

22nd ANNUAL REPORT
2011-2012



SATIN CREDITCARE NETWORK LIMITED



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. Sujan Singh Chawla	Director
Sh. Davis Frederick Golding	Director
Smt. Deepa Hingorani	Director

COMPANY SECRETARY & COMPLIANCE OFFICER:

Sh. Kuldeep Singh Yadav

AUDITORS

A. K. Gangaher & Co.
Chartered Accountants

BANKERS & OTHER LENDERS

Ananya Finance for Inclusive Growth Private Limited
Andhra Bank
AXIS Bank Limited
Central Bank of India
Corporation Bank
Development Credit Bank Limited
ICICI Bank Limited
IDBI Bank Limited
IFMR Capital Finance Private Limited
IFMR Mezzanine Finance Private Limited
Indian Bank
Indusind Bank Limited
MV Microfinance Private Limited
Maanaveeya Development & Finance Private Limited
Mahindra & Mahindra Financial Services Limited
Mas Financial Services Limited
Oriental Bank of Commerce
Punjab National Bank
Small Industries Development Bank of India (SIDBI)
State Bank of Mauritius Limited
Syndicate Bank
The Karur Vysya Bank Limited
The Ratnakar Bank Limited
The South Indian Bank Limited
Yes 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 Second Annual General Meeting of **SATIN CREDITCARE NETWORK LIMITED** will be held on Saturday, the 29th September, 2012 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 2012, 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. Naresh Khanna, who retires by rotation and being eligible, offers him for re-appointment.
3. To appoint a Director in place of Sh. Davis Frederick Golding, 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, as an ordinary resolution:
"RESOLVED THAT consent be and is hereby accorded to the Board of Directors of the Company pursuant to section 293 (1) (d) of the Companies Act, 1956, for borrowing from time to time any sum or sums of money which together with the moneys already borrowed by the Company (apart from temporary loans obtained from the bankers of the company in the ordinary course of business including the cash credit limit) shall not exceed in aggregate, at any one time, Rs. 1,000.00 Crores (Rupees One Thousand Crores only) notwithstanding that such aggregate amount of borrowing outstanding at any one time may exceed the aggregate for the time being of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose."
6. To consider and if thought fit to pass the following resolution, with or without modification, as an ordinary resolution:
"RESOLVED THAT pursuant to section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 the consent be and is hereby accorded to the Board of Directors of the Company authorizing them to create charge on the movable and immovable properties of the Company, by way of hypothecation, mortgage or otherwise subject to the conditions that the aggregate amount of charges so created in favour of the Bankers, Financial Institutions and other lenders shall not at any time exceed the amount of Rs. 1,000.00 Crores (Rupees One Thousand Crores only)

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

Registered Office :
306, Lusa Tower,
Azadpur Commercial Complex,
Delhi-110 033

Kuldeep Singh Yadav
Company Secretary & Compliance Officer

Dated : 22nd May 2012

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 15.09.2012 to 29.09.2012 (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 : 22nd May 2012

Kuldeep Singh Yadav
Company Secretary & Compliance Officer



SATIN CREDITCARE NETWORK LTD.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 ATTACHED ALONGWITH THE NOTICE DATED 22ND MAY 2012.

Item No. 5 and 6

Pursuant to the provisions of clause (d) of sub section (1) of section 293 of the Companies Act, 1956, the Board of Directors cannot borrow more than the aggregate amount of the paid up capital of the Company and its free reserves at any one time except with the consent of the shareholders of the Company in the General Meeting. At present, the shareholders have granted approval upto Rs.500 Crores under Section 293(1)(d) of the Companies Act, 1956 vide Annual General Meeting held on 29th September, 2007. The Company has plans to expand the operations and would need additional funds for the same. The Board of Directors has proposed that the shareholders may allow borrowing from time to time any sum or sums of money which together with the money already borrowed by the Company (apart from temporary loans obtained from the bankers of the company in the ordinary course of business including the cash credit limit) not exceeding in aggregate at any one time Rs. 1,000.00 Crores irrespective of the fact that such aggregate amount of borrowing outstanding at any one time may exceed the aggregate for the time being of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose. The resolution at item no. 5 is intended to seek the approval of the shareholders for the said purpose.

