

Fusion Microfinance Private Limited
Annual Report 2017-18

No matter what



Forward looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to fully appreciate our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make, contain forward-looking statements that set our anticipated results based on management plans and assumptions. We have tried, where possible, to identify such statements by using words such as 'anticipate', 'expect', 'project', 'intend', 'plan', 'believe', and words of similar substance in connection with any discussion of future performance.

We cannot, of course, guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. Achievement of results is subject to risks, uncertainties, and potentially inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise.

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Fusion Microfinance features among the top 10 pure play microfinance companies in India operating in 14 contiguous states.

Disbursement (₹ crore)

2016-17	830.84
2017-18	1,670.58

Growth (%)
101.07

Revenue (₹ crore)

2016-17	201.04
2017-18	267.31

Growth (%)
32.96

Net profit (₹ crore)

2016-17	4.10
2017-18	(39.41)

Assets under management (₹ crore)

2016-17	827.16
2017-18	1,555.60

Growth (%)
88.07

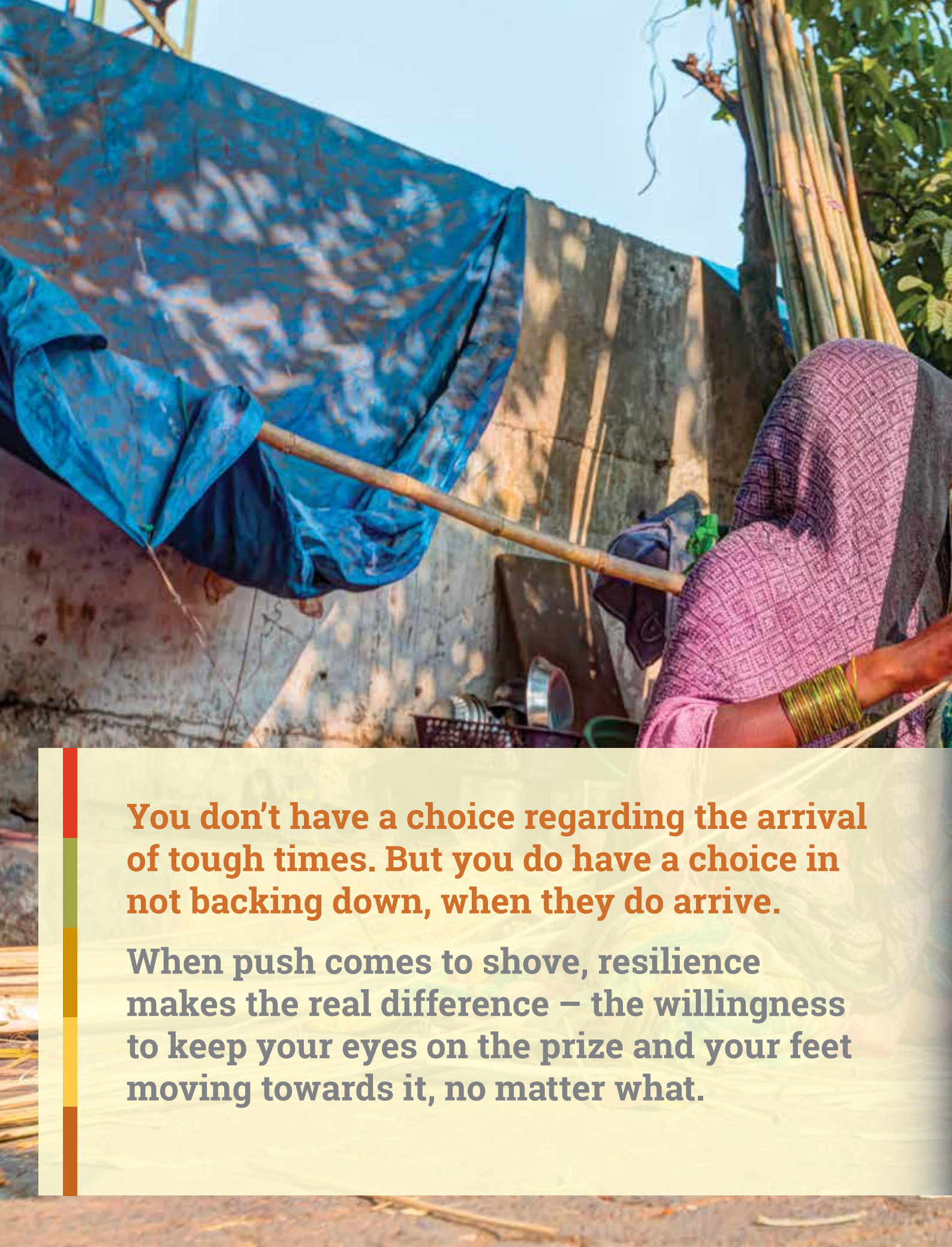
Gross Loan Portfolio (₹ crore)

2016-17	770.84
2017-18	1,492.76

Growth (%)
93.65%



**Resilience
breeds
success.**



You don't have a choice regarding the arrival of tough times. But you do have a choice in not backing down, when they do arrive.

When push comes to shove, resilience makes the real difference – the willingness to keep your eyes on the prize and your feet moving towards it, no matter what.



And that is what we did.

Through the darkest hours, toughest times and bleakest results – we pushed ourselves ahead, did our part and never for once did we lose sight of our goal.

Because we knew, our fight isn't just for ourselves, but for a greater good. That is what has kept us moving, no matter what!

No matter what...

We resolved to serve more than we had done before

They said rural household earnings were down.
They said outstanding amounts were creeping up.
They said delinquencies would abound.

For the demonetisation drive dealt a body blow to the rural economy; a speedy recovery appeared to be a distant dream.

At Fusion, we challenged this mindset.

- For we knew our customer category well. They were not willful defaulters. It was only the prevailing circumstances that were testing their resolve.
- For we realised that in such times, it was the rural masses who were critically in need of funds to overcome the misery consequent to shrinking capital.

At Fusion we decided to serve more than we had done before.

- We added 104 branches in our existing states.
- We expanded our footprints across two new states – we set up 11 branches.

In doing so, we enrolled 147,352 new customers (from the additional branches) disbursing a cumulative ₹301.20 crore with a collection efficiency of more than 99% (on new disbursements).





Branch network

As March 31, 2017	248	
Added in Q1/2017-18	27	As on March 31, 2018 359
Added in Q2/2017-18	41	
Added in Q3/2017-18	26	
Added in Q4/2017-18	21	

Customer base

As March 31, 2017	682,369	
Added in Q1/2017-18	122,181	As on March 31, 2018 973,300
Added in Q2/2017-18	166,124	
Added in Q3/2017-18	195,825	
Added in Q4/2017-18	222,858	

No matter what...

We resolved to go cash-less in a cash-based business

They said it was hard work.
They said it would take ages.
They said it may not work at all.

For we were dealing with masses who were not considered bankable. For we were engaging which a societal section that firmly believed that hard currency was power to perform.



At Fusion, we decided to make a difference.

- For it was the need of the hour as it was a safer method of handling cash
- For this global trend would cascade to the Indian landmass anyway
- For this was the right thing to do – uplift those who were at the bottom for decades

At Fusion, we worked relentlessly to transform tradition.

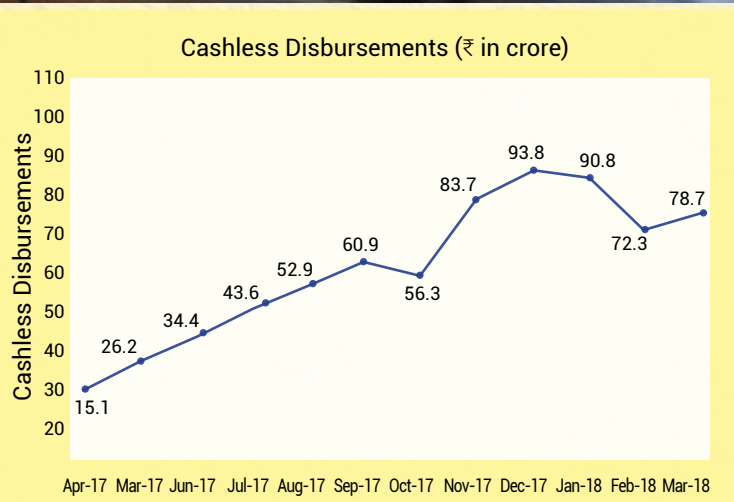
- We worked painstakingly on getting their acceptance on this digital medium; altering a multi-decade tradition took enormous patience
- We worked tirelessly on opening their bank accounts; getting banks to enroll the hitherto unbankable (for decades) took some doing
- We worked patiently on entering account details of customers accurately into our system; funds if transferred to a wrong account, is a dual loss – of the funds and the customer

We made it happen.

The project was awarded the BW Digital India Award by Union Minister for Information and Technology of India, Sri Ravi Shankar Prasad, for 'Best Usage of Information and Communication Technologies in Rural Development' in 2017.

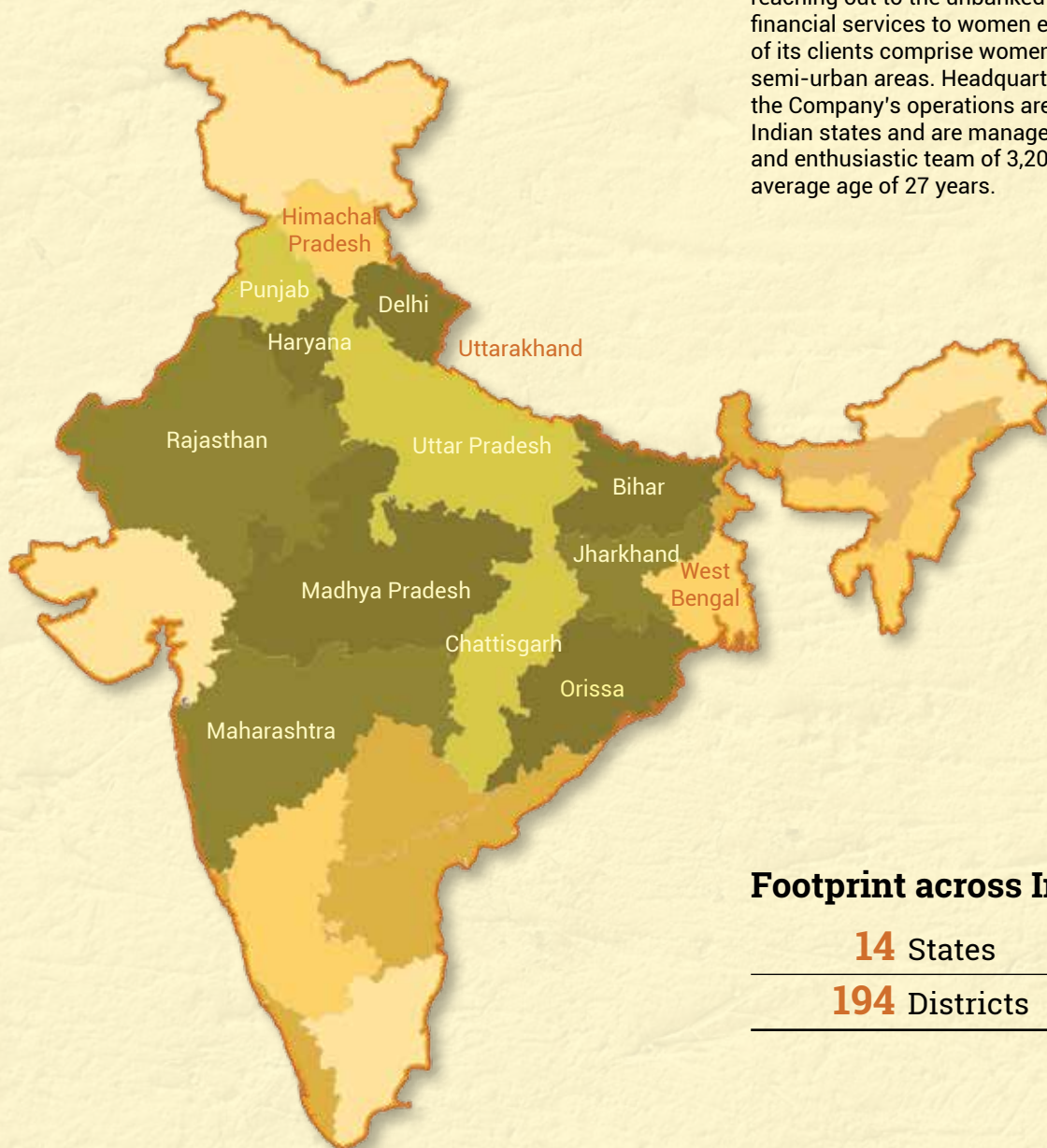
It also featured in the 15th Asian Network of Quality Congress in Kathmandu, Nepal which was chaired by world renowned Prof. Dr. Noriaki Kano of Japan.

55% of our disbursements have been through cash-less route in 2017-18. We are now working on leveraging the digital wave for cash-less collection too.



Fusion Microfinance is a registered NBFC–MFI, which operates in a Joint Liability Group lending model. The Company's responsibilities extend beyond financial support, to educating clients on financial literacy.

Established in 2010, the Company focuses on reaching out to the unbanked and providing financial services to women entrepreneurs – 100% of its clients comprise women living in rural and semi-urban areas. Headquartered in New Delhi, the Company's operations are spread across 14 Indian states and are managed by an experienced and enthusiastic team of 3,202 members with an average age of 27 years.



Footprint across India

14 States

194 Districts



Business performance

Disbursement grew by

101.07%

over the previous year

Revenue grew by

32.96%

over the previous year



Global endorsement

Raised

₹80 crore

from our existing investors



Honoured to have the presence of Her Majesty the Queen of the Belgians – we were the only corporate visited by Her Majesty in India

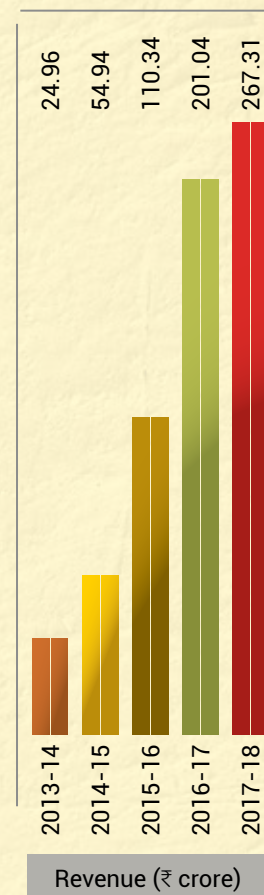
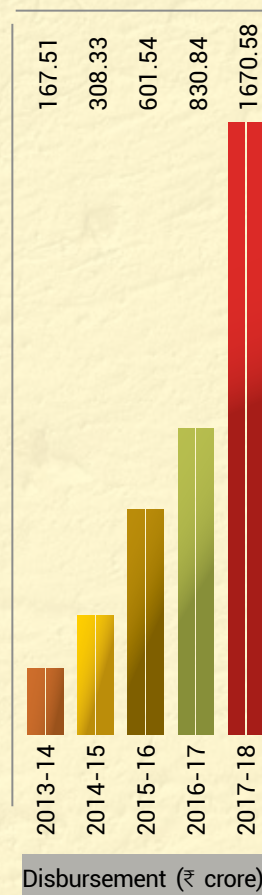
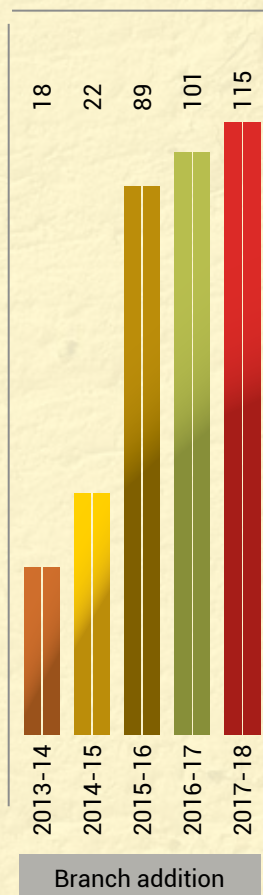
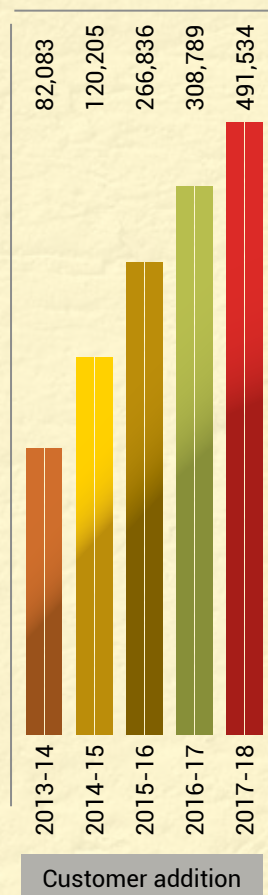


Awards and recognition

- Featured amongst 'The 10 most valuable Non-Banking Financial Companies' by Insight Success
- Selected in the 15th Asian Network of Quality (ANQ) Congress held at Nepal for key contributions in the category of Change and Risk Management through Cashless Disbursement Project
- Awarded the BW Digital India Award by Union Minister for Information and Technology of India, Sri Ravi Shankar Prasad, for 'Best usage of ICT in Rural Development' in 2017

Our progress thus far...

BUSINESS PERFORMANCE



... and our
current
position!

Our operating canvas

14
States



194
Districts



973,300
Customers

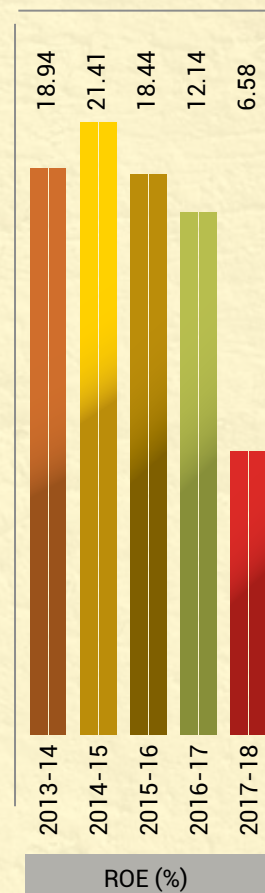
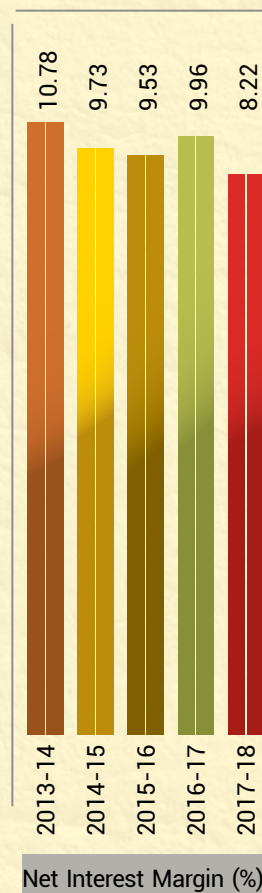
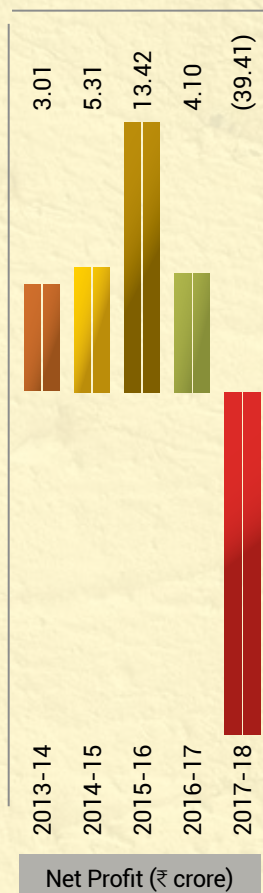
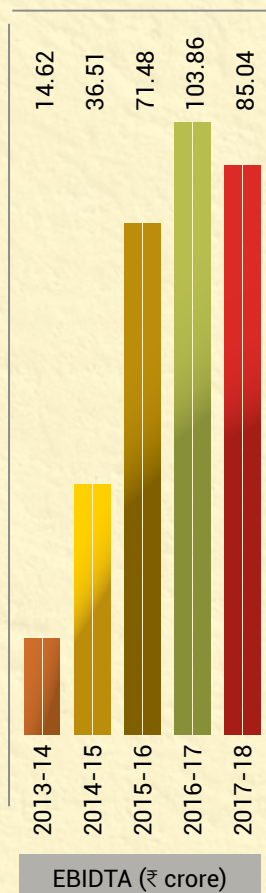


46,621
Villages



359 3,202
Branches Employees

BUSINESS PROFIT



Our business operations



3,714.31

Disbursements as on
March 31, 2018 (₹ crore)



1,492.76

Gross Loan Portfolio as on
March 31, 2018 (₹ crore)



1,555.60

Assets under management as on
March 31, 2018 (₹ crore)



21.87

Capital adequacy ratio (%)

Our operational efficiency



13.47

Effective cost of
borrowing (%)



99.13

Collection efficiency
(%)



73.44

Cost-to-income ratio
(%)

Dear friends,

It gives me great pleasure to mention that we ended the year successfully. For even as the external environment turned increasingly volatile and challenging, we were able to up the ante. Even as we continued to entrench our presence in existing states, we expanded into new territories. Our customer base increased by 42.64% over the previous year even as our branch network increased by 44.76%. As a result, our revenue increased by 33% over the previous year.

What gives me immense satisfaction is that we were able to ramp up our operations and improve our performance despite the continuing overhang of demonetisation well into the first half of 2017-18. I firmly believe that we were able to overcome economic and sectoral headwinds owing to the determined efforts of our experienced and energetic team. Their untiring efforts enabled us to isolate the sectoral disorder into a manageable issue. This achievement vindicates my belief that dedicated people always rise to any occasion when their expertise and abilities are respected and trusted.

Review of fiscal 2017-18

Business registered a brisk growth as disbursements and revenue grew by 101% and 33% respectively over the previous year despite policy driven structural changes in the economic and sectoral landscape.

But fiscal 2017-18 was an important milestone in Fusion's journey beyond just business growth.

One, we initiated Fusion's digital journey. We realised that going digital is no more an option, it is the new default because increasing competition made it necessary to improve our service quality even as volumes surged. This could only be possible if we transitioned from traditional processes into technology-driven solutions.

This was not as simple as it sounds. It meant wiring more than 350 branches in 194 districts across 14 states. It necessitated altering the mindset of the team, which is an agglomeration of diverse cultures and temperaments. But no matter what... we were determined to change ... and change we did!

Cash-less operations: We initiated this strategy in July 2016. It was a telling yet a memorable experience. We needed to create bank accounts for customers who were considered non-bankable for years. We needed to educate our customers not just on the benefits of cash-less disbursements and using bank accounts. We needed to check and verify our systems and our customer's data to ensure that the funds reached the right account – each time, every time. And we made it happen!

Message from the Managing Director

“We ramped our operations and improved our performance despite the prevailing economic and sectoral headwinds.”

Our dogged determination yielded heartening returns. Currently, about 55% of all our disbursements are cashless. What gives me satisfaction is that we facilitated 973,300 Indians to become contributors to the formal economy. Going forward, we intend to take this number to 75% (even we expect to grow our disbursement by more than 100% y-o-y). Extending this success to its next logical step, we are making inroads with our cash-less collection module.

Mobile app: We launched a mobile app on a trial basis, which allowed our relationship officers to check the credit worthiness of every applicant on a real time basis. This allows our officers to instantly segregate prospective customers from those who do not meet our credit filters. As a result, we could fund the aspirations of deserving clients with speed and efficiency.

These, we believe, will deliver peace of mind to our customers and enhance recall of the Fusion brand.

Two, in a difficult year for the financial sector owing to increasing NPAs, our team successfully increased organisational liquidity to support our growth aspiration. The team raised ₹1,090.82 crore from diverse lenders even as it widened its lender pool to include private banks, mutual funds and other financial institutions.

The team opened a new funding channel namely market-linked debentures which capped the interest outgo, an important de-risking for the Company. Further, the team securitised ₹230 crore of its assets emerging as the first microfinance player in India to securitise an Uttar Pradesh-originated portfolio with a reputed NBFC. We also sourced ₹80 crore equity from our existing investors.

Three, we focused on uplifting the career potential of our team. For I firmly believe that team members who are well looked after pass on the same care and respect to the customers. And this is the key differentiator in our business. In keeping with this conviction, we focused

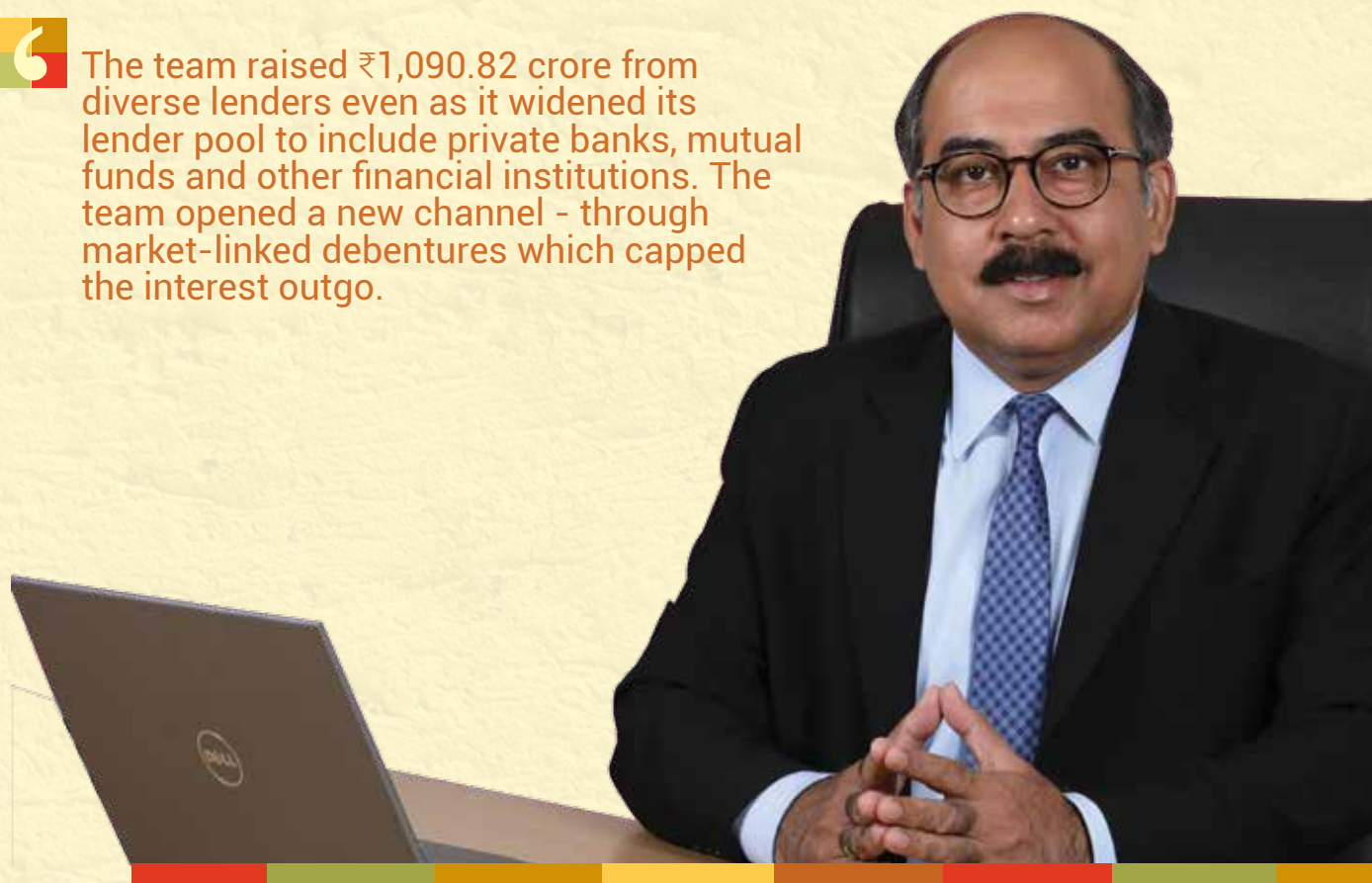
on strengthening the learning culture within the organisation for sharpening their expertise and honing leadership capabilities.

