

Sonata Finance Private Limited

Capital to make Capable

Annual Report 2011-2012



**[Registered Address] :125B/6B, Pt. Madan Mohan Malviya Road, George
Town, Allahabad-211002 (UP)**

[Email] :info@sonataindia.com

[Phone]: 05326540311-326



Identity

- *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*

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

“We commit to be professionally managed, operationally sustainable and financially profitable.”

Board of Directors

Anup Kumar Singh : Managing Director

Anal Kumar Jain : Independent Director

Chandni Gupta Ohri : Independent Director

Geeta Dutta Goel : Nominee Director

Vishal Bharat : Nominee

Statutory Auditors

Vinay Kumar & Co.

Company Secretary

Shalini Baghel



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Synopsys of Sonata:

- Sonata provides financial services to low income households who are eager to engage themselves in some income generating activities in rural, semi urban and urban areas to become economically active.
- Our philosophy is to fight poverty while keeping in mind our core values of "Right Focus, Right Means and the Right Ways"
- The Company has largely remained unaffected by the MFI Crisis and remained sustainable in securing the remarkable profit in the period of crisis in the industry.
- The Company has always been able to procure debt and the equity from the various available sources that enabled us to serve wide range of financial services to our customers in a integrated manner and providing them level of extensive satisfaction.
- Sonata has foreign Direct investment to the extent of 34.31% and Foreign Indirect Investment at 38.30% of total paid up share capital. By virtue of provisions of FDI Policies, the company is termed as "Foreign Owned & Controlled Indian Company".
- Sonata is one of the fastest growing MFI in Asia. Within the span of its journey since 2006, the Company secured steady growth in terms of profitability, area of operations, and increased client outreach.
- Promoter of Sonata is a pioneer in JLG focused MFI

Snap Shot on Operations (as on 31st March 2012)

110 branches

4 Operational States

159,283 Members

132,760 Active Loan Customers

100% of active customers covered under life insurance facility

Rs. 5,974.42 Million Loan Disbursed

Rs. 1,014.99 Million Loan Portfolios

674 Staff Strength.

Divisional and Regional Offices Addresses

HEAD OFFICE

SECTOR-16, HNO. 1414,
INDIRA NAGAR,
NEAR VASUNDHARA COMPLEX,
LUCKNOW

LUCKNOW DIVISION OFFICES

SECTOR-16, HNO. 1414,
INDIRA NAGAR,
NEAR VASUNDHARA COMPLEX,
LUCKNOW

ALLAHABAD DIVISION OFFICES

125B/6B, PT. MADAN MOHAN
MALVIYA ROAD, GEORGE
TOWN,
ALLAHABAD-211002
TEL: 0532-6540311-6540326

REGION OFFICES

KANPUR

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

LUCKNOW

SECTOR-16, HNO. 1414,
INDIRA NAGAR,
NEAR VASUNDHARA
COMPLEX,
LUCKNOW-UP

JABALPUR

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

ALLAHABAD

13 B CHURCH LANE
ALLENGANJ,
ALLAHABAD-211002 UP.
TEL: 0532-2467985

SAHARANPUR

ANAND BIHAR, NEAR
PANT BIHAR HOUSE NO.
715, DELHI ROAD,
SAHARANPUR-UP.

MURADABAD

A-46/1, NEAR SHIV
MANDIR, RAM GANGA
VIHAR COLONY,
MURADABAD-UP

FAIZABAD

H.NO. 19, NAYAR COLONY,
IN FRONT OF SALES TAX OFFICE,
CIVIL LINES,
FAIZABAD-UP
TEL: 05278-220036

Governance of Sonata

I. Board of Directors

Anup Kumar Singh: Chairman



Mr. Anup Kumar Singh is one of the pioneers in Microfinance sectors having More than 15 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 and to manage 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.

Besides above he periodically reviews Sonata's ongoing polices for the better development. The Company owes to him for his invaluable contributions that lead Sonata to build reputed presence in Micro Finance Sector. Being a 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, 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.

Anal Kumar Jain- Independent Director



Mr. Anal Kumar Jain has over 40 years experience in top management positions in major international and Indian IT Companies including over 7 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 7 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.

Geeta Dutta Goel- Nominee Director



She manages the Michal and Susan Dell Foundation's microfinance initiative in India. She spent over 12 years with the Corporate Finance Group of Pricewaterhouse Coopers in India, advising large Indian and multi-national clients on joint ventures, mergers & acquisitions, equity investments, financing, and valuations. She is an alumni of IIM (Ahmedabad) and Lady Shri Ram College (Delhi). She

currently serves on the Boards of Ujjivan Financial Services, Arohan Financial Services, Janalakshmi Financial Services, Swadhaar FinServe, and Invest India Micro Pension Services.

