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Draft Letter of Offer
Dated December 5, 2024

FUSION FINANCE LIMITED
(Formerly, Fusion Micro Finance Limited)

Our Company was originally incorporated as 'Ambience Fincap Private Limited' on September 5, 1994 at New Delhi, India as a private limited company under the Companies Act, 1956, and was granted a certificate of incorporation by Registrar of Companies, Delhi and Haryana at New Delhi ("**RoC**"). On January 9, 2003, the RBI granted a certificate of registration bearing registration no. B-14.02857 to our Company, for the registration of our Company as a non-deposit accepting non-banking financial company under Section 45IA of the Reserve Bank of India Act, 1934. Subsequently, the name of our Company was changed to 'Fusion Micro Finance Private Limited' and a fresh certificate of incorporation, dated April 19, 2010 was issued by the RoC to describe the business of the Company, post which the RBI granted a certificate of registration dated May 19, 2010 reflecting the change of name. Our Company was granted an 'NBFC – Microfinance Institution' status by the RBI with effect from January 28, 2014 and a modified certificate of registration bearing registration no. B-14.02857 was issued by the RBI to this effect. The name of our Company was further changed to Fusion Micro Finance Limited upon conversion to a public limited company and a fresh certificate of incorporation was issued by the RoC on July 20, 2021, post which a fresh certificate of registration as an NBFC (not accepting public deposits) dated October 1, 2021, was issued by the RBI reflecting the change in name of our Company. Thereafter, in order to provide diverse range of financial products to our clients, the name of our Company was changed to our present name, Fusion Finance Limited and a fresh certificate of incorporation was issued by the RoC on July 9, 2024, post which a fresh certificate of registration as an NBFC (not accepting public deposits) dated August 30, 2024, was issued by the RBI reflecting the change in name of our Company. For details in relation to the change in name of our Company and the address of our registered office, see "*General Information*" beginning on page 54.

Registered Office: H-1, C Block, Community Centre, Naraina Vihar, New Delhi, 110028, India |
Corporate Office: Plot No. 86, Institutional Sector 32, Gurugram, Haryana 122001, India |
Tel: +91- 011-46646600/ +91-124-6910500| **Contact Person**: Deepak Madaan, Company Secretary and Chief Compliance Officer |
E-mail: investor.relations@fusionfin.com | **Website**: www.fusionfin.com |
Corporate Identity Number: L65100DL1994PLC061287

PROMOTERS OF OUR COMPANY: DEVESH SACHDEV, CREATION INVESTMENTS FUSION, LLC, CREATION INVESTMENTS FUSION II, LLC, AND HONEY ROSE INVESTMENT LTD

FOR PRIVATE CIRCULATION TO ELIGIBLE EQUITY SHAREHOLDERS OF FUSION FINANCE LIMITED (FORMERLY, FUSION MICRO FINANCE LIMITED) (THE "COMPANY" OR THE "ISSUER") ONLY

ISSUE OF UP TO [●] PARTLY PAID-UP EQUITY SHARES OF FACE VALUE OF ₹10 EACH OF OUR COMPANY (THE "RIGHTS EQUITY SHARES") FOR CASH AT A PRICE OF ₹[●] PER RIGHTS EQUITY SHARE (INCLUDING A PREMIUM OF ₹[●] PER RIGHTS EQUITY SHARE) ("ISSUE PRICE") AGGREGATING UP TO ₹ 800.00 CRORE* ON A RIGHTS BASIS TO THE ELIGIBLE EQUITY SHAREHOLDERS OF OUR COMPANY IN THE RATIO OF [●] RIGHTS EQUITY SHARE FOR EVERY [●] FULLY PAID-UP EQUITY SHARES HELD BY THE ELIGIBLE EQUITY SHAREHOLDERS ON THE RECORD DATE, THAT IS ON [●] ("RECORD DATE") (THE "ISSUE"). FOR FURTHER DETAILS, SEE "*TERMS OF THE ISSUE*" BEGINNING ON PAGE 222.

OUR COMPANY, IN CONSULTATION WITH THE LEAD MANAGER, MAY CONSIDER A PREFERENTIAL ISSUE OF EQUITY SHARES, AGGREGATING UP TO ₹ 160.00 CRORE, SUBJECT TO THE NECESSARY APPROVAL FROM OUR SHAREHOLDERS IN ACCORDANCE WITH APPLICABLE LAWS, PRIOR TO FILING OF THE LETTER OF OFFER ("PREFERENTIAL ISSUE"). THE PREFERENTIAL ISSUE, IF UNDERTAKEN, WILL BE AT A PRICE AS PER THE SEBI ICDR REGULATIONS. IF THE PREFERENTIAL ISSUE IS COMPLETED, THE AMOUNT RAISED PURSUANT TO SUCH PREFERENTIAL ISSUE WILL BE REDUCED FROM THE ISSUE SIZE. THE PREFERENTIAL ISSUE, IF UNDERTAKEN, (I) WILL NOT EXCEED 20% OF THE ISSUE SIZE, AND (II) WILL BE UTILIZED FOR AUGMENTING OUR CAPITAL BASE AS DISCLOSED IN THE SECTION TITLED, "*OBJECTS OF THE ISSUE*".

Assuming full subscription in the Issue, Allotment and receipt of all Call Monies with respect to the Rights Equity Shares. Subject to finalisation of Basis of Allotment. For further details on Payment Schedule, see "Terms of the Issue – Payment Terms" beginning on page 243.

PAYMENT SCHEDULE FOR THE RIGHTS EQUITY SHARES

Due Date	Amount payable per Rights Equity Share**		
	Face Value (₹)	Premium (₹)	Total (₹)
On Application	[●]	[●]	[●]

One or more subsequent Call(s), with terms and conditions such as the number of Calls and the timing and quantum of each Call as may be decided by our Board/ Rights Issue Committee from time to time to be completed on or prior to [●]	[●]	[●]	[●]
Total (₹)	**10.00**	[●]	[●]

*For further details on Payment Schedule, see *"Terms of the Issue – Payment Terms"* on page 243.*

WILFUL DEFAULTERS OR FRAUDULENT BORROWERS

Neither our Company nor our Promoters or any of our Directors have been or are identified as Wilful Defaulters or Fraudulent Borrowers.

GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in the Issue unless they can afford the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in the Issue. For taking an investment decision, investors must rely on their own examination of our Company and the Issue including the risks involved. The securities being offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("**SEBI**") nor does SEBI guarantee the accuracy or adequacy of this Draft Letter of Offer. Specific attention of investors is invited to the section "*Risk Factors*" beginning on page 20.

COMPANY'S ABSOLUTE RESPONSIBILITY

Our Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Letter of Offer contains all information with regard to our Company and the Issue, which is material in the context of the Issue, that the information contained in this Draft Letter of Offer is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Letter of Offer as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity Shares of our Company are listed on BSE Limited ("**BSE**"), National Stock Exchange of India Limited ("**NSE**", and together with BSE, the "**Stock Exchanges**"). Our Company has received "in-principle" approvals from NSE and BSE for listing the Rights Equity Shares through their letters dated **[●]**, 2024, and **[●]**, 2024, respectively. Our Company will also make applications to NSE and BSE to obtain trading approvals for the Rights Entitlements as required under the SEBI ICDR Master Circular (as defined hereinafter). For the purposes of the Issue, the Designated Stock Exchange is **[●]**.

LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE
IIFL Capital Services Limited (*Formerly known as IIFL Securities Limited*) 24th Floor, One Lodha Place Senapati Bapat Marg, Lower Parel (West) Mumbai 400 013 Maharashtra, India **Tel**: +91 22 4646 4728 **E-mail**: fusion.rights@iiflcap.com **Website**: www.iiflcap.com **Investor grievance ID**: ig.ib@iiflcap.com **Contact person**: Nishita Mody / Dhruv Bhagwat **SEBI Registration No.**: INM000010940	**Link Intime India Private Limited** C-101, 1st Floor, 247 Park Lal Bahadur Shastri Marg, Vikhroli West Mumbai 400 083 Maharashtra, India **Tel**: +91 81081 14949 **E-mail**: fusionfinance.rights@linkintime.co.in **Website**: www.linkintime.co.in **Investor grievance ID**: fusionfinance.rights@linkintime.co.in **Contact person**: Shanti Gopalkrishnan **SEBI Registration No.**: INR000004058

ISSUE PROGRAMME

ISSUE OPENS ON	LAST DATE FOR ON MARKET RENUNCIATION*	ISSUE CLOSES ON**
[●]	[●]	[●]

* *Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat accounts of the Renouncees on or prior to the Issue Closing Date.*

** *Our Board or the Rights Issue Committee will have the right to extend the Issue Period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Opening Date). Further, no withdrawal of Application shall be permitted by any Applicant after the Issue Closing Date.*

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SECTION I – GENERAL

DEFINITIONS AND ABBREVIATIONS

This Draft Letter of Offer uses certain definitions and abbreviations which, unless the context otherwise indicates, or implies or unless otherwise specified, shall have the meaning as provided below.

References to any legislation, act, regulation, rule, guideline, clarification or policy shall be to such legislation, act, regulation, rule, guideline or policy as amended, supplemented or re-enacted from time to time and any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision. The words and expressions used in this Draft Letter of Offer, but not defined herein shall have the meaning ascribed to such terms under the SEBI ICDR Regulations, the SEBI Listing Regulations, the Companies Act, the SCRA, the Depositories Act, and the rules and regulations made thereunder.

The following list of capitalised terms used in this Draft Letter of Offer is intended for the convenience of the reader/prospective investor only and is not exhaustive. However, terms used in the sections entitled "Summary of this Draft Letter of Offer", "Risk Factors", "Financial Statements", "Our Business", "Statement of Special Tax Benefits", "Outstanding Litigations and Defaults", "Terms of the Issue" on pages 18, 20, 101, 75, 66, 211 and 222 respectively, shall, unless indicated otherwise, have the meanings ascribed to such terms in the respective sections/ chapters.

General Terms

Term	Description
"Company", "our Company", "the Company", "the Issuer" or "we", "our" or "us"	Fusion Finance Limited (Formerly, Fusion Micro Finance Limited), a public limited company, incorporated under the Companies Act, 1956, and having its registered office at H-1, C Block, Community Centre, Naraina Vihar, New Delhi, 110028, India, and corporate office at Plot No. 86, Institutional Sector 32, Gurugram, Haryana 122001, India.

Company Related Terms

Term	Description
"Articles of Association" or "Articles"	Articles of association of our Company, as amended from time to time
Audited Financial Statements FY 24	The audited financial statements of our Company for the Financial Year 2024, comprising of the Balance Sheet as at March 31, 2024, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year ended on that date, and notes to the financial statements, including a summary of material accounting policies and other explanatory information, which have been prepared in accordance with the with the accounting principles generally accepted in India, including Indian Accounting Standards (Ind AS) specified under Section 133 of the Companies Act.
Audit Committee	Audit committee of our Board of Directors
"Auditors" or "Statutory Auditors"	The statutory auditors of our Company, being M/s Deloitte Haskins & Sells, Chartered Accountants
"Board of Directors" or "Board" or "our Board"	The board of directors of our Company. For details, see "*Our Management – Board of Directors*" on page 97
"Chief Executive Officer" or "CEO" or "Managing Director" or "MD"	The managing director and chief executive officer of our Company, Devesh Sachdev. For details, see "*Our Management - Board of Directors*" on page 97
"Chief Financial Officer" or "CFO"	The chief financial officer of our Company, Gaurav Maheshwari. For details, see "*Our Management – Details of Key Managerial Personnel and Senior Management*" on page 99
Company Secretary and Chief Compliance Officer	The company secretary and chief compliance officer of our Company, Deepak Madaan. For details, see "*Our Management – Details of Key Managerial Personnel and Senior Management*" on page 99
Corporate Office	The corporate office of our Company located at Plot No. 86, Institutional Sector 32, Gurugram, Haryana 122001, India
Directors	The directors on our Board, as may be appointed from time to time. For details, see "*Our Management – Board of Directors*" on page 97
Equity Shares	Equity shares of our Company of face value of ₹10 each

Term	Description
ESOP 2016	Fusion Employee Stock Option Plan 2016
ESOP 2023	Fusion Employee Stock Option Plan 2023
Honey Rose	Honey Rose Investment Ltd
Independent Director(s)	The non-executive, independent Directors of our Company, appointed as per the Companies Act, 2013 and the SEBI Listing. For details of our Independent Directors, see "*Our Management – Board of Directors*" on page 97
Independent Chartered Accountant	M G A & Associates, Chartered Accountants
Key Managerial Personnel	Key managerial personnel of our Company determined in accordance with Regulation 2(1)(bb) of the SEBI ICDR Regulations, and as disclosed in "*Our Management – Details of Key Managerial Personnel and Senior Management*" on page 99
Materiality Threshold	An amount equivalent to or in excess of 5% of the average of absolute value of profit or loss after tax, as per the last three audited financial statements of our Company, which is determined to be ₹ 15.24 crore, adopted by the Rights Issue Committee through its resolution dated December 5, 2024, in conformity with the 'Policy on Determination of Materiality of Disclosures' framed in accordance with Regulation 30 of the SEBI Listing Regulations and adopted by our Board and above which all outstanding civil and tax proceedings involving our Company have been disclosed in the section "*Outstanding Litigation and Defaults*" beginning on page 211.
"Memorandum of Association" or "Memorandum"	Memorandum of association of our Company, as amended from time to time
"Nomination and Remuneration Committee"	Nomination and remuneration committee of our Board of Directors
Promoter(s)	The promoters of our Company being, Devesh Sachdev, Creation Investments Fusion, LLC, Creation Investments Fusion II, LLC and Honey Rose Investment Ltd.
Promoter Group	Unless the context requires otherwise, the promoter group of our Company as determined in accordance with Regulation 2(1)(pp) of the SEBI ICDR Regulations
Registered Office	The registered office of our Company located at H-1, C Block, Community Centre, Naraina Vihar, New Delhi, 110028, India
Rights Issue Committee	Rights issue committee of our Board of Directors
Senior Management	Senior management personnel of our Company determined in accordance with Regulation 2(1)(bbbb) of the SEBI ICDR Regulations, and as disclosed in "*Our Management – Details of Key Managerial Personnel and Senior Management*" on page 99.
Stakeholders' Relationship Committee	Stakeholders' relationship committee of our Board of Directors
Statement of Unaudited Financial Results HY 25 containing Qualified Review Report	Statement of Unaudited Financial Results of our Company for the quarter and six months ended September 30, 2024, which have been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting" ("**Ind AS 34**"), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 33 of the SEBI Listing Regulations. Statement of Unaudited Financial Results of our Company for the quarter ended and six months ended September 30, 2024 were reviewed by the Statutory Auditor in accordance with the Standard on Review Engagements (SRE) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Institute of Chartered Accountants of India, and pursuant to which the Statutory Auditors have issued a qualified review report dated November 15, 2024.

Issue Related Terms

Term	Description
“Abridged Letter of Offer” or “ALOF”	The abridged letter of offer to be sent to the Eligible Equity Shareholders with respect to the Issue in accordance with the provisions of the SEBI ICDR Regulations and the Companies Act
Additional Rights Equity Shares	The Rights Equity Shares applied for or allotted under this Issue in addition to the Rights Entitlement
“Allotment” or “Allot” or “Allotted”	Allotment of Rights Equity Shares pursuant to the Issue
Allotment Account(s)	The account(s) opened with the Banker(s) to the Issue, into which the amounts blocked by Application Supported by Blocked Amount in the ASBA Account, with respect to successful Applicants will be transferred on the Transfer Date in accordance with Section 40(3) of the Companies Act, 2013
Allotment Account Bank(s)	Bank(s) which are clearing members and registered with SEBI as bankers to an issue and with whom the Allotment Accounts will be opened, in this case being, [●]
Allotment Advice	The note or advice or intimation of Allotment sent to each successful Applicant who has been or is to be Allotted the Rights Equity Shares pursuant to the Issue after approval of the Basis of Allotment by the Designated Stock Exchange
Allotment Date	Date on which the Allotment is made pursuant to the Issue
Allottee(s)	Person(s) to whom the Rights Equity Shares are Allotted pursuant to the Issue
“Applicant(s)” or “Investor(s)”	Eligible Equity Shareholder(s) and/or Renouncee(s) who are entitled to make an application for the Rights Equity Shares pursuant to the Issue in terms of the Letter of Offer
Application	Application made through submission of the Application Form or plain paper application to the Designated Branch(es) of the SCSBs or online/ electronic application through the website of the SCSBs (if made available by such SCSBs) under the ASBA process, to subscribe to the Rights Equity Shares at the Issue Price
Application Form	Unless the context otherwise requires, an application form (including online application form available for submission of application through the website of the SCSBs (if made available by such SCSBs) under the ASBA process) used by an Applicant to make an application for the Allotment of Rights Equity Shares in the Issue
Application Money	Aggregate amount payable in respect of the Rights Equity Shares applied for in the Issue at the Issue Price, constituting [●]% of the Issue Price
“Application Supported by Blocked Amount” or “ASBA”	Application (whether physical or electronic) used by Applicant(s) to make an application authorizing the SCSB to block the Application Money in a specified bank account maintained with the SCSB
ASBA Account	An account maintained with SCSBs and as specified in the Application Form or plain paper Application, as the case may be, by the Applicant for blocking the amount mentioned in the Application Form or in the plain paper Application
ASBA Circulars	Collectively, SEBI circular pertaining to Applications Supported by Blocked Amount (ASBA) facility for right issues, as subsumed under the SEBI ICDR Master Circular (to the extent it pertains to the rights issue process), and any other circular issued by SEBI in this regard and any subsequent circulars or notifications issued by SEBI in this regard
Banker(s) to the Issue	Collectively, Escrow Collection Bank(s), Allotment Account Bank(s), and the Refund Bank(s)
Banker(s) to the Issue Agreement	Agreement to be entered into by and among our Company, the Registrar to the Issue, the Lead Manager and the Banker(s) to the Issue for among other things, collection of the Application Money from Applicants/Investors and transfer of funds to the Allotment Account, on the terms and conditions thereof
Basis of Allotment	The basis on which the Rights Equity Shares will be Allotted to successful applicants in consultation with the Designated Stock Exchange in this Issue, as described in “*Terms of the Issue*” beginning on page 222
Call(s)	Notices to be issued by our Company to the holders of the Rights Equity Shares as on the Call Record Dates for making payment of the Call Monies
Call Money(ies)	Balance amount payable by the holders of Rights Equity Shares pursuant to the Payment Schedule, being ₹[●] per Rights Equity Share, which constitutes [●]% of the Issue Price, after payment of the Application Money, which is payable in one or more subsequent Call(s), with terms and conditions

Term	Description
	such as the number of Calls and the timing and quantum of each Call as may be decided by our Board/ Rights Issue Committee from time to time, to be completed on or prior to [●]. *For further details on Payment Schedule, see "Terms of the Issue – Payment Terms" beginning on page 243.*
Call Record Date(s)	Record date(s) fixed by our Company for the purpose of determining the names of the holders of Rights Equity Shares for the purpose of issuing of the Call(s)
"Controlling Branches" or "Controlling Branches of the SCSBs"	Such branches of the SCSBs which coordinate with the Lead Manager, the Registrar to the Issue and the Stock Exchanges, a list of which is available on SEBI's website, updated from time to time, or at such other website(s) as may be prescribed by the SEBI from time to time
Demographic Details	Details of Investors including the Investor's address, PAN, DP ID, Client ID, bank account details and occupation, where applicable
Depository(ies)	NSDL and CDSL or any other depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 as amended from time to time read with the Depositories Act, 1996
Designated Branch(es)	Such branches of the SCSBs which shall collect the Applications, used by the ASBA Investors and a list of which is available on the website of SEBI and/or such other website(s) as may be prescribed by the SEBI from time to time
Designated Stock Exchange	[●]
Draft Letter of Offer	This draft letter of offer dated December 5, 2024 filed with SEBI in accordance with the SEBI ICDR Regulations
Eligible Equity Shareholder(s)	Equity Shareholders as on the Record Date. Please note that the investors eligible to participate in the Issue excludes certain overseas shareholders. For further details, see "*Notice to Investors*" and "*Restrictions on Purchases and Resales*" beginning on pages 12 and 249, respectively
Escrow Account	One or more no-lien and non-interest-bearing accounts with the Escrow Collection Bank for the purposes of collecting the Application Money from Eligible Equity Shareholders as on record date making an Application through the ASBA facility
Escrow Collection Bank	Bank(s) which are clearing members and registered with SEBI as banker to an issue and with whom an escrow account will be opened, in this case being, [●]
"Equity Shareholder(s)" or "Shareholders"	Holder(s) of the Equity Shares of our Company
Fraudulent Borrower	Fraudulent Borrower(s) as defined under Regulations 2(1)(lll) of the SEBI ICDR Regulations
"Gross Proceeds" or "Issue Proceeds"	The gross proceeds raised through the Issue
IIFL	IIFL Capital Services Limited (*Formerly known as IIFL Securities Limited*)
"Issue"/ "Rights Issue"	This issue of up to [●] partly paid-up Equity Shares of face value of ₹10 each of our Company for cash at a price of ₹[●] per Rights Equity Share (including a premium of ₹[●] per Rights Equity Share) aggregating up to ₹ 800.00* crore on a rights basis to the Eligible Equity Shareholders of our Company in the ratio of [●] Rights Equity Share for every [●] fully paid-up Equity Shares held by the Eligible Equity Shareholders on the Record Date, that is on [●]. **Assuming full subscription in the Issue, Allotment and receipt of all Call Monies with respect to the Rights Equity Shares. Subject to finalization of the Basis of Allotment. For further details on Payment Schedule, see "Terms of the Issue – Payment Terms" beginning on page 243.* Our Company, in consultation with the Lead Manager, may consider a Preferential Issue of Equity Shares, aggregating up to ₹ 160.00 crore, subject to the necessary approval from our Shareholders in accordance with applicable laws, prior to filing of the Letter of Offer. The Preferential Issue, if undertaken, will be at a price as per the SEBI ICDR Regulations. If the Preferential Issue is completed, the amount raised pursuant to such Preferential Issue will be reduced from the Issue size. The Preferential Issue, if undertaken, (i) will not exceed 20% of the Issue size, and (ii) will be utilized for augmenting our capital base as disclosed in the section titled, "*Objects of the Issue*".

Term	Description
Issue Agreement	Issue agreement dated December 5,2024, entered into between our Company and the Lead Manager, pursuant to which certain arrangements are agreed to in relation to the Issue
Issue Closing Date	[●]
Issue Materials	Collectively, the Letter of Offer, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and any other material relating to the Issue
Issue Opening Date	[●]
Issue Period	The period between the Issue Opening Date and the Issue Closing Date, inclusive of both days, during which Applicants/Investors can submit their Applications, in accordance with the SEBI ICDR Regulations
Issue Price	₹[●] per Rights Equity Share On Application, Investors will have to pay ₹[●] ([●] % of the Issue Price) per Rights Equity Share. The balance amount (after payment of the Application Money), ₹[●] ([●] % of the Issue Price) per Rights Equity Share, will be payable by the Rights Equity Shareholders in one or more subsequent Call(s), with terms and conditions such as the number of Calls and the timing and quantum of each Call as may be decided by our Board from time to time, to be completed on or prior to [●], pursuant to the Payment Schedule
Issue Size	The issue of up to [●] Rights Equity Shares of face value of ₹10 each aggregating up to ₹ 800.00 crore* **Assuming full subscription in the Issue, Allotment and receipt of all Call Monies with respect to the Rights Equity Shares. Subject to finalization of the Basis of Allotment.* Our Company, in consultation with the Lead Manager, may consider a Preferential Issue of Equity Shares, aggregating up to ₹ 160.00 crore, subject to the necessary approval from our Shareholders in accordance with applicable laws, prior to filing of the Letter of Offer. The Preferential Issue, if undertaken, will be at a price as per the SEBI ICDR Regulations. If the Preferential Issue is completed, the amount raised pursuant to such Preferential Issue will be reduced from the Issue size. The Preferential Issue, if undertaken, (i) will not exceed 20% of the Issue size, and (ii) (iii) will be utilized for augmenting our capital base as disclosed in the section titled, "*Objects of the Issue*".
Lead Manager	IIFL Capital Services Limited (Formerly known as IIFL Securities Limited)
"Letter of Offer" or "LOF"	The final letter of offer to be filed with the Stock Exchanges after incorporating the observations received from the SEBI on this Draft Letter of Offer
Listing Agreements	The uniform listing agreements entered into between our Company and the Stock Exchanges in terms of the SEBI Listing Regulations
Monitoring Agency	[●]
Monitoring Agency Agreement	Agreement to be entered between our Company and the Monitoring Agency in relation to monitoring of Gross Proceeds
Multiple Application Forms	More than one application form submitted by an Eligible Equity Shareholder/Renouncee in respect of the same Rights Entitlement available in their demat account. However, additional applications in relation to Additional Rights Equity Shares with/without using additional Rights Entitlements will not be treated as multiple applications
Net Proceeds	Issue Proceeds less the estimated Issue related expenses. For further details, see "*Objects of the Issue*" beginning on page 62.
Off Market Renunciation	The renunciation of Rights Entitlements undertaken by the Investor by transferring its Rights Entitlements through off market transfer through a depository participant in accordance with the SEBI ICDR Master Circular, circulars issued by the Depositories from time to time and other applicable laws. Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncee on or prior to the Issue Closing Date.
On Market Renunciation	The renunciation of Rights Entitlements undertaken by the Investor by trading its Rights Entitlements over the secondary market platform of the Stock Exchanges through a registered stock

<table>
<tr><th>Term</th><th>Description</th></tr>
<tr><td></td><td>broker in accordance with the SEBI ICDR Master Circular, circulars issued by the Stock Exchanges from time to time and other applicable laws, on or before [●]</td></tr>
<tr><td>Payment Schedule</td><td>The payment schedule in relation to the Issue price of the Rights Equity Shares is as follows:
<table>
<tr><th>Due Date*</th><th>Face Value (₹)^</th><th>Premium (₹)^</th><th>Total (₹)^</th></tr>
<tr><td>On Application</td><td>[●]</td><td>[●]</td><td>[●] (1)</td></tr>
<tr><td>One or more subsequent Call(s), with terms and conditions such as the number of Calls and the timing and quantum of each Call as may be decided by our Board/ Rights Issue Committee from time to time, to be completed on or prior to [●]</td><td>[●]</td><td>[●]</td><td>[●] (2)</td></tr>
<tr><td>Total (₹)</td><td>10.00</td><td>[●]</td><td>[●]</td></tr>
</table>
^ To be finalised upon determination of the Issue Price
(1) Constitutes [●]% of the Issue Price.
(2) Constitutes [●]% of the Issue Price.
* For further details on Payment Schedule, see “Terms of the Issue – Payment Terms” on page 243.</td></tr>
<tr><td>Preferential Issue</td><td>Our Company, in consultation with the Lead Manager, may consider a Preferential Issue of Equity Shares, aggregating up to ₹ 160.00 crore, subject to the necessary approval from our Shareholders in accordance with applicable laws, prior to filing of the Letter of Offer.

The Preferential Issue, if undertaken, will be at a price as per the SEBI ICDR Regulations. If the Preferential Issue is completed, the amount raised pursuant to such Preferential Issue will be reduced from the Issue size. The Preferential Issue, if undertaken, (i) will not exceed 20% of the Issue size, and (ii) will be utilized for augmenting our capital base as disclosed in the section titled, “Objects of the Issue”.</td></tr>
<tr><td>Qualified Institutional Buyers or QIBs</td><td>Qualified institutional buyers as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations</td></tr>
<tr><td>Record Date</td><td>Designated date for the purpose of determining the Equity Shareholders who would be eligible to apply for the Rights Equity Shares in the Issue subject to terms and conditions set out in the Issue Materials, to be decided prior to the filing of the Letter of Offer, being [●]</td></tr>
<tr><td>Refund Bank</td><td>The Banker(s) to the Issue with whom the refund account will be opened, in this case being [●]</td></tr>
<tr><td>Registrar Agreement</td><td>Agreement dated December 5,2024, entered into by and between our Company and the Registrar to the Issue in relation to the responsibilities and obligations of the Registrar to the Issue pertaining to this Issue</td></tr>
<tr><td>“Registrar to the Issue” or “Registrar” or “Share Transfer Agent”</td><td>Link Intime India Private Limited</td></tr>
<tr><td>Renouncee(s)</td><td>Person(s) who has/have acquired Rights Entitlements from the Eligible Equity Shareholders on renunciation in accordance with the SEBI ICDR Master Circular</td></tr>
<tr><td>Renunciation Period</td><td>The period during which the Eligible Equity Shareholders can renounce or transfer their Rights Entitlements which shall commence from the Issue Opening Date. Such period shall close on [●], in case of On Market Renunciation. Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncee on or prior to the Issue Closing Date</td></tr>
<tr><td>Rights Entitlement(s)</td><td>Number of Rights Equity Shares that an Eligible Equity Shareholder is entitled to in proportion to the number of Equity Shares held by the Eligible Equity Shareholder on the Record Date, in this case being [●] Rights Equity Share for every [●] Equity Share of face value of ₹ 10 each held by an Eligible Equity Shareholder on the Record Date</td></tr>
<tr><td>Rights Entitlement Letter</td><td>Letter including details of Rights Entitlements of the Eligible Equity Shareholders. The Rights Entitlements are also accessible on the website of our Company</td></tr>
</table>

Term	Description
Rights Equity Shares	Equity Shares of our Company to be Allotted pursuant to this Issue, on a partly paid-up basis on Allotment
Rights Equity Shareholders	Holder of the Rights Equity Shares pursuant to this Issue
SCSB(s)	Self-certified syndicate banks registered with SEBI, which acts as a banker to the Issue and which offers the facility of ASBA. A list of all SCSBs is available at www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34, or such other website as updated from time to time
Stock Exchanges	Stock exchanges where the Equity Shares are presently listed *i.e.* BSE and NSE
Transfer Date	The date on which the Application Money blocked in the ASBA Account will be transferred to the Allotment Account(s) in respect of successful Applications, upon finalization of the Basis of Allotment, in consultation with the Designated Stock Exchange
Wilful Defaulter	Wilful defaulter as defined under Regulation 2(1)(lll) of the SEBI ICDR Regulations
Working Days	In terms of Regulation 2(1)(mmm) of SEBI ICDR Regulations, all days on which commercial banks in Mumbai are open for business. Further, in respect of the Issue Period, working day means all days, excluding Saturdays, Sundays and public holidays, on which commercial banks in Mumbai are open for business. Furthermore, in respect of the time period between the Issue Closing Date and the listing of Equity Shares on the Stock Exchanges, working day means all trading days of the Stock Exchanges, excluding Sundays and bank holidays, as per circulars issued by SEBI

Conventional and General Terms or Abbreviations

Term/Abbreviation	Description/ Full Form
"₹" or "Rs." or "Rupees" or "INR"	Indian Rupee
Aadhaar	Aadhaar card
AGM	Annual general meeting of the Shareholders of our Company.
AIF(s)	Alternative investment funds, as defined and registered with SEBI under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
Arbitration Act	Arbitration and Conciliation Act, 1996
"Ind AS" or "Accounting Standards"	Accounting standards issued by the ICAI
Basic EPS	Net Profit for the year attributable to owners of the Company/ weighted average number of Equity Shares outstanding during the year
BSE	BSE Limited
CAGR	Compounded annual growth rate
Calendar Year	Calendar year ending December 31
Category I AIF	AIFs who are registered as "Category I Alternative Investment Funds" under the SEBI AIF Regulations
Category I FPIs	FPIs who are registered as "Category I foreign portfolio investors" under the SEBI FPI Regulations
CBDT	Central Board of Direct Taxes, Government of India
CDSL	Central Depository Services (India) Limited
CIN	Corporate identity number
Central Government	Central Government of India
Client ID	The client identification number maintained with one of the Depositories in relation to the demat account

Term/Abbreviation	Description/ Full Form
Companies Act	Companies Act, 1956 and the Companies Act, 2013, as applicable
Companies Act, 1956	The Companies Act, 1956 along with the relevant rules made thereunder
Companies Act, 2013	The Companies Act, 2013 along with the relevant rules made thereunder
Cost of Goods Sold	Cost of materials consumed, purchase of stock in trade and change in inventories of finished goods/ work-in-progress/ stock in trade (excluding direct overheads and wages)
Cr.	Crore(s)
CrPC	Code of Criminal Procedure, 1973
CSR	Corporate social responsibility
Depositories Act	Depositories Act, 1996
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996
Diluted EPS	Net Profit for the year attributable to owners of the Company/weighted average number of Equity Shares outstanding during the year as adjusted for effective of dilutive equity shares
DIN	Director identification number
"DP" or "Depository Participant"	Depository participant as defined under the Depositories Act
DP ID	Depository participant's identification number
DPIIT	Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry (formerly Department of Industrial Policy and Promotion)
EBIT	Earnings before interest and taxes
EBITDA	EBITDA is calculated as profit before exceptional items and tax plus finance costs, depreciation and amortization expenses, excluding other income (other than other non-operating income)
EGM	Extraordinary general meeting
EPS	Earnings per share
ESG	Environmental, social and governance
EUR	Euro
FDI	Foreign direct investment
FEMA	Foreign Exchange Management Act, 1999
FEMA Rules	Foreign Exchange Management (Non-debt Instruments) Rules, 2019
"Financial Year" or "Fiscal Year" or "Fiscal" or "FY"	Period of 12 months ending March 31 of that particular year
FDI Policy	Consolidated Foreign Direct Investment Policy notified by DPIIT through notification dated October 28, 2020 issued by DPIIT, effective from October 15, 2020
FEMA ODI Regulations	Foreign Exchange Management (Overseas Investment) Regulations, 2022
FEMA ODI Rules	Foreign Exchange Management (Overseas Investment) Rules, 2022
FIR	First information report
FPI	Foreign portfolio investors as defined and registered under the SEBI FPI Regulations
FVCI	Foreign venture capital investors as defined and registered under the SEBI FVCI Regulations
GAAP	Generally Accepted Accounting Principles in India

Term/Abbreviation	Description/ Full Form
GOI	Government of India
Government	Central Government and/ or the State Government, as applicable
GST	Goods and services tax
HY 25	Six months period ended September 30, 2024
ICAI	Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards issued by the International Accounting Standards Board
Ind AS	Indian Accounting Standards as specified under section 133 of the Companies Act 2013 read with Companies (Indian Accounting Standards) Rules 2015
India	Republic of India
Income-Tax Act	Income-tax Act, 1961
IPC	Indian Penal Code, 1860
ISIN	International securities identification number
IST	Indian standard time
IT	Information technology
MCA	Ministry of Corporate Affairs, Government of India
“Mn” or “mn”	Million
MSME	Micro, Small and Medium Enterprise
Mutual Fund	Mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996
NACH	National Automated Clearing House
NBFC	Non-banking financial company
NEFT	National electronic fund transfer
Net Worth	Net worth as defined under Regulation 2(1)(hh) of the SEBI ICDR Regulations, i.e., the aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation. Net worth for our Company is paid up share capital and all reserves excluding capital reserve, amalgamation reserve, revaluation reserve and other comprehensive income
Net Asset Value per Equity Share	Net Worth/ number of Equity Shares issued, subscribed and fully paid outstanding as at the end of the year net of treasury shares
Non-GAAP Financial Measure	A financial measure not presented in accordance with generally accepted accounting principles
NR	Non-resident or person(s) resident outside India, as defined under the FEMA
NRE	Non-resident external
NRE Account	Non-resident external account
NRI	A person resident outside India, who is a citizen of India and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2016
NRO	Non-resident ordinary

Term/Abbreviation	Description/ Full Form
NRO Account	Non-resident ordinary account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
"OCBs" or "Overseas Corporate Body"	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date had taken benefits under the general permission granted to OCBs under FEMA
OCI	Overseas citizen of India
P/E Ratio	Price to earnings ratio
PAN	Permanent account number
PAT	Profit/ (Loss) after tax
RBI	Reserve Bank of India
Regulation S	Regulation S under the U.S. Securities Act
"Return on Net Worth" or "RoNW"	Net Profit for the year attributable to owners of the Company/Net Worth
RoC	Registrar of Companies, Delhi and Haryana at New Delhi
RTGS	Real time gross settlement
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	The Securities and Exchange Board of India
SEBI Act	The Securities and Exchange Board of India Act, 1992
SEBI AIF Regulations	The Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
SEBI FPI Regulations	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019
SEBI FVCI Regulations	The Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000
SEBI ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
SEBI ICDR Master Circular	The SEBI master circular bearing number SEBI/HO/CFD/PoD-1/P/CIR/2024/0154 dated November 11, 2024
SEBI Listing Regulations	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
SEBI Takeover Regulations	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
SEBI VCF Regulations	The Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996, as repealed and replaced by the SEBI AIF Regulations
STT	Securities transaction tax
State Government	Government of a state of India
UPI	Unified Payment Interface
USD	United States Dollar

Term/Abbreviation	Description/ Full Form
“U.S.” or “USA” or “United States”	United States of America, its territories or possessions, any state of the United States, and the District of Columbia
US GAAP	Generally accepted accounting principles in the U.S.
U.S. Securities Act	U.S. Securities Act of 1933, as amended.
VCFs	Venture Capital Funds as defined in and registered with SEBI under the SEBI VCF Regulations or the SEBI AIF Regulations, as the case may be

Industry Related Terms

Term/Abbreviation	Description/ Full Form
ALM	Asset Liability Management
Collection efficiency	The total collection for the month including arrears to total demand for the month for all active loans.
CRAR	A capital ratio consisting of the sum of Tier I and Tier II capital to its aggregated risk weighted assets and risk adjusted value of off-balance sheet items.
NPA(s)	Non-Performing Asset(s)
PAR>30	Percentage which represents the portfolio of loans overdue for more than 30 days as of the last day of the relevant period/year as a percentage of the total gross carrying value of loans as of the last day of the relevant period/year derived from our Financial Statements
PAR>60	Percentage which represents the portfolio of loans overdue for more than 60 days as of the last day of the relevant period/year as a percentage of the total gross carrying value of loans as of the last day of the relevant period/year derived from our Financial Statements
PAR>90	Percentage which represents the portfolio of loans overdue for more than 90 days as of the last day of the relevant period/year as a percentage of the total gross carrying value of loans as of the last day of the relevant period/year derived from our Financial Statements
Tier I Capital	Tier I capital is calculated as owned funds as reduced by investment in shares of other NBFCs and in shares, debentures, bonds, outstanding loans and advances, including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, 10% of the owned fund
Tier II Capital	Tier II capital includes preference share capital, revaluation reserves, general provisions and loss reserves, hybrid debt capital instruments and subordinate debts to the extent the aggregate does not exceed Tier I capital.

NOTICE TO INVESTORS

The distribution of this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, Application Form and Rights Entitlement Letter and any other offering material and issue of Rights Entitlement as well as Rights Equity Shares to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or Application Form may come or who receive Rights Entitlement and propose to renounce or apply for Rights Equity Shares in the Issue are required to inform themselves about and observe such restrictions. For more details, see "*Restrictions on Purchases and Resales*" beginning on page 249.

Pursuant to the requirements of the SEBI ICDR Regulations and other applicable laws, the Rights Entitlements will be credited to the demat account of the Eligible Equity Shareholders who are Equity Shareholders as on the Record Date, however, the Letter of Offer, the Abridged Letter of Offer, Application Form and Rights Entitlement Letter and any other offering material (collectively, the "**Issue Materials**") will be sent/ dispatched only to such Eligible Equity Shareholders who have provided an Indian address to our Company and only such Eligible Equity Shareholders are permitted to participate in the Issue. In case such Eligible Equity Shareholders have provided their valid e-mail address to our Company, the Issue Materials will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their valid e-mail address, then the Issue Materials will be physically dispatched, on a reasonable effort basis, to the Indian addresses provided by them. Those overseas Eligible Equity Shareholders who do not update our records with their Indian address or the address of their duly authorised representative in India, prior to the date on which we propose to dispatch the Issue Materials, shall not be sent any of the Issue Materials.

Investors can also access this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer and the Application Form from the websites of our Company, the Registrar, the Lead Manager and the Stock Exchanges.

The credit of Rights Entitlements does not constitute an offer, invitation to offer or solicitation for participation in the Issue, whether directly or indirectly, and only dispatch of the Issue Material shall constitute an offer, invitation or solicitation for participation in the Issue in accordance with the terms of the Issue Material. Further, receipt of this Draft Letter of Offer, the Letter of Offer, Application Form or any other Issue Materials (including by way of electronic means) will not constitute an offer, invitation to or solicitation by anyone in any jurisdiction or in any circumstances in which such an offer, invitation or solicitation is unlawful or not authorized or to any person to whom it is unlawful to make such an offer, invitation or solicitation. In those circumstances, this Draft Letter of Offer, the Letter of Offer and any other Issue Materials must be treated as sent for information only and should not be acted upon for subscription to Rights Equity Shares and should not be copied or re-distributed, in part or full. Accordingly, persons receiving a copy of the Issue Materials should not distribute or send the Issue Materials in or into any jurisdiction where to do so, would or might contravene local securities laws or regulations, or would subject our Company or its affiliates or the Lead Manager or their affiliates to any filing or registration requirement (other than in India). If Issue Material is received by any person in any such jurisdiction, they must not seek to subscribe to the Rights Equity Shares. For more details, see "*Restrictions on Purchases and Resales*" beginning on page 249.

Our Company, the Lead Manager, and the Registrar will not be liable for non-dispatch of physical copies of Issue materials, including the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form, in the event the Issue Materials have been sent on the registered email addresses of such Eligible Equity Shareholders available with the Registrar in their records.

No action has been or will be taken to permit the Issue in any jurisdiction where action would be required for that purpose, except that this Draft Letter of Offer is being filed with SEBI for observations. Accordingly, the Rights Entitlements and the Rights Equity Shares may not be offered or sold, directly or indirectly, and this Draft Letter of Offer, Letter of Offer, Application Form or any other Issue Materials may not be distributed, in whole or in part, in (i) the United States, or (ii) any jurisdiction other than India, except in accordance with legal requirements applicable in such jurisdiction.

Any person who purchases or renounces the Rights Entitlements or makes an application to acquire the Rights Equity Shares will be deemed to have declared, represented, warranted and agreed that such person is outside the United States (other than persons in the United States who are both U.S. QIBs and U.S. Qualified Purchasers) and is eligible to subscribe and authorized to purchase or sell the Rights Entitlements or acquire Rights Equity Shares in compliance with all applicable laws and regulations prevailing in such person's jurisdiction and India, without requirement for our Company or our affiliates or the Lead Manager or its respective affiliates to make any filing or registration (other than in India). In addition, each purchaser or seller of Rights Entitlements and the Rights Equity Shares will be deemed to make the representations, warranties, acknowledgments and agreements set forth in the "*Restrictions on Purchases and Resales*" section beginning on page 249.

Our Company, in consultation with the Lead Manager, reserves the right to treat as invalid any Application Form which: (i) appears to our Company or its agents to have been executed in, electronically transmitted from or dispatched from the United States (other than persons in the United States who are both U.S. QIBs and U.S. Qualified Purchasers) or any other jurisdiction where the offer and sale of the Rights Equity Shares is not permitted under laws of such jurisdictions; (ii) does not include the relevant certifications set out in the Application Form, including to the effect that such person submitting the Application Form is outside the United States (other than persons in the United States who are both U.S. QIBs and U.S. Qualified Purchasers) and such person is eligible to subscribe for the Rights Equity Shares under applicable securities laws and is complying with laws of jurisdictions applicable to such person in connection with this Issue; or (iii) where either a registered Indian address is not provided; or (iv) where our Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements; and our Company shall not be bound to issue or allot any Rights Equity Shares in respect of any such Application Form.

Neither the receipt of this Draft Letter of Offer nor any sale of Rights Equity Shares in terms of the Letter of Offer, shall, under any circumstances, create any implication that there has been no change in our Company's affairs from the date hereof or the date of such information or that the information contained herein is correct as at any time subsequent to the date of this Draft Letter of Offer or the date of such information. The contents of this Draft Letter of Offer should not be construed as legal, tax, business, financial or investment advice. Prospective investors may be subject to adverse foreign, state or local tax or legal consequences as a result of the offer of Rights Equity Shares or Rights Entitlements. As a result, each investor should consult its own counsel, business advisor and tax advisor as to the legal, business, tax and related matters concerning the offer of the Rights Equity Shares or Rights Entitlements. In addition, neither our Company nor the Lead Manager or its affiliates are making any representation to any offeree or purchaser of the Rights Equity Shares regarding the legality of an investment in the Rights Entitlements or the Rights Equity Shares by such offeree or purchaser under any applicable laws or regulations.

Investors are advised to make their independent investigations and ensure that the number of Rights Equity Shares applied for do not exceed the applicable limits under laws or regulations.

The Rights Entitlements and the Rights Equity Shares have not been approved or disapproved by any regulatory authority, nor has any regulatory authority passed upon or endorsed the merits of the offering of the Rights Entitlements, the Rights Equity Shares or the accuracy or adequacy of this Draft Letter of Offer. Any representation to the contrary is a criminal offence in certain jurisdictions.

The Issue Materials are supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose.

Notice to Persons in the United States and U.S. Persons

The Rights Entitlement and Rights Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities laws of any state of the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Our Company is an "investment company" (as defined in the U.S. Investment Company Act of 1940, as amended, and the related rules (the "**U.S. Investment Company Act**") and has not been and will not be registered under the U.S. Investment Company Act. Accordingly, the Rights Equity Shares are being offered and sold only (a) to persons in the United States and to U.S. persons (as defined in Regulation S ("**Regulation S**") and such persons ("**U.S. Persons**") under the U.S. Securities Act) who are reasonably believed to be (i) "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act and referred to herein as "**U.S. QIBs**") and (ii) "qualified purchasers" (as defined in Section 2(a)(51) of the U.S. Investment Company Act and referred to herein as "**U.S. Qualified Purchasers**") pursuant to Section 4(a)(2) of the U.S. Securities Act and Section 3(c)(7) of the U.S. Investment Company Act and (b) to persons outside the United States who are non-U.S. Persons in reliance on Regulation S. The Rights Entitlement and Rights Equity Shares are transferable only in accordance with the restrictions described in "*Restrictions on Purchases and Resales*" beginning on page 249.

Neither our Company, nor any person acting on behalf of our Company, will accept a subscription or renunciation from any person, or the agent of any person, who appears to be, or who our Company, or any person acting on behalf of our Company, has reason to believe is, in the United States (other than persons in the United States who are both U.S. QIBs and U.S. Qualified Purchasers) when the buy order is made. No Application Form should be postmarked in the United States or otherwise dispatched from the United States (in each case, other than from persons in the United States who are both U.S. QIBs and U.S. Qualified Purchasers) or any other jurisdiction where it would be illegal to make an offer under the Letter of Offer or where any action would be required to be taken to permit the Issue. Our Company is undertaking this Issue on a rights basis to the Eligible Equity Shareholders and will dispatch the Letter of Offer or the Abridged Letter of Offer and Application Form only to Eligible Equity Shareholders who have provided an Indian address to our Company or who are located in jurisdictions where the offer and sale of the Rights Equity Shares is permitted under laws of such jurisdictions. Any person who purchases or sells Rights Entitlements or makes an application for Rights Equity Shares will be deemed to have represented, warranted and agreed, by accepting the delivery of the Letter of Offer, that (i) it is not and that at the time of subscribing for the Rights Equity Shares or the purchase or sale of Rights Entitlements, it will not be, in the United States or as the case may be, (ii) it is both a U.S. QIB and U.S. Qualified Purchaser, and, in each case, it is authorized to purchase or sell the Rights Entitlement and subscribe to the Rights Equity Shares in compliance with all applicable laws and regulations.

Our Company reserves the right to treat as invalid any Application Form which: (i) appears to our Company or its agents to have been executed in, electronically transmitted from or dispatched from the United States or a U.S. Person (unless the Application Form is submitted by a person who is both an U.S. QIB and U.S. Qualified Purchaser in the United States) or other jurisdictions where the offer and sale of the Rights Equity Shares is not permitted under laws of such jurisdictions; (ii) does not include the relevant certifications set out in the Application Form, including to the effect that the person submitting and/or renouncing the Application Form is (a) not a U.S. Person and eligible to subscribe for the Rights Equity Shares under applicable securities laws or (b) a U.S. QIB and U.S. Qualified Purchaser in the United States, and in each case such person is complying with laws of jurisdictions applicable to such person in connection with this Issue; or (iii) where either a registered Indian address is not provided or where our Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements; and our Company shall not be bound to issue or allot any Rights Equity Shares in respect of any such Application Form.

All offers and sales in the United States of the Rights Entitlements and the Rights Equity Shares have been, or will be, made solely by our Company. The Lead Manager is not making, and will not make, and will not participate or otherwise be involved in any offers or sales of the Rights Entitlements, the Rights Equity Shares or any other security with respect to this Issue in the United States.

As we are relying on an analysis that our Company does not come within the definition of an "investment company" under the U.S. Investment Company Act because of the exception provided under Section 3(c)(7) thereunder, our Company may be considered a "covered fund" as defined in the Volcker Rule. See "*Risk Factors – External Risks – Risks Relating to our Equity Shares and this Issue - U.S. regulation of investment activities may negatively affect the ability of banking entities to purchase our Equity Shares*" on page 51.

The Rights Entitlements and the Rights Equity Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any U.S. federal or state securities commission or any other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Rights Entitlements, the Rights Equity Shares or the accuracy or adequacy of this Draft Letter of Offer. Any representation to the contrary is a criminal offence in the United States.

In making an investment decision, investors must rely on their own examination of our Company and the terms of the Issue, including the merits and risks involved.

PRESENTATION OF FINANCIAL INFORMATION AND OTHER INFORMATION

Certain Conventions

Unless otherwise specified or the context otherwise requires, all references in this Draft Letter of Offer to (i) the 'US' or 'U.S.' or the 'United States' are to the United States of America, its territories and possessions, any state of the United States, and the District of Columbia; (ii) 'India' are to the Republic of India and its territories and possessions; and (iii) the 'Government' or 'GoI' or the 'Central Government' or the 'State Government' are to the Government of India, Central or State, as applicable.

Unless otherwise specified, any time mentioned in this Draft Letter of Offer is in IST. Unless indicated otherwise, all references to a year in this Draft Letter of Offer are to a Calendar Year. Unless stated otherwise, all references to page numbers in this Draft Letter of Offer are to the page numbers of this Draft Letter of Offer. In this Draft Letter of Offer, references to the singular also refer to the plural and one gender also refers to any other gender, where applicable.

Financial Data

Unless stated otherwise, or unless the context requires otherwise, the financial data in this Draft Letter of Offer is derived from (a) the Audited Financial Statements FY 24 and (b) the Statement of Unaudited Financial Results HY 25 containing Qualified Review Report. The Company's Financial Year commences on April 1 of each calendar year and ends on March 31 of the following calendar year. Unless otherwise stated, references in this Draft Letter of Offer to a particular 'Financial Year' or 'Fiscal Year' or 'Fiscal' are to the financial year ended March 31. For further information, see *"Financial Statements"* beginning on page 101.

Our Company prepares its financial statements in accordance with Ind AS, Companies Act and other applicable statutory and/or regulatory requirements. Our Company publishes its financial statements in Indian Rupees. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Letter of Offer should accordingly be limited.

In this Drat Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off, and unless otherwise specified, all financial numbers in parenthesis represent negative figures. All figures in decimals have been rounded off to the second decimal and all the percentage figures have been rounded off to two decimal places. Further, any figures sourced from third-party industry sources may be rounded off to other than two decimal points to conform to their respective sources.

Unless stated otherwise, throughout this Draft Letter of Offer, all figures have been expressed in Rupees, in crores.

Non-GAAP Measures

We have included certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance (collectively "**Non-GAAP Financial Measures**", and each, a "**Non-GAAP Financial Measure**") in this Draft Letter of Offer, which are pre-provision operating profit before tax, net worth, average net worth, net interest income, average borrowings, return on net worth, return on average gross AUM, return on average net worth, average borrowings to average net worth, debt to equity ratio, EBITDA, net asset value per Equity Share, operating expenses, impairment on loan portfolio to average gross loan portfolio, credit loss ratio, credit cost (based on average gross AUM), operating expenses to total income ratio, cost to income ratio, net assets, Average Gross AUM, Operating expenses to Average Gross AUM and Average Cost of Fund.These Non-GAAP Financial Measures are not required by or presented in accordance with Ind AS. We compute and disclose such Non-GAAP Financial Measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of other companies in our industry. Further, these Non-GAAP Financial Measures are not a measurement of our financial performance or liquidity under Ind AS, GAAP, IFRS or US GAAP and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the years/ period or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Ind AS, GAAP, IFRS or US GAAP. Other companies may calculate these Non-GAAP Financial Measures differently from us, limiting its usefulness as a comparative measure. However, these Non-GAAP Financial Measures may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other companies. Accordingly, such Non-GAAP Financial Measures have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our financial position or results of operations as reported under GAAP. For further details, see *"Risk Factors – Internal Risks – We have in this Draft Letter of Offer included certain non-GAAP financial and operational measures and certain other industry measures related to our operations and financial performance that may vary from any standard methodology. We rely on certain assumptions and estimates to calculate such measures, therefore such measures may not be comparable with financial, operational or industry related statistical information of similar nomenclature computed and presented by other similar companies."* on page 42.

Market and Industry Data

Unless stated otherwise, market, industry and demographic data used in this Draft Letter of Offer has been obtained from market research, publicly available information as well as various industry publications and sources, as referred to herein (collectively, the "**Sources**"). Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed.

Statements from third parties that involve estimates are subject to change, and actual amounts may differ materially from those included in this Draft Letter of Offer. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Accordingly, investment decisions should not be based solely on such information.

Currency of Presentation

All references to

- 'INR', '₹', 'Indian Rupees' and 'Rupees' are to the legal currency of the Republic of India; and
- 'US$', 'USD', '$' and 'U.S. Dollars' are to the legal currency of the United States of America.

Please note:

- One crore is equal to 100 lakhs; and
- One lakh is equal to 100,000.

Conversion Rates for Foreign Currency:

The conversion rate for the following foreign currencies are as follows:

Sr. No.	Currency	As of September 30, 2024 (in ₹)	As of September 30, 2023 (in ₹)	As of March 31, 2024 (in ₹)	As of March 31, 2023 (in ₹)
1.	1 USD	83.79	83.06	83.34	82.11

Source: www.fbil.org.in
Note: On instances where the given day is a holiday, the exchange rate from the previous working day has been considered. Exchange rate is rounded off to two decimal places.

FORWARD LOOKING STATEMENTS

Certain statements contained in this Draft Letter of Offer that are not statements of historical fact constitute 'forward-looking statements'. Investors can generally identify forward-looking statements by terminology such as 'aim', 'anticipate', 'believe', 'continue', 'can', 'could', 'estimate', 'expect', 'expected to', 'intend', 'is likely', 'may', 'objective', 'plan', 'potential', 'project', 'pursue', 'shall', 'should', 'will', 'would', or other words or phrases of similar import. Similarly, statements that describe the strategies, objectives, plans or goals of our Company are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements.

All statements regarding our Company's expected financial conditions, result of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our Company's business strategy, planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Draft Letter of Offer that are not historical facts. These forward-looking statements contained in this Draft Letter of Offer (whether made by our Company or any third party), are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of our Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about our Company that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our Company's expectations include, among others:

- We have incurred losses in the six months ended September 30, 2024 due to increases in our provisioning to cater for increases in our NPAs. We cannot assure you that we will effectively address these issues, or that we will not face similar challenges again in the future.

- Our management has determined that we are in breach of financial covenants with respect to borrowings amounting to ₹5,617.70 crore in principal amount, resulting in these borrowings becoming repayable on demand as at September 30, 2024. Our Statutory Auditors have mentioned that this may cast significant doubt on our ability to continue as a going concern.

- We may face various risks associated with our large number of branches and widespread network of operations.

- Our operations are concentrated in the states of Uttar Pradesh, Bihar, Odisha, Madhya Pradesh and Tamil Nadu and any adverse developments in these states could have an adverse effect on our business financial condition, results of operations and cash flows.

- The microfinance industry in India faces unique risks due to the category of borrowers that it services, which are generally not associated with other forms of lending.

- We depend on the accuracy and completeness of information about borrowers and counterparties for our credit assessment and risk management. Any misrepresentation, errors in or incompleteness of such information could adversely affect our business and results of operations.

- Our business is particularly vulnerable to interest rate risk, and volatility in interest rates could have an adverse effect on our net interest income and net interest margin, thereby affecting our results of operations and cash flows.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in the sections entitled "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on pages 20, 75 and 186, respectively.

The forward-looking statements contained in this Draft Letter of Offer are based on the beliefs of our Company's management, as well as the assumptions made by, and information currently available to, the management of our Company. Whilst our Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, Investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Draft Letter of Offer or the respective dates indicated in this Draft Letter of Offer, and our Company undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise. If any of these risks and uncertainties materialise, or if any of our Company's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of our Company could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to our Company are expressly qualified in their entirety by reference to these cautionary statements.

In accordance with SEBI and Stock Exchange requirements, our Company and the Lead Manager will ensure that the Eligible Equity Shareholders are informed of material developments until the time of the grant of listing and trading permissions for the Rights Equity Shares by the Stock Exchanges.

SUMMARY OF THIS DRAFT LETTER OF OFFER

The following is a general summary of certain disclosures included in this Draft Letter of Offer and is neither exhaustive, nor does it purport to contain a summary of all the disclosures in this Draft Letter of Offer or all details relevant to the prospective investors. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Draft Letter of Offer, including, the sections entitled "*Risk Factors*", "*Capital Structure*", "*Objects of the Issue*", "*Our Business*", "*Outstanding Litigation and Defaults*" and "*Financial Statements*" beginning on pages 20, 59, 62, 75, 211 and 101, respectively.

Primary Business of the Issuer

We are a non-banking finance company ("**NBFC**") - microfinance institution ("**MFI**") offering microfinance loans to low-income women. We founded our Company with the core idea of creating opportunities at the bottom of the pyramid, and we provide financial services to unserved and underserved women in rural and urban/semi-urban areas across India, with a focus on women in rural areas with an annual household income of up to ₹300,000. As of September 30, 2024, our share of AUM from customers in rural areas represented 88.86% of our total AUM.

For further details, please see "*Our Business - Overview*" on page 75.

Objects of the Issue

Our Company intends to utilize the Net Proceeds from the Issue towards funding of the following objects:

Particulars	Amount *(In ₹ crore)* *
Augment the capital base of our Company	[●]
Net Proceeds*	[●]

* *Assuming full subscription in the Issue, Allotment and receipt of all Call Monies with respect to the Rights Equity Shares. Subject to finalization of the Basis of Allotment.*

For further details, please see *"Objects of the Issue"* beginning on page 62.

Intention and extent of participation by our Promoters and Promoter Group with respect to (i) their rights entitlement; and (ii) their intention to subscribe over and above their rights entitlement

Our Promoters and Promoter Group have confirmed that they may:

(i) subscribe to the full extent of their respective Rights Entitlements in the Issue or may renounce a portion of their respective Rights Entitlements in favour of the Promoters or other member(s) of the Promoter Group or in favour of existing shareholders of the Company, or third-party investors; and

(ii) subscribe to additional Rights Equity Shares including subscribing to any unsubscribed portion in the Issue, if any, or subscription pursuant to Rights Entitlement acquired through renunciation, either individually or jointly and/ or severally with the Promoter(s) or any other members of the Promoter Group, subject to compliance with the Companies Act, the SEBI ICDR Regulations, SEBI Takeover Regulations and other applicable laws/ regulations.

Provided that if any of the Promoters or members of the Promoter Group renounce any of their respective Rights Entitlements in favour of any third party investor (not being a Promoter or a member of the Promoter Group), whether or not an existing member of the Company, then (i) such renouncing Promoter or member of the Promoter Group shall not apply for subscription to additional Rights Entitlement, subject to applicable laws/ regulations; and (ii) in the event that minimum subscription of 90% is not met, all Application Money received shall be refunded to the Applicants forthwith, but not later than four days from the closure of the Issue, in compliance with Regulation 86 (2) of the SEBI ICDR Regulations. **Further, if the Promoters and members of the Promoter Group subscribe fully to their portion of Rights Entitlements and do not renounce their Rights Entitlements (except to the extent of renunciation within Promoter and Promoter Group), the minimum subscription of 90% will not be applicable to the Issue**.

The acquisition of Rights Equity Shares by our Promoters and other members of our Promoter Group in this Issue will be eligible for exemption from open offer requirements, and it will be subject to requirements of Regulation 10(4)(a) and 10(4)(b) of the SEBI Takeover Regulations. Further, the Issue shall not result in a change of control of the management of our Company in accordance with provisions of the SEBI Takeover Regulations. Our Company is in compliance with Regulation 38 of the SEBI Listing Regulations and will continue to comply with the minimum public shareholding requirements under applicable law, pursuant to this Issue.

Summary of outstanding litigation and defaults

A summary of outstanding legal proceedings involving our Company as on the date of this Draft Letter of Offer is set forth in the table below:

Name of entity	Proceedings involving issues of moral turpitude or criminal liability	Civil proceedings where the amount involved is equivalent to or in excess of the Materiality Threshold	Tax proceedings where the amount involved is equivalent to or in excess of the Materiality Threshold	Proceedings before regulatory authorities involving material violations of statutory regulations	Matters involving economic offences where proceedings have been initiated	Other pending matters which, if they result in an adverse outcome, would materially and adversely affect the operations or the financial position	Aggregate amount involved (₹ in crore)*
Company							
By our Company	1,808	Nil	Nil	Nil	Nil	Nil	49.59
Against our Company	Nil	Nil	1	Nil	Nil	Nil	16.62

* *To the extent quantifiable*

For further details, see "*Outstanding Litigation and Defaults*" beginning on page 211.

Risk Factors

For details, see "*Risk Factors*" beginning on page 20. Investors are advised to read the risk factors carefully before taking an investment decision in the Issue.

Contingent liabilities

For details regarding our contingent liabilities as per Ind AS 37 as at March 31, 2024, see "*Financial Statements*" on page 101.

Related party transactions

For details regarding our related party transactions as per Ind AS 24 entered into by our Company for Fiscal 2024 and Fiscal 2023, see "*Other Financial Information – Related Party Transactions*" on page 183.

Issue of Equity Shares for consideration other than cash

Our Company has not made any issuances of Equity Shares for consideration other than cash in the last one year immediately preceding the date of this Draft Letter of Offer.

SECTION II: RISK FACTORS

RISK FACTORS

An investment in our Rights Equity Shares involves a high degree of risk. Prospective investors should carefully consider all the information in this Draft Letter of Offer, including the risks and uncertainties described below, before making an investment in our Rights Equity Shares. The risks and uncertainties described below are not the only ones relevant to us or our Rights Equity Shares and the industry in which we currently operate or to India. Additional risks and uncertainties, not presently known to us or that we currently deem immaterial may also impair our business, financial condition, results of operations and cash flows. If any of the following risks, or other risks that are not currently known or are currently deemed immaterial, actually occur, our business, financial condition, results of operations and cash flows could suffer, the trading price of and the value of your investments in our Rights Equity Shares could decline, and you may lose all or part of your investment.

To obtain a complete understanding of our Company, prospective investors should read this section in conjunction with "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 75 and 186, respectively, as well as the financial, statistical and other information contained in this Draft Letter of Offer. In making an investment decision, prospective investors must rely on their own examination of our Company and the terms of the Issue including the merits and risks involved. You should consult your tax, financial and legal advisors about the particular consequences to you of an investment in our Rights Equity Shares.

This Draft Letter of Offer also contains forward-looking statements that involve risks, assumptions, estimates and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Draft Letter of Offer. See "Forward-Looking Statements" on page 17.

Our Financial Year ends on March 31 of each year, so all references to a particular FY, Financial or Financial Year are to the 12 months ended March 31 of that year. Unless stated otherwise, the figures for the six months ended September 30, 2024 and September 30, 2023 have been presented on an un-annualized basis and are not indicative of our Company's annual performance. Accordingly, these are not comparable with the figures for a complete Fiscal. Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implications of any of the risks described in this section. Unless the context requires otherwise, the financial information of our Company has been derived from our financial statements.

*Unless otherwise indicated, information contained in this section has been obtained or derived from publicly available information as well as various industry publications and sources, as referred to herein (collectively, the "**Sources**"). The information in the Sources is as of specified dates and opinions in the Sources may be based on estimates, projections, forecasts and assumptions that may be as of such dates, which may no longer be current or reflect current trends. Further, forecasts, estimates, predictions, and other forward-looking statements contained in the Sources are inherently uncertain because of changes in factors underlying their assumptions, or events or combinations of events that cannot be reasonably foreseen. Actual results and future events could differ materially from such forecasts, estimates, predictions, or such statements. Accordingly, investment decisions should not be based on such information. Each Source is not a recommendation to invest or disinvest in any company covered in such Source. The views expressed in the Sources are that of its authors. Prospective investors are advised not to unduly rely on the Sources, and should conduct their own investigation and analysis of all facts and information contained in this Draft Letter of Offer. Unless otherwise indicated, all financial, operational, industry and other related information derived from the applicable Source and included herein with respect to any particular financial year or as the case may be, calendar year, refers to such information for the relevant financial year or as the case may be, calendar year.*

INTERNAL RISKS

1. ***We have incurred losses in the six months ended September 30, 2024 due to increases in our provisioning to cater for increases in our NPAs. We cannot assure you that we will effectively address these issues, or that we will not face similar challenges again in the future.***

Our management of credit risk involves having appropriate credit risk management policies, underwriting standards, approval processes, loan portfolio monitoring, collection and remedial management, provisioning policies and an overall architecture for managing credit risk. However, even if our credit monitoring and risk management policies and procedures are adequate and appropriately implemented, we may not be able to anticipate future economic or financial developments or downturns, which could lead to an increase in our non-performing assets ("**NPAs**"). If our NPAs increase, due to reasons such as the deterioration of the credit quality of our borrowers, among others, it could have an adverse effect on our business, financial condition, results of operations and cash flows. Pursuant to the Reserve Bank of India's ("**RBI**") guidelines and our accounting policies, we make provisions against standard and non-performing assets, which are recognized as impairment on financial instruments in our Financial Statements. The RBI also requires us to classify our loans as NPAs depending on the duration of non-payment of dues. As the number of our loans that become NPAs increases, the credit quality of our loan portfolio decreases and the provisioning requirement also will increase. For example, for the six months ended September 30, 2024, our impairment of financial instruments increased to ₹1,042.52 crore from ₹152.13 crore for the six months ended September 30, 2023, primarily as a result of our provisioning for an increase in NPAs. The increase in NPAs was primarily caused by factors including:

- high borrowers' leverage, in addition to stagnant household income adversely affected by inflation, which had a corresponding adverse impact on their ability to repay their loans;
- unforeseen climate conditions, including heatwaves, floods and macroeconomic conditions that impact income generation which in turn leads to customers migrating away from their base locations;
- the post-COVID-19 impact on joint liability credit culture, which led to poor center meetings attendance and in turn made it more challenging for us to collect payments on our loans; in addition, there were also spurious agencies falsely propagating loan waiver schemes to our borrowers which had an adverse impact on our collection efficiency; and
- higher attrition rate among our staff.

The above factors significantly impacted our collection efficiency, which in turn led to an increase in gross NPAs as set forth below. Our impairment of financial instruments was ₹1,042.52 crore for the six months ended September 30, 2024 which led to a loss of ₹340.66 crore for the six months ended September 30, 2024, primarily as a result of the abovementioned impairment of financial instruments. Such loss in turn adversely affected our net worth and capital risk adequacy ratios, as set forth below:

Particulars	As of September 30, 2024	As of March 31, 2024
Gross NPA (%)	9.41	2.89
Net Worth (₹ in crore)	2,522.67	2,848.15
Capital risk adequacy ratio ("**CRAR**") (%)	24.39	27.53

We have also adopted measures to address these challenges, including suspending disbursements in multiple branches, calibrating our loan disbursements according to our portfolio risk assessment, reviewing our customer sourcing criteria, aligning our incentive structure to deliver improved collections metrics, strengthening our dedicated collections team and rationalizing the workload of our branch field teams. However, we cannot assure you that these measures will be effective, or that there would not be further developments leading to an increase in NPAs. For further details, see "*Our Business – Overview - Increase in impairment of financial assets for the six months ended September 30, 2024*" on page 78.

The following table sets forth the classification of our loans, as of the dates indicated:

(₹ in crore)

	As at September 30,		As at March 31,	
Particulars	**2024**	**2023**	**2024**	**2023**
Gross carrying value:				
Stage I	8,911.33	8,645.99	9,884.13	8,050.07
Stage II	401.41	107.86	121.03	60.26
Stage III	967.22	241.10	297.25	288.89
Total gross carrying value	**10,279.96**	**8,994.95**	10,302.41	8,354.22
ECL allowance:				
Stage I	163.87	69.81	64.36	70.45

	As at September 30,		As at March 31,	
Particulars	**2024**	**2023**	**2024**	**2023**
Stage II	239.72	46.25	53.25	24.11
Stage III	737.03	184.18	236.93	218.10
Total ECL allowance	**1,140.62**	**300.24**	354.54	312.66
Net carrying value*:				
Stage I	8,747.46	8576.18	9,819.77	7,934.62
Stage II	161.69	61.61	67.78	36.15
Stage III	230.19	56.92	60.32	70.79
Total net carrying value	**9,139.34**	**8694.71**	9,947.87	8,041.56

* *Net carrying value is equal to gross carrying value less ECL allowance.*

We made provisions with respect to our NPA portfolio (i.e. Stage III assets) of 76.20%, 76.39%, 79.71% and 75.50% in the six months ended September 30, 2024 and 2023, and the Financial Years 2024 and 2023, respectively.

Our ability to limit and reduce NPAs is also subject to a number of factors outside of our control including, among others, developments in the Indian and global economy, domestic and global political scenario, competition, changes in customer behavior and demographic patterns, various central and state government decisions (including farm loan waivers), changes in interest rates and exchange rates and changes in regulations, including regulations requiring us to lend to certain sectors identified by the RBI, or the Government of India. These factors, together with other factors such as volatility in commodity markets, decrease in agriculture productivity and decline in business and consumer confidence, could affect our customers and, in turn, affect their ability to fulfil their obligations under the loans we extended to them. In addition, the expansion of our business may cause our NPAs to increase and the overall quality of our loan portfolio to deteriorate. If our NPAs increase, we will be required to increase our provisions, which would result in our net profit being less than it otherwise would be and could adversely affect our business, financial condition and results of operations.

In addition to the relevant minimum regulatory provision, we also consider our internal estimates for loan losses and risks inherent in our loan portfolio when deciding on the appropriate level of provisioning. The determination of an appropriate level of loan losses and provisions involves a degree of subjectivity and requires that we make estimates of current credit risks, all of which may be subject to material changes. Any incorrect estimation of risks may result in our provisions not being adequate to cover any further increase in the amount of NPAs or any further deterioration in our NPA portfolio.

2. ***Our management has determined that we are in breach of financial covenants with respect to borrowings amounting to ₹5,617.70 crore in principal amount, resulting in these borrowings becoming repayable on demand as at September 30, 2024. Our Statutory Auditors have mentioned that this may cast significant doubt on our ability to continue as a going concern. Our ability to continue as a going concern is thereby dependent on obtaining waivers from the affected lenders and securing sufficient funds through other sources such as the completion of this Issue.***

As of September 30, 2024, our management has determined that we are in breach of financial covenants with respect to borrowings amounting to ₹5,617.70 crore in principal amount, resulting in these borrowings becoming repayable on demand. We are in the process of negotiations with the affected lenders to obtain waivers of their right to demand immediate repayment for a period of 12 months from the balance sheet date, being September 30, 2024, for financial covenant breaches as of September 30, 2024. Additionally, our management has determined that we are in breach of certain financial covenants in respect of certain borrowings as of the three months ended June 30, 2024. We received waivers from our lenders for all covenant breaches during the three months ended June 30, 2024. For more information, see section titled "*Financial Statements - Note 8 - Statement of Unaudited Financial Results HY 25 containing Qualified Review Report*" on page 180.

The Statement of Unaudited Financial Results HY 25 containing a Qualified Review Report has been prepared on a going concern basis. However, the qualified review report of our Statutory Auditors as of and for the six months ended September 30, 2024 has observed a material uncertainty related to the above matter which may cast significant doubt on our ability to continue as a going concern.

Our ability to continue as a going concern is dependent on (i) obtaining the above mentioned waivers from the affected lenders; (ii) securing sufficient funds through other sources such as successful sales of our loans, and (iii)the completion of this Issue and the refinancing of our borrowings. While we are in discussions with our lenders with a view to obtaining waivers with respect to certain financial covenant breaches, we cannot assure you that we will successfully obtain such waivers. We also cannot assure you that we will secure sufficient funds. If we cannot continue as a going concern, we may not be able to realize the assets and discharge our liabilities in the normal course of our business, which may have an adverse effect on our business, financial condition and results of operations.

In addition, the abovementioned breach, or any future breach of any covenant with respect to our borrowings, may lead to the termination of our credit facilities, acceleration of amounts due under such facilities, trigger of cross-default provisions, the imposition of penalty interest and the enforcement of security provided. Any of these events could have an adverse effect on our business, financial condition, results of operations, cash flows and prospects as well as our ability to meet our payment obligations under our other debt financing agreements. For more information, section titled "*Financial Statements - Note 8 - Statement of Unaudited Financial Results HY 25 containing Qualified Review Report* " on page 180.

3. We may face various risks associated with our large number of branches and widespread network of operations.

As of September 30, 2024, we had 3.85 million active borrowers, which were served by our 1,463 branches across 22 states and union territories in India, with the five states of Uttar Pradesh, Bihar, Odisha, Madhya Pradesh and Tamil Nadu together accounting for ₹8,114.52 crore or 70.13% of our asset under management ("**AUM**") as of the same date. As a consequence of our large network, we may be exposed to certain risks, including those relating to, among others:

- difficulties developing and improving our product delivery channels;
- difficulties upgrading, expanding and securing our technology platforms;
- difficulties maintaining high levels of customer satisfaction;
- difficulties arising from operating a larger and more complex organization;
- difficulties arising from coordinating and consolidating corporate and administrative functions;
- delay in the transfer of data among various locations;
- difficulties in hiring and training skilled personnel in sufficient numbers to operate the new branches locally, management to supervise such operations from centralized locations;
- high attrition among skilled personnel at the branch level;
- failure to efficiently and optimally allocate management, technology and other resources across our branch network;
- failure to manage third-party service providers in relation to any outsourced services;
- difficulties in the integration of new branches with our existing branch network;
- difficulties in supervising local operations from our centralized locations;
- risk of our employees being the target of violent crimes such as thefts and robberies due to the high volume of cash we handle;
- failure to maintain the level of customer service at all branches; and
- unforeseen legal, regulatory, property, local taxation, labor or other issues.

Further, a significant majority of our customers are located in rural markets, which may have limited infrastructure, particularly for transportation and electricity. At branches in remote markets, we may face difficulties in conducting operations, such as accessing power facilities, transporting people and equipment and implementing technology measures. We may also face increased costs and expenses in conducting our business and operations and implementing security measures. We cannot assure you that such costs will not increase in the future as we further expand our network in rural markets, which may adversely affect our profitability.

Any of the above reasons may result in our failure to manage our business operations in an effective manner, which may adversely affect our brand, reputation, business, financial condition and results of operations.

4. Our operations are concentrated in the states of Uttar Pradesh, Bihar, Odisha, Madhya Pradesh and Tamil Nadu and any adverse developments in these states could have an adverse effect on our business financial condition, results of operations and cash flows.

Set forth below is certain data relating to our operations in Bihar, Uttar Pradesh, Odisha, Madhya Pradesh and Tamil Nadu (collectively, the "**Top Five States**") as of the dates indicated:

Particulars	Top Five States		
	As of September 30, 2024	As of March 31,	
		2024	2023
Gross AUM (₹ in crore)	8,114.52	8,084.02	6,411.11
Gross AUM (% of total AUM)	70.13%	70.44%	68.96%
Branches	830	746	678
Branches (% of total branches)	56.73%	57.52%	62.43%

While we endeavor to manage and monitor our concentration risk, including our growth in AUM and number of branches in our Top Five States, we are susceptible to risks relating to concentration in these states and in the event of a regional slowdown in the economic activity in one or more of these states, or any other developments including political unrest, disruption or sustained economic downturn that make our products in any of these states less beneficial, we may experience an adverse impact on our business, financial condition, results of operations and cash flows. Further, the market for our products in these states may fluctuate and be subject to, market and regulatory developments that are different for various states of India. There can be no assurance that the demand for our products will grow and will not decrease in the future in these states.

5. ***Our Company is subject to regulations in relation to minimum capital adequacy requirements and a decline in our capital risk adequacy ratio will require us to raise fresh capital which may not be available on favourable terms, or at all.***

We have been identified and categorized as a 'Middle Layer' non-bank financial company ("**NBFC**") by the RBI under the "Scale Based Regulations (SBR): A Revised Regulatory Framework for NBFCs" dated October 22, 2021, since the regulations became effective.

We are also subject to regulations relating to the capital adequacy for NBFCs, which determine the minimum amount of capital we must hold as a percentage of the risk-weighted assets on our portfolio and of the risk adjusted value of off-balance sheet items, as applicable. Pursuant to the Master Direction – Reserve Bank of India (Non-Banking Financial Company–Scale Based Regulation) Directions 2023, non-bank financial company – microfinance institution ("**NBFC-MFIs**") are required to maintain a capital adequacy ratio consisting of Tier I and Tier II capital which shall not be less than 15% of its aggregate risk weighted assets of on-balance sheet and of risk adjusted value of off-balance sheet items, and the total of Tier 2 capital at any point of time should not exceed 100% of Tier I capital. We are also required to adopt asset classification and provisioning norms in terms of the Master Direction – Reserve Bank of India (Non-Banking Financial Company–Scale Based Regulation) Directions 2023.

The following table sets forth our Company's capital risk adequacy ratio ("**CRAR**") for the periods indicated:

Period	CRAR (%)	Tier I Capital (%)
Six months ended September 30, 2024	24.39	22.81
Financial Year 2024	27.53	26.60
Financial Year 2023	27.94	26.59

As we continue to grow our loan portfolio and asset base, we will be required to raise additional Tier I and Tier II capital in order to continue to meet applicable capital adequacy ratios with respect to our business. There can be no assurance that we will be able to raise adequate additional capital in the future on terms favourable to us, and this may adversely affect the growth of our business. For example, our CRAR has declined to 24.39% for the six months ended September 30, 2024 from 27.53% in the Financial Year 2024, which is primarily attributable to increased credit risk. In addition, any change in RBI or other government regulations in relation to securitizations by NBFCs could have an adverse impact on our assignment, co-lending arrangements and securitization plans in the future. This could result in non– compliance with applicable capital adequacy ratios, which could have a material adverse effect on our business prospects, financial condition and results of operations.

6. ***The microfinance industry in India faces unique risks due to the category of borrowers that it services, which are generally not associated with other forms of lending.***

Our focus customer segment is women in rural and semiurban areas with an annual household income of up to ₹300,000. Our customers generally have limited sources of income, savings and credit histories. In addition, although we are generally able to obtain credit reports from credit bureaus on our borrowers, to the extent that there is limited financial information available for our focus customer segment and borrowers do not have any credit history supported by tax returns, bank or credit card statements, or other related documents, it may be difficult to consistently carry out credit risk analyses on them. As a result, such borrowers may have higher levels of leverage and pose a higher risk of default than borrowers with greater financial resources and more established credit histories and borrowers living in urban areas with better access to education, employment opportunities and social services.

Further, we provide unsecured loans and rely on non-traditional guarantee mechanisms rather than any tangible assets or collateral. Our loans involve a joint liability mechanism whereby borrowers form an informal center (typically comprising not less than five members) and guarantee each other's loan. We cannot assure you that such joint liability arrangements will ensure repayment by the other members of the joint liability group in the event of default by any one of them. Such joint liability arrangements are likely to fail if there is no meaningful personal relationship or bond among members of such group, if members do not participate regularly in group meetings, if inadequate risk management procedures have been employed to verify the group members and their ability to repay such loans, or as a result of adverse external factors such as natural calamities or forced migration. Further, while we have our own due diligence and credit analysis procedures, we cannot assure you that we will be able to ensure low delinquency rates. As a result, our customers potentially present a higher risk of loss in case of a credit default compared to that of borrowers from other demographics of the population and/or in other asset-backed financing products.

In addition, political and social risks, such as the negative publicity surrounding the growth and profitability of the microfinance industry, public criticism of the microfinance industry, or religious beliefs and convictions regarding the extension of credit and repayment of interest may deter our borrowers from fulfilling their obligations to us. In addition, the microfinance sector may be susceptible to election cycles. For example, political pressure by incumbents to write off loans or the announcements of debt-waiver schemes by state governments ahead of general elections may result in an accretion of NPAs across the microfinance industry. Due to the precarious circumstances of our customers and our non-traditional lending practices, we may, in the future, experience increased levels of NPAs and related provisions and write-offs that may adversely affect our business, financial condition and results of operations. For further details, see *"Our Business – Increase in impairment of financial assets for the six months ended September 30, 2024*" on page 78. We cannot assure you that our monitoring and risk management procedures will effectively predict and/or prevent such losses or that loan loss reserves will be sufficient to cover actual losses.

The amount of our reported NPAs may increase in the future due to the aforementioned factors and other factors beyond our control, and we cannot assure you that we will be able to effectively control or reduce the level of the impaired loans in our total AUM. If we are unable to manage our NPAs or adequately recover our loans, our business, financial condition and results of operations will be adversely affected. In addition, our current loan loss reserves may not be adequate to cover an increase in the amount of NPAs or any future deterioration in the overall credit quality of our total AUM. If the quality of our loan portfolio deteriorates, we may be required to increase our loan loss reserves, which would also adversely affect our business, financial condition and results of operations.

7. ***Any downgrade of our credit ratings may constrain our access to capital and debt markets and, as a result, may adversely affect our cost of borrowings and our results of operations.***

The cost and availability of funds is dependent on, among other factors, our credit ratings. Credit ratings reflect a rating agency's opinion of our financial strength, operating performance, industry position, and ability to meet our obligations. The following table sets forth certain information on our credit ratings in respect of our outstanding indebtedness as of the date hereof:

Rating Instrument	Rating Agency	Rating	Rating Amount Limits
			(₹ in crore)
Long-term debt	CRISIL Ratings Limited	A / Rating Watch with Developing Implications	8,000.00
	CARE Ratings Limited	A / Rating Watch with Negative Implications	1,500.00
NCD	ICRA	A / Negative	180.00
NCD – Subordinated Debt	ICRA	A / Negative	55.00
Commercial Paper (CP)	CRISIL Ratings Limited	A1	50.00

In particular, set forth below are certain recent rating downgrades and changes in outlook:

Rating Instrument	Rating Agency	Revised Rating/Outlook	Original Rating/Outlook	Date of Revision	Rating Amount Limits
					(₹ in crore)
Long-term debt	CRISIL Ratings Limited	A / Rating Watch with Developing Implications	A+ / Negative	November 26, 2024	8,000.00
	CARE Ratings Limited	A / Rating Watch with Negative Implications	A / Negative	November 26, 2024	1,500.00
NCD	ICRA	A / Negative	A+ / Stable	November 26, 2024	180.00
NCD – Subordinated Debt	ICRA	A / Negative	A+ / Stable	November 26, 2024	55.00
Commercial Paper (CP)	CRISIL Ratings Limited	A1	A1+	November 26, 2024	50.00

We cannot assure you that we will not face further negative rating actions from CARE Ratings Limited or other rating agencies. A downgrade in our credit ratings may constrain our access to capital and debt markets and, as a result, may increase our cost of borrowings and impair our ability to renew maturing debt. In addition, any downgrade of our credit ratings could result in additional terms and conditions being included in any additional financing or refinancing arrangements in the future. If any of the foregoing were to occur, our business, financial condition and results of operations may be adversely affected.

8. ***We depend on the accuracy and completeness of information about borrowers and counterparties for our credit assessment and risk management. Any misrepresentation, errors in or incompleteness of such information could adversely affect our business and results of operations.***

In deciding whether or not to extend credit or enter into other transactions with borrowers, we rely on, among others, information furnished to us by or on behalf of borrowers. We may also rely on certain representations from our borrowers as to the accuracy and completeness of that information. To ascertain the creditworthiness of potential borrowers, we may depend on credit information companies or credit bureaus, and reliance on any misleading information received may affect our judgement of credit worthiness of potential borrowers, which may affect our business and results of operations. We may receive inaccurate or incomplete information as a result of negligence or fraudulent misrepresentation. In the event that our risk management measures and credit appraisal procedures are not adequate to prevent or deter such activities in all cases, our business and results of operations may be adversely affected.

9. ***The audit and review reports of our Statutory Auditor on our Financial Statements makes references to certain qualifications and observations. If such comments are included in the reports of our Statutory Auditor in the future, the trading price of our Equity Shares may be adversely affected.***

The table below sets forth, in relation to our unaudited financial results for the six months ended September 30, 2024 and our audited financial statements for the year ended March 31, 2024 (i) certain observations reported by our Statutory Auditors in their audit and review reports, including in the annexure to their reports issued under the Companies (Auditor's Report) Order, 2020 and the Companies (Auditor's Report) Order, 2016, as applicable, and (ii) our responses to these observations and impact on our financial statements and financial position.

Period	Nature of Observation	Details of Observation	Our Response to Observation	Impact on our Financial Statements and our Financial Position
Six months ended September 30, 2024	Independent Auditor's Review Report on the Statement of Unaudited Financial Results HY 25 containing Qualified Review Report	As stated in Note 7 to the Statement, the Company has not evaluated whether any of the expected credit allowances recognised in the quarter and six month ended September 30, 2024 should be retrospectively adjusted to the previously reported amounts in any of the prior period presented because of impracticability as described in IND AS 8, *Accounting Policies, Change in Accounting Estimates and Errors.* In the absence of sufficient and appropriate evidence, we are unable to comment on the Company's basis of impracticability to evaluate and determine whether any retrospective adjustment should have been made to previously reported amounts in any of the prior period presented.	During the quarter and six months ended September 30, 2024, we recorded an allowance for Expected Credit Loss ("ECL"), in respect of loans given, of ₹693 crore and ₹1,041 crore respectively, with a corresponding charge to the statement of profit and loss in these periods, consequent to a significant increase in credit risk evidenced by slowing and delayed collections. In preparing this statement, we were not able to determine whether any of these allowances should have been recognized in any of the prior period presented because of limitations in objectively determining information relating to assumptions and circumstances as it existed in those prior periods. As a result, we have concluded that it was impracticable to evaluate and determine any amounts for retrospective recognition and	During the quarter and six months ended September 30, 2024, we recorded an allowance for ECL in respect of loans given, of ₹693 crore and ₹1,041 crore respectively. We have recorded a loss of ₹305.04 crore and ₹340.66 crore for the quarter and six months ended September 30, 2024. Accordingly, and based on our response as indicated column entitled "Our Response to Observation", the impact of

Period	Nature of Observation	Details of Observation	Our Response to Observation	Impact on our Financial Statements and our Financial Position
			measurement in those prior periods.	any modification of auditors' opinion including fiscal 2024 audited financial statements and qualified limited review report for the period ended September 30, 2024, along with the comparative prior year periods cannot be shown as adjustments in the line items specified by the SEBI.
Six months ended September 30, 2024	Independent Auditor's Review Report on the Statement of Unaudited Financial Results HY 25 containing a Qualified Review Report.	We draw attention to Note 8 to the Statement, which describes the material uncertainty in relation to the going concern assumption used in the preparation of the Statement. This condition and other matters stated in the Note indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.	As of September 30, 2024, we have breached financial covenants (in respect of borrowings amounting to ₹5,617.70 crores) resulting in these borrowings becoming repayable on demand. We are actively under discussion for the waivers on breach of covenants with the relevant lenders.	The borrowings amounting to ₹5,617.70 crores as at September 30, 2024 may become repayable on demand.
Financial year ended March 31, 2024	CARO Report observation: Delay in the repayment of interest and/or principal in respect of loans and advances.	Out of loans and advances in the nature of loans with balances as at the year-end aggregating ₹9,884.13 crores, where credit risk has not significantly increased since initial recognition (categorised as "Stage 1"), delay in the repayment of interest and/or principal in respect of loans aggregating to ₹7.76 crores were also identified. Having regard to the nature of the Company's business and the volume of information involved, it is not practicable to provide an itemised list of loan assets where delinquencies in the repayment of principal and interest have been identified.	Reasonable steps are being taken by us for recovery of the principal and interest as stated in the applicable Regulations and loan agreements.	We are taking steps for recovery of interest and/or principal in respect of loans aggregating to ₹7.76 crores. We have made provisions against the above amount as per our policy.
Financial year ended March 31, 2024	CARO Report observations: Delay in deposit of Professional Tax.	Other than for certain delays in deposit of professional tax of ₹1.17 lacs due to late registrations, undisputed statutory dues, including Goods and Service tax, Provident fund, Employees' State Insurance,	The deposit of professional tax was delayed due to the pending approval of registrations. Reasonable steps will be taken by us for assuring timely deposit of professional tax.	Nil

Period	Nature of Observation	Details of Observation	Our Response to Observation	Impact on our Financial Statements and our Financial Position
		Income-tax, Service Tax, duty of Custom, duty of Excise, Value Added Tax, Cess and other material statutory dues applicable to the Company have generally been regularly deposited by it with the appropriate authorities in all cases during the year		
Financial year ended March 31, 2024	CARO Report observations: Other Legal and Regulatory Requirements	Based on our examination, which included test checks, the Company has used accounting software for maintaining its books of account for the year ended March 31, 2024 which has a feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the software except that in respect of accounting software operated by third party software service providers for loan and payroll records, in the absence of Independent service auditor's System and Organisation Controls (SOC 1) Type 2 reports covering the requirements of audit trail, we are unable to comment on whether the audit trail feature of the said software was enabled and operated throughout the year for all relevant transactions recorded in the software or whether there was any instance of the audit trail feature been tampered with. Further, during the course of our audit, we did not come across any instance of audit trail feature being tampered with, in respect of accounting software for book-keeping which the audit trail feature was operating.	We have informed to third party software service providers for loan and payroll records, to get the Independent Service Auditor's System and Organisation Controls ("SOC 1") Type 2 reports covering the requirements of audit trail.	None

We cannot assure you that the audit or review reports issued by our Statutory Auditors for any future financial periods will not contain qualifications, emphasis of matters or other adverse observations which affect our results of operations in such future periods. For further details, see "*Financial Information — Financial Statements*" beginning on page 101.

10. *Our business is particularly vulnerable to interest rate risk, and volatility in interest rates could have an adverse effect on our net interest income and net interest margin, thereby affecting our results of operations and cash flows.*

Our results of operations depend to a large extent on the amount of our net interest income as our primary revenue source is interest income. For the six months ended September 30, 2024 and 2023 and the Financial Years 2024 and 2023, our interest income on our loan portfolio amounted to ₹1,244.61 crore, ₹973.10 crore, ₹2,086.63 crore, and ₹1,589.99 crore, respectively, representing 88.25%, 86.57%, 86.50% and 88.33% of our total income, respectively. Net interest income is the difference between the interest we earn from loans (i.e. interest income on loan portfolio) and the interest we pay on interest-bearing liabilities (i.e. finance costs). An increase in interest rates applicable to our liabilities, without a corresponding increase in interest rates applicable to our assets, will result in a decline in our net interest income.

Interest rates are highly sensitive and fluctuations thereof are dependent upon many factors which are beyond our control, including the monetary policies of the RBI, de-regulation of the financial services sector in India, domestic as well as international economic and political conditions, inflation and other factors. Due to these factors, interest rates in India have historically experienced a relatively high degree of volatility.

Changes in market interest rates affect the interest rates we charge on our loans differently from the interest rates we pay on our interest-bearing liabilities. An increase in interest rates could result in an increase in interest expense relative to interest income if we are not able to increase the rates charged on our portfolio loans and advances or if the volume of our interest-bearing liabilities is larger or growing faster than the volume of our loans. Further, such increase in interest rates could affect our ability to raise low cost funds as compared to some of our competitors who may have access to lower cost funds. If our cost of funds and operating expenses increase to a level where compliance with the Master Direction – Reserve Bank of India (Non-Banking Financial Company–Scale Based Regulation) Directions 2023 and the Master Direction - Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 results in pressure on our operating margins, our business, financial condition, results of operations and cash flows may be adversely affected.

In accordance with RBI regulations, the interest rates charged by us is governed by our board approved policy on pricing microfinance loans. The rate of interest charged for our income-generating loans for the above activities varies from customer to customer and is based on our risk-based pricing methodology. For more information, please see "*Our Business – Description of Our Business – Our Products*" on page 85. In a declining interest rate environment, if our cost of funds does not decline simultaneously or to the same extent as the yield on our loans, it could lead to a reduction in our net interest income and net interest margin. Further, changes in interest rates could affect our treasury income. If we are unable to effectively manage our interest rate risks, it could have an adverse effect on our net interest income and net interest margin, thereby affecting our business, financial condition, results of operations and cash flows.

11. We have experienced negative cash flows in the past. We cannot assure you that our net cash flows will be positive in the future.

Due to the inherent nature of our business, we have experienced negative cash flows in the past wherein the negative cash flow from operating activities pertaining to disbursements is financed from financing activities.

The following table sets forth our cash flows for the period and Financial Years indicated:

	For the Six Months ended September 30,		**For the Financial Year**	
	2024	**2023**	**2024**	**2023**
Particulars	***(₹ in crore)***			
Net cash flow from / (used in) operating activities.	249.98	(318.86)	(1,350.34)	(1,663.04)
Net increase/ (decrease) in cash and cash equivalents	**318.37**	**450.07**	**524.33**	**(61.01)**

We had negative cash flows from our operating activities during the Financial Years 2024 and 2023 due to disbursements made during those years exceeding the repayments of principal and interest from our borrowers. For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Cash Flows*" on page 186. We cannot assure you that our net cash flows will be positive in the future.

12. We are subject to laws and regulations governing the financial services industry and our operations in India and changes in, and differing interpretations of, laws and regulations governing us could adversely affect our business, results of operations and prospects.

As an NBFC-MFI, we are subject to regulation by Government authorities, including the RBI. The RBI regulates the credit flow by banks to NBFCs and provides guidelines to commercial banks with respect to their investment and credit exposure norms for lending to NBFCs. In addition, we are required to make various filings with and obtain various approvals from the RBI, the RoC and other relevant authorities pursuant to the provisions of RBI regulations, the Companies Act and other regulations. If we fail to comply with these requirements, or a regulator claims we have not complied with these requirements, we may be subject to penalties and/or legal proceedings.

We are also subject to regular scrutiny and supervision by regulators, such as regular inspections that may be conducted by the RBI. Any non-compliance with regulatory guidelines and directions may result in substantial penalties and negatively affect our reputation. If we were to be found non-compliant, we could be fined or prohibited from engaging in certain business activities, among other things. In addition, the regulations applicable to us also govern other aspects of our business operations such as our conduct with borrowers, recovery practices, market conduct and foreign investment.

The RBI has also issued the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, under which our Company has to operate within certain restrictions and standards, *inter alia*, as provided below:

a. maintain a minimum net owned fund of ₹7 crore by March 31, 2025 and ₹10 crore by March 31, 2027;

b. ensure that at least one director on board shall have relevant experience of having worked in a bank or NBFC;

c. maintain a ceiling on providing funding for financing subscriptions to initial public offers which is ₹1 crore per borrower;

d. make a thorough internal assessment of the need for capital, commensurate with the risks in the business as part of the internal capital adequacy assessment process;

e. maintain a single exposure limit of 20% for a single borrower, which can be extended by an additional 5% with the approval of our board of directors, and 25% for single group of borrowers. Additionally, the concentration limits shall be determined with reference to our Tier-1 capital instead of our owned fund;

f. exposure to capital market (direct and indirect) and commercial real estate shall be treated as sensitive exposure for our Company and we are required to fix internal limits on these sectors accordingly;

g. adhere to certain regulatory restrictions in relation to loans to be given to directors, their relatives, entities where such directors or relatives hold majority of the shareholding and certain other individuals associated with our Company; and

h. adhere to corporate governance norms in relation to key management personnel, directors and chief compliance officers.

Further, many of the regulations applicable to our operations may be subject to varying interpretations. If the interpretation of the regulators and authorities varies from our interpretation, we may be deemed to be contravention of such laws and may be subject to penalties and legal proceedings against us. Unfavorable changes in or interpretations of existing laws, rules and regulations including foreign investment laws governing our business, operations and investments in our Company by non-residents, could result in us being deemed to be in contravention of such laws or may require us to apply for additional approvals. We may incur increased costs and other burdens relating to compliance with such differing interpretations, which may also require significant management time and other resources, and any failure to comply may adversely affect our business, results of operations and prospects. Further, uncertainty in the application, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent may be time consuming as well as costly for us to resolve and may impact the viability of our current business or restrict our ability to grow our businesses in the future.

