



ANNUAL  
REPORT 2014/15

## SUSHMA'S STORY

And how we transformed her incredible  
circumstances into a credible business  
model for our company.

Fusion Microfinance  
Private Limited

## FORWARD-LOOKING STATEMENTS

This document contains statements about expected future events and financial and operating results of Fusion Microfinance Private Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the Fusion Microfinance Private Limited Annual Report 2014-15.

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**SUSHMA.** RURAL INDIAN. NEVER BEEN CONSIDERED LOAN-WORTHY. NEEDED ₹10,000 LOAN TO BUY POULTRY. THAT WOULD GENERATE AN INCOME. THAT WOULD TURN HER INTO AN ENTREPRENEUR. THAT WOULD MAKE HER FINANCIALLY INDEPENDENT. THAT WOULD HELP SEND HER CHILDREN TO SCHOOL. THAT WOULD TRANSFORM HER FAMILY'S DESTINY. THAT COULD ONE DAY...

**THE BIG CHALLENGE:** GETTING SOMEONE TO TRUST HER STORY.



## FUSION MICROFINANCE TRUSTS.

Trusts voiceless and unbanked people like Sushma.

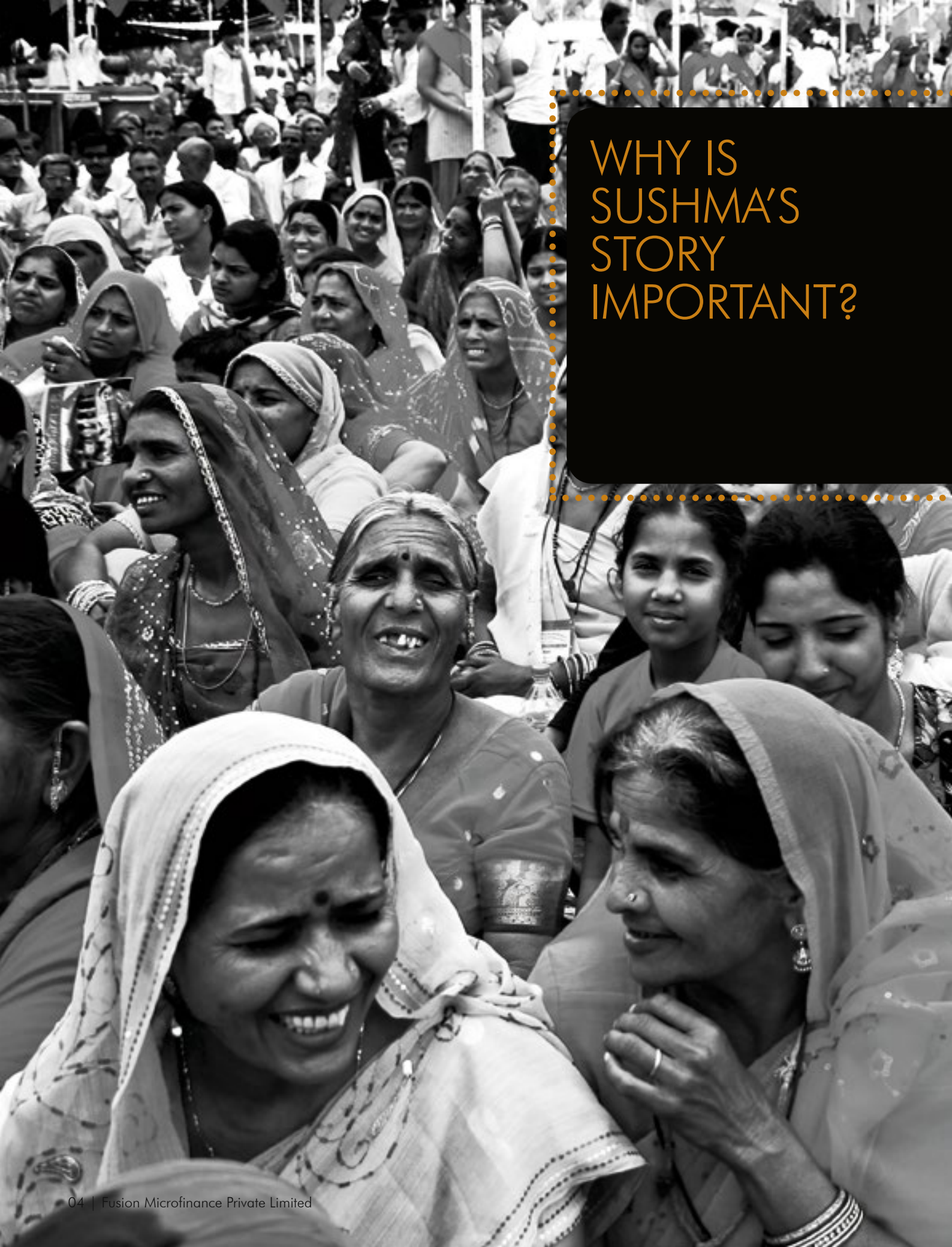
Provides loans. Inspires entrepreneurship. Guides deployment. Advises income growth. Empowers societies.

While strengthening its business model, Balance Sheet and sustainability.

What is good for millions of intending women entrepreneurs is good for Fusion Microfinance and is good for the country.

- Fusion Microfinance Limited trusted exactly 2,11,704 women until the close of 2014-15.
- The Company provided more than ₹308.33 crore in finance to women across 2014-15.
- Nearly 77.12% of the loans had been provided in rural India.
- Nearly 23.63% of the loans had been provided for amounts as small as ₹15,000 or below.
- Majority of the loans were provided for productive income-generating deployment.





## WHY IS SUSHMA'S STORY IMPORTANT?



**Because** there are about 586 million women in India today.

**Because** only a small fraction of Indian women have been provided loans.

**Because** even a small increase could have sweeping implications.

**More** women would become more financially

independent.

**Families** would become more secure.

**A larger** proportion of the family income would be allocated towards education and healthcare.

**The** country's rural economy would grow faster.

**This** rural engine would catalyse national growth.

**India's** national growth would help lift the global economy.

**And** all because women in India were provided a small loan to start a small business.





FUSION  
MICROFINANCE.

FINANCIALLY  
MAINSTREAMING  
INDIAN WOMEN.

HELPING TURN  
FIRST-TIME WOMEN  
BORROWERS INTO  
ENTREPRENEURS.

PROVIDING WOMEN  
WITH A LIVELIHOOD-  
IMPROVING  
OPPORTUNITY.

HELPING CORRECT  
THE INEQUITY OF  
CENTURIES.

CREATING A  
SUSTAINABLE  
BUSINESS IN A  
VIRTUALLY LIMITLESS  
OPPORTUNITY.





### Origin

Fusion Microfinance is a registered NBFC-MFI which commenced greenfield operations in January 2010. The Company acquired the microfinance business Aajeevika (a Delhi-based not-for-profit body) in 2010.

### Business

Fusion provides timely financing to rural and semi-urban India's women entrepreneurs.

### Presence

Fusion is headquartered in New Delhi and is operational in the under-penetrated north central part of India (Madhya Pradesh, Uttarakhand, Uttar Pradesh, Delhi and Haryana).

### Position

Fusion is listed among 25 leading microfinance institutions in India (as per a report published by CRISIL in June, 2014). It possesses a grading of MFI 2+ (July, 2015) by CARE.

### Vision

Fusion Microfinance, with a social vision and business orientation, aims to provide underprivileged women with economic opportunities to transform their quality of life.

### Mission

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

70

Percentage of the world's poor that comprise women



586

Number of women in India (in million)

26

Percentage of Indian women who are employed



65.46

Literacy rate of women in India (national average – 74.03%)

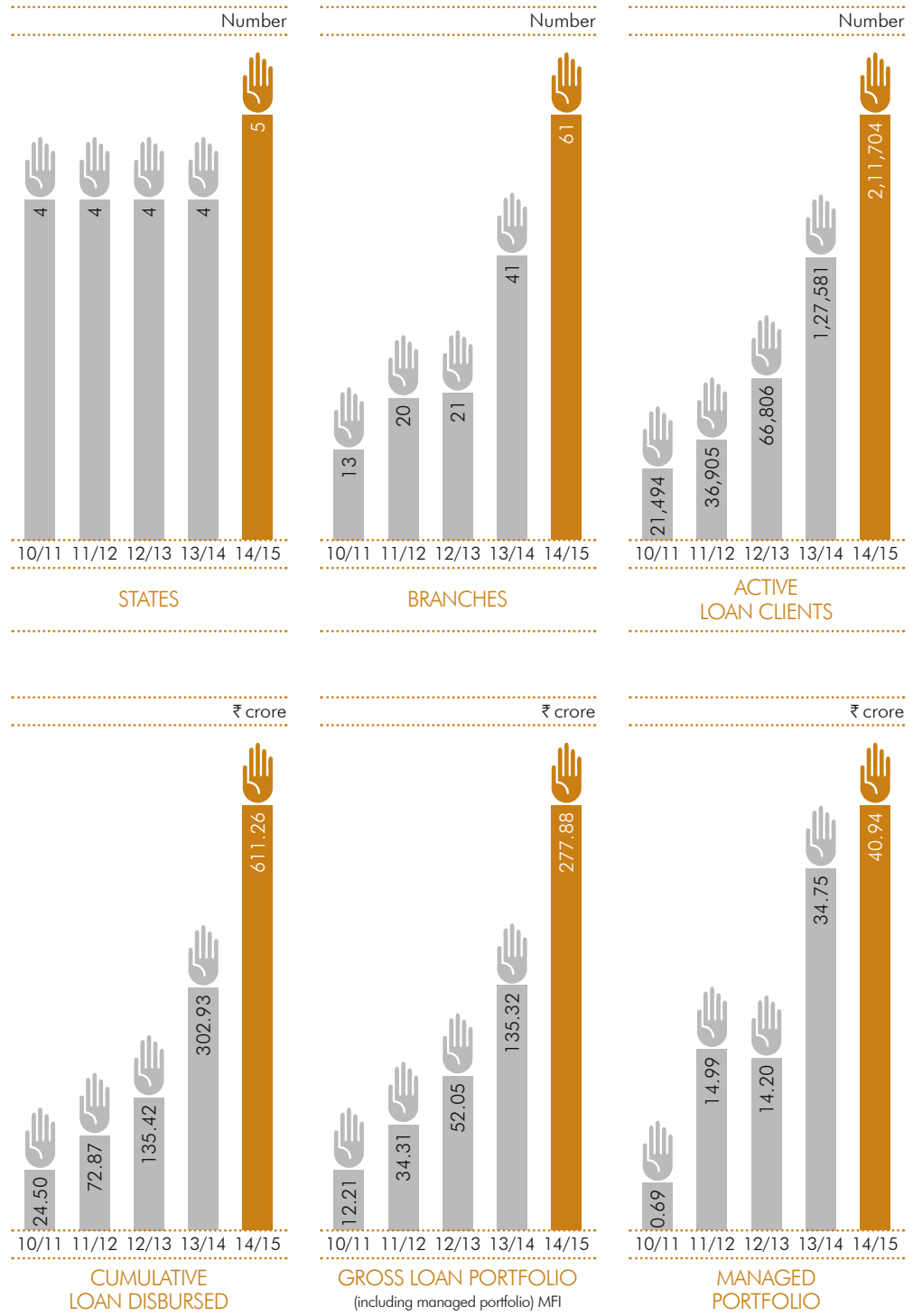
70

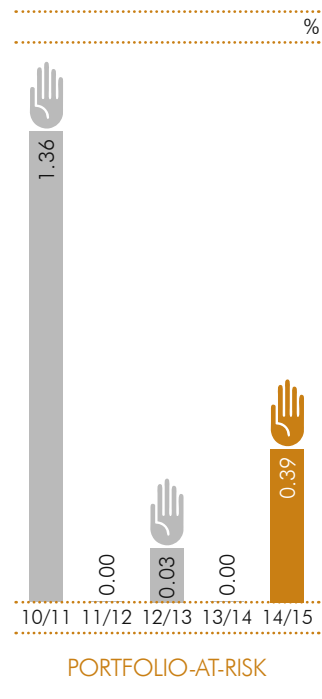
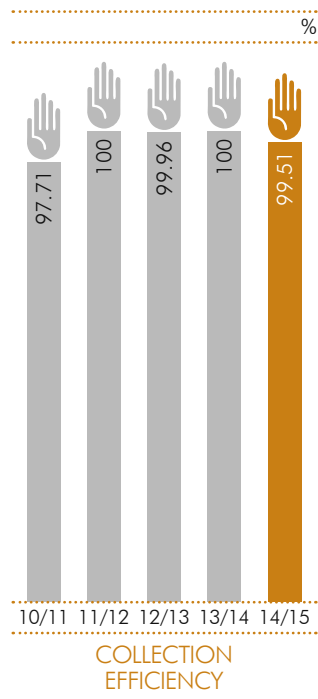
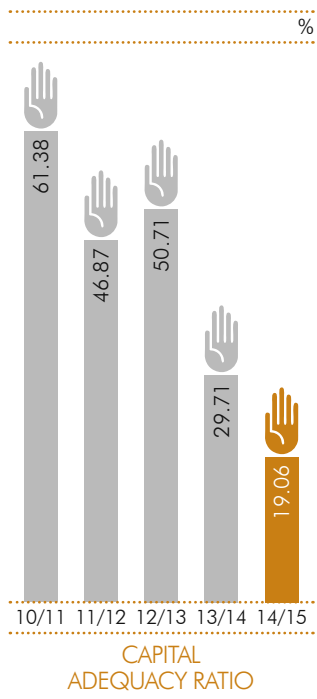
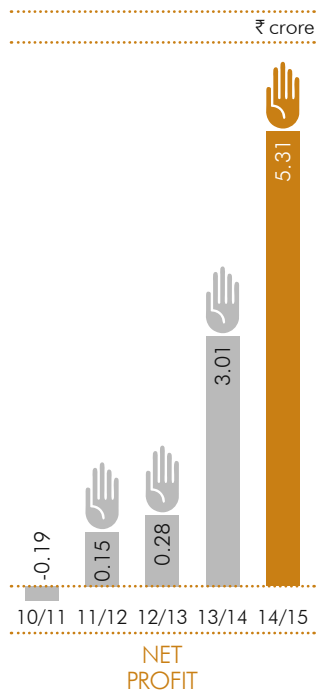
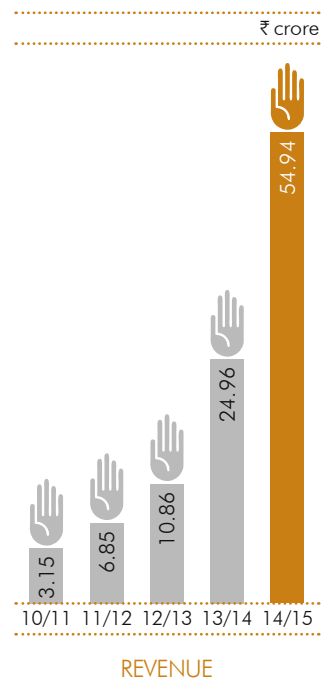
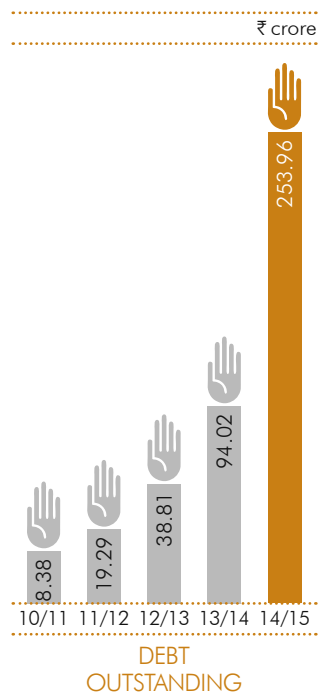
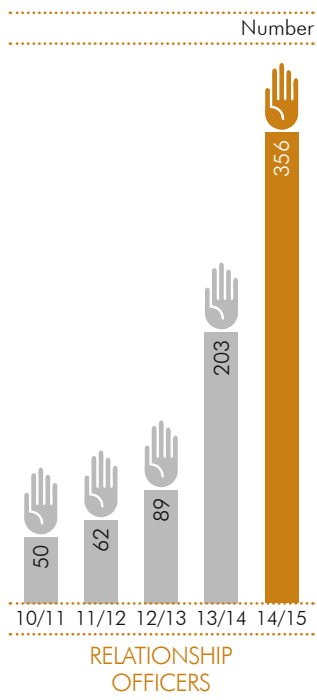
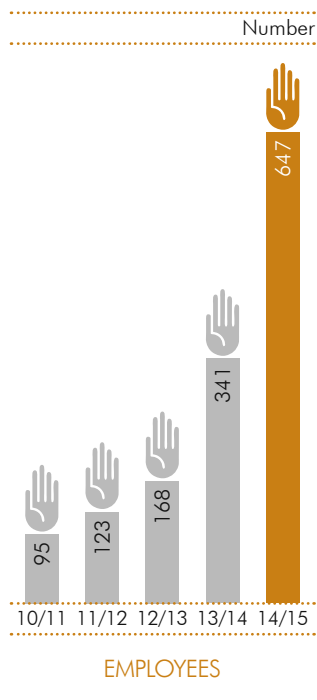
Repayment rates in commercial banks where middle-class men are primary borrowers

99

Repayment rates in microfinance companies where women are primary borrowers

# ROBUST MODEL. ROBUST GROWTH.









Presence in Indian states  
with a microfinance  
penetration of less than

10%

# GOOD LOCATIONS CREATE SOUND BUSINESSES.

**AT FUSION, WE BELIEVE THAT THE  
RIGHT LOCATION MAKES ALL THE  
DIFFERENCE.**

Despite the evident pan-India opportunity in our business, we have positioned ourselves in only select locations enjoying robust prospects across market cycles.

**Our locational presence has been characterised by the following priorities:**

- Presence in Indian states with a microfinance penetration of less than 10%
- Presence in areas serviced by less than five microfinance institutions
- Presence in challenging rural locations – 7,289 villages accounting for 84.63% of our disbursements in 2011-12 to 77.92% in 2014-15
- Addition of 19 branches in 2014-15; proposed addition of 70 branches in 2015-16

The result of this prudent locational priority is that Fusion's disbursements increased from ₹48.37 crore in 2011-12 to ₹308.33 crore in 2014-15, outperforming its sectoral growth average.





# GOOD CUSTOMERS ATTRACT GOOD CUSTOMERS.

AT FUSION, WE BELIEVE THAT THE  
BEST MARKETING STRATEGY IS A  
GOOD CUSTOMER.

Despite financing markets being sluggish, we believe that a satisfied customer inevitably draws another credible customer intending to be financed.

**This 'customer begets customer' approach has been derived through the following priorities:**

- Loans for married women residing in ownership houses
- Loans only for starting or expanding a business

The result of this financing discipline is that despite a sluggish economy, our active customer base increased from 36,905 in 2011-12 to 2,11,704 in 2014-15.





2,11,704

Active customer base  
(2014-15)



19.06%

Capital Adequacy  
Ratio as on  
March 31, 2015





# ROBUST PROCESS. QUALITY ASSETS.

**AT FUSION, WE BELIEVE THAT IT IS CRITICAL TO SUCCEED THE FIRST TIME AND THEN AGAIN – AND THEN YET AGAIN IN A PERPETUAL MANNER.**

Over the years, the Company strengthened its processes and systems through the following initiatives:

- Aligned the risk benchmarking framework with the International Finance Corporation standards; strengthened it further to meet the constantly evolving economic and business challenges
- Institutionalised multi-level checks conducted by its field personnel, branch managers and head office executives to identify prospective customers
- Established a robust verification process in which critical credit checks have been made mandatory for all applicants
- Connected with customers across the loan tenure to ascertain appropriate fund deployment

The result of this discipline is that non-performing assets were 0.52% as on March 31, 2015; the capital adequacy ratio was 19.06% as on March 31, 2015 (against the RBI-mandated 15%).





# INVESTING FOR QUALITY GROWTH.

**AT FUSION, WE BELIEVE THAT THE  
BEST COMPANY IS INEVITABLY THE  
QUICKEST COMPANY.**

**In view of this, we streamlined our process  
flow with the objective to service our  
customers through various initiatives:**

- Customised our software to capture a loan applicant's credit-worthiness and business viability, resulting in precise repayment estimation.
- Invested in a Data Management System, resulting in a quicker documents transfer between locations, shrinking the approval cycle.
- Invested in a comprehensive loan management module to completely automate loan processing while eliminating human errors.

In doing so, we grew loan applications from an average 3,203 a month in 2011-12 to an average 13,435 a month in 2014-15; concurrently, operational cost as a percentage of revenue declined from 68.26% in 2011-12 to 32.56% in 2014-15.





We received the Best MFI  
Award 2014 in the Small  
and Medium categories.



Our collection efficiencies  
have been more than 99%  
across the last five years.

10 minutes  
with the Fusion  
management team



Devesh Sachdev, CEO



Ashish Tewari, COO

AT FUSION, THE OPERATIVE  
WORD IS 'QUALITY'.

*Dear Stakeholders,*

**EVEN AS MORE THAN 70% OF INDIA LIVES IN ITS RURAL POCKETS,  
ONLY A HANDFUL OF PLAYERS (52 AS ON MARCH 31, 2015)  
POSSESS MICROFINANCE LICENCES.**

It would be reasonable to assume that given this reality, our revenue from operations and profit for the year would report a healthy growth – 120.09% and 76.45% respectively in 2014-15.

However, more than the sheer quantum of our numbers, it is their quality that has been most heartening. Even as the

country's non-banking finance sector experienced one of its most challenging phases, Fusion's portfolio quality and business profitability improved considerably.

And the focus on quality is not a new-found strategy but a business philosophy neatly woven into the Company's

DNA over our five-year journey. This approach, practised every single day across our journey by the entire team, culminated in our being adjudged the Best Microfinance Company in the Small and Medium Category in 'Microfinance Awards, 2014, the most prestigious award in the sector.

