Fusion Finance Limited

April 07, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	1,500.00	CARE A; Stable	Reaffirmed and removed from Rating Watch with Negative Implications; Stable outlook assigned
Non-convertible debentures	150.00	CARE A; Stable	Reaffirmed and removed from Rating Watch with Negative Implications; Stable outlook assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The removal of Rating watch with negative implications on long-term ratings of Fusion Finance Limited (Fusion) and assignment of stable outlook factors in sequential improvement in Fusion's asset quality, collection efficiency and profitability, which is expected to continue in FY27. CARE Ratings Limited (CareEdge Ratings) also takes note that its capital raise of ₹800 crore was completed in Q3FY26, supporting its capital profile and providing cushion for growth. Fusion's statutory auditor has removed the qualification in its 9MFY26 limited review report related to Fusion's going-concern status (as done previously). Fusion remained in breach of covenants for borrowings accumulating to ₹1,026 crore as on December 31, 2025 (₹2,077 crore in September 2025, ₹4,763 crore in March 2025), out of which Fusion has received extension from borrowers aggregating to ₹1001.84 crore. Further, no lender has demanded immediate repayment or charged penal interest, and Fusion carried comfortable liquidity of ₹1,865 crore as on December 31, 2025.

The rating continues to factor in support that Fusion drives from its promotors Warburg Pincus, its long operational track record, and diversified funding profile. Fusion's asset quality has improved in the last few quarters, driven by write-offs and the implementation of guardrails. It is also expected to further improve with sequential increase in disbursements. While its slippage rate for the book originated since Q1FY25 has declined, its ability maintain incremental slippages at low levels will be a key monitorable.

The rating remains constrained by its weak, despite improving, earnings and asset quality profile in FY26 and the inherent industry risks given the vulnerability of its borrower segment.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant scale-up of operations with sustained improvement in asset quality accompanied by healthy profitability on a sustained basis.

Negative factors

- Weakness in the capitalisation profile with assets under management (AUM)/net worth rising above 6x.
- Inability to raise funding at competitive rates and/or its sustained weakening in liquidity profile.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects CareEdge Ratings' expectation that Fusion will profitably scale up its operations in the near-to-medium term while reporting a sustained improvement in its asset quality metrics and maintaining comfortable capitalisation levels.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Comfortable capitalisation and strong investor base

Fusion is majorly held by two marquee private equity investors (PE), Warburg Pincus, through Honey Rose Investment Limited, holding 35.20%, and Creation Investments Capital Management, holding 16.82% as on December 31, 2025. CareEdge Ratings notes that the company received rights issue amounting to ₹800 crore in FY26, which led to the tangible net worth (TNW) of Fusion increasing to ₹2,311 crore as on December 31, 2025, from ₹1,640 crore as on March 31, 2025. The capital adequacy ratio (CAR) and Tier-1 CAR stood at 38.8% and 38.3%, respectively, as on December 31, 2025, against 22.42% and 20.89%, respectively, as on March 31, 2025. The company's capital adequacy remained comfortably above the regulatory requirement due to moderation in AUM in FY25. Gearing improved in 9MFY26 and stood at 2.24x as on December 31, 2025, against 3.91x as on March 31, 2025. However, improvement in the company's overall capital position is contingent on the company ability to improve internal accruals going forward.

Established track record

Fusion began operations as a microfinance institution in 2010, and has over 15 years of industry experience, with a well-seasoned product profile, including an average loan tenure of two years. CareEdge Ratings notes that the company has expanded into the micro, small, and medium enterprises (MSME) sector, with its share rising from 0.03% in March 2020 to 11% in December 2025. The company's ability to effectively grow its MSME portfolio, while preserving asset quality will be an important factor to monitor.

Having presence in 22 states with top three states being Uttar Pradesh (27%), Bihar (19%) and Madhya Pradesh (9%) as on December 31, 2025, its geographical presence is fairly diversified. CareEdge Ratings notes that Bihar contributes ~19% share in its AUM and impact of recent Bihar Microfinance Bill its future growth in this state would be a key monitorable.

