

Caring & Daring

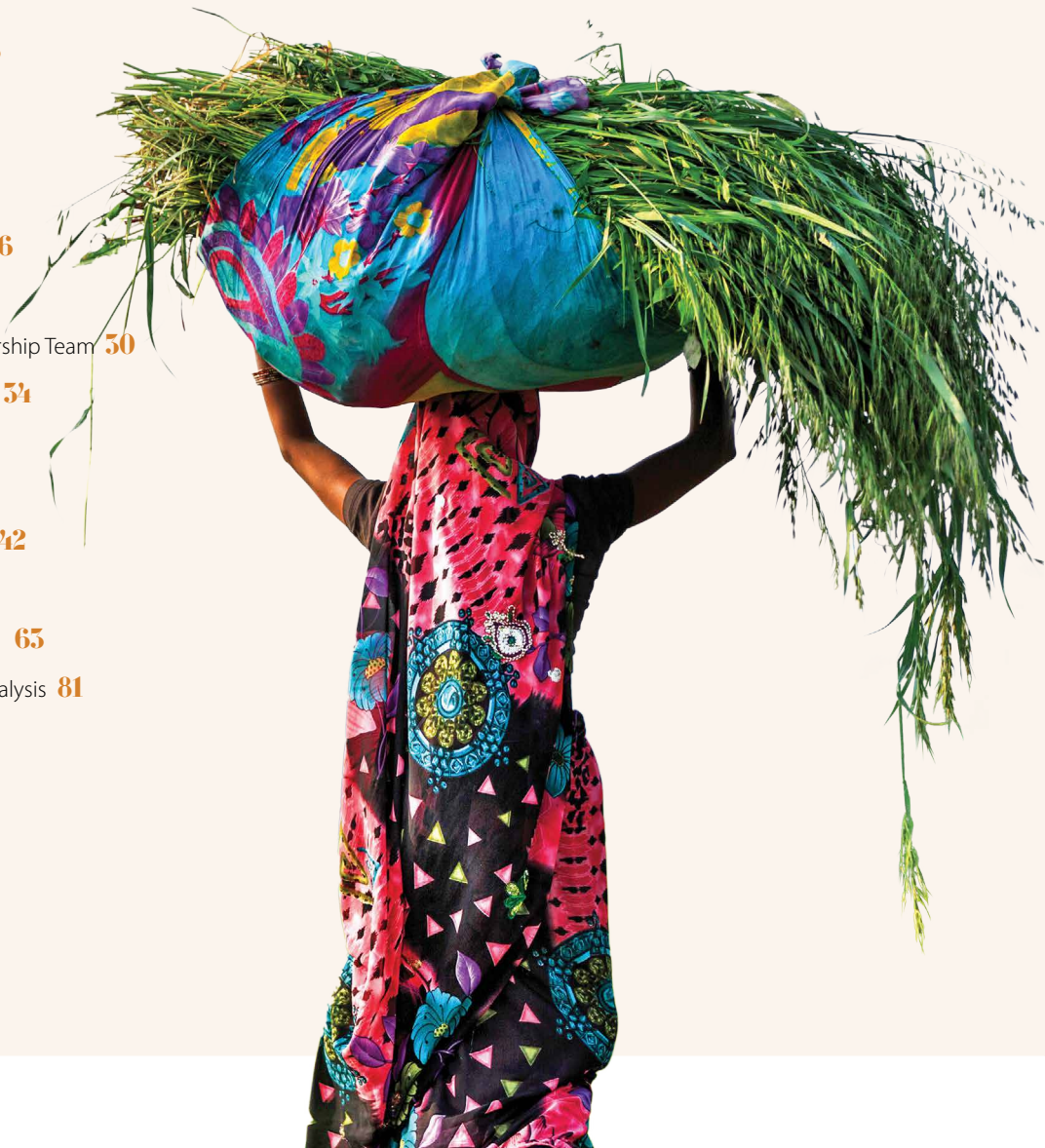


FUSION MICRO FINANCE PRIVATE LIMITED

Annual Report 2020-21

Content

Caring	2
Daring	10
Our FY21 scorecard	16
From the MD & CEO's desk	18
Awards & Recognition	22
Making headlines	25
At a Glance	24
Key Performance Indicators	26
Our Quarterly Progress	28
An interaction with the Leadership Team	50
Geography-wise Performance	54
The Microfinance space	56
Risk Management	40
Social Responsibility	42
Directors' Report	56
Corporate Governance Report	65
Management Discussion & Analysis	81
Financial Statements	95
Corporate Information	179
List of Lenders	180



Times were tough, events were unprecedented

We were navigating through a maelstrom; with 24-hour media messaging stoking negativity and fear; managing work alongside multifarious responsibilities; an ever changing business environment; an overwhelming sense of uncertainty.

Anxiety took centre stage.

The Covid-19 pandemic wasn't just an attack on ones' physical well-being, it also impacted mental health– both of which required special attention.

Attention that entailed empathy to understand apprehensions; patient care to allay the 'what if's'; conviction to instil belief... 'that we shall overcome'; daring drive to surge with the emergence of green shoots.

This in a nutshell was our response to the most perplexing fiscals in living history.



Care

Verb

the provision of what is necessary for the health, welfare, maintenance, and protection of someone or something.

Noun

feel concern or interest; attach importance to something.





**This pandemic has shown
us how important it is to be
humble and how critical it is
to embrace humanity.**

Make sure 'human' is prioritised in Human Resources.

Because when corporate folklores are narrated, how you treat your employees during uncertain and challenging times is proudly presented as a 'stand out' feature in the 'making of a great organisation'.

And in line with our strong aspiration to be one amongst the 'employers of choice' in Indian corporate universe we persevered to prioritise our people above all and ensured their overall well-being.

We announced that there would be no changes whatsoever in the level, frequency and schedule of salary payments and incentives. We declared Bonuses for our team members for FY20. We conducted the annual appraisal and increment exercise for our entire workforce. The idea was to 'reassure' and 're-enforce' that we together would overcome all these challenges...the response had to be measured and not knee-jerk.

The key to make this work was to ensure regular engagement across our branches spread out in 18 states and 300 districts of the country. Each member of our frontline team was in touch with his supervisor on a daily basis.

Our leadership team addressed the Fusion family narrating simple and effective ways of dealing with the pandemic and the lockdown. We issued health/safety guidelines to all our employees to be followed as the pandemic wreaked havoc. We provided masks and sanitisers at every branch for our people.



We drafted a Contingency Policy and created a Contingency Fund to cover the medical costs for employees which were not covered by the Government Insurance Plans.

Another important aspect of our employee engagement was the launch of "Training of the Day" initiative which took care of their learning during lockdown as well as kept them engrossed via task oriented and general quiz competitionsevery challenge begets an opportunity and we made most of this by refreshing their skill sets and inculcating stronger process and people orientation via training interventions. We prepared them for the New Normal, when the lockdown would be lifted. It was our way of instilling job related security in them and ensuring that they looked forward to the times when this dust would settle down and it was time to rise again !!

We performed even better in FY21 than what we had done in FY20!

Make sure 'relation' is given precedence to in Customer Relation.

Because when you stand shoulder to shoulder with your customers in a crisis, it fosters trust. And when that happens, bonds become much stronger.



We contacted each one of our 1.8 million customers, in our 591 branches spread across 18 states, for their well-being. The purpose of these calls was to not only reassure them of our assistance for their financial hardships but also for guiding and helping them during this unprecedented health related crisis. Each of these discussions were a call to action.

Our teams were at the forefront of providing relief measures in terms of consumables, daily essentials, medicines, masks etc on a large scale across our entire network.

We spoke with our customers at length to get an idea about the extent of impact inflicted by this pandemic on their lives and livelihood, we helped in assessing their business and cash flow. This helped us provide focused support, given that each customer had a specific need, a unique set of dependency, their abilities to manage the crisis varied.

At Fusion, we always took great pride in calling ourselves a Touch & Tech business ... technology for us has always been an enabler and 'touch' our biggest strength.

This came to the fore during this crisis when we enabled digital mode of collections using UPI in record time for customers who were willing and able to service their EMI liability (as they did not want their credit record to be impacted) but could not step out of their homes during lockdown.

The fact that we stood by them in this hour of crisis, instilled hope in their lives – gives us a huge sense of pride. We further cemented our position as a reliable and trusted partner for whom relations transcended commercial transactions. So, when we commenced business as usual, our customers reposed their faith in us by further entrusting us with helping them grow their livelihood.

**Our disbursements
grew by 3.81% in FY21
over FY20... even as
FY21 was in essence
only a 10 month fiscal!**



Dare

Verb

Have the courage to do something.

Noun

A challenge, especially to prove courage.





This pandemic has shown us how critical it is to get back to 'Business as Usual' not only for the health of the organisation but also for the well-being of the team.



How businesses respond to a crisis has a lasting impact on employee behaviour including engagement, productivity and loyalty

Because it takes belief and courage to restart operations when most others are apprehensive given the lack of both

The initial restart

Immediately after the lockdown was announced pan India and both the central and state governments started putting in their containment measures, our teams switched on to the 'work from home' model. The fact that we had undertaken early adoption of the Cloud services for our Data and Mail servers – it was practically seamless for us to create the infrastructure for our people to work remotelyit was smooth, we just switched on !!

A redeeming aspect of the pandemic when it struck in March 2020 was that its impact was largely in the urban/ semi urban areas and the rural parts of the country were not affected. Given that 93% of our customer base was in the rural areas, that became a blessing in disguise. Additionally, the government ensured that none of the Infra / Energy projects that were begun before the pandemic were stalled. All industries in the rural parts of the country were allowed to operate albeit with safety guidelines and the MNREGA enrollments continued. All these collectively helped in ensuring that households in rural India were cushioned from the economic impact

of the pandemic to a certain degree and demonstrated strong resilience to normalise livelihoods. Our customers were willing to service their obligations and grow. We initiated Cashless Collections through the UPI platform and re-engineered our policies and field processes to enable them to draw down fresh disbursements while staying well with in health and safety guidelines as mandated during the pandemic.

Then again – it was Touch backed by Tech that made it all possible !!

The onset of June 2020 brought about new hope – restrictions were eased out in a phased manner, containment measures were relaxed and field movement was permitted again.

We used Government data (heat maps) to understand the updated status of the spread of the virus and its impact. We applied this analysis to open our branches in a calibrated manner beginning with the ones in the safe (green) zones. Comprehensive logistical and administrative (document related) planning helped our teams navigate state boundaries and reach their destinations without any glitches or hardship.

We continued to engage with our team members on a daily basis sharing updates on the changes in central / state level guidelines and protocols, to ensure that all of them understood equally how important it was to maintain Covid appropriate behaviour and ensure that both they and their customers were safe.

These timely, detailed and comprehensive set of initiatives inspired our teams to step out again and contribute towards ensuring that Rural India continues to drive growth in the country.

The next phase

We opened almost all our branches by end-June; getting back to work was a huge morale booster for the team

A very important milestone during this pandemic phase was the announcement of financial support package by our Central Bank i.e. RBI and the Hon'ble. Supreme Court mandated guidelines to all financial entities to extend moratorium period to customers between March 1st 2020 till August 31st 2020.

It was a first for all finance companies in the country given the span and scope of the directives. We developed new functionalities / processes to adhere to moratorium guidelines. Our solutions incorporated a moratorium calculator which allowed the customer to customise her moratorium aligned with her cash flows. The goal was to make the interface simple for both the customer and the field officer to understand and implement.

Fusion, though was amongst those very few inclusive finance practitioners who, as a policy, did not charge interest on interest for the moratorium period – interest was only charged on the principal amount that was deferred. This practice ensured that no unreasonable financial burden became onerous on already impacted customers. We believed that this was the right thing to do and our stand was later vindicated by the Hon'ble. Supreme Court when its judgement clearly stated that charging interest on interest during the moratorium period was in violation of its order and the same needed to be reversed immediately.

Getting back to Business as Usual

Retail Lending is a flow business and it is imperative for both the customers and the providers to work towards ensuring continuity in business activity for mutual benefit. We realised that the world will be encapsulated by a 'new normal' post the weaning down of the pandemic as we approached the autumn and the winter season – periods that are associated with an overall post monsoon buoyancy and onset of festival season in most parts of

the countryconducive for economic activity to revive and hence the need for growth capital to all participants in the ecosystem. We too needed to align to the new normal.

Our customers needed us to stand by them during these times – they needed funds to manage their livelihoods. We were in the business of helping them prosperand this drove us to go back to the drawing board and customise some of our policies and processes to ensure Risk Assessment incorporated altered dynamics, Field Processes modified to manage health and safety guidelines as well as regulatory compliances, Tech interfaces enabled pre-qualification/approval of loans and Digital Platforms seamlessly delivered cashless disbursements and collections.

Armed with the requisite changes and a very experienced field force, we continued disbursements to our customers even when others were still contemplating the play off between additional exposure and probability of an increase in bad loans as a fall out of the pandemic. Our disbursements reached pre-Covid levels in September – October 2020. In subsequent months, our disbursements were even better than pre-Covid levels. This was also accompanied by an equally gritty performance by the collections numbers – the ever so important metric of collection efficiency started inching up back again and soon touched the 90% plus levels which had come to be the working zone of the Micro Finance portfolio.

Bharat had started to reverse the setbacks and their resilience stood tall against the predictions of many

analysts who had written the death knell for the sector. Now everyone was only penning hosannas for the very same sector as it beat all other retail portfolios with the pace of its recovery.

We continued with our organic expansion strategy. We opened 112 branches in the states where we were present, further deepening and strengthening our reach.

We continued to hire. We added 3,961 people to our team even while some other comparable peers had decided to stall hiring or rationale workforce.

FY21 was a near perfect U-shaped recovery. From an excellent fourth quarter in FY20 to a forgettable first quarter of FY21, to achieving a never before fourth quarter in the same fiscal.



OUR FY21
SCORECARD...
VINDICATES

our story!

3,710.30

Disbursement (₹ crore)

5.81% growth (YOY) over FY20

45.58%growth (CAGR 5-YRS)

873.09

Revenue (₹ crore)

19.55% growth (YOY) over FY20

44.56%growth (CAGR 5-YRS)

43.95

Net Profit (₹ crore)

-57.52% growth (YOY) over FY20

80.97%growth (CAGR 5-YRS)

1,246.36

Shareholders' Fund (₹ crore)

5.96% growth (YOY) over FY20





From the MD & CEO's desk

"The defining accomplishment of FY21 was Fusion's response to the pandemic and the consequent lockdown and our resurgence with the unlocking... aptly summed in two words – Caring & Daring."



Dear Shareholders

FY21 has been an unprecedented period from every perspective – personal and professional. The world as we knew it ... changed. For our living generation(s), what they experienced was unprecedented. The calamitous circumstances knew no parallel. Our existence suddenly came under attack from an invisible microscopic enemy for which we were completely unprepared. The impact has been huge across geographies, cultures, demographics. Socially, Economically, Physically and Psychologically. It feels we are in different times – times where lives were reset, times where businesses were reset. The horizon was clouded with uncertainty. The health infrastructure preparedness was never envisaged at this extreme level even in a 'stress test' scenario.

Despite these challenges, our AUM grew by about 28% revenue grew by 20%, client base grew by 3%, branch network from 594 to 725, while maintaining a very healthy liquidity buffer.

However, our resilience as a team and our response to the unprecedented challenges that faced us last year, will be our most defining accomplishment. Our approach can be aptly summed up in two words- Caring and Daring.

Lockdown was a period of grave stress for people due to the fear and anxiety caused by this new disease. This state of existence was further aggravated due to overwhelming emotions like adjusting to the new normal of working from home, being separated from workplaces & co-workers, managing unfamiliar work routines ...and to top it all the added anxieties about permanency of their jobs and salaries as the pandemic continued to impact businesses.

When the lockdown was announced in March 2020, we were unanimous in our belief that this crisis too would be time bound and knee jerk reactions were not the order of the day.

Our value system, our building blocks had passed the tests of time earlier and we all put our weight behind them and take guidance on how to act during this monumental crisis and do the right thing.

Clearly, our priority was CARING for our PEOPLE – their safety, their health and well-being of their families was our foremost concern. A detailed action plan was quickly put in place to engage regularly across levels with our entire workforce ensuring that the cohesiveness of the unit remained intact. Their salaries, their incentives, their reimbursements – all happened as they would normally. All our people were reassured that there would be no rationalization of workforce and a strong validation of the same was sent to them by conducting their annual appraisals and releasing their performance linked bonuses even when as a Business which thrives on customer contact, we were wading through a commercial lockdown in the entire country.

Fusion had always envisioned and been at the forefront of adopting technological advances for growing our business and being more effective in serving our customers. Our early adoption of cloud servers gave us a huge edge in this endeavor. And there cannot be a better testimony to this than the fact that we were able to set up alternate 'work from home' infrastructure for all our people in record time as the lockdown was announced.





1.8 mn

Customers we maintained regular touch with

CARING for our customers was as important as caring for our people. We managed to deliver 'real time' service to our customers even when there were logistical restrictions in most of the states that we operate in. We managed to be in regular touch with all our 1.8 million customers and ensured that all resources at our disposal were leveraged to assist them in managing their and their family's well-being during the lockdown as also for providing them support for financial hardships faced. As partners in their growth journey, being in touch with them daily through the hardships that they went through added to strengthening our bond and goodwill.

As a responsible lender, we also ensured that there was no pressure put on our customers to repay their dues and that we channelized our resources on providing them moral and financial support to tide over these hardships. The moratorium package announced by the RBI was very timely and allowed customers to tide over short-term disruptions. We conducted multiple CSR initiatives centered around providing them health safety kits, daily need items etc.

With every passing day, our collective efforts brought results, there was positivity and hope as the economy started to recover back and the ecosystem collaborated towards normalization as we knew it during pre-covid times. The medical fraternity added to the hope by inventing and rolling out vaccines against the dreaded virus. We were quickly off the blocks as the lockdown was lifted and very soon both our customers and us were on path to normalization.

Given our intrinsic financial strength, our expansive reach, and our extremely committed team – we delivered business numbers that were even higher than pre covid levels. The economy, the universe collaborated towards this recovery – Fusion was well prepared and hence was able to bounce back and how!

As I write to you, India is unfortunately going through a very severe second wave of attack by the Corona virus and the entire country has been made to take some very damaging blows . Hardships have been of a much greater degree and livelihoods that were fragile from the impact of the first wave , have been hit againthis time even more forcefully !

We are being tested again but like last time we strongly believe that companies that are Agile , have a Long Term approach , blend Tech & Touch optimally and have an Experienced & Committed Team will be able to apply themselves and navigate any crisis relatively better.

I take this opportunity to thank our team for their passion and perseverance in these trying times, our fund providers for believing in our business model, our regulators for the timely announcement of the moratorium and their liquidity support, our Board for their invaluable guidance and our shareholders for their belief and support in our capabilities.

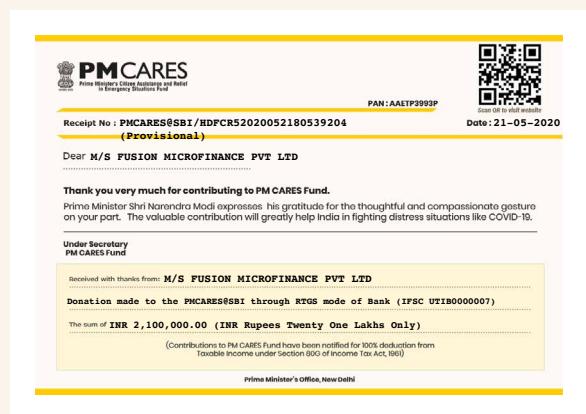
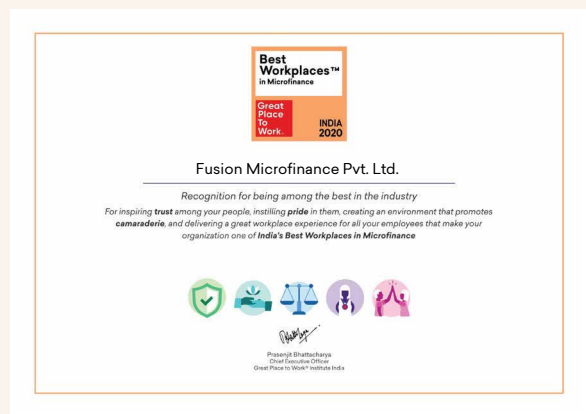
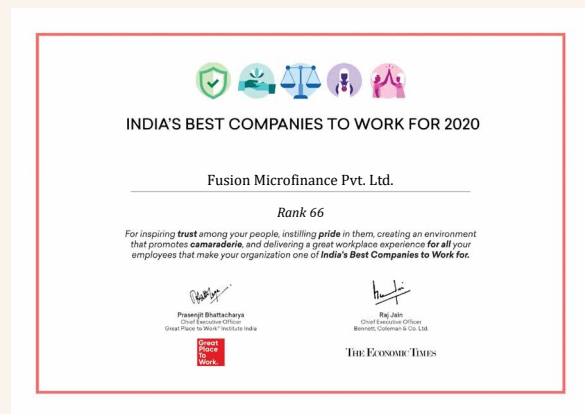
I express my sincere gratitude to India's front-line warriors who are risking their all in an all-out effort to save fellow countrymen. I salute you!

Warm regards

Devesh Sachdev
MD & CEO



Awards & Recognition



Fusion Micro Finance making headlines



An Article by Devesh Sachdev, MD & CEO, Fusion Micro Finance

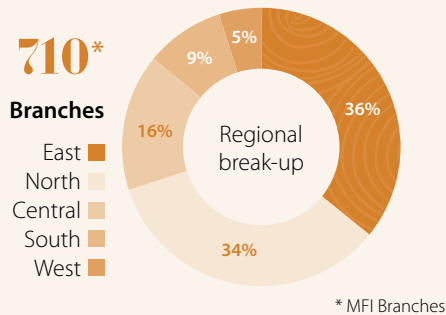
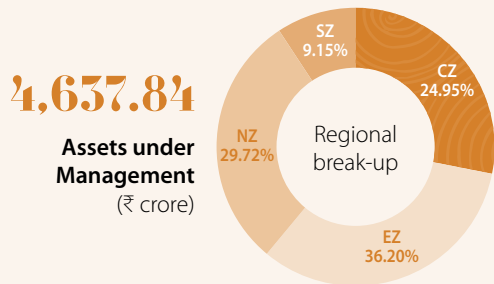
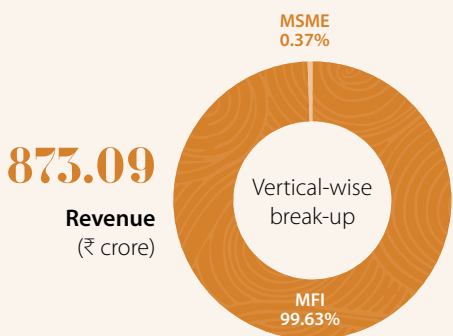
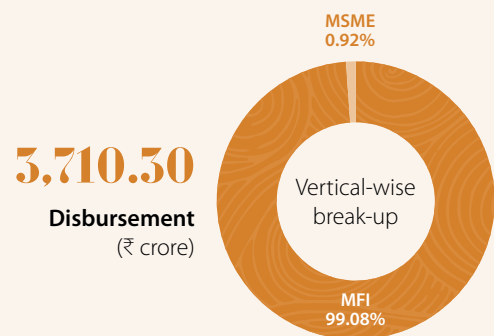


FORTUNE INDIA		
xvii-19 Budget 2021 India's Vaccine Roll-out Long Reads Opinion Multimedia Events First Edit		
2021		
385 FUSION MICROFINANCE		
Industry: Microfinance Incorporation		
Parameters	Rs. Crore	% Change
Revenue	730.31	46.93
Net Operating Income	727.67	47.21
Profit	69.61	37.38
Assets	4,178.77	17.41
Net Worth	1,198.89	91.56

Fusion featured in the Top 500 Indian companies by Fortune India

Fusion At a glance

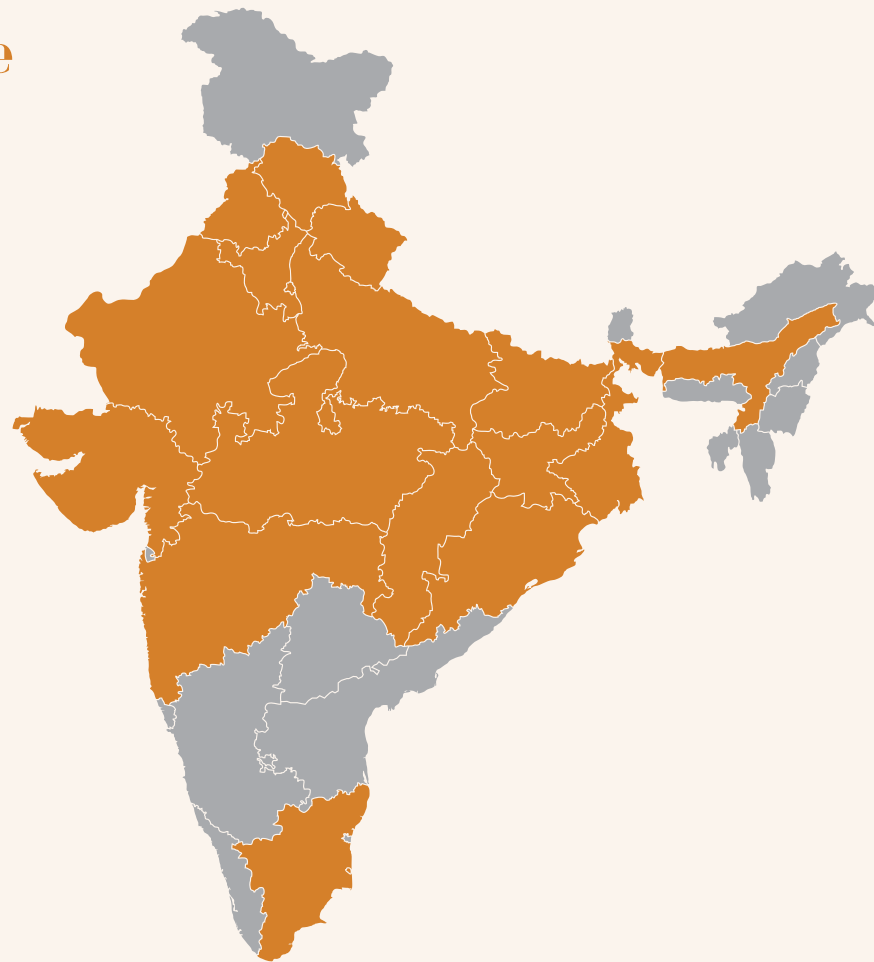
It is one of the top 10 pure play microfinance companies in India.
It recently ventured into MSME financing space, which should emerge as a strong growth driver in coming years.



6,406 Team size	
Segregation	
Field force	Non-field
65%	35%

2,149,329 Customers	
Type of customers	
Urban & Semi-urban	Rural
7.49%	92.51%

Our India-wide Footprint



Our strategic blueprint

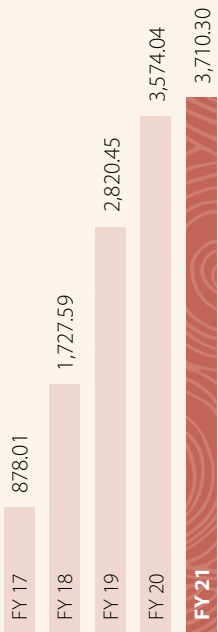
Sustain growth momentum	Improve business quality	Improve business profitability
----------------------------	-----------------------------	-----------------------------------

Key performance indicators

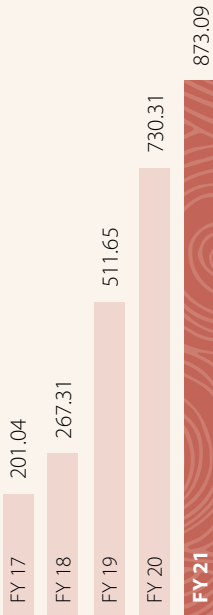
A human approach. A healthy performance



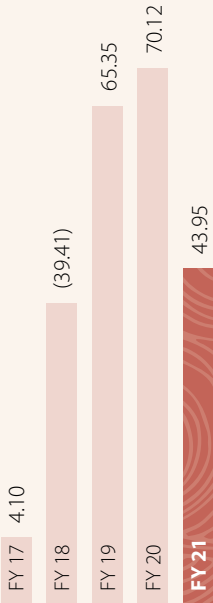
Disbursement
(₹ crore)



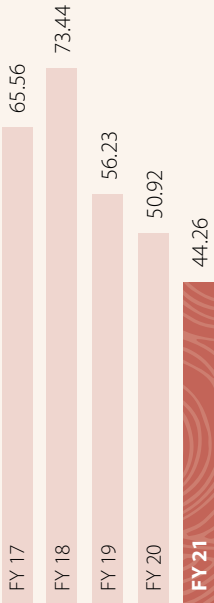
Total income
(₹ crore)



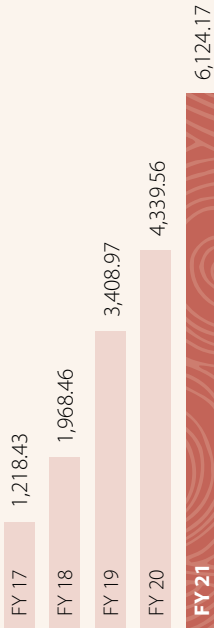
Net Profit
(₹ crore)



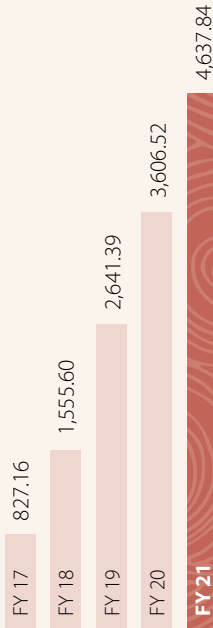
Cost-Income
(%)



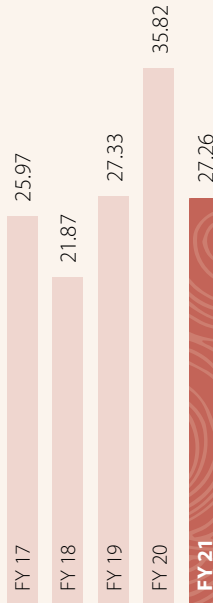
Total assets
(₹ crore)



Assets under
Management
(₹ crore)



Capital
Adequacy
(%)



Quarterly progress

Our caring & daring mindset delivered interesting returns

H1

9.50%

Customer addition (net)

CUSTOMERS AS ON

September 30, 2019	September 30, 2020
17,51,858	18,96,556

-48.26%

Growth in disbursements

DISBURSEMENTS

H1/2019-20 (₹ crore)	H1/2020-21 (₹ crore)
1,654.96	856.54

15.52%

Growth in revenue (net)

REVENUE

H1/2019-20 (₹ crore)	H1/2020-21 (₹ crore)
544.02	590.54

-42.19%

Growth in Net Profit

NET PROFIT

H1/2019-20 (₹ crore)	H1/2020-21 (₹ crore)
47.73	27.42

- Made a sterling debut in the Great Place To Work 2020 list - was awarded the 'Best Workplace in MFI' and ranking 66th in the top 100 Companies of India.
- Featured in the top 150 companies of Asia Pacific in Financial Times 'Asia-Pacific High-Growth Companies 2020'.
- Devesh Sachdev elected as Chairman of Microfinance Institutions Network (MFIN).
- Employees contributed ₹21 Lakh to 'PM Cares Fund' towards coronavirus pandemic.
- ~ 1,50,000 people benefited by Covid -19 welfare programs organised across 15 states.



H2

13.37%

Customer addition (net)

CUSTOMERS AS ON

March 31, 2020	March 31, 2021
18,71,590	21,21,873

48.71%

Growth in disbursements (%)

DISBURSEMENTS

H2/2019-20 (₹ crore)	H2/2020-21 (₹ crore)
1,919.08	2,853.96

24.92%

Growth in revenue (net)

REVENUE

H2/2019-20 (₹ crore)	H2/2020-21 (₹ crore)
586.29	482.55

-27.14%

Growth in Net Profit (%)

NET PROFIT

H2/2019-20 (₹ crore)	H2/2020-21 (₹ crore)
22.68	16.53

- Received the 'Financial Inclusion & Literacy Leadership (FILL) Award 2020' from AWOKE India Foundation at India Financial Literacy Conclave 2020.
- Devesh Sachdev featured as the guest author in an article 'Microfinance In India: The Story Of Resilience', published by Business World.

An interaction with the leadership team

“It gives us great pleasure to mention that we are among the very few MFIs to achieve a double digit growth in FY21. And we are sufficiently liquid to sustain our growth momentum.”



How would you describe the company's journey in FY21?

The unprecedented Covid-19 pandemic and the lockdown instituted to contain its spread took a colossal toll on the lives of people. It was catastrophic to say the least... but it was also a catalyst for change. The world abruptly tried to move towards a 'New Normal'. A 'New Normal' where we would need to survive and succeed while acknowledging that Covid-19 was there to stay in some way.

In keeping with this reality, Fusion's journey was quite similar to most others from a business perspective. While our business in the first quarter was largely muted, we could sense that the green shoots of recovery were not far. In keeping with Government protocols, we opened our operations in a phased and safe manner. As such, business volumes picked up from the second quarter of FY21 and peaked in the quarter ending March 2021.

A nation-wide lockdown It was a first for most living Indians. It was quite scary for the working masses. How did you cope with the fear and uncertainty among your people and customers?

It was a very difficult time for everyone at Fusion. Uncertainty loomed large among our team member and customers. We addressed this problem with a singular focus. Dispel fears among our team members, make them feel confident. Then allow them to flow this positivity into the minds of our customers.

We ensured that every team member was spoken with by his or her immediate superior, the department head and the leadership team. We made announcements and ensured that salaries were paid in full and on time. We introduced a Covid Care Policy through which the salary of the employees affected by the virus, upto 21 days, was protected. We engaged them with Learning & Development sessions every day; we introduced Fun at Work by leveraging the diversity of our team skills (outside of work); we launched mental well-being sessions.

Simultaneously, we entrusted our team to connect with our 1.8 mn customers. Our people interacted with our customers, to understand their position and check on their well-being. As well as to get information of the ground reality. We made tools (multi-lingual) to explain the



pandemic protocols, hygiene and sanitisation. This dual approach worked well. Fusion emerged as a brand that stands rock solid with its people.

With cash collection trickling to near nadir, how did you manage your expenses?

We had a healthy cash balance of ₹817.75 crore at the year close (March 31, 2020). This was primarily owing to the fund-raising effort just before we closed the previous year. This liquidity helped in managing expenses even when business, particularly collections was a fraction of the monthly average.

The lockdown, thankfully, lasted only for about a month and a half. After which unlocking happened in a phased manner. How did you prepare for becoming 'Open Ready'?

Our proactive adoption of technology, namely Cloud for Data and Mail worked well in adopting the 'Work from Home' trend. We strengthened our connectivity to manage the additional load and invested in solutions that facilitated virtual meetings. As a result, our plan for getting to 'Business as Usual' was being worked upon even while we remained confined within our homes.



As the phased unlocking was announced, we used Government data to identify the branches which were safe to open – from a people and business perspective.

We changed our business processes - from customer selection to cash collection - to align with the Government protocol of physical distancing.

We initiated cashless collections leveraging the UPI platform – a first time for Fusion. This was quite an achievement considering that our cross functional team accomplished the back-end readiness for this solution while working from home.

We successfully developed new functionalities/processes (which included a moratorium calculator to educate our customer on the moratorium and its impact on this repayment amount/cycle) to adhere to moratorium guidelines for our entire portfolio.

By September, our business operations were at pre-Covid levels, and by December we were registering all time high numbers.

In a way, the pandemic was a catalyst for change.

How did the growth come about?

We could see the green shoots of optimism rather early in the unlocking phase.

One thing was the continued operations in rural India during the lockdown period in spite of urban areas being shut. Moreover, they received financial aid from the Central Government. They had money.

So even as we started unlocking our operations in, we looked ahead to the period after India had successfully flattened the Covid curve.

Post September 2020, we aggressively worked towards widening our reach and deepening our network presence. In the second half of FY21, we added 119 new branches to our network, more than what we had budgeted at the year start; we on-boarded 3,250 people onto our team. And as we grew our presence, volumes jumped.

What stood out for us was the meticulous planning that resulted in seamless execution and not a single

audit remark during one of the most uncertain business environments.

On the subject of audit, the team was planning to roll out 'Audit through the digital route' in FY21. How did that pan out?

We successfully rolled out this solution sometime around November. About 40% of our scheduled branch audits were done through this new solution which worked well – it helped in more incisive audit even as we avoided travel to the branches – it was a significant confidence enhancing factor for the audit team. We intend to expand the coverage in the current year.

During the year, we took a decisive step towards segregating the audit and risk functions – the risk function now being managed by an expert in the field. While there is a legal mandate to separate these functions for a company with an AUM of ₹5,000 crore plus, but we did the needful before the mandate. The strategic initiative sharpened the organization's focus on risks mitigation in an otherwise volatile business environment.

Over the medium term, we believe that this step will ensure quality growth even as we sustain our progress.

What were some of the key priorities implemented by the Risk team?

We created risk policies for key business divisions under the umbrella of our ERP Policy. We designed the Risk Appetite Framework for key business function and designed KRAs for each team. We also put in place the Loss Data Framework to deal with data loss issues. Going forward, we have identified a blue print which promises to strengthen the Company's overall risk framework, assist the leadership team in self-assessment of risk and their mitigation.

How did the treasury team manage to secure funds across FY21?

At the year start, we had decent liquidity to manage business operations. Hence, we were not forced to take any knee-jerk step. Further our long and healthy relations

with bankers and financial institutions helped in two ways

- 1) We were able to get approval for moratorium for 85% of our loans from bankers
- 2) We were able to raise ₹4,000 crore during FY21 despite the prevailing uncertainty. For most bankers Fusion featured among the first three customers to whom they sanctioned funds.

On our part we provided our funding partners and rating agencies with detailed updates on business operations, disbarments and collections. This trust building measure ensured that our rating remained intact.

It gives us great pleasure to mention that we are among the very few MFIs to achieve a double digit growth in FY21. And we have a cash balance of about ₹1,250 crore as on March 31, 2021. We have received an addition ₹350 crore in April 2021. Hence, from a financial perspective, we have the wherewithal to overcome the second wave of Covid-19.



Our provisioning has been very aggressive in FY21. As such even if there are certain bad loans in the first quarter of FY22... it would not impede business profitability.

Geography-wise performance

Our meaningful presence in being a better citizen

	In 2020-21			As on March 31, 2021	
	New branches	New customers	Disbursement (₹ crore)	Active branches	Loan outstanding (₹ crore)
Assam	0	2,748	25.84	20	58.28
Bihar	25	77,789	662.45	105	846.46
Chattisgarh	6	11,252	72.41	28	81.55
Delhi	0	195	4.51	2	22.27
Gujarat	9	16,657	71.80	25	85.94
Haryana	5	24,566	252.66	52	512.67
Himachal Pradesh	2	2,272	11.65	4	14.76
Jharkhand	7	21,542	179.55	55	215.55
Madhya Pradesh	10	41,692	545.97	88	458.14

	In 2020-21			As on March 31, 2021	
	New branches	New customers	Disbursement (₹ crore)	Active branches	Loan outstanding (₹ crore)
Maharashtra	0	2,474	22.00	7	28.61
Odisha	0	51,448	510.99	84	625.90
Puducherry	1	1,508	7.67	2	10.08
Punjab	2	55,068	277.25	55	561.95
Rajasthan	25	45,858	224.81	62	260.55
Tamil Nadu	18	60,485	228.90	65	296.92
Utar Pradesh	12	79,005	628.54	92	785.44
Uttarakhand	1	11,067	102.74	15	154.22
West Bengal	0	8,225	67.05	15	85.02

Microfinance

The industry’s resilience, platformed on the robust demand from people at the grassroots looking for some handholding to shape their lives, has made it stronger.

Years ago, as part of a non-government organisation in Uttar Pradesh, my job was to go to the interiors of the state to interact with the economically-underprivileged people in rural locales to understand the challenges their daily lives.

