

TRANSCRIPT OF 29TH ANNUAL GENERAL MEETING OF FUSION MICRO FINANCE LIMITED

Date: September 29, 2023

Time: 11:00 A.M. to 11:22 A.M. (IST)

Management Participants:**Directors & Key Managerial Personnel:**

Mr. Devesh Sachdev (Managing Director & Chief Executive Officer)

Ms. Namrata Kaul, Independent Director (Chairperson of Audit Committee and Risk Management Committee)

Ms. Ratna Dharashree Vishwanathan, Independent Director (Chairperson of Nomination and Remuneration Committee, Stakeholders Relationship Committee and Corporate Social Responsibility Committee)

Mr. Pankaj Vaish, Independent Director (Chairperson of IT Strategy Committee)

Mr. Tarun Mehndiratta, Chief Operating Officer-MFI

Mr. Kamal Kumar Kaushik, Chief Operating Officer-MSME

Mr. Gaurav Maheshwari, Chief Financial Officer

Mr. Deepak Madaan, Company Secretary & Chief Compliance Officer

Invitees:

Mr. Munish Gaur, Director, M/s. Deloitte Haskins and Sells, Statutory Auditors

Mr. Harish Kumar, Proprietor Harish Popli & Associates, Secretarial Auditor and Scrutinizer

Moderator:

Ms. Kalpana Singh (Link Intime India Private Limited)

**Welcome Address by
Mr. Deepak Madaan:**

Very Good Morning to all of You.

Myself, Deepak Madaan, Company Secretary and Chief Compliance Officer of Fusion Micro Finance Limited welcome you all to the 29th Annual General Meeting of the company held through Video Conferencing. I want to thank you all for joining this meeting. Hope all of you and your family members keeping well and safe. As a reminder for the smooth conduct of the meeting, the shareholders will be in the mute mode.

The Annual General Meeting of the Company is being conducted through Video Conferencing in accordance with relevant provisions & circulars issued by MCA and SEBI. The Company has made all arrangements to enable the shareholders to participate at the meeting through the video conferencing facility and vote electronically.

The requisite Quorum is present hence, the Meeting is being convened, constituted and is in order and I expect some more shareholders to join us in the due course of the Meeting.

It is further informed to the shareholders that the Board of Directors of our company have elected Mr. Devesh Sachdev as Chairman for this meeting.

On behalf of our Chairman, Mr. Devesh Sachdev, let me introduce our Board Members, who are present with us.

Ms. Namrata Kaul, Independent Director (Chairperson of Audit Committee and Risk Management Committee)

Ms. Ratna Dharashree Vishwanathan, Independent Director (Chairperson of Nomination and Remuneration Committee, Stakeholders Relationship Committee and Corporate Social Responsibility Committee)

Mr. Pankaj Vaish, Independent Director (Chairperson of IT Strategy Committee)

Our nominee directors, Mr. Ken Vander Weele and Mr. Narendra Ostawal, could not attend the meeting due to other occupancies.

We are also joined by:

Mr. Tarun Mehndiratta, Chief Operating Officer-MFI

Mr. Kamal Kumar Kaushik, Chief Operating Officer-MSME

Mr. Gaurav Maheshwari, Chief Financial Officer

Mr. Munish Gaur, Director, M/s. Deloitte Haskins and Sells, Statutory Auditors

Mr. Harish Kumar, Proprietor, Harish Popli & Associates, our Secretarial Auditor and Scrutinizer of today's meeting.

Now, I would like to take you through certain points regarding the participation at this meeting.

For smooth and seamless conduct of the AGM, the audio of the shareholders will be kept muted, and their video will be kept off. If a shareholder experiences any technical issue during this AGM they can contact the helpline number given in the Notice.

Shareholders who would like to ask questions to the panelist, may ask your queries via active chat-board during the meeting and such questions raised, if any, shall be answered suitably on behalf of the Company.

