Flora 09 2026

Originator: Fusion Finance Limited

October 05, 2026

Instrument#	Name of Regulator[1]	Amount (₹ crore)	Structure	Tenure* (months)	Rating[2]	Credit Enhancement$ (₹ crore)				Rating Action
						Series A2 PTCs	Equity Tranche	Over Collateral	Cash Collateral	
Series A1 PTCs	RBI	118.28	Par (TIUP – Conditional turbo)	29	Provisional CARE AA+ (SO)	6.96	4.17	9.74	9.74	Assigned
Series A2 PTCs	RBI	6.96	Par (UIUP)		Provisional CARE A+ (SO)	-				

Details of instruments/facilities in Annexure-1.

The Series A1 PTCs are rated based on timely payment of interest and payment of principal on or before the last scheduled payout date. Until Series A1 PTCs, interest for Series A2 PTCs is expected. After full redemption of Series A1 PTCs, Series A2 PTCs follows timely payment of interest and payment of principal on or before the last scheduled payout date.

* Tenure / door-to-door maturity may change due to prepayments or changes in interest rates.

$Excess interest spread (EIS) shall be utilised per the waterfall mechanism.

Rating in the absence of the pending steps/documents	No rating can be assigned

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has assigned a rating of 'Provisional CARE AA+ (SO)' [pronounced as 'Double A Plus (Structured Obligation)'] to the Series A1 PTCs and 'Provisional CARE A+ (SO)' [pronounced as 'Single A Plus (Structured Obligation)'] proposed to be issued by Flora 09 2026 backed by microfinance receivables originated by Fusion Finance Limited ('the Originator' or 'FFL').

The rating is based on the credit quality of the underlying loans, the support in the form of credit enhancement (CE), the credit underwriting and servicing capability of the originator, the well-defined payment mechanism, and the robust legal structure of the transaction.

The final rating will be assigned after copies of the following documents, duly executed in accordance with the structure and to the satisfaction of CareEdge Ratings, are furnished by the originator:

a. Assignment agreement
b. Trust deed
c. Power of attorney
d. A legal opinion
e. Due diligence audit report
f. Any other documents executed for the transaction.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors - Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Delinquencies (90+ days past due [DPD] as percentage of initial principal outstanding [POS]) of less than 2% and the sustained high collection efficiency (cumulative collection efficiency of over 98%).
- Build-up of cash collateral (CC) of over 2x the initial proposed (as a percentage of the balance POS).

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.

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

Negative factors - Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Delinquencies (90+ DPD as percentage of initial POS) of over 8% and sustained lower collection efficiency (cumulative collection efficiency of less than 90%).
- Deterioration in the credit profile of the originator.
- Utilisation of CC.
- Non-adherence to key transaction terms envisaged at the time of the rating.

Analytical approach

The rating is based on inter alia, the analysis of the underlying pool of receivables, the expected pool performance, performance of originator's portfolio and transaction structure including the proposed CE.

Detailed description of key rating drivers

The transaction is structured at par and the Series A1 PTCs are rated for the timely payment of interest with the repayment of principal on or before the final legal maturity. Series A2 PTCs are subordinated to Series A1 PTCs. Until Series A1 PTCs are live, interest payments are expected for Series A2 PTCs. On the redemption of Series A1 PTCs, Series A2 PTCs will be promised interest monthly while the principal for Series A2 PTCs is promised to be paid on or before the final legal maturity. Excess interest spread (EIS) shall flow to the residual beneficiary unless there is a breach of trigger. In case of a trigger event being breached, EIS will be utlised to prepay the PTCs.

The assigned pool consists of over 31,100 microfinance loan contracts, aggregating to a principal outstanding of ₹139.15 crore as on the cut-off date. The top three states account for around 61% of the pool. All the contracts are current on payment. The pool has weighted an average seasoning of around 7.57 months with an amortisation of around 29%. The pool is granular with scheduled of cash flows from the underlying loans. The assignment of the receivables to the special purpose vehicle (SPV) lends strength to these cash flows and the rating factors the terms of servicing agreement as detailed hereinafter.

The CE will comprise CC of 7.00%, Series A2 PTCs (available for Series A1 PTCs) of 5%, subordinated equity tranche of 3%, subordinated over collateral of 7%, and subordination of EIS of around 13% of the pool POS in the structure. The CC will be in the form of fixed deposits (FDs) with a lien marked in favour of the trust, per CareEdge Ratings' criteria. The support of OC and EIS is subject to realisation. The EIS is also subject to compression considering prepayments in the pool. The cash flow from the underlying pool, and external CE, will be used to make payout to PTC investors.

Key strengths:

- The robustness of transaction structure and well-defined payment mechanism.
- CE comprising CC, Series A2 PTCs (available for Series A1 PTCs), subordinated equity tranche and over collateral and EIS.
- No overdue contracts as on the pool cut-off date. all contracts are ever current as on the pool cut-off date.
- Underwriting policies and collection capabilities of FFL.
- High-weighted average seasoning (months) of ~8 months with amortisation of ~29% as of pool cut-off date.

Key weaknesses:

- Weak borrower profile as this segment is susceptible to socio-political interference and other external shocks.