She brought the Sonata in the light of sound corporate social responsibility, Corporate Governance and the ethics.

.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.

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 been 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.

II. Functional Committees

a. Board Committees

Sonata has formed board level committees with the view to assist the Board in fulfilling its oversight responsibilities. Each of the Committee is headed under stewardship of the Independent Member of the Board.

Compensation Committee

The Compensation Committee of sonata has primary responsibility of reviewing the compensation of the Company's CEO and other executive officers and making recommendations to the Board for its consideration/adoption. The Committee is entrusted with the responsibility to Review and evaluate the CEO's performance in light of defined goals and objectives. The Committee meets on annual basis.

Audit Committee

This Committee reviews and monitors the financial reporting process, system of internal financial reporting, accounting compliances, review of audit plans, half yearly and annual financial statements before approval of the Board. The Audit committee of the Board meets on half yearly basis when the account of the sonata finalized for the purpose to review the half yearly accounts & annual accounts, concerns/ observations are sent to the Board by the Committee for its attention. However the Board after been satisfied with the committee recommendations regarding the financial statements approves the accounts of the Company.

b. Sub-Committees

Sonata has introduced four committees of sub-committees to assist the board of Sonata. Each Committee consists of minimum five members, of which one is headed as the Chairman in each committee. It has TOP Management Committee which

specifically deals in Strategic management on behalf of the Board and regulates the other three committees, and provides overall directions bestowed with the responsibility to managing, identifying, developing, modifying the policies and plans often in terms of projects and assignments related to various areas like Human Resources, Operation, Administration, Grievance Redressed Mechanism, etc.

The basic motive of involving bottom level staff is to run the organization in a smooth and efficient manner and also to develop the second line management team by involving these staffs in decision making process. The execution of decision making on strategic issues flows from the sub –committees mentioned here-under which forward its inputs to TOP Management Committee (TMC), TMC again makes its recommendations on the inputs provided by the sub committees to the Board of Sonata, for its final consideration, adoption, alteration or rejection etc.

Each Committee established with specified responsibilities contemplated in the Guidelines amended from time to time with the object to regulate the Committees & their workings.

Top Management Committee (TMC)

This Committee is bestowed with the authority to prepare the action plans for other committees, & to monitor, evaluate and regulate the workings of other Committees. The TMC has the authority to review, alter, approve or reject the proposals of the sub-committees if it deems fit in the Company's interest. Recommendation of TMC places before the Board of Directors for its final consideration to implement or to repudiate the action plan prepared by sub committees.

Remuneration & Grievance Redress Committee

This Committee develops, and monitors Staff Performance target and appropriate measurement criteria & deals in compensation related matters upto senior level personnel in the company, including their mode of recruitment, selection, transfer, promotion and appraisal based on proper evaluation and also ensures that the company adopts, monitors and applies appropriate remuneration policies and procedures within the organization.

This Committee also acts as a spokesperson for the employees and considers all grievances submitted in writing or verbally by an individual staff regarding employment, working conditions and any other alleged injustice done to an employee while discharging his/her duties at the company.

Business Intelligence & Risk Analysis committee

The Committee is formed with the primarily objective to assist the company by bringing new ideas and techniques, indentifies business opportunities for enhanced operation of Sonata. The Committee identifies, analyzes, develops & measures the success of new Business Initiatives, and sets up whole process & Road Map for implementation of the processes. The committee also oversees risk management methodology regarding all the functions and activities within the company, including Investing, Marketing, and Operations.

Business & Review committee

Business & Review Committee covers various existing business activities, their processes & any new business activities of sonata in line with the established targets. The Committee periodically reviews & evaluates the performance of existing products offered by the Company & performance of new initiatives after at frequency of six months. The Committee is responsible to ensure the proper & updated formats & layouts of the stationeries based on business requirements of Sonata.

Funding Association

Sonata has been raising funds from varied sources. Presently Sonata has been successful in getting sanctioned loans from twenty three financial institutions including banks. During the financial year 11-12 IDBI, and Andhra Bank also joined the league of funding association with Sonata.

The operation of Sonata would not have been reach to this level without the support of funding entities. Sonata is thankful for their unending support that enables Sonata to fulfill its mission & vision by outreaching large scale of poor families. Sonata's funding partners are:



RBI Regulatory Framework

Being a NBFC, Sonata is strictly adhered not only to comply the Reserve Bank of India's (hereinafter called as the Bank) Guidelines and prudential norms relating to Non Banking Financial Companies but also the Regulations applicable to Micro Finance Institutions as the core business of the Sonata is delivering Micro Credit Services to poorer families. The Bank on observing the prevailing micro finance Sector scenarios and other external environmental facets, issues and/or amends the various Guidelines and circulars to regulate the operations of all NBFCs accepting deposits or non deposit taking NBFCs.

As stated above Sonata is registered as NBFC since 2001, hence attracts the Bank's stringent Regulatory frameworks. Sonata clearly ensures & focuses to pursue and carry the operations aligning with the prevailing laws and other statutory enactments. Whenever the Bank brings and issues pertinent guidelines Sonata if need so arise actively amends the processes & policies so as not to contravene the Bank's provisions whether it relates to Asset provisioning, classification, Loan Loss Reserve maintenance, revision on interest rate etc.

a) Sonata- Non Deposit Taking Systematically Important Company "NBFC NDSI"

During the fiscal year end 2011, the total asset size of Sonata exceeded Rs. 100 crores, hence it attracted 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 it is now categorized under a Systemically Important Non-Deposit Accepting "NDSI" NBFC and abided by the Directions applicable to NDSIs.

b) RBI Reporting Norms for NDSI

In order to build the reporting structure more transparent and to monitor the operation by gaining frequent access to important financial parameters, the Bank has brought the directive principles for NDSI to submit monthly, quarterly, half yearly, annual Returns and Statements to the Bank. Sonata periodically submits its annual Return, Special Return alongwith other necessitated documents to the Bank.

c) Seeking fresh Registration as NBFC-MFI

In order to get registration as NBFC-MFI separate category of NBFCs carrying Micro Finance Operations, classified by the Bank vide its Circular issued on Dec. 2nd 2011, the Company has approached to the concerned office of Reserve Bank of India and is awaited to get the registration. These newly classified NBFC-MFIs are adhered to be abided by the Directions known as the Non-Banking Financial Company-Micro Finance Institutions (Reserve Bank) Directions, 2011 issued on 2nd December 2011, which are extended to the MFIs which are registered under the provisions of 45IA of Reserve Bank of India Act, 1934. Sonata is in duly compliant of Bank Directions in this respect.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of the members of the company will be held on **30th July 2012**, at the Registered Office of the Company at 125B/6B, Pt. Madan Mohan, Malviya Road, George Town, Allahabad- 211002 at 11:00 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, 2012 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.
3. To increase the Authorized Share Capital and to alter the Capital clause of Memorandum of Association of the Company.

“RESOLVED THAT pursuant provisions of Companies Act, 1956 and subject to the approval of shareholders, Clause V of the Memorandum of Association be and is hereby altered by increasing the Authorized Share Capital of the Company from existing Rs. 150,000,000/- (Rupees Fifteen Crores) 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. 200,000,000/- (Rupees Twenty Crores Only) divided into 15,000,000 (Once 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 ranking pari- passu with the existing equity shares.”

“RESOLVED FURTHER THAT the Clause V of the Memorandum of Association of the Company be and are hereby amended by substituting in its place, the following new clause:-

Clause V: THE AUTHORIZED SHARE CAPITAL OF THE COMPANY IS RS 200,000,000/-(RUPEES TWENTY CRORES ONLY) DIVIDED INTO 15,000,000 (ONE CRORE FIFTY LACS) EQUITY SHARES OF RS. 10/- (RUPEES TEN) EACH AND 5,000,000 (FIFTY LACS) PREFERENCE SHARES OF RS. 10/- (RUPEES TEN ONLY) EACH.

Date: 20/06/2012

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 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 TO 3.

Resolution1- Approval of Accounts & Auditor's Report

The Company is required to present its audited accounts for the year ended 31st March 2012 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.

Resolution 2- Appointment of Statutory Auditors

M/s Vinay Kumar & Co. Chartered Accountants, are the retiring auditors of the Company and are eligible for re-appointment as the Statutory Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General

Meeting of the Company, and that re-appointment is submitted for approval of the members.

This resolution as Item No. 2 is being proposed as an Ordinary resolution. None of the directors is interested in this resolution.

Resolution 3- Increase in Authorized Share Capital

The present Authorised Share Capital of the Company is Rs. 150,000,000/- (Rupees Fifteen Crores) 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 augment the long-term resources of the Company, it has become necessary to increase the Authorised Share Capital from the existing limit to Rs. 200,000,000/- (Rupees Twenty Crores Only) 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 ranking pari- passu with the existing shares and to amend the provisions of Clause V of the Memorandum of Association it requires the approval of the shareholders for effectuating the decision.

