

B S R & Associates LLP

Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Members of
Fusion Micro Finance Private Limited

Report on the Audit of the Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and profit and its cash flows for the year ended on that date.

Basis for Opinion

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

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INDEPENDENT AUDITORS' REPORT
Fusion Micro Finance Private Limited

Key Audit Matters

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

Key audit matter	How the matter was addressed in our audit
Provision on loan portfolio including managed and securitised portfolio Charge to the statement of profit and loss (including write off): INR 263,405,305 for year ended 31 March 2019 Provision as at balance sheet date: INR 483,552,365 as at 31 March 2019	
<i>Refer to the accounting policies in "Note 1 (e) to the financial statements: Classification of loan portfolio and provisioning policy" and "Note 2.4, 2.7, 2.9, 2.19 and 2.23 to the financial statements"</i>	
<p>The determination of provisions for loan portfolio including managed and securitised portfolio is inherently judgmental and relies on management's best estimate, including compliance with the Reserve Bank of India guidelines with regard to the Asset Classification & Provisioning.</p> <p>Estimates, by their nature, give rise to a higher risk of material misstatement due to error or fraud. Given the size of loan portfolio relative to the balance sheet and the impact of provision for loan losses on the financial statements, we have considered this as a key audit matter.</p>	<p>We performed the following key audit procedures:</p> <ul style="list-style-type: none"> Performed process walkthroughs to identify the key controls used in the provision for loan portfolio process. Assessed the design and implementation of controls in respect of the Company's provision for loan portfolio process such as the timely recognition of provision, the completeness and accuracy of reports used in the provision process and management review processes over the calculation of provision. Performed test of details, on a sample basis, of calculation of provisions as at 31 March 2019 to assess the completeness, accuracy and relevance of data and ensure that the same is in compliance with the RBI guidelines with regard to the Asset Classification & Provisioning, prescribed and Company's accounting policy. Assessed the appropriateness of the disclosure in the financial statements.



INDEPENDENT AUDITORS' REPORT
Fusion Micro Finance Private Limited

Other Information

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

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

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

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

Management's Responsibility for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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INDEPENDENT AUDITORS' REPORT
Fusion Micro Finance Private Limited

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

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

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

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INDEPENDENT AUDITORS' REPORT
Fusion Micro Finance Private Limited

Report on Other Legal and Regulatory Requirements

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

(A) As required by Section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The balance sheet, the statement of profit and loss and the statement of cash flows dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act.
- e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

(B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

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

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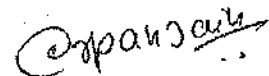
INDEPENDENT AUDITORS' REPORT
Fusion Micro Finance Private Limited

Report on Other Legal and Regulatory Requirements (continued)

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

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

for B S R & Associates LLP
Chartered Accountants
ICAI Firm's Registration No. 116231W/W-100024



Arpan Jain
Partner
Membership No. 125710

Place: New Delhi
Date: 27 May 2019

Fusion Micro Finance Private Limited

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

The Annexure A 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 2019, we report that:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which all the fixed assets are verified every year. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. During the year, the Company has carried out physical verification of its fixed assets in accordance with the programme, however, reconciliation with fixed assets register is in progress as at year end.

(c) The Company does not own any immovable properties. Hence, the provisions of Clause 3(i)(c) of the said Order are not applicable to the Company.
- ii. The Company was engaged in the business of providing Micro credit. Accordingly, it does not hold any physical inventories. Hence, the provisions of Clause 3(ii) of the said Order are not applicable to the Company.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the Register maintained under Section 189 of the Act. Hence, the provisions of Clause 3(iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. The Company has not given loans, investments, guarantees and security covered under Section 185 and 186 of the Act. Therefore, paragraph 3(iv) of the Order is not applicable to the Company.
- v. The Company has not accepted any deposits from the public.
- vi. The Central Government of India has not prescribed the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the services rendered by the Company.
- vii. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' state insurance, Income-tax, Goods and services tax, Cess and other material statutory dues have generally been regularly deposited by the Company with the appropriate authorities. The Company did not have any dues on account of duty of Customs and duty of Excise.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' state insurance, Income-tax, Goods and services tax, Cess and other material statutory dues were in arrears as at 31 March 2019 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Income tax, Goods and services tax, duty of Customs and duty of Excise which have not been deposited with appropriate authorities on account of any dispute.
- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or dues to debenture holders as at the balance sheet date. The Company did not have any loans or borrowings payable to Government.

Fusion Micro Finance Private Limited

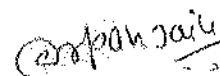
Annexure A to the Independent Auditor's Report on the financial statements (continued)

- ix. The Company has not raised any monies by way of initial public offer or further public offer. In our opinion, and according to the information and explanations given to us, monies raised by way of term loans have been applied, on an overall basis, for the purposes for which they were obtained though funds which were drawn towards the end of reporting period were invested in liquid assets payable on demand on temporary basis.
- x. According to the information and explanations given to us, we report that no material fraud by the Company or by its employees or officers has been noticed or reported during the year except for instances of cash embezzlements by certain employees of the Company aggregating to an amount of INR 10,532,331 and out of which an amount of INR 2,937,175 has been recovered. The services of the concerned employees have been terminated.
- xi. The provisions of Section 197 read with Schedule V to the Act are applicable only to the public companies. Accordingly, the provision of Clause 3 (xi) of the Order are not applicable to the Company.
- xii. The Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. According to the information and explanations given to us, the transactions with related parties are in compliance with the provisions of Sections 177 and 188 of the Act where applicable and the details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- xiv. The Company has made preferential allotment of equity shares during the current year, in compliance with the requirements of Section 42 of the Act. The amounts raised have been used for the purpose for which funds were raised.
- xv. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company has been registered under Section 45 IA of the Reserve Bank of India Act, 1934 as a Non-Banking Finance Company – Micro Finance Institution.

for B S R & Associates LLP

Chartered Accountants

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



Arpan Jain

Partner

Membership No. 125710

Place: New Delhi

Date: 27 May 2019

Fusion Micro Finance Private Limited

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

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

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

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

Opinion

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

In our opinion, the Company has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

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



Fusion Micro Finance Private Limited

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

Auditors' Responsibility (continued)

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

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

Meaning of Internal Financial controls with Reference to Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

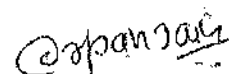
Inherent Limitations of Internal Financial controls with Reference to Financial Statements

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

for B S R & Associates LLP

Chartered Accountants

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



Place: New Delhi
Date: 27 May 2019

Arpan Jain
Partner
Membership No. 125710

Fusion Micro Finance Private Limited
Balance Sheet as at 31 March 2019
 (All amounts in Indian rupees unless otherwise stated)

	Note	As at 31 March 2019	As at 31 March 2018
EQUITY AND LIABILITIES			
Shareholders funds			
Share capital	2.1	61,57,75,618	44,18,26,745
Reserves and surplus	2.2	5,61,08,70,407	2,13,51,26,158
		<u>6,22,66,46,025</u>	<u>2,57,69,52,903</u>
Non-current liabilities			
Long-term borrowings	2.3	14,19,47,74,307	10,02,48,61,095
Long-term provisions	2.4	4,87,20,616	1,69,69,203
		<u>14,24,34,94,923</u>	<u>10,04,18,30,298</u>
Current liabilities			
Short-term borrowings	2.5	96,84,02,778	1,00,81,75,525
Other current liabilities	2.6	12,18,15,68,585	5,53,05,61,568
Short-term provisions	2.7	46,96,31,198	52,70,93,587
		<u>13,61,96,02,561</u>	<u>7,06,58,30,680</u>
Total		<u>34,08,97,43,509</u>	<u>19,68,46,13,881</u>
ASSETS			
Non-current assets			
Property, plant and equipment	2.8		
(i) Tangible assets		5,35,15,304	4,72,49,139
(ii) Intangible assets		17,26,308	23,92,087
Deferred tax assets, net	2.34	22,87,38,564	25,09,31,961
Loan portfolio	2.9	6,85,72,87,081	4,39,19,34,739
Long-term loans and advances	2.10	10,82,63,742	9,01,50,334
Other non-current assets	2.11	51,01,65,290	74,99,95,256
Non-current investments	2.12	50,00,000	50,00,000
		<u>7,76,46,96,289</u>	<u>5,53,76,53,516</u>
Current assets			
Trade receivables	2.13	60,92,422	47,97,197
Cash and bank balances	2.14	9,35,12,51,880	5,05,83,28,187
Loan portfolio	2.9	16,56,10,26,376	8,83,49,57,752
Short-term loans and advances	2.15	5,44,64,899	5,61,98,988
Other current assets	2.16	35,22,11,643	19,26,78,241
		<u>26,32,50,47,220</u>	<u>14,14,69,60,365</u>
Total		<u>34,08,97,43,509</u>	<u>19,68,46,13,881</u>
Significant accounting policies	1		
Notes to the financial statements	2		

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

Arpan Jain
 Partner
 Membership Number.: 125710

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

Devesh Sachdev
 MD & CEO
 DIN: 02547111

Deepak Madan
 Company Secretary

Pradip Kumar Saha
 Director
 DIN: 02947368

Gaurav Maheshwari
 Chief Financial Officer

Place: New Delhi
 Date: 27 May 2019

Place: New Delhi
 Date: 27 May 2019

Fusion Micro Finance Private Limited**Statement of Profit and Loss for the year ended 31 March 2019**

(All amounts in Indian rupees unless otherwise stated)

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

Significant accounting policies 1

Notes to the financial statements 2

As per our report of even date attached

for B S R & Associates LLP

Chartered Accountants

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

for and on behalf of the Board of Directors of

Fusion Micro Finance Private Limited

CIN: U65100DL1994PTC061287

Arpan Jain

Partner

Membership Number.: 125710

Devesh Sachdev

MD & CEO

DIN: 02547111

Pradip Kumar Saha

Director

DIN: 02947368

Deepak Madaan

Company Secretary

Gurpreet Maheshwari

Chief Financial Officer

Place: New Delhi

Date: 27 May 2019

Place: New Delhi

Date: 27 May 2019

Fusion Micro Finance Private Limited
Cash Flow Statement for the year ended 31 Mar 2019
 (All amounts in Indian rupees unless otherwise stated)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
I. Cash flows from operating activities:		
Profit / (loss) before tax	88,22,32,943	(53,60,48,402)
Adjustments:		
Depreciation and amortisation	2,38,74,193	2,04,06,853
Loan portfolio written off	29,11,12,696	66,36,78,587
Provision on loan portfolio	(1,97,35,034)	21,95,39,136
Provision for employee benefits	1,39,58,656	56,31,153
Profit on sale of mutual fund units	(18,28,86,330)	(11,72,82,465)
Profit/(loss) on sale of fixed assets	(23,181)	15,997
Operating profit before working capital changes	1,00,85,33,943	25,59,40,859
Increase in loan portfolio (net of securitised loan portfolio)	(10,49,67,23,116)	(6,38,03,74,309)
Increase in advances and other assets	(22,26,18,764)	(6,93,74,026)
Proceeds/(Loan) to Fusion Employee Benefit Trust	(5,82,33,520)	2,93,613
Increase in trade receivables	(12,95,225)	(47,97,197)
Increase in liabilities and provisions	35,99,15,166	25,66,35,784
Cash generated from operations	(9,41,04,21,517)	(5,94,16,75,276)
Income taxes paid, net	(23,15,60,895)	(2,71,05,876)
Net cash flow used by operating activities (A)	(9,64,19,82,411)	(5,96,87,81,152)
II. Cash flows from investing activities:		
Purchase of fixed assets	(2,95,44,331)	(2,39,31,655)
Proceed from sale of fixed assets	29,559	7,000
(Purchase)/sale of investments, net	18,28,86,330	2,21,73,96,225
Investment in long-term Fixed Deposits in banks/FIs with maturity of more than three months	(19,24,45,073)	(35,17,12,192)
Net cash from/ (used by) investing activities (B)	(3,90,73,515)	1,84,17,59,378
III. Cash flows from financing activities:		
Proceeds from issuance of share capital (including share premium)	3,05,68,47,104	74,86,88,116
Payment of preference dividend	(14,64,658)	(27,00,000)
Payment of tax on preference dividend	(8,56,057)	(5,49,660)
Proceeds from borrowings, net	10,43,87,25,536	6,66,69,44,975
Net cash provided by financing activities (C)	13,49,32,51,925	7,41,23,83,431
Net increase in cash and cash equivalents (A + B + C)	3,81,21,95,999	3,28,53,61,657
Cash and cash equivalents at the beginning of the year	4,94,58,70,073	1,66,05,08,415
Cash and cash equivalents at the end of the year (refer Note 2.14)	8,75,80,66,071	4,94,58,70,073

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

Arpan Jain
 Partner
 Membership Number.: 125710

Place: New Delhi
 Date: 27 May 2019

for and on behalf of Board of Directors of
Fusion Micro Finance Private Limited
 CIN: U65100DL1994PTC061287

Devesh Sachdev
 MD & CEO
 DIN: 02547111

Deepak Madan
 Company Secretary

Pradip Kumar Saha
 Director
 DIN: 02947368

Gulraj Khosla
 Chief Financial Officer

Place: New Delhi
 Date: 27 May 2019

Fusion Micro Finance Private Limited
Notes to the financial statements for the year ended 31 March 2019
 (All amounts in Indian rupees unless otherwise stated)

