

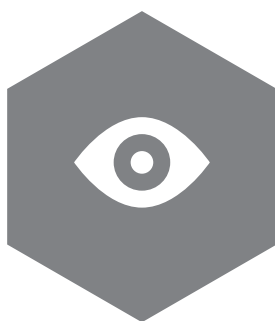
Fusion Microfinance Private Limited

serving
more



Annual Report 2016/17

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FORWARD-LOOKING STATEMENTS

This document contains statements about expected future events and financial and operating results of Fusion Microfinance Private Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the Fusion Microfinance Private Limited Annual Report 2016-17.



As the world transitions
from the Millennium
Development Goals
to Sustainable
Development Goals
– which aim to end
poverty and hunger and
promote sustainable
development – the rural
masses hold key.





This is more pertinent for India. For hinterlands in India consist of about 650,000 villages. These villages are inhabited by about 850 million consumers making up for about 70% of her population and contributing around half of the country's GDP.

Years of market-oriented reforms and impressive strides made by high-end sectors have led to adulatory portrayals of India at home and abroad as an economic juggernaut.

Despite this recognition, the positives of this economic resurgence are yet to extend to the hundreds of millions who form the grassroots of the world's second most populous nation.

At Fusion, we recognise this widening gap. We remain focused on addressing the lacunae. We continue to strengthen our nation-building service at the bottom of India's societal pyramid.

serving more

...by going
places



miles to go!

New states in which we established a presence have 46.75 mn households that currently are below the poverty line.

India is a large nation accounting for 2.4% of the global landmass and ~18% of the world's population.

At Fusion, we realised that our presence in only four states of 29 was akin to a drop in the ocean. We determined to make a meaningful difference to a large proportion of our fellow Indians. With this mindset, we expanded our service coverage over a larger landmass.

In 2015-16, we set foot in five new states; in 2016-17, we entered an additional three... taking our footprint across 12 contiguous states.

111

Jobs created by establishing 111 branches in new states (7 states)

733,562

Fellow Indian's, hitherto considered high-risk loanees, now transformed into credit-worthy Fusion customers it is Inclusive of BC+MFI only

350,778

Households whose livelihoods could improve owing to ₹722.74 crore disbursements in these new locations

16,154

Villages that now possess one more transparent funding option than the traditional informal fund provider

Our widening presence improved our business performance. Disbursements increased by 235% between 2014-15 and 2016-17; revenue grew by 265.94% over the same period.

serving more

...by being
better



Heartening reward.

We received an award at the Business World Digital India Summit 2017 for Best Usage of ICT in Rural Development.

In India, there are 46 microfinance players (MFIN member NBFC-MFI), majority of whom operate in our locales.

At Fusion, we gauged that being one among the crowd would not help. We needed to be a step ahead – we needed to serve better to serve more. With this intent, we leveraged technology to transform customer happiness to customer delight.

In 2016-17, we launched our cash-less disbursement solution... truly taking the 'Digital India' initiative to the nation's grassroots.

130,122

Hours of training to customers to align to this new solution ... strengthening financial literacy and banking techniques of rural Indian

38,708

Bank accounts opened for customers...accelerating India's financial inclusion drive bottom-up in 2016-17

83.47

Cash-less disbursement transactions (in ₹ crore) in 2016-17... saluting the nation's clarion call for emerging as a less-cash economy

We are satisfied with the heartening success of this initiative. More than 30% of our disbursements in Q4/2016-17 were cash-less against our estimated goal of 14%.

serving more

...by caring
more



In the rural Indian's mind, large distances breeds anxiety, especially when business extends from a one-off transaction into a 24-month relation.

At Fusion, we understand that the rural Indian continues to be hounded by his past – of being taken advantage of due to his innocence and lack of knowledge. We focused on breaking this mindset by moving closer to our customer even as we widened our presence.

We created a dedicated customer grievance cell – a call centre managed by 4 members... making it possible for our customers to reach us at their will. In 2016-17, we invested in a software solution that makes it possible to connect with customers whose calls were missed by our members - strengthening our service quotient.

270

Investment (man-hours) in setting up a customer grievance cell (upto March 31, 2017)

2,776

Customers who have already availed this facility in 2016-17

83%

Average calls answered daily in March 2017... even as the system is undergoing trials

When fully commissioned, we are hopeful to be present (Virtually) as the next door neighbour to each of our 733,562 lakhs customers residing in 28,959 village in 12 states strengthening their peace of mind.

Fusion Microfinance: Among the top 10 pure play microfinance companies in India.

Fusion Microfinance is a registered NBFC-MFI which operates in a Joint Liability Group lending model of Grameen. Established in 2010, the Company focuses on reaching out to unbanked and providing financial services to women entrepreneurs – 100% of its client comprise women living in rural and semi-urban areas. The Company's responsibilities extend beyond financial support to educating clients on financial literacy.

Headquartered in New Delhi, the Company's operations are spread across 12 Indian states and managed by an experience and enthusiastic team of 2,191 members with an average age of 27 years.



VISION



MISSION

Fusion microfinance has a social vision and business orientation aims to provide underprivileged women with economic opportunities to transform the quality of their lives.

A self-sustainable financial institution which leverages the distribution network to channel other products and services.



OUR PURPOSE

Financially main-streaming Indian women

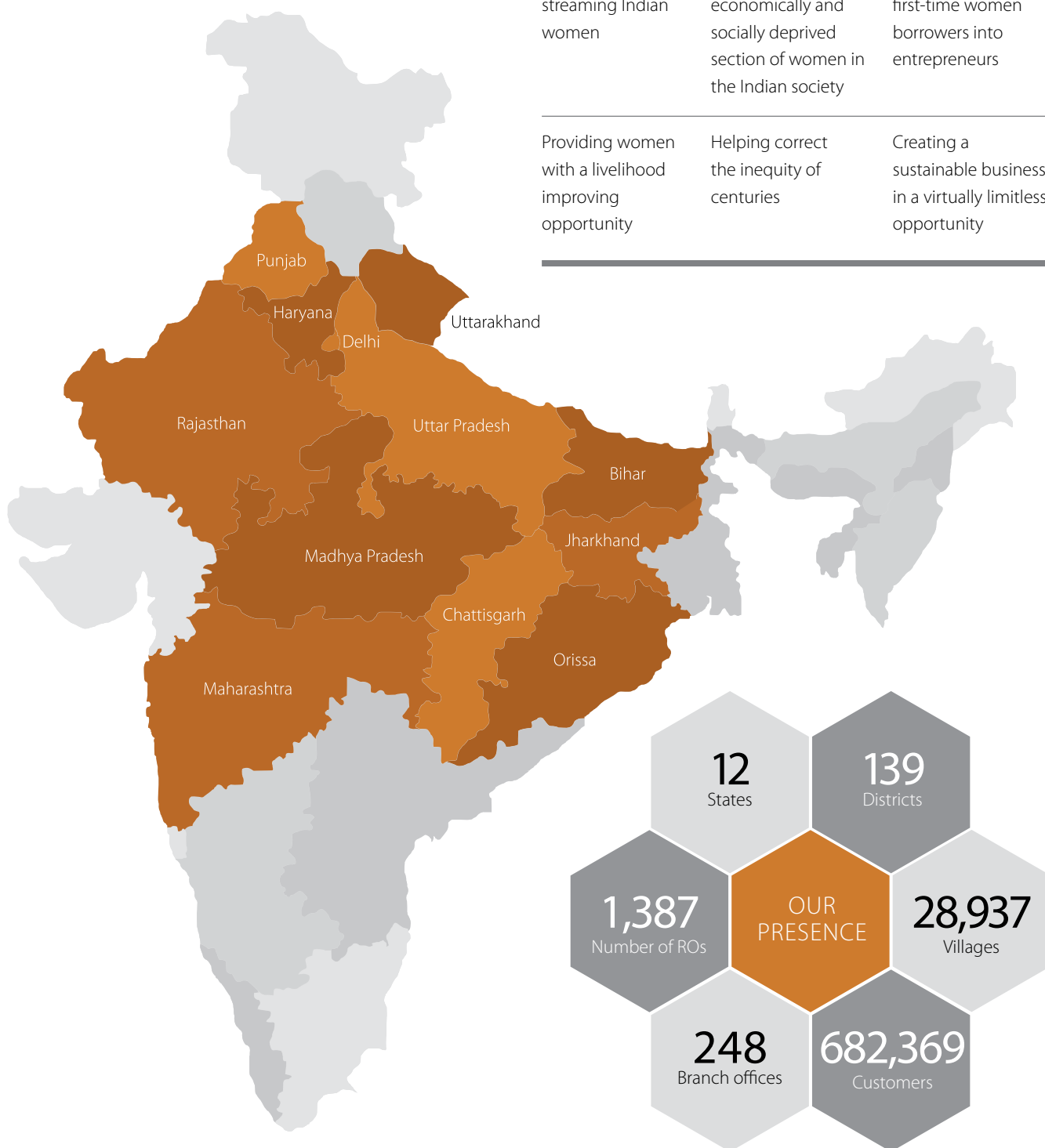
Reaching out to economically and socially deprived section of women in the Indian society

Helping turn first-time women borrowers into entrepreneurs

Providing women with a livelihood improving opportunity

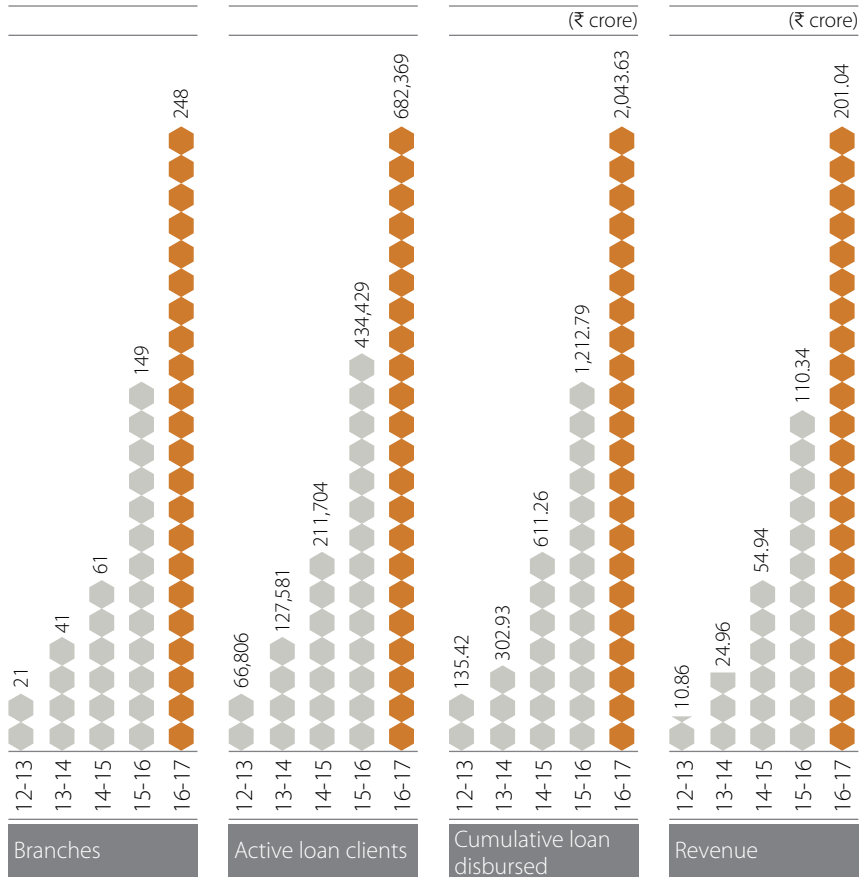
Helping correct the inequity of centuries

Creating a sustainable business in a virtually limitless opportunity

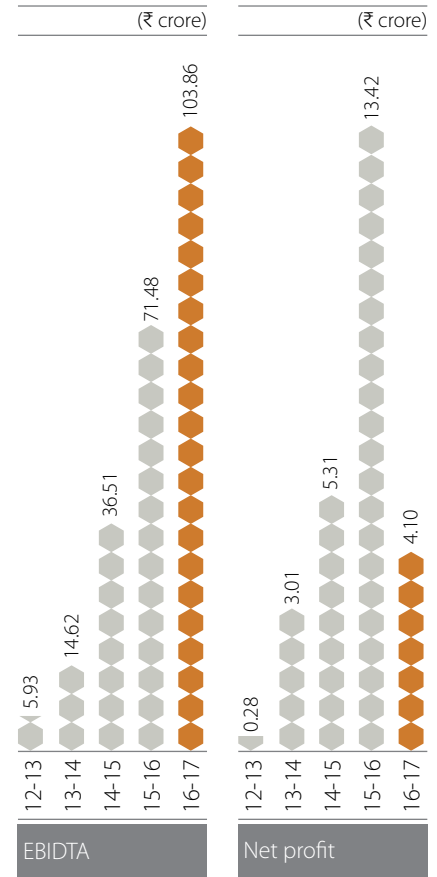


Our progress

Business growth



Profit and profitability



...
and where we
stand today

Business operations

2,043.63

Cumulative disbursement,
March 31, 2017 (₹ crore)

830.84

Disbursement, 2016-17
(₹ crore)

770.84*

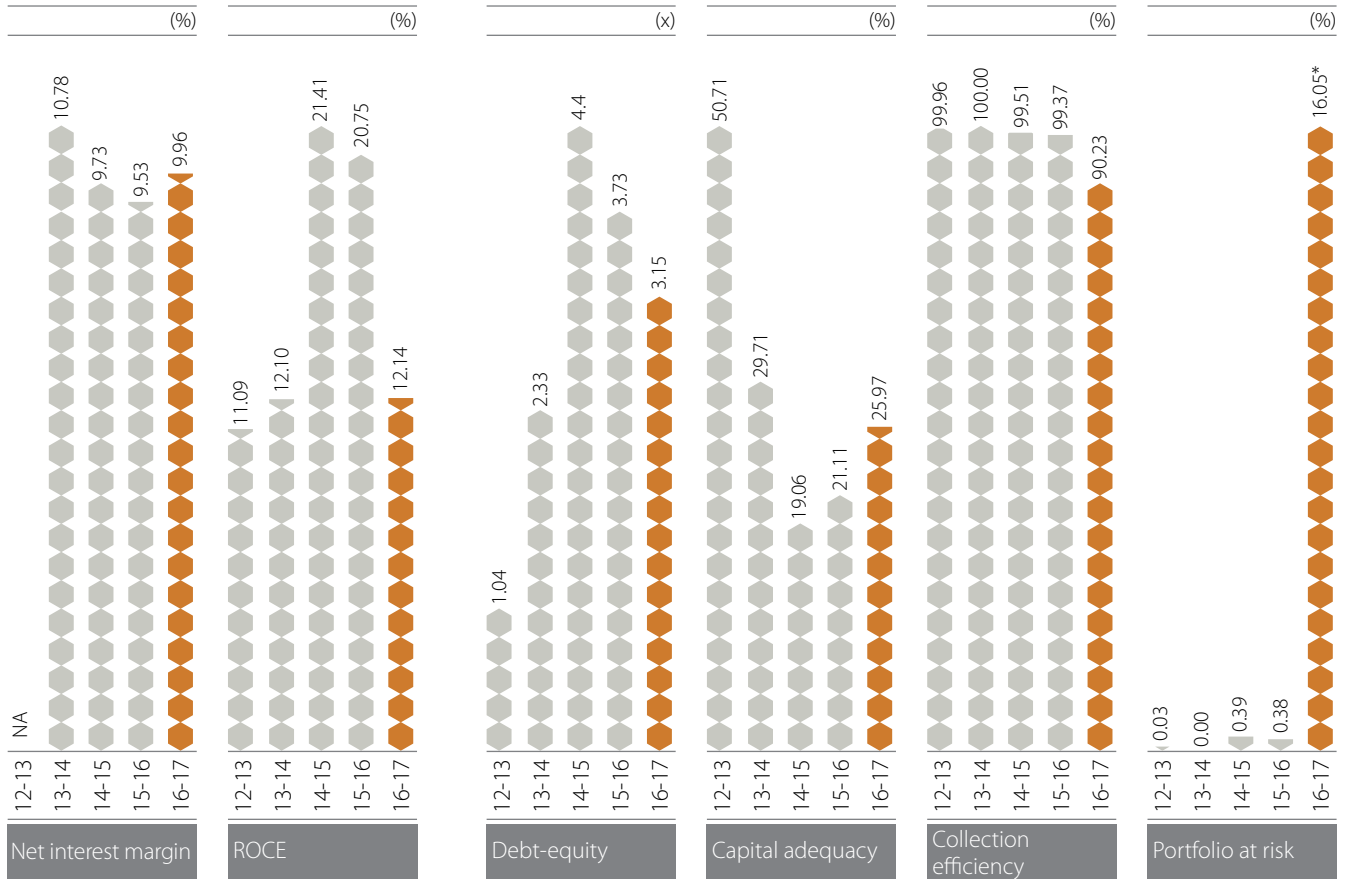
Gross Loan Portfolio,
March 31, 2017 (₹ crore)

201.04

Revenue from operations,
2016-17 (₹ crore)

*Asset Under Management at ₹827 crore as on March 31, 2017

Business safety



Note: While calculating the Debt Equity Ratio, Sub Ordinate Debt is included in Equity/ Shareholders Fund.

* with RBI dispensation

Solvency & Liquidity

222.53

Networth, March 31, 2017
(₹ crore)

25.97

Capital adequacy ratio,
2016-17 (%)

730.05

Drawdowns, March 31, 2017
(₹ crore)

190.21

Cash and cash equivalents,
2016-17 (₹ crore)

Efficiency

14.13

Effective cost of borrowing
2016-17 (%)

70.62

Cost to income ratio,
2016-17 (%)

92.37

Collection efficiency,
2016-17 (%)

9.96

Net interest margin,
2016-17 (%)

"The current fiscal promises to be even more exciting as we have set challenging goals ahead of us."



Dear friends,

Business is all about managing uncertainties. While most of the unknown can be managed, some events leave a mark for they put the organisation to test. Fiscal 2016-17 was one such period where certain events tested the robustness of our business model and the resilience of the organisation.

It gives me great pleasure to mention that we were able to tide over this period and registered a heartening performance. This was primarily due to the painstaking efforts of our passionate and spirited team, the effectiveness of our de-risking strategies, our customer centric approach, our quality portfolio and our ability to communicate transparently which nurtured greater stakeholder trust and confidence in the Company – this I believe will be the bedrock of sustained growth over the coming years.

From an intangible perspective, fiscal 2016-17 was very enriching as it made us more knowledgeable

- **One**, we realised the intrinsic value of deep customer engagement
- **Two**, we learnt the inherent strength of institutionalising a governance discipline which has given a quality portfolio
- **Three**, we recognised the need to embrace new technologies that will facilitate in serving our customers better.

● **Four**, we appreciated the important of explaining the finer nuances of our business space and of government announcement to decision-influencers in our areas of operation

With these learning in place we have now set our eyes on newer horizon that promise to better the lives of all our stakeholders. But before I move to that, I would take the opportunity to highlights some of the important catalyst that contributed to our satisfying growth.

Spreading wide as we delve deep

In 2016-17, we expanded our footprint into Maharashtra, Punjab and Orissa even as we entrenched our presence in existing states. We opened 47 new branches which helped us cover 4,978 more villages and positively touch the lives of 75031 households.

And even as we spread wider, we focused on strengthening organisational liquidity to cater to the needs of our increased client base. In 2016-17, we garnered ₹892.05 crore through a prudent mix of private equity and debt. Interestingly, it was the largest private equity funding for Fusion in a single year – a commendable achievement which provides an external vindication to the robustness of our business model and the relevance of our business strategies.

Being better

Given the evident headroom in our business space, we understand that we needed to become better - to serve more. For this, we created a business excellence cell being headed by a Lean Six Sigma expert. The team identified business critical processes with the aim of transforming conventional systems into technology-driven solutions that will enable us to provide superior service with greater accuracy.

Understanding our customer

In keeping with our 'being better' philosophy, we analysed circumstances why an otherwise content village-residing Indian would borrow additional money even while repaying an existing loan. Our

analysis zeroed down to two realities– 1) to meet an emergency and 2) to capitalise on an interesting livelihood improvement opportunity. We customised new products to service these requirements for our creditworthy customers. The initial response provides the promise for strengthening customer loyalty to the Fusion brand – we hope to actively promote these products across our regional footprint.

Infusing energy

In the words of Richard Branson, "...take care of your employees and they'll take care of your business." This is increasingly relevant in our business which is entirely people centric. And very true for us... for it is our people, at all levels, whose painstaking efforts have facilitated in Fusion's stellar performance to emerge among the top 10 pure-play microfinance companies in India in less than a decade of operations. In 2016-17, we made significant tangible and intangible investments in our people towards uplifting their intellectual capital and their passion towards their job. These initiatives have infused considerable energy and enthusiasm in the team. And happy employees, in our business, are catalysts for sustained business growth. I am confident that these measures will go a long way in strengthening their connect with the Fusion brand.

Dawn of a new era

Even as India maintained its 7%-plus economic growth for the 3rd successive fiscal, an increasing number of Indian households submerged in the darkness of poverty. Even as India's per capita income crossed the six-figure mark, an increasing chunk of Indian families could not muster two meals a day. And even as a select urban Indians continued to prosper, an increasing proportion of rural Indians continued to combat the whirlpool of despair.

Given this reality, it becomes imperative to reach out wider and deeper at the bottom of India's societal structure to transform India's laggards into an important resource

for economic resurgence. And despite this growing need, the microfinance sector shrunk – one player has transformed into a full-fledged bank, while eight others at the threshold of becoming small finance banks. This then means, that the role of pure-play microfinance players has become even more critical – we need to serve more, even as we need to serve better. This then is the new mantra at Fusion Microfinance.

In keeping with sectoral environment, at Fusion, we are making a disruptive change – for the better. We are complementing the brick and mortar with click and convenience, when speed will walk alongside accuracy, where we will move closer to our customers even as we expand our geographic footprint across the Indian landmass, where we will not provide customers technology literacy in addition to financial literacy – it's the dawn of a new era.

Cash-less operations: Having made a healthy beginning with a cashless disbursement solution, we have focused our energies to develop and rollout a cashless collection solution.

Disbursement cycle time: We are working on developing a technology-driven solution which promises to reduce the disbursement cycle time significantly.

Digital branches: Having successfully opened our first digital branch, a technology-driven outfit where disbursements and collections are cashless and documentation and document management (KYC) is in the soft form, we remain committed to open many more such branches in the current year.

Even as the opportunity canvas widens over the coming years, our passion to become a better, faster, and more efficient will facilitate in sustaining profitable growth. In doing so, we hope to deliver superior value to all our stakeholders.

Warm regards

Devesh Sachdev

A fellow shareholder

Touching lives

Improving livelihood

Case study 1



Nilofer

Guna, Madhya Pradesh

Life had been difficult when the earning were just enough to manage daily food for our family of four and a dilapidated roof over us. Then, thinking of a decent future for our children was only a distant dream.

One day, I heard about Fusion Microfinance. That they provide loans to women like me. Although I was scared, I approached them. They patiently heard my plight and my idea for doing something for the family. They encouraged me to go ahead. And I took my first loan. I bought a sewing machine. In sometime my venture started giving healthy returns – I could pay off my debt and contribute to the house. Our lives improved.

Emboldened, I took the second loan from as well for expanding my venture. Since then, I have not looked back. My venture has grown bigger. We are happy. My children are getting education. More importantly, we sleep in peace.

Case study 2



Kiran

Bhopal, Madhya Pradesh

Parents always seek to better the lives of their children – a truth which has remained unchanged over generations. But for us it seems like impossible. For our earning were just enough to keep the home fires burning for that day. Education and schooling for two children was unimaginable.

Then one day I was introduced to this person from Fusion. A sahookar, and I shrieked. For this meant being in debt for generations to come. And I listened no further. Later I was explained how they were different. How they has improved lives in the village. Apprehension gave way to aspiration. I took my first loan – much to the dislike of my family – and started a soft toy making venture.

It was a new beginning for me. My venture took off. I took three loans from them. My earnings improved to ₹8,000 per month. We moved to a pucca house. My shop has become bigger. I employ women from the village. And my children have started going to school. Fusion transformed the unimaginable into a reality.

Case study 3



Maya

Haridwar, Uttarakhand

One bread winner for a family of seven. The monthly household earning of ₹12,000 introduced a new member in our family – anxiety.

We realised that our sanity and survival was at stake. I decided to take up the challenge. I learnt of Fusion from others in my village. I took my first loan. With it I bought a buffalo. More than increasing earnings, the asset made some family members productive. Moreover, it gave me the confidence to take a second loan. I took loans for the next three cycles, increased the number of buffaloes to five. Earnings grew. Anxiety gave way to peace and happiness. My respect in the family and among friends increased.

Case study 4



Sunita

Modinagar, Uttar Pradesh

It was very painful to feed five mouths and educate three children with the meagre earnings from our thread reel pipe making venture.

It was even more agonising to pass off growth opportunities in our business due to paucity of funds. Despair and desperation drove me to borrow. I took a ₹15,000 loan from Fusion for furthering by business. And 13 months hence... my earnings have increased 60% - from ₹5,000 per month to ₹8,000. We are not worried of sustaining our children's education any more.

75% of rural India survives on ₹33 per day

Poverty is an important issue in India, despite having emerged as the fastest growing economy in the world. As per data released by SECC, Rural India accounted for 73% households in India. As many as 833 million Indians, or 69% of the population, live in rural areas.

- 75% of rural households (about 133.5 mn families) in India have a monthly income of less than ₹5,000. ₹5,000 per month per household with an average household size of five would also mean an income of ₹33 per person per day in the rural areas
- Almost 90% of households have incomes of less than ₹10,000 per month
- 51% of households make a living from manual labour,
- 28% (over 50 million) of households do not have mobile phones or any form of communication
- A little less than half of the houses in rural India are kuccha (not solid). Having a pucca (permanent) house is an indicator of a higher standard of living.