This resolution as Item No. 3 is being proposed as an Ordinary resolution. None of the directors is interested in this resolution.

Date: 20/06/2012

Place: Allahabad

By order of the Board

For Sonata Finance Pvt. Ltd

Sd/-

Shalini Baghel

Company Secretary

**Director's Report,
2012**

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, 2012 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 2012	31st March 2011
	Amt(In Rupees)	Amt(In Rupees)
Interest & fees on Loans and Advances	243,424,868.80	249,435,333.70
Interest on Investment & other Income	15,568,234.28	10,820,798.90
Gain on portfolio sale	7,124,125.00	4,708,082.00
(A) Total Income	266,117,228.08	264,964,214.60
Total Administrative Cost	122,833,086.22	107,127,542.35
Total Financial Cost	82,991,044.53	82,570,694.85
(B) Total Cost	205,824,130.75	189,698,237.20
(C) Profit Before Depreciation & Tax(A-B)	60,293,097.33	75,265,977.40
(D) Depreciation	2,102,557.00	2,226,949.00
(E) Profit Before Tax (C-D)	58,190,540.33	73,039,028.40
Fringe Benefit Tax	0.00	0

Provision For Taxation (Including Deferred Tax)	20,945,158.30	25,652,978.00
(F) Profit After Tax	37,245,382.03	47,386,050.40
Fixed Asset	7,094,186.65	8,201,325.65
Investments in unquoted Shares and quoted Debt Fund	62,051,560.18	31,809,152.36
Loan Outstanding	423,889,351.20	740,932,457.00
Cash & Cash Equivalents	616,531,279.14	280,995,354.29
Other Current Assets	65,625,215.53	30,568,696.45
Deferred Tax Assets (Net)	1,021,566.00	1,063,521.00
Total Asset	1,176,213,158.70	1,093,570,506.75
Represented by Share Capital	290,337,328.00	290,337,328.00
Loan from Bank & Financial Institution	727,923,565.00	686,267,969.88
P&L Cr. Balance and Reserves and Surplus	109,915,263.56	72,669,881.53
Other Current Liabilities & Provisions	48,037,002.14	44,295,327.34
Total Liabilities	1,176,213,158.70	1,093,570,506.75

Operational Highlights:

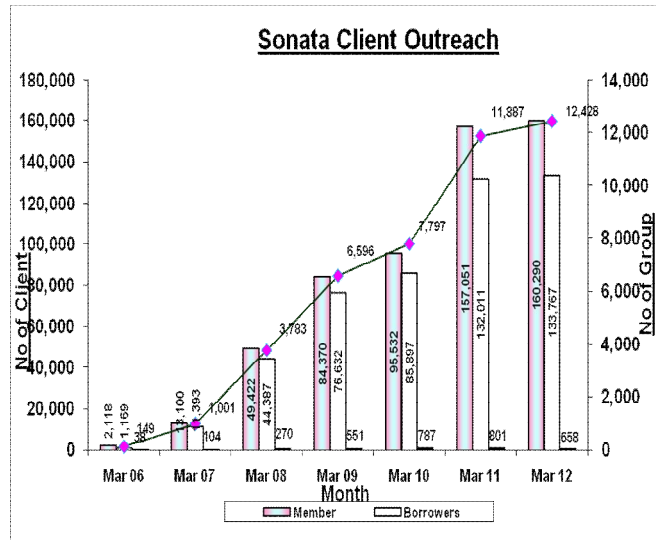
The following table summarizes the operational performance of your Company for the year ended 31st March, 2012:

Year ended 31st March	As on 2012	As on 2011	% Change
Number of Branches	110	123	-10.56
Number of Employees	674	834	-19.18

Amount Disbursed (in Rs. Crore)	599.44	415.46	44.28
Loan Portfolio (in Rs. Crore)	101.84	82.71	23.13

During the year your company achieved the targets as stipulated in the Business projections. We were able to extend our services to 133,767 Active members, which demonstrate remarkable achievement in accessing wide range of borrowers since the year of inception.

