

INDEPENDENT AUDITOR'S REPORT

To the Members of Fusion Micro Finance Private Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Fusion Micro Finance Private Limited ("the Company"), which comprise the Balance sheet as at March 31 2021, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its profit including other comprehensive income its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards 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 audit opinion on the financial statements.

Emphasis of matter

We draw attention to Note 53 of the financial statements which describes the impact of economic and social consequences of the COVID-19 pandemic on the Company's business and financial metrics which continue to be dependent on uncertain future developments. Our opinion is not modified in respect of this matter.

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 for the financial year ended March 31, 2021. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



| Key audit matters | How our audit addressed the key audit matter |
|---|--|
| Impairment of Financial instruments (including provision for expected credit losses) <i>(as described in note 2.7 of the financial statements)</i> | |
| <p>Ind AS 109 requires the Company to provide for impairment of its loan receivables (financial instruments) using the expected credit loss (ECL) approach. ECL involves an estimation of probability-weighted loss on financial instruments over their life, considering reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions which could impact the credit quality of the Company's loans and advances.</p> <p>In the process, a significant degree of judgement has been applied by the management for:</p> <ol style="list-style-type: none"> Defining qualitative/ quantitative thresholds for 'significant increase in credit risk' ("SICR") and 'default'. Grouping of loan portfolio under homogenous pools to determine probability of default on a collective basis. Estimating recoveries to determine loss given default on a collective basis for loans that have defaulted. Determining effect of less frequent past events on future probability of default. <p>Additional considerations on account of CoVID-19 Pursuant to the Reserve Bank of India circular dated March 27, 2020 and May 23, 2020 ("RBI circular") allowing lending institutions to offer a moratorium to customers on payment of instalments falling due between March 1, 2020 and August 31, 2020 read with advisory issued by the Microfinance Institutions Network dated March 30, 2020 ("MFIN advisory"), the Company has extended a moratorium to its borrower in accordance with its Board approved policy as described in Note 53.</p> <p>In accordance with the guidance from Institute of Chartered Accountants of India, extension of the moratorium to borrowers by itself is not considered to result in a SICR for a borrower. The Company in the future will need to evaluate from time to time whether to whom moratorium was granted under the packages announced by the Government of India ("GOI") will be regular. The Company has considered internal and external sources of information available including indicators of deterioration in the macro-economic factors. Further, the management has estimated the impact of the ongoing second wave of the pandemic on its loan portfolio, based on reasonable and supportable information available till date and considering performance after the first wave. Given the unique nature and scale of this pandemic, its full extent of impact on the Company's operations and financial metrics, more specifically on the borrower's ability to service their obligations on a timely basis, will depend on the severity and duration of the pandemic as well as on highly uncertain future</p> | <p>Our audit procedures included, among others,</p> <ul style="list-style-type: none"> Considering the Company's accounting policies for impairment of loan receivables, assessing compliance with the policies in terms of Ind AS 109 and the governance framework approved by the Board of Directors pursuant to Reserve Bank of India guidelines issued on March 13, 2020. Tested the assumptions used by the Company for staging of loan portfolio into various categories and default buckets for determining the Probability of Default ("PD") and Loss Given Default ("LGD") rates. Tested the operating effectiveness of the controls for staging of loans based on their past-due status. Tested samples of performing (stage 1) loans to assess whether any loss indicators were present requiring them to be classified under stage 2 or 3. Tested the input data used for determining the PD and LGD rates and compared the data with the underlying books of accounts and records. Performed inquiries with the Company's management and its risk management function to assess the impact of lock-down on the business activities of the Company. Reviewed the Company's policy with respect to moratorium pursuant to the RBI circular and MFIN advisory and tested the implementation of such policy on a sample basis. Assessed the additional considerations applied by the management for staging of loans as SICR/ default in view of Company's policy on moratorium. Tested assumptions used by the management in determining the overlay for macro-economic factors (including CoVID-19 pandemic) in accordance with the governance framework approved by the Board of Directors pursuant to Reserve Bank of India guidelines issued on March 13, 2020. Tested the arithmetical accuracy of computation of ECL provision performed by the Company in spreadsheets. Compared the disclosures included in the financial statements in respect of expected credit losses with the requirements of Ind AS 107 and 109. Reviewed specific disclosures made in the financial statements with regards to the impact of CoVID-19 and its impact on ECL estimation and other disclosures as prescribed by RBI relating to moratorium granted. |



| Key audit matters | How our audit addressed the key audit matter |
|---|--|
| <p>developments including governmental and regulatory measures and the Company's responses thereto. Accordingly, the management's estimate of impairment losses based on various variables and assumptions could result in actual credit loss being different than that being estimated.</p> <p>Given the high degree of management's judgement involved in estimation of ECL, accentuated by the considerations for CoVID-19 related developments, it is a key audit matter.</p> | |

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis and Board's Report including Annexures to Board's Report but does not include the financial statements and our auditor's report thereon. The other information 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 such 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 such other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and to comply with the relevant applicable requirements of the standard on auditing for auditor's responsibility in relation to other information in documents containing audited financial statements.

Responsibilities of Management for the Financial Statements

The Company's Board of Directors is 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 financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the 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 is 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.

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
 - (e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
 - (g) In our opinion, the managerial remuneration for the year ended March 31, 2021 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
 - (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company does not have any pending litigations which would impact its financial position;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004



per Amit Kabra

Partner

Membership Number: 094533

UDIN: 21094533AAAAET9772

Place of Signature: Gurugram

Date: May 26, 2021



Annexure 1 referred to in paragraph 1 under the heading 'Report on other legal and regulatory requirements' of our report of even date

Re: Fusion Micro Finance Private Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) According to the information and explanations given by the management and audit procedures performed by us, the title deeds of immovable properties included in property, plant and equipment are held in the name of the company.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under clause 3 (ii) of the Order are not applicable to the Company and hence not commented upon.
- (iii) According to the information and explanations given to us, 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 Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the products/services of the Company.
- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, service tax, customs duty, excise duty, value added tax and cess which have not been deposited on account of any dispute.
- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or dues to debenture holders.
- (ix) According to the information and explanations given by the management and audit procedures performed by us, the Company has not raised any money by way of initial public offer or further public offer.

Further, monies raised by the Company by way of term loans were applied for the purpose for which those were raised, though idle/surplus funds which were not required for immediate utilization were gainfully invested in liquid assets payable on demand.



S.R. BATLIBOI & ASSOCIATES LLP

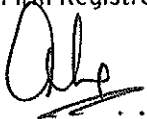
Chartered Accountants

- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no material fraud on the company by the officers and employees of the Company has been noticed or reported during the year except for instances of cash embezzlements by certain employees of the company aggregating to an amount of Rs. 9,774,795 and out of which amount of Rs. 5,183,900 has been recovered.
- (xi) According to the information and explanations given by the management, the provisions of section 197 read with Schedule V of the Act are not applicable to the company and hence reporting under clause 3(xi) are not applicable and hence not commented upon.
- (xii) In our opinion, the Company is not a Nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management and audit procedures performed by us, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the company and, not commented upon.
- (xv) According to the information and explanations given by the management and audit procedures performed by us, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us and audit procedures performed by us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004



per **Amit Kabra**

Partner

Membership Number: 094533

UDIN: 21094533AAAAET9772

Place of Signature: Gurugram

Date: May 26, 2021



Annexure 2 referred to in paragraph 2(f) under the heading "Report on other legal and regulatory requirements" of our report of even date

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

We have audited the internal financial controls with reference to financial statements of Fusion Micro Finance Private Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). 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 the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by ICAI. 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 these financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to these financial statements, 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 these financial statements.

Meaning of Internal Financial Controls with reference to these 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 includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

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 control 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.

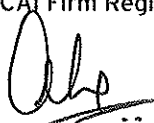
Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004



per Amit Kabra

Partner

Membership Number: 094533

UDIN: 21094533AAAAET9772

Place of Signature: Gurugram

Date: May 26, 2021




Fusion Micro Finance Private Limited
Balance Sheet as at March 31, 2021

(Rs in millions unless otherwise stated)

| Particulars | Notes | As at March 31, 2021 | As at March 31, 2020 |
|---|-------|-------------------------|-------------------------|
| Assets | | | |
| Financial assets | | | |
| Cash and cash equivalents | 3 | 12,154.20 | 5,396.67 |
| Bank balances other than cash and cash equivalents | 4 | 1,198.36 | 2,780.82 |
| Trade receivables | 5 | 27.93 | 31.39 |
| Loans | 6 | 43,607.30 | 33,429.73 |
| Investments | 7 | - | 5.00 |
| Other financial assets | 8 | 300.76 | 238.46 |
| Non-financial Assets | | | |
| Current tax assets (net) | 9 | 119.58 | 119.09 |
| Deferred tax assets (net) | 10 | 765.28 | 305.02 |
| Property, plant and equipment | 11 | 102.74 | 58.98 |
| Intangible assets | 12 | 1.90 | 1.47 |
| Right of use asset | 13 | 78.19 | - |
| Other non-financial assets | 14 | 23.09 | 33.31 |
| Total assets | | 58,379.33 | 42,399.94 |
| Liabilities and equity | | | |
| Liabilities | | | |
| Financial liabilities | | | |
| Trade payables | 15 | 113.06 | 40.71 |
| Debt securities | 16 | 9,904.50 | 3,998.98 |
| Borrowings (other than debt securities) | 17 | 33,250.79 | 24,571.58 |
| Subordinated liabilities | 18 | 1,167.21 | 1,166.29 |
| Other financial liabilities | 19 | 1,265.98 | 513.28 |
| Non-financial liabilities | | | |
| Current tax liabilities (net) | 20 | 53.98 | 0.53 |
| Provisions | 21 | 80.76 | 57.72 |
| Other non-financial liabilities | 22 | 79.50 | 61.96 |
| Equity | | | |
| Equity share capital | 23.1 | 790.37 | 789.50 |
| Other equity | 24 | 11,673.18 | 11,199.39 |
| Total liabilities and equity | | 58,379.33 | 42,399.94 |
| Significant accounting policies | 2 | | |
| The accompanying notes are an integral part of the financial statements | | | |
| As per our report of even date | | | |

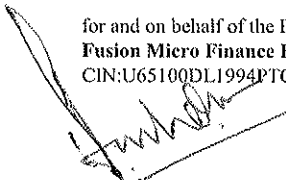
for **S.R. Batliboi & Associates LLP**
Chartered Accountants
 ICAI Firm Registration Number: 101049W/E300004


Amit Kabra
 Partner
 Membership Number : 094533

Place: Gurugram
 Date : May 26, 2021

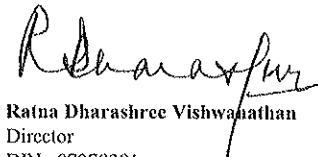


for and on behalf of the Board of Directors of
Fusion Micro Finance Private Limited
 CIN: U65100DL1994PTC061287


Devesh Sachdev
 MD and CEO
 DIN : 02547111


Deepak Madan
 Company Secretary

Place: Gurugram
 Date : May 26, 2021


Ratna Dharashree Vishwanathan
 Director
 DIN : 07278291


Gaurav Maheshwari
 Chief Financial Officer



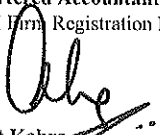
Fusion Micro Finance Private Limited
Statement of profit and loss for year ended March 31, 2021

(Rs in millions unless otherwise stated)

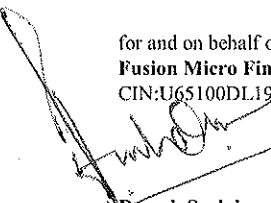
| Particulars | Notes | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|--|-------|--------------------------------------|--------------------------------------|
| Revenue from operations | | | |
| Interest income | 25 | 8,275.64 | 6,664.88 |
| Fees and commission income | 26 | 7.19 | 34.64 |
| Net gain on fair value changes | 27 | 167.45 | 231.57 |
| Net gain on derecognition of financial instruments under amortised cost category | 28 | 107.84 | 271.55 |
| Total revenue from operations | | 8,558.12 | 7,202.64 |
| Other income | 29 | 172.76 | 100.47 |
| Total income | | 8,730.88 | 7,303.11 |
| Expenses | | | |
| Finance costs | 30 | 3,751.04 | 3,376.72 |
| Impairment on financial instruments | 31 | 2,207.80 | 926.99 |
| Employee benefits expenses | 32 | 1,686.40 | 1,483.33 |
| Depreciation and amortization | 11-13 | 38.94 | 25.76 |
| Others expenses | 33 | 478.79 | 490.36 |
| Total expenses | | 8,162.97 | 6,303.16 |
| Profit before tax | | 567.91 | 999.95 |
| Tax Expense: | | | |
| Current tax | 34 | 588.71 | 395.99 |
| Deferred tax | 34 | (460.24) | (92.14) |
| Profit for the year | | 439.44 | 696.10 |
| Other comprehensive income | | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Remeasurement gains on defined benefit plans | | 0.04 | 6.46 |
| Income tax effect on above | | (0.01) | (1.40) |
| | | 0.03 | 5.06 |
| Total comprehensive income for the year | | 439.47 | 701.16 |
| Earnings per equity share (equity share par value of Rs.10 each) | | | |
| Basic (Rs) | 35 | 5.56 | 10.47 |
| Diluted (Rs) | 35 | 5.49 | 10.32 |
| Significant accounting policies | 2 | | |

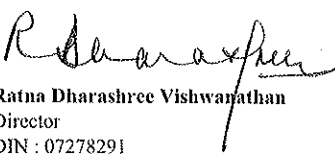
The accompanying notes are an integral part of the financial statements
As per our report of even date

for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004


Amit Kabra
Partner
Membership Number : 094533

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


Devesh Sachdev
MD and CEO
DIN : 02547711


Ratna Dharashree Vishwanathan
Director
DIN : 07278291


Deepak Madnan
Company Secretary


Gaurav Maheshwari
Chief Financial Officer

Place: Gurugram
Date : May 26, 2021

Place: Gurugram
Date : May 26, 2021



Fusion Micro Finance Private Limited
Statement of cash flows for the year ended March 31, 2021

(Rs in millions unless otherwise stated)

| Particulars | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|--|--------------------------------------|--------------------------------------|
| I. Cash flow from operating activities | | |
| Profit before Tax | 567.91 | 999.95 |
| Adjustments to reconcile profit before tax to net cash flows: | | |
| Depreciation and amortisation | 38.94 | 25.76 |
| Impairment of financial instruments | 2,207.80 | 926.99 |
| Finance cost on lease liability | 5.30 | - |
| Provision for gratuity | 17.90 | 19.17 |
| Provision for compensated absences | 20.31 | 15.40 |
| Other provisions | 2.73 | (10.58) |
| Net gain on change in fair value of mutual funds | (167.45) | (231.57) |
| Net gain on derecognition of financial instruments under amortised cost category | (128.15) | (126.80) |
| Employee share based payment expense | 30.40 | 34.67 |
| Amortisation of processing fees | (5.88) | 1.18 |
| (Profit)/loss on sale of assets | (1.00) | 0.08 |
| Operating cash flow before working capital changes | 2,588.81 | 1,654.25 |
| Movement in working capital: | | |
| Increase in loans & advances | (12,374.28) | (8,623.03) |
| Decrease/(increase) in receivables | 3.46 | (25.30) |
| Decrease/(increase) in other financial assets | 47.95 | (33.59) |
| Decrease/(increase) in other non-financial assets | 10.22 | (9.86) |
| Decrease/(increase) in bank balances other than cash and cash equivalents | 1,571.37 | (128.94) |
| Increase/(decrease) in trade payables | 72.36 | (1.17) |
| Increase in other financial liability | 668.07 | 94.16 |
| Increase in other non-financial liability | 17.54 | 15.46 |
| Cash used in operations | (7,394.50) | (7,058.02) |
| Income tax paid | (535.75) | (436.30) |
| Net cash (used in) operating activities (A) | (7,930.25) | (7,494.32) |
| II. Cash flow from investing activities | | |
| Purchase of property, plant and equipment | (75.41) | (29.57) |
| Proceeds from sale of property, plant and equipment | 0.99 | - |
| Purchase of intangible assets | (2.45) | (1.48) |
| Purchase of investments | (43,330.00) | (50,014.24) |
| Proceeds from sale of investments | 43,502.45 | 50,245.81 |
| Net cash flow from investing activities (B) | 95.58 | 200.52 |
| III. Cash flow from financing activities | | |
| Proceeds from issue of equity shares | 4.79 | 5,000.98 |
| Repayment of debt securities | (660.53) | (1,346.34) |
| Proceeds from debt securities | 6,577.19 | 348.71 |
| Repayment of borrowings (other than debt securities) | (20,036.34) | (17,800.02) |
| Proceeds from borrowings (other than debt securities) | 28,711.21 | 19,247.43 |
| Payment of lease liability | (4.12) | - |
| Net cash flow from financing activities (C) | 14,592.20 | 5,450.76 |
| Net (decrease)/increase in cash and cash equivalents (A + B + C) | 6,757.53 | (1,843.04) |
| Cash and cash equivalents at the beginning of the year | 5,396.67 | 7,239.71 |
| Cash and cash equivalents at the end of the year | 12,154.20 | 5,396.67 |

Note: For disclosures relating to change in liabilities arising from financing activities, refer note 40.

Cash flow from operating activities includes interest received of Rs. 6,755.39 millions (previous year Rs 6,051.16 millions) and interest paid of Rs. 3,646.87 millions (previous year Rs 3,413.53 millions).

Significant accounting policies

The accompanying notes are an integral part of the financial statements
As per our report of even date

for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Amit Kabra
Partner
Membership Number : 094533

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

Devesh Sachdev
MD and CEO
DIN : 02547111

Ratna Dharashree Vishwanathan
Director
DIN : 07278291

Deepak Madan
Company Secretary

Gaurav Maheshwari
Chief Financial Officer

Place: Gurugram
Date : May 26, 2021



Fusion Micro Finance Private Limited
Statement of Changes in equity for the year ended March 31, 2021

A Equity share capital

(Rs in millions unless otherwise stated)

| Particulars | As at April 1, 2019 | Changes during the FY 2019-20 | As at March 31, 2020 | Changes during the FY 2020-21 | As at March 31, 2021 |
|---------------------------------------|------------------------|----------------------------------|-------------------------|----------------------------------|-------------------------|
| Equity share capital (fully paid up) | 626.21 | 177.63 | 803.84 | - | 803.84 |
| Less: Treasury shares | (13.54) | (4.74) | (18.28) | 0.87 | (17.41) |
| Equity share capital (partly paid up) | 3.10 | 0.84 | 3.94 | - | 3.94 |
| Total | 615.77 | 173.73 | 789.50 | 0.87 | 790.37 |

B Other equity

| Particulars | Reserves and Surplus | | | | | Other Comprehensive Income | Total |
|---|----------------------|-----------------|-----------------------|---------------------------------------|-------------------|--|------------------|
| | Statutory reserve | Treasury Shares | Securities premium | Employee stock option plan reserve | Retained earnings | Remeasurement gains on defined benefit plans | |
| Balance as at April 1, 2019 | 183.22 | (63.78) | 5,180.76 | 19.88 | 321.21 | 1.48 | 5,642.77 |
| Total comprehensive income for the year | - | - | - | - | 696.10 | 5.06 | 701.16 |
| Issue of equity shares | - | (79.17) | 4,907.04 | - | - | - | 4,827.87 |
| Transfer to / from retained earnings | 139.22 | - | - | - | (139.22) | - | - |
| Share issue expenses | - | - | (3.06) | - | - | - | (3.06) |
| Share based compensation | - | - | - | 28.21 | - | - | 28.21 |
| Exercise and lapse of share options | - | 1.58 | 2.83 | (4.26) | 2.29 | - | 2.44 |
| Balance as at March 31, 2020 | 322.44 | (141.37) | 10,087.57 | 43.83 | 880.38 | 6.54 | 11,199.39 |
| Balance as at April 1, 2020 | 322.44 | (141.37) | 10,087.57 | 43.83 | 880.38 | 6.54 | 11,199.39 |
| Total comprehensive income for the year | - | - | - | - | 439.44 | 0.03 | 439.47 |
| Transfer to / from retained earnings | 87.89 | - | - | - | (87.89) | - | - |
| Share based compensation | - | - | - | 30.40 | - | - | 30.40 |
| Exercise and lapse of share options | - | 3.22 | 4.10 | (5.77) | 2.36 | - | 3.91 |
| Balance as at March 31, 2021 | 410.33 | (138.15) | 10,091.67 | 68.46 | 1,234.29 | 6.57 | 11,673.18 |

The accompanying notes are an integral part of the financial statements

As per our report of even date

for S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Amit Kabra
Partner
Membership Number : 094533

for and on behalf of the Board of Directors of
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CIN:U65100DL1994PTC061287

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MD and CEO
DIN : 025471111

Ratna Dharashree Vishwanathan
Director
DIN : 07278291

Deepak Madan
Company Secretary

Gulraj Singh
Chief Financial Officer

Place: Gurugram
Date : May 26, 2021

Place: Gurugram
Date : May 26, 2021



Fusion Micro Finance Private Limited
Notes to Financial Statements for the year ended March 31, 2021
(Rs in millions unless otherwise stated)

1. Corporate information

Fusion Micro Finance Private Limited ('the Company') was incorporated on 05 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 45-1A 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 with Registration No. B-14.02857. The Company listed its Non-Convertible Debentures ('NCDs') in Bombay Stock Exchange, India. The registered office of the Company is in Delhi.

