

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 ended March 31, 2021 ("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, 2021.

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 2 of the financial results which describes the impact of economic and social consequences of the COVID-19 pandemic including the limited lock downs imposed by various state Governments across India on the Company's business and financial metrics, particularly the Company's estimates of impairment of loans to customers, which continue to be dependent on uncertain future developments. 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 income 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.

S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

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.

Further, we report that the figures for the half year ended March 31, 2021 represent the derived figures between the audited figures in respect of the financial year ended March 31, 2021 and the published unaudited figures for the half year ended September 30, 2020, 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: 21094533AAAAEU9366

Gurugram

May 26, 2021

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 year ended March 31, 2021

| (Rs in millions unless otherwise stated) | | |
|---|---------------------------------|---------------------------------|
| Particulars | As at March 31, 2021 | As at March 31, 2020 |
| | Audited | Audited |
| ASSETS | | |
| Financial assets | | |
| Cash and cash equivalents | 12,154.20 | 5,396.67 |
| Bank balance other than cash and cash equivalents | 1,198.36 | 2,780.82 |
| Trade receivables | 27.93 | 31.39 |
| Loans | 43,607.30 | 33,429.73 |
| Investments | - | 5.00 |
| Other financial assets | 300.76 | 238.46 |
| Total financial assets | 57,288.55 | 41,882.07 |
| Non-financial assets | | |
| Current tax assets (net) | 119.58 | 119.09 |
| Deferred tax assets (net) | 765.28 | 305.02 |
| Property, plant and equipment | 102.74 | 58.98 |
| Intangible assets | 1.90 | 1.47 |
| Right to use assets | 78.19 | - |
| Other non- financial assets | 23.09 | 33.31 |
| Total non-financial assets | 1,090.78 | 517.87 |
| Total Assets | 58,379.33 | 42,399.94 |
| LIABILITIES AND EQUITY | | |
| LIABILITIES | | |
| Financial liabilities | | |
| Trade payables | 113.06 | 40.72 |
| Debt securities | 9,904.50 | 3,998.98 |
| Borrowings (other than debt securities) | 33,250.79 | 24,571.57 |
| Subordinated liabilities | 1,167.21 | 1,166.29 |
| Other financial liabilities | 1,265.98 | 513.28 |
| Total financial liabilities | 45,701.54 | 30,290.84 |
| Non-financial liabilities | | |
| Current tax liabilities (net) | 53.98 | 0.53 |
| Provisions | 80.76 | 57.72 |
| Other non-financial liabilities | 79.50 | 61.96 |
| Total non-financial liabilities | 214.24 | 120.21 |
| EQUITY | | |
| Equity share capital | 790.37 | 789.50 |
| Other equity | 11,673.18 | 11,199.39 |
| Total equity | 12,463.55 | 11,988.89 |
| Total Liabilities and Equity | 58,379.33 | 42,399.94 |

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

**Place: Gurugram
Date: May 26, 2021**

**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 year ended March 31, 2021

(Rs in millions unless otherwise stated)

