Fusion Micro Finance Ltd

ICICI direct Research

Price Band ₹ 350 - 368

NOT RATED

October 31, 2022

IPO Review

Strong player in sustained growing MFI sector…

About the Company: Fusion Micro Finance Ltd (FMFL) provides financial services to unserved and underserved women in rural and semi-rural areas across India.

- As of June 30, 2022, total AUM was at ₹ 7389.0 crore, with strong growth at 53.8% CAGR in FY17-21
- As of June 30, 2022, gross NPA ratio was at 3.6% while net NPA was at 1.3%

Key triggers/Highlights:

- The industry's gross loan portfolio increased at 21.0% CAGR since FY18 to reach ~₹ 3.1 lakh crore in Q1FY23. As per Crisil Research, the MFI industry is set to grow at 18-20% CAGR in FY22-25
- The new regulatory regime for microfinance loans levels the playing field and benefits NBFC-MFIs. NBFC-MFIs are expected to grow at a much faster rate of 20-22% compared to the MFI industry
- FMFL's active borrowers grew at a CAGR of 33.6% to 29 lakh (June 2022) served by 966 branches and 9,262 employees spread across 377 districts in 19 states and union territories in India
- History of serving rural markets with high growth potential in the microfinance segment, and have maintained a track record of high rates of customer acquisition & retention with retention rates at 71.7% for Q1FY23
- According to Crisil, FMFL had the sixth lowest gross NPA ratio among the top 10 NBFC-MFIs in India during FY22. Robust risk management policies & underwriting processes have resulted in healthy portfolio quality indicators. As of June 2022, gross NPA was at 3.6% while net NPA was at 1.3%

What should investors do? FMFL is a strong player in a sustainably and well growing MFI sector with healthy growth and operational performance. At the upper end of the price band, the company is valued at ~1.8x Q1FY23 BV (post issue).

- We assign **UNRATED** rating to the IPO

Key risk & concerns

- Competition from other MFIs, banks and financial institutions
- Increase in NPAs may adversely affect business & earnings
- Substantial collections & disbursements in cash exposes to operational risks

Fusion Microfinance

Particulars

Issue details	
Issue opens	2nd November 2022
Issue Closes	4th November 2022
Issue Size	₹1079-1104 crore
Fresh Issue	₹600 crore
Price Band	₹350 - 368
No.of Shares on offer (in cr)	1.36
QIB (%)	50
NIB (%)	15
Retail (%)	35
Min Lot Size	40

Shareholding Pattern (%)

Shareholding pattern	Pre-issue	Post issue
Promoter group	85.21	67.97
Public	14.79	32.03

Objects of issue

Object of the issue
To augment capital base and achieve the benefits of listing the equity shares on the stock exchanges.

Research Analyst

Kajal Gandhi
kajal.gandhi@icicisecurities.com

Vishal Narnolia
vishal.narnolia@icicisecurities.com

Pravin Mule
pravin.mule@icicisecurities.com

ICICI Securities – Retail Equity Research

Key Financial Summary

₹ crore	FY20	FY21	FY22	CAGR FY20-22
NII	382.6	480.7	655.3	30.9%
PAT	69.6	43.9	21.8	-44.1%
EPS	10.5	5.6	2.7	-49.5%
BVPS	151.9	157.7	161.7	3.2%
ROA %	2.2	1.1	0.4	
ROE %	7.6	3.6	1.2	
P/E	35.1	66.2	137.8	
P/BV	2.4	2.3	2.3	

Source: RHP, ICICI Direct Research

Company Background

Fusion Micro Finance (FMFL) was founded with the core idea of creating opportunities at the bottom of the pyramid. The company does so by providing financial services to unserved and underserved women in rural and semi-rural areas across India. The company believe its network and services have improved accessibility to formal credit at affordable prices thereby positively impacting the lives of its customers in rural India. FMFL is one of the youngest companies (in terms of getting an NBFC-MFI licence) among top NBFC-MFIs in India in terms of AUM as of June 30, 2022, according to Crisil. In addition, it had the fourth fastest growing gross loan portfolio CAGR of 53.8% between FY17 and FY21 among the 10 largest NBFC-MFIs in India, according to Crisil. As of June 30, 2022 and March 31, 2022, 2021 and 2020, total AUM stood at ₹7389.0 crore, ₹ 6785.9 crore, ₹ 4637.8 crore and ₹ 3606.5 crore respectively.