The Company is primarily engaged in micro finance lending activities, providing financial services to poor women in India who are organized as Joint Liability Group ('JLGs'). The Company provides small value collateral free loans. Apart from micro finance lending, the Company also have insignificant lending to MSME enterprises.

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.

The financial statements for the year ended March 31, 2021 were approved for issue in accordance with a resolution of the directors on May 26, 2021.

Basis of preparation of financial statements

These financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified by under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division III of Schedule III to the Companies Act, 2013, (Ind AS compliant Schedule III).

The financial statements have been prepared on a historical cost basis, except for fair value through other comprehensive income (FVOCI) instruments, plan assets, other financial assets held for trading and financial assets and liabilities designated at fair value through profit or loss (FVTPL), all of which have been measured at fair value. The financial statements are presented in Indian Rupees (INR) and all values are rounded to the nearest million, except when otherwise indicated.

Presentation of financial statements

The Company presents its balance sheet in order of liquidity.

The Company generally reports financial assets and financial liabilities on a gross basis in the balance sheet. They are only offset and reported net, when in addition to having an unconditional legally enforceable right to offset the recognized amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- A. The normal course of business.
- B. The event of default.
- C. The event of insolvency or bankruptcy of the Company and/or its counterparties.

Similarly, the Company offsets incomes and expenses and reports the same on a net basis when permitted by Ind AS specifically.

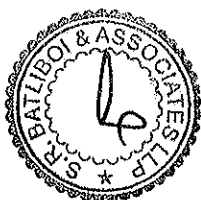
2. Significant accounting policies

2.1 Recognition of income and expense

The Company earns revenue primarily from giving loans. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

2.1.1 Interest income

Interest revenue is recognized using the Effective Interest Rate method. The effective interest method calculates the amortized cost of a financial instrument and allocates the interest income or interest expense over the relevant period.



Fusion Micro Finance Private Limited
Notes to Financial Statements for the year ended March 31, 2021
(Rs in millions unless otherwise stated)

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than the credit impaired assets.

When a financial asset becomes credit impaired and is, therefore, regarded as 'Stage 3', the Company calculates the interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income a gross basis.

2.1.1.1 The effective interest rate method

Under Ind AS 109 interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost, debt instrument measured at FVOCI and debt instruments designated at FVTPL. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial assets.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and transaction costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortized through *Interest income* in the statement of profit and loss.

2.1.2 Dividend income

Dividend income is recognized when the Company's right to receive the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably. This is generally when the shareholders approve the dividend.

2.1.3 Net gain on derecognition of financial instruments under amortized cost category

Where derecognition criteria as per Ind AS 109, including transaction of substantially all the risks and rewards relating to assets being transferred to the buyer being met, the assets have been derecognized. Income from assignment transactions i.e. present value of excess interest spread is recognized. Refer Note 2.5 for policy on derecognition of financial assets.

2.1.4 Net Gain/Loss on fair value changes

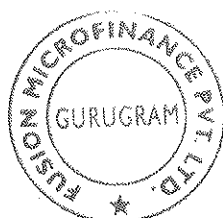
The Company recognizes the fair value on investment in mutual funds in the statement of profit and loss in accordance with Ind AS 109.

2.1.5 Income from interest on deposits

Income from interest on deposits is primarily from deposits with bank and is recognized on a time proportion basis considering the amount outstanding and the rate applicable.

2.1.6 Interest Expense

Interest expense includes issue costs that are initially recognized as part of the carrying value of the financial liability and amortized over the expected life using the effective interest method. These include fees and commissions payable to arrangers and other expenses such as external legal costs, provided these are incremental costs that are directly related to the issue of a financial liability.



Fusion Micro Finance Private Limited
Notes to Financial Statements for the year ended March 31, 2021
(Rs in millions unless otherwise stated)

2.1.7 Revenue from Contracts with Customers

The Company recognizes revenue from contracts with customers (other than financial assets to which Ind AS 109 'Financial Instruments' is applicable) based on a comprehensive assessment model as set out in Ind AS 115 'Revenue from Contracts with Customers'. The Company identifies contract(s) with a customer and its performance obligations under the contract, determines the transaction price and its allocation to the performance obligations in the contract and recognizes revenue only on satisfactory completion of performance obligations. Revenue is measured at fair value of the consideration received or receivable.

- a) Facilitation fees income is earned by selling of services and products of other entities under distribution arrangements. The income so earned is recognized on successful sales on behalf of other entities subject to there being no significant uncertainty of its recovery.
- b) Revenue from business correspondence services is recognized point in time when performance obligation is satisfied as per agreed terms and conditions of the contract.
- c) The company recognizes revenue from market support services upon satisfaction of performance obligation by rendering of services underlying the contract with third party customers

2.2 Financial Instruments— initial recognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument.

2.2.1 Date of recognition

Financial assets and liabilities, with the exception of loans, debt securities, deposits and borrowings are initially recognized on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. Loans are recognized when funds are disbursed to the customer's accounts. The Company recognises debt securities, deposits and borrowings when funds reach the Company.

2.2.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at Fair value through profit or loss (FVTPL), transaction costs are added to, subtracted from, this amount. Trade receivables are measured at the transaction price.

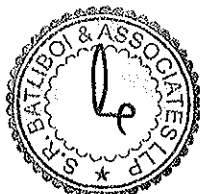
2.2.3 Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- a) Amortized cost, as explained in Note 2.3.1
- b) FVTPL as explained in Notes 2.3.4
- c) FVOCI

The Company classifies and measures its trading portfolio at FVTPL. The Company may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, are measured at FVTPL when they are derivative instruments or the fair value designation is applied, as explained in Note 2.3.4.



Fusion Micro Finance Private Limited
Notes to Financial Statements for the year ended March 31, 2021
(Rs in millions unless otherwise stated)

2.3 Financial assets and liabilities

2.3.1 Cash and cash equivalents, Bank balances, Loans, Trade receivables, financial investments and other financial assets at amortized cost

The Company measures cash and cash equivalents Bank balances, Loans, Trade receivables and other financial investments and assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

2.3.1.1 Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The information considered includes:

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.
- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2.3.1.2 The SPPI test

As a second step of its classification process the Company assesses the contractual terms of financial to identify whether they meet the solely payments of principal and interest (the 'SPPI test').

For the purposes of this test, 'principal' is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

'Interest' within a lending arrangement are typically the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. To make the SPPI assessment, the Company applies judgement and



Fusion Micro Finance Private Limited
Notes to Financial Statements for the year ended March 31, 2021
(Rs in millions unless otherwise stated)

considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Where the business model is to hold assets to collect contractual cash flows (i.e. measured at amortized cost) or to collect contractual cash flows and sell (i.e. measured at fair value through other comprehensive income), the Company assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. The amortized cost, as mentioned above, is computed using the effective interest rate method.

After initial measurement, such financial assets are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the profit or loss. The losses arising from ECL impairment are recognized in the profit or loss.

2.3.2 Financial assets or financial liabilities held for trading

The Company classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the balance sheet at fair value. Changes in fair value are recognized in net gain on fair value changes. Interest and dividend income or expense is recorded in net gain on fair value changes according to the terms of the contract, or when the right to payment has been established.

Included in this classification are equity instruments and mutual funds and that have been acquired principally for the purpose of selling or repurchasing in the near term.

2.3.3 Debt securities and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on funds issued, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

For the accounting treatment of financial instruments with equity conversion rights and call options, the Company first establishes whether the instrument is a compound instrument and classifies such instrument's components separately as financial liabilities or equity instruments in accordance with Ind AS 32. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercising the option may appear to have become economically advantageous to some holders. When allocating the initial carrying amount of a compound financial instrument to the equity and liability components, the equity component is assigned as the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. Once the Company has determined the split between equity and liability, it further evaluates whether the liability component has embedded derivatives that must be accounted for separately.

2.3.4 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under Ind AS 109. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis

Or



Fusion Micro Finance Private Limited
Notes to Financial Statements for the year ended March 31, 2021
(Rs in millions unless otherwise stated)

- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

Or

- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

2.4 Reclassification of financial asset and liabilities

Financial assets are not reclassified subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets or liabilities in 2020-21 and 2019-20.

2.5 Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either :

(a) the Company has transferred substantially all the risks and rewards of the asset, or

(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit and loss..

2.6 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously ('the offset criteria').



Fusion Micro Finance Private Limited
Notes to Financial Statements for the year ended March 31, 2021
(Rs in millions unless otherwise stated)

2.7 Impairment of Financial Assets

2.7.1 Overview of principles for measuring expected credit loss ('ECL') on financial assets.

The Company records allowance for expected credit losses for all loans, other debt financial assets not held at FVTPL, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under Ind AS 109.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 45 (e).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Based on the above process, the Company categorizes its loans into Stage 1, Stage 2, Stage 3 as described below:

Stage 1

When loans are first recognised, the Company recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2. The Company has assessed that all standard exposures (i.e. exposures with no overdues) and exposure up to 30 days overdues fall under this category.

Stage 2

When loan that have had a significant increase in credit risk since initial recognition are classified under this stage. Based on empirical evidence, significant increase in credit risk is witnessed after the overdues on an exposure exceed for a period more than 30 days. Accordingly, the Company classifies all exposures with overdues exceeding 30 days at each reporting date under this Stage. The Company records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

The loans provided to borrowers having running businesses with steady cash flows and not as a concession to overcome financial difficulties faced by borrowers other than the temporary suspension due to lock-down, are not considered as restructured accounts in terms of extant RBI Master Directions

Stage 3

Loans considered credit-impaired. The Company records an allowance for the LTECLs. All exposures having overdue balances for a period exceeding 90 days are considered to be defaults and are classified under this stage.

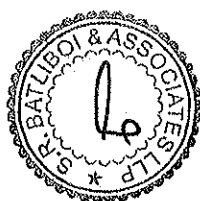
For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

2.7.2 Methodology for calculating ECL

The Company calculates ECL based on a probability weighted outcome of factors indicated below to measure the expected cash shortfalls. The Company does not discount such shortfalls considering relatively shorter tenure of loan contracts. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive

Key factors applied to determine ECL are outlined as follows:

Probability of default (PD) – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.



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Exposure at default (EAD) – Exposure at default (EAD) is the sum of outstanding principal and the interest amount accrued but not received on each loan as at reporting date.

Loss given default (LGD) – It is an estimate of the loss arising when the event of default occurs. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. It is usually expressed as a percentage of the EAD.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value

The mechanics of the ECL method are summarised below:

- Stage 1:** The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a EAD and multiplied by the expected LGD.
- Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument.
- Stage 3:** For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

2.7.3 Forward looking information

While estimating the expected credit loss, the Company reviews macro-economic developments occurring in the economy and operates in. On a periodic basis, the Company analyses if there is any relationship between key economic trends like GDP, Inf Unemployment rates, Benchmark rates set by Reserve Bank of India, with the estimate of PD, LGD determined by the Company in its internal data. While the internal estimates of PD, LGD rates by the Company may not be always reflective of such relation temporary overlays are embedded in the methodology to reflect such macro-economic trends reasonably.

2.7.4 Write-offs

Loans are written off in their entirety only when the Company has stopped perusing the recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-offs. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries against such loan are credited to the statement of profit and loss.

2.7.5 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.



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2.8 Fair value measurement

Fair value is the price at the measurement date that would be received to sell an asset or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Accordingly, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- **Level 1 financial instruments** - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- **Level 2 financial instruments** - Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Company will classify the instruments as Level 3.
- **Level 3 financial instruments** - Includes one or more unobservable input where there is little market activity for the asset/liability at the measurement date that is significant to the measurement as a whole.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary based on the facts at the end of the reporting period.

2.9 Foreign Currency transactions

2.9.1 Functional and presentation currency

The financial statements are presented in Indian Rupees (INR), which are the functional currency of the Company and the currency of the primary economic environment in which the Company operates.



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2.9.2 Transaction and balance

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All differences arising on non-trading activities are taken to other income/expense in the statement of profit and loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

2.10 Leasing

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration

Where the Company is lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

• Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

• Lease Liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.



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Short term lease

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as and when due.

2.11 Cash and Cash Equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

2.12 Property, Plant and Equipment (PPE)

Property, plant and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate

Property plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in other income / expense in the statement of profit and loss in the year the asset is derecognised.

Depreciation on property, plant and equipment provided on written down value method at the rate arrived based on useful life of the assets, prescribed under schedule II of the act, which also represents the estimate of the useful life of the assets by the management.

Depreciation on assets sold during the year is charged to the statement of Profit and Loss up to the date of sale.

The Company has used the following useful lives to provide depreciation on its Property, plant and equipment.

| Asset category | Useful life (in years) |
|----------------------|------------------------|
| Furniture & Fixture | 10 |
| Electrical fittings | 10 |
| Computers & Printers | 3 |
| Office Equipment | 5 |
| Vehicles | 8 |



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2.13 Intangible assets

The Company's intangible assets mainly include the Computer Software. An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company. Intangible assets acquired separately are measured on initial recognition at cost.

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follows:

Computer software - 3-6 years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss, when the asset is derecognized.

2.14 Retirement and other Employee benefits

2.14.1 Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.14.2 Share-based payment arrangements

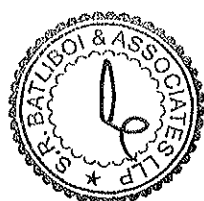
The Company has formulated an Employees Stock Option Schemes to be administered through a Trust. The scheme provides that subject to continued employment with the Company, the employees are granted an option to acquire equity shares of the Company that may be exercised within the specified period.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. Further details are given in Note 41.

That cost is recognized in employee benefits expense over the period in which service conditions are fulfilled, together with a corresponding increase in employee stock option plan reserve in other equity. The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired. The expense or credit in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

Service conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. No expense is recognized for awards that do not ultimately vest because service conditions have not been met.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.



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2.14.3 Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Post-employment benefits in the form of provident fund, and other funds are defined contribution scheme.

The Company has no obligation, other than the contribution payable to the provident fund and pension scheme. The Company recognises contribution payable to scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

2.14.4 Defined benefit plans

The Company has defined benefit gratuity plan. The Company's net obligation in respect of gratuity is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability/asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Net interest expense (income) on the net defined liability (assets) is computed by applying the discount rate, used to measure the net defined liability (asset), to the net defined liability (asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. Remeasurements are not reclassified to profit or loss in subsequent periods.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

2.14.5 Other long-term employee benefits

Compensated absences are a long-term employee benefit and are 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 recognized in the statement of profit and loss.

2.15 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.



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2.16 Share issue expenses

Incremental costs that are directly attributable to the issue of an equity instrument (i.e. they would have been avoided if the instrument had not been issued) are deducted from equity.

2.17 Taxes

2.17.1 Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. It is computed using tax rates and tax laws enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current tax assets and liabilities are offset only if, the Company:

- has a legally enforceable right to set off the recognized amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.17.2 Deferred tax

Deferred tax is provided using the balance sheet approach on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, using tax rates (and tax laws) that have enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.



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Deferred tax assets and liabilities are offset only if:

- the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

2.17.3 Goods and services tax /value added taxes paid on acquisition of assets or on incurring expenses

Expenses and assets are recognized net of the goods and services tax/value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.18 Earning per share

The Company reports basic and diluted earnings per share in accordance with Ind AS33 on Earnings per share. Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the diluted earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The CEO of the Company has been identified as the chief operating decision maker for the Company.

2.20 Contingent Liabilities and Contingent Assets

A Contingent Liability a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are recognized/disclosed as per requirement of Ind AS in Financial statement of Company.

2.21 Treasury Shares:

The Company has created an Employee Benefit Trust (EBT) for providing share-based payment to its employees. The Company uses EBT as a vehicle for distributing shares to employees under the employee stock option schemes.



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Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in capital reserve. Share options exercised during the reporting period are satisfied with treasury shares.

2.22 Initial recognition exemption and exception on transition to Ind AS:

The financial statements for the year ended March 31, 2020, were the first financial statements, the Company had prepared in accordance with Ind AS.

All applicable Ind AS have been applied consistently and retrospectively subject to Ind AS 101 exemptions and exceptions availed by the Company. In preparing these financial statements, the Company's opening balance sheet was prepared as at April 1 2018, the Company's date of transition to Ind AS.

Optional exemptions availed and mandatory exceptions:

In preparing the financial statements, the Company had applied the below mentioned optional exemptions and mandatory exceptions as on the date of Ind AS adoption.

Optional exemptions:

• Property plant and equipment, intangible assets:

As per Ind AS 101 an entity may elect to:

- a) measure an item of property, plant and equipment at the date of transition at its fair value and use that fair value as its deemed cost at that date; or
- b) use a revaluation, as per Accounting standards specified under Section 133 of the Companies Act, 2013 ('the Act') read with Rule 7 of the Companies (Accounts) Rules, 2014 (hereinafter referred as "Previous GAAP") of an item of the property, plant and equipment at or before the date of transition as deemed cost at the date of the revaluation, provided the revaluation was, at the date of the revaluation, broadly comparable to fair value; or cost or depreciated cost under Ind AS adjusted to reflect, for example, changes in a general or specific price index

The elections under (a) and (b) above are also available for intangible assets that meets the recognition criteria in Ind AS 38, Intangible Assets, (including reliable measurement of original cost); and criteria in Ind AS 38 for revaluation (including the existence of an active market); or

- c) use carrying values of property, plant and equipment, intangible assets and investment properties as on the date of transition to Ind AS (which are measured in accordance with previous GAAP and after making adjustments relating to decommissioning liabilities prescribed under Ind AS 101) if there has been no change in its functional currency on the date of transition.

The Company had elected to apply the exemption available under Ind AS 101 to use the carrying value (measured as per the previous GAAP) for all of its property, plant and equipment, intangible assets and investment properties as recognized in the financial statements as at the date of transition to Ind ASs, as deemed cost as at the date of transition (i.e. 1 April 2018).

• Share based payments:

As per Ind AS 101, at the date of transition, an entity may elect not to fair value equity options vested before transition date as required under Ind AS 102 Share based payment. However, if an entity elects to apply Ind AS 102 to such equity instruments, it may do so only if the entity has disclosed publicly the fair value of those equity instruments, determined at the measurement date, as defined in Ind AS 102.



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The Company has elected to apply Ind AS 102 to all equity options on the transition date for which entity has disclosed publicly the fair value of those equity instruments, determined at the measurement date, as defined in Ind AS 102.

• **Leases:**

Appendix C to Ind AS 17 (superseded by IND AS 116) requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. Ind AS 101 provides an option to make this assessment on the basis of facts and circumstances existing at the date of transition to Ind AS, except where the effect is expected to be not material.

The Company had elected to apply this exemption for such contracts/arrangements.

Mandatory exceptions:

• **Derecognition of financial assets and liabilities**

As per Ind AS 101, an entity should apply the derecognition requirements in Ind AS 109, Financial Instruments, prospectively for transactions occurring on or after the date of transition to Ind AS. However, an entity may apply the derecognition requirements retrospectively from a date chosen by it if the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognized as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Company has elected to apply the derecognition principles of Ind AS 109 prospectively from 01 April 2018.

• **Estimates**

As per Ind AS 101, an entity's estimates in accordance with Ind AS at the date of transition to Ind AS and at the end of the comparative period presented in the entity's first Ind AS financial statements, as the case may be, should be consistent with estimates made for the same date in accordance with the previous GAAP unless there is objective evidence that those estimates were in error. However, the estimates should be adjusted to reflect any differences in accounting policies.

As per Ind AS 101, where application of Ind AS requires an entity to make certain estimates that were not required under previous GAAP, those estimates should be made to reflect conditions that existed at the date of transition (for preparing opening Ind AS balance sheet) or at the end of the comparative period (for presenting comparative information as per Ind AS).

The Company's estimates under Ind AS are consistent with the above requirement. Key estimates considered in preparation of the financial statements that were not required under the previous GAAP are listed below:

Fair value of financial instruments carried at fair value through profit and loss and/ or fair value through other comprehensive income

- Impairment of financial assets based on the expected credit loss assessment.
- Determination of the discounted value for financial instruments carried at amortized cost

• **Classification and measurement of financial assets**

Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortized cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Company has determined the classification of financial assets bases on facts and circumstances that exist on the date of transition.



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2.23 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the management to make judgments, estimates and assumptions that affects the reported amounts of assets, liabilities, revenue and expenses and the accompanying disclosures, , as well as the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities affected in future periods

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Fair value of financial instrument

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

Impairment of financial asset

Judgment is required by management in the estimation of the amount and timing of future cash flows when determining an impairment allowance for loans and advances. In estimating these cash flows, the Company makes judgments about the borrower's financial situation. These estimates are based on assumptions about a number of factors such as credit quality, level of arrears etc. and actual results may differ, resulting in future changes to the impairment allowance.

Provisions other than impairment on loan portfolio

Provisions are held in respect of a range of future obligations such as employee benefit plans and cash loss contingencies. Some of the provisions involve significant judgment about the likely outcome of various events and estimated future cash flows. The measurement of these provisions involves the exercise of management judgments about the ultimate outcomes of the transactions. Payments that are expected to be incurred after more than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

Share Based Payment

Estimating fair value for share-based payment transactions requires determining of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.



Fusion Micro Finance Private Limited
Notes to Financial Statements for the year ended March 31, 2021
(Rs in millions unless otherwise stated)

Defined employee benefit assets and liabilities

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Other Estimates

- **Useful lives of depreciable/amortizable assets** – Management reviews its estimate of the useful lives of depreciable/amortizable asset at each reporting date, based on expected utility of assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of assets
- **Recognition of deferred tax assets** – The extent to which deferred tax assets can be recognized is based on assessment of the probability of the future taxable income against which the deferred tax assets can be utilized.

2.24 New and amended standards

a) Amendments to Ind AS 116: Covid-19-Related Rent Concessions.

The amendments provide relief to lessees from applying Ind AS 116 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under Ind AS 116, if the change were not a lease modification.

The amendments are applicable for annual reporting periods beginning on or after the 1 April 2020. This amendment had no impact on the financial statements of the Company.

b) Amendments to Ind AS 103 Business Combinations

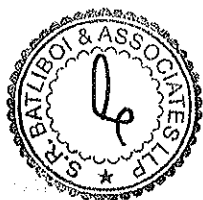
The amendment to Ind AS 103 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after the 1 April 2020 and to asset acquisitions that occur on or after the beginning of that period. This amendment had no impact on the financial statements of the Company but may impact future periods should the Company enter into any business combinations.

c) Amendments to Ind AS 1 and Ind AS 8: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

These amendments are applicable prospectively for annual periods beginning on or after the 1 April 2020. The amendments to the definition of material are not expected to have a significant impact on the Company's financial statements.



Fusion Micro Finance Private Limited

Notes to Financial Statements for the year ended March 31, 2021

(Rs in millions unless otherwise stated)

d) Amendments to Ind AS 107 and Ind AS 109: Interest Rate Benchmark Reform

The amendments to Ind AS 109 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

The amendments to Ind AS 107 prescribe the disclosures which entities are required to make for hedging relationships to which the reliefs as per the amendments in Ind AS 109 are applied. These amendments are applicable for annual periods beginning on or after the 1 April 2020. These amendments are not expected to have a significant impact on the Company's financial statements.

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(Rs in millions unless otherwise stated)

| | As at March 31, 2021 | As at March 31, 2020 |
|--|-------------------------|-------------------------|
|--|-------------------------|-------------------------|

3 Cash and cash equivalents

| | | |
|---|------------------|-----------------|
| Cash on hand | 111.27 | 13.86 |
| Balances with banks | | |
| - on current accounts | 7,690.27 | 4,332.58 |
| - deposits with original maturity of less than 3 months | 4,352.66 | 1,050.33 |
| Total | 12,154.20 | 5,396.67 |

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates. The company has not taken bank overdraft, therefore the cash and cash equivalent for cash flow statement is same as cash and for cash equivalent given above.

4 Bank balance other than cash and cash equivalents

| | | |
|--|-----------------|-----------------|
| Deposits with remaining maturity of less than 12 months* | 601.61 | 2,039.71 |
| Deposits with remaining maturity of more than 12 months** | 596.75 | 548.91 |
| Margin money with financial institution towards securitised borrowings # | - | 178.05 |
| Deposit with financial institutions as security deposit | - | 14.15 |
| Total | 1,198.36 | 2,780.82 |

* Includes lien free fixed deposits as at March 31, 2021 Rs. 336.018 millions (March 31, 2020: Rs. 1,513.75 millions)

** Includes lien free fixed deposits of Rs. 36.27 millions (March 31, 2020: Rs. 96.25 millions)

Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments.

Note: Fixed deposit and other balances with banks earn interest at contractual fixed rates.

5 Trade receivables (at amortised cost)

| | | |
|---------------------------------|--------------|--------------|
| Unsecured considered good | 27.93 | 31.39 |
| Less : Provision for impairment | - | - |
| Total | 27.93 | 31.39 |

Note: No trade or other receivable are due from directors and other officers of the Company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member. Trade receivable are non-interest bearing and generally on terms of 30 to 90 days.

6 Loans (at amortised cost)

| | | |
|---|------------------|------------------|
| Term Loans: | | |
| Joint liability loans | 46,129.77 | 34,400.39 |
| MSME Loans | 330.55 | 11.70 |
| Total - Gross | 46,460.32 | 34,412.09 |
| Less: Impairment loss allowance | (2,853.02) | (982.36) |
| Total - Net | 43,607.30 | 33,429.73 |
| (a) Secured | 35.07 | - |
| (b) Unsecured | 46,425.25 | 34,412.09 |
| Total - Gross | 46,460.32 | 34,412.09 |
| Less: Impairment loss allowance | (2,853.02) | (982.36) |
| Total - Net | 43,607.30 | 33,429.73 |
| (a) Public sector | - | - |
| (b) Others | 46,460.32 | 34,412.09 |
| Total - Gross | 46,460.32 | 34,412.09 |
| Less: Impairment loss allowance | (2,853.02) | (982.36) |
| Total - Net | 43,607.30 | 33,429.73 |
| (a) Loans provided in India | 46,460.32 | 34,412.09 |
| (a) Loans provided outside India | - | - |
| Total - Gross | 46,460.32 | 34,412.09 |
| Less: Impairment loss allowance | (2,853.02) | (982.36) |
| Total - Net | 43,607.30 | 33,429.73 |

Overview of the Loan Portfolio of the Company

The Company is primarily in the business of providing micro loans towards income generating activities with its operations spread out in different parts of India. The table below discloses credit quality of the Company's exposures as at reporting date.

Portfolio classification as at March 31, 2021*

* Including MSME portfolio.

Gross portfolio movement for the year ended March 31, 2021

| Particulars | Stage I | Stage II | Stage III | Total |
|---|------------------|-----------------|-----------------|------------------|
| Gross carrying value of loans as at March 31, 2020 | 33,861.54 | 166.06 | 384.49 | 34,412.09 |
| New loans originated during the year, net off for repayments and derecognised portfolio | 12,104.12 | 77.24 | 192.93 | 12,374.29 |
| Assets written off during the year | - | - | (326.06) | (326.06) |
| Movement between stages | | | | |
| Transfer from stage I | (5,202.84) | 3,000.49 | 2,202.35 | - |
| Transfer from stage II | 1.01 | (106.21) | 105.20 | - |
| Transfer from stage III | 0.01 | - | (0.01) | - |
| Gross carrying value of assets as at March 31, 2021 | 40,763.84 | 3,137.58 | 2,558.90 | 46,460.32 |



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(Rs in millions unless otherwise stated)

Gross portfolio movement for the year ended March 31, 2020

| Particulars | Stage I | Stage II | Stage III | Total |
|---|-----------|----------|-----------|-----------|
| Gross carrying value of loans as at April 1, 2019 | 25,631.50 | 105.37 | 404.24 | 26,141.11 |
| New loans originated during the year, net off for repayments and derecognised portfolio | 8,518.07 | 17.84 | 87.12 | 8,623.03 |
| Assets written off during the year | - | - | (352.05) | (352.05) |
| Movement between stages | | | | |
| Transfer from stage I | (288.37) | 59.14 | 229.23 | - |
| Transfer from stage II | 0.31 | (16.33) | 16.02 | - |
| Transfer from stage III | 0.03 | 0.04 | (0.07) | - |
| Gross carrying value of assets as at March 31, 2020 | 33,861.54 | 166.06 | 384.49 | 34,412.09 |

Reconciliation of loss allowance provision from beginning to end of reporting period:

| Particulars | Loans | | | | Other financial assets (refer note 8) |
|---|----------|----------|-----------|----------|--|
| | Stage I | Stage II | Stage III | Total | |
| ECL allowance on April 1, 2019 | 111.60 | 49.44 | 259.71 | 420.75 | - |
| New assets originated during the year, netted off for repayments and derecognised portfolio | 36.98 | 8.19 | 54.76 | 99.93 | 13.33 |
| Assets written off during the year | - | - | (352.05) | (352.05) | - |
| Movement between stages | | | | | |
| Transfer from stage I | (1.25) | 0.26 | 1.00 | - | - |
| Transfer from stage II | 0.14 | (7.50) | 7.36 | - | - |
| Transfer from stage III | 0.02 | 0.03 | (0.04) | - | - |
| Impact on ECL on account of movement between stages/ updates to ECL model | 497.82 | 32.60 | 283.30 | 813.73 | - |
| ECL allowance on March 31, 2020 | 645.31 | 83.02 | 254.04 | 982.36 | 13.33 |
| New assets originated during the year, netted off for repayments and derecognised portfolio | 230.67 | 38.62 | 127.48 | 396.77 | 11.09 |
| Assets written off during the year | - | - | (326.06) | (326.06) | (15.06) |
| Movement between stages | | | | | |
| Transfer from stage I | (37.45) | 16.52 | 20.93 | - | - |
| Transfer from stage II | 0.50 | (53.10) | 52.59 | - | - |
| Transfer from stage III | 0.01 | - | (0.01) | - | - |
| Impact on ECL on account of movement between stages/ updates to ECL model | (389.48) | 783.17 | 1,406.26 | 1,799.95 | - |
| ECL allowance on March 31, 2021 | 449.56 | 868.23 | 1,535.23 | 2,853.02 | 9.36 |

7 Investments (at amortised cost)

Investments in Mutual funds (HDFC Charity fund for cancer cure: March 31, 2021 - Nil units) (March 31, 2020 -500,000 units)

(i) Overseas investments
(ii) Investments in India
Total

| | As at March 31, 2021 | As at March 31, 2020 |
|-----------------------------|-------------------------|-------------------------|
| Investments in Mutual funds | - | 5.00 |
| (i) Overseas investments | - | - |
| (ii) Investments in India | - | 5.00 |
| Total | - | 5.00 |

8 Other financial assets (at amortised cost)

A Security deposits

Unsecured, considered goods

(A)

B Other assets

Excess interest spread (EIS) receivable
Advances recoverable in cash or for value to be received
Less : Impairment loss allowance (refer note 6 for movement)

(B)

Total (A+B)

| | As at March 31, 2021 | As at March 31, 2020 |
|--|-------------------------|-------------------------|
| Security deposits | 23.53 | 15.36 |
| Other assets | 23.53 | 15.36 |
| Excess interest spread (EIS) receivable | 128.15 | 126.80 |
| Advances recoverable in cash or for value to be received | 158.44 | 109.63 |
| Less : Impairment loss allowance | (9.36) | (13.33) |
| Total | 277.23 | 223.10 |
| Total (A+B) | 300.76 | 238.46 |

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| (Rs in millions unless otherwise stated) | |
|--|-------------------------|
| As at March 31, 2021 | As at March 31, 2020 |
| 119.58 | 119.09 |
| 119.58 | 119.09 |

9 Current tax assets (net)

Advance income tax (net)
Total

10 Deferred tax assets (net)

A Deferred tax assets:

Impairment allowance for financial assets
Differences of written down value of property, plant and equipment
Provision for employee benefits
Provisions allowable on payment basis
Financial liabilities measured at amortised cost
EIR impact on loan portfolio
Other temporary difference
Total deferred tax assets

688.12
11.87
35.73
31.48
6.08
68.98
16.00
858.26

237.62
7.86
28.32
20.53
3.99
38.72
9.41
346.45

B Deferred tax liabilities

Excess interest spread (EIS) receivable
Stage 3 interest income
Total deferred tax liabilities

(29.15)
(63.83)
(92.98)

(30.19)
(11.24)
(41.43)

Net deferred tax assets (A+B)

765.28

305.02

C Movement in Deferred tax assets (net)

Particulars

| Particulars | As at March 31, 2020 | (Charge)/credit in Statement of profit and Loss | Recognized in Other comprehensive income | Recognized in other equity | As at March 31, 2021 |
|--|-------------------------|--|---|-------------------------------|-------------------------|
| Assets | | | | | |
| Impairment allowance for financial assets | 237.62 | 450.51 | - | - | 688.12 |
| Differences of written down value of Property, plant and equipment | 7.86 | 4.01 | - | - | 11.87 |
| Provision for employee benefits | 28.32 | 7.42 | (0.01) | - | 35.73 |
| Provisions allowable on payment basis | 20.53 | 10.95 | - | - | 31.48 |
| Financial liabilities measured at amortised cost | 3.99 | 2.09 | - | - | 6.08 |
| EIR impact on term loans | 38.72 | 30.26 | - | - | 68.98 |
| Other temporary difference | 9.41 | 6.59 | - | - | 16.00 |
| Liabilities | | | | | |
| EIS receivable | (30.19) | 1.03 | - | - | (29.15) |
| Stage 3 interest income | (11.24) | (52.59) | - | - | (63.83) |
| Total | 305.02 | 460.27 | (0.01) | - | 765.28 |

Particulars

| Particulars | As at March 31, 2019 | (Charge)/credit in Statement of profit and Loss | Recognized in Other comprehensive income | Recognized in other equity | As at March 31, 2020 |
|--|-------------------------|--|---|-------------------------------|-------------------------|
| Assets | | | | | |
| Impairment allowance for financial assets | 143.10 | 94.52 | - | - | 237.62 |
| Differences of written down value of property, plant and equipment | 8.47 | (0.61) | - | - | 7.86 |
| Provision for employee benefits | 22.82 | 6.90 | (1.40) | - | 28.32 |
| Provisions allowable on payment basis | 14.22 | 6.31 | - | - | 20.53 |
| Financial liabilities measured at amortised cost | 5.35 | (1.36) | - | - | 3.99 |
| EIR impact on term loans | 29.92 | 8.80 | - | - | 38.72 |
| EIS receivable | 0.02 | (0.02) | - | - | - |
| Other temporary difference | 16.62 | (7.21) | - | - | 9.41 |
| Liabilities | | | | | |
| EIS receivable | - | (30.19) | - | - | (30.19) |
| Stage 3 interest income | (26.21) | 14.97 | - | - | (11.24) |
| Total | 214.31 | 92.11 | (1.40) | - | 305.02 |

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Fusion Micro Finance Private Limited
Notes to Financial Statement for the year ended March 31, 2021

11 Property, plant and equipment

| Particulars | Gross Block (at cost) | | | | (Rs in millions unless otherwise stated) | | |
|------------------------|-----------------------|--------------|-------------|----------------------|--|--------------------------------------|---|
| | As at April 1, 2020 | Additions | Disposals | As at March 31, 2021 | Depreciation | | Net Carrying Amount As at March 31, 2021 |
| | | | | | As at April 1, 2020 | For the year As at March 31, 2021 | |
| Furniture and fixtures | 21.21 | 5.68 | 0.06 | 26.83 | 7.28 | 4.78 | 12.00 |
| Electrical fittings | 12.00 | 0.18 | 3.07 | 9.11 | 5.12 | 2.69 | 4.74 |
| Office equipment | 9.12 | 9.39 | 0.37 | 18.14 | 3.18 | 4.55 | 7.36 |
| Vehicles | 0.75 | 2.96 | 0.36 | 3.35 | 0.62 | 0.16 | 0.40 |
| Computers | 33.64 | 14.71 | - | 48.35 | 20.87 | 12.18 | 33.05 |
| Leasehold improvements | 27.48 | 42.49 | - | 69.97 | 8.15 | 7.31 | 15.46 |
| Total | 104.20 | 75.41 | 3.86 | 175.75 | 45.22 | 31.65 | 73.01 |
| Particulars | Gross Block (at cost) | | | | Depreciation | | |
| | As at April 1, 2019 | Additions | Disposals | As at March 31, 2020 | Depreciation | | Net Carrying Amount As at March 31, 2020 |
| | | | | | As at April 1, 2019 | For the year As at March 31, 2020 | |
| Furniture and fixtures | 15.51 | 5.70 | - | 21.21 | 3.07 | 4.21 | 7.28 |
| Electrical fittings | 10.43 | 1.57 | - | 12.00 | 2.41 | 2.71 | 5.12 |
| Office equipment | 3.28 | 5.84 | - | 9.12 | 0.99 | 2.19 | 3.18 |
| Vehicles | 0.75 | - | - | 0.75 | 0.40 | 0.22 | 0.62 |
| Computers | 20.88 | 12.97 | 0.21 | 33.64 | 10.54 | 10.46 | 20.87 |
| Leasehold improvements | 23.99 | 3.49 | - | 27.48 | 3.92 | 4.23 | 8.15 |
| Total | 74.84 | 29.57 | 0.21 | 104.20 | 21.33 | 24.02 | 45.22 |

12 Intangible assets

| Particulars | Gross Block (at cost) | | | | Amortization | | |
|-------------------|-----------------------|-------------|-----------|----------------------|---------------------|--------------------------------------|---|
| | As at April 1, 2020 | Additions | Disposals | As at March 31, 2021 | Amortization | | Net Carrying Amount As at March 31, 2021 |
| | | | | | As at April 1, 2020 | For the year As at March 31, 2021 | |
| Computer software | 5.67 | 2.45 | - | 8.12 | 4.20 | 2.02 | 6.22 |
| Total | 5.67 | 2.45 | - | 8.12 | 4.20 | 2.02 | 6.22 |

| Particulars | Gross Block (at cost) | | | | Amortization | | |
|-------------------|-----------------------|-------------|-----------|----------------------|---------------------|--------------------------------------|---|
| | As at April 1, 2019 | Additions | Disposals | As at March 31, 2020 | Amortization | | Net Carrying Amount As at March 31, 2020 |
| | | | | | As at April 1, 2019 | For the year As at March 31, 2020 | |
| Computer software | 4.19 | 1.48 | - | 5.67 | 2.46 | 1.74 | 4.20 |
| Total | 4.19 | 1.48 | - | 5.67 | 2.46 | 1.74 | 4.20 |

13 Right of use asset

| Particulars | Gross Block (at cost) | | | | Depreciation | | |
|------------------------------------|-----------------------|--------------|-----------|----------------------|---------------------|--------------------------------------|---|
| | As at April 1, 2020 | Additions | Disposals | As at March 31, 2021 | Depreciation | | Net Carrying Amount As at March 31, 2021 |
| | | | | | As at April 1, 2020 | For the year As at March 31, 2021 | |
| Right of use asset (refer Note 52) | - | 83.45 | - | 83.45 | - | 5.26 | 5.26 |
| Total | - | 83.45 | - | 83.45 | - | 5.26 | 5.26 |



Signature

Notes to Financial Statement for the year ended March 31, 2021

(Rs in millions unless otherwise stated)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|-------------------------|-------------------------|
| 14 Other non-financial assets | | |
| Unsecured, considered good | | |
| Pre-paid expenses | 16.88 | 13.92 |
| Unamortised processing fees | - | 0.51 |
| Net defined benefit asset (refer note 37) | - | 10.02 |
| Others | 6.21 | 8.86 |
| Total | 23.09 | 33.31 |

15 Trade payables

- (i) Total outstanding dues to micro, small and medium enterprises *

| | | |
|-------|--------|-------|
| Total | 113.06 | 40.71 |
|-------|--------|-------|

* The Company does not have any outstanding dues and any interest payable for micro, small and medium enterprises- refer Note 38

16 Debt Securities (at amortised cost)

| | | |
|--|-----------------|-----------------|
| Non-convertible debentures (Secured by book debts) | 8,605.90 | 2,851.29 |
| Non-convertible debentures (Unsecured) | 1,298.60 | 1,147.69 |
| Total | 9,904.50 | 3,998.98 |
| Debt securities in India | 9,904.50 | 3,998.98 |
| Debt securities outside India | - | - |
| | 9,904.50 | 3,998.98 |

Information about the Company's exposure to credit and market risks are included in Note no. 45 and 47 respectively.

