

April 13, 2020

Fusion Microfinance (Pvt.) Ltd.: ICRA withdraws rating for PTCs issued under two micro loan securitization transactions

Summary of Rated Instrument

Trust Name	Instrument*	Initial Amount (Rs. crore ¹)	Amount o/s after last surveillance (Rs. crore)	Current Amount O/s (Rs. crore)	Rating action
Northern Arc 2019	PTC Series A1	49.83	NA	0.00	[ICRA]A(SO) Withdrawn
MFI Rio	PTC Series A2	2.26	NA	0.00	[ICRA]BBB(SO) Withdrawn
Northern Arc 2019 MFI Torfa	PTC Series A1	49.52	2.88	0.00	[ICRA]AAA(SO) Withdrawn

**Instrument details are provided in Annexure I*

Rationale

ICRA has withdrawn the rating for PTCs issued under micro loan securitisation transactions originated by Fusion Microfinance (Pvt.) Ltd., as tabulated above.

All the payouts to the investors in the above-mentioned instruments have been made and no further payments are due to the investors.

Key rating drivers

Credit strengths

- N.A.

Credit challenges

- N.A.

Description of key rating drivers highlighted above

N.A.

Liquidity position

N.A.

Rating sensitivities

N.A.

¹ 100 lakh = 1 crore = 10 million

Key rating assumptions

N.A.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA Policy on Withdrawal and Suspension of Credit Rating
Parent/Group Support	Not Applicable
Consolidation / Standalone	Not Applicable

About the company

Fusion is a Delhi-based microfinance institution, which commenced operations in 2010. As on June 30, 2019, Fusion's operations were spread across 531 branches in 18 states. Fusion has a proven track record in the microfinance segment with a managed portfolio base of Rs. 2,801 crore as on June 30, 2019.

Bihar, Uttar Pradesh and Odisha accounted for 20%, 18% and 14%, respectively, of the portfolio as on June 30, 2019. Warburg Pincus acquired a significant minority stake in Fusion for Rs. 520 crore, of which Rs. 300 crore was in the form of a primary infusion in December 2018. Creation Investments also participated in the equity round and held a stake of 31.13% as on March 31, 2019.

Fusion has a diversified funding profile with around 56 lenders in its resource profile. While the company has been able to diversify its resource mix, it remains dependent on wholesale funding with private sector banks and NCDs accounting for 48% and 18% of its borrowings, respectively, as on June 30, 2019. In FY2019, the company returned to profitability after reporting losses in FY2018 with an RoE of 14.90% on account of a fall in credit costs to 0.85% in FY2019 from 5.23% in FY2018. The diversity in its earnings remains low with the company solely reliant on the microfinance segment.

As on June 30, 2019, Fusion's regulatory capital adequacy stood at 25.89% and its gross and net NPAs were 1.53% and 0.00%, respectively.

Key Financial Indicators (Audited)

	FY2018	FY2019	Q1 FY2020 (provisional)
Net Interest Income	102.96	213.15	69.17
Profit before Tax	(53.60)	88.22	29.81
Profit after Tax	(39.41)	65.35	20.68
Gross Advances (on book)	1,322.69	2,341.83	2,547.83
Gross Advances (including off book)	1,555.60	2,641.39	2,800.85
Total Managed Assets	2,138.53	3,708.53	3,669.13
% Tier 1	15.14%	23.36%	22.30%
% CRAR	21.87%	27.33%	25.89%
Gearing (owned)*	6.31	4.29	4.02
% Net Profit / Average Managed Assets	-2.33%	2.25%	2.23%
% Return on Net Worth	-16.62%	14.85%	13.07%
% Gross NPA (owned)	3.98%	1.41%	1.53%
% Net NPA (owned)	0.00%	0.00%	0.00%
Net NPA / Net Worth	0.00%	0.00%	0.00%

**Gearing calculation includes interest accrued but not due in the numerator and the net worth excludes preference share capital, which is considered as debt*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

S.No	Name of Instrument	Current Rating (FY 2021)				Chronology of Rating History for the Past 3 Years			
		Type	Rated Amount	Amount Outstanding	Rating	FY2020		FY2019	FY2018
					13-Apr-20	19-Aug-19	23-May-19	-	-
1	Northern Arc 2019 MFI Rio	PTC Series A1	49.83	0.00	[ICRA]A(SO) withdrawn	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-
		PTC Series A2	2.26	0.00	[ICRA]BBB(SO) withdrawn	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	-	-

Amounts in Rs. Crores

S.N o	Name of Instru ment	Current Rating (FY 2021)				Chronology of Rating History for the Past 3 Years				
		Type	Rated Amoun t	Amount Outstand ing	Rating	FY2020			FY201 9	FY201 8
					13-Apr-20	16-Mar-20	05-Jun-19	02-Apr- 19	-	-
2	Northern Arc 2019 MFI Torfa	PTC Serie s A1	49.52	0.00	[ICRA]AAA(S O) withdrawn	[ICRA]AAA(S O)	[ICRA]A(S O)	Provision al [ICRA]A(S O)	-	-

Amounts in Rs. Crores

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure I: Details of Instruments

Trust Name	Instrument Name	Date of Issuance	Coupon Rate	Scheduled Maturity Date*	Current amount o/s (Rs. crore ²)	Current Rating
Northern Arc 2019 MFI Rio	PTC Series A1	May 2019	9.75%	September 2020	0.00	[ICRA]A(SO) withdrawn
	PTC Series A2	May 2019	15.50%	September 2020	0.00	[ICRA]BBB(SO) withdrawn
Northern Arc 2019 MFI Torfa	PTC Series A1	March 2019	9.50%	January 2021	0.00	[ICRA]AAA(SO) withdrawn

² 100 lakh = 1 crore = 10 million

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