

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

Review Report to
The Board of Directors
Fusion Micro Finance Private Limited

1. We have reviewed the accompanying statement of unaudited financial results of Fusion Micro Finance Private Limited (the "Company") for the half year ended September 30, 2020 (the "Statement") attached herewith, being submitted by the Company pursuant to the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations").
2. This Statement, which is the responsibility of the Company's Management and approved by the Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, "Interim Financial Reporting" (Ind AS 34) prescribed under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Ind AS 34 specified under Section 133 of the Companies Act, 2013, as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.
5. We draw attention to Note 4 to the financial results, which describes the economic and social disruption as a result of COVID-19 pandemic of the Company's business and financial metrics including the Company's estimates of the impairment loss allowance which are highly dependent on uncertain future developments. Our conclusion is not modified in respect of this matter.

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

ICAI Firm registration number: 101049W/E300004


per Amit Kabra

Partner

Membership No.: 094533

UDIN: 20094533AAAAJG1830

Gurugram

November 09, 2020



Fusion Micro Finance Private Limited
CIN: U65100DL1994PTC061287
Registered office address : H-1, Block C, Community Centre, Naraina Vihar, New Delhi-110028
Phone No. 011-46646600, Website : www.fusionmicrofinance.com
Financial results for the half year ended September 30, 2020

(Rs in millions unless otherwise stated)

Particulars	As at September 30, 2020	As at March 31, 2020
	Unaudited	Audited
ASSETS		
Financial assets		
Cash and cash equivalents	7,506.19	5,396.67
Bank balance other than cash and cash equivalents	1,481.12	2,780.82
Trade receivables	6.40	31.39
Loan portfolio	35,042.82	33,429.73
Investments	603.17	5.00
Other financial assets	182.82	238.46
Total financial assets	44,822.52	41,882.07
Non-financial Assets		
Current tax assets (net)	73.80	119.09
Deferred tax assets (net)	517.84	305.02
Property, plant and equipment	54.32	58.98
Capital work-in-progress	6.18	-
Intangible assets	2.44	1.47
Right to use assets	82.70	-
Other non-financial assets	15.81	33.31
Total non-financial assets	753.09	517.87
Total Assets	45,575.61	42,399.94
LIABILITIES AND EQUITY		
Liabilities		
Financial liabilities		
Trade Payables	160.30	40.71
Debt securities	5,349.97	3,998.98
Borrowings (other than debt securities)	25,322.40	24,571.58
Subordinated liabilities	1,166.73	1,166.29
Other financial liabilities	1,100.48	513.28
Total financial liabilities	33,099.88	30,290.84
Non-financial liabilities		
Current tax liabilities (net)	69.43	0.53
Provisions	74.86	57.72
Other non-financial liabilities	54.59	61.96
Total non-financial liabilities	198.88	120.21
Equity		
Equity share capital	789.50	789.50
Other equity	11,487.35	11,199.39
Total equity	12,276.85	11,988.89
Total Liabilities and Equity	45,575.61	42,399.94

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

Place: New Delhi
Date: November 09, 2020



MD&CEO
Devesh Saxena
Managing Director and CEO

Fusion Micro Finance Private Limited
CIN: U65100DL1994PTC061287
Registered office address : 11-1, Block C, Community Centre, Naraina Vihar, New Delhi-110028
Phone No. 011-46646600, Website : www.fusionmicrofinance.com
Financial results for the half year ended September 30, 2020

Particulars	(Rs in millions unless otherwise stated)		
	For the half year ended September 30, 2020	For the half year ended September 30, 2019	For the year ended March 31, 2020
	Unaudited	Unaudited	Audited
Revenue from operations			
Interest income	3,836.77	3,178.49	6,664.88
Fees and commission income	2.06	21.26	34.64
Net gain on fair value changes	47.07	148.55	231.57
Net gain on derecognition of financial instruments under amortised cost category	-	80.38	271.55
Total revenue from operations	3,885.90	3,428.68	7,202.64
Other income	19.52	11.53	100.47
Total income	3,905.42	3,440.21	7,303.11
Expenses			
Finance costs	1,746.36	1,702.66	3,376.72
Impairment on financial instruments	813.07	150.65	926.99
Employee benefit expense	764.23	682.35	1,483.33
Depreciation and amortization expense	13.25	11.36	25.76
Other expenses	195.43	247.77	490.36
Total expenses	3,532.34	2,794.79	6,303.16
Profit before tax	373.08	645.42	999.95
Tax expense:			
Current tax	311.69	129.80	395.99
Deferred tax	(212.81)	41.30	(92.14)
Income-tax expense	98.88	171.10	303.85
Profit after tax	274.20	474.32	696.10
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
-Remeasurement gain on defined benefit plans	-	-	6.45
-Income tax effect	-	-	(1.40)
Total other comprehensive income	-	-	5.05
Total comprehensive income for the period/year	274.20	474.32	701.15
Earnings per share (equity share, par value of Rs. 10 each) Computed on the basis of total profit for period			
Basic earning per share (BEPS) *	3.47	7.51	10.55
Diluted earning per share (DEPS) *	3.43	7.51	10.40