According to Crisil, FMFL had the fourth lowest gross loan portfolio per district and second lowest gross loan portfolio per customer among top 10 NBFC-MFIs in India, for FY22, demonstrating better diversification and lower risk per customer. As a result, of such active management of state concentration, FMFL has been able to maintain low levels of AUM concentration per state despite robust growth over the years. As of June 30, 2022, no single state contributed to more than 20.0% of total AUM and proportion of AUM in five largest states in terms of AUM concentration has further declined from ₹ 612.4 crore or 94.6% of total AUM as of March 31, 2016 to ₹ 4885.4 crore or 66.1% of total AUM as of June 30, 2022.

As of June 30, 2022, share of AUM from customers in rural areas represented 91.3% of total AUM. FMFL's focus customer segment is women in rural areas with an annual household income of up to ₹ 300,000. Their business runs on a joint liability group-lending model wherein a small number of women form a group (typically comprising five to seven members) and guarantee one another's loans. FMFL also believes that its robust underwriting processes and risk management policies, such as extensive customer assessment methodologies and monitoring systems, have resulted in healthy portfolio quality indicators such as low rates of gross NPAs and net NPAs. As of June 30, 2022 and March 31, 2022, 2021 and 2020, gross NPA ratio was at 3.6%, 5.7%, 5.5% and 1.1%, respectively, and net NPA ratio was 1.3%, 1.6%, 2.2% and 0.4%, respectively.

Exhibit 1: Key financial and operating metrics

Particulars (₹ crore)	Q1FY23	Q1FY22	FY22	FY21	FY20
Gross AUM	7389.0	4631.1	6786.0	4637.8	3606.5
Period-on-period / year-on-year growth in AUM	59.6%	36.3%	46.3%	28.6%	36.5%
Disbursements	1983.0	761.5	6179.8	3710.3	3574.0
Period-on-period / year-on-year growth in disbursements	160.4%	4093.5%	66.6%	3.8%	26.7%
Active borrowers	0.3	0.2	0.3	0.2	0.2
Total income	360.4	265.0	1201.3	873.1	730.3
Pre-provision operating profit before tax	120.2	74.6	393.1	277.6	192.7
Profit for the period/year	75.1	4.4	21.8	43.9	69.6
Net interest income	184.7	124.6	560.7	430.9	312.3
Net interest margin	–	8.7%	8.4%	9.2%	8.9%
Average yield on loan portfolio	19.5%	19.5%	18.8%	20.5%	21.2%
Average effective cost of borrowings	10.1%	10.8%	10.4%	11.2%	12.3%
Cost to income ratio	44.7%	47.3%	44.3%	44.3%	50.9%
Gross NPA ratio	3.7%	6.2%	5.7%	5.5%	1.1%
Net NPA ratio	1.4%	2.8%	1.6%	2.2%	0.4%
Impairment allowance coverage ratio	96.6%	119.6%	100.5%	111.5%	255.5%
CRAR	21.1%	27.2%	21.9%	27.3%	35.8%
CRAR – Tier I	19.5%	25.2%	19.9%	25.5%	33.1%
Debt to equity ratio	4.2	3.5	4.3	3.6	2.5
Net worth	1416.5	1251.7	1338.0	1246.4	1198.9
Return on average net worth	21.8%	1.4%	1.7%	3.6%	7.6%
Return on average gross AUM	4.2%	0.4%	0.4%	1.1%	2.2%

Source: RHP, ICICI Direct Research

Exhibit 2: Product mix (as of June 2022)

Loan type	No. of loans o/s	AUM (₹ crore)	% of total AUM
Income-generating loans:			
Agriculture-allied and agriculture	22,62,482	5,694	77%
Manufacturing and production	3,04,795	739	10%
Trade and retail	1,52,720	358	5%
Services	1,43,508	322	4%
Others	24,352	62	1%
Top-up loans	56,353	29	0%
Cross-sell loans	27,805	19	0%
Subtotal for income-generating	**29,72,015**	**7,225**	**98%**
MSME loans	**6,028**	**164**	**2%**
Total	**29,78,043**	**7,389**	**100%**

