

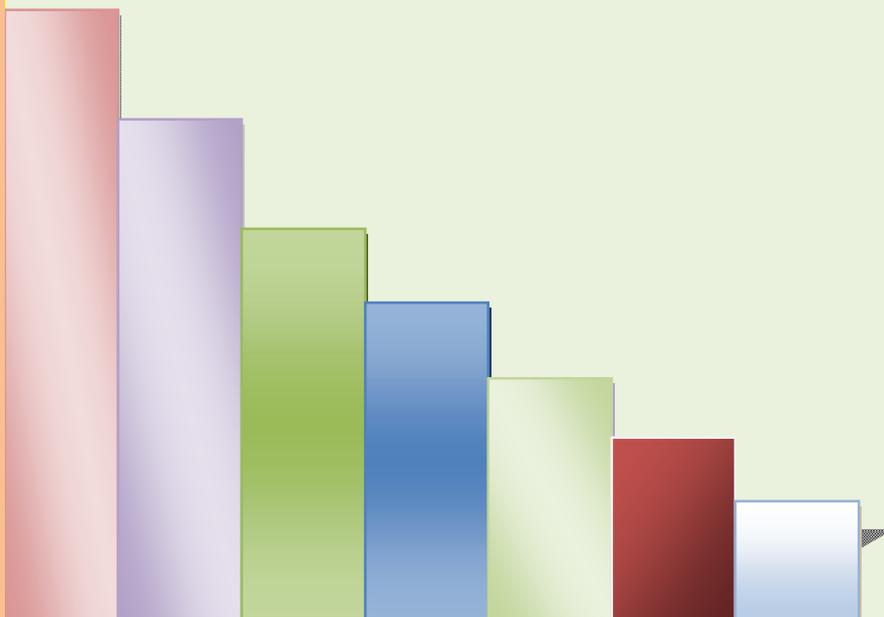
Sonata Finance Private Limited

[Address]: 1/1A, Rai Bahadur, Ram Charan Das Road
Balrampur House, Allahabad-211002 (UP)
[Email]: info@sonataindia.com
[Phone]: 05326540311-326



Annual Report 2010-2011

This report has been prepared for presenting and evaluating overall performance, Financial Statements for the year, development and scope of business in sector in which company exists.



Board of Directors

Anup Kumar Singh : Managing Director

Ajit Surendra Verma : Independent Director

Vishal Bharat : Nominee Director

Geeta Dutta Goel : Nominee Director

Statutory Auditors

Vinay Kumar & Co.

Company Secretary

Shalini Baghel

Since 13th Sep. 2010

Identity

- *Sonata Finance Private Limited is registered as a company under companies Act, 1956 (CIN-U65921UP1995PTC035286)*
- *The company is registered under section 45 IA of the Reserve Bank of India (Reg. No .B-12.00445)*
- *Memorandum of the Company is available on request*

Visitors are welcome to the addresses on the contact us link on website that is www.sonataindia.com

Mission Statement

"To Identify and motivate poor women in a cost effective way and deliver them microfinance services in an honest, timely & efficient manner, while committing itself to be professionally managed"

Vision:

"To help building a society in which there is an opportunity to develop the minimal socioeconomic conditions needed to live a life of dignity."

From the Desk of Chairman



Since January 2006, Sonata has been engaged in Micro Finance programme that targets poor tribal families, with the objective to hold them engage in productive activities or grow their tiny businesses. It lends exclusively to Joint Liability Groups of women from low income households who use the loans for running their family and run households business.

Our Vision and Mission has at Sonata's heart to focus on poverty alienation and transformed their lives, which differentiate Sonata from other service providers in the micro Finance Sector and we are not attracted to developing scale for the sake of bonanza profits- although this is a major contributor to sustainability- but rather to see the people lives transformed.

The financial year 2010-2011 came up with stiffer challenges into the sector, despite that we could sustain our credibility and reputation among Bankers/Financial Institutions and competitors which reflects by our Net accretion of borrowings from Banks and Financial Institutions during the year grew to Rs. 67.43 Crores with six new Banks joining the league of funders.

Balance Sheet of SONATA stands substantially strengthened. It has now graduated into a Systematically important NBFC (Non Deposit Taking) entity having surpassed the Rs. 100 Cores mark in asset size. The Capital to Risk Weightage Assets (CRAR) ratio stands at 44.52% as on 31st March 2011 against the norms of 12% laid down by Reserve Bank of India.

On the subject of working results of sonata financial year 2010-2011 was an excellent year in many respects. Despite adverse crisis of Micro Finance Sector and even by harmonizing with the stringent RBI's regulations for the sector our Revenues grew by 82.65 % over 2010 an increase of more than Rs. 11.99 Crores

In order to support the vulnerable sections of society, we firmly believe in statement quoted by Brian Tracy;

"The more credit you give away, the more will come back to you. The more you help others, the more they will want to help you."

With this noble intention Sonata also achieved 70.15% on year growth in disbursement of Micro Finance of RS. 415.46 Crores to 149,820 numbers of Loans. Micro Finance Portfolio receivable of the Company stood at Rs. 82.71 Crores as of 31st March 2011 as against Rs. 56.52 Crores in the previous year.

We value RBI recommendations and other prevailing laws and we are bound to face fresh and stringent challenges as we know and firmly believe the principle of Mark Victor Hensen, who says;

“You don’t become enormously successful without encountering some really interesting problems.”

We improved our business model to address a complex and challenging regulatory and competitive environment. We are pleased by how far we have come and are determined to do even more as we deliver affordable credit to micro finance clients.

I am happy to inform you that total number of branches has crossed 120, with a significant number of them in semi urban and rural areas. This will ensure last mile delivery to large number of Micro finance clients.

I take this opportunity to express my sincere thanks to all the shareholders for their continued trust in the Board of Directors and the Management of the Company. On behalf of the Company, I would also like to thank all our clients, suppliers, other business associates for their invaluable support and co-operation in the year gone by and in the years to come.

Last but not least I am very proud of our employees that are driving this transformation and their heads off dedications towards accomplishing the robust growth at the year end. These accomplishments are now recognized by our competitors, allowing us to recruit the best and brightest in our sector.

