

June 18, 2026

Fusion Finance Limited: Rating confirmed as final for PTCs issued under micro finance loan receivables securitisation transaction

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
White Rose 03 2026	Series A1 PTC	57.47	[ICRA]AA+(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure II

Rationale

ICRA had assigned provisional rating to the pass-through certificates (PTC) issued by White Rose 03 2026 under a securitisation transaction originated by Fusion Finance Limited {Fusion/Originator; rated [ICRA]A- (Stable)¹}. The PTCs are backed by a pool of micro finance loan receivables originated by Fusion with an aggregate principal outstanding of Rs. 62.47 crore (pool receivables of Rs. 76.98 crore). Fusion would also act as the servicer for the transaction.

Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

Pool performance summary

Parameter	White Rose 03 2026
Payout month	May 2026
Months post securitisation	2
Pool amortisation	8.9%
PTC amortisation	9.7%
Cumulative prepayment rate	0.6%
Cumulative collection efficiency ²	99.9%
Loss-cum-0+ days past due (dpd) ³	0.2%
Loss cum 30+ dpd ⁴	0.1%
Loss cum 90+ dpd ⁵	0.0%
Cumulative cash collateral (CC) utilisation	0.0%

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Any surplus excess interest spread (EIS), after meeting the promised payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of Series A1 PTC principal.

If the 90+ delinquency of the pool exceeds 4.00% of the outstanding principal outstanding and/or if the rating of the Series A1

¹ The current rating rationale of the originator, available at this [link](#), provides its detailed rating history and rating transitions.

² Cumulative collections till date including advance collections but excluding prepayments / Cumulative billings till date

³ Principal Outstanding (POS) on contracts aged 0+ dpd + Overdues / Initial POS on the pool

⁴ POS on contracts aged 30+ dpd + Overdues / Initial POS on the pool

⁵ POS on contracts aged 90+ dpd + Overdues / Initial POS on the pool

PTCs / Originator is downgraded by one or more notches and/or if net non-performing assets of Fusion exceeds 2.5%, then the EIS shall be utilised towards the repayment of the principal payout to the Series A1 investors till it is fully redeemed.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 15.00% of the initial pool principal, amounting to Rs. 9.37 crore, provided by the Originator, (ii) subordination of 8.00% of the initial pool principal for Series A1 PTC in the form of overcollateral and (iii) the excess interest spread (EIS) of 16.47% of the initial pool principal for Series A1 PTC.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 12,585 contracts with top 10 borrowers not exceeding 0.5% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

No overdue contracts in the pool- The pool has been filtered in such a manner that there are no overdue contracts.

Seasoned contracts in the pool – The pool has a pre-securitisation weighted average amortisation of ~22% as on the cut-off date with no delinquencies seen in any of the contracts, post loan disbursement, thereby reflecting the borrowers' relatively better credit profile.

Adequate servicing capability of the originator – The company has adequate processes for servicing of the loan accounts in the securitised pool. It has a demonstrated track record of over a decade of regular collections across multiple geographies.

Credit challenges

High geographical concentration-The pool has high geographical concentration with the top 3 states, viz. Bihar, Uttar Pradesh, Odisha contributing ~52% to the initial pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc. Nonetheless, the contracts are well-diversified across multiple districts with the top 10 districts having share of ~16% of the pool amount, which alleviates the concentration risk to some extent.

Increasing delinquencies in microfinance sector – The microfinance sector has seen a decline in collections and consequently rise in delinquencies since the previous fiscal on account of multiple factors like heat wave, general elections, borrower overleveraging and attrition in collection teams. Any sustained impact of these factors on the collections from the pool would be monitorable

Risks associated with lending business – The pool performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans. The performance of microfinance loans would also be exposed to political and communal risks.

Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 5.00%, with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 3.0% to 9.0% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction Name	White Rose 03 2026
Originator	Fusion Finance Limited
Servicer	Fusion Finance Limited
Trustee	Catalyst Trusteeship Limited
CC holding Bank	Hongkong and Shanghai Banking Corporation Limited
Collection and payout account Bank	Hongkong and Shanghai Banking Corporation Limited

Liquidity position: Strong

The liquidity for Series A1 PTC is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement is ~6.00 times the estimated loss in the pool.

Rating sensitivities

Positive factors: The sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and an increase in the cover available for future investor payouts from the credit enhancement would result in a rating upgrade.

Negative factors: The sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer could also exert pressure on the rating.