Source: RHP, ICICI Direct Research

Exhibit 3: Collection efficiency and disbursement breakdown

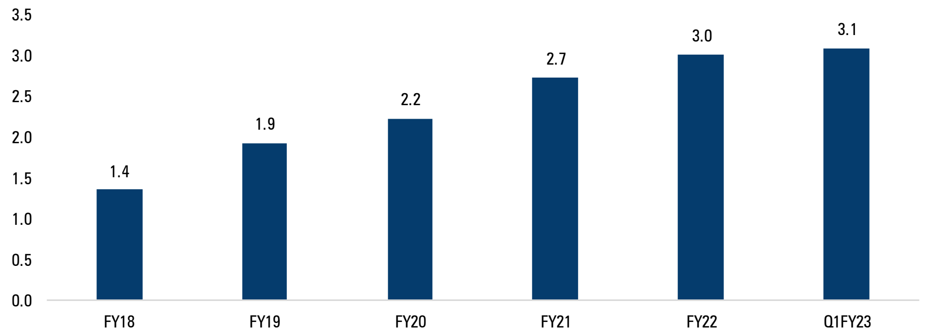
Months	Collection efficiency	Disbursements (₹ crore)
Apr-21	92%	304.4
May-21	84%	102.2
Jun-21	89%	354.8
Jul-21	94%	514.6
Aug-21	93%	515.2
Sep-21	94%	580.6
Oct-21	94%	595.4
Nov-21	92%	561.2
Dec-21	93%	634.7
Jan-22	93%	643.5
Feb-22	94%	668.8
Mar-22	94%	704.3
Apr-22	95%	658.4
May-22	95%	683.0
Jun-22	95%	641.6

Source: RHP, ICICI Direct Research

Industry Overview

The microfinance industry (JLG portfolio) has recorded healthy growth in the past few years. The industry's gross loan portfolio (GLP) increased at a CAGR of 21.0% since FY18 to reach ~₹ 3.1 lakh crore in Q1FY23. The growth rate for NBFC-MFIs is the fastest compared to other player groups.

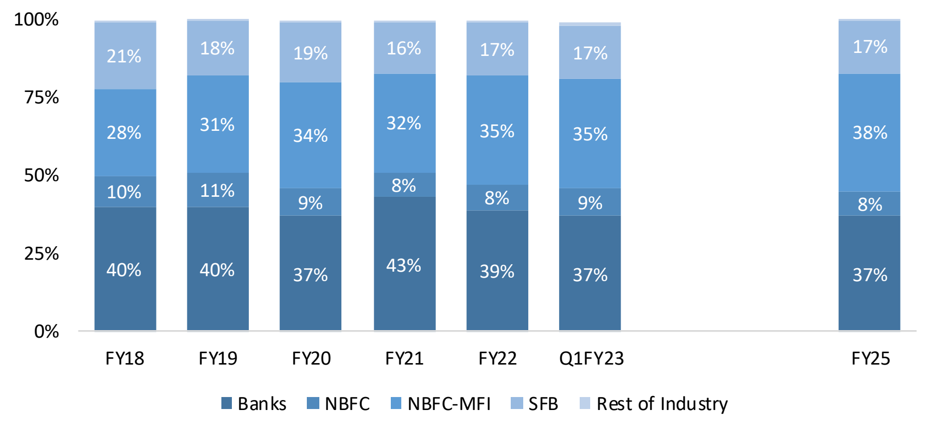
Exhibit 4: Industry level gross loan portfolio (GLP in | lakh crore)



Source: RHP, ICICI Direct Research

As per Crisil Research, the MFI industry is set to grow at 18-20% CAGR in FY22-25. During the same period, NBFC-MFIs are expected to grow at a much faster rate of 20-22% compared to the MFI industry. Key drivers behind superior growth outlook of the MFI industry include increasing penetration into the hinterland and expansion into newer states, faster growth in rural segment, expansion in average ticket size and support systems like credit bureaus. The RBI's new regulatory regime for micro finance loans effective April 2022 has done away with interest rate cap applicable on loans given by NBFC-MFIs and also supports growth by enabling players to calibrate pricing in line with customer risk.