All the documents referred to in the AGM Notice are open for inspection by the Shareholders during the AGM under "Inspection" tab on VC meeting screen.

The Company had also provided shareholders the opportunity to cast their vote on the resolutions contained in the AGM Notice, by means of remote e-voting. The remote e-voting commenced on Tuesday, September 26, 2023, at 9:00 am (IST) and closed on Thursday, September 28, 2023 at 5:00 pm (IST). Shareholders who have not cast their votes yet electronically and who are participating in this meeting can cast their votes during the meeting by clicking the voting button "Cast your vote" which is appearing on your VC meeting screen. The e-voting platform is open now for voting and will close after 15 minutes from the time of closure of this meeting. Please note that there will be no voting by show of hands.

The Company has appointed Mr. Harish Kumar, Practicing Company Secretary, Proprietor at Harish Popli & Associates as Scrutinizer to scrutinize the votes casted at the meeting and through remote e-voting and for ensuring that voting process is conducted in a fair and transparent manner.

As the Notice is already circulated to all the shareholders, I take the Notice convening the meeting as read.

Further, I am pleased to announce that the Auditor's Report on the financial statements and the Secretarial Audit Report for the financial year 31 March 2023 do not contain any adverse remark, qualification or disclaimer and accordingly, the said reports are not being read out.

Now without any further delay, I request our chairman Mr. Devesh Sachdev, Managing Director & Chief Executive Officer of the Company, to take forward the proceedings of this meeting. Thank You. Over to you, Chairman sir.

Chairperson Speech

Mr. Devesh Sachdev:

Thank You, Deepak, Esteemed Shareholders, my distinguished colleagues on the Board, and the senior Management. It gives me immense pleasure to welcome all of you to the 29th Annual General Meeting (“AGM”) of the company, after its successful Initial Public Offer (IPO) in the Financial Year 2022-23. It is a pleasure and a privilege to address you all today. I am grateful for your faith in Fusion and look forward to a fulfilling journey together.

As I reflect on the financial year 2022-23, 15th November 2022 will forever be etched in the history of Fusion as a landmark. On this day, we achieved our goal of getting listed on NSE & BSE, a testament to our 12-year journey of persistence, resilience, courage, foresight, planning and above all, strong self-belief. We were the first NBFC to get listed in 15 months and the only words to describe this momentous event were ‘Against All Odds’.

Our listing reinforced the acceptability of microfinance in the capital markets and I am sure it will give hope and confidence to many others in the sector going forward. During this journey, we faced several headwinds in the form of choppy markets, rising interest rates, inflation, Russia- Ukraine war, challenging sectoral perceptions and lingering impact of COVID. But we defied the odds to reach where we are today and this gives me the confidence to keep raising the bar. Today, I speak with gratitude: proud of our accomplishments, confident of our strategy, and immensely inspired by our 10,000+ strong extraordinary Fusion family. We are ready - in fact eager - for whatever tomorrow brings, as our next challenge.

FY23 proved to be a very good year for us in terms of performance across all operational and financial metrics. Our AUM grew by 36.99% YOY and we clocked the highest PAT since inception with robust ROA of 4.65% and ROE of 21.16% for FY22-23. The Total Income from operations grew by 51.3% to Rs. 1741.92 Cr which is mainly due to an increase in the Asset Under Management (‘AUM’) of your Company and the Profit before tax grew by 20 times to Rs. 511.98 Cr. The improvement in the financial performance of your company is on account of business growth recorded during the year.

We have been growing consistently with an extensive network of 1086 branches spread across 20 states including 3 Union Territories as

of 31st March'23. Our MSME business is also gaining strength by setting the right foundations to contribute as a second growth engine. It has expanded to 67 branches, enrolled more than 10,000 MSME clients and built a portfolio of 301.64 crore as on March 31, 2023. Significantly, the company also increased its customer base to 35.3 Lakhs as of Mar 23 as compared to 27.2 Lakhs as of Mar 22.

