



SATIN CREDITCARE NETWORK LTD.

BOARD OF DIRECTORS

Sh. H P Singh	Chairman cum Managing Director
Sh. Satvinder Singh	Managing Director
Sh. Harbans Singh	Director
Maj. Gen. (Retd) S. K. Vij VSM	Director
Sh. Rakesh Sachdeva	Director
Sh. Harprit Singh	Director
Sh. S. S. Chawla	Alternate Director of Mr. Harprit Singh
Sh. Naresh Khanna	Additional Director

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Sh. Jugal Kataria

AUDITORS

A. K. Gangaher & Co.
Chartered Accountants

BANKERS & OTHER LENDERS

ICICI Bank Limited
HDFC Bank Limited
Standard Chartered Bank
Yes Bank Limited
Citibank N.A.
BNP Paribas
Indian Bank
Axis Bank Limited
Small Industries Development Bank of India (SIDBI)
Maanaveeya Holdings & Investments Private Limited
Bellwether Microfinance Fund Private Limited
HDFC Limited
Reliance Capital Limited
Indian Overseas Bank
Hongkong & Shanghai Banking Corporation Limited

REGISTERED OFFICE

306, Lusa Tower,
Azadpur Commercial Complex,
Delhi-110033

CORPORATE OFFICE

5th Floor, Kundan Bhawan,
Azadpur Commercial Complex,
Delhi- 110033

REGISTRAR & TRANSFER AGENT

Intime Spectrum Registry Ltd.
A-40, 2nd Floor,
Naraina Industrial Area, Phase-II,
Near Batra Banquet Hall, New Delhi-110028

Website

www.satincarecreditcare.com



SATIN CREDITCARE NETWORK LTD.

NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of **SATIN CREDITCARE NETWORK LIMITED** will be held on Tuesday, the 30th September, 2008 at 10 a.m. at 'TYAGI FARMS', Plot No. 7, Bhawani Nagar, Dhinpur, Near Jhatikara Morh, Brijwasan Road, New Delhi - 110043, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2008, Profit & Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Sh. Rakesh Sachdeva, who retires by rotation and being eligible, offers himself for re-appointment
3. To appoint Statutory Auditors for the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting, to fix their remuneration and to authorize them also to conduct audit of accounts of the Company's Branches.

SPECIAL BUSINESS

4. To consider and if thought fit to pass, the following resolution with or without modification(s) , as a special resolution:
"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956, the existing Articles of Association of the Company be and is hereby replaced by new set of the Articles of Association of the Company."
"RESOLVED FURTHER THAT Shri H P Singh, Chairman Cum Managing Director and Shri Satvinder Singh, Managing Director singly and severally be and are hereby authorised to sign and file the requisite documents with ROC and other authorities as may be required."
5. To consider and if thought fit to pass, the following resolution with or without modification(s) , as an ordinary resolution:
"RESOLVED THAT Mr. Naresh Khanna, who was appointed as an Additional Director by the Board under Section 260 of the Companies Act, 1956 and as per Articles of Association of the Company and who holds office only until the date of this Annual General Meeting and in respect of whom the Company has received notice in writing, under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."
"RESOLVED FURTHER THAT Shri H P Singh, Chairman Cum Managing Director and Shri Satvinder Singh, Managing Director singly and severally be and are hereby authorised to sign and file the requisite documents with ROC and other authorities as may be required."
6. To consider and if thought fit to pass, the following resolution with or without modification(s) , as a Special Resolution
"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval be and is hereby accorded to revise the monthly remuneration payable to Mr. H P Singh, Chairman Cum Managing Director of the Company with effect from 01.10.2008 for the remaining period of his tenure i.e. up to 30.09.2010 as follows:
 a. Salary: Rupees 2,00,000/- per month
 b. Perquisites

CATEGORY A

1. **Medical Benefits for Self & family**
 Reimbursement of expenses actually incurred for self and family, the total cost of which should not exceed one month's salary per year or three months' salary in a period of three years.
2. **Leave Travel Concession**
 For self, wife & dependent children once in a year to and fro from any place in India subject to the condition that only actual fare & no hotel expenses etc. will be allowed. This is further subject to maximum of one month salary.
3. **Club Fees**
 Club subscription fees for membership of maximum two clubs. This will, however, not include admission fees and life membership fees. This will be further subject to a ceiling of Rs.5,000/- per year.