13. Some of our secretarial records are not traceable. Further, we made certain periodic filings with delay, required in compliance with SEBI Listing Regulations.

We are unable to trace certain form filings of our Company as the relevant information was not available in the records maintained by our Company, or at the MCA Portal maintained by the Ministry of Corporate Affairs and the RoC, despite conducting internal searches, and engaging an independent practicing company secretary to conduct the searchof our records. We have also intimated the RoC, about untraceable secretarial and other corporate records vide our letter dated December 5, 2024. While no legal proceedings or regulatory actions have been initiated against our Company in relation to untraceable secretarial and other corporate records and documents as of the date of this Draft Letter of Offer, we cannot assure you that such legal proceedings or regulatory actions in relation to missing filings and corporate records will not be initiated against our Company in the future. While our Company is in compliance with the SEBI Listing Regulations, certain of our periodic recent filings i.e., (a) Statement of Unaudited Financial Results of our Company for the quarter ended and six months ended September 30, 2024, and (b) monitoring agency report for the quarter ended September 30, 2024, has been complied with and filed with one day delay. While, we have provided the reasons of the delay to the relevant Stock Exchange, we may be subject to further requirement or action by the Stock Exchanges, in accordance with applicable laws.

There is an instance of the penalty paid by our Company for delayed compliances in relation to the SEBI Listing Regulations such as appointment of an independent director and re-constitution of audit committee thereof due to resignation of an independent director.

14. Any disruption in our sources of funding or increase in costs of funding could adversely affect our liquidity and financial condition.

The liquidity and profitability of our business depend, in large part, on our timely access to, and the costs associated with, raising funds. Our funding requirements have historically been met from various sources, including bank loans, non-convertible debentures ("**NCDs**"), equity and subordinated debt as well as cash flows from operations to fund our operations, capital expenditure and expansion. As such, our business depends and will continue to depend on our ability to access a variety of funding sources. We have one series of outstanding unlisted NCDs amounting to ₹181.22 crore which will mature in May 2025. Further, our ability to compete effectively will depend, in part, on our ability to maintain or increase our margins. Our margins are affected to a certain extent by our ability to continue to secure low-cost funding at rates lower than the interest rates at which we lend to our customers. As of September 30, 2024 and 2023 and March 31, 2024 and 2023, our weighted average cost of borrowing for our top five lenders (in terms of total outstanding amount as of the respective date) was 9.55%, 9.94%, 9.85% and 10.13%, respectively. Our ability to raise funds at competitive rates depends on various factors, including our current and future financial condition and results of operations, our risk management policies, our ability to maintain certain financial ratios, our credit ratings, our brand equity, the regulatory environment and policy initiatives in India and developments in the international markets affecting the Indian economy.

We may not be able to secure financing on favorable terms and in a timely manner, or at all. The terms of any additional financing may place limits on our financial and operational flexibility. If we are unable to obtain adequate financing or financing on terms satisfactory to us, or at an effective cost that is comparable to or lower than that of our competitors, our net interest margins, income and market share may be adversely affected and our ability to grow or support our business and to respond to business challenges could be limited. As a result, our business, financial condition and results of operations may be adversely affected.

Further, RBI through the Master Direction – Reserve Bank of India (Non-Banking Financial Company–Scale Based Regulation) Directions 2023, as well as Priority Sector Lending targets, may restrict our ability to obtain bank financing for specific activities. Our ability to raise foreign funds through debt is governed by RBI regulations and is subject to certain restrictions, including raising loans only from certain recognized lenders and with minimum average maturity of not less than three years. The Master Direction – Reserve Bank of India (Non-Banking Financial Company–Scale Based Regulation) Directions 2023 also imposes certain restrictions in relation to changes in the shareholding of our Company beyond certain thresholds. Changes in economic, regulatory and financial conditions or any lack of liquidity in the market could adversely affect our ability to access funds at competitive rates, or at all, which could adversely affect our liquidity and financial condition.

In addition, any changes to the regulations on priority sector lending may also disrupt our sources of funding. The RBI currently mandates domestic scheduled commercial banks (excluding regional rural banks and small finance banks ("**SFBs**")) and foreign banks with 20 branches and above, operating in India, to maintain an aggregate 40.00% of adjusted net bank credit or credit equivalent amount of off-balance sheet exposure, whichever is higher, as "priority sector lending". These include advances to agriculture, micro, small and medium enterprises, export, credit and other sectors where the Government seeks to encourage flow of credit for developmental reasons. Banks in India that have traditionally been constrained or unable to meet these requirements directly have instead relied on institutions such as us that are focused on microfinance lending to help them meet their priority sector lending targets. In the event that the laws relating to priority sector lending as applicable to the banks undergo a change, or if any part of our loan portfolio is no longer classified as a priority sector lending by the RBI, or if we are no longer able to satisfy the prescribed conditions to be eligible for such classification, our ability to raise resources based on priority sector advances would be hampered, which may adversely affect our financial condition, results of operations and/or cash flows.

15. A large portion of our collections from customers are in cash, exposing us to certain operational risks.

The portion of our collections received in cash was ₹4,715.98 crore, ₹4,129.11 crore, ₹8,574.65 crore and ₹6,707.62 crore for the six months ended September 30, 2024 and 2023 and the years ended March 31, 2024 and 2023, respectively. Large cash collections expose us to the risk of theft, fraud, misappropriation or unauthorized transactions by employees responsible for dealing with such cash collections. We have experienced certain instances of misappropriation or unauthorized transactions by certain employees over the last two Financial Years and the six months ended September 30, 2024 and 2023, as set forth below:

Period	Aggregated cash embezzlement amount (₹ in crore)	Recovered amount (₹ in crore)
Six months ended September 30, 2024	2.44	0.42
Six months ended September 30, 2023	0.68	0.10
Financial Year 2024	1.74	0.35
Financial Year 2023	2.10	0.74

We may also be party to criminal proceedings and civil litigation related to our cash collections, and we may be subject to regulatory or other proceedings in connection with any unauthorized transactions, fraud or misappropriation by our representatives and employees, which could adversely affect our goodwill. For more details, refer to "*Outstanding Litigation and Defaults*" on page 211. These risks are exacerbated by the high levels of responsibility we delegate to our employees and the geographically dispersed nature of our network. Our customers are primarily from rural markets, which carry additional risks due to limitations on infrastructure and technology. Certain instances of fraud and misconduct by our employees may go unnoticed for some time before they are discovered and rectified. Even when we discover instances of fraud and other misconduct and pursue legal recourse or file claims with our insurance carriers, we cannot assure you that we will recover any amounts lost through such fraud or other misconduct. Between March 31, 2022 and September 30, 2024, we registered 339 cases of theft and robbery, which were for an aggregate amount of ₹6.23 crore.

In addition, given the high volume of transactions involving cash processed by us, certain instances of fraud and misconduct by our representatives or employees may go unnoticed for some time before they are discovered and successfully rectified. Even when we discover instances of fraud and other misconduct and pursue legal recourse or file claims with our insurance carriers, we cannot assure you that we will recover any amounts lost through such fraud or other misconduct. Our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of such systems will result in losses that are difficult to detect or rectify.

16. If we are unable to manage our growth effectively or sustain our historical growth rates, our business and reputation could be adversely affected.

Our business has experienced significant growth over the past few years. Our network of branches and customers in India expanded significantly from 504 branches serving 1.55 million active borrowers, as of March 31, 2019, to 1,463 branches serving 3.85 million customers, as of September 30, 2024. As part of our growth strategy, we expect the expansion of our geographic footprint and network of branches to continue, see "*Our Business – Strategies – Deepen, Strengthen and Expand Geographic Presence*" on page 82. Such expansion may further constrain our capital and human resources, and make asset quality management more challenging, including through over lending. As we grow our business and move to newer geographies, we may face risks, uncertainties and difficulties such as increased competition, different culture, regulatory regimes, volatile climate conditions, non-state actors influencing borrowers, business practices, customs, behavior and preferences, and our current experience may not be applicable to new markets and businesses. As a result, we may not be able to maintain our historical growth rates, the level of our NPAs or the quality of our portfolio.

We are also focused on offering more diversified products and services as part of our growth strategy, as we believe that our large customer base provides significant opportunities from increased cross-selling and up- selling of products and services, at a cost lower than our competitors, see "*Our Business – Strategies – Leverage our Network, Domain Expertise and Data to Enhance Product Offering*" on page 84. We cannot assure you that any such new products or services will be successful, whether because of our own shortcomings or as a result of circumstances beyond our control, such as general economic conditions or competition from existing or new players in these business verticals or otherwise. We may also be required to comply with additional regulations, incur significant costs to establish the specialized infrastructure at some of our branches and recruit appropriately skilled employees, and face increased competition for such new products and services, which may strain our business and financial condition. Any of these factors may adversely affect our ability to diversify into new offerings, which may have an adverse effect on our business and prospects.

In addition, we will need to continue to enhance and upgrade our financial, accounting, information technology, administrative, risk management and operational infrastructure and internal capabilities in order to manage such growth of our business effectively. However, we may be unable to develop adequate infrastructure, devote sufficient financial resources, or attract or retain talent to manage our growth. We may not be able to implement the necessary improvements in a timely manner, or at all, and we may encounter deficiencies in existing control systems. If we are unable to manage our future expansion successfully or to sustain the growth rates we have achieved since our inception, our ability to provide products and services to our customers would be adversely affected, and, as a result, our business, financial condition, results of operations and reputation could be adversely affected.

17. We require several statutory and regulatory approvals, licenses, registrations and permissions to conduct our business and an inability to obtain or maintain such approvals, licenses, registrations and permissions in a timely manner, or at all, may adversely affect our operations.

NBFCs, including NBFC-MFIs, in India are subject to strict regulation and supervision by the RBI. We require several approvals, licenses, registrations and permissions to operate our business, including a registration for our Company with the RBI as an NBFC-MFI as well as various other corporate actions. We are also required to comply with certain RBI prescribed requirements, including classification of NPAs and provisioning, know-your-client ("**KYC**") requirements, qualifying assets and other internal control mechanisms. We would also be required to maintain such permits and approvals and obtain new permits and approvals for any proposed expansion strategy or diversification into additional business lines or new financial products. We cannot assure you that the relevant authorities will issue any such permits or approvals in a timely manner, or at all, or on favorable terms and conditions. Our failure to comply with the terms and conditions of such permits or approvals or to maintain or obtain the required permits or approvals may result in an interruption of our business operations and may have an adverse effect on our operations.

If we are unable to comply with applicable requirements within the specified time limit, or at all, we may be subject to regulatory actions by the RBI, including the levy of fines or penalties or the cancellation of our license to operate as an NBFC-MFI. In addition, we require several registrations to operate our branches in the ordinary course of business. These registrations include those required to be obtained or maintained under applicable legislations governing shops and establishments, professional tax, labor-related registrations and good and services tax ("**GST**") registrations of the particular state in which we operate. Out of the abovementioned operational licenses required to run our business, the license for shops and establishments has to be periodically renewed after certain years under the laws of certain states. In this regard, our Company has either applied, or is in the process of applying for renewals of them. The validity of such shops and establishment licenses typically ranges from one year to three years, depending on the state where it is obtained in.

If we fail to obtain or retain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected. If we fail to comply, or a regulator claims that we have not complied, with any of these conditions, we may be liable to fines or penalties, and our certificates of registration may be suspended or cancelled and we would no longer be able to carry on such activities required for our business.

Further, several of the licenses and approvals required in relation to our branches are subject to local state or municipal laws. We have obtained a significant number of, but not all, approvals, licenses, registrations and permits that we require from the relevant authorities. For example, some of our branches are located in areas that have recently been required to obtain registrations under shops and establishments legislations, and we are yet to apply for such registrations.

18. Our business, financial condition, cash flows and results of operations may be adversely affected by certain state regulations.

While NBFC-MFIs are currently regulated by the RBI, the respective state government of the states where we operate may pass laws either *suo moto*, or in response to any legal action initiated against the NBFC-MFIs of a state, which impact the business of NBFC-MFIs. We cannot assure you that any such actions taken by the state governments in these states will not adversely impact our business, financial condition and results of operations. For example, a number of states in India have enacted laws to regulate money-lending transactions. These state laws establish maximum rates of interest that can be charged by a person lending money. However, the Supreme Court has pronounced that the state enactments have no application to NBFCs registered under the RBI Act and regulated by the central bank, including in relation to capping of interest rates. In addition, certain states, including those in which we have operations, have in the past instituted farm loan waiver schemes as a policy instrument to alleviate the financial distress of farmers. Such large-scale government enforcement of loan write-offs may, in the long-run, impair the loan repayment culture in the farm sector as farmers may become willing defaulters in anticipation of the next loan waiver scheme. This disruption in credit discipline may undermine the financial status of financial institutions that loan to the farm sector in such states, including us.

More states may also begin regulating these matters and, given our presence across 22 states and union territories as of September 30, 2024, ensuring proper compliance with the regulations of all such states could be onerous.

In the event that the government of any state in India requires us to comply with the provisions of their respective state money-lending laws, or imposes any penalty against us, our Directors or our officers, including for prior non-compliance, our business and results of operations may be adversely affected.

19. Any non-compliance with mandatory anti-money laundering and know your client policies could expose us to additional liability and harm our business and reputation.

In accordance with the legal and regulatory requirements applicable to us, we are required to comply with applicable anti-money laundering ("**AML**") and KYC regulations in India. These laws and regulations require us, among other things, to adopt and enforce AML and KYC policies and procedures. While we have adopted policies and procedures aimed at collecting and maintaining all AML and KYC related information from our customers to detect and prevent the use of our business networks for money-laundering activities, there may be instances where we may be used by other parties in attempts to engage in money-laundering and other illegal or improper activities.

We have internal policies, processes and controls in place to prevent and detect AML activity and ensure KYC compliance, and have taken necessary corrective measures. However, we cannot assure you that we will be able to fully control instances of any potential or attempted conduct of illegal or improper activities by any party and may accordingly be subject to regulatory actions including imposition of fines and other penalties by the relevant government agencies to which we report. Our business and reputation could suffer if any such party uses or attempts to use us for money-laundering or illegal or improper purposes, and such attempts are not detected or reported to the appropriate authorities in compliance with applicable regulatory requirements.

20. Any failure, inadequacy and security breach in our information technology systems, or any fraud and cyber-attacks targeted at disrupting our services, may adversely affect our business and operations.

Our operations depend on our ability to process a large number of transactions on a daily basis across our network of offices. Our financial, accounting or other data processing systems may fail to operate adequately or become disabled as a result of events that are beyond our control, including a disruption of electrical or communications services, particularly in the rural areas in which we operate. A significant system breakdown, network outage or system failure caused by intentional or unintentional acts would have an adverse effect on our revenue-generating activities and lead to financial loss. As we grow our business, the inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand. The information available to and received by our management through our existing systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in our operations. We may experience difficulties in upgrading, developing and expanding our systems quickly enough to accommodate our growing customer base and range of products.

Our operations also rely on the secure processing, storage and transmission of confidential and other information in our information technology systems and networks. Our information technology systems, software, including software licensed from vendors, and networks may be vulnerable to computer viruses or other malicious code and other events that could compromise data integrity and security and result in identity theft, for which we could potentially be liable. Our controls may not be adequate to prevent frauds and cyber-attacks targeted at disrupting our services, such as hacking, phishing and theft of sensitive internal data or customer information, which could lead to losses to our customers and us. In addition, our loan management system, a digital service that assists with loan management over the entire loan lifecycle, is operated by a third party service provider. The controls of such third party service provider may also be subject to frauds and cyber-attacks, which could in turn lead to losses to our customers and us. The frequency of such cyber threats may increase in the future with the increased digitization of our services. Not only are we exposed to such risks from our own actions or those of our employees, but from actions of our third-party service providers, whom we do not control. Moreover, since we review and retain, in our ordinary course of business, sensitive personal data of our customers for diligence and KYC checks, any security breaches in our systems could give rise to regulatory liability or litigation. In June 2017, the RBI issued "Master Directions – Information Technology Framework for the NBFC Sector" which prescribe measures to be adopted by NBFCs to minimize cyber risk, including audit of information systems, outsourcing of IT services, adoption of IT strategy policies (overseen by a strategy committee), information and cyber security protocols and policies, and reporting of cyber-security incidents and breaches to the RBI from time to time.

Any failure to effectively maintain or improve or upgrade our information technology and management information systems in a timely and cost-effective manner could adversely affect our competitiveness, financial position and results of operations. Moreover, if any of these systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes or systems, it could affect our operations or result in financial loss, disruption of our business, regulatory intervention or damage to our reputation. In addition, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our business. Any cyber-security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability."

21. Competition from other microfinance institutions, banks and financial institutions, as well as state-sponsored social programs, may adversely affect our profitability and position in the Indian microfinance industry.

We face our most significant organized competition from other MFIs, banks and state-sponsored social programs in India. For details, see "*Our Business – Description of our Business – Competition*" on page 94. In addition, many of our potential customers in the lower income segments do not have access to any form of organized institutional lending, and rely on loans from informal sources, especially moneylenders, landlords, local shopkeepers and traders, at much higher rates. Many of the institutions with which we compete may be larger in terms of business volume or may have greater assets, higher geographical penetration and better access to, and lower cost of, funding than we do. In certain areas, they may also have better brand recognition and larger customer bases than us. We anticipate that we may encounter greater competition as we continue expanding our operations in India, and this may result in an adverse effect on our business, financial condition and results of operations.

Traditional commercial banks as well as regional and cooperative banks may continue to increase their participation in microfinance, such as by financing the loan programs of self-help groups often in partnership with non-governmental organisations, or through certain state-sponsored social programs. Further, most SFBs focus on low and middle income individuals and micro, small and medium enterprises. Further, some commercial banks also directly compete with for-profit MFIs, including through the business correspondent operating model, for lower income segment customers in certain geographies. In addition, as competition amongst microfinance players increases, borrowers may take more than one loan from different microfinance players, which may adversely affect our asset quality or the asset quality of the industry as a whole.

22. We are subject to certain conditions and restrictions in terms of our financing arrangements, which could restrict our ability to conduct our business and operations in the manner we desire and affect our results of operations and profitability. Further, some of our financing documents require us to obtain consents from our lenders for undertaking the Issue, four of which have not been obtained.

As of September 30, 2024, we had total borrowings amounting to ₹8,641.31 crore, comprising debt securities amounting to ₹181.22 crore, borrowings (other than debt securities) amounting to ₹8,406.51 crore and subordinated liabilities amounting to ₹53.58 crore. Incurring indebtedness is a direct consequence of the nature of our business, and having a large outstanding borrowings portfolio may have significant implications on our business and results of operations including, among others:

- low availability of cash flow for capital expenditures and other general corporate requirements;
- fluctuations in market interest rates may affect the cost of our borrowings, as some of our indebtedness is at variable interest rates;
- our ability to obtain additional financing in the future at acceptable terms; and
- reduction in the ability to respond to changing business, regulatory and economic conditions.
- Some of the financing arrangements entered into by us also include conditions that require us to obtain the respective lender's consent prior to carrying out certain activities and to keep them informed of certain matters. These covenants vary depending on the requirements of the financial institution extending the loan and may include provisions that, among other things:
- require us to maintain specified levels of types of assets;
- require us to maintain specified financial covenants including capital adequacy and debt-equity ratios;
- restrict the issuance of equity shares or change the capital structure of our Company;
- restrict the declaration or payment of dividends or other distributions;
- restrict entering into certain transactions such as schemes of reconstruction, reorganizations, schemes of arrangement or compromise, amalgamations and mergers;
- restrict changes to the board of directors or changes in the management of our Company;
- restrict the creation of charge or lien over certain assets;
- restrict the incurrence of additional indebtedness, including providing guarantees;
- restrict investments or purchase of assets.
- restrict certain shareholders from sale or transfer of their Equity Shares of our Company;
- restrict entering into specified related party transactions; and
- restrict changes to the memorandum and articles of our Company.

As on the date of this Draft Letter of Offer, our management has determined that we are in breach of certain financial covenants with respect to borrowings amounting to ₹5,617.70 crore in principal amount. For further details, see "*Risk Factors – Internal Risk Factors – Our management has determined that we are in breach of financial covenants with respect to borrowings amounting to ₹5,617.70 crore in principal amount, resulting in these borrowings becoming repayable on demand as at September 30, 2024. Our Statutory Auditors have mentioned that this may cast significant doubt on our ability to continue as a going concern. Our ability to continue as a going concern is thereby dependent on* *obtaining waivers from the affected lenders and securing sufficient funds through other sources such as the completion of this Issue*." on page 22.

Additionally, some of our financing documents require us to obtain consents from the relevant lenders to issue Equity Shares. We have made applications to such lenders from whom we require approvals for undertaking an issuance of Equity Shares. As of the date of this Draft Letter of Offer, while we have obtained consents from most of the relevant lenders, we have applied for and are awaiting consents in relation to the Issue from four of our lenders ("Pending Lender Consents"). As of September 30, 2024, our outstanding borrowings in relation to these facilities for which we await consents amount to approximately ₹714.92 crore, which constituted 8.27 % of our total outstanding borrowings of ₹8,641.31 crore, as of September 30, 2024. While our Company intends to file the Letter of Offer with SEBI and the Stock Exchange only once it receives the Pending Lender Consents in relation to the Issue from these four lenders, we cannot assure you that these consents will be received in a timely manner and not affect the timing of the Issue. Undertaking the Issue, which would result in a change in the capital structure of the Company, without the Pending Lender Consents, may constitute a default by us under the financing documents pertaining to these Pending Lender Consents, which would entitle the relevant lender to enforce remedies under the terms of the relevant financing documents pertaining to these Pending Lender Consents, that include, inter alia termination our credit facilities, acceleration of repayment or recall of the amounts outstanding, trigger of cross-default provisions, enforcement of the security interest and taking possession of such secured assets. We cannot assure you that we would be able to persuade our lenders to grant extensions or refrain from exercising such rights which may adversely affect our operations and cash flows. Our lenders also have the ability to recall or accelerate all or part of the amounts owed by us, subject to the terms of the relevant financing arrangement. We cannot assure you that we will be able to repay our loans in full, or at all, at the receipt of a recall or acceleration notice, or otherwise. Our inability to comply with the conditions prescribed under the financing arrangements, or repay the loans at the receipt of a recall or acceleration notice, may have an adverse effect on our credit ratings, profitability, business, results of operations and financial performance.

23. Concerns about the financial terms of loans provided by us may adversely affect our reputation and thereby the growth and the market acceptance of our products and services.

We provide loans to women, belonging to low-income groups in rural and semi-urban areas. As a result of our business model of providing financial services at the villages of our customers, our expenses, particularly, finance, employee, travel and rent costs are quite high. This, along with our cost of financing, may result in the interest rates we charge to our customers to be higher than the interest rates banks generally charge. This observation, including the terms of our loans, continue to be the subject of careful evaluation, analysis and often, criticism. Numerous critiques have been published about, among other things, the interest rate that microfinance companies charge and their collection model. Perception of our business and business model, including, among others, by social and political workers, humanitarians or disgruntled former stakeholders, despite our initiative to provide financing to individuals who have none, or very limited access to loans from institutional sources of funding, could harm our reputation. Further, farmers and rural customers may undergo stress in meeting repayment schedules due to failure of crop harvests or other factors, resulting in significant publicity and media coverage. Any adverse publicity may adversely affect our growth and the market acceptance of our products and services.

24. Changes in the tenure of our loan products could result in asset liability mismatches and expose us to interest rate and liquidity risks, which may adversely affect our business, financial condition, results of operations and cash flows.

We may face adverse asset-liability mismatches in the future, which could expose us to interest rate and liquidity risks. We may face potential liquidity risks due to varying periods over which our assets and liabilities may mature. Such mismatches could adversely affect our business, financial condition, results of operations and cash flows.

25. Any failure or material weakness of our internal control systems could cause significant operational errors, which would adversely affect our reputation and profitability.

We are responsible for establishing and maintaining adequate internal measures and controls commensurate with the size and the complexity of our operations. Our internal or concurrent audit functions are equipped to make an independent evaluation of the adequacy and effectiveness of internal controls on an ongoing basis to ensure that business personnel adhere to our policies, compliance requirements and internal guidelines. While we periodically test and update our internal control systems as necessary, we are exposed to operational risks arising from the potential inadequacy or failure of internal processes or systems, and our actions may not be sufficient to guarantee effective internal controls in all circumstances.

Given our high volume of transactions, it is possible that a few errors may repeat or compound before they are discovered and rectified. Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not identify every instance of non-compliance or every suspicious transaction. If internal control weaknesses are identified, our actions may not be prompt or sufficient to fully correct such internal control weakness. We face operational risks in our business and there may be losses due to deficiencies in the credit sanction process, inaccurate financial reporting and fraud and failure of critical systems and processes. In addition, we carry out certain processes manually, which may increase the risk that human error, tampering or manipulation will result in losses that may be difficult to detect. As a result, we may suffer losses and our reputation and profitability may be adversely affected.

26. We may have difficulties in managing our operating expenses structure in the case of a decline in volumes of disbursement and the size of our AUM.

In cases of significant reduction in new disbursements and any significant reduction in our business, we may not be able to adjust our employee numbers commensurately and reduce our employee benefits expenses in a relatively shorter period. Our employee benefits expenses amounted to ₹275.87 crore, ₹197.12 crore, ₹431.22 crore and ₹325.52 crore accounting for 72.98%, 72.37%, 72.66% and 73.18% of our operating expenses (which includes employee benefits expenses, depreciation and amortization and other expenses) for the six months ended September 30, 2024 and 2023, and the Financial Years 2024 and 2023, respectively, and our gross AUM was ₹11,571.15 crore, ₹11,476.08 crore and ₹9,296.22 crore as of September 30, 2024 and March 31, 2024 and 2023, respectively. Other large components of our operating expenses include rent, office maintenance and travelling and conveyance expenses, which may be difficult to reduce quickly.

Further, our existing customers may prefer to obtain credit from our competitors over us, or we may incur additional costs on training new employees if our skilled employees decide to leave us. It may take us a longer period of time than is optimal in order to adjust our employee numbers or reduce the associated personnel costs, in the event of any significant reduction in our business. Our inability to retain sufficient flexibility in our cost structure and adjust to changing business circumstances may adversely affect our business and results of operations.

27. Our business and financial performance may be adversely affected in the event of any direct assignment carried out by us are held to be unenforceable under applicable law.

We may, in the ordinary course of business, assign or securitize a portion of our receivables from our loan portfolio to banks and other financial institutions in order to improve liquidity and minimize risks. Such assignment and securitization transactions are undertaken by us on the basis of our internal estimates of funding requirements, and may vary from time to time. The outstanding value of our loans assigned was ₹1,353.53 crore, ₹1,183.88 crore and ₹978.95 crore as of September 30, 2024 and March 31, 2024 and 2023, respectively. We did not have any securitized loans outstanding during the aforementioned periods. Any change in RBI or other government regulations in relation to assignments and securitizations by NBFCs could have an adverse impact on our securitization program. If in the future, one or more of the assignment transactions entered into by us is held to be unenforceable by a court of law, we may be required to terminate such assignment transactions which may, in turn, adversely affect our liquidity.

28. We have entered into related-party transactions which may potentially involve conflicts of interest.

We have entered into certain transactions with related parties and are likely to continue to do so in the future. For details on our related-party transactions as per Ind AS 24 read with the SEBI ICDR Regulations, see Note 44 to our audited financial statements for the Financial Year 2024. Although all related-party transactions are subject to approval by our Audit Committee, Board or shareholders, as required under the Companies Act, 2013 and the SEBI Listing Regulations, we cannot assure you that such transactions in the future or any future transactions, individually or in aggregate, will not have an adverse effect on our financial condition, results of operations and cash flows or that we could not have achieved more favorable terms if such transactions had not been entered into with related parties. Such related-party transactions may potentially involve conflicts of interest which may be detrimental to the interest of our Company.

29. One of our Promoters has given, and our Promoters may in the future give, personal guarantees to various third parties. Further, one of our Promoters has pledged certain Equity Shares held by him in relation to the loans availed by the Promoter.

Our Individual Promoter, Devesh Sachdev, provides personal guarantees to various third parties from time to time, on behalf of our Company, in relation to financial assistance availed by such entities in the normal course of their business. As of September 30, 2024, the total amount outstanding under such personal guarantees was ₹352.77 crore. Our other Promoters may also provide such personal guarantees to third parties in the future. In the event such third parties default on any of their obligations in respect of the financial assistance availed by them, the personal guarantees issued by any of our Promoters in the future, may be invoked against them. In such event, the reputation and financial position of our Promoters may be adversely affected, which may consequently affect our reputation and business prospects. Further, as on the date of this Draft Letter of Offer, Devesh Sachdev has pledged a total of 2,902,414 Equity Shares of face value of ₹10 each of the Company, amounting to 2.87% of the total Equity Share Capital, in relation to the loans availed by him from various lenders. In the event of any default in respect of such loans availed by Devesh Sachdev, the relevant lender may invoke the pledge on the Equity Shares held and pledged by him. Further, we cannot assure you that our Promoters will not pledge or otherwise encumber their Equity Shares, in the future. In the event where the pledge is invoked, the reputation and financial position of our Promoters may be adversely affected, and consequently, our reputation and business prospects may be adversely affected.

30. Our Company is involved in certain legal and other proceedings and we cannot assure you that our Company, will be successful in any of these legal actions. Any adverse outcome in such proceedings could affect our business, results of operations and financial condition.

Our Company is impleaded in a number of legal proceedings that, if determined against our Company , could have an adverse effect on our business, results of operations, cash flows and financial condition. For further information, see "*Outstanding Litigation and Defaults*" on page 211.

A summary of material outstanding legal proceedings involving our Company, as on the date of this Draft Letter of Offer, including the aggregate approximate amount involved to the extent ascertainable, is set out below:

Name of entity	**Proceedings involving issues of moral turpitude or criminal liability**	**Civil proceedings where the amount involved is equivalent to or in excess of the Materiality Threshold**	**Tax proceedings where the amount involved is equivalent to or in excess of the Materiality Threshold**	**Proceedings before regulatory authorities involving material violations of statutory regulations**	**Matters involving economic offences where proceedings have been initiated**	**Other pending matters which, if they result in an adverse outcome, would materially and adversely affect the operations or the financial position**	**Aggregate amount involved (₹ in crore)***
Company							
By our Company	1,808	Nil	Nil	Nil	Nil	Nil	49.59
Against our Company	Nil	Nil	1	Nil	Nil	Nil	16.62

* *To the extent quantifiable*

Decisions which are adverse to our interests in any of the aforesaid material outstanding legal proceedings or any other proceedings involving our Company, may have an adverse effect on our business, results of operations and financial condition. If the courts or tribunals rule against our Company, we may face monetary and/or reputational losses and may have to make provisions in our financial statements, which could increase our expenses and our liabilities.

31. As an NBFC-MFI, we are subject to periodic inspections by the Reserve Bank of India. Non-compliance with observations made by the Reserve Bank of India during these inspections could expose us to penalties and restrictions.

As an NBFC-MFI registered with the RBI, we are subject to periodic inspections by the RBI to verify the correctness or completeness of our business and operations, internal controls, and any statement, information or particulars furnished to the RBI. The RBI has, following its previous inspections, made observations in relation to our Company that have required us to, among other things, submit explanations and documentary evidence supporting our compliance and take corrective actions in accordance with such observations. Such observations related to, among other things, (a) annual or quarterly review of the status of frauds not being conducted; (b) repeated nature of irregularities identified in the quarterly internal audit; (c) delay in submission of returns; (d) high attrition rate of staff; and (e) requirement to take corrective steps to reduce number of complaints and conduct awareness program for customers.

We have made the necessary submissions and revisions in line with and submitted our responses to observations made by the RBI in its inspection reports pertaining to the financial years ended March 31, 2022 and March 31, 2023, and have not received any adverse remarks following the submission of our responses. However, we cannot assure you that we will be able to respond to the observations made by the RBI in its inspection reports in the future to its satisfaction, or that the RBI will not make an adverse remark or impose a penalty as a consequence of such inspections. If we are unable to resolve such deficiencies and other matters to the RBI's satisfaction, we could be exposed to penalties and restrictions, and our ability to conduct our business may be adversely affected.

32. Failure to train and motivate our employees may lead to an increase in our employee attrition rates and our results of operations could be adversely affected as a result of any disputes with our employees.

Our operations are personnel-driven, and we place significant emphasis on the effective training of our personnel in communication and service orientation skills. However, failure to train and motivate our employees may lead to an increase in our employee attrition rates, erode the quality of customer service, divert management resources and impose significant costs on us which may have an adverse effect on our results of operations. We employed 16,186 permanent employees as of September 30, 2024, and place significant emphasis on our employees' overall welfare. However, we cannot assure you that there will not be any future disruptions in our operations due to any disputes with our employees. Further, we depend on our branch-level employees for sourcing, disbursements and collections and customer liaison, and significant attrition at any of our branches could adversely affect our operations. Moreover, in the event of a labor dispute, protracted negotiations and strike action may impair our ability to carry on our day-to-day operations, which could adversely affect our results of operations.

In addition, some of our existing employees may not be content with the solutions offered in response to their grievances by a whistle-blower mechanism that has been adopted by us. Some of these existing and former employees could engage in actions detrimental to us and our business. We may not be able to predict or control the effects of these actions, which could have an adverse effect on our business.

33. Our success depends, in large part, upon our management team and skilled personnel and on our ability to attract and retain such persons.

We depend on the services of our senior management and key employees, many of whom have significant experience in the banking and financial services industries, for our continued operations and growth. Our business is also dependent on our team of relationship managers who directly manage our relationships with our customers. The RBI also mandates NBFCs to have in place supervisory standards to ensure that directors have appropriate qualifications, technical expertise and a sound track record, and such requirements may make it more difficult for us to identify suitable replacement for our directors.

As a result, our success will depend in large part on our ability to identify, attract and retain skilled managerial and other personnel. Competition for individuals with specialized knowledge and experience is intense in our industry, and we may be unable to attract, motivate, integrate or retain qualified personnel at levels of experience that are necessary to maintain our quality and reputation or to sustain or expand our operations. For example, following our board meeting on September 21, 2024, we announced that, in light of the increased complexity of the macro-economic environment in India and changing landscape of the microfinance sector, we will initiate a search process for a suitable candidate to be our chief executive officer ("**CEO**") to succeed Mr. Devesh Sachdev. It was proposed during the board meeting that our CEO and managing director, Mr. Devesh Sachdev, would remain as managing director for a period of time and then be appointed chairman of the board of directors. We cannot assure you that we will be able to identify a suitable CEO, or, if such CEO is appointed, that there would be a smooth leadership transition from Mr. Sachdev to the new CEO. We also cannot assure you that we will be able to formulate a successful succession plan for our management team, or that such succession plan will be implemented smoothly.

For the six months ended September 30, 2024 and 2023 and during the Financial Years 2024 and 2023, we had 2,164 employees, 2,160 employees, 3,936 employees and 3,060 employees, respectively, resign or terminated, representing an employee attrition rate (defined as the number of employees that have resigned or been terminated during the specified year divided by the monthly average number of employees for that year) of 28.15%, 39.09%, 32.96% and 31.51% respectively.

The loss of key personnel or inability to identify, attract and retain qualified personnel may restrict our ability to grow, execute our strategy, raise the profile of our brand, raise funding, make strategic decisions and manage the overall running of our operations, which would have an adverse effect on our business, financial condition and results of operations.

34. We depend on the recognition of the "Fusion" brand, and failure to use, maintain and enhance awareness of the brand, or to protect our intellectual property rights, may adversely affect our business.

We changed our Company's name to "Fusion Finance Limited" from "Fusion Micro Finance Limited with effect from July 9, 2024. We have applied for registration over the trademark of our logo " " and for change of our name to "Fusion Finance Limited", under Class 36 under the provisions of the Trademarks Act, 1999, as amended, which is currently pending. Any unauthorized or inappropriate use of our brand, trademark and domain names by others, in their corporate names or product brands or otherwise could harm our brand image, competitive advantages and business and dilute or harm our reputation and brand recognition. If a dispute arises with respect to any of our intellectual property rights or proprietary information, we will be required to produce evidence to defend or enforce our claims, and we may become party to litigation, which may strain our resources and divert the attention of our management. The absence of any registered trademark could limit our ability to defend against any claims of passing-off or infringement. We cannot assure you that any infringement claims that are material will not arise in the future or that we will be successful in defending any such claims when they arise.

In addition, we believe that any damage to our brand or reputation could substantially impair our ability to maintain or grow our business, or have an adverse effect on our business, financial condition and results of operations. If we fail to maintain brand recognition with our target customers due to any issues with our product offerings, a deterioration in service quality, or otherwise, or if any premium in value attributed to our business or to the brand under which our services are provided declines, market perception and customer acceptance of our brand may also decline. Any negative news affecting us might also affect our reputation and brand value. In such an event, we may not be able to compete for customers effectively, and our business, financial condition and results of operations may be adversely affected.

Further, we may not be able to prevent infringement of our trademarks and a passing off action may not provide sufficient protection pending registry of our trademarks. We cannot assure you that we will be able to obtain registration of all the trademarks applied for in our name, and such failure may materially and adversely affect our business prospects, reputation and goodwill.

35. ***Certain of our shareholders, Directors and/or their respective affiliates may have invested or may invest in other companies engaged in similar businesses thereby giving rise to a conflict of interest.***

Certain of our shareholders, including our Promoters, are investment entities. These investment entities or their affiliates may invest in other companies engaged in similar businesses.

Additionally, as at the date of this Draft Letter of Offer, certain of our Directors have interests in entities that are engaged in businesses similar to ours. We cannot assure you that our Directors will not provide competitive services or otherwise compete in business lines in which we are already present or will enter into in future. In the event that any conflicts of interest arise, our Directors may make decisions regarding our operations, financial structure or commercial transactions that may not be in our shareholders' best interest. It may also enable a competitor to take advantage of a corporate opportunity at our expense. Such decisions could have a material adverse effect on our business, financial condition, results of operations and prospects. Should we face any such conflicts in the future, there is no guarantee that they will get resolved in our favour.

36. ***We rely on third-party service providers who may not perform their obligations satisfactorily or in compliance with law.***

We enter into arrangements with third-party vendors and independent contractors to provide services, including, in particular, technology and software service providers and collection agencies. We also enter into agreements with credit bureaus for availing credit assessment and other services. We cannot guarantee that there will be no disruptions in the provision of such services or that these third parties will adhere to their contractual obligations. If there is a disruption in the third-party services, or if the third-party service providers discontinue their service agreements with us, our business, financial condition and results of operations will be adversely affected. In case of any dispute, we cannot assure you that the terms of such agreements will not be breached, and this may result in litigation or other costs. Further, we provide loans to existing customers for purchase of products such as mobile phones, bicycles, kitchen appliances and other items from third parties. Any defects or deficiencies in the products sold by such third parties may impact repayment of the loans provided by us.

Our arrangements with third-party service providers may also be subject to government regulations, with which we may not be able to comply. Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and Code of Conduct in Outsourcing of Financial Services by NBFCs provides directions for managing risks and Code of Conduct in Outsourcing of Financial Services by NBFCs. Pursuant to these directions, the NBFCs are required to put in place necessary safeguards for activities outsourced by them. In this regard, NBFCs are required to put in place a comprehensive, Board-approved outsourcing policy that incorporates criteria for selection of activities as well as service providers, delegation of authority depending on risks and materiality, and systems to monitor and review the operation of these activities. Further, in case NBFCs have back-office and service arrangements or agreements with group entities such as sharing of premises, legal and other professional services, and hardware and software applications, NBFCs are required to have a Board-approved policy prior to entering into such arrangements with group entities, which shall cover demarcation of sharing resources such as premises and personnel. Further, our Company must maintain a central record of all material outsourcing arrangements, which must be readily accessible for review by the Board and senior management. Our Company must also update records promptly, and half-yearly reviews must also be placed before the Board or risk management committee.

Further, certain of our agreements require us to indemnify our counterparties for certain losses, and limit contractual or other liabilities of our counterparties to fees or other amounts received by them from us for a certain period of time. If such indemnities are invoked, or if our counterparties limit their liabilities to an extent that our losses are not fully recovered, we may incur additional costs. Such additional costs, in addition to the cost of entering into agreements with third parties in the same industry, may adversely affect our business, financial condition and results of operations.

37. ***We are subject to the risks associated with all of our properties being leased.***

We do not own the premises on which our registered office, our corporate office and all of our branches are situated, and as of September 30, 2024, such premises are utilized by us on a leasehold basis. Some of our lease agreements have expired and are expected to be renewed. Failure to renew lease agreements for these premises on terms and conditions acceptable to us or at all, may require us to move the concerned branch offices to new premises. We may incur substantial rent escalation and relocation costs as a result of such relocation. We may also face the risk of being evicted if our landlords allege a breach on our part of the terms of the lease agreements. Further, certain lease agreements may not be duly registered or adequately stamped. Consequently, should any dispute arise in relation to our use of the relevant properties, we may be unable to, or may incur additional expenses to, enforce our rights in relation to such properties. In such an event, our business, financial condition and results of operations may be adversely affected.

38. ***Our business is subject to seasonality, which may contribute to fluctuations in our financial condition and results of operations.***

Our business is subject to seasonality as we generally see higher borrowings by our customers during the third and fourth quarter of each financial year due to increased economic activity towards the end of the financial year and in line with harvest season in rural areas in India. We also generally have higher drawdowns under our facilities in the third and fourth quarter of each financial year. Accordingly, our financial condition and results of operations in one quarter may not accurately reflect the trends for the entire financial year and may not be comparable with our financial condition and results of operations for other quarters.

Generally, increased retail economic activity is witnessed during the period from October to March in India due to several holiday periods, improved weather conditions and crop harvests. This may result in higher volumes of business during this period. Any significant event such as unforeseen floods, earthquakes, political instabilities, epidemics or economic slowdowns during this peak season may adversely affect our business and results of operations.

39. ***Our insurance coverage may not be adequate to protect us against all potential losses, which may have an adverse effect on our business, financial condition and results of operations.***

Our operations are subject to various risks inherent to the finance industry, as well as fraud, theft, robbery, acts of terrorism and other force majeure events. We maintain insurance coverage of the type and in the amounts that we believe are commensurate with our operations, including credit term life insurance to cover any outstanding loan amounts upon the death of a borrower, group medical and personal accident insurance for all our employees, directors' and officers' liability insurance, and other general liability insurances such as policies protecting our equipment from fire and natural disasters. Set forth below are certain details of our insurance coverage.

As of and for the period ended	Insured amount (₹ in crore)	Percentage of property, plant and equipment (%)	Percentage of Loans (%)
September 30, 2024	11.44	68.04%	100%
March 31, 2024	9.58	55.01%	100%
March 31, 2023	7.46	56.17%	100%

While there have been no past instances where claims have exceeded our insurance coverage and have impacted our financial statements materially, we cannot assure you that our insurance policies will, in the future, provide adequate coverage in certain circumstances. Our insurance coverage may also be subject to certain deductibles, exclusions and limits on coverage. In addition, there are various types of risks and losses for which we do not maintain insurance, such as losses due to business interruption and natural disasters, because they are either uninsurable or because insurance is not available to us on acceptable terms.

Further, a successful assertion of one or more claims against us that exceeds our available insurance coverage or results in changes in our insurance policies, including premium increases or the imposition of a larger deductible or co-insurance requirement, could adversely affect our business, financial condition and results of operations. Our insurance claims have, in the past, been rejected. We cannot assure you that any claims filed in the future will be honored fully or timely under our insurance policies. Our business, financial condition and results of operations may be affected to the extent we suffer any loss or damage that is not covered by insurance or which exceeds our insurance coverage. In addition, we may not be able to renew certain of our insurance policies upon their expiration, either on commercially acceptable terms or at all.

40. ***Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements, capital expenditures and lender consents and we cannot assure you that we will be able to pay dividends in the future.***

We currently intend to invest our future earnings, if any, to fund our growth. The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. In addition, any dividend payments we make are subject to the prior consent of certain of our lenders pursuant to the terms of the agreements we have with them. In addition, the declaration and payment of dividend is subject to relevant RBI regulations and guidelines issued by the RBI from time to time. For instance, in order to infuse transparency and uniformity in practice of declaration of dividend by NBFCs, the RBI through the

Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, has prescribed framework for declaration of dividend by NBFCs, providing among other things, eligibility criteria on different parameters such as capital adequacy, net NPA ratio and quantum of dividend payable, including prescribed ceilings on dividend payout ratio, among others. Similar guidelines may be imposed in the future. We cannot assure you that we will be able to pay dividends in the future.

41. We have presented, in this Draft Letter of Offer, certain non-GAAP financial measures relating to our financial condition and operations. These non-GAAP measures and statistical information may vary from any standard methodology that is applicable across the financial services industry, and therefore, may not be comparable with financial or statistical information of similar nomenclature computed and presented by other financial services companies.

This Draft Letter of Offer includes certain non-generally accepted accounting principles financial measures such as EBITDA, net assets, pre-provision operating profit before tax, net worth, average net worth, net interest income, average borrowings, return on net worth, return on average gross AUM, return on average net worth, average borrowings to average net worth, , debt to equity ratio, net asset value per Equity Share, operating expenses, impairment on loan portfolio to average gross loan portfolio, credit loss ratio, credit cost (based on average gross AUM), operating expenses to total income ratio, cost to income ratio ("**Non-GAAP Measures**") which are a supplemental measure of our performance and liquidity that are not required by, or presented in accordance with, Ind AS, Indian general accepted accounting policies ("**GAAP**") or international financial reporting standards ("**IFRS**"). Further, these Non-GAAP Measures are not a measurement of our financial performance or liquidity under Ind AS, Indian GAAP or IFRS and should not be considered in isolation or construed as an alternative to cash flows, profit/(loss) for the years or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Ind AS, Indian GAAP or IFRS. In addition, these Non-GAAP Measures are not standardized terms, hence a direct comparison of similarly titled Non-GAAP Measures of other companies may not be possible. Other companies may calculate these Non-GAAP Measures differently from us, limiting their utility as comparative measures. Although the Non-GAAP Measures are not measures of performance calculated in accordance with applicable accounting standards, our Company's management believes that they are useful to an investor in evaluating our Company because it is widely used measures to evaluate a company's operating performance.

Further, the Non-GAAP Measures may be different from financial measures and statistical information disclosed or followed by other NBFCs or micro finance companies. The Non-GAAP Measures relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by NBFCs, micro finance companies or other financial services companies. Accordingly, investors should not place undue reliance on the non-GAAP financial information included in the Draft Letter of Offer.

42. Our Company is not, and does not intend to become, regulated as an investment company under the U.S. Investment Company Act and related rules.

Our Company has not been and does not intend to become registered as an investment company under the U.S. Investment Company Act of 1940, as amended, or the U.S. Investment Company Act. Accordingly, unlike registered investment companies, our Company will not be subject to the vast majority of the provisions of the U.S. Investment Company Act, including provisions that require investment companies to have a majority of disinterested directors, provide limitations on leverage and limit transactions between investment companies and their affiliates. None of these protections or restrictions is or will be applicable to our Company.

If our Company was to become subject to the U.S. Investment Company Act because of a change of law or otherwise, the various restrictions imposed by the U.S. Investment Company Act, and the substantial costs and burdens of compliance therewith, could adversely affect our operating results and financial performance. Moreover, parties to a contract with an entity that has improperly failed to register as an investment company under the U.S. Investment Company Act may be entitled to cancel or otherwise void their contracts with the unregistered entity, and shareholders in that entity may be entitled to withdraw their investment.

Our Company is relying on the exception provided by Section 3(c)(7) of the U.S. Investment Company Act to avoid being required to register as an investment company under the U.S. Investment Company Act and related rules. In order to help ensure compliance with the exception provided by Section 3(c)(7) of the U.S. Investment Company Act, our Company has implemented restrictions on the ownership and transfer of Rights Equity Shares by any persons acquiring our Rights Equity Shares in Issue who are in the United States or who are U.S. Persons (as defined in Regulation S under the U.S. Securities Act of 1933, as amended, or the U.S. Securities Act), which may materially affect your ability to transfer our Rights Equity Shares.

EXTERNAL RISKS

Risks Relating to India

43. ***Our business is affected by economic, political and other prevailing conditions in India and the markets we currently serve.***

The Indian economy and the financing industry are influenced by economic, political and market conditions in India and globally. Our Company is incorporated in India, and all of our assets and employees are located in India. As a result, we are dependent on prevailing economic conditions in India and our results of operations are affected by factors influencing the Indian economy. Factors that may adversely affect the Indian economy, and hence our results of operations, include, among others:

- any increase in Indian interest rates or inflation;
- any exchange rate fluctuations;
- any scarcity of credit or other financing in India, or change in India's credit rating, resulting in an adverse effect on economic conditions in India and scarcity of financing of our developments and expansions;
- volatility in, and actual or perceived trends in trading activity on, India's principal stock exchanges;
- changes in India's tax, trade, fiscal or monetary policies, such as application of GST;
- political instability, civil unrest, acts of violence, terrorist attacks, regional conflicts or situations or war in India or in countries in the region or globally, including in India's various neighboring countries;
- man-made or natural disasters such as earthquakes, tsunamis, floods and droughts, as well as the effects of climate change;
- prevailing regional or global economic conditions, including in India's principal export markets;
- other significant regulatory or economic developments in or affecting India or its financial services sectors;
- downgrade of India's sovereign debt rating by an independent agency; and
- infectious disease outbreaks or other serious public health concerns, such as the COVID-19 pandemic, the highly pathogenic H7N9, H5N1 and H1N1 strains of influenza in birds and swine.

Our performance and the growth of our business depend on the performance of the Indian economy and the economies of the regional markets we currently serve. Any slowdown or perceived slowdown in the Indian economy, or in specific sectors of the Indian economy, could adversely affect our business, financial condition and results of operations and the trading price of our Rights Equity Shares.

We are also subject to developments including political unrest, disruption, natural disasters, governmental policies or sustained economic downturn that negatively affect the regional Indian economy or the regional microfinance industry. For example, in the three months ending March 31, 2024, the credit quality of our loan portfolio in Punjab deteriorated due to floods and 'Karz Mukti Abhiyan', a citizen-led debt relief campaign active in Punjab which led to an increase in delinquencies and a decrease in collection efficiency, as set forth below:

As of	Punjab AUM (₹ crore)	Contribution to Total AUM (%)	Collection Efficiency (%)	Punjab PAR> 60[(1)] (%)
December 31, 2023	382.34	3.60%	84.40%	12.90%
March 31, 2024	316.65	2.80%	75.00%	35.70%

(1) PAR>60 percentage represents the portfolio of loans overdue for 60 days or more as of the last day of the relevant period/year as a percentage of the total gross carrying value of loans as of the last day of the relevant period/year derived from our Financial Statements.

We have adopted measures to address these challenges, including suspending disbursements in multiple Punjab branches, increasing our touchpoints with borrowers, strengthening our monitoring mechanism and strengthening our field collection workforce. With the support from the Microfinance Industry Network of India and local state government, the situation relating to 'Karz Mukti Abhiyan' has since stabilized. However, we cannot assure you that there will not be future events that adversely affect the regional markets which we serve and, consequently, adversely affect our business, results of operations, financial condition and cash flows.

44. ***Changing laws, rules and regulations and legal uncertainties across the multiple jurisdictions we operate in may adversely affect our business, financial condition and results of operations.***

Our business, financial condition and results of operations could be adversely affected by changes in the laws, rules, regulations or directions applicable to us and our business operations across India. The governmental and regulatory bodies may notify new regulations or policies, which may require us to obtain approvals and licenses from the government and other regulatory bodies, or impose onerous requirements and conditions on our operations, in addition to those which we are undertaking currently, or change the manner in which we conduct KYC or authenticate our customers. Any such changes and the related uncertainties with respect to the implementation of new regulations may have an adverse effect on our business, financial condition and results of operations. Any failure to comply with any new regulations applicable to us may adversely affect our business, results of operations and prospects.

In addition, unfavourable changes in interpretations of existing rules and regulations, including foreign investment laws governing our business, operations and investments in our Company by non-residents, could result in us being deemed to be in contravention of such laws and/or may require us to apply for additional approvals. We may incur increased costs relating to compliance with such new requirements, which may also require management time and other resources, and any failure to comply may adversely affect our business, results of operations and prospects. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent, maybe time-consuming as well as costly for us to resolve and may affect the viability of our current business or restrict our ability to grow our business in the future. For instance, the Supreme Court of India has in a decision clarified the components of basic wages which need to be considered by companies while making provident fund payments, which resulted in an increase in the provident fund payments to be made by companies. Any such decisions in future or any further changes in interpretation of laws may have an impact on our results of operations. Tax and other levies imposed by the central and state governments in India that affect our tax liability include central and state taxes and other levies, income tax, turnover tax, goods and service tax, stamp duty and other special taxes and surcharges that are introduced on a temporary or permanent basis from time to time. The final determination of our tax liabilities involves the interpretation of local tax laws related regulations in each jurisdiction as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the and nature of income earned and expenditures incurred. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time. Any future increases or amendments could affect the overall tax efficiency of companies operating in India and could result in significant additional taxes becoming payable. If the tax costs associated with certain transactions because of a particular tax risk materializing are greater than anticipated, it could affect the profitability of such transactions.

Further, we are subject to various labor laws and regulations governing our relationships with our employees and contractors, including in relation to minimum wages, working hours, overtime, working conditions, hiring and terminating the contracts of employees and contractors, contract labor and work permits. Our full- time employees are employed by us and are entitled to statutory employment benefits, such as a defined benefit gratuity plan. In addition to our full-time employees, we use agencies for our outsourcing requirements and engage persons on a contractual basis. A change of law that requires us to increase the benefits to the employees from the benefits currently provided may create potentially liability for us. Such benefits could also include provisions which reduce the number of hours an employee may work or increase the number of mandatory casual leaves, which can all affect the productivity of the employees. A change of law that requires us to treat and extend benefits to our outsourced personnel, and personnel retained on a contractual basis, similar to our full-time employees may create potential liability for us. Moreover, our failure to comply with current and future health and safety and labor laws and regulations at all times, including obtaining relevant statutory and regulatory approvals, could adversely affect our business, financial condition and results of operations.

45. It may not be possible for you to enforce any judgment obtained outside India against us.

We are incorporated under the laws of India and a majority of our Directors and Key Management Personnel reside in India. Almost all of our assets, and majority of the assets of our Directors, Key Management Personnel and Senior Management, are also located in India. Where investors wish to enforce foreign judgments in India, they may face difficulties in enforcing such judgments. India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. India exercises reciprocal recognition and enforcement of judgments in civil and commercial matters with a limited number of jurisdictions. In order to be enforceable, a judgment obtained in a jurisdiction which India recognises as a reciprocating territory must meet certain requirements of the Civil Procedure Code, 1908 ("**CPC**"). Further, the CPC only permits enforcement of monetary decrees not being in the nature of any amounts payable in respect of taxes or, other charges of a similar nature or in respect of a fine or other penalty and does not provide for the enforcement of arbitration awards. Judgments or decrees from jurisdictions not recognised as a reciprocating territory by India, cannot be enforced or executed in India. Even if a party were to obtain a judgment in such a jurisdiction, it would be required to institute a fresh suit upon the judgment and would not be able to enforce such judgment by proceedings in execution. Further, the party which has obtained such judgment must institute the new proceedings within three years of obtaining the judgment. As a result, the investor may be unable to: (i) effect service of process outside of India upon us and such other persons or entities; or (ii) enforce in courts outside of India judgments obtained in such courts against us and such other persons or entities.

It cannot be assured that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain prior approval from the RBI to repatriate any amount recovered pursuant to the execution of such foreign judgment, and any such amount may be subject to income tax in accordance with applicable laws. In addition, the regulatory regime of our various international territories may have similar restrictions on enforcement of foreign judgments.

46. India's existing credit information infrastructure may cause increased risks of loan defaults.

India's existing credit information infrastructure may pose problems and difficulties in running a robust credit check on our borrowers. We may also face difficulties in the due diligence process relating to our customers or to any security or collateral we take in relation to our loans. We may not be able to run comprehensive searches relating to the security and there are no assurances that any searches we undertake will be accurate or reliable. Hence, our overall credit analysis could be less robust as compared to similar transactions in more developed economies, which might result in an increase in our NPAs and we may have to increase our provisions correspondingly. Any of the foregoing may have a material adverse on our business, results of operations, cash flows and financial condition.

47. Foreign investors are subject to foreign investment restrictions under Indian law that limit our ability to attract foreign investors, which may adversely affect the trading price of our Equity Shares.

Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents and issuances of shares to non-residents are freely permitted (subject to certain exceptions) if they comply with the requirements specified by the RBI. If such issuances or transfers of shares are not in compliance with such requirements or fall under any of the specified exceptions, then prior approval of the RBI will be required. We have undertaken or recorded such transactions in the past based on a bona fide interpretation of the law. We cannot assure you that our interpretation would be upheld by the Indian regulators. Any change in such interpretation could impact the ability of our Company to attract foreign investors.

In addition, shareholders who seek to convert the Indian Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no-objection or tax clearance certificate from the income tax authority. Additionally, the Government of India may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the Government of India experiences extreme difficulty in stabilizing the balance of payments, or where there are substantial disturbances in the financial and capital markets in India. These restrictions may require foreign investors to obtain the Government of India's approval before acquiring Indian securities or repatriating the interest or dividends from those securities or the proceeds from the sale of those securities. We cannot assure you that any approval required from the RBI or any other government agency can be obtained on any particular terms, or at all.

In addition, pursuant to the Press Note No. 3 (2020 Series), dated April 17, 2020, issued by the DPIIT, which has been incorporated as the proviso to Rule 6(a) of the FEMA Rules, investments where the beneficial owner of the equity shares is situated in or is a citizen of a country which shares a land border with India, can only be made through the Government approval route, as prescribed in the Consolidated FDI Policy dated October 15, 2020 and the FEMA Rules. Further, in the event of transfer of ownership of any existing or future foreign direct investment in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the aforesaid restriction/purview, such subsequent change in the beneficial ownership will also require approval of the Government of India. These investment restrictions shall also apply to subscribers of offshore derivative instruments. We cannot assure investors that any required approval from the RBI or any other governmental agency can be obtained on any particular terms or conditions or at all.

48. Significant differences exist between Ind AS and other accounting principles, such as US GAAP and IFRS, which may be material to investors' assessments of our financial condition.

Our financial statements included in this Draft Letter of Offer have been compiled from the (i) unaudited financial results of our Company as at and for the six months ended September 30, 2024 and 2023, which were prepared in accordance with Ind AS 34, and (ii) the audited financial statements as at and for and the years ended March 31, 2024 and 2023, which were prepared in accordance with Ind AS. We have not attempted to quantify the impact of US GAAP or IFRS on the financial data included in this Draft Letter of Offer, nor do we provide a reconciliation of our financial statements to those of US GAAP or IFRS. US GAAP and IFRS differ in significant respects from Ind AS. Accordingly, the degree to which our financial statements included in this Draft Letter of Offer will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Letter of Offer should be limited accordingly.

49. Rights of shareholders under Indian laws may differ to those under the laws of other jurisdictions.

Indian legal principles related to corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights including in relation to class actions, under Indian law may not be similar to the shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as a shareholder in an Indian company, such as our Company, than as a shareholder of a corporation in another jurisdiction.

50. Our ability to raise foreign currency funds may be constrained by Indian law.

As an Indian NBFC, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions could constrain our ability to obtain financings on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that any required regulatory approvals for borrowing in foreign currencies will be granted to us without onerous conditions, or at all.

51. Any downgrading of India's sovereign debt rating by an international rating agency could have a negative impact on our business, financial performance and results of operations

India's sovereign debt rating could be downgraded due to several factors, including changes in tax or fiscal policy or a decline in India's foreign exchange reserves, all which are outside the control of our Company. Any adverse changes to India's credit ratings but international rating agencies may adversely affect our ratings, terms on which we are able to raise additional finances or refinance any existing indebtedness. This may have an adverse impact on our business and financial performance, shareholders equity and the price of our Equity Shares.

Risks Relating to our Rights Equity Shares and this Issue

52. Our funding requirements and proposed deployment of the Net Proceeds are based on management estimates and have not been independently appraised and may be subject to change based on various factors, some of which are beyond our control.

Our funding requirements and deployment of the Gross Proceeds are based on internal management estimates based on current market conditions, and have not been appraised by any bank or financial institution or other independent agency. Further, in the absence of such independent appraisal, our funding requirements may be subject to change based on various factors which are beyond our control. The deployment of the Net Proceeds will be at the discretion of our Board. However, the deployment of the Net Proceeds will be monitored by the Monitoring Agency. Accordingly, prospective investors in the Issue will need to rely upon our management's judgment with respect to the use of the Net Proceeds. For details, see "*Objects of the Issue*" on page 62.

53. Applicants to this Issue are not allowed to withdraw their Applications after the Issue Closing Date.

In terms of the SEBI ICDR Regulations, Applicants in this Issue are not allowed to withdraw their Applications after the Issue Closing Date. The Allotment in this Issue and the credit of such Rights Equity Shares to the Applicant's demat account with its depository participant shall be completed within such period as prescribed under the applicable laws. There is no assurance, however, that material adverse changes in the international or national monetary, financial, political or economic conditions or other events in the nature of force majeure, material adverse changes in our business, results of operations or financial condition, or other events affecting the Applicant's decision to invest in the Rights Equity Shares, would not arise between the Issue Closing Date and the date of Allotment in this Issue. Occurrence of any such events after the Issue Closing Date could also impact the market price of our Equity Shares. The Applicants shall not have the right to withdraw their applications in the event of any such occurrence. We cannot assure you that the market price of our Equity Shares will not decline below the Issue Price. To the extent the market price for our Equity Shares declines below the Issue Price after the Issue Closing Date, the shareholder will be required to purchase Rights Equity Shares at a price that will be higher than the actual market price for the Equity Shares at that time. Should that occur, the shareholder will suffer an immediate unrealized loss as a result. We may complete the Allotment even if such events may limit the Applicants' ability to sell our Equity Shares after this Issue or cause the trading price of our Equity Shares to decline.

54. Failure to exercise or sell the Rights Entitlements will cause the Rights Entitlements to lapse without compensation and result in a dilution of shareholding.

Rights Entitlements that are not exercised prior to the end of the Issue Closing Date will expire and become null and void, and Eligible Equity Shareholders will not receive any consideration for them. The proportionate ownership and voting interest in our Company of Eligible Equity Shareholders who fail (or are not able) to exercise their Rights Entitlements will be diluted. Even if you elect to sell your unexercised Rights Entitlements, the consideration you receive for them may not be sufficient to fully compensate you for the dilution of your percentage ownership of the equity share capital of our Company that may be caused as a result of the Issue. Renouncees may not be able to apply in case of failure of completion of renunciation through off-market transfer in such a manner that the Rights Entitlements are credited to the demat account of the Renouncees prior to the Issue Closing Date. Further in case, the Rights Entitlements do not get credited in time, in case of On Market Renunciation, such Renouncee will not be able to apply in this Issue with respect to such Rights Entitlements. For details, see "*Terms of the Issue*" on page 222.

55. ***Our Company will not distribute the Draft Letter of Offer, the Letter of Offer, and other Issue related materials to certain categories of overseas shareholders.***

Pursuant to the requirements of the SEBI ICDR Regulations and other applicable laws, the Rights Entitlements will be credited to the demat account of the Eligible Equity Shareholders who are Equity Shareholders as on the Record Date, however, the Draft Letter of Offer, Letter of Offer and other Issue related materials (together, the "**Issue Materials**") will be sent/ dispatched only to such Eligible Equity Shareholders who have provided an Indian address to our Company or who are located in jurisdictions where the offer and sales of the Rights Equity Shares is permitted under the laws of such jurisdiction (together, the "**Relevant Requirements**") and only such Eligible Equity Shareholders are permitted to participate in the Issue. The Equity Shareholders who do not satisfy the Relevant Requirements will not be eligible to participate in the Issue and accordingly, their shareholding as a percentage of the paid-up capital of our Company post Issue will stand reduced to the extent of non-participation.

Further, in the case that Eligible Equity Shareholders who satisfy the Relevant Requirements and have also provided their valid e-mail address, the Issue Materials will be sent only to their valid e-mail address and in the case that such Eligible Equity Shareholders have not provided their e-mail address, then the Issue Materials will be dispatched, on a reasonable effort basis, to the addresses provided by them.

The Issue Materials will not be distributed to overseas shareholders who do not meet the Relevant Requirements on account of restrictions that apply to circulation of such material in certain overseas jurisdictions. However, the Companies Act, 2013 requires companies to serve documents at any address which may be provided by the members as well as through e-mail. Presently, there is lack of clarity under the Companies Act, 2013 and the rules thereunder with respect to distribution of Issue Material in overseas jurisdictions where such distribution may be prohibited under the applicable laws of such jurisdiction. While our Company has requested its shareholders to provide an address in India and their email addresses for the purposes of distribution of the Issue Materials, our Company cannot assure that the regulators or authorities would not adopt a different view with respect to compliance with the Companies Act, 2013 and may subject our Company to fines or penalties.

56. ***Overseas shareholders may not be able to participate in our future rights offerings or certain other equity issues.***

If we offer or cause to be offered to holders of the Equity Shares rights to subscribe for additional Equity Shares or any right of any other nature, we will have discretion as to the procedure to be followed in making such rights available to overseas holders of the Equity Shares or in disposing of such rights for the benefit of such holders. For instance, we may not offer such rights to the holders of Equity Shares who have a registered address in the United States unless: (i) a registration statement is in effect, if a registration statement under the U.S. Securities Act is required in order for the Company to offer such rights to holders and sell the securities represented by such rights; or (ii) the offering and sale of such rights or the underlying securities to such holders are exempt from registration under the provisions of the U.S. Securities Act. Our Company has no obligation to prepare or file any registration statement. Accordingly, shareholders who have a registered address in the United States may be unable to participate in future rights offerings and may experience a dilution in their holdings as a result.

57. ***Investors will be subject to market risks until our Equity Shares credited to the investor's demat account are listed and permitted to trade.***

Investors can start trading the Rights Equity Shares Allotted to them only after they have been credited to an investor's demat account, are listed and permitted to trade. Since our Equity Shares are currently traded on the Stock Exchanges, investors will be subject to market risk from the date they pay for the Rights Equity Shares to the date when trading approval is granted for the same. Further, there can be no assurance that the Rights Equity Shares allocated to an investor will be credited to the investor's demat account or that trading in such Equity Shares will commence in a timely manner.

58. ***Fluctuations in the exchange rate between the Indian Rupee and foreign currencies may have an adverse effect on the value of the Equity Shares.***

Any adverse movement in currency exchange rates during the time that it takes to undertake such conversion may reduce the net dividend to foreign investors. In addition, any adverse movement in currency exchange rates during a delay in repatriating outside India the proceeds from a sale of Equity Shares, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares may reduce the proceeds received by Equity Shareholders. For example, the exchange rate between the Rupee and the U.S. dollar has fluctuated in recent years and may continue to fluctuate substantially in the future, which may have an adverse effect on the returns on our Equity Shares, independent of our operating results.

59. ***Certain of our existing shareholders or future shareholders together may be able to exert substantial voting control over us, which may limit your ability to influence corporate matters.***

As of September 30, 2024, our promoters beneficially owned an aggregate of 5,83,00,944 Equity Shares of face value of ₹10 each, representing 57.71% of our outstanding Equity Shares. While the shareholding of our Company is diversified, some existing or future shareholders together may limit your ability to influence corporate matters that require shareholder approval. These existing or future shareholders may be able to exercise considerable influence over any matters requiring shareholder approval, including the election of directors, approval of lending and investment policies and the approval of corporate transactions, such as a merger or other sale of our Company or its assets or further fund-raising transactions. In addition, our dispersed shareholdings may cause matters requiring shareholder approval to be delayed or not occur at all, which could adversely affect our business. Moreover, these shareholders are not obligated to share any business opportunities with us.

60. From the Call Record Date for each Call prior to the final Call, the trading of the Rights Equity Shares would be suspended for a period under applicable law. Further, the Rights Equity Shares will not be traded with effect from the Call Record Date for the final call fixed for the determination of the Investors liable to pay Call Monies, with terms and conditions such as the number of Calls and the timing and quantum of each Call as may be decided by our Board or Rights Issue Committee from time to time. The holders of the Rights Equity Shares will not be able to trade in these securities till they are credited to the holders' account as fully paid-up. Further, until the subsistence of Rights Equity Shares issued by way of this Issue, we may not be able to undertake certain forms of equity capital raising.

The Issue Price is ₹ [●] per Rights Equity Share. Investors will have to pay ₹[●] per Rights Equity Share, which constitutes [●] % of the Issue Price on Application and the balance amount (after payment of Application Money) ₹[●] per Rights Equity Share, which constitutes [●]% of the Issue Price, in not one or more subsequent Call(s), with terms and conditions such as the number of Calls and the timing and quantum of each Call as may be decided by our Board or Rights Issue Committee from time to time, to be completed on or prior to [●]. While our Company intends to complete the Calls on or prior to [●], our Board or Rights Issue Committee, may at its sole discretion extend such timeline post [●], pursuant to market and other applicable considerations.

The Rights Equity Shares offered under this Issue will be listed under a separate ISIN. An active market for trading may not develop for the Rights Equity Shares. This may affect the liquidity of the Rights Equity Shares and restrict your ability to sell them. If our Company does not receive the Call Money as per the timelines stipulated in the Call notice, unless extended by our Board or Rights Issue Committee, the defaulting Rights Equity Shareholders will be liable to pay interest as may be fixed by our Board or Rights Issue Committee unless waived or our Company may forfeit the Application Money and any Call Money received for previous Calls made, in accordance with the Companies Act, 2013 and our Articles of Association. For details, see "*Terms of the Issue*" on page 222.

Rights Equity Shareholders are only entitled to dividend in proportion to the amount paid up and the voting rights (exercisable on a poll) by investors shall also be proportional to such investor's share of the paid-up equity capital of our Company. If certain investors do not pay the full amount, we may not be able to raise the amount proposed under this Issue. The ISIN representing partly paid-up Rights Equity Shares will be terminated after the Call Record Date for the final Call. On payment of the final Call in respect of the partly paid-up Rights Equity Shares, such partly paid-up Rights Equity Shares would be converted into fully paid-up Rights Equity Shares and shall be listed and identified under the existing ISIN for our fully paid-up Equity Shares. Our Company would fix a Call Record Date for the purpose of determining the list of allottees to whom the notice for the final Call would be sent. From the Call Record Date for each Call prior to the final Call, the trading of the Rights Equity Shares would be suspended for a period under the applicable law. Further, with effect from the Call Record Date, trading in the partly paid-up Rights Equity Shares for which final Call have been made, would be suspended prior to the Call Record Date, for such period as may be applicable under the rules and regulations.

Furthermore, the holders of the partly paid-up Rights Equity Shares will not be able to trade in these shares until they are credited to the holders' account as fully paid-up Rights Equity Shares. Further, there is limited history of trading partly paid-up shares in India and therefore, there could be less liquidity in the trading of partly paid-up shares, which may cause the price of the Equity Shares to fall and may limit ability of Investors to sell the Equity Shares. There may also be a risk of the Rights Equity Shares not forming part of the index. Further, until the subsistence of Rights Equity Shares, we cannot undertake further rights issues, further public offers or bonus issues, since in terms of Regulations 62 and 104 of the SEBI ICDR Regulations, an issuer making a rights issue or further public offer is required to ensure that all its existing partly paid-up equity shares have either been fully paid-up or have been forfeited. Additionally, a bonus issue will not be permitted under law till the subsistence of partly paid-up equity shares in terms of Regulation 293 of the SEBI ICDR Regulations.

61. Non-receipt of complete Call Money(ies) may have an impact of a consequential shortfall in Net Proceeds and shall also result in forfeiture of the Rights Equity Shares allotted to such Eligible Equity Shareholders who fail to pay Call Money(ies).

The Calls shall be deemed to have been made at the time when the resolution authorizing such calls is passed at the meeting of our Board/ Rights Issue Committee. The Calls may be revoked or postponed at the discretion of our Board/

Rights Issue Committee, from time to time. Pursuant to the provisions of the Articles of Association, investors will be given at least 14 days' notice in writing for the payment of the Calls. Our Board/ Rights Issue Committee may, from time to time at its discretion, extend the time fixed for the payments of the Calls. Our Company, at its sole discretion, may send reminders for the calls as it deems fit, and if it does not receive the Call Money(ies) as per the timelines stipulated, it would forfeit the Application Money. Non-receipt of complete Call Money(ies) and a consequential forfeiture of the Application Money may lead to a shortfall in the Net Proceeds, which may have to be met out of internal accruals and may impact our business, operating expenditure and growth opportunities. For details, see "*Objects of the Issue*" on page 62.

The non-receipt of the Call Monies within the timelines stipulated would also result in forfeiture of the Rights Equity Shares of such Eligible Equity Shareholders in accordance with the Companies Act, 2013 and Articles of Association.

62. Any future issuance of Equity Shares by our Company may dilute your shareholding and adversely affect the trading price of our Equity Shares.

Any future issuance of Equity Shares may dilute your shareholding in our Company. Any future equity issuances by us may adversely affect the trading price of our Equity Shares, which may lead to other adverse consequences including difficulty in raising capital through offering of our Equity Shares or incurring additional debt. In addition, any perception by investors that such issuances or sales might occur may also affect the market price of our Equity Shares. We cannot assure you that we will not issue Equity Shares, convertible securities or securities linked to Equity Shares or that our Shareholders will not dispose of, pledge or encumber their Equity Shares in the future.

63. The Rights Equity Shares may experience price and volume fluctuations.

The market price of the Rights Equity Shares can be volatile as a result of several factors beyond our control, including volatility in the Indian and global securities markets, our results of operations, the performance of our competitors, developments in the Indian finance and lending sector, changing perceptions in the market about investments in this sector in India, investor perceptions of our future performance, adverse media reports about us or our sector, changes in the estimates of our performance or recommendations by financial analysts, significant developments in India's economic liberalization and deregulation policies, and significant developments in India's fiscal regulations. In addition, the stock exchanges may experience significant price and volume fluctuations, which may have a material adverse effect on the market price of the Rights Equity Shares.

General or industry specific market conditions or stock performance or domestic or international macroeconomic and geopolitical factors unrelated to our performance also affect the price of the Rights Equity Shares. For these reasons, investors should not rely on recent trends to predict future share prices, results of operations or cash flow and financial condition.

64. Rights of shareholders under Indian law may differ or may be more limited than under the laws of other jurisdictions.

The Companies Act and rules made thereunder, the rules and regulations issued by SEBI and other regulatory authorities, the Memorandum of Association, and the Articles of Association govern the corporate affairs of our Company. Indian legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. In accordance with the provisions of the Companies Act, the voting rights of an equity shareholder in a company shall be in proportion to the share of a person in the paid-up equity share capital of that company. Further, Section 106(1) of the Companies Act read with the Articles of Association specifically provides that no member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid.

65. No market for the Rights Entitlements may develop and the price of the Rights Entitlements may be volatile.

No assurance can be given that an active trading market for the Rights Entitlements will develop on the Stock Exchanges during the Renunciation Period or that there will be sufficient liquidity in Rights Entitlements trading during this period. The trading price of the Rights Entitlements will not only depend on supply and demand for the Rights Entitlements, which may be affected by factors unrelated to the trading in the Equity Shares, but also on the quoted price of the Equity Shares, amongst others. Factors affecting the volatility of the price of the Equity Shares, as described herein, may magnify the volatility of the trading price of the Rights Entitlements, and a decline in the price of the Equity Shares will have an adverse impact on the trading price of the Rights Entitlements. Since the trading of the Rights Equity Shares will be on a separate segment compared to the Equity Shares on the floor of the Stock Exchanges, the trading of Rights Equity Shares may not track the trading of Equity Shares.

66. Holders of Equity Shares may be restricted in their ability to exercise pre-emptive rights under Indian law and thereby suffer future dilution of their ownership position.

Under the Companies Act, a company having share capital and incorporated in India must offer its equity shareholders pre-emptive rights to subscribe and pay for a proportionate number of equity shares to maintain their existing ownership percentages prior to issuance of any new equity shares, unless the pre-emptive rights have been waived by the adoption of a special resolution of the Company.

However, if the law of the jurisdiction that you are in does not permit the exercise of such pre-emptive rights without our filing an offering document or registration statement with the applicable authority in such jurisdiction, you will be unable to exercise such pre-emptive rights, unless we make such a filing. If we elect not to file a registration statement, the new securities may be issued to a custodian, who may sell the securities for your benefit. The value such custodian receives on the sale of any such securities and the related transaction costs cannot be predicted. To the extent that you are unable to exercise pre-emptive rights granted in respect of our Equity Shares, your proportional interests in our Company would be diluted.

67. Investors may be subject to Indian taxes arising out of capital gains on sale of the Rights Equity Shares.

Under the current Indian tax laws and regulations, capital gains arising from the sale of equity shares in an Indian company are generally taxable in India. Additionally, a securities transaction tax ("**STT**") is levied both at the time of transfer and acquisition of the equity shares (unless exempted under a prescribed notification), and the STT is collected by an Indian stock exchange on which equity shares are sold. Any gains realized on the sale of equity shares held for more than 12 months are subject to long term capital gains tax in India. Such long-term capital gains exceeding ₹100,000 arising from the sale of listed equity shares on the stock exchange are subject to tax at the rate of 12.5% (plus applicable surcharge and cess). This beneficial provision is, inter alia, subject to payment of STT. Further, any capital gains realised on the sale of listed equity shares of an Indian company, held for more than 12 months, which are sold using any platform other than a recognized stock exchange and on which no STT has been paid, will be subject to long-term capital gains tax in India at the rate of 12.5% (plus applicable surcharge and cess), without indexation benefits.

Further, any capital gains realized on the sale of listed equity shares held for a period of 12 months or less immediately preceding the date of transfer will be subject to short term capital gains tax in India at the rate of 20% (plus applicable surcharge and cess), subject to STT being paid at the time of sale of such shares. Otherwise, such gains will be taxed at the applicable rates.

Capital gains arising from the sale of the Rights Equity Shares will not be chargeable to tax in India in cases where relief from such taxation in India is provided under a treaty between India and the country of which the seller is resident and the seller is entitled to avail benefits thereunder, subject to certain conditions.

Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the Rights Equity Shares.

Investors are advised to consult their own tax advisors and to carefully consider the potential tax consequences of owning, investing or trading in the Rights Equity Shares.

68. Restrictions on daily movements in the trading price of our Equity Shares may adversely affect a shareholder's ability to sell Equity Shares or the price at which Equity Shares can be sold at a particular point in time.

Stock exchanges may impose restrictions on the movements in trading price of our Equity Shares. Stock exchanges are not required to inform us of such restrictions and they may change without our knowledge. In the event such restrictions are imposed, there can be no assurance regarding the ability of shareholders to sell Equity Shares or the price at which shareholders may be able to sell their Equity Shares.

69. U.S. regulation of investment activities may negatively affect the ability of banking entities to purchase our Equity Shares.

The Volcker Rule, generally prohibits certain banking entities from acquiring or retaining an ownership interest in, sponsoring or having certain relationships with covered funds, subject to certain exceptions, exclusions and exemptions. As we are relying on an analysis that our Company does not come within the definition of an "investment company" under the U.S. Investment Company Act because of the exception provided under section 3(c)(7) thereunder, our Company may be considered a "covered fund" for purposes of the Volcker Rule. The following would be considered a "banking entity" subject to the Volcker Rule: (i) any U.S. insured depository institution, (ii) any company that controls an U.S. insured depository institution, (iii) any non-U.S. company that is treated as a bank holding company for purposes of Section 8 of the International Banking Act of 1978 (i.e., a non-U.S. company that maintains a branch, agency or commercial lending office in the U.S.) and (iv) any affiliate or subsidiary of any of the foregoing under the U.S. Bank Holding Company Act, other than a covered fund that is not itself a banking entity under clauses (i), (ii) or (iii).

There may be limitations on the ability of banking entities to purchase or retain our Equity Shares in the absence of an applicable Volcker Rule exemption. Consequently, depending on market conditions and the banking entity status of potential purchasers of our Equity Shares from time to time, the Volcker Rule restrictions could negatively affect the liquidity and market value of our Equity Shares.

Each investor must make its own determination as to whether it is a banking entity subject to the Volcker Rule and, if applicable, the potential impact of the Volcker Rule on its ability to purchase or retain our Equity Shares. Investors are responsible for analyzing their own regulatory position and none of our Company, the Managers or any other person connected with the Issue makes any representation to any prospective investor or holder of our Equity Shares regarding the treatment of our Company under the Volcker Rule, or to such investor's investment in our Company at any time in the future.

SECTION III: INTRODUCTION

THE ISSUE

The Issue has been authorized by way of resolution passed by our Board on December 4, 2024, pursuant to Section 62(1)(a) and other applicable provisions of the Companies Act, 2013. The terms and conditions of the Issue including the Rights Entitlement, Issue Price, Record Date, timing of the Issue and other related matters, have been approved by a resolution passed by our Rights Issue Committee at its meeting held on [●].

The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in the section entitled "*Terms of the Issue*" beginning on page 222.

Rights Equity Shares being offered by our Company	Up to [●]^ Rights Equity Shares of face value of ₹10 each
Rights Entitlement for the Rights Equity Shares	[●] ([●]) Rights Equity Share for every [●] ([●]) Equity Shares of face value of ₹10 each held on the Record Date
Record Date	[●]
Face Value per Equity Share	₹10 each
Issue Price	₹[●] per Rights Equity Share of face value of ₹10 each (including a premium of ₹[●] per Rights Equity Share) On Application, Investors will have to pay ₹[●] ([●]% of the Issue Price) per Rights Equity Share. The balance amount (after payment of the Application Money), ₹[●] ([●]% of the Issue Price) per Rights Equity Share, will be payable by the Rights Equity Shareholders in one or more subsequent Call(s), with terms and conditions such as the number of Calls and the timing and quantum of each Call as may be decided by our Board from time to time to be completed on or prior to [●]. For further details on Payment Schedule, see "*Terms of the Issue – Payment Terms*" on page 243.
Dividend	Such dividend, as may be recommended by our Board and declared by our Shareholders, in accordance with applicable law
Issue Size	Up to ₹ 800.00 crore*
Equity Shares issued, subscribed, paid-up and outstanding prior to the Issue	10,10,23,885 Equity Shares of face value of ₹10 each. For details, see "*Capital Structure*" beginning on page 59
Equity Shares outstanding after the Issue	[●] Equity Shares of face value of ₹10 each
Security Codes for the Equity Shares	ISIN for Equity Shares: INE139R01012 BSE: 543652 NSE: FUSION
ISIN for Rights Entitlements**	[●]
Terms of the Issue	For further information, see "*Terms of the Issue*" beginning on page 222
Use of Issue Proceeds	For further information, see "*Objects of the Issue*" beginning on page 62

^ *To be finalised upon determination of the Issue Price*

* *Assuming full subscription in the Issue, Allotment and receipt of all Call Monies with respect to the Rights Equity Shares. Subject to finalisation of Basis of Allotment. Our Company, in consultation with the Lead Manager, may consider a Preferential Issue of Equity Shares, aggregating up to ₹ 160.00 crore, subject to the necessary approval from our Shareholders in accordance with applicable laws, prior to filing of the Letter of Offer. The Preferential Issue, if undertaken, will be at a price as per the SEBI ICDR Regulations. If the Preferential Issue is completed, the amount raised pursuant to such Preferential Issue will be reduced from the Issue size. The Preferential Issue, if undertaken, (i) will not exceed 20% of the Issue size, and (ii) will be utilized for augmenting our capital base as disclosed in the section titled, "Objects of the Issue".*

** *Our Company would obtain a separate ISIN for the Rights Equity Shares for each Call, as may be required under applicable law.*

For details in relation to fractional entitlements, see *"Terms of the Issue – Basis for this Issue"* and *"Terms of this Issue – Fractional Entitlements*" on page 238.

Terms of Payment

Due Date	Face Value (₹)^	Premium (₹)^	Total (₹)^
On Application	[●]	[●]	[●] (1)
One or more subsequent Call(s), with terms and conditions such as the number of Calls and the timing and quantum of each Call as may be decided by our Board/ Rights Issue Committee from time to time, to be completed on or prior to [●]	[●]	[●]	[●](2)
Total (₹)	**10.00**	[●]	[●]

^ *To be finalised upon determination of the Issue Price*

(1) Constitutes [●]% of the Issue Price.

(2) Constitutes [●]% of the Issue Price.

* *For further details on Payment Schedule, see "Terms of the Issue – Payment Terms" on page 243.*

GENERAL INFORMATION

Our Company was originally incorporated as 'Ambience Fincap Private Limited' on September 5, 1994 at New Delhi, India as a private limited company under the Companies Act, 1956, and was granted a certificate of incorporation by Registrar of Companies, Delhi and Haryana at New Delhi ("**RoC**"). On January 9, 2003, the RBI granted a certificate of registration bearing registration no. B-14.02857 to our Company, for the registration of our Company as a non-deposit accepting non-banking financial company under Section 45IA of the Reserve Bank of India Act, 1934. Subsequently, the name of our Company was changed to 'Fusion Micro Finance Private Limited' and a fresh certificate of incorporation, dated April 19, 2010 was issued by the RoC to describe the business of the Company, post which the RBI granted a certificate of registration dated May 19, 2010 reflecting the change of name. Our Company was granted an 'NBFC – Microfinance Institution' status by the RBI with effect from January 28, 2014 and a modified certificate of registration bearing registration no. B-14.02857 was issued by the RBI to this effect. The name of our Company was further changed to Fusion Micro Finance Limited upon conversion to a public limited company and a fresh certificate of incorporation was issued by the RoC on July 20, 2021, post which a fresh certificate of registration as an NBFC (not accepting public deposits) dated October 1, 2021, was issued by the RBI reflecting the change in name of our Company. Thereafter, in order to provide diverse range of financial products to our clients, the name of our Company was changed to our present name, Fusion Finance Limited and a fresh certificate of incorporation was issued by the RoC on July 9, 2024, post which a fresh certificate of registration as an NBFC (not accepting public deposits) dated August 30, 2024, was issued by the RBI reflecting the change in name of our Company.

Changes in the registered office

Except as disclosed below, there has been no change in the registered office of our Company since the date of its incorporation.

Date of change	Details of change in the address of the Registered Office	Reason for change in the address
September 5, 1994	The registered office of our Company was shifted from 81, Delhi Administrative Flats, Near NIMRI Colony, Ashok Vihar – IV, Delhi – 110052 to 705 A/4C, Ward No. 3, Mehrauli, New Delhi, 110030.	Business and commercial reasons
August 16, 1999	The registered office of our Company was shifted from 705 A/4C, Ward No. 3, Mehrauli, New Delhi, 110030 to Sri Venkatesh Bhavan, 212 A, Shahpurjat, New Delhi, 110049.	Business and commercial reasons
December 29, 2000	The registered office of our Company was shifted from 212 A, Shahpurjat, New Delhi, 110049 to A-1/22, Safdarjung Enclave, New Delhi 110029.	Business and commercial reasons
November 25, 2009	The registered office of our Company was shifted from A-1/22, Safdarjung Enclave, New Delhi 110029 to A247/2, Ashok Vihar, Phase I New Delhi, 110052.	Business and commercial reasons
June 22, 2010	The registered office of our Company was shifted from A247/2, Ashok Vihar, Phase I New Delhi, 110052 to 303-304, 3rd floor, Building No. 2, Community Centre, Naraina Phase I, New Delhi, 110028 .	Due to shortage of space
April 29, 2013	The registered office of our Company was shifted from 303-304, 3rd floor, Building No. 2, Community Centre, Naraina Phase I, New Delhi, 110028 to C-3, Community Centre, Naraina Vihar, New Delhi, 110028.	Due to shortage of space
January 2, 2017	The registered office of our Company was shifted from C-3, Community Centre, Naraina Vihar, New Delhi, 110028 to H-1, C Block, Community Centre, Naraina Vihar, New Delhi, 110028.	Business and commercial reasons

Registered Office

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

Corporate Office

Plot no. 86, Institutional Sector 32, Gurugram, Haryana 122001, India

Corporate Identity Number: L65100DL1994PLC061287

Registration Number: 061287

Address of the RoC

Our Company is registered with the RoC, which is situated at the following address:

Registrar of Companies, Delhi and Haryana

4th Floor, IFCI Tower
61, Nehru Place
New Delhi 110 019
India

Company Secretary and Chief Compliance Officer

Deepak Madaan is the Company Secretary and Chief Compliance Officer of our Company. His details are as follows:

Deepak Madaan
Plot no. 86
Institutional Sector 32, Gurugram
Haryana 122001, India.
Tel: +91-124-6910500
E-mail: investor.relations@fusionfin.com

Lead Manager to the Issue

IIFL Capital Services Limited (*Formerly known as IIFL Securities Limited*)
24th Floor, One Lodha Place
Senapati Bapat Marg
Lower Parel (West), Mumbai 400 013
Maharashtra, India
Tel: +91 22 4646 4728
E-mail: fusion.rights@iiflcap.com
Investor Grievance ID: ig.ib@iiflcap.com
Website: www.iiflcap.com
Contact Person: Nishita Mody / Dhruv Bhagwat
SEBI Registration No.: INM000010940

Legal Counsel to our Company as to Indian Law

Cyril Amarchand Mangaldas
Level 1 & 2, Max Towers
C-001/A Sector 16 B
Noida 201 301
Uttar Pradesh, India
Tel: +91 120 669 9000

Statutory Auditors of our Company

M/s Deloitte Haskins & Sells
7th Floor, Tower B
Building No. 10, DLF Cyber City
Gurugram, 122002
Haryana, India
Tel: +91 124 679 2000
E-mail: jagarwal@deloitte.com
Firm Registration Number: 015125N
Peer Review Certificate Number: 017816

Registrar to the Issue

Link Intime India Private Limited
C-101, 1st Floor, 247 Park
Lal Bahadur Shastri Marg, Vikhroli West
Mumbai 400 083
Maharashtra, India
Tel: +91 81081 14949
E-mail: fusionfinance.rights@linkintime.co.in

Investor grievance ID: fusionfinance.rights@linkintime.co.in
Contact person: Shanti Gopalkrishnan
Website: www.linkintime.co.in
SEBI Registration No.: INR000004058

Investors may contact the Registrar to the Issue or our Company Secretary and Chief Compliance Officer for any pre-Issue or post-Issue related matters. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB giving full details such as name, address of the Applicant, contact number(s), e-mail address of the sole/ first holder, folio number or demat account, number of Rights Equity Shares applied for, amount blocked, ASBA Account number and the Designated Branch of the SCSB where the Application Forms, or the plain paper application, as the case may be, was submitted by the Investors along with a photocopy of the acknowledgement slip. For details on the ASBA process, see "*Terms of the Issue*" beginning on page 222.

Experts

Our Company has received written consent from the Statutory Auditors, namely M/s Deloitte Haskins & Sells, through their letter dated December 5, 2024, to include their name as required under Section 26(5) of the Companies Act, 2013 in this Draft Letter of Offer and as an "expert" as defined under Section 2(38) of the Companies Act, 2013 in respect of and inclusion of (i) the Audited Financial Statements FY 24 and audit report dated May 6, 2024 thereon, (ii) Statement of Unaudited Financial Results HY 25 containing Qualified Review Report and their qualified review report dated November 15, 2024 issued thereon, and (iii) the statement of special tax benefits available to our Company and its shareholders dated December 5, 2024, and such consent has not been withdrawn as of the date of this Draft Letter of Offer. The term "expert" and "consent" does not represent an "expert" or "consent" within the meaning under the U.S. Securities Act.

Our Company has received written consent dated December 5, 2024, from MGA & Associates, Chartered Accountants, holding a valid peer review certificate from ICAI, to include their name in this Draft Letter of Offer, as required under Section 26(5) of the Companies Act, 2013, and as an "expert" as defined under Section 2(38) of the Companies Act, 2013 in respect of the certificates issued by them in their capacity as an Independent Chartered Accountant to our Company and such consent has not been withdrawn as of the date of this Draft Letter of Offer.

Banker(s) to the Issue

[●]

Self-Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as the SCSBs for the ASBA process is provided on the website of SEBI at www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34 and updated from time to time. For a list of branches of the SCSBs named by the respective SCSBs to receive the ASBA Forms from the Designated Intermediaries, please refer to the above-mentioned link.

Issue Schedule

Last Date for credit of Rights Entitlements	[●]
Issue Opening Date	[●]
Last date for On Market Renunciation of Rights Entitlements #	[●]
Issue Closing Date*	[●]
Finalization of Basis of Allotment (on or about)	[●]
Date of Allotment (on or about)	[●]
Date of credit of Rights Equity Shares (on or about)	[●]
Date of listing (on or about)	[●]

Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncees on or prior to the Issue Closing Date.

* *Our Board or the Rights Issue Committee will have the right to extend the Issue Period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Opening Date). Further, no withdrawal of Application shall be permitted by any Applicant after the Issue Closing Date.*

The above schedule is indicative and does not constitute any obligation on our Company or the Lead Manager.

Please note that if Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date, have not provided the details of their demat accounts to our Company or to the Registrar, they are required to provide their valid and correct demat account details to our Company or the Registrar not later than two clear Working Days prior to the Issue Closing Date, *i.e.*, [●], 2024, to enable the credit of the Rights Entitlements by way of transfer from the demat suspense escrow account to their respective demat accounts, at least one day before the Issue Closing Date, *i.e.*, [●], 2024. Such Eligible Equity Shareholders holding shares in physical form can update the details of their respective demat accounts on the website of the Registrar (*i.e.* https://liiplweb.linkintime.co.in/KYC-downloads.html). Such Eligible Equity Shareholders can make an Application only after the Rights Entitlements is credited to their respective demat accounts.

Investors are advised to ensure that the Application Forms duly complete in all respect and duly signed as per signature recorded with the Company or the Registrar are submitted on or before the Issue Closing Date. Our Company, the Lead Manager or the Registrar will not be liable for any loss on account of non-submission of Application Forms on or before the Issue Closing Date. Further, it is also encouraged that the applications are submitted well in advance before Issue Closing Date. For details on submitting Application Forms, see "*Terms of the Issue – Process of making an Application in the Issue*" on page 223.

The details of the Rights Entitlements with respect to each Eligible Equity Shareholders can be accessed by such respective Eligible Equity Shareholders on the website of the Registrar at www.linkintime.co.in after keying in their respective details along with other security control measures implemented thereat. For further details, see "*Terms of the Issue – Credit of Rights Entitlements in demat accounts of Eligible Equity Shareholders*" on page 234.

Please note that if no valid Application is made by the Eligible Equity Shareholders of Rights Entitlements on or before the Issue Closing Date, such Rights Entitlements shall lapse and shall be extinguished after the Issue Closing Date. No Rights Equity Shares for such lapsed Rights Entitlements will be credited, even if such Rights Entitlements were purchased from market and the purchaser will lose the premium paid to acquire the Rights Entitlements. Persons who are credited the Rights Entitlements are required to make an Application to apply for Rights Equity Shares offered under the Issue for subscribing to the Rights Equity Shares offered under the Issue.

Inter se allocation of responsibilities

Since IIFL is the only Lead Manager that has been appointed for the purpose of the Issue, IIFL shall be responsible for all the activities in relation to the Issue. Accordingly, there is no requirement of an inter-se allocation of responsibilities.

Credit Rating

As the Issue is of Equity Shares, there is no credit rating required for the Issue.

Debenture Trustee

As the Issue is of Equity Shares, the appointment of a debenture trustee is not required.

Monitoring Agency

Our Company will appoint a monitoring agency, in accordance with Regulation 82 of the SEBI ICDR Regulations, prior to filing of the Letter of Offer with the Stock Exchanges.

Appraising Entity

None of the purposes for which the Net Proceeds are proposed to be utilized have been financially appraised by any banks or financial institution or any other independent agency.

Minimum Subscription

The object of the Issue involves augmenting the capital base of our Company.

Our Promoters and Promoter Group have confirmed that, they may:

(i) subscribe to the full extent of their respective Rights Entitlements in the Issue or may renounce a portion of their respective Rights Entitlements in favour of the Promoters or other member(s) of the Promoter Group or in favour of existing shareholders of the Company, or third-party investors; and

(ii) subscribe to additional Rights Equity Shares including subscribing to any unsubscribed portion in the Issue, if any, or subscription pursuant to Rights Entitlement acquired through renunciation, either individually or jointly and/ or severally with the Promoter(s) or any other members of the Promoter Group, subject to compliance with the Companies Act, the SEBI ICDR Regulations, SEBI Takeover Regulations and other applicable laws/ regulations.