Women in rural India

A report by the charity Oxfam, titled *An Economy for the 99%*, said more than 40% of 400 million women living in rural India—a third of India's 1.2 billion population—work in agriculture. And according to official data, women make up more than a third of India's agriculture workforce, yet only about 13% of farmland is owned by women.

The rural Indian woman, though has seen socio economic developments, but still isn't completely emancipated from stigmas and social hierarchical boundaries. Yes, it would be wrong to generalise every rural area of India under the same uni-colour umbrella. But in general, these can be found in different shades, throughout rural India.

Interesting, gender roles in tradition-bound rural India are slowly changing with women having to take control as large numbers of working-age men migrate to cities for jobs and amid a wave of suicides by male farmers battling to provide for their families.

Acknowledging the growing role women play in India's key agricultural sector, state governments, farming groups, and private industry are starting to train women to lead farms, teaching them about crops, irrigation, and finance.

Repeated studies show that when women control the family's finances, they invest more in their children, businesses and communities, which can be a step out of poverty. In keeping with this reality, rural women have attained centre stage as catalysts for economic development and meaningful contributors to India's economic resurgence.

Between 1990 and 2005, the percentage of working-age Indian women in the workforce rose from 35% to 37%. In the last decade, however, the country has reversed course, with female labour participation declining to just 27% by 2014. That's tied for 16th-lowest in the world.

More recently significant efforts, by the Government and the private sector, are being made to increase rural women's participation in the Indian workforce.

Rural internet literacy is a case in point. Google India and Tata Trusts have launched the internet saathi" (or partner) initiative, a campaign launched to address what is perhaps the biggest gender disparity in India: the fact that only 2% of internet users in rural India are women. This initiative has made considerable progress in bringing India's rural women online. Upto now, over 1.2 million women have benefited from the programme, spread across 40,000 villages. The final mission is to reach 300,000 villages.

Microfinance is also playing a significant role in empowering women to emerge as livelihood drivers in addition to being homemakers by providing financial literacy, funding their dream ventures and hand-holding them to transform their start-ups into sustained livelihood drivers.

India's Female Labour Force Participation (FLFP) rate has remained visibly low and the International Labour Organisation ranks India's FLFP rate at 121 out of 131 countries in 2013, one of the lowest in the world. India had the lowest FLFP rate in South Asia, with the exception of Pakistan.

Indian microfinance sector

Micro-finance is an effective way of alleviating poverty. The microfinance industry in India came into existence as early as the 1980's with the formation of self-help groups, in response to the unequal distribution of formal credit sources for the low income population. The aim was to provide small loans to individuals who lacked access to formal banking services.

Post the 2010 reforms, NBFC-MFIs have played a significant role in bridging the gap between formal financial institutions and the rural poor. At the same time it has forwarded the financial inclusion agenda of

the Government of India.

The industry has used market oriented solutions which encourage self-reliance and entrepreneurship amongst its clients.

Furthermore a refined model of micro-credit delivery has been evolved lately, that emphasises the combined delivery of financial services along with technical assistance.

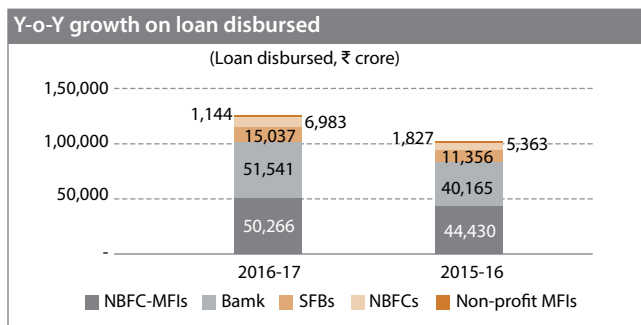
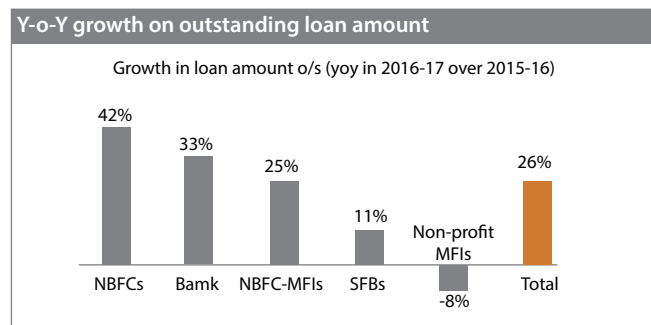
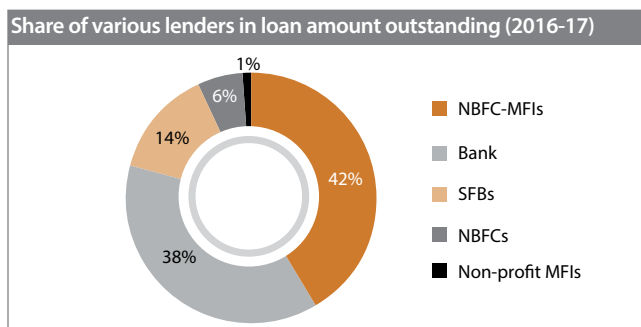
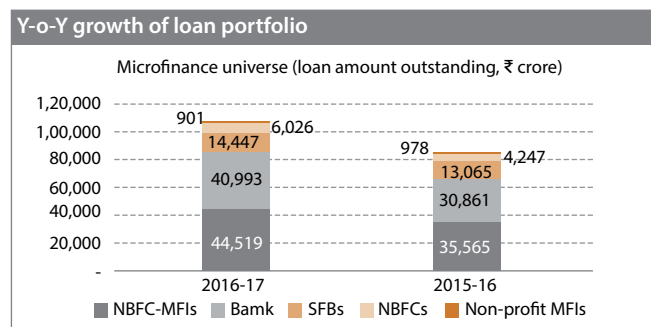
Performance in 2016-17

As of 31st March 2017, the Indian microfinance industry's total loan portfolio (that is the outstanding loan amount) stood at ₹1,06,916 crore, which reflected a growth of ~ 26% over the last fiscal. It is estimated that this gross loan portfolio number roughly represents > 90% of the total industry portfolio excluding Self Help Groups. However, this progression is still < 25% of the demand across India indicating future growth potential.

With > 45 million end clients at its disposal, including private Joint Liability Groups and public Self Help Groups, the micro-finance industry employs > 120,000 people across 10,000 branches in 28 states of India and has become a key force for financial inclusion in the country today. The main reasons for this growth of microfinance have been adaptability to change, resilience in the face of challenges and an ability to maintain high repayment

rates of ~ 99.5%. The USPs of the sector is microloans, door step delivery and frequent repayments.

Presently in the Indian microfinance industry NBFC-MFIs hold a significant share and are regulated by the RBI. As on January 2017, there were 71 NBFC-MFIs registered with the RBI. As of 31st Mar 2017, NBFC-MFIs provided microcredit to around 2.75 crore clients, an increase of 30% over 2015-16.



(Source: MFIN, MicroMeter, March 2017)

Performance snapshot

Indicator	2016-17	2015-16	Y-o-y change (%)
Branches	9,012	6,867	31
Employees	86,440	58,038	49
Clients~ (crore)	2.75	2.12	30
Loan accounts (crore)	3.07	2.48	24
Gross loan portfolio (₹ crore)	46,847	37,469	25
Loans disbursed (crore)	2.83	2.49	13
Loan amount disbursed (₹ crore)	50,266	44,324	13

(Source: MFIN, MicroMeter, March 2017)

Growth drivers for the microfinance industry

Under-penetration: Despite the robust growth in the past, the microfinance industry penetration is just a shade higher than 50% market penetration. Growing awareness and acceptability of microfinance is expected to drive the growth of this industry over the coming years.

Growing urban markets: With rising urban population, urban poverty is also on the rise. Unreleased data from the first urban Socio Economic and Caste Census (SECC), tabulated as per criteria laid down by the erstwhile Planning Commission's expert Hashim committee, shows that roughly 35% of urban Indian households live below poverty line (BPL). This amounts to 22 million households of the total 63 million

households surveyed in 4,041 statutory cities and towns across the country

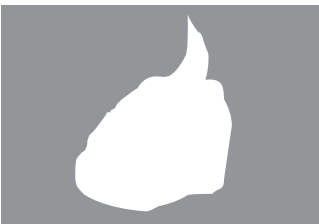
Growing demand for higher loans: For many MFIs, their first set of clients are now into their 5th to 9th loan cycles, thus these clients with a long standing credit history with MFIs are attractive targets for higher loans.

Business performance

Uttar Pradesh	
Branches: 62 Clients: 177,034 Disbursements: ₹193.77 crore Gross loan value: ₹192.98 crore	Business in 2016-17 - Strengthened presence in East UP - Customer acquisition remained a challenge - Erratic statements made by some decision influencers impacted business
	

Madhya Pradesh	
Branches: 40 Clients: 110,084 Disbursements: ₹96.53 crore Gross loan value: ₹106.54 crore	Business in 2016-17 - Closed branches in areas where client migration intensified due to drought and flood - Adopted a conservative approach in loan disbursement based on historical behavioral pattern of the area and repayment capacity of individual
	

Uttarakhand	
Branches: 13 Clients: 49,678 Disbursements: ₹48.37 crore Gross loan value: ₹55.01 crore	Business in 2016-17 - Opened new branches for establishing a stronger presence - Balanced disbursements between existing areas and new locations - Erratic statements made by some decision influencers impacted business
	

Delhi	
Branches: 2 Clients: 1,536 Disbursements: ₹3.90 crore Gross loan value: ₹2.91 crore	Business in 2016-17 Made inroads into the market with caution to secure quality assets
	

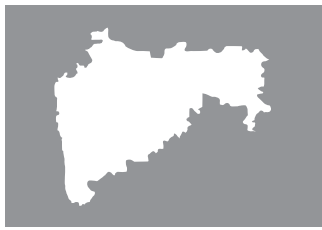
Punjab	
Branches: 11 Clients: 23,004 Disbursements: ₹53.56 crore Gross loan value: ₹40.32 crore	Business in 2016-17 - Identified backward areas in an state largely considered wealthy and prosperous - Opened branches in these areas; customer addition was heartening - Business growth remained healthy
	

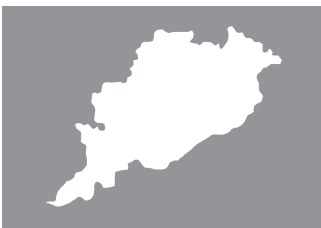
Haryana	
Branches: 20 Clients: 80,597 Disbursements: ₹102.781 crore Gross loan value: ₹93.52 crore	Business in 2016-17 - Opened branches in these areas; customer addition was heartening - Business growth remained healthy
	

Bihar	
Branches: 46 Clients: 145,254 Disbursements: ₹174.64 crore Gross loan value: ₹153.25 crore	Business in 2016-17 27 new branches opened
	

Jharkhand	
Branches: 14 Clients: 37,307 Disbursements: ₹43.55 crore Gross loan value: ₹37.15 crore	Business in 2016-17 4 new branches opened
	

Chhattisgarh	
Branches: 3 Clients: 5,231 Disbursements: ₹8.35 crore Gross loan value: ₹5.98 crore	Business in 2016-17 Established a presence with 3 branches
	

Maharashtra	
Branches: 8 Clients: 2,422 Disbursements: ₹4.85 crore Gross loan value: ₹4.06 crore	Business in 2016-17 - Established a presence with 8 branches - Customer acquisition and business generation was challenging
	

Orissa	
Branches: 28 Clients: 50,210 Disbursements: ₹100.51 crore Gross loan value: ₹79.11 crore	Business in 2016-17 Established a presence with 28 branches
	

Rajasthan	
Branches: 1 Clients: 12 Disbursements: ₹0.03 crore Gross loan value: ₹0.03 crore	Business in 2016-17 - Established a presence in this state with 1 branches - Utilised the resources of neighbouring states to strengthen presence in this new territory - Customer acquisition and business generation was healthy
	

Business driver

Customer acquisition

Relevance: Critical ingredient for business growth

Target customers: Under-privileged married women seeking to start an entrepreneurial venture or expanding an existing one.

Area identification: Due diligence of the area for business generation and sustainability across multiple parameters based on secondary data from government, police records, rural references and performance matrix of existing MFIs in the area.

Customer identification: Through village meetings where interested women (with all the necessary documents) are shortlisted and organised into groups.

Product: The loan amounts range from ₹12,000 to ₹35,000 across tenures ranging between one-and-a-half and two years.

Snapshot for 2016-17

13,719

New villages served

101

New branches opened

308,789

New customers added

Credit management

Relevance: Creating quality assets in a customer segment considered high-risk.

Credit filters: Institutionalised multiple, multi-layered checks (on the field, in the branch and head offices) ensuring that funds reach the deserving candidates. Credit filters include multiple level checking of documents, their cross referencing with government data, identity check of the applicant and their credit history.

IT intervention: Implementation of business critical IT solutions namely document management module, a comprehensive loan management module and a centralised processing solution facilitated in reducing the disbursement cycle time (time gap between application receipt and disbursement)

Snapshot for 2016-17

99.65

Proportion of applications cleared (%)

~2

Cycle time reduction (days)

23.11

Portfolio-at Risk >30 (%)



Collection management

Relevance: Ensures sustainability of business that operates in a risky environment (villages and other rural areas) where cash is the only medium of transaction.

De-risking: From a customer perspective, the Company operates on the Joint liability group model which assures repayment from every customer. The Company has taken adequate insurance cover for field officers to cover any incident of cash loss during transit between the field and branch.

Process: Advance intimation to customers of the date of collection and amount of repayment; collections are done in the morning and immediately banked.

Snapshot for 2016-17

818.93

Collection (₹ crore)

92.37

Collection efficiency (%)

466.57

Write-offs (₹ lakh)

Treasury management

This business critical function determines business sustainability and profitability.

The core function of this team is to source adequate low-cost funds in a timely manner which enables the Company to disburse funds to its customers. The other critical function managed by the team is of maintaining a balance between cash inflows and outflows (asset-liability management), ensuring adequate liquidity at all times. The third important function of the team is to minimise the cash float (time between cash collection from customers to deposition in banks) which ensures that every rupee in business is generating maximum returns.

In 2016-17, the team garnered ₹162 crore through private equity funding, the largest amount received in any single year over the previous decade. In addition, the team secured ₹730.05 crore to its debt portfolio as it added respectable names to our lender list. These fund raising successes have a larger ramification – it vindicates the accuracy of our business model, it adds a significant credibility watermark to our system, processes and strategies. In addition to securing funds, the team worked relentlessly on reducing its borrowing cost with considerable success.

Snapshot for 2016-17

938.10

Debt outstanding from banks and financial institutions (₹ crore)

~0.81%

Reduction in borrowing costs over the previous year

+0.43%

Increase in NIM (Net Interest Margin) over the previous year



Business enablers

Human capital

In this people-focused, people-centric business, managing people is business critical for sustenance. For in this high-emotion business space, people skills and passion make all the difference. In keeping with this reality, the Company implemented a number of measures to infuse energy into the team and build a cohesive bond between members which would facilitate in taking the Company into a new growth orbit.

Building knowledge capital

Fusion recognises the importance of continual professional development. For it realises that a knowledgeable and experienced workforce is the vital ingredient for satisfying the needs of internal and external customers. In keeping with this understanding, the Company remains committed to grow the knowledge capital of every individual of its team through important learning and development initiatives.

- Partnered with a leading HR expert in institutionalising a training calendar comprising courses on technical and soft skills for the entire team; created a culture of knowledge enhancement within the organisation
- Sent members of the senior management undergo leadership management programmes at global institutes of high repute (Harvard Business School)
- Sent a team of middle management members for strengthening their management and leadership skills at the IIM

Nurturing passion

Fusion understands the need to infuse energy and excitement at its workplace which goes a long way in breaking the monotony of the routine and strengthen people passion into their otherwise mundane day-to-day operations. For this, the Company introduced interesting schemes which involved a large section of its team

- Created a fun environment within the organisation by organising events on weekends for participation of the entire Fusion team – winners were rewarded
- Created a Reward and Recognition scheme for our branch and field members where improved performances were rewarded; star performers were invited to spend a day with the CEO and the senior management team

Fostering involvement

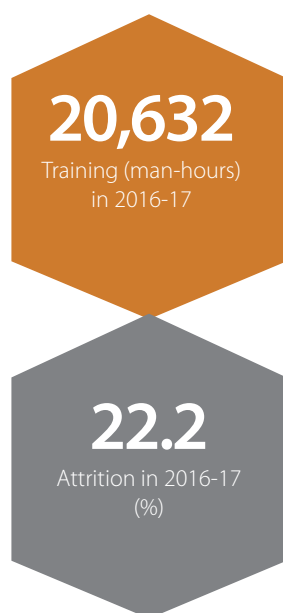
We initiated a cultural change by implementing Lean Six Sigma Methodology across the organisation which received an overwhelming response. In 2016-17, Business Excellence Vertical has delivered Six Sigma Projects and Lean Value Stories resulting in productivity enhancement and internal cost save in the first year of its inception. This culture of participation will become the new organisational DNA where incremental yet meaningful improvements will become a routine business reality, lifting the organisation into a new efficiency orbit over the coming years.

Being humane

Fusion appreciates that in a people-centric business environment, members are bound to have people issues and would like to seek clarifications on the same. For this, the Company created a dedicated toll-free helpline for its team where members could call for seeking clarifications or registering issues to be addressed; this cell managed about 300 calls every month

Going forward

Fusion will continue to focus on strengthening its training initiatives for its members at the head office and at its branches for enriching their technical and behavioral skills – enabling them to achieve higher levels of performance efficiency.



Information technology

For Fusion, information technology is a business critical imperative. For it binds the Company's dispersed operations into a cohesive unit, facilitates disciplined operations and speedy decision-making– strengthening the Company's efficiency and respect in its business space. The Company leverages ERP solutions for its business operation which is pivoted on the SAP platform –facilitating easy in data collation, decision making and MIS and data security. To strengthen its IT niche, the Company implemented important initiatives for aligning its business processes to dynamic sectoral and economic realities.

- Developed a loan management modules which facilitates in managing the Company's debt portfolio sourced from more than 25 lenders, it facilitates in accurate asset-liability matching and timely repayment of external obligations.
- Developed the document management system which aligned the disbursement cycle time to that which is prescribed by the RBI guideline – currently 168 DMS branches are covered under this system
- Developed a accounting solution which enabled accounting entries made at the branch to be updated in head office accounts real time – if made fund management and payout to branches timely and accurate; this system has been launched in few branches and will be rolled out in the current year.
- Developed a fund request modules through which branches request for funds from the head office for meeting disbursement needs and operational expenses; this module will facilitate in managing monitoring cash management, disbursement efficiency and idle cash in every branch.
- Optimised licensing costs for software by changing the operating platform

Further, the Company invested in a new server to accommodate the storage of larger volumes of data in keeping with expanding business operations.

Serving more... than just business

Forward-looking organisations define their personality through their contributions to the community. As a good corporate citizen, Fusion has been making enduring impact through its Corporate Social Responsibility programs that promote social and economic inclusion. The Company's social upliftment initiatives focus around health and education which facilitates in bettering lives and improving livelihood.

Education: Fusion conducted Digital Literacy Program for its clients and other people from the community to impart knowledge on cashless transaction, linking of Aadhar card to the branch, accessing account details digitally, digital payments and using debit/credit cards for transaction. The sessions were largely were interactive and practical which captured the attention of all participants. During the practical session participants were taught to link

their Aadhar card with their respective banks using their GSM or smart phones. About 2,000 people benefited from these digital literacy programs.

Health: Fusion conducted health camps for rural women and children at Deori and Itarsi, Madhya Pradesh to commemorate International Women's Day 2017 which was very well attended. Health of women and children were checked by reputed gynaecologists and general physicians from the area and the prescribed medicines were distributed free of cost.

In addition, Fusion continued to remain at the forefront of relief work to help communities in times of an emergency.

In April 2016, six houses met with a massive fire accident in Imalya village in Madhya Pradesh. Fusion stepped in to provide basic support like clothes and necessary food items to the families to cope with

this accident. In another such unfortunate disaster incident the Fusion team provided support to 20 families.

Fusion also contributed to World Wildlife Fund (WWF) for the ongoing biodiversity conservation work in the Harike wetland in Punjab for promoting environmental protection.



Fusion was awarded the 'Client Protection Certification' by The SMART CAMPAIGN for our proven commitment towards embedding client protection practices into the organisational culture and meeting strong standards of client care.

Managing business uncertainties

Growth risk

Is there enough scope for growth in India in the microfinance space?

Mitigation

In India, more than 70% of its people live in villages, with the majority being extremely poor. Of India's nearly 244 million households, more than 179 million are rural. At least 56% of those rural households do not own any land and depend on manual labour. Moreover, Nearly 107 million rural households are what the government terms as "deprived," meaning they either live in a single room made of mud and straw, have no earning adult male, or no literate adult member – hence have no steady source of income. Against this universe, microfinance has reached only 100 million of such households.

Measure

~41%

Penetration of microfinance in India

Competition risk

How is the Company geared to address the pressure of increasing competition?

Mitigation

Being a part of the microfinance industry for more than a decade, the Company has been able to create a position of respect in the states of its presence through its ethical practices, transparent operations and its ability to grow its client's financial understanding and business acumen. This has resulted in significant repeat and referral business. In addition, the Company is spreading its presence across a larger area – from 5 states in 2014-15 to 12 states in 2016-17. This widening footprint enables it to sustain its industry-beating performance.

Measure

32%

Business growth (5-year CAGR) beating the industry average

Quality risk

What is the Company's safeguard against deterioration in asset quality?

Mitigation

The Company is not focused on growth but on profitable and sustainable growth – hence asset quality is pivotal to client acquisition. The Company's strong credit filters and institutionalised processes – periodic monitoring of fund utilisation, regular interaction with loanees and efficient collection mechanism have facilitated in minimising delinquencies significantly. In addition, the Company's entrenched network in the geographies of its presence facilitates in unearthing migrant

Measure

0.38%*

Gross NPA
(March 31, 2017)

* With RBI dispensation

Fusion's integrated risk management approach, developed over its 7-year experience in the microfinance space, focuses on mitigating adverse impact of risks on business objectives. The Company's risk management framework comprises a combination of centrally issued policies and divisionally evolved procedures which are regularly reviewed for their alignment with sectoral dynamics and evolving trends.

Service risk How is the Company improving its service to its customers?	Mitigation In the microfinance space, quicker turnaround time (TAT) is critical to win customers' loyalty. The Company continues to reduce its TAT between receiving the customer's application and disbursement by leveraging IT solutions and altering business processes for faster processing. In doing so, the Company has reduced the turnaround time. Going forward, the Company is working on improving its distribution cycle time through a unique automation solution to be launched in the current year	Measure 11% Reduction in distribution cycle time over the previous year.
Cost risk What steps has the Company initiated to optimise cost of operations	Mitigation The Company's growing business volumes provides economies of scale and allows for better absorption of fixed costs. In addition, the Company is leveraging IT solutions of higher productivity and minimising operational costs. In addition, the Company's superior track record in terms of business efficiency has enabled it secure funds at an optimised costs.	Measure 24.12% Reduction in Overheads as a proportion of revenue in the last five years
Mass-appeal risk How is the Company dealing with flippant statements made by decision influencers?	Mitigation The senior management of the Company regularly engages with Government officials at all levels (Parliamentarians and at district and village levels) through its financial literacy programs, seminars and workshops – showcasing the criticality of microfinance in uplifting the lives of rural masses. This has facilitated in ensuring that decision influencers at all levels understand the important of microfinance and refrain from making erratic statements especially with regards to non-payment of loans. This connect has helped in sustaining collection efficiency across years.	Measure 90%-plus Collection efficiency maintained over the last three years

Our eminent Board



01



02



03



04



05



06



07



08



09

01

Devesh Sachdev

CEO & Director

The Company's Founder & CEO, Devesh Sachdev, an XLRI Post Graduate with 16 years of experience in the service industry prior to starting Fusion in 2009-10. He started his career with Citigroup in 1996. Amongst the diverse experiences, his expertise lies in building business, managing large teams in a cost efficient manner, strategy, key relationship management and handling all dimensions of the business. Under his leadership, Fusion has grown into one of the leading microfinance institutions and continues to expand its operations. He also sits on the Board of MFIN, a Self-Regulatory Organisation for NBFC-MFIs.

02

Aditya Bhandari

Nominee Director

Aditya joined the Board of Directors of Fusion Microfinance in May 2010 representing 'Rural Impulse Fund - North 2', Belgium. Aditya holds Board-level positions in several other leading MFIs in India. Aditya leads Incofin's investment portfolio in South Asia. He has over 13 years of experience in private equity, venture capital, investment banking and corporate finance. Aditya is a Chartered Accountant and has attended executive programme's at Harvard Business School and Indian School of Business.

03

Njord Andrewes

Nominee Director

Njord Andrewes is Investment Director in NMI AS. Prior to joining NMI, Mr. Andrewes was a Senior Equity Research Analyst at Lazard Capital Markets. Mr. Andrewes received an MBA in Finance from Kelley School of Business at Indiana University, and a B.A. in Economics from Hope College. Mr. Andrewes holds several Board or Director positions as well as a member of several advisory committees of financial inclusion funds.

04

Albert Hofsink*Nominee Director*

Albert holds a Bachelors in Accounting, and Honours degree in Accounting & Controlling as well as a Certificate in Theory of Accountancy from the University of South Africa. He has spent a large part of his career at Oikocredit, a global social investor investing capital in the microfinance sector as well as agricultural cooperatives and social enterprises managing wide ranging responsibilities ranging from Accounting, Treasury, Finance, Tax, Risk Management and IT. He has also served on the Boards of: HKL (a Cambodian MFI); Maanaveeya Development Finance India and other operating subsidiaries of Oikocredit. He is currently serving on the Boards of Fusion Microfinance (India), Musoni Microfinance (Kenya), Yalelo Limited (Zambia) and is on the advisory Board of the 4F Fund (Netherlands).