*BEPS and DEPS for the half year ended September 2020 and September 2019 are not annualised

Place: New Delhi
Date: November 09, 2020



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

Devesh Sachdev
MD&CEO
Managing Director and CEO

Notes:

1. The above results for half year ended September 30, 2020 have been reviewed by the Audit Committee and upon their recommendation, approved by the Board of Directors at their meetings held on November 9, 2020, in accordance with the requirement of Regulation 52 of the SEBI (Listing Obligations and disclosure requirements) Regulations, 2015. The Statutory Auditors of the Company have reviewed the financial results for the half year ended September 30, 2020.
2. The company operates in a single business segment i.e. lending to members, having similar risks and returns for the purpose of Ind AS 108 on 'Operating Segments'. The company operates in single geographic segment i.e. domestic.
3. In accordance with the regulatory package announced by the Reserve Bank of India (RBI) on 27 March 2020, 17 April 2020 and 22 May 2020, the Company has granted a moratorium for the payment of all instalments falling due between 01 March 2020 and 31 August 2020 to all eligible borrowers that have opted to avail the same. The Company has assessed the impact of the COVID-19 pandemic on its liquidity and ability to repay its obligations as and when they are due. Management has considered various stimulus packages announced by the Government of India which will directly or indirectly benefit NBFCs in determining the Company's liquidity position over the next 12 months. Based on the foregoing and necessary stress tests considering various scenarios, management believes that the Company will be able to pay its obligations as and when these become due in the foreseeable future.

Disclosure as required by RBI Circular - RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020 'CoVID-19 Regulatory Package - Asset classification and provisioning are given below:

Particulars	(In Rs Million)	
	As at September 30 2020	As at March 31 2020
Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended, in terms of paragraph 2 and 3 as of February 29 2020*	38.22	47.29
Respective amounts where asset classification benefit is extended**	262.81	292.52
Provision outstanding in terms of paragraph 5 of circular (As per paragraph 4, applicable to NBFC's covered under IND AS) ***	71.31	63.45
Provision adjusted against slippages in terms of paragraph 6 of the circular	-	-
Residual Provision as per paragraph 6 of circular	71.31	63.45

*Represents the amount of installments due for cases with 1-90 days past due (DPD) as of February 29, 2020

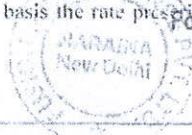
** Represents principle outstanding for cases with 1-90 DPD as of February 29, 2020

*** This is inclusive of additional provision on account of COVID -19

4. The COVID - 19 pandemic continues to impact the global and local economic activity in India. While there has been some improvement in economic activities during the current half year, the continued slowdown has led to a decrease in loan originations and efficiency of collection efforts. The extent to which the COVID - 19 will continue to impact Company's results, including provisions, remain uncertain and would depend upon the time taken for economic activities to revert to normal levels. The Company has recorded an expected credit loss provision of Rs.1786.09 Mn in respect of its loans and advance which includes a management overlay of Rs.546.19 Mn as at 30 September 2020 based on the information available at this point in time to reflect among other things an increased risk of deterioration in macro-economic factors.

In assessing the recoverability of loans the Company has considered internal and external sources of information up to the date of approval of these financial results. Since the situation continue to evolve, its effect on the operations of the Company may be different from that estimated as at the date of approval of these financial results. The Company will continue to closely monitor material changes in markets and future economic conditions.

5. The Government of India, Ministry of Finance vide its notification dated October 23 2020 had announced COVID-19 Relief Scheme for grant of ex-gratia payment between compound interest and simple interest for six months (March 2020 to August 2020) to borrowers in specified loan accounts, as per the eligibility criteria and other aspects specified therein and irrespective of whether RBI moratorium availed or not. Since the Company has only charged simple interest from its customers during the six months and hence has concluded there is no requirement for payment of ex-gratia amount to customers.
6. The company has elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961, as introduced by Taxation Laws (Amendment) Ordinance 2019. Accordingly, the Company has recognized provision for income tax for the half year ended September 30, 2020 and re-measured its deferred tax assets/liability basis the rate prescribed in the aforesaid section and recognized the effect of change by revising the annual effective tax rate.




For Fusion Microfinance Pvt. Ltd.
MD&CEO

7. In terms of applicability of Ind AS 116, the Company has availed exemption on the branch lease on the plea of short-term lease arrangements. For new head office lease arrangement entered during the half year ended September 30, 2020, the Company has recorded Rights of Use asset (ROU) and Lease Obligation (LO) on the balance sheet. The balance as of September 30, 2020 for ROU and LO is Rs. 82.70 million and Rs. 84.20 million respectively.
8. The figures for the previous periods have been regrouped/rearranged wherever necessary to conform to current period presentation.
9. The above financial results are available on the stock exchange website (www.bseindia.com) and the website of the Company (www.fusionmicrofinance.com).

Place: Delhi
Date: November 9, 2020



For and on behalf of the Board of Directors of
Fusion Micro Finance Private Limited
For Fusion Microfinance Pvt. Ltd.


Bevesh Sarda
Managing Director & CEO