Provided that if any of the Promoters or members of the Promoter Group renounce any of their respective Rights Entitlements in favour of any third party investor (not being a Promoter or a member of the Promoter Group), whether or not an existing member of the Company, then (i) such renouncing Promoter or member of the Promoter Group shall not apply for subscription to additional Rights Entitlement, subject to applicable laws/ regulations; and (ii) in the event that minimum subscription of 90% is not met, all Application Money received shall be refunded to the Applicants forthwith, but not later than four days from the closure of the Issue, in compliance with Regulation 86 (2) of the SEBI ICDR Regulations. **Further, if the Promoters and members of the Promoter Group subscribe fully to their portion of Rights Entitlements and do not renounce their Rights Entitlements (except to the extent of renunciation within Promoter and Promoter Group), the minimum subscription of 90% will not be applicable to the Issue.**

The acquisition of Rights Equity Shares by our Promoters and other members of our Promoter Group in this Issue will be eligible for exemption from open offer requirements, and it will be subject to requirements of Regulation 10(4)(a) and 10(4)(b) of the SEBI Takeover Regulations. Further, the Issue shall not result in a change of control of the management of our Company in accordance with provisions of the SEBI Takeover Regulations. Our Company is in compliance with Regulation 38 of the SEBI Listing Regulations and will continue to comply with the minimum public shareholding requirements under applicable law, pursuant to this Issue.

Underwriting

This Issue is not underwritten.

Filing

This Draft Letter of Offer has been filed with SEBI for its observations electronically through the SEBI intermediary portal at https://siportal.sebi.gov.in in terms of the SEBI master circular bearing number SEBI/HO/CFD/PoD-1/P/CIR/2024/0154 dated November 11, 2024, and with the Stock Exchanges. After SEBI gives its observations, the Letter of Offer will be filed with SEBI and the Stock Exchanges simultaneously with the filing of the Letter of Offer with the Designated Stock Exchange as per the provisions of the SEBI ICDR Regulations.

CAPITAL STRUCTURE

The equity share capital of our Company as at the date of this Draft Letter of Offer and the details of the Rights Equity Shares proposed to be issued in the Issue, and the issued, subscribed and paid-up share capital after the Issue is as set forth below:

(In ₹, except share data)

	Particulars	Aggregate Value at Face Value	Aggregate Value at Issue Price*
A	**AUTHORISED SHARE CAPITAL**		
	20,00,00,000 Equity Shares of face value of ₹ 10 each	2,00,00,00,000	NA
B	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE THE ISSUE**		
	10,10,23,885 Equity Shares of face value of ₹ 10 each	1,01,02,38,850	NA
C	**PRESENT ISSUE IN TERMS OF THIS DRAFT LETTER OF OFFER**		
	Up to [●]* partly paid-up Rights Equity Shares of face value of ₹ 10 each #(1)	Up to [●]*	Up to [●]
D	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL AFTER THE ISSUE**(1)(2)		
	Issued Equity Share capital		
	[●]*fully paid-up Equity Shares of face value of ₹ 10 each	[●]*	[●]
	Subscribed and paid-up share capital		
	10,10,23,885 fully paid-up Equity Shares of face value of ₹ 10 each	1,01,02,38,850	-
	[●]* partly paid-up Equity Shares of face value of ₹ 10 each(3)	[●]*(3)	[●]
SECURITIES PREMIUM ACCOUNT(4)			*(in ₹ crore)*
Before the Issue			1,652.15
After all the Calls are made in respect of the Rights Equity Shares(2)			[●]

* *To be updated upon finalisation of Issue Price. On Application, Investors will have to pay ₹[●] ([●]% of the Issue Price) per Rights Equity Share. The balance amount (after payment of the Application Money), ₹[●] ([●]% of the Issue Price) per Rights Equity Share, will be payable by the Rights Equity Shareholders in one or more subsequent Call(s), with terms and conditions such as the number of Calls and the timing and quantum of each Call as may be decided by our Board/ Rights Issue Committee from time to time to be completed on or prior to [●]. For further details on Payment Schedule, see “Terms of the Issue – Payment Terms” on page 243.*

\# *Our Company, in consultation with the Lead Manager, may consider a Preferential Issue of Equity Shares, aggregating up to ₹ 160.00 crore, subject to the necessary approval from our Shareholders in accordance with applicable laws, prior to filing of the Letter of Offer. The Preferential Issue, if undertaken, will be at a price as per the SEBI ICDR Regulations. If the Preferential Issue is completed, the amount raised pursuant to such Preferential Issue will be reduced from the Issue size. The Preferential Issue, if undertaken, (i) will not exceed 20% of the Issue size, and (ii) will be utilized for augmenting our capital base as disclosed in the section titled, “Objects of the Issue”.*

(1) *The Issue has been authorised by our Board pursuant to a resolution dated December 4, 2024. The terms of the Issue including the Record Date and Rights Entitlement ratio, have been approved by the Rights Issue Committee pursuant to a resolution dated [●], 2024.*

(2) *Assuming full subscription for and Allotment of Rights Equity Shares and subject to full payment of all Call Monies by the Rights Equity Shareholders. Subject to finalisation of Basis of Allotment, Allotment and deduction of Issue related expenses.*

(3) *To the extent of Application Money.*

(4) *Net of treasury shares*

Notes to the Capital Structure

1. **Shareholding pattern of our Company as per the last filing with the Stock Exchanges in compliance with the provisions of the SEBI Listing Regulations**

   a) The shareholding pattern of our Company as on September 30, 2024, can be accessed on the website of BSE at https://www.bseindia.com/stock-share-price/fusion-finance-ltd/fusion/543652/shareholding-pattern/ and NSE at https://www.nseindia.com/get-quotes/equity?symbol=FUSION;

   b) The statement showing holding of Equity Shares of persons belonging to the category “*Promoter and Promoter Group*” including the details of lock-in, pledge of and encumbrance thereon, as on September 30, 2024, can be accessed on the website of BSE at https://www.bseindia.com/corporates/shpPromoterNGroup.aspx?scripcd=543652&qtrid=123.00&QtrName=September%202024 and NSE at https://www.nseindia.com/get-quotes/equity?symbol=FUSION. Post September 30, 2024, our Promoter namely, Devesh Sachdev has further pledged 5,00,000 Equity Shares in relation to a loan availed by him, on November 19, 2024. As on the date of this Draft Letter of Offer, Devesh Sachdev has pledged a total of 29,02,414 Equity Shares of face value of ₹10 each of the Company; and

   c) The statement showing holding of Equity Shares of persons belonging to the category “Public” including Equity Shareholders holding more than 1% of the total number of Equity Shares as on September 30, 2024, as well as details of shares which remain unclaimed for public can be accessed on the website of BSE at https://www.bseindia.com/corporates/shpPublicShareholder.aspx?scripcd=543652&qtrid=123.00&QtrName=September%202024 and NSE at https://www.nseindia.com/get-quotes/equity?symbol=FUSION.

2. Except as disclosed below, no Equity Shares have been acquired by our Promoter or members of our Promoter Group in the last one year immediately preceding the date of filing of this Draft Letter of Offer with the Stock Exchanges and submission to SEBI.

Sr. No.	Name of the Promoter/ Promoter Group	Number of Equity Shares of face value of ₹10 each acquired	Percentage of Equity Shares acquired (%)	Date of acquisition
1.	Devesh Sachdev	10,000	0.01	March 19, 2024
2.	Devesh Sachdev	6,125	0.01	December 21, 2023
3.	Devesh Sachdev	13,053	0.01	December 20, 2023
4.	Devesh Sachdev	1,422	0.01	December 19, 2023

3. Except as disclosed below, there are no outstanding options or convertible securities, including any outstanding warrants or rights to convert debentures, loans or other instruments convertible into our Equity Shares as on the date of this Draft Letter of Offer.

ESOP 2016

Our Company, pursuant to the resolutions passed by circulation by our Board on December 14, 2016, which was noted by our Board on February 16, 2017, and our Shareholders on January 16, 2017, adopted ESOP 2016, and subsequently amended ESOP 2016 by resolutions passed by our Board on July 25, 2021 and our Shareholders on July 27, 2021. Thereafter, ESOP 2016 was ratified by our Shareholders pursuant to their resolution dated March 26, 2023. The terms of ESOP 2016 are administered through Fusion Employees Benefit Trust.

The following table sets forth details in respect of ESOP, 2016 as on the date of this Draft Letter of Offer:

Particulars	ESOP 2016
A. Total number of options	30,99,407
B. Options granted	36,72,880
C. Options vested	19,57,325
D. Options exercised	18,12,070
E. Options lapsed/expired	5,91,067
F. Options forfeited	0
G. Total options outstanding (B-D-E-F)	12,69,743

ESOP 2023

Our Company, pursuant to the resolutions passed by our Board on February 11, 2023 and our Shareholders on March 26, 2023, adopted ESOP 2023. The terms of ESOP 2023 are administered through Fusion Employees Benefit Trust.

The following table sets forth details in respect of ESOP 2023 as on the date of this Draft Letter of Offer:

Particulars	ESOP 2023
A. Total number of options	10,00,000
B. Options granted	10,70,700
C. Options vested	1,75,750
D. Options exercised	0
E. Options lapsed/expired	1,08,100
F. Options forfeited	0
G. Total options outstanding (B-D-E-F)	9,62,600

All the options of the ESOP 2016 and ESOP 2023 were granted to employees of our Company on the date of such grants. Further, all grant of options under the ESOP 2016 and ESOP 2023 are in compliance with the Companies Act, 2013, and the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended. The ESOP 2016 and ESOP 2023 have been framed and accounted in accordance with the relevant accounting standards.

4. **Intention and extent of participation by our Promoters and Promoter Group**

Our Promoters and Promoter Group have confirmed that they may:

(i) subscribe to the full extent of their respective Rights Entitlements in the Issue or may renounce a portion of their respective Rights Entitlements in favour of the Promoters or other member(s) of the Promoter Group or in favour of existing shareholders of the Company, or third-party investors; and

(ii) subscribe to additional Rights Equity Shares including subscribing to any unsubscribed portion in the Issue, if any, or subscription pursuant to Rights Entitlement acquired through renunciation, either individually or jointly and/ or severally with the Promoter(s) or any other members of the Promoter Group, subject to compliance with the Companies Act, the SEBI ICDR Regulations, SEBI Takeover Regulations and other applicable laws/ regulations.

Provided that if any of the Promoters or members of the Promoter Group renounce any of their respective Rights Entitlements in favour of any third party investor (not being a Promoter or a member of the Promoter Group), whether or not an existing member of the Company, then (i) such renouncing Promoter or member of the Promoter Group shall not apply for subscription to additional Rights Entitlement, subject to applicable laws/ regulations; and (ii) in the event that minimum subscription of 90% is not met, all Application Money received shall be refunded to the Applicants forthwith, but not later than four days from the closure of the Issue, in compliance with Regulation 86 (2) of the SEBI ICDR Regulations. **Further, if the Promoters and members of the Promoter Group subscribe fully to their portion of Rights Entitlements and do not renounce their Rights Entitlements (except to the extent of renunciation within Promoter and Promoter Group), the minimum subscription of 90% will not be applicable to the Issue.**

5. The acquisition of Rights Equity Shares by our Promoters and other members of our Promoter Group in this Issue will be eligible for exemption from open offer requirements, and it will be subject to requirements of Regulation 10(4)(a) and 10(4)(b) of the SEBI Takeover Regulations. Further, the Issue shall not result in a change of control of the management of our Company in accordance with provisions of the SEBI Takeover Regulations. Our Company is in compliance with Regulation 38 of the SEBI Listing Regulations and will continue to comply with the minimum public shareholding requirements under applicable law, pursuant to this Issue.The ex-rights price of the Equity Shares as per regulation 10(4)(b) of the SEBI Takeover Regulations is ₹ [●] per Equity Share.

6. Our Company shall ensure that any transaction in the specified securities by our Promoters and members of our Promoter Group during the period between the date of filing this Draft Letter of Offer with the SEBI and the date of closure of the Issue shall be reported to the Stock Exchange within 24 hours of such transaction.

7. At any given time, there shall be only one denomination of the Equity Shares of our Company.

8. All Equity Shares are fully paid-up and there are no partly paid-up Equity Shares as on the date of this Draft Letter of Offer. Further, under Regulation 89 of the SEBI ICDR Regulations and Clause 4.3 of the Reserve Bank of India Master Direction – Foreign Investment in India, bearing reference no. RBI/FED/2017-18/60, dated January 4, 2018, as amended, the Rights Equity Shares Allotted through the Issue are not required to be made fully paid-up, or forfeited for non-payment of calls within 12 months from the date of allotment of the Rights Equity Shares, since our Company will appoint a Monitoring Agency for the purposes of the Issue. The Rights Equity Shares, when issued, shall be partly paid-up. For further details on the terms of the Issue, please see "*Terms of the Issue*" on page 222.

9. **Details of the Equity Shareholders holding more than 1% of the issued and paid-up Share Capital**

The table below sets forth details of Equity Shareholders holding more than 1% of the issued and paid-up Share Capital of our Company, as of September 30, 2024:

Sr. No	Name of the Equity Shareholders	Number of Equity Shares of face value of ₹10 each held	Percentage of Equity Shares held (%)
1.	Honey Rose Investment Ltd	3,31,64,881	32.83
2.	Creation Investments Fusion, LLC	1,00,29,720	9.93
3.	Creation Investments Fusion II, LLC	99,54,529	9.85
4.	Devesh Sachdev	49,41,314*#	4.89
5.	Nippon Life India Trustee Limited	61,04,968	6.04
6.	HDFC Mutual Fund	39,70,639	3.93
7.	Kotak Mahindra Life Insurance Company Ltd.	21,53,522	2.13
8.	Aditya Birla Sun Life Trustee Private Limited	13,39,439	1.33
9.	ICICI Prudential Banking and Financial Services Fund	11,54,539	1.14

* *Includes 29,02,414 Equity Shares of face value of ₹10 each pledged by Devesh Sachdev, one of our Promoters, as on the date of this Draft Letter of Offer.*

\# *In addition to this, Devesh Sachdev also holds 1,000 Equity Shares of face value of ₹10 each on behalf of the Devesh Sachdev Family Private Trust.*

OBJECTS OF THE ISSUE

Our Company proposes to utilize the Net Proceeds towards augmenting its capital base.

The main objects clause and objects incidental and ancillary to the main objects clause as set out in the Memorandum of Association enables our Company to undertake its existing activities and the activities for which funds are proposed to be raised by our Company through the Issue.

Issue Proceeds

The details of the Issue Proceeds are summarized in the table below:

(in ₹ crore)

Particulars	Estimated amount
Gross proceeds from the Issue*#	Up to 800.00#
Less: Estimated Issue related expenses**	[●]
Net Proceeds**	[●]

* *Assuming full subscription in the Issue, Allotment and receipt of all Call Monies with respect to the Rights Equity Shares. Subject to finalisation of Basis of Allotment.*

** *To be finalized upon determination of the Issue Price and updated in the Letter of Offer. See "- Estimated Issue Related Expenses" on page 63.*

\# *Our Company, in consultation with the Lead Manager, may consider a Preferential Issue of Equity Shares, aggregating up to ₹ 160.00 crore, subject to the necessary approval from our Shareholders in accordance with applicable laws, prior to filing of the Letter of Offer. The Preferential Issue, if undertaken, will be at a price as per the SEBI ICDR Regulations. If the Preferential Issue is completed, the amount raised pursuant to such Preferential Issue will be reduced from the Issue size. The Preferential Issue, if undertaken, (i) will not exceed 20% of the Issue size, and (ii) will be utilized for augmenting our capital base as disclosed in the section titled, "Objects of the Issue".*

Requirement of Funds and Utilisation of Net Proceeds

The Net Proceeds are proposed to be used in accordance with the details set forth in the following table:

(in ₹ crore)

Particulars	Estimated amount* (up to)
Augmenting our capital base	[●]
Net Proceeds	[●]

* *Assuming full subscription in the Issue, Allotment and receipt of all Call Monies with respect to the Rights Equity Shares. Subject to finalisation of Basis of Allotment.*

Means of Finance

The funding requirements and deployment schedule are based on the internal management estimates of our Company and have not been appraised by any bank, financial institution or any other external agency. See "*Risk Factors – 52. Our funding requirements and proposed deployment of the Net Proceeds are based on management estimates and have not been independently appraised and may be subject to change based on various factors, some of which are beyond our control.*". They are based on current circumstances of our business. The Company may have to revise its estimates from time to time on account of various factors beyond its control, such as market conditions, competitive environment, and interest or exchange rate fluctuations. Consequently, the funding requirements of our Company and deployment schedules are subject to revision in the future at the discretion of the management and may also be subject to the timing of making Calls in the future, as determined by our Board, at its sole discretion, in accordance with the applicable laws. Our Board, pursuant to resolution, may determine the date on which the Calls shall be made and if no such date is determined then the Calls shall be deemed to have been made at the time when the resolution authorising such Calls are passed at the meeting of our Board, as the case may be. The Calls may be revoked or postponed at the discretion of our Board. In accordance with our Articles of Association, our Board may make one or more subsequent Call(s), with terms and conditions such as the number of Calls and the timing and quantum of each Call as may be decided by our Board from time to time, to be completed on or prior to [●].

The Company proposes to meet the entire funding requirements for the proposed Object of the Issue from the Net Proceeds and identifiable internal accruals, if required. Therefore, the Company is not required to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised from the Issue.

Proposed Schedule of Implementation or Deployment of Net Proceeds

Our Company shall raise [●] % of the Gross Proceeds on Application, with balance monies constituting up to [●] % of the Gross Proceeds, being raised in one or more subsequent Call(s), with terms and conditions, such as the number of Calls and the timing and quantum of each Call, as may be decided by our Board from time to time, to be completed on or prior to [●], pursuant to the Payment Schedule and after payment of the Application Money. The following table provides the schedule of utilisation of the Net Proceeds to be raised at Application.

(in ₹ crore)

Particulars	Amount to be funded from the Net Proceeds at Application	Proposed Schedule for deployment of the Net Proceeds at Application
		Financial Year 2024-25
Augmenting our capital base	[●]	[●]
Net Proceeds*	[●]	[●]

* *Assuming full subscription in the Issue, Allotment and receipt of all Call Monies with respect to the Rights Equity Shares. Subject to finalisation of Basis of Allotment.*

Our Company proposes to deploy the entire Net Proceeds towards the Objects as described herein within next two Financial Years. In the event that our Board extends the timeline to make Calls post [●], in accordance with applicable law, the Net Proceeds shall be deployed within two Financial Years from such extended timeline.

In the event that the Net Proceeds are not completely utilized for the objects stated above and as per the estimated schedule of utilisation, due to various factors beyond our control, such as economic and business conditions, market conditions, the remaining Net Proceeds would be utilized (in part or in full) in subsequent Financial Years for achieving the objects of the Issue.

The deployment schedule of the Net Proceeds raised pursuant to subsequent one or more additional Calls shall be included in such subsequent Call notices by our Company. As and when our Company makes the Calls for the balance monies with respect to the Rights Equity Shares, our Company shall endeavour to utilize the proceeds raised from such Calls within the same Financial Year as the receipt of the said Call Monies, failing which our Company shall utilise the Call Monies within the next two Financial Years.

Our Board and/ or the Rights Issue Committee retain the right to change the above schedule of implementation and deployment of Net Proceeds, including the manner, method, and timing of deployment of the Net Proceeds, in case of any delay in payment and/or non-receipt of Call Monies and/or change in our business requirements and other commercial considerations, subject to compliance with applicable laws.

Details of the objects to be financed from the Net Proceeds

The details in relation to objects of the Issue are set forth herein below.

I. ***Augmenting our capital base***

As an NBFC, registered with RBI, we are subject to regulations relating to the capital adequacy, which determine the minimum amount of capital we must hold as a percentage of the risk-weighted assets on our portfolio and of the risk adjusted value of off-balance sheet items, as applicable. As per the capital adequacy norms issued by the RBI, we are required to have a regulatory minimum CRAR of 15% consisting of Tier 1 and Tier II capital. Our CRAR as of March 31, 2024 and September 30, 2024 was 27.53% and 24.39%, respectively, of which Tier 1 was 26.60 % and 22.81% and Tier 2 was 0.93 % and 1.59 %, respectively.

Our Company proposes to utilise the Net Proceeds towards augmenting its capital base to meet future capital requirements. Further, as we continue to grow our loan portfolio and asset base, we will require additional capital in order to continue to meet applicable capital adequacy ratios with respect to our business. In the coming quarters, our Company plans to significantly grow its loan advances which would require Tier 1 capital to comply with the applicable capital adequacy regulations. With the primary capital raise planned through the Issue, the management of our Company believes that it would have adequate capital without any further need of fresh capital in the short to medium term.

Accordingly, we intend to utilise up to ₹[●] from the Net Proceeds to augment our capital base to meet our future capital requirements, which are expected to arise out of growth of our business and assets, including but not limited to onward lending as part of our business activities, ensuring compliance with applicable regulatory requirements, payment of operating expenditure and funding growth opportunities.

Estimated Issue Related Expenses

The estimated Issue related expenses are as follows:

(unless otherwise specified, in ₹ crore)

Sr. No.	Particulars	Estimated amount*	Percentage of total estimated Issue expenditure (%)	Percentage of Issue Size (%)
1.	Fees payable to the Lead Manager (including underwriting commission, brokerage, selling commission and upload fees)	[●]	[●]	[●]

Sr. No.	Particulars	Estimated amount*	Percentage of total estimated Issue expenditure (%)	Percentage of Issue Size (%)
2.	Fees payable to legal advisors and other professional service providers (includes Legal Counsels, Statutory Auditors, practising company secretary, independent chartered account, the virtual data room provider in connection with due diligence for the Issue etc.)	[●]	[●]	[●]
3.	Fees payable to the Registrar to the Issue	[●]	[●]	[●]
4.	Advertising, marketing and shareholder outreach expenses	[●]	[●]	[●]
5.	Fees payable to regulators, including Stock Exchanges, SEBI, depositories and other statutory fees	[●]	[●]	[●]
6.	Printing and stationery, distribution, postage, etc.	[●]	[●]	[●]
7.	Other expenses (including miscellaneous expenses and stamp duty)	[●]	[●]	[●]
Total estimated Issue related expenses*		[●]	[●]	[●]

* *Amount will be finalized at the time of filing of the Letter of Offer and determination of Issue Price and other details.*

Bridge Financing Facilities

Our Company has not availed any bridge loans from any banks or financial institutions as on the date of this Draft Letter of Offer, which are proposed to be repaid from the Net Proceeds.

Interim Use of Net Proceeds

Our Company shall deposit the Net Proceeds, pending utilisation of the Net Proceeds for the purposes described above, by depositing the same with any scheduled commercial banks which are included in second schedule of Reserve Bank of India Act, 1934.

Monitoring Utilization of Funds from the Issue

Our Company shall appoint a Monitoring Agency for the Issue prior to the filing of the Letter of Offer. Our Board and Monitoring Agency shall monitor the utilization of the Gross Proceeds and the Monitoring Agency shall submit a report to our Board as required under Regulation 82 of the SEBI ICDR Regulations. Our Company will disclose the utilization of the Gross Proceeds under a separate head in our balance sheet along with the relevant details, for all such amounts that have not been utilized. Our Company will indicate instances, if any, of unutilized Gross Proceeds in the balance sheet of our Company for the relevant Financial Years subsequent to receipt of listing and trading approvals from the Stock Exchanges.

Pursuant to Regulation 32(3) of the SEBI Listing Regulations, our Company shall, on a quarterly basis, disclose to the Audit Committee the uses and applications of the Gross Proceeds. Further, pursuant to Regulation 32(5) of the SEBI Listing Regulations, our Company shall, on an annual basis, prepare a statement of funds utilised for purposes other than those stated in this Draft Letter of Offer and place it before the Audit Committee and make other disclosures as may be required until such time as the Net Proceeds remain unutilised. Such disclosure shall be made only until such time that all the Gross Proceeds have been utilised in full. The statement shall be certified by the Statutory Auditor(s) of our Company or a peer reviewed independent chartered accountant, which shall be submitted by our Company with the Monitoring Agency.

Furthermore, in accordance with Regulation 32(1) of the SEBI Listing Regulations, our Company shall furnish to the Stock Exchanges on a quarterly basis, a statement indicating (i) deviations, if any, in the actual utilisation of the proceeds of the Issue from the objects of the Issue as stated above; and (ii) details of category wise variations in the actual utilisation of the proceeds of the Issue from the objects of the Issue as stated above. This information will also be published on our website and explanation for such variation (if any) will be included in our Directors' report, after placing it before the Audit Committee.

Strategic or Financial Partners

There are no strategic or financial partners to the Objects of the Issue.

Appraising entity

None of the objects for which the Net Proceeds will be utilized have been appraised by any agency or any financial institution.

Other confirmations

No part of the proceeds of the Issue will be paid by our Company to our Promoters, our Promoter Group, our Directors or our Key Managerial Personnel or Senior Management.

Our Promoters, our Promoter Group and our Directors do not have any interest in the objects of the Issue, and there are no material existing or anticipated transactions in relation to utilization of the Net Proceeds with our Promoter, Promoter Group, Directors, Key Managerial Personnel, Senior Management or associate companies (as defined under the Companies Act, 2013).

Our Company does not require any material government and regulatory approvals in relation to the objects of the Issue.

STATEMENT OF SPECIAL TAX BENEFITS

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO FUSION FINANCE LIMITED (FORMERLY KNOWN AS FUSION MICRO FINANCE LIMITED) AND THE SHAREHOLDERS OF THE COMPANY UNDER THE DIRECT AND INDIRECT TAX LAWS IN INDIA

To
The Board of Directors
Fusion Finance Limited
(formerly known as Fusion Micro Finance Limited)
H-1, Community Centre,
Naraina Vihar, New Delhi – 110 028

Dear Sirs,

We have been requested by the Company to issue a report on the special tax benefits available to the Company and shareholders of the Company for inclusion in the draft letter of offer and letter of offer (collectively referred to as "Issue Documents") prepared in connection with the proposed rights issue of equity shares of Fusion Finance Limited *(formerly known as Fusion Micro Finance Limited)* ("Fusion Finance" or "the Company").

We enclose herewith the statement (the "Annexure I") showing the current position of special tax benefits available to the Company and to its shareholders as per the provisions of the Income-tax Act 1961 (read with Income Tax Rules, 1962, circulars, notifications) as amended by the Finance (No. 2) Act, 2024, i.e., applicable for the Financial Year 2024-25 relevant to the Assessment Year 2025-26, the Central Goods and Services Tax Act, 2017 / the Integrated Goods and Services Tax Act, 2017 ("GST Act"),the Customs Act, 1962 ("Customs Act"), the Customs Tariff Act, 1975 ("Tariff Act"), and Foreign Trade Policy 2015-2020 (as extended) including the rules, regulations, circulars and notifications issued thereunder (collectively the "Taxation Laws") as amended by the Finance Act 2024 (including the rules, regulations, circulars and notifications issued) as applicable for the financial year 2024-25 relevant to the assessment year 2025-26 presently in force in India for inclusion in the Issue Documents for the proposed rights issue of equity shares ("Issue").

Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of Taxations Laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon their fulfilling such conditions. Further, certain tax benefits may be optional, and it would be at the discretion of the Company or its shareholders to exercise the option by fulfilling the conditions prescribed under the relevant Taxation Laws.

The benefits discussed in the enclosed Annexure I are neither exhaustive nor conclusive. The contents stated in Annexure I are based on the information and explanations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company. The Annexure I covers only possible special direct and indirect tax benefits available and does not cover any general tax benefits available to the Company or its shareholders. This statement is only intended to provide general information to guide the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultants, with respect to the specific tax implications arising out of their participation in the Issue. We are neither suggesting nor are we advising the investor to invest money or not to invest money based on this statement. We do not express any opinion or provide any assurance whether:

- The Company or its Shareholders will continue to obtain these special tax benefits in future;
- The conditions prescribed for availing the special tax benefits have been/would be met;
- The revenue authorities/courts will concur with the views expressed herein.

This statement is provided solely for the purpose of assisting the Company in discharging its responsibilities under the Securities and Exchange Board of India ("SEBI") (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended .

We hereby give our consent to include this statement and enclosed Annexure I regarding the tax benefits available to the Company and to its shareholders in the Issue Documents for the proposed rights issue of equity shares which the Company intends to submit to the Securities and Exchange Board of India, the Registrar of Companies, Delhi and Haryana at New Delhi and the stock exchange(s) provided that the below statement of limitation is included in the Issue Documents.

LIMITATIONS

Our views expressed in the Annexure I enclosed are based on the facts and assumptions indicated above. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on the statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the Issue or to any third party relying on the statement. This statement has been prepared solely in connection with the Issue under the Companies Act, 2013 and Securities and Exchange Board of India ("SEBI") (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 015125N)

Jitendra Agarwal
(Membership No. 87104)
UDIN: 24087104BKCUKB8972

Place: Gurugram
Date: December 5, 2024

Annexure I

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO FUSION FINANCE LIMITED (FORMERLY KNOWN AS FUSION MICRO FINANCE LIMITED) ("THE COMPANY") AND ITS SHAREHOLDERS

The information provided below sets out the possible tax benefits in the hands of Fusion Finance Limited *(formerly known as Fusion Micro Finance Limited)* ("Fusion Finance" or "the Company") and its shareholders in a summary manner only and is not a complete analysis or listing of all potential tax benefits, under the current Income-tax Act, 1961 ("IT Act"), the Central Goods and Services Tax Act, 2017 / the Integrated Goods and Services Tax Act, 2017 ("GST Act"),the Customs Act, 1962 ("Customs Act"), the Customs Tariff Act, 1975 ("Tariff Act") and Foreign Trade Policy 2015-2020 (as extended) including the rules, regulations, circulars and notifications issued thereunder (collectively the "Taxation Laws") presently in force in India.

Several of these benefits are dependent on fulfilling the conditions prescribed under the relevant Taxation Laws. Hence, the ability of the Company and / or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on business imperatives any of them face, they may or may not choose to fulfill. Further, certain tax benefits may be optional and it would be at the discretion of the Company or its shareholders to exercise the option by fulfilling the conditions prescribed under the relevant Taxation Laws. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice.

In view of the individual nature of the tax consequences and the changing tax laws, investors are advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the issue. We are neither suggesting nor are we advising investors to invest money or not to invest money based on this statement.

The statement below covers only relevant Taxation Laws benefits and does not cover any benefit under any other law.

1. SPECIAL TAX BENEFITS UNDER THE INCOME TAX ACT,1961 IN THE HANDS OF FUSION FINANCE LIMITED AND THE SHAREHOLDERS OF THE COMPANY

The law stated below is as per the Income-tax Act, 1961 as amended from time to time and applicable for financial year (FY) 2024-25 relevant to assessment year (AY) 2025-26

A. <u>Special tax benefits available to Company under IT Act</u>

i) Lower corporate tax rate under section 115BAA

As per section 115BAA of the IT Act as inserted vide the Taxation Laws (Amendment) Act, 2019 with effect from FY 2019-20 relevant to AY 2020-21, a domestic company has an option to pay income tax in respect of its total income at a concessional tax rate of 25.17% (22% plus surcharge of 10% and cess of 4%) provided the company does not avail of specified exemptions, incentives, deductions or set-off of losses / unabsorbed depreciation, etc., claims depreciation in the prescribed manner and complies with the other conditions specified in section 115BAA of the IT Act.

In case a company opts for section 115BAA of the IT Act, the provisions of Minimum Alternate Tax ("MAT") under section 115JB of the IT Act would not be applicable and MAT credit of the earlier year(s) will not be available for set-off.

The option needs to be exercised in the prescribed manner qua a particular AY on or before the due date of filing the income-tax return for such AY. The option once exercised shall apply to subsequent AYs and cannot be subsequently withdrawn for the same or any other AY. Further, if the conditions mentioned in section 115BAA of the IT Act are not satisfied in any AY, the option exercised shall become invalid in respect of such AY and subsequent AYs, and the other provisions of the Act shall apply as if the option under section 115BAA had not been exercised.

The Company pays corporate tax as per rates prescribed under section 115BAA of the IT Act for AY 2025-26 relevant for FY 2024-25.

ii) Deduction from Gross Total Income

The Company is eligible for the following deductions from its Gross Total Income, even though it has opted for the concessional tax rate under section 115BAA of the IT Act.

a) **Deduction under section 80JJAA of the IT Act - Deduction in respect of employment of new employees**

As per section 80JJAA of the IT Act, while computing income under the head business and profession in case of an assessee to whom section 44AB (i.e., tax audit) applies, a deduction of an amount equal to 30% of additional employee cost incurred in the course of such business in the FY, shall be allowed for three AYs including the AY relevant to the FY in which such employment is provided. The Company has availed the benefits under the said section and are eligible for deduction under section 80JJAA subject to fulfilment of conditions specified under section 80JJAA of the IT Act even under the concessional regime under section 115BAA of the IT Act.

b) **Deduction under section 36(1)(viia) of the IT Act - Accelerated deduction of bad and doubtful debts in terms of provision for bad and doubtful debts up to a specified limit**

The Company is a non-deposit taking Non-Banking Financial Company – Micro Finance Institution (NBFC - MFI) and is entitled to accelerated deduction of bad and doubtful debts in terms of provision for bad and doubtful debts up to a specified limit under section 36(1)(viia) of the IT Act in computing its income under the head "Profits and gains of business or profession". As per the provisions of section 36(1)(viia) of the IT Act, the Company could claim a deduction of provision created for bad and doubtful debts in its books of account to the extent of five per cent of its total income (computed before making any deduction under this section and Chapter VI-A), subject to certain conditions, while computing its income under the head "Profits and gains of business or profession".

Here it is pertinent to note that as per first proviso to section 36(1)(vii) of the IT Act, where the Company has claimed deduction under section 36(1)(viia) of the IT Act, then subsequent claim of deduction of actual bad debts under section 36(1)(vii) of the IT Act would be reduced to the extent of deduction already claimed under section 36(1)(viia) of the IT Act.

It must be noted that as per the CBDT instruction 17-2008 dated 26 November 2008 amount of deduction claimed by the assessee in respect of bad debts under section 36(1)(vii) of the IT Act is required to be reduced by opening balance of provision for bad and doubtful debts created under section 36(1)(viia) of the IT Act.

Further, as per section 41(4) of the IT Act, where any deduction has been claimed by the Company in respect of a bad debt under Section 36(1)(vii) of the IT Act, then any amount subsequently recovered on any such debt is greater than the difference between such debt and the amount so allowed as a deduction under section 36(1)(vii) of the IT Act, the excess shall be deemed to be business income of the year in which it is recovered.

Also, as per Section 43D(a) of the IT Act, interest income in relation to certain categories of bad or doubtful debts, shall be chargeable to tax in the previous year in which it is credited to its profit and loss account for that year or actually received, whichever is earlier. This provision is an exception to the accrual system of accounting which is regularly followed by such assessee's for computation of total income. The Company being a systemically important non-deposit taking non-banking financial company as per the provisions of Section 36(1)(viia) of the IT Act can claim benefit of this section by virtue of explanation (h) to Section 43D of the IT Act.

Rule 6EA of the Income tax Rules, 1962 specifies certain categories of bad and doubtful debts as covered under Section 43D(a) of the IT Act, the relevant extracts of which are as follows:

"(e)Debts recoverability whereof has become doubtful on account of shortfalls in value of security, difficulty in enforcing and realising the securities, or inability or unwillingness of the borrower to repay the banks dues, partly or wholly, and such debts have not been included in preceding clauses (a) to (d).

c) **Deduction under 80M of the IT Act - Deduction in respect of inter-corporate dividends**

Up to 31 March 2020, any dividend paid to a shareholder by a company was liable to payment of Dividend Distribution Tax ("DDT") by such company, and the dividend was exempt from tax in the hands of the recipient shareholder. Pursuant to the amendment made by the Finance Act, 2020, DDT was abolished, and dividend received by a shareholder on or after 1 April 2020 is liable to tax in the hands of the shareholder, other than dividend on which tax under section 115-O has been paid.

With respect to a shareholder which is a domestic company as defined in section 2(22A) of the IT Act, section 80M inter alia provides that where the gross total income of a domestic company in any FY includes any income by way of dividends from any other domestic company or a foreign company or a business trust, there shall, in accordance with and subject to the provisions of the said section, be allowed in computing the total income of such domestic company, a deduction of an amount equal to so much of the amount of income by way of dividends received from such other domestic company or foreign company or business trust as does not exceed the amount of dividend distributed by it on or before the "due date". For the purposes of the section, "due date" means the date one month prior to the date for furnishing the income-tax return under section 139(1) of the IT Act.

The Company is entitled to claim such deduction subject to fulfilment of conditions specified under section 80M of the IT Act even under the concessional regime under section 115BAA.

B. <u>Special tax benefits available to the shareholders under IT Act</u>

There are no special tax benefit available to the shareholders of Company for investing in the shares of the Company. However, such shareholders shall be liable to concessional tax rates on certain incomes under the extant provisions of the IT Act.

- Dividend income earned by the shareholders would be taxable in their hands at the applicable rates. However, in case of domestic corporate shareholders, deduction under Section 80M of the IT Act would be available on fulfilling the conditions (as discussed above). Further, in case of shareholders who are individuals, Hindu Undivided Family, Association of Persons, Body of Individuals, whether incorporated or not and every artificial juridical person, surcharge would be restricted to 15%, irrespective of the amount of dividend.

- Section 2(42A) of the Act provides that securities listed in a recognized stock exchange in India that are held for not more than 12 months immediately preceding the date of its transfer, shall constitute short- term capital assets.

- As per Section 111A of the IT Act, short term capital gains arising from the transfer of an equity share or a unit of an equity-oriented fund or a unit of a business trust in a company transacted through a recognized stock exchange on or after July 23, 2024 and chargeable to Securities Transaction Tax ('STT') shall be taxed at 20% (plus applicable surcharge and cess) (provided the short-term capital gains exceed the basic threshold limit of exemption, where applicable) subject to fulfilment of prescribed conditions under the Act.

- Further, as per section 112A of the IT Act, long-term capital gains exceeding INR 1,25,000 arising from the transfer of equity shares, or a unit of an equity-oriented fund or a unit of a business trust in a company transacted through a recognized stock exchange on or after July 23, 2024 on which STT has been paid on acquisition (except in certain situations) and on transfer, shall be chargeable to tax at the rate of 12.5% (plus applicable surcharge and cess) without applying the benefit under the first and second provisos to section 48 of the IT Act.

- The condition of STT shall not apply to a transfer undertaken on a recognized stock exchange located in any IFSC and where the consideration for such transaction is received or receivable in foreign currency.

- **In respect of non-resident shareholders, the tax rates and the consequent taxation shall be further subject to any benefits available under the applicable Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile.**

2. STATEMENT OF POSSIBLE INDIRECT TAX BENEFITS AVAILABLE TO THE COMPANY, AND SHAREHOLDERS OF THE COMPANY

The Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, the Union Territory Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, the Customs Act, 1962 and the Customs Tariff Act, 1975 (collectively referred to as "Indirect tax")

A. SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE COMPANY

The Company has been registered as a Non-Banking Financial Company- Micro finance Institution ('NBFC- MFI') with the Reserve Bank of India.

The Company is primarily engaged in providing services of microfinance as well as lending to Micro Small and Medium Enterprises ('MSMEs'). The main source of income for the Company is Interest on loans, which is exempt from levy of GST as per the relevant exemption notifications issued under Central Goods and Services Tax Act, 2017 and Integrated Goods and Services Tax Act, 2017.

The Company has exercised the option under Section 17(4) of the Central Goods and Services Tax Act, 2017 and accordingly avails 50% of the eligible input tax credit and utilizes the said availed input tax credit in compliance with the provisions of GST law.

Apart from the above, there is no special Indirect tax benefits available to the Company under the Indirect Tax Regulations in India.

B. SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS

- There are no possible special Indirect tax benefits available to the shareholders of the Company.

Note:

Our views expressed in this statement are based on the facts and assumptions as indicated in the statement. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on this statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the proposed issue relying on this statement.

This statement has been prepared solely in connection with the proposed issue under the Companies Act, 2013 and Securities and Exchange Board of India ("SEBI") (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended.

Yours faithfully,

For and on behalf of **Fusion Finance Limited *(formerly known as Fusion Micro Finance Limited)***

Gaurav Maheshwari

Chief Financial Officer

Date: December 5, 2024

SECTION IV: ABOUT OUR COMPANY

INDUSTRY OVERVIEW

*Unless otherwise indicated, information contained in this section has been obtained or derived from publicly available information as well as various industry publications and sources, as referred to herein (collectively, the "**Sources**"). The information in the Sources is as of specified dates and opinions in the Sources may be based on estimates, projections, forecasts and assumptions that may be as of such dates, which may no longer be current or reflect current trends. Further, forecasts, estimates, predictions, and other forward-looking statements contained in the Sources are inherently uncertain because of changes in factors underlying their assumptions, or events or combinations of events that cannot be reasonably foreseen. Actual results and future events could differ materially from such forecasts, estimates, predictions, or such statements. Accordingly, investment decisions should not be based on such information. Each Source is not a recommendation to invest or disinvest in any company covered in such Source. The views expressed in the Sources are that of its authors. Prospective investors are advised not to unduly rely on the Sources, and should conduct their own investigation and analysis of all facts and information contained in this Draft Letter of Offer. Unless otherwise indicated, all financial, operational, industry and other related information derived from the applicable Source and included herein with respect to any particular Financial Year or as the case may be, calendar year, refers to such information for the relevant Financial Year or as the case may be, calendar year.*

Global Macroeconomic Outlook

The global battle against inflation has largely been won, even though price pressures persist in some countries. After peaking at 9.4% year over year in the third quarter of 2022, headline inflation rates are now projected to reach 3.5% by the end of 2025, below the average level of 3.6% between 2000 and 2019.

Moreover, despite a sharp and synchronized tightening of monetary policy around the world, the global economy has remained unusually resilient throughout the disinflationary process, avoiding a global recession. Growth is projected to hold steady at 3.2% in 2024 and 2025, even though a few countries, especially low-income developing countries, have seen sizable downside growth revisions, often as a result of increased conflicts (*Source: World Economic Outlook, October 2024*)

Indian Economy

The Indian economy's GDP at Current Prices in the year Fiscal 2024 is estimated at ₹ 295.36 trillion, as against ₹269.50 trillion for Fiscal 2023 showing a growth of 9.6% (*Source: Ministry of Statistics and Programme Implementation, Press note May 31, 2024*) India has become the fifth largest economy in the world, surpassing the U.K. and France. (*Source: World Bank GDP Ranking 2022*)

In India, real GDP registered a growth of 6.7% in Q1FY25, driven by private consumption and investment. The real GDP growth for Fiscal 2025 is projected at 7.2% with Q2FY25 at 7.0%; Q3FY25 at 7.4%; and Q4FY25 at 7.4%. Real GDP growth for Q1FY26 is projected at 7.3% (*Source: RBI MPC October 7 to 9, 2024*)

Headline inflation declined sharply to 3.6% and 3.7% in July and August respectively from 5.1% in June. Going forward, the September inflation print may see a significant pick-up as base effects turn adverse and food prices register an upturn. CPI inflation for Fiscal 2025 is projected at 4.5% with Q2FY25 at 4.1%; Q3FY25 at 4.8%; and Q4FY25 at 4.2%. CPI inflation for Q1FY26 is projected at 4.3% (*Source: RBI MPC October 7 to 9, 2024*)

In the Monetary Policy Committee Meeting held in October 2024 the committee, basis of an assessment of the current and evolving macroeconomic situation, decided to keep the policy repo rate under the liquidity adjustment facility ("**LAF**") unchanged at 6.50%. Consequently, the standing deposit facility ("**SDF**") rate remained unchanged at 6.25% and the marginal standing facility ("**MSF**") rate and the bank rate at 6.75%. These decisions were made with the objective of achieving the medium-term target for CPI inflation of 4% within a band of +/- 2%, while supporting growth (*Source: RBI MPC October 7 to 9, 2024*)

Introduction to the Indian Financial Sector

The RBI, the central banking and monetary authority of India, is the central regulatory and supervisory authority for the Indian financial system. A variety of financial intermediaries in the public and private sectors participate in India's financial sector, including (i) commercial banks, comprising: private sector banks, regional rural banks ("RRBs"), public sector banks ("PSBs"), foreign banks, co-operative banks, small finance banks and payment banks; (ii) long term lending institutions; (iii) non-banking financial companies ("NBFCs"), including housing finance companies ("HFCs"); (iv) other specialized financial institutions and state-level financial institutions; (v) insurance companies; (vi) micro-finance institutions; and (vii) mutual funds

Micro-finance Institutions

Microfinance institutions form a distinct sub-group of non-banking financial companies. They focus on providing access to small-scale financial services, especially to the poor, and play an important role in delivering credit to people at the bottom of the economic pyramid. Microfinance institutions differ from other financial service providers as they do not depend on grants or subsidies to provide unsecured loans to borrowers with low incomes and no access to the mainstream banking system. They encompass a host of financial institutions engaged in advancing loans to low-income groups. The essential features of microfinance loans are that they are of small amounts, have short tenures, are extended without collateral, and require a frequency of loan repayments that is greater than that for traditional commercial loans. These loans are generally taken for income-generating activities but are also provided for consumption, housing and other purposes (*Source: RBI Bulletin, Microfinance: Reaching out to the Bottom of the Pyramid dated September 11, 2020*)

Regulatory Framework for NBFC-MFIs

Prudential Norms

Capital Requirements

All new NBFC-MFIs shall maintain a capital adequacy ratio consisting of Tier I and Tier II Capital which shall not be less than 15% of its aggregate risk weighted assets. The total of Tier II Capital at any point of time, shall not exceed 100% of Tier I Capital.

Provisioning Norms

The aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of a) 1% of the outstanding loan portfolio or b) 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more

Pricing of Credit

i. All NBFC-MFIs shall maintain an aggregate margin cap of not more than 12%. The interest cost will be calculated on average fortnightly balances of outstanding borrowings and interest income is to be calculated on average fortnightly balances of outstanding loan portfolio of qualifying assets.

ii. Interest on individual loans will not exceed 26% per annum and calculated on a reducing balance basis.

iii. Processing charges shall not be more than 1 % of gross loan amount. Processing charges need not be included in the margin cap or the interest cap

Limit on Loan Repayment Obligations of a Household

Each Regulated Entity ("**RE**") shall have a board-approved policy regarding the limit on the outflows on account –of repayment of monthly loan obligations of a household as a percentage of the monthly household income. This shall be subject to a limit of maximum 50% of the monthly household income. (*Source: Master Direction - Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022*)

The computation of loan repayment obligations shall take into account all outstanding loans (collateral-free microfinance loans as well as any other type of collateralized loans) of the household. The outflows capped at 50% of the monthly household income shall include repayments (including both principal as well as interest component) towards all existing loans as well as the loan under consideration. (*Source: Master Direction - Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022*)

Existing loans, for which outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income exceed the limit of 50%, shall be allowed to mature. However, in such cases, no new loans shall be provided to these households till the prescribed limit of 50% is complied with (*Source: Master Direction - Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022*)

Recent Regulatory Changes

Definition of a Microfinance Loan

A microfinance loan is defined as a collateral-free loan given to a household having annual household income up to ₹3,00,000. For this purpose, the household shall mean an individual family unit, i.e., husband, wife and their unmarried children. (*Source: Master Direction - Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022*)

Qualifying Assets Criteria

Under the earlier qualifying assets criteria, a NBFC-MFI is required to have minimum 85% of its net assets as 'qualifying assets'. The definition of 'qualifying assets' of NBFC-MFIs is now being aligned with the definition of 'microfinance loans' given at "definition of Microfinance Loan" above. The minimum requirement of microfinance loans for NBFC-MFIs also stands revised to 75% of the total assets.

Under the earlier guidelines, an NBFC that does not qualify as an NBFC-MFI, cannot extend microfinance loans exceeding 10% of its total assets. The maximum limit on microfinance loans for such NBFCs (i.e., NBFCs other than NBFC-MFIs) now stands revised to 25% of the total assets (*Source: Master Direction - Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022*)

Ticket size & tenure of loans

As per the revised regulation cap/restrictions for ticket size and tenure has been removed.

Pricing of Loans

Each RE shall put in place a board-approved policy regarding pricing of microfinance loans which shall, inter alia, cover the following:

i. A well-documented interest rate model/ approach for arriving at the all-inclusive interest rate

ii. Delineation of the components of the interest rate such as cost of funds, risk premium and margin, etc. in terms of the quantum of each component based on objective parameters

iii. The range of spread of each component for a given category of borrowers

iv. A ceiling on the interest rate and all other charges applicable to the microfinance loans.

(*Source: Master Direction - Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022*)

OUR BUSINESS

*We have included various operational and financial performance indicators in this Draft Letter of Offer, many of which may not be derived from the Statement of Unaudited Financial Results HY 25 containing Qualified Review Report included herein as of and for the six months ended September 30, 2024 (with the comparative period data as of and for the six month period ended September 30, 2023) ("**Unaudited Financial Results**") and our Audited Financial Statements FY 24 as of and for the financial years ended March 31, 2024 (with the comparative period data as of and for the financial year ended March 31, 2023), including the related notes, schedules and annexures (our "**Audited Financial Statements**" and together with the Unaudited Financial Results, the "**Financial Statements**"). The manner in which such operational and financial performance indicators are calculated and presented, and the assumptions and estimates used in such calculations, may vary from that used by other companies in India and other jurisdictions. For the purposes of this section, for certain analyses we have used historical methodologies and internal categorizations to enable a consistent representation of our business. Such information may vary from similar information publicly disclosed by us in compliance with applicable regulations in India. Investors are accordingly cautioned against placing undue reliance on such information in making an investment decision, and should consult their own advisors and evaluate such information in the context of our Financial Statements and other information relating to our business and operations included in this Draft Letter of Offer.*

*Unless otherwise indicated, industry information contained in this section has been obtained or derived from publicly available information as well as various industry publications and sources, as referred to herein (collectively, the "**Sources**"). The information in the Sources is as of specified dates and opinions in the Sources may be based on estimates, projections, forecasts and assumptions that may be as of such dates, which may no longer be current or reflect current trends. Further, forecasts, estimates, predictions, and other forward-looking statements contained in the Sources are inherently uncertain because of changes in factors underlying their assumptions, or events or combinations of events that cannot be reasonably foreseen. Actual results and future events could differ materially from such forecasts, estimates, predictions, or such statements. Accordingly, investment decisions should not be based on such information. Each Source is not a recommendation to invest or disinvest in any company covered in such Source. The views expressed in the Sources are that of its authors. Prospective investors are advised not to unduly rely on the Sources, and should conduct their own investigation and analysis of all facts and information contained in this Draft Letter of Offer. Unless otherwise indicated, all financial, operational, industry and other related information derived from the applicable Source and included herein with respect to any particular Financial Year or as the case may be, calendar year, refers to such information for the relevant Financial Year or as the case may be, calendar year.*

We are a non-banking finance company ("**NBFC**") - microfinance institution ("**MFI**") offering microfinance loans to women borrowers from low-income households. We founded our Company with the core idea of creating opportunities at the bottom of the pyramid, and we do so by providing financial services to unserved and underserved women in rural and semi-urban areas across India. We believe that our network and services have improved accessibility to formal credit at affordable prices, thereby positively impacting the lives of our customers in rural India. Our gross AUM was ₹11,571.15 crore, ₹10,026.43 crore, ₹11,476.08 crore and ₹9,296.22 crore as of September 30, 2024 and 2023 and March 31, 2024 and 2023, respectively.

Over the years, we have scaled our AUM by committing to our key pillars of growth, comprising customer centricity, strategic geographic diversification with a rural focus, embracing technology for growth, emphasis on nurturing and developing our personnel, good corporate governance, stakeholder management and prudent risk management, as well as ability to raise growth capital through the support of our promoters, including Honey Rose, which is directly owned by certain private equity funds managed by Warburg Pincus LLC, one of our marquee investors, and Creation Investments Capital Management, an alternative investment management company with a focus on private equity and private credit investments.

Since the inception of our microfinance business in 2010, we have prioritized organic geographical diversification and management of state level AUM by expanding into underpenetrated rural areas that offer significant growth opportunities. As a result, we have achieved a significant footprint across India, where we have extended our reach to 3.85 million active borrowers which were served through our network of 1,463 branches and 16,186 permanent employees spread across 483 districts in 22 states and union territories in India, as of September 30, 2024. We believe that our significant footprint of active borrowers and branch network puts us in a vantage position to further penetrate and deepen our presence in areas in which we have established branch infrastructure but remain relatively untapped and also to expand into new regions that have significant growth potential. Our extensive and geographically diverse distribution network allows us to offer "last-mile" connectivity to our customers in remote rural areas. As a result of our active management of state concentration, we have been able to maintain low levels of AUM concentration per state despite our growth over the years. As of September 30, 2024, no single state contributed to more than 25.00% of our total AUM, and our proportion of AUM in Uttar Pradesh, Bihar, Odisha, Madhya Pradesh and Tamil Nadu, our five largest states in terms of AUM concentration (our "**Top Five States**"), has decreased from 72.26% of our total AUM as of March 31, 2019 to 70.13% of our total AUM as of September 30, 2024.

As of September 30, 2024, our share of AUM from customers in rural areas represented 88.86% of our total AUM. Our focus customer segment is women in rural areas with an annual household income of up to ₹300,000. Our business runs on a joint liability lending model, wherein a small number of women form a center (typically comprising not less than five members) and guarantee one another's loans. We believe this model ensures credit discipline through peer support within the center, making our customers prudent in conducting their financial affairs and prompt in repaying their loans. Our key product offerings are income-generating loans that provide capital for women entrepreneurs in rural areas to fund businesses operating in the agriculture-allied and agriculture, animal husbandry, crafts, manufacturing and production, small trade and retail, and services sectors. Subject to certain eligibility criteria, we also offer our existing customers top-up loans to manage interim working capital requirements for existing businesses as well as emergency loans to fund urgent financial needs arising as a result of unforeseen events such as health emergencies, natural disasters and family bereavements. In addition, we offer our existing customers cross-sell loans that are utilized for livelihood and productivity enhancing purposes as well as MSME loans to eligible enterprises.

We believe we have been able to optimize our cost of funds, liquidity requirements and capital management over the years, notwithstanding difficult market conditions, due to our prudent liability management, ability to secure sufficient and diversified borrowings on competitive terms. We benefit from a large and diversified mix of 50 lenders comprising a range of public sector banks, private sector banks, foreign banks, development financial institutions, foreign portfolio investors and NBFCs, as of September 30, 2024. We have been able to consistently raise both debt and equity capital over the years and, in turn, have maintained capital adequacy ratios above the minimum threshold prescribed by the RBI for the six month period ended September 30, 2024, Financial Years 2024 and 2023 despite challenging environments. Our average effective cost of borrowings have remained relatively stable and was 10.11%, 10.59%, 10.42% and 10.30% for the six months ended September 30, 2024 and 2023 and the Financial Years 2024 and 2023, respectively. We also have a dedicated ALM committee that regularly reviews and monitors the maturity schedule for all our financial liabilities in accordance with our asset liability management ("**ALM**") policies and guidelines. As a result of our prudent ALM, we had favorable asset-liability positions as of September 30, 2024. Although certain of our long-term credit ratings have recently been downgraded as of November 26, 2024, our long-term credit rating has improved from a rating of "A-(Stable)" by CARE as of March 31, 2019 to a rating of "A(Rating Watch with Negative Implications)" by CARE as of the date hereof. Additionally, we have been awarded ratings of "A(Rating Watch with Developing Implications)" by CRISIL and "A(Negative)" by ICRA as of the date hereof. For more details on our grading and credit ratings, see "*Our Business – Description of our Business – Grading and Credit Ratings*" on page 92.

Technology is an integral part of our overall business strategy. Through our adoption of cloud computing software and emphasis on best-in-class security practices, we have established a foundation in enabling automation and digitalization of several processes across our business functions including customer onboarding, customer service, loan disbursements, internal audit and risk management. We continue to invest in and upgrade our technology platforms and solutions with the goal of applying a comprehensive "Touch & Tech" model across our operations that focuses on maintaining frequent technology-based communication points that enhance efficiency and customer experience. For the six months ended September 30, 2024 and 2023 and the Financial Years 2024 and 2023, all of our customers were onboarded digitally. For the same period/years, substantially all of our disbursements were cashless. We believe our technology initiatives have and will continue to be instrumental in optimizing operational efficiency, enhancing customer experience and our portfolio management and minimizing costs.

We are committed to fostering a workplace culture with high standards of transparency, fiscal accountability, ethical corporate behavior and fairness to all stakeholders. Stemming from our high standards in corporate governance, in February 2024, we were awarded a score of 96.00% on the Code of Conduct Assessment for MFIs in India, which is measured based on indicators of transparency, client protection, governance, recruitment, client education, grievance redress and data sharing, by an international rating agency providing standardized assessment of microfinance and inclusive finance institutions. In addition, we have been awarded the "Gold" Client Protection Certification from the Social Performance Task Force ("**SPTF**") and CERISE in Financial Year 2023 in respect of their client protection standards, including product design and pricing, customer care and transparency and customer data privacy. We are led by a stable and experienced management team supported by marquee investors and a Board of experienced management professionals, half of whom are independent directors. Several key members of our senior management team, who have significant expertise and experience in the banking and financial services industry in India, have been with our Company for over six years and have, together, successfully scaled our business with improving profitability. We are led by our Managing Director and Chief Executive Officer, Mr. Devesh Sachdev, who has 28 years of experience in the banking and financial services industry.

We believe that the foregoing has enabled us to successfully scale our operations, maintain consistency in our AUM and disbursements. The following tables sets forth our key financial and operational metrics as of and for the period/years indicated:

	As of and for the Six Months Ended September 30,		**As of and for the Financial Year Ended March 31,**	
	2024	**2023**	**2024**	**2023**
Particulars	***(₹ in crore, except otherwise indicated)***			
Pre-provision operating profit before tax(1)	581.59	477.18	1,028.12	712.35
Profit/(loss) for the period/year(2)	(340.66)	246.15	505.29	387.15
Total comprehensive income for the period/year(3)	(339.23)	247.03	506.52	387.46
Total assets(4)	11,480.65	10,431.75	11,774.32	9,363.54
Gross AUM(5)	11,571.15	10,026.43	11,476.08	9,296.22
Average gross AUM (6)	11,523.62	9,661.32	10,386.15	8,041.09
Gross AUM growth(7)	15.41%	24.60%	23.4 5%	36.99%
Net worth(8)	2,522.67	2,576.93	2,848.15	2,321.92
Average net worth(9)	2,685.41	2,449.43	2,585.04	1,829.94

	As of and for the Six Months Ended September 30,		As of and for the Financial Year Ended March 31,	
	2024	2023	2024	2023
Particulars	*(₹ in crore, except otherwise indicated)*			
Total borrowings[10]	8,641.31	7,527.90	8,615.90	6,778.40
Average borrowings[11]	8,628.61	7,153.15	7,697.15	6,277.10
Return on average gross AUM[12]	(5.91%)	5.10%	4.87%	4.81%
Return on average net worth[13]	(25.37%)	20.10%	19.55%	21.16%
Average borrowings to Average net worth[14] *(times)*	3.21	2.92	2.98	3.43
Capital risk adequacy ratio ("CRAR")[15]	24.39%	28.78%	27.53%	27.94%
Debt to equity ratio[16] *(times)*	3.43	2.92	3.03	2.92
Basic EPS – par value of ₹10 each *(₹)**	(33.85)	24.52	50.30	43.29
Diluted EPS – par value of ₹10 each *(₹)**	(33.85)	24.35	50.11	43.13
Net asset value per Equity Share *(₹)* [17]	250.63	256.46	283.06	231.39
Gross disbursements [18]	4,647.20	4,628.37	10,294.35	8,596.11
Average cost of funds *(%)*	10.11%	10.59%	10.42%	10.30%
Tier I capital [19]	22.81%	27.59%	26.60%	26.59%
Tier II Capital [20]	1.59%	1.20%	0.93%	1.35%
Total on-book portfolio	10,279.96	8,994.95	10,302.41	8,354.22
Number of branches *(total, not in crore)*	1,463	1,164	1,297	1,086
Number of employees *(total, not in crore)*	16,186	11,589	13,807	10,363
Number of active borrowers (*total, in crore)*	0.39	0.37	0.39	0.35

* *Not Annualized.*

Figures disclosed in the above table, except for "Total Assets", "Profit for the period/year", "Total comprehensive income for the period/year", "Total borrowings", "Basic Earning per Share" and "Diluted Earning per Share", are not measures of financial position, financial performance or cash flows defined by generally accepted accounting principles, and may not be comparable to similarly-titled measures presented by other companies.

Notes:

(1) Pre-provision operating profit before tax represents the sum of profit before tax for the relevant period/year and impairment on financial instruments for such period/year derived from our Financial Statements.

(2) Profit/(Loss) for the period/year represents Profit/(Loss) for the relevant period/year.

(3) Total comprehensive income represents total comprehensive income for the relevant period/year.

(4) Total assets represents total assets as of the last day of the relevant period/year.

(5) Gross AUM represents the aggregate of principal outstanding for all loans to customers including assets pertaining to securitization, assignment and business correspondent portfolio, as of the last day of the relevant period/year.

(6) Average Gross AUM represents the simple average of our Gross AUM as of the last day of the relevant period/year and that as of the last day of the previous period/year.

(7) Gross AUM growth represents percentage of change in gross AUM as of the last day of the relevant period/year over that as of last day of the previous period/year. September 30, 2024 has been compared with the September 30, 2023 AUM and September 30, 2023 has been compared with the September 30, 2022 AUM.

(8) Net worth represents our total equity, which includes equity share capital and other equity derived from our Financial Statements, as of the last day of the relevant period/year

(9) Average net worth represents the simple average of our net worth as of the last day of the relevant period/year and that as of the last day of the previous period/year.

(10) Total borrowings represents the aggregate of debt securities, subordinate liabilities, borrowings (other than debt securities) as of the last day of the relevant period/year derived from our Financial Statements.

(11) Average borrowings represents the simple average of total borrowings outstanding as of the last day of the relevant period/year and that as of the last day of the previous period/year.

(12) Return on average gross AUM represents profit for the relevant period/year derived from our Financial Statements as a percentage of average gross AUM for such period/year.

(13) Return on average net worth represents profit for the relevant period/year derived from our Financial Statements as a percentage of average net worth for such period/year.

(14) Average borrowings to average net worth represents average borrowings for the relevant period/year as a percentage of average net worth for such period/year.

(15) A capital ratio consisting of the sum of Tier I and Tier II capital to its aggregated risk weighted assets and risk adjusted value of off-balance sheet items.

(16) Debt to equity ratio represents our total borrowings divided by total equity attributable to shareholders as of the last day of the relevant period/year derived from our Financial Statements. Total borrowings represents the aggregate of debt securities, subordinate liabilities, borrowings (other than debt securities) as of the last day of the relevant period/year derived from our Financial Statements.

(17) Net asset value per Equity Share is calculated as Total Equity as of the end of the relevant period/year divided by the number of Equity Shares outstanding at the end of such period/year.

(18) Gross disbursements is calculated as represent the aggregate of all loan amounts extended to all our customers for the relevant period/year.

(19) Tier I capital is calculated as owned funds as reduced by investment in shares of other NBFCs and in shares, debentures, bonds, outstanding loans and advances, including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, 10% of the owned fund.

(20) Tier II capital includes preference share capital, revaluation reserves, general provisions and loss reserves, hybrid debt capital instruments and subordinate debts to the extent the aggregate does not exceed Tier I capital.

Particulars	As of and for the Six Months Ended September 30,		As of and for the Financial Year Ended March 31,	
	2024	2023	2024	2023
	(₹ in crore, except otherwise indicated			
Net interest income[1]	793.84	598.61	1,295.80	947.21
Net interest margin[2]	11.55%	10.95%	11.22%	10.15%
Operating expenses[3]	378.03	272.37	593.47	444.84

Particulars	As of and for the Six Months Ended September 30,		As of and for the Financial Year Ended March 31,	
	2024	2023	2024	2023
	(₹ in crore, except otherwise indicated			
Operating expenses / Average gross AUM[4]	6.56%	5.64%	5.71%	5.53%
Impairment on financial instruments[5]	1,042.52	152.13	364.86	200.37
Impairment on loan portfolio / Average gross loan portfolio[6]	10.11%	1.73%	3.87%	2.73%
Credit loss ratio[7]	2.48%	1.88%	3.42%	3.38%
Credit cost (based on average gross AUM)[8]	9.03%	1.56%	3.48%	2.48%
Operating expenses to total income ratio[9]	26.80%	24.23%	24.60%	24.71%
Cost to income ratio[10]	39.39%	36.34%	36.60%	38.44%
PAR>30 [11]	1,368.63	348.96	418.28	349.15
PAR>90 [12]	967.22	241.10	297.25	288.89
Gross NPAs[13]	967.22	241.10	297.25	288.89
Gross NPAs / Loans to customers outstanding[14]	9.41%	2.68%	2.89%	3.46%
Net NPAs[15]	230.19	56.92	60.32	70.79
Net NPAs / Loans to customers outstanding[16]	2.41%	0.65%	0.60%	0.87%

Figures disclosed in the above table, except for "Total revenue from operations", "Other income", "Total income", "Finance costs", "Depreciation and amortization", "Total expenses" and "Impairment on financial instruments", are not measures of financial position, financial performance or cash flows defined by generally accepted accounting principles, and may not be comparable to similarly-titled measures presented by other companies.

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Notes:

(1) *Net interest income represents interest income on loan portfolio for the relevant period/year reduced by finance costs for such period/year derived from our financial statements.*
(2) *Net interest margin represents net interest income for the relevant period/year as a percentage of average loans to customers for such period/year. Average loans to customers represents the simple average of our loans to customers as of the last day of the relevant period/year and that as of the last day of the previous period/year derived from our Financial Statements.*
(3) *Operating expenses represents the aggregate of employee benefits expenses, depreciation and amortization and other expenses for the relevant period/year derived from our Financial Statements.*
(4) *Operating expenses / Average gross AUM represents operating expenses for the relevant period/year as a percentage of average gross AUM for such period/year.*
(5) *Impairment on financial instruments represents such expenses for the relevant period/year derived from our Financial Statements.*
(6) *Impairment on loan portfolio / Average loan portfolio represents impairment on financial instruments for the relevant period/year derived from our Financial Statements as a percentage of average loans to customers for such period/year. Average loans to customers for the relevant period/year represents the simple average of our term loans (gross) as of the last day of the relevant period/year and that as of the last day of the previous period/year derived from our Financial Statements.*
(7) *Credit loss ratio represents loans written off during the relevant period/year as a percentage of average loans to customers for such period/year. Average loans to customers for the relevant period/year represents the simple average of our term loans (gross) as of the last day of the relevant period/year and that as of the last day of the previous period/year derived from our Financial Statements.*
(8) *Credit cost (based on average gross AUM) represents impairment on financial instruments the relevant period/year derived from our Financial Statements as a percentage of average Gross AUM.*
(9) *Operating expenses to total income ratio represents operating expenses for the relevant period/year as a percentage of total income for such period/year derived from our Financial Statements.*
(10) *Cost to income ratio represents operating expenses (which comprises the aggregate of employee benefits expense, depreciation and amortization and other expenses) as a percentage of total income less finance costs for the relevant period/year derived from our Financial Statements.*
(11) *PAR>30 percentage represents the portfolio of loans overdue for more than 30 days as of the last day of the relevant period/year as a percentage of the total gross carrying value of loans as of the last day of the relevant period/year derived from our Financial Statements.*
(12) *PAR>90 percentage represents the portfolio of loans overdue for more than 90 days as of the last day of the relevant period/year as a percentage of the total gross carrying value of loans as of the last day of the relevant period/year derived from our Financial Statements.*
(13) *Gross NPAs represents our portfolio of Stage III Assets (overdue for more than 90 days) as of the last day of the relevant period/year.*
(14) *Gross NPAs / Loans to customer outstanding represents our portfolio of Stage III assets as of the last day of the relevant period/year as a percentage of loans gross of impairment allowance for the relevant period/year.*
(15) *Net NPAs represents Stage III Assets (Gross NPAs) as of the last day of the relevant period/year as reduced by impairment allowance on Stage III Assets for such period/year.*
(16) *Net NPAs / Loans to customers outstanding represents Net NPAs as of the last day of the relevant period/year as a percentage of loans gross of impairment allowance derived from our Financial Statements for the relevant period/year as reduced by impairment allowance on Stage III assets (Gross NPA) for such period/year.*

Increase in impairment of financial assets for the six months ended September 30, 2024

For the six months ended September 30, 2024, our impairment of financial instruments significantly increased to ₹1,042.52 crore from ₹152.13 crore for the six months ended September 30, 2023, primarily as a result of our provisioning for an increase in NPAs. The increase in NPAs was primarily caused by factors including:

- high borrowers' leverage, in addition to stagnant household income adversely affected by inflation, which had a corresponding adverse impact on their ability to repay their loans;

- unforeseen climate conditions, including heatwaves and macroeconomic conditions that impact income generation which in turn leads to customers migrating away from their base locations;

- the post-COVID-19 impact on joint liability credit culture, which led to poor center meetings attendance and in turn made it more challenging for us to collect payments on our loans; in addition, there were also illegal agencies falsely propagating loan waiver schemes to borrowers which had an adverse impact on our collection efficiency; and

- higher attrition rate among our staff.

The above factors significantly impacted our collection efficiency, which in turn led to an increase in gross NPAs as set forth below. Our impairment of financial instruments was ₹1,042.52 crore for the six months ended September 30, 2024 which led to a loss after tax of ₹340.66 crore for the six months ended September 30, 2024. Such loss in turn adversely affected our net worth and capital risk adequacy ratios, as set forth below:

Particulars	As of September 30, 2024	As of March 31, 2024
Gross NPA (%)	9.41	2.89
Net Worth (₹ in crore)	2,522.67	2,848.15
Capital risk adequacy ratio (CRAR) (%)	24.39	27.53

We have adopted the following measures to address these challenges:

- calibrating our loan disbursements according to our portfolio risk assessment, including the suspension of disbursements in certain of our branches;

- reviewing and tightening our customer sourcing criteria, both in relation to new customers and existing customers seeking subsequent loans;

- aligning our incentive structure to deliver improved collections metrics;

- strengthened management team and hired a Chief Operating Officer; and

- strengthening our dedicated collections team and rationalizing the workload of our branch field teams.

In July 2024, MFIN promulgated guidelines to control over-lending to customers, including restricting sourcing of customers having four lenders or more, and restricting lending to borrowers who have outstanding microfinance loans exceeding ₹200,000. The MFIN guidelines promulgated in July 2024 are currently in effect. In addition, in November 2024, the MFIN promulgated guidelines, including further restricting sourcing of customers having three lenders or more and reaffirming the restricting of lending to borrowers who have outstanding microloans exceeding ₹200,000. While the MFIN guidelines promulgated in November 2024 come into effect from January 1, 2025, we have already implemented changes in our underwriting policies which are more or at least as tight (conservative) as the MFIN guidelines.

Competitive Strengths

Well Diversified and Extensive Pan-India Presence

As of September 30, 2024, we had 3.85 million active borrowers which were served by our 1,463 branches and 16,186 employees spread across 483 districts in 22 states and union territories in India. We believe our extensive geographic presence puts us in a vantage position to lend across the country in a scalable manner while maintaining low operating costs, helps us mitigate risks arising from economic, political, cultural or environmental factors particular to a specific region, and allows us to offer "last-mile" connectivity to our customers in even the most remote areas.

We believe that prioritizing organic diversification since our inception and focusing on developing our experience in difficult markets, especially across North India, have enabled us to experience sustained growth over the last few years as we continuously venture into new states. Between March 31, 2019 and March 31, 2024, our number of active borrowers grew at a CAGR of 20.00% to 3.86 million active borrowers as of March 31, 2024 from 1.55 million active borrowers as of March 31, 2019, and our number of branches grew at a CAGR of 20.81% to 1,297 branches as of March 31, 2024 from 504 branches as of March 31, 2019. Our number of branches further grew to 1,463 as of September 30, 2024. As a result of our expansion efforts, as of September 30, 2024, no single state contributed to more than 25.00% of our total AUM, and our proportion of AUM in our Top Five States, has further decreased from 72.26% of our total AUM as of March 31, 2019 to 70.13% of our total AUM as of September 30, 2024. Similarly, our proportion of AUM in our 50 largest districts in terms of AUM has also decreased over the years from 46.02% of our total AUM as of March 31, 2019 to 36.99% of our total AUM as of September 30, 2024. We typically invest in branch infrastructure and assets upfront upon entering a new state. We believe this enables us to leverage our existing infrastructure and knowledge of the local landscape, thereby positioning us well to further penetrate and diversify our operations within our existing markets more efficiently and, in turn, benefit from the economies of scale.

We have a strong focus on reducing state concentration risk through contiguous expansion into new states and widening our reach into untapped markets in a strategically controlled manner, see "*Our Business— Strategies — Deepen, Strengthen and Expand Geographic Presence*" on page 82.We believe that entering these markets at an early stage has enabled us to maximize both consumer mindshare and market share as well as develop a deeper understanding of the needs of the customers in these areas, as compared to our peers.

Proven Execution Capabilities with Strong Rural Focus

We believe that we have been able to achieve significant success with our growth strategy of targeting underserved and underpenetrated rural areas in both our existing markets and new geographies. We have a long history of serving rural markets with high growth potential in the microfinance segment, and have maintained a track record of financial performance and operational efficiency through consistently high rates of customer acquisition and retention and low- cost expansion into underpenetrated areas. Our gross AUM increased by 23.45% from ₹9,296.22 crore as of March 31, 2023 to ₹11,476.08 crore as of March 31, 2024, and was ₹11,571.15 crore as of September 30, 2024.

Over the last decade, we have built a deep rural franchise in the microfinance segment. As of September 30, 2024, 3.60 million or 93.42% of our total customers, 1,009 branches or 68.97% of our total branches, and ₹10,281.63 crore or 88.86% of our total AUM, were from rural areas. We believe our connection with our rural customers, in particular, has been largely driven by our focus on continuously deepening our understanding of the financial needs of the rural customer segment and commitment to consistent engagement with the communities we serve. For example, we undertake various community development programs every year that cover topics such as financial literacy, health and safety, hygiene, medical care and education. We believe these initiatives serve as a foundation for our growth by strengthening our credibility as a trustworthy, reliable and responsible long-term lender as well as helping us in our continuous efforts to improve and tailor our offerings to our customers' needs. Further, we have implemented robust technology platforms that we believe have significantly enhanced accessibility for, and addressed the borrowing challenges faced by, a rural customer base that is quite large and typically lives in remote locations. We believe our digital capabilities, which currently facilitate online onboarding, paperless loan processing, seamless cashless disbursements, cashless collections, timely query resolution and access to online financial literacy resources, among other things, have allowed us to realize our vision of delivering a superior "Touch & Tech" customer experience.

We believe that our customer-centric model and our ability to leverage our extensive distribution network and deep- rooted presence in rural markets across India, makes us well placed to offer an increasing variety of financial products in areas where financial services penetration remains limited, see "*– Strategies – Leverage our Network, Domain Expertise and Data to Enhance Product Offering*" on page 84. We believe that our focus on lending to customers in rural areas helps improve our customer risk profile.

Access to Diversified Sources of Capital and Effective Asset Liability Management

Over the years, we have adopted a calibrated approach towards diversifying our fund raising sources and minimizing our costs of borrowings with prudent asset liability management and effective liquidity management. Our average effective cost of borrowings have remained relatively stable and was 10.11%, 10.59%, 10.42% and 10.30% for the six months ended September 30, 2024 and 2023 and the Financial Years 2024 and 2023, respectively. We believe that our focus on building a healthy balance sheet with a good mix of assets, liability and equity and a positive net asset position has enabled us to overcome various negative market conditions in the past.

We benefit from a large and diversified mix of lenders which has increased over the years and included 50 lenders as of September 30, 2024, comprising a range of public sector banks, private sector banks, foreign banks, development financial institutions, foreign portfolio investors and NBFCs to meet our capital requirements. We have been continuously widening our lender pool with the aim of adding different types of lender every year. The following table sets forth the breakdown of our share of total borrowings by lender type, as of the dates indicated:

	As of September 30,	**As of March 31,**	
Particulars	**2024**	**2024**	**2023**
Banks:			
Public sector banks	29.27%	29.35%	25.83%
Private sector banks	39.23%	42.43%	37.54%
Foreign banks	18.44%	14.37%	12.87%
Subtotal for banks	86.94%	86.15%	76.24%
Development financial institutions(1)	8.56%	8.31%	7.75%
Foreign portfolio investors(2)	1.70%	1.94%	6.52%
NBFCs	2.80%	3.60%	9.49%
Total	100.00%	100.00%	100.00%

Notes:

(1) *Development financial institutions ("**DFIs**") are foreign and domestic institutions that primarily provide development or project finance to one or more sectors of the economy.*

(2) *Through investments in non-convertible debentures ("**NCDs**") issued by our Company.*

We have a judicious ALM policy that carefully monitors the contractual maturity periods of all assets and liabilities. In addition, we generally seek to ensure that the average maturity of our liabilities are higher than the average maturity of our assets by sourcing funding with larger repayment cycles than the loans we provide. As of September 30, 2024 and March 31, 2024 and 2023, the average maturity of our assets was approximately 16.4 months, 17.5 months and 17.6 months, respectively, and the average maturity of our liabilities was approximately 24.1 months, 23.1 months and 24.2 months, respectively. As a result of our prudent ALM standards, we had favorable asset-liability positions as of September 30, 2024. Based on our liquidity, interest rate risk management and prudent approach to ALM, we have been able to successfully raise funds even through sectoral downturns that adversely affect funding access for NBFC-MFIs, including the demonetization of banknotes in 2016, the IL&FS crisis in mid-September 2018, and the global COVID-19 pandemic.

Through the continued support of our lenders and investors, we have been able to raise ₹15,513.32 crore in debt as well as ₹600.00 crore in equity over the last two Financial Years and six months ending September 30, 2024. Set forth below are our CRARs and debt to equity ratios for the periods indicated:

Period	CRAR (%)	Debt to equity ratio (Times)
Six months ended September 30, 2024	24.39%	3.43
Financial Year 2024	27.53%	3.03
Financial Year 2023	27.94%	2.92

As shown in the table above, we have consistently maintained healthy CRAR ratios, which were well above the minimum CRAR ratio of 15.00% for NBFCs prescribed by the RBI. We believe that our proactive approach in preserving financial flexibility by monitoring liquidity in the market, ensuring that we have sufficient cash flows from operations and diversifying our access to available capital sources has enabled us to navigate uncertain economic conditions. As of September 30, 2024, we maintained a comfortable liquidity buffer of ₹1,793.06 crore, which included ₹1,632.99 crore in cash balances.

Further, our access to diversified and cost-effective debt financing is also attributable to our credit history and credit ratings. Our credit ratings have enabled us to expand our lenders to include reputable banks. CARE Advisory Research and Training Ltd. has assigned us a grading of "MFI 1" or "MFI One", which is the highest available grading on an eight point scale. Although certain of our long-term credit ratings have recently been downgraded as of November 26, 2024, our long-term credit rating has improved from a rating of "A-(Stable)" by CARE as of March 31, 2019 to a rating of "A(Rating Watch with Negative Implications)" by CARE as of the date hereof. Additionally, we have been awarded ratings of "A(Rating Watch with Developing Implications)" by CRISIL and "A(Negative)" by ICRA as of the date hereof. For more details on our grading and credit ratings, see "*– Description of our Business – Grading and Credit Ratings*" on page 92.

We believe this is due to our strategic liability management, continuous engagement through transparent communication and reporting, and that this will continue to provide us a competitive advantage when borrowing funds for our future growth and operations.

Robust Underwriting Process and Prudent Risk Management Approach

We have established robust risk management policies and underwriting processes, such as our extensive customer assessment methodologies and monitoring systems, for the purposes of identifying and addressing risks in a timely manner, thereby minimizing the incidence of bad debts. Set forth below are our NPA ratios for the periods indicated:

Period	Gross NPA ratio (%)	Net NPA ratio (%)
Six months ended September 30, 2024	9.41	2.41
Financial Year 2024	2.89	0.60
Financial Year 2023	3.46	0.87

Our risk management division is divided into separate teams that are respectively dedicated to managing and mitigating credit risk, market risk and operational risk, and which are subject to oversight by our Risk Management Committee and our Board of Directors. Our customer due diligence procedures encompass multiple levels of checks and controls designed to assess the quality of customers and to confirm that they meet our stringent selection criteria, and include comprehensive evaluation of repayment capacity and detailed cash flows analysis of the customer as well as thorough group training sessions and knowledge testing. We utilize credit bureau data to verify customer details and obtain information on past credit behavior. Further, we employ proactive practices that involve frequent evaluations of portfolio risk levels on a periodic basis and rigorous monitoring and analysis of cash collection, roll rates and customer retention at both branch and head office levels, which assists with minimizing the incidence of bad debts. Based on the results of our risk evaluations and ongoing monitoring, we adopt measures to manage our exposure to non-performing assets and other business risks, such as reclassifying our loans to stage II or stage III assets and making corresponding provisions. For example, see "*– Overview – Increase in impairment of financial assets for the six months ended September 30, 2024*" on page 189.

We are further supported by our robust internal controls and processes as well as advanced technology solutions from leading vendors, which we believe ensure proper loan appraisals and sound portfolio management. Our internal audit team is supervised by our Audit Committee, which is responsible for monitoring and evaluating internal controls and ensuring statutory and regulatory compliance, and our Board of Directors. The technology solutions we employ include real-time integration with credit bureaus and instant credit checks, loan monitoring systems and geotagging functions. We also periodically review our standards of procedures and continuously strengthen our audit coverage to ensure that all material transactions and business initiatives are thoroughly reviewed, with the goal of ensuring that asset quality is not compromised as a result of growth. For more details, see "– *Description of our Business – Our Lending Process – Customer due diligence*" and "– *Description of our Business – Risk Management*" on pages 87 and 89, respectively.

Technologically Advanced Operating Model

We have followed a well-defined IT strategy since our inception with clear targets that we regularly review and revise in order to remain at the forefront of the dynamic and fast-evolving nature of business technology. We have utilized a loan origination system since the disbursement of our very first loan in 2010 and, through our technology transformation over the years, we have automated and digitized various customer acquisition and customer service functions. For further details, see "– *Description of our Business – Technology and Digital Platforms*" on page 93.

Our current platforms support mobile customer onboarding, paperless loan processing, real-time application tracking using barcodes, real-time credit checks, cloud computing, integrated credit bureau data collection, comprehensive online grievance redressal, geographic tagging for center meetings and real time notifications to customers. We adopted cloud computing software as early as 2013, which has provided us with agility, flexibility and improved collaboration in scaling our business in a cost efficient manner. We also launched a mobile-based customer platform, and we are in the process of implementing advanced artificial intelligence ("**AI**") and machine learning ("**ML**") mechanisms across our operations. Shakti, our centralized online real-time environment ("**CORE**") lending system, is a multi-product digital platform providing end-to-end solutions on both our web and mobile platforms. Shakti enables, among other things, real time integration through open API architecture with credit bureaus, bank partners and other third-party systems that facilitate seamless customer information validation and cashless collections.

Our technology investments and initiatives over the years have yielded substantial increases in digital customer onboardings and online disbursements. For the six months ended September 30, 2024 and the Financial Year 2024, all of our customers were onboarded digitally, and substantially all of our disbursements were cashless.

In addition, as cyber security continues to become increasingly important in the face of rapid digitization, we have also implemented systems that protect our users through VPN, web-application firewalls, advanced threat protection, vulnerability assessment and penetration testing ("**VAPT**"), device encryption, data loss prevention, endpoint detection, secure video conferences and security information and event management.

Stable and Experienced Management Team Supported by Marquee Investors

Our Company was founded by Mr. Devesh Sachdev, who has 28 years of experience in the banking and financial services industry. As a result of his strategic vision and focus on building a culture that fosters growth, attracts talent and encourages long-term thinking, our Company has grown to become a significant contributor to financial inclusion in India. Over the years, we have greatly focused on attracting and building a talent powerhouse as we believe that our people are key to our success as an MFI. Several key members of our senior management team have been with our Company for over six years, have a diverse mix of domain expertise in banking, financial services and insurance ("**BFSI**") and large corporates, as well as experience in building scale and managing various business cycles. . We also strengthen our senior management team from time to time through lateral appointments. For example, on September 16, 2024, we appointed Mr. Sunil Mundra, a seasoned professional with over two decades in the financial services industry, spanning rural banking, branch and business banking, risk and control and digital banking as chief operating officer for the micro-finance business of our Company. Further, our operations in almost all our states are headed by individuals who began their careers at our Company and have risen from rank and file to achieve leadership roles at our Company. Together, our teams have amalgamated the conventions of the microfinance model with the characteristics of a new age retail model that aims to build and leverage scale, enhance operational efficiency, ensure better customer satisfaction and maintain robust checks and balances in adherence with established guidelines.

We also benefit from support of our promoters, including Honey Rose, which is directly owned by certain private equity funds managed by Warburg Pincus LLC, one of our marquee investors, and Creation Investments Fusion, LLC, a alternative investment management company with a focus on private equity and private credit investments in emerging market financial services companies serving underserved and underbanked clients, both of whom are now our Promoters.

Further, we are committed to actively monitoring, evaluating and refining the corporate governance practices throughout our organization. We are led by a Board of experienced management professionals, half of which are independent directors. We strive to maintain governance practices that are based on high standards of transparency, fiscal accountability, ethical corporate behavior and fairness to all stakeholders. Stemming from our high standards in corporate governance, in February 2024, we were awarded a score of 96.00% on the Code of Conduct Assessment for MFIs in India for the calendar year 2023, which is measured based on indicators of transparency, client protection, governance, recruitment, client education, grievance redress and data sharing, by M-CRIL, a global leader in the financial rating of microfinance institutions.

Strategies

Deepen, Strengthen and Expand Geographic Presence

We strive to be a low-cost, lean and efficient pan-India MFI that leverages technology and our existing distribution network to channel our products and services. We plan to further grow our business operations by mining deeper and attracting new customers in our existing markets that remain relatively untapped as well as by entering new regions where borrowers are underserved and there is lower penetration by microfinance companies. We believe that our diversified pan-India presence and branch network with a largely rural-focused AUM of ₹10,281.63 crore, representing 88.86% of our total AUM, as of September 30, 2024, comprehensive end-to-end customer life cycle management framework through technology, proven risk management policies, governance, and robust operating platform provide us with significant competitive advantages in carrying out our expansion plans.

We believe that our existing customers serve as a foundation of our future growth and seek to prioritize their requirements and customize our offerings to provide them with optimal solutions at their doorstep. We will continue to offer them privileges such as pre-qualification for preferential interest rates, streamlined loan processing and lower turnaround times, and access to additional products such as our emergency, top-up and cross-sell loan products. We believe that this will enable us to continue to achieve high customer retention rates and increase revenue from our existing customer base. We also have a presence in several states where we believe that penetration is low, including Uttar Pradesh, Andhra Pradesh, Telangana and Madhya Pradesh. We believe that focusing on increasing customer penetration in these markets will enable us to grow our presence while at the same time benefit from substantial operational efficiencies and lower expansion costs. Further, we typically invest in branch infrastructure upfront as we believe that developing our branch assets in this manner will eventually contribute to scale at higher profit margins by enabling us to optimize the full use of each branch in terms of customers, employees, ticket size and AUM per branch as our business grows.

In addition, we generally seek to deepen our presence in states where we have existing operations by establishing new branches in areas that are adjacent to our existing markets or which may have similar customer demographics and financing needs. We also seek to build a foothold in new states, and during the Financial Year 2024, we expanded into the states of Andhra Pradesh and Telangana. In selecting a new business location, we utilize our well-tested area selection analysis which involves a systematic methodology that takes into account various key parameters such as demand for credit in the area, income levels and literacy rate of the local population, competition and market potential, economic status of the region including accessibility of internet and mobile connectivity and post offices, road access, and connectivity to important locations such as schools and hospitals, as well as political, socio-economic, regulatory and other risks. We believe this allows us to identify markets where we can most easily replicate our business models. During the Financial Year 2024 and the six months ended September 30, 2024, we established 377 new branches. We are also able to obtain customized credit portfolio reports from multiple credit bureaus, which provide substantial insight into the performance of our asset portfolio in each district and state against our peers, helping us understand delinquency and loan cycle patterns as well as the leverage position and repayment trends of individual borrowers. We use this tool to more accurately and efficiently identify locations that show growth potential and those that pose significant risks, thereby enabling us to make significantly more informed decisions when determining promising areas for business expansion and restricting growth in geographies where we can pre-empt issues in portfolio quality.

Continue to Invest in Technology to Enhance Operational Efficiency and Optimize Costs

We believe in innovating and investing in state-of-the-art technology to assist us to provide a superior customer experience, attain greater operational and management efficiencies and productivity as well as ensure asset quality, which will, in turn, drive growth in AUM and profitability. We endeavor to employ a comprehensive "Touch & Tech" model across all our operations that focuses on maintaining frequent technology-based communication points that enhance efficiency and customer experience.

We plan to continue automating and digitizing various aspects of our business, which we believe would allow us to identify and capitalize on cross-selling and upselling opportunities, improve our understanding of customer behavior, develop and implement customer targeting and product personalization strategies, and enhance customer service using predictive analytics. We have implemented robotic process automation ("**RPA**"), which has increased the efficiency and accuracy of various business processes relating to loan applications and approvals, including via robotic validation of KYC documents, data entry validations/corrections, credit health checks and enterprise resource planning ("**ERP**") software, which has allowed us to unify and integrate business processes across multiple departments and stakeholders, resulting in higher productivity and efficiency. In 2020, we implemented an "Audit 360" platform which enables constructive and real time reviews of portfolio performance, leading to quicker remedial action where necessary. In addition, we have set up a data analytics platform for designing and building real-time dashboards and business performance score cards to facilitate proactive decision making, performance monitoring, and regulatory and compliance reporting. We believe that the accurate and timely collection of such data through robust technology systems will enable us to respond swiftly to market opportunities and challenges, improve the quality of services, develop better credit procedures, scale-up our risk management capabilities, optimize our operating costs and improve our operational efficiency.

We continuously invest in improving our overall IT infrastructure to ensure we can facilitate seamless business continuity and cloud adoption. We also plan to continue organizing digital literacy programs in the rural communities that we serve which aims to educate customers on various modes of cashless transactions and digital payments. As we expand our geographic reach and scale, we intend to further develop and invest in our technology to support our growth, improve the quality of our services and achieve superior turnaround time in our operations.

Leverage our Network, Domain Expertise and Data to Enhance Product Offering

While we intend to continue to focus on our core business of providing microfinancing services, we believe additional products and cross-selling opportunities also help strengthen our relationship with our customers and enable higher customer retention. We plan to leverage our large branch network and deep understanding of rural customers, as well as harness the scale and loyalty of our customer base that we have built throughout rural India, to offer additional financing products to existing customers who have a positive track record of loan repayment. We expect to derive benefits from economies of scale as there is limited incremental sourcing cost for existing customers, and they are eligible to borrow higher loan amounts from us since they have progressed to higher loan cycles. We believe this strategy serves as an effective mitigation mechanism from potential interest rate volatility and would contribute to our profitability.

We seek to develop new product adjacencies based on the needs of our customers and that complement our existing loan categories. In particular, we believe that our large customer base provides significant opportunities from increased cross-selling and up-selling of products and services. Towards this, our MSME business has been scaling well with our AUM for our MSME segment reaching ₹620.16 crore as of September 30, 2024. We plan to continue utilizing our distribution channel to provide other financial products and services under the microfinance umbrella to our customers with good credit histories such as for the purchase of livelihood and productivity enhancing products including mobile handsets, bicycles and kitchen appliances.

Continue to Diversify Borrowing Mix and Reduce Cost of Funds

We believe that we have been able to access a wide range of lenders and reduce our average cost of funds over the years due to our good corporate governance, conservative risk management policies, strategic liability management and transparent communication and reporting. We plan to continue diversifying our funding mix and further optimize our cost of funds.

As we continue to grow the scale of our operations, we are focused on maintaining an adequate liquidity buffer and plan to further increase our lender base to access funds from insurance, pension and provident funds, mutual funds, overseas lenders as well as diversify across our funding instruments by raising external commercial borrowings ("**ECBs**"), NCDs and commercial papers. We already have existing borrowing arrangements with a large number of lenders and continuously engage with new institutions through which we may further diversify our sources of borrowings. Since our inception, we have onboarded a range of public sector banks, private sector banks, foreign banks, development financial institutions, foreign portfolio investors and NBFCs to diversify our lending profile, thereby de-risking our Company from an over dependence on any single fund source category. Further, we intend to continue to evaluate opportunities to securitize or assign loans to financial institutions, which we expect would enable us to optimize our cost of funds and liquidity requirements, capital management and asset liability management. We have been able to raise ₹15,513.32 crore in debt as well as ₹600.00 crore in equity over the last two financial years and six months ending September 30, 2024.

We intend to continue to focus on improving asset liability management and achieving positive interest rate gaps across all time buckets. We believe that these initiatives will enable us to continue to improve our credit ratings and reduce our cost of funds.

Description of Our Business

We provide financial services to underserved women across India in order to facilitate their access to greater economic opportunities. Our focus customer segment is women in rural areas with an annual household income of up to ₹300,000. Our gross AUM was ₹11,571.15 crore, ₹11,476.08 crore and ₹9,296.22 crore as of September 30, 2024 and March 31, 2024 and 2023, respectively. As of September 30, 2024, we had 3.85 million active borrowers which were served by our network of 1,463 branches and 16,186 employees spread across 483 districts in 22 states and union territories in India.

Our Business Model

Our microfinance lending business is based on a joint liability lending model, catering exclusively to women. Under the joint liability lending model, a small number of women form a center (typically comprising not less than five members) and guarantee one another's loans. We believe this model ensures credit discipline through peer support within the group, making our customers prudent in conducting their financial affairs and prompt in repaying their loans. At the same time, this model is also based on the idea that people belonging to lower-income segments have skills that are under-utilized. It is further premised on the fact that if such individuals are given access to credit, they will be able to identify new opportunities and/or grow existing income-generating activities such as running local retail shops, providing tailoring and other assorted trades and services, raising livestock, cottage production such as pottery, basket weaving and mat making, land and tree leasing, among others. We believe that access to basic financial services can significantly increase economic opportunities for families in the lower-income segment. We believe that we also help create job opportunities throughout rural India as our customers employ people from their villages or nearby areas to support the growth of their business activities which are funded by our income-generating loans.

We lend to women in low income households and we believe that women can positively influence loan repayment in their household because they are generally more risk-averse, cooperate better in groups, are more accessible than their working husbands and demonstrate better discipline in meeting loan repayment schedules. We believe that women have been integral in driving economic growth in India particularly with respect to manufacturing, agricultural and services activities, among others, and that providing women with access to capital increases their decision-making stature in the household and in the community as a whole. As decision-makers, we believe women can help direct disposable income to the more basic needs of the home such as nutrition, education, health, savings and asset creation.

Our Products

Our wide range of financial products is designed according to various life-cycle needs of our customers. The following table broadly sets forth our financial products, as of September 30, 2024:

Loan Type	Number of Loans Outstanding	AUM	Percentage of Total AUM
		(₹ in crore)	***(%)***
Income-generating loans:			
Agriculture-allied and agriculture	32,53,648	9,265.25	80.07%
Manufacturing and production	3,14,572	969.86	8.38%
Trade and retail	1,51,213	395.14	3.41%
Services	75,889	185.89	1.61%
Others	26,531	69.01	0.60%
Top-up loans	77,919	49.35	0.43%
Cross-sell loans	50,478	16.36	0.14%
Subtotal for income-generating loans	39,50,250	10,950.86	94.64%
MSME loans	20,190	620.16	5.36%
Solar loans	12	0.13	0.00%
Total	39,70,452	11,571.15	100.00%

Income—generating loans

Income-generating loans are our core loan product for use by women in rural areas and are intended to provide capital for their small businesses.

Our income-generating loans typically fund businesses operating in the following sectors:

- Agriculture-allied and agriculture. This category includes activities such as dairy production, animal husbandry, poultry farming and crop cultivation.

- Manufacturing and production. This category includes activities such as the manufacturing and/or production of bags, furniture, mats and handicrafts, as well as bread and other baked goods.

- Trade and retail. This category includes activities such as the sale of clothes, groceries and general merchandise.

- Services. This category includes activities such as the provision of clothes tailoring and stitching services as well as small food establishments.

- Others. This category includes all other activities that do not fall within the above categories.

We grant income-generating loans for the above activities for amounts ranging from ₹10,000 to ₹45,000 for the first loan cycle and ₹10,000 to ₹90,000 for subsequent cycles, except for two branches of Holambi and Bawana where the amounts for subsequent cycles range from ₹10,000 to ₹115,000. The term of an income-generating loan for the above activities is typically 11 to 36 months, with principal and interest payments due on a weekly, fortnightly (every 14 days) or monthly (every 28 days) basis, subject to compliance with any applicable local law requirements.

Subject to certain eligibility criteria, we also offer our existing customers other categories of income-generating loans, as follows:

- Top-up loans. Top-up loans are granted to existing customers to manage interim working capital requirements for their existing business.

- Cross-sell loans. Apart from the above-mentioned loans, we also leverage our existing customer base to provide loans for other products that are utilized for livelihood and productivity enhancing purposes. We have partnered with leading brands to fund the purchases of mobile phones, bicycles, kitchen appliances and other items by our customers.

