

21st ANNUAL REPORT

2010 - 2011



SATIN CREDITCARE NETWORK LTD



SATIN CREDITCARE NETWORK LTD.

BOARD OF DIRECTORS

Sh. H P Singh	Chairman cum Managing Director
Sh. Satvinder Singh	Director
Sh. Rakesh Sachdeva	Director
Sh. Naresh Khanna	Director
Sh. Vishal Mehta	Director
Sh. Sujjan Singh Chawla	Director
Sh. Davis Frederick Golding	Additional Director
Smt. Deepa Hingorani	Additional Director
Sh. Amit Goel	Additional Director

COMPANY SECRETARY & COMPLIANCE OFFICER

Sh. Kuldeep Singh Yadav

AUDITORS

A. K. Gangaher & Co.
Chartered Accountants

BANKERS & OTHER LENDERS

Aditya Birla Finance Limited
Ananya Finance for Inclusive Growth Private Limited
Andhra Bank
AXIS Bank Limited
Bank Of Maharashtra
BNP Paribas
Corporation Bank
Development Credit Bank Limited
Fullerton India Credit Company Limited
HDFC Bank Limited
ICICI Bank Limited
IDBI Bank Limited
IFMR Capital Finance Private Limited
Indian Bank
ING Vysya Bank Limited
The Karur Vysya Bank Limited
Maanaveeya Holdings & Investments Private Limited
Mahindra & Mahindra Financial Services Limited
MAS Financial Services Limited
MV Microfinance Private Limited
Punjab National Bank
Reliance Capital Limited
Small Industries Development Bank of India (SIDBI)
Standard Chartered Bank
State Bank of India
Syndicate Bank
The Hongkong & Shanghai Banking Corporation Limited(HSBC)
The South Indian Bank 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(EQUITY SHARES)

Link Intime India Pvt. Ltd.
A-40, 2nd floor,
Naraina Industrial Area, Phase-II,
Near Batra Banquet Hall, New Delhi-110028

REGISTRAR & TRANSFER AGENT(NON CONVERTIBLE DEBENTURES)

Karvy Computershare Pvt. Ltd.
Plot No. 17 to 24,
Vithalrao Nagar, Madhapur,
Hyderabad-500081

Website

www.satincreditcare.com



SATIN CREDITCARE NETWORK LTD.

NOTICE

Notice is hereby given that the Twenty First Annual General Meeting of **SATIN CREDITCARE NETWORK LIMITED** will be held on Friday, the 30th September, 2011 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 2011, 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. Vishal Mehta, who retires by rotation and being eligible, offers him for re-appointment.
3. To appoint a Director in place of Sh. Sujan Singh Chawla, who retires by rotation and being eligible, offers him for re-appointment.
4. 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

5. To consider and if thought fit to pass, the following resolution with or without modification(s), as an ordinary resolution:

"RESOLVED THAT Sh. Davis Frederick Golding, 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 up to 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 her intention to propose him as a candidate for the office of the Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."

"RESOLVED FURTHER THAT Sh. H P Singh, Chairman cum Managing Director and Sh. Kuldeep Singh Yadav, Company Secretary & Compliance Officer singly and severally be and are hereby authorized 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 an ordinary resolution:

"RESOLVED THAT Smt. Deepa Hingorani, 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 up to 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 her as a candidate for the office of the Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."

"RESOLVED FURTHER THAT Sh. H P Singh, Chairman cum Managing Director and Sh. Kuldeep Singh Yadav, Company Secretary & Compliance Officer singly and severally be and are hereby authorized to sign and file the requisite documents with ROC and other authorities as may be required."

7. To consider and if thought fit to pass, the following resolution with or without modification(s), as an ordinary resolution:

"RESOLVED THAT Sh. Amit Goel, 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 up to 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 the Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."

"RESOLVED FURTHER THAT Sh. H P Singh, Chairman cum Managing Director and Sh. Kuldeep Singh Yadav, Company Secretary & Compliance Officer singly and severally be and are hereby authorized to sign and file the requisite documents with ROC and other authorities as may be required."