Terms of Debt securities

| Particulars | Number of debentures | | Amount | |
|--|----------------------|----------------|----------------|----------------|
| | March 31, 2021 | March 31, 2020 | March 31, 2021 | March 31, 2020 |
| Secured | | | | |
| 11.15% secured rated listed redeemable transferable non convertible debentures of face value of Rs. 10,00,000 each redeemable at par at the end of 71 months and 27 Calendar Days (Subject to exercise of put/call option at the end of 35 months and 26 Calendar Days) from the date of allotment i.e. 10/03/2021 | 700.00 | - | 699.67 | - |
| 11.53% secured rated unlisted redeemable non convertible debentures of Face Vale of Rs. 10,00,000 each redeemable at par at the end of 72 months (subject to exercise of put option at the end of 12 months and Put/call Option at the end of 36 months) from the date of allotment i.e. 02/11/2020 | 750.00 | - | 749.54 | - |
| 11.0000% secured rated listed redeemable non convertible debentures of Face Vale of Rs. 10,00,000 each redeemable at par at the end of 72 months (subject to exercise of put/call Option at the end of 36 months) from the date of allotment i.e. 18/03/2021 | 500.00 | - | 499.68 | - |
| 10.70% Secured rated unlisted redeemable non convertible debentures of face value of Rs. 10,00,000 each redeemable at par at the end of 72 months (Subject to exercise of put /call option at the end of 36 months) from the date of allotment i.e. 03/16/2018 | 315.00 | 315 | 315.00 | 314.70 |
| 10.70% Secured rated unlisted redeemable non convertible debentures of face value of Rs. 10,00,000 each redeemable at par at the end of 72 months (Subject to exercise of put /call option at the end of 36 months) from the date of allotment i.e. 03/16/2018 | 315 | 315 | 315.00 | 314.70 |



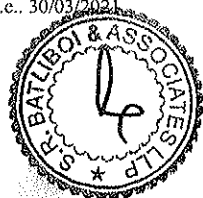
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Fusion Micro Finance Private Limited
Notes to Financial Statement for the year ended March 31, 2021

(Rs in millions unless otherwise stated)

| Particulars | Number of debentures | | Amount | |
|---|----------------------|----------------|----------------|----------------|
| | March 31, 2021 | March 31, 2020 | March 31, 2021 | March 31, 2020 |
| 11.2500% secured rated listed taxable redeemable non convertible debentures of Face Vale of Rs. 10,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. 23/12/2020 | 500 | - | 499.60 | - |
| 11.50% secured rated, listed, senior taxable, transferable redeemable non-convertible debentures of Face Vale of Rs. 10,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. 29/07/2020 | 200 | - | 197.39 | - |
| 11.25% secured rated listed redeemable non convertible debentures of Face Vale of Rs. 10,00,000 each redeemable at par at the end of 20 months from the date of allotment i.e. 30/06/2020 | 200 | - | 198.99 | - |
| 11.90% secured, rated, listed, unsubordinated, transferable, redeemable, non convertible debentures of Face Vale of Rs. 10,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. 10/06/2020 | 100 | - | 99.49 | - |
| 11.25% secured rated, listed, redeemable non-convertible debentures of Face Vale of Rs. 10,00,000 each redeemable at par at the end of 32 months from the date of allotment i.e. 31/07/2020 | 250 | - | 249.09 | - |
| 10.50% secured rated listed senior taxable redeemable non convertible debentures of Face Vale of Rs. 10,00,000 each redeemable at par at the end of 18 months from the date of allotment i.e. 13/11/2020 | 250 | - | 249.18 | - |
| 12.05% Secured rated listed redeemable non convertible debentures of face value of Rs. 10,00,000 each redeemable at par at the end of 72 months (Subject to exercise of put/call option at the end of 36 months) from the date of allotment i.e. 06/02/2016 | 526 | 526 | 524.70 | 523.80 |
| 10.40% secured rated listed senior taxable redeemable non convertible debentures of Face Vale of Rs. 10,00,000 each redeemable at par at the end of 18 months from the date of allotment i.e. 13/11/2020 | 500 | - | 498.02 | - |
| 10.25% secured rated listed senior taxable redeemable non convertible debentures of Face Vale of Rs. 10,00,000 each redeemable at par at the end of 18 months from the date of allotment i.e. 13/11/2020 | 350 | - | 348.19 | - |
| 9.75% secured rated listed senior taxable redeemable non convertible debentures of Face Vale of Rs. 10,00,000 each redeemable at par at the end of 18 months from the date of allotment i.e. 13/11/2020 | 250 | - | 248.82 | - |
| 10.50% secured rated listed senior taxable redeemable non convertible debentures of Face Vale of Rs. 10,00,000 each redeemable at par at the end of 18 months from the date of allotment i.e. 13/11/2020 | 500 | - | 498.83 | - |
| 10.50% secured rated, listed, senior taxable, transferable redeemable non-convertible debentures of Face Vale of Rs. 10,00,000 each redeemable at par at the end of 18 months from the date of allotment i.e. 12/08/2020 | 250 | - | 248.79 | - |
| 10.50% secured rated, listed, senior taxable, transferable redeemable non-convertible debentures of Face Vale of Rs. 10,00,000 each redeemable at par at the end of 18 months from the date of allotment i.e. 12/08/2020 | 250 | - | 249.52 | - |
| 11.53% Secured rated unlisted redeemable non convertible debentures of face value of Rs. 1,00,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. 10/22/2018 | 35 | 35 | 348.94 | 347.25 |
| 9.54% rated unlisted senior secured redeemable taxable, transferable non convertible debentures of Face Vale of Rs. 10,00,000 each redeemable at par at the end of 48 months from the date of allotment i.e. 30/03/2021 | 600 | - | 598.24 | - |



Fusion Micro Finance Private Limited
Notes to Financial Statement for the year ended March 31, 2021

(Rs in millions unless otherwise stated)

| Particulars | Number of debentures | | Amount | |
|---|----------------------|----------------|-----------------|-----------------|
| | March 31, 2021 | March 31, 2020 | March 31, 2021 | March 31, 2020 |
| 11.81% Secured rated unlisted redeemable non convertible debentures of face value of Rs. 1,00,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. 09/27/2018 | 25 | 25 | 249.86 | 249.60 |
| 11.86% Secured rated listed redeemable non convertible debentures of face value of Rs. 10,00,000 each redeemable at par at the end of 60 months (Subject to exercise of put/call option at the end of 36 months) from the date of allotment i.e. 08/31/2016 | 470 | 470 | 469.81 | 469.40 |
| 11.40% Reset rate (RBI repo rate + credit spread) secured rated listed taxable transferable redeemable non convertible debentures of Face Vale of Rs. 10,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. 19/06/2020 | 250 | - | 249.55 | - |
| 15% Secured rated listed redeemable non convertible debentures of face value of INR 10,00,000 each redeemable at par at the end of 69 months (Subject to exercise of put option date at the end of 24 months and 48 months) from the date of allotment i.e. 03/31/2015 redeemable on maturity if option not exercised | - | 100 | - | 99.91 |
| 13.15% GWT secured rated listed redeemable non convertible debentures of face value of INR 10,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. 07/07/2017 | - | 310 | - | 309.90 |
| 12.10% Secured listed redeemable non convertible debentures of face value of Rs. 10,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. 09/04/2017 | - | 200 | - | 33.32 |
| 12.30% Secured rated unlisted redeemable non convertible debentures of face value of Rs. 10,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. 03/15/2018 | - | 190 | - | 188.70 |
| Unsecured | | | | |
| 11.91% Unsecured Rated Listed Redeemable Non Convertible Debenture of Face Vale of INR 10,00,000 each redeemable at par at the end of 72 Months (subject to exercise of Put/Call Option at the end of 36 months) from the Date of Allotment i.e. 09/15/2016 | 550 | 550 | 549.42 | 549.10 |
| 11.91% Unsecured rated listed redeemable non convertible debenture of face value of INR 10,00,000 each redeemable at par at the end of 71 (subject to exercise of put/call Option at the end of 36 months) from the date of allotment i.e. 09/10/2019 | 350 | 350 | 349.30 | 348.91 |
| NIFTY 50 Index linked rated listed redeemable non convertible of face value of INR 10,00,000 each redeemable at par at the end of 42 months from the date of allotment i.e. 03/06/2018 | 250 | 250 | 249.90 | 249.69 |
| 11.96% unsecured rated listed unsubordinated transferable redeemable non convertible debentures of INR 10,00,000 each redeemable at par at the end of 12 months from the date of allotment i.e. 05/08/2020 | 150 | - | 149.98 | - |
| Total | | | 9,904.50 | 3,998.98 |

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Fusion Micro Finance Private Limited
Notes to Financial Statement for the year ended March 31, 2021

| | | (Rs in millions unless otherwise stated) | |
|-----------|--|--|------------------|
| | | As at | As at |
| | | March 31, 2021 | March 31, 2020 |
| 17 | Borrowings (Other than debt securities) | | |
| | At amortised cost | | |
| | (a) Term loans | | |
| | (i) from banks | 26,856.90 | 19,127.76 |
| | (ii) from other parties | 2,619.30 | 2,644.79 |
| | (b) Short term loans from banks | 3,499.64 | 2,398.77 |
| | (c) Short term loans from financial institutions | 274.95 | - |
| | (d) Borrowings under securitisation arrangement | - | 400.26 |
| | Total | 33,250.79 | 24,571.58 |
| | Borrowings in India | 33,250.79 | 24,571.58 |
| | Borrowings outside India | - | - |
| | Total | 33,250.79 | 24,571.58 |
| | Secured* | 33,250.79 | 24,571.58 |
| | Unsecured | - | - |
| | Total | 33,250.79 | 24,571.58 |

*The secured borrowings are secured by hypothecation of book debts and margin money deposits.

| | | | |
|-----------|--|-----------------|-----------------|
| 18 | Subordinated liabilities | | |
| | At amortised cost | | |
| | from banks | 300.00 | 300.00 |
| | from other than banks | 867.21 | 866.29 |
| | Total | 1,167.21 | 1,166.29 |
| | Subordinated liabilities in India | 1,167.21 | 1,166.29 |
| | Subordinated liabilities outside India | - | - |
| | Total | 1,167.21 | 1,166.29 |

Note :Company has not defaulted in repayment of borrowing / interest during the current year and previous year with respect to Debt Securities (Note 16) borrowings (other than debt securities) (Note 17) and subordinated liabilities (Note 18)

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(Rs in millions unless otherwise stated)

16A, 17A and 18A Terms of Principal repayment of Debt securities/Borrowings/Subordinated liabilities

| Original Maturity of loan | Interest rate | Due Within 1 Year | | Due Between 1 to 2 Year | | Due Between 2 to 3 Year | | Due Between 3 to 4 Year | | Due Between 4 to 5 Year | | Due Between 5 to 6 Year | | Total | |
|---|------------------|---------------------|-----------|-------------------------|-----------|-------------------------|----------|-------------------------|--------|-------------------------|----------|-------------------------|----------|-----------|----------|
| | | No. of Installments | Amount | No. of Installments | Amount | No. of Installments | Amount | No. of Installments | Amount | No. of Installments | Amount | No. of Installments | Amount | | |
| Borrowings (other than debt securities) | | | | | | | | | | | | | | | |
| Monthly | Upto 3 Years | 12 | 380.88 | 3 | 57.48 | - | - | - | - | - | - | - | - | 438.36 | |
| | | 1 | 125.00 | - | - | - | - | - | - | - | - | - | - | 125.00 | |
| | | 12 | 1.00 | 12 | 1.00 | 12 | 1.00 | - | - | - | - | - | - | 3.00 | |
| | | 12 | 219.44 | 10 | 145.83 | - | - | - | - | - | - | - | - | 365.28 | |
| | | 12 | 846.43 | 12 | 470.24 | - | - | - | - | - | - | - | - | 1,316.67 | |
| | | 12 | 3,045.43 | 12 | 2,542.45 | 3 | 93.75 | - | - | - | - | - | - | 5,681.63 | |
| | | 12 | 1,675.36 | 12 | 1,117.14 | 1 | 13.79 | - | - | - | - | - | - | 2,806.29 | |
| | | 12 | 3,192.12 | 12 | 1,747.11 | - | - | - | - | - | - | - | - | 4,939.24 | |
| | | 12 | 2,110.09 | 12 | 671.78 | 1 | 11.67 | - | - | - | - | - | - | 2,793.53 | |
| | | 12 | 410.21 | 7 | 116.67 | - | - | - | - | - | - | - | - | 526.88 | |
| Above 3 Years | 7 | 57.15 | - | - | - | - | - | - | - | - | - | - | 57.15 | | |
| | 12 | 158.59 | 12 | 176.95 | 5 | 79.63 | - | - | - | - | - | - | 415.17 | | |
| | 11 | 366.67 | - | - | - | - | - | - | - | - | - | - | 366.67 | | |
| Quarterly | Upto 3 Years | 8 | 500.00 | 8 | 425.00 | - | - | - | - | - | - | - | - | 925.00 | |
| | | 8 | 932.64 | 8 | 276.39 | 2 | 53.47 | - | - | - | - | - | - | 1,262.50 | |
| | | 10 | 1,024.70 | 8 | 239.68 | 3 | 62.43 | - | - | - | - | - | - | 1,326.82 | |
| | | 6 | 492.50 | 3 | 63.75 | - | - | - | - | - | - | - | - | 556.25 | |
| | | 5 | 733.12 | 3 | 214.77 | - | - | - | - | - | - | - | - | 947.89 | |
| | | 4 | 700.00 | 4 | 700.00 | 4 | 637.50 | 4 | 200.00 | 4 | 175.00 | - | - | 2,412.50 | |
| | | 4 | 216.7 | 4 | 216.6 | 1 | 5.42 | - | - | - | - | - | - | 48.75 | |
| | | 1 | 16.67 | - | - | - | - | - | - | - | - | - | - | 16.67 | |
| | | 2 | 650.00 | 1 | 325.00 | - | - | - | - | - | - | - | - | 975.00 | |
| | | 2 | 725.00 | - | - | - | - | - | - | - | - | - | - | 725.00 | |
| Above 3 Years | 2 | 16.00 | 2 | 16.00 | - | - | - | - | - | - | - | - | 32.00 | | |
| | 2 | 640.00 | 2 | 475.00 | 2 | 80.00 | 2 | 80.00 | 1 | 20.00 | - | - | 1,295.00 | | |
| | 2 | 255.00 | 2 | 60.00 | 2 | 60.00 | - | - | - | - | - | - | 375.00 | | |
| | 3 | 1,875.00 | - | - | - | - | - | - | - | - | - | - | 1,875.00 | | |
| Bullet Repayment | Upto 3 Years | 1 | 500.00 | - | - | - | - | - | - | - | - | - | - | 500.00 | |
| | | 1 | 200.00 | - | - | - | - | - | - | - | - | - | - | 200.00 | |
| | | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| | | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Debt securities | Bi-Monthly | Above 3 Years | - | - | - | - | - | - | 6.00 | 450.00 | - | - | - | - | 450.00 |
| | | | 3 | 375.00 | 1 | 125.00 | - | - | - | - | - | - | - | - | 500.00 |
| | | | 2 | 100.00 | 2 | 100.00 | 1 | 50.00 | - | - | - | - | - | - | 250.00 |
| | | | 2 | 36.00 | 2 | 36.00 | 2 | 78.00 | - | - | - | - | - | - | 150.00 |
| | | | - | - | 1 | 250.00 | - | - | - | - | - | - | - | - | 250.00 |
| | | | - | 500.00 | 1 | 1,100.00 | - | - | - | - | - | - | - | - | 1,600.00 |
| | | | - | - | - | - | 3 | 650.00 | - | - | - | - | - | - | 650.00 |
| | | | 1 | 150.00 | - | - | 2 | 600.00 | - | - | - | - | - | - | 750.00 |
| | | | 2 | 600.00 | - | - | - | - | - | - | - | - | - | - | 600.00 |
| | | | - | - | - | - | 1 | 315.00 | - | - | - | - | - | - | 315.00 |
| Above 3 Years | 11.51% - 12.00% | - | - | - | - | 1 | 315.00 | - | - | - | - | 1 | 700.00 | 1,515.00 | |
| | 12.01% - 12.50% | - | - | - | - | - | - | - | - | - | - | 1 | 750.00 | 750.00 | |
| | 12.51% - 13.00% | 1 | 470.00 | 1 | 526.00 | - | - | - | - | - | - | - | 1,896.00 | 1,896.00 | |
| | 13.51% - 14.00% | 1 | 250.00 | - | - | - | - | - | - | - | - | - | - | 250.00 | |
| Sub-Debt | Bullet Repayment | Above 3 Years | - | - | 1 | 500.00 | - | - | - | - | - | - | - | 500.00 | |
| | | | - | - | - | - | - | - | - | - | - | - | - | 300.00 | |
| | | | 1 | 70.00 | - | - | - | - | - | - | - | - | - | - | 70.00 |
| | | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| TOTAL | | 214 | 24,421.66 | 158 | 12,500.90 | 48 | 3,786.67 | 12 | 730.00 | 7 | 1,595.00 | 2 | 1,450.00 | 44,322.50 | |



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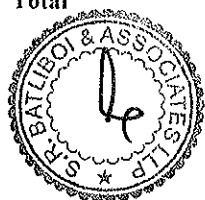


Fusion Micro Finance Private Limited

Notes to Financial Statement for the year ended March 31, 2021

(Rs in millions unless otherwise stated)

| | As at March 31, 2021 | As at March 31, 2020 |
|---|-------------------------|-------------------------|
| 19 Other financial liabilities | | |
| Payable towards assigned/securitized portfolio | 177.46 | 179.91 |
| Interest accrued but not due on borrowings | 373.39 | 224.69 |
| Salaries and bonus payable | 159.68 | 99.70 |
| Lease liability (refer note 52) | 84.63 | - |
| Other payable | 470.82 | 8.98 |
| Total | 1,265.98 | 513.28 |
| 20 Current tax liabilities (net) | | |
| Provision for tax (net) | 53.98 | 0.53 |
| Total | 53.98 | 0.53 |
| 21 Provisions | | |
| Provision for gratuity (refer note 37) | 5.17 | - |
| Provision for compensated absence (refer note 37) | 37.34 | 25.16 |
| Provision on business correspondence portfolio | - | 6.01 |
| Provision for other contingencies* | 37.48 | 25.89 |
| Others | 0.77 | 0.66 |
| Total | 80.76 | 57.72 |
| *Provisions are for cash loss and related contingencies. | | |
| 22 Other non-financial liabilities | | |
| Statutory dues payable | 77.18 | 59.72 |
| Others | 2.32 | 2.24 |
| Total | 79.50 | 61.96 |
| 23 Share Capital | | |
| Authorised share capital | | |
| Equity shares | | |
| 90,000,000 (March 31, 2020 : 90,000,000) equity shares of Rs. 10 each | 900.00 | 900.00 |
| Preference shares | | |
| 5,000,000 (March 31, 2020 : 5,000,000) preference shares of Rs. 10 each | 50.00 | 50.00 |
| | 950.00 | 950.00 |
| 23.1 Equity Share capital | | |
| Issued, subscribed and paid-up | | |
| Equity shares | | |
| <i>Fully paid up</i> | | |
| 80,383,716 (March 31, 2020 : 8,03,83,716) equity shares of Rs. 10 each | 803.84 | 803.84 |
| fully paid up | | |
| Less: treasury shares | (17.41) | (18.28) |
| <i>Partly paid up</i> | | |
| 39,42,672 (March 31, 2020 : 39,42,672) equity shares of Rs. 10 each | 3.94 | 3.94 |
| partly paid up @ Rs. 1 | | |
| Total | 790.37 | 789.50 |



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Fusion Micro Finance Private Limited
Notes to Financial Statement for the year ended March 31, 2021

(Rs in millions unless otherwise stated)

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

| Particulars | As at March 31, 2021 | | As at March 31, 2020 | |
|---|----------------------|---------------|----------------------|---------------|
| | Number of shares | Amount | Number of shares | Amount |
| Equity shares | | | | |
| At the commencement of the year | 8,43,26,388 | 807.78 | 6,57,20,588 | 629.31 |
| Allotted to Fusion employee benefit trust | - | - | 5,49,647 | 5.50 |
| Issued during the year (fully paid up) | - | - | 1,72,12,889 | 172.13 |
| Issued during the year (partly paid up @ Rs. 1) | - | - | 8,43,264 | 0.84 |
| At the end of the year | 8,43,26,388 | 807.78 | 8,43,26,388 | 807.78 |

b Rights, preferences and restrictions attached to equity 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.

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

| Name of the shareholder | March 31, 2021 | | March 31, 2020 | |
|---|--------------------|---------------|--------------------|---------------|
| | Number of shares | % of Holding | Number of shares | % of Holding |
| Devesh Sachdev - MD & CEO | 55,53,414 | 6.59% | 55,53,414 | 6.59% |
| Oikocredit, Ecumenical Development Co-operative Society U.A., Netherlands | 66,06,375 | 7.83% | 66,06,375 | 7.83% |
| Creation Investment Fusion, LLC, Chicago, U.S.A. | 1,53,21,043 | 18.17% | 1,53,21,043 | 18.17% |
| Creation Investment Fusion II, LLC, Chicago, U.S.A. | 99,54,529 | 11.80% | 99,54,529 | 11.80% |
| Honey Rose Investment Ltd, Mauritius | 4,10,22,730 | 48.65% | 4,10,22,730 | 48.65% |
| | 7,84,58,091 | 93.04% | 7,84,58,091 | 93.04% |

d Particulars of shares reserved for issue under employee stock options

| Particulars | Number of shares | |
|-----------------------------------|----------------------|----------------------|
| | As at March 31, 2021 | As at March 31, 2020 |
| Under Employee Stock Option Plans | 1,352,454* | 1,352,454* |

* With reference to the amendment agreement dated December 17, 2019 to the Shareholder's agreement dated September 10, 2018, the Company will institute an employee stock option plan, pursuant to which it will grant and allot 1,352,454 equity shares of the Company to certain identified employees.

e No share was allotted without payment being received in cash during the five-year period ended March 31, 2021

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Fusion Micro Finance Private Limited
Notes to Financial Statement for the year ended March 31, 2021

(Rs in millions unless otherwise stated)

24 Other equity

Statutory reserve

| | As at March 31, 2021 | As at March 31, 2020 |
|--|-------------------------|-------------------------|
| Balance as at the beginning of the year | 322.44 | 183.22 |
| Add: Amount transferred from retained earnings | 87.89 | 139.22 |
| Balance as at the end of the year | 410.33 | 322.44 |

Securities premium

| | | |
|---|-----------------|-----------------|
| Balance as at the beginning of the year | 9,946.20 | 5,116.98 |
| Add: On issue of shares | - | 4,907.04 |
| Add: Transfer from stock option outstanding | 3.41 | 1.97 |
| Add: Adjustment relating to ESOP Welfare trust | 3.92 | (76.73) |
| Less : Amount utilised towards share issue expenses | - | (3.06) |
| Balance as at the end of the year | 9,953.53 | 9,946.20 |

Retained earnings

| | | |
|--|-----------------|---------------|
| Balance as at the beginning of the year | 880.38 | 321.21 |
| Add: Profit for the year | 439.44 | 696.10 |
| Add: Stock options lapsed | 2.36 | 2.29 |
| Less : Amount transferred to statutory reserve | (87.89) | (139.22) |
| Balance as at the end of the year | 1,234.29 | 880.38 |

Employee stock option plan reserve

| | | |
|--|--------------|--------------|
| Balance as at the beginning of the year | 43.83 | 19.88 |
| Add: Compensation for options granted | 30.40 | 28.21 |
| Exercise & lapse of stock options | (5.77) | (4.26) |
| Balance as at the end of the year | 68.46 | 43.83 |

Remeasurement of defined benefit plans

| | | |
|--|-------------|-------------|
| Balance as at the beginning of the year | 6.54 | 1.48 |
| Other comprehensive income for the year | 0.03 | 5.06 |
| Balance as at the end of the year | 6.57 | 6.54 |

Nature and purpose of other reserve :

Statutory reserve

The said reserve has been created under section 45-IC of Reserve Bank of India Act, 1934. As per the said section, every Non-banking financial company shall create a reserve fund and transfer a sum of not less than 20% of net profit every year before declaration of dividend.