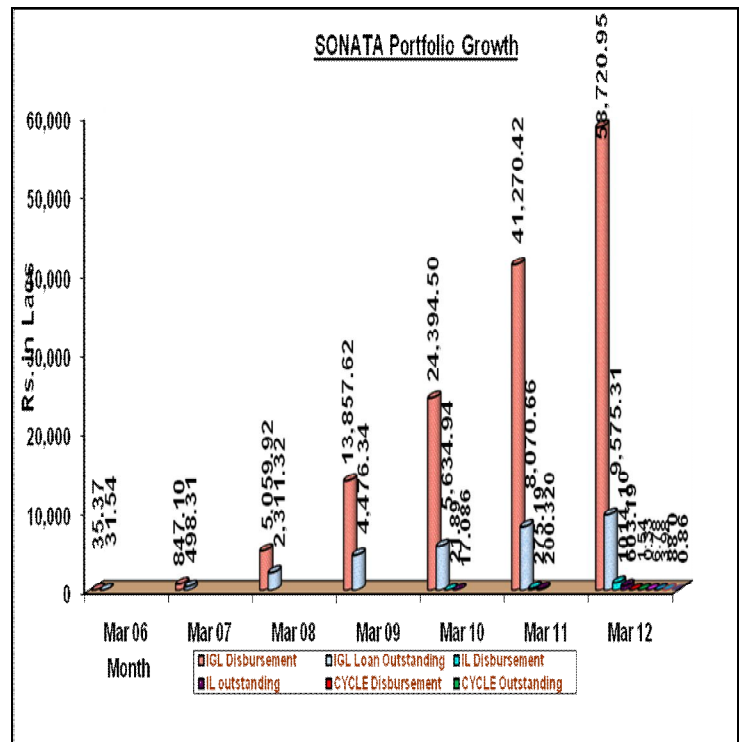
As on March 2012 the OSS of your company has reached to 131.79 percent which is at 104% of fixed target for the year.



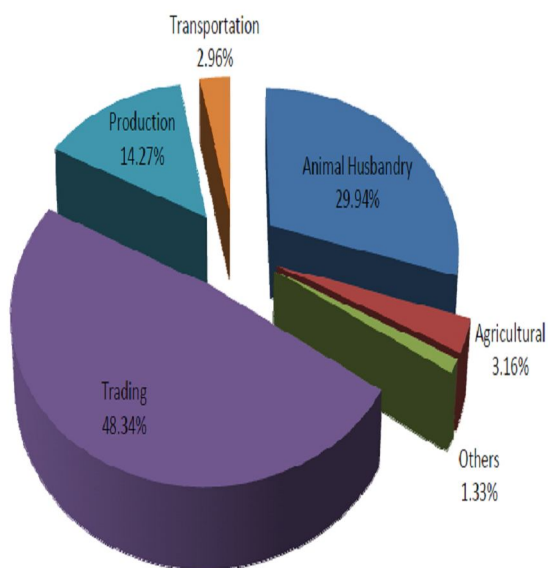
During this financial year, your Company was successful in disbursing additional loan of Rs. 181.98 cr. comparative with previous financial year under all of its financing modules. The Total disbursement as on March 2012 reached to Rs. 597.44 cr. which are in combination of followings:-

(Amount in cr.)

IGL	IL	Cycle Loan	ACS	Sewing Machine
587.22	10.14	0.02	0.06	0.008



IGL Portfolio Activity breakup - March 2012



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

During the period Loans taken for undertaking trading activities accounted for 48.34% of the loan outstanding. Agri-allied loans accounted for 3.16%. 2.96% for Transportation, 29.94% for Animal Husbandry, 14.27% for Production and rest 1.33% on other activities.

Thus like previous year during Financial Year 11-12 also the thrust for loan is in Trading Activities.

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.

RBI Guidelines

Your Company was 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 35.51% as on 31st March, 2012

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

Credit Rating

This year also your Company was able to secure mFR4 rating equal to the rating of previous financial year, rated by CRISIL Limited in the year November 2011.

Company Performance Bonus

Previous financial Year 10-11 came with the crisis period for Micro Finance Institutions in India, many of the MFIs could not have been untouched with this crisis period & suffered with many challenges like funding crunch, decreased confidence of borrowers towards MFIs etc. Your Company even in the adverse scenarios performed well and achieved steady growth this financial year also. Directors of your Company declared to distribute Rs. 12 Lacs as Company performance Bonus Reward for the year 2012 to express the gratitude towards employees who remained associated with the Company in its tough timings and performed their duties with full devotion, and assisted the Company in securing PAT of Rs. 3.72 cr.

Composition of Board

The Board of Directors consists of five members as on 31st March 2012.

- Mr. Anup Kumar Singh (Chairman)
- Mr. Anal Kumar Jain-0109.2011
- Mr. Vishal Bharat Since 02.07.2009
- Ms. Geeta Dutta Goel Since 12.01.2010
- Ms. Chandni Gupta Ohri-01.09.2011

➤ During the year, your Board with the intend to strengthen better corporate governance added two new Independent Directors in the Board namely Mr. Anal Kumar Jain & Ms. Chandni Gupta Ohri possessing apt experience in the business of your Company. On other side Mr. Ajit Surendra Verma Independent

Director stepped down from the Board of the Company with effect from 22nd Sep. 2011. The Company placed on record the appreciation of the services rendered and his impartial guidance, advices showered by him to the Company during his tenure being the member of Board.