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

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

**Kuldeep Singh Yadav
Company Secretary & Compliance Officer**

Dated: 12th August 2011



SATIN CREDITCARE NETWORK LTD.

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 16.09.2011 to 30.09.2011 (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: 12th August 2011**

**Kuldeep Singh Yadav
Company Secretary & Compliance Officer**

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 ATTACHED ALONGWITH THE NOTICE DATED 12TH AUGUST, 2011.

Item No. 5

Sh. Davis Frederick Golding joined the Company on 12.02.2011 as an Additional Director and as per the provisions of Section 260 of the Companies Act, 1956 he will hold office as a Director only till 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 her intention to propose Sh. Davis Frederick Golding as a Director of the Company liable to retire by rotation.

Sh. Davis Frederick Golding 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 Sh. Davis Frederick Golding is in any way concerned or interested in the said resolution.

Item No. 6

Smt. Deepa Hingorani joined the Company on 12.02.2011 as an Additional Director and as per the provisions of Section 260 of the Companies Act, 1956 she will hold office as a Director only till 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 Smt. Deepa Hingorani as a Director of the Company liable to retire by rotation.

Smt. Deepa Hingorani 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 Smt. Deepa Hingorani is in any way concerned or interested in the said resolution.

Item No. 7

Sh. Amit Goel joined the Company on 20.05.2011 as an Additional Director and as per the provisions of Section 260 of the Companies Act, 1956 he will hold office as a Director only till 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 Sh. Amit Goel as a Director of the Company liable to retire by rotation.

Sh. Amit Goel 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 Sh. Amit Goel is in any way concerned or interested in the said resolution.

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

**Place: Delhi
Date: 12th August 2011**

**Kuldeep Singh Yadav
Company Secretary & Compliance Officer**



SATIN CREDITCARE NETWORK LTD.

DIRECTORS' REPORT

Dear Members,

Your Directors take pleasure in presenting the Twenty First Annual Report of the Company together with the Audited Accounts for the financial year ended 31st March 2011.

(Rs. in Lacs)		
Particulars	Current Year	Previous year
Gross Income	5861.96	3602.86
Profit before Depreciation and tax	409.08	492.87
Depreciation and Non Cash Expenditure	70.32	46.79
Profit before Tax	338.76	446.08
Provision for Tax (including Deferred Tax & FBT)	113.43	153.19
Profit after Tax	225.33	292.89
Brought forward from Previous Year	418.50	185.31
Other Adjustment	(8.08)	(1.12)
Profit available for appropriation	635.75	477.08
Transfer to Statutory Reserve Fund	45.07	58.58
Surplus carried to Balance Sheet	590.68	418.50