05

Anita Serrate*Nominee Director*

Ms. Anita Serrate is a forewoman with 15+ years of experience with bank, Non-bank financial institutions, MFIs at an international level. She has in depth knowledge of Credit Risk, Market Risk in Financial Institutions, Intensive Bank Analysis, Bank and Non- Bank Financial Institution Analysis and Basel II training. Currently she is working as an Investment Officer at BIO Invest SA, Belgium.

06

Ken Vander Weele*Nominee Director*

Mr Vander Weele has a PhD in international economics from Oxford University, and a BBA in Accounting from the University of Wisconsin. Ken is also a CPA. He is a co-founder and partner in Creation Investments Capital Management, LLC, a fund management company that manages several specialised private equity vehicles that invest in emerging market financial services companies serving poor clients. From 2000 until 2009 Mr Vander Weele served as the President of the Investment Services Division at Opportunity International, a major microfinance network. Mr. Vander Weele was responsible for the development and oversight of all commercial MFIs within the Opportunity Network, garnering over \$1 billion in assets during his tenure. During this period, Mr Vander Weele was involved in forming three microfinance banks in Eastern Europe. Mr Vander Weele was also a founder and the board chair of the Microfinance Centre for Eastern Europe from 1998 until 2006 and the Balkan Financial Sector Equity Fund from 2005 to 2011.

07

Javed Ahmad Siddiqui*Nominee Director*

Javed holds Bachelor of Engineering (Mechanical) from Aligarh Muslim University, Aligarh. He also did his Masters in Business Administration in

Marketing from AMU. He joined SIDBI in 1995 and held important positions in various departments like Business Development, HR and Administration. His prior prestigious postings include heading the Okhla, Ludhiana and now New Delhi branch of the bank.

08

Nitin Gupta*Independent Director*

Nitin received an MBA from IIM, Ahmedabad, a law degree from Bombay University, and an Economics Honours degree from St. Stephen's College, Delhi. Nitin is the Founder of Argus Partners, India's only professional firm which focuses exclusively on helping companies find great Independent Non-Executive Board Directors. He is a non-executive co-founder of Faircent, India's first and best known P2P lending company. He is a Board Director at Loyty Rewardz, India's #1 cards loyalty management company, which was funded by Canaan Partners and Venture East and then acquired by Bill Desk.

09

Pradip Kumar Saha*Independent Director*

Mr. Saha was a Chief General Manager, Small Industries Development Bank of India (SIDBI) and senior development banker with more than 36 years of experience in development banking. During his long career in IDBI & SIDBI, he has handled various departments, some as Head of Department.

Board's Report

To
The Members,
M/s. Fusion Microfinance Pvt. Ltd.
H-1, C-Block, Community Centre, Naraina Vihar,
New Delhi-110028

We are delighted to present the 23rd Annual Report for financial year 2016-17. The Report is being presented along with the Audited Financial Statements of the Company for the financial year ended March 31, 2017.

1. Financial & Operational Summary or Highlights/Performance of the Company

(₹ in Lacs)

Particulars	FY March 31, 2017	FY March 31, 2016
Income		
Revenue from Operation	18,490.05	10,798.11
Other income	1,614.28	236.30
Total Income	20,104.33	11,034.41
Expenditure		
Employee Benefit Expense	4,831.85	2,580.65
Depreciation Expense	160.26	103.62
Finance Costs	9,743.86	4,815.34
Provision for Standard and Non-performing Assets	2,562.22	263.44
Other Expense	2,324.61	1,042.60
Total Expense	19,622.79	8,805.65
Profit before Prior Period Expenses	481.53	2,229.00
Less: Prior Period Expenses (Net of Income)		
Profit/(Loss) before tax	481.53	2,229.00
Current Tax	71.81	887.10
Profit After tax (PAT)	409.72	1,341.90
Add: Deferred Tax		
Profit/(Loss) after tax	409.72	1,341.90

Operational performance for the fiscal year 2016-17 is summarized in the following table:

Year ended March 31	FY March 31, 2017	FY March 31, 2016	Increase over % FY 2016
Number of Branches	249	150	66.00%
Number of Members	682,400	434,476	57.06%
Number of employees	2,152	1,399	56.61%
Number of States	12	9	33.33%
Amount Disbursed (₹ In Crore)	830.84	601.53	38.12%
Portfolio Outstanding (₹ In Crore)	771.16	591.20	30.44%

2. Dividend

Dividend on Equity Share Capital:

The 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 other than preference shares for the year ended 31st March 2017.

Dividend on Preference Share Capital:

Your Directors recommend a dividend at the rate of 9%, per annum (excluding Dividend Distribution Tax) on the preference shares held by SIDBI for the year ended 31st March 2017. The dividend, if declared, shall be paid to the shareholders within 30 days from the date of AGM as per the provisions of the Companies Act, 2013.

3. Transfer to General Reserve and Statutory Reserve

The Company has transferred an amount of ₹0.82 Crores to Statutory Reserve (₹2.68 Crores Previous year).

4. Grading and Credit Rating

CARE has graded the Company as **MFI 2+** (second highest grading on the eight-point scale) on August 05, 2016. CARE has assigned a '**CARE BBB+ Stable**' rating to Fusion for its Long-Term Bank Facilities of 300 crores and has assigned a rating of '**CARE BBB+ Stable**' for its Long Term Instruments- NCDs of ₹10 crore. ICRA has assigned rating of '**ICRA BBB (stable)**' on NCDs of outstanding amount to ₹353 Crore.

5. Capital Adequacy

The Capital Adequacy Ratio (CRAR) of the Company was 25.97% as of March 31, 2017 as against the minimum capital adequacy requirements of 15% by RBI.

6. Resource Mobilization

During the year under review, the Company has diversified its sources of funds and raised a sum of ₹730.05 Crore by way of short-term, long-term loans, non-convertible debentures ("NCDs") and from Subordinate Debt.

The net worth of the Company as on March 31, 2017 was ₹222.54 Crore and capital adequacy as on March 31, 2017 was 25.97% well in excess of the mandated 15.00%.

The Company's effective cost of borrowings reduced in FY 2016-17 as compared to FY 2015-16. This reduction was mainly driven by a sustained turnaround, capital raise, and diversification of sources of funding. Therefore, in line with the Company's policy of passing on the cost advantages accruing from economies of scale, operational efficiency and reduction in the cost of borrowing to its Borrowers, the Company reduced the rate of interest from 25.50% p.a. to 24.50%

p.a. for existing clients and 25.75% p.a. to 25.00% p.a. for new Clients.

7. Business Overview

During the FY 2017, the Company's total revenue and PAT were ₹201.04 Crore and ₹4.10 Crore respectively. As on March 31, 2017, the Company had 682,400 Borrower (including STVL) spread across 249 branches across 12 states and 139 Districts in India, with a gross loan portfolio of ₹771.16 Crores.

8. Demonetization Impact

- The Company has made additional provision of ₹231,252,823 over and above the normal provisioning of 1% on portfolio.
- The Company has also given disclosure of Specified Bank Notes (SBN) in the Audited financials.

9. Brief Description of the Company's Working During the Year/State of Company's Affair

The Company attained business performance by reaching out to 682,400 active loan clients as on March 31, 2017. The active loan clients grew from 434,476 as on March 31, 2016 to 682,400 as on March 31, 2017. The growth in active loan clients during the year was more than 57.06%.

The above was possible with excellent efforts of the Company's more than 2,152 employees as on March 31, 2017 (which was 1,399 as on March 31, 2016) through 249 branches. During the year under review, the Company opened 99 new branches.

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

10. Change in the nature of Business, If Any

There was no change in the nature of business during the year.

11. Directors and Key Managerial Personnel

Changes in the composition of the Board of Directors

- During the year Mr. Kenneth Dan Vander Weele was appointed as Nominee Director pursuant to Section 161 of the Companies Act, 2013 in the Extraordinary General Meeting held on August 12, 2016.
- Mr. Ashish Tewari has resigned from the post of Director & COO on August 12, 2016 due to pre-occupation.
- Mr. Javed Ahmad Siddiqui and Mr. Pradip Kumar Saha were re-appointed as a Nominee Director and Independent Director in the Extraordinary General Meeting held on May 11, 2016. A brief table is given below on the details of change in the Board:

S.No.	Name	Designation	Date of Appointment	Date of cessation
1.	Mr. Pradip Kumar Saha	Independent Director	Feb 12, 2016	Not applicable
2.	Mr. Javed Ahmad Siddiqui	Nominee Director	Feb 12, 2016	Not applicable
3.	Mr. Kenneth Dan Vander Weele	Nominee Director	August 12, 2016	Not applicable
4.	Mr. Ashish Tewari	Director & COO	December 4, 2009	August 12, 2016

Key Managerial Personnel

- Mr. Gaurav Maheshwari was appointed as Chief Financial Officer (CFO) of the Company pursuant to Section 203 of the Companies Act 2013 in the Board Meeting held on February 16, 2017.

Mr. Devesh Sachdev, Chief Executive Officer, Mr. Deepak Madaan, Company Secretary, and Mr. Gaurav Maheshwari, Chief Financial Officer of the Company are the Key Managerial Personnel ("KMP") of the Company.

12. Declaration by an Independent Director(s)

The Company has received necessary declarations of independence from each of its Independent Directors under section 149(7) of the Companies Act, 2013, that he/she meets the criteria of independent Director envisaged in section 149 (6) of the Companies Act, 2013.

13. Detail of Registrar and Share Transfer Agents

During the year the Company has changed its Registrar and Share Transfer Agents (RTA) and appointed M/s Link Intime India Private Limited as the Registrar and Share Transfer Agent of the Company.

14. Shifting of Registered Office of the Company

During the year the Company has shifted its registered office from C-3, Community Centre, Naraina Vihar, New Delhi – 110028 to H-1, C Block, Community Centre, Naraina Vihar, New Delhi – 110028 w.e.f 2nd January, 2017.

15. Number of Meetings of the Board

During the Financial Year 2016-17, the board met 6 (Six) times i.e. on May 11, 2016, July 05, 2016, August 12, 2016, August 31, 2016, November 11, 2016 and February 16, 2017. For further details kindly refer Corporate Governance Report, which forms part of this report.

16. Material Changes After the Balance Sheet Date (31st March 2017)

During the year, there is no material change in the nature of

business of the Company which have occurred subsequent to the close of the financial year of the Company to which the balance sheet relates and the date of the report.

17. Share Capital

Raising of Funds/ Infusion of Equity Capital

A. Issue of Equity Shares

- During the year, the Company has issued 735,530 equity shares to Mr. Devesh Sachdev, Director & CEO, pursuant to the shareholders' approval in General Meeting of the Company held on July 05, 2016 by way of special resolution.
- During the year, the Company has issued 9,916,000 equity shares to Foreign Investors i.e. Creation Investments Fusion, LLC, Global Financial Inclusion Fund, Belgian Investment Company for Developing Countries SA ("BIO") and Oikocredit, Ecumenical Development Co-Operative Society U.A as per the shareholder's Agreement dated July 25, 2016.

B. Issue of Shares Under ESOP

During the year, the Company has issued 85,141 equity shares to Fusion Employees Benefit Trust pursuant to the Shareholders approval in the General Meeting held on July 05, 2016 by way of special resolution.

C. Conversion of Compulsorily Convertible Debentures (CCD)

During the year, the Company has converted ₹424,000,000 Compulsorily Convertible Debentures (CCDs) into 5,300,000 equity shares at conversion price of ₹80 on May 11, 2016 which were mandatorily convertible on or before June, 2016, and the said CCD are exempted and does not fall under deposits.

D. Non Convertible Debentures

In the last FY, company has issued Non-convertible Debentures on private placement basis aggregating to ₹264.7 crore. Details of the Non-Convertible Debentures issued to the allottees in respective meetings are mentioned below:

S. No	Date of allotment	Name of Allottees	No. of NCD	Price per NCD (₹)	Status
1.	June 02, 2016	Pettelaar Effectenbewaardbedrijf N.V. (TJ)	526	1,000,000	Listed
2.	June 28, 2016	AAV Sarl-Symboitic II	601	1,000,000	Listed
3.	August 31, 2016	Blue Orchard Microfinance Fund	470	1,000,000	Listed
4.	September 15, 2016	UTI International Wealth Creator 4	550	1,000,000	Listed
5.	March 15, 2017	IFMR FIMPACT Long Term Credit Fund	500	1,000,000	Unlisted

18. Redemption of Non-Convertible Debentures (NCDs) During the FY 2016-17

Following Non-convertible Debentures were redeemed: -

S. No	Particulars	Date of allotment	No. of NCD	Amount (in crore)	Debentures Redeemed as on March 31, 2017
1.	Hinduja Leyland Finance Limited	July 30, 2014	88	8.8	July 28, 2016
2.	Mahindra & Mahindra Finance	September 16, 2014	75	7.5	September 16, 2016
3.	Ratnakar Bank Limited	July 31, 2014	100	10	January 28, 2017
4.	Hinduja Leyland Finance Limited	December 02, 2014	140	14	December 02, 2016

19. Issue of shares under Employee Stock Option Scheme

The Company has a stock option plan under ESOP Scheme 2014 and 2016 for its employees. As on March 31, 2017, the following stock option grants were in operation:

Particulars	Details
Number of options granted during the year	341,900
Number of options vested during the year	74,178
Number of options exercised during the year	17,750
Total number of shares arising out as a result of exercise of option during the year	17,750
Options lapsed during the year	-
Exercise price	20.55/27.08/37.99
Variation in terms of options	-
Money realized by exercise of options	480,670
Total number of options in force	581,006

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%

Employee-wise detail of the options granted to:-

• To Key Managerial Personnel During the Year

Name of Key Managerial Personnel	Designation	Options granted	Exercise Price
Mr. Gaurav Maheshwari (FY 2016-17)	Chief Financial Officer	70,270	37.99
Mr. Deepak Madaan (FY 2015-16)	Company Secretary	41,000	27.08

- Any employee who receives a grant of option in any one year of option amounting to 5% or more of options granted during that year

IN THE FINANCIAL YEAR 2015-16

Name of the Employee	No. of options granted
Mr. Gourav Sirohi	43,000
Mr. Md. Hossain	38,000
Mr. Himanshu Dutt	28,000
Mr. Sandeep Kumar Sharma	28,000
Mr. Deepak Madaan	41,000

IN THE FINANCIAL YEAR 2016-17

Mr. Ankush Ahluwalia	72,970
Mr. Satish Mani	67,570
Mr. Praveen Kumar	36,530
Mr. Gaurav Maheshwari	70,270

- Employees who were granted options during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant: NIL

20. Directors' Responsibility Statement

Pursuant to Section 134(3)(c) of the Companies Act 2013, the Directors of the Company hereby state and confirm that:

- In the preparation of the annual financial statements for the year ended March 31, 2017, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
- 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 at the end of the financial year and of the profits of the Company for that period;

- 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.

21. Auditors

I. Statutory Auditors:

The Statutory Auditors of the Company, M/s. B S R & Associates LLP, Chartered Accounts, Hyderabad (vide Registration No.: 116231W/W-100024), were appointed in the Annual General Meeting of the Company held on September 29, 2015 as Statutory Auditors of the Company to hold office for a term of five years until the conclusion of the Annual General Meeting to be held in 2020, subject to the ratification of such appointment by the shareholders of the Company at every consecutive Annual General Meeting. The Auditors have confirmed their eligibility for appointment in the financial year 2017-18, if their appointment is ratified in the ensuing Annual General Meeting.

Your Directors recommend the ratification of the appointment of M/s B S R & Associates LLP, Chartered Accountants as the Statutory Auditors of the Company for the financial year 2017-18.

II. 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 2016-17 as required under Section 204 of the Companies Act, 2013 and the Rules made there under. The Secretarial Audit Report for FY 2016-17 is attached as "ANNEXURE 1".

22. Explanations or Comments by the Board on every Qualification, Reservation or Adverse Remark or Disclaimer Made

I. Statutory Auditor's report / Secretarial Audit Report

The report from both the auditors contains no qualification/reservations in the said report, on the annual financial statements for the financial year 2016-17.

23. Conservation of Energy & Technology Absorption and Foreign Exchange Earnings

and Outgo in the manner as Prescribed in Rule 8(3) of the Companies (Accounts) Rules, 2014

Conservation of energy and technology absorption

Since the Company does not own any manufacturing facility, the particulars relating to conservation of energy and technology absorption are not applicable.

The Foreign Exchange earnings and outgo

The Company neither had any foreign exchange earnings nor any such outgo during the year under review.

24. Details of Significant and Material Orders Passed by the Regulators or Courts or Tribunals Impacting the Going Concern Status and Company's Operations in Future

There are no significant and material orders passed by the Regulators or Courts or Tribunals which would impact the going concern status and the Company's future operations.

25. Extract of Annual Return

Pursuant to the Section 92(3) of the Companies Act, 2013 extract of the annual Return is attached as "ANNEXURE-2".

26. Committees Details

The Company has 7 committees which govern and oversee different areas of the Company's operations ensuring regular guidance and monitoring. These committees are:

Name of the Committee	Name of the Members of the Committee
Audit Committee	1. Mr. Nitin Gupta 2. Mr. Pradip Kumar Saha 3. Mr. Albert Hofsink
Nomination & Remuneration Committee	1. Mr. Nitin Gupta 2. Ms. Anita Serrate 3. Mr. Aditya Bhandari
Asset Liability Management Committee	1. Mr. Devesh Sachdev 2. Mr. Aditya Bhandari 3. Mr. Gaurav Maheshwari
Board Risk Management Committee	1. Mr. Devesh Sachdev 2. Mr. Pradip Kumar Saha 3. Mr. Njord Andrewes
Corporate Social Responsibility Committee	1. Mr. Devesh Sachdev 2. Mr. Pradip Kumar Saha 3. Ms. Anita Serrate
Executive Committee	1. Mr. Devesh Sachdev 2. Mr. Aditya Bhandari
Debenture Allotment Committee	1. Mr. Devesh Sachdev 2. Mr. Aditya Bhandari



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

27. Internal Financial Controls

In pursuant to the Section 134(5) (e) of the Companies Act, 2013, the Board has properly laid down its internal financial controls and has ensured that the controls are not only adequate but are also operating effectively. The Company is following an effective internal control system commensurate with its size and operations. 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.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, audit of internal financial controls and the reviews performed by management, the risk management and audit committee of the board, the board is of the opinion that the Company's internal financial controls were adequate and effective during the FY 2016-17.

28. Related Party Transactions

All transactions entered into with related parties as defined in the Companies Act 2013 during the year under review were in the ordinary course of business and at an arm's length pricing basis and do not attract the provisions of Section 188 of the Companies Act 2013.

Details of the related party transactions, which are exempted according to a proviso to Section 188 of the Companies Act 2013, during the Financial Year 2016-2017 are disclosed in the financial statements

29. Particulars of Contracts or Arrangements with Related Parties

During the year under review, the Company did not enter into any transactions that cover under related party as specified in sub-section (1) of section 188 of the Companies Act, 2013. The details in the Form AOC-2 is attached as "ANNEXURE 3".

30. Deposits

The Company had not accepted any public deposits during the year within the meaning of Non-Banking Financial Companies

Acceptance of Public Deposits (Reserve Bank) Directions 1998.

31. Details of Subsidiary/Joint Ventures/Associate Companies

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

32. Particulars of Loans, Guarantees or Investments

During the year under review the Company has not given any loan or guarantee to any person or any other Body corporate u/s 186 of the Companies Act, 2013.

33. Details of Establishment of Vigil Mechanism for Directors and Employees

Your 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 behaviour and living Corporate Values. The Code of Conduct applies to all Fusion's People, including Directors, Officers, and all employees of the Company.

34. Sexual Harassment

The Company is in compliance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and has a Prevention of Sexual Harassment Policy in place. The Directors further state that during the year under review, there was no case filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

35. Managerial Remuneration

Details of the remuneration as required to be provided pursuant to Section 197(12) of Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014 is annexed as "ANNEXURE 4".

36. Risk Management

Fusion's Risk Management Committee consists of well experienced Directors from diverse background who bring in the best risk practices to the organization. The Board Risk Management Committee, which meets every quarter, comprises of three Directors including an Independent Director. The Committee reviews the Risk Management framework of the Company and verifies adherence to various risk parameters and compliances. The Company's Risk Management strategy is based on clear understanding of various risks, disciplined risk assessment and continuous monitoring. The Risk Management Committee reviews various risks with which the

organization is exposed including Credit Risk, Interest Rate Risk, Liquidity Risk and Operational Risk.

37. Corporate Governance

Corporate Governance is about commitment to values and about ethical business conduct. It stems from the culture and mindset of a management. Measures of Corporate Governance emanate not only from Regulation, but also because managements now clearly understand that good and transparent governance is the cornerstone on which lasting values can be created. Your company strives for excellence with the objective of enhancing shareholders' value and protecting the interest of stakeholders. At Fusion, we ensure the practice of the Principles of Good Corporate Governance on which management decisions are based on a set of principles influenced by the values. All functions of the Company are discharged in a professionally sound, competent and transparent manner.

A detailed report on the Company's commitment at adopting good Corporate Governance Practices is enclosed in "ANNEXURE 5".

38. Corporate Social Responsibility

During the fiscal year 2016-17, the Company made a total deployment of ₹973,259 into CSR activities and the balance amount of ₹1,983,352 (inclusive of balance for FY 2015-16) shall be carried forward to FY 2017-18.

Following are activities in which contribution were made by the Company in the FY 2016-17:

- Digital Literacy Programs
- Health Camps
- Construction of Toilet
- Donation to WWF for Bio Diversity Conservation work in Harike Wetland, Punjab
- Sponsorship to Deaf Cricket Society

The Company was unable to contribute the allocated amount i.e. ₹1,983,352 (balance amount) during the FY 2016-17 into CSR activities due to demonetization and unavailability of appropriate activities.

The initiatives undertaken by the Company on CSR activities are mentioned in "ANNEXURE 6" of the Board's Report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. For other details regarding the CSR Committee, please refer to the Corporate Governance Report, which forms part of the Board's Report.

39. 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.

40. Listing

During the year, the Company has issued Non-Convertible Debentures, and the said debentures were listed on Bombay Stock Exchange. The listing fees to the Stock Exchange for the financial year 2017-18 has been paid.

Acknowledgements

The Board wishes to place on record its sincere appreciation for the continued assistance, support and co-operation extended to the Company by the Customers, Banks, Financial Institutions, Investors, Government Authorities and Employees during the year under review and look forward to their continued support in the future.

By order of the Board of Directors
For Fusion Microfinance Private Limited

SD/-
Devesh Sachdev
Director & CEO
DIN: 02547111

SD/-
Aditya Bhandari
Director
DIN: 03062463

Place: New Delhi
Dated: May 30, 2017

ANNEXURE - 1

SECRETARIAL AUDIT REPORT for the financial year ended on March 31, 2017

To,
The Members,
Fusion Microfinance 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 the adherence to good corporate practices by Fusion Microfinance 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 authorised 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, 2017 ('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, 2017 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, 1992;
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; **Not Applicable**
- (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; **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** and
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

(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. However, the Company has yet to appoint one more Independent Director. 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.

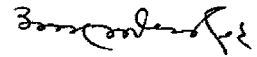
As per the minutes duly recorded and signed, the decisions of the Board were unanimous and no dissenting view was found therein.

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 5,300,000 (Fifty Three Lakh) equity shares having a face value of ₹10.00 (Rupees Ten only) on conversion of 16,960,000 compulsorily convertible debentures of face value of ₹25.00
- (ii) Issue and allotment of 10,651,530 (One Crore Six Lakh Fifty One Thousand Five Hundred and Thirty) equity shares having a face value of ₹10.00 (Rupees Ten only) on preferential basis.
- (iii) Issue and allotment of 85,141 (Eighty Five Thousand One Hundred Forty One) equity shares having a face value of ₹10.00 (Rupees Ten only) on preferential basis
- (iv) Issue and allotment of a total of 2,147 (Two Thousand One Hundred Forty Seven) listed Secured Redeemable Non-Convertible Debentures of ₹1,000,000.00 each
- (v) Issue and allotment of a total of 500 (Five Hundred) unlisted Secured Redeemable Non-Convertible Debentures of ₹1,000,000.00 each in form of Subordinate Debt.



(Alok Chandra Singh)

Place: Ghaziabad

Date: 30-05-2017

FCS No. 7970, C.P.No.: 8976

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.



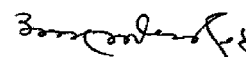
ANNEXURE - A

To,
The Members,
Fusion Microfinance 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. Where ever required, we have obtained 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.