On one such visit, I happened to have a conversation with an elderly woman who was completely engrossed in her thoughts even as she cooked in a mud-house. I struck up a conversation – more of a monologue during which I tried to educate her about the benefits of health, hygiene and education, but she seemed totally uninterested.

The sheer irritation forced me to ask her why she wasn't paying attention. Even as she kept cooking, she told me that her children craved for some mangoes for the past few days.

But the paucity of money thwarted her from fulfilling their desire. And at that she was concerned about was some new excuse to give her expectant children for failing to fulfil their wish yet again.

Today, this scenario has changed for quite a few. That is primarily owing to one business, which does much more than what meets the eye ... MICROFINANCE.

Over these years, no other form of financial services has had the kind of far-reaching impact, in terms of fostering financial inclusion, as microcredit has. Access to small, collateral-free loans for economically productive purposes has helped transform the lives of millions at the bottom-of-the-pyramid - especially women. It has helped free them from the harrowing experience of dealing with informal moneylenders whose unethical practices perpetuate the cycle of indebtedness and poverty.

That microfinance ably serves its purpose is evident from the fact that despite several challenges along the way, the industry has not only survived, but grown significantly. Over the past decade, India's microfinance industry has grown at a compound annual growth rate of 26% to reach ₹2.36 trillion. It has helped 50 million economically vulnerable Indians, 99% of them women, live a life of dignity and financial independence. Moreover, these rudimentary start-ups employ people which provide additional employment which creates a 'network effect' that has a social impact at scale.

Is there any other industry that could have supported these people - who are poor, have little or no assets to their names, and no proper documentation needed for traditional credit - in the manner that microcredit did?

It's doubtful.

There have been challenges along the way. But the industry's resilience, platformed on the robust demand from people at the grassroots looking for some handholding to shape their lives, has made it stronger.

The impact of Covid-19

"... just a little more time, please! I have never defaulted previously, paid my instalments on time, and will continue to do so once my business picks up again"

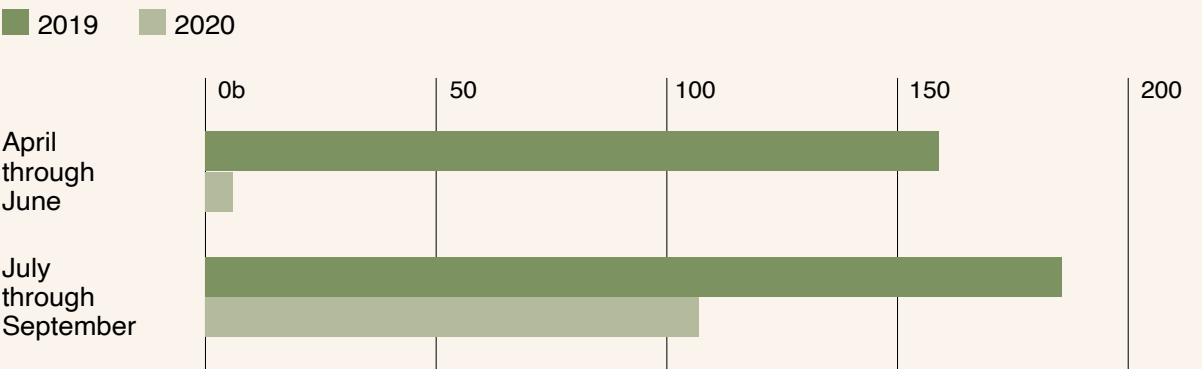
This was one of the many pleas by microfinance customers across India. The best of the intentions to repay loans were crippled by pandemic.

Borrowers around the world have been hit hard by - Covid-19 but perhaps nowhere more so than in India. It's the global leader in microfinance, the financial service that offers loans to entrepreneurs too poor to qualify for conventional bank loans.

Individually, these loans aren't big - only \$487 on average - but the number of people taking them out is huge, even by the standards of the world's second-most-populous country. In the past five years, the pool of small borrowers has almost doubled, to 58 million, according to Microfinance Institutions Network (MFIN). Roughly 1 in every 20 Indians is in debt to a microlender. In total, they owe about \$31.6 billion.

Hard Times for Small Borrowers

Value of loan disbursements by microfinance companies in India, in rupees



Source: Microfinance Institutions Network, India

Bloomberg

Most borrowers are small traders, street hawkers, and daily wage laborers, the people most vulnerable to the economic shocks of the pandemic as well as to the virus itself. In India many decamped from urban slums to rural villages soon after the lockdown in late March 2020 with no idea when or how they'll be able to support themselves, let alone pay their debts.

With India's economy set to contract the most since 1952, many borrowers are becoming trapped in never-ending debt cycles. This problem leaves them with excruciating choices as they try to avoid being blacklisted by lenders. Some have sold the tools of their trade to meet obligations, compounding a virus-induced loss of income with a more permanent loss of livelihood.

Amid the pandemic, India's central bank has taken unprecedented steps to help borrowers, including a six-month loan moratorium that ended on August 31 and special loans to refinance MFIs.

Hearteningly, collection rates have increased to 85% to 90% of loans in November 2020, from about 98% before the pandemic. But, given that the industry exists on extremely tight margins, such recovery levels aren't viable in the long term.

Will the Microfinance sector bounce back? The answer to this question lies in the study of the past trends only, how this sector bettered itself after every crisis. This sector will continue to survive after this mega-crisis as well. The moratorium given to the clients will change their repayment schedule and the loan tenure will also get extended. However, the clients will continue to pay as being done earlier once the dust gets settled.

The chief reason why clients have largely supported this sector is because there is a genuine need for credit and still there is a huge gap between demand and supply. Even the critics of this sector admit that MFIs are better placed to provide hassle-free small ticket sized loans with minimal documentation and gestation period.

The resilience of the bottom of the pyramid has been phenomenal in this country, so is the case with the MFI sector. Every crisis has contributed to the overall improvement in the ecosystem.

Experts say an inevitable churn will mean that a leaner industry emerges from the crisis. It will also be increasingly digitised, more closely regulated, better capitalised, and bound by stronger consumer protections.

FY2020-21 that was

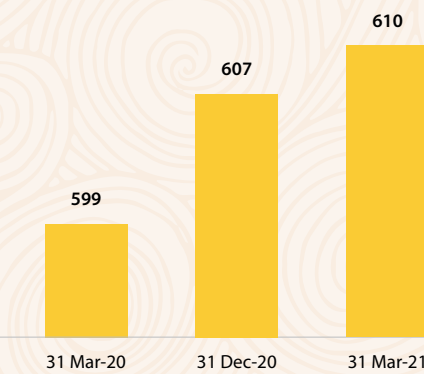
As on 31 March 2021, the on-balance sheet portfolio of 85 NBFC-MFIs was ₹80,549 Cr, spread across 610 districts of 35 states and union territories. The data shows an increase in portfolio of around 9.2% over the last year. Overall health of

portfolio has declined on a YoY basis as reflected by PAR>30 of 6.85% as on 31 March 2021, in comparison to 1.88% as on 31 March 2020. However, compared to December 2020 portfolio quality shows improvement due to write-offs and restructuring of loans.

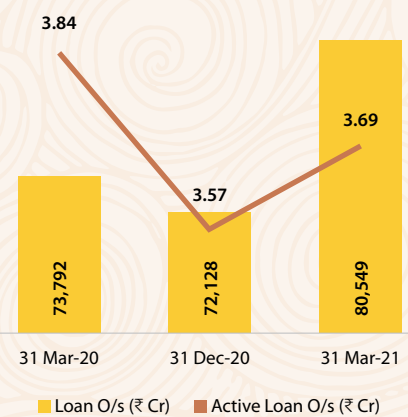


FY21: A snapshot

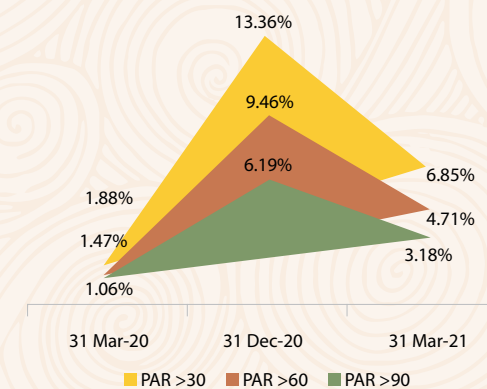
Presence of NBFC-MFIs across districts



Loans accounts & amount outstanding

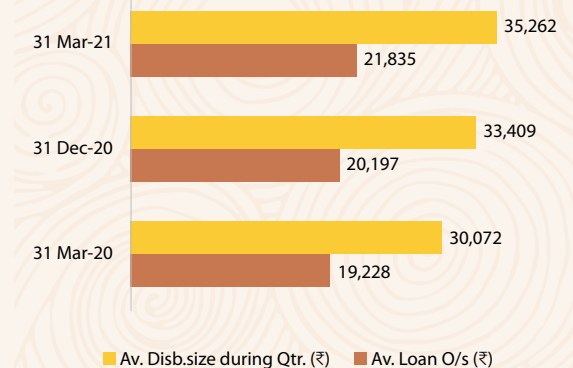


Portfolio quality of NBFC-MFIs



Note: For PAR analysis, delinquencies above 180 days have been removed to reflect a true picture of portfolio quality.

Average disbursement size & laon outstanding (₹)



Risk Management

Managing business in a volatile environment

Effective risk management is of supreme importance for any business to thrive in a space mired in volatility, uncertainty, complexity and ambiguity.

Fusion has achieved sustainable growth in such a challenging environment with its disciplined focus on operational excellence and risk management.

Our business strategy is framed to identify risks and possible challenges that could impact its business performance and derail our journey to meet the goals.

The Risk Management Committee at Fusion strikes a balance between managing risks and capitalising opportunities. Our response to identified risks includes acceptance, avoidance, transfer and mitigation.



Strategy 1: Sustain business growth

Where will the growth come from?	External circumstances could impede business growth.	How to fund this growth?	How to manage this growth?
<p>The MFI business will grow based on two levers.</p> <p>(1) Organic expansion in existing states.</p> <p>(2) Repeat and referral business opportunities.</p> <p>The MSME funding is a small vertical as of now, which will grow significantly over coming years as opportunities abound in this space. This vertical is expected to be a key growth driver over the coming years.</p>	<p>The second wave of Covid which has is spreading fast and has a wider and more far-reaching impact on the nation could slow the momentum. But this is a phase and it will pass.</p> <p>Having said that, we would also like to mention that we have overcome the first Covid wave. Our systems and processes are aligned to all Government protocols regarding Covid. We are that much prepared. In the worst case scenario, achieving our targets could be postponed for a while.</p>	<p>The credibility earned as an ethical, trustworthy and transparent organisation coupled with consistent rating upgrades by independent agencies have expanded our financial partners to include marquee banks (public and private) and financial institutions.</p> <p>As on March 31, 2021, we have about ₹1,250 crore to be deployed in business growth. Further we have received additional sanctions in April 2021. This pool of liquidity will assist in two ways 1) tide over a possible lockdown, if that happens and 2) fuel business growth.</p>	<p>Digitalisation, decentralisation and disciplined management have been the cornerstones of business management at Fusion.</p> <p>Deployment of cutting-edge technology solutions to support the High-Touch business model has worked well as it allows for wider reach, decentralised operations, greater speed and accuracy. Moreover, data management is real time, supporting faster decision making and course correction, when required.</p> <p>A strong middle management team manages day-to-day operations allowing the leadership team to focus on business strategy and supervision.</p>

Strategy 2: Sustain quality of business

In the period where the pandemic is looming large, how will the Company manage delinquencies?	Does the Company have adequate checks and balances in place?	Concentration (of assets or liabilities) could impact business quality.	Fraud could be a trouble area for the Company as it increases its spread and size.
<p>We have adopted a two-pronged approach to ensure that delinquencies can be contained to the base minimum. At the field level, our field officers maintain a regular connect with client to understand their business realities and cash flows. This ground level feedback is crucial in identifying possible delinquencies before they actually happen. At the corporate level, the asset portfolio is monitored close at multiple macro and micro levels which helps in understanding asset-related issues. A combination of these initiatives should help in minimising delinquencies.</p>	<p>We are aware of this challenge as we have grown at a rapid pace. As an important step in this direction, we have separated the Audit and Risk functions into two separate departments for an incisive focus.</p> <p>We have rolled out our Audit 360 solution as an integral part of our 'Going Digital' initiative that will complement the current scope and span of our Audit framework. This will enable our Audit team to enlarge the scope of coverage while optimising the bandwidth and building intelligence tools highlighting early warning flags in the portfolio.</p> <p>Our risk management team has important policies and frameworks which promise to provide adequate checks and balances to ensure that Fusion can sustain its penchant for quality growth.</p>	<p>We keenly monitor our assets to ensure that they are not concentrated in any particular state, district or branch – for this we have set our exposure limits likewise. Also, from a lender perspective, we remain particularly aware that we do not get into an over-leveraged position with any particular lender. As a further de-risking measure, our Finance team continuously works to widen the lender basket, even as it focuses on cementing stronger bonds with financial institutions (including bankers) to enhance organisational liquidity.</p>	<p>Fraud happens when people collude with a malafide intention. To avoid this, the Company works at multiple levels.</p> <p>1) Provides intensive training to its team throughout the year which comprises technical, regulatory and behavioural aspects; it also include the fallout of perpetrating fraud.</p> <p>2) Stringent monitoring on a daily basis of every member of every branch; maintaining a hawk eye on customer addition (incl. customer drop outs), adherence to operational process SOPs and cash collection. This is done by the middle management.</p> <p>3) A weekly monitoring of the incidents of fraud (if any) by the senior management.</p>

Strategy 3: Improve profitable growth

How is the Company reducing its cost of funds?	How is the Company reducing its operating costs?	How is the Company improving its NIM?
<p>Our record of timely repayment of loan installments (including interest) to all our fund providers have helped in strengthening our credit rating by independent agencies which in turn helps us in securing adequate funds at reasonable coupon rates. Further, our high governance standards have helped secure funds from marquee investors which strengthens organisational repute and provides low-cost funds for growth.</p>	<p>Our sustained growth in volumes provides economies of scale which has optimised operating costs. Moreover, our 'Going Digital' strategy has supported expansive business growth even as it optimised operating costs (technology solutions replaced people). The effectiveness of these factors is reflected in growing business profits in good times and bad.</p>	<p>We have recently started a new business vertical – Lending to the MSME sector – which is a high margin business. Leveraging our experience and expertise from the MFI space, we are confident of growing this vertical over the coming years, which will shore business profitability.</p>

Social Responsibility

For a New India

People's aspirations have far-reaching consequences at societal and national level. At Fusion, we aim to play the role of a catalyst in enabling them to achieve their dreams. We believe that empowering the nation means empowering its people. Hence, we have initiated a movement from the grass-roots level to develop the potential of billions.

Through our efforts towards nation building, all our actions are aimed towards nurturing the dreams of a new India.

Being part of a Global initiative

Sustainable Development Goals (SDGs) are the global goals set by the United Nations General Assembly in 2015 to achieve a better and more sustainable future for all. Fusion, through its CSR initiatives, is working towards achieving seven such SDGs



NO POVERTY

End poverty in its all forms everywhere



ZERO HUNGER

End hunger, achieve food security and improved nutrition, and promote sustainable agriculture



GOOD HEALTH AND WELL-BEING

Ensure healthy lives and promote well-being at all ages



QUALITY EDUCATION

Ensure equitable and quality education and promote lifelong learning opportunities



GENDER EQUALITY

Ensure gender equality and empowerment



CLEAN WATER AND SANITATION

Ensure availability and sustainable management of water and sanitation for all



CLIMATE ACTION

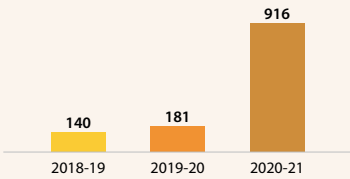
Take urgent action to combat climate change and its impacts



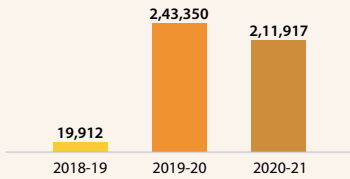
Sustaining the drive

For uplifting the underprivileged, consistency is more important than intensity. What is needed is continuous effort, not explosive effort. This is because, explosive efforts are more about leaving a good story and completing a milestone; persistent efforts keep you progressing. At Fusion, this persistence drive us to better what we have done in the past.

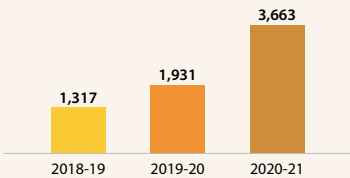
No. of Programs



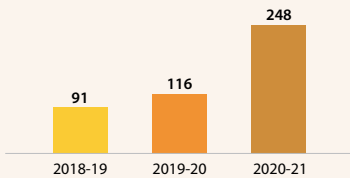
No. of Beneficiaries



Employee Participation



No. of Districts Covered



FY21: Our reach out efforts

2,11,917
Beneficiaries

39
Aspirational districts

19
States & UTs covered

916
Programs

3,663
Employee participation

₹1.27 crore
Investment

Relief & Welfare



44

ANNUAL REPORT 2020-21

841
Programs

3,391
Employee participation

37
Aspirational districts covered

2,04,719
Beneficiaries

COVID-19 WELFARE PROGRAM

The Covid-19 pandemic dealt a body blow to India. Loss of lives and livelihoods across the nation added to the pain and anxiety caused by the micro-organism. Indians needed help, more than ever before. Fusion, respecting this need, widened its reach and intensified its efforts.

Since the outbreak of the pandemic, the company undertook a massive year-long drive across 17 states & UTs to distribute masks and hygiene kits were distributed to under-privileged people and frontline

warriors like district administration and police officers.

The company involved underprivileged women, women from Indigenous community, widows, ASHA workers and persons with disabilities to produce masks. In addition, local NGOs and their beneficiaries also participated in masks and hygiene kits making. This provided sustained revenue to the participants during the covid-19 pandemic.

Fusion supported Doctors For You (DFY) in their 'Covid-19 Response' across rural areas of Bihar.

1.82 lakh Beneficiaries

1.82 lakh Masks 28,309 Sanitary Napkins 11,496 Soaps 26.06 lakh ml of Sanitiser 30,959 Hygiene Kits 4,000 Vaccination of rural people	305 People employed (including 213 Women,3 PWDs, 5 ASHA workers and 43 indigenous people) who collectively earned ₹16 lakh.	6,499 Villages 238 Districts 37 Aspirational Districts
------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------

COVID-19 VACCINATION PROGRAM

India successfully flattened the first wave of the pandemic. In its bid to protect its people from the second wave, the Government was urging its citizens to get inoculated. In response to this call, Fusion vaccinated around 4000 rural people from 30 villages of Patna, Bihar. Transportation services were provided for senior citizens and specially abled persons. The team also provided counseling to every person about the benefits of the vaccine and its side effects.

FLOOD RELIEF WORK

Nature's fury is largely unpredictable and causes widespread damage to people and property. During the monsoon, heavy rains battered districts of Assam, Bihar and Chhattisgarh. Fusion reached out to the affected households with food items, toiletries and other relief material. At few locations, Fusion was the first company to provide immediate help to the victims.



Dr. Ravikant Singh

Founder – Doctors For You
Program: Covid-19 Vaccination Program

"Thanks to Fusion Micro Finance for entrusting us with their covid-19 relief programme. Together, we have been able to reach out to most marginalized households in different states across India. Rural covid vaccination programme is one of the most impactful works we are doing through this partnership. We look forward to executing more such programmes to impact many more lives."

45

Fusion Micro Finance Private Limited

Promoting Health & Hygiene



CANCER SCREENING & AWARENESS PROGRAM

With being the most common type of cancer in women, breast cancer accounts for 14% of cancers in Indian women. Breast cancer is on the rise, both in rural and urban India. To overcome this deadly ailment, creating awareness among women especially in rural India is critical.

Aligned to this reality, Fusion organised cervical, oral and breast cancer screening and awareness programs for rural women of Rajasthan, Bihar, and Madhya Pradesh. Gynaecologists briefed the women on importance of cancer screening; PAP Smear test of women done along with diagnostic tests such as blood pressure, weight and sugar. Two suspected cases of breast cancer in Bihar were referred to Patna Medical Hospital for further treatment.



HEALTH CHECK-UP CAMPS

Fusion organised health camps in 4 districts of Madhya Pradesh and Uttar Pradesh for rural women and children. Qualified gynecologist, pediatrician and physician diagnosed the people and pathology tests such as blood pressure, sugar and haemoglobin (Hb) were also arranged.



WHEELCHAIR DISTRIBUTION PROGRAM

Fusion distributed wheelchairs to 70 specially abled women, men and children from weaker section of the society with a vision to provide mobility, reduce dependability on family members and support in earning livelihood.

The company gave 17 wheelchairs to Ex-servicemen of the armed forces at 6 districts of Rajasthan in collaboration with Sainik Kalan Karyalaya, Rajasthan. Two of these soldiers had suffered war-injury during their services.

TREATMENT OF CANCER PATIENTS

Fusion supported treatment of cancer patients in collaboration with Indian Cancer Society through 'HDFC Chairty Fund for Cancer Care'.

44
Programs

172
Employee participation

5
Aspirational districts covered

4,024
Beneficiaries

PROJECT OJAS: AN EYE CARE INITIATIVE

Esight is one of your most important senses. 80% of what we perceive comes through our sense of sight. But for some unfortunate individuals, eye sight is an issue which threatens to destroy their lives and livelihood.

To provide light to people's vision, Fusion rolled out Project Ojas in 6 villages of Jorhat, Assam covering 2,265 people in 787 households. Residents diagnosed with refractive errors received spectacles. The company facilitated cataract surgeries along with post-operative care.

During the project, one to one interaction with people through CHWs was organised to counsel them on identifying early signs of prominent eye ailments and maintaining a healthy eye routine. Fusion was the first company to implement this kind of initiative in the area; it was highly appreciated by the locals.

MENSTRUAL HYGIENE MANAGEMENT (MHM) PROGRAM

Hygiene-related practices of women during menstruation are of considerable importance, as it may increase vulnerability to Reproductive Tract Infections; poor menstrual hygiene contributes significantly to female morbidity.

To increase the awareness of women and adolescent girls in rural India, who are largely ill-aware of the hazards of poor menstrual hygiene, Fusion organised programs in rural areas of Bihar, Jharkhand, Madhya Pradesh and Rajasthan. Counsellors provided awareness on the importance of menstrual hygiene, uses of sanitary napkins and its safe disposals.

The company distributed reusable sanitary napkins to all female participants with multi-vitamins and iron tablets to address issue of anemia.



Makoi
Jorhat, Assam
Project Ojas: An Eyecare Initiative

I had eye issue from last two years and unable to see at all after dark. I had to leave early to make it home safely and had lost half of my pay. I avoided visiting nearby eye hospital due to financial crisis. Fusion Micro Finance organised door to door eye screenings. My sight saving cataract surgery was arranged free of cost by Fusion. I am thankful to Fusion and hoping that the company will continue to organise such initiatives.

Promoting Education



Ashutosh Burnwal

Founder, Buddy4Study (NGO)
Program: Project Shiksha

Buddy4Study is proud to be a part of Fusion Micro Finance initiative towards managing its scholarship program to support 106 underprivileged meritorious students. The scholarship program gave a special opportunity to needy students to get financial support for their academic dreams. The overwhelming number of applications we received with our outreach initiatives is a testimony of that! I hope our association continues to help many more deserving students in the future as well. Thank you for giving us the opportunity to be part of this noble initiative.

PROJECT SHIKSHA

Education is the bedrock of nation building. It creates better citizens. It generates economic value. This reality drives the company to promote education among the rural masses. On international literacy day, Fusion initiated Project Shiksha, a scholarship program for school and college students, across the backward areas of 13 states. More than 100 meritorious students were provided with scholarships. Girl students received the scholarship in a huge number. 41 students have been receiving scholarships for two consecutive years.

FINANCIAL LITERACY PROGRAM

Fusion organised literacy programs in two states to impart knowledge on various aspects of financial management like household budgeting, investment prevention from over-indebtedness and savings etc.

15
Programs

60
Employee
participation

8
Aspirational
districts covered

284
Beneficiaries

Promoting Sanitation



11
Programs

32
Employee
participation

2,741
Beneficiaries

WATERWHEEL DISTRIBUTION

Domestic water use is probably the most important daily use of water for most people. This holds true for urban and rural households alike. While in urban households, water is available on the fingertips, in rural locales, water has to be brought home from kilometres away.

To ease this journey, Fusion distributed waterwheels to 308 rural women in 10 remote villages across five districts of Rajasthan and Odisha. This has allowed women of the village to transport 45 liters of water conveniently (by rolling the drum) in one easy trip as opposed to undertaking at least four to five trips for 20-25 liters of water – they had to bear the brunt of carrying this water by travelling 4-5 kms. The initiative has helped eliminate negative effects of carrying heavy load on women health.

It has freed girl children from the responsibility of domestic water carrying and given them a chance of attending school/ devoting time for studies. It can also be used to store water hygienically thereby reducing the prospect of water borne diseases.

PROJECT JAL: WATER PURIFIER INSTALLATION

Clean drinking water improves brain function. For students, it means greater clarity and focus, enabling them to think and absorb lessons faster while improving their concentration levels.

Fusion provided drinking water solution to a Government school in Uttar Pradesh. Students and teachers in the school were using a high Total Dissolved Solids (TDS) level water for drinking which was harmful for their health. Awareness programs were also organized to students, parents and teachers on importance of clean drinking water.



Saraswati Jani

Kodala, Odisha
Program: Water Wheel Distribution

I used to travel 3-4 kms every day to get water from the river for my family. Carrying heavy vessels filled with water was exhausting. Fusion Micro Finance gave us waterwheel. I do not have to carry water on my head anymore. This waterwheel is saving my physical energy and time. I am also able to carry more water compared to what I used to carry earlier. I no longer experience back and neck pain. My entire family is thankful to Fusion for generosity shown by them.

Promoting Livelihood



2
Programs

4
Employee participation

1
Aspirational districts covered

79
Beneficiaries

PROJECT BEEJ: AN AGRICULTURAL INITIATIVE

Livelihoods are an important part of human existence. For population to survive there is need for livelihoods that would sustain and support their households, which is turn would contribute to economic growth of the nation.

Fusion launched 'Project Beej' an agricultural initiative to improve the wheat output for women farmers along with their spouses. Farmers were provided with a package of 50 kg of high-quality seeds, fertilisers, urea and zinc etc. to produce wheat in their 5-yard agricultural land.

The company conducted agriculture workshop for farmers to educate them on sustainable farming techniques, usage of fertilisers/pesticides in right quantity. Soil testing and hand holding by agricultural expert were ensured to augment the wheat production.

SUPPORT LIVELIHOOD FOR SPECIALLY ABLED

Fusion supported nine specially abled people from Awareness for Inclusion Foundation to earn income through socks designing and manufacturing.



Pravesh Devi
Kalasiya, Uttarakhand
Program: Project Beej: An Agricultural Initiative

Due to financial problem from last few years we were using old seeds for wheat cultivation which resulted in less production of wheat crop. Last year in October, I became a part of Fusion Micro Finance's social program. They provided high quality seeds and fertilizer for wheat cultivation. As a result, we have produced more wheat in our land than in previous years, which has brought us more profit.

Environment Sustainability



1
Programs

4
Employee participation

68
Beneficiaries

SOLAR LIGHT DISTRIBUTION

Fusion distributed solar lights to rural families benefitting 68 people at Talabpur village, Dhamnod, Madhya Pradesh. This village has no electricity connection. These families resided proximate to the forest area of the village. Non-availability of electricity made it difficult for them do anything at night; children were also not able to study after sun down. This initiative has brought some light in their lives.



Promoting Sports



SUPPORTING NATIONAL ATHLETES

Fusion has been supporting training of female athletes. Bhavani Devi (Fencer) and Namita Chandel (Canoeist) for last three years. Bhavani Devi created history in March 21 when she became the first ever Indian Fencer to qualify for the Olympics and Namita Chandel is representing India in the Asian games.



Bhavani Devi

Indian Fencer
Program: Training of National Athletes

"Hello Everyone! My name is Bhavani Devi, Indian International Sabre Fencer. I was selected to be a part of Rahul Dravid Athlete Mentorship Program in 2015 when I was thinking about quitting the sport and my second innings started from thereon.

The support that I have received from Fusion and from the program varies across different needs like high-performance training stints, international competition facilitation, sports science support like nutrition, physiotherapy, and mental well-being, etc. I'm truly grateful for the support that I've received from the programme of GoSports Foundation and I thank Fusion Micro Finance for supporting me through the programme. Thank you!"

We do what we do, because it makes a difference... This is proof!



Kusum Bai

Manawar, Madhya Pradesh
Program: Financial Literacy Program

Recently, a financial literacy program was organised by Fusion Micro Finance. The program educated me on ways of managing non-essential expenses and focus on savings. I started keeping record of all my income and expenses. This helped me to save and plan the budget of the house accordingly. I started depositing my savings in bank to get interest. I never thought that this will bring such a huge change in my life.



Mohit Khare

Secretary, Pragya Social Organization (NGO)

It has been great working with team Fusion Micro Finance. We have provided free treatment, medicines, and medical services in the backward areas of states like Madhya Pradesh, Chhattisgarh, and Bihar with the immense support of Fusion. We have been able to do a lot for the economic empowerment of women from rural areas and marginalized communities. We look forward to work together to benefit more such people in the future. . We are so grateful for their belief in us.



Jitendra Kumar

President, Asheerwad (India) Foundation (NGO)
Program: Covid-19 Welfare Work

We are grateful for the support we got from Fusion Micro Finance. We have been working with Fusion for more than 2 years for the welfare of rural communities. We did various projects with Fusion in these years on WASH, Health , Education and Agriculture. During Covid-19 pandemic, Fusion has given us the opportunity to produce masks and hygiene kits for the communities which helped many rural women to earn their livelihood. Fusion through their CSR truly works for the upliftment and betterment of the society.



Kusum Kumari

Fathua, Bihar
Program: Covid-19 Vaccination Program

Recently, I have received both doses of Covid-19 vaccine. During my first dose I was a bit scared about how the vaccine would react, but there was no complications post vaccination. Staff at the center were gentle and helpful. They counselled me before vaccination and later provided medicines for any kind of side effects. I am thankful to Fusion Micro Finance and doctors for giving me a chance to protect myself against coronavirus.



Manvantika

Bela, Madhya Pradesh
Program: Covid-19 Welfare Work

At the time of Pandemic, it became difficult to meet the basic needs of the family. There was no source of income and also food scarcity. Fusion Micro Finance came in our life as a "ray of hope". The company provided us financial and mental stability. The orders of mask making from the company helped us to get hold of the situation. I earned more than ₹20,000 during lockdown. It gave me the confidence to take similar mask-making orders from local shops. I am deeply thankful to Fusion for giving me this opportunity.



Gulapi Das

Dergaon, Assam
Program: Flood Relief Work

Flood had devastating impact in our village. We had no food, drinking water and had to shift to nearby school for stay for some time. We had no source of income as our farms were destroyed by flood. The company responded promptly and provided aid when no one was there for us. Had it not been Fusion, our situation would have been different. My entire family is thankful to Fusion for support and their selfless work.



Rajkumari

Bhopal, Madhya Pradesh
Program: Health Camp

Fusion organised free health checkup camp in our community. The doctors examined me and entire family thoroughly and medicines were also given. Apart from that hygiene kits including masks, sanitiser and sanitary napkins were also provided. Fusion ensured safety of each patient who came at camp for check-up.



Mamta

Bairagarh, Madhya Pradesh
Program: Cancer Screening Program

Fusion was the first organization who organized cancer screening program in our area. I learned about the causes, symptoms, and cure of different types of cancer. Apart from that screening of cervical, oral and breast cancer was done carefully in the hygienic condition in separate rooms. All tests were free of cost.



Kiran Kholka

Chhatarpur, Bihar
Program: Menstrual Hygiene Management

I attended the program organised by Fusion Micro Finance. I learned about appropriate menstrual hygiene practices, entire process of menstruation and misconceptions added to this. Apart from that, I received reusable sanitary napkins from the company. Now, I stopped using cloth and preferred sanitary napkins. I am much more confident and attentive towards personal hygiene and do not hesitate to discuss menstruation concerns.



Prabhudayal

(Ex. Serviceman)
Sikar, Rajasthan
Program: Wheelchair Distribution

In 2005, during my military service in Patiala, my left knee was dislocated and 90% of my knee was deformed. I had to use wooden stick for walking. Few months ago I got a wheelchair from Fusion Micro Finance. It proves to be very helpful for my daily works, and I can visit to nearby places without any problem. I would like to thank Fusion Micro Finance for this support.



Namita Chandel

Indian Canoeist
Program: Training of National Athletes

"Hi, my name is Namita Chandel and I am an Indian International Canoeist. I was selected for the Rahul Dravid Athlete Mentorship Program in 2018. Fusion Micro Finance supported me in different aspects of my training like my high-performance training in Hungary, my nutrition, as well as my equipment. GoSports Foundation also provided me with mental well-being support when I was going through a tough time. I am extremely thankful for the exposure that I've received through the programme without which I wouldn't have been able to reach the position I am in today. I would like to extend a massive thanks to Fusion Micro Finance for supporting me in my journey. Thank you!"

DIRECTORS' REPORT

Dear Members,

The Board of Directors are pleased to present the 27th Annual Report of your Company (“the Company” or “Fusion”) along with the audited financial statements, for the financial year ended March 31, 2021.

1. FINANCIAL RESULTS

The financial results of the Company for the financial year ended March 31, 2021 is summarized below:

(All amounts are in ₹ millions unless otherwise stated)		
Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue from operations		
Interest Income	8275.64	6,664.88
Fees and commission Income	7.19	34.64
Net gain on fair value changes	167.45	231.57
Net gain on derecognition of financial instruments under amortized cost category	107.84	271.55
Total Revenue from operations	8558.12	7,202.64
Other Income	172.76	100.47
Total Income	8730.88	7,303.11
Expenses		
Finance Costs	3751.04	3,376.72
Impairment on financial instruments	2207.80	926.99
Employee benefits expenses	1686.40	1,483.33
Depreciation and amortization	38.94	25.76
Other expenses	478.79	490.36
Total Expenses	8162.97	6,303.16
Profit before tax	567.91	999.95
Tax Expense:		
Current Tax	588.71	395.99
Deferred Tax	(460.24)	(92.14)
Profit for the year	439.44	696.10
Other Comprehensive Income		
Items that will not be reclassified subsequently to profit or Loss		
Re-measurement gains/(loss) on defined benefit plans	0.04	6.46
Income tax effect	(0.01)	(1.40)
	0.03	5.06
Total Comprehensive Income for the year	439.47	701.16

2. OPERATIONAL PERFORMANCE

Operational performance for the financial year ended March 31, 2021 is summarized below:

Particulars	FY March 31, 2021	FY March 31, 2020 (MFI)	Increase over % FY 2020-21
Number of Branches	725	591	22.67%
Number of Members	2,121,873	1,856,372	14.30%
Number of employees	6,406	5,490	16.68%
Number of States	18	18	0.00%
Amount Disbursed (INR In Crore)	3,710.31	3,572.85	3.85%
Gross Loan Portfolio (INR In Crore)	4,637.84	3,597.16	28.93%

The Company attained business performance by reaching out to 2,121,873 active loan clients as on March 31,2021 which has grown from 1,856,372 as on March 31, 2020. The growth in active loan clients during the year was 14.30%.

The above was possible with excellent efforts of 6,406 employees of the Company as on March 31, 2021 which was of 5,490 as on March 31, 2020, through 725 Branches, across 18 states and 323 districts in India. During the year under review, the Company opened 131 new branches.

The Company already has borrowing arrangement with large number of lenders and has started association with a few more institutions to diversify its sources of borrowing.

3. CONVERSION OF THE COMPANY INTO PUBLIC COMPANY

Subsequent to the closure of the FY’21, the shareholders of the Company in the Extra Ordinary General Meeting of the Company held on April 26, 2021, subject to the approval of the Registrar of Companies and such other approvals as may be required, approved the conversion of the Company status from Private Limited to Public Limited.

4. CASH FLOW STATEMENT

The Cash Flow Statement for the year ended on March 31, 2021 prepared under the provisions of the Companies Act, 2013 is attached as a part of the Financial Statement of the Company.

5. ANNUAL RETURN

In accordance with Section 92 and 134(3)(a) of the Companies Act, 2013 (“the Act”), a copy of the annual return in the prescribed format is uploaded on the website of the Company and may be accessed at https://fusionmicrofinance.com/annual_return_20-21.php

6. DEPOSITS

The Company had not accepted/received any public deposits during the year under the report falling within the ambit of Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions 1998 or Section 73 of the

Act read with Companies (Acceptance of Deposits) Rules, 2014.

7. TRANSFER TO RESERVES

During the FY’ 21, your Company has transferred INR 87.89 millions to the statutory reserve pursuant to Section 45-IC of the Reserve Bank of India Act, 1934.

8. DIVIDEND

Your Board of Directors of the Company feel that, it is prudent to plough back the profits for future growth of the Company. Hence do not recommend any dividend for the financial year ended March 31, 2021.

9. TRANSFER OF UNCLAIMED DIVIDEND AND SHARES TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of the Investors Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 notified by the Ministry of Corporate Affairs (“MCA”) as amended from time to time, there was no dividend and shares liable to be transferred to the Investors Education and Protection Fund (“IEPF”) established by the Central Government.

10. NUMBER OF MEETINGS OF THE BOARD

During the Financial Year 2020-21, the board met 5 (Five) times in a year and details related to the board meetings of the

Company are mentioned in the Corporate Governance Report annexed as “**ANNEXURE -1”**, which forms part of this report.

11. CHANGE IN THE NATURE OF BUSINESS, IF ANY

During the FY’ 21, there was no change in the nature of business.

12. DIRECTORS AND KEY MANAGERIAL PERSONNEL

DIRECTORS

During the FY’21, Mr. Pradip Kumar Saha, Independent Director of the Company has resigned from the Board w.e.f. February 05, 2021 due to his personal reasons and other commitments.

Subsequent to FY’21, on the recommendation of Nomination and Remuneration Committee, the Board, approved the appointment of Mr. Shobinder Duggal (DIN: 00039580) as an Additional Director of the Company w.e.f. May 26, 2021 and also subject to the approval of the shareholders of the Company, Independent Director for a period of 3 years w.e.f. May 26, 2021. Your Board recommends his appointment as Director and Independent Director.

The particulars with respect to Mr. Shobinder Duggal as required under SS-2 are mentioned in the Notice of the Annual General Meeting.

KEY MANAGERIAL PERSONNEL

As per the provisions of the Act, Mr. Devesh Sachdev, Managing Director & Chief Executive Officer, Mr. Gaurav Maheshwari, Chief Financial Officer and Mr. Deepak Madaan, Company Secretary are the Key Managerial Personnel of the Company.

13. DECLARATION OF INDEPENDENCE

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under Section 149(6) of the Act and based on the declarations received from the Independent directors, the Board of directors are of the opinion that the directors have the requisite integrity, expertise and experience including the proficiency to be the independent directors of the Company.

14. CREDIT RATING

CARE Advisory Research and Training Ltd. has assigned Grading of “**MFI 1”**; CARE Rating Limited has assigned Rating of ‘**A-**’ Outlook Stable on the Long- Term Bank Facilities (amounting to INR 1,500 Cr) and on Non-Convertible Debentures. The Company has also been assigned rating as

‘**A-**’ Outlook Stable by **CRISIL** on the Long- Term Bank Facilities (amounting to INR 1000 Cr) and rating of ‘**A-**’ Outlook Stable by **ICRA** on Non-Convertible Debentures.

15. CAPITAL ADEQUACY

The Capital Adequacy Ratio of the company was 27.26% as on March 31, 2021 as against the minimum capital adequacy requirements of 15% by Reserve Bank of India (“RBI”).