| Particulars | Half year ended | | Year ended | |
|--|-----------------|-----------------|-----------------|-----------------|
| | March 31, 2021 | March 31, 2020 | March 31, 2021 | March 31, 2020 |
| | Unaudited | Unaudited | Audited | Audited |
| Revenue from operations | | | | |
| Interest income | 4,438.87 | 3,486.39 | 8,275.64 | 6,664.88 |
| Fees and commission income | 5.13 | 13.38 | 7.19 | 34.64 |
| Net gain on fair value changes | 120.38 | 83.02 | 167.45 | 231.57 |
| Net gain on derecognition of financial instruments under amortised cost category | 107.84 | 191.17 | 107.84 | 271.55 |
| Total revenue from operations | 4,672.22 | 3,773.96 | 8,558.12 | 7,202.64 |
| Other income | 153.24 | 88.94 | 172.76 | 100.47 |
| Total income | 4,825.46 | 3,862.90 | 8,730.88 | 7,303.11 |
| Expenses | | | | |
| Finance costs | 2,004.68 | 1,674.06 | 3,751.04 | 3,376.72 |
| Impairment on financial instruments | 1,394.73 | 776.34 | 2,207.80 | 926.99 |
| Employee benefit expense | 922.17 | 800.98 | 1,686.40 | 1,483.33 |
| Depreciation and amortization expense | 25.69 | 14.40 | 38.94 | 25.76 |
| Others expenses | 283.36 | 242.59 | 478.79 | 490.36 |
| Total expenses | 4,630.63 | 3,508.37 | 8,162.97 | 6,303.16 |
| Profit before tax | 194.83 | 354.53 | 567.91 | 999.95 |
| Tax expense: | | | | |
| Current tax | 277.02 | 266.19 | 588.71 | 395.99 |
| Deferred tax | (247.43) | (133.44) | (460.24) | (92.14) |
| Income tax expense | 29.59 | 132.75 | 128.47 | 303.85 |
| Profit after tax for the period/year | 165.24 | 221.78 | 439.44 | 696.10 |
| Other comprehensive income | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | |
| -Remeasurement gain on defined benefit plans | 0.04 | 6.46 | 0.04 | 6.46 |
| -Income tax effect | (0.01) | (1.40) | (0.01) | (1.40) |
| Total other comprehensive income | 0.03 | 5.06 | 0.03 | 5.06 |
| Total comprehensive income for the period/year | 165.27 | 226.84 | 439.47 | 701.16 |
| Earnings per share (equity share, par value of Rs. 10 each) | | | | |
| Computed on the basis of total profit for period/year | | | | |
| Basic earnings per share (BEPS) * | 2.09 | 3.36 | 5.56 | 10.47 |
| Diluted earnings per share (DEPS) * | 2.07 | 3.31 | 5.49 | 10.32 |

*BEPS and DEPS for the half year ended March 31, 2021 and March 31, 2020 are not annualised

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

Place: Gurugram
Date: May 26, 2021

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 year ended March 31, 2021

Notes:

1. The financial results for year and six months ended March 31, 2021 have been reviewed by the Audit Committee and upon their recommendation, approved by the Board of Directors at their meetings held on May 26, 2021. Fusion Micro Finance Private Limited ("the Company") has prepared these financial results in accordance with the requirement of Regulation 52 of the SEBI (Listing Obligations and disclosure requirements) Regulations, 2015 ("Listing Regulations, 2015") and the accounting standards specified under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 as amended and relevant provisions of the Companies Act, 2013, as applicable. The results for the year ended March 31, 2021 have been audited by the Statutory Auditors of the Company.
2. The COVID-19 pandemic has continued to cause a significant disruption of the economic activities across the globe including India throughout the year, with second wave of the pandemic emerging towards the later part of the financial year in India. The Government of India announced a nation-wide lockdown to contain the spread of the virus which continued till May 31, 2020. Subsequently, the national lockdown was lifted by the Government but regional lockdowns continue to be implemented in areas with a significant number of CoVID-19 cases. Further, pursuant to the Reserve Bank of India ('RBI') COVID-19 Regulatory package issued vide circulars dated March 27, 2020 and May 23, 2020 which allowed lending institutions to offer moratorium to borrowers on payment of instalments falling due between March 1, 2020 and August 31, 2020, the Company has offered moratorium on the payment to all eligible borrowers that have opted to avail the same of all instalments and/or interest, as applicable, falling due between March 1, 2020 to August 31, 2020.