Throughout the last financial year even with the high interest rate environment, persistent inflation, tightening liquidity and global uncertainty, we managed to have a very nominal impact on cost of funds due to our robust liability management. I am confident of our ability to continue this trend in future, especially now that our credit rating has been upgraded to A (stable).

As we set our sights on future, we remain cognizant of the challenges and opportunities and continue to prepare for calibrated growth by augmenting our operations, underwriting, risk management and human capital to manage for scale. Last year, the strategic initiatives that we launched have already boosted our business operations by reducing turnaround time, enhancing credit assessment and building operational efficiencies. We are focused on further strengthening our processes, products and deepening our digital footprint. With a clear strategy and a sharp focus on execution, I am sure we will continue to enhance our ability to serve our customers better and grow sustainably.

There is a famous saying - CULTURE EATS STRATEGY FOR BREAKFAST. At Fusion, we believe our team is our core asset and it remains at the heart of our strategy. We understand and appreciate the responsibility of being a listed entity. We are driven by our core values - Responsibility, Respect, Transparency, Governance, Collaboration and Customer Focus. As the organization grows, it is important for our leaders to lead with these values and create a culture where every employee feels nurtured and engaged. We continue to focus on strengthening our employee life cycle management, with a strong performance management system, learning and development initiatives, differentiated rewards and career growth to provide enriching employee experience.

As a responsible entity, at Fusion, we consider ESG principles while making fundamental strategic and operational choices. With increasing demand for environmental and social change in the next few decades, we are committed to creating a lasting social and environmental impact, that extends far beyond our financial performance and wealth creation. By serving our disadvantaged and marginalized stakeholders, we have embraced ESG as a central part of our business model and demonstrated a genuine commitment to sustainability and responsibility.

Our strategic social and environmental plans help us contribute to 8 out of 17 UN sustainability goals. We, further, practice sustainable finance by conforming to the International Finance Corporation's (IFC) Exclusion List which is a part of the World Bank Group to assess loan applications from an Environmental and Social perspective.

We are conscious of our "Green Footprint" and have taken proactive steps to achieve that. We have incorporated paperless operations through the deployment of cashless disbursement of loans to customers' bank accounts, achieving a success rate of 97%. Also, we have started digital on-boarding of clients to contribute to environmental sustainability. We offer bicycles to complement the product purchases by our customers, in order to promote a pollution-free mode of transport. Our CSR team has also formulated digital literacy programs to educate people about digital payments.

To support our environment, we have consistently focused on e intervention programs through our CSR initiatives such as sustainable farming, greening the forest area, protecting water sources in villages and curbing menstrual waste. The economic empowerment of women entrepreneurs has a proven direct impact on migration to urban/semi-urban areas reducing the burden on infrastructure and the environment.

At Fusion we ensure that we cultivate a company culture of integrity, leading to positive performance and a sustainable business overall. We strive to increase the accountability of our company to safeguard the interests of our employees and provide them with a safe working environment through employee-friendly policies. We demonstrate our commitment to the principles of sustainable growth and development by creating job opportunities for the youth, supporting the local workforce and generating employment through the businesses financed by us.

As we look forward to taking Fusion to the next level, I would like to specially thank my colleagues on the Board for their invaluable inputs in paving the way and the leadership team for their commitment and support. Many thanks to our debt providers, rating agencies, vendors and other stakeholders for their continuous support. I would also like to appreciate MFIN, the self-regulatory organization of our sector for continuously working to create a conducive environment through policy advocacy, improving Governance, engagement with media and other stakeholders. I thank the entire Fusion Family for their dedication, enthusiasm and consistency in delivering beyond expectations which ultimately has resulted in Fusion's continuous growth.

Now, I would request our Chief Financial Officer, Mr Gaurav Maheshwari, to take you all through the financial updates of the year.

Gaurav Maheshwari:

Thank you, Devesh, and good morning all.

I would like to give some key highlights for FY 22-23.

