

Sonata Finance Pvt. Ltd.

Capital to make you Capable

Annual Report

2012-13

- Sonata Finance Private Limited is registered as a company under companies Act, 1956 (CIN- U65921UP1995PTC035286)
- The company is registered as (Non Deposit Taking) Non Banking Financial Company under section 45 IA of the Reserve Bank of India (Reg. No .B-12.00445)
- The Company is a microfinance institution established in January 2006 and based in North India.
- Memorandum of Association and Articles of Association of the Company are available on request.
- Visitors are welcome to the addresses on the contact us link on website that is www.sonataindia.com

Board of Directors

Anup Kumar Singh : Managing Director

Anal Kumar Jain : Director

Chandni Gupta Ohri : Director

Kenneth Dan Vander Weele : Director

Satyam Darmora : Nominee Director

Vishal Bharat : Nominee Director

Statutory Auditors

Vinay Kumar & Co.

Company Secretary

Shalini Bæghel

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Introduction

About 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 rural and families to enable them to invest in income-generating activities.

As an organization it is dedicated to the socio-economic development of weaker communities in rural and urban setups. 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 wide range of poor households in next years to come.

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 Statement

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

Values

Sonata commits to be professionally managed, operationally sustainable and financially profitable

Ownership and Organizational setup:

SONATA began its micro finance operations in January 2006 with the acquisition of the company by its current promoters. The head office of Sonata is located at Lucknow, Uttar Pradesh. To increase its outreach, Sonata follows both the organic and inorganic growth model. In its inorganic growth plan it acquired the portfolio of Jeevika Livelihoods Support Organization in the month of August 2007, which is based at Jabalpur in M.P., making its outreach to two major states in Central India, which now has extended to four states in Hindi Heartland.

Operational Snap Shot

(as on 31st March 2013)

130 Branches

4 Operational States

3.72 Lacs Members

1.92 Lacs Active Loan Customers

Rs. 8,659.01 Million Loan Disbursed

*Rs. 1,816.47 Mn Gross Loan Portfolios
(GLP)*

884 Employees



Governance

Board of Directors

Anal Kumar Jain- Independent Director- Chairman



Mr. Anal Kumar Jain has over 41 years experience in top management positions in major international and Indian IT Companies including over 8 years experience in the field of Microfinance. Among his key accomplishments are - leading Wipro Infotech's marketing to IT Industry's leading status, building and leading IBM's business in India after their re-entry into the country, and starting and leading Sun Microsystems business in India. He started his career in early 1970s with IBM India, Anal has been a part of the India IT story, steering companies through uncharted waters and with fabulous success. Anal was Vice President - Marketing with ORG Systems, Vice President - Sales & Marketing with Wipro InfoTech, Head - Domestic Businesses of IBM India, President - South Asia of Sun Microsystems India, Chairman & CEO of Linc Software Systems, CEO of Birlasoft Ltd, Managing Director - South Asia of Network Appliance India.

Anal Jain has been active in the field of Microfinance for over 8 years. He has been Advisor to Sa-Dhan, the National Microfinance Industry Association. He was formerly Co-Founder and Managing Director of MicroVentures India, a Private Equity fund focused on the Indian Microfinance industry. He serves on the Boards of a few Microfinance Institutions. Anal Jain is involved with many activities around entrepreneurship. He is involved with mentoring several IT companies through Nasscom, TiE, Bodhi Technologies, Linc Software Systems. He has completed M.S. (Electrical Engg) and Research Fellowship from Brooklyn Poly, New York City, USA and B.Tech. (Electrical Engg) from IIT Kharagpur, Merit Scholar each year at IIT. He was General Secretary of the Electrical Engg. Society, among other positions.

Anup Kumar Singh: CEO and Managing Director



Mr. Anup Kumar Singh is one of the pioneers in Microfinance sectors having More than 16 years of experience to his credit. He is presently serving as the Managing Director on Sonata's Board. His contributions are bringing glory to Sonata day by day. He from the very inception of the Company contributed his proficiencies in managing the day to day affairs and the operations of the company. He strives hard to increase the volume of loan portfolio and monitoring overall working of the company to fulfill its mission and vision. He guides and sets the pace for its current operations and future developments.

Being a managing director of Sonata, 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, 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.



Chandni Gupta Ohri: Independent Director

Chandni Ohri is CEO of Grameen Foundation India (GFI), She previously served as Director for Asia programs at Grameen Foundation, advancing their mission in India and Pakistan over the last six years and providing a mix of financial and technical support to a number of microfinance institutions over that time.

Chandni completed her MBA from Indian Institute of Management, Bangalore (IIM Bangalore), and a Masters in International Development from University of Washington, Seattle. She is a native of India and fluent in English, Hindi and Punjabi.