- Emergency loans. We also grant emergency loans to existing customers to fund urgent financial requirements arising out of unforeseen events such as health emergencies, natural disasters and family bereavements.

The rate of interest charged for our income-generating loans for the above activities varies from customer to customer and is based on our risk-based pricing methodology. As of September 30, 2024, the rates of interest we charge ranged between 19.00% and 23.80%. Our rates of interest and pricing methodology is subject to periodic review. We also charge a non-refundable loan processing fee equal to 1.25% of the loan amount (plus applicable tax).

MSME loans

We offer MSME loans to micro and small business enterprises engaged in manufacturing, trading, and service activities. The categories of MSME loans include secured and unsecured business loans. We extend credit facilities under our MSME loans up to ₹1,500,000. As of September 30, 2024, the interest rate charged for our MSME loans ranged between 18% to 28% depending upon the product category and overall credit behavior of the borrower. We charge a loan processing fee up to 3% of the loan amount. The maximum loan tenure offered is up to 10 years with principal and interest payments due on a monthly basis, subject to compliance with any applicable local law requirements. Disbursements under our MSME loans category amounted to ₹171.72 crore and ₹362.77 crore in the six months ended September 30, 2024 and the Financial Year 2024, respectively.

Solar loans

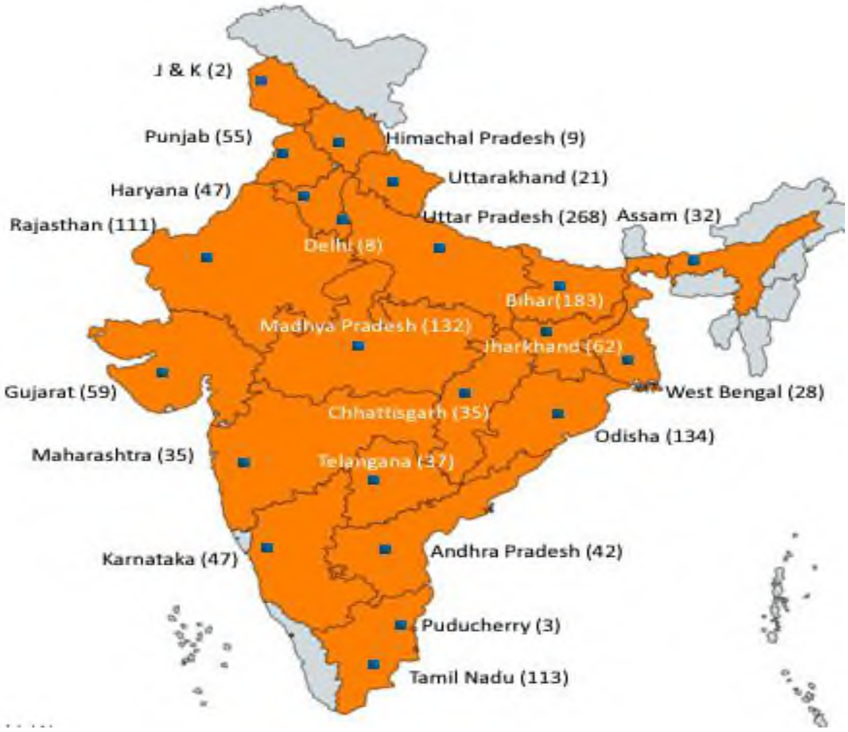
We have also launched solar loan products for MSME enterprises to provide them financing solutions to its micro and small enterprise to install rooftop solar systems under our signature product "**SURYA**" (Sor Urja Rin Yojna) which is reducing SURYA users' dependence on grid power, lowering energy costs and streamlining SURYA users' daily routines. These loans are designed to support the transition to renewable energy by making solar energy more accessible and affordable for MSMEs. As on September 30, 2024, the AUM of our solar loan portfolio is ₹0.13 crore and 12 accounts.

Distribution Network

As of September 30, 2024, we had 3.85 million active borrowers, catered to by our network of 1,463 branches and 16,186 permanent employees spread across 483 districts in 22 states and union territories in India. As of September 30, 2024, each of our relationship officers managed 384 active borrowers on average, as compared to an average of 454 and 564 active borrowers as of March 31, 2024 and 2023, respectively. Administrative support staff and management personnel at our area, division and regional offices provide the necessary back-end and infrastructure support to our branches.

Our relationship officers are hired from the surrounding catchment areas (within a radius of 100 kilometers) of our operations and trained in-house so that they have a comprehensive understanding of the local areas in which they are assigned. We believe this creates additional employment opportunities in the rural villages in which we operate in an impactful way. We provide comprehensive in-person and online training for new employees which covers various aspects of our business operations including, among others, our policies and processes, the overall microfinance sector and its regulatory framework, as well as soft skills such as customer engagement, people management and team building skills.

The map below illustrates the spread of our branches across India, as of September 30, 2024:



Our Lending Process

Our lending process involves the following key elements:

Area selection

One of the most important steps in our lending process is selecting the right area when entering into a new state or, in the case of states where we already have operations, establishing a new branch or expanding into a new village. We believe it is very important for us to determine the feasibility of a new area or geography for our lending business before we commence operations.

We have developed our area lucrative index ("**ALI**") analysis model to evaluate the local conditions and potential for establishing a new branch. Our ALI analysis model has evolved over the years through data collected from our geographically diverse operations. It involves a systematic methodology that takes into account various key parameters such as demand for credit in the area, income levels and literacy rate of the local population, competition, economic status in the region including accessibility of internet and mobile connectivity and post offices, road access, and connectivity to important locations such as banks, schools and hospitals, as well as political, socio-economic, regulatory and other risks. When selecting a new area, the ALI analysis is independently conducted by two separate teams, namely our business operations team and our risk/audit team. Each team will discuss their respective findings with the relevant regional office heads, and the findings are then reported to our Head Office Approval Committee comprising our Chief Executive Officer, Chief Operating Officer– MFI , Chief Risk Officer, Chief Business Officer – MFI and Head of Internal Audit, with special veto powers resting with each of our Chief Risk Officer and Head of Audit. Once the committee approves the new area, we will initiate the processes for opening a new branch and hiring required manpower.

In addition to the ALI process described above, we also have a village selection process which involves a detailed village survey conducted by a relationship officer and the branch manager assigned to the relevant area. The survey results are sent to the relevant area manager for review and approval. Selected villages are typically within a 30 kilometer radius of a main branch.

Centre formation

After a branch has been opened and the corresponding villages selected, our employees conduct public meetings in the villages to introduce themselves and our Company. In these meetings, we showcase our product offerings and explain the concepts of joint liability lending, our lending procedures and the requirements for center formation. A center comprises not less than five women. Since each member of a center provides joint and several guarantees for loans obtained by each other member, centers are very careful and selective in choosing their members.

Customer due diligence

Once the interested women have formed their groups, we provide further information to them, such as a brief introduction to our Company, criteria for group formation and group responsibilities. Immediately after the formation of the group, the relationship officer visits the prospective customers' house to collect the know-your-customer documents and basic data of the customers.

We require each customer to provide one proof of address and one proof of identification, which must be in the form of one of the types of documents mandated by the RBI for KYC purposes. At each customer's house, we generally seek to include all the family members, especially the husband, in the conversation during the information gathering session. The customer's husband and/or household elders are briefly informed of the terms and conditions of our offerings, such as the group lending model and associated rules and responsibilities, including the compulsory training for the customers. Our customer due diligence procedures also encompass multiple levels of checks and controls designed to assess the quality of customers and to confirm that they meet our stringent selection criteria, and include comprehensive evaluation of repayment capacity and detailed cash flows analysis of the customer as well as thorough group training sessions and knowledge testing. We utilize credit bureau data to verify customer details and obtain information on past credit behavior.

Our digital capabilities enable customer onboarding to be conducted entirely online via our mobile application or web portal. Our digital interface enables us to provide our customers with necessary information and documents in their preferred language. Images of the KYC documents and information provided by the customer can be uploaded in real time via our mobile application, which allows us to initiate the mandatory credit bureau and bank account validation checks on customers from remote parts of India.

*Continuous Group Training ("**CGT**") and Group Recognition Test ("**GRT**")*

After a group is formed and has cleared our customer due diligence checks, we conduct CGT sessions over the course of two days. During the CGT, our employees also collect quantitative data on each potential member to ensure she qualifies for the program and to record baseline information for future analysis. The CGT covers various topics such as the center meeting processes with our relationship officers, the frequency of which depends on the relevant customer's repayment schedule, as well as the rules and regulations of our Company, awareness of our products and processes, bank accounts, savings and insurance.

Once the CGT is completed, the branch manager in charge will conduct the GRT to determine the customers' level of understanding of the topics covered during the CGT. The GRT is designed to assess the quality of the proposed group and to confirm that they meet all our criteria. All the customers who have successfully undertaken the CGT and satisfy the customer selection criteria are present during the GRT. During the GRT, the branch manager will also visit the homes of the new customers to ascertain the repayment capacity and obtain consent from the customer's husband, son or family elder, who will need to co-sign the loan as a guarantor. Based on the results of the GRT, the branch manager would then make a recommendation for loan sanctioning and processing for the group. These processes ensure that there are multiple levels of checks at the time of customer onboarding, before any formal loan approvals are granted.

We believe it is crucial to build a culture of product awareness and credit discipline from the early stages of group formation. We address this through regular training and education. We provide basic product awareness training for our customers as many of them have varying levels of literacy and awareness about financial products and services. In particular, our training sessions are participatory and conducted in-person with the help of visual aids. Our standardized training programs serve as a platform for increased trust and discipline within our joint liability centers, which we believe also helps strengthen our connection with the customers, leading to better loan portfolio performance and the sustainable growth of our business.

Loan approval

Following the online submission of loan application, uploading of the required KYC documents, filing of the CGT and GRT reports along with the related individual and household visit photos, and receipt of a positive credit report from the relevant credit bureau, the branch manager will proceed to submit the loan sanctioning proposal via our mobile application for approval. Our loan approval process involves checking the adequacy and accuracy of all aforementioned data acquired from the customer at the branch level in line with our established policies and customer selection criteria. We will also validate the bank details provided by the customer for the transfer of the loan funds electronically to the customer.

Once all the above procedures are completed, a formal loan sanction is generated and the branch manager will inform the customer group of the estimated disbursement time. On the day of the disbursements, the funds are electronically transferred to each customer's respective bank account and each customer is issued a loan card (i.e. a passbook) at the respective branch.

We utilize an image-based loan sanctioning processes that enables us to process and submit all required documentation electronically via mobile phone images, eliminating the costs and delays associated with the physical movement of documents. We have also integrated our bank account information validation processes with several commercial banks throughout India, enabling us to conduct seamless cashless disbursements.

Center meetings and loan collections

Our branch managers and relationship officers use regular center meetings and business development visits to villages as means to communicate with the members in our joint liability centers. Center meetings are a critical part of managing our customers and loan life cycles. Our relationship officers are given primary responsibility for both the sourcing of new customers and the collection of repayments from our customers at center meetings. Center meetings are typically held with two joint liability centers at once and held at a designated place in the village. The meetings are scheduled in advanced based on the repayment frequency agreed with the customers at the loan approval stage, and typically begin early in the morning so as not to interfere with the daily activities of our members.

Consistent contact through these meetings allows us to manage our loan portfolio efficiently by regularly collecting repayments on outstanding loans or disbursing new loans, reinforcing center stability, addressing community issues and eliminating the travel and time constraints that members may otherwise face. The meetings are compulsory for all center members, with attendance closely monitored and recorded. In some cases, irregular attendance may serve as a critical early warning sign of a customer's failure to make timely repayment. We believe the meetings also serve as a means for members of the center to engage with and help each other in times of need.

Relationship managers input data regarding loan collections into our management information system on a daily basis. In the event of a missed repayment, the relationship officer responsible for managing the account and the designated branch manager will commence a standardized collection process that includes a direct review with the center and the borrower to determine the cause of the missed repayment and the solutions to remedy it. We believe that our relationship officers, who are personally involved with our customers from as early as the center formation and loan disbursement stages and regularly engage with our customers during the scheduled center meetings in the villages, are critical to managing our collection efficiency and ensuring the health of our portfolio.

In the event of overdue payments, the relationship officer will increase his level of engagement with the customer by conducting more frequent center meetings and field visits in order to discuss the situation with the customer and the center and come up with resolutions that work in the best interest of both the customer and our Company. In certain cases, the branch manager may also become involved in such discussions and deliberations. We also have a dedicated collections team to carry out collections of overdue payments.

Loan utilization checks

We also regularly conduct checks or reviews of our customers and the use of the funds they obtained from us as loans. Loan utilization checks are an integral step in managing the entire customer life cycle, and serves to ensure that the funds are being utilized for the approved purpose. During a loan utilization check, the relationship officers visits the customer's household or place of business to verify whether the loan funds received have been used for the purpose that the borrower stated in her loan application. Each relationship officer is required to conduct loan utilization checks for 100.00% of the loans sourced by him in the previous month, and branch managers are required to conduct loan utilization checks for a sample of 25.00% of loans sourced from within his designated area in the previous month. We have implemented app-based modules for our officers to collect information during post-disbursement loan utilization checks and field visits.

Risk Management

As a financial intermediary, we are exposed to risks that are particular to micro-credit lending and the environment in which we operate. We have identified and implemented comprehensive policies and procedures to assess, monitor and manage the risks we face. We seek to continuously improve our risk management processes to address the changing risk environment and to ensure that our processes are sufficiently agile to adapt to the changing risk landscape. The process of continuous evaluation of risks includes taking stock of the risk landscape on an event-driven basis.

We have developed detailed processes for risk management. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. These are discussed with both our management and the Risk Management Committee of our Board. Some of the risks relate to competitive intensity and the changing legal and regulatory environment. The Risk Management Committee of our Board reviews the risk management policies in relation to various risks and regulatory compliance issues.

We have identified the following as key risks:

Operational and credit risk

Our core business of providing unsecured loans to women from low-income households in rural and semi urban areas requires a high level of operational and credit risk management. Our exposure to credit risk is influenced mainly by the individual characteristics of each customer. Our customers typically have limited sources of income, savings and credit histories and our loans are typically provided free of collateral. Such customers generally do not have a high level of financial resilience, and, as a result, they can be adversely affected by declining economic conditions, climate conditions and natural calamities.

We seek to ensure efficient and uniform appraisal, disbursement, collection and delinquency management resulting from streamlined approval and administrative procedures. We have a well-established underwriting policy which ensures that customer selection is done after evaluating repayment capacity and assessing the borrower's cash flows. We use technology and automation to establish credit worthiness and repayment behavior of individual borrowers by analyzing credit bureau reports on them, where available, before sanctioning loans.

To mitigate operational and credit risks, we have adopted a uniform lending process across all branches and ensure that the process is well-documented for transparency and consistency, enabling predictability of transactions as a further risk mitigant. We also have adequate checks and balances in place with respect to our operations. Our internal audit department monitors adherence to internal controls and processes and provides inputs for strengthening our risk management, see "– *Internal Audit System and Controls*" on page 90.

Further, we seek to emphasize regular monitoring of proper loan utilization and timely repayment, which tie into our key risk parameters. For example, we carry out regular loan utilization checks, and typically conduct such checks within 30 days of disbursement of the loans. These periodic checks and regular monitoring helps us in timely identification of borrowers or centers with increasing risk, enabling timely remedial measures, as applicable. We have also implemented real time collections monitoring which ensures that any delay in collections is regularly highlighted and followed up to seek payment recovery.

Our operations are personnel-driven. We depend on our branch-level employees for sourcing, disbursements and collections and customer liaison, and significant attrition at any branch could adversely affect our operations in that branch.

Financial and liquidity risk

We have adopted well established risk management policy in an effort to prevent asset liability mismatch. We have a dedicated ALM committee that is supervised by our Board to ensure that our cost of funds, interest rates for our borrowings and draw-downs on our loan facilities are well managed. The committee also seeks to ensure that our treasury operations are optimal, including by selecting appropriate short term savings instruments for the deployment of cash collected.

We place significant emphasis on liquidity management and maintain a bias towards maintaining relatively high levels of liquidity in order to address operational requirements and corporate commitments. Along with our diversified funding strategy and favorable asset-liability maturity profile, we seek to ensure we have sufficient liquidity to meet our business requirements and promote risk mitigation. We also have a mixture of fixed and variable interest rates in our borrowing profile which helps in a volatile interest rate risk scenario.

Concentration risk

We seek to mitigate concentration risk in both our loan portfolio and borrowings through well-defined geographic and borrower concentration limits. In order to mitigate the risk of external political, legal or regulatory interventions and non-payment risks, we have implemented a portfolio concentration policy which sets forth certain concentration limits in any particular state and district, based on the applicable parameters. For example, the policy stipulates (i) that gross loan portfolio attributable to a single state and a single district must not exceed 25.00% (the limit set for the states of Uttar Pradesh and Bihar) and 4.00%, respectively, of our total gross loan portfolio; and (b) credit limits for each microfinance customer in relation to her first, second and third loan cycle which varies from state to state, with a maximum MFI exposure per customer of ₹200,000.

Political risk

We recognize political risk as one of the major risks facing the industry and believe that it can be mitigated through responsible lending, maintaining discipline, client engagement and consistently following the fundamentals of microfinance. We have a robust grievance redressal mechanism. We have implemented toll-free customer service help lines for our customers and, as part of our comprehensive monitoring processes, our branch managers, area managers and division managers are required to conduct surprise visits at centers to seek feedback from customers on their experience with our Company and provide proactive resolution to customer issues. Customer complaints are reviewed, investigated and sought to be resolved within a prescribed time frame depending on the nature of the complaint, and are subsequently reported to the Board of our Company at each quarterly Board meeting for review and any necessary guidance on our customer service quality. We also carefully calibrate our growth strategy to ensure we meet requirements of our members and also address concerns of various stakeholders. Further, we regularly engage with our customers and the communities we serve through financial literacy and awareness programs.

Internal Audit System and Controls

We believe that maintaining a comprehensive internal control framework is an essential prerequisite for the growth of business. We have well documented policies, procedures and authorization guidelines that are commensurate with our size. Internal controls are routinely tested and cover all branches, regional offices and the head office.

Our internal audit team monitors operational risks specific to our microfinance business through its control mechanism and inspections of field operations and our branches and offices. Our internal audit team conducts its responsibilities with strict accountability for confidentiality and safeguarding records and information. It has fully authorized, free and unrestricted access to any and all of our Company's records, physical properties and personnel pertinent to carrying out any engagement. Our internal audit team also interacts with our external IT and systems auditor. Our internal audit team is a large team comprising 478 members as of September 30, 2024 and is responsible for conducting periodic internal audits of the information technology, internal financial controls and other systems across all levels of our organization. Every branch is generally audited four times each year. To ensure independence from our operations, our internal audit team reports directly to the Audit Committee of our Board.

Our internal audit team has free and unrestricted access to our Board and, in accordance with the internal control guidelines of the RBI and the Government of India, our Board of Directors and the Audit Committee of the Board oversees our internal audit function to ensure better compliance at all levels. The Audit Committee of our Board is updated on significant internal audit observations, compliance with statutes, progress of risk management practices and effectiveness of our control systems every quarter. It reviews the adequacy and effectiveness of our internal control system and monitors the implementation of audit recommendations, including those related to strengthening our risk management policies and systems. It also monitors compliance with inspection and audit reports of the RBI, other regulators and statutory auditors.

Compliance with the RBI Master Directions and RBI (RFML) Directions

*Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 ("**RBI (RFML) Directions**")*

The RBI enacted the Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 ("**RBI (RFML) Directions**") with effect from April 1, 2022, under which our Company is required to comply with certain additional compliances and conditions, including: (i) forming a board approved policy to assess the household income of its borrowers; (ii) forming a board approved policy regarding the limit on the outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income, which is capped at 50% of the monthly household income; (iii) forming a board approved policy regarding pricing of microfinance loans; (iv) forming a board approved policy to provide flexibility of repayment periodicity on microfinance loans as per borrower requirements; (v) adopting a fair practices code for conduct towards borrowers in line with the RBI (RFML) Directions; (vi) putting in place a mechanism for recovery of loans which is borrower friendly; and (vii) ensuring that a minimum of 75% of our total assets are 'microfinance loans'.

*Master Direction - Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023 ("**RBI Master Directions**")*

Our Company is registered with the RBI as an NBFC-MFI, which requires us to comply with the RBI Master Directions. The former NBFC-ND-SI Master Directions have been replaced by and consolidated into the RBI Master Directions.

The following table sets forth the current status of our compliance with certain key aspects of the RBI (RFML) Directions and RBI Master Directions:

Criteria	RBI (RFML) Directions and RBI Master Directions	Our Compliance Status
Loan Portfolio – Microfinance Loans	75.00% of total assets to be in the nature of "microfinance loans".	"Microfinance loans" constituted 76.49% of our total assets, as of September 30, 2024.
Criteria – Microfinance Loans	• The borrower's total annual household income to not exceed ₹300,000. • The outflow on account of repayment of monthly loan obligation of a household shall be subject to a limit of maximum 50% of monthly household income which includes repayments towards all existing loans as well as the loan under consideration, and is in line with the board approved policy of NBFC-MFI. • The computation of loan repayment obligations has taken into account all outstanding loans (collateral-free microfinance loans as well as any other type of collateralized loans) of the household. And no new loans have been provided to those households till the prescribed limit of 50% is complied with.	We comply with the criteria determined for NBFC-MFIs by the RBI (RFML) Directions and RBI Master Directions.
Tenure of Loan	Tenure of loan to be at least 24 months for loan amounts in excess of ₹30,000 with prepayment without penalty.	We comply with the criteria determined for NBFC-MFIs by the NBFC-ND-SI Master Directions.
Collateral	Loan to be extended without collateral.	We comply with this norm for our micro- credit products.
Mode of Repayment	Loan to be repayable in weekly, fortnightly or monthly installments, at the choice of the Borrower.	We comply with this norm, subject to compliance with any local law requirements.
Insurance Premium	The actual cost of insurance for group, livestock, life and health of borrower and spouse can be recovered. However, administrative charges can only be recovered as per the applicable guidelines issued by the IRDA.	We collect only the actual cost of loan cover insurance. We comply with this norm in relation to collection of insurance premium.
Penalty	Borrowers not to be subject to penalties for delayed payments.	We comply with this norm.
Security Deposit	No security deposit or margin should be taken from the borrower.	We have not taken any security deposit or margin money from our borrowers in respect of our micro-credit products.
Asset Classification	Asset for which interest or principal payment has remained overdue for a period of 90 days or more to be classified as a NPA.	We comply with this norm. We classify loans that remain overdue for 90 days or more as NPAs.
Loan Provisioning	Loan provision for non-performing assets meeting the "Qualifying Assets" criteria to be created for higher of: (a) 1% of the outstanding loan portfolio; or (b) 50% of the aggregate loan installments overdue for more than 90 days and less than 180 days; or (c) 100% of the aggregate loan installments overdue for 180 days or more (applicable from April 1, 2013).	For non-performing assets, expected credit loss allowance ("**ECL**") is as per our Board- approved ECL model to ensure compliance with RBI Circular No. DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020.

For details in relation to provisioning norms adopted by us, see "*Risk Factors*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," on pages 20 and 186, respectively.

Capital Adequacy Ratio

Our CRAR was 24.39%, 27.53% and 27.94% and our CRAR – Tier I was 22.81%, 26.60% and 26.59% as of September 30, 2024, March 31, 2024 and 2023, respectively, which was computed in accordance with the extant master direction and prudential norms issued by RBI as applicable to an NBFC-MFI. Under the RBI Master Directions, we are required to maintain a minimum capital adequacy ratio consisting of Tier I and Tier II capital, which shall not be less than 15.00% of our aggregate risk weighted assets on-balance sheet.

Grading and Credit Ratings

CARE Advisory Research and Training Ltd. has assigned us a grading of "MFI 1" or "MFI One", which is the highest available grading on an eight point scale. In February 2024, M-CRIL has awarded us a score of 96.00% on the Code of Conduct Assessment for MFIs in India for the calendar year 2023, which is measured based on indicators of transparency, client protection, governance, recruitment, client education, grievance redress and data sharing.

The following table sets forth certain information on our credit ratings in respect of our outstanding indebtedness:

Rating Instrument	Rating Agency/Outlook	Rating/Outlook	Rating Amount Limits
			(₹ in crore)
Long-term debt	CRISIL Ratings Limited	A/ Rating Watch with Developing Implications	8,000.00
	CARE Ratings Limited	A / Rating Watch with Negative Implications	1,500.00
NCD	ICRA	A / Negative	180.00
NCD – Subordinated Debt	ICRA	A / Negative	55.00
Commercial Paper (CP)	CRISIL Ratings Limited	A1	50.00
Grading	CARE Ratings Limited	MFI 1	N/A
Comprehensive MFI Grading (COCA)	M-CRIL	C1	N/A
Client Protection Certification	M-CRIL	Gold Level	N/A

Set forth below are certain recent rating downgrades and changes in outlook:

Rating Instrument	Rating Agency	Revised Rating/Outlook	Original Rating/Outlook	Date of Revision	Rating Amount Limits
					(₹ in crore)
Long-term debt	CRISIL Ratings Limited	A / Rating Watch with Developing Implications	A+/ Negative	November 26, 2024	8,000.00
	CARE Ratings Limited	A / Rating Watch with Negative Implications	A / Negative	November 26, 2024	1,500.00
NCD	ICRA	A /Negative	A+/ Stable	November 26, 2024	180.00
NCD – Subordinated Debt	ICRA	A / Negative	A+ / Stable	November 26, 2024	55.00
Commercial Paper (CP)	CRISIL Ratings Limited	A1	A1+	November 26, 2024	50.00

Awards and Certifications

Over the years we have been recognized for our qualitative performance in various functions. The following table sets forth certain awards and laurels that we have received in recent years:

Calendar Year	Awards
2024 2023 2022	♦ Honored with 'Best Social Welfare Initiative of the Year' award at 11th Edition Corporate Social Responsibility Summit & Awards 2024 by UBS Forums. ♦ Awarded 1st Runner-up for 'Best Overall Performance' among NBFCs, Digital Payments & Lending firms at ASSOCHAM 19th Annual Summit & Awards on Banking & Financial Sector Lending Companies 2024 ♦ Awarded 'Best Education Support Initiative of the Year' award at Global CSR & ESG Awards 2024

Calendar Year	Awards
	♦ Attained a score of 96.00% on the Code of Conduct Assessment for MFIs in India by MCRIL ♦ Attained a score of 81% in the SEPM Pathway ESG Risk audit conducted by BNP Paribas ♦ Awarded under the category 'Outstanding Financial Performance' among NBFC-MFIs at ASSOCHAM 18th Annual Summit & Awards on Banking & Financial Sector Lending Companies 2023 ♦ Received "Best Data Analytics Initiative of the Year" in micro finance company category at the 2nd Annual NBFC & Fintech Excellence Awards 2023 hosted by Quantic ♦ Recognized as the 'Most Influential Microfinance of the Year' at NBFC & Fintech Conclave & Awards 2023 ♦ Honored with CRIF Data Excellence Award 2023 ♦ Awarded the "Gold" Client Protection Certification from SPTF and CERISE ♦ Attained a score of 97.00% on the Code of Conduct Assessment for MFIs in India by MCRIL ♦ Attained a score of 72% in a SPI5 (Social Performance Indicators) audit conducted by BNP Paribas. ♦ Received "Microfinance Organization of The Year Award" by Inclusive Finance India Awards 2022, a joint initiative of Access Development Services and NITI Aayog. ♦ Received 'Financial Inclusion & Future of Financial Services in India - Vision 2030' award under small NBFC category at ASSOCHAM 17th Annual Summit & Awards on Banking & Financial Sector Lending Companies 2022 ♦ Honored with 'CSR Health Impact Award 2022' by Integrated Health and Wellbeing Council for our Covid-19 welfare initiatives ♦ Received 'Great Place to Work 2022' certification for the third consecutive year ♦ Attained a score of 96.00% on the Code of Conduct Assessment for MFIs in India by MCRIL
2020	♦ "Great Place To Work" certification by Great Place to Work Institute ♦ "India's Best Company to Work For – 2020" and ranked 66th in the top 100 Companies of India by Great Place to Work Institute ♦ Featured on India's Growth Champions' list of the top 150 fastest growing companies in 2020, as published by Statista and The Economic Times ♦ Featured on the Financial Times' list of top 150 APAC high-growth companies in 2020 ♦ "Financial Inclusion & Literacy Leadership Award" from AWOKE India Foundation at India Financial Literacy Conclave.
2019	♦ "CSR Leadership Award" by UBS Forums at the CSR Summit & Awards 2019 ♦ "Best BFSI Brand Award" at India UAE Strategic Conclave ♦ "Dream Company to Work for" in MFI Category by ABP News at the BFSI Conclave
2018	♦ "Best NBFC – MFI for Customer Literacy & Capacity" by MicroFinance Institutions Network ♦ "Champions of Rural Markets 2018" at "The Economic Times Rural Strategy Summit"

Technology and Digital Platforms

We utilize a "Touch & Tech" model and believe that we have extensively integrated technology into our operations across India. With the assistance of selected technology vendors, we have built our technology platform into a business tool for achieving and maintaining high levels of customer service, enhancing operational efficiency and creating competitive advantages for our organization.

One of the key digital tools we utilize is Shakti, our CORE lending system which comprises webShakti, a browser- backed platform utilized at our branches and head offices, and mShakti, our mobile platform utilized by our field officers. It is a multi-product digital platform with end-to-end solution offerings on both our web and mobile platforms. Shakti is a highly evolved system with cloud computing services, and is easily configurable for multiple products as well as highly scalable with no dependency on any single browser, operating system or mobile phone version. Shakti offers real time integration through open API architecture, including with credit bureaus, bank partners and other third- party systems. Our Shakti system has largely contributed to our ability to deliver a superior customer experience, and enables us to manage the customer life cycle in a holistic manner. Shakti employs a simple and intuitive user interface that enables our customers to easily apply for loans as well as manage all of their accounts and allows our field officers to instantly check the creditworthiness of applications. The program facilitates door-step engagements with complete paperless loan processing, resulting in single-visit onboarding for our customers. In addition to digital onboarding, we have automated various customer service functions through Shakti including cashless disbursements, digital collections and query resolution.

We leverage technology to enable automation and digitization of processes across different functions. All pre- and post-disbursement processes are digitized with the related documents available in common vernacular languages. We have enabled geo-tagging of branches for efficient coverage and effective monitoring. In the future, we also intend to utilize AI for facial detection for customer attendance in center meetings and field officer verification while hiring at remote branches. In 2020, we implemented our "Audit 360" platform which enables constructive and real time reviews of portfolio performance. The platform allows us to maintain data symmetry across multiple enterprise systems. We have also enabled point-to-point integrations across different systems.

Over the past 18 months, we have strategically employed a hybrid approach of building core applications with the microservices architecture. These applications will be integrated with AI mechanisms. We also utilize API architecture to integrate the various functions in these applications and allow the user 360-degree access to the various functionalities. Following this approach, we have developed and launched an application for MSME loans.

In addition, we adopted cloud computing software as early as 2013, which has provided us with agility, flexibility and improved collaboration in scaling our business in a cost-efficient manner. Instead of building an in-house data center, we chose to leverage cloud offerings and implemented the Software as a Service ("**SaaS**") distribution model for our Shakti CORE lending system. Our cloud-based system has helped us ensure business continuity, with all our mail services and back-up data on the cloud server. We follow a robust multi-cloud strategy, leveraging the strengths of multiple cloud providers to ensure flexibility, reliability, and security. Our primary cloud provider is Amazon Web Services ("**AWS**"), an advanced and established cloud service provider globally. The majority of our applications are hosted on AWS, enabling us to benefit from its advanced security features and enhanced data protection capabilities, which provide better control over our infrastructure and align with our commitment to maintaining the highest standards of security. In addition to AWS, we utilize CtrlS, a Tier 4 data center located in India, and Tata Communications' cloud service ("**Tata**") to host critical internal IT assets. This dual-cloud approach allows us to strategically distribute workloads across platforms, optimizing costs and operational efficiency while ensuring compliance with data localization requirements. The combination of AWS, CtrlS and Tata gives us the ability to seamlessly shift workloads between cloud solutions as needs evolve, providing enhanced flexibility and greater control over sensitive data. This multi-cloud strategy underscores our focus on leveraging cutting-edge technology to drive innovation, ensure business continuity, and uphold stringent data protection standards.

We have also implemented next generation technologies and solutions to ensure the highest level of cybersecurity and data privacy to protect our networks, servers, applications and end points. We have implemented security solutions such as VPN, web-application firewalls, intrusion detection, advanced threat protection, VAPT, device encryption, data loss prevention, endpoint detection, secure video conferences and security information and event management. We leverage Prisma Access, a cloud-delivered security platform, to route our core application traffic securely. Prisma Access ensures comprehensive protection by providing advanced threat prevention, secure access to applications, and robust data security. By utilizing this platform, we achieve seamless connectivity for our users, enhanced performance for our core applications, and consistent security across all endpoints, regardless of location. This enables us to maintain high levels of operational efficiency while safeguarding sensitive data against evolving cyber threats.

We continue to actively upgrade our technology infrastructure and applications to keep pace with the changing and dynamic environment in the microfinance industry. We will continue to focus on increasing operational efficiency and we are on course to leverage next-generation technologies such as large-scale RPA and ERP implementation. We have made significant investments in maintaining and updating our technology infrastructure, systems applications and business solutions to support our growth, improve the quality of our services and achieve superior turnaround time in our operations.

- ***Competition***

  We face our most significant organized competition from other MFIs, banks and state-sponsored social programs in India. We expect that small finance banks may emerge as another source of competition. In addition, many of our potential members in the lower income segments do not have access to any form of organized institutional lending, and rely on loans from informal sources, especially moneylenders, landlords, local shopkeepers and traders, at much higher rates.

  MFIs can largely be classified into two types: for-profit organizations and not-for-profit organizations. Organizations under a host of different legal forms may be covered under the MFI model, including trusts, societies, co-operatives, non-profit NBFCs registered under Section 25 of the Companies Act, 1956 and Section 8 of the Companies Act, 2013, and for-profit MFIs registered with the RBI as NBFCs. For-profit MFIs have obtained a majority of the market share both in terms of clients and in terms of loan portfolio.

We believe traditional commercial banks as well a s regional rural and cooperative banks have generally not directly targeted the rural lower income segments of the population for new customers. However, some banks do participate in microfinance by financing the loan programs of self-help groups ("**SHGs**") often in partnership with NGOs. Banks also indirectly participate in microfinance by making loans and providing other sources of funding (such as securitization, assignment, loans under business correspondent mechanism) to MFIs. In addition, some commercial banks are beginning to directly compete with for-profit MFIs for lower income segment customers in certain geographies. Further, many MFIs have been granted in-principle small finance bank licenses. For further details, see "*Industry Overview*" on page 72.

- ***Employees***

As of September 30, 2024, we had 16,186 full-time employees. The following table sets forth a breakdown of our employees by function as of September 30, 2024:

Function	Number of Employees
Business Operations – MFI	14,002
Business Operations – MSME	849
Internal Audit	478
IT and Operations	70
Administration	121
Human Resources	104
Finance, Accounts and Treasury	57
Credit – MFI	130
Credit – MSME	112
Legal and Compliance	4
Others	259
Total	16,186

We have a rigorous selection process for all levels of employees, and we endeavor to verify the background of prospective employees through independent agencies which focus on employment history, reference check, fraud and criminality database search, and address confirmation. We endeavor to hire highly qualified personnel and over 41.00% of our employees have college graduation as their minimum academic qualification, as of September 30, 2024.

We conduct periodic reviews of our employees' job performance and determine salaries and discretionary bonuses based upon those reviews and general market conditions. We believe that we have a good working relationship with our employees and we have not experienced any significant employee disputes. Our employees are not subject to any collective bargaining agreements or represented by labor unions.

We believe that our compensation and benefit packages are competitive with other companies in the microfinance industry. The compensation of our personnel is linked to both qualitative and quantitative aspects of performance. Our goal-oriented culture and incentive programs have contributed to developing a motivated workforce that is focused on building relationships with our customers and partners by delivering personalized customer service, growing profitability and striving for operational efficiencies.

For the six months ended September 30, 2024 and the Financial Years 2024 and 2023, our employee attrition rate was 28.15%, 32.96% and 31.51%, respectively. We define attrition as total employee terminations and resignations divided by the average employee headcount (including only employees that have been with our Company for at least six months) for the relevant time period. We believe these high attrition rates are the result of a mix of factors that include better job opportunities, personal or family concerns, higher education opportunities and terminations. We continue to focus on retention efforts and the implementation of new programs to decrease our attrition.

Corporate Social Responsibility

We have adopted a Corporate Social Responsibility ("**CSR**") policy in compliance with the Companies Act, 2013. During the six months ended September 30, 2024 and for the Financial Years 2024 and 2023, our expenses on corporate social responsibility amounted to ₹2.97 crores, ₹3.65 crores and ₹1.55 crores, respectively, demonstrating our ongoing support and commitment to CSR in alignment with CSR rules and its amendments

The Company has a Board-level CSR Committee, headed by an independent board member, that oversees the execution of CSR initiatives and monitors the utilization of the CSR budget, ensuring compliance with the Company's CSR policy.

We seek to be a responsible financial institution that focuses on serving underprivileged and marginalized community members in rural/semi-rural areas in India. We have established a number of CSR initiatives that are targeted towards the following six sustainable developments goals: (i) Good Health & Wellbeing (ii) Quality Education (iii) Clean water & sanitation (iv) Affordable & clean energy (v) Decent work and economic growth (vi) Climate action.

We have worked diligently to support the communities around our areas of operation, and as of September 30, 2024, we have positively impacted over 910,000 lives through 32 CSR programs and have implemented CSR activities across 370 districts in 23 states. We actively engage our employees and encourage them to participate in personal volunteering initiatives, fostering a culture of responsible citizenship. As a result, employees from across our operations have taken part in these programs.

As a financial institution, we focus on supporting community members in managing their finances by implementing financial and digital literacy programs in several villages where we have a presence. We also provide scholarships to children from economically deprived backgrounds to help them complete their education. We have also established a skills development program that aims to provide livelihood opportunities to women by providing training in tailoring, dry snacks, paper bags and wheat farming and goat farming, among others.

We fund cataract surgeries, refractive error correction and fund programs that provide women sanitary napkins. We also distribute waterwheels to aid women in villages in transporting and storing water, and donate wheelchairs for disabled people, including army veterans. We finance the construction of toilets and drinking water solutions in schools. We have also provided a mobile medical van facility and conducted various health camps, reaching and supporting the needy within our operational areas. We are also committed for providing immediate relief support during natural disasters.

We are focused on environmental sustainability and have conducted plantation activities and distributed solar lights. We provided solar lights to approximately 300 households in villages in Odisha affected by the Fani cyclone in 2019, where there was no electricity for nearly six months due to the cyclone. Additionally, we have installed solar panels at a community health centre in Raikia, Odisha and a school in Chakia, Uttar Pradesh as part of our environmental sustainability initiatives.

We also provide support to the World Wildlife Fund (“**WWF**”) in environmental protection initiatives such as conservation works in Punjab to improve the long-term survival of migratory birds in the region. In addition, we seek to empower female role models by providing funding support toward the training of Indian female athletes through the GoSports Foundation including, among others, an Olympic fencer and a professional canoeist who has represented India in the Asian Championships. In 2024, we won the “Best Education Support Initiative of the Year” award at the Global CSR and environmental, social and governance awards 2024 by Brand Honchos. In the same year, we also won “Best Social Welfare Initiative of the Year” award at the 11th Edition Corporate Social Responsibility Summit and Awards by UBS forums.

Insurance

We maintain insurance policies that we believe are customary for companies operating in our industry. Our principal types of coverage include policies covering our fixed assets and equipment, which protects us in the event of certain natural disasters or fire, group credit term life insurance, group medical insurance, directors and officers liability insurance, and group personal accident insurance.

Intellectual Property

As of September 30, 2024, we have applied for registration over the trademark logo “ Fusion Finance ” and word mark “Fusion Finance Limited” under Class 36 under the provisions of the Trademarks Act, 1999, as amended, which are currently pending.

Properties

Our registered office is located at H-1, C-Block, Community Centre, Naraina Vihar, New Delhi, 110028, on leased premises. Our corporate office is located at Plot No 86, Institutional Area Sector 32, Gurugram, Haryana, 122001, on leased premises. As of September 30, 2024, we had 1,463 branches throughout India that we occupy through our lease arrangements.

OUR MANAGEMENT

Board of Directors

The composition of the Board is governed and in conformity with by the provisions of the Companies Act, 2013, the rules prescribed thereunder, the SEBI Listing Regulations and the Articles of Association. In accordance with the Articles of Association, unless otherwise determined by our Company in general meeting, our Company shall not have less than three Directors and not more than 15 Directors.

Pursuant to the provisions of the Companies Act, 2013, at least two-thirds of the total number of Directors, excluding the Independent Directors, are liable to retire by rotation, with one-third of such number retiring at each AGM. A retiring Director is eligible for re-election. Further, pursuant to the Companies Act, 2013, the Independent Directors may be appointed for a maximum of two consecutive terms of up to five consecutive years each and thereafter have a cooling off period of three years prior to being eligible for re-appointment. Any re-appointment of Independent Directors shall be on the basis of, *inter alia*, the performance evaluation report and approval by the shareholders of our Company, by way of a special resolution.

As on the date of this Draft Letter of Offer, our Company has six Directors, comprising of three Independent Directors, inclusive of two women Independent Director.

The following table provides details regarding our Board as of the date of filing this Draft Letter of Offer:

Name, Designation, Date of Birth, Address, Occupation, Period of Directorship, Term and DIN	Age (years)	Other directorships
Devesh Sachdev ***Designation:*** Managing Director and CEO ***Date of Birth*****:** December 25, 1972 ***Address:*** 8, Club Road, Malibu Towne, Sector-47, South City-II Gurgaon, Haryana, India - 122018. ***Occupation*****:** Business ***Term and Period of directorship*****:** Director since November 5, 2009, reappointed on December 5, 2023, for a term of 5 years ***DIN:*** 02547111	51	***Indian Companies*** Aagaz Development Foundation ***Foreign companies*** Nil
Ratna Dharashree Vishwanathan ***Designation:*** Independent Director ***Date of Birth*****:** April 15, 1963 ***Address:*** G 702 Central Park 1, Golf Course road, Sector 42, Sikanderpur Ghosi (68), Gurgaon, Haryana, India - 122002 ***Occupation*****:** UN Environment – SIFF ***Term and Period of directorship*****:** Director since May 24, 2018, reappointed on May 24, 2023, not liable to retire by rotation ***DIN:*** 07278291	61	***Indian Companies*** • Dilip Buildcon Limited • Moneyboxx Finance Limited • Reach to Teach Private Limited • Reach to Teach Foundation • Suryoday Foundation • Sir Shadi Lal Enterprises ***Foreign companies*** Nil
Namrata Kaul ***Designation:*** Independent Director ***Date of Birth*****:** March 15, 1964 ***Address:*** B2-301, The World SPA West, Sector-30 Gurgaon Haryana-122001 ***Occupation*****:** Professional	60	***Indian Companies*** • Havells India Limited • Schineider Electric Infrastructure Limited • Synergetics Management and Engineering Consultants Private Limited • Vivriti Capital Limited

Name, Designation, Date of Birth, Address, Occupation, Period of Directorship, Term and DIN	Age (years)	Other directorships
Term and Period of directorship*: ** Director since February 18, 2020, reappointed on February 18, 2023, not liable to retire by rotation ***DIN: 00994532		• Vivriti Asset Management Private Limited • Azko Nobel India Limited ***Foreign companies*** Nil
Narendra Ostawal ***Designation:*** Nominee Director* ***Date of Birth*:** November 13, 1977 ***Address:*** B-4101, 41s Floor, Plot CS No 77, B Wing, One Avighna Park, Mahadeo Palav Marg, Curry Road, Parel, Mumbai, Maharashtra, India - 400012 ***Occupation*:** Service ***Term and Period of directorship*:** Director since December 5, 2018, reappointed on August 6, 2024 and September 27, 2024, by the Board and shareholders, respectively, liable to retire by rotation ***DIN:*** 06530414	47	***Indian Companies*** • Avanse Financial Services Limited • Home First Finance Company India Limited • IndiaFirst Life Insurance Company Limited • Warburg Pincus India Private Limited • Vistaar Financial Services Private Limited • Micro Life Sciences Private Limited ***Foreign companies*** Nil
Kenneth Dan Vander Weele ***Designation:*** Nominee Director* ***Date of Birth*:** April 22, 1953 ***Address:*** 445 E, North Water Street, Apt 2101, Chicago, Illinois, United States of America - 60611 ***Occupation*:** Director ***Term and Period of directorship*:** Director since August 12, 2016, reappointed on August 2, 2023 and September 29, 2023 by the Board and shareholders, respectively, liable to retire by rotation ***DIN:*** 02545813	71	***Indian Companies*** Nil ***Foreign Companies*** • Creation Investments Social Ventures Fund I (USA) • Creation Investments Social Ventures Fund II, LP (USA) • Creation Investments Social Ventures Fund III, LP (USA) • Creation Investments Social Ventures Fund IV, LP (USA) • NOA Holdings NV-Holland
Puneet Gupta ***Designation:*** Independent director ***Date of Birth*:** October 25, 1973 ***Address:*** S-260, Panchsheel Park, New Delhi - 110017 ***Occupation*:** Director ***Term and Period of directorship*:** Director since October 5, 2024 ***DIN*:** 02728604	51	***Indian Companies*** • Kentrus Investment Advisors Private Limited • Meta Materials Circular Markets Private Limited • UTI Pension Fund Ltd. • NCDEX E Markets Limited ***Foreign Companies*** Nil

* *Nominee Director of our Promoter, Honey Rose.*

* *Nominee of our Promoter, Creation Investments Fusion, LLC, Creation Investments Fusion II, LLC.*

Confirmations

None of our Directors is or was a director of any listed company during the five years preceding the date of filing of this Draft Letter of Offer, whose equity shares have been or were suspended from being traded on any stock exchange, during the term of their directorship in such company.

None of our Directors is or was a director of any listed company which has been or was delisted from any stock exchange, during the term of their directorship in such company, in the last ten years immediately preceding the date of filing of this Draft Letter of Offer.

Except for the business relationships that may exist between the companies wherein any of our Directors is a director and third party service providers of our Company in its ordinary course of business, there are no conflict of interests between the third party service providers of our Company (crucial for operations of the Company) and the other Directors and Key Managerial Personnel.

Except for the business relationships that may exist between the companies wherein any of our Directors is a director and the lessors of the immovable properties of our Company in its ordinary course of business, there are no conflict of interests between the lessors of the immovable properties of our Company (crucial for operation of our Company) and the other Directors and Key Managerial Personnel.

Details of Key Managerial Personnel and Senior Management

S. No.	Particulars	Designation
Key Managerial Personnel		
1.	Devesh Sachdev	Managing Director and CEO
2.	Gaurav Maheshwari	Chief Financial Officer
3.	Deepak Madaan	Company Secretary and Chief Compliance Officer
Senior Management (excluding Key Managerial Personnel)		
1.	Sunil Mundra	Chief Operating Officer – MFI Business
2.	Kamal Kumar Kaushik	Chief Operating Officer – MSME Business
3.	Ankush Ahluwalia	Chief Business Officer – MFI
4.	Sanjay Mahajan	Chief Information Officer
5.	Vikar Jagdish Jajoo	Head of Internal Audit
6.	Sanjay Vishwanath Choudhary	Chief Risk Officer
7.	Pooja Mehta	Chief Human Resource Officer

Organisation structure

Devesh Sachdev *(Managing Director and CEO)*

Sunil Mundra	Kamal Kumar Kaushik	Ankush Ahluwalia	Sanjay Mahajan	Vikas Jagdish Jajoo	Sanjay Choudhary	Pooja Mehta	Gaurav Maheshwari	Deepak Madaan
Chief Operating Officer, MFI Business	*Chief Operating Officer, MSME Business*	*Chief Business Officer, MFI*	*Chief Information Officer*	*Head of Internal Audit*	*Chief Risk Officer*	*Chief Human Resource Officer*	*Chief Financial Officer*	*Company Secretary and Chief Compliance Officer*

SECTION V: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

Deloitte Haskins & Sells

Chartered Accountants
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Tower B
DLF Cyber City Complex
DLF City Phase II
Gurugram-122 002
Haryana, India

Tel: +91 124 679 2000
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INDEPENDENT AUDITOR'S REPORT

To The Members of Fusion Micro Finance Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Fusion Micro Finance Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2024, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year ended on that date, and notes to the financial statements, including a summary of material accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act, ("Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2024, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. we have determined the matters described below to be the key audit matter to be communicated in our report.

Sr. No.	Key Audit Matter	Auditor's Response
1	**Impairment of financial instruments (including provision for expected credit loss)** **(As described in note 2.7 of the financial statements)** Ind AS 109 requires the Company to provide for impairment of its loan receivables (financial instruments) using the expected credit loss (ECL) approach. ECL involves an estimation of probability-weighted loss on financial instruments over their life, considering reasonable and supportable information	Principal audit procedures performed: We have examined the policies approved by the Board of Directors of the Company that articulate the objectives of managing portfolio and their business models. We have also verified the methodology adopted for computation of ECL ("ECL Model") that addresses policies approved by the Board of Directors, procedures and controls for assessing and measuring credit risk on all lending exposures measured at amortised cost.

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	about past events, current conditions, and forecasts of future economic conditions which could impact the credit quality of the Company's loans and advances. In the process, a significant degree of judgement has been applied by the management for: a. Defining qualitative/ quantitative thresholds for 'significant increase in credit risk' ("SICR") and 'default'. b. Grouping of loan portfolio under homogenous pools to determine probability of default on a collective basis. c. Estimating recoveries to determine loss given default on a collective basis for loans that have defaulted. d. Determining effect of less frequent past events on future probability of default.	Additionally, we have also confirmed that adjustments to the output of the ECL model is consistent with the documented rationale and the amount of adjustment has been approved by the Board of Directors Our audit procedures related to the allowance for ECL included the following, amongst others: • Evaluation of the design and operating effectiveness of controls across the processes relevant to ECL. These controls, among others, included controls over the allocation of assets into stages; • Involvement of Information Technology Specialist for review of stage classification of Loan portfolio; • Involvement of internal expert for evaluation and understanding of the model adopted by the Company for calculation of Expected Credit Losses including the appropriateness of the data on which the calculation is based; • Testing on sample basis, the input and historical data used for determining the 'Probability of Default' (PD) and 'Loss Given Default' (LGD) rates, model validation and agreeing the data with the underlying books of account and records; • Evaluated the incorporation of the applicable assumptions into the ECL Model and tested the mathematical accuracy and computation of the allowances by using the same input data used by the Company with the help of internal experts. • Tested the adequacy of the adjustment after stressing the inputs used in determining the output as per the ECL Model tested that the adjustment is in conformity with the amount approved by the Board of Directors. • Assessed the adequacy of disclosures made in relation to the ECL allowance in accordance with Ind AS 107.

Information Other than the Financial Statements and Auditor's Report Thereon

- The Company's Board of Directors is responsible for the other information. The other information comprises the Management Discussion and Analysis and Board's Report including Annexures to Board Report, but does not include the financial statements and our auditor's

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report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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

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

- When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management and Board of Directors 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 the Board of Directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

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error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by 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 except for not complying with the requirement of audit trail as stated in (i)(vi) below (refer Note 59 to the financial statements).

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c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.

d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.

e) On the basis of the written representations received from the directors as on March 31, 2024 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2024 from being appointed as a director in terms of Section 164(2) of the Act.

f) The modification relating to the maintenance of accounts and other matters connected therewith, is as stated in paragraph (b) above.

g) 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 A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls with reference to financial statements.

h) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

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

   i. The Company does not have any pending litigation which would impact its financial position.

   ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

   iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

   iv. (a) The Management has represented that, to the best of its knowledge and belief, as disclosed in the note 58 to the financial statements no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

   (b) The Management has represented, that, to the best of its knowledge and belief, as disclosed in the note 58 to the financial statements, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or

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on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(c) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.

v. The Company has not declared or paid any dividend during the year and has not proposed final dividend for the year.

vi. Based on our examination, which included test checks, the Company has used accounting software for maintaining its books of account for the year ended March 31, 2024 which has a feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the software except that in respect of accounting software operated by third party software service providers for loan and payroll records, in the absence of Independent service auditor's System and Organisation Controls (SOC 1) Type 2 reports covering the requirements of audit trail, we are unable to comment on whether the audit trail feature of the said software was enabled and operated throughout the year for all relevant transactions recorded in the software or whether there was any instance of the audit trail feature been tampered with.

Further, during the course of our audit, we did not come across any instance of audit trail feature being tampered with, in respect of accounting software for book-keeping for which the audit trail feature was operating.

As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable from April 1, 2023, reporting under Rule 11 (g) of the Companies (Audit and Auditors) Rules, 2014 on preservation of audit trail as per the statutory requirements for record retention is not applicable for the year ended March 31, 2024

2. As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 015125N)

Deloitte Haskins & Sells
Chartered Accountants

Jitendra Agarwal
(Partner)
(Membership No. 87104)
(UDIN:24087104BKCUCY9814)

Place: Gurugram
Date: May 06, 2024

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT
(Referred to in paragraph 1(g) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

We have audited the internal financial controls with reference to financial statements of Fusion Micro Finance Limited ("the Company") as at March 31, 2024 in conjunction with our audit of the Ind AS 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 with reference to financial statements 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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective 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 of the Company 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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to the financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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 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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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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, to the best of our information and according to the explanations given to us and the Company has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2024, based on the criteria for internal financial control with reference to financial statements 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 **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 015125N)

Deloitte Haskins & Sells
Chartered Accountants

Jitendra Agarwal
(Partner)
(Membership No. 87104)
(UDIN:24087104BKCUCY9814)

Place: Gurugram
Date: May 06, 2024

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT
(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

In terms of the information and explanations sought by us and given by the Company and the books of account and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state that:

(i) (a) A. The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment and relevant details of Right-of-Use (ROU) assets.

B. The Company has maintained proper records showing full particulars of intangible assets.

(b) The Company has a program of verification of Property, Plant and Equipment so as to cover all the items once every two years which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Pursuant to the program certain Property, Plant and Equipment were due for verification during the year and were physically verified by the Management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification, however reconciliation between physical and book records are in progress.

(c) Based on our examination of the registered sale deed provided to us, we report that, title deed of the immovable property (other than immovable properties where the Company is the lessee and the lease agreements are duly executed in favour of the Company) disclosed in the financial statements included in Property, Plant and Equipment are held in the name of the Company as at the balance sheet date.

In respect of immovable properties that have been taken on lease and disclosed in the financial statements as 'ROU asset' as at the balance sheet date, the lease agreements are duly executed in favour of the Company.

(d) The Company has not revalued any of its Property, Plant and Equipment (including ROU assets) and intangible assets during the year.

(e) No proceedings have been initiated during the year or are pending against the Company as at March 31, 2024 for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (as amended in 2016) and rules made thereunder.

(ii) (a) The Company does not have any inventory and hence reporting under clause (ii)(a) of the Order is not applicable.

(b) According to the information and explanations given to us, at any point of time of the year, the Company has not been sanctioned any working capital limits in excess of Rs. 5 Crores from banks or financial institutions on the basis of security of current assets. Hence, reporting on the quarterly returns or statements to be filed by the Company with such banks or financial institutions, is not applicable.

(iii) (a) The Company's principal business is to give loans, and hence reporting under clause (iii)(a) of the Order is not applicable.

(b) The investments made, guarantees provided, security given and the terms and conditions of the grant of all loans and advances in the nature of loans and guarantees provided, during the year are, in our opinion, prima facie, not prejudicial to the Company's interest.

Deloitte Haskins & Sells Chartered Accountants

(c) In respect of loans granted or advances in the nature of loans provided by the Company, the schedule of repayment of principal and payment of interest has been stipulated. Note 2.7.1 to the financial statements explains the Company's accounting policy relating to impairment of financial assets which include loans assets. In accordance with that policy, loan assets with balances as at March 31, 2024, aggregating Rs. 297.25 crores were categorised as credit impaired ("Stage 3") and Rs. 121.03 crores were categorised as those where the credit risk has increased significantly since initial recognition ("Stage 2"). Disclosures in respect of such loans have been provided in Note 6 to the financial statements. Additionally, out of loans and advances in the nature of loans with balances as at the year-end aggregating Rs. 9,884.13 crores, where credit risk has not significantly increased since initial recognition (categorised as "Stage 1"), delay in the repayment of interest and/or principal in respect of loans aggregating to Rs. 7.76 crores were also identified. In all other cases, the repayment of principal and interest is regular. Having regard to the nature of the Company's business and the volume of information involved, it is not practicable to provide an itemised list of loan assets where delinquencies in the repayment of principal and interest have been identified.

(d) The total amount overdue for more than ninety days, in respect of loans and advances in the nature of loans, as at the year-end is Rs. 297.25 Crores. Reasonable steps are being taken by the Company for recovery of the principal and interest as stated in the applicable Regulations and Loan agreements.

(e) The Company's principal business is to give loans, and hence reporting under clause (iii)(e) of the Order is not applicable.

(f) According to information and explanations given to us and based on the audit procedures performed, the Company has not granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment during the year. Hence, reporting under clause (iii)(f) is not applicable.

(iv) In terms of the information and explanations sought by us and given by the Company and the books of account and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state that, the Company has not granted any loan, made investments or provided guarantees or securities that are covered under the provisions of sections 185 or 186 of the Companies Act, 2013, and hence reporting under clause (iv) of the Order is not applicable.

(v) According to the information and explanations given to us, the Company being Non-Banking Finance Company registered with RBI provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014, as amended, are not applicable and no order has been passed by the Reserve Bank of India or any Court or any other Tribunal against the Company in this regard.

(vi) Having regard to the nature of the Company's business / activities, reporting under clause (vi) of the Order is not applicable

(vii) In respect of statutory dues:

(a) Other than for certain delays in deposit of professional tax of Rs. 1.17 lacs due to late registrations, undisputed statutory dues, including Goods and Service tax, Provident fund, Employees' State Insurance, Income-tax, Service Tax, duty of Custom, duty of Excise, Value Added Tax, Cess and other material statutory dues applicable to the Company have generally been regularly deposited by it with the appropriate authorities in all cases during the year.

There were no undisputed amounts payable in respect of Goods and Service tax, Provident Fund, Employees' State Insurance, Income-tax, duty of Custom, Cess and other material statutory dues in arrears as at March 31, 2024 for a period of more than six months from the date they became payable.

Deloitte Haskins & Sells Chartered Accountants

(b) There are no statutory dues referred in sub-clause (a) above which have not been deposited on account of disputes as on March 31, 2024.

(viii) In terms of the information and explanations sought by us and given by the Company and the books of account and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state that there were no transactions relating to previously unrecorded income that were surrendered or disclosed as income in the tax assessments under the Income Tax Act, 1961 (43 of 1961) during the year.

(ix) (a) In our opinion, the Company has not defaulted in the repayment of loans or other borrowings or in the payment of interest thereon to any lender during the year.

(b) the Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.

(c) To the best of our knowledge and belief, in our opinion, term loans availed by the Company were, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.

(d) On an overall examination of the financial statements of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long-term purposes by the Company.

(e) The Company did not have any subsidiary or associate or joint venture during the year and hence, reporting under clause (ix) (e) of the Order is not applicable.

(f) The Company did not have any subsidiary or associate or joint venture during the year and hence, reporting under clause (ix)(f) of the Order is not applicable.

(x) (a) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) during the year and hence reporting under clause (x)(a) of the Order is not applicable.

(b) During the year, the Company has not made any preferential allotment or private placement of shares or convertible debentures (fully or partly or optionally) and hence reporting under clause (x)(b) of the Order is not applicable to the Company.

(xi) (a) To the best of our knowledge, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

(b) To the best of our knowledge, no report under sub-section (12) of section 143 of the Companies Act has been filed in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government, during the year and upto the date of this report.

(c) As represented to us by the Management, there were no whistle blower complaints received by the Company during the year and upto the date of this report.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.

(xiii) In our opinion, the Company is in compliance with Section 177 and 188 of the Companies Act, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

Deloitte Haskins & Sells
Chartered Accountants

(xiv) (a) in our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.

(b) We have considered, the internal audit reports issued to the Company during the year for the period under audit.

(xv) In our opinion during the year the Company has not entered into any non-cash transactions with its directors or persons connected with its directors and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the Company.

(xvi) (a) The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained the registration.

(b) During the year, the Company has not conducted any Non-Banking Financial activities or Housing Finance activities without a valid Certificate of Registration (CoR) from the Reserve Bank of India (RBI) as per the Reserve Bank of India Act, 1934.

(c) The Company is not a Core Investment Company as defined in the regulations made by Reserve Bank of India. Accordingly, the requirement to report on clause 3(xvi) of the Order is not applicable to the Company.

(d) There are no other Companies part of the Group, hence, the requirement to report on clause 3(xvi) of the Order is not applicable to the Company.

(xvii) The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

(xviii) There has been no resignation of the statutory auditors of the Company during the year.

(xix) On the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements and our knowledge of the Board of Directors and Management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report indicating that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

(xx) The Company has fully spent the required amount towards Corporate Social Responsibility (CSR) and there are no unspent CSR amount for the year requiring a transfer to a Fund specified in Schedule VII to the Companies Act or special account in compliance with the provision of sub-section (6) of section 135 of the said Act. Accordingly, reporting under clause (xx) of the Order is not applicable for the year.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 015125N)

Deloitte Haskins & Sells
Chartered Accountants

Jitendra Agarwal
(Partner)
(Membership No 87104)
(UDIN:24087104BKCUCY9814)

Place: Gurugram
Date: May 6, 2024

Fusion Micro Finance Limited
Balance Sheet as at March 31, 2024

(₹ in crore unless otherwise stated)

Particulars	Notes	As at March 31, 2024	As at March 31, 2023
Assets			
Financial assets			
Cash and cash equivalents	3	1,474.69	950.36
Bank balance other than cash and cash equivalents	4	78.50	114.67
Trade receivables	5	13.85	14.41
Loans	6	9,947.87	8,041.56
Investments	7	2.06	-
Other financial assets	8	99.41	96.04
Derivative financial instrument	15	-	0.14
Total financial assets		**11,616.38**	**9,217.18**
Non-financial Assets			
Current tax assets (net)	9	3.25	38.36
Deferred tax assets (net)	10	91.67	77.74
Property, plant and equipment	11	22.44	13.28
Capital work-in-progress	11	-	0.25
Right of use asset	12	8.46	7.66
Intangible assets	13	0.54	0.02
Intangible assets under development	13	2.18	-
Other non-financial assets	14	29.40	9.05
Total non-financial assets		**157.94**	**146.36**
Total assets		**11,774.32**	**9,363.54**
Liabilities & Equity			
Financial liabilities			
Derivative financial instrument	15	0.01	-
Trade payables	16		
total outstanding dues of micro enterprises and small enterprises		1.84	-
total outstanding dues of creditors other than micro enterprises and small enterprises		65.89	71.63
Debt securities	17	201.59	628.80
Borrowings (other than debt securities)	18	8,360.92	6,036.61
Subordinated liabilities	19	53.39	112.99
Other financial liabilities	20	176.39	156.92
Total financial liabilities		**8,860.03**	**7,006.95**
Non-financial liabilities			
Current tax liabilities (net)	21	-	0.71
Provisions	22	10.54	10.90
Other non-financial liabilities	23	55.60	23.06
Total non-financial liabilities		**66.14**	**34.67**
Total liabilities		**8,926.17**	**7,041.62**
Equity			
Equity share capital	25	100.62	100.35
Other equity	26	2,747.53	2,221.57
Total equity		**2,848.15**	**2,321.92**
Total liabilities and equity		**11,774.32**	**9,363.54**

Significant accounting policies 2
The accompanying notes are an integral part of the financial statements

As per our report of even date

for **Deloitte Haskins & Sells**
Chartered Accountants
ICAI Firm Registration Number FRN - 015125N

Deloitte Haskins & Sells Chartered Accountants

Jitendra Agarwal
Partner
Membership Number 087104

Place Gurugram
Date May 06, 2024

for and on behalf of the Board of Directors of
Fusion Micro Finance Limited
CIN L65100DL1994PLC061287

Devesh Sachdev
Managing Director and Chief Executive Officer
DIN 02547111

Ratna Dharashree Vishwanathan
Director
DIN 07278291

Deepak Madaan
Company Secretary and Chief Compliance Officer
M No A24811

Gaurav Maheshwari
Chief Financial Officer
M No 403832

FUSION MICRO FINANCE LIMITED

Place Gurugram
Date May 06, 2024

Fusion Micro Finance Limited
Statement of profit and loss for year ended March 31, 2024

(₹ in crore unless otherwise stated)

Particulars	Notes	For the year ended March 31, 2024	For the year ended March 31, 2023
Revenue from operations			
Interest income	27	2,091 90	1,600 10
Fees and commission income	28	41 67	19 58
Net gain on fair value changes	29	52 86	25 38
Net gain on derecognition of financial instruments under amortised cost category	30	130 30	96 86
Total revenue from operations		**2,316.73**	**1,741.92**
Other income	31	95.69	58 05
Total income		**2,412.42**	**1,799.97**
Expenses			
Finance costs	32	790 83	642 78
Impairment on financial instruments	33	364 86	200 37
Employee benefits expenses	34	431 22	325 52
Depreciation and amortization	11-13	9 01	7 41
Other expenses	35	153 24	111 91
Total expenses		**1,749.16**	**1,287.99**
Profit before tax for the year		**663.26**	**511.98**
Tax expense :			
Current tax	36	172 30	110 60
Deferred tax	36	(14 33)	14 23
Profit for the year		**505.29**	**387.15**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gains on defined benefit plans		1 64	0 42
Income tax effect on above		(0 41)	(0 11)
Total other comprehensive income for the year		1 23	0 31
Total comprehensive income for the year		**506.52**	**387.46**
Earnings per equity share (equity share par value of ₹ 10 each)			
Basic (₹)	37	50 30	43 29
Diluted (₹)	37	50 11	43 13
Significant accounting policies	2		

The accompanying notes are an integral part of the financial statements

As per our report of even date

for Deloitte Haskins & Sells
Chartered Accountants
ICAI Firm Registration Number FRN - 015125N

Jitendra Agarwal
Partner
Membership Number 087104

Deloitte Haskins & Sells Chartered Accountants

Place Gurugram
Date May 06, 2024

for and on behalf of the Board of Directors of
Fusion Micro Finance Limited
CIN : L65100DL1994PLC061287

Devesh Sachdev
Managing Director and Chief Executive Officer
DIN : 02547111

Ratna Dharashree Vishwanathan
Director
DIN 07278291

Deepak Madaan
Company Secretary and Chief Compliance Officer
M No A24811

Gaurav Maheshwari
Chief Financial Officer
M No 403832

Place Gurugram
Date May 06, 2024

FUSION MICRO FINANCE LIMITED

Fusion Micro Finance Limited
Statement of Cash flows for the year ended March 31, 2024

(₹ in crore unless otherwise stated)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
I. Cash flow from operating activities		
Profit before tax	**663.26**	**511.98**
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation	9.01	7.41
(Gain)/ Loss on sale of property, plant & equipment	0.02	-
Impairment of financial instruments-Loans	361.08	199.51
(Gain)/ Loss on fair value changes	(0.06)	-
Impairment of financial instruments-other financial assets	3.78	0.86
Finance cost on lease liability	0.99	1.02
Provision for gratuity	3.74	3.12
Provision for compensated absences	3.43	2.75
Other provisions	(5.89)	(1.59)
Net gain on sale of mutual fund investment	(52.80)	(25.38)
Net gain on derecognition of financial instruments under amortised cost category	(130.30)	(96.86)
Employee share based compensation	13.11	6.72
Effective interest rate adjustment for financial instruments	(1.94)	(3.46)
Net foreign exchange differences	0.83	4.62
Fair value loss on derivative financial instruments	0.14	(7.85)
Operating cash flow before working capital changes	**868.40**	**602.85**
Movement in working capital:		
(Increase)/decrease in loans	(2,267.39)	(2,322.88)
(Increase)/decrease in trade receivables	0.56	(10.13)
(Increase)/decrease in other financial assets	123.15	55.58
(Increase)/decrease in other non- financial assets	(20.35)	8.43
(Increase)/decrease in bank balance other than cash and cash equivalents	36.17	27.56
Increase/(decrease) in trade payables	(3.90)	43.96
Increase/(decrease) in other financial liability	18.38	42.84
Increase/(decrease) in other non-financial liabilities	32.54	1.74
Cash flow from operations	**(1,212.44)**	**(1,550.05)**
Income tax paid	(137.90)	(112.99)
Net cash used from operating activities (A)	**(1,350.34)**	**(1,663.04)**
II. Cash flow from investing activities		
Purchase of property, plant and equipments	(16.39)	(7.28)
Payment against capital work-in-progress	-	(0.25)
Proceeds from sale of property, plant and equipment	0.01	-
Purchase of intangible assets	(0.65)	-
Payment against intangible assets under development	(2.18)	-
Payment against right of use assets	(0.11)	-
Purchase of investments	(12,752.00)	(7,715.00)
Proceeds from sale of investments	12,802.80	7,740.38
Net cash flow from investing activities (B)	**31.48**	**17.85**
III. Cash flow from financing activities		
Proceeds from issue of equity shares (net of share issue expenses)	6.60	584.46
Repayment of debt securities	(427.46)	(335.37)
Proceeds from debt securities	-	180.00
Repayment of borrowings (other than debt securities)	(4,847.13)	(3,808.20)
Proceeds from borrowings (other than debt securities)	7,173.19	5,015.00
Proceeds from subordinated debt	-	-
Repayment of subordinated debt	(59.99)	(50.00)
Payment of lease liability	(2.02)	(1.71)
Net cash flow from financing activities (C)	**1,843.19**	**1,584.18**
Net (decrease)/increase in cash and cash equivalents (A + B + C)	**524.33**	**(61.01)**
Cash and cash equivalents at the beginning of the year	950.36	1,011.37
Cash and cash equivalents at the end of the year	**1,474.69**	**950.36**

Note a) For disclosures relating to change in liabilities arising from financing activities, refer note 42
b) The cash flow statement has been prepared under the indirect method as set out in Ind AS 7, "Statement of Cash flows"
c) For components of cash and cash equivalents as at March 31, 2024 and March 31, 2023, refer note 3

Cash flow from operating activities includes interest received of ₹ 2,069.66 crore (31 March 2023: ₹ 1,599.43 crore) and interest paid of ₹ 767.24 crore (31 March 2023: ₹ 623.09 crore)

Significant accounting policies 2
The accompanying notes are an integral part of the financial statements

As per our report of even date

for Deloitte Haskins & Sells
Chartered Accountants
ICAI Firm Registration Number FRN - 015125N

Jitendra Agarwal
Partner
Membership Number 087104

Place Gurugram
Date May 06, 2024

Deloitte Haskins & Sells Chartered Accountants

for and on behalf of the Board of Directors of
Fusion Micro Finance Limited
CIN : L65100DL1994PLC061287

Devesh Sachdev
Managing Director and Chief Executive Officer
DIN 02547111

Ratna Dharashree Vishwanathan
Director
DIN 07278291

Fusion Micro Finance Limited

Deepak Madaan
Company Secretary and Chief Compliance Officer
M No A24811

Gaurav Maheshwari
Chief Financial Officer
M No 103832

Place Gurugram
Date May 06, 2024

Fusion Micro Finance Limited
Statement of Changes in equity for the year ended March 31, 2024

A Equity share capital

(₹ in crore unless otherwise stated)

Particulars	As at April 1, 2023	Changes during the year 2023-24	As at March 31, 2024	As at April 1, 2022	Changes during the year 2022-23	As at March 31, 2023
Equity share capital (fully paid up)	100.63	0.39	101.02	84.33	16.30	100.63
Less: Treasury shares*	(0.28)	(0.12)	(0.40)	(1.57)	1.29	(0.28)
Total	**100.35**	**0.27**	**100.62**	**82.76**	**17.59**	**100.35**

* Treasury shares represents shares held by ESOP Trust. The company treats ESOP Trust as its extension and shares held by ESOP Trust are treated as treasury shares

B Other equity

Particulars	Reserves and Surplus					Other Comprehensive Income	Total
	Statutory reserve	Treasury shares #	Securities premium	Employee stock option plan reserve	Retained earnings	Remeasurement gains on defined benefit plans	
Balance as at April 1, 2023	**122.81**	**(4.10)**	**1,641.64**	**7.97**	**452.06**	**1.19**	**2,221.57**
Profit for the year	-	-	-	-	505.29	-	505.29
Other comprehensive income for the year	-	-	-	-	-	1.23	1.23
Issue of equity shares	-	-	-	-	-	-	-
Transfer to / from retained earnings	101.06	-	-	-	(101.06)	-	-
Share based compensation	-	-	-	13.11	-	-	13.11
Exercise of share options	-	3.95	4.77	(2.39)	-	-	6.33
Lapse of share options	-	-	-	(0.15)	0.15	-	-
Issue of equity shares to trust	-	(11.50)	11.50	-	-	-	-
Balance as at March 31, 2024	**223.87**	**(11.65)**	**1,657.91**	**18.54**	**856.44**	**2.42**	**2,747.53**
Balance as at April 1, 2022	**45.38**	**(12.67)**	**1,070.88**	**9.51**	**141.21**	**0.88**	**1,255.19**
Profit for the year	-	-	-	-	387.15	-	387.15
Other comprehensive income for the year	-	-	-	-	-	0.31	0.31
Issue of equity shares	-	-	583.69	-	-	-	583.69
Transfer to / from retained earnings	77.43	-	-	-	(77.43)	-	-
Expenses incurred towards Issue of Share Capital (net of taxes)	-	-	(25.32)	-	-	-	(25.32)
Share based compensation	-	-	-	6.72	-	-	6.72
Exercise of share options	-	8.57	12.39	(7.13)	-		13.83
Lapse of share options	-	-	-	(1.13)	1.13	-	-
Balance as at March 31, 2023	**122.81**	**(4.10)**	**1,641.64**	**7.97**	**452.06**	**1.19**	**2,221.57**

\# Treasury shares excluding amount adjusted from equity share capital

Significant accounting policies 2

The accompanying notes are an integral part of the financial statements

As per our report of even date

for Deloitte Haskins & Sells
Chartered Accountants
ICAI Firm Registration Number: FRN - 015125N

Jitendra Agarwal
Partner
Membership Number: 087104

Deloitte Haskins & Sells Chartered Accountants

Place: Gurugram
Date: May 06, 2024

for and on behalf of the Board of Directors of
Fusion Micro Finance Limited
CIN : L65100DL1994PLC061287

Devesh Sachdev
Managing Director and Chief Executive Officer
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Ratna Dharashree Vishwanathan
Director
DIN : 07278291

Deepak Madaan
Company Secretary and Chief Compliance Officer
M. No. A24811

Gaurav Maheshwari
Chief Financial Officer
M. No. 403832

Place: Gurugram
Date: May 06, 2024

FUSION MICRO FINANCE LIMITED

1. Corporate information

Fusion Micro Finance Limited ('the Company'), was originally incorporated as 'Ambience Fincap Private Limited' on September 5, 1994 under the Companies Act, 1956. On January 9, 2003, the Reserve Bank of India (RBI) granted a certificate of registration as a non-deposit accepting non-banking financial company under Section 45IA of the Reserve Bank of India Act, 1934. Subsequently, the name of Company was changed to 'Fusion Micro Finance Private Limited' and a fresh certificate of incorporation, dated April 19, 2010, was issued, post which the RBI granted a certificate of registration dated May 19, 2010 reflecting the change of name. Thereafter, the Company was issued a fresh certificate dated January 28, 2014 from RBI for carrying on the business of Non-Banking Financial Company-Micro Finance Institution ('NBFC-MFI') .The name of the Company was further changed to Fusion Micro Finance Limited upon conversion to a public limited company pursuant to the special resolution passed by the Shareholders of the Company and a fresh certificate of incorporation was issued dated July 20, 2021. The registered office of the Company is at H-1, C-Block, Community Centre, Naraina Vihar, New Delhi-110028.

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

The Company uses its distribution channel to provide other financial products and services to the members primarily relate to providing of loans to the members for the purchase of certain productivity enhancing products such as mobile handsets, bicycle etc.

The financial statements for the year ended March 31, 2024 are approved on May 06, 2024.

1A. Basis of Preparation of financial statements

The financial statements of the Company as at and for the year ended March 31, 2024, have been prepared in accordance with requirements of Indian Accounting Standards ("Ind AS") notified by under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) as prescribed under Section 133 of the Companies Act, 2013 ('Act') , other accounting principles generally accepted in India and presentation requirements of Division III of Schedule III of the Act (Ind AS compliant Schedule III), as applicable to the Company.

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

Presentation of financial statements

The Company presents its balance sheet in order of liquidity.

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

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

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

2. Significant accounting policies

2.1 Recognition of income and expense

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

Deloitte Haskins & Sells
Chartered Accountants

FUSION MICRO FINANCE LIMITED

2.1.1 Interest income

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

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

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

2.1.1.1 The effective interest rate method

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

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

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

2.1.2 Dividend income

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

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

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

2.1.4 Net Gain/Loss on fair value changes

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

2.1.5 Interest Expense

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

2.1.6 Revenue from Contracts with Customers

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

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a) Facilitation fees income is earned on distribution of services and products of other entities under distribution arrangements. The income so earned is recognised on completion of successful distribution on behalf of other entities subject to there being no significant uncertainty of its recovery.

b) The Company recognizes revenue from market support services upon satisfaction of performance obligation by rendering of services underlying the contract with third party customers.

2.2 Financial Instruments– initial recognition

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

2.2.1 Date of recognition

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

2.2.2 Initial measurement of financial instruments

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

2.2.3 Measurement categories of financial assets and liabilities

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

a) Amortized cost, as explained in Note 2.3.1

b) FVTPL as explained in Notes 2.3.4

c) FVTOCI

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

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

2.3 Financial assets and liabilities

2.3.1 Loans, trade receivables, financial investments and other financial assets at amortized cost

The Company measures loans, trade receivables and other financial investments and assets at amortized cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

2.3.1.1 Business model assessment

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

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

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

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

2.3.1.2 The SPPI test

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

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

'Interest' within a lending arrangement are typically the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

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

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

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2.3.2 Derivative financial instruments at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as currency and interest rate swaps , to hedge its foreign currency risks and interest rate risks, respectively. Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

Changes in the fair value of currency and interest rate swaps entered to hedge foreign currency risks and interest rate risks, respectively, on external commercial borrowing are included in Net loss /(gain) on fair value of derivative contracts measured at fair value through profit or loss under finance cost. Changes in the fair value of other derivatives are included in net gain/(loss) on fair value changes unless hedge accounting is applied.

The notional amount and fair value of such derivatives are disclosed separately in Note 15. The Company does not apply hedge accounting.

2.3.3 Debt securities and other borrowed funds

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

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

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

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

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

Or

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

Or

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

2.4 Reclassification of financial asset and liabilities

Financial assets are not reclassified subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets or liabilities in 2023-24 and 2022-23.

2.5 Derecognition of financial assets and liabilities

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

- The rights to receive cash flows from the asset have expired, or

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

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

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

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

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

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

2.6 Offsetting of financial instruments

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

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2.7 Impairment of Financial Assets

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

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 47 (e).

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

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

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

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

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

Stage 3
Loans considered credit-impaired. The Company records an allowance for the LTECLs. All exposures having overdue balances for a period exceeding 90 days are considered to be defaults and are classified under this stage.

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

2.7.2 Methodology for calculating ECL

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

Key factors applied to determine ECL are outlined as follows:

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

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

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

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

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The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a EAD and multiplied by the expected LGD.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument.

Stage 3: For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

2.7.3 Forward looking information

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

2.7.4 Write-offs

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

2.7.5 Impairment of non-financial assets

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

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

2.8 Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

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

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

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

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

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

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

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

• **Level 1 financial instruments** - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.

• **Level 2 financial instruments** - Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Company will classify the instruments as Level 3.

• **Level 3 financial instruments** – Includes one or more unobservable input where there is little market activity for the asset/liability at the measurement date that is significant to the measurement as a whole.

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

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

2.9 Foreign Currency transactions

2.9.1 Functional and presentation currency

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

2.9.2 Transaction and balance

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

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All exchange differences arising from foreign currency borrowings to the extent not capitalized are regarded as a cost of borrowing and presented under Finance cost.

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

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2.10 Leasing

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

Where the Company is lessee

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

- **Right-of-use assets**

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

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 2.7.5 Impairment of non-financial assets.

- **Lease Liabilities**

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

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

Short term lease

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

2.11 Cash and Cash equivalents

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

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

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2.12 Property, Plant and Equipment (PPE)

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

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

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

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

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

Depreciation on Property, plant and equipment (except freehold land) provided on written down value method at the rate arrived based on useful life of the assets, prescribed under schedule II of the Act, which also represents the estimate of the useful life of the assets by the management.

Depreciation on assets sold during the year is charged to the Statement of profit and loss up to the date of sale.

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

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

2.13 Intangible assets and Intangible Asset under Development

2.13.1 Intangible assets

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

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

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

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

Computer software - 3-6 years

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

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

2.13.2 Intangible Asset under Development

Intangible Assets under development comprises of assets which are not yet ready for their intended use and includes all direct expenses and directly attributable indirect expenses incurred for developing of assets.

Cost of developmental work which is completed, wherever eligible, is recognised as an Intangible Asset.

Cost of developmental work under progress, wherever eligible, is classified as "Intangible Assets under Development".

Intangible Asset under development includes expenditure incurred by the Company towards payment to external agencies for developmental project(s) and expenditure incurred by the Company towards material cost, employee cost and other direct expenditure pertaining to identified project.

Development costs that are directly attributable to the design and testing of identifiable products and solutions are recognised as intangible assets when the following criteria are met:

- Management intends to and it is technically feasible to complete the project so that it will be available for use
- It can be demonstrated how the intangible asset will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the asset are available, and
- The expenditure attributable during its development can be reliably measured.

Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to create, produce and make the asset ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.

2.14 Retirement and other Employee benefits

2.14.1 Short term employee benefits

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

2.14.2 Share-based payment arrangements

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

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. Further details are given in Note 43.

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

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

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

2.14.3 Defined contribution plans

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

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

2.14.4 Defined benefit plans

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

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

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

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

2.14.5 Other long-term employee benefits

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

Actuarial gains and losses arising during the year are immediately recognized in the Statement of profit and loss.

2.15 Provisions

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

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2.16 Share issue expenses

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

2.17 Taxes

2.17.1 Current tax

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

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

Current tax assets and liabilities are offset only if, the Company:
- has a legally enforceable right to set off the recognized amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.17.2 Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

Deferred tax assets and liabilities are offset only if:

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

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

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

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

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

2.18 Earning per share

The Company reports basic and diluted earnings per share in accordance with Ind AS 33 on Earnings per share. Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting year.

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

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker.

The MD and CEO of the Company has been identified as the Chief Operating Decision Maker for the Company.

2.20 Contingent Liabilities and Contingent Assets

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are disclosed, where an inflow of economic benefits are probable. The Company shall not recognise a contingent asset unless the recovery is virtually certain.

2.21 Treasury Shares

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

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

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2.22 Significant accounting judgements, estimates and assumptions

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

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

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

Business model assessment

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

Fair value of financial instrument

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

Impairment of financial asset

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

Provisions other than impairment on loan portfolio

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

Share Based Payment

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

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Defined employee benefit assets and liabilities

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

Other estimates

- **Useful lives of depreciable/amortizable assets** – Management reviews its estimate of the useful lives of depreciable/amortizable asset at each reporting date, based on expected utility of assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of assets

- **Recognition of deferred tax assets** – The extent to which deferred tax assets can be recognized is based on assessment of the probability of the future taxable income against which the deferred tax assets can be utilized.

2.23 New standards, interpretations, and amendments:

The Ministry of Corporate Affairs (MCA) notifies new standards or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. During the year ended March 31, 2024, MCA has not notified any new standards or amendments to the existing standards applicable to the Company.

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Notes to Financial Statements for the year ended March 31, 2024

(₹ in crore unless otherwise stated)

	As at March 31, 2024	As at March 31, 2023
3 Cash and cash equivalents		
Cash on hand	5.28	6.56
Balance with banks		
- on current accounts	1,344.32	763.70
- deposits with original maturity of less than 3 months*	125.09	180.10
Total	**1,474.69**	**950.36**

* Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

4 Bank balance other than cash and cash equivalents		
Deposits with remaining maturity of less than 12 months		
- to the extent held as margin money deposits against borrowings and guarantees	41.81	75.59
- lien Free Deposits	-	0.38
Deposits with remaining maturity of more than 12 months		
- to the extent held as margin money deposits against borrowings and guarantees	36.69	38.70
- lien Free Deposits	-	-
Total	**78.50**	**114.67**

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

5 Trade receivables (at amortised cost)		
Unsecured considered good	13.85	14.41
Less : Impairment loss allowance	-	-
Total	**13.85**	**14.41**

Trade receivables ageing schedule as on March 31, 2024

Particulars	Outstanding for following periods from due date of payment*					
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) Undisputed trade receivables – considered good	13.78	0.01	0.02	0.04	-	13.85
(ii) Undisputed trade receivables – which have significant increase in credit risk	-	-	-	-	-	-
(iii) Undisputed trade receivables – credit impaired	-	-	-	-	-	-
(iv) Disputed trade receivables considered good	-	-	-	-	-	-
(v) Disputed trade receivables – which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed trade receivables – credit impaired	-	-	-	-	-	-
	13.78	**0.01**	**0.02**	**0.04**	-	**13.85**

Trade receivables ageing schedule as on March 31, 2023

Particulars	Outstanding for following year from due date of payment*					
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) Undisputed trade receivables – considered good	14.35	0.02	0.04	-	-	14.41
(ii) Undisputed trade receivables – which have significant increase in credit risk	-	-	-	-	-	-
(iii) Undisputed trade receivables – credit impaired	-	-	-	-	-	-
(iv) Disputed trade receivables considered good	-	-	-	-	-	-
(v) Disputed trade receivables – which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed trade receivables – credit impaired	-	-	-	-	-	-
	14.35	**0.02**	**0.04**	-	-	**14.41**

*In case of no due date of payment disclosure has been given based on the date of the transaction

Note: No trade or other receivable are due from directors and other officers of the Company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member. Trade receivable are non-interest bearing and short term in nature, hence does not involve any significant credit risk.

	As at March 31, 2024	As at March 31, 2023
6 Loans (at amortised cost)		
Term Loans:		
Joint liability loans	9,782.50	8,061.46
MSME Loans	519.91	292.76
Total - Gross	**10,302.41**	**8,354.22**
Less: Impairment loss allowance	(354.54)	(312.66)
Total - Net	**9,947.87**	**8,041.56**
(a) Secured	347.00	115.52
(b) Unsecured	9,955.41	8,238.70
Total - Gross	**10,302.41**	**8,354.22**
Less: Impairment loss allowance	(354.54)	(312.66)
Total - Net	**9,947.87**	**8,041.56**
(a) Public sector	-	-
(b) Others	10,302.41	8,354.22
Total - Gross	**10,302.41**	**8,354.22**
Less: Impairment loss allowance	(354.54)	(312.66)
Total - Net	**9,947.87**	**8,041.56**
Above amount include		
(a) Loans provided in India	10,302.41	8,354.22
(b) Loans provided outside India	-	-
Total - Gross	**10,302.41**	**8,354.22**
Less: Impairment loss allowance	(354.54)	(312.66)
Total - Net	**9,947.87**	**8,041.56**

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(₹ in crore unless otherwise stated)

Overview of the Loan Portfolio of the Company

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

Gross portfolio movement for the year ended March 31, 2024

Particulars	Stage I*	Stage II	Stage III	Total
Gross carrying value of loans as at April 1, 2023	8,005.07	60.26	288.89	8,354.22
New loans originated during the year, netted off for repayments and derecognised portfolio	2,093.59	(21.29)	195.09	2,267.39
Loans written off during the year	(0.32)	(0.11)	(318.77)	(319.20)
Movement between stages				
Transfer from stage I	(216.06)	90.90	125.16	-
Transfer from stage II	1.23	(9.68)	8.45	-
Transfer from stage III	0.62	0.95	(1.57)	-
Gross carrying value of loans as at March 31, 2024	**9,884.13**	**121.03**	**297.25**	**10,302.41**

Gross portfolio movement for the year ended March 31, 2023

Particulars	Stage I*	Stage II	Stage III	Total
Gross carrying value of loans as at April 1, 2022	5,789.02	131.10	358.43	6,278.55
New loans originated during the year, netted off for repayments and derecognised portfolio	2,370.77	(64.71)	16.81	2,322.87
Loans written off during the year	-	-	(247.20)	(247.20)
Movement between stages				
Transfer from stage I	(155.40)	26.90	128.50	-
Transfer from stage II	0.50	(33.13)	32.63	-
Transfer from stage III	0.18	0.10	(0.28)	-
Gross carrying value of loans as at March 31, 2023	**8,005.07**	**60.26**	**288.89**	**8,354.22**

* Includes overdue from 1 to 30 days amounting to ₹ 7.76 crore and ₹ 4.61 crore as on March 31, 2024 and March 31, 2023 respectively.

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

Particulars	Loans			Total	Other financial assets(refer note 8B)
	Stage I	Stage II	Stage III		
ECL allowance on April 01, 2023	**70.45**	**24.11**	**218.10**	**312.66**	**1.99**
New loans originated during the year, netted off for repayments and derecognised portfolio	18.42	(8.52)	147.29	157.19	3.78
Loans written off during the year	(0.32)	(0.11)	(318.77)	(319.20)	-
Movement between stages					
Transfer from stage I	(1.90)	0.80	1.10	-	-
Transfer from stage II	0.49	(3.87)	3.38	-	-
Transfer from stage III	0.47	0.72	(1.19)	-	-
Impact on ECL on account of movement between stages/ updates to ECL model	(23.25)	40.12	187.02	203.89	-
ECL allowance on March 31, 2024	**64.36**	**53.25**	**236.93**	**354.54**	**5.77**
ECL allowance on April 01, 2022	**59.71**	**45.24**	**255.40**	**360.35**	**1.14**
New assets originated during the year, netted off for repayments and derecognised portfolio	24.46	(22.34)	11.97	14.09	0.85
Loans written off during the year			(247.20)	(247.20)	
Movement between stages					
Transfer from stage I	(1.60)	0.28	1.32	-	-
Transfer from stage II	0.17	(11.43)	11.26	-	-
Transfer from stage III	0.13	0.07	(0.20)	-	-
Impact on ECL on account of movement between stages/ updates to ECL model	(12.42)	12.29	185.55	185.42	-
ECL allowance on March 31, 2023	**70.45**	**24.11**	**218.10**	**312.66**	**1.99**

	As at March 31, 2024	As at March 31, 2023
7 Investments		
At fair value through profit and loss account :		
Investments in Unqoted debt mutual funds (HDFC charity fund for cancer cure March 31, 2024 - 19,99,900.05 units) (March 31, 2023 - Nil units)	2.06	-
(i) Overseas investments	-	-
(ii) Investments in India	2.06	-
Total	**2.06**	-

		As at March 31, 2024	As at March 31, 2023
8 Other financial assets (at amortised cost)			
A Security deposits			
Unsecured, considered good		6.98	6.04
	(A)	**6.98**	**6.04**
B Other assets			
Excess interest spread (EIS) receivable		74.93	63.54
Advances recoverable in cash or for value to be received		23.27	28.45
Less : Impairment loss allowance (refer note 6 for movement)		(5.77)	(1.99)
	(B)	**92.43**	**90.00**
	Total (A+B)	**99.41**	**96.04**

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(₹ in crore unless otherwise stated)

		As at March 31, 2024	As at March 31, 2023
9	**Current tax assets (net)**		
	Advance income tax (net)	3.25	38.36
	Total	**3.25**	**38.36**
10	**Deferred tax assets (net)**		
A	**Deferred tax assets:**		
	Impairment allowance for financial assets	80.92	73.06
	Differences of written down value of Property, plant and equipment and intangible Assets	2.59	2.06
	Provision for employee benefits	5.57	5.76
	Financial liabilities measured at amortised cost	1.48	1.07
	Fair valuation of derivative financial instruments	-	(0.04)
	EIR impact on loan portfolio	23.45	18.19
	Expenses incurred on initial public offering	3.20	4.26
	Other temporary difference	0.82	1.00
	Total deferred tax assets	**118.03**	**105.36**
B	**Deferred tax liabilities**		
	Excess interest spread (EIS) receivable	(17.66)	(14.49)
	Stage 3 interest income	(8.70)	(13.13)
	Total deferred tax liabilities	**(26.36)**	**(27.62)**
	Net deferred tax assets (A+B)	**91.67**	**77.74**

C Movement in Deferred tax assets (net)

Particulars	As at April 01, 2023	(Charge)/credit in Statement of profit and loss for year ended March 31, 2024	Recognized in other comprehensive income for year ended March 31, 2024	Recognized in other equity for the year ended March 31, 2024	As at March 31, 2024
Assets					
Impairment allowance for financial assets	73.06	7.86	-	-	80.92
Differences of written down value of Property, plant and equipment and intangible assets	2.06	0.53	-	-	2.59
Provision for employee benefits	5.76	0.22	(0.41)	-	5.57
Financial liabilities measured at amortised cost	1.07	0.41	-	-	1.48
Fair valuation of derivative financial instruments	(0.04)	0.04	-	-	-
EIR impact on loan portfolio	18.19	5.26	-	-	23.45
Expenses incurred on initial public offering	4.26	(1.06)	-	-	3.20
Other temporary difference	1.00	(0.18)	-	-	0.82
Liabilities					
EIS receivable	(14.49)	(3.17)	-	-	(17.66)
Stage 3 interest income	(13.13)	4.43	-	-	(8.70)
Total	**77.74**	**14.34**	**(0.41)**	-	**91.67**

Particulars	As at April 01, 2022	(Charge)/credit in Statement of profit and loss for the year ended March 31, 2023	Recognized in Other comprehensive income for the year ended March 31, 2023	Recognized in other equity for the year ended March 31, 2023	As at March 31, 2023
Assets					
Impairment allowance for financial assets	90.04	(16.98)	-	-	73.06
Differences of written down value of Property, plant and equipment and intangible assets	1.53	0.53	-	-	2.06
Provision for employee benefits	3.61	2.26	(0.11)	-	5.76
Financial liabilities measured at amortised cost	0.64	0.43	-	-	1.07
Fair valuation of derivative financial instruments	1.94	(1.98)	-	-	(0.04)
EIR impact on loan portfolio	11.14	7.05	-	-	18.19
Expenses incurred on initial public offering	0.33	(1.40)	-	5.33	4.26
Other temporary difference	0.51	0.49	-	-	1.00
Liabilities					
EIS receivable	(10.15)	(4.34)	-	-	(14.49)
Stage 3 interest income	(12.83)	(0.30)	-	-	(13.13)
Total	**86.76**	**(14.24)**	**(0.11)**	**5.33**	**77.74**

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FUSION MICRO FINANCE LIMITED

(₹ in crore unless otherwise stated)

11 Property, plant and equipment and Capital work-in-progress

A Property, plant and equipment

Particulars	Gross carrying amount (at cost)				Depreciation				Net Carrying Amount
	As at April 1, 2023	Additions	Disposals	As at March 31, 2024	As at April 1, 2023	For the year	Disposals	As at March 31, 2024	As at March 31, 2024
Freehold Land*	-	5.02	-	5.02	-	-	-	-	5.02
Furniture and fixtures	5.12	2.32	-	7.44	2.39	0.99	-	3.38	4.06
Electrical fittings	1.33	0.42	0.18	1.57	0.72	0.21	0.16	0.77	0.80
Office equipment	4.51	2.62	0.05	7.08	2.48	1.46	0.04	3.90	3.18
Vehicles	0.35	-	-	0.35	0.21	0.05	-	0.26	0.09
Computers	12.60	4.24	0.19	16.65	8.68	3.85	0.19	12.34	4.31
Leasehold improvements	7.00	2.02	-	9.02	3.15	0.89	-	4.04	4.98
Total	30.91	16.64	0.42	47.13	17.63	7.45	0.39	24.69	22.44

Particulars	Gross carrying amount (at cost)				Depreciation				Net Carrying Amount
	As at April 1, 2022	Additions	Disposals	As at March 31, 2023	As at April 1, 2022	For the year	Disposals	As at March 31, 2023	As at March 31, 2023
Furniture and fixtures	3.62	1.50	-	5.12	1.67	0.72	-	2.39	2.73
Electrical fittings	1.01	0.34	0.02	1.33	0.59	0.15	0.02	0.72	0.61
Office equipment	2.97	1.61	0.07	4.51	1.46	1.09	0.07	2.48	2.03
Vehicles	0.35	-	-	0.35	0.13	0.08	-	0.21	0.14
Computers	8.90	3.82	0.12	12.60	5.44	3.36	0.12	8.68	3.92
Leasehold improvements	7.00	-	-	7.00	2.35	0.80	-	3.15	3.85
Total	23.85	7.27	0.21	30.91	11.64	6.20	0.21	17.63	13.28

*During the year, the Company has acquired freehold land measuring 1.5375 Acre at Village Fatehpur, Nuh in the state of Haryana. The title deed of the land is registered on the name of the Company.