Liquidity:

Series A1 PTCs: Strong

The inherent liquidity in the structure is strong. The interest payouts for Series A1 PTCs are promised monthly, while the principal of Series A1 PTCs is promised to be paid by final legal maturity. In case of delinquency, the payouts are expected to be supported by CE consisting of CC, Series A2 PTCs, principal subordination in the form of equity tranche and over collateral and EIS.

For Series A2 PTCs: Adequate

The inherent liquidity in the structure is adequate. On the redemption of Series A1 PTCs, the interest payout for Series A2 PTCs are promised monthly, while the principal of Series A2 PTCs is promised to be paid by final legal maturity. In case of delinquency, the payouts are expected to be supported by CE consisting of CC, principal subordination in the form of equity tranche, over collateral, and EIS.

Key rating assumptions and adequacy of credit enhancement:

CareEdge Ratings has analysed the transaction to assess whether the CE is sufficient to cover the shortfalls. Since the transaction is sensitive to the credit quality of the underlying pool, CareEdge Ratings has analysed the performance of static pools provided

by the originator and the overall portfolio performance of the originator. Considering the borrower profile, nature of the loan, pool characteristics, and portfolio performance, CareEdge Ratings has taken the average shortfall at 8.00% - 10.00% of POS. Base case shortfalls were stressed along with other key factors, such as the timing of shortfalls, the recovery assumptions, and the time to recovery. The pool cash flow has been further adjusted for prepayments of underlying loans, assuming a monthly prepayment in the range of 0.25-0.50%. CareEdge Ratings has stipulated CE, which is commensurate with credit rating of PTCs.

Key risks, concerns and mitigants:

The securitisation transaction involves several risks, including credit risk from borrower defaults, commingling risk due to time lags in fund deposits, prepayment risk from early principal repayments, servicer bankruptcy risk, legal risk regarding the validity of receivable transfers, and counterparty risk involving transaction parties. These risks are factored while assigning rating, wherever needed, and partially mitigated through credit enhancements, separate record-keeping, credit rating/profile of the originator, transaction structuring, true sale of receivables, legal opinion from independent legal counsel. The transaction structure also has provision to change counterparties including trustee, and banker among others.

Applicable criteria

Policy on Default Recognition
Assignment of Provisional rating
CARE Ratings' methodology for asset/mortgage-backed securitisation

Validity of provisional rating

Provisional rating shall be converted into a final rating after receipt of transaction documents duly executed/ completion of mentioned steps within 90 days from the instrument's date of issuance. An extension of 90 days may be granted on a case-to-case basis in line with CareEdge Ratings' Policy on Assignment of Provisional Ratings.

Risks associated with provisional nature of credit rating

When a rating is assigned pending execution of certain critical documents or steps to be taken, the rating is a 'Provisional' rating indicated by prefixing 'Provisional' before the rating symbol. On execution of critical documents to the satisfaction of CareEdge Ratings, the final rating is assigned. In the absence of documents/ completion of steps or where such documents deviate significantly from those considered, provisional rating will be reviewed in line with the Policy on Assignment of Provisional Ratings.

About the originator / servicer and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Securitisation

FFL was originally incorporated as Ambience Fincap Private Limited (AFPL) on September 05, 1994. In May 2009, AFPL was acquired by Devesh Sachdev, Ashish Tewari and Ankur Singhal and renamed as Fusion Microfinance Private Limited (FMPL). Reincorporated as FMPL, it was registered as Non-Banking Finance Company – Micro Finance Institution (NBFC- MFI) in 2010 to undertake microfinance business in India in a Joint Liability Group lending model. On October 01, 2021, the company registered itself again as Fusion MicroFinance Limited as it converted itself to public company from private company and subsequently to FFL. FFL is engaged in microfinance and micro, small and medium enterprise (MSME) lending business for over 15 years and is an active player in securitisation/bilateral market and as of July 2026, FFL has ~19 such live pools with initial size amounting to over ₹7,900 crore.

Key financial indicators - FFL

Brief financials (₹ crore)	FY25 (A)	FY26 (A)	Q1FY27 (P)
Total income	2,368.89	1,732.50	458.31
Profit after tax (PAT)	-1,224.54	13.85	62.41
Assets under management (AUM)	8,979.92	7,407.23	7,702.02
On-book gearing (x)	3.90	2.27	2.32
AUM / tangible net-worth (TNW) (x)	5.67	3.45	3.39
Gross non-performing assets (NPA) / gross stage three (%)	7.92%	3.21%	2.51%
Return on managed assets (ROMA) (%)	-11.09%	0.15%	2.61%
Capital adequacy ratio (CAR) (%)	22.42%	36.46%	36.95%

A: Audited; P: Provisional; Note: these are latest financial results available

Key terms of servicer contract:
The servicing agreement has covered role of the originator as the collection and payment agent (CPA) for the SPV in managing collections from underlying borrowers, who have consented to such assignment through provisions incorporated in the respective loan agreements. The Servicer (originator) follows its standard procedures for collections, including recovery actions, and ensures timely transfers of funds to the SPV under an M+1 payment structure. The trustee monitors the sufficiency of funds for investor payouts one day prior to payout date and utilises cash collateral in case of shortfall. The Servicer is also submitting detailed reports on billing, collections (including prepayment), overdue amounts with aging thereