

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

To
**The Board of Directors of
Fusion Micro Finance Limited**

Report on the audit of the Financial Results

Opinion

We have audited the accompanying statement of financial results of Fusion Micro Finance Limited (the "Company"), for the quarter ended September 30, 2021 and the year to date results for the period from April 01, 2021 to September 30, 2021 (the "Statement"), attached herewith, being submitted by the Company pursuant to the requirement of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended the "Listing Regulations"). In our opinion and to the best of our information and according to the explanations given to us, the Statement:

- i. is presented in accordance with the requirements of the Listing Regulations in this regard; and
- ii. gives a true and fair view in conformity with the recognition and measurement principles laid down in the applicable Indian Accounting Standards and other accounting principles generally accepted in India of the total comprehensive income comprising of net profit and other comprehensive income and other financial information of the Company for the quarter ended September 30, 2021 and year to date results for the period from April 01, 2021 to September 30, 2021..

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013, as amended ("the Act"). Our responsibilities under those Standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Results" section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial results 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 opinion.

Emphasis of Matter

We draw attention to Note 5 of the financial results which describes the impact of economic and social consequences of the COVID-19 pandemic including the limited lock downs imposed by various state Governments across India on the Company's business and financial metrics, particularly the Company's estimates of impairment of loans to customers, which continue to be dependent on uncertain future developments. Our opinion is not modified in respect of this matter.

Management's Responsibilities for the Financial Results

These quarterly financial results as well as the year to date standalone financial results have been prepared on the basis of the interim financial statements. The Company's Board of Directors are responsible for the preparation of the Statement that gives a true and fair view of the net profit and other comprehensive income of the Company and other financial information in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 (Ind AS - 34), 'Interim Financial Reporting'



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

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

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

Auditor's Responsibilities for the Audit of the Financial Results

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

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

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

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



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The comparative Ind AS financial information of the Company for the corresponding period ended September 30, 2020, included in these standalone Ind AS financial results, were subjected to limited review by us and are unaudited.

The figures for the net cash inflows for the corresponding period from April 1, 2020 to September 30, 2020 as reported in these financial results have been approved by the Company's Board of Directors, but have not been subjected to an audit or review.

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004



per Amit Kabra

Partner

Membership No.: 094533



UDIN: 21094533AAAAMB1430

Jaipur

October 27, 2021

Fusion Micro Finance Limited (formerly known as Fusion Micro Finance Private Limited)
CIN: U65100DL1994PLC061287
Registered office address : H-1, Block C, Community Centre, Naraina Vihar, New Delhi-110028
Financial results for the quarter and half year ended September 30, 2021

(Rs in millions unless otherwise stated)

Particulars	Quarter ended		Half year ended		Year ended
	September 30, 2021	June 30, 2021	September 30, 2021	September 30, 2020	March 31, 2021
	Audited	Audited	Audited	Unaudited	Audited
Revenue from operations					
Interest income	2,302.28	2,499.74	4,802.02	3,836.77	8,275.64
Fees and commission income	2.19	1.00	3.19	2.06	7.19
Net gain on fair value changes	61.83	94.68	156.51	47.07	167.45
Net gain on derecognition of financial instruments under amortised cost category	227.59	-	227.59	-	107.84
Total revenue from operations	2,593.89	2,595.42	5,189.31	3,885.90	8,558.12
Other income	100.89	59.54	160.43	19.52	172.76
Total income	2,694.78	2,654.96	5,349.74	3,905.42	8,730.88
Expenses					
Finance costs					
On financial liabilities measured at amortized cost	1,156.48	1,201.35	2,357.83	1,746.36	3,751.04
Net loss on fair value changes	44.14	38.22	82.36	-	-
Impairment on financial instruments	697.33	691.76	1,389.09	813.07	2,207.80
Employee benefit expense	559.95	513.66	1,073.61	764.23	1,686.40
Depreciation and amortization expense	11.90	10.16	22.06	13.25	38.94
Others expenses	191.80	145.60	337.40	195.43	478.79
Total expenses	2,661.60	2,600.75	5,262.35	3,532.34	8,162.97
Profit before tax	33.18	54.21	87.39	373.08	567.91
Tax expense/(credit):					
Current tax	(157.77)	142.94	(14.83)	311.69	588.71
Deferred tax	158.84	(132.84)	26.00	(212.81)	(460.24)
Income tax expense	1.07	10.10	11.17	98.88	128.47
Profit after tax for the period/year	32.11	44.11	76.22	274.20	439.44
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement gains /(loss) on defined benefit plans	4.38	(3.84)	0.54	-	0.04
Income tax effect	(1.11)	0.97	(0.14)	-	(0.01)
Total other comprehensive income	3.27	(2.87)	0.40	-	0.03
Total comprehensive income for the period/year	35.38	41.24	76.62	274.20	439.47
Earnings per share (equity share, par value of Rs. 10 each)					
Computed on the basis of total profit for period/year					
Basic earnings per share (BEPS) *	0.38	0.56	0.95	3.47	5.56
Diluted earnings per share (DEPS) *	0.38	0.55	0.94	3.43	5.49