Analytical approach

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the originator

Incorporated in 1994, Fusion Finance Limited started microfinance operations in 2010 and became a registered NBFC-MFI in 2014. The company is engaged in microfinance lending, providing financial services (and educating borrowers on financial literacy) to poor women in India who are organised as joint liability groups (JLGs). Fusion also has a relatively small portfolio in the micro, small and medium enterprise (MSME) segment, accounting for ~10% of the total AUM as on March 31, 2026. As on March 31, 2026, Fusion had a presence in 489 districts across 22 states/UTs through 1,536 microfinance branches. It reported a profit of Rs. 13.85 crore in FY2026 on gross assets under management (AUM) of Rs. 7,407 crore as on March 31, 2026 vis-à-vis a loss of Rs. 1,133 crore in FY2025 on gross AUM of Rs. 8,980 crore as on March 31, 2025..

Key financial indicators

Indicators	FY2024 Audited	FY2025 Audited	FY2026 Audited
Total income	2,386	2,369	1,733
Profit after tax	505	(1,225)	13.85
Total managed assets	13,302	10,012	7,407
GS3	2.9%	7.9%	3.21%
CRAR	27.5%	22.4%	36.46%

Source: Company data, ICRA research, All amounts in Rs Crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

S. no.	Trust name	Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years		
			Initial rated amount (Rs. crore)	Current rated amount (Rs. crore)	Date & rating in FY2026	Date & rating in FY2026	Date & rating in FY2024	Date & rating in FY2023
1	White Rose 03 2026	Series A1 PTC	57.47	57.47	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
Series A1 PTC	Highly Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
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1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$))	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Annexure II: Instrument details

Trust name	Instrument name	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Current rated amount (Rs. crore)	Current rating
White Rose 03 2026	Series A1 PTC	March 30, 2026	8.80%	September 12, 2028	57.47	[ICRA]AA+(SO)

Source: Company

Annexure III: List of entities considered for consolidated analysis

Not applicable

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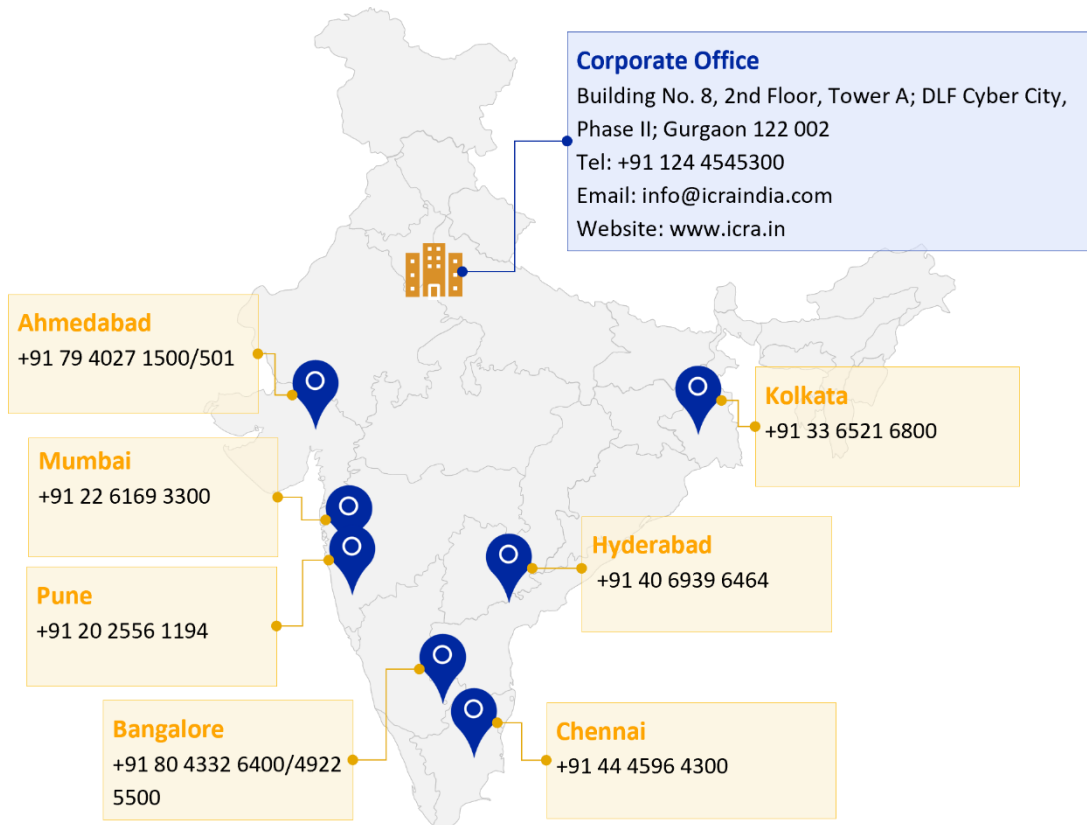


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