

Fusion Micro Finance Ltd.

Neutral

Issue Highlights

Issue Open	November 02, 2022
Issue Close	November 04, 2022
Issue Price	Rs. 350 - Rs. 368 Per Share
Total Issue Size	Rs. 1,104 Cr
Of which	
Fresh Issues	Rs. 600 Cr
Offer for Sale	Rs. 504 Cr
Face Value	Rs. 10 Per share
Market Lot	40 Equity Shares
Issue Type	Book Built Issue

Offer Structure

QIB Category	50%
Retail category	35%
Non-Institutional	10%

Lead Book Running Managers

- ⇒ ICICI Securities Ltd.
- ⇒ CLSA India Pvt. Ltd.
- ⇒ IIFL Securities Ltd.
- ⇒ JM Financial Ltd.

Registrar To The Offer

- ⇒ Link Intime India Pvt Ltd.

Research Analyst

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Key Highlights

- ❑ **Company Background:** Fusion Micro Finance provides financial services to unserved and underserved women in rural and peri-rural areas across India. It is one of the youngest companies in terms of getting an NBFC-MFI license and among the top NBFC-MFIs in India in terms of AUM as of June 30, 2022. They currently have 2.9 mn active borrowers and a network of 966 branches and 9,262 permanent employees spread across 377 districts in 19 states and UT in India.
- ❑ **Microfinance sector has good growth opportunity:** NBFC-MFIs are expected to grow at a much faster rate of 20-22% as compared to the MFI industry at 18-20% CAGR between FY22-25. The growth is expected to be driven by increasing penetration and expansion into newer states, faster growth in rural segment, expansion in average ticket size and support systems like credit bureaus. Microfinance sector in India is regulated by the RBI and its new regulatory regime suggests interest rate cap on loans given by NBFC-MFIs which has been effective from April 22, so this is helping players to adjust pricing in line with customer risk.
- ❑ **Strong focus on rural:** Fusion MF is well placed to offer an increasing variety of financial products in areas where financial services penetration remains limited on the back of a long history of serving rural customers, its customer-centric model and strong distribution network. Further, their focus remains continuously on understanding the financial needs coupled with consistent engagement and improving customers risk profile in rural areas.
- ❑ **Technologically Advanced Operating Model:** The company follows well defined IT services since inception. Their current platforms support mobile customer onboarding, paperless loan processing, real-time application tracking and credit checks, cloud computing, real time notifications, etc. This has yielded substantial increases in digital disbursements as well as a decrease in turnaround time. In Q1FY23 and FY22, the share of cashless disbursements in total disbursements was 96.27% and 94.38%, respectively, while average turnaround time decreased from 13.2 days in FY16 to 5.1 days in FY22.
- ❑ **Growth plans ahead:** Fusion MF plans to be a low-cost, lean and efficient pan-India MFI by focusing on advanced technology, expanding distribution network, entering new markets and customers. Besides, it would focus on enhancing new and adjacent products as per customers requirement and as well focus on improving financials.
- ❑ **Financial:** On the financials front, the company has seen decent revenue growth of 28% CAGR over FY20-22 while profit de-grew by 44% CAGR between FY20-22 due to increase in expenses.
- ❑ **Key Risk:** 1) High level of operational and credit risk. 2) Dependency is high on the five states for AUM and customers.

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of interest is given below this table]		No
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SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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