



Fusion Microfinance is one of India's leading pure-play microfinance companies that operates in 18 states. Headquartered in New Delhi, a 4,398-strong team manages the Company's operations.

The business entity

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520

Equity infusion led by
Warburg Pincus
(₹ crore) in 2018-19

A-

Rating by CARE
from BBB+ earlier

78%

Rating in the ESS by
AON Hewitt

266%

Net Profit increase over
2017-18

91%

Revenue growth
over 2017-18

74%

AUM growth over
2017-18

56%

Customer acquisition
improvement over 2017-18

40%

Branch network expansion
over 2017-18

ENABLING
EMPOWERING
EXPANDING

This is the quintessential Fusion credo
Uplifting rural India and Indians
Then. Now. And forever more.



From the MD & CEO's desk

"We will continue to evolve ourselves to optimally integrate with the dynamic needs of our valued customers and maximise our reach to serve every viable geography in the country in pursuit of our stated mission."



Dear friends,

Encouraging self-dependence is more meaningful than simple charity.

For that is about enabling her to envision her dreams. It is about empowering her to build capabilities. It's about expanding her sense of achievement and self-respect. It's about making her feel important to the family, the village, and the nation.

Hence, Fusion was born with this mindset of making the Indian woman self-dependent.

Sticking zealously to this philosophy has brought us healthy returns in each year of our journey thus far. And 2018-19 was no exception to this trend.

Our disbursements climbed by 66.54%, revenue increased by 91.40%, and we registered a net profit of ₹65.35 crore against a net loss of ₹39.41 crore in 2017-18.

In addition to the stupendous growth we achieved, 2018-19 holds special significance in my mind. It stands as a year when the efforts of the entire Fusion team received heart-warming recognition.

1) We received an Award for Customer Literacy and Capacity Building at the country's first MFIN Microfinance Awards 2018 – In Pursuit of Excellence. This award is special as it recognises the efforts of the team in going beyond

funding. It showcases the teams' dedicated perseverance in uplifting fellow Indians hitherto overlooked. It reflects on our passion for making a meaningful difference to India and every Indian.

2) Our unflinching focus on becoming an 'Employer of Choice' led us to implement important 'people oriented initiatives'. In doing so, we upped our performance in the Employee Satisfaction Survey conducted by Aeon Hewitt, we reached 78% from 69% in the previous survey. In doing so, we graduated to the Topmost Quartile, which makes us eligible for featuring in the 'Best Places to Work' list. This position highlights that we have created

an invigorating workplace that builds people and their personality – it inspires them to contribute positively every day at work. It also vindicates my belief that investing in your people is the best investment. For satisfied people will take care of your customers and your business growth.

3) We received an investment of ₹520 crore (US\$ 75 million) led by the PE major Warburg Pincus, a leading global investor. It was their first investment in the microfinance sector globally and the second investment by them in India's financial services space in 2018. Moreover, it is the largest investment by any single global investor in India's microfinance space. Our existing investor, Creations Investment, has also participated in this round. This investment, I am confident, would support our endeavour to develop Fusion into one of India's most preferred companies in the financial inclusion space.

Financial inclusion continues to provide high growth opportunities in India. Even today, about 216.5 million people in rural areas are poor, while 52.8 million Indians residing in urban areas are considered poor. This means out of the country's total population, 269 million people survive on ₹27-30 a day.

It is a huge opportunity. Moreover, it's a two-fold one.

One, the sheer size of the rural masses will make growth a natural outcome for dynamic & progressive enterprises.

To manage growing volumes accurately and with speed, we are strengthening our digital backbone. We successfully launched our mobile app, mShakti. This unique solution has significantly improved customer on-boarding, in addition to doing a host of other things. Even as I ink this statement, we would be close to achieving 100% client on-boarding through this application.

Two, rural India has multiple needs and dreams which have drawn scant attention from the financial inclusion sector. It's time we look upon those areas too. They are looking to reduce

their dependence on the vagaries of agriculture. They are getting aware of other avenues of revenue. They aspire for a better tomorrow.

As a step towards readying the organisation for the anticipated volumes, we continued to invest in technology solutions. These solution will enable the team to dedicate a more significant proportion of their time to value-added work rather than being stuck with mundane day-to-day transactions.

Moreover, we are working on developing in-house technology solutions for other critical business functions such as Internal Audit and Learning & Development framework, among others. We will also leverage Data Analytic tools for improving the hygiene of our portfolio and learning more about our customers to serve them better.

I believe that Fusion, with its network of branches across 18 states & a well-entrenched work force network, is perfectly positioned to serve our existing and prospective customers with a seamless approach to deliver our current and future range of financial services to their doorstep. The solid platform built over the last 10 years can be leveraged as a pivot for building adjacent business verticals to meet the diverse requirements.

Our priorities for the current year include:

- Intensifying our efforts on educating and training customers on the nuances and benefits of digitisation – not only for loans and their repayment but on a holistic basis
- Continuing to focus on making our services affordable for our rural customers, which will enhance their business returns and their sense of satisfaction.
- Scouting for more ways of making a positive impact on underprivileged Indians.

To that end, we will continually shape the Company, strategically choose

product opportunities emerging out of our core area of excellence, and geographies in which we are present, to achieve the optimal configuration for success.

As we move forward into 2019-20, I would like to express my sincere gratitude to my fellow Board Members for their commitment and professionalism in paving Fusion's long-term path. Thanks to our shareholders, other stakeholders who continue to align with our growth and our lenders who continue to repose faith in our capabilities and the business model.

I wish to also take this opportunity to thank our team members for their invaluable support and contribution for the Company's success.

At Fusion, we continue to remain honest and humble to our stakeholders and will remain forever hungry for growth that is meaningful and sustainable.

Warm regards

Devesh Sachdev
MD & CEO

Fusion has demonstrated the ability to profitably scale up in a diversified manner. The Company has a robust operating platform and is very well capitalised to become a leader in the financial inclusion space.

*Narendra Ostawal,
Managing Director,
Warburg Pincus*



WE ARE
ENABLING
MILLIONS ACROSS
RURAL INDIA,
BY EMPOWERING
THEM TO MAKE
THEIR LIVES
COMFORTABLE
AND EXPANDING
THEIR ASPIRATIONS



WE ARE ENABLING MILLIONS ACROSS RURAL INDIA...

BY BEING PRESENT WHERE IT MATTERS MOST.

Rural Indian women have simple dreams about a better life – to educate their children, to provide clean water and nutritious food for their families. But they scarcely know how to get there.

Because they remain bogged down with the anxiety of providing for every day. Because despite having the longest working day, every day, they scarcely have a minute to ponder about better prospects. Because the word 'opportunity' does not exist in their village and hence in their mind.





“Serving the poorest of the poor in the country has been a very fulfilling experience.”

*Devesh Sachdev,
MD & CEO*

At Fusion, we made poverty eradication, in the poorest districts, an essential part of our business model.

Even when urban slums were the easier option, we reached out to the poorest and backward districts of India. We provided them a ray of hope. We allowed them to dream of a better today, a brighter tomorrow and a promising future.

And this is what we did!

Before we brought our ideas, we built trust. Before we funded, we introduced opportune avenues for fund deployment. Before we launched our financial inclusion project, we opened their eyes to their economic inclusion prospects.

The bottom line is ... we enabled them to dream of living the life they had always dreamt of.



CASE IN POINT

We launched 'Jivika' – a comprehensive business development program that provides intensive training in skills such as paper bag making, sewing & cutting, and pickle & papad making, along with training on product-packaging and enhancing their knowledge on selling the products in the right market. Over the last eight years, a large part of our customer base has undergone this training, which enabled them to envision better days.



This is what happened!

I had taken a loan from Fusion to start a garment shop. However, the lack of relevant skills reduced my work to basic alteration jobs. As a result, the meagre earnings were enough to meet the EMIs and save a paltry amount. I was disappointed.

One day, Fusion's Branch Manager attended one Centre Meeting. He informed us that the Company is initiating tailoring classes under its skill-building program. My eyes brightened. I felt my dreams would soon see the light of day.

I immediately enrolled in the program. It was well-organised. The Company provided us with raw materials and others. We learned different types of garment stitching. The Company also organised a market survey during which we interacted with shop owners. It provided insights into customer trends and preferences, products in vogue, and reasonable prices. With this experience, I have grown my business. I have also started teaching tailoring to two girls in the neighbourhood.

Madhuri

Ranjhi, Jabalpur

Our presence in
205
poorest and backward
districts in India

And enabled us to
provide hope to
1.24 mn
fellow Indians of a better
and brighter tomorrow



... BY EMPOWERING
THEM TO
MAKE THEIR
LIVES MORE
COMFORTABLE,

IN MORE
WAYS THAN
ONE!

Women are more enterprising than men. But the word 'udhaar' (loan) and 'byaj' (interest) are their biggest stumbling blocks.

Their fears are not unfounded. Because petty money lenders have abused their trust in furthering their personal interests. Horrifying stories of villagers losing their all to local money lenders are rife.





“...there is a sublime joy in seeing these humble women achieve their little dreams – it’s this satisfaction that inspires us get to work every morning!”

*Tarun Mehndiratta,
Chief Operating Officer*



At Fusion, we envisioned a holistic financial inclusion, as our commitment to society.

We realised that only providing money would push our customers further into the quagmire of despair.

So, this is what we did.

First, we understood their business venture, analysed the returns, and funded them accordingly – because we firmly believe that over-leveraging accentuates misery.

Second, we advised them on making and managing budgets and expenses – ensuring that they have real money saved at the end of each day.

Third, we aligned them with new-age trends. We conducted digital financial literacy programs within the perimeter of villages. We also provided them with the tools like smartphones for implementing theory into practice.

Our efforts empowered rural Indian women not only gain respect and position in their family and society but also inspired them to go beyond.

CASE IN POINT



I have been associated with Fusion for five years now.

When I look back, I realise I have come a long way from where I started. I was unemployed, my husband was working, but he earned very little.

I took my first loan from Fusion to start a small business of making cricket balls along with my husband. We bought raw material and started at a modest level. I maintained my repayment on time and kept taking loans from Fusion, which further helped me scale up the business.

It took some time, but gradually, our income and quality of life improved. My three children are continuing their education. We have also bought a television, a refrigerator, and a motorcycle. Now, I participate equally in the decision making of the family, which has established my reputation in the household.

I have given employment to four women from the community as well. I feel happy to be able to provide for my family, and I am thankful to Fusion for its support without which it wouldn't have been possible.

Saroj, Meerut, Uttar Pradesh

Providing Shakti to our field force

We empowered our Field Officers with the power of mShakti, a mobile app, which allowed them to instantly check the creditworthiness of applicants which earlier took one day. It reduced the Turn-around time (TAT) between document submission and fund disbursement by about 16%. Also, this app updated cash collection details to the customer and the branch office in real time. Our empowered team handled 146,407 applications more than it did in the previous year.

We have funded
the dreams of

1.5 mn

Rural Indian women

Across

254

Districts in India



...AND
EXPANDING
THEIR
ASPIRATIONS!





TO MAKE A LIFE MORE MEANINGFUL TO THE FAMILY AND THE COMMUNITY!

Success breeds more success. Especially for those who have, hitherto, been looked down upon by family, and society. For it's their way of telling their world that they are equally capable.

Moreover, their success can be contagious. For it would kindle hope in the minds of others – within the family, within the society, within the village – to leverage this holistic support.



"We succeed when we lower their cost. We sustain when we emerge more liquid."

*Gaurav Maheshwari,
Chief Financial Officer*



At Fusion, we are readying ourselves for this reality.

For as we became increasingly integrated with rural lives, we realised that there are multiple ways in which we could support the upliftment not only of rural women but of rural India.

This is what we plan to do.

First, We will use advanced analytical tools to study the available data from our geographic footprint to understand the challenges of the rural masses resident in those states.

Second, We will utilise this knowledge to create products that address their requirements and align with our core operations and expertise.

In doing so, we hope to enhance our ability to meet the growing aspiration of rural India in a more meaningful manner.



CASE IN POINT



Sumitra, resides in the Dhampur village, along with her husband and two daughters. Her life, like most other rural women living in Indian villages, was one of great stress and anxiety. Her husband's earnings were never enough to pay for the school fee – hence, her children's education was an abiding nightmare. Finally, the inevitable happened, and they were compelled to withdraw children's names from the school. It was one of the darkest days in their lives. Left with no hope, they slowly started finding terms with the setback.

But, the future belongs to the one who takes the right decision at the right time too, not just the dreamer. It was from one of those routine neighbourhood

conversations that Sumitra for the first time heard the name Fusion Microfinance – the Company giving loans to the villagers. After several days of mind-battle with her convictions and petrifying stories about borrowing, Sumitra took a loan from Fusion to buy a buffalo and started selling milk.

She repaid the loan easier than she could ever imagine, and received the second loan to buy four more buffaloes. Since then, her family has never looked back. Not only did she manage to get her children back in school, but she also bought a bicycle for her husband, living the dream of many women around the world.

2,63,486

Rural Indian women have taken the second loan from us

32.50%

The proportion of our disbursements for 2018-19 that were repeat and referral in nature



We are making a positive impact...

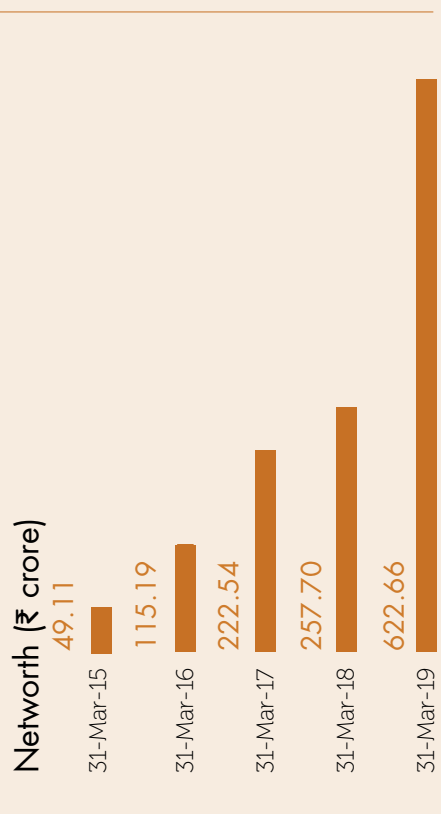
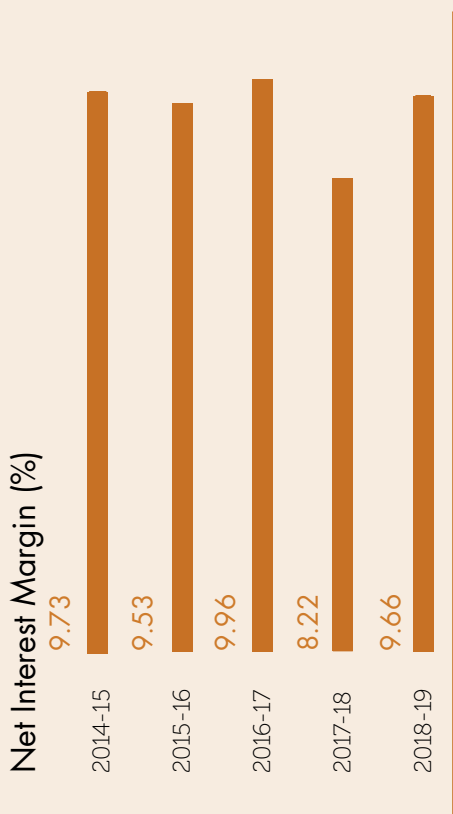
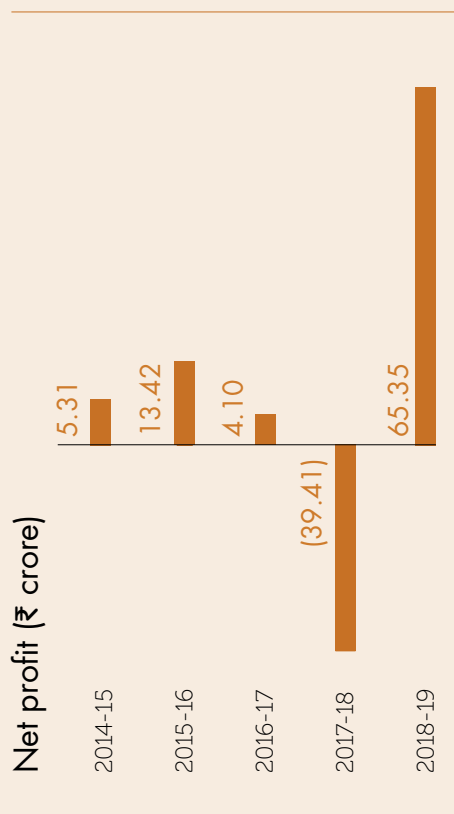
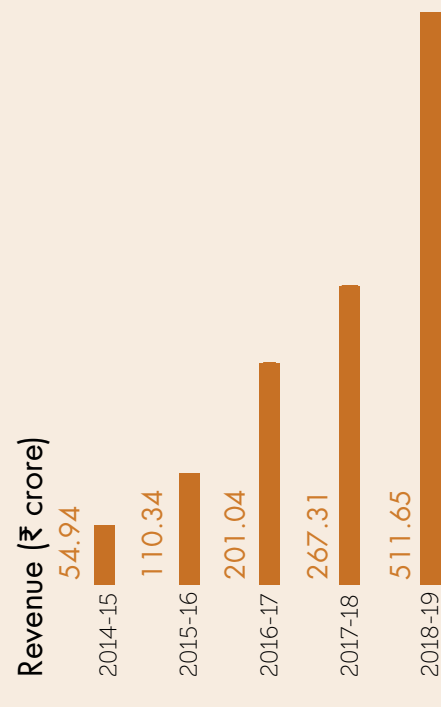
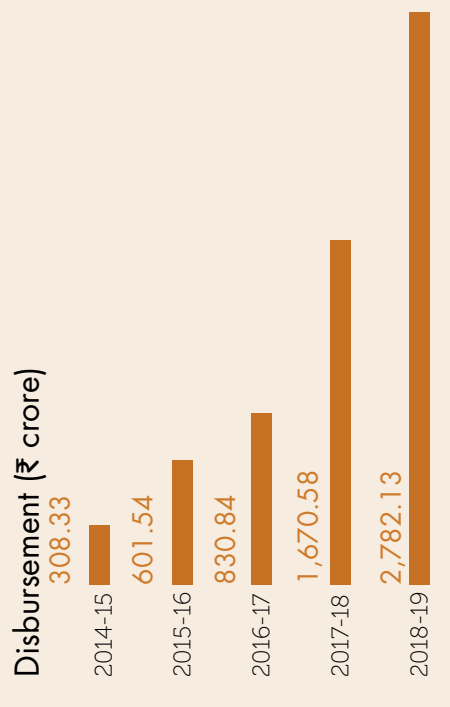
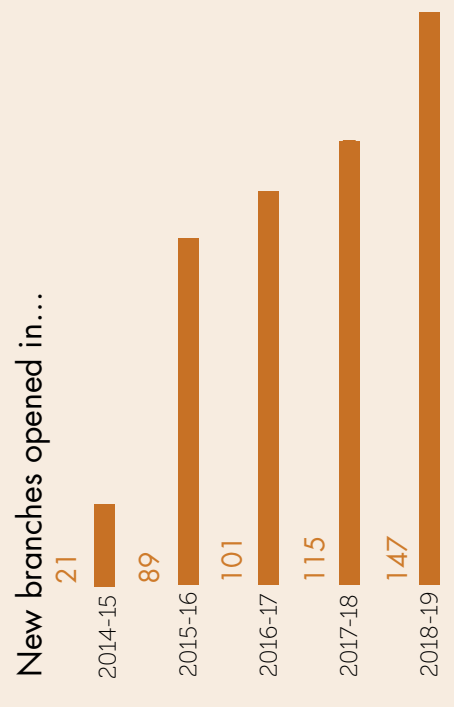
At the behest of Fusion, Nielsen conducted an impact study across five states to understand the impact of the financial services provided at the grass root level, primarily in terms of employment creation.

Snapshot of the findings

- For every two customers intervened by Fusion Microfinance, one job has been created in the economy. A team of 1,081 people were further employed by giving loans to 2,054 customers of Fusion Microfinance either through existing entrepreneurs or through self-employment.
- 40% more business owners created by Fusion Microfinance among its beneficiaries
- 17% of the customers aided their family business after availing loan from Fusion Microfinance.
- Across key markets, Fusion aided entrepreneurship growth by as much as 95% (in M.P. & Haryana). Other states have grown by at least 40% in terms of entrepreneurship post loan disbursement by Fusion Microfinance.
- Monthly household income of its beneficiaries shoots up by a minimum of 51% (Odisha) and up to a maximum of 108% (Haryana) post availing loans.
- Loans from Fusion Microfinance have made 87% of its beneficiaries more financially independent.
- Considerable proportion of people have moved out from low paying jobs to self-sufficient entrepreneurs post availing loan from Fusion Microfinance.
- Fusion Microfinance has also helped about 1/5th of the people to move out of the workforce by helping them to expand the existing businesses of their husband / son / other relatives.
- Madhya Pradesh & Haryana are the states where most impact can be seen both in terms of employment creation & increase in MHI of customers.
- People consider themselves as more financially independent, feel it is easier to work according to their own convenience and have also made an impact on the life of the employees by creating more job opportunities.



Progress over the years...



Q1/2018-19

85.31%

Growth in disbursements

Q1/2017-18 (₹ crore)

275.6

Q1/2018-19 (₹ crore)

510.71

Business

- Branch additions: 32
- Customer additions (net): 168,350
- Cash-less disbursement: 46.79%
- Gross Assets under Management (June 30, 2018): ₹1,761.00 crore
- Launched mShakti, a mobile app for seamless client on-boarding and collection
- Reduced interest rate by 140 bps

Others

- Awarded 'Best NBFC - MFI in Customer Literacy and Capacity building' by Mr. Giriraj Singh (Minister of State for MSME) at MFIN Awards 2018
- Recognised as one of the best places to work by 'The CEO Magazine.'

Q2/2018-19

81.00%

Growth in disbursements

Q2/2017-18 (₹ crore)

380.53

Q2/2018-19 (₹ crore)

688.77

Business

- Branch additions: 61
- Customer additions (net): 196,338
- Cash-less disbursement: 55.59%
- Gross Assets under Management (September 30, 2018): ₹2,046.87 crore
- Launched operations successfully in Tamil Nadu, Pondicherry and Gujarat launched successfully
- Reduced interest rate by 75 bps

Others

- Received the 'Champions of Rural Markets 2018' award by the Hon'ble State Minister Shri S.P Velumani at The Economic Times Rural Strategy Summit 2018

Q3/2018-19

61.11%

Growth in disbursements

Q3/2017-18 (₹ crore)

479.73

Q3/2018-19 (₹ crore)

772.91

Business

- Branch additions: 32
- Customer additions (net): 202,500
- Cash-less disbursement: 53.66%
- Gross Assets under Management (December 31, 2018): ₹2,358.74 crore
- Successful Closure of Equity from Warburg Pincus - ₹520 crore equity raised, their first investment in the microfinance sector
- Bank loan rating upgraded to A- (Stable) by CARE Ratings

Others

- Received the 'Project of the Year Award 2018' from the Project Management Institute, India for driving digital empowerment through cashless at the rural level. The award is the highest recognition for Project Management Institute in the country.

Q4/2018-19

51.34%

Growth in disbursements

Q2/2017-18 (₹ crore)

534.72

Q2/2018-19 (₹ crore)

809.73

Business

- Branch additions: 22
- Customer additions (net): 195,363
- Cash-less disbursement: 51.39%
- Gross Assets under Management (March 31, 2019): ₹2641.39 crore
- Launched the Mobile App and Web-based training framework for the entire Fusion team in partnership with M2i.

Others

- Entered the top quartile among BFSI organisations with a score of 78% in the Employee Satisfaction Survey by Aon Hewitt
- 'Fusion Microfinance Business Case Study' featured in the Award-winning case studies published by Lucknow Management Association in collaboration with IIM Lucknow

Where we stand today

15,10,823

Active Customers (March 31, 2019)

504

Branches (March 31, 2019)

2,841

Field force (March 31, 2019)

4,398

Team (March 31, 2019)

2,782.13

Disbursements, 2018-19 (₹ crore)

511.65

Revenue, 2018-19 (₹ crore)

65.35

Net Profit, 2018-19 (₹ crore)

2,641.39

Assets under Management, March 31, 2019 (₹ crore)

867.36

Cash in liquid investments, March 31, 2019 (₹ crore)

622.66

Networth, March 31, 2019 (₹ crore)

2,253.21

Funds raised, 2018-19 (₹ crore)

2,648.67

Total Debt, March 31, 2019 (₹ crore)

4.25

Debt-equity ratio (March 31, 2019)

11.27%

Incremental cost of borrowing, 2018-19 (%)

9.66%

Net interest margin,
2018-19 (%)

56.23%

Cost-to-income ratio,
2018-19 (%)

0.00%

Net NPA,
March 31, 2019 (%)

2.69%

Return on assets, 2018-19 (%)

17.11%

Return on equity, 2018-19 (%)

27.33%

Capital adequacy, March 31, 2019 (%)



A discussion with the Management team on the Company's performance in 2018-19.

Having come thus far, we have set our sights higher. Our strategy includes growing the business from existing geographies and establishing a stronghold in new territories we entered in 2018-19.



Were you happy with the Company's performance in 2018-19?

It was a great year, which is reflected in the growth numbers. More importantly, we are back in the black with a net profit of ₹65.35 crore in 2018-19 against a loss of ₹39.41 crore in 2017-18 (owing to the provisioning consequent to the demonetisation drive). This growth is heartening for it showcases the robustness and resilience of the business model to navigate through volatility prevailing in the external ecosystem.

How did the growth happen?

We continued to follow our time-tested practice – go deeper even as we expand wider. While we focused on entrenching our presence in states where we operated, we also extended our presence into four new states – Tamil Nadu, Gujarat, Assam, and Rajasthan. Our total disbursements increased to ₹2,782.13 crore in 2018-19 (growth of 66.54% over the previous year), the new states contributed about 18% of our fresh disbursements in 2018-19). We added 147 new branches in 2018-19 the highest branch expansion in our business journey, taking our total branch network to 504 branches as on March 31, 2019. This expansion has created a robust platform calibrated for growth over the coming years.

Considering the NBFC crisis in India, how did you fund your business growth?

Last year marked crisis in the NBFC sector following some developments in IL&FS. This led to NBFCs facing rather difficult period due to squeezing of lending and also hardening of cost of borrowing.

However, Fusion has remained insulated from this crisis due to following principal factors:-

1. Microfinance sector has a positive ALM.
2. Fusion has a proven track record of highly governed and well managed organisation.
3. Warburg Pincus investment in Fusion was a major validation
4. Rating upgraded from BBB+ to A-
5. Diversified and high quality lenders which continue to support and repose trust.

How did you take your digitisation commitment forward?

Digitisation has been a key focus area for us last year. There were 3 major aspects of our business wherein we looked at avenues for digitisation : (a) Our operating model where digitisation would help drive productivity and quality (b) Building more robust checks and balances in the system for effective monitoring and remediation (c) Providing a seamless customer interface to enable improvement of wing to wing TAT leading ultimately to better customer satisfaction.

What areas of business operations are you referring to?

Field force productivity.

Our highly flexible mShakti mobile app provides multiple benefits

- It charts out every field officer's daily route based on his scheduled meetings.
- It allows our field officer to check every proposed customer's creditworthiness instantly.
- It provides instant cash receipts to customers. It updates the cash collection at the branch office in real time.

Besides, there a host of other features that this tool provides. In a nutshell, it connects every field office with the branch office on a real-time basis.

From the customer's standpoint, it reduces the TAT (document collection to disbursement) by about 16%. This is one of the most satisfying digital solutions we launched in 2018-19.

With the increase in volumes, how do you maintain the quality of assets?

That is a very relevant point. At Fusion, we have engrained the culture of 'Quality at all cost' into the mind of every team member. This no-compromise culture has helped us in achieving a 1.41% GNPA as on March 31, 2019 (it was 3.98% as on March 31, 2018).










We have taken significant initiatives to strengthen the Company's quality fabric. One, we have readied our systems for allowing a multi-bureau checking for all customers. Two, we are automating our audit systems and processes by launching a mobile app. This will provide the audit trail of every officer and generate system-based reports of branch audits. Moreover, this solution will provide a dashboard for all queries across branches and their resolution – facilitating disciplined monitoring. This module is expected to go live in the first quarter of 2019-20.

In addition, we are working on a risk matrix solution and data analytics solutions that will provide deep insights about the Company's loan portfolio (region-wise, district-wise, branch-wise and customer-wise) across various parameters, throw up alerts for probable delinquencies, and facilitate in studying customer behaviour. We expect to launch this solution in the current year.

What are the team's plans for the current year?

- 1) **Building on our growth momentum:** We will continue to mine opportunities from existing geographies even as we work to establish a stronghold in new states we entered in 2018-19.
- 2) **Process improvement:** We will leverage technology solutions that will enhance our business process efficiency and improve the organisation's capability in handling additional volumes by implementing lean methodology and scale up in a disciplined manner.
- 3) **Securing funds:** We will also enhance our fundraising efforts a few notches higher to ensure business liquidity even as we work to strengthen organisational solidity.
- 4) **People engagement:** We will work around building people capability, enhancing their skills, for our people are and will be the reason of our success and sustainability.
- 5) **Customer engagement:** We will enhance our customer engagement efforts to get a ground level understanding of where we stand, how we can improve and what more we can do for them.
- 6) **Building customised solutions:** We will work on developing new products that complement our core business philosophy.

2018-19: Statewise Gross Loan Portfolio & Disbursement

	Assam	16 Branches	21.60 Loan Outstanding (₹ crores)	25.78 Disbursement (₹ crores)
	Bihar	76 Branches	524.85 Loan Outstanding (₹ crores)	579.41 Disbursement (₹ crores)
	Chhattisgarh	15 Branches	42.10 Loan Outstanding (₹ crores)	45.94 Disbursement (₹ crores)
	Delhi	2 Branches	5.27 Loan Outstanding (₹ crores)	4.82 Disbursement (₹ crores)
	Gujarat	11 Branches	15.89 Loan Outstanding (₹ crores)	17.89 Disbursement (₹ crores)
	Haryana	26 Branches	219.58 Loan Outstanding (₹ crores)	223.79 Disbursement (₹ crores)
	Himachal Pradesh	2 Branches	6.23 Loan Outstanding (₹ crores)	7.34 Disbursement (₹ crores)
	Jharkhand	26 Branches	118.11 Loan Outstanding (₹ crores)	129.71 Disbursement (₹ crores)
	Madhya Pradesh	73 Branches	278.03 Loan Outstanding (₹ crores)	289.69 Disbursement (₹ crores)



Maharashtra

7

Branches

17.26

Loan Outstanding (₹ crores)

19.23

Disbursement (₹ crores)



Odisha

73

Branches

368.94

Loan Outstanding (₹ crores)

414.81

Disbursement (₹ crores)



Pondicherry

1

Branch

5.17

Loan Outstanding (₹ crores)

5.98

Disbursement (₹ crores)



Punjab

27

Branches

201.99

Loan Outstanding (₹ crores)

220.68

Disbursement (₹ crores)



Rajasthan

30

Branches

105.21

Loan Outstanding (₹ crores)

124.86

Disbursement (₹ crores)



Tamil Nadu

20

Branches

54.73

Loan Outstanding (₹ crores)

60.34

Disbursement (₹ crores)



Uttar Pradesh

72

Branches

469.19

Loan Outstanding (₹ crores)

468.55

Disbursement (₹ crores)



Uttarakhand

13

Branches

90.54

Loan Outstanding (₹ crores)

85.06

Disbursement (₹ crores)



West Bengal

14

Branches

48.17

Loan Outstanding (₹ crores)

58.25

Disbursement (₹ crores)

The PMI Award

Way to go!



Fusion was Winner of the Project of the Year Award 2018 by Project Management Institute –the award is the highest recognition for Project Management in the country. The Project cover story “Empowering Rural Women with Digital Cashless Culture” got featured in Manage India publication of PMI India acclaimed by Project Management Community.

“This award is a testimony of our adherence to project management principles and governance mechanism. We thank PMI for recognising our work.”

Devesh Sachdev
MD & CEO

“Empowering Rural Women of New Age Digital India”- Fusion’s Award winning Business Case Study was published by Lucknow Management Association in the book, “Case in Point”. The Case Study is being used by faculty of eminent Business Schools (IIM Lucknow) proliferating principles and practice of Management.



The microfinance sector is not that micro, after all.

What is microfinance?

Microfinance is a prevalent term in today's financial market scenario. Microfinance refers to a banking or financial service that is offered by banks or other financial institutions to individuals who belong to the low-income or underprivileged sections of the society. Microfinance can be in the form of loans, insurance, and savings deposits.

Microfinancing is a great way to help poor individuals to be financially independent. Many of the underprivileged people in the nation do not have any idea about saving money or managing their finances. When they acquire microfinance from a reliable institution, they will get exposure to managing money on their own and also about sensibly utilising funds.

Over the last decade, microfinance has made a meaningful contribution to India's goal of financial inclusion of the poor and underprivileged. In more recent times, the microfinance sector

has increasingly leveraged technology for delivering services to the rural masses – this has made a meaningful difference in uplifting the technology prowess of rural India.

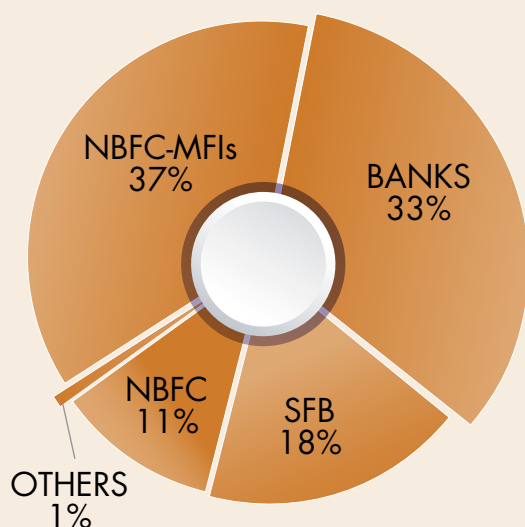
Sectoral performance – in a nutshell

- As of 31 March 2019, 3.17 crore clients* have a loan outstanding from NBFC-MFIs, which is an increase of 32% over Q4/2017-18.
- The aggregate gross loan portfolio (GLP) of MFIs is ₹68,207 crore as on 31 March 2019. It represents a YoY growth of 47% as compared to 31 March 2018 and 13% in comparison to 31 December 2018.
- Loan amount of ₹82,928 crore was disbursed in 2018-19 through ₹3.25 crore accounts.
- The average loan amount disbursed per account during 2018-19 was ₹25,543, which is an increase of around 13% in comparison to loans disbursed during FY 17-18.

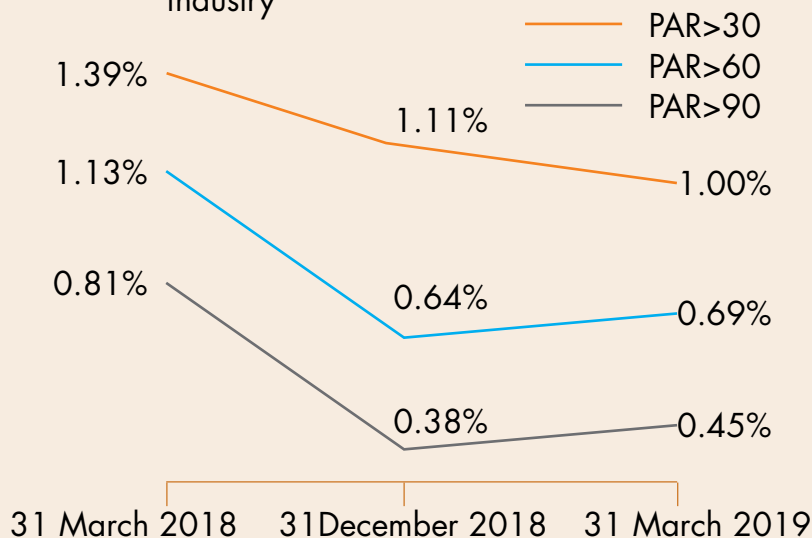
- During 2018-19, NBFC-MFIs received a total of ₹35,759 crore in debt funding, which is an increase of 63% from FY 17-18. Total equity grew by 42% during the same period and is at ₹14,206 crore.
- Portfolio at Risk (PAR) > 30 as on 31 March 2019 is 1.73%. It does not include BFIL data.
- PAR >30 has come down from 2.28% in the last quarter (as on December 2018) and is significantly better from 4.03% as on 31 March 2018.
- MFIs now have a presence in 33 states/union territories.
- In terms of regional distribution of portfolio (GLP), East and North East account for 38% of the total NBFC MFI portfolio, South 24%, North 14%, West 15% & Central contributes 9%.
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*The clients' number here is the aggregate of clients of member MFIs. Given some degree of overlaps, it does not reflect the number of 'unique' clients

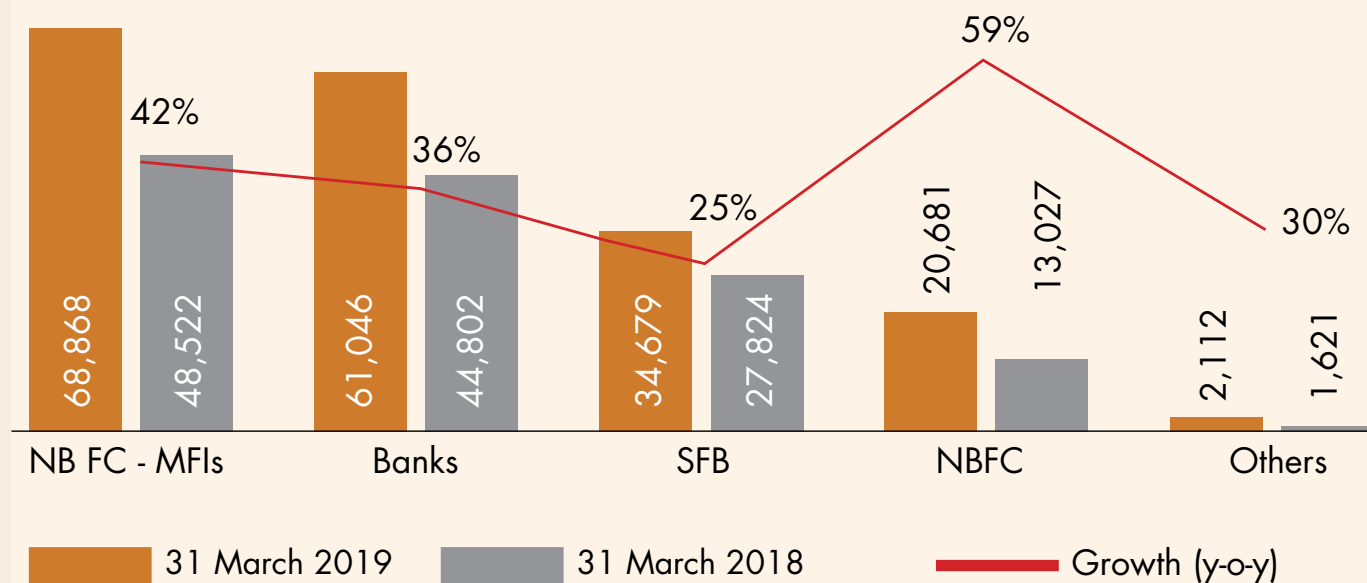
Micro-credit Loan amount outstanding across lenders 31 March 2019



Portfolio quality of the microfinance industry



Portfolio outstanding of the microfinance industry (₹ crore)



Large gets even larger

According to a report by ICRA, investors continued to support the industry with an equity infusion of around ₹4,350 crore in 2018-19, up from ₹4,100 crore in 2017-18. However, more than 90% of the capital raised in 2018-2019 was by the MFIs with AUMs of greater than ₹1,000 crore.

(Source: Mint, 24 April 2019)

Prospects for microfinance

Rural women are falling out of India's workforce at faster rates than urban women

The number of women working in rural India is declining at a faster pace than that among women in the urban workforce, according to an IndiaSpend analysis of government data.

Sustained high economic growth since the early 1990s has led to improved education and health indicators among India's women. Women accounted for no more than 25% of the labour force in 2011-12, declining from 33% in 2005, according to national sample survey report (2014) on employment, a rate worse than neighbouring Bangladesh (29%), Nepal (52%) and Sri Lanka (34%).

However, this decline is more marked for rural women, according to data from the ministry of statistics and program implementation's National Sample Survey (NSS), 2014.

Because there are not enough formal sector jobs available in rural areas. MGNREGS, a labour demand-driven

program, is limited to providing only 100 days of paid labour on public works projects per year. The few paid, formal jobs available, besides MGNREGS, tend to go to men and women with degrees, leaving women educated till the secondary school level in limbo—with skills that qualify them for non-agricultural work, but with few such jobs available, according to a 2018 study by the University of Maryland.

This lack of formal jobs, coupled with the shrinking availability of agricultural work, has led to declining numbers of women in the rural workforce.

Labour force participation rate (LFPR) is a measure of the number of persons in the labour force per 1,000 persons. The NSS data recording the change in female

LFPR in rural and urban areas over 18 years to 2011 show that the female LFPR has declined in both.

However, a closer look at the NSS data shows that the decline is steeper in rural areas. Whereas female LFPR in urban areas has declined from 165 per 1,000 in 1993 to 155 in 2011, in rural areas, the female LFPR has fallen from 330 to 253 over the same period.

Moreover, the decline in labour force participation among rural women is also higher among the lower income sections. This trend showcases the increasing relevance of the microfinance sector in India and its growth opportunities to transform rural women into economy contributors.





Women contribution

Gender inequality is not only a pressing moral and social issue but also a critical economic challenge.

According to a McKinsey Global Institute report, "The Power of Parity: How Advancing Women's Equality Can add \$12 Trillion to global growth", India could add US\$700 billion of additional GDP in 2025, boosting the annual GDP growth by 1.4 percentage points.

According to a Harvard Business Review study, women in emerging markets reinvest 90% of their earning into "human resources"— their families' education, health, and nutrition — compared to only 30 to 40% of earnings by men.



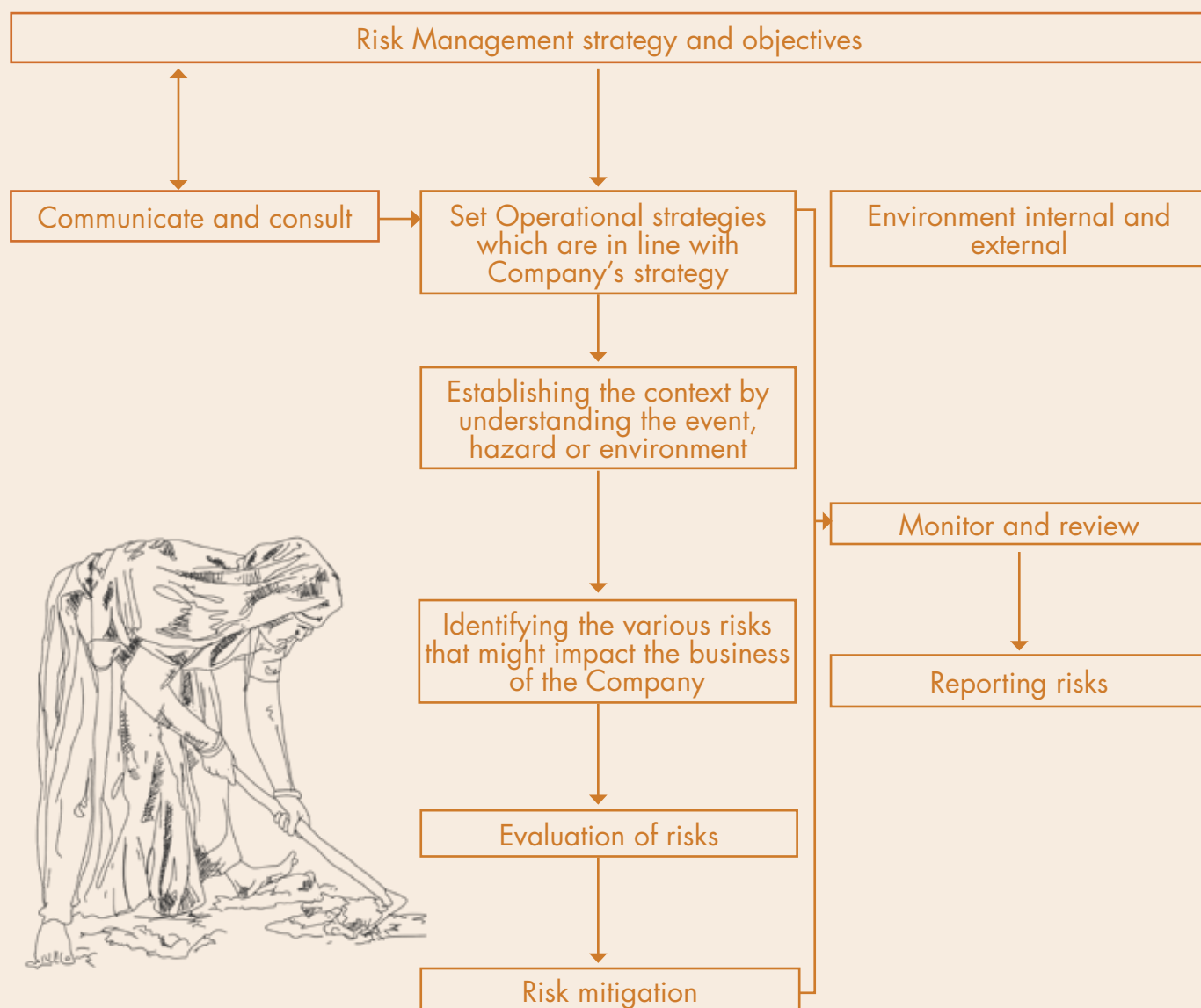
Managing external vagaries

Risk management at Fusion is an integral part of the business model, focusing on making the business model emerge stronger and ensuring that profitable business growth becomes sustainable.

The Company has adopted a comprehensive and integrated risk appraisal, mitigation, and management process. The multi-layered risk management framework involves all key

managers of the Company to engage in the risk management process of the Company actively.

Layered Approach to Risk Management



The principal risks which could impact the Company going forward include the following:

Regulatory risk

People-centric government announcements, such as loan waivers, etc., could affect the Company's business.

Mitigation: These kinds of announcements impact the microfinance industry as a whole, including Fusion. As proactive redressal, the Company's senior management interacts with sectoral opinion influencers and decision makers at multiple forums to explain the damage these waivers and other announcements may cause the sector and the economy as a whole. These efforts have yielded considerable benefits to the Company.

Liquidity risk

Expanding presence and consequent increasing costs could impact business profitability.

Mitigation: Growing volumes will drive economies of scale – this will help in absorbing fixed costs better. Moreover, the Company is investing in digitising its systems and processes which will not only improve process and system accuracy; it will also result in better productivity leading to optimising costs. Further, the Company's thrust on the Lean Six Sigma drive is resulting in significant cost and time savings, which make a heartening contribution to improving business profitability.

Information Security risk

Increasing reliance on IT solutions as a critical business imperative makes the organisation's functioning, vulnerable to a cybersecurity threat.

Mitigation: As a proactive organisation, the Company has invested in the requisite solutions for securing its systems, architecture and data from external threats. In addition, it has institutionalised adequate and appropriate mitigation strategies that prevent leakage of vital data from within. They include:

- Maintained a flexible Identity and Access Management system that is capable of managing the vast heterogeneity of the Fusion community. It provides authentication and authorisation services to the enterprise and departmental IT solutions.
- Structured a tiered security architecture that provides the ability to separate resources based on their data, business criticality, and function. Appropriate controls have been created within each level to address the risks to the resources in that tier.
- Conduct workshops on information security awareness training, which serves to inform employees of their responsibilities for protecting the information in their care.
- Conduct periodic Vulnerability Assessment and Penetration Testing of IT infrastructure and systems by our Information Security Manager and yearly audit/review by a third party Information Security experts

Asset-liability mismatch

An asset-liability mismatch could lead to cash flow disruption in the short-term and could take the Company into a debt-trap over the medium-term.

Mitigation: This Company's business model adequately addresses this risk. As a practice, the Company collects about 50% of the receivables in the first 12 months of disbursements and the balance in the next 12 months. The funding received by the Company has a larger repayment cycle which ensures that assets are always higher than liabilities. Moreover, the Company's astute fund and treasury management have only strengthened organisational liquidity with every passing year.

Asset quality risk

The overleverage of customers from multiple microfinance companies could impact collections and lead to greater provisioning.

Mitigation: This is a reality that is fast emerging as a significant risk for the

microfinance sector. The Company has taken essential steps that will help in retaining asset quality and ensuring collection from its client

One, the Company has enrolled with multiple credit bureaus and integrated them with their systems to facilitate in checking the creditworthiness of clients while evaluating their loan applications.

Two, the Company is developing multiple IT-based solutions that will provide deep insights about loan portfolio (region-wise, district-wise, branch-wise and customer-wise) across parameters, throw up alerts for probable delinquencies, and facilitate in studying customer behaviour.

These initiatives should facilitate in strengthening the quality of the Company's asset portfolio.

Management team risk

Widening and increasing business operations would mandate a broad-basing of the management team for seamless business management.

Mitigation: At Fusion, the Company has a reliable Management team which has rich experience in their area of operations and have been with the Company for quite some time. As a first step towards rewarding their patient and passionate efforts in building the business, the Company has graduated its team into co-owners through its two ESOP schemes – strengthening their bond with the organisation. Further, the Company is working on developing its next generation of leaders who will take the Company to the next orbit.



Lending a helping hand

As a responsible corporate citizen, Fusion had put in place a viable socio-development program addressing key societal needs that make an enduring impact in promoting social and economic inclusion.

Fusion has aligned its initiatives with the United Nation's Sustainable Development Goals (SDG).

Our outreach programs in a nutshell



Number of programs: 141



Beneficiaries: 19,921



States: 17



Districts: 97



Key officials: 350+



Employee participation: 1,317



Employee contribution in hours: 4,350 hours



Street plays: 31

United Nations Sustainable Development Goals



No Poverty

End poverty in its all forms



Quality Education

Ensure equitable education and promote lifelong learning opportunities



Clean Water and Sanitation

Clean accessible water for all



Gender Equality

Ensure gender equality and empowerment



Good Health & Well Being

Ensure healthy lives and promote well being at all ages



Climate Action

Ensure sustainability

Healthcare

Health camps:

The Company conducted 34 health camps for rural women and children across 10 states. More than 5,000+ people attended these camps. Highly experienced Gynaecologists, General physicians, Paediatricians and Ophthalmologists attended to the participants. Medicines were provided free.

National Nutrition Week

The Company celebrated the National Nutrition Week (September 4-7, 2018). On the occasion the team organised Medical health check-up camps which were attended by close to 500+ women and children. Patients diagnosed with nutritional and iron deficiencies were given special supplements. Anganwadi workers held counselling sessions for spreading awareness on adopting healthy eating habits. The team organised street plays for spreading the importance of a healthy body and mind.

Wheelchair donation:

To commemorate the International day of persons with disabilities, the Company donated wheelchairs to physically disabled women, men and children. Close to 40 people across eight states received these mobility solutions..

Contribution:

The Company made a healthy financial contribution to the Indian Cancer Society through the HDFC Charity Fund for Cancer Care this year as well for the treatment of cancer patients who cannot afford their treatment.



Financial literacy

The Company conducted more than 30 financial literacy programs for rural communities including client in 10 states. The programs, attended by more than 6,000 people, provided

awareness on financial management, how to make household budget, identifying necessary and unnecessary expenses. They were also apprised about related beneficial government schemes.

Fusion continued to provide educational sponsorship to underprivileged girls studying in Udbhav school, Hyderabad for the second consecutive year.

WASH (Water, sanitation and Hygiene)

Under project JAL, Fusion installed a water purifier and water tank at a Government primary school in Uttarakhand. This provided a sustained supply of clean and healthy

drinking water to the students and teachers who were drinking high TDS level water which was harmful for their health.

Fusion constructed toilets in Government schools for girls in Odisha, Uttar Pradesh and Madhya Pradesh to promote hygiene and sanitation among the community. The program supports the 'Swachh Bharat Abhiyan' initiative of the Central Government.

The Company organised awareness programs at the inauguration of the newly constructed toilets to sensitise students, teachers and community people on the importance of using toilets in order to maintain hygiene. These programs were attended by the UNICEF officer, Block Development Officer, Gram Pradhan, School Principal, and other dignitaries.

Skill development

Fusion organised skill development

programs in Jharkhand, Madhya Pradesh and Haryana.

These programs provided basic training in a number of areas namely sewing & stitching, beautician training, and food product making. Apart from the basic training, participants were trained on product packaging and market linkage. The team provided certificates to each candidate on successful completion of the program. At all the locations women have started getting orders from the local market/ neighbourhood.

Gender inequality

Fusion has been created with the objective of eradicating gender inequality in India. It focuses on funding the dreams of the aspiring rural women. Since inception it has funded the dreams of more than a million women. In doing so, it has raised their respect in their families and in their communities.

Environment management

On Pollution Prevention Day (December





2, 2018), more than 810 trees were planted in three villages of Laksar, Uttarakhand covering two government schools and bank of the Ganga river which is also a flood prone area. This plantation initiative will help reduce the impact of flood in three neighbouring villages.

Daan Utsav

Fusion celebrated the 'Joy of giving week' (October 2 – 8) during which women and children living in backward areas of Odisha, Bihar and Jharkhand were distributed woollen shawls and school stationery items.

Relief & welfare

Fusion made a meaningful contribution to help reduce the hardship faced by fellow Indians in natural disasters.

- The Company distributed relief material to flood affected household Cherukadapuram, Kochukadavu, Nadathara and Cherpu of Kerala.
- The Company provided food items, clothes and other relief material to clients residing in the Saraiya village, Bihar who lost their houses and belongings to a natural fire
- The Company provided relief materials including blankets and tarpaulin to 750 households of Pattokotai, Thanjavur and surrounding villages of Tamil Nadu affected by the Gaja Cyclone

Other contribution

Fusion contributed to GoSports Foundation for training three athletes, Bhavani Devi, Swapna Burman and Namita Chandel

- Bhavani became the 1st Indian to win a Gold medal in the Sabre event at the Commonwealth Fencing Championship 2018
- Swapna became the 1st Indian Heptathlete to win a Gold medal in Heptathlon at the Asian Games 2018
- Namita Chandel is a Canoeist and recipient of many medals at the national level. Recently, she has won a silver in the 200m Doubles Canoe Race in the Open International Canoe Sprint Competition for the second consecutive year.





Board of Directors



Devesh Sachdev

MD & CEO

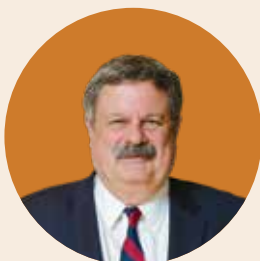
The Company's Founder & CEO, Devesh Sachdev, an XLRI Post Graduate with 16 years of experience in the service industry prior to starting Fusion in 2009-10. He started his career with Citigroup in 1996. Amongst the diverse experiences, his expertise lies in building business, managing large teams in a 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 has served on the Board of MFIN, which is a Self-Regulatory Organization for NBFC-MFIs in India.



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).



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.



Narendra Ostawal

Nominee Director

Narendra Ostawal is based in Mumbai, joined Warburg Pincus in 2007 and since then has been working with the firm's Indian affiliate. He is involved in the firm's Investment Advisory activities in India and focuses on Financial Services and Healthcare sectors in India. He currently serves as Managing Director of Warburg Pincus India Private Limited. Prior to joining Warburg Pincus, Mr. Ostawal was an Associate with 3i India and McKinsey & Company. He is a Director of Laurus Labs Limited, Capital First Limited, AU Small Finance Bank Limited, D B Power Group Companies, Computer Age Management Services Pvt. Ltd., Sterling Software Private Limited and Fusion Microfinance Private Limited. Mr. Ostawal holds a Chartered Accountancy degree from The Institute of Chartered Accountants of India and an M.B.A. from Indian Institute of Management, Bangalore.



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 Loylty Rewardz, India's #1 cards loyalty management company, which was funded by Canaan Partners and Venture East and then acquired by Bill Desk.



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.



Ratna Vishwanathan

Independent Director

She has been the CEO of MFIN for the last three years and was Dy. CEO prior to that. She has built a strong Self Regulating Organisation in line with the sector supervision mandate of the RBI and built strong credibility for the sector in the eyes of the external world. She has put in place the international microfinance conclave which is now an annual feature and has enhanced the visibility of the sector.

Belonging to the 1987 batch of the Indian Audit and Accounts Service, Ms. Vishwanathan comes with extensive experience across a range of Government departments including Audit, Defence and Prasar Bharti. She has also served at very senior levels in well-known international NGOs such as Oxfam and VSO.

Ratna Vishwanathan is a Director on the Board of Mudra, Member of the RBI's Financial Inclusion Advisory Committee and Chairperson of the South Asian Microfinance Network. She is currently the CEO of the Sustainable India Finance Facility which is an entity set up under the United Nations Environment Programme and is partnering with BNP Paribas to bring in private sector investment into sustainable agriculture, green energy, water conservation and other sustainable enterprise at scale.

Management team



Tarun Mehndiratta

Chief Operating Officer

Tarun Mehndiratta joined Fusion Microfinance as the COO in June 2017. He has over 25 years of experience in the Commercial and Retail Lending space, including over 12 years as a Business Head.

He is a seasoned veteran in the Asset Based Finance sector, having headed general management and strategic roles in GE Capital India, Citigroup. In his multiple leadership roles, Tarun has a proven track record of building new businesses, leading large teams and forging strong relationships with various stakeholders.

Tarun has also been a member of FIDC (Finance Industry Development Council) during the period 2007-2009. He completed his Post Graduation in Management from IMM Delhi, has a certification in Export Marketing from IIFT Delhi and a Bachelors in Commerce (Honours) degree from Delhi University.



Gaurav Maheshwari

Chief Financial Officer

Gaurav is a Chartered Accountant (CA) by profession and has an experience of 13 years in corporate finance with Aditya Birla Group and Avantha. Being a CA, he even holds Post Graduate degree(s) with Master in Business Finance & Masters in Accountancy and Business Statistics.

Presently, he is looking into the capital markets for structured finance and other options for minimisation of cost of funds. He will also be responsible for areas of Strategic Business Planning and Budgetary Controls, Equity Capital and Debt Syndication, Treasury Management, Accounts and regulatory compliances.



Satish Mani

Vice President – Risk & Audit

Satish Mani comes to Fusion with a rich experience of Bank credit risk and Audit of more than two decades. Before joining Fusion, he has worked for companies like GE Capital, ICICI Bank Ltd, Kotak Mahindra Bank Ltd, Sundaram Finance Limited, UB group etc. He was involved in audit for various PSU's, companies and Bank's.

Satish played a key role in framing the policy and procedure for Risk & Credit for various products & setting up branches. Apart from Audit, he also involved in rating of various companies as an underwriter and lender. He has wide knowledge and skills to support regulatory compliance and enterprises wide risk management in the Finance sector.



Ankush Ahluwalia

Senior Vice President – Business Operations

Ankush Ahluwalia, a seasoned professional, Heading Business Operations. Ankush has more than 17 years of rich experience in the field of Business Operations and People Management. He has worked with organisations of high repute like GE Capital, Kotak Mahindra, Religare, and Magma Fincorp. Ankush has completed his Masters in Business Economics from Kurukshetra University. He possesses excellent leadership qualities and team building.



Lekshmi Bhargavi

Vice President - Human Resource & Administration

Lekshmi has over 13 years' experience in HR and holds a post graduate degree in HR from SDM-IMD. She specialises in talent transformation, change management, organisational design & risk mitigation. She has previously been associated with organisations like Toyota Financial Services, Vistaar Financial Services & ING Vysya Bank.

Her present role is to build upon the organisation's current people programs and service delivery strategies, enhancing organisational decision-making and approaches for securing growth on a business-wide scale.



Deepak Madaan

DVP Legal and Compliance

Deepak is the Company Secretary and Compliance Officer for Fusion. He is a qualified Company Secretary from the Institute of Company Secretaries of India, holds a bachelor's degree in law & has over 10 years of experience with premier organizations like the Almondz & Century Group. He provides proactive, in-depth, legal, business-focused advice to the business, as well as implementing initiatives and processes in order to set standards and reinforce a culture of integrity, quality, ethical behaviour and responsibility across the business.

Statutory Reports & Financial Statements

Directors' Report

Dear Members,

The Board of Directors hereby submits the 25th board report of the business and operations of your Company ("the Company" or "Fusion") along with the audited financial statements, for the financial year ended March 31, 2019.

1. FINANCIAL & OPERATIONAL SUMMARY OR HIGHLIGHTS/PERFORMANCE OF THE COMPANY

₹ in Lakhs

Particulars	FY March 31, 2019	FY March 31, 2018
Income		
Revenue from Operation	48,626.27	25,446.47
Other income	2,538.33	1,284.80
Total Income	51,164.60	26,731.27
Expenditure		
Employee Benefit Expense	10,119.17	6,610.08
Depreciation Expense	238.74	204.07
Finance Costs	24,420.78	13,660.24
Provision for Standard and Non- performing Assets	(197.35)	2,195.39
Other Expense	7,760.93	9,421.98
Total Expense	42,342.27	32,091.75
Profit before Prior Period Expenses	8,822.33	(5,360.48)
Less: Prior Period Expenses (Net of Income)	-	-
Profit/(Loss) before tax	8,822.33	(5,360.48)
Current Tax/Deferred Tax	2,287.12	(1,419.14)
Profit/(Loss) after tax	6,535.21	(3,941.34)

Operational performance for the fiscal year 2018-19 is summarized in the following table:

Year ended March 31	FY March 31, 2019	FY March 31, 2018	Increase over % FY 2018
Number of Branches	504	359	40.4%
Number of Members	1,510,823	9,73,300	55.2%
Number of employees	4,398	3,202	37.4%
Number of States	18	14	28.6%
Amount Disbursed (₹In Crore)	2,782.16	1,670.58	66.5%
Gross Loan Portfolio (₹In Crore)	2,592.86	1,495.53	73.4%

2. EXTRACT OF ANNUAL RETURN

In accordance with Section 134(3)(a) of the Companies Act, 2013, an extract of the annual return in the prescribed format is appended as "ANNEXURE 1" to the Board's report. The same is available on https://fusionmicrofinance.com/pdf/Annual_Return_2018_19.pdf.

3. 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.

4. TRANSFER TO RESERVES

During the year under review, your Company transferred ₹130,704,029/- to the statutory reserve pursuant to

Section 45-IC of the Reserve Bank of India Act 1934.

5. 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 for the year ended March 31, 2019.

Dividend on Preference Share Capital:

During the FY 2018-19, the Company has declared an interim dividend at the rate of 9% on the Optionally Convertible Preference Share (OCPS) to SIDBI in October 2018 for the period commencing from April 1, 2018 until the date of conversion of OCPS out of the profits for the financial year 2018-19 till the end of quarter ended September 2018.

As on March 31, 2019, the Company has no preference share capital, hence no final dividend for the FY 2018-19 is recommended.

6. NUMBER OF MEETINGS OF THE BOARD

During the Financial Year 2018-19, the board met 6 (Six) times i.e. on May 24, 2018, August 14, 2018, October 04, 2018, November 14, 2018, December 05, 2018, and February 18, 2019. Further details related to the board meetings of the Company are mentioned in the Corporate Governance Report annexed as 'ANNEXURE 2', which forms part of this report.

7. BRIEF DESCRIPTION OF THE COMPANY'S WORKING DURING THE YEAR/STATE OF COMPANY'S AFFAIR

The Company is registered with Reserve Bank of India (RBI) as Non- Deposit accepting NBFC-MFI vide Registration No. B-14.02857 granted on January 28, 2014.

The Company attained business performance by reaching out to 1,510,823 active loan clients as on March 31, 2019. The active loan clients grew from 983,840 as on March 31, 2018 to 1,510,823 as on March 31, 2019. The growth in active loan clients during the year was more than 55.92%.

The above was possible with excellent efforts of 4398 employees of the Company as on March 31, 2019, which was 3,202 as on March 31, 2018, through 504 Branches, across 18 states and 254 districts in India. During the year under review, the Company opened 147 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.

8. CHANGE IN THE NATURE OF BUSINESS, IF ANY

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

9. DIRECTORS

Changes in the composition of the Board of Directors

- In order to comply with the provisions of Section 149 of Companies Act, 2013 and Rule 3 of Companies (Appointment and Qualification of Directors) Rules, 2014, related to appointment of a Woman Director on the board, Ms. Ratna Dharashree Vishwanathan was appointed as an Additional Director of the Company on May 24, 2018, which was subsequently regularised as Independent Director in the Annual General Meeting held on June 26, 2018.

During FY 2018-19, Mr. Njord Andrewes, Mr. Javed Ahmad Siddiqui & Ms. Laetitia Counye, appointed as Nominee Directors on behalf of NMI Frontier Fund KS, Small Industries Development Bank of India & Belgian Investment Company respectively, had resigned

from the position of directorship of the Company on December 04, 2018 due transfer of shareholding by NMI Frontier Fund KS, Small Industries Development Bank of India & Belgian Investment Company.

- Mr. Narendra Ostawal was appointed as the Nominee Director on December 05, 2018 on behalf of Honey Rose Investment Ltd, a subsidiary of certain private equity funds managed by Warburg Pincus LLC.

A brief detail on change in the directors is given below -

S. No.	Name	Current designation	Original date of appointment	Date of cessation
1.	Ms. Ratna Dharashree Vishwanathan	Independent Director	May 24, 2018	Not applicable
2.	Mr. Njord Andrewes	Nominee Director	07 March, 2013	04 December, 2018
3.	Mr. Javed Ahmad Siddiqui	Nominee Director	12 February, 2016	04 December, 2018
4.	Ms. Laetitia Counye	Nominee Director	08 February, 2018	04 December, 2018
5.	Mr. Narendra Ostawal	Nominee Director	05 December, 2018	Not applicable

10. GRADING AND CREDIT RATING

CARE has assigned Grading of "MFI 1" vide letter dated October 22, 2018 and Rating of 'A-' on the Long- Term Bank Facilities to the tune of ₹1,500 Cr and on Long Term Instruments- NCD to the tune of ₹85 crore. Company has also been assigned rating of 'A-' by ICRA on NCDs of outstanding amount to ₹508.50 Crore.

11. CAPITAL ADEQUACY

The Capital Adequacy Ratio (CRAR) of the company was 27.33% as on March 31, 2019 as against the minimum capital adequacy requirements of 15% by RBI.

12. RESOURCE MOBILIZATION

a) Term Loan / Sub debt / Refinance

During the year under review, the Company has diversified its sources of funds and raised a sum of ₹1759 Crore (Inclusive of Refinance of ₹150 Crore) by way of short-term, long-term loans.

b) Secured / Unsecured Non-convertible debentures

The Company raised an amount of ₹128 Crore by way of issuance of Secured/unsecured Debentures.

c) Asset Securitisation

During the year, your Company raised resources to the extent of ₹366 Crore through securitisation.

13. SHARE CAPITAL

A. PRIMARY INFUSION OF EQUITY CAPITAL

During the FY 2018-19, the Company has raised ₹300 Crore as a fresh equity investment from Honey Rose Investment Ltd, a subsidiary of certain private equity funds managed by Warburg Pincus LLC.

B. SECONDARY SALE

Honey Rose Investment Ltd has purchased the equity stake of NMI, SIDBI and RIF North 2, further Creation Investments Fusion II, LLC has also participated by way of purchase of equity shares from Belgian Investment Company.

C. Details Regarding issue of Equity Shares

S. No.	Date of Issue	Name of the allottee	Category	Number of equity shares
1	July 16, 2018	Fusion Employees Benefit Trust	Trust	549,647
2	July 16, 2018	Devesh Sachdev*	Promoter	647,659
3	December 05, 2018	Honey Rose Investment Ltd	Investor	19,475,461
4	December 05, 2018	Devesh Sachdev*	Promoter	1,352,454

*partly paid up shares were issued @ ₹1/- per share paid up

D. Details regarding Conversion of Optionally Convertible Preference Share (OCPS) Capital

S. No.	Date of Issue	Name of the allottee	Category	No. of preference shares converted	Number of equity shares
1	October 15, 2018	Small Industries Development Bank of India	Financial Institution	30,00,000	625,093

E. ISSUE OF NON CONVERTIBLE DEBENTURES

In the FY 2018-19, company issued Non-convertible Debentures on private placement basis aggregating to ₹128.00 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 (INR)	Status
1.	August 07, 2018	Blue Orchard Microfinance Fund	340	10,00,000	Listed
2.	August 07, 2018	Microfinance Enhancement Facility SA, SICAV-SIF	340	10,00,000	Listed
3.	September 27, 2018	Incofin CVSO CVBA-SO	25	1,00,00,000	Unlisted
4.	October 22, 2018	AAV SARL	35	1,00,00,000	Unlisted

14. REDEMPTION OF NON-CONVERTIBLE DEBENTURES (NCDs)

Following Non-convertible Debentures were redeemed during the FY 2018-19: -

S. No	Particulars	Date of allotment	No. of NCD	Amount (in million)	Date of redemption	Detail of redemption
1.	Microfinance Enhancement Facility SA, SICAV-SIF	April 30, 2015	240	10,00,000	April 30, 2018	Fully
2.	Hinduja Leyland Finance Limited	September 04, 2017	200	10,00,000	August 31, 2018, February 28, 2019	Partial redemption of ₹6,66,66,800/-
3.	AAV SARL	June 30, 2015	426	10,00,000	August 13, 2018	Fully
4.	Blue Orchard (Microfinance Initiative for Asia)	December 24, 2014	220	10,00,000	December 16, 2018	Fully

15. 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, 2019, the following stock option grants were in operation:

PARTICULARS	Details
Number of options granted during the year	434,720
Number of options vested during the year	232,324
Number of options exercised during the year	94,322
Total number of shares arising out as a result of exercise of option during the year	94,322
Options lapsed during the year	33,373
Exercise price	20.55/27.08 / 37.99 / 64.08 / 110
Variation in terms of options	-
Money realized by exercise of options	2,725,315
Total number of options in force	1,198,643

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	CFO	40,000	110
Mr. Deepak Madaan	Company Secretary	10,000	110

- ANY EMPLOYEE WHO RECEIVES A GRANT OF OPTION IN ANY ONE YEAR OF OPTION AMOUNTING TO 5% OR MORE OF OPTIONS GRANTED DURING FY 2018-19:

FINANCIAL YEAR 2018-19

Mr. Tarun Mehndiratta	50,000
Mr. Gaurav Maheshwari	40,000
Ms. Lekshmi Bhargavi	30,000
Mr. Ankush Ahluwalia	25,000

- 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

16. COMMITTEES DETAILS

The Company has 8 committees which govern and oversee different areas of the Company's operations ensuring regular guidance and monitoring.

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

17. 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 under the Companies Act 2013, during the Financial Year 2018-19 are disclosed in the financial statements.

The policy on Related Party Transactions, as approved by the Board, is displayed on the website of the Company i.e. www.fusionmicrofinance.com

18. AUDITOR'S REPORT AND SECRETARIAL AUDIT REPORT

The auditor's report and the secretarial audit report

do not contain any qualifications, reservations, or adverse remarks. Secretarial audit report is attached as "ANNEXURE 3".

19. AUDITORS

I. Statutory Auditors:

Under Section 139 of the Companies Act, 2013 and rules made thereunder, it is mandatory to rotate the statutory auditors on completion of the maximum term permitted under the section. The audit committee of the Company has proposed & the Board has recommended the appointment of S.R. Batliboi & Associates LLP, Chartered Accountants, as the statutory auditors of the Company. S.R. Batliboi & Associates LLP, Chartered Accountants, will hold office for a period of five consecutive years from the conclusion of the 25th Annual General Meeting of the Company till the conclusion of the 30th Annual General Meeting to be held in 2024. The first year of audit will be of the financial statements for the year ending March 31, 2020, which will include the audit of the half yearly financial statements for the year.

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 2018-19 as required under Section 204 of the Companies Act, 2013 and the Rules made there under.

20. 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.

21. 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 related to the same are annexed as "ANNEXURE 4" in Form AOC-2.

22. DECLARATION BY 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.

23. POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION AND OTHER DETAILS

The remuneration policy of the Company is an appropriate mix of executive, non-executive and independent directors to maintain the independence

of the board, and separate its functions of governance and management. As on March 31, 2019, the board had 7 members, 1 of whom was executive director, 6 non-executive directors out of which 3 were independent directors. The Company has 1 independent Women Director in the board.

The policy of the Company on directors' appointment and remuneration and other matters required under Section 178(3) of the Act is available on our website at www.fusionmicrofinance.com.

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

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.

25. 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.

26. RISK MANAGEMENT

The Board of Directors of the Company has formed a board risk management committee to frame, implement, and monitor the risk management plan for the Company. The committee is responsible for reviewing the risk management plan, ensuring its effectiveness and verifying adherence to various risk parameters. The Company's Risk Management strategy is based on clear understanding of various risks, disciplined risk assessment and continuous monitoring. The Risk Management Committee reviews various risks with which the organization is exposed including Credit Risk, Interest Rate Risk, Liquidity Risk and Operational Risk. The development and implementation of risk management policy has been covered in the Management Discussion and Analysis Report, attached as "ANNEXURE 5".

27. CORPORATE SOCIAL RESPONSIBILITY

The Company is at the forefront of Corporate Social Responsibility (CSR) and sustainability initiatives and practices. It believes in making lasting impact towards

creating a just, equitable, humane and sustainable society. The Company has been involved with social initiatives in various activities in the field of education, primary healthcare and communities, environment, etc.

As per the provisions of Section 135 of the Companies Act, 2013, companies having net worth of ₹500 crore or more, or turnover of ₹1,000 crore or more or a net profit of INR5 crore or more during the immediately preceding financial year are required to constitute a Corporate Social Responsibility (CSR) committee of the Board comprising three or more directors, at least one of whom should be an independent director and such company shall spend at least 2% of the average net profits of the company's three immediately preceding financial years towards CSR activities.

Accordingly, Fusion has spent ₹62,62,168/- towards CSR activities during the financial year 2018-19. The detail of the CSR Report for the year 2018-19 is attached as "ANNEXURE 6" to this Report. Contents of the CSR policy is also available on the Company's website at http://www.fusionmicrofinance.com/pdf/Fusion_CSR_Policy.pdf.

28. ANNUAL PERFORMANCE EVALUATION BY THE BOARD

A formal evaluation of the performance of the Board, the Chairman and the individual Directors was carried out for the financial year 2018-19 led by the Nomination & Remuneration Committee. The evaluation was done using individual questionnaires. As part of the evaluation process, the performance evaluation of Board as a whole was done by the Directors of the Board. The performance evaluation of the Promoter Director, Nominee Directors and Non-Independent directors was done by the every other Director. The performance evaluation of the Independent Directors was done by the Board excluding the Director being evaluated. The performance evaluation of the board committees was done by respective committee members. The Directors expressed satisfaction with the evaluation process.

29. DETAILS OF ESTABLISHMENT OF VIGIL MECHANISM/WHISTLE BLOWER POLICY FOR DIRECTORS AND EMPLOYEES

Your Company has an effective Vigil Mechanism system/ Whistle Blower Policy 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.

30. 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.

31. 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

During FY 2018-19, no significant and material orders were passed by any regulator or court or tribunal impacting the going concern status and Company's operations in future.

32. INTERNAL FINANCIAL CONTROLS

In pursuant to the Section 134(5) (e) of the Companies Act, 2013, The Company has adequate internal controls and processes in place with respect to its operations, which provide reasonable assurance regarding the reliability of the preparation of financial statements and financial reporting as also functioning of other operations. The Company is following an effective internal control system commensurate with its size and operations. These controls and processes are driven through various policies and procedures. In addition to this the work process is designed in such a way that process of internal check is ensured at all levels.

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

33. SEXUAL HARASSMENT

Pursuant to the requirements of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, your Company has a policy and framework for employees to report sexual harassment cases at workplace and our process ensures complete anonymity and confidentiality of information. Adequate workshops and awareness programmes against sexual harassment are conducted across the organization. No complaints were received during the financial year 2018-19.

34. CORPORATE GOVERNANCE

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

Your Company believes in adopting best & transparent practices of corporate governance. Corporate governance principles are enshrined in the Spirit of Fusion, which form the core values of Fusion. These guiding principles

are also articulated through the Company's code of business conduct, Corporate Governance guidelines & charter of various sub-committees.

A detailed report on the Company's commitment at adopting good Corporate Governance Practices is enclosed as "ANNEXURE 2".

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 attached as "ANNEXURE 7".

36. DIRECTORS' RESPONSIBILITY STATEMENT

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

- a. In the preparation of the annual financial statements for the year ended March 31, 2019, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
- b. The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company 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.

37. 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.

38. LISTING

During the year, the company has issued Non-Convertible Debentures, out of which some debentures were listed on Bombay Stock Exchange. The listing fees

to the Stock Exchange for the financial year 2019- 20 has been duly paid.

competence has ensured that the Company continues to be a significant player in the Microfinance industry.

39. ACKNOWLEDGEMENTS

The Board of Directors of the Company takes this opportunity to express its deep and sincere gratitude for the support and co-operation from the Borrowers, Banks, Financial Institutions, Investors, and Employees of the Company, for their consistent support and encouragement to the Company. The Board of Directors also places on record its sincere appreciation of the commitment and hard work put in by the Management and the employees of the Company and thanks them for yet another excellent year. Their dedication and

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

Sd/-

Devesh Sachdev
(MD & CEO)
DIN: 02547111

Sd/-

Pradip Kumar Saha
(Director)
DIN: 02947368

Place: New Delhi
Dated: May 27, 2019

Annexure - 1

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

as on financial year ended on 31.03.2019

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	U65100DL1994PTC061287
ii	Registration Date	Monday, September 5, 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	H-1, C-Block, Community Centre, Naraina Vihar, New Delhi-110028
vi	Whether listed company	Yes, the Non Convertible Debentures of the company are listed. However Equity shares of the company were not listed as on March 31, 2019
vii	Name, Address & contact details of the Registrar & Transfer Agent, if any.	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: mt.helpdesk@linkintime.co.in Website: www.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

SL No	Name & Description of main products/ services	NIC Code of the Product /service	% to total turnover of the company
1	Microfinance and related activities	64,990	100.00%

III PARTICULARS OF HOLDING, SUBSIDIARY & ASSOCIATE COMPANIES

Sl No	Name & Address of the Company	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD	APPLICABLE SECTION
1	NA	NA	NA	NA	NA

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 March 31, 2018]				No. of Shares held at the end of the year [As on March 31, 2019]				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	3,004,037	-	3,004,037	6.97%	5,010,150	-	5,010,150	7.62%	0.65%
b) Central Govt. or State Govt.	-	-	-	-	-	-	-	-	-
c) Bodies Corporates	-	-	-	-	-	-	-	-	-
d) Bank/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
SUB TOTAL: (A) (1)	3,004,037	-	3,004,037	6.97%	5,010,150	-	5,010,150	7.62%	0.65%

Category of Shareholders	No. of Shares held at the beginning of the year [As on March 31, 2018]				No. of Shares held at the end of the year [As on March 31, 2019]				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2) Foreign									
a) NRI- Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other...	-	-	-	-	-	-	-	-	-
SUB TOTAL (A) (2)	-	-	-	0.00%	-	-	-	-	0.00%
Total Shareholding of Promoter (A)= (A) (1)+(A) (2)	3,004,037	-	3,004,037	6.97%	5,010,150	-	5,010,150	7.62%	0.65%
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):	-	-	-	0.00%	-	-	-	-	0.00%
(2) Non Institutions									
a) Bodies corporates	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	19,001,181	20,129,144	39,130,325	90.85%	47,489,584	11,741,295	59,230,879	90.13%	-0.73%
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto ₹1 lakhs	-	-	-	-	-	17,993	17,993	0.03%	0.03%
ii) Individuals shareholders holding nominal share capital in excess of ₹1 lakhs	-	-	-	-	-	-	-	-	-
c) Others (Employees/ Trust)	-	935,912	935,912	2.17%	-	1,461,566	1,461,566	2.22%	0.05%
SUB TOTAL (B)(2):	19,001,181	21,065,056	40,066,237	93.03%	47,489,584	13,220,854	60,710,438	92.38%	-0.65%
Total Public Shareholding (B)= (B)(1)+(B)(2)	19,001,181	21,065,056	40,066,237	93.03%	47,489,584	13,220,854	60,710,438	92.38%	-0.65%
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	22,005,218	21,065,056	43,070,274	100.00%	52,499,734	13,220,854	65,720,588	100.00%	-

(ii) SHAREHOLDING OF PROMOTERS

S No.	Shareholders Name	Shareholding at the beginning of the year April 01, 2018			Shareholding at the end of the year March 31, 2019			% change in shareholding 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	2,704,037	6.28%	-	4,710,150	7.17%	-	0.89%
2	Mini Sachdev	300,000	0.70%	-	300,000	0.45%	-	-0.25%
Total		3,004,037	6.98%	-	5,010,150	7.62%	-	0.64%

(iii) CHANGE IN PROMOTERS' SHAREHOLDING (SPECIFY IF THERE IS NO CHANGE)

Sl. No.	CHANGE IN PROMOTERS' SHAREHOLDING	Shareholding at the beginning of the Year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the company	NO of shares	% of total shares of the company
1	DEVESH SACHDEV				
2	At the beginning of the year	2,704,037	6.28%	2,704,037	6.28%
3	Allotment of partly paid equity shares on 16/07/2018	647,659	1.29%	3,351,696	7.57%
4	Allotment of partly paid equity shares on 05/12/2018	1,352,454	2.06%	4,704,150	7.16%
5	Transfer on 29/12/2018	6,000	0.01%	4,710,150	7.17%
6	At the end of the year	4,710,150	9.63%	4,710,150	7.17%

(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 beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of Shares	% of total shares of the company
1.	Honey Rose Investment Ltd ("Warburg Pincus")				
	At the beginning of the year	-	-	-	-
	Allotment on 05/12/2018	19,475,461	29.63%	-	-
	Transfer on 05/12/2018	9,153,989	13.93%	28,629,450	43.56%
	At the end of the year	-	-	28,629,450	43.56%
2.	Creation Investments Fusion, LLC				
	At the beginning of the year	15,321,043	35.57%	-	-
	Date wise increase/decrease during the year	-	-	-	-
	At the end of the year	-	-	15,321,043	23.31%
3.	Oikocredit, Ecumenical Development Co-Operative Society U.A.				
	At the beginning of the year	6,606,375	15.34%	-	-
	Date wise increase/decrease during the year	-	-	-	-
	At the end of the year	-	-	6,606,375	10.05%
4.	Creation Investments Fusion II, LLC				
	At the beginning of the year	-	-	-	-
	Transfer on 05/12/2018	5,134,920	11.92%	5,134,920	7.81%
	At the end of the year	-	-	5,134,920	7.81%
5.	Global Financial Inclusion Fund				
	At the beginning of the year	3,539,091	8.22%	-	-
	Date wise increase/decrease during the year	-	-	-	-
	At the end of the year	-	-	3,539,091	5.38%
6.	Fusion Employee Benefit Trust				
	At the beginning of the year	898,234	2.09%	-	-
	Allotment on 16/07/2018	549,647	0.11%	1,447,881	2.20%

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of Shares	% of total shares of the company
	Transfer on 14/08/2018	(46,895)	(0.07%)	1,400,986	2.13%
	Transfer on 14/11/2018	(12,750)	(0.02%)	1,388,236	2.11%
	Transfer on 18/02/2019	(34,677)	(0.05%)	1,353,559	2.06%
	At the end of the year	-	-	1,353,559	2.06%
7.	Gourav Sirohi				
	At the beginning of the year	10,750	0.02%	10,750	0.02%
	options exercised on 14/11/2018	12,750	0.02%	23,500	0.04%
	options exercised on 18/02/2019	10,750	0.01%	34,250	0.05%
	At the end of the year	-	-	34,250	0.05%
8.	Ramesh Chaubey				
	At the beginning of the year	-	-	-	-
	options exercised on 14/08/2018	19,500	0.04%	19,500	0.03%
	At the end of the year	-	-	19,500	0.03%
9.	Rahul Jain				
	At the beginning of the year	19,928	0.04%	19,928	0.04%
	options exercised on 14/08/2018	23,065	0.02%	42,993	0.06%
	Transfer on 29/12/2018	(25,000)	(0.03%)	17,993	(0.03%)
	At the end of the year	-	-	17,993	(0.03%)
10.	Sandeep Kumar Sharma				
	At the beginning of the year	7,000	0.01%	7,000	0.01%
	Transfer on 29/12/2018	1,000	0.001%	8,000	0.01%
	options exercised on 18/02/2019	7,000	0.01%	15,000	0.02%
	At the end of the year	-	-	15,000	0.02%

(v) Shareholding of Directors & KMP

S No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding
		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	2,704,037	6.28%	-	4,710,150	7.17%	-	0.89%
2	Nitin Gupta	-	-	-	-	-	-	-
3	Njord Andrewes*	-	-	-	-	-	-	-
4	Pradip Kumar Saha	-	-	-	-	-	-	-
5	Albert Hofsink	-	-	-	-	-	-	-
6	Javed Ahmad Siddiqui*	-	-	-	-	-	-	-
7	Kenneth Dan Vander Weele	-	-	-	-	-	-	-
8	Laetitia Counye*	-	-	-	-	-	-	-
9	Narendra Ostawal**	-	-	-	-	-	-	-
10	Ratna Vishwanathan**	-	-	-	-	-	-	-
11	Deepak Madaan	-	-	-	-	-	-	-
12	Gaurav Maheshwari	-	-	-	-	-	-	-

* Mr. Njord Andrewes, Mr. Javed Ahmad Siddiqui & Ms. Laetitia Counye resigned w.e.f. December 04, 2018.

**Ms. Ratna Vishwanathan & Mr. Narendra Ostawal were appointed w.e.f May 24, 2018 & December 05, 2018 respectively.

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	14,377,975,834	1,670,000,000	-	16,047,975,834
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	152,236,680	4,446,812	-	156,683,492
Total (i+ii+iii)	14,530,212,514	1,674,446,812	-	16,204,659,326
Change in Indebtedness during the financial year				
Additions	18,869,166,666	-	-	18,869,166,666
Reduction	7,992,466,992	384,058,508	-	8,376,525,500
Net Change	10,876,699,674	(384,058,508)	-	10,492,641,166
Indebtedness at the end of the financial year				
i) Principal Amount	25,246,155,922	1,240,545,455	-	26,486,701,377
ii) Interest accrued and due but not paid	290,391	-	-	290,391
iii) Interest accrued but not due	160,465,875	49,842,849	-	210,308,724
Total (i+ii+iii)	25,406,912,188	1,290,388,304	-	26,697,300,492

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 (Managing Director & CEO)	Total Amount
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961.	8,649,609	8,649,609
	(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 (Bonus)	3,000,000	3,000,000
5	Others, please specify	-	-
	Total (A)	11,649,609	11,649,609
	Ceiling as per the Act		

B. Remuneration to other directors:

S.No	Particulars of Remuneration	Nitin Gupta	Njord Andrewes*	Pradip Kumar Saha	Albert Hofsink	Javed Ahmad Siddiqui*	Kenneth Dan VanderWeele	Laetitia Counye*	Ratna Vishwanathan**	Narendra Ostwal**	TOTAL
1	Independent Directors										
	(a) Fee for attending board committee meetings	420,000	-	460,000	-	-	-	-	380,000	-	1,260,000
	(b) Commission	-	-	-	-	-	-	-	-	-	-
	(c) Others, please specify	-	-	-	-	-	-	-	-	-	-
	Total (1)	-	-	-	-	-	-	-	-	-	1,260,000

S.No	Particulars of Remuneration	Nitin Gupta	Njord Andrewes*	Pradip Kumar Saha	Albert Hofsink	Javed Ahmad Siddiqui*	Kenneth Dan VanderWeele	Laetitia Counye*	Ratna Vishwanathan**	Narendra Ostawal**	TOTAL
2	Other Non-Executive Directors										
	(a) Fee for attending board committee meetings	-	-	-	-	-	-	-	-	-	-
	(b) Commission	-	-	-	-	-	-	-	-	-	-
	(c) Others, please specify.	-	-	-	-	-	-	-	-	-	-
	Total (2)	-	-	-	-	-	-	-	-	-	-
	Total (B)=(1+2)	-	-	-	-	-	-	-	-	-	-
	Total Managerial Remuneration	420,000	-	460,000	-	-	-	-	380,000	-	1,260,000
	Overall Ceiling as per the Act	-	-	-	-	-	-	-	-	-	-

* Mr. Njord Andrewes, Mr. Javed Ahmad Siddiqui & Ms. Laetitia Counye resigned w.e.f December 04, 2018.

**Ms. Ratna Vishwanathan & Mr. Narendra Ostawal were appointed w.e.f May 24, 2018 & December 05, 2018 respectively.

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		Total
1	Gross Salary	Mr. Deepak Madaan Company Secretary	Mr. Gaurav Maheshwari, Chief Financial Officer	
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	1,353,944	4,476,112	5,830,056
	(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 (Bonus)	550,000	875,000	1,425,000
5	Others, please specify	-	-	-
	Total	1,903,944	5,351,112	7,255,056

*During the Year 2018-19, 10,000 stock options were granted to Company Secretary & 40,000 were granted to Chief Financial Officer under ESOP Scheme 2016

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	-	-	-	-	-

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

Sd/-
Devesh Sachdev
(MD & CEO)
DIN: 02547111

Place: New Delhi
Dated: May 27, 2019

Sd/-
Pradip Kumar Saha
(Director)
DIN: 02947368

Annexure - 2

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is more than just adherence to the statutory and regulatory requirements. It is equally about focusing on voluntary practices that underlie the highest levels of transparency & propriety.

The Company's philosophy on corporate governance oversees business strategies and ensures transparent fiscal accountability, ethical corporate behaviour and fairness to all stakeholders comprising regulators, employees, customers, vendors, investors and the society at large. Fusion has laid a strong foundation for making Corporate Governance a way of life by having a mix of persons of eminence and integrity at Board and leadership levels, including competent professionals across the organization and putting in place best systems, processes and technology.

Over the years, we have strengthened governance practices. These practices define the way business is conducted and value is generated. Stakeholders' interests are taken into account, before making any business decision. We believe, Corporate Governance is not just a destination, but a journey to constantly improve sustainable value creation. It is an upward-moving target that we collectively strive towards achieving.

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

BOARD OF DIRECTORS ("BOARD"):

The Board critically evaluates the Company's strategic direction, management policies and their effectiveness. The agenda for the Board reviews include strategic review from each of the Committees, a detailed analysis and review of annual strategic and operating plans, capital allocation and budgets. Additionally, the Board reviews related party transactions, possible risks and risk mitigation measures, financial reports and business reports. Frequent and detailed interaction sets the agenda and provides the strategic roadmap for the Company's future growth.

The primary role of the Board is that of trusteeship to protect and enhance shareholder value through strategic direction to the Company. As trustees, the Board has fiduciary responsibility to ensure that the Company has clear goals aligned to shareholder value and its growth. The Board exercises its duty with care, skill and diligence and exercises independent judgement. It sets strategic goals and seeks accountability for their fulfilment. It also directs and exercises appropriate control to ensure that the Company is managed in a manner that fulfills stakeholder's aspirations and societal expectations.

COMPOSITION OF THE BOARD

As on March 31, 2019, the board had 7 members, 1 of whom was executive director, 6 non-executive directors out of which

3 are independent directors including 1 independent woman director.

The maximum tenure of independent directors is in compliance with the Act. All the Independent Directors have confirmed that they meet the criteria of independence as mentioned under Section 149(6) of the Act.

None of the Non-Executive Directors held any equity shares or convertible instruments of the Company during the financial year ended March 31, 2019.

Change in Directorship during the FY 2018-19

S. No.	Name	Current designation	Original date of appointment	Date of cessation
1.	Ms. Ratna Dharashree Vishwanathan	Independent Director	May 24, 2018	Not applicable
2.	Mr. Njord Andrewes	Nominee Director	07 March, 2013	04 December, 2018
3.	Mr. Javed Ahmad Siddiqui	Nominee Director	12 February, 2016	04 December, 2018
4.	Ms. Laetitia Counye	Nominee Director	08 February, 2018	04 December, 2018
5.	Mr. Narendra Ostawal	Nominee Director	05 December, 2018	Not applicable

BOARD MEETINGS & ATTENDANCE

The Board of Directors is the apex body constituted by shareholders for overseeing the Company's overall functioning. The Board provides and evaluates the Company's strategic direction, management policies and their effectiveness, and ensures that shareholders' long-term interests are being served. The Company's internal guidelines for Board / Committee meetings facilitate decision-making process at its meetings in an informed and efficient manner.

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

The Company Secretary of the Company draft the agenda for each meeting, along with explanatory notes, in consultation with the MD & CEO, and distribute these in advance to the directors & respective committee members. Every member of the board/committee can suggest the inclusion of additional items in the agenda. The Board meets at least once a quarter to review the quarterly results and other items on the agenda, and also on the occasion of the AGM. Additional meetings are held when necessary. The board has unrestricted access to all Company-related information, including that of our employees. At Board meetings, managers and representatives who can provide additional insights into the items being discussed are invited.

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

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

During the Financial Year 2018-19, the board met 6 (Six) times i.e. on May 24, 2018, August 14, 2018, October 04, 2018, November 14, 2018, December 05, 2018, and February 18, 2019. The details of the Board Meetings along with the attendance of each Director at the respective Board Meeting is tabled below:

Attendance of Directors during fiscal 2019

Name of Director	Category of Directors	Designation	No. of board meetings held in FY19	No. of board meetings attended in FY19	Whether last AGM attended	No of other Companies in which he /she is Director	No. of committees in which director/ member is a member / chairman
Devesh Sachdev	Promoter and Executive	Managing Director & CEO	6	6	Yes	1	6
Albert Hofsink	Non- Executive	Nominee Director	6	6	No	-	2
Nitin Gupta	Non- Executive	Independent Director	6	6	No	6	3
Pradip Kumar Saha	Non- Executive	Independent Director	6	6	No	1	3
Kenneth Dan Vander Weele	Non- Executive	Nominee Director	6	6	No	3	1
*Ratna Dharashree Vishwanathan	Non- Executive	Independent Director	6	5	No	2	3
**Narendra Ostawal	Non- Executive	Nominee Director	1	1	NA	12	3
^Njord Andrewes	Non- Executive	Nominee Director	4	1	No	2	Resigned
^Javed Ahmad Siddiqui	Non- Executive	Nominee Director	4	2	No	1	Resigned
^Ms. Laetitia Counye	Non- Executive	Nominee Director	4	4	No	-	Resigned

*Ms. Ratna Dharashree Vishwanathan was appointed as Additional Director w.e.f May 24, 2018, further regularized as an Independent Director w.e.f June 26, 2018.

**Mr. Narendra Ostawal was appointed as a Nominee Director on behalf of Honey Rose Investment Ltd w.e.f December 05, 2018.

^Mr. Njord Andrewes, Mr. Javed Ahmad Siddiqui & Ms. Laetitia Counye resigned w.e.f. December 04, 2018.

COMPOSITION OF COMMITTEES

The Company, as on March 31, 2019 had eight committees, Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Asset & Liability Management Committee, Board Risk Management Committee, Working Committee, Debenture Allotment Committee & Information Technology Strategy Committee.

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

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

The Committees of the Board meet at regular intervals and have the requisite subject expertise to handle and resolve matters expediently. The Board oversees the functioning of the Committees. The Chairman of the respective Committees briefs the Board on significant discussions and decision taken at their respective meetings. Minutes of the Committee Meetings are placed in the subsequent Board Meeting for their noting.

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

1. AUDIT COMMITTEE

The Audit Committee is made with the primary objective to monitor and provide an effective supervision of the management's financial reporting process, to ensure accurate and timely disclosures, with the highest levels of transparency, integrity and quality of financial reporting as a measure of good Corporate Governance and also to meet the statutory provisions of the NBFC Regulations and Companies Act, 2013.

Majority of the members of the Committee are Independent Directors and all the members of the Audit Committee have

the required qualification and expertise for appointment on the Committee and possess requisite knowledge of accounting and financial management.

The Company Secretary acts as Secretary to this Committee.

Composition

During the financial year ended March 31, 2019, the committee met 4 times, i.e. on May 24, 2018, 14 August 2018, 14 November 2018 & 18 February 2019.

The composition & attendance during the financial year ended March 31, 2019 are as follows -

Name of the Director	Category	Number of meetings	
		Held during tenure	Attended
^Mr. Nitin Gupta (Chairman)	Independent Director	4	4
Mr. Pradip Kumar Saha	Independent Director	4	4
*Mr. Narendra Ostawal	Nominee Director	1	1
**Mr. Albert Hofsink	Nominee Director	3	3

^designated as Chairman of the committee w.e.f. January 30, 2019.

*appointed as member of the committee w.e.f. January 30, 2019.

**Ceased to be the member of the Committee upon resignation from the Board w.e.f. December 04, 2018.

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)
 - a. 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.
 - b. Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of audit.
 - c. 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).
 - d. 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:-
 1. Discussion of any major issues which arose during the audit.
 2. Any accounting & audit judgements.
 3. Level of errors identified during the audit.
 4. 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 avail the vigil mechanism.

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

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

2. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

COMPOSITION

The CSR Committee consists of three (3) Members including two (2) Independent Director. The committee was last reconstituted on January 30, 2019 due to resignation of Ms. Laetitia Counye & Mr. Albert Hofsink from the Board of the Company.

During the financial year ended March 31, 2019, the committee met 3 times, i.e. on May 23, 2018, 14 November 2018 & 18 February 2019.

The composition & attendance during the financial year ended March 31, 2019 are as follows –

Name of the Director	Category	Number of meetings	
		Held during tenure	Attended
^Mr. Pradip Kumar Saha (Chairman)	Independent Director	3	3
Mr. Devesh Sachdev	Managing Director, Executive Director	3	3
*Ms. Ratna Vishwanathan	Independent Director	1	1
**Mr. Albert Hofsink	Nominee Director	1	1
**Ms. Laetitia Counye	Nominee Director	1	1

^designated as Chairman of the committee w.e.f. January 30, 2019.

*appointed as member of the committee w.e.f. January 30, 2019.

**Ceased to be the members of the Committee upon their resignation from the Board w.e.f. December 04, 2018.

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.

3. REMUNERATION & NOMINATION COMMITTEE

Pursuant to the regulations framed by Reserve Bank of India, the Company being a Non Deposit taking Non-Banking Finance Company has a Remuneration & Nomination Committee for the appointment of Directors of the Company. The committee shall also carry out evaluation of every director's performance and support the Board and Independent Directors in evaluation of the performance of the Board, its committees and the Directors of the Company.

Composition and Attendance at Meetings:

The Remuneration & Nomination committee comprises of four (4) members including two (2) Independent Directors. The Committee was last reconstituted on January 30, 2019 consequent to the appointment of Mr. Narendra Ostawal & resignation of Ms. Laetitia Counye from the Board of Directors of the Company.

During the financial year ended March 31, 2019, the committee met 3 times, i.e. on May 24, 2018, 14 November 2018 & 18 February 2019.

The composition & attendance during the financial year ended March 31, 2019 are as follows –

Name of the Director	Category	Number of meetings	
		Held during tenure	Attended
^Ms. Ratna Vishwanathan (Chairman)	Independent Director	2	2
Mr. Nitin Gupta	Independent Director	3	3
Mr. Kenneth Dan Vander Weele	Nominee Director	3	3
*Mr. Narendra Ostawal	Nominee Director	1	1
**Ms. Laetitia Counye	Nominee Director	1	1

^designated as Chairman of the committee w.e.f. January 30, 2019.

*appointed as member of the committee w.e.f. January 30, 2019.

**Ceased to be the member of Committee upon resignation from the Board w.e.f. December 04, 2018.

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

Performance Evaluation by the Board:

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

As part of the evaluation process, the performance evaluation of Board as a whole for the FY 2018-19 was done by the Directors of the Board. The performance evaluation of the Promoter Director, Nominee Directors and Non-Independent directors was done by the every other Director. The performance evaluation of the Independent Directors was done by the Board excluding the Director being evaluated. The performance evaluation of the board committees was done by respective committee members.

4. ASSET & LIABILITY MANAGEMENT COMMITTEE

COMPOSITION

The Company has an effective Asset & Liability Management Committee formed in accordance with the directions framed by RBI. The committee was last re-constituted by the board of Directors on January 30, 2019 to change the composition of its members on resignation of Mr. Javed Ahmad Siddiqui from the board of the Company.

During the financial year ended March 31, 2019, the committee met 4 times, i.e. on May 24, 2018, 14 August 2018, 14 November 2018 & 18 February 2019.

The composition & attendance during the financial year ended March 31, 2019 are as follows –

Name of the Director	Category	Number of meetings	
		Held during tenure	Attended
Mr. Devesh Sachdev (Chairman)	Managing Director, Executive Director	4	4
Mr. Gaurav Maheshwari	Independent Director	4	4
**Mr. Javed Ahmad Siddiqui	Nominee Director	3	1

**Ceased to be the member of the Committee upon resignation from the Board w.e.f. December 04, 2018.

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.

5. BOARD RISK MANAGEMENT COMMITTEE (BRMC)

The Company has an effective Board Risk Management Committee (BRMC) formed in accordance with the directions framed by RBI for monitoring the risk and to strategise action to mitigate risks associated with the functioning of the Company. The committee was last reconstituted by the Board of Directors on January 30, 2019 to change the composition of its members on appointment of Mr. Narendra Ostawal & resignation of Mr. Njord Andrewes from the board of the Company.

Composition

During the financial year ended March 31, 2019, the committee met 4 times, i.e. on May 24, 2018, 14 August 2018, 14 November 2018 & 18 February 2019.

The composition & attendance during the financial year ended March 31, 2019 are as follows –

Name of the Director	Category	Number of meetings	
		Held during tenure	Attended
^Mr. Pradip Kumar Saha (Chairman)	Independent Director	4	4
Mr. Devesh Sachdev	Managing Director, Executive Director	4	4
*Mr. Narendra Ostawal	Nominee Director	1	1
*Mr. Albert Hofsink	Nominee Director	1	1
*Mr. Satish Mani	VP – Risk & Audit	1	1
**Mr. Njord Andrewes	Nominee Director	3	0

^designated as Chairman of the committee w.e.f. January 30, 2019.

