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SKS Microfinance Limited to raise up to Rs. 400 crore growth capital, profit guidance of Rs.125 crore for FY15

Company plans new initiatives for meeting increasing requirements of customers who are benefiting from a buoyant rural economy; set to realign organisation structure to equip itself to fully capitalize on the opportunity

Mumbai, February 4, 2014: SKS Microfinance Limited today announced its plans to raise growth capital of up to Rs. 400 crore in FY15 with a maximum dilution of 20% as it sets out to create SKS Microfinance 3.0 to tap into the opportunities presented by the transformation of Indian villages into signposts of future in view of rural buoyancy. The Company, which today has presence in 1,00,000 Indian villages, has been a witness to the transformation and the resultant changes in the outlook, aspirations and priorities of its rural women customers.

SKS Microfinance 3.0 plans to address the growing demand among its customers for an entire range of products and services including insurance, mobile loans, loans for solar lights, etc. in addition to micro credit, which will remain the Company's core business. Pre-Andhra Pradesh microfinance crisis, the non-Andhra Pradesh portfolio outstanding of the microfinance sector was Rs. 28,300 crore, which stood at Rs. 18,596 crore as of September 2013 with a huge gap of Rs. 9,704 crore. The Company plans to increase its non-Andhra Pradesh portfolio outstanding from Rs. 2,364 crore as of December 2013 to Rs. 3,800 crore - Rs. 4,000 crore by the end of FY15.

The Company also issued a profit guidance of Rs.125 crore for FY15. The profit guidance comes close on the heels of its recent announcement that there could be a positive surprise in its guided net profit of Rs. 55-Rs. 60 crore for FY14.

The proposed capital raise of up to Rs. 400 crore will fund such growth opportunities besides reinforcing the capital position of SKS Microfinance Limited which had a net worth of Rs. 432 crore and a capital adequacy of 28.1% (21.6% without taking RBI dispensation on provisioning for the Andhra Pradesh portfolio) as of December 31, 2013. The Company's cash and bank balances stood at Rs. 309 crore.

SKS Microfinance Limited believes that initiatives like Cross Sale which has been in pilot phase for a couple of years, will create greater value for all its stakeholders as the Company plans to creatively disturb the asset-revenue-earning mix. The non-MFI business will be just 10% of the Company's assets, but it could contribute 15% of the revenue and 25% of the profit in the medium term.

SKS Microfinance Limited has also decided to realign its top structure in order to optimally spend management bandwidth on its reinvention, which will equip it fully to meet its long-term goals.

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As part of its restructuring exercise, the Company plans to move the two present C-Level officials into strategic, mentoring roles but with complete accountability for business targets and new initiatives: 1. Mr. M.R. Rao will continue as Managing Director and CEO of SKS Microfinance Limited; 2. Mr. S Dilli Raj, presently Chief Financial Officer, SKS Microfinance Limited, to be promoted as President of the Company. The two officials will spearhead new initiatives like Cross Sale, capital raise, creation of subsidiaries and building partnerships. Policy advocacy will be another major focus area.

Another important element of its structural alignment initiative, which is being implemented, is the promotion of four key executives: 1. Mr. K.V. Rao, presently Senior Executive Vice President - Operations, to be promoted as Chief Operating Officer; 2. Mr. Ashish Damani, presently Executive Vice President - Finance, to be promoted as Chief Financial Officer; 3. Mr. J.S. Sai, presently Executive Vice President - Public Affairs, to be promoted as Chief Marketing and Communications Officer; 4. Mr. V. Srinivas Reddy, presently Senior Executive Vice President - HR, to be promoted as Chief People Officer. Post the promotions, Mr. K.V. Rao and Mr. Reddy will continue to report to Mr. M.R. Rao while Mr. Damani and Mr. Sai will continue to report to Mr. Raj.

Mr. P.H. Ravikumar, presently Non Executive Chairman - Interim, is redesignated as Non Executive Chairman.

“SKS Microfinance 2.0 was the result of our painstaking focus on Customer Protection Practices including 3% cap on Return on Assets in the MFI business, revamping of Customer Grievance Redressal mechanism, appointment of Ombudsman and 100% reliance on Credit Bureaus in processing loan applications,” said Mr. M.R. Rao, Managing Director and CEO, SKS Microfinance Limited. "SKS Microfinance 3.0 will create customer and stakeholder delight as it creates a win-win situation for all, as our pilot projects in areas like Mobile Loans have established.”

“Now that Transformation A (fixing the core) is behind us, it is time to focus on Transformation B, that is, creation of new engines of growth,” said Mr. S. Dilli Raj, Chief Financial Officer, SKS Microfinance Limited. “Our strong rural distribution and deep connect with 3 million non-Andhra Pradesh members will be used for delivery of quality products and services. The new paradigm is world-class customer service at a competitive price, and, in this regard, signing right partnerships, sourcing growth capital at the right time and striving for organizational agility are key drivers. These will be hallmarks of SKS Microfinance 3.0, and we are confident of fast-tracking this transformation."

About SKS Microfinance Limited:

SKS Microfinance Limited is among the largest microfinance companies in India with presence across 15 states covering 1,00,000 villages. The states include: Andhra Pradesh, Karnataka, Maharashtra, Odisha, Madhya Pradesh, Bihar, Uttar Pradesh, Rajasthan, Uttaranchal, Haryana, West Bengal, Jharkhand, Chhattisgarh, Kerala and Punjab. The Company’s mission is to provide financial services to the economically weaker sections.

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