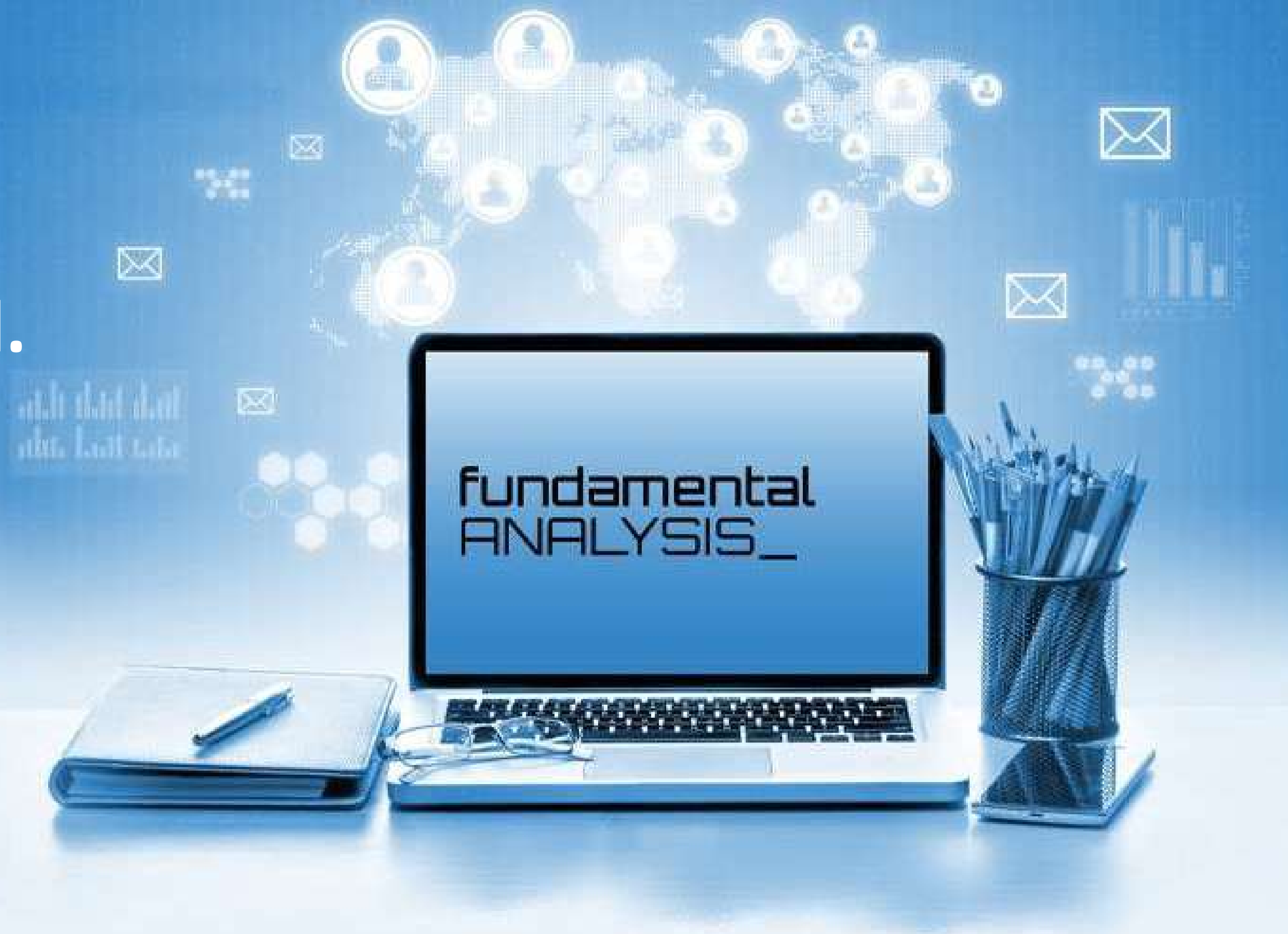
Initiating Coverage

Fusion Micro Finance Ltd.

June 05, 2023



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20 YEARS

Fusion Micro Finance Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
NBFC-MFI	Rs.506.3	Buy in the band of Rs.500-510 & add more on dips to Rs. 450-460 band	Rs.560	Rs.597	2-3 quarters

HDFC Scrip Code	FUSION
BSE Code	543652
NSE Code	FUSION
Bloomberg	FUSION:IN
CMP June 2, 2023	506.3
Equity Capital (Rs Cr)	101
Face Value (Rs)	10
Equity Share O/S (Cr)	10.1
Market Cap (Rs Cr)	5,065
Adjusted Book Value (Rs)	224
Avg. 52 Wk Volumes	608897
52 Week High	525.0
52 Week Low	321.1

Share holding Pattern % (Mar, 2023)	
Promoters	68.2
Institutions	19.52
Non Institutions	12.28
Total	100.00

* Refer at the end for explanation on Risk Ratings

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Our Take:

Fusion Micro Finance Limited (Fusion) is the 2nd largest and one of the fastest growing NBFC-MFIs. The key product offerings include income-generating loans to women entrepreneurs in rural areas, top- up loans, cross sell loans and MSME loans. Fusion's business growth strategy has been targeting underserved and underpenetrated rural areas in both existing markets and new geographies. Over the years, it has expanded its presence in 390 districts across 20 states/UTs through 1,086 MFI branches. It has adopted a calibrated approach towards diversifying the fund raising sources and minimizing the costs of borrowings. Recent fund raise via IPO has strengthened the capital positioning. In past few years the company has enjoyed consistent ratings upgrades in the back drop of improved growth scenario and improved financial performance. Technology is another strong point for the company; all the borrowers are now on-boarded digitally. The company has experienced promoters as well as marquee investors.