In keeping with this goal, we made an important structural change in the organisation. We moved our back-end operations (credit check and loan processing) from the head office to our regional offices. This move, I believe, will help the organisation from two standpoints:

- We created decision-makers in the middle management, which, over the years will build our leadership pipeline.
- We remained better connected with our customers. We resolve queries faster and we processed loan applications quicker and more accurately. Our customers get their money faster.



The team raised ₹1,090.82 crore from diverse lenders even as it widened its lender pool to include private banks, mutual funds and other financial institutions. The team opened a new channel - through market-linked debentures which capped the interest outgo.



Making responsibility our culture

At Fusion, providing a ray of hope to the underprivileged is everything. Because they are fellow Indians who are impoverished. Because they have been overlooked for decades. Because their innocence has been misused. Because their faith has been broken time and time again.

I consider, the entire Fusion team, has done a great job in improving the quality of life of our customers who, at one point in time, had lost hope of better days.

But the question remains, how are we taking our commitment to this section of the community to a higher orbit. We have removed Social Responsibility initiatives from our 'To-do-List' and are embedding it into the organisational culture. In doing so, the priority of social responsibility gets uplifted from a department agenda to an organisation-wide thought.

Going forward

We remain focused on expanding our frontiers in developing and deploying technology-based solutions, which enable us to create a knowledgeable and empowered India.

Hence, even as we continue to expand our presence to new states within India, we would endeavour to strengthen our network of digital branches. And, even as we continue to fund their dreams, we will strive to empower them with service at their fingertips.

Warm regards,

Devesh Sachdev

Hall of Fame

Fusion Microfinance was honoured to have the presence of Her Majesty the Queen of Belgians. She was delighted to hear about our clients remarkable entrepreneurial journey and self-sustainability achieved with the support of Fusion. The Queen was also presented with handmade products made by the clients themselves.





The business excellence journey

At Fusion, we believe that there is always room for improvement.

In our endeavor of being better, we initiated a cultural change by implementing Lean Six Sigma Methodology across the organisation by creating a Business Excellence Vertical to identify areas to implement Six Sigma and Lean Value Projects for enhancing productivity and optimising operational cross.

Headed by a Lean Six Sigma Master Black Belt professional, cross-functional teams work together on business critical processes with the aim of transforming conventional systems into technology-driven solutions that will enable the Company to provide superior service with greater accuracy. This culture of participation has become the new organisational DNA where incremental yet meaningful improvements promise to lift the organisation into a new efficiency orbit over the coming years.

Lean Six Sigma projects

These are strategic projects which herald a process overhaul and hence are worked upon by cross functional teams. Since these are transformational in nature they take about 6-8 months from conceptualisation to its implementation. Key projects implemented are highlighted below.

Accounting module decentralization: The team successfully developed a solution for real time reconciliation of daily transactions using the Lean

Six Sigma methodology. The Project enhanced productivity both at Branch and Head Office by reducing the reconciliation time.

Customer contact tracking: The team undertook a project to obtain accurate contact details (primarily mobile numbers) of customers. This would help in providing information on disbursements, collections and other updates relating to their loan account. The team made healthy progress – customer data collection progressed from 40% in September 2017 to 84% in March 2018

Lean Value Stories

Embarking Kaizen (Continuous Improvement) in the work culture, Lean Value Stories are a platform to implement quick-fix ideas wherein the prospective solutions are implemented with the help of Lean Tools. As such, Value Stories are generally completed within 2-4 weeks. Some of the noteworthy lean value stories are narrated below.

Digital cheques: The team Introduced digital cheque printing solution and a dual signatory mechanism. The new solution saved immense time in cheque issuance. Besides, the dual signatory mechanism completely nullified the risk of forgery.

Change in operating system: The need for Operating Systems and MS-Office increased significantly as the Company added new branches across geographies. As a result, the license fee and operating cost became prohibitive. The team zeroed in on introducing Linux (UBUNTU/MINT) Open Source Operating System. By the close of the year, about 90% of the existing Branch users have transitioned to the new operating system.



Work, women & woes

If the number of women who quit jobs in India between 2004-05 and 2011-12 (the last year for which census data is available), was the population of a city, it would, at 19.6 million, be the third-most populated in the world, after Shanghai and Beijing. Of this number, rural women accounted for about 53%.

Only 27% Indian women are currently in the labour force. Among G-20 countries, only Saudi Arabia is worse, as reported by IndiaSpend on April 9, 2016. Within South Asia in 2013, India had the lowest rate of female employment after Pakistan.

In over two decades preceding 2013, female labour force participation in India fell from 34.8% to 27%, according to an April 2017 World Bank report.

So, why are women quitting jobs?

The power of choice, the shame of a working wife: complex reasons.

Ongoing research and IndiaSpend's own on-the-ground reporting suggests a complex web of constraints that keep women away from the workplace.

Chief among these are issues of women's agency.

A man is expected to have a paid job. When he seeks one, he needs nobody's permission. Girls and women, on the other hand, almost without exception must have the permission of their fathers, brothers, husbands and in some cases even village panchayats in order to work or even learn skills that will make them employable. This is because family and responsibility for household work are serious constraints.





Information nugget

In the first four months of 2017, a nugget of information went by unnoticed: while jobs for men increased by 0.9 million, 2.4 million women fell off the employment map, according to the Centre for Monitoring Indian Economy (CMIE).

Patriarchy, cultural and social attitudes exist all over India. But in many states in the north, there's a feeling of 'shame' if a man's wife works.

Unsurprisingly, Bihar, Haryana, Jammu and Kashmir and Punjab report the lowest rates of female labour force participation, whereas hill states such as Sikkim and Himachal Pradesh where men have historically migrated out for work, leaving women in charge of village economies, female labour force participation or FLFP to use a brief acronym for a distressing trend, is high.

The female labour force participation rate (FLFP) refers to the section of working women population, above the age of 15 in the economy, that are currently employed or seeking employment. It is measured as the ratio of female to male proportion of a country's working-age population, employed in the labour market.

India has the second-lowest female labour force participation rate in South Asia. Studies reveal that, in rural as well as urban areas, while the proportion of regular wage-earners in households increased between 2004-05 to 2011-12, proportion of self-employed persons and casual labour decreased, indicating the rising stability in family incomes.

Rising income levels and stability in families is also dis-incentivising women from joining the labour force, according to Reassessing Patterns of Female Labour Force Participation in India, a March 2017 report by the World Bank, which analysed government data from 2004-05 to 2011-12. The proportion of regular wage earners in urban areas was 20 percentage points more than rural areas, which explains its low FLFP rates.

How can this change?

According to the World Bank study, merely increasing women's access to education and skills will not necessarily lead to a rise in FLFP. Gains will not be realised unless social norms around women's (and men's) work also change, and/or the rural labour markets offer forms of employment that are acceptable and attractive for women and their families.

Jobs near home attract women: 93% of unemployed female youth said they would take a job if they could work from home or in the village, according to a pilot survey conducted among rural, below-poverty-line youth in areas around Bhopal in 2015, IndiaSpend reported on March 8, 2016.

In addition, policies should focus on promoting the acceptability of female employment and investing in economic sectors in rural areas that are attractive in terms of female employment.

What could be?

If women participated in the economy at par with men, India could increase GDP by up to 60%, or US\$2.9 trillion, by 2025, according to a 2015 study by the McKinsey Global Institute, a think tank. At present, women contribute a mere 17% to the country's GDP, well below the global average of 37%.



Working women – a new perspective

Women's participation in work is an indicator of their status in a society.

Where women's work participation rates are relatively low, it is safe to say that the surrounding society isn't giving women the capacities, opportunities and freedom to engage in productive work, nor recognising the vast amount of work performed by women as unpaid labour.

In India, where the economy has been growing rapidly over the past 30 years, recent statistics appear to show that women's workforce participation rates (already low by international standards) have declined. Is there something about Indian society and the nature of economic growth that has led to this historically unprecedented combination of trends?

Estimates of employment in India are based on surveys conducted periodically (not every year) by the National Sample Survey Office (NSSO). It said that in 1999-2000, 35% of rural women and 17% of women over 15 years old were "working", as regular or casual wage workers, self-employed or unpaid helpers in family enterprises (like farms or small shops). By 2011-12 (the most recent survey published), after a period of rapid economic growth, this has declined to 25% in rural areas and remained at the same pitifully low rate in urban areas.

However, this definition of employment excludes some important activities that are definitely work (sometimes very hard work) and contribute critically to the economy, but are not recognised as such by the surveys – or by policymakers and society.

In India's NSSO one category excluded from employment (and therefore even from being counted in the labour force) is code 92: those who "attended to domestic duties only". That includes all the activities that constitute the care economy, that is looking after the young, the sick and the elderly as well as other healthy household members, cooking, cleaning and provisioning for the family, and so on. Another category excluded is code 93: those who "attended to domestic duties and were also engaged in free collection of goods (vegetables, roots, firewood, cattle feed), sewing, tailoring, weaving, etc for household use".

What has happened is not a decline in women's work participation, but a shift from recognised work to unpaid work. If such women are actually counted among workers, as indeed they should be with the new definition adopted by the ILO in 2014, then the picture changes completely.

Women's workforce participation rate in 1999-2000 increased to a whopping

89% in rural areas, and only declines to 85% in 2011-12 (a decline that can be completely explained by more enrolment in education among the 15-24 age group). In urban areas, the participation rate increases to 81% in 1999-2000 and remains around the same at 80% in 2011-12.

So what has actually happened is not a decline in women's work participation as such, but a shift from paid or recognised work to unpaid work. This is a dispiriting shift, because it is also typically associated with women's and girls' loss of agency and bargaining power within the family.

The invisibility of such women workers is appalling because such work is essential to the survival of society and provides a huge and unnoticed subsidy to the "formal" economy.

It is also inefficient and unjust, adding significantly to the relational inequalities that are so entrenched in Indian society. It disempowers even paid women workers, since what women do is undervalued, and contributes to large gender gaps in wages. And it allows policymakers to forget about the conditions of hundreds of millions of workers on whom the entire economy depends.



Microfinance sector

Financial inclusion today is not just a concern limited to the developing or underdeveloped countries alone but also that of developed economies. As an enabler, greater financial inclusion contributes to development goals of poverty reduction, economic growth and jobs, greater food security and agricultural production, women's economic empowerment, and health protection.

Microfinance, a medium that provides financial resources at the bottom of the societal pyramid, has emerged as the most viable model for financial inclusion of masses hitherto considered non-bankable.

Why is microfinance essential for India?

India is an agriculture-based rural economy where more than 60% of total population still resides in villages. Villages are at the heart of India. The main occupation of rural people is agriculture and usually they pursue it as a way of life. India's rapid development depends on the progression of its rural sector. However, according to NSSO, the monthly income of an average Indian farmer having a family of five members and possessing two animals, is much lower compared to that in the other developing nations. Hence, microfinance becomes essential for rural India.

Microfinance industry of India: Core strengths

- Regulated by the Reserve Bank of India with MFIN as the SRO for the industry
- Stringent industry code of conduct in place
- A street delivery model, which ensures doorstep delivery to clients
- Bouquet of products such as micro-credit, micro-insurance and micro-pension among others
- Presence in under-banked and untapped zones
- Financial literacy and awareness integrated to product delivery
- Conducive environment for clients promoting local culture, local employees and high customer connectedness

Microfinance in recent times

Microfinance has reached an important inflection point in India. Some large and established MFIs have transformed into Small Finance Banks, which provides them access to deposits and greater operational leverage. New age players are disrupting traditional systems and processes by leveraging digital data, embracing technology, establishing enduring partnerships, diversifying product portfolio and moving beyond the traditional group-lending model. These changes are altering the sectoral ecosystem and will redefine how microfinance is delivered in the future.

Industry performance

- As of March 31, 2018, 2.53 crore clients have loan outstanding from NBFC-MFIs, which is an increase of 25% over 2016-17.

- The aggregate gross loan portfolio (GLP) of MFIs stood at ₹48,094 crore as on March 31, 2018. This represents a YoY growth of 50% as compared to March 31, 2017.

- Loan amount of ₹59,629 crore was disbursed in 2017-18, representing an increase of 49% as compared to 2016-17.

- NBFC-MFIs disbursed 268 lakh loans during 2017-18, an increase of 25% over 2016-17.

- Average loan amount disbursed per account during 2017-18 was ₹22,273, an increase of 19% from 2016-17.

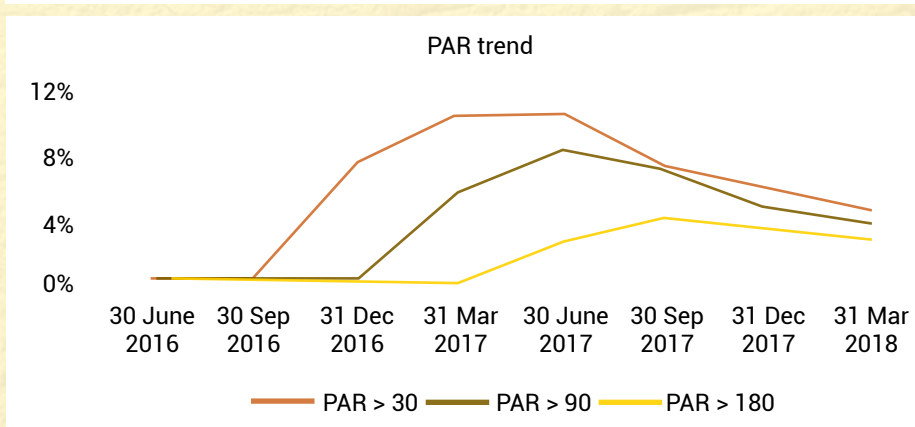
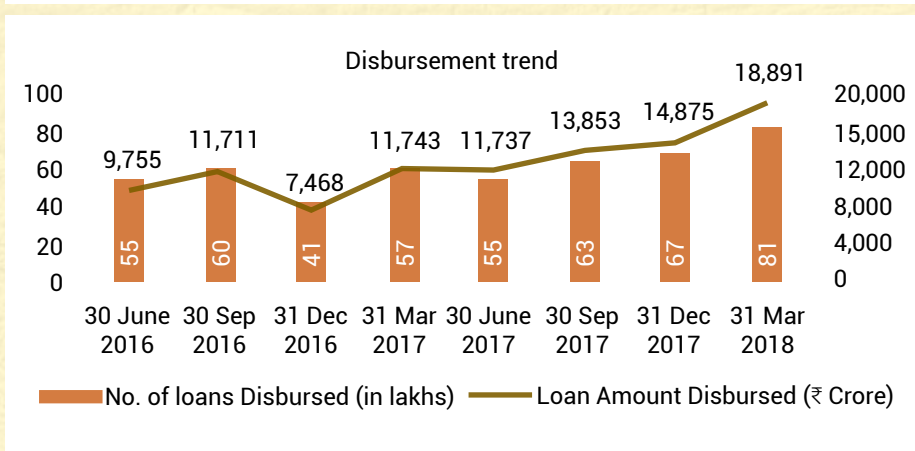
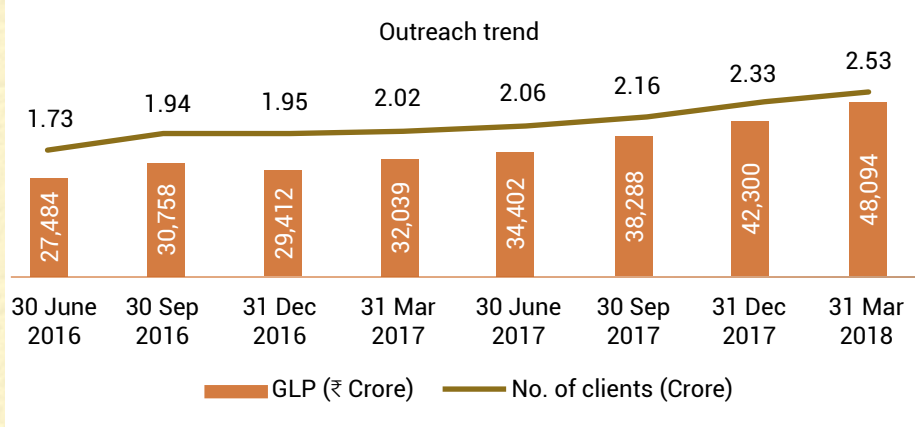
- During 2017-18, NBFC-MFIs received a total of ₹20,695 crore in debt funding, growth of 20% compared to 2016-17.

- During 2017-18, NBFC-MFIs raised a total of ₹9,631 crore as equity, up by 40% from 2016-17.

- Portfolio at Risk (PAR) > 30 as on March 31, 2018 is 4.44%. This does not include BFIL data. This is a significant improvement from 11.05% as on March 31, 2017.

- MFIs now cover 30 states/union territories.

- In terms of regional distribution of portfolio (GLP), East and North East accounts for 44% of the total NBFC MFI portfolio, South 20%, North 14%, West 11% and Central contributes 11%.



The customer's expression

Making a difference...



"Education of my children was always a point of concern for me and my husband as his earnings were never enough to pay for their school fees. Finally, the inevitable happened. And we were compelled to withdraw their names from the school. It was one of the darkest days for us.

As we started to come to terms with this set back, I came to know of Fusion Microfinance, who were giving loans to people in our village. I was skeptical of taking a loan as I have heard of a number of people who had taken loans in the past and they were completely finished.

After considerable deliberation and strife, I took the loan. With the money, I bought a buffalo. We made some money by selling the milk. But more importantly all members of the household got something to do. I repaid the loan. And took a second loan. Our earnings grew. We bought four more buffaloes.

And since then we have not looked back. Our children re-joined school. We bought a bicycle for my husband. Today I feel content that I am equally supporting my husband and contributing towards a better future of my children".

Sumitra

Dhampur, Uttar Pradesh



"When my husband passed away, my world stopped. One, was the vacuum in place of my life companion. Two, and the most important, was the responsibility of bringing up our two sons. Three, the social stigma of being a lone woman in a village. Who would give me work?

My daily wages just about got us some food and provided shelter under a dilapidated roof. Despite this hardship, I continued to nurture the dream of providing a good future for my children.

And even as I was on the verge of a near break-down, my brother-in-law continued to encourage me to start a grocery shop. And introduced me to Fusion.

Extremely hesitant, I took a loan from them and started the venture at my home. And within a short time, the business started generating good returns -I earned about ₹7,000 per month.

Fusion's critical support in my darkest hour, provided the ray of hope that brightened mine and my family's future. For this, I will forever remain grateful.

Anita

Dhampur, Uttar Pradesh



"My husband was working as a factory labourer whose meager earning of ₹6,000 per month was not enough for us to make our ends meet. We wanted to give a good future to our only daughter, which seemed impossible owing to our financial incapability.

I wanted to help my husband and our family financially. But being in a village, I was not allowed to step out of our house to work. They say when things are going to happen, they just do. I got to know about Fusion. They were God sent. They not only provided me the funds to start my quilt making business, but also hand-held me in managing and growing the business.

The business gained prominence over time and our financial status stabilised. With my next cycle loan from Fusion, I started a grocery store for my husband.

We are happy that our household income has increased to ₹10,000, which will help us in ensuring a good education for our daughter who is 4 years old and has just started going to school".

Savita Mandal

Gadarpur, Uttarakhand

Back on track



Uttar Pradesh

Branches		Loan outstanding (₹)		Disbursement (₹ crore)	
2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
62	65	177,034	196,045	194	329



Delhi

Branches		Loan outstanding (₹)		Disbursement (₹ crore)	
2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
2	2	1,536	1918	4	5



Madhya Pradesh

Branches		Loan outstanding (₹)		Disbursement (₹ crore)	
2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
40	47	110,084	115,516	97	192



Uttarakhand

Branches		Loan outstanding (₹)		Disbursement (₹ crore)	
2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
13	13	49,678	39,280	48	70



Punjab

Branches		Loan outstanding (₹)		Disbursement (₹ crore)	
2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
11	17	23,004	62,126	53	126



Haryana

Branches		Loan outstanding (₹)		Disbursement (₹ crore)	
2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
20	20	80,597	88,543	103	163



Bihar

Branches		Loan outstanding (₹)		Disbursement (₹ crore)	
2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
46	70	145,254	232,635	175	371



Jharkhand

35.71% Branches		24.07% Loan outstanding (₹)		60.66% Disbursement (₹ crore)	
2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
14	19	37,307	46,285	44	70



Chattisgarh

233.33% Branches		248.79% Loan outstanding (₹)		289.03% Disbursement (₹ crore)	
2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
3	10	5,231	18,245	8	33



Odisha

96.43% Branches		189.43% Loan outstanding (₹)		134.20% Disbursement (₹ crore)	
2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
28	55	50,210	145,323	101	235



Maharashtra

- Branches		190.55% Loan outstanding (₹)		160.57% Disbursement (₹ crore)	
2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
8	8	2,422	7,037	5	13



Rajasthan

2100% Branches		176391% Loan outstanding (₹)		144910% Disbursement (₹ crore)	
2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
1	22	12	21,179	0.03	43.50



Himachal Pradesh (new entry)

- Branches		- Loan outstanding (₹)		- Disbursement (₹ crore)	
2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
-	2	-	1372	-	3



West Bengal (new entry)

- Branches		- Loan outstanding (₹)		- Disbursement (₹ crore)	
2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
-	9	-	8,336	-	17

Business operations

Customer acquisition

Fusion continued to strengthen its coverage of the Indian landmass to explore and capitalise on microfinance opportunities with cautious aggression. Hence, even as it continued to strengthen its presence in existing states (104 branches added), the Company established its footprint in two new states – Himachal Pradesh and West Bengal (rolling out 11 branches). In doing so, the Company added 491,534 new customers, disbursing ₹1,027.05 crore. Further, the Company launched the top-up products (to meet customer emergency or allow a customer to capitalise on a one-time opportunity) for select customers with a high credit profile – the team enlisted 8,000+ customers in this vertical. Going forward, the Company is focused on entering three new states in 2018-19 for sustaining its growth prospects over the coming years.

New branches		
2016-17	101	13.86%
2017-18	115	
New customers added		
2016-17	308,789	59.18%
2017-18	491,534	
Additional disbursement (₹ crore)		
2016-17	706.70	35.73%
2017-18	1,027.05	

Credit management

As the name suggests, this is a critical business function that transforms sectoral opportunities into quality business assets. As competition intensified, customer knowledge about nuances to secure loans from multiple agencies increased. This resulted in over-indebtedness and defaults.

While customer acquisition is critical for growth, the Company focused on securing quality assets for making its profitable growth sustainable. Towards this end, the Company put in place strong credit filters that are periodically reviewed and aligned with sectoral and on-field realities.

In 2017-18, the Company did a trial run of a mobile app which allows its field officers to do a first-round check of every applicant's creditworthiness instantly – improving their productivity and the overall asset quality for the Company.

Further, the Company decentralised the credit approval process from the Head Office to regional offices to improve the turnaround time for credit approval and reduce the cost of credit appraisal.

Going forward, the Company plans to check applicant data with multiple credit agencies for a more detailed check on their indebtedness. It also plans to launch its mobile app across all locations.

In addition, the team plans to leverage data analytics for reviewing every pincode of its presence and existing asset portfolio to identify early warning signals for delinquencies and take proactive remedial action.

Applications received		
2016-17	425,742	139.99%
2017-18	1,021,734	
Portfolio at risk > 30 (%)		
2016-17	23.11	(83.55)%
2017-18	3.80	
Gross NPAs (%)		
2016-17*	11.63	(65.82)%
2017-18	3.98	

* Without RBI dispensation

The senior management team



Back-end operations

This is the heart of the business operations, which focuses on disbursing funds with speed while optimising cost of operations even as the Company widens its operational canvas across Indian states.

To achieve these goals, the microfinance sector, in recent times, has invested in technology-based solutions to convert manual processes into digital systems. Fusion has been a frontrunner in this transformation. It launched a document management system, cash-less disbursements and the concept of digital branches.

In 2017-18, the Company took an important strategic decision to shift its application processing to its regional offices, which was earlier concentrated at the Head Office – even as it maintained a disciplined control on the operations of all regional offices. This initiative reduced the turnaround time for loan processing and optimised operational costs.

In addition, the team focused on cash-less disbursements, which optimised cost and time of disbursement and brought 325,822 villagers into the formal banking system. The Company also took its digital branch concept ahead, setting up five new digital branches during the year under review.

Going forward, the team will continue to introduce unique technology-based solutions, which would enable it to move closer to its envisioned goals. Besides, it would focus on strengthening cash-less disbursement and introducing digital branches.

Further, the Company is working on a blue-print to launch a 'Branch-based Risk Scoring Card' which will monitor the performance of every branch (across multiple parameters) periodically. This initiative will provide early warning signals of operational challenges and asset delinquencies in addition to unearthing opportunities of business growth.

Applications processed

2016-17	422,761	70.85%
2017-18	722,290	

Turnaround time for loan (application to disbursement (days)

2016-17	11.47	(1.97)%
2017-18	11.70	

Cash-less disbursement as %age of overall disbursements

2016-17	7.50	48.50%
2017-18	55.00	



Collection management

Cash collection is as critical as it is risky. Critical, as timely cash inflow into the business enables the organisation to repay debt and grow business. Risky, because cash often leads to crime - especially considering the rural areas in which microfinance companies operate. Fusion is also impacted by these realities, which make efficiency in cash collection extremely necessary for business sustenance.

After the demonetisation drive that significantly impacted cash collection in the latter part of 2016-17, fiscal 2017-18 opened on a brighter note with customers returning to their paying days. The going was better for Fusion because they stood by their customers – visited villages, interacted with customers, understood ground realities and challenges, helped customers come out of the demonetisation overhang. This painstaking exercise facilitated in superior collection efficiency even in tough days – achieved 137.03% of the collection of pre-demonetisation disbursements.

In 2017-18, the Company rolled out a cash-less collection module on a trial basis. This facilitated in faster collection and eliminated the risk of handling cash. The team plans to roll out this module across its operating sites in the current year.

Collection efficiency (%)

2016-17	90.70	8.43%
2017-18	99.13	

Collections (₹ crore)

2016-17	818.93	36.44%
2017-18	1,117.38	

Treasury management

This function is the lifeline for any financial institution as it provides the critical input for every business operation – Money. As such, treasury management involves sourcing and repayment of funds, managing cost of funds and ensuring that assets are matched with liabilities. This avoids the possibility of overleveraging by the Company.

The challenge of treasury management becomes more intense when you have multiple lenders, with diverse interest rates, tenures and terms and repayment schedules. To effectively manage this, the Company institutionalised a comprehensive loan management system which ensures that all repayments are made timely – its MIS dashboard allows the team to perform accurate cash management to ensure organisational liquidity at all times.

Fiscal 2017-18 was momentous for the Company due to multiple factors.