- None of the Directors is disqualified as on 31st March, 2012 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.

The Board has met Five times in financial year 2011-2012 on **07th June 2011, 1st September 2011, 22nd September 2011, 14th December 2011 and 30th March 2012**. 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, 2012 and attended are also appended here.

S. No.	Director	No. of Meetings Held	No. of Meetings attended
1.	Mr. Anup Kumar Singh	5	5
2.	Mr. Anal Kumar Jain	5	4
3.	Ms. Chandni Gupta Ohri	5	4
4.	Ms. Geeta Dutta Goel	5	4
5.	Mr. Vishal Bharat	5	5

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

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. The software enables quality reports to be generated for use of us.

Your Company has implemented Mobile web based application on pilot phase in some of the outlets of Allahabad during this financial year which facilitates the clients to have the repayment & disbursement Schedule even through the SMS facility and is also a better tool for diminishing the paper work.

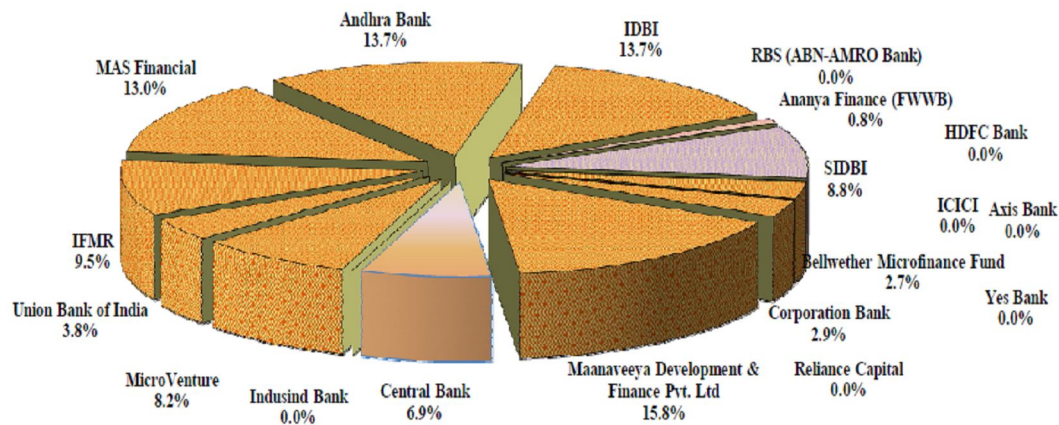
Statutory Compliance Certificate

The compliance check through an external agency with regard to all the statutory compliance for the year end 31st March 2012 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.

Funding Tie up as on March 2012



As on March, 2012 Company attracted loan funds and raised Rs. 132 Crore from Banks and Financial Institutions inclusive of unsecured loan of Rs. 2 cr. granted by Bellwether Microfinance Fund. Pvt. Ltd. During the Period two new Banks namely IDBI and Andhra Bank joined the league of Sonata funder. Among all funders Manveeya Holdings and Investments Pvt. Ltd happened to be biggest lender who has a share of 15.80%.

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, 2012 the company has permanent staff of 674 including HO and branches. We have 26 trainees on different positions in addition with 16 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 2011-12 on 07th June 2011 and 14th December, 2011.

It has the following Members:

1. Vishal Bharat- Chairman
2. Geeta Dutta Goel
3. Anal Kumar Jain
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, DVP Finance
 - d) Abhay Singh, DVP Business Development Analyst
 - e) Tarun Srivastava, DVP Audit
 - f) Saif Khan, DVP PMECD Department
 - g) Ashish Singh, DVP Operations, IL, Allahabad
 - h) Vinay Pratap Singh, DVP Operation, Allahabad

- i) Anil Singh, AVP Operations, Kanpur
- j) Anil Gupta, DVP Operations, Sultanpur
- k) Shyam Kanhaiya, AVP Information Technology
- l) Sanjay Singh. AVP Jabalpur
- m) Priyanka Srivastava, AVP Human Resource
- n) Prateek Jain- Account Head

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

a) Managerial Remuneration

Particulars	Financial year ended	
	March 31 st 2012	March 31 st 2011
Managerial Remuneration	4,582,000	5,285,000
Directors Sitting Fee	160,000	-
Directors Travelling & other Exp.	2,068,813	1,234,576

b) Transactions with the entities in which directors are interested:-

Name	Interested Director	Loan amount Outstanding	Nature of Interest
Bellwether Microfinance Fund Pvt. Ltd.	Mr. Vishal Bharat	Rs. 20,000,000	Director
Trident Microfin Pvt. Ltd.	Mr. Vishal Bharat	Rs. 14,621,000	Director
Sonata Employee Welfare Trust	Mr. Anup Kumar Singh	Rs. 13,037,000	Trustee

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:

There were no foreign exchange earnings and Out go during the Financial year ended 31 March 2012.