Covid led weak economic scenario had impacted the Micro Finance Industry (MFI) and small business segment. Fusion's performance had also deteriorated. There was sharp spike in NPAs and due to higher provisions the profitability was also impacted. However, we feel that the worst is over and situation has improved with the economy picking up again and the rural demand on the rise, the growth outlook looks positive for the short to medium term. RBI in March 2022 issued new directions for microfinance lending and has eased microfinance regulations. For the long term we feel that the opportunity is huge as penetration of MFI and SFB loans in Indian market is still low.

Valuation & Recommendation:

In last six years, the Asset Under management (AUM) of Fusion has grown at a CAGR of 43%, while during the same period it has reported a healthy 28% CAGR in borrowers. Overall, FY23 has been a year full of milestones for the company. It has registered a 37% yearly growth in its AUM, reported its highest ever yearly PAT of Rs. 387 crores (up 1680% YoY), organically added ~0.8 million customers taking the total to 3.5 million spread across 20 states. Over the last four quarters, the company has continuously delivered RoA above 4% and RoE above 20% on account of robust margins and declining provisions.

We expect the company to grow its AUM at 26% CAGR while NII and Net profit are expected to grow at 28% and 31% CAGR respectively over FY23-25E. ROAA is estimated to improve to 4.9% in FY25E from current 4.6% in FY23. The asset quality should improve further from here on as collection starts stabilizing. The company is trading at 1.48x FY25E ABV, which is at a considerable discount to its peers. Looking at the growth opportunities we believe that the discount will gradually narrow.

We feel that investors can buy the stock in the band of Rs. 500-510 (1.48x Mar-25E ABV) & add more on dips to Rs. 450-460 band (1.33x Mar-25E ABV). We expect the base case fair value of Rs. 560 (1.64x Mar-25E ABV) and the bull case fair value of Rs. 597 (1.75x Mar-25E ABVPS) over the next 2-3 quarters.

Financial Summary

	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY21	FY22	FY23P	FY24E	FY25E
NII	276.5	170.6	62.0	252.2	9.6	452.4	568.3	957.3	1286.2	1560.9
PPOP	221.1	149.6	47.8	183.8	20.3	277.4	392.9	712.4	966.3	1161.5
PAT	114.5	13.2	768.2	102.5	11.8	43.7	21.5	387.1	526.2	667.5
EPS (Rs)	12.81	1.59	706	11.14	15	5.5	2.6	38.6	52.4	66.5
ABV (Rs)						144.7	149.2	224.3	275.8	341.9
P/E (x)						91.6	195.0	13.1	9.7	7.6
P/ABV (x)						3.5	3.4	2.3	1.8	1.5
RoAA (%)						0.9	0.3	4.6	4.9	4.9
RoAE (%)						3.6	1.7	21.2	20.4	21.0

(Source: Company, HDFC sec)

Recent Developments

Sector Update:

The RBI had harmonized its MFI frameworks with effect from 1st April 2022, which had a positive impact on this industry. These changes gave a level playing field to the MFI companies with its peer banks and SFBs. The RBI also removed caps on interest rates allowing NBFC-MFIs to formulate a risk-based pricing model for these loans and increasing the threshold household income for the eligibility of micro finance loans. This has widened the potential customer base. Further, the RBI has also capped the overall borrower indebtedness which would keep a check on the asset qualities in the industry.

In the MFI industry, the market share of NBFC-MFIs is up 331 bps in 9MFY23, while the market share of the banks is down 430 bps during the same period. As of December 2022, the market share of NBFC-MFIs/Banks/SFBs/NBFCs/Others stood at 38.5/35.7/16.3/8.5/1% as against 35.2/40/16.9/6.9/1% as of March 2022 and 31.8/39.8/17.5/9.8/1.1% as of March 2020. Further, the yearly Gross Loan Portfolio (GLP) growth rate of NBFC-MFIs, as of December 2022, stood at 41.1% as against 24.7% as of March 2022. Hence it is evident that these harmonized rules have positively impacted the business of NBFC-MFIs at the cost of bank's business in this industry.

In terms of geography, except for Tamil Nadu, all major states have a penetration level lower than 50%, lowest being Uttar Pradesh, Maharashtra, and Rajasthan. Further, in a recent ruling, Telangana High Court passed an order disallowing State Governments to regulate NBFC-MFIs which are registered with RBI, which is a positive for these companies in this industry.

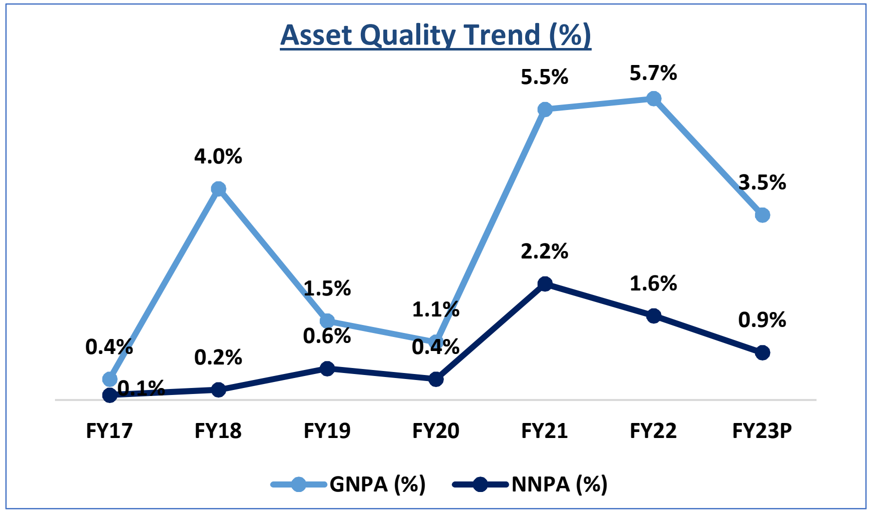
Q4FY23 Result Update:

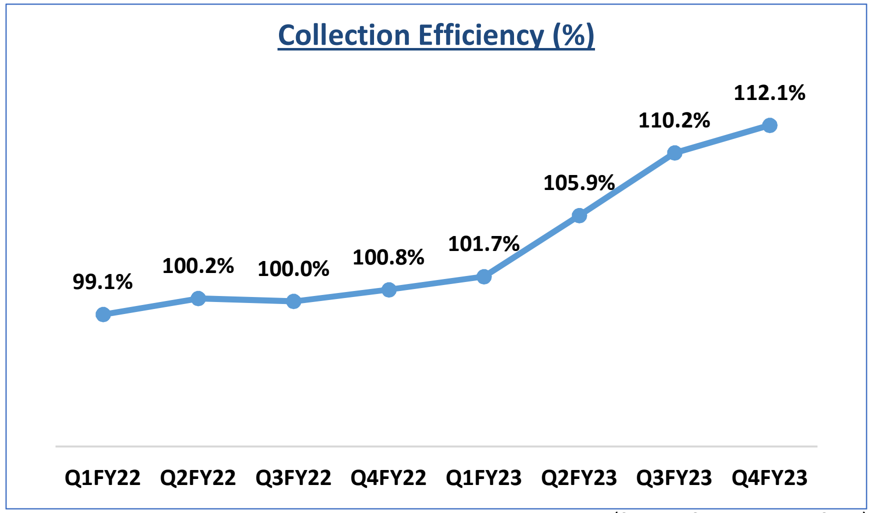
The company has reported strong quarterly numbers in Q4FY23. The total interest income stood at Rs. 450 crores up 47/7% YoY/QoQ, whereas the interest expenses stood at Rs. 174 crores up 28/4% YoY/QoQ. Its yield on advances stood at 21% for the quarter as against 20.7% in Q3FY23 and 17.7% in Q4FY22, while its cost of borrowing stood at 10.4% (up 50/0bps YoY/QoQ). This healthy growth of interest income and controlled finance costs, coupled with robust growth in its loan portfolio, helped the company's Net Interest Income to grow by 62/10% YoY/QoQ, and stand at Rs. 276 crores. Its NIM improved by 280/30bps YoY/QoQ and stood at 10.6% for the quarter. The management expects the yield to stabilize around 22% going forward. The Cost to Income ratio of the company improved to 36.2% for Q4FY23 vs 38.4% in Q3FY23 on account of stronger growth in its interest income compared to its finance and operating costs. The company reported 45/9% YoY/QoQ higher opex on account of continued physical expansion and digital initiatives to automate various business processes. Its pre-provision operating profit (PPOP) was up by 48/20% YoY/QoQ and stood at Rs. 221 crores. Provisions for impaired assets were significantly higher on sequential basis (39%). Despite this, the net profit rose by 768/12% YoY/QoQ and stood at Rs. 114.5 Cr which is the highest ever quarterly profit reported by the company.

Further, fusion has reported strong AUM growth of 37/7% YoY/QoQ at Rs. 9,296 Cr, while disbursement grew by 18/8.5% YoY/QoQ to Rs. 2,373 crores. GNPA for FY23 stood at 3.5% v/s 5.7% in FY22 and NNPA stood at 0.9% v/s 1.6% in FY22. Further, its number of Borrowers, too rose to 35.3 lakh vs 27.3 in FY22. It reported RoA of 4.8% for FY23 as against 0.4% in FY22, and RoE of 21.2% in FY23 v/s 1.7% in FY22. As of FY23, the company has a total of 1,086 branches across 20 states, of which 58% of the branches have a vintage of over 3 years and contribute 71% to the portfolio, which indicates a potential for growth in branches with less than 3 years of vintage.

Moderate but improving asset quality

The asset quality of Fusion was impacted during Covid-19 as was observed across the MFI industry. However, it was better off than the industry as it had lower exposure to Maharashtra, Kerala, and West Bengal, where the economic activities were highly impacted by COVID-19. Now, things have started to recover with improvements in write-offs, recoveries, and loan book growth. As of FY23, the Gross Stage 3 are at 3.46% vs 5.7% in FY22 and 3.7% in Q3FY23, while Net Stage 3 are at 0.87% vs 1.6% in FY22. Further, it carries ECL provisions to the extent of 75.5% of these stage 3 assets, as of March 2023. The company has benign Stage 2 asset at 0.72% of gross loans with ECL provisions at 40% of these assets, implying lower risk of asset quality deterioration. Collection efficiencies including the pre-payment collection remained stood at 112% for the loans disbursed on or after April 2021 and for the rest loans at 98.1%. This signifies improvement in its underwriting standards, extensive customer assessment methodologies and monitoring systems, etc. Excluding prepayments, collection efficiencies stood at 98% for loans disbursed on or after April 2021 and 83.1% for the rest loans. The outstanding restructured book is only 0.2% of the AUM, which was as high as 2.5% in September 2021. Credit costs for Q4FY23 stood at 0.85% or 3.4% annualized which is high on account of addition to management overlay to the tune of Rs. 25.8 crores and 2.73% for FY23. Management overlay totaling to Rs. 51 crores are included in Rs. 199.5 crores worth of total provision as per ECL in FY23. As per the provisioning policy of the company, 100% is provided on 90+ days portfolio.