	As at 31 March 2019	As at 31 March 2018
2.1 Share capital		
Authorised:		
Equity shares		
70,000,000 (previous year: 50,000,000) equity shares of Rs. 10 each	70,00,00,000	50,00,00,000
Preference shares		
5,000,000 (previous year: 5,000,000) preference shares of Rs. 10 each	5,00,00,000	5,00,00,000
	<u>75,00,00,000</u>	<u>55,00,00,000</u>
Issued and subscribed		
Equity shares		
Fully paid up		
62,621,180 (previous year: 41,970,979) equity shares of Rs. 10 each fully paid up	62,62,11,800	41,97,09,790
Less: Amount recoverable from Fusion Employees Benefit Trust	(1,35,35,500)	(89,82,340)
Partly paid up		
3,099,408 (previous year: 1,099,295) equity shares of Rs. 10 each partly paid up @ Rs. 1	30,99,408	10,99,295
	<u>61,57,75,618</u>	<u>41,18,26,745</u>
Preference shares		
Nil (previous year: 3,000,000) 9% optionally convertible preference shares of Rs. 10 each, fully paid-up		3,00,00,000
	<u>61,57,75,618</u>	<u>44,18,26,745</u>

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:

	As at 31 Mar 2019		As at 31 March 2018	
Particulars	Number of shares	Amount	Number of shares	Amount
Equity shares				
At the commencement of the year	4,30,70,274	42,08,09,085	3,51,74,717	35,17,47,170
Allotted to Fusion employee benefit trust	5,49,647	54,96,470	-	-
Conversion of 9% optionally convertible preference shares	6,25,093	62,50,930	-	-
Issued during the year (fully paid up)	1,94,75,461	19,47,54,610	67,96,262	6,79,62,620
Issued during the year (partly paid up @ Rs. 1)	20,00,113	20,00,113	10,99,295	10,99,295
At the end of the year	<u>6,57,28,588</u>	<u>62,93,11,208</u>	<u>4,30,70,274</u>	<u>42,08,09,085</u>

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:

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

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

(i) Equity shares

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

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

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



Fusion Micro Finance Private Limited
Notes to the financial statements for the year ended 31 March 2019
 (All amounts in Indian rupees unless otherwise stated)

2.1 Share capital (continued)

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

Name of the shareholder	As at 31 March 2019		As at 31 March 2018	
	Number of shares	% of Holding	Number of shares	% of Holding
RIF-NORTH 2, Mauritius	-	0.00%	36,80,138	8.54%
NMI FRONTIER FUND, LLP, Norway	-	0.00%	48,48,758	11.26%
Devesh Sachdev - MD & CEO	47,10,150	7.17%	27,04,037	6.28%
Belginn Investment Company for Developing Countries SA, Belgium	-	0.00%	51,34,920	11.92%
Oikocredit, Ecumenical Development Co-Operative Society U.A., Netherlands	66,06,375	10.05%	66,06,375	15.34%
Creation Investment Fusion, LLC, Chicago, U.S.A.	1,53,21,043	23.31%	1,53,21,043	35.57%
Creation Investment Fusion II, LLC, Chicago, U.S.A.	51,34,920	7.81%	-	0.00%
Global Financial Inclusion Fund	35,39,091	5.39%	35,39,091	8.22%
Honey Rose Investment Ltd, Mauritius	2,86,39,430	43.56%	-	0.00%
	6,39,41,029	97.29%	4,18,31,362	97.13%

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

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

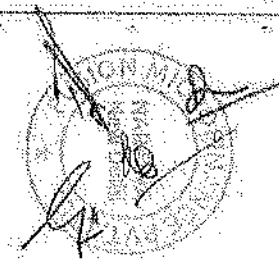
2.1.6 Particulars of shares reserved for issue under employee stock options

Particulars	As at 31 March 2019	As at 31 March 2018
	Number of shares	Number of shares
Under Employee Stock Option Plans	19,02,101	10,99,294
	19,02,101	10,99,294

These shares are reserved for employees as at balance sheet date

2.1.7 Aggregate number and class of shares allotted as fully paid up pursuant to Share Subscription Agreement dated 24 May 2010 without payment being received in cash during the five-year period ended March 31, 2019:

Particulars	As at 31 March 2019	As at 31 March 2018	As at 31 March 2017	As at 31 March 2016	As at 31 March 2015
	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares
Shares allotted to Directors	-	-	-	-	3,03,425
	-	-	-	-	3,03,425



Fusion Micro Finance Private Limited
Notes to the financial statements for the year ended 31 March 2019
 (All amounts in Indian rupees unless otherwise stated)

2.2 Reserves and surplus

Securities premium account

	As at 31 March 2019	As at 31 March 2018
At the commencement of the year	2,29,38,27,089	1,61,42,00,888
Add: Premium Received on equity shares issued during the year	2,88,66,59,172	67,96,26,201
Less: Share issue expenses	(57,28,191)	(57,000)
Sub total	5,17,47,58,070	2,29,37,70,089
Less: Amount recoverable from Fusion Employees Benefit Trust	(6,37,75,501)	(1,00,32,339)
At the end of the year (A)	<u>5,11,09,82,569</u>	<u>2,28,37,37,750</u>

Statutory reserve (created under Section 45-1C of RBI Act, 1934)

At the commencement of the year	5,25,17,902	5,25,17,902
Add: Amount transferred from surplus in the statement of profit & loss	13,07,04,029	-
Less: Amount utilized	-	-
At the end of the year (B)	<u>18,32,21,931</u>	<u>5,25,17,902</u>

Surplus/ (Deficit) Balance in statement of profit and loss

At the commencement of the year	(20,11,29,494)	19,62,54,798
Add: Profit/(Loss) for the year	65,35,20,145	(39,41,34,632)
Less: Amount transferred to statutory reserve	(13,07,04,029)	-
Less: Dividend on 9% Optionally convertible preference shares*	(41,64,658)	(27,00,000)
Less: Tax on preference dividend	(8,56,057)	(5,49,660)
At the end of the year (C)	<u>31,66,65,907</u>	<u>(20,11,29,494)</u>

Total reserves and surplus (A+B+C)

<u>5,61,08,70,497</u>	<u>2,13,51,26,158</u>
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* Dividend includes dividend amounting to Rs. 2,700,000 pertaining to financial year 2017-18 and Rs. 1,464,658 pertaining to current financial year till conversion of 9% OCPS to equity shares.

2.3 Long-term borrowings *

Debentures

Secured

3,489 (Previous year: 4,143) Redeemable transferable non-convertible debentures of Rs.1,000,000 each, fully paid-up 3,48,93,33,400 4,14,29,99,867

60 (Previous year: Nil) Redeemable transferable non-convertible debentures of Rs.10,000,000 each, fully paid-up 60,00,00,000 -

Unsecured

1,050 (Previous year: 1050) Redeemable transferable non-convertible debentures of Rs.1,000,000 each, fully paid-up 1,05,00,00,000 1,05,00,00,000

Term loans

Secured

- from banks 5,99,48,72,349 1,79,07,26,140

- from others 2,58,14,77,651 2,41,65,89,632

Unsecured

- from banks 30,00,00,000 -

- from others 17,90,90,907 62,45,45,456

<u>14,19,47,74,307</u>	<u>10,02,48,61,095</u>
------------------------	------------------------

*Refer note 2.33



Fusion Micro Finance Private Limited
Notes to the financial statements for the year ended 31 March 2019

(All amounts in Indian rupees unless otherwise stated)

	As at 31 March 2019	As at 31 March 2018
2.4 Long-term provisions		
Contingent Provision against standard loan portfolio (Owned)*	3,28,58,160	-
Provision for employee benefits		
- Gratuity (refer note 2.26)		3,12,746
- Compensated absences	1,58,62,456	1,66,56,457
	<u>4,87,20,616</u>	<u>1,69,69,203</u>
* refer note 2.23		
2.5 Short term borrowings*		
From Banks		
- Cash Credit		5,81,75,525
- Term Loan	96,84,02,778	95,00,00,000
	<u>96,84,02,778</u>	<u>1,00,81,75,525</u>
* refer note 2.33		
2.6 Other current liabilities		
Current maturities of long-term debt: *		
Debentures		
Secured		
667 (Previous year: 287) Redeemable transferable non convertible debentures of Rs.1,000,000 each.	66,76,66,600	28,66,66,800
Term loans		
Secured		
- From bank	7,01,35,97,545	2,36,92,90,194
- From others	3,49,68,05,599	2,21,32,43,558
Unsecured		
- From others	14,54,54,544	14,54,54,544
Vehicle loans		
- From bank		2,84,120
	<u>11,32,35,24,288</u>	<u>5,01,49,39,216</u>
Payable towards securitised portfolio	42,59,73,580	21,42,56,408
Interest accrued but not due on borrowings	21,03,08,724	15,66,83,492
Interest accrued but due on borrowings	2,90,391	-
Statutory dues	4,49,07,946	2,72,12,306
Salaries and bonus payable	9,02,34,584	5,06,74,148
Expenses payable	4,19,11,691	2,22,17,848
Other payable	4,44,17,381	4,45,78,150
	<u>12,18,15,68,585</u>	<u>5,53,05,61,568</u>
*refer note 2.33		
2.7 Short-term provisions		
Contingent Provisions against standard loan portfolio (Owned)*	8,08,83,280	-
Contingent Provisions against standard loan portfolio (Securitized)*	1,42,03,453	-
Provision on non performing loan portfolio (Owned)*	33,11,79,290	50,57,05,307
Provision on non performing loan portfolio (Securitized)*	63,27,195	-
Provision on non-performing loan portfolio (Managed)*	1,81,00,987	2,01,88,620
Provision for employee benefits		
- Gratuity (refer note 2.26)		2,25,171
- Compensated absences	14,37,397	9,74,489
Others*	1,74,99,596	-
	<u>46,96,31,198</u>	<u>52,70,93,587</u>
*refer note 2.23		



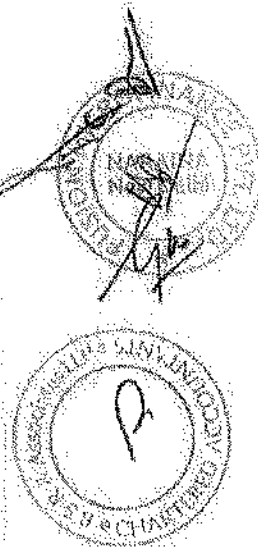
Fusion Micro Finance Private Limited

Notes to the financial statements for the year ended 31 March 2019

(All amounts in Indian rupees unless otherwise stated)

2.8 Property, plant and equipment

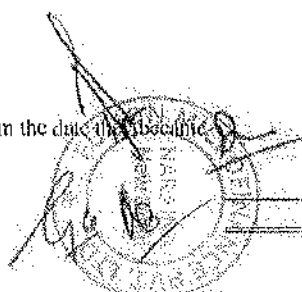
Description	Gross block			Depreciation and amortisation			Net block	
	As at 01 April 2018	Additions	Disposals	As at 31 March 2019	As at 01 April 2018	For the year	As at 31 March 2019	As at 31 March 2018
Tangible assets								
Furniture and fixtures	1,40,99,446	70,04,021	-	2,11,03,467	55,92,972	30,73,935	1,24,36,560	85,06,474
Electrical fittings	1,17,74,209	37,64,042	60,000	1,54,78,251	50,39,946	24,70,558	80,25,101	67,34,263
Office equipment	38,72,657	21,22,832	-	59,95,489	27,15,022	9,86,952	22,93,515	11,57,635
Vehicles	68,07,166	-	-	68,07,166	60,57,061	3,96,240	3,53,865	7,50,105
Computers	3,13,59,735	1,27,57,127	91,594	4,40,25,268	2,31,47,496	1,05,62,115	1,03,40,145	82,12,239
Leasehold improvements	3,33,63,421	20,98,759	-	3,54,62,180	1,14,74,998	39,21,064	2,00,66,118	2,18,88,423
Sub-total (A)	10,12,76,634	2,77,46,781	1,51,594	12,88,71,821	5,40,27,495	2,14,10,864	5,35,15,404	4,72,49,139
Previous year	7,98,52,434	2,15,08,025	83,825	10,12,76,634	3,62,62,556	1,78,25,122	4,72,49,139	-
Intangible assets								
Computer software	1,04,45,432	17,97,550	-	1,22,42,982	80,53,345	24,63,329	17,26,308	23,92,087
Sub-total (B)	1,04,45,432	17,97,550	-	1,22,42,982	80,53,345	24,63,329	17,26,308	23,92,087
Previous year	80,21,802	24,23,630	-	1,04,45,432	54,71,614	25,81,731	23,92,087	-
Grand total (A+B)	11,17,22,066	2,95,44,331	1,51,594	14,11,14,803	6,20,80,840	2,38,74,193	5,52,41,612	4,96,41,226
Previous year	8,78,74,236	2,39,31,655	83,825	11,17,22,066	4,17,34,170	2,04,06,853	4,96,41,226	-



Fusion Micro Finance Private Limited
Notes to the financial statements for the year ended 31 March 2019

(All amounts in Indian rupees unless otherwise stated)

