

Q1 2025

1. Revenue growth metrics

- **Narrative:** Management discussed their expectation for business performance to rebound to normal levels by the third quarter of the financial year 2023-2024. This improvement is anticipated due to both internal initiatives and favorable industry-level measures.

- **Management's Guidance:**

- Management predicts significant improvement in business performance starting in the next quarter, with a return to normal performance levels by the third quarter.

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Revenue from operations for Q2 FY25 was reported as ₹691.55 Cr, up 26.51% YoY, with interest income growing 26.02% YoY. Total revenue from operations was slightly above the previous quarter by 0.47%, indicating stable performance.

- **Evaluation:**

- **Expectations Met:** Management anticipated a return to normal performance levels by Q3 FY24, and Q2 FY25 results showed stable performance with a 26.51% YoY revenue increase, aligning with expectations.

2. Cost management strategies

- **Narrative:** Management emphasized their focus on maintaining current cost structures, particularly in relation to the cost of funds and marginal cost of funds, to optimize financial efficiency in upcoming quarters.

- **Management's Guidance:**

- Management expects to maintain the cost of funds and marginal cost of funds at similar levels in future quarters.

- **Actual Results:**

['Q2', '2025']:

- Our marginal cost of fund has further reduced by 4 bps on quarter-on-quarter basis, and 53 bps on year-on-year basis. Average cost of fund has decreased by 50 bps on year-on-year basis and by 4 bps on quarter-on-quarter basis.

['Q1', '2025']:

- In Q1 FY '25, the marginal cost has further reduced by 19 bps on a quarter-on-quarter basis and 69 bps on a year-on-year basis. The average cost of funds has decreased by 48 bps on a year-on-year basis, and 9 bps in comparison to Q4 FY '24.

- **Evaluation:**

- **Expectations Exceeded:** Management aimed to maintain the cost of funds and marginal cost of funds at similar levels, but the actual results showed a reduction, with the marginal cost of funds decreasing by 4 bps quarter-on-quarter and 53 bps year-on-year in Q2 2025, surpassing the management's target of maintaining current levels.

3. Process optimization

- **Narrative:** Management emphasized their commitment to enhancing operational efficiency through process optimization. This includes leveraging existing resources to improve capacity utilization without significant additional investments.

- **Management's Guidance:**

- Management anticipates a potential increase in capacity utilization by 25% to 30% in the upcoming quarters, building on the current operational frameworks.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- Tarun Mehndiratta reported that the Q1 average capacity utilization was at 96.3%, aligning with the management's narrative of enhancing operational efficiency through process optimization.

- **Evaluation:**

- **Expectations Met:** The Q1 results reported an average capacity utilization of 96.3%, which aligns with management's guidance on enhancing operational efficiency through process optimization, meeting the anticipated increase in capacity utilization.

4. Risk mitigation strategies

- **Narrative:** Management highlighted a key change in their risk mitigation strategy by adjusting the parameters used in their Probability of Default (PD) and Loss Given Default (LGD) calculations. They have transitioned from a 5-year average to a 3-year average, indicating a more responsive approach to current risk conditions.

- **Management's Guidance:**

- The company anticipates that this adjustment will lead to more accurate risk assessment and management, allowing for a better alignment with the prevailing economic environment. This change is expected to enhance the company's risk modeling capabilities and ultimately support more resilient financial performance in upcoming quarters.

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

5. Branch network strategy

- **Narrative:** Management has strategically focused on expanding the branch network significantly over the past few months, with a 25% to 30% increase in the network. The expansion includes the addition of 100 branches in the first quarter alone, with a focus on optimizing operational efficiency. This strategic move aims

to enhance the company's geographic presence and service capability.

- Management's Guidance:

- Management indicates that operational expenses have increased due to new branch openings and annual increments, but they expect these to normalize in the latter half of the year. They have planned for an addition of 40-50 more branches, after which they will pause further expansion for the current year. The company aims to maintain around 450 branches, with new Regional Officers (ROs) being trained to support this expansion.

- Actual Results:

['Q2', '2025']:

- In Q2'25, the total branch count was reported to be 1398, reflecting the company's ongoing efforts in expanding its branch network as part of their strategic focus on geographic presence and service capability.

['Q1', '2025']:

- Devesh Sachdev: We front-loaded our branch openings in financial year '25 with 101 branches opened in Q1, which takes the total count to 1,398 branches.

- Evaluation:

- **Expectations Met:** Management planned to increase the branch network by 25% to 30% and achieved the target by opening 101 branches in Q1, reaching a total of 1,398 branches, aligning with their strategic goals.

6. Compliance adherence

- **Narrative:** Management discussed the implementation of strategic guardrails to enhance compliance adherence by controlling over-lending practices. This initiative aims to mitigate risks associated with customer over-indebtedness by enforcing stricter criteria on customer sourcing.

- Management's Guidance:

- Management has introduced restrictions on sourcing customers who are already associated with four lenders or have microfinance loan outstandings exceeding INR 2 lakh.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- Awarded a score of 96% on the Code of Conduct Assessment (CoCA) for MFIs in India by M-CRIL, indicating strong compliance adherence in areas such as transparency, client protection, and governance.

- Evaluation:

- **Expectations Exceeded:** The management's implementation of stricter criteria for compliance adherence resulted in Fusion being awarded a 96% score on the Code of Conduct Assessment (CoCA) for MFIs in India, indicating that the strategic guardrails led to stronger compliance than initially anticipated.

7. Workforce productivity programs

- **Narrative:** Management's discussion centered around enhancing operational efficiency through strategic workforce adjustments. This includes strengthening the collection team, optimizing the number of collection officers, and rationalizing field officer responsibilities. These efforts are part of a broader strategy to improve productivity and operational efficiency.

- Management's Guidance:

- Management indicated several concrete steps for future quarters, including: Strengthening the collection team by increasing the number of collection officers and hiring a senior leader. Rationalizing customer handling and aligning incentive structures from August 1st. Adding more than 100 people to the collection team in August alone. Stopping disbursements at certain branches and tightening customer sourcing criteria starting August 1st.

- Actual Results:

['Q2', '2025']:

- we have already reduced our customer handling per relationship officer to 380 customers per relationship officer

['Q1', '2025']:

- Devesh Sachdev: The field officer load rationalization has helped in reducing the burden by around 20%. We have added last month, 50 more people in the collection team. If you look at our March 23 or Q1 24 numbers, our per field officer was managing around 555 customers. That has today, if you look at today, it has come down to 404.

- Evaluation:

- **Expectations Met:** Management's strategic workforce adjustments, including reducing customer handling per relationship officer and adding personnel to the collection team, aligned with their stated goals, as evidenced by the reduction in customer load per officer and the addition of 50 collection team members, closely matching the planned adjustments.

8. Delinquency management

- **Narrative:** Management has outlined a focused approach towards managing delinquencies. They are actively working on recovery strategies for customers categorized under Stage 3, while simultaneously implementing stricter onboarding policies to mitigate future risks.

- Management's Guidance:

- Management anticipates initiating recovery efforts from Stage 3 customers within the next two to three months. Additionally, effective from 1st August, they will enforce a policy to prevent onboarding of customers who have exceeded 30 days past due (DPD).

- Actual Results:

['Q2', '2025']:

- GNPA (Stage III) 9.41%

['Q1', '2025']:

- Data Not Available

- Evaluation:

- **Expectations Not Met:** Management aimed to recover Stage 3 delinquencies within two to three months and enforce stricter onboarding policies. However, the GNPA (Stage III) remained high at 9.41% in Q2 2025, indicating insufficient progress in managing delinquencies.