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**Fusion and social relevance**

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At Fusion, we understand that we are a 'double bottom-line' organisation as we maintain financial sustainability along with social impact.

The index by which we measure our social relevance is our reach into places that truly require financial support. Today, we are present in the 17 poorest and backward districts under Poorest State

Inclusive Growth Programme of SIDBI. Besides, over 85% of our active loan customers belong to the SC/ST and OBC communities.

Also, we are happy to state that Fusion has significantly strengthened its poverty outreach in the state of its presence reinforcing its relevance in the national level.

More importantly, we underwent the 'Social Performance Management' assessment against the 11 indicators of 'Social Performance Task Force' (SPTF) by EDA Rural Systems to analyse the relevance of our current processes and identify gaps. It is indeed satisfying to report that we comply with all the key prescribed guidelines.



THE GOVERNMENT HAS SET A TARGET OF DISBURSING ₹1.22 LAKH CRORE LOANS BY BANKS TO MICRO AND MARGINAL BUSINESSES UNDER THE PRADHAN MANTRI MUDRA YOJANA (PMMY) BY MARCH 2016.

## Fusion and customers

At Fusion, everything we do is with a singular focus – the customer. Our process improvements, our people initiatives and our technology investments are only with a view to service our customers better and with a more humane touch. By providing finance, we partner them in their journey to an improved livelihood.

- Endorsed the 'Smart Campaign' and institutionalised its principles to ensure responsible lending and client protection.
- Drafted a 'Staff Code of Conduct', which emphasises transparent behaviour and professional conduct of staff members towards clients; our team's ethical behaviour and conduct with clients is closely monitored by our internal audit team.
- Disclose to our customers complete information associated with the loan products, namely interest amount, number of instalments, instalment amount, loan processing fee, etc.
- Created a multi-channel, multi-level grievance redressal system which

is monitored and analysed by our Management Risk Committee.

And, in 2014-15, we received the MFTransparency Seal of 'Transparent Pricing' – a heartening watermark to our client-focused practices.

In keeping with unwavering resolve to delight our customers, we made important technology investments that promise to reduce our turnaround times and strengthen our systems.

- Invested in a Data Management System in 16 branches to facilitate a faster document flow between our head offices and branches, shrinking the application-to-disbursement cycle.
- Partnered Ricoh India Ltd for cloud-based real time backup solution for data security. In addition, we deployed Cyberroam for the highest level of security for network and web access.
- Installed the GreenHive solution for superior record management which will be integrated with our Loan Management System for faster record retrieval.

## Looking ahead

Fiscal 2014-15 was at an inflection point in India's financial inclusion journey as the Indian government announced path-breaking initiatives comprising the following:

- Issuance of a banking license to Bandhan Financial Services, a microfinance institution expected to commence operations soon.
- Pradhan Mantri Jan Dhan Yojna to widen financial service access to all Indians
- Emergence of Micro Units Development Refinance Agency (MUDRA) Bank with a refinance corpus of ₹20,000 crore.
- Landmark ₹3,000 crore credit guarantee corpus in India's financial

sector expected to benefit 5.8 crore small businesses.

The natural conclusion is that opportunities for India's microfinance

sector, operating at the base of the country's economic pyramid, are expected to multiply over the coming years.

## Fusion's strategy

Fusion's comprehensive blueprint has helped strengthen the business.

### System strengthening

- Invested in a fully-automated HR system and web-based application to seamlessly manage HR processes and scale organisational growth.
- Working to extend the Document Management Solution to 40 branches in the current year.
- Integrated our systems with the Credit Bureau system, facilitating the automated uploading of reports and analysis of customer information, leading to informed decision-making.
- Investing in a call centre, strengthening the customer experience, financial literacy and process control.

**Business growth:** Fusion is analysing its business environment with the objective of widening its presence across additional states. The Company deepened its penetration in Bihar,

Jharkhand, and Haryana (opened eight branches in Haryana, 2014-15) in line with its decision to widen its presence in under-penetrated areas. Even as this route consumes time in educating the masses in the area of financial inclusion, the result is a robust asset quality and enduring recall (as a livelihood provider), generating long-term growth.

**Cost optimisation:** Even as growing competition could dent margins, Fusion is optimising costs through various initiatives. The Company altered its funding profile, extending from sourcing a major part of its funds from NBFCs to sourcing cheaper from banks. This validation of a growing confidence of banks in Fusion's robust business model increased bank funding from 41% as on March 31, 2014 to 46% as on March 31, 2015. Besides, as volumes grew, economies-of-scale moderated operating expense ratio from 10.33% in 2013-14 to 8.82% in 2014-15.

## Message to stakeholders

At Fusion, the operative word is 'quality'. A quality customer selection will help create a quality portfolio, translating into quality financials and enhanced shareholder value.

The Board and management team has together drawn up a comprehensive blueprint that will enable the Company

to effectively capitalise on emerging opportunities on the one hand and strengthen the organisational fabric on the other. This should lead to profitable growth and enhanced value for shareholders.

Warm regards,

**The management team**

FUSION HAS RECEIVED 83% SCORE IN CODE OF CONDUCT ASSESSMENT THAT HAS BEEN DONE BY M-CRIL AGAINST THE GUIDELINES OF UNIFIED CODE OF CONDUCT AND RBI'S FAIR PRACTICE CODE.

# FUSION COMPARED WITH THE INDUSTRY AVERAGE

The industry outstanding loan portfolio grew 61% (CAGR between FY12 and FY15).

Fusion's OLP grew 100.83% during this period.

The microfinance industry average for Portfolio at Risk greater than 30 days (PAR >30) was 0.3%.

Fusion's 'Portfolio at Risk' greater than 30 days was 0.67%.

The microfinance industry's average outstanding loan portfolio/field officer was ₹0.81 crore.

Fusion's outstanding loan portfolio/field officer was ₹0.78 crore in 2014-15.

The Indian microfinance industry collection efficiency was close to 99%.

Fusion's collection efficiency was 99.51% in 2014-15.

The RBI has mandated a capital adequacy ratio of 15% for NBFC companies.

Fusion's capital adequacy ratio was at 19.06% in 2014-15.

## CUSTOMER VOICES



When Prarthna could no longer take the abject poverty she was forced to see her family – her husband and three children – go through, she wanted to take things into her own hands. Our relationship officer met her and introduced her to our company and our initiatives. She became our client. She used the loan to buy two goats. Having successfully paid her first cycle loan of ₹15,000, she has taken the second cycle of ₹20,000. She has bought a new house and is earning ₹6,000-7,000 per month.

**Prarthna**, Bhagwantpura, Jhansi, Uttar Pradesh



For many, a financial backing means independence and freedom. Maya's husband used to be the only earning member of the family. She took a loan of ₹12,000 and utilised that to purchase a buffalo and establish a dairy business. Now she has five buffalos and her business is flourishing. Her household now has a consolidated earning of ₹30,000 per month. She has been associated with us for the past five years and has successfully paid off three loan cycles and is in the process of paying off the fourth.

**Maya**, Jhabreda, Haridwar, Uttar Pradesh



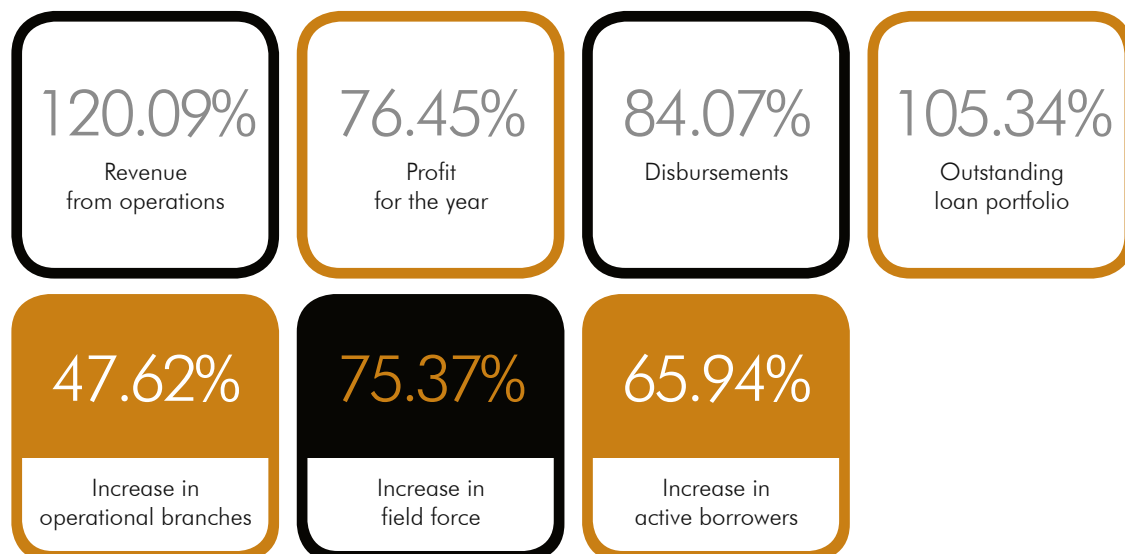
Urmila lived with her husband and two children. Realising the need to ensure a better future for her children, she sought financial independence. She ran into Fusion. With a seed amount of ₹15,000 from Fusion, she was able to establish her own general store in Janakpur. Her business grew and with another ₹20,000, she expanded her store. Today, her children study in private schools, on track for a brighter future.

**Urmila**, Janakpur, Dabra, Madhya Pradesh



# STRONG OUTSIDE. STRONGER INSIDE.

Growth over the previous year



At times, just the will to do something is not enough. Shanti wanted to start carpentry at home but could not because of the difficulty in purchasing tools because of financial constraints. That is where Fusion stepped in. Shanti took a loan of ₹15,000 to establish her work setup at home. Her income used to be ₹200 per day. Since she has been associated with Fusion, it has more than doubled to ₹500 per day.

**Shanti**, Alhepur Dhampur, Bijnor, Uttar Pradesh



Living in a one room house with her family, Kamlesh knew she had to do something to change things. With some support from Fusion, the situation has turned around for her. Earlier, she was barely able to make ends meet, somehow managing the education of her children, owned just one buffalo and lived in a kachcha house. Now, she earns ₹9,000-10,000 per month, provides better education to her children, has expanded her dairy business and lives in a pakka house.

**Kamlesh**, Amboowala, Haridwar, Uttar Pradesh



Rukmani used to make soft toys at a manufacturing centre. Earning ₹2,000-3,000 per month, she could not ensure the smooth running of her household. With assistance from Fusion, she started her own business of making teddy bears. She has now been associated with Fusion for the last two and a half years and has trebled her income.

**Rukmani**, Panchseel Nagar, Bhopal, Madhya Pradesh

# OUR OPERATING MODEL

## GEOGRAPHIC FOCUS

Fusion has created a de-risked model where business is derived from across five Indian states.

## LOCATION FOCUS

Fusion selected to be present in largely under-penetrated areas.

## TICKET SIZE

Fusion focuses on low-ticket applications within the customer's repayment capability.

## CUSTOMER FOCUS

Fusion educates customers on financial literacy before providing them precious growth capital that helps finance their aspirations.

## PEOPLE FOCUS

Fusion is a people-focused company. Its people-centric policies have attracted and nurtured talent, enabling it to scale – volume-wise and geographically – its business.

## FUNDING FOCUS

Fusion focused on diversifying its funding mix – reducing the exposure to NBFCs in favour of banks and NCDs. This enables it to optimise its debt-servicing costs, strengthening business profitability.

Fusion's focused operations have delivered quality growth

47.78%

Growth in branches  
(5-year CAGR)

77.15%

Growth in customers  
(5-year CAGR)

89.57%

Growth in disbursements  
(5-year CAGR)

104.42%

Growth in revenue  
(5-year CAGR)

61.55%

Growth in team size  
(5-year CAGR)

# MICROFINANCE

## THE BUSINESS SPACE

### 70% OF INDIA LIVES IN RURAL AREAS.

India is not just one of the world's largest economies and its second fastest growing. It is also a critical player in humankind's pursuit of prosperity and the need to make the world a better place.

India, the second most populous nation, accounts for 22% of the world's poor. A large proportion of this population is in rural India, marked by low literacy, sanitation and inadequate growth opportunities. The result is that India's rural population represents possibly the largest global population cluster of the less-privileged.

A quarter of rural India's population of more than 800 million lives is waiting to be lifted out of poverty. And nearly half this population (women) is socially vulnerable. The number of Indians who live below

the poverty line is estimated at 216 million.

India is at an attractive inflection point in its pursuit of change and prosperity.

The transformation that has transpired in rural India over the last decade is possibly larger than a few centuries combined. This transformation represents the cumulative impact of a number of social and economic realities: multi-channel television connectivity, MGNREGA programme, higher multi-crop minimum support prices, hybrid seed-driven prosperity, micro-irrigation impact, internet linkage and enhanced lifestyle aspirations.

The more one explores livelihood prospects in rural India, the more it becomes evident that the last big

piece in solving the great income riddle across one of the most under-consumed population clusters in the world is the timely and adequate availability of credit.

But in India, the banking sector has scarcely reached rural locations. As per a survey of the 24.67 crore households in the country, 10.19 crore do not have access to banking services. In rural areas, 44% households and in urban areas, 33% households still do not have a bank account (Source: *Business Line*).

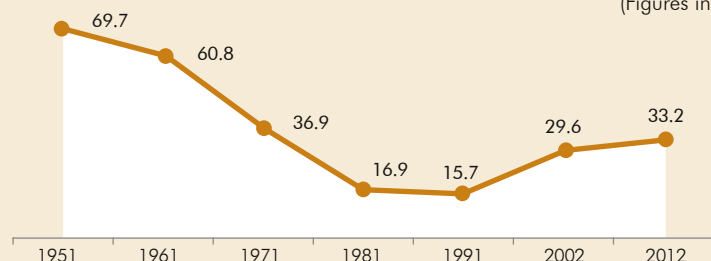
The country's NBFI sector has emerged as an effective provider of timely credit across some of the most under-penetrated regions of the second most populous country in the world. But unorganised lending occupies the lion's share of rural credit and is gaining in market share.

INDIA  
ACCOUNTS FOR  
ABOUT 22% OF  
THE WORLD'S  
POOR.

### It is the informal moneylender, not the formal bank, that has gained share in rural credit

Share of moneylender (Agricultural and professional)

(Figures in %)







## WOMEN'S PARTICIPATION IN INDIA

- Women account for 48.5% of the population of India.

- Only about a fourth of Indian women reach high school while more than half of the country's men make it to the same level.

- India is one of the few countries where the rate of participation of women in the workforce has drastically declined in the last

decade. It fell from 33.7% in 1991 to 27% in 2012, according to UN gender statistics.

- Raising female labour force participation could boost economic growth up to 2.4% with a package of pro-growth and pro-women policies.

### India's global ranking

- India ranks the second lowest in the Group of 20 (G20) economies

when it comes to women's participation in the workforce (Source: Oxfam).

- When it comes to women's economic participation, India's position lies close to the bottom, ranking 124 of 136 nations (Source: World Economic Forum).

WOMEN INVEST MORE IN THE FAMILY  
GLOBALLY, FOR EVERY DOLLAR A WOMAN EARNS, SHE  
INVESTS ABOUT 80 CENTS IN HER FAMILY'S WELL-BEING.  
MEN, ON THE OTHER HAND, INVEST AROUND 30 PAISE.

WOMEN IN INDIA LAG  
BEHIND MEN IN MOST  
DEVELOPMENT INDICES.

Ranking out of 142 countries

114

Gender-gap  
index

95

Health life  
expectancy

126

Literacy  
rate

139

Sex ratio  
at birth

117

Primary  
education

116

Secondary  
education

111

Tertiary  
education enrolment

109

Wage equality for  
similar work (survey)

135

Estimated earned  
income (PPP US\$)

130

Labour force  
participation

(Source: Global Gender Gap Report 2014; World Economic Forum; Inter-Parliamentary Union)



## MICROFINANCE SECTOR IN INDIA

Microfinance is increasingly being considered one of the most effective poverty-reducing tools. Microfinance has a significant role in bridging the gap between formal financial institutions and the rural poor.

Microfinance refers to a variety of financial services that address low-income customers, particularly women. Since customers of microfinance institutions earn low incomes with limited access to other financial services, microfinance products are generally of small amounts. Microloans are provided for a variety of purposes. Because of these varied needs and that the industry's focus is on the poor, microfinance institutions use methodologies like group lending

and other collateral forms not in vogue within the formal financial sector.

Microfinance institutions access financial resources from banks and other mainstream financial institutions while providing financial and support services to the poor.

### Performance of the MFI sector, 2014-15

- As of March 31, 2015, MFIs provided micro-credit to over 30.50 million clients\*\*\*, an increase of 29% over 2013-14.
- The aggregate gross loan portfolio of MFIs stood at ₹401.38 billion (excluding non-performing (PAR>180) portfolio (₹26 billion) and SKS portfolio (₹0.13 billion) in

Andhra Pradesh. This represents a y-o-y growth of 61% over 2013-14.

- Annual disbursements (loan amount) in 2014-15 increased 55%.
- Funding to MFIs grew 84%; total number of loans disbursed by MFIs grew 37% (33.43 million).
- Portfolio at Risk (PAR) figures (PAR>30/90/180) remained under 1% for FY14-15.
- Average loan amount disbursed per account was ₹16,327.
- MFIs covered 32 states/Union Territories (489 districts).
- MFI coverage was geographically dispersed with GLP in south India at 30%, east India at 28%, north India at 22% and west India at 20%.



- Productivity ratios for MFIs continued to improve; GLP per branch was ₹38.03 million, up 49% over 2013-14.

- Insurance (credit life) to over 36.36 million clients with an insured sum of ₹670.50 billion was extended through the MFI network.

\*\*\* 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.

### Government thrust on microfinance

In its monetary policy announcement on April 07, 2015, Reserve Bank of India (RBI) provided a boost to micro-finance institutions (MFIs) through an upward revision in the borrowing limits for an individual, income limits of borrowers and disbursement amounts. The increase in limit was based on the recommendations by the Nachiket Mor Committee on Comprehensive Financial Services for Small Businesses and Low Income Households.

### 2015, an inflection point in India's financial inclusion journey

The year 2015 could be a watershed in India's quest to provide access to a range of financial services to all its citizens.

- RBI announced that February 2, 2015 was the last date to submit applications for small finance banks and payment banks, the first opportunity to financial intermediaries to offer a complete range of financial services that banks offer.

- In September 2015, Bandhan Financial Services, a non-banking finance company-microfinance institution (NBFC-MFI), will commence operations as a bank.

- In August 2014, the Indian Prime Minister launched the Pradhan Mantri Jan Dhan Yojana (PMJDY), a national mission for financial inclusion to ensure access to financial services (banking, savings and deposit accounts, remittance,

credit, insurance and pension) in an affordable manner.

### MUDRA Bank catalysing financial inclusion

The emergence of Micro Units Development Refinance Agency (MUDRA) Bank, with a refinance corpus of ₹20,000 crore and credit guarantee corpus of ₹3,000 crore, is a landmark in India's financial sector, expected to benefit 5.8 crore small businesses.

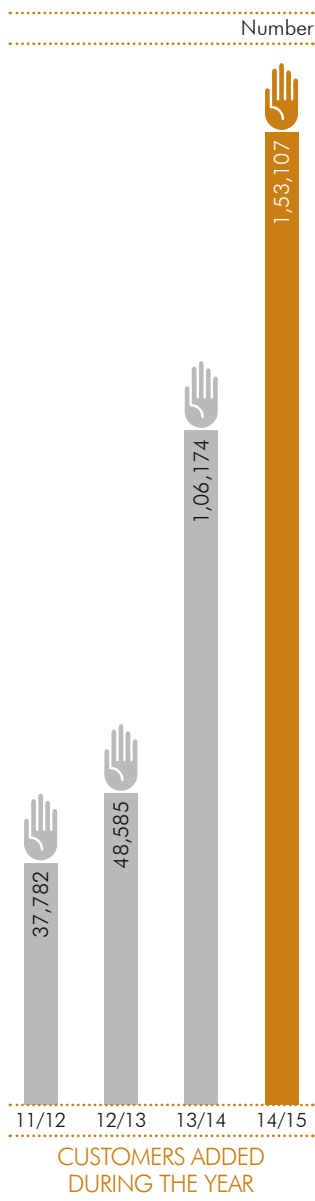
MUDRA intends to offer two basic categories viz. refinance product for micro units having a loan requirement in the range of ₹50,000 (₹1,00,000 as per revised guidelines) through MFI, and lending to NBFCs by devising new means of addressing larger outreach through intermediation, aggregation and franchisee modes.

MUDRA Bank has emerged as a refinancing agency for all NBFCs, addressing a long-awaited need. The recent eligibility criteria for availing refinancing by banks, MFIs and NBFCs position all RBI-registered NBFCs eligible. Moreover, small NBFCs without an external credit rating but possessing satisfactory borrowing arrangements with a scheduled commercial bank for a minimum 2 years and net PA not higher than 3% are eligible. This frees small NBFCs from the need to seek credit ratings.