- The team raised ₹1,090.82 crore from diverse lenders even as it widened its lender pool to include private banks, mutual funds and other financial institutions
- The team sourced ₹25 crore through a new financial instrument – market-linked debentures which capped the interest outgo
- The team securitised ₹226 crore of its assets, emerging as the first microfinance player in India to securitise a Uttar Pradesh originated portfolio with a reputed NBFC
- The team also sourced ₹80 crore equity from its existing investors namely Creative Investments, Oikocredit, Ecumenical Development Cooperative Society and Global Financial Inclusion Fund.

From an operational perspective, the Company introduced a cash pull back system which transferred idle-funds (beyond the stipulated limit) from the branches (bank account) to the Head Office (bank account). This pooling helped in better cash management.

Going forward, the team is working on sourcing more than ₹2500 crore from its funding partners through a prudent mix of debt and equity. In addition, the team is strategising on increasing the proportion of long-term loans in its overall fund pool to strengthen its asset-liability matrix.

Funds secured (₹ crore)

2016-17	730.05	49.42%
2017-18	1,090.82	

Average interest cost (%)

2016-17	14.13	(4.67)%
2017-18	13.47	

Team bonding

Pleasure in the job puts perfection in the work. Aristotle

As an organization we believe in celebrating milestone moments of our employee's journey with us. We have 3 years, 5 years & 7 years' Service Awards. This helps to instil in employees the feeling of oneness with the organization and its leadership.

Fusion has its own Cricket League. This is a source of both pride and inspiration and their performances are closely followed, critiqued and achievements are celebrated. This healthy spirit of competition is fostered as a positive inspiration for their workplace contributions.



If you don't invest in risk management, it doesn't matter what business you're in, it's a risky business. Gary Cohn

Fusion's risk management framework encompasses strategy and operations and seeks to proactively identify, address and mitigate existing and emerging risks. The risk management framework

goes far beyond traditional boundaries and seeks to involve all key managers of the Company. There is a formal monitoring process at unit and company level, wherein new risks are identified,

categorised as per impact on probability, mapped to key responsibilities of select managers and managed with appropriate mitigation plan.

Growth risk

Will the Company be able to sustain its growth momentum going forward?

Mitigation: In a country, where more than 20% of its population is below the poverty line, growth opportunities for microfinance abound across the Indian landmass. Hence, growth is a natural consequence of geographic expansion.

Fusion has extended its footprint in four states in the last two years and added 96 new branches in the states of its presence. This increasing coverage is expected to generate important growth opportunities for the Company over the coming years.

301.21

Disbursements (₹ crore)
made from the new branches
added in 2017-18

Funding risk

How will the Company manage the growing financial requirement to satiate increasing opportunities?

Mitigation: Fusion is one of top 10 pure play microfinance players in India and is widely respected for its ethical standards and governance practices. This is reflected in its high rating by credit rating agencies - Fusion's rating and grading was reaffirmed as MFI 2+ and BBB+ (Stable) by CARE Ratings – one of the highest ratings received by a microfinance player in North India post the demonetisation drive. This credibility fabric enables the Company to source funds from multiple lenders. The Company added new lenders, namely private sector banks, to its lender portfolio. Further, the Company raised ₹80 crore in equity from existing investors, which provided the cushion to enhance its debt borrowing.

1,090.82

Funds sourced (₹ crore) in 2017-18
against ₹730.05 crore in 2016-17

Funding partner risk

The funding from PSU banks could dry up in the near future. What then?

Mitigation: Public Sector Banks are mandated by law, to earmark a proportion of their lending to the rural sector (priority lending). Hence, despite the NPA issues which is looming large on PSU banks, the lending to the priority sector will continue – PSU banks would prefer to lend to microfinance companies with a high credit rating and good track record. Fusion features high on this preference list.

As a prudent de-risking measure, the Company has further diversified its lender base to include private sector banks and mutual funds. Going forward, the Company plans to maintain a prudent mix between its lenders to avoid an over-leverage on any single category.

385

Funds (₹ crore) sourced from
private banks and mutual funds
from the total funds
sourced in 2017-18

People risk

Does the Company have the people resources to manage business expansion?

Mitigation: In this people-centric business, having the right people resources is critical to survival, success and sustenance. Hence, the Company lays utmost stress in recruiting the right knowledge capital. In addition, the Company makes significant effort in enhancing their intellectual capability and work attitude to tide over operational issues. Further, the Company proactively recruits its people resources before branch roll-out to ensure that the teams are well-versed with the operational systems and processes.

3,202

People resources on the rolls
as on March 31, 2018
for branch roll out in 2018-19

Service risk

How will the Company effectively service its customers even as it widens its geographic coverage?

Mitigation: Service in the microfinance business space means doing things with speed and simplicity. For it is about dealing with simple people who do not understand complex nuances of the financial world.

In recent times, the microfinance industry is witnessing a process transformation which allows the microfinance player to service its customer faster and better even as it widens its operational canvas by leveraging technology.

Fusion features among the proactive microfinance players catalysing this transformation through its cash-less disbursement, digital branches, mobile app. This results in faster appraisals and disbursements and accurate account management - thereby enhancing customer experience and delight.

491,534

Customer added in 2017-18

Asset quality risk

Aggressive volume growth could impact asset quality!

Mitigation: Even as business volumes increased significantly, Fusion leveraged technology to process applications faster and tightened its credit filters to improve asset quality. The newly launched mobile app enabled field offices to verify and assess the credit worthiness of applicants' real time, leading to faster and better customer selection. Moreover, the decentralised processing of customer applications at the regional offices helped in superior credit appraisal and faster processing of customer applications.

In addition, the Company has recently started working with multiple credit agencies to verify data accuracy of every application and checking for over-indebtedness of the applicant. This will help in improving asset quality going forward.

3.98%

Gross NPAs
as on March 31, 2018
– a showcase of asset quality.

Defalcation risk

How does the Company manage incidences of cash defalcation by its employees?

Mitigation: Being a purely cash operated business, the microfinance sector as a whole faces the risk of cash theft (by strangers) and cash defalcation (by employees). And Fusion is no different.

For theft, the Company takes all steps which any other microfinance player would do and which are required by regulation and law.

To address the issue of defalcation by employees, the Company periodically educates its on-field team of the consequences of the act in terms of his respect, his employability and his career and the impact on the family. This proactive approach has ensured that the number of incidents for Fusion, are lower than most others in this business space.

For incidents that do occur, the Company circulates data of the person to all other microfinance players operating in that geography and leverages the legal route to retrieve the loss. This has worked well for the Company.

37.67%

Proportion of the funds
recovered from
the defalcation cases

Board of Directors



01

Devesh Sachdev

CEO & Director

The Company's Founder & CEO, Devesh Sachdev, an XLRI Post Graduate with 16 years of experience in the service industry prior to starting Fusion in 2009-10. He started his career with Citigroup in 1996. Amongst the diverse experiences, his expertise lies in building business, managing large teams in a cost efficient manner, strategy, key relationship management and handling all dimensions of the business. Under his leadership, Fusion has grown into one of the leading microfinance institutions and continues to expand its operations. He also sits on the Board of MFIN, a Self-Regulatory Organization for NBFC-MFIs.

02

Laetitia Counye

Nominee Director

She is a Senior Investment Officer – Private Equity at the Belgian Investment Company for Developing Countries (BIO). Laetitia has a 16+ years track record in private equity investments both in emerging and developed markets after having started her career in asset management (ING). Ms Counye has a Master of Science in Business Economics from Vrije Universiteit Brussel, Belgium. She has also served as Board Member at Annapurna Microfinance from BIO's initial investment in 2014 to June 2017.

03

Njord Andrewes

Nominee Director

Njord Andrewes is Investment Director in NMI AS. Prior to joining NMI, Mr. Andrewes was a Senior Equity Research Analyst at Lazard Capital Markets. Mr. Andrewes received an MBA in Finance from Kelley School of Business at Indiana University, and a B.A. in Economics from Hope College. Mr. Andrewes holds several Board or Director positions as well as a member of several advisory committees of financial inclusion funds.

04

Albert Hofsink

Nominee Director

Albert holds a Bachelors in Accounting, and Honours degree in Accounting & Controlling as well as a Certificate in Theory of Accountancy from the University of South Africa. He has spent a large part of his career at Oikocredit, a global social investor investing capital in the microfinance sector as well as agricultural cooperatives and social enterprises managing wide ranging responsibilities ranging from Accounting, Treasury, Finance, Tax, Risk Management and IT. He has also served on the Boards of: HKL (a Cambodian MFI); Maanaveeya Development Finance India and other operating subsidiaries of Oikocredit. He is currently serving on the Boards of Fusion Microfinance (India), Musoni Microfinance (Kenya), Yalelo Limited (Zambia) and is on the advisory Board of the 4F Fund (Netherlands).

05

Ratna Vishwanathan

Independent Director

She has been the CEO of MFIN for the last three years and was Dy. CEO prior to that. She has built a strong Self Regulating Organisation in line with the sector supervision mandate of the RBI and built strong credibility for the sector in the eyes of the external world. She has put in place the international microfinance conclave which is now an annual feature and has enhanced the visibility of the sector.

Belonging to the 1987 batch of the Indian Audit and Accounts Service, Ms. Vishwanathan comes with extensive experience across a range of Government departments including Audit, Defence and Prasar Bharti. She has also served at very senior levels in well-known international NGOs such as Oxfam and VSO.

Ratna Vishwanathan is a Director on the Board of Mudra, Member of the RBI's

Financial Inclusion Advisory Committee and Chairperson of the South Asian Microfinance Network. She is currently the CEO of the Sustainable India Finance Facility which is an entity set up under the United Nations Environment Programme and is partnering with BNP Paribas to bring in private sector investment into sustainable agriculture, green energy, water conservation and other sustainable enterprise at scale.

06

Ken Vander Weele

Nominee Director

Mr Vander Weele has a PhD in international economics from Oxford University, and a BBA in Accounting from the University of Wisconsin. Ken is also a CPA. He is a co-founder and partner in Creation Investments Capital Management, LLC, a fund management company that manages several specialized private equity vehicles that invest in emerging market financial services companies serving poor clients. From 2000 until 2009 Mr Vander Weele served as the President of the Investment Services Division at Opportunity International, a major microfinance network. Mr. Vander Weele was responsible for the development and oversight of all commercial MFIs within the Opportunity Network, garnering over \$1 billion in assets during his tenure. During this period, Mr Vander Weele was involved in forming three microfinance banks in Eastern Europe. Mr Vander Weele was also a founder and the board chair of the Microfinance Centre for Eastern Europe from 1998 until 2006 and the Balkan Financial Sector Equity Fund from 2005 to 2011.

07

Javed Ahmad Siddiqui

Nominee Director

Javed holds Bachelor of Engineering (Mechanical) from Aligarh Muslim

University, Aligarh. He also did his Masters in Business Administration in Marketing from AMU. He joined SIDBI in 1995 and held important positions in various departments like Business Development, HR and Administration. His prior prestigious postings include heading the Okhla, Ludhiana and now New Delhi branch of the bank.

08

Nitin Gupta

Independent Director

Nitin received an MBA from IIM, Ahmedabad, a law degree from Bombay University, and an Economics Honours degree from St. Stephen's College, Delhi. Nitin is the Founder of Argus Partners, India's only professional firm which focuses exclusively on helping companies find great Independent Non-Executive Board Directors. He is a non-executive co-founder of Faircent, India's first and best known P2P lending company. He is a Board Director at Loyalty Rewardz, India's #1 cards loyalty management company, which was funded by Canaan Partners and Venture East and then acquired by Bill Desk.

09

Pradip Kumar Saha

Independent Director

Mr. Saha was a Chief General Manager, Small Industries Development Bank of India (SIDBI) and senior development banker with more than 36 years of experience in development banking. During his long career in IDBI & SIDBI, he has handled various departments, some as Head of Department.

Beyond business



Fusion business extends beyond the scope of its offices to include the well-being of societies resident in the vicinity. This is because the Company nurtures the belief that an island of prosperity cannot sustain in a matrix of misery.

As a good corporate citizen, Fusion has been making enduring impact through its Social Responsibility programs that promote social and economic inclusion. The Company's social upliftment initiatives focus around financial and digital literacy, healthcare, education, skill development and environmental conservation, which facilitates bettering lives and improving livelihood, amongst others.

Digital and financial literacy

Fusion conducted Digital Literacy Program for its clients and other people from the community

Digital literacy programs were conducted to impart knowledge on various modes of cashless transaction, linking of Aadhar card to the branch, accessing account

details digitally, digital payments and using debit/credit cards for transaction.

Financial Literacy Programs were organised to enhance clients' awareness on important aspects of financial management. Various topics like household budgeting, investment, preventing over-indebtedness, developing positive attitude towards savings and financial security from the current income source etc. are deliberated in order to enhance consumers' financial acumen.

This initiative received an overwhelming response from clients and other people from the community who participated with full enthusiasm.

The team used multiple easy-to-comprehend media to impart awareness namely PPTs, videos, role play etc. Women themselves are made a part of these role plays. Some share their success and failure stories as well.

The effort was made to make rural households digitally and financially

literate, introduce cashless payments to them, enhance their economic growth and individual empowerment, thereby supporting the Digital India initiative of the Government of India.

Promoting child Education: As part of the Children's Day celebration, Fusion distributed school bags and stationery items to around 100 school going children of clients at Garhakhota in Madhya Pradesh.

Healthcare, hygiene and sanitation

Healthcare: Health check-up & medicine distribution camps were organised for the clients and their families across Fusion's operational areas. The diagnosis was done by highly experienced Gynecologists, Pediatricians, Ophthalmologists and General Physicians and medicines were distributed free of cost. Awareness on maintaining good hygiene and sanitation were also generated among rural women and children.

International Women's Day: Health awareness programs were organised for clients and their daughters in different states to celebrate International Women's day. Awareness on maintaining good personal health and hygiene was created through street plays, videos and counselling by Gynaecologists. This was followed by free sanitary napkin distribution. The focus was to encourage women to use sanitary napkins to maintain good menstrual health.

Sanitation: Fusion constructed toilets in the rural areas of Jharkhand, Uttar Pradesh and Madhya Pradesh to promote use of toilets at the community level. Some of them were constructed in the government schools for girls which facilitated their increased attendance in the school. The program supports 'Swachh Bharat Abhiyan' of the Govt. of India.

Education and skill development

Skill development: Jivika, a skill development initiative taken by Fusion in Bihar, Haryana & Madhya Pradesh to train and empower its clients to improve

their livelihood. They were trained on paper bag making, cutting and sewing, dona making program, pickle and papad making. Along with the product making, clients were trained on product packaging. Market linkage was also facilitated for sales in the right market. Certificates were distributed to each client who successfully completed the program.

Relief and welfare activities

Fusion organised a massive relief campaign 'Rahat – Ek Prayas', wherein it provided food packets and other necessary items like toiletries, medicines and utensils to clients residing in flood affected areas of North Bihar and Uttar Pradesh. The team also organised health check-up and distributed medicine to the clients and their families.

Food items, clothes and other relief material were provided to a client from Daudnagar, Bihar who lost her house and belongings on account of a natural fire caused by the heat wave.

Green cover

Fusion distributed saplings of medicinal plants like Neem, Tulsi, Jamun, etc to

the women of Jamalpur Pathani, a small village in Bijnor district of Uttar Pradesh. In addition, the Company organised programs where plantation of medicinal and fruit plants were done at Panchayat Area and government schools. It involved children, school authorities, Sarpanch and women of the village.

Other sponsorships

- Sponsored 1000 Dengue Protection Kits to support 'Behtar India' initiative of NDTV. The kits were distributed to students at government schools
- Sponsorship for supporting one year of education for underprivileged girl children studying in Udbhav school, Hyderabad.
- Sponsorship to Go Sports Foundation to support emerging athletes and their representation at major international events such as Commonwealth Games, Asian Games and the Olympics
- Sponsorship was given to "Sandeepon Music and Educational Society (SMES)" which runs Samriddhi, an open school dedicated to promote education, art and culture among underprivileged children.



Fusion received 92% Score and C1 Grade in Code of Conduct Assessment (COCA). The company was regarded as an excellent performer with respect to adherence to Code of Conduct.

फ्यूजन माइक्रोफाइनांस ने स्वास्थ्य जागरूकता कार्यक्रम का आयोजन किया

संवाददाता ■ भोपाल

विश्व महिला दिवस के अवसर पर फ्यूजन माइक्रोफाइनांस एक अग्रणी एनबीएफसी ने प्रज्ञा समिति के सहयोग से महाराष्ट्र भवन भोपाल में स्वास्थ्य जागरूकता कार्यक्रम का आयोजन किया। कार्यक्रम में भाग लेने वाले प्रतिभागियों में पी सी शर्मा, जिला अध्यक्ष कांग्रेस, सरोज गुजरे, पूर्व पार्षद, दर्शना सोनी आदि शामिल थे।



सामाजिक जिम्मेदारियों से सम्बंधित को समझाया जा सका कार्यक्रम के

सीएसआर गतिविधियां करते हैं। ऐसे स्वास्थ्य शिविरों के माध्यम से हम समाज के जरूरतमंद वर्गों को आवश्यक चिकित्सा सुविधा प्रदान करते हैं। हम अन्य

‘बीमारी कमी गरीबी अमीरी नहीं देख
और सामाजिक रूप से से संबंधित महिलाओं को जागरूकता देना है। पढ़ाई के माध्यम से करवाए गए कार्यक्रमों के जरूरी को जीवन में सुधार लाने के लिए महिलाओं के लिए शिक्षण से से कार्य कर रही है। शास्त्रों के माध्यम से भाग्यप्रदेश, उत्तराखंड, उत्तरांचल, दिल्ली, उड़ीसा, आदि में लगभग आठ लाख ज्यादा परिवारों को अपनी सेवा रहा है। फ्यूजन माइक्रोफाइनांस अपने परिवारों को महिलाओं पर केंद्रित हेल्थ के आयोजन करता है। हेल्थ के के द्वारा जितने से मंगल महिलाओं के स्वास्थ्य की जांच की गई है। सी रोग विशेषज्ञ एवं सामान्य चिकित्सकों द्वारा परिश्रम

फ्यूजन माइक्रोफाइनांस द्वारा लगाया गया स्वास्थ्य कैंप

देहरादून:- फ्यूजन माइक्रोफाइनांस एक अग्रणी एनबीएफसी कंपनी है जो लोगों के स्वास्थ्य प्रबंधन के लिए निरंतर सहयोग करने का प्रयास करती है, उसी के चलते फ्यूजन माइक्रोफाइनांस ने उधम सिंह नगर, गढ़रपुर उत्तराखंड में मेडिकल कैंप का आयोजन किया।



फ्यूजन माइक्रोफाइनांस द्वारा लगाया गया डिजिटल साक्षरता शिविर

श्री. फ्यूजन माइक्रोफाइनांस द्वारा डिजिटल साक्षरता शिविर का आयोजन किया गया। फ्यूजन माइक्रोफाइनांस एक अग्रणी एनबीएफसी कंपनी है जो लोगों के स्वास्थ्य प्रबंधन के लिए निरंतर सहयोग करने का प्रयास करती है, उसी के चलते फ्यूजन माइक्रोफाइनांस ने उधम सिंह नगर, गढ़रपुर उत्तराखंड में मेडिकल कैंप का आयोजन किया।



शिविर में उपस्थित लोगों को डिजिटल साक्षरता के बारे में शिक्षण दिया गया। फ्यूजन माइक्रोफाइनांस एक अग्रणी एनबीएफसी कंपनी है जो लोगों के स्वास्थ्य प्रबंधन के लिए निरंतर सहयोग करने का प्रयास करती है, उसी के चलते फ्यूजन माइक्रोफाइनांस ने उधम सिंह नगर, गढ़रपुर उत्तराखंड में मेडिकल कैंप का आयोजन किया।

समस्याओं और समुदाय के बड़े हिस्से में जागरूकता फैलाने के लिए फ्यूजन माइक्रोफाइनांस द्वारा आयोजित कार्यक्रमों में कई सीएसआर गतिविधियां शामिल हैं। फ्यूजन माइक्रोफाइनांस एक अग्रणी एनबीएफसी कंपनी है जो लोगों के स्वास्थ्य प्रबंधन के लिए निरंतर सहयोग करने का प्रयास करती है, उसी के चलते फ्यूजन माइक्रोफाइनांस ने उधम सिंह नगर, गढ़रपुर उत्तराखंड में मेडिकल कैंप का आयोजन किया।

150 महिलाओं ने कराया स्वास्थ्य परीक्षण

फ्यूजन माइक्रोफाइनांस प्रा. लि. ने निःशुल्क हेल्थ कैम्प का किया

प्रा. लि. (प्रकाश)



फ्यूजन माइक्रोफाइनांस प्रा. लि. ने निःशुल्क हेल्थ कैम्प का किया। फ्यूजन माइक्रोफाइनांस एक अग्रणी एनबीएफसी कंपनी है जो लोगों के स्वास्थ्य प्रबंधन के लिए निरंतर सहयोग करने का प्रयास करती है, उसी के चलते फ्यूजन माइक्रोफाइनांस ने उधम सिंह नगर, गढ़रपुर उत्तराखंड में मेडिकल कैंप का आयोजन किया।

वृक्षारोपण कर किया जागरूक

प्रेरणा
फ्यूजन माइक्रोफाइनांस ने स्वास्थ्य जीवन के प्रति लोगों को प्रेरित भी किया



विश्व महिला दिवस पर फ्यूजन माइक्रोफाइनांस ने स्वास्थ्य जागरूकता कार्यक्रम का आयोजन किया

महिलाएं दो कुलों का बढ़ाती हैं मान ही होना चाहिए बेटे-बेटियों में फर्क

अवसर अग्रणी सोशल रेस्टोरेट कार्यक्रम भाग लेने



गंजबारीदा... फ्यूजन माइक्रोफाइनांस प्रा. लि. ने निःशुल्क हेल्थ कैम्प का किया। फ्यूजन माइक्रोफाइनांस एक अग्रणी एनबीएफसी कंपनी है जो लोगों के स्वास्थ्य प्रबंधन के लिए निरंतर सहयोग करने का प्रयास करती है, उसी के चलते फ्यूजन माइक्रोफाइनांस ने उधम सिंह नगर, गढ़रपुर उत्तराखंड में मेडिकल कैंप का आयोजन किया।

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

BOARD'S REPORT

Dear Members,

Your directors have pleasure in presenting to you the 24th Annual Report together with the audited accounts of the company for the year ended March 31, 2018.

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

Particulars	FY March 31, 2018	FY March 31, 2017
Income		
Revenue from Operation	25,451.95	18,490.05
Other income	1,279.32	1,614.28
Total income	26,731.27	20,104.33
Expenditure		
Employee Benefit Expense	6,610.08	4,831.85
Depreciation Expense	204.07	160.26
Finance Costs	13,660.24	9,743.86
Provision for Standard and Non- performing Assets	2,195.39	2,562.22
Other Expense	9,421.98	2,324.61
Total Expense	32,091.75	19,622.79
Profit before Prior Period Expenses	(5,360.48)	481.53
Less: Prior Period Expenses (Net of Income)	-	-
Profit/(Loss)before tax	(5,360.48)	481.53
Current Tax/Deferred Tax	(1,419.14)	71.81
Loss/Profit After tax	(3,941.35)	409.72

Operational performance for the fiscal year 2017-18 is summarized in the following table:

Year ended March 31	FY March 31 2018	FY March 31 2017	Increase over % FY 2017
Number of Branches	359	249	44.18%
Number of Members	973,300	682,400	42.63%
Number of employees	3,202	2,191	46.14%
Number of States	14	12	16.67%
Amount Disbursed (INR In Crore)	1,670.58	830.84	101.07%
Portfolio Outstanding (INR In Crore)	1,495.53	771.16	93.93%

2. DIVIDEND

Dividend on Equity Share Capital:

The Directors have not recommended any dividend for the year under review.

Dividend on Preference Share Capital:

Due to insufficient profits, the company is not recommending any dividend for the financial year 2017-18.

3. TRANSFER TO RESERVES

Due to insufficient profit, in accordance with the provision of Section 45-IC of the Reserve Bank of India Act 1934, the Company has not transferred any amount to statutory reserve during the year.

4. GRADING AND CREDIT RATING

CARE has assigned Grading of **MFI 2+** (second highest grading on the eight-point scale) vide letter dated September 01, 2017 and Rating of **'BBB+ Stable'** on the Long-Term Bank Facilities to the tune of INR 500 Cr and on Long Term Instruments- NCD to the tune of INR 85 crore. Company has also been assigned rating of **'BBB (stable)'** by ICRA on NCDs of outstanding amount to INR 466 Crore.

5. CAPITAL ADEQUACY

The Capital Adequacy Ratio (CRAR) of the company was 21.87% as on March 31, 2018 as against the minimum capital adequacy requirements of 15% by RBI.

6. RESOURCE MOBILIZATION

a) Term Loan / Sub debt / Refinance

During the year under review, the Company has diversified its sources of funds and raised a sum

of INR 903 Crore by way of short-term, long-term loans.

b) Secured / Unsecured / Market Linked Debentures

The company raised an amount of INR 133 Crores by way of issuance of Secured Debentures, INR 30 Crores by issuing Unsecured Debentures and INR 25 Crores by way of Market Linked Debentures during the Financial Year ended March 31, 2018.

c) Asset Securitization / Assignment of receivables

During the year, your Company raised resources to the extent of INR 225.46 Crore through securitization and assignment of receivables.

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

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

The Company attained business performance by reaching out to 973,300 active loan clients as on March 31, 2018. The active loan clients grew from 682,400 as on March 31, 2017 to 973,300 as on March 31, 2018. The growth in active loan clients during the year was more than 42.63%.

The above was possible with excellent efforts of more than 3,202 employees of the Company as on March 31, 2018,

which was 2,191 as on March 31, 2017, through 359 Branches, across 14 states and 194 districts in India. During the year under review, the Company opened 110 new branches.

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

8.CHANGE IN THE NATURE OF BUSINESS, IF ANY

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

9. DIRECTORS

Changes in the composition of the Board of Directors

- During the year Mr. Aditya Bhandari has resigned from the post of Nominee Director on December 28, 2017 due to RIF North 2's (RIF) shareholding fallen below 10% (minimum shareholding limit for directorship). In accordance with this RIF had withdrawn its board nomination.
- Ms. Anita Alcira Serrate Cortez has resigned from the post of Nominee Director on January 09, 2018 due to personal reasons.
- Ms. Laetitia Counye was appointed as an Additional Director (Nominee Director on behalf of Belgian Investment Company for Developing Countries SA) in the Board Meeting held on February 08, 2018.

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

S.No.	Name	Designation	Date of Appointment	Date of cessation
1.	Ms. Laetitia Counye	Additional Director	Feb 08, 2018	Not applicable
2.	Ms. Anita Alcira Serrate Cortez	Nominee Director	Sep 29, 2015	Jan 09, 2018
3.	Mr. Aditya Bhandari	Nominee Director	Aug 11, 2010	Dec 28, 2017

10. DECLARATION BY INDEPENDENT DIRECTOR(S)

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

of Independent Director envisaged in section 149 (6) of the Companies Act, 2013.

11. NUMBER OF MEETINGS OF THE BOARD

During the Financial Year 2017-18,

the board met 8 (Eight) times i.e. on May 30, 2017, August 29, 2017, November 15, 2017, December 21, 2017, December 30, 2017, January 22, 2018, February 08, 2018 and March 29, 2018. Further details related to the Board Meetings are mentioned in the

Corporate Governance Report, which forms part of this report.