CATEGORY B

Provident Fund

Participation in a recognized Provident Fund as per rules of the Company and to the extent not taxable under the Income Tax Act, 1961.

Gratuity

Gratuity not exceeding half month's salary for each completed year of service.



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Leave

Encashment of Leave as per rules of the Company at the end of the tenure.

The value of perquisites under Category 'B' shall not be included in the computation of the ceiling on remuneration specified in Section II of Part II of Schedule XIII of the Companies Act, 1956.

CATEGORY C

Car with driver and telephone facilities at residence for use on Company business.

By Order of the Board of Directors
For SATIN CREDITCARE NETWORK LIMITED

Registered Office :

306, Lusa Tower,
Azadpur Commercial Complex,
Delhi-110 033

Jugal Kataria
Chief Financial Officer
& Company Secretary

Dated : 30th June, 2008

NOTES:

1. A member who is entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. A blank proxy form is enclosed and if intended to be used, it should be returned duly completed at the registered office of the Company not less than 48 hours before the scheduled time of the Annual General Meeting.
2. The register of members and share transfer books of the Company shall remain closed from 16.09.2008 to 30.09.2008 (both days inclusive).
3. Shareholders/proxy holders are requested to produce at the entrance the attached admission slip duly completed and signed for admission to the meeting place.

By Order of the Board of Directors
For SATIN CREDITCARE NETWORK LIMITED

Place : Delhi

Date : 30th June, 2008

Jugal Kataria
Chief Financial Officer
& Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 ATTACHED ALONGWITH THE NOTICE DATED 30TH JUNE, 2008.

Item No.4

During the year, M/s. Lok Capital LLC, a Mauritius based Private Equity Fund subscribed to and allotted 12,18,500 Equity Shares of the Company. As per Shareholders Subscription Agreement executed with the investor, certain clauses are required to be inserted/ amended in Articles of Association of the Company. Some of the salient features of the new Articles of Association are as follows:

- 104A. The Board of Directors shall appoint and keep appointed the director nominated by Lok to the Board of Directors till the time Lok remain invested and complete all necessary formalities in this regard.
- 104B. Lok shall have the right to procure the removal from office of the person nominated by it on the Board. Lok shall also have the right to nominate a replacement in the event of a vacancy due to the removal, resignation, death, termination of employment of such director or cessation of his/her directorship for any other reason. The Lok Director shall be entitled to nominate, by written notice to the company secretary of the Company, a person who will attend the meeting of the Board of the Company as an observer for Lok Director, in the absence of the Lok Director.
- 112I. Lok shall, with respect to any Strategic Matter, that were part of the agenda for the original meeting, have a right to issue a written notice to the Company indicating their intention to either grant their consent or dissent with respect to any such matter. A failure of Lok to issue a written notice as contemplated in this clause shall be deemed to be consent in respect of any matter contained in the agenda for the original meeting.
113. The quorum for a meeting of the Director shall be determined from time to time, in accordance with provisions of Section 287 of the Act, if quorum shall not be present within fifteen minutes from the time appointed for holding a meeting of the Directors,



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it shall be adjourned until such date and time as the Directors present shall appoint. Provided however that for meetings of the Board, the agenda in respect of which includes any strategic matter, the quorum must include at least the Lok Director and HP except where they are interested in the matter to be discussed.

124A. The Board of Directors shall constitute a committee to be called the "Management Committee".

124B. A unanimous decision of the Management Committee will be required for the following Strategic Matters before such matters are presented to Board for approval:-