(Source: Company, HDFC sec)

Healthy capitalization level

As of 31st March, 2023, the capital adequacy ratio of Fusion stood at 27.9%, which was further aided by the Rs. 600 crores IPO in November 2022, priced at Rs. 368 per share. Further, in the past 12 years, the capital adequacy level of the company has never dropped below 20% mark and going ahead, the management intends to maintain a similar trend, though the RBI has prescribed a minimum adequacy level of 15%.

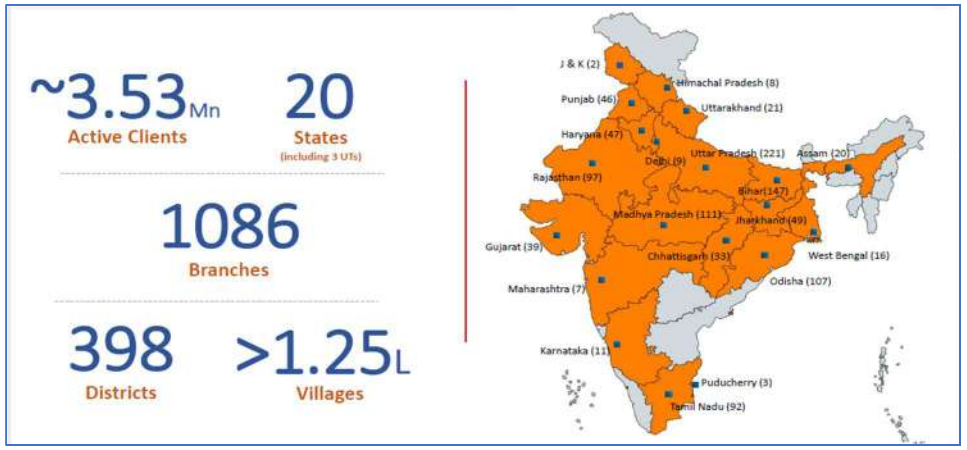
Key rationale:

Diversified geographical diversification with strong foothold in rural areas

Over the years, Fusion has expanded its presence across 20 states/UTs through 1,086 MFI branches from a mere 62 branches in 5 states in FY15. This robust expansion in its physical presence allowed the company to increase its borrower base by a CAGR of 32% over FY17-22. It added 29 branches in Q4FY23. The management had conveyed that henceforth, the company's focus is going to shift to deepening its presence in existing states rather than expanding to all the states in India. Even while increasing its geographical presence, it has made sure that the operating efficiency matrix improves. This is evident from its AUM per Branch which stands at Rs. 8.8 crores as of FY23 as against Rs. 4.1 crores in FY18. Further, the number of borrowers per branch have increased to 3,452 in FY23 from 2,728 in FY18.

The company has its major operations in the state of Bihar, Uttar Pradesh, Odisha, Madhya Pradesh and Tamil Nadu. As per a report issued by CRISIL, the penetration of formal credit in the rural areas of these states is in the range of 13-28%. The company's strategy to operate and penetrate in such untapped markets should support growth prospects going forward. Further, there has also been a continuous effort on reducing state concentration risk through expansion into a few specific new states and deepening and widening reach into untapped markets. The company is trying to actively expand in Gujarat, Rajasthan and Punjab and it recently entered Karnataka with a total of 11 new branches. It is planning to enter Andhra Pradesh and Telangana soon as the recent ruling of the Telangana High Court favours NBFC-MFIs in these states. Its priority to diversify geographically is evident from the numbers as of Q4FY23: no single state contributes more than 20% of total AUM and no district contributes more than 3%, the share of top 5 states fell to ~ 69% vs ~88% in FY16.

Fusion's business growth strategy has been targeting underserved and underpenetrated rural areas in both existing markets and new geographies. The company has a long history of focusing on rural areas and has been able to manage growth while maintaining its asset quality. The customer-centric model and ability to leverage extensive distribution network and deep-rooted presence in rural markets across India, makes Fusion well placed to offer an increasing variety of financial products in areas where financial services penetration remains limited. According to CRISIL, in addition to having less competition, lower credit penetration and less migration, rural areas also benefit from overall better credit behaviors and, in turn, lower delinquency rates.



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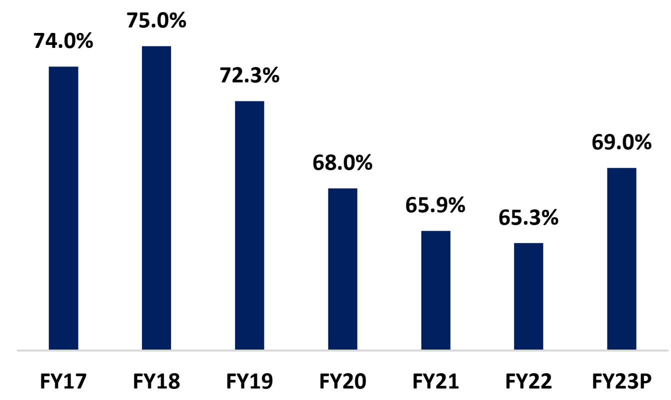
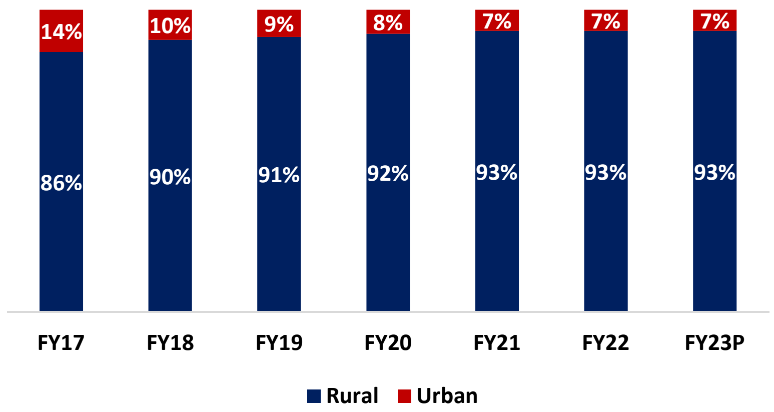




