

Auditors' Report

The Board of Directors of
SKS Microfinance Limited

1. We have audited the attached Condensed Balance Sheet of SKS Microfinance Limited ('the Company') as at September 30, 2009 and also the Condensed Profit and Loss Account and Condensed Cash Flow Statement for the six months period then ended (collectively 'Condensed Financial Statements') prepared in accordance with accounting principles generally accepted in India.
2. These Condensed Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Condensed Financial Statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the Condensed Financial Statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the Condensed Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Condensed Financial Statements. We believe that our audit provides a reasonable basis for our opinion.
3. The accompanying Condensed Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 25, Interim Financial Reporting, notified pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended), read with guidelines issued by Reserve Bank of India insofar as they apply to the Company.
4. On the basis of the information and explanations given to us, we are of the opinion that these Condensed Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Condensed Balance Sheet, of the state of affairs of the Company as at September 30, 2009;
 - b. in the case of the Condensed Profit and Loss Account, of the profit of the Company for the six months period then ended; and
 - c. in the case of the Condensed Cash Flow Statement, of the cash flows of the Company for the six months period then ended.
5. This report is furnished solely for the use of the management of the Company and is not to be used for any other purpose or referred to in any document or distributed to anyone without our prior written consent.


For S.R. Batliboi & Co.
Chartered Accountants



per Viren H. Mehta
Partner
Membership No.:48749
Place: Hyderabad
Date: November 4, 2009

SKS MICROFINANCE LIMITED
Condensed Balance Sheet as at September 30, 2009

	Schedules	September 30, 2009	March 31, 2009
		Rupees	Rupees
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	I	587,313,980	570,566,520
Stock Options Outstanding	IA	19,726,970	19,293,235
Reserves and Surplus		7,100,368,766	6,058,634,113
Loan Funds			
Secured Loans		26,025,913,137	20,971,310,278
Unsecured Loans		-	394,371,918
TOTAL		33,733,322,853	28,014,176,064
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block			
Less: Accumulated Depreciation		304,448,475	250,994,853
Net Block		163,543,517	126,862,689
Capital Work in Progress Including Capital Advances		140,904,958	124,132,164
		141,344	69,102
		141,046,302	124,201,266
Intangible Assets			
Gross Block			
Less: Accumulated Amortization		131,351,961	121,236,871
Net Block		81,496,897	65,551,244
Capital Work in Progress Including Capital Advances		49,855,064	55,685,627
		10,636,800	9,836,800
		60,491,864	65,522,427
Deferred Tax Assets (Net)		79,913,226	42,403,359
Investment		2,000,000	-
Current Assets, Loans and Advances			
Cash and Bank Balances		7,206,812,343	15,470,212,491
Other Current Assets		671,398,168	333,456,890
Loans and Advances		28,273,225,885	14,353,211,374
		36,151,436,396	30,156,880,755
Less: Current Liabilities and Provisions			
Current Liabilities		2,406,039,574	2,223,766,114
Provisions		295,525,361	151,065,629
		2,701,564,935	2,374,831,743
Net Current Assets		33,449,871,461	27,782,049,012
TOTAL		33,733,322,853	28,014,176,064

The notes to accounts form an integral part of the Condensed Balance Sheet.

As per our report of even date


For S. R. Batliboi & Co.
Chartered Accountants


For and on behalf of the Board of Directors of
SKS Microfinance Limited



per Viren H. Mehta
Partner
Membership No.048749
Place: HYDERABAD
Date: 4 NOV 2009


Vikram Akula
Chairman


S. Dilli Raj
Chief Financial Officer


Suresh Gurumani
Managing Director


Manish Kumar
Company Secretary



SKS MICROFINANCE LIMITED

Condensed Profit and Loss Account for the period April 1, 2009 to September 30, 2009

	For the period April 1, 2009 to September 30, 2009
	Rupees
INCOME	
Income from operations	3,413,640,004
Other income	433,249,047
TOTAL	3,846,889,051
EXPENDITURE	
Financial expenses	1,274,349,650
Personnel expenses	946,364,338
Operating and other expenses	468,080,530
Depreciation and amortization	52,792,570
Provisions and write offs	248,684,034
TOTAL	2,990,271,122
Profit before tax	856,617,929
Provision for tax	
Current tax	335,000,000
Deferred tax	(37,509,868)
Income tax for the previous year	2,965,999
Fringe Benefit Tax	103,485
Total tax expense	300,559,616
Profit after tax	556,058,313
Profit brought forward from previous year	808,321,307
Profit available for appropriation	1,364,379,620
APPROPRIATIONS	
Transferred to Statutory Reserve	111,211,663
Surplus carried to Balance Sheet	1,253,167,957
Earning per Share (Basic) (Not Annualized) (Refer Note 4 of Schedule 2)	11.58
Earning per Share (Diluted) (Not Annualized) (Refer Note 4 of Schedule 2)	8.93
Face value per share	10.00