Exhibit 5: NBFC – MFI to gain market share

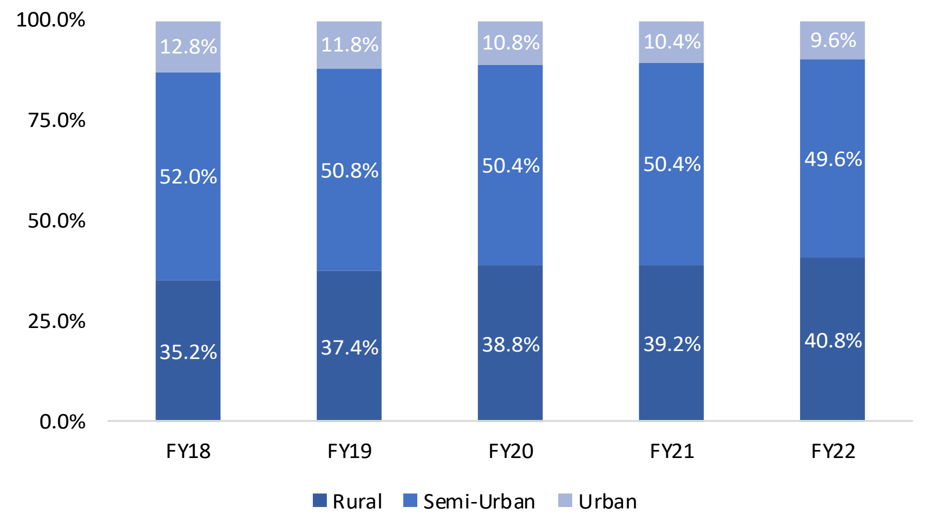


Source: RHP, ICICI Direct Research

Compared to banks, NBFC-MFIs have higher focus on rural areas. Going forward as well, for NBFC-MFIs, the rural clientele is expected to remain high in the range of 55-60% compared to the urban clientele. Crisil Research believes that establishing a good relationship with rural customers and engaging with them regularly leads to longer and more loyal customer relationship, which can be further leveraged to cross-sell other products.

The significant under-penetration of credit in rural areas offers strong potential for improvement. Also, given the relatively deeper reach, existing client relationships and employee base, microfinance institutions are well placed to address this demand, which is currently being met by informal sources such as local money lenders. As of March 31, 2022, the rural region accounts for ~39.5% market share in microfinance lending.

Exhibit 6: Rural region accounts for ~41% share in overall MFI portfolio



Source: RHP, ICICI Direct Research

Potential harmonisation of regulations for MFI lending

The RBI, in February 2021, outlined that there is a need to harmonise regulations governing the MFI lending industry. Therefore, it is taking a relook at the current regulatory framework. A potential harmonisation of regulations for MFI lending can have a positive impact on NBFC-MFIs as banks and SFBs will also be governed by same regulations, hence eliminating the competitive edge they have currently.

New regulatory regime for microfinance loans levels playing field, benefits NBFC-MFIs

The RBI, in its master directions on microfinance loans released in March 2022, has removed the interest rate cap applicable on loans extended by NBFC-MFIs. Entities providing microfinance loans will have to put in place a board-approved policy for the pricing of loans. The policy should include the interest rate model, range of spread of each component for categories of borrowers and a ceiling on the interest rate and all other charges on microfinance loans.

The RBI's move levels the playing field, with both NBFC-MFIs and banks or SFBs providing microfinance loans now being subject to the same rules, which was not the case under the previous regime. This move is expected to positively impact NBFC-MFIs. The increase in the annual household income cap for microfinance borrowers (to ₹ 300,000 in both urban and rural areas), removal of the two-lender norm for lending by NBFC-MFIs and allowing NBFC-MFIs greater flexibility to offer non-MFI loans (MFI loans are required to account for at least 75% of total assets of NBFC-MFIs under the new regulations) would increase the market opportunity available to MFIs and enable them to create a more balanced portfolio.