- i) amendments to the Company's Memorandum of Association or Articles of Association;
- ii) issuance of shares, or grant of options for equity shares to employees, officers or Directors, sweat equity shares without pre-emptive rights to non-members or conversion of loans or debentures into Equity Shares;
- iii) any increase or any reduction in the shares in any class;
- iv) any acquisition, merger, restructuring, sale, divestment, amalgamation, demerger, reorganisation or consolidation of the Company or sale of all or substantially all of the assets of the Company;
- v) creation of a new subsidiary/hiving off an existing subsidiary, amalgamation or reorganization;
- vi) entry of the Company into any material transaction, service agreement, agency agreement with any related party;
- vii) redemption or buy-back of any shares;
- viii) entry of the Company into any lines of business other than businesses substantially similar or related to its existing business;
- ix) declaration of dividends, redemption of capital or buy-back of Equity Shares or other distribution to holders of any class or series of Equity Shares;
- x) entering, causing or allowing the Company to enter into any agreements that impair or violate the rights of the holders of the Equity Shares or grant to other investor in the Company any right that may adversely affect the rights of the holders of the Equity Shares;
- xi) change in constitution and functioning of the Management Committee;
- xii) any inter-corporate deposit to be made by the Company, other than those made in ordinary course of business;
- xiii) Any investment to be made by the Company; and
- xiv) the valuation, timing, mode and stock exchange for the FPO shall be decided by the Management Committee in consultation with the lead merchant banker(s)

124C. Constitution and Power of the Management Committee

- i) Lok Director or any other representative of Lok alongwith HP and the CFO of the Company, will constitute this Management Committee.
- ii) There shall be no change in the constitution of the Management Committee and the functioning/ role of the said Management Committee shall not be changed without the prior unanimous written consent of the Management Committee.

124D. Meetings of the Management Committee

The Board of Directors shall ensure that the Management Committee's meetings are held in the following manner:

- i) Management Committee meetings shall be held atleast once in three (3) months and atleast four (4) times every year.
- ii) A Management Committee meeting may be called at any time to discuss any Strategic Matter; Provided that when Strategic Matters are to be discussed in a Management Committee meeting, a written notice of 7 (seven) Business Days shall be given to each member setting out the agenda for the meeting in reasonable detail and attaching the relevant papers to be discussed at the meeting alongwith all available data and information relating to the Strategic Matters under discussion, except as otherwise agreed in writing by all of the members.

124E. Provided that no quorum for a meeting of the Management Committee shall be validly constituted unless all the members are present during the continuance of the entire committee meeting.

Beside these, there are several other provisions in the Articles which need alterations keeping in view the changes in laws, for example- "provisions for buy-back of shares", "issue of sweat equity shares", "employees stock option/purchase scheme", "passing of resolutions by postal ballot" etc. Board has also found a few grammatical and technical flaws in the existing articles while reviewing and hence decided to recommend adoption of a complete new set of Articles. The copy of the new set of Article of Association is available at the registered and corporate office of the Company and any shareholder can send a request for the complete set of the same to the Company Secretary at the registered office address of the Company.

The Board of Directors recommends the passing of the resolution.

None of the Directors, is in any way concerned or interested in the resolution.



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Item No. 5

Mr. Naresh Khanna joined the Company on 01.05.2008 as an Additional Director and as per provisions of Section 260 of the Companies Act, 1956 he will hold office as a Director only until the date of this Annual General Meeting. The Company has received a notice as prescribed under section 257 of the Companies Act, 1956 from a member along with a deposit of Rs.500/-, signifying his intention to propose Mr. Naresh Khanna as a Director of the Company liable to retire by rotation.

Mr. Naresh Khanna is not disqualified from being appointed as Director under Section 274(1)(g) of the Companies Act, 1956 and has complied with the requirement of obtaining the Director Identification Number in terms of Section 266A of the Act.

The Board of Directors recommends the passing of the resolution.

None of the Directors, except Mr. Naresh Khanna is in any way concerned or interested in the said resolution.

Item No.6

Mr. H P Singh was re-appointed as Chairman Cum Managing Director in the Annual General Meeting held on 30.09.2005 for a period of five years i.e. from 01.10.2005 to 30.09.2010. The salary component of his remuneration was approved @ Rs.48,000 per month along with other perquisites. Later his salary component was further increased to Rs.1,00,000 per month in the Annual General Meeting held on 29th July, 2006, keeping the other terms and conditions unchanged. Remuneration Committee had considered the revision of his remuneration structure in its meeting held on 16th June, 2008. Keeping in view the cost of living, level of remuneration prevailing in the industry and the improved volume of business of the Company, the Remuneration Committee recommended for increasing the salary component of Mr. H P Singh, Chairman Cum Managing Director to Rs.2,00,000/- per month (Rs. Two Lacs only). This has also been approved by the Board of Directors. The detailed Remuneration Structure shall be as stated in the accompanying Notice annexed to this Explanatory Statement.