B Capital work-in-progress

Capital work-in-progress ageing schedule as at March 31, 2024

Particulars	Amount in Capital work-in-progress for a period of				
	Less than one year	1-2 years	2-3 years	more than 3 years	Total
Projects-in-Progress	-	-	-	-	-
Projects temporarily suspended	-	-	-	-	-
Total	-	-	-	-	-

Capital work-in-progress ageing schedule as at March 31, 2023

Particulars	Amount in Capital work-in-progress for a period of				
	Less than one year	1-2 years	2-3 years	more than 3 years	Total
Projects-in-Progress	0.25	-	-	-	0.25
Projects temporarily suspended	-	-	-	-	-
Total	0.25	-	-	-	0.25

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(₹ in crore unless otherwise stated)

12 Right of use asset

Particulars	Gross carrying amount (at cost)				Depreciation				Net Carrying Amount
	As at April 1, 2023	Additions	Disposals	As at March 31, 2024	As at April 1, 2023	For the year	Disposals	As at March 31, 2024	As at March 31, 2024
Building (refer Note 53)	10.25	1.94	-	12.19	2.59	1.41	-	4.00	8.19
Vehicle (refer Note 53)	-	0.29	-	0.29	-	0.02	-	0.02	0.27
Total	**10.25**	**2.23**	**-**	**12.48**	**2.59**	**1.43**	**-**	**4.02**	**8.46**

Particulars	Gross carrying amount (at cost)				Depreciation				Net Carrying Amount
	As at April 1, 2022	Additions	Disposals	As at March 31, 2023	As at April 1, 2022	For the year	Disposals	As at March 31, 2023	As at March 31, 2023
Building (refer Note 53)	8.35	1.90	-	10.25	1.43	1.16	-	2.59	7.66
	8.35	**1.90**	**-**	**10.25**	**1.43**	**1.16**	**-**	**2.59**	**7.66**

13 Intangible assets and Intangible assets under development

A Intangible assets

Particulars	Gross carrying amount (at cost)				Amortization				Net Carrying Amount
	As at April 1, 2023	Additions	Disposals	As at March 31, 2024	As at April 1, 2023	For the year	Disposals	As at March 31, 2024	As at March 31, 2024
Computer software	0.82	0.65	-	1.47	0.80	0.13	-	0.93	0.54
Total	**0.82**	**0.65**	**-**	**1.47**	**0.80**	**0.13**	**-**	**0.93**	**0.54**

Particulars	Gross carrying amount (at cost)				Amortization				Net Carrying Amount
	As at April 1, 2022	Additions	Disposals	As at March 31, 2023	As at April 1, 2022	For the year	Disposals	As at March 31, 2023	As at March 31, 2023
Computer software	0.82	-	-	0.82	0.75	0.05	-	0.80	0.02
Total	**0.82**	**-**	**-**	**0.82**	**0.75**	**0.05**	**-**	**0.80**	**0.02**

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FUSION MICRO FINANCE LIMITED

(₹ in crore unless otherwise stated)

B Intangible assets under development

Intangible assets under development ageing schedule as at March 31, 2024

Particulars	Amount in Capital work-in-progress for a period of				
	Less than one year	1-2 years	2-3 years	more than 3 years	Total
Projects-in-Progress	2.18	-	-	-	2.18
Projects temporarily suspended	-	-	-	-	-
Total	**2.18**	**-**	**-**	**-**	**2.18**

Intangible assets under development ageing schedule as at March 31, 2023

Particulars	Amount in Capital work-in-progress for a period of				
	Less than one year	1-2 years	2-3 years	more than 3 years	Total
Projects-in-Progress	-	-	-	-	-
Projects temporarily suspended	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

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FUSION MICRO FINANCE LIMITED

(₹ in crore unless otherwise stated)

		As at March 31, 2024	As at March 31, 2023
14	**Other non-financial assets (at amortised cost)**		
	Unsecured, considered good		
	Pre-paid expenses	4.32	3.73
	Others*	25.08	5.32
	Total	**29.40**	**9.05**

*includes payment made for loan installment to lenders in advance.

15	**Derivative financial instrument**		
	Derivatives not designated as hedges		
A	**Derivatives Financial Asset**		
	Currency and Interest rate swaps	-	0.14
	Total	-	**0.14**
B	**Derivatives Financial Liability**		
	Currency and Interest rate swaps	0.01	-
	Total	**0.01**	-

The Company enters into derivatives for risk management purposes. Derivatives (i.e., currency and interest rate swaps) held for risk management purposes include hedges that are economic hedges, but the company has elected not to apply hedge accounting requirements.

The Company has entered into currency and interest rate swaps to hedge foreign currency risks and interest rate risks, respectively, on external commercial borrowing (ECB) denominated in EURO as follows:-:

Currency Swap: The Company has a currency swap agreement whereby it has hedged the risk of changes in foreign exchange rates relating to the cash outflow arising on settlement of its ECB.
Interest rate Swap: The Company has an interest rate swap agreement whereby the Company receives a variable rate of interest of 6M EURIBOR + 4.30% and pays interest at a fixed rate. The swap is being used to hedge the exposure to changes in the variable interest rate.

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts

Particulars	As at March 31, 2024			As at March 31, 2023		
	Notional amounts	Fair Value - Assets	Fair Value - Liabilities	Notional amounts	Fair Value -Assets	Fair Value -Liabilities
Currency and Interest rate derivatives:						
Currency and Interest rate swaps	89.04	-	0.01	89.04	0.14	-
Total	**89.04**	-	**0.01**	**89.04**	**0.14**	-

The notional amounts indicate the value of transactions outstanding at the year end and are not indicative of either the market risk or credit risk

		As at March 31, 2024	As at March 31, 2023
16	**Trade Payables (at amortised cost)**		
	(i) Total outstanding dues to micro enterprises and small enterprises (refer Note 40)	1.84	-
	(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	65.89	71.63
	Total	**67.73**	**71.63**

Trade payables ageing schedule as on March 31 2024

Particulars	Outstanding for following period from due date of payment #				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	1.84	-	-	-	1.84
(ii) Others	57.96	7.93	-	-	65.89
(iii) Disputed dues – MSME	-	-	-	-	-
(iv) Disputed dues - Others	-	-	-	-	-
	59.80	**7.93**	-	-	**67.73**

Trade payables ageing schedule as on March 31 2023

Particulars	Outstanding for following period from due date of payment #				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	-	-	-	-	-
(ii) Others	71.57	0.05	-	0.01	71.63
(iii) Disputed dues – MSME	-	-	-	-	-
(iv) Disputed dues - Others	-	-	-	-	-
	71.57	**0.05**	-	**0.01**	**71.63**

In case where due date of payment is not specified, disclosure has been given based on the date of the transaction

		As at March 31, 2024	As at March 31, 2023
17	**Debt Securities (at amortised cost)**		
	Non-convertible debentures (Secured by book debts)*	189.93	510.55
	Non-convertible debentures (Unsecured)**	11.66	118.25
	Total	**201.59**	**628.80**
	Debt securities in India	201.59	628.80
	Debt securities outside India	-	-
	Total	**201.59**	**628.80**

*The borrowings are secured by hypothecation of book debts and margin money deposits and fixed deposits
** includes as at March 31, 2024 is Nil (March 31, 2023 ₹ 23.29 crore) due to related party (refer note 44 for more details)
Information about the Company's exposure to credit and market risks are included in Note no. 47 and 49 respectively

Deloitte Haskins & Sells Chartered Accountants

FUSION MICRO FINANCE LIMITED

(₹ in crore unless otherwise stated)

Terms of Debt securities	Number of debentures		Amount	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Secured				
10.70% secured rated unlisted redeemable non convertible debentures of face value of ₹ 10,00,000 each redeemable at par at the end of 72 months (Subject to exercise of put /call option at the end of 36 months) from the date of allotment i.e. March 16, 2018 [ROI revised from 12.94% effective from March 16, 2021]	-	315	-	31.50
10.70% Secured rated unlisted redeemable non convertible debentures of face value of ₹ 10,00,000 each redeemable at par at the end of 72 months (Subject to exercise of put /call option at the end of 36 months) from the date of allotment i.e. March 16, 2018 [ROI revised from 12.71% effective from March 16, 2021]	-	315	-	31.50
11.90% secured, rated, listed, unsubordinated, transferable, redeemable, non convertible debentures of Face Vale of ₹ 10,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. June 10, 2020	-	100	-	10.00
11.90% (RBI repo rate + credit spread) secured rated listed taxable transferable redeemable non convertible debentures of Face Vale of ₹ 10,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e June 19, 2020 [ROI revised from 11.40 effective from June 19, 2022]	-	300	-	5.00
11.25% secured rated listed redeemable non convertible debentures of Face Vale of ₹ 10,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. June 30, 2020	-	200	-	19.99
11.50% secured rated, listed, senior taxable, transferable redeemable non-convertible debentures of Face Vale of ₹ 10,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. July 29, 2020	-	200	-	19.96
11.25% secured rated, listed, redeemable non-convertible debentures of Face Vale of ₹ 10,00,000 each redeemable at par at the end of 32 months from the date of allotment i.e. July 31, 2020	-	250	-	25.00
11.25% secured rated listed taxable redeemable non convertible debentures of Face Vale of ₹ 10,00,000 each redeemable at par at the end of 36 months from the date of allotment i.e. December 23, 2020	-	500	-	49.99
11.15% secured rated listed redeemable transferable non convertible debentures of face value of ₹ 10,00,000 each redeemable at par at the end of 71 months and 27 Calendar Days (Subject to exercise of put/call option at the end of 35 months and 26 Calendar Days) from the date of allotment i.e. March 10, 2021	-	700	-	69.96
11.00% secured rated listed redeemable non convertible debentures of Face Vale of ₹ 10,00,000 each redeemable at par at the end of 72 months (subject to exercise of put/call Option at the end of 36 months) from the date of allotment i.e. March 18, 2021	-	500	-	49.98
9.54% rated unlisted senior secured redeemable taxable, transferable non convertible debentures of Face Vale of ₹ 10,00,000 each redeemable at par at the end of 48 months from the date of allotment i.e. March 30, 2021	600	600	44.97	52.72
10.35% Secured rated Unlisted redeemable non convertible debenture of Face Vale of ₹ 10,00,000 each redeemable at par at the end of 60 months (subject to exercise of put/call Option at the end of 36 months) from the date of allotment i.e May 04, 2022	1,450	1,450	144.96	144.95
Sub Total			189.93	510.55
Unsecured				
11.53% Unsecured rated unlisted redeemable non convertible debentures of Face Vale of ₹ 10,00,000 each redeemable at par at the end of 72 months (subject to exercise of put option at the end of 12 months and Put/call Option at the end of 36 months) from the date of allotment i.e. 02 November, 2020	-	750	-	74.97
10.50% Rated, Listed, Unsecured, Unsubordinated, Redeemable, Transferable, Non-Convertible Debentures of face value of ₹ 10,00,000/- each redeemable at par at the end of 24 Months (Subject to exercise of put option at the end of 12 months) from the date of allotment i.e. December 21, 2021	-	450	-	19.99
11.05% Senior, unsecured rated unlisted transferable redeemable non convertible debentrues of INR 100,000 each redeemable at par at the end of 32 months and 12 days from the date of allotment i.e. April 19, 2022	3,500	3,500	11.66	23.29
Sub Total			11.66	118.25
Total			201.59	628.80

Note: Above mentioned interest rates are net of applicable TDS

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FUSION MICRO FINANCE LIMITED

(₹ in crore unless otherwise stated)

		As at March 31, 2024	As at March 31, 2023
18	**Borrowings - other than debt securities (at amortised cost)**		
	(a) Term loans		
	(i) from banks	7,287.39	4,957.10
	(ii) from other parties	983.44	990.40
	(b) External commercial borrowings	90.09	89.11
	Total	**8,360.92**	**6,036.61**
	Borrowings in India	8,270.83	5,947.50
	Borrowings outside India	90.09	89.11
	Total	**8,360.92**	**6,036.61**
	Secured*	8,360.92	5,997.00
	Unsecured	-	39.61
	Total	**8,360.92**	**6,036.61**

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

19	**Subordinated liabilities (at amortised cost)**		
	from banks	-	30.00
	from other than banks	53.39	82.99
	Total	**53.39**	**112.99**
	Subordinated liabilities in form of Non-convertible debentures*	53.39	82.99
	Subordinated liabilities in form of term loan	-	30.00
	Total	**53.39**	**112.99**
	Subordinated liabilities in India	53.39	112.99
	Subordinated liabilities outside India	-	-
	Total	**53.39**	**112.99**

* includes as at March 31, 2024 is Nil (March 31, 2023 ₹ 24.53 crore) due to related party (refer note 44 for more details)

Terms of Non-convertible debentures	Number of debentures		Amount	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
13.90% Unsecured, Subordinated Rated, Redeemable, Listed Non-convertible Debentures of face value of ₹ 10,00,000 each redeemable at par at the end of 66 months from the date of allotment i.e. March 31, 2018	-	300	-	29.95
12.11% Unsecured Subordinated, Tier II Rated, Unlisted Taxable Redeemable Non-Convertible Debenture of face value of ₹ 1,00,00,000 each redeemable at par at the end of 66 months from the date of allotment i.e. March 31, 2022	30	30	28.77	28.51
13.00% Unsecured, Rated, Redeemable, Transferable, Unlisted Subordinated Non-Convertible Debenture of face value of ₹ 10,00,000 each redeemable at par at the end of 63 months from the date of allotment i.e. March 31, 2022	250	250	24.62	24.53
Total			**53.39**	**82.99**

Note : The Company has not defaulted in repayment of borrowing / interest during the current year and previous year with respect to Debt Securities (Note 17), Borrowings - other than debt securities (Note 18) and Subordinated liabilities (Note 19)

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FUSION MICRO FINANCE LIMITED

16A, 17A and 18A Terms of Principal repayment of Debt securities/Borrowings/Subordinated liabilities as on March 31, 2024

(₹ in crore unless otherwise stated)

Original Maturity of loan	Interest rate	Due Within 1 Year No. of Installments	Due Within 1 Year Amount	Due Between 1 to 2 Year No. of Installments	Due Between 1 to 2 Year Amount	Due Between 2 to 3 Year No. of Installments	Due Between 2 to 3 Year Amount	Due Between 3 to 4 Year No. of Installments	Due Between 3 to 4 Year Amount	Due Between 4 to 5 Year No. of Installments	Due Between 4 to 5 Year Amount	Due Between 5 to 6 Year No. of Installments	Due Between 5 to 6 Year Amount	Total
A) Borrowings (other than debt securities)														
Monthly														
	07.01% -07.50%	12	37.56	10	31.14	-	-	-	-	-	-	-	-	68.70
	08.51% - 09.00%	12	74.42	12	60.00	-	-	-	-	-	-	-	-	134.42
	09.01% - 09.50%	12	127.86	12	74.76	-	-	-	-	-	-	-	-	202.62
Upto 3 Years	09.51% - 10.00%	12	2,337.88	12	1,631.80	9	151.52	-	-	-	-	-	-	4,121.20
	10.01% - 10.50%	12	767.71	5	92.22	-	-	-	-	-	-	-	-	859.93
	10.51% - 11.00%	12	286.31	8	68.00	-	-	-	-	-	-	-	-	354.31
	11.01% - 11.50%	6	33.42	-	-	-	-	-	-	-	-	-	-	33.42
Above 3 Years	11.51% - 12.00%	8	22.23	-	-	-	-	-	-	-	-	-	-	22.23
Quarterly														
	09.01% - 09.50%	8	124.63	4	105.62	-	-	-	-	-	-	-	-	230.25
	09.51% - 10.00%	12	425.71	12	375.71	7	97.57	-	-	-	-	-	-	898.99
	10.01% - 10.50%	12	658.88	9	228.71	-	-	-	-	-	-	-	-	887.59
Upto 3 Years	10.51% - 11.00%	6	131.51	-	-	-	-	-	-	-	-	-	-	131.51
	11.01% - 11.50%	4	68.75	-	-	-	-	-	-	-	-	-	-	68.75
	11.51% - 12.00%	2	5.00	-	-	-	-	-	-	-	-	-	-	5.00
Above 3 Years	09.51% - 10.00%	4	44.00	4	41.50	3	24.00	-	-	-	-	-	-	109.50
Half Yearly														
Above 3 Years	11.01% - 11.50%	2	8.00	1	2.00	-	-	-	-	-	-	-	-	10.00
Bullet Repayment														
Upto 3 Years	07.51% - 08.00%	-	-	-	-	1	150.00	-	-	-	-	-	-	150.00
EIR Impact														(17.59)
	Sub Total (A)	136	5,153.87	89	2,711.46	20	423.09	-	-	-	-	-	-	8,270.83
(B) Debt securities														
Bi-Monthly														
Above 3 Years	11.01% - 11.50%	6	45.00	-	-	-	-	-	-	-	-	-	-	45.00
Yearly														
Upto 3 Years	11.01% - 11.50%	1	11.67	-	-	-	-	-	-	-	-	-	-	11.67
Bullet Repayment														
Upto 3 Years	13.01% - 13.50%	-	-	1	145.00	-	-	-	-	-	-	-	-	145.00
EIR Impact														(0.08)
	Sub Total (B)	7	56.67	1	145.00	-	-	-	-	-	-	-	-	201.59
(C) ECB														
Bullet Repayment	11.01% - 11.50%	1	90.10	-	-	-	-	-	-	-	-	-	-	90.10
EIR Impact														(0.01)
	Sub Total (C)	1	90.10	-	-	-	-	-	-	-	-	-	-	90.09
(D) Sub-Debt														
Bullet Repayment														
Above 3 Years	12.51% - 13.00%	-	-	-	-	-	-	1	30.00	-	-	-	-	30.00
	13.51% - 14.00%	-	-	-	-	-	-	1	25.00	-	-	-	-	25.00
EIR Impact														(1.61)
	Sub Total (D)	-	-	-	-	-	-	2	55.00	-	-	-	-	53.39
	TOTAL	144	5,300.64	90	2,856.46	20	423.09	2	55.00	-	-	-	-	8,615.90

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FUSION MICRO FINANCE LIMITED

16A, 17A and 18A Terms of Principal repayment of Debt securities/Borrowings/Subordinated liabilities as on March 31, 2023

(₹ in crore unless otherwise stated)

Original Maturity of loan	Interest rate	Due Within 1 Year		Due Between 1 to 2 Year		Due Between 2 to 3 Year		Due Between 3 to 4 Year		Due Between 4 to 5 Year		Due Between 5 to 6 Year		Total
		No. of Installments	Amount	No. of Installments	Amount	No. of Installments	Amount	No. of Installments	Amount	No. of Installments	Amount	No. of Installments	Amount	
A) Borrowings (other than debt securities)														
Monthly														
	07.01% -07.50%	10	31.30	12	37.56	10	31.14	-	-	-	-	-	-	100.00
	08.51% - 09.00%	12	199.14	4	25.12	-	-	-	-	-	-	-	-	224.26
	09.01% - 09.50%	12	336.06	12	117.16	5	7.42	-	-	-	-	-	-	460.64
	09.51% - 10.00%	12	898.14	12	536.03	12	25.76	-	-	-	-	-	-	1,459.93
Upto 3 Years	10.01% - 10.50%	12	825.44	12	417.08	9	86.35	-	-	-	-	-	-	1,328.87
	10.51% - 11.00%	12	221.28	9	104.17	-	-	-	-	-	-	-	-	325.45
	11.01% - 11.50%	12	96.02	6	26.22	-	-	-	-	-	-	-	-	122.24
	12.51% - 13.00%	12	33.63	2	6.04	-	-	-	-	-	-	-	-	39.67
Above 3 Years	10.01% - 10.50%	6	8.31			-	-			-	-	-	-	8.31
	10.51% - 11.00%	12	33.33	8	22.22	-	-	-	-	-	-	-	-	55.55
Quarterly														
	08.51% - 09.00%	8	58.20	8	53.20	1	4.50							115.90
	09.01% - 09.50%	12	150.18	7	65.23	2	18.10	-	-	-	-	-	-	233.51
	09.51% - 10.00%	8	227.69	8	117.85	4	6.28	-	-	-	-	-	-	351.82
Upto 3 Years	10.01% - 10.50%	12	366.20	11	250.20	1	3.75	-	-	-	-	-	-	620.15
	10.51% - 11.00%	12	188.04	9	100.09	-	-	-		-	-	-	-	288.13
	11.01% - 11.50%	3	6.06					-	-	-	-	-	-	6.06
Above 3 Years	09.51% - 10.00%	4	87.75	4	44.00	4	41.50	3	24.00	-	-	-	-	197.25
	10.01% - 10.50%	1	0.54					-	-	-	-	-	-	0.54
Half Yearly														
Above 3 Years	11.01% - 11.50%	2	8.00	2	8.00	1	2.00	-	-	-	-	-	-	18.00
	11.51% - 12.00%	2	6.00	-	-	-	-	-	-	-	-	-	-	6.00
EIR Impact														(14.86)
	Sub Total (A)	176	3,781.31	126	1,930.17	49	226.80	3	24.00	-	-	-	-	5,947.42
(B) Debt securities														
Bi-Monthly														
Above 3 Years	10.01% - 10.50%			6	45.00							-	-	45.00
Quarterly														
Upto 3 Years	10.01% - 10.50%	3	20.00									-	-	20.00
Half Yearly														
Upto 3 Years	10.01% - 10.50%	2	7.80											7.80
	11.51% - 12.00%	1	5.00									-	-	5.00
Yearly														
Upto 3 Years	11.01% - 11.50%	1	11.66	1	11.67							-	-	23.33
Bullet Repayment														
	10.51% - 11.00%					1	145.00							145.00
Upto 3 Years	11.01% - 11.50%	3	65.00											65.00
	11.51% - 12.00%	3	180.00											180.00
	12.01% - 12.50%	1	75.00											75.00
Above 3 Years	11.01% - 11.50%	1	31.50	-	-	-	-	-	-	-			-	31.50
	11.51% - 12.00%	1	31.50	-	-	-	-	-	-	-			-	31.50
EIR Impact														(0.33)
	Sub Total (B)	16	427.46	7	56.67	1	145.00	-	-	-			-	628.80

(₹ in crore unless otherwise stated)

Original Maturity of loan	Interest rate	Due Within 1 Year		Due Between 1 to 2 Year		Due Between 2 to 3 Year		Due Between 3 to 4 Year		Due Between 4 to 5 Year		Due Between 5 to 6 Year		Total
		No. of Installments	Amount	No. of Installments	Amount	No. of Installments	Amount	No. of Installments	Amount	No. of Installments	Amount	No. of Installments	Amount	
(C) Vehicle														
Upto 3 Years	7.51% - 8.00%	10	0.08	-	-	-	-	-	-	-	-	-	-	0.08
EIR Impact														-
	Sub Total (C)	10	0.08	-	-	-	-	-	-	-	-	-	-	0.08
(D) ECB														
Bullet Repayment	11.01% - 11.50%	-	-	1	89.27	-	-	-	-	-	-	-	-	89.27
EIR Impact														(0.16)
	Sub Total (D)	-	-	1	89.27	-	-	-	-	-	-	-	-	89.11
(E) Sub-Debt														
Bullet Repayment														
	12.01% - 12.50%	-	-	-	-	-	-	-	-	1	30.00	-	-	30.00
Above 3 Years	12.51% - 13.00%	-	-	-	-	-	-	-	-	1	25.00	-	-	25.00
	13.51% - 14.00%	1	30.00	-	-	-	-	-	-	-	-	-	-	30.00
	14.01% - 14.50%	1	30.00	-	-	-	-	-	-	-	-	-	-	30.00
EIR Impact														(2.01)
	Sub Total (E)	2	60.00	-	-	-	-	-	-	2	55.00	-	-	112.99
	TOTAL	204	4,268.85	134	2,076.11	50	371.80	3	24.00	2	55.00	-	-	6,778.40

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(₹ in crore unless otherwise stated)

		As at March 31, 2024	As at March 31, 2023
20	**Other financial liabilities (at amortised cost)**		
	Payable towards assigned portfolio	136.82	108.56
	Interest accrued but not due on borrowings	21.29	28.48
	Lease Liabilities (refer note 53)	10.48	9.39
	Other payable	7.80	10.49
	Total	**176.39**	**156.92**
21	**Current tax liabilities (net)**		
	Provision for tax (net)	-	0.71
	Total	**-**	**0.71**
22	**Provisions**		
	Provision for gratuity (refer note 39)	0.32	1.29
	Provision for compensated absence (refer note 39)	6.91	5.63
	Provision for other contingencies*	3.31	3.98
	Total	**10.54**	**10.90**

*includes provision for cash loss & employee contingency

Movement of provision for other contingencies

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Carrying Value as at beginning of the year (a)	**3.98**	**2.03**
Additional provisions made during the year (b)	1.87	3.78
Amount used during the year (c)	0.94	0.83
Unused amount reversed during the year (d)	1.60	1.00
Carrying Value as at end of the year (a+b-c-d)	**3.31**	**3.98**

		As at March 31, 2024	As at March 31, 2023
23	**Other non-financial liabilities**		
	Statutory dues payable	15.98	10.59
	Others	39.62	12.47
	Total	**55.60**	**23.06**
24	**Share Capital**		
	Authorised share capital		
	Equity shares		
	March 31, 2024: 10,50,00,000 (March 31, 2023 : 10,50,00,000) equity shares of ₹ 10 each	105.00	105.00
	Total	**105.00**	**105.00**
25	**Equity Share capital**		
	Issued, subscribed and paid-up		
	Equity shares		
	Fully paid up		
	March 31, 2024: 10,10,23,885 (March 31, 2023 : 10,06,30,735) equity shares of ₹ 10 each fully paid up	101.02	100.63
	Less: treasury shares	(0.40)	(0.28)
	Total	**100.62**	**100.35**

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(₹ in crore unless otherwise stated)

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

Particulars	As at March 31, 2024		As at March 31, 2023	
	Number of shares	Amount	Number of shares	Amount
Equity shares				
At the commencement of the year				
Fully paid up	10,06,30,735	100.63	8,43,26,388	84.33
Movement during the year				
Allotted to Fusion employee benefit trust	3,93,150	0.39	-	-
Issued during the year (fully paid up) (Refer Note 25 g)	-	-	1,63,04,347	16.30
At the end of the year (A)	**10,10,23,885**	**101.02**	**10,06,30,735**	**100.63**
Treasury shares				
At the commencement of the year	(2,85,266)	(0.28)	(15,65,985)	(1.56)
Issued for cash on exercise of share options	2,74,536	0.27	12,80,719	1.28
Allotted to Fusion employee benefit trust	(3,93,150)	(0.39)	-	-
At the end of the year (B)	**(4,03,880)**	**(0.40)**	**(2,85,266)**	**(0.28)**
At the end of the year (A+B)	**10,06,20,005**	**100.62**	**10,03,45,469**	**100.35**

b **Rights, preferences and restrictions attached to 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. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

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

Name of the shareholder	As at March 31, 2024		As at March 31, 2023	
	Number of shares	% of Holding	Number of shares	% of Holding
Creation Investments Fusion II ,LLC, Chicago, U.S.A	99,54,529	9.85%	99,54,529	9.89%
Creation Investments Fusion,LLC, Chicago, U.S.A.	1,00,29,720	9.93%	1,39,21,043	13.83%
Honey Rose Investment Ltd, Mauritius	3,31,64,881	32.83%	3,96,22,730	39.37%
Total	**5,31,49,130**	**52.61%**	**6,34,98,302**	**63.09%**

d **Shares held by promoters at the end of the year**

Name of the Promoter	As at March 31, 2024			As at March 31, 2023		
	Number of shares	% of Holding	% Change during the year	Number of shares	% of Holding	% Change during year
Promoter						
Devesh Sachdev	49,41,314	4.89%	0.79%	49,02,414	4.87%	(11.72%)
Creation Investments Fusion II ,LLC	99,54,529	9.85%	0.00%	99,54,529	9.89%	0.00%
Creation Investments Fusion,LLC	1,00,29,720	9.93%	(27.95%)	1,39,21,043	13.83%	(9.14%)
Honey Rose Investment Ltd	3,31,64,881	32.83%	(16.30%)	3,96,22,730	39.37%	(3.41%)

e **Particulars of shares reserved for issue under employee stock options**

Particulars	Number of shares	
	As at March 31, 2024	As at March 31, 2023
Under Employee Stock Option Plans*	19,59,304	23,52,454

* a) With reference to the amendment agreement dated December 17, 2019 to the Shareholder's agreement dated September 10, 2018, the Company will institute an employee stock option plan, pursuant to which it will grant and allot 1,352,454 equity shares of the Company to certain identified employees out of which 3,93,150 shares have been issued to Fusion Employee Benefit Trust during the current year.

b) With reference to the special resolution passed by the shareholders dated March 26,2023, the Company will institute an employee stock option plan, pursuant to which it will grant and allot 1,000,000 equity shares of the Company to certain identified employees.

f No share was allotted without payment being received in cash during the year ended March 31, 2024 and year ended March 31, 2023

g During the previous year ended March 31, 2023, the Company has completed initial public offer (IPO) of 29,999,813 shares of face value of ₹ 10 each at an issue price ₹ 368 comprising fresh issue of 1,63,04,347 and offer for sale of 1,36,95,466 by selling shareholders. Pursuant to IPO, shares of Company were listed on National Stock exchange (NSE) and BSE Limited (BSE) on November 15, 2022. The Company had received an amount of ₹ 569.37 crore (net off share issue expenses ₹ 30.64 crore) from proceeds of fresh issue of equity shares. The Company had utilised entire proceeds of ₹ 569.37 crore (in addition, the interest of ₹ 4.04 crore earned on fixed deposit made out of IPO proceeds) towards augmenting the capital base of the Company and to fund the growth and expansion of the Company during the previous year.

The share issue expenses of ₹ 30.64 crore (₹ 25.32 crore net of tax) pertain to fresh issue of shares during the previous year ended March 31, 2023 has been charged off to Securities premium as per the Section 52 of Companies Act, 2013 (Refer Note 26)

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(₹ in crore unless otherwise stated)

	As at March 31, 2024	As at March 31, 2023
26 Other equity		
Statutory reserve		
Balance as at the beginning of the year	122.81	45.38
Add: Amount transferred from retained earnings	101.06	77.43
Balance as at the end of the year	**223.87**	**122.81**
Securities premium		
Balance as at the beginning of the year	1,641.64	1,070.88
Add: On issue of shares (Refer Note 25 g)	-	583.69
Add: Exercise of share options	4.77	12.39
Add: Issue of share options to Trust	11.50	-
Less : Amount utilised towards share issue expenses (Refer Note 25 g)	-	(25.32)
Balance as at the end of the year	**1,657.91**	**1,641.64**
Treasury Shares #		
Balance as at the beginning of the year	(4.10)	(12.67)
Add: Exercise of share options	3.95	8.57
Less: Issue of share options to Trust	(11.50)	-
Balance as at the end of the year	**(11.65)**	**(4.10)**
Retained earnings		
Balance as at the beginning of the year	452.06	141.21
Add: Profit for the year	505.29	387.15
Add: Stock options lapsed	0.15	1.13
Less : Amount transferred to statutory reserve	(101.06)	(77.43)
Balance as at the end of the year	**856.44**	**452.06**
Employee stock option plan reserve		
Balance as at the beginning of the year	7.97	9.51
Add: Share based compensation	13.11	6.72
Add: Exercise of stock options	(2.39)	(7.13)
Less: Lapse of stock options	(0.15)	(1.13)
Balance as at the end of the year	**18.54**	**7.97**
Other comprehensive income		
Remeasurement of defined benefit plans (gain/(loss))		
Balance as at the beginning of the year	1.19	0.88
Other comprehensive income for the year	1.23	0.31
Balance as at the end of the year	**2.42**	**1.19**
Total other equity	**2,747.53**	**2,221.57**

Nature and purpose of other reserve :

Treasury shares excludes amount adjusted from equity share capital.

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

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

Treasury Shares
Treasury shares represents shares held by ESOP trust. The Company treats ESOP trust as its extension and shares held by ESOP trust are treated as treasury shares. Treasury share amount excluding amount adjusted from equity share capital are recognized under this head. Exercise price received on equity share issued in excess of face value of share capital against share option exercised are adjusted from treasury shares

Retained Earnings
Retained earnings are the profits/(loss) that the Company has earned/incurred till date, less any transfers to statutory reserve, dividends or other distributions paid to shareholders Retained earnings is a free reserve available to the Company and eligible for distribution to shareholders, in case where it is having positive balance representing net earnings till date.

Employee stock option plan reserve
The said amount is used to recognise the grant date fair value of options issued to employees by the Company.

Remeasurement of defined benefit plans
Remeasurements of defined benefit plans represents the following as per Ind AS 19. Employee Benefits:
(a) actuarial gains and losses on defined benefit obligations
(b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
(c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset)

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(₹ in crore unless otherwise stated)

	For the year ended March 31, 2024	For the year ended March 31, 2023
27 Interest Income		
On financial asset measured at amortized cost		
Interest income on loan portfolio	2,086.63	1,589.99
Interest on deposits with banks	5.27	10.11
Total	**2,091.90**	**1,600.10**
28 Fees and commission income		
Facilitation fees	41.67	19.58
Income from business correspondence services	-	-
Total	**41.67**	**19.58**
29 Net gain on fair value changes		
- On trading portfolio		
Net gain on sale of mutual fund investments	52.80	25.38
- Others		-
Unrealised gain on mutual fund investments	0.06	
Total	**52.86**	**25.38**
Fair value changes :		
- Realised	52.80	25.38
- Unrealised	0.06	-
Total	**52.86**	**25.38**
30 Net gain on derecognition of financial instruments under amortised cost category		
Gain on derecognition of financial instruments (refer note 46)	130.30	96.86
Total	**130.30**	**96.86**
31 Other income		
Market support income	60.53	37.64
Recovery of loans written off	26.81	17.99
Miscellaneous income	8.35	2.42
Total	**95.69**	**58.05**
32 Finance cost		
On financial liabilities measured at amortized cost		
Interest on debt securities	65.58	81.82
Interest on borrowings (other than debt securities)	704.36	537.96
Interest on subordinated liabilities	11.80	22.16
Interest on lease liability	0.99	1.02
Other interest expense		
Net (gain)/loss on fair value of derivative contracts measured at fair value through profit or loss	0.14	(7.85)
Net (gain)/loss on foreign currency transaction and translation on external commercial borrowing	0.83	4.62
Other Finance Cost	7.13	3.05
Total	**790.83**	**642.78**
33 Impairment on financial instruments		
On financial assets measured at amortised cost		
Impairment on loan portfolio	361.08	199.51
Other financial assets	3.78	0.86
Total	**364.86**	**200.37**

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(₹ in crore unless otherwise stated)

		For the year ended March 31, 2024	For the year ended March 31, 2023
34	**Employee benefit expenses**		
	Salaries, wages and bonus	373.71	288.81
	Contribution to provident and other funds	25.04	19.25
	Share based compensation expense	13.11	6.72
	Staff welfare expenses	19.36	10.74
	Total	**431.22**	**325.52**
35	**Other expenses**		
	Rent (refer note 53)	23.30	18.83
	Travelling and conveyance	34.02	18.91
	Legal and professional fees*	9.36	9.31
	Rates and taxes	12.59	9.12
	Office maintenance	18.61	16.13
	Water and electricity	4.84	4.23
	Staff recruitment and training	2.50	1.71
	Insurance	4.76	3.28
	Corporate social responsibility #	3.65	1.55
	Software support service	13.85	9.91
	Business promotion	0.57	0.27
	Lodging and boarding	1.76	2.51
	Cash management services	13.76	8.11
	Credit bureaue expenses	3.96	2.94
	Membership fees	0.66	0.70
	Miscellaneous expenses	5.05	4.40
	Total	**153.24**	**111.91**

Includes payment to auditors*

Audit fees	1.00	0.85
Certification and other services	0.06	0.19
Reimbursement of expenses	0.06	0.04
Total	**1.12**	**1.08**

 # Details of corporate social responsibility expenditure

a) Gross amount required to be spent by the Company for respective financial year	3.65	0.99
b) Amount approved by the board to be spent during the year	3.65	1.55
c) Amount spent during the year :		
i) construction/acquisition of any asset	-	-
ii) on purposes other than (i) above	3.65	1.55
d) (Shortfall) / Excess at the end of the year	-	0.56
e) Total of previous years (shortfall) / excess	0.56	-
f) Details of related party transactions	-	-
g) Where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year	NA	NA
h) Reason for shortfall	NA	NA

For the year ending March 31, 2024 & March 31, 2023; the company has spent in below project as per schedule VII of the Companies Act, 2013

Nature of CSR activities:

a) abolishing poverty, malnourishment and hunger, improvising health care which includes preventive health care and sanitation and making available safe drinking water.	1.41	0.61
b) improvement in education which includes special education and employment strengthening vocation skills among children, women, elderly and the differently-abled and livelihood	1.30	0.42
c) Safeguarding environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining a quality of soil, air and water which also includes a contribution for rejuvenation of river Ganga.	0.24	0.16
d) Training to stimulate rural sports, nationally recognized sports, Paralympic sports and Olympic sports.	0.20	0.14
e) Disaster management, including relief, rehabilitation and reconstruction activities.	0.37	0.19
f) Rural development projects	0.10	-
	3.62	**1.52**
Expenditure on administrative overheads	0.03	0.03
	3.65	**1.55**

(₹ in crore unless otherwise stated)

	For the year ended March 31, 2024	For the year ended March 31, 2023
36 Income tax		
a. Income tax expense in the statement of profit and loss consist of:		
Current income tax:		
Income tax	172.30	110.60
Deferred tax:		
Attributable to-		
Origination and reversal of temporary differences	(14.33)	14.23
Income tax expense reported in the statement of profit or loss	**157.97**	**124.83**
Income tax recognised in other comprehensive income		
Deferred tax arising on remeasurement gains on defined benefit plan	0.41	0.11
Total income tax expense	**158.38**	**124.94**

Income tax recognised in other comprehensive income

Particulars	For the year ended March 31, 2024			For the year ended March 31, 2023		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Remeasurement of the net defined benefit (liability)/asset	1.64	(0.41)	1.23	0.42	(0.11)	0.31
Total	**1.64**	**(0.41)**	**1.23**	**0.42**	**(0.11)**	**0.31**

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

b. Reconciliation of total tax charge

The tax charge shown in the statement of profit and loss differs from the tax charge that would apply if all profits had been charged at India corporate tax rate. A reconciliation between the tax expense and the accounting profit multiplied by India's domestic tax rate for the year ended March 31,2024 and March 31, 2023 is as follows:

Particulars	For the year ended March 31, 2024		For the year ended March 31, 2023	
	Enacted tax rate	Amount	Enacted tax rate	Amount
Accounting profit before tax	25.17%	663.26	25.17%	511.98
Computed tax expense		166.93		128.86
Effect of:				
Non-deductible expenses		0.92		2.07
Deduction under chapter VI-A (Section 80JJA of Income Tax Act)		(9.12)		(6.10)
Others		(0.76)		-
Income tax expense reported in the Statement of profit and loss		**157.97**		**124.83**

	For the year ended March 31, 2024	For the year ended March 31, 2023
37 Earning per share		
a) Basic earning per share		
Profit for the year before Other comprehensive income as per the Statement of profit and loss	505.29	387.15
Profit after tax for calculation of basic EPS and diluted EPS	505.29	387.15
Weighted average number of equity shares outstanding at the year ended	10,04,57,484	8,94,20,927
b) Diluted earning per share		
Profit for the year before Other comprehensive income as per the Statement of profit and loss	505.29	387.15
Weighted average number of equity shares outstanding during the year - basic	10,04,57,484	8,94,20,927
Add: Weighted average number of potential equity shares on account of employee stock options	3,69,973	3,42,642
Weighted average number of equity shares outstanding at the year ended - diluted	10,08,27,457	8,97,63,569
Earning per share		
Basic - par value of ₹ 10 each	**50.30**	**43.29**
Diluted - par value of ₹ 10 each	**50.11**	**43.13**

38 Segment reporting

The Managing Director(MD) and Chief Executive Officer(CEO) of the Company takes decision in respect of allocation of resources and assesses the performance basis the report/ information provided by functional heads and are thus considered to be Chief Operating Decision Maker (CODM).

The Company operates under the principal business segment viz. "micro financing activities " in India. The CODM views and monitors the operating results of its single business segment for the purpose of making decisions about resource allocation and performance assessment. Accordingly, there are no separate reportable segments in accordance with the requirements of Ind AS 108 'Operating segment' and hence, there are no additional disclosures to be provided. There are no individual customer contributing more than 10% of Company's total revenue. There are no operation outside India and hence there is no external revenue or assets which require disclosure.

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FUSION MICRO FINANCE LIMITED

(₹ in crore unless otherwise stated)

39 Employee benefit plan

The Company operates the following post-employment plans -

i. Defined contribution plan

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

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Contribution to provident funds	20.26	15.53
Contribution to employee state insurance	4.45	3.48
National pension scheme	0.21	0.16
Labour welfare fund	0.12	0.08
Total	**25.04**	**19.25**

ii. Defined benefit plan

Gratuity

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

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for gratuity were carried out as at March 31, 2024. The present value of the defined benefit obligations and the related current service cost and past year service cost, were measured using the projected unit credit method.

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

Particulars	As at March 31, 2024	As at March 31, 2023
Present value of obligation	14.37	11.82
Fair value of plan assets	14.05	10.51
Net defined benefit liability/(asset)	**0.32**	**1.31**

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

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Current service cost	3.64	3.10
Net interest cost/(income) on the net defined benefit liability/(asset)	0.08	0.02
Expenses recognized in the statement of profit and loss	**3.72**	**3.12**

Amount recognized in the other comprehensive income:

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Actuarial gain/(loss) recognized during the year	1.64	0.42
	1.64	**0.42**

(a) Funding

The scheme is fully funded with Kotak Gratuity Group Plan The funding requirements are based on the gratuity fund's actuarial measurement framework set out in the funding policies of the plan Employees do not contribute to the plan Expected contribution to gratuity plan for next year as on March 31 2024 is ₹ 4.60 crore and ₹ 4.87 crore for March 31, 2023

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

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

Particulars	As at March 31, 2024			As at March 31, 2023		
	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/ liability	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/ liability
Balance at the beginning of the year	11.82	10.51	1.31	9.48	9.11	0.37
Included in profit or loss						-
Current service cost	3.64	-	3.64	3.10	-	3.10
Interest cost (income)	0.86	0.78	0.08	0.58	0.56	0.02
Total	**4.50**	**0.78**	**3.72**	**3.68**	**0.56**	**3.12**
Included in Other comprehensive income						
Remeasurements loss (gain)						
- Actuarial loss (gain) arising from:	-					-
- demographic assumptions	(0.41)	-	(0.41)	(0.77)	-	(0.77)
- financial assumptions	0.07	-	0.07	0.51	-	0.51
- experience adjustment	(0.54)	-	(0.54)	(0.47)	-	(0.47)
-Return on plan assets excluding interest income	-	0.76	(0.76)	-	(0.31)	0.31
Total	**(0.88)**	**0.76**	**(1.64)**	**(0.73)**	**(0.31)**	**(0.42)**
Other						
Contribution paid by the employer	-	2.00	(2.00)	-	1.16	(1.16)
Benefits paid	(1.07)	-	(1.07)	(0.61)	(0.00)	(0.60)
Total	**(1.07)**	**2.00**	**(3.07)**	**(0.61)**	**1.16**	**(1.76)**
Balance at the end of the year	**14.37**	**14.05**	**0.32**	**11.82**	**10.51**	**1.31**

(c) Major categories of plan assets (as percentage of total plan assets):

Particulars	As at March 31, 2024	As at March 31, 2023
Investment with Kotak gratuity group plan	100%	100%

On an annual basis, an asset-liability matching study is done by the Company whereby the Company contributes the net increase in the actuarial liability to the plan manager (insurer) in order to manage the liability risk

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(₹ in crore unless otherwise stated)

(d) **Actuarial assumptions**

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

Particulars	As at March 31, 2024	As at March 31, 2023
Discount rate	7.15%	7.25%
Future long term salary growth	12.00%	12.00%
Withdrawal rate:	28.00%	26.00%
Retirement age (in years)	60.00	60.00
Expected rate of return on plan assets	7.15%	7.25%
Mortality	100% of IALM 2012-14	100% of IALM 2012-14

(e) **Sensitivity analysis of significant assumptions**

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

Particulars	As at March 31, 2024 Impact on defined benefit obligation		As at March 31, 2023 Impact on defined benefit obligation	
	Increase	Decrease	Increase	Decrease
Discount rate (1.00% movement)	13.79	14.99	11.30	12.38
Salary growth rate (1.00% movement)	14.96	13.80	12.35	11.32
Attrition rate (1.00% movement)	14.18	14.57	11.65	11.99
Mortality rate (10.00% movement)	14.36	14.37	11.82	11.82

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

Particulars	As at March 31, 2024	As at March 31, 2023
1 year	2.98	2.14
Between 2-5 years	9.28	7.53
Between 6-10 years	5.51	4.88
Over 10 years	2.52	2.77
Total	**20.29**	**17.32**

As at March 31, 2024, the weighted-average duration of the defined benefit obligation was 4 years (March 31, 2023 - 4 years).

(g) **Description of risk exposures**

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

Interest rate risk : The plan exposes the Company to the risk of fall in interest rate. A fall in interest rate will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of liablity.

Liquidity Risk This is the risk that the Company is not able to meet the short-term gratuity payouts. This may arise due to non availabilty of enough cash / cash equivalent to meet the liabilities or holding of illiquid assets not being sold in time.

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

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

Demographic Risk: The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.
Discount rate : Reduction in discount rate in subsequent valuations can increase the plan's liability.
Mortality & disability : Actual deaths & disability cases proving lower or higher than assumed in the valuation can impact the liabilities.
Withdrawals : Actual withdrawals proving higher or lower than assumed withdrawals and change of withdrawal rates at subsequent valuations can impact plan's liability.
Expected rate of return on plan assets: This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

iii **Compensated absences**

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

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Amount recognised in the Statement of profit and loss	3.43	2.75
Amount recognised in the Balance sheet:	**As at March 31, 2024**	**As at March 31, 2023**
Present value of obligation as at the end	6.91	5.63

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

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40 Amount payable to micro small and medium enterprises

The Ministry of Micro Small and Medium Enterprises has issued an office memorandum dated August 26, 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the 'entrepreneurs memorandum number' as allotted after filling of the memorandum. Accordingly, the disclosure have been mentioned below in respect of the amount payable to such enterprises as at March 31, 2024 (refer note 16) based on information received and available with the Company

Particulars	As at March 31, 2024	As at March 31, 2023
(i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	1.84	-
(ii) the amount of interest paid by the Group in terms of section 16 of MSMED Act, 2006, along with the amounts of the payment made to the suppliers beyond the appointed day during the year;	-	-
(iii) 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 MSMED Act, 2006;	-	-
(iv) the amount of interest accrued and remaining unpaid at the end of each accounting year;	-	-
(v) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006.	-	-

41 Maturity analysis of assets and liabilities

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

Particulars	As at March 31, 2024			As at March 31, 2023		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Cash and cash equivalents	1,474.69	-	1,474.69	950.36	-	950.36
Bank balance other than cash and cash equivalents	41.81	36.69	78.50	75.97	38.70	114.67
Trade receivables	13.85	-	13.85	14.41	-	14.41
Loans	6,147.23	3,800.64	9,947.87	5,040.91	3,000.65	8,041.56
Investments	0.06	2.00	2.06	-	-	-
Other financial assets	94.39	5.02	99.41	91.47	4.57	96.04
Derivative financial instrument	-	-	-	(0.78)	0.92	0.14
Non-financial assets						
Current tax assets (net)	3.25	-	3.25	-	38.36	38.36
Deferred tax assets (net)	-	91.67	91.67	-	77.74	77.74
Property, plant and equipment	-	22.44	22.44	-	13.28	13.28
Capital work-in-progress	-	-	-	0.25	-	0.25
Right of use asset	-	8.46	8.46	-	7.66	7.66
Intangible assets	-	0.54	0.54	-	0.02	0.02
Intangible assets under development	-	2.18	2.18	-	-	-
Other non financial assets	29.12	0.28	29.40	9.04	0.01	9.05
Total Assets	**7,804.40**	**3,969.92**	**11,774.32**	**6,181.63**	**3,181.91**	**9,363.54**
Liabilities						
Financial liabilities						
Derivative financial instrument	0.01	-	0.01	-	-	-
Trade payables	67.73	-	67.73	71.63	-	71.63
Debt securities	56.63	144.96	201.59	232.31	396.49	628.80
Borrowings (other than debt securities)	5,227.83	3,133.09	8,360.92	3,761.70	2,274.91	6,036.61
Subordinated liabilities	-	53.39	53.39	59.95	53.04	112.99
Other financial liabilities	167.31	9.08	176.39	148.32	8.60	156.92
Non-financial liabilities						
Current tax liabilities (net)	-	-	-	0.71	-	0.71
Provisions	5.52	5.02	10.54	5.65	5.25	10.90
Other non-financial liabilities	55.60	-	55.60	23.06	-	23.06
Total Liabilities	**5,580.63**	**3,345.54**	**8,926.17**	**4,303.33**	**2,738.29**	**7,041.62**
Net Assets	**2,223.77**	**624.38**	**2,848.15**	**1,878.30**	**443.62**	**2,321.92**

42 Reconciliation of liabilities arising from financing activities

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

Particulars	Debt securities	Borrowings (other than debt securities)	Subordinated liabilities	Total
Cash flows:				
April 1, 2023	**628.80**	**6,036.61**	**112.99**	**6,778.40**
Repayment	(427.46)	(4,847.13)	(59.99)	(5,334.58)
Proceeds	-	7,173.19	-	7,173.19
Non Cash:				
Amortisation of upfront fees	0.25	(2.58)	0.39	(1.94)
Exchange differences (net)	-	0.83	-	0.83
March 31, 2024	**201.59**	**8,360.92**	**53.39**	**8,615.90**
Cash flows:				
April 1, 2022	**783.78**	**4,829.46**	**162.57**	**5,775.81**
Repayment	(335.37)	(3,808.20)	(50.00)	(4,193.57)
Proceeds	180.00	5,015.00	-	5,195.00
Non Cash:				
Amortisation of upfront fees	0.39	(4.27)	0.42	(3.46)
Exchange differences (net)	-	4.62	-	4.62
March 31, 2023	**628.80**	**6,036.61**	**112.99**	**6,778.40**

(₹ in crore unless otherwise stated)

43 Share based compensation

A. Description of share-based payment arrangements

i. Share option programme (equity settled)

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

a) The ESOP Scheme 2014 was effective from June 30, 2014 and has been winded up on 26th March 2023 with the approval of the members by passing special resolution and the balance equity shares were transferred in the ESOP 2023 scheme The ESOP Scheme 2016 is effective form January 16, 2017 and is administered through a ESOP Trust (Fusion Employees Benefit Trust). The ESOP Scheme 2023 has been approved by the members by passing special resolution dated 26th March 2023 and is administrated through a ESOP Trust (Fusion Employees Benefit Trust)

b) The scheme provides that, subject to continued employment with the Company, the employees are granted an option to acquire equity shares of the Company that may be exercised within a specified period.

c) The Company has formed Fusion ESOP Trust on September 27, 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

d) As on March 31, 2024, the ESOP trust have 4,03,880 equity shares, (March 31, 2023 2,85,266). The ESOP Trust does not have any transaction other than those mentioned above, hence it is treated as an integral part of the Company and accordingly gets consolidated with the books of the Company. As at March 31, 2024, the Company has reduced the shares allotted to ESOP Trust amounting ₹ 0.40 crore (March 31, 2023 ₹ 0.29 crore) from the share capital and ₹ 11.65 crore (March 31, 2023 ₹ 12.67 crore) from the share premium. These are shown as treasury shares.

e) The eligible employees shall exercise their option to acquire the shares of the Company within a period of eight years from the end of vesting period. The plan shall be administered, supervised and implemented by the board.

These options shall vest on graded basis as follows:

Time period	**Percentage**	**Vesting condition**
On completion of 1 year	25%	Service
On completion of 2 years	25%	Service
On completion of 3 years	25%	Service
On completion of 4 years	25%	Service

B Reconciliation of outstanding share options

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

Particulars	**March 31, 2024** Number of share options	**March 31, 2024** Average exercise price per share	**March 31, 2023** Number of share options	**March 31, 2023** Average exercise price per share
Outstanding options at the beginning of the year	14,76,604	305.89	23,49,107	199.07
Add: Granted during the year	9,45,500	551.36	5,76,250	339.48
Less: Lapsed/forfeited during the year	1,77,253	365.19	1,68,034	300.01
Less: Exercised during the year	2,74,536	250.05	12,80,719	125.85
Outstanding options at the end of the year	**19,70,315**	**426.13**	**14,76,604**	**305.89**
Options exercisable at the end of the year	3,82,251		2,01,635	

The weighted average share price at the date of exercise for share options exercised during the year ended March 31, 2024 was ₹ 565.76 (March 31, 2023 - ₹ 167.48)

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

Grant date	**Number of options**	**Expiry date**	**Exercise price**	**Number of options outstanding** As at March 31, 2024	**Number of options outstanding** As at March 31, 2023
March 31, 2018	**3,30,540**				
Tranche 1	82,635	March 31, 2027	64.08	1,061	1,061
Tranche 2	82,635	March 30, 2028	64.08	1,060	1,060
Tranche 3	82,635	March 30, 2029	64.08	1,061	1,061
Tranche 4	82,635	March 30, 2030	64.08	1,059	1,059
September 30, 2019	**5,46,180**				
Tranche 1	1,36,545	September 30, 2028	154.04	-	1,501
Tranche 2	1,36,545	September 30, 2029	154.04	-	1,499
Tranche 3	1,36,545	September 30, 2030	154.04	-	3,626
Tranche 4	1,36,545	September 30, 2031	154.04	31,011	1,24,819
November 8, 2019	**31,790**				
Tranche 1	7,948	November 8, 2028	154.04	-	-
Tranche 2	7,948	November 8, 2029	154.04	-	-
Tranche 3	7,948	November 8, 2030	154.04	1,125	2,560
Tranche 4	7,948	November 8, 2031	154.04	1,125	5,848
February 18, 2020	**13,000**				
Tranche 1	3,250	February 18, 2029	290.48	1,050	1,050
Tranche 2	3,250	February 18, 2030	290.48	1,050	1,050
Tranche 3	3,250	February 18, 2031	290.48	1,050	1,050
Tranche 4	3,250	February 19, 2032	290.48	1,050	1,050
August 19, 2020	**1,62,000**				
Tranche 1	40,500	August 19, 2029	290.48	-	1,750
Tranche 2	40,500	August 19, 2030	290.48	-	1,750
Tranche 3	40,500	August 19, 2031	290.48	22,125	36,500
Tranche 4	40,500	August 19, 2032	290.48	28,250	36,500
November 9, 2020	**67,500**				
Tranche 1	16,875	November 9, 2029	290.48	1,000	2,000
Tranche 2	16,875	November 9, 2030	290.48	1,000	9,500
Tranche 3	16,875	November 9, 2031	290.48	8,250	16,875
Tranche 4	16,875	November 9, 2032	290.48	15,750	16,875

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(₹ in crore unless otherwise stated)

Grant date	Number of options	Expiry date	Exercise price	Number of options outstanding As at March 31, 2024	As at March 31, 2023
February 5, 2021	**3,55,000**				
Tranche 1	88,750	February 5, 2030	290.48	8,375	24,625
Tranche 2	88,750	February 5, 2031	290.48	15,500	51,935
Tranche 3	88,750	February 5, 2032	290.48	46,800	76,000
Tranche 4	88,750	February 5, 2033	290.48	59,250	76,000
February 14, 2022	**5,18,500**				
Tranche 1	1,29,625	February 14, 2031	327.50	52,625	93,500
Tranche 2	1,29,625	February 14, 2032	327.50	83,375	1,11,750
Tranche 3	1,29,625	February 14, 2033	327.50	94,625	1,11,750
Tranche 4	1,29,625	February 14, 2034	327.50	94,625	1,11,750
October 13, 2022	**5,76,250**				
Tranche 1	1,44,062	October 13, 2031	339.48	1,01,501	1,37,313
Tranche 2	1,44,063	October 13, 2032	339.48	1,31,688	1,37,313
Tranche 3	1,44,062	October 13, 2033	339.48	1,31,688	1,37,313
Tranche 4	1,44,063	October 13, 2034	339.48	1,31,688	1,37,313
June 09, 2023	**5,66,000**				
Tranche 1	1,41,500	June 9, 2032	507.85	1,31,375	-
Tranche 2	1,41,500	June 9, 2033	507.85	1,31,375	-
Tranche 3	1,41,500	June 9, 2034	507.85	1,31,375	-
Tranche 4	1,41,500	June 9, 2035	507.85	1,31,375	-
November 06, 2023	**3,79,500**				
Tranche 1	94,875	November 6, 2032	616.25	93,750	-
Tranche 2	94,875	November 6, 2033	616.25	93,750	-
Tranche 3	94,875	November 6, 2034	616.25	93,750	-
Tranche 4	94,875	November 6, 2035	616.25	93,750	-
Outstanding options at the end of the year				**19,70,315**	**14,76,604**
Weighted average remaining contractual life of options outstanding at the end of the year				**9.22 years**	**9.39 years**

D. Measurement of fair values

i. Equity-settled share-based payment arrangements

The fair value of employee share options has been measured using Black-Scholes model. The weighted average fair value of each option granted during the financial year 2023-24 was ranged between 306.84-349.51 (during the Previous Year 2022-23 was ranged between 108.13-143.55)

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

Grant date	Expiry date	Historical volatility	Exercise price	Share price	Risk free rate	Fair value of option
March 31, 2018						
Tranche 1	March 31, 2027	45.00%	64.08	82.30	6.94%	38.69
Tranche 2	March 30, 2028	45.00%	64.08	82.30	7.13%	43.26
Tranche 3	March 30, 2029	45.00%	64.08	82.30	7.28%	47.22
Tranche 4	March 30, 2030	45.00%	64.08	82.30	7.40%	50.68
September 30, 2019						
Tranche 1	September 30, 2028	45.00%	154.04	111.10	6.31%	42.37
Tranche 2	September 30, 2029	45.00%	154.04	111.10	6.46%	48.42
Tranche 3	September 30, 2030	45.00%	154.04	111.10	6.59%	53.90
Tranche 4	September 30, 2031	45.00%	154.04	111.10	6.70%	58.86
November 8, 2019						
Tranche 1	November 8, 2028	45.00%	154.04	213.60	6.25%	124.09
Tranche 2	November 8, 2029	45.00%	154.04	213.60	6.43%	132.58
Tranche 3	November 8, 2030	45.00%	154.04	213.60	6.59%	140.16
Tranche 4	November 8, 2031	45.00%	154.04	213.60	6.71%	146.93
February 18, 2020						
Tranche 1	February 18, 2029	45.00%	290.48	213.60	6.08%	82.04
Tranche 2	February 18, 2030	45.00%	290.48	213.60	6.23%	93.50
Tranche 3	February 18, 2031	45.00%	290.48	213.60	6.35%	103.81
Tranche 4	February 18, 2032	45.00%	290.48	213.60	6.44%	113.13
August 19, 2020						
Tranche 1	August 19, 2029	49.60%	290.48	185.20	5.52%	68.68
Tranche 2	August 19, 2030	49.60%	290.48	185.20	5.77%	79.33
Tranche 3	August 19, 2031	49.60%	290.48	185.20	5.97%	88.91
Tranche 4	August 19, 2032	49.60%	290.48	185.20	6.12%	97.52
November 9, 2020						
Tranche 1	November 9, 2029	52.70%	290.48	193.80	5.31%	78.61
Tranche 2	November 9, 2030	52.70%	290.48	193.80	5.58%	89.76
Tranche 3	November 9, 2031	52.70%	290.48	193.80	5.81%	99.74
Tranche 4	November 9, 2032	52.70%	290.48	193.80	5.99%	108.67
February 5, 2021						
Tranche 1	February 5, 2030	52.70%	290.48	193.80	5.63%	79.47
Tranche 2	February 5, 2031	52.70%	290.48	193.80	5.89%	90.68
Tranche 3	February 5, 2032	52.70%	290.48	193.80	6.10%	100.69
Tranche 4	February 5, 2033	52.70%	290.48	193.80	6.27%	109.64
February 14, 2022						
Tranche 1	February 14, 2031	54.50%	327.50	250.10	5.98%	116.48
Tranche 2	February 14, 2032	54.50%	327.50	250.10	6.29%	130.74
Tranche 3	February 14, 2033	54.50%	327.50	250.10	6.54%	143.29
Tranche 4	February 14, 2034	54.50%	327.50	250.10	6.72%	154.35

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(₹ in crore unless otherwise stated)

Grant date	Expiry date	Historical volatility	Exercise price	Share price	Risk free rate	Fair value of option
October 13, 2022						
Tranche 1	October 13, 2031	54.20%	339.48	236.60	7.34%	108.13
Tranche 2	October 13, 2032	54.20%	339.48	236.60	7.38%	121.54
Tranche 3	October 13, 2033	54.20%	339.48	236.60	7.39%	133.25
Tranche 4	October 13, 2034	54.20%	339.48	236.60	7.39%	143.55
June 09, 2023						
Tranche 1	June 9, 2032	48.20%	507.85	525.10	6.98%	274.72
Tranche 2	June 9, 2033	47.38%	507.85	525.10	7.00%	296.39
Tranche 3	June 9, 2034	47.41%	507.85	525.10	7.02%	317.91
Tranche 4	June 9, 2035	47.90%	507.85	525.10	7.03%	338.35
November 06, 2023						
Tranche 1	November 6, 2032	44.94%	616.25	616.25	7.42%	308.21
Tranche 2	November 6, 2033	44.92%	616.25	616.25	7.49%	337.90
Tranche 3	November 6, 2034	44.95%	616.25	616.25	7.49%	363.70
Tranche 4	November 6, 2035	45.27%	616.25	616.25	7.53%	388.24

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

44 Related party disclosure

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

Description of relationship	Designation	As at March 31, 2024	As at March 31, 2023
Key Management Personnel*	Managing Director and Chief Executive Officer (Note 1)	Devesh Sachdev	Devesh Sachdev
	Chief Financial Officer	Gaurav Maheshwari	Gaurav Maheshwari
	Company Secretary and Chief Compliance Officer (Note 2)	Deepak Madaan	Deepak Madaan
Directors	Independent Director (Note 3)	Ms. Namrata Kaul	Ms. Namrata Kaul
		Mr. Pankaj Vaish	Mr. Pankaj Vaish
		Ms. Ratna Dharashree Vishwanathan	Ms. Ratna Dharashree Vishwanathan
	Nominee Director (Note 4)	Mr. Narendra Ostawal	Mr. Narendra Ostawal
		Mr. Kenneth Dan Vander Weele	Mr. Kenneth Dan Vander Weele
Entities exercising significant influence over the Company	Shareholder (Note 5)	-	Creation Investments Fusion, LLC, Chicago, U.S.A.
		-	Creation Investments Fusion II, LLC, Chicago, U.S.A
		Honey Rose Investment Ltd	Honey Rose Investment Ltd
Entities under Common Controlling interest	Entities under Common Controlling interest (Note 6)	-	Vivriti Capital Private Limited
		-	Vivriti Asset Management Private Limited
Post Employment benefits plan	Gratuity Trust	Fusion Micro Finance Private Limited Employees Group Gratuity Trust Fund	Fusion Micro Finance Private Limited Employees Group Gratuity Trust Fund

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

Note 1: Mr. Devesh Sachdev has been re-appointed as the Managing Director w.e.f. December 05, 2023 for a period of 5 years
Note 2: Mr. Deepak Madaan was designated as the Chief Compliance Officer w.e.f. August 02, 2023
Note 3: Ms. Ratna Dharashree Vishwanathan was re-appointed as an Independent Director w.e.f May 24, 2023 for a second term of three consecutive years
Note 4: Mr. Kenneth Dan Vander Weele, retiring by rotation was reappointed w.e.f. September 29, 2023
Note 5: Creation Investments Fusion & Creation Investments Fusion II are not related parties w.e.f. December 15, 2023
Note 6: Vivriti Capital Private Limited & Vivriti Asset Management Private Limited are not related parties w.e.f. December 15, 2023

ii. Summary of related party transactions during the year

Name of the related party	Nature of transaction	For the year ended March 31, 2024	For the year ended March 31, 2023
Mr. Devesh Sachdev	Managerial remuneration	7.88	4.56
Mr. Gaurav Maheshwari	Remuneration	1.14	1.20
Mr. Deepak Madaan	Remuneration	0.65	0.78
Ms. Ratna Dharashree Vishwanathan	Sitting fees	0.11	0.15
Ms. Namrata Kaul	Sitting fees	0.14	0.16
Mr. Pankaj Vaish	Sitting fees	0.13	0.14
	Reimbursement of travelling expenses	0.04	0.02
Fusion Micro Finance Private Limited Employees Group Gratuity Trust Fund	Investment	2.00	1.16
Vivriti Asset Management Private Limited	Proceeds from debt securities	-	35.00
Vivriti Asset Management Private Limited	Repayment to Debt Securities	-	11.67
Vivriti Asset Management Private Limited	Interest payment	1.60	3.38
Vivriti Capital Private Limited	Interest payment	1.32	3.25

The amount payable to related parties:

Name of the related party	Nature of transaction	As at March 31, 2024	As at March 31, 2023
Vivriti Capital Private Limited	Subordinated debt	-	24.53
Vivriti Asset Management Private Limited	Non-convertible debentures	-	23.29
Vivriti Asset Management Private Limited	Non-convertible debentures- Interest Accrued but not Due		0.01

Terms and conditions

All transactions with these related parties are priced on an arm's length basis and at normal commercial terms.
As the provision for gratuity, leave compensation and share based compensation is made for the Company as a whole, the amount pertaining to the Key Management Personnel is not specifically identified and hence is not included above. The above remuneration details are in the nature of short term benefits.

(₹ in crore unless otherwise stated)

45 Financial instruments - fair value and risk management

A. Financial instruments by category

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

Particulars	As at March 31, 2024	
	Carrying value	Fair value
At amortised cost		
Financial assets:		
Cash and cash equivalents	1,474.69	1,474.69
Bank balance other than cash and cash equivalents	78.50	78.50
Trade receivables	13.85	13.85
Loans	9,947.87	9,947.87
Other financial assets	99.41	99.41
	11,614.32	**11,614.32**
At fair value through profit or loss		
Investments	2.06	2.06
	2.06	**2.06**
	11,616.38	**11,616.38**
Financial liabilities:		
Trade payables	67.73	67.73
Debt securities	201.59	212.61
Borrowings (other than debt securities)	8,360.92	8,363.82
Subordinated liabilities	53.39	58.55
Other financial liabilities	176.39	176.39
	8,860.02	**8,879.10**
At fair value through profit or loss		
Derivative financial instrument	0.01	0.01
	0.01	**0.01**
	8,860.03	**8,879.11**

Particulars	As at March 31, 2023	
	Carrying value	Fair value
At amortised cost		
Financial assets:		
Cash and cash equivalents	950.36	950.36
Bank balance other than cash and cash equivalents	114.67	114.67
Trade receivables	14.41	14.41
Loans	8,041.56	8,041.56
Other financial assets	96.04	96.04
	9,217.04	**9,217.04**
At fair value through profit or loss		
Derivative financial instrument	0.14	0.14
	0.14	**0.14**
	9,217.18	**9,217.18**
Financial liabilities:		
Trade payables	71.63	71.63
Debt securities	628.80	648.22
Borrowings (other than debt securities)	6,036.61	6,075.36
Subordinated liabilities	112.99	121.43
Other financial liabilities	156.92	156.92
	7,006.95	**7,073.56**
At fair value through profit or loss		
Derivative financial instrument	-	-
	-	-
	7,006.95	**7,073.56**

B. Fair value hierarchy of assets and liabilities

B.1 Financial assets and liabilities measured at fair value - recurring fair value measurements

As at March 31, 2024	Carrying value	Level 1	Level 2	Level 3	Total
Financial Assets:					
Investments	2.06	2.06	-	-	2.06
	2.06	**2.06**	-	-	**2.06**
Financial Liabilities:					
Derivative financial instrument	0.01	-	0.01		0.01
	0.01	-	**0.01**	-	**0.01**

As at March 31, 2023	Carrying value	Level 1	Level 2	Level 3	Total
Financial Assets:					
Derivative financial instrument	0.14	-	0.14		0.14
	0.14	-	**0.14**		**0.14**

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(₹ in crore unless otherwise stated)

B.2 Financial assets and liabilities which are measured at amortised cost for which fair values are disclosed

As at March 31, 2024	Carrying value	Level 1	Level 2	Level 3	Total
Financial Assets:					
Loans	9,947.87	-	-	9,947.87	9,947.87
	9,947.87	-	-	**9,947.87**	**9,947.87**
Financial Liabilities:					
Debt securities	201.59	-	-	212.61	212.61
Borrowings (other than debt securities)	8,360.92	-	-	8,363.82	8,363.82
Subordinated liabilities	53.39	-	-	58.55	58.55
	8,615.90	-	-	**8,634.98**	**8,634.98**

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

As at March 31, 2023	Carrying value	Level 1	Level 2	Level 3	Total
Financial Assets:					
Loans	8,041.56	-	-	8,041.56	8,041.56
	8,041.56	-	-	**8,041.56**	**8,041.56**
Financial Liabilities:					
Debt securities	628.80	-	-	648.22	648.22
Borrowings (other than debt securities)	6,036.61	-	-	6,075.36	6,075.36
Subordinated liabilities	112.99	-	-	121.43	121.43
	6,778.40	-	-	**6,845.01**	**6,845.01**

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

C. Valuation framework

The Managing Director and Chief Executive Officer of the Company takes decision in respect of allocation of resources and assesses the performance basis the report/ information provided by functional

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

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

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

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

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

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

The fair values of the Company's fixed rate interest-bearing debt securities, borrowings and subordinated liabilities are determined by applying discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. For variable rate interest-bearing debt securities, borrowings and subordinated liabilities, carrying value represent best estimate of their fair value as these are subject to changes in underlying interest rate indices as and when the changes happen

The Company has entered into derivative financial instruments with counterparty being a financial institution with investment grade credit ratings. Currency and Interest rate swaps are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves. As at March 31, 2024, the mark-to-market value of derivative liability position is net of a credit valuation adjustment attributable to derivative counterparty default risk

The Company has measured investements based on market value i.e. NAV as at reporting date

46 Transfers of financial assets

Assignment transactions:

The Company generally enters into assignment deals, as a source of finance. As per the terms of deal, the derecognition criteria as per Ind AS 109 is being met as substantially all the risks and rewards relating to assets being transferred to the buyer , hence the assets have been derecognised

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

The table below summarises the carrying amount of the derecognized financial assets and the gain on derecognition during the year

	Carrying amount of derecognized financial assets	Gain from derecognition
Assignment		
For the year ended March 31, 2024	1,640.53	130.30
For the year ended March 31, 2023	1,226.44	96.86

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

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(₹ in crore unless otherwise stated)

47 Financial risk management

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

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

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

Risk management framework

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

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

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

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

A. Credit risk

All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the balance sheet. As per risk management policy of the Company, it only deals with counterparties, which has good credit rating/ worthiness given by external rating agencies or based on Company's internal assessment. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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(₹ in crore unless otherwise stated)

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

i) Stage 1: 12- months ECL: For exposures where there is no significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12- months is recognized

ii) Stage 2: Lifetime ECL, not credit-impaired: For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL is recognized

iii) Stage 3: Lifetime ECL, credit-impaired Financial assets are assessed as credit impaired upon occurrence of one or more events that have a detrimental impact on the estimated future cash flows of that asset For financial assets that have become credit-impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortised cost

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

Expected credit loss on other financial assets

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

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

48 Liquidity risk

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

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

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

	Contractual cash flows								
As at March 31, 2024	**Up to 1 month**	**1 to 2 months**	**2 to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Financial liabilities									
Borrowings (other than debt securities)	283.88	544.74	606.83	1,534.45	2,563.55	3,315.16	-	-	8,848.61
Debt securities	0.21	16.00	0.68	15.70	47.23	154.50	-	-	234.32
Subordinated liabilities	0.28	0.58	0.57	1.73	3.43	13.77	57.63	-	77.99
Other financial liabilities	159.78	6.27	0.20	0.78	1.25	4.82	4.67	2.24	180.01
Trade payables	54.14	0.55	13.00	-	0.04	-	-	-	67.73
Total undiscounted financial liabilities	**498.29**	**568.14**	**621.28**	**1,552.66**	**2,615.50**	**3,488.25**	**62.30**	**2.24**	**9,408.66**

	Contractual cash flows								
As at March 31, 2023	**Up to 1 month**	**1 to 2 months**	**2 to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Financial liabilities									
Borrowings (other than debt securities)	342.51	403.59	399.19	1,132.68	1,932.77	2,369.19	25.37	-	6,605.30
Debt securities	26.93	13.09	45.15	40.91	366.08	229.22	-	-	721.38
Subordinated liabilities	1.25	1.29	1.29	33.81	34.19	13.77	64.49	-	150.09
Other financial liabilities	134.53	9.75	2.30	1.84	0.93	3.84	4.15	3.18	160.52
Trade payables	59.63	-	12.00	-	-	-	-	-	71.63
Total undiscounted financial liabilities	**564.85**	**427.72**	**459.93**	**1,209.24**	**2,333.97**	**2,616.02**	**94.01**	**3.18**	**7,708.92**

49 Market risk

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

(i) Interest rate risk

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

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

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings For this, during period ended March 31, 2024, the Company has external commercial borrowings on which the company has entered an interest rate swap agreement whereby the Company receives a variable rate of interest of 6M EURIBOR + 4.30% and pays interest at a fixed rate

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

Finance Cost	March 31, 2024	March 31, 2023
0.50 % Increase	24.48	18.13
0.50 % Decrease	(24.48)	(18.13)

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(ii) Price Risk

The Company's exposure to price risk is not material and it is primarily on account of investment of temporary treasury surplus in the highly liquid debt funds for very short durations. The Company has a board approved policy of investing its surplus funds in highly rated debt mutual funds and other instruments having insignificant price risk, not being equity funds/ risk bearing instruments. As of March 31, 2024, the company has exposure to mutual fund ₹ 2.06 Crore (March 31, 2023 Nil)

(iii) Foreign currency risk

The Company is exposed to foreign exchange risk arising from foreign currency transactions. Foreign exchange risk arises from recognized assets and liabilities denominated in a currency that is not the functional currency of the Company. To mitigate the Company's exposure to foreign currency risk, non-rupee cash flows are monitored and derivative contracts are entered into in accordance with the Company's risk management policies. Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises majorly on account of foreign currency borrowings. The Company manages its foreign currency risk by entering into cross currency swaps and forward contract. When a derivative is entered in to for the purpose of being as hedge, the Company negotiates the terms of those derivatives to match with the terms of the hedge exposure

For hedges of forecasted transactions, the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

The Company hedges its exposure to fluctuations on the translation into INR of its foreign currency transactions by using foreign currency swaps and forwards. At March 31, 2024, the Company hedged 100% (March 31, 2023: 100%), for entire term of borrowing, of its expected interest and principle repayments on External commercial borrowings. This foreign currency risk is hedged by using foreign currency forward contracts.(refer note 2.3.2)

"Details of borrowings denominated in foreign currency and derivatives (i.e., currency and interest rate swaps) held for risk management purposes as economic hedges:"

Particulars	Foreign currency in crore	
	As at March 31, 2024	As at March 31, 2023
	Euro	Euro
Borrowings		
External commercial borrowings	1.00	1.00
Less: Currency and Interest rate swaps	1.00	1.00
Unhedged External commercial borrowings	-	-

50 Capital Management Risk

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

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

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

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

Gearing Ratio:

Particulars	As at March 31, 2024	As at March 31, 2023
Net Debt*	7,084.00	5,741.85
Total equity	2,848.15	2,321.92
Net debt to equity ratio	**2.49**	**2.47**

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

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FUSION MICRO FINANCE LIMITED

(₹ in crore unless otherwise stated)

51 Contingent Liabilities, commitments and contingent assets

A Contingent liabilities

The Company has entered into business correspondence arrangement during the year with the bank. As per the terms of the said agreement, the Company has given first loss default guarantee (FLDG) in the form of fixed deposit amounting to ₹ 2 Crore as at March 31, 2024 (Refer Note 4). The Company has exposure of ₹ 0.02 Crore towards FLDG as at March 31, 2024. The Company does not have any contingent liabiltity as at March 31, 2023.

B Commitments

	As at March 31, 2024	As at March 31, 2023
Capital commitments [Estimated amount of contracts remaining to be executed on capital account not provided for (net of advances) :		
Tangible	-	0.13
Intangible	-	-
Total	**-**	**0.13**

C Contingent assets

There are no contingent assets as at March 31, 2024 and March 31, 2023.

D The Company has reviewed all litigations having an impact on the financial position, where applicable, has adequately provided for where provision are required. As on March 31, 2024, the Company does not have any material litigation pending with Income tax authorities, Goods and service authorities and other statutory authorities in the ordinary course of business requiring any provision to be provided in books of accounts.

E The Company did not have any long term contract including derivative contract for which there were any material foreseeable losses.

52 Revenue from contracts with customers

	For the year ended March 31, 2024	For the year ended March 31, 2023
(a) Type of services		
Facilitation fees (refer note 28)	41.67	19.58
Income from market support services (refer note 31)	60.53	37.64
Income from assigned portfolio management services (refer note 31)	0.06	0.08
Total	**102.26**	**57.30**
(b) Geographical markets		
India	102.26	57.30
Outside India	-	-
Total	**102.26**	**57.30**
(c) Timing of revenue recognition		
Service transferred at a point in time	102.26	57.30
Services transferred over time	-	-
Total	**102.26**	**57.30**

	As at March 31, 2024	As at March 31, 2023
(d) Trade receivables		
Facilitation fees	6.33	3.60
Market support services	7.50	10.78
Assigned portfolio management services	0.02	0.03
Total	**13.85**	**14.41**

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(₹ in crore unless otherwise stated)

53 Leases

Company as a lessee

The Company has created right of use assets and lease liability on account of building and vehicle taken on lease as per IND AS 116. The terms of the leases ranges from 3 years to 9 years. The Company has branch offices on lease for which 'short term lease' recognition exemption is applied. Accordingly, lease rentals of ₹ 23.30 crore for year ended March 31, 2024 (₹ 18.83 crore for the year ended March 31, 2023) on such short term leases has been directly charged to Statement of profit and loss.

Set out below are the carrying amounts of Right of use asset recognized and the movements during the year (Refer note 12):

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Carrying Value as at the beginning of the year	7.66	6.92
Addition of new assets during the year	2.23	1.90
Depreciation charged during the year	(1.43)	(1.16)
Carrying Value as at the end of the year	**8.46**	**7.66**

Set out below are the carrying amounts of lease liabilities and the movements during the year: (Refer note 20)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Carrying Value as at the beginning of the year	9.39	8.18
Addition of new lease during the year	2.12	1.90
Accretion of interest during the year	0.99	1.02
Payments made against lease during the year	(2.02)	(1.71)
Carrying Value as at the end of the year	**10.48**	**9.39**

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

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Depreciation expense of Right of use asset (refer note 12)	1.43	1.16
Interest expense on lease liability (refer note 32)	0.99	1.02
Total amount recognized in profit or loss	**2.42**	**2.18**

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

Particulars	Up to 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
As on March 31, 2024									
Lease Liabilities	0.20	0.20	0.20	0.59	1.18	4.82	4.67	2.24	14.10
As on March 31, 2023									
Lease Liabilities	0.15	0.15	0.15	0.44	0.93	3.84	4.15	3.18	12.99

Total cash outflow for leases for the year March 31, 2024 and March 31, 2023 were ₹ 25.33 crore and ₹ 20.54 crore respectively.

The effective interest rate for lease liabilities along with maturity are given below :

Details of Asset	Terms	Maturity Period	Effective Interest Rate
Immovable Property I Corporate Office (Gurugram)	Non-Cancellable Term - 3 Years extendable upto 9 years; escalation clause at a 3 years interval	September 2020 - November 2029	10.72%
Immovable Property II Registerd Office (Delhi)	Non-Cancellable Term - 3 Years extendable upto 6 years; escalation clause at a 3 years interval	May 2022 - May 2028	10.35%
Immovable Property I Extention (Gurugram)	Non-Cancellable Term - 3 Years extendable upto 7 years; escalation clause at a 3 years interval	November 2022 - November 2029	10.53%
Immovable Property III (Gurugram)	Non-Cancellable Term - 3 Years extendable upto 9 years; escalation clause at a 3 years interval	June 2023 - June 2032	10.17%
Immovable Property IV (Mumbai)	Non-Cancellable Term - 15 Months extendable upto 3 years; escalation clause at one year interval	October 2023 - October 2026	10.06%
Motor Vehicle	Finance Lease- option to buy at agreed amount at the end of lease period	January 2024 - January 2028	11.00%

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(₹ in crore unless otherwise stated)

54 Additional information required by Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023

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

Particulars	As at March 31, 2024	As at March 31, 2023
CRAR (%)	27.53%	27.94%
CRAR- Tier I (%)	26.60%	26.59%
CRAR- Tier II (%)	0.93%	1.35%
Amount of subordinated debt raised as Tier-II capital	53.39	112.99
Amount raised by issue of Perpetual Debt Instruments	-	-

b. Exposures

i) Exposure to real estate sector
The Company does not have any exposure to real estate sector as on March 31, 2024 (March 31, 2023: Nil)

ii) Exposure to capital market
The Company does not have any exposure to capital market as on March 31, 2024 (March 31, 2023: Nil). However, the Company has investments in debt oriented mutual fund as on March 31, 2024

iii) Sectoral Exposure #

Sectors	As at March 31, 2024			As at March 31, 2023		
	Total Exposure (includes on balance sheet and off balance sheet exposure)	Gross NPAs	% of Gross NPAs to total exposure in that Sector	Total Exposure (includes on balance sheet and off balance sheet exposure)	Gross NPAs	% of Gross NPAs to total exposure in that Sector
1. Agriculture & Allied Activities	9,240.76	235.22	2.55%	7,460.12	193.04	2.59%
2. Industry						
i) Product Manufacturers	1,025.72	41.30	4.03%	790.74	40.77	5.16%
Total	**1,025.72**	**41.30**	**4.03%**	**790.74**	**40.77**	**5.16%**
3. Service						
i) Others (Micro activities & essential services)	428.76	29.50	6.88%	433.95	20.21	4.66%
ii) Wholesale/Retail Trade	780.84	31.44	4.03%	611.39	18.63	3.05%
Total	**1,209.61**	**60.94**	**5.04%**	**1,045.34**	**38.84**	**3.72%**
4. Personal Loans						
5. Others, if any (please specify)	-	-	-	-	-	-

This disclosure is prepared based on the principal outstanding of assets under management (AUM) as at reporting date

iv) Intra-group exposures
The company does not have intra-group exposure as on March 31, 2024 (March 31, 2023: Nil)

v) Unhedged foreign currency exposure
The company does not have unhedged foreign currency exposure as on March 31, 2024 (March 31, 2023: NIL)

c. Assets liability management:

Maturity pattern of certain items of assets and liabilities as on March 31, 2024

Particulars	1-7 days	8-14 days	15-30 days	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 year	3 to 5 year	Over 5 year	Total
Borrowings (Note 1)	37.79	93.05	358.09	476.38	552.48	1,385.97	2,380.69	3,133.09	198.36	-	8,615.90
Loans & Advances (Note 2)	153.84	134.79	343.08	571.38	496.40	1,611.76	2,919.18	3,668.60	118.52	47.93	10,065.48
Investments	-	-	-	0.06	-	-	-	2.00	-	-	2.06

Maturity pattern of certain items of assets and liabilities as on March 31, 2023

Particulars	1-7 days	8-14 days	15-30 days	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 year	3 to 5 year	Over 5 year	Total
Borrowings (Note 1)	41.94	72.11	186.48	354.31	395.73	1,069.18	1,934.20	2,357.51	366.94	-	6,778.40
Loans & Advances (Note 2)	108.81	111.59	234.86	461.23	443.61	1,315.24	2,425.85	2,978.10	40.63	16.20	8,136.12
Investments	-	-	-	-	-	-	-	-	-	-	-

Note 1 - Borrowings exclude accrued interest
Note 2 - Net of provision towards non-performing loans and advances

d. Information on instances of fraud :

Instances of fraud reported during the year ended March 31, 2024

Nature of fraud	No. of cases	Amount of fraud	Recovery*	Amount provided
Cash Embezzlement	68	1.74	0.35	1.39

Instances of fraud reported during the year ended March 31, 2023

Nature of fraud	No. of cases	Amount of fraud	Recovery*	Amount provided
Cash Embezzlement	604	2.10	0.74	1.36

*includes recoveries in respect of frauds reported in earlier years

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

Particulars	Amount	Credit Rating Agency	Date of Rating	Valid up to	Current Rating	Previous Rating
Bank Loan Rating	1,500.00	Credit Analysis & Research Ltd	27-Dec-23	See Note 1	CARE A+ ; Stable	CARE A ; Stable
Bank Loan Rating	8,000.00	CRISIL Limited	20-Nov-23	See Note 1	CRISIL A+ ; (Stable)	CRISIL A ; (Stable)
Non - Convertible Debenture	603.00	ICRA Limited	12-Jan-24	See Note 1	[ICRA] A+ ; (Stable)	[ICRA] A ; (Stable)
Non - Convertible Debenture	52.80	Credit Analysis & Research Ltd	14-Aug-23	See Note 1	CARE A : Stable	CARE A (CE) ; Stable
Subordinate Debt (NCD)	55.00	ICRA Limited	12-Jan-24	See Note 1	[ICRA] A+ ; (Stable)	[ICRA] A ; (Stable)
Subordinate Debt (Term Loan)	30.00	CRISIL Limited	20-Nov-23	See Note 1	CRISIL A ; (Stable)	CRISIL A ; (Stable)
Organization Grading	N.A	CARE Advisory Research and Training Ltd	1-May-23	1-May-24	MFI 1 (One)	MFI 1 (One)

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

f. Disclosure of Complaints

i) Summary Information on complaints received from the customers and from the office of ombudsman

Particulars	No. of Complaints March 31, 2024	No. of Complaints March 31, 2023
Complaint received from Customers		
No. of complaints pending at the beginning of the year	61	21
No. of complaints received during the year	2,723	1,886
No. of complaints redressed/disposed during the year	2,724	1,846
out of above, no. of complaints rejected by the company	264	126
No. of complaints pending at the end of the year	60	61
Maintainable Complaint received from the office of ombudsman		
No. of maintainable received by the company from the office of ombudsman	39	29
of which, no. of complaints resolved in the favor of company	37	20
of which, no. of complaints resolved through conciliation/ mediation/ advisories issued by the office of ombudsman	Nil	Nil
of which, no. of complaints resolved after passing awards by the office of ombudsman against company	Nil	Nil
No. of Awards unimplemented within stipulated time (other than those appealed)	Nil	Nil
No. of Complaints pending at the end of the year	2	Nil

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(₹ in crore unless otherwise stated)

ii) Top five grounds of complaints received from the customer

Ground of Complaints	No. of Complaints pending at the beginning of the year	No. of Complaints received during the year	% increase/(decrease) in no. of Complaint received from previous year	No. of Complaints pending at the end of the year	No. of Complaints pending beyond 30 Days
	For the year ended 31 March, 2024				
Contact Details rectification	11	1186	35.39%	8	Nil
Loan & Advances	37	784	52.53%	34	5
Insurance	6	381	23.70%	5	Nil
Staff Behaviour	4	152	141.27%	5	Nil
Credit Bureau related	2	104	85.71%	6	1
	For the year ended 31 March, 2023				
Contact Details rectification	1	876	87.18%	11	Nil
Loan & Advances	11	514	48.99%	37	7
Insurance	4	308	30.51%	6	Nil
Staff Behaviour	1	63	18.87%	4	Nil
Credit Bureau related	4	56	-16.42%	2	Nil

g. Concentration of Advances, Exposures and NPAs

Particulars	As at March 31, 2024	As at March 31, 2023
Concentration of Advances		
Total advances to twenty largest borrowers*	3.00	2.43
(%) of advances to twenty largest borrowers to total advances	0.03%	0.03%
Concentration of Exposures		
Total exposure to twenty largest borrowers*	3.00	2.43
(%) of exposures to twenty largest borrowers to total exposure	0.03%	0.03%
Concentration of NPAs		
Total exposure to top four NPA accounts	0.40	0.22

* Does not include interest accrued

h. Sector wise NPAs*

Particulars	% of NPA to total advances in that sector As at March 31, 2024	As at March 31, 2023
Agriculture & allied activities #	2.55%	2.59%
MSME	4.03%	5.16%
Corporate borrowers	NA	NA
Services	5.04%	3.72%
Unsecured personal loans	NA	NA
Auto loans	NA	NA
	NA	NA

* interest accrued on loans have not been considered for above calculation
# including manufacturing & production, trade & retail, CS and others

i. Movement of NPA's

Particulars	March 31, 2024	March 31, 2023
i) Net NPA to net advances percentage	**0.61%**	**0.88%**
ii) Movement of NPAs (Gross)		
a) Opening balance	288.89	358.43
b) Additions during the year	327.13	177.66
c) Reduction during the year (write off)	(318.77)	(247.20)
d) Closing balance	**297.25**	**288.89**
iii) Movement of net NPAs		
a) Opening balance	70.79	103.03
b) Additions during the year	(10.47)	(32.24)
c) Reduction during the year	-	-
d) Closing balance	**60.32**	**70.79**
iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	218.10	255.40
b) Provision made during the year	337.60	209.90
c) Write off/ write back of excess provisions	(318.77)	(247.20)
d) Closing balance	**236.93**	**218.10**

j. Investments

Particular	March 31, 2024	March 31, 2023
1. Value of Investments		
(i) Gross value of investments		
(a) In India	2.06	-
(b) Outside India	-	-
(ii) Provision for depreciation		-
(a) In India	-	-
(b) Outside India	-	-
(iii) Net value of investments	-	-
(a) In India	2.06	-
(b) Outside India	-	-
2. Movement of provisions held towards depreciation on investments		
Opening balance	-	-
Add: Provisions made during the year	-	-
Less: Write-off/write-back of excess provisions during the year	-	-
Closing balance	-	-

j(a) Public disclosure on liquidity risk management

(i) Funding concentration based on significant counterparty *(both deposits and borrowings)

	Number of significant counterparties	Amount	% of Total Deposits	% of Total Liabilities
March 31, 2024	26	7,921.16	-	88.74%
March 31, 2023	26	5,699.20	-	80.94%

(ii) Top 20 large deposits - Not applicable
The Company being a Systemically Important Non-Deposit taking Non-Banking Financial Company registered with Reserve Bank of India does not accept public deposits

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

March 31, 2024 Amount	% of Total Borrowings	March 31, 2023 Amount	% of Total Borrowings
5,426.78	62.99%	3,758.53	55.45%

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

Name of the instrument/product	March 31, 2024 Amount	% of Total Liabilities	March 31, 2023 Amount	% of Total Liabilities
Term loans from Banks	7,377.48	82.65%	5,046.21	71.66%
Subordinate Debts	53.39	0.60%	112.90	1.60%
Non Convertible Debentures	201.59	2.26%	628.80	8.93%
Term Loans from Others Parties (NBFC and FIs)	983.44	11.02%	990.40	14.06%

(v) Stock Ratios

Particulars	March 31, 2024 As a % of total public funds*	As a % of total liabilities*	As a % of total assets	March 31, 2023 As a % of total public funds*	As a % of total liabilities*	As a % of total assets
Commercial papers	-	-	-	-	-	-
Non Convertible Debenture (Original Maturity of less than one year)	-	-	-	-	-	-
Other short-term liabilities	64.77%	62.52%	47.40%	63.49%	61.11%	45.90%

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FUSION MICRO FINANCE LIMITED

(₹ in crore unless otherwise stated)

(vi) Institutional set-up for liquidity risk management

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

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

*Notes

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

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

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

4. "Public Funds" shall include funds raised either directly or indirectly through public deposits, commercial paper, debentures, inter-corporate deposits and bank finance but exclude funds raised by issue of instruments compulsory convertible into equity shares with in a period not exceeding 5 years from the date of issue as defined in Regulatory Framework

5. The amount stated in this disclosure is based on the audited financial statements for the year ended March 31, 2024.

k. Details of assignment transactions:

Particulars	March 31, 2024	March 31, 2023
Total no. of loans assigned	7,07,728	5,22,157
Aggregate book value of loan assigned	1,640.53	1,226.44
Sale consideration received for loan assigned	1,640.53	1,226.44
Aggregate gain / (loss) over net book value	-	-

l. Disclosure related to securitization

Particulars	March 31, 2024	March 31, 2023
No of SPEs holding assets for securitisation transactions originated by the originator	-	-
Total amount of securitised assets as per books of the SPEs	-	-
Total amount of exposures retained by the originator to comply with MRR as on the date of balance sheet	-	-
Amount of exposures to securitisation transactions other than MRR	-	-
Sale consideration received for the securitised assets and gain/loss on sale on account of securitisation	-	-
Form and quantum (outstanding value) of services provided by way of, liquidity support, post-securitisation asset servicing, etc	-	-
Performance of facility provided	-	-
Average default rate of portfolios observed in the past	-	-
Amount and number of additional/top up loan given on same underlying asset	-	-
Investor complaints:		
(a) Directly/Indirectly received	-	-
(b) Complaints outstanding	-	-

Particulars	As at March 31, 2024	As at March 31, 2023
1 Number of Special Purpose Vehicles (SPVs) sponsored by the Company for securitisation transactions	-	-
2 Total amount of securitised assets as per books of the SPVs sponsored by the Company#	-	-
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)	-	-
* First loss (Micro finance loans)	-	-
* Others	-	-
4. Amount of exposures to securitization 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		
* First loss	-	-
* Others	-	-
ii) Exposure to third party securitizations		
* First loss	-	-
* Others	-	-

m. Provisions and contingencies (shown under expenditure in statement of profit and loss)

Particulars	March 31, 2024	March 31, 2023
Provision for non-performing loan portfolio	337.60	209.91
Provision for standard portfolio	23.48	(10.40)
Provision for Income Tax (net)	157.97	124.83
Provision for cash loss	0.77	1.63
Provision for gratuity	2.10	2.70
Provision for leave benefits	3.43	2.75
Provision for others financial assets	3.78	0.86
Provision for Employee Contingency	(0.50)	2.15

n. Prudential floor for impairment loss

Assets classification under RBI norms March 31 2024	Asset classification under Ind AS	Gross carrying amount as per Ind AS	Loss allowance as required under Ind AS	Net carrying amount	Provision required as per IRACP norms*	Difference between Ind AS 109 provision and IRACP
(I)	(II)	(III)	(IV)	(V) = (III) - (IV)	(VI)#	(VII) = (IV - VI)
Performing assets						
Standard assets	Stage I**	9,884.13	64.36	9,819.77	41.66	22.70
	Stage II**	121.03	53.25	67.78	0.50	52.75
Subtotal (A)		**10,005.16**	**117.61**	**9,887.55**	**42.16**	**75.45**
Non-performing assets						
Sub-standard	Stage III	297.25	236.93	60.32	99.95	136.98
Doubtful	Stage III	-	-	-	-	-
Up to 1 year	Stage III	-	-	-	-	-
1 to 3 years	Stage III	-	-	-	-	-
More than 3 years	Stage III	-	-	-	-	-
Loss assets	Stage III	-	-	-	-	-
Subtotal (B)		297.25	236.93	60.32	99.95	136.98
Total	Stage I	9,884.13	64.36	9,819.77	41.66	22.70
	Stage II	121.03	53.25	67.78	0.50	52.75
	Stage III	297.25	236.93	60.32	99.95	136.98
	Total	10,302.41	354.54	9,947.87	142.11	212.43

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FUSION MICRO FINANCE LIMITED

(₹ in crore unless otherwise stated)

Assets classification under RBI norms March 31 , 2023	Asset classification under Ind AS	Gross carrying amount as per Ind AS	Loss allowance as required under Ind AS	Net carrying amount	Provision required as per IRACP norms*	Difference between Ind AS 109 provision and IRACP
(I)	(II)	(III)	(IV)	(V) = (III) - (IV)	(VI)#	(VII) = (IV - VI)
Performing assets						
Standard assets	Stage I**	8,005.07	70.45	7,934.62	78.50	(8.05)
	Stage II**	60.26	24.11	36.15	0.59	23.52
Subtotal (A)		8,065.33	94.56	7,970.77	79.08	15.48
Non-performing assets						
Sub-standard	Stage III	288.89	218.10	70.79	108.55	109.55
Doubtful	Stage III	-	-	-	-	-
Up to 1 year	Stage III	-	-	-	-	-
1 to 3 years	Stage III	-	-	-	-	-
More than 3 years	Stage III	-	-	-	-	-
Loss assets	Stage III	-	-	-	-	-
Subtotal (B)		288.89	218.10	70.79	108.55	109.55
Total	Stage I	8,005.07	70.45	7,934.62	78.50	(8.05)
	Stage II	60.26	24.11	36.15	0.59	23.52
	Stage III	288.89	218.10	70.79	108.55	109.55
	Total	8,354.22	312.66	8,041.56	187.64	125.02