Peer comparison

Exhibit 7: Comparison of key players in microfinance industry

Parameters	Market Share (%)	Clients lakhs)	Client per employee	YoA	CoF	NIM	CI	Credit Cost
CreditAccess Grameen Ltd.	12.7%	28.0	237.0	19.2%	8.2%	9.7%	29.7%	3.3%
Fusion Microfinance Pvt. Ltd.	7.1%	29.0	309.0	20.6%	9.7%	8.7%	44.3%	5.6%
Asirvad Microfinance Ltd.	6.8%	26.0	211.0	23.1%	11.2%	9.6%	49.7%	6.3%
Muthoot Microfin Ltd.	6.7%	22.0	257.0	18.0%	9.7%	7.5%	61.5%	2.3%
Annapurna Finance Pvt. Ltd.	6.6%	24.0	258.0	21.3%	10.2%	6.6%	63.1%	3.0%
Samasta Microfinance Ltd.	6.5%	23.0	193.0	20.5%	9.0%	10.9%	52.6%	1.8%
Satin Creditcare Network Ltd.	6.2%	24.0	251.0	21.3%	10.5%	7.5%	64.4%	2.3%
Svatantra Microfin Pvt. Ltd.	5.8%	18.0	307.0	17.7%	9.6%	6.4%	54.3%	3.0%
Spandana Sphoorty Financial Ltd.	5.4%	20.0	253.0	20.6%	11.6%	9.7%	32.8%	6.1%
Belstar Microfinance Ltd.	4.6%	18.0	279.0	20.8%	9.2%	9.6%	48.4%	3.7%

Source: RHP, ICICI Direct Research

Investment Rationale

Well Diversified and extensive pan-India presence

As of June 30, 2022, FMFL had 29 lakh active borrowers, who were served by 966 branches and 9,262 employees across 377 districts in 19 states and union territories in India. FMFL believe its extensive geographic presence puts it in a vantage position to lend across the country in a scalable manner while maintaining low operating costs, helping to mitigate any risks arising from economic, political, cultural or environmental factors particular to a specific region, and allows it to offer “last-mile” connectivity to customers in even the most remote areas.

Between March 31, 2016 and June 30, 2022, number of active borrowers grew at a CAGR of 33.6% and number of branches grew at a CAGR of 31.9%. As a result of this expansion efforts, as of June 30, 2022, no single state contributed to more than 20% of total AUM, and proportion of AUM in five largest states in terms of AUM concentration further decreased from 94.6% as of March 31, 2016 to 66.1% of as of June 30, 2022 (five states of Bihar, Uttar Pradesh, Odisha, Madhya Pradesh and Tamil Nadu together account for 66.1% of total AUM).

Exhibit 8: Gross AUM across geographies

States / UTs	Q1FY23	Q1FY22	FY22	FY21	FY20
	% of gross AUM	% of gross AUM	% of gross AUM	% of gross AUM	% of gross AUM
Bihar	19.2%	18.1%	18.7%	18.3%	18.9%
Uttar Pradesh	19.2%	17.0%	18.1%	16.9%	16.7%
Odisha	11.4%	13.3%	11.6%	13.5%	13.7%
Madhya Pradesh	9.1%	9.1%	9.3%	9.5%	10.2%
Tamil Nadu	7.2%	6.8%	7.7%	6.4%	5.1%
Punjab	6.5%	8.1%	6.8%	7.8%	8.5%
Rajasthan	6.7%	5.6%	6.8%	5.6%	4.3%
Haryana	5.3%	6.8%	5.7%	6.7%	7.6%
Jharkhand	4.8%	4.7%	4.7%	4.6%	4.5%
Uttarakhand	2.6%	2.8%	2.7%	2.9%	3.0%
Gujarat	2.3%	2.0%	2.3%	1.8%	1.5%
Chhattisgarh	2.0%	1.7%	1.9%	1.8%	1.6%
West Bengal	1.5%	1.8%	1.6%	1.8%	2.0%
Delhi	0.7%	0.5%	0.7%	0.5%	0.2%
Maharashtra	0.7%	0.6%	0.6%	0.6%	0.7%
Himachal Pradesh	0.4%	0.4%	0.4%	0.3%	0.3%
Puducherry	0.3%	0.2%	0.3%	0.2%	0.2%
Assam	0.1%	0.8%	0.2%	0.8%	1.1%
Jammu & Kashmir	0.0%	–	–	–	–
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: RHP, ICICI Direct Research