	As at 31 March 2019	As at 31 March 2018
2.9 Loan portfolio		
Unsecured		
Microfinance loan portfolio [net of securitised loan portfolio of Rs. 2,510,295,320 (previous year: Rs. 1,700,705,311)]	23,07,94,67,225	13,00,73,48,012
Loans placed as over collateral against the securitization transactions*	33,88,46,232	21,95,44,479
	<u>23,41,83,13,457</u>	<u>13,22,68,92,491</u>
of the above loan portfolio		
Non-current	6,85,72,87,081	4,39,19,34,739
Current	16,56,10,26,376	8,83,49,57,752
	<u>23,41,83,13,457</u>	<u>13,22,68,92,491</u>
Out of the above loan portfolio		
Considered good	23,08,71,34,167	12,70,09,99,464
Considered doubtful	33,11,79,290	52,58,93,027
	<u>23,41,83,13,457</u>	<u>13,22,68,92,491</u>
* Includes an amount of Rs. 338,846,232 (Previous year: 219,544,479) given as credit enhancement towards securitised portfolio in the form of over collateralization.		
2.10 Long-term loans and advances		
(Unsecured, considered good)		
Security deposits*	1,96,61,615	3,00,29,916
Advance tax (net of provisions for tax)	7,82,21,843	5,31,80,348
Rent deposits	1,03,80,284	69,40,070
	<u>10,82,63,742</u>	<u>9,01,50,334</u>
* includes deposits maintained extent to Rs 18,750,008 (previous year Rs. 29,166,675 as cash collateral against term loans availed from financial institution.		
2.11 Other non-current assets		
(Unsecured, considered good)		
Long term deposits with maturity of more than 12 months*		
- with banks towards term loan	32,45,19,944	52,97,32,361
- with banks unpledged	4,00,00,000	
- with financial institutions as security deposit towards term loan	1,25,00,000	3,24,52,268
- with financial institution as security deposit towards managed portfolio	8,41,42,678	14,72,60,615
Interest accrued but not due		
- term deposits	1,22,11,974	71,49,754
Unamortised processing fees	3,67,90,694	3,34,00,258
	<u>51,01,65,290</u>	<u>74,99,95,256</u>
*Includes deposits of Rs. 337,019,944 (previous year : Rs.562,184,629) maintained as cash collateral against term loans availed and Rs. 127,948,339 (previous year : Rs 147,260,615) maintained as cash collateral against managed portfolio.		
2.12 Non Current investments		
Other than trade and quoted		
(Valued at lower of cost and fair value)		
Investments in mutual funds		
500,000 units (previous year: 500,000) fully paid up of HDFC debt fund for cancer cure	50,00,000	50,00,000
	<u>50,00,000</u>	<u>50,00,000</u>
Aggregate book value 5,000,000		
Aggregate market value 5,004,000		
2.13 Trade receivables		
(Unsecured, considered good)		
Receivables outstanding for a period exceeding six months from the date they became due for payment.		
Others recoverable	60,92,422	47,97,197
	<u>60,92,422</u>	<u>47,97,197</u>



Fusion Micro Finance Private Limited
Notes to the financial statements for the year ended 31 March 2019

(All amounts in Indian rupees unless otherwise stated)

	As at 31 March 2019	As at 31 March 2018
2.14 Cash and bank balances		
Cash and cash equivalents		
Cash in hand	3,59,34,615	51,61,301
Balances with banks		
- in current accounts	4,84,75,22,792	3,09,07,08,772
- in deposit accounts with original maturity less than 3 months*	3,87,46,08,664	1,85,00,00,000
	<u>8,75,80,66,071</u>	<u>4,94,58,70,073</u>
Other bank balances		
- Deposits with banks with maturity more than 3 months but less than 12 months**	59,31,85,809	11,24,58,114
	<u>59,31,85,809</u>	<u>11,24,58,114</u>
Total	<u>9,35,12,51,880</u>	<u>5,05,83,28,187</u>

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

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

Details of bank balances and deposits

Bank balances available on demand/deposits with maturity of 3 months or less included under 'Cash and cash equivalents'	8,72,21,31,457	4,94,07,08,772
Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'	59,31,85,809	11,24,58,114
Bank deposits due to mature after 12 months of the reporting date included under 'Other non-current assets (refer note 2.11)'	42,11,62,622	70,94,45,244
	<u>9,73,64,79,888</u>	<u>5,76,26,12,130</u>

2.15 Short-term loans and advances

(Unsecured, considered good)

Balance with Employees benefit trust	25,000	1,37,892
Balance with Gratuity Fund	21,98,702	-
	<u>(A) 22,23,702</u>	<u>1,37,892</u>

Advances recoverable in cash or kind

Unsecured, considered good	5,22,41,197	5,60,61,096
Unsecured, considered doubtful	2,26,06,529	-
	<u>7,48,47,726</u>	<u>5,60,61,096</u>
Provision for doubtful advances	<u>(2,26,06,529)</u>	<u>-</u>
	<u>(B) 5,22,41,197</u>	<u>5,60,61,096</u>

Total (A+B) **5,44,64,899** **5,61,98,988**

2.16 Other current assets

(Unsecured, considered good)

Interest accrued but not due		
- on loan portfolio	19,50,87,815	10,63,15,125
- on fixed deposits with banks	7,53,08,436	2,80,64,717
Interest accrued and due but not collected	61,23,322	29,71,872
Unamortised processing fees	6,55,70,065	5,10,46,336
Prepaid expenses	1,01,22,005	42,80,191
	<u>38,22,11,643</u>	<u>19,26,78,241</u>



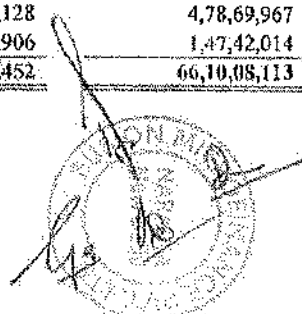
Fusion Micro Finance Private Limited
Notes to the financial statements for the year ended 31 March 2019
(All amounts in Indian rupees unless otherwise stated)

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.17 Revenue from operations		
Interest income on loan portfolio	4,19,44,46,990	2,19,33,54,634
Income from business correspondence services	6,37,14,277	5,77,68,440
Income from asset securitisation	26,61,20,355	9,17,84,990
Processing fee on loan portfolio	27,82,22,317	16,70,68,924
	<u>4,80,25,03,939</u>	<u>2,50,99,76,987</u>
Other operating income		
Interest on term deposits with banks & financial institutions	6,01,22,296	3,46,69,969
	<u>6,01,22,296</u>	<u>3,46,69,969</u>
	<u>4,86,26,26,235</u>	<u>2,54,46,46,956</u>
2.18 Other income		
Profit on sale of Investments	18,28,86,330	11,72,82,465
Interest on term deposits	4,07,51,305	5,48,356
Miscellaneous income	3,01,95,724	1,06,49,301
	<u>25,38,33,359</u>	<u>12,84,80,122</u>
2.19 Operating expenses		
Postage and communication	2,90,13,588	2,01,56,111
Contingent provision against standard portfolio (owned)*	11,37,41,440	-
Provision on non performing loan portfolio (owned)*	(17,45,26,018)	19,93,50,516
Contingent Provision against standard portfolio (managed)	1,42,03,453	-
Provision on non performing loan portfolio (managed)	63,27,195	-
Provision on business correspondence portfolio*	(20,87,633)	2,01,88,620
Provision against insurance recoverable	79,72,357	-
Provision on amount recoverable BC collection	1,46,34,172	-
Loan portfolio written off	29,11,12,696	66,36,78,587
Repairs and maintenance	3,44,51,472	2,36,77,585
Printing and stationery	2,59,62,152	1,79,02,454
Provision towards cash loss	1,69,06,486	5,772
	<u>37,77,11,360</u>	<u>94,49,59,645</u>

*refer note 2.23

2.20 Employee benefits expense

Salaries, wages and bonus	90,99,68,762	58,32,59,875
Gratuity expenses	1,07,34,009	69,75,047
Compensated absences expenses	32,24,647	81,61,210
Contribution to provident fund and other fund (refer note 2.26)	6,42,36,128	4,78,69,967
Staff welfare expenses	2,37,52,906	1,47,42,014
	<u>1,01,19,16,452</u>	<u>66,10,08,113</u>



Fusion Micro Finance Private Limited
Notes to the financial statements for the year ended 31 March 2019
 (All amounts in Indian rupees unless otherwise stated)

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.21 Finance costs		
Interest on borrowings	2,36,32,08,579	1,32,44,68,682
Other finance costs	7,88,69,797	4,15,54,903
	<u>2,44,20,78,376</u>	<u>1,36,60,23,585</u>
2.22 Other expenses		
Rent	8,14,21,203	6,05,41,017
Travelling and conveyance	5,77,85,654	4,04,75,984
Loading & boarding	1,75,34,740	1,21,25,510
Legal and professional fees	11,47,54,730	4,21,46,743
Rates and taxes	3,32,94,989	1,64,61,387
Office maintenance	2,10,17,119	1,52,91,547
Water and electricity	1,35,84,373	79,62,582
Staff recruitment and training	26,88,959	23,60,961
Insurance	38,80,841	35,10,989
Corporate social responsibility/Donation	62,62,168	43,83,084
Business promotion	31,72,351	33,94,018
Miscellaneous expenses	2,32,49,183	81,23,463
	<u>37,86,46,270</u>	<u>21,67,77,285</u>



Fusion Micro Finance Private Limited**Notes to the financial statements for the year ended 31 March 2019**

(All amounts are in Indian Rupees unless otherwise stated)

2.23 Provision for outstanding loan portfolio

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

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

- b) During the year, based on qualitative assessment and considering days in arrears certain loan portfolio amounting to Rs. 291,112,696 (previous year: Rs. 663,678,587) have been written off.
- c) As on 31 March 2019 provision towards non-performing business correspondence portfolio is Rs. 18,100,987 (previous year: Rs. 20,188,620).
- d) As on 31 March 2019 provision towards non-performing securitized portfolio is Rs. 6,327,195 (previous year: Nil)
- e) As on 31 March 2019 provision towards standard portfolio securitized is Rs. 14,203,453 (previous year: Nil)
- f) The movement in provision during the year is disclosed below.

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

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



Fusion Micro Finance Private Limited

Notes to the financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees unless otherwise stated)

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

2.24 Contingent Liabilities not provided for:

a) Credit enhancements provided for securitization transactions

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

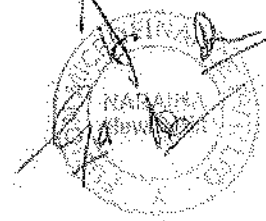
b) The Company has entered into business correspondence arrangements with the bank. As per the terms of the said agreement, the Company has given performance security amounting to Rs. 123,607,763 (previous year: Rs. 138,311,880) towards the loans disbursed by the bank under the agreement. The total outstanding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

c) Contingent liability in respect of preference shares

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

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

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



Fusion Micro Finance Private Limited**Notes to the financial statements for the year ended 31 March 2019**

(All amounts are in Indian Rupees unless otherwise stated)

2.25 Employee stock options

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

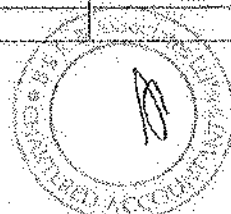
- a) The Scheme 2014 and Scheme 2016 are effective from 31 July 2014 and 16 January 2017 respectively (as amended from time to time) and are administered through Fusion Employees Benefit Trust ("ESOP trust").
- b) The Scheme provides that, subject to continued employment with the Company, the employees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

The options shall vest on graded basis as follows:

On completion of 1 year	25%
On completion of 2 years	25%
On completion of 3 years	25%
On completion of 4 years	25%

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

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Outstanding at the beginning of the year	891,618	581,006
Granted during the year	434,720	330,540
Forfeited/lapsed during the year	(33,378)	-
Exercised during the year	94,322	19,928
Outstanding at the end of year	1,198,643	891,618
Exercisable at the end of year	290,818	186,189



Fusion Micro Finance Private Limited**Notes to the financial statements for the year ended 31 March 2019**

(All amounts are in Indian Rupees unless otherwise stated)

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

2.26 Employee benefits expense**a) Defined benefit plan – Gratuity (Funded)**

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

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

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

Movement in present values of defined benefit obligations

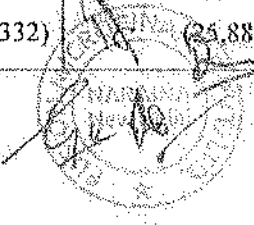
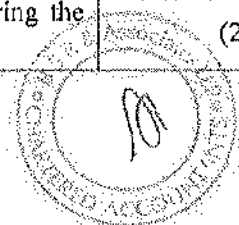
Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Opening defined benefit obligation	19,936,506	12,394,279
Current service cost	1,29,69,653	9,089,136
Interest cost	15,45,079	960,557
Benefits paid (if any)	(5,70,628)	(59,619)
Actuarial (gain)/loss recognized during the year	(24,15,312)	(2,447,847)
Closing defined benefit obligation	3,14,65,298	19,936,506

Movement in fair value of planned assets

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Opening fair value of planned assets	1,93,98,589	62,71,790
Contribution paid	1,29,00,000	125,00,000
Benefits paid	-	-
Expected return on planned assets	15,03,391	4,86,064
Actuarial gain/(loss) on plan assets	(1,37,980)	1,40,735
Closing fair value of planned assets	3,36,64,000	1,93,98,589

Expense recognized in statement of profit and loss

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Current service cost	1,29,69,653	9,089,136
Interest cost	15,45,079	960,557
Expected return on plan assets	(15,03,391)	(4,86,064)
Past Service Cost	-	-
Net actuarial (gain)/ loss recognized during the year	(22,77,332)	(25,88,582)



Fusion Micro Finance Private Limited

Notes to the financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees unless otherwise stated)

Amount included in employee benefits expense.	1,07,34,009	69,75,047
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Amount to be recognized in the balance sheet:

Particulars	As at 31 March 2019	As at 31 March 2018
Defined benefit obligation	3,14,65,298	1,99,36,506
Fair value of plan assets	(3,36,64,000)	(1,93,98,589)
Liability / (Assets) recognized in the balance sheet	(21,98,702)	537,917

Experience adjustment for the year ended 31 March 2019

Particulars	Amount
Experience adjustment (Gain) /loss for Plan liabilities	(29,85,940)
Experience adjustment Gain/ (loss) for Plan assets	(1,37,980)

Break up of liability

Particulars	As at 31 March 2019	As at 31 March 2018
Current	-	225,171
Non-current	-	312,746
Total liability	-	5,37,917

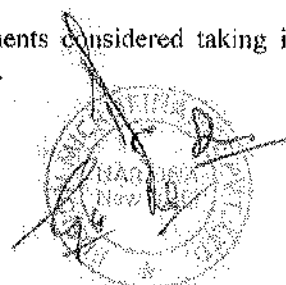
Amounts recognized in current year and previous four years