*The provision required as per IRACP norms has been calculated on the aggregate loan portfolio after derecognizing the securitised assets (net of MRR) which meets the de-recognition criteria under the previous GAAP.
** The provision given in Stage I & Stage II includes contingent provision on standard assets @ 0.40% as per the requirement of Master Direction - Reserve Bank of India (Non-Banking Finance Company - Scale Based Regulation) Directions, 2023 dated October 19, 2023.
# This also includes additional 10% provision on restructured loans as per the requirement of RBI Circular RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated May 05, 2021

o. Details of penalties imposed by RBI and other regulators

March 31, 2024

Particulars	Regulating Authority	Amount*	Reason	Status
Penalty imposed by RBI and other regulators on the Company during the year		Nil		

March 31, 2023

Particulars	Regulating Authority	Amount*	Reason	Status
Regulation 52(1), Regulation 52(4) and Regulation 54(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015	BSE	1,15,600/-	Non disclosure of details under Regulation 52(4) & 54 (2) and non submission of the financial results for the quarter and half year ended September 30, 2022 under Regulation	Paid
Regulation 60(2) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015	BSE	23,600/-	Delay in submission of the notice of Record Date	Waived off
Regulations 57(1) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015	BSE	13,21,600/-	Nondisclosure of information related to payment obligations	Waived off
Regulation 60(2) of Securities and Exchange Board of India (Listing Obligations and Disclosure	BSE	11,800/-	Delay in submission of the notice of Record Date	Paid

* The amount mentioned above is in absolute figure & inclusive of taxes

p. Details of unsecured advances
The Company has not given any unsecured advances against intangible securities such as charge over the rights, licenses, authority, etc. during the year ended March 31, 2024 and March 31, 2023

q. Details of non-performing financial assets purchased / sold
The Company has not purchased / sold any non-performing financial assets during the year ended March 31, 2024 and March 31, 2023

r. Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC:
The Company has not exceeded the prudential exposures limits during the year ended March 31, 2024 and March 31, 2023.

s.Draw down from reserves
There has been no draw down from reserves for the year ended March 31, 2024 and March 31, 2023

t. Derivatives

Currency and interest rate swap

Particulars	March 31, 2024	March 31, 2023
Notional Principal of swap agreements	89.04	89.04
Loss/(profit) which would be incurred if counterparties failed to fulfil their obligations under the agreement	0.01	(0.14)
Collateral required by the applicable NBFC upon entering into swaps	-	-
Concentration of credit risk arising from swap	-	-
Fair value of the swap book	0.01	(0.14)

Exchange Traded Interest Rate (IR) Derivatives
The Company has not traded in Interest Rate Derivative during the financial year ended March 31,2024 (March 31, 2023: Nil)

Disclosures on Risk Exposure in Derivatives
The Company has sourced External Commercial Borrowing in foreign currency. The same has been hedged as required by RBI. Details of Risk Management policy pertains to derivatives has been provided in note 47. Further, quantitative details are given below

Particulars	March 31, 2024	March 31, 2023
Derivatives (Notional Principal amount) for hedging	89.04	89.04
Marked to market positions		
Asset (+)	-	0.14
Liability (-)	(0.01)	-
Credit Exposure	89.04	89.04
Unhedged Exposure	-	-

u. The Company has no loans outstanding as at March 31, 2024 and March 31, 2023 that are secured against gold

v. Details of registration with financial and other regulators

Regulator	Registration number	Date of registration
Ministry of Corporate Affairs	L65100DL1994PLC061287	September 5, 1994
Reserve Bank of India	B-14.02857	May 19, 2010*

* The amended certificate has been issued on October 1, 2021 by Reserve Bank of India

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(₹ in crore unless otherwise stated)

w. Disclosure of Liquidity risk management

		For the quarter ended March 31, 2024		For the quarter ended March 31, 2023	
		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
High Quality Liquid Assets					
1	Total High Quality Liquid Assets (HQLA)	-	645.29	-	466.89
Cash Outflows					
2	Deposits (for deposit taking companies)	-	-	-	-
3	Unsecured wholesale funding	-	-	-	-
4	Secured wholesale funding	-	-	-	-
5	Additional requirements, of which	-	-	-	-
(i)	Outflows related to derivative exposures and other collateral requirements	-	-	-	-
(ii)	Outflows related to loss of funding on debt products	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-
6	Other contractual funding obligations	754.76	867.97	534.71	614.91
7	Other contingent funding obligations				
8	**Total cash outflows**	**754.76**	**867.97**	**534.71**	**614.91**
Cash Inflows					
9	Secured lending	-	-	-	-
10	Inflows from fully performing exposures	-	-	-	-
11	Other cash inflows	1,031.94	773.95	806.98	605.23
12	**Total cash inflows**	**1,031.94**	**773.95**	**806.98**	**605.23**
			Total Adjusted Value		**Total Adjusted Value**
13	**Total HQLA**		645.29		466.89
14	**Total net cash outflows**		216.99		153.73
15	**Liquidity Coverage ratio (%)**		297.38%		303.71%
	Following assets formed part of HQLA				
	Assets				
	Cash on hand		12.52		12.65
	Investments in debt funds				
	Total		645.29		466.89

		For the quarter ended December 31, 2023		For the quarter ended December 31, 2022	
		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
High Quality Liquid Assets					
1	Total High Quality Liquid Assets (HQLA)	-	634.96	-	552.79
Cash Outflows					
2	Deposits (for deposit taking companies)	-	-	-	-
3	Unsecured wholesale funding	-	-	-	-
4	Secured wholesale funding	-	-	-	-
5	Additional requirements, of which	-	-	-	-
(i)	Outflows related to derivative exposures and other collateral requirements	-	-	-	-
(ii)	Outflows related to loss of funding on debt products	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-
6	Other contractual funding obligations	633.81	728.89	513.56	590.60
7	Other contingent funding obligations	-	-	-	-
8	**Total cash outflows**	**633.81**	**728.89**	**513.56**	**590.60**
Cash Inflows					
9	Secured lending	-	-	-	-
10	Inflows from fully performing exposures	-	-	-	-
11	Other cash inflows	1,012.82	759.62	981.12	735.84
12	**Total cash inflows**	**1,012.82**	**759.62**	**981.12**	**735.84**
			Total Adjusted Value		**Total Adjusted Value**
13	**Total HQLA**		634.96		552.79
14	**Total net cash outflows**		182.22		147.65
15	**Liquidity Coverage ratio (%)**		348.45%		374.39%
	Following assets formed part of HQLA				
	Assets				
	Cash on hand		15.06		11.37
	Investments in debt funds		-		-
	Total		634.96		552.79

		For the quarter ended September 30,		For the quarter ended September 30, 2022	
		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
High Quality Liquid Assets					
1	Total High Quality Liquid Assets (HQLA)	-	511.44	-	395.58
Cash Outflows					
2	Deposits (for deposit taking companies)	-	-	-	-
3	Unsecured wholesale funding	-	-	-	-
4	Secured wholesale funding	-	-	-	-
5	Additional requirements, of which	-	-	-	-
(i)	Outflows related to derivative exposures and other collateral requirements	-	-	-	-
(ii)	Outflows related to loss of funding on debt products	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-
6	Other contractual funding obligations	583.22	670.70	416.80	479.32
7	Other contingent funding obligations	-	-	-	-
8	**Total cash outflows**	**583.22**	**670.70**	**416.80**	**479.32**
Cash Inflows					
9	Secured lending	-	-	-	-
10	Inflows from fully performing exposures	-	-	-	-
11	Other cash inflows	1,034.26	775.70	601.43	451.07
12	**Total cash inflows**	**1,034.26**	**775.70**	**601.43**	**451.07**
			Total Adjusted Value		**Total Adjusted Value**
13	**Total HQLA**		511.44		395.58
14	**Total net cash outflows**		167.68		119.83
15	**Liquidity Coverage ratio (%)**		305.01%		330.12%
	Following assets formed part of HQLA				
	Assets				
	Cash on hand		11.42		13.96
	Investments in debt funds		-		-
	Total		511.44		395.58

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(₹ in crore unless otherwise stated)

		For quarter ended June 30, 2023		For quarter ended June 30, 2022	
		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
High Quality Liquid Assets					
1	Total High Quality Liquid Assets (HQLA)	-	533.06	-	324.09
Cash Outflows					
2	Deposits (for deposit taking companies)	-	-	-	-
3	Unsecured wholesale funding	-	-	-	-
4	Secured wholesale funding	-	-	-	-
5	Additional requirements, of which	-	-	-	-
(i)	Outflows related to derivative exposures and other collateral requirements	-	-	-	-
(ii)	Outflows related to loss of funding on debt products	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-
6	Other contractual funding obligations	578.09	664.80	419.88	482.86
7	Other contingent funding obligations			-	-
8	**Total cash outflows**	**578.09**	**664.80**	**419.88**	**482.86**
Cash Inflows					
9	Secured lending	-	-	-	-
10	Inflows from fully performing exposures	-	-	-	-
11	Other cash inflows	929.62	697.21	582.41	436.81
12	**Total cash inflows**	**929.62**	**697.21**	**582.41**	**436.81**
			Total Adjusted Value		**Total Adjusted Value**
13	**Total HQLA**		**533.06**		**324.09**
14	**Total net cash outflows**		**166.20**		**120.71**
15	**Liquidity Coverage ratio (%)**		**320.73%**		**268.47%**
	Following assets formed part of HQLA				
	Assets				
	Cash on hand		12.18		14.20
	Investments in debt funds				-
	Total		**533.06**		**324.09**

x. **Schedule to the Balance Sheet of a Non-Banking Financial Company:**

S.No	S.No	Particulars	As at March 31, 2024 Amount outstanding	As at March 31, 2024 Amount overdue	As at March 31, 2023 Amount outstanding	As at March 31, 2023 Amount overdue
Liabilities side						
1		**Loans and advances availed by the company inclusive of interest accrued thereon but not paid:**				
		Debentures : Secured	196.03	-	520.12	-
	a	Debentures : Unsecured (other than falling within the meaning of public deposits)	65.05	-	205.12	-
	b	Deferred Credits				
	c	Term Loans	8,376.11	-	6,081.64	-
	d	Inter corporate loans and borrowings				
	e	Commercial Paper				
	f	Public Deposit				
	g	Other loans (lease liability)	10.48		9.39	

Asset Side

				As at March 31, 2024 Amount outstanding	As at March 31, 2023 Amount outstanding
2	**Break-up of Loans and Advances including bills receivables :**				
		a	Secured	347.00	115.52
		b	Unsecured	9,955.41	8,238.70
3	**Current Investments**				
		1	**Quoted**		
			Shares	-	-
		(i)	(A) Equity	-	-
			(B) Preference	-	-
		(ii)	Debentures and Bonds	-	-
		(iii)	Units of Mutual Funds	-	-
		(iv)	Government Securities	-	-
		(v)	Others (Please specify)	-	-
		2	**Unquoted**		
			Shares		-
		(i)	(A) Equity	-	-
			(B) Preference	-	-
		(ii)	Debentures and Bonds	-	-
		(iii)	Units of Mutual Funds	0.06	-
		(iv)	Government Securities	-	-
		(v)	Others (Please specify)	-	-
	Long Term Investments				-
		1	**Quoted**		
			Shares	-	-
		(i)	(A) Equity	-	-
			(B) Preference	-	-
		(ii)	Debentures and Bonds	-	-
		(iii)	Units of Mutual Funds	-	-
		(iv)	Government Securities	-	-
		(v)	Others (Please specify)	-	-
		2	**Unquoted**		
			Shares	-	-
		(i)	(A) Equity	-	-
			(B) Preference	-	
		(ii)	Debentures and Bonds	-	
		(iii)	Units of Mutual Funds	2.00	
		(iv)	Government Securities	-	
		(v)	Others (Please specify) - Pass through certificate, Units of debt fund and security receipts	-	-

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(₹ in crore unless otherwise stated)

4 **Borrower group-wise classification of assets financed as in (2):& (3)**

Category		As at March 31, 2024 Amount net of provision Secured	Unsecured	Total	As at March 31, 2023 Amount net of provision Secured	Unsecured	Total
a	Subsidiaries	-	-	-			
b	Companies in the same group	-	-	-			
c	other related parties	-	-	-			
Other then related parties		338.94	9,608.93	9,947.87	114.39	7,927.17	8,041.56
Total		**338.94**	**9,608.93**	**9,947.87**	**114.39**	**7,927.17**	**8,041.56**

5 **Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)**

Category		As at March 31, 2024 Market Value	Book value (net of provisions)	As at March 31, 2023 Market Value	Book value (net of provisions)
a	Subsidiaries	-	-	-	-
b	Companies in the same group	-	-	-	-
c	other related parties	-	-	-	-
Other then related parties		2.06	2.06	-	-
Total		**2.06**	**2.06**	-	-

6 **Other Information**

Particulars			As at March 31, 2024 Amount	As at March 31, 2023 Amount
Gross Non Performing Assets				
a	Related parties		-	-
b	Other than related parties	(refer note 6)	297.25	288.89
Net Non Performing Assets				
a	Related parties		-	-
b	Other than related parties (refer note 6)		60.32	70.79

y. Related Party Disclosures

Particulars	For the year ended on March 31, 2024 Parent (as per ownership or control)	Subsidiaries	Associates/ Joint ventures	Key Management Personnel	Directors	Relative of Directors	Relative of Key Managerial Personnel	Entities under Common Controlling Interest #	Total
Borrowings :									
Outstanding at the year end	-	-	-	-	-	-	-	-	-
Maximum during the year	-	-	-	-	-	-	-	48.31	48.31
Deposits	-	-	-	-	-	-	-	-	-
Placement of deposits	-	-	-	-	-	-	-	-	-
Advances	-	-	-	-	-	-	-	-	-
Investments									
Balance at the year end	-	-	-	-	-	-	-	-	-
Maximum during the year	-	-	-	-	-	-	-	-	-
Purchase of fixed/other assets	-	-	-	-	-	-	-	-	-
Sale of fixed/other assets	-	-	-	-	-	-	-	-	-
Interest paid	-	-	-	-	-	-	-	2.92	2.92
Interest received	-	-	-	-	-	-	-	-	-
Remuneration	-	-	-	9.67	-	-	-	-	9.67
Amount received for partly-paid shares	-	-	-	-	-	-	-	-	-
Others									
Sitting Fees	-	-	-	-	0.37	-	-	-	0.37
Reimbursement of travelling expenses	-	-	-	-	0.04	-	-	-	0.04
Loan Processing Fees	-	-	-	-	-	-	-	-	-

Particulars	For the year ended on March 31, 2023 Parent (as per ownership or control)	Subsidiaries	Associates/ Joint ventures	Key Management Personnel	Directors	Relative of Directors	Relative of Key Managerial Personnel	Entities under Common Controlling Interest #	Total
Borrowings									
Outstanding at the year end	-	-	-	-	-	-	-	47.82	47.82
Maximum during the year	-	-	-	-	-	-	-	59.53	59.53
Deposits	-	-	-	-	-	-	-	-	-
Placement of deposits	-	-	-	-	-	-	-	-	-
Advances	-	-	-	-	-	-	-	-	-
Investments									
Balance at the year end	-	-	-	-	-	-	-	-	-
Maximum during the year	-	-	-	-	-	-	-	-	-
Purchase of fixed/other assets	-	-	-	-	-	-	-	-	-
Sale of fixed/other assets	-	-	-	-	-	-	-	-	-
Interest paid	-	-	-	-	-	-	-	6.63	6.63
Interest received	-	-	-	-	-	-	-	-	-
Remuneration	-	-	-	6.54	-	-	-	-	6.54
Amount received for partly-paid shares	-	-	-	-	-	-	-	-	-
Others									
Sitting Fees	-	-	-	-	0.44	-	-	-	0.44
Reimbursement of travelling expenses	-	-	-	-	0.02	-	-	-	0.02
Loan Processing Fees	-	-	-	-	-	-	-	-	-

Entities falls under the category mentioned above are not related parties w.e.f December 15, 2023. Therefore transactions till Dec 15, 2023 has been considered

z. Loans to Directors, Senior Officers and Relatives of Directors
The Company has not given any loan to directors, senior officers & relative of directors

aa. Breach of Covenant
There was no breach of covenant of loans availed or debt securities issued by the company as on March 31, 2024 (March 31, 2023: Nil)

ab. Divergence in Asset Classification and Provisioning
There was no instances of divergence in Assets Classification and Provisioning norms identified by RBI for the year ended March 31, 2024 (March 31, 2023: Nil)

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Fusion Micro Finance Limited

Fusion Micro Finance Limited
Notes to Financial Statements for the year ended March 31, 2024

(₹ in crore unless otherwise stated)

55 (i) Details of resolution plan implemented under the Resolution Framework for COVID-19-related stress as per RBI circular dated August 6, 2020 (Resolution Framework 1 0) are not applicable as the Company has not restructured any loan accounts under resolution framework 1 0

(ii) Details of resolution plan implemented under the RBI Resolution Framework - 2 0 Resolution are given below: -

S.No	Description	JLG Loans	MSME Loans
A	Exposure to accounts classified as standard consequent to implementation of resolution plan- Position as at the end of previous half year i.e., September 30, 2023	2 95	0 35
B	of (A), aggregate debt that slipped into NPA during the half year ended March 31, 2024	-	-
C	of (A), amount written-off during the half year ended March 31, 2024	1 41	-
D	of (A), amount paid by the borrowers during the half year ended March 31, 2024 *	0.42	0.03
E	Exposure to accounts classified as Standard consequent to implementation of resolution plan- Position as at the end of this half year i e , March 31, 2024	1 12	0 32

* Amount paid by the borrower during the year is net of additions in the exposure on account of interest accrual.

56 As per Regulation 54 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 ('Listing Regulations'), as on March 31, 2024, all Secured Non-convertible debenture of the Company are secured by exclusive first charge by way of hypothecation against the principal amount outstanding and accrued coupon on debenture Further, the Company has maintained security cover being minimum of 100% of principal outstanding and accrued coupon thereon or as stated in the Information Memorandum of Non-Convertible Debentures at all times As on March 31, 2024, the Company does not have any listed secured Non-Convertible Debenture

57 Details of loans transferred/acquired during the year ended March 31, 2024 and year ended March 31, 2023, under RBI Master Direction on Transfer of Loan Exposures dated September 24, 2021, are given below:

(i) Details of loans not in default transferred through assignment:

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Number of loans	7,07,728	5,22,157
Aggregate amount of loans (including retention)	1,822.82	1,376.58
Sale Consideration of loans (excluding retention)	1,640.53	1,226.44
Number of transactions	9	14
Weighted average in maturity (in months)	15.03	16.23
Weighted average holding period (in months)	9.78	8.41
Retention of beneficial economic interest by the originator	10.00%	10.71%
Tangible security cover	-	-
Rated wise distribution of rated loans	Not applicable	Not applicable

(ii) The Company has not transferred any non-performing assets (NPAs).
(iii) The Company has not acquired any loans through assignment.
(iv) The Company has not acquired any stressed loan.

58 "No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Company (Ultimate Beneficiaries) The Company has not received any fund from any party(s) (Funding Party) with the understanding that the Company shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries."

59 The Company is using three accounting software for maintaining its books of account wherein, audit trail feature (edit log facility) as per the requirements of proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014, was available throughout the year ended March 31, 2024 in respect of one accounting software for book keeping In respect of one other accounting software for payroll records, Independent service auditor's System and Organisation Controls (SOC 1) Type 2 report has not concluded whether or not the audit trail feature operated throughout the year. In third case of accounting software for loan records, the requirements of audit trail has not been covered in Independent service auditor's System and Organisation Controls (SOC 1) Type 2 report. The Company is in the process of evaluating options for implementing audit trail feature in this accounting software for maintaining its books of account to comply with the prescribed requirements

60 Analytical Ratios

Particulars	Numerator	Denominator	As at March 31, 2024	As at March 31, 2023	% variance	Reason for Variance
a) Capital to risk weighted assets ratio (CRAR)	Total Capital	Risk weighted asset	27 53%	27 94%	-1 43%	-
(b) Tier I CRAR	Tier -I capital	Risk weighted asset	26 60%	26 59%	0 04%	-
(c) Tier II CRAR	Tier -II capital	Risk weighted asset	0 93%	1 35%	-31 24%	Due to decerease in subordinated liability on account of repayment
(d) Liquidity Coverage Ratio	Total High Quality Liquid Assets	Total net cash outfl	297 38%	303 71%	-2 09%	-

Notes to above :
Total risk-weighted assets represents the weighted average of funded and non-funded items after applying the risk weights as assigned by the RBI
Tier I capital means owned funds as reduced by investment in shares of other NBFCs and in shares, debentures, bonds, outstanding loans and advances, including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, 10% of the owned fund

Tier II capital includes preference share capital, revaluation reserves, general provisions and loss reserves, hybrid debt capital instruments and subordinate debts to the extent the aggregate does not exceed Tier I capital
"High Quality Liquid Assets (HQLA)" means liquid assets that can be readily sold or immediately converted into cash at little or no loss of value or used as collateral to obtain funds in a range of stress scenarios
Total net cash outflows is defined as the total expected cash outflows minus total expected cash inflows for the subsequent 30 calendar days

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Chartered Accountants

FUSION MICRO FINANCE LIMITED

61 With regard to the new amendments under "Division III of Schedule III" under "Part II – Statement of Profit and Loss - General Instructions for preparation of Statement of Profit and Loss" :-
(i) The Company does not have any Benami property, where any proceeding has been initiated or pending against the company for holding any Benami property
(ii) The Company does not have any transactions with companies struck off.
(iii) The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period
(iv) The Company has not traded or invested in Crypto currency or virtual currency during the financial year.
(v) The Company has not any such transactions which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961.

62 The figures for the previous year have been regrouped/rearranged wherever necessary to conform to current year presentation. Further, during the current year, the Company has prepared the financial statement in INR crores. Therefore, all the previous year figures have been rounded off INR in crores.

for and on behalf of the Board of Directors of
Fusion Micro Finance Limited
CIN : L65100DL1994PLC061287

Devesh Sachdev
Managing Director and Chief Executive Officer
DIN 02547111

Ratna Dharashree Vishwanathan
Director
DIN : 07278291

Deepak Madaan
Company Secretary and Chief Compliance Officer
M. No. A24811

Gaurav Maheshwari
Chief Financial Officer
M. No. 403832

Place: Gurugram
Date: May 06, 2024

Deloitte Haskins & Sells
Chartered Accountants

FUSION MICRO FINANCE LIMITED

Deloitte
Haskins & Sells

Chartered Accountants
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Haryana, India

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INDEPENDENT AUDITOR'S REVIEW REPORT ON REVIEW OF INTERIM STANDALONE FINANCIAL RESULTS

TO THE BOARD OF DIRECTORS OF FUSION FINANCE LIMITED
(Formerly known as FUSION MICRO FINANCE LIMITED)

1. We have reviewed the accompanying Statement of Unaudited Financial Results of Fusion Finance Limited (Formerly known as Fusion Micro Finance Limited) ("the Company"), for the quarter ended and six months ended September 30, 2024 ("the Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations").

2. This Statement, which is the responsibility of the Company's Management and approved by the Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations. Our responsibility is to express a conclusion on the Statement based on our review.

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Institute of Chartered Accountants of India (ICAI). A review of interim financial information consists of making inquiries, primarily of the Company's personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing specified under section 143(10) of the Companies Act, 2013 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

4. As stated in Note 7 to the Statement, the Company has not evaluated whether any of the expected credit allowances recognised in the quarter and six months ended 30 September 2024 should be retrospectively adjusted to the previously reported amounts in any of the prior period presented because of impracticability as described in Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.* In the absence of sufficient and appropriate evidence, we are unable to comment on the Company's basis of impracticability to evaluate and determine whether any retrospective adjustment should have been made to previously reported amounts in any of the prior period presented.

5. Based on our review conducted as stated in paragraph 3 above except for the possible effects of the matter described in paragraph 4 above, nothing has come to our attention that causes us to believe that the accompanying Statement has not been prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India, and has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.

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6. We draw attention to Note 8 to the Statement which describes the material uncertainty in relation to the going concern assumption used in the preparation of the Statement. This condition and other matters stated in the Note indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

   Our conclusion is not modified in respect of this matter.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 015125N)

Deloitte Haskins & Sells Chartered Accountants

Jitendra Agarwal
Partner
Membership No. 87104
(UDIN: 24087104BKCUJP2636)

Place: Gurugram
Date: November 15, 2024

Fusion Finance Limited (formerly known as Fusion Micro Finance Limited)
CIN: L65100DL1994PLC061287
Registered office address : H-1, Block C, Community Centre, Naraina Vihar, New Delhi-110028
Statement of Financial results for the quarter and half year ended September 30, 2024

(₹ in crore unless otherwise stated)

Particulars	Quarter ended			Half year ended		Year ended
	September 30, 2024	June 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023	March 31, 2024
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Interest income	626.08	621.28	496.80	1,247.36	975.80	2,091.90
Fees and commission income	4.42	7.02	8.49	11.44	24.59	41.67
Net gain on fair value changes	22.20	17.89	11.83	40.09	22.62	52.86
Net gain on derecognition of financial instruments under amortised cost category	38.85	42.13	29.52	80.98	54.70	130.30
Total revenue from operations	**691.55**	**688.32**	**546.64**	**1,379.87**	**1,077.71**	**2,316.73**
Other income	12.16	18.36	24.62	30.52	46.33	95.69
Total income	**703.71**	**706.68**	**571.26**	**1,410.39**	**1,124.04**	**2,412.42**
Expenses						
Finance costs	227.36	223.41	191.01	450.77	374.49	790.83
Impairment on financial instruments	694.05	348.47	76.20	1,042.52	152.13	364.86
Employee benefit expense	140.47	135.40	99.28	275.87	197.12	431.22
Depreciation and amortization expense	2.85	2.36	2.09	5.21	3.85	9.01
Other expenses	49.19	47.76	37.09	96.95	71.40	153.24
Total expenses	**1,113.92**	**757.40**	**405.67**	**1,871.32**	**798.99**	**1,749.16**
Profit/(loss) before tax for the period/year	**(410.21)**	**(50.72)**	**165.59**	**(460.93)**	**325.05**	**663.26**
Tax expense/(credit):						
Current tax	9.49	59.71	36.23	69.20	84.09	172.30
Deferred tax	(114.66)	(74.81)	3.67	(189.47)	(5.19)	(14.33)
Income tax expense	**(105.17)**	**(15.10)**	**39.90**	**(120.27)**	**78.90**	**157.97**
Profit/(loss) after tax for the period/year	**(305.04)**	**(35.62)**	**125.69**	**(340.66)**	**246.15**	**505.29**
Other comprehensive income						
Items that will not be reclassified subsequently to profit or loss						
Remeasurement gains on defined benefit plans	0.60	1.31	0.86	1.91	1.18	1.64
Income tax effect	(0.15)	(0.33)	(0.22)	(0.48)	(0.30)	(0.41)
Total other comprehensive income	**0.45**	**0.98**	**0.64**	**1.43**	**0.88**	**1.23**
Total comprehensive income for the period/year	**(304.59)**	**(34.64)**	**126.33**	**(339.23)**	**247.03**	**506.52**
Paid up Equity Share Capital (Face value of ₹ 10/- each)	100.65	100.65	100.48	100.65	100.48	100.62
Other Equity						2,747.53
Earnings per share (equity share, par value of ₹ 10 each)						
Computed on the basis of total profit/(loss) for the period/year						
Basic earnings per share (BEPS) # (₹)	**(30.31)**	**(3.54)**	**12.52**	**(33.85)**	**24.52**	**50.30**
Diluted earnings per share (DEPS) # (₹)	**(30.31)**	**(3.54)**	**12.43**	**(33.85)**	**24.35**	**50.11**

#BEPS and DEPS for the quarter and half year ended periods are not annualised

For and on behalf of the Board of Directors of Fusion Finance Limited

Devesh Sachdev
Managing Director and CEO

Place: Gurugram
Date: November 15, 2024

Deloitte Haskins & Sells Chartered Accountants

FUSION FINANCE LIMITED

Fusion Finance Limited (formerly known as Fusion Micro Finance Limited)
CIN: L65100DL1994PLC061287
Registered office address : H-1, Block C, Community Centre, Naraina Vihar, New Delhi-110028

NOTES

Note 1 : Statement of Unaudited Assets and Liabilities as at September 30, 2024

(₹ in crore unless otherwise stated)

Particulars	As at September 30, 2024	As at September 30, 2023	As at March 31, 2024
	Unaudited	Unaudited	Audited
ASSETS			
Financial assets			
Cash and cash equivalents	1,793.06	1,400.43	1,474.69
Bank balance other than cash and cash equivalents	57.50	60.70	78.50
Trade receivables	13.15	12.44	13.85
Loans	9,139.34	8,694.71	9,947.87
Investments	2.07	2.02	2.06
Other financial assets	122.20	84.91	99.41
Derivative financial instrument	0.50	-	-
Total financial assets	**11,127.82**	**10,255.21**	**11,616.38**
Non-financial assets			
Current tax assets (net)	3.79	34.87	3.25
Deferred tax assets (net)	280.48	82.64	91.67
Property, plant and equipment	16.81	14.47	22.44
Capital work-in-progress	0.47	-	-
Right of use asset	10.40	8.52	8.46
Intangible assets	3.89	0.11	0.54
Intangible assets under development	0.31	0.73	2.18
Other non- financial assets	36.68	35.20	29.40
Total non-financial assets	**352.83**	**176.54**	**157.94**
Total assets	**11,480.65**	**10,431.75**	**11,774.32**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Derivative financial instrument	-	1.31	0.01
Trade payables			
total outstanding dues of micro enterprises and small enterprises	0.19	-	1.84
total outstanding dues of creditors other than micro enterprises and small	57.71	73.84	65.89
Debt securities	181.22	537.14	201.59
Borrowings (other than debt securities)	8,406.51	6,907.55	8,360.92
Subordinated liabilities	53.58	83.21	53.39
Other financial liabilities	163.77	209.18	176.39
Total financial liabilities	**8,862.98**	**7,812.23**	**8,860.03**
Non-financial liabilities			
Current tax liabilities (net)	36.83	0.01	-
Provisions	13.56	13.34	10.54
Other non-financial liabilities	44.61	29.24	55.60
Total non-financial liabilities	**95.00**	**42.59**	**66.14**
Total liabilities	**8,957.98**	**7,854.82**	**8,926.17**
EQUITY			
Equity share capital	100.65	100.48	100.62
Other equity	2,422.02	2,476.45	2,747.53
Total equity	**2,522.67**	**2,576.93**	**2,848.15**
Total liabilities and equity	**11,480.65**	**10,431.75**	**11,774.32**

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FUSION FINANCE LIMITED

Fusion Finance Limited (formerly known as Fusion Micro Finance Limited)
CIN: L65100DL1994PLC061287
Registered office address : H-1, Block C, Community Centre, Naraina Vihar, New Delhi-110028

Note 2 : Statement of Unaudited Cash flows for the half year ended September 30, 2024

(₹ in crore unless otherwise stated)

Particulars	For the half year ended September 30, 2024	For the half year ended September 30, 2023	For the year ended March 31, 2024
	Unaudited	Unaudited	Audited
Cash flow from operating activities			
Profit before Tax	**(460.93)**	**325.05**	**663.26**
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation	5.21	3.85	9.01
(Gain)/ Loss on sale of property, plant & equipment	1.38	-	0.02
Impairment of financial instruments-Loans	1,040.92	150.36	361.08
(Gain)/ Loss on fair value changes	(0.07)	(0.02)	(0.06)
Impairment of financial instruments-other financial assets	1.60	1.77	3.78
Finance cost on lease liability	0.60	0.53	0.99
Net gain on sale of investment	(40.02)	(22.60)	(52.80)
Net gain on derecognition of financial instruments under amortised cost category	(80.98)	(54.70)	(130.30)
Employee share based compensation	8.20	4.94	13.11
Effective interest rate adjustment for financial instruments	0.05	(0.35)	(1.94)
Net foreign exchange differences	(0.49)	(1.31)	0.83
Fair value loss on derivative financial instruments	(0.50)	1.45	0.14
Operating cash flow before working capital changes	**474.97**	**408.97**	**867.12**
Movement in working capital:			
(Increase)/decrease in loans	(232.39)	(803.51)	(2,267.39)
(Increase)/decrease in trade receivables	0.70	1.96	0.56
(Increase)/decrease in other financial assets	56.59	64.76	123.15
(Increase)/decrease in other non- financial assets	(7.28)	(26.84)	(20.35)
(Increase)/decrease in bank balance other than cash and cash equivalents	21.00	53.97	36.17
Increase/(decrease) in trade payables	(9.83)	20.40	(3.90)
Increase/(decrease) in other financial liability	(14.83)	32.89	18.38
Increase/(decrease) in provisions	4.93	3.59	1.28
Increase/(decrease) in other non-financial liabilities	(10.99)	6.25	32.54
Cash flow from operations	**282.87**	**(237.56)**	**(1,212.44)**
Income tax paid	(32.89)	(81.30)	(137.90)
Net cash used from operating activities (A)*	**249.98**	**(318.86)**	**(1,350.34)**
II. Cash flow from investing activities			
Purchase of property, plant and equipments	(3.41)	(4.10)	(16.39)
Payment against capital work-in-progress	(0.47)	-	-
Proceeds from sale of property, plant and equipment	3.64	-	0.01
Purchase of intangible assets	0.00	(0.13)	(0.65)
Payment against intangible assets under development	(1.79)	(0.73)	(2.18)
Payment against right of use assets	-	-	(0.11)
Purchase of investments	(7,029.73)	(5,692.00)	(12,752.00)
Proceeds from sale of investments	7,069.81	5,712.60	12,802.80
Net cash flow from investing activities (B)	**38.05**	**15.64**	**31.48**
III. Cash flow from financing activities			
Proceeds from issue of employee stock options	0.97	3.04	6.60
Share premium (net of expenses)	4.72	-	-
Repayment of debt securities	(20.40)	(91.80)	(427.46)
Repayment of borrowings (other than debt securities)	(3,098.88)	(2,270.43)	(4,847.13)
Proceeds from borrowings (other than debt securities)	3,145.13	3,143.38	7,173.19
Repayment of subordinated debt	-	(30.00)	(59.99)
Payment of lease liability	(1.20)	(0.90)	(2.02)
Net cash flow from financing activities (C)	**30.34**	**753.29**	**1,843.19**
Net (decrease)/increase in cash and cash equivalents (A + B + C)	**318.37**	**450.07**	**524.33**
Cash and cash equivalents at the beginning of the period/year	1,474.69	950.36	950.36
Cash and cash equivalents at the end of the period/year	**1,793.06**	**1,400.43**	**1,474.69**

* *Cash flow from operating activities includes interest received of ₹ 1,216.11 crore (30 September 2023: ₹ 1,028.31 crore & 31 March 2024: ₹ 2,069.66 crore) and interest paid of ₹ 439.01 crore (30 September 2023: ₹ 361.59 crore & 31 March 2024: ₹ 767.24 crore).*

Deloitte Haskins & Sells Chartered Accountants

FUSION FINANCE LIMITED

3. The financial results have been reviewed by the Audit Committee and upon their recommendation, approved by the Board of Directors of Fusion Finance Limited (formerly known as Fusion Micro Finance Limited) ("the Company") in their meeting commenced on November 14, 2024 and concluded on November 15, 2024. The Company has prepared these financial results in accordance with the requirement of Regulation 33 of the SEBI (Listing Obligations and disclosure requirements) Regulations, 2015 ("Listing Regulations, 2015") and the accounting standards specified under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 as amended ("Ind AS") and relevant provisions of the Companies Act, 2013, as applicable. The Company has applied its significant accounting policies in the preparation of these financial results consistent with those followed in the annual financial statement for the year ended March 31, 2024. The limited review of financial results for the quarter and half year ended September 30, 2024, have been conducted by the Statutory Auditors of the Company.

4. The name of the Company was changed to Fusion Finance Limited with effect from July 09, 2024. A fresh certificate consequent to change in the name of Fusion Finance Limited was issued by Registrar of Companies, Central Processing Centre, Haryana on July 09, 2024 under section 14 of the Companies Act, 2013.

5. The Company operates in a single business segment i.e., lending to borrowers, having similar risks and returns for the purpose of Ind AS 108 on 'Operating Segments'. The Company operates in a single geographic segment i.e., domestic.

6. The Company, during the quarter and half year ended September 30, 2024, has issued 2,625 and 33,700 number of equity shares respectively, fully paid up, on exercise of options by employees, in accordance with the Company's Employee Stock Option Scheme(s).

7. During the quarter and half year ended September 30, 2024, the company recorded an allowance for Expected Credit Loss ("ECL"), in respect of loans given, of ₹ 693 crore and ₹ 1,041 crore respectively, with a corresponding charge to the Statement of Profit and Loss in these periods, consequent to a significant increase in credit risk evidenced by slowing and delayed collections. In preparing this statement, the Company has not evaluated whether any of these allowance should have been recognized in any of the prior period presented because of limitations in objectively determining information relating to assumptions and circumstances as it existed in those prior periods. As a result, the Company has concluded that it was impracticable to evaluate and determine any amounts for retrospective recognition and measurement in those prior periods.

8. The Statement for the quarter and half year ended September 30, 2024 has been prepared on a going concern basis. As at September 30, 2024, the Company has breached various financial covenants (in respect of borrowings amounting to ₹ 5,618 crores) resulting in these borrowings becoming repayable on demand. The Company is in the process of negotiations with the lenders to obtain waivers from the right of immediate repayment for a period of at least 12 months from the balance sheet date. The lenders have not waived their right to demand immediate repayment for a period of twelve months from the balance sheet date as on the date of issuance of the Statement. This condition results in material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern, and therefore the Company may not be able to realise the assets and discharge its liabilities in the normal course of business.

   The Company's ability to continue as a going concern is dependent on obtaining waivers from demand by lenders for immediate repayment of borrowings for a period of at least twelve months from the balance sheet; and / or securing sufficient funds through other sources such as (i) successful sale of loans; (ii) rights issue and (ii) refinancing of borrowings.

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Fusion Finance Limited

9. Details of loans transferred/acquired during the quarter ended September 30, 2024, under RBI Master Direction on Transfer of Loan Exposures dated September 24, 2021, are given below:

(i) Details of loans not in default transferred through assignment:

(₹ in crore unless otherwise stated)

Particulars	Transferred (MFI loans)
Number of loans	1,33,481
Aggregate amount of loans (including retention)	483.69
Sale Consideration of loans (excluding retention)	435.32
Number of transactions	4
Weighted average in maturity (in months)	17.06
Weighted average holding period (in months)	7.64
Retention of beneficial economic interest by the originator	10.00%
Tangible security cover	-
Rated wise distribution of rated loans	Not applicable
Number of instances (transactions) where transferred as agreed to replace the transferred loans	-
Number of transferred loans replaced	-

(ii) The Company has not transferred any non-performing assets (NPAs).
(iii) The Company has not acquired any loans through assignment.
(iv) The Company has not acquired any stressed loan.

10. (i) Details of resolution plan implemented under the Resolution Framework for COVID-19-related stress as per RBI circular dated August 6, 2020 (Resolution Framework 1.0) are not applicable as the Company has not restructured any loan accounts under resolution framework 1.0.

(ii) Details of resolution plan implemented under the RBI Resolution Framework - 2.0: Resolution are given below: -

(₹ in crore unless otherwise stated)

Type of borrower	Exposure to accounts classified as standard consequent to implementation of resolution plan-Position as at the end of half year i.e., March 31, 2024 (A)	of (A), aggregate debt that slipped into NPA during the half year ended September 30, 2024 (B)	of (A), amount written-off during the half year ended September 30, 2024 (C)	of (A), amount paid by the borrowers during the half year ended September 30, 2024 * (D)	Exposure to accounts classified as Standard consequent to implementation of resolution plan-Position as at the end of this half year i.e., September 30, 2024 (A-C-D)
JLG loans	1.12	-	0.27	0.09	0.76
MSME loans	0.32	-	0.27	0.01	0.04

* Amount paid by the borrower during the half year is net of additions in the exposure on account of interest accrual.

11. (i) The Company had created liability for IPO (Initial Public Offer) related expenses amounting to ₹ 56.37 crore during the year ended March 31, 2023. This comprises the Company's share of ₹ 30.64 crore and Selling Shareholder's share of ₹ 25.73 crore. As on September 30, 2024, of these liabilities, the Company had incurred ₹ 51.47 crore and the remaining amount of ₹ 4.90 crore has been allocated to the Company and selling shareholders proportionately. The details of liabilities incurred are given below:

(₹ in crore unless otherwise stated)

Particulars	Amount provided for as IPO expenses	Amount incurred upto September 30, 2024
BRLMs fees and commissions (including underwriting commission)	26.70	23.29
Advertising and marketing expenses for offer	7.40	6.82
Regulatory & other expenses	5.03	3.49
Printing and stationery expenses	2.38	2.38
Fees payable to legal counsel	7.55	7.66
Fees payable to other advisors to the offer	5.00	6.34
Miscellaneous expenses	2.31	1.49
Total	**56.37**	**51.47**

(ii) The net proceeds from IPO had been utilized during the year ended March 31, 2023.

(iii) The amount transferred to Securities premium account is ₹ 4.58 crore (after adjustment of deferred tax liability and tax credit benefits).

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FUSION FINANCE LIMITED

12. Disclosure of Liquidity Risk Management as per Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023

(₹ in crore unless otherwise stated)

	Particulars	For the quarter ended September 30, 2024	
		Total unweighted value (average)	**Total weighted value (average)**
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)	-	781.02
Cash Outflows			
2	Deposits (for deposit taking companies)	-	-
3	Unsecured wholesale funding	-	-
4	Secured wholesale funding	-	-
5	Additional requirements, of which		
(i)	Outflows related to derivative exposures and other collateral requirements	-	-
(ii)	Outflows related to loss of funding on debt products	-	-
(iii)	Credit and liquidity facilities	-	-
6	Other contractual funding obligations	783.07	900.53
	Total Cash Outflows	**783.07**	**900.53**
Cash Inflows			
7	Secured lending	-	-
8	Inflows from fully performing exposures	-	-
9	Other cash inflows	1,121.91	841.43
	Total Cash Inflows	**1,121.91**	**841.43**
			Total Adjusted Value
	Total HQLA		**781.02**
	Total net cash outflows		**225.13**
	Liquidity Coverage ratio (%)		**346.91%**
	Following assets formed part of HQLA		
	Assets		
	Cash on hand		12.40
	Balances with banks – Current Accounts		768.62
	Total		**781.02**

13. The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The effective date from which the changes are applicable is yet to be notified and the rules for quantifying the financial impact are yet to be framed. The Company will assess the impact of the Code when it comes into effect and the rules are framed. The Company will record any related impact in the period the Code becomes effective.

14. The above financial results are available on the stock exchange website's i.e., National Stock Exchange (www.nseindia.com) and BSE Limited (www.bseindia.com) and can be accessed on the website of the Company (www.fusionfin.com).

For and on behalf of the Board of Directors of Fusion Finance Limited

Devesh Sachdev
Managing Director & CEO

Place: Gurugram
Date: November 15, 2024

Deloitte Haskins & Sells Chartered Accountants

FUSION FINANCE LIMITED

OTHER FINANCIAL INFORMATION

Related Party Transactions

For details of the related party transactions, as per the requirements under applicable Indian Accounting Standards, i.e., Ind AS – Related Party Disclosures, entered into by our Company for Fiscal 2024 and Fiscal 2023, see "*Financial Statements – Note* 44*: Related Party Transaction*" on page 158.

ACCOUNTING RATIOS

Accounting Ratios

The following tables present certain accounting and other ratios computed on the basis of amounts derived from the Audited Financial Statements FY 24 and Statement of Unaudited Financial Results HY 25 containing Qualified Review Report included in the section titled "*Financial Statements*" beginning on page 101:

Particulars	As of and for the six-months period ended		As at and for the financial year ended	
	September 30, 2024	September 30, 2023	March 31, 2024	March 31, 2023
Basic EPS (in ₹)	(33.85)	24.52	50.30	43.29
Diluted EPS (in ₹)	(33.85)	24.35	50.11	43.13
Return on Net Worth (in %)	(13.50%)	9.55%	17.74%	16.67%
Net Asset Value per Equity Share (in ₹)	250.63	256.46	283.06	231.39
EBITDA (in ₹ crore)	(4.95)	703.39	1,463.10	1,162.17

The formulae used in the computation of the above ratios are as follows:

Basic EPS	Profit for the period / Weighted average number of Equity shares outstanding at the period ended
Diluted EPS	Profit for the period / Weighted average number of diluted equity shares outstanding at the period ended
Return on Net Worth	Profit for the period / Net Worth at the period ended
Net Asset Value per Equity Share	Net Asset / No. of Equity shares issued, subscribed and fully paid outstanding at the period ended
EBITDA	Profit for the period + Tax Expenses+ Finance Cost

(a) Calculation of Net Worth and Return on Net Worth:

(₹ in crore)

Particulars	As of and for the six-months period ended		As at and for the financial year ended	
	September 30, 2024	September 30, 2023	March 31, 2024	March 31, 2023
Profit/(loss) attributable to owners of the Company (A)*	(340.66)	246.15	505.29	387.15
Equity Share capital (B)	100.65	100.48	100.62	100.35
Other equity(C)#	2,422.02	2,476.45	2,747.53	2,221.57
Capital reserve, amalgamation reserve, revaluation reserve and other comprehensive income (D)	-	-	-	-
Net Worth (E)= [B + C + D]	2,522.67	2,576.93	2,848.15	2,321.92
Return on Net Worth [A / E] * 100 (%)	(13.50%)	9.55%	17.74%	16.67%

* *Before other comprehensive income*
\# *Includes OCI amount*

(b) Calculation of Net asset value per Equity Share:

(₹ in crore, except per share data)

Particulars	As of and for the six-months period ended		As at and for the financial year ended	
	September 30, 2024	September 30, 2023	March 31, 2024	March 31, 2023
Equity Share capital (A)	100.65	100.48	100.62	100.35
Other equity (B)	2,422.02	2,476.45	2,747.53	2,221.57
Net asset (C) [A + B]	2,522.67	2,576.93	2,848.15	2,321.92

Particulars	As of and for the six-months period ended		As at and for the financial year ended	
	September 30, 2024	September 30, 2023	March 31, 2024	March 31, 2023
No. of Equity shares issued, subscribed and fully paid outstanding (D)	10,06,53,705	10,04,81,637	10,06,20,005	10,03,45,469
Net Asset Value per Equity Share [C / (D/10^7] (₹)	250.63	256.46	283.06	231.39

(c) Calculation of EBITDA:

(₹ in crore)

Particulars	As of and for the three-months period ended		As at and for the financial year ended	
	September 30, 2024	September 30, 2023	March 31, 2024	March 31, 2024
Profit/(loss) for the period/year (A)	(340.66)	246.15	505.29	387.15
Total tax expense (B)	(120.27)	78.90	157.97	124.83
Finance cost (C)	450.77	374.49	790.83	642.78
Depreciation and amortisation expense (D)	5.21	3.85	9.01	7.41
Exceptional items (E)	-	-	-	-
Share in (profit)/loss of equity accounted investees (F)	-	-	-	-
Other income (interest income, dividend income, fair value movement in financial instruments at fair value through profit or loss, gains on current investments (net)) (G)	-	-	-	-
EBITDA (H) = [A+B+C+D+E+F+G]	**(4.95)**	**703.39**	**1,463.10**	**1,162.17**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion in conjunction with the Statement of Unaudited Financial Results HY 25 containing Qualified Review Report included herein as of and for the six months ended September 30, 2024 (with the comparative period data as of and for the six month period ended September 30, 2023) ("**Unaudited Financial Results**") and our Audited Financial Statements FY 24 as of and for the financial years ended March 31, 2024 (with the comparative period data as of and for the financial year ended March 31, 2023), including the related notes, schedules and annexures (our "**Audited Financial Statements**" and together with the Unaudited Financial Results, the "**Financial Statements**"). See "Risk Factors — Significant differences exist between Ind AS and other accounting principles, such as US GAAP and IFRS, which may be material to investors' assessments of our financial condition." on page 46.*

Our financial year ends on March 31 of each year. Accordingly, all references to a particular financial year are to the 12-month period ended March 31 of that year.

We have included various operational and financial performance indicators in this Draft Letter of Offer, many of which may not be derived from our Financial Statements. The manner in which such operational and financial performance indicators are calculated and presented, and the assumptions and estimates used in such calculations, may vary from that used by other companies in India and other jurisdictions. For the purposes of this section, for certain analyses we have used historical methodologies and internal categorizations to enable a consistent representation of our business. Such information may vary from similar information publicly disclosed by us in compliance with applicable regulations in India. Investors are accordingly cautioned against placing undue reliance on such information in making an investment decision, and should consult their own advisors and evaluate such information in the context of the Financial Statements and other information relating to our business and operations included in this Draft Letter of Offer.

*Unless otherwise indicated, information contained in this section has been obtained or derived from publicly available information as well as various industry publications and sources, as referred to herein (collectively, the "**Sources**"). The information in the Sources is as of specified dates and opinions in the Sources may be based on estimates, projections, forecasts and assumptions that may be as of such dates, which may no longer be current or reflect current trends. Further, forecasts, estimates, predictions, and other forward-looking statements contained in the Sources are inherently uncertain because of changes in factors underlying their assumptions, or events or combinations of events that cannot be reasonably foreseen. Actual results and future events could differ materially from such forecasts, estimates, predictions, or such statements. Accordingly, investment decisions should not be based on such information. Each Source is not a recommendation to invest or disinvest in any company covered in such Source. The views expressed in the Sources are that of its authors. Prospective investors are advised not to unduly rely on the Sources, and should conduct their own investigation and analysis of all facts and information contained in this Draft Letter of Offer. Unless otherwise indicated, all financial, operational, industry and other related information derived from the applicable Source and included herein with respect to any particular Financial Year or as the case may be, calendar year, refers to such information for the relevant Financial Year or as the case may be, calendar year.*

This discussion contains forward-looking statements that involve risks and uncertainties and reflects our current view with respect to future events and financial performance. Actual results may differ from those anticipated in these forward-looking statements as a result of factors such as those set forth under "Forward-looking Statements" and "Risk Factors" on pages 17 and 20, respectively.

Overview

We are a NBFC-MFI offering microfinance loans to women borrowers from low-income households. We founded our Company with the core idea of creating opportunities at the bottom of the pyramid, and we do so by providing financial services to unserved and underserved women in rural and semi-urban areas across India. We believe that our network and services have improved accessibility to formal credit at affordable prices, thereby positively impacting the lives of our customers in rural India. Our gross AUM was ₹11,571.15 crore, ₹10,026.43 crore, ₹11,476.08 crore and ₹9,296.22 crore as of September 30, 2024 and 2023 and March 31, 2024 and 2023, respectively.

Over the years, we have scaled our AUM by committing to our key pillars of growth, comprising customer centricity, strategic geographic diversification with a rural focus, embracing technology for growth, emphasis on nurturing and developing our personnel, good corporate governance, stakeholder management and prudent risk management, as well as ability to raise growth capital through the support of our promoters, including Honey Rose, which is directly owned by certain private equity funds managed by Warburg Pincus LLC, one of our marquee investors, and Creation Investments Capital Management, an alternative investment management company with a focus on private equity and private credit investments.

Since the inception of our microfinance business in 2010, we have prioritized organic geographical diversification and management of state level AUM by expanding into underpenetrated rural areas that offer significant growth opportunities. As a result, we have achieved a significant footprint across India, where we have extended our reach to 3.85 million active borrowers which were served through our network of 1,463 branches and 16,186 permanent employees spread across 483 districts in 22 states and union territories in India, as of September 30, 2024. We believe that our significant footprint of active borrowers and branch network puts us in a vantage position to further penetrate and deepen our presence in areas in which we have established branch infrastructure but remain relatively untapped and also to expand into new regions that have significant growth potential. Our extensive and geographically diverse distribution network allows us to offer "last-mile" connectivity to our customers in remote rural areas. As a result of our active management of state concentration, we have been able to maintain low levels of AUM concentration per state despite our growth over the years. As of September 30, 2024, no single state contributed to more than 25.00% of our total AUM, and our proportion of AUM in Uttar Pradesh, Bihar, Odisha, Madhya Pradesh and Tamil Nadu, our Top Five States, has decreased from 72.26% of our total AUM as of March 31, 2019 to 70.13% of our total AUM as of September 30, 2024.

As of September 30, 2024, our share of AUM from customers in rural areas represented 88.86% of our total AUM. Our focus customer segment is women in rural areas with an annual household income of up to ₹300,000. Our business runs on a joint liability lending model, wherein a small number of women form a center (typically comprising not less than five members) and guarantee one another's loans. We believe this model ensures credit discipline through peer support within the center, making our customers prudent in conducting their financial affairs and prompt in repaying their loans. Our key product offerings are income-generating loans that provide capital for women entrepreneurs in rural areas to fund businesses operating in the agriculture-allied and agriculture, animal husbandry, crafts, manufacturing and production, small trade and retail, and services sectors. Subject to certain eligibility criteria, we also offer our existing customers top-up loans to manage interim working capital requirements for existing businesses as well as emergency loans to fund urgent financial needs arising as a result of unforeseen events such as health emergencies, natural disasters and family bereavements. In addition, we offer our existing customers cross-sell loans that are utilized for livelihood and productivity enhancing purposes as well as MSME loans to eligible enterprises.

We believe we have been able to optimize our cost of funds, liquidity requirements and capital management over the years, notwithstanding difficult market conditions, due to our prudent liability management, ability to secure sufficient and diversified borrowings on competitive terms. We benefit from a large and diversified mix of 50 lenders comprising a range of public sector banks, private sector banks, foreign banks, development financial institutions, foreign portfolio investors and NBFCs, as of September 30, 2024. We have been able to consistently raise both debt and equity capital over the years and, in turn, have maintained capital adequacy ratios above the minimum threshold prescribed by the RBI for the six month period ended September 30, 2024, Financial Years 2024 and 2023 despite challenging environments. Our average effective cost of borrowings have remained relatively stable and was 10.11%, 10.59%, 10.42% and 10.30% for the six months ended September 30, 2024 and 2023 and the Financial Years 2024 and 2023, respectively. We also have a dedicated ALM committee that regularly reviews and monitors the maturity schedule for all our financial liabilities in accordance with our ALM guidelines. As a result of our prudent ALM, we had favorable asset-liability positions as of September 30, 2024. Although certain of our long-term credit ratings have recently been downgraded as of November 26, 2024, our long-term credit rating has improved from a rating of "A-(Stable)" by CARE as of March 31, 2019 to a rating of "A(Rating Watch with Negative Implications)" by CARE as of the date hereof. Additionally, we have been awarded ratings of "A(Rating Watch with Developing Implications)" by CRISIL and "A(Negative)" by ICRA as of the date hereof. For more details on our grading and credit ratings, see "*Our Business – Description of our Business – Grading and Credit Ratings*" on page 92.

Technology is an integral part of our overall business strategy. Through our adoption of cloud computing software and emphasis on best-in-class security practices, we have established a foundation in enabling automation and digitalization of several processes across our business functions including customer onboarding, customer service, loan disbursements, internal audit and risk management. We continue to invest in and upgrade our technology platforms and solutions with the goal of applying a comprehensive "Touch & Tech" model across our operations that focuses on maintaining frequent technology-based communication points that enhance efficiency and customer experience. For the six months ended September 30, 2024 and 2023 and the Financial Years 2024 and 2023, all of our customers were onboarded digitally. For the same period/years, substantially all of our disbursements were cashless. We believe our technology initiatives have and will continue to be instrumental in optimizing operational efficiency, enhancing customer experience and our portfolio management and minimizing costs.

We are committed to fostering a workplace culture with high standards of transparency, fiscal accountability, ethical corporate behavior and fairness to all stakeholders. Stemming from our high standards in corporate governance, in February 2024, we were awarded a score of 96.00% on the Code of Conduct Assessment for MFIs in India, which is measured based on indicators of transparency, client protection, governance, recruitment, client education, grievance redress and data sharing, by an international rating agency providing standardized assessment of microfinance and inclusive finance institutions. In addition, we have been awarded the "Gold" Client Protection Certification from the SPTF and CERISE in Financial Year 2023 in respect of their client protection standards, including product design and pricing, customer care and transparency and customer data privacy. We are led by a stable and experienced management team supported by marquee investors and a Board of experienced management professionals, half of whom are independent directors. Several key members of our senior management team, who have significant expertise and experience in the banking and financial services industry in India, have been with our Company for over six years and have, together, successfully scaled our business with improving profitability. We are led by our Managing Director and Chief Executive Officer, Mr. Devesh Sachdev, who has 28 years of experience in the banking and financial services industry.

We believe that the foregoing has enabled us to successfully scale our operations, maintain consistency in our AUM and disbursements. The following tables sets forth our key financial and operational metrics as of and for the period/years indicated:

	As of and for the Six Months Ended September 30,		As of and for the Financial Year Ended March 31,	
	2024	2023	2024	2023
Particulars	*(₹ in crore, except otherwise indicated)*			
Pre-provision operating profit before tax(1)	581.59	477.18	1,028.12	712.35
Profit/(loss) for the period/year(2)	(340.66)	246.15	505.29	387.15
Total comprehensive income for the period/year(3)	(339.23)	247.03	506.52	387.46
Total assets(4)	11,480.65	10,431.75	11,774.32	9,363.54
Gross AUM(5)	11,571.15	10,026.43	11,476.08	9,296.22
Average gross AUM (6)	11,523.62	9,661.32	10,386.15	8,041.09
Gross AUM growth(7)	15.41%	24.60%	23.4 5%	36.99%
Net worth(8)	2,522.67	2,576.93	2,848.15	2,321.92
Average net worth(9)	2,685.41	2,449.43	2,585.04	1,829.94
Total borrowings(10)	8,641.31	7,527.90	8,615.90	6,778.40
Average borrowings(11)	8,628.61	7,153.15	7,697.15	6,277.10
Return on average gross AUM(12)	(5.91%)	5.10%	4.87%	4.81%
Return on average net worth(13)	(25.37%)	20.10%	19.55%	21.16%
Average borrowings to Average net worth(14) *(times)*	3.21	2.92	2.98	3.43
Capital risk adequacy ratio (“CRAR”)15	24.39%	28.78%	27.53%	27.94%
Debt to equity ratio(16) *(times)*	3.43	2.92	3.03	2.92
Basic EPS – par value of ₹10 each *(₹)**	(33.85)	24.52	50.30	43.29
Diluted EPS – par value of ₹10 each *(₹)**	(33.85)	24.35	50.11	43.13
Net asset value per Equity Share *(₹)* (17)	250.63	256.46	283.06	231.39
Gross disbursements (18)	4,647.20	4,628.37	10,294.35	8,596.11
Average cost of funds *(%)*	10.11%	10.59%	10.42%	10.30%
Tier I capital (19)	22.81%	27.59%	26.60%	26.59%
Tier II Capital (20	1.59%	1.20%	0.93%	1.35%
Total on-book portfolio	10,279.96	8,994.95	10,302.41	8,354.22
Number of branches *(total, not in crore)*	1,463	1,164	1,297	1,086
Number of employees *(total, not in crore)*	16,186	11,589	13,807	10,363
Number of active borrowers (*total, in crore)*	0.39	0.37	0.39	0.35

** Not Annualized.*

Figures disclosed in the above table, except for “Total Assets", “Profit for the period/year”, “Total comprehensive income for the period/year”, “Total borrowings”, “Basic Earning per Share” and “Diluted Earning per Share”, are not measures of financial position, financial performance or cash flows defined by generally accepted accounting principles, and may not be comparable to similarly-titled measures presented by other companies.

Notes:

(1) Pre-provision operating profit before tax represents the sum of profit before tax for the relevant period/year and impairment on financial instruments for such period/year derived from our Financial Statements.

(2) Profit for the period/year represents profit for the relevant period/year.

(3) Total comprehensive income represents total comprehensive income for the relevant period/year.

(4) Total assets represents total assets as of the last day of the relevant period/year.

(5) Gross AUM represents the aggregate of principal outstanding for all loans to customers and assets pertaining to securitization, assignment and business correspondent portfolio, as of the last day of the relevant period/year.

(6) Average Gross AUM represents the simple average of our Gross AUM as of the last day of the relevant period/year and that as of the last day of the previous period/year.

(7) Gross AUM growth represents percentage of change in gross AUM as of the last day of the relevant period/year over that as of last day of the previous period/year. September 30, 2024 has been compared with the September 30, 2023 AUM and September 30, 2023 has been compared with the September 30, 2022 AUM.

(8) Net worth represents our total equity, which includes equity share capital and other equity derived from our Financial Statements, as of the last day of the relevant period/year.

(9) Average net worth represents the simple average of our net worth as of the last day of the relevant period/year and that as of the last day of the previous period/year.

(10) Total borrowings represents the aggregate of debt securities, subordinate liabilities, borrowings (other than debt securities) as of the last day of the relevant period/year derived from our Financial Statements.

(11) Average borrowings represents the simple average of total borrowings outstanding as of the last day of the relevant period/year and that as of the last day of the previous period/year.

(12) Return on average gross AUM represents profit for the relevant period/year derived from our Financial Statements as a percentage of average gross AUM for such period/year.

(13) Return on average net worth represents profit for the relevant period/year derived from our Financial Statements as a percentage of average net worth for such period/year.

(14) Average borrowings to average net worth represents average borrowings for the relevant period/year as a percentage of average net worth for such period/year.

(15) A capital ratio consisting of the sum of Tier I and Tier II capital to its aggregated risk weighted assets and risk adjusted value of off-balance sheet items.

(16) Debt to equity ratio represents our total borrowings divided by total equity attributable to shareholders as of the last day of the relevant period/year derived from our Financial Statements. Total borrowings represents the aggregate of debt securities, subordinate liabilities, borrowings (other than debt securities) as of the last day of the relevant period/year derived from our Financial Statements.

(17) Net asset value per Equity Share is calculated as Total Equity as of the end of the relevant period/year divided by the number of Equity Shares outstanding at the end of such period/year.

(18) Gross disbursements is calculated as represent the aggregate of all loan amounts extended to all our customers for the relevant period/year.

(19) Tier I capital is calculated as owned funds as reduced by investment in shares of other NBFCs and in shares, debentures, bonds, outstanding loans and advances, including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, 10% of the owned fund..

(20) *Tier II capital includes preference share capital, revaluation reserves, general provisions and loss reserves, hybrid debt capital instruments and subordinate debts to the extent the aggregate does not exceed Tier I capital.*

	As of and for the Six Months Ended September 30,		As of and for the Financial Year Ended March 31,	
	2024	**2023**	**2024**	**2023**
Particulars	***(₹ in crore, except otherwise indicated***			
Net interest income[1]	793.84	598.61	1,295.80	947.21
Net interest margin[2]	11.55%	10.95%	11.22%	10.15%
Operating expenses[3]	378.03	272.37	593.47	444.84
Operating expenses / Average gross AUM[4]	6.56%	5.64%	5.71%	5.53%
Impairment on financial instruments[5]	1,042.52	152.13	364.86	200.37
Impairment on loan portfolio / Average gross loan portfolio[6]	10.11%	1.73%	3.87%	2.73%
Credit loss ratio[7]	2.48%	1.88%	3.42%	3.38%
Credit cost (based on average gross AUM)[8]	9.03%	1.56%	3.48%	2.48%
Operating expenses to total income ratio[9]	26.80%	24.23%	24.60%	24.71%
Cost to income ratio[10]	39.39%	36.34%	36.60%	38.44%
PAR>30 [11]	1,368.63	348.96	418.28	349.15
PAR>90 [12]	967.22	241.10	297.25	288.89
Gross NPAs[13]	967.22	241.10	297.25	288.89
Gross NPAs / Loans to customers outstanding[14]	9.41%	2.68%	2.89%	3.46%
Net NPAs[15]	230.19	56.92	60.32	70.79
Net NPAs / Loans to customers outstanding[16]	2.41%	0.65%	0.60%	0.87%

Figures disclosed in the above table, except for "Total revenue from operations", "Other income", "Total income", "Finance costs", "Depreciation and amortization", "Total expenses" and "Impairment on financial instruments", are not measures of financial position, financial performance or cash flows defined by generally accepted accounting principles, and may not be comparable to similarly-titled measures presented by other companies.

Notes:

(1) *Net interest income represents interest income on loan portfolio for the relevant period/year reduced by finance costs for such period/year derived from our financial statements.*

(2) *Net interest margin represents net interest income for the relevant period/year as a percentage of average loans to customers for such period/year. Average loans to customers represents the simple average of our loans to customers as of the last day of the relevant period/year and that as of the last day of the previous period/year derived from our Financial Statements.*

(3) *Operating expenses represents the aggregate of employee benefits expenses, depreciation and amortization and other expenses for the relevant period/year derived from our Financial Statements.*

(4) *Operating expenses / Average gross AUM represents operating expenses for the relevant period/year as a percentage of average gross AUM for such period/year.*

(5) *Impairment on financial instruments represents such expenses for the relevant period/year derived from our Financial Statements.*

(6) *Impairment on loan portfolio / Average loan portfolio represents impairment on financial instruments for the relevant period/year derived from our Financial Statements as a percentage of average loans to customers for such period/year. Average loans to customers for the relevant period/year represents the simple average of our term loans (gross) as of the last day of the relevant period/year and that as of the last day of the previous period/year derived from our Financial Statements .*

(7) *Credit loss ratio represents loans written off during the relevant period/year as a percentage of average loans to customers for such period/year. Average loans to customers for the relevant period/year represents the simple average of our term loans (gross) as of the last day of the relevant period/year and that as of the last day of the previous period/year derived from our Financial Statements.*

(8) *Credit cost (based on average gross AUM) represents impairment on financial instruments the relevant period/year derived from our Financial Statements as a percentage of average Gross AUM.*

(9) *Operating expenses to total income ratio represents operating expenses for the relevant period/year as a percentage of total income for such period/year derived from our Financial Statements.*

(10) *Cost to income ratio represents operating expenses (which comprises the aggregate of employee benefits expense, depreciation and amortization and other expenses) as a percentage of total income less finance costs for the relevant period/year derived from our Financial Statements.*

(11) *PAR>30 percentage represents the portfolio of loans overdue for more than 30 days as of the last day of the relevant period/year as a percentage of the total gross carrying value of loans as of the last day of the relevant period/year derived from our Financial Statements.*

(12) *PAR>90 percentage represents the portfolio of loans overdue for more than 90 days as of the last day of the relevant period/year as a percentage of the total gross carrying value of loans as of the last day of the relevant period/year derived from our Financial Statements.*

(13) *Gross NPAs represents our portfolio of Stage III Assets (overdue for more than 90 days) as of the last day of the relevant period/year.*

(14) *Gross NPAs / Loans to customer outstanding represents our portfolio of Stage III assets as of the last day of the relevant period/year as a percentage of loans gross of impairment allowance for the relevant period/year.*

(15) *Net NPAs represents Stage III Assets (Gross NPAs) as of the last day of the relevant period/year as reduced by impairment allowance on Stage III Assets for such period/year.*

(16) *Net NPAs / Loans to customers outstanding represents Net NPAs as of the last day of the relevant period/year as a percentage of loans gross of impairment allowance derived from our Financial Statements for the relevant period/year as reduced by impairment allowance on Stage III assets (Gross NPA) for such period/year.*

Increase in impairment of financial assets for the six months ended September 30, 2024

For the six months ended September 30, 2024, our impairment of financial instruments significantly increased to ₹1,042.52 crore from ₹152.13 crore for the six months ended September 30, 2023, primarily as a result of our provisioning for an increase in NPAs. The increase in NPAs was primarily caused by factors including:

- high borrowers' leverage, in addition to stagnant household income adversely affected by inflation, which had a corresponding adverse impact on their ability to repay their loans;

- unforeseen climate conditions, including heatwaves and macroeconomic conditions that impact income generation which in turn leads to customers migrating away from their base locations;

- the post-COVID-19 impact on joint liability credit culture, which led to poor center meetings attendance and in turn made it more challenging for us to collect payments on our loans; in addition, there were also illegal agencies falsely propagating loan waiver schemes to borrowers which had an adverse impact on our collection efficiency; and

- higher attrition rate among our staff.

The above factors significantly impacted our collection efficiency, which in turn led to an increase in gross NPAs as set forth below. Our impairment of financial instruments was ₹1,042.52 crore for the six months ended September 30, 2024 which led to a loss after tax of ₹340.66 crore for the six months ended September 30, 2024. Such loss in turn adversely affected our net worth and capital risk adequacy ratios, as set forth below:

Particulars	As of September 30, 2024	As of March 31, 2024
Gross NPA (%)	9.41	2.89
Net Worth (₹ in crore)	2,522.67	2,848.15
Capital risk adequacy ratio (CRAR) (%)	24.39	27.53

We have adopted the following measures to address these challenges:

- calibrating our loan disbursements according to our portfolio risk assessment, including the suspension of disbursements in certain of our branches;

- reviewing and tightening our customer sourcing criteria, both in relation to new customers and existing customers seeking subsequent loans;

- aligning our incentive structure to deliver improved collections metrics;

- strengthened management team and hired a Chief Operating Officer; and

- strengthening our dedicated collections team and rationalizing the workload of our branch field teams.

In July 2024, MFIN promulgated guidelines to control over-lending to customers, including restricting sourcing of customers having four lenders or more, and restricting lending to borrowers who have outstanding microfinance loans exceeding ₹200,000. The MFIN guidelines promulgated in July 2024 are currently in effect. In addition, in November 2024, the MFIN promulgated guidelines, including further restricting sourcing of customers having three lenders or more and reaffirming the restricting of lending to borrowers who have outstanding microloans exceeding ₹200,000. While the MFIN guidelines promulgated in November 2024 come into effect from January 1, 2025, we have already implemented changes in our underwriting policies which are more or at least as tight (conservative) as the MFIN guidelines.

Significant factors affecting our results of operations

Our results of operations and financial condition are affected by a number of important factors including:

Performance and Growth of the Indian Microfinance Industry and Indian Economy

As an NBFC-MFI, we are impacted and will continue to be impacted by the performance of the microfinance industry in India, especially in rural India where our operations are focused. The low penetration of banking credit in rural India provides an opportunity for all lending and deposit accepting institutions to expand their businesses in rural areas.

The growth of our business has been affected by trends in the Indian microfinance industry, including the growth rate of its total loan portfolio size. Certain events in the past have disrupted the growth of the microfinance industry and adversely impacted the overall industry's disbursements as well as repayment and collection efficiency rates. For example, during the six months ended September 30, 2024, our impairment of financial instruments significantly increased to ₹1,042.52 crore from ₹152.13 crore for the six months ended September 30, 2023, on account of increases in our credit cost to ₹1,040.92 crore from ₹150.36 crore for the six months ended September 30, 2023, primarily as a result of our provisioning for an increase in NPAs. The increase in NPAs were primarily as a result of certain industry-wide headwinds that adversely affected our collection efficiencies. For more information, see "*Our Business — Increase in impairment of financial assets for the six months ended September 30, 2024*" on page 189. Other historical events which have adversely affected the Indian microfinance industry include: (a) in November 2016, the Indian government announced the demonetization of bank notes of ₹500 and ₹1,000. Around 86.00% of Indian currency in terms of value was removed from circulation; and (b) the outbreak of the COVID-19 pandemic adversely impacted the Indian economy and our industry.

Further, as our focus is providing micro-loans to women in rural and semi-urban areas, our results of operations are particularly affected by the performance and the future growth potential of microfinance in rural and semi-urban India. As of September

30, 2024, ₹10,281.63 crore or 88.86% of our total AUM was from rural areas. We are also exposed to the general risks relating to the microfinance industry and our rural customer segment. For instance, our clients typically have limited sources of income, savings and credit histories and our loans are typically provided free of collateral. Such clients generally do not have a high level of financial resilience, and, as a result, they can be adversely affected by declining economic conditions and natural calamities. Other factors such as inflation and a reduction in government subsidies could adversely affect the budgets of the rural customer segment, and in turn, demand for our services. In addition, we rely on non-traditional guarantee mechanisms rather than tangible assets as collateral, which may not be effective in recovering the value of our loans. For a discussion of the risks relating to the nature of microfinance loans, see "*Risk Factors — Internal Risks — The microfinance industry in India faces unique risks due to the category of borrowers that it services, which are generally not associated with other forms of lending.*" on page 24.

As a financial institution operating in India, our financial condition and results of operations are also influenced by the general economic conditions and particularly macroeconomic conditions in India. Key macroeconomic factors that may affect the Indian economy and, in turn, demand for our products and the quality of our loan portfolio include, among others, (i) demographic conditions and population dynamics, (ii) economic development, shifting of wealth and employment rates, (iii) political measures and regulatory developments, such as tax incentives and general political stability, (iv) fiscal and monetary dynamics, such as volatility in interest rates, foreign exchange rates and inflation rates, (v) political and regulatory developments on the Indian economy, and (vi) major public health issues such as the COVID-19 pandemic.

Availability of Cost-Effective Sources of Funding and Fluctuations in Interest Rates

The liquidity and profitability of our business depend, in large part, on our timely access to, and the costs associated with, raising funds. Set forth below are certain details on our borrowings.

Particulars	As of September 30,	As of March 31,	
	2024	2024	2023
	(₹ in crore)		
Debt securities	181.22	201.59	628.80
Borrowings (other than debt securities)	8,406.51	8,360.92	6,036.61
Subordinated liabilities	53.58	53.39	112.99
Total Borrowings	8,641.31	8,615.90	6,778.40

For further details on our borrowing profile and the maturity profile of our borrowings as of March 31, 2024 and 2023, see Notes 17 to 19 of Audited Financial Statements.

As an NBFC-MFI, we have access to diverse sources of liquidity, including from both domestic and international financial markets. Our primary sources of funds include term loans from banks and financial institutions, NCDs, subordinated debt instruments and assignment of loan portfolios. We benefit from a large and diversified mix of 50 lenders comprising a range of public sector banks, private sector banks, foreign banks, development financial institutions, foreign portfolio investors and NBFCs, as of September 30, 2024. We believe that having such a diversified debt profile ensures we are not overly dependent on any one type or source for funding and enables us to optimize our cost of borrowings, funding and liquidity requirements, capital management and asset liability management.

Our ability to meet demand for new loans will depend on our ability to obtain financing on acceptable and cost- effective terms. Our debt service costs and overall cost of borrowings depend on many external factors, including developments in the Indian credit markets, in particular interest rate movements and the existence of adequate liquidity in the debt markets, monetary policies of the RBI, as well as domestic and international economic and political conditions and external interventions. Internal factors that affect our cost of borrowings include our credit ratings, cash flows and available credit limits. We have a long-term credit rating of "A(Rating Watch with Developing Implications)" by CRISIL, "A(Negative)" by ICRA and "A(Rating Watch with Negative Implications)" by CARE as of the date hereof. For more details on our grading and credit ratings, see "*Our Business – Description of our Business – Grading and Credit Ratings*" on page 92.

In addition, our results of operations are affected to a large extent on the level of our net interest income, which represents the difference between the interest rates that we charge on loans (i.e. interest income on loan portfolio) and the interest rates that we pay on interest-bearing liabilities (i.e. finance costs). Consequently, we also depend substantially on our ability to effectively manage our finance costs and the impact of fluctuations in interest rates. Our finance costs comprise interest on debt securities, interest on borrowings (other than debt securities), interest on subordinated liabilities, interest on lease liability and other finance costs. The annual interest rates we charge to our customers on our income-generating loans, which comprise a substantial part of our total AUM and revenue, is determined with reference to a risk-based pricing mechanism which takes into account factors such as state level risk classification and the applicable customer cycle.

The following table sets forth certain key indicators as of and for the period/years indicated, in connection with this factor:

Particulars	As of and for the Six Months Ended September 30,		As of and For the Financial Years Ended March 31,	
	2024	2023	2024	2023
	(₹ in crore except percentages)			
Finance costs	450.77	374.49	790.83	642.78
Average effective cost of borrowings(1)	10.11%	10.59%	10.42%	10.30%
Net interest income(2)	793.84	598.61	1,295.80	947.21
Net interest margin(3)	11.55%	10.95%	11.22%	10.15%

Notes:

(1) Average effective cost of borrowings represents finance costs for the relevant period/year as a percentage of average outstanding borrowing for such period/year.

(2) Net interest income represents interest income on loan portfolio for the relevant period/year reduced by finance costs for such period/year derived from our Financial Statements.

(3) Net interest margin represents net interest income for the relevant period/year as a percentage of average loans to customers for such period/year. Average loans to customers represents the simple average of our loans to customers as of the last day of the relevant period/year and that as of the last day of the previous year derived from our Financial Statements.

See also "*Risk Factors — Internal Risks — Risks Relating to our Business — Any disruption in our sources of funding or increase in costs of funding could adversely affect our liquidity and financial condition." and "Risk Factors — Internal Risks — Risks Relating to our Business — Our business is particularly vulnerable to interest rate risk, and volatility in interest rates could have an adverse effect on our net interest income and net interest margin, thereby affecting our results of operations and cash flows*." on pages 31 and 29 respectively.

Our Credit Quality and Levels of Provisions and Write-offs

Our ability to manage the credit quality of our loans is a key driver of our results of operations. We follow a "three stage" model for impairment based on changes in credit quality since initial recognition, see "*— Significant Accounting Policies — Impairment of Financial Assets*" on page 195. Our credit quality is also susceptible to external events that impact the industry as a whole, such as the COVID-19 pandemic and inflation. As the number of our loans that become NPAs increases, the credit quality of our loan portfolio decreases, which leads to an increase in our provisions and in turn, impairment of financial instruments, thereby adversely affecting our profitability and margins. The following table sets forth certain information on our NPAs as of and for the period/years indicated:

Particulars	As of and For the Six Months Ended September 30,		As of and For the Financial Year Ended March 31,	
	2024	2023	2024	2023
Gross NPAs(1) *(₹ in crore)*.............................	967.22	241.10	297.25	288.89
Gross NPA ratio(2)	9.41%	2.68%	2.89%	3.46%
Net NPAs(3) *(₹ in crore)*	230.19	56.92	60.32	70.79
Net NPA ratio(4)...	2.41%	0.65%	0.60%	0.87%
Impairment allowance coverage ratio(5) *(%)*...	117.93%	124.53%	119.27%	108.23%

Notes:

(1) Gross NPAs represents our portfolio of Stage III Assets (overdue for more than 90 days) as of the last day of the relevant period/year.

(2) Gross NPA ratio represents Stage III Assets (Gross NPAs) as of the last day of the relevant period/year as a percentage of term loans (gross) for such period/year derived from our Financial Statements.

(3) Net NPAs represents Stage III Assets (Gross NPAs) as of the last day of the relevant period/year as reduced by impairment allowance on Stage III Assets for such period/year.

(4) Net NPA ratio represents Stage III Assets (Gross NPAs) as of the last day of the relevant period/year as reduced by impairment allowance on Stage III Assets (Gross NPAs) for such period/year, as a percentage of term loans (gross) for such period/year derived from our Financial Statements as of the last day of the relevant period/year as reduced by impairment allowance on Stage III Assets (Gross NPAs) for such period/year.

(5) Impairment allowance coverage ratio represents the ratio of total impairment allowance on term loans (gross) derived from our Financial Statements to Stage III Assets (Gross NPAs) for the relevant period/year.

During the six months ended September 30, 2024, our impairment of financial instruments increased to ₹1,042.52 crore from ₹152.13 crore in the six months ended September 30, 2023, primarily as a result of our provisioning for an increase in NPAs. We incurred a loss of ₹340.66 crore for the six months ended September 30, 2024 primarily as a result of the such impairment of financial instruments. We have not evaluated whether any of these provisioning should have been recognized in any prior Financial Years or periods because of limitations in objectively determining information which affect our assumptions and circumstances which existed in those prior Financial Years or periods. For further details, please see "*— Our Results of Operations — Six Months Ended September 30, 2024 Compared to Six Months Ended September 30, 2023 — Impairment of financial instruments*" on page 201 and Note 7 to the Statement of Unaudited Financial Results HY 25 containing Qualified Review Report.

With a view to minimizing provisions and write-offs, we maintain robust diversification, risk management, credit assessment and expansion policies. We also have a portfolio concentration policy which sets forth certain concentration limits in any particular state and district, based on the applicable parameters. For example, the portfolio concentration policy stipulates (i) that gross loan portfolio attributable to a single state and a single district must not exceed 25.00% (the limit set for the states of Uttar Pradesh and Bihar) and 4.00%, respectively, of our total gross loan portfolio; and (b) credit limits for each microfinance customer in relation to her first, second and third loan cycle which varies from state to state, with a maximum MFI exposure per customer of ₹200,000. Our customer due diligence procedures encompass multiple levels of checks and controls designed to assess the quality of customers and to confirm that they meet our stringent selection criteria, and include comprehensive evaluation of repayment capacity and detailed cash flows analysis of the customer as well as thorough group training sessions and knowledge testing. We utilize credit bureau data to verify customer details and obtain information on past credit behavior. Further, we employ proactive practices that involve frequent evaluations of portfolio risk levels on a periodic basis and rigorous monitoring and analysis of cash disbursements and collection, roll rates and customer retention at both branch and head office levels, which minimize the incidence of bad debts. For further details, please see "*Our Business — Description of our Business — Lending Process*" and "*Our Business — Description of our Business — Risk Management*" on pages 86 and 89 respectively.

Our Ability to Manage Operating Expenses

Controlling our operating expenses is critical in maintaining our profitability. We intend to further grow our business operations by mining deeper and attracting new customers in our existing markets that remain relatively untapped as well as entering new regions where borrowers are underserved and there is lower penetration by microfinance companies. Our results of operations will therefore be affected by our ability to manage operating expenses, which comprise employee benefits expenses, depreciation and amortization and other expenses.

As we expand our core business and our product and service offerings to our borrowers, we will need to increase headcount by adding relationship officers, branch managers, area managers and other support staff which would, in turn, lead to an increase in employee benefits expenses. Our employee benefits expenses amounted to ₹275.87 crore, ₹197.12 crore, ₹431.22 crore and ₹325.52 crore accounting for 72.98%, 72.37%, 72.66% and 73.18% of our operating expenses (which includes employee benefits expenses, depreciation and amortization and other expenses) for the six months ended September 30, 2024 and 2023, and the Financial Years 2024 and 2023, respectively. In addition, our relationship officers incur travelling and conveyance as well as lodging and boarding expenses visiting villages, many of which are remote, to market and sell our products and services, maintain member relationships, conduct meetings, collect repayments and deposit cash collected at local banks. Such expenses would also increase in line with the growth of our business. For the six months ended September 30, 2024 and 2023, and the Financial Years 2024 and 2023, our other expenses, which comprised primarily of office maintenance, rent, travelling and conveyance, software support service and rates and taxes, amounted to ₹96.95 crore, ₹71.40 crore, ₹153.24 crore and ₹111.91 crore respectively, representing 25.65%, 26.21%, 25.82% and 25.16% of our operating expenses (which includes employee benefits expenses, depreciation and amortization and other expenses derived from our Financial Statements), respectively.

Going forward, as we further increase our loan portfolio and expand our operations, we expect to derive benefits from economies of scale, which we believe will assist us in optimizing our operating expenses. We expect to derive scale and cost benefits, as there is lower sourcing costs for existing customers as compared to new customers and existing customers may be eligible to borrow higher loan amounts from us since they have progressed to higher loan cycles. We focus on the retention of existing clients by timely disbursement of loans and also on acquiring new clients by leveraging our existing and new branch infrastructure. Further, we continue to identify and implement measures that we believe will enable us to sustain and further decrease the ratio of our operating expenses to our total revenue. For example, in our business operations, we follow streamlined and uniform processes and procedures, which allows us to maintain operational efficiencies even as we expand our volume of loans. We also continue to invest in our technology platform and technology-enabled operating procedures to increase operational and management efficiencies. Any failure to derive benefits or utilize technology to maintain or lower our operating margins will adversely affect our profitability.

Changes in Policies and Regulations Governing the Microfinance Industry

The microfinance industry is highly regulated, and has been affected by changes in laws and regulations in the past, which have affected its growth. As an NBFC-MFI, we will continue to be affected by a number of regulations promulgated by the RBI that regulate, among other things, NPA and provisioning norms, capital adequacy norms and other lending stipulations and other operational restrictions. For instance, we were affected by regulations imposed in response to the COVID-19 pandemic such as, in particular, the RBI's imposition of a moratorium on the payment of all principal amounts and interest falling due between March 1, 2021 and August 31, 2021. In addition, the RBI's Master Direction — Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 of March 14, 2022, as amended, stipulated, amongst other things, a definition of microfinance loans as collateral-free loans given to households with an annual income of up to ₹300,000 and a limitation on monthly repayments under all of a given household's loans to a maximum of 50% of its monthly income. We also customarily abide by the guidelines issued by industry bodies, such as the Microfinance Industry Network of India ("**MFIN**"). In July 2024, MFIN promulgated guidelines to control over-lending to customers, including restricting sourcing of customers having four lenders or more, and restricting lending to borrowers who have outstanding microfinance loans exceeding ₹200,000. The MFIN guidelines promulgated in July 2024 are currently in effect. In addition, in November 2024, the MFIN promulgated guidelines, including further restricting sourcing of customers having three lenders or more and reaffirming the restricting of lending to borrowers who have outstanding microloans exceeding ₹200,000. While the MFIN guidelines promulgated in November 2024 come into effect from January 1, 2025, we have already implemented changes in our underwriting policies which are more or at least as tight (conservative) as the MFIN guidelines.

Any change in the regulatory framework or industry norms affecting NBFC-MFIs, and in particular those requiring to maintain certain financial ratios, accessing funds or lending to NBFC-MFIs by banks among others including priority- sector lending norms, and restrictions against sourcing certain categories of borrowers, would affect our results of operations and growth. We may incur increased costs and other burdens relating to compliance with such new requirements, which may also require significant management time and other resources, and any failure to comply may adversely affect our business, results of operations and prospects. Our ability to function in this environment will depend on our ability to constantly monitor and promptly react to legislative and regulatory changes.

See also "*Risk Factors — Internal Risks — We are subject to laws and regulations governing the financial services industry and our operations in India and changes in, and differing interpretations of, laws and regulations governing us could adversely affect our business, results of operations and prospects*." on page 30.

Significant Accounting Policies

Our Financial Statements has been compiled from the unaudited financial results of our Company as at and for the six months ended September 30, 2024 and September 30, 2023 and the audited financial statements of our Company as at and for the years ended March 31, 2024 and March 31, 2023 which were prepared in accordance with Ind AS.

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

Set forth below is a summary of our most significant accounting policies under Ind AS.

Recognition of Income and Expenses

Our Company earns revenue primarily from giving loans. Revenue is recognized to the extent that it is probable that the economic benefits will flow to our Company and the revenue can be reliably measured.

Interest income

Interest revenue is recognized using the effective interest rate ("**EIR**") method. The EIR method calculates the amortised cost of a financial instrument and allocates the interest income or interest expense over the relevant period. Our Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than the credit impaired assets. When a financial asset becomes credit impaired and is, therefore, regarded as "Stage III," our Company calculates the interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets are cured and is no longer credit-impaired, our Company reverts to calculating interest income a gross basis.

Dividend income

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

Net gain on derecognition of financial instruments under amortised cost category

Where the derecognition criteria as per Ind AS 109 is satisfied, including for transactions of substantially all the risks and rewards relating to assets being transferred to the buyer, the assets are derecognized. Income from assignment transactions i.e. present value of excess interest spread is recognized.

Net gain/loss on fair value changes

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

Interest expense

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

Revenue from contracts with customers

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

(a) Facilitation fees income is earned on distribution of services and products of other entities under distribution arrangements. The income so earned is recognized on successful distribution on behalf of other entities subject to there being no significant uncertainty of its recovery.

(b) Our Company recognizes revenue from market support services upon satisfaction of the performance obligation by rendering of services underlying the contract with third-party customers.

(c) Our Company recognizes fees from business correspondence services upon satisfaction of the performance obligation by rendering of services underlying the contract.

Financial Instruments

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

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

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

Financial Assets and Liabilities

Derivative financial instruments at fair value through profit or loss

We use derivative financial instruments, such as currency and interest rate swaps, to hedge our foreign currency risks and interest rate risks, respectively. Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

Changes in the fair value of currency and interest rate swaps entered to hedge foreign currency risks and interest rate risks, respectively, on external commercial borrowing are included in net loss/(gain) on fair value of derivative contracts measured at fair value through profit or loss under finance cost. Changes in the fair value of other derivatives are included in net gain/(loss) on fair value changes unless hedge accounting is applied. We do not apply hedge accounting.

Impairment of Financial Assets

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or "**LTECL**"), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' ECL. The 12 months' ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12 months' ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. Based on this process, our Company categorizes its loans into Stage I, Stage II and Stage III as described below:

Stage I

When loans are first recognized, our Company recognizes an allowance based on 12 months' ECLs. Stage I loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage II. Our Company has assessed that all standard exposures (i.e. exposures with no overdues) and exposure up to 30 days overdues fall under this category.

Stage II

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

Stage III

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

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

Loans, Trade receivables, Financial Investments and Other Financial Assets at Amortised Cost

Our Company measures loans, trade receivables and other financial investments and assets at amortised cost if both of the following conditions are met: (i) the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding.

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

Foreign Currency Transactions

Our Financial Statements is presented in Indian Rupees, which is the functional currency of our Company and the currency of the primary economic environment in which our Company operates. Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All exchange differences arising from foreign currency borrowings to the extent not capitalized are regarded as a cost of borrowing and presented under finance cost. Non–monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

Leases – Company as lessee

Right-of-use assets

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

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

If ownership of the leased asset transfers to our Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right-of-use assets are also subject to impairment.

Lease liabilities

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

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

Short term leases

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

Cash and Cash Equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of our Company's cash management.

Property, Plant and Equipment

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

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as a separate item (major components) of property, plant and equipment. Leasehold improvements are amortised on straight line basis over the primary period of the lease or the estimated useful life of the assets, whichever is lower. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial period/year end and adjusted prospectively, if appropriate.

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

Depreciation on property, plant and equipment (except freehold land) provided on written down value method at the rate arrived based on useful life of the assets, prescribed under schedule II of the Companies Act, 2013, which also represents the estimate of the useful life of the assets by the management. Depreciation on assets sold during the period/year is charged to the statement of profit and loss up to the date of sale. Our Company has used the following useful lives to provide depreciation on its property, plant and equipment.

Asset Category	Useful Life
Furniture and fixture	10 years
Electrical fittings	10 years
Computers and printers	3 years
Office equipment	5 years
Vehicles	8 years

Intangible Assets

Our Company's intangible assets mainly include computer software. An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to our Company. Intangible assets acquired separately are measured on initial recognition at cost. Our Company assesses at each balance sheet date whether there is any indication that an asset may be impaired.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Amortization is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives (3-6 years for computer software).

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss. when the asset is derecognized.

Intangible assets under development

Intangible assets under development is comprised of assets which are not yet ready for their intended use and includes all direct expenses and directly attributable indirect expenses incurred for developing of assets. Cost of developmental work which is completed, wherever eligible, is recognised as an intangible asset. Cost of developmental work under progress, wherever eligible, is classified as "intangible assets under development".

Intangible asset under development includes expenditure incurred by our Company towards payment to external agencies for developmental project(s) and expenditure incurred by our Company towards material cost, employee cost and other direct expenditure pertaining to identified project. Development costs that are directly attributable to the design and testing of identifiable products and solutions are recognised as intangible assets when the following criteria are met:

- Management intends to and it is technically feasible to complete the project so that it will be available for use;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the asset are available; and
- The expenditure attributable during its development can be reliably measured.

Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to create, produce and make the asset ready for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.

Employee Benefits

Short term employee benefits

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

Share-based payment arrangements

Our Company has formulated an employee stock option scheme ("**ESOP**") to be administered through a trust. The scheme provides that subject to continued employment with our Company, the employees are granted an option to acquire equity shares of our Company that may be exercised within the specified period. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

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

Service conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our Company's best estimate of the number of equity instruments that will ultimately vest. No expense is recognized for awards that do not ultimately vest because service conditions have not been met. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Defined contribution plans

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

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

Defined benefit plans

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

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

Other long-term employee benefits

Compensated absences are a long-term employee benefit and are accrued based on an actuarial valuation done as per projected unit credit method as at the Balance Sheet date, carried out by an independent actuary. Actuarial gains and losses arising during the period/year are immediately recognized in the statement of profit and loss.

Provisions

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

Taxes

Current tax

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

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except (i) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and (ii) in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period/year when the asset is realized or the liability is settled, using tax rates (and tax laws) that have enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Key Components of our Statement of Profit and Loss

The following descriptions set forth information with respect to the key components of our profit and loss statements.

Revenue

Revenue from operations. Revenue from operations comprises interest income, fees and commission income, net gain on fair value changes and net gain on derecognition of financial instruments under amortised cost category. Interest income includes interest income on loan portfolio and interest on deposits with banks. Fees and commission income includes facilitation fees, which relate to income earned from distributions of services and products of other entities under distribution arrangements, and income from business correspondence services.

Other income. Other income comprises market support income, which relates to income earned from showcasing the advertising and distribution of materials of third parties at our branches, income from recovery of loans written off and miscellaneous income.

Expenses

Expenses comprise finance costs, impairment on financial instruments, employee benefits expenses, depreciation and amortization and other expenses.

Finance costs. Finance costs comprise interest on debt securities, interest on borrowings (other than debt securities), interest on subordinated liabilities, interest on lease liability and other finance costs.

Impairment on financial instruments. Impairment on financial instruments comprises impairment on loan portfolio and other financial assets.

Employee benefits expenses. Employee benefits expenses comprises salaries, wages and bonus, contribution to provident and other funds, shared-based compensation expenses and staff welfare expenses.

Depreciation and amortization expense. Depreciation and amortization expense comprise depreciation of tangible assets (property, plant and equipment) and amortization of intangible assets and right-of-use assets. Our tangible assets include furniture and fixtures, electrical fittings, office equipment, vehicles, computers and leasehold improvements. Our intangible assets include computer software.

Other expenses. Other expenses primarily comprise expenses relating to office maintenance, rent, travelling and conveyance, rates and taxes, software support service, legal and professional fees and miscellaneous expenses.

Tax Expense

Tax expense consists of current tax and deferred tax.

Our Results of Operations

The following table sets forth our selected financial data from our statement of profit and loss for the six months ended September 30, 2024 and 2023 and the Financial Years 2024 and 2023, the components of which are also expressed as a percentage of total income for such periods/years:

Particulars	**For the Six Months Ended September 30,**			
	2024		**2023**	
	(₹ in crore, except percentages)			
Revenue from operations:				
Interest income	1,247.36	88.44%	975.80	86.81%
Fees and commission income	11.44	0.81%	24.59	2.19%
Net gain on fair value changes	40.09	2.84%	22.62	2.01%
Net gain on derecognition of financial instruments under amortised cost category	80.98	5.74%	54.70	4.87%
Total revenue from operations	1,379.87	97.84%	1,077.71	95.88%
Other income	30.52	2.16%	46.33	4.12%
Total income	1,410.39	100.00%	1,124.04	100.00%
Expenses:				
Finance costs	450.77	31.96%	374.49	33.32%
Impairment on financial instruments	1,042.52	73.92%	152.13	13.53%
Employee benefits expenses	275.87	19.56%	197.12	17.54%
Depreciation and amortization	5.21	0.37%	3.85	0.34%
Other expenses	96.95	6.87%	71.40	6.35%
Total expenses	1,871.32	132.68%	798.99	71.08%
Profit/(loss) before tax for the period	(460.93)	(32.68)%	325.05	28.92%
Tax expenses:				
Current tax	69.20	4.91%	84.09	7.48%
Deferred tax	(189.47)	(13.43)%	(5.19)	(0.46)%
Profit/(loss) for the period	(340.66)	(24.15)%	246.15	21.90%

Particulars	For the Financial Years			
	2024		2023	
	(₹ in crore, except percentages)			
Revenue from operations:				
Interest income	2,091.90	86.71%	1,600.10	88.90%
Fees and commission income	41.67	1.73%	19.58	1.09%
Net gain on fair value changes	52.86	2.19%	25.38	1.41%
Net gain on derecognition of financial instruments under amortised cost category	130.30	5.40%	96.86	5.38%
Total revenue from operations	**2,316.73**	**96.03%**	**1,741.92**	**96.77%**
Other income	95.69	3.97%	58.05	3.23%
Total income	**2,412.42**	**100.00%**	**1,799.97**	**100.00%**
Expenses:				
Finance costs	790.83	32.78%	642.78	35.71%
Impairment on financial instruments	364.86	15.12%	200.37	11.13%
Employee benefits expenses	431.22	17.87%	325.52	18.08%
Depreciation and amortization	9.01	0.37%	7.41	0.41%
Other expenses	153.24	6.35%	111.91	6.22%
Total expenses	**1,749.16**	**72.51%**	**1,287.99**	**71.56%**
Profit before tax for the year	**663.26**	**27.49%**	**511.98**	**28.44%**
Tax expenses:				
Current tax	172.30	7.14%	110.60	6.14%
Deferred tax	(14.33)	(0.59)%	14.23	0.79%
Profit for the year	**505.29**	**20.95%**	**387.15**	**21.51%**

Six Months Ended September 30, 2024 Compared to Six Months Ended September 30, 2023

Total income. Total income increased by 25.48% to ₹1,410.39 crore for the six months ended September 30, 2024 from ₹1,124.04 crore for the six months ended September 30, 2023 due to increases in revenue from operations and other income.