*appointed as members of the committee w.e.f. January 30, 2019.

**Ceased to be the member of Committee upon resignation from the Board w.e.f. December 04, 2018.

Terms of Reference

The committee has with 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
 - Credit Risk,
 - Operational Risk,
 - Liquidity, Funding and Interest Rate Risk and
 - 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.

6. INFORMATION TECHNOLOGY STRATEGY COMMITTEE

During the financial year ended March 31, 2019, the committee met 1 time, i.e. on 14 November 2018. The composition & attendance during the financial year ended March 31, 2019 are as follows –

Name of the Director	Category	Number of meetings	
		Held during tenure	Attended
Mr. Nitin Gupta (Chairman)	Independent Director	1	1
Mr. Devesh Sachdev	Managing Director, Executive Director	1	1
Mr. Modaswer Hossain	DVP – IT & Operations	1	1

Terms of reference

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

REMUNERATION OF DIRECTORS

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

a. Executive Directors

(i) Details of the remuneration paid to Executive Directors in the Financial Year 2018-19

Name Of Director	Designation	Amount
Mr. Devesh Sachdev	MD & CEO	₹11,649,609
TOTAL		₹11,649,609

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 meeting the Board & relevant Committees during the Financial Year 2018-19 are as under:

Name of Director	Designation	Sitting Fees
		Board Meeting & Committee
Mr. Nitin Gupta	Independent Director	₹4,20,000
Mr. Pradip Kumar Saha	Independent Director	₹4,60,000
Ms. Ratna Vishwanathan	Independent Director	₹3,80,000
Total		₹12,60,000

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:

Financial Year	Date	Time	Venue	No. of Special Resolutions passed
2017-18	26.06.2018	11:00 A.M.	H-1, C-Block, Community Centre, Naraina Vihar, New Delhi - 110028	4
2016-17	30.06.2017	11:00 A.M.	H-1, C-Block, Community Centre, Naraina Vihar, New Delhi - 110028	4
2015-16	29.09.2016	04:00 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	-

Extra Ordinary General Meetings

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

Financial Year	Date	Time	Venue	No. of Special Resolutions passed
2018-19	28.08.2018	04:00 P.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	2
	12.10.2018	11:00 A.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	1
	05.12.2018	06:30 P.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	3
	25.03.2019	11:00 A.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	3
2017-18	27.12.2017	04:00 P.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	1
	22.01.2018	04:00 P.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	1
	27.01.2018	04:00 P.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	1
2016-17	11.05.2016	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	-

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 March 31,, 2019 are given as under:-

NAME of the NCD	Address	No. of NCD
IFMR Fim pact Investment Private Limited	10th Floor-Phase 1, IIT-Madras Research Park , Kanagam Village, Taramani, Chennai 600113	100
AAV Sarl-Symboitic II	2-8, Avenue Charles de Gaulle, L-1653, Luxembourg,	601
PETTELAAR EFFECTENBEWAARBEDRIJF N.V. (ASN Microcredit Fund TJ)	Nachtwachttlaan 20 – 6th Floor, 1058 EA, Amsterdam The Netherlands	526
Blue Orchard (Microfinance Fund)	11-13, Boulevard, de la foire, L-1528, Luxembourg	470
UTI International Wealth Creator 4 (responsibility)	4th Floor, 19 Bank Street, Cybercity, Ebene 72201, Mauritius	550
Incofin CVBA	Sneeuwbeslaan 20, 2610 Antwerpen, Belgium	310
Hinduja Leyland Finance	Hinduja Leyland Finance, No.27 A Developed Industrial,Estate, Guindy, Chennai – 600032	200
AAV Sarl-Symboitic III	2-8 avenue Charles de Gaulle, L-1653 Luxembourg	190
AAV Sarl-Symboitic IV	20, Rue de la Poste, L-2346 Luxembourg, Grand Duchy of Luxembourg	35
Triodos Microfinance Fund	11-13 boulevard de la foire, L-1528 Luxembourg, Grand Duchy of Luxembourg	315
Triodos Fair Share Fund	Nieuweroordweg 1, 3704 EC, Zeist, the Netherlands	315
IFMR Fim pact Long term Credit Fund	10th Floor, IIT M Research Park, 1, Kanagam Village, Taramani, Chennai, India-600 113	350
IFMR Fim pact Medium Term Opportunity Fund	10th Floor, IIT M Research Park, 1, Kanagam Village, Taramani, Chennai, India-600 113	150
IFMR Fim pact Income Builder Fund	10th Floor, Phase 1, IIT Madras Research Park, Kanagam Village, Taramani, Chennai – 600113	250
Northern Arc Capital Limited	10th Floor, Phase 1, IIT Madras Research Park, Kanagam Village, Taramani, Chennai – 600113	300
Blue Orchard - Microfinance Fund 2	11-13, Boulevard, de la foire, L-1528, Luxembourg	340
Blue Orchard - Microfinance Enhancement Fund 2	5, Rue, Jean Monnet, L-2180, Luxembourg	340
Incofin CVSO CVBA-SO	Incofin CVSO CVBA-SO, Ravensteinstraat 1, Gent, Belgium	25

REDEMPTION OF NON CONVERTIBLE DEBENTURES (NCDs) DURING THE FY 2018-19

During the financial year 2018-19 following Non-convertible Debentures were fully /partially redeemed:-

S. No	Particulars	Date of allotment	No. of NCD	Amount (in million)	Date of redemption	Detail of redemption
1	Microfinance Enhancement Facility SA, SICAV-SIF	April 30, 2015	240	1,000,000	April 30, 2018	Fully
2	Hinduja Leyland Finance Limited	September 04, 2017	200	1,000,000	August 31, 2018, February 28, 2019	Partial redemption of ₹66,666,800
3	AAV SARL	June 30, 2015	426	1,000,000	August 13, 2018	Fully
4	Blue Orchard (Microfinance Initiative for Asia)	December 24, 2014	220	1,000,000	December 16, 2018	Fully

DEBENTURE TRUSTEES DETAILS

The Debenture Trustees are as follows:-

DEBENTURE TRUSTEE	REGISTERED OFFICE ADDRESS
CATALYST TRUSTEESHIP LIMITED (Formerly known as GDA)	Office No. 83-87, 8th floor, 'Mittal Tower', 'B' Wing, Nariman Point, Mumbai – 400021
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, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra-400051

OTHER DISCLOSURES

- The Company has not entered in to any materially significant related party transaction that may have potential conflict with the interests of the Company at large. A brief detail about the related party transactions is attached in AOC-2 (Annexure 3).
- There was no such non-compliance by the listed entity on any matter related to capital markets, during the last three years.
- The Company has a Whistle Blower Policy duly approved by the Board, which has been circulated to all the employees of the Company and also placed on the website of the Company i.e. www.fusionmicrofinance.com. Further, it is affirmed that no personnel has been denied access to the Audit Committee. The Company has an effective Vigil Mechanism system which is embedded in its Code of Conduct. The Code of Conduct of your Company serves as a guide for daily business interactions, reflecting your Company's standard for appropriate behaviour and living Corporate Values. The Code of Conduct applies to all Fusion's People, including Directors, Officers, and all employees of the Company.
- The related party policy of the Company is displayed at www.fusionmicrofinance.com

REGISTRAR AND SHARE TRANSFER AGENT DETAILS

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.

Further, the Company has also availed electronic facility from the RTA with respect to dematerialisation of its equity

shares. 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: mt.helpdesk@linkintime.co.in

Website: www.linkintime.co.in

MATERIALLY SIGNIFICANT RELATED PARTY TRANSACTIONS

There have been no materially significant related party transactions, monetary transactions or relationships between the Company and its directors, the management, subsidiaries or relatives. The related party policy of the company is disclosed on the website of the company i.e. www.fusionmicrofinance.com.

DISCLOSURE AND TRANSPARENCY

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

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

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

The Annual Financial Statements, also include the following details:

- registration/ license/ authorization, by whatever name called, obtained from 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 securitisation/ 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

- The half yearly results during the year were published in the national English Newspapers and also on the website of the company i.e. www.fusionmicrofinance.com.
- During the financial year 2018-19, the Company published its financial results in the following newspapers:

Financial Results	Newspapers	Date of publication
Audited Financial Results for the year ended March 31, 2019	The Financial Express (English)	May 28, 2019
Audited Results for the Half Year ended September 30, 2018 with Audit Report	The Financial Express (English)	November 15, 2018

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 29, 2019
Time: 11:00 A.M.
Venue: H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028

Financial year: April 1, 2018 to March 31, 2019

Listing Fees: The Debentures of the Company are listed on Bombay Stock Exchange (BSE) and the listing fees payable to the stock exchange for the financial year 2018-19 has been paid in full.

Dividend payment date: An Interim dividend was paid on October 16, 2018, on the Optionally Convertible Preference Shares held by Small Industries Development Bank of India.

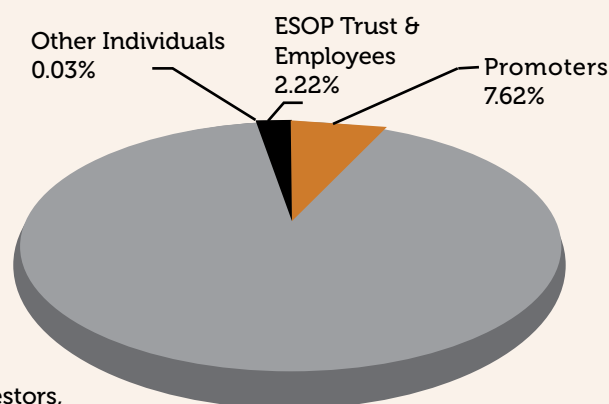
DEMATERIALISATION OF SHARES AND LIQUIDITY

It has also been noted that the shareholding in dematerialised mode as on March 31, 2019 was 79.88%

Shareholding pattern as on March 31, 2019

Shareholder Group	Shares	Amount	Stake %
Promoters	*5,010,150	22,206,828	7.62%
Investor	59,230,879	592,308,790	90.13%
Other Individuals	17,993	179,930	0.03%
ESOP Trust & Employees	1,461,566	14,615,660	2.22%
Total	65,720,588	629,311,208	100.00%

* includes 3,099,408 partly paid up shares at which ₹1 was paid up



Investors,
90.13%

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

Website: www.fusionmicrofinance.com

For and on behalf of the Board of Directors

Place: New Delhi
Date: May 27, 2019

SD/-
Devesh Sachdev
Managing 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 March 31, 2019 and that to the best of our knowledge and belief:
 - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent or illegal or violate Company's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for Financial Reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting.
4. We have indicated to the Auditors and the Audit Committee:
 - a. Significant changes in internal control over financial reporting during the year;
 - b. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - c. Instances of significant fraud of which they have become aware and the involvement therein, if any, of the Management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: New Delhi
Date: May 27, 2019

SD/-
Devesh Sachdev
Managing 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 March 31, 2019 received from the Members of the Board and Senior Management team of the Company, a declaration of compliance with the Code of Conduct as applicable to them.

Place: New Delhi
Date: May 27, 2019

SD/-
Devesh Sachdev
Managing Director & CEO

Annexure - 3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2019

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 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 authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2019 ('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, 2019 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; Not Applicable
 - (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; Not Applicable as there was no reportable event during the year

(vi) Other laws applicable specifically to the Company namely:

The provisions relating to non-banking companies under the Reserve Bank of India Act, 1934 and policies and directions issued by the Reserve Bank of India.

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India
- (ii) The Listing Agreements entered into by the Company with Stock Exchange(s)

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines etc. mentioned above. The Company has broadly complied with the Secretarial Standards.

I further report, that the compliance by the Company of applicable financial laws, like direct and indirect tax laws, has not been reviewed in this Audit since the same have been subject to review by statutory financial audit and other designated professionals.

I further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance except in case of urgent business, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes duly recorded and signed, the decisions of the Board were 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 680 (Six Hundred Eighty only) Senior, Secured, Rated, Listed, Redeemable, Non-Convertible Debentures of face value of ₹1,000,000 each
- (ii) Issue and allotment of a total of 60 (Sixty) Senior, Secured, Rated, Unlisted, Redeemable, Non-Convertible Debentures of face value of ₹10,000,000 (₹ One Crore) each
- (iii) Allotment of 549,647 (Five Lakh Forty Nine Thousand Six Hundred Forty Seven) equity shares having a face value of ₹10.00 (₹ Ten only) at a premium of ₹100 (₹ One Hundred) to Fusion Employees Benefit Trust
- (iv) Issue and allotment of 647,659 (Six Lakh Forty Seven Thousand Six Hundred Fifty Nine) partly paid up equity shares having a face value of ₹10.00 (₹ Ten only) at a premium of ₹100/- (₹ One Hundred)

- (v) Conversion of 9% Optionally convertible preference shares into 625,093 equity shares
- (vi) Issue and allotment of (a) 19,475,461 (One Crore Ninety Four Lakh Seventy Five Thousand Four Hundred Sixty One) fully paid up equity shares having a face value of ₹10.00 (₹ Ten only) at a premium of ₹144.04 (₹ One Hundred Forty Four and Four Paise only) and (b) 1,352,454 (Thirteen Lakh Fifty Two Thousand Four Hundred Fifty Four) partly paid up equity shares having a face value of ₹10.00 (₹ Ten only) at a premium of ₹144.04 (₹ One Hundred Forty Four and Four Paise only) on preferential basis.
- (vii) Redemption of 886 non-convertible debentures of ₹1,000,000 (₹ Ten Lakh) each.
- (viii) Partial redemption of 200 non-convertible debentures of ₹1,000,000 (₹ Ten Lakh) each (to the extent of ₹6,66,66,800)

SD/-

(ALOK CHANDRA SINGH)

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

Place: Ghaziabad

Date: May 27, 2019

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.

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2019

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.

SD/-
(ALOK CHANDRA SINGH)
FCS No.7970, C.P.No.:8976

Place: Ghaziabad
Date : May 27, 2019

Annexure - 4

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 arm's length transaction under third proviso thereto during the FY 2018-19.

1. Details of contracts or arrangements or transactions not at Arm's length basis during the FY 2018-19.

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 2018-19.

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
 (MD & CEO)
 DIN: 02547111

SD/-
Pradip Kumar Saha
 (Director)
 DIN: 02947368

Place: New Delhi
 Dated: May 27, 2019

Annexure - 5

Management Discussion and Analysis Report

ECONOMIC OVERVIEW

Fiscal 2018-19 belied expectations. For a period, which started out with the promise of robust economic growth (GDP growth in Q1 was 8%) ended on a sub-optimal note as India's GDP growth slid to 7% in 2018-19 against 7.2% in 2017-18 and considerably lower than the 7.4% estimate set out by Government agencies at the year-start.

This was primarily owing to the lacklustre performance of the economy in the second half of the fiscal (Oct'18-Mar'19) – GDP growth under 7%. This was mainly due to poor performance of farm, mining and manufacturing sectors.

Economic performance was also hampered by the NBFC crisis which throttled liquidity in the system. This hampered the progress of large ticket projects which are essential for economic progress.

And there is a larger concern. India could be heading towards an economic slowdown. The Ministry of Finance in its Monthly Economic Report of March 2019 warned that India's economy appears to have slowed down slightly in 2018-19. The proximate factors responsible for this slowdown include declining growth of private consumption, tepid increase in fixed investment, and muted exports. But this fear could be a thing of the past as the new and significantly empowered Government provides optimism for a better year ahead.

Going forward: The International Monetary Fund (IMF) cut India's GDP growth forecast for 2019-20. They project growth to pick up to 7.3% in 2019 (2019-20) and 7.5% in 2020, supported by the continued recovery of investment and robust consumption amid a more expansionary stance of monetary policy and some expected impetus from fiscal policy.

In addition, ADB and RBI have cut their 2019-20 growth projection for India to 7.2% from 7.4% earlier, owing to growing risks to the global economic growth as well as weakening domestic investment activity.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Microfinance as the name suggests focuses on working with the impoverished in urban and rural India with the sole aim of uplifting the country. It was a good year for the microfinance industry despite the volatility in the external environment owing to the NBFC crisis and the upcoming elections.

Disbursements jumped by 63.26% over the previous year as the client portfolio increased. As a result, the Gross Asset under Management stood at ₹2,641.39 crore as on March 31, 2019 against ₹1,555.60 crore as on March 31, 2018. What was heartening is that the industry was back on track in terms of operational efficiency as Portfolio at Risk (>30) declined from 3.90% in 2017-18 to 1.78% in 2018-19.

COMPANY OVERVIEW

Fusion Microfinance Private Limited 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 18 Indian states and managed by an experience and enthusiastic team of 4000+ members with an average age of 27.5 years.

OPERATIONAL PERFORMANCE

The Company registered a stellar performance in 2018-19. From an operational perspective, the Company has taken important strides which promise to make its profitable growth sustainable.

The Company extended its footprint across 4 new states, thereby establishing its presence in 18 Indian states. It increased its branch network by 147 branches which has helped in strengthening its customer base to 1,510,823 as on March 31, 2019.

Further, the Company has focused on deploying digital solutions for its business processes for improving accuracy and productivity. While cashless disbursements have increased significantly, digital solutions are also being developed for strengthening internal processes.

The Company launched the mShakti, mobile app for its field force which has transformed field operations, improving the customer on-boarding process, reducing the TAT to fund disbursement and facilitate better cash collections.

The Company's focus on Lean Six Sigma and Project Management methodology has enabled it to improve internal processes and optimize operational costs for the Company.

FINANCIAL PERFORMANCE

Particulars	(₹ in Lakhs)	
	FY March 31, 2019	FY March 31, 2018
Income		
Revenue from Operation	48,626.27	25,446.47
Other income	2,538.33	1,284.80
Total Income	51,164.60	26,731.27
Expenditure		
Employee Benefit Expense	10,119.17	6,610.08
Depreciation Expense	238.74	204.07
Finance Costs	24,420.78	13,660.24

Particulars	FY March 31, 2019	FY March 31, 2018
Provision for Standard and Non-performing Assets	(197.35)	2,195.39
Other Expense	7,760.93	9,421.98
Total Expense	42,342.27	32,091.75
Profit before Prior Period Expenses	8,822.33	(5,360.48)
Less: Prior Period Expenses (Net of Income)	-	-
Profit/(Loss) before tax	8,822.33	(5,360.48)
Current Tax/Deferred Tax	2,287.12	(1,419.14)
Profit/(Loss) after tax	6,535.21	(3,941.34)

OUTLOOK FOR 2019-20

The current year holds significant promise for the sector and the Company.

From a sectoral perspective, the financial services spaces seem to have moved beyond the NBFC crisis with more stringent controls in place to ensure its smooth functioning. Moreover, the stability at the Central Centre indicates continuing of the existing policies and new announcements which hold promise for improvement.

From the Company's standpoint, the expansive footprint, the entrenched network, the brand respect for clean and honest operations, thrust on accurate operations and seamless integration, and the liquidity at the close of the fiscal provide considerable optimism for a better and even more successful performance in the current year.

INTERNAL CONTROL AND ITS ADEQUACY

At Fusion, the internal control procedures include internal financial controls, ensuring compliance with various policies, practices and statutes considering the organization's growth and complexity of operations. The framework constantly monitors and assesses all aspects of risks associated with current activities and corporate profile, including scientific and development risks, partner interest risks, commercial and financial risks.

Fusion has built the management reporting and internal control systems in place, that enable it to monitor performance, strategy, operations, business environment, procedures, funding, risk and internal control. The internal auditors carry out extensive audits throughout the year across all locations penetrating all functional areas and submit their reports to the Audit Committee.

RISK AND CONCERNS

Risk management at Fusion is an integral part of the business model, focusing on making the business model emerge stronger and ensuring that profitable business growth becomes sustainable.

The Company has adopted a comprehensive and integrated risk appraisal, mitigation and management process. The risk management framework goes beyond traditional boundaries and seeks to involve all key managers of the Company.

The Board of Directors stands at the apex of the governance, supporting the risk management framework. The Board oversees the implementation of the Risk Management Plan principally through the Board Risk Management Committee (BRMC).

The Board comprises of eminent directors with rich expertise and experience in the financial services space and are well versed with the possible risks which could adversely impact the Company's performance

The Company has put in adequate checks by complying with the regulations framed by RBI which are applicable to the Company. It also has an effective risk management department which is bound to work in an effective manner in order to mitigate risks.

Whereas each department focuses on its specific area of activity, the risk management department operates in cooperation with all other departments, utilizing all significant information sourced by the other departments in order to manage risks.

The Company is regulated by Reserve Bank of India which has stipulated certain regulations to be followed by each and every NBFC.

HUMAN RESOURCE

At Fusion, people power is the bedrock for its success. For the intellectual capital resident within the organisation have formulated the contours of its differentiated business strategy and have played a defining role in transforming business strategies into on-ground realities.

It also strives to retain its experienced team rich in domain expertise through people centric policies.

The Company's knowledge building comprises of a detailed learning and development calendar comprising multi-discipline training programs (technical knowledge and soft skills). This calendar captures the development needs of employees through performance appraisals and business needs based on sectoral trends. The Company is also working towards creating web based modules to extend its Learning and Development commitment across all branches.

The company also has a strong culture of celebrations. All occasions are celebrated with great zeal and excitement at the branches.

CAUTIONARY STATEMENT

This document contains statements about expected events and financial and operational 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 a significant chance that the assumptions, predictions and other forward-looking statements may 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, and actual results and events to differ materially from those expressed here.

Annexure - 6

ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT

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 two are Independent directors. The terms of reference of the Committee is given below:

- a) 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;
- b) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a) above; and
- c) 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 two (2) Independent Directors. The committee was reconstituted on January 30, 2019 with the following composition:

S. NO	NAME	DESIGNATION
1.	Mr. Pradip Kumar Saha	Chairman
2.	Ms. Ratna Dharashree Vishwanathan	Member
3.	Mr. Devesh Sachdev	Member

3. Average net profit of the company for last three financial years (₹88,339,768)
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) NIL
5. Details of CSR spent during the financial year.

- a) Total amount to be spent for the financial year 2018-19: ₹7500,000*
- b) Amount Spent: ₹6,262,168
- c) Amount unspent, if any: ₹1,237,832
- d) 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 Local area or other Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or program s wise (in ₹)	Amount spent on the projects or programs sub-heads: Direct expenditure on projects or programs Overheads	Cumulative expenditure upto the reporting period	Amount spent Direct or through implementing agency
1	National Nutrition Week Celebration	Promote preventive healthcare	Uttar Pradesh, Madhya Pradesh and Haryana	NA	171,575	171,575	Both
2	Health Camp	Promoting preventive healthcare	Uttar Pradesh, Chhattisgarh, Uttarakhand, Madhya Pradesh, Jharkhand, Bihar, Odisha, Haryana, West Bengal and Punjab	NA	1,504,528	1,504,528	Agency
3	Wheelchair Donation	Promoting healthcare	Uttar Pradesh, Chhattisgarh, Uttarakhand, Madhya Pradesh, Jharkhand, Bihar, Odisha, Rajasthan	NA	215,084	215,084	Direct

(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 Local area or other Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or program s wise (in ₹)	Amount spent on the projects or programs sub-heads: Direct expenditure on projects or programs Overheads	Cumulative expenditure upto the reporting period	Amount spent Direct or through implementing agency
4	Daan Utsav	Promoting education	Jharkhand, Bihar, Odisha	152,132	152,132	152,132	Direct
5	Financial Literacy Program	Eradicating poverty	Uttar Pradesh, Chhattisgarh, Rajasthan, Uttarakhand, Madhya Pradesh, Jharkhand, Bihar, Odisha, Haryana, Punjab	1,528,326	1,528,326	1,528,326	Direct
6	Stationary and Sanitary Napkin Distribution	Preventive health care and sanitation	Madhya Pradesh	68,675	68,675	68,675	Direct
7	Sanitation Awareness Program	Sanitation	Madhya Pradesh, Uttar Pradesh, Odisha and Jharkhand	16,857	16,857	16,857	Direct
8	Rural Development	Making available safe drinking water	Laksar, Uttarakhand	53,190	53,190	53,190	Agency
9	Relief and welfare work for Kerala flood victims	Respond promptly to any natural calamity	Kerala (cherukadapuram, kochukadavu, Nadathara and Cherpu)	130,784	130,784	130,784	Both
10	Relief and welfare work for Gaja Cyclone victims	Respond promptly to any natural calamity	Thanjaur, Tamil Nadu	466,103	466,103	466,103	Agency
11	Relief and welfare work for Fire Victims	Respond promptly to any natural calamity	Bihar	6000	6000	6000	Direct
12	Environmental Program	Ensuring environment al sustainability	Laksar, Uttarakhand	43,400	43,400	43,400	Agency
13	Jivika - Skill Development Program	Enhancing vocational skills	Jharkhand, Madhya Pradesh, Haryana	340,488	340,488	340,488	Agency
14	Educational Sponsorships	Promoting education	Hyderabad	105,000	105,000	105,000	Agency
15	Sponsorship (Go Sports Foundation)	Promoting sports	Karnataka	1,000,000	1,000,000	1,000,000	Agency
16	Sponsorship (Indian Cancer Society)	Promoting Healthcare	Delhi	281,000	281,000	281,000	Agency
17	Toilet construction	Sanitation	Odisha, Uttar Pradesh, Madhya Pradesh	179,026	179,026	179,026	Direct

*the company approved the CSR budget of ₹7,500,000/-, however, ₹6,262,168 was spent during the FY 2018- 19. Further, the Board has taken a decision to carry over the unspent budgeted amount to the next year.

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.

Not Applicable

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

MD and CEO

For Fusion Microfinance Private Limited

SD/-

Pradip Kumar Saha

Chairman of CSR Committee

Place: New Delhi

Dated: May 27, 2019

Annexure - 7

Details of Managerial Remuneration as per Companies Act, 2013 for the FY 2018-19

S.No.	PARTICULARS	DISCLOSURES
(i)	the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;	Managing Director & CEO: 64:1
(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: 24% Chief Financial Officer: 17% Company Secretary: 25%
(iii)	the percentage increase in the median remuneration of employees in the financial year;	12.88%
(iv)	the number of permanent employees on the rolls of company as on March 2019;	4398
(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 12.88% and the average increase in the managerial remuneration (CEO, CFO & CS) was 22%.
(vi)	Affirmation that the remuneration is as per the remuneration policy of the company.	Yes

Employee Name	Designation	Qualification	Remuneration Received	Nature of employment	Date of Commencement of Employment	Age	Experience (In Years)	Last Employment Details	Whether relative of any director/manager
Devesh Sachdev	Chief Executive Officer	MBA	11,649,609	Full time employment	01-Jan-10	46	22	BSA Logistics	No
Tarun Mehndiratta	Chief Operating Officer	MBA	7,705,337	Full time employment	19-Jun-17	49	27	SBI Cards	No
Gaurav Maheshwari	Chief Financial Officer	CA, MBF	5,351,112	Full time employment	03-Feb-16	40	15	Avantha Group	No
Ankush Ahluwalia	Vice President	MBE	3,865,903	Full time employment	03-Aug-15	40	16	Magma Fincorp Ltd.	No
Lekshmi Bhargavi	Vice President	MBA	3,069,839	Full time employment	22-Mar-18	41	15	Jana Urban Services for Transformation	No
Satish Mani	Vice President	B.Com	3,262,183	Full time employment	08-Apr-15	47	25	GE Commercial Finance	No
Praveen Kumar	Dy. Vice President	MBA	2,105,320	Full time employment	12-Jan-15	44	15	Arohan Financial Service Pvt. Ltd.	No
Deepak Madaan	Dy. Vice President	CS, LLB	1,903,944	Full time employment	01-June-13	32	10	Almondz Capital and Management Services Ltd	No
Rohit Dhiman	Asst. Vice President	PG Mass Comm.	2,015,620	Full time employment	19-Sep-16	37	16	Metlife Insurance	No
Kalidhasan Kalaiselvan*	Asst. Vice President	MBA	812,453	Full time employment	21-Sep-18	35	13	Mannapuram Finance Ltd.	No

* Remuneration paid is on pro-rata basis effective Date of Joining

Name of every employee of the company who –

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

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

Place: New Delhi
Dated: May 27, 2019

SD/-
Devesh Sachdev
MD and CEO
DIN: 02547111

SD/-
Pradip Kumar Saha
Director
DIN: 02947368

Independent Auditors' Report

To the Members of

Fusion Microfinance Private Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fusion Microfinance Private Limited ("the Company"), which comprise the balance sheet as at 31 March 2019, the statement of profit and loss, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information (collectively referred to as the 'financial statements').

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("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 2019, and profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How the matter was addressed in our audit

Provision on loan portfolio including managed and securitized portfolio

Charge to the statement of profit and loss (including write off): INR 263,405,305 for year ended 31 March 2019

Provision as at balance sheet date: INR 483,552,365 as at 31 March 2019

Refer to the accounting policies in "Note 1 (e) to the financial statements: Classification of loan portfolio and provisioning policy" and "Note 2.4, 2.7, 2.9, 2.19 and 2.23 to the financial statements"

The determination of provisions for loan portfolio including managed and securitized portfolio is inherently judgmental and relies on management's best estimate, including compliance with the Reserve Bank of India guidelines with regard to the Asset Classification & Provisioning.

Estimates, by their nature, give rise to a higher risk of material misstatement due to error or fraud. Given the size of loan portfolio relative to the balance sheet and the impact of provision for loan losses on the financial statements, we have considered this as a key audit matter.

We performed the following key audit procedures:

- Performed process walkthroughs to identify the key controls used in the provision for loan portfolio process.
- Assessed the design and implementation of controls in respect of the Company's provision for loan portfolio process such as the timely recognition of provision, the completeness and accuracy of reports used in the provision process and management review processes over the calculation of provision.
- Performed test of details, on a sample basis, of calculation of provisions as at 31 March 2019 to assess the completeness, accuracy and relevance of data and ensure that the same is in compliance with the RBI guidelines with regard to the Asset Classification & Provisioning, prescribed and Company's accounting policy.
- Assessed the appropriateness of the disclosure in the financial statements.

Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon. The Company's annual report is expected to be made available to us after the date of this auditor's report

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Management's Responsibility for the Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss 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. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

(A) 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 statement of cash flows 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.
- e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 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 with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

(B) With respect to the other matters to be included in the Auditors' 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:

- a) The Company has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its financial statements - Refer Note 2.40 to the financial statements;
- b) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company; and
- d) The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2019.

(C) With respect to the matter to be included in the Auditors' Report under Section 197(16):

The provisions of Section 197 read with Schedule V to the Act are applicable only to the public companies. Accordingly, the requirement under Section 197(16) of the Act are not applicable to the Company.

for B S R & Associates LLP

Chartered Accountants

ICAI Firm's Registration No. 116231W/W-100024

Arpan Jain

Partner

Membership No. 125710

Place: New Delhi

Date: 27 May 2019

The Annexure A referred to in our Independent Auditor's Report of even date to the Members of Fusion Microfinance Private Limited ("the Company") on the financial statements for the year ended 31 March 2019, 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. During the year, the Company has carried out physical verification of its fixed assets in accordance with the programme, however, reconciliation with fixed assets register is in progress as at year end.
- (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 was 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), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. The Company has not given loans, investments, guarantees and security covered under Section 185 and 186 of the Act. Therefore, paragraph 3(iv) of the Order is not applicable to the Company.
- v. The Company has not accepted any deposits from the public.
- vi. The Central Government of India has not prescribed 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, Goods and services tax, Cess and other material statutory dues have generally been regularly deposited by the Company with the appropriate authorities. The Company did not have any dues on account of duty of Customs and duty of Excise.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' state insurance, Income-tax, Goods and services tax, Cess and other material statutory dues were in arrears as at 31 March 2019 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, Goods and services 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 loans or borrowings payable to Government.
- ix. The Company has not raised any monies by way of initial public offer or further public offer. In our opinion, and according to the information and explanations given to us, monies raised by way of term loans have been applied, on an overall basis, for the purposes for which they were obtained though funds which were drawn towards the end of reporting period were invested in liquid assets payable on demand on temporary basis.
- 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 ₹10,532,331 and out of which an amount of ₹2,937,175 has been recovered. The services of the concerned employees have been terminated.
- xi. The provisions of Section 197 read with Schedule V to the Act are applicable only to the public companies. Accordingly, the provision 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. According to the information and explanations given to us, the transactions with related parties are in compliance

with the provisions of Sections 177 and 188 of the Act where applicable and 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 preferential allotment of equity shares during the current year, 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 – Microfinance Institution.

for B S R & Associates LLP

Chartered Accountants

ICAI Firm's Registration No. 116231W/W-100024

Arpan Jain

Partner

Membership No. 125710

Place: New Delhi

Date: 27 May 2019

The Annexure B to the Independent Auditors' report of even date to the Members of the Company on the financial statements for the year ended 31 March 2019

Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph 1(A) (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of Fusion Microfinance Private Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to financial statements 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 (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. 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 Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls

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

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

Meaning of Internal Financial controls with Reference to Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include 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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial controls with Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

for B S R & Associates LLP

Chartered Accountants

ICAI Firm's Registration No. 116231W/W-100024

Arpan Jain

Partner

Membership No. 125710

Place: New Delhi
Date: 27 May 2019

Balance Sheet as at March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

	Note	As at March 31, 2019	As at March 31, 2018
EQUITY AND LIABILITIES			
Shareholders funds			
Share capital	2.1	61,57,75,618	44,18,26,745
Reserves and surplus	2.2	5,61,08,70,407	2,13,51,26,158
		<u>6,22,66,46,025</u>	<u>2,57,69,52,903</u>
Non-current liabilities			
Long-term borrowings	2.3	14,19,47,74,307	10,02,48,61,095
Long-term provisions	2.4	4,87,20,616	1,69,69,203
		<u>14,24,34,94,923</u>	<u>10,04,18,30,298</u>
Current liabilities			
Short-term borrowings	2.5	96,84,02,778	1,00,81,75,525
Other current liabilities	2.6	12,18,15,68,585	5,53,05,61,568
Short-term provisions	2.7	46,96,31,198	52,70,93,587
		<u>13,61,96,02,561</u>	<u>7,06,58,30,680</u>
Total		<u>34,08,97,43,509</u>	<u>19,68,46,13,881</u>
ASSETS			
Non-current assets			
Property, plant and equipment	2.8		
(i) Tangible assets		5,35,15,304	4,72,49,139
(ii) Intangible assets		17,26,308	23,92,087
Deferred tax assets, net	2.34	22,87,38,564	25,09,31,961
Loan portfolio	2.9	6,85,72,87,081	4,39,19,34,739
Long-term loans and advances	2.10	10,82,63,742	9,01,50,334
Other non-current assets	2.11	51,01,65,290	74,99,95,256
Non-current investments	2.12	50,00,000	50,00,000
		<u>77,64,69,62,89</u>	<u>5,53,76,53,516</u>
Current assets			
Trade receivables	2.13	60,92,422	47,97,197
Cash and bank balances	2.14	9,35,12,51,880	5,05,83,28,187
Loan portfolio	2.9	16,56,10,26,376	8,83,49,57,752
Short-term loans and advances	2.15	5,44,64,899	5,61,98,988
Other current assets	2.16	35,22,11,643	19,26,78,241
		<u>26,32,50,47,220</u>	<u>14,14,69,60,365</u>
Total		<u>34,08,97,43,509</u>	<u>19,68,46,13,881</u>

Significant accounting policies 1
Notes to the financial statements 2

As per our report of even date attached
for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 116231W/W-100024

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

Arpan Jain
Partner
Membership Number: 125710

Devesh Sachdev
MD & CEO
DIN: 02547111

Pradip Kumar Saha
Director
DIN: 02947368

Deepak Madaan
Company Secretary

Gaurav Maheshwari
Chief Financial Officer

Place: New Delhi
Date: 27 May 2019

Place: New Delhi
Date: 27 May 2019

Statement of profit and loss

for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

	Note	For the year ended March 31, 2019	For the year ended March 31, 2018
Income			
Revenue from operations	2.17	4,86,26,26,235	2,54,46,46,956
Other income	2.18	25,38,33,359	12,84,80,122
Total revenue		5,11,64,59,594	2,67,31,27,078
Expenses			
Operating expenses	2.19	37,77,11,360	94,49,59,645
Employee benefits expense	2.20	1,01,19,16,452	66,10,08,113
Finance costs	2.21	2,44,20,78,376	1,36,60,23,585
Depreciation and amortisation	2.8	2,38,74,193	2,04,06,853
Other expenses	2.22	37,86,46,270	21,67,77,285
Total expenses		4,23,42,26,651	3,20,91,75,481
Profit/(Loss) before tax		88,22,32,943	(53,60,48,402)
Tax expenses:			
- Current tax		20,65,19,400	-
- Deferred tax		2,21,93,398	(14,19,13,770)
Profit/(Loss) after tax		65,35,20,145	(39,41,34,632)
Earning per equity share			
	2.29		
[Nominal value per share ₹10 (previous year: ₹10)]			
- Basic		13.21	(11.09)
- Diluted		13.21	(11.09)
Significant accounting policies	1		
Notes to the financial statements	2		

As per our report of even date attached
for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 116231W/W-100024

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

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Director
DIN: 02947368

Deepak Madaan
Company Secretary

Gaurav Maheshwari
Chief Financial Officer

Place: New Delhi
Date: 27 May 2019

Place: New Delhi
Date: 27 May 2019

Cash Flow Statement for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
I. Cash flows from operating activities:		
Profit / (loss) before tax	88,22,32,943	(53,60,48,402)
Adjustments:		
Depreciation and amortisation	2,38,74,193	2,04,06,853
Loan portfolio written off	29,11,12,696	66,36,78,587
Provision on loan portfolio	(1,97,35,034)	21,95,39,136
Provision for employee benefits	1,39,58,656	56,31,153
Profit on sale of mutual fund units	(18,28,86,330)	(11,72,82,465)
Profit/(loss) on sale of fixed assets	(23,181)	15,997
Operating profit before working capital changes	1,00,85,33,943	25,59,40,859
Increase in loan portfolio (net of securitised loan portfolio)	(10,49,67,23,116)	(6,38,03,74,309)
Increase in advances and other assets	(22,26,18,764)	(6,93,74,026)
Proceeds/(Loan) to Fusion Employee Benefit Trust	(5,82,33,520)	2,93,613
Increase in trade receivables	(12,95,225)	(47,97,197)
Increase in liabilities and provisions	35,99,15,166	25,66,35,784
Cash generated from operations	(9,410,421,517)	(5,941,675,276)
Income taxes paid, net	(23,15,60,895)	(2,71,05,876)
Net cash flow used by Fusion operating activities (A)	(9,641,982,411)	(5,968,781,152)
II. Cash flows from investing activities:		
Purchase of fixed assets	(2,95,44,331)	(2,39,31,655)
Proceed from sale of fixed assets	29,559	7,000
(Purchase)/sale of investments, net	18,28,86,330	2,21,73,96,225
Investment in long-term Fixed Deposits in banks/FIs with maturity of more than three months	(19,24,45,073)	(35,17,12,192)
Net cash from/ (used by) investing activities (B)	(3,90,73,515)	1,84,17,59,378
III. Cash flows from financing activities:		
Proceeds from issuance of share capital (including share premium)	3,05,68,47,104	74,86,88,116
Payment of preference dividend	(14,64,658)	(27,00,000)
Payment of tax on preference dividend	(8,56,057)	(5,49,660)
Proceeds from borrowings, net	10,43,87,25,536	6,66,69,44,975
Net cash provided by financing activities (C)	13,493,251,925	7,412,383,431
Net increase in cash and cash equivalents (A + B + C)	3,81,21,95,999	3,28,53,61,657
Cash and cash equivalents at the beginning of the year	4,94,58,70,073	1,66,05,08,415
Cash and cash equivalents at the end of the year (refer Note 2.14)	8,75,80,66,071	4,94,58,70,073

As per our report of even date attached
for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number.:116231W/W-100024

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

Arpan Jain
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DIN: 02547111

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Director
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Deepak Madaan
Company Secretary

Gaurav Maheshwari
Chief Financial Officer

Place: New Delhi
Date: 27 May 2019

Place: New Delhi
Date: 27 May 2019

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

Company overview

Fusion Microfinance 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-Microfinance 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 microfinance 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 ₹60,000. All financial transactions are conducted in the group meetings organized near the habitats of the borrowers.

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

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 in all material aspects with the Accounting Standards (GAAP) 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 - Microfinance Institution ('NBFC-MFI'). The financial statements are presented in Indian ₹ 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 recognised 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:

- it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realised within 12 months after the reporting date; or
- 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:

- it is expected to be settled in the Company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is due to be settled within 12 months after the reporting date; or
- the Company does not have an unconditional right to defer settlement of the liability for at least 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

- 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 recognised, upon realisation, as per the prudential norms of RBI.

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

- ii. Income from interest strip (excess interest spread) in securitisation is recognised in the statement of profit and loss account on realisation basis.
- 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 – Microfinance 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

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.

Based on the management assessment and considering various factors, the Company has accrued 100% provision on identified non-performing portfolio and business correspondence portfolio along with 0.50 % on standard portfolio (GLP), which is in higher than provision required as per RBI provisioning norms.

Provision on securitized / managed portfolio is made as per the Company's provisioning policy for portfolio loans mentioned above, if any and subject to the maximum guarantee given in respect of these arrangements.

All overdue loans including loans where the tenure of the loan is completed and in the opinion of the management any amount is not recoverable, are fully provided for / written off.

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 and 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. 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 recognised 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 assets are being amortised over a period of 3 to 6 years using written down value method.

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

g) Borrowing costs

Borrowing costs are charged in the period they are incurred. 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 costs 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 amortized historical cost.

i) Investments

Investments that are readily realisable 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.

j) Retirement and other 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. 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.

k) Earnings per share ("EPS")

Basic earnings per share 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.

l) Income tax

Income tax expense comprises current tax and deferred tax.

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

Current tax

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961, enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

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 recognised 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 recognised only if there is a virtual certainty of realisation 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.

m) 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.

n) 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

o) 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.

p) Foreign currency transactions

All transactions in foreign currency are recognised at the exchange rate prevailing on the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

2.1 Share capital

	As at March 31, 2019	As at March 31, 2018
Authorised:		
Equity shares		
70,000,000 (previous year: 50,000,000) equity shares of ₹10 each	700,000,000	500,000,000
Preference shares		
5,000,000 (previous year: 5,000,000) preference shares of ₹10 each	50,000,000	50,000,000
	750,000,000	550,000,000
Issued and subscribed		
Equity shares		
Fully paid up		
62,621,180 (previous year: 41,970,979) equity shares of ₹10 each fully paid up	626,211,800	419,709,790
Less: Amount recoverable from Fusion Employees Benefit Trust	(13,535,590)	(8,982,340)
Partly paid up		
3,099,408 (previous year: 1,099,295) equity shares of ₹10 each partly paid up @ ₹1	3,099,408	1,099,295
	615,775,618	411,826,745
Preference shares		
Nil (previous year: 3,000,000) 9% optionally convertible preference shares of ₹10 each, fully paid-up	-	30,000,000
	615,775,618	441,826,745

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 March 31, 2019		As at March 31, 2018	
	Number of shares	Amount	Number of shares	Amount
Equity shares				
At the commencement of the year	43,070,274	420,809,085	35,174,717	351,747,170
Allotted to Fusion employee benefit trust	549,647	5,496,470	-	-
Conversion of 9% optionally convertible preference shares	625,093	6,250,930	-	-
Issued during the year (fully paid up)	19,475,461	194,754,610	6,796,262	67,962,620
Issued during the year (partly paid up @ ₹1)	2,000,113	2,000,113	1,099,295	1,099,295
At the end of the year	65,720,588	629,311,208	43,070,274	420,809,085

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 March 31, 2019		As at March 31, 2018	
	Number of shares	Amount	Number of shares	Amount
9% Optionally Convertible Preference Shares				
At the commencement of the year	30,00,000	3,00,00,000	3,000,000	3,00,00,000
Issued during the year	-	-	-	-
Conversion during the year	30,00,000	3,00,00,000	-	-
At the end of the year	-	-	30,00,000	3,00,00,000

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

(i) Equity shares

The Company has single class of equity shares having a par value of ₹10 per equity share. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

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)

Small Industries Development Bank of India ("SIDBI") has exercised its option to convert 3,000,000 (Thirty lacs) 9% Optionally Convertible Preference Shares (OCPS) having face value of ₹10.00 each aggregating to ₹30,000,000 (Three crores only) along with unpaid dividend payable to SIDBI pertaining to financial year 2017-18, into fully paid equity shares of the Company at a pre-agreed price, which is linked to the breakup value, of ₹52.31 (Fifty Two rupees and thirty One paise) per equity share of the Company, in accordance with the Shareholder cum Subscription Agreement dated 24 July 2014.

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

Name of the shareholder	As at March 31, 2019		As at March 31, 2018	
	Number of shares	Amount	Number of shares	Amount
RIF-NORTH 2, Mauritius	-	0.00%	3,680,138	8.54%
NMI FRONTIER FUND, LLP, Norway	-	0.00%	4,848,758	11.26%
Devesh Sachdev - MD & CEO	4,710,150	7.17%	2,704,037	6.28%
Belgian Investment Company for Developing Countries SA, Belgium	-	0.00%	5,134,920	11.92%
Oikocredit, Ecumenical Development Co-Operative Society U.A., Netherlands	6,606,375	10.05%	6,606,375	15.34%
Creation Investment Fusion, LLC, Chicago, U.S.A.	15,321,043	23.31%	15,321,043	35.57%
Creation Investment Fusion II, LLC, Chicago, U.S.A.	5,134,920	7.81%	-	0.00%
Global Financial Inclusion Fund	3,539,091	5.39%	3,539,091	8.22%
Honey Rose Investment Ltd, Mauritius	28,629,450	43.56%	-	0.00%
	63,941,029	97.29%	41,834,362	97.13%

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

Name of the shareholder	As at March 31, 2019		As at March 31, 2018	
	Number of shares	Amount	Number of shares	Amount
Small Industries Development Bank of India	-	-	30,00,000	100

2.1.6 Particulars of shares reserved for issue under employee stock options

Name of the shareholder	As at March 31, 2019	As at March 31, 2018
	Number of shares	Number of shares
Under Employee Stock Option Plans	1,902,101	1,099,294
	1,902,101	1,099,294

These shares are reserved for employees 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 March 31, 2019:

Name of the shareholder	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015
	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares
Shares allotted to Directors	-	-	-	-	303,425
	-	-	-	-	303,425

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

2.2 Reserves and surplus

	As at March 31, 2019	As at March 31, 2018
Securities premium account		
At the commencement of the year	2,293,827,089	1,614,200,888
Add: Premium Received on equity shares issued during the year	2,886,659,172	679,626,201
Less: Share issue expenses	(5,728,191)	(57,000)
Sub total	5,174,758,070	2,293,770,089
Less: Amount recoverable from Fusion Employees Benefit Trust	(63,775,501)	(10,032,339)
At the end of the year (A)	5,110,982,569	2,283,737,750
Statutory reserve (created under Section 45-1C of RBI Act, 1934)		
At the commencement of the year	52,517,902	52,517,902
Add: Amount transferred from surplus in the statement of profit & loss	130,704,029	-
Less: Amount utilized	-	-
At the end of the year (B)	183,221,931	52,517,902
Surplus/ (Deficit) Balance in statement of profit and loss		
At the commencement of the year	(201,129,494)	196,254,798
Add: Profit/(Loss) for the year	653,520,145	(394,134,632)
Less: Amount transferred to statutory reserve	(130,704,029)	-
Less: Dividend on 9% Optionally convertible preference shares*	(4,164,658)	(2,700,000)
Less: Tax on preference dividend	(856,057)	(549,660)
At the end of the year (C)	316,665,907	(201,129,494)
Total reserves and surplus (A+B+C)	5,610,870,407	2,135,126,158

* Dividend includes dividend amounting to ₹2,700,000 pertaining to financial year 2017-18 and ₹1,464,658 pertaining to current financial year till conversion of 9% OCPS to equity shares.

2.3 Long-term borrowings *

	As at March 31, 2019	As at March 31, 2018
Debentures		
Secured		
3,489 (Previous year: 4,143) Redeemable transferable non-convertible debentures of ₹1,000,000 each. fully paid-up	3,489,333,400	4,142,999,867
60 (Previous year: Nil) Redeemable transferable non-convertible debentures of ₹10,000,000 each. fully paid-up	600,000,000	-
Unsecured		
1,050 (Previous year: 1050) Redeemable transferable non-convertible debentures of ₹1,000,000 each. fully paid-up	1,050,000,000	1,050,000,000
Term loans		
Secured		
- from banks	5,994,872,349	1,790,726,140
- from others	2,581,477,651	2,416,589,632
Unsecured		
- from banks	300,000,000	-
- from others	179,090,907	624,545,456
	14,194,774,307	10,024,861,095

*Refer note 2.33

2.4 Long-term provisions

	As at March 31, 2019	As at March 31, 2018
Contingent Provision against standard loan portfolio (Owned)*	32,858,160	-
Provision for employee benefits		
- Gratuity (refer note 2.26)	-	312,746
- Compensated absences	15,862,456	16,656,457
	48,720,616	16,969,203

* refer note 2.23

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

2.5 Short term borrowings*

	As at March 31, 2019	As at March 31, 2018
From Banks		
- Cash Credit	-	58,175,525
- Term Loan	968,402,778	950,000,000
	968,402,778	1,008,175,525

*Refer note 2.33

2.6 Other current liabilities

	As at March 31, 2019	As at March 31, 2018
Current maturities of long-term debt: *		
Debentures		
Secured		
667 (Previous year: 287) Redeemable transferable non convertible debentures of ₹1,000,000 each.	667,666,600	286,666,800
Term loans		
Secured		
- From bank	7,013,597,545	2,369,290,194
- From others	3,496,805,599	2,213,243,558
Unsecured		
- From others	145,454,544	145,454,544
Vehicle loans		
- From bank	-	284,120
	11,323,524,288	5,014,939,216
Payable towards securitised portfolio	425,973,580	214,256,408
Interest accrued but not due on borrowings	210,308,724	156,683,492
Interest accrued but due on borrowings	290,391	-
Statutory dues	44,907,946	27,212,306
Salaries and bonus payable	90,234,584	50,674,148
Expenses payable	41,911,691	22,217,848
Other payable	44,417,381	44,578,150
	12,181,568,585	5,530,561,568

*Refer note 2.33

2.7 Short-term provisions

	As at March 31, 2019	As at March 31, 2018
Contingent Provisions against standard loan portfolio (Owned)*	80,883,280	-
Contingent Provisions against standard loan portfolio (Securitised)*	14,203,453	-
Provision on non performing loan portfolio (Owned)*	331,179,290	505,705,307
Provision on non performing loan portfolio (Securitised)*	6,327,195	-
Provision on non-performing loan portfolio (Managed)*	18,100,987	20,188,620
Provision for employee benefits		
- Gratuity (refer note 2.26)	-	225,171
- Compensated absences	1,437,397	974,489
Others*	17,499,596	-
	469,631,198	527,093,587

*refer note 2.23

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

2.8 Property, plant and equipment

	Gross block			Depreciation and amortisation			Net block	
	As at April 1, 2018	Additions	Disposals	As at April 1, 2018	For the year	Disposals	As at March 31, 2019	As at March 31, 2018
Tangible assets								
Furniture and fixtures	14,099,446	7,004,021	-	5,592,972	3,073,935	-	12,436,560	8,506,474
Electrical fittings	11,774,209	3,764,042	60,000	5,039,946	2,470,558	57,348	8,025,101	6,734,263
Office equipment	3,872,657	2,122,832	-	2,715,022	986,952	-	2,293,515	1,157,635
Vehicles	6,807,166	-	-	6,057,061	396,240	-	353,865	750,105
Computers	31,359,735	12,757,127	91,594	23,147,496	10,562,115	24,488	10,340,145	8,212,239
Leasehold improvements	33,363,421	2,098,759	-	11,474,998	3,921,064	-	20,066,118	21,888,423
Sub-total (A)	101,276,634	27,746,781	151,594	54,027,495	21,410,864	81,836	53,515,304	47,249,139
Previous year	79,852,434	21,508,025	83,825	36,262,556	17,825,122	60,183	47,249,139	
Intangible assets								
Computer software	10,445,432	1,797,550	-	8,053,345	2,463,329	-	1,726,308	2,392,087
Sub-total (B)	10,445,432	1,797,550	-	8,053,345	2,463,329	-	1,726,308	2,392,087
Previous year	8,021,802	2,423,630	-	5,471,614	2,581,731	-	2,392,087	
Grand total (A+B)	111,722,066	29,544,331	151,594	62,080,840	23,874,193	81,836	55,241,612	49,641,226
Previous year	87,874,236	23,931,655	83,825	41,734,170	20,406,853	60,183	49,641,226	

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

2.9 Loan portfolio

	As at March 31, 2019	As at March 31, 2018
Unsecured		
Microfinance loan portfolio (net of securitised loan portfolio of ₹2,510,295,320 (previous year: ₹1,700,705,311))	23,079,467,225	13,007,348,012
Loans placed as over collateral against the securitisation transactions*	338,846,232	219,544,479
	23,418,313,457	13,226,892,491
of the above loan portfolio		
Non-current	6,857,287,081	4,391,934,739
Current	16,561,026,376	8,834,957,752
	23,418,313,457	13,226,892,491
Out of the above loan portfolio		
Considered good	23,087,134,167	12,700,999,464
Considered doubtful	331,179,290	525,893,027
	23,418,313,457	13,226,892,491

* Includes an amount of ₹338,846,232 (Previous year: 219,544,479) given as credit enhancement towards securitised portfolio in the form of over collateralization.