	Existing norms	Revised norms
Total indebtedness	₹50,000	₹100,000*
Household annual income	Rural – ₹60,000 Urban and semi-urban – ₹1,20,000	Rural – ₹100,000 Urban and semi-urban – ₹1,60,000
Loan ticket size	First cycle – ₹35,000 Subsequent cycle – ₹50,000	First cycle – ₹60,000 Subsequent cycle – ₹100,000

\* Educational and medical expenses not included

# 1 CUSTOMER ACQUISITION



**The customer:** Underprivileged married women.

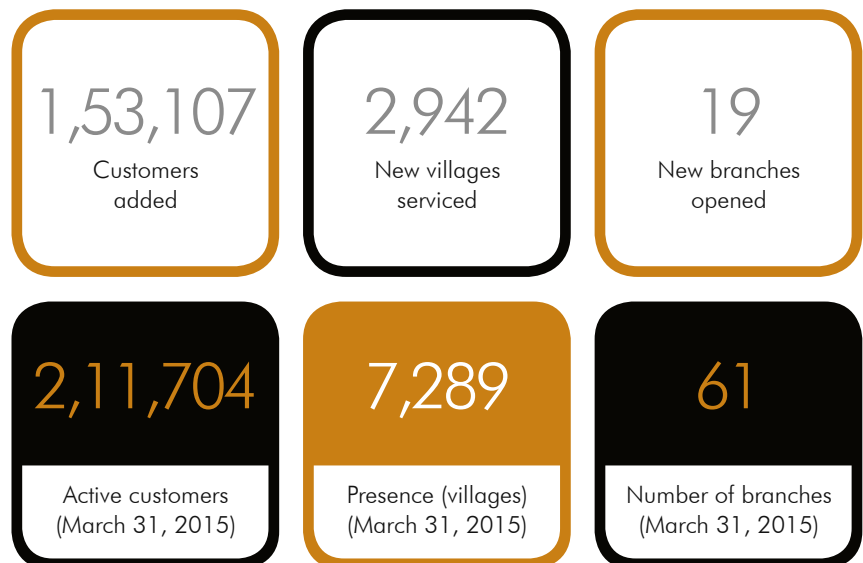
**The purpose:** Encourage them to start an entrepreneurial venture (or expand an existing one).

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

**Area identification:** Based on secondary data from sources comprising government, police records and rural references, and field surveys by relationship officers for market potential in line with the corporate risk profile.

**Customer identification:** Through village meetings where interested women are shortlisted and organised into groups.

## 2014-15, a snapshot



## 2 CREDIT MANAGEMENT

**Relevance:** Ensures high asset quality (and profitability) even as the business is focused on the country's rural, un-banked and under-banked sections, conventionally considered a high-risk customer segment.

**Goal:** Funding only the deserving.

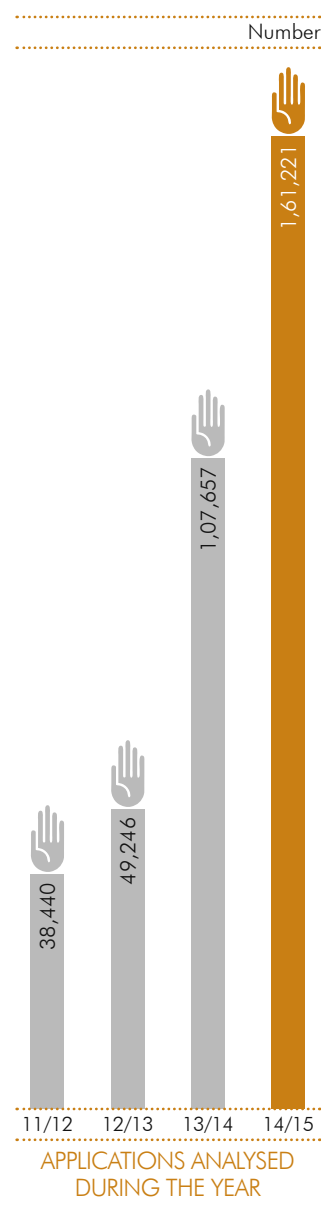
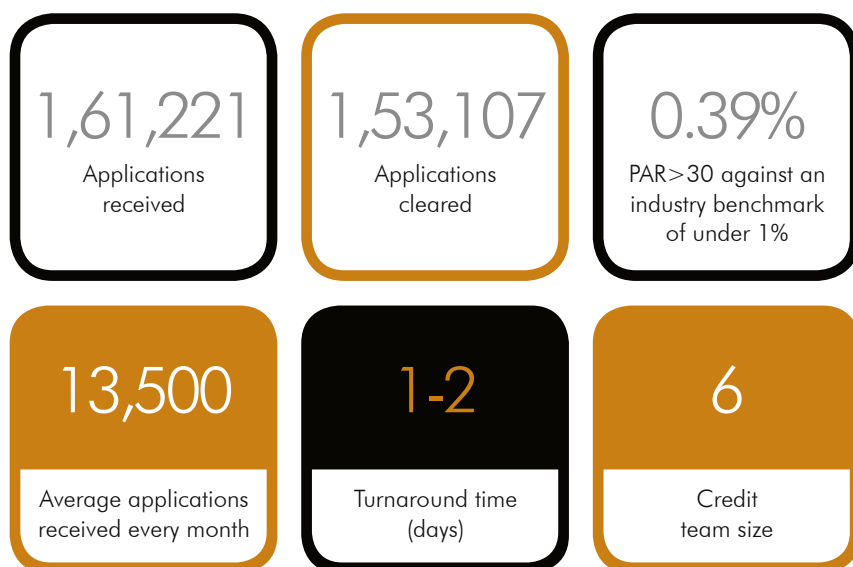
**Process:** Institutionalised multi-layered checks for ensuring identification of customers with the truly deserving.

**a) On field:** Fool-proof authenticity check of KYC documents; identity verification of each applicant.

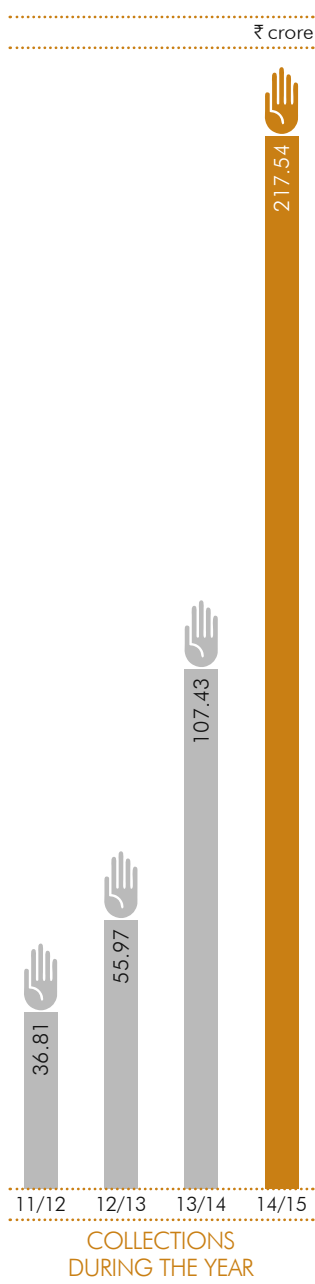
**b) At the branch:** Authentication of KYC documents for accuracy; a Group Recognition Test for verification of loan purpose; database check for applicant authenticity.

**c) At the head office:** KYC documents cross-referenced with Government databases for authenticity. Client credit history and leverage position check with credit bureau database.

### 2014-15, a snapshot



### 3 COLLECTION MANAGEMENT



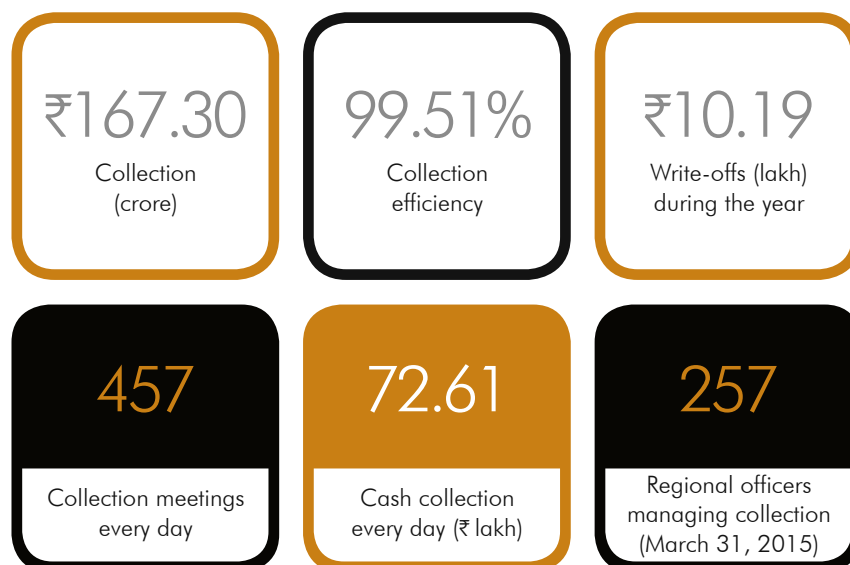
**Relevance:** The business is conducted through cash in a rural area (primarily villages). The pace of inflow determines outflow, potentially impacting business growth.

**Model:** Joint liability group model ensures that group members are jointly liable for repayment.

**Process:** Intimation of due date, collection meetings and instalment amount provided well in advance to the collection date.

**Security:** Collections are made only during the morning hours, immediately deposited into branch offices; this represents adequate insurance cover against loss of cash in transit.

#### 2014-15, a snapshot





## 4 TREASURY MANAGEMENT

**Relevance:** In a business where the input and output is cash, its astute management is critical to profitability and sustainability.

**Sourcing management:** Sourced judiciously from banks and NBFCs to optimise costs.

**Collection management:** Joint liability group model facilitates marginal variances between budgeted and actual collection. Collections immediately banked and transferred to main collection account.

**Asset-liability management:** ALM is a strategic risk management programme. The primary object of the ALM is to control important risks relating to business liquidity, interest rate and currency. The team determines the risk tolerance level and defines the metrics and strategy used to measure both liquidity and interest rate risks, continuously reviewing the liquidity position, outlook for interest rates and other economic parameters. The team utilises this knowledge to review and updated the business plan and forecasts, including growth projections, profitability and capital raising requirements.

### 2014-15, a snapshot

₹308.33

Disbursement  
(crore)

9.73%

Net interest  
margin

25.69

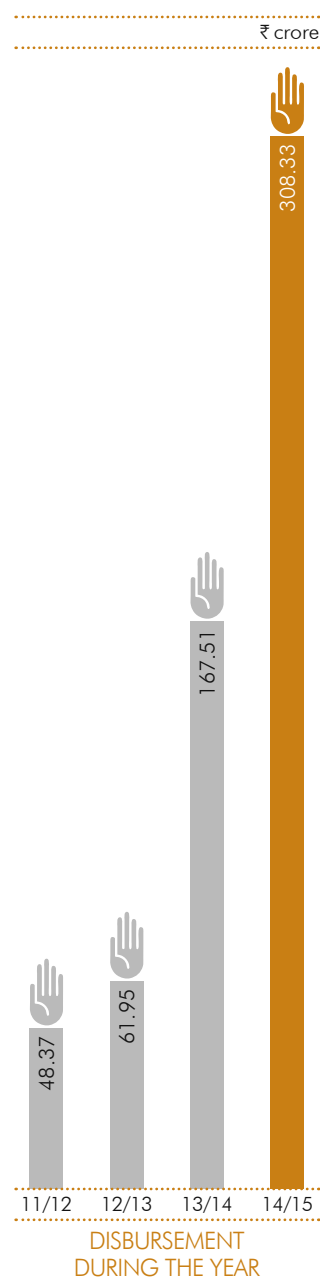
Average disbursement  
per month (₹ crore)

13.94

Average collection  
per month (₹ crore)

0.52%

NPA  
(March 31, 2015)



# MANAGING BUSINESS UNCERTAINTIES

FUSION LEVERAGES ITS DOMAIN AND MANAGEMENT INSIGHTS TO UNDERTAKE PROACTIVE COUNTER-RISK MEASURES TO STRENGTHEN VIABILITY.

FUSION'S RISK MANAGEMENT APPROACH COMBINES CENTRALLY ISSUED POLICIES AND DIVISIONALLY EVOLVED PROCEDURES THAT HAVE ENHANCED PROCEDURAL ROBUSTNESS.

## Business growth: How will the Company sustain its growth momentum?

Fusion business growth is pivoted on two strategies: penetrating deeper into existing geographies and expanding footprint in new states.

In 2014-15, the Company strengthened its branch network in existing locations from 41 branches as on March 31, 2014 to 61 branches as on March 31, 2015.

In addition, the Company established its

footprint in one new state, with a network of 61 branches.

In 2014-15, new branches contributed close to 29.98% of the Company's topline.

## REGULATORY RISK

HOW IS THE COMPANY MANAGING THE INCREASINGLY COMPLEX AND DYNAMIC REGULATORY ENVIRONMENT?

As microfinance is a top government priority, Government regulations have largely supported quality growth of the sector and its participants.

The Company regulatory compliance mechanism consists of two teams which ensure that all laws and guidelines are fully complied with.

- Its regulatory cell monitors and analyses policy announcements,

evaluates their applicability on the business operations and indicates compliance procedures.

- Its audit team monitors business processes and operations in the context of their adherence with existing regulatory policies and guidelines.

Hence, even as business expanded, the Company's regulatory compliance record has never been compromised.

## QUALITY PORTFOLIO RISK

HOW DOES THE COMPANY ENSURE A QUALITY ASSET PORTFOLIO?

At Fusion, the focus has always been on quality growth. For this, the Company has institutionalised policies and practices which have ensured a quality asset portfolio.

**Policies:** The Company's leading model is based on the group joint liability basis which has ensured high collection efficiency and minimised the chance of default.

**Practices:** The Company has instituted multi-layered checks on prospective

loan applications and subsequent follow-up on fund utilisation minimises delinquencies. Further, the practice of the loanee mandatorily underwriting an insurance policy during loan tenure provides confidence of complete loan recovery.

The effectiveness is showcased in an important reality – annual disbursements multiplied over the last three years; the PAR>30 has declined over the same period.

## CASH LOSS RISK

FUSION'S KEY BUSINESS OPERATIONS (DISBURSEMENTS AND COLLECTIONS) ARE ONLY IN CASH. THEFT/DEFALCATION OF CASH COULD IMPACT BUSINESS PROFITABILITY.

Fusion's three-pronged approach minimises the possibility of cash loss in the system.

**Systems and processes:** Limits on daily bank withdrawals, cash management by individual (field officers) and clear accountability of cash management across the operational hierarchy has minimised the chances of wilful cash defalcation.

**Training:** Continuous training to customers (on checks-and-balances at the time of EMI payment) and to the collection team on cash management and its adversities facilitate a growing awareness of the consequences of cash misappropriation.

**Insurance:** Fusion has taken adequate insurance cover against the loss of cash-in-transit, loss of cash in the bank as well as fidelity risks.

## OPERATIONAL COST RISK

HOW IS THE COMPANY OPTIMISING OPERATIONAL COSTS?

Operational costs at Fusion are being optimised through three initiatives:

**Expansion:** As the Company expands operations, it enjoys the benefits of economies-of-scale – fixed costs get spread out even better.

**Cost of funds:** As the quality of asset portfolio improves even as the Company increases business, the Company rating

with financial agencies has improved. This facilitates a reduction in cost of funds on subsequent borrowings. As a result, overall cost of funds has reduced.

**Technology:** The Company is increasing its investment in IT solutions to automate mundane business processes, which has reduced the need for additional work force – optimising operational costs.

## DATA SECURITY RISK

HOW DOES THE COMPANY PROTECT THE HUGE AND GROWING DATA VOLUMES?

Fusion invests in technology solutions to manage growing volumes, while proactively investing in redundancies leading to complete data security.

**Cloud-based computing:** The Company has moved to cloud-based

computing which facilitates data access from across locations and provides a robust cost-effective data backup system.

**Disaster recovery:** The Company has invested in multi-location back-up servers to protect data integrity.

## REPUTATION RISK

HOW DOES THE COMPANY PROTECT ITS REPUTATION?

Fusion's focuses on upping the technical and behavioural skills of its field force which is the front-face of the corporate brand.

**Training:** The Company provides frequent training to a multi-hierarchical field force, emphasising procedural discipline and consequences following infringement.

**Discipline:** The Company implemented behavioural norms for field officers, monitored periodically through surprise checks by the business and audit teams from the head and branch offices.

**Customer feedback:** The Company has institutionalised customer feedback through multiple modes (call, direct interaction, among others).

# BOARD MEMBERS

## MR. DEVESH SACHDEV

CEO & Director

An XLRI post graduate with 17 years of experience in the service industry, Devesh leads from the front. He started his career with Citigroup after which his entrepreneurial hunger forced him to join a mid-sized logistics company, BSA. When he left, BSA was operating from 26 cities, had

more than 500 employees, 300 business associates and was handling around 4 million transactions in a month.

His expertise includes managing large teams cost-efficiently, managing relationships effectively and handling all operational aspects of a business.

## MR. ASHISH TEWARI

COO & Director

An economics, law and management graduate with over a decade of experience in financial services, Ashish has earlier worked with Development Credit Bank, GE and ICICI in various positions.

His expertise lies in the area of people management, recruitment, training, distribution and mapping productivity, spotting potential new business opportunities and chalking out business plans

## MR. ADITYA BHANDARI

Nominee Director

Aditya joined the Board of Directors of Fusion Microfinance in May 2010. He holds Board-level positions in other leading MFIs in India. He has over eleven years of experience in investment management, investment banking and corporate finance. His professional repertoire includes working with Aavishkaar Venture Capital, Goldman Sachs and Standard Chartered Bank.

He holds an Associate degree from the Institute of Chartered Accountants of India and Bachelor's in Commerce from the University of Madras. He has attended the executive program on private equity education organised by the Indian School of Business and a program on Strategic Leadership for Microfinance course to be held at Harvard Business School.

## MR. VISHWANATH SESHADRI

Independent Director

A chartered accountant, cost and works accountant and commerce graduate, he has over 25 years of work experience of working at ICICI Bank, GE Capital and a few other companies.

He was instrumental in setting up the retail risk management function within ICICI Bank during its foray into retail banking in 1998.

## MR. NJORD ANDREWES

Nominee Director

Njord Andrewes is the Investment Director of the NMI Global Fund. Prior to joining NMI, Mr. Andrewes worked as an equity research analyst at Lazard Capital Markets and Janney Montgomery Scott, LLC. He began his career at Robertson Stephens in

sales and trading.

Mr. Andrewes is an MBA in finance from the Kelley School of Business, Indiana University, and a B.A. in economics from Hope College, Michigan.





# STATUTORY SECTION



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# DIRECTORS' REPORT

*Dear members*

We are delighted to present the 21st Annual Report for financial year 2014-15. The Report is being presented along with the Audited Statements of the Accounts of the Company for financial year ended March 31, 2015.

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

(₹ in lacs)

Particulars	Financial Year ended March 31, 2015	Financial Year ended March 31, 2014
Total Income	5,494	2,496
Total Expenditure	4,697	2,053
Profit/(Loss) before Tax	797	443
Less: Current Tax	341	175
Add: Deferred Tax	75	33
Profit/(Loss) after Tax	530	301

Operational performance for the fiscal year 2014-15 is summarised in the following table:

Particulars	2013-14	2014-15	Percentage change
Number of branches	42	62	47.62%
Number of members	127,581	211,704	66.01%
Number of employees	341	647	89.74%
Number of States	4	5	25%
Amount disbursed (₹ in crore)	167.51	308.33	84.07%
Portfolio outstanding (₹ in crore)	137.79	278.82	102.35%

During the financial year 2014-15, your Company's total revenue and Profit After Tax were 54.94 crore and ₹5.31 crore respectively. As of March 31, 2015, your Company had 211,792 Members spread across 62 branches with a gross loan portfolio of ₹278.81 crore.



## 2. Dividend

The Board of Directors have recommended a dividend @ 9% on Optionally Cumulative Redeemable Preference Shares ("OCPS"), subject to approval of the shareholders' at the ensuing Annual General Meeting. The dividend, if declared, shall be paid to the shareholders within 30 days from the date of AGM as per the provisions of the Companies Act, 2013.

## 3. Material Changes after the Balance Sheet Date (31st March 2015)

Your Company successfully completed its Series C fund raising through Foreign Institutional Investor of equity shares & Compulsory Convertible Debentures (CCD) in June, 2015, resulting in a capital infusion of ₹53 crore. Your Company has issued 2,009,840 equity shares at ₹10 per share & 16,960,000 CCD at ₹25 on private placement basis. The capital infusion has strengthened your Company's capital adequacy ratio to 28.06 as of July 31, 2015 from 19.06 as of March 31, 2015, which is way above the regulatory requirement of 15.0%. Further, the net worth of your Company had increased to ₹108.22 crore as of July 31, 2015 from ₹49.11 crore as of March 31, 2015 and this, if leveraged well, could fund your Company's growth over the next year

## 4. Internal Financial Controls

Company is following an effective internal control system commensurate with its size and operations. In addition to this the work process is designed in such a way that process of internal check is ensured at all levels.

## 5. Deposits

During the year under Report, your Company had not accepted any public deposits and, as such, no amount on account of principal or interest on public deposits was outstanding on the date of the Balance Sheet.

## 6. Share Capital

### Raising of Funds/ Infusion of Equity Capital

#### A. Secured Non Convertible Debentures

In last FY company has issued a Secured Non convertible Debentures on private placement basis aggregating to ₹723,000,000, the said debentures were listed on Bombay Stock exchange.

#### B. Issue of Equity Shares

During the year, the Company issued 4,868,106 equity shares out of which 4,276,428 equity shares were allotted on conversion of ₹162,500,000 Compulsorily Convertible Debentures and 591,678 Equity Shares on private placement basis.

#### C. Issue of Preference Shares

During the year, the Company has issued 3,000,000 -9% Optionally Cumulative Redeemable Preference Shares ("OCPS") on a private placement basis, to Small Industries Development Bank Of India (SIDBI) in accordance with the Shareholders-Cum-Subscription Agreement (the "Agreement").

## 7. Employees Stock Option Plan

To share the value created by the employees and to promote the culture of employee ownership in your Company, your Company introduced the "FUSION EMPLOYEE BENEFIT TRUST" ("the Scheme" or "ESOP 2014") for granting, offering and issuing upto 288,253 options, in one or more tranches which was also approved by the shareholders in EGM held on June 30, 2014. Thereafter, the Scheme was amended vide approval of the shareholders of the Company by passing a Special Resolution on March 12, 2015 in EGM, thereby increasing the number of options which can be granted under the Scheme from 288,253, to 1,845,363.