Particulars	As at 31 March				
	2019	2018	2016	2015	2014
Projected benefit obligation at the end of the year	3,14,65,298	19,936,506	12,394,279	6,395,006	3,264,381
Fair value of plan assets at end of the year	(3,36,64,000)	(19,398,589)	(12,329,194)	(5,529,194)	-
Net liability/(asset)	(21,98,702)	537,917	65,085	865,812	3,264,381

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

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

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



Fusion Micro Finance Private Limited**Notes to the financial statements for the year ended 31 March 2019**

(All amounts are in Indian Rupees unless otherwise stated)

b) Defined contribution plan

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

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

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

2.27 Segment reporting**Business segment**

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

Geographical Segment

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

2.28 Operating leases

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

2.29 Earnings per share (EPS)

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

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



Fusion Micro Finance Private Limited
Notes to the financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees unless otherwise stated)

Effect of dilution:		
Convertible preference shares	-	3,000,000
Stock options granted under ESOP	-	901,455
Weighted average number of equity shares in calculating diluted EPS	49,090,775	39,723,177

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

(Amount in crores)

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

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

(Amount in crores)

Particulars	As at 31 March 2019	As at 31 March 2018
1.Number of Special Purpose Vehicles (SPVs) sponsored by the Company for securitisation transactions	11	7
2.Total amount of securitised assets as per books of the SPVs sponsored by the Company#	325.62	211.96
3.Total amount of exposures retained by the Company to comply with Minimum Retention Rate (MRR) as on the date of balance sheet	-	-
a) Off-balance sheet exposures	-	-
* First loss	-	-
* Others	-	-
b) On-balance sheet exposures	-	-
* First loss (Cash collateral)	32.43	16.06
* First loss (Micro finance loans)	33.88	21.95
* Others	-	-
4. Amount of exposures to securitization transactions other than MRR	-	-
a) Off-balance sheet exposures	-	-
i) Exposure to own securitizations	-	-
* First loss	-	-



Fusion Micro Finance Private Limited
Notes to the financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees unless otherwise stated)

	* loss		
	ii) Exposure to third party securitizations		
	* First loss		
	* Others		
h b)	On-balance sheet exposures		
e	i) Exposure to own securitizations		
	* First loss		
a	* Others		
b	ii) Exposure to third party securitizations		
o	* First loss		
v	* Others		
c			

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

2.32 Related party transactions
A) Related Parties

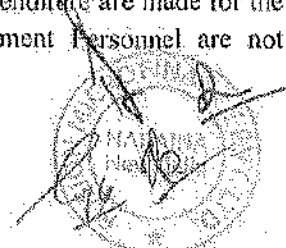
Relationship	Name of the party
Entities exercising significant influence over the Company	Creation Investment Fusion, LLC, Chicago, U.S.A. Honey Rose Investment Ltd ("Warburg Pincus") (w.e.f. from 05 December 2018)
Director / Key Managerial Personnel (KMP)	Mr. Devesh Sachdev - MD and Chief Executive Officer

B) Summary of related party transactions

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

Refer note 2.1 for details of shares issued/ transferred

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



Fusion Micro Finance Private Limited
Notes to the financial statements for the year ended 31 March 2019

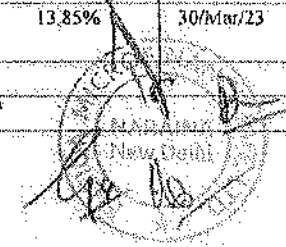
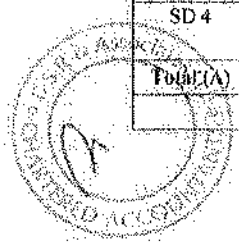
(All amounts are in Indian Rupees unless otherwise stated)

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

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

2.33 Terms of borrowings

Nature of Facility	Amount OS as at 31 March 2019		Amount OS as at 31 March 2018		Interest Rate	First date of repayment	Terms of repayment
	Current	Non-Current	Current	Non-Current			
A. Redeemable transferable non-convertible debentures (NCD)*							
NCD 1	-	100,000,000	-	100,000,000	15.00%	21-Dec-20	Bullet Repayment
NCD 2	-	-	220,000,000	-	13.00%	16-Dec-18	Bullet Repayment
NCD 3	-	-	-	240,000,000	14.85%	29-Apr-19	Bullet Repayment
NCD 4	-	-	-	426,000,000	14.50%	13-Aug-18	Bullet Repayment
NCD 5	-	526,000,000	-	526,000,000	14.15%	16-May-22	Bullet Repayment
NCD 6	601,000,000	-	-	601,000,000	13.22%	13-Jul-19	Bullet Repayment
NCD 7	-	470,000,000	-	470,000,000	13.60%	31-Aug-21	Bullet Repayment
NCD 8	-	550,000,000	-	550,000,000	13.25%	15-Sep-25	Bullet Repayment
NCD 9	-	310,000,000	-	310,000,000	13.15%	07-Jul-20	Bullet Repayment
NCD 10	-	190,000,000	-	190,000,000	12.30%	15-Mar-21	Bullet Repayment
NCD 11	-	315,000,000	-	315,000,000	12.75%	16-Mar-24	Bullet Repayment
NCD 12	-	315,000,000	-	315,000,000	12.75%	16-Mar-24	Bullet Repayment
NCD 13	66,666,600	33,333,400	66,666,800	99,999,867	12.10%	28-Feb-18	Half Yearly/6
NCD 14	-	340,000,000	-	-	12.20%	07-Aug-21	Bullet Repayment
NCD 15	-	340,000,000	-	-	12.20%	07-Aug-21	Bullet Repayment
NCD 16	-	250,000,000	-	-	12.50%	27-Sep-21	Bullet Repayment
NCD 17	-	350,000,000	-	-	12.20%	22-Oct-21	Bullet Repayment
	667,666,600	4,089,333,400	286,666,800	4,142,999,867			
B. Un-Secured non-convertible debentures (SD) from Financial Institutions*							
SD 1	-	250,000,000	-	300,000,000	13.90%	29/Sep/23	Bullet Repayment
SD 2	-	50,000,000	-	-	13.90%	29/Sep/23	Bullet Repayment
MLD 1	-	250,000,000	-	250,000,000	13.25%-13.75%	02/Sep/21	Bullet Repayment
SD 3	-	284,000,000	-	150,000,000	13.85%	30/Mar/23	Bullet Repayment
SD 4	-	216,000,000	-	350,000,000	13.85%	30/Mar/23	Bullet Repayment
Total (A)	-	1,050,000,000	-	1,050,000,000			
C. Secured term loan ("TL") from Banks*							



Fusion Micro Finance Private Limited
Notes to the financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees unless otherwise stated)

TL 1			21,000,000		BR +3.00%	28-Sep-16	Quarterly/10
TL 2	19,803,164		26,404,219	19,803,164	1YMCLR +3.00%	30-Apr-18	Quarterly/8
TL 3			31,249,300		BR +3.50%	29-Jul-16	Monthly/24
TL 4			130,952,000		1YMCLR +2.85%	22-Jun-17	Monthly/21
TL 5	76,188,000		114,288,000	76,188,000	1YMCLR +4.45%	01-Apr-18	Monthly/21
TL 6	85,712,000		114,288,000	85,712,000	1YMCLR +4.45%	01-May-18	Monthly/21
TL 7			54,485,301		BR+2.75%	31-May-15	Monthly/30
TL 8			20,000,000		BR +3.00%	30-Jun-16	Quarterly/10
TL 9	5,000,000		25,000,000		BR +3.25%	07-Jan-17	Quarterly/10
TL 10			50,000,000		BR +3.00%	30-Sep-16	Monthly/30
TL 11			18,750,000		BR(+3.00%)	25-Jul-16	Quarterly/8
TL 12	142,857,145		107,142,855	142,857,145	1YMCLR(+3.80 %)	30-Sep-18	Quarterly/7
TL 13	285,714,286	142,857,143			MCLR 03 (+3.10%)	26-Mar-19	Quarterly/7
TL 14	428,571,426	571,428,574			MCLR 03 (+2.65%)	14-Sep-19	Quarterly/7
TL 15			15,625,000		11.40%	01-Sep-16	Quarterly/8
TL 16	300,000,000	225,000,000			11.25%	28-Feb-19	Quarterly/8
TL 17			33,332,800		1YMCLR(+1.52 %)	31-Dec-16	Monthly/24
TL 18	100,287,252	91,355,445			3MMCLR(+2.31 %)	31-Mar-19	Monthly/24
TL 19			18,750,000		BR(+3.00%)	31-Oct-16	Monthly/24
TL 20	175,000,000	131,250,000			1YMCLR(+1.75 %)	01-Feb-19	Quarterly/8
TL 21	125,000,000	125,000,000			1YMCLR(11.15 %) Fixed	30-Apr-19	Monthly/24
TL 22			68,750,000		1YMCLR(+2.35 %)	31-Dec-16	Quarterly/8
TL 23	75,000,000		100,000,000	75,000,000	1YMCLR(+1.25 %)	21-Mar-18	Quarterly/8
TL 24	50,000,000		50,000,000	50,000,000	1YMCLR(+1.25 %)	30-Apr-18	Quarterly/8
TL 25	250,000,000	125,000,000			1YMCLR(+2.05 %)	31-Dec-18	Quarterly/8
TL 26	250,000,000	187,500,000			1YMCLR(+2.05 %)	31-Jan-19	Quarterly/8
TL 27	30,000,000		40,000,000	30,000,000	1YMCLR(+2.65 %)	17-Jul-17	Quarterly/10
TL 28	88,209,005		102,000,000	88,438,562	1YMCLR(+3.00 %)	01-Sep-17	Monthly/30
TL 29	50,000,000		100,000,000	50,000,000	1YMCLR(+3.35 %)	25-Jun-18	Quarterly/6
TL 30	50,000,000		200,000,000	50,000,000	11.5%	30-Apr-18	Monthly/15
TL 31	83,333,339		200,000,000	50,000,000	11.5%	30-Apr-18	Monthly/15
TL 32	183,333,333	66,666,667			11.5%	17-May-19	Monthly/15
TL 33			49,999,988		11.0%	05-Oct-16	Monthly/24

Fusion Micro Finance Private Limited
Notes to the financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees unless otherwise stated)

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

Fusion Micro Finance Private Limited
Notes to the financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees unless otherwise stated)

TL 70	71,936,492	-	78,712,623	71,936,492	13.0%	28-Dec-16	Monthly/36
TL 71	72,727,273	109,090,909	-	-	12MFBLR(+1.00%)	18-Jan-19	Quarterly/11
TL 72	-	-	107,916,661	-	13.0%	30-Nov-16	Monthly/24
TL 73	-	-	124,999,996	-	12.9%	20-Apr-17	Monthly/24
TL 74	50,000,000	-	75,000,000	50,000,000	MAS PLR-2.15%	25-Dec-17	Monthly/24
TL 75	37,499,995	-	50,000,004	37,499,995	MAS PLR-2.15%	10-Jan-18	Monthly/24
TL 76	83,333,338	-	99,999,996	83,333,338	MAS PLR-2.30%	10-Feb-18	Monthly/24
TL 77	125,000,000	-	125,000,000	125,000,000	MAS PLR-2.50%	25-Apr-18	Monthly/24
TL 78	125,000,002	31,249,991	-	-	MASPLR(-2.10%)	25-Jul-18	Monthly/24
TL 79	75,000,000	37,500,004	-	-	MASPLR(-2.10%)	25-Oct-18	Monthly/24
TL 80	75,000,000	37,500,004	-	-	MASPLR(-2.10%)	25-Oct-18	Monthly/24
TL 81	50,000,000	50,000,000	-	-	MASPLR(-3.40%)	25-Apr-19	Monthly/24
TL 82	50,000,000	50,000,000	-	-	MASPLR(-3.40%)	25-Apr-19	Monthly/24
TL 83	50,000,000	50,000,000	-	-	MASPLR(-3.40%)	25-Apr-19	Monthly/24
TL 84	50,000,000	50,000,000	-	-	MASPLR(-3.40%)	25-Apr-19	Monthly/24
TL 85	50,000,000	50,000,000	-	-	MASPLR(-3.40%)	25-Apr-19	Monthly/24
TL 86	-	-	16,000,000	-	MASPLR(-2.50%)	25-Apr-18	Monthly/24
TL 87	27,285,000	-	54,545,448	27,279,552	10.1%	30-Jul-16	Monthly/25
TL 88	-	-	41,100,000	-	12.8%	10-Feb-17	Monthly/33
TL 89	202,500,000	85,000,000	300,000,000	287,500,000	11.5%	31-Jul-16	Half Yearly/6
TL 90	120,000,000	100,000,000	120,000,000	220,000,000	11.5%	31-Jan-17	Half Yearly/11
TL 91	426,895,200	782,641,200	-	-	10.9%	31-Jan-18	Half Yearly/11
TL 92	23,104,800	42,358,800	-	-	11.7%	31-Jan-19	Half Yearly/11
TL 93	141,226,320	-	169,496,920	141,226,320	11.7%	31-Jan-19	Half Yearly/11
TL 94	254,749,073	92,214,193	-	-	12.3%	27-Mar-18	Quarterly/8
TL 95	54,545,455	27,208,120	54,522,569	81,818,098	12.5%	24-Aug-18	Monthly/24
TL 96	75,000,000	-	75,000,000	75,000,000	12.3%	31-Jan-18	Quarterly/11
TL 97	44,766,948	-	47,834,057	44,766,948	13.2%	15-Apr-18	Monthly/24
TL 98	66,454,664	75,080,219	58,465,117	141,534,883	12.8%	25-Feb-18	Monthly/24
TL 99	177,437,780	15,830,788	106,788,929	193,211,071	12.4%	05-Mar-18	Monthly/36
TL 100	139,914,281	77,065,717	-	-	PFLPLR (+3.65)	05-Aug-18	Monthly/21
TL 101	114,614,271	41,565,077	-	-	PFLPLR (-4.20)	11-Jan-19	Monthly/21
TL 102	82,097,624	100,885,231	67,017,145	182,982,855	PFLPLR (-3.65)	04-Nov-18	Monthly/21
TL 103	82,097,624	100,885,231	-	-	12.2%	31-May-18	Monthly/36
TL 104	103,045,444	246,954,556	-	-	12.2%	30-Jun-18	Monthly/36
TL 105	107,086,069	111,099,201	-	-	12.0%	30-Apr-19	Monthly/36
TL 106	50,000,004	66,666,660	-	-	13.0%	03-Dec-18	Monthly/27
TL 107	16,416,057	20,199,890	-	-	12.5%	11-Aug-18	Monthly/36
TL 108	48,749,302	64,937,374	-	-	HBLR(+1.28%)	31-May-18	Monthly/36
TL 109	119,781,119	65,544,486	-	-	HBLR(+1.28%)	21-Jun-18	Monthly/36
TL 110	-	-	80,000,000	100,000,000	13.5%	6-May-19	Quarterly/8
TL 109	-	-	-	500,000,000	12.8%	20-Oct-18	Monthly/24
Total	3,496,805,599	2,581,477,651	2,213,243,558	2,416,589,632			