OPERATIONS, PROSPECTS AND FUTURE PLANS

- As you would notice, your Company has performed well during the year under review. The Company continues to engage itself into microfinance operations only. The Company has expanded its operations in the rural areas by providing loans under Joint Liability to the un-served / underserved poor women borrowers in Northern India. The Company has been lending to groups in rural areas and to both individual and groups in the urban areas to cater to the very low income individuals for predominately meeting their productive requirement of funds. The Company is quite hopeful of achieving even better results in the current financial year.
- The Company has been availing credit facilities from public & private banks, foreign banks, financial institutions for its financial needs. The Company has entered into various loan, securitization and assignment agreements with various institutions for its financial needs and is in the process of negotiating with other financial institutions for arranging funds for its growing operations. Your Company has been regular in discharging its liabilities to all lenders. It continues to enjoy good relationship with all of them.
- During the year, the Company had allotted 12 (Twelve) 12.10% Secured Redeemable Non Convertible Debentures (NCDs) of Face Value of Rs.1,00,00,000/- per NCD at a Discount of 0.4% on 21st March, 2011. These NCDs are listed at The Bombay Stock Exchange Limited. The Company has received rating of BBB - (Triple B Minus) by CARE in relation to issuance of these NCDs.
- During the financial year, the Company has disbursed Rs. 38,101.24 Lacs (Previous Year Rs. 24,720.78 Lacs) showing a growth of 54% over the previous year. The gross income during the year has been Rs. 5,861.96 Lacs (Previous Year Rs. 3,602.86 Lacs) showing a growth of 63% over the previous year. The net profit after tax during the year has been at Rs. 225.33 Lacs (Previous Year Rs. 292.89 Lacs) showing a decrease of 23% over the previous year. There has been reduction in profit as compared to the previous year due to change in accounting policy for assignment of portfolio.
- Pursuant to provisions of section 78 of the Companies Act 1956, during the year the company has utilized Share premium account towards writing off the incidental expenditure incurred in raising fresh equity share capital and secured redeemable non convertible debentures including the discount on issue of debentures aggregating to Rs.135.19 lacs (Previous Year Rs. Nil).
- The Company has changed the method of accounting for recognizing the income from assignment transaction from booking the entire income at the time of assignment to spread the same over the remaining life of the underlying assets. The total gain on the said assignment has been Rs. 601.45 Lacs (previous year Rs. 418.31 Lacs) out of which Rs. 169.05 Lacs (Previous Year Rs. Nil) has been recognized as income during the current financial year. The change in the accounting policy has resulted in reduced profit before tax of the current financial year by Rs. 432.40 Lacs.
- Being highly committed over the issues related to social responsibilities, in the beginning of the last financial year Satin added a new vertical "Social Performance Management (SPM) Department". Through a Social Performance Assessment (SPA) by EDA Rural System, we kept a check on Satin's present system, practices and procedures where we realized that our services ensure good client



SATIN CREDITCARE NETWORK LTD.

protection practices including effective client communication and good client interactions. We also realized that we have a transparent culture and good working conditions for staff and strategic commitment for recruitment and training, appraisal and incentives. Initially, SPM took the charge of working on filling the gaps identified in SPA and then worked on various social awareness and social responsibility campaigns for clients, employees and community.

- Your Company has expanded its capital base by Rs.700 Lacs (Previous Year Rs.325.78 Lacs) to take care of the growth.
- During the financial year 2011-12, the grading of the Company has been upgraded to MFI 2 from earlier grading of MFI3+ by CARE.

In view of the current industry scenario, the Company has budgeted moderate growth for the current financial year. The Government has prepared The Micro Finance Institutions (Development and Regulation) Bill, 2011. There are positive signals in the bill as well as in some of the latest announcement by Government and regulator. The Company is hopeful of performing well during the current financial year.

SUBSIDIARY COMPANIES

The Company had no subsidiary company at any time during the financial year 2010-2011.

DIRECTORS

Sh. Davis Frederick Golding nominee director of ShoreCap II Limited and Smt. Deepa Hingorani nominee director of Danish Microfinance Partners K/S were appointed as Additional Directors of the Company in the Board meeting held on 12.02.2011. Sh. Amit Goel was appointed as an Additional Director of the Company in the Board meeting held on 20.05.2011. The tenure of office of all these three as Director comes to an end at the commencement of the forthcoming Annual General Meeting of the members of the Company. The Company had received notices together with deposit as required under Section 257 of the Companies Act, 1956 proposing their appointment as Directors of the Company. The Nomination Committee has also recommended their appointment for consideration of the shareholders.

Sh. Vishal Mehta and Sh. Sujan Singh Chawla retire by rotation and being eligible offers themselves for their re-appointment. The Nomination Committee has recommended their re-appointment for consideration of the shareholders.

The designation of Sh. Satvinder Singh was changed from Managing Director to Director on 12.02.2011.

Sh. Harbans Singh resigned as a Director of the Company with effect from 05.02.2011. The Directors wish to place on record their appreciation for the contributions made by Mr. Harbans Singh during his tenure.