Place: Ghaziabad
Date: 30-05-2017



(Alok Chandra Singh)

FCS No. 7970, C.P.No.: 8976

ANNEXURE - 2

Form No. MGT 9

EXTRACT OF ANNUAL RETURN

as on financial year ended on 31.03.2017

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1)
of the Company (Management & Administration) Rules, 2014.**I Registration & Other Details:**

i	CIN	U74899DL1994PTC061287
ii	Registration Date	05 September 1994
iii	Name of the Company	Fusion Microfinance Private Limited
iv	Category/Sub-category of the Company	Private Company NBFC-MFI
v	Address of the Registered office & contact details	H-1, C-Block, Community Centre, Naraina Vihar, New Delhi-110028
vi	Whether listed company	YES, Equity shares are not listed. However, NCDs of the Company are listed on BSE.
vii	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Link Intime India Pvt. Ltd. C-13, Pannalal Silk Mills Compound, LBS Marg Bhandup (West), Mumbai - 400078 Tel. No. : +91 22 25946970 Fax No. : +91 22 25946969 E-mail : rnt.helpdesk@linkintime.co.in

II Principal Business Activities of the Company

All the business activities contributing 10% or more of the total turnover of the Company shall be stated

SI No	Name & Description of main products/services	NIC Code of the Product /service	% to total turnover of the Company
1	Microfinance and Related Activities	64990	100.00%
2			
3			
4			

III Particulars of Holding, Subsidiary & Associate Companies

SI No	Name & Address of the Company	CIN/GLN	Holding/Subsidiary/ Associate	% of Shares Held	Applicable Section
1	NA	NA	NA	NA	NA
2					
3					

IV. Shareholding Pattern (Equity Share capital Break up as % to total Equity)

(i)

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2016]				No. of Shares held at the end of the year [As on 31-March-2017]				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	-	25,02,925	25,02,925	13.08%	-	21,04,742	21,04,742	5.98%	-7.10%
b) Central Govt. or State Govt.	-	-	-	-	-	-	-	-	-
c) Bodies Corporates	-	-	-	-	-	-	-	-	-
d) Bank/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
Sub Total: (A) (1)	-	25,02,925	25,02,925	13.08%	-	21,04,742	21,04,742	5.98%	-7.10%
(2) Foreign									
a) NRI - Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other...	-	-	-	-	-	-	-	-	-
Sub Total (A) (2)	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoter (A) = (A) (1)+(A)(2)	-	25,02,925	25,02,925	13.08%	-	21,04,742	21,04,742	5.98%	-7.10%
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	-	-	-	-	-	-	-	-	-
c) Central govt	-	-	-	-	-	-	-	-	-
d) State Govt.	-	-	-	-	-	-	-	-	-
e) Venture Capital Fund	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIS	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
SUB TOTAL (B)(1):	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2016]				No. of Shares held at the end of the year [As on 31-March-2017]				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2) Non Institutions									
a) Bodies corporates	-	-	-	-	-	-	-	-	-
i) Indian	-	1,51,250	1,51,250	0.79%	-	-	-	0.00%	-0.79%
ii) Overseas	-	1,35,49,758	1,35,49,758	70.80%	1,35,46,635	1,83,74,598	3,19,21,233	90.75%	19.95%
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto ₹1 lakhs	-	-	-	-	-	-	-	-	-
ii) Individuals shareholders holding nominal share capital in excess of ₹1 lakhs	-	10,88,750	10,88,750	5.69%	2,12,830	-	2,12,830	0.61%	-5.08%
c) Others (Employees/ Trust)	-	18,45,363	18,45,363	9.64%	-	9,35,912	9,35,912	2.66%	-6.98%
SUB TOTAL (B)(2):	-	1,66,35,121	1,66,35,121	86.92%	1,37,59,465	1,93,10,510	3,30,69,975	94.02%	7.10%
Total Public Shareholding (B) = (B) (1) + (B) (2)		1,66,35,121	1,66,35,121	86.92%	1,37,59,465	1,93,10,510	3,30,69,975	94.02%	7.10%
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	-	1,91,38,046	1,91,38,046	100.00%	1,37,59,465	2,14,15,252	3,51,74,717	100.00%	-

(ii) SHARE HOLDING OF PROMOTERS

Sl No.	Shareholders Name	Shareholding at the beginning of the year April 1 st 2016			Shareholding at the end of the year March 31 st 2017			% change in share holding during the year
		No of shares	% of total shares of the Company	% of shares pledged encumbered to total shares	No of shares	% of total shares of the Company	% of shares pledged encumbered to total shares	
1	Devesh Sachdev	10,69,212	5.59%	-	18,04,742	5.31%	-	-0.28%
2	Ashish Tewari*	7,07,613	3.70%	-	2,12,830	0.61%	-	-3.09%
3	Payal Mittal Tewari**	2,56,100	1.34%	-	-	0.00%	-	-1.34%
4	Mini Sachdev	3,00,000	1.57%	-	3,00,000	0.85%	-	-0.72%
5	Ashish Tewari HUF**	45,000	0.24%	-	-	0.00%	-	-0.24%
6	R S L Tewari HUF**	65,000	0.34%	-	-	0.00%	-	-0.34%
7	Aruna Tewari**	60,000	0.31%	-	-	0.00%	-	-0.31%
	Total	25,02,925	13.09%	-	23,17,572	6.77%	-	-6.32%

*Mr. Ashish Tewari has resigned from the post of promoter and director on August 12, 2016.

**Ms. Payal Mittal Tewari, Ms. Aruna Tewari, RSL Tewari HUF & Ashish Tewari HUF resigned from promoter group on August 12, 2016.

(iii) CHANGE IN PROMOTERS' SHAREHOLDING (Specify if there is no change)

Sl. No.	Change in Promoters' Shareholding	Share holding at the beginning of the year		Cumulative Share holding during the year	
		No. of Shares	% of total shares of the Company	No of shares	% of total shares of the Company
	DEVESH SACHDEV				
	At the beginning of the year	10,69,212	5.58%	10,69,212	3.04%
	Allotment on 05/07/2016	7,35,530	2.09%	18,04,742	5.13%
	At the end of the year	18,04,742	5.13%	18,04,742	5.13%
	ASHISH TEWARI*				
	At the beginning of the year	7,07,613	3.69%	7,07,613	2.01%
	Transferred on 12/08/2016	-4,94,783	1.40%	2,12,830	0.60%
	At the end of the year	2,12,830	0.60%	2,12,830	0.60%
	PAYAL MITTAL TEWARI**				
	At the beginning of the year	2,56,100	1.33%	2,56,100	0.72%
	purchase on 05/07/2016	9,94,592	2.82%	12,50,692	3.55%
	Transferred on 12/08/2016	-12,50,692	3.55%	-	0.00%
	At the end of the year	-	0.00%	-	0.00%
	ASHISH TEWARI HUF**				
	At the beginning of the year	45,000	0.23%	45,000	0.12%
	Transferred on 12/08/2016	-45,000	0.12%	-	0.00%
	At the end of the year	-	0.00%	-	0.00%
	RSL TEWARI HUF**				
	At the beginning of the year	65,000	0.33%	65,000	0.18%
	Transferred on 12/08/2016	-65,000	0.18%	-	0.00%
	At the end of the year	-	0.00%	-	0.00%
	ARUNA TEWARI**				
	At the beginning of the year	60,000	0.31%	60,000	0.17%
	Transfer on 12/08/2016	-16,167	0.04%	43833	0.12%
	Transfer on 23/09/2016	-43,833	0.12%	-	0.00%
	At the end of the year	-	0.00%	-	0.00%

*Mr. Ashish Tewari has resigned from the post of promoter and director on August 12, 2016.

**Ms. Payal Mittal Tewari, Ms. Aruna Tewari, RSL Tewari HUF & Ashish Tewari HUF resigned from promoter group on August 12, 2016.

(iv) SHAREHOLDING PATTERN OF TOP TEN SHAREHOLDERS (other than Directors, Promoters & Holders of GDRs & ADRs)

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the end of the year		Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)		Cumulative Shareholding during the year		
		No. of shares at the beginning of the year (01/04/2016)/end of the year 31/03/2017	% of total shares of the Company	Date	Increase/ Decrease in Shareholding	Reason	No. of Shares	% of total shares of the Company
1	Creation Investments Fusion LLC	-	0.00%	01.04.2016	-	-	-	-
				12.08.2016	37,00,000	Allotment	37,00,000	10.52%
				12.08.2016	61,22,664	Transferred	98,22,664	17.41%
				23.09.2016	43,833	Transferred	98,66,497	-
		98,66,497	28.05%	31.03.2017	-	-	98,66,497	28.05%

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the end of the year		Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/ bonus/sweat equity etc)		Cumulative Shareholding during the year		
		No. of shares at the beginning of the year (01/04/2016)/end of the year 31/03/2017	% of total shares of the Company	Date	Increase/ Decrease in Shareholding	Reason	No. of Shares	% of total shares of the Company
2	Belgian Investment Company For Developing Countries SA	10,04,920	5.25%	01.04.2016	10,04,920			-
				11.05.2016	26,50,000	CCD conversion into equity	36,54,920	10.39%
				12.08.2016	14,80,000	Allotment	51,34,920	14.59%
		51,34,920	14.59%	31.03.2017	-	-	51,34,920	14.59%
3	Oikocredit Ecumenical Development Cooperative Society U.A	10,04,920	5.25%	01.04.2016	-	-	-	-
				11.05.2016	26,50,000	Allotment	36,54,920	10.39%
				12.08.2016	14,06,000	Allotment	50,60,920	14.38%
		50,60,920	14.38%	31.03.2017	-	-	50,60,920	14.38%
4	NMI Frontier Fund	48,48,758	25.34%	01.04.2016	-	-	-	
		48,48,758	13.78%	31.03.2017	-	-	48,48,758	13.78%
5	RIF North 2 (Incofin)	66,91,160	34.96%	01.04.2016				
				12.08.2016	-30,11,022	Transferred	36,80,138	10.46%
		36,80,138	10.46%	31.03.2017	-	-	36,80,138	10.46%
6	Global Financial Inclusion Fund	0	0.00%	01.04.2016	-	-	-	-
				12.08.2016	33,30,000	Allotment	33,30,000	9.47%
		33,30,000	9.47%	31.03.2017	-	-	33,30,000	9.47%
7	Fusion Employee Benefit Trust	18,45,363	9.64%	01.04.2016	-	-	-	-
				05.07.2016	-9,94,592	sale of shares	8,50,771	2.41%
				05.07.2016	85,141	Allotment	9,35,912	2.66%
				29.03.2017	-17,750	Transferred to employees	9,53,662	2.61%
		9,18,162	2.61%	31.03.2017	-	-	9,18,162	2.61%
8	Ashish Tewari	7,07,613	3.69%	01.04.2016	-	-	-	-
				12.08.2016	-4,94,783	Transferred	2,12,830	0.60%
		2,12,830	0.60%	31.03.2017	-	-	2,12,830	0.60%
9	Gourav Sirohi	0	0.00%	01.04.2016	-	-	-	
		10,750	0.03%	29.03.2017	10,750	Stock options exercised by employees	10,750	0.03%
		10,750	0.03%	31.03.2017	-	-	10,750	0.03%
10	Sandeep Kumar Sharma	0	0.00%	01.04.2016	-	-	-	
		7,000	0.02%	29.03.2017	10,750	Stock options exercised by employees	7,000	0.02%
		7,000	0.02%	31.03.2017	-	-	7,000	0.02%

(v) Shareholding of Directors & KMP

SI No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No of shares	% of total shares of the Company	% of shares pledged encumbered to total shares	No of shares	% of total shares of the Company	% of shares pledged encumbered to total shares	
1	Devesh Sachdev	10,69,212	5.59%	-	18,04,742	5.13%	-	0.46%
2	Aditya Bhandari	-	-	-	-	-	-	-
3	Nitin Gupta	-	-	-	-	-	-	-
4	Njord Andrewes	-	-	-	-	-	-	-
5	Pradip Kumar Saha	-	-	-	-	-	-	-
6	Anita Alcira Serrate Cortez	-	-	-	-	-	-	-
7	Albert Hofsink	-	-	-	-	-	-	-
8	Javed Ahmad Siddiqui	-	-	-	-	-	-	-
9	Kenneth Dan Vander Weele	-	-	-	-	-	-	-
10	Deepak Madaan	-	-	-	-	-	-	-
11	Gaurav Maheshwari	-	-	-	-	-	-	-

V. Indebtedness

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	4,56,19,14,331	7,00,00,000	-	4,63,19,14,331
ii) Interest due but not paid	3,43,750	-	-	3,43,750
iii) Interest accrued but not due	5,32,14,336	6,24,247	-	5,38,38,583
Total (i+ii+iii)	4,61,54,72,417	7,06,24,247	-	4,68,60,96,664
Change in Indebtedness during the financial year				
Additions	6,69,70,00,000	60,34,50,000	-	7,30,04,50,000
Reduction	-2,55,13,31,374	-	-	-2,55,13,31,374
Net Change	4,14,56,68,626	60,34,50,000	-	4,74,91,18,626
Indebtedness at the end of the financial year				
i) Principal Amount	8,70,75,82,957	67,34,50,000	-	9,38,10,32,957
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	13,52,26,774	-	-	13,52,26,774
Total (i+ii+iii)	8,84,28,09,731	67,34,50,000	-	9,51,62,59,731

VI. Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole time director and/or Manager:

Sl. No	Particulars of Remuneration	Mr. Devesh Sachdev DIN- 02547111 (Director & CEO)	*Mr. Ashish Tewari DIN- 02812549 (Director & COO)	Total Amount
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax 1961.	1,99,97,200	2,01,33,328	4,01,30,528
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-
2	Stock option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	as % of profit	-	-	-
	others (specify)	-	-	-
5	Others, please specify	-	-	-
	Total (A)	1,99,97,200	2,01,33,328	4,01,30,528
	Ceiling as per the Act	-		N/A

*Mr. Ashish Tewari resigned w.e.f August 12, 2016

B. Remuneration to other directors:

Sl. No	Particulars of Remuneration	Mr. Pradip Kumar Saha DIN- 02947368	Mr. Njord Andrewes DIN- 06520457	Mr. Aditya Bhandari DIN- 03062463	Mr. Nitin Gupta DIN- 03316274	Ms. Anita Alcira Serrate Cortez DIN- 07216795	Mr. Albert Hofsink DIN- 02422809	Mr. Javed Ahmad Siddiqui DIN- 07288484	Mr. Kenneth Dan Vander Weele DIN- 02545813	Total Amount
1	Independent Directors									
	(a) Fee for attending board committee meetings	3,50,000	-	-	3,10,000	-	-	-	-	6,60,000
	(b) Commission	-	-	-	-	-	-	-	-	-
	(c) Others, please specify	-	-	-	-	-	-	-	-	-
	Total (1)	3,50,000	-	-	3,10,000	-	-	-	-	6,60,000
2	Other Non Executive Directors									
	(a) Fee for attending board committee meetings	-	-	-	-	-	-	-	-	
	(b) Commission	-	-	-	-	-	-	-	-	-
	(c) Others, please specify.	-	-	-	-	-	-	-	-	-
	Total (2)	-	-	-	-	-	-	-	-	
	Total (B)=(1+2)	3,50,000	-	-	3,10,000	-	-	-	-	6,60,000
	Total Managerial Remuneration	3,50,000	-	-	3,10,000	-	-	-	-	-
	Overall Ceiling as per the Act.	-	-	-	-	-	-	-	-	N/A

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTB

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		Total
		Mr. Deepak Madaan Company	**Mr. Gaurav Maheshwari CFO	
1	Gross Salary			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	11,72,602	8,52,895	20,25,497
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-
2	*Stock Option			
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	as % of profit	-	-	-
	others, specify	-	-	-
5	Others, please specify	-	-	-
	Total	11,72,602	8,52,895	20,25,497

*During the Year 2016-17, 70,270 stock options were granted under ESOP Scheme 2016 to CFO

*During the Year 2015-16, 41000 stock options were granted under ESOP Scheme 2014 to Company Secretary

** Mr. Gaurav Maheshwari has joined as CFO w.e.f Feb 16, 2017

VII. Penalties/Punishment/Compounding of Offences

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/Compounding fees imposed	Authority (RD/NCLT/Court)	Appeal made if any (give details)
A. COMPANY					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. OTHER OFFICERS IN DEFAULT					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

ANNEXURE - 3

Form No. AOC -2

Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arms length transaction under third proviso thereto during the FY 2016-17.

1. Details of contracts or arrangements or transactions not at Arm's length basis during the FY 2016-17.

SL. No.	Particulars	Details
a)	Name (s) of the related party & nature of relationship	0
b)	Nature of contracts/arrangements/transaction	0
c)	Duration of the contracts/arrangements/transaction	0
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	0
e)	Justification for entering into such contracts or arrangements or transactions'	0
f)	Date of approval by the Board	0
g)	Amount paid as advances, if any	0
h)	Date on which the special resolution was passed in General meeting as required under first proviso to section 188	0

2. Details of contracts or arrangements or transactions at Arm's length basis during the FY 2016-17.

SL. No.	Particulars	Details
a)	Name (s) of the related party & nature of relationship	0
b)	Nature of contracts/arrangements/transaction	0
c)	Duration of the contracts/arrangements/transaction	0
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	0
e)	Justification for entering into such contracts or arrangements or transactions'	0
f)	Date of approval by the Board	0
g)	Amount paid as advances, if any	0
h)	Date on which the special resolution was passed in General meeting as required under first proviso to section 188	0

By order of the Board of Directors
For Fusion Microfinance Private Limited

SD/-
Devesh Sachdev
Director and CEO
DIN : 02547111

SD/-
Aditya Bhandari
Director
DIN : 03062463

Place: New Delhi
Dated: May 30, 2017

ANNEXURE - 4

Details of Managerial Remuneration as per Companies Act, 2013

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;	Director & CEO: 33:1
(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 : 21.74% Chief Financial Officer : 23.00% Company Secretary : 21.8%
(iii) the percentage increase in the median remuneration of employees in the financial year;	11.47%
(iv) the number of permanent employees on the rolls of company as on March 2017;	2,191
(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 11.19% and the average increase in the managerial remuneration was 21.74%
(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 (₹)	Date of Commencement of Employment	Age	Experience (In Years)	Last Employment Details
Devesh Sachdev	Chief Executive Officer	MBA	19,997,200*	01-Jan-2010	45	20	BSA Logistics Ltd.
Gaurav Maheshwari	Chief Financial Officer	CA, MBF	2,308,347	03-Feb-2016	38	13	Avantha Group
Ankush Ahluwalia	Vice President	MBE	2,296,692	03-Aug-2015	38	14	Magma Fincorp Ltd
Satish Mani	Vice President	B. Com	2,133,706	08-Apr-2015	45	23	GE Commercial Finance
Amal Govil	Vice President	BSc.	1,571,231	27-Jan-2015	45	19	Phillips India Ltd
Gourav Sirohi	Asst. Vice President	CA	1,486,318	08-Sep-2011	33	12	Grant Thornton LLP
Praveen Kumar	Asst. Vice President	MBA	1,476,155	29-Aug-2014	42	13	Arohan Financial Services Pvt. Ltd.
Rahul Jain	Asst. Vice President	BA	1,301,850	01-Dec-2009	32	12	Development Credit Bank
Deepak Madaan	Asst. Vice President	CS & LLB	1,172,602	01-June-2013	30	8	Almondz Capital and Management Services Ltd
Rohit Dhiman	Asst. Vice President	B. Com, PG Mass Comm.	675,221	19-Sep-2016	35	14	Met Life Insurance

*this figure denotes managerial remuneration inclusive of one-time payment of Rs. 10,140,950 and not part of annual salary

By order of the Board of Directors
For Fusion Microfinance Private Limited

SD/-
Devesh Sachdev
Director and CEO
DIN : 02547111

SD/-
Aditya Bhandari
Director
DIN : 03062463

Place: New Delhi
Dated: May 30, 2017

ANNEXURE - 5

Corporate Governance Report 2016-17

Company's Philosophy on Code of Governance

Corporate Governance is a code that sets the principles, systems, and practices through which the Board of Directors of the Company ensures transparency, fairness and accountability in the Company's relationship with all its stakeholders, viz. regulators, shareholders, creditors, government agencies, employees, among others. The code of governance is based on the principles of making all the necessary decisions and disclosures, accountability and responsibility towards various stakeholders, complying with all the applicable laws and a continuous commitment of conducting business in a transparent and ethical manner.

Your Company, practice a trustworthy, transparent, moral and ethical conduct, both internally and externally, and are committed towards maintaining the highest standards of Corporate Governance practices in the best interest of all its stakeholders

A detailed report on the Company's commitment at adopting good Corporate Governance Practices is enclosed.

Board of Directors ("Board")

Board of Directors play a pivotal role in ensuring that good corporate governance practices are followed within the Company. The Board of Directors oversees the functioning of the Company and that of its management; and ensures that every decision taken is in the best

interest of the stakeholders of the Company.

The Board while performing its fiduciary duties recognizes its responsibilities towards the shareholders and other stakeholders, to uphold the highest standards in all matters concerning the Company and for the purpose ensures proper delegation of appropriate authority to the senior officials of the Company for effective management of operations.

The Board monitors and approves the annual business plans & strategies and various policies of the Company. It also reviews the operational and financial performance of the Company. The Board ensures the integrity of financial reporting system, financial & internal control, risk management and compliance with the applicable laws. It also oversees the process of disclosure & communications made by the Company and ensures that a transparent nomination process to the Board of the Company is duly followed.

Composition of the Board

The Board of Directors of the Company has an optimum combination of Executive, Non-Executive (Nominee Director) and Independent Directors. The Board of your Company is headed by an Executive Director (designated as the CEO) and comprises of eight other Directors, out of which six are Non – Executive Directors including one Woman Director and Two are Independent Directors.

The composition of the Board and category of each Director in the Company as at March 31, 2017, is as follows:

Name	Nature of Directorship	DIN	No of Companies in which he/she is Director
Mr. Devesh Sachdev	Director & CEO	02547111	1
Mr. Aditya Bhandari	Nominee Director	03062463	2
Mr. Nitin Gupta	Independent Director	03316274	7
Mr. Njord Andrewes	Nominee Director	06520457	1
Ms. Anita Alcira Serrate Cortez	Nominee Director	07216795	-
Mr. Albert Hofsink	Nominee Director	02422809	-
*Mr. Pradip Kumar Saha	Independent Director	02947368	1
*Mr. Javed Ahmad Siddiqui	Nominee Director	07288484	2
**Mr. Kenneth Dan Vander Weele	Nominee Director	02545813	3

*Mr. Pradip Kumar Saha and Mr. Javed Ahmad Siddiqui were re-appointed as Independent Director and Nominee Director respectively with effect from May 11, 2016.

**Mr. Kenneth Dan Vander Weele was appointed as Nominee director with effect from August 12, 2016.

None of the Directors hold directorship in more than Ten Public Limited Companies or act as an Independent Director in more than Seven Listed Companies, none of the Directors acts as a member of more than Ten Committees or Chairman of more than Five Committees as on March 31, 2017 across all Public Limited Companies in which they are Directors.

None of the Non-Executive Directors held any equity shares or convertible instruments of the Company during the financial year ended March 31, 2017. None of the Directors had any relationships inter-se.

Resignation during the FY 2016-17

Mr. Ashish Tewari has resigned from the post of Director & Chief Operating Officer (COO) on August 12, 2016 due to personal reasons.

Board Meetings & Attendance

The Company holds minimum four pre-scheduled Board meetings annually, one in each quarter. It is ensured that the maximum time gap between two Board meetings is not more than one hundred and twenty days. Additional Board Meetings are held by the

Company to address specific needs, as and when required. In case of urgency or business exigencies, matters are also approved by way of resolution by circulation as per the provisions of Companies Act, 2013, and subsequently noted at the next Board meeting.

The functional/business heads of the Company periodically give presentations to the Board covering their respective operations, performance, plans and strategies and discuss upon the areas of improvement and prospective opportunities. The Company circulates the agenda and related notes/ documents well in advance through its e-mail to the Board and its Committee Members on their registered mail ids.

As a practice, the Company Secretary communicates all important decisions taken by the Board Members/ Committee Members to the functional head of the concerned department. An Action Taken Report (ATR) 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.

During the current financial year, six (6) Board meetings were held on 11 May, 2016; 05 July, 2016; 12 August, 2016; 31 August, 2016; 11 November 2016; 16 February, 2017. The details of the Board Meetings along with the attendance of each Director at the respective Board Meeting is tabled below:

Attendance of Directors for the year ended 31 March, 2017

Name	Attendance at the Board Meetings held on					
	11 May, 2016	05 July, 2016	12 August, 2016	31 August, 2016	11 November 2016	16 February, 2017
Mr. Devesh Sachdev	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Aditya Bhandari	Yes	Yes	Yes	Yes	LOA	Yes
Mr. Njord Andrewes	Yes	Yes	Yes	Yes	Yes	Yes
Ms. Anita Alcira Serrate Cortez	Yes	Yes	LOA	Yes	Yes	LOA
Mr. Albert Hofsink	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Nitin Gupta	**LOA	Yes	Yes	Yes	Yes	Yes
Mr. Pradip Kumar Saha	LOA	Yes	Yes	Yes	Yes	Yes
Mr. Javed Ahmad Siddiqui	Yes	LOA	Yes	Yes	LOA	Yes
*Mr. Kenneth Dan Vander Weele	-	-	Yes	Yes	Yes	Yes

*Appointed as Nominee Director w.e.f August 12, 2017.

**Leave of absence granted

Committees of the Board

Under the aegis of the Board of Directors, several committees have been constituted which have been delegated powers for different functional areas. The Board has Seven (7) Committees namely - Audit Committee, Asset & Liability Management Committee, CSR Committee, Remuneration & Nomination Committee, Executive Committee, Board Risk Management Committee & Debenture Allotment Committee which assists the Board to deal with specific areas / activities that need a closer review and to have an appropriate structure in discharging its duties and responsibilities.

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

In line with the statutory provisions of and as a measure of good Corporate Governance and to provide assistance to the Board in fulfilling its oversight responsibilities, an Audit Committee of the Directors was constituted. Majority of the members of the Committee are Independent Directors and every member has experience in the financial sector. The Company Secretary acts as Secretary to this Committee.

All the Members of the Audit Committee have the required qualification and expertise for appointment in the Committee and possess requisite knowledge of accounting and financial management.

Composition

The Audit committee was last reconstituted by the Board of Directors at their meeting held on February 12, 2016 to change the composition of its members on admission of Mr. Pradip Kumar Saha as a member of the Audit Committee, the reconstituted Committee consists of the following members of the Board:

1. Mr. Pradip Kumar Saha - Chairman
2. Mr. Nitin Gupta - Member
3. Mr. Albert Hofsink - Member

Meetings & Attendance of Audit Committee members for the year ended 31 March, 2017

The Committee held four (4) meetings during the year.