She joined the board of Sonata in Sep. 2011, and the Company is being benefitted by impartial and independent guidance and advices put forth by her. The Company foresees other complementary contributions and the innovations that she can put into the company in its near future.

Kenneth Dan Vander Weele, Director



Mr. Vander Weele serves as the Chief Investment Officer of Creation Investments. He is a founding board member Creation Investments Social Ventures Fund I and was instrumental in the establishment of Creation Investments' model and pipeline. Mr. Vander Weele was the President of the Investment Services Division at Opportunity International, a global microfinance network. In this role, Mr. Vander Weele was responsible for the development and oversight of all commercial MFIs institutions within the network, garnering over \$1 billion in assets over his tenure. From 2000 to 2008, he was in charge of investment banking services to procure debt and equity capital to finance development and growth of commercial microfinance institutions, overseeing feasibility studies, research, due diligence and financing of MFIs in emerging markets. He was responsible for the management of the Opportunity Transformation Investments (OTI), an investment fund that he helped establish and that has made investments in microfinance institutions in Africa, Central Asia, Eastern Asia, Eastern Europe, Latin America, the Pacific, and the Caribbean, and the development of its investment philosophy, policies and strategies. He also is credited for the creation of new MFIs and the successful conversion of non-governmental institutions into microfinance banks.

Satyam Darmora, Nominee Director

Satyam Darmora manages the family economic stability program of the Michael & Susan Dell Foundation. The key initiatives under this program include enabling microfinance start-ups, community development and social performance, and catalysing skill training and livelihoods sectors in urban India. The program includes a portfolio of over 25+ microfinance & skill training (and related) institutions. In the past,



Satyam has also worked within the education portfolio of the foundation and helped transform lives of urban poor children through creation of outcome focused, large scale, and high quality delivery models.

Prior to joining the foundation, Satyam worked with American Express, managing new products and portfolio risk in various international markets including Japan, Hong Kong and Germany. Satyam holds a bachelor of technology degree from the Indian Institute of Technology (IIT) in Delhi, India and a business administration degree from the Indian Institute of Management (IIM) in Bangalore, India

.Vishal Bharat: Nominee Director

Mr. Vishal Bharat has over 15 years of corporate banking experience in multinational banks in three continents. Most recently, 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. Vishal has had an association with rural development and microfinance for 21 years. 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. He is currently on the board of MFIs including Trident Microfin Private Limited, Bellwether Microfinance Private Limited and Arohan Financial Services Private Limited. Vishal holds a Master of International Management Degree from Thunderbird, The Garvin School of International Management, Glendale AZ; Master of Business Administration from University of Delhi, India and Bachelor of Technology (Mechanical Engineering) from Banaras Hindu University, India.



Promoter & Investors

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Anup Kumar Singh

Anup Kumar Singh, Promoter of Sonata is a pioneer in JLG focused MFI Operations. He was previously was the Chief Executive Officer of a large MFI in northern India. He played a significant role in the establishment of that MFI's operations in Eastern Uttar Pradesh. During his association with the MFI, he was involved in key strategic areas such as new product development, portfolio management, and various other challenges faced by the company. In mid 2005 he decided to use his complementary skills & experience in an entrepreneurial venture and approached Bellwether Micro Finance Fund with idea to start new MFI in Central Uttar Pradesh.

Set of Investors



Swaminathan Shankar Aiyar, Angle Investor

Swaminathan Ankaleshwar Aiyar is a noted Indian journalist. An alumnus of The Doon School and St. Stephen's College, he earned a master's degree in economics from Magdalen College, Oxford, UK. He is currently consulting editor of The Economic Times, India's leading financial daily that is part of Bennett, Coleman & Co., the same company that owns The Times Of India. He is also a research fellow at the Cato Institute, a prominent libertarian think-tank in Washington DC,

and an occasional media consultant to the World Bank. Swaminathan Aiyar writes a popular weekly column titled, "Swaminomics" in the Times of India where he discusses economic and political issues pertaining to India and the world. Mr. Aiyar has prepared several reports and papers for the World Bank. He was also, in 1976-85 and 1990-98, the India correspondent of The Economist. Earlier, he was Editor of Financial Express (1988-90) and Eastern Economist (1980-82).

He has two books to his credit: Towards Globalisation (1992) and Swaminomics: Escape from the Benevolent Zookeepers (2007)

Bellwether, Sponsor Institution

Bellwether is the first Indian venture capital fund that invests in MFIs in India. The Fund invests in high potential start up MFIs committed to efficiency and commercial viability and in well established medium sized MFIs that intend to transform into legally appropriate entities.



Bellwether has been involved with Sonata since launch of microfinance operations and is currently its main shareholder. It provides Sonata with technical and capacity building assistance to further scale up operations in a sustainable way.

Michael & Susan Dell Foundation

Michael and Susan Dell established the foundation in 1999. The gift was inspired by their passion for supporting children's causes as a way to make an even greater difference in a measurable way, particularly for those children living in urban poverty. Based in Austin, TX, the foundation initially focused on improving education and children's health in Central Texas; but our mission soon expanded to reach children globally. To date, the Michael & Susan Dell Foundation has committed more than \$530 million to assist nonprofit organizations working in major urban communities in the United States and India. Our vision is to focus on opportunities with the greatest potential to directly and measurably transform the lives of children living in urban poverty.



India Financial Inclusion Fund (IFIF)

India Financial Inclusion Fund (IFIF) is a fund that was set up in August 2008 as an off-shore India-focused equity fund, investing in high-growth, small to medium MFIs and enablers. It aims to provide new MFIs with start-up, growth capital, strategic inputs, and technical advice. Support and enable product diversification by providing appropriate risk capital, Encourages the scaling up or creation of microfinance enablers, who will contribute to building an efficient microfinance ecosystem and Play the role of an active, responsible investor seeking to deliver a competitive financial return and support the expansion of social performance initiatives

Creation Investments

Creation Investments Capital Management LLC is a private equity firm based in Chicago, Illinois, United States of America (USA). Creation Investments is an investment management company committed to fighting global poverty through direct, for-profit investments in businesses which promote economic development. Named a leading Impact Investment fund manager by ImpactAssets50 in 2011, Creation Investments Capital Management, LLC currently manages 4b Capital Fund A, L3C, Creation Investments Social Ventures Fund I, and Creation Investments Social Ventures Fund II, with a focus on private equity and control equity investments in Microfinance Institutions, Small-and-Medium Enterprise lenders, BOP Financial Services Providers, and other Social Ventures in emerging markets seeking to maximize financial and social returns on investment.



Notice Calling AGM

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of the members of the company will be held on Monday, September 23rd, 2013, at the Registered Office of the Company at II Floor, CP-1, PG Towers, Kursi Road, Vikas Nagar, Lucknow- 226022 at 11:00 am to transact the following business:-

ORDINARY BUSINESS

1. To consider, receive & adopt the audited statement of accounts for the year ended 31st March, 2013 together with the Directors Report and Auditors' Report thereon.

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

2. Appointment of Auditor other than the retiring auditor M/s Vinay Kumar & Co. Chartered Accountants, as auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company, and that the retiring auditor shall not be re-appointed.

“RESOLVED THAT M/s S R Batliboi & Co. LLP. (Registration No. 301003E), a member firm of Ernst & Young firm be and is hereby appointed as the auditors of the company in place of the retiring auditors M/s Vinay Agarwal & Co., Chartered Accountants to hold the office of the auditors till the conclusion of the next annual general meeting on such remuneration as may be determined by the Board of directors of the company.”

3. “RESOLVED THAT 735,000 shares be and are hereby allotted for Employee Stock Option Plan (ESOP), 2013 and to be allotted to such persons who are in permanent employment of the Company, on the terms as may be decided by the Board of Directors of the Company or the Compensation Committee.

The consent of the Company be and is hereby accorded to Sonata Finance Pvt. Ltd. ESOP 2013, the salient features of which are furnished and being extended to such persons who are in permanent employment of the Company and occupying the senior or above level positions having completed minimum 2 years of service as on cut off date are eligible for Scheme.

By order of the Board

For Sonata Finance Pvt. Ltd

Sd/-

Shalini Baghel
Company Secretary
Place: Lucknow
Date: 24/08/2013

NOTE:-

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIERS TO ATTEND AND VOTE THEREAT INSTEAD OF HIMSELF/HERSELF. A PROXY NEED NOT BE A MEMBER.
2. THE INSTRUMENT OF PROXY FORM DULY COMPLETED SHOULD BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE AT LEAST 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.
3. AN EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956, IN RESPECT OF THE BUSINESS IS ANNEXED TO THIS NOTICE.

EXPLANATORY NOTE TO THE ORDINARY BUSINESS IN POINT NO. 1

Resolution1- Approval of Accounts & Auditor's Report

The Company is required to present its audited accounts for the year ended 31st March 2013 and the accompanying auditors' report to shareholders at its AGM for discussion and, if thought fit, approval. This provides the shareholders with an opportunity to discuss the performance of the Company during the year, its management and prospects for the future.

Copies of the audited accounts and the auditors' report will be available at the AGM.