*BEPS and DEPS for the Quarter ended September 30, 2021, June 30, 2021 and Half year ended September 30, 2021, September 30, 2020 are not annualised

Analytical Ratios and other disclosures:

Particulars	Quarter Ended		Half year ended		Year ended
	September 30, 2021	June 30, 2021	September 30, 2021	September 30, 2020	March 31, 2021
	Audited	Audited	Audited	Unaudited	Audited
(i) Debt-equity ratio	3.21	3.53	3.21	2.59	3.56
(ii) Net worth	13,203.06	12,516.51	13,203.06	12,276.85	12,463.55
(iii) Total debts to total assets	0.74	0.76	0.74	0.70	0.76
(iv) Net profit margin (%)	1.19%	1.66%	1.42%	7.02%	5.03%



Notes:

Note 1 - Statement of Assets and Liabilities is given below :

Particulars	(Rs in millions unless otherwise stated)		
	As at September 30, 2021	As at September 30, 2020	As at March 31, 2021
	Audited	Unaudited	Audited
ASSETS			
Financial assets			
Cash and cash equivalents	6,901.75	7,506.19	12,154.20
Bank balance other than cash and cash equivalents	1,181.11	1,481.12	1,198.36
Trade receivables	33.59	6.40	27.93
Loans	47,254.44	35,042.82	43,607.30
Investments	-	603.17	-
Other financial assets	477.74	182.82	300.76
Total financial assets	55,848.63	44,822.52	57,288.55
Non-financial assets			
Current tax assets (net)	396.31	73.80	119.58
Deferred tax assets (net)	739.12	517.84	765.28
Property, plant and equipment	109.00	54.32	102.74
Capital work-in-progress	-	6.18	-
Right of use asset	73.68	82.70	78.19
Intangible assets	1.31	2.44	1.90
Other non- financial assets	47.49	15.81	23.09
Total non-financial assets	1,366.91	753.09	1,090.78
Total assets	57,215.54	45,575.61	58,379.33
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Derivative financial instrument	82.36	-	-
Trade payables	262.50	160.30	113.06
Debt securities	8,600.17	5,349.97	9,904.50
Borrowings (other than debt securities)	32,703.10	25,322.40	33,250.79
Subordinated liabilities	1,097.73	1,166.73	1,167.21
Other financial liabilities	1,078.60	1,100.48	1,265.98
Total financial liabilities	43,824.46	33,099.88	45,701.54
Non-financial liabilities			
Current tax liabilities (net)	3.28	69.43	53.98
Provisions	107.74	74.86	80.76
Other non-financial liabilities	77.00	54.59	79.50
Total non-financial liabilities	188.02	198.88	214.24
Total liabilities	44,012.48	33,298.76	45,915.78
EQUITY			
Equity share capital	826.14	789.50	790.37
Other equity	12,376.92	11,487.35	11,673.18
Total equity	13,203.06	12,276.85	12,463.55
Total liabilities and equity	57,215.54	45,575.61	58,379.33



Note 2 - Statement of Cash flow is given below:

(Rs in millions unless otherwise stated)