During the year under Report, 1,845,363 options have been granted by the Company and 224,249 options lapsed.

## 8. Listing

During the year, the Company has issued Non Convertible Debentures and the debentures were listed on Bombay Stock Exchange. The listing fees to the Stock Exchange for the financial year 2015-16 have been paid.

## 9. Extract of Annual Return

Pursuant to the Section 92(3) of the Companies Act, 2013 extract of the annual Return is annexed to this report as Annexure A.

## 10. Conservation of Energy & Technology Absorption and Foreign Exchange Earnings and outgo

- A. Since the Company does not carry any manufacturing activities, particulars to be disclosed with respect to Conservation of energy & technology absorption under Section 134 (3) (m) of Companies Act, 2013 read with Companies (Accounts) Rules, 2014 are not applicable.
- B. During the year under review there has been no earnings and outgo in foreign exchange.

## 11. Directors

Mr. Albert Hofsink & Ms. Anita Alcira Serrate Cortez has been appointed as the additional Directors with effect from June 19, 2015. He/She holds office upto the date of the ensuing Annual General Meeting.

Mr. Nitin Gupta has been appointed as the additional Director with effect from September 04, 2015. He holds office upto the date of the ensuing Annual General Meeting.

Pursuant to the provisions under Section 134(3)(d) of the Companies Act, 2013, with respect to statement on declaration given by Independent Directors under Section 149(6) of the Act, the Board hereby confirms that all the Independent Directors of the Company have given a declaration and have confirmed that they meet the criteria of independence as provided in the said Section 149(6).

## 12. Number of Meetings of the Board

During the Financial Year 2014-15, 15 (fifteen) number of Board meetings were held. For details thereof kindly refer to the section 'Board of Directors- Number of Board Meetings', in the Corporate Governance Report.

## 13. Disclosure on Audit Committee

The Audit Committee as on March 31, 2015 comprises of the following Non- Executive and Independent Directors:

Mr. Aditya Bhandari	- Non- Executive
Mr. Vishwanath Seshadri	- Independent Directors
Mr. Njord Andrewes	- Non- Executive

Further, all recommendations of Audit Committee were accepted by the Board of Directors.

## 14. Sexual Harassment

The Company has zero tolerance for sexual harassment at the workplace and has adopted a policy on prevention, prohibition and redressal of sexual harassment at the workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules framed thereunder. The Company did not receive any complaints to report in the Board's report.

## 15. Vigil Mechanism

Your Company has an effective Vigil Mechanism system which is embedded in its Code of Conduct. The Code of Conduct of your Company serves as a guide for daily business interactions, reflecting your Company's standard for appropriate behavior and living Corporate Values. The Code of Conduct applies to all Fusion's People, including Directors, Officers, and all employees of the Company.

## 16. Managerial Remuneration

Details of all elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc., of all the Directors are given in the Corporate Governance Report annexed as Annexure B.





## 17. Evaluation of Board Performance

The performance of the Board, Audit & Risk Management Committee, Remuneration & Nomination Committee and the individual Directors were evaluated on the basis of criteria as approved by the Board.

## 18. Risk Management

The Board of the Company has formed a 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 and ensuring its effectiveness. The audit committee has additional oversight in the area of financial risks and controls. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

## 19. Secretarial Auditor & Secretarial Audit Report

The Board had appointed M/s Alok Chandra Singh & Associates, Company Secretaries in Wholetime Practice, to carry out Secretarial Audit under the provisions of Section 204 of the Companies Act, 2013 for the financial year 2014-15. The report of the Secretarial Auditor is annexed to this report as Annexure C. The Secretarial Auditors' Report for the financial year 2014-15 does not contain any qualification, reservation or adverse remarks.

## 20. Statutory Auditors

Pursuant to the provisions of section 139 of the Companies Act, 2013 and the Rules made there under, the current auditors of the Company, M/s. BSR & Associates LLP, Chartered Accountants (registration number: 116231W) were appointed by the shareholders at the ensuing annual general meeting to hold office until the conclusion of the next annual general meeting, subject to ratification by shareholders at each annual general meeting.

The members are requested to ratify the appointment of M/s. BSR & Associates LLP, Chartered Accountants, (registration number: 116231W as statutory auditors of the Company and to fix their remuneration for the year 2015-16.

The Company has obtained necessary certificate under Section 141 of the Act 2013 from the auditor conveying their eligibility for the above appointment. The audit committee and board reviewed their eligibility criteria, as laid down under Section 141 of the Act 2013 and recommended their appointment as auditors for the aforesaid period.

The observations made in the Auditors' Report read with the relevant notes thereon are self-explanatory and hence, do not call for any comments under Section 134 of the Companies Act, 2013.

## 21. Corporate Governance

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

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

## 22. Directors' Responsibility Statement

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

- a. that in the preparation of the annual financial statements for the year ended March 31, 2015, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
- b. that such accounting policies have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31,

2015 and of the profit of the Company for the year ended on that date;

- c. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. that the annual financial statements have been prepared on a going concern basis;
- e. that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively.
- f. that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively

### 23. The Particulars of Contracts or Arrangements with Related Parties

The details of related party transactions as required under Section 134 (3)(h) of the Companies Act, 2013 are furnished in Annexure D and forms part of this Report.

### 24. Transfer to General Reserve and Statutory Reserve

The Company has transferred an amount of ₹10,617,645 to Statutory Reserve (₹6,017,267 Previous years).

#### 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.

### 25. Capital Adequacy

The Capital Adequacy ratio was 19.06 as on 31st March 2015 as against the minimum requirement of 15% stipulated by RBI. The Net Owned Funds (NOF) as on that date was ₹4,415.86 lakh.

### 26. Declaration by Independent Directors

All the Independent Directors have submitted their declaration of independence as required under Section 149(7) of the Companies Act, 2013.

### 27. Loans/Guarantee/Investments

The Company has not given any loans/guarantees and has not made any investment in securities as covered under Section 186 of the Companies Act, 2013.

#### Acknowledgments

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

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

Place: New Delhi  
Dated: 04.09.2015

**Devesh Sachdev**  
(Director & CEO)

**Ashish Tewari**  
(Director & COO)



## ANNEXURE - A

### FORM NO. MGT 9

### Extract of Annual Return

as on financial year ended on 31.03.2014

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

### I. Registration & Other Details:

i	CIN	U74899DL1994PTC061287
ii	Registration Date	05/09/94
iii	Name of the Company	Fusion Microfinance Private Limited
iv	Category/Sub-category of the Company	Private Company NBFC
v	"Address of the Registered office & contact details"	C-3, Community Centre, Naraina Vihar, New Delhi-110028
vi	Whether listed company	No
vii	Name , Address & contact details of the Registrar & Transfer Agent, if any.	Not Applicable

### 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 of GLP (STVL+Solar+MFI)
1	Microfinance and Related Activities	64990	19.70%
2			
3			
4			

### 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
2					
3					

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

(i)

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2014]				No. of Shares held at the end of the year [As on 31-March-2015]				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	0	2,019,500	20,195,000	18.87%	0	2,502,925	25,029,250	16.07	-2.8
b) Central Govt. or State Govt.	0	0	0	0	0	0	0	0	
c) Bodies Corporates	0	0	0	0	0	0	0	0	
d) Bank/FI	0	0	0	0	0	0	0	0	
e) Any other	0	0	0	0	0	0	0	0	
<b>Sub Total: (A) (1)</b>	<b>0</b>	<b>2,019,500</b>	<b>20,195,000</b>	<b>18.87%</b>	<b>0</b>	<b>2,502,925</b>	<b>25,029,250</b>	<b>16.07</b>	<b>-2.8</b>
(2) Foreign									
a) NRI- Individuals	0	0	0	0	0	0	0	0	
b) Other Individuals	0	0	0	0	0	0	0	0	
c) Bodies Corp.	0	0	0	0	0	0	0	0	
d) Banks/FI	0	0	0	0	0	0	0	0	
e) Any other...	0	0	0	0	0	0	0	0	
<b>Sub Total (A) (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Total Shareholding of Promoter (A)= (A)(1)+(A)(2)</b>	<b>0</b>	<b>2,019,500</b>	<b>20,195,000</b>	<b>18.87%</b>	<b>0</b>	<b>2,502,925</b>	<b>25,029,250</b>	<b>16.07</b>	<b>-2.8</b>
B. Public Shareholding									
(1) Institutions									
a) Mutual Funds	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
c) Central govt	0	0	0	0	0	0	0	0	0
d) State Govt.	0	0	0	0	0	0	0	0	0
e) Venture Capital Fund	0	7,263,490	72,634,900	67.86%	0	11,539,918	115,399,180	74.12%	6.26%
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	
<b>Sub Total (B)(1):</b>	<b>0</b>	<b>7,263,490</b>	<b>72,634,900</b>	<b>67.86%</b>	<b>0</b>	<b>11,539,918</b>	<b>115,399,180</b>	<b>74.12%</b>	<b>6.26%</b>





Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2014]				No. of Shares held at the end of the year [As on 31-March-2015]				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>(2) Non Institutions</b>									
a) Bodies corporates	0	0	0	0	0	151,250	1,512,500	0.97%	0.97%
i) Indian	0	0	0	0	0	0	0	0	
ii) Overseas	0	0	0	0	0	0	0	0	
b) Individuals	0	0	0	0	0	0	0	0	
i) Individual shareholders holding nominal share capital upto ₹1 lakh	0	0	0	0	0	0	0	0	
ii) Individuals shareholders holding nominal share capital in excess of ₹1 lakh		780,000	7,800,000	7.29%		1,088,750	10,887,500	6.99%	-0.30%
c) Others (Employees/ Trust)		640,000	6,400,000	5.98%		288,253	2,882,530	1.85%	-4.13%
<b>Sub Total (B)(2):</b>		<b>1,420,000</b>	<b>14,200,000</b>	<b>13.27%</b>		<b>1,528,253</b>	<b>15,282,530</b>	<b>9.81%</b>	<b>-3.46%</b>
<b>Total Public Shareholding (B) = (B)(1)+(B)(2)</b>		<b>8,683,490</b>	<b>86,834,900</b>	<b>81.13%</b>		<b>13,068,171</b>	<b>130,681,710</b>	<b>83.93%</b>	<b>2.80%</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	0	0	0	0	0	0	0	0	0
<b>Grand Total (A+B+C)</b>		<b>10,702,990</b>	<b>107,029,900</b>	<b>100</b>		<b>15,571,096</b>	<b>155,710,960</b>	<b>100</b>	<b>0</b>

## (ii) Share Holding of Promoters

Sl No.	Shareholders Name	Shareholding at the beginning of the year April 1st 2014			Shareholding at the end of the year March 31st 2015			% change in share holding during the year
		No. of shares	% of total shares of the Company	% of shares pledged encumbered to total shares	No. of shares	% of total shares of the Company	% of shares pledged encumbered to total shares	
1	Devesh Sachdev	842,500	7.87%	Nil	1,069,212	6.87%	Nil	-1.00%
2	Ashish Tewari	500,900	4.68%	Nil	707,613	4.54%	Nil	-0.14%
3	Payal Mittal Tewari	256,100	2.39%	Nil	256,100	1.64%	Nil	-0.75%
4	Mini Sachdev	300,000	2.80%	Nil	300,000	1.93%	Nil	-0.87%
5	Ashish Tewari HUF	45,000	0.42%	Nil	45,000	0.29%	Nil	-0.13%
6	R S L Tewari HUF	65,000	0.61%	Nil	65,000	0.42%	Nil	-0.19%
7	Aruna Tewari	60,000	0.09%	Nil	60,000	0.39%	Nil	0.30%
	<b>Total</b>	<b>2,069,500</b>	<b>18.86%</b>		<b>2,502,925</b>	<b>16.08%</b>		<b>-2.78%</b>

(iii) Change in Promoters' Shareholding (Specify if there is no change)

SI No.	Change in Promoters' Shareholding	Share holding at the beginning of the Year		Cumulative Share holding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	2,019,500	18.87%	2,019,500	18.87%
1	Allotment on 24/06/2014	303,425	-	2,322,925	
2	Transfer on 18/09/2014	130,000	-	2,452,925	
3	Transfer on 13/02/2015	50,000	-	2,502,925	
	At the end of the year	2,502,925	16.07%		16.07%

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters & Holders of GDRs & ADRs)

SI No.		Shareholding at the end of the year		Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/ bonus/sweat equity etc)		Cumulative Shareholding during the year		
		No. of shares at the beginning of the year (01/04/2014)/end of the year 31/03/2015	% of total shares of the Company	Date	Increase/ Decrease in Shareholding	Reason	No. of Shares	% of total shares of the Company
1	RIF North 2 (Incofin)	5237174	48.93%	01.04.2014				
				29.09.2014	1453986	Conversion of 2,210,000 no. of Compulsorily convertible Debentures into 1,453,986 no. of equity shares	6691160	42.97%
		6691660	42.97%	31.03.2015	-	-	6691160	42.97%
2	NMI Frontier Fund	2026316	18.93%	01.04.2014				
				29.09.2014	2822442	Conversion of 4,290,000 no. of Compulsorily convertible Debentures into 2,822,442 no. of equity shares		
		4848758	31.14%	31.03.2015	-	-	4848758	31.14%
3	Atma Ram	200000	1.87%	01.04.2014				
				13.02.2015	200000			
		0	0	31.03.2015	-	-	0	0
4	Praveen Choudhary	160,000	1.49%	01.04.2014				
				13.02.2015	160,000	Transfer	0	0
		0	0	31.03.2015	-	-	0	0



SI No.		Shareholding at the end of the year		Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/ bonus/sweat equity etc)		Cumulative Shareholding during the year			
		For Each of the Top 10 Shareholders	No. of shares at the beginning of the year (01/04/2014)/end of the year 31/03/2015	% of total shares of the Company	Date	Increase/ Decrease in Shareholding	Reason	No. of Shares	% of total shares of the Company
5	Ankur Singhal		150000	1.40%	01.04.2014				
					13.02.2015	150000	Transfer	0	0
			0	0	31.03.2015	0	0	0	0
6	Meenakshi Rao		80,000	0.75%	01.04.2014				
					13.02.2015	50000	Transfer	30000	0.19%
			30,000	0.19%	31.03.2015	-	-	30000	0.19%
7	Poonam Batra		80,000	0.75%	01.04.2014				
					18.09.2015	80000	Transfer	0	0
					31.03.2015	-	-	0	0
8	Lokesh Tuteja		50,000	0.47%	01.04.2014				
					18.09.2015	50,000	Transfer	0	0
			0	0	31.03.2015	-	-	0	0
9	Raghvender Mittal		50,000	0.47%	01.04.2014				
					-	-	-		
			50,000	0.32%	31.03.2015	-		50000	0.32%
10	Vishal Nagpal		50,000	0.47%	01.04.2014		-	-	-
					-	-	-	-	-
			50,000	0.32%	31.03.2015	-		50000	0.32%

#### (v) Shareholding of Directors & KMP

SI No.	For Each of the Directors & KMP	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of shares	% of total shares of the Company	% of shares pledged encumbered to total shares	No. of shares	% of total shares of the Company	% of shares pledged encumbered to total shares	
1	Devesh Sachdev	842,500	7.87%	Nil	1,069,212	6.87%	0	-1.00%
2	Ashish Tewari	500,900	4.68%	Nil	707,613	4.54%	0	-0.14%
3	Aditya Bhandari	0	0	0	0	0	0	0
4	Vishwanath Seshadri	0	0	0	0	0	0	0
5	Mr. Njord Andrewes	0	0	0	0	0	0	0
6	Mr. Deepak Madaan	0	0	0	0	0	0	0

## V. Indebtedness

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	930,171,512	10,000,000	-	940,171,512
ii) Interest due but not paid			-	
iii) Interest accrued but not due	1,296,980	4,384	-	1,301,364
<b>Total (i+ii+iii)</b>	<b>931,468,492</b>	<b>10,004,384</b>	<b>-</b>	<b>941,472,876</b>
<b>Change in Indebtedness during the financial year</b>				
Additions	2,560,500,000	76,500,000	-	2,637,000,000
Reduction	(1,037,566,738)	-	-	(1,037,566,738)
<b>Net Change</b>	<b>1,522,933,262</b>	<b>76,500,000</b>	<b>-</b>	<b>1,599,433,262</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	2,453,104,774	86,500,000	-	2,539,604,774
ii) Interest due but not paid	454,932	-	-	454,932
iii) Interest accrued but not due	13,336,799	37,973	-	13,374,772
<b>Total (i+ii+iii)</b>	<b>2,466,896,505</b>	<b>86,537,973</b>	<b>-</b>	<b>2,553,434,478</b>

## VI. Remuneration of Directors and Key Managerial Personnel

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

Sl No.	Particulars of Remuneration	Mr. Devesh Sachdev DIN- 02547111 (Director & CEO)	Mr. Ashish Tewari DIN- 02812549 (Director & COO)	Total Amount
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961.	8,656,026	8,656,026	17,312,052
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-
2	Stock option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	as % of profit	-	-	-
	others (specify)	-	-	-
5	Others, please specify	-	-	-
	<b>Total (A)</b>	<b>8,656,026</b>	<b>8,656,026</b>	<b>17,312,052</b>
	Ceiling as per the Act			N/A





## B. Remuneration to other directors:

SI No.	Particulars of Remuneration	Mr. Vishwanath Seshadri DIN - 03359710	Mr. Njord Andrewes DIN - 06520457	Mr. Aditya Bhandari DIN - 03062463	Total Amount
1	Independent Directors				
	(a) Fee for attending board committee meetings	150,000.00	-	-	150,000
	(b) Commission	-	-	-	-
	(c) Others, please specify	-	-	-	-
	Total (1)	150,000.00		-	150,000
2	Other Non Executive Directors				
	(a) Fee for attending board committee meetings	-	-	-	-
	(b) Commission	-	-	-	-
	(c) Others, please specify	-	-	-	-
	Total (2)		-		
	Total (B)=(1+2)		-		150,000
	Total Managerial Remuneration		-		17,462,052
	Overall Ceiling as per the Act.		-		N/A

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

SI No.	Particulars of Remuneration	Key Managerial Personnel		Total
		Company Secretary	CFO	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	846,526	-	846,526
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-
2	Stock option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	as % of profit	-	-	-
	others (specify)	-	-	-
5	Others, please specify	-	-	-
	Total (A)	846,526	-	846,526

## VII. Penalties/Punishment/Compounding of Offences

	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	N/A	N/A	N/A	N/A	N/A
Punishment	N/A	N/A	N/A	N/A	N/A
Compounding	N/A	N/A	N/A	N/A	N/A
B. Directors					
Penalty	N/A	N/A	N/A	N/A	N/A
Punishment	N/A	N/A	N/A	N/A	N/A
Compounding	N/A	N/A	N/A	N/A	N/A
C. Other Officers in Default					
Penalty	N/A	N/A	N/A	N/A	N/A
Punishment	N/A	N/A	N/A	N/A	N/A
Compounding	N/A	N/A	N/A	N/A	N/A



# REPORT ON CORPORATE GOVERNANCE

## Corporate Governance Philosophy

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

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

## Board Composition

As on date, the Board comprises of Seven (7) Directors. The names and categories of Directors and the number of Directorships are given below:

Name	Nature of Directorship	Other Directorships
Devesh Sachdev (Chairman)	Executive Director	1
Ashish Tewari (COO)	Executive Director	1
Aditya Bhandari	Nominee Director (RIF-North 2)	5
Vishwanath Seshadri	Independent Director	1
Njord Andrewes	Nominee Director (NMI)	1
Mr. Anita Alcira Serrate Cortez*	Additional Director	-
Mr. Albert Hofsink*	Additional Director	-
Mr. Nitin Gupta**	Additional Director	-

## Changes In Board Constitution

During the year under review, the following changes took place in the constitution of the Board of Directors:

\* Ms. Anita Alcira Serrate Cortez and Mr. Albert Hofsink were appointed as Additional Directors with effect from 19th June 2015.

\*\* Mr. Nitin Gupta was appointed as Additional Directors with effect from 04th September, 2015.

## BOARD MEETINGS & ATTENDANCE

During the year April 1, 2014 to March 31, 2015, the Board meeting held Fifteen (15) times.

Board Meetings were held on 24th June 2014, 30th July 2014, 31st July 2014, 16th September 2014, 18th September 2014, 29th September 2014, 16th October 2014, 12th November 2014, 19th November 2014, 2nd December 2014, 18th December 2014, 24th December 2014, 13th February 2015, 27th March 2015 & 31st March 2015. The time period between any two meetings has been less than four months.

Name	No. of Meetings	
	Held	Attended
Devesh Sachdev (Chairman)	15	15
Ashish Tewari	15	15
Aditya Bhandari	15	04
Vishwanath Seshadri	15	05
Njord Andrewes	15	05
Mr. Anita Alcira Serrate Cortez	NA	NA
Mr. Albert Hofsink	NA	NA
Mr. Nitin Gupta	NA	NA

## Information Furnished to the Board

In advance of each meeting, the Board is presented with relevant information on various matters related to the working

of the Company, especially those that require deliberation at the highest level. In addition to items which are required to be placed before the Board for its noting and/or approval, information is provided on various other significant items. The Company takes a lot of effort to ensure that the quality and comprehensiveness of the information furnished by Management to the Board of the Company is of a high order.

## Committees of the Board

With a view to have a more focused attention on business and for better governance and accountability, the Board has constituted the five (5) Committees namely:

- Asset & Liability Committee,
- Remuneration & Nomination Committee,
- Executive Committee,
- Audit Committee
- Board Risk Management Committee

The Board fixes the terms of reference of Committees and also delegate powers from time to time. The Minutes of the Meetings of the Committees are circulated to the all Directors and placed before the Board for information and confirmation.