EXPLANATORY STATEMENTS PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956 TO THE SPECIAL BUSINESS IN POINT NO. 2 & 3

Special Resolution 1- Appointment of Auditor other than retiring auditor

A Special Notice of a resolution for appointment of auditors other than retiring auditors and providing expressly that the retiring auditor will not be re-appointed received from the member will move at the at the Annual General Meeting in accordance with the manner laid down in Section 225 (1) of Companies Act, 1956 not less than 14 days before the meeting.

The Audit Committee of the Company keeps under review the independence and objectivity of the external auditors and, after considering relevant information, the Audit Committee has recommended to the directors that M/s S R Batliboi & Co. LLP. (Registration No. 301003E), a member firm of Ernst & Young be appointed as the auditor until the conclusion of ensuing Annual General Meeting of the company.

Resolutions M/s S R Batliboi & Co. LLP. (Registration No. 301003E), a member firm of Ernst & Young practising professional firm are proposed to appoint as auditors and to authorize the directors to determine their remuneration.

This resolution as Item No. 2 is being proposed as a Special resolution.

None of the directors is interested in this resolution.

Special Resolution 2:

In order to reward, motivate and retain desired talent for high level of individual performance and for unusual efforts as also to create a culture of ownership and building commitment towards the

Company, and to align employee's objectives towards critical goals / milestone of the Company. It is proposed to introduce "ESOP 2013" SCHEME. The Scheme is meant for eligible permanent employees, directors of the Company as may be decided by the Compensation Committee of the Board of Directors of the Company.

ESOP 2013 would be subject to and in conformity with the guidelines issued in this regard from time to time by the Companies Act, Income Tax Act, and other applicable acts. The administration of ESOP 2013 would vest with the Compensation Committee of the Board of Directors of the Company.

For Sonata Finance Pvt. Ltd

Sd/-

Shalini Baghel
Company Secretary
Date: 24/08/2013
Place: Lucknow

Directors' Report

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, 2013 for consideration and adoption. This report should be read in conjunction with the Audited Financial Statement for the same period.

Financial Highlights

<i>Particulars</i>	<i>31st March 2013</i>	<i>31st March</i>
	Amt (In Lacs)	Amt (In Lacs)
Interest & fees on Loans and Advances	2,606.38	2,434.25
Interest on Investment & other Income	438.86	155.68
Gain on portfolio sale	151.71	71.24
(A) Total Income	3,196.95	2,661.17
Total Administrative Cost	1,438.33	1,228.33
Total Financial Cost	1,292.54	829.91
(B) Total Cost	2,730.87	2,058.24
(C) Profit Before Depreciation & Tax(A-B)	466.07	602.93
(D) Depreciation	19.85	21.03
(E) Profit Before Tax (C-D)	446.23	581.91
Fringe Benefit Tax	0.11	0.00
Provision For Taxation (Including Deferred Tax)	182.81	209.45
(F) Profit After Tax	263.31	372.45
Fixed Asset	80.45	70.94
Investments in unquoted Shares and quoted Debt Fund	697.00	620.52
Loan Outstanding	13,803.67	4,238.89
Cash & Cash Equivalents	8,689.46	6,165.31
Other Current Assets	1,266.58	656.25
Deferred Tax Assets (Net)	11.58	10.22
Total Asset	24,548.75	11,762.13
Represented by Share Capital	6,400.37	2,903.37
Loan from Bank & Financial Institution	16,241.32	7,279.24
P&L Cr. Balance and Reserves and Surplus	1,287.97	1,099.15
Other Current Liabilities & Provisions	619.08	480.37
Total Liabilities	24,548.75	11,762.13