16. RESOURCE MOBILIZATION

a) Term Loan / Sub debt /Refinance

During FY’ 21, the Company has diversified its sources of funds and raised a sum of INR 2,900.80 Crore (Inclusive of Refinancing of INR 380 Crore) by way of short-term and long-term loans.

b) Secured / Unsecured Non-convertible debentures

During FY’ 21, the Company raised an amount of INR 660 Crore by way of issuance of Secured/unsecured Debentures.

c) Asset Securitization

During FY’ 21, your Company raised resources to the extent of INR 100.32 Crore through Direct Assignment.

17. SHARE CAPITAL

During FY’ 21, there was no change in Authorized Share Capital and Paid up Share Capital of the Company. As on March 31, 2021, the Authorized Share Capital of the Company was, ₹9,50,000,000 (Rupees Ninety-Five Crore) comprising of 90,000,000 (Nine crore) equity shares of ₹10/- (Rupees Ten only) each and 5,000,000 (Fifty lakh) preference shares of ₹10/- (Rupees Ten only) each.

However, subsequent to FY’ 21, the Authorized Share Capital of the Company has been reclassified and increased from ₹950,000,000 (Rupees Ninety Five Crores only) divided into 90,000,000 (Nine crore) equity shares of ₹10/- (Rupees Ten only) each and 5,000,000 (Fifty lakh) preference shares of ₹10/- (Rupees Ten only) each to ₹1,050,000,000 (Rupees One Hundred and Five Crores only) divided into 105,000,000 (Ten Crore Fifty lakh) equity shares of ₹10/- (Rupees Ten only) each.

During FY’ 21, there was no change in issued, subscribed and paid up equity share capital of the Company. As on March 31, 2021 the issued and subscribed equity share capital of the Company was INR 843,263,880 and the paid-up equity share capital of the Company was INR 807,779,832.

18. NON CONVERTIBLE DEBENTURES

During FY’ 21, your Company raised Rupees 660 Crores by issue of Non-convertible Debentures (NCD’s) on private placement basis and redeemed the NCD’s amounting to ₹80 Crores.

19. EMPLOYEE STOCK OPTION SCHEME

To reward the employees for their association and performance as well as to motivate them to contribute to the growth and profitability of the Company, the Company has a stock option plan namely ESOP Scheme 2014 and ESOP Scheme 2016.

As on March 31, 2021, the following stock option grants were in operation:

PARTICULARS	Details
Number of options granted during the year	584,500
Number of options vested during the year	424,532
Number of options exercised during the year	86,910
Total number of shares arising out as a result of exercise of option during the year	86,910
Options lapsed during the year	48,030
Exercise price	20.55/27.08/ 37.99/64.08/110/ 154.04/290.48
Variation in terms of options	-
Money realized by exercise of options	4,823,103
Total number of options in force	2,070,558

The options shall vest on graded basis as follows.

On completion of 1 year	25%
On completion of 2 years	25%
On completion of 3 years	25%
On completion of 4 years	25%

20. COMMITTEES DETAILS

As on March 31, 2021, the Company has 8 committees which govern and oversee different areas of the Company's operations ensuring regular guidance and monitoring.

For further details please refer to Corporate Governance Report, which form the part of Directors’ Report.

21. RELATED PARTY TRANSACTIONS

During the FY’ 21, all related party transactions were in the ordinary course of business and at arm's length price basis and within the permissible framework of Section 188 and other applicable provisions of the Act and rules made thereunder. There were no material related party transactions entered by the Company that were required to disclosed in form AOC-2.

The policy on Related Party Transactions, as approved by the Board, is displayed on the website of the Company i.e. www.fusionmicrofinance.com and the details of the transactions with related parties are provided in the Notes to financial statements.

22. AUDITOR’S AND AUDITORS’ REPORT

STATUTORY AUDITOR

Pursuant to the provisions of Section 139 of the Act read with rules made thereunder, M/s. S. R. Batliboi & Associates LLP, Chartered Accountants were appointed as Statutory Auditors of the Company to hold the office for a period of five years from the conclusion of the Twenty-Fifth Annual General Meeting till the conclusion of the Thirtieth Annual General Meeting of the Company.

The Auditors’ Reports for the financial year ended on March 31, 2021, do not contain any qualification or reservation or adverse remark or disclaimer. The Notes on Financial Statement referred to in the Auditors’ Report are self-explanatory and do not call for any further comments.

There are no instances of any fraud reported by the Auditors to the Audit Committee or the Board pursuant to the provisions of Section 143(12) of the Act.

SECRETARIAL AUDITOR

Mr. Alok Chandra, Practicing Company Secretary (FCS No. 7970 and Certificate of Practice No. 8976) was appointed as the Secretarial Auditor of the Company to conduct Secretarial Audit of the Company for the Financial Year ended on March 31, 2021 as required under Section 204 of the Act and the Rules made there under.

Secretarial Audit Report does not contain any qualification, reservation and adverse remark or disclaimer.

The Secretarial Audit Report for Financial Year ended on March 31, 2021 is attached herewith as **“ANNEXURE-2”**.

INTERNAL AUDITORS

The Company has appointed M/s. JP Chawla & Co. LLP, Chartered Accountants, to act as Internal Auditors of the Company. The Internal Auditors directly report to the Audit Committee.

The Company with a view to have fresh prospective of internal audit and as a good corporate practice has appointed M/s. Ray & Ray as Internal Auditors of the Company w.e.f. from April 1, 2021.

23. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During FY'21, the Company has not given any loan or provide guarantee or security or made any investment falling within the purview of Section 186 of the Act.

24. NOMINATION AND REMUNERATION POLICY

Pursuant to the provisions of Section 178 of the Act read with the rules made thereunder, the Company has framed a Nomination and Remuneration Policy ("NRC Policy") which is duly approved by the Board of Directors. The NRC Policy is directed towards a structure that provides adequate rewards and compensation to the employees at all level.

The NRC Policy of the Company is available on our website at www.fusionmicrofinance.com.

25. MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION BETWEEN THE END OF THE FINANCIAL YEAR AND DATE OF THE REPORT

Due to the pandemic COVID 19, all the field operations of the Company were suspended during the period of lockdown. In terms of the Reserve Bank of India Circular DOR.No.BP. BC.47/21.04.048/2019-20 and the advisory issued by the

Microfinance Institutions Network, the Company took the measures to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses, the Company framed "Moratorium Policy for Customer(s) on Deferment of EMI – COVID 19" whereby borrowers were allowed for moratorium on payment of unpaid instalments, in term the said policy.

The impact of the COVID is forming the part of Notes to Financial Statements.

26. CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Since the Company does not own any manufacturing facility, there is no information to be provided with respect to conservation of energy and technology absorption. There have not been any foreign exchange earnings and outgo during the year under review.

27. RISK MANAGEMENT

The Board of Directors of the Company has formed a Board Risk Management Committee ("BRMC") to frame, implement, and monitor the risk management plan for the Company and during the year has appointed Mr. Sanjay Chaudhary as a Chief Risk Officer of the Company.

The BRMC is responsible for reviewing the risk management plan, ensuring its effectiveness and verifying adherence to various risk parameters. The Company's Risk Management strategy is based on clear understanding of various risks, disciplined risk assessment and continuous monitoring. The BRMC reviews various risks with which the organization is exposed including Credit Risk, Interest Rate Risk, Liquidity Risk and Operational Risk. The development and implementation of risk management policy has been covered in the Management Discussion and Analysis Report, attached as **“ANNEXURE 3”**.

28. CORPORATE SOCIAL RESPONSIBILITY

The Company is at the forefront of Corporate Social Responsibility (CSR) and sustainability initiatives and practices. It believes in making lasting impact towards creating a just, equitable, humane and sustainable society. The Company has been involved with social initiatives in various activities in the field of education, primary healthcare and communities, environment, etc.

The Annual Report on the CSR activities for the year 2020-21 is attached as **“ANNEXURE 4”** to this Report.

Further, the Contents of the CSR policy are also available on the Company's website at:
http://www.fusionmicrofinance.com/pdf/Fusion_CSR_Policy.pdf

29. PERFORMANCE EVALUATION OF THE BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

A formal evaluation of the performance of the Board, the Chairman and the individual Directors as well as various Committees of the Board was carried out for the FY'21. The evaluation was done using individual questionnaires. As part of the evaluation process, the performance evaluation of Board as a whole was done by the Directors of the Board. The performance evaluation of the Promoter Director, Nominee Directors and Non-Independent directors was done by every other Director. The performance evaluation of the Independent Directors was done by the Board excluding the Director being evaluated. The Directors expressed satisfaction with the evaluation process.

30. VIGIL MECHANISM/WHISTLE BLOWER POLICY

The Vigil Mechanism system/Whistle Blower Policy has been established with a view to provide a tool to directors and employees of the Company to report to the management genuine concerns including unethical behavior, actual or suspected fraud. The Policy provides adequate safeguards against victimization of director(s)/employee(s) who avail of the mechanism. The Company has not received any reference under the said policy during the year.

31. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES

The Company does not have any subsidiary or associate, nor has entered any joint venture with any organisation.

32. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE

During FY'21, no significant and material orders were passed by any regulator or court or tribunal impacting the going concern status and Company's operations in future.

33. INTERNAL FINANCIAL CONTROLS

Pursuant to the Section 134(5) (e) of the Act, the Company has adequate internal controls and processes in place with respect to its operations, which provide reasonable assurance regarding the reliability of the preparation of financial statements and financial reporting as also functioning of other operations. The Company is following an effective internal control system commensurate with its size and operations.

These controls and processes are driven through various policies and procedures. In addition to this the work process is designed in such a way that process of internal check is ensured at all levels.

It also ensures the adoption of all policies & procedures for orderly and efficient conduct of its business, including adherence to the Company's Policy, the safeguarding of its assets, prevention and detection of fraud & error, the accuracy & completeness of the accounting records and the timely preparation of reliable financial information.

34. PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE

As per requirements of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, your Company has a policy and framework for employees to report sexual harassment cases at workplace and our process ensures complete anonymity and confidentiality of information. Adequate workshops and awareness programmes against sexual harassment are conducted across the organization. No complaints were received during the period under review.

35. CORPORATE GOVERNANCE

Your Company governance framework is driven by the objective of enhancing long term stakeholder value without compromising on ethical standards and corporate social responsibilities. Efficient corporate governance requires a clear understanding of the respective roles of the Board of Directors and of senior management and their relationships with others in the corporate structure. Sincerity, fairness, good citizenship and commitment to compliance are key characteristics that drive relationships of the Board and senior management with other stakeholders.

Your Company believes in adopting best & transparent practices of corporate governance. Corporate governance principles are enshrined in the Spirit of Fusion, which form the core values of the Company. These guiding principles are also articulated through the Company's code of business conduct, Corporate Governance guidelines & charter of various sub-committees.

A detailed report on the Company's commitment at adopting good Corporate Governance Practices is enclosed as **“ANNEXURE 1”**.

36. MANAGERIAL REMUNERATION

In terms of the provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014,

including any statutory modification(s) thereof for the time being in force, the details of remuneration etc. of Directors, Key Managerial Personnel and employees covered under the said Rules is attached as “ANNEXURE 5” which forms part of this report.

37. DIRECTORS’ RESPONSIBILITY STATEMENT

Pursuant to Section 134(3)(c) of the Act the Directors of the Company hereby state and confirm that:

- a. In the preparation of the annual financial statements for the year ended March 31, 2021, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
- b. The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2021 and of the profits of the Company for year ended on that date;
- c. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d. The Directors had prepared the annual accounts on a going concern basis;
- e. The directors had laid down internal financial controls to be followed by the company, and that such internal financial controls are adequate and were operating effectively.
- f. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

38. RBI GUIDELINES

The Company is registered with the Reserve Bank of India as a NBFC within the provisions of the NBFC (Reserve Bank of India) Directions, 1998. The Company continues to comply with all the requirements prescribed by the Reserve Bank of India as applicable to it, from time to time.

39. LISTING

Some series of NCD’s issued by the Company are listed on BSE Limited. The listing fees to the BSE Limited for the financial year 2021-22 has been duly paid.

40. MAINTENANCE OF COST RECORDS

The Company is not required to maintain cost records in terms of the provisions of Section 148 (1) of the Act read with Companies (Cost Records and Audit) Rules, 2014, as amended from time to time.

41. SECRETARIAL STANDARDS

The Company has duly complied with the applicable provisions of Secretarial Standard – 1 on meetings of Board of Directors and Secretarial Standard–2 on General Meetings issued by the Institute of Company Secretaries of India.

42. CAUTIONARY STATEMENT

Statements in the Board’s Report and the Management Discussion & Analysis describing the Company’s objectives, expectations or forecasts may be forward looking within the meaning of applicable Laws and Regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company’s operations include global and domestic demand and supply conditions, changes in Government Regulations, Tax Laws, Economic Developments within the country and other factors such as litigation and industrial relations.

43. ACKNOWLEDGEMENTS

Your Directors takes this opportunity to express its deep and sincere gratitude for the support and co–operation from the Borrowers, Banks, Financial Institutions, Investors, and Employees of the Company, for their consistent support and encouragement to the Company. Your Directors also places on record its sincere appreciation of the commitment and hard work put in by the Management and the employees of the Company and thanks them for yet another excellent year. Their dedication and competence have ensured that the Company continues to be a significant player in the Micro finance industry.

For and on behalf of the Board of Directors

Sd/-	Sd/-
Devesh Sachdev	Ratna Dharashree Vishwanathan
(MD & CEO)	(Director)
DIN: 02547111	DIN: 07278291
Place: Gurugram	
Dated: May 26, 2021	

CORPORATE
GOVERNANCE
REPORT

COMPANY’S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is more than just adherence to the statutory and regulatory requirements. It is an integral element of Company’s value system, management ethos and business practices. Good Corporate Governance is a continuing exercise and the Company is committed to ensure the same by focusing on strategic and operational excellence in the overall interest of its all stakeholders. Moreover, Company high standards of corporate governance plays an important part towards the Company’s continued growth and success.

The Company has always strived to maintain the highest standards of corporate governance and business conduct so as to create and maintain sustainable shareholders’ value, safeguard stakeholders’ interest and maintain investors’ trust and confidence. Ethical business practices go hand in hand with strong corporate governance, and we believe that running our businesses in an ethical manner creates trust with the public and ultimately create shareholders’ value for the Company. The Company, at the same time, expects acts of honesty and integrity from its Board of Directors and employees.

The Company believes that Corporate Governance is a tool to generate long term wealth and create values for all its stakeholders. The Company follows highest standards of Corporate Governance Practices which are driven by timely disclosures, transparent corporate policies and high levels of integrity in decision making. Over the years, we have strengthened governance practices.

A detailed report on the Company’s commitment at adopting good Corporate Governance Practices is shared below -

BOARD OF DIRECTORS :

The Corporate Governance framework of the Company is based on an effective Board with Independent Directors, separation of the Board’s supervisory role from the executive management team and constitution of the Board Committees

for various functions including those as required under the law. We believe that an active and well-informed Board is necessary to ensure the highest standards of Corporate Governance.

As on March 31, 2021, the Board had 5 members, 1 of whom was Executive Director, 4 Non-Executive directors out of which 2 are Independent Women Directors. The Independence of a Director is determined by the criteria stipulated under Section 149 of the Companies Act, 2013 (“Act”) and the maximum tenure of independent directors is in compliance with the Act. During the year under review, all Independent Directors have confirmed and submitted declaration to the effect that they meet the criteria of independence as laid down under Section 149 of the Companies Act, 2013. Independent Directors have also submitted declarations for the financial year 2021-22 confirming that they continue to meet the criteria of independence as laid down under Section 149 of the Companies Act, 2013. The Board has taken on record the declarations submitted by the Independent Directors.

The Executive, Non-Executive and Independent Directors are eminent professionals, drawn from amongst persons with expertise in business, finance, law, marketing and other key functional areas and play a critical role in enhancing balance to the Board processes besides providing the Board with valuable inputs.

The Board represents an optimal mix of professionalism, knowledge and experience.

None of the Non-Executive Directors holds any equity shares or convertible instruments of the Company during the financial year ended March 31, 2021.

BOARD MEETINGS BOARD COMMITTEE MEETINGS AND PROCEDURES:

The Board of Directors is the apex body constituted by shareholders for overseeing the Company’s overall functioning. The Board provides and evaluates the Company’s strategic

direction, management policies and their effectiveness, and ensures that shareholders' long-term interests are being served. The Company's internal guidelines for Board / Committee meetings facilitate decision-making process at its meetings in an informed and efficient manner.

The Company decides about the Board meeting dates in advance in consultation with Board of Directors and the respective committee members. Once approved, the schedule of the Board meetings and Committee meetings is communicated to the Directors to enable them to attend the meetings.

The Company Secretary of the Company draft the agenda for each meeting, along with explanatory notes, in consultation with the MD & CEO, and distribute these in advance to the directors & respective Committee members. Every member of the Board/Committee can suggest the inclusion of additional items in the agenda. The Board meets at least once a quarter to review the quarterly results and other items on the agenda, and also on the occasion of the AGM. Additional meetings

are held when necessary. The Board has unrestricted access to all Company-related information, including that of our employees. At Board meetings, managers and representatives who can provide additional insights into the items being discussed are invited.

As a practice, the Company Secretary communicates all important decisions taken by the Board Members/ Committee Members to the functional head of the concerned departments. An Action Taken Report on the decisions taken and matters discussed in the previous meeting is outlined and placed in the succeeding meeting of the Board/ Board Committee for their consideration/information and noting.

There are no inter-se relationships between the Board of Directors of the Company.

During the Financial Year 2020-21, the board met 5 (Five) times i.e. on June 08, 2020, June 22, 2020, August 19, 2020, November 09, 2020 and February 05, 2021. The intervening gap between the two board meetings were in compliance of the provisions of the Act.

ATTENDANCE OF DIRECTORS AT BOARD MEETINGS, LAST ANNUAL GENERAL MEETING (AGM) AND NUMBER OF DIRECTORSHIP AND CHAIRMANSHIP/MEMBERSHIP IN OTHER COMPANIES AS ON MARCH 31, 2021

Name of Director and Director identification number	Category of Directors	Designation	No. of board meetings held in FY20 - 21	No. of board meetings attended in FY20 - 21	Whether last AGM attended	No of other Companies in which he/she is Director	No. of committees in which director is	
							Member	Chairman/ Chairperson
Mr. Devesh Sachdev DIN: 02547111	Promoter and Executive	Managing Director & CEO	5	5	Yes	1	6	3
Ms. Ratna Dharashree Vishwanathan DIN: 07278291	Non-Executive	Independent Director	5	5	Yes	4	3	1
Ms. Namrata Kaul DIN: 00994532	Non-Executive	Independent Director	5	5	No	10	3	1
Mr. Kenneth Dan Vander Weele DIN: 02545813	Non-Executive	Nominee Director	5	5	No	4	1	-
Mr. Narendra Ostawal DIN: 06530414	Non-Executive	Nominee Director	5	5	No	6	3	-
*Mr. Pradip Kumar Saha DIN: 02947368	Non-Executive	Independent Director	5	5	Yes		NA	
** Mr. Shobinder Duggal DIN: 00039580	Non-Executive	Additional Director (Independent)			NA			

*Mr. Pradip Kumar Saha resigned w.e.f. February 05, 2021.
**. Mr. Shobinder Duggal appointed w.e.f. May 26, 2021.

DETAILED REASONS FOR RESIGNATION OF INDEPENDENT DIRECTORS:

During the year, Mr. Pradip Kumar Saha, Independent Director of the Company has resigned w.e.f. February 05, 2021 from the directorship of the Company due to his personal reasons and other commitments.

COMMITTEES OF BOARD:

The Company, as on March 31, 2021 had eight committees, Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Asset & Liability Management Committee, Board Risk Management Committee, Working Committee, Debenture Committee & Information Technology Strategy Committee.

The Company's guidelines relating to Board meetings are applicable to Committee meetings. Minutes of proceedings of Committee meetings are circulated to the committee members and placed before Board meetings for noting.

Our Board has constituted sub-committees to focus on specific areas and make informed decisions within the authority delegated to each of the Committees. Each Committee of the Board is guided by its Charter, which defines the scope, powers and composition of the Committee. All decisions and recommendations of the Committees are placed before the Board for information or approval. During the financial year, the Board has accepted the recommendations of Committees on matters where such a recommendation is mandatorily required. There have been no instances where such recommendations have not been considered.

The Committees of the Board meet at regular intervals and have the requisite subject expertise to handle and resolve

The composition & attendance are as follows -

Name of the Member and Designation	Category	Number of meetings during the financial year ended March 31, 2021	
		Held during tenure	Attended
*Mr. Pradip Kumar Saha (Chairman)	Independent Director	4	4
Mr. Narendra Ostawal	Nominee Director	4	4
Ms. Namrata Kaul	Independent Director	4	4
**Mr. Shobinder Duggal (Chairman)	Additional Director (Independent)	NA	NA

*ceased to be the member and chairman of the Committee upon resignation from the Board w.e.f. February 05, 2021.
**appointed as member and chairman of the Committee w.e.f May 26, 2021.

Terms of Reference of the Audit Committee:

Subsequent to the closure of the Financial year 2020 -21, the Board of Directors of the Company in its meeting held

matters expediently. The Board oversees the functioning of the Committees. The Chairman of the respective Committees briefs the Board on significant discussions and decision taken at their respective meetings. Minutes of the Committee Meetings are placed in the subsequent Board Meeting for their noting.

The Company Secretary acts as a Secretary to all the Committees of the Board. Detailed terms of reference, composition, meetings and other information of each of the Committees of the Board are detailed herein below:

1. AUDIT COMMITTEE

The Audit Committee is made with the primary objective to monitor and provide an effective supervision of the management's financial reporting process, to ensure accurate and timely disclosures, with the highest levels of transparency, integrity and quality of financial reporting as a measure of good Corporate Governance and also to meet the statutory provisions of the NBFC Regulations and the Act.

Majority of the members of the Committee are Independent Directors and all the members of the Audit Committee have the required qualification and expertise for appointment on the Committee and possess requisite knowledge of accounting and financial management.

The Company Secretary acts as Secretary to this Committee.

Composition and Attendance:

During the financial year ended March 31, 2021, the Committee met 4 times, i.e. on 22 June 2020, 19 August 2020, 09 November 2020 & 05 February 2021.

on May 26, 2021 has revised the term of refence of the Audit Committee, the revised term of reference of the Audit

Committee is given hereunder:

The role of the Audit Committee include the following:

- oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
 - changes, if any, in accounting policies and practices and reasons for the same;
 - major accounting entries involving estimates based on the exercise of judgment by management;
 - significant adjustments made in the financial statements arising out of audit findings;
 - compliance with listing and other legal requirements relating to financial statements;
 - disclosure of any related party transactions; and
- modified opinion(s) in the draft audit report;
- reviewing, with the management, the quarterly financial statements before submission to the board for approval; reviewing, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;
- reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;

- approval or any subsequent modification of transactions of the Company with related parties;
- scrutiny of inter-corporate loans and investments;
- valuation of undertakings or assets of the Company, wherever it is necessary;
- evaluation of internal financial controls and risk management systems;
- reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- discussion with internal auditors of any significant findings and follow up there on;
- reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
- discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- to review the functioning of the whistle blower mechanism;
- approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
- carrying out any other function as is mentioned in the terms of reference of the audit committee in term of the applicable laws; and
- reviewing the utilization of loans and/ or advances from/ investment by the holding company in the subsidiary (if applicable) exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision."

Further, the Audit Committee shall mandatorily review the following information:

- management discussion and analysis of financial condition and results of operations;
- statement of significant related party transactions (as defined by the audit committee), submitted by management;
- management letters / letters of internal control weaknesses issued by the statutory auditors;
- internal audit reports relating to internal control weaknesses; and
- the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
- statement of deviations:
 - quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1); and
 - annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/ notice in terms of Regulation 32(7).

The powers of the Audit Committee include the following:

- to investigate any activity within its terms of reference;

- to seek information from any employee of the Company;
- to obtain outside legal or other professional advice; and
- to secure attendance of outsiders with relevant expertise, if it considers necessary.

Besides, the audit committee shall oversee the vigil mechanism. The vigil mechanism shall provide for adequate safeguard against victimization of employees and directors who avail the vigil mechanism.

The Committee also review the quarterly financial statements (unaudited) and also place them before the Board for their approval on the same.

In addition to the above the Audit Committee also put various suggestions to the Board on review of policy and how to further strengthen the process in future.

2. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

Composition and Attendance:

During the financial year ended March 31, 2021, the Committee met 4 times, i.e. on 22 June 2020, 19 August 2020, 09 November 2020 & 05 February 2021.

The composition & attendance are as follows –

Name of the Member and Designation	Category	Number of meetings during the financial year ended March 31, 2021	
		Held during tenure	Attended
*Mr. Pradip Kumar Saha (Chairman)	Independent Director	4	4
Mr. Devesh Sachdev	Managing Director, Executive Director	4	4
**Ms. Ratna Vishwanathan (Chairperson)	Independent Director	4	4
***Mr. Shobinder Duggal	Additional Director (Independent)	NA	NA

*ceased to be the member and Chairman of the Committee upon resignation from the Board w.e.f. February 05, 2021.

**appointed as Chairperson of the Committee w.e.f. May 26, 2021.

***appointed as member of the Committee w.e.f. May 26, 2021.

Terms of Reference

Subsequent to the closure of the Financial year 2020 -21, the Board of Directors of the Company in its meeting held on May 26, 2021 has revised the term of refence of the Corporate Social Responsibility Committee, the revised term of reference of the Corporate Social Responsibility Committee is given hereunder:

- To formulate and recommend to the board, a Corporate

Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013 and make any revisions therein as and when decided by the Board;

- To review and recommend the amount of expenditure to be incurred on the activities referred to in (a);
- To monitor the Corporate Social Responsibility Policy of the company and its implementation from time to time;

- (d) To do such other acts, deeds and things as may be required to comply with the applicable laws; and;
- (e) To perform such other activities as may be delegated by the Board or specified/ provided under the Companies Act, 2013 or by the SEBI Listing Regulations or statutorily prescribed under any other law or by any other regulatory authority.

The composition & attendance are as follows –

Name of the Member and Designation	Category	Number of meetings during the financial year ended March 31, 2021	
		Held during tenure	Attended
Ms. Ratna Vishwanathan (Chairperson)	Independent Director	4	4
Mr. Kenneth Dan Vander Weele	Nominee Director	4	4
Mr. Narendra Ostawal	Nominee Director	4	4
Ms. Namrata Kaul	Independent Director	4	4

Terms of Reference

Subsequent to the closure of the Financial year 2020 -21, the Board of Directors of the Company in its meeting held on May 26, 2021 has revised the term of refence of the Nomination and Remuneration Committee, the revised term of reference of the Nomination and Remuneration Committee is given hereunder:

- Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of directors a policy, relating to the remuneration of the directors, key managerial personnel and other employees. The Nomination and Remuneration Committee, while formulating the above policy, should ensure that:
 - the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate directors of the quality required to run our Company successfully;
 - relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals;
- Formulating criteria for evaluation of performance of independent directors and the Board of Directors;
- Devising a policy on diversity of Board of Directors;

3. NOMINATION & REMUNERATION COMMITTEE

Composition and Attendance:

During the financial year ended March 31, 2021, the Committee met 4 times, i.e. on 22 June 2020, 19 August 2020, 09 November 2020 & 05 February 2021.

- Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of directors their appointment and removal and shall specify the manner for effective evaluation of performance of the Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance. The Company shall disclose the remuneration policy and the evaluation criteria in its annual report;
- Extending or continuing the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
- Recommending to the board, all remuneration, in whatever form, payable to senior management;
- Administering, monitoring and formulating detailed terms and conditions of the Employees Stock Option Scheme of the Company;
- Framing suitable policies and systems to ensure that there is no violation, as amended from time to time, of any securities laws or any other applicable laws in India or overseas, including:
 - The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended; and
 - The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, as amended;

- Perform such functions as are required to be performed by the Nomination and Remuneration Committee under the SEBI (Share Based Employee Benefits) Regulations, 2014, as amended, including the following:
 - Formulating detailed terms and conditions of the plan in accordance with SEBI (Share Based Employee Benefits) Regulations, 2014 in term of which includes the provision as specified by the Board in this regard; and
 - Administration and superintendence of the aforesaid Plans.
- Carrying out any other function as is mandated by the Board from time to time and / or enforced/mandated by any statutory notification, amendment or modification, as may be applicable; and
- carrying out any other function as is mentioned in the terms of reference of the Nomination and Remuneration Committee in term of the applicable laws;
- Performing such other functions as may be necessary or appropriate for the performance of its duties;
- To ensure 'fit and proper' status of proposed/ existing Directors.

Performance Evaluation by the Board:

The composition & attendance are as follows –

Name of the Member & Designation	Category	Number of meetings during the financial year ended March 31, 2021	
		Held during tenure	Attended
Mr. Devesh Sachdev (Chairman)	Managing Director, Executive Director	4	4
Mr. Gaurav Maheshwari	Independent Director	4	4

Terms of Reference

The terms of reference of the Asset Liability Committee include:

- Liquidity Risk Management
- Management of market (interest rate) risk
- Funding and capital planning
- Pricing, profit planning and growth projections
- To approve and revise the actual interest rates to be charged from customers for different products from time

The performance evaluation criteria for the Board, its Committees & the Directors of the Company is determined by the Nomination and Remuneration Committee. An indicative list of factors on which evaluation of Independent Directors is carried out includes participation by a director in the board meetings, effective deployment of knowledge and experience in implementation of company's strategy, contribution with precise and value added inputs in Board Meetings to help decision making , integrity and maintenance of confidentiality and independence of judgement.

As part of the evaluation process, the performance evaluation of Board as a whole for the FY 2020-21 was done by the Directors of the Board. The performance evaluation of the Promoter Director, Nominee Directors and Non-Independent directors was done by every other Director. The performance evaluation of the Independent Directors was done by the Board excluding the Director being evaluated. The performance evaluation of the board committees was done by respective committee members.

4. ASSET LIABILITY MANAGEMENT COMMITTEE

Composition and Attendance:

The Company has an effective Asset Liability Management Committee formed in accordance with the directions framed by RBI. During the financial year ended March 31, 2021, the Committee met 4 times, i.e. on 22 June 2020, 19 August 2020, 09 November 2020 & 05 February 2021.

to time applying the interest rate model and also in line with such regulations as may be in force from time to time.

- Review of operational risk.

The Committee reviews the Asset Liability Management reports to be submitted periodically to RBI.

5. BOARD RISK MANAGEMENT COMMITTEE (BRMC)

The company has an effective Board Risk Management Committee (BRMC) formed in accordance with the directions framed by RBI for monitoring the risk and to strategize action to mitigate risks associated with the functioning of the Company.

Composition and Attendance:

During the financial year ended March 31, 2021, the Committee met 4 times, i.e. on 22 June 2020, 19 August 2020, 09 November 2020 & 05 February 2021.

The composition & attendance are as follows –

Name of the Member & Designation	Category	Number of meetings during the financial year ended March 31, 2021	
		Held during tenure	Attended
*Mr. Pradip Kumar Saha (Chairman)	Independent Director	4	4
Mr. Devesh Sachdev	Managing Director, Executive Director	4	4
Mr. Narendra Ostawal	Nominee Director	4	4
**Mr. Satish Mani	VP – Risk & Audit	4	4
^ Ms. Namrata Kaul (Chairperson)	Independent Director	NA	NA
^^Mr. Sanjay Choudhary	Chief Risk Officer	NA	NA

**ceased to be the member of the Committee upon resignation from the Board w.e.f. February 05, 2021.*

***ceased to be the member of the Committee w.e.f. May 26, 2021.*

^appointed as member and Chairman of the Committee w.e.f. May 26, 2021.

^^appointed as member of the Committee w.e.f. May 26, 2021.

Terms of Reference

Subsequent to the closure of the Financial year 2020 -21, the Board of Directors of the Company in its meeting held on May 26, 2021 has revised the term of refence of the BMRC, the revised term of reference of the BMRC is given hereunder:

- To review and assess the risk management system and policy of the Company from time to time and recommend for amendment or modification thereof;
- To implement and monitor policies and/or processes for ensuring cyber security;
- To frame, devise and monitor risk management plan and policy of the Company;
- To review and recommend potential risk involved in any new business plans and processes;
- review the Company's risk-reward performance to align with the Company's overall policy objectives;
- Monitor and review regular updates on business continuity;
- Advise the Board with regard to risk management decisions in relation to strategic and operational matters such as corporate strategy; and
- Performing such other activities as may be delegated by the Board or specified/ provided under the Companies Act, 2013 or by the SEBI Listing Regulations or statutorily

prescribed under any other law or by any other regulatory authority.

- For each risk category the BRMC will establish a separate policy. The broad risk categories are:
 - Credit Risk,
 - Operational Risk,
 - Liquidity, Funding and Interest Rate Risk and
 - Other Market Risks that may arise in the future (including FX related risks)
- To review the content and structure of risk reports for all sources of risk produced by various risk owners (department heads).
- carrying out any other function as is mentioned in the terms of reference of the Board Risk Management Committee in term of the applicable laws;

6. INFORMATION TECHNOLOGY STRATEGY COMMITTEE

During the financial year ended March 31, 2021, the committee met 3 times, i.e. on 22 June 2020, 09 November 2020 and February 05, 2021. In compliance with RBI Master Direction - Information Technology Framework for the NBFC Sector dated June 08, 2017 Mr. Naveen Mangle is the Chief Technology Officer.

The composition & attendance are as follows –

Name of the Member & Designation	Category	Number of meetings during the financial year ended March 31, 2021	
		Held during tenure	Attended
Ms. Namrata Kaul (Chairperson)	Independent Director	3	3
Mr. Devesh Sachdev	Managing Director, Executive Director	3	3
Mr. Naveen Mangle	Chief Technology Officer	3	3
*Mr. Shobinder Duggal	Additional Director (Independent)	NA	NA

**appointed as member of the Committee w.e.f. May 26, 2021.*

Terms of reference

The committee is constituted to carry out review and amend IT strategies in line with the corporate strategies, board policy reviews, cyber security arrangements and other matters related to IT Governance.

7. STAKEHOLDER RELATIONSHIP COMMITTEE

Subsequent to the closure of the Financial Year 20-21, the Board of Directors of the Company in its meeting held on May 26, 2021 has constituted the "Stakeholder Relationship Committee" with the following members:

- Ms. Ratna Vishwanathan - Chairperson
- Mr. Devesh Sachdev- Member
- Ms. Namrata Kaul – Member

The term of reference of the Committee includes:

- Considering and looking into various aspects of interest of shareholders, debenture holders and other security holders;
- Resolving the grievances of the security holders of the Company including complaints related to transfer/ transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings, etc;
- Review of measures taken for effective exercise of voting rights by shareholders;
- Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent; and
- Review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company.

- carrying out any other function as is mentioned in the terms of reference of the Stakeholders Relationship Committee in term of the applicable laws;"

REMUNERATION OF DIRECTORS

The remuneration of Directors is fixed keeping in view the overall limit laid down as per the qualification and experience of the appointee and overall financial performance of the Company. The remuneration of Executive Directors of the Company is being paid as approved by the Board of Directors of the Company.

a. Executive Directors

(i) Details of the remuneration paid to Executive Directors in the Financial Year 2020-21

Name of Director	Designation	Amount
Mr. Devesh Sachdev	MD & CEO	25,909,457
TOTAL		25,909,457

b. Non-Executive Directors

The Independent Directors are not paid any remuneration other than the sitting fee for attending meetings of the Board and the committees thereof as approved by the Board. The sitting fees as determined by the Board for attending meetings of the Board, Audit Committee, Nomination and Remuneration Committee, Board Risk Management Committee and CSR committee are within the limits prescribed under the Act.

The details of Sitting Fees paid to Non - Executive Independent Directors for attending the meeting the Board & relevant Committees during the Financial Year 2020-21 are as under:

Name of Director	Designation	Sitting Fees Board Meeting & Committee
Ms. Namrata Kaul	Independent Director	INR 4,70,000
Ms. Ratna Vishwanathan	Independent Director	INR 6,30,000
*Mr. Pradip Kumar Saha	Independent Director	INR 4,80,000
Total		INR 15,80,000

*resigned w.e.f February 05, 2021

There were no other pecuniary relationships or transactions of the Non-Executive Directors and Independent Directors vis-à-vis the Company and during the financial year under the review no ESOP was granted to any director of the Company.

GENERAL BODY MEETINGS

ANNUAL GENERAL MEETING (AGM)

The details of the Annual General Meetings (AGM) of the shareholders held during the last 3 years are given below:

AGM for Financial Year	Date	Time	Venue	No. of Special Resolutions passed
2020-21	28.07.2020	11:00 A.M	H-1, C-Block, Community Centre, Naraina Vihar, New Delhi – 110028	3
2019-20	29.06.2019	11:00 A.M	H-1, C-Block, Community Centre, Naraina Vihar, New Delhi – 110028	3
2018-19	26.06.2018	11:00 A.M.	H-1, C-Block, Community Centre, Naraina Vihar, New Delhi – 110028	4

Extra Ordinary General Meetings

The details of Extra Ordinary General Meetings (EGM) of the shareholders held during the last 3 financial years are given below:

Year	Date	Time	Location	No. of Special Resolutions Passed
2020-21			Nil	
2019-20	05.12.2019	11:00 A.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	2
	20.12.2019	05:45 P.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	1
2018-19	28.08.2018	04:00 P.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	2
	12.10.2018	11:00 A.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	1
	05.12.2018	06:30 P.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	3
	25.03.2019	11:00 A.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	3

All the proposed resolutions were passed by the shareholders as set out in their respective notices.

During the Financial year, no resolution was passed through Postal Ballot.

DEBENTURE HOLDER DETAILS:

The details regarding the Debenture Holders as on March 31, 2021 are given as under:

Name of the NCD	Address	No. of NCD
AU Small Finance Bank Limited	Corporate Office 5 th Floor, E Wing Kanakia Zillion Junction of Cst And Lbs Road Kurla West, Mumbai	300
Blue Orchard (Microfinance Fund)	11-13, Boulevard, de la foire, L-1528, Luxembourg	500
PETTELAAR EFFECTENBEWAARBEDRIJF N.V. (ASN Microcredit Fund TJ)	Nachtwachtdaan 20 – 6 th Floor, 1058 EA, Amsterdam The Netherlands	526
Blue Orchard (Microfinance Fund)	11-13, Boulevard, de la foire, L-1528, Luxembourg	470

Contd..