Diversified resource base

Fusion has a diversified resource profile with availability of funds at competitive rates. Its resource profile has good mix of public sector banks, foreign banks, private sector banks, non-banking finance companies (NBFCs), financial institutions (FIs) from whom it has raised funds in the form of loans, subordinate debt, direct assignment and non-convertible debentures (NCDs). Term loans from banks and NBFCs/FIs, constitute ~80% of its on-book borrowings as on December 31, 2025, while the rest is funded by subordinate debt (1%), external commercial borrowings (8%), non-convertible debentures (6%) and pass through certificates (5%). CareEdge Ratings notes that the company has been able to raise funding to the tune of ₹3,940 crore (excluding DA) in 9MFY26.

Key weaknesses

Moderate, despite improving, asset quality

Asset quality remains moderate but continues to improve with GNPA ratio of 4.4% as on December 31, 2025, against 7.9% as on March 31, 2025, supported by better collection efficiency, which rose to 99.6-99.7% in January 2026 and February 2026. Slippages declined to ₹519 crore in 9MFY26, compared to ₹1,681 crore in FY25. The company also undertook a substantial clean-up of the stressed portfolio, with write-offs of ₹1,332.34 crore in FY25 and an additional ₹902 crore in 9MFY26, Consequently, the legacy portfolio is steadily running down and, stood at ~20% as on December 31, 2025. Credit costs improved in line with these trends, reducing to 6.2% (in relation to average total assets [ATA]) in 9MFY26, from 18.7% in FY25.

Fusion's gross stage III (GS3) assets declined from ₹645.72 crore in March 2025 to ₹262.28 crore in December 2025, while gross stage II (GS2) reduced from ₹256.22 crore to ₹100.66 crore over the same period. The company has made higher provisions for stage II and stage III accounts as reflected in higher provision coverage at ~66% and 86%, respectively, as on December 31, 2025 (compared to 63% and 97% as on March 31, 2025). Its net stress[2] in relation to tangible net worth also improved and stood at 3.05% as on December 31, 2025, compared to 7.16% in March 2025. CareEdge Ratings notes that percentage of borrowers with "Fusion +3 or more" lenders improved from 18.1% as on March 31, 2025, to 9.9% as on December 31, 2025.

Weak earnings profile; opex expected to remain elevated

While the company's earnings profile remained under pressure with a net loss of ₹100 crore in 9MFY26, it is improving quarter on quarter. In Q3FY26, the company reported a profit of ₹14 crore, supported by a gradual reduction in credit costs, compared to a

[2] *Net stress assets = Net stage 3 + Net stage 2 + Net security receipts + Net standard restructured assets*

loss of ₹22 crore in Q2FY26. However, operating expenses remained elevated at 10.3% and are expected to stay high. The net interest margin (NIM) to ATA ratio moderated to 12% in Q3FY26, compared to 12.9% in FY25. Its earnings trajectory is expected to remain on an improving trend, supported by lower credit costs, better collections, and stable growth, although high operating expenses will continue to impact the overall profitability.

Inherent industry risks
The microfinance sector continues to be impacted by inherent risk involved, such as socio-political intervention risk and regulatory uncertainty and risks emanating from unsecured lending and marginal profile of borrowers, who are vulnerable to economic downturns apart from operational risks related to cash-based transaction.

Liquidity: Adequate
The company's liquidity remains adequate with positive cumulative mismatches across all time buckets up to one year. The company had free cash and cash equivalents of ₹1,865 crore as on December 31, 2025, and scheduled collections of ₹3,394 crore in the next 12 months against debt obligations of ₹3,127 crore falling due over the same period. The company had unavailed lines of credit amounting to ₹1,825 crore as on December 31, 2025. The company is in breach of some financial covenants with respect to its borrowings amounting to ₹1,026 crore as on December 31, 2025, and making them repayable on demand. However, no lender has demanded immediate repayment or charged penal interest, and the company has received waivers from lenders. The company has also been able to raise funding to the tune of ₹3,940 crore in 9MFY26, which provides additional comfort.