Total revenue from operations. Total revenue from operations increased by 28.04% to ₹1,379.87 crore for the six months ended September 30, 2024 from ₹1,077.71 crore for the six months ended September 30, 2023 primarily due to an increase in interest income to ₹1,247.36 crore from ₹975.80 crore, which was primarily attributable to an increase in interest earned from our loan portfolio. The increase in revenue from operations was also due to increases in (i) net gain on derecognition of financial instruments under amortised cost category to ₹80.98 crore from ₹54.70 crore, on account of direct assignment and (ii) net gain on fair value changes to ₹40.09 crore for the six months ended September 30, 2024 from ₹22.62 crore for the six months ended September 30, 2023. These increases were partially offset by a decrease in fees and commission income to ₹11.44 crore from ₹24.59 crore.

Other income. Other income decreased by 34.12% to ₹30.52 crore for the six months ended September 30, 2024 from ₹46.33 crore for the six months ended September 30, 2023 primarily due to decreases in market support income to ₹19.81 crore for the six months ended September 30, 2024 from ₹29.82 crore for the six months ended September 30, 2023.

Total expenses. Total expenses increased significantly to ₹1,871.32 crore for the six months ended September 30, 2024 from ₹798.99 crore for the six months ended September 30, 2023 primarily due to increases in impairment on financial instruments.

Impairment on financial instruments. Impairment on financial instruments increased significantly to ₹1,042.52 crore for the six months ended September 30, 2024 from ₹152.13 crore for the six months ended September 30, 2023 primarily due to an increase in provisioning for an increase in NPAs. The increase in NPAs was primarily caused by factors including:

- high borrowers' leverage, in addition to stagnant household income adversely affected by inflation, which had a corresponding adverse impact on their ability to repay their loans;
- unforeseen climate conditions, including heatwaves and macroeconomic conditions that impact income generation which in turn leads to customers migrating away from their base locations;
- the post-COVID-19 impact on joint liability credit culture, which led to poor center meetings attendance and in turn made it more challenging for us to collect payments on our loans; in addition, there were also illegal agencies falsely propagating loan waiver schemes to borrowers which had an adverse impact on our collection efficiency; and
- higher attrition rate among our staff.

For more information, see "*Our Business — Increase in impairment of financial assets for the six months ended September 30, 2024*" on page 78.

Finance costs. Finance costs increased by 20.37% to ₹ 450.77 crore for the six months ended September 30, 2024 from ₹ 374.49 crore for the six months ended September 30, 2023 primarily due to increases in interest cost on borrowings to ₹432.38 crore for the six months ended September 30, 2024 from ₹325.25 crore for the six months ended September 30, 2023, which is line with increases in sources of funding for the purposes of disbursements. This was partially offset by decreases in interest on debt securities to ₹12.82 crore for the six months ended September 30, 2024 from ₹38.08 crore for the six months ended September 30, 2024, on account of redemption of NCDs.

Employee benefits expenses. Employee benefits expenses increased by 39.95% to ₹275.87 crore for the six months ended September 30, 2024 from ₹197.12 crore for the six months ended September 30, 2023 primarily due to increases in (i) salaries, wages and bonus to ₹240.45 crore from ₹171.38 crore, and (ii) contribution to provident and other funds to ₹16.81 crore from ₹11.73 crore, both of which were due to an increase in headcount. We had 16,186 employees as of September 30, 2024 as compared to 11,589 employees as of September 30, 2023.

Other expenses. Other expenses increased by 35.78% to ₹ 96.95 crore for the six months ended September 30, 2024 from ₹71.40 crore for the six months ended September 30, 2023 primarily due to (i) increases in traveling costs to ₹22.96 crore for the six months ended September 30, 2024 from ₹16.55 crore for the six months ended September 30, 2023, on account of increases in employee headcount, and (ii) increases in rental costs to ₹14.33 crore for the six months ended September 30, 2024 from ₹10.86 crore for the six months ended September 30, 2023 and increases in office maintenance costs to ₹12.11 crore for the six months ended September 30, 2024 from ₹8.64 crore for the six months ended September 30, 2023, on account of increases in our number of branches to 1,463 for the six months ended September 30, 2024 from 1,164 for the six months ended September 30, 2023.

Tax expenses. Our tax expense or tax credit consists of current tax and deferred tax. For the six months ended September 30, 2024, we had a current tax of ₹ 69.20 crore and a deferred tax credit of ₹189.47 crore. For the six months ended September 30, 2023, we had a current tax of ₹84.09 crore and a deferred tax credit of ₹5.19 crore. We had a tax credit of ₹120.27 crore for the six months ended September 30, 2024 as compared to tax expense of ₹78.90 crore for the six months ended September 30, 2023.

Profit for the year. As a result of the foregoing, our profit for the year decreased significantly to a loss of ₹340.66 crore for the six months ended September 30, 2024 from a profit of ₹246.15 crore for the six months ended September 30, 2023.

Financial Year 2024 Compared to Financial Year 2023

Total income. Total income increased by 34.03% to ₹ 2,412.42 crore for the Financial Year 2024 from ₹1,799.97 crore for the Financial Year 2023 due to increases in revenue from operations and other income.

Total revenue from operations. Total revenue from operations increased by 33.00% to ₹2,316.73 crore for the Financial Year 2024 from ₹1,741.92 crore for the Financial Year 2023 primarily due to an increase in interest income to ₹2,091.90 crore from ₹1,600.10 crore, which was primarily attributable to an increase in interest earned from our loan portfolio. The increase in interest income earned from our loan portfolio was in line with an increase in active borrowers to 3.86 million from 3.53 million and a corresponding increase in total disbursements to ₹10,294.35 crore from ₹8,596.11 crore. The increase in revenue from operations was also due to increases in (i) net gain on derecognition of financial instruments under amortised cost category to ₹130.30 crore from ₹96.86 crore, which was in line with the increase in assignment transactions carried out by us as a source of financing, (ii) net gain on fair value changes to ₹52.86 crore from ₹25.38 crore, which was primarily attributable to higher returns on investments in mutual funds, and (iii) fees and commission income to ₹41.67 crore from ₹19.58 crore, which was primarily attributable to an increase in facilitation fees due to an increase in cross-selling activities.

Other income. Other income increased by 64.84% to ₹95.69 crore for the Financial Year 2024 from ₹58.05 crore for the Financial Year 2023 primarily due to an increase in market support income to ₹60.53 crore from ₹37.64 crore.

Total expenses. Total expenses increased by 35.81% to ₹1,749.16 crore for the Financial Year 2024 from ₹1,287.99 crore for the Financial Year 2023 primarily due to increases in impairment on financial instruments, finance costs and employee benefits expenses.

Impairment on financial instruments. Impairment on financial instruments increased 82.09% to ₹364.86 crore for the Financial Year 2024 from ₹200.37 crore for the Financial Year 2023 primarily due to an increase in impairment on loan portfolio to ₹361.08 crore from ₹199.51 crore, which was primarily attributable to the deterioration of the quality of our loan portfolio due to:

- the deterioration in credit quality of our loan portfolio in Punjab, on account of floods and 'Karz Mukti Abhiyan', a citizen-led debt relief campaign active in Punjab which led to an increase in delinquencies and a decrease in collection efficiency. See also "*Risk Factors — External Risks — Risks Relating to India — Our business is affected by economic, political and other prevailing conditions in India and the markets we currently serve.*" on page 43;

- the relative stability in the Financial Year 2023 as compared to the Financial Year 2022 which was affected by higher credit costs;
- borrowers' high leverage, which had a corresponding adverse impact on their ability to repay their loans;
- the post-COVID-19 impact on joint liability credit culture, which led to poor center meetings attendance and in turn made it more challenging for us to collect payments on our loans; and
- certain other macroeconomic factors that led to a drop in collection efficiency.

Finance costs. Finance costs increased by 23.03% to ₹790.83 crore for the Financial Year 2024 from ₹642.78 crore for the Financial Year 2023 primarily due to increases in interest on borrowings (other than debt securities) to ₹704.36 crore from ₹537.96 crore, which were primarily attributable to an increase in total borrowings in line with our business expansion and increased disbursements to our borrowers. Such increase was partially offset by a decrease in interest on debt securities to ₹65.58 crore in Financial Year 2024 from ₹81.82 crore in Financial Year 2023, as a result of our redemption of part of our non-convertible debentures.

Employee benefits expenses. Employee benefits expenses increased by 32.47% to ₹431.22 crore for the Financial Year 2024 from ₹325.52 crore for the Financial Year 2023 primarily due to increases in (i) salaries, wages and bonus to ₹373.71 crore from ₹288.81 crore, and (ii) contribution to provident and other funds to ₹25.04 crore from ₹19.25 crore, both of which were due to an increase in headcount. We had 13,807 employees as of March 31, 2024 as compared to 10,363 employees as of March 31, 2023.

Other expenses. Other expenses increased by 36.93% to ₹153.24 crore for the Financial Year 2024 from ₹111.91 crore for the Financial Year 2023 primarily due to addition of new branches and employees, in addition to inflation-related cost increases.

Tax expenses. Our tax expense consists of current tax and deferred tax. For the Financial Year 2024, we had a current tax of ₹172.30 crore and a deferred tax credit of ₹14.33 crore. For the Financial Year 2023, we had a current tax of ₹110.60 crore and a deferred tax charge of ₹14.23 crore. Our effective tax rate (which represents income tax expense expressed as a percentage of profit before tax for the relevant period) was 23.82% and 24.38% for the Financial Years 2024 and 2023, respectively.

Profit for the year. As a result of the foregoing, our profit for the year increased by 30.52% to ₹505.29 crore for the Financial Year 2024 from ₹387.15 crore for the Financial Year 2023.

Our Financial Position

Our net worth decreased by 11.43% to ₹2,522.67 crore as of September 30, 2024 from ₹2,848.15 crore as of March 31, 2024. The decrease in net worth were on account of loss generated over the respective period/years.

Our net worth increased by 22.66% to ₹2,848.15 crore as of March 31, 2024 from ₹2,321.92 crore as of March 31, 2023. The increases in net worth were on account of profit generated over the respective period/years.

The following table sets forth our selected financial data from our Financial Statements as of March 31, 2024 and 2023:

Particulars	As of September 30,	As of March 31,	
	2024	2024	2023
	(₹ in crore)		
Assets:			
Total financial assets	11,127.82	11,616.38	9,217.18
Total non-financial assets	352.83	157.94	146.36
Total assets	**11,480.65**	**11,774.32**	**9,363.54**
Liabilities and equity:			
Total financial liabilities	8,862.98	8,860.03	7,006.95
Total non-financial liabilities	95.00	66.14	34.67
Total liabilities	8,957.98	**8,926.17**	**7,041.62**
Total equity	2,522.67	**2,848.15**	**2,321.92**
Total liabilities and equity	11,480.65	**11,774.32**	**9,363.54**

Assets

Our total assets as of September 30, 2024 decreased by 2.49% to ₹11,480.65 crore as compared to ₹11,774.32 crore as of March 31, 2024, primarily due to an decrease in financial assets.

Our total assets as of March 31, 2024 increased by 25.75% to ₹11,774.32 crore as compared to ₹9,363.54 crore as of March 31, 2023, primarily due to an increase in financial assets.

Financial assets

Our total financial assets decreased by 4.21% to ₹11,127.82 crore as of September 30, 2024 from ₹11,616.38 crore as of March 31, 2024 primarily due to decreases in net loans to ₹9,139.34 crore from ₹9,947.87 crore, which was in line with increases in incremental provision to ₹1,140.62 crore as of September 30, 2024 from ₹354.54 crore as of March 31, 2024. The decrease in financial assets was partially offset by a increase in cash and cash equivalents to ₹1,793.06 crore from ₹1,474.69 crore, which was primarily due to maintaining robust liquidity for future cash outflows.

Our total financial assets increased by 26.03% to ₹11,616.38 crore as of March 31, 2024 from ₹9,217.18 crore as of March 31, 2023 primarily due to increases in (i) term loans (net) to ₹9,947.87 crore from ₹8,041.56 crore, in line with an increase in active borrowers and total disbursements, and (ii) cash and cash equivalents to ₹1,474.69 crore as of March 31, 2024 from ₹950.36 crore as of March 31, 2023. The increase in financial assets was partially offset by a decrease in bank balance other than cash and cash equivalents to ₹78.50 crore from ₹114.67 crore.

Non-financial assets

Our total non-financial assets increased significantly to ₹352.83 crore as of September 30, 2024 from ₹ 157.94 crore as of March 31, 2024 primarily due to an increase in deferred tax assets (net) to ₹280.48 crore as of September 30, 2024 from ₹ 91.67 crore as of March 31, 2024.

Our total non-financial assets increased by 7.91% to ₹157.94 crore as of March 31, 2024 from ₹146.36 crore as of March 31, 2023 primarily due to (i) an increase in property, plant and equipment to ₹22.44 crore as of March 31, 2024 from ₹13.28 crore as of March 31, 2023, (ii) an increase in deferred tax assets (net) to ₹91.67 crore as of March 31, 2024 from ₹77.74 crore as of March 31, 2023.

Liabilities

Our total liabilities as of September 30, 2024 and March 31, 2024 remained relatively stable and amounted to ₹8,957.98 crore and ₹8,926.17 crore respectively.

Our total liabilities as of March 31, 2024 increased by 26.76% to ₹8,926.17 crore from ₹7,041.62 crore as of March 31, 2023 due to increases in financial liabilities and non-financial liabilities.

Financial liabilities

Our total financial liabilities as of September 30, 2024 and March 31, 2024 remained relatively stable and amounted to ₹8,862.98 crore and ₹8,860.03 crore respectively

Our total financial liabilities increased by 26.45% to ₹8,860.03 crore as of March 31, 2024 from ₹7,006.95 crore as of March 31, 2023 primarily due to an increase in borrowings (other than debt securities) to ₹8,360.92 crore from ₹6,036.61 crore, which was primarily attributable to a higher amount of term loans availed.

Non-financial liabilities

Our total non-financial liabilities increased by 43.63% to ₹95.00 crore as of September 30, 2024 from ₹66.14 crore as of March 31, 2024 primarily due to increases in current tax liabilities (net) to ₹36.83 crore as of September 30, 2024 from nil in March 31, 2024, on account of advance tax payments in excess of provisions for current tax reflected in current tax assets in the Financial Year 2023. Such increase was partially offset by a decrease in other non-financial liabilities to ₹44.61 crore as of September 30, 2024 from ₹55.60 crore as of March 31, 2024.

Our total non-financial liabilities increased by 90.77% to ₹66.14 crore as of March 31, 2024 from ₹34.67 crore as of March 31, 2023 primarily due to increases in other non-financial liabilities to ₹55.60 crore as of March 31, 2024 from ₹23.06 crore as of March 31, 2023.

Liquidity and Capital Resources

Our primary source of liquidity is cash generated from operations and borrowings, both short-term and long-term, including term loan facilities, NCDs, and assignment and securitization arrangements. As of September 30, 2024, we had cash and cash equivalents of ₹1,793.06 crore.

Our financing requirements are primarily for working capital. We expect that cash flow from revenue from operations and borrowings will continue to be our principal source of cash in the long-term. We evaluate our funding requirements periodically in light of our net cash flow from operating activities, the requirements of our business and operations, and market conditions.

Cash Flows

The following table summarizes our cash flows data for the period/years indicated:

Particulars	For the Six Months Ended September 30,	For the Financial Years Ended March 31,	
	2024	2024	2023
	(₹ in crore)		
Net cash flow from / (used in) operating activities .	249.98	(1,350.34)	(1,663.04)
Net cash flow from investing activities	38.05	31.48	17.85
Net cash flow from financing activities	30.34	1,843.19	1,584.18
Net (decrease)/increase in cash and cash Equivalents	**318.37**	**524.33**	**(61.01)**
Cash and cash equivalents at the beginning of the period/year	1,474.69	950.36	1,011.37
Cash and cash equivalents at the end of the period/year	**1,793.06**	**1,474.69**	**950.36**

Net cash flow from / (used in) operating activities

Net cash generated from operating activities was ₹249.98 crore for the six months ended September 30, 2024. We had loss before tax of ₹460.93 crore for the six months ended September 30, 2024, which was primarily adjusted for impairment of financial instruments – loans of ₹1,040.92 crore, net gain on derecognition of financial instruments under amortized cost category of ₹80.98 crore, net gain on sale of investment of ₹40.02 crore. This was further adjusted for working capital changes, which primarily consisted of increase in loans of ₹232.39 crore and decrease in other financial assets of ₹56.59 crore. As a result, cash flow from operations amounted to ₹282.87 crore before adjusting for income tax paid of ₹32.89 crore.

Net cash used in operating activities was ₹1,350.34 crore for the Financial Year 2024. We had profit before tax of ₹663.26 crore for the Financial Year 2024, which was primarily adjusted for impairment of financial instruments of ₹361.08 crore, net gain of derecognition of financial instruments under amortized cost category of ₹130.30 crore, net gain on sale of mutual fund investment of ₹52.80 crore. This was further adjusted for working capital adjustments such as an increase in loans of ₹2,267.39 crore. As a result, cash flow used in operations amounted to ₹1,212.44 crore before adjusting for income tax paid of ₹137.90 crore.

Net cash used in operating activities was ₹1,663.04 crore for the Financial Year 2023. We had profit before tax of ₹511.98 crore for the Financial Year 2023, which was primarily adjusted for impairment of financial instruments of ₹199.51 crore, net gain of derecognition of financial instruments under amortized cost category of ₹96.86 crore. This was further adjusted for working capital adjustments such as increase in loans of ₹2,322.88 crore due to new loan disbursements to our borrowers. As a result, cash flow used in operations amounted to ₹1,550.05 crore before adjusting for income tax paid of ₹112.99 crore.

Net cash flow from investing activities

Net cash generated from investing activities was ₹38.05 crore in the six months ended September 30, 2024. This was primarily due to proceeds from sale of investments of ₹7,069.81 crore, partially offset by purchase of investments of ₹7,029.73 crore.

Net cash generated from investing activities was ₹31.48 crore in the Financial Year 2024. This was primarily due to proceeds from sale of investments of ₹12,802.80 crore, partially offset by purchase of investments of ₹12,752.00 crore.

Net cash generated from investing activities was ₹17.85 crore in the Financial Year 2023. This was primarily due to proceeds from sale of investments of ₹7,740.38 crore, partially offset by purchase of investments of ₹7,715.00 crore.

Net cash flow from financing activities

Net cash generated from financing activities was ₹30.34 crore in the six months ended September 30, 2024. This was primarily due to proceeds from borrowings (other than debt securities) of ₹3,145.13 crore, partially offset by repayment of borrowings (other than debt securities) of ₹3,098.88 crore.

Net cash generated from financing activities was ₹1,843.19 crore in the Financial Year 2024. This was primarily due to proceeds from borrowings (other than debt securities) of ₹7,173.19 crore, partially offset by repayment of borrowings (other than debt securities) of ₹4,847.13 crore and repayment of debt securities of ₹427.46 crore.

Net cash generated from financing activities was ₹1,584.18 crore in the Financial Year 2023. This was primarily due to proceeds from borrowings (other than debt securities) of ₹5,015.00 crore and proceeds from issue of equity shares of ₹584.46 crore, partially offset by repayment of borrowings (other than debt securities) of ₹3,808.20 crore and repayment of debt securities of ₹335.37 crore.

Capital Expenditure

Our capital expenditures primarily relate to the purchase of freehold land, furniture and fixtures, electrical fittings, office equipment, computers and leasehold improvements. Cash outflows relating to the purchase of property, plant and equipment amounted to ₹3.41 crore, ₹16.39 crore and ₹7.28 crore for six months ended September 30, 2024 and for the Financial Years 2024 and 2023, respectively.

Financial Indebtedness

As of September 30, 2024, we had total borrowings amounting to ₹8,641.31 crore, comprising debt securities amounting to ₹181.22 crore, borrowings (other than debt securities) amounting to ₹8,406.51 crore and subordinated liabilities amounting to ₹53.58 crore.

Breach of several financial covenants with respect to borrowing

As of September 30, 2024, our management has determined that we are in breach of several financial covenants with respect to borrowings amounting to ₹5,617.70 crore in principal amount, resulting in these borrowing becoming repayable on demand. We are in the process of negotiations with the affected lenders to obtain waivers of their right to demand immediate repayment for a period of 12 months from the balance sheet date, being September 30, 2024, for financial covenant breaches as of September 30, 2024. Additionally, our management has determined that we are in breach of certain financial covenants in respect of certain borrowings as of the three months ended June 30, 2024. We received waivers from our lenders for all covenant breaches during the three months ended June 30, 2024.

The Statement of Unaudited Financial Results HY 25 containing Qualified Review Report as of and for the six months ended September 30, 2024 has been prepared on a going concern basis. However, the qualified review report of our Statutory Auditors as of and for the six months ended September 30, 2024 has observed an uncertainty related to the above matters which may cast significant doubt on our ability to continue as a going concern.

Our ability to continue as a going concern is dependent on (i) obtaining the abovementioned waivers; (ii) securing sufficient funds through other sources such as successful sales of our loans; and (iii) the completion of this Issue and the refinancing of our borrowings.

See also "*Risk Factors — Internal Risks — Our management has determined that we are in breach of several financial covenants with respect to borrowings amounting to ₹5,617.70 crore in principal amount, resulting in these borrowings becoming repayable on demand as at September 30, 2024. Our Statutory Auditors have mentioned that is may cast significant doubt on our ability to continue as a going concern*." on page 22.

Contractual Obligations

The following table sets forth our contractual obligations with definitive payment terms as of September 30, 2024, all of which have a payment due by period of less than 12 months.

Particulars	As of September 30, 2024 *(₹ in crore)*
Trade payables	57.90
Lease liabilities	1.72
Payable towards assigned portfolio	123.75
Interest accrued but not due on borrowings	21.92
Other payable	5.41
Other non-financial liabilities	44.56
Total	255.26

Contingent Liabilities and Commitments

Except as disclosed in this Draft Letter of Offer, we did not have any material contingent liabilities and commitments as of September 30, 2024.

Off-Balance Sheet Commitments and Arrangements

We have a business correspondence arrangement with Small Industries Development Bank of India, and our outstanding portfolio is ₹12.22 crore under this business correspondence arrangement as of September 30, 2024.

Except as disclosed above and in this Draft Letter of Offer, we do not have any off-balance sheet arrangements, derivative instruments or relationships with affiliates or other unconsolidated entities or financial partnerships that would have been established for the purpose of facilitating off-balance sheet arrangements

Quantitative and Qualitative Analysis of Market Risks

We are exposed to various types of market risks during the normal course of business, such as credit risk, liquidity risk and interest rate risk.

Credit Risk

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

Liquidity Risk

Liquidity risk is the risk that our Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Our Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our Company's reputation. The maturity schedule for all financial liabilities and assets are regularly reviewed and monitored. We have an ALM policy that prescribes detailed guidelines for managing liquidity risk and an ALM Committee to review and monitor liquidity risks and ensure compliance with the prescribed regulatory requirements. Monitoring liquidity risk involves categorizing all assets and liabilities into different maturity profiles and evaluating them for any mismatches in any particular maturities, particularly in the short-term. The ALM Policy prescribes the detailed guidelines for managing the liquidity risk.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We are subject to interest rate risk principally because we lend to borrowers at fixed interest rates and for periods that may differ from our funding sources, while our borrowings are at both fixed and variable interest rates for different periods. We assess and manage our interest rate risk by managing our assets and liabilities. Our ALM Committee evaluates asset liability management and ensures that all significant mismatches, if any, are managed appropriately. Our Company has a board-approved ALM policy for managing interest rate risk and determining the interest rate to be charged on loans given.

Auditors Qualifications Remarks

Our Statutory Auditor had reported qualifications observations in their audit and review reports, including in the annexure to their reports issued under the Companies (Auditor's Report) Order, 2020 and the Companies (Auditor's Report) Order, 2016, as applicable, on our unaudited financial results for the six months ended September 30, 2024 and our audited financial statements for the year ended March 31, 2024, as follows. The table also includes our response to the adverse observation as well as an impact on our financial statements and financial position.

Period	Nature of Observation	Details of Observation	Our Response to Observation	Impact on our Financial Statements and our Financial Position
Six months ended September 30, 2024	Independent Auditor's Review Report on the Statement of Unaudited Financial Results HY 25 containing Qualified Review Report	As stated in Note 7 to the Statement, the Company has not evaluated whether any of the expected credit allowances recognised in the quarter and six month ended September 30, 2024 should be retrospectively adjusted to the previously reported amounts in any of the prior period presented because of impracticability as described in IND AS 8, *Accounting Policies, Change in Accounting Estimates and Errors.* In the absence of sufficient and appropriate evidence, we are unable to comment on the Company's basis of impracticability to evaluate and determine whether any retrospective adjustment should have been made to previously reported amounts in any of the prior period presented.	During the quarter and six months ended September 30, 2024, we recorded an allowance for Expected Credit Loss ("ECL"), in respect of loans given, of ₹693 crore and ₹1,041 crore respectively, with a corresponding charge to the statement of profit and loss in these periods, consequent to a significant increase in credit risk evidenced by slowing and delayed collections. In preparing this statement, we were not able to determine whether any of these allowances should have been recognized in any of the prior period presented because of limitations in objectively determining information relating to assumptions and circumstances as it existed in those prior periods. As a result, we have concluded that it was impracticable to evaluate and	During the quarter and six months ended September 30, 2024, we recorded an allowance for ECL in respect of loans given, of ₹693 crore and ₹1,041 crore respectively. We have recorded a loss of ₹305.04 crore and ₹340.66 crore for the quarter and six months ended September 30, 2024. Accordingly, and basis our response as indicated Column entitled "Our Response to

			determine any amounts for retrospective recognition and measurement in those prior periods.	Observation", the impact of any modification of auditors' opinion including fiscal 2024 audited financial statements and qualified limited review report for the period ended September 30, 2024, along with the comparative prior year periods cannot be shown as adjustments in the line items specified by the SEBI.
Six months ended September 30, 2024	Independent Auditor's Review Report on the Statement of Unaudited Financial Results HY 25 containing Qualified Review Report	We draw attention to Note 8 to the Statement, which describes the material uncertainty in relation to the going concern assumption used in the preparation of the Statement. This condition and other matters stated in the Note indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.	As of September 30, 2024, we have breached financial covenants (in respect of borrowings amounting to ₹5,617.70 crores) resulting in these borrowings becoming repayable on demand. We are actively under discussion for the waivers on breach of covenants with the relevant lenders.	The borrowings amounting to ₹5,617.70 crores as at September 30, 2024 may become repayable on demand.
Financial year ended March 31, 2024	CARO Report observation: Delay in the repayment of interest and/or principal in respect of loans and advances.	Out of loans and advances in the nature of loans with balances as at the year-end aggregating ₹9,884.13 crores, where credit risk has not significantly increased since initial recognition (categorised as "Stage 1"), delay in the repayment of interest and/or principal in respect of loans aggregating to ₹7.76 crores were also identified. Having regard to the nature of the Company's business and the volume of information involved, it is not practicable to provide an itemised list of loan assets where delinquencies in the repayment of principal and interest have been identified.	Reasonable steps are being taken by us for recovery of the principal and interest as stated in the applicable Regulations and loan agreements.	We are taking steps for recovery of interest and/or principal in respect of loans aggregating to ₹7.76 crores. We have made provisions against the above amount as per our policy.
Financial year ended March 31, 2024	CARO Report observations: Delay in deposit of Professional Tax.	Other than for certain delays in deposit of professional tax of ₹1.17 lacs due to late registrations, undisputed statutory dues, including Goods and Service tax, Provident fund, Employees' State Insurance, Income-tax, Service Tax, duty of Custom, duty of Excise, Value Added Tax, Cess and other material statutory dues applicable to the Company have generally been regularly deposited by it with the appropriate authorities in all cases during the year	The deposit of professional tax was delayed due to the pending approval of registrations. Reasonable steps will be taken by us for assuring timely deposit of professional tax.	Nil
Financial year ended March 31, 2024	CARO Report observations: Other Legal and Regulatory Requirements	Based on our examination, which included test checks, the Company has used accounting software for maintaining its books of account for the year ended March 31, 2024	We have informed to third party software service providers for loan and payroll records, to get the Independent Service Auditor's System and	None

		which has a feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the software except that in respect of accounting software operated by third party software service providers for loan and payroll records, in the absence of Independent service auditor's System and Organisation Controls (SOC 1) Type 2 reports covering the requirements of audit trail, we are unable to comment on whether the audit trail feature of the said software was enabled and operated throughout the year for all relevant transactions recorded in the software or whether there was any instance of the audit trail feature been tampered with. Further, during the course of our audit, we did not come across any instance of audit trail feature being tampered with, in respect of accounting software for book-keeping which the audit trail feature was operating.	Organisation Controls ("SOC 1") Type 2 reports covering the requirements of audit trail.	

Unusual or Infrequent Events or Transactions

Except as described in this Draft Letter of Offer, to our knowledge, there have been no unusual or infrequent events or transactions that have in the past or may in the future affect our business operations or future financial performance.

Known Trends or Uncertainties

Our business has been subject, and we expect it to continue to be subject, to significant economic changes arising from the trends identified above in "— *Significant Factors Affecting Our Results of Operations*" and the uncertainties described in "*Risk Factors*", on pages 190 and 20 respectively. Except as disclosed in this Draft Letter of Offer, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of our Company from continuing operations.

Future Relationship between Cost and Revenue

Other than as described in "*Risk Factors*", "*Our Business*" and "— *Significant Factors Affecting our Results of Operations*" on pages 20, 75 and 190 respectively, to our knowledge, there are no known factors that may adversely affect our business prospects, results of operations and financial condition.

New Products or Business Segments

Except as disclosed in this Draft Letter of Offer, there are no new products or business segments that have or are expected to have a material impact on our business prospects, results of operations or financial condition.

Supplier or Customer Concentration

We do not have any material dependence on a single or few suppliers. We have a wide customer base and do not have any material dependence on any particular customer.

Competitive Conditions

We expect competition in our industry from existing and potential competitors to intensify. For details, please refer to the discussions of our competition in the sections "*Risk Factors*" and "*Our Business*" on pages 20 and 75 respectively.

Seasonality

Our business is subject to seasonality as we typically see higher borrowings by our customers during the third and fourth quarter of each financial year. We also typically have higher drawdowns under our facilities in the third and fourth quarter of each financial year. See "*Risk Factors — Internal Risks — Our business is subject to seasonality, which may contribute to fluctuations in our financial condition and results of operations.*" on page 41.

Significant Developments Occurring after September 30, 2024

Except as disclosed above and in this Draft Letter of Offer, there are no circumstances that have arisen since September 30, 2024, the date of the last financial statements included in this Draft Letter of Offer, which materially and adversely affect or is likely to affect our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next twelve months.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND DEFAULTS

Our Company is subject to various legal proceedings from time to time, primarily arising in the ordinary course of our business. Our Company has, solely for the purpose of this Issue, disclosed in this section, all outstanding matters which involve (i) issues of moral turpitude or criminal liability on the part of our Company, including all criminal proceedings filed by or against our Company; (ii) material violations of statutory regulations by our Company; (iii) outstanding matters in relation to material civil or tax litigation involving the Company; (iv) economic offences where proceedings have been initiated against our Company; and (v) any outstanding matter which has been considered material and reported to the Stock Exchanges in accordance with the Listing Materiality Policy (as defined hereafter).

*All outstanding civil/arbitration proceedings and all outstanding direct and indirect tax proceedings (including show cause notices) involving our Company, where the amount involved in such proceedings is equivalent to or in excess of 5% of the average of absolute value of profit or loss after tax, as per the last three audited financial statements of our Company, which is determined to be ₹ 15.24 crores ("**Materiality Threshold**"), in conformity with the 'Policy on Determination of Materiality for Disclosures' ("**Listing Materiality Policy**") framed in accordance with Regulation 30 of the SEBI Listing Regulations and adopted by our Board, have been disclosed in this section. Additionally, all outstanding matters involving our Company, where the amount involved, either does not meet the Materiality Threshold or is unquantifiable, but which are material in the opinion of our Board or where an adverse outcome may result in material or adverse impact on the operations or financial position of our Company, have been disclosed in this section.*

Pre-litigation notices received by our Company from third parties (excluding notices pertaining to any offence involving issues of moral turpitude, criminal liability, material violations of statutory regulations or proceedings related to economic offences) will not be evaluated for materiality until such time as our Company are impleaded as defendants in such litigation proceedings before any judicial forum. Further, disputes arising between the shareholders of our Company will not be considered for the purposes of disclosure in this section until such time as our Company is made a direct defendant in such proceedings.

Litigation involving our Company

Criminal proceedings by our Company

1. A criminal complaint dated September 5, 2018, ("**Complaint**") was filed by Raju Munda (branch manager of Jhumri Talaiya Branch of our Company and "**Complainant**") against a former employee of our Company Rajeev Tiwari ("**Respondent**") and another, before the Judicial Magistrate First Class, Kooderma, Jharkhand ("**Court**") under section 323, 341, 379, 406, 420 and 504 of the Indian Penal Code, 1860 ("**IPC**") for misappropriating an amount of ₹ 0.02 crore collected as loan repayment from clients of our Company. The Court has taken cognizance of the Complaint. The matter is currently pending.

2. A FIR dated October 4, 2017, was filed by Lal Singh (one of our branch managers and "**Complainant**") against our former employee Pankaj Kumar ("**Respondent**") under section 406 of the Indian Penal Code, 1860, for misappropriating an amount of ₹ 0.05 crore, collected form the customers of the Company. Pursuant to this a criminal complaint was registered on October 16, 2017, against the Respondent, before the Chief Judicial Magistrate, Seraikela – Kharsawan, Jharkhand. The matter is currently pending.

3. A criminal complaint was registered on December 3, 2019, by our Company against our former employee Prakash Umesh Rao ("**Respondent**") before Metropolitan Magistrate, Patiala House Courts Complex, New Delhi, ("**Court**") under section 409, 420, 468, 471 and 472 of the Indian Penal Code, 1860, for misappropriating the funds of our Company by issuing forged invoices and transferring the amount to his personal account and cheating the Company an amount of 0.27 crores. ("**Complaint**"). Our Company had earlier also filed a complaint dated July 3, 2018, before the Station House Officer, Police Station, Nairana and submitted the copy of complaint before the Deputy Commissioner of Police, however the First Information Report ("**FIR**") was not lodged against the Respondent. Thereafter, our Company filed an application under section 156(3) of Code of Criminal Procedure, 1973 ("**CrPC**") before the Court for registering the FIR and along with it also filed the Complaint praying before the Court to initiate enquiry under section 202 of the CrPC against the Respondent. The matters are currently pending.

4. An FIR dated November 19, 2019, was filed by Sandeep Kumar (AVP of our Company and "**Complainant**") against two individuals namely Deepak ("**Respondent no.1**") and Jyoti ("**Respondent no. 2**" and along with Respondent no.1 **"Respondents**") for violation of section 120B, 419, 420, 467, 468 and 471 of the IPC for misrepresenting themselves as employees of our Company to extract money from the people of the village in Sanoli area of Panipat district in Haryana, by convincing them to get loan from our Company. The court of Additional Sessions Judge, Panipat, vide its order dated December 11, 2019, dismissed the bail application of Respondent no. 2 stating that the Respondent no. 2 is not entitled to concession of bail. Pursuant to this a criminal complaint was registered on January 14, 2020, against the Respondents before the Judicial Magistrate First Class, Taluka Court Samalkha, Panipat, Haryana. The matter is currently pending.

5. A criminal complaint dated November 14, 2011, was registered by Nishant Kumar (branch manager of Hazaribag branch of our Company and "**Complainant**") against our former employee Amit Pathak ("**Respondent**") under section 156 of the CrPC, before the Chief Judicial Magistrate, Hazaribagh, Jharkhand, for for violation of section 406, 420, 467, 468 and 471 of the IPC for misappropriation of funds amounting to ₹ 0.04 crore. The matter is currently pending.

6. A FIR dated August 26, 2020, was filed against our former employee Vicky Rana, under section 379B of the IPC, for snatching a total amount of ₹ 0.01 crore. The matter is registered before the Judicial Magistrate, First Class, Fatehgarh Sahib, Punjab and is currently pending.

7. A criminal complaint dated November 17, 2021, was registered by Varun Singh (assistant manager – legal of our Company and "**Complainant**") against our former employee, Harwinder Singh ("**Respondent**") under sections 406, 409 and 420 of the Indian Penal Code, 1860, before the Chief Judicial Magistrate, Bathinda, Punjab, for fraud amounting to ₹ 0.04 crore. The matter is currently pending.

8. A criminal complaint ("**Complaint**") was filed by our Company against Rajat Singh ("**Respondent**") and another, before the Sub Divisional Judicial Magistrate, Naraingarh ("**Court**") under section 419, 420, 463, 464, 465, 120 B of the Indian Penal Code, 1860 ("**IPC**") for absconding with Company funds, of an amount of ₹ 0.001 crore. The Court has taken cognizance of the Complaint. The matter is currently pending.

9. A criminal complaint was registered on August 24, 2023, by our Company against Mohan Kumar and Joni Kumar ("**Respondent**") before Metropolitan Magistrate, Sahranpur, ("**Court**") under section 156(3) of the Code of Criminal Procedure, for misappropriating the funds of our an amount of 0.02 crore and cheating the Company. ("**Complaint**"). The matter is currently pending.

10. A criminal complaint was registered on July 12, 2024, by our Company against Mohit Rana ("**Respondent**") before Metropolitan Magistrate, Hapur, ("**Court**") under section 156(3) of the Code of Criminal Procedure, for misappropriating the funds of our Company of approximately ₹ 0.09 crore and cheating the Company. ("**Complaint**"). The Court has taken cognizance of the matter, which will now be presented under Section 200 of the Code of Criminal Procedure. The matter is currently pending.

11. A criminal complaint was registered dated October 25, 2018, by our Company against Mohit Tyagi ("**Respondent**") before Sub-divisional Judicial Magistrate, Naraingarh ("**Court**") under section 138 of the Negotiable Instruments Act 1938, for check bounce of approximately ₹ 0.005 crore ("**Complaint**"). The matter is currently pending.

12. Three criminal complaints have been registered dated April 19, 2023, May 5, 2023 and October 12, 2023 against Prince Kumar, Arshdeep and Others, and Vishal Kumar, respectively ("**Complaints**"), before Muzaffarpur West Chief Justice Magistrate Division, Chief Judicial Magistrate, Taluka Court, Zira, and Civil Judge Junior Division Faridpur, respectively ("**Courts**"), under sections 420 of the Indian Penal Code and 156(3) of the Code of Criminal Procedure. The Courts have taken cognizance of the Complaints which are pending for hearing.

13. A criminal complaint dated March 16, 2023 was filed by the Company in the court of Hon'ble Illaqa Magistrate Kurukshetra, under section 156(3) of the Code of Criminal Procedure, to direct the relevant the police station to file an FIR in relation to the theft that had taken place, amounting to ₹ 0.04 crore from the branch office of the Company.

14. There is an aggregate of 1,790 cases filed by the Company pending before various forums across the country for alleged violation of Section 138 of Negotiable Instruments Act, 1881 for recovery of amounts due to the Company for which cheques issued in favour of the Company by the customers/debtor etc have been dishonoured. The cumulative amount involved in these cases is ₹ 48.44 crores.

15. A criminal complaint was registered on September 11, 2023, by our Company against Rohit Kumar Indora ("**Respondent**") before Court Chief Metropolitan Magistrate, Jaipur ("**Court**") under section 190 of the Code of Criminal Procedure, for embezzling the loan amount of ₹ 0.03 crore and cheating the Company. ("**Complaint**"). The matter is currently pending.

16. A criminal complaint was registered on October 9, 2023, by our Company against Sonu Kumar Gupta ("**Respondent**") before Court of Chief Metropolitan Magistrate, Karkardooma Courts, Delhi ("**Court**"). The Respondent has defaulted in the repayment of the loan amount of approximately ₹ 0.05 crore, alleged to have amounted to 'cheating' and 'forgery' punishable under sections 420 and 467 of the Indian Penal Code. Therefore, the Company has filed the complaint before the Court, under section 156(3) of the Code of Criminal Procedure, for the matter to be taken cognizance of. The matter is currently pending.

17. A criminal complaint was registered on February 1, 2024, by our Company against Md. Talib ("**Respondent**") before Court of Chief Metropolitan Magistrate, Tis Hazari Courts, Delhi ("**Court**"). The Respondent has defaulted in the repayment of the loan amount of approximately ₹ 0.01 crore, alleged to have amounted to 'cheating' and 'forgery' punishable under sections 420 and 467 of the Indian Penal Code. Therefore, the Company has filed the complaint

before the Court, under section 156(3) of the Code of Criminal Procedure, for the matter to be taken cognizance of. The matter is currently pending.

18. A criminal complaint was registered on February 14, 2024, by our Company against Rita and another ("**Respondent**") before Court of Chief Metropolitan Magistrate, Rohini Courts, Delhi ("**Court**"). The Respondent has defaulted in the repayment of the loan amount of approximately ₹ 0.002 crore, alleged to have amounted to 'cheating' and 'forgery' punishable under sections 420 and 467 of the Indian Penal Code. Therefore, the Company has filed the complaint before the Court, under section 156(3) of the Code of Criminal Procedure, for the matter to be taken cognizance of. The matter is currently pending.

Criminal proceedings against the Company

As on the date of this Draft Letter of Offer, there are no outstanding criminal proceedings initiated against our Company.

Material civil proceedings

As on the date of this Draft Letter of Offer, there are no outstanding material civil proceedings involving our Company.

Material tax proceedings

Our Company has received an order under section 201 of Income Tax Act, 1961 dated June 24, 2024 ("**Order**"), for the assessment year 2020-21, wherein our Company have been directed to pay ₹ 16.62 crores. The Order pertains to the non-deduction/lower deduction of tax on interest payment made to foreign non-convertible debenture holders and the Company has been treated as "deemed to be an assessee in default". An appeal has been filed by our Company before the Commissioner of Income-tax (Appeals) dated July 12, 2024 ("**Appeal**"), challenging the Order. The matter is currently pending.

Material proceedings before regulatory authorities involving material violations of statutory regulations by our Company

Nil

Matters involving economic offences where proceedings have been initiated against our Company

Nil

Other pending matters, which if they result in an adverse outcome, would materially and adversely affect the operations or financial position of our Company

Nil

GOVERNMENT AND OTHER APPROVALS

We are not required to obtain any licenses or approvals from any government or regulatory authority for the objects of this Issue. For further details, refer to the chapter titled "*Objects of the Issue*" beginning at page 62.

MATERIAL DEVELOPMENTS

No material developments have occurred since the date of the last balance sheet i.e., September 30, 2024, which materially or adversely affect or are likely to affect: (a) the operations or the profitability of the Company; or (b) the value of its assets; or (c) its ability to pay its liabilities in the next 12 months; or (d) its performance and prospects, except as disclosed in the section "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Significant Developments Occurring After September 30, 2024*" on page 210.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorised by a resolution of our Board of Directors passed at its meeting held on December 4, 2024, pursuant to Section 62(1)(a) and other applicable provisions of the Companies Act.

This Draft Letter of Offer has been approved by our Board of Directors pursuant to its resolution dated December 5, 2024. The terms and conditions of the Issue including the Rights Entitlement, Issue Price, Record Date, timing of the Issue and other related matters, have been approved by a resolution passed by the Rights Issue Committee at its meeting held on [●], 2024.

The Rights Issue Committee in its meeting held on [●], 2024, has resolved to issue the Rights Equity Shares to the Eligible Equity Shareholders, at ₹[●] per Rights Equity Share of face value of ₹ 10 each (including a premium of ₹[●] per Rights Equity Share) aggregating up to ₹[●] crore and the Rights Entitlement as [●] i.e. [●] Rights Equity Share for every [●] fully paid-up Equity Share of face value of ₹ 10 each, held as on the Record Date. The Issue Price has been arrived at by our Company in consultation with the Lead Manager prior to determination of the Record Date. On Application, Investors will have to pay ₹[●] ([●]% of the Issue Price) per Rights Equity Share. The balance amount (after payment of the Application Money), ₹[●] ([●]% of the Issue Price) per Rights Equity Share, will be payable by the Rights Equity Shareholders in one or more subsequent Call(s), with terms and conditions such as the number of Calls and the timing and quantum of each Call as may be decided by our Board/ Rights Issue Committee from time to time to be completed on or prior to [●], pursuant to the Payment Schedule.

Our Company has received in-principle approvals from NSE and BSE in accordance with Regulation 28(1) of the SEBI Listing Regulations for listing of the Rights Equity Shares to be Allotted in this Issue pursuant to their letters dated [●], and, [●] 2024, respectively. Our Company will also make applications to NSE and BSE to obtain their trading approvals for the Rights Entitlements as required under the SEBI ICDR Master Circular.

Our Company has been allotted the ISIN: [●] for the Rights Entitlements to be credited to the respective demat accounts of Allottees. For details, see "*Terms of the Issue*" beginning on page 222.

Prohibition by SEBI or Other Governmental Authorities

Our Company, our Promoters, the members of our Promoter Group and our Directors have not been and are not prohibited or debarred from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI or any securities market regulator in any other jurisdiction or any other authority/court.

Further, our Promoter and our Directors are not promoter(s) or director(s) of any other company which is debarred from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

None of our Directors are associated with the securities market in any manner. Further, there is no outstanding action initiated by SEBI against any of our Directors, who have been associated with the securities market.

Neither our Individual Promoter nor any of our Directors are declared as fugitive economic offenders under Section 12 of the Fugitive Economic Offenders Act, 2018.

Prohibition by RBI

Neither our Company nor our Promoters or any of our Directors have been or are identified as Wilful Defaulters or Fraudulent Borrowers.

Eligibility for the Issue

Our Company is a listed company and has been incorporated under the Companies Act, 1956. Our Equity Shares are presently listed on the Stock Exchanges. Our Company is eligible to offer Equity Shares pursuant to this Issue in terms of Chapter III and other applicable provisions of the SEBI ICDR Regulations. Further, our Company is undertaking this Issue in compliance with Part B of Schedule VI of the SEBI ICDR Regulations.

Compliance with Regulations 61 and 62 of the SEBI ICDR Regulations

Our Company is in compliance with the conditions specified in Regulations 61 and 62 of the SEBI ICDR Regulations, to the extent applicable. Further, in relation to compliance with Regulation 62(1)(a) of the SEBI ICDR Regulations, our Company will make applications to the Stock Exchanges for in-principle approvals for listing of the Rights Equity Shares to be issued pursuant to the Issue. [●] is the Designated Stock Exchange for the Issue.

Compliance with Clause (1) of Part B of Schedule VI of the SEBI ICDR Regulations

Our Company is in compliance with the provisions specified in Clause (1) of Part B of Schedule VI of the SEBI ICDR Regulations as explained below:

1. Our Company has been filing periodic reports, statements and information in compliance with the SEBI Listing Regulations, as applicable for the last one year immediately preceding the date of filing of this Draft Letter of Offer with the Designated Stock Exchange;

2. The reports, statements and information referred to above are available on the websites of BSE, and NSE; and

3. Our Company has an investor grievance-handling mechanism which includes meeting of the Stakeholders' Relationship Committee at frequent intervals, appropriate delegation of power by our Board as regards share transfer and clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.

Non-applicability of conditions precedent under Clause (3) of Part B of schedule VI of the SEBI ICDR Regulations

1. Our Company's management has not undergone any change pursuant to acquisition of control in accordance with the provisions of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 or the SEBI Takeover Regulations, as applicable. Our Company is not making a rights issue of specified securities for the first time subsequent to any such change; and

2. Our Company has not been listed consequent to the relaxation granted by SEBI under sub-rule (7) of Rule 19 of the SCRR for listing of its specified securities pursuant to a scheme sanctioned by a High Court under Sections 391 to 394 of the Companies Act, 1956 or approved by a tribunal under Sections 230 to 234 of the Companies Act, as applicable. Our Company is not making a rights issue of specified securities for the first time subsequent to any such listing.

As our Company satisfies the conditions specified in Clause (1) of Part B of Schedule VI of the SEBI ICDR Regulations, and given that the conditions prescribed in Clause (3) of Part B of Schedule VI of SEBI ICDR Regulations are not applicable to our Company, the disclosures in this Draft Letter of Offer are in terms of Clause (4) of Part B of Schedule VI of the SEBI ICDR Regulations.

DISCLAIMER CLAUSE OF SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THIS DRAFT LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS DRAFT LETTER OF OFFER. THE LEAD MANAGER, NAMELY, IIFL CAPITAL SERVICES LIMITED (*FORMERLY KNOWN AS IIFL SECURITIES LIMITED*) HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THIS DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE OUR COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS DRAFT LETTER OF OFFER, THE LEAD MANAGER BEING NAMELY IIFL CAPITAL SERVICES LIMITED (*FORMERLY KNOWN AS IIFL SECURITIES LIMITED*) ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT OUR COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED DECEMBER 5, 2024, WHICH READS AS FOLLOWS:

(1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION, INCLUDING COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL WHILE FINALISING THIS DRAFT LETTER OF OFFER OF THE SUBJECT ISSUE.

(2) ON THE BASIS OF SUCH EXAMINATION AND DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION, CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:

(a) THE DRAFT LETTER OF OFFER FILED WITH SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS WHICH ARE MATERIAL TO THE ISSUE;

(b) ALL MATERIAL LEGAL REQUIREMENTS RELATING TO THE ISSUE AS SPECIFIED BY SEBI, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(c) THE MATERIAL DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 2013, THE SEBI ICDR REGULATIONS AND OTHER APPLICABLE LEGAL REQUIREMENTS.

(3) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH SEBI AND THAT UNTIL DATE SUCH REGISTRATION IS VALID. <u>COMPLIED WITH</u>

(4) WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS. <u>NOTED FOR COMPLIANCE TO THE EXTENT APPLICABLE</u>

(5) WRITTEN CONSENT FROM THE PROMOTERS HAVE BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED OR SOLD OR TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT LETTER OF OFFER WITH SEBI UNTIL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT LETTER OF OFFER. <u>NOT APPLICABLE</u>

(6) ALL APPLICABLE PROVISIONS OF SEBI ICDR REGULATIONS, WHICH RELATE TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTER'S CONTRIBUTION, HAVE BEEN AND SHALL BE DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION(S) HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER. <u>NOT APPLICABLE</u>

(7) ALL APPLICABLE PROVISIONS OF SEBI ICDR REGULATIONS, WHICH RELATE TO RECEIPT OF PROMOTER'S CONTRIBUTION PRIOR TO OPENING OF THE ISSUE, SHALL BE COMPLIED WITH. ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE AND THE STATUTORY AUDITOR'S CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO SEBI. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE ISSUE. <u>NOT APPLICABLE</u>

(8) NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONIES RECEIVED PURSUANT TO THE ISSUE ARE CREDITED OR TRANSFERRED TO A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 40 OF THE COMPANIES ACT, 2013 AND THAT SUCH MONIES SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES, AND THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE COMPANY SPECIFICALLY CONTAINS THIS CONDITION. <u>NOTED FOR COMPLIANCE TO THE EXTENT APPLICABLE</u>

(9) THE EXISTING BUSINESS AS WELL AS ANY NEW BUSINESS OF THE COMPANY FOR WHICH THE FUNDS ARE BEING RAISED FALL WITHIN THE 'MAIN OBJECTS' IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OF THE COMPANY AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED IN LAST TEN YEARS ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION. <u>COMPLIED WITH TO THE EXTENT APPLICABLE</u>

(10) FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER:

(a) AN UNDERTAKING FROM THE COMPANY THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE COMPANY, EXCLUDING SUPERIOR EQUITY SHARES, WHERE THE COMPANY HAS OUTSTANDING EQUITY SHARES WITH SUPERIOR RIGHTS. <u>COMPLIED WITH (THE COMPANY HAS NOT ISSUED ANY EQUITY SHARES WITH SUPERIOR RIGHTS)</u>; AND

(b) **AN UNDERTAKING FROM THE COMPANY THAT IT SHALL COMPLY WITH ALL DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY SEBI. COMPLIED WITH**

(11) **WE SHALL COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENTS IN TERMS OF THE SEBI ICDR REGULATIONS. NOTED FOR COMPLIANCE**

(12) **IF APPLICABLE, THE COMPANY IS ELIGIBLE TO LIST ON THE INNOVATORS GROWTH PLATFORM IN TERMS OF THE PROVISIONS CHAPTER X OF THE SEBI ICDR REGULATIONS. NOT APPLICABLE**

(13) **NONE OF THE INTERMEDIARIES NAMED IN THIS DRAFT LETTER OF OFFER HAVE BEEN DEBARRED FROM FUNCTIONING BY ANY REGULATORY AUTHORITY. COMPLIED WITH**

(14) **ALL MATERIAL DISCLOSURES IN RESPECT OF THE COMPANY HAVE BEEN MADE IN THIS DRAFT LETTER OF OFFER AND CERTIFY THAT ANY MATERIAL DEVELOPMENT IN THE COMPANY OR RELATING TO THE ISSUE UP TO THE COMMENCEMENT OF LISTING AND TRADING OF THE SPECIFIED SECURITIES OFFERED THROUGH THIS ISSUE SHALL BE INFORMED THROUGH PUBLIC NOTICES/ADVERTISEMENTS IN ALL THOSE NEWSPAPERS IN WHICH PRE-ISSUE ADVERTISEMENT AND ADVERTISEMENT FOR OPENING OR CLOSURE OF THE ISSUE HAVE BEEN GIVEN. COMPLIED WITH AND NOTED FOR COMPLIANCE**

(15) **AGREEMENTS HAVE BEEN ENTERED INTO WITH THE DEPOSITORIES FOR DEMATERIALISATION OF THE SPECIFIED SECURITIES OF THE COMPANY. COMPLIED WITH**

THE FILING OF THIS DRAFT LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER THE COMPANIES ACT, 2013 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THE LETTER OF OFFER.

Disclaimer clauses from our Company and the Lead Manager

Our Company and the Lead Manager accept no responsibility for statements made otherwise than in this Draft Letter of Offer or in any advertisement or other material issued by or at the instance of our Company and anyone placing reliance on any other source of information would be doing so at his own risk.

Eligible Equity Shareholders who invest in the Issue will be deemed to have represented to our Company, the Lead Manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares, and are relying on independent advice / evaluation as to their ability and quantum of investment in the Issue.

CAUTION

Our Company and the Lead Manager shall make all information available to the Eligible Equity Shareholders in accordance with the SEBI ICDR Regulations and no selective or additional information would be available for a section of the Eligible Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Draft Letter of Offer.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this Draft Letter of Offer and the Letter of Offer. You must not rely on any unauthorized information or representations. This Draft Letter of Offer is an offer to sell only the Rights Equity Shares and rights to purchase the Rights Equity Shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Draft Letter of Offer is current only as of its date.

Our Company, the Lead Manager and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any Applicant on whether such Applicant is eligible to acquire any Rights Equity Shares.

The Lead Manager and their affiliates may engage in transactions with and perform services for our Company or our affiliates in the ordinary course of business and have engaged, or may in the future engage, in transactions with our Company or our affiliates, for which they have received and may in the future receive, compensation.

Disclaimer with respect to jurisdiction

This Draft Letter of Offer has been prepared under the provisions of Indian laws and the applicable rules and regulations thereunder. Any disputes arising out of the Issue will be subject to the jurisdiction of the appropriate court(s) in Mumbai, Maharashtra, India only.

Designated Stock Exchange

The Designated Stock Exchange for the purpose of the Issue is [●].

Disclaimer Clause of RBI

The Company is having a valid certificate of registration, dated August 30, 2024, issued by the RBI under Section 45 IA of the RBI Act, 1934. However, the RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the Company or for the correctness of any of the statements or representations made or opinions expressed by the Company and for the repayment of deposits/ discharge of liabilities by the Company.

Disclaimer Clause of NSE

As required, a copy of this Draft Letter of Offer has been submitted to NSE. The disclaimer clause as intimated by NSE to us, post scrutiny of this Draft Letter of Offer, shall be included in the Letter of Offer prior to filing with the SEBI and the Stock Exchanges.

Disclaimer Clause of the BSE

As required, a copy of this Draft Letter of Offer has been submitted to BSE. The disclaimer clause as intimated by BSE to us, post scrutiny of this Draft Letter of Offer, shall be included in the Letter of Offer prior to filing with the SEBI and the Stock Exchanges.

Notice to Investors in the United States

The Rights Entitlement and Rights Equity Shares have not been and will not be registered under the U.S. Securities Act, or the securities laws of any state of the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Our Company is an "investment company" (as defined in the U.S. Investment Company Act of 1940) and has not been and will not be registered under the U.S. Investment Company Act. Accordingly, the Rights Equity Shares are being offered and sold only (a) to persons in the United States and to U.S. Persons who are reasonably believed to be (i) U.S. QIBs and (ii) U.S. Qualified Purchasers pursuant to Section 4(a)(2) of the U.S. Securities Act and Section 3(c)(7) of the U.S. Investment Company Act and (b) to persons outside the United States who are non-U.S. Persons in reliance on Regulation S.

Neither our Company, nor any person acting on behalf of our Company, will accept a subscription or renunciation from any person, or the agent of any person, who appears to be, or who our Company, or any person acting on behalf of our Company, has reason to believe is, (A) in the United States when the buy order is made (other than persons in the United States who are both U.S. QIBs and U.S. Qualified Purchasers) or (B) outside India or the United States, and not a corporate person acquiring the Rights Entitlements or Rights Equity Shares in compliance with laws of such other jurisdiction. Envelopes containing an Application Form should not be postmarked in the United States or otherwise dispatched from the United States (other than from persons in the United States who are both U.S. QIBs and U.S. Qualified Purchasers) or any other jurisdiction where it would be illegal to make an offer under the Letter of Offer or where any action would be required to be taken to permit the Issue. Our Company is making the Issue on a rights basis to the Eligible Equity Shareholders and will dispatch the Letter of Offer or Application Form only to Eligible Equity Shareholders (i) who have provided an Indian address to our Company or who are located in jurisdictions where the offer and sale of the Rights Equity Shares is permitted under laws of such jurisdictions and (ii) who are foreign corporate or institutional Shareholders in Identified Jurisdictions.

Any person who acquires Rights Entitlements or Rights Equity Shares will be deemed to have represented, warranted and agreed, by accepting the delivery of the Letter of Offer, that (i) it is not and that at the time of subscribing for the Rights Equity Shares or the Rights Entitlements, it will not be, in the United States when the buy order is made and (a) is either in India or (b) is located in a jurisdiction where the offer and sale of the Rights Entitlements and Rights Equity Shares is permitted under laws of such jurisdiction, or (ii) it is both a U.S. QIB and U.S. Qualified Person in the United States, and in each case is authorized to acquire the Rights Entitlement and the Rights Equity Shares in compliance with all applicable laws and regulations.

Our Company, in consultation with the Lead Manager, reserves the right to treat as invalid any Application Form which: (i) appears to our Company or its agents to have been executed in or dispatched from the United States (unless the Application Form is submitted by a person which is both a U.S. QIB and a U.S. Qualified Person in the United States); (ii) does not include the relevant certification set out in the Application Form headed "Overseas Shareholders" to the effect that the person accepting and/or renouncing the Application Form (a) not in the United States and eligible to subscribe for the Rights Equity Shares under applicable securities laws or (b) a U.S. QIB and a U.S. Qualified Purchaser in the United States, and in each case such person is complying with laws of jurisdictions applicable to such person in connection with this Issue and have obtained requisite approvals before applying in this Issue or (iii) where our Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements; and our Company shall not be bound to issue or Allot any Rights Equity Shares in respect of any such Application Form.

For further details, see "*Restrictions on Purchases and Resales*" on page 249.

Filing

This Draft Letter of Offer has been filed with SEBI for its observations electronically through the SEBI intermediary portal at https://siportal.sebi.gov.in in terms of the SEBI master circular bearing number SEBI/HO/CFD/PoD-1/P/CIR/2024/0154 dated November 11, 2024, and with the Stock Exchanges. After SEBI gives its observations, the final Letter of Offer will be filed with SEBI and the Stock Exchanges simultaneously with the filing of the Letter of Offer with the Designated Stock Exchange as per the provisions of the SEBI ICDR Regulations.

Mechanism for Redressal of Investor Grievances

Our Company has adequate arrangements for the redressal of investor complaints in compliance with the corporate governance requirements in compliance with the Listing Agreements and the SEBI Listing Regulations. We have been registered with the SEBI Complaints Redress System (SCORES) as required by the SEBI circular no. CIR/OIAE/2/2011 dated June 3, 2011 and shall comply with the SEBI circular bearing reference number SEBI/HO/OIAE/CIR/P/2023/156 dated September 20, 2023 and any other circulars issued in this regard. Consequently, investor grievances are also tracked online by our Company through the SCORES mechanism.

Our Company has a Stakeholders' Relationship Committee which meets at least once every year and as and when required. Its terms of reference include considering and resolving grievances of shareholders in relation to transfer of shares and effective exercise of voting rights. Link Intime India Private Limited is our Registrar and Share Transfer Agent. All investor grievances received by us have been handled by the Registrar and Share Transfer Agent in consultation with our Company Secretary and Chief Compliance Officer.

The investor complaints received by our Company are generally disposed of within 30 days from the date of receipt of the complaint.

Investors may contact the Registrar or our Company Secretary and Chief Compliance Officer for any pre-Issue or post-Issue related matter. All grievances relating to the ASBA process may be addressed to the Registrar, with a copy to the SCSBs, giving full details such as name, address of the Applicant, contact number(s), e-mail address of the sole/ first holder, folio number or demat account number, number of Rights Equity Shares applied for, amount blocked, ASBA Account number and the Designated Branch of the SCSBs where the Application Form or the plain paper application, as the case may be, was submitted by the Investors along with a photocopy of the acknowledgement slip. For details on the ASBA process, please see *"Terms of the Issue"* beginning on page 222.

The contact details of Registrar to the Issue and our Company Secretary and Chief Compliance Officer are as follows:

Registrar to the Issue

Link Intime India Private Limited
C-101, 1st Floor, 247 Park
Lal Bahadur Shastri Marg, Vikhroli West
Mumbai 400 083
Maharashtra, India
Tel: +91 81081 14949
E-mail: fusionfinance.rights@linkintime.co.in
Investor grievance ID: fusionfinance.rights@linkintime.co.in
Contact person: Shanti Gopalkrishnan
Website: www.linkintime.co.in
SEBI Registration No.: INR000004058
Company Secretary and Chief Compliance Officer

Deepak Madaan is the Company Secretary and Chief Compliance Officer of our Company. His details are as follows:

Deepak Madaan
Plot no. 86
Institutional Sector 32, Gurugram
Haryana 122001, India.
Tel: +91-124-6910500
E-mail: investor.relations@fusionfin.com

SECTION VII: ISSUE INFORMATION

TERMS OF THE ISSUE

This section is for the information of the Investors proposing to apply in this Issue. Investors should carefully read the provisions contained in this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form, before submitting the Application Form. Our Company and the Lead Manager are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Draft Letter of Offer. Investors are advised to make their independent investigation and ensure that the Application Form is accurately filled up in accordance with instructions provided therein and the Letter of Offer. Unless otherwise permitted under the SEBI ICDR Regulations read with the SEBI ICDR Master Circular, Investors proposing to apply in this Issue can apply only through ASBA or by mechanism as disclosed in this Draft Letter of Offer.

Investors are requested to note that application in this Issue can only be made through ASBA facility. For guidance on the application process through ASBA and resolution of difficulties faced by investors, you are advised to read the frequently asked question on the website of the Registrar at www.linkintime.co.in.

The Rights Entitlement on the Equity Shares, the ownership of which is currently under dispute and including any court proceedings or are currently under transmission or are held in a demat suspense account and for which our Company has withheld the dividend, shall be held in abeyance and the Application Form along with the Rights Entitlement Letter in relation to these Rights Entitlements shall not be dispatched pending resolution of the dispute or court proceedings or completion of the transmission or pending their release from the demat suspense account. On submission of such documents /records confirming the legal and beneficial ownership of the Equity Shares with regard to these cases on or prior to the Issue Closing Date, to the satisfaction of our Company, our Company shall make available the Rights Entitlement on such Equity Shares to the identified Eligible Equity Shareholder. The identified Eligible Equity Shareholder shall be entitled to subscribe to Equity Shares pursuant to the Issue during the Issue Period with respect to these Rights Entitlement and subject to the same terms and conditions as the Eligible Equity Shareholder.

Overview

This Issue is proposed to be undertaken on a rights basis and is subject to the terms and conditions contained in this Draft Letter of Offer, Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form, and the Memorandum of Association and the Articles of Association of our Company, the provisions of the Companies Act, 2013, the FEMA, the FEMA Rules, the SEBI ICDR Regulations, the SEBI Listing Regulations, the SEBI ICDR Master Circular and the guidelines, notifications, circulars and regulations issued by SEBI, the Government of India and other statutory and regulatory authorities from time to time, approvals, if any, from RBI or other regulatory authorities, the terms of the Listing Agreements entered into by our Company with Stock Exchanges and the terms and conditions as stipulated in the Allotment Advice.

I. DISPATCH AND AVAILABILITY OF ISSUE MATERIALS

Pursuant to the requirements of the SEBI ICDR Regulations and other applicable laws, the Rights Entitlements will be credited to the demat account of the Eligible Equity Shareholders who are Equity Shareholders as on the Record Date, however, the Issue Materials will be sent/ dispatched only to such Eligible Equity Shareholders, who have provided an Indian address to our Company and only such Eligible Equity Shareholders are permitted to participate in the Issue. The credit of Rights Entitlement does not constitute an offer, invitation to offer or solicitation for participation in the Issue, whether directly or indirectly, and only dispatch of the Issue Material shall constitute an offer, invitation or solicitation for participation in the Issue in accordance with the terms of the Issue Material. Further, receipt of the Issue Materials (including by way of electronic means) will not constitute an offer, invitation to or solicitation by anyone in (i) the United States or (ii) any jurisdiction or in any circumstances in which such an offer, invitation or solicitation is unlawful or not authorized or to any person to whom it is unlawful to make such an offer, invitation or solicitation. In those circumstances, the Letter of Offer and any other Issue Materials must be treated as sent for information only and should not be acted upon for subscription to Rights Equity Shares and should not be copied or re-distributed, in part or full. Accordingly, persons receiving a copy of the Issue Materials should not distribute or send the Issue Materials in or into any jurisdiction where to do so, would or might contravene local securities laws or regulations, or would subject our Company or its affiliates or the Lead Manager or their affiliates to any filing or registration requirement (other than in India). If Issue Material is received by any person in any such jurisdiction or the United States, they must not seek to subscribe to the Rights Equity Shares. For more details, see "*Restrictions on Purchases and Resales*" beginning on page 249.

The Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent/ dispatched only to the Eligible Equity Shareholders who have provided an Indian address to our Company. In case such Eligible Equity Shareholders have provided their valid e-mail address, the Letter of Offer, Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their valid e-mail address, then the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be physically dispatched, on a reasonable effort basis, to the Indian addresses provided by them.

Further, the Letter of Offer will be sent/ dispatched to the Eligible Equity Shareholders who have provided their Indian address and who have made a request in this regard.

Investors can access this Draft Letter of Offer, Letter of Offer, the Abridged Letter of Offer and the Application Form (provided that the Eligible Equity Shareholder is eligible to subscribe to the Rights Equity Shares under applicable laws) on the websites of:

(i) our Company at www.fusionfin.com;

(ii) the Registrar at www.linkintime.co.in;

(iii) the Lead Manager, at www.iiflcap.com;

(iv) the Stock Exchanges at www.bseindia.com and www.nseindia.com.

To update the respective Indian addresses/e-mail addresses/phone or mobile numbers in the records maintained by the Registrar or by our Company, Eligible Equity Shareholders should visit www.linkintime.co.in.

Eligible Equity Shareholders can also obtain the details of their respective Rights Entitlements from the website of the Registrar (*i.e.*, www.linkintime.co.in) by entering their DP ID and Client ID or folio number (for Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date) and PAN. The link for the same shall also be available on the website of our Company at www.fusionfin.com.

Please note that neither our Company nor the Registrar nor the Lead Manager shall be responsible for not sending the physical copies of Issue materials, including the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form or delay in the receipt of the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form attributable to non-availability of the e-mail addresses of Eligible Equity Shareholders or electronic transmission delays or failures, or if the Application Forms or the Rights Entitlement Letters are delayed or misplaced in the transit.

The distribution of the Letter of Offer, Abridged Letter of Offer, the Rights Entitlement Letter and the issue of Rights Equity Shares on a rights basis to persons in certain jurisdictions outside India is restricted by legal requirements prevailing in those jurisdictions. No action has been, or will be, taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that this Draft Letter of Offer is being filed with SEBI for observations and the Letter of Offer will be filed with SEBI and the Stock Exchanges. Accordingly, Rights Equity Shares may not be offered or sold, directly or indirectly, and the Issue Materials may not be distributed, in any jurisdiction, except in accordance with and as permitted under the legal requirements applicable in such jurisdiction. Receipt of the Issue Materials will not constitute an offer, invitation to or solicitation by anyone in any jurisdiction or in any circumstances in which such an offer, invitation or solicitation is unlawful or not authorised or to any person to whom it is unlawful to make such an offer, invitation or solicitation. In those circumstances, such Issue Materials must be treated as sent for information only and should not be acted upon for making an Application and should not be copied or re-distributed.

Accordingly, persons receiving a copy of the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form should not, in connection with the issue of the Rights Equity Shares or the Rights Entitlements, distribute or send the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form in or into any jurisdiction where to do so, would, or might, contravene local securities laws or regulations or would subject our Company or its affiliates or the Lead Manager or their respective affiliates to any filing or registration requirement (other than in India). If the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form is received by any person in any such jurisdiction, or by their agent or nominee, they must not seek to make an Application or acquire the Rights Entitlements referred to in the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form. Any person who purchases or renounces the Rights Entitlements or makes an application to acquire the Rights Equity Shares offered in the Issue will be deemed to have declared, represented and warranted that such person is eligible to subscribe and authorized to purchase or sell the Rights Entitlements or acquire the Rights Equity Shares in compliance with all applicable laws and regulations prevailing in such person’s jurisdiction and India, without requirement for our Company or our affiliates or the Lead Manager or their respective affiliates to make any filing or registration (other than in India).

The Letter of Offer will be provided, primarily through e-mail, by the Registrar on behalf of our Company or the Lead Manager to the Eligible Equity Shareholders who have provided their Indian addresses to our Company and who make a request in this regard.

II. PROCESS OF MAKING AN APPLICATION IN THE ISSUE

- **In accordance with Regulation 76 of the SEBI ICDR Regulations, the SEBI ICDR Master Circular and the ASBA Circulars, all Investors desiring to make an Application in this Issue are mandatorily**

required to use the ASBA process. Investors should carefully read the provisions applicable to such Applications before making their Application through ASBA.

The Application Form can be used by the Eligible Equity Shareholders as well as the Renouncees to make Applications in this Issue basis the Rights Entitlement credited in their respective demat accounts.

Please note that one single Application Form shall be used by Investors to make Applications for all Rights Entitlements available in a particular demat account. In case of Investors who have provided details of demat account in accordance with the SEBI ICDR Regulations, such Investors will have to apply for the Rights Equity Shares from the same demat account in which they are holding the Rights Entitlements and in case of multiple demat accounts, the Investors are required to submit a separate Application Form for each demat account.

Investors may apply for the Rights Equity Shares by submitting the Application Form to the Designated Branch of the SCSB or online/electronic Application through the website of the SCSBs (if made available by such SCSB) for authorising such SCSB to block Application Money payable on the Application in their respective ASBA Accounts.

Investors are also advised to ensure that the Application Form is correctly filled up stating therein that the ASBA Account in which an amount equivalent to the amount payable on Application as stated in the Application Form will be blocked by the SCSB.

Applicants should carefully fill-in their depository account details and PAN in the Application Form or while submitting application through online/electronic Application through the website of the SCSBs (if made available by such SCSB). Please note that incorrect depository account details or PAN or Application Forms without depository account details shall be treated as incomplete and shall be rejected. For details, see "- ***Grounds for Technical Rejection*" on page 230. Our Company, the Lead Manager, the Registrar and the SCSBs shall not be liable for any incomplete or incorrect demat details provided by the Applicants.**

Additionally, in terms of Regulation 78 of the SEBI ICDR Regulations, Investors may choose to accept the offer to participate in this Issue by making plain paper Applications. Please note that SCSBs shall accept such applications only if all details required for making the application as per the SEBI ICDR Regulations are specified in the plain paper application and that Eligible Equity Shareholders making an application in this Issue by way of plain paper applications shall not be permitted to renounce any portion of their Rights Entitlements. For details, see "- *Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process"* on page 228.

- ***Options available to the Eligible Equity Shareholders***

The Rights Entitlement Letter will clearly indicate the number of Rights Equity Shares that the Eligible Equity Shareholder is entitled to in the Issue.

If the Eligible Equity Shareholder applies in this Issue, then such Eligible Equity Shareholder can:

(i) apply for its Rights Equity Shares to the full extent of its Rights Entitlements; or

(ii) apply for its Rights Equity Shares to the extent of part of its Rights Entitlements (without renouncing the other part); or

(iii) apply for Rights Equity Shares to the extent of part of its Rights Entitlements and renounce the other part of its Rights Entitlements; or

(iv) apply for its Rights Equity Shares to the full extent of its Rights Entitlements and apply for Additional Rights Equity Shares; or

(v) renounce its Rights Entitlements in full.

- ***Making of an Application through the ASBA process***

An Investor, wishing to participate in this Issue through the ASBA facility, is required to have an ASBA enabled bank account with SCSBs, prior to making the Application. Investors desiring to make an Application in this Issue through ASBA process, may submit the Application Form in physical mode to the Designated Branches of the SCSB or online/ electronic Application through the website of the SCSBs (if made available by such SCSB) for authorizing such SCSB to block Application Money payable on the Application in their respective ASBA Accounts.

Investors should ensure that they have correctly submitted the Application Form and have provided an authorisation to the SCSB, *via* the electronic mode, for blocking funds in the ASBA Account equivalent to the Application Money mentioned in the Application Form, as the case may be, at the time of submission of the Application.

For the list of banks which have been notified by SEBI to act as SCSBs for the ASBA process, please refer to www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34.

Please note that subject to SCSBs complying with the requirements of the SEBI circular bearing reference number CIR/CFD/DIL/13/2012 dated September 25, 2012, within the periods stipulated therein, Applications may be submitted at the Designated Branches of the SCSBs. Further, in terms of the SEBI circular bearing reference number CIR/CFD/DIL/1/2013 dated January 2, 2013, it is clarified that for making Applications by SCSBs on their own account using ASBA facility, each such SCSB should have a separate account in its own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making an Application in this Issue and clear demarcated funds should be available in such account for such an Application.

The Lead Manager, our Company, their directors, their employees, affiliates, associates and their respective directors and officers and the Registrar shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc., in relation to Applications accepted by SCSBs, Applications uploaded by SCSBs, Applications accepted but not uploaded by SCSBs or Applications accepted and uploaded without blocking funds in the ASBA Accounts.

Investors applying through the ASBA facility should carefully read the provisions applicable to such Applications before making their Application through the ASBA process.

Do's for Investors applying through ASBA:

(a) Ensure that the necessary details are filled in the Application Form including the details of the ASBA Account.

(b) Ensure that the details about your Depository Participant, PAN and beneficiary account are correct and the beneficiary account is activated as the Rights Equity Shares will be Allotted in the dematerialized form only.

(c) Ensure that the Applications are submitted with the Designated Branch of the SCSBs and details of the correct bank account have been provided in the Application.

(d) Ensure that there are sufficient funds (equal to {number of Rights Equity Shares (including Additional Rights Equity Shares) applied for} X {Application Money of Equity Shares}) available in ASBA Account mentioned in the Application Form before submitting the Application to the respective Designated Branch of the SCSB.

(e) Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on application mentioned in the Application Form, in the ASBA Account, of which details are provided in the Application Form and have signed the same.

(f) Ensure that you have a bank account with SCSBs providing ASBA facility in your location and the Application is made through that SCSB providing ASBA facility in such location.

(g) Ensure that you receive an acknowledgement from the Designated Branch of the SCSB for your submission of the Application Form in physical form or plain paper Application.

(h) Ensure that the name(s) given in the Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Application Form and the Rights Entitlement Letter.

(i) Ensure that your PAN is linked with Aadhaar and you are in compliance with CBDT notification dated Feb 13, 2020 read with press release dated June 25, 2021 and September 17, 2021.

Don'ts for Investors applying through ASBA:

(a) Do not apply if you are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction.

(b) Do not apply if you have not provided an Indian address.

(c) Do not submit the Application Form after you have submitted a plain paper Application to a Designated Branch of the SCSB or *vice versa*.

(d) Do not send your physical Application to the Lead Manager, the Registrar, the Bankers to the Issue (assuming that such Bankers to the Issue are not SCSB's), a branch of the SCSB which is not a Designated Branch of the SCSB or our Company; instead submit the same to a Designated Branch of the SCSB only.

(e) Do not instruct the SCSBs to unblock the funds blocked under the ASBA process upon making the Application.

(f) Do not submit Application Form using third party ASBA account.

(g) Avoiding applying on the Issue Closing Date due to risk of delay/restriction in making any physical Application.

(h) Do not submit Multiple Application Forms.

- ***Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process***

An Eligible Equity Shareholder in India who is eligible to apply under the ASBA process may make an Application to subscribe to this Issue on plain paper in terms of Regulation 78 of SEBI ICDR Regulations in case of non-receipt of Application Form as detailed above. In such cases of non-receipt of the Application Form through physical delivery (where applicable) and the Eligible Equity Shareholder not being in a position to obtain it from any other source may make an Application to subscribe to this Issue on plain paper with the same details as per the Application Form that is available on the website of the Registrar, Stock Exchanges or the Lead Manager. An Eligible Equity Shareholder shall submit the plain paper Application to the Designated Branch of the SCSB for authorising such SCSB to block Application Money in the said bank account maintained with the same SCSB. Applications on plain paper will not be accepted from any Eligible Equity Shareholder who has not provided an Indian address.

Please note that in terms of Regulation 78 of SEBI ICDR Regulations, the Eligible Equity Shareholders who are making the Application on plain paper shall not be entitled to renounce their Rights Entitlements and should not utilize the Application Form for any purpose including renunciation even if it is received subsequently.

The Application on plain paper, duly signed by the Eligible Equity Shareholder including joint holders, in the same order and as per specimen recorded with his/her bank, must reach the office of the Designated Branch of the SCSB before the Issue Closing Date and should contain the following particulars:

1. Name of our Company, being Fusion Finance Limited (*Formerly known as Fusion Micro Finance Limited)*;

2. Name and address of the Eligible Equity Shareholder including joint holders (in the same order and as per specimen recorded with our Company or the Depository);

3. Folio number (in case of Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date)/DP and Client ID;

4. Except for Applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN of the Eligible Equity Shareholder and for each Eligible Equity Shareholder in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to this Issue;

5. Number of Equity Shares held as on Record Date;

6. Allotment option – only dematerialised form;

7. Number of Rights Equity Shares entitled to;

8. Number of Rights Equity Shares applied for within the Rights Entitlements;

9. Number of Additional Rights Equity Shares applied for, if any (applicable only if entire Rights Entitlements have been applied for);

10. Total number of Rights Equity Shares applied for;

11. Total Application amount paid at the rate of ₹ [●] per Rights Equity Share;

12. Details of the ASBA Account such as the SCSB account number, name, address and branch of the relevant SCSB;

13. In case of non-resident Eligible Equity Shareholders making an application with an Indian address, details of the NRE / FCNR/ NRO account such as the account number, name, address and branch of the SCSB with which the account is maintained;

14. Authorisation to the Designated Branch of the SCSB to block an amount equivalent to the Application Money in the ASBA Account;

15. Signature of the Eligible Equity Shareholder (in case of joint holders, to appear in the same sequence and order as they appear in the records of the SCSB); and

16. All such Eligible Equity Shareholders shall be deemed to have made the representations, warranties and agreements set forth in "*Restrictions on Purchases and Resales – Eligible Investors* " on page 250, and shall include the following:

*"I/ We understand that neither the Rights Entitlements nor the Rights Equity Shares have been, or will be, registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof (the "**United States**"), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. I/ we understand the Rights Equity Shares referred to in this application are being offered and sold (a) to persons in the United States and to U.S. Persons (as defined in Regulation S ("Regulation S") and such persons ("U.S. Persons") under the U.S. Securities Act) who are reasonably believed to be (i) "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act and referred to herein as "U.S. QIBs") and (ii) "qualified purchasers" (as defined in Section 2(a)(51) of the U.S. Investment Company Act and referred to herein as "U.S. Qualified Purchasers") pursuant to Section 4(a)(2) of the U.S. Securities Act and Section 3(c)(7) of the U.S. Investment Company Act and (b) to persons outside the United States who are non-U.S. Persons in reliance on Regulation S. I/ we understand that the Issue is not, and under no circumstances is to be construed as, an offering of any Rights Equity Shares or Rights Entitlements for sale in the United States, or as a solicitation therein of an offer to buy any of the said Rights Equity Shares or Rights Entitlements in the United States , except in each case to persons in the United States or U.S. Persons who are both U.S. QIBs and U.S. Qualified Persons. I/ we confirm that I am/ we are (a) (i) U.S. QIB and a Qualified Purchaser; or (ii) not in the United States and not a U.S. Person and in any case eligible to subscribe for the Rights Equity Shares under applicable securities laws, (b) complying with laws of jurisdictions applicable to such person in connection with the Issue, and (c) understand that neither the Company, nor the Registrar, the Lead Manager or any other person acting on behalf of the Company will accept subscriptions from any person, or the agent of any person, who appears to be, or who the Company, the Registrar, the Lead Manager or any other person acting on behalf of the Company have reason to believe is in the United States or a U.S. Person (other than a U.S. Person who is both a U.S. QIB and a U.S. Qualified Purchaser) or is outside of India and the United States and is ineligible to participate in this Issue under the securities laws of their jurisdiction.*

I/ We will not offer, sell or otherwise transfer any of the Rights Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation. I/ We satisfy, and each account for which I/ we are acting satisfies, (a) all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of my/our residence, and (b) is eligible to subscribe and is subscribing for the Rights Equity Shares and Rights Entitlements in compliance with applicable securities and other laws of our jurisdiction of residence.

I/we hereby make the representations, warranties, acknowledgments and agreements set forth in the section of the Letter of Offer titled "Restrictions on Purchases and Resales" on page 249.

I/ We understand and agree that the Rights Entitlements and Rights Equity Shares may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

I/ We acknowledge that the Company, the Lead Manager, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements."

In cases where Multiple Application Forms are submitted for Applications pertaining to Rights Entitlements credited to the same demat account including cases where an Investor submits Application Forms along with a plain paper Application, such Applications shall be liable to be rejected.

Investors are requested to strictly adhere to these instructions. Failure to do so could result in an Application being rejected, with our Company, the Lead Manager and the Registrar not having any liability to the Investor. The plain paper Application format will be available on the website of the Registrar at www.linkintime.co.in.

Our Company, the Lead Manager and the Registrar shall not be responsible if the Applications are not uploaded by the SCSB or funds are not blocked in the Investors' ASBA Accounts on or before the Issue Closing Date.

- ***Making of an Application by Eligible Equity Shareholders holding Equity Shares in physical form***

In accordance with Regulation 77A of the SEBI ICDR Regulations read with the SEBI ICDR Master Circular, the credit of Rights Entitlements and Allotment of Rights Equity Shares shall be made in dematerialised form only. Accordingly, Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date and desirous of subscribing to Rights Equity Shares in this Issue are advised to furnish the details of their demat account to the Registrar or our Company at least two clear Working Days prior to the Issue Closing Date, to enable the credit of their Rights Entitlements in their respective demat accounts at least one day before the Issue Closing Date.

Prior to the Issue Opening Date, the Rights Entitlements of those Eligible Equity Shareholders, among others, who hold Equity Shares in physical form, and/or whose demat account details are not available with our Company or the Registrar, shall be credited in a demat suspense escrow account opened by our Company.

Eligible Equity Shareholders, who hold Equity Shares in physical form as on Record Date and who have opened their demat accounts after the Record Date, shall adhere to following procedure for participating in this Issue:

(a) The Eligible Equity Shareholders shall visit https://liiplweb.linkintime.co.in/RIssue/RIssue_Register.aspx?ReqType=dpid to upload their self-attested client master sheet of their demat account and also provide the other details as required, no later than two Clear Working Days prior to the Issue Closing Date;

(b) The Registrar shall, after verifying the details of such demat account, transfer the Rights Entitlements of such Eligible Equity Shareholders to their demat accounts at least one day before the Issue Closing Date; and

(c) The remaining procedure for Application shall be same as set out in the section entitled "- *Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process*" on page 228.

Resident Eligible Equity Shareholders who hold Equity Shares in physical form as on the Record Date will not be allowed to renounce their Rights Entitlements in the Issue. However, such Eligible Equity Shareholders, where the dematerialized Rights Entitlements are transferred from the suspense escrow demat account to the respective demat accounts within prescribed timelines, can apply for Additional Rights Equity Shares while submitting the Application through ASBA process.

Application for Additional Rights Equity Shares

Investors are eligible to apply for Additional Rights Equity Shares over and above their Rights Entitlements, provided that they are eligible to apply for Equity Shares under applicable law and they have applied for all the Rights Equity Shares forming part of their Rights Entitlements without renouncing them in whole or in part. Where the number of Additional Rights Equity Shares applied for exceeds the number available for Allotment, the Allotment would be made as per the Basis of Allotment finalised in consultation with the Designated Stock Exchange. Applications for Additional Rights Equity Shares shall be considered and Allotment shall be made in accordance with the SEBI ICDR Regulations and in the manner as set out in the section entitled "- *Basis of Allotment*" on page 241.

Eligible Equity Shareholders who renounce their Rights Entitlements cannot apply for Additional Rights Equity Shares. Non-resident Renouncees who are not Eligible Equity Shareholders cannot apply for Additional Rights Equity Shares unless regulatory approvals are submitted.

Additional general instructions for Investors in relation to making of an Application

(a) Please read the Letter of Offer carefully to understand the Application process and applicable settlement process.

(b) Please read the instructions on the Application Form sent to you. Application should be complete in all respects. The Application Form found incomplete with regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form are liable to be rejected. The Application Form must be filled in English.

(c) In case of non-receipt of Application Form, Application can be made on plain paper mentioning all necessary details as mentioned under the section entitled "*Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process"* on page 228.

(d) Applications should be submitted to the Designated Branch of the SCSB or made online/electronic through the website of the SCSBs (if made available by such SCSB) for authorising such SCSB to block Application Money payable on the Application in their respective ASBA Accounts. Please note that on the Issue Closing Date, Applications through ASBA process will be uploaded until 5.00 p.m. (Indian Standard Time) or such extended time as permitted by the Stock Exchanges.

(e) Applications should not be submitted to the Bankers to the Issue, our Company or the Registrar or the Lead Manager.

(f) All Applicants, and in the case of Application in joint names, each of the joint Applicants, should mention their PAN allotted under the Income-Tax Act, irrespective of the amount of the Application. Except for Applications on behalf of the Central or the State Government, the residents of Sikkim and the officials appointed by the courts, Applications without PAN will be considered incomplete and are liable to be rejected. With effect from August 16, 2010, the demat accounts for Investors for which PAN details have not been verified shall be "suspended for credit" and no Allotment and credit of Rights Equity Shares pursuant to this Issue shall be made into the accounts of such Investors.

(g) Ensure that the demographic details such as address, PAN, DP ID, Client ID, bank account details and occupation ("**Demographic Details**") are updated, true and correct, in all respects. Investors applying under this Issue should note that on the basis of name of the Investors, DP ID and Client ID provided by them in the Application Form or the plain paper Applications, as the case may be, the Registrar will obtain Demographic Details from the Depository. Therefore, Investors applying under this Issue should carefully fill in their Depository Account details in the Application. These Demographic Details would be used for all correspondence with such Investors including mailing of the letters intimating unblocking of bank account of the respective Investor and/or refund. The Demographic Details given by the Investors in the Application Form would not be used for any other purposes by the Registrar. Hence, Investors are advised to update their Demographic Details as provided to their Depository Participants. **The Allotment Advice and the intimation on unblocking of ASBA Account or refund (if any) would be mailed to the address of the Investor as per the Indian address provided to our Company or the Registrar or Demographic Details received from the Depositories. The Registrar will give instructions to the SCSBs for unblocking funds in the ASBA Account to the extent Rights Equity Shares are not Allotted to such Investor. Please note that any such delay shall be at the sole risk of the Investors and none of our Company, the SCSBs, Registrar or the Lead Manager shall be liable to compensate the Investor for any losses caused due to any such delay or be liable to pay any interest for such delay. In case no corresponding record is available with the Depositories that match three parameters, (a) names of the Investors (including the order of names of joint holders), (b) DP ID, and (c) Client ID, then such Application Forms are liable to be rejected.**

(h) By signing the Application Forms, Investors would be deemed to have authorised the Depositories to provide, upon request, to the Registrar, the required Demographic Details as available on its records.

(i) For physical Applications through ASBA at Designated Branches of SCSB, signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in any such language or thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Investors must sign the Application as per the specimen signature recorded with the SCSB.

(j) Investors should provide correct DP ID and Client ID/ folio number (for Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date) while submitting the Application. Such DP ID and Client ID/ folio number should match the demat account details in the records available with Company and/or Registrar, failing which such Application is liable to be rejected. Investor will be solely responsible for any error or inaccurate detail provided in the Application. Our Company, the Lead Manager, SCSBs or the Registrar will not be liable for any such rejections.

(k) In case of joint holders and physical Applications through ASBA process, all joint holders must sign the relevant part of the Application Form in the same order and as per the specimen signature(s) recorded with the SCSB. In case of joint Applicants, reference, if any, will be made in the first Applicant's name and all communication will be addressed to the first Applicant.

(l) All communication in connection with Application for the Rights Equity Shares, including any change in contact details of the Eligible Equity Shareholders should be addressed to the Registrar prior to the date of Allotment in this Issue quoting the name of the first/sole Applicant, folio number (for Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date)/DP ID and Client ID and Application Form number, as applicable. In case of any change in contact details of the Eligible Equity Shareholders, the Eligible Equity Shareholders should also send the intimation for such change to the respective depository participant, or to our Company or the Registrar in case of Eligible Equity Shareholders holding Equity Shares in physical form.

(m) Investors are required to ensure that the number of Rights Equity Shares applied for by them does not exceed the prescribed limits under the applicable law.

(n) Do not apply if you are ineligible to participate in this Issue under the securities laws applicable to your jurisdiction.

(o) Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.

(p) Avoid applying on the Issue Closing Date due to risk of delay/ restrictions in making any physical Application.

(q) Do not pay the Application Money in cash, by money order, pay order or postal order.

(r) Do not submit Multiple Applications.

(s) An Applicant being an OCB is required not to be under the adverse notice of RBI and in order to apply in this Issue as an incorporated non-resident must do so in accordance with the FDI Policy and the FEMA Rules, as amended.

(t) Ensure that your PAN is linked with Aadhaar and you are in compliance with CBDT notification dated February 13, 2020 and press release dated June 25, 2021 and September 17, 2021.

- ***Grounds for Technical Rejection***

Applications made in this Issue are liable to be rejected on the following grounds:

(a) DP ID and Client ID mentioned in Application does not match with the DP ID and Client ID records available with the Registrar.

(b) Details of PAN mentioned in the Application does not match with the PAN records available with the Registrar.

(c) Sending an Application to our Company, the Lead Manager, Registrar, Bankers to the Issue, to a branch of a SCSB which is not a Designated Branch of the SCSB.

(d) Insufficient funds are available in the ASBA Account with the SCSB for blocking the Application Money.

(e) Funds in the ASBA Account whose details are mentioned in the Application Form having been frozen pursuant to regulatory orders.

(f) Account holder not signing the Application or declaration mentioned therein.

(g) Submission of more than one Application Form for Rights Entitlements available in a particular demat account.

(h) Multiple Application Forms, including cases where an Investor submits Application Forms along with a plain paper Application.

(i) Submitting the GIR number instead of the PAN (except for Applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts).

(j) Applications by persons not competent to contract under the Indian Contract Act, 1872, except Applications by minors having valid demat accounts as per the Demographic Details provided by the Depositories.

(k) Applications by SCSB on own account, other than through an ASBA Account in its own name with any other SCSB.

(l) Application Forms which are not submitted by the Investors within the time periods prescribed in the Application Form and the Letter of Offer.

(m) Physical Application Forms not duly signed by the sole or joint Investors, as applicable.

(n) Application Forms accompanied by stock invest, outstation cheques, post-dated cheques, money order, postal order or outstation demand drafts.

(o) If an Investor is (a) debarred by SEBI; or (b) if SEBI has revoked the order or has provided any interim relief then failure to attach a copy of such SEBI order allowing the Investor to subscribe to their Rights Entitlements.

(p) Applications which: (i) appears to our Company or its agents to have been executed in, electronically transmitted from or dispatched from jurisdictions where the offer and sale of the Rights Equity Shares is not permitted under laws of such jurisdictions; (ii) does not include the relevant certifications set out in the Application Form, including to the effect that the person submitting and/or renouncing the Application Form is outside the United States, and is eligible to subscribe for the Rights Equity Shares under applicable securities laws and is complying with laws of jurisdictions applicable to such person in connection with this Issue; and our Company shall not be bound to issue or allot any Rights Equity Shares in respect of any such Application Form.

(q) Applications which have evidence of being executed or made in contravention of applicable securities laws.

(r) Application from Investors that are residing in U.S. address as per the depository records (unless the Application Form is submitted by a person who is both an U.S. QIB and U.S. Qualified Purchaser in the United States).

(s) Applicants not having the requisite approvals to make Application in the Issue.

- ***Multiple Applications***

In case where multiple Applications are made using same demat account in respect of the same set of Rights Entitlement, such Applications shall be liable to be rejected. A separate Application can be made in respect of Rights Entitlements in each demat account of the Investors and such Applications shall not be treated as multiple applications. Similarly, a separate Application can be made against Equity Shares held in dematerialized form and Equity Shares held in physical form, and such Applications shall not be treated as multiple applications. Further supplementary Applications in relation to further Rights Equity Shares with/without using additional Rights Entitlement will not be treated as multiple application. A separate Application can be made in respect of each scheme of a mutual fund registered with SEBI and such Applications shall not be treated as multiple applications. For details, see "- *Procedure for Applications by Mutual Funds*" on page 233.

In cases where Multiple Application Forms are submitted, including cases where (a) an Investor submits Application Forms along with a plain paper Application or (b) multiple plain paper Applications (c) or multiple applications through ASBA, such Applications may be treated as multiple applications and are liable to be rejected or all the balance shares other than Rights Entitlement will be considered as additional shares applied for, other than multiple applications submitted by any of our Promoter or members of our Promoter Group to meet the minimum subscription requirements applicable to this Issue as described in the section entitled "*Capital Structure – Intention and extent of participation by our Promoters and Promoter Group*" on page 60.

- ***Procedure for Applications by certain categories of Investors***

Procedure for Applications by FPIs

In terms of applicable FEMA Rules and the SEBI FPI Regulations, investments by FPIs in the Equity Shares is subject to certain limits, *i.e.*, the individual holding of an FPI (including its investor group (which means multiple entities registered as foreign portfolio investors and directly and indirectly having common ownership of more than 50% of common control)) shall be below 10% of our post-Issue Equity Share capital. In case the total holding of an FPI or investor group increases beyond 10% of the total paid-up Equity Share capital of our Company, on a fully diluted basis or 10% or more of the paid-up value of any series of debentures or preference shares or share warrants that may be issued by our Company, the total investment made by the FPI or investor group will be re-classified as FDI subject to the conditions as specified by SEBI and RBI in this regard. Further, the aggregate limit of all FPIs investments is up to the sectoral cap applicable to the sector in which our Company operates.