Sincerely

Sd/-

*Anup Kumar Singh
Chairman*

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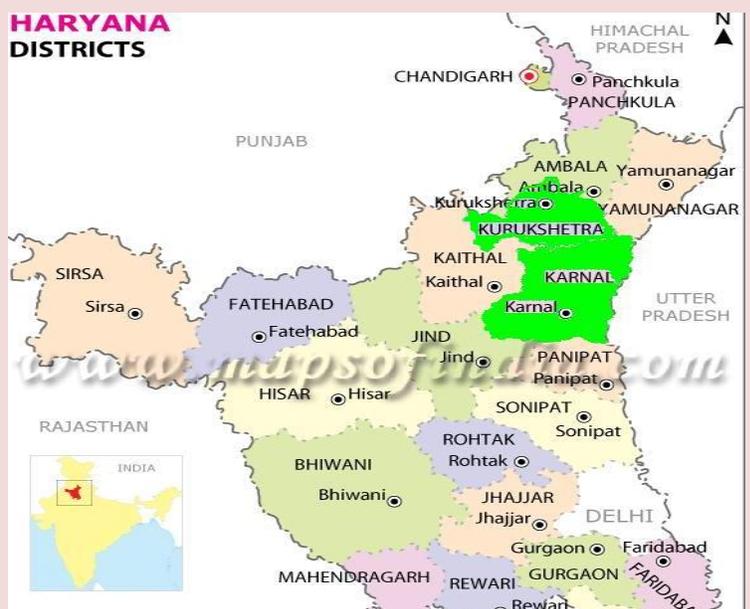
1. *Synopsys*
2. *Registered and Corporate Offices*
3. *Brief Profile of Directors*
4. *Funding Partners*
5. *Success Stories*
6. *Methodologies*
7. *Notice of next AGM*
8. *Directors Report*
9. *ESOP Disclosures*

Synopsys of Sonata:

SONATA Finance Private Ltd ("SONATA") is a Micro-Finance company registered as (Non Deposit taking) Non Banking Finance Company under Reserve Bank Of India Section 45 IA provides financial services to poor families in Twenty Six Districts of Uttar Pradesh and Four Districts of Madhya Pradesh, India to enable them to invest in income-generating activities.

As an organization dedicated to the socio-economic development of weaker communities in rural and urban setups, SONATA is also looking to facilitate additional services to its clients through alliances with other organizations in the area of health, education and vocational training.

The core objectives of SONATA is to reduce poverty significantly by developing a fast-track growth model and innovative financing strategy, to demonstrate that a poverty-focused program could become self sustained largest single MFI promoted and executed in Hindi heart land, by reaching more than 5 Lakh poor households in next Five Years



Registered and Regional Office Addresses

REGISTERED OFFICE

1/1 A, RAI BAHADUR, RAM CHARAN DAS
ROAD, BALRAMPUR HOUSE,
ALLAHABAD-211002
TEL: 0532-2441347

LUCKNOW REGIONAL OFFICE
6/681, VIKAS NAGAR,
LUCKNOW
TEL: 0522- 2738603

ALLAHABAD REGIONAL OFFICE
13 B CHURCH LANE
ALLENGANJ,
ALLAHABAD-211002
TEL: 0532-2467985

KANPUR REGIONAL OFFICE
243 D BLOCK, DEFENCE
COLONY
JAJMAU,
KANPUR- 208010
TEL: 0512- 2407822

**JABALPUR REGIONAL
OFFICE**
MR-4 ROAD, SWAMI
VIVEKANAND WARD NO. 11,
JABALPUR-482002 MADHYA
PRADESH



Board of Sonata Finance Private Limited

Anup Kumar Singh: Chairman



Anup Kumar Singh is presently serving as the Managing Director on our board. He has vast experience in the field of Microfinance and his contributions are bringing glory to Sonata day by day. He from the very inception of the Company contributed his proficiencies in and to manage the day to day affairs and the operations of the company. He strives hard to increase the volume of loan portfolio. He monitors the overall working of the company to fulfill its *mission and vision*. He guides and sets the pace for its current operations and future developments.

In addition to that he from time to time reviews companies polices for the better development. Being an managing director he sets the business strategies and structure of the company and reviews and evaluates present and future opportunities, threats and risks in the external environment and current and future strengths, weaknesses and risks relating to the company. The zeal and enthusiasm with which he is bringing in new ideas and concept, the company will reach the zenith soon.

Before starting SONATA, Mr. Singh was associated for more than 8 years with the CASHPOR group of Companies, since its inception. At the time of leaving CASHPOR, he was an ex-officio Chief Executive and the second most senior executive in the CASHPOR group of companies. He holds a Masters degree in Economics & Sociology, a Postgraduate Diploma in Rural Development and Management, and a MBA in Finance.



Ajit Surendra Verma:

Ajit Surendra Verma, is serving as the Independent Director on the board. He is giving his best to the Human Resource Department. He advises the company in developing its HR system for their intended strategies, besides that he motivated them in all ways to maintain the aligned culture and the organizational values. Moreover, he emphasized on HR with intend to make higher productivity. The Company is frequently benefitted from the input of his impartial advises when making decisions about how to operate the company. He participates in votes and discussions about the future directions of the company including decisions about compensation and adoption of new HR policies etc. Being a social activist is associated with Sonata due to its noble cause and is giving his best in Human Resource.

Mr. Verma is also an Executive Director of Operation Smile India acting as Independent Director. Alumni of the Madras Christian College, he brings with him more than 25 years of experience in Advertising and Brand building. His leadership skills and passion for people have showed his excellence in various capacities from an account manager on Unilever at Lintas Mumbai (now Lowe) to Business head and 'Owner of the people process' at Bates Mumbai. He now runs an International medical NGO called 'Operation Smile' which focuses on the issue of Clefts. Sonata is proud to have him in its Board.

Vishal Bharat:

Vishal Bharat is nominated on our board by the Bellwether Microfinance Trust. He is expert in finance. He directs the Company about its effective fiscal and financial activities. He monitors and evaluates the implementation of various policies, strategies and business plans for successfully running the Company. The Company is benefitted by his often administrative guidance and support at every step



Apart He has over 14 years of corporate banking experience in multinational banks in three continents. He was with JP Morgan Chase’s commercial bank for 9 years, relocating from Dallas, TX to Mumbai, India to launch the Commercial Bank in India. Vishal started with Citibank as an FX Trader followed by a stint as the Operations Manager in the Global Transactions Group. After that, Vishal launched the Global Cash Management Services for Standard Chartered Bank in India. He worked with a Rural Cooperative Bank in rural Rajasthan during his high school days and more recently he started, managed and eventually sold a “Fair Trade” business in Dallas, TX.