Name of the NCD	Address	No. of NCD
Blue Orchard (JAPAN ASEAN WOMEN EMPOWERMENT FUND)	11-13, Boulevard, de la foire, L-1528, Luxembourg	500
UTI International Wealth Creator 4 (respons Ability)	4 th Floor, 19 Bank Street, Cybercity, Ebene 72201, Mauritius	350
UTI International Wealth Creator 4 (respons Ability)	4 th Floor, 19 Bank Street, Cybercity, Ebene 72201, Mauritius	700
UTI International Wealth Creator 4 (respons Ablity)	4 th Floor, 19 Bank Street, Cybercity, Ebene 72201, Mauritius	750
UTI International Wealth Creator 4 (respons Ability)	4 th Floor, 19 Bank Street, Cybercity, Ebene 72201, Mauritius	550
AAV Symbiotic IV	20, Rue de la Poste, L-2346 Luxembourg, Grand Duchy of Luxembourg	35
Triodos Microfinance Fund	11-13 boulevard de la foire, L-1528 Luxemburg, Grand Duchy of Luxembourg	315
Triodos Fair Share Fund	11-13 boulevard de la foire, L-1528 Luxemburg, Grand Duchy of Luxembourg	315
IFMR Fimpact Long term Credit Fund	10 th Floor, IIT M Research Park, 1, Kanagam Village, Taramani, Chennai, India-600 113	350
IFMR Fimpact Medium Term Opportunity Fund	10 th Floor, IIT M Research Park, 1, Kanagam Village, Taramani, Chennai, India-600 113	150
IFMR Fimpact Income Builder Fund	10 th Floor, Phase 1, IIT Madras Research Park, Kanagam Village, Taramani, Chennai – 600113	250
Northern Arc Capital Limited	10 th Floor, Phase 1, IIT Madras Research Park, Kanagam Village, Taramani, Chennai – 600113	300
Northern Arc Capital Limited	10 th Floor, Phase 1, IIT Madras Research Park, Kanagam Village, Taramani, Chennai – 600113	150
Incofin CVSO CVBA-SO	Incofin CVSO CVBA-SO, Ravensteinstraat 1, Gent, Belgium	25
Bank of Baroda	SITB, 4 & 5 th Floor, C-34, G Block, BKC, Bandra East, Mumbai-400051	500
Bank of India	Bank of India, Treasury Branch, Star House 1, C-5, G- Block, Bandra (East), Pin- 400051	350
DCB Bank limited	Peninsula Business Park, Tower A, 6 th Floor, Senapati Bapat Marg, Lower Parel, Mumbai – 400013	100
Indian Bank	Indian Bank treasury branch, 2 nd floor Allahabad Bank building, Fort, Mumbai, 400001	200
Indian Overseas Bank	Indian Overseas Bank, 4 th Floor, Annex Building, Treasury Department, 763 Anna Salai, Chennai 600002, Tamil Nadu	250
Punjab National Bank	Bank, Treasury Division, Pragati tower, C-9, G Block, Bandra Kurla Complex, Mumbai 400051	250
Punjab National Bank	Bank, Treasury Division, Pragati tower, C-9, G Block, Bandra Kurla Complex, Mumbai 400051	250
State Bank of India	State bank of India, Securities Services Branch, 2 nd floor SBI Main Branch Building, Samachar Marg, Fort, Mumbai 400001	250
State Bank of India	State bank of India, Securities Services Branch, 2 nd floor SBI Main Branch Building, Samachar Marg, Fort, Mumbai 400001	500
Union Bank of India	3 rd Floor, Treasury office, 239, Union Bank Central Office, Vidhan Bhavan Marg, Nariman Point, Mumbai, Maharashtra 400021	200
Union Bank of India	3 rd Floor, Treasury office, 239, Union Bank Central Office, Vidhan Bhavan Marg, Nariman Point, Mumbai, Maharashtra 400021	250
CDC Group PLC	CDC Group PLC, 123 Victoria Street, London – SW1E6DE	600



REDEMPTION OF NON-CONVERTIBLE DEBENTURES (NCDS) DURING THE FY 2020-21

During the financial year 2020-21 following Non-convertible Debentures were redeemed:

S. No	Particulars	Date of Allotment	No. of NCD	Amount (in million)	Date of redemption	Detail of redemption
1.	AAV Sarl-Symbiotic III	1-Mar-18	190	190	15-Mar-21	Fully
2.	Incofin CVBA	12-Apr-17	310	310	6-Jul-20	Fully
3.	Hinduja Leyland Finance	17-Aug-17	200	200*	31-Aug-20	Fully
4.	IFMR Fimpact Investment Private Limited	23-Mar-15	100	100	18-Dec-20	Fully

*INR 33.33 million has been repaid in FY 2020-21

DEBENTURE TRUSTEES DETAILS:

The Debenture Trustees are as follows:

DEBENTURE TRUSTEE	REGISTERED OFFICE ADDRESS
CATALYST TRUSTEESHIP LIMITED (Formerly known as GDA)	Office No. 83-87, 8th floor, 'Mittal Tower', 'B' Wing, Nariman Point, Mumbai – 400021
VISTRA ITCL (INDIA) LIMITED	IL & FS Financial Centre, Plot No C22, G Block, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra-400051
BEACON TRUSTEESHIP LIMITED	4C & D, Siddhivinayak Chambers, Gandhi Nagar, Opp. MIG Cricket Club, Bandra (East), Mumbai 400 051

MEANS OF COMMUNICATION:

- a. The half yearly results during the year were published in the national English Newspapers and also on the website of the company i.e. [www.fusionmicrofinance.com](#).
- b. During the financial year 2020-21, the Company published its financial results in the following newspapers:

Financial Results	Newspapers	Date of publication
Audited Results for the Half Year ended March 31, 2020	Requirement of newspaper publication is exempted in terms of SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/63 dated April 17, 2020	
Un - Audited Results for the Half Year ended September 30, 2020	Mint (English)	November 10 , 2020

REGULAR UPDATES:

The Company sends Quarterly newsletter to the Board Members, stakeholders and keeps them updated on the happenings in the Company. All other events and happenings of importance to the sector are reported to the Board on a continuous basis.

GENERAL SHAREHOLDER INFORMATION:

Annual General Meeting: **Date:** 16th June, 2021
Time: 11:00 A.M.
Venue: H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028

Financial year: April 1, 2020 to March 31, 2021

Listing Fees: The Debentures of the Company are listed on BSE Limited (BSE) and the listing fees payable to the Stock Exchange for the financial year 2020-21 has been paid in full.

Dividend payment date: No dividend was declared for the Financial year 2020 – 21.

REGISTRAR AND SHARE TRANSFER AGENT DETAILS: OTHER DISCLOSURES

In pursuance to Regulation 7(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), all activities in relation to electronic facility with respect to Non-convertible debentures (NCDs) are maintained by our Registrar & Transfer Agent (RTA) i.e. Link Intime India Private limited having SEBI Registration No. INR000004058. Further, the Company has also availed electronic facility from the RTA with respect to dematerialization of its equity shares.

In case of NCDs held in electronic form, the transfers are processed by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through their respective Depository Participants. Details of RTA are as under:

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai - 400 078.
Tel. No.: +91 22 2594 6970; Fax No.: +91 22 2594 6969
E-mail: rnt.helpdesk@linkintime.co.in
Website: www.linkintime.co.in

SHARE TRANSFER SYSTEM:

In – house share transfer facility for transfers of shares is being maintained. All share transfer in physical form are registered and sent back within the stipulated time limit from the date of their lodgment, subject to the documents being valid and complete in all respects.

OUTSTANDING GDRS / ADRS / WARRANTS OR CONVERTIBLE INSTRUMENTS:

There are no outstanding GDRs/ ADRs/ Warrants or any Convertible Instruments as on 31st March, 2021, which are likely to have an impact on the equity of the Company.

COMMODITY PRICE RISK OR FOREIGN EXCHANGE RISK AND HEDGING ACTIVITIES:

The Company follows prudent risk management policies. There is no direct hedge able commodity risk that the Company has on any of its products & services.

CREDIT RATING

CARE Advisory Research and Training Ltd. has assigned Grading of **"MFI 1"**; CARE Rating Limited has assigned Rating of **'A-'** Outlook Stable on the Long- Term Bank Facilities (amounting to INR 1,500 Cr) and on Non-Convertible Debentures. The Company has also been assigned rating as **'A-'** Outlook Stable by **CRISIL** on the Long- Term Bank Facilities (amounting to INR 1000 Cr) and rating of **'A-'** Outlook Stable by **ICRA** on Non-Convertible Debentures.

- a. The Company has not entered any transaction of material nature with the Directors or the management, relatives of Directors during the year under review that have potential conflict with the interest of the Company. Statements in summary form of the transactions with related parties both under Companies Act, 2013 and under Indian Accounting Standards – 24, if any, are placed periodically before the Audit Committee. Further, the details of the related party transactions of the Company during the year ended March 31, 2021 are given in Notes on Accounts forming part of Annual Report.

All related party transactions entered are on arms' length basis and in the ordinary course of business and are intended to further the interest of the Company. The related party policy of the company is disclosed on the website of the company i.e. www.fusionmicrofinance.com.

- b. There was no such non-compliance by the listed entity on any matter related to capital markets, during the last three years.
- c. The Company has a Whistle Blower Policy duly approved by the Board, which has been circulated to all the employees of the Company and also placed on the website of the Company i.e. www.fusionmicrofinance.com. Further, it is affirmed that no personnel have been denied access to the Audit Committee. The Company has an effective Vigil Mechanism system which is embedded in its Code of Conduct. The Code of Conduct of your Company serves as a guide for daily business interactions, reflecting your Company's standard for appropriate behavior and living Corporate Values. The Code of Conduct applies to all Fusion's People, including Directors, Officers, and all employees of the Company.

- d. The Company has fully complied with all applicable mandatory requirements of Listing Regulations.

- e. During the year, the Company does not have any exposure to Commodity Price risk and commodity hedging activities.

DISCLOSURE AND TRANSPARENCY

At regular intervals, the Company placed the following information/reports to the Board of Directors:

Report on progress made in putting in place a progressive risk management system and risk Management policy and strategy followed by the Company.

Statement of conformity with corporate governance standards viz., in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.

The Annual Financial Statements, also include the following details:

- registration/ license/ authorization, by whatever name called, obtained from another financial sector regulators.
- ratings assigned by credit rating agencies and migration of ratings during the year.
- penalties, if any, levied by any regulator.
- Asset-Liability profile, NPAs and movement of NPAs, details

of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures as required.

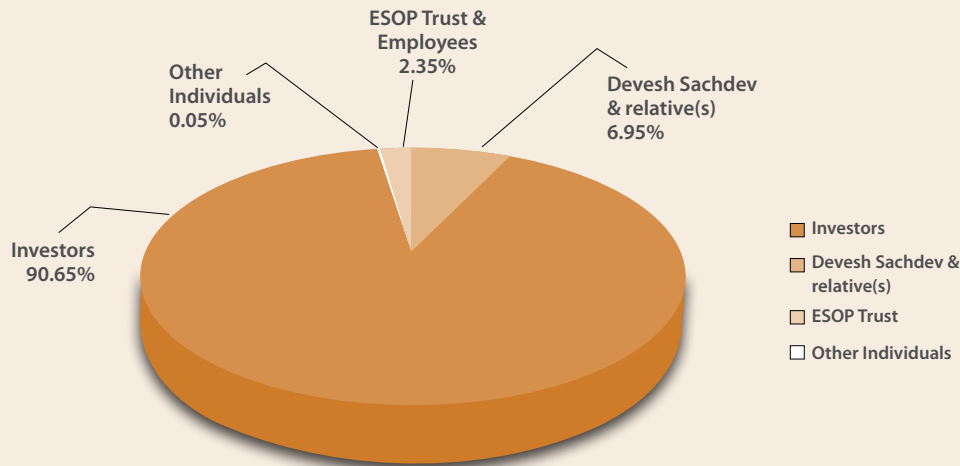
- The particulars of transactions between the Company and its related parties, as defined under Section 2(76) of the Companies Act, 2013 and in India Accounting Standard - 24, are set out in the financial statements.
- The Company has a record of unqualified financial statements since inception.

DEMATERIALIZATION OF SHARES AND LIQUIDITY

It has also been noted that the shareholding in dematerialized mode as on March 31, 2021 was 92.09%. Shareholding pattern as on March 31, 2021 –

Shareholder Group	Shares	Amount	Stake %
Devesh Sachdev & relative(s)	*5,858,414	23,100,092	6.95%
Investors	76,443,768	764,437,680	90.65%
Other Individuals	39468	394680	0.05%
ESOP Trust & Employees	1,984,738	19,847,380	2.35%
Total	8,43,26,388	80,77,79,832	100.00%

*includes 3,942,672 partly paid up shares at which ₹1 were paid till date



Address for Correspondence

Mr. Deepak Madaan
Company Secretary
Fusion Micro Finance Private Limited

Registered Office:

H-1, C Block, Community Centre, Naraina
Vihar, New Delhi-110028
Tel: 011-46646600

Corporate Office:

Plot No. 86, Institutional Sector – 32,
Gurugram, Haryana – 122001
Tel: 0124-6910500/6910600
Website: www.fusionmicrofinance.com

For and on behalf of the Board of Directors

Sd/-

Devesh Sachdev
MD & CEO

Place: Gurugram
Date: May 26, 2021

CEO & CFO
CERTIFICATE

The Board of Directors

Fusion Micro Finance Private Limited

This is to certify that:

1. We have reviewed Financial Statements and the Cash Flow Statement for the Financial Year ended 31st March 2021 and that to the best of our knowledge and belief:
 - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
 - b. these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent or illegal or violate Company's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for Financial Reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting.
4. We have indicated to the Auditors and the Audit Committee:
 - a. Significant changes in internal control over financial reporting during the year;
 - b. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - c. Instances of significant fraud of which they have become aware and the involvement therein, if any, of the Management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: Gurugram
Date: May 26, 2021

Sd/-
Gaurav Maheshwari
CFO

Sd/-
Devesh Sachdev
MD & CEO

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2021

To,
The Members,
Fusion Micro Finance Private Limited
H-1, C Block, Community Centre, Naraina Vihar
New Delhi-110028

I have conducted the secretarial audit of the compliance of applicable statutory provisions and adherence to good corporate practices by Fusion Micro Finance Private Limited (hereinafter called the 'Company'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on March 31 , 2021 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2021 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; Not Applicable

(b) The Securities and Exchange Board of India (Prohibition

of Insider Trading) Regulations, 2015; Not Applicable

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; Not Applicable

d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; Not Applicable

(e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

(f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; Not Applicable

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; Not Applicable and
- ## ANNEXURE 2
- (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- (vi) Other laws applicable specifically to the Company namely:
- The provisions relating to non-banking companies under the Reserve Bank of India Act, 1934 and policies and directions issued by the Reserve Bank of India.
- I have also examined compliance with the applicable clauses of the following:
- (i) Secretarial Standards issued by The Institute of Company Secretaries of India

(ii) The Listing Agreements entered into by the Company with Stock Exchange(s)
- During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines etc. mentioned above. The Company has broadly complied with the Secretarial Standards.
- I further report, that the compliance by the Company of applicable financial laws, like direct and indirect tax laws, has not been reviewed in this Audit since the same have been subject to review by statutory financial audit and other designated professionals.
- I further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance except in case of urgent business, and a system exists for seeking and obtaining further information and clarifications on the
- agenda items before the meeting and for meaningful participation at the meeting.
- As per the minutes duly recorded and signed, the decisions of the Board were not specifically recorded as unanimous, however, as no dissenting view was found therein it may be implied that decisions were unanimous.
- I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.
- I further report that during the Audit Period the Company has following specific events / actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above:
- (i) Issue and allotment of 5100 (Five Thousand One Hundred) Rated, Listed, Secured, Transferable Redeemable Non-Convertible Debentures each having a face value of ₹10,00,000 (Rupees Ten Lakh)

(ii) Issue and allotment of 1350 (One Thousand Three Hundred Fifty) Rated, Unlisted, Secured, Transferable Redeemable Non-Convertible Debentures each having a face value of ₹10,00,000 (Rupees Ten Lakh)

(iii) Issue and allotment of 150 (One Hundred and Fifty) Rated, Listed, Unsubordinated, Unsecured, Transferable Redeemable Non-Convertible Debentures each having a face value of ₹10,00,000/- (Rupees Ten Lakhs only)

(iv) Redemption of 800 (Eight Hundred) Non-convertibles Debentures of ₹1,000,000/- (Rupees Ten lakh) each
- Place: Ghaziabad
Date: May 26, 2021
- ALOK CHANDRA SINGH**
FCS No.7970, C.P.No.: 8976
UDIN: F007970C000371300
- Note : This report is to be read with our letter of even date which is annexed as annexure a and forms an integral part of this report.**
- 78
- ANNUAL REPORT 2020-21
- 79
- Fusion Micro Finance Private Limited

ANNEXURE A

To,
The Members,
Fusion Micro Finance Private Limited

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Due to lockdown imposed by the state governments in the wake of COVID-19, the documents and information were not physically verified. Wherever required, the Company has provided the certified copies or extracts of the records and documents. I have also relied upon the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The secretarial audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

ALOK CHANDRA SINGH
FCS No.7970, C.PNo.: 8976
UDIN: F007970C000371300

Place: Ghaziabad
Date: May 26, 2021

ANNEXURE 4

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ECONOMIC OVERVIEW

COVID-19 pandemic impacted world and Indian economy; bounce back expected in fiscal 2022

Fiscal 2020 was volatile for the global economy. The first three quarters were ensnared in trade protectionist policies and disputes among major trading partners, volatile commodity and energy prices, and economic uncertainties arising from Brexit. Hopes of broad-based recovery in the fourth quarter were dashed by the Covid-19 pandemic, which infected more than 159 million people in 219 countries (as of May 11, 2021) and counting, leading to considerable human suffering and economic disruption.

Growing restrictions on the movement of people and lockdowns in the affected countries led to demand, supply and liquidity shocks. The Covid-19 pandemic sharply slowed the Indian economy in Q1 of fiscal 2021, but the huge economic costs that it extracted, forced the economy to open up and get back on its feet in Q2. What also helped was a sharp cutback in operating costs for corporates due to job and salary cuts, employees exercising work from home options, low input costs due to benign interest rates, crude and commodity prices. Fiscal Q2 and Q3 had shown consistent recovery in global trade activity, especially merchandise volumes.

The Indian economy was estimated to shrink 8% in fiscal 2021 on account of the pandemic. After sluggish growth in first half of the fiscal owing to rising Covid-19 cases, gross domestic product (GDP) growth is expected to move into positive territory in the second half of the year with economic activity picking up gradually.

The pandemic came at the most inopportune time since India was showing signs of recovery following a slew of fiscal/ monetary measures. Having said that, many foresee the economy rebounding in fiscal 2022, on the back of a very weak base, a counter-cyclical Union Budget for fiscal 2022 pushing

investments and some benefit from a rising-global-tide-lifting-all-boats effect. The gradual increase in vaccinations against Covid-19 is also expected to boost confidence and support stronger recovery. Even after the strong rebound, fiscal 2022 real GDP is expected to be only slightly higher than that in fiscal 2020.

The budget's focus on pushing capital expenditure (capex) despite walking a fiscal tightrope however provides optimism and creates a platform for higher growth. Given that the focus of the budget was on investment rather than consumption push, the full impact of these spends will be seen in the near term via multiplier effects, and over time, through enhancement of productive capacity. To that extent, the budgetary provisions helped raise the medium-term prospects for the economy.

The budget not only focused on pushing central capex but also attempted to nudge state government capex. A Reserve Bank of India (RBI) study points that an increase in capex by the central and state governments by one rupee each induces an increase in output by Rupees 3.25 and Rupees 2.0, respectively (Source: RBI Bulletin – April 2019).

The resurgence of Covid infections being witnessed around the country since March 2021 does pose a downside risk to economic growth. Many states have implemented localized restrictions in the form of weekend lockdowns, restricting non-essential businesses from operating and/or night curfews to prevent the spread of the infection. Factoring in these restrictions, few agencies have downgraded their GDP growth estimates for the year.

Some forecasts peg India's GDP for fiscal 2022 to grow by around 11% in a scenario assuming case surge and lockdowns peak by mid-May 2021. In this scenario, the economy is expected to return to pre-pandemic levels by September 2021 quarter. The lockdowns imposed so far are less restrictive for economic activity as compared with last year. Manufacturing,

construction, agriculture and other essential activities have been permitted to continue in most states. Manufacturing sector purchasing managers' Index remained above the 50 level, indicating some resilience.

CRISIL Research forecasts India's GDP to grow by 9.8% in fiscal 2022 in a moderate downside scenario, assuming cases surge and consequent lockdowns peak by the end of May 2021. If the peak is pushed back of June-end – which will be a severe downside scenario – GDP growth for fiscal 2022 is likely to be in the range of 8.2 per cent.

GDP to bounce back over the medium term

After clawing back in fiscal 2022, CRISIL Research forecasts India's GDP to grow at 6.0-7.0% per annum between fiscals 2023 and 2025. This growth will mostly be supported by the following factors:

- Focus on investments rather than consumption push enhancing the productive capacity of the economy.
- Reforms undertaken over the past few years such as:
 - The production linked incentive (PLI) scheme which aims to incentivise local manufacturing by giving volume-linked incentives to manufacturers in specified sectors
 - Key structural reforms such as implementation of Goods and Services Tax (GST) and Insolvency and Bankruptcy Code (IBC) will begin to show its impact over the longer term
 - Reform measures aimed at enhancing financial inclusion like Pradhan Mantri Jan Dhan Yojana will broaden the base of the banking ecosystem, leading to higher lending and investment
 - Government initiatives like Digital India Initiative will aid digitalisation in the country. This will improve the efficiency in the economy leading to faster growth.
- Raft of reform measures by the government along with a more expansionary stance of monetary policy leading to a steady pick-up in consumption demand
- Policies aimed towards greater formalisation of the economy are bound to lead to an acceleration in per capita income growth

Risks to growth

- Below par monsoons : Domestically, one major risk could be sub-normal monsoon this calendar year. The past two years have seen good rains and chances that they are normal this year too are uncertain because only once in the past 20 years has India seen more than two consecutive normal monsoon years. Lower than normal monsoon can directly shave up to ~50 basis points (bps) off from the fiscal 2022 GDP growth forecast.
- Covid-19 cases increasing : India seemed to have got Covid-19 cases under control, with the number of cases declining post September 2020. However, since the end of February 2021, we are witnessing a surge in Covid-19 cases across several states, leading to state governments taking steps to control the spread including imposing localised lockdowns. In case the spread of Covid-19 continues to increase and the concerned authorities put in place more stringent measures to control the same over a time period which is much higher than estimated currently , it can have a debilitating impact on economic activity and thereby growth.
- Geopolitical developments : External developments, most importantly the US-China trade war, have proved to significantly impact global GDP growth as well as export earnings and capital flows to emerging markets such as India. While there is some respite with the signing of Phase 1 of the US-China trade deal, several issues remain unresolved. Any re-escalation of tensions could again work adversely. Geopolitical developments in the Middle East could also disrupt crude oil supply and prices, likely hurting a wide range of domestic macroeconomic parameters, including current account deficit, inflation and GDP growth.
- Persistent stress in financial sector : This has been one of the major drags on GDP growth this fiscal. Liquidity issues faced by NBFCs and risk aversion hampered credit growth as well as transmission of monetary policy easing. Easing of constraints in the financial system – a key monitorable – is critical for pick-up in growth.

India's GDP to recover sharply

India was one of the fastest growing economies in the world pre-Covid, with annual growth of around 6.7% over 2014 to 2019. Over the past few years prior to the onset of the pandemic, India's macroeconomic situation had gradually improved with the twin deficits (current account and fiscal)

narrowing and the growth-inflation mix improving and durably so. The government adopted an inflation-targeting framework that provided an institutional mechanism for inflation control, while modernizing central banking.

Going forward, rapid urbanization, rising consumer aspiration and increasing digitization coupled with government support in the form of reforms and policies is expected to support growth. For example, the government has recently announced production-linked incentives across identified sectors with an aim to propel the growth of India as a manufacturing destination. At a macro level, digitalization has led to various benefits like linkage to Aadhaar identity cards, direct benefit transfer and various other government benefits.

While economic growth in 2020 has been dented due to Covid-19, we expect the economy to rebound and India to regain its tag of one of the fastest growing economies globally in the medium-term.

INDUSTRY STRUCTURE AND DEVELOPMENTS

MFI Industry GLP surged at 30% CAGR since fiscal 2017 to fiscal 2020 ; growth in fiscal 2021 to remain positive despite covid impact

The microfinance industry (JLG portfolio) has recorded healthy growth in the past few years. The industry's gross loan portfolio (GLP) increased at a CAGR of 30% since fiscal 2017 to reach ~Rs 2.2 trillion in fiscal 2020. The growth rate has been relatively faster for the NBFCs and NBFC-MFIs, with the

outstanding loans for these player groups increasing at a CAGR of 39% and 43% respectively over the same period. However, the growth of NBFCs is on a low base of Rs 72 billion portfolio as of March 2017.

The growth rate for the self-help group (SHG)-bank linkage program has been relatively slower, and its market share had declined to 31% in fiscal 2020 from 36% in fiscal 2017.

In fiscal 2021, the industry had been adversely impacted due to the onset of the Covid-19 pandemic. While disbursements came to a standstill in the first quarter of the year, they had picked up subsequently. Disbursements had reached to the pre-Covid levels for NBFC-MFI in the third quarter of fiscal 2021.

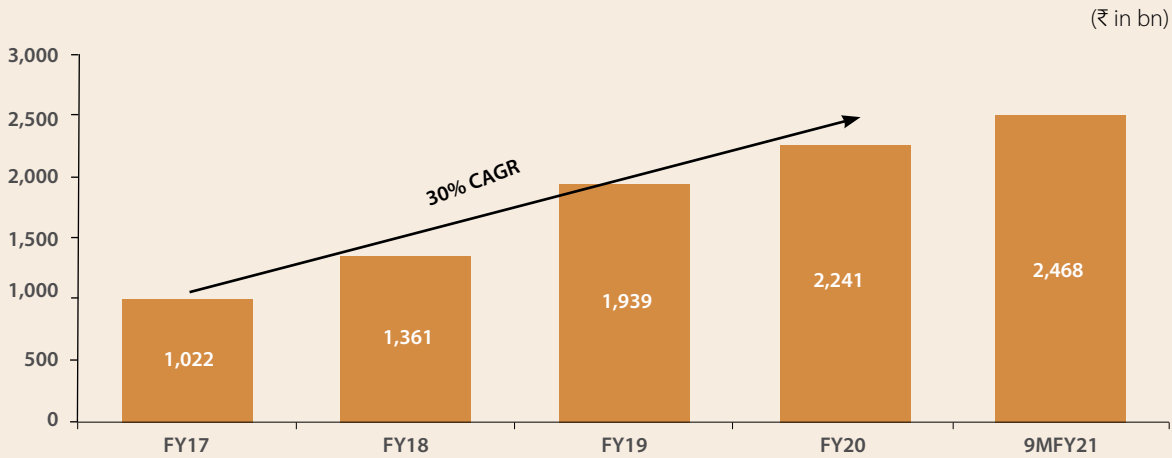
Thus, for the overall JLG portfolio, growth in fiscal 2021 is expected to have been neutral /positive despite the covid impact (March 2021 numbers for the sector are awaited)

Even in fiscal 2022, based on the current scenario, the impact of the second wave, assuming it will subside by May end, is expected to be lower than first since there are local lockdowns and no national level lockdown as such.

Additionally, RBI and State administrations have allowed MFIs to continue their operations albeit in a restricted manner.

However, the key monitorable will be duration of second wave, impact of any new waves if they materialize, any new regulatory interventions, collection efficiency of players, and income generation capabilities of borrowers.

GLP clocked 30% CAGR between fiscals 2017 and 2020

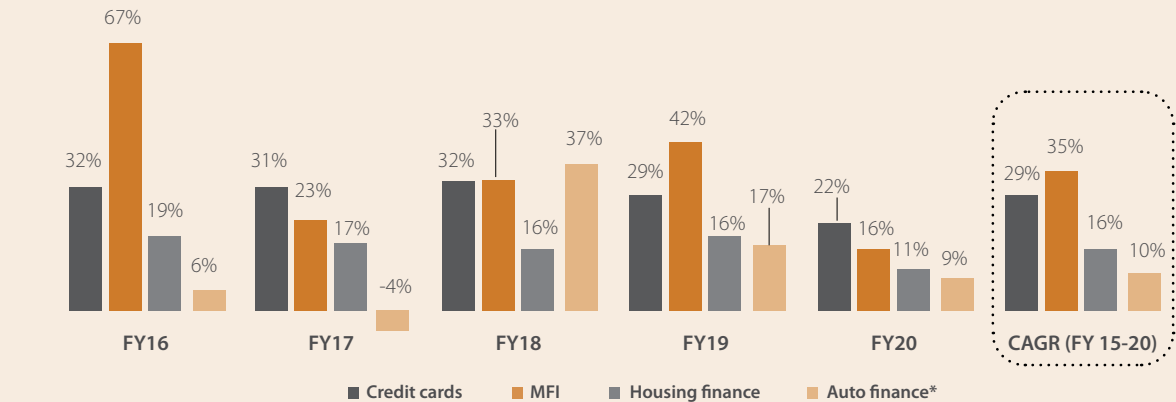


Note: Data includes data for Banks lending through joint liability group (JLG), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for Banks lending through SHG. The amounts are as at the end of fiscal year
Source: Equifax, Company reports, Industry and CRISIL Research

Microfinance industry has grown at a healthy pace over the past few years to reach a GLP (credit outstanding) of ₹2.2 trillion in fiscal 2020 compared to other segments like housing finance and auto finance with credit outstanding of 20.4 trillion and 8.2 trillion respectively in fiscal 2020.

The microfinance industry growth has been relatively higher despite the impact of various events like demonetization, farm loan waivers, natural calamities and IL&FS crisis.

Microfinance industry growing at a health pace compared to other retail loan segments
Growth (y-o-y)



* Calculated based on annual loan disbursement of passenger vehicle and two wheeler segment
Note: Data includes data for Banks lending through joint liability group (JLG), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for Banks lending through SHG. The amounts are as at the end of fiscal year
Source: Company reports, RBI, SIAM, Equifax, CRISIL Research

Key reforms proposed by the government for microfinance to counter Covid-19 crisis

- Reducing debt servicing burden through moratorium period: The RBI initially permitted lending institutions to allow a moratorium of three months on repayment of instalments for term loans outstanding as on March 1, 2020 and defer interest payments due on working capital facilities outstanding. The moratorium was further extended by another three months till August 31, 2020. However, the banks were instructed to provide 10% additional provisioning for availing of this benefit which could be later adjusted against the provisioning requirements for actual slippages. These measures were targeted to boost confidence in the economy and provide relief to the borrowers.
- In April 2020, the RBI announced refinancing support of Rs 250 billion to NABARD, which provides support to NBFC-MFIs, RRBs and co-operative banks
- Under the 'Loan Interest Subvention Scheme' the government has provided 2% interest subvention to loans given under the Mudra-Shishu scheme. These loans are up to a ticket size of Rs 50,000 and are primarily given by NBFC-MFIs catering to low-income groups.

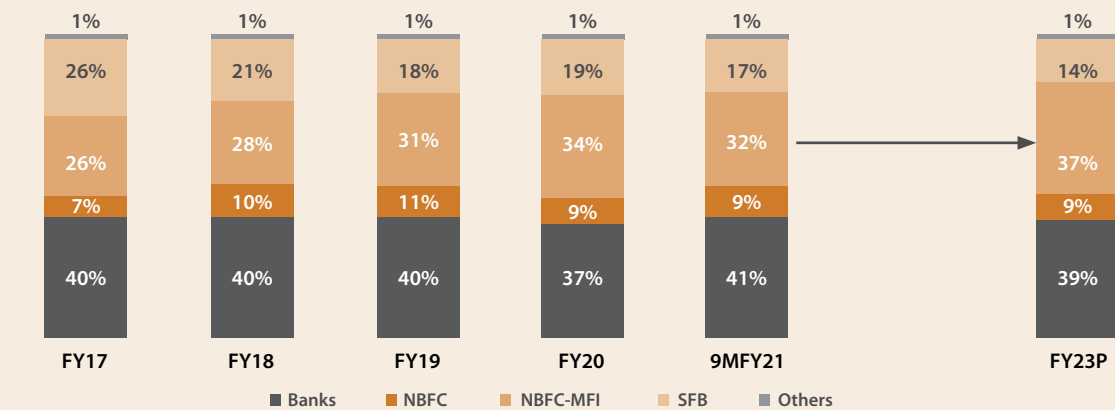
- On May 5th 2021, the RBI announced that fresh lending by Small Finance Banks to NBFC – MFIs with asset size less than INR 500 Crore for on-lending to individual borrowers will be classified under Priority Sector Lending. Extending the priority-sector lending eligibility to NBFC - MFIs with asset size up to ₹500 crore will encourage flow of credit to smaller MFIs, which have been facing relatively bigger funding-access challenges. The facility to SFBs will be available up to March 31, 2022.
- The RBI has announced special long term repo operation (SLTRO) programme for SFB amounting ₹100 billion to soften the impact of the second pandemic wave. The first auction will take place on May 17, 2021 and on subsequent month till the amount is fully utilised. The amount borrowed from this scheme should be utilised to lend to small business units and other unorganised sectors.

Between fiscals 2020 and 2024, CRISIL Research expects the MFI loan portfolio to clock 15-16% CAGR. While considerably lower compared with the past three fiscal years, growth would be driven by continuous expansion in the client base of MFIs and increased penetration in rural areas.

NBFC-MFIs GLP growth was 15% during 9MFY21 as compared to the MFI industry GLP growth of 17%. CRISIL Research expects NBFC-MFIs to grow at a much faster rate vis-v-a-vis MFI industry on account of increasing presence in newer states, expanding the client base, gradual increasing of the ticket size and improving liquidity for

NBFCs in the system.
NBFC-MFIs are expected to grow at a faster pace than the industry at a CAGR of 19-20% over fiscal 2020 to fiscal 2024. The share of NBFC-MFIs share is expected to increase to 37% by fiscal 2023.

NBFC-MFIs to gain market share (GLP)



Note: Data includes data for Banks lending through joint liability group (JLG), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for Banks lending through SHG. The amounts are as at the end of fiscal year
Note: E: Estimated, P: Projected
Source: Equifax, Company reports, Industry and CRISIL Research

COMPANY OVERVIEW

Fusion Micro Finance is a registered NBFC -MFI which operates on a Joint Liability Group lending model of Grameen. Established in 2010, the Company focuses on reaching out to the underserved and unbanked populace of the country providing financial services to rural women -100% of its client comprise women living in rural and peri-rural areas. While the Company's core business model is to provide financial support to this segment, disseminating financial literacy & awareness to its customers is an integral part of its core strategy. Adjacent to this initiative is the company's CSR policy which focuses on key activities like Health, Hygiene, Sanitation, Primary Education in catchment areas of its operations.

Headquartered in Gurgaon, the Company's operations are spread across 18 Indian states including 2 Union Territories and managed by an experienced and enthusiastic workforce.

OPERATIONAL PERFORMANCE

The Company registered a strong performance in FY 2020-21 despite a large part of the year being impacted by Covid

19 related disruptions. From an operational perspective, the Company, its infrastructure including the IT platform and the field force combined strongly to manage the unprecedented situation and demonstrated ability to adapt, innovate and unparalleled commitment to ensure continuity of services to our customers during challenging times. As an organization, we have taken important strides ensuring sustainable growth in the years to come.

The Company has extended its footprint across 18 Indian states. It increased its branch network by 119 branches which has helped in strengthening its customer base to 21.5 Lacs as on March 31, 2021.

Further, the Company has continued to focus on deploying digital solutions for its business processes for improving accuracy and productivity. While cashless disbursements have increased significantly, the company also established a UPI based platform to further strengthen its Cashless Collections during the last quarter of FY 20-21. Digitization of processes is an ongoing focused strategy to streamline wing to wing internal & customer facing processes.

FINANCIAL PERFORMANCE

(All amounts are in Rupees millions unless otherwise stated)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue from operations		
Interest Income	8275.64	6,664.88
Fees and commission Income	7.19	34.64
Net gain on fair value changes	167.45	231.57
Net gain on derecognition of financial instruments under amortized cost category	107.84	271.55
Total Revenue from operations	8558.12	7,202.64
Other Income	172.76	100.47
Total Income	8730.88	7,303.11
Expenses		
Finance Costs	3751.04	3,376.72
Impairment on financial instruments	2207.80	926.99
Employee benefits expenses	1686.40	1,483.33
Depreciation and amortization	38.94	25.76
Other expenses	478.79	490.36
Total Expenses	8162.97	6,303.16
Profit before tax	567.91	999.95
Tax Expense:		
Current Tax	588.71	395.99
Deferred Tax	(460.24)	(92.14)
Profit for the year	439.44	696.10
Other Comprehensive Income		
Items that will not be reclassified subsequently to profit or Loss		
Re-measurement gains/(loss) on defined benefit plans	0.04	6.46
Income tax effect	(0.01)	(1.40)
	0.03	5.06
Total Comprehensive Income for the year	439.47	701.16

OUTLOOK FOR 2021-22

The microfinance institutions (MFIs), having borne the brunt of this unprecedented event in the fiscal 2021 are concerned about the near-term growth of the industry. All The MFIs focused more on protecting their existing portfolios once the lockdown was lifted in fiscal 2021. However, the short-to-medium-term impact of the COVID-19 out break and the subsequent measure of the lockdown to combat the pandemic seemed to be more on the urban sector as compared to agriculture-based rural activities . MFIs with more exposure in urban sectors were relatively more impacted than a lending institution having a relatively larger presence in the Rural parts of the country and a corresponding larger Rural portfolio than semi urban/urban.

Even in fiscal 2022, based on the current scenario, the impact of the second wave, assuming it will subside by May end, is

expected to be lower than first since there are no national level lockdown and only local level restriction per se. Additionally, RBI and State administrations have allowed MFIs to continue their operations by including them in the category of 'Essential Services' albeit in a restricted manner.

However, the key monitorable will be duration of second wave, impact of any new waves if they materialize, any new regulatory interventions, collection efficiency of the lenders and impact on the income generation capabilities of the borrowers especially in the Rural parts of the country.

INTERNAL CONTROL AND ITS ADEQUACY

The Company believes in maintaining a strong internal control framework and sees such a framework as an essential prerequisite for the growth of business. The Company has well-documented policies, procedures and authorization

guidelines in place. Additionally, an efficient independent internal audit system is in place to conduct audit of all branches, regional offices and the Head Office.

Fusion has built the management reporting and internal control systems in place, that enable it to monitor performance, strategy, operations, business environment, procedures, funding, risk and internal control.

Internal Audit in the Company is an independent unit focused on improving and enhancing the operations of the organization. It assists the Company in accomplishing its objectives by bringing in a systematic and disciplined approach to evaluate and improve the effectiveness of Company's internal control, risk management and governance processes.

The internal auditors carry out extensive audits throughout the year across all locations penetrating all functional areas and submit their reports to the Audit Committee.

RISK AND CONCERNS

Risk management is embedded in the Company's operating framework. The Company believes that managing risks helps in maximizing returns. The Company's approach to addressing business risks is comprehensive and includes periodic review of such risks and a framework for mitigating controls and reporting mechanism of such risks. The risk management framework is reviewed periodically.

The Company has integrated risk management practices into governance and operations. Appropriate systems and tools are in place for identification, measurement, reporting and managing risks. Risk Management at Fusion is an enterprise-wide function backed by a qualified team of specialists with deep industry experience who develop frameworks and methodologies for assessing and mitigating risks. The Risk Management Plan forms the basis for implementation of risk management strategies and practices in detail.

The company follows 3 lines of defense approach for managing risks. At the first line of defense are the various Business and Support functions, second line is made of Risk Management and Compliance function and third line of defense is the Audit function. Risk Management policies and processes have been

designed for periodic review and mitigation of all the risk faced by organization including credit risk, market risk, operational risk, reputation risk, liquidity risk, technology risk, business and strategic risk, legal and compliance risk.

HUMAN RESOURCE

The Company takes pride in the commitment, competence and dedication of its employees in all areas of the business. The Company has a structured induction process at all locations and management development programs to upgrade skills of the employees.

Fusion believes in the potential of employees to go beyond and be the game-changing force for business transformation and success. This potential is harnessed by fostering an open and inclusive work culture that enables breakthrough performance and comprehensive development of employees through the three pillars of Leading Self, Leading Teams and Leading Business. Progressive HR policies and ongoing employee engagement initiatives, guided by our culture, have made your Company an industry benchmark for talent retention.

The Company is committed to creating a professional culture to nurture & enable people to grow in their careers alongside company's success. Company constantly strives to strengthen our manpower in alignment with the business needs and continue to engage them through various initiatives in the field of learning & development opportunities, reward & recognition, employee engagement activities & career growth.

CAUTIONARY STATEMENT

Certain statements made in the Management Discussion and Analysis Report relating to the Company's objectives, projections, outlook, expectations, estimates and others may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such expectations whether expressed or implied. Several factors could make significant difference to the Company's Operations. These include climatic and economic conditions affecting demand and supply, government regulations, taxation, and natural calamities over which the Company does not have any direct control.

By order of the Board of Directors
For Fusion Micro Finance Private Limited

SD/-
Devesh Sachdev
MD and CEO
DIN: 02547111

SD/-
Ratna Dharashree Vishwanathan
Director
DIN: 07278291

ANNEXURE 5

ANNUAL REPORT ON CSR ACTIVITIES

FOR FINANCIAL YEAR COMMENCING ON 1st DAY OF APRIL, 2020

1. Brief outline on CSR Policy of the Company:

In alignment with the vision of the company, FMPL as its CSR initiatives, will continue to enhance value creation in the society and in the community in which it operates, through its services, conduct and initiatives, so as to promote sustained growth for the society and community in fulfilment of its role as a Socially Responsible Corporate with environmental concern.