The Board commends the resolution for the approval of the shareholders.

Mr. H P Singh, himself, and Mr. Harbans Singh, Mr. Satvinder Singh and Mr. Harprit Singh being related are interested in the resolution at Item No.6.

This may also be treated as an abstract of variation in the terms and conditions of appointment of Mr. H P Singh, Chairman Cum Managing Director and Memorandum of Interest of the Directors under Section 302 of the Companies Act, 1956.

Report Junction

By Order of the Board of Directors
For SATIN CREDITCARE NETWORK LIMITED

Place : Delhi
Date : 30th June, 2008

Jugal Kataria
Chief Financial Officer
& Company Secretary



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STATEMENT CONTAINING INFORMATION REQUIRED TO BE GIVEN UNDER SCHEDULE XIII AS REQUIRED BY NOTIFICATION REF. G.S.R. 36(E) DATED JANUARY 16, 2002 ISSUED BY GOVERNMENT OF INDIA, MINISTRY OF CORPORATE AFFAIRS, NEW DELHI - FOR ITEM NO.6

The Department of Company Affairs has vide notification dated January 16, 2002 amended Schedule XIII to the Companies Act, 1956 revising the limits for payment of managerial remuneration by companies in case of loss or inadequacy of profits. Though it is expected that the Company would make sufficient profits but as a matter of abundant caution the following information as prescribed in the amended Schedule XIII to the Companies Act, 1956 is being provided. However, in the event the remuneration exceeds the limits under Schedule XIII the Company will apply to the Central Government for necessary approval.

a. General Information

The Company is a Non Banking Finance Company dealing in Microfinance activities. The Company was incorporated as SATIN LEASING & FINANCE PRIVATE LIMITED on 16th October, 1990. Later it was converted into a PUBLIC LIMITED Company on 1st July, 1994. Further, the name of the Company was changed to SATIN CREDITCARE NETWORK LIMITED on 10th April, 2000. The Company is not a new company and is in existence for the last 17 years. The financial performance of the Company for the year ended 31st March, 2008 is as follows:

Total Income	Rs.1099.48 Lacs
Net Profit After Tax	Rs. 51.15 Lacs
Networth	Rs.1528.19 Lacs

During the year, the Company has received Foreign Investment to the tune of Rs.4,87,40,000/- from Lok Capital LLC, a Mauritius based private equity fund against which 12,18,500 equity shares were allotted to them on 17th March, 2008. No Export performance was made by the Company during the year. Financial performance of the Company is also very sound as stated in the Annual Report itself.

b. Information about the Appointee

Mr. H P Singh is associated with the Company since its incorporation as a Director of the Company. He is involved in the operations of the Company on whole time basis since its inception. He was appointed as Whole-time Director of the Company after considering his rich experience and dedication in the Company's business on 1st October, 1995. Further, he was re-designated as Chairman Cum Managing Director of the Company on 29th November, 1996. In the year 2006, the salary component of his remuneration was last revised at Rs.1,00,000/- per month. The entire operations of the Company are managed by Mr. H P Singh. He is also responsible for making growth strategy and to implement the same. Considering his long association with the Company since inception, professional competency and relevant business experience it is proposed to increase the remuneration as detailed in the notice. Further, there is no other pecuniary relationship of Mr. H P Singh with the Company except that he personally holds 4,12,123 equity shares of the Company.

Taking into consideration the profile of Mr. H P Singh, the industry benchmarks, responsibilities, the size of the funds being managed by the Company, the remuneration being paid is comparable with the other persons at similar levels in other Companies.

c. Other information

As the Company is in the state of expansion, therefore, the profits being generated are not sufficient as compared to the Industry trend and it can be easily concluded that the Company is having inadequate profits.

Presently, the Company is providing Urban Micro Finance to shopkeepers and low-income entrepreneurs. Now, the Company is also focusing on providing Group Financing in rural area also and is quite hopeful that situation of inadequate profits will improve.

All the relevant disclosures pertaining to the Directors of the Company and which are required to be disclosed in the Report of the Board of Directors under the heading "Corporate Governance" attached to the Annual Report has been disclosed herewith.