12. MATERIAL CHANGES AFTER THE BALANCE SHEET DATE (MARCH 31, 2018)

During the year, there is no material

change in the nature of business of the Company which have occurred subsequent to the close of the financial year of the Company to which the balance sheet relates and the date of the report.

13. EXTRACT OF ANNUAL RETURN

In accordance with Section 134(3)(a) of the Companies Act, 2013, an extract of the annual return in the prescribed format is appended as "ANNEXURE 1" to the Board's report.

14. SHARE CAPITAL

RAISING OF FUNDS/ INFUSION OF EQUITY CAPITAL

A. ISSUE OF EQUITY SHARES

S.No.	Date of Allotment	Name of the allottee	Category	Number of equity shares
1	December 30, 2017	Devesh Sachdev, Director & CEO	Indian	*10,99,295
2	December 30, 2017	Creation Investments Fusion, LLC	Foreign Investor	50,41,716
3	February 08, 2018	Oikocredit, Ecumenical Development Cooperative Society	Foreign Investor	15,45,455
4	February 08, 2018	Global Financial Inclusion Fund	Foreign Investor	2,09,091

*The Company has issued partly paid shares at which Re. 1 per share paid up on issuance.

B. NON CONVERTIBLE DEBENTURES

In the last FY, company has issued Non-convertible Debentures on private placement basis aggregating to INR 188.00 crore. Details of the Non-Convertible Debentures issued to the allottees in respective meetings are mentioned below:

S. No	Date of allotment	Name of Allottees	No. of NCD	Price per NCD (INR)	Status
1	July 07, 2017	Incofin CPP	310	1,000,000	Listed
2	September 04, 2017	Hinduja Leyland Finance	200	1,000,000	Listed
3	March 06, 2018	IFMR Fimpace Income Builder Fund	250	1,000,000	Listed
4	March 15, 2018	AAV SARL	190	1,000,000	Unlisted
5	March 16, 2018	Troidos Microfinance Fund	315	1,000,000	Unlisted
6	March 16, 2018	Triodos Fair Share Fund	315	1,000,000	Unlisted
7	March 31, 2018	Northern Arc Capital Limited	300	1,000,000	Listed

15. REDEMPTION OF NON-CONVERTIBLE DEBENTURES (NCDs) DURING THE FY 2017-18

S.No	Particulars	Date of allotment	No. of NCD	Amount (in million)	Redemption Amount	Date on which Debentures are Redeemed	Detail of redemption
1	Hinduja Leyland Finance Limited (CBO-VIII)	June 24, 2015	80	80	80,000,000	June 23, 2017	Fully
2	Hinduja Leyland Finance Limited	September 04, 2017	200	200	3,33,33,200	February 28, 2018	Partially

16. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

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

17. ISSUE OF SHARES UNDER EMPLOYEE STOCK OPTION SCHEME

The Company has a stock option plan under ESOP Scheme 2014 and 2016 for its employees. As on March 31, 2018, the following stock option grants were in operation:

PARTICULARS	Details
Number of options granted during the year	330,540
Number of options vested during the year	206,117
Number of options exercised during the year	19,928
Total number of shares arising out as a result of exercise of option during the year	19,928
Options lapsed during the year	-
Exercise price	20.55/27.08/37.99/64.08
Variation in terms of options	-
Money realized by exercise of options	409,521
Total number of options in force	891,618

The options shall vest on graded basis as follows.

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

EMPLOYEE WISE DETAIL OF THE OPTIONS GRANTED TO:-

- TO KEY MANAGERIAL PERSONNEL DURING THE YEAR

Name of Key Managerial Personnel	Designation	Options granted	Exercise Price
Mr. Deepak Madaan (FY 2017-18)	Company Secretary	15,010	64.08

- ANY EMPLOYEE WHO RECEIVES A GRANT OF OPTION IN ANY ONE YEAR OF OPTION AMOUNTING TO 5% OR MORE OF OPTIONS GRANTED DURING THAT YEAR

IN THE FINANCIAL YEAR 2015-16

Name of the Employee	No. of Options granted
Mr. Gourav Sirohi	43,000
Mr. Md. Hossain	38,000
Mr. Himanshu Dutt	28,000
Mr. Sandeep Kumar Sharma	28,000
Mr. Deepak Madaan	41,000

IN THE FINANCIAL YEAR 2016-17

Name of the Employee	No. of Options granted
Mr. Ankush Ahluwalia	72,970
Mr. Satish Mani	67,570
Mr. Praveen Kumar	36,530
Mr. Gaurav Maheshwari	70,270

IN THE FINANCIAL YEAR 2017-18

Name of the Employee	No. of Options granted
Mr. Tarun Mehndiratta	100,000
Mr. Rohit Dhiman	29,100
Mr. Himanshu Jain	28,800

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

18. DIRECTORS' RESPONSIBILITY STATEMENT

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

- a. In the preparation of the annual financial statements for the year ended March 31, 2018, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
- b. The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profits of the company for that period;
- c. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d. The Directors had prepared the annual accounts on a going concern basis;
- e. The directors had laid down internal financial controls to be followed by the company, and that such internal financial controls are adequate and were operating effectively.
- f. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

19. AUDITORS

I. Statutory Auditors:

The Statutory Auditors of the Company, M/s. B S R & Associates LLP, Chartered Accounts, Hyderabad (vide Registration No.: 116231W), were appointed in the Annual General Meeting of the Company

held on September 29, 2015 as Statutory Auditors of the Company to hold office for a term of five years until the conclusion of the Annual General Meeting to be held in 2020, subject to the ratification of such appointment by the shareholders of the Company at every consecutive Annual General Meeting. The Auditors have confirmed their eligibility for appointment in the financial year 2018-19, if their appointment is ratified in the ensuing Annual General Meeting.

Your Directors recommend the ratification of the appointment of M/s B S R & Associates LLP, Chartered Accountants as the Statutory Auditors of the Company for the financial year 2018-19.

II. Secretarial Auditor:

Mr. Alok Chandra, Practicing Company Secretary (FCS No. 7970 and Certificate of Practice No. 8976) was appointed as the Secretarial Auditor of the Company to conduct Secretarial Audit of the Company for the Financial Year 2017-18 as required under Section 204 of the Companies Act, 2013 and the Rules made there under. Secretarial Audit Report for FY 2017-18 is attached as "Annexure 3".

20. EXPLANATIONS OR COMMENTS BY THE BOARD ON EVERY QUALIFICATION, RESERVATION OR ADVERSE REMARK OR DISCLAIMER MADE -

I. Statutory Auditor's report / Secretarial Report

The report from both the auditors contains no qualification/reservations in the said report, on the annual financial statements for the financial year 2017-18.

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

Conservation of energy and technology absorption

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

The Foreign Exchange earnings and outgo

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

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

During the year under review, no significant and material orders were passed by the regulators, courts or tribunals against the Company, impacting its going concern status or its future operations.

23. COMMITTEES DETAILS

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

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

24. INTERNAL FINANCIAL CONTROLS

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

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

25. RELATED PARTY TRANSACTIONS

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

Details of the related party transactions, which are exempted according to a proviso to Section 188 of the under the Companies Act 2013, during the Financial Year 2017-18 are disclosed in the financial statements.

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

26. DEPOSITS

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

27. DETAILS OF SUBSIDIARY/ JOINT VENTURES/ASSOCIATE COMPANIES

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

28. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

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

29. ANNUAL PERFORMANCE EVALUATION BY THE BOARD

A formal evaluation of the performance of the Board, the Chairman and the individual Directors was carried out for the financial year 2017-18 led by the Nomination & Remuneration Committee. The evaluation was done using individual questionnaires. As part of the evaluation process, the performance evaluation of Board as a whole was done by the Directors of the Board. The performance evaluation of the Promoter Director, Nominee Directors and Non-Independent directors was done by the every other Director. The performance evaluation of the Independent Directors was done by the Board excluding the Director being evaluated. The Directors expressed satisfaction with the evaluation process.

30. DETAILS OF ESTABLISHMENT OF VIGIL MECHANISM FOR DIRECTORS AND EMPLOYEES

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

31. SEXUAL HARASSMENT

The Company is in compliance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and has a Prevention of Sexual Harassment Policy in place. All the employees of the company are covered under this policy. No complaints were received during the financial year 2017-18.

32. RISK MANAGEMENT

The Board of Directors of the Company has formed a board risk management committee to frame, implement, and monitor the risk management plan for the Company. The committee is responsible for reviewing the risk management plan, ensuring its effectiveness and verifying adherence

to various risk parameters. The Company's Risk Management strategy is based on clear understanding of various risks, disciplined risk assessment and continuous monitoring. The Risk Management Committee reviews various risks with which the organization is exposed including Credit Risk, Interest Rate Risk, Liquidity Risk and Operational Risk. The development and implementation of risk management policy has been covered in the Management Discussion and Analysis in "ANNEXURE 4", which is a part of this report.

33. CORPORATE GOVERNANCE

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

All functions of the Company are discharged in a professionally sound, competent and transparent manner.

A detailed report on the Company's commitment at adopting good Corporate Governance Practices is enclosed as "ANNEXURE 5".

34. CORPORATE SOCIAL RESPONSIBILITY

Your Company has always responded in a responsible manner to the growing needs of the communities in which it operates. Your Company believes in making lasting impact towards creating a just, equitable, humane and sustainable society.

During the year, your Company has, in consonance with the CSR policy of the Company, undertaken a number of

initiatives that contribute to society at large, in the areas of health, education, environment and also focused on the Government of India "Swachh Bharat Abhiyan". Major activities in which contribution were made by the company in the FY 2017-18 are as follows:

- Digital Literacy Programs
- Health Camps
- Construction of Toilet
- Sapling distribution and Plantation Program
- Skill Development programs
- Support for Flood & Fire Victims

The initiatives undertaken by the Company on CSR activities are mentioned in "ANNEXURE 6" of the Board's Report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014.

A brief outline of the company's CSR policy is disclosed on our website at http://www.fusionmicrofinance.com/pdf/Fusion_CSR_Policy.pdf

35. MANAGERIAL REMUNERATION

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

36. RBI GUIDELINES

The Company is registered with the Reserve Bank of India as a NBFC within the provisions of the NBFC (Reserve Bank of India) Directions, 1998.

The Company continues to comply with all the requirements prescribed by the Reserve Bank of India as applicable to it.

37. LISTING

During the year, the company has issued Non-Convertible Debentures, out of which some debentures were listed on Bombay Stock Exchange. The listing fees to the Stock Exchange for the financial year 2018-19 has been duly paid.

ACKNOWLEDGEMENTS

Your Directors take this opportunity

to express their deep and sincere gratitude to the Borrowers, Banks, Financial Institutions, Investors, and Employees for their continued assistance, support, confidence and patronage, as well as to the Reserve Bank of India, the Government of India and Regulatory Authorities for their cooperation, support and guidance.

For and on behalf of the Board of Directors

Sd/-	Sd/-
Devesh Sachdev	Pradip Kumar Saha
(Director & CEO)	(Director)
DIN: 02547111	DIN: 02947368

Place: New Delhi
Dated: May 24, 2018

Annexure 1

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

as on financial year ended on 31.03.2018

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

I REGISTRATION & OTHER DETAILS:

i	CIN	U65100DL1994PTC061287
ii	Registration Date	Monday, September 05, 1994
iii	Name of the Company	Fusion Micro Finance Private Limited
iv	Category/Sub-category of the Company	Private Company NBFC-MFI
v	"Address of the Registered office & contact details"	H-1, C-Block, Community Centre, Naraina Vihar, New Delhi-110028
vi	Whether listed company	Yes, the Non Convertible Debentures of the company are listed. However Equity shares of the company were not listed as on March 31, 2018
vii	Name , Address & contact details of the Registrar & Transfer Agent, if any.	Link Intime India Private Limited C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai - 400 078. Tel. No.: +91 22 2594 6970; Fax No.: +91 22 2594 6969 E-mail: rnt.helpdesk@linkintime.co.in Website: www.linkintime.co.in

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

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

III PARTICULARS OF HOLDING , SUBSIDIARY & ASSOCIATE COMPANIES

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

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

(i)

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2017]				No. of Shares held at the end of the year[As on 31-March-2018]				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	-	2,104,742	2,104,742	5.98%	3,004,037	-	3,004,037	6.97%	0.99%
b) Central Govt. or State Govt."	-	-	-	-	-	-	-	-	-
c) Bodies Corporates	-	-	-	-	-	-	-	-	-
d) Bank/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
SUB TOTAL:(A) (1)	-	2,104,742	2,104,742	5.98%	3,004,037	-	3,004,037	6.97%	0.99%
(2) Foreign									
a) NRI- Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other...	-	-	-	-	-	-	-	-	-
SUB TOTAL (A) (2)	-	-	-	0.00%	-	-	-	0.00%	0.00%
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)"	0	2,104,742	2,104,742	5.98%	3,004,037	-	3,004,037	6.97%	0.99%
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	-	-	-	-	-	-	-	-	-
c) Central govt	-	-	-	-	-	-	-	-	-
d) State Govt.	-	-	-	-	-	-	-	-	-
e) Venture Capital Fund	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIS	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds"	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
SUB TOTAL (B)(1):	0	0	0	0.00%	0	0	0	0.00%	0.00%
(2) Non Institutions									
a) Bodies corporates	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2017]				No. of Shares held at the end of the year[As on 31-March-2018]				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
ii) Overseas	13,546,635	18,374,598	31,921,233	90.75%	19,001,181	20,129,144	39,130,325	90.85%	0.10%
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto ₹1 lakhs	-	-	-	-	-	-	-	-	-
ii) Individuals shareholders holding nominal share capital in excess of ₹1 lakhs	212,830	-	212,830	0.61%	-	-	-	-	-
c) Others (Employees/ Trust)	-	935,912	935,912	2.66%	-	935,912	935,912	2.18%	-0.48%
SUB TOTAL (B)(2):	13,759,465	19,310,510	33,069,975	94.02%	19,001,181	21,065,056	40,066,237	93.03%	-0.99%
Total Public Shareholding (B)= (B)(1)+(B)(2)	13,759,465	19,310,510	33,069,975	94.02%	19,001,181	21,065,056	40,066,237	93.03%	-0.99%
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	1,37,59,465	21,415,252	3,51,74,717	100.00%	22,00,52,18	21,065,056	43,07,02,74	100.00%	-

(ii) SHAREHOLDING OF PROMOTERS

SL No	Shareholders Name	Shareholding at the beginning of the year April 01, 2017			Shareholding at the end of the year March 31, 2018			% change in share holding during the year
		No of shares	% of total shares of the company	% of shares pledged encumbered to total shares	No of shares	% of total shares of the company	% of shares pledged encumbered to total shares	
1	Devesh Sachdev	1,804,742	5.13%	-	2,704,037	6.28%	-	1.15%
2	Mini Sachdev	300,000	0.85%	-	300,000	0.70%	-	-0.15%
	Total	2,104,742	5.98%	-	3,004,037	6.98%	-	1.00%

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

SL No	CHANGE IN PROMOTERS' SHAREHOLDING	Share holding at the beginning of the Year		Cumulative Share holding during the year	
		No. of Shares	% of total shares of the company	No of shares	% of total shares of the company
	DEVESH SACHDEV				
	At the beginning of the year	1,804,742	5.13%	1,804,742	5.13%
	Transfer on 30/12/2017	-200,000	-1.40%	1,604,742	3.73%
	Allotment on 30/12/2017	1,099,295	2.55%	2,704,037	6.28%
	At the end of the year	2,704,037	6.28%	2,704,037	6.28%

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

Sl. No.	No. of Shares held at the beginning of the year [As on 31-March-2017] For Each of the Top 10 Shareholders	Shareholding at the end of the year		Date wise increase/decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)		Cumulative Shareholding during the year		
		No. of shares at the beginning of the year (01/04/2016)/ end of the year 31/03/2017	% of total shares of the company	Date	Increase/Decrease in Shareholding	Reason	No. of Shares	% of total shares of the company
1	CREATION INVESTMENTS FUSION LLC	9,866,497	28.05%	01.04.2017				-
				30.12.2017	200,000	shares purchased	10,066,497	23.37%
				30.12.2017	212,830	shares purchased	10,279,327	23.87%
				30.12.2017	5,041,716	Allotment	15,321,043	35.57%
		15,321,043	35.57%	31.03.2018				
2	OIKOCREDIT ECUMENICAL DEVELOPMENT COOPERATIVE SOCIETY U.A	5,060,920	14.38%	01.04.2017				-
				08.02.2018	1,545,455	Allotment	6,606,375	15.34%
		6,606,375	15.34%	31.03.2018				
3	BELGIAN INVESTMENT COMPANY FOR DEVELOPING COUNTRIES SA	5,134,920	14.60%	01.04.2017				
		5,134,920	11.92%	31.03.2018			5,134,920	11.92%
4	NMI FRONTIER FUND	4,848,758	25.34%	01.04.2017				
		4,848,758	11.26%	31.03.2018			4,848,758	11.26%
5	RIF NORTH 2 (INCOFIN)	3,680,138	10.46%	01.04.2017				
		3,680,138	8.54%	31.03.2018				8.54%
6	GLOBAL FINANCIAL INCLUSION FUND	3,330,000	9.47%	01.04.2017				
				08.02.2018	209,091	Allotment	3,539,091	8.22%
		3,539,091	8.22%	31.03.2018				8.22%
7	FUSION EMPLOYEE BENEFIT TRUST	918,162	2.61%	01.04.2017				
				30.05.2017	-19,928	transfer to Employee	898,234	2.09%
		898,234	2.09%	31.03.2018				2.09%
8	RAHUL JAIN	0	0.00%	01.04.2017				
				30.05.2017	19,928	shares exercised by Employee	19,928	0.05%
		19,928	0.05%	31.03.2018				0.05%
9	GOURAV SIROHI	10,750	0.03%	01.04.2017				
		10,750	0.03%	31.03.2018				0.03%
10	SANDEEP KUMAR SHARMA	7,000	0.02%	01.04.2017				
		7,000	0.02%	31.03.2018				0.02%

(v) Shareholding of Directors & KMP

Sl. No.	For Each of the Directors & KMP	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No of shares	% of total shares of the company	% of shares pledged encumbered to total shares"	No of shares	% of total shares of the company	% of shares pledged encumbered to total shares"	
1	Devesh Sachdev	1,804,742	5.13%	-	2,704,037	6.28%	-	1.15%
2	*Aditya Bhandari	-	-	-	-	-	-	-
3	Nitin Gupta	-	-	-	-	-	-	-
4	Njord Andrewes	-	-	-	-	-	-	-
5	Pradip Kumar Saha	-	-	-	-	-	-	-
6	*Anita Alcira Serrate Cortez	-	-	-	-	-	-	-
7	Albert Hofsink	-	-	-	-	-	-	-
8	Javed Ahmad Siddiqui	-	-	-	-	-	-	-
9	Kenneth Dan Vander Weele	-	-	-	-	-	-	-
	Laetitia Counye	-	-	-	-	-	-	-
10	Deepak Madaan	-	-	-	-	-	-	-
11	Gaurav Maheshwari	-	-	-	-	-	-	-

* Mr. Aditya Bhandari & Ms. Anita Alcira Serrate Cortez resigned w.e.f December 28, 2017 and January 09, 2018 respectively.

** Ms. Laetitia Counye was appointed w.e.f February 08, 2018.

V. INDEBTEDNESS

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtness at the beginning of the financial year				
i) Principal Amount	8,707,580,861	673,450,000	-	9,381,030,861
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	131,294,764	3,932,010	-	131,294,764
Total (i+ii+iii)	8,838,875,625	677,382,010		9,516,257,635
Change in Indebtedness during the financial year				
Additions	8,840,000,000	1,760,000,000	-	10,600,000,000
Reduction	3,150,920,497	763,450,333	-	3,914,370,830
Net Change	11,990,920,497	2,373,450,000	-	14,364,370,497
Indebtedness at the end of the financial year				
i) Principal Amount	14,377,975,834	1,670,000,000	-	16,047,975,834
ii) Interest due but not paid	-	-	-	0
iii) Interest accrued but not due	152,236,680	4,446,812	-	156,683,492
Total (i+ii+iii)	14,377,975,834	1,670,000,000		16,047,975,834

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl.No	Particulars of Remuneration	Mr. Devesh Sachdev DIN- 02547111 (Director & CEO)	Total Amount
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961.	6,912,853	6,912,853
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-
2	Stock option		-
3	Sweat Equity	-	-
4	Commission	-	-
	as % of profit	-	-
	others (Bonus)	-	-
5	Others, please specify	-	-
	Total (A)		
	Ceiling as per the Act		

B. Remuneration to other directors:

Sl.No	Particulars of Remuneration	Mr. Pradip Kumar Saha DIN- 02947368	Mr. Njord Andrewes DIN- 06520457	*Mr. Aditya Bhandari DIN- 03062463	Mr. Nitin Gupta DIN-03316274	*Ms. Anita Alcira Serrate Cortez DIN-07216795	Mr. Albert Hofsink DIN- 02422809	Mr. Javed Ahmad Siddiqui DIN- 07288484	Mr. Kenneth Dan Vander Weele DIN-02545813	**Ms. Laetitia Counye DIN-06990144	TOTAL
1	Independent Directors										
	(a) Fee for attending board committee meetings	420,000	-	-	390,000	-	-	-	-	-	810,000
	(b) Commission	-	-	-	-	-	-	-	-	-	-
	(c) Others, please specify	-	-	-	-	-	-	-	-	-	-
	Total (1)	420,000	-	-	390,000	-	-	-	-	-	810,000
2	Other Non Executive Directors										
	(a) Fee for attending board committee meetings	-	-	-	-	-	-	-	-	-	-
	(b) Commission	-	-	-	-	-	-	-	-	-	-
	(c) Others, please specify.	-	-	-	-	-	-	-	-	-	-
	Total (2)	-	-	-	-	-	-	-	-	-	-
	Total (B)=(1+2)	-	-	-	-	-	-	-	-	-	-
	Total Managerial Remuneration	420,000	-	-	390,000	-	-	-	-	-	810,000
	Overall Cieling as per the Act	-	-	-	-	-	-	-	-	-	-

* Mr. Aditya Bhandari & Ms. Anita Alcira Serrate Cortez resigned w.e.f December 28, 2017 and January 09, 2018 respectively.

** Ms. Laetitia Counye was appointed w.e.f February 08, 2018.

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

Sl.No	Particulars of Remuneration	Key Managerial Personnel		Total
		*Mr. Deepak Madaan Company Secretary	Mr. Gaurav Maheshwari CFO	
1	Gross Salary			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	997,672	2,636,688	3,634,360
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961			
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961			
2	*Stock Option			
3	Sweat Equity			
4	Commission			
	as % of profit			
	others, specify			
5	Others, please specify			
	Total	997,672	2,636,688	3,634,360

*During the Year 2017-18, 15,010 stock options were granted under ESOP Scheme 2016 to Company Secretary

VII PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

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

For and on behalf of the Board of Directors

Devesh Sachdev
(Director & CEO)
DIN: 02547111

Pradip Kumar Saha
(Director)
DIN: 02947368

Place: New Delhi
Dated: May 24, 2018

Annexure 2

FORM NO. AOC -2

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

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto during the FY 2017-18.

1. Details of contracts or arrangements or transactions not at Arm's length basis during the FY 2017-18.

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

2. Details of contracts or arrangements or transactions at Arm's length basis during the FY 2017-18

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

For and on behalf of the Board of Directors

Devesh Sachdev
(Director & CEO)
DIN: 02547111

Pradip Kumar Saha
(Director)
DIN: 02947368

Place: New Delhi
Dated: May 24, 2018

Annexure 3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2018

To,
The Members,
Fusion Micro Finance Private Limited
H-1, C Block, Community Centre, Naraina Vihar
New Delhi-110028

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

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers SECRETARIAL, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2018 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2018 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; Not Applicable
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992; Not Applicable
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; Not Applicable
- d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; Not Applicable
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; Not Applicable and
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- (vi) Other laws applicable specifically to the Company namely:

The provisions relating to non-banking companies under the Reserve Bank of India Act, 1934 and policies and directions issued by the Reserve Bank of India.

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India

- (ii) The Listing Agreements entered into by the Company with Stock Exchange(s)

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

I further report, that the compliance by the Company of applicable financial laws, like direct and indirect tax laws, has not been reviewed in this Audit since the same have been subject to review by statutory financial audit and other designated professionals.

I further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors, however, the Nomination and Remuneration Committee should include one more independent director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance except in case of urgent business, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes duly recorded and signed, the decisions of the Board were unanimous and no dissenting view was found therein.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the Audit Period the Company has following specific events / actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above:

- (i) Redemption of 80 Non-Convertible Debentures of ₹1,000,000.00 each for ₹80,000,000.00.

- (ii) Issue and allotment of 310 (Three Hundred Ten) rated listed Secured Redeemable Non-Convertible Debentures of ₹1,000,000.00 each

- (iii) Issue and allotment of 200 (Two Hundred) rated Secured Redeemable Non-Convertible Debentures of ₹1,000,000.00 each

- (iv) Issue and allotment of (a) 5,041,716 (Fifty Lakh Forty One Thousand One Hundred and Thirty) fully paid up equity shares having a face value of ₹10.00 (Rupees Ten only) at a premium of ₹100 (Rupees One Hundred only) and (b) 1,099,295 (Ten Lakh Ninety Nine Lakh Twenty Five) partly paid up equity shares having a face value of ₹10.00 (Rupees Ten only) at a premium of ₹100 (Rupees One Hundred only) on preferential basis.

- (v) Issue and allotment of 1,754,546 (Seventeen Lakh Fifty Four Thousand Five Hundred Forty Six) fully paid up equity shares having a face value of ₹10.00 (Rupees Ten only) at a premium of ₹100 (Rupees One Hundred only) on preferential basis.

- (vi) Partial redemption of 200 Non-Convertible Debentures of ₹1,000,000.00 each for ₹3,33,33,200

- (vii) Issue and allotment of 250 (Two hundred and Fifty only) Senior, Unsecured, Rated, Redeemable, Non-Convertible, Principal Protected Market Linked Debentures of face value of ₹10,00,000 each

- (viii) Issue and allotment of 190 Senior, Secured, Unlisted, Rated, Redeemable, Taxable, Transferable Non-Convertible Debentures of Face value of ₹10,00,000 each

- (ix) Issue and allotment of 630 (Six Hundred and Thirty) Rated, Unlisted, Senior, Taxable, Redeemable, Non-Convertible Debentures with face value of ₹10,00,000 each

- (x) Issue and allotment of 300 (Three Hundred) Rated Listed Secured Redeemable Non-Convertible Debentures of ₹1,000,000.00 each

Place: Ghaziabad
Date: May 24, 2018

(ALOK CHANDRA SINGH)
FCS No.7970, C.P.No.:8976

Note: This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

To,
The Members,
Fusion Micro Finance Private Limited

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The secretarial audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place: Ghaziabad
Date: May 24, 2018

(ALOK CHANDRA SINGH)
FCS No.7970, C.P.No.:8976

Annexure 4

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENTS

Company overview:

In a changing and often challenging operating environment, during the financial year 2017-18, the Company made good progress against its key strategic objectives during the year. The Company continued to grow and diversify in new geographies, invest on capacity building, building a strong team and promoted to deal in cash less transactions. The company now has a strong team with more than 3000 members serving more than 1 million clients across 14 states of India.

FY 2017-18 for Fusion:

The portfolio of the company crossed INR 1500 crore during the financial year 2017-18, also the Tier II Capital rated BBB+ (Outlook: Stable), equivalent to Bank Loan Rating.

There was a good financial performance of the company during FY 2017-18 despite considerable challenges posed by demonetization and transition.