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.

The disclosures with respect to Grant 2012 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, no employee in the Company employed or remunerated in excess of the prescribed limits i.e. Rs. 24 Lacs per annum and above or Rs. 2 Lacs per month during the financial year 11-12.

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, 2011 sponsored by CGAP, Michael and Susan Dell Foundation and Ford Foundation. Whereas in the previous financial years we have been awarded with Gold and Silver Category awards.

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, 2012 and

The Directors confirm that:

- i) In the preparation of the annual accounts for the financial year ended March 31, 2012, 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, 2012, and of the profits of the Company for the period from 1st April 2011 to 31st March 2012.
- 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, 2012 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**

Sd/-

Anup Kumar Singh

(Chairman & Managing Director)

Place: Allahabad

Date: 18th June, 2012

Annexure - 1

Disclosure of ESOP Grant 2012

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

The Shareholders of the Company in their Annual General Meeting accorded their consent to create, offer, issue and allot at any time to or to the benefit of promoter and senior management or above level personnel, who are in permanent employment of the Company subject two years continuous service in the company till the date of grant for the year 2011, 2012 & 2013 as the case may be. Options exercisable by senior management or above level into not more than 4,16,500 i.e. 5% of the issued and paid up capital of the Company and 625,000 by Promoter of the Company subject further extended number of options granted either by Board or committee of Board 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 second trench options for senior management or above level employees covered under first trench as on 31st March 2011, and first trench options to those number of employees, getting eligible for options for the year 2012, granted by Board on 30th March 2012 at an exercise price of Rs. 26 equal to the fair market value of the Company's equity shares as on the date of first grant as certified by an independent valuer and fixed by Board to be same for subsequent tranches of grant to the existing eligible employees under such number of tranches determined by Board.

The second trench options for the year 2012 for promoter granted by Board on 30th March 2012 at an exercise price of Rs. 18.56 equal to the fair market value of the Company's equity shares as on the date of grant as certified by an independent valuer and fixed by Board to be same for subsequent tranches of grant to the promoter under such number of tranches determined by Board

➤ **Number of Options Granted:**

Pursuant to provisions of ESOP Scheme(s) 124000 granted for the employees eligible for options for the year 2012 segregated in the ration of 30:30:40 to vest after three years lock-in in three years i.e. 31st March 2015, 31st March 2016 and 31st March 2017 respectively. Board in its meet at 30th March 2012 considering the precedent vesting conditions approved vesting of total 32400 options for first 30% options to vest on 31st March 2015.

The Board at unanimous consent imposed the condition on 318750 unvested options of Promoter to vest in next three years and approved 62500 options to vest on 31st March 2012 for Promoter of the company and rest to vest on 31st March 2013 and 31st March 2014 subject achievements of certain milestones set up or amended by Board from time to time.

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

As per the provisions of ESOP Scheme total options granted to the existing senior manager level employees were amounted to 416,500 options subject to the continued employment into the organization and other ongoing conditions such as scoring minimum weightage in their performance evaluated for their each trench of grants.

A. **ESOP for Senior Management:-**

Particulars	# No. of Options
<i>Board approved for employees eligible in the year 2011</i>	116000
<i>Board approved as Loyalty Options for employees eligible in the year 2011</i>	8000
<i>Board approved for employees eligible in the year 2012</i>	124000

<i>Sub-total</i>	248000
<i>Options available for 2013</i>	100,000
<i>Options available for new hires</i>	68,500
Total	416,500