Particulars	As at September 30, 2021	As at September 30, 2020
	Audited	Unaudited
Cash flow from operating activities		
Profit before Tax	87.39	373.08
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation	22.06	13.25
Impairment of financial instruments	1,389.09	813.07
Finance cost on lease liability	4.49	0.75
Provision for gratuity	11.79	15.00
Provision for compensated absences	17.91	9.00
Other provisions	9.61	8.14
Net gain on change in fair value of mutual funds	(156.51)	(47.07)
Net gain on derecognition of financial instruments under amortised cost category	(227.59)	-
Employee share based payment expense	19.94	13.76
Amortisation of processing fees	(0.06)	17.89
Impairment on other-financial asset	-	-
Net foreign exchange differences	(29.03)	-
Fair value loss on financial instrument at fair value through Profit and Loss.	82.36	-
Loss on sale of assets	-	0.08
Operating cash flow before working capital changes	1,231.45	1,216.94
Movement in working capital:		
(Increase)/decrease in loans & advances	(5,028.19)	(2,426.16)
Decrease in receivables	(5.66)	24.99
(Increase) in other financial assets	38.82	40.64
(Increase)/decrease in other non- financial assets	(24.40)	17.50
Increase in bank balance other than cash and cash equivalents	9.21	1,299.70
Increase in trade payables	149.47	118.31
(Decrease)/Increase in other financial liability	(186.49)	503.00
Decrease in other non-financial liability	(2.50)	(7.37)
Cash flow from operations	(3,818.29)	787.57
Income tax paid	(312.60)	(197.50)
Net cash flow from operating activities (A)	(4,130.89)	590.07
II. Cash flow from investing activities		
Purchase of property, plant and equipments	(23.17)	(7.09)
Purchase of intangible assets	(0.05)	(1.72)
Purchase of investments	(32,500.00)	(12,250.00)
Proceeds from sale of investments	32,656.51	11,693.90
Net cash flow from investing activities (B)	133.29	(564.91)
III. Cash flow from financing activities		
Proceeds from issue of equity shares	642.95	-
Repayment of debt securities	(1,313.01)	(333.87)
Proceeds from debt securities	-	1,690.52
Repayment of borrowings (other than debt securities)	(12,291.82)	(7,363.62)
Proceeds from borrowings (other than debt securities)	11,782.42	8,091.33
Repayment of Subordinated debt	(70.00)	-
Payment of lease liability	(5.39)	-
Net cash (used)/flow from financing activities (C)	(1,254.85)	2,084.36
Net (decrease)/increase in cash and cash equivalents (A + B + C)	(5,252.45)	2,109.52
Cash and cash equivalents at the beginning of the period	12,154.20	5,396.67
Cash and cash equivalents at the end of the period	6,901.75	7,506.19



Fusion Micro Finance Limited (formerly known as Fusion Micro Finance Private Limited)
(CIN: U65100DL1994PLC061287)
Registered office address: H-1, Block C, Community Centre, Naraina Vihar, New Delhi-110028
Financial results for the quarter and half year ended September 30, 2021

3. The financial results for the six months ended September 30, 2021 have been reviewed by the Audit Committee and upon their recommendation, approved by the Board of Directors at their meetings held on October 27, 2021. Fusion Micro Finance Limited ("the Company") has prepared these financial results in accordance with the requirement of Regulation 52 of the SEBI (Listing Obligations and disclosure requirements) Regulations, 2015 ("Listing Regulations, 2015") and the accounting standards specified under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 as amended and relevant provisions of the Companies Act, 2013, as applicable. The results for the period ended September 30, 2021 have been audited by the Statutory Auditors of the Company. The report thereon is unmodified.
4. The company operates in a single business segment i.e., lending to members, having similar risks and returns for the purpose of Ind AS 108 on 'Operating Segments'. The company operates in single geographic segment i.e., domestic.
5. The COVID-19 pandemic has continued to cause a significant disruption of the economic activities across the globe including India throughout the financial year 2020-21, with second wave of the pandemic emerging towards in April-May 2021 in India. The Government of India announced a nation-wide lockdown to contain the spread of the virus which continued till May 31, 2020. Subsequently, the national lockdown was lifted by the Government but regional lockdowns continue to be implemented in areas with a significant number of COVID-19 cases. Following the easing of lockdown measures, there was an improvement in economic activity in the second half of fiscal 2021. India experienced a "second wave" of the COVID-19 pandemic in April-May 2021 following the discovery of mutant coronavirus variants, leading to the re-imposition of regional lockdowns. These were gradually lifted as the second wave subsided.