Geeta Dutta Goel:

Geeta Dutta Goel has nominated by **Michael & Susan Dell Foundation (MSDF)**. She is an expert in joint ventures, amalgamation and the like. She takes care of all the matters related to Companies social performance and emphasizes for and implementing the customer protection policies. She promotes for equitable treatment towards the customers and the stakeholders as well. She encourages the company for its sustainable development and its stakeholders.

She brought the company in the light of sound corporate social responsibility, Corporate Governance and the ethics. The Company foresees many other innovations and the implementations that she can put into the company in its near future.



FUNDING PARTNERS

Our work would not have been possible without the support of corporate entities.

We thank you for this unending support.



Success Stories of Sonata



Ratana 23 years (Center No. 225) has been running a small cosmetic shop. Although she was occupying her own business but could not earn enough to meet the daily livelihood expense as she didn't have enough money to invest in her existing tiny business to make it more profitable.

She availed loan from Sonata for thrice, the first loan amounted to Rs. 6650, when she was quite happy with the first loan amount as she was able to use that to expand her tiny cosmetic shop, She again took loan of Rs. 8900 and Rs. 10900 from Sonata. Now her cosmetic shop size has increased, which resulting in significant increase in her daily income and thus improving her life standard.

Ratna is very satisfied with Sonata's service and staff behavior towards the clients. In the words of Ratna;

"I joined Sonata & took loan from them. The loan amount really helped to expand my small shop and the earnings too."



CREDIT

Another success story is that of Kamla living in the city cluster of Allahabad. She has taken loan thrice for cattle business. Before this loan Kamla had only 3 cattle's which did not yield milk enough for the whole family. Now she has 26 cattle's. Her husband and 3 out of 6 children are in this business earning a sum of ` 20,000/- to ` 25,000/- per month.

Kamla says, "We sell cow milk and buffalo milk separately. Some buy 2 litres and others one and half litre.

The total monthly income sums up to ` 20,000/- to ` 25, 000/-. That's what our whole family lives on."

Our children are also engaged in the same trade."

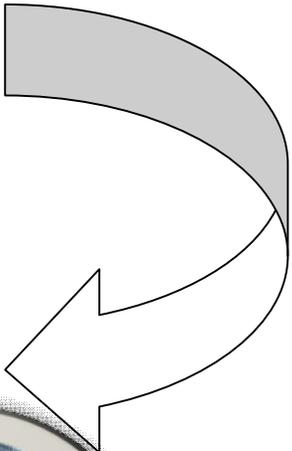
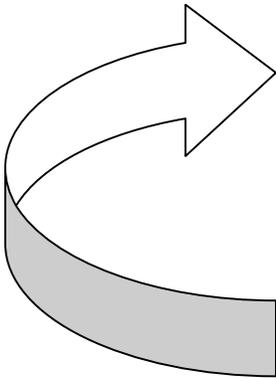


Methodology:

SONATA has adopted a hybrid of the best practices to suit local conditions. It lends to groups of 10-20 women each and designates the group the ultimate guarantor of each of its members. If one member does not repay, no individual in the group is eligible to receive another loan. The keys to this approach include:

- *Social Collateral.* The poorest do not have physical assets that can be used as security. Instead, borrowers organize themselves into groups that take collective responsibility for repayment of individual group members.
- *Doorstep Banking.* Providing financial services in villages enables the rural poor to earn wages for the day and avoid the costs of travel to mainstream banks. The illiterate poor are also unable to complete loan applications, which often require several trips.
- *Customized Products.* SONATA designs loans with small, weekly repayments corresponding to wage structures, consumption and income generating loans to prevent emergency "distress sales," and small first loans to inculcate credit discipline and collective responsibility.
- *Focus on Women.* SONATA works exclusively with women because they are the most marginalized among the poor and because they tend to invest the majority of their income into the household and for their children.

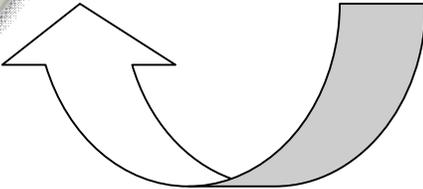
Pre-Group Recognition Test



Loan Distribution



Group Recognition Test



NOTICE

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of the members of the company will be held on 23rd September at the Registered Office of the Company at 125B/6B, Pt. Madan Mohan Malviya Road, Goerge Town, Allahabad-211002 at 10 .a.m. to transact the following business:-

ORDINARY BUSINESS

1. To consider, receive & adopt the audited statement of accounts for the year ended 31st March, 2011 together with the Directors Report and Auditors' Report thereon.
2. To appoint the M/s Vinay Kumar & Co. Chartered Accountants retiring auditor, as auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS:-

3. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT Mr. Anal Jain who was appointed as an Additional Director of the Company by the Board of Directors at their meeting held on 01st Sep., 2011 and who ceases to hold office u/s 260 of the Companies Act, 1956, and in respect of whom the company has received a notice in writing u/s 257 proposing his candidature for the office of Director be and is hereby appointed as Director of the company.”

4. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT Mrs. Chandni Gupta Ohri who was appointed as an Additional Director of the Company by the Board of Directors at their meeting held on 01st Sep., 2011 and who ceases to hold office u/s 260 of the Companies Act, 1956, and in respect of whom the company has received a notice in writing u/s 257 proposing her candidature for the office of Director be and is hereby appointed as Director of the company.”

Date: 01/09/2011

Place: Allahabad

**By order of the Board
For Sonata Finance Pvt. Ltd**

Sd/-

**Shalini Baghel
Company Secretary**

NOTE:-

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.**
- 2. THE INSTRUMENT APPOINTING A PROXY DULY COMPLETED AND SIGNED SHALL HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE TIME FIXED FOR THE MEETING.**

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956:

1. Pursuant to item no. 3

Regularisation of Additional Directors:

Mr. Anal Jain was appointed as an Additional Director of the Company w.e.f. 1st Sep., 2011 pursuant to the provisions of Section 260 of the Companies Act, 1956, he holds office only up to the conclusion of the ensuing Annual General Meeting. The Company has received letter in writing from him, proposing his candidature for his office of Directors u/s 257 of the Act.