(a) ESOP Grant 2011 for reserved pool constituting 116000 Options:-

<i>Explanations</i>	<i>Segregations into First Phase (31st Mar. 2011)</i>	<i>Segregations into second Phase (31st Mar. 2012)</i>	<i>Segregations into Third Phase. (31st Mar. 2013)</i>
<i># options reserved for existing Employees</i>	34800 <i>(i.e. 30% of Pool Reserved)</i>	34800 <i>(i.e. 30% of Pool Reserved)</i>	46400 <i>(i.e. 40% of Pool Reserved)</i>
<i># Options granted based on annual performance evaluation</i>	27600	34050	<i>To be appraised in March 2013</i>
<i>Vesting Date</i>	31.03.2014	31.03.2015	31.03.2016
<i>Exercise Period</i>	31.03.2019	31.03.2020	31.03.2021
<i># Employees covered under the Scheme</i>	22	19	19
<i># Employees debarred into the scheme or Resigned</i>	3	0	N.A
<i># Employees eligible for options</i>	19	19	N.A

(b) ESOP Grant 2012 for reserved pool constituting 124000 Options:-

<i>Explanations</i>	<i>Segregations into First Phase (31st Mar. 2012)</i>	<i>Segregations into second Phase (31st Mar.</i>	<i>Segregations into Third Phase. (31st Mar. 2014)</i>
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		2013)	
# options reserved for existing Employees eligible in 2012	37200 (i.e. 30% of Pool Reserved)	37200 (i.e. 30% of Pool Reserved)	49600 (i.e. 40% of Pool Reserved)
# Options granted based on annual performance evaluation	32400	To be appraised in March 2013	To be appraised in March 2014
Vesting Date	31.03.2015	31.03.2016	31.03.2017
Exercise Period	31.03.2020	31.03.2021	31.03.2022
# Covered eligible employees	28	21	21
# Employees Resigned before 31st March 2012	2	N.A	N.A
# Employees not promoted at Senior Manager position before 31st March 2012	5	N.A.	N.A.
# Employees eligible in March 2012	21	N.A.	N.A

B. ESOP for promoter:-

Explanation	# No. of Options
Board approved vesting for 2011	306,250
Board approved vesting for 2012	62,500
Sub-Total	368,750
Unvested Options	256,250
Total Options in force	625,000

➤ **Option Vested:**

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

However 8000 Loyalty options were embedded with the immediate vesting condition with the date of grant. Thus Eight Thousand options were vested to eight employees as on 31st March 2011.

➤ **Option Exercised:**

Neither employee nor promoter has exercised vested options as on date of 31st March 2012 to date of Annual General Meeting.

➤ **Employee wise details granted to**

a) **Promoter**

S. No	Name	Eligible options	Options vested in 2011	Options vested in 2012	Unvested Options
1.	Anup Kumar Singh	625,000	306,250	62,500	256,250
	Total	625,000	306,250	62,500	256,250

b. **Deputy Vice President**

S. No	Name	Eligible options	I Trench @ 30%	II Trench @ 30%	III Trench @ 40%	Option to vest in 31 st March 2015
1.	Abhay Singh	10000	3000	3000	4000	2250
2.	Ashok Kumar	10000	3000	3000	4000	3000
3.	Mohammad Saif	10000	3000	3000	4000	2250
4.	Vinay Pratap Singh	10000	3000	3000	4000	3000

	TOTAL*	40,000	12000	12000	16000	10500
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c. Assistant Vice Presidents:

S. No	Name	Eligible options	I Trench @ 30%	II Trench @ 30%	III Trench @ 40%	Option to vest in 31st March 2015
1.	Anil Singh	8000	2400	2400	3200	2400
2.	Satya Prakash yadav	8000	2400	2400	3200	2400
	TOTAL*	16,000	4800	4800	6400	4800

d. Senior Managers

S. No	Name	Eligible options	I Trench @ 30%	II Trench @ 30%	III Trench @ 40%	Option to vest in 31st March 2015
1.	Amit Pandey	4000	1200	1200	1600	1200
2.	Anand Singh	4000	1200	1200	1600	1200
3.	Avinash Rai	4000	1200	1200	1600	1200
4.	Bala Krishna	4000	1200	1200	1600	1200
5.	Brijbihari Singh	4000	1200	1200	1600	900
6.	Digvijay Singh	4000	1200	1200	1600	900
7.	Dinesh Singh	4000	1200	1200	1600	1200
8.	Hina Mishra	4000	1200	1200	1600	1200
9.	Lakshman Singh	4000	1200	1200	1600	1200
10.	Niharika Singh	4000	1200	1200	1600	1200
11.	Rajnath Yadav	4000	1200	1200	1600	1200

12	Rakesh Kr. Burman	4000	1200	1200	1600	1200
13	Reema Das	4000	1200	1200	1600	1200
14	Ritu Yadav	4000	1200	1200	1600	1200
15	Satyendra Ds	4000	1200	1200	1600	900
	TOTAL*	60,000	18000	18000	24000	17100

* Total Grant for 2012 116000, Option would vest in 2015 = 32400