Company outreach:

The company, as on March 31, 2018 was operating in 14 States covering 194 districts with 359 branches across the country.

Funding & Capital Raising:

The company has raised funds through various sources during the financial year 2017-18. Out of the total fund raise of INR 1091 Crore during the year, INR 188 Crore was raised through issue of Non-Convertible Debentures. INR 225.46 Crore was raised through securitization. The Net worth of the company as on March 31, 2018 stood at 257.70 Crore, the revenue being INR 267.31 Crore.

OPPORTUNITIES AND THREATS

The growth of the Company is subject to opportunities and threats as are applicable to the industry from time to time.

SEGMENT WISE OR PRODUCT WISE PERFORMANCE

The details of financial performance of the Company are appearing in the Balance Sheet and Statement of Profit and Loss for the year ended March 31, 2018.

OUTLOOK

Roadmap for FY 2018-19

The focus of the company during the financial year 2018-19 would be in finding new ways to connect with its clients, increasing focus on automation, Data analytics and learning & development.

RISK AND CONCERNS

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

The company being involved in business of lending is subject to multiple risks i.e. Credit risk, Operational risk, Liquidity risk, and Regulatory risk. The Risk Management framework of the company tends to reduce the risks which might result in compromising the organizational strength.

The Board of the company comprises of professional directors with relevant experience who are well versed to understand the risks specific to the company. The company has put in adequate checks by complying with the regulations framed by RBI which are applicable on the company. It also has an effective risk management department which is bound to work in an effective manner in order to mitigate risks.

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

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

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The internal control systems of the company are designed to ensure that all assets of the company are safeguarded and protected against any loss and be in line with the nature of its business and the size of operations.

DISCUSSION ON FINANCIAL PERFORMANCE WITH OPERATIONAL PERFORMANCE

There has been a significant rise in the operations of the company during the year. The company has diversified its operations as on March 31, 2018 in 14 states with 359 branches in 194 districts.

The number of customers has also increased to 973,300 as compared to 682,400 in the previous year. This has resulted in increase in the revenue of the company to INR 267.31 crore during the year 2017-18. Further details related to the operational performance can be seen in the Director's Report of the company.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

Human Resource

The company is cognizant of the importance of human capital in a fast evolving and high growth industry like the one it operates in. It also strives hard to retain its experienced team rich in domain expertise as it recognizes

their importance in the growth of the Company. There has been a significant increase in the number of branches of the company during the year which has resulted in increase in the number of employees as on March 31, 2018 at 3,202 as compared to 2,191 in the previous year.

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

For and on behalf of the Board of Directors

Devesh Sachdev
(Director & CEO)
DIN: 02547111

Pradip Kumar Saha
(Director)
DIN: 02947368

Place: New Delhi
Dated: May 24, 2018

Annexure 5

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

At Fusion, Corporate Governance is all about maintaining a valuable relationship and trust with all stakeholders.

Effective corporate governance practices constitute the strong foundation on which successful organizations are built to last.

The Company, practices a trustworthy, transparent, moral and ethical conduct, both internally and externally, and is committed towards maintaining the highest standards of Corporate Governance practices in the best interest of all its stakeholders. The company believes that the sound corporate governance is critical to enhance and retain the trust of investors. It also seek to ensure that its performance is driven by integrity.

Good governance practices stem from the dynamic culture and positive mindset of the organization. We are committed to meet the aspirations of all our stakeholders. This is demonstrated in governance processes and an entrepreneurial performance focused work environment.

We believe, Corporate Governance is not just a destination, but a journey to constantly improve sustainable value creation. It is an upward-moving target that we collectively strive towards achieving. We strive to conduct our business and strengthen our relationships in a manner that is dignified, distinctive and responsible. We adhere to ethical standards to ensure integrity, transparency, independence and accountability in dealing with all stakeholders. It is

the Company's constant endeavour to adopt the best Corporate Governance practices keeping in view the best codes of Corporate Governance and practices of well-known companies.

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

BOARD OF DIRECTORS ("BOARD"):

The Board's actions and decisions are aligned with the Company's best interests. It is committed to the goal of sustainably elevating the Company's value creation. The Company has defined guidelines and an established framework for the meetings of the Board and committees. These guidelines seek to systematize the decision-making process at the meetings of the Board and committees in an informed and efficient manner.

COMPOSITION OF THE BOARD

We believe that the Board needs to have an appropriate composition of directors in order to maintain independence and separate its functions of governance and management. As on March 31, 2018, the company has an optimum composition of Executive, Non-Executive (Nominee Directors) and Independent Directors. Our Board comprised 8 members, headed by an Executive Director and designated as the CEO, and comprised seven other Directors, out of which five are Non-Executive Directors including one Woman Director and two Independent Directors. Four of our board members are Indians, while other four are foreign nationals.

The composition of the Board and category of each Director in the Company as at March 31, 2018, is as follows:

Name	DIN	Category	Designation	No of other Companies in which he/she is Director
Mr. Devesh Sachdev	02547111	Promoter & Executive	Director & CEO	1
Mr. Nitin Gupta	03316274	Non-Executive	Independent Director	6
Mr. Njord Andrewes	06520457	Non-Executive	Nominee Director	2
*Ms. Laetitia Counye	06990144	Non-Executive	Nominee Director	-
Mr. Albert Hofsink	02422809	Non-Executive	Nominee Director	-
Mr. Pradip Kumar Saha	02947368	Non-Executive	Independent Director	1
Mr. Javed Ahmad Siddiqui	07288484	Non-Executive	Nominee Director	2
Mr. Kenneth Dan Vander Weele	02545813	Non-Executive	Nominee Director	3

*Ms. Laetitia Counye was appointed as an Additional Director (Nominee Director on behalf of Belgian Investment Company for Developing Countries SA) with effect from February 08, 2018.

None of the Non-Executive Directors held any equity shares or convertible instruments of the Company during the financial year ended March 31, 2018.

Resignation during the FY 2017-18

1. Mr. Aditya Bhandari has resigned from the post of Nominee Director on December 28, 2017 due to RIF North 2 (RIF) shareholding fallen below 10% (minimum shareholding limit for directorship). In accordance with this RIF had withdrawn its board nomination.
2. Ms. Anita Alcira Serrate Cortez resigned from the post of Nominee Director on January 09, 2018 due to personal reasons.

BOARD MEETINGS & ATTENDANCE

The primary role of the Board is that of trusteeship to protect and enhance shareholder value through strategic direction to the Company. The Board has fiduciary responsibility to ensure that the Company has clear goals aligned to shareholder value and its growth. It sets strategic goals and seeks accountability for their fulfillment. It also directs and exercises appropriate control to ensure that the Company is managed in a manner that fulfills stakeholder's aspiration and societal expectations. In order to meet out the responsibilities, the Company holds four pre-scheduled Board meetings in every calendar year complying with the provisions of Companies Act, 2013 and applicable Secretarial Standard for conduct of Board Meetings. Additional Board Meetings are held by the Company to address specific

needs, as and when required. In case of urgency or business exigencies, matters are also approved by way of resolution by circulation as per the provisions of Companies Act, 2013, and subsequently noted in the next Board meeting. The Company circulates the agenda and related notes/ documents well in advance through its e-mail to the Board and its Committee Members on their registered mail ids.

The functional/business heads of the Company periodically give presentations to the Board covering their respective operations, performance, plans and strategies and discuss upon the areas of improvement and prospective opportunities.

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

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

During the Financial Year 2017-18, 8 Board Meeting were held i.e. on May 30, 2017, August 29, 2017, November 15, 2017, December 21, 2017, December 30, 2017, January 22, 2018, February 08, 2018 and March 29, 2018. The details of the Board Meetings along with the attendance of each Director at the respective Board Meeting is tabled below:

Attendance of Directors for the year ended March 31, 2018

Name	Attendance at the Board Meetings							
	May 30, 2017	August 29, 2017	November 15, 2017	December 21, 2017	December 30, 2017	January 22, 2018	February 08, 2018	March 29, 2018
Mr. Devesh Sachdev	Present	Present	Present	Present	Present	Present	Present	Present
*Mr. Aditya Bhandari	Present	Present	Present	Present	^^NA	NA	NA	NA
Mr. Albert Hofsink	Present	Present	Present	Present	Present	LOA	Present	Present
**Ms. Anita Serrate	Present	Present	LOA	LOA	LOA	NA	NA	NA
Mr. Javed Ahmad Siddiqui	Present	Present	LOA	Present	Absent	Present	Present	Present
Mr. Nitin Gupta	Present	Present	Present	Present	LOA	Present	Present	Present
Mr. Njord Andrewes	Present	Present	Present	Present	LOA	Present	Present	Present
Mr. Pradip Kumar Saha	Present	Present	Present	Present	Present	LOA	Present	Present
Mr. Kenneth Dan Vander Weele	AB	Present	Present	Present	Present	Present	Present	Present
***Ms. Laetitia Counye	NA	NA	NA	NA	NA	NA	NA	LOA

NA=not applicable; LOA=leave of absence granted; P=present

* Mr. Aditya Bhandari resigned w.e.f. December 28, 2017.

** Ms. Anita Serrate resigned w.e.f January 09, 2018.

***Ms. Laetitia Counye appointed as Nominee Director w.e.f February 08, 2018.

COMMITTEES OF THE BOARD

Under the aegis of the Board of Directors, several committees have been constituted which have been delegated powers for different functional areas. The Board has Eight(8) Committees namely - Audit Committee, Asset & Liability Management Committee, CSR Committee, Remuneration & Nomination Committee, Working Committee, Board Risk Management Committee & Debenture Allotment Committee, Information Technology Strategy Committee which assists the Board to deal with specific areas / activities that need a closer review and to have an appropriate structure in discharging its duties and responsibilities.

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

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

1. AUDIT COMMITTEE

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

Majority of the members of the Committee are Independent Directors and every member has experience in the financial sector. The Company Secretary acts as Secretary to this Committee.

All the Members of the Audit Committee have the required qualification and expertise for appointment on the Committee and possess requisite knowledge of accounting and financial management.

Composition

During the financial year ended March 31, 2018, the committee met 4 times on 29 May 2017, 29 August 2017, 15 November 2017 and 08 February, 2018.

The followings are the members and their attendance at the Committee Meetings held during the financial year ended 31st March, 2018.

Name of the Director	Status	Number of meetings	
		Held during tenure	Attended
Mr. Pradip Kumar Saha	Chairman	4	4
Mr. Nitin Gupta	Member	4	4
Mr. Albert Hofsink	Member	4	4

Terms of Reference of the Audit Committee is as follows:

A) Financial Reporting

The Committee shall review the following:

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

statements, such as the business review / operating and financial review; and

- All related party transactions.

B) Internal Audit

The Committee shall review the following:

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

C) External Audit

The Committee shall review the following:

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

- Review the findings of the audit with external auditor. This shall include:-

1. Discussion of any major issues which arose during the audit.
2. Any accounting & audit judgements.
3. Level of errors identified during the audit.
4. The effectiveness of the audit.

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

The Committee also review the quarterly Financial Statement (unaudited) and place before the Board for their approval of the same.

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

2. ASSET & LIABILITY MANAGEMENT COMMITTEE

Composition

The company has an effective Asset & Liability Committee formed in accordance with the directions framed by RBI. The committee was last re-constituted by the board of Directors on February 08, 2018 to change the composition of its members on resignation of Mr. Aditya Bhandari from the board of the Company.

During the financial year ended March 31, 2018, the committee met 4 times on 29 May 2017, 29 August 2017, 15 November 2017 and 08 February, 2018.

The followings are the members and their attendance at the Committee Meetings held during the financial year ended 31st March, 2018.

Name of the Director	Status	Number of meetings	
		Held during tenure	Attended
Mr. Devesh Sachdev	Chairman	4	4
Mr. Gaurav Maheshwari	Member	4	4
*Mr. Javed Ahmad Siddiqui	Member	1	1
**Mr. Aditya Bhandari	Member	3	3

**Mr. Aditya Bhandari resigned on December 30, 2017.

*Mr. Javed Ahmad Siddiqui was appointed as a member of the committee on February 08, 2018.

Terms of Reference

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

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

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

3. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The CSR Committee consists of Three (3) Members including one (1) Independent Director. The committee was last reconstituted on February 08, 2018 due to resignation of Ms. Anita Serrate from the Board and all the sub-committees of the Company.

During the financial year ended March 31, 2018, the committee met 4 times on 29 May 2017, 29 August 2017, 15 November 2017 and 08 February, 2018.

The followings are the members and their attendance at the Committee Meetings held during the financial year ended 31st March, 2018.

Name of the Director	Status	Number of meetings	
		Held during tenure	Attended
Mr. Devesh Sachdev	Chairman	4	4
Mr. Pradip Kumar Saha	Member	4	4
*Ms. Laetitia Counye	Member	1	1
**Ms. Anita Serrate	Member	3	2

**Ms. Anita Serrate resigned on February 09, 2018.

* Ms. Laetitia Counye was appointed as a member of the committee on February 08, 2018.

Terms of Reference

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

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

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

the Company being a Non Deposit taking Non-Banking Finance Company has a Remuneration & Nomination Committee for the appointment of Directors of the Company. The committee shall also carry out evaluation of every director's performance and support the Board and Independent Directors in evaluation of the performance of the Board and its directors.

Composition and Attendance at Meetings:

The Remuneration & Nomination committee comprises one Independent Director and two Nominee Directors. The Committee was re-constituted on February 08, 2018 consequent upon the subsequent resignations of Mr. Aditya Bhandari and Ms. Anita Serrate from the Board of Directors of the Company.

During the financial year ended March 31, 2018, the committee met 3 times on 30 May 2017, 15 November 2017 and 08 February, 2018.

4. REMUNERATION & NOMINATION COMMITTEE

Pursuant to the regulations framed by Reserve Bank of India,

The followings are the members and their attendance at the Committee Meetings held during the financial year ended 31st March, 2018.

Name of the Director	Status	Number of meetings	
		Held during tenure	Attended
Mr. Nitin Gupta	Chairman	3	3
*Mr. Kenneth Dan Vander Weele	Member	1	1
*Ms. Laetitia Counye	Member	1	1
**Mr. Aditya Bhandari	Member	2	2
**Ms. Anita Serrate	Member	2	1

**Mr. Aditya Bhandari and Ms. Anita Serrate resigned on December 28, 2017 and February 09, 2018 respectively.

*Mr. Kenneth Dan Vander Weele and Ms. Laetitia Counye were appointed as the members of the committee on February 08, 2018.

Terms of Reference

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

- Formulation of the criteria for determining qualifications, positive attributes and independence of Directors and recommend to the Board the remuneration of the Directors.
- To ensure 'fit and proper' status of proposed/ existing Directors
- Formulation of criteria for evaluation of Independent Directors and the Board;
- To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- To assess the independence of Independent Non-Executive Directors;
- To review the results of the Board performance evaluation process that relate to the composition of the Board;
- Annual appraisal of the performance of the CEO
- To also act as the ESOP committee for the purposes, administer and manage the ESOP Schemes

Performance Evaluation

One of the key functions of the Board is to monitor and review the Board evaluation framework. The Board works with the nomination and remuneration committee to lay down the evaluation criteria for the performance of the Chairman, the Board, executive / non-executive / nominee / independent directors through a peer evaluation, excluding the director being evaluated.

Independent directors have three key roles – governance, control and guidance. Some of the performance indicators, based on which the independent directors, are evaluated include:

- Willingness to spend time and making efforts to learn about the Company and its business.
- Knowledgeable about latest development in corporate governance framework, financial reporting, micro-finance industry and current markets conditions.
- Relationship with the other Directors and executive management to enable the Board to function "As a team" and current markets conditions.
- Contributing precise and value added inputs in Board Meetings to help decision making.

To improve the effectiveness of the Board and each individual director, a formal and rigorous Board review is internally undertaken on an annual basis.

The board review process was externally facilitated and conducted by JP Chawla & Co. LLP through the form of questionnaires approved by the Board of Directors of the Company.

5. WORKING COMMITTEE

Composition

The Working Committee, earlier named as the Executive Committee was reconstituted on December 30, 2017 consequent upon the resignation of Mr. Aditya Bhandari from the Board of Directors of the Company. The Executive Committee was renamed as Working Committee subsequent to the approval of the board of directors in their meeting held on February 08, 2018.

During the financial year ended March 31, 2018, the committee met 44 times on 4 April 2017, 17 April 2017, 6 May 2017, 9 May 2017, 30 May 2017, 6 June 2017, 22 June 2017, 12 July 2017, 5 August 2017, 5 September 2017, 6 September 2017, 18 September 2017, 26 September 2017, 5 October 2017, 23 October 2017, 3 November 2017, 6 November 2017, 8 November 2017, 16 November 2017, 22 November 2017, 23 November 2017, 28 November 2017,

7 December 2017, 11 December 2017, 19 December 2017, 21 December 2017, 22 December 2017, 23 December 2017, 27 December 2017, 16 January 2018, 22 January 2018, 24 January 2018, 25 January 2018, 31 January 2018, 9 February 2018, 16 February 2018, 19 February 2018, 20 February 2018, 27 February 2018, 9 March 2018, 19 March 2018, 21 March 2018, 22 March 2018, 27 March 2018.

The followings are the members and their attendance at the Committee Meetings held during the financial year ended 31st March, 2018.

Name of the Director	Status	Number of meetings	
		Held during tenure	Attended
Mr. Devesh Sachdev	Chairman	44	44
*Mr. Javed Ahmad Siddiqui	Member	15	15
**Mr. Aditya Bhandari	Member	29	29

**Mr. Aditya Bhandari resigned on December 28, 2017.

*Mr. Javed Ahmad Siddiqui was appointed as the member of the committee on December 30, 2017.

Terms of reference

Working Committee shall have the following powers to take such decisions as may be required for the smooth functioning of the operations of the Company. Any decision beyond the scope of the Working Committee would be put up to the Board for its approval.

- Obtaining of loans not exceeding INR 750,000,000 (Indian Rupees Seven Hundred Fifty Million only) or issuing debt securities of a value not exceeding INR 1500,000,000 (Indian Rupees One Thousand Five Hundred Million only) under a single loan/debt transaction.
- Change in Terms and Conditions of Existing / New Loan taken from a Financial Institution / Bank up to INR 75 Cr.
- Securitization of portfolio not exceeding INR 75 Cr under single transaction.
- Make any investments in money market Liquid funds (AAA rated), fixed deposits with AAA rated MNC, Private and Public Sector Banks and reputed Financial Institutions having a minimum rating of AA, government certificates and Securities (certificates).
- Enhanced withdrawal authorities to BMs / AMs / RM /

ZM to meet business requirements not exceeding INR 25 Lacs a day.

- Opening/closing/transfer of bank (disbursement and collection) accounts and change of authorised Signatories. It also covers new Bank Account required to be opened as part of debt proposal in a new Banking relationship (To Meet Business Requirements) Shifting / Relocation of an existing branch or Taking new Branch premises on Rent for opening of a new branch / Renewal of Rent Agreement
- Approval of new loan schemes / Changes in existing loan schemes.

6. BOARD RISK MANAGEMENT COMMITTEE (BRMC)

With a view to comply with the regulations framed by RBI under the Code of Corporate Governance, the Board has and effective Board Risk Management Committee (BRMC) for monitoring the risk and to strategize action to mitigate risks associated with the functioning of the Company.

During the financial year ended March 31, 2018, the committee met 4 times on 29 May 2017, 29 August 2017, 15 November 2017 and 08 February, 2018.

The followings are the members and their attendance at the Committee Meetings held during the financial year ended 31st March, 2018.

Name of the Director	Status	Number of meetings	
		Held during tenure	Attended
Mr. Devesh Sachdev	Chairman	4	4
Mr. Pradip Kumar Saha	Member	4	4
Mr. Njord Andrewes	Member	4	3

Terms of Reference

The committee has with the following roles and responsibilities:

1. The BRMC is the authority that can approve, revise, or cancel policies related to risk management. The policy which needs full Board approval is the General Risk Management Policy
2. Tasks of the BRMC include reviewing and approving policies and methodologies, and reviewing risk reports.
3. The BRMC defines the list of policies that are appropriate for Fusion. Such policies are modified over time and additional policies are introduced to cover Fusion's operations as and when it expand.
4. For each risk category the BRMC will establish a separate policy. The broad risk categories are
 - Credit Risk,
 - Operational Risk,
5. The BRMC requires reports for all sources of risks produced by various risk owners (department heads). The BRMC should review the content as well as the structure of these reports.
6. The BRMC will meet regularly, at least on a quarterly basis.

- Liquidity, Funding and Interest Rate Risk and
- Other Market Risks that may arise in the future (including FX related risks)

7. DEBENTURE ALLOTMENT COMMITTEE (DAC)

The Debenture Allotment Committee was reconstituted on December 30, 2017 consequent upon the subsequent resignation of Mr. Aditya Bhandari from the Board of Directors of the Company.

During the financial year ended March 31, 2018, the committee met 6 times on 7 July 2017, 4 September 2017, 6 March 2018, 15 March 2018, 16 March 2018, 31 March 2018.

The followings are the members and their attendance at the Committee Meetings held during the financial year ended 31st March, 2018.

Name of the Director	Status	Number of meetings	
		Held during tenure	Attended
Mr. Devesh Sachdev	Chairman	6	6
*Mr. Javed Ahmad Siddiqui	Member	4	4
**Mr. Aditya Bhandari	Member	2	2

**Mr. Aditya Bhandari resigned on December 28, 2017.

*Mr. Javed Ahmad Siddiqui was appointed as the member of the committee on December 30, 2017.

Terms of reference

The committee is constituted for allotment of Non-Convertible Debentures for raising of debt funds and other compliance matters related to Non-convertible debentures.

constituted by the Board of Directors in the Board Meeting held on November 15, 2017.

During the financial year ended March 31, 2018, the committee met 1 time i.e. on 12 January 2018.

8. INFORMATION TECHNOLOGY STRATEGY COMMITTEE

The Information Technology Strategy Committee was

The followings are the members and their attendance at the Committee Meetings held during the financial year ended 31st March, 2018.

Name of the Director	Status	Number of meetings	
		Held during tenure	Attended
Mr. Nitin Gupta	Chairman	1	1
Mr. Devesh Sachdev	Member	1	1
Mr. Modaswer Hossain	Member	1	1

Terms of reference

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

REMUNERATION OF DIRECTORS

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

a. Executive Directors

(i) Details of the remuneration paid/payable to Executive Directors for the Financial Year 2017-18

Name Of Director	Designation	Managerial Remuneration (as on March 31, 2018)
Mr. Devesh Sachdev	Director & CEO	INR 69,12,853
TOTAL		INR 69,12,853

b. Non-Executive Directors

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

The details of Sitting Fees paid to Non - Executive Independent Directors for attending the meeting the Board during the Financial Year 2017-18 are as under:

- Remuneration & Nomination Committee,
- Audit Committee,
- Board Risk Management Committee
- CSR Committee

Name Of Director	Designation	Setting Fees
		Board Meeting & Committee
Mr. Nitin Gupta	Independent Director	INR 390,000
Mr. Pradip Kumar Saha	Independent Director	INR 420,000
Total		INR 810,000

GENERAL BODY MEETINGS

ANNUAL GENERAL MEETING (AGM)

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

Financial Year Financial Year	Date	Time	Venue	No. of Special Resolutions passed
2016-17	30.06.2017	11:00 A.M.	H-1, C-Block, Community Centre, Naraina Vihar, New Delhi - 110028	4
2015-16	29.09.2016	04:00 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	-
2014-15	29.09.2015	04:00 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	-

Extra Ordinary General Meetings

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

Year	Date	Time	Location	No. of Special Resolutions
2017-18	27.12.2017	04:00 P.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	1
	22.01.2018	04:00 P.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	1
	27.01.2018	04:00 P.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	1
2016-17	11.05.016	05:00 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	2
	05.07.2016	05:00 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	5
	12.08.2016	04:30 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	3
	16.01.2017	04:00 P.M.	H-1, C Block, Community Centre, Naraina Vihar, New Delhi-110028	-
2015-16	28.05.2015	01:00 P.M.	C-3, Community Centre, Naraina Vihar, New Delhi-110028	3

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

DEBENTURE HOLDER DETAILS

The details regarding the Debenture Holders as on 31 March, 2018 are given as under:-

NAME OF DEBENTURE HOLDER	ADDRESS	NUMBER OF NON CONVERTIBLE DEBENTURES (NCDs)
AAV SARM-1	2-8 avenue Charles de Gaulle, L-1653, Luxembourg	426
IFMR Fimpart Investment Fund	10th Floor-Phase 1, IIT-Madras Research Park , Kanagam Village, Taramani, Chennai 600113	100
Microfinance Initiative for Asia	Microfinance Initiative for Asia (MIFA) Debt Fund SA, SICAV-SIF, 31, Z.a. Bourmicht, Bertrange L- 8070, Luxembourg.	220
Microfinance Enhancement Facility	Microfinance Enhancement Facility SA, SICAV-SIF, 5, rue, Jean Monnet, L-2180, Luxembourg	240

NAME OF DEBENTURE HOLDER	ADDRESS	NUMBER OF NON CONVERTIBLE DEBENTURES (NCDs)
Pettelaar Effectenbewaarbedrijf N.V.	Nachtwachtlaan 20 – 6th Floor, 1058 EA, Amsterdam The Netherlands	526
AAV SARL-2	2-8, Avenue Charles de Gaulle, L-1653, Luxembourg,	601
Blue Orchard Microfinance Fund	11-13, Boulevard, de la foire, L-1528, Luxembourg	470
UTI International Wealth Creator	4th Floor, 19 Bank Street, Cybercity, Ebene 72201, Mauritius	550
IFMR Fimpack Long Term Credit Fund	10th Floor, IIT M Research Park, 1, Kanagam Village, Taramani, Chennai, India-600 113	500
Incofin CPP	Sneeuwbeslaan 20, 2610 Antwerpen, Belgium	310
M/s Hinduja Leyland Finance Limited	Hinduja Leyland Finance, No.27 A Developed Industrial,Estate, Guindy, Chennai - 600032	200
IFMR Fimpack Income Builder Fund	10th Floor, Phase 1, IIT Madras Research Park, Kanagam Village, Taramani, Chennai - 600113	250
AAV-SARL	2-8 avenue Charles de Gaulle, L-1653 Luxembourg	190
Triodos Microfinance Fund	11-13 boulevard de la foire, L-1528 Luxemburg, Grand Duchy of Luxembourg	315
Triodos Fair Share Fund	Nieuweroordweg 1, 3704 EC, Zeist, the Netherlands	315
Northern Arc Capital Limited	10th Floor, Phase 1, IIT Madras Research Park, Kanagam Village, Taramani, Chennai - 600113	300

REDEMPTION OF NON CONVERTIBLE DEBENTURES (NCDS) DURING THE FY 2017-18

During the financial year 2017-18 following Non-convertible Debentures were fully /partially redeemed:-

S.No	Particulars	Date of allotment	No. of NCD	Amount (in million)	Redemption Amount	Date on which Debentures are Redeemed	Detail of redemption
1	Hinduja Leyland Finance Limited (CBO-VIII)	June 24, 2015	80	80	80,000,000	June 23, 2017	Fully
2	Hinduja Leyland Finance Limited	September 04, 2017	200	200	3,33,33,200	February 28, 2018	Partially

DEBENTURE TRUSTEES DETAILS

The Debenture Trustees are as follows:-

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

REGISTRAR AND SHARE TRANSFER AGENT DETAILS

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

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

Link Intime India Private Limited

C-13, Pannalal Silk Mills Compound, LBS Marg,
Bhandup (West), Mumbai - 400 078.
Tel. No.: +91 22 2594 6970; Fax No.: +91 22 2594 6969
E-mail: rnt.helpdesk@linkintime.co.in
Website: www.linkintime.co.in

MATERIALLY SIGNIFICANT RELATED PARTY TRANSACTIONS

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

DISCLOSURE AND TRANSPARENCY

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

Report on progress made in putting in place a progressive risk management system and risk Management policy and

strategy followed by the Company;

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

The Annual Financial Statements, also include the following details:

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

MEANS OF COMMUNICATION

- a. The half yearly results during the year were published in the national English Newspapers and also on the website of the company i.e. www.fusionmicrofinance.com.
- b. During the financial year 2017-18, the Company published its financial results in the following newspapers:

Financial Results	Newspapers	Date of publication
Audited Financial Results for the year ended March 31, 2018	The Financial Express (English)	May 25, 2018
Unaudited Results for the Half Year ended September 30, 2017 with Limited Review Report	The Financial Express (English)	November 16, 2017

REGULAR UPDATES

The Company sends Quarterly newsletter to the Board Members, stakeholders and keeps them updated on the happenings in the Company. All other events and happenings of importance to the sector are reported to the Board on a continuous basis.