By Order of the Board of Directors
For SATIN CREDITCARE NETWORK LIMITED

Jugal Kataria
Chief Financial Officer
& Company Secretary

Place : Delhi
Date : 30th June, 2008



SATIN CREDITCARE NETWORK LTD.

DIRECTORS' REPORT

Dear Members,

Your Directors take pleasure in presenting the Eighteenth Annual Report of the Company together with the Audited Accounts for the financial year ended 31st March 2008.

Particulars	(Rs. in lacs)	
	Current Year	Previous year
Gross Income	1099.48	590.12
Profit before Depreciation and tax	102.70	49.18
Depreciation and Non Cash Expenditure	18.32	8.79
Profit before Tax	84.38	40.39
Provision for Tax (including Deferred Tax & FBT)	33.23	15.91
Profit after Tax	51.15	24.48
Brought forward from Previous Year	83.51	64.21
Other Adjustment	(0.55)	(0.30)
Profit available for appropriation	134.11	88.39
Transfer to Statutory Reserve Fund	10.25	4.88
Surplus carried to Balance Sheet	123.86	83.51

OPERATIONS, PROSPECTS AND FUTURE PLANS

- As you would notice, your Company has performed well during the year under review. During the year the Company engaged itself primarily into microfinance operations. The area of operations has been increased to cover more and more cities / towns in the Northern India. The Company has also started group lending in the urban areas to cater to the very low income individuals. The Company continued its micro financing policy by financing to low income individuals in the urban and semi-urban areas for predominately meeting their productive requirement of funds. The Company has thoroughly and continuously been perusing its strategy of financial deepening. Although the Company has been competing with medium to large NBFCs, Banks and Financial Institutions, it has managed well by way of innovative and convenient financing. The Company is quite hopeful of achieving even better results in the Current financial year.
- The Company continues to receive financial assistance in the form of term loan for on-lending from various banks in the public and private sectors and from financial institutions. The Company has been sanctioned financial assistance in the form of term loan by ICICI Bank Limited, HDFC Bank Limited, Standard Chartered Bank, Yes Bank Limited, Citibank N.A., Axis Bank Limited, BNP Paribas, Indian Bank, Small Industries Development Bank of India, HDFC Limited, Maanaveeya Holdings & Investments Private Limited and The Bellwether Microfinance Fund Private Limited for its microfinance activities. The Company is in the process of negotiating with other financial institutions for arrangement of funds for its growing operations.
- The disbursement during the financial year 2007-2008 has been Rs. 6200 Lacs (Previous Year Rs. 4248 Lacs) showing a growth of 46% over the previous year. The gross income during the year has been Rs. 1099.48 Lacs (Previous Year Rs. 590.12 Lacs) showing a growth of 86% over the previous year. The net profit after tax during the year has been higher at Rs. 51.15 Lacs (Previous Year Rs. 24.48 Lacs) showing a growth of 109% over the previous year.
- The merger of Satin Intellicomm Limited with your Company has been approved by Hon'ble High Court of Delhi with effect from April 1, 2006, being the appointed date. The scheme of merger was approved by Hon'ble High Court of Delhi on 27.09.2007 and the order of High Court was filed with Registrar of Companies, NCT of Delhi and Haryana on 03.12.2007, which is the effective date of merger. Pursuant to the said scheme of merger the Company has issued and allotted at par to every shareholder of Satin Intellicomm Limited 2113 equity shares of Rs.10/- each credited as fully paid up in the Company for every 100 equity share of Rs.10/- each fully paid up as held by such shareholder in the erstwhile Satin Intellicomm Limited. Accordingly 29,59,679 equity shares of Rs. 10/- each fully paid up of the Company have been issued at par to the shareholders of erstwhile Satin Intellicomm Limited. An amount of Rs. 78,540/- has been created as goodwill being the difference of Net Asset Value of the Satin Intellicomm Limited and the amount of equity shares of the Company allotted. Accordingly the accounts of the merged entity were prepared and adopted by the Board of Directors in their meeting held on 06.12.2007.
- Your Company has expanded its capital base during the current financial year to take care of the growth.
 - The Company has allotted 10,00,000 Fully Convertible Warrants (FCWs) of Rs. 10/- each at par on preferential basis to meet the working capital requirements for the existing operations and for expansion of the Company's business operations to the certain companies included in Promoters Group on 4th August, 2007 and later converted the same into equivalent number of Equity Shares of Rs. 10/- each at par on 17.03.2008 after receiving the balance amount.
 - The Company has further allotted 13,20,000 Fully Convertible Warrants (FCWs) of Rs. 10/- each at par on preferential basis to meet the working capital requirements for the existing operations and for expansion of the Company's business operations