(Source: Company, HDFC sec)

Experienced management and Marquee investors

The company has an experienced and professional management team as well as marquee investors at the helm. This helps the company in actively monitoring, evaluating, and refining its corporate governance practices throughout the organization. Fusion is promoted by Mr. Devesh Sachdev, who has over two decades of experience before he started Fusion in 2010. He is also the Chairperson of the governing board of the Microfinance Institutions Network. The second line of the management team comprises professionals with an average experience of over a decade in their respective fields. Several team members at the top management are with the company for more than 5 years.

Its marquee investors include Warburg Pincus LLC, a leading private equity firm focused on growth investing across several sectors, and Creation Investments Fusion, LLC, a leading 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 the promoters.

(Source: Company, HDFC sec)

Diversified funding profile

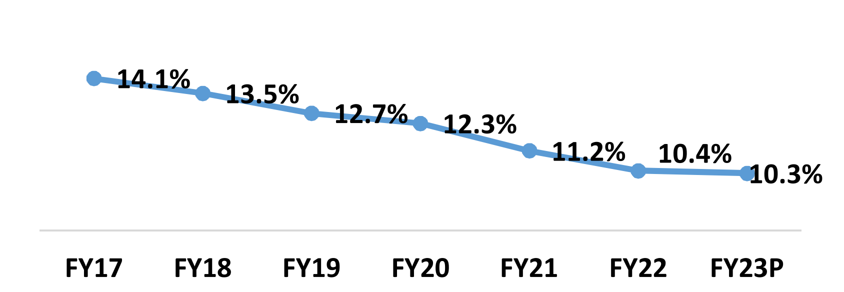
Over the years, Fusion has adopted a calibrated approach towards diversifying the fund raising sources and minimizing the costs of borrowings with prudent asset liability management and effective liquidity management. As per the management, focus on building a healthy balance sheet with a good mix of assets, liability and equity and a positive net asset position has enabled the company to overcome various negative market conditions in the past.

As of June 2022, it had direct funding relationships with 56 distinct lenders, including public sector banks, private sector banks (including small finance banks (SFBs) and foreign banks), NBFCs, and development financial institutions (DFIs). In addition, the company had borrowings in the form of ECBs, NCD issuances, sub-debt and off-book funding. According to CRISIL, Fusion had the second highest number of lender relationships among the top 10 NBFC-MFIs in India as of March 31, 2022.

The company has sufficient liquidity in the balance sheet and there is no ALM mismatch across the time buckets. Further, marquee names in the promoter categories could help the company raise funds in case of emergency.

Lender split:

	FY21	FY22	FY23P
Public Sector Bank	13.3%	21.4%	25.8%
Development financial Institutions	13.3%	11.7%	7.8%
Private Sector Bank	36.4%	36.5%	37.5%
Foreign-Bank	16.4%	13.7%	12.9%
Non-Banking Financial Institutions	7.1%	8.8%	9.5%
Non-Convertible Debentures	13.5%	8.0%	6.5%
Total	100.0%	100.0%	100.0%



(Source: Company, HDFC sec)

Rating upgrades

In past few years the company has enjoyed consistent ratings upgrades in the back drop of improved growth scenario and improved financial performance. The company's long-term credit ratings have improved from a rating of "BBB" by CRISIL as of March 31, 2016 to a rating of "A" by CRISIL in FY23. Further, recently, in Nov-22, CRISIL has upgraded its long-term rating to A/Stable from A-/Stable. In a year of rising interest rates, persistent inflation, tightening liquidity and global uncertainty, the company had nominal impact on the cost of funds, which is commendable.

Diversified Product offerings and robust AUM growth

As per CRISIL, the MFI industry is expected to grow by 18-20% CAGR over FY22-25E led by faster growth of 20-22% CAGR in the NBFC-MFI segment on account of faster growth in rural segment, increasing penetration, increasing average ticket size, etc. The target customers of the company are women entrepreneurs in rural areas with an annual household income up to Rs. 3 lakhs. It follows a lending model where in 5-7 women form a group and guarantee each other's loans, which increases the security for the company. A gist of the company's diverse range of products is highlighted below-

Income generating loans: As stated above, the company follows a group lending model, catering exclusively to women in rural areas. Under this segment, the company extends small loans to women primarily for their businesses in sectors such as agriculture and allied activities, manufacturing and production, trade and retail, services, etc. This product forms the core loan product of the company.