Name	No. of Meetings		Date of Meetings
	Held	Attended	
Mr. Nitin Gupta	4	3	10 May, 2016; 30 August 2016; 11 November 2016; 15 Feb, 2017
Mr. Albert Hofsink	4	4	
Mr. Pradip Kumar Saha	4	4	

Terms of Reference of the Audit Committee is as follows:

A) Financial Reporting

The Committee shall review the following:

- The consistency of, and any changes to accounting policies.
- The methods used to account for significant or unusual transactions where different approaches are possible.
- Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgement, taking into account the views of the external auditor.
- The clarity of disclosures in the Company's financial reports and the context in which statements are made.
- All material information presented with the financial statements, such as the business review / operating and financial review; and
- All related party transactions.

B) Internal Audit

The Committee shall review the following:

- Monitor & review the effectiveness of the Company's internal audit function in the context of the overall Risk Management System.
- Approve the appointment & removal of internal auditor
- Review and assess the annual internal audit plan.
- Review reports from the internal auditor.
- Review and monitor the findings & recommendations of the internal auditor.

C) External Audit

The Committee shall review the following:

- Consider and makes recommendations to the Board in relation to appointment & removal of company's external auditors. The Committee shall oversee the selection process of a new auditor and, if an auditor resigns, the Committee shall investigate the issues leading to his resignation and decide whether any action is required.
- Review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process, which shall include a report from the external auditor on their own

internal quality procedures.

- Oversee the relationship with the external auditor including (but not limited to)
- (i) Recommendations on their remuneration, whether fees for audit & non audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted.
- (ii) Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of audit.
- (iii) Satisfying itself that there are no relationship (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business).
- (iv) Monitor the auditor's compliance with relevant ethical & professional guidance on the rotation of audit partner.
- The Committee shall meet the external auditor at least once a year, without the executive being present, to discuss the auditor's report and any issue arising from the audit.
- Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- Review the findings of the audit with external auditor. This shall include:-
 - (i) Discussion of any major issues which arose during the audit.
 - (ii) Any accounting & audit judgements.
 - (iii) Level of errors identified during the audit.
 - (iv) The effectiveness of the audit.

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

The Committee also review the quarterly Financial Statement (unaudited) and placed before the Board for their approval of 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.

Asset & Liability Management Committee

Composition

The Asset & Liability Committee was last re-constituted by the board of Directors on November 11, 2016 to change the composition of its members on admission of Mr. Gaurav Maheshwari as a member of the ALM committee, the reconstituted Committee consists of the following Members:

1. Mr. Devesh Sachdev - Chairman
2. Mr. Gaurav Maheshwari - Member
3. Mr. Aditya Bhandari - Member

Meetings & Attendance

During the year, the Committee met Four (4) times: on May 10, 2016; August 31, 2016; November 16, 2016; February 15, 2017. The composition and the attendance thereof of the members of the Committee are given herein below:

Name	No. of Meetings	
	Held	Attended
Mr. Devesh Sachdev (Chairman)	4	4
*Mr. Ashish Tewari	1	1
*Mr. Gaurav Maheshwari	2	2
Mr. Aditya Bhandari	4	2

*Mr. Ashish Tewari resigned on August 12, 2016

*Mr. Gaurav Maheshwari was appointed as a member of the committee on November 11, 2016

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 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.

Corporate Social Responsibility (CSR) committee

The CSR Committee comprised Three (3) Members including one (1) Independent Director. The committee was reconstituted on November 11, 2016 with the following composition:

1. Mr. Devesh Sachdev - Chairman
2. Ms. Anita Serrate - Member
3. Mr. Pradip Kumar Saha - Member

Meetings & Attendance

The Committee held two (2) Meetings during the year on November 11, 2016, February 15, 2017. The details of the attendance of members at meeting of the Committee held during the financial year are as under:

Name	No. of Meetings	
	Held	Attended
Mr. Devesh Sachdev (Chairman)	2	2
Ms. Anita Alcira Serrate Cortez	2	1
Mr. Pradip Kumar Saha	2	2

The minutes of the Corporate Social Responsibility Committee Meetings forms part of documents placed before the Meetings of the Board of Directors.

Terms of Reference

The terms of reference of the Corporate Social Responsibility Committee include:

- 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 to Companies Act, 2013
- Recommend the amount of expenditure to be incurred on the activities referred to in clause (a) above; and
- Monitor the Corporate Social Responsibility Policy of the Company from time to time.
- The CSR policy is duly adhere to and in compliance with the Act in force.

Remuneration & Nomination Committee

Pursuant to the Circular No. DNBS (PD) CC No. 94/03.10.042/2006-07 dated 08/05/2007 issued by Reserve Bank of India, the Company being a Non Deposit taking Non-banking Finance Company has duly constituted a Nomination Committee for appointment of Directors of the Company.

Composition and Attendance at Meetings:

The Remuneration & Nomination Committee was re-constituted consequent upon the resignation of Mr. Ashish Tewari w.e.f. August 12, 2016. The committee comprises one Independent Director and two Nominee Directors. The committee was reconstituted on August 31, 2016 with the following composition:

1. Mr. Nitin Gupta - Chairman
2. Ms. Anita Alcira Serrate Cortez - Member
3. Mr. Aditya Bhandari - Member

The Committee held Four (4) Meetings during the year on 10 May, 2016; 30 August, 2016; 11 November 2016; 15 Feb, 2017.

Name	No. of Meetings	
	Held	Attended
Mr. Nitin Gupta	4	2
Ms. Anita Serrate	4	3
Mr. Aditya Bhandari	4	3

Terms of Reference

The Company has in place the Nomination and Remuneration Committee in compliance with RBI guidelines on Corporate Governance and it broadly includes the following:

- Formulation of the criteria for determining qualifications, positive attributes and independence of Directors and recommend to the Board the remuneration of the Directors.
- To ensure 'fit and proper' status of proposed/ existing Directors
- Formulation of criteria for evaluation of Independent Directors and the Board;
- To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- To assess the independence of Independent Non-Executive Directors;
- To review the results of the Board performance evaluation process that relate to the composition of the Board;
- Annual appraisal of the performance of the CEO
- To also act as the ESOP committee for the purposes, administer and manage the ESOP Schemes

Executive Committee

Composition

Consequent upon the resignation of Mr. Ashish Tewari on August 12, 2016, the Executive Committee was reconstituted by the Board of Directors. The committee was reconstituted with the following composition:

1. Mr. Devesh Sachdev - Chairman
2. Mr. Aditya Bhandari - Member

Meetings & Attendance

During the year under review, the Committee met Twenty Four (24) times, i.e. on 1 April, 2016; 11 April, 2016; 20 April 2016; 27 April, 2016; 17 May, 2016; 30 May, 2016; 7 June, 2016; 20 June, 2016; 4 July, 2016; 19 July, 2016; 22 July, 2016; 17 August, 2016; 7 September, 2016; 27 September, 2016; 30 September, 2016; 7 October, 2016; 21 November, 2016; 28 November 2016; 16 December, 2016, 10 January, 2017; 16 February, 2017; 7 March, 2017; 20 March, 2017; 30 March 2017

Name	No. of Meetings	
	Held	Attended
Mr. Devesh Sachdev (Chairman)	24	24
*Mr. Ashish Tewari	11	11
Mr. Aditya Bhandari	13	13

* Mr. Ashish Tewari resigned on August 12, 2016.

Terms of reference

Executive Committee shall have the following powers to take such decisions as may be required for the smooth functioning of the

operations of the Company. Any decision beyond the scope of the Executive Committee would be put up to the Board for approval.

- Obtaining of loans not exceeding ₹750,000,000 (Indian Rupees Seven Hundred Fifty Million only) or issuing debt securities of a value not exceeding ₹1500,000,000 (Indian Rupees One Thousand Five Hundred Million only) under a single loan/debt transaction.
- Change in Terms and Conditions of Existing / New Loan taken from a Financial Institution / Bank up to ₹750,000,000.
- Securitization of portfolio not exceeding ₹750,000,000 under single transaction.
- Make any investments in money market Liquid funds (AAA rated), fixed deposits with AAA rated MNC, Private and Public Sector Banks and reputed Financial Institutions having a minimum rating of AA, government certificates and Securities (certificates).
- Enhance the withdrawal limits to be exercised by BMs / AMs / RM / ZM to meet business requirements not exceeding ₹2,500,000 a day.
- Opening of new bank (disbursement and collection) accounts. It also covers new Bank Account required to be opened as part of debt proposal in a new Banking relationship (To Meet Business Requirements)
- Shifting / Relocation of an existing branch or taking new Branch premises on Rent for opening of a new branch / Renewal of Rent Agreement,
- Approval of new loan schemes / Changes in existing loan schemes.

Board Risk Management Committee (BRMC)

With a view to complying with the requirements under the Code of Corporate Governance framed by the RBI, the Board has set up the Board Risk Management Committee (BRMC) for monitoring the risk and to strategize action to mitigate risks associated with the functioning of the Company. BRMC was re-constituted in the Board Meeting held on August 31, 2016 and the reconstituted committee consists of the following members:

1. Mr. Devesh Sachdev - Chairman
2. Mr. Pradip Kumar Saha - Member
3. Mr. Njord Andrewes - Member

Terms of Reference

The committee has the following roles and responsibilities:

1. The BRMC is the authority that can approve, revise, or cancel policies related to risk management. The policy which needs full Board approval is the General Risk Management Policy
2. Tasks of the BRMC include reviewing and approving policies and methodologies, and reviewing risk reports.

3. The BRMC defines the list of policies that are appropriate for Fusion. Such policies are modified over time and additional policies are introduced to cover Fusion's operations as and when it expand.
4. For each risk category the BRMC will establish a separate policy. The broad risk categories are
 - I. Credit Risk,
 - II. Operational Risk,
 - III. Liquidity, Funding and Interest Rate Risk and
 - IV. Other Market Risks that may arise in the future (including FX related risks)
5. The BRMC requires reports for all sources of risks produced by various risk owners (department heads). The BRMC should review the content as well as the structure of these reports.
6. The BRMC will meet regularly, at least on a quarterly basis.

Debenture Allotment Committee (DAC)

The Debenture allotment Committee was reconstituted on resignation of Mr. Ashish Tewari by the Board of Directors on August 12, 2016. The committee was reconstituted with the following composition:

1. Mr. Devesh Sachdev - Chairman
2. Mr. Aditya Bhandari - Member

Meetings & Attendance

During the year under review, the Committee met Thirteen (13) times, i.e. on 02 June, 2016; 28 June 2016; 30 June, 2016; 30 July, 2016; 31 August 2016; 02 September 2016; 15 September 2016; 01 October, 2016; 07 November, 2016; 01 December 2016, 16 February, 2017; 09 March 2017; 15 March 2017

Name	No. of Meetings	
	Held	Attended
Mr. Devesh Sachdev (Chairman)	13	13
*Mr. Ashish Tewari	04	04
Mr. Aditya Bhandari	09	09

* Mr. Ashish Tewari resigned on August 12, 2016.

Terms of reference

The committee is constituted for Allotment of Non-Convertible Debentures for raising of debt funds and other compliance matters related to Non-convertible debentures

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.

a. Executive Directors

(i) Details of the remuneration paid/payable to Executive Directors for the Financial Year 2016-2017

Name of Director	Designation	Managerial Remuneration (as on March 2017)
Mr. Devesh Sachdev	Director & CEO	₹19,997,200
* Mr. Ashish Tewari	Director & COO	₹20,133,328
Total		₹40,130,528

* Mr. Ashish Tewari resigned on August 12, 2016.

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 Companies Act, 2013.

The details of Sitting Fees paid to Non-Executive Independent Directors for attending the meetings of the Board during the Financial Year 2016-17 are as under:

- a) Remuneration & Nomination Committee,
- b) Audit Committee,
- c) Board Risk Management Committee
- d) CSR Committee

Name of Director	Designation	Setting Fees
		Board Meeting & Committee
Mr. Nitin Gupta	Independent Director	₹310,000
Mr. Pradip Kumar Saha	Independent Director	₹350,000
Total		₹660,000

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:

Year	Date	Time	Location	No. of Special Resolutions Passed
2015-16	29 th September 2016	04:00 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	-
2014-15	29 th September 2015	04:00 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	-
2013-14	29 th September 2014	01:00 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	-

Extra Ordinary General Meetings

The details of the 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
2016-17	11.05.016	05:00 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	2
	05.07.2016	05:00 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	5
	12.08.2016	04:30 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	3
	16.01.2017	04:00 P.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	-
2015-16	28.05.2015	01:00 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	3
2014-15	30.04.2014	05:00 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	6
	12.03.2015	04:00 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	2

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

Debenture Holder Details

The details regarding the Debenture Holders as on 31 March, 2017 are given as under:-

Name of Debenture Holder	Address	Number of Non Convertible Debentures (NCDs)
Microfinance Initiative for Asia	Microfinance Initiative for Asia (MIFA) Debt Fund SA, SICAV-SIF, 31, Z.a. Bourmicht, Bertrange L- 8070, Luxembourg.	220
Microfinance Enhancement Facility	Microfinance Enhancement Facility SA, SICAV -SIF, 5, rue, Jean Monnet, L-2180, Luxembourg	240
Hinduja Leyland Finance Limited (CBO-VIII)	Hinduja Leyland Finance, No.27 A Developed Industrial Estate, Guindy, Chennai - 600032	80
IFMR Flmpact Investment Fund	10 th Floor-Phase 1, IIT-Madras Research Park, Kanagam Village, Taramani, Chennai 600113	100
AAV SARL-1	2-8 avenue Charles de Gaulle, L-1653, Luxembourg,	426
Pettelaar Effectenbewaarbedrijf N.V.	Nachtwachlaan 20 – 6 th Floor, 1058 EA, Amsterdam The Netherlands	526
AAV SARL-2	2-8, Avenue Charles de Gaulle, L-1653, Luxembourg, LUXEMBOURG	601
Blue Orchard Microfinance Fund	11-13, Boulevard, de la foire, L-1528, Luxembourg	470
UTI International Wealth Creator	4 th Floor, 19 Bank Street, Cybercity, Ebene 72201, Mauritius	550
IFMR FIMPACT Long Term Credit Fund	10 th Floor, IIT M Research Park, 1, Kanagam Village, Taramani, Chennai, India-600 113	500

Redemption of Non Convertible Debentures (NCDs) During The FY 2016-17

During the financial year 2016-17 following Non-convertible Debentures were redeemed:-

S.No	Particulars	Date of allotment	No. of NCD	Amount (in million)	Date on which Debentures are Redeemed
1	Hinduja Leyland Finance Limited	July 30, 2014	88	88	July 28, 2016
2	Mahindra & Mahindra Finance	September 16, 2014	75	75	September 16, 2016
3	Ratnakar Bank Limited	July 31, 2014	100	100	January 28, 2017
4	M/s Hinduja Leyland Finance Limited	December 02, 2014	140	140	December 02, 2016

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, 8 th floor, 'Mittal Tower', 'B' Wing, Nariman Point, Mumbai – 400021
AXIS Trustee Services Limited	Axis House, 2 nd Floor, Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai-400 025.
Vistra ITCL (India) Limited	IL & FS Financial Centre, Plot No C22, G Block, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra-400051

Registrar and Share Transfer Agent Details

During the year the Company has changed its Registrar and Transfer Agent (RTA) from M/s Sharepro Services (India) Private Limited to Link Intime India Private limited for Debentures.

Also, the Company has executed an agreement with NSDL and Link Intime India Private limited for dematerialization of shares and appointment of Link Intime India Private limited as RTA for equity shares.

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

In case, 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

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/ licence/ authorisation, by whatever name called, obtained from other 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 Accounting Standard 18, are set out in the financial statements.
- The Company has a record of unqualified financial statements since inception.

Means of Communication

a. The half yearly results during the year were published in the national English Newspapers.

b. During the Financial Year 2016-17, the Company published its Financial Results in the following newspapers:

Financial Results	Newspapers	Date of publication
Audited Financial Results for the quarter/year ended March 31, 2016	The Financial Express (English)	13 May, 2016
Unaudited Results for the Half Year ended on September 30, 2016 with Limited Review Report	The Financial Express (English)	18 February, 2017

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 : June 30, 2017

Time : 11:00 A.M.

Venue : H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028

Financial year: April 1st 2016 to March 31st March 2017

Shareholding pattern as on 31st March 2017

Shareholder Group	Shares	Amount	Stake %
Promoters	2,104,742	21,047,420	5.98%
Individual – others	212,830	2,128,300	0.61%
Investor	31,921,233	319,212,330	90.75%
Employee	17,750	177,500	0.05%
ESOP Trust	918,162	9,181,620	2.61%
Total	35,174,717	351,747,170	100.0%

Address for Correspondence

Mr. Deepak Madaan

Company Secretary

Fusion Microfinance Private Limited

H-1, C Block, Community Centre, Naraina Vihar,

New Delhi-110028

Tel: +91 46646600

Web Site: www.fusionmicrofinance.com

For and on behalf of the Board of Directors

Place: New Delhi

Date: May 30, 2017

SD/-
Devesh Sachdev
Director & CEO

CEO Certificate

The Board of Directors Fusion Microfinance 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 2017 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 violative of 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: New Delhi
Date: 30.05.2017

SD/-
Devesh Sachdev
Director & CEO



Declaration regarding compliance by Board Members and Senior Management personnel with the Company's Code of Conduct

This is to confirm that the Company has adopted a Code of Conduct for the Members of its Board and its Senior Management Personnel. I confirm that the Company has, in respect of the financial year ended 31st March, 2017 received from the Members of the Board and Senior Management team of the Company, a declaration on compliance with the Code of Conduct as applicable to them.

Place: New Delhi
Date: 30.05.2017

SD/-
Devesh Sachdev
Director & CEO

ANNEXURE - 6

Annual Report on CSR Activities

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

Policy Statement

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.

Organization Setup

The CSR projects in FMPL are implemented under the guidance of the Board's Sub-Committee on CSR which presently comprises three directors out of which one is Independent director. The terms of reference of the Committee is given below:

- 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 to Companies Act, 2013;
- Recommend the amount of expenditure to be incurred on the activities referred to in clause (a) above; and
- Monitor the Corporate Social Responsibility Policy of the Company from time to time.

Scope of activities

The CSR activities of FMPL are as per the provisions of Schedule VII of the Companies Act, 2013.

2. **The Composition of the CSR Committee.**

The CSR Committee comprised three (3) Members including one (1) independent Director. The committee was formed on December 03, 2015 with the following composition:

S.No.	Name	Designation
1.	Mr. Devesh Sachdev	Chairman
2.	Ms. Anita Serrate	Member
3.	Mr. Pradip Kumar Saha	Member

3. **Average net profit of the Company for last three financial years**
₹115,622,054

4. **Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)**
₹2,312,441

5. **Details of CSR spent during the financial year.**

- Total amount to be spent for the financial year 2015-16:- ₹2,956,611*
- Amount unspent, if any:- ₹1,983,352
- Manner in which the amount spent during the financial year is detailed below

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget project or programs wise (in ₹))	Amount spent on the projects or programs sub-heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure upto the reporting period	Amount spent Direct or through implementing agency
1	Digital Literacy programs	Special Education	Saharanpur Vidisha Bairagarh Bulandshahar Chhutmulpur Roorkee Hapur	16,50,000	2,88,772	2,88,772	Implementing Agency / Direct
2	Health Camps	Health Care	Deori and Itarsi	74,487	74,487	74,487	Implementing Agency

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget project or programs wise (in ₹)	Amount spent on the projects or programs sub-heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure upto the reporting period	Amount spent Direct or through implementing agency
3	Construction of Toilet	sanitation	Ladwa (Haryana)	1,00,000	1,00,000	1,00,000	Direct
4	Donation for bio diversity construction	Environmental Sustainability	Harike Wetland, Punjab	5,00,000	5,00,000	5,00,000	Implementing Agency
5	Sponsorship to Deaf Cricket Society	Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports	Lakshmi Bai College, Ashok Vihar, Delhi	10,000	10,000	10,000	Direct
Total				23,34,487	9,73,259	9,73,259	

*Total amount to be spent for the financial year 2015-16 is inclusive of balance amount of ₹644,170.00 for the FY 2014-15.

6. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.

The Company has tried to contribute the allocated amount during the FY 2016-17 but unable to deploy the same due to Demonetization and non-identification of suitable activities which will actively support and channelize the activities/projects/programs to be undertaken by the Company in line with its CSR objective.

7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

The implementation and monitoring of FMPL's CSR Policy is in compliance with CSR objectives and Policy of the Company.

By order of the Board of Directors
For Fusion Microfinance Private Limited

SD/-
Devesh Sachdev
Chairman of CSR Committee & CEO

SD/-
Anita Serrate
Nominee Director

Place: New Delhi
Dated: May 30, 2017

Management Discussion and Analysis Report

Industry Structure and Developments

Fusion Microfinance Private Limited is a registered NBFC – MFI which operates in a Joint Liability Group lending model of Grameen. Fusion as an organization was set-up in 2010.

The clients of the company comprises of 100% women living in rural and semi-urban areas. The focus of the company is reaching out to unbanked and providing financial services to women entrepreneurs belonging to the economically and socially deprived section of the society. The responsibilities of the company are not restricted merely to financial support but also to acquaint the clients to manage their financials by disseminating Financial Literacy to them. The company believes in robust business practices, transparent policies expressed in our Customer Centric efforts towards our Clientele. It also aspires to create value and balanced growth for all its stakeholders while keeping clients at the center.

The business of the company has grown rapidly with increase in the number of employees and branches of the Company. The company is looking positive in achieving better performance in the Financial Year 2017-18 by expanding its business in new geographical areas.

CARE has graded the Company as MFI 2+ (second highest grading on the eight-point scale) on August 05, 2016. CARE has assigned a 'CARE BBB+ Stable' rating to Fusion for its Long-Term Bank Facilities of 300 crores and has assigned a rating of 'CARE BBB+ Stable' for its Long Term Instruments- NCDs of ₹10 crore. ICRA has assigned rating of 'ICRA BBB (stable)' on NCDs of outstanding amount to ₹353 crore.

Opportunities and Threats

The growth of the Company is subject to opportunities and threats as are applicable to the industry from time to time.

Segment wise or Product wise Performance

The details of financial performance of the Company are appearing in the Balance Sheet and Statement of Profit and Loss for the year ended March 31, 2017.

Outlook

The company intends to focus on its current business and diversify itself in several geographical areas in the coming years.

Risk and Concerns

The Company has an effective monitoring mechanism and has adopted certain measures in order to mitigate certain risks which may be in the form of financial and operational risks.

Internal Control Systems and their Adequacy

The internal control systems of the company are designed to ensure that all assets of the company are safeguarded and protected against any loss and be in line with the nature of its business and the size of operations.

Discussion on Financial Performance with Operational Performance

There has been a significant rise in the operations of the company during the year. The company has diversified its operations as on March 31, 2017 in 12 states with 248 branches in 139 districts as compared to its presence in 9 states with 149 branches in 81 districts in the previous year 2015-16.

The number of customers has also increased to 682,369 as compared to 434,429 in the previous year.

This has resulted in increase in the revenue of the company to ₹201.04 crore during the year 2016-17 as compared to ₹110.34 crore in the year 2015-16. Further details related to the operational performance can be seen in the Director's Report of the company.

Human Resource Development

The company is cognizant of the importance of human capital in a fast evolving and high growth industry like the one it operates in. It also strives hard to retain its experienced team rich in domain expertise as it recognizes their importance in the growth of the Company. There has been a significant increase in the number of branches of the company during the year which has resulted in increase in the number of employees as on March 31, 2017 at 2191 as compared to 1,399 in the previous year.



Independent Auditor's Report

To the Members of
Fusion Micro Finance Private Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Fusion Micro Finance Private Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (collectively referred to as the 'financial statements').

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under, to the extent applicable.

We conducted our audit in accordance with the Standards

on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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.

Opinion

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 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 31 March 2017, and its profit and its cash flows for the year ended on that date.

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, and on the basis

of such checks of the books and records of the Company as we consider appropriate and according to the information and explanation given to us, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the said Order to the extent applicable.

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, and the Cash Flow Statement 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 Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on 31 March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 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 and the operating effectiveness of such controls, refer to our separate report in "Annexure B".
- (g) 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, in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations as at 31 March 2017 on its financial position in the Note 2.25 of the financial statements.
- 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.
- iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. However, we are unable to obtain sufficient and appropriate audit evidence to report on whether the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note 2.22

for B S R & Associates LLP

Chartered Accountants

ICAI Firm Registration Number. : 116231W/W-100024

Hemant Maheshwari

Partner

Membership No. 096537

Place : Hyderabad

Date : 30 May 2017

Annexure A to the Independent Auditor's Report on the financial statements

The Annexure A referred to in our Report of even date to the Members of Fusion Micro Finance Private Limited ("the Company") on the financial statements for the year ended 31 March 2017, we report that:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) The Company has a regular programme of physical verification of its fixed assets by which all the fixed assets are verified every year. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
(c) The Company does not own any immovable properties. Hence, the provisions of Clause 3(i)(c) of the said Order are not applicable to the Company.
- ii. The Company is a Non-Banking Finance Company - Micro Finance Institution ('NBFC - MFI'), engaged in the business of providing Micro credit. Accordingly, it does not hold any physical inventories. Hence, the provisions of Clause 3 (ii) of the said Order are not applicable to the Company.
- iii. 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 Act. Hence, the provisions of Clause 3 (iii) (a), (b) and (c) of the said Order are not applicable to the Company.
- iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Hence, the provisions of Clause 3 (iv) of the said Order are not applicable to the Company.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under.
- vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of section 148 of the Act for any of the services rendered by the Company.
- vii. (a) According to the information and explanations given to

us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Service tax, Cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Sales tax, duty of Customs, duty of Excise and Value added tax.

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 and other material statutory dues were in arrears as at 31 March 2017 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Income-tax, Service tax, Sales tax, duty of Customs, duty of Excise and Value added tax, which have not been deposited with appropriate authorities on account of any dispute.
- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or dues to debenture holders as at the balance sheet date. The Company did not have any dues to Government.
- ix. The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, and according to the information and explanations given to us the moneys raised by term loans have been applied, on an overall basis, for the purposes for which they were obtained except for utilization of surplus fund by way of short-term investments.
- x. According to the information and explanations given to us, we report that no material fraud by the Company or by its employees or officers 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 Rs. 3,616,054 out of which Rs. 1,250,778 has been recovered. The

Services of the concerned employees have been terminated. The Company has written off the balance recoverable.