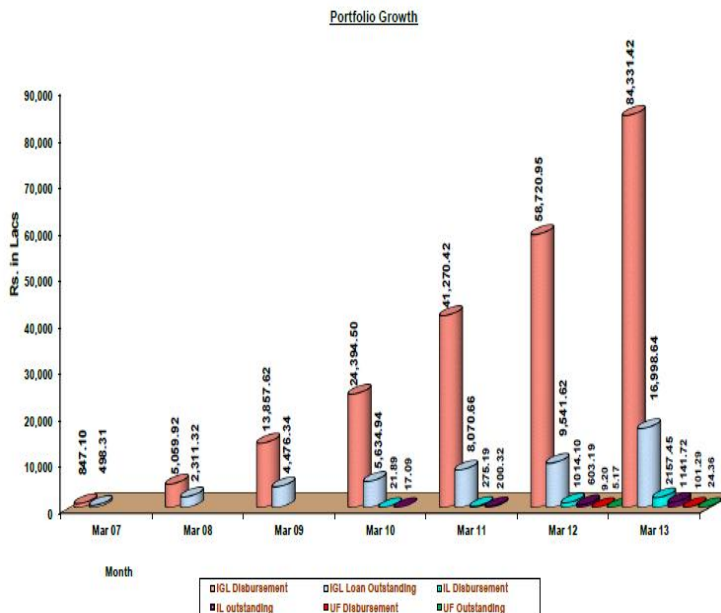
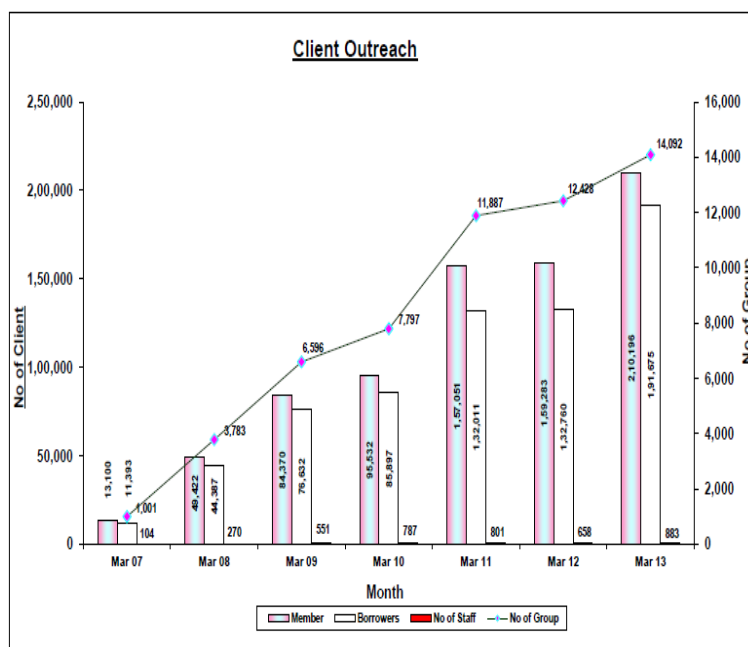
Operational Highlights

The following table summarizes the operational performance of your Company for the year ended 31st March, 2013

Year ended 31st March	As on 2013	As on 2012	% Change
Number of Branches	130	110	18.18%
Number of Employees	884	674	31.16%
Amount Disbursed (in Rs. Crore)	865.90	599.44	44.45%
Loan Portfolio (in Rs. Crore)	181.65	101.84	78.37%

During the year your company achieved the targets as stipulated in the Business projections. We were able to extend our services to 191,675 Active members, demonstrating the remarkable achievement in accessing wide range of borrowers since the year of inception.

As on March 2013 your Company is relatively near to the target in terms of Operational Self Sufficiency "OSS" which has reached to 116 percent, representing achievement of 92% target set out for the year in the business plan.



During this financial year, your Company was successful in disbursing additional loan of Rs. 268.46 cr. comparative with previous financial year under all of its financing modules. The Total cumulative disbursement as on March 2013 reached to Rs. 895.90 cr.

Consolidate net portfolio outstanding of your company as on March 2013 stood at Rs. 138.04 cr.

Loan Utilization

Loans were extended to poor Woman for income generation purpose to help them to engage in productive activities or grow their tiny businesses.

During the period Loans taken by the clients for undertaking trading activities accounted for 49% of the loan outstanding, 38% Agri and Animal Husbandry, 12% for Production and rest 1% on other activities.

Thus like previous year during Financial Year 12-13 also the thrust for loan is in Trading Activities.

RBI Compliances

a. Non Acceptance of Public Deposit

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

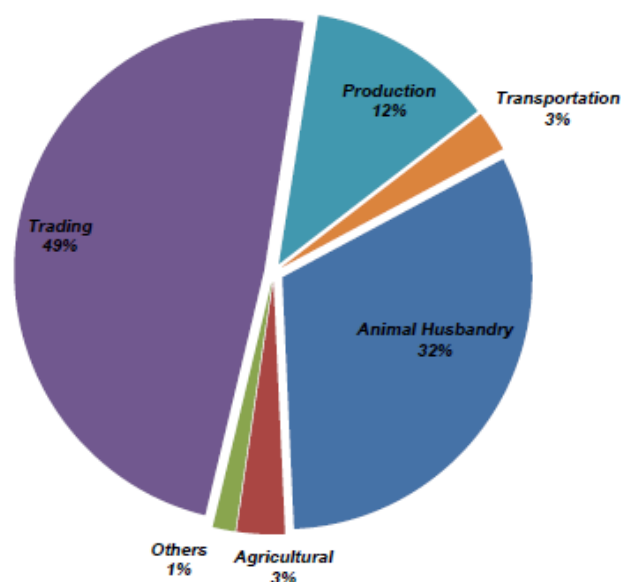
b. Capital Adequacy Ratio

Your Company is required to maintain a minimum Capital to Risk Asset ratio (CRAR) of 15% as prescribed under the RBI Norms. Your Company maintained a CRAR ratio higher than the RBI prescribed ratio which is 38.35% as on 31st March, 2013

c. NBFC-MFI Classification

In December 2011, the RBI announced the creation of a separate category of Non-Banking Financial Companies, namely Non-

Activity wise portfolio Breakup



Banking Financial Company-Micro Finance Institutions (NBFC-MFIs). RBI has issued guidelines for the classification of existing NBFC as an NBFC-MFI.