Environment, social, and governance (ESG) risks
Although Fusion's service-oriented business model limits its direct exposure to environmental risks, credit risk may arise if operations of asset class of the portfolio are adversely impacted by environmental factors. The company has introduced initiatives in its business strategy to promote sustainable practices and reduce carbon footprint including rooftop solar finance, E–waste management and plantation drives. Social risks in the form of cybersecurity threat or customer data breach or mis-selling practices can affect Fusion's regulatory compliance and reputation and hence remain a key monitorable. Fusion's Board comprises eight Directors, with five Independent Directors (including two women Directors) and two Nominee Directors.

Applicable criteria
Definition of Default
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Non Banking Financial Companies

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Microfinance institutions

Fusion was originally incorporated as Ambience Fincap Private Limited (AFPL) on September 05, 1994. The company is registered with Reserve Bank of India (RBI) as a non-deposit accepting, systemically important NBFC in 2010. In July 2021, the company registered itself again as Fusion as it converted itself to public company from private company. Fusion provides loans to female individual members in a group (joint liability group [JLG]), with each group consisting of 5-7 members. Loans provided to individuals are based on mutual guarantee from members. It lends to JLG borrowers at 23.40%-23.98% interest rate (on a reducing balance) for 17-25 months with a repayment frequency of 14/28 days. As on December 31, 2025, the company operates in 22 states with AUM of ₹6,876 crore. The company has also started providing MSME loans. Currently, MSME book stands at ₹729 crore (11% of total AUM) as on December 31, 2025.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (U/A)
Total income	2,412.6	2,368.9	1,302.4
Profit after tax (PAT)	505.0	-1,224.5	-100.3
Assets under management (AUM)	11,476.0	8,980.0	6,876.8
On-book gearing (x)	3.1	3.9	2.2
AUM / tangible net worth (TNW) (x)	4.2	5.5	3.0

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (U/A)
Gross non-performing assets (NPA) / gross stage 3 (%)	2.9	7.9	4.4
Return on managed assets (ROMA) (%)	4.3	-10.5	-1.4
Capital adequacy ratio (CAR) (%)	27.5	22.4	38.8

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non-Convertible Debentures (Proposed)	-	-	-	-	150.00	CARE A; Stable
Fund-based - LT-Term Loan	-	-	-	30-10-2026	1500.00	CARE A; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Term Loan	LT	1500.00	CARE A; Stable	1)CARE A (RWN) (16-Dec-25)	1)CARE A (RWN) (17-Mar-25) 2)CARE A (RWN) (26-Nov-24) 3)CARE A; Negative (04-Oct-24) 4)CARE A+; Stable (17-Apr-24)	1)CARE A+; Stable (27-Dec-23)	1)CARE A; Stable (28-Dec-22)
2	Debt-Subordinate Debt	LT	-	-	-	-	1)Withdrawn (27-Dec-23)	1)CARE A; Stable (28-Dec-22)
3	Debentures-Non-convertible debentures	LT	150.00	CARE A; Stable	1)CARE A (RWN) (16-Dec-25)	-	-	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-Convertible Debentures	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Pradeep Kumar V Senior Director **CARE Ratings Limited** Phone: 044-28501001 E-mail: pradeep.kumar@careedge.in	Priyesh Ruparelia Director **CARE Ratings Limited** Phone: 022-67543593 E-mail: Priyesh.ruparelia@careedge.in Jatin Arora Assistant Director **CARE Ratings Limited** Phone: 120-4452033 E-mail: Jatin.arora@careedge.in Jaya Gupta Analyst **CARE Ratings Limited** E-mail: jaya.gupta@careedge.in

About us:
Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

For detailed Rating Report and subscription information,
please visit www.careratings.com