- xi. The provisions of Section 197 read with Schedule V to the Act are applicable only to public companies. Accordingly, the provisions of Clause 3 (xi) of the Order are not applicable to the Company.
- xii. The Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, the provisions of Clause 3 (xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- xiv. The Company has made private placement of equity shares

during the year under review, in compliance with the requirements of Section 42 of the Act. The amounts raised have been used for the purpose for which funds were raised.

- xv. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3 (xv) of the Order are not applicable to the Company.
- xvi. The Company has been registered under Section 45-IA of the Reserve Bank of India Act, 1934 as a Non-Banking Finance Company - Micro Finance Institution.

for B S R & Associates LLP

Chartered Accountants

ICAI Firm Registration Number. : 116231W/W-100024

Hemant Maheshwari

Partner

Membership No. 096537

Place : Hyderabad

Date : 30 May 2017

Annexure B to the Independent Auditor's Report on the financial statements

The Annexure B referred to in our report of even date to the Members of Fusion Micro Finance Private Limited ("the Company") on the financial statements for the year ended 31 March 2017.

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

We have audited the internal financial controls over financial reporting of Fusion Micro Finance Private Limited ("the Company") as of 31 March 2017 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. 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 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 over financial reporting 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, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. 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 over financial reporting 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 system over



financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 judgment, 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 system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting 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 the generally accepted accounting principles. A company's internal financial control over financial reporting 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 Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting 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, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, 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.

for B S R & Associates LLP

Chartered Accountants

ICAI Firm Registration Number. : 116231W/W-100024

Hemant Maheshwari

Partner

Membership No. 096537

Place : Hyderabad

Date : 30 May 2017

Balance Sheet as at 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

Particulars	Notes	As at 31 March 2017	As at 31 March 2016
EQUITY AND LIABILITIES			
Shareholder's funds			
Share capital	2.1	372,565,550	202,926,830
Reserves and surplus	2.2	1,852,789,916	525,018,921
		2,225,355,466	727,945,751
Non-current liabilities			
Long-term borrowings	2.3	6,177,549,696	2,637,829,855
Other long-term liabilities	2.4	-	13,231,316
Long-term provisions	2.5	22,197,528	16,351,562
		6,199,747,224	2,667,412,733
Current liabilities			
Other current liabilities	2.6	3,459,933,832	2,681,361,876
Short-term provisions	2.7	299,229,523	43,624,496
		3,759,163,355	2,724,986,372
Total		12,184,266,045	6,120,344,856
ASSETS			
Non-current assets			
Fixed assets	2.8		
(i) Tangible assets		43,589,883	17,325,004
(ii) Intangible assets		2,550,188	3,869,831
Deferred tax assets, net	2.35	109,018,191	11,999,280
Loan portfolio	2.9	1,353,889,032	1,270,422,820
Other non-current assets	2.10	266,974,018	320,169,959
		1,776,021,312	1,623,786,894
Current assets			
Current investments	2.11	2,105,113,760	-
Trade receivables	2.12	-	9,316,951
Cash and bank balances	2.13	1,902,145,734	616,660,178
Loan portfolio	2.9	6,156,307,737	3,742,898,147
Short-term loans and advances	2.14	56,412,018	12,004,644
Other current assets	2.15	188,265,484	115,678,042
		10,408,244,733	4,496,557,962
Total		12,184,266,045	6,120,344,856
Significant accounting policies	1		
Notes to the financial statements	2		

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached
for B S R & Associates LLP

Chartered Accountants

ICAI Firm Registration No.:116231W/W-100024

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

CIN: U74899DL1994PTC061287

Hemant Maheshwari

Partner

Membership No.: 096537

Devesh Sachdev

Director & CEO

DIN: 02547111

Aditya Bhandari

Director

DIN: 03062463

Deepak Madaan

Company Secretary

Gaurav Maheshwari

Chief Financial Officer

Place: Hyderabad

Date: 30 May 2017

Place: New Delhi

Date: 30 May 2017

Statement of Profit and Loss for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

Particulars	Notes	For the year ended 31 March 2017	For the year ended 31 March 2016
INCOME			
Revenue from operations	2.16	1,849,004,847	1,079,811,202
Other income	2.17	161,427,692	23,629,825
Total revenue		2,010,432,539	1,103,441,027
EXPENSES			
Operating expenses	2.18	349,497,394	61,323,612
Employee benefits expense	2.19	483,184,885	258,065,378
Finance costs	2.20	974,385,935	481,534,335
Depreciation and amortisation	2.8	16,026,431	10,362,077
Other expenses	2.21	139,184,778	69,279,642
Total expenses		1,962,279,423	880,565,044
Profit before tax		48,153,116	222,875,983
Tax expenses:			
- Current tax		104,200,000	88,710,000
- Deferred tax		(97,018,911)	-
Profit after tax		40,972,027	134,165,983
Earning per equity share	2.30		
[Nominal value per share ₹10 (previous year: ₹10)]			
- Basic		1.27	7.76
- Diluted		1.18	4.61
Significant accounting policies	1		
Notes to the financial statements	2		

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached
for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.:116231W/W-100024

for and on behalf of the Board of Directors of
Fusion Micro Finance Private Limited
CIN: U74899DL1994PTC061287

Hemant Maheshwari
Partner
Membership No.: 096537

Devesh Sachdev
Director & CEO
DIN: 02547111

Aditya Bhandari
Director
DIN: 03062463

Deepak Madaan
Company Secretary

Gaurav Maheshwari
Chief Financial Officer

Place: Hyderabad
Date: 30 May 2017

Place: New Delhi
Date: 30 May 2017

Cash Flow Statement for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

Particulars	As at 31 March 2017	As at 31 March 2016
I. Cash flows from operating activities:		
Profit before tax	48,153,116	222,875,983
Adjustments:		
Depreciation and amortisation	16,026,431	10,362,077
Loan portfolio written off	46,657,341	7,387,128
Provision on loan portfolio	256,221,582	26,344,976
Provision for employee benefits	4,856,784	1,893,944
Profit on sale of mutual fund units	(160,744,260)	(22,450,483)
Loss on sale of fixed assets	26,476	27,299
Operating profit before working capital changes	211,197,470	246,440,924
Increase in loan portfolio (net of securitised loan portfolio)	(2,543,533,143)	(2,641,884,785)
Increase in advances and other assets	(111,910,869)	(21,768,802)
(Increase) / decrease in trade receivables	9,316,951	(7,687,984)
Increase / (decrease) in liabilities and provisions	(18,063,046)	152,423,727
Cash generated from operations	(2,452,992,637)	(2,272,476,920)
Income taxes paid, net	(125,985,418)	(94,647,907)
Net cash flow used by operating activities (A)	(2,578,978,055)	(2,367,124,827)
II. Cash flows from investing activities:		
Purchase of fixed assets	(40,998,143)	(19,525,321)
(Purchase)/sale of investments, net	(1,944,369,500)	22,450,483
Investment in long-term security deposits in banks with maturity of more than three months	(7,171,593)	(185,204,276)
Net cash used by investing activities (B)	(1,992,539,236)	(182,279,114)
III. Cash flows from financing activities:		
Proceeds from issuance of share capital (including share premium)	1,013,823,770	106,000,000
Proceeds from Fusion Employee Benefit Trust towards repayment of loan	18,613,918	-
Payment of preference dividend	(1,346,301)	(2,603,836)
Payment of tax on preference dividend	(274,075)	(530,077)
Proceeds from borrowings, net	4,749,116,530	2,516,309,557
Net cash provided by financing activities (C)	5,779,933,842	2,619,175,644
Net increase in cash and cash equivalents (A + B + C)	1,208,416,551	69,771,703
Cash and cash equivalents at the beginning of the year	524,430,728	454,659,025
Cash and cash equivalents at the end of the year (refer Note 2.13)	1,732,847,279	524,430,728

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached
for B S R & Associates LLP

Chartered Accountants

ICAI Firm Registration No.:116231W/W-100024

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

CIN: U74899DL1994PTC061287

Hemant Maheshwari

Partner

Membership No.: 096537

Devesh Sachdev

Director & CEO

DIN: 02547111

Aditya Bhandari

Director

DIN: 03062463

Deepak Madaan

Company Secretary

Gaurav Maheshwari

Chief Financial Officer

Place: Hyderabad

Date: 30 May 2017

Place: New Delhi

Date: 30 May 2017



Notes to the Financial Statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

COMPANY OVERVIEW

Fusion Micro Finance Private Limited ('the Company') was incorporated on 5 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. The Company listed its Non-Convertible Debentures ('NCDs') in Bombay Stock Exchange, India.

It is engaged in micro finance lending activities, providing financial services to poor women in India who are organized as Joint Liability Groups ('JLGs'). The Company provides small value collateral free loans up to Rs. 50,000. All financial transactions are conducted in the group meetings organized near the habitats of the borrowers.

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 ('the Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, other accounting principles generally accepted in India and the Reserve Bank of India ('RBI') guidelines to the extent applicable to a Systemically Important Non-Deposit taking Non-Banking Finance Company ('NBFC-ND-SI') and Non-Banking Financial Company - Micro Finance Institution ('NBFC-MFI'). The financial statements are presented in Indian Rupees rounded off to the nearest rupee.

b) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognized prospectively in current and future periods.

c) Current – non-current classification

All assets and liabilities are classified into current and non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

- i. it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- ii. it is held primarily for the purpose of being traded;
- iii. it is expected to be realised within 12 months after the reporting date; or
- iv. it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- i. it is expected to be settled in the Company's normal operating cycle;
- ii. it is held primarily for the purpose of being traded;

Notes to the Financial Statements for the year ended 31 March 2017 *(continued)*

(All amounts in Indian rupees, except share data and where otherwise stated)

- iii. it is due to be settled within 12 months after the reporting date; or
- iv. the Company does not have an unconditional right to defer settlement of the liability for atleast 12 months after the reporting date.

Current liabilities include the current portion of non-current financial liabilities. All other liabilities are classified as non-current.

Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Based on the nature of operations and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months.

d) Revenue recognition

- i. Interest income on loan portfolio is recognised on accrual basis taking into account the amount outstanding and rate applicable except in the case of non-performing assets (NPA's) where it is recognized, upon realization, as per the prudential norms of RBI.
- ii. Premium on securitisation of assets is recognised on the difference between the book value of the securitised assets and consideration received on the assets derecognised from books. The premium is amortised over the life of the securitised loan portfolio and losses, if any, are recognised immediately in accordance with the guidelines laid down by RBI on securitisation.
- iii. Income from business correspondent activity is recognised on accrual basis as per the terms of arrangement entered into with the client bank. Revenue from Business Correspondent activities to the extent of services rendered but yet to be billed are treated as 'Unbilled revenue' and are disclosed under other current assets.
- iv. Loan processing fee received upfront are considered to be accrued at the time of entering into a binding agreement upon its receipt and are recognised as revenue immediately.
- v. Interest on term deposits has been accrued on the time proportion basis, using the underlying interest rate.
- vi. Dividend income is accounted when the right to receive the dividend is established.

e) Classification of loan portfolio and provisioning policy

Loan Portfolio is classified and provision is made in accordance with the Non-Banking Financial Company – Micro Finance Institutions (NBFC-MFIs) Directions issued by Reserve Bank of India as mentioned below:

Asset classification norms:

- i. Standard asset means the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business.
- ii. Non-performing asset means an asset for which, interest/principal payment has remained overdue for a period of 90 days or more.

The Company has availed the RBI dispensation of 90 days to defer the down grade of account based on RBI circulars dated 21 November 2016 and 28 December 2016.

Provisioning norms:

The aggregate loan provision shall not be less than the higher of:

- i. 1% of the outstanding loan portfolio, or
- ii. 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more.



Notes to the Financial Statements for the year ended 31 March 2017 *(continued)*

(All amounts in Indian rupees, except share data and where otherwise stated)

f) Fixed assets and depreciation/amortisation

Tangible fixed assets

Tangible fixed assets are carried at cost of acquisition less accumulated depreciation. The cost of tangible fixed assets comprises the purchase price, taxes, duties, freight (net of rebates and discounts) and any other directly attributable costs of bringing the assets to their working condition for their intended use.

Subsequent expenditures related to an item of tangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance. Tangible fixed assets under construction and tangible fixed assets acquired but not ready for their intended use are disclosed as capital work-in-progress.

The Management has assessed the estimated useful life of the tangible fixed assets other than leasehold improvements as specified in Schedule II to the Companies Act, 2013 as in the opinion of the management the same reflects the estimated useful life. The depreciation is provided under written down value method. Depreciation is calculated on pro rata basis from the date on which the asset is ready for use or till the date the asset is sold or disposed.

Leasehold improvements are amortised on straight line method over the primary period of the lease or the estimated useful life of the assets, whichever is lower.

Losses arising from retirement or gains or losses arising from disposal of fixed assets are recognized in the Statement of Profit and Loss.

Intangible assets

Intangible assets are carried at cost of acquisition less amortization. Intangible assets that are acquired by the Company are measured initially at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates.

Intangible assets are amortized in the Statement of Profit and Loss over their estimated useful lives from the date they are available for use based on the expected pattern of consumption of economic benefits of the asset. Intangible asset are being amortised over a period of 3 to 6 years using written down value method.

g) Borrowing costs

Borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs directly attributable to acquisition of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Other Borrowing cost are recognised as an expense in the year in which they are incurred.

h) Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount of an asset is the greater of its value in use and its net selling price. If such recoverable amount of the assets is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of amortised historical cost.

Notes to the Financial Statements for the year ended 31 March 2017 *(continued)*

(All amounts in Indian rupees, except share data and where otherwise stated)

i) Grants

Grants and subsidies from the Government are recognised when there is reasonable assurance that

(i) the Company will comply with the conditions attached to them; and

(ii) the grant/ subsidy will be received.

Grants of the nature of promoter's contribution are credited to capital reserve and treated as a part of the shareholder's funds.

Where the grants are received as compensation for expenses or losses incurred, the grants are taken to the statement of profit and loss in the period to which it relates.

j) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments.

All other investments are classified as long term investments.

Long term investments are carried at cost less any other-than-temporary diminution in value. Current investments are valued at lower of cost and fair value determined on individual investment basis.

k) Employee benefits

Defined contribution plans

The Company makes specified monthly contribution towards employee provident fund to Government administered provident fund scheme, which is a defined contribution scheme. The Company's contribution is recognised as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

Defined benefit plan

The Company provides for gratuity, a defined benefit retirement plan covering eligible employees. In the current year, gratuity is covered under a scheme administered by the Kotak Life Insurance Company (Kotak Group Gratuity plan) and the contributions made by the Company to the scheme are recognised in Statement of Profit and Loss. The liability recognised in the Balance Sheet in respect of defined benefit plans is the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of plan assets. The calculation of the Company's obligation under the plan is performed annually by a qualified independent actuary using the projected unit credit method. Actuarial gains and losses arising during the year are immediately recognised in the Statement of Profit and Loss in the year which they arise.

Compensated absences

Compensated absences, is a long-term employee benefit, and 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 recognised in the Statement of Profit and Loss.

Employee Stock Option Scheme ('ESOP')

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, employees of the Company are granted an option to acquire equity shares of the Company that may be exercised within a specified period. The Company follows the intrinsic value method for computing the compensation cost for all options granted which will be amortized over the vesting period. Measurement and disclosure of the employee share-based payment Schemes are done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India.



Notes to the Financial Statements for the year ended 31 March 2017 *(continued)*

(All amounts in Indian rupees, except share data and where otherwise stated)

l) Earnings per share ("EPS")

Basic earnings per share is computed by dividing the net profit after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed to have been converted as of the beginning of the year, unless they have been issued at a later date.

m) Income tax

Income tax expense comprises current tax and deferred tax.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or benefit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or benefit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/virtually certain to be realised.

n) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provisions are measured on an undiscounted basis.

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

A contract is considered as onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

o) Leases

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in the statement of profit and loss on a straight line basis over the lease period unless another systematic basis is more representative of the time pattern of the benefit.

p) Cash flow statement

Cash flows are reported using the indirect method, whereby net profit/ (loss) before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flow from regular revenue generating, investing and financing activities of the Company are segregated.

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.1 SHARE CAPITAL

	As at 31 March 2017	As at 31 March 2016
Authorised:		
Equity shares		
40,000,000 (previous year: 23,000,000) equity shares of ₹10 each	400,000,000	230,000,000
Preference shares		
5,000,000 (previous year: 5,000,000) preference shares of ₹10 each	50,000,000	50,000,000
	450,000,000	280,000,000
Issued, subscribed and paid-up:		
Equity shares		
35,174,717 (previous year: 19,138,046) equity shares of ₹10 each, fully paid-up	351,747,170	191,380,460
Less: Amount recoverable from Fusion Employee Benefit Trust	9,181,620	18,453,630
	342,565,550	172,926,830
Preference shares		
3,000,000 (previous year: 3,000,000) 9% Optionally convertible preference shares of ₹10 each, fully paid-up	30,000,000	30,000,000
	372,565,550	202,926,830

2.1.1 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 31 March 2017		As at 31 March 2016	
	Number of shares	Amount	Number of shares	Amount
Equity shares				
At the commencement of the year	19,138,046	191,380,460	15,571,096	155,710,960
Conversion of Compulsorily Convertible Debentures (CCDs) (refer note below)	5,300,000	53,000,000	-	-
Allotted to Fusion Employee Benefit Trust	85,141	851,410	1,557,110	1,557,110
Issued during the year	10,651,530	106,515,300	2,009,840	2,009,840
At the end of the year	35,174,717	351,747,170	19,138,046	191,380,460

Note: Pursuant to Shareholders agreement dated 05 June 2015, 16,960,000 CCDs having face value of ₹25 each have been converted into 5,300,000 fully paid-up equity shares of ₹10 each on 11 May 2016 at a conversion price of ₹80 per equity share.

2.1.2 The reconciliation of the number of Optionally Convertible Preference Shares (OCPS) outstanding as at the beginning and end of the reporting period is set out below:

Particulars	As at 31 March 2017		As at 31 March 2016	
	Number of shares	Amount	Number of shares	Amount
9% Optionally Convertible Preference Shares				
At the commencement of the year	3,000,000	30,000,000	3,000,000	30,000,000
Issued during the year	-	-	-	-
At the end of the year	3,000,000	30,000,000	3,000,000	30,000,000

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.1.3 Rights, preferences and restrictions attached to equity shares and preference shares:

(i) Equity shares

(i) 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.

(ii) 9% Optionally Convertible Preference Shares (OCPS)

OCPS were issued at par on 16 October 2014 to Small Industries Development Bank of India (SIDBI). OCPS carry a cumulative dividend rate of 9% p.a. OCPS have a preferential right of dividend over equity shareholders. SIDBI have the option and right, in its sole discretion, to convert the OCPS into equity shares at a price linked to breakup value. 50% of OCPS not converted into equity shall be redeemed at the end of 4 years and the remaining portion of OCPS at the end of 5 years.

2.1.4 Particulars of equity shareholder holding more than 5% equity shares:

Name of the shareholder	As at 31 March 2017		As at 31 March 2016	
	Number of shares	% of Holding	Number of shares	% of Holding
RIF-NORTH 2 , Mauritius	3,680,138	10.5%	6,691,160	34.96
NMI FRONTIER FUND, LLP , Norway	4,848,758	13.8%	4,848,758	25.34
Devesh Sachdev - Director & CEO	1,804,742	5.1%	1,069,212	5.59
Belgian Investment Company for Developing Countries SA, Belgium	5,134,920	14.6%	1,004,920	5.25
Oikocredit, Ecumenical Development Co-Operative Society U.A., Netherlands	5,060,920	14.4%	1,004,920	5.25
Creation Investment Fusion,LLC, Chicago, U.S.A.	9,866,497	28.0%	-	-
Global Financial Inclusion Fund	3,330,000	9.5%	-	-
	33,725,975	95.88%	14,618,970	76.39

2.1.5 Particulars of preference shareholder holding more than 5% of preference shares:

Name of the shareholder	As at 31 March 2017		As at 31 March 2016	
	Number of shares	% of Holding	Number of shares	% of Holding
Small Industries Development Bank of India.	3,000,000	100	3,000,000	100

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.1.6 Particulars of shares reserved for issue under employee stock options

Particulars	As at 31 March 2017	As at 31 March 2016
	Number of shares	Number of shares
Under Employee Stock Option Plan stock option plan [ESOP Plan C] (refer note 1 below)	-	697,886
	-	697,886

Note 1: The Company has allotted required equity shares to the Fusion Employee Benefits Trust and there are no shares reserved as at balance sheet date.

2.1.7 Aggregate number and class of shares allotted as fully paid up pursuant to Share Subscription Agreement dated 24 May 2010 without payment being received in cash during the five-year period ended 31 March 2017:

Particulars	As at 31 March 2017	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2013
	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares
Shares allotted to Directors	-	-	303,425	-	-
	-	-	303,425	-	-

2.1.8 Pursuant to Shareholder's Agreement dated July 25, 2016, the Chief Executive Officer has right to subscribe upto i.e., 647,659 equity shares each upon fulfilment of certain milestones over a period of 3 years commencing from 31 December 2015. As at 31 March 2016, Chief Executive Officer and former Chief Operating Officer of the Company had a right to subscribe upto 1,730,122 equity shares upon fulfillment of certain milestone and the same were issued / transferred during the year.

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.2 RESERVES AND SURPLUS

	As at 31 March 2017	As at 31 March 2016
Securities premium account		
At the commencement of the year	336,686,828	234,357,718
Add: Addition during the year	1,277,457,060	102,329,110
Sub total	1,614,143,888	336,686,828
Less: Amount recoverable from Fusion Employee Benefit Trust	(10,126,672)	(19,468,580)
At the end of the year (A)	1,604,017,216	317,218,248
Statutory reserve (created under Section 45-1C of RBI Act, 1934)		
At the commencement of the year	44,323,497	17,490,300
Add: Amount transferred	8,194,405	26,833,197
Less: Amount utilised	-	-
At the end of the year (B)	52,517,902	44,323,497
Surplus (Profit and Loss)		
At the commencement of the year	163,477,176	59,451,848
Add: Profit for the year	40,972,027	134,165,983
Less : Amount transferred to statutory reserve	(8,194,405)	(26,833,197)
Less: Dividend on 9% Optionally convertible preference shares	-	(2,744,384)
Less: Tax on preference dividend	-	(563,074)
At the end of the year (C)	196,254,798	163,477,176
Total reserves and surplus (A+B+C)	1,852,789,916	525,018,921

2.3 LONG-TERM BORROWINGS *

	As at 31 March 2017	As at 31 March 2016
Debentures		
Secured		
3,133 (Previous year: 1469) Redeemable transferable non-convertible debentures of ₹1,000,000 each. fully paid-up	3,133,000,000	995,999,840
Unsecured		
500 (Previous year: Nil) Redeemable transferable non-convertible debentures of ₹1,000,000 each. fully paid-up	500,000,000	-
Term loans		
Secured		
- from banks	720,309,797	866,839,127
- from others	1,678,955,781	704,255,680
Unsecured		
- from others	145,000,000	70,000,000
Vehicle loans		
Secured		
- from banks	284,118	735,208
	6,177,549,696	2,637,829,855

* Refer note 2.36 for terms of borrowings

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.4 OTHER LONG-TERM LIABILITIES

	As at 31 March 2017	As at 31 March 2016
Unamortised income on securitisation	-	12,629,609
Deferred lease payments	-	601,707
	-	13,231,316

2.5 LONG TERM PROVISIONS

	As at 31 March 2017	As at 31 March 2016
Contingent provision against standard loan portfolio (refer note 2.23)	10,325,950	9,164,463
Provision for employee benefits		
- Gratuity (refer note 2.28)	65,085	761,392
- Compensated absences	11,806,493	6,425,707
	22,197,528	16,351,562

2.6 OTHER CURRENT LIABILITIES

	As at 31 March 2017	As at 31 March 2016
Current maturities of long term debt: *		
Debentures		
Secured		
10 (Previous year: 1,469) Redeemable transferable non convertible debentures of ₹1,000,000 each.	10,000,000	153,416,531
Unsecured		
Nil (Previous year: 16,960,000) Compulsorily convertible debentures of ₹ 25 each, fully paid-up	-	424,000,000
Term loans		
Secured		
- From banks	1,510,310,356	1,092,919,482
- From others	1,654,269,716	747,321,044
Unsecured		
- From financial institution	28,450,000	-
Vehicle Loans		
- From bank	451,093	409,298
- From others	-	18,121
	3,203,481,165	2,418,084,476
Payable towards securitised portfolio	31,927,542	97,034,699
Interest accrued but not due on borrowings	135,226,774	53,838,583
Interest accrued and due on borrowings	-	343,750
Statutory liabilities	21,470,776	11,916,264
Salaries and bonus payable	35,850,035	36,918,625
Expenses payable	14,796,888	18,410,696
Other payable	8,180,268	670,617
Unamortised income on securitised portfolio	9,000,384	44,144,166
	3,459,933,832	2,681,361,876

* refer note 2.34 for terms of borrowings

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.7 SHORT TERM PROVISIONS

	As at 31 March 2017	As at 31 March 2016
Contingent provisions against standard loan portfolio (refer note 2.23)	46,736,096	26,888,792
Provision on non performing loan portfolio (refer note 2.23)	18,039,922	14,079,955
Provisions on standard loan portfolio due to demonetisation (refer note 2.23 (e))	231,252,823	-
Provision for tax (Net of advance tax)	-	-
Provision for employee benefits		
- Gratuity (refer note 2.27)	-	104,420
- Compensated absences	666,132	389,407
Proposed preference dividend*	-	1,346,301
Tax on proposed preference dividend	-	274,075
Others	2,534,550	541,546
	299,229,523	43,624,496

* According to amended rules of the Companies (Accounting Standard) Rules, 2016, proposed dividend of ₹ 0.90 per preference share was not recorded as a liability as at 31 March 2017.