2. Composition of CSR Committee as on March 31, 2021:

Sl. No.	Name of Director	Designation/Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
i.	*Mr. Pradip Kumar Saha	Chairman	4	4
ii.	Mr. Devesh Sachdev	Member	4	4
iii.	Ms. Ratna Vishwanathan	Member	4	4

* Mr. Pradip Kumar Saha ceased to be the member and Chairman of the Committee upon resignation from the Board w.e.f. February 05, 2021. Later, on May 26, 2021, Ms. Ratna Vishwanathan appointed as Chairperson of the Committee and Mr. Shobinder Duggal appointed as member of the Committee.

3. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the Company. : <https://fusionmicrofinance.com/pdf/CSR-DetailedDocument.pdf>

4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report). : Not Applicable

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any.: Nil

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be set- off for the financial year, if any (in ₹)
		Nil	

6. Average net profit of the company as per section 135(5): 410,870,385.

7. (a) Two percent of average net profit of the company as per section 135(5): INR 82,17,408

(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years. : Nil

(c) Amount required to be set off for the financial year, if any : Nil

(d) Total CSR obligation for the financial year (7a+7b- 7c) : INR 82,17,408

8. (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹.)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount.	Date of transfer.	Name of the Fund	Amount	Date of transfer
1,27,32,014		Nil		Not Applicable	

(b) Details of CSR amount spent against ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Sl. No	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/ No)	Location of the project.	Project duration	Amount allocated for the project (in ₹)	Amount spent in the current financial Year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implem-entation Direct (Yes/No)	Mode of Implem-entation – Through Implem-enting Agency
				State	District					Name CSR Registration number
								Not Applicable		

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/ No)	Location of the project.		Amount spent for the project (in ₹)	Mode of Implem-entation Direct (Yes/No)	Mode of Implem-entation – Through Implem-enting Agency	
				State	District			Name	CSR Regist-ration number
1.	Covid 19 Welfare Work	Relief an Welfare Work	Yes	Assam, Uttar Pradesh, Bihar, Odisha, Rajasthan, Madhya Pradesh, Punjab, Haryana, Tamil Nadu, Gujarat, Chhattisgarh, Jharkhand, Uttarakhand, Delhi, Maharashtra, Puducherry and West Bengal	Multiple districts	57,28,823	No	Pragya Social Organization, Asheerwad (India) Foundation, Doctors For You, ARJ Foundation, Sanatan Vidhyapeet Trust, Indian Institute of Natural Resources Management, Family Planning of India	
2.	Grant for COVID-19 Welfare Work	Relief and Welfare Work	Yes	Bihar	Patna	75,000	No	Doctors For You	
3.	Covid-19 Vaccination Program	Relief and Welfare Work	Yes	Bihar	Patna	5,37,200	No	Doctors For You	
4.	Flood Relief Work	Relief and Welfare Work	Yes	Bihar, Assam, Chhattisgarh	Multiple districts	17,99,939	Yes		
5.	Financial Literacy	Promoting Education	Yes	Madhya Pradesh and Tamil Nadu	Dhar and Tiruchirapalli	74,087	Yes		
6.	Project Shiksha-Scholarship Program	Promoting Education	Yes	Bihar, Chattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Uttar Pradesh, Uttarakhand and West Bengal	Multiple districts	10,56,930	No	Buddy4Study Foundation	

Contd..

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/ No)	Location of the project.		Amount spent for the project (in ₹)	Mode of Implem-entation Direct (Yes/No)	Mode of Implem-entation – Through Implem-enting Agency	
				State	District			Name	CSR Regist-ration number
7.	Cancer Screening Program	Promoting Healthcare	Yes	Bihar, Rajasthan and Madhya Pradesh	Patna, Nalanda, Jaipur, Bhopal and Rewa	3,54,558	No	Doctors For You	
8.	Menstruation Hygiene Management Program	Promoting Healthcare	Yes	Bihar, Rajasthan, Jharkhand and Madhya Pradesh	Palamu, Muzaffarpur, Jaipur and Indore	3,74,346	No	Doctors For You	
9.	Grant for treatment of cancer patients	Promoting Healthcare	Yes	Delhi	Delhi	33,300	Yes		
10.	Health Check Up Camps	Promoting Healthcare	Yes	Uttar Pradesh and Madhya Pradesh	Unnao, Saharanpur, Bhopal and Gwalior	1,25,001	No	Arj Foundation, Asheerwad (India) Foundation and Family Planning of India	
11.	Project Ojas	Promoting Healthcare	Yes	Assam	Jorhat	2,89,475	No	Operation Eyesight India	
12.	Wheelchair Distribution Program	Promoting Healthcare	Yes	Gujarat, Rajasthan, Punjab, Bihar, Odisha, Tamil Nadu, Haryana and Chattisgarh	Multiple districts	4,39,611	Yes		
13.	Waterwheel Distribution Program	Promoting Sanitation (WASH)	Yes	Odisha and Rajasthan	Ganjam, Ajmer, Nagaur, Hanumangarh and Bargarh	7,53,519	Yes		
14.	Project Jal - Drinking Water Solution	Promoting Sanitation (WASH)	Yes	Uttar Pradesh	Deoria	87,104	Yes		
15.	Training of National Athletes	Promoting Sports	No	Karnataka	Bengaluru	8,00,000	Yes		
16.	Solar Light Distribution Program	Ensuring Environmental Sustainability	Yes	Madhya Pradesh	Dhar	13,771	Yes		
17.	Project Beej: An Agriculture Initiative	Ensuring Environmental Sustainability	Yes	Uttarakhand	Haridwar	89,350	No	Asheerwad (India) Foundation	
18.	Grant to Awareness for Inclusion Foundation	Promoting Livelihood	Yes	Delhi	Delhi	1,00,000	Yes		
TOTAL						1,27,32,014			

- (d) Amount spent in Administrative Overheads : Nil
- (e) Amount spent on Impact Assessment, if applicable : Not Applicable
- (f) Total amount spent for the Financial Year (8b+8c+8d+8e) : INR 1,27,32,014

(g) Excess amount for set off, if any:

Sl. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the company as per section 135(5)	82,17,408
(ii)	Total amount spent for the Financial Year	1,27,32,014
(iii)	Excess amount spent for the financial year [(ii)-(i)]	45,14,606
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	NIL
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	45,14,606

9. (a) Details of Unspent CSR amount for the preceding three financial years: Nil

Sl. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	Amount spent in the reporting Financial Year (in ₹).	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years. (in ₹)
				Name of the Fund	Amount (in ₹)	Date of transfer	
			Not Applicable				

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): Nil

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID	Name of the Project	Financial Year in which the project was commenced.	Project duration.	Total amount allocated for the project (in ₹).	Amount spent on the project in the reporting Financial Year (in ₹).	Cumulative amount spent at the end of reporting Financial Year (in ₹)	Status of the project -Completed / Ongoing
Not Applicable								

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details):

- a) Date of creation or acquisition of the capital asset(s). NIL
- b) Amount of CSR spent for creation or acquisition of capital asset. NIL
- c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. Not Applicable
- d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset). Not Applicable

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5). Not Applicable

By order of the Board of Directors
For Fusion Micro Finance Private Limited

SD/-SD/-
Devesh SachdevRatna Dharashree Vishwanathan
MD and CEOChairperson of CSR Committee

Place: Gurugram
Dated: May 26, 2021

DETAILS OF MANAGERIAL REMUNERATION

AS PER COMPANIES ACT, 2013 FOR THE FY 2020-21

S. No.	PARTICULARS	DISCLOSURES
(i)	the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;	Managing Director & CEO: 65:1
(ii)	the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;	Increase in Remuneration: Chief Executive Officer: Nil Chief Financial Officer: 10% Company Secretary: 8%
(iii)	the percentage increase in the median remuneration of employees in the financial year;	8.77%
(iv)	the number of permanent employees on the rolls of company as on March 2021;	6,406
(v)	average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;	The average increase in the salaries of employees was 8.77% and the average increase in the managerial remuneration (CEO, CFO & CS) was 9%.
(vi)	Affirmation that the remuneration is as per the remuneration policy of the company.	Yes

The detail of top ten employees in terms of remuneration drawn is as follows:

Employee Name	Designation	Qualification	Remuneration Received	Nature of employment	Date of Commencement of Employment	Age	Experience (In Years)	Last Employment Details	Whether relative of any director / manager
Devesh Sachdev	Chief Executive Officer	MBA	25,909,457	Full time employment	01-Jan-10	48	24	BSA Logistics	No
Tarun Mehndiratta	Chief Operating Officer	MBA	10,266,632	Full time employment	19-Jun-17	51	29	SBI Cards	No
Kamal Kumar Kaushik	Chief Operating Officer	CA	8,403,845	Full time employment	22-Jul-19	48	21	Religare Housing Development Finance	No
Gaurav Maheshwari	Chief Financial Officer	CA, MBF	6,505,480	Full time employment	03-Feb-16	42	17	Avantha Group	No
Ankush Ahluwalia	Senior Vice President	MBE	5,698,392	Full time employment	03-Aug-15	42	18	Magma Fincorp Ltd.	No
Satish Mani	Vice President	B.Com	4,080,612	Full time employment	08-Apr-15	49	27	GE Commercial Finance	No
Lekshmi Bhargavi	Vice President	MBA	3,827,472	Full time employment	22-Mar-18	43	17	Jana Urban Services for Transformation	No

Contd..

Employee Name	Designation	Qualification	Remuneration Received	Nature of employment	Date of Commencement of Employment	Age	Experience (In Years)	Last Employment Details	Whether relative of any director / manager
Deepak Madaan	Vice President	CS	3,415,994	Full time employment	01-Jun-13	34	13	Almondz Capital and Management Services Ltd	No
Naveen Kumar Mangle	Senior Vice President	MBA	3,466,543	Full time employment	17-Sep-19	43	18	Aviva Life Insurance	No
Manish Verma	Senior Vice President	PGDBA	3,373,696	Full time employment	4-Jan-20	45	23	IDFC First Bank Ltd.	No

Name of every employee of the company who –

- a. if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two lakh rupees: Mr. Devesh Sachdev and Mr. Tarun Mehndiratta
- b. if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakh and fifty thousand rupees per month: Nil
- c. if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company: Nil

By order of the Board of Directors
For Fusion Micro Finance Private Limited

SD/-SD/-
Devesh SachdevRatna Dharashree Vishwanathan
MD and CEODirector
DIN: 02547111DIN: 07278291

Place: Gurugram
Dated: May 26, 2021



Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Members of
Fusion Micro Finance Private Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Fusion Micro Finance Private Limited ("the Company"), which comprise the Balance sheet as at March 31 2021, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with

the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its profit including other comprehensive income its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Emphasis of matter

We draw attention to Note 53 of the financial statements which describes the impact of economic and social consequences of the COVID-19 pandemic on the Company's business and financial metrics which continue to be dependent on uncertain future developments. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the

financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters	How our audit addressed the key audit matter
Impairment of Financial instruments (including provision for expected credit losses) (as described in note 2.7 of the financial statements)	
Ind AS 109 requires the Company to provide for impairment of its loan receivables (financial instruments) using the expected credit loss (ECL) approach. ECL involves an estimation of probability-weighted loss on financial instruments over their life, considering reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions which could impact the credit quality of the Company's loans and advances.	Our audit procedures included, among others,
In the process, a significant degree of judgement has been applied by the management for:	
a. Defining qualitative/ quantitative thresholds for 'significant increase in credit risk' ("SICR") and 'default'.	• Considering the Company's accounting policies for impairment of loan receivables, assessing compliance with the policies in terms of Ind AS 109 and the governance framework approved by the Board of Directors pursuant to Reserve Bank of India guidelines issued on March 13, 2020.
b. Grouping of loan portfolio under homogenous pools to determine probability of default on a collective basis.	• Tested the assumptions used by the Company for staging of loan portfolio into various categories and default buckets for determining the Probability of Default ("PD") and Loss Given Default ("LGD") rates.
c. Estimating recoveries to determine loss given default on a collective basis for loans that have defaulted.	• Tested the operating effectiveness of the controls for staging of loans based on their past-due status. Tested samples of performing (stage 1) loans to assess whether any loss indicators were present requiring them to be classified under stage 2 or 3.
d. Determining effect of less frequent past events on future probability of default.	• Tested the input data used for determining the PD and LGD rates and compared the data with the underlying books of accounts and records.

Additional considerations on account of CoVID-19

Pursuant to the Reserve Bank of India circular dated March 27, 2020 and May 23, 2020 ("RBI circular") allowing lending institutions to offer a moratorium to customers on payment of instalments falling due between March 1, 2020 and August 31, 2020 read with advisory issued by the Microfinance Institutions Network dated March 30, 2020 ("MFIN advisory"), the Company has extended a moratorium to its borrower in accordance with its Board approved policy as described in Note 53

In accordance with the guidance from Institute of Chartered Accountants of India, extension of the moratorium to borrowers by itself is not considered to result in a SICR for a borrower. The Company in the future will need to evaluate from time to time whether to whom moratorium was granted under the packages announced by the Government of India ("GOI") will be regular. 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.

Given the high degree of management's judgement involved in estimation of ECL, accentuated by the considerations for CoVID-19 related developments, it is a key audit matter.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis and Board's Report including Annexures to Board's Report but does not include the financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover

- Performed inquiries with the Company's management and its risk management function to assess the impact of lock-down on the business activities of the Company.
- Reviewed the Company's policy with respect to moratorium pursuant to the RBI circular and MFIN advisory and tested the implementation of such policy on a sample basis.
- Assessed the additional considerations applied by the management for staging of loans as SICR/ default in view of Company's policy on moratorium.
- Tested assumptions used by the management in determining the overlay for macro-economic factors (including CoVID-19 pandemic) in accordance with the governance framework approved by the Board of Directors pursuant to Reserve Bank of India guidelines issued on March 13, 2020.
- Tested the arithmetical accuracy of computation of ECL provision performed by the Company in spreadsheets.
- Compared the disclosures included in the financial statements in respect of expected credit losses with the requirements of Ind AS 107 and 109. Reviewed specific disclosures made in the financial statements with regards to the impact of CoVID-19 and its impact on ECL estimation and other disclosures as prescribed by RBI relating to moratorium granted.

the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read such other information, if we conclude that

Contd..

there is a material misstatement therein, we are required to communicate the matter to those charged with governance and to comply with the relevant applicable requirements of the standard on auditing for auditor's responsibility in relation to other information in documents containing audited financial statements.

Responsibilities of Management for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 these financial statements.

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 financial statements, 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 management.
- Conclude on the appropriateness of management's 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 statements 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 financial statements, including the disclosures, and whether the financial statements represent 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in

agreement with the books of account;

- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
- (g) In our opinion, the managerial remuneration for the year ended March 31, 2021 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company does not have any pending litigations which would impact its financial position;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004
per Amit Kabra
Partner

Place : Gurugram
Date: May 26, 2021

Membership Number: 094533
UDIN: 21094533AAAAET9772

Annexure 1 referred to in paragraph 1 under the heading 'report on other legal and regulatory requirements' of our report of even date

Re: Fusion Micro Finance Private Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) According to the information and explanations given by the management and audit procedures performed by us, the title deeds of immovable properties included in property, plant and equipment are held in the name of the company.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under clause 3 (ii) of the Order are not applicable to the Company and hence not commented upon.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the products/services of the Company.
- (vii) a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, service tax, customs duty, excise duty, value added tax and cess which have not been deposited on account of any dispute.
- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or dues to debenture holders.
- (ix) According to the information and explanations given by the management and audit procedures performed by us, the Company has not raised any money by way of initial public offer or further public offer.
- Further, monies raised by the Company by way of term loans were applied for the purpose for which those were raised, though idle/surplus funds which were not required for immediate utilization were gainfully invested in liquid assets payable on demand.

- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no material fraud on the company by the officers and employees of the Company has been noticed or reported during the year except for instances of cash embezzlements by certain employees of the company aggregating to an amount of ₹9,774,795 and out of which amount of ₹5,183,900 has been recovered.
- (xi) According to the information and explanations given by the management, the provisions of section 197 read with Schedule V of the Act are not applicable to the company and hence reporting under clause 3(xi) are not applicable and hence not commented upon.
- (xii) In our opinion, the Company is not a Nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management and audit procedures performed by us, transactions with the related parties are in compliance with section 177 and 188 of the Act where

- applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the company and, not commented upon.
- (xv) According to the information and explanations given by the management and audit procedures performed by us, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us and audit procedures performed by us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

Place : Gurugram
Date: May 26, 2021

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Amit Kabra
Partner

Membership Number: 094533
UDIN: 21094533AAAAET9772

Annexure 2 referred to in paragraph 2(f) under the heading “Report on other legal and regulatory requirements” of our report of even date

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls with reference to financial statements of Fusion Micro Finance Private Limited (“the Company”) as of March 31, 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (“ICAI”). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal

financial controls with reference to these financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls with reference to these financial statements.

Meaning of Internal Financial Controls with reference to these Financial Statements

Company’s internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely

detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements

may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per **Amit Kabra**
Partner

Place : Gurugram
Date: May 26, 2021

Membership Number: 094533
UDIN: 21094533AAAAET9772

Balance Sheet

as at March 31, 2021

(All amounts are in ₹ millions unless otherwise stated)

Particulars	Notes	As at March 31, 2021	As at March 31, 2020
Assets			
Financial assets			
Cash and cash equivalents	3	12,154.20	5,396.67
Bank balances other than cash and cash equivalents	4	1,198.36	2,780.82
Trade receivables	5	27.93	31.39
Loans	6	43,607.30	33,429.73
Investments	7	-	5.00
Other financial assets	8	300.76	238.46
Non-financial Assets			
Current tax assets (net)	9	119.58	119.09
Deferred tax assets (net)	10	765.28	305.02
Property, plant and equipment	11	102.74	58.98
Intangible assets	12	1.90	1.47
Right of use asset	13	78.19	-
Other non-financial assets	14	23.09	33.31
Total assets		58,379.33	42,399.94
Liabilities and equity			
Liabilities			
Financial liabilities			
Trade payables	15	113.06	40.71
Debt securities	16	9,904.50	3,998.98
Borrowings (other than debt securities)	17	33,250.79	24,571.58
Subordinated liabilities	18	1,167.21	1,166.29
Other financial liabilities	19	1,265.98	513.28
Non-financial liabilities			
Current tax liabilities (net)	20	53.98	0.53
Provisions	21	80.76	57.72
Other non-financial liabilities	22	79.50	61.96
Equity			
Equity share capital	23.1	790.37	789.50
Other equity	24	11,673.18	11,199.39
Total liabilities and equity		58,379.33	42,399.94
Significant accounting policies	2		

The accompanying notes are an integral part of the financial statements
As per our report of even date

for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sd/-
Amit Kabra
Partner
Membership Number : 094533

for and on behalf of the Board of Directors of
Fusion Micro Finance Private Limited
CIN:U65100DL1994PTC061287

Sd/-
Devesh Sachdev
MD and CEO
DIN : 02547111

Sd/-
Deepak Madaan
Company Secretary

Sd/-
Ratna Dharashree Vishwanathan
Director
DIN : 07278291

Sd/-
Gaurav Maheshwari
Chief Financial Officer

Place: Gurugram
Date : May 26, 2021

Place: Gurugram
Date : May 26, 2021

Statement of Profit & Loss

for the year ended March 31, 2021

(All amounts are in ₹ millions unless otherwise stated)

Particulars	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue from operations			
Interest income	25	8,275.64	6,664.88
Fees and commission income	26	7.19	34.64
Net gain on fair value changes	27	167.45	231.57
Net gain on derecognition of financial instruments under amortised cost category	28	107.84	271.55
Total revenue from operations		8,558.12	7,202.64
Other income	29	172.76	100.47
Total income		8,730.88	7,303.11
Expenses			
Finance costs	30	3,751.04	3,376.72
Impairment on financial instruments	31	2,207.80	926.99
Employee benefits expenses	32	1,686.40	1,483.33
Depreciation and amortization	11-13	38.94	25.76
Others expenses	33	478.79	490.36
Total expenses		8,162.97	6,303.16
Profit before tax		567.91	999.95
Tax Expense:			
Current tax	34	588.71	395.99
Deferred tax	34	(460.24)	(92.14)
Profit for the year		439.44	696.10
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gains on defined benefit plans		0.04	6.46
Income tax effect on above		(0.01)	(1.40)
		0.03	5.06
Total comprehensive income for the year		439.47	701.16
Earnings per equity share (equity share par value of ₹10 each)			
Basic (₹)	35	5.56	10.47
Diluted (₹)	35	5.49	10.32
Significant accounting policies	2		

The accompanying notes are an integral part of the financial statements
As per our report of even date

for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sd/-
Amit Kabra
Partner
Membership Number : 094533

Place: Gurugram
Date : May 26, 2021

for and on behalf of the Board of Directors of
Fusion Micro Finance Private Limited
CIN:U65100DL1994PTC061287

Sd/-
Devesh Sachdev
MD and CEO
DIN : 02547111

Sd/-
Deepak Madaan
Company Secretary

Sd/-
Ratna Dharashree Vishwanathan
Director
DIN : 07278291

Sd/-
Gaurav Maheshwari
Chief Financial Officer

Place: Gurugram
Date : May 26, 2021

Statement of Cash Flows

for the year ended March 31, 2021

(All amounts are in ₹ millions unless otherwise stated)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
I. Cash flow from operating activities		
Profit before Tax	567.91	999.95
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation	38.94	25.76
Impairment of financial instruments	2,207.80	926.99
Finance cost on lease liability	5.30	-
Provision for gratuity	17.90	19.17
Provision for compensated absences	20.31	15.40
Other provisions	2.73	(10.58)
Net gain on change in fair value of mutual funds	(167.45)	(231.57)
Net gain on derecognition of financial instruments under amortised cost category	(128.15)	(126.80)
Employee share based payment expense	30.40	34.67
Amortisation of processing fees	(5.88)	1.18
(Profit)/loss on sale of property, plant and equipment	(1.00)	0.08
Operating cash flow before working capital changes	2,588.81	1,654.25
<i>Movement in working capital:</i>		
Increase in loans & advances	(12,374.28)	(8,623.03)
Decrease/(increase) in receivables	3.46	(25.30)
Decrease/(increase) in other financial assets	47.95	(33.59)
Decrease/(increase) in other non- financial assets	10.22	(9.86)
Decrease/(increase) in bank balances other than cash and cash equivalents	1,571.37	(128.94)
Increase/(decrease) in trade payables	72.36	(1.17)
Increase in other financial liability	668.07	94.16
Increase in other non-financial liability	17.54	15.46
Cash used in operations	(7,394.50)	(7,058.02)
Income tax paid	(535.75)	(436.30)
Net cash (used in) operating activities (A)	(7,930.25)	(7,494.32)
II. Cash flow from investing activities		
Purchase of property, plant and equipment	(75.41)	(29.57)
Proceeds from sale of property, plant and equipment	0.99	-
Purchase of intangible assets	(2.45)	(1.48)
Purchase of investments	(43,330.00)	(50,014.24)
Proceeds from sale of investments	43,502.45	50,245.81
Net cash flow from investing activities (B)	95.58	200.52
III. Cash flow from financing activities		
Proceeds from issue of equity shares	4.79	5,000.98
Repayment of debt securities	(660.53)	(1,346.34)
Proceeds from debt securities	6,577.19	348.71
Repayment of borrowings (other than debt securities)	(20,036.34)	(17,800.02)

Contd..

Statement of Cash Flows (contd.)

for the year ended March 31, 2021

(All amounts are in ₹ millions unless otherwise stated)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Proceeds from borrowings (other than debt securities)	28,711.21	19,247.43
Payment of lease liability	(4.12)	-
Net cash flow from financing activities (C)	14,592.20	5,450.76
Net (decrease)/increase in cash and cash equivalents (A + B + C)	6,757.53	(1,843.04)
Cash and cash equivalents at the beginning of the year	5,396.67	7,239.71
Cash and cash equivalents at the end of the year	12,154.20	5,396.67

Note: For disclosures relating to change in liabilities arising from financing activities, refer note 40.
Cash flow from operating activities includes interest received of ₹6,755.39 millions (previous year ₹6,051.16 millions) and interest paid of ₹3,646.87 millions (previous year ₹3,413.53 millions).

Significant accounting policies

The accompanying notes are an integral part of the financial statements

As per our report of even date

for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sd/-
Amit Kabra
Partner
Membership Number : 094533

Place: Gurugram
Date : May 26, 2021

for and on behalf of the Board of Directors of
Fusion Micro Finance Private Limited
CIN:U65100DL1994PTC061287

Sd/-
Devesh Sachdev
MD and CEO
DIN : 02547111

Sd/-
Deepak Madaan
Company Secretary

Place: Gurugram
Date : May 26, 2021

Sd/-
Ratna Dharashree Vishwanathan
Director
DIN : 07278291

Sd/-
Gaurav Maheshwari
Chief Financial Officer

Statement of Changes in Equity

for the year ended March 31, 2021

(All amounts are in ₹ millions unless otherwise stated)

A. Equity share capital

Particulars	As at April 1, 2019	Changes during the FY 2019-20	As at March 31, 2020	Changes during the FY 2020-21	As at March 31, 2021
Equity share capital (fully paid up)	626.21	177.63	803.84	-	803.84
Less: Treasury shares	(13.54)	(4.74)	(18.28)	0.87	(17.41)
Equity share capital (partly paid up)	3.10	0.84	3.94	-	3.94
Total	615.77	173.73	789.50	0.87	790.37

B. Other equity

Particulars	Reserves and Surplus					Other Comprehensive Income	Total
	Statutory reserve	Treasury Shares	Securities premium	Employee stock option plan reserve	Retained earnings	Remeasurement gains on defined benefit plans	
Balance as at April 1, 2019	183.22	(63.78)	5,180.76	19.88	321.21	1.48	5,642.77
Total comprehensive income for the year	-	-	-	-	696.10	5.06	701.16
Issue of equity shares	-	(79.17)	4,907.04	-	-	-	4,827.87
Transfer to / from retained earnings	139.22	-	-	-	(139.22)	-	-
Share issue expenses	-	-	(3.06)	-	-	-	(3.06)
Share based compensation	-	-	-	28.21	-	-	28.21
Exercise and lapse of share options	-	1.58	2.83	(4.26)	2.29	-	2.44
Balance as at March 31, 2020	322.44	(141.37)	10,087.57	43.83	880.38	6.54	11,199.39
Balance as at April 1, 2020	322.44	(141.37)	10,087.57	43.83	880.38	6.54	11,199.39
Total comprehensive income for the year	-	-	-	-	439.44	0.03	439.47
Transfer to / from retained earnings	87.89	-	-	-	(87.89)	-	-
Share based compensation	-	-	-	30.40	-	-	30.40
Exercise and lapse of share options	-	3.22	4.10	(5.77)	2.36	-	3.91
Balance as at March 31, 2021	410.33	(138.15)	10,091.67	68.46	1,234.29	6.57	11,673.18

The accompanying notes are an integral part of the financial statements
As per our report of even date

for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sd/-
Amit Kabra
Partner
Membership Number : 094533

Place: Gurugram
Date : May 26, 2021

for and on behalf of the Board of Directors of
Fusion Micro Finance Private Limited
CIN:U65100DL1994PTC061287

Sd/-
Devesh Sachdev
MD and CEO
DIN : 02547111

Sd/-
Deepak Madaan
Company Secretary

Place: Gurugram
Date : May 26, 2021

Sd/-
Ratna Dharashree Vishwanathan
Director
DIN : 07278291

Sd/-
Gaurav Maheshwari
Chief Financial Officer

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

1. Corporate information

Fusion Micro Finance Private Limited ('the Company') was incorporated on 05 September 1994 under the Companies Act, 1956. The Company was registered as a Non-Banking Financial (Non – Deposit Accepting or Holding) Company ('NBFC- ND') under section 45-IA of the Reserve Bank of India Act, 1934 with effect from 19 May 2010. The Company got converted to Non-Banking Financial Company-Micro Finance Institution ('NBFC-MFI') with effect from 28 January 2014 with Registration No. B-14.02857. The Company listed its Non-Convertible Debentures ('NCDs') in Bombay Stock Exchange, India. The registered office of the Company is in Delhi.

The Company is primarily engaged in micro finance lending activities, providing financial services to poor women in India who are organized as Joint Liability Group ('JLGs'). The Company provides small value collateral free loans. Apart from micro finance lending, the Company also have insignificant lending to MSME enterprises.

Company uses its distribution channel to provide other financial products and services to the members primarily relate to providing of loans to the members for the purchase of certain productivity enhancing products such as mobile handsets, bicycle.

The financial statements for the year ended March 31, 2021 were approved for issue in accordance with a resolution of the directors on May 26, 2021.

Basis of preparation of financial statements

These financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified by under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division III of Schedule III to the Companies Act, 2013, (Ind AS compliant Schedule III).

The financial statements have been prepared on a historical cost basis, except for fair value through other comprehensive income (FVOCI) instruments, plan assets, other financial assets held for trading and financial assets and liabilities designated at fair value through profit or loss (FVTPL), all of which have been measured at fair value. The financial statements are presented in Indian Rupees (INR) and all values are rounded to the nearest million, except when otherwise indicated.

Presentation of financial statements

The Company presents its balance sheet in order of liquidity.

The Company generally reports financial assets and financial liabilities on a gross basis in the balance sheet. They are only offset and reported net, when in addition to having an unconditional legally enforceable right to offset the recognized amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- A. The normal course of business.
- B. The event of default.
- C. The event of insolvency or bankruptcy of the Company and/or its counterparties.

Similarly, the Company offsets incomes and expenses and reports the same on a net basis when permitted by Ind AS specifically.

2. Significant accounting policies

2.1 Recognition of income and expense

The Company earns revenue primarily from giving loans. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

2.1.1 Interest income

Interest revenue is recognized using the Effective Interest Rate method. The effective interest method calculates the amortized cost of a financial instrument and allocates the interest income or interest expense over the relevant period.

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than the credit impaired assets.

When a financial asset becomes credit impaired and is, therefore, regarded as 'Stage 3', the Company calculates the interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income a gross basis.

Notes to the Financial Statements

For the year ended March 31, 2021
(₹ in millions unless otherwise stated)

2.1.1.1 The effective interest rate method

Under Ind AS 109 interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost, debt instrument measured at FVOCI and debt instruments designated at FVTPL. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial assets.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and transaction costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortized through Interest income in the statement of profit and loss.

2.1.2 Dividend income

Dividend income is recognized when the Company's right to receive the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably. This is generally when the shareholders approve the dividend.

2.1.3 Net gain on derecognition of financial instruments under amortized cost category

Where derecognition criteria as per Ind AS 109, including transaction of substantially all the risks and rewards relating to assets being transferred to the buyer being met, the assets have been derecognized. Income from assignment transactions i.e. present value of excess interest spread is recognized. Refer Note 2.5 for policy on derecognition of financial assets.

2.1.4 Net Gain/Loss on fair value changes

The Company recognizes the fair value on investment in mutual funds in the statement of profit and loss in accordance with Ind AS 109.

2.1.5 Income from interest on deposits

Income from interest on deposits is primarily from deposits with bank and is recognized on a time proportion basis considering the amount outstanding and the rate applicable.

2.1.6 Interest Expense

Interest expense includes issue costs that are initially recognized as part of the carrying value of the financial liability and amortized over the expected life using the effective interest method. These include fees and commissions payable to arrangers and other expenses such as external legal costs, provided these are incremental costs that are directly related to the issue of a financial liability.

2.1.7 Revenue from Contracts with Customers

The Company recognizes revenue from contracts with customers (other than financial assets to which Ind AS 109 'Financial Instruments' is applicable) based on a comprehensive assessment model as set out in Ind AS 115 'Revenue from Contracts with Customers'. The Company identifies contract(s) with a customer and its performance obligations under the contract, determines the transaction price and its allocation to the performance obligations in the contract and recognizes revenue only on satisfactory completion of performance obligations. Revenue is measured at fair value of the consideration received or receivable.

- a) Facilitation fees income is earned by selling of services and products of other entities under distribution arrangements. The income so earned is recognized on successful sales on behalf of other entities subject to there being no significant uncertainty of its recovery.
- b) Revenue from business correspondence services is recognized point in time when performance obligation is satisfied as per agreed terms and conditions of the contract.
- c) The company recognizes revenue from market support services upon satisfaction of performance obligation by rendering of services underlying the contract with third party customers

Notes to the Financial Statements

For the year ended March 31, 2021
(₹ in millions unless otherwise stated)

2.2 Financial Instruments– initial recognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument.

2.2.1 Date of recognition

Financial assets and liabilities, with the exception of loans, debt securities, deposits and borrowings are initially recognized on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. Loans are recognized when funds are disbursed to the customer's accounts. The Company recognises debt securities, deposits and borrowings when funds reach the Company.

2.2.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at Fair value through profit or loss (FVTPL), transaction costs are added to, subtracted from, this amount. Trade receivables are measured at the transaction price.

2.2.3 Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- a) Amortized cost, as explained in Note 2.3.1
- b) FVTPL as explained in Notes 2.3.4
- c) FVOCI

The Company classifies and measures its trading portfolio at FVTPL. The Company may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, are measured at FVTPL when they are derivative instruments or the fair value designation is applied, as explained in Note 2.3.4.

2.3 Financial assets and liabilities

2.3.1 Cash and cash equivalents, Bank balances, Loans, Trade receivables, financial investments and other financial assets at amortized cost

The Company measures cash and cash equivalents Bank balances, Loans, Trade receivables and other financial investments and assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

2.3.1.1 Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The information considered includes:

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment. However, information about sales activity is not considered in

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2.3.1.2 The SPPI test

As a second step of its classification process the Company assesses the contractual terms of financial to identify whether they meet the solely payments of principal and interest (the 'SPPI test').

For the purposes of this test, 'principal' is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

'Interest' within a lending arrangement are typically the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Where the business model is to hold assets to collect contractual cash flows (i.e. measured at amortized cost) or to collect contractual cash flows and sell (i.e. measured at fair value through other comprehensive income), the

Company assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. The amortized cost, as mentioned above, is computed using the effective interest rate method.

After initial measurement, such financial assets are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the profit or loss. The losses arising from ECL impairment are recognized in the profit or loss.

2.3.2 Financial assets or financial liabilities held for trading

The Company classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the balance sheet at fair value. Changes in fair value are recognized in net gain on fair value changes. Interest and dividend income or expense is recorded in net gain on fair value changes according to the terms of the contract, or when the right to payment has been established.

Included in this classification are equity instruments and mutual funds and that have been acquired principally for the purpose of selling or repurchasing in the near term.

2.3.3 Debt securities and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on funds issued, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

For the accounting treatment of financial instruments with

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

equity conversion rights and call options, the Company first establishes whether the instrument is a compound instrument and classifies such instrument's components separately as financial liabilities or equity instruments in accordance with Ind AS 32. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercising the option may appear to have become economically advantageous to some holders. When allocating the initial carrying amount of a compound financial instrument to the equity and liability components, the equity component is assigned as the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. Once the Company has determined the split between equity and liability, it further evaluates whether the liability component has embedded derivatives that must be accounted for separately.

2.3.4 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under Ind AS 109. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis
- or
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy
- or
- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

2.4 Reclassification of financial asset and liabilities

Financial assets are not reclassified subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets or liabilities in 2020-21 and 2019-20.

2.5 Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either :
 - the Company has transferred substantially all the risks and rewards of the asset, or
 - the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Notes to the Financial Statements

For the year ended March 31, 2021
(₹ in millions unless otherwise stated)

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit and loss.

2.6 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously ('the offset criteria').

2.7 Impairment of Financial Assets

2.7.1 Overview of principles for measuring expected credit loss ('ECL') on financial assets.

The Company records allowance for expected credit losses for all loans, other debt financial assets not held at FVTPL, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under Ind AS 109.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 45 (e).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Based on the above process, the Company categorizes its loans into Stage 1, Stage 2, Stage 3 as described below:

Stage 1

When loans are first recognised, the Company recognises an allowance based on 12mECLs. Stage 1 loans also include

facilities where the credit risk has improved, and the loan has been reclassified from Stage 2. The Company has assessed that all standard exposures (i.e. exposures with no overdues) and exposure up to 30 days overdues fall under this category.

Stage 2

When loan that have had a significant increase in credit risk since initial recognition are classified under this stage. Based on empirical evidence, significant increase in credit risk is witnessed after the overdues on an exposure exceed for a period more than 30 days. Accordingly, the Company classifies all exposures with overdues exceeding 30 days at each reporting date under this Stage. The Company records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

The loans provided to borrowers having running businesses with steady cash flows and not as a concession to overcome financial difficulties faced by borrowers other than the temporary suspension due to lock-down, are not considered as restructured accounts in terms of extant RBI Master Directions.

Stage 3

Loans considered credit-impaired. The Company records an allowance for the LTECLs. All exposures having overdue balances for a period exceeding 90 days are considered to be defaults and are classified under this stage.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

2.7.2 Methodology for calculating ECL

The Company calculates ECL based on a probability weighted outcome of factors indicated below to measure the expected cash shortfalls. The Company does not discount such shortfalls considering relatively shorter tenure of loan contracts. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive

Key factors applied to determine ECL are outlined as follows:

Probability of default (PD) – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed

Notes to the Financial Statements

For the year ended March 31, 2021
(₹ in millions unless otherwise stated)

period, if the facility has not been previously derecognized and is still in the portfolio.

Exposure at default (EAD) – Exposure at default (EAD) is the sum of outstanding principal and the interest amount accrued but not received on each loan as at reporting date.

Loss given default (LGD) – It is an estimate of the loss arising when the event of default occurs. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. It is usually expressed as a percentage of the EAD.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a EAD and multiplied by the expected LGD.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument.

Stage 3: For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

2.7.3 Forward looking information

While estimating the expected credit loss, the Company reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company analyses if there is any relationship between key economic trends like GDP, Inflation, Unemployment rates, Benchmark rates set by Reserve Bank of India, with the estimate of PD, LGD determined by the Company based in its internal data. While the internal estimates of PD, LGD rates by the

Company may not be always reflective of such relationships, temporary overlays are embedded in the methodology to reflect such macro-economic trends reasonably.

2.7.4 Write-offs

Loans are written off in their entirety only when the Company has stopped perusing the recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-offs. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries against such loan are credited to the statement of profit and loss.

2.7.5 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

2.8 Fair value measurement

Fair value is the price at the measurement date that would be received to sell an asset or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

Notes to the Financial Statements

For the year ended March 31, 2021
(₹ in millions unless otherwise stated)

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Accordingly, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments** - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- Level 2 financial instruments** - Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such

adjustments are based on unobservable inputs which are significant to the entire measurement, the Company will classify the instruments as Level 3.

- Level 3 financial instruments** – Includes one or more unobservable input where there is little market activity for the asset/liability at the measurement date that is significant to the measurement as a whole.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary based on the facts at the end of the reporting period.

2.9 Foreign Currency transactions

2.9.1 Functional and presentation currency

The financial statements are presented in Indian Rupees (INR), which are the functional currency of the Company and the currency of the primary economic environment in which the Company operates.

2.9.2 Transaction and balance

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All differences arising on non-trading activities are taken to other income/expense in the statement of profit and loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

2.10 Leasing

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys

Notes to the Financial Statements

For the year ended March 31, 2021
(₹ in millions unless otherwise stated)

the right to control the use of an identified asset for a period of time in exchange for consideration.

Where the Company is lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- Right-of-use assets**

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

- Lease Liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the

lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short term lease

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as and when due.

2.11 Cash and Cash Equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

2.12 Property, Plant and Equipment (PPE)

Property, plant and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Leasehold improvements are amortized on straight line basis

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

over the primary period of the lease or the estimated useful life of the assets, whichever is lower.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Property plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in other income / expense in the statement of profit and loss in the year the asset is derecognised.

Depreciation on property, plant and equipment provided on written down value method at the rate arrived based on useful life of the assets, prescribed under schedule II of the act, which also represents the estimate of the useful life of the assets by the management.

Depreciation on assets sold during the year is charged to the statement of Profit and Loss up to the date of sale.

The Company has used the following useful lives to provide depreciation on its Property, plant and equipment.