Fusion Micro Finance Private Limited
Notes to the financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees unless otherwise stated)

VL 1	-	-	284,120	-	10.25%	31/Oct/13	Monthly/60
Total	-	-	284,120	-	-	-	-
F. Unsecured term loan ('USL') from financial institution/Bank							
SD 5	-	70,000,000	-	70,000,000	15.50%	28/Feb/21	Bullet
SD 6	-	-	-	300,000,000	14.25%	04/Dec/23	Bullet
SD 7	-	300,000,000	-	-	14.25%	04/Dec/23	Bullet
UTL 1	145,454,544	109,090,907	145,454,544	254,545,456	12.40%	24/Apr/18	Quarterly/11
Total	145,454,544	479,090,907	145,454,544	624,545,456	-	-	-
H. Cash Credit from Bank							
CC 1	-	-	-	-	MCLR (+2.25%)	On Demand	On Demand
CC 2	-	-	-	-	AmMCLR (13.05%)	On Demand	On Demand
CC 3	-	-	58,175,525	-	-	On Demand	On Demand
Total	-	-	58,175,525	-	-	-	-
Grand Total	12,291,927,065	14,194,774,307	6,023,114,741	10,024,861,095	-	-	-

*Term loans and Non-convertible debentures are secured against exclusive charge on the standard asset portfolio receivables pertaining to micro credit loans in addition to the cash collaterals referred in note 2.10, 2.13 and 2.15 with the respective lenders. Term loans of Rs. 225.19 crores are secured by personal guarantees of the promoter directors.

#Vehicle loan is secured by hypothecation on respective vehicles

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

2.34 Deferred tax assets

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



Fusion Micro Finance Private Limited**Notes to the financial statements for the year ended 31 March 2019**

(All amounts are in Indian Rupees unless otherwise stated)

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

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

2.36 Information on instances of fraud:

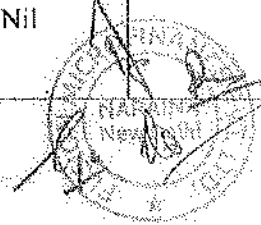
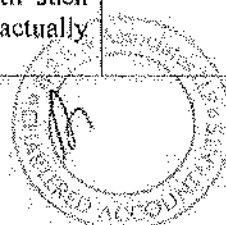
(Amount in crores)

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

2.37 Amounts payable to Micro, Small and Medium enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2019 has been made in the financial statements based on information received and available with the Company. Further, in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	Nil	Nil
The amount of interest paid by the company along with the amounts of the payment made to the supplier beyond the appointed day during the year.	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this act.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of the year; and	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small enterprise.	Nil	Nil



Fusion Micro Finance Private Limited**Notes to the financial statements for the year ended 31 March 2019**

(All amounts are in Indian Rupees unless otherwise stated)

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

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

2.39 Expenditure in foreign currency

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

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

2.41 Additional disclosures as required by the RBI:**a) Capital to Risk Asset ratio (CRAR)**

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

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

c) Asset Liability Management**Maturity pattern of certain items of assets and liabilities as on 31 March 2019**

(Amount in crores)

Particulars	1 day to 30/31 days	1 month to 2 months	Over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year upto 3 years	Over 3 upto 5 years	Over 5 years	Total
Borrowings from Banks	51.65	66.03	54.60	257.18	448.72	693.39	44.18	-	1,615.67
Borrowings from others	31.61	21.12	23.24	73.32	134.96	168.06	-	-	452.30

Fusion Micro Finance Private Limited
Notes to the financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees unless otherwise stated)

Borrowings from NCD				63.43	3.33	263.33	195.60	55.00	580.70
Foreign Currency Liabilities									
Advances	145.56	155.95	135.64	440.87	778.09	685.73			2,341.83
Investments						0.50			0.50
Foreign Currency Assets									

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

(Amount in crores)

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

e) **Sector wise Non-Performing Assets***

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

*based on Owned portfolio.

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

f) **Movement in Non-Performing Asset (NPA)**

(Amount in crores)

Particulars	2018-19	2017-18
i) Net NPA to net advances percentage		0.16%
ii) Movement of NPAs (Gross)		
a) Opening balance	50.57	1.80
b) Additions during the year	11.66	114.85
c) Reduction during the year (write off)	(29.12)	(66.08)
d) Closing balance	33.12	50.57
iii) Movement of net NPAs		

Fusion Micro Finance Private Limited**Notes to the financial statements for the year ended 31 March 2019**

(All amounts are in Indian Rupees unless otherwise stated)

	a) Opening balance	-	1.05
	b) Additions during the year	-	-1.05
	c) Reduction during the year	-	-
	d) Closing balance	-	-
iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	a) Opening balance	50.57	1.80
	b) Provision made during the year	11.66	114.85
	c) Write off/ write back of excess provisions	(29.12)	(66.08)
	d) Closing balance	33.12	50.57

g) Disclosure with respect to investments

(Amount in crores)

S. No	Particulars	As at 31 March 2019	As at 31 March 2018
1)	Value of Investments		
	(i) Gross value of investments		
	(a) In India	0.50	0.50
	(b) Outside India	-	-
	(ii) Provision for depreciation		
	(a) In India	-	-
	(b) Outside India	-	-
	(iii) Net value of investments		
	(a) In India	0.50	0.50
	(b) Outside India	-	-
2)	Movement of provisions held towards depreciation on investments		
	(i) Opening balance	-	-
	(ii) Add: Provisions made during the year	-	-
	Less: Write-off/ write-back of excess provisions during the year	-	-
	(iii) Closing balance	-	-

h) Disclosure with respect to customer complaints

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

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

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



Fusion Micro Finance Private Limited

Notes to the financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees unless otherwise stated)

j) Details of penalties imposed by RBI and other regulators

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

k) Unsecured advances

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

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

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

m) Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC:

The Company has not exceeded the prudential exposure limits during the financial year ended 31 March 2019 and 31 March 2018.

n) Draw down from reserves

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

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

p) Details of registration with financial and other regulators:

Regulator	Registration number	Date of registration
Ministry of Corporate Affairs	U65100DL1994PTC061287	5 September 1994
Reserve Bank of India	B-14.02857	10 May 2010



Fusion Micro Finance Private Limited

Notes to the financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees unless otherwise stated)

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

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

Chartered Accountants

ICAI Firm Registration No. 116231W/W-100024

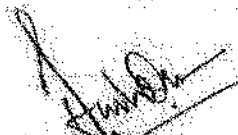

Arpan Jain
Partner

Membership No: 125710

for and on behalf of Board of Directors

Fusion Micro Finance Private Limited

CIN: U65100DL1994PTC061287


Devesh Sachdev
MD & CEO

DIN: 02547111


Pradip Kumar Saha
Director

DIN: 02947368


Deepak Madaan
Company Secretary


Gaurav Maheshwari
Chief Financial Officer



Place: New Delhi
Date: 27 May 2019

Place: New Delhi
Date: 27 May 2019

Fusion Micro Finance Private Limited

Notes to the financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees unless otherwise stated)

Company overview

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

It is engaged in micro finance lending activities, providing financial services to poor women in India who are organized as Joint Liability Groups ('JLGs'). The Company provides small value collateral free loans up to Rs.60,000. All financial transactions are conducted in the group meetings organized near the habitats of the borrowers.

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

1. Significant accounting policies

a) Basis of preparation of financial statements

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

b) Use of estimates

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

c) Current – non-current classification

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

Assets

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

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



Fusion Micro Finance Private Limited

Notes to the financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees unless otherwise stated)

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 at least 12 months after the reporting date.

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

Operating cycle

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

d) Revenue recognition

- 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. Income from interest strip (excess interest spread) in securitization is recognized in the statement of profit and loss account on realization basis.
- iii. Income from business correspondent activity is recognised on accrual basis as per the terms of arrangement entered into with the client bank. Revenue from Business Correspondent activities to the extent of services rendered but yet to be billed are treated as 'Unbilled revenue' and are disclosed under other current assets.
- iv. Loan processing fee received upfront are considered to be accrued at the time of entering into a binding agreement upon its receipt and are recognised as revenue immediately.
- v. Interest on term deposits has been accrued on the time proportion basis, using the underlying interest rate.
- vi. Dividend income is accounted when the right to receive the dividend is established.

e) Classification of loan portfolio and provisioning policy

Loan portfolio is classified and provision is made in accordance with the Non-Banking Financial Company – 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.



Fusion Micro Finance Private Limited

Notes to the financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees unless otherwise stated)

- ii. Non-performing asset means an asset for which, interest/principal payment has remained overdue for a period of 90 days or more

Provisioning norms:

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

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

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

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

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

1) Fixed assets and depreciation/amortisation

Tangible fixed assets

Tangible fixed assets are carried at cost of acquisition less accumulated depreciation. The cost of tangible fixed assets comprises the purchase price and directly attributable costs of bringing the assets to their working condition for their intended use.

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

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

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

Losses arising from retirement or gains or losses arising from disposal of fixed assets are recognized in the statement of profit and loss.

Intangible assets



Fusion Micro Finance Private Limited

Notes to the financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees unless otherwise stated)

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

Intangible assets are amortized in the statement of profit and loss over their estimated useful lives from the date they are available for use based on the expected pattern of consumption of economic benefits of

the asset. Intangible assets are being amortised over a period of 3 to 6 years using written down value method.

g) Borrowing costs

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

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

h) Impairment of assets

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

i) Investments

Investments that are readily 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.

j) Retirement and other employee benefits

Defined contribution plans

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

Defined benefit plan

The Company provides for gratuity, a defined benefit retirement plan covering eligible employees. In the current year, gratuity is covered under a scheme administered by the Kotak Life Insurance Company (Kotak Group Gratuity plan) and the contributions made by the Company to the scheme are recognised in Statement of Profit and Loss. The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation as at the Balance Sheet date less the fair value



Fusion Micro Finance Private Limited

Notes to the financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees unless otherwise stated)

of plan assets. The calculation of the Company's obligation under the plan is performed annually by a qualified independent actuary using the projected unit credit method. Actuarial gains and losses arising during the year are immediately recognised in the statement of profit and loss in the year which they arise.

Compensated absences

Compensated absences, is a long-term employee benefit, and accrued based on an actuarial valuation done as per projected unit credit method as at the Balance Sheet date, carried out by an independent actuary.

Actuarial gains and losses arising during the year are immediately recognised in the statement of profit and loss.

Employee stock option scheme ('ESOP')

The Company has formulated an Employees Stock Option Schemes to be administered through a Trust. The scheme provides that subject to continued employment with the Company, employees of the Company are granted an option to acquire equity shares of the Company that may be exercised within a specified period. The Company follows the intrinsic value method for computing the compensation cost for all options granted. Measurement and disclosure of the employee share-based payment Schemes are done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India.

k) Earnings per share ("EPS")

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

Number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed to have been converted as of the beginning of the year, unless they have been issued at a later date.

l) Income tax

Income tax expense comprises current tax and deferred tax.

Current tax

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

Deferred tax

Deferred tax charge or benefit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or benefit and the corresponding deferred tax liabilities or assets are 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) Provisions and contingent liabilities



Fusion Micro Finance Private Limited

Notes to the financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees unless otherwise stated)

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

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

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

n) Leases

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

o) Cash flow statement

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

p) Foreign currency transactions

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



BOARD'S REPORT

Dear members,

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

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

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

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

Year ended March 31	FY March 31, 2019	FY March 31, 2018	Increase over % FY 2018
Number of Branches	504	359	40.4%
Number of Members	1,510,823	973,300	55.2%
Number of employees	4,398	3,202	37.4%
Number of States	18	14	28.6%
Amount Disbursed (INR In Crore) ~	2782.16	1,670.58	66.5%
Gross Loan Portfolio (INR In Crore)	2592.86	1,495.53	73.4%

2. EXTRACT OF ANNUAL RETURN

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



3. DEPOSITS

The company had not accepted any public deposits during the year within the meaning of Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions 1998.

4. TRANSFER TO RESERVES

During the year under review, your Company transferred INR 130,704,029/- to the statutory reserve pursuant to Section 45-IC of the Reserve Bank of India Act 1934.

5. DIVIDEND

Dividend on Equity Share Capital:

The Directors of the Company feel that it is prudent to plough back the profits for future growth of the Company, hence do not recommend any dividend for the year ended March 31, 2019.

