

August 10, 2010

**CARE ASSIGNS PR1+ RATING OF COMMERCIAL PAPER OF
SKS MICROFINANCE LTD. (FOR ENHANCED AMOUNT)**

CARE (Credit Analysis and Research Ltd.) has assigned a rating of '**PR1+**' [**One Plus**] to the Commercial Paper (CP) Issue of SKSML for an enhanced limit of Rs. 270 crore (enhanced from Rs.220 crore). Instruments with this rating would have strong capacity for timely payment of short-term debt obligations and carry lowest credit risk. Within this category, instruments with relatively better credit characteristics are assigned PR1+ rating.

Instrument	Amount (Rs crore)	Rating
Commercial Paper (CP)	270 (limit)	PR1+

Rating Rationale

The rating factors in SKSML's position as the leading microfinance institution in India, the rapid growth in business witnessed during last few years, its ability to attract equity capital to support the strong growth in operations along with diversified resource base and experienced and professional management. High collection efficiency and strong asset quality are positives for SKSML. The rating also factors in the strong liquidity position of the company and improvement in several operational parameters including risk management and monitoring systems.

Maintenance of collection efficiency and asset quality of its growing portfolio, timely infusion of capital to support growth, continuous successful implementation of systems to manage the operational risk due to large volume of cash transactions & decentralized operations spread across the country and controlling over-exposure to borrowers & providing service differentiation in an increasingly competitive scenario would be the key rating sensitivities for SKSML.

Company Profile

SKS Microfinance Ltd. (SKSML) is India's leading microfinance institution, promoted by Mr. Vikram Akula. It is registered as a NBFC ND with the RBI and its operations are spread over 19 states of India with 2,029 branches with total AUM (own and managed portfolio loans) managed by SKSML at Rs.4321 crores (including managed portfolio of Rs.1384 crores) and a net worth of Rs.935 crore as on March 31, 2010. SKSML reported income of Rs.958 crore and net profit of Rs.173.9 crore for FY10. Reported CAR was also comfortable at 28.5% as on March 30, 2010.

Analyst Contact

Name: Vijay Agrawal

Tel # 022-67543416

Mobile # 9819161912

Email: vijay.agrawal@careratings.com

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Praladnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's PlaceNo. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail : Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail : swati.agrawal@careratings.com</p>