Your Company has accordingly submitted its application along with the supporting documents as per the aforesaid circular to the RBI in support of its application seeking its re-classification as an NBFC-MFI and has adopted several aspects of the new regulatory framework and has applied for its re-classification as an NBFC-MFI. The application is currently being processed by the Kanpur Regional Office of the RBI.

Your Company has followed the guidelines of the Reserve Bank of India with regard to prudential norms, Asset Classification, Provisions, Margin, and other norms stipulated from time to time and as applicable

to Non Banking Financial Company- Micro Finance Institution” “NBFC-MFI”.

d. Fair Practices Code

The RBI on March 26, 2012 issued the Fair Practices Code “FPC” for all NBFCs including Micro Finance Institutions, your Directors adopted the Fair Practice Code on March 30, 2012 in align with the regulations application to your Company. The RBI on February 18, 2013 amended the FPC in respect of grievance redressed mechanism to follow by each NBFC within the organization to resolve the disputes between the Company and its customers.

Taking cognizance of the revisions in the FPC guidelines of the RBI, your Company has revised its FPC and introduced the systems, policies in line with the amended guidelines of the RBI. The copy of amended FPC is published at the website of the Company and is also available at the branches in vernacular language.

Credit Rating

Your Company has upgraded the rating scale from **mfR4** to **mfR3** rated by CRISIL Limited in November 2012 with that of the previous financial year, which indicates the ability of your company to conduct the micro finance operations in a scalable and sustainable manner.

Composition of Board

The Board of Directors consists of five members as on 31st March 2013.

- Mr. Anal Kumar Jain-Independent Director-Chairman
- Mr. Anup Kumar Singh- Managing Director
- Ms. Chandni Gupta Ohri-Independent Director
- Mr. Keeneth Dan Vander Weele- Non-Resident Director
- Mr. Satyam Darmora-Nominee Director
- Mr. Vishal Bharat-Nominee Director

➤ During the year, Mr. Kenneth Dan Vander Weele “Mr. Ken” has been inducted as director in the board of the Company w.e.f September 11, 2012. Mr. Ken is representing Creations Investments Social Ventures Fund, a Chicago based Social Venture Fund, subscribed in equity shares of the Company in Sep. 2012.

➤ Additionally in accordance with the terms of Shareholders Agreement executed between the Company, Michael & Susan Dell Foundation “MSDF” and other Shareholders, Mr. Satyam Darmora has been appointed as Nominee Director of MSDF on the board of the Company and replaced Ms. Geeta Dutaa Goel as MSDF’s nominee. The Company placed on record the appreciation of the services rendered by

her and her impartial guidance, advices to the Company during her tenure being the member of Board.

- None of the Directors is disqualified as on 31st March, 2013 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 unending support for the Company.

Corporate Governance

The Board of Sonata 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.

By virtue of the improved corporate Governance in relation to the Chairing of the board meetings by the Non Executive Director "NED", the board has appointed Mr. Anal Kumar Jain-Independent Director of the Company to Chair the Board Meetings for the period of one year from Feb 05, 2013.

The Board has met **Seven** times in financial year 2012-2013 on **May 09 2012, May 18 2012, June 12 2012, September 20 2012, Nov. 09 2012, December 20 2012, February 05 2013**, out of four meetings were held via video conferencing. The proceedings of the meetings held in persons or via tele-video conferencing are properly recorded, and that including the resolutions passed through circulations have been duly incorporated in the minute's book and signed by Chairman.

The details of the Board Meeting held during the year ending 31st March, 2013 and attended are also appended here.

<i>S. No.</i>	<i>Director</i>	<i>No. of Meetings Held</i>	<i>No. of Meetings attended</i>
1.	Mr. Anup Kumar Singh	7	7
2.	Mr. Anal Kumar Jain	7	7
3.	Ms. Chandni Gupta Ohri	7	6
4.	Mr. Kenneth Dan Vander Weele	7	3
5.	Mr. Satyam Darmora	7	1
5.	Mr. Vishal Bharat	7	7

Since Mr. Ken was appointed in Sep. 2012, two meetings were held after his appointment, he attended each meeting thereafter of his appointment. Similarly, the appointment of Mr. Satyam was made in the meeting held on Feb 05, 2013 in which he was present.