Asset category	Useful life (in years)
Furniture & Fixture	10
Electrical fittings	10
Computers & Printers	3
Office Equipment	5
Vehicles	8

2.13 Intangible assets

The Company's intangible assets mainly include the Computer Software. An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company. Intangible assets acquired separately are measured on initial recognition at cost.

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortisation period and the amortisation method for an intangible asset

with a finite useful life are reviewed at least at the end of each reporting period.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follows:

Computer software - 3-6 years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss. when the asset is derecognized.

2.14 Retirement and other Employee benefits

2.14.1 Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.14.2 Share-based payment arrangements

The Company has formulated an Employees Stock Option Schemes to be administered through a Trust. The scheme provides that subject to continued employment with the Company, the employees are granted an option to acquire equity shares of the Company that may be exercised within the specified period.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. Further details are given in Note 41.

That cost is recognized in employee benefits expense over the period in which service conditions are fulfilled, together with a corresponding increase in employee stock option plan reserve in other equity. The cumulative expense is recognized

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired. The expense or credit in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

Service conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. No expense is recognized for awards that do not ultimately vest because service conditions have not been met.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.14.3 Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Post-employment benefits in the form of provident fund , and other funds are defined contribution scheme.

The Company has no obligation, other than the contribution payable to the provident fund and pension scheme. The Company recognises contribution payable to scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

2.14.4 Defined benefit plans

The Company has defined benefit gratuity plan. The Company's net obligation in respect of gratuity is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit

method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability/asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Net interest expense (income) on the net defined liability (assets) is computed by applying the discount rate, used to measure the net defined liability (asset), to the net defined liability (asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. Remeasurements are not reclassified to profit or loss in subsequent periods.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

2.14.5 Other long-term employee benefits

Compensated absences are a long-term employee benefit and are accrued based on an actuarial valuation done as per projected unit credit method as at the Balance Sheet date, carried out by an independent actuary.

Actuarial gains and losses arising during the year are immediately recognized in the statement of profit and loss.

2.15 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is

Notes to the Financial Statements

For the year ended March 31, 2021
(₹ in millions unless otherwise stated)

material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

2.16 Share issue expenses

Incremental costs that are directly attributable to the issue of an equity instrument (i.e. they would have been avoided if the instrument had not been issued) are deducted from equity.

2.17 Taxes

2.17.1 Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. It is computed using tax rates and tax laws enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current tax assets and liabilities are offset only if, the Company:

- has a legally enforceable right to set off the recognized amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.17.2 Deferred tax

Deferred tax is provided using the balance sheet approach on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, using tax rates (and tax laws) that have enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and liabilities are offset only if:

- the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Notes to the Financial Statements

For the year ended March 31, 2021
(₹ in millions unless otherwise stated)

2.17.3 Goods and services tax /value added taxes paid on acquisition of assets or on incurring expenses

Expenses and assets are recognized net of the goods and services tax/value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.18 Earning per share

The Company reports basic and diluted earnings per share in accordance with Ind AS33 on Earnings per share. Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The CEO of the Company has been identified as the chief operating decision maker for the Company.

2.20 Contingent Liabilities and Contingent Assets

A Contingent Liability a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are recognized/disclosed as per requirement of Ind AS in Financial statement of Company.

2.21 Treasury Shares:

The Company has created an Employee Benefit Trust (EBT) for providing share-based payment to its employees. The Company uses EBT as a vehicle for distributing shares to employees under the employee stock option schemes.

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in capital reserve. Share options exercised during the reporting period are satisfied with treasury shares.

2.22 Initial recognition exemption and exception on transition to Ind AS:

The financial statements for the year ended March 31, 2020, were the first financial statements, the Company had prepared in accordance with Ind AS.

All applicable Ind AS have been applied consistently and retrospectively subject to Ind AS 101 exemptions and exceptions availed by the Company. In preparing these financial statements, the Company's opening balance sheet was prepared as at April 1 2018, the Company's date of transition to Ind AS.

Notes to the Financial Statements

For the year ended March 31, 2021
(₹ in millions unless otherwise stated)

Optional exemptions availed and mandatory exceptions:

In preparing the financial statements, the Company had applied the below mentioned optional exemptions and mandatory exceptions as on the date of Ind AS adoption.

Optional exemptions:

- Property plant and equipment, intangible assets:**

As per Ind AS 101 an entity may elect to:

- a) measure an item of property, plant and equipment at the date of transition at its fair value and use that fair value as its deemed cost at that date; or
- b) use a revaluation, as per Accounting standards specified under Section 133 of the Companies Act, 2013 ('the Act') read with Rule 7 of the Companies (Accounts) Rules, 2014 (hereinafter referred as "Previous GAAP") of an item of the property, plant and equipment at or before the date of transition as deemed cost at the date of the revaluation, provided the revaluation was, at the date of the revaluation, broadly comparable to fair value; or cost or depreciated cost under Ind AS adjusted to reflect, for example, changes in a general or specific price index.

The elections under (a) and (b) above are also available for intangible assets that meets the recognition criteria in Ind AS 38, Intangible Assets, (including reliable measurement of original cost); and criteria in Ind AS 38 for revaluation (including the existence of an active market); or

- c) use carrying values of property, plant and equipment, intangible assets and investment properties as on the date of transition to Ind AS (which are measured in accordance with previous GAAP and after making adjustments relating to decommissioning liabilities prescribed under Ind AS 101) if there has been no change in its functional currency on the date of transition.

The Company had elected to apply the exemption available under Ind AS 101 to use the carrying value (measured as per the previous GAAP) for all of its property, plant and equipment, intangible assets and investment properties as recognized in the financial statements as at the date of transition to Ind ASs, as deemed cost as at the date of transition (i.e. 1 April 2018).

- Share based payments:**

As per Ind AS 101, at the date of transition, an entity may elect not to fair value equity options vested before transition date as required under Ind AS 102 Share based payment. However, if an entity elects to apply Ind AS 102 to such equity instruments, it may do so only if the entity has disclosed publicly the fair value of those equity instruments, determined at the measurement date, as defined in Ind AS 102.

The Company has elected to apply Ind AS 102 to all equity options on the transition date for which entity has disclosed publicly the fair value of those equity instruments, determined at the measurement date, as defined in Ind AS 102.

- Leases:**

Appendix C to Ind AS 17 (superseded by IND AS 116) requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. Ind AS 101 provides an option to make this assessment on the basis of facts and circumstances existing at the date of transition to Ind AS, except where the effect is expected to be not material.

The Company had elected to apply this exemption for such contracts/arrangements.

Mandatory exceptions:

- Derecognition of financial assets and liabilities**

As per Ind AS 101, an entity should apply the derecognition requirements in Ind AS 109, Financial Instruments, prospectively for transactions occurring on or after the date of transition to Ind AS. However, an entity may apply the derecognition requirements retrospectively from a date chosen by it if the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognized as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Company has elected to apply the derecognition principles of Ind AS 109 prospectively from 01 April 2018.

Notes to the Financial Statements

For the year ended March 31, 2021
(₹ in millions unless otherwise stated)

- Estimates**

As per Ind AS 101, an entity's estimates in accordance with Ind AS at the date of transition to Ind AS and at the end of the comparative period presented in the entity's first Ind AS financial statements, as the case may be, should be consistent with estimates made for the same date in accordance with the previous GAAP unless there is objective evidence that those estimates were in error. However, the estimates should be adjusted to reflect any differences in accounting policies.

As per Ind AS 101, where application of Ind AS requires an entity to make certain estimates that were not required under previous GAAP, those estimates should be made to reflect conditions that existed at the date of transition (for preparing opening Ind AS balance sheet) or at the end of the comparative period (for presenting comparative information as per Ind AS).

The Company's estimates under Ind AS are consistent with the above requirement. Key estimates considered in preparation of the financial statements that were not required under the previous GAAP are listed below:

- Fair value of financial instruments carried at fair value through profit and loss and/ or fair value through other comprehensive income
- Impairment of financial assets based on the expected credit loss assessment.
- Determination of the discounted value for financial instruments carried at amortized cost

- Classification and measurement of financial assets**

Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortized cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Company has determined the classification of financial assets bases on facts and circumstances that exist on the date of transition.

2.23 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the management to make judgments, estimates and assumptions that affects the reported amounts of assets, liabilities, revenue and expenses and the accompanying disclosures, , as well as the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Notes to the Financial Statements

For the year ended March 31, 2021
(₹ in millions unless otherwise stated)

Fair value of financial instrument

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

Impairment of financial asset

Judgment is required by management in the estimation of the amount and timing of future cash flows when determining an impairment allowance for loans and advances. In estimating these cash flows, the Company makes judgments about the borrower's financial situation. These estimates are based on assumptions about a number of factors such as credit quality, level of arrears etc. and actual results may differ, resulting in future changes to the impairment allowance.

Provisions other than impairment on loan portfolio

Provisions are held in respect of a range of future obligations such as employee benefit plans and cash loss contingencies. Some of the provisions involve significant judgment about the likely outcome of various events and estimated future cash flows. The measurement of these provisions involves the exercise of management judgments about the ultimate outcomes of the transactions. Payments that are expected to be incurred after more than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

Share Based Payment

Estimating fair value for share-based payment transactions requires determining of the most appropriate valuation model, which is dependent on the terms and conditions of

the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Defined employee benefit assets and liabilities

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Other Estimates

- **Useful lives of depreciable/amortizable assets** – Management reviews its estimate of the useful lives of depreciable/amortizable asset at each reporting date, based on expected utility of assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of assets.
- **Recognition of deferred tax assets** – The extent to which deferred tax assets can be recognized is based on assessment of the probability of the future taxable income against which the deferred tax assets can be utilized.

2.24 New and amended standards

a) Amendments to Ind AS 116: Covid-19-Related Rent Concessions.

The amendments provide relief to lessees from applying Ind AS 116 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under Ind AS 116, if the change were not a lease modification.

Notes to the Financial Statements

For the year ended March 31, 2021
(₹ in millions unless otherwise stated)

The amendments are applicable for annual reporting periods beginning on or after the 1 April 2020. This amendment had no impact on the financial statements of the Company.

b) Amendments to Ind AS 103 Business Combinations

The amendment to Ind AS 103 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after the 1 April 2020 and to asset acquisitions that occur on or after the beginning of that period. This amendment had no impact on the financial statements of the Company but may impact future periods should the Company enter into any business combinations.

c) Amendments to Ind AS 1 and Ind AS 8: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude

of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

These amendments are applicable prospectively for annual periods beginning on or after the 1 April 2020. The amendments to the definition of material are not expected to have a significant impact on the Company's financial statements.

d) Amendments to Ind AS 107 and Ind AS 109: Interest Rate Benchmark Reform

The amendments to Ind AS 109 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

The amendments to Ind AS 107 prescribe the disclosures which entities are required to make for hedging relationships to which the reliefs as per the amendments in Ind AS 109 are applied. These amendments are applicable for annual periods beginning on or after the 1 April 2020. These amendments are not expected to have a significant impact on the Company's financial statements.

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

3. Cash and cash equivalents

Particulars	As at March 31, 2021	As at March 31, 2020
Cash on hand	111.27	13.86
Balances with banks		
- on current accounts	7,690.27	4,332.58
- deposits with original maturity of less than 3 months	4,352.66	1,050.23
Total	12,154.20	5,396.67

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.The company has not taken bank overdraft, therefore the cash and cash equivalent for cash flow statement is same as cash and for cash equivalent given above.

4. Bank balance other than cash and cash equivalents

Particulars	As at March 31, 2021	As at March 31, 2020
Deposits with remaining maturity of less than 12 months*	601.61	2,039.71
Deposits with remaining maturity of more than 12 months **	596.75	548.91
Margin money with financial institution towards securitised borrowings #	-	178.05
Deposit with financial institutions as security deposit	-	14.15
Total	1,198.36	2,780.82

* Includes lien free fixed deposits as at March 31, 2021 ₹336.018 millions (March 31, 2020: ₹1,513.75 millions)

** Includes lien free fixed deposits of ₹36.27 millions (March 31, 2020: ₹96.25 millions)

#Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments.

Note: Fixed deposit and other balances with banks earns interest at contractual fixed rates.

5. Trade receivables (at amortised cost)

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured considered good	27.93	31.39
Less : Provision for impairment	-	-
Total	27.93	31.39

Note: No trade or other receivable are due from directors and other officers of the Company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member. Trade receivable are non-interest bearing and generally on terms of 30 to 90 days.

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

6. Loans (at amortised cost)

Particulars	As at March 31, 2021	As at March 31, 2020
Term Loans:		
Joint liability loans	46,129.77	34,400.39
MSME Loans	330.55	11.70
Total - Gross	46,460.32	34,412.09
Less: Impairment loss allowance	(2,853.02)	(982.36)
Total - Net	43,607.30	33,429.73
(a) Secured	35.07	-
(b) Unsecured	46,425.25	34,412.09
Total - Gross	46,460.32	34,412.09
Less: Impairment loss allowance	(2,853.02)	(982.36)
Total - Net	43,607.30	33,429.73
(a) Public sector	-	-
(b) Others	46,460.32	34,412.09
Total - Gross	46,460.32	34,412.09
Less: Impairment loss allowance	(2,853.02)	(982.36)
Total - Net	43,607.30	33,429.73
(a) Loans provided in India	46,460.32	34,412.09
(a) Loans provided outside India	-	-
Total - Gross	46,460.32	34,412.09
Less: Impairment loss allowance	(2,853.02)	(982.36)
Total - Net	43,607.30	33,429.73

Overview of the Loan Portfolio of the Company

The Company is primarily in the business of providing micro loans towards income generating activities with its operations spread out in different parts of India. The table below discloses credit quality of the Company's exposures as at reporting date.

Gross portfolio movement for the year ended March 31, 2021

Particulars	Stage I	Stage II	Stage III	Total
Gross carrying value of loans as at March 31, 2020	33,861.54	166.06	384.49	34,412.09
New loans originated during the year, net off for repayments and derecognised portfolio	12,104.12	77.24	192.93	12,374.29
Assets written off during the year	-	-	(326.06)	(326.06)
Movement between stages				
Transfer from stage I	(5,202.84)	3,000.49	2,202.35	-
Transfer from stage II	1.01	(106.21)	105.20	-
Transfer from stage III	0.01	-	(0.01)	-
Gross carrying value of assets as at March 31, 2021	40,763.84	3,137.58	2,558.90	46,460.32

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

Gross portfolio movement for the year ended March 31, 2020

Particulars	Stage I	Stage II	Stage III	Total
Gross carrying value of loans as at April 1, 2019	25,631.50	105.37	404.24	26,141.11
New loans originated during the year, net off for repayments and derecognised portfolio	8,518.07	17.84	87.12	8,623.03
Assets written off during the year	-	-	(352.05)	(352.05)
Movement between stages				
Transfer from stage I	(288.37)	59.14	229.23	-
Transfer from stage II	0.31	(16.33)	16.02	-
Transfer from stage III	0.03	0.04	(0.07)	-
Gross carrying value of assets as at March 31, 2020	33,861.54	166.06	384.49	34,412.09

Reconciliation of loss allowance provision from beginning to end of reporting period:

Particulars	Loans			Total	Other financial assets (refer note 8)
	Stage I	Stage II	Stage III		
ECL allowance on April 1, 2019	111.60	49.44	259.71	420.75	
New assets originated during the year, netted off for repayments and derecognised portfolio	36.98	8.19	54.76	99.93	13.33
Assets written off during the year	-	-	(352.05)	(352.05)	-
Movement between stages	-				
Transfer from stage I	(1.25)	0.26	1.00	-	-
Transfer from stage II	0.14	(7.50)	7.36	-	-
Transfer from stage III	0.02	0.03	(0.04)	-	-
Impact on ECL on account of movement between stages/ updates to ECL model	497.82	32.60	283.30	813.73	-
ECL allowance on March 31, 2020	645.31	83.02	254.04	982.36	13.33
New assets originated during the year, netted off for repayments and derecognised portfolio	230.67	38.62	127.48	396.77	11.09
Assets written off during the year	-	-	(326.06)	(326.06)	(15.06)
Movement between stages					
Transfer from stage I	(37.45)	16.52	20.93	-	-
Transfer from stage II	0.50	(53.10)	52.59	-	-
Transfer from stage III	0.01	-	(0.01)	-	-
Impact on ECL on account of movement between stages/ updates to ECL model	(389.48)	783.17	1,406.26	1,799.95	
ECL allowance on March 31, 2021	449.56	868.23	1,535.23	2,853.02	9.36

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

7. Investments (at amortised cost)

Particulars	As at March 31, 2021	As at March 31, 2020
Investments in Mutual funds (HDFC Charity fund for cancer cure: March 31, 2021 - Nil units) (March 31, 2020 -500,000 units)	-	5.00
(i) Overseas investments	-	-
(ii) Investments in India	-	5.00
Total	-	5.00

8. Other financial assets (at amortised cost)

Particulars	As at March 31, 2021	As at March 31, 2020
A. Security deposits		
Unsecured, considered goods	23.53	15.36
	23.53	15.36
B. Other assets		
Excess interest spread (EIS) receivable	128.15	126.80
Advances recoverable in cash or for value to be received	158.44	109.63
Less : Impairment loss allowance (refer note 6 for movement)	(9.36)	(13.33)
	277.23	223.10
Total (A+B)	300.76	238.46

9. Current tax assets (net)

Particulars	As at March 31, 2021	As at March 31, 2020
Advance income tax (net)	119.58	119.09
Total	119.58	119.09

10. Deferred tax assets (net)

Particulars	As at March 31, 2021	As at March 31, 2020
A Deferred tax assets:		
Impairment allowance for financial assets	688.12	237.62
Differences of written down value of property, plant and equipment	11.87	7.86
Provision for employee benefits	35.73	28.32
Provisions allowable on payment basis	31.48	20.53
Financial liabilities measured at amortised cost	6.08	3.99
EIR impact on loan portfolio	68.98	38.72
Other temporary difference	16.00	9.41
Total deferred tax assets	858.26	346.45

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

Particulars	As at March 31, 2021	As at March 31, 2020
B. Deferred tax liabilities		
Excess interest spread (EIS) receivable	(29.15)	(30.19)
Stage 3 interest income	(63.83)	(11.24)
Total deferred tax liabilities	(92.98)	(41.43)
Net deferred tax assets (A+B)	765.28	305.02

C. Movement in Deferred tax assets (net)

Particulars	As at March 31, 2020	(Charge)/ credit in Statement of profit and Loss	Recognized in Other comprehensive income	Recognized in other equity	As at March 31, 2021
Assets					
Impairment allowance for financial assets	237.62	450.51	-	-	688.12
Differences of written down value of Property, plant and equipment	7.86	4.01	-	-	11.87
Provision for employee benefits	28.32	7.42	(0.01)	-	35.73
Provisions allowable on payment basis	20.53	10.95	-	-	31.48
Financial liabilities measured at amortised cost	3.99	2.09	-	-	6.08
EIR impact on term loans	38.72	30.26	-	-	68.98
Other temporary difference	9.41	6.59	-	-	16.00
Liabilities					
EIS receivable	(30.19)	1.03	-	-	(29.15)
Stage 3 interest income	(11.24)	(52.59)			(63.83)
Total	305.02	460.27	(0.01)	-	765.28

Particulars	As at March 31, 2019	(Charge)/ credit in Statement of profit and Loss	Recognized in Other comprehensive income	Recognized in other equity	As at March 31, 2020
Assets					
Impairment allowance for financial assets	143.10	94.52	-	-	237.62
Differences of written down value of property, plant and equipment	8.47	(0.61)	-	-	7.86
Provision for employee benefits	22.82	6.90	(1.40)	-	28.32
Provisions allowable on payment basis	14.22	6.31	-	-	20.53
Financial liabilities measured at amortised cost	5.35	(1.36)	-	-	3.99
EIR impact on term loans	29.92	8.80	-	-	38.72

Contd..

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

Particulars	As at March 31, 2019	(Charge)/ credit in Statement of profit and Loss	Recognized in Other comprehensive income	Recognized in other equity	As at March 31, 2020
EIS receivable	0.02	(0.02)	-	-	-
Other temporary difference	16.62	(7.21)	-	-	9.41
Liabilities					
EIS receivable	-	(30.19)	-	-	(30.19)
Stage 3 interest income	(26.21)	14.97			(11.24)
Total	214.31	92.11	(1.40)	-	305.02

11. Property, plant and equipment

Particulars	Gross Block (at cost)			Depreciation				Net Carrying Amount	
	As at April 1, 2020	Additions	Disposals	As at March 31, 2021	As at April 1, 2020	For the year	Disposals	As at March 31, 2021	As at March 31, 2021
Furniture and fixtures	21.21	5.68	0.06	26.83	7.28	4.78	0.06	12.00	14.83
Electrical fittings	12.00	0.18	3.07	9.11	5.12	2.69	3.07	4.74	4.37
Office equipment	9.12	9.39	0.37	18.14	3.18	4.55	0.37	7.36	10.78
Vehicles	0.75	2.96	0.36	3.35	0.62	0.16	0.37	0.40	2.95
Computers	33.64	14.71	-	48.35	20.87	12.18	-	33.05	15.29
Leasehold improvements	27.48	42.49	-	69.97	8.15	7.31	-	15.46	54.52
Total	104.20	75.41	3.86	175.75	45.22	31.65	3.87	73.01	102.74

Particulars	Gross Block (at cost)			Depreciation				Net Carrying Amount	
	As at April 1, 2019	Additions	Disposals	As at March 31, 2020	As at April 1, 2019	For the year	Disposals	As at March 31, 2020	As at March 31, 2020
Furniture and fixtures	15.51	5.70	-	21.21	3.07	4.21	-	7.28	13.93
Electrical fittings	10.43	1.57	-	12.00	2.41	2.71	-	5.12	6.88
Office equipment	3.28	5.84	-	9.12	0.99	2.19	-	3.18	5.94
Vehicles	0.75	-	-	0.75	0.40	0.22	-	0.62	0.13
Computers	20.88	12.97	0.21	33.64	10.54	10.46	0.13	20.87	12.77
Leasehold improvements	23.99	3.49	-	27.48	3.92	4.23	-	8.15	19.33
Total	74.84	29.57	0.21	104.20	21.33	24.02	0.13	45.22	58.98

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

12. Intangible assets

Particulars	Gross Block (at cost)			Depreciation			Net Carrying Amount		
	As at April 1, 2020	Additions	Disposals	As at March 31, 2021	As at April 1, 2020	For the year	Disposals	As at March 31, 2021	As at March 31, 2021
Computers	5.67	2.45	-	8.12	4.20	2.02	-	6.22	1.90
Total	5.67	2.45	-	8.12	4.20	2.02	-	6.22	1.90

Particulars	Gross Block (at cost)			Depreciation			Net Carrying Amount		
	As at April 1, 2019	Additions	Disposals	As at March 31, 2020	As at April 1, 2019	For the year	Disposals	As at March 31, 2021	As at March 31, 2020
Computers	4.19	1.48	-	5.67	2.46	1.74	-	4.20	1.47
Total	4.19	1.48	-	5.67	2.46	1.74	-	4.20	1.47

13. Right of use asset

Particulars	Gross Block (at cost)			Depreciation			Net Carrying Amount		
	As at April 1, 2020	Additions	Disposals	As at March 31, 2021	As at April 1, 2020	For the year	Disposals	As at March 31, 2021	As at March 31, 2021
Right of use asset (refer Note 52)	-	83.45	-	83.45	-	5.26	-	5.26	78.19
Total	-	83.45	-	83.45	-	5.26	-	5.26	78.19

14. Other non-financial asset

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good		
Pre-paid expenses	16.88	13.92
Unamortised processing fees	-	0.51
Net defined benefit asset (refer note 37)	-	10.02
Others	6.21	8.86
Total	23.09	33.31

15. Trade payables

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Total outstanding dues to micro, small and medium enterprises *	-	-
(ii) Total outstanding dues of creditors other than micro, small and medium enterprises	113.06	40.71
Total	113.06	40.71

*The Company does not have any outstanding dues and any interest payable for micro, small and medium enterprises- refer Note 38

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

16. Debt Securities (at amortised cost)

Particulars	As at March 31, 2021	As at March 31, 2020
Non-convertible debentures (Secured by book debts)	8,605.90	2,851.29
Non-convertible debentures (Unsecured)	1,298.60	1,147.69
Total	9,904.50	3,998.98
Debt securities in India	9,904.50	3,998.98
Debt securities outside India	-	-
	9,904.50	3,998.98

Information about the Company's exposure to credit and market risks are included in Note no. 45 and 47 respectively.

Terms of Debt securities

Particulars	Number of debentures		Amount	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Secured				
11.15% secured rated listed redeemable transferable non convertible debentures of face value of ₹10,00,000 each redeemable at par at the end of 71 months and 27 Calendar Days (Subject to exercise of put/call option at the end of 35 months and 26 Calendar Days) from the date of allotment i.e. 10/03/2021	700	-	699.67	-
11.53% secured rated unlisted redeemable non convertible debentures of Face Vale of ₹10,00,000 each redeemable at par at the end of 72 months (subject to exercise of put option at the end of 12 months and Put/call Option at the end of 36 months) from the date of allotment i.e. 02/11/2020	750	-	749.54	-
11.0000% secured rated listed redeemable non convertible debentures of Face Vale of ₹10,00,000 each redeemable at par at the end of 72 months (subject to exercise of put/ call Option at the end of 36 months) from the date of allotment i.e. 18/03/2021	500	-	499.68	-
10.70% Secured rated unlisted redeemable non convertible debentures of face value of ₹10,00,000 each redeemable at par at the end of 72 months (Subject to exercise of put / call option at the end of 36 months) from the date of allotment i.e. 03/16/2018	315	315	315.00	314.70
10.70% Secured rated unlisted redeemable non convertible debentures of face value of ₹10,00,000 each redeemable at par at the end of 72 months (Subject to exercise of put / call option at the end of 36 months) from the date of allotment i.e. 03/16/2018	315	315	315.00	314.70
11.2500% secured rated listed taxable redeemable non convertible debentures of Face Vale of ₹10,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. 23/12/2020	500	-	499.60	-
11.50% secured rated, listed, senior taxable, transferable redeemable non-convertible debentures of Face Vale of ₹10,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. 29/07/2020	200		197.39	
11.25% secured rated listed redeemable non convertible debentures of Face Vale of ₹10,00,000 each redeemable at par at the end of 20 months from the date of allotment i.e. 30/06/2020	200		198.99	
11.90% secured, rated, listed, unsubordinated, transferable, redeemable, non convertible debentures of Face Vale of ₹10,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. 10/06/2020	100		99.49	
11.25% secured rated, listed, redeemable non-convertible debentures of Face Vale of ₹10,00,000 each redeemable at par at the end of 32 months from the date of allotment i.e. 31/07/2020	250		249.09	
10.50% secured rated listed senior taxable redeemable non convertible debentures of Face Vale of ₹10,00,000 each redeemable at par at the end of 18 months from the date of allotment i.e. 13/11/2020	250	-	249.18	-

Contd..

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

Particulars	Number of debentures		Amount	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
12.05% Secured rated listed redeemable non convertible debentures of face value of ₹10,00,000 each redeemable at par at the end of 72 months (Subject to exercise of put/ call option at the end of 36 months) from the date of allotment i.e. 06/02/2016	526	526	524.70	523.80
10.40% secured rated listed senior taxable redeemable non convertible debentures of Face Vale of ₹10,00,000 each redeemable at par at the end of 18 months from the date of allotment i.e. 13/11/2020	500	-	498.02	-
10.25% secured rated listed senior taxable redeemable non convertible debentures of Face Vale of ₹10,00,000 each redeemable at par at the end of 18 months from the date of allotment i.e. 13/11/2020	350	-	348.19	-
9.75% secured rated listed senior taxable redeemable non convertible debentures of Face Vale of ₹10,00,000 each redeemable at par at the end of 18 months from the date of allotment i.e. 13/11/2020	250	-	248.82	-
10.50% secured rated listed senior taxable redeemable non convertible debentures of Face Vale of ₹10,00,000 each redeemable at par at the end of 18 months from the date of allotment i.e. 13/11/2020	500	-	498.83	-
10.50% secured rated, listed, senior taxable, transferable redeemable non-convertible debentures of Face Vale of ₹10,00,000 each redeemable at par at the end of 18 months from the date of allotment i.e. 12/08/2020	250	-	248.79	-
10.50% secured rated, listed, senior taxable, transferable redeemable non-convertible debentures of Face Vale of ₹10,00,000 each redeemable at par at the end of 18 months from the date of allotment i.e. 12/08/2020	250	-	249.52	-
11.53% Secured rated unlisted redeemable non convertible debentures of face value of ₹1,00,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. 10/22/2018	35	35	348.94	347.25
9.54% rated unlisted senior secured redeemable taxable, transferable non convertible debentures of Face Vale of ₹10,00,000 each redeemable at par at the end of 48 months from the date of allotment i.e.. 30/03/2021	600	-	598.24	-
11.81% Secured rated unlisted redeemable non convertible debentures of face value of ₹1,00,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. 09/27/2018	25	25	249.86	249.60
11.86% Secured rated listed redeemable non convertible debentures of face value of ₹10,00,000 each redeemable at par at the end of 60 months (Subject to exercise of put/ call option at the end of 36 months) from the date of allotment i.e. 08/31/2016	470	470	469.81	469.40
11.40% Reset rate (RBI repo rate +credit spread) secured rated listed taxable transferable redeemable non convertible debentures of Face Vale of ₹10,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. 19/06/2020	250	-	249.55	-
15% Secured rated listed redeemable non convertible debentures of face value of INR 10,00,000 each redeemable at par at the end of 69 months (Subject to exercise of put option date at the end of 24 months and 48 months) from the date of allotment i.e. 03/31/2015 redeemable on maturity if option not exercised	-	100	-	99.91
13.15% GWT secured rated listed redeemable non convertible debentures of face value of INR 10,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. 07/07/2017	-	310	-	309.90
12.10% Secured listed redeemable non convertible debentures of face value of ₹10,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. 09/04/2017	-	200	-	33.32
12.30% Secured rated unlisted redeemable non convertible debentures of face value of ₹10,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. 03/15/2018	-	190	-	188.70
Unsecured				
11.91% Unsecured Rated Listed Redeemable Non Convertible Debenture of Face Vale of INR 10,00,000 each redeemable at par at the end of 72 Months (subject to exercise of Put/ Call Option at the end of 36 months) from the Date of Allotment i.e. 09/15/2016	550	550	549.42	549.10

Contd.

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

Particulars	Number of debentures		Amount	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
11.91% Unsecured rated listed redeemable non convertible debenture of face value of INR 10,00,000 each redeemable at par at the end of 71 (subject to exercise of put/call Option at the end of 36 months) from the date of allotment i.e. 09/10/2019	350	350	349.30	348.91
NIFTY 50 Index linked rated listed redeemable non convertible of face value of INR 10,00,000 each redeemable at par at the end of 42 months from the date of allotment i.e. 03/06/2018	250	250	249.90	249.69
11.96% unsecured rated listed unsubordinated transferable redeemable non convertible debentures of INR 10,00,000 each redeemable at par at the end of 12 months from the date of allotment i.e. 05/08/2020	150	-	149.98	-
Total			9,904.50	3,998.98

17. Borrowings (Other than debt securities)

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
(a) Term loans		
(i) from banks	26,856.90	19,127.76
(ii) from other parties	2,619.30	2,644.79
(b) Short term loans from banks	3,499.64	2,398.77
(c) Short term loans from financial institutions	274.95	-
(d) Borrowings under securitisation arrangement	-	400.26
Total	33,250.79	24,571.58
Borrowings in India	33,250.79	24,571.58
Borrowings outside India	-	-
Total	33,250.79	24,571.58
Secured*	33,250.79	24,571.58
Unsecured	-	-
Total	33,250.79	24,571.58

*The secured borrowings are secured by hypothecation of book debts and margin money deposits.

18. Subordinated liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
from banks	300.00	300.00
from other than banks	867.21	866.29
Total	1,167.21	1,166.29
Subordinated liabilities in India	1,167.21	1,166.29
Subordinated liabilities outside India	-	-
Total	1,167.21	1,166.29

Note :Company has not defaulted in repayment of borrowing / interest during the current year and previous year with respect to Debt Securities (Note 16) borrowings (other than debt securities) (Note 17) and subordinated liabilities (Note 18)

16A, 17A and 18A Terms of Principal repayment of Debt securities/Borrowings/Subordinated liabilities

Original Maturity of loan	Interest rate	Due Within 1 Year		Due Between 1 to 2 Year		Due Between 2 to 3 Year		Due Between 3 to 4 Year		Due Between 4 to 5 Year		Due Between 5 to 6 Year		Total
		No. of Install-ments	Amount	No. of Install-ments	Amount	No. of Install-ments	Amount	No. of Install-ments	Amount	No. of Install-ments	Amount	No. of Install-ments	Amount	
Borrowings (other than debt securities)														
Monthly														
Upto 3 Years	6.01% - 6.50%	12	380.88	3	57.48	-	-	-	-	-	-	-	-	438.36
	6.51% - 7.00%	1	125.00	-	-	-	-	-	-	-	-	-	-	125.00
	7.51% - 8.00%	12	1.00	12	1.00	12	1.00	-	-	-	-	-	-	3.00
	8.51% - 9.00%	12	219.44	10	145.83	-	-	-	-	-	-	-	-	365.28
	9.01% - 9.50%	12	846.43	12	470.24	-	-	-	-	-	-	-	-	1,316.67
	9.51% - 10.00%	12	3,045.43	12	2,542.45	3	93.75	-	-	-	-	-	-	5,681.63
	10.01% - 10.50%	12	1,675.36	12	1,117.14	1	13.79	-	-	-	-	-	-	2,806.29
	10.51% - 11.00%	12	3,192.12	12	1,747.11	-	-	-	-	-	-	-	-	4,939.24
	11.01% - 11.50%	12	2,110.09	12	671.78	1	11.67	-	-	-	-	-	-	2,793.53
	11.51% - 12.00%	12	410.21	7	116.67	-	-	-	-	-	-	-	-	526.88
Above 3 Years	12.01% - 12.50%	7	57.15	-	-	-	-	-	-	-	-	-	-	57.15
	10.51% - 11.00%	12	158.59	12	176.95	5	79.63	-	-	-	-	-	-	415.17
	12.51% - 13.00%	11	366.67	-	-	-	-	-	-	-	-	-	-	366.67
Quarterly														
Upto 3 Years	9.51% - 10.00%	8	500.00	8	425.00	-	-	-	-	-	-	-	-	925.00
	10.01% - 10.50%	8	932.64	8	276.39	2	53.47	-	-	-	-	-	-	1,262.50
Above 3 Years	10.51% - 11.00%	10	1,024.70	8	239.68	3	62.43	-	-	-	-	-	-	1,326.82
	11.01% - 11.50%	6	492.50	3	63.75	-	-	-	-	-	-	-	-	556.25
	11.51% - 12.00%	5	733.12	3	214.77	-	-	-	-	-	-	-	-	947.89
	9.51% - 10.00%	4	700.00	4	700.00	4	637.50	4	200.00	4	175.00	-	-	2,412.50
Above 3 Years	10.01% - 10.50%	4	21.67	4	21.66	1	5.42	-	-	-	-	-	-	48.75
	12.01% - 12.50%	1	16.67	-	-	-	-	-	-	-	-	-	-	16.67
Half Yearly														
Upto 3 Years	6.51% - 7.00%	2	650.00	1	325.00	-	-	-	-	-	-	-	-	975.00
	9.51% - 10.00%	2	725.00	-	-	-	-	-	-	-	-	-	-	725.00
Above 3 Years	10.51% - 11.00%	2	16.00	2	16.00	-	-	-	-	-	-	-	-	32.00
	11.01% - 11.50%	2	640.00	2	475.00	2	80.00	2	80.00	1	20.00	-	-	1,295.00
	11.51% - 12.00%	2	255.00	2	60.00	2	60.00	2	60.00	-	-	-	-	375.00
Contd.														

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

Original Maturity of loan	Interest rate	Due Within 1 Year		Due Between 1 to 2 Year		Due Between 2 to 3 Year		Due Between 3 to 4 Year		Due Between 4 to 5 Year		Due Between 5 to 6 Year		Total
		No. of Install-ments	Amount	No. of Install-ments	Amount	No. of Install-ments	Amount	No. of Install-ments	Amount	No. of Install-ments	Amount	No. of Install-ments	Amount	
Bullet Repayment														
	Upto 3 Years	3	1,875.00	-	-	-	-	-	-	-	-	-	-	1,875.00
	9.51% - 10.00%	1	500.00	-	-	-	-	-	-	-	-	-	-	500.00
	10.01% - 10.50%	1	200.00	-	-	-	-	-	-	-	-	-	-	200.00
Debt securities														
Bi-Monthly														
Above 3 Years	10.01% - 10.50%	-	-	-	-	-	-	6.00	450.00	-	-	-	-	450.00
Quarterly														
Upto 3 Years	10.01% - 10.50%	3	375.00	1	125.00	-	-	-	-	-	-	-	-	500.00
Half Yearly														
Upto 3 Years	11.01% - 11.50%	2	100.00	2	100.00	1	50.00	-	-	-	-	-	-	250.00
Above 3 Years	10.01% - 10.50%	2	36.00	2	36.00	2	78.00	-	-	-	-	-	-	150.00
Bullet Repayment														
Upto 3 Years	9.51% - 10.00%	-	-	1	250.00	-	-	-	-	-	-	-	-	250.00
	10.01% - 10.50%	1	500.00	1	1,100.00	-	-	-	-	-	-	-	-	1,600.00
	11.01% - 11.50%	-	-	-	-	3	650.00	-	-	-	-	-	-	650.00
	11.51% - 12.00%	1	150.00	-	-	2	600.00	-	-	-	-	-	-	750.00
	12.01% - 12.50%	2	600.00	-	-	-	-	-	-	-	-	-	-	600.00
Above 3 Years	11.01% - 11.50%	-	-	-	-	1	315.00	-	-	-	-	-	-	315.00
	11.51% - 12.00%	-	-	-	-	1	315.00	-	-	1	500.00	1	700.00	1,515.00
	12.01% - 12.50%	-	-	-	-	-	-	-	-	-	-	1	750.00	750.00
	12.51% - 13.00%	1	470.00	1	526.00	-	-	-	-	1	900.00	-	-	1,896.00
	13.51% - 14.00%	1	250.00	-	-	-	-	-	-	-	-	-	-	250.00
Sub-Debt														
Bullet Repayment														
Above 3 Years	13.51% - 14.00%	-	-	1	500.00	1	300.00	-	-	-	-	-	-	800.00
	14.01% - 14.50%	-	-	-	-	1	300.00	-	-	-	-	-	-	300.00
	15.01% - 15.50%	1	70.00	-	-	-	-	-	-	-	-	-	-	70.00
EIR Impact														-81.72
TOTAL		214	24,421.66	158	12,500.90	48	3,706.67	12	730.00	7	1,595.00	2	1,450.00	44,322.50

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

19. Other financial liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Payable towards assigned/securitized portfolio	177.46	179.91
Interest accrued but not due on borrowings	373.39	224.69
Salaries and bonus payable	159.68	99.70
Lease liability (refer note 52)	84.63	-
Other payable	470.82	8.98
Total	1,265.98	513.28

20. Current tax liabilities (net)

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for tax (net)	53.98	0.53
Total	53.98	0.53

21. Provisions

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for gratuity (refer note 37)	5.17	-
Provision for compensated absence (refer note 37)	37.34	25.16
Provision on business correspondence portfolio	-	6.01
Provision for other contingencies*	37.48	25.89
Others	0.77	0.66
Total	80.76	57.72

*Provisions are for cash loss and related contingencies.