## Asset & Liability Committee

### Composition

The Asset & Liability Committee is chaired by an Executive Director and comprises of two Executive Director and one Nominee Director.

- Mr. Devesh Sachdev - Chairman
- Mr. Ashish Tewari
- Mr. Aditya Bhandari

### Meetings & Attendance

The Committee held Three (3) Meetings during the year on June 24, 2014, September 17, 2014, February 13, 2015

Name	No. of Meetings	
	Held	Attended
Devesh Sachdev (Chairman)	3	3
Ashish Tewari	3	3
Aditya Bhandari	3	2

## 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
- Forecasting and analyzing 'what if scenario' and preparation of contingency plans.
- 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.
- Lay down KYC policy within the overall guidelines laid down by the Board as well as review the same from time to time and also monitor KYC training to staff.

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

## Remuneration & Nomination Committee

### Composition

The Remuneration & Nomination Committee is chaired by an Independent Director and comprises of one independent Directors and two nominee Directors.

- Mr Vishwanath Seshadri - Chairman
- Mr Aditya Bhandari
- Mr Njord Andrewes

### Terms of Reference

The Remuneration & Nomination Committee has been authorised to review and submit its recommendations to the Board in the following matters:

- Formulation of the criteria for determining qualifications, positive attributes and independence of Directors and recommend to the Board the remuneration of the Directors, key managerial personnel and other employees;
- Formulation of criteria for evaluation of Independent Directors and the Board;





3. 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;
4. To assess the independence of Independent Non-Executive Directors;
5. To review the results of the Board performance evaluation process that relate to the composition of the Board;
6. Annual appraisal of the performance of the CEO and COO

## Executive Committee

### Composition

The Executive Committee is chaired by Director & CEO and comprises of two Executive Director.

1. Mr Devesh Sachdev - Chairman
2. Mr Ashish Tewari

### Meetings & Attendance

The Committee held forty one (41) Meetings during the year on 14th April 2014, 14th May 2014, 21st May 2014, 27th May 2014, 10th June 2014, 12th June 2014, 20th June 2014, 23rd June 2014, 24th June 2014, 4th July 2014, 18th July 2014, 21st July 2014, 14th August 2014, 25th August 2014, 1st September 2014, 9th September 2014, 22nd September 2014, 23rd September 2014, 13th October 2014, 21st October 2014, 29th October 2014, 5th November 2014, 20th November 2014, 5th December 2014, 17th December 2014, 18th December 2014, 26th December 2014, 29th December 2014, 23rd January 2015, 28th January 2015, 2nd February 2015, 6th February 2015, 16th February 2015, 17th February 2015, 18th February 2015, 20th February 2015, 26th February 2015, 9th March 2015, 25th March 2015, 27th March 2015, & 30th March 2015.

Name	No. of Meetings	
	Held	Attended
Devesh Sachdev (Chairman)	41	41
Ashish Tewari	41	41

### Terms of Reference

1. Obtaining of Loans or issuing debt securities

2. Change in Terms and Conditions of Existing / New Loan taken from a Financial Institution / Bank
3. Make any investments in money market Liquid funds (AAA rated), fixed deposits with AAA rated MNC, Private and Public Sector Banks and reputed Financial Institutions having a minimum rating of AA, government certificates and Securities (certificates).
4. Opening of new bank (disbursement and collection) accounts. It also covers new Bank Account required to be opened as part of debt proposal in a new Banking relationship (To Meet Business Requirements)
5. Shifting / Relocation of an existing branch or Taking new Branch premises on Rent for opening of a new branch / Renewal of Rent Agreement
6. Approval of new loan schemes / Changes in existing loan schemes.
7. Securitisation of portfolio.
8. Enhanced withdrawal authorities to BMs / AMs / RM / ZM to meet business requirements

## Audit Committee

### Composition

The Audit Committee of the Board is chaired by an independent Director and comprises of one independent Director and two nominee Directors.

1. Mr Vishwanath Seshadri
2. Mr Aditya Bhandari
3. Mr Njord Andrewes

### Meetings & Attendance

The Committee held four (4) meetings during the year on June 23, 2014, September 17, 2014, November 12, 2014, February 12, 2015

Name	No. of Meetings	
	Held	Attended
Aditya Bhandari	04	03
Vishwanath Seshadri	04	04
Njord Andrewes	04	04

## Terms of Reference

The role of the Audit Committee, among others includes:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor, the remuneration and terms of appointment of auditors of the Company;
3. Reviewing, with the Management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms (c) of sub-section 3 of section 134 of the Companies Act, 2013
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgment by Management
  - d. Significant adjustments made in the financial statements arising out of audit findings
  - e. Compliance with accounting and other legal requirements relating to financial statements
  - f. Disclosure of any related party transactions
  - g. Qualifications in the draft audit report.
4. Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval;
5. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
6. Approval or any subsequent modification of transactions of the Company with related parties;
7. Evaluation of internal financial controls and risk management systems;
8. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
9. To review the functioning of the Whistle Blower mechanism;

## Board Risk Management Committee

### Composition

The Risk Management Committee of the Board is chaired by an Executive Director and comprises of two Executive Director, one independent Director and two nominee Directors.

1. Mr Devesh Sachdev- Chairman
2. Mr Ashish Tewari
3. Mr Vishwanath Seshadri
4. Mr Aditya Bhandari
5. Mr Njord Andrewes

### Meetings & Attendance

The Committee held Four (4) Meetings during the year on June 24, 2014, September 18, 2014, November 12, 2014, February 13, 2015

Name	No. of Meetings	
	Held	Attended
Devesh Sachdev (Chairman)	4	4
Ashish Tewari	4	4
Mr Vishwanath Seshadri	4	4
Mr Aditya Bhandari	4	3
Mr Njord Andrewes	4	4

### Terms of Reference

The role of the Risk Management Committee, among others includes:

1. Laying down and review of procedures relating to risk assessment & risk minimisation to ensure that executive management controls risk through means of a properly defined framework.
2. Credit and Portfolio Risk Management
3. Operational and Process Risk Management
4. Appraising the Board of Directors at regular intervals regarding the process of putting in place a progressive Risk Management System, Risk Management Policy and strategy
5. Laying down guidelines on KYC norms
6. Review on quarterly basis, the securitisation / bilateral assignment transactions and investment activities of the Company.



7. Annual review of the Company's Policies framed pursuant to RBI Guidelines and suggest changes, if any required to the Board for adoption.

## Remuneration of Directors

The remuneration is fixed keeping in view of the overall limit laid down under the Companies Act, 2013, 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 and Shareholders of the Company.

### a. Executive Directors

#### (i) Details of the remuneration paid/payable to Executive Directors for the Financial Year 2014 -2015

Name of Director	Designation	Salaries (₹)	Benefits (₹)	Performance linked Incentive/ Bonus (₹)	Retirement Benefits (₹)	Total (₹)
Mr. Devesh Sachdev	Director & CEO	50,00,000		11,00,000.00		61,00,000
Mr. Ashish Tewari	Director & COO	50,00,000		11,00,000.00		61,00,000
<b>Total</b>		<b>1,00,00,000</b>				<b>1,22,00,000</b>

### b. Non-Executive Directors

The Non-Executive 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 are presently ₹50,000 per meeting for attending meeting of Board and Audit Committee, Nomination and Remuneration Committee and Board Risk Management Committee which is within the limits prescribed under the Companies Act, 2013.

The Details of Sitting Fees paid to Non - Executive Independent Directors during the Financial Year 2014-2015 are as under:

- Asset & Liability Management Committee,
- Remuneration & Nomination Committee, Executive Committee,
- Audit Committee
- Board Risk Management Committee.

Name of Director	Sitting Fees		
	Board Meeting	Committee	Total
Mr. Vishwanath Seshadri	1,50,000	-	1,50,000
<b>Total</b>			<b>1,50,000</b>

No sitting fee is payable to members of the Asset & Liability Management Committee.

## General Body Meetings

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

Year	Date	Time	Location	No. of Special Resolutions Passed
2014	29th September 2014	01:00 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	Nil
2013	27th September 2013	02:00 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	Nil
2012	24th September 2012	11:00 A.M.	303-304, Community Centre, 3rd Floor, Building No. 2, Naraina Phase 1, New Delhi-110028	Nil

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

## Code of Conduct

As per the Policy of the Company on Code of Conduct for Directors and Senior Management, all Directors and Senior Management Personnel have affirmed compliance with the code for 2014-15. The Declaration to this effect signed by Chief Executive Officer has been annexed with this Report.

## Fair Practices Code

The Company has adopted the Fair Practices Code pursuant to the RBI guidelines issued in this regard, which is displayed on the Company's website and at all branches of the Company.

## Whistle Blower Policy

The Company has established the Whistle Blower Policy pursuant to which Directors, employees and vendors of the Company can report their concerns on unethical and/or improper behavior, practices, actual or suspected fraud or violation of the Company's Code of Conduct or any other wrongful conduct in the Company or of its employees. Details of complaints received and the action taken on the complaints were reviewed by the Audit Committee. None of the personnel has been denied access to the Audit Committee.

## Regular Updates

The Company sends Quarterly newsletter to the Board Members and other 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.

## Disclosures

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.

## General Shareholder Information

**Annual General Meeting: Date :** Tuesday, 29th day of September, 2015

**Time :** 04.00 P.M.

**Venue :** C-3, Community Centre, Naraina Vihar, New Delhi-110028

**Financial year:** April 1st 2014 to March 31st March 2015



#### Shareholding pattern as on 31st March 2015

Shareholder Group	Shares	Amount	Stake %
Promoters	2,502,925	25,029,250	16.07%
Individual - others	1,240,000	12,400,000	7.96%
Investor	11,539,918	115,399,180	74.12%
ESOP Trust	288,253	2,882,530	1.85%
<b>Total</b>	<b>15,571,096</b>	<b>155,710,960.00</b>	<b>100.00%</b>

#### Non-Convertible Debentures

The Non Convertible Debentures (NCDs) of the Company have been issued in dematerialised form and have been listed in the Bombay Stock Exchange. The details of ISIN Nos. and Stock Code of such NCDs listed and currently outstanding are as follows:

Sl No.	Nature of NCDs	Issue Size	ISIN No.
1.	14.00% P.A.- Secured	88,000,000	INE139R07027
2.	11.88% P.A.- Secured	100,000,000	INE139R07019
3.	13.25% P.A.- Secured	75,000,000	INE139R07035
4.	13.05% P.A.- Secured	140,000,000	INE139R07043
5.	15.00% P.A.- Secured	220,000,000	INE139R07050
6.	15.00% P.A.- Secured	100,000,000	INE139R07068

#### Address for Correspondence

##### Company Secretary

Fusion Micro Finance Private Limited  
C-3, Community Centre, Naraina Vihar,  
New Delhi-110028  
Tel: +91 466646600  
Web Site: [www.fusionmicrofinance.com](http://www.fusionmicrofinance.com)

For and on behalf of the Board of Director

Place: New Delhi,  
Date : 04.09.2015

Sd/-  
**Ashish Tewari**  
Director & COO

Sd/-  
**Devesh Sachdev**  
Director & CEO



## CEO Certificate

The Board of Directors

**Fusion MicroFinance Private Limited**

### **This is to certify that:**

1. We have reviewed Financial Statements and the Cash Flow Statement for the Financial Year ended 31st March 2015 and that to the best of our knowledge and belief:
  - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b. these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent or illegal or violative of Company's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for Financial Reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting.
4. We have indicated to the Auditors and the Audit Committee:
  - a. Significant changes in internal control over financial reporting during the year;
  - b. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - c. Instances of significant fraud of which they have become aware and the involvement therein, if any, of the Management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: New Delhi

Date: 04.09.2015

Sd/-

**Devesh Sachdev**

*Director & CEO*



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

This is to confirm that the Company has adopted a Code of Conduct for the Members of its Board and its Senior Management Personnel. I confirm that the Company has, in respect of the financial year ended 31st March, 2015 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: 04.09.2015

Sd/-  
**Devesh Sachdev**  
Director & CEO

### ANNEXURE - D

#### The Particulars of Contracts or Arrangements with Related Parties

Name of the related party	Nature of transaction	For the year ended 31 March 2015	For the year ended 31 March 2014
Fusion Saksham Development Foundation	Advance given	225,000	-
	Advance recovered	(225,000)	-

Place: New Delhi  
Date: 04.09.2015

Sd/-  
**Devesh Sachdev**  
Director & CEO

# Secretarial Audit Report

For the financial year ended on March 31, 2015

To,  
The Members,  
Fusion Micro Finance Private Limited  
C-3, Community Centre, Naraina Vihar, New Delhi-110028

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

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2015 ('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, 2015 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; Not Applicable
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; Not Applicable

- (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; Not Applicable
- (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; Not Applicable
  - (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

- (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 (Not notified hence not applicable to the Company during the audit period).
- (ii) The Listing Agreements entered into by the Company with Stock Exchange(s), if applicable; Not Applicable

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

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. There was no change in the composition of the Board of Directors that during the period under review.

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.

There were no dissenting views on any matter.

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 303,425 equity shares of ₹10.00 to promoters under milestone best stock option plan
- (ii) Issue and allotment of a total of 723 (623 listed and 100 non-listed) Secured Redeemable Non-Convertible Debentures of ₹1,000,000.00 each aggregating to ₹72.30 crore
- (iii) Conversion of 6,500,000 zero coupon compulsorily convertible debentures (CCD) of ₹25.00 each, aggregating to ₹162,500,000 (Rupees Sixteen Crore Twenty Five Lakh only) into 4,276,428 (Forty Two Lakh Seventy Six Thousand Four Hundred Twenty Eight) equity shares of ₹10.00 each to foreign investors
- (iv) Issue and allotment of 288,253 (Two Lakh Eighty Eight Thousand Two Hundred Fifty Three) equity shares of ₹10.00 (Rupees Ten) each at a premium of ₹10.55 per equity shares to the employees benefit trust
- (v) Issue and allotment of 30,00,000 (Thirty Lakh) optionally convertible preference shares having a face value of ₹10.00 (Rupees Ten only) to Small Industries Development Bank of India

Place:

**(Alok Chandra Singh)**

Date:

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



# FINANCIAL SECTION



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# Independent Auditor's Report

To  
The Members of  
**Fusion Micro Finance Private Limited**

## Report on the Financial Statements

We have audited the accompanying financial statements of Fusion Micro Finance Private Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (collectively referred to as the 'financial statements').

## Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

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

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

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and

pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2015, and its profit and its cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the said Order to the extent applicable.

2. As required by Section 143 (3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - (e) On the basis of the written representations received from the directors as on 31 March 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in

our opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 2.27 to the financial statements;
- ii. The Company has long-term contracts other than derivative contracts for which they were no material foreseeable losses.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for **B S R & Associates LLP**  
Chartered Accountants

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

**Sriram Mahalingam**  
Partner

Place: Hyderabad  
Date: 28 May 2015

Membership No.: 049642

## Annexure to the Independent Auditor's Report

The annexure referred to in our independent auditor's report of even date to the Members of Fusion Micro Finance Private Limited ("the Company") on the financial statements for the year ended 31 March 2015, we report that:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all the fixed assets are verified every year. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- ii. (a) The Company is a Non Banking Finance Company – Micro Finance Institution ('NBFC – MFI'), engaged in

the business of providing micro credit. Accordingly, it does not hold any physical inventory. Hence, Clause 3(ii) of the Order is not applicable to the Company.

- iii. (a) The Company has granted an unsecured interest free loan to a company covered in the register maintained under section 189 of the Companies Act.
- (b) In respect of the aforesaid loans, as there was no stipulation with respect to the repayment of principal amount, there was no overdue amount of more than rupees one lakh.

iv. In our opinion and according to the information and explanations given to us, and having regard to the explanation that certain services provided are for the specialised requirements of the buyer and certain items of fixed assets purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the services rendered by the Company. The activities of the Company do not involve purchase of inventory and sale of goods. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the internal control system.

v. The Company has not accepted any deposits from the public.

vi. The Central Government has not prescribed the maintenance of cost records under sub-section (1) of section 148 of the Companies Act, 2013 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, the Company has been generally regular in depositing amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Service tax and other material statutory dues with the appropriate authorities during the year except in respect of Income-tax where there were slight delays in few cases. As explained to us, the Company did not have any dues on account of Sales-tax, Wealth tax, duty of Customs, duty of Excise, Value added tax and Cess.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Service tax and other material statutory dues were in arrears as at 31 March 2015 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, Sales tax, Wealth tax, Service tax, duty of Customs, duty of Excise, Value added tax and Cess which have not been deposited with

the appropriate authorities on account of any dispute.

(c) According to the information and explanations given to us, there are no amounts required to be transferred by the Company to the Investor Education and Protection Fund in accordance with the provisions of the Companies Act, 1956 and the rules made thereunder.

viii. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

ix. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its financial institutions or banks or debenture holders.

x. In our opinion and according to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.

xi. In our opinion and according to the information and explanations given to us, the term loans taken by the company have been applied for the purpose for which they were raised.

xii. According to the information and explanations given to us, we report that no material fraud on or by the Company has been noticed or reported during the year except instances of cash embezzlements by certain employees of the Company aggregating to an amount of ₹168,303 out of which 76,000 has been recovered. The services of the concerned employees, except for one employee, have been terminated. The Company expects to recover the outstanding amount of ₹92,303 and accordingly has not been provided in the books of account.

for **B S R & Associates LLP**

*Chartered Accountants*

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

**Sriram Mahalingam**

*Partner*

Place: Hyderabad

Date: 28 May 2015

Membership No.: 049642

## Balance sheet as at 31 March 2015

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

	Note	As at 31 March 2015	As at 31 March 2014
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's funds</b>			
Share capital	2.1	182,828,430	107,029,900
Reserves and surplus	2.2	308,258,796	133,959,679
		491,087,226	240,989,579
<b>Share Application Money Pending Allotment</b>			
		-	-
<b>Non-current liabilities</b>			
Long-term borrowings	2.3	1,147,782,845	334,105,157
Other long-term liabilities	2.4	14,099,192	9,273,064
Long-term provisions	2.5	14,601,525	5,027,884
		1,176,483,562	348,406,105
<b>Current liabilities</b>			
Other current liabilities	2.6	1,501,959,921	850,519,543
Short-term provisions	2.7	22,747,780	8,359,508
		1,524,707,701	858,879,051
<b>Total</b>		<b>3,192,278,489</b>	<b>1,448,274,735</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	2.8		
(i) Tangible assets		11,311,182	12,271,020
(ii) Intangible assets		747,708	671,077
Deferred tax assets, net	2.38	11,999,280	4,503,576
Loan portfolio	2.9	899,640,150	248,720,909
Long-term loans and advances	2.10	1,600,000	-
Other non-current assets	2.11	168,104,000	70,640,887
		1,093,402,320	336,807,469
<b>Current assets</b>			
Current investments	2.12	-	22,928,776
Trade receivables	2.13	1,628,967	-
Cash and bank balance	2.14	524,982,074	253,360,857
Loan portfolio	2.9	1,479,183,160	778,842,073
Short-term loans and advances	2.15	5,745,010	7,111,959
Other current assets	2.16	87,336,958	49,223,601
		2,098,876,169	1,111,467,266
<b>Total</b>		<b>3,192,278,489</b>	<b>1,448,274,735</b>
Significant accounting policies	1		
Notes to the financial statements	2		

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

As per our report of even date attached

for **B S R & Associates LLP**

Chartered Accountants

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

for and on behalf of the Board of Directors of

**Fusion Micro Finance Private Limited**

**Sriram Mahalingam**

Partner

Membership No.: 049642

**Devesh Sachdev**

Director & CEO

**Ashish Tewari**

Director & COO

**Deepak Madaan**

Company Secretary

Place: Hyderabad

Date: 28 May 2015

Place: New Delhi

Date: 28 May 2015

## Statement of Profit and Loss for the year ended 31 March 2015

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

	Note	For the year ended 31 March 2015	For the year ended 31 March 2014
<b>INCOME</b>			
Revenue from operations	2.17	548,818,539	248,863,880
Other income	2.18	573,759	752,499
<b>Total revenue</b>		<b>549,392,298</b>	<b>249,616,379</b>
<b>EXPENSES</b>			
Operating expenses	2.19	22,589,359	11,840,057
Employee benefits expense	2.20	118,385,361	67,108,343
Finance costs	2.21	277,309,592	98,117,209
Depreciation and amortisation	2.8	8,096,026	3,796,938
Other expenses	2.22	43,320,177	24,455,437
<b>Total expenses</b>		<b>469,700,515</b>	<b>205,317,984</b>
Profit before exceptional and extraordinary items and tax		79,691,783	44,298,395
Exceptional items		-	-
Profit before extraordinary items and tax		79,691,783	44,298,395
Extraordinary items		-	-
Profit before tax		79,691,783	44,298,395
<b>Tax expenses:</b>			
- Current tax		34,099,260	17,561,709
- Deferred tax		(7,495,704)	(3,349,648)
Profit for the period from continuing operations		<b>53,088,227</b>	<b>30,086,334</b>
Profit from discontinuing operations		-	-
Tax expense of discontinuing operations		-	-
Profit from discontinuing operations (after tax)		-	-
Profit after tax		<b>53,088,227</b>	<b>30,086,334</b>
Basic Earning Per Share not to be annualised			
Earning per equity share	2.33		
[Nominal value per share ₹10 (previous year: ₹10)]			
Basic		3.91	2.81
Diluted		3.20	1.97
Significant accounting policies	1		
Notes to the financial statements	2		

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

As per our report of even date attached

for **B S R & Associates LLP**

Chartered Accountants

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

for and on behalf of the Board of Directors of

**Fusion Micro Finance Private Limited**

**Sriram Mahalingam**

Partner

Membership No.: 049642

**Devesh Sachdev**

Director & CEO

**Ashish Tewari**

Director & COO

**Deepak Madaan**

Company Secretary

Place: Hyderabad

Date: 28 May 2015

Place: New Delhi

Date: 28 May 2015



## Cash Flow Statement for the year ended 31 March 2015

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
<b>A Cash flows from operating activities</b>		
Profit before tax	79,691,783	44,298,395
<b>Adjustments:</b>		
Depreciation and amortisation	8,096,026	3,796,938
Loan portfolio written off	1,019,289	455,578
Provision on loan portfolio	13,512,603	7,309,643
Milestone based stock options	9,790,785	-
Provision on gratuity	1,842,409	770,144
Provision on leave encashment	1,324,211	864,676
Profit on sale of investments	(5,346,080)	(7,543,223)
<b>Operating profit before working capital changes</b>	<b>109,931,026</b>	<b>49,952,151</b>
(Increase) in loan portfolio	(1,352,279,617)	(613,664,409)
(Increase) / decrease in loans and advances	1,366,949	(1,255,355)
(Increase) in other assets	(38,642,723)	(20,151,671)
(Increase) in trade receivables	(1,628,967)	-
Increase in liabilities and provisions	29,844,883	55,805,003
<b>Cash generated from operations</b>	<b>(1,251,408,449)</b>	<b>(529,314,281)</b>
Income taxes paid, net	(28,652,753)	(16,004,638)
<b>Net cash flow used by operating activities (A)</b>	<b>(1,280,061,202)</b>	<b>(545,318,919)</b>
<b>B Cash flows from investing activities</b>		
Purchase of fixed assets and capital advances	(9,091,951)	(13,706,958)
Proceeds from sale of investments, net	28,274,856	192,522,896
Investment in long-term deposits with maturity of more than three months	(101,793,616)	(66,934,628)
<b>Net cash provided/ (used) by investing activities (B)</b>	<b>(82,610,711)</b>	<b>111,881,310</b>
<b>C Cash flows from financing activities</b>		
Proceeds from issuance of share capital	30,000,000	-
Payment of preference dividend	-	(2,581,256)
Payment of tax on proposed preference dividend	-	(418,744)
Proceeds from borrowings, net	1,599,433,262	552,084,874
<b>Net cash provided by financing activities (C)</b>	<b>1,629,433,262</b>	<b>549,084,874</b>
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>266,761,349</b>	<b>115,647,265</b>
Cash and cash equivalents at the beginning of the year	187,897,676	72,250,411
<b>Cash and cash equivalents at the end of the year (refer note 2.14)</b>	<b>454,659,025</b>	<b>187,897,676</b>

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

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

**Sriram Mahalingam**  
Partner  
Membership No.: 049642

**Devesh Sachdev**  
Director & CEO

**Ashish Tewari**  
Director & COO

**Deepak Madaan**  
Company Secretary

Place: Hyderabad  
Date: 28 May 2015

Place: New Delhi  
Date: 28 May 2015

## Notes to the Financial Statements for the year ended 31 March 2015

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

### Company overview

Fusion Micro Finance Private Limited ('the Company') was incorporated on 5 September 1994 under the Companies Act, 1956. The Company is registered effective 19 May 2010 as a Non Banking Financial (Non – Deposit Accepting or Holding) Company under section 45-IA of the Reserve Bank of India Act, 1934. The Company got converted to Non Banking Financial Company-Micro Finance Institution (NBFC-MFI) with effect from 28 January 2014.

