

Independent Auditor's Report on the Financial Results of the Company Pursuant to the Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

To
The Board of Directors of
Fusion Micro Finance Private Limited

Report on the audit of the Financial Results**Opinion**

We have audited the accompanying statement of financial results of Fusion Micro Finance Private Limited (the "Company"), for the year March 31, 2020 ("Statement"), attached herewith, being submitted by the Company pursuant to the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations").

In our opinion and to the best of our information and according to the explanations given to us, the Statement:

- i. is presented in accordance with the requirements of the Listing Regulations in this regard; and
- ii. gives a true and fair view in conformity with the applicable accounting standards and other accounting principles generally accepted in India, of the net profit and other comprehensive income and other financial information of the Company for the year ended March 31, 2020.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013, as amended ("the Act"). Our responsibilities under those Standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Results" section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 3 of the statement which describes the extent to which CoVID-19 Pandemic impact the Company's operations and financial results will depends on future developments, which are highly uncertain. Our opinion is not modified in respect of this matter. Our opinion is not modified in respect of this matter.

Management's Responsibilities for the Financial Results

The Statement has been prepared on the basis of the annual financial statements. The Board of Directors of the Company are responsible for the preparation and presentation of the Statement that gives a true and fair view of the net profit and other comprehensive profit of the Company and other financial information in accordance with the applicable accounting standards prescribed under Section 133 of the Act read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 52 of the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Statement, the Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Results

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Statement.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Statement, including the disclosures, and whether the Statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. The comparative Ind AS financial information of the Company for the year ended March 31, 2019, included in these financial results, are based on the previously issued standalone financial, which were prepared in accordance with accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP) and the applicable guidelines issued by the Reserve Bank of India (RBI) for Non-Banking Financial Companies results for the year then ended, which were audited by the predecessor auditor whose report dated May 27, 2019 expressed an unmodified opinion on those standalone financial results, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.

Further, we report that the figures for the half year ended March 31, 2020 represent the derived figures between the audited figures in respect of the financial year ended March 31, 2020 and the published unaudited figures for the half year ended September 30, 2019, which were subjected to a limited review by us, as required under the Listing Regulations.

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

ICAI Firm registration number: 101049W/E300004



per Amit Kabra

Partner

Membership No.: 094533

UDIN: 20094533AAAADT2719

Gurugram

June 22, 2020



Fusion Micro Finance Private Limited

CIN: U65100DL1994PTC061287

Registered office address : H-1, Block C, Community Centre, Naraina Vihar, New Delhi-110028

Standalone financial results for the half year ended March 31, 2020

(Rs in millions unless otherwise stated)

Particulars	As at March 31, 2020	As at March 31, 2019
	Audited	Audited
ASSETS		
Financial assets		
Cash and cash equivalents	5,396.67	7,239.71
Bank Balance other than Cash and cash equivalents	2,780.82	2,665.21
Trade receivables	31.39	6.09
Loan portfolio	33,429.73	25,720.36
Investments	5.00	5.00
Other financial assets	238.46	97.24
Total financial assets	41,882.07	35,733.61
Non-financial Assets		
Current tax assets (net)	119.09	78.60
Deferred tax assets (net)	305.02	214.31
Property, plant and equipment	58.98	53.51
Intangible assets	1.47	1.73
Other non- financial assets	33.31	23.45
Total non-financial assets	517.87	371.60
Total Assets	42,399.94	36,105.21
LIABILITIES AND EQUITY		
Liabilities		
Financial liabilities		
Trade Payables	40.72	41.88
Debt securities	3,998.98	4,990.05
Borrowings (other than debt securities)	24,571.57	23,130.35
Subordinated liabilities	1,166.29	1,165.49
Other financial liabilities	513.28	419.12
Total financial Liabilities	30,290.84	29,746.89
Non-financial liabilities		
Current tax liabilities (net)	0.53	0.38
Provisions	57.72	52.90
Other non-financial liabilities	61.96	46.50
Total Non-Financial Liabilities	120.21	99.78
Equity		
Equity share capital	789.50	615.77
Other equity	11,199.39	5,642.77
Total Equity	11,988.89	6,258.54
Total Liabilities and Equity	42,399.94	36,105.21

For and on behalf of the Board of Directors of
FUSION MICRO FINANCE PRIVATE LIMITED

Place: New Delhi
Date: June 22, 2020



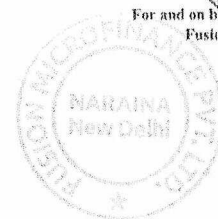
Devesh Sachdev
Managing Director and CEO

Fusion Micro Finance Private Limited
CIN: U65100DL1994PTC061287
Registered office address : H-1, Block C, Community Centre, Naraina Vihar, New Delhi-110028
Standalone financial results for the half year ended March 31, 2020

Particulars	For the half year ended March 31, 2020	For the half year ended March 31, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019
	Unaudited	Unaudited	Audited	Audited
Revenue from operations				
Interest income	3,486.39	2,778.98	6,664.88	4,693.74
Fees and commission income	13.38	34.51	34.64	66.51
Net gain on fair value changes	83.02	106.49	231.57	182.89
Net gain on derecognition of financial instruments under amortised cost category	191.17	-	271.55	-
Total revenue from operations	3,773.96	2,919.98	7,202.64	4,943.14
Other income	88.94	14.64	100.47	27.39
Total income	3,862.90	2,934.62	7,303.11	4,970.53
Expenses				
Finance costs	1,674.06	1,478.08	3,376.72	2,539.89
Impairment on financial instruments	776.34	240.81	926.99	206.75
Employee benefit expense	800.98	551.17	1,483.33	1,033.33
Depreciation and amortization expense	14.40	13.55	25.76	23.87
Others expenses	242.59	296.18	490.36	482.66
Total expenses	3,508.37	2,579.79	6,303.16	4,286.50
Profit before tax	354.53	354.83	999.95	684.03
Tax expense:				
Current tax	266.19	179.82	395.99	206.61
Deferred tax	(133.44)	(83.84)	(92.14)	(29.27)
Income-tax expense	132.75	95.98	303.85	177.34
Profit after tax	221.78	258.85	696.10	506.69
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
-Remeasurement gain on defined benefit plans	6.46	2.30	6.46	2.28
-Income tax effect	(1.40)	(0.81)	(1.40)	(0.80)
Total other comprehensive income	5.06	1.49	5.06	1.48
Total comprehensive income for the period/year	226.84	260.34	701.16	508.17
Earnings per share (equity share, par value of Rs. 10 each)				
Computed on the basis of total profit for period/year				
Basic earning per share (BEPS) *	3.36	5.36	10.55	10.59
Diluted earning per share (DEPS) *	3.31	5.29	10.40	10.45

*BEPS and DEPS for the half year ended are not annualised

Place: New Delhi
Date: June 22, 2020



For and on behalf of the Board of Directors of
Fusion Micro Finance Private Limited

Devesh Sachdev
Managing Director and CEO

Fusion Micro Finance Private Limited
(CIN: U65100DL1994PTC061287)

Registered office address: H-1, Block C, Community Centre, Naraina Vihar, New Delhi-110028
Financial Results for the Half Year and Year ended March 31, 2020

Notes:

1. The above results for year ended March 31, 2020 have been reviewed by the Audit Committee and upon their recommendation, approved by the Board of Directors at their meetings held on June 22, 2020, in accordance with the requirement of Regulation 52 of the SEBI (Listing Obligations and disclosure requirements) Regulations, 2015. The Statutory Auditors of the Company have audited the above financial results for the year ended March 31, 2020.
2. The company operates in a single business segment i.e. lending to members, having similar risks and returns for the purpose of Ind AS 108 on 'Operating Segments'. The company operates in single geographic segment i.e. domestic.
3. The "severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)", generally known as COVID-19, which was declared as a pandemic by the WHO on March 11, 2020, continues to spread across the globe including India, resulting into a significant decline and volatility in financial markets and a significant decrease in global and India's local economic activities. On March 24, 2020, the Indian Government announced a 21 days lockdown which was further extended from time to time across the nation as a strict measure to contain the spread of the virus. Due to the continuous lockdowns the Company's operations were suspended. To deal with this disruption and in accordance with RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020, April 17, 2020 and May 22, 2020, the Company has given an option for availing moratorium to all the eligible borrower's as per the Moratorium policy of the Company.

An inherent part of the Company's business model is to raise funds for onward lending to its customers. The total borrowing of the Company as at 31 March 2020 are Rs.29,736.84 Mn. The Company has received moratorium in respect of its borrowing amounting to Rs. 11,445.94 Mn in accordance with RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020, April 17, 2020 and May 22, 2020. The management has performed a detailed assessment of its monthly cash inflows and outflows for next 12 months and concluded that it will be able to meet its obligations even though its monthly collections remain below average due to continuation of lockdown. In its assessment, the Company has considered debt amounting to Rs 3,750.00 Mn received post March 31, 2020 and also considered undrawn bank lines amounting to Rs 445.00 Mn.