Dividend on Preference Share Capital:

During the FY 2018-19, the Company has declared an interim dividend at the rate of 9% on the Optionally Convertible Preference Share (OCPS) to SIDBI in October 2018 for the period commencing from April 1, 2018 until the date of conversion of OCPS out of the profits for the financial year 2018-19 till the end of quarter ended September 2018. As on March 31, 2019, the company has no preference share capital, hence no final dividend for the FY 2018-19 is recommended.

6. NUMBER OF MEETINGS OF THE BOARD

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

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

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

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

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

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

8. CHANGE IN THE NATURE OF BUSINESS, IF ANY



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

9. DIRECTORS

Changes in the composition of the Board of Directors

- In order to comply with the provisions of Section 149 of Companies Act, 2013 and Rule 3 of Companies (Appointment and Qualification of Directors) Rules, 2014, related to appointment of a Woman Director on the board, Ms. Ratna Dharashree Vishwanathan was appointed as an Additional Director of the Company on May 24, 2018, which was subsequently regularised as Independent Director in the Annual General Meeting held on June 26, 2018.
- During FY 2018-19, Mr. Njord Andrewes, Mr. Javed Ahmad Siddiqui & Ms. Laetitia Counye, appointed as Nominee Directors on behalf of NMI Frontier Fund KS, Small Industries Development Bank of India & Belgian Investment Company respectively, had resigned from the position of directorship of the Company on December 04, 2018 due transfer of shareholding by NMI Frontier Fund KS, Small Industries Development Bank of India & Belgian Investment Company.
- Mr. Narendra Ostawal was appointed as the Nominee Director on December 05, 2018 on behalf of Honey Rose Investment Ltd, a subsidiary of certain private equity funds managed by Warburg Pincus LLC.

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

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

10. GRADING AND CREDIT RATING

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

11. CAPITAL ADEQUACY

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

12. RESOURCE MOBILIZATION

a) Term Loan / Sub debt / Refinance





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

b) Secured / Unsecured Non-convertible debentures

The company raised an amount of INR 128 Crore by way of issuance of Secured/unsecured Debentures.

c) Asset Securitization

During the year, your Company raised resources to the extent of INR 366 Crore through securitization.

13. SHARE CAPITAL

A. PRIMARY INFUSION OF EQUITY CAPITAL

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

B. SECONDARY SALE

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

C. Details Regarding issue of Equity Shares

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

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

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

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

E. ISSUE OF NON CONVERTIBLE DEBENTURES

In the FY 2018-19, company issued Non-convertible Debentures on private placement basis aggregating to INR 128.00 crore. Details of the Non-Convertible Debentures issued to the allottees



in respective meetings are mentioned below:

S. No	Date of Allotment	Name of Allottees	No. of NCD	Price per NCD (INR)	Status
1.	August 07, 2018	Blue Orchard Microfinance Fund	340	10,00,000	Listed
2.	August 07, 2018	Microfinane Enhancement Facility SA, SICAV-SIF	340	10,00,000	Listed
3.	September 27, 2018	Incofin CVSO CVBA-SO	25	1,00,00,000	Unlisted
4.	October 22, 2018	AAV SARL	35	1,00,00,000	Unlisted

14. REDEMPTION OF NON-CONVERTIBLE DEBENTURES (NCDs)

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

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

15. ISSUE OF SHARES UNDER EMPLOYEE STOCK OPTION SCHEME

The Company has a stock option plan under ESOP Scheme 2014 and 2016 for its employees. As on March 31, 2019, the following stock option grants were in operation:

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

The options shall vest on graded basis as follows.

On completion of 1 year	25%
On completion of 2 years	25%
On completion of 3 years	25%



On completion of 4 years	25%
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EMPLOYEE WISE DETAIL OF THE OPTIONS GRANTED TO:--

• **TO KEY MANAGERIAL PERSONNEL DURING THE YEAR**

Name of Key Managerial Personnel	Designation	Options granted	Exercise Price
Mr. Gaurav Maheshwari	CFO	40,000	110
Mr. Deepak Madaan	Company Secretary	10,000	110

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

FINANCIAL YEAR 2018-19	
Mr. Tarun Mehndiratta	50,000
Mr. Gaurav Maheshwari	40,000
Ms. Lekshmi Bhargavi	30,000
Mr. Ankush Ahluwalia	25,000

• **EMPLOYEES WHO WERE GRANTED OPTIONS DURING ANY ONE YEAR, EQUAL TO OR EXCEEDING 1% OF THE ISSUED CAPITAL (EXCLUDING OUTSTANDING WARRANTS AND CONVERSIONS) OF THE COMPANY AT THE TIME OF GRANT: NIL**

16. COMMITTEES DETAILS

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

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

17. RELATED PARTY TRANSACTIONS

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

Details of the related party transactions, which are exempted according to a proviso to Section 188 of the under the Companies Act 2013, during the Financial Year 2018-19 are disclosed in the financial statements.

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

18. AUDITOR'S REPORT AND SECRETARIAL AUDIT REPORT





The auditor's report and the secretarial audit report do not contain any qualifications, reservations, or adverse remarks. Secretarial audit report is attached as "ANNEXURE 3".

19. AUDITORS

I. Statutory Auditors:

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

II. Secretarial Auditor:

Mr. Alok Chandra, Practicing Company Secretary (FCS No. 7970 and Certificate of Practice No. 8976) was appointed as the Secretarial Auditor of the Company to conduct Secretarial Audit of the Company for the Financial Year 2018-19 as required under Section 204 of the Companies Act, 2013 and the Rules made there under.

20. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

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

21. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

During the year under review, the Company did not enter into any transactions that cover under related party as specified in sub-section (1) of section 188 of the Companies Act, 2013. The details related to the same are annexed as "ANNEXURE 4" in Form AOC-2.

22. DECLARATION BY INDEPENDENT DIRECTOR(S)

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

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

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



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

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

During the year, there is no material change in the nature of business of the Company which have occurred subsequent to the close of the financial year of the Company to which the balance sheet relates and the date of the report.

25. CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO IN THE MANNER AS PRESCRIBED IN RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014

Conservation of energy and technology absorption

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

The Foreign Exchange earnings and outgo

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

26. RISK MANAGEMENT

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

27. CORPORATE SOCIAL RESPONSIBILITY

The Company is at the forefront of Corporate Social Responsibility (CSR) and sustainability initiatives and practices. It believes in making lasting impact towards creating a just, equitable, humane and sustainable society. The Company has been involved with social initiatives in various activities in the field of education, primary healthcare and communities, environment, etc.

As per the provisions of Section 135 of the Companies Act, 2013, companies having net worth of INR 500 crore or more, or turnover of INR 1,000 crore or more or a net profit of INR 5 crore or more during the immediately preceding financial year are required to constitute a Corporate Social Responsibility (CSR) committee of the Board comprising three or more directors, at least one of whom should be an independent director and such company shall spend at least 2% of the average net profits of the company's three immediately preceding financial years towards CSR activities.

Accordingly, Fusion has spent INR 62,62,168/- towards CSR activities during the financial year 2018-19.



The detail of the CSR Report for the year 2018-19 is attached as "ANNEXURE 6" to this Report. Contents of the CSR policy is also available on the Company's website at http://www.fusionmicrofinance.com/pdf/Fusion_CSR_Policy.pdf.

28. ANNUAL PERFORMANCE EVALUATION BY THE BOARD

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

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

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

30. DETAILS OF SUBSIDIARY/JOINT VENTURES/ASSOCIATE COMPANIES

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

31. DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE

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

32. INTERNAL FINANCIAL CONTROLS

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

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



33. SEXUAL HARASSMENT

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

34. CORPORATE GOVERNANCE

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

Your Company believes in adopting best & transparent practices of corporate governance. Corporate governance principles are enshrined in the Spirit of Fusion, which form the core values of Fusion. These guiding principles are also articulated through the Company's code of business conduct, Corporate Governance guidelines & charter of various sub-committees.

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

35. MANAGERIAL REMUNERATION

Details of the remuneration as required to be provided pursuant to Section 197(12) of Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014 is attached as "ANNEXURE 7".

36. DIRECTORS' RESPONSIBILITY STATEMENT

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

- a. In the preparation of the annual financial statements for the year ended March 31, 2019, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
- b. The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profits of the company for that period;
- c. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and



for preventing and detecting fraud and other irregularities;

- d. The Directors had prepared the annual accounts on a going concern basis;
- e. The directors had laid down internal financial controls to be followed by the company, and that such internal financial controls are adequate and were operating effectively.
- f. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

37. RBI GUIDELINES

The Company is registered with the Reserve Bank of India as a NBFC within the provisions of the NBFC (Reserve Bank of India) Directions, 1998. The Company continues to comply with all the requirements prescribed by the Reserve Bank of India as applicable to it.

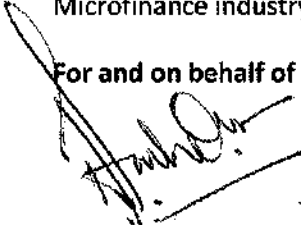
38. LISTING

During the year, the company has issued Non-Convertible Debentures, out of which some debentures were listed on Bombay Stock Exchange. The listing fees to the Stock Exchange for the financial year 2019-20 has been duly paid.

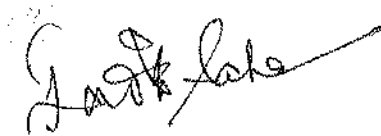
39. ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors


Devesh Sachdev
(MD & CEO)
DIN: 02547111




Pradip Kumar Saha
(Director)
DIN: 02947368

Place: New Delhi
Dated: May 27, 2019

FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN
as on financial year ended on 31.03.2019
Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

I REGISTRATION & OTHER DETAILS:

i	CIN	U65100DL1994PTC061287
ii	Registration Date	Monday, September 5, 1994
iii	Name of the Company	Fusion Micro Finance Private Limited
iv	Category/Sub-category of the Company	Private Company NBFC-MFI
v	Address of the Registered office & contact details	H-1, C-Block, Community Centre, Naraina Vihar, New Delhi-110028
vi	Whether listed company	Yes, the Non Convertible Debentures of the company are listed. However Equity shares of the company were not listed as on March 31, 2019
vii	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Link Intime India Private Limited C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai - 400 078. Tel. No.: +91 22 2594 6970; Fax No.: +91 22 2594 6969 E-mail: rnt.helpdesk@linkintime.co.in Website: www.linkintime.co.in

II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sl No	Name & Description of main products/services	NIC Code of the Product /service	% to total turnover of the company
1	Microfinance and related activities	64990	100.00%

III PARTICULARS OF HOLDING , SUBSIDIARY & ASSOCIATE COMPANIES

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



IV
(i) **SHAREHOLDING PATTERN (Equity Share capital Break up as % to total Equity)**

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31- March-2018]				No. of Shares held at the end of the year [As on 31-March- 2019]				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	3,004,037	-	3,004,037	6.97%	5,010,150	-	5,010,150	7.62%	0.65%
b) Central Govt. or State Govt.	-	-	-	-	-	-	-	-	-
c) Bodies Corporates	-	-	-	-	-	-	-	-	-
d) Bank/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
SUB TOTAL:(A) (1)	3,004,037	-	3,004,037	6.97%	5,010,150	-	5,010,150	7.62%	0.65%
(2) Foreign									
a) NRI- Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other...	-	-	-	-	-	-	-	-	-
SUB TOTAL (A) (2)	-	-	-	0.00%	-	-	-	0.00%	0.00%
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	3,004,037	-	3,004,037	6.97%	5,010,150	-	5,010,150	7.62%	0.65%
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	-	-	-	-	-	-	-	-	-
C) Central govt	-	-	-	-	-	-	-	-	-
d) State Govt.	-	-	-	-	-	-	-	-	-



e) Venture Capital Fund	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIS	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
SUB TOTAL (B)(1):	-	-	-	0.00%	-	-	-	0.00%	0.00%
(2) Non Institutions									
a) Bodies corporates	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	19,001,181	20,129,144	39,130,325	90.85%	47,489,584	11,741,295	59,230,879	90.13%	-0.73%
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs.1 lakhs	-	-	-	-	-	17,993	17,993	0.03%	0.03%
ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs	-	-	-	-	-	-	-	-	-
c) Others (Employees/ Trust)	-	935,912	935,912	2.17%	-	1,461,566	1,461,566	2.22%	0.05%
SUB TOTAL (B)(2):	19,001,181	21,065,056	40,066,237	93.03%	47,489,584	13,220,854	60,710,438	92.38%	-0.65%
Total Public Shareholding (B) = (B)(1)+(B)(2)	19,001,181	21,065,056	40,066,237	93.03%	47,489,584	13,220,854	60,710,438	92.38%	-0.65%
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	22,005,218	21,065,056	43,070,274	100.00%	52,499,734	13,220,854	65,720,588	100.00%	-



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(ii) SHAREHOLDING OF PROMOTERS

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

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

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

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

S. No		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of Shares	% of total shares of the company
	For Each of the Top 10 Shareholders				
1.	Honey Rose Investment Ltd ("Warburg Pincus")				
	At the beginning of the year	-	-	-	-
	Allotment on 05/12/2018	19,475,461	29.63%	-	-
	Transfer on 05/12/2018	9,153,989	13.93%	28,629,450	43.56%
	At the end of the year	-	-	28,629,450	43.56%
2.	Creation Investments Fusion, LLC				
	At the beginning of the year	15,321,043	35.57%	-	-
	Date wise increase/decrease during the year	-	-	-	-
	At the end of the year	-	-	15,321,043	23.31%
3.	Oikocredit, Ecumenical Development Co-Operative Society U.A.				
	At the beginning of the year	6,606,375	15.34%	-	-
	Date wise increase/decrease during the year	-	-	-	-
	At the end of the year	-	-	6,606,375	10.05%
4.	Creation Investments Fusion II, LLC				
	At the beginning of the year	-	-	-	-
	Transfer on 05/12/2018	5,134,920	11.92%	5,134,920	7.81%