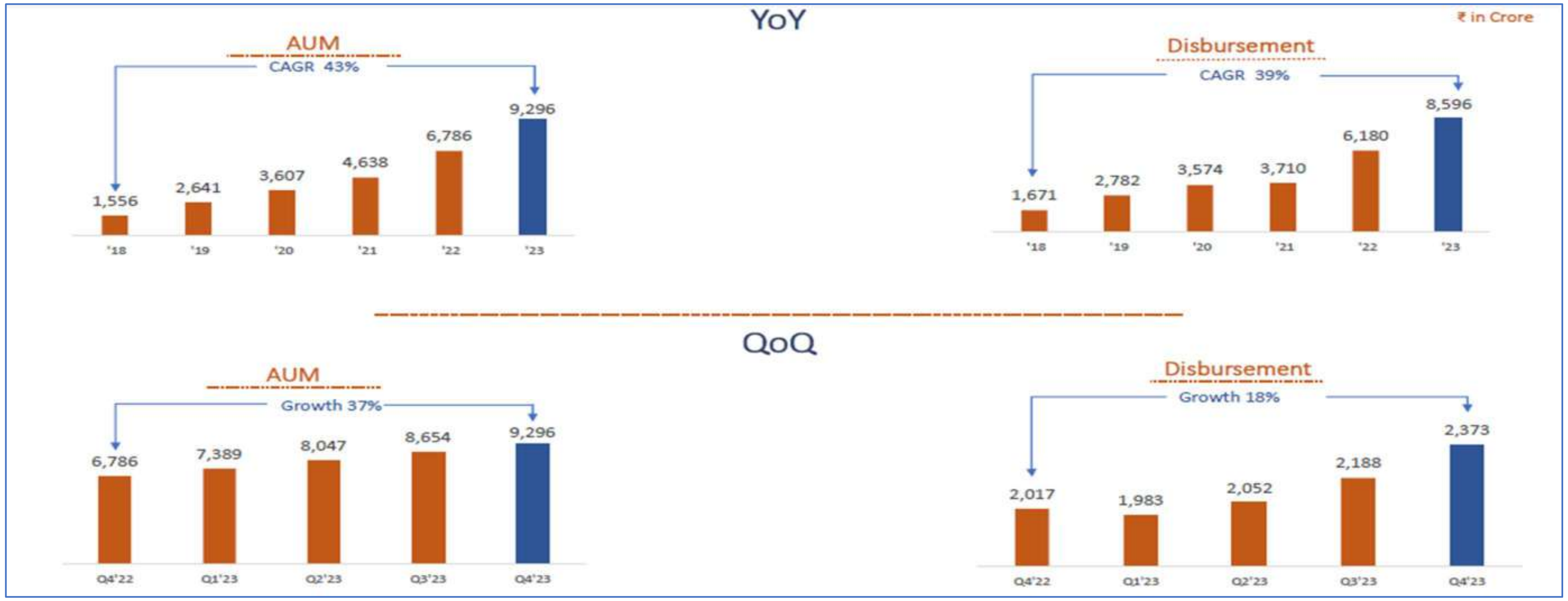
Top-up loans: Top-up loans are granted to existing customers to manage interim working capital requirements for their businesses. To be eligible for top-up loans, a customer must have had paid a minimum of six monthly instalments, a minimum attendance rate of 60% at the scheduled center meetings and a satisfactory track record on previous or ongoing loans with the company.

Cross-sell loans: It is utilized by customers for livelihood and productivity enhancing purposes. The company has entered into agreements with (i) smartphone brands for the sale of smartphones, (ii) bicycle manufacturers for the sale of a range of bicycles, (iii) kitchen appliances manufacturers for the sale of blenders and cookers, and (iv) Agriculture solutions providers for the sale of tarpaulins. In addition to interest income on such loans, Fusion also receives processing and referral fees by the aforementioned manufacturers and distributors for these services.

Emergency loans: It is given to existing customers to fund urgent financial requirements arising out of unforeseen events such as health emergencies, natural disasters and family bereavements. To be eligible for the emergency loans, a customer must have completed at least one cycle of income-generation loans with no delinquency and a minimum attendance rate of 60% at the scheduled center meetings.

MSME loans: MSME vertical was launched in Dec 2019 to tap the potential of the 'missing middle'. The company offers MSME loans to eligible enterprises who should be manufacturers, traders, or service providers, and have an investment limit of less than Rs.15 lakhs. The company has a total of 10,747 clients under this segment and a Gross Loan Book of Rs. 301 crores, spread across 67 branches in 10 states and a team size of 738 employees.

As mentioned earlier, the company's total AUM stands at Rs. 9,296 crores which saw a healthy growth of 37/7% YoY/QoQ, primarily driven by new customer acquisitions which are up 30/4% YoY/QoQ. The disbursements in Q4FY23 stood at Rs. 2,373 crores up by 18/8.5% YoY/QoQ. The company's AUM displayed strong growth since FY18 of 43% CAGR, while disbursements grew at a CAGR of 39% since FY18. On the other hand, its quarterly growth in AUM and disbursements is not just restricted to Q4FY23 but can be seen across all quarters in FY23. This is commendable as generally, the micro finance industries report strong Q4 performance and relatively weak performance in rest quarters. Its average ticket size (ATS) stood at Rs. 41,200 per borrower as of Q4FY23 v/s Rs. 37,900 as of Q3FY23. The management expects its overall ATS to grow at 10% per year going forward, which translates to Rs. 44,000-45,000 for the next year. The company is not expected to add any further products but it is expected to raise the share of MSME loans in its total loan book. Further, it has a total of 3.53 million borrowers as of FY23, while the net addition to borrowers in Q4FY23 stood at 0.8 million.



(Source: Company, HDFC sec)

Technology and Digital Platforms

Over the years, the company has consistently invested in upgrading to the latest technology. Early adoption of technology has resulted in digitization across the loan process from lead generation to loan disbursement, which in turn has improved the operating efficiencies for the company. 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. The technology investments and initiatives over the years have yielded substantial increases in digital customer on-boarding and online disbursements as well as a decrease in turnaround times.