EMPLOYEES STOCK OPTION PLAN

- a) The Company had allotted 1,00,000 equity shares of Rs.10/- each at a premium of Rs. 12/- each to Satin Employees Welfare Trust under Satin ESOP 2010 scheme on 22nd June, 2010.
- b) Out of 4,25,000 Equity Shares issued to Satin Employees Welfare Trust under Satin ESOP 2009, 1,50,000 Options were granted to the below-mentioned employees as per terms of Satin ESOP 2009 on 12.01.2010:

S. No.	Name of Employee	No. of Options
i)	Mr. Jugal Kataria	1,00,000
ii)	Mr. Vivek Tiwari	50,000

Out of 1,50,000 Options granted to above-said employees, first 1/3rd of total options were vested to the said employees on 12.01.2011 which was duly exercised by them on 12.01.2011. Therefore, 33,333 Equity Shares were transferred from Satin Employees Welfare Trust to Mr. Jugal Kataria and 16,667 Equity Shares to Mr. Vivek Tiwari (subject to lock in period of one year from the date of vesting of options) pursuant to exercising of said options.

INFORMATION REQUIRED TO BE DISCLOSED UNDER SEBI (ESOS & ESPS) GUIDELINES, 1999

Initially, the Company had issued 4,25,000 Equity Shares of Rs.10/- each at a Premium of Rs.10/- per share to Satin Employees Welfare Trust under Satin ESOP 2009 on 27.11.2009. After that, the Trust will transfer the said shares to eligible employees within three years in equal tranches from the date of issue of Options. Further the said shares shall be under lock-in for a period of one year from the date of their transfer to employee.

During the year 2009-2010, the Company had issued 1,50,000 options out of 4,25,000 options to its employees under Satin ESOP 2009 on 12.01.2010, certain information is required to be disclosed in this report as required SEBI (ESOS & ESPS) Guidelines, 1999 as specified below:

S. No.	Particulars	Satin ESOP 2009 (Remarks)	Satin ESOP 2010 (Remarks)	Satin ESOP II 2010 (Remarks)
1.	Options Granted	1,50,000	Nil	Nil
2.	Pricing Formula	Rs.20/- being the Fair Value of the shares of the Company	Rs.22/- being the Fair Value of the shares of the Company	Rs.25/- being the Fair Value of the shares of the Company
3.	Options Vested	50,000	Not Applicable	Not Applicable
4.	Options Exercised	50,000	Not Applicable	Not Applicable
5.	Total no. of shares arising as a result of exercise of options	50,000	Not Applicable	Not Applicable
6.	Options lapsed	Nil	Not Applicable	Not Applicable
7.	Variation of terms of options	No variations til now	Not Applicable	Not Applicable
8.	Money realized by exercise of options	Rs. 10,00,000	Not Applicable	Not Applicable
9.	Total no. of options in force	10,00,00	Not Applicable	Not Applicable
10.	Employee wise details of options granted to			
10 (i)	Senior Managerial Personnel	1. Mr. Jugal Kataria (Chief Financial Officer) 1,00,000 2. Mr. Vivek Tiwari (Head Operations -Rural) 50,000	Not Applicable	Not Applicable
10 (ii)	Any other employee who receives a grant in any year of option amounting to 5% or more of option granted during that year	None	Not Applicable	Not Applicable
10 (iii)	Identified employees who were granted options, during any one year, equal to or exceeding 1% of the Issued Capital (excluding outstanding warrants and conversions) of the Company at the time of Grant.	None	Not Applicable	Not Applicable
11.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of shares on exercise of option calculated in accordance with Accounting Standard 20	As all the shares have been allotted to the Satin Employees Welfare Trust, the EPS for the year ending 31.03.2011 contains the effect of the same.	Not Applicable	Not Applicable
12.	Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	The company is calculating the employee compensation cost using the Fair value of the shares. Therefore the difference on profit etc is not applicable.	Not Applicable	Not Applicable

13.	Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Not Applicable. As the company is listed at the DSE, LSE and JSE, there is no trading of the shares therefore the market price of the shares is not available	Not Applicable	Not Applicable
14.	A Description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: (i) risk-free interest rate, (ii) expected life, (iii) expected volatility, (iv) expected dividends, and (v) the price of the underlying share in market at the time of option grant.	The company is presently listed at the DSE, LSE and JSE. On all these three exchanges there were no share trading activities in the Company's share from last many year, because of which no market price is available. Therefore because of non-availability of the market price, the Fair value of options based upon the option pricing model cannot be determined. However, the company has computed the fair value of the options considering the other accepted methods of valuation like Net Asset Value, Price Earning Capacity Value etc.	Not Applicable	Not Applicable