Your directors recommend the resolution as set out in Item No. 3 of the notice for your approval.

Mr. Anal Jain shall be deemed to be interested in the above resolution to the extent of his respective appointments.

2. Pursuant to item no. 4

Regularisation of Additional Directors:

Mrs. Chandni Gupta Ohri was appointed as an Additional Director of the Company w.e.f. 1st Sep., 2011 pursuant to the provisions of Section 260 of the Companies Act, 1956, She holds office only up to the conclusion of the ensuing Annual General Meeting. The Company has received letter in writing from her, proposing her candidature for her office of Directors u/s 257 of the Act.

Your directors recommend the resolution as set out in Item No. 4 of the notice for your approval.

Mrs. Chandni Gupta Ohri shall be deemed to be interested in the above resolution to the extent of his respective appointments.

Date: 01/09/2011

Place: Allahabad

**By order of the Board
For Sonata Finance Pvt. Ltd**

**Sd/-
Shalini Baghel
Company Secretary**

SONATA FINANCE PRIVATE LIMITED

Director's Report,

2011

To,
The Members
SONATA Finance Private Limited

Your Directors have pleasure in presenting their *Annual Report* with the Audited Accounts of the company for the year ended on 31st March, 2011 for consideration and adoption. This report should be read in conjunction with the Audited Financial Statement for the same period.

Financial Highlights:

Particulars	31st March 2011	31st March 2010
	Amt(In Rupees)	Amt(In Rupees)
Interest & fees on Loans and Advances	249,435,333.70	139,523,823.37
Interest on Investment & other Income	10,820,798.90	5,542,530.72
Gain on portfolio sale	4,708,082.00	0
(A) Total Income	264,964,214.60	145,066,354.09
Total Administrative Cost	107,127,542.35	82,137,045.12
Total Financial Cost	82,570,694.85	50,221,036.08
(B) Total Cost	189,698,237.20	132,358,081.20
(C) Profit Before Depreciation & Tax(A-B)	75,265,977.40	12,708,272.89
(D) Depreciation	2,226,949.00	1,535,801.00
(E) Profit Before Tax (C-D)	73,039,028.40	11,172,471.89
Fringe Benefit Tax	0	9,500.00

Provision For Taxation (Including Deferred Tax)	25,652,978.00	4,472,312.95
(F) Profit After Tax	47,386,050.40	6,690,658.94
Fixed Asset	8,201,325.65	6,159,500.40
Investments in unquoted Shares and quoted Debt Fund	31,809,152.36	108,432,938.67
Loan Outstanding	740,932,457.00	498,996,233.40
Net Current Asset	1,007,852,171.57	639,842,643.11
P&L Dr. Balance and Misc Exp	349,008.83	610,766.83
Deferred Tax Assets (Net)	1,063,521.00	1,289,475.00
Total Asset	1,049,275,179.41	756,335,324.01
Represented by Share Capital	290,337,328.00	290,337,328.00
Loan from Bank & Financial Institution	686,267,969.88	440,714,164.88
P&L Cr. Balance and Reserves and Surplus	72,669,881.53	25,283,831.13
Total Liabilities	1,049,275,179.41	756,335,324.01

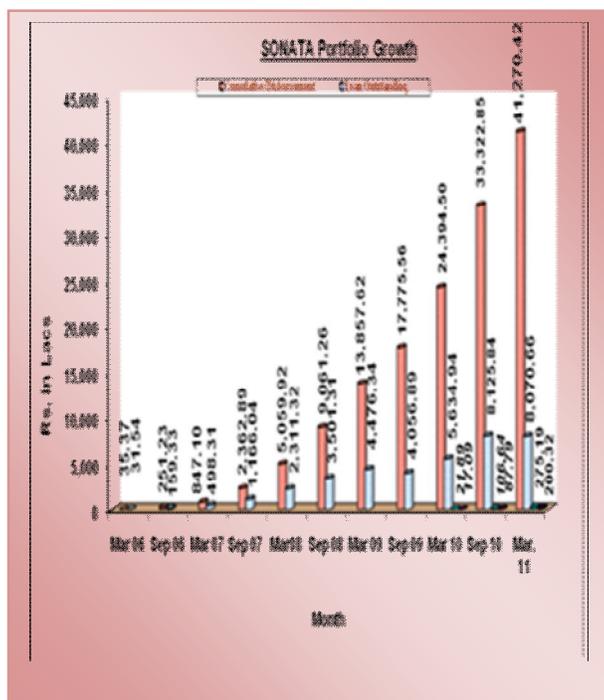
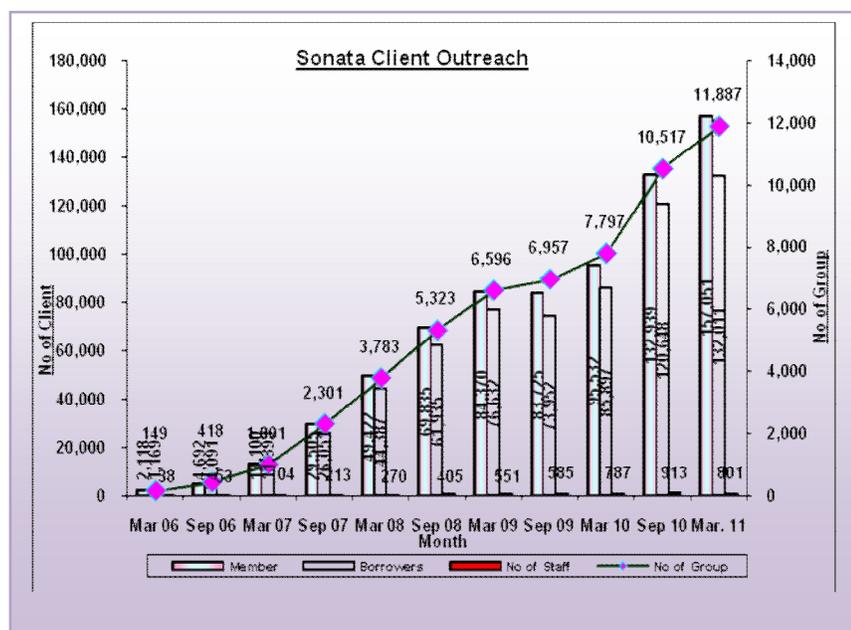
Operational Highlights:

The following table summarizes the operational performance of your Company for the year ended 31st March, 2011:

Year ended 31st March	2011	2010	% Change
Number of Branches	123	67	83.58

Number of Employees	834	856	-2.57
Amount Disbursed (in Rs. Crore)	415.46	244.16	70.16
Portfolio Outstanding (in Rs. Crore)	74.09	49.90	48.48

During the year under review your company achieved the targets as stipulated. We were able to extend the services to 157,051 Active members by adding 56 new branches with compared to previous year. As on March 2011 your company has achieved the OSS to 138.06 percent from 108.34 percent resulting in net increase of 27.43 percent with that to the OSS of previous year.