2.10 Long-term loans and advances

	As at March 31, 2019	As at March 31, 2018
(Unsecured, considered good)		
Security deposits*	19,661,615	30,029,916
Advance tax (net of provisions for tax)	78,221,843	53,180,348
Rent deposits	10,380,284	6,940,070
	108,263,742	90,150,334

* includes deposits maintained extent to ₹18,750,008 (previous year ₹29,166,675) as cash collateral against term loans availed from financial institution.

2.11 Other non-current assets

	As at March 31, 2019	As at March 31, 2018
(Unsecured, considered good)		
Long term deposits with maturity of more than 12 months*		
- with banks towards term loan	324,519,944	529,732,361
- with banks unpledged	40,000,000	
- with financial institutions as security deposit towards term loan	12,500,000	32,452,268
- with financial institution as security deposit towards managed portfolio	84,142,678	147,260,615
Interest accrued but not due		
- term deposits	12,211,974	7,149,754
Unamortised processing fees	36,790,694	33,400,258
	510,165,290	749,995,256

*Includes deposits of ₹337,019,944 (previous year : ₹562,184,629) maintained as cash collateral against term loans availed and ₹127,948,339 (previous year : ₹147,260,615) maintained as cash collateral against managed portfolio.

2.12 Non Current investments

	As at March 31, 2019	As at March 31, 2018
Other than trade and quoted		
(Valued at lower of cost and fair value)		
Investments in mutual funds		
500,000 units (previous year: 500,000) fully paid up of HDFC debt fund for cancer cure	5,000,000	5,000,000
	5,000,000	5,000,000

Aggregate book value 5,000,000

Aggregate market value 5,004,000

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

2.13 Trade receivables

	As at March 31, 2019	As at March 31, 2018
(Unsecured, considered good)		
Receivables outstanding for a period exceeding six months from the date they became due for payment.	-	-
Others recoverable	6,092,422	4,797,197
	6,092,422	4,797,197

2.14 Cash and bank balances

	As at March 31, 2019	As at March 31, 2018
Cash and cash equivalents		
Cash in hand	35,934,615	5,161,301
Balances with banks		
- in current accounts	4,847,522,792	3,090,708,772
- in deposit accounts with original maturity less than 3 months*	3,874,608,664	1,850,000,000
	8,758,066,071	4,945,870,073
Other bank balances		
- Deposits with banks with maturity more than 3 months but less than 12 months**	593,185,809	112,458,114
	9,351,251,880	5,058,328,187

*Includes deposits of ₹65,446,429 (previous year : ₹Nil) maintained as cash collateral against term loans availed and ₹59,062,235 (previous year : Nil) maintained as cash collateral against managed portfolio.

**Includes deposits of ₹347,912,957 (previous year : ₹99,125,000) maintained as cash collateral against term loans availed and ₹245,272,852 (previous year : ₹13,333,114) maintained as cash collateral against managed portfolio.

	As at March 31, 2019	As at March 31, 2018
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'	8,722,131,457	4,940,708,772
Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'	593,185,809	112,458,114
Bank deposits due to mature after 12 months of the reporting date included under 'Other non-current assets (refer note 2.11)'	421,162,622	709,445,244
	9,736,479,888	5,762,612,130

2.15 Short-term loans and advances

	As at March 31, 2019	As at March 31, 2018
(Unsecured, considered good)		
Balance with Employees benefit trust	25,000	137,892
Balance with Gratuity Fund	2,198,702	-
(A)	2,223,702	137,892
Advances recoverable in cash or kind		
Unsecured, considered good	52,241,197	56,061,096
Unsecured, considered doubtful	22,606,529	-
	74,847,726	56,061,096
Provision for doubtful advances	(22,606,529)	-
(B)	52,241,197	56,061,096
Total (A+B)	54,464,899	56,198,988

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

2.16 Other current assets

	As at March 31, 2019	As at March 31, 2018
(Unsecured, considered good)		
Interest accrued but not due		
- on loan portfolio	195,087,815	106,315,125
- on fixed deposits with banks	75,308,436	28,064,717
Interest accrued and due but not collected	6,123,322	2,971,872
Unamortised processing fees	65,570,065	51,046,336
Prepaid expenses	10,122,005	4,280,191
	352,211,643	192,678,241

2.17 Revenue from operations

	For the year ended March 31, 2019	For the year ended March 31, 2018
Interest income on loan portfolio	4,194,446,990	2,193,354,634
Income from business correspondence services	63,714,277	57,768,440
Income from asset securitisation	266,120,355	91,784,990
Processing fee on loan portfolio	278,222,317	167,068,924
	4,802,503,939	2,509,976,987
Other operating income		
Interest on term deposits with banks & financial institutions	60,122,296	34,669,969
	4,862,626,235	2,544,646,956

2.18 Other income

	For the year ended March 31, 2019	For the year ended March 31, 2018
Profit on sale of Investments	182,886,330	117,282,465
Interest on term deposits	40,751,305	548,356
Miscellaneous income	30,195,724	10,649,301
	253,833,359	128,480,122

2.19 Operating expenses

	For the year ended March 31, 2019	For the year ended March 31, 2018
Postage and communication	29,013,588	20,156,111
Contingent provision against standard portfolio (owned)*	113,741,440	-
Provision on non performing loan portfolio (owned)*	(174,526,018)	199,350,516
Contingent Provision against standard portfolio (managed)	14,203,453	-
Provision on non performing loan portfolio (managed)	6,327,195	-
Provision on business correspondence portfolio*	(2,087,633)	20,188,620
Provision against insurance recoverable	7,972,357	-
Provision on amount recoverable BC collection	14,634,172	-
Loan portfolio written off	291,112,696	663,678,587
Repairs and maintenance	34,451,472	23,677,585
Printing and stationery	25,962,152	17,902,454
Provision towards cash loss	16,906,486	5,772
	377,711,360	944,959,645

*refer note 2.23

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

2.20 Employee benefits expense

	For the year ended March 31, 2019	For the year ended March 31, 2018
Salaries, wages and bonus	909,968,762	583,259,875
Gratuity expenses	10,734,009	6,975,047
Compensated absences expenses	3,224,647	8,161,210
Contribution to provident fund and other fund (refer note 2.26)	64,236,128	47,869,967
Staff welfare expenses	23,752,906	14,742,014
	1,011,916,452	661,008,113

2.21 Finance costs

	For the year ended March 31, 2019	For the year ended March 31, 2018
Interest on borrowings	2,363,208,579	1,324,468,682
Other finance costs	78,869,797	41,554,903
	2,442,078,376	1,366,023,585

2.22 Other expenses

	For the year ended March 31, 2019	For the year ended March 31, 2018
Rent	81,421,203	60,541,017
Travelling and conveyance	57,785,654	40,475,984
Loading & boarding	17,534,740	12,125,510
Legal and professional fees	114,754,730	42,146,743
Rates and taxes	33,294,989	16,461,387
Office maintenance	21,017,119	15,291,547
Water and electricity	13,584,373	7,962,582
Staff recruitment and training	2,688,959	2,360,961
Insurance	3,880,841	3,510,989
Corporate social responsibility/Donation	6,262,168	4,383,084
Business promotion	3,172,351	3,394,018
Miscellaneous expenses	23,249,143	8,123,463
	378,646,270	216,777,285

2.23 Provision for outstanding loan portfolio

- a) Loan portfolio and provision for standard, sub-standard and non-performing assets as at March 31, 2019 and March 31, 2018 are as follows:

Asset classification	As at March 31, 2019		As at March 31, 2018	
	Loan portfolio	Provision	Loan portfolio	Provision
Standard portfolio	22,748,287,935	113,741,440	12,481,454,985	-
Sub-standard and loss portfolio	331,179,290	331,179,290	525,893,027	505,705,307
Total	23,079,467,225	444,920,730	13,007,348,012	505,705,307

- b) During the year, based on qualitative assessment and considering days in arrears certain loan portfolio amounting to ₹291,112,696 (previous year: ₹663,678,587) have been written off.
- c) As on March 31, 2019 provision towards non-performing business correspondence portfolio is ₹18,100,987 (previous year: ₹20,188,620)

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

- d) As on March 31, 2019 provision towards non-performing securitized portfolio is ₹6,327,195 (previous year: Nil)
- e) As on March 31, 2019 provision towards standard portfolio securitized is ₹14,203,453 (previous year: Nil)
- f) The movement in provision during the year is disclosed below.

Particulars	For the year ended March 31, 2019			For the year ended March 31, 2018		
	Standard portfolio	Sub-standard and loss portfolio	Total	Standard portfolio	Sub-standard and loss portfolio	Total
Opening	-	505,705,307	505,705,307	57,062,046	18,039,922	75,101,968
Provision made	113,741,440	116,586,679	230,328,119	-	1,148,490,691	1,148,490,691
Provision written back	-	(291,112,696)	(291,112,696)	(57,062,046)	(660,825,306)	(717,887,352)
Closing	113,741,440	331,179,290	444,920,730	-	505,705,307	505,705,307

Based on the management assessment and considering various factor the Company has accrued 100% provision on identified non-performing portfolio in addition to a provision to the extent of 0.50 % on standard portfolio, which is in higher than provision required as per RBI provisioning norms.

Particulars	For the year ended March 31, 2019			For the year ended March 31, 2018		
	Cash Loss	Employee Contingency	Total	Cash Loss	Employee Contingency	Total
Opening	-	-	-	1,728,589	805,961	2,534,550
Provision made	16,906,486	2,515,000	19,421,486	10,528,926	600,000	11,128,926
Provision written back	(1,402,443)	(519,447)	(1,921,890)	(12,257,515)	(1,405,961)	(13,663,476)
Closing	15,504,043	1,995,553	17,499,596	-	-	-

2.24 Contingent Liabilities not provided for:

- a) Credit enhancements provided for securitisation transactions

Particulars	As at March 31, 2019	As at March 31, 2018
Credit enhancements provided by the Company towards securitisation (including cash collaterals and principal)	582,929,462	380,138,208

- b) The Company has entered into business correspondence arrangements with the bank. As per the terms of the said agreement, the Company has given performance security amounting to ₹123,607,763 (previous year: ₹138,311,880) towards the loans disbursed by the bank under the agreement. The total outstanding of such loans as on March 31, 2019 was ₹485,304,649 (previous year: ₹628,421,743). The performance security provided is in the nature of fixed deposits and Corporate Guarantee.

- c) Contingent liability in respect of preference shares

Particulars	As at March 31, 2019	As at March 31, 2018
Dividend on 9% optionally convertible preference shares (Refer Note 2.1.3)	-	2,700,000
Dividend distribution tax	-	549,656

- d) Details of Provident fund contribution as per Supreme Court Judgement

The Hon'ble Supreme Court of India ("SC") by their order dated February 28, 2019, in the case of Surya Roshani Limited & others v/s EPFO, set out the principles based on which allowances paid to the employees should be identified for inclusion in basic wages for the purposes of computation of Provident Fund contribution. Subsequently, a review petition against this decision has been filed and is pending before the SC for disposal. Pending decision on the subject review petition and directions from the EPFO, Based on legal advice obtained by the Company the management has a view that the applicability of the decision is prospective and accordingly has provided the liability for March 2019. The impact for the past period, will depend upon the outcome of subject review petition and directions from the EPFO.

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

2.25 Employee stock options

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

- The Scheme 2014 and Scheme 2016 are effective from 31 July 2014 and 16 January 2017 respectively (as amended from time to time) and are administered through Fusion Employees Benefit Trust ("ESOP 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) to issue ESOPs to employees of the Company as per the respective schemes. The Company has given, interest free & collateral free, loan to the ESOP trust, to provide financial assistance to purchase equity shares of the Company under such schemes. The ESOP trust in turn transfer the shares to employees on exercise of their right against cash consideration. The ESOP trust transfers the amount so received from the employees against the transfer of shares to the Company as repayment of, interest free & collateral free, loan provided to it by the Company.
- As on March 31, 2019, the ESOP trust has 1,353,559 equity shares (as on March 31, 2018 ESOP trust had 898,234 equity shares), during the year the company has issued and allotted 549,647 equity shares to ESOP trust. Further the trust has transferred 94,322 shares to employees on exercising of stock options under the Scheme 2014 and Scheme 2016 of the company. The ESOP trust does not have any other transaction that those mentioned above and accordingly as on March 31, 2019, the Company has reduced the amounts representing on account of outstanding shares with ESOP trust amounting to ₹13,535,590 (previous year: ₹8,982,340) from the share capital and ₹63,775,501 (previous year: ₹10,032,339) from the share premium.
- The eligible employees shall exercise their option to acquire the shares of the Company in accordance with ESOP schemes. 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 Scheme 2014 and 2016 is as below:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Outstanding at the beginning of the year	891,618	581,006
Granted during the year	434,720	330,540
Forfeited/lapsed during the year	(33,373)	-
Exercised during the year	94,322	19,928
Outstanding at the end of year	1,198,643	891,618
Exercisable at the end of year	290,818	186,189

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.

2.26 Employee benefits expense

a) Defined benefit plan – Gratuity (Funded)

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service as per The Payment of Gratuity Act, 1972 as amended from time to time. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The following table's summaries the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the Balance Sheet for the gratuity plan.

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	For the year ended March 31, 2019	For the year ended March 31, 2018
Opening defined benefit obligation	19,936,506	12,394,279
Current service cost	12,969,653	9,089,136
Interest cost	1,545,079	960,557
Benefits paid (if any)	(570,628)	(59,619)
Actuarial (gain)/loss recognised during the year	(2,415,312)	(2,447,847)
Closing defined benefit obligation	31,465,298	19,936,506

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

Movement in fair value of planned assets

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Opening fair value of planned assets	19,398,589	6,271,790
Contribution paid	12,900,000	12,500,000
Benefits paid	-	-
Expected return on planned assets	1,503,391	486,064
Actuarial gain/(loss) on plan assets	(137,980)	140,735
Closing fair value of planned assets	33,664,000	19,398,589

Expense recognized in statement of profit and loss

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Current service cost	12,969,653	9,089,136
Interest cost	1,545,079	960,557
Expected return on plan assets	(1,503,391)	(486,064)
Past Service Cost	-	-
Net actuarial (gain)/ loss recognised during the year	(2,277,332)	(2,588,582)
Amount included in employee benefits expense.	10,734,009	6,975,047

Amount to be recognised in the balance sheet:

Particulars	As at March 31, 2019	As at March 31, 2018
Defined benefit obligation	31,465,298	19,936,506
Fair value of plan assets	(33,664,000)	(19,398,589)
Liability / (Assets) recognised in the balance sheet	(2,198,702)	537,917

Experience adjustment for the year ended March 31, 2019

Particulars	Amount
Experience adjustment (Gain) /loss for Plan liabilities	(2,985,940)
Experience adjustment Gain/ (loss) for Plan assets	(137,980)

Break up of liability

Particulars	As at March 31, 2019	As at March 31, 2018
Current	-	225,171
Non-current	-	312,746
Total liability	-	537,917

Amounts recognised in current year and previous four years

Particulars	2019	As at March 31,			
		2018	2017	2016	2015
Projected benefit obligation at the end of the year	31,465,298	19,936,506	12,394,279	6,395,006	3,264,381
Fair value of plan assets at end of the year	(33,664,000)	(19,398,589)	(12,329,194)	(5,529,194)	-
Net liability/(asset)	(2,198,702)	537,917	65,085	865,812	3,264,381

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

Principal actuarial assumptions	March 31, 2019	March 31, 2018
i) Discount rate (p.a.)	7.75%	7.75%
ii) Salary escalation rate (p.a.)	8.00%	8.00%
iii) Expected return on plan assets	7.75%	7.75%

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 factor.

b) Defined contribution plan

Amount recognised in statement of profit and loss towards	For the year ended March 31, 2019	For the year ended March 31, 2018
i) Provident fund*#	37,536,097	33,303,947
ii) Employee state insurance	26,531,000	18,180,187
iii) Labor welfare fund	169,031	120,069
Total	64,236,128	51,604,203

*Contribution to provident fund is netted off with amount of ₹14,451,996 received under the scheme "Pradhan Mantri Rojgar Protsahan Yojana" for the year ended March 31, 2019 (Previous ₹3,734,236)

The contribution to provident funds includes the liability provided for the month of March 2019 amounting to ₹4,485,000 by giving effect to order of the Hon'ble Supreme Court of India ("SC") dated February 28, 2019, in the case of Surya Roshni Limited & others v/s EPFO, setting out the principles based on which allowances paid to the employees should be identified for inclusion in basic wages for the purposes of computation of Provident Fund contribution.

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

2.28 Operating leases

Lease payments made under cancellable operating lease amounting to ₹81,421,203 (previous year: ₹60,541,017) disclosed as rent and the same have been recognised as an expense in the Consolidated statement of profit and loss. There are no subleases. There are no non-cancellable operating leases, accordingly there are no obligation on the company towards minimum lease payments.

2.29 Earnings per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

Particulars	As at March 31, 2019	As at March 31, 2018
Profit/ (loss) after tax	653,520,145	(394,134,632)
Less: Dividends on convertible preference shares & tax thereon	(5,020,715)	3,249,656
Net profit/ (loss) for calculation of basic EPS	648,499,430	(390,884,976)
Net profit/ (loss) for calculation of diluted EPS	648,499,430	(390,884,976)
Weighted average number of equity shares in calculating basic EPS	49,090,775	35,821,721
Effect of dilution:		
Convertible preference shares	-	3,000,000
Stock options granted under ESOP	-	901,455
Weighted average number of equity shares in calculating diluted EPS	49,090,775	39,723,177

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

2.30 Disclosures relating to Securitization vide circular no DBOD.NO.BP.BC.60/21.04.048 / 2005-06 dated 01 February 2006.

Particulars	(Amount in crores)	
	For the year ended March 31, 2019	For the year ended March 31, 2018
Total number of loans securitized	287,573	186,790
Aggregate book value of loans securitized	366.30	225.46
Microfinance loans subordinated as cash credit enhancements for assets de-recognised	24.98	21.95
Aggregate value of sale consideration	366.30	225.46
Aggregate gain on securitisation- to be amortized over the life of the receivable	-	-
Quantum of credit enhancement provided during the year in the form of deposits	21.99	16.06

2.31 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	As at March 31, 2019	As at March 31, 2018
1. Number of Special Purpose Vehicles (SPVs) sponsored by the Company for securitisation transactions	11	7
2. Total amount of securitised assets as per books of the SPVs sponsored by the Company#	325.62	211.96
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)	32.43	16.06
* First loss (Microfinance loans)	33.88	21.95
* Others	-	-
4. Amount of exposures to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
i) Exposure to own securitisations		
* First loss	-	-
* loss	-	-
ii) Exposure to third party securitisations		
* First loss	-	-
* Others	-	-
b) On-balance sheet exposures		
i) Exposure to own securitisations		
* First loss	-	-
* Others	-	-
ii) Exposure to third party securitisations		
* First loss	-	-
* Others	-	-

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 March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

2.32 Related party transactions

A) Related Parties

Relationship	Name of the party
Entities exercising significant influence over the Company	<ul style="list-style-type: none"> Creation Investment Fusion, LLC, Chicago, U.S.A. Honey Rose Investment Ltd ("Warburg Pincus") (w.e.f. from 05 December 2018)
Director / Key Managerial Personnel (KMP)	Mr. Devesh Sachdev - MD and Chief Executive Officer

B) Summary of related party transactions

Name of the related party	Nature of transaction	For the year ended March 31, 2019	For the year ended March 31, 2018
Mr. Devesh Sachdev	Managerial remuneration	19,586,609	9,912,853
	Equity shares allotted under preferential allotment	2,000,113	1,099,295
Creation Investment Fusion, LLC, Chicago, U.S.A.	Allotment of equity shares (including share premium)	-	554,588,760
Creation Investment Fusion, LLC, Chicago, U.S.A.	Reimbursement of Travelling Expenses	290,733	-
Honey Rose Investment Ltd ("Warburg Pincus")	Allotment of equity shares (including share premium)	3,000,000,012	-

Refer note 2.1 for details of shares issued/ transferred

Note: As the provisions for gratuity, leave benefits and stock option expenditure are made for the Company as a whole, the amounts pertaining to the Key Management Personnel are not specifically identified and included above.