	At the end of the year	-	-	5,134,920	7.81%
5.	Global Financial Inclusion Fund				
	At the beginning of the year	3,539,091	8.22%	-	-
	Date wise increase/decrease during the year	-	-	-	-
	At the end of the year	-	-	3,539,091	5.38%
6.	Fusion Employee Benefit Trust				
	At the beginning of the year	898,234	2.09%	-	-
	Allotment on 16/07/2018	549,647	0.11%	1,447,881	2.20%
	Transfer on 14/08/2018	(46,895)	(0.07%)	1,400,986	2.13%
	Transfer on 14/11/2018	(12,750)	(0.02%)	1,388,236	2.11%
	Transfer on 18/02/2019	(34,677)	(0.05%)	1,353,559	2.06%
	At the end of the year	-	-	1,353,559	2.06%
7.	Gourav Sirohi				
	At the beginning of the year	10,750	0.02%	10,750	0.02%
	options exercised on 14/11/2018	12,750	0.02%	23,500	0.04%
	options exercised on 18/02/2019	10,750	0.01%	34,250	0.05%
	At the end of the year	-	-	34,250	0.05%
8.	Ramesh Chaubey				
	At the beginning of the year	-	-	-	-
	options exercised on 14/08/2018	19,500	0.04%	19,500	0.03%
	At the end of the year	-	-	19,500	0.03%
9.	Rahul Jain				
	At the beginning of the year	19,928	0.04%	19,928	0.04%
	options exercised on 14/08/2018	23,065	0.02%	42,993	0.06%
	Transfer on 29/12/2018	(25,000)	(0.03%)	17,993	0.03%
	At the end of the year	-	-	17,993	0.03%
10.	Sandeep Kumar Sharma				
	At the beginning of the year	7,000	0.01%	7,000	0.01%
	Transfer on 29/12/2018	1,000	0.001%	8,000	0.01%
	options exercised on 18/02/2019	7,000	0.01%	15,000	0.02%
	At the end of the year	-	-	15,000	0.02%

(v) Shareholding of Directors & KMP

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

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

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



V INDEBTEDNESS

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

VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

S. No	Particulars of Remuneration	Mr. Devesh Sachdev DIN- 02547111 (MD & CEO)	Total Amount
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income Tax, 1961.	8,649,609	8,649,609
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-
2	Stock option		
3	Sweat Equity	-	-
4	Commission	-	-
	as % of profit	-	-
	others (Bonus)	3,000,000	3,000,000
5	Others, please specify	-	-
	Total (A)	11,649,609	11,649,609
	Ceiling as per the Act		



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B. Remuneration to other directors:

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

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

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

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

S. No.	Particulars of Remuneration	Key Managerial Personnel		Total
1	Gross Salary	Mr. Deepak Madaan (Company Secretary)	Mr. Gaurav Maheshwari (Chief Financial Officer)	Total
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	1,353,944	4,476,112	5,830,056
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-
2	*Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	as % of profit	-	-	-
	Others (Bonus)	550,000	875,000	1,425,000
5	Others, please specify	-	-	-
	Total	1,903,944	5,351,112	7,255,056

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



VIII PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

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

By orders of the Board of Directors
For Fusion Micro Finance Private Limited

Devesh Sachdev
(MD & CEO)
DIN: 02547111



Pradip Kumar Saha
(Director)
DIN: 02947368

CORPORATE GOVERNANCE REPORT**COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

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

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

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

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

BOARD OF DIRECTORS ("BOARD"):

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

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

COMPOSITION OF THE BOARD

As on March 31, 2019, the board had 7 members, 1 of whom was executive director, 6 non-executive directors out of which 3 were independent directors including 1 independent woman director.

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



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

Change in Directorship during the FY 2018-19

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

BOARD MEETINGS & ATTENDANCE

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

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

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

As a practice, the Company Secretary communicates all important decisions taken by the Board Members/ Committee Members to the functional head of the concerned departments. An Action Taken Report (ATR) on the decisions taken and matters discussed in the previous meeting is outlined and placed in the succeeding meeting of the Board/ Board Committee for their consideration/information and noting.

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

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



Attendance of Directors during fiscal 2019

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

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

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

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

COMPOSITION OF COMMITTEES

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

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

Our Board has constituted sub-committees to focus on specific areas and make informed decisions within the authority delegated to each of the Committees. Each Committee of the Board is guided by its Charter,



which defines the scope, powers and composition of the Committee. All decisions and recommendations of the Committees are placed before the Board for information or approval. During the financial year, the Board has accepted the recommendations of Committees on matters where such a recommendation is mandatorily required. There have been no instances where such recommendations have not been considered.

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

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

1. AUDIT COMMITTEE

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

Majority of the members of the Committee are Independent Directors and all the members of the Audit Committee have the required qualification and expertise for appointment on the Committee and possess requisite knowledge of accounting and financial management.

The Company Secretary acts as Secretary to this Committee.

Composition

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

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

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

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

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

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

Terms of Reference of the Audit Committee is as follows:

A) Financial Reporting



The Committee shall review the following:

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

B) Internal Audit

The Committee shall review the following:

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

C) External Audit

The Committee shall review the following:

- Consider and makes recommendations to the Board in relation to appointment & removal of company's external auditors. The Committee shall oversee the selection process of a new auditor and, if an auditor resigns, the Committee shall investigate the issues leading to his resignation and decide whether any action is required.
- Review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures.
- Oversee the relationship with the external auditor including (but not limited to)
 - a. Recommendations on their remuneration, whether fees for audit & non audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted.
 - b. Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of audit.
 - c. Satisfying itself that there are no relationship (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of business).
 - d. Monitor the auditor's compliance with relevant ethical & professional guidance on the rotation of audit partner.
- The Committee shall meet the external auditor at least once a year, without the executive being present, to discuss the auditor's report and any issue arising from the audit.
- Review and approve the annual audit plan and ensure that it is consistent with the scope of the



audit engagement.

- Review the findings of the audit with external auditor. This shall include:-
 1. Discussion of any major issues which arose during the audit.
 2. Any accounting & audit judgements.
 3. Level of errors identified during the audit.
 4. The effectiveness of the audit.

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

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

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

2. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

Composition

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

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

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

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

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

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

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

Terms of Reference

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

- Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII to Companies Act, 2013



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

The CSR policy is duly adhere to and in compliance with the Act in force.

3. REMUNERATION & NOMINATION COMMITTEE

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

Composition and Attendance at Meetings:

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

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

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

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

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

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

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

Terms of Reference

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

- Formulation of the criteria for determining qualifications, positive attributes and independence of Directors and recommend to the Board the remuneration of the Directors.
- To ensure 'fit and proper' status of proposed/ existing Directors.
- Formulation of criteria for evaluation of Independent Directors and the Board;
- To review the structure, size and composition (including the skills, knowledge and experience) of the



Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- To assess the independence of Independent Non-Executive Directors;
- To review the results of the Board performance evaluation process that relate to the composition of the Board;
- Annual appraisal of the performance of the CEO
- To also act as the ESOP committee for the purposes, administer and manage the ESOP Schemes

Performance Evaluation by the Board:

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

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

4. ASSET & LIABILITY MANAGEMENT COMMITTEE

Composition

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

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

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

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

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

Terms of Reference



The terms of reference of the Asset & Liability Committee include:

- Liquidity Risk Management
- Management of market (interest rate) risk
- Funding and capital planning
- Pricing, profit planning and growth projections
- To approve and revise the actual interest rates to be charged from customers for different products from time to time applying the interest rate model and also in line with such regulations as may be in force from time to time.
- Review of operational risk.

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

5. BOARD RISK MANAGEMENT COMMITTEE (BRMC)

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

Composition

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

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

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

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

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

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

Terms of Reference

The committee has with the following roles and responsibilities:

1. The BRMC is the authority that can approve, revise, or cancel policies related to risk management. The policy which needs full Board approval is the General Risk Management Policy



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

6. INFORMATION TECHNOLOGY STRATEGY COMMITTEE

During the financial year ended March 31, 2019, the committee met 1 time, i.e. on 14 November 2018.

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

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

Terms of reference

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

REMUNERATION OF DIRECTORS

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

a. Executive Directors

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

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



b. Non-Executive Directors

The Independent Directors are not paid any remuneration other than the sitting fee for attending meetings of the Board and the committees thereof as approved by the Board. The sitting fees as determined by the Board for attending meetings of the Board, Audit Committee, Nomination and Remuneration Committee, Board Risk Management Committee and CSR committee are within the limits prescribed under the Companies Act, 2013.

The details of Sitting Fees paid to Non - Executive Independent Directors for attending the meeting the Board & relevant Committees during the Financial Year 2018-19 are as under:

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

GENERAL BODY MEETINGS

ANNUAL GENERAL MEETING (AGM)

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

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

Extra Ordinary General Meetings

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



Year	Date	Time	Location	No. of Special Resolutions Passed
2018-19	28.08.2018	04:00 P.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	2
	12.10.2018	11:00 A.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	1
	05.12.2018	06:30 P.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	3
	25.03.2019	11:00 A.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	3
2017-18	27.12.2017	04:00 P.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	1
	22.01.2018	04:00 P.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	1
	27.01.2018	04:00 P.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	1
2016-17	11.05.016	05:00 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	2
	05.07.2016	05:00 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	5
	12.08.2016	04:30 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	3
	16.01.2017	04:00 P.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	-

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

DEBENTURE HOLDER DETAILS

The details regarding the Debenture Holders as on 31 March, 2019 are given as under:-

NAME of the NCD	Address	No. of NCD
IFMR Fimpro Investment Private Limited	10th Floor-Phase 1, IIT-Madras Research Park , Kanagam Village, Taramani, Chennai 600113	100
AAV Sarl-Symbolic II	2-8, Avenue Charles de Gaulle, L-1653, Luxembourg,	601
PETTELAAR EFFECTENBEWAARBEDRIJF N.V. (ASN Microcredit Fund TJ)	Nachtwachtlaan 20 – 6th Floor, 1058 EA, Amsterdam The Netherlands	526
Blue Orchard (Microfinance Fund)	11-13, Boulevard, de la foire, L-1528, Luxembourg	470
UTI International Wealth Creator 4 (responsibility)	4th Floor, 19 Bank Street, Cybercity, Ebene 72201, Mauritius	550
Incofin CVBA	Sneeuwbeslaan 20, 2610 Antwerpen, Belgium	310



Hindulja Leyland Finance	Hindulja Leyland Finance, No.27 A Developed Industrial,Estate, Guindy, Chennai – 600032	200
AAV Sarl-Symboitic III	2-8 avenue Charles de Gaulle, L-1653 Luxembourg	190
AAV Sarl-Symboitic IV	20, Rue de la Poste, L-2346 Luxembourg, Grand Duchy of Luxembourg	35
Triodos Microfinance Fund	11-13 boulevard de la foire, L-1528 Luxemburg, Grand Duchy of Luxembourg	315
Triodos Fair Share Fund	Nieuweroordweg 1, 3704 EC, Zeist, the Netherlands	315
IFMR Fimpact Long term Credit Fund	10th Floor, IIT M Research Park, 1, Kanagam Village, Taramani, Chennai, India-600 113	350
IFMR Fimpact Medium Term Opportunity Fund	10th Floor, IIT M Research Park, 1, Kanagam Village, Taramani, Chennai, India-600 113	150
IFMR Fimpact Income Builder Fund	10 th Floor, Phase 1, IIT Madras Research Park, Kanagam Village, Taramani, Chennai – 600113	250
Northern Arc Capital Limited	10 th Floor, Phase 1, IIT Madras Research Park, Kanagam Village, Taramani, Chennai – 600113	300
Blue Orchard - Microfinance Fund 2	11-13, Boulevard, de la foire, L-1528, Luxembourg	340
Blue Orchard - Microfinance Enhancement Fund 2	5, Rue, Jean Monnet, L-2180, Luxembourg	340
Incofin CVSO CVBA-SO	Incofin CVSO CVBA-SO, Ravensteinstraat 1, Gent, Belgium	25

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

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

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



DEBENTURE TRUSTEES DETAILS

The Debenture Trustees are as follows:-

DEBENTURE TRUSTEE	REGISTERED OFFICE ADDRESS
CATALYST TRUSTEESHIP LIMITED (Formerly known as GDA)	Office No. 83-87, 8th floor, 'Mittal Tower', 'B' Wing, Nariman Point, Mumbai – 400021
AXIS TRUSTEE SERVICES LIMITED	Axis House, 2nd Floor, Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai-400 025.
VISTRA ITCL (INDIA) LIMITED	IL & FS Financial Centre, Plot No C22, G Block, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra-400051

OTHER DISCLOSURES

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

REGISTRAR AND SHARE TRANSFER AGENT DETAILS

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

In case of NCDs held in electronic form, the transfers are processed by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through their respective Depository Participants. Details of RTA are as under:-

Link Intime India Private Limited

C-13, Pannalal Silk Mills Compound, LBS Marg,
Bhandup (West), Mumbai - 400 078.

Tel. No.: +91 22 2594 6970; Fax No.: +91 22 2594 6969

E-mail: rnt.helpdesk@linkintime.co.in

Website: www.linkintime.co.in



MATERIALLY SIGNIFICANT RELATED PARTY TRANSACTIONS

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

DISCLOSURE AND TRANSPARENCY

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

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

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

The Annual Financial Statements, also include the following details:

- registration/ license/ authorization, by whatever name called, obtained from other financial sector regulators;
- ratings assigned by credit rating agencies and migration of ratings during the year;
- penalties, if any, levied by any regulator;
- Asset-Liability profile, NPAs and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures as required.
- The particulars of transactions between the Company and its related parties, as defined under Section 2(76) of the Companies Act, 2013 and in Accounting Standard 18, are set out in the financial statements.
- The Company has a record of unqualified financial statements since inception.