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

Board Committees

a) Audit Committee

The Audit Committee meets to review the accounts, report of Statutory Auditors as well as the Internal Auditors. The Audit

Committee has met **3 times in FY 2012-13 on June 12 2012, December 18, 2012 and February 04, 2013.**

In order to align with the Unified Code of Conduct established by Microfinance Institution Network and Sa-Dhan, your Company appointed Ms. Chandni Gupta

Ohri- Independent Director as Chairperson of Audit Committee.

The Audit Committee composed of following members of board:

1. Ms. Chandni Gupta Ohri- Chairman
2. Mr. Satyam Darmora-Member
3. Mr. Kenneth Dan Vander Weele- Member

Ms. Shalini Baghel, Company Secretary acts as the Secretary to the Committee.

b) Compensation Committee

Your Company has following members in the compensation committee:-

Mr. Anal Kumar Jain-Independent Director-Chairman

Ms. Chandni Gupta Ohri-Member

Mr. Kenneth Dan Vander Weele-Member

The Committee met on June 12, 2012 in FY 12-13.

c) Asset Liability Management Committee "ALCO"

Keeping in view the regulatory frameworks of RBI applicable to NBFCs meeting the criteria of asset base of Rs.100 crore (whether accepting / holding public deposits or not), your Company has put in place the Asset & Liability Management System and formed Asset Liability Management Committee "ALCO" in FY 12-13 to manage the liquidity risk, measurement, monitoring of liquidity and likewise other committees, ALCO is also required to report to the Board periodically.

It has the following members:-

Mr. Vishal Bharat-Chairman

Mr. Anup Kumar Singh-CEO

Mr. Abhay Singh

Mr. Mithun Bose

Finance and IT Head assist the committee in the manner as may require by it.

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. Summary of Transaction with Related Parties during the year are as follows:-

a) Managerial Remuneration

(in Rs)

Particulars	Financial year ended	
	March 2013	31 st March 2012
Managerial Remuneration	9,00,000	19,00,000
Directors HRA	4,20,000	1,20,000
PF Contribution	81,660	81,660
Director Bonus	14,89,900	25,62,000
Directors DSA	10,98,336	6,98,340

b) The entities in which directors are interested:-

Name	Interested Director	Nature of Interest
Bellwether Microfinance Fund Pvt. Ltd.	Mr. Vishal Bharat	Director
Sonata Employee Welfare Trust	Mr. Anup Kumar Singh	Trustee

Dividend

Your Directors recommended interim dividend of Rs. 0.89 per share subject of deduction of Corporate Dividend tax on the paid up Equity Capital of the Company to the shareholders whose names appeared on register on members as on the date of Book closure for the year end 31st March 2012. Your Company has distributed Rs. 64.09 Lacs as dividend amongst equity shareholders in proportionate to their shareholding in the Company as on March 31, 2012.

Mobile Technology

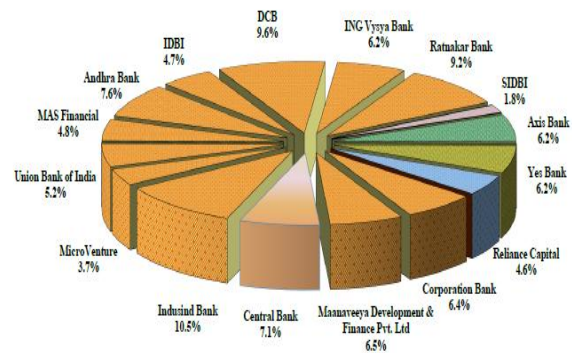
With the view to move on paperless operations and Real Time Tracking your company entered into contractual obligation with Atom Technologies Limited (“Technology Provider”), a Financial Technologies company which facilitates Technological services to its clients, in a secure manner, through the use of smart technology. Technology provider will enable the smooth operation of the system by facilitating the clients to have the repayment & disbursement Schedule even through the SMS facility and is also a better tool for diminishing the paper work.

Your Company has implemented Mobile web based application on pilot phase and trained the staff to efficiently operate the application.

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.

Funding Tie up as on March,2013



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e of
Rs. 63.78 cr of securitized portfolio from Banks and Financial Institutions. During the Period two new Banks namely ING Vysya Bank and Ratnakar Bank joined the league of Sonata funder. Among all funders Indusind Bank happened to be biggest lender who has a share of 10.50%.

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.

Human Resource

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

As of 31st March, 2013 the company has permanent staff of 884 including HO and field. The Company has more than 88% staffs composed from the operations, deputed at different positions. 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.

Insurance:

The assets of your company have been adequately insured.