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting: **Date:** June 26, 2018

Time: 11:00 A.M.

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

Financial year: April 1, 2017 to March 31, 2018

Listing Fees: The Debentures of the Company are listed on Bombay Stock Exchange (BSE) and the listing fees payable to the stock exchange for the financial year 2017-18 has been paid in full.

Stock Code: BSE: 954315

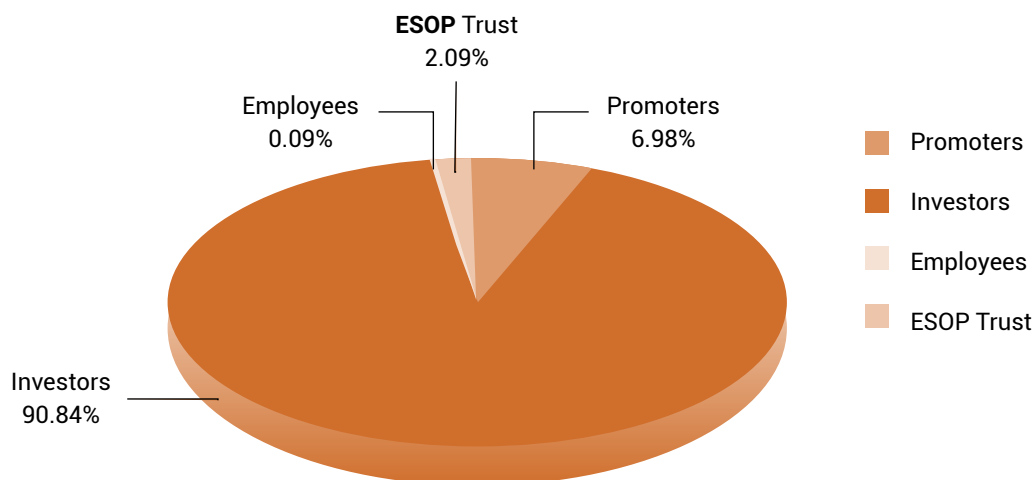
Dividend payment date: During the financial year ended March 31, 2018, the company paid dividend at the rate of 9%, per annum (excluding Dividend Distribution Tax) on the preference shares held by SIDBI in its Annual General Meeting held on June 30, 2017.

DEMATERIALISATION OF SHARES AND LIQUIDITY

It has also been noted that the shareholding in dematerialized mode as on March 31, 2018 was 51.09%

Shareholding pattern as on 31st March 2018

Shareholder Group	Shares	Amount	Stake %
Promoters	3,004,037	20,146,715	6.98%
Investor	39,130,325	391,303,250	90.84%
Employees	37,678	376,780	0.09%
ESOP Trust	898,234	8,982,340	2.09%
Total	43,070,274	420,809,085	100.00%



Address for Correspondence

Mr. Deepak Madaan

Company Secretary

Fusion Micro Finance Private Limited

H-1, C Block, Community Centre,

Naraina Vihar, New Delhi-110028

Tel: +91 46646600

Website: www.fusionmicrofinance.com

For and on behalf of the Board of Directors

Place: New Delhi

Date: May 24, 2018

Devesh Sachdev

Director & CEO

CEO CERTIFICATE

**The Board of Directors
Fusion Microfinance Private Limited**

This is to certify that:

1. We have reviewed Financial Statements and the Cash Flow Statement for the Financial Year ended 31st March 2018 and that to the best of our knowledge and belief:
 - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent or illegal or violate Company's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for Financial Reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting.
4. We have indicated to the Auditors and the Audit Committee:
 - a. Significant changes in internal control over financial reporting during the year;
 - b. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - c. Instances of significant fraud of which they have become aware and the involvement therein, if any, of the Management or an employee having a significant role in the Company's internal control system over financial reporting.

For and on behalf of the Board of Directors

Place: New Delhi
Date: May 24, 2018

**Devesh Sachdev
Director & CEO**

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

This is to confirm that the Company has adopted a Code of Conduct for the Members of its Board and its Senior Management Personnel. I confirm that the Company has, in respect of the financial year ended 31st March, 2018 received from the Members of the Board and Senior Management team of the Company, a declaration of compliance with the Code of Conduct as applicable to them.

For and on behalf of the Board of Directors

Place: New Delhi
Date: May 24, 2018

**Devesh Sachdev
Director & CEO**

Annexure 6

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

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

Policy Statement

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

Organization Setup

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

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

Scope of activities

The CSR activities of FMPL are as per the provisions of

Schedule VII of the Companies Act, 2013.

2. The Composition of the CSR Committee.

The CSR Committee comprised Three (3) Members including one (1) independent Director. The committee was reconstituted on February 08, 2018 with the following composition:

S.NO.	NAME	DESIGNATION
1.	Mr. Devesh Sachdev	Chairman
2.	Ms. Laetitia Counye	Member
3.	Mr. Pradip Kumar Saha	Member

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

₹116,906,961

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

₹2,338,139

5. Details of CSR spent during the financial year.

- a) Total amount to be spent for the financial year 2017-18; - ₹4,321,491*
- b) Amount Spent: ₹43,83,084
- c) Amount overused, if any; - ₹61,593
- d) Manner in which the amount spent during the financial year is detailed below.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
S.No	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay(budget) project or programs wise (in INR)	Amount spent on the projects or programs sub-heads: (1) Direct expenditure on projects or programs (2) Overheads (INR)	Cumulative expenditure upto the reporting period (INR)	Amount spent Direct or through implementing agency (INR)	Overused amount
1	Financial Literacy Program	Promoting Education	Uttarakhand, Punjab, Uttar Pradesh, Chhattisgarh, Madhya Pradesh, Haryana, Bihar	830635	830635	830635	Direct	
2	Health Check up camp	Promoting preventive healthcare	Uttar Pradesh, Madhya Pradesh, Uttarakhand, Maharashtra, Jharkhand, Haryana, Odisha, Bihar, Delhi	788402	788402	788402	Agency	
3	Health Awareness Program	Promoting preventive healthcare	Madhya Pradesh, Uttarakhand, Bihar	151777	151777	151777	Agency	
4	Donation to Indian Cancer Society	Preventive healthcare	Delhi	222000	222000	222000	Agency	
5	Skill Development Program	Promoting education: Employment enhancing vocational skills	Bihar, Madhya Pradesh, Haryana	218161	218161	218161	Agency	
6	Stationary Distribution Program	Promoting Education	Madhya Pradesh	55590	55590	55590	Direct	
7	Sponsorship to school	Promoting Education	Hyderabad (Telangana)	105000	105000	105000	Agency	
8	Sponsorship to Music society	Promotion and development of traditional arts	Delhi	50000	50000	50000	Agency	
9	Sponsorship to NDTV	Promoting preventive healthcare	Haryana	300000	300000	300000	Agency	
10	Sponsorship to Go sports foundation	Training to promote sports	Bengaluru(Karnataka)	500000	500000	500000	Agency	
11	Toilet Construction	Rural development project	Uttar Pradesh, Madhya Pradesh, Jharkhand	145959	145959	145959	Direct	
12	Plantation program	Ensuring environmental sustainability	Uttar Pradesh	17100	17100	17100	Direct	
13	Relief and welfare work for flood victims	Relief and welfare work	Bihar	141181	141181	141181	Direct	
14	Relief and welfare work for fire victims	Relief and welfare work	Bihar	2000	2000	2000	Direct	
15	Digital Literacy Program	Promoting Education	Uttarakhand, Uttar Pradesh, Madhya Pradesh, Maharashtra, Jharkhand, Haryana	881401	881401	881401	Direct	
								61,593

Amount Spent in FY 2017-18	INR 44,09,206
GST Deduction	INR 26,122
Total Amount Spent in FY 2017-18	INR 43,83,084

*Total amount to be spent for the financial year 2016-17 is inclusive of balance amount of ₹1,983,352 for the FY 2015-16.

6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.
7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

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

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

For Fusion Microfinance Private Limited

Devesh Sachdev
Chief Executive Officer

Pradip Kumar Saha
Member of CSR Committee

Place: New Delhi
Dated: May 24, 2018

Annexure 7

DETAILS OF MANAGERIAL REMUNERATION AS PER COMPANIES ACT, 2013 FOR THE FY 2017-18

S.No.	PARTICULARS	DISCLOSURES
(i)	the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;	Director & CEO: 32:1
(ii)	the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;	Increase in Remuneration: Chief Executive Officer : 14.3% Chief Financial Officer : 28.08% Company Secretary : 25.0%
(iii)	the percentage increase in the median remuneration of employees in the financial year;	12.71%
(iv)	the number of permanent employees on the rolls of company as on March 2018;	3202
(v)	average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;	The average increase in the salaries of employees was 12.71% and the average increase in the managerial remuneration was 14.3%.
(vi)	Affirmation that the remuneration is as per the remuneration policy of the company.	Yes

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

Employee Name	Designation	Qualification	Remuneration Received	Nature of employment	Date of Commencement of Employment	Age	Experience (In Years)	Last Employment Details	Whether relative of any director/manager
Devesh Sachdev	Chief Executive Officer	MBA	6,882,084	Full time employment	01-Jan-2010	45	21	BSA Logistics	No
Tarun Mehndiratta	Chief Operating Officer	MBA	4,797,798	Full time employment	16-June-2017	48	26	GE Capital Ltd.	No
Gaurav Maheshwari	Chief Financial Officer	CA, MBF	2,636,688	Full time employment	03-Feb-2016	39	14	Avantha Group	No
Ankush Ahluwalia	Vice President	MBE	2,223,132	Full time employment	03-Aug-2015	39	15	Magma Fincorp Ltd.	No
Satish Mani	Vice President	B. Com	2,125,176	Full time employment	08-Apr-2015	46	24	GE Commercial Finance	No
Rahul Jain	Asst. Vice President	BA	1,090,764	Full time employment	01-Dec-2009	33	13	Development Credit Bank	No
Rohit Dhiman	Asst. Vice President	B. Com, PG Mass Comm.	1,614,888	Full time employment	19-Sep-2016	36	15	Metlife Insurance	No

Employee Name	Designation	Qualification	Remuneration Received	Nature of employment	Date of Commencement of Employment	Age	Experience (In Years)	Last Employment Details	Whether relative of any director/manager
Amal Govil	Vice President	BSc.	1,510,488	Full time employment	27-Jan-2015	45	20	Phillips India Ltd	No
Praveen Kumar	Dy. Vice President	MBA	1,241,064	Full time employment	29-Aug-2014	43	14	Arohan Financial Service Pvt. Ltd.	No
Gourav Sirohi	Dy. Vice President	CA	1,218,300	Full time employment	08-Sep-2011	34	13	Grant Thornton LLP	No

Name of every employee of the company who –

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

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

Devesh Sachdev
Director and CEO
DIN: 02547111

Pradip Kumar Saha
Director
DIN: 02947368

Place: New Delhi
Dated: May 24, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Fusion Micro Finance Private Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Fusion Micro Finance Private Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (collectively referred to as the 'financial statements').

Management's Responsibility for the Financial Statements

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

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.

Auditor's Responsibility

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

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

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We are also responsible to 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2018, its loss and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, and on the basis of such checks of the books and records of the Company as we consider appropriate and according to the information and explanation given to us, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the said Order to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) On the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the

directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act;

- (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations as at 31 March 2018 on its financial position in its financial statements – Refer Note 2.25.
 - 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.
 - iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However amounts as appearing in the audited financial statements for the period ended 31 March 2017 have been disclosed.

for B S R & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 116231W/W-100024

Arpan Jain

Partner

Place: New Delhi
Date: 24 May 2018

Membership Number: 125710

The Annexure A referred to in our Independent Auditor's Report of even date to the Members of Fusion Micro Finance Private Limited ("the Company") on the financial statements for the year ended 31 March 2018, we report that:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all the fixed assets are verified every year. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company does not own any immovable properties. Hence, the provisions of Clause 3(i)(c) of the said Order are not applicable to the Company.
- ii. The Company was engaged in the business of providing Micro credit. Accordingly, it does not hold any physical inventories. Hence, the provisions of Clause 3(ii) of the said Order are not applicable to the Company.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the Register maintained under Section 189 of the Act. Hence, the provisions of Clause 3(iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. The Company has not given loans, investments, guarantees and security covered under Section 185 and 186 of the Act. Therefore, paragraph 3(iv) of the Order is not applicable to the Company.
- v. The Company has not accepted any deposits from the public.
- vi. The Central Government of India has not prescribed the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the services rendered by the Company.
- vii. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' state insurance, Income-tax, Service tax, Goods and services tax, Cess and other material statutory dues have generally been regularly deposited by the Company with the appropriate authorities. The Company did not have any dues on account of Sales tax, duty of Customs, duty of Excise and Value added tax.
- (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, Goods and services tax, Cess and other material statutory dues were in arrears as at 31 March 2018 for a period of more than six months from the date they became payable.
- viii. According to the information and explanations given to us, there are no dues of Income tax, Service tax, Goods and services tax, duty of Customs, duty of Excise and Value added tax, which have not been deposited with appropriate authorities on account of any dispute.
- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or dues to debenture holders as at the balance sheet date. The Company did not have any dues to Government.
- ix. The Company has not raised any monies by way of initial public offer or further public offer (including debt instruments). In our opinion, and according to the information and explanations given to us, monies raised by way of term loans have been applied, on an overall basis, for the purposes for which they were obtained.
- x. According to the information and explanations given to us, we report that no material fraud by the Company or by its employees or officers has been noticed or reported during the year except for instances of cash embezzlements by certain employees of the Company aggregating to an amount of ₹3,151,955 and out of which an amount of ₹1,187,298 has been recovered.

The services of the concerned employees have been terminated.

- xi. The provisions of Section 197 read with Schedule V to the Act are applicable only to the public companies. Accordingly, the provision of Clause 3 (xi) of the Order are not applicable to the Company.
- xii. The Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. According to the information and explanations given to us, the transactions with related parties are in compliance with the provisions of Sections 177 and 188 of the Act where applicable and the details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

- xiv. The Company has made preferential allotment of equity shares during the current year, in compliance with the requirements of Section 42 of the Act. The amounts raised have been used for the purpose for which funds were raised.
- xv. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company has been registered under Section 45 IA of the Reserve Bank of India Act, 1934 as a Non-Banking Finance Company – Micro Finance Institution.

for B S R & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 116231W/W-100024

Arpan Jain

Partner

Place: New Delhi

Date: 24 May 2018

Membership Number: 125710

The Annexure B referred to in our Independent Auditor's Report of even date to the Members of Fusion Micro Finance Private Limited the financial statements for the year ended 31 March 2018.

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of the 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 31 March 2018 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 with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (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 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 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, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal

financial controls with reference to financial statements 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 system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to 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 judgment, 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 system with reference to financial statements.

Meaning of Internal Financial Controls with reference to Financial Statements

A company's internal financial control 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 the generally accepted accounting principles. A company's internal financial control 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.

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, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31 March 2018, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

for B S R & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 116231W/W-100024

Arpan Jain

Partner

Place: New Delhi

Date: 24 May 2018

Membership Number: 125710

BALANCE SHEET as at 31 March 2018

	Note	As at 31 March 2018	As at 31 March 2017
EQUITY AND LIABILITIES			
Shareholder's funds			
Share capital	2.1	441,826,745	372,565,550
Reserve and surplus	2.2	2,135,126,158	1,852,789,916
		2,576,952,903	2,225,355,466
Non-current liabilities			
Long-term borrowings	2.3	10,024,861,095	6,177,549,696
Long-term provisions	2.4	16,969,203	22,197,528
		10,041,830,298	6,199,747,224
Current liabilities			
Short term borrowings	2.5	1,208,175,525	180,000,000
Other current liabilities	2.6	5,330,561,568	3,279,933,832
Short-term provisions	2.7	527,093,587	299,229,523
		7,065,830,680	3,759,163,355
Total		19,684,613,881	12,184,266,045
ASSETS			
Non-current assets			
Property, plant and equipment	2.8		
(i) Tangible assets		47,249,139	43,589,883
(ii) Intangible assets		2,392,087	2,550,188
Deferred tax assets, net	2.35	250,931,961	109,018,191
Loan portfolio	2.9	4,391,934,739	1,353,889,032
Long-term loans and advances	2.10	30,029,916	10,416,667
Other non-current assets	2.11	749,995,256	503,986,337
		5,472,533,098	2,023,450,298
Current assets			
Current investments	2.12	5,000,000	2,105,113,760
Trade receivables	2.13	4,797,197	-
Cash and bank balances	2.14	5,058,328,187	1,665,133,415
Loan portfolio	2.9	8,834,957,752	6,156,307,737
Short-term loans and advances	2.15	120,599,597	45,995,351
Other current assets	2.16	188,398,050	188,265,484
		14,212,080,783	10,160,815,747
Total		19,684,613,881	12,184,266,045
Significant accounting policies	1		
Notes to the financial statements	2		

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

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

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

Arpan Jain
Partner
Membership Number.: 125710

Devesh Sachdev
Director & CEO
DIN: 02547111

Pradip Kumar Saha
Director
DIN: 02947368

Deepak Madaan
Company Secretary

Gaurav Maheshwari
Chief Financial Officer

Place: New Delhi
Date: 24 May 2018

Place: New Delhi
Date: 24 May 2018

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

STATEMENT OF PROFIT AND LOSS for the year ended 31 March 2018

	Note	for the year ended 31 March 2018	for the year ended 31 March 2017
INCOME			
Revenue from operations	2.17	2,545,195,313	1,849,004,847
Other income	2.18	127,931,766	161,427,692
TOTAL REVENUE		2,673,127,079	2,010,432,539
EXPENSES			
Operating expenses	2.19	944,959,645	349,497,394
Employee benefits expense	2.20	661,008,113	483,184,885
Finance costs	2.21	1,366,023,585	974,385,935
Depreciation and amortisation	2.8	20,406,853	16,026,431
Other expenses	2.22	216,777,285	139,184,778
TOTAL EXPENSES		3,209,175,481	1,962,279,423
(Loss)/ profit before tax		(536,048,402)	48,153,116
TAX EXPENSES:			
- Current tax		-	104,200,000
- Deferred tax		(141,913,770)	(97,018,911)
(Loss)/ profit after tax		(394,134,632)	40,972,027
Earning per equity share	2.30		
[Nominal value per share ₹10 (previous year: ₹10)]			
- Basic		(11.09)	1.27
- Diluted		(11.09)	1.18
Significant accounting policies	1		
Notes to the financial statements	2		

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

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

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

Arpan Jain
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Membership Number.: 125710

Devesh Sachdev
Director & CEO
DIN: 02547111

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Director
DIN: 02947368

Deepak Madaan
Company Secretary

Gaurav Maheshwari
Chief Financial Officer

Place: New Delhi
Date: 24 May 2018

Place: New Delhi
Date: 24 May 2018

CASH FLOW STATEMENT for the year ended 31 March 2018

	for the year ended 31 March 2018	for the year ended 31 March 2017
PARTICULARS		
I. CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss)/ profit before tax	(536,048,402)	48,153,116
Adjustments:		
Depreciation and amortisation	20,406,853	16,026,431
Loan portfolio written off	663,678,587	46,657,341
Provision on loan portfolio	219,539,136	256,221,582
Provision for employee benefits	5,631,153	4,856,784
Profit on sale of mutual fund units	(117,282,465)	(160,744,260)
Loss on sale of fixed assets	15,997	26,476
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	255,940,859	211,197,470
Increase in loan portfolio (net of securitised loan portfolio)	(6,380,374,309)	(2,543,533,143)
INCREASE IN ADVANCES AND OTHER ASSETS	(69,374,026)	(111,910,869)
(Increase) / decrease in trade receivables	(4,797,197)	9,316,951
Increase / (decrease) in liabilities and provisions	256,635,784	(18,063,046)
CASH GENERATED FROM OPERATIONS	(5,941,968,889)	(2,452,992,637)
Income taxes paid, net	(27,105,876)	(125,985,418)
NET CASH FLOW USED BY OPERATING ACTIVITIES (A)	(5,969,074,765)	(2,578,978,055)
II. CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(23,931,655)	(41,232,730)
Proceed from sale of fixed assets	7,000	234,587
(Purchase)/sale of investments, net	2,217,396,225	(1,944,369,500)
Investment in long-term Fixed Deposits in banks/FIs with maturity of more than three months	(351,712,192)	(79,510,457)
Net cash from/ (used by) investing activities (B)	1,841,759,378	(2,064,878,100)
III. Cash flows from financing activities:		
Proceeds from issuance of share capital (including share premium)	748,688,116	1,013,823,770
Proceeds from Fusion Employee Benefit Trust towards repayment of loan	293,613	18,613,918
Payment of preference dividend	(2,700,000)	(1,346,301)
Payment of tax on preference dividend	(549,660)	(274,075)
Proceeds from borrowings, net	6,666,944,975	4,749,116,530
NET CASH PROVIDED BY FINANCING ACTIVITIES (C)	7,412,677,044	5,779,933,842
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	3,285,361,657	1,136,077,687
Cash and cash equivalents at the beginning of the year	1,660,508,415	524,430,728
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (REFER NOTE 2.13)	4,945,870,073	1,660,508,415
Note:	31 March 2018	31 March 2017
Cash and cash equivalents comprises:		
Cash in hand		
Balances in	5,161,301	16,983,590
Current accounts	3,090,708,772	1,643,524,825
Deposit accounts	1,850,000,000	-
	4,945,870,073	1,660,508,415

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

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

Arpan Jain
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Director & CEO
DIN: 02547111

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Director
DIN: 02947368

Deepak Madaan
Company Secretary

Gaurav Maheshwari
Chief Financial Officer

Place: New Delhi
Date: 24 May 2018

Place: New Delhi
Date: 24 May 2018

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Company overview

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

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

1. Significant accounting policies

a) Basis of preparation of financial statements

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

b) Use of estimates

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

c) Current – non-current classification

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

Assets

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

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

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

Liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

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

Operating cycle

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

d) Revenue recognition

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

e) Classification of loan portfolio and provisioning policy

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

Asset classification norms:

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

Provisioning norms:

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

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

The company accrue higher provision wherever required based on its assessment.

Written Off Policy

The Loan portfolio is written off based on the assessment by the management wherever required considering days of arrears and overdue bucket.

f) Fixed assets and depreciation/amortisation

Tangible fixed assets

Tangible fixed assets are carried at cost of acquisition less accumulated depreciation. The cost of tangible fixed

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

assets comprises the purchase price, taxes, duties, freight (net of rebates and discounts) and any other directly attributable costs of bringing the assets to their working condition for their intended use.

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

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

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

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

Intangible assets

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

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

g) Borrowing costs

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

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

h) Impairment of assets

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

i) Grants

Grants and subsidies from the Government are recognised when there is reasonable assurance that

- (i) the Company will comply with the conditions attached to them; and
- (ii) the grant/ subsidy will be received.

Grants of the nature of promoter's contribution are credited to capital reserve and treated as a part of the shareholder's funds.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Where the grants are received as compensation for expenses or losses incurred, the grants are taken to the statement of profit and loss in the period to which it relates.

j) Investments

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

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

k) Employee benefits

Defined contribution plans

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

Defined benefit plan

The Company provides for gratuity, a defined benefit retirement plan covering eligible employees. In the current year, gratuity is covered under a scheme administered by the Kotak Life Insurance Company (Kotak Group Gratuity plan) and the contributions made by the Company to the scheme are recognised in Statement of Profit and Loss. The liability recognised in the Balance Sheet in respect of defined benefit plans is the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of plan assets. The calculation of the Company's obligation under the plan is performed annually by a qualified independent actuary using the projected unit credit method. Actuarial gains and losses arising during the year are immediately recognised in the Statement of Profit and Loss in the year which they arise.

Compensated absences

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

Actuarial gains and losses arising during the year are immediately recognised in the Statement of Profit and Loss.

Employee Stock Option Scheme ('ESOP')

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

l) Earnings per share ("EPS")

Basic earnings per share is computed by dividing the net profit after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed to have been converted as of the beginning of the year, unless they have been issued at a later date.

m) Income tax

Income tax expense comprises current tax and deferred tax.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Current tax

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

Deferred tax

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

n) Provisions and contingent liabilities

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

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

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

o) Leases

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

p) Cash flow statement

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

2.1 Share capital

	As at 31 March 2018	As at 31 March 2017
AUTHORISED:		
Equity shares		
50,000,000 (previous year: 40,000,000) equity shares of ₹10 each	500,000,000	400,000,000
Preference shares		
5,000,000 (previous year: 5,000,000) preference shares of ₹10 each	50,000,000	50,000,000
	550,000,000	450,000,000
ISSUED AND SUBSCRIBED		
Equity shares		
<i>Fully paid up</i>		
41,970,979 (previous year: 35,174,717) Equity Shares of ₹10 each	419,709,790	351,747,170
Less: Amount recoverable from Fusion Employee Benefit Trust	8,982,340	9,181,620
<i>Partly paid up</i>		
1,099,295 (previous year: NIL) equity shares of ₹10 each partly paid up @1	1,099,295	-
	411,826,745	342,565,550
PREFERENCE SHARES		
3,000,000 (previous year: 3,000,000) 9% Optionally convertible preference shares of ₹10 each, fully paid-up	30,000,000	30,000,000
	441,826,745	372,565,550

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

	As at 31 March 2018		As at 31 March 2017	
Particulars	Number of shares	Amount	Number of shares	Amount
Equity shares				
At the commencement of the year	35,174,717	351,747,170	19,138,046	191,380,460
Conversion of Compulsorily Convertible Debentures (CCDs) (refer note below)	-	-	5,300,000	53,000,000
Allotted to Fusion Employee Benefit Trust	-	-	85,141	851,410
Issued during the year (Fully Paid Up)	6,796,262	67,962,620	10,651,530	106,515,300
Issued during the year (Partly Paid up@ ₹1)	1,099,295	1,099,295	-	-
At the end of the year	43,070,274	420,809,085	35,174,717	351,747,170

Note: Pursuant to Shareholders agreement dated 05 June 2015, 16,960,000 CCDs having face value of ₹25 each have been converted into 5,300,000 fully paid-up equity shares of ₹10 each on 11 May 2016 at a conversion price of ₹80 per equity share.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

2.1.2

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

Particulars	As at 31 March 2018		As at 31 March 2017	
	Number of shares	Amount	Number of shares	Amount
9% Optionally Convertible Preference Shares				
At the commencement of the year	3,000,000	30,000,000	3,000,000	30,000,000
Issued during the year	-	-	-	-
At the end of the year	3,000,000	30,000,000	3,000,000	30,000,000

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

(i) Equity shares

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

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

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

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

Name of the shareholder	As at 31 March 2018		As at 31 March 2017	
	Number of shares	% of Holding	Number of shares	% of Holding
RIF-NORTH 2, Mauritius	3,680,138	8.54%	3,680,138	10.46%
NMI FRONTIER FUND, LLP, Norway	4,848,758	11.26%	4,848,758	13.78%
Devesh Sachdev - Director & CEO	2,704,037	6.28%	1,804,742	5.13%
Belgian Investment Company for Developing Countries SA, Belgium	5,134,920	11.92%	5,134,920	14.60%
Oikocredit, Ecumenical Development Co-Operative Society U.A., Netherlands	6,606,375	15.34%	5,060,920	14.39%
Creation Investment Fusion, LLC, Chicago, U.S.A.	15,321,043	35.57%	9,866,497	28.05%
Global Financial Inclusion Fund	3,539,091	8.22%	3,330,000	9.47%
	41,834,362	97.13%	33,725,975	95.88%

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

Name of the shareholder	As at 31 March 2018		As at 31 March 2017	
	Number of shares	% of Holding	Number of shares	% of Holding
Small Industries Development Bank of India.	3,000,000	100	3,000,000	100

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

2.1.6 Particulars of shares reserved for issue under employee stock options

Name of the shareholder	As at 31 March 2018	
	Number of shares	Number of shares
Under Employee Stock Option Plan [ESOP Plan C] (refer note 1 below)	1099294	-
	1,099,294	-

Note 1: These shares are reserved for employees as at balance sheet date.