FPIs are permitted to participate in this Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time. FPIs who wish to participate in the Issue are advised to use the Application Form for non-residents. Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 21 of the SEBI FPI Regulations, an FPI may issue, subscribe to or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by an FPI against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons registered as Category I FPI under the SEBI FPI Regulations; (ii) such offshore derivative instruments are issued only to persons who are eligible for registration as Category I FPIs (where an entity has an investment manager who is from the Financial Action Task Force member country, the investment manager shall not be required to be registered as a Category I FPI); (iii) such offshore derivative instruments are issued after compliance with 'know your client' norms; and (iv) compliance with other conditions as may be prescribed by SEBI.

An FPI issuing offshore derivative instruments is also required to ensure that any transfer of offshore derivative instruments issued by or on its behalf, is carried out subject to inter alia the following conditions:

(a) such offshore derivative instruments are transferred only to persons in accordance with the SEBI FPI Regulations; and

(b) prior consent of the FPI is obtained for such transfer, except when the persons to whom the offshore derivative instruments are to be transferred to are pre – approved by the FPI.

Procedure for Applications by AIFs, FVCIs, VCFs and FDI route

The SEBI VCF Regulations and the SEBI FVCI Regulations prescribe, among other things, the investment restrictions on VCFs and FVCIs registered with SEBI. Further, the SEBI AIF Regulations prescribe, among other things, the investment restrictions on AIFs.

As per the SEBI VCF Regulations and SEBI FVCI Regulations, VCFs and FVCIs are not permitted to invest in listed companies pursuant to rights issues. Accordingly, applications by VCFs or FVCIs will not be accepted in this Issue. Further, venture capital funds registered as Category I AIFs, as defined in the SEBI AIF Regulations, are not permitted to invest in listed companies pursuant to rights issues. Accordingly, applications by venture capital funds registered as category I AIFs, as defined in the SEBI AIF Regulations, will not be accepted in this Issue. Other categories of AIFs are permitted to apply in this Issue subject to compliance with the SEBI AIF Regulations. Such AIFs having bank accounts with SCSBs that are providing ASBA in cities / centres where such AIFs are located are mandatorily required to make use of the ASBA facility. Otherwise, applications of such AIFs are liable for rejection.

Procedure for Applications by NRIs

Investments by NRIs are governed by the FEMA Rules. Applications will not be accepted from NRIs that are ineligible to participate in this Issue under applicable securities laws.

As per the FEMA Rules, an NRI or Overseas Citizen of India ("**OCI**") may purchase or sell capital instruments of a listed Indian company on repatriation basis, on a recognised stock exchange in India, subject to the conditions, *inter alia*, that the total holding by any individual NRI or OCI will not exceed 5% of the total paid- up equity capital on a fully diluted basis or should not exceed 5% of the paid-up value of each series of debentures or preference shares or share warrants issued by an Indian company and the total holdings of all NRIs and OCIs put together will not exceed 10% of the total paid-up equity capital on a fully diluted basis or shall not exceed 10% of the paid-up value of each series of debentures or preference shares or share warrants. The aggregate ceiling of 10% may be raised to 24%, if a special resolution to that effect is passed by the general body of the Indian company.

Further, in accordance with press note 3 of 2020, the FDI Policy has been amended to state that all investments by entities incorporated in a country which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country ("**Restricted Investors**"), will require prior approval of the Government of India. It is not clear from the press note whether or not an issue of the Rights Equity Shares to Restricted Investors will also require prior approval of the Government of India and each Investor should seek independent legal advice about its ability to participate in the Issue. In the event such prior approval has been obtained, the Investor shall intimate our Company and the Registrar about such approval within the Issue Period.

Procedure for Applications by Mutual Funds

A separate application can be made in respect of each scheme of an Indian mutual fund registered with SEBI and such applications shall not be treated as multiple applications. The applications made by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which the application is being made.

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any single company provided that the limit of 10% shall not be applicable for investments in case of index funds or exchange traded funded or sector or industry specific schemes. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

*Procedure for Applications by Systemically Important Non-Banking Financial Companies ("**NBFC-SI**")*

In case of an application made by NBFC-SI registered with RBI, (a) the certificate of registration issued by RBI under Section 45IA of RBI Act, 1934 and (b) net worth certificate from its statutory auditors or any independent chartered accountant based on the last audited financial statements is required to be attached to the application.

Last date for Application

The last date for submission of the duly filled in the Application Form or a plain paper Application is [●], *i.e.*, Issue Closing Date. Our Board or any committee thereof may extend the said date for such period as it may determine from time to time, subject to the Issue Period not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Opening Date).

If the Application Form is not submitted with an SCSB, uploaded with the Stock Exchanges and the Application Money is not blocked with the SCSB, on or before the Issue Closing Date or such date as may be extended by our Board or any committee thereof, the invitation to offer contained in the Letter of Offer shall be deemed to have been declined and our Board or any committee thereof shall be at liberty to dispose of the Equity Shares hereby offered, as set out in the section entitled "- *Basis of Allotment*" on page 241.

Please note that on the Issue Closing Date, Applications through ASBA process will be uploaded until 5.00 p.m. (Indian Standard Time) or such extended time as permitted by the Stock Exchanges.

Please ensure that the Application Form and necessary details are filled in. In place of Application number, Investors can mention the reference number of the e-mail received from Registrar informing about their Rights Entitlement or last eight digits of the demat account. Alternatively, SCSBs may mention their internal reference number in place of application number.

Withdrawal of Application

An Investor who has applied in this Issue may withdraw their Application at any time during Issue Period by approaching the SCSB where application is submitted. However, no Investor applying through ASBA facility may withdraw their Application post 5.00 p.m. (Indian Standard Time) on the Issue Closing Date.

Disposal of Application and Application Money

No acknowledgment will be issued for the Application Money received by our Company. However, the Designated Branches of the SCSBs receiving the Application Form will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each Application Form.

Our Board or a committee thereof reserves its full, unqualified and absolute right to accept or reject any Application, in whole or in part, and in either case without assigning any reason thereto.

In case an Application is rejected in full, the whole of the Application Money will be unblocked in the respective ASBA Accounts, in case of Applications through ASBA. Wherever an Application is rejected in part, the balance of Application Money, if any, after adjusting any money due on Rights Equity Shares Allotted, will be refunded / unblocked in the respective bank accounts from which Application Money was received / ASBA Accounts of the Investor within a period of 4 days from the Issue Closing Date. In case of failure to do so, our Company shall pay interest at such rate and within such time as specified under applicable law.

For further instructions, please read the Application Form carefully.

III. CREDIT OF RIGHTS ENTITLEMENTS IN DEMAT ACCOUNTS OF ELIGIBLE EQUITY SHAREHOLDERS

- ***Rights Entitlements***

As your name appears as a beneficial owner in respect of the issued and paid-up Equity Shares held in dematerialised form or appears in the register of members of our Company as an Eligible Equity Shareholder in respect of our Equity Shares held in physical form, as on the Record Date, you may be entitled to subscribe to the number of Rights Equity Shares as set out in the Rights Entitlement Letter.

Eligible Equity Shareholders can also obtain the details of their respective Rights Entitlements from the website of the Registrar (*i.e.*, *www.linkintime.co.in*) by entering their DP ID and Client ID or folio number (for Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date) and PAN. The link for the same shall also be available on the website of our Company (*i.e.*, *www.fusionfin.com*).

In this regard, our Company has made necessary arrangements with NSDL and CDSL for crediting of the Rights Entitlements to the demat accounts of the Eligible Equity Shareholders in a dematerialized form. A separate ISIN for the Rights Entitlements has also been generated which is ISIN: [●]. The said ISIN shall remain frozen (for debit) until the Issue Opening Date. The said ISIN shall be suspended for transfer by the Depositories post the Issue Closing Date.

Additionally, our Company will submit the details of the total Rights Entitlements credited to the demat accounts of the Eligible Equity Shareholders and the Demat Suspense Account to the Stock Exchanges after completing the corporate action. The details of the Rights Entitlements with respect to each Eligible Equity Shareholders can be accessed by such respective Eligible Equity Shareholders on the website of the Registrar after keying in their respective details along with other security control measures implemented thereat.

Rights Entitlements shall be credited to the respective demat accounts of Eligible Equity Shareholders before the Issue Opening Date only in dematerialised form. Further, if no Application is made by the Eligible Equity Shareholders of Rights Entitlements on or before Issue Closing Date, such Rights Entitlements shall lapse and shall be extinguished after the Issue Closing Date. No Rights Equity Shares for such lapsed Rights Entitlements will be credited, even if such Rights Entitlements were purchased from market and purchaser will lose the premium paid to acquire the Rights Entitlements. Persons who are credited the Rights Entitlements are required to make an Application to apply for Rights Equity Shares offered under the Issue for subscribing to the Rights Equity Shares offered under the Issue.

If Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date, have not provided the details of their demat accounts to our Company or to the Registrar, they are required to provide their demat account details to our Company or the Registrar no later than two clear Working Days prior to the Issue Closing Date, to enable the credit of the Rights Entitlements by way of transfer from the Demat Suspense Account to their respective demat accounts, at least one day before the Issue Closing Date. Such Eligible Equity Shareholders holding shares in physical form can update the details of their respective demat accounts on the website of the Registrar (*i.e. https://liiplweb.linkintime.co.in/RIssue/RIssue_Register.aspx?ReqType=dpid)*. Such Eligible Equity Shareholders can make an Application only after the Rights Entitlements is credited to their respective demat accounts.

In accordance with Regulation 77A of the SEBI ICDR Regulations read with the SEBI ICDR Master Circular, the credit of Rights Entitlements and Allotment of Rights Equity Shares shall be made in dematerialized form only. Prior to the Issue Opening Date, our Company shall credit the Rights Entitlements to the (i) demat accounts of the Eligible Equity Shareholders holding the Equity Shares in dematerialised form; and (ii) a demat suspense escrow account (namely, "[●]") opened by our Company, for the Eligible Equity Shareholders which would comprise Rights Entitlements relating to (a) Equity Shares held in the account of the IEPF authority; or (b) the demat accounts of the Eligible Equity Shareholder which are frozen or the Equity Shares which are lying in the unclaimed suspense account (including those pursuant to Regulation 39 of the SEBI Listing Regulations) or details of which are unavailable with our Company or with the Registrar on the Record Date; or (c) Equity Shares held by Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date where details of demat accounts are not provided by Eligible Equity Shareholders to our Company or Registrar; or (d) credit of the Rights Entitlements returned/reversed/failed; or (e) the ownership of the Equity Shares currently under dispute, including any court proceedings, if any; or (f) non-institutional equity shareholders in the United States.

Eligible Equity Shareholders are requested to provide relevant details (such as copies of self-attested PAN and client master sheet of demat account etc., details/ records confirming the legal and beneficial ownership of their respective Equity Shares) to our Company or the Registrar not later than two clear Working Days prior to the Issue Closing Date, i.e., by [●] to enable the credit of their Rights Entitlements by way of transfer from the demat suspense escrow account to their demat account at least one day before the Issue Closing Date, to enable such Eligible Equity Shareholders to make an application in the Issue, and this communication shall serve as an intimation to such Eligible Equity Shareholders in this regard. Such Eligible Equity Shareholders are also requested to ensure that their demat account, details of which have been provided to our Company or the Registrar account is active to facilitate the aforementioned transfer.

IV. RENUNCIATION AND TRADING OF RIGHTS ENTITLEMENT

- ***Renouncees***

All rights and obligations of the Eligible Equity Shareholders in relation to Applications and refunds pertaining to this Issue shall apply to the Renouncee(s) as well.

- ***Renunciation of Rights Entitlements***

This Issue includes a right exercisable by Eligible Equity Shareholders to renounce the Rights Entitlements credited to their respective demat account either in full or in part.

The renunciation from non-resident Eligible Equity Shareholder(s) to resident Indian(s) and *vice versa* shall be subject to provisions of FEMA Rules and other circular, directions, or guidelines issued by RBI or the Ministry of Finance from time to time. However, the facility of renunciation shall not be available to or operate in favour of an Eligible Equity Shareholders being an erstwhile OCB unless the same is in compliance with the FEMA Rules and other circular, directions, or guidelines issued by RBI or the Ministry of Finance from time to time.

The renunciation of Rights Entitlements credited in your demat account can be made either by sale of such Rights Entitlements, using the secondary market platform of the Stock Exchanges or through an off-market transfer.

- ***Procedure for Renunciation of Rights Entitlements***

The Eligible Equity Shareholders may renounce the Rights Entitlements, credited to their respective demat accounts, either in full or in part (a) by using the secondary market platform of the Stock Exchanges (the "**On Market Renunciation**"); or (b) through an off-market transfer (the "**Off Market Renunciation**"), during the Renunciation Period. The Investors should have the demat Rights Entitlements credited / lying in his/her own demat account prior to the renunciation. The trades through On Market Renunciation and Off Market Renunciation will be settled by transferring the Rights Entitlements through the depository mechanism.

Investors may be subject to adverse foreign, state or local tax or legal consequences as a result of trading in the Rights Entitlements. Investors who intend to trade in the Rights Entitlements should consult their tax advisor or stock-broker regarding any cost, applicable taxes, charges and expenses (including brokerage) that may be levied for trading in Rights Entitlements.

Please note that the Rights Entitlements which are neither renounced nor subscribed by the Investors on or before the Issue Closing Date shall lapse and shall be extinguished after the Issue Closing Date.

Payment Schedule of Rights Equity Shares

₹[●] per Rights Equity Share (including premium of ₹[●] per Rights Equity Share) shall be payable as follows:

Due Date	Face Value (₹)^	Premium (₹)^	Total (₹)^
On Application	[●]	[●]	[●] (1)
One or more subsequent Call(s), with terms and conditions such as the number of Calls and the timing and quantum of each Call as may be decided by our Board/ Rights Issue Committee from time to time, to be completed on or prior to [●]	[●]	[●]	[●](2)
Total (₹)	**10.00**	[●]	[●]

^ *To be finalised upon determination of the Issue Price*
(1) Constitutes [●]% of the Issue Price.
(2) Constitutes [●]% of the Issue Price.

The Lead Manager and our Company accept no responsibility to bear or pay any cost, applicable taxes, charges and expenses (including brokerage), and such costs will be incurred solely by the Investors.

(a) On Market Renunciation

The Eligible Equity Shareholders may renounce the Rights Entitlements, credited to their respective demat accounts by trading/selling them on the secondary market platform of the Stock Exchanges through a registered stock-broker in the same manner as the existing Equity Shares of our Company.

In this regard, in terms of provisions of the SEBI ICDR Regulations and the SEBI ICDR Master Circular, the Rights Entitlements credited to the respective demat accounts of the Eligible Equity Shareholders shall be admitted for trading on the Stock Exchanges under ISIN: [●] subject to requisite approvals. Prior to the Issue Opening Date, our Company will obtain the approval from the Stock Exchanges for trading of Rights Entitlements. No assurance can be given regarding the active or sustained On Market Renunciation or the price at which the Rights Entitlements will trade. The details for trading in Rights Entitlements will be as specified by the Stock Exchanges from time to time.

The Rights Entitlements are tradable in dematerialized form only. The market lot for trading of Rights Entitlements is 1 (one) Rights Entitlements.

The On Market Renunciation shall take place only during the Renunciation Period for On Market Renunciation, *i.e.*, from [●] to [●] (both days inclusive).

The Investors holding the Rights Entitlements who desire to sell their Rights Entitlements will have to do so through their registered stock-brokers by quoting the ISIN: [●] and indicating the details of the Rights Entitlements they intend to trade. The Investors can place order for sale of Rights Entitlements only to the extent of Rights Entitlements available in their demat account.

The On Market Renunciation shall take place electronically on secondary market platform of BSE and NSE under automatic order matching mechanism and on 'T+2 rolling settlement basis', where 'T' refers to the date of trading. The transactions will be settled on trade-for-trade basis. Upon execution of the order, the stock-broker will issue a contract note in accordance with the requirements of the Stock Exchanges and the SEBI.

(b) Off Market Renunciation

The Eligible Equity Shareholders may renounce the Rights Entitlements, credited to their respective demat accounts by way of an off-market transfer through a depository participant. The Rights Entitlements can be transferred in dematerialised form only.

Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncees on or prior to the Issue Closing Date to enable Renouncees to subscribe to the Rights Equity Shares in the Issue.

The Investors holding the Rights Entitlements who desire to transfer their Rights Entitlements will have to do so through their depository participant by issuing a delivery instruction slip quoting the ISIN: [●], the details of the buyer and the details of the Rights Entitlements they intend to transfer. The buyer of the Rights Entitlements (unless already having given a standing receipt instruction) has to issue a receipt instruction slip to their depository participant. The Investors can transfer Rights Entitlements only to the extent of Rights Entitlements available in their demat account.

The instructions for transfer of Rights Entitlements can be issued during the working hours of the depository participants.

The detailed rules for transfer of Rights Entitlements through off-market transfer shall be as specified by the NSDL and CDSL from time to time.

V. MODE OF PAYMENT

All payments against the Application Forms shall be made only through ASBA facility. The Registrar will not accept any payments against the Application Forms, if such payments are not made through ASBA facility.

Under the ASBA facility, the Investor agrees to block the entire amount payable on Application with the submission of the Application Form, by authorizing the SCSB to block an amount, equivalent to the amount payable on Application, in the Investor's ASBA Account. The SCSB may reject the application at the time of acceptance of Application Form if the ASBA Account, details of which have been provided by the Investor in the Application Form does not have sufficient funds equivalent to the amount payable on Application mentioned in the Application Form. Subsequent to the acceptance of the Application by the SCSB, our Company would have a right to reject the Application on technical grounds as set forth in this Draft Letter of Offer and the Letter of Offer.

After verifying that sufficient funds are available in the ASBA Account details of which are provided in the Application Form, the SCSB shall block an amount equivalent to the Application Money mentioned in the Application Form until the Transfer Date. On the Transfer Date, upon receipt of intimation from the Registrar, of the receipt of minimum subscription and pursuant to the finalization of the Basis of Allotment as approved by the Designated Stock Exchange, the SCSBs shall transfer such amount as per the Registrar's instruction from the ASBA Account into the Allotment Account(s) which shall be a separate bank account maintained by our Company, other than the bank account referred to in sub-section (3) of Section 40 of the Companies Act, 2013. The balance amount remaining after the finalisation of the Basis of Allotment on the Transfer Date shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the respective SCSB.

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003- 04 dated November 5, 2003, the stock invest scheme has been withdrawn. Hence, payment through stock invest would not be accepted in this Issue.

Mode of payment for Resident Investors

All payments on the Application Forms shall be made only through ASBA facility. Applicants are requested to strictly adhere to these instructions.

Mode of payment for Non-Resident Investors

As regards the Application by non-resident Investors, payment must be made only through ASBA facility and using permissible accounts in accordance with FEMA, FEMA Rules and requirements prescribed by RBI and subject to the following:

1. In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Rights Equity Shares can be remitted outside India, subject to tax, as applicable according to the Income-Tax Act. However, please note that conditions applicable at the time of original investment in our Company by the Eligible Equity Shareholder including repatriation shall not change and remain the same for subscription in the Issue or subscription pursuant to renunciation in the Issue.

2. Subject to the above, in case Rights Equity Shares are Allotted on a non-repatriation basis, the dividend and sale proceeds of the Rights Equity Shares cannot be remitted outside India.

3. In case of an Application Form received from non-residents, Allotment, refunds and other distribution, if any, will be made in accordance with the guidelines and rules prescribed by RBI as applicable at the time of making such Allotment, remittance and subject to necessary approvals.

4. Application Forms received from non-residents/ NRIs, or persons of Indian origin residing abroad for Allotment of Rights Equity Shares shall, amongst other things, be subject to conditions, as may be imposed from time to time by RBI under FEMA, in respect of matters including Refund of Application Money and Allotment.

5. In the case of NRIs who remit their Application Money from funds held in FCNR/NRE Accounts, refunds and other disbursements, if any shall be credited to such account.

6. Non-resident Renouncees who are not Eligible Equity Shareholders must submit regulatory approval for applying for Additional Rights Equity Shares.

VI. BASIS FOR THIS ISSUE AND TERMS OF THIS ISSUE

The Rights Equity Shares are being offered for subscription to the Eligible Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the Depositories in respect of our Equity Shares held in dematerialised form and on the register of members of our Company in respect of our Equity Shares held in physical form at the close of business hours on the Record Date.

For principal terms of Issue such as face value, Issue Price, Rights Entitlement, see "*The Issue*" beginning on page 52.

- ***Fractional Entitlements***

  The Rights Equity Shares are being offered on a rights basis to Eligible Equity Shareholders in the ratio of [●] ([●]) Equity Share for every [●] ([●]) Equity Shares of face value of ₹10 each held on the Record Date. For Equity Shares being offered on a rights basis under this Issue, if the shareholding of any of the Eligible Equity Shareholders is less than [●] ([●]) Equity Shares of face value of ₹10 each or not in the multiple of [●], the fractional entitlement of such Eligible Equity Shareholders shall be ignored in the computation of the Rights Entitlement. However, the Eligible Equity Shareholders whose fractional entitlements are being ignored, will be given preferential consideration for the allotment of one additional Equity Share each if they apply for additional Equity Shares over and above their Rights Entitlement, if any, subject to availability of Rights Equity Shares in the Issue post allocation towards Rights Entitlement applied for.

  Further, the Eligible Equity Shareholders holding less than [●] ([●]) Equity Shares of face value of ₹10 each as on Record Date shall have 'zero' entitlement in the Issue. Such Eligible Equity Shareholders are entitled to apply for additional Equity Shares and will be given preference in the allotment of one additional Equity Share if, such Eligible Equity Shareholders apply for the additional Equity Shares. However, they cannot renounce the same in favour of third parties and the application forms shall be non-negotiable.

- ***Ranking***

  The Rights Equity Shares to be issued and Allotted pursuant to this Issue shall be subject to the provisions of this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form, and the Memorandum of Association and the Articles of Association, the provisions of the Companies Act, 2013, FEMA, the SEBI ICDR Regulations, the SEBI Listing Regulations, and the guidelines, notifications and regulations issued by SEBI, the Government of India and other statutory and regulatory authorities from time to time, the terms of the Listing Agreements entered into by our Company with the Stock Exchanges and the terms and conditions as stipulated in the Allotment advice. The Rights Equity Shares to be issued and Allotted under this Issue, shall rank *pari passu* with the existing Equity Shares, in all respects including dividends.

- ***Listing and trading of the Rights Equity Shares to be issued pursuant to this Issue***

  Subject to receipt of the listing and trading approvals, the Rights Equity Shares proposed to be issued on a rights basis shall be listed and admitted for trading on the Stock Exchanges. Unless otherwise permitted by the SEBI ICDR Regulations, the Rights Equity Shares Allotted pursuant to this Issue will be listed as soon as practicable and all steps for completion of necessary formalities for listing and commencement of trading in the Rights Equity Shares will be taken within such period prescribed under the SEBI ICDR Regulations. Our Company has received in-principle approval from the BSE through letter bearing reference number [●] dated [●] and from the NSE through letter bearing reference number [●] dated [●]. Our Company will apply to the Stock Exchanges for final approvals for the listing and trading of the Rights Equity Shares subsequent to their Allotment. No assurance can be given regarding the active or sustained trading in the Rights Equity Shares or the price at which the Rights Equity Shares offered under this Issue will trade after the listing thereof.

  For an applicable period, from the Call Record Date, the trading of the Rights Equity Shares would be suspended under the applicable law. The process of corporate action for crediting the fully paid-up Rights Equity Shares to the Investors' demat accounts may take such time as is customary or as prescribed under applicable law from the last date of payment of the amount under the Call notice for the final Call.

  The existing Equity Shares are listed and traded on BSE (Scrip Code: 543652) and NSE (Symbol: FUSION) under the ISIN: INE139R01012. The Rights Equity Shares shall be credited to a temporary ISIN which will be frozen until the receipt of the final listing/ trading approvals from the Stock Exchanges. Upon receipt of such listing and trading approvals, the Rights Equity Shares shall be debited from such temporary ISIN and credited to the new ISIN for the Rights Equity Shares and thereafter be available for trading and the temporary ISIN shall be permanently deactivated in the depository system of CDSL and NSDL.

The listing and trading of the Rights Equity Shares issued pursuant to this Issue shall be based on the current regulatory framework then applicable. Accordingly, any change in the regulatory regime would affect the listing and trading schedule.

In case our Company fails to obtain listing or trading permission from the Stock Exchanges, our Company shall refund through verifiable means/unblock the respective ASBA Accounts, the entire monies received/blocked within four days of receipt of intimation from the Stock Exchanges, rejecting the application for listing of the Rights Equity Shares, and if any such money is not refunded/ unblocked within fifteen days after our Company becomes liable to repay it, our Company and every director of our Company who is an officer-in-default shall, on and from the expiry of the fourth day, be jointly and severally liable to repay that money with interest at rates prescribed under applicable law.

- ***Subscription to this Issue by our Promoter and members of our Promoter Group***

For details of the intent and extent of subscription by our Promoter and members of our Promoter Group, see "*Capital Structure – Intention and extent of participation by our Promoters and Promoter Group*" on page 60.

- ***Rights of Holders of Equity Shares of our Company***

Subject to applicable laws, Equity Shareholders who have been Allotted Rights Equity Shares pursuant to the Issue shall have the following rights:

(a) The right to receive dividend, if declared;

(b) The right to receive surplus on liquidation;

(c) The right to receive offers for rights shares and be allotted bonus shares, if announced;

(d) The right to free transferability of Rights Equity Shares;

(e) The right to attend general meetings of our Company and exercise voting powers in accordance with law, unless prohibited / restricted by law and as disclosed in this Draft Letter of Offer; and

(f) Such other rights as may be available to a shareholder of a listed public company under the Companies Act, 2013, the Memorandum of Association and the Articles of Association.

VII. GENERAL TERMS OF THE ISSUE

- ***Market Lot***

The Equity Shares of our Company shall be tradable only in dematerialized form. The market lot for Equity Shares in dematerialised mode is one Equity Share.

- ***Joint Holders***

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as the joint holders with the benefit of survivorship subject to the provisions contained in our Articles of Association. In case of Equity Shares held by joint holders, the Application submitted in physical mode to the Designated Branch of the SCSBs would be required to be signed by all the joint holders (in the same order as appearing in the records of the Depository) to be considered as valid for allotment of Equity Shares offered in this Issue.

- ***Nomination***

Nomination facility is available in respect of the Equity Shares in accordance with the provisions of the Section 72 of the Companies Act, 2013 read with Rule 19 of the Companies (Share Capital and Debenture) Rules, 2014.

Since the Allotment is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be Allotted in this Issue. Nominations registered with the respective DPs of the Investors would prevail. Any Investor holding Equity Shares in dematerialised form and desirous of changing the existing nomination is requested to inform its Depository Participant.

- ***Arrangements for Disposal of Odd Lots***

  The Equity Shares shall be traded in dematerialised form only and, therefore, the marketable lot shall be one Equity Share and hence, no arrangements for disposal of odd lots are required.

- ***Restrictions on transfer and transmission of shares and on their consolidation/splitting***

  There are no restrictions on transfer and transmission and on their consolidation/splitting of shares issued pursuant this Issue. However, the Investors should note that pursuant to the provisions of the SEBI Listing Regulations, with effect from April 1, 2019, except in case of transmission or transposition of securities, the request for transfer of securities shall not be affected unless the securities are held in the dematerialized form with a depository.

- ***Notices***

  Our Company will send through email and speed post, the Letter of Offer, Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material only to the Eligible Equity Shareholders who have provided Indian address. In case such Eligible Equity Shareholders have provided their valid e-mail address, the Letter of Offer, Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Letter of Offer, Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be physically dispatched, on a reasonable effort basis, to the Indian addresses provided by them.

  Further, the Letter of Offer will be sent/ dispatched to the Eligible Equity Shareholders who have provided their Indian address and who have made a request in this regard.

  All notices to the Eligible Equity Shareholders required to be given by our Company shall be published in one English language national daily newspaper with wide circulation, one Hindi language national daily newspaper with wide circulation (Hindi also being the regional language of New Delhi, where our Registered Office is situated).

  This Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer and the Application Form shall also be submitted with the Stock Exchanges for making the same available on their websites.

- ***Offer to Non-Resident Eligible Equity Shareholders/Investors***

  As per Rule 7 of the FEMA Rules, RBI has given general permission to Indian companies to issue rights equity shares to non-resident equity shareholders including additional rights equity shares. Further, as per the Master Direction on Foreign Investment in India dated January 4, 2018 issued by RBI, non-residents may, amongst other things, (i) subscribe for additional shares over and above their rights entitlements; (ii) renounce the shares offered to them either in full or part thereof in favour of a person named by them; or (iii) apply for the shares renounced in their favour. Applications received from NRIs and non-residents for allotment of Rights Equity Shares shall be, amongst other things, subject to the conditions imposed from time to time by RBI under FEMA in the matter of Application, refund of Application Money, Allotment of Rights Equity Shares and issue of Rights Entitlement Letters/ letters of Allotment/Allotment advice. If a non-resident or NRI Investor has specific approval from RBI or any other governmental authority, in connection with his shareholding in our Company, such person should enclose a copy of such approval with the Application details and send it to the Registrar at C-101, 1st Floor, 247 Park, Lal Bahadur Shastri Marg, Vikhroli (West), Mumbai 400 083, Maharashtra, India. It will be the sole responsibility of the Investors to ensure that the necessary approval from the RBI or the governmental authority is valid in order to make any investment in the Issue and the Lead Manager and our Company will not be responsible for any such allotments made by relying on such approvals.

  The Letter of Offer, Abridged Letter of Offer, the Rights Entitlement Letter and Application Form shall be sent only to the Indian addresses of the non-resident Eligible Equity Shareholders on a reasonable efforts basis, who have provided an Indian address to our Company and located in jurisdictions where the offer and sale of the Rights Equity Shares may be permitted under laws of such jurisdictions. Eligible Equity Shareholders can access this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer and the Application Form (provided that the Eligible Equity Shareholder is eligible to subscribe for the Rights Equity Shares under applicable securities laws) from the websites of the Registrar, our Company, the Lead Manager and the Stock Exchanges. Further, Application Forms will be made available at Registered and Corporate Office of our Company for the non-resident Indian Applicants. Our Board may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the Allotment. The Rights Equity Shares purchased by non-residents shall be subject to the same conditions including restrictions in regard to the repatriation as are applicable to the original Equity Shares against which Rights Equity Shares are issued on rights basis.

In case of change of status of holders, *i.e.*, from resident to non-resident, a new demat account must be opened. Any Application from a demat account which does not reflect the accurate status of the Applicant is liable to be rejected at the sole discretion of our Company and the Lead Manager.

The non-resident Eligible Equity Shareholders can update their Indian address in the records maintained by the Registrar to the Issue and our Company by submitting their respective copies of self-attested proof of address, passport, etc. at fusionfinance.rights@linkintime.co.in / investor.relations@fusionfin.com.

ALLOTMENT OF THE RIGHTS EQUITY SHARES IN DEMATERIALIZED FORM

PLEASE NOTE THAT THE RIGHTS EQUITY SHARES APPLIED FOR IN THIS ISSUE CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH OUR EQUITY SHARES ARE HELD BY SUCH INVESTOR ON THE RECORD DATE. FOR DETAILS, SEE "*ALLOTMENT ADVICE OR REFUND/ UNBLOCKING OF ASBA ACCOUNTS*" ON PAGE 242.

VIII. ISSUE SCHEDULE

LAST DATE FOR CREDIT OF RIGHTS ENTITLEMENTS	[●]
ISSUE OPENING DATE	[●]
LAST DATE FOR ON MARKET RENUNCIATION OF RIGHTS ENTITLEMENTS #	[●]
ISSUE CLOSING DATE*	[●]
FINALISATION OF BASIS OF ALLOTMENT (ON OR ABOUT)	[●]
DATE OF ALLOTMENT (ON OR ABOUT)	[●]
DATE OF CREDIT (ON OR ABOUT)	[●]
DATE OF LISTING (ON OR ABOUT)	[●]

\# *Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncees on or prior to the Issue Closing Date.*

* *Our Board or the Rights Issue Committee will have the right to extend the Issue Period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Opening Date). Further, no withdrawal of Application shall be permitted by any Applicant after the Issue Closing Date.*

Please note that if Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date, have not provided the details of their demat accounts to our Company or to the Registrar, they are required to provide their demat account details to our Company or the Registrar no later than two clear Working Days prior to the Issue Closing Date, *i.e.*, [●], to enable the credit of the Rights Entitlements by way of transfer from the demat suspense escrow account to their respective demat accounts, at least one day before the Issue Closing Date, *i.e.*, [●]. If demat account details are not provided by the Eligible Equity Shareholders holding Equity Shares in physical form to the Registrar or our Company by the date mentioned above, such Shareholders will not be allotted any Rights Equity Shares, nor such Rights Equity Shares be kept in suspense account on behalf of such shareholder in this regard. Such Eligible Equity Shareholders are also requested to ensure that their demat account, details of which have been provided to our Company or the Registrar, is active to facilitate the aforementioned transfer. Eligible Equity Shareholders holding Equity Shares in physical form can update the details of their demat accounts on the website of the Registrar (i.e., www.linkintime.co.in). Such Eligible Equity Shareholders can make an Application only after the Rights Entitlements is credited to their respective demat accounts. Eligible Equity Shareholders can obtain the details of their Rights Entitlements from the website of the Registrar (i.e., www.linkintime.co.in) by entering their DP ID and Client ID or Folio Number (in case of Eligible Equity Shareholders holding Equity Shares in physical form) and PAN. The link for the same shall also be available on the website of our Company.

IX. BASIS OF ALLOTMENT

Subject to the provisions contained in this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form, the Articles of Association and the approval of the Designated Stock Exchange, our Board will proceed to Allot the Rights Equity Shares in the following order of priority:

(a) Full Allotment to those Eligible Equity Shareholders who have applied for their Rights Entitlements of Rights Equity Shares either in full or in part and also to the Renouncee(s) who has or have applied for Rights Equity Shares renounced in their favour, in full or in part.

(b) Eligible Equity Shareholders whose fractional entitlements are being ignored and Eligible Equity Shareholders with zero entitlement, would be given preference in allotment of one Additional Rights Equity Share each if they apply for Additional Rights Equity Shares. Allotment under this head shall be considered if there are any unsubscribed Rights Equity Shares after allotment under (a) above. If number of Rights Equity Shares required for Allotment under this head are more than the number of Rights Equity Shares available after Allotment under (a) above, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange and will not be a preferential allotment.

(c) Allotment to the Eligible Equity Shareholders who having applied for all the Rights Equity Shares offered to them as part of this Issue, have also applied for Additional Rights Equity Shares. The Allotment of such Additional Rights Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there are any unsubscribed Rights Equity Shares after making full Allotment in (a) and (b) above. The Allotment of such Rights Equity Shares will be at the sole discretion of our Board in consultation with the Designated Stock Exchange, as a part of this Issue and will not be a preferential allotment.

(d) Allotment to Renouncees who having applied for all the Rights Equity Shares renounced in their favour, have applied for Additional Rights Equity Shares provided there is surplus available after making full Allotment under (a), (b) and (c) above. The Allotment of such Rights Equity Shares will be made on a proportionate basis having due regard to the number of Rights Entitlement held by them as on Issue Closing Date and in consultation with the Designated Stock Exchange, as a part of this Issue and will not be a preferential allotment.

(e) Allotment to any other person, subject to applicable laws, that our Board may deem fit, provided there is surplus available after making Allotment under (a), (b), (c) and (d) above, and the decision of our Board in this regard shall be final and binding.

After taking into account Allotment to be made under (a) to (d) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed'.

Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar shall send to the Controlling Branches, a list of the Investors who have been allocated Rights Equity Shares in this Issue, along with:

1. The amount to be transferred from the ASBA Account to the separate bank account opened by our Company for this Issue, for each successful Application;

2. The date by which the funds referred to above, shall be transferred to the aforesaid bank account; and

3. The details of rejected ASBA applications, if any, to enable the SCSBs to unblock the respective ASBA Accounts.

4. Further, the list of Applicants eligible for refund with corresponding amount will also be shared with Banker to the Issue to refund such Applicants.

X. ALLOTMENT ADVICE OR REFUND/ UNBLOCKING OF ASBA ACCOUNTS

Our Company will send/ dispatch Allotment advice, refund intimations, if applicable, or demat credit of securities and/or letters of regret, only to the Eligible Equity Shareholders who have provided Indian address; along with crediting the Allotted Rights Equity Shares to the respective beneficiary accounts (only in dematerialised mode) or in Demat Suspense Account (in respect of Eligible Equity Shareholders holding Equity Shares in physical form on the Allotment Date) or issue instructions for unblocking the funds in the respective ASBA Accounts, if any, within a period of 15 days from the Issue Closing Date. In case of failure to do so, our Company and our Directors who are "officers in default" shall pay interest at such other rate as specified under applicable law from the expiry of such 15 days' period.

The Rights Entitlements will be credited in the dematerialized form using electronic credit under the depository system and the Allotment advice shall be sent, through a mail, to the Indian mail address provided to our Company or at the address recorded with the Depository.

In the case of non-resident Investors who remit their Application Money from funds held in the NRE or the FCNR Accounts, unblocking refunds and/or payment of interest or dividend and other disbursements, if any, shall be credited to such accounts.

Where an Applicant has applied for Additional Rights Equity Shares in the Issue and is Allotted a lesser number of Rights Equity Shares than applied for, the excess Application Money paid/blocked shall be refunded/unblocked. The unblocking of ASBA funds / refund of monies shall be completed be within such period as prescribed under the SEBI ICDR Regulations. In the event that there is a delay in making refunds beyond such period as prescribed under applicable law, our Company shall pay the requisite interest at such rate as prescribed under applicable law.

Payment Terms

₹[●] per Rights Equity Share (including premium of ₹[●] per Rights Equity Share) shall be payable as follows:

Due Date	Face Value (₹)^	Premium (₹)^	Total (₹)^
On Application	[●]	[●]	[●] (1)
One or more subsequent Call(s), with terms and conditions such as the number of Calls and the timing and quantum of each Call as may be decided by our Board/ Rights Issue Committee from time to time, to be completed on or prior to [●]	[●]	[●]	[●](2)
Total (₹)	**10.00**	[●]	[●]

^ *To be finalised upon determination of the Issue Price*
(1) *Constitutes [●]% of the Issue Price.*
(2) *Constitutes [●]% of the Issue Price.*

Rights Equity Shares in respect of which the Calls payable remains unpaid may be forfeited, after the due date for payment of the balance amount due in accordance with the Companies Act, 2013 and our Articles of Association.

Record date for Calls and suspension of trading

Our Company would fix a Call Record Date giving notice, in advance of such period as may be prescribed under applicable law, to the Stock Exchanges for the purpose of determining the list of Rights Equity Shareholders to whom the notice for the Calls would be sent. Once the Call Record Date has been fixed, trading in the Rights Equity Shares for which the Call has been made may be suspended prior to the Call Record Date.

Procedure for Calls for Rights Equity Shares

Our Board or the Rights Issue Committee will pass the required resolutions for making the Calls and suitable intimation would be given by our Company to the Stock Exchanges. Further, advertisements for the same will be published in (i) one English national daily newspaper; and (ii) one Hindi language national daily newspaper (Hindi being the regional language of Delhi, where our Registered Office is situated), all with wide circulation.

Our Board or Rights Issue Committee may determine the date on which the Calls shall be made and if no such date is determined then the Calls shall be deemed to have been made at the time when the resolution authorising such Calls are passed at the meeting of our Board or Rights Issue Committee, as the case may be. The Calls may be revoked or postponed at the discretion of our Board or Rights Issue Committee. Our Board or Rights Issue Committee may make one or more subsequent Call(s), with terms and conditions such as the number of Calls and the timing and quantum of each Call as may be decided by our Board/ Rights Issue Committee from time to time to be completed on or prior to [●]. While our Company intends to complete the Calls on or prior to [●], our Board or Rights Issue Committee, may at its sole discretion extend such timeline post [●], pursuant to market and other applicable considerations. Pursuant to the provisions of the Articles of Association, the Investors would be given at least 14 days' notice for the payment of the Calls. Our Board or Rights Issue Committee may, from time to time at its discretion, extend the time fixed for the payments of the Calls. Our Company, at its sole discretion and as it may deem fit, may send one or more reminders for the Calls, and if it does not receive the Call Money as per the timelines stipulated unless extended by our Board or Rights Issue Committee, the defaulting Rights Equity Shareholders will be liable to pay interest as may be fixed by our Board unless waived or our Company may forfeit such Rights Equity Shares in respect of which the Calls payable remains unpaid in accordance with the Companies Act, 2013 and our Articles of Association. Pursuant to the provisions of the Articles of Association, our Company will give at least 14 days' notice to the Rights Equity Shareholders to make the payment of the unpaid Call Monies (including interest accrued and expenses incurred due to such non-payment) before forfeiting such Rights Equity Shares.

Payment of Call Money

In accordance with the SEBI ICDR Master Circular, with respect to additional payment mechanism (i.e. ASBA, etc.) for payment of balance money in calls for partly paid specified securities issued by the listed entity, the Investor may make payment of the Call Money using ASBA Mechanism through the Designated Branch of the SCSB or through online/electronic through the website of the SCSBs (if made available by such SCSB) by authorizing the SCSB to block an amount, equivalent to the amount payable on Call Money, in the Investor's ASBA Account. The Investor may also use the facility of linked online trading, demat and bank account (3-in-1 type account), if provided by their broker, for making payment of the Call Money.

Separate ISIN for Rights Equity Shares

In addition to the present ISIN for the existing Equity Shares, our Company would obtain a separate ISIN for the Rights Equity Shares for each Call, until fully paid-up. The Rights Equity Shares offered under this Issue will be traded under a separate ISIN after each Call for the period as may be applicable under the rules and regulations prior to the record date for the final Call Notice. The ISIN representing the Rights Equity Shares will be terminated after the Call Record Date for the final Call. On payment of the final Call Money in respect of the Rights Equity Shares, such Rights Equity Shares would be fully paid-up and merged with the existing ISIN of our Equity Shares.

XI. PAYMENT OF REFUND

- **Mode of making refunds**

The payment of refund, if any, including in the event of oversubscription or failure to list or otherwise would be done through any of the following modes.

(a) Unblocking amounts blocked using ASBA facility.

(b) **NACH** – National Automated Clearing House is a consolidated system of electronic clearing service. Payment of refund would be done through NACH for Applicants having an account at one of the centres specified by RBI, where such facility has been made available. This would be subject to availability of complete bank account details including a Magnetic Ink Character Recognition ("**MICR**") code wherever applicable from the depository. The payment of refund through NACH is mandatory for Applicants having a bank account at any of the centres where NACH facility has been made available by RBI (subject to availability of all information for crediting the refund through NACH including the MICR code as appearing on a cheque leaf, from the depositories), except where Applicant is otherwise disclosed as eligible to get refunds through NEFT or Direct Credit or RTGS.

(c) **National Electronic Fund Transfer** ("**NEFT**") – Payment of refund shall be undertaken through NEFT wherever the Investors' bank has been assigned the Indian Financial System Code ("**IFSC Code**"), which can be linked to a MICR, allotted to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine digit MICR number and their bank account number with the Registrar to our Company or with the Depository Participant while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method.

(d) **Direct Credit** – Investors having bank accounts with the Bankers to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by our Company.

(e) **RTGS** – If the refund amount exceeds ₹2,00,000, the Investors have the option to receive refund through RTGS. Such eligible Investors who indicate their preference to receive refund through RTGS are required to provide the IFSC Code in the Application Form. In the event the same is not provided, refund shall be made through NACH or any other eligible mode. Charges, if any, levied by the Investor's bank receiving the credit would be borne by the Investor.

(f) For all other Investors, the refund orders will be dispatched through speed post or registered post subject to applicable laws. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole/first Investor and payable at par.

(g) Credit of refunds to Investors in any other electronic manner, permissible by SEBI from time to time.

Refund payment to non-residents

The Application Money will be unblocked in the ASBA Account of the non-resident Applicants, details of which were provided in the Application Form.

XII. ALLOTMENT ADVICE OR DEMAT CREDIT OF SECURITIES

The demat credit of securities to the respective beneficiary accounts will be credited within 15 days from the Issue Closing Date or such other timeline in accordance with applicable laws.

- **Receipt of the Rights Equity Shares in Dematerialized Form**

PLEASE NOTE THAT THE RIGHTS EQUITY SHARES APPLIED FOR UNDER THIS ISSUE CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO (A) THE SAME DEPOSITORY ACCOUNT/ CORRESPONDING PAN IN WHICH THE EQUITY SHARES ARE HELD BY SUCH INVESTOR ON THE RECORD DATE, OR (B) THE DEPOSITORY ACCOUNT, DETAILS OF WHICH HAVE BEEN PROVIDED TO OUR COMPANY OR THE REGISTRAR AT LEAST TWO CLEAR WORKING DAYS PRIOR TO THE ISSUE CLOSING DATE BY THE ELIGIBLE EQUITY SHAREHOLDER HOLDING EQUITY SHARES IN PHYSICAL FORM AS ON THE RECORD DATE.

Investors shall be Allotted the Rights Equity Shares in dematerialized (electronic) form. Our Company has signed two agreements with the respective Depositories and the Registrar to the Issue, which enables the Investors to hold and trade in the securities issued by our Company in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates:

a) Tripartite agreement dated June 4, 2016, amongst our Company, NSDL and the Registrar to the Issue; and

b) Tripartite agreement dated July 8, 2016, amongst our Company, CDSL and the Registrar to the Issue.

INVESTORS MAY PLEASE NOTE THAT THE RIGHTS EQUITY SHARES CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

The procedure for availing the facility for Allotment of Rights Equity Shares in this Issue in the dematerialised form is as under:

1. Open a beneficiary account with any depository participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is registered in the records of our Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as registered in the records of our Company). In case of Investors having various folios in our Company with different joint holders, the Investors will have to open separate accounts for such holdings. Those Investors who have already opened such beneficiary account(s) need not adhere to this step.

2. It should be ensured that the depository account is in the name(s) of the Investors and the names are in the same order as in the records of our Company or the Depositories.

3. The responsibility for correctness of information filled in the Application Form *vis-a-vis* such information with the Investor's depository participant, would rest with the Investor. Investors should ensure that the names of the Investors and the order in which they appear in Application Form should be the same as registered with the Investor's depository participant.

4. If incomplete or incorrect beneficiary account details are given in the Application Form, the Investor will not get any Rights Equity Shares and the Application Form will be rejected.

5. The Rights Equity Shares will be allotted to Applicants only in dematerialized form and would be directly credited to the beneficiary account as given in the Application Form after verification. Allotment advice, refund order (if any) would be sent through physical dispatch, by the Registrar but the Applicant's depository participant will provide to him the confirmation of the credit of such Rights Equity Shares to the Applicant's depository account.

6. Non-transferable Allotment advice/ refund intimation will be directly sent to the Investors by the Registrar, on their registered email address or through physical dispatch.

7. Renouncees will also have to provide the necessary details about their beneficiary account for Allotment of Rights Equity Shares in this Issue. In case these details are incomplete or incorrect, the Application is liable to be rejected.

8. Dividend or other benefits with respect to the Equity Shares held in dematerialized form would be paid to those Equity Shareholders whose names appear in the list of beneficial owners given by the Depository Participant to our Company as on the date of the book closure.

9. Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date, and who have not provided the details of their demat accounts to our Company or to the Registrar at least two clear Working Days prior to the Issue Closing Date, shall not be able to apply in this Issue.

XIII. IMPERSONATION

Attention of the Investors is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act, 2013 which is reproduced below:

"*Any person who –*

a) makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or

b) makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or

c) *otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name, shall be liable for action under Section 447*."

The liability prescribed under Section 447 of the Companies Act, 2013 for fraud involving an amount of at least ₹0.10 crore or 1% of the turnover of the company, whichever is lower, includes imprisonment for a term which shall not be less than six months extending up to 10 years and fine of an amount not less than the amount involved in the fraud, extending up to three times such amount (provided that where the fraud involves public interest, such term shall not be less than three years.) Further, where the fraud involves an amount less than ₹0.10 crore or one per cent of the turnover of the company, whichever is lower, and does not involve public interest, any person guilty of such fraud shall be punishable with imprisonment for a term which may extend to five years or with fine which may extend to ₹0.50 crore or with both.

XIV. UTILISATION OF ISSUE PROCEEDS

Our Board declares that:

A. All monies received out of this Issue shall be transferred to a separate bank account;

B. Details of all monies utilized out of this Issue referred to under (A) above shall be disclosed, and continue to be disclosed till the time any part of the Issue Proceeds remains unutilised, under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilised; and

C. Details of all unutilized monies out of this Issue referred to under (A) above, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.

XV. UNDERTAKINGS BY OUR COMPANY

Our Company undertakes the following:

1) The complaints received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily.

2) All steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the Equity Shares are to be listed will be taken by our Board within the time limit specified by SEBI.

3) The funds required for making refunds / unblocking to unsuccessful Applicants as per the mode(s) disclosed shall be made available to the Registrar by our Company.

4) Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the Investor within 15 days of the Issue Closing Date, giving details of the banks where refunds shall be credited along with amount and expected date of electronic credit of refund.

5) In case of refund / unblocking of the Application Money for unsuccessful Applicants or part of the Application Money in case of proportionate Allotment, a suitable communication shall be sent to the Applicants.

6) No further issue of securities shall be made till the securities offered through the Letter of Offer are listed or till the application monies are refunded on account of non-listing, under subscription, etc., other than as disclosed in accordance with Regulation 97 of SEBI ICDR Regulations.

7) Adequate arrangements shall be made to collect all ASBA Applications.

8) As on date, our Company does not have any convertible debt instruments.

9) Our Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

XVI. INVESTOR GRIEVANCES, COMMUNICATION AND IMPORTANT LINKS

1. Please read the Letter of Offer carefully before taking any action. The instructions contained in the Application Form, Abridged Letter of Offer and the Rights Entitlement Letter are an integral part of the conditions of this Draft Letter of Offer and must be carefully followed; otherwise the Application is liable to be rejected.

2. All enquiries in connection with this Draft Letter of Offer must be addressed (quoting the registered folio number in case of Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date or the DP ID and Client ID number, the Application Form number and the name of the first Eligible Equity Shareholder as mentioned on the Application Form and superscribed "Fusion Finance Limited – Rights Issue" on the envelope and postmarked in India) to the Registrar at the following address:

   Link Intime India Private Limited
   C-101, 1st Floor, 247 Park
   Lal Bahadur Shastri Marg, Vikhroli West
   Mumbai 400 083
   Maharashtra, India
   Tel: +91 81081 14949
   E-mail: fusionfinance.rights@linkintime.co.in
   Investor grievance ID: fusionfinance.rights@linkintime.co.in
   Contact person: Shanti Gopalkrishnan
   Website: www.linkintime.co.in
   SEBI Registration No.: INR000004058

3. In accordance with SEBI ICDR Master Circular, frequently asked questions and online/ electronic dedicated investor helpdesk for guidance on the Application process and resolution of difficulties faced by the Investors will be available on the website of the Registrar (www.linkintime.co.in). Further, helpline number provided by the Registrar for guidance on the Application process and resolution of difficulties is +91 810 811 4949.

4. The Investors can visit following links for the below-mentioned purposes:

   a) Frequently asked questions and online/ electronic dedicated investor helpdesk for guidance on the Application process and resolution of difficulties faced by the Investors: www.linkintime.co.in;

   b) Updation of Indian address/ e-mail address/ phone or mobile number in the records maintained by the Registrar or our Company: www.linkintime.co.in;

   c) Updation of demat account details by Eligible Equity Shareholders holding shares in physical form: www.linkintime.co.in;

   d) Submission of self-attested PAN, client master sheet and demat account details by non- resident Eligible Equity Shareholders: fusionfinance.rights@linkintime.co.in.

   This Issue will remain open for a minimum seven days. However, our Board or the Rights Issue Committee will have the right to extend the Issue Period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Closing Date).

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991, of the Government of India and FEMA. While the Industrial Policy, 1991, of the Government of India, prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, 1991, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The RBI and the concerned ministries/ departments are responsible for granting approval for foreign investment.

The Government has, from time to time, made policy pronouncements on FDI through press notes and press releases. The FDI Policy consolidated and superseded all previous press notes, press releases and clarifications on FDI issued by the DPIIT that were in force and effect as on October 15, 2020. The Government proposes to update the consolidated circular on FDI policy once every year and therefore, FDI Policy will be valid until the DPIIT issues an updated circular. Further, the sectoral cap applicable to the sector in which our Company operates is 100% which is permitted under the automatic route.

The Government has from time to time made policy pronouncements on FDI through press notes and press releases which are notified by RBI as amendments to FEMA. In case of any conflict, the relevant notification under Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 will prevail. The payment of inward remittance and reporting requirements are stipulated under the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 issued by RBI.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of RBI, provided that (i) the activities of the investee company falls under the automatic route as provided in the FDI Policy and FEMA and transfer does not attract the provisions of the SEBI Takeover Regulations; (ii) the non- resident shareholding is within the sectoral limits under the FDI Policy; and (iii) the pricing is in accordance with the guidelines prescribed by SEBI and RBI. Further, in accordance with Press Note No. 3 (2020 Series), dated April 17, 2020 issued by the DPIIT and the Foreign Exchange Management (Non-debt Instruments) Amendment Rules, 2020 which came into effect from April 22, 2020, any investment, subscription, purchase or sale of equity instruments by entities of a country which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country ("**Restricted Investors**"), will require prior approval of the Government, as prescribed in the FDI Policy and the FEMA Rules. Further, in the event of transfer of ownership of any existing or future foreign direct investment in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the aforesaid restriction/ purview, such subsequent change in the beneficial ownership will also require approval of the Government. Furthermore, on April 22, 2020, the Ministry of Finance, Government of India has also made a similar amendment to the FEMA Rules. Pursuant to the Foreign Exchange Management (Non-debt Instruments) (Fourth Amendment) Rules, 2020, a multilateral bank or fund, of which India is a member, shall not be treated as an entity of a particular country nor shall any country be treated as the beneficial owner of the investments of such bank of fund in India.

Please also note that pursuant to Circular no. 14 dated September 16, 2003 issued by RBI, Overseas Corporate Bodies ("**OCBs**") have been derecognized as an eligible class of investors and RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Any Investor being an OCB is required not to be under the adverse notice of RBI and in order to apply for the issue as an incorporated non-resident must do so in accordance with the FDI Policy and Foreign Exchange Management (Non-Debt Instrument) Rules, 2019. Further, while investing in the Issue, the Investors are deemed to have obtained the necessary approvals, as required, under applicable laws and the obligation to obtain such approvals shall be upon the Investors. Our Company shall not be under an obligation to obtain any approval under any of the applicable laws on behalf of the Investors and shall not be liable in case of failure on part of the Investors to obtain such approvals.

The above information is given for the benefit of the Applicants / Investors. Our Company and the Lead Manager are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Letter of Offer. Investors are advised to make their independent investigations and ensure that the number of Rights Equity Shares applied for do not exceed the applicable limits under laws or regulations. Investors are cautioned to consider any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Letter of Offer.

RESTRICTIONS ON PURCHASES AND RESALES

Eligibility and Restrictions

General

No action has been taken or will be taken to permit an offering of the Rights Entitlements or the Rights Equity Shares to occur in any jurisdiction, or the possession, circulation, or distribution of this Draft Letter of Offer or any other Issue Material in any jurisdiction where action for such purpose is required, except that this Draft Letter of Offer will be filed with SEBI and the Stock Exchanges.

Pursuant to the requirements of the SEBI ICDR Regulations and other applicable laws, the Rights Entitlements will be credited to the demat account of the Eligible Equity Shareholders who are Equity Shareholders as on the Record Date, however, the Issue Materials will be sent/ dispatched only to such Eligible Equity Shareholders who have provided an Indian address to our Company and only such Eligible Equity Shareholders are permitted to participate in the Issue. The credit of Rights Entitlement does not constitute an offer, invitation to offer or solicitation for participation in the Issue, whether directly or indirectly, and only dispatch of the Issue Material shall constitute an offer, invitation or solicitation for participation in the Issue in accordance with the terms of the Issue Material. Further, receipt of the Issue Materials (including by way of electronic means) will not constitute an offer, invitation to or solicitation by anyone in any jurisdiction or in any circumstances in which such an offer, invitation or solicitation is unlawful or not authorized or to any person to whom it is unlawful to make such an offer, invitation or solicitation. In those circumstances, this Draft Letter of Offer and any other Issue Materials must be treated as sent for information only and should not be acted upon for subscription to Rights Equity Shares and should not be copied or re-distributed, in part or full. Accordingly, persons receiving a copy of the Issue Materials should not distribute or send the Issue Materials in or into any jurisdiction where to do so, would or might contravene local securities laws or regulations, or would subject our Company or its affiliates or the Lead Manager or their affiliates to any filing or registration requirement (other than in India). If this Draft Letter of Offer or any other Issue Material is received by any person in any such jurisdiction, they must not seek to subscribe to the Rights Equity Shares.

Investors are advised to consult their legal counsel prior to accepting any provisional allotment of Rights Equity Shares, applying for excess Rights Equity Shares or making any offer, renunciation, sale, resale, pledge or other transfer of the Rights Entitlements or the Rights Equity Shares.

This Draft Letter of Offer and its accompanying documents are supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose.

Each person who exercises the Rights Entitlements and subscribes for the Rights Equity Shares, or who purchases the Rights Entitlements or the Rights Equity Shares shall do so in accordance with the restrictions set out above and below.

United States

The Rights Entitlements and the Rights Equity Shares have not been, and will not be, registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, resold, allotted, taken up, exercised, renounced, pledged, transferred or delivered, directly or indirectly within the United States except pursuant to an applicable exemption from, or a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. Our Company is an "investment company" (as defined in the U.S. Investment Company Act) and has not been and will not be registered under the U.S. Investment Company Act. Accordingly, the Rights Equity Shares are being offered and sold only (a) to persons in the United States and to U.S. Persons under the U.S. Securities Act) who are reasonably believed to be (i) U.S. QIBs and (ii) U.S. Qualified Purchasers pursuant to Section 4(a)(2) of the U.S. Securities Act and Section 3(c)(7) of the U.S. Investment Company Act and (b) to persons outside the United States who are non-U.S. Persons in reliance on Regulation S. The Rights Entitlements and the Rights Equity Shares may not be re-offered, re-sold, pledged or otherwise transferred except in an offshore transaction in accordance with Regulation S to a person outside the United States and not known by the transferor to be a U.S. Person by pre-arrangement or otherwise (including, for the avoidance of doubt, a bona fide sale on the BSE or the NSE).

The Rights Entitlements and the Rights Equity Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Draft Letter of Offer or approved or disapproved the Rights Entitlements and the Rights Equity Share. Any representation to the contrary is a criminal offence in the United States. In making an investment decision investors must rely on their own examination of our Company and the terms of the Offer, including the merits and risks involved.

Our Company is not and will not be registered under the U.S. Investment Company Act, and investors will not be entitled to the benefits afforded to investors under the U.S. Investment Company Act. Investors may be required to bear the financial risk of an investment in the Rights Entitlements and the Rights Equity Shares for an indefinite period.

Eligible Investors

The Rights Entitlements and the Rights Equity Shares are being offered and sold:

(i) in the United States or to, or for the account or benefit of, U.S. Persons, in each case that are both U.S. QIBs and U.S. Qualified Purchasers, in transactions exempt from or not subject to the registration requirements of the U.S. Securities Act and in reliance on section 3(c)(7) of the U.S. Investment Company Act; and

(ii) outside the United States to investors that are not U.S. Persons, nor persons acquiring for the account or benefit of U.S. Persons, in offshore transactions in reliance on Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales occur,

and in each case who are deemed to have made the representations set forth immediately below.

Rights Entitlements and the Rights Equity Shares Offered and Sold within the United States or to U.S. Persons

Each purchaser that is a U.S. Person or acquiring the Rights Entitlements and the Rights Equity Shares issued pursuant to this Offer within the United States or for the account or benefit of U.S. Persons, by a declaration included in the Bid cum Application Form and its acceptance of this Prospectus and of the Rights Entitlements and the Rights Equity Shares, will be deemed to have acknowledged, represented to and agreed, on behalf of itself and each person for which it is acting, with our Company and the Lead Manager that it has received a copy of this Draft Letter of Prospectus and such other information as it deems necessary to make an informed investment decision and that:

i. The purchaser has the full power and authority to make the acknowledgements, representations, warranties and agreements contained herein and to exercise the Rights Entitlements and subscribe for the Rights Equity Shares, and, if the purchaser is exercising the Rights Entitlements and acquiring the Rights Equity Shares as a fiduciary or agent for one or more investor accounts, the purchaser has the full power and authority to make the acknowledgements, representations, warranties and agreements contained herein and to exercise the Rights Entitlements and subscribe for the Rights Equity Shares on behalf of each owner of such account.

ii. The purchaser is authorized to consummate the purchase of the Rights Entitlements and the Rights Equity Shares issued pursuant to this Issue in compliance with all applicable laws and regulations.

iii. The purchaser acknowledges that the Rights Entitlements and the Rights Equity Shares issued pursuant to this Issue have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and accordingly may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

iv. The purchaser (i) is a U.S. QIB and a U.S. Qualified Purchaser, (ii) is aware that the sale to it is being made in a transaction exempt from or not subject to the registration requirements of the U.S. Securities Act, (iii) was not formed, reformed, capitalized, recapitalized or operated for the purpose of investing in the Rights Entitlements, the Rights Equity Shares and any other securities issued by the Company and (iv) is acquiring such Rights Entitlements and the Rights Equity Shares for its own account or for the account of one or more persons, each of which is a U.S. QIB and a U.S. Qualified Purchaser, with respect to which it exercises sole investment discretion.

v. The purchaser acknowledges that our Company has not registered, and does not intend to register, as an "investment company" (as such term is defined under the U.S. Investment Company Act) and that the Company has imposed the transfer and offering restrictions with respect to persons in the United States and U.S. Persons described herein so that the Company will qualify for the exception provided under Section 3(c)(7) of the U.S. Investment Company Act and will have no obligation to register as an investment company. The purchaser, and each person for which it is acting, also understands and agrees that our Company and the Lead Manager shall have the right to request and receive such additional documents, certifications, representations and undertakings, from time to time, as they may deem necessary in order to comply with applicable legal requirements.

vi. The purchaser is not a broker-dealer which owns and invests on a discretionary basis less than US$25 million in securities of issuers unaffiliated with such broker-dealer.

vii. The purchaser understands that, subject to certain exceptions, to be a U.S. Qualified Purchaser, entities must have U.S.$25 million in "investments" (as defined in Rule 2a51- l of the U.S. Investment Company Act).

viii. The purchaser is not an affiliate of the Company or a person acting on behalf of an affiliate.

ix. The purchaser is not a participant-directed employee plan, such as a 401(k) plan, or a trust holding the assets of such plan, unless the investment decisions with respect to such plan are made solely by the fiduciary, trustee or sponsor of such plan.

x. The purchaser is not managed as a device for facilitating individual investment decisions of beneficial owners, but rather is managed as a collective investment vehicle.

xi. The purchaser, and each account for which it is purchasing or otherwise acquiring the Rights Entitlements and the Rights Equity Shares, will purchase, hold or transfer such Rights Entitlements and the Rights Equity Shares amounting to at least US$250,000 or its equivalent in another currency.

xii. It, and each person for which it is acting, was not formed, reformed, capitalized, recapitalized or operated for the purpose of investing in the Rights Entitlements, the Rights Equity Shares and/or other securities of the Company.

xiii. If the purchaser, or any person for which it is acting, is an investment company exempted from the U.S. Investment Company Act pursuant to section 3(c)(1) or section 3(c)(7) thereof (or a foreign investment company under Section 7(d) thereof relying on section 3(c)(1) or 3(c)(7) with respect to its holders that are U.S. persons) and was formed on or before April 30, 1996, it has received the consent of its beneficial owners who acquired their interests on or before April 30, 1996, with respect to its treatment as a U.S. Qualified Purchaser in the manner required by Section 2(a)(51)(C) of the U.S. Investment Company Act and the rules promulgated thereunder.

xiv. The purchaser, and each person for which it is acting, is not a partnership, common trust fund, or corporation, special trust, pension fund or retirement plan, or other entity, in which the partners, beneficiaries, beneficial owners, participants, shareholders or other equity owners, as the case may be, may designate the particular investments to be made, or the allocation thereof unless all such partners, beneficiaries, beneficial owners, participants, shareholders or other equity owners are both U.S. QIBs and U.S. Qualified Purchasers.

xv. The purchaser, and each person for which it is acting, has not invested more than 40.0% of its assets in the Rights Entitlements and the Rights Equity Shares (or beneficial interests therein) and/or other securities of the Company after giving effect to the purchase of the Rights Entitlements and the Rights Equity Shares (or beneficial interests therein) (unless all of the beneficial owners of such entity's securities are both U.S. QIBs and U.S. Qualified Purchasers).

xvi. If, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Rights Entitlements and Rights Equity Shares, or any economic interest therein, such Rights Entitlements and Rights Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only outside the United States in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person by pre-arrangement or otherwise (including, for the avoidance of doubt, a bona fide sale on the BSE or the NSE). The purchaser agrees not to effect any sale, pledge or other transfer unless the purchaser first executes a US Resale Letter in the form of Annexure B to this Prospectus and delivers such letter to our Company prior to the settlement if any sale, pledge or other transfer of the Rights Entitlements and the Rights Equity Shares. The purchaser understands that the transfer restrictions will remain in effect until our Company determines, in its sole discretion, to remove them.

xvii. It is not subscribing to, or purchasing, the Rights Entitlements and the Rights Equity Shares with a view to, or for the offer or sale in connection with, any distribution thereof (within the meaning of the U.S. Securities Act) that would be in violation of the securities laws of the United States or any state thereof;

xviii. The Rights Entitlements and the Rights Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any such Rights Entitlements or Rights Equity Shares.

xix. The purchaser will not deposit or cause to be deposited such Rights Entitlements and Rights Equity Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Rights Entitlements and Rights Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act.

xx. The purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any "directed selling efforts" as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Rights Entitlements and Rights Equity Shares or any "general solicitation" or "general advertising" (as defined in Regulation D under the U.S. Securities Act) in the United States in connection with any offer or sale of the Rights Entitlements and Rights Equity Shares.

xxi. The purchaser understands that such Rights Entitlements and Rights Equity Shares (to the extent they are in certificated form), unless the Company determines otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE

"U.S. INVESTMENT COMPANY ACT"). THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT TO A PERSON OUTSIDE THE UNITED STATES AND NOT KNOWN BY THE TRANSFEROR TO BE A US PERSON BY PRE-ARRANGEMENT OR OTHERWISE IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, AND OTHERWISE IN A TRANSACTION EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND THE U.S. INVESTMENT COMPANY ACT. THIS SECURITY IS NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN. EACH TRANSFEROR OF THIS SECURITY AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE COMPANY'S OFFER DOCUMENTS TO THE TRANSFEREE AND TO ANY EXECUTING BROKER.

xxii. The purchaser agrees, upon a proposed transfer of the Rights Entitlements and Rights Equity Shares, to notify any purchaser of such Rights Entitlements and Rights Equity Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Rights Entitlements and Rights Equity Shares being sold and agrees not to act as a swap counterparty or other type of intermediary whereby any other party will acquire an economic interest or beneficial interest in the Rights Entitlements and Rights Equity Shares acquired or reoffer, resell, pledge or otherwise transfer the Rights Entitlements, the Rights Equity Shares or any beneficial interest therein, to any person except to a person that meets all of the requirements above and who agrees not to subsequently transfer the Rights Entitlements, the Rights Equity Shares or any beneficial interest therein except in accordance with these transfer restrictions.

xxiii. The purchaser understands and acknowledges that (i) the Company will not recognize any offer, sale, pledge or other transfer of such Rights Entitlements and Rights Equity Shares made other than in compliance with the above-stated restrictions; (ii) any acquisition of a beneficial interest in the Rights Entitlements and the Rights Equity Shares by any U.S. Person or any person within the United States who is required under these restrictions to be a U.S. Qualified Purchaser but is not a U.S. Qualified Purchaser at the time it acquires a beneficial interest in the Rights Entitlements and Rights Equity Shares, shall be null and void ab initio and will not be honored by the Company and in no event will the Company, its directors, officers, employees or agents, including any broker or dealer, have any liability whatsoever to the purchaser by reason of any act or failure to act by any person authorized by the Company in connection with the foregoing.

xxiv. The purchaser understands and acknowledges that our Company may be considered a "covered fund" for purposes of the Volcker Rule. The definition of "covered fund" in the Volcker Rule includes (generally) any entity that would be an investment company under the U.S. Investment Company Act, but for the exceptions provided under Section 3(c)(1) or 3(c)(7) thereunder. Because our Company relies on Section 3(c)(7) of the U.S. Investment Company Act for its exclusion from registration thereunder, it may be considered to be a covered fund. Accordingly, banking entities that are subject to the Volcker Rule may be prohibited under the Volcker Rule from, among other things, acquiring or retaining the Rights Entitlements and Rights Equity Shares, absent any applicable exception, exclusion or exemption. Each purchaser must make its own determination as to whether it is a banking entity subject to the Volcker Rule and, if applicable, the potential impact of the Volcker Rule on its ability to purchase or retain the Rights Entitlements and Rights Equity Shares.

xxv. The purchaser is, and the persons, if any, for whose account it is acquiring the Rights Entitlements and the Rights Equity Shares are, entitled to subscribe for the Rights Equity Shares, and the sale of the Rights Equity Shares to it will not require any filing or registration by, or qualification of, our Company with any court or administrative, governmental or regulatory agency or body, under the laws of any jurisdiction which apply to the purchaser or such persons.

xxvi. The purchaser, and each account for which it is acting, satisfies (a) all suitability standards for investors in investments in the Rights Entitlements and the Rights Equity Shares imposed by the jurisdiction of its residence, and (b) is eligible to subscribe and is subscribing for the Rights Equity Shares and Rights Entitlements in compliance with applicable securities and other laws of our jurisdiction of residence.

xxvii. The purchaser is aware and understands (and each account for which it is acting has been advised and understands) that an investment in the Rights Entitlements and the Rights Equity Shares involves a considerable degree of risk and that the Rights Entitlements and the Rights Equity Shares are a speculative investment.

xxviii. Prior to making any investment decision to exercise the Rights Entitlements and renounce and/or subscribe for the Rights Equity Shares, the Investor (a) will have consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers in each jurisdiction in connection herewith to the extent it has deemed necessary; (b) will have carefully read and reviewed a copy of the Letter of Offer and its accompanying documents; (c) will have possessed and carefully read and reviewed all information relating to our Company and our Group and the Rights Entitlements and the Rights Equity Shares which it believes is necessary or appropriate for the purpose of making its investment decision, including, without limitation, the Exchange Information (as defined below); (d) will have conducted its own due diligence on our Company and this Issue, and will have made its own investment decisions based upon its own judgement, due diligence and advice from such advisers as it has deemed necessary and will not have relied upon any recommendation, promise, representation or warranty of or view expressed by or on behalf of our Company, the Lead Manager or their affiliates (including any research reports) (other than, with respect to our Company and any information contained in the Letter of Offer); and (e) will have made its own determination that any investment decision to exercise the Rights Entitlements and subscribe for the Rights Equity Shares is suitable and appropriate, both in the nature and number of Rights Equity Shares being subscribed.

xxix. Without limiting the generality of the foregoing, (i) the purchaser acknowledges that the Equity Shares are listed on BSE Limited and National Stock Exchange of India Limited and our Company is therefore required to publish certain business, financial and other information in accordance with the rules and practices of BSE Limited and National Stock Exchange of India Limited (which includes, but is not limited to, a description of the nature of our Company's business and our Company's most recent balance sheet and profit and loss account, and similar statements for preceding years together with the information on its website and its press releases, announcements, investor education presentations, annual reports, collectively constitutes "**Exchange Information**"), and that it has had access to such information without undue difficulty and has reviewed such Exchange Information as it has deemed necessary; and (ii) none of our Company, any of its affiliates, the Lead Manager or any of their affiliates has made any representations or recommendations to it, express or implied, with respect to our Company, the Rights Entitlements, the Rights Equity Shares or the accuracy, completeness or adequacy of the Exchange Information.

xxx. The purchaser acknowledges that (i) any information that it has received or will receive relating to or in connection with this Issue, and the Rights Entitlements or the Rights Equity Shares, including this Draft Letter of Offer and the Exchange Information (collectively, the "**Information**"), has been prepared solely by our Company; and (ii) neither the Lead Manager nor any of their affiliates has verified such Information, and no recommendation, promise, representation or warranty (express or implied) is or has been made or given by the Lead Manager or their affiliates as to the accuracy, completeness or sufficiency of the Information, and nothing contained in the Information is, or shall be relied upon as, a promise, representation or warranty by the Lead Manager or any of their affiliates.

xxxi. The purchaser will not hold our Company, the Lead Manager or their affiliates responsible for any misstatements in or omissions to the Information or in any other written or oral information provided by our Company to it. It acknowledges that no written or oral information relating to this Issue, and the Rights Entitlements or the Rights Equity Shares has been or will be provided by the Lead Manager or their affiliates to it.

xxxii. The purchaser understands and acknowledges that the Lead Manager are assisting our Company in respect of this Issue and that the Lead Manager are acting solely for our Company and no one else in connection with this Issue and, in particular, are not providing any service to it, making any recommendations to it, advising it regarding the suitability of any transactions it may enter into to subscribe or purchase any Rights Entitlements or Rights Equity Shares nor providing advice to it in relation to our Company, this Issue or the Rights Entitlements or the Rights Equity Shares. Further, to the extent permitted by law, it waives any and all claims, actions, liabilities, damages or demands it may have against the Lead Manager arising from their engagement with our Company and in connection with this Issue.

xxxiii. The purchaser understands that its receipt of the Rights Entitlements and any subscription it may make for the Rights Equity Shares will be subject to and based upon all the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings and other information contained in this Draft Letter of Offer and the Application Form. The purchaser understands that none of our Company, the Registrar, the Lead Manager or any other person acting on behalf of us will accept subscriptions from any person, or the agent of any person, who appears to be, or who we, the Registrar, the Lead Manager or any other person acting on behalf of us have reason to believe is ineligible to participate in this Issue under applicable securities laws.

xxxiv. The purchaser is knowledgeable, sophisticated and experienced in business and financial matters, fully understands the limitations on ownership and transfer and the restrictions on sales of the Rights Entitlements and Rights Equity Shares and is aware that there are substantial risks incidental to the purchase of the Rights Entitlements and Rights Equity Shares and is able to bear the economic risk of such purchase.

xxxv. the purchaser is aware and understands (and each account for which it is acting has been advised and understands) that an investment in the Rights Entitlements and the Rights Equity Shares involves a considerable degree of risk and that the Rights Entitlements and the Rights Equity Shares are a speculative investment.

xxxvi. The purchaser is, and the persons, if any, for whose account it is acquiring the Rights Entitlements and the Rights Equity Shares are, entitled to subscribe for the Rights Equity Shares.

xxxvii. If the purchaser is outside India, the sale of the Rights Equity Shares to it will not require any filing or registration by, or qualification of, our Company or the Lead Manager with any court or administrative, governmental or regulatory agency or body, under the laws of any jurisdiction which apply to the purchaser or such persons.

xxxviii. If the purchaser is outside India, the purchaser, and each account for which it is acting, satisfies (a) all suitability standards for investors in investments in the Rights Entitlements and the Rights Equity Shares imposed by all jurisdictions applicable to it, and (b) is eligible to subscribe and is subscribing for the Rights Equity Shares and Rights Entitlements in compliance with applicable securities and other laws of all jurisdictions of residence.

xxxix. The purchaser is authorized to consummate the purchase of the Rights Equity Shares sold pursuant to this Issue in compliance with all applicable laws and regulations.

xl. Except for the sale of Rights Equity Shares on one or more of the Stock Exchanges, the purchaser agrees, upon a proposed transfer of the Rights Equity Shares, to notify any purchaser of such Equity Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Rights Equity Shares being sold.

xli. The purchaser shall hold our Company and the Lead Manager harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of its representations, warranties or agreements set forth above and elsewhere in this Draft Letter of Offer. The indemnity set forth in this paragraph shall survive the resale of the Rights Equity Shares.

xlii. The purchaser acknowledges that the Company and its affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such the Rights Entitlements and Rights Equity Shares are no longer accurate, it will promptly notify our Company, and if it is acquiring any of such the Rights Entitlements and Rights Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

xliii. The purchaser acknowledges that all offers and sales in the United States of the Rights Entitlements and the Rights Equity Shares have been, or will be, made solely by our Company. The Lead Manager is not making, and will not make, and will not participate or otherwise be involved in any offers or sales of the Rights Entitlements, the Rights Equity Shares or any other security with respect to this Issue in the United States.

Rights Entitlements and the Rights Equity Shares Offered and Sold outside the United States to non-U.S. Persons

In addition to the applicable representations, warranties and agreements set forth above, each purchaser outside the United States and who is not a U.S. Person by accepting the delivery of the Letter of Offer and its accompanying documents, submitting an Application Form for the exercise of any Rights Entitlements and subscription for any Rights Equity Shares and accepting delivery of any Rights Entitlements or any Rights Equity Shares, will be deemed to have represented, warranted and agreed as follows on behalf of itself and, if it is acquiring the Rights Entitlements or the Rights Equity Shares as a fiduciary or agent for one or more investor accounts, on behalf of each owner of such account (such person being the "**purchaser**", which term shall include the owners of the investor accounts on whose behalf the person acts as fiduciary or agent):

1. The purchaser has the full power and authority to make the acknowledgements, representations, warranties and agreements contained herein and to exercise the Rights Entitlements and subscribe for the Rights Equity Shares, and, if the purchaser is exercising the Rights Entitlements and acquiring the Rights Equity Shares as a fiduciary or agent for one or more investor accounts, the purchaser has the full power and authority to make the acknowledgements, representations, warranties and agreements contained herein and to exercise the Rights Entitlements and subscribe for the Rights Equity Shares on behalf of each owner of such account.

2. The purchaser is, and the persons, if any, for whose account it is acquiring the Rights Entitlements and the Rights Equity Shares are, entitled to subscribe for the Rights Equity Shares, and the sale of the Rights Equity Shares to it will not require any filing or registration by, or qualification of, our Company with any court or administrative, governmental or regulatory agency or body, under the laws of any jurisdiction which apply to the purchaser or such persons.

3. The purchaser, and each account for which it is acting, satisfies (i) all suitability standards for investors in investments in the Rights Entitlements and the Rights Equity Shares imposed by the jurisdiction of its residence, and (ii) is eligible to subscribe and is subscribing for the Rights Equity Shares and Rights Entitlements in compliance with applicable securities and other laws of our jurisdiction of residence.

4. If any Rights Entitlements were bought by the purchaser or otherwise transferred to the purchaser by a third party (other than our Company), the purchaser was in India at the time of such purchase or transfer.

5. The purchaser is aware and understands (and each account for which it is acting has been advised and understands) that an investment in the Rights Entitlements and the Rights Equity Shares involves a considerable degree of risk and that the Rights Entitlements and the Rights Equity Shares are a speculative investment.

6. The purchaser understands (and each account for which it is acting has been advised and understands) that no action has been or will be taken to permit an offering of the Rights Entitlements or the Rights Equity Shares in any jurisdiction (other than this Draft Letter of Offer was filed with SEBI for observations and the filing of the Letter of Offer with

SEBI and the Stock Exchanges); and it will not offer, resell, pledge or otherwise transfer any of the Rights Entitlements except in India or the Rights Equity Shares which it may acquire, or any beneficial interests therein, in any jurisdiction or in any circumstances in which such offer or sale is not authorised or to any person to whom it is unlawful to make such offer, sale, solicitation or invitation except under circumstances that will result in compliance with any applicable laws and/or regulations.

7. The purchaser (or any account for which it is acting) is an Eligible Equity Shareholder and has received an invitation from our Company, addressed to it and inviting it to participate in this Issue.

8. None of the purchaser, any of its affiliates or any person acting on its or their behalf has taken or will take, directly or indirectly, any action designed to, or which might be expected to, cause or result in the stabilization or manipulation of the price of any security of our Company to facilitate the sale or resale of the Rights Entitlements or the Rights Equity Shares pursuant to the Issue.

9. Prior to making any investment decision to exercise the Rights Entitlements and renounce and/or subscribe for the Rights Equity Shares, the Investor (i) will have consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers in each jurisdiction in connection herewith to the extent it has deemed necessary; (ii) will have carefully read and reviewed a copy of the Letter of Offer and its accompanying documents; (iii) will have possessed and carefully read and reviewed all information relating to our Company and our Group and the Rights Entitlements and the Rights Equity Shares which it believes is necessary or appropriate for the purpose of making its investment decision, including, without limitation, the Exchange Information (as defined below); (iv) will have conducted its own due diligence on our Company and this Issue, and will have made its own investment decisions based upon its own judgement, due diligence and advice from such advisers as it has deemed necessary and will not have relied upon any recommendation, promise, representation or warranty of or view expressed by or on behalf of our Company, the Lead Manager or their affiliates (including any research reports) (other than, with respect to our Company and any information contained in the Letter of Offer); and (vi) will have made its own determination that any investment decision to exercise the Rights Entitlements and subscribe for the Rights Equity Shares is suitable and appropriate, both in the nature and number of Rights Equity Shares being subscribed.

10. Without limiting the generality of the foregoing, (i) the purchaser acknowledges that the Equity Shares are listed on BSE Limited and National Stock Exchange of India Limited and our Company is therefore required to publish certain business, financial and other information in accordance with the rules and practices of BSE Limited and National Stock Exchange of India Limited (which includes, but is not limited to, a description of the nature of our Company's business and our Company's most recent balance sheet and profit and loss account, and similar statements for preceding years together with the information on its website and its press releases, announcements, investor education presentations, annual reports, collectively constitutes "**Exchange Information**"), and that it has had access to such information without undue difficulty and has reviewed such Exchange Information as it has deemed necessary; and (ii) none of our Company, any of its affiliates, the Lead Manager or any of their affiliates has made any representations or recommendations to it, express or implied, with respect to our Company, the Rights Entitlements, the Rights Equity Shares or the accuracy, completeness or adequacy of the Exchange Information.

11. The purchaser acknowledges that (i) any information that it has received or will receive relating to or in connection with this Issue, and the Rights Entitlements or the Rights Equity Shares, including this Draft Letter of Offer and the Exchange Information (collectively, the "**Information**"), has been prepared solely by our Company; and (ii) neither the Lead Manager nor any of their affiliates has verified such Information, and no recommendation, promise, representation or warranty (express or implied) is or has been made or given by the Lead Manager or their affiliates as to the accuracy, completeness or sufficiency of the Information, and nothing contained in the Information is, or shall be relied upon as, a promise, representation or warranty by the Lead Manager or any of their affiliates.

12. The purchaser will not hold our Company, the Lead Manager or their affiliates responsible for any misstatements in or omissions to the Information or in any other written or oral information provided by our Company to it. It acknowledges that no written or oral information relating to this Issue, and the Rights Entitlements or the Rights Equity Shares has been or will be provided by the Lead Manager or their affiliates to it.

13. The purchaser understands and acknowledges that the Lead Manager are assisting our Company in respect of this Issue and that the Lead Manager are acting solely for our Company and no one else in connection with this Issue and, in particular, are not providing any service to it, making any recommendations to it, advising it regarding the suitability of any transactions it may enter into to subscribe or purchase any Rights Entitlements or Rights Equity Shares nor providing advice to it in relation to our Company, this Issue or the Rights Entitlements or the Rights Equity Shares. Further, to the extent permitted by law, it waives any and all claims, actions, liabilities, damages or demands it may have against the Lead Manager arising from their engagement with our Company and in connection with this Issue.

14. The purchaser understands that its receipt of the Rights Entitlements and any subscription it may make for the Rights Equity Shares will be subject to and based upon all the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings and other information contained in this Draft Letter of Offer and the

Application Form. The purchaser understands that none of our Company, the Registrar, the Lead Manager or any other person acting on behalf of us will accept subscriptions from any person, or the agent of any person, who appears to be, or who we, the Registrar, the Lead Manager or any other person acting on behalf of us have reason to believe is ineligible to participate in this Issue under applicable securities laws.

15. The purchaser is, and the persons, if any, for whose account it is acquiring the Rights Entitlements and the Rights Equity Shares are, entitled to subscribe for the Rights Equity Shares.

16. If the purchaser is outside India, the sale of the Rights Equity Shares to it will not require any filing or registration by, or qualification of, our Company or the Lead Manager with any court or administrative, governmental or regulatory agency or body, under the laws of any jurisdiction which apply to the purchaser or such persons.

17. If the purchaser is outside India, the purchaser, and each account for which it is acting, satisfies (i) all suitability standards for investors in investments in the Rights Entitlements and the Rights Equity Shares imposed by all jurisdictions applicable to it, and (ii) is eligible to subscribe and is subscribing for the Rights Equity Shares and Rights Entitlements in compliance with applicable securities and other laws of all jurisdictions of residence.

18. The purchaser is authorized to consummate the purchase of the Rights Equity Shares sold pursuant to this Issue in compliance with all applicable laws and regulations.

19. Except for the sale of Rights Equity Shares on one or more of the Stock Exchanges, the purchaser agrees, upon a proposed transfer of the Rights Equity Shares, to notify any purchaser of such Equity Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Rights Equity Shares being sold.

20. The purchaser acknowledges that the Rights Equity Shares and Rights Entitlements issued pursuant to this Offer have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and accordingly may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

21. The purchaser is purchasing the Rights Equity Shares and Rights Entitlements issued pursuant to this Issuer in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the U.S. Securities Act.

22. The purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Rights Equity Shares and Rights Entitlements issued pursuant to this Offer, is a non-U.S. Person and was located outside the United States at each time (i) the offer was made to it and (ii) when the buy order for such Rights Equity Shares and Rights Entitlements was originated, and continues to be a non-U.S. Person and located outside the United States and has not purchased such Equity Shares for the account or benefit of any U.S. Person or any person in the United Sates or entered into any arrangement for the transfer of such Rights Equity Shares and Rights Entitlements or any economic interest therein to any U.S. Person or any person in the United States.

23. The purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate.

24. If, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Rights Entitlements and Rights Equity Shares, or any economic interest therein, such Rights Entitlements and Rights Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only outside the United States in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person by pre-arrangement or otherwise (including, for the avoidance of doubt, a bona fide sale on the BSE or the NSE). The purchaser agrees not to effect any sale, pledge or other transfer unless the purchaser first executes a US Resale Letter in the form of Annexure B to this Prospectus and delivers such letter to our Company prior to the settlement if any sale, pledge or other transfer of the Rights Entitlements and the Rights Equity Shares. The purchaser understands that the transfer restrictions will remain in effect until our Company determines, in its sole discretion, to remove them

25. The purchaser understands that such Rights Entitlements and Rights Equity Shares (to the extent they are in certificated form), unless the Company determines otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "U.S. INVESTMENT COMPANY ACT"). THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT TO A PERSON OUTSIDE THE UNITED STATES AND NOT KNOWN BY THE TRANSFEROR TO BE A US PERSON BY PRE-ARRANGEMENT OR OTHERWISE IN AN OFFSHORE

TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, AND OTHERWISE IN A TRANSACTION EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND THE U.S. INVESTMENT COMPANY ACT. THIS SECURITY IS NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN. EACH TRANSFEROR OF THIS SECURITY AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE COMPANY'S OFFER DOCUMENTS TO THE TRANSFEREE AND TO ANY EXECUTING BROKER.

26. The purchaser agrees, upon a proposed transfer of the Rights Entitlements and Rights Equity Shares, to notify any purchaser of such Rights Entitlements and Rights Equity Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Rights Entitlements and Rights Equity Shares being sold.

27. The purchaser understands and acknowledges that (i) the Company will not recognize any offer, sale, pledge or other transfer of such Rights Entitlements and Rights Equity Shares made other than in compliance with the above-stated restrictions; (ii) any acquisition of a beneficial interest in the Rights Entitlements and the Rights Equity Shares by any U.S. Person or any person within the United States who is required under these restrictions to be a U.S. Qualified Purchaser but is not a U.S. Qualified Purchaser at the time it acquires a beneficial interest in the Rights Entitlements and Rights Equity Shares, shall be null and void ab initio and will not be honored by the Company and in no event will the Company, its directors, officers, employees or agents, including any broker or dealer, have any liability whatsoever to the purchaser by reason of any act or failure to act by any person authorized by the Company in connection with the foregoing.

28. The purchaser understands and acknowledges that our Company may be considered a "covered fund" for purposes of the Volcker Rule. The definition of "covered fund" in the Volcker Rule includes (generally) any entity that would be an investment company under the U.S. Investment Company Act, but for the exceptions provided under Section 3(c)(1) or 3(c)(7) thereunder. Because our Company relies on Section 3(c)(7) of the U.S. Investment Company Act for its exclusion from registration thereunder, it may be considered to be a covered fund. Accordingly, banking entities that are subject to the Volcker Rule may be prohibited under the Volcker Rule from, among other things, acquiring or retaining the Rights Entitlements and Rights Equity Shares, absent any applicable exception, exclusion or exemption. Each purchaser must make its own determination as to whether it is a banking entity subject to the Volcker Rule and, if applicable, the potential impact of the Volcker Rule on its ability to purchase or retain the Rights Entitlements and Rights Equity Shares.

29. The purchaser shall hold our Company and the Lead Manager harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of its representations, warranties or agreements set forth above and elsewhere in this Draft Letter of Offer. The indemnity set forth in this paragraph shall survive the resale of the Rights Equity Shares.

30. The purchaser acknowledges that our Company, the Lead Manager, their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Transfer Restrictions

Due to the following restrictions, prospective investors are advised to consult legal counsel prior to purchasing Rights Equity Shares and making any offer, resale, pledge or transfer of the Rights Equity Shares purchased in the Issue.

In addition to the applicable representations, warranties and agreements set forth above, each purchaser by accepting the delivery of the Letter of Offer and its accompanying documents, submitting an Application Form for the exercise of any Rights Entitlements and subscription for any Rights Equity Shares and accepting delivery of any Rights Entitlements or any Rights Equity Shares, will be deemed to have represented, warranted and agreed as follows on behalf of itself and, if it is acquiring the Rights Entitlements or the Rights Equity Shares as a fiduciary or agent for one or more investor accounts, on behalf of each owner of such account (such person being the "**purchaser**", which term shall include the owners of the investor accounts on whose behalf the person acts as fiduciary or agent):

Until the expiry of 40 days after the commencement of the Offer, an offer or sale of the Rights Entitlements and the Rights Equity Shares within the United States by a dealer (whether or not it is participating in the Offer) may violate the registration requirements of the U.S. Securities Act.

SECTION VIII: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The copies of the following contracts which have been entered or are to be entered into by our Company (not being contracts entered into in the ordinary course of business carried on by our Company or contracts entered into more than two years before the date of this Draft Letter of Offer) which are or may be deemed material have been entered or are to be entered into by our Company. Copies of the abovementioned contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office between 10 a.m. and 5 p.m. on all working days and will also be available on the website of our Company from the date of the Letter of Offer until the Issue Closing Date.

A. Material Contracts for the Issue

1. Issue Agreement dated December 5, 2024, between our Company and the Lead Manager.

2. Registrar Agreement dated December 5, 2024, between our Company and the Registrar to the Issue.

3. Banker(s) to the Issue Agreement dated [●], 2024, between our Company, the Lead Manager, Registrar and the Bankers to the Issue.

4. Monitoring Agency Agreement dated [●], 2024 between our Company and the Monitoring Agency.

B. Material Documents

1. Certified copies of the Memorandum of Association and Articles of Association of our Company as amended.

2. Our certificates of incorporation dated September 5, 1994, April 19, 2010, July 20, 2021 and July 9, 2024 consequent to change of our name.

3. Consents of our Directors, Company Secretary and Chief Compliance Officer, Lead Manager, Banker(s) to the Issue, legal counsel to our Company as to Indian law, legal counsel to the Lead Manager as to Indian Law, international legal counsel to the Lead Manager, the Registrar to the Issue, the Independent Chartered Accountant, and the Monitoring Agency, for inclusion of their names in the Draft Letter of Offer to act in their respective capacities.

4. Consent letter dated December 5, 2024, from our Statutory Auditors, M/s Deloitte Haskins & Sells, Chartered Accountants, to include their name in this Draft Letter of Offer, as an "expert" as defined under Section 2(38) of the Companies Act, 2013, in respect of and inclusion of (i) their audit report dated May 6, 2024, in respect of the Audited Financial Statements FY 24, (ii) their qualified review report dated November 15, 2024 issued in respect of the Statement of Unaudited Financial Results HY 25 containing Qualified Review Report and (iii) the statement of special tax benefits available to our Company and its shareholders dated December 5, 2024, and such consent has not been withdrawn as of the date of this Draft Letter of Offer. The term "expert" and "consent" does not represent an "expert" or "consent" within the meaning under the U.S. Securities Act.

5. Consent letter dated December 5, 2024, from MGA & Associates, Chartered Accountants, to include their name in this Draft Letter of Offer, as required under Section 26(5) of the Companies Act, 2013, and as an "expert" as defined under Section 2(38) of the Companies Act, 2013 in respect of the certificates issued by them in their capacity as an Independent Chartered Accountant to our Company.

6. Statement of special tax benefits available to our Company and, its shareholders dated December 5, 2024, from the Statutory Auditors included in this Draft Letter of Offer.

7. The Audited Financial Statements FY 24 and the audit report dated May 6, 2024 thereto.

8. The Statement of Unaudited Financial Results HY 25 containing Qualified Review Report and the qualified review report dated November 15, 2024 thereto.

9. Resolution of our Board of Directors dated December 4, 2024 in relation to this Issue and other related matters.

10. Resolution of our Board of Directors dated December 5, 2024 approving and adopting this Draft Letter of Offer.

11. Resolution of our Rights Issue Committee dated [●], 2024 in relation to the terms of the Issue including the Record Date, Issue Price and Rights Entitlement ratio.

12. Annual Reports of our Company for the Financial Years 2024, 2023, 2022, 2021 and 2020.

13. Due diligence certificate dated December 5, 2024, addressed to SEBI from the Lead Manager.

14. In-principle listing approvals dated [●], 2024 and [●], 2024 issued by BSE and NSE, respectively.

15. Tripartite agreement dated June 4, 2016 amongst our Company, NSDL and the Registrar to the Issue.

16. Tripartite agreement dated July 8, 2016 amongst our Company, CDSL and the Registrar to the Issue.

17. SEBI observation letter number [●] dated [●].

18. Red herring prospectus of our Company dated October 25, 2022, filed with the RoC in relation to the initial public offering of Equity Shares of our Company.

Any of the contracts or documents mentioned in this Draft Letter of Offer may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the Eligible Equity Shareholders, subject to compliance with applicable law.

DECLARATION

I hereby certify that no statement made in this Draft Letter of Offer contravenes any of the provisions of the Companies Act, the SEBI Act, or the rules made thereunder or regulations issued thereunder, as the case may be. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Draft Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF OUR COMPANY

____

Devesh Sachdev
Managing Director and CEO

Date: December 5, 2024

Place: Gurugram

DECLARATION

I hereby certify that no statement made in this Draft Letter of Offer contravenes any of the provisions of the Companies Act, the SEBI Act, or the rules made thereunder or regulations issued thereunder, as the case may be. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Draft Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF OUR COMPANY

____
Ratna Dharashree Vishwanathan
Independent Director

Date: December 5, 2024

Place: Gurugram

DECLARATION

I hereby certify that no statement made in this Draft Letter of Offer contravenes any of the provisions of the Companies Act, the SEBI Act, or the rules made thereunder or regulations issued thereunder, as the case may be. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Draft Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF OUR COMPANY

____

Namrata Kaul
Independent Director

Date: December 5, 2024

Place: Gurugram

DECLARATION

I hereby certify that no statement made in this Draft Letter of Offer contravenes any of the provisions of the Companies Act, the SEBI Act, or the rules made thereunder or regulations issued thereunder, as the case may be. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Draft Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF OUR COMPANY

____

Narendra Ostawal
Nominee Director

Date: December 5, 2024

Place: Mumbai

DECLARATION

I hereby certify that no statement made in this Draft Letter of Offer contravenes any of the provisions of the Companies Act, the SEBI Act, or the rules made thereunder or regulations issued thereunder, as the case may be. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Draft Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF OUR COMPANY

____

Kenneth Dan Vander Weele
Nominee Director

Date: December 5, 2024

Place: Chicago, USA

DECLARATION

I hereby certify that no statement made in this Draft Letter of Offer contravenes any of the provisions of the Companies Act, the SEBI Act, or the rules made thereunder or regulations issued thereunder, as the case may be. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Draft Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF OUR COMPANY

____

Puneet Gupta
Independent Director

Date: December 5, 2024

Place: Delhi

DECLARATION

I hereby certify that no statement made in this Draft Letter of Offer contravenes any of the provisions of the Companies Act, the SEBI Act, or the rules made thereunder or regulations issued thereunder, as the case may be. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Draft Letter of Offer are true and correct.

SIGNED BY THE CHIEF FINANCIAL OFFICER OF OUR COMPANY

____

Gaurav Maheshwari
Chief Financial Officer

Date: December 5, 2024

Place: Gurugram