Resolution at item no. 6 is intended under section 293(1)(a) of the Companies Act 1956 authorizing the Board of Directors to create charge on the properties of the Company subject to limit of Rs. 1,000.00 Crores at any one time by way of security towards monies so borrowed by the Company from Bankers and others.

None of the Directors of your Company is interested, either directly or indirectly, in the said proposal. The Directors recommend your approval thereof.

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

**Place : Delhi
Date : 22nd May 2012**

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

DIRECTORS' REPORT

Dear Members,

Your Directors take pleasure in presenting the Twenty Second Annual Report of the Company together with the Audited Accounts for the financial year ended 31st March 2012.

<i>(Rs. in lacs)</i>		
Particulars	Current Year	Previous year
Gross income	5622.58	5861.96
Expenses	5345.21	5452.88
Profit before Depreciation and tax	277.37	409.08
Depreciation and Non Cash Expenditure	66.61	70.32
Profit before Tax	210.76	338.76
Provision for Tax (including Deferred Tax and Other Adjustment)	70.86	121.52
Profit after Tax	139.90	217.24
Brought forward from Previous Year	590.68	418.51
Profit available for appropriation	730.58	635.75
Transfer to Statutory Reserve Fund	27.98	45.07
Surplus carried to Balance Sheet	702.60	590.68

OPERATIONS, PROSPECTS AND FUTURE PLANS

- As you would notice, your Company has performed well as compared to its peers in the industry 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 provides micro loans on both joint liability basis and individual lending basis. The Company enjoys good relationship with its borrowers and has very good portfolio quality. The Company is quite hopeful of achieving even better results in the current financial year. During the current financial year, the Company has started its operations in the state of Bihar.
- The Company has been availing credit facilities from public & private sector 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 37 (Thirty Seven) 14.10% Rated, Listed, Secured Redeemable Non Convertible Debentures (NCDs) of Face Value of Rs.25,00,000/- per NCD on 30th March, 2012. 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. 38,750.36 Lacs (Previous Year Rs. 38,101.24 Lacs) showing a growth of 1.70% over the previous year. The gross income during the year has been Rs. 5,622.58 Lacs (Previous Year Rs. 5,861.96 Lacs) showing a decline of 4.08% over the previous year primarily because of interest rate cap on its lending operations. The net profit after tax during the year has been at Rs. 139.90 Lacs (Previous Year Rs. 217.24 Lacs) showing a decrease of 35.60% over the previous year. There has been reduction in profit as compared to the previous year due to increase in cost of funds, low volumes in the first two quarters of the financial year and cap on lending rates.
- Pursuant to provisions of section 78 of the Companies Act 1956, during the year the company has utilized an amount of Rs. 22.73 Lacs out of Securities Premium Reserves towards writing off the incidental expenditure incurred in issuing Rated, Listed, Secured Redeemable Non Convertible Debentures. (During the previous year the Company had utilized an amount of Rs. 135.19 Lacs out of Securities Premium Reserves towards expenditure incurred in raising equity share capital and secured redeemable non convertible debentures including the discount on issue of debentures.)

- Satin ensures good client protection practices including effective client communication and good client interactions. We have a transparent culture and good working conditions for staff and strategic commitment for recruitment, training and appraisal. Satin has a dedicated staff for SPM that has worked on various social awareness and social responsibility campaigns for clients, employees and community. Our efforts towards Social Performance has been duly recognized by MIX Market and MF Transparency. The Company has received the 2011 MIX Social Performance Reporting Award at Silver level. Satin has also received the certificate of pricing transparency from mftransparency.org for April 2012 to April 2013.
- Pursuant to the Reserve Bank of India directions (Reference no. RBI/2011-12/290 DNBS.CC.PD.No.250/03.10.01/2011-12 dated December 02, 2011, your Company had applied for change in category of the Company to NBFC-MFI on 23.04.2012.
- The Company has received Credit rating BBB- (Triple B Minus) for long-term bank facilities of Rs. 260 Crores from CARE. The Grading of the Company has also improved from MFI 3+ to MFI 2 by CARE.
- In view of the current industry scenario, the Company has budgeted moderate growth for the current financial year. There have been positive signals from the Government and Regulator about the future of microfinance industry. The funding position has improved during the last two quarters. 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 2011-2012.

