

Rating

SUBSCRIBE

(Only for High Risk Investors with long term view)

Issue Offer

Issue Opens on	Nov 02, 2022
Issue Close on	Nov 04, 2022
Total IPO size (cr)	1,103.99
Fresh issue (cr)	600.00
Offer For Sale (cr)	504.00
Price Band (INR)	350-368
Market Lot	40
Face Value (INR)	10
Retail Allocation	35%
Listing On	NSE, BSE

Incorporated in 1994, Fusion Micro Finance Ltd. works with female entrepreneurs that are part of the economically and socially underprivileged portion of society to provide them with financial services. The company's obligations extend beyond only providing financial assistance; they also include educating its clients about financial literacy so that they can better manage their money. Fusion Micro Finance Ltd is one of the youngest companies (in terms of getting an NBFC-MFI licence) among the top NBFC-MFIs in India in terms of AUM as of June 30, 2022.

- Company's focus customer segment is women in rural areas with an annual household income of up to ₹300,000. Its business runs on a joint liability group-lending model, wherein a small number of women form a group and guarantee one another's loans.
- key product offerings of company 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.
- The company have achieved a significant footprint across India, where the company have extended its reach to 2.90 million active borrowers which were served through its network of 966 branches and 9,262 permanent employees spread across 377 districts in 19 states and union territories in India, as of June 30, 2022.
- As of June 30, 2022 and March 31, 2022, 2021 and 2020, Its total AUM was ₹73,890.23 million, ₹67,859.71 million, ₹46,378.39 million and ₹36,065.24 million, respectively.

Objects of the issue

- Augment the capital base of the Company.
- Offer for sale.

Issue Break-up (%)

QIB Portion	50
NIB Portion	15
Retail Portion	35

Shareholding (No. of Shares)

Pre Issue	84,326,388
Post Issue	100,630,736

Indicative Timetable

Finalisation of Basis of Allotment	10-11-2022
Refunds/Unblocking ASBA Fund	11-11-2022
Credit of equity shares to DP A/c	14-11-2022
Trading commences	15-11-2022

Outlook & Valuation:

The microfinance industry has recorded healthy growth in the past few years, with microfinance lenders emerging in good numbers. Fusion Micro Finance is one such company which is among the top 10 NBFC-MFIs in India. It offers loans to women entrepreneurs. Its business runs on a joint liability group-lending model, wherein a small number of women form a group and guarantee one another's loans. The company works with a strong focus on rural areas and has a well-diversified and extensive pan-India presence. The company also has access to diversified and recognised sources of capital and has a good financial track record. Although this company's margins are now in declining mode and it is facing risk due to the category of borrowers it serves, an increase in the level of NPA's could also be a concern for the company. Secondly, the company demands a price-book (P/B) multiple of 1.8 on a post IPO basis, where its peers like creditAccess command a P/B of 3.3. Thus, considering all the factors, **we recommend a Subscribe rating for this issue, but only for high-risk investors with a long-term view.**

KEY MANAGERIAL PERSONNEL

- Devesh Sachdev is the Managing Director and CEO of the Company. He has over 26 years of experience in service industry sector.
- Gaurav Maheshwari is the Chief Financial Officer of the Company and he joined the Company on February 3, 2016. He is a chartered accountant, he has several years of experience.
- Deepak Madaan is the Company Secretary and Compliance Officer of the Company and he joined this Company on June 1, 2013. He is a qualified company secretary from the Institute of Company Secretaries of India.
- Ankush Ahluwalia is the Senior Vice President – Business Operations of the Company and he joined the Company on August 3, 2015. He has several years of experience in business operations.
- Sanjay Vishwanath Choudhary is the Chief Risk Officer of our Company and he joined our Company on September 2, 2020. He is a qualified chartered accountant.

COMPETITIVE STRENGTHS

- Well Diversified and Extensive Pan-India Presence.
- Proven Execution Capabilities with Strong Rural Focus.
- Access to Diversified Sources of Capital and Effective Asset Liability Management.
- Robust Underwriting Process and Risk Management Policies.
- Technologically Advanced Operating Model.
- Stable and Experienced Management Team Supported by Marquee Investors.
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KEY STRATEGIES

- Deepen, Strengthen and Expand Geographic Presence.
- Continue to Invest in Technology to Enhance Operational Efficiency and Optimize Costs.
- Leverage our Network, Domain Expertise and Data to Enhance Product Offering.
- Continue to Diversify Borrowing Mix and Reduce Cost of Funds

KEY CONCERNS

- An increase in the level of Company's NPAs or provisions may adversely affect its business, financial condition, results of operations and cash flows..
- Company may face various risks associated with its large number of branches and widespread network of operations.
- Company margins are in down trend in the last 3 years.
- Covid pandemic has impacted the business in the past. Such pandemics are uncertain and can impact in future too.

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2022)

Name of the Company	EPS (Basic)	NAV	P/E	Total Income (Mn)	RoNW (%)
Fusion Micro Finance Limited	2.67	161.67	-	12,013.49	1.63
Peer Group					
Credit Access Grameen Limited	23.31	255.19	42.60	27,501.30	8.98
Spandana Sphoorty Financial Limited	10.75	447.21	52.76	14,800.35	2.26
Bandhan Bank Limited	0.78	107.91	342.44	1,66,939.43	0.72
Ujjivan Small Finance Bank Limited	(2.40)	16.22	-	31,260.74	(14.79)
Suryoday Small Finance Bank Limited	(8.76)	141.78	-	10,353.79	(6.18)

FINANCIALS (RESTATED CONSOLIDATED)

Particulars (Rs. In Millions)	FY 2022	FY 2021	FY 2020
Equity Share Capital	827.60	790.37	789.50
Other Equity	12,551.91	11,673.18	11,199.39
Net Worth	13,379.51	12,463.55	11,988.89
Total Borrowings	48,294.66	33,250.79	24,571.58
Revenue from Operations	11,512.65	8,558.12	7,202.64
EBITDA	5,257.61	4,357.89	4,402.43
Profit Before Tax	244.26	567.91	999.95
Net Profit for the year	217.55	439.44	696.10

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