, Legal Advisors to the Issue, Registrars to the Issue, Escrow Collection Banker, Banker to the Issue, Bankers to the Company, Company Secretary and Compliance Officer as referred to in their specific capacities;

10. Resolution of the shareholders passed at the Annual General Meeting held on September 30, 2009 appointing S.R. Batliboi & Co., Chartered Accountant as statutory auditors for fiscal 2009-2010;

11. Board resolution dated December 8, 2008, and Shareholder Resolution dated September 30, 2009, in relation to the appointment and remuneration of Mr. Suresh Gurumani, Managing Director;

12. Due Diligence Certificate dated March 25, 2010 addressed to SEBI from the BRLMs;

13. In principle listing approvals dated [●] and [●] issued by NSE and BSE respectively;

14. Tripartite Agreement dated [●] the Company, NSDL and the Registrar to the Issue;

15. Tripartite Agreement dated [●] between the Company, CDSL and the Registrar to the Issue; and

16. IPO Grading Report dated [●] by [●].

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the regulations issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules or regulations made thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY ALL THE DIRECTORS OF THE COMPANY

___________________ Dr. Vikram Akula (Chairman)	___________________ Mr. Suresh Gurumani (Managing Director and Chief Executive Officer)
___________________ Mr. P.H. Ravi Kumar	___________________ Dr. Tarun Khanna
___________________ Mr. V. Chandrasekaran	___________________ Mr. Geoffrey Tanner Woolley
___________________ Mr. Sumir Chadha	___________________ Mr. Ashish Lakhanpal
___________________ Mr. Paresh Patel	___________________ Mr. Pramod Bhasin

SIGNED BY THE CHIEF FINANCIAL OFFICER OF THE COMPANY

____

Mr. S. Dilli Raj

Date: March 25, 2010

Place: Hyderabad

DECLARATION OF THE SELLING SHAREHOLDERS

Each Selling Shareholder certifies that all the statements in this Draft Red Herring Prospectus about or in relation to such Selling Shareholder are true and correct. Each Selling Shareholder assumes responsibility only for statements about or in relation to such Selling Shareholder.

SIGNED BY ALL THE SELLING SHAREHOLDERS

For and on behalf of Sequoia Capital India II LLC	For and on behalf of SKS Mutual Benefit Trust – Narayankhed
For and on behalf of SKS Mutual Benefit Trust – Jogipet	For and on behalf of SKS Mutual Benefit Trust – Medak
For and on behalf of SKS Mutual Benefit Trust – Sadasivapet	For and on behalf of SKS Mutual Benefit Trust – Sangareddy
For and on behalf of SKS Capital	For and on behalf of Mauritius Unitus Corporation

Date: March 25, 2010

ANNEXURE