22. Other non-financial liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Statutory dues payable	77.18	59.72
Others	2.32	2.24
Total	79.50	61.96

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

23. Share Capital

Particulars	As at March 31, 2021	As at March 31, 2020
Authorised share capital		
Equity shares		
90,000,000 (March 31, 2020 : 90,000,000) equity shares of ₹10 each	900.00	900.00
Preference shares		
5,000,000 (March 31, 2020 : 5,000,000) preference shares of ₹10 each	50.00	50.00
Total	950.00	950.00

23.1 Equity Share Capital

Particulars	As at March 31, 2021	As at March 31, 2020
Issued, subscribed and paid-up		
Equity shares		
Fully paid up		
80,383,716 (March 31, 2020 : 8,03,83,716) equity shares of ₹10 each fully paid up	803.84	803.84
Less: treasury shares	(17.41)	(18.28)
Partly paid up		
39,42,672 (March 31, 2020 : 39,42,672) equity shares of ₹10 each partly paid up @ ₹1	3.94	3.94
Total	790.37	789.50

a. The reconciliation of the number of equity shares outstanding as at the beginning and the end of the reporting period is set out below:

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number of shares	Amount	Number of shares	Amount
Equity shares				
At the commencement of the year	84,326,388	807.78	65,720,588	629.31
Allotted to Fusion employee benefit trust	-	-	549,647	5.50
Issued during the year (fully paid up)	-	-	17,212,889	172.13
Issued during the year (partly paid up@ ₹1)	-	-	843,264	0.84
At the end of the year	84,326,388	807.78	84,326,388	807.78

b. Rights, preferences and restrictions attached to equity shares :

(i) Equity shares

The Company has single class of equity shares having a par value of ₹10 per equity share. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

c. Particulars of equity shareholder holding more than 5% equity shares:

Name of the shareholder	March 31, 2021		March 31, 2020	
	Number of shares	% of Holding	Number of shares	% of Holding
Devesh Sachdev - MD & CEO	5,553,414	6.59%	5,553,414	6.59%
Oikocredit, Ecumenical Development Co-operative Society U.A., Netherlands	6,606,375	7.83%	6,606,375	7.83%
Creation Investment Fusion,LLC, Chicago, U.S.A.	15,321,043	18.17%	15,321,043	18.17%
Creation Investment Fusion II ,LLC, Chicago, U.S.A.	9,954,529	11.80%	9,954,529	11.80%
Honey Rose Investment Ltd, Mauritius	41,022,730	48.65%	41,022,730	48.65%
	78,458,091	93.04%	78,458,091	93.04%

d Particulars of shares reserved for issue under employee stock options

Particulars	Number of shares	
	As at March 31, 2021	As at March 31, 2020
Under Employee Stock Option Plans	1,352,454*	1,352,454*

* With reference to the amendment agreement dated December 17, 2019 to the Shareholder's agreement dated September 10, 2018, the Company will institute an employee stock option plan, pursuant to which it will grant and allot 1,352,454 equity shares of the Company to certain identified employees.

e. No share was allotted without payment being received in cash during the five-year period ended March 31, 2021

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

24. Other equity

Particulars	As at March 31, 2021	As at March 31, 2020
Statutory reserve		
Balance as at the beginning of the year	322.44	183.22
Add: Amount transferred from retained earnings	87.89	139.22
Balance as at the end of the year	410.33	322.44
Securities premium		
Balance as at the beginning of the year	9,946.20	5,116.98
Add: On issue of shares	-	4,907.04
Add: Transfer from stock option outstanding	3.41	1.97
Add: Adjustment relating to ESOP Welfare trust	3.92	(76.73)
Less : Amount utilised towards share issue expenses	-	(3.06)
Balance as at the end of the year	9,953.53	9,946.20
Retained earnings		
Balance as at the beginning of the year	880.38	321.21
Add: Profit for the year	439.44	696.10
Add: Stock options lapsed	2.36	2.29
Less : Amount transferred to statutory reserve	(87.89)	(139.22)
Balance as at the end of the year	1,234.29	880.38
Employee stock option plan reserve		
Balance as at the beginning of the year	43.83	19.88
Add: Compensation for options granted	30.40	28.21
Exercise & lapse of stock options	(5.77)	(4.26)
Balance as at the end of the year	68.46	43.83
Remeasurement of defined benefit plans		
Balance as at the beginning of the year	6.54	1.48
Other comprehensive income for the year	0.03	5.06
Balance as at the end of the year	6.57	6.54

Nature and purpose of other reserve :

Statutory reserve

The said reserve has been created under section 45-IC of Reserve Bank of India Act, 1934. As per the said section, every Non-banking financial company shall create a reserve fund and transfer a sum of not less than 20% of net profit every year before declaration of dividend.

Securities premium

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

Retained Earnings

The said amount represents accumulated surplus/(deficit) of the profits earned by the Company

Employee stock option plan reserve

The said amount is used to recognise the grant date fair value of options issued to employees by the Company.

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

Remeasurement of defined benefit plans

Remeasurements of defined benefit plans represents the following as per Ind AS 19, Employee Benefits:

- (a) actuarial gains and losses
- (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
- (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset)

25. Interest Income

Particulars	As at March 31, 2021	As at March 31, 2020
On financial asset measured at amortized cost		
Interest income on loan portfolio	8,059.97	6,499.72
Interest on deposits with banks	215.67	165.16
Total	8,275.64	6,664.88

26. Fees and commission income

Particulars	As at March 31, 2021	As at March 31, 2020
Facilitation fees	5.08	7.18
Income from business correspondence services	2.11	27.46
Total	7.19	34.64

27. Net gain on fair value changes

Particulars	As at March 31, 2021	As at March 31, 2020
- On trading portfolio		
Net gain on sale of mutual fund investment	167.45	231.57
- Others	-	-
Total	167.45	231.57
Fair value changes :		
- Realised	167.45	231.57
- Unrealised	-	-
Total	167.45	231.57

28. Net gain on derecognition of financial instruments under amortised cost category

Particulars	As at March 31, 2021	As at March 31, 2020
Gain on derecognition of financial instruments (refer note 44)	107.84	271.55
Total	107.84	271.55

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

29. Other income

Particulars	As at March 31, 2021	As at March 31, 2020
Market support income	145.39	74.10
Recovery of loan written off	18.04	24.76
Miscellaneous income	9.33	1.61
Total	172.76	100.47

30. Finance cost

Particulars	As at March 31, 2021	As at March 31, 2020
On financial liabilities measured at amortized cost		
Interest on debt securities	762.80	615.74
Interest on borrowings (other than debt securities)	2,817.54	2,594.82
Interest on subordinated liabilities	165.40	165.59
Interest on lease liability	5.30	-
Other finance costs	-	0.57
Total	3,751.04	3,376.72

31. Impairment on financial instruments

Particulars	As at March 31, 2021	As at March 31, 2020
On financial assets measured at amortised cost		
Impairment on loan portfolio	2,196.71	913.66
Other financial assets	11.09	13.33
Total	2,207.80	926.99

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

32. Employee benefit expenses

Particulars	As at March 31, 2021	As at March 31, 2020
Salaries, wages and bonus	1,497.18	1,304.55
Contribution to provident and other funds*	122.37	109.21
Share based compensation expense	30.40	28.21
Staff welfare expenses	36.45	41.36
Total	1,686.40	1,483.33

*Contribution to provident fund is net of ₹7.25 million (March 31, 2020 : ₹8.45 million) received under the scheme “Pradhan Mantri Rojgar Protsahan Yojana”

33. Other expenses

Particulars	As at March 31, 2021	As at March 31, 2020
Rent (refer note 52)	110.79	97.89
Travelling and conveyance	74.80	81.62
Legal and professional fees*	20.94	45.63
Rates and taxes	40.65	31.13
Office maintenance	128.09	123.85
Water and electricity	19.63	17.62
Staff recruitment and training	2.49	6.90
Insurance	12.26	8.97
Corporate social responsibility #	12.73	10.09
Business promotion	0.62	5.14
Lodging and boarding	10.18	21.56
Miscellaneous expenses	45.61	39.96
Total	478.79	490.36

Includes payment to auditors *

Audit fees	2.70	2.40
Certification and other services	0.30	0.55
Out of pocket expenses	0.05	0.05
	3.05	3.00

Details of corporate social responsibility expenditure

a) Gross amount required to be spent by the Company for respective financial year	8.22	2.63
b) Amount approved by the board to be spent during the year	12.73	12.00
c) Amount spent during the year :		
i) on purposes other than construction/acquisition of any asset	12.73	10.09
ii) on purposes other than (i) above	-	-

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

34. Income Tax

a. Income tax expense in the statement of profit and loss consist of:

Particulars	As at March 31, 2021	As at March 31, 2020
Current income tax:		
Income tax	588.71	395.99
Deferred tax:		
Attributable to-		
Origination and reversal of temporary differences	(460.24)	(148.06)
Increase/reduction in tax rate	-	55.92
Income tax expense reported in the statement of profit or loss	128.47	303.85
Income tax recognised in other comprehensive income		
Deferred tax arising on remeasurement gains on defined benefit plan	0.01	1.40
Total income tax expense	128.48	305.25

Income tax recognised in other comprehensive income

Particulars	For the year ended March 31, 2021			For the year ended March 31, 2020		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Remeasurement of the net defined benefit liability/asset	0.04	(0.01)	0.03	6.46	(1.40)	5.06
Total	0.04	(0.01)	0.03	6.46	(1.40)	5.06

Note: The company had elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by Taxation Laws (Amendment) Ordinance 2019.

b. Reconciliation of total tax charge

The tax charge shown in the statement of profit and loss differs from the tax charge that would apply if all profits had been charged at India corporate tax rate. A reconciliation between the tax expense and the accounting profit multiplied by India's domestic tax rate for the years ended 31 March 2021 and March 31, 2020 is, as follows:

Particulars	For the year ended March 31,2021		For the year ended March 31, 2020	
	Enacted tax rate	Amount	Enacted tax rate	Amount
Accounting profit before tax	25.17%	567.91	25.17%	999.95
Computed tax expense		142.93		251.67
Effect of:				
Non-deductible expenses	1.91%	10.86	0.97%	9.66
Difference on account of change in tax rate (effect of deferred tax due to change in enacted tax rate)	0.00%	-	5.59%	55.92
Deduction under chapter VI-A	(0.04)	(25.06)	-1.32%	(13.23)
Others	-0.05%	(0.26)	-0.02%	(0.17)
Effective tax rate/income tax expense reported in statement of profit and loss	22.62%	128.47	30.39%	303.85

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

35. Earning per share

Particulars	As at March 31, 2021	As at March 31, 2020
a) Basic earning per share		
Adjusted profit for the year	439.44	696.10
Adjusted profit after tax for calculation of basic EPS and diluted EPS	439.44	696.10
Weighted average no. of equity shares outstanding during the year	78.97	66.48
b) Diluted earning per share		
Adjusted profit for the year	439.44	696.10
Weighted average number of equity shares outstanding during the year - basic	78.97	66.48
Add: Weighted average number of potential equity shares on account of employee stock options	1.01	0.94
Weighted average number of equity shares outstanding during the year - diluted	79.98	67.42
Earning per share		
Basic - par value of ₹10 each	5.56	10.47
Diluted - par value of ₹10 each	5.49	10.32

36. Segment reporting

The chief executive officer of the Company takes decision in respect of allocation of resources and assesses the performance basis the report/ information provided by functional heads and are thus considered to be Chief Operating Decision Maker.

The Company operates under the principal business segment viz. "micro financing activities". The Chief Operating Decision Maker (CODM) views and monitors the operating results of its single business segment for the purpose of making decisions about resource allocation and performance assessment. Accordingly, there are no separate reportable segments in accordance with the requirements of Ind AS 108 'Operating segment' and hence, there are no additional disclosures to be provided other than those already provided in the financial statements. Presently, the Company's operations are confined in India. There are no individual customer contributing more than 10% of Company's total revenue. All non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets of the Company are located in India.

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

37. Employee benefit plan

The Company operates the following post-employment plans -

i. Defined contribution plan

The Company makes contribution, determined as a specified percentage of employees salaries, in respect of qualified employees towards provident fund and other funds which are defined contribution plans. The Company has no obligation other than this to make the specified contribution. The contribution is charged to the statement of profit and loss as they accrue.

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Contribution to provident funds*	82.11	73.09
Contribution to employee state insurance	21.29	23.12
National pension scheme	0.75	-
Labour welfare fund	0.36	0.29
	104.51	96.50

*Contribution to provident fund are net of ₹7.25 million received under the scheme "Pradhan Mantri Rojgar Yojana" for the year ended March 31, 2021 (Previous year ₹8.45 million).

ii. Defined benefit plan

Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service as per "The Payment of Gratuity Act, 1972 as amended from time to time. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for gratuity were carried out as at March 31, 2021. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the projected unit credit method.

The following tables summarized the components of net benefit expenses recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the gratuity plan.

Particulars	As at March 31, 2021	As at March 31, 2020
Present value of obligation	70.57	43.98
Fair value of plan assets	65.19	53.80
Net defined benefit liability/(asset) *	5.38	(9.82)

* The amount disclosed in note 21 for year ended March 21 and note 14 for year ended March 20 include ₹0.2 million, advanced to gratuity trust for bank account opening.

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

Amount recognized in the statement of profit and loss is as under:

Particulars	As at March 31, 2021	As at March 31, 2020
Current service cost	18.45	19.34
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Net interest cost/(income) on the net defined benefit liability/(asset)	(0.55)	(0.17)
Expenses recognized in the statement of profit and loss	17.90	19.17

Amount recognized in the other comprehensive income:

Particulars	As at March 31, 2021	As at March 31, 2020
Actuarial gain/(loss) recognized during the year	0.04	6.46
	0.04	6.46

(a) Funding

The scheme is fully funded with Kotak Gratuity Group Plan. The funding requirements are based on the gratuity fund's actuarial measurement framework set out in the funding policies of the plan. Employees do not contribute to the plan.

Expected contribution to gratuity plan for the year ending March 31, 2022 is ₹30.20 million.

(b) Reconciliation of the net defined benefit (asset) / liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components:

Particulars	As at March 31, 2021			As at March 31, 2020		
	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/ liability	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/ liability
Balance at the beginning of the year	43.98	53.80	(9.82)	31.47	33.67	(2.20)
Included in profit or loss						
Current service cost	18.45	-	18.45	19.34	-	19.34
Interest cost (income)	2.44	2.98	(0.54)	2.44	2.61	(0.17)
Total	20.89	2.98	17.91	21.78	2.61	19.17
Included in Other comprehensive income						
Remeasurements loss (gain)						
- Actuarial loss (gain) arising from:	-					
- demographic assumptions	(2.93)	-	(2.93)	(22.50)	-	(22.50)
- financial assumptions	7.71	-	7.71	15.02	-	15.02
- experience adjustment	1.96	-	1.96	(0.46)	-	(0.46)
- Return on plan assets excluding interest income	-	6.78	(6.78)	-	(1.48)	1.48
Total	6.74	6.78	(0.04)	(7.94)	(1.48)	(6.46)
Other						
Contribution paid by the employer	-	1.63	(1.63)	-	19.00	(19.00)
Benefits paid	(1.04)		(1.04)	(1.33)		(1.33)
Total	(1.04)	1.63	(2.67)	(1.33)	19.00	(20.33)
Balance at the end of the year	70.57	65.19	5.38	43.98	53.80	(9.82)

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

(c) Plan assets

Particulars	As at March 31, 2021	As at March 31, 2020
Investment with Kotak gratuity group plan	92%	122%

On an annual basis, an asset-liability matching study is done by the Company whereby the Company contributes the net increase in the actuarial liability to the plan manager (insurer) in order to manage the liability risk. The above % describes ratio of fair value of plan assets with total defined benefit obligation.

(d) Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

Particulars	As at March 31, 2021	As at March 31, 2020
Discount rate	5.65%	6%
Future long term salary growth	10%	8%
Withdrawal rate:	22%	20%
Retirement age (in year)	60.00	60.00
Expected rate of return on plan assets	5.65%	6%
Mortality	100% of IALM 2012-14	100% of IALM 2012-14

(e) Sensitivity analysis of significant assumptions

The following table present a sensitivity analysis to one of the relevant actuarial assumption, holding other assumptions constant, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date.

Particulars	As at March 31, 2021		As at March 31, 2020	
	Impact on defined benefit obligation		Impact on defined benefit obligation	
	Increase	Decrease	Increase	Decrease
Discount rate (1.00% movement)	66.77	74.76	41.44	46.79
Salary growth rate (1.00% movement)	74.55	66.88	46.73	41.44
Attrition rate (1.00% movement)	69.25	71.97	43.17	44.82
Mortality rate (10.00% movement)	70.56	70.58	43.97	43.97

(f) Expected maturity analysis of the defined benefit plans in future years

Particulars	As at March 31, 2021	As at March 31, 2020
1 year	8.51	4.47
Between 2-5 years	39.55	23.43
Between 6-10 years	29.81	19.67
Over 10 years	23.89	17.13
Total	101.76	64.70

As at March 31, 2021, the weighted-average duration of the defined benefit obligation was 5 years (March 31, 2020 - 6 years).

(g) Description of risk exposures

Valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such Company is exposed

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

to various risks as follows -

Salary increases : The present value of the defined benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

Investment risk : The present value of defined benefit plan liability is calculated using a discount rate which is determined by reference to the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligation.

Discount rate : Reduction in discount rate in subsequent valuations can increase the plan's liability.

Mortality & disability : Actual deaths & disability cases proving lower or higher than assumed in the valuation can impact the liabilities.

Withdrawals : Actual withdrawals proving higher or lower than assumed withdrawals and change of withdrawal rates at subsequent valuations can impact plan's liability.

Expected rate of return on plan assets: This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

iii Compensated absences

The Company provides compensated absences benefits to the employees of the Company which can be carried forward to future years. Amount recognised in the Statement of profit and loss for compensated absences is as under-

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Amount recognised in statement of profit and loss	20.31	15.40
Amount recognized in the balance sheet:	As at March 31, 2021	As at March 31, 2020
Present value of obligation as at the end	37.34	25.16

- (h) 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.

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

38. Amount payable to micro small and medium enterprises

The Ministry of Micro Small and Medium Enterprises has issued an office memorandum dated August 26, 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the 'entrepreneurs memorandum number' as allotted after filling of the memorandum. Accordingly, the disclosure in respect of the amount payable to such enterprises as at March 31, 2021 has been made in the financial statements based on information received and available with the Company.

39. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. With regard to loans and advances to customers, the Company uses the same basis of expected repayment behaviour as used for estimating the EIR. Issued debt reflect the contractual coupon amortisations.

Particulars	As at March 31, 2021			As at March 31, 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Cash and cash equivalents	12,154.20	-	12,154.20	5,396.67	-	5,396.67
Bank balances other than cash and cash equivalents	601.61	596.75	1,198.36	2,231.91	548.91	2,780.82
Trade receivables	27.93	-	27.93	31.39	-	31.39
Loans	27,218.83	16,388.47	43,607.30	19,737.98	13,691.75	33,429.73
Investments	-	-	-	5.00	-	5.00
Other financial assets	273.95	26.81	300.76	229.04	9.42	238.46
Non-financial assets						
Current tax assets (net)	-	119.58	119.58	-	119.09	119.09
Deferred tax assets (net)	-	765.28	765.28	-	305.02	305.02
Property, plant and equipment	-	102.74	102.74	-	58.98	58.98
Intangible assets	-	1.90	1.90	-	1.47	1.47
Right of use asset	-	78.19	78.19	-	-	-
Other non financial assets	22.77	0.32	23.09	33.22	0.09	33.31
Total Assets	40,299.29	18,080.04	58,379.33	27,665.21	14,734.73	42,399.94
Liabilities						
Financial liabilities						
Trade payables	113.06	-	113.06	40.71	-	40.71
Debt securities	2,467.29	7,437.20	9,904.49	1,257.03	2,741.95	3,998.98
Borrowings (other than debt securities)	21,725.21	11,525.58	33,250.79	15,766.01	8,805.57	24,571.58
Subordinated liabilities	70.00	1,097.21	1,167.21	69.08	1,097.21	1,166.29
Other financial liabilities	1,184.75	81.23	1,265.98	513.28	-	513.28
Non-financial liabilities						
Current tax liabilities (net)	53.98	-	53.98	0.53	-	0.53
Provisions	75.39	5.37	80.76	38.59	19.13	57.72
Other non-financial liabilities	79.50	-	79.50	61.96	-	61.96
Total Liabilities	25,769.18	20,146.59	45,915.77	17,747.19	12,663.86	30,411.05
Net Assets	14,530.11	(2,066.55)	12,463.56	9,918.02	2,070.87	11,988.89

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

40. Reconciliation of liabilities arising from financing activities

The changes in the Company's liabilities arising from financing activities can be classified as follows :

Particulars	debt securities	Borrowings (other than debt securities)	Subordinated liabilities	Total
March 31, 2019	4,990.05	23,130.35	1,165.49	29,285.89
Cash flows:				
Repayment	(1,346.34)	(17,800.02)	-	(19,146.36)
Proceeds other than overdraft facility	348.71	19,247.43	-	19,596.14
Non Cash:				
Amortisation of upfront fees	6.56	(6.18)	0.80	1.18
March 31, 2020	3,998.98	24,571.58	1,166.29	29,736.85
Cash flows:				
Repayment	(660.53)	(20,036.34)	-	(20,696.87)
Proceeds other than overdraft facility	6,577.19	28,711.21	-	35,288.41
Non Cash:				
Amortisation of upfront fees	(11.14)	4.34	0.92	(5.88)
March 31, 2021	9,904.50	33,250.79	1,167.21	44,322.50

41. Share based compensation

A. Description of share-based payment arrangements

i. Share option programme (equity settled)

The Company has granted stock options to certain employees of the Company under the 'Employee Stock Option Scheme 2014' (Scheme 2014) and 'Employee Stock Option Scheme 2016' (Scheme 2016). The key terms and conditions related to the grant of the stock options are as follows:

- a) The Scheme 2014 and 2016 are effective from July 31, 2014 and January 16, 2017 respectively and are administered through a ESOP Trust (Fusion Employees Benefit Trust).
- b) The scheme provides that, subject to continued employment with the Company, the employees are granted an option to acquire equity shares of the Company that may be exercised within a specified period.
- c) The Company has formed Fusion ESOP Trust on June 24, 2014 to issue ESOPs to employees of the Company as per the respective scheme. The Company has given interest and collateral free loan to the ESOP trust, to provide financial assistance to purchase equity shares of the Company under such schemes. The Trust in turn allots the shares to employees on exercise of their right against cash consideration.
- d) As on March 31, 2021, the ESOP trust have 17,40,626 equity shares, (March 31, 2020 - 18,27,536). The ESOP Trust does not have any transaction other than those mentioned above, hence it is treated as an integral part of the Company and accordingly gets consolidated with the books of the Company. Accordingly, as at March 31, 2021, the Company has reduced the shares allotted to ESOP Trust amounting ₹17.41 million (March 31, 2020 - ₹18.28 million) from the share capital and ₹138.14 million (March 31, 2020 - ₹141.36 million) from the share premium. These are shown as treasury shares.
- e) The eligible employees shall exercise their option to acquire the shares of the Company within a period of eight years from the end of vesting period. The plan shall be administered, supervised and implemented by the board.

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

These options shall vest on graded basis as follows:

Time period	Percentage	Vesting condition
On completion of 1 year	25%	Service
On completion of 2 years	25%	Service
On completion of 3 years	25%	Service
On completion of 4 years	25%	Service

B Reconciliation of outstanding share options

Set out below is a summary of options granted under the plan

Particulars	March 31, 2021		March 31, 2020	
	Number of share options	Average exercise price per share	Number of share options	Average exercise price per share
Outstanding options at the beginning of the year	16,20,998	100.84	11,98,643	68.90
Add: Granted during the year	5,84,500	290.48	5,90,970	157.04
Less: Lapsed/forfeited during the year	48,030	88.20	92,945	92.18
Less: Exercised during the year	86,910	55.50	75,670	44.36
Outstanding options at the end of the year	20,70,558	156.57	16,20,998	1 00.84
Options vested and exercisable at the end of the year	7,42,836		4,53,243	

The weighted average share price at the date of exercise for share options exercised during the year ended March 31, 2021 was ₹123.49 (March 31, 2020 - ₹116.99).

C Share options outstanding at the end of the year have the following contractual expiry date and exercise options

Grant date	Number of options	Expiry date	Exercise price	Number of options outstanding	
				As at March 31, 2021	As at March 31, 2020
March 31, 2016	2,17,000				
Tranche 1	54,250	March 31, 2025	27.08	10,250	10,250
Tranche 2	54,250	March 31, 2026	27.08	10,250	10,250
Tranche 3	54,250	March 31, 2027	27.08	19,750	36,500
Tranche 4	54,250	March 30, 2028	27.08	29,500	43,500
March 31, 2017	3,41,900				
Tranche 1	85,475	March 31, 2026	37.99	49,248	63,173
Tranche 2	85,475	March 31, 2027	37.99	62,675	76,600
Tranche 3	85,475	March 30, 2028	37.99	76,601	76,601
Tranche 4	85,475	March 30, 2029	37.99	85,475	85,475
March 31, 2018	3,30,540				
Tranche 1	82,635	March 31, 2027	64.08	52,318	61,926
Tranche 2	82,635	March 30, 2028	64.08	53,662	65,143
Tranche 3	82,635	March 30, 2029	64.08	57,818	67,473
Tranche 4	82,635	March 30, 2030	64.08	59,045	67,473
March 31, 2019	4,34,720				
Tranche 1	1,08,680	March 31, 2028	110.00	79,829	88,649
Tranche 2	1,08,680	March 31, 2029	110.00	84,530	96,423
Tranche 3	1,08,680	March 31, 2030	110.00	94,665	96,423
Tranche 4	1,08,680	March 31, 2031	110.00	94,665	96,423

Contd..

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

Grant date	Number of options	Expiry date	Exercise price	Number of options outstanding	
				As at March 31, 2021	As at March 31, 2020
September 30, 2019	5,46,180				
Tranche 1	1,36,545	September 30, 2028	154.04	1,28,558	1,33,483
Tranche 2	1,36,545	September 30, 2029	154.04	1,31,160	1,33,483
Tranche 3	1,36,545	September 30, 2030	154.04	1,31,160	1,33,483
Tranche 4	1,36,545	September 30, 2031	154.04	1,31,160	1,33,483
November 8, 2019	31,790				
Tranche 1	7,948	November 8, 2028	154.04	6,898	7,948
Tranche 2	7,948	November 8, 2029	154.04	7,948	7,948
Tranche 3	7,948	November 8, 2030	154.04	7,948	7,948
Tranche 4	7,948	November 8, 2031	154.04	7,948	7,948
February 18, 2020	13,000				
Tranche 1	3,250	February 18, 2029	290.48	3,250	3,250
Tranche 2	3,250	February 18, 2030	290.48	3,250	3,250
Tranche 3	3,250	February 18, 2031	290.48	3,250	3,250
Tranche 4	3,250	February 19, 2032	290.48	3,250	3,250
August 19, 2020	162000				
Tranche 1	40,500	August 19, 2029	290.48	40,500	-
Tranche 2	40,500	August 19, 2030	290.48	40,500	-
Tranche 3	40,500	August 19, 2031	290.48	40,500	-
Tranche 4	40,500	August 19, 2032	290.48	40,500	-
November 9, 2020	67,500				
Tranche 1	16,875	November 9, 2029	290.48	16,875	-
Tranche 2	16,875	November 9, 2030	290.48	16,875	-
Tranche 3	16,875	November 9, 2031	290.48	16,875	-
Tranche 4	16,875	November 9, 2032	290.48	16,875	-
February 5, 2021	3,55,000				
Tranche 1	88,750	February 5, 2030	290.48	88,750	-
Tranche 2	88750	February 5, 2031	290.48	88,750	-
Tranche 3	88750	February 5, 2032	290.48	88,750	-
Tranche 4	88750	February 5, 2033	290.48	88,750	-
Outstanding options at the end of the year				20,70,558	16,20,998
Weighted average remaining contractual life of options outstanding at the end of the period				7.63 years	9.05 years

B. Measurement of fair values

i. Equity-settled share-based payment arrangements

The fair value of employee share options has been measured using Black-Scholes model. The weighted average fair value of each option granted during the financial year 2020-21 was ranged between ₹83.61 - ₹95.12.

The fair value of options and the inputs used in the measurement of the grant date fair values of the equity-settled share based payment plans are as follows:

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

Grant date	Expiry date	Historical volatility	Exercise price	Share price	Risk free rate	Fair value of option
March 31, 2016						
Tranche 1	March 31, 2025	45.00%	27.08	51.90	7.18%	30.69
Tranche 2	March 31, 2026	45.00%	27.08	51.90	7.32%	32.84
Tranche 3	March 31, 2027	45.00%	27.08	51.90	7.43%	34.74
Tranche 4	March 30, 2028	45.00%	27.08	51.90	7.51%	36.42
March 31, 2017						
Tranche 1	March 31, 2026	45.00%	37.99	80.40	6.45%	51.16
Tranche 2	March 31, 2027	45.00%	37.99	80.40	6.62%	53.92
Tranche 3	March 30, 2028	45.00%	37.99	80.40	6.77%	56.41
Tranche 4	March 30, 2029	45.00%	37.99	80.40	6.88%	58.65
March 31, 2018						
Tranche 1	March 31, 2027	45.00%	64.08	82.30	6.94%	38.69
Tranche 2	March 30, 2028	45.00%	64.08	82.30	7.13%	43.26
Tranche 3	March 30, 2029	45.00%	64.08	82.30	7.28%	47.22
Tranche 4	March 30, 2030	45.00%	64.08	82.30	7.40%	50.68
March 31, 2019						
Tranche 1	March 31, 2028	46.30%	110.00	111.10	7.01%	56.07
Tranche 2	March 31, 2029	46.30%	110.00	111.10	7.12%	61.43
Tranche 3	March 31, 2030	46.30%	110.00	111.10	7.22%	66.18
Tranche 4	March 31, 2031	46.30%	110.00	111.10	7.30%	70.42
September 30, 2019						
Tranche 1	September 30, 2028	45.00%	154.04	111.10	6.31%	42.37
Tranche 2	September 30, 2029	45.00%	154.04	111.10	6.46%	48.42
Tranche 3	September 30, 2030	45.00%	154.04	111.10	6.59%	53.90
Tranche 4	September 30, 2031	45.00%	154.04	111.10	6.70%	58.86
November 8, 2019						
Tranche 1	November 8, 2028	45.00%	154.04	213.60	6.25%	124.09
Tranche 2	November 8, 2029	45.00%	154.04	213.60	6.43%	132.58
Tranche 3	November 8, 2030	45.00%	154.04	213.60	6.59%	140.16
Tranche 4	November 8, 2031	45.00%	154.04	213.60	6.71%	146.93
February 18, 2020						
Tranche 1	February 18, 2029	45.00%	290.48	213.60	6.08%	82.04
Tranche 2	February 18, 2030	45.00%	290.48	213.60	6.23%	93.50
Tranche 3	February 18, 2031	45.00%	290.48	213.60	6.35%	103.81
Tranche 4	February 18, 2032	45.00%	290.48	213.60	6.44%	113.13
August 19, 2020						
Tranche 1	August 19, 2029	49.60%	290.48	185.20	5.52%	68.68
Tranche 2	August 19, 2030	49.60%	290.48	185.20	5.77%	79.33
Tranche 3	August 19, 2031	49.60%	290.48	185.20	5.97%	88.91
Tranche 4	August 19, 2032	49.60%	290.48	185.20	6.12%	97.52
November 9, 2020						
Tranche 1	November 9, 2029	52.70%	290.48	193.80	5.31%	78.61
Tranche 2	November 9, 2030	52.70%	290.48	193.80	5.58%	89.76
Tranche 3	November 9, 2031	52.70%	290.48	193.80	5.81%	99.74

Contd..

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

Grant date	Expiry date	Historical volatility	Exercise price	Share price	Risk free rate	Fair value of option
Tranche 4	November 9, 2032	52.70%	290.48	193.80	5.99%	108.67
February 5, 2021						
Tranche 1	February 5, 2030	52.70%	290.48	193.80	5.63%	79.47
Tranche 2	February 5, 2031	52.70%	290.48	193.80	5.89%	90.68
Tranche 3	February 5, 2032	52.70%	290.48	193.80	6.10%	100.69
Tranche 4	February 5, 2033	52.70%	290.48	193.80	6.27%	109.64

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The measure of volatility used in option pricing models is the annualised standard deviation of the continuously compounded rates of return on the share over a period of time. Expected volatility approximates historical volatility.

42. Related party disclosure

i. Names of the related party and nature of relationship:-

Description of relationship	Designation	As at March 31, 2021	As at March 31, 2020
Key Management Personnel*	Managing Director and Chief Executive Officer	Devesh Sachdev	Devesh Sachdev
	Chief Financial Officer	Gaurav Maheshwari	Gaurav Maheshwari
	Company Secretary	Deepak Madaan	Deepak Madaan
Director	Independent Director	Pradip Kumar Saha**	Pradip Kumar Saha
		Ms. Namrata Kaul***	
		Ms. Ratna Vishwanathan	Ms. Ratna Vishwanathan
		Mr. Narendra Ostawal	Mr. Narendra Ostawal
	Nominee Director	Mr. Kenneth Dan Vander Weele	Mr. Kenneth Dan Vander Weele
		-	Ms. Namrata Kaul
Entities with common directors	Shareholder	Creation Investment Fusion, LLC, Chicago, U.S.A.	Creation Investment Fusion, LLC, Chicago, U.S.A.
		Creation Investment Fusion II, LLC, Chicago, U.S.A.	Creation Investment Fusion II, LLC, Chicago, U.S.A.
Entities exercising significant influence over the Company	Shareholder	Honey Rose Investment Ltd	Honey Rose Investment Ltd
Post Employment benefits plan	Gratuity Trust	Fusion Micro Finance Private Limited Employees Group Gratuity Trust Fund	Fusion Micro Finance Private Limited Employees Group Gratuity Trust Fund

* Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Company and its employees. The Company considers the members of the Board of Directors which include independent directors and Executive Committee to be key management personnel for the purposes of Ind AS 24 Related Party Disclosures.

** Pradip Kumar Saha has resigned w.e.f. February 05, 2021

*** Namrata Kaul was additional director till July 27, 2020 and is regularised as Independent Director w.e.f July 28, 2020.

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

ii. Summary of related party transactions during the year

Name of the related party	Nature of transaction	For the year ended March 31, 2021	For the year ended March 31, 2020
Mr. Devesh Sachdev	Managerial remuneration	25.91	13.45
	Allotment of equity shares	-	0.84
Mr. Gaurav Maheshwari	Remuneration	6.51	4.18
Mr. Deepak Madaan	Remuneration	3.42	1.97
Creation Investment Fusion, LLC, Chicago, U.S.A.	Reimbursement of Travelling Expenses	0.10	0.15
Creation Investment Fusion II, LLC, Chicago, U.S.A.	Allotment of equity shares (including share premium)	-	1,400.00
Honey Rose Investment Ltd ("Warburg Pincus")	Allotment of equity shares (including share premium)	-	3,600.00
Nitin Gupta	Sitting fees	-	0.10
Pradip Kumar Saha	Sitting fees	0.48	0.52
	Reimbursement of Travelling Expenses	-	0.05
Ms. Ratna Vishwanathan	Sitting fees	0.60	0.37
Ms. Namrata Kaul	Sitting fees	0.47	0.07
Fusion Micro Finance Private Limited Employees Group Gratuity Trust Fund	Investment	1.81	19.00

Terms and conditions

All transactions with these related parties are priced on an arm's length basis and at normal commercial terms.

As the provision for gratuity, leave compensation and share based compensation is made for the Company as a whole, the amount pertaining to the Key Management Personnel is not specifically identified and hence is not included above.

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

43. Financial instruments - fair value and risk management

A. Financial instruments by category

The following table shows the carrying amounts and fair values of financial assets and financial liabilities.

Particulars	As at March 31, 2021	
	Carrying value at Amortised cost	Fair value
Financial assets:		
Cash and cash equivalents	12,154.20	12,154.20
Bank balances other than cash and cash equivalents	1,198.36	1,198.36
Trade receivables	27.93	27.93
Loans	43,607.30	45,195.17
Other financial assets	300.76	300.76
	57,288.55	58,876.42
Financial liabilities:		
Trade payables	113.06	113.06
Debt securities	9,904.50	10,328.61
Borrowings (other than debt securities)	33,250.79	33,401.40
Subordinated liabilities	1,167.21	1,270.76
Other financial liabilities	1,265.98	1,265.98
	45,701.54	46,379.81

Particulars	As at March 31, 2020	
	Carrying value at Amortised cost	Fair value
Financial assets:		
Cash and cash equivalents	5,396.67	5,396.67
Bank balances other than cash and cash equivalents	2,780.82	2,780.82
Trade receivables	31.39	31.39
Loans	33,429.73	33,545.28
Investments	5.00	5.00
Other financial assets	238.46	238.46
	41,882.07	41,997.62
Financial liabilities:		
Trade payables	40.71	40.71
Debt securities	3,998.98	4,173.02
Borrowings (other than debt securities)	24,571.58	24,777.75
Subordinated liabilities	1,166.29	1,285.47
Other financial liabilities	513.28	513.28
	30,290.84	30,790.23

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

B. Fair value hierarchy of assets and liabilities

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

As at March 31, 2021	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets:					
Loans	43,607.30	-	45,195.17	-	45,195.17
	43,607.30	-	45,195.17	-	45,195.17
Financial liabilities:					
Debt securities	9,904.50	-	10,328.61	-	10,328.61
Borrowings (other than debt securities)	33,250.79	-	33,401.40	-	33,401.40
Subordinated liabilities	1,167.21	-	1,270.76	-	1,270.76
	44,322.50	-	45,000.77	-	45,000.77

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

As at March 31, 2020	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets:					
Investments (at amortised cost)	5.00	5.00	-	-	5.00
Loans	33,429.73	-	33,545.28	-	33,545.28
	33,434.73	5.00	33,545.28	-	33,550.28
Financial liabilities:					
Debt securities	3,998.98	-	4,173.02	-	4,173.02
Borrowings (other than debt securities)	24,571.58	-	24,777.75	-	24,777.75
Subordinated liabilities	1,166.29	-	1,285.47	-	1,285.47
	29,736.85	-	30,236.24	-	30,236.24

The management assessed that carrying value of financial assets (except loan and investments) and financial liabilities (except debt securities, borrowings (other than debt securities) and subordinated liabilities) approximate their fair value largely due to short term maturities of these instruments.

C. Valuation framework

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : The fair value of financial instruments that are not traded in active markets is determined using valuation techniques which maximize the use of observable market data either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets, for substantially the full term of the financial instrument but do not qualify as Level 1 inputs. If all significant inputs required to fair value an instrument are observable the instrument is included in level 2.

Level 3 : If one or more of the significant inputs is not based in observable market data, the instruments is included in level 3. That is, Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear that risk. The Company develops Level 3 inputs based on the best information available in the circumstances.

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The fair values of loans and receivables are estimated by discounted cash flow models that incorporate assumptions for credit risks, probability of default and loss given default estimates. The Company uses historical experience and other information used in its collective impairment models. The credit risk is applied as a top-side adjustment based on the collective impairment model incorporating probability of defaults and loss given defaults.

There have been no transfer between Level 1, 2 and 3 during the year ended March 31, 2021 and March 31, 2020.

44. Transfers of financial assets

A. Securitization Transactions:

During the previous year, the Company had entered into securitization arrangement with various parties. Wherein, the Company has transferred a pool of loan portfolio, which does not fulfil the derecognition criteria specified under IND AS 109 as the Company has not substantially transferred risk and rewards with respect to these asset. The company has continued to recognise the transferred asset in its entirety and had recognised a financial liability for the consideration received.

The value of financial assets and liabilities:

Securitisation	Carrying amount	
	Assets - Loans	Liabilities - Borrowings
As at March 31, 2021	-	-
As at March 31, 2020	281.32	400.26

The carrying value of securitized loans approximate their fair value.

B. Assignment transactions:

During the year ended March 31, 2021, the Company has sold some loans and advances as per assignment deals, as a source of finance. As per the terms of deal, since the derecognition criteria as per Ind AS 109, including transaction of substantially all the risks and rewards relating to assets being transferred to the buyer being met, the assets have been derecognized.

The management has evaluated that the impact of the assignment transactions done during the year for its business model. Based on the future business plan, the Company's business model remains to hold the assets for collecting contractual cash flows.