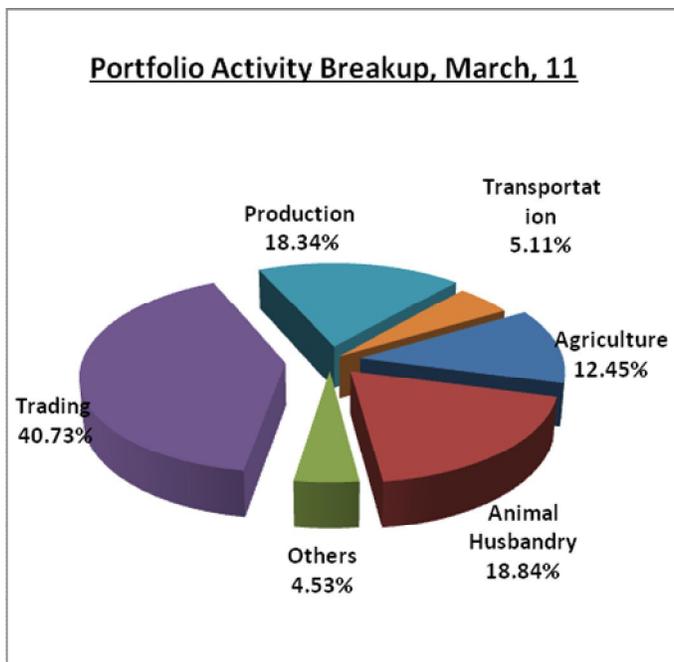
During this financial year your Company secured the Net Profit after tax of Rs. 4.74 crores. There is the huge increment of Rs. 4.07 crores with that to the profit of previous year.

Whereas PAR is reduced to 0.10 percent during this fiscal. As per previous financial report it was 0.68 percent and now remained at 0.58 percent.

All the Loans have been extended to poor Woman for income generation and to help them engage in productive activities or grow their tiny businesses.

Loans for trading accounted for 40.73% of the loan outstanding. Agri-allied loans accounted for 12.45%. 5.11% for Transportation, 18.84% for Animal Husbandry, 18.34% for Production and rest 4.53% on other activities.

Thus like previous year during Financial Year 10-11 also the thrust for loan is in Trading Activities.



Non Acceptance of Public Deposits:

Your Company is not accepting public deposits, and it will not accept public deposits in future, without the written permission of the Reserve Bank of India.

RBI Guidelines

During this fiscal year the asset size of your Company exceeds Rs. 100 crores hence it attracts the provisions of Non- Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 (as amended from time to time). Thus is categorized under a Systemically Important Non-Deposit Accepting “NDSI” NBFC. Being an NDSI your company is adhered to comply the capital adequacy requirements as prescribed by the Reserve Bank of India.

Your Company was required to maintain a minimum Capital to Risk Asset ratio (CRAR) of 12% as prescribed under the RBI Norms. Your Company maintained a CRAR ratio higher than the RBI prescribed ratio which is 44.52% as on 31st March, 2011

Your Company has followed the guidelines of the Reserve Bank of India with regard to prudential norms, acceptance of Deposits, Capital Adequacy and other norms stipulated from time to time and as applicable to Non-Deposit Taking NBFCs.

New Product Initiatives

In order to increase customer retention and diversify the revenue base, your Company is developing innovative products that will increase the productivity of members like:

- Entering into a deliberate relationship with Hero Motors to tap the untapped market of bicycles by micro finance activity

- Saving Services through Banking Correspondence Channel

Dividend

Your Directors did not recommend any dividend during the year.

Composition of Board

The Board of Directors consists of four members as on date.

- Mr. Anup Kumar Singh (Chairman)
- Mr. Ajit Surnedra Varma Since 06.09.2006
- Mr. Vishal Bharat Since 02.07.2009
- Mrs. Geeta Dutta Goel Since 12.01.2010

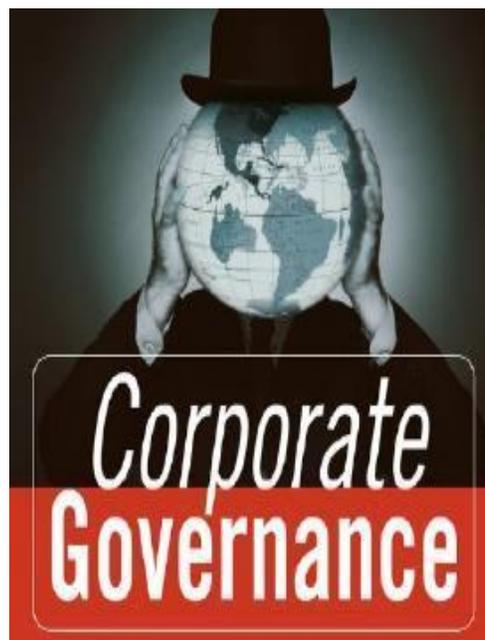
➤ None of the Directors is disqualified as on 31st March, 2011 from being appointed as director in pursuance of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

The Chairman of the Board thanked the Board Members for their support for the Company.

Corporate Governance

The Board is committed to ensure that the Company meets expectations of Corporate Governance. The Company has adopted Corporate Governance Practices like transparency, accountability, ethical operating practices and professional management and Directors are pleased to inform that:

- The audited Financial Statements present a true and fair view of the Company's Financial Position, Operational result and cash flows.
- Proper Books of Accounts have been maintained.
- The Accounting estimates are based on reasonable and prudent judgment.



The Board has met Four times in financial year **2010-2011 on 06th May 2010, 13th September 2010, 16th November 2010 and 15th March 2011**. The proceeding of the meetings are properly recorded and signed including the resolutions passed through circulation which have been duly incorporated in the minute's book.