2.8 FIXED ASSETS

Description	Gross block				Depreciation and amortisation				Net block	
	As at 1 April 2016	Additions	Deletions	As at 31 March 2017	As at 1 April 2016	For the year	Deletions	As at 31 March 2017	As at 31 March 2017	As at 31 March 2016
Tangible assets										
Owned										
Furniture and fixtures	4,373,471	4,081,494	-	8,454,965	2,569,227	1,045,997	-	3,615,224	4,839,741	1,804,244
Electrical fittings	4,358,031	3,510,345	-	7,868,376	1,698,535	1,318,790	-	3,017,325	4,851,051	2,659,496
Office equipment	1,882,600	1,450,191	-	3,332,791	1,224,419	619,989	-	1,844,408	1,488,383	658,181
Vehicles	6,787,177	-	-	6,787,177	4,513,497	916,228	-	5,429,725	1,357,452	2,273,680
Computers	12,647,784	9,344,266	99,444	21,892,606	8,130,701	6,690,286	72,968	14,748,019	7,144,587	4,517,083
Leasehold improvements	10,217,550	21,298,969	-	31,516,519	4,805,230	2,802,620	-	7,607,850	23,908,669	5,412,320
Sub-total (A)	40,266,613	39,685,265	99,444	79,852,434	22,941,609	13,393,910	72,968	36,262,551	43,589,883	17,325,004
Previous year	25,316,771	14,977,141	27,299	40,266,613	14,005,589	8,936,020	-	22,941,609	17,325,004	
Intangible assets										
Owned										
Computer software	6,816,337	1,547,465	342,000	8,021,802	2,946,506	2,632,521	107,413	5,471,614	2,550,188	3,869,831
Sub-total (B)	6,816,337	1,547,465	342,000	8,021,802	2,946,506	2,632,521	107,413	5,471,614	2,550,188	3,869,831
Previous year	2,268,157	4,548,180	-	6,816,337	1,520,449	1,426,057	-	2,946,506	3,869,831	
Grand total (A+B)	47,082,950	41,232,730	441,444	87,874,236	25,888,115	16,026,431	180,381	41,734,165	46,140,071	21,194,835
Previous year	27,584,928	19,525,321	27,299	47,082,950	15,526,038	10,362,077	-	25,888,115	21,194,835	-

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.9 LOAN PORTFOLIO

	As at 31 March 2017	As at 31 March 2016
Unsecured		
Microfinance loan portfolio [net of securitised loan portfolio of ₹ 201,394,495 (previous year: ₹ 898,652,889)]	7,507,032,947	5,009,304,327
Secured		
Vehicle loans	3,163,822	4,016,640
	7,510,196,769	5,013,320,967
Of the above loan portfolio		
Non current portion of loan portfolio	1,353,889,032	1,270,422,820
Current portion of loan portfolio	6,156,307,737	3,742,898,147
	7,510,196,769	5,013,320,967
Out of the above loan portfolio		
Loan portfolio (considered good)*	7,481,702,137	4,997,879,423
Loan portfolio (considered doubtful)	28,494,632	15,441,544
	7,510,196,769	5,013,320,967

*Includes an amount of ₹ 2,338,678 (Previous year: 2,338,678) given as on-balance sheet exposure towards securitised portfolio placed as over collateralization.

2.10 OTHER NON-CURRENT ASSETS

	As at 31 March 2017	As at 31 March 2016
(Unsecured, considered good)		
Long term deposits with maturity of more than 12 months		
- with banks*	228,553,847	298,451,259
Interest accrued but not due		
- fixed deposit with banks	10,157,116	9,534,806
Unamortised processing fees	28,263,055	12,183,894
	266,974,018	320,169,959

*Includes deposits of ₹228,553,847 (previous year : ₹194,855,433) maintained as cash collateral against term loans availed and ₹ Nil (previous year : ₹ 60,395,826) maintained as cash collateral against managed portfolio.

2.11 CURRENT INVESTMENTS

	As at 31 March 2017	As at 31 March 2016
Other than trade and quoted		
(Valued at lower of cost and fair value)		
Investments in mutual funds		-
108,336 units (previous year: Nil units) of Axis Treasury Advantage Fund	200,000,000	-
1,153,307 units (previous year: Nil units) of Birla Sun Life Floating Rate Fund	250,000,000	-
11,270,242 units (previous year: Nil units) of DHFL Pramerica Low Duration Fund	250,000,000	-
7,326,136 units (previous year: Nil units) of Reliance Medium Term Fund	250,000,000	-
8,638,264 units (previous year: Nil units) of IDFC Ultra Short Term Fund	200,000,000	-
94,236 units (previous year: Nil units) of UTI Floating Rate Fund	250,000,000	-
12,538,551 units (previous year: Nil units) of UTI Short Term Income Fund	250,000,000	-
831,099 units (previous year: Nil units) of ICICI Prudential Liquid Fund	200,000,000	-
115,801 units (previous year: Nil units) of Invesco India Short Term Fund	250,000,000	-
500,000 units (previous year: Nil units) of HDFC Debt Fund for Cancer Cure	5,000,000	-
49 units (previous year: Nil units) of DSP Blackrock Liquidity Fund	113,760	-
	2,105,113,760	-
Aggregate amount of quoted investments	2,105,113,760	

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.12 TRADE RECEIVABLES

	As at 31 March 2017	As at 31 March 2016
(Unsecured, considered good)		
Receivables outstanding for a period exceeding six months from the date they became due for payment	-	-
Others debts	-	9,316,951
	-	9,316,951

2.13 CASH AND BANK BALANCES

	As at 31 March 2017	As at 31 March 2016
Cash and cash equivalents		
Cash in hand	16,983,590	1,591,680
Balances with banks		
- in current accounts	1,643,524,825	491,745,178
- in deposit accounts with less than 3 months maturity*	72,338,864	31,093,870
	1,732,847,279	524,430,728
Other bank balances		
- Deposits with banks with maturity more than 3 months but less than 12 months**	169,298,455	92,229,450
	169,298,455	92,229,450
Total	1,902,145,734	616,660,178
*Includes deposits of ₹31,017,356 (previous year : ₹12,788,547) maintained as cash collateral against term loans availed and ₹41,321,508 (previous year : ₹14,555,323) maintained as cash collateral against managed portfolio.		
**Includes deposits of Rs. 148,863,417 (previous year : ₹63,855,562) maintained as cash collateral against term loans availed and ₹20,435,038 (previous year : ₹13,482,147) maintained as cash collateral against managed portfolio.		
Details of bank balances and deposits		
Bank balances available on demand/deposits with maturity of 3 months or less included under 'Cash and cash equivalents'	72,338,864	31,093,870
Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'	169,298,455	92,229,450
Bank deposits due to mature after 12 months of the reporting date included under 'Other non-current assets' (refer note 2.10)	228,553,847	298,451,259
	470,191,166	421,774,579

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.14 SHORT TERM LOANS AND ADVANCES

	As at 31 March 2017	As at 31 March 2016
(Unsecured, considered good)		
Balance with ESOP trust	5,170,738	25,000
Advances recoverable in cash or kind or for value to be received	12,121,635	1,769,904
Rent deposits	5,289,808	1,999,000
Advance tax (net of provisions)	26,074,472	4,289,054
Prepaid expenses	5,285,907	3,265,473
Service tax receivable	2,469,458	656,213
	56,412,018	12,004,644

2.15 OTHER CURRENT ASSETS

	As at 31 March 2017	As at 31 March 2016
(Unsecured, considered good)		
Security deposits towards borrowings*	3,000,000	20,198,972
Interest accrued but not due		
- on loan portfolio	65,647,027	46,165,606
- on fixed deposits with banks	25,938,764	9,242,751
- on security deposits	432,000	2,443,551
Interest accrued and due but not collected	51,577,705	-
Unamortised processing fees	31,073,166	32,074,955
Unbilled revenue	10,596,822	5,552,207
	188,265,484	115,678,042

*Represents deposits maintained as cash collateral against term loans availed from financial institution.

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.16 REVENUE FROM OPERATIONS

	For the year ended 31 March 2017	For the year ended 31 March 2016
Interest income on loan portfolio	1,594,507,377	892,249,153
Income from business correspondence services	62,803,596	37,140,952
Income from asset securitisation	72,288,049	62,392,408
Processing fee on loan portfolio	83,104,480	60,126,213
	1,812,703,502	1,051,908,726
Other operating income		
Interest on term deposits with banks	36,301,345	27,902,476
	36,301,345	27,902,476
	1,849,004,847	1,079,811,202

2.17 OTHER INCOME

	For the year ended 31 March 2017	For the year ended 31 March 2016
Profit on sale of mutual fund units	160,744,260	22,450,483
Miscellaneous income	683,432	1,179,342
	161,427,692	23,629,825

2.18 OPERATING EXPENSES

	For the year ended 31 March 2017	For the year ended 31 March 2016
Postage and communication	16,626,948	9,298,770
Contingent provision against standard portfolio*	21,008,792	21,793,434
Provision on non-standard portfolio*	3,959,967	4,551,542
Provision on standard portfolio due to demonetisation*	231,252,823	-
Loan portfolio written off*	46,657,341	7387,128
Repairs and maintenance	14,860,670	9,241,290
Printing and stationery	9,390,003	6,345,670
Provision towards cash loss	5,740,850	2,705,778
	349,497,394	61,323,612

* refer note 2.23

2.19 EMPLOYEE BENEFITS EXPENSE*

	For the year ended 31 March 2017	For the year ended 31 March 2016
Salaries, wages and bonus**	442,459,131	238,019,106
Contribution to provident fund and other fund (refer note 2.27)	32,579,258	16,535,247
Staff welfare expenses	8,146,496	3,511,025
	483,184,885	258,065,378

* Shown net of grant received from Small Industries Development Bank of India (SIDBI) amounting to ₹ Nil (previous year ₹360,000)

** This excludes amount of ₹5,145,738, being profit earned by Fusion Employee Benefits Trust utilised for the purpose of employee benefit

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.20 FINANCE COSTS

	For the year ended 31 March 2017	For the year ended 31 March 2016
Interest on borrowings	936,342,629	462,083,842
Other borrowing costs	38,043,306	19,450,493
	974,385,935	481,534,335

2.21 OTHER EXPENSES

	For the year ended 31 March 2017	For the year ended 31 March 2016
Rent (refer note 2.29)	38,850,471	21,404,080
Travelling and conveyance	24,737,335	10,999,842
Legal and professional fees (refer note 2.36)*	32,442,797	15,868,616
Rates and taxes	5,505,190	1,297,547
Office maintenance**	9,659,936	4,997,627
Water and electricity	4,789,359	2,879,947
Staff recruitment and training	3,223,716	2,687,075
Insurance	2,954,373	1,955,033
Corporate social responsibility/Donation (refer note 2.39)	973,259	200,000
Business promotion	10,724,074	4,015,475
Miscellaneous expenses	5,324,268	2,974,400
	139,184,778	69,279,642

* Shown net of grant received from Small Industries Development Bank of India (SIDBI) amounting to ₹537,492 (previous year ₹537,492 from Legal and professional fees.

** Shown net of grant received from Small Industries Development Bank of India (SIDBI) amounting to ₹1,050,104 (previous year ₹ Nil) from Office maintenance.

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.22 DISCLOSURE ON SPECIFIED BANK NOTES

As required by the Ministry of Corporate Affairs notification G.S.R. 308(E) dated 30 March 2017, the details of Specified Bank Notes (SBN held and transacted during the period from 08 November 2016 to 30 December 2016 are provided in the table below:

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	9,804,000	3,611	9,807,611
(+) Withdrawal from Bank accounts	-	3,378,018	3,378,018
(+) Collections from borrowers	31,643,000	1,124,719,681	1,156,362,681
(+) Collections on behalf of banks (BC borrower)	33,787,500	63,251,554	97,039,054
(-) Amount disbursed to the borrowers	-	282,558,000	282,558,000
(-) Amount deposited in Banks	75,234,500	877,726,802	952,961,302
Closing cash in hand as on 30.12.2016	-	31,068,061	31,068,061

2.23 PROVISION FOR OUTSTANDING LOAN PORTFOLIO

- a) Provision for outstanding loan portfolio (own).

The provision for outstanding loan portfolio as at 31 March 2017 has been calculated @ 1% on the total loan portfolio outstanding as at the balance sheet date. The 50% aggregate loan installments which are overdue for more than 90 days but less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more are less than the 1% provision of total outstanding loan portfolio.

Asset classification	As at 31 March 2017		As at 31 March 2016	
	Loan portfolio	Provision	Loan portfolio	Provision
Standard portfolio	7,481,702,137	57,062,046	4,997,879,423	36,053,254
Non performing portfolio	28,494,632	18,039,922	15,441,544	14,079,955
Total	7,510,196,769	75,101,968	5,013,320,967	50,133,209

- b) Loan portfolio amounting to ₹46,657,341 (previous year: ₹7,387,128) has been written off.

- c) The movement in provision during the year is as given below:

Particulars	For the year ended 31 March 2017			For the year ended 31 March 2016		
	Standard portfolio	Non performing portfolio	Total	Standard portfolio	Non performing portfolio	Total
Opening	36,053,254	14,079,955	50,133,209	14,259,820	9,528,413	23,788,233
Additions / (write back), net	21,008,792	3,959,967	24,968,759	21,793,434	4,551,542	26,344,976
Closing	57,062,046	18,039,922	75,101,968	36,053,254	14,079,955	50,133,209

- d) In respect of advances originated prior to and remaining outstanding as at 1 November 2016 for which the instalments have fallen due between 1 November 2016 and 31 December 2016, the Company has availed the benefit of the additional 90 days extended period provided by the Reserve Bank of India (RBI) vide circular DBR.No.BPBC.37/21.04.048/2016-17 dated 21 November 2016 and circular DBR.No.BPBC.49/21.04.048/2016-17 dated 28 December 2016 for determining the classification of its existing assets as standard/sub-standard. Accordingly the prudential norms for asset classification and provisioning for non-performing assets have been applied as at balance sheet date which have resulted in decrease in provision amount by ₹373,185,910.
- e) In addition to the above, the Company on a prudential basis accrued provisions on advances or exposures which are not NPAs, but has reasons to believe on the basis of the extant environment or specific information or basis regulatory guidance / instructions, the possible slippage of a specific advance or a group of advances or exposures or potential exposures. These are classified as contingent provisions and included under short-term provision.

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.24 CONTINGENT LIABILITY:

a) Guarantees/security deposits given on securitised portfolio as collateral.

Sl. No	Bank/Financial Institution	31 March 2017			31 March 2016		
		Principal assigned/ Purchase consideration	Guarantee	FLDG %	Principal assigned/ Purchase consideration	Guarantee	FLDG %
1	IFMR Capital Finance Private Limited – XX	-	-	-	58,703,743	4,256,021*	7.25
2	IFMR Capital Finance Private Limited – XXI	-	-	-	77,957,914	6,431,528*	8.25
3	IFMR Capital Finance Private Limited – XXII	-	-	-	38,332,560	2,683,279*	7.00
4	IFMR Capital Finance Private Limited – XXIII	-	-	-	73,458,732	3,672,937*	5.00
5	IFMR Capital Finance Private Limited – XXIV	-	-	-	98,918,477	5,440,516*	5.50
6	IFMR Capital Finance Private Limited – XXV	-	-	-	63,305,320	4,431,372*	7.00
7	IDBI –I	-	-	-	53,778,385	5,377,838*	10.00
8	IFMR Capital Finance Private Limited – XXVI	106,985,550	5,616,741*	5.25	106,985,550	5,616,741*	5.25
9	IFMR Capital Finance Private Limited – XXVII	196,978,760	9,848,938*	5.00	196,978,760	9,848,938*	5.00
10	IFMR Capital Finance Private Limited – XXVIII	256,252,819	15,375,169*	6.00	256,252,819	15,375,169*	6.00
11	IFMR Capital Finance Private Limited – XXIX	167,690,555	10,480,660*	6.25	167,690,555	10,480,660*	6.25
12	IFMR Capital Finance Private Limited – XXX	271,986,525	12,987,797*	4.75^	271,986,525	12,987,797*	4.75^
13	IFMR Capital Finance Private Limited – XXXI	81,193,362	4,556,770*	5.50^	81,193,362	4,556,770*	5.50^
14	IFMR Capital Finance Private Limited – XXXII	57,809,430	2,890,471*	5.00	57,809,430	2,890,471*	5.00
Total		1,138,897,001	61,756,546		1,603,352,132	94,050,037	

* Guarantees given as a % of assigned portfolio.

^ Principal amounting to ₹2,338,678 (previous year: ₹2,338,678) given as on balance sheet exposure as first loss credit enhancement by way of over collateralisation.

b) The Company has entered into business correspondence arrangements with the banks. Accordingly, the Company has given a performance security of ₹118,164,555 (Previous year: ₹96,262,224) towards the loans disbursed by the banks on the Company's reference. The total outstanding of such loans as on 31 March 2017 is ₹560,006,362 (previous year: ₹562,006,906). The performance security is given in the nature of fixed deposits and Corporate Guarantee.

c) Contingent liability in respect of preference shares

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
Dividend on preference share capital	2,700,000	-
Dividend distribution tax	549,656	-

The same will be recorded as liability in the period in which shareholders approves the dividend. Refer Note 2.7

2.25 DETAILS OF PENDING LITIGATIONS

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
Proceedings by Company against employee fraud*	3,616,054	1,211,018

* The Company has recovered an amount of ₹1,250,778 (previous year ₹578,018) from the employees and out of the balance of ₹1,722,920 (Previous year ₹633,000) has been written off. In addition, Rs. Nil (Previous year ₹554,925) pertaining to earlier year has been written off during the year.

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.26 EMPLOYEE STOCK OPTIONS

The Company has granted stock options to certain employees of the Company under the 'Employee Stock Option Scheme 2014' and 'Employee Stock Option Scheme 2016'. The key terms and conditions related to the grant of the stock options are as follows:

- The scheme 2014 and 2016 are effective from 31 July 2014 and 16 January 2017 respectively to be administered through a Trust (Fusion Employees Benefit 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 a specified period.
- The Company has formed Fusion Employee Benefit Trust (ESOP Trust) on 24 June 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 (Refer note 2.1.6)
- As on 31 March 2017, the ESOP trust have 918,162 equity shares (as on 31 March 2016 trust had 1,845,363 shares, out of which 17,750 shares were transferred from trust to employees on 29 March 2017 under the Scheme 2014 and ESOP Trust sold excess inventory of 994,592 shares to erstwhile director/ their relative based on their rights). The Company has allotted 85,141 shares on 05 July 2016 to ESOP Trust under the Scheme. The ESOP Trust does not have any transaction other than those mentioned above, hence it is treated as a part of the Company and accordingly gets consolidated with the books of the Company. Accordingly, as at 31 March 2017, the Company has reduced the shares allotted to ESOP Trust amounting ₹9,181,620 (previous year: ₹18,453,630 from the share capital and ₹10,126,672 (previous year: ₹19,468,580) from the share premium.
- The eligible employees shall exercise their option to acquire the shares of the Company within a period of three years/ four years from the end of vesting period. The plan shall be administered, supervised and implemented by the board.

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%

Stock option activity under ESOP Plan 2014 and 2016 is as below:

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Number of equity shares:		
Outstanding at the beginning of the year	256,856	264,105
Granted during the year	341,900	217,000
Forfeited during the year	-	(224,249)
Exercised during the year	17,750	-
Outstanding at the end of year	581,006	256,856
Exercisable at the end of year	56,428	9,964

The Company calculates the compensation cost based on the intrinsic value method, wherein the excess of Fair value of underlying equity shares as on the date of the grant over the exercise price of the options given to employees under the ESOP schemes of the Company, is recognized as compensation cost and amortized over the vesting period.

The Company granted the options to employees at Fair Value and accordingly there is no cost to the Company on exercise of options by them. Hence, the disclosure relating to Proforma, Net results, Earnings per Share, etc. required under Guidance note on Employee Share Based Payments issued by ICAI is not applicable.

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.27 EMPLOYEE BENEFITS EXPENSE

a) Defined benefit plan – Gratuity (Funded)

Every employee is entitled to a benefit equivalent to 15 days salary last drawn for each completed year of service in line with the payment of Gratuity Act, 1972. The same is payable at the time of separation from the Company or retirement, whichever is earlier.

The following tables set out the status of the gratuity plan as required under AS 15 (Revised)

Movement in present values of defined benefit obligations

Particulars	As at 31 March 2017	As at 31 March 2016
Defined benefit obligation as at the beginning of the year	6,395,006	3,264,381
Current service cost	6,556,553	3,438,543
Interest cost	479,625	261,150
Benefits paid (if any)	(484,250)	(348,108)
Actuarial (gain)/loss recognised during the year	(552,655)	(220,960)
Defined benefit obligation as at the end of the year	12,394,279	6,395,006

Movement in fair value of planned assets:

Particulars	As at 31 March 2017	As at 31 March 2016
Opening fair value of planned assets	5,529,194	-
Contribution paid into the plan	6,800,000	5,529,194
Benefits paid to the plan	-	-
Expected return on planned assets	-	-
Fair value of planned assets as on 31 March 2017	12,329,194	5,529,194

Expense recognised in Statement of Profit and Loss

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Current service cost	6,556,553	3,438,543
Interest cost	479,625	261,150
Expected return on plan assets	-	-
Net actuarial (gain)/ loss recognised in the year	(552,654)	(220,960)
Amount, included in employee benefits expense	6,483,524	3,478,733

Amount to be recognised in the balance sheet:

Particulars	As at 31 March 2017	As at 31 March 2016
Defined benefit obligation at the end of the year	12,394,279	6,395,006
Fair value of plan assets at the end of the year	(12,329,194)	(5,529,194)
Liability recognised in the balance sheet	65,085	865,812

Break up of liability:

Particulars	As at 31 March 2016	As at 31 March 2016
Current	-	104,420
Non-current	65,085	761,392
Total liability	65,085	865,812

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

Amounts recognised in current year and previous four years:

Particulars	As at 31 March				
	2017	2016	2015	2014	2013
Projected benefit obligation at the end of the year	12,394,279	6,395,006	3,264,381	14,21,972	651,828
Fair value of plan assets at end of the year	(12,329,194)	(5,529,194)	-	-	-
Net liability/(asset)	65,085	865,812	3,264,381	14,21,972	651,828

Principal actuarial assumptions

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
i) Discount rate (p.a)	7.50%	8.00%
ii) Salary escalation rate (p.a)	8.00%	8.00%
iii) Expected return on plan assets	8.00%	8.00%

Discount rate: - The discount rate is based on the prevailing market yield of Indian Government securities as at the balance sheet date for the estimated term of obligations.

Salary escalation rate: - The estimate for the future salary increments considered taking into account the inflation, seniority, promotional and other relevant factors.

b) Defined contribution plan

Amount recognised in Statement of Profit and Loss towards	For the year ended 31 March 2017	For the year ended 31 March 2016
i) Provident fund	22,893,549	11,809,046
ii) Employee state insurance	96,17,797	4,726,201
Total	32,511,346	16,535,247

2.28 SEGMENT REPORTING

Business segment

The Company operates in a single reportable segment i.e. micro financing activities, which have similar risk and return. Accordingly there is no reportable segment to be disclosed as required by Accounting Standard (AS) – 17 “Segment Reporting”.

Geographical Segment

The Company is engaged in business within India. The conditions prevailing in India being uniform, no separate geographical disclosure is considered necessary.

2.29 OPERATING LEASES

Head office and branch office premises are obtained on operating lease. The branch office premises are generally leased on cancellable term ranging from twelve months to thirty six months with or without escalation clause. The rent agreement for head office premise has been obtained on a lease term of nine years with non-cancellable period of 3 years. There are no subleases. Lease payments during the year are charged to statement of profit and loss as detailed in Note 2.21. Following are the details of lease charges for the year and minimum lease payment obligation as required under non-cancellable contracts

Description	31 March 2017	31 March 2016
Operating lease expenses recognised in the statement of profit and loss	38,850,471	21,404,080
Minimum lease obligations		
Not more than one year	9,226,140	4,846,143
Later than one year but not later than five years	13,839,210	6,110,616

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.30 EARNINGS PER SHARE (EPS)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Earnings		
Net profit for the year	40,972,027	134,165,983
Less: Dividend on 9% optionally convertible preference shares and tax there on	3,249,657	3,307,458
Adjusted net profit attributable to equity share holders	37,722,370	130,858,525
Shares		
Number of shares at the beginning of the year (excluding shares allotted to Fusion Employee Benefit Trust)	17,292,683	15,282,843
Add: Equity shares issued during the year (excluding shares allotted to Fusion Employee Benefit Trust)	16,963,872	2,009,840
Total number of equity shares at the end of the year	34,256,555	17,292,683
Weighted average number of equity shares outstanding at the end of the year - Basic	29,594,596	16,858,865
Add: Weighted average number of potential equity shares on account of Compulsorily Convertible Debentures (CCDs)	580,822	5,804,174
Add: Weighted average number of potential equity shares on account of employee stock options (includes shares allotted to Fusion Employee Benefit Trust)	1,553,093	3,414,097
Add: Weighted average number of potential equity shares on account of Optionally convertible preference shares	3,000,000	3,000,000
Weighted average number of equity shares outstanding during the year – Diluted	34,728,511	29,077,137
Earnings Per Share		
- Basic	1.27	7.76
- Diluted	1.18	4.61

2.31 Pursuant to RBI Guidelines on Securitisation of asset vide circular no DBOD.NO.BP.BC. 60/21.04.048/2005-06 dated 01 February 2006.