It is engaged in micro finance lending activities, providing financial services to poor women in India who are organized as Joint Liability Groups ('JLGs'). The Company provides small value collateral free loans up to ₹50,000. All financial transactions are conducted in the group meetings organized near the habitats of the borrowers. Further the company also provides small ticket vehicle loan size upto ₹600,000.

### 1. Significant accounting policies

#### a. Basis of preparation of financial statements

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

#### b. Use of estimates

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

#### c. Current – non-current classification

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

##### Assets

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

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

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

##### Liabilities

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

- i. it is expected to be settled in the company's normal operating cycle;
- ii. it is held primarily for the purpose of being traded;
- iii. it is due to be settled within 12 months after the reporting date; or
- iv. the company does not have an unconditional right to defer settlement of the liability for atleast 12 months after the reporting date.

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

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

### Operating cycle

Company has ascertained its operating cycle as 12 months that is the time between the acquisition of assets for processing and their realization in cash or cash equivalents.

### d. Revenue recognition

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

### e. Classification of loan portfolio and provisioning policy

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

#### Asset classification norms

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

#### Provisioning norms

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

- a) 1% of the outstanding loan portfolio, or
- b) 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.

### f. Fixed assets and depreciation

#### Tangible fixed asset

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

Subsequent expenditures related to an item of tangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Tangible fixed assets under construction and tangible fixed assets acquired but not ready for their intended use are disclosed as capital work-in-progress.

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

Until 31 March 2014 the Company was charging depreciation on tangible fixed assets under written down value method as per the rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956.

With effect from 1 April 2014, the Management has re-assessed and revised the estimated useful life of the tangible fixed assets other than leasehold improvements and assets costing less than ₹5,000 as specified in Schedule II to the Companies Act, 2013. The depreciation is provided under written down value method. Depreciation is calculated on pro rata basis from the date on which the asset is ready for use or till the date the asset is sold or disposed.

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

The assets costing less than ₹5,000 based on internal assessment and materiality the Management has estimated that the same shall be depreciated in the year of purchase.

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

### **Intangible assets**

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

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

### **g. Borrowing costs**

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

Borrowing costs directly attributable to acquisition of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

### **h. Impairment of assets**

The Company assesses at each balance sheet date whether there is any indication that any asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the assets.

For the purpose of impairment testing, assets are grouped together into smallest group of assets (Cash Generating Unit or CGU) that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price.

If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of amortised historical cost.

### **i. Accounting for grants**

Grants received in relation to purchase of fixed assets is shown as a deduction from the gross value of the asset concerned in arriving at its book value. Accordingly, the grant is recognised in the Statement of Profit and Loss over the useful life of the depreciable asset by way of a reduced depreciation charge.

Grants received in relation to operating expenses are deducted in reporting the related expense in the Statement of Profit and Loss over the period over which it is incurred.

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### j. Investments

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

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

### k. Employee benefits

#### Defined contribution plans

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

#### Defined benefit plan

The Company provides for gratuity, a defined benefit plan covering eligible employees. Gratuity is accrued based on an actuarial valuation as at the balance sheet date, carried out by an 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 in 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 Scheme to be administered through a Trust. The scheme provides that subject to continued employment with the company, employees of the Company are granted an option to acquire equity shares of the company that may be exercised within a specified period. The company follows the intrinsic value method for computing the compensation cost for all options granted which will be amortized over the vesting period. ESOP has been accounted as per the guidance note issued by ICAI.

### l. Income Tax

Income tax expense comprises current tax and deferred tax.

#### Current tax

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

#### Deferred tax

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

### m. Earnings per share ("EPS")

Basic earnings per share is computed by dividing the net profit after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects



## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

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.

### **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 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. 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.

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.1 SHARE CAPITAL

	As at 31 March 2015	As at 31 March 2014
<b>Authorised:</b>		
<b>Equity shares</b>		
23,000,000 (previous year: 12,000,000) equity shares of ₹10 each	230,000,000	120,000,000
<b>Preference shares</b>		
5,000,000 (previous year: nil) preference shares of ₹10 each	50,000,000	-
	<b>280,000,000</b>	<b>120,000,000</b>
<b>Issued, subscribed and paid-up:</b>		
<b>Equity shares</b>		
15,571,096 (previous year: 10,702,990) equity shares of ₹10 each, fully paid up	155,710,960	107,029,900
Less: Amount recoverable from Fusion Employee Benefit trust	2,882,530	-
	152,828,430	107,029,900
<b>Preference shares</b>		
3,000,000 (previous year: Nil) 9% Optionally convertible preference shares of ₹10 each fully paid up	30,000,000	-
	<b>182,828,430</b>	<b>107,029,900</b>

#### 2.1.1 The reconciliation of the number of equity shares outstanding as at the beginning and the end of the reporting period is set out below

Particulars	As at 31 March 2015		As at 31 March 2014	
	Number of shares	Amount	Number of shares	Amount
<b>Equity shares</b>				
At the commencement of the year	10,702,990	107,029,900	10,702,990	107,029,900
Conversion of Compulsorily Convertible Debentures (CCDs) (refer note below)	4,276,428	42,764,280	-	-
Allotted to Fusion Employee Benefit Trust	288,253	2,882,530	-	-
Allotted under Milestone based Stock Option Plan(MSOP)	303,425	3,034,250		
<b>At the end of the year</b>	<b>15,571,096</b>	<b>155,710,960</b>	<b>10,702,990</b>	<b>107,029,900</b>

Note: Pursuant to Shareholders agreement dated 22 February 2013, 6,500,000 CCDs having face value ₹25 each have been converted into 4,276,428 fully paid up equity shares of ₹10 each on 19 September 2014 at a conversion price of ₹38 per equity share.

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

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

Particulars	As at 31 March 2015		As at 31 March 2014	
	Number of shares	Amount	Number of shares	Amount
<b>Preference shares</b>				
At the commencement of the year	-	-	-	-
Issued during the year	3,000,000	30,000,000	-	-
<b>At the end of the year</b>	<b>3,000,000</b>	<b>30,000,000</b>	<b>-</b>	<b>-</b>

### 2.1.3 Rights, preferences and restrictions attached to Equity Shares

The Company has single class equity shares having a par value of ₹10 per equity share. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

### 2.1.4 Rights, preferences and restrictions attached to 9% Optionally Convertible Preference Shares (OCPS)

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

### 2.1.5 Particulars of equity shareholder holding more than 5% equity shares:

Name of the shareholder	As at 31 March 2015		As at 31 March 2014	
	Number of shares	% of Holding	Number of shares	% of Holding
RIF-NORTH 2 - Mauritius	6,691,160	42.97	5,237,174	48.93
NMI FRONTIER FUND, LLP - Norway	4,848,758	31.14	2,026,316	18.93
Devesh Sachdev - Director & CEO	1,069,212	6.87	842,500	7.87
	<b>12,609,130</b>	<b>80.98</b>	<b>8,105,990</b>	<b>75.73</b>

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.1.6 Particulars of preference shareholder holding more than 5% of preference shares:

Name of the shareholder	As at 31 March 2015		As at 31 March 2014	
	Number of shares	% of Holding	Number of shares	% of Holding
Small Industries Development Bank	3,000,000	100	-	-
	<b>3,000,000</b>	<b>100</b>	-	-

### 2.1.7 Particulars of shares reserved for issue under options

Particulars	As at 31 March 2015	As at 31 March 2014
	Number of shares	Number of shares
Under Employee stock option scheme 2014 (refer note 1 below)	-	288,253
Under Milestone based stock option plan (refer note 1 and 2 below)	1,730,122	2,033,547
	<b>1,730,122</b>	<b>2,321,800</b>

Note 1: Company had reserved nil (previous year : 288,253) equity shares at preferential price for Employee Stock Options (ESOP) and nil (previous year : 303,425) equity shares for Milestone based Stock Options (MSOP) at nil price for Promoter Directors vide Share Subscription Agreement dated 24 May 2010.

Note 2: Pursuant to the Shareholder's Agreement dated 22 February 2013, the Promoter Directors has right to subscribe upto 1,730,122 (previous year : 1,730,122) equity shares under the MSOP pool, for no consideration upon the conversion of Compulsorily Convertible Debentures and upon fulfilment of certain milestones over a period of 3 years commencing from 1 April 2013 as mentioned in the above said agreement.

### 2.1.8 Aggregate number and class of shares allotted as fully paid up pursuant to Share Subscription Agreement dated 24 May 2010 without payment being received in cash during the five-year period ended 31 March 2015:

Particulars	As at 31 March 2015	As at 31 March 2014	As at 31 March 2013	As at 31 March 2012	As at 31 March 2011
	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares
Shares allotted under MSOP	303,425	-	-	-	-
	<b>303,425</b>	-	-	-	-

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.2 RESERVES AND SURPLUS

	As at 31 March 2015	As at 31 March 2014
<b>Securities premium account</b>		
At the commencement of the year	108,379,795	108,379,795
Add: Addition during the year	125,977,923	-
Less: Amount recoverable from Fusion employee benefit trust	(3,041,070)	-
Closing balance (A)	231,316,648	108,379,795
<b>Statutory reserve (created under Section 45-1C of RBI Act, 1934)</b>		
At the commencement of the year	6,872,655	855,388
Add: Amount transferred	10,617,645	6,017,267
Less: Amount utilised	-	-
Closing balance (B)	17,490,300	6,872,655
<b>Surplus (Profit and Loss)</b>		
At the commencement of the year	18,707,229	(5,361,838)
Add: Profit for the year	53,088,227	30,086,334
Less: Amount transferred to statutory reserve	(10,617,645)	(6,017,267)
Less: Amount of depreciation as per transition provisions of the Companies Act, 2013		-
- on tangible assets (refer note 2.8 & 2.32)	(161,942)	-
- on intangible assets (refer note 2.8 & 2.32)	(117,190)	-
Less: Dividend on 9% Optionally convertible preference shares	(1,205,753)	-
Less: Tax on Preference dividend	(241,078)	-
Closing balance (C)	59,451,848	18,707,229
<b>Total reserves and surplus (A+B+C)</b>	<b>308,258,796</b>	<b>133,959,679</b>

### 2.3 LONG-TERM BORROWINGS \*

	As at 31 March 2015	As at 31 March 2014
<b>Debentures</b>		
Secured		
723 (Previous year: nil) non-convertible debentures of ₹1,000,000 each fully paid up	433,416,368	-
<b>Term loans</b>		
Secured		
from banks	459,980,637	175,595,065
from others	182,078,709	144,915,800
Unsecured		
from financial institution	70,000,000	10,000,000
<b>Vehicle loans</b>		
Secured		
from banks	2,289,012	3,368,728
from others	18,119	225,564
	<b>1,147,782,845</b>	<b>334,105,157</b>

\*Refer 2.37

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.4 OTHER LONG-TERM LIABILITIES

	As at 31 March 2015	As at 31 March 2014
Unamortised income on securitisation	13,918,560	9,273,064
Deferred lease payments	180,632	-
	<b>14,099,192</b>	<b>9,273,064</b>

### 2.5 LONG TERM PROVISIONS

	As at 31 March 2015	As at 31 March 2014
Contingent provision against standard loan portfolio (refer note 2.24)	8,996,402	2,487,209
<b>Provision for employee benefits</b>		
- Gratuity (refer note 2.29)	3,223,788	1,418,299
- Compensated absences	2,381,335	1,122,376
	<b>14,601,525</b>	<b>5,027,884</b>

### 2.6 OTHER CURRENT LIABILITIES

	As at 31 March 2015	As at 31 March 2014
<b>Current maturities of long term debt: *</b>		
<b>Debentures</b>		
Secured		
723 (Previous year: nil) Redeemable transferable non convertible debentures of ₹1,000,000 each.	191,500,200	-
6,500,000 Compulsorily convertible debentures of ₹25 each fully paid up**	-	162,500,000
<b>Term loans</b>		
Secured		
from banks	625,944,231	198,575,735
from others	556,927,502	406,967,926
Unsecured		
from financial institution	16,500,000	-
<b>Vehicle Loans</b>		
from banks	742,750	336,964
from others	207,246	185,730
	<b>1,391,821,929</b>	<b>768,566,355</b>
Payable towards securitised portfolio	46,960,734	38,491,021
Interest accrued but not due on borrowings	13,374,772	1,296,980
Interest accrued and due on borrowings	454,932	4,384
Statutory liabilities	4,377,493	2,462,265
Salaries and bonus payable	12,267,226	6,366,258
Expenses payable	5,031,347	7,339,567
Unamortised income on securitised portfolio	27,671,488	21,924,460
Other payable	-	4,068,253
	<b>1,501,959,921</b>	<b>850,519,543</b>

\* refer note 2.37

\*\* Converted into 4,276,428 equity shares of ₹10 each with share premium of ₹28 each.



## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.7 SHORT TERM PROVISIONS

	As at 31 March 2015	As at 31 March 2014
Contingent provisions against standard loan portfolio (refer note 2.24)	14,668,602	7,768,371
Provision on non performing loan portfolio (refer note 2.24)	123,229	20,050
Provision for tax [Net of advance tax : ₹46,265,547 (Previous year : ₹17,766,509)]	5,937,907	491,400
<b>Provision for employee benefits</b>		
- Gratuity (refer note 2.29)	40,593	3,673
- Compensated absences	141,266	76,014
Provision for preference dividend	1,205,753	-
Tax on preference dividend	241,078	-
Others	389,352	-
	<b>22,747,780</b>	<b>8,359,508</b>

### 2.8 FIXED ASSETS

Description	Gross block				Depreciation and amortisation				Net block		
	As at 1 April 2014	Additions	Deletions	As at 31 March 2015	As at 1 April 2014	Transferred to surplus*	For the year	Deletions	As at 31 March 2015	As at 31 March 2015	As at 31 March 2014
<b>Tangible assets</b>											
Owned											
Furniture and fixtures	1,505,140	1,001,104	-	2,506,244	1,054,923	-	1,147,597	-	2,202,520	303,724	450,217
Electrical fittings	1,224,248	656,790	-	1,881,038	417,628	-	584,442	-	1,002,070	878,968	806,620
Office equipment	808,384	572,419	-	1,380,803	310,167		426,524	-	736,691	644,112	498,217
Vehicles	6,787,177	-	-	6,787,177	1,234,135	-	2,009,583	-	3,243,718	3,543,459	5,553,042
Computers	3,830,994	3,083,532	-	6,914,526	2,144,274	161,942	2,076,200	-	4,382,416	2,532,110	1,686,720
Leasehold improvements	4,395,958	1,451,025	-	5,846,983	1,119,754	-	1,318,420	-	2,438,174	3,408,809	3,276,204
<b>Total</b>	<b>18,551,901</b>	<b>6,764,870</b>	<b>-</b>	<b>25,316,771</b>	<b>6,280,881</b>	<b>161,942</b>	<b>7,562,766</b>	<b>-</b>	<b>14,005,589</b>	<b>11,311,182</b>	<b>12,271,020</b>
Previous year	5,266,213	13,285,688		18,551,901	2,763,341	-	3,517,540		6,280,881	12,271,020	
<b>Intangible assets</b>											
Owned											
Computer software	1,541,076	727,081	-	2,268,157	869,999	117,190	533,260	-	1,520,449	747,708	671,077
Technical knowhow	2,900,000	-	2,900,000	-	2,900,000	-	-	2,900,000	-	-	-
<b>Total</b>	<b>4,441,076</b>	<b>727,081</b>	<b>2,900,000</b>	<b>2,268,157</b>	<b>3,769,999</b>	<b>117,190</b>	<b>533,260</b>	<b>2,900,000</b>	<b>1,520,449</b>	<b>747,708</b>	<b>671,077</b>
Previous year	4,019,806	421,270		4,441,076	3,490,601	-	279,398		3,769,999	671,077	

\*Refer 2.2 & 2.32

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.9 LOAN PORTFOLIO

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Microfinance loan portfolio (net of securitised loan portfolio ₹409,364,028 (previous year ₹347,523,242))	2,369,286,560	1,005,688,453
Other loan portfolio	127,398	
Secured		
Vehicle loans (net of securitised loan portfolio ₹ Nil (previous year ₹2,773,420))	9,409,352	21,874,529
	<b>2,378,823,310</b>	<b>1,027,562,982</b>
Of the above loan portfolio		
Non current portion of loan portfolio	899,640,150	248,720,909
Current portion of loan portfolio	1,479,183,160	778,842,073
	<b>2,378,823,310</b>	<b>1,027,562,982</b>
Out of the above loan portfolio		
Loan portfolio (considered good)	2,366,500,450	1,025,557,944
Loan portfolio (considered doubtful)	12,322,860	2,005,038
	<b>2,378,823,310</b>	<b>1,027,562,982</b>

### 2.10 LONG-TERM LOANS AND ADVANCES

	As at 31 March 2015	As at 31 March 2014
(Unsecured, considered good)		
Capital advances	1,600,000	-
	<b>1,600,000</b>	<b>-</b>

### 2.11 OTHER NON-CURRENT ASSETS

	As at 31 March 2015	As at 31 March 2014
(Unsecured, considered good)		
Long term deposits with maturity of more than 12 months		
- with banks*	135,153,384	38,219,636
- with financial institutions as security deposit**	26,187,500	29,474,817
Interest accrued but not due		
Fixed Deposits with Banks	5,011,818	992,829
Security Deposits	914,534	343,951
Unamortised processing fees	836,764	1,609,654
	<b>168,104,000</b>	<b>70,640,887</b>

\*Includes deposits of ₹102,646,695 (previous year : ₹31,387,144) maintained as cash collateral against term loans availed and ₹32,506,689 (previous year : ₹6,832,492) maintained as cash collateral against managed portfolio.

\*\*Represents deposits maintained as cash collateral against term loan availed and towards securitised portfolio.

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.12 CURRENT INVESTMENTS

	As at 31 March 2015	As at 31 March 2014
(Valued at lower of cost and fair value)		
Investments in mutual funds - Quoted		
Nil units (previous year: 7,225 units) of Reliance Liquid Fund	-	22,598,488
Nil units (previous year: 225 units) of Baroda Pioneer Liquid Fund	-	330,288
	-	<b>22,928,776</b>
Market value of quoted investments	-	22,928,776
Aggregate amount of quoted investments	-	22,928,776

### 2.13 TRADE RECEIVABLES

	As at 31 March 2015	As at 31 March 2014
(Unsecured, considered good)		
Receivables outstanding for a period exceeding six months from the date they became due for payment	-	-
Others debts	1,628,967	-
	<b>1,628,967</b>	-

### 2.14 CASH AND BANK BALANCES

	As at 31 March 2015	As at 31 March 2014
<b>Cash and cash equivalents</b>		
Cash in hand	1,138,586	1,107,194
Cheques in hand	-	442,000
Balances with banks		
Current Accounts	327,666,987	165,123,482
- in deposit accounts with less than 3 months maturity*	125,853,452	21,225,000
	<b>454,659,025</b>	<b>187,897,676</b>
<b>Other bank balances</b>		
- Deposits with banks with maturity more than 3 months but less than 12 months**	70,323,049	65,463,181
	<b>70,323,049</b>	<b>65,463,181</b>
<b>Total</b>	<b>524,982,074</b>	<b>253,360,857</b>

\*Includes deposits of ₹12,169,008 (previous year : ₹ Nil) maintained as cash collateral against term loans availed and ₹13,684,444 (previous year : ₹ Nil) maintained as cash collateral against managed portfolio.