The details of the Board Meeting held during the year ending 31st March, 2011 and attended are also appended here.

S. No.	Director	No. of Meetings Held	No. of Meetings attended
1.	Mr. Anup Kumar Singh	4	4
2.	Mr. Ajit Surendra Varma	4	0
3.	Mr. Vishal Bharat	4	4
4.	Mrs. Geeta Dutta Goel	4	4

During the absence from the Meeting the particular Director has taken Leave of Absence from the Meeting.

Interest Rate Analysis

Sonata changes interest rate on the basis of costs incurred for operating costs, loan loss provision and finance costs or cost of capital and as per regulatory requirement. The operating cost of

Sonata as on March 2011 is around 14%. Sonata's yield comes to around 32.82%. This is due to the pre-closure facility provided by Sonata. Thus Sonata operates on a margin of 8.10%.

In relation to Loan loss provision policy which also have been revised in the month Sep. 2010 by its Board, which is now as under;

10% provisioning for arrears of 1-4 weeks

50% provisioning for arrears of 5-25 weeks

100% provisioning for arrears of >25 weeks

Recently SONATA revised its Interest Rate Structure in order to harmonize with RBI Guidelines and Notification circulated or came into force from time to time.

As per revised structure now SONATA is charging is Interest Rate @ 28% per annum diminishing and the Flat Rate now is freezed at 14% p.a. which is effective from 1st October 2010 as on based of Data March 2011.

Information Communications Technology

Sonata Microfin is running on web base in full fledged. The data is getting centralized through server. Now it takes lesser time in data generation. This software enables us to have online MIS by using the Technology which enables data to be transferred using a simple mobile phone. The software enables quality reports to be generated for use of us.

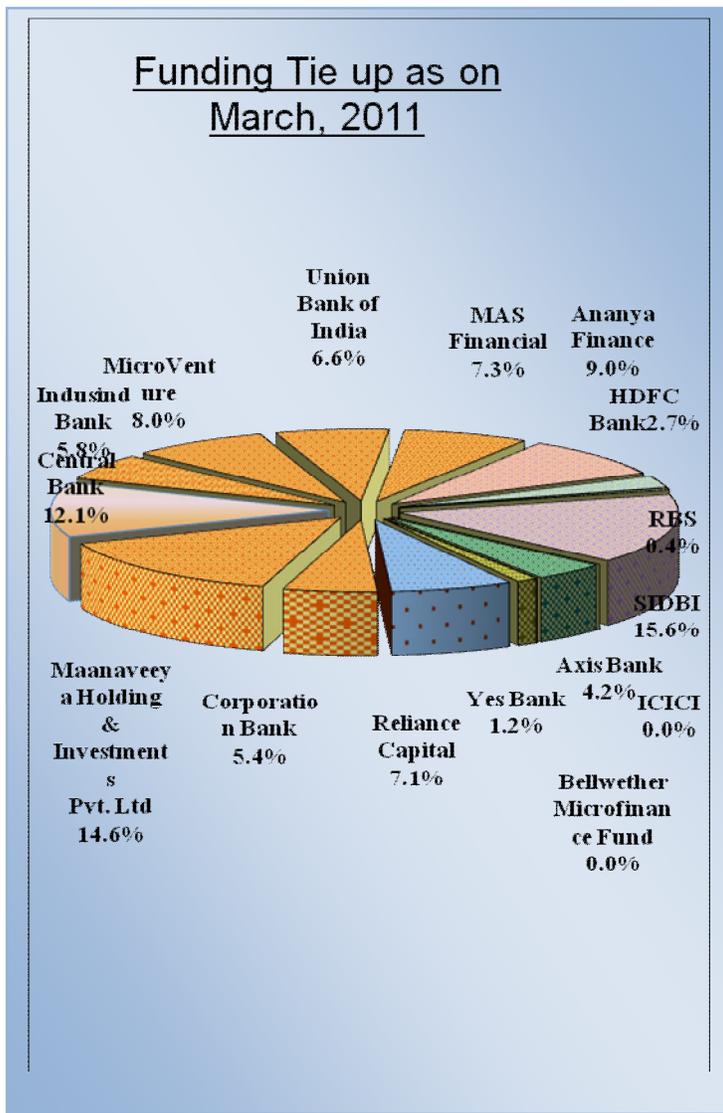
Your Company is implementing Mobile web based application on pilot phase which would facilitate the clients to have the repayment & disbursement Schedule even through the SMS facility and would also be a better tool for diminishing the paper work.

Statutory Compliance Certificate

The compliance check through an external agency with regard to all the statutory compliance for the year end 31st March 2011 has been done and M/s Anil Kumar and Associates, Practicing company secretaries has issued the compliance certificate for the period under review, which is also annexed hereto.

Resources:

Your company's Business model has been recognized widely and enjoys supporting relationship with all the leading Financial Institution. It was able to sustain its credibility and the reputation in the Micro Finance Sector and also among the Banks and various Financial Institutions which resulting in numerous benefits.



As on March, 2011 Company attracted loan funds and raised Rs.59.50 Crore from Banks and Financial Institutions. Among them SIDBI happened to be biggest lender who has a share of 15.60% , apart from that Manveeya Holdings and Investments Pvt. Ltd., and Central Bank share in the borrowing pool 14.6%, and 12.1% respectively,

During the year six new Banks namely Manveeya Holdings, Micro Venture, Indusind Bank, Union Bank, Central Bank and Mas Financial joined the league of funders.

Directors are happy to share that required payments were made on time with appropriate interest and the resources raised during the year have been utilized for the purpose as stated in the terms and condition of the loan document.

Your Company could sell/assign its portfolio loans to banks to finance its growth. Your Company continued to capitalize on its strengths on various parameters like superior asset quality, strategic business alliances and experienced management team.

Management Team:

The management team is comprised of Microfinance Professionals, Professional Accountants and IT Industries.

As of 31st March, 2011 the company has permanent staff of 669 including HO and branches. We have 80 trainees on different positions in addition with 33 Associate Agents. The company has trained all the field staff under its comprehensive training program. It has also deputed employees at all levels to various microfinance training programs.