Securities premium

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

Retained Earnings

The said amount represents accumulated surplus/(deficit) of the profits earned by the Company

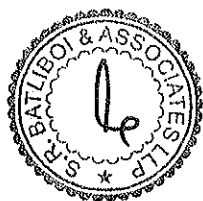
Employee stock option plan reserve

The said amount is used to recognise the grant date fair value of options issued to employees by the Company.

Remeasurement of defined benefit plans

Remeasurements of defined benefit plans represents the following as per Ind AS 19, Employee Benefits:

- actuarial gains and losses
- the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
- any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset)

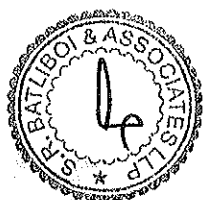


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Fusion Micro Finance Private Limited
Notes to Financial Statement for the year ended March 31, 2021

| | | (Rs in millions unless otherwise stated) | |
|--|--|--|--------------------------------------|
| | | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
| 25 Interest Income | | | |
| On financial asset measured at amortized cost | | | |
| Interest income on loan portfolio | | 8,059.97 | 6,499.72 |
| Interest on deposits with banks | | 215.67 | 165.16 |
| Total | | 8,275.64 | 6,664.88 |
| 26 Fees and commission income | | | |
| Facilitation fees | | 5.08 | 7.18 |
| Income from business correspondence services | | 2.11 | 27.46 |
| Total | | 7.19 | 34.64 |
| 27 Net gain on fair value changes | | | |
| - On trading portfolio | | | |
| Net gain on sale of mutual fund investment | | 167.45 | 231.57 |
| - Others | | - | - |
| Total | | 167.45 | 231.57 |
| Fair value changes : | | | |
| - Realised | | 167.45 | 231.57 |
| - Unrealised | | - | - |
| Total | | 167.45 | 231.57 |
| 28 Net gain on derecognition of financial instruments under amortised cost category | | | |
| Gain on derecognition of financial instruments (refer note 44) | | 107.84 | 271.55 |
| | | 107.84 | 271.55 |
| 29 Other income | | | |
| Market support income | | 145.39 | 74.10 |
| Recovery of loan written off | | 18.04 | 24.76 |
| Miscellaneous income | | 9.33 | 1.61 |
| Total | | 172.76 | 100.47 |
| 30 Finance cost | | | |
| On financial liabilities measured at amortized cost | | | |
| Interest on debt securities | | 762.80 | 615.74 |
| Interest on borrowings (other than debt securities) | | 2,817.54 | 2,594.82 |
| Interest on subordinated liabilities | | 165.40 | 165.59 |
| Interest on lease liability | | 5.30 | - |
| Other finance costs | | - | 0.57 |
| Total | | 3,751.04 | 3,376.72 |
| 31 Impairment on financial instruments | | | |
| On financial assets measured at amortised cost | | | |
| Impairment on loan portfolio | | 2,196.71 | 913.66 |
| Other financial assets | | 11.09 | 13.33 |
| Total | | 2,207.80 | 926.99 |



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Fusion Micro Finance Private Limited
Notes to Financial Statement for the year ended March 31, 2021

(Rs in millions unless otherwise stated)

32 Employee benefit expenses

| | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|--|--------------------------------------|--------------------------------------|
| Salaries, wages and bonus | 1,497.18 | 1,304.55 |
| Contribution to provident and other funds* | 122.37 | 109.21 |
| Share based compensation expense | 30.40 | 28.21 |
| Staff welfare expenses | 36.45 | 41.36 |
| Total | 1,686.40 | 1,483.33 |

*Contribution to provident fund is net of Rs. 7.25 million (March 31, 2020 : Rs. 8.45 million) received under the scheme "Pradhan Mantri Rojgar Protsahan"

33 Other expenses

| | | |
|-----------------------------------|---------------|---------------|
| Rent (refer note 52) | 110.79 | 97.89 |
| Travelling and conveyance | 74.80 | 81.62 |
| Legal and professional fees* | 20.94 | 45.63 |
| Rates and taxes | 40.65 | 31.13 |
| Office maintenance | 128.09 | 123.85 |
| Water and electricity | 19.63 | 17.62 |
| Staff recruitment and training | 2.49 | 6.90 |
| Insurance | 12.26 | 8.97 |
| Corporate social responsibility # | 12.73 | 10.09 |
| Business promotion | 0.62 | 5.14 |
| Lodging and boarding | 10.18 | 21.56 |
| Miscellaneous expenses | 45.61 | 39.96 |
| Total | 478.79 | 490.36 |

Includes payment to auditors *

| | | |
|----------------------------------|-------------|-------------|
| Audit fees | 2.70 | 2.40 |
| Certification and other services | 0.30 | 0.55 |
| Out of pocket expenses | 0.05 | 0.05 |
| | 3.05 | 3.00 |

Details of corporate social responsibility expenditure

| | | |
|---|-------|-------|
| a) Gross amount required to be spent by the Company for respective financial year | 8.22 | 2.63 |
| b) Amount approved by the board to be spent during the year | 12.73 | 12.00 |
| c) Amount spent during the year : | | |
| i) on purposes other than construction/acquisition of any asset | 12.73 | 10.09 |
| ii) on purposes other than (i) above | - | - |

34 Income tax

a. Income tax expense in the statement of profit and loss consist of:

Current income tax:

| | | |
|---|---------------|---------------|
| Income tax | 588.71 | 395.99 |
| Deferred tax: | | |
| Attributable to- | | |
| Origination and reversal of temporary differences | (460.24) | (148.06) |
| Increase/reduction in tax rate | - | 55.92 |
| Income tax expense reported in the statement of profit or loss | 128.47 | 303.85 |

Income tax recognised in other comprehensive income

| | | |
|---|---------------|---------------|
| Deferred tax arising on remeasurement gains on defined benefit plan | 0.01 | 1.40 |
| Total income tax expense | 128.48 | 305.25 |



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(Rs in millions unless otherwise stated)

Income tax recognised in other comprehensive income

| Particulars | For the year ended March 31, 2021 | | | For the year ended March 31, 2020 | | |
|--|-----------------------------------|---------------|-------------|-----------------------------------|---------------|-------------|
| | Before tax | Tax expense | Net of tax | Before tax | Tax expense | Net of tax |
| Remeasurement of the net defined benefit liability/asset | 0.04 | (0.01) | 0.03 | 6.46 | (1.40) | 5.06 |
| Total | 0.04 | (0.01) | 0.03 | 6.46 | (1.40) | 5.06 |

Note: The company had elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by Taxation Laws (Amendment) Ordinance 2019.

b. Reconciliation of total tax charge

The tax charge shown in the statement of profit and loss differs from the tax charge that would apply if all profits had been charged at India corporate tax rate. A reconciliation between the tax expense and the accounting profit multiplied by India's domestic tax rate for the years ended 31 March 2021 and March 31, 2020 is, as follows:

| Particulars | For the year ended March 31, 2021 | | For the year ended March 31, 2020 | |
|--|-----------------------------------|---------------|-----------------------------------|---------------|
| | Enacted tax rate | Amount | Enacted tax rate | Amount |
| Accounting profit before tax | 25.17% | 567.91 | 25.17% | 999.95 |
| Computed tax expense | | 142.93 | | 251.67 |
| Effect of: | | | | |
| Non-deductible expenses | 1.91% | 10.86 | 0.97% | 9.66 |
| Difference on account of change in tax rate (effect of deferred tax due to change in enacted tax rate) | 0.00% | - | 5.59% | 55.92 |
| Deduction under chapter VI-A | (0.04) | (25.06) | -1.32% | (13.23) |
| Others | -0.05% | (0.26) | -0.02% | (0.17) |
| Effective tax rate/income tax expense reported in statement of profit and loss | 22.62% | 128.47 | 30.39% | 303.85 |

35 Earning per share

| | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|--|-----------------------------------|-----------------------------------|
| a) Basic earning per share | | |
| Adjusted profit for the year | 439.44 | 696.10 |
| Adjusted profit after tax for calculation of basic EPS and diluted EPS | 439.44 | 696.10 |
| Weighted average no. of equity shares outstanding during the year | 78.97 | 66.48 |
| b) Diluted earning per share | | |
| Adjusted profit for the year | 439.44 | 696.10 |
| Weighted average number of equity shares outstanding during the year - basic | 78.97 | 66.48 |
| Add: Weighted average number of potential equity shares on account of employee stock | 1.01 | 0.94 |
| Weighted average number of equity shares outstanding during the year - diluted | 79.98 | 67.42 |
| Earning per share | | |
| Basic - par value of Rs.10 each | 5.56 | 10.47 |
| Diluted - par value of Rs.10 each | 5.49 | 10.32 |

36 Segment reporting

The chief executive officer of the Company takes decision in respect of allocation of resources and assesses the performance basis the report/ information provided by functional heads and are thus considered to be Chief Operating Decision Maker.

The Company operates under the principal business segment viz. "micro financing activities". The Chief Operating Decision Maker (CODM) views and monitors the operating results of its single business segment for the purpose of making decisions about resource allocation and performance assessment. Accordingly, there are no separate reportable segments in accordance with the requirements of Ind AS 108 'Operating segment' and hence, there are no additional disclosures to be provided other than those already provided in the financial statements. Presently, the Company's operations are confined in India. There are no individual customer contributing more than 10% of Company's total revenue. All non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets of the Company are located in India.

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37 Employee benefit plan

The Company operates the following post-employment plans -

i. Defined contribution plan

The Company makes contribution, determined as a specified percentage of employees salaries, in respect of qualified employees towards provident fund and other funds which are defined contribution plans. The Company has no obligation other than this to make the specified contribution. The contribution is charged to the statement of profit and loss as they accrue.

| Particulars | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|--|--------------------------------------|--------------------------------------|
| Contribution to provident funds* | 82.11 | 73.09 |
| Contribution to employee state insurance | 21.29 | 23.12 |
| National pension scheme | 0.75 | - |
| Labour welfare fund | 0.36 | 0.29 |
| | 104.51 | 96.50 |

*Contribution to provident fund are net of Rs. 7.25 million received under the scheme "Pradhan Mantri Rojgar Yojana" for the year ended March 31, 2021 (Previous year Rs. 8.45 million).

ii. Defined benefit plan

Gratuity

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 most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for gratuity were carried out as at March 31, 2021. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the projected unit credit method.

The following tables summarized the components of net benefit expenses recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the gratuity plan.

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|----------------------|----------------------|
| Present value of obligation | 70.57 | 43.98 |
| Fair value of plan assets | 65.19 | 53.80 |
| Net defined benefit liability/(asset) * | 5.38 | (9.82) |

* The amount disclosed in note 21 for year ended March 21 and note 14 for year ended March 20 include Rs. 0.2 million, advanced to gratuity trust for bank account opening.

Amount recognized in the statement of profit and loss is as under:

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|----------------------|----------------------|
| Current service cost | 18.45 | 19.34 |
| Past service cost | - | - |
| Loss/(Gain) on settlement | - | - |
| Net interest cost/(income) on the net defined benefit liability/(asset) | (0.55) | (0.17) |
| Expenses recognized in the statement of profit and loss | 17.90 | 19.17 |

Amount recognized in the other comprehensive income:

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|--|----------------------|----------------------|
| Actuarial gain/(loss) recognized during the year | 0.04 | 6.46 |
| | 0.04 | 6.46 |

(a) Funding

The scheme is fully funded with Kotak Gratuity Group Plan. The funding requirements are based on the gratuity fund's actuarial measurement framework set out in the funding policies of the plan. Employees do not contribute to the plan.

Expected contribution to gratuity plan for the year ending March 31, 2022 is Rs. 30.20 million.

(b) Reconciliation of the net defined benefit (asset) / liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components:

| Particulars | As at March 31, 2021 | | | As at March 31, 2020 | | |
|---|----------------------------|---------------------------|--|----------------------------|---------------------------|--|
| | Defined benefit obligation | Fair value of plan assets | Net defined benefit (asset)/ liability | Defined benefit obligation | Fair value of plan assets | Net defined benefit (asset)/ liability |
| Balance at the beginning of the year | 43.98 | 53.80 | (9.82) | 31.47 | 33.67 | (2.20) |
| Included in profit or loss | | | | | | |
| Current service cost | 18.45 | - | 18.45 | 19.34 | - | 19.34 |
| Interest cost (income) | 2.44 | 2.98 | (0.54) | 2.44 | 2.61 | (0.17) |
| Total | 20.89 | 2.98 | 17.91 | 21.78 | 2.61 | 19.17 |
| Included in Other comprehensive income | | | | | | |
| Remeasurements loss (gain) | | | | | | |
| --- Actuarial loss (gain) arising from: | | | | | | |
| - demographic assumptions | (2.93) | - | (2.93) | (22.50) | - | (22.50) |
| - financial assumptions | 7.71 | - | 7.71 | 15.02 | - | 15.02 |
| - experience adjustment | 1.96 | - | 1.96 | (0.46) | - | (0.46) |
| - Return on plan assets excluding interest income | - | 6.78 | (6.78) | - | (1.48) | 1.48 |
| Total | 6.74 | 6.78 | (0.04) | (7.94) | (1.48) | (6.46) |
| Other | | | | | | |
| Contribution paid by the employer | - | 1.63 | (1.63) | - | 19.00 | (19.00) |
| Benefits paid | (1.04) | - | (1.04) | (1.33) | - | (1.33) |
| Total | (1.04) | 1.63 | (2.67) | (1.33) | 19.00 | (20.33) |
| Balance at the end of the year | 70.57 | 65.19 | 5.38 | 43.98 | 53.80 | (9.82) |



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(c) Plan assets

Particulars

Investment with Kotak gratuity group plan

On an annual basis, an asset-liability matching study is done by the Company whereby the Company contributes the net increase in the actuarial liability to the plan manager (insurer) in order to manage the liability risk. The above % describes ratio of fair value of plan assets with total defined benefit obligation.

| As at March 31, 2021 | As at March 31, 2020 |
|----------------------|----------------------|
| 92% | 122% |

(d) Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

Particulars

Discount rate
Future long term salary growth
Withdrawal rate:
Retirement age (in year)
Expected rate of return on plan assets
Mortality

| As at March 31, 2021 | As at March 31, 2020 |
|----------------------|----------------------|
| 5.65% | 6% |
| 10% | 8% |
| 22% | 20% |
| 60.00 | 60.00 |
| 5.65% | 6% |
| 100% of IALM 2012-14 | 100% of IALM 2012-14 |

(e) Sensitivity analysis of significant assumptions

The following table present a sensitivity analysis to one of the relevant actuarial assumption, holding other assumptions constant, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date.

Particulars

Discount rate (1.00% movement)
Salary growth rate (1.00% movement)
Attrition rate (1.00% movement)
Mortality rate (10.00% movement)

| As at March 31, 2021 | | As at March 31, 2020 | |
|--------------------------------------|----------|--------------------------------------|----------|
| Impact on defined benefit obligation | | Impact on defined benefit obligation | |
| Increase | Decrease | Increase | Decrease |
| 66.77 | 74.76 | 41.44 | 46.79 |
| 74.55 | 66.88 | 46.73 | 41.44 |
| 69.25 | 71.97 | 43.17 | 44.82 |
| 70.56 | 70.58 | 43.97 | 43.97 |

(f) Expected maturity analysis of the defined benefit plans in future years

Particulars

1 year
Between 2-5 years
Between 6-10 years
Over 10 years
Total

| As at March 31, 2021 | As at March 31, 2020 |
|----------------------|----------------------|
| 8.51 | 4.47 |
| 39.55 | 23.43 |
| 29.81 | 19.67 |
| 23.89 | 17.13 |
| 101.76 | 64.70 |

As at March 31, 2021, the weighted-average duration of the defined benefit obligation was 5 years (March 31, 2020 - 6 years).

(g) Description of risk exposures

Valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such Company is exposed to various risks as follows -

Salary increases : The present value of the defined benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

Investment risk : The present value of defined benefit plan liability is calculated using a discount rate which is determined by reference to the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligation.

Discount rate : Reduction in discount rate in subsequent valuations can increase the plan's liability.

Mortality & disability : Actual deaths & disability cases proving lower or higher than assumed in the valuation can impact the liabilities.

Withdrawals : Actual withdrawals proving higher or lower than assumed withdrawals and change of withdrawal rates at subsequent valuations can impact plan's liability.

Expected rate of return on plan assets: This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

iii Compensated absences

The Company provides compensated absences benefits to the employees of the Company which can be carried forward to future years. Amount recognised in the Statement of profit and loss for compensated absences is as under-

Particulars

Amount recognised in statement of profit and loss

Amount recognized in the balance sheet:

Present value of obligation as at the end

| For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|--------------------------------------|--------------------------------------|
| 20.31 | 15.40 |
| As at March 31, 2021 | As at March 31, 2020 |
| 37.34 | 25.16 |

(h) The Code on Social Security, 2020 ("Code") relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.



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38 Amount payable to micro small and medium enterprises

The Ministry of Micro Small and Medium Enterprises has issued an office memorandum dated August 26, 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the 'entrepreneurs memorandum number' as allotted after filling of the memorandum. Accordingly, the disclosure in respect of the amount payable to such enterprises as at March 31, 2021 has been made in the financial statements based on information received and available with the Company.

39 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. With regard to loans and advances to customers, the Company uses the same basis of expected repayment behaviour as used for estimating the EIR. Issued debt reflect the contractual coupon amortisations.

| Particulars | As at March 31, 2021 | | | As at March 31, 2020 | | |
|---|----------------------|-------------------|------------------|----------------------|------------------|------------------|
| | Within 12 months | After 12 months | Total | Within 12 months | After 12 months | Total |
| Assets | | | | | | |
| Cash and cash equivalents | 12,154.20 | - | 12,154.20 | 5,396.67 | - | 5,396.67 |
| Bank balances other than cash and cash | 601.61 | 596.75 | 1,198.36 | 2,231.91 | 548.91 | 2,780.82 |
| Trade receivables | 27.93 | - | 27.93 | 31.39 | - | 31.39 |
| Loans | 27,218.83 | 16,388.47 | 43,607.30 | 19,737.98 | 13,691.75 | 33,429.73 |
| Investments | - | - | - | 5.00 | - | 5.00 |
| Other financial assets | 273.95 | 26.81 | 300.76 | 229.04 | 9.42 | 238.46 |
| Non-financial assets | | | | | | |
| Current tax assets (net) | - | 119.58 | 119.58 | - | 119.09 | 119.09 |
| Deferred tax assets (net) | - | 765.28 | 765.28 | - | 305.02 | 305.02 |
| Property, plant and equipment | - | 102.74 | 102.74 | - | 58.98 | 58.98 |
| Intangible assets | - | 1.90 | 1.90 | - | 1.47 | 1.47 |
| Right of use asset | - | 78.19 | 78.19 | - | - | - |
| Other non financial assets | 22.77 | 0.32 | 23.09 | 33.22 | 0.09 | 33.31 |
| Total Assets | 40,299.29 | 18,080.04 | 58,379.33 | 27,665.21 | 14,734.73 | 42,399.94 |
| Liabilities | | | | | | |
| Financial liabilities | | | | | | |
| Trade payables | 113.06 | - | 113.06 | 40.71 | - | 40.71 |
| Debt securities | 2,467.29 | 7,437.20 | 9,904.49 | 1,257.03 | 2,741.95 | 3,998.98 |
| Borrowings (other than debt securities) | 21,725.21 | 11,525.58 | 33,250.79 | 15,766.01 | 8,805.57 | 24,571.58 |
| Subordinated liabilities | 70.00 | 1,097.21 | 1,167.21 | 69.08 | 1,097.21 | 1,166.29 |
| Other financial liabilities | 1,184.75 | 81.23 | 1,265.98 | 513.28 | - | 513.28 |
| Non-financial liabilities | | | | | | |
| Current tax liabilities (net) | 53.98 | - | 53.98 | 0.53 | - | 0.53 |
| Provisions | 75.39 | 5.37 | 80.76 | 38.59 | 19.13 | 57.72 |
| Other non-financial liabilities | 79.50 | - | 79.50 | 61.96 | - | 61.96 |
| Total Liabilities | 25,769.18 | 20,146.59 | 45,915.77 | 17,747.19 | 12,663.86 | 30,411.05 |
| Net Assets | 14,530.11 | (2,066.55) | 12,463.56 | 9,918.02 | 2,070.87 | 11,988.89 |

40 Reconciliation of liabilities arising from financing activities

The changes in the Company's liabilities arising from financing activities can be classified as follows :

| Particulars | Debt securities | Borrowings (other than debt securities) | Subordinated liabilities | Total |
|--|-----------------|---|--------------------------|------------------|
| March 31, 2019 | 4,990.05 | 23,130.35 | 1,165.49 | 29,285.89 |
| Cash flows: | | | | |
| Repayment | (1,346.34) | (17,800.02) | - | (19,146.36) |
| Proceeds other than overdraft facility | 348.71 | 19,247.43 | - | 19,596.14 |
| Non Cash: | | | | |
| Amortisation of upfront fees | 6.56 | (6.18) | 0.80 | 1.18 |
| March 31, 2020 | 3,998.98 | 24,571.58 | 1,166.29 | 29,736.85 |
| Cash flows: | | | | |
| Repayment | (660.53) | (20,036.34) | - | (20,696.87) |
| Proceeds other than overdraft facility | 6,577.19 | 28,711.21 | - | 35,288.41 |
| Non Cash: | | | | |
| Amortisation of upfront fees | (11.14) | 4.34 | 0.92 | (5.88) |
| March 31, 2021 | 9,904.50 | 33,250.79 | 1,167.21 | 44,322.50 |



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41 Share based compensation

A. Description of share-based payment arrangements

i. Share option programme (equity settled)

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

- The Scheme 2014 and 2016 are effective from July 31, 2014 and January 16, 2017 respectively and are administered through a ESOP Trust (Fusion Employees Benefit Trust).
- The scheme provides that, subject to continued employment with the Company, the employees are granted an option to acquire equity shares of the Company that may be exercised within a specified period.
- The Company has formed Fusion ESOP Trust on June 24, 2014 to issue ESOPs to employees of the Company as per the respective scheme. The Company has given interest and collateral free loan to the ESOP trust, to provide financial assistance to purchase equity shares of the Company under such schemes. The Trust in turn allots the shares to employees on exercise of their right against cash consideration.
- As on March 31, 2021, the ESOP trust have 17,40,626 equity shares, (March 31, 2020 - 18,27,536). The ESOP Trust does not have any transaction other than those mentioned above, hence it is treated as an integral part of the Company and accordingly gets consolidated with the books of the Company. Accordingly, as at March 31, 2021, the Company has reduced the shares allotted to ESOP Trust amounting Rs. 17.41 million (March 31, 2020 - Rs. 18.28 million) from the share capital and Rs. 138.14 million (March 31, 2020 - Rs. 141.36 million) from the share premium. These are shown as treasury shares.
- The eligible employees shall exercise their option to acquire the shares of the Company within a period of eight years from the end of vesting period. The plan shall be administered, supervised and implemented by the board.