DIRECTORS

Sh. Amit Goel was appointed as an Additional Director of the Company in the Board meeting held on 20.05.2011, re-designated as a Director on 30.09.2011 and thereafter resigned from the Directorship of the Company on 10.10.2011. The Directors wish to place on record their appreciation for the contributions made by Sh. Amit Goel during his tenure.

Sh. Naresh Khanna and Sh. Davis Frederick Golding retire by rotation and being eligible offers themselves for their re-appointment.

EMPLOYEES STOCK OPTION PLAN

- a) The Company had allotted 1,50,000 equity shares of Rs.10/- each at a premium of Rs. 15/- each to Satin Employees Welfare Trust under Satin ESOP II 2010 scheme on 21st April, 2011.
- b) 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.
- c) 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)	Sh. Jugal Kataria	1,00,000
ii)	Sh. Vivek Tiwari	50,000

Out of 1,50,000 Options granted to above-said employees,

1. 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 Sh. Jugal Kataria and 16,667 Equity Shares to Sh. Vivek Tiwari (subject to lock in period of one year from the date of exercising of options) pursuant to exercising of said options.
2. Second 1/3rd of total options were vested to the said employees on 12.01.2012 which was duly exercised by them on 12.01.2012. Therefore, 33,333 Equity Shares were transferred from Satin Employees Welfare Trust to Sh. Jugal Kataria and 16,667 Equity Shares to Sh. Vivek Tiwari (subject to lock in period of one year from the date of exercising 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 exercising of options by the employee.

Apart from the above information, the Company had also allotted below-mentioned equity shares:

- a) 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) 1,50,000 equity shares of Rs.10/- each at a premium of Rs. 15/- each to Satin Employees Welfare Trust under Satin ESOP II 2010 scheme on 21st April, 2011.

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 under 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	1,00,000	Not Applicable	Not Applicable
4.	Options Exercised	1,00,000	Not Applicable	Not Applicable
5.	Total no. of shares arising as a result of exercise of options	1,00,000	Not Applicable	Not Applicable
6.	Options lapsed	NIL	Not Applicable	Not Applicable
7.	Variation of terms of options	No variations till now	Not Applicable	Not Applicable
8.	Money realized by exercise of options	Rs.20,00,000/-	Not Applicable	Not Applicable
9.	Total no. of options in force	50,000	Not Applicable	Not Applicable
10.	Employee wise details of options granted to			
10 (i)	Senior Managerial Personnel	1. Sh. Jugal Kataria (Chief Financial Officer) -1,00,000 2. Sh. 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 31.03.2012 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 2012.

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 2011-2012. The disbursement during the year has been Rs. 38,750.36 Lacs (Previous Year Rs. 38,101.24 Lacs). The Gross income during the year has been Rs. 5622.58 Lacs (Previous Year Rs. 5,861.96 Lacs). Depreciation and Non Cash expenditure during the year has been at Rs. 66.61 Lacs (Previous Year Rs. 70.32 Lacs). The net profit after tax during the year has been at Rs. 139.90 Lacs (Previous Year Rs. 217.24 Lacs). SCNL's net worth stood at Rs. 7994.48 Lacs (Previous Year Rs. 7,867.31 Lacs). The Company plans to concentrate only on Microfinance 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 Ananya Finance for inclusive Growth Private Limited, Andhra Bank, AXIS Bank Limited, Central Bank of India, Corporation Bank, Development Credit Bank Limited, iCiCi Bank Limited, iDBi Bank Limited, iFMR Capital Finance Private Limited, iFMR Mezzanine Finance Private Limited, Indian Bank, Indusind Bank Limited, MV Microfinance Private Limited, Maanaveeya Development & Finance Private Limited, Mahindra & Mahindra Financial Services Limited, MAS Financial Services Limited, Oriental Bank of Commerce, Punjab National Bank, Small Industries Development Bank of India (SIDBI), State Bank of Mauritius Limited, Syndicate Bank, The Karur Vysya Bank Limited, The Ratnakar Bank Limited, The South Indian Bank Limited and Yes Bank Limited for its microfinance operation which is the main activity of the Company. The Company has raised its second Secured Redeemable Non Convertible Debentures (NCD) during the year. These NCDs are listed at The Bombay Stock Exchange Limited. 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 2011-12 was a challenging year for the Microfinance industry in India. The Reserve Bank of India has issued a circular dated May 3, 2011 to all commercial banks on "Bank Loan to Micro Finance institutions (MFIs) - Priority Sector Status". The bankers have finalized the Corporate Debt Restructuring (CDR) for some south based MFIs. The government has introduced The Micro Finance institutions (Development and Regulation) Bill 2011. RBI also came out with Non-Banking Financial Company - Micro Finance institutions (Reserve Bank) Directions, 2011 on December 02, 2011. As per the directions, there will be a separate category of NBFC doing MFI activities called NBFC-MFI. The direction contains definition of NBFC-MFI, regulatory framework, other regulations regarding pricing, margin, fair practices etc. RBI has further allowed External Commercial Borrowings (ECB) up to USD 10 million or equivalent per financial year under the automatic route for NBFC-MFI. Overall the regulatory environment is improving for the industry.