\*\*Includes deposits of ₹32,638,296 (previous year : ₹1,090,732) maintained as cash collateral against term loans availed and ₹37,684,753 (previous year : ₹53,820,323) maintained as cash collateral against managed portfolio.

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.15 SHORT TERM LOANS AND ADVANCES

	As at 31 March 2015	As at 31 March 2014
(Unsecured, considered good)		
Advances given to related parties	25,000	-
Advances recoverable in cash or kind or for value to be received	2,000,412	3,848,524
Rent deposits	1,569,250	875,250
Prepaid expenses	2,085,986	996,130
Service tax receivable	64,362	468,338
Grant receivable	-	923,717
	<b>5,745,010</b>	<b>7,111,959</b>

### 2.16 OTHER CURRENT ASSETS

	As at 31 March 2015	As at 31 March 2014
(Unsecured, considered good)		
Security deposits towards borrowings*	46,884,861	28,920,945
Security deposits towards securitised portfolio*	-	1,066,040
Interest accrued but not due		
on Loan Portfolio	22,844,401	10,088,147
on Fixed Deposit with Banks	8,878,014	3,172,574
on Security Deposits	3,596,919	1,939,689
Unamortised processing fees	3,831,411	4,036,206
Unbilled revenue	1,301,352	-
	<b>87,336,958</b>	<b>49,223,601</b>

\*Represents deposits maintained as cash collateral against term loans availed and towards securitised portfolio.

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.17 REVENUE FROM OPERATIONS

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income on loan portfolio	444,691,661	193,567,622
Income from business correspondence services	4,932,727	-
Income from asset securitisation	42,451,274	20,849,000
Processing fee on loan portfolio	30,875,223	16,872,072
	522,950,885	231,288,694
<b>Other operating income</b>		
Interest on term deposits with banks	20,521,574	9,723,626
Profit on sale of mutual fund units	5,346,080	7,543,223
Dividend income on mutual funds	-	308,337
	25,867,654	17,575,186
	<b>548,818,539</b>	<b>248,863,880</b>

### 2.18 OTHER INCOME

	For the year ended 31 March 2015	For the year ended 31 March 2014
Miscellaneous income	573,759	752,499
	<b>573,759</b>	<b>752,499</b>

### 2.19 OPERATING EXPENSES

	For the year ended 31 March 2015	For the year ended 31 March 2014
Postage and communication	4,139,343	1,939,995
Contingent provision against standard portfolio*	13,409,424	7,420,846
Provision on non-standard portfolio*	103,179	(111,203)
Loan portfolio written off*	1,019,289	455,578
Printing and stationery	2,737,759	2,134,841
Loss towards cash snatching	1,180,365	-
	<b>22,589,359</b>	<b>11,840,057</b>

\* refer note 2.24

### 2.20 EMPLOYEE BENEFITS EXPENSE

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus*	101,897,392	64,690,070
Milestone based stock options	9,790,785	-
Contribution to provident fund and other fund	5,115,146	1,676,117
Staff welfare expenses*	1,582,038	742,156
	<b>118,385,361</b>	<b>67,108,343</b>

\* Shown net of grant received from SIDBI amounting to ₹1,080,000 (previous year ₹90,000) and ₹97,471 (previous year ₹ Nil) from Salaries, wages and bonus and Staff welfare expenses respectively.

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.21 FINANCE COSTS

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest on borrowings	235,011,200	81,130,158
Other borrowing costs*	42,298,392	16,987,051
	<b>277,309,592</b>	<b>98,117,209</b>

\* Shown net of grant received from SIDBI amounting to ₹547,431 previous year ₹ Nil)

### 2.22 OTHER EXPENSES

	For the year ended 31 March 2015	For the year ended 31 March 2014
Rent (refer note 2.31)	10,496,918	6,556,981
Travelling and conveyance	5,743,751	3,990,874
Legal and professional fees (refer note 2.39)*	7,032,312	5,951,988
Rates and taxes	3,543,821	830,236
Miscellaneous expenses	3,059,742	1,379,813
Office maintenance	7,159,370	2,327,741
Water and electricity	1,282,331	798,834
Staff recruitment and training	998,714	68,046
Insurance	1,085,043	1,295,959
Donation	250,000	-
Business promotion	1,823,252	1,237,870
Other receivables written off	844,923	17,095
	<b>43,320,177</b>	<b>24,455,437</b>

\* Shown net of grant received from SIDBI amounting to ₹314,608 (previous year ₹112,360)

### 2.23 SECURITISATION OF LOAN PORTFOLIO

During the year, the Company has securitised loan portfolio having book value of ₹528,756,111 (Previous year: ₹483,123,842) to financial institutions. The Company received total consideration of ₹581,599,911 (Previous year: ₹526,106,723) arising out of such sale of loan portfolio.

Premium amounting to ₹52,843,800 (Previous year: ₹42,982,881) is amortised over the life of the securitised loan portfolio in accordance with the guidelines laid down by RBI on securitisation.



## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.24 PROVISION FOR OUTSTANDING LOAN PORTFOLIO

#### a) Provision for outstanding loan portfolio (own)

The provision for outstanding loan portfolio as at 31 March 2015 has been calculated @ 1% on the total loan portfolio outstanding as at the balance sheet date. The 50% aggregate loan installments which are overdue for more than 90 days but less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more are less than the 1% provision of total outstanding loan portfolio(own).

Asset classification	As at 31 March 2015		As at 31 March 2014	
	Loan portfolio (own)	Provision	Loan portfolio (own)	Provision
Standard portfolio	2,366,500,450	23,665,004	1,025,557,944	10,255,580
Non performing portfolio	12,322,860	123,229	2,005,038	20,050
<b>Total</b>	<b>2,378,823,310</b>	<b>23,788,233</b>	<b>1,027,562,982</b>	<b>10,275,630</b>

b) Loan portfolio amounting to ₹1,019,289 (previous year: ₹455,578) has been written off.

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

Particulars	For the year ended 31 March 2015			For the year ended 31 March 2014		
	Standard portfolio	Non performing portfolio	Total	Standard portfolio	Non performing portfolio	Total
Opening	10,255,580	20,050	10,275,630	2,834,734	131,253	2,965,987
Additions / (write back), net	13,409,424	103,179	13,512,603	7,420,846	(111,203)	7,309,643
<b>Closing</b>	<b>23,665,004</b>	<b>123,229</b>	<b>23,788,233</b>	<b>10,255,580</b>	<b>20,050</b>	<b>10,275,630</b>

### 2.25

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

Sl. No	Bank/Financial Institution	31 March 2015			31 March 2014		
		Principal assigned/ Purchase consideration	Guarantee	FLDG %	Principal assigned/ Purchase consideration	Guarantee	FLDG %
1	MAS Financial Services Limited – IV	-	-	-	5,180,902	178,716#	15.00
2	MAS Financial Services Limited – VI	-	-	-	5,539,578	254,178#	15.00
3	MAS Financial Services Limited – VII	-	-	-	10,747,587	633,146#	15.00
4	IFMR Capital Finance Private Limited – VI	-	-	-	36,553,449	3,418,289#	8.70
5	IFMR Capital Finance Private Limited – VII	-	-	-	39,425,113	4,159,448*	11.25
6	IFMR Capital Finance Private Limited – VIII	-	-	-	13,031,192	1,395,552*	11.50

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

Sl. No	Bank/Financial Institution	31 March 2015			31 March 2014		
		Principal assigned/ Purchase consideration	Guarantee	FLDG %	Principal assigned/ Purchase consideration	Guarantee	FLDG %
7	IFMR Capital Finance Private Limited – IX	-	-	-	39,472,066	4,100,000#	9.60
8	IFMR Capital Finance Private Limited – X	67,070,714	6,851,952*	11.00	67,070,714	6,851,952*	11.00
9	IFMR Capital Finance Private Limited – XI	88,994,077	8,600,000#	8.91	88,994,077	8,600,000#	8.91
10	IFMR Capital Finance Private Limited – XII	36,184,718	3,500,000#	8.93	36,184,718	3,500,000#	8.93
11	IFMR Capital Finance Private Limited – XIII	87,462,763	8,955,638*	11.25	87,462,763	8,955,638*	11.25
12	IFMR Capital Finance Private Limited – XIV	50,185,610	5,299,986*	11.50	50,185,610	5,299,986*	11.50
13	IFMR Capital Finance Private Limited – XV	-	-	-	29,457,894	3,070,239*	11.50
14	IFMR Capital Finance Private Limited – XVI	81,171,549	4,469,219*	6.00	81,171,549	4,469,219*	6.00
15	IFMR Capital Finance Private Limited – XVII	35,595,121	2,542,666*	7.70	35,595,121	2,542,666*	7.70
16	IFMR Capital Finance Private Limited – XVIII	50,019,395	4,289,826*	9.25	49,984,277	4,289,826*	9.25
17	IFMR Capital Finance Private Limited – XIX	64,300,980	7,073,108*	11.00	-	-	-
18	IFMR Capital Finance Private Limited – XX	58,703,743	4,256,021*	7.25	-	-	-
19	IFMR Capital Finance Private Limited – XXI	77,957,914	6,431,528*	8.25	-	-	-
20	IFMR Capital Finance Private Limited – XXII	38,332,560	2,683,279*	7.00	-	-	-
21	IFMR Capital Finance Private Limited – XXIII	73,458,732	3,672,937*	5.00	-	-	-
22	IFMR Capital Finance Private Limited – XXIV	98,918,477	5,440,516*	5.50	-	-	-
23	IFMR Capital Finance Private Limited – XXV	63,305,320	4,431,372*	7.00	-	-	-
24	IDBI –I	53,778,385	5,377,838*	10.00	-	-	-
	<b>Total</b>	<b>1,025,440,058</b>	<b>83,875,886</b>		<b>676,056,610</b>	<b>61,718,855</b>	

# Guarantees given as a % of total cash flow.

\* Guarantees given as a % of assigned portfolio.

- b) During the year the Company has entered into a business correspondence arrangement with the banks towards rendering of financial services and accordingly has given guarantees towards loans referred by the Company. Total guarantee given amounting to ₹23,985,135 (Previous Year: Nil) towards the loans given based on the Company's reference and outstanding as at 31 March 2015 amounting to ₹159,900,897 (previous year: Nil)

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.26 CAPITAL COMMITMENTS

Estimated amount of contracts (net of advance) to be executed on capital account and not provided for ₹2,770,561 (previous year: ₹ Nil).

### 2.27 DETAILS OF PENDING LITIGATIONS:

Particulars	Amount	Treatment in financial statements
Proceedings by Company against theft	2,124,643	An amount of ₹1,180,365 has been written off. The balance amount of ₹944,278 is yet to be recovered. Out of the above said recoverable amount, a provision for ₹389,353 has been made in the books of account.

### 2.28 EMPLOYEE STOCK OPTIONS

The Company has formulated an Employees Stock Option Scheme called ESOP 2014 with effect from 31 July 2014 to be administered through a Trust (Fusion Employees Benefit Trust). The scheme provides that subject to continued employment with the Company, the employees are granted an option to acquire equity shares of the Company that may be exercised within a specified period.

These 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%

The options vested shall be exercised within a period of three years from the date of vesting. The plan shall be administered, supervised and implemented by the board.

The company has allotted 288,253 equity shares of ₹10 each during the year ended 31 March 2015. The trust holds these shares for the benefit of the employees and issues them to the eligible employees as per the recommendation of the board.

The compensation costs of stock options granted to employees are accounted by the company using intrinsic value method.

**Stock option activity under ESOP Plan 2014 is as below:**

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Number of equity shares:		
Outstanding at the beginning of the year	-	-
Granted during the year	264,105	-
Forfeited during the year	-	-
Exercised during the year	-	-
Outstanding at the end of year	264,105	-
Exercisable at the end of year	-	-

The Company uses the intrinsic value method of accounting for employee stock options.

### 2.29 EMPLOYEE BENEFITS EXPENSE

#### a) Defined benefit plan – Gratuity (Unfunded)

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

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

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.29 EMPLOYEE BENEFITS EXPENSE (continued)

#### Movement in present values of defined benefit obligations

Particulars	As at 31 March 2015	As at 31 March 2014
Defined benefit obligation as at the beginning of the year	1,421,972	6,51,828
Current service cost	1,535,687	7,06,169
Interest cost	113,758	58,664
Actuarial (gain)/loss recognised during the year	192,964	5,311
Defined benefit obligation as at the end of the year	3,264,381	14,21,972

#### Expense recognised in Statement of Profit and Loss

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Current service cost	1,535,687	7,06,169
Interest cost	113,758	58,664
Net actuarial (gain)/ loss recognised in the year	192,964	5,311
Amount, included in employee benefits expense	1,842,409	7,70,144

#### Amount recognised in the balance sheet

Particulars	As at 31 March 2015	As at 31 March 2014	As at 31 March 2013	As at 31 March 2012	As at 31 March 2011
Projected benefit obligation at the end of the year	3,264,381	14,21,972	651,828	327,875	129,940
Fair value of plan assets at end of the year	-	-	-	-	-
Net liability/(asset)	3,264,381	14,21,972	651,828	327,875	129,940

#### Principal actuarial assumptions

	For the year ended 31 March 2015	For the year ended 31 March 2014
i) Discount rate (p.a)	8.00%	9.00%
ii) Salary escalation rate (p.a)	8.00%	8.00%

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

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

#### b) Defined contribution plan

##### Amount recognised in Statement of Profit and Loss towards

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i) Provident fund	3,553,702	873,243
ii) Employee state insurance	1,561,444	802,874
<b>Total</b>	<b>5,115,146</b>	<b>1,676,117</b>

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.30 SEGMENT REPORTING

#### a) Business segment

The company operates in a single reportable segment i.e. lending to members of JLGs who have similar risks and returns. Accordingly, there is no reportable segment to be disclosed as required by Accounting Standard 17 'Segment Reporting'.

#### b) Geographical segment

During the year, the Company has engaged in its business primarily within India. The conditions prevailing in India being uniform, no separate geographical disclosure is considered necessary.

### 2.31 OPERATING LEASES

Lease payments made under cancellable operating lease amounting to ₹10,496,918 (previous year ₹6,556,981) disclosed as rent and the same have been recognized as an expense in the Statement of Profit and Loss.

### 2.32

Pursuant to the notification of Schedule II of the Companies Act, 2013 ("the Act"), by the Ministry of Corporate Affairs effective 01 April 2014, the management has internally reassessed and changed, wherever necessary the useful lives to compute depreciation, to conform to the requirements of the Act. Consequently, the carrying amount as at 01 April 2014 is being depreciated over the revised remaining useful life of the asset. The carrying value of tangible assets of ₹161,942 and intangible assets of ₹117,190, in case of assets with nil revised remaining useful life as at 01 April 2014 is reduced from the surplus as at such date. Further, had the Company continued with the previously assessed useful lives, charge for depreciation for the year ended 31 March 2015 would have been lower by ₹2,091,819 and the profit before tax would have been higher by such amount.

### 2.33 EARNINGS PER SHARE (EPS)

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Net profit for the year	53,088,227	30,086,334
Less: Dividend on 9% optionally convertible preference shares and tax thereon	1,446,831	-
Adjusted net profit attributable to equity shareholders	51,641,396	30,086,334
Number of shares at the beginning of the year	10,702,990	10,702,990
Add: Equity shares issued during the year	4,868,106	-
Total number of equity shares outstanding at the end of the year	15,571,096	10,702,990
Weighted average number of equity shares o/s during the year – Basic	13,196,989	10,702,990
Add: Weighted average number of potential equity shares on account of Compulsorily Convertible Debentures (CCDS)	-	4,276,316
Add: Weighted average number of potential equity shares on account of employee stock options	288,253	-
Add: Weighted average number of potential equity shares on account of Milestone based stock options	1,730,122	303,425
Add: Weighted average number of potential equity shares on account of Optionally convertible preference shares	1,372,603	-
Weighted average number of equity shares outstanding during the year – Diluted	16,587,967	15,282,731
<b>Earnings per share</b>		
Basic – par value of ₹10 each	3.91	2.81
Diluted – par value of ₹10 each	3.20	1.97

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.34 FOLLOWING DISCLOSURES IS MADE IN ACCORDANCE WITH RBI CIRCULAR NO DBOD.NO.BP.BC. 60/21.04.048/ 2005-06 DATED 01 FEBRUARY 2006.

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Total number of loans securitized	35,983	42,716
Book value of loan securitized	528,756,111	483,123,842
Sale consideration	581,599,911	526,106,723
Gain on securitisation	52,843,800	42,982,881
Outstanding credit enhancement	39,366,599	47,579,526
Outstanding liquidity facility	-	-
Net Outstanding Servicing Liability	-	-

### 2.35 AS REQUIRED IN TERMS OF CIRCULAR RBI//2012-13/170 DNBS. PD. NO. 301/3.10.01/2012-13 DATED 21 AUGUST 2012 FOR THE SECURITISATION TRANSACTIONS ENTERED ON OR AFTER 21 AUGUST 2012:

Particulars	31 March 2015	31 March 2014
1. Number of SPVs sponsored by the Company for securitisation / bilateral transactions	15	9
2. Total amount of securitised assets as per books of the SPVs/assignees sponsored by the Company#	433,317,066#	483,123,842
3. Total amount of exposures retained by the Company to comply with MRR as on the date of balance sheet	-	-
a) Off-balance sheet exposures		
* First loss	-	-
* Others	-	-
b) On-balance sheet exposures		
* First loss	77,023,934	47,579,526
* Others	-	-
4. Amount of exposures to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
i) Exposure to own securitizations		
* First loss	-	-
* loss	-	-
ii) Exposure to third party securitizations		
* First loss	-	-
* Others	-	-
b) On-balance sheet exposures		
i) Exposure to own securitizations		
* First loss	-	-
* Others	-	-
ii) Exposure to third party securitizations		
* First loss	-	-
* Others	-	-

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



## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.36 RELATED PARTY TRANSACTIONS

#### A) Related Parties

Relationship	Name of the party
Entities exercising significant influence over the Company	RIF-NORTH 2, Mauritius
	NMI FRONTIER FUND, LLP, Norway
Key Managerial Personnel (KMP)	Devesh Sachdev - Director and Chief Executive Officer
	Ashish Tewari - Director and Chief Operating Officer
	Deepak Madaan - Company Secretary
Enterprises where KMP exercises significant influence	Samarth Financial Consultancy Private Limited
	Fusion Saksham Development Foundation

#### B) Summary of related party transactions:

Name of the related party	Nature of transaction	For the year ended 31 March 2015	For the year ended 31 March 2014
Mr. Devesh Sachdev	Managerial remuneration	6,100,000	4,811,944
	151,713 equity shares issued under MSOP	3,117,702	-
	Loan repaid	-	181,727
	Interest earned	-	47,255
	Loan taken and repaid	-	3,300,000
Mr. Ashish Tewari	Interest paid	-	80,323
	Managerial remuneration	6,100,000	4,811,944
	151,712 equity shares issued under MSOP	3,117,682	-
	Loan repaid	-	284,757
	Interest earned	-	48,141
Mr. Deepak Madaan	Salary paid	748,968	651,576
RIF-NORTH 2 – Mauritius	Conversion of Compulsorily Convertible Debentures into Equity shares (including share premium)*	5,525,000	-
NMI FRONTIER FUND, LLP -Norway	Conversion of Compulsorily Convertible Debentures into Equity shares (including share premium)*	10,725,000	-
Fusion Saksham Development Foundation	Advance given	225,000	-
	Advance recovered	(225,000)	-

\* Refer note 2.1

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

Name of the related party	Nature of transaction	Receivable / (Payable) as at 31 March 2015	Receivable/ (Payable) as at 31 March 2014
Mr. Devesh Sachdev	Bonus payable	-	(1,000,000)
Mr. Ashish Tewari	Bonus payable	-	(1,000,000)
RIF North 2 – Mauritius	Debentures outstanding	-	(107,250,000)
NMI FRONTIER FUND, LLP – Norway	Debentures outstanding	-	(55,250,000)