2.1.7 Aggregate number and class of shares allotted as fully paid up pursuant to Share Subscription Agreement dated 24 May 2010 without payment being received in cash during the five-year period ended 31 March 2018:

Particulars	As at 31 March 2018	As at 31 March 2017	As at 31 March 2016	As at 31 March 2015	As at 31 March 2014
	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares
Shares allotted to Directors	-	-	-	303,425	-
	-	-	-	303,425	-

2.1.8 Pursuant to Shareholder's Agreement dated December 27, 2017, the Chief Executive Officer has right to subscribe upto i.e., 647,659 equity shares.

Reserves	and surplus	
	As at 31 March 2018	As at 31 March 2017
Securities premium account		
At the commencement of the year	1,614,143,888	336,686,828
Add: Addition on equity share issued during the year	679,626,201	1,277,457,060
Sub total	2,293,770,089	1,614,143,888
Less: Amount recoverable from Fusion Employee Benefit Trust	(10,032,339)	(10,126,672)
At the end of the year (A)	2,283,737,750	1,604,017,216
Statutory reserve (created under Section 45-1C of RBI Act, 1934)		
At the commencement of the year	52,517,902	44,323,497
Add: Amount transferred	-	8,194,405
Less: Amount utilised	-	-
At the end of the year (B)	52,517,902	52,517,902
(Deficit)/ Surplus Balance		
At the commencement of the year	196,254,798	163,477,176
Add: (Loss)/Profit for the year	(394,134,632)	40,972,027
Less : Amount transferred to statutory reserve	-	(8,194,405)
Less: Dividend on 9% Optionally convertible preference shares	(2,700,000)	-
Less: Tax on preference dividend	(549,660)	-
At the end of the year (C)	(201,129,494)	196,254,798
Total reserves and surplus (A+B+C)	2,135,126,158	1,852,789,916

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

2.3 Long-term borrowings *

	As at 31 March 2018	As at 31 March 2017
Debentures		
Secured		
4,176 (Previous year: 3,133) Redeemable transferable non-convertible debentures of ₹1,000,000 each. fully paid-up	4,142,999,867	3,133,000,000
Unsecured		
1,050 (Previous year: 500) Redeemable transferable non-convertible debentures of ₹1,000,000 each. fully paid-up	1,050,000,000	500,000,000
Term loans		
Secured		
- from banks	1,790,726,140	720,309,797
- from others	2,416,589,632	1,678,955,781
Unsecured		
- from banks	70,000,000	-
- from others	554,545,456	145,000,000
Vehicle loans		
Secured		
- from banks	-	284,118
	10,024,861,095	6,177,549,696

* Refer note 2.34 for terms of borrowings

2.4 Long-term provisions

	As at 31 March 2018	As at 31 March 2017
Contingent provision against standard loan portfolio (refer note 2.23)	-	10,325,950
Provision for employee benefits		
- Gratuity (refer note 2.27)	312,746	65,085
- Compensated absences	16,656,457	11,806,493
	16,969,203	22,197,528

2.5 Short Term Borrowings

	As at 31 March 2018	As at 31 March 2017
Cash Credit from banks	58,175,525	-
from Banks	1,150,000,000	180,000,000
	1,208,175,525	180,000,000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

2.6 Other current liabilities

	As at 31 March 2018	As at 31 March 2017
Current maturities of long-term debt: *		
Debentures		
Secured		
287 (Previous year: 10) Redeemable transferable non convertible debentures of ₹1,000,000 each.	286,666,800	10,000,000
Term loans		
Secured		
- From bank	2,169,290,194	1,330,310,356
- From others	2,213,243,558	1,654,269,716
Unsecured		
- From others	145,454,544	28,450,000
Vehicle Loans		
- From bank	284,120	451,093
	4,814,939,216	3,023,481,165
Payable towards securitised portfolio	214,256,408	31,927,542
Interest accrued but not due on borrowings	156,683,492	135,226,774
Statutory liabilities	27,212,306	21,470,776
Salaries and bonus payable	50,674,148	35,850,035
Expenses payable	22,217,848	9,890,502
Other payable	44,578,150	13,086,654
Unamortised income on securitised portfolio	-	9,000,384
	5,330,561,568	3,279,933,832

2.7 Short-term provisions

	As at 31 March 2018	As at 31 March 2017
Contingent provisions against standard loan portfolio (refer note 2.23)	-	46,736,096
Provision on non performing loan portfolio (refer note 2.23)	505,705,307	18,039,922
Provisions on standard loan portfolio due to demonetisation	-	231,252,823
Provision on Business Correspondence Portfolio	20,188,620	
Provision for tax (Net of advance tax)	-	-
Provision for employee benefits		
- Gratuity (refer note 2.27)	225,171	-
- Compensated absences	974,489	666,132
Others	-	2,534,550
	527,093,587	299,229,523



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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

2.8 Property, plant and equipment

Description	Gross block			Depreciation and amortisation			Net block	
	As at 1 April 2017	Additions	As at 31 Mar 2018	As at 1 April 2017	For the year	Deletions	As at 31 Mar 2018	As at 31 March 2017
Tangible assets								
Owned								
Furniture and fixtures	8,454,965	5,644,481	14,099,446	3,615,225	1,977,747	-	8,506,474	4,839,740
Electrical fittings	7,868,376	3,905,833	11,774,209	3,017,326	2,022,620	-	6,734,263	4,851,050
Office equipment	3,332,791	574,391	3,872,657	1,844,409	898,414	27,801	1,157,635	1,488,382
Vehicles	6,787,177	19,989	6,807,166	5,429,725	627,336	-	750,105	1,357,452
Computers	21,892,606	9,516,429	31,359,735	14,748,021	8,431,857	32,382	8,212,239	7,144,585
Leasehold improvements	31,516,519	1,846,902	33,363,421	7,607,850	3,867,148	-	21,888,423	23,908,669
Sub-total (A)	79,852,434	21,508,025	101,276,634	36,262,556	17,825,122	60,183	47,249,139	43,589,878
Previous year	40,266,613	39,685,265	79,852,434	22,941,609	13,393,910	72,968	43,589,878	
Intangible assets								
Owned								
Computer software	8,021,802	2,423,630	10,445,432	5,471,614	2,581,731	-	2,392,087	2,550,188
Sub-total (B)	8,021,802	2,423,630	10,445,432	5,471,614	2,581,731	-	2,392,087	2,550,188
Previous year	6,816,337	1,547,465	8,021,802	2,946,506	2,632,521	107,413	2,550,188	
Grand total (A+B)	87,874,236	23,931,655	111,722,066	41,734,170	20,406,853	60,183	49,641,226	46,140,066
Previous year	47,082,950	41,232,730	87,874,236	25,888,115	16,026,431	180,381	46,140,066	

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

2.9 Loan portfolio

	As at 31 March 2018	As at 31 March 2017
Unsecured		
Microfinance loan portfolio [net of securitised loan portfolio of ₹1,700,705,311 (previous year: ₹201,394,495)]	13,226,892,491	7,507,032,947
Secured		
Vehicle loans	-	3,163,822
	13,226,892,491	7,510,196,769
Of the above loan portfolio		
Non current portion of loan portfolio	4,391,934,739	1,353,889,032
Current portion of loan portfolio	8,834,957,752	6,156,307,737
	13,226,892,491	7,510,196,769
Out of the above loan portfolio		
Loan portfolio (considered good)*	12,700,999,464	7,481,702,137
Loan portfolio (considered doubtful)	525,893,027	28,494,632
	13,226,892,491	7,510,196,769

*Includes an amount of ₹219,544,479 (Previous year: 2,338,678) given as on-balance sheet exposure towards securitised portfolio placed as over collateralization.

2.10 Long-term loans and advances

	As at 31 March 2018	As at 31 March 2017
(Unsecured, considered good)		
Security deposits	30,029,916	10,416,667
	30,029,916	10,416,667

2.11 Other non-current assets

	As at 31 March 2018	As at 31 March 2017
(Unsecured, considered good)		
Long term deposits with maturity of more than 12 months		
- with banks*	529,732,361	358,664,079
- with financial institutions as security deposit*	32,452,268	42,093,446
- with financial institution as security deposit towards securitised portfolio*	147,260,615	64,808,641
Interest accrued but not due		
- term deposits	7,149,754	10,157,116
Unamortised processing fees	33,400,258	28,263,055
	749,995,256	503,986,337

*Includes deposits of ₹562,184,629 (previous year : ₹403,757,525) maintained as cash collateral against term loans availed and ₹147,260,615 (previous year : ₹64,808,641) maintained as cash collateral against managed portfolio.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

2.12 Current investments

	As at 31 March 2018	As at 31 March 2017
Other than trade and quoted		
(Valued at lower of cost and fair value)		
Investments in mutual funds		
Nil units (previous year: 108,336 units) of Axis Treasury Advantage Fund	-	200,000,000
Nil units (previous year: 1,153,307) of Birla Sun Life Floating Rate Fund	-	250,000,000
Nil units (previous year: 11,270,242) of DHFL Pramerica Low Duration Fund	-	250,000,000
Nil units (previous year: 7,326,136) of Reliance Medium Term Fund	-	250,000,000
Nil units (previous year: 8,638,264) of IDFC Ultra Short Term Fund	-	200,000,000
Nil units (previous year: 94,236) of UTI Floating Rate Fund	-	250,000,000
Nil units (previous year: 12,538,551) of UTI Short Term Income Fund	-	250,000,000
Nil units (previous year: 831,099) of ICICI Prudential Liquid Fund	-	200,000,000
units (previous year: 115,801) of Invesco India Short Term Fund	-	250,000,000
500,000 units (previous year: 500,000) of HDFC Debt Fund for Cancer Cure	5,000,000	5,000,000
Nil units (previous year: 49) of DSP Blackrock Liquidity Fund	-	113,760
	5,000,000	2,105,113,760

Aggregate amount of quoted investments, Cost 5,000,000

Aggregate amount of quoted investments, Market Value 5,000,000

2.13	Trade	receivables
	As at 31 March 2018	As at 31 March 2017
(Unsecured, considered good)		
Receivables outstanding for a period exceeding six months from the date they became due for payment.	-	-
Others debts	4,797,197	-
	4,797,197	-

2.14	Cash and bank	balances
	As at 31 March 2018	As at 31 March 2017
Cash and cash equivalents		
Cash in hand	5,161,301	16,983,590
Balances with banks		
- in current accounts	3,090,708,772	1,643,524,825
- in deposit accounts with less than 3 months maturity	1,850,000,000	-
	4,945,870,073	1,660,508,415
Other bank balances		
- Deposits with banks with maturity more than 3 months but less than 12 months*	112,458,114	4,625,000
	112,458,114	4,625,000
Total	5,058,328,187	1,665,133,415

*Includes deposits of ₹99,125,000 (previous year : ₹4,625,000) maintained as cash collateral against term loans availed and ₹13,333,114 (previous year : NIL) maintained as cash collateral against managed portfolio.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

	As at 31 March 2018	As at 31 March 2017
Details of bank balances and deposits		
Bank balances available on demand/deposits with maturity of 3 months or less included under 'Cash and cash equivalents'	4,940,708,772	1,643,524,825
Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'	112,458,114	4,625,000
Bank deposits due to mature after 12 months of the reporting date included under 'Other non-current assets' (refer note 2.11)	709,445,244	465,566,166
	5,762,612,130	2,113,715,991

2.15	Short-term loans	and advances
	As at 31 March 2018	As at 31 March 2017
(Unsecured, considered good)		
Balance with ESOP trust	137,892	5,170,738
Advances recoverable in cash or kind or for value to be received	56,061,096	1,704,968
Rent deposits	6,940,070	5,289,808
Advance tax (net of provisions for tax)	53,180,348	26,074,472
Prepaid expenses	4,280,191	5,285,907
Service tax receivable	-	2,469,458
	120,599,597	45,995,351

2.16 Other current assets

	As at 31 March 2018	As at 31 March 2017
(Unsecured, considered good)		
Security deposits towards borrowings*	-	3,000,000
Interest accrued but not due		
- on loan portfolio	106,315,125	65,647,027
- on fixed deposits with banks	28,064,717	25,938,764
- on security deposits	-	432,000
Interest accrued and due but not collected	2,971,872	51,577,705
Unamortised processing fees	51,046,336	31,073,166
Unbilled revenue	-	10,596,822
	188,398,050	188,265,484

*Represents deposits maintained as cash collateral against term loans availed from financial institution

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

2.17 Revenue from operations

	As at 31 March 2018	As at 31 March 2017
Interest income on loan portfolio	2,193,354,634	1,594,507,377
Income from business correspondence services	57,768,440	62,803,596
Income from asset securitisation	91,784,990	72,288,049
Processing fee on loan portfolio	167,068,924	83,104,480
	2,509,976,988	1,812,703,502
Other operating income		
Interest on term deposits with banks	35,218,325	36,301,345
	35,218,325	36,301,345
	2,545,195,313	1,849,004,847

2.18	Other	income
	As at 31 March 2018	As at 31 March 2017
Profit on sale of Investments	117,282,465	160,744,260
Miscellaneous income	10,649,301	683,432
	127,931,766	161,427,692

2.19 Operating expenses

	As at 31 March 2018	As at 31 March 2017
Postage and communication	20,156,111	16,626,948
Contingent provision against standard portfolio*	-	21,008,792
Provision on non performing loan portfolio	199,350,516	-
Provisio on Business Correspondence Portfolio	20,188,620	-
Provision on non-standard portfolio*	-	3,959,967
Provision on standard portfolio due to demonetisation*	-	231,252,823
Loan portfolio written off*	663,678,587	46,657,341
Repairs and maintenance	23,677,585	14,860,670
Printing and stationery	17,902,454	9,390,003
Provision towards cash loss	5,772	5,740,850
	944,959,645	349,497,394

* refer note 2.23

2.20	Employee	benefits	expense
		As at 31 March 2018	As at 31 March 2017
	Salaries, wages and bonus*	598,396,132	442,459,131
	Contribution to provident fund and other fund (refer note 2.27 (b))	47,869,967	32,579,258
	Staff welfare expenses	14,742,014	8,146,496
		661,008,113	483,184,885

* Shown net of grant received from Small Industries Development Bank of India (SIDBI) amounting to ₹40,76,969 (previous year ₹ NIL)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

2.21 Finance costs

	As at 31 March 2018	As at 31 March 2017
Interest on borrowings	1,324,468,682	936,342,629
Other borrowing costs	41,554,903	38,043,306
	1,366,023,585	974,385,935

2.22 Other expenses

	For the year ended	
	31 March 2018	March 2017
Rent (refer note 2.29)	60,541,017	38,850,471
Travelling and conveyance	40,475,985	24,737,335
Legal and professional fees (refer note 2.36)*	42,146,743	32,442,797
Rates and taxes	16,461,387	5,505,190
Office maintenance	15,291,547	9,659,936
Water and electricity	7,962,582	4,789,359
Staff recruitment and training	2,360,961	3,223,716
Insurance	3,510,989	2,954,373
Corporate social responsibility/Donation (refer note 2.39)	4,383,084	973,259
Business promotion	15,519,528	10,724,074
Miscellaneous expenses	8,123,463	5,324,268
	216,777,285	139,184,778

* Shown net of grant received from Small Industries Development Bank of India (SIDBI) amounting to ₹ NIL (previous year ₹537,492).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

2.23 Provision for outstanding loan portfolio

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

Asset classification	As at 31 March 2018		As at 31 March 2017	
	Loan portfolio	Provision	Loan portfolio	Provision
Standard portfolio	12,501,643,605	-	7,479,363,459	57,062,046
Sub-standard and loss portfolio	525,893,027	505,705,307	28,494,632	18,039,922
Total	13,007,348,012	505,705,307	7,507,858,091	75,101,968

- b) During the year, based on qualitative assessment and considering days in arrears certain loan portfolio amounting to ₹663,678,587 (previous year: ₹46,657,341) has been written off.
- c) As on 31 March 2018 provision towards managed portfolio is ₹20,188,620 (previous year: ₹Nil)
- d) The movement in provision during the year are explained below (owned and business correspondence portfolio).

Particulars	For the year ended 31 March 2018			For the year ended 31 March 2017		
	Standard portfolio	Sub-standard and loss portfolio	Total	Standard portfolio	Sub-standard and loss portfolio	Total
Opening	57,062,046	18,039,922	75,101,968	36,053,254	14,079,955	50,133,209
Additions / (write back), net	(57,062,046)	507,853,105	450,791,059	21,008,792	3,959,967	24,968,759
Closing	-	525,893,027	525,893,027	57,062,046	18,039,922	75,101,968

- e) Based on the management assessment and considering various factor the Company has accrued 100% provision on identified non-performing portfolio, which is in higher than provision required as per RBI norms.

2.24 Contingent Liability:

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

Sl. No	Bank/Financial Institution	31 March 2018		31 March 2017	
		Principal assigned/ Purchase consideration	Guarantee*	Principal assigned/ Purchase consideration	Guarantee*
1	IFMR Capital Olenna XXXIII	277,702,067	43,043,821	-	-
2	Vivriti Capital Windu XXXIV	459,688,668	87,340,847	-	-
3	Rosetta IFMR Capital XXXV	222,218,561	35,554,970	-	-
4	Kenobi Vivriti Capital XXXVI	296,384,105	44,457,615	-	-
5	Begonia IFMR Capital XXXVII	552,317,858	71,801,322	-	-
6	Blizzard Vivrit Capital XXXVII	171,920,145	28,796,624	-	-
7	Davos Northern ARC Cap XXXVIII	493,878,631	69,143,009	-	-
8	IFMR Capital Finance Private Limited – XXVI	-	-	106,985,550	5,616,741*
9	IFMR Capital Finance Private Limited – XXVII	-	-	196,978,760	9,848,938*
10	IFMR Capital Finance Private Limited – XXVIII	-	-	256,252,819	15,375,169*
11	IFMR Capital Finance Private Limited – XXIX	-	-	167,690,555	10,480,660*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Sl. No	Bank/Financial Institution	31 March 2018		31 March 2017	
		Principal assigned/ Purchase consideration	Guarantee*	Principal assigned/ Purchase consideration	Guarantee*
12	IFMR Capital Finance Private Limited – XXX	-	-	271,986,525	12,987,797*
13	IFMR Capital Finance Private Limited – XXXI	-	-	81,193,362	4,556,770*
14	IFMR Capital Finance Private Limited – XXXII	-	-	57,809,430	2,890,471*
Total		2,474,110,035	380,138,208^	1,138,897,001	61,756,546

* Guarantees given as a % of assigned portfolio.

^ As on balance sheet date principal outstanding amounting to ₹219,544,479 (previous year: ₹2,338,678) given as first loss credit enhancement by way of over collateralization.

b) The Company has entered into business correspondence arrangements with the banks. Accordingly, the Company has given a performance security of ₹138,311,880 (Previous year: ₹118,164,555) towards the loans disbursed by the banks on the Company's reference. The total outstanding of such loans as on 31 March 2018 is ₹628,421,743 (previous year: ₹560,006,362). The performance security is given in the nature of fixed deposits and Corporate Guarantee.

c) Contingent liability in respect of preference shares

Particulars	As at 31 March 2018	As at 31 March 2017
Dividend on preference share capital	2,700,000	2,700,000
Dividend distribution tax	549,656	549,656

The same will be recorded as liability in the period in which shareholders approves the dividend.

2.25 Details of pending litigations

Particulars	As at 31 March 2018	As at 31 March 2017
Proceedings by Company against employee fraud*	3,151,955	3,616,054

* The Company has recovered an amount of ₹1,187,298 (previous year ₹1,250,778) from the employees and out of the balance of ₹ Nil (Previous year ₹ 1,722,920) has been written off.

2.26 Employee stock options

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

- The Scheme 2014 and 2016 are effective from 31 July 2014 and 16 January 2017 respectively and are administered through a Trust (Fusion Employees Benefit Trust).
- The Scheme provides that, subject to continued employment with the Company, the employees are granted an option to acquire equity shares of the Company that may be exercised within a specified period.
- The Company has formed Fusion Employee Benefit Trust (ESOP Trust) on 24 June 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

- d) As on 31 March 2018, the ESOP trust have 898,234 equity shares, as on 31 March 2017 trust had 918,162 shares, out of which 19,928 shares were transferred from trust to employee on 30 May 2017 under the Scheme 2014. The ESOP Trust does not have any transaction other than those mentioned above, hence it is treated as a part of the Company and accordingly gets consolidated with the books of the Company. Accordingly, as at 31 March 2018, the Company has reduced the shares allotted to ESOP Trust amounting ₹8,982,340 (previous year: ₹9,181,620 from the share capital and ₹10,032,339 (previous year: ₹10,126,672) from the share premium.
- e) The eligible employees shall exercise their option to acquire the shares of the Company within a period of three years/ four years from the end of vesting period. The plan shall be administered, supervised and implemented by the board.

The options shall vest on graded basis as follows.

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

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

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Number of equity shares:		
Outstanding at the beginning of the year	581,006	256,856
Granted during the year	330,540	341,900
Forfeited during the year	-	-
Exercised during the year	19,928	17,750
Outstanding at the end of year	891,618	581,006
Exercisable at the end of year	186,189	56,428

The Company calculates the compensation cost based on the intrinsic value method, wherein the excess of Fair value of underlying equity shares as on the date of the grant over the exercise price of the options given to employees under the ESOP schemes of the Company, is recognized as compensation cost and amortized over the vesting period.

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

2.27 Employee benefits expense

a) Defined benefit plan – Gratuity (Funded)

Every employee is entitled to a benefit equivalent to 15 days salary last drawn for each completed year of service in line with the payment of Gratuity Act, 1972 with no limit on maximum amount payable. The same is payable at the time of separation from the Company or retirement, whichever is earlier.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

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

Movement in present values of defined benefit obligations

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Opening defined benefit obligation	12,394,279	6,395,006
Current service cost	9,089,136	6,556,553
Interest cost	960,557	479,625
Benefits paid (if any)	(59,619)	(484,250)
Actuarial (gain)/loss recognized during the year	(2,447,847)	(552,655)
Closing defined benefit obligation	19,936,506	12,394,279

Movement in fair value of planned assets:

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Opening fair value of planned assets	62,71,790	6,756,040
Contribution paid	125,00,000	-
Benefits paid	-	(4,84,250)
Expected return on planned assets	4,86,064	-
Actuarial gain/(loss) on plan assets	1,40,735	-
Closing fair value of planned assets	1,93,98,589	62,71,790

Expense recognized in Statement of Profit and Loss

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Current service cost	9,089,136	6,556,553
Interest cost	960,557	479,625
Expected return on plan assets	(4,86,064)	-
Past Service Cost	-	-
Net actuarial (gain)/ loss recognized in the year	(25,88,582)	(552,654)
Amount, included in employee benefits expense.	69,75,047	6,483,524

Amount to be recognized in the balance sheet:

Particulars	As at 31 March 2018	As at 31 March 2017
Defined benefit obligation	19,936,506	12,394,279
Fair value of plan assets	(1,93,98,589)	(12,329,194)
Liability recognized in the balance sheet	537,917	65,085

Experience adjustment for the year ended 31 March 2018

Particulars	Amount
Experience adjustment (Gain) /loss for Plan liabilities	(21,11,020)
Experience adjustment Gain/ (loss) for Plan assets.	1,40,735

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Break up of liability:

Particulars	As at 31 March 2018	As at 31 March 2017
Current	225,171	-
Non-current	312,746	65,085
Total liability	5,37,917	65,085

Amounts recognized in current year and previous four years:

Particulars	As at 31 March 2018				
	2018	2017	2016	2015	2014
Projected benefit obligation at the end of the year	19,936,506	12,394,279	6,395,006	3,264,381	14,21,972
Fair value of plan assets at end of the year	(19,398,589)	(12,329,194)	(5,529,194)	-	-
Net liability/(asset)	537,917	65,085	865,812	3,264,381	14,21,972

Principal actuarial assumptions	31 March 2018	31 March 2017
i) Discount rate (p.a)	7.75%	7.50%
ii) Salary escalation rate (p.a)	8.00%	8.00%
iii) Expected return on plan assets	7.75%	8.00%

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

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

a) Defined benefit plan – Gratuity (Funded)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
i) Provident fund*	33,303,947	22,893,549
ii) Employee state insurance	18,180,187	96,17,797
iii) Labor welfare fund	120,069	67,912
Total	51,604,203	32,579,258

* Contribution to provident fund is netted off with amount of ₹3,734,236 received under the scheme "Pradhan Mantri Rojgar Protsahan Yojana" for the year ended 31 March 2018 (31 March 2017: ₹ Nil). (Refer note 1(ii))

2.28 Segment reporting**Business segment**

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

Geographical Segment

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

2.29 Operating leases

Lease payments made under cancellable operating lease amounting to ₹ 60,541,017 (previous year: ₹ 38,850,471) disclosed as rent and the same have been recognized as an expense in the Consolidated Statement of Profit and Loss. There are no subleases. Also, requirement of minimum lease payments does not arise as the Company do not have any non-cancellable operating leases.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

2.30 Earnings per share (EPS)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Earnings		
Net (Loss) profit for the year	(394,134,632)	40,972,027
Less: Dividend on 9% optionally convertible preference shares and tax there on	3,249,656	3,249,657
Adjusted net profit attributable to equity share holders	(390,884,976)	37,722,370
Shares		
Number of shares at the beginning of the year (excluding shares allotted to Fusion Employee Benefit Trust)	34,256,555	17,292,683
Add: Equity shares issued during the year (including shares allotted to Fusion Employee Benefit Trust)	7,915,485	16,963,872
Total number of equity shares at the end of the year	42,172,040	34,256,555
Weighted average number of equity shares outstanding at the end of the year - Basic	35,821,721	29,594,596
Add: Weighted average number of potential equity shares on account of Compulsorily Convertible Debentures (CCDs)	-	580,822
Add: Weighted average number of potential equity shares on account of employee stock options	901,455	1,553,093
Add: Weighted average number of potential equity shares on account of Optionally convertible preference shares	3,000,000	3,000,000
Weighted average number of equity shares outstanding during the year - Diluted	39,723,177	34,728,511
Earnings Per Share		
- Basic - Per value of ₹10 each	(11.09)	1.27
- Diluted - Per value of ₹10 each	(11.09)	1.18

Note: The options which are not exercised have anti-dilutive effect on loss per share and accordingly basic loss per share is considered as dilutive loss per share

2.31 Pursuant to RBI Guidelines on Securitization of asset vide circular no DBOD.NO.BP.BC. 60/21.04.048/2005-06 dated 01 February 2006.