With the adoption of the technology, all the borrowers were on-boarded digitally as against 30% in FY18, the share of cash-less disbursement have increased to 97% in 2023 from 20% in 2018, and the average turn-around time of the loan approvals has been reduced to ~4 days as compared to ~13 days in FY16. Over last five years, despite the continued addition in branches and employees, Fusion has reported improvement in operating leverage as it continued to improve its productivity supported by advance technology.

Risks & Concerns

Risky nature of business

Micro finance is inherently risky business because of cash dealing and collateral free nature. Clients have below-average credit risk profiles and lack the access to formal credit. The borrowers of individual microfinance loans and micro & small enterprise loans are typically farmers, vegetable vendors, small machine and lathe owners, tea shops, provision stores, small fabrication units, waste paper recycling units, tailors, and power looms. They are economically weaker class and face income volatility.

Political risks due to nature of loans

Loan book of Fusion is dominated by microfinance loans. Political instigation in some of the states asking people not to pay back their dues, as witnessed in the past, could result in higher NPAs. Further, micro finance businesses are also highly sensitive to natural calamities and social-economic events.

High growth rate

Fusion is one of the fastest growing NBFC-MFI and has grown at a CAGR of 51% in last five years. Any economic slowdown or market share loss could impact the current growth rate of the company. Lower than expected AUM growth or build up in the NPAs are the key risks to our thesis.

Rising Interest rates

We witnessed a rising interest rate environment almost throughout FY23, and the cost of borrowings is rising for the NBFCs and on the asset side, the demand for the loan products are declining due to reduced affordability. This could impact the NIMs on account of squeeze in spread and ultimately on the profitability of the company.

Change of regulations

NBFCs, including NBFC-MFIs, in India are subject to strict regulation and supervision by the RBI. It requires several approvals, licenses, registrations and permissions to operate the business. Any adverse change of regulation could have a negative impact on the business of the company.

Company Background:

The company was incorporated on September 5, 1994, as Ambience Fincap Private Limited and later in 2009 was takeover by Mr. Devesh Sachdev who changed its name to Fusion Microfinance. Fusion Micro Finance Limited (Fusion) started microfinance operations in 2010 and became a registered NBFC-MFI in 2014. The 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, manufacturing and production, trade and retail, and services sectors. Subject to certain eligibility criteria, the company also offers top-up loans as well as cross-sell loans to the existing customers. In addition, it also offers MSME loans to eligible enterprises.

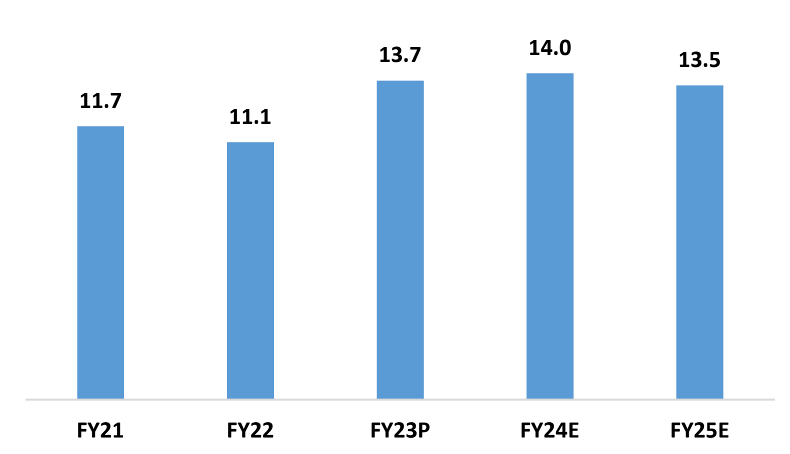
As of March 2023, Fusion has presence in 398 districts across 20 states/UTs through 1,086 MFI branches. Total Asset Under Management stood at Rs. 9,296 Cr. It is the 2nd largest and one of the fastest growing NBFC-MFIs having registered ~43% AUM CAGR over the last six years.

Promoted by Mr Devesh Sachdev, the company has attracted domestic and global investors with high pedigree over the years. Until 2018, key investors such as Creation Investments, Oikocredit, Belgian Investment Company (Belgian), NMI Frontier (NMI), RIF North II (RIF), Small Industries Development Bank of India (SIDBI) and Global Financial Inclusion Fund (Global Financial), acquired about a 90% stake in the company.

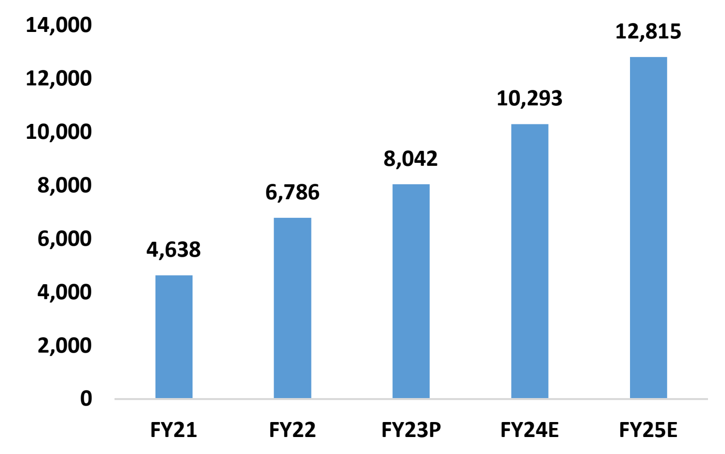
Subsequently, after capital infusion in fiscal 2019 and the third quarter of fiscal 2020, Warburg Pincus (through Honey Rose Investment Ltd) acquired a 48.6% stake in the company, making it the largest shareholder in Fusion. This marked the exit of Belgian, NMI, SIDBI and RIF from the investor group and reduction in the respective stakes held by Global Financial, Creation Investments and Oikocredit. With the recent IPO, Warburg Pincus remains the majority shareholder of the company.