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.37 TERMS OF THE BORROWINGS

Nature of Facility	Amount outstanding as at 31 March 2015		Amount outstanding as at 31 March 2014		Interest rate	First date of repayment	Terms of repayment/No. of instalments
	Current	Non Current	Current	Non Current			
A. Redeemable transferrable non-convertible debentures (NCD)							
NCD 1	44,000,000	14,666,608	-	-	14.00%	28-Aug-14	Monthly/24
NCD 2	40,000,200	33,333,000	-	-	12.55%	28-Sep-14	Bi-Monthly/ 15
NCD 3	37,500,000	18,750,000	-	-	13.25%	16-Oct-14	Monthly/24
NCD 4	70,000,000	46,666,760	-	-	13.50%	2-Jan-15	Monthly/24
NCD 5	-	100,000,000	-	-	15.00%	24-Dec-16	Bullet Repayment
NCD 6	-	220,000,000	-	-	15.00%	16-Dec-18	Bullet Repayment
Total (A)	191,500,200	433,416,368	-	-			
B. Secured term loan ('TL') from Bank*							
TL 1	22,222,222	7,407,407	20,370,370	29,629,630	BR+ 2.40%	31-May-14	Monthly/30
TL 2	-	-	3,333,287	-	BR+ 4.00%	31-Jul-12	Monthly/30
TL 3	-	-	5,997,670	-	BR+ 4.00%	31-Jul-12	Monthly/30
TL 4	12,000,000	18,000,000	-	-	BR+ 3.25%	19-May-15	Quarterly/10
TL 5	6,521,127	-	9,946,128	7,483,000	BR+ 3.00%	31-Jul-13	Monthly/30
TL 6	20,000,000	25,000,000	-	-	BR+ 3.60%	31-Dec-15	Quarterly/10
TL 7	-	-	7,142,428	14,286,143	BR+ 3.00%	22-Jun-13	Quarterly/8
TL 8	12,500,000	-	28,571,428	8,928,572	BR+ 3.60%	31-Dec-13	Quarterly/8
TL 9	57,142,858	-	42,857,142	57,142,858	BR+ 2.45%	28-Feb-14	Quarterly/7
TL 10	50,000,000	12,500,000	-	-	BR+ 3.50%	24-Sep-14	Quarterly/8
TL 11	42,857,142	57,142,858	-	-	BR+ 1.90%	4-Sep-15	Quarterly/7
TL 12	28,125,000	-	37,500,000	28,125,000	12.25%	24-Jan-14	Quarterly/8
TL 13	31,250,000	23,437,500	-	-	12.50%	18-Mar-15	Quarterly/8
TL 14	14,285,576	-	28,571,568	14,285,576	BR+ 3.00%	27-Dec-13	Monthly/21
TL 15	27,272,890	20,454,549	-	-	BR+ 3.00%	23-Feb-15	Monthly/22
TL 16	15,714,286	-	14,285,714	15,714,286	BR+3.50%	27-Jun-14	Monthly/21
TL 17	52,381,174	47,618,826	-	-	BR+3.50%	27-May-15	Monthly/21
TL 18	76,666,667	6,666,667	-	-	14.50%	23-Dec-14	Monthly/15
TL 20	36,360,000	57,473,150	-	-	13.00%	10-Feb-15	Monthly/33
TL 21	38,275,265	47,407,704	-	-	BR+4.50%	10-Nov-14	Monthly/30
TL 22	18,180,000	22,730,000	-	-	BR+2.60%	31-Dec-15	Quarterly/11
TL 23	16,000,000	44,000,000	-	-	BR+2.75%	31-Aug-15	Monthly/30
TL 24	10,008,000	8,324,000	-	-	BR+3.00%	23-Feb-15	Monthly/24
TL 25	20,000,000	30,000,000	-	-	BR+3.25%	17-Jun-15	Quarterly/10
TL 26	18,182,024	31,817,976	-	-	BR+3.00%	30-Apr-15	Monthly/33
Total (B)	625,944,231	459,980,637	198,575,735	175,595,065			
C. Secured term loan ('TL') from Other*							
TL 27	4,166,662	-	16,666,668	4,166,662	15.00%	10-Jun-12	Quarterly/12
TL 28	25,000,000	6,250,000	18,750,000	37,500,000	15.00%	13-Dec-13	Quarterly/12
TL 29	33,332,000	41,669,000	-	-	15.00%	29-Jul-14	Quarterly/12
TL 30	-	-	1,878,611	-	15.50%	1-Nov-12	Monthly/18

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.37 TERMS OF THE BORROWINGS (continued)

Nature of Facility	Amount outstanding as at 31 March 2015		Amount outstanding as at 31 March 2014		Interest rate	First date of repayment	Terms of repayment/No. of instalments
	Current	Non Current	Current	Non Current			
TL 31	-	-	26,442,218	3,131,019	15.50%	1-Aug-13	Monthly/18
TL 32	9,155,524	-	33,292,207	9,703,809	15.50%	1-Jan-14	Monthly/18
TL 33	43,760,297	-	-	-	15.25%	1-Aug-14	Monthly/18
TL 34	25,977,549	12,028,510	-	-	15.10%	1-Mar-15	Monthly/18
TL 35	-	-	1,333,329	-	BR+0.50%	30-May-12	Monthly/30
TL 36	-	-	1,833,329	-	BR+0.50%	25-Aug-12	Monthly/30
TL 37	-	-	2,000,000	-	BR+0.50%	21-Sep-12	Monthly/30
TL 38	-	-	1,388,887	-	BR+1.00%	25-Oct-12	Monthly/18
TL 38	-	-	2,777,776	-	BR+1.00%	26-Nov-12	Monthly/18
TL 39	-	-	2,500,000	-	BR+1.00%	15-Dec-12	Monthly/18
TL 40	-	-	2,811,745	-	BR+1.00%	31-Jan-13	Monthly/18
TL 41	-	-	2,777,772	-	BR+1.00%	20-Feb-13	Monthly/18
TL 42	-	-	30,555,554	-	BR+1.00%	26-Aug-13	Monthly/18
TL 43	-	-	33,333,332	-	BR+1.25%	17-Sep-13	Monthly/18
TL 44	3,333,328	-	20,000,335	3,332,996	BR+1.25%	29-Nov-13	Monthly/18
TL 45	3,333,328	-	13,332,999	3,333,668	BR+1.25%	26-Dec-13	Monthly/18
TL 48	19,444,442	-	30,555,558	19,444,442	BR+1.25%	22-Jan-14	Monthly/18
TL 49	13,333,330	-	16,666,670	13,333,330	BR+1.25%	19-Feb-14	Monthly/18
TL 50	10,000,000	-	9,999,999	10,000,000	BR+1.25%	26-Mar-14	Monthly/18
TL 51	5,555,552	-	-	-	BR+1.25%	9-Aug-14	Monthly/18
TL 52	10,000,001	-	-	-	BR+1.25%	30-Jul-14	Monthly/18
TL 53	16,666,664	-	-	-	BR+1.25%	9-Aug-14	Monthly/18
TL 54	24,999,996	6,250,007	-	-	BR+1.25%	30-Jul-14	Monthly/24
TL 55	21,666,664	-	-	-	BR+1.25%	30-Oct-14	Monthly/18
TL 56	24,999,996	12,500,006	-	-	BR+1.25%	10-Oct-14	Monthly/24
TL 57	15,000,000	11,250,000	-	-	BR+1.25%	30-Jan-15	Monthly/24
TL 58	-	-	1,225,445	-	15.25%	26-Dec-12	Monthly/18
TL 59	-	-	1,227,515	-	15.25%	31-Dec-12	Monthly/18
TL 60	-	-	4,839,593	-	15.25%	28-Feb-13	Monthly/18
TL 61	-	-	34,568,733	-	15.35%	21-Sep-13	Monthly/18
TL 62	1,867,404	-	20,471,276	1,867,064	15.35%	25-Nov-13	Monthly/18
TL 63	3,189,379	-	11,651,991	3,189,194	15.10%	31-Mar-14	Monthly/18
TL 64	35,913,616	-	64,086,384	35,913,616	15.00%	22-Apr-14	Monthly/18
TL 65	21,304,552	-	-	-	15.35%	24-Jun-14	Monthly/18
TL 66	7,105,686	-	-	-	15.34%	30-Jun-14	Monthly/18
TL 67	15,860,089	-	-	-	15.34%	10-Jul-14	Monthly/18
TL 68	14,606,617	-	-	-	15.34%	21-Aug-14	Monthly/18
TL 69	27,648,960	-	-	-	15.34%	23-Oct-14	Monthly/18
TL 70	20,208,978	3,687,432	-	-	15.34%	5-Dec-14	Monthly/18
TL 71	15,174,512	2,766,130	-	-	15.34%	28-Dec-14	Monthly/18

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.37 TERMS OF THE BORROWINGS (continued)

Nature of Facility	Amount outstanding as at 31 March 2015		Amount outstanding as at 31 March 2014		Interest rate	First date of repayment	Terms of repayment/No. of instalments
	Current	Non Current	Current	Non Current			
TL 72	51,264,291	28,735,709	-	-	14.95%	27-Apr-15	Monthly/18
TL 73	20,000,004	19,999,996	-	-	16.00%	30-Apr-15	Monthly/24
TL 74	13,058,081	36,941,919	-	-	14.95%	1-Jun-15	Monthly/33
<b>Total (C)</b>	<b>556,927,502</b>	<b>182,078,709</b>	<b>406,967,926</b>	<b>144,915,800</b>			
<b>D. Secured vehicle loan ('VL') from Bank#</b>							
VL 1	742,750	2,289,012	336,964	3,368,728	10.25%	31-Oct-13	Monthly/60
<b>Total (D)</b>	<b>742,750</b>	<b>2,289,012</b>	<b>336,964</b>	<b>3,368,728</b>			
<b>E. Secured vehicle loan ('VL') from others#</b>							
VL 2	207,246	18,119	185,730	225,564	11.00%	15-May-11	Monthly/60
<b>Total (E)</b>	<b>207,246</b>	<b>18,119</b>	<b>185,730</b>	<b>225,564</b>			
<b>F. Unsecured term loan ('USL') from financial institution</b>							
USL 1	16,500,000@	-	-	10,000,000	4.00%	10-Oct-15	Monthly/6
SB 1	-	70,000,000	-	-	15.50%	28-Feb-21	Bullet Repayment
<b>Total (F)</b>	<b>16,500,000</b>	<b>70,000,000</b>	<b>-</b>	<b>10,000,000</b>			
<b>Total (A+B+C+D+E+F)</b>	<b>1,391,821,929</b>	<b>1,147,782,845</b>	<b>606,066,355</b>	<b>334,105,157</b>			

\*All term loans are secured against exclusive charge on the standard assets portfolio receivables pertaining to micro credit loans in addition to the cash collaterals referred in note 2.11, 2.14 and 2.16 with the respective lenders.

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

@ An amount of 6,500,000 was received during the year.

### 2.38 DEFERRED TAX

	As at 31 March 2015	As at 31 March 2014
<b>Deferred tax asset</b>		
- Provisions on loan portfolio	8,232,632	3,333,928
- Provision for employee benefits	2,002,759	850,177
- Depreciation on fixed assets	1,763,889	319,471
<b>Total (A)</b>	<b>11,999,280</b>	<b>4,503,576</b>
<b>Deferred tax liability</b>		
- Depreciation on fixed assets	-	-
<b>Total (B)</b>	<b>-</b>	<b>-</b>
<b>Deferred tax asset/(liability), net (A-B)</b>	<b>11,999,280</b>	<b>4,503,576</b>

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.39 LEGAL AND PROFESSIONAL FEE IN NOTE 2.22 INCLUDES AUDITORS REMUNERATION AS FOLLOWS:

	For the year ended 31 March 2015	For the year ended 31 March 2014
Audit fees	850,000	750,000
Limited review fees	250,000	-
Certification fees	300,000	300,000
Out of pocket expenses	59,968	30,875
<b>Total</b>	<b>1,459,968</b>	<b>1,080,875</b>

### 2.40 INFORMATION ON INSTANCES OF FRAUD:

Nature of fraud	For the year ended 31 March 2015			For the year ended 31 March 2014		
	Amount of fraud	Recovery	Amount outstanding	Amount of fraud	Recovery	Amount outstanding
Misappropriation of cash by employees	168,303	76,000	92,303	82,000	82,000	-
<b>Total</b>	<b>168,303</b>	<b>76,000</b>	<b>92,303</b>	<b>82,000</b>	<b>82,000</b>	<b>-</b>

### 2.41 AMOUNTS PAYABLE TO MICRO, SMALL AND MEDIUM ENTERPRISES

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2015 has been made in the financial statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
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

## Notes to the Financial Statements for the year ended 31 March 2015 (continued)

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

### 2.42 CAPITAL TO RISK ASSET RATIO (CRAR):

Particulars	2014-15	2013-14
i) CRAR %	19.06%	29.71%
ii) CRAR – Tier I Capital (%)	15.82%	17.32%
iii) CRAR – Tier II Capital (%)	3.24%	12.39%
iv) Amount of subordinated debt raised as Tier II capital	70,000,000	-
v) Amount raised by issue of Perpetual Debt Instruments	-	-

### 2.43

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 the Board of Directors of  
**Fusion Micro Finance Private Limited**

**Sriram Mahalingam**  
Partner  
Membership No.: 049642

**Devesh Sachdev**  
Director & CEO

**Ashish Tewari**  
Director & COO

**Deepak Madaan**  
Company Secretary

Place: Hyderabad  
Date: 28 May 2015

Place: New Delhi  
Date: 28 May 2015

# NOTICE



NOTICE is hereby given that the Annual General Meeting of the Members of Fusion Microfinance Private Limited (the Company) will be held on Tuesday, 29th September, 2015 at 4.00 PM at C-3, Community Centre, Naraina Vihar, New Delhi-110028 to transact the following business:

## Ordinary Business:

1. To consider and adopt the Audited Financial Statement of the Company for the year ended March 31, 2015, the Reports of the Directors and the Auditors thereon.
2. To declare dividend on Preference Shares.
3. Appoint Auditors and in this regard to consider and if thought fit, to pass with or without modification, the following resolution as ORDINARY RESOLUTION :

“RESOLVED that M/s. BSR & Co LLP (Registration Number 116231W/W-100024 with the Institute of Chartered Accountants of India) be and are hereby re-appointed as Auditors to hold office from the conclusion of this meeting until the conclusion of Annual General Meeting held in the year 2020, (subject to ratification of their appointment at every AGM), at such remuneration as may be decided by the Board of Directors”.

## Special Business:

4. **To appoint Ms. Anita Alcira Serrate Cortez as Nominee Director:**

To consider and if thought fit, to pass the following resolution, with or without modification, as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 149, Section 152, and all other applicable provisions of Companies Act, 2013, and Companies (Appointment and Qualification of Directors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force), Ms. Anita Alcira Serrate Cortez (DIN-

07216795), who was appointed as an Additional Director of the Company effective from June 19, 2015 by the Board of Directors and who holds office until the date of the Annual General Meeting, pursuant to Section 161 of the Companies Act, 2013 and Articles of association of the Company, be and is hereby appointed as a Nominee Director of the Company.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds and things as it may be deemed necessary in this regard, including filing of necessary statutory forms with Registrar of Companies, Ministry of Corporate Affairs, as may be required from time to time”.

5. **To appoint Mr. Albert Hofsink as Nominee Director:**

To consider and if thought fit, to pass the following resolution, with or without modification, as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 149, Section 152, and all other applicable provisions of Companies Act, 2013, and Companies (Appointment and Qualification of Directors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Albert Hofsink (DIN- 02422809), who was appointed as an Additional Director of the Company effective from June 19, 2015 by the Board of Directors and who holds office until the date of the Annual General Meeting, pursuant to Section 161 of the Companies Act, 2013 and Articles of association of the Company, be and is hereby appointed as a Nominee Director of the Company

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds and things as it may be deemed necessary in this regard, including filing of necessary statutory forms with Registrar of Companies, Ministry of Corporate Affairs, as may be required from time to time”.



#### 6. To appoint Mr. Nitin Gupta as Independent Director

To consider and if thought fit, to pass the following resolution, with or without modification, as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 149, Section 152, and all other applicable provisions of Companies Act, 2013, and Companies (Appointment and Qualification of Directors) Rules, 2014,(including any statutory modification(s) or re-enactment thereof for the time being in force)Mr. Nitin Gupta (DIN 03316274) who was appointed as an Additional Director of the Company effective from September 04, 2015 by the Board of Directors and who holds office until the date of the Annual General Meeting, pursuant to Section 161 of the Companies Act, 2013 and Articles of association of the Company be and is hereby appointed as an Independent Director of the Company on the terms and conditions contained in the Letter of Appointment to be issued by the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds and things as it may be deemed necessary in this regard, including filing of necessary statutory forms with Registrar of Companies, Ministry of Corporate Affairs, as may be required from time to time".

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

Sd/-

Place: New Delhi

Dated: 04.09. 2015

**Devesh Sachdev**  
(Director & CEO)

#### Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (THE MEETING) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE, INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representative to attend and vote at the Meeting.
3. The Register of Directors Shareholding shall be available for inspection at the Meeting.
4. The Annual Report for the year ended March 31, 2015 containing, inter-alia, the Directors' Report, Auditors' Report and the audited financial statement is enclosed.



## Annexure to Notice

### Explanatory Statement pursuant to Section 102 of the Companies Act, 2013

#### Item 3.

M/s. BSR & Co. LLP (Registration Number 101248W/W-100022 with the Institute of Chartered Accountants of India), Chartered Accountants, were appointed as the statutory auditors of the Company for the financial year 2014-15 at the Annual General Meeting held on September 29, 2014. M/s. BSR & Co. LLP is proposed to be re-appointed for five year as statutory auditors until the conclusion of Annual General Meeting held in the year 2020.

None of the Directors and Key Managerial Personnel of the Company or their relatives are concerned or interested financially or otherwise, in the resolution set out at item No. 3.

The Board recommends the resolution at Item No. 3 for approval of the members.

#### Item 4.

Ms. Anita Alcira Serrate Cortez (representative of Belgian Investment Company for Developing Countries SA) was co-opted as an Additional Director of the Company with effect from June 19, 2015, as per Section 161 of the Companies Act, 2013 read with Article of Association of the Company. Pursuant to the provisions of Section 161 of the Companies Act, 2013, She holds office upto the date of ensuing Annual General Meeting of the Company.

Ms. Anita Serrate is not disqualified from being appointed as Directors in terms of Section 164 of the Companies Act, 2013 and have given their consent to act as directors

#### A brief profile of Ms. Anita Serrate, is provided below:

Ms. Anita Serrate is a forewoman with 15+ years of experience with bank, Non-bank financial institutions, MFIs at international level. She has worked with Euroclear Bank (Subsidiary of Morgan Guaranty) in multiple functional areas like Credit, Accounts and Risk. She has in depth knowledge of Credit Risk, Market Risk in Financial Institutions, Intensive Bank Analysis, Bank and Non-Bank Financial Institution Analysis and Basel II training. Currently she is working as an investment Officer at BIO Invest SA, Belgium.

The Board Considers it advantageous and in the interest of the Company to have Ms. Anita Serrate on Board.

The Board of Directors has recommended the appointment of Ms. Anita Alcira Serrate Cortez as Nominee Director for the approval of members as an Ordinary Resolution.

None of the Directors or Key Managerial personnel of the Company and their relatives.

#### Item No. 5

Mr. Albert Hofskin (representative of Oikocredit, Ecumenical Development Co-Operative Society U.A.) was co-opted as an Additional Director of the Company with effect from June 19, 2015, as per Section 161 of the Companies Act, 2013 read with Article of Association of the Company. Pursuant to the provisions of Section 161 of the Companies Act, 2013, He holds office upto the date of ensuing Annual General Meeting of the Company.

Mr. Albert Hofskin is not disqualified from being appointed as Directors in terms of Section 164 of the Companies Act, 2013 and have given their consent to act as directors.

#### A brief profile of Mr. Albert Hofskin, is provided below:

Mr. Albert Hofskin is thorough professional with 30+ years of experience, he has worked with renowned organizations like KPMG, Ernst and Young. Albert had spent more than a decade on the board of Oikocredit and is well versed with different functional areas and has multiculture exposure. Also, he has served on the boards of HKL, Manveeya Development Finance India, 4F Fund and other operating Subsidiaries of Oikocredit. Recently he has started consulting and support activities regarding responsible investments.

The Board of Directors considers it in the interest of the Company to appoint Mr. Albert Hofskin as a Director.

The Board of Directors has recommended the appointment of Mr. Albert Hofskin as Nominee Director for the approval of members as an Ordinary Resolution.

None of the Directors or Key Managerial personnel of the Company and their relatives.

## Item No. 6

The Board appointed Mr. Nitin Gupta (DIN 03316274) as an Additional Director in the capacity of Non-Executive Independent Director on September 04, 2015. As an Additional Director, Mr. Nitin Gupta shall hold office up to the conclusion of the ensuing Annual General Meeting. The Board of Directors have recommended his appointment as the Independent Director of the Company on the terms and conditions as may be contained in the Letter of Appointment to be issued by the Company, for the approval of the members.

Mr. Nitin Gupta is not disqualified from being appointed as Directors in terms of Section 164 of the Act. The Company has also received declarations from Mr. Nitin Gupta that he meets with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Act. Mr. Nitin Gupta is not disqualified from being appointed as Directors in terms of Section 164 of the Companies Act, 2013 and have given their consent to act as directors.

In the opinion of the Board, Mr. Nitin Gupta fulfills the conditions for appointment as Independent Directors as specified in the Act and is independent of the management.

### **A brief profile of Mr. Nitin Gupta, is provided below:**

Mr. Nitin Gupta 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 has also founded Dynamis Partners, which helps young people start companies and bring their own entrepreneurship dream to life.

Mr. Nitin Gupta was a non-executive Co-Founder of Lets Buy, one of India's most successful e-commerce companies, which was sold to FlipKart, India's #1 e-commerce company.

During 2003-08, Mr. Nitin Gupta was with MasterCard Worldwide as their CEO and Country Manager for South Asia. Earlier, he was the President of Rediff.com, one of Asia's most successful Internet companies, where he helped lead the company to its successful listing on the NASDAQ.

In 1997-2000, He was President of GE Capital India's retail financing business, and before that worked across marketing and advertising (Unilever, American Express, J. Walter Thompson).

Mr. Nitin Gupta is an MBA from IIM, Ahmedabad, earned a law degree from Bombay University, and is an economics graduate from St. Stephen's College, Delhi.

The Board Considers it advantageous and in the interest of the Company to have Mr. Nitin Gupta on Board.

The Board of Directors has recommended the appointment of Mr. Nitin Gupta as Independent Director for the approval of members as an Ordinary Resolution.

None of the Directors or Key Managerial personnel of the Company and their relatives.

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

Sd/-

Place: New Delhi  
Dated: 04.09. 2015

**Devesh Sachdev**  
(Director & CEO)





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[www.fusionmicrofinance.com](http://www.fusionmicrofinance.com)