The table below summarises the carrying amount of the derecognized financial assets and the gain on derecognition, per type of asset:

Assignment	Carrying amount of derecognized financial assets	Gain from derecognition
For the year ended March 31, 2021	1,180.20	107.84
For the year ended March 31, 2020	3,522.17	271.55

Since the Company transferred the above financial asset in a transfer that qualified for derecognition in its entirety, therefore the whole of the interest spread (over the expected life of the asset) is recognized on the date of derecognition itself as interest strip receivable and correspondingly recognised as profit on derecognition of financial asset.

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

45. Financial risk management

Risk is an integral part of the Company's business and sound risk management is critical to the success. As a financial intermediary, the Company is exposed to risks that are particular to its lending and the environment within which it operates and primarily includes credit, liquidity and market risks. The Company has a risk management policy which covers risks associated with the financial assets and liabilities. The risk management policy is approved by the board of directors.

The Company has identified and implemented comprehensive policies and procedure to assess, monitor and manage risk through-out Company. The risk management process is continuously reviewed, improved and adopted in the context of changing risk scenario and the agility of the risk management process is monitored and reviewed for its appropriateness in the changing risk landscape. The process of continuous evaluation of risks includes stock of the risk landscape on an event driven basis.

The Company has an elaborate process for risk management. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

Efficient and timely management of risks involved in the Company's activities is critical for the financial soundness and profitability of the Company. Risk management involves the identifying, measuring, monitoring and managing of risks on a regular basis. The objective of risk management is to increase shareholders' value and achieve a return on equity that is commensurate with the risks assumed. To achieve this objective, the Company employs leading risk management practices and recruits skilled and experienced people.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal audit that undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

A. Credit risk

Credit risk is the risk of loss that may occur from defaults by our borrowers under our loan agreements. In order to address credit risk, we have stringent credit assessment policies for client selection. Measures such as verifying client details and usage of credit bureau data to get information on past credit behaviour also supplement the efforts for containing credit risk. We also follow a systematic methodology in the opening of new branches, which takes into account factors such as the demand for credit in the area; income and market potential; and socio-economic and law and order risks in the proposed area. Further, our client due diligence procedures encompass various layers of checks, designed to assess the quality of the proposed group and to confirm that they meet our criteria.

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

The Company is a rural focused NBFC-MFI with a geographically diversified presence in India and offer income generation loans under the joint liability group model, predominantly to women from low-income households in Rural Areas. Further, as we focus on providing micro-loans in rural areas, our results of operations are affected by the performance and the future growth potential of microfinance in rural India. Our clients typically have limited sources of income, savings and credit histories and our loans are typically provided free of collateral. Such clients generally do not have a high level of financial resilience, and, as a result, they can be adversely affected by declining economic conditions and natural calamities. In addition, we rely on non-traditional guarantee mechanisms rather than tangible assets as collateral, which may not be effective in recovering the value of our loans.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;

The Company believes that the Micro finance loans (MFI) have shared risk characteristics (i.e. homogeneous) across various states in India. Similarly, the MSME loans are considered to have shared risk characteristics. Accordingly, the Company believes that these product categories are the best measure of credit risk concentration. Refer note 6 for the product wise loan balances.

As a business practice, the Company routinely provides top-up loans or consolidate the existing dues of the customers into a new loan. In determining whether there has been a significant increase in credit risk or impairment of these loans and potential full loss estimate, the Company takes into account their vintage, past repayment behaviour, and viability of their businesses. Based on such assessment, as at 31 March 2021, and in accordance with Ind AS 109 principles, including those relating to modified loans, the Company has classified loans amounting to ₹2,133 million as Stage 2 and ₹1,153 million as Stage 3 and recorded impairment allowance of ₹1,153 million, although there were Nil overdue as per the latest repayment schedule for these loans.

(a) Probability of default (PD)

PD describes the probability of a loan to eventually falling into stage 3. PD percentage is calculated for entire loan portfolio and is determined by using available historical observations.

PD for stage 1: is derived as percentage of all loans in stage 1 moving into stage 3 in 12-months' time.

PD for stage 2: is derived as percentage of all loans in stage 2 moving into stage 3 in the maximum lifetime of the loans under observation.

PD for stage 3: is derived as 100% considering that the default occurs as soon as the loan becomes overdue for 90 days which matches the definition of stage 3.

Macroeconomic information (such as regulatory changes, market interest rate or inflation) is incorporated as part of the internal assessment. In general, it is presumed that credit risk has significantly increased since initial recognition if the payments are more than 30 days past due.

(b) Exposure at default (EAD)

EAD is the sum of outstanding principal and the interest amount accrued but not received on each loan as at reporting date.

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

(c) Loss given default (LGD)

The Company determines its recovery rates by analysing the recovery trends over different periods of time after a loan is considered credit impaired. Recovery rate is the total of discounted value of all the recoveries on the credit impaired loan account divided by the outstanding of the loan account after its first default. $LGD = 1 - (\text{Recovery rate})$.

(d) Significant increase in credit risk

The Company continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

e) Expected credit loss on Loans

The Company measures the amount of ECL on a financial instrument in a way that reflects an unbiased and probability-weighted amount. The Company considers its historical loss experience and adjusts the same for current observable data. The key inputs into the measurement of ECL are the probability of default, loss given default and exposure at default. These parameters are derived from the internal assessment of the historical data. In addition, the Company uses reasonable and supportable information on future economic conditions including macroeconomic factors such as interest rates, gross domestic product, inflation and expected direction of the economic cycle. Since incorporating these forward looking information increases the judgment as to how the changes in these macroeconomic factor will affect ECL, the methodology and assumptions are reviewed regularly.

The Company has applied a three-stage approach to measure expected credit losses (ECL) on loans. Assets migrate through following three stages based on the changes in credit quality since initial recognition:

i) Stage 1: 12- months ECL: For exposures where there is no significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12- months is recognized.

ii) Stage 2: Lifetime ECL, not credit-impaired: For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL is recognized.

iii) Stage 3: Lifetime ECL, credit-impaired: Financial assets are assessed as credit impaired upon occurrence of one or more events that have a detrimental impact on the estimated future cash flows of that asset. For financial assets that have become credit-impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortised cost.

At each reporting date, the Company assesses whether there has been a significant increase in credit risk of its financial assets since initial recognition by comparing the risk of default occurring over the expected life of the asset. In determining whether credit risk has increased significantly since initial recognition, the Company uses information that is relevant and available without undue cost or effort. This includes the Company's internal assessment and forward-looking information to assess deterioration in credit quality of a financial asset.

Expected credit loss on other financial assets

The Company assesses whether the credit risk on a financial asset has increased significantly on collective basis. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account accounting instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower, collateral type, and other relevant factors.

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

The Company monitors changes in credit risk by tracking published external credit ratings. In order to determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Company supplements this by reviewing changes in government bond yields together with available press and regulatory information about issuers.

46. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The maturity schedule for all financial liabilities and assets are regularly reviewed and monitored. Company has a assets liability management (ALM) policy and ALM Committee to review and monitor liquidity risk and ensure the compliance with the prescribed regulatory requirement. Monitoring liquidity risk involves categorizing all assets and liabilities into different maturity profiles and evaluating them for any mismatches in any particular maturities, particularly in the short-term. The ALM Policy prescribes the detailed guidelines for managing the liquidity risk.

The following are the contractual maturities of financial liabilities at the reporting date. The amount are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

As at March 31 , 2021	Contractual cash flows								Total
	Up to 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	
Non - derivative financial liabilities									
Borrowings (other than debt securities)	2,459.34	1,546.51	2,213.75	6,973.36	10,970.44	11,719.77	525.09	-	36,408.25
Debt securities	23.54	166.21	97.65	1,579.06	1,640.46	5,359.69	2,476.87	1,614.31	12,957.78
Subordinated liabilities	77.17	7.17	24.41	38.94	76.81	1,310.97	-	-	1,535.48
Other financial liabilities	882.14	105.84	16.78	178.40	1.59	11.54	17.91	51.78	1,265.98
Trade payables	66.30	46.75	-	-	-	-	-	-	113.05
	3,508.49	1,872.48	2,352.59	8,769.76	12,689.30	18,401.97	3,019.87	1,666.09	52,280.54

As at March 31 , 2020	Contractual cash flows								Total
	Up to 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	
Non - derivative financial liabilities									
Borrowings (other than debt securities)	1,516.85	1,314.27	1,926.97	5,416.05	8,282.14	8,216.75	291.42	21.15	26,985.60
Debt securities	12.87	56.67	6.60	514.56	509.24	2,407.87	920.05	954.04	5,381.90
Subordinated liabilities	7.97	7.82	25.50	41.59	152.10	808.70	656.78	-	1,700.46
Other financial liabilities	322.79	39.43	7.82	61.68	81.56	-	-	-	513.28
Trade payables	7.59	18.90	12.83	1.39	-	-	-	-	40.71
	1,868.07	1,437.09	1,979.72	6,035.27	9,025.04	11,433.32	1,868.25	975.19	34,621.95

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

47. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, credit, liquidity etc. The Company is exposed to two type's of market risks as follows:

(i) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We are subject to interest rate risk, principally because we lend to clients at fixed interest rates and for periods that may differ from our funding sources, while our borrowings are at both fixed and variable interest rates for different periods.

We assess and manage our interest rate risk by managing our assets and liabilities. Our Assets Liability Management Committee evaluates asset liability management, and ensures that all significant mismatches, if any, are being managed appropriately. The Company has board approved Asset Liability Management (ALM) policy for managing interest rate risk and policy for determining the interest rate to be charged on the loan given.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates on the portion of borrowings affected. With all other variables held constant, the profit before tax is affected through the impact on floating rate borrowings, as follows:

Finance Cost	March 31, 2021	March 31, 2020
0.50 % Increase	68.87	48.90
0.50 % Decrease	(68.87)	(48.90)

(ii) Price Risk

The Company's exposure to price risk is not material and it is primarily on account of investment of temporary treasury surplus in the highly liquid debt funds for very short durations. The Company has a board approved policy of investing its surplus funds in highly rated debt mutual funds and other instruments having insignificant price risk, not being equity funds/ risk bearing instruments.

48. Capital Management Risk

The Company's objective for capital management is to maximize shareholder's value, safeguard business continuity, meet the regulatory requirement and support the growth of the Company. The Company determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are met through borrowings, retained earnings and operating cash flow generated.

As an NBFC-MFI, the RBI requires us to maintain a minimum capital to risk weighted assets ratio ("CRAR") consisting of Tier I and Tier II capital of 15% of our aggregate risk weighted assets. Further, the total of our Tier II capital cannot exceed 100% of our Tier I capital at any point of time. (refer note 54) The Capital management process of the Company ensures to maintain to healthy CRAR at all the time.

The Company has a board approved policy on resource planning which states that the resource planning of the Company shall be based on the Asset Liability Management (ALM) requirement. The policy of the Company on resource planning will also cover the objectives of the regulatory requirement. The policy prescribes the sources of funds, threshold for mix from various sources, tenure manner of raising the funds etc.

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

For the purpose of the Company's capital management, capital includes equity share capital and other equity. Debt includes terms loans from banks, NBFC and debentures net of cash and cash equivalents and bank balances other than cash and cash equivalents. The Company monitors capital on the basis of the following gearing ratio.

Gearing Ratio:

Particulars	As at March 31, 2021	As at March 31, 2020
Net Debt*	31,343.33	21,784.05
Total equity	12,463.55	11,988.89
Net debt to equity ratio	2.51	1.82

* Net Debt includes debt securities + borrowings other than debt securities + Subordinated liabilities + interest accrued - cash and cash equivalents - bank balances other than cash and cash equivalents.

49. Contingent Liabilities, commitments and contingent assets

A Contingent liabilities

There are no contingent liabilities as at March 31, 2021 and March 31, 2020.

B. Commitments

There are no commitments as at March 31, 2021 and March 31, 2020.

C. Contingent assets

There are no contingent assets as at March 31, 2021 and March 31, 2020

D. The company has reviewed all litigations having an impact on the financial position, where applicable, has adequately provided for where provision are required . As on March 31 2021, the Company does not have any material litigation pending with Income tax authorities, Goods and service authorities and other statutory authorities in the ordinary course of business requiring any provision to be provided in books of accounts.

50. Revenue from contracts with customers

(a) Type of services

Particulars	As at March 31, 2021	As at March 31, 2020
Facilitation fees (refer note 26)	5.08	7.18
Income from business correspondence services (refer note 26)	2.11	27.46
Income from market support services (refer note 29)	145.39	74.10
Total	152.58	108.74

(b) Geographical markets

Particulars	As at March 31, 2021	As at March 31, 2020
India	152.58	108.74
Outside India	-	-
Total	152.58	108.74

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

(c) Timing of revenue recognition

Particulars	As at March 31, 2021	As at March 31, 2020
Service transferred at a point in time	152.58	108.74
Services transferred over time	-	-
Total	152.58	108.74

(d) Receivables

Particulars	As at March 31, 2021	As at March 31, 2020
Facilitation fees	3.56	1.01
Income from business correspondence services	-	0.67
Income from market support services	23.84	29.18
Total	27.40	30.87

51. The company had elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by Taxation Laws (Amendment) Ordinance 2019.

52. Leases

Company as a lessee

During the financial year 2020-21, the Company had entered into new head office lease arrangements in Gurugram, the lease qualify for recognition under Ind AS 116. The head office premises have been obtained on a non cancellable lease term of three years which is extendable up to nine years with an escalation clause at a three years interval. There are no sub-leases. Lease rentals of ₹110.79 millions for year ended March 31, 2021 (March 31, 2020 - ₹97.89 millions) pertaining to short-term leases has been directly debited to statement of profit and loss. In terms of applicability of Ind AS 116, the Company has availed exemption on the branch lease arrangements which fall under short term lease arrangements.

Set out below are the carrying amounts of Right of use asset recognized and the movements during the period (Refer note 13):

Particulars	Right of use asset
As at April 1, 2019	-
Addition	-
Depreciation	-
As at March 31, 2020	-
Addition	83.45
Depreciation	5.26
As at March 31, 2021	78.19

Set out below are the carrying amounts of lease liabilities and the movements during the period: (Refer note 19)

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

Particulars	Lease liability (refer note 52)
As at April 1, 2019	-
Addition	-
Accretion of interest	-
Payments	-
As at March 31, 2020	-
Addition	83.45
Accretion of interest	5.30
Payments	4.12
As at March 31, 2021	84.63

The following are the amounts recognized in statement of profit or loss:

Particulars	For the year ended March 31, 2021
Depreciation expense of Right of use asset	5.26
Interest expense on lease liability	5.30
Total amount recognized in profit or loss	10.56

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Lease Liabilities	0.30	0.30	0.30	0.92	1.59	11.54	17.91	51.78	84.63

The effective interest rate for lease liabilities is 10.72% with maturity between September 2020 - November 2029.

53. Consequent to the outbreak of CoVID-19 pandemic, the Indian Government announced a lock-down in March 2020. Subsequently, the national lock-down was lifted by the government but regional lock-downs continue to be implemented in areas with a significant number of CoVID-19 cases. The impact of CoVID-19, including changes in consumer's behaviour and pandemic fears, as well as restrictions on business and individual activities has led significant volatility in Indian financial markets and a significant decrease in local economic activities. The Company's performance will depend on further developments, which are uncertain, including, among other things, new information concerning the severity of the CoVID-19 pandemic including the current "second wave" that has significantly increased the number of cases in India and any action to contain its spread or mitigate its impact.

Further, in accordance with Reserve Bank of India guidelines relating to "CoVID-19 Regulatory package" announced on March 27, 2020 April 17, 2020 and May 23, 2020, the Company has offered moratorium on the payment of all instalments and/or interest, as applicable, falling due between March 1, 2020 to August 31, 2020 to all eligible borrowers. For all such accounts opting for moratorium, the prudential assets a classification remained standstill during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purpose of asset classification under Income Recognition, Asset classification and Provisioning Norms).

The Company has recorded an expected credit loss provision of ₹2,853.02 Mn in respect of its loans and advances of as at March 31, 2021 based on the information available at this point in time to reflect among other things an increased risk of deterioration in macro-economic factors caused by recent "second wave" of CoVID-19 pandemic. Since the situation continue to evolve, its effect on the operations of the Company may be different form that estimated as at the date of approval of these financial statements. The Company will continue to closely monitor changes in markets and future economic conditions.

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

54. Additional information required by Reserve Bank of India Master Direction DNBR. PD. 008/03.10.119/2016-17

a. Capital to risk assets ratio ('CRAR')

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2021
CRAR (%)	27.26%	35.82%
CRAR- Tier I (%)	25.52%	33.08%
CRAR- Tier II (%)	1.74%	2.74%
Amount of subordinated debt raised as Tier-II capital	1,167.21	1,166.29
Amount raised by issue of Perpetual Debt Instruments	-	-

b. Exposures

i) The Company has no direct and indirect exposure to real estate sector.

ii) The Company has no exposure to capital market.

c. Assets liability management:

Maturity pattern of certain items of assets and liabilities as on March 31, 2021

Particulars	1-7 days	8-14 days	15-30 days	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings	538.60	623.92	1,112.29	1,305.16	2,175.92	7,207.37	11,299.23	17,185.89	1,424.24	1,449.86	44,322.49
Advances*	605.46	651.45	1,563.87	2,379.49	2,515.70	7,350.38	13,010.84	16,821.08	11.90	14.91	44,925.08

*Net of provision towards non-performing loans and advances

Maturity pattern of certain items of assets and liabilities as on March 31, 2020

Particulars	1-7 days	8-14 days	15-30 days	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings	42.04	229.12	339.11	558.64	1,745.36	5,192.23	8,985.62	11,767.35	857.38	20.00	29,736.85
Advances*	3.05	2.95	5.72	8.58	2,597.60	6,364.90	11,196.71	13,978.45	0.10	-	34,152.06
Investments	-	-	-	-	-	-	-	5.00	-	-	5.00

*Net of provision towards non-performing loans and advances

d. Information on instances of fraud :

Instances of fraud reported during the year ended March 31, 2021

Nature of fraud	No. of cases	Amount of fraud	Recovery*	Amount provided
Cash Embezzlement	170	97,74,795	51,83,900	45,90,895

*includes recoveries in respect of frauds reported in earlier years

Instances of fraud reported during the year ended March 31, 2020

Nature of fraud	No. of cases	Amount of fraud	Recovery*	Amount provided
Cash Embezzlement	147	50,07,600	21,16,533	28,91,067

*includes recoveries in respect of frauds reported in earlier years

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

e. Ratings assigned by credit rating agencies and migration of ratings during the year:

Particulars	Amount	Credit Rating Agency	Date of Rating	Valid up to	Current Rating	Previous Rating
Bank Loan Rating	14600.00	Credit Analysis & Research Ltd.	Jan-21	See Note 1	"CARE A-; Stable"	CARE A-; Positive
Bank Loan Rating	10000.00	CRISIL Limited	Dec-20	See Note 1	"CRISIL A -; (Stable)"	CRISIL A - (Stable)
Cash Credit	400.00	Credit Analysis & Research Ltd.	Jan-21	See Note 1	"CARE A-; Stable"	CARE A-; Positive
Non - Convertible Debenture	300.00	Credit Analysis & Research Ltd.	Jan-20	See Note 1	-	CARE A-; Positive
Non - Convertible Debenture (MLD)	250.00	Credit Analysis & Research Ltd.	Jan-21	See Note 1	CARE PP-MLD A-; Stable	CARE PP-MLD A-; Positive
Non - Convertible Debenture	9935.00	ICRA Limited	Dec-20	See Note 1	[ICRA]A-(Stable)	[ICRA]A-(Stable)
Non - Convertible Debenture	600.00	Credit Analysis & Research Ltd.	Mar-21	See Note 1	Provisional CARE A (CE); Stable	-
Subordinate Debt (NCD)	300.00	Credit Analysis & Research Ltd.	Jan-21	See Note 1	CARE A- (Stable)	CARE A-; Positive
Subordinate Debt (NCD)	500.00	ICRA Limited	Dec-20	See Note 1	[ICRA]A-(Stable)	[ICRA]A-(Stable)
Organization Grading	N.A	CARE Advisory Research and Training Ltd.	Feb-21	Feb-22	MF1 1 (One)	MF1 1 (One)
Securitization	403.70	ICRA Limited	May-19	Jun-20	-	[ICRA] AA(SO)
Securitization	22.40	ICRA Limited	May-19	Aug-20	-	[ICRA] AA-(SO)
Securitization	343.00	ICRA Limited	May-19	Feb-20	-	[ICRA] AAA(SO)
Securitization	19.10	ICRA Limited	May-19	May-20	-	[ICRA] AA(SO)
Securitization	391.10	ICRA Limited	Jun-19	Jul-20	-	[ICRA] AA(SO)
Securitization	20.10	ICRA Limited	Jun-19	Aug-20	-	[ICRA] AA-(SO)
Securitization	519.30	ICRA Limited	Jun-19	Apr-20	-	[ICRA] AA+(SO)
Securitization	32.70	ICRA Limited	Jun-19	Jun-20	-	[ICRA] AA(SO)
Securitization	495.20	ICRA Limited	Jun-19	Feb-20	-	[ICRA] AAA(SO)
Securitization	27.80	ICRA Limited	Jun-19	Apr-20	-	[ICRA] AA(SO)
Securitization	533.90	ICRA Limited	Dec-19	Aug-20	-	[ICRA]A(SO)
Securitization	30.30	ICRA Limited	Dec-19	Sep-20	-	[ICRA]BBB+(SO)

Note 1: Rating is subject to annual surveillance till final repayment/redemption of rated facilities.

f. Disclosure of Complaints

Particulars	No. of Complaints	
	March 31, 2021	March 31, 2020
No. of complaints pending at the beginning of the year	44	14
No. of complaints received during the year	777	721
No. of complaints redressed during the year	807	691
No. of complaints pending at the end of the year	14	44

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

g. Concentration of Advances, Exposures and NPAs

Particulars	As at March 31, 2021	As at March 31, 2020
Concentration of Advances		
Total advances to twenty largest borrowers	15.34	6.46
(%) of advances to twenty largest borrowers to total advances	0.03%	0.02%
Concentration of Exposures		
Total exposure to twenty largest borrowers	15.34	6.46
(%) of exposures to twenty largest borrowers to total exposure	0.03%	0.02%
Concentration of NPAs		
Total exposure to top four NPA accounts	0.72	0.32

h. Sector wise NPAs

Particulars	% of NPA to total advances in that sector	
	As at March 31, 2021	As at March 31, 2020
Agriculture & allied activities #	2.29%	0.77%
MSME	3.76%	1.71%
Corporate borrowers	NA	NA
Services	3.58%	1.14%
Unsecured personal loans	NA	N.A
Auto loans	NA	N.A
Other personal loans	NA	N.A

including manufacturing & production, trade & retail, CS and others.

i. Movement of NPA's

Particulars	March 31, 2021	March 31, 2020
i) Net NPA to net advances percentage	2.20%	0.39%
ii) Movement of NPAs (Gross)		
a) Opening balance	384.51	404.24
b) Additions during the year	2,500.45	332.32
c) Reduction during the year (write off)	(326.06)	(352.05)
d) Closing balance	2,558.90	384.51
iii) Movement of net NPAs		
a) Opening balance	130.47	144.53
b) Additions during the year	893.20	(14.06)
c) Reduction during the year	-	-
d) Closing balance	1,023.67	130.47
iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	254.04	259.71
b) Provision made during the year	1,607.24	346.38
c) Write off/ write back of excess provisions	(326.06)	(352.05)
d) Closing balance	1535.23	254.04

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

j. Investments

Particulars	As at March 31, 2021	As at March 31, 2020
1. Value of Investments		
(i) Gross value of investments	-	5.00
(a) In India	-	-
(b) Outside India	-	-
(ii) Provision for depreciation	-	-
(a) In India	-	-
(b) Outside India	-	-
(iii) Net value of investments	-	5.00
(a) In India	-	-
(b) Outside India	-	-
2. Movement of provisions held towards depreciation on investments		
Opening balance	-	-
Add: Provisions made during the year	-	-
Less: Write-off/ write-back of excess provisions during the year	-	-
Closing balance	-	-

j. (a). Public disclosure on liquidity risk management

(i). Funding concentration based on significant counterparty *(both deposits and borrowings)

Number of significant counterparties	Amount	% of Total Deposits	% of Total Liabilities
30	38,237.82	-	86.28%

(ii). Top 20 large deposits - Not applicable

The Company being a Systemically Important Non-Deposit taking Non-Banking Financial Company registered with Reserve Bank of India does not accept public deposits.

(iii). Top 10 borrowings (amount in millions and % of total borrowings)

	Amount	% of Total Borrowings
	23,354.16	52.70%

(iv). Funding concentration based on significant instrument/product*

Name of the instrument/product	Amount	% of Total Liabilities
Term loans from Banks	30,351.15	68.49%
Subordinate Debts	1,167.21	2.63%
Non Convertible Debentures	9,904.49	22.35%
Term Loans from Others Parties (NBFC and FIs)	2,894.30	6.53%
Borrowings under Securitization arrangement	-	0.00%

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

(v). Stock Ratios

Particulars	As a % of total public funds*	As a % of total liabilities*	As a % of total assets
Commercial papers	-	-	-
Non Convertible Debenture (Original Maturity of less than one year)	-	-	-
Other short-term liabilities	12.31%	8.52%	-

(vi). Institutional set-up for liquidity risk management

The Board of Directors has the overall responsibility for establishing the risk management framework for the Company. The Board in turn has established an ALM Committee (ALCO) for evaluating, monitoring and reviewing liquidity and interest rate risks arising in the Company on both sides of the Balance sheet. The Board based on recommendations from the ALCO has prescribed policies and the risk limits for the management of liquidity risk.

ALCO Committee is responsible for managing the risks arising out of Asset Liability mismatches consistent with the regulatory requirements and internal risk tolerances established by the Board. Amongst other responsibilities, ALCO has been empowered to decide the funding mix for the company in light of the future business strategy and prevailing market conditions. ALCO committee is conducted at least once in a quarter and the ALCO minutes are reviewed by the Board from time to time.

*Notes

- A "significant counterparty" is defined as a single counterparty or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the NBFC-NDSI's, NBFC-Ds total liabilities and 10% for other non-deposit taking NBFC.
- A "significant instrument/product" is defined as a single instrument/ product of group of similar instruments/products which in aggregate amount to more than 1% of the NBFC-NDSI's, NBFC-Ds total liabilities and 10% for other non-deposit taking NBFC's.
- Total Liabilities has been computed as sum of all liabilities (Balance sheet figure) less equities and reserve/surplus.
- "Public Funds" shall include funds raised either directly or indirectly through public deposits, commercial paper, debentures, inter-corporate deposits and bank finance but exclude funds raised by issue of instruments compulsory convertible into equity shares with in a period not exceeding 10 years from the date of issue as defined in Regulatory Framework For Core Investment Companies issued vie Notification No. DNBS (PD) CC.No206/03.10.001/2010-11 dated January 5th, 2011.
- The amount stated in this disclosure is based on the audited financial statements for the year ended March 31, 2021.

k. Details of assignment transactions:

Particulars	March 31, 2021	March 31, 2020
Total no. of loans assigned	99,375	2,81,906.00
Aggregate book value of loan assigned	1,180.20	3,522.17
Sale consideration received for loan assigned	1,180.20	3,522.17
Aggregate gain / (loss) over net book value	-	-

l. Disclosure related to securitization

Particulars	March 31, 2021	March 31, 2020
Total no. of loans securitized	-	1,40,732
Aggregate book value of loan securitized	-	1085.13
Aggregate book value of loan securitized (including MRR)	-	1172.90
Sale consideration received for loan securitized	-	1085.13
Credit enhancements provided and outstanding (Gross):		

Contd..

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

Principal subordination	-	42.47
Cash collateral	-	30.33
Outstanding value of loan securitized during the year	-	156.93

Particulars	As at March 31, 2021	As at March 31, 2020
1. Number of Special Purpose Vehicles (SPVs) sponsored by the Company for securitisation transactions	-	6
2. Total amount of securitised assets as per books of the SPVs sponsored by the Company#	-	568.89
3. Total amount of exposures retained by the Company to comply with Minimum Retention Rate (MRR) as on the date of balance sheet		
a) Off-balance sheet exposures		
* First loss	-	-
* Others	-	-
b) On-balance sheet exposures		
* First loss (Cash collateral)	-	170.50
* First loss (Micro finance loans)	-	194.64
* Others	-	-
4. Amount of exposures to securitization transactions other than MRR		
a) Off-balance sheet exposures		
i) Exposure to own securitizations		
* First loss	-	-
* loss	-	-
ii) Exposure to third party securitizations		
* First loss	-	-
* Others	-	-
b) On-balance sheet exposures		
i) Exposure to own securitizations		
* First loss	-	-
* Others	-	-
ii) Exposure to third party securitizations		
* First loss	-	-
* Others	-	-

m. Provisions and contingencies (shown under expenditure in statement of profit and loss)

Particulars	March 31, 2021	March 31, 2020
Provision for non-performing loan portfolio	1,607.24	346.38
Provision for standard portfolio	589.47	567.28
Provision for insurance recoverable and BC collection	-	6.01
Provision for Income Tax (net)	128.47	0.53
Provision for cash loss	9.21	5.72
Provision for gratuity	17.86	12.71
Provision for leave benefits	20.31	15.40

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

n. Information on Net Interest Margin

Particulars	March 31, 2021	March 31, 2020
Average interest charged (A)	20.45%	21.18%
Average effective cost of borrowings (B)	11.23%	12.33%
Net Interest Margin (A-B)	9.22%	8.85%

1. Interest income considered for computation of "average interest charged" excludes loan processing fee collected from customers in accordance with para 54(vi) of the RBI Master Directions. As per Ind AS 109, such loan processing fee forms part of interest income in the Ind AS financial statements.
2. Average loan outstanding considered for computation of "average interest charged" is gross of the impairment allowance and unamortized portion of loan processing fee. As per Ind AS 109, such allowance is adjusted from the loan balance in the Ind AS financial statements.

o. Prudential floor for impairment loss

Assets classification under RBI norms March 31 , 2021	Asset classification under Ind AS	Gross carrying amount as per Ind AS	Loss allowance as required under Ind AS	Net carrying amount	Provision required as per IRACP norms*	Difference between Ind AS 109 provision and IRACP
(I)	(II)	(III)	(IV)	(V) = (III) - (IV)	(VI)	(VII) = (IV - VI)
Performing assets						
Standard assets	Stage I	40,763.84	449.56	40,314.28	428.04	21.52
	Stage II	3,137.58	868.23	2,269.35	8.88	859.35
Subtotal (A)		43,901.42	1,317.79	42,583.63	436.92	880.87
Non-performing assets						
Sub-standard	Stage III	2,558.90	1,535.23	1,023.67	12.29	1,522.94
Doubtful	Stage III	-	-	-	-	-
Up to 1 year	Stage III	-	-	-	-	-
1 to 3 years	Stage III	-	-	-	-	-
More than 3 years	Stage III	-	-	-	-	-
Loss assets	Stage III	-	-	-	-	-
Subtotal (B)		2,558.90	1,535.23	1,023.67	12.29	1,522.94
Total	Stage I	40,763.84	449.56	40,314.28	428.04	21.52
	Stage II	3,137.58	868.23	2,269.35	8.88	859.35
	Stage III	2,558.90	1,535.23	1,023.67	12.29	1,522.94
Total		46,460.32	2,853.02	43,607.30	449.21	2,403.81

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

Assets classification under RBI norms March 31 , 2021	Asset classification under Ind AS	Gross carrying amount as per Ind AS	Loss allowance as required under Ind AS	Net carrying amount	Provision required as per IRACP norms*	Difference between Ind AS 109 provision and IRACP
(I)	(II)	(III)	(IV)	(V) = (III) - (IV)	(VI)	(VII) = (IV - VI)
Performing assets						
Standard assets	Stage I	33,861.54	645.31	33,216.23	333.10	312.21
	Stage II	166.06	83.02	83.04	1.53	81.49
Subtotal (A)		34,027.60	728.32	33,299.27	334.63	393.70
Non-performing assets						
Sub-standard	Stage III	384.49	254.04	130.45	3.25	250.79
Doubtful	Stage III	-	-	-	-	-
Up to 1 year	Stage III	-	-	-	-	-
1 to 3 years	Stage III	-	-	-	-	-
More than 3 years	Stage III	-	-	-	-	-
Loss assets	Stage III	-	-	-	-	-
Subtotal (B)		384.49	254.04	130.45	3.25	250.79
Total	Stage I	33,861.54	645.31	33,216.23	333.10	312.21
	Stage II	166.06	83.02	83.04	1.53	81.49
	Stage III	384.49	254.04	130.45	3.25	250.79
Total		34,412.09	982.36	33,429.73	337.88	644.48

*The provision required as per IRACP norms has been calculated on the aggregate loan portfolio after derecognizing the securitised assets (net of MRR) which meets the de-recognition criteria under the previous GAAP.

p. Details of penalties imposed by RBI and other regulators

No penalty has been imposed by RBI and other regulators on the Company during the financial year ended March 31, 2021 and March 31, 2020.

q. Details of unsecured advances

The Company has not given any unsecured advances against intangible securities such as charge over the rights, licenses, authority, etc. during the financial year ended March 31, 2021 and March 31, 2020.

r. Details of non-performing financial assets purchased / sold

The Company has not purchased / sold any non-performing financial assets during the financial year ended March 31, 2021 and March 31, 2020.

s. Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC:

The Company has not exceeded the prudential exposures limits during the financial year ended March 31, 2021 and March 31, 2020.

t. Draw down from reserves

There has been no draw down from reserves during the year ended March 31, 2021 and March 31, 2021.

u. The Company does not have any foreign currency exposure and/or derivatives during the year ended March 31, 2021 and March 31, 2020

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

v. The Company has no loans outstanding as at March 31, 2021 and March 31, 2020 that are secured against gold.

w. Details of registration with financial and other regulators

Regulator	Registration number	Date of registration
Ministry of Corporate Affairs	U65100DL1994PTC061287	September 5, 1994
Reserve Bank of India	B-14.02857	May 19, 2010

55. Disclosure of Liquidity risk management as per RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 The requirements of the above circular with respect to the Liquidity Coverage Ratio ("LCR") have become applicable to the Company with effect from the quarter ended March 31,2021. Accordingly, the Company has not calculated and disclosed LCR information as at end of other quarters i.e. quarters ended on June 30, 2020, September 30, 2020 and December 31, 2020.

		For quarter ended March 31, 2021	
		Total unweighted value (average)	Total weighted value (average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)	-	3,438.24
Cash Outflows			
2	Deposits (for deposit taking companies)	-	-
3	Unsecured wholesale funding	-	-
4	Secured wholesale funding	-	-
5	Additional requirements, of which	-	-
	(i) Outflows related to derivative exposures and other collateral requirements	-	-
	(ii) Outflows related to loss of funding on debt products	-	-
	(iii) Credit and liquidity facilities	-	-
6	Other contractual funding obligations	3,028.79	3,483.10
7	Other contingent funding obligations	-	-
8	Total cash outflows	3,028.79	3,483.10
Cash Inflows			
9	Secured lending	-	-
10	Inflows from fully performing exposures	-	-
11	Other cash inflows	7,918.79	5,939.10
12	Total cash inflows	7,918.79	5,939.10
		Total Adjusted Value	
13	Total HQLA		3,438.24
14	Total net cash outflows		870.78
15	Liquidity Coverage ratio (%)		394.85%
Following assets formed part of HQLA Assets			
	Cash on hand		92.83
	Balances with banks – Current Accounts		3,345.40
	Total		3,438.24

Notes to the Financial Statements

For the year ended March 31, 2021

(₹ in millions unless otherwise stated)

- 56.** 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.
- 57.** 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.
- 58.** 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.
- 59.** 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.
- 60.** The figures for the previous year have been regrouped/rearranged wherever necessary to conform to current year presentation.

As per our report of even date

for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sd/-
Amit Kabra
Partner
Membership Number : 094533

Place: Gurugram
Date : May 26, 2021

for and on behalf of the Board of Directors of
Fusion Micro Finance Private Limited
CIN:U65100DL1994PTC061287

Sd/-
Devesh Sachdev
MD and CEO
DIN : 02547111

Sd/-
Deepak Madaan
Company Secretary

Place: Gurugram
Date : May 26, 2021

Sd/-
Ratna Dharashree Vishwanathan
Director
DIN : 07278291

Sd/-
Gaurav Maheshwari
Chief Financial Officer

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Devesh Sachdev	Managing Director & CEO
Ms. Ratna Dharashree Vishwanathan	Independent Director
Ms. Namrata Kaul	Independent Director
Mr. Kenneth Dan Vander Weele	Nominee Director
Mr. Narendra Ostawal	Nominee Director
Mr. Shobinder Duggal	Additional Director (Independent)

KEY MANAGERIAL PERSONS

Mr. Devesh Sachdev	Chief Executive Officer
Mr. Gaurav Maheshwari	Chief Financial Officer
Mr. Deepak Madaan	Company Secretary

REGISTERED OFFICE & CORPORATE OFFICE

FUSION MICRO FINANCE PRIVATE LIMITED

Registered Office: H-1, C-Block, Community Centre, Naraina Vihar, New Delhi-110028
Tel: +91 46646600
&
Corporate Office: Plot no. 86, Institutional Sector-32, Gurugram - 122001
Website: www.fusionmicrofinance.com

STATUTORY AUDITORS

S.R. Batliboi & Associates LLP,
Firm Registration Number: 101049W/E300004,
Chartered Accountants,
Tower B, Golf View Tower,
Sector Road, Sector 42,
Gurgaon – 122002

DEBENTURE TRUSTEE DETAILS

CATALYST TRUSTEESHIP LIMITED

(Formerly known as GDA Trusteeship Limited)
Office No. 83 – 87, 8th floor, 'Mittal Tower', 'B' Wing, Nariman Point, Mumbai – 400021

VISTRA ITCL (INDIA) LIMITED

IL&FS Financial Centre, Plot No C-22, G Block, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra-400051

BEACON TRUSTEESHIP LIMITED

4C & D, Siddhivinayak Chambers, Gandhi Nagar, Opp. MIG Cricket Club, Bandra (East), Mumbai 400 051

REGISTRAR & SHARE TRANSFER AGENT

LINK INTIME INDIA PRIVATE LIMITED

C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai - 400 078.
Tel. No.: +91 22 2594 6970; Fax No.: +91 22 2594 6969
E-mail: rnt.helpdesk@linkintime.co.in
Website: www.linkintime.co.in



List of Lenders

- Punjab National Bank
- IDBI Bank Limited
- Indian Bank
- Union Bank of India
- Small Industries Development Bank of India (SIDBI)
- State Bank of India
- National Bank for Agriculture and Rural Development (NABARD)
- Micro Units Development & Refinance Agency Limited (MUDRA)
- Bank of Baroda
- RBL Bank Limited
- BNP Paribas
- Standard Chartered Bank
- HDFC Bank Limited
- DCB Bank Limited
- Yes Bank Limited
- Axis Bank Limited
- Kotak Mahindra Bank Limited
- IndusInd Bank Limited
- Utkarsh Small Finance Bank
- Federal Bank Limited
- SBM Bank (India) Limited
- Qatar National Bank
- HSBC Bank Limited
- AU Small Finance Bank Limited
- IDFC First Bank Limited
- Bandhan Bank Limited
- Woori Bank
- CITI Bank
- Ujjivan Small Finance Bank Limited
- ICICI Bank Limited
- Equitas Small Finance Bank
- Credit Agricole Corporate and Investment Bank
- CSB Bank Limited
- Manappuram Finance Limited
- Northern Arc Capital Limited
- MAS Financial Services Limited
- NABKISAN Finance Limited
- Hinduja Leyland Finance Limited
- Hero Fincorp Limited
- Muthoot Capital Services Limited
- Sundaram Fianance Limited
- Bajaj Finance Limited
- Bank of India
- Indian Overseas Bank
- Blue Orchard
- CDC Group
- ASN Microcredit Fund (TJ)
- AAV Saral-Symbiotics
- UTI International Wealth Creator ("responsAbility")
- Triodos Fare Share & Triodos Microfinance Fund
- CPP - Incofin



www.fusionmicrofinance.com

H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028