Business Review

Satin Creditcare Network Limited (Satin) is a leading Microfinance institution based in Delhi (Northern India) engaged in providing microcredit on joint liability basis and individual lending basis. The Company has focus on expansion of operations in the rural area. The portfolio quality of the Company is amongst the best in the industry. Raising fund was a challenge for all Microfinance institutions for last one and half years. Your Company has strong relationship with a large number of lenders and has been able to raise funds even during this period. The Company has its major operations in Northern India where there is large demand supply gap for microcredit. The Company has strong support of its three institutional investors and has comfortable capital adequacy ratio. The Company is hopeful of performing well in the current financial year.

- Considering the overall industry scenario, the Company has consolidated some of its smaller branches during the financial year 2011-12. The total number of branches have been reduced from 163 as at 31.03.2011 to 144 as at 31.03.2012. However, the portfolio of the Company (including managed portfolio) has increased from Rs. 38,101.24 Lacs as at 31.03.2011 to Rs. 38,750.36 Lacs as at 31.03.2012. There has been pressure on the bottom line primarily because of interest rate cap on lending, higher cost of funds and lower volumes in the first half of the financial year. With more regulatory clarity, the Company is hopeful of performing well during the financial year 2012-13.

Opportunities

The microfinance industry has grown substantially during the last decade with the exception of last one and half year. Financial inclusion is an important agenda for government and the Reserve Bank of India. In spite of this, 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 / underserved 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 were concerns from regulators and lenders on issues of multiple lending, over indebtedness, rate of interest charged by MFIs and its proper disclosure to the borrowers. The Reserve Bank of India has prescribed the interest rate and margin cap for MFIs. The customer profile and the qualifying assets criteria have been defined. All the new loans offered by the Company are in compliance of these guidelines. The increasing cost of fund is another challenge. 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 especially in the current industry environment.

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 so as to create and maintain a better process system.

Outlook

The Company is closely monitoring the overall industry environment and adjusting its strategy accordingly. In view of the overall slow down in the Microfinance Industry, the Company has rationalized its growth plan in the short and medium term. The Company has consolidated some of its smaller areas of operation. We are further reviewing all our processes 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 regulatory environment is improving. The Company has strong association with its borrowers, lenders, investors, employees and other stakeholders and has positive outlook.

Risk & Concerns

The Company is exposed to risks like volatility in the Indian economy, change in government policies, regulatory uncertainty, increasing borrowing cost, competition from the banking sector / other MFIs, volatile economic cycle, market risks, concentration risks and credit risks. The Company 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 31.03.2012 stood at 768 (Previous Year - 918).

DEPOSITS

The Company has stopped accepting public deposits w.e.f. 20th November 2004. The outstanding public deposit as at 31st March, 2012 is Rs. NIL (Previous year Rs. 33,680.00). There is no outstanding public deposit lying in the Escrow account with scheduled bank as all outstanding Public Deposit was transferred to Investor Education and Protection Fund (IEPF).

RESERVE BANK OF INDIA-REGISTRATION AND DIRECTIONS

The Company is a Category 'B' (Non Deposit taking) Non Banking Financial Company vide Certificate of Registration bearing No. B-14.01394 issued by Reserve Bank of India on 04.02.2009. Your Company has been following all relevant guidelines issued by Reserve Bank of India from time to time. Your Company had applied for change in category of the Company to NBFC-MFI on 23.04.2012 pursuant to the Reserve Bank of India directions (Reference no. RBI/2011-12/290 DNBS.CC.PD.No.250/03.10.01/2011-12 dated December 02, 2011. The Company has decided not to accept the public deposits