Audit Committee

The Audit Committee meets to review the accounts as well as the report of Statutory Auditors. The Audit Committee constituted has met 2 times in FY 2010-11 on **1st July 2010 and 16th November, 2010.**

It has the following Members:

1. Vishal Bharat- Chairman
2. Anup Kumar Singh
3. Geeta Dutta Goel
4. Shalini Baghel- Secretary

Related Party Disclosure

A. Details of Related party are Given below:

1. Holding Companies: Nil
2. Subsidiary Companies: Nil
3. Key Management Personnel:
 - a) Anup Kumar Singh, Managing Director
 - b) Shalini Baghel, Company Secretary
 - c) Bramhanand, AVP Finance
 - d) Abhay Singh, AVP Administration
 - e) Tarun Srivastava, AVP Audit
 - f) Saif Khan, AVP PMECD Department
 - g) Ashish Singh, AVP Operations, IL, Allahabad
 - h) Vinay Pratap Singh, AVP Operation, Allahabad
 - i) Anil Singh, AVP Operations, Kanpur
 - j) Anil Gupta, AVP Operations, Sultanpur
 - k) Shyam Kanhaiya, AVP Information Technology
 - l) Sanjay Singh. AVP Jabalpur
 - m) Priyanka Srivastava, AVP Human Resource

During the financial year Mrs. Antara Bhattacharya, has resigned from the post of the Company Secretary of your Company with immediate effect from 31st July 2010. The Company placed on record appreciation of the services rendered by her during her tenure. In accordance with the compliance of Section 383A of Companies Act, 1956 Miss Shalini Baghel, Associate Member of Institute of Company Secretaries was appointed in her place on 13th September 2010.

Insurance:

The assets of your company have been adequately insured.

Membership with Credit Bureau

In order to address the issue of multiple lending or over indebtedness, various Micro Finance Institutions/NBFCs have come together to invest in the Credit Information Bureau namely High Mark Credit Information Services Private Limited (“High Mark”).

To build the technology infrastructure for credit information sharing among themselves, and to educate their staff in ensuring good customer protection, during the year your Company entered into an membership agreement with High Mark in order to avail above numerous benefits. Your Company has initiated to share its database with High Mark for sharing the credit information among all MFIs.

Conservation of Energy

Energy consumed by the Company during this period is only in the form of electricity consumption in the course of operating administrative offices. Hence the company is not required to make any particular step for conservation of energy, and its disclosure in this Report, as required under section 217(l)(e) of the companies Act 1956.

Foreign Exchange Earnings and Outgo:

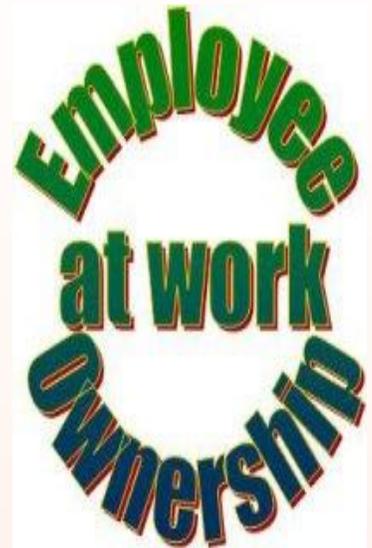
There were no foreign exchange earnings and Out go during the Financial year ended 31 March 2011.

Employee Stock Option Plan (ESOP)

We appreciate the critical role of employees play in the organizational growth. We strongly feel that the value created by employees should be shared by them.

To promote the culture of employee ownership in the company, the ESOP has been approved by the shareholders of your Company by a special resolution passed at Annual General Meeting held on 17th of September, 2010. Pursuant to provisions of ESOP Scheme 2011, your Company granted stock options as on 09th July 2010.

The disclosures with respect to Grant are appended as Annexure - 1 and form part of this report.



Particulars of Employees U/S 217 (2A) of the Companies Act

In terms of provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employee are set out in the Annexure to the Directors Report. However, having regard to the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

Health and Safety

The Company is committed to ensuring the Health, safety and welfare at work of its employees and protecting other persons against risk to health or safety arising out of, or in connection with, the activities at the work of employees.

Fixed Deposits

The Company has not accepted or invited any Fixed Deposits from the Public as envisaged under Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules 1975.

Industrial Relations

The Industrial Relations have remained cordial and harmonious during the year.

Auditors Report and Appointment

M/s Vinay Kumar & Co., Chartered Accountant at Allahabad, who will retire at the ensuing Annual General Meeting, are eligible for re-appointment and confirmed their eligibility to act as auditors of the Company under Section 224(1B) of the Companies Act, 1956, if appointed at the ensuing Annual General Meeting. The Directors' recommend the same for the approval of the members.

The statutory Auditors report of the Company is attached here with.

Awards and recognition

Your Company rated as 3rd fastest growing MFI in our segment in Asia (ADB Report) in 2008. It has also achieved an honor in receipt of Microfinance Process Excellence Award (MPEA) in the year 2008 in Northern Region for its repayment process. Besides your Company has ranked in Top 50 Microfinance Institutions in India as CRISIL Report Oct – 2009 and also

This Year also turns out with another achievement for us. We was awarded with ***Gold Category Social Performance Reporting Award, 2010*** sponsored by CGAP, Michael and Susan Dell Foundation and Ford Foundation. Whereas in the previous year we have been awarded with Silver Category award.

Directors Responsibility Statement



Pursuant to Section 217 (2AA) of the Companies Act 1956, as amended by the Companies (Amendment) Act 2000, your Directors would like to inform you that the audited accounts containing the financial statements for the financial year ended March 31, 2011 and

The Directors confirm that:

i) In the preparation of the annual accounts for the financial year ended March 31, 2011, the applicable accounting standards have been followed;

ii) Appropriate accounting policies have been selected and applied them consistently and made judgments and estimates that are considered reasonable and prudent so as to give a true and fair view of the affairs of the Company at the end of the Financial Year on 31st March, 2011, and of the profits of the Company for the period from 1st April 2010 to 31st March 2011.

iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies act of 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. And

iv) The annual accounts for the financial year ended March 31, 2011 have been prepared on “Going Concern Basis”.

Acknowledgement:

Your directors place on record their sincere appreciation of the Company to the Bankers for their continued support, to the officers, staff and workers of the Company for their relentless and dedicated efforts and devotion put in by them for the growth of the Company.

Yours directors take this opportunity to thank the employees at all levels for their remarkable dedication, sincerity and commitment in rendering service to all the company's customers and shareholders and also further seek contribution from all the above to overcome the tough time and look forward for a bright future.