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to the certain companies in the non promoters group on 1st February, 2008 after receiving payment of 10% of the face value of each FCW i.e. Re.1/- per FCW. As per the terms of allotment these FCWs are convertible into equal number of equity shares of Rs. 10/- each fully paid up after receipt of balance amount @ Rs. 9/- per FCW within 18 months from the date of allotment of these FCWs.

13185 c) The Company has also allotted 13,18,500 equity shares of Rs.10/- each at a premium of Rs.30/- per equity share on preferential basis to persons in non promoters category on 17th March, 2008 to meet the working capital requirements for the existing operations and for expansion of the Company's business operations. The entire amount has been received before the allotment date. Out of 13,18,500 equity shares 12,18,500 equity shares have been issued to Lok Capital LLC, a Category 1 Global Business Company, incorporated under the laws of Mauritius. The Company has executed a tripartite Shareholders agreement dated 12.01.2008 and a Share Subscription Agreement dated 12.01.2008 with Lok Capital LLC and the Promoters of the Company. As per the provisions of the Shareholders agreement necessary modifications have been proposed in the Articles of Association of the Company.

- Your Company has plans to broad base its micro financing activities by including more products and also expanding geographically. The Company is also deeply committed towards its goal of financing to poor sections and micro entrepreneurs. The Company has started its rural microfinance initiative in May 2008 from Bulandshahr District in Uttar Pradesh. The loans are provided under the Grammen Model to poor women (especially those below the poverty line) for greater financial inclusion. The Company has employed experienced microfinance professional and experts for the same. Based on the experience in this area the same shall be expanded to other areas.

SUBSIDIARY COMPANIES

The Company had no subsidiary company at any time during the financial year 2007-2008.

DIRECTORS

Sh. Rakesh Sachdeva retires by rotation and being eligible offers himself for reappointment.

Sh. Naresh Khanna was appointed as Additional Director of the Company in the Board Meeting held on 01.05.2008, whose tenure of office as Director comes to end at the commencement of the forthcoming Annual General Meeting of the members of the Company.

The Board is in the process of appointing Mr. Vishal Mehta, Managing Director of Lok Advisory Services Private Limited as the Nominee Director of Lok Capital LLC on the Board of the Company.

DIVIDEND

In order to undertake and carry on future plans, it is necessary to conserve the resources. Your Directors are of the opinion of retaining the profits for the year within the Company, and thus have not recommended any dividend for the year ended 31st March 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Satin Creditcare Network Limited (SCNL) is one of the category 'A' Non Banking Financial Companies (NBFC). It has reported satisfactory financial and operating performance during the period under review i.e. 2007-2008. The financial disbursement during the year has been Rs. 6200 Lacs (Previous Year Rs. 4248 Lacs). The Gross Income during the year has been Rs. 1099.48 Lacs (Previous Year Rs. 590.12 Lacs). Depreciation during the year has been higher at Rs. 18.32 Lacs (Previous Year Rs. 8.79 lacs). The net profit after tax during the year has been at Rs. 51.15 Lacs (Previous Year Rs. 24.48 Lacs). SCNL's net worth stood at Rs. 1528.19 Lacs (Previous Year Rs. 836.98 Lacs) showing a growth of 82.58%. The Company plans to concentrate only on Non Banking financial activities during the current financial year.