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 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Satin Creditcare Network Limited (SCNL) is a category 'B' Non Banking Financial Company (NBFC). It has reported satisfactory financial and operating performance during the period under review i.e. financial year 2010-2011. The disbursement during the year has been Rs. 38,101.24 Lacs (Previous Year Rs. 24,720.78 Lacs). The Gross Income during the year has been Rs. 5,861.96 Lacs (Previous Year Rs. 3,602.86 Lacs). Depreciation and Non Cash expenditure during the year has been higher at Rs. 70.32 Lacs (Previous Year Rs. 46.79 Lacs). The net profit after tax during the year has been at Rs. 225.33 Lacs (Previous Year Rs. 292.89 Lacs). SCNL's net worth stood at Rs. 7,867.31 Lacs (Previous Year Rs. 2,777.58 Lacs). 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 primarily upon Banks and Financial Institutions for its financial needs. The Company has been availing various credit facilities from Aditya Birla Finance Limited, Ananya Finance for Inclusive Growth Private Limited, Andhra Bank, AXIS Bank Limited, Bank of Maharashtra, BNP Paribas, Corporation Bank, Development Credit Bank Limited, Fullerton India Credit Company Limited, HDFC Bank Limited, ICICI Bank Limited, IDBI Bank Limited, IFMR Capital Finance Private Limited, Indian Bank, ING Vysya Bank Limited, The Karur Vysya Bank Limited, Maanaveeya Holdings & Investments Private Limited, Mahindra & Mahindra Financial Services Limited, MAS Financial Services Limited, MV Microfinance Private Limited, Punjab National Bank, Reliance Capital Limited, Small Industries Development Bank of India (SIDBI), Standard Chartered Bank, State Bank of India, Syndicate Bank, The Hongkong & Shanghai Banking Corporation Limited (HSBC) and The South Indian Bank Limited for its microfinance operation which is the main activity of the Company. The Company has raised its first Secured Redeemable Non Convertible Debentures (NCD). These NCDs are listed at The Bombay Stock Exchange Limited. The Company has raised additional equity to fund the growth. In view of the overall environment in the Microfinance Industry in India, the overall liquidity position is tight as bankers and other lenders have gone slow in providing funding to MFIs. However, your Company has been able to mobilize some funds and have performed better than its peers in the industry. The Company has been regular in repayment to all its lenders and has excellent relationship with all the financial institutions and banks and is quite hopeful of raising funds in future for growth.

Industry Scenario

The financial year 2010-11 was a challenging year for the Microfinance Industry in India. The industry has witnessed growth in the first half of the financial year. However, after the (Andhra Pradesh Microfinance Institutions (regulation of money lending) Ordinance, 2010) was passed in October 2010, there is a drastic change in the overall industry environment. The banks and other lenders have stopped extended credit to the Microfinance Institutions all across the country. The Reserve Bank of India has also appointed a Sub-Committee of its Board to study issues and concerns in the microfinance sector in October 2010. The Sub-Committee has submitted its recommendation in January 2011. The positive feature of the recommendation is that lending by banks to MFIs will be considered as Priority Sector Lending (PSL) for the banks. However there are some recommendations like interest rate / margin cap, restriction on number of loans to an individual borrower, restriction on loan amount to an individual borrower, restriction on household income, higher provisioning requirement, minimum capitalization etc. which will affect the MFIs and its growth in short to medium term. Micro Finance Institutions Network (MFIN) and Sa-dhan, the two industry associations have made representation before the Sub-Committee and the RBI. The Government has prepared The Micro Finance Institutions (Development and Regulation) Bill, 2011. There are positive signals in the bill as well as in some of the latest announcement by Government and regulator.