(Amount in crores)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Total number of loans securitized	186,790	-
Aggregate book value of loans securitized	225.46	-
Micro Finance loans subordinated as cash credit enhancements for assets de- recognized	21.95	-
Aggregate value of sale consideration	225.46	-
Aggregate gain on securitisation- to be amortised over the life of the receivable	-	-
Quantum of credit enhancement provided during the year in the form of deposits	16.06	-

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

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

(Amount in crores)

Particulars	As at 31 March 2018	As at 31 March 2017
1. Number of Special Purpose Vehicles (SPVs) sponsored by the Company for securitisation transactions	7	7
2. Total amount of securitised assets as per books of the SPVs sponsored by the Company#	211.96	20.34
3. Total amount of exposures retained by the Company to comply with Minimum Retention Rate (MRR) as on the date of balance sheet	-	-
a) Off-balance sheet exposures		
* First loss	-	-
* Others	-	-
b) On-balance sheet exposures		
* First loss (Cash collateral)	16.06	6.18
* First loss (Micro finance loans)	21.95	0.23
* Others	-	-
4. Amount of exposures to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
i) Exposure to own securitizations		
* First loss	-	-
* loss	-	-
ii) Exposure to third party securitizations		
* First loss	-	-
* Others	-	-
b) On-balance sheet exposures		
i) Exposure to own securitizations		
* First loss	-	-
* Others	-	-
ii) Exposure to third party securitizations		
* First loss	-	-
* Others	-	-

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

2.33 Related party transactions

A) Related Parties

Relationship	Name of the party
Entities exercising significant influence over the Company	Creation Investment Fusion, LLC, Chicago, U.S.A. (effective from 12 August 2016)
Director / Key Managerial Personnel (KMP)	Devesh Sachdev - Director and Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

B) Summary of related party transactions:

Name of the related party	Nature of transaction	For the year ended 31 March 2018	For the year ended 31 March 2017
Mr. Devesh Sachdev	Managerial remuneration	9,912,853	19,997,200**
	Equity shares allotted under preferential allotment	1,099,295	19,918,152
Creation Investment Fusion, LLC, Chicago, U.S.A.	Allotment of equity shares (including share premium)	554,588,760	370,000,000

Refer note 2.1 for details of shares issued/ transferred

** This is inclusive of one-time payment of ₹ Nil (Previous year: ₹10,140,950) and not part of annual salary.

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

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

Name of the related party	Nature of transaction	As at 31 March 2018	As at 31 March 2017
Mr. Devesh Sachdev	Bonus payable	30,00,000	1,576,344

2.34 Terms of borrowings

Nature of Facility	Amount OS as at 31 March 2018		Amount OS as at 31 March 2017		Interest Rate	First date of repayment	Terms of repayment
	Current	Non-Current	Current	Non-Current			
A. Redeemable transferable non-convertible debentures (NCD)*							
NCD 1	-	100,000,000	-	100,000,000	15.00%	21-Dec-20	Bullet Repayment
NCD 2	220,000,000	-	-	220,000,000	13.00%	16-Dec-18	Bullet Repayment
NCD 3	-	-	10,000,000	-	13.50%	24-Jul-15	Monthly/24
NCD 4	-	240,000,000	-	240,000,000	14.85%	29-Apr-19	Bullet Repayment
NCD 5	-	426,000,000	-	426,000,000	14.50%	13-Aug-20	Bullet Repayment
NCD 6	-	526,000,000	-	526,000,000	14.15%	16-May-22	Bullet Repayment
NCD 7	-	601,000,000	-	601,000,000	13.22%	13-Jul-19	Bullet Repayment
NCD 8	-	470,000,000	-	470,000,000	13.60%	31-Aug-21	Bullet Repayment
NCD 9	-	550,000,000	-	550,000,000	13.25%	15-Sep-25	Bullet Repayment
NCD 10	-	310,000,000	-	-	13.15%	07-Jul-20	Bullet Repayment
NCD 11	-	190,000,000	-	-	12.30%	15-Mar-21	Bullet Repayment
NCD 12	-	315,000,000	-	-	12.75%	16-Mar-24	Bullet Repayment
NCD 13	-	315,000,000	-	-	12.75%	16-Mar-24	Bullet Repayment
NCD 14	66,666,800	99,999,867	-	-	12.10%	28-Feb-18	Half Yearly/6
Total (A)	286,666,800	4,142,999,867	10,000,000	3,133,000,000			

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

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for the year ended 31 March 2018

Nature of Facility	Amount OS as at 31 March 2018		Amount OS as at 31 March 2017		Interest Rate	First date of repayment	Terms of repayment
	Current	Non-Current	Current	Non-Current			
B. Un-Secured non-convertible debentures (SD) from Financial Institutions*							
UNCD 1	-	300,000,000	-	-	13.90%	29-Sep-23	Bullet Repayment
UNCD 2@	-	250,000,000	-	-	13.25% - 13.75%	02-Sep-21	Bullet Repayment
UNCD 3	-	150,000,000	-	-	13.85%	30-Mar-23	Bullet Repayment
UNCD 4	-	350,000,000	-	500,000,000	13.85%	30-Mar-23	Bullet Repayment
Total (B)	-	1,050,000,000	-	500,000,000			
C. Secured term loan ('TL') from Banks*							
TL 1	-	-	9,000,000	-	BR+ 3.25%	19-May-15	Quarterly/10
TL 2	-	-	4,550,000	-	BR+2.60%	31-Dec-14	Quarterly/11
TL 3	-	-	33,315,713	-	BR+2.75%	31-Aug-15	Monthly/30
TL 4	-	-	15,000,000	-	BR+3.25%	17-Jun-15	Quarterly/10
TL 5	-	-	15,108,032	-	BR+3.00%	30-Apr-15	Monthly/33
TL 6	-	-	25,000,000	-	BR+ 1.90%	31-Dec-15	Quarterly/8
TL 7	-	-	28,125,000	-	11.80%	29-Feb-16	Quarterly/8
TL 8	-	-	27,272,722	-	BR+ 2.65%	31-Dec-15	Monthly/22
TL 9	-	-	66,666,667	-	13.00%	9-Jun-16	Monthly/15
TL 10	-	-	9,992,000	-	BR+3.00%	8-Apr-16	Monthly/24
TL 11	-	-	14,583,337	-	BR+3.00%	27-Nov-15	Monthly/24
TL 12	-	-	41,666,667	-	13.00%	12-Feb-16	Monthly/24
TL 13	-	-	38,181,818	-	BR+1.80%	30-Jun-16	Monthly/21
TL 14	21,000,000	-	28,000,000	21,000,000	BR+ 3.00%	28-Sep-16	Quarterly/10
TL 15	31,249,300	-	125,000,400	31,249,597	BR+3.50%	29-Jul-16	Monthly/24
TL 16	-	-	85,200,000	-	BR+3.00%	31-Jul-16	Monthly/21
TL 17	54,485,301	-	102,000,000	54,500,000	BR+2.75%	31-May-15	Monthly/30
TL 18	20,000,000	-	40,000,000	20,000,000	BR+3.00%	30-Jun-16	Quarterly/10
TL 19	-	-	20,000,000	10,000,000	BR+4.00%	30-Jun-16	Quarterly/10
TL 20	25,000,000	-	20,000,000	25,000,000	BR+3.25%	7-Jan-17	Quarterly/10
TL 21	50,000,000	-	60,000,000	50,000,000	BR+3.00%	30-Sep-16	Monthly/30
TL 22	18,750,000	-	75,000,000	18,750,000	BR+3.00%	25-Jul-16	Quarterly/8
TL 23	15,625,000	-	62,500,000	15,625,000	11.40%	1-Sep-16	Quarterly/8
TL 24	33,332,800	-	50,000,000	33,333,200	MCLR 1Y 1.52%	31-Dec-16	Monthly/24
TL 25	18,750,000	-	37,500,000	18,750,000	BR+3.00%	31-Oct-16	Monthly/24
TL 26	68,750,000	-	100,000,000	68,750,000	MCLR 1Y 2.35%	31-Dec-16	Quarterly/8
TL 27	40,000,000	30,000,000	30,000,000	70,000,000	MCLR 1Y 2.65%	17-Jul-17	Quarterly/10
TL 28	130,952,000	-	119,048,000	130,952,000	MCLR 1Y 2.85%	22-Jun-17	Monthly/21
TL 29	-	-	180,000,000	-	MCLR 1Y 2.09%	20-Mar-18	Bullet Repayment
TL 30	102,000,000	88,438,562	47,600,000	152,400,000	MCLR 1Y 3.00%	1-Sep-17	Monthly/30
TL 31	100,000,000	50,000,000	-	-	MCLR 1Y 3.35%	25-Jun-18	Quarterly/6

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Nature of Facility	Amount OS as at 31 March 2018		Amount OS as at 31 March 2017		Interest Rate	First date of repayment	Terms of repayment
	Current	Non-Current	Current	Non-Current			
TL 32	200,000,000	50,000,000	-	-	11.50%	30-Apr-18	Monthly/15
TL 33	125,000,004	124,999,996	-	-	12.20%	5-Apr-18	Monthly/24
TL 34	114,288,000	76,188,000	-	-	MCLR 4.45%	1-Apr-18	Monthly/21
TL 35	100,000,000	75,000,000	-	-	MCLR 1.25%	21-Mar-18	Quarterly/8
TL 36	26,404,219	19,803,164	-	-	MCLR 1Y 3.00%	30-Apr-18	Quarterly/8
TL 37	400,000,000	-	-	-	10.50%	27-Feb-18	Quarterly/4
TL 38	114,288,000	85,712,000	-	-	MCLR 4.45%	1-May-18	Monthly/21
TL 39	50,000,000	50,000,000	-	-	MCLR 1.25%	30-Apr-18	Quarterly/8
TL 40	200,000,000	50,000,000	-	-	11.50%	30-Apr-18	Monthly/15
TL 41	227,272,727	272,727,273	-	-	MCLR 3.05%	27-Jun-18	Monthly/22
TL 42	300,000,000	-	-	-	10.50%	30-Sep-18	Quarterly/4
TL 43	107,142,855	142,857,145	-	-	MCLR 3.80%	30-Sep-18	Quarterly/7
TL 44	50,000,000	150,000,000	-	-	12.75%	15-Sep-18	Quarterly/12
TL 45	250,000,000	-	-	-	MCLR 2.20%	28-Apr-18	Monthly/12
TL 46	250,000,000	250,000,000	-	-	MCLR 2.25%	30-Apr-18	Monthly/24
TL 47	25,000,000	75,000,000	-	-	MCLR 2.10%	27-Oct-18	Monthly/24
TL 48	-	200,000,000	-	-	MCLR 1.98%	30-Apr-19	Bullet Repayment
TL 49	-	-	14,285,802	-	15.75%	5-Oct-15	Monthly/21
TL 50	49,999,988	-	100,000,000	49,999,996	14.00%	5-Oct-16	Monthly/24
Total (C)	3,319,290,194	1,790,726,140	1,624,596,158	770,309,793			
D. Secured term loan ('TL') from Other*							
TL 51	-	-	8,337,000	-	15.00%	29-Jul-14	Quarterly/12
TL 52	30,000,000	-	60,000,000	30,000,000	15.00%	13-Nov-15	Quarterly/12
TL 53	4,735,228	-	52,807,555	4,735,229	13.75%	1-May-16	Monthly/24
TL 54	-	-	49,999,996	-	BR-0.50%	9-Apr-15	Monthly/24
TL 55	-	-	60,062,799	-	14.00%	19-Jul-16	Monthly/21
TL 56	-	-	16,666,665	8,333,336	15.50%	31-Mar-16	Half Yearly/6
TL 57	-	-	66,666,663	-	13.25%	28-Nov-15	Monthly/24
TL 58	-	-	49,296,708	-	14.00%	8-Mar-16	Monthly/24
TL 59	-	-	45,832,900	-	13.25%	1-Mar-16	Monthly/24
TL 60	80,000,000	100,000,000	20,000,000	180,000,000	13.50%	17-Jan-18	Quarterly/10
TL 61	111,115,783	26,772,316	97,173,802	137,888,097	13.50%	29-Jul-16	Monthly/36
TL 62	107,916,661	-	185,000,003	107,916,661	13.00%	30-Nov-16	Monthly/24
TL 63	78,712,623	71,936,492	75,981,379	150,649,115	13.00%	28-Dec-16	Monthly/36
TL 64	124,999,996	-	125,000,004	124,999,996	12.85%	20-Apr-17	Monthly/24
TL 65	57,923,326	5,173,555	46,903,121	63,096,879	13.00%	1-May-17	Monthly/24
TL 66	73,720,596	6,584,524	59,694,881	80,305,119	13.00%	1-May-17	Monthly/24
TL 67	-	-	21,220,000	-	13.00%	10-Feb-15	Monthly/33
TL 68	16,000,000	-	48,000,000	16,000,000	10.10%	30-Jul-16	Monthly/25

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Nature of Facility	Amount OS as at 31 March 2018		Amount OS as at 31 March 2017		Interest Rate	First date of repayment	Terms of repayment
	Current	Non-Current	Current	Non-Current			
TL 69	41,100,000	-	41,100,000	41,100,000	11.50%	31-Jul-16	Half Yearly/6
TL 70	54,545,448	27,279,552	54,545,448	81,819,552	12.75%	10-Feb-17	Monthly/33
TL 71	300,000,000	287,500,000	300,000,000	587,500,000	11.50%	31-Jan-17	Half Yearly/11
TL 72	83,349,161	14,969,684	-	-	13.00%	1-Jun-17	Monthly/24
TL 73	120,000,000	220,000,000	-	-	10.85%	31-Jan-18	Half Yearly/11
TL 74	75,000,000	50,000,000	-	-	MAS PLR -2.15%	25-Dec-17	Monthly/24
TL 75	50,000,004	37,499,995	-	-	MAS PLR -2.15%	10-Jan-18	Monthly/24
TL 76	169,496,920	141,226,320	-	-	12.25%	27-Mar-18	Quarterly/8
TL 77	54,522,569	81,818,098	-	-	12.25%	31-Jan-18	Quarterly/11
TL 78	99,999,996	83,333,338	-	-	MAS PLR -2.30%	10-Feb-18	Monthly/24
TL 79	75,000,000	75,000,000	-	-	13.20%	15-Apr-18	Monthly/24
TL 80	47,834,057	44,766,948	-	-	12.75%	25-Feb-18	Monthly/24
TL 81	-	500,000,000	-	-	12.75%	6-May-19	Quarterly/8
TL 82	58,465,117	141,534,883	-	-	12.40%	5-Mar-18	Monthly/36
TL 83	125,000,000	125,000,000	-	-	MAS PLR -2.50%	25-Apr-18	Monthly/24
TL 84	106,788,929	193,211,071	-	-	PFL PLR 3.65%	5-Aug-18	Monthly/21
TL 85	67,017,145	182,982,855	-	-	12.15%	31-May-18	Monthly/36
Total (D)	2,213,243,558	2,416,589,632	1,539,983,914	1,628,955,785			
E. Secured Vehicle loan ('VL') from Bank*							
VL 1	284,120	-	451,093	284,118	10.25%	31-Oct-13	Monthly/60
Total (E)	284,120	-	451,093	284,118			
F. Unsecured term loan ('USL') from financial institution							
UTL 1	-	-	3,450,000	-	2.00%	10-Sep-17	Quarterly/3
UTL 2	-	-	25,000,000	75,000,000	15.00%	15-Sep-17	Quarterly/12
UTL 3	-	-	-	-	13.60%	31-Aug-18	Quarterly/12
SD 2	-	300,000,000	-	-	14.25%	04-Dec-23	Bullet Payment
UTL 4	145,454,544	254,545,456	-	-	12.40%	24-Apr-18	Quarterly/11
Total (F)	145,454,544	554,545,456	28,450,000	75,000,000			
G. Unsecured term loan ('USL') from Banks							
SD 1	-	70,000,000	-	70,000,000	15.50%	28-Feb-21	Bullet Repayment
Total (G)	-	70,000,000	-	70,000,000			
H. Cash Credit from Bank							
CC1	58,175,525	-	-	-	MCLR +3.00%	-	Annual
Total (H)	58,175,525	-	-	-			
Total (A+B+C+D+E+F+G+H)	6,023,114,741	10,024,861,095	3,203,481,165	6,177,549,696	-	-	-

*Term loans and Non-convertible debentures are secured against exclusive charge on the standard assets portfolio receivables pertaining to micro credit loans in addition to the cash collaterals referred in note 2.10, 2.13 and 2.15 with the respective lenders. Term loans of ₹241.58 crores are secured by personal guarantees of the promoter directors.

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

2.35 Deferred tax assets

Particulars	As at 31 March 2018	As at 31 March 2018
Deferred tax assets on:		
- Provisions on loan portfolio	153,140,312	100,335,707
- Provision for employee benefits	5,290,772	4,339,051
- Depreciation on fixed assets	4,983,131	3,466,276
- Provision for employee contingency	-	278,927
- Other provisions	-	598,230
- Provision for bonus	5,243,043	-
- Tax loss as per Income Tax	82,274,703	-
Total	250,931,961	109,018,191

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

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Statutory audit fees	1,250,000	1,300,000
Limited review fees	400,000	350,000
Certification fees	350,000	350,000
Out of pocket expenses	45,024	95,046
Total	2,045,024	2,095,046

2.37 Information on instances of fraud:

(Amount in crores)

Nature of fraud	For the year ended 31 March 2018			For the year ended 31 March 2017		
	Amount of fraud	Recovery	Amount outstanding	Amount of fraud	Recovery	Amount outstanding
Misappropriation of cash by employees	0.32	0.12	0.20	0.36	0.13	0.24*

* The Company has written off/ provided the amount.

2.38 Amounts payable to Micro, Small and Medium enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2018 has been made in the financial statements based on information received and available with the Company. Further, in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	Nil	Nil
The amount of interest paid by the company along with the amounts of the payment made to the supplier beyond the appointed day during the year.	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this act.	Nil	Nil

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
The amount of interest accrued and remaining unpaid at the end of the year; and	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small enterprise.	Nil	Nil

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

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Average net profit of the company for last three financial years	119,405,529	115,622,054
Prescribed CSR expenditure to be spent (2% of the average net profit)	2,338,111	2,312,441
Amount spent	4,383,084	973,259
Amount unspent	-	1,339,182

2.40 Disclosures as required under RBI Notification No. DNBR. 019/CGM (CDS) -2015 dated April 10, 2015:

Capital to Risk Asset ratio (CRAR)

Sl. No.	Particulars	As at 31 March 2018	As at 31 March 2017
I	CRAR %	21.87%	25.97%
II	CRAR – Tier I Capital (%)	15.14%	19.94%
III	CRAR – Tier II Capital (%)	6.73%	6.03%
IV	Amount of subordinated debt raised as Tier-II capital	600,000,000	542,000,000
V	Amount raised by issue of Perpetual Debt Instruments	-	-

2.41 The Company does not have any direct or indirect exposure to real estate sector.

2.42 Asset Liability Management

Maturity pattern of certain items of assets and liabilities as on 31 March 2018

(Amount in crores)

Particulars	1 day to 30/31 days	1 month to 2 months	Over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year upto 3 years	Over 3 upto 5 years	Over 5 years	Total
Borrowings from Banks	18.87	11.71	13.60	47.23	91.29	212.81	0.82	30.00	426.34
Borrowings from others	30.28	27.30	28.46	115.70	189.21	230.18	9.37	-	630.49
Borrowings from NCD	-	-	-	3.33	25.33	196.70	174.60	148.00	547.97
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-
Advances	71.97	80.18	74.71	236.75	442.90	431.24	-	-	1,337.75
Investments	0.50	-	-	-	-	-	-	-	0.50
Foreign Currency Assets	-	-	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

2.43 Provision and contingencies (shown under the head expenditure in Statement of Profit and Loss)

(Amount in crores)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Provision for non-performing loan portfolio	19.94	0.40
Provision for Business Correspondence Portfolio	2.02	-
Contingent provisions against standard loan portfolio	-	2.10
Provisions for standard loan portfolio due to demonetization	-	23.13
Provision for Income Tax	-	10.42
Provision for Cash loss	-	0.57
Provision for Gratuity	0.70	0.65
Provision for leave benefits	0.82	0.90

2.44 Sector wise Non-Performing Assets (NPA)

(Amount in crores)

Sl. No.	Sector	FY 2017-18 Percentage of NPAs to total advances in that sector	FY 2016-17 Percentage of NPAs to total advances in that sector
1.	Agriculture & allied activities	3.97%	0.29%
2.	MSME	4.10%	7.47%
3.	Corporate borrowers	NA	NA
4.	Services	NA	NA
5.	Unsecured personal loans	NA	NA
6.	Auto loans	NA	100%*
7.	Other personal loans	NA	NA

* Small ticket vehicle loans are being considered in auto loans

2.45 Movement in Non-Performing Asset (NPA)

(Amount in crores)

Particulars	2017-18	2016-17
i) Net NPA to net advances percentage	0.16%	0.14%
ii) Movement of NPAs (Gross)		
a) Opening balance	2.85	1.54
b) Additions during the year	107.27	1.31
c) Reduction during the year (write off)	57.53	-
d) Closing balance	52.59	2.85
iii) Movement of net NPAs		
a) Opening balance	1.05	0.14
b) Additions during the year	-1.05	0.91
c) Reduction during the year	-	-
d) Closing balance	-	1.05
iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	1.80	1.41
b) Provision made during the year	108.31	0.40
c) Write off/ write back of excess provisions	57.53	-
d) Closing balance	52.59	1.80

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

2.46 Disclosure with respect to investments

		(Amount in crores)	
Sl. No.	Particulars	As at 31 March 2018	As at 31 March 2018 ⁷
1)	Value of Investments		
(i)	Gross value of investments		
(a)	In India	0.50	210.51
(b)	Outside India	-	-
(ii)	Provision for depreciation		
(a)	In India	-	-
(b)	Outside India	-	-
(iii)	Net value of investments		
(a)	In India	0.50	210.51
(b)	Outside India	-	-
2)	Movement of provisions held towards depreciation on investments		
(i)	Opening balance	-	-
(ii)	Add: Provisions made during the year	-	-
(iii)	Less: Write-off/ write-back of excess provisions during the year	-	-
(iv)	Closing balance	-	-

2.47 Disclosure with respect to customer complaints

Sl. No.	Sector	Number of complaints
(i)	No. of complaints pending at the beginning of the year	4
(ii)	No. of complaints received during the year	494
(iii)	No. of complaints redressed during the year	463
(iv)	No. of complaints pending at the end of the year	35

2.48 Ratings assigned by credit rating agencies and migration of ratings

Facility	Current rating	Previous rating
MFI Grading	MFI 2+	MFI 2+
Long term bank facility	CARE BBB+	CARE BBB+
Non-convertible debentures (other than below)	ICRA BBB	ICRA BBB
Other Non-convertible debenture	CARE BBB+	CARE BBB+

2.49 Disclosure on specified bank notes

As required by the Ministry of Corporate Affairs notification G.S.R. 308 dated 30 March 2017, the details of Specified Bank Notes (SBN) held and transacted during the period from 08 November 2016 to 30 December 2016 are provided in the table below:

Particulars	SBN	Other demonization notes	Total
Closing cash in hand as on 08 November 2016	9,804,000	3,611	9,807,611
(+) Withdrawal from bank accounts		3,378,018	3,378,018
(+) Collection from borrowers	31,643,000	1,124,719,681	1,156,362,681
(+) Collection on behalf of banks (BC borrower)	337,787,500	63,251,554	97,039,054
(-) Amount disbursed to borrowers	-	282,558,000	282,558,000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

Particulars	SBN	Other demonization notes	Total
(-) Amount deposited in Banks	75,234,500	877,726,802	952,961,302
Closing cash in hand as on 30 December 2016	-	31,068,061	31,068,061

There are no transactions in Specified Bank Notes (SBNs) during the year ended 31 March 2018.

The disclosure on holding and dealing in SBN pertain to financial year ended 31 March 2017.

2.50 Details of penalties imposed by RBI and other regulators

No penalties has been imposed by RBI and other regulators on the Company during the financial year ended 31 March 2018 and 31 March 2017.

2.51 Unsecured advances

The Company has not given any unsecured advances against intangible securities such as charge over the rights, licenses, authority, etc. during the financial year ended 31 March 2018 and 31 March 2017.

2.52 Details of non-performing financial assets purchased / sold:

The Company has not purchased/sold any non-performing financial assets during the financial year ended 31 March 2018 and 31 March 2017.

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

The Company has not exceeded the prudential exposure limits during the financial year ended 31 March 2018 and 31 March 2017.

2.54 Draw down from Reserves

There has been no draw down from reserves during the year ended 31 March 2018 and 31 March 2017.

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

2.56 Details of registration with financial and other regulators:

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

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

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

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

Arpan Jain
Partner
Membership Number.: 125710

Devesh Sachdev
Director & CEO
DIN: 02547111

Pradip Kumar Saha
Director
DIN: 02947368

Deepak Madaan
Company Secretary

Gaurav Maheshwari
Chief Financial Officer

Place: New Delhi
Date: 24 May 2018

Place: New Delhi
Date: 24 May 2018

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Devesh Sachdev	Director & CEO
Mr. Pradip Kumar Saha	Independent Director
Mr. Nitin Gupta	Independent Director
Ms. Ratna Vishwanathan	Independent Director
Mr. Njord Andrewes	Nominee Director
Ms. Laetitia Counye	Nominee Director
Mr. Albert Hofsink	Nominee Director
Mr. Javed Ahmad Siddiqui	Nominee Director
Mr. Kenneth Dan Vander Weele	Nominee Director

KEY MANAGERIAL PERSONS

Mr. Devesh Sachdev	Chief Executive Officer
Mr. Gaurav Maheshwari	Chief Financial Officer
Mr. Deepak Madaan	Company Secretary

REGISTERED OFFICE

FUSION MICRO FINANCE PRIVATE LIMITED
H-1, C Block, Community Centre, Naraina Vihar,
New Delhi-110028
Tel: +91 46646600
Web Site: www.fusionmicrofinance.com

STATUTORY AUDITORS

BSR & ASSOCIATES LLP
Chartered Accountants
Salarpuria Knowledge City
Orwell, 6th Floor, Unit - 3
Sy. No. 83/1, Plot no. 2, Raidurg
Hyderabad - 500081

BANKERS

HDFC Bank Limited
E-51, Naraina Vihar,
New Delhi - 110028

REGISTRAR & SHARE TRANSFER AGENT

LINK INTIME INDIA PRIVATE LIMITED
C-13, Pannalal Silk Mills Compound, LBS Marg,
Bhandup (West), Mumbai - 400 078.
Tel. No.: +91 22 2594 6970; Fax No.: +91 22 2594 6969
E-mail: rnt.helpdesk@linkintime.co.in
Website: www.linkintime.co.in

DEBENTURE TRUSTEE DETAILS

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



www.fusionmicrofinance.com

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