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:

a) Inward Remittance:-

During the year, your Company received the following inward remittance in terms of Foreign Investment in the Company under FDI Automatic route of Investment Government of India:-

<i>Investor</i>	<i>Amount of Inward Remittance</i>	<i>Date of subscripiti on received</i>	<i>Purpose of Remittance</i>
Creation Investments Social Ventures Fund I	114,516,660	05.09.2012	Subscription for 1,491,121 Equity Shares
	3,281,900	07.09.2012	Subscription for Equity Shares
Total	117,798,560		
Creation Investments Social Ventures Fund II LP	185,482,610	04.09.2012	Subscription for 2,179,765 Equity Shares
Michael & Susan Dell Foundation (MSDF)	30,000,013	08.09.2012	Subscription for 379747 Equity Shares
Total	30,000,013		

b) Outward Remittances

During the period under review, your Company has made the following remittances:-

<i>Amount of Outward Remittance</i>	<i>Investor</i>	<i>Date of Payment</i>	<i>Purpose of Remittance</i>
Rs. 1.33 cr	Creation Investments Social Ventures	25.09.2012	Refund of execs Equity Subscription for 2,221,357

	Fund II, L.P		equity Shares of Rs. 10/- each at the price of Rs. 83.50 per share received to the Company from Creation II. However the allotment price was agreed at Rs. 79 per share.
Rs 15.36 Lacs	India Financial Inclusion Fund	01.10.2012	Dividend Distribution
Rs 6.62 Lacs	Michael And Susan Dell Foundation	01.10.2012	Dividend Distribution

divided into 15,000,000 (One Crore Fifty Lacs) Equity shares of Rs. 10/-(Rupees Ten) each and 5,000,000 (Fifty Lacs) Preference Share of Rs. 10 (Rupees Ten) each.

The Company has revised the Clause V of its Memorandum of Association, reads as:-

Clause V: THE AUTHORIZED SHARE CAPITAL OF THE COMPANY IS RS 200,000,000/-(RUPEES TWENTY CRORES ONLY) DIVIDED INTO 20,000,000 (TWO CRORE) EQUITY SHARES OF RS. 10/- (RUPEES TEN) EACH AND 5,000,000 (FIFTY LACS) PREFERENCE SHARES OF RS. 10/- (RUPEES TEN ONLY) EACH TO BE INCREASED, REDUCED OR VARIED IN ACCORDANCE WITH THE COMPANIES ACT, 1956

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.

The disclosures with respect to Grant 2013 are appended as Annexure - 2 and form part of this report.

Increase in Share Capital

a) Authorised Share Capital

During the year your Company has increased the authorised share Capital from its existing limit of Rs. 15 Cr. divided into 10,000,000 (One Crore) Equity Shares of Rs. 10/- (Rupees Ten) each & 5,000,000 (Fifty Lacs) Preference Shares of Rs. 10 (Rupees Ten) each to Rs. 20 Cr.

b) Paid up Share Capital- Allotment of Shares

During the year under review, 150,000 Compulsory Convertible Preference Shares were issued to existing Individual Resident Shareholders of the Company, which subsequently was converted into 468,750 Equity Shares of the Company at a price of Rs. 32 each. 1,470,000 Equity Shares have also been issued to Sonata Employee Welfare Trust for the benefit of the employees of the Company to be allocated at future dates under the ESOP Plans of the Company.

Additionally, your Company issued a) 1,491,121 equity Shares to Creation Investments Social Ventures Fund I b) 2,179,765 equity Shares to Creation Investments Social Ventures Fund II LP c) 379,747 equity Shares to Michael & Susan Dell

Foundation at Rs. 79 each per shares issued to subscribers in accordance with the provisions of FDI Policy issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India.

Thus, the issued subscribed and paid up equity share capital increased from Rs. 8.34 Cr. to Rs. 14.33 cr. as on March 31, 2013.

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, particulars of employee covered under the section is set out in **Annexure 1**.

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.

Green Initiatives

Your Company has a clear focus and significant influence on going green and minimizing the environmental impact of our work. Your Company has published e-Version of Audited financial statements, annual reports, prepared in compliance with the provisions of the Companies Act 1956.

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, 2013 and

The Directors confirm that:

- i) In the preparation of the annual accounts for the financial year ended March 31, 2013, 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, 2013, and of the profits of the Company for the period from 1st April 2012 to 31st March 2013.
- 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, 2013 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
For Sonata Finance Private Limited**

S/D

Anup Kumar Singh

(Managing Director)

Date: 22 August, 2013

Annexure 1

Particular of Employee u/s 217 (2A) of Companies Act, 1956

Name of the Employee	Designation	Age	Date of commencement of employment	% of equity shares held in the Company as on March 31, 2013
Mr. Anup Kumar Singh	CEO and Managing Director	42	02 July 2009	7.94

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