These options shall vest on graded basis as follows:

Time period

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

| Percentage | Vesting condition |
|------------|-------------------|
| 25% | Service |
| 25% | Service |
| 25% | Service |
| 25% | Service |

B Reconciliation of outstanding share options

Set out below is a summary of options granted under the plan

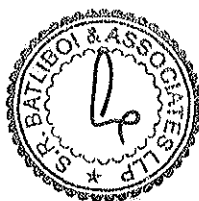
| Particulars | March 31, 2021 | | March 31, 2020 | |
|---|-------------------------|----------------------------------|-------------------------|----------------------------------|
| | Number of share options | Average exercise price per share | Number of share options | Average exercise price per share |
| Outstanding options at the beginning of the year | 16,20,998 | 100.84 | 11,98,643 | 68.90 |
| Add: Granted during the year | 5,84,500 | 290.48 | 5,90,970 | 157.04 |
| Less: Lapsed/forfeited during the year | 48,030 | 88.20 | 92,945 | 92.18 |
| Less: Exercised during the year | 86,910 | 55.50 | 75,670 | 44.36 |
| Outstanding options at the end of the year | 20,70,558 | 156.57 | 16,20,998 | 100.84 |
| Options vested and exercisable at the end of the year | 7,42,836 | | 4,53,243 | |

The weighted average share price at the date of exercise for share options exercised during the year ended March 31, 2021 was Rs 123.49 (March 31, 2020 - Rs. 116.99).

C Share options outstanding at the end of the year have the following contractual expiry date and exercise options

| Grant date | Number of options | Expiry date | Exercise price | Number of options outstanding | |
|----------------|-------------------|----------------|----------------|-------------------------------|----------------------|
| | | | | As at March 31, 2021 | As at March 31, 2020 |
| March 31, 2016 | 2,17,000 | | | | |
| Tranche 1 | 54,250 | March 31, 2025 | 27.08 | 10,250 | 10,250 |
| Tranche 2 | 54,250 | March 31, 2026 | 27.08 | 10,250 | 10,250 |
| Tranche 3 | 54,250 | March 31, 2027 | 27.08 | 19,750 | 36,500 |
| Tranche 4 | 54,250 | March 30, 2028 | 27.08 | 29,500 | 43,500 |
| March 31, 2017 | 3,41,900 | | | | |
| Tranche 1 | 85,475 | March 31, 2026 | 37.99 | 49,248 | 63,173 |
| Tranche 2 | 85,475 | March 31, 2027 | 37.99 | 62,675 | 76,600 |
| Tranche 3 | 85,475 | March 30, 2028 | 37.99 | 76,601 | 76,601 |
| Tranche 4 | 85,475 | March 30, 2029 | 37.99 | 85,475 | 85,475 |

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| Grant date | Number of options | Expiry date | Exercise price | Number of options outstanding | |
|---|-------------------|--------------------|----------------|-------------------------------|----------------------|
| | | | | As at March 31, 2021 | As at March 31, 2020 |
| March 31, 2018 | 3,30,540 | | | | |
| Tranche 1 | 82,635 | March 31, 2027 | 64.08 | 52,318 | 61,926 |
| Tranche 2 | 82,635 | March 30, 2028 | 64.08 | 53,662 | 65,143 |
| Tranche 3 | 82,635 | March 30, 2029 | 64.08 | 57,818 | 67,473 |
| Tranche 4 | 82,635 | March 30, 2030 | 64.08 | 59,045 | 67,473 |
| March 31, 2019 | 4,34,720 | | | | |
| Tranche 1 | 1,08,680 | March 31, 2028 | 110.00 | 79,829 | 88,649 |
| Tranche 2 | 1,08,680 | March 31, 2029 | 110.00 | 84,530 | 96,423 |
| Tranche 3 | 1,08,680 | March 31, 2030 | 110.00 | 94,665 | 96,423 |
| Tranche 4 | 1,08,680 | March 31, 2031 | 110.00 | 94,665 | 96,423 |
| September 30, 2019 | 5,46,180 | | | | |
| Tranche 1 | 1,36,545 | September 30, 2028 | 154.04 | 1,28,558 | 1,33,483 |
| Tranche 2 | 1,36,545 | September 30, 2029 | 154.04 | 1,31,160 | 1,33,483 |
| Tranche 3 | 1,36,545 | September 30, 2030 | 154.04 | 1,31,160 | 1,33,483 |
| Tranche 4 | 1,36,545 | September 30, 2031 | 154.04 | 1,31,160 | 1,33,483 |
| November 8, 2019 | 31,790 | | | | |
| Tranche 1 | 7,948 | November 8, 2028 | 154.04 | 6,898 | 7,948 |
| Tranche 2 | 7,948 | November 8, 2029 | 154.04 | 7,948 | 7,948 |
| Tranche 3 | 7,948 | November 8, 2030 | 154.04 | 7,948 | 7,948 |
| Tranche 4 | 7,948 | November 8, 2031 | 154.04 | 7,948 | 7,948 |
| February 18, 2020 | 13,000 | | | | |
| Tranche 1 | 3,250 | February 18, 2029 | 290.48 | 3,250 | 3,250 |
| Tranche 2 | 3,250 | February 18, 2030 | 290.48 | 3,250 | 3,250 |
| Tranche 3 | 3,250 | February 18, 2031 | 290.48 | 3,250 | 3,250 |
| Tranche 4 | 3,250 | February 19, 2032 | 290.48 | 3,250 | 3,250 |
| August 19, 2020 | 162,000 | | | | |
| Tranche 1 | 40,500 | August 19, 2029 | 290.48 | 40,500 | - |
| Tranche 2 | 40,500 | August 19, 2030 | 290.48 | 40,500 | - |
| Tranche 3 | 40,500 | August 19, 2031 | 290.48 | 40,500 | - |
| Tranche 4 | 40,500 | August 19, 2032 | 290.48 | 40,500 | - |
| November 9, 2020 | 67,500 | | | | |
| Tranche 1 | 16,875 | November 9, 2029 | 290.48 | 16,875 | - |
| Tranche 2 | 16,875 | November 9, 2030 | 290.48 | 16,875 | - |
| Tranche 3 | 16,875 | November 9, 2031 | 290.48 | 16,875 | - |
| Tranche 4 | 16,875 | November 9, 2032 | 290.48 | 16,875 | - |
| February 5, 2021 | 3,55,000 | | | | |
| Tranche 1 | 88,750 | February 5, 2030 | 290.48 | 88,750 | - |
| Tranche 2 | 88,750 | February 5, 2031 | 290.48 | 88,750 | - |
| Tranche 3 | 88,750 | February 5, 2032 | 290.48 | 88,750 | - |
| Tranche 4 | 88,750 | February 5, 2033 | 290.48 | 88,750 | - |
| Outstanding options at the end of the year | | | | 20,70,558 | 16,20,998 |
| Weighted average remaining contractual life of options outstanding at the end of the period | | | | 7.63 years | 9.05 years |

B. Measurement of fair values

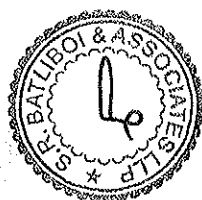
i. Equity-settled share-based payment arrangements

The fair value of employee share options has been measured using Black-Scholes model. The weighted average fair value of each option granted during the financial year 2020-21 was ranged between Rs. 83.61 - Rs. 95.12.

The fair value of options and the inputs used in the measurement of the grant date fair values of the equity-settled share based payment plans are as follows:

| Grant date | Expiry date | Historical volatility | Exercise price | Share price | Risk free rate | Fair value of option |
|-----------------------|----------------|-----------------------|----------------|-------------|----------------|----------------------|
| March 31, 2016 | | | | | | |
| Tranche 1 | March 31, 2025 | 45.00% | 27.08 | 51.90 | 7.18% | 30.69 |
| Tranche 2 | March 31, 2026 | 45.00% | 27.08 | 51.90 | 7.32% | 32.84 |
| Tranche 3 | March 31, 2027 | 45.00% | 27.08 | 51.90 | 7.43% | 34.74 |
| Tranche 4 | March 30, 2028 | 45.00% | 27.08 | 51.90 | 7.51% | 36.42 |
| March 31, 2017 | | | | | | |
| Tranche 1 | March 31, 2026 | 45.00% | 37.99 | 80.40 | 6.45% | 51.16 |
| Tranche 2 | March 31, 2027 | 45.00% | 37.99 | 80.40 | 6.62% | 53.92 |
| Tranche 3 | March 30, 2028 | 45.00% | 37.99 | 80.40 | 6.77% | 56.41 |
| Tranche 4 | March 30, 2029 | 45.00% | 37.99 | 80.40 | 6.88% | 58.65 |

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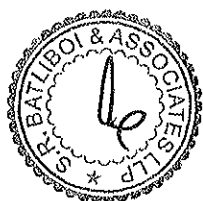
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| Grant date | Expiry date | Historical volatility | Exercise price | Share price | Risk free rate | Fair value of option |
|---------------------------|--------------------|-----------------------|----------------|-------------|----------------|----------------------|
| March 31, 2018 | | | | | | |
| Tranche 1 | March 31, 2027 | 45.00% | 64.08 | 82.30 | 6.94% | 38.69 |
| Tranche 2 | March 30, 2028 | 45.00% | 64.08 | 82.30 | 7.13% | 43.26 |
| Tranche 3 | March 30, 2029 | 45.00% | 64.08 | 82.30 | 7.28% | 47.22 |
| Tranche 4 | March 30, 2030 | 45.00% | 64.08 | 82.30 | 7.40% | 50.68 |
| March 31, 2019 | | | | | | |
| Tranche 1 | March 31, 2028 | 46.30% | 110.00 | 111.10 | 7.01% | 56.07 |
| Tranche 2 | March 31, 2029 | 46.30% | 110.00 | 111.10 | 7.12% | 61.43 |
| Tranche 3 | March 31, 2030 | 46.30% | 110.00 | 111.10 | 7.22% | 66.18 |
| Tranche 4 | March 31, 2031 | 46.30% | 110.00 | 111.10 | 7.30% | 70.42 |
| September 30, 2019 | | | | | | |
| Tranche 1 | September 30, 2028 | 45.00% | 154.04 | 111.10 | 6.31% | 42.37 |
| Tranche 2 | September 30, 2029 | 45.00% | 154.04 | 111.10 | 6.46% | 48.42 |
| Tranche 3 | September 30, 2030 | 45.00% | 154.04 | 111.10 | 6.59% | 53.90 |
| Tranche 4 | September 30, 2031 | 45.00% | 154.04 | 111.10 | 6.70% | 58.86 |
| November 8, 2019 | | | | | | |
| Tranche 1 | November 8, 2028 | 45.00% | 154.04 | 213.60 | 6.25% | 124.09 |
| Tranche 2 | November 8, 2029 | 45.00% | 154.04 | 213.60 | 6.43% | 132.58 |
| Tranche 3 | November 8, 2030 | 45.00% | 154.04 | 213.60 | 6.59% | 140.16 |
| Tranche 4 | November 8, 2031 | 45.00% | 154.04 | 213.60 | 6.71% | 146.93 |
| February 18, 2020 | | | | | | |
| Tranche 1 | February 18, 2029 | 45.00% | 290.48 | 213.60 | 6.08% | 82.04 |
| Tranche 2 | February 18, 2030 | 45.00% | 290.48 | 213.60 | 6.23% | 93.50 |
| Tranche 3 | February 18, 2031 | 45.00% | 290.48 | 213.60 | 6.35% | 103.81 |
| Tranche 4 | February 18, 2032 | 45.00% | 290.48 | 213.60 | 6.44% | 113.13 |
| August 19, 2020 | | | | | | |
| Tranche 1 | August 19, 2029 | 49.60% | 290.48 | 185.20 | 5.52% | 68.68 |
| Tranche 2 | August 19, 2030 | 49.60% | 290.48 | 185.20 | 5.77% | 79.33 |
| Tranche 3 | August 19, 2031 | 49.60% | 290.48 | 185.20 | 5.97% | 88.91 |
| Tranche 4 | August 19, 2032 | 49.60% | 290.48 | 185.20 | 6.12% | 97.52 |
| November 9, 2020 | | | | | | |
| Tranche 1 | November 9, 2029 | 52.70% | 290.48 | 193.80 | 5.31% | 78.61 |
| Tranche 2 | November 9, 2030 | 52.70% | 290.48 | 193.80 | 5.58% | 89.76 |
| Tranche 3 | November 9, 2031 | 52.70% | 290.48 | 193.80 | 5.81% | 99.74 |
| Tranche 4 | November 9, 2032 | 52.70% | 290.48 | 193.80 | 5.99% | 108.67 |
| February 5, 2021 | | | | | | |
| Tranche 1 | February 5, 2030 | 52.70% | 290.48 | 193.80 | 5.63% | 79.47 |
| Tranche 2 | February 5, 2031 | 52.70% | 290.48 | 193.80 | 5.89% | 90.68 |
| Tranche 3 | February 5, 2032 | 52.70% | 290.48 | 193.80 | 6.10% | 100.69 |
| Tranche 4 | February 5, 2033 | 52.70% | 290.48 | 193.80 | 6.27% | 109.64 |

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The measure of volatility used in option pricing models is the annualised standard deviation of the continuously compounded rates of return on the share over a period of time. Expected volatility approximates historical volatility.

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42 Related party disclosure

i. Names of the related party and nature of relationship:-

| Description of relationship | Designation | As at March 31, 2021 | As at March 31, 2020 |
|--|---|--------------------------------------|--------------------------------------|
| Key Management Personnel* | Managing Director and Chief Executive Officer | Devesh Sachdev | Devesh Sachdev |
| | Chief Financial Officer | Gaurav Maheshwari | Gaurav Maheshwari |
| | Company Secretary | Deepak Madaan | Deepak Madaan |
| Director | Independent Director | Pradip Kumar Saha** | Pradip Kumar Saha |
| | | Ms. Namrata Kaul*** | |
| | Nominee Director | Ms. Ratna Vishwanathan | Ms. Ratna Vishwanathan |
| | | Mr. Narendra Ostawal | Mr. Narendra Ostawal |
| | Additional Director | Mr. Kenneth Dan Vander Weele | Mr. Kenneth Dan Vander Weele |
| | | - | Ms. Namrata Kaul |
| Entities with common directors | Shareholder | Creation Investment Fusion, LLC, | Creation Investment Fusion, LLC, |
| | | Creation Investment Fusion II, LLC, | Creation Investment Fusion II, LLC, |
| Entities exercising significant influence over the Company | Shareholder | Honey Rose Investment Ltd | Honey Rose Investment Ltd |
| Post Employment benefits plan | Gratuity Trust | Fusion Micro Finance Private Limited | Fusion Micro Finance Private Limited |
| | | Employees Group | Employees Group |
| | | Gratuity Trust Fund | Gratuity Trust Fund |

* Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Company and its employees. The Company considers the members of the Board of Directors which include independent directors and Executive Committee to be key management personnel for the purposes of Ind AS 24 Related Party Disclosures.

** Pradip Kumar Saha has resigned w.e.f. February 05, 2021

*** Namrata Kaul was additional director till July 27, 2020 and is regularised as Independent Director w.e.f July 28, 2020.

ii. Summary of related party transactions during the year

| Name of the related party | Nature of transaction | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|---|--|-----------------------------------|-----------------------------------|
| Mr. Devesh Sachdev | Managerial remuneration | 25.91 | 13.45 |
| | Allotment of equity shares | - | 0.84 |
| Mr. Gaurav Maheshwari | Remuneration | 6.51 | 4.18 |
| Mr. Deepak Madaan | Remuneration | 3.42 | 1.97 |
| Creation Investment Fusion, LLC, Chicago, U.S.A. | Reimbursement of Travelling Expenses | 0.10 | 0.15 |
| Creation Investment Fusion II, LLC, Chicago, U.S.A. | Allotment of equity shares (including share premium) | - | 1,400.00 |
| Honey Rose Investment Ltd ("Warburg Pincus") | Allotment of equity shares (including share premium) | - | 3,600.00 |
| Nitin Gupta | Sitting fees | - | 0.10 |
| Pradip Kumar Saha | Sitting fees | 0.48 | 0.52 |
| | Reimbursement of Travelling Expenses | - | 0.05 |
| Ms. Ratna Vishwanathan | Sitting fees | 0.60 | 0.37 |
| Ms. Namrata Kaul | Sitting fees | 0.47 | 0.07 |
| Fusion Micro Finance Private Limited | Investment | 1.81 | 19.00 |
| Employees Group Gratuity Trust Fund | | | |

Terms and conditions

All transactions with these related parties are priced on an arm's length basis and at normal commercial terms.

As the provision for gratuity, leave compensation and share based compensation is made for the Company as a whole, the amount pertaining to the Key Management Personnel is not specifically identified and hence is not included above.

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43 Financial instruments - fair value and risk management

A. Financial instruments by category

The following table shows the carrying amounts and fair values of financial assets and financial liabilities.

| Particulars | As at March 31, 2021 | |
|--|----------------------------------|------------------|
| | Carrying value at Amortised cost | Fair value |
| Financial assets: | | |
| Cash and cash equivalents | 12,154.20 | 12,154.20 |
| Bank balances other than cash and cash equivalents | 1,198.36 | 1,198.36 |
| Trade receivables | 27.93 | 27.93 |
| Loans | 43,607.30 | 45,195.17 |
| Other financial assets | 300.76 | 300.76 |
| | 57,288.55 | 58,876.42 |
| Financial liabilities: | | |
| Trade payables | 113.06 | 113.06 |
| Debt securities | 9,904.50 | 10,328.61 |
| Borrowings (other than debt securities) | 33,250.79 | 33,401.40 |
| Subordinated liabilities | 1,167.21 | 1,270.76 |
| Other financial liabilities | 1,265.98 | 1,265.98 |
| | 45,701.54 | 46,379.81 |
| As at March 31, 2020 | | |
| Particulars | As at March 31, 2020 | |
| | Carrying value at Amortised cost | Fair value |
| Financial assets: | | |
| Cash and cash equivalents | 5,396.67 | 5,396.67 |
| Bank balances other than cash and cash equivalents | 2,780.82 | 2,780.82 |
| Trade receivables | 31.39 | 31.39 |
| Loans | 33,429.73 | 33,545.28 |
| Investments | 5.00 | 5.00 |
| Other financial assets | 238.46 | 238.46 |
| | 41,882.07 | 41,997.62 |
| Financial liabilities: | | |
| Trade payables | 40.71 | 40.71 |
| Debt securities | 3,998.98 | 4,173.02 |
| Borrowings (other than debt securities) | 24,571.58 | 24,777.75 |
| Subordinated liabilities | 1,166.29 | 1,285.47 |
| Other financial liabilities | 513.28 | 513.28 |
| | 30,290.84 | 30,790.23 |

B. Fair value hierarchy of assets and liabilities

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

| As at March 31, 2021 | Carrying value | Level 1 | Level 2 | Level 3 | Total |
|---|------------------|----------|------------------|----------|------------------|
| Financial assets: | | | | | |
| Loans | 43,607.30 | - | 45,195.17 | - | 45,195.17 |
| | 43,607.30 | - | 45,195.17 | - | 45,195.17 |
| Financial liabilities: | | | | | |
| Debt securities | 9,904.50 | - | 10,328.61 | - | 10,328.61 |
| Borrowings (other than debt securities) | 33,250.79 | - | 33,401.40 | - | 33,401.40 |
| Subordinated liabilities | 1,167.21 | - | 1,270.76 | - | 1,270.76 |
| | 44,322.50 | - | 45,000.77 | - | 45,000.77 |

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

| As at March 31, 2020 | Carrying value | Level 1 | Level 2 | Level 3 | Total |
|---|------------------|-------------|------------------|----------|------------------|
| Financial assets: | | | | | |
| Investments (at amortised cost) | 5.00 | 5.00 | - | - | 5.00 |
| Loans | 33,429.73 | - | 33,545.28 | - | 33,545.28 |
| | 33,434.73 | 5.00 | 33,545.28 | - | 33,550.28 |
| Financial liabilities: | | | | | |
| Debt securities | 3,998.98 | - | 4,173.02 | - | 4,173.02 |
| Borrowings (other than debt securities) | 24,571.58 | - | 24,777.75 | - | 24,777.75 |
| Subordinated liabilities | 1,166.29 | - | 1,285.47 | - | 1,285.47 |
| | 29,736.85 | - | 30,236.24 | - | 30,236.24 |



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The management assessed that carrying value of financial assets (except loan and investments) and financial liabilities (except debt securities, borrowings (other than debt securities) and subordinated liabilities) approximate their fair value largely due to short term maturities of these instruments

C. Valuation framework

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : The fair value of financial instruments that are not traded in active markets is determined using valuation techniques which maximize the use of observable market data either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets, for substantially the full term of the financial instrument but do not qualify as Level 1 inputs. If all significant inputs required to fair value an instrument are observable the instrument is included in level 2.