Return Ratio (%)

NIM (%)



Loan book top grow at 26% CAGR between FY23-25E



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Fusion MFI Financials

Income Statement

Particulars	FY21	FY22	FY23P	FY24E	FY25E
Interest Income	828	1064	1600	1998	2473
Interest Expenses	375	496	643	712	912
Net Interest Income	**452**	**568**	**957**	**1286**	**1561**
Non-Interest income	28	87	142	160	185
Other Income	**17**	**50**	**58**	**64**	**71**
Operating Income	498	705	1157	1511	1817
Operating Expenses	220	312	445	545	655
PPP	277	393	712	966	1161
Prov & Cont	221	369	200	265	272
Profit Before Tax	57	24	512	702	890
Tax	13	3	125	175	222
PAT	**44**	**21**	**387**	**526**	**667**

Balance Sheet

Particulars	FY21	FY22	FY23P	FY24E	FY25E
Share Capital	79	83	100	100	100
Reserves & Surplus	1167	1255	2222	2748	3415
Shareholder funds	**1246**	**1338**	**2322**	**2848**	**3516**
Borrowings	4444	5794	6860	9058	11662
Other Liab & Prov.	148	159	182	205	230
SOURCES OF FUNDS	**5838**	**7290**	**9364**	**12111**	**15407**
Fixed and Other Intangible Asset	18	19	21	24	27
Cash & Bank Balance	1335	1154	1066	1485	2181
Advances	4361	5918	8042	10293	12815
Other Assets	124	200	236	309	384
TOTAL ASSETS	**5838**	**7290**	**9364**	**12111**	**15407**

(Source: Company, HDFC sec)

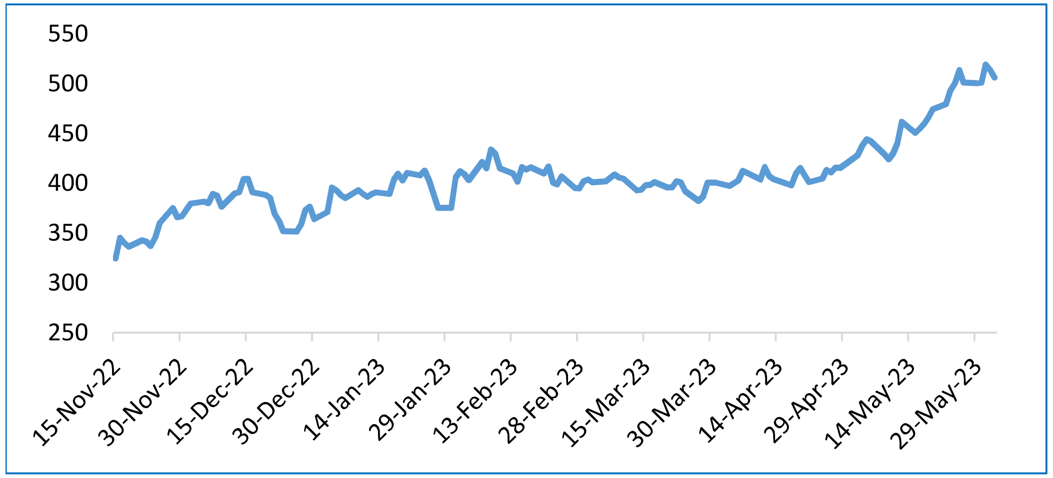
Fusion Micro Finance Ltd.

Key Ratios

Particulars	FY21	FY22	FY23P	FY24E	FY25E
Return Ratios					
Calc. Yield on adv	21.50%	20.70%	22.90%	21.80%	21.40%
Calc. Cost of borr	8.40%	8.60%	9.40%	7.90%	7.80%
NIM	11.70%	11.10%	13.70%	14.00%	13.50%
RoAE	3.60%	1.70%	21.20%	20.40%	21.00%
RoAA	0.90%	0.30%	4.60%	4.90%	4.90%
Asset Quality Ratios					
GNPA	5.70%	5.80%	3.60%	3.00%	2.50%
NNPA	2.30%	1.70%	0.90%	0.80%	0.70%
PCR	60.00%	71.30%	75.50%	73.80%	73.00%
Growth Ratios					
Advances	30.40%	35.70%	35.90%	28.00%	24.50%
AUM	28.60%	46.30%	0.00%	0.00%	0.00%
Borrowings	49.20%	30.40%	18.40%	32.00%	28.70%
NII	37.60%	25.60%	68.40%	34.40%	21.40%
PPP	43.90%	41.60%	81.30%	35.70%	20.20%

Particulars	FY21	FY22	FY23P	FY24E	FY25E
Valuation Ratios					
EPS	5.5	2.6	38.6	52.4	66.5
P/E	91.6	195	13.1	9.7	7.6
Adj. BVPS	144.7	149.2	224.3	275.8	341.9
P/ABV	3.5	3.4	2.3	1.8	1.5
Dividend per share	0	0	0	0	0
Other Ratios					
Cost-Income	44.3	44.3	38.4	36	36.1
Avg Networth/ Avg Total Assets	4.7	5.4	4	4.3	4.4
CAR	27.30%	21.90%	27.90%	26.40%	27.00%
Tier 1	25.50%	19.90%	26.60%	25.20%	26.10%

Price Chart since listing in November 2022



HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

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