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Total number of loans securitized	-	81,580
Aggregate book value of loans securitized	-	1,138,897,001
Micro Finance loans subordinated as cash credit enhancements for assets de- recognized	-	2,338,678
Aggregate value of sale consideration	-	1,213,399,733
Aggregate gain on securitisation- to be amortised over the life of the receivable	-	74,502,732
Quantum of credit enhancement provided during the year in the form of deposits	-	61,756,546

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.32 As required in terms of circular RBI//2012-13/170 DNBS. PD. No. 301/3.10.01/2012-13 dated 21 August 2012 for the securitisation transactions entered on or after 21 August 2012:

Particulars	31 March 2017	31 March 2016
1. Number of Special Purpose Vehicles (SPVs) sponsored by the Company for securitisation transactions	7	14
2. Total amount of securitised assets as per books of the SPVs sponsored by the Company#	203,733,173#	987,705,264#
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)	61,756,546	94,050,037
* First loss (Micro finance loans)	2,338,678	2,338,678
* Others	-	-
4. Amount of exposures to securitisation 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	-	-

The above information has been prepared based on the confirmations received from certain SPVs and other information available with the Company.

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.33 RELATED PARTY TRANSACTIONS

A) Related Parties

Relationship	Name of the party
Entities exercising significant influence over the Company	Creation Investment Fusion, LLC, Chicago, U.S.A. (effective from 12 August 2016)
	RIF-North II Mauritius (ceases to exercise significant influence over the Company effective from 12 August 2016)
	NMI Frontier Fund, LLP, Norway (ceases to exercise significant influence over the Company effective from 12 August 2016)
Director / Key Managerial Personnel (KMP)	Devesh Sachdev - Director and Chief Executive Officer
	Ashish Tewari – Director and Chief Operating Office (Resigned effective from 12 August 2016)
	Gaurav Maheshwari - Chief Financial Officer (effective 16 February 2017)
	Deepak Madaan - Company Secretary

B) Summary of related party transactions:

Name of the related party	Nature of transaction	For the year ended 31 March 2017	For the year ended 31 March 2016
Mr. Devesh Sachdev	Managerial remuneration**	19,997,200	16,777,202
	Equity shares allotted under preferential allotment	19,918,152	-
Mr. Ashish Tewari	Managerial remuneration	20,133,328	16,777,202
Mr. Gaurav Maheshwari	Remuneration paid	852,895	-
Mr. Deepak Madaan	Remuneration paid	1,172,602	1,093,712
Creation Investment Fusion, LLC, Chicago, U.S.A.	Allotment of equity shares (including share premium)	370,000,000	-

** This is inclusive of one-time payment of Rs. 10,140,950 (Previous year: Rs. 9,777,202) and not part of annual salary.

Refer Note 2.26 for shares sold by Fusion Employee Benefit Trust to erstwhile director/ their relative.

C) The amount receivable/ (payable) from/ (to) related parties:

Name of the related party	Nature of transaction	Receivable / (Payable) as at 31 March 2017	Receivable/ (Payable) as at 31 March 2016
Mr. Devesh Sachdev	Bonus payable	1,576,344	11,027,202*

* This is inclusive of one-time payment of ₹ 9,777,202 and not part of annual salary.

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.34 TERMS OF THE BORROWINGS

Nature of Facility	Amount outstanding as at 31 March 2017		Amount outstanding as at 31 March 2016		Interest rate	First date of repayment	Terms of repayment
	Current	Non Current	Current	Non Current			
A. Redeemable transferable non-convertible debentures (NCD)*							
NCD 1	-	-	14,666,608	-	14.00%	28-Aug-14	Monthly/24
NCD 2	-	-	33,333,000	-	12.55%	28-Sep-14	Bi-Monthly/15
NCD 3	-	-	18,750,000	-	13.25%	16-Oct-14	Monthly/24
NCD 4	-	-	46,666,763	-	13.50%	2-Jan-15	Monthly/24
NCD 5	-	100,000,000	-	100,000,000	15.00%	21-Dec-20	Bullet Repayment
NCD 6	-	220,000,000	-	220,000,000	13.00%	16-Dec-18	Bullet Repayment
NCD 7	10,000,000	-	40,000,160	9,999,840	13.50%	24-Jul-15	Monthly/24
NCD 8	-	240,000,000	-	240,000,000	14.85%	29-Apr-19	Bullet Repayment
NCD 9	-	426,000,000	-	426,000,000	14.50%	13-Aug-20	Bullet Repayment
NCD 10	-	526,000,000	-	-	14.15%	16-May-22	Bullet Repayment
NCD 11	-	601,000,000	-	-	13.22%	13-Jul-19	Bullet Repayment
NCD 12	-	470,000,000	-	-	13.60%	31-Aug-21	Bullet Repayment
NCD 13	-	550,000,000	-	-	13.25%	15-Sep-25	Bullet Repayment
Total (A)	10,000,000	3,133,000,000	153,416,531	995,999,840			
B. Unsecured non-convertible debentures ('SD') from financial institutions							
SD 1	-	500,000,000	-	-	13.85%	30-Mar-23	Bullet Repayment
Total (B)	-	500,000,000	-	-			
C. Secured term loan ('TL') from Banks*							
TL 1	-	-	7,407,407	-	BR+ 2.40%	31-May-14	Monthly/30
TL 2	9,000,000	-	12,000,000	9,000,000	BR+ 3.25%	19-May-15	Quarterly/10
TL 3	-	-	20,000,000	-	BR+ 3.60%	31-Dec-14	Quarterly/10
TL 4	-	-	12,500,000	-	BR+ 3.50%	29-Sep-14	Quarterly/8
TL 5	-	-	57,142,857	-	BR+ 1.90%	4-Sep-15	Quarterly/8
TL 6	-	-	23,437,500	-	12.50%	18-Mar-15	Quarterly/8
TL 7	-	-	20,454,548	-	BR+ 3.00%	23-Feb-15	Monthly/22
TL 8	-	-	47,618,000	-	BR+3.50%	27-May-15	Monthly/21
TL 9	-	-	6,666,671	-	14.50%	23-Dec-14	Monthly/15
TL 10	4,550,000	-	18,180,000	4,550,000	BR+2.60%	31-Dec-14	Quarterly/11
TL 11	33,315,713	-	39,999,996	33,333,333	BR+2.75%	31-Aug-15	Monthly/30
TL 12	-	-	8,340,000	818,000	BR+3.00%	23-Feb-15	Monthly/24
TL 13	15,000,000	-	20,000,000	15,000,000	BR+3.25%	17-Jun-15	Quarterly/10
TL 14	15,108,032	-	18,181,814	15,185,300	BR+3.00%	30-Apr-15	Monthly/33
TL 15	25,000,000	-	50,000,000	25,000,000	BR+ 1.90%	31-Dec-15	Quarterly/8
TL 16	28,125,000	-	37,500,000	28,125,000	11.80%	29-Feb-16	Quarterly/8
TL 17	27,272,722	-	54,545,460	27,272,722	BR+ 2.65%	31-Dec-15	Monthly/22
TL 18	66,666,667	-	133,333,333	66,666,667	13.00%	9-Jun-16	Monthly/15
TL 19	9,992,000	-	10,008,000	9,992,000	BR+3.00%	8-Apr-16	Monthly/24
TL 20	14,583,337	-	24,999,996	14,583,337	BR+3.00%	27-Nov-15	Monthly/24
TL 21	41,666,667	-	50,000,000	41,666,667	13.00%	12-Feb-16	Monthly/24
TL 22	-	-	56,250,000	-	BR+2.15%	31-Dec-15	Monthly/18
TL 23	38,181,818	-	31,818,183	38,181,818	BR+1.80%	30-Jun-16	Monthly/21
TL 24	28,000,000	21,000,000	21,000,000	49,000,000	BR+ 3.00%	28-Sep-16	Quarterly/10
TL 25	125,000,400	31,249,597	93,750,003	156,249,997	BR+3.50%	29-Jul-16	Monthly/24
TL 26	85,200,000	-	64,285,714	85,714,286	BR+3.00%	31-Jul-16	Monthly/21
TL 27	102,000,000	54,500,000	93,500,000	156,500,000	BR+2.75%	31-May-15	Monthly/30
TL 28	40,000,000	0,000,000	40,000,000	60,000,000	BR+3.00%	30-Jun-16	Quarterly/10
TL 29	20,000,000	10,000,000	20,000,000	30,000,000	BR+4.00%	30-Jun-16	Quarterly/10

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.34 TERMS OF THE BORROWINGS (continued)

Nature of Facility	Amount outstanding as at 31 March 2017		Amount outstanding as at 31 March 2016		Interest rate	First date of repayment	Terms of repayment
	Current	Non Current	Current	Non Current			
C. Secured term loan ('TL') from Banks*							
TL 30	20,000,000	25,000,000	-	-	BR+3.25%	7-Jan-17	Quarterly/10
TL 31	60,000,000	50,000,000	-	-	BR+3.00%	30-Sep-16	Monthly/30
TL 32	75,000,000	18,750,000	-	-	BR+3.00%	25-Jul-16	Quarterly/8
TL 33	62,500,000	15,625,000	-	-	11.40%	1-Sep-16	Quarterly/8
TL 34	50,000,000	33,333,200	-	-	MCLR 1Y+1.52%	31-Dec-16	Monthly/24
TL 35	37,500,000	18,750,000	-	-	BR+3.00%	31-Oct-16	Monthly/24
TL 36	100,000,000	68,750,000	-	-	MCLR 1Y+2.35%	31-Dec-16	Quarterly/8
TL 37	30,000,000	70,000,000	-	-	MCLR 1Y+2.65%	17-Jul-17	Quarterly/10
TL 38	119,048,000	130,952,000	-	-	MCLR 1Y+2.85%	22-Jun-17	Monthly/21
TL 39	47,600,000	152,400,000	-	-	MCLR 1Y+3.00%	1-Sep-17	Monthly/30
TL 40	180,000,000	-	-	-	MCLR 1Y+2.09%	27-Mar-18	Bullet Repayment
Total (C)	1,510,310,356	720,309,797	1,092,919,482	866,839,127			
D. Secured term loan ('TL') from Other*							
TL 41	-	-	6,250,000	-	15.00%	13-Dec-13	Quarterly/12
TL 42	8,337,000	-	33,333,332	8,335,668	15.00%	29-Jul-14	Quarterly/12
TL 43	-	-	6,250,007	-	BR+1.25%	30-Jul-14	Monthly/24
TL 44	-	-	12,500,006	-	BR+1.25%	10-Oct-14	Monthly/24
TL 45	-	-	11,250,000	-	BR+1.25%	30-Jan-15	Monthly/24
TL 46	-	-	3,687,145	-	15.34%	5-Dec-14	Monthly/18
TL 47	-	-	2,766,129	-	15.34%	28-Dec-14	Monthly/18
TL 48	-	-	30,909,090	-	16.00%	30-Apr-15	Monthly/24
TL 49	55,694,990	14,611,801	47,824,320	70,630,359	14.65%	1-Jul-15	Monthly/36
TL 50	60,000,000	30,000,000	60,000,000	90,000,000	15.00%	13-Nov-15	Quarterly/12
TL 51	52,807,555	4,735,229	42,457,217	57,542,783	13.75%	1-May-16	Monthly/24
TL 52	-	-	15,000,000	-	BR+0.25%	30-Apr-15	Monthly/24
TL 53	49,999,996	-	50,000,004	49,999,996	BR-0.50%	9-Apr-15	Monthly/24
TL 54	60,062,799	-	39,937,201	60,062,799	14.00%	19-Jul-16	Monthly/21
TL 55	16,666,665	8,333,336	16,666,666	25,000,001	15.50%	31-Mar-16	Half Yearly/6
TL 56	66,666,663	-	100,000,000	66,666,663	13.25%	28-Nov-15	Monthly/24
TL 57	49,296,708	-	47,068,670	49,296,708	14.00%	8-Mar-16	Monthly/24
TL 58	45,832,900	-	50,000,400	45,832,900	13.25%	1-Mar-16	Monthly/24
TL 59	14,285,802	-	57,142,858	14,285,802	15.75%	15-Oct-15	Monthly/21
TL 60	100,000,000	49,999,996	-	-	14.00%	5-Oct-16	Monthly/24
TL 61	20,000,000	180,000,000	-	-	13.50%	17-Jan-18	Quarterly/10
TL 62	97,173,802	137,888,097	-	-	13.50%	29-Jul-16	Monthly/36
TL 63	185,000,003	107,916,661	-	-	13.00%	30-Nov-16	Monthly/24
TL 64	75,981,379	150,649,115	-	-	13.00%	28-Dec-16	Monthly/36
TL 65	125,000,004	124,999,996	-	-	12.85%	20-Apr-17	Monthly/24
TL 66	46,903,121	63,096,879	-	-	13.00%	1-May-17	Monthly/24
TL 67	59,694,881	80,305,119	-	-	13.00%	1-May-17	Monthly/24
TL 68	21,220,000	-	36,360,000	21,220,000	13.00%	10-Feb-15	Monthly/33
TL 69	48,000,000	16,000,000	36,000,000	64,000,000	10.10%	30-Jul-16	Monthly/25
TL 70	41,100,000	41,100,000	41,918,000	81,382,000	11.50%	31-Jul-16	Half Yearly/6
TL 71	54,545,448	81,819,552	-	-	12.75%	10-Feb-17	Quarterly/33
TL 72	300,000,000	587,500,000	-	-	11.50%	30-Jan-17	Half Yearly/11
Total (D)	1,654,269,716	1,678,955,781	747,321,044	704,255,680			

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.34 TERMS OF THE BORROWINGS (continued)

Nature of Facility	Amount outstanding as at 31 March 2017		Amount outstanding as at 31 March 2016		Interest rate	First date of repayment	Terms of repayment
	Current	Non Current	Current	Non Current			
E. Secured vehicle loan ('VL') from Bank#							
VL 1	451,093	284,118	409,298	735,208	10.25%	31-Oct-13	Monthly/60
Total (E)	451,093	284,118	409,298	735,208			
F. Secured vehicle loan ('VL') from other#							
VL 2	-	-	18,121	-	11.00%	15-May-11	Monthly/60
Total (F)	-	-	18,121	-			
G. Unsecured term loan ('USL') from financial institution							
UTL 1	3,450,000	-	-	-	2.00%	10-Sep-17	Quarterly/3
SD 2	-	70,000,000	-	70,000,000	15.50%	28-Feb-21	Bullet Repayment
UTL 2	25,000,000	75,000,000	-	-	15.00%	15-Sep-17	Quarterly/12
Total (G)	28,450,000	145,000,000	-	70,000,000			-
H. Unsecured Compulsorily Convertible Debentures							
CCD1	-	-	424,000,000	-			
Total (H)	-	-	424,000,000	-			
Total (A to H)	3,203,481,165	6,177,549,696	2,418,084,476	2,637,829,855			

* Term loans and Non-convertible debentures are secured against exclusive charge on the standard assets portfolio receivables pertaining to micro credit loans in addition to the cash collaterals referred in note 2.10, 2.13 and 2.15 with the respective lenders. Term loans of ₹186 crores are secured by personal guarantees of the promoter directors.

Vehicle loan is secured by the vehicles procured from the respective loans.

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.35 DEFERRED TAX

Particulars	As at 31 March 2017	As at 31 March 2016
Deferred tax asset		
- Provisions on loan portfolio	100,335,707	8,232,632
- Provision for employee benefits	4,339,051	2,002,759
- Depreciation on fixed assets	3,466,276	1,763,889
- Provision for Employee Contingency	278,927	-
- Provision for Cash Snatching	598,230	-
Total	109,018,191	11,999,280

2.36 AUDITORS REMUNERATION (Included in legal and professional fee, excluding service tax)

Particulars	For the year ended 31 March 2017	As at 31 March 2016
Statutory audit fees	1,300,000	1,250,000
Limited review fees	350,000	300,000
Certification fees	350,000	350,000
Out of pocket expenses	95,046	73,288
Total	2,095,046	1,973,288

2.37 INFORMATION ON INSTANCES OF FRAUD:

Nature of fraud	For the year ended 31 March 2017			For the year ended 31 March 2016		
	Amount of fraud	Recovery	Amount outstanding	Amount of fraud	Recovery	Amount outstanding
Misappropriation of cash by employees	3,616,054	1,250,778	2,365,276*	1,211,018	578,018	633,000*
Total	3,616,054	1,250,778	2,365,276	1,211,018	578,018	633,000

* The Company has written off/ provided the amount.

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.38 AMOUNTS PAYABLE TO MICRO, SMALL AND MEDIUM ENTERPRISES

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2017 has been made in the financial statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	Nil	Nil
The amount of interest paid by the company along with the amounts of the payment made to the supplier beyond the appointed day during the year.	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this act.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of the year; and	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small enterprise.	Nil	Nil

2.39 Section 135 of the Companies Act 2013 is applicable to the Company during the year and accordingly the Company has formed a CSR Committee. The Board of Directors has approved a CSR Policy where certain focus areas out of list of activities covered in Schedule VII of the Companies Act 2013, has been identified for carrying out CSR activities. Details of amount to be spent and CSR expenditure incurred are given below:

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Average net profit of the company for last three financial years	115,622,054	42,208,509
Prescribed CSR expenditure to be spent (2% of the average net profit)	2,312,441	844,170
Amount spent	973,259	200,000
Amount unspent	1,339,182	644,170

2.40 DISCLOSURES AS REQUIRED UNDER RBI NOTIFICATION NO. DNBR. 019/CGM (CDS) -2015 DATED APRIL 10, 2015:

Capital to Risk Asset ratio (CRAR)

Sl. No.	Sector	As at 31 March 2017	As at 31 March 2016
I	CRAR %	25.97%	21.11%
II	CRAR – Tier I Capital (%)	19.94%	11.41%
III	CRAR – Tier II Capital (%)	6.03%	9.70%
IV	Amount of subordinated debt raised as Tier-II capital	542,000,000	70,000,000
V	Amount raised by issue of Perpetual Debt Instruments	-	-

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.41 The Company does not have any direct or indirect exposure to real estate sector.

2.42 Maturity pattern of certain items of assets and liabilities:

(Amount in Crores)

Particulars	1 day to 30/ 31days 1 month	1 month to 2 months	Over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year upto 3 years	Over 3 years upto 5 years	Over 5 years	Total
Borrowings from Banks	11.89	8.38	14.43	36.97	79.40	72.06	-	-	223.14
Borrowings from others	9.29	13.62	10.80	50.99	83.57	164.06	17.83	0.50	350.67
Borrowings from NCD	0.33	0.33	0.33	-	-	148.70	57.00	157.60	364.30
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-
Advances	124.21	68.48	63.70	162.62	196.61	135.39	-	-	751.02
Deposits	4.88	0.50	2.22	7.28	9.58	22.86	-	-	47.32
Cash & Bank Balance	161.55	-	-	-	-	4.50	-	-	166.05
Investments	210.51	-	-	-	-	-	-	-	210.51
Foreign Currency Assets	-	-	-	-	-	-	-	-	-

2.43 PROVISION AND CONTINGENCY

Particulars	For the year ended 31 March 2017	As at 31 March 2016
Provision on non-performing loan portfolio	3,959,967	4,551,542
Contingent provisions against standard loan portfolio	21,008,792	21,793,434
Provisions on standard loan portfolio due to demonetization	231,252,823	-
Provision for Income Tax	104,200,000	88,710,000
Provision for cash loss	5,740,850	27,05,778

2.44 SECTOR WISE NON-PERFORMING ASSETS (NPA)

Sl. No.	Sector	Percentage of NPAs to total advances in that sector
1.	Agriculture & allied activities	0.29%
2.	MSME	7.47%
3.	Corporate borrowers	NA
4.	Services	NA
5.	Unsecured personal loans	NA
6.	Auto loans	100%*
7.	Other personal loans	NA

*Small ticket vehicle loans are being considered in auto loans.

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.45 MOVEMENT IN NON-PERFORMING ASSET (NPA)

SI No	Particulars	2016-17	2015-16
i)	Net NPA to net advances percentage	0.14%	0.03%
ii)	Movement of NPAs (Gross)		/
	a) Opening balance	15,441,544	12,322,860
	b) Additions during the year	13,053,088	3,118,684
	c) Reduction during the year	-	-
	d) Closing balance	28,494,632	15,441,544
iii)	Movement of net NPAs		
	a) Opening balance	1,361,589	2,794,447
	b) Additions during the year	9,093,121	-
	c) Reduction during the year	-	1,432,858
	d) Closing balance	10,454,710	1,361,589
iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	a) Opening balance	14,079,955	9,528,413
	b) Provision made during the year	3,959,967	4,551,542
	c) Write off/ write back of excess provisions	-	-
	d) Closing balance	18,039,922	14,079,955

2.46 DISCLOSURE WITH RESPECT TO INVESTMENTS

(Amount in Crores)

Sl. No.	Particulars	As at 31 March 2017	As at 31 March 2016
1.	Value of Investments		
i)	Gross value of investments		
	(a) In India	210.51	-
	(b) Outside India	-	-
ii)	Provision for depreciation		
	(a) In India	-	-
	(b) Outside India	-	-
iii)	Net value of investments		
	(a) In India	210.51	-
	(b) Outside India	-	-
2.	Movement of provisions held towards depreciation on investments		
i)	Opening balance	-	-
ii)	Add: Provisions made during the year	-	-
iii)	Less: Write-off/ write-back of excess provisions during the year	-	-
iv)	Closing balance	-	-

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.47 DISCLOSURE WITH RESPECT TO CUSTOMER COMPLAINTS

Sl. No.	Sector	Number of complaints
(i)	No. of complaints pending at the beginning of the year	-
(ii)	No. of complaints received during the year	60
(iii)	No. of complaints redressed during the year	56
(iv)	No. of complaints pending at the end of the year	4

2.48 RATINGS ASSIGNED BY CREDIT RATING AGENCIES AND MIGRATION OF RATINGS

Particulars	Current rating	Previous rating
MFI Grading	MFI 2+	MFI 2+
Long term bank facility	CARE BBB+	CARE BBB
Non-convertible debentures (other than below)	ICRA BBB	CARE BBB
Other Non-convertible debenture	CARE BBB+	CARE BBB

2.49 DETAILS OF PENALTIES IMPOSED BY RBI AND OTHER REGULATORS

No penalties has been imposed by RBI and other regulators on the Company during the financial year ended 31 March 2017 and 31 March 2016.

2.50 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 31 March 2017 and 31 March 2016.

2.51 DETAILS OF NON-PERFORMING FINANCIAL ASSETS PURCHASED / SOLD:

The Company has not purchased/sold any non-performing financial assets during the financial year ended 31 March 2017 and 31 March 2016.

2.52 DETAILS OF SINGLE BORROWER LIMIT (SGL) / GROUP BORROWER LIMIT (GBL) EXCEEDED BY THE NBFC:

The Company has not exceeded the prudential exposure limits during the financial year ended 31 March 2017 and 31 March 2016.

2.53 DRAW DOWN FROM RESERVES

There has been no draw down from reserves during the year ended 31 March 2017 and 31 March 2016.

2.54 The Company does not have any foreign currency exposure and/or derivatives during the year and as at balance sheet date.

Notes to the Financial Statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.56 DETAILS OF REGISTRATION WITH FINANCIAL AND OTHER REGULATORS:

Regulator	Registration number	Date of registration
Ministry of Corporate Affairs	U74899DL1994PTC061287	5 September 1994
Reserve Bank of India	B-14.02857	19 May 2010

2.57 Previous year's figures have been regrouped / reclassified, where necessary, to conform to current year's classification.

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached
for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.:116231W/W-100024

for and on behalf of the Board of Directors of
Fusion Micro Finance Private Limited
CIN: U74899DL1994PTC061287

Hemant Maheshwari
Partner
Membership No.: 096537

Devesh Sachdev
Director & CEO
DIN: 02547111

Aditya Bhandari
Director
DIN: 03062463

Deepak Madaan
Company Secretary

Gaurav Maheshwari
Chief Financial Officer

Place: Hyderabad
Date: 30 May 2017

Place: New Delhi
Date: 30 May 2017

Corporate Information

Board of directors

Mr. Devesh Sachdev	Director & CEO
Mr. Pradip Kumar Saha	Independent Director
Mr. Nitin Gupta	Independent Director
Mr. Aditya Bhandari	Nominee Director
Mr. Njord Andrewes	Nominee Director
Ms. Anita Alcira Serrate Cortez	Nominee Director
Mr. Albert Hofsink	Nominee Director
Mr. Javed Ahmad Siddiqui	Nominee Director
Mr. Kenneth Dan Vander Weele	Nominee Director

Key Managerial Persons

Mr. Devesh Sachdev	Chief Executive Officer
Mr. Gaurav Maheshwari	Chief Financial Officer
Mr. Deepak Madaan	Company Secretary

Registered Office

FUSION MICROFINANCE PRIVATE LIMITED

H-1, C Block, Community Centre, Naraina Vihar
New Delhi-110028
Tel: +91 46646600
Web Site: www.fusionmicrofinance.com

Statutory Auditors

BSR & ASSOCIATES LLP

B S R & Company
Chartered Accountants
B-2-618/2, Reliance Humsafar
4th Floor, Road No. 11, Banjara Hills,
Hyderabad-500034

Bankers

AXIS BANK LIMITED
SCO 50,51, Civil Lines, Sector 15, Gurugram, Haryana 122001

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

Debenture Trustee Details

CATALYST TRUSTEESHIP LIMITED

(Formerly known as GDA)
Office No. 83 – 87, 8th floor, 'Mittal Tower', 'B' Wing, Nariman
Point, Mumbai – 400021

AXIS TRUSTEE SERVICES LIMITED

Axis House, 2nd Floor,
Wadia International Centre, Pandurang Budhkar Marg, Worli,
Mumbai-400 025.

VISTRA ITCL (INDIA) LIMITED

IL & FS Financial Centre, Plot No C22, G Block, BandraKurla
Complex, Bandra East, Mumbai, Maharashtra-400051



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