In assessing the impairment allowance for loan portfolio, the Company has considered internal and external sources of information available including indicators of deterioration in the macro-economic factors. Further, the management has estimated the impact of the ongoing second wave of the pandemic on its loan portfolio, based on reasonable and supportable information available till date and considering performance after the first wave. Given the unique nature and scale of this pandemic, its full extent of impact on the Company's operations and financial metrics, more specifically on the borrower's ability to service their obligations on a timely basis, will depend on the severity and duration of the pandemic as well as on highly uncertain future developments including governmental and regulatory measures and the Company's responses thereto. Accordingly, the management's estimate of impairment losses based on various variables and assumptions could result in actual credit loss being different than that being estimated.

3. In view of the matters mentioned in note 2 above, the Company has assessed the impact of the pandemic on its liquidity and ability to repay its obligations as and when they are due. The collections of the Company for second half year have reached the pre COVID levels. Further, the Company has considered its current liquidity position, expected inflows from various sources of borrowings and stimulus packages announced by the Government of India. Based on the foregoing, management believes that the Company will be able to pay its obligations as and when these become due in the foreseeable future.
4. 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.
5. Hon'ble Supreme Court, in a public interest litigation (Gajendra Sharma vs Union of India & Anr), vide an interim order dated September 3, 2020 ('interim order') has directed that accounts classified which were not declared NPA till August 31, 2020 shall not be declared as NPA till further orders. Basis the said interim order, the Company, has not classified any account as NPA, as per regulatory norms, after August 31, 2020 which was not NPA as of August 31, 2020.

The interim order granted to not declare accounts as NPA stood vacated on March 23, 2021 vide the judgment of the Hon'ble SC in the matter of Small Scale Industrial Manufacturers Association vs. uol & Ors. and other connected matters. In accordance with the instructions in paragraph 5 of the RBI circular no. RBI/2021-22/17DOR. STR.REC.4/21.04.048/2021-22 dated April 7, 2021, the Company has carried out asset classification of the borrower accounts as per the extant RBI instructions / IRAC norms, without considering any standstill in asset classification and also done staging of the borrower accounts in accordance with ECL model / framework under Ind AS in the financial statements for the year ended March 31, 2021.

6. RBI circular dated April 07, 2021 advised all lending institutions to immediately put in place a Board approved policy to refund/adjust the interest on interest' charged to the borrowers during the moratorium period, i.e., March 01, 2020 to August 31, 2020 in conformity with the Supreme Court judgement mentioned in paragraph 5 above. The Company has not charged 'interest on interest' to its customers during the moratorium period including those who did not avail the moratorium benefit, therefore there is no amount required to be refunded.
7. As per the policy on moratorium, approved by the Board of Directors, pursuant to the RBI circular no. DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020, the Company had not granted moratorium to its customers in overdue categories as on February 29, 2020. Accordingly, the disclosure as per para 10 of the RBI circular no. DOR.No.BP.BC.63/21.04.048/2020-21 dated April 17, 2020 is not applicable.

8. Disclosure pursuant to RBI Notification – RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 dated August 06, 2020 ("Resolution Framework for COVID-19 Related Stress") is not applicable as the Company has not restructured any loan accounts during the year.
9. The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.
10. The Company has elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961, as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognized provision for income tax for the year ended March 31, 2021 and re-measured its deferred tax assets/liability basis the rate prescribed in the aforesaid section and recognized the effect of change by revising the annual effective tax rate.
11. 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 new head office lease arrangement entered during the year ended March 31, 2021, the Company has recorded Rights of Use asset (ROU) and Lease Obligation (LO) on the balance sheet. The balance as of March 31, 2021 for ROU and LO is INR 78.19 million and INR. 84.63 million respectively.
12. The figures for the last half year of the current financial year are the balancing figures between audited figures in respect of full financial year and the unaudited published year to date figures up to first half of the financial year.
13. Previous year / periods figures have been regrouped / rearranged wherever necessary to conform with current period's classification.
14. The above financial results are available on the stock exchange website (www.bseindia.com) and the website of the Company (www.fusionmicrofinance.com).

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

**Place: Gurugram
Date: May 26, 2021**

**Devesh Sachdev
Managing Director & CEO**