Level 3 : If one or more of the significant inputs is not based in observable market data, the instruments is included in level 3. That is, Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear that risk. The Company develops Level 3 inputs based on the best information available in the circumstances.

Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The fair values of loans and receivables are estimated by discounted cash flow models that incorporate assumptions for credit risks, probability of default and loss given default estimates. The Company uses historical experience and other information used in its collective impairment models. The credit risk is applied as a top-side adjustment based on the collective impairment model incorporating probability of defaults and loss given defaults.

There have been no transfer between Level 1, 2 and 3 during the year ended March 31, 2021 and March 31, 2020.

44 Transfers of financial assets

A. Securitization Transactions:

During the previous year, the Company had entered into securitization arrangement with various parties. Wherein, the Company has transferred a pool of loan portfolio, which does not fulfil the derecognition criteria specified under IND AS 109 as the Company has not substantially transferred risk and rewards with respect to these asset. The company has continued to recognise the transferred asset in its entirety and had recognised a financial liability for the consideration received.

The value of financial assets and liabilities:

| | Carrying amount | |
|----------------------|-----------------|--------------------------|
| | Assets - Loans | Liabilities - Borrowings |
| Securitisation | | |
| As at March 31, 2021 | - | - |
| As at March 31, 2020 | 281.32 | 400.26 |

The carrying value of securitized loans approximate their fair value.

B. Assignment transactions:

During the year ended March 31, 2021, the Company has sold some loans and advances as per assignment deals, as a source of finance. As per the terms of deal, since the derecognition criteria as per Ind AS 109, including transaction of substantially all the risks and rewards relating to assets being transferred to the buyer being met, the assets have been derecognized.

The management has evaluated that the impact of the assignment transactions done during the year for its business model. Based on the future business plan, the Company's business model remains to hold the assets for collecting contractual cash flows.

The table below summarises the carrying amount of the derecognized financial assets and the gain on derecognition, per type of asset:

| Assignment | Carrying amount of derecognized financial assets | Gain from derecognition |
|-----------------------------------|---|----------------------------|
| For the year ended March 31, 2021 | 1,180.20 | 107.84 |
| For the year ended March 31, 2020 | 3,522.17 | 271.55 |

Since the Company transferred the above financial asset in a transfer that qualified for derecognition in its entirety, therefore the whole of the interest spread (over the expected life of the asset) is recognized on the date of derecognition itself as interest strip receivable and correspondingly recognised as profit on derecognition of financial asset.

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45 Financial risk management

Risk is an integral part of the Company's business and sound risk management is critical to the success. As a financial intermediary, the Company is exposed to risks that are particular to its lending and the environment within which it operates and primarily includes credit, liquidity and market risks. The Company has a risk management policy which covers risks associated with the financial assets and liabilities. The risk management policy is approved by the board of directors.

The Company has identified and implemented comprehensive policies and procedure to assess, monitor and manage risk through-out Company. The risk management process is continuously reviewed, improved and adopted in the context of changing risk scenario and the agility of the risk management process is monitored and reviewed for its appropriateness in the changing risk landscape. The process of continuous evaluation of risks includes stock of the risk landscape on an event driven basis.

The Company has an elaborate process for risk management. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

Efficient and timely management of risks involved in the Company's activities is critical for the financial soundness and profitability of the Company. Risk management involves the identifying, measuring, monitoring and managing of risks on a regular basis. The objective of risk management is to increase shareholders' value and achieve a return on equity that is commensurate with the risks assumed. To achieve this objective, the Company employs leading risk management practices and recruits skilled and experienced people.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal audit that undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

A. Credit risk

Credit risk is the risk of loss that may occur from defaults by our borrowers under our loan agreements. In order to address credit risk, we have stringent credit assessment policies for client selection. Measures such as verifying client details and usage of credit bureau data to get information on past credit behaviour also supplement the efforts for containing credit risk. We also follow a systematic methodology in the opening of new branches, which takes into account factors such as the demand for credit in the area; income and market potential; and socio-economic and law and order risks in the proposed area. Further, our client due diligence procedures encompass various layers of checks, designed to assess the quality of the proposed group and to confirm that they meet our criteria.

The Company is a rural focused NBFC-MFI with a geographically diversified presence in India and offer income generation loans under the joint liability group model, predominantly to women from low-income households in Rural Areas. Further, as we focus on providing micro-loans in rural areas, our results of operations are affected by the performance and the future growth potential of microfinance in rural India. Our clients typically have limited sources of income, savings and credit histories and our loans are typically provided free of collateral. Such clients generally do not have a high level of financial resilience, and, as a result, they can be adversely affected by declining economic conditions and natural calamities. In addition, we rely on non-traditional guarantee mechanisms rather than tangible assets as collateral, which may not be effective in recovering the value of our loans.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;

The Company believes that the Micro finance loans (MFI) have shared risk characteristics (i.e. homogeneous) across various states in India. Similarly, the MSME loans are considered to have shared risk characteristics. Accordingly, the Company believes that these product categories are the best measure of credit risk concentration. Refer note 6 for the product wise loan balances.

As a business practice, the Company routinely provides top-up loans or consolidate the existing dues of the customers into a new loan. In determining whether there has been a significant increase in credit risk or impairment of these loans and potential full loss estimate, the Company takes into account their vintage, past repayment behaviour, and viability of their businesses. Based on such assessment, as at 31 March 2021, and in accordance with Ind AS 109 principles, including those relating to modified loans, the Company has classified loans amounting to Rs. 2,133 million as Stage 2 and Rs. 1,153 million as Stage 3 and recorded impairment allowance of Rs.1,153 million, although there were Nil overdue as per the latest repayment schedule for these loans.

(a) Probability of default (PD)

PD describes the probability of a loan to eventually falling into stage 3. PD percentage is calculated for entire loan portfolio and is determined by using available historical observations.

PD for stage 1: is derived as percentage of all loans in stage 1 moving into stage 3 in 12-months' time.

PD for stage 2: is derived as percentage of all loans in stage 2 moving into stage 3 in the maximum lifetime of the loans under observation.

PD for stage 3: is derived as 100% considering that the default occurs as soon as the loan becomes overdue for 90 days which matches the definition of stage 3.

Macroeconomic information (such as regulatory changes, market interest rate or inflation) is incorporated as part of the internal assessment. In general, it is presumed that credit risk has significantly increased since initial recognition if the payments are more than 30 days past due.

(b) Exposure at default (EAD)

EAD is the sum of outstanding principal and the interest amount accrued but not received on each loan as at reporting date.

(c) Loss given default (LGD)

The Company determines its recovery rates by analysing the recovery trends over different periods of time after a loan is considered credit impaired. Recovery rate is the total of discounted value of all the recoveries on the credit impaired loan account divided by the outstanding of the loan account after its first default. $LGD = 1 - (\text{Recovery rate})$.

(d) Significant Increase in credit risk

The Company continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

(e) Expected credit loss on Loans

The Company measures the amount of ECL on a financial instrument in a way that reflects an unbiased and probability-weighted amount. The Company considers its historical loss experience and adjusts the same for current observable data. The key inputs into the measurement of ECL are the probability of default, loss given default and exposure at default. These parameters are derived from the internal assessment of the historical data. In addition, the Company uses reasonable and supportable information on future economic conditions including macroeconomic factors such as interest rates, gross domestic product, inflation and expected direction of the economic cycle. Since incorporating these forward looking information increases the judgment as to how the changes in these macroeconomic factor will affect ECL, the methodology and assumptions are reviewed regularly.

The Company has applied a three-stage approach to measure expected credit losses (ECL) on loans. Assets migrate through following three stages based on the changes in credit quality since initial recognition:

- Stage 1: 12- months ECL: For exposures where there is no significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12- months is recognized.
- Stage 2: Lifetime ECL, not credit-impaired: For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL is recognized.
- Stage 3: Lifetime ECL, credit-impaired: Financial assets are assessed as credit impaired upon occurrence of one or more events that have a detrimental impact on the estimated future cash flows of that asset. For financial assets that have become credit-impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortised cost.



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At each reporting date, the Company assesses whether there has been a significant increase in credit risk of its financial assets since initial recognition by comparing the risk of default occurring over the expected life of the asset. In determining whether credit risk has increased significantly since initial recognition, the Company uses information that is relevant and available without undue cost or effort. This includes the Company's internal assessment and forward-looking information to assess deterioration in credit quality of a financial asset.

Expected credit loss on other financial assets

The Company assesses whether the credit risk on a financial asset has increased significantly on collective basis. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account accounting instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower, collateral type, and other relevant factors.

The Company monitors changes in credit risk by tracking published external credit ratings. In order to determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Company supplements this by reviewing changes in government bond yields together with available press and regulatory information about issuers.

46 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The maturity schedule for all financial liabilities and assets are regularly reviewed and monitored. Company has an assets liability management (ALM) policy and ALM Committee to review and monitor liquidity risk and ensure the compliance with the prescribed regulatory requirement. Monitoring liquidity risk involves categorizing all assets and liabilities into different maturity profiles and evaluating them for any mismatches in any particular maturities, particularly in the short-term. The ALM Policy prescribes the detailed guidelines for managing the liquidity risk.

The following are the contractual maturities of financial liabilities at the reporting date. The amount are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

| As at March 31, 2021 | Contractual cash flows | | | | | | | | Total |
|---|------------------------|-----------------|-----------------|-----------------|--------------------|------------------|-----------------|-----------------|------------------|
| | Up to 1 month | 1 to 2 months | 2 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | |
| Non - derivative financial liabilities | | | | | | | | | |
| Borrowings (other than debt securities) | 2,459.34 | 1,546.51 | 2,213.75 | 6,973.36 | 10,970.44 | 11,719.77 | 525.09 | - | 36,408.25 |
| Debt securities | 23.54 | 166.21 | 97.65 | 1,579.06 | 1,640.46 | 5,359.69 | 2,476.87 | 1,614.31 | 12,957.78 |
| Subordinated liabilities | 77.17 | 7.17 | 24.41 | 38.94 | 76.81 | 1,310.97 | - | - | 1,535.48 |
| Other financial liabilities | 882.14 | 105.84 | 16.78 | 178.40 | 1.59 | 11.54 | 17.91 | 51.78 | 1,265.98 |
| Trade payables | 66.30 | 46.75 | - | - | - | - | - | - | 113.05 |
| | 3,508.49 | 1,872.48 | 2,352.59 | 8,769.76 | 12,689.30 | 18,401.97 | 3,019.87 | 1,666.09 | 52,280.54 |

| As at March 31, 2020 | Contractual cash flows | | | | | | | | Total |
|---|------------------------|-----------------|-----------------|-----------------|--------------------|------------------|-----------------|---------------|------------------|
| | Up to 1 month | 1 to 2 months | 2 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | |
| Non - derivative financial liabilities | | | | | | | | | |
| Borrowings (other than debt securities) | 1,516.85 | 1,314.27 | 1,926.97 | 5,416.05 | 8,282.14 | 8,216.75 | 291.42 | 21.15 | 26,985.60 |
| Debt securities | 12.87 | 56.67 | 6.60 | 514.56 | 509.24 | 2,497.87 | 920.05 | 954.04 | 5,381.90 |
| Subordinated liabilities | 7.97 | 7.82 | 25.50 | 41.59 | 152.10 | 808.70 | 656.78 | - | 1,700.46 |
| Other financial liabilities | 322.79 | 39.43 | 7.82 | 61.68 | 81.56 | - | - | - | 513.28 |
| Trade payables | 7.59 | 18.90 | 12.83 | 1.39 | - | - | - | - | 40.71 |
| | 1,868.07 | 1,437.09 | 1,979.72 | 6,035.27 | 9,025.04 | 11,433.32 | 1,868.25 | 975.19 | 34,621.95 |

47 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, credit, liquidity etc. The Company is exposed to two type/s of market risks as follows:

(i) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We are subject to interest rate risk, principally because we lend to clients at fixed interest rates and for periods that may differ from our funding sources, while our borrowings are at both fixed and variable interest rates for different periods.

We assess and manage our interest rate risk by managing our assets and liabilities. Our Assets Liability Management Committee evaluates asset liability management, and ensures that all significant mismatches, if any, are being managed appropriately. The Company has board approved Asset Liability Management (ALM) policy for managing interest rate risk and policy for determining the interest rate to be charged on the loan given.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates on the portion of borrowings affected. With all other variables held constant, the profit before tax is affected through the impact on floating rate borrowings, as follows:

| Finance Cost | March 31, 2021 | March 31, 2020 |
|-----------------|----------------|----------------|
| 0.50 % Increase | 68.87 | 48.90 |
| 0.50 % Decrease | (68.87) | (48.90) |

(ii) Price Risk

The Company's exposure to price risk is not material and it is primarily on account of investment of temporary treasury surplus in the highly liquid debt funds for very short durations. The Company has a board approved policy of investing its surplus funds in highly rated debt mutual funds and other instruments having insignificant price risk, not being equity funds/ risk bearing instruments.

48 Capital Management Risk

The Company's objective for capital management is to maximize shareholder's value, safeguard business continuity, meet the regulatory requirement and support the growth of the Company. The Company determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are met through borrowings, retained earnings and operating cash flow generated.

As an NBFC-MFI, the RBI requires us to maintain a minimum capital to risk weighted assets ratio ("CRAR") consisting of Tier I and Tier II capital of 15% of our aggregate risk weighted assets. Further, the total of our Tier II capital cannot exceed 100% of our Tier I capital at any point of time. (refer note 54) The Capital management process of the Company ensures to maintain healthy CRAR at all the time.

The Company has a board approved policy on resource planning which states that the resource planning of the Company shall be based on the Asset Liability Management (ALM) requirement. The policy of the Company on resource planning will also cover the objectives of the regulatory requirement. The policy prescribes the sources of funds, threshold for mix from various sources, tenure manner of raising the funds etc.

For the purpose of the Company's capital management, capital includes equity share capital and other equity. Debt includes terms loans from banks, NBFC and debentures net of cash and cash equivalents and bank balances other than cash and cash equivalents. The Company monitors capital on the basis of the following gearing ratio.

Gearing Ratio:

| Particulars | As at | As at |
|--------------------------|----------------|----------------|
| | March 31, 2021 | March 31, 2020 |
| Net Debt* | 31,343.33 | 21,784.05 |
| Total equity | 12,463.55 | 11,988.89 |
| Net debt to equity ratio | 2.51 | 1.82 |

* Net Debt includes debt securities + borrowings other than debt securities + Subordinated liabilities + interest accrued - cash and cash equivalents - bank balances other than cash and cash equivalents.



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Fusion Micro Finance Private Limited
Notes to Financial Statement for the year ended March 31, 2021

(Rs in millions unless otherwise stated)

49 Contingent Liabilities, commitments and contingent assets

A Contingent liabilities

There are no contingent liabilities as at March 31, 2021 and March 31, 2020.

B. Commitments

There are no commitments as at March 31, 2021 and March 31, 2020.

C. Contingent assets

There are no contingent assets as at March 31, 2021 and March 31, 2020

D. The company has reviewed all litigations having an impact on the financial position, where applicable, has adequately provided for where provision are required. As on March 31 2021, the Company does not have any material litigation pending with Income tax authorities, Goods and service authorities and other statutory authorities in the ordinary course of business requiring any provision to be provided in books of accounts.

50 Revenue from contracts with customers

(a) Type of services

| | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|--|--------------------------------------|--------------------------------------|
| Facilitation fees (refer note 26) | 5.08 | 7.18 |
| Income from business correspondence services (refer note 26) | 2.11 | 27.46 |
| Income from market support services (refer note 29) | 145.39 | 74.10 |
| Total | 152.58 | 108.74 |

(b) Geographical markets

| | | |
|---------------|---------------|---------------|
| India | 152.58 | 108.74 |
| Outside India | - | - |
| Total | 152.58 | 108.74 |

(c) Timing of revenue recognition

| | | |
|--|---------------|---------------|
| Service transferred at a point in time | 152.58 | 108.74 |
| Services transferred over time | - | - |
| Total | 152.58 | 108.74 |

(d) Receivables

| | | |
|--|--------------|--------------|
| Facilitation fees | 3.56 | 1.01 |
| Income from business correspondence services | - | 0.67 |
| Income from market support services | 23.84 | 29.18 |
| Total | 27.40 | 30.87 |

51 The company had elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by Taxation Laws (Amendment) Ordinance 2019.

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52 Leases

(Rs in millions unless otherwise stated)

Company as a lessee

During the financial year 2020-21, the Company had entered into new head office lease arrangements in Gurugram, the lease qualify for recognition under Ind AS 116. The head office premises have been obtained on a non cancellable lease term of three years which is extendable up to nine years with an escalation clause at a three years interval. There are no sub-leases. Lease rentals of Rs.110.79 millions for year ended March 31, 2021 (March 31, 2020 - Rs. 97.89 millions) pertaining to short-term leases has been directly debited to statement of profit and loss. In terms of applicability of Ind AS 116, the Company has availed exemption on the branch lease arrangements which fall under short term lease arrangements.

Set out below are the carrying amounts of Right of use asset recognized and the movements during the period (Refer note 13):

| Particulars | Right of use asset |
|----------------------|--------------------|
| As at April 1, 2019 | - |
| Addition | - |
| Depreciation | - |
| As at March 31, 2020 | - |
| Addition | 83.45 |
| Depreciation | 5.26 |
| As at March 31, 2021 | 78.19 |

Set out below are the carrying amounts of lease liabilities and the movements during the period: (Refer note 19)

| Particulars | Lease liability (refer note 52) |
|-----------------------|---------------------------------|
| As at April 1, 2019 | - |
| Addition | - |
| Accretion of interest | - |
| Payments | - |
| As at March 31, 2020 | - |
| Addition | 83.45 |
| Accretion of interest | 5.30 |
| Payments | 4.12 |
| As at March 31, 2021 | 84.63 |

The following are the amounts recognized in statement of profit or loss:

| Particulars | For the year ended March 31, 2021 |
|--|--------------------------------------|
| Depreciation expense of Right of use asset | 5.26 |
| Interest expense on lease liability | 5.30 |
| Total amount recognized in profit or loss | 10.56 |

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

| Particulars | Upto 1 month | 1 to 2 months | 2 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
|-------------------|--------------|---------------|---------------|---------------|--------------------|--------------|--------------|--------------|-------|
| Lease Liabilities | 0.30 | 0.30 | 0.30 | 0.92 | 1.59 | 11.54 | 17.91 | 51.78 | 84.63 |

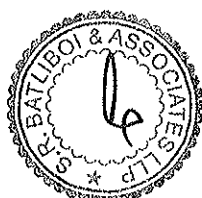
The effective interest rate for lease liabilities is 10.72% with maturity between September 2020 - November 2029.

- 53 Consequent to the outbreak of CoVID-19 pandemic, the Indian Government announced a lock-down in March 2020. Subsequently, the national lock-down was lifted by the government but regional lock-downs continue to be implemented in areas with a significant number of CoVID-19 cases. The impact of CoVID-19, including changes in consumer's behaviour and pandemic fears, as well as restrictions on business and individual activities has led significant volatility in Indian financial markets and a significant decrease in local economic activities. The Company's performance will depend on further developments, which are uncertain, including, among other things, new information concerning the severity of the CoVID-19 pandemic including the current "second wave" that has significantly increased the number of cases in India and any action to contain its spread or mitigate its impact.

Further, in accordance with Reserve Bank of India guidelines relating to "CoVID-19 Regulatory package" announced on March 27, 2020 April 17, 2020 and May 23, 2020, the Company has offered moratorium on the payment of all instalments and/or interest, as applicable, falling due between March 1, 2020 to August 31, 2020 to all eligible borrowers. For all such accounts opting for moratorium, the prudential assets a classification remained standstill during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purpose of asset classification under Income Recognition, Asset classification and Provisioning Norms).

The Company has recorded an expected credit loss provision of Rs. 2,853.02 Mn in respect of its loans and advances of as at March 31, 2021 based on the information available at this point in time to reflect among other things an increased risk of deterioration in macro-economic factors caused by recent "second wave" of CoVID-19 pandemic. Since the situation continue to evolve, its effect on the operations of the Company may be different form that estimated as at the date of approval of these financial statements. The Company will continue to closely monitor changes in markets and future economic conditions.