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 01, 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). Also, the Reserve Bank of India vide its circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 on "Resolution Framework for COVID-19-related Stress" ("Resolution Framework – 1.0") had provided a window to enable lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions. However, the Company did not restructured any loan under this circular.

Further, on account of resurgence of Covid-19 pandemic in India during half year ended September 30, 2021, the Reserve Bank of India introduced Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses vide circular DOR.STR.REC.11/21.04.048/2021-22 dated May 05, 2021 with the objective of alleviating the potential stress to individual borrowers and small businesses. In accordance with the circular, the Company has identified the eligible borrowers and those who agreed with the resolution plan were extended the support under the framework for relief from stress of Covid-19. The Company has got the board approval on May 26, 2021 on the policy framed for implementation of resolution plan and the same has been implemented. Refer Note 7 for more details.

The Company has recorded an expected credit loss provision of Rs. 2737.12 millions in respect of its loans and advances of as at September 30, 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 from 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.

6. 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.



7. (i) Details of resolution plan implemented under the Resolution Framework for COVID-19-related stress as per RBI circular dated August 6, 2020 (Resolution Framework 1.0) are not applicable as the Company has not restructured any loan accounts under resolution framework 1.0.

(ii) Details of resolution plan implemented under the RBI Resolution Framework - 2.0: Resolution are given below: -

(Rs in millions unless otherwise stated)

S.No	Description	JLG loans	MSME loans
A	Number of requests received for invoking resolution process	88,611	48
B	Number of accounts where resolution plan has been implemented under this window.	85,454	-
C	Exposure to accounts mentioned at (B) before implementation of the plan.	1,336.74	-
D	Of (C), aggregate amount of debt that was converted into other securities.	-	-
E	Additional funding sanctioned, if any, including between invocation of the plan and implementation.	-	-
F	Increase in provisions on account of the implementation of the resolution plan.	133.67	-

8. As per Regulation 54(2) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 ('Listing Regulations'), debenture are secured by exclusive first charge by way of hypothecation against the principal amount outstanding and accrued coupon on debenture. The total asset cover is hundred percent or above of the principal amount of the said debentures. Further as per Regulation 54(3) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 ('Listing Regulations') assets coverage ratio as on September 30, 2021 is 109.44 %
9. Company has availed the exemption provided under SEBI circular SEBI/HO/DDHS/CIR/2021/0000000637 dated October 5, 2021 as regard to disclosure for corresponding quarter results ending September 30, 2020.
10. Previous periods figures have been regrouped / rearranged wherever necessary to conform with current period's classification.
11. The above financial results are available on the stock exchange website (www.bseindia.com) and the website of the Company (www.fusionmicrofinance.com).

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



Devesh Sachdev
Managing Director & CEO

Place: Gurugram
Date: October 27, 2021



Disclosure of related party transactions for period ended September 30, 2021
(In accordance with Regulation 23 (9) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

Names of the related party and nature of relationship:-

Nature of relationship	Designation	Name
Key Management Personnel	Managing Director and Chief Executive Officer	Devesh Sachdev
	Chief Financial Officer	Gaurav Maheshwari
	Company Secretary	Deepak Madaan
	Independent Director	Ms. Namrata Kaul
		Ms. Ratna Dharashree Vishwanathan
		Mr. Shobinder Duggal#
	Nominee Director	Mr. Narendra Ostawal
		Mr. Kenneth Dan Vander Weele
	Additional Director (in the category of Independent Director)	Mr. Pankaj Vaish*
Entities exercising significant influence over the Company	Shareholder	Creation Investments Fusion, LLC, Chicago, U.S.A.
		Creation Investments Fusion II, LLC, Chicago, U.S.A.
		Honey Rose Investment Ltd
Post Employment benefits plan	Gratuity Trust	Fusion Micro Finance Private Limited Employees Group Gratuity Trust Fund

Shobinder Duggal was appointed on May 26, 2021 and resigned on September 22, 2021

* Pankaj Vaish was appointed on September 22, 2021

(Rs in millions unless otherwise stated)

Items/related Party	Directors	Key management Personnel (KMP)	Total
Remuneration paid	-	35.12	35.12
Expenses for receiving services from	1.91	-	1.91

Related parties are in accordance with IND AS-24 Related Party Disclosures

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



Devesh Sachdev
Managing Director and CEO

Place: Gurugram
Date: October 27, 2021