Proven execution capabilities with strong rural focus

The company has been able to achieve significant success with its growth strategy of targeting underserved and underpenetrated rural areas in both existing markets and new geographies. FMFL has a long history of serving rural markets with high growth potential in the microfinance segment and has 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. The company has also achieved improving customer retention rates of 71.7%, 70.0%, 68.9% and 47.4% for Q1FY23, FY22, FY21 and FY20, respectively, which can be attributed to superior customer services and commitment to proactively address the specific needs of each individual across large customer base.

Access to diversified sources of capital, effective ALM

Over the years, the company has adopted a calibrated approach towards diversifying fund raising sources and minimising costs of borrowings with prudent asset liability management and effective liquidity management. The average effective cost of borrowings has declined at a steady rate and was at 10.1%, 10.4%, 11.2% and 12.3% for Q1FY23, FY22, FY21 and FY20, respectively.

FMFL benefits from a large and diversified mix of lenders, which has increased over the years and includes 56 lenders as of June 30, 2022, comprising a range of public banks, private banks, foreign banks and financial institutions to meet their capital requirements. Through the continued support of lenders and investors, it has been able to raise ₹ 10853.0 crore in debt as well as ₹ 572.7 crore in equity since FY20 despite volatility across the financial services industry during this period.

Robust underwriting process, risk management policies

FMFL's robust risk management policies and underwriting processes, such as extensive customer assessment methodologies and monitoring systems, have resulted in healthy portfolio quality indicators. As of Q1FY23, FY22, FY21 and FY20 gross NPA ratio was 3.6%, 5.7%, 5.5% and 1.1%, respectively, and net NPA ratio was 1.3%, 1.6%, 2.2% and 0.3%, respectively. According to Crisil, the company had the sixth lowest gross NPA ratio among the top 10 NBFC-MFIs in India during FY22, and average asset quality of 2.4% between FY15 and FY22 was the lowest among all NBFC-MFIs operating in North India.

The company utilises credit bureau data to verify customer details and obtain information on past credit behaviour. Further, FMFL employs 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 minimise the incidence of bad debts.

Stable & experienced management team supported by marquee investors

The company was founded by Devesh Sachdev, a first-generation entrepreneur who has 26 years of experience in the banking and financial services and logistics industry. FMFL also benefited from support of marquee investors, including 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 its promoters.

Key risks and concerns

Competition from other MFIs, banks, financial institutions

FMFL faces most significant organised competition from other MFIs, banks and state-sponsored social programs in India. Traditional commercial banks as well as regional and cooperative banks may continue to increase their participation in microfinance. Further, some commercial banks are also beginning to directly compete with for-profit MFIs, including through the business correspondent operating model, for lower income segment customers in certain geographies.

Increase in NPAs may adversely affect business & earnings

The management of credit risk involves having appropriate credit 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 credit monitoring and risk management policies and procedures are adequate and appropriately implemented, the company may not be able to anticipate future economic or financial developments or downturns, which could lead to an increase in NPAs. If NPAs increases or the credit quality of borrowers deteriorates, it could have an adverse effect on business, financial condition, results of operations and cash flows.

Substantial collections, disbursements in cash exposes to operational risks

For Q1FY23, FY22, FY21 and FY20, 3.7%, 5.6%, 10.1% and 44.6%, respectively, of loans were disbursed through cash. For the same periods, ₹ 1526.9 crore, ₹ 4648.2 crore, ₹ 3254.0 crore and ₹ 3187.4 crore, respectively, of collections were in cash. Large cash collections and disbursements expose to the risk of theft, fraud, misappropriation or unauthorised transactions by employees responsible for dealing with such cash collections.