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

Name of the related party	Nature of transaction	As at March 31, 2019	As at March 31, 2018
Mr. Devesh Sachdev	Bonus payable	(10,937,000)	(3,000,000)

2.33 Terms of borrowings

Nature of Facility	Amount OS as at March 31, 2019		Amount OS as at March 31, 2018		Interest Rate	First date of repayment	Terms of repayment
	Current	Non-Current	Current	Non-Current			
A. Redeemable transferable non-convertible debentures (NCD)*							
NCD 1	-	100,000,000	-	100,000,000	15.00%	21-Dec-20	Bullet Repayment
NCD 2	-	-	220,000,000	-	13.00%	16-Dec-18	Bullet Repayment
NCD 3	-	-	-	240,000,000	14.85%	29-Apr-19	Bullet Repayment
NCD 4	-	-	-	426,000,000	14.50%	13-Aug-18	Bullet Repayment
NCD 5	-	526,000,000	-	526,000,000	14.15%	16-May-22	Bullet Repayment
NCD 6	601,000,000	-	-	601,000,000	13.22%	13-Jul-19	Bullet Repayment
NCD 7	-	470,000,000	-	470,000,000	13.60%	31-Aug-21	Bullet Repayment
NCD 8	-	550,000,000	-	550,000,000	13.25%	15-Sep-25	Bullet Repayment
NCD 9	-	310,000,000	-	310,000,000	13.15%	07-Jul-20	Bullet Repayment
NCD 10	-	190,000,000	-	190,000,000	12.30%	15-Mar-21	Bullet Repayment
NCD 11	-	315,000,000	-	315,000,000	12.75%	16-Mar-24	Bullet Repayment
NCD 12	-	315,000,000	-	315,000,000	12.75%	16-Mar-24	Bullet Repayment
NCD 13	66,666,600	33,333,400	66,666,800	99,999,867	12.10%	28-Feb-18	Half Yearly/6
NCD 14	-	340,000,000	-	-	12.20%	07-Aug-21	Bullet Repayment
NCD 15	-	340,000,000	-	-	12.20%	07-Aug-21	Bullet Repayment

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

Nature of Facility	Amount OS as at March 31, 2019		Amount OS as at March 31, 2018		Interest Rate	First date of repayment	Terms of repayment
	Current	Non-Current	Current	Non-Current			
NCD 16	-	250,000,000	-	-	12.50%	27-Sep-21	Bullet Repayment
NCD 17	-	350,000,000	-	-	12.20%	22-Oct-21	Bullet Repayment
Total	667,666,600	4,089,333,400	286,666,800	4,142,999,867			
B. Un-Secured non-convertible debentures (SD) from Financial Institutions							
SD 1	-	250,000,000	-	300,000,000	13.90%	29/Sep/23	Bullet Repayment
SD 2	-	50,000,000	-	-	13.90%	29/Sep/23	Bullet Repayment
MLD 1	-	250,000,000	-	250,000,000	13.25%-13.75%	02/Sep/21	Bullet Repayment
SD 3	-	284,000,000	-	150,000,000	13.85%	30/Mar/23	Bullet Repayment
SD 4	-	216,000,000	-	350,000,000	13.85%	30/Mar/23	Bullet Repayment
Total (A)	-	1,050,000,000	-	1,050,000,000			
C. Secured term loan ('TL') from Banks*							
TL 1	-	-	21,000,000	-	BR +3.00%	28-Sep-16	Quarterly/10
TL 2	19,803,164	-	26,404,219	19,803,164	1YMCLR +3.00%	30-Apr-18	Quarterly/8
TL 3	-	-	31,249,300	-	BR +3.50%	29-Jul-16	Monthly/24
TL 4	-	-	130,952,000	-	1YMCLR +2.85%	22-Jun-17	Monthly/21
TL 5	76,188,000	-	114,288,000	76,188,000	1YMCLR +4.45%	01-Apr-18	Monthly/21
TL 6	85,712,000	-	114,288,000	85,712,000	1YMCLR +4.45%	01-May-18	Monthly/21
TL 7	-	-	54,485,301	-	BR+2.75%	31-May-15	Monthly/30
TL 8	-	-	20,000,000	-	BR +3.00%	30-Jun-16	Quarterly/10
TL 9	5,000,000	-	25,000,000	-	BR +3.25%	07-Jan-17	Quarterly/10
TL 10	-	-	50,000,000	-	BR +3.00%	30-Sep-16	Monthly/30
TL 11	-	-	18,750,000	-	BR(+3.00%)	25-Jul-16	Quarterly/8
TL 12	142,857,145	-	107,142,855	142,857,145	1YMCLR(+3.80%)	30-Sep-18	Quarterly/7
TL 13	285,714,286	142,857,143	-	-	MCLR 03 (+3.10%)	26-Mar-19	Quarterly/7
TL 14	428,571,426	571,428,574	-	-	MCLR 03 (+2.65%)	14-Sep-19	Quarterly/7
TL 15	-	-	15,625,000	-	11.40%	01-Sep-16	Quarterly/8
TL 16	300,000,000	225,000,000	-	-	11.25%	28-Feb-19	Quarterly/8
TL 17	-	-	33,332,800	-	1YMCLR(+1.52%)	31-Dec-16	Monthly/24
TL 18	100,287,252	91,355,445	-	-	3MMCLR(+2.31%)	31-Mar-19	Monthly/24
TL 19	-	-	18,750,000	-	BR(+3.00%)	31-Oct-16	Monthly/24
TL 20	175,000,000	131,250,000	-	-	1YMCLR(+1.75%)	01-Feb-19	Quarterly/8
TL 21	125,000,000	125,000,000	-	-	1YMCLR(11.15%) Fixed	30-Apr-19	Monthly/24
TL 22	-	-	68,750,000	-	1YMCLR(+2.35%)	31-Dec-16	Quarterly/8
TL 23	75,000,000	-	100,000,000	75,000,000	1YMCLR(+1.25%)	21-Mar-18	Quarterly/8
TL 24	50,000,000	-	50,000,000	50,000,000	1YMCLR(+1.25%)	30-Apr-18	Quarterly/8
TL 25	250,000,000	125,000,000	-	-	1YMCLR(+2.05%)	31-Dec-18	Quarterly/8
TL 26	250,000,000	187,500,000	-	-	1YMCLR(+2.05%)	31-Jan-19	Quarterly/8
TL 27	30,000,000	-	40,000,000	30,000,000	1YMCLR(+2.65%)	17-Jul-17	Quarterly/10
TL 28	88,209,005	-	102,000,000	88,438,562	1YMCLR(+3.00%)	01-Sep-17	Monthly/30
TL 29	50,000,000	-	100,000,000	50,000,000	1YMCLR(+3.35%)	25-Jun-18	Quarterly/6
TL 30	50,000,000	-	200,000,000	50,000,000	11.5%	30-Apr-18	Monthly/15
TL 31	83,333,339	-	200,000,000	50,000,000	11.5%	30-Apr-18	Monthly/15

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

Nature of Facility	Amount OS as at March 31, 2019		Amount OS as at March 31, 2018		Interest Rate	First date of repayment	Terms of repayment
	Current	Non-Current	Current	Non-Current			
TL 32	183,333,333	66,666,667	-	-	11.5%	17-May-19	Monthly/15
TL 33	-	-	49,999,988	-	14.0%	05-Oct-16	Monthly/24
TL 34	124,999,996	-	125,000,004	124,999,996	12.2%	05-Apr-18	Monthly/24
TL 35	250,000,000	187,500,000	-	-	12MAVGT-Bill 6.45%(+5.55%)	05-Jan-19	Quarterly/8
TL 36	272,727,273	-	227,272,727	272,727,273	2YMCLR(+3.05%)	27-Jun-18	Monthly/22
STL 37	-	-	400,000,000	-	10.5%	27-Feb-18	Quarterly/4
STL 38	-	-	300,000,000	-	10.5%	30-Sep-18	Quarterly/4
STL 39	100,000,000	-	-	-	10.6%	31-May-19	Bullet Repayment
STL 40	75,000,000	-	-	-	11.0%	30-Jun-19	Bullet Repayment
STL 41	175,000,000	-	-	-	3MMCLR(+1.00%)	27-Sep-19	Bullet Repayment
STL 42	175,000,000	-	-	-	3MMCLR(+1.00%)	29-Feb-20	Bullet Repayment
STL 43	400,000,000	-	-	-	3MMCLR(+1.00%)	29-Feb-20	Bullet Repayment
TL 44	66,666,667	83,333,333	50,000,000	150,000,000	12.8%	15-Sep-18	Quarterly/12
TL 45	250,000,000	-	250,000,000	250,000,000	1YMCLR(+2.25%)	30-Apr-18	Monthly/24
TL 46	50,000,000	25,000,000	25,000,000	75,000,000	MCLR(+2.10%)	27-Oct-18	Monthly/24
TL 47	81,818,182	68,181,818	-	-	1YMCLR(+2.30%)	27-Apr-19	Monthly/22
TL 48	150,300,000	99,700,000	-	-	1YMCLR(+2.05%)	27-Jun-19	Monthly/16
TL 49	200,000,000	-	-	200,000,000	MCLR(+1.98%)	30-Apr-19	Bullet Repayment
TL 50	76,398,997	27,649,864	-	-	3MAG (+4.75%)	31-Aug-18	Monthly/24
STL 51	-	-	250,000,000	-	1MMCLR(+2.20%)	28-Apr-18	Monthly/12
STL 52	43,402,778	-	-	-	3MMCLR(+1.70%)	30-Sep-18	Monthly/12
TL 53	285,714,286	142,857,143	-	-	3MMCLR(+1.70%)	31-Jan-19	Monthly/21
TL 54	214,285,714	285,714,286	-	-	1YMCLR(+2.20%)	07-Jul-19	Monthly/21
TL 55	227,272,727	272,727,273	-	-	1YMCLR(+2.20%)	29-Jun-19	Monthly/22
TL 56	80,000,000	20,000,000	-	-	13.5%	17-Jan-18	Quarterly/10
TL 57	250,000,000	250,000,000	-	-	12.8%	06-May-19	Quarterly/8
TL 58	233,333,333	766,666,667	-	-	12.8%	01-Sep-19	Monthly/30
TL 59	437,500,000	1,062,500,000	-	-	11.5%	30-Sep-19	Monthly/24
TL 60	428,571,429	571,428,571	-	-	11.75%	01-Jul-19	Quarterly/7
TL 61	214,285,714	285,714,286	-	-	11.75%	01-Aug-19	Quarterly/7
TL 62	146,666,667	48,888,889	-	-	1YMCLR(+1.65%)	28-Feb-19	Monthly/18
TL 63	119,047,610	130,952,390	-	-	1YMCLR(+4.60%)	30-Jun-19	Monthly/21
Total	7,982,000,322	5,994,872,349	3,399,290,194	1,790,726,140			
D. Secured term loan ('TL') from Other*							
TL 64	-	-	30,000,000	-	15.0%	13-Nov-15	Quarterly/12
TL 65	-	-	4,735,228	-	13.8%	01-May-16	Monthly/24
TL 66	5,187,446	-	57,923,326	5,173,555	13.0%	01-May-17	Monthly/24
TL 67	6,602,204	-	73,720,596	6,584,524	13.0%	01-May-17	Monthly/24
TL 68	14,997,821	-	83,349,161	14,969,684	13.0%	01-Jun-17	Monthly/24
TL 69	26,753,993	-	111,115,783	26,772,316	13.5%	29-Jul-16	Monthly/36
TL 70	71,936,492	-	78,712,623	71,936,492	13.0%	28-Dec-16	Monthly/36
TL 71	72,727,273	109,090,909	-	-	12MFBLR(+1.00%)	18-Jan-19	Quarterly/11
TL 72	-	-	107,916,661	-	13.0%	30-Nov-16	Monthly/24

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

Nature of Facility	Amount OS as at March 31, 2019		Amount OS as at March 31, 2018		Interest Rate	First date of repayment	Terms of repayment
	Current	Non-Current	Current	Non-Current			
TL 73	-	-	124,999,996	-	12.9%	20-Apr-17	Monthly/24
TL 74	50,000,000	-	75,000,000	50,000,000	MAS PLR-2.15%	25-Dec-17	Monthly/24
TL 75	37,499,995	-	50,000,004	37,499,995	MAS PLR-2.15%	10-Jan-18	Monthly/24
TL 76	83,333,338	-	99,999,996	83,333,338	MAS PLR-2.30%	10-Feb-18	Monthly/24
TL 77	125,000,000	-	125,000,000	125,000,000	MAS PLR-2.50%	25-Apr-18	Monthly/24
TL 78	125,000,002	31,249,991	-	-	MASPLR(-2.10%)	25-Jul-18	Monthly /24
TL 79	75,000,000	37,500,004	-	-	MASPLR(-2.10%)	25-Oct-18	Monthly/24
TL 80	75,000,000	37,500,004	-	-	MASPLR(-2.10%)	25-Oct-18	Monthly/24
TL 81	50,000,000	50,000,000	-	-	MASPLR(-3.40%)	25-Apr-19	Monthly/24
TL 82	50,000,000	50,000,000	-	-	MASPLR(-3.40%)	25-Apr-19	Monthly/24
TL 83	50,000,000	50,000,000	-	-	MASPLR(-3.40%)	25-Apr-19	Monthly/24
TL 84	50,000,000	50,000,000	-	-	MASPLR(-3.40%)	25-Apr-19	Monthly/24
TL 85	50,000,000	50,000,000	-	-	MASPLR(-3.40%)	25-Apr-19	Monthly/24
TL 86	-	-	16,000,000	-	MASPLR(-2.50%)	25-Apr-18	Monthly/24
TL 87	27,285,000	-	54,545,448	27,279,552	10.1%	30-Jul-16	Monthly /25
TL 88	-	-	41,100,000	-	12.8%	10-Feb-17	Monthly/33
TL 89	202,500,000	85,000,000	300,000,000	287,500,000	11.5%	31-Jul-16	Half Yearly/6
TL 90	120,000,000	100,000,000	120,000,000	220,000,000	11.5%	31-Jan-17	Half Yearly/11
TL 91	426,895,200	782,641,200	-	-	10.9%	31-Jan-18	Half Yearly/11
TL 92	23,104,800	42,358,800	-	-	11.7%	31-Jan-19	Half Yearly/11
TL 93	141,226,320	-	169,496,920	141,226,320	11.7%	31-Jan-19	Half Yearly/11
TL 94	254,749,073	92,214,193	-	-	12.3%	27-Mar-18	Quarterly/8
TL 95	54,545,455	27,208,120	54,522,569	81,818,098	12.5%	24-Aug-18	Monthly/24
TL 96	75,000,000	-	75,000,000	75,000,000	12.3%	31-Jan-18	Quarterly/11
TL 97	44,766,948	-	47,834,057	44,766,948	13.2%	15-Apr-18	Monthly/24
TL 98	66,454,664	75,080,219	58,465,117	141,534,883	12.8%	25-Feb-18	Monthly/24
TL 99	177,437,780	15,830,788	106,788,929	193,211,071	12.4%	05-Mar-18	Monthly/36
TL 100	139,914,281	77,065,717	-	-	PFLPLR (+3.65)	05-Aug-18	Monthly/21
TL 101	114,614,271	41,565,077	-	-	PFLPLR (-4.20)	11-Jan-19	Monthly/21
TL 102	82,097,624	100,885,231	67,017,145	182,982,855	PFLPLR (-3.65)	04-Nov-18	Monthly/21
TL 103	82,097,624	100,885,231	-	-	12.2%	31-May-18	Monthly/36
TL 104	103,045,444	246,954,556	-	-	12.2%	30-Jun-18	Monthly/36
TL 105	107,086,069	111,099,201	-	-	12.0%	30-Apr-19	Monthly/36
TL 106	50,000,004	66,666,660	-	-	13.0%	03-Dec-18	Monthly/27
TL 107	16,416,057	20,199,890	-	-	12.5%	11-Aug-18	Monthly/36
TL 108	48,749,302	64,937,374	-	-	HBLR(+1.28%))	31-May-18	Monthly/36
TL 109	119,781,119	65,544,486	-	-	HBLR(+1.28%)	21-Jun-18	Monthly/36
TL 110	-	-	80,000,000	100,000,000	13.5%	6-May-19	Quarterly/8
TL-111	-	-	-	500,000,000	12.8%	20/Oct/18	Monthly/24
Total	3,496,805,599	2,581,477,651	2,213,243,558	2,416,589,632			
E. Secured Vehicle loan ("VL") from Bank*							
VL 1	-	-	284,120	-	10.25%	31/Oct/13	Monthly/60

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

Nature of Facility	Amount OS as at March 31, 2019		Amount OS as at March 31, 2018		Interest Rate	First date of repayment	Terms of repayment
	Current	Non-Current	Current	Non-Current			
Total	-	-	284,120	-			
F. Unsecured term loan ('USL') from financial institution/Bank							
SD 5	-	70,000,000	-	70,000,000	15.50%	28/Feb/21	Bullet Repayment
SD 6	-	-	-	300,000,000	14.25%	04/Dec/23	Bullet Repayment
SD 7	-	300,000,000	-	-	14.25%	04/Dec/23	Bullet Repayment
UTL 1	145,454,544	109,090,907	145,454,544	254,545,456	12.40%	24/Apr/18	Quarterly/11
Total	145,454,544	479,090,907	145,454,544	624,545,456			-
H. Cash Credit from Bank							
CC 1	-	-	-	-	MCLR (+2.25%)	On Demand	On Demand
CC 2	-	-	-	-	AuMCLR (13.05%)	On Demand	On Demand
CC 3	-	-	58,175,525	-		On Demand	On Demand
Total	-	-	58,175,525	-			
Grand Total	12,291,927,065	14,194,774,307	6,023,114,741	10,024,861,0955			

*Term loans and Non-convertible debentures are secured against exclusive charge on the standard asset 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 ₹225.19 crores are secured by personal guarantees of the promoter directors.

#Vehicle loan is secured by hypothecation on respective vehicles

@ Interest is charged based on Reference Index Performance, corresponding Effective Annualized Coupon rate Function.

2.34 Deferred tax assets

Particulars	As at March 31, 2019	As at March 31, 2018
Deferred tax assets on:		
- Provisions on loan portfolio	158,715,070	153,140,312
- Provision for employee benefits	6,045,261	5,290,772
- Depreciation on fixed assets	8,468,375	4,983,131
- Provision for employee contingency & cash loss	6,115,059	-
- Interest on market linked debentures	14,224,309	-
- Un amortized share issue expenses	18,397,370	-
- Provision for bonus	16,773,120	5,243,043
- Unabsorbed business loss	-	82,274,703
Total	228,738,564	250,931,961

2.35 Auditors remuneration

(included in legal and professional fee, excluding service tax/Goods & Service Tax)

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Statutory audit fees	1,500,000	1,250,000
Half yearly audit/Limited review fees	1,000,000	400,000
Certification fees	500,000	350,000
Out of pocket expenses	125,465	45,024
Total	3,125,465	2,045,024

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

2.36 Information on instances of fraud:

(Amount in crores)

Nature of fraud	For the year ended March 31, 2019			For the year ended March 31, 2018		
	Amount of fraud	Recovery	Amount outstanding	Amount of fraud	Recovery	Amount outstanding
Misappropriation of cash by employees	1.05	0.29	0.76	0.32	0.12	0.20

2.37 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 March 31, 2019 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 March 31, 2019	For the year ended March 31, 2018
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

2.38 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 March 31, 2019	For the year ended March 31, 2018
Average net profit/(loss) of the company for last three financial years	(88,339,768)	119,405,529
Prescribed CSR expenditure to be spent (2% of the average net profit)	Nil	2,338,111
Amount spent	6,262,168	4,383,084
Amount unspent	-	-

2.39 Expenditure in foreign currency

Particulars	As at March 31, 2019	As at March 31, 2018
Reimbursement of Travelling Expenses	290,733	240,189

2.40 The company has reviewed all litigations having an impact on the financial position, where applicable, has adequately provided for where provision are required and disclosed as contingent liabilities in its financial statements. Refer note 2.24 for further details.

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

2.41 Additional disclosures as required by the RBI:

a) Capital to Risk Asset ratio (CRAR)

S. No.	Particulars	As at March 31, 2019	As at March 31, 2018
I	CRAR %	27.33%	21.87%
II	CRAR – Tier I Capital (%)	23.36%	15.14%
III	CRAR – Tier II Capital (%)	3.97%	6.73%
IV	Amount of sub-ordinated debt raised as Tier-II capital	-	600,000,000
V	Amount raised by issue of Perpetual Debt Instruments	-	-

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

c) Asset Liability Management

Maturity pattern of certain items of assets and liabilities as on March 31, 2019

Particulars	(Amount in crores)								Total
	1 day to 30/31 days	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 upto 5 years	Over 5 years	
Borrowings from Banks	51.65	66.03	54.60	257.18	448.72	693.39	44.10	-	1,615.67
Borrowings from others	31.61	21.12	23.24	73.32	134.96	168.06	-	-	452.30
Borrowings from NCD	-	-	-	63.43	3.33	263.33	195.60	55.00	580.70
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-
Advances	145.56	155.95	135.64	440.87	778.09	685.73	-	-	2,341.83
Investments	-	-	-	-	-	0.50	-	-	0.50
Foreign Currency Assets	-	-	-	-	-	-	-	-	-

d) Provision and contingencies (shown under the head expenditure in statement of profit and loss)

Particulars	(Amount in crores)	
	For the year ended March 31, 2019	For the year ended March 31, 2018
Provision for non-performing loan portfolio	11.49	19.94
Provision for non performing Managed Portfolio	0.59	2.02
Contingent provisions against standard loan portfolio	12.79	-
Provision for insurance recoverable and BC collection	2.26	-
Provision for Income Tax	-	-
Provision for cash loss	1.69	-
Provision for Gratuity	1.07	0.70
Provision for leave benefits	0.32	0.82

e) Sector wise Non-Performing Assets*

S. No.	Sector	FY 2018-19	FY 2017-18
		Percentage of NPAs to total advances in that sector	Percentage of NPAs to total advances in that sector
1.	Agriculture & allied activities #	1.46%	3.97%
2.	MSME	6.45%	4.10%
3.	Corporate borrowers	NA	NA
4.	Services	1.33%	NA
5.	Unsecured personal loans	NA	NA
6.	Auto loans	NA	NA
7.	Other personal loans	NA	NA

*based on Owned portfolio.

including manufacturing & production, trade & retail, CS and Others.

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

f) Movement in Non-Performing Asset (NPA)

(Amount in crores)

Particulars	2018-19	2017-18
i) Net NPA to net advances percentage		0.16%
ii) Movement of NPAs (Gross)		
a) Opening balance	50.57	1.80
b) Additions during the year	11.66	114.85
c) Reduction during the year (write off)	(29.12)	(66.08)
d) Closing balance	33.12	50.57
iii) Movement of net NPAs		
a) Opening balance	-	1.05
b) Additions during the year	-	-1.05
c) Reduction during the year	-	-
d) Closing balance	-	-
iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	50.57	1.80
b) Provision made during the year	11.66	114.85
c) Write off/ write back of excess provisions	(29.12)	(66.08)
d) Closing balance	33.12	50.57

g) Disclosure with respect to investments

(Amount in crores)

S. No.	Particulars	2018-19	2017-18
1)	Value of Investments		
(i)	Gross value of investments		
(a)	In India	0.50	0.50
(b)	Outside India	-	-
(ii)	Provision for depreciation	-	-
(a)	In India	-	-
(b)	Outside India	-	-
(iii)	Net value of investments	-	-
(a)	In India	0.50	0.50
(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	-	-

h) Disclosure with respect to customer complaints

S. No.	Sector	Number of complaints
(i)	No. of complaints pending at the beginning of the year	35
(ii)	No. of complaints received during the year	572
(iii)	No. of complaints redressed during the year	593
(iv)	No. of complaints pending at the end of the year	14

i) Ratings assigned by credit rating agencies and migration of ratings

Facility	Current rating	Previous rating
MFI Grading	MFI 1 CARE	MFI 2+ CARE
Long term bank facility	CARE A-	CARE BBB+
Non-convertible debentures (NCD's) – including sub-debt	ICRA A-/CARE A-	ICRA BBB/CARE BBB+

j) Details of penalties imposed by RBI and other regulators

No penalty has been imposed by RBI and other regulators on the Company during the financial year ended March 31, 2019 and March 31, 2018.

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2019

(All amounts in Indian rupees unless otherwise stated)

k) Unsecured advances

The Company has not given any unsecured advances against intangible securities such as charge over the rights, licenses, authority, etc. during the financial year ended March 31, 2019 and March 31, 2018.

l) Details of non-performing financial assets purchased / sold:

The Company has not purchased/sold any non-performing financial assets during the financial year ended March 31, 2019 and March 31, 2018.

m) 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 March 31, 2019 and March 31, 2018.

n) Draw down from reserves

There has been no draw down from reserves during the year ended March 31, 2019 and March 31, 2018.

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

p) Details of registration with financial and other regulators:

Regulator	Registration number	Date of registration
Ministry of Corporate Affairs	U65100DL1994PTC061287	5 September 1994
Reserve Bank of India	B-14.02857	19 May 2010

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

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 Board of Directors
Fusion Microfinance Private Limited
CIN: U65100DL1994PTC061287

Arpan Jain
Partner
Membership No: 125710

Devesh Sachdev
MD & CEO
DIN: 02547111

Pradip Kumar Saha
Director
DIN: 02947368

Deepak Madaan
Company Secretary

Gaurav Maheshwari
Chief Financial Officer

Place: New Delhi
Date: 27 May 2019

Place: New Delhi
Date: 27 May 2019

Corporate Information

BOARD OF DIRECTORS

Mr. Devesh Sachdev
Mr. Pradip Kumar Saha
Mr. Nitin Gupta
Ms. Ratna Dharashree Vishwanathan.
Mr. Albert Hofsink
Mr. Kenneth Dan Vander Weele
Mr. Narendra Ostawal

Managing Director & CEO
Independent Director
Independent Director
Independent Director
Nominee Director
Nominee Director
Nominee Director

KEY MANAGERIAL PERSONS

Mr. Devesh Sachdev
Mr. Gaurav Maheshwari
Mr. Deepak Madaan

Chief Executive Officer
Chief Financial Officer
Company Secretary

BANKERS / LENDERS

- 1 State Bank of India
- 2 National Bank for Agriculture and Rural Development (NABARD)
- 3 Small Industries Development Bank of India (SIDBI)
- 4 Bank of Baroda
- 5 Punjab National Bank
- 6 Union Bank of India
- 7 Bank of Maharashtra
- 8 Dena Bank
- 9 Oriental Bank of Commerce
- 10 IDBI Bank Limited
- 11 Corporation Bank
- 12 Syndicate Bank
- 13 Vijaya Bank
- 14 Andhra Bank
- 15 Canara Bank
- 16 Indian Overseas Bank
- 17 Bank Of India
- 18 ICICI Bank Ltd.
- 19 RBL Bank Limited
- 20 HDFC Bank Limited
- 21 HSBC Bank Limited
- 22 Axis Bank Limited
- 23 Kotak Mahindra Bank Limited
- 24 Yes Bank Limited
- 25 BNP Paribas
- 26 SBERBANK
- 27 Standard Chartered Bank
- 28 Woori Bank
- 29 IDFC First Bank Limited
- 30 IndusInd Bank Limited
- 31 Citi Bank
- 32 Bandhan Bank Limited
- 33 DCB Bank Limited

- 34 South Indian Bank Limited
- 35 Au Small Finance Bank Limited
- 36 Utkarsh Small Finance Bank
- 37 Federal Bank Limited
- 38 Ujjivan Small Finance Bank Ltd
- 39 Fincare Small Finance Bank Ltd
- 40 Credit Agricole Corporate and Investment Bank

Financial Institutions

- 1 Piramal Capital and Housing Finance Limited
- 2 Shriram City Union Finance Ltd
- 3 Muthoot Capital Services Ltd.
- 4 Manapuram Finance Limited
- 5 NABKISAN Finance Limited
- 6 Mahindra & Mahindra Financial Services Ltd.
- 7 Northern Arc Capital Limited
- 8 MAS Financial Services Limited
- 9 Caspian Impact Investment
- 10 Avanse Financial Services Ltd.
- 11 Hinduja Leyland Finance Limited
- 12 Hero Fincorp Limited

Domestic NCD

- 1 Hinduja Leyland Finance Limited
- 2 Northern Arc Capital Ltd

Foreign NCD

- 1 Blue Orchard
- 2 ASN Microcredit Fund (TJ)
- 3 AAV Saral-Symboitic
- 4 UTI International Wealth Creator ("responsAbility")
- 5 Triodos Fare Share Fund
- 6 CPP-Incofin

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 (AS ON MARCH 31, 2019)

BSR & ASSOCIATES LLP

Chartered Accountants

B S R & Company

B-2-618/2, Reliance Humsafar,

4th Floor, Road No. 11, Banjara Hills,

Hyderabad-500034

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: mt.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,
Bandra Kurla Complex, Bandra East, Mumbai,
Maharashtra-400051

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