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 rural areas for primarily meeting their productive needs. The Company has focused on expansion of operations in the rural area. The portfolio quality of the Company is good. After the Andhra Pradesh Microfinance Institutions (regulation of money lending) Ordinance, 2010, raising debt fund was a challenge. Your Company has strong relationship with a large number of lenders and have been able to raise some funds even during this period. The Company has raised adequate capital during the financial year 2010-11 and has raised debt fund by issuing first Secured Redeemable Non Convertible Debentures, which has opened new source of funding. These NCDs are listed at The Bombay Stock Exchange Limited.

The Company's rural microfinance operations has expanded significantly during the financial year 2010-11 with the number of rural branches increased from 72 as of March 2010 to 138 as of March 2011. The rural operation has expanded to 7,773 villages in 5 states covering 216,529 borrowers. The Company disbursed Rs. 38,101.24 lacs during the financial year 2010-11 as against Rs. 24,720.78 lacs in the financial year 2009-10 showing a growth of 54%. The Gross revenue has increased to Rs. 5,861.96 lacs during the financial year 2010-11 as against Rs. 3,602.86 lacs during the financial year 2009-10 showing a growth of 63%. The Profit after tax has declined to Rs. 225.33 lacs in the current financial year as against Rs. 292.89 lacs in the previous financial year showing a decline of 23%. There has been reduction in profit as compared to the previous year due to change in accounting policy for assignment of portfolio.

Opportunities

The microfinance industry has grown substantially during the last decade. Financial inclusion is an important agenda for government and the Reserve Bank of India. However, inspite of the tremendous growth in terms of outreach there is still a very large segment of the society, which does not have access to financial services at the affordable rate. Microfinance activity has been considered as an important and effective means of providing financial services to such un-served population. The Company is operating in Northern and Central India and the reach of MFIs is comparatively less in these geographies as compared to the Southern and Eastern India and hence there is a huge opportunity to be tapped and large population to be served. The Company is making all efforts to use its experience of working in the same geography for last two decade.

Challenges

Microfinance Industry in India is passing through challenging times. The industry primarily deals with underserved, mostly uneducated poor borrowers in rural and semi rural areas. These borrowers are financially illiterate and hence MFIs have to work carefully with great degree of transparency. There are concerns from regulators and lenders on issues of multiple lending, over in-debthness, rate of interest charged by MFIs and its proper disclosure to the borrowers. There is regulatory uncertainty because of which banks and others lenders are going slow in lending to MFIs and hence the on-lending to borrowers is also getting affected. In case the uncertainty prevails for a longer time, the same will affect the portfolio quality. The Sub-Committee appointed by the Reserve Bank of India has suggested interest rate / margin cap, the same will affect the profitability and sustainability of the MFIs. The activity of the Company is highly manpower driven and hence hiring, training and retaining good talent for the growth of the operations is a big challenge.

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 challenges and competitive conditions. The Company is focusing on providing continuous training to its staff and to keep their morale high.

Outlook

The Company is closely monitoring the overall industry environment. In view of the overall slow down in the Microfinance Industry, the flow of funds is comparatively less than anticipated and hence the Company is rationalizing its growth plan in the short and medium term. The Company is considering consolidating some of its smaller areas of operation. The product has been modified from weekly collection to fortnightly collection to keep the operating cost under control. We are further reviewing all our process to improve efficiency, wherever possible. The Company has the experience of working in Northern India for more than two decades and is amongst the largest MFIs in Northern India. The Company has strong association with its borrowers, lenders, investors, employees and other stakeholders and has positive outlook.

Risk & Concerns

SCNL is exposed to risks like volatility in the Indian economy, change in government policies, increasing borrowing cost, competition from the banking sector / other MFIs, 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 31.03.2011 stood at 918 (Previous Year 618).

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.

Rs. 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, 2011 is Rs. 33,680.00 (Previous year Rs. 33,680.00). The outstanding public deposit is lying in the Escrow account with scheduled bank.

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 02.11.2000. The category of the Company has been changed from 'A' (Deposit taking) to Category 'B' (Non Deposit taking) by Reserve Bank of India. A fresh Certificate of Registration bearing No. B-14.01394 has been issued by RBI on 04.02.2009. Your Company has been following all relevant guidelines issued by Reserve Bank of India from time to time. The Company has decided not to accept the public deposits with effect from 20.11.2004. 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