MEANS OF COMMUNICATION

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

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

REGULAR UPDATES

The Company sends Quarterly newsletter to the Board Members, stakeholders and keeps them updated on



the happenings in the Company. All other events and happenings of importance to the sector are reported to the Board on a continuous basis.

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting: Date: June 29, 2019

Time: 11:00 A.M.

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

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

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

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

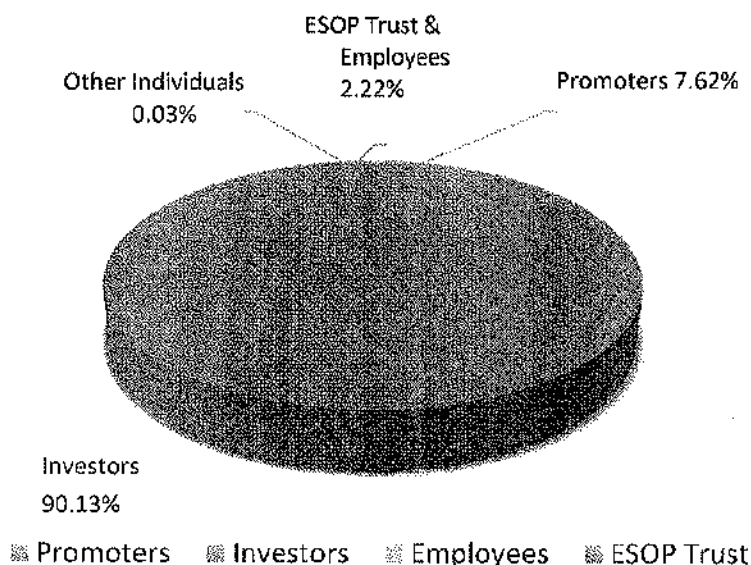
DEMATERIALISATION OF SHARES AND LIQUIDITY

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

Shareholding pattern as on 31st March 2019 -

Shareholder Group	Shares	Amount	Stake %
Promoters	*5,010,150	22,206,828	7.62%
Investor	59,230,879	592,308,790	90.13%
Other Individuals	17,993	179,930	0.03%
ESOP Trust & Employees	1,461,566	14,615,660	2.22%
Total	6,57,20,588	62,93,11,208	100.00%

**includes 3,099,408 partly paid up shares at which Re. 1 were paid till date*



Address for Correspondence

Mr. Deepak Madaan

Company Secretary

Fusion Micro Finance Private Limited

H-1, C Block, Community Centre,

Naraina Vihar, New Delhi-110028

Tel: +91 46646600

Website: www.fusionmicrofinance.com

Place: New Delhi

Date: May 27, 2019

For and on behalf of the Board of Directors



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

Place: New Delhi

Date: 27.05.2019



**Devesh Sachdev
MD & 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, 2019 received from the Members of the Board and Senior Management team of the Company, a declaration of compliance with the Code of Conduct as applicable to them.

Place: New Delhi
Date: 27.05.2019



Devesh Sachdev
MD & CEO

FORM NO. AOC -2

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

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto during the FY 2018-19.

1. Details of contracts or arrangements or transactions not at Arm's length basis during the FY2018-19.

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

2. Details of contracts or arrangements or transactions at Arm's length basis during the FY2018-19.

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

By order of the Board of Directors
For Fusion Micro Finance Private Limited

Devesh Sachdev
(MD & CEO)
DIN: 02547111



Pradip Kumar Saha
(Director)
DIN: 02947368

Place: New Delhi
Dated: May 27, 2019

Management Discussion and Analysis Report

ECONOMIC OVERVIEW

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

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

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

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

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

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

INDUSTRY STRUCTURE AND DEVELOPMENTS

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

Disbursements jumped by 63.26% over the previous year as the client portfolio increased. As a result, the Gross Asset Under Management stood at INR 2641.39 crore as on March 31, 2019 against INR 1555.60 crore as on March 31, 2018. What was heartening is that the industry was back on track in terms of operational efficiency as Portfolio at Risk (>30) declined from 3.90% in 2017-18 to 1.78% in 2018-19.

COMPANY OVERVIEW

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

Headquartered in New Delhi, the Company's operations are spread across 18 Indian states and managed by an experience and enthusiastic team of 4000+ members with an average age of 27.5 years.



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OPERATIONAL PERFORMANCE

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

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

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

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

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

FINANCIAL PERFORMANCE

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

OUTLOOK FOR 2019-20

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

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



for clean and honest operations, thrust on accurate operations and seamless integration, and the liquidity at the close of the fiscal provide considerable optimism for a better and even more successful performance in the current year.

INTERNAL CONTROL AND ITS ADEQUACY

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

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

RISK AND CONCERNS

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

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

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

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

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

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

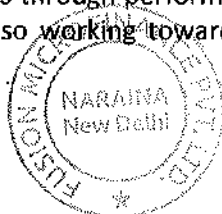
The Company is regulated by Reserve Bank of India which has stipulated certain regulations to be followed by each and every NBFC.

HUMAN RESOURCE

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

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

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



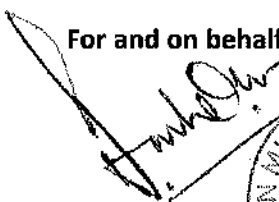
extend its Learning and Development commitment across all branches.

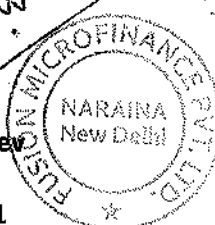
The company also has a strong culture of celebrations. All occasions are celebrated with great zeal and excitement at the branches.


CAUTIONARY STATEMENT

This document contains statements about expected events and financial and operational results of Fusion Microfinance which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is a significant chance that the assumptions, predictions and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, and actual results and events to differ materially from those expressed here.

For and on behalf of the Board of Directors


Devesh Sachdev
(MD & CEO)
DIN: 02547111




Pradip Kumar Saha
(Director)
DIN: 02947368

Place: New Delhi

Dated: May 27, 2019

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

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

Policy Statement

In alignment with the vision of the company, FMPL, as its CSR initiatives, will continue to enhance value creation in the society and in the community in which it operates, through its services, conduct and initiatives, so as to promote sustained growth for the society and community in fulfilment of its role as a Socially Responsible Corporate with environmental concern.

Organization Setup

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

- a) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII to Companies Act, 2013;
- b) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a) above; and
- c) Monitor the Corporate Social Responsibility Policy of the Company from time to time.

Scope of activities

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

2. The Composition of the CSR Committee.

The CSR Committee comprised Three (3) Members including two (2) independent Directors. The committee was reconstituted on January 30, 2019 with the following composition:

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



3. Average net profit of the company for last three financial years

(INR 8,83,39,768)

4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)

NIL

5. Details of CSR spent during the financial year.

- a) Total amount to be spent for the financial year 2018-19: INR 75,00,000*
- b) Amount Spent: INR 62,62,168
- c) Amount unspent , if any: INR 12,37,832
- d) Manner in which the amount spent during the financial year is detailed below.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S.No	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay(budget) project or programs wise (In Rs.)	Amount spent on the projects or programs sub-heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure upto the reporting period	Amount spent Direct or through implementing agency
1	National Nutrition Week Celebration	Promote preventive healthcare	Uttar Pradesh, Madhya Pradesh and Haryana	171,575	171,575	171,575	Both
2	Health Camp	Promoting preventive healthcare	Uttar Pradesh, Chhattisgarh, Uttarakhand, Madhya Pradesh, Jharkhand, Bihar, Odisha, Haryana, West Bengal and Punjab	1,504,528	1,504,528	1,504,528	Agency
3	Wheelchair Donation	Promoting healthcare	Uttar Pradesh, Chhattisgarh, Uttarakhand, Madhya Pradesh, Jharkhand, Bihar, Odisha, Rajasthan	215,084	215,084	215,084	Direct
4	Daan Utsav	Promoting education	Jharkhand, Bihar, Odisha	152,132	152,132	152,132	Direct



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5	Financial Literacy Program	Eradicating poverty	Uttar Pradesh, Chhattisgarh, Rajasthan, Uttarakhand, Madhya Pradesh, Jharkhand, Bihar, Odisha, Haryana, Punjab	1,528,326	1,528,326	1,528,326	Direct
6	Stationary and Sanitary Napkin Distribution	Preventive health care and sanitation	Madhya Pradesh	68,675	68,675	68,675	Direct
7	Sanitation Awareness Program	Sanitation	Madhya Pradesh, Uttar Pradesh, Odisha and Jharkhand	16,857	16,857	16,857	Direct
8	Rural Development	Making available safe drinking water	Laksar, Uttarakhand	53,190	53,190	53,190	Agency
9	Relief and welfare work for Kerala flood victims	Respond promptly to any natural calamity	Kerala (cherukadapuram, kochukadavu, Nadathara and Cherpu)	130,784	130,784	130,784	Both
10	Relief and welfare work for Gaja Cyclone victims	Respond promptly to any natural calamity	Thanjaur, Tamil Nadu	466,103	466,103	466,103	Agency
11	Relief and welfare work for Fire Victims	Respond promptly to any natural calamity	Bihar	6000	6000	6000	Direct
12	Environmental Program	Ensuring environmental sustainability	Laksar, Uttarakhand	43,400	43,400	43,400	Agency
13	Jivika - Skill Development Program	Enhancing vocational skills	Jharkhand, Madhya Pradesh, Haryana	340,488	340,488	340,488	Agency
14	Educational Sponsorships	Promoting education	Hyderabad	105,000	105,000	105,000	Agency
15	Sponsorship (Go Sports Foundation)	Promoting sports	Karnataka	1,000,000	1,000,000	1,000,000	Agency
16	Sponsorship (Indian Cancer Society)	Promoting Healthcare	Delhi	281,000	281,000	281,000	Agency



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17	Toilet construction	Sanitation	Odisha, Uttar Pradesh, Madhya Pradesh	179,026	179,026	179,026	Direct
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*the company approved the CSR budget of INR 75,00,000/-, however, INR 62,62,168 was spent during the FY 2018-19. Further, the Board has taken a decision to carry over the unspent budgeted amount to the next year.

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

Not Applicable

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

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

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

Devesh Sachdev
MD and CEO



For Fusion Microfinance Private Limited

Pradip Kumar Saha
Chairman of CSR Committee

Place: New Delhi
Dated: May 27, 2019

Annexure 7

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

S.No.	PARTICULARS	DISCLOSURES
(i)	the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;	Managing Director & CEO: 64:1
(ii)	the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;	Increase in Remuneration: Chief Executive Officer: 24% Chief Financial Officer: 17% Company Secretary: 25%
(iii)	the percentage increase in the median remuneration of employees in the financial year;	12.88%
(iv)	the number of permanent employees on the rolls of company as on March 2019;	4398
(v)	average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;	The average increase in the salaries of employees was 12.88% and the average increase in the managerial remuneration (CEO, CFO & CS) was 22%.
(vi)	Affirmation that the remuneration is as per the remuneration policy of the company.	Yes

The detail of top ten employees in terms of remuneration drawn is as follows:

Employee Name	Designation	Qualification	Remuneration Received	Nature of employment	Date of Commencement of Employment	Age	Experience (In Years)	Last Employment Details	Whether relative of any director/manager
Devesh Sachdev	Chief Executive Officer	MBA	11,649,609	Full time employment	01-Jan-10	46	22	BSA Logistics	No
Tarun lehndiratta	Chief Operating Officer	MBA	7,705,337	Full time employment	19-Jun-17	49	27	SBI Cards	No
Gaurav taheshwari	Chief Financial Officer	CA, MBF	5,351,112	Full time employment	03-Feb-16	40	15	Avantha Group	No
Ankush Ahluwalia	Vice President	MBE	3,865,903	Full time employment	03-Aug-15	40	16	Magma Fincorp Ltd.	No
Lekshmi Bhargavi	Vice President	MBA	3,069,839	Full time employment	22-Mar-18	41	15	Jana Urban Services for Transformation	No



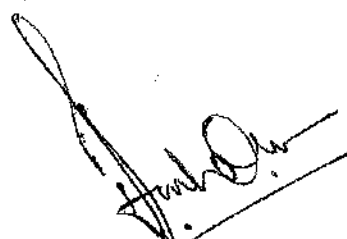
atish Mani	Vice President	B.Com	3,262,183	Full time employment	08-Apr-15	47	25	GE Commercial Finance	No
Praveen Kumar	Dy. Vice President	MBA	2,105,320	Full time employment	12-Jan-15	44	15	Arohan Financial Service Pvt. Ltd.	No
Deepak Madaan	Dy. Vice President	CS, LLB	1,903,944	Full time employment	01-June-13	32	10	Almondz Capital and Management Services Ltd	No
Rohit Dhiman	Asst. Vice President	PG Mass Comm.	2,015,620	Full time employment	19-Sep-16	37	16	Metlife Insurance	No
Salidhasan alaiselvan*	Asst. Vice President	MBA	812,453	Full time employment	21-Sep-18	35	13	Mannapuram Finance Ltd.	No

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

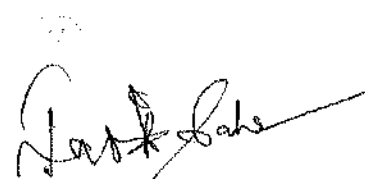
Name of every employee of the company who –

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

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



Devesh Sachdev
MD and CEO
DIN: 02547111

Pradip Kumar Saha
Director
DIN: 02947368

Place: New Delhi
Dated: May 27, 2019