Disruption in sources of funding or increase in CoF may adversely affect liquidity and financial condition

The liquidity and profitability of business depends, in large part, on timely access to, and the costs associated with, raising funds. The funding requirements have historically been met from various sources, including bank loans, NCDs, equity and subordinated debt as well as cash flows from operations to fund operations, capital expenditure and expansion. As such, business depends and will continue to depend on ability to access a variety of funding sources. Listed NCDs aggregating to ₹ 380 crore and unlisted NCDs aggregating to ₹ 229 crore will mature in the remainder of the FY23 and FY24.

May have difficulties in managing opex structure if volumes of disbursement and size of AUM decline

In cases of significant reduction in new disbursements and any significant reduction in business, FMFL may not be able to adjust employee numbers commensurately and reduce employee benefits expenses in a relatively shorter period. Employee benefits expenses amounted to ₹ 72.2 crore, ₹ 51.3 crore, ₹ 233.0 crore, ₹ 168.6 crore and ₹ 148.3 crore accounting for 74.4%, 76.7%, 74.6%, 76.5% and 74.1% of operating expenses for Q1FY23, Q1FY22, FY22, FY21 and FY20, respectively. Other large components of operating expenses include rent, office maintenance and travelling and conveyance expenses, which may be difficult to reduce quickly.

Financial Summary

Exhibit 9: Profit & Loss Statement (₹ crore)

₹ crore	FY20	FY21	FY22	Q1FY23
Interest Earned	720.3	855.8	1151.3	342.7
Interest Expense	337.7	375.1	496.0	143.2
NII	**382.6**	**480.7**	**655.3**	**199.5**
Other Income	10.0	17.3	50.1	17.7
Total Income	392.6	498.0	705.4	217.3
Operating expense	199.9	220.4	312.3	97.1
Operating Profit	**192.7**	**277.6**	**393.1**	**120.2**
Provisions	92.7	220.8	368.7	20.1
Tax	30.4	12.8	2.7	25.0
Net Profit	**69.6**	**43.9**	**21.8**	**75.1**

Source: RHP, ICICI Direct Research

Exhibit 10: Balance Sheet (₹ crore)

₹ crore	FY20	FY21	FY22	Q1FY23
Assets				
Cash balances	817.7	1335.3	1153.6	769.7
Investments	0.5	0.0	0.0	0.0
Advances	3343.0	4360.7	5918.2	6650.9
Fixed Assets	5.9	10.3	12.2	12.1
Other Assets	72.9	131.7	206.5	182.6
Total	**4240.0**	**5837.9**	**7290.5**	**7615.2**
Equity & Liabilities				
Capital	79.0	79.0	82.8	82.8
Reserves & Surplus	1119.9	1167.3	1255.2	1333.7
Networth	**1198.9**	**1246.4**	**1338.0**	**1416.5**
Deposits	0.0	0.0	0.0	0.0
Borrowings	2973.7	4432.3	5775.8	6010.0
Other Liabilities and Provisions	67.4	159.3	176.7	188.8
Total	**4240.0**	**5837.9**	**7290.5**	**7615.2**

Source: RHP, ICICI Direct Research

Exhibit 11: Key ratios (₹ crore)

	FY20	FY21	FY22
No. of shares (crore)	7.9	7.9	8.3
BV (₹)	151.9	157.7	161.7
EPS (₹)	10.5	5.6	2.7
P/E (x)	35.1	66.2	137.8
P/BV	2.4	2.3	2.3
RoA (%)	2.2	1.1	0.4
RoE (%)	7.6	3.6	1.2

Source: RHP, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to companies that are coming out with their initial public offerings and then categorises them as Subscribe, Subscribe for the long term and Avoid.

Subscribe: Apply for the IPO

Avoid: Do not apply for the IPO

Subscribe only for long term: Apply for the IPO only from a long term investment perspective (>two years)

Pankaj Pandey **Head – Research** **pankaj.pandey@icicisecurities.com**

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Kajal Gandhi, CA, Vishal Narnolia, MBA, Pravin Mule, MBA, M.com Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

ICICI Securities Limited has been appointed as one of the Book Running Lead Managers to the initial public offer of Fusion Micro Finance Limited. This report is prepared on the basis of publicly available information