The notes to accounts form an integral part of the Condensed Profit and Loss Account

As per our report of even date

S. R. Batliboi & Co.

For S. R. Batliboi & Co.
Chartered Accountants

Viren H. Mehta

per Viren H. Mehta
Partner

Membership No.048749

Place: HYDERABAD

Date: 4 NOV 2009



For and on behalf of the Board of Directors of
SKS Microfinance Limited

Vikram Akula

Vikram Akula
Chairman

S. Dilli Raj

S.Dilli Raj
Chief Financial Officer

Suresh Gurumani

Suresh Gurumani
Managing Director

Manish Kumar

Manish Kumar
Company Secretary

SKS MICROFINANCE LIMITED

Condensed Cash Flow Statement for the period April 1, 2009 to September 30, 2009

	For the period April 1, 2009 to September 30, 2009
	Rupees
A. Cash flow from operating activities	
Net profit before taxation	856,617,929
Adjustments for:	
Depreciation and amortization	52,792,570
Provision for employee benefits	38,204,565
Employee stock options	433,735
Share issue expenses	3,586,739
Provision for Standard and non performing assets	48,739,806
Bad debts written off	94,171,342
Loss on asset assignment	105,772,886
Other balances written off	19,305,616
Profit on disposal of fixed assets	5,184
Operating profit before working capital changes	1,219,630,372
Movements in working capital:	
(Increase) / decrease in portfolio loans	(13,930,030,761)
(Increase) / decrease in current assets	(337,941,278)
(Increase) / decrease in loans and advances	(170,091,889)
(Decrease) / Increase in current liabilities	182,273,460
Cash generated from operations	(13,036,160,096)
Direct taxes paid	(319,695,876)
Net cash generated from operating activities (A)	(13,355,855,972)
B. Cash flow from investing activities	
Purchase of fixed assets (Including capital work in progress)	(53,716,425)
Purchase of intangible assets (Including capital work in progress)	(10,915,090)
Sale of fixed assets	19,337
Purchase of Investment	(2,000,000)
Amount placed in bank deposits not considered as cash and cash equivalents (net)	781,113,815
Net cash flow in investing activities (B)	714,501,637
C. Cash flow from financing activities	
Proceeds from issuance of share capital (Including share premium)	502,423,800
Share issue expenses	(3,586,739)
Secured borrowings (net)	5,004,602,859
Unsecured borrowings (net)	(344,371,918)
Net cash generated from financing activities (C)	5,159,068,002
Net increase/ (decrease) in cash and cash equivalents (A)+(B)+(C)	(7,482,286,333)
Cash and cash equivalents at the beginning of the year	13,187,117,098
Cash and cash equivalents at the end of the year	5,704,830,765



SKS MICROFINANCE LIMITED

Condensed Cash Flow Statement for the period April 1, 2009 to September 30, 2009

	For the period April 1, 2009 to September 30, 2009
	Rupees
Components of cash and cash equivalents:	
Cash on Hand	357,812,261
Balances with Banks:	
On Current Accounts	3,397,018,504
On Deposit Accounts	3,451,981,578
Less: Balances in Bank Deposits Placed with Banks Marked as Lien against Term Loans and Managed Loans	(1,501,981,578)
Cash and cash equivalent	5,704,830,765

As per our report of even date

S. R. Batliboi & Co.

For S. R. Batliboi & Co.
Chartered Accountants

Viren H. Mehta

per Viren H. Mehta
Partner

Membership No. 048749

Place: HYDERABAD

Date: 4 NOV 2009

For and on behalf of the Board of Directors of
SKS Microfinance Limited

Vikram Akula

Vikram Akula
Chairman

S. Dilli Raj

S. Dilli Raj
Chief Financial Officer

Suresh Gurumani

Suresh Gurumani
Managing Director

Manish Kumar

Manish Kumar
Company Secretary



SKS MICROFINANCE LIMITED
Schedules to Condensed Balance Sheet

September 30, 2009 **March 31, 2009**

Schedule I: Share Capital

Authorized Share Capital

Equity Shares

82,000,000 (Previous Year 82,000,000) equity shares of Rs. 10 each 820,000,000 820,000,000

Preference Shares

13,000,000 (Previous Year 13,000,000) preference shares of Rs. 10 each 130,000,000 130,000,000

950,000,000 **950,000,000**

Issued Share Capital

Equity Share Capital

Issued, Subscribed and Paid-up

48,132,602 (Previous Year: 47,707,856) equity shares of Rs. 10 each fully paid up 481,326,020 477,078,560

Issued, Subscribed and Partly Paid-up

3,863,415 (Previous Year: 3,863,415) equity shares of Rs. 10 each, Rs.0.50 paid up 1,931,710 1,931,710