- Our average cost of fund has dropped by 13 bps on a Y-o-Y basis.
- Interest income has increased by 50.34% and Total income has increased 49.83% on a year-on-year basis.
- NIM has increased by 176 bps on a Y-o-Y basis. The company has provided impairment of INR 199.51 crores in FY '23 out of which INR 51.25 crores is the management overlay, 0.55% of closing AUM.
- Credit costs, including management overlay stands 2.73%. It is 2.03%, excluding the management overlay. For the financial year, the company has done write-off of INR 247.20 crores, which is 2.66% on the closing AUM.
- The DA outstanding as of March 31 stands 10.53% of the closing AUM, and we would like to continue this subject to market conditions. On year-on-year basis, our opex has increased by 6 bps. In FY '23, we have added 154 branches.
- The cost-to-income ratio has reduced by 583 bps from 44.27% in FY '22 to 38.44% in FY '23. The PPOP is INR 712 crores as on March 31, 2023, which has increased by 81% in comparison to the last financial year.
- As on March 31, 2023, the sanction in hand was INR 1858 Crore.
- The total fund raised in FY 2023 INR 6461 Cr (including DA). The composition of fund-raising stands 35% from PSU & DFIs, 53% from Private banks, 9% from NBFC & 3% from FPIs. The borrowing mix largely would remain the same.

Now, I would request Deepak to take the meeting further.

Deepak Madaan:

Thank you, Chairman Sir & Mr. Maheshwari.

Now I would request that, the shareholders who have not voted in the remote e-voting, may please cast their votes now as the voting lines are open.

Now I, take up the agenda items set forth in the notice namely:

Ordinary business being adopted as Ordinary Resolution:

Agenda Item No. 1. To consider and adopt the Audited Financial Statement and reports of the Boards of Directors and Auditors thereon for the Financial Year ended 31st March, 2023.

Agenda Item No. 2. To appoint Mr. Kenneth Dan Vander Weele, who retires by rotation at this AGM and being eligible, offers himself for re-appointment.

Special business being adopted as Special Resolution:

Agenda Item No. 3. To approve the amendments in Articles of Association (AOA) of the company.

Agenda Item No. 4. To increase the borrowing limit of the company and create charges etc on the movable properties of the company, both present and future in respect of borrowings under section 180(1) (c) and 180 (1) (a) of the Companies act, 2013 up to Rs. 15,000 crores.

Now I would like to invite queries from our speaker shareholders. So, I request the moderator to invite such shareholders who have registered themselves as speaker shareholder. Also such speaker shareholders are requested to mention their name and place from where they have joined the meeting before starting their speech.

Shareholders may also ask their queries via active chat-board. They may be given suitable response within reasonable time if not given during the meeting.

Over to you Kalpana.

Ms Kalpana:

Sir, as of now for this meeting, we do not have any speaker shareholder. So, I request Mr. Deepak Madaan sir to give closing remarks for this meeting.

Closing Remarks

Mr. Deepak Madaan:

As we are approaching the closure of this meeting, I would like to express my thanks to all the shareholders. The results of the e-voting and remote e-voting will be announced once we receive the Scrutinizer's Report and the same will be posted on the company's website under the "Investor Relation" section and on the website of our RTA, Link Intime India Private Limited. The Company shall also

submit the results to NSE and BSE, where the equity shares & securities of the Company are listed.

I would like to convey my thanks to Chairman Sir for sparing his valuable time to conduct the AGM. We are also thankful to our Directors, COO, CFO, Statutory Auditor, Secretarial Auditor and Scrutinizer for their participation. We are also thankful to our RTA, Link Intime for their tireless efforts to ensure smooth conduct of this AGM.

Shareholders are again informed that the electronic voting option will remain open for next 15 minutes. Shareholders may click the voting button "Cast your vote" which is appearing on your VC meeting screen and vote.

Now with permission of the Chairman Sir, I would like to declare the formal closure of this AGM.

This Annual General Meeting is now concluded.

Thank You Very Much.