The Company has recorded an expected credit loss provision of Rs.982.36 Mn as at 31 March 2020 in respect of its loans and advance. In accordance with the guidance from ICAI, extension of the moratorium to borrowers by the Company pursuant to the RBI guidelines relating to COVID 19 Regulatory Package dated March 27, 2020, April 17, 2020 and May 22, 2020 by itself is not considered to result in a significant increase in credit risk of a borrower, however the entity needs to evaluate whether the borrowers to which moratorium is granted will remain regular, once the moratorium period gets over. The Company has recorded a macroeconomic (management) overlay of Rs.510.41 Mn as part of its ECL (being 1.5 % of stage 1 and stage 2 portfolio) , to reflect among other things an increased risk of deterioration in macro-economic factors caused by Novel Coronavirus (COVID-19) pandemic.

Given the unique nature and scale of the economic impact of this pandemic, its timing being close to the year-end, and no reliable data being available regarding the impact of various regulatory packages, the company's operations and financial metrics (including impairment provision on loans) will depend on further developments concerning the resumption of economic activity which are uncertain and incapable of estimation at this time.

4. The company has adopted Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015 from April 1, 2019 and effective date of the transition is April 1, 2018. Such transition has been carried out from the erstwhile Accounting Standards under the Act, read with relevant rules issued there under and guidelines issued by Reserve Bank of India ('RBI') (collectively referred as "the previous GAAP"). Accordingly the impact of transition has been recorded in the opening reserves as at April 1, 2018.

The corresponding period figures presented in these results have been prepared on the basis of the previously published results under previous GAAP for the relevant periods duly re-stated to Ind AS. These Ind AS adjustments have not been reviewed by the statutory auditors. However, the management has exercised necessary due diligence to ensure that the financial results provide a true and fair view of the Company's affairs.

5. As required by the paragraph 32 of Ind AS 101, reconciliation of the financial results to those reported under Previous GAAP is summarized as follows:



(a) Reconciliation of the financial results to those reported under IGAAP is Summarized below:

Particulars	Year ended March 31, 2019 (Rs. in Millions)	Half-year ended March 31, 2019 (Rs. in Millions)
Profit after tax as per previous GAAP	653.52	316.45
Reversal/(creation) of Expected credit loss on financial assets	44.11	(18.14)
(Reversal)/Recognition of interest income on stage 3 portfolio	(47.21)	1.47
Effective interest rate impact on financial assets	(48.61)	(9.85)
Effective interest rate impact on financial liabilities	(7.56)	(9.60)
EIS receivable net of unamortized processing fees on securitized portfolio	(145.58)	(24.27)
ESOP expense recognized at fair value	(13.67)	(6.62)
Reversal of provisions created under IGAAP	22.61	7.97
Others	(1.59)	(1.28)
Tax impact of the above adjustments	50.67	2.72
Profit after tax as per Ind AS	506.69	258.85
Other comprehensive income (net of taxes)	1.48	1.49
Total comprehensive income as per Ind AS	508.17	260.34

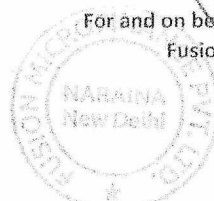
(b) Reconciliation of equity as per previous IGAAP

Particulars	As at March 31, 2019 (Rs. in Millions)
Equity as reported under previous IGAAP	6226.65
Reversal/(creation) of Expected credit loss on financial assets	44.70
(Reversal)/Recognition of interest income on stage 3 portfolio	75.01
Effective interest rate impact on financial assets	(85.61)
Effective interest rate impact on financial liabilities	(15.32)
EIS receivable net of unamortized processing fees on securitized portfolio	(0.06)
Reversal of provision created under IGAAP	22.61
ESOP consolidation	5.11
Others	(0.12)
Tax impact of the above adjustments	(14.43)
Equity as reported under Ind AS	6258.54

- The company elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by Taxation Laws (Amendment) Ordinance 2019. Accordingly the Company has recognized Provision for Income Tax for the Half Year and Year ended March 31, 2020 and recognized its Deferred Tax Assets and Liabilities based on the rates prescribed in the aforesaid section. The impact of this change has been recognized in the statement of Profit and Loss for the half year and year ended March 31, 2020.
- The figures for the last half year are the balancing figures between audited figures in respect of full financial year and the unaudited published year to date figures upto first half of the financial year.
- In terms of applicability of Ind AS 116, the Company has availed exemption on the branch lease on the plea of short-term lease arrangements. For head office lease arrangements, the lease does not qualify for an enforceable contract for the lease term and thus does not have any impact of Ind AS 116.
- During the current half year, the Company has issued 17212889 equity shares of INR 10 each on private placement basis at a price of INR 290.48 (including premium of INR 280.48) aggregating to INR 5000.80 Mn.
- The figures for the previous periods have been regrouped/rearranged wherever necessary to conform to current period presentation.
- The above financial results are available on the stock exchange website (www.bseindia.com) and the website of the Company (www.fusionmicrofinance.com).



Place: Delhi
Date: June 22, 2020



Devesh Sachdev
Managing Director & CEO