Resources and liquidity

During the year, the company relied upon Banks, Financial Institutions and corporates for its resources. The Company has received term loans from ICICI Bank Limited, HDFC Bank Limited, Standard Chartered Bank, Yes Bank Limited, Citibank N.A., Axis Bank Limited, BNP Paribas, Indian Bank, Small Industries Development Bank of India, HDFC Limited, Maanaveeya Holdings & Investments Private Limited and The Bellwether Microfinance Fund Private Limited for its microfinance operation which is the main activity of the Company. The Company has also received financial assistance from Reliance Capital Limited, Hongkong & Shanghai Banking Corporation Limited (HSBC) and Indian Overseas Bank (IOB) during the financial year 2008-2009. The Company has good repayment track record and excellent relationship with all the financial institutions and banks and hence is quite hopeful of raising funds for the growth. The Company has got equity infusion from Lok Capital LLC, a Mauritius based private equity fund. The promoters of the Company have also infused capital during the year. This has helped the Company to increase its Net worth and will give lot of comforts to the lending institutions and banks. The liquidity position of the Company is comfortable and Debt: Equity ratio of the Company as at 31.03.2008 is 3.45.



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Industry Scenario

The microfinance sector is witnessing steady growth in the country. There has been significant progress in terms of expansion across regions and outreach. With the growth, the sector is witnessing increased diversity in terms of operating models, legal forms, regional imbalances etc. The growth trend is also observed in terms of outreach and outstanding of the MFIs. Unlike previous years, the MFIs have started focusing on urban poor and individual lending models. The lending to poor is part of the priority sector lending and hence the banks and other financial institutions are willing to lend to MFIs for on-lending for microfinance. Most of the financial needs of the poor are met from family sources, neighbours and informal lenders at an abnormally high rate of interest. Only a part of the same is met by the Micro Finance Institutions (MFIs). Microfinance industry shall be finally responsible for filling the financial void. Thus there is a great challenge ahead for the industry. The positive thing about the future of microfinance is the favourable outlook of the government policy for the sector. There are commercial funds and private equity available for growth.

Business Review

Satin Creditcare Network Limited (Satin) is a leading Microfinance Institution, registered as Non Banking Finance Company with the Reserve Bank of India since its inception in 1990, based in Delhi (Northern India) engaged in providing loans to low income people in urban, semi urban and now in rural areas for primarily meeting their productive needs. The Company pioneered the unique concept of daily collection schemes. Small amount of loans are provided to individual borrowers and the repayment is collected from them in small daily instalments. The economically weak borrowers find this small repayment on daily basis as a convenient mode of repayment out of their daily sales/income. Satin has a time tested self sustaining individual lending model. The Company has now started its rural microfinance initiative to diversify the portfolio and to increase its reach.

The Company has a mission to provide affordable finance to low income individuals, tiny businesses for meeting their productive requirements to enhance their revenue generating capacity and to generate direct and indirect employment for such people. The Objective of the Company is to provide micro credit for productive activities to very small, small and medium entrepreneurs, specially those who don't have access to funds from any financial institution in the organized sector, which could augment and increase their income generating capacity, working in urban and semi urban areas and thus to increase the shareholders' wealth. The complementary objective of the Company is to provide employment and healthy working atmosphere.

The Company has diversified its operations by introducing small loans in joint liability groups (JLG) in the urban area to poor people and petty traders. The Company has also started its rural microfinance initiative to provide finance to women borrower in the rural area under the Grammen Model. This will help the Company to increase its reach and to diversify the portfolio.

The Company continued its micro financing policy by financing to small borrowers. The Company has thoroughly and continuously been pursuing its strategy of financial deepening. The Company disbursed Rs. 6200 lacs as against Rs. 4240 lacs showing a growth of 46%. The majority of Company's funds are deployed in retail financing and the future receivables under the financing contracts as at March 31, 2003 are Rs. 3,709.76 lacs (Previous Year Rs. 2,447.51 lacs).

Opportunities

With the globalisation of economy and continuous growth in the GDP of the country, the growth prospects for small and medium business enterprises have also prospered. In future the same trend is likely to continue. In spite of the fact that there is very large network of banks branches in every corner of the country access to financial services is very limited. Majority of such small business entrepreneurs and individuals are still not in the reach of the retail banking industry. This is a great opportunity for smaller and medium MFIs having local and regional penetration. SCNL is well placed to identify such entrepreneurs and individuals and to provide them with convenient financing. SCNL is primarily focused on Individual Urban Microfinance in Northern India. As against the individual lending model, a substantial part of the Indian Microfinance is concentrated as Self Help Group (SHG) model and is primarily concentrated in rural area. SCNL is primarily focused on Individual Urban Microfinance in Northern India. Hence SCNL has a great opportunity ahead. The Company has started its rural microfinance vertical to explore the huge untapped rural demand and to increase its reach in these geographies.