For and On behalf of Board of Directors

Sd/-

Anup Kumar Singh
(Chairman & Managing Director)

Place: Allahabad
Date: 07th June, 2011

Annexure - 1

Disclosure of ESOP Grant 2011

➤ **The total number of shares covered by the Employee Stock Option Scheme as approved by the shareholders:**

The Shareholders of the Company in their full fledged Annual General Meeting accorded their consent for to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of the Company, options exercisable into not more than 4,16,500 i.e. 5% of the issued and paid up capital of the Company at any time or as at a specific dates under one or more Employee Stock Option Scheme (s) (“ESOP Scheme(s)”), in one or more tranches.

➤ **Pricing Formula:**

The options granted on 9th July 2010 at an exercise price of Rs. 26 equal to the fair market value of the Company’s equity shares as on the date of grant as certified by an independent valuer.

➤ **Number of Option Granted:**

Pursuant to ESOP Scheme 2011 as on 9th July 2010 total number of option granted to the employees covered under the scheme was 116000 inclusive of 8000 option of Loyalty Bonus to eight employees who are serving the Company since its inception at Allahabad that is to say on or before 31st March 2006.

However Allotment of options segregated into three segments in the ratio of 30:30:40 and would vest to the respective employees subject to their vesting conditions as laid down under the scheme.

➤ **Total number of options in force:**

As per the provisions of ESOP Scheme 2011 total options granted to the existing senior manager level employees were amounted to 124000 (116000+8000 Loyalty Option) subject to the continued employment into the organization and other ongoing conditions such as scoring minimum weightage in their performance evaluated for their 30% of total grant on 9th July 2010 or further would be evaluated at time of prospective allotments for their rest 70% options.

Considering the criteria the total grant for first segment amounted to 27600 which would vest on 31st March 2014.

➤ **Option Vested:**

As per vesting condition of ESOP Scheme 2011 the option granted to the employees who have been complete their minimum two and one year employment service criteria in the Company, the option granted would vest after span of three years.

However Loyalty options have been vested on 31st March 2011. Thus Eight Thousand options were vested as on 31st March 2011 to the followings employees named hereunder:

S. no	Name of the Employee	Designation	Dept.	Date of Joining
1	Mr. Anil Gupta	AVP	Operation	13/10/2005
2	Mr. Hari Mohan Sonker	Sr. Branch Manager	Operation	22/10/2005
3	Mr. V.P.Singh	Sr. Branch Manager	Operation	17/10/2005
4	Mr. Dhermendra Singh	Sr. Branch Manager	Operation	5/11/2005
5	Mr. Vinod Singh	Sr. Branch Manager	Operation	12/11/2005
6	Mr. Jitendra Yadav	Sr. Branch Manager	Operation	17/10/2005
7	Ms. Alka Srivastava	Sr. Training Manager	Admin & Training	19/9/2005
8	Mr. Brahmanand	AVP	Finance	5/12/2005
	Total			

➤ **Option Exercised:**

No Loyalty Option is exercised as on date of vesting i.e. 31st March 2011 to date of Annual General Meeting.

➤ **Extinguishment or modification of options (if any).** N.A

➤ **Money realized by exercise by options:** N.A

➤ Employee wise details granted to

a. AVPs

S.No	Name	Deptt.	Grant on 09 th July 2010	Resignat ion Date	I Trench @ 30%	II Trenc h @ 30%	III Trench @ 40%	Option to vest in 31 st March 2014	Loyalty vested on 31 st March 2011
1.	Ashish Singh	Ops	8000	N.A	2400	2400	3200	1800	0
2.	Anil Gupta	Ops	8000	N.A	2400	2400	3200	2400	1000
3.	Sanjay Singh	Ops	8000	N.A	2400	2400	3200	2400	0
4.	Priyanka Srivastava	HR	8000	N.A	2400	2400	3200	1800	0
5.	Brahamanan d	Financ e	8000	N.A	2400	2400	3200	1800	1000
6.	Shyam Kanhaiya	IT	8000	N.A	2400	2400	3200	1800	
7.	Tarun Srivastava	Audit	8000	N.A	2400	2400	3200	1800	0
	TOTAL*		56000					13800	2000

a. Senior Managerial Personnel:

S.No	Name	Designatio n	Grant on 09 th July 2010	Resig nation Date	I Trench @ 30%	II Allotme nt @ 30%	III Allotmen t @ 40%	Option to vest in 31 st March 2014	Loyalt y vested on 31 st March 2011
1.	Manoj Singh	District Incharge	4000	N.A	1200	1200	1600	1200	0
2.	Jitendra Yadav	DI	4000	N.A	1200	1200	1600	1200	1000
3.	V.P Singh	DI	4000	N.A	1200	1200	1600	900	1000
4.	Vinod Singh	DI	4000	N.A	1200	1200	1600	900	1000

5.	Dharmendra Singh	DI	4000	N.A	1200	1200	1600	1200	1000
6.	Devnath Mishra	DI	4000	N.A	1200	1200	1600	900	0
7.	Hari Mohan	DI	4000	N.A	1200	1200	1600	900	1000
8.	Awdhesh Yadav	DI	4000	N.A	1200	1200	1600	1200	0
9.	Vikash Patel	DI	4000	N.A	1200	1200	1600	1200	0
10.	Archana Singh	Senior HR Manager	4000	N.A	1200	1200	1600	1200	0
11.	Alka Srivasatav	Sr. Admin manager	4000	11.05.11	1200	No Grant	No Grant	1200	1000
12.	Manish Pal	Senior PMECD Manager	4000	N.A	1200	1200	1600	900	0
13.	Mukesh Verma	Senior Audit Manager	4000	N.A	1200	1200	1600	900	0
14.	Rohit Kr. Anand	Senior Training Manager	Resigned	_____	Disqualified	Disqualified	Disqualified	Disqualified	Disqualified
15.	Ajay Singh	DI	Disqualified for first 30% Grant	N.A	_____	1200	1600	NO GRANT	NO GRANT
	Total*		52000					13800	6000

* Total Grant 108000 (56000+52000) + (2000+6000), Option would vest in 2014 = 27600 (13800+13800)



Note:- Separate Annexures of Auditor's Report, Balance sheet, P & L Statement for the year 31st March 2011.