Preference Share Capital

Issued, Subscribed and Fully Paid-up

10,405,625 (Previous Year: 9,155,625) 0% compulsorily convertible preference shares of Rs. 10 each compulsorily convertible on December 26, 2009 with an option to the holder to convert the holding at any time before that date 104,056,250 91,556,250

Total

587,313,980 **570,566,520**

Schedule IA: Stock Options Outstanding

Employee stock options outstanding 21,529,334 21,316,514

Less : Deferred Employee compensation outstanding 1,802,364 2,023,279

19,726,970 **19,293,235**



SKS MICROFINANCE LIMITED

NOTES ANNEXED TO AND FORMING PART OF CONDENSED BALANCE SHEET AS AT SEPTEMBER 30, 2009 AND CONDENSED PROFIT AND LOSS ACCOUNT FOR THE PERIOD APRIL 1, 2009 TO SEPTEMBER 30, 2009

Schedule 2: Notes to Accounts

1. The Condensed Financial Statements for the half year ended April 1, 2009 to September 30, 2009 have been prepared following the same accounting policies as those followed in the annual financial statements for the year ended March 31, 2009.

2. Related parties

- Names of the related parties

Entities having significant influence	The entities mentioned, in aggregate, exercise significant influence over the Company: a. Sequoia Capital India Growth Investment I b. Sequoia Capital India II, LLC c. Tejas Ventures
Key Management Personnel	Mr. Suresh Gurumani, Managing Director and Chief Executive Officer

- Related party transactions (Accrual Basis)

	Key Management Personnel	Entities having significant influence
Transactions during the period April 1, 2009 to September 30, 2009		
Salaries and Incentives	5,927,472	-
Perquisites	1,800,000	-
Contribution to provident fund	421,350	-
Employee stock option scheme	228,870	-
Balances as at period ended September 30, 2009		
Share capital	-	158,075,760
Incentive payable	750,000	-
ESOP outstanding	406,032	-

3. Contingent liabilities not provided for :

Particulars	September 30, 2009	March 31, 2009
Guarantees given by the Company for the loans assigned to various banks (including cash collaterals and receivable placed with banks)	1,456,574,950	1,958,157,926
Relating to Tax Matters	26,888,447	-



SKS MICROFINANCE LIMITED

NOTES ANNEXED TO AND FORMING PART OF CONDENSED BALANCE SHEET AS AT SEPTEMBER 30, 2009 AND CONDENSED PROFIT AND LOSS ACCOUNT FOR THE PERIOD APRIL 1, 2009 TO SEPTEMBER 30, 2009

4. Earnings Per Share

Particulars	For the period April 1, 2009 to September 30, 2009
Net Profit as per Profit and Loss Account	556,058,313
Weighted average number of shares used in computing basic earnings per share	48,003,151
Add: Equity shares for Nil consideration arising on grant of stock options under Employee stock option plan	1,380,023
Add: Compulsorily Convertible Preference Share of Rs. 10 each compulsorily convertible on December 26, 2009 with an option to the holder to convert the holding at any time before that date.	9,456,171
Add: Partly paid up share of Rs. 10 each , Rs.0.50 paid up	3,670,244
Weighted average number of shares in calculating Diluted Earnings Per Share	62,509,590
Basic Earnings per Share	11.58
Diluted Earnings per Share	8.93
[Nominal value of shares Rs. 10 each (Previous Year : Rs. 10)]	

5. Segment information

The Company operates in a single reportable segment i.e. lending to members, which have similar risks and returns for the purpose of AS 17 on 'Segment Reporting' notified under the Companies (Accounting Standards) Rules, 2006 (as amended). The Company does not have any reportable geographical segment.

6. Subsequent Event

The floods in the first week of October 2009 have disrupted operations in the twenty seven branch offices located in the states of Andhra Pradesh and Karnataka. The management estimates that the portfolio outstanding of Rs.137,792,967, including assigned loans of Rs.23,729,363, at such flood affected branch offices, is fully recoverable.

7. This being the first occasion of presentation of interim financial statements comparable Profit and Loss account and Cash flow statement for the period ended September 30, 2008 has not been presented in accordance with the transitional provision under AS 25 Interim Financial Statements.

8. Previous year's figures have been regrouped where necessary to conform to this year's classification.



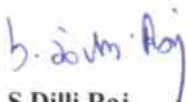
SKS MICROFINANCE LIMITED

**NOTES ANNEXED TO AND FORMING PART OF CONDENSED BALANCE SHEET AS
AT SEPTEMBER 30, 2009 AND CONDENSED PROFIT AND LOSS ACCOUNT FOR THE
PERIOD APRIL 1, 2009 TO SEPTEMBER 30, 2009**

**For and on behalf of the Board of Directors of
SKS Microfinance Limited**


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Chairman


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