Challenges

The entire NBFC sector faces competitive pressure from the banking sector, which enjoys access to lower cost financing. The spreads in the lending business have also narrowed. The change in lending policies of banks to NBFC - MFIs is a big threat for the systematic growth of the sector. The change in government regulation may have an adverse effect on the future of the microfinance sector.

SCNL's strong financial position, comfortable capital adequacy, liquidity and adoption of prudent business policies, time tested systems, professional management, association with leading financial institutions and clean repayment track record have enabled it to perform consistently and post satisfactory performance despite these competitive conditions.

Outlook

SCNL plans to broad base its product line to include financing of more products and also to expand geographically. The Company has expanded geographically in parts of Haryana, Uttar Pradesh, Rajasthan, Uttarakhand and Punjab during the current year besides covering the entire Delhi. The Company has also started group lending in the urban areas and lending to poor women borrowers in the rural areas under the Grammen Model. This will help the Company to diversify the risk.



SATIN CREDITCARE NETWORK LTD.

Risk & Concerns

SCNL is exposed to risks like volatility in the Indian economy, change in government policies, falling interest rates, competition from the banking sector, volatile economic cycle, market risks and credit risks. SCNL manages these risks by maintaining a conservative financial profile and by following prudent business and risk management practices.

Adequacy of internal controls

SCNL has proper and adequate internal controls to ensure that all activities are monitored and controlled against any unauthorised use or disposition of assets and that all the transactions are authorised, recorded, reported and monitored correctly. The Company works in computerised environment and all its operations including accounts and MIS are electronic.

SCNL ensures adherence to all internal control policies and procedures as well as compliance with all regulatory guidelines.

An audit committee is in place to review and strengthen the adequacy of internal control.

Strengthening of internal audit and procedure is a continuous process.

Human Resource Development

SCNL has a team of young, able, experienced and dedicated team of professionals at all levels to support the management. The number of employees as at 31.03.2008 stood at 47.

DEPOSITS

- | | | |
|----|--|---------|
| a) | The total no. of depositors of the Company whose deposits have not been claimed by the depositors and paid by the Company after the date on which the deposit became due for payment or renewal. | Nil |
| b) | The total amount due to the depositors and remaining unclaimed or unpaid beyond the dates referred to in Clause (a) as aforesaid | Rs. Nil |

The above figures relate to the deposits, which are unclaimed after becoming due. There are no deposits, which were claimed but not paid.

The Company has stopped accepting public deposits w.e.f. 20th November 2004.

The outstanding public deposit as at 31st March, 2008 is Rs. 38,430.00 (Previous year Rs. 61,533.00). The entire amount of outstanding public deposit was transferred to an Escrow account with scheduled bank on 13.04.2007.

RESERVE BANK OF INDIA-REGISTRATION AND DIRECTIONS

The Company has been granted certificate of registration from Reserve Bank of India to carry on the business of non-banking financial institution vide Registration No A14.01394 dated 4th December, 1998. Owing to the change of name of the Company from Satin Leasing & Finance Limited to Satin Creditcare Network Limited on 10.04.2000, the Company had received a revised certificate of Registration from Reserve Bank of India dated 2nd November, 2000. Your Company has been following all relevant guidelines issued by Reserve Bank of India from time to time. Also the Company has been following all the prudential norms as per Non Banking Financial (Deposit accepting or holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 as amended from time to time. The Company has decided not to accept the public deposits with effect from 20th November, 2004. The Company had intimated the same to Reserve Bank of India. Payment to depositors is being made on the maturity of deposits or over premature request from depositor. Pursuant to the directives issued by the Reserve Bank of India for the Non Banking Financial Companies Auditors' Report (Reserve Bank) Directions, 1998, the Board of Directors of the Company have received a report dated 30th June, 2008 from the Auditors of the Company. The Board has not observed any adverse remark.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000 the Directors confirm:

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanations relating to material departures;
2. That they have selected such accounting policies and applied them consistently except where otherwise stated in the notes on accounts, and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of financial year and of the profit or loss of the Company for that period;
3. That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; and
4. That they have prepared the annual accounts on a going concern basis.