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54 Additional information required by Reserve Bank of India Master Direction DNBR, PD, 008/03.10.119/2016-17

a. Capital to risk assets ratio ('CRAR')

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|-------------------------|-------------------------|
| CRAR (%) | 27.26% | 35.82% |
| CRAR- Tier I (%) | 25.52% | 33.08% |
| CRAR- Tier II (%) | 1.74% | 2.74% |
| Amount of subordinated debt raised as Tier-II capital | 1,167.21 | 1,166.29 |
| Amount raised by issue of Perpetual Debt Instruments | - | - |

b. Exposures

- i) The Company has no direct and indirect exposure to real estate sector.
ii) The Company has no exposure to capital market.

c. Assets liability management:

Maturity pattern of certain items of assets and liabilities as on March 31, 2021

| Particulars | 1-7 days | 8-14 days | 15-30 days | 1 to 2 months | 2 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
|-------------|----------|-----------|------------|---------------|---------------|---------------|--------------------|--------------|--------------|--------------|-----------|
| Borrowings | 538.60 | 623.92 | 1,112.29 | 1,305.16 | 2,175.92 | 7,207.37 | 11,299.23 | 17,185.89 | 1,424.24 | 1,449.86 | 44,322.49 |
| Advances* | 605.46 | 651.45 | 1,563.87 | 2,379.49 | 2,515.70 | 7,350.38 | 13,010.84 | 16,821.08 | 11.90 | 14.91 | 44,925.08 |

*Net of provision towards non-performing loans and advances

Maturity pattern of certain items of assets and liabilities as on March 31, 2020

| Particulars | 1-7 days | 8-14 days | 15-30 days | 1 to 2 months | 2 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
|-------------|----------|-----------|------------|---------------|---------------|---------------|--------------------|--------------|--------------|--------------|-----------|
| Borrowings | 42.04 | 229.12 | 339.11 | 558.64 | 1,745.36 | 5,192.23 | 8,985.62 | 11,767.35 | 857.38 | 20.00 | 29,736.85 |
| Advances* | 3.05 | 2.95 | 5.72 | 8.58 | 2,597.60 | 6,364.90 | 11,196.71 | 13,978.45 | 0.10 | - | 34,152.06 |
| Investments | - | - | - | - | - | - | - | 5.00 | - | - | 5.00 |

*Net of provision towards non-performing loans and advances

d. Information on Instances of fraud :

Instances of fraud reported during the year ended March 31, 2021

| Nature of fraud | No. of cases | Amount of fraud | Recovery* | Amount provided |
|-------------------|--------------|-----------------|-----------|-----------------|
| Cash Embezzlement | 170 | 97,74,795 | 51,83,900 | 45,90,895 |

*includes recoveries in respect of frauds reported in earlier years

Instances of fraud reported during the year ended March 31, 2020

| Nature of fraud | No. of cases | Amount of fraud | Recovery* | Amount provided |
|-------------------|--------------|-----------------|-----------|-----------------|
| Cash Embezzlement | 147 | 50,07,600 | 21,16,533 | 28,91,067 |

*includes recoveries in respect of frauds reported in earlier years

e. Ratings assigned by credit rating agencies and migration of ratings during the year:

| Particulars | Amount | Credit Rating Agency | Date of Rating | Valid up to | Current Rating | Previous Rating |
|-----------------------------------|----------|--|----------------|-------------|--------------------|--------------------|
| Bank Loan Rating | 14600.00 | Credit Analysis & Research Ltd. | Jan-21 | See Note 1 | CARE A-; | CARE A-; Positive |
| Bank Loan Rating | 10090.00 | CRISIL Limited | Dec-20 | See Note 1 | CRISIL A-; | CRISIL A- (Stable) |
| Cash Credit | 400.00 | Credit Analysis & Research Ltd. | Jan-21 | See Note 1 | CARE A-; | CARE A-; Positive |
| Non - Convertible Debenture | 300.00 | Credit Analysis & Research Ltd. | Jan-20 | See Note 1 | Stable | CARE A-; Positive |
| Non - Convertible Debenture (MLD) | 250.00 | Credit Analysis & Research Ltd. | Jan-21 | See Note 1 | CARE PP-MLD A-; | CARE PP-MLD A-; |
| Non - Convertible Debenture | 9935.00 | ICRA Limited | Dec-20 | See Note 1 | [ICRA]A-(Stable) | [ICRA]A-(Stable) |
| Non - Convertible Debenture | 600.00 | Credit Analysis & Research Ltd. | Mar-21 | See Note 1 | Provisional CARE A | - |
| Subordinate Debt (NCD) | 300.00 | Credit Analysis & Research Ltd. | Jan-21 | See Note 1 | CARE A- (Stable) | CARE A-; Positive |
| Subordinate Debt (NCD) | 500.00 | ICRA Limited | Dec-20 | See Note 1 | [ICRA]A-(Stable) | [ICRA]A-(Stable) |
| Organization Grading | N/A | CARE Advisory Research and Training Ltd. | Feb-21 | Feb-22 | MF1 I (One) | MF1 I (One) |
| Securitization | 403.70 | ICRA Limited | May-19 | Jun-20 | - | [ICRA] AA(SO) |
| Securitization | 22.40 | ICRA Limited | May-19 | Aug-20 | - | [ICRA] AA-(SO) |
| Securitization | 343.00 | ICRA Limited | May-19 | Feb-20 | - | [ICRA] AAA(SO) |
| Securitization | 19.10 | ICRA Limited | May-19 | May-20 | - | [ICRA] AA(SO) |
| Securitization | 391.10 | ICRA Limited | Jun-19 | Jul-20 | - | [ICRA] AA(SO) |
| Securitization | 20.10 | ICRA Limited | Jun-19 | Aug-20 | - | [ICRA] AA-(SO) |
| Securitization | 519.30 | ICRA Limited | Jun-19 | Apr-20 | - | [ICRA] AA+(SO) |
| Securitization | 32.70 | ICRA Limited | Jun-19 | Jun-20 | - | [ICRA] AA+(SO) |
| Securitization | 495.20 | ICRA Limited | Jun-19 | Feb-20 | - | [ICRA] AAA(SO) |
| Securitization | 27.80 | ICRA Limited | Jun-19 | Apr-20 | - | [ICRA] AA(SO) |
| Securitization | 533.90 | ICRA Limited | Dec-19 | Aug-20 | - | [ICRA]A(SO) |
| Securitization | 30.30 | ICRA Limited | Dec-19 | Sep-20 | - | [ICRA]BBB+(SO) |

Note 1: Rating is subject to annual surveillance till final repayment/redemption of rated facilities.

f. Disclosure of Complaints

| Particulars | No. of Complaints |
|--|-------------------|
| No. of complaints pending at the beginning of the year | March 31, 2021 |
| No. of complaints received during the year | March 31, 2020 |
| No. of complaints redressed during the year | 44 |
| No. of complaints pending at the end of the year | 777 |
| | 807 |
| | 14 |
| | 44 |

g. Concentration of Advances, Exposures and NPAs

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|--|-------------------------|-------------------------|
| Concentration of Advances | | |
| Total advances to twenty largest borrowers | 15.34 | 6.46 |
| (%) of advances to twenty largest borrowers to total advances | 0.03% | 0.02% |
| Concentration of Exposures | | |
| Total exposure to twenty largest borrowers | 15.34 | 6.46 |
| (%) of exposures to twenty largest borrowers to total exposure | 0.03% | 0.02% |
| Concentration of NPAs | | |
| Total exposure to top four NPA accounts | 0.72 | 0.32 |



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(\$ in millions unless otherwise stated)

h. Sector wise NPAs

| Particulars | % of NPA to total advances in that sector | |
|------------------------------------|---|-------------------------|
| | As at March 31, 2021 | As at March 31, 2020 |
| Agriculture & allied activities // | 2.29% | 0.77% |
| MSME | 3.76% | 1.71% |
| Corporate borrowers | NA | NA |
| Services | 3.58% | 1.14% |
| Unsecured personal loans | NA | NA |
| Auto loans | NA | NA |
| Other personal loans | NA | NA |

I. Movement of NPA's

| Particulars | March 31, 2021 | March 31, 2020 |
|---|----------------|----------------|
| i) Net NPA to net advances percentage | 2.20% | 0.39% |
| ii) Movement of NPAs (Gross) | | |
| a) Opening balance | 384.51 | 404.24 |
| b) Additions during the year | 2,500.45 | 332.32 |
| c) Reduction during the year (write off) | (326.06) | (352.05) |
| d) Closing balance | 2,558.90 | 384.51 |
| iii) Movement of net NPAs | | |
| a) Opening balance | 130.47 | 144.53 |
| b) Additions during the year | 893.20 | (14.06) |
| c) Reduction during the year | - | - |
| d) Closing balance | 1,023.67 | 130.47 |
| iv) Movement of provisions for NPAs (excluding provisions on standard assets) | | |
| a) Opening balance | 254.04 | 259.71 |
| b) Provision made during the year | 1,607.24 | 346.38 |
| c) Write off/ write back of excess provisions | (326.06) | (352.05) |
| d) Closing balance | 1535.22 | 254.04 |

j. Investments

| Particular | As at | As at |
|--|----------------|----------------|
| | March 31, 2021 | March 31, 2020 |
| 1. Value of Investments | | |
| (i) Gross value of investments | | |
| (a) In India | - | 5.00 |
| (b) Outside India | - | - |
| (ii) Provision for depreciation | - | - |
| (a) In India | - | - |
| (b) Outside India | - | - |
| (iii) Net value of investments | - | - |
| (a) In India | - | 5.00 |
| (b) Outside India | - | - |
| 2. Movement of provisions held towards depreciation on investments | | |
| Opening balance | - | - |
| Add: Provisions made during the year | - | - |
| Less: Write-off/write-back of excess provisions during the year | - | - |
| Closing balance | - | - |

j(8). Public disclosure on liquidity risk management

| | Number of significant counterparties | Amount | % of Total Deposits | % of Total Liabilities |
|--|--------------------------------------|-----------|---------------------|------------------------|
| (3). Funding concentration based on significant counterparty *(both deposits and borrowings) | 30 | 38,237.82 | - | 86.28% |

(ii). Top 20 large deposits - Not applicable

The Company being a Systemically Important Non-Deposit taking Non-Banking Financial Company registered with Reserve Bank of India does not accept public deposits.

(iii). Top 10 borrowings (amount in millions and % of total borrowings)

| Amount | % of Total Borrowings |
|-----------|-----------------------|
| 23,354.16 | 52.70% |

(iv). Funding concentration based on significant instrument/product*

| Name of the instrument/product | Amount | % of Total Liabilities |
|---|-----------|------------------------|
| Term loans from Banks | 30,351.15 | 68.49% |
| Subordinate Debts | 1,167.21 | 2.61% |
| Non Convertible Debentures | 9,904.49 | 22.35% |
| Term Loans from Others Parties (NBFC and FIs) | 2,894.30 | 6.53% |
| Borrowings under Securitization arrangement | - | 0.00% |

(v). Stock Ratios

| Particulars | As a % of total public funds* | As a % of total liabilities* | As a % of total assets |
|---|-------------------------------|------------------------------|------------------------|
| Commercial payees | - | - | - |
| Non Convertible Debenture (Original Maturity of less than one year) | - | - | - |
| Other short-term liabilities | 12.31% | 8.52% | - |

(vi). Institutional set-up for liquidity risk management

The Board of Directors has the overall responsibility for establishing the risk management framework for the Company. The Board in turn has established an ALM Committee (ALCO) for evaluating, monitoring and reviewing liquidity and interest rate risks arising in the Company on both sides of the Balance sheet. The Board based on recommendations from the ALCO has prescribed policies and the risk limits for the management of liquidity risk.

ALCO Committee is responsible for managing the risks arising out of Asset Liability mismatches consistent with the regulatory requirements and internal risk tolerances established by the Board. Amongst other responsibilities, ALCO has been empowered to decide the funding mix for the company in light of the future business strategy and prevailing market conditions. ALCO committee is conducted at least once in a quarter and the ALCO minutes are reviewed by the Board from time to time.

*Notes

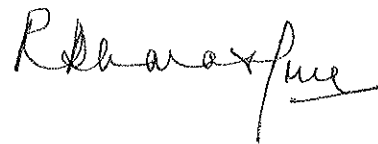
1. A "significant counterparty" is defined as a single counterparty or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the NBFC-NDSI's, NBFC-Ds total liabilities and 10% for other non-deposit taking NBFC.

2. A "significant instrument/product" is defined as a single instrument/ product of group of similar instruments/products which in aggregate amount to more than 1% of the NBFC-NDSI's, NBFC-Ds total liabilities and 10% for other non-deposit taking NBFC's.

3. Total Liabilities has been computed as sum of all liabilities (Balance sheet figure) less equities and reserve/surplus

4. "Public Funds" shall include funds raised either directly or indirectly through public deposits, commercial paper, debentures, inter-company deposits and bank finance but exclude funds raised by issue of instruments compulsorily convertible into equity shares with in a period not exceeding 10 years from the date of issue as defined in Regulatory Framework For Core Investment Companies issued via Notification No. DNBS (PD) CC.No205/93, 10.08/2010-11 dated January 5th, 2011.

5. The amount stated in this disclosure is based on the audited financial statements for the year ended March 31, 2021.



(Rs in millions unless otherwise stated)

| Assets classification under RBI norms March 31, 2020 | Asset classification under Ind AS | Gross carrying amount as per Ind AS | Loss allowance as required under Ind AS | Net carrying amount | Provision required as per IRACP norms* | Difference between Ind AS 109 provision and IRACP |
|---|-----------------------------------|---|--|------------------------|---|---|
| (I) | (II) | (III) | (IV) | (V) = (III) - (IV) | (VI) | (VII) = (IV - VI) |
| Performing assets | | | | | | |
| Standard assets | Stage I | 33,861.54 | 645.31 | 33,216.23 | 333.10 | 312.21 |
| | Stage II | 166.06 | 83.02 | 83.04 | 1.53 | 81.49 |
| Subtotal (A) | | 34,027.60 | 34,027.60 | 33,299.28 | 334.63 | 393.69 |
| Non-performing assets | | | | | | |
| Sub-standard | Stage III | 384.49 | 254.04 | 130.45 | 3.25 | 250.79 |
| Doubtful | Stage III | - | - | - | - | - |
| Up to 1 year | Stage III | - | - | - | - | - |
| 1 to 3 years | Stage III | - | - | - | - | - |
| More than 3 years | Stage III | - | - | - | - | - |
| Loss assets | Stage III | - | - | - | - | - |
| Subtotal (B) | | 384.49 | 254.04 | 130.45 | 3.25 | 250.79 |
| Total | Stage I | 33,861.54 | 645.31 | 33,216.23 | 333.10 | 312.21 |
| | Stage II | 166.06 | 83.02 | 83.04 | 1.53 | 81.49 |
| | Stage III | 384.49 | 254.04 | 130.45 | 3.25 | 250.79 |
| | Total | 34,412.09 | 982.36 | 33,429.73 | 337.88 | 644.48 |

*The provision required as per IRACP norms has been calculated on the aggregate loan portfolio after derecognizing the securitised assets (net of MRR) which meets the de-recognition criteria under the previous GAAP.

p. Details of penalties imposed by RBI and other regulators

No penalty has been imposed by RBI and other regulators on the Company during the financial year ended March 31, 2021 and March 31, 2020.

q. Details of unsecured

The Company has not given any unsecured advances against intangible securities such as charge over the rights, licenses, authority, etc. during the financial year ended March 31, 2021 and March 31, 2020.

r. Details of non-performing financial assets purchased / sold

The Company has not purchased / sold any non-performing financial assets during the financial year ended March 31, 2021 and March 31, 2020.

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

The Company has not exceeded the prudential exposures limits during the financial year ended March 31, 2021 and March 31, 2020.

t. Draw down from reserves

There has been no draw down from reserves during the year ended March 31, 2021 and March 31, 2020

u. The Company does not have any foreign currency exposure and/or derivatives during the year ended March 31, 2021 and March 31, 2020

v. The Company has no loans outstanding as at March 31, 2021 and March 31, 2020 that are secured against gold.

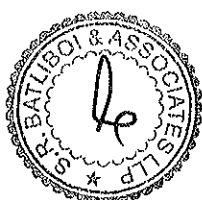
w. Details of registration with financial and other regulators

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

55 Disclosure of Liquidity risk management as per RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20

The requirements of the above circular with respect to the Liquidity Coverage Ratio ("LCR") have become applicable to the Company with effect from the quarter ended March 31, 2021. Accordingly, the Company has not calculated and disclosed LCR information as at end of other quarters i.e. quarters ended on June 30, 2020, September 30, 2020 and December 31, 2020.

| | | For quarter ended March 31, 2021 | |
|--|--|-------------------------------------|-----------------------------------|
| | | Total unweighted value (average) | Total weighted value (average) |
| High Quality Liquid Assets | Total High Quality Liquid Assets (HQLA) | - | 3,438.24 |
| Cash Outflows | | | |
| 2 | Deposits (for deposit taking companies) | - | - |
| 3 | Unsecured wholesale funding | - | - |
| 4 | Secured wholesale funding | - | - |
| 5 | Additional requirements, of which | - | - |
| (i) | Outflows related to derivative exposures and other collateral requirements | - | - |
| (ii) | Outflows related to loss of funding on debt products | - | - |
| (iii) | Credit and liquidity facilities | - | - |
| 6 | Other contractual funding obligations | 3,028.79 | 3,483.10 |
| 7 | Other contingent funding obligations | - | - |
| 8 | Total cash outflows | 3,028.79 | 3,483.10 |
| Cash Inflows | | | |
| 9 | Secured lending | - | - |
| 10 | Inflows from fully performing exposures | - | - |
| 11 | Other cash inflows | 7,918.79 | 5,939.10 |
| 12 | Total cash inflows | 7,918.79 | 5,939.10 |
| | | Total Adjusted Value | |
| 13 | Total HQLA | | 3,438.24 |
| 14 | Total net cash outflows | | 870.78 |
| 15 | Liquidity Coverage ratio (%) | | 394.85% |
| Following assets formed part of HQLA | | | |
| Assets | | | |
| Cash on hand | | | 92.83 |
| Balances with banks - Current Accounts | | | 3,345.40 |
| Total | | | 3,438.24 |



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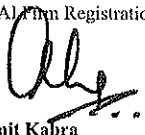
Fusion Micro Finance Private Limited
Notes to Financial Statement for the year ended March 31, 2021

(Rs in millions unless otherwise stated)

- 56 Hon'ble Supreme Court, in a public interest litigation (Gajendra Sharma vs Union of India & Anr), vide an interim order dated September 3, 2020 ('interim order') has directed that accounts classified which were not declared NPA till August 31, 2020 shall not be declared as NPA till further orders. Basis the said interim order, the Company, has not classified any account as NPA, as per regulatory norms, after August 31, 2020 which was not NPA as of August 31, 2020. The interim order granted to not declare accounts as NPA stood vacated on March 23, 2021 vide the judgment of the Hon'ble SC in the matter of Small Scale Industrial Manufacturers Association vs. uoi & Ors. and other connected matters. In accordance with the instructions in paragraph 5 of the RBI circular no. RBI/2021-22/17 DOR. STR.REC.4/21.04.048/2021-22 dated April 7, 2021, the Company has carried out asset classification of the borrower accounts as per the extant RBI instructions / IRAC norms, without considering any standstill in asset classification and also done staging of the borrower accounts in accordance with ECL model / framework under Ind AS in the financial statements for the year ended March 31, 2021.
- 57 RBI circular dated April 07, 2021 advised all lending institutions to immediately put in place a Board approved policy to refund/adjust the interest on interest' charged to the borrowers during the moratorium period, i.e., March 01, 2020 to August 31, 2020 in conformity with the Supreme Court judgement mentioned in paragraph 5 above. The Company has not charged 'interest on interest' to its customers during the moratorium period including those who did not avail the moratorium benefit, therefore there is no amount required to be refunded.
- 58 As per the policy on moratorium, approved by the Board of Directors, pursuant to the RBI circular no. DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020, the Company had not granted moratorium to its customers in overdue categories as on February 29, 2020. Accordingly, the disclosure as per para 10 of the RBI circular no. DOR.No.BP.BC.63/21.04.048/2020-21 dated April 17, 2020 is not applicable.
- 59 Disclosure pursuant to RBI Notification – RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 dated August 06, 2020 ("Resolution Framework for COVID-19 Related Stress") is not applicable as the Company has not restructured any loan accounts during the year.
- 60 The figures for the previous year have been regrouped/rearranged wherever necessary to conform to current year presentation.

As per our report of even date

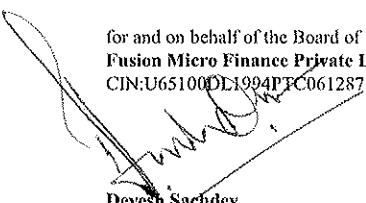
for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004


Amit Kabra
Partner
Membership Number : 094533

Place: Gurugram
Date : May 26, 2021



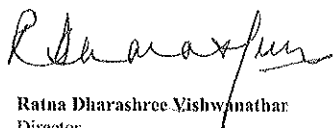
for and on behalf of the Board of Directors of
Fusion Micro Finance Private Limited
CIN:U65100DL1994PTC061287


Devesh Sachdev
MD and CEO
DIN : 02547111


Deepak Madaan
Company Secretary

Place: Gurugram
Date : May 26, 2021




Ratna Dharashree Vishwanathar
Director
DIN : 07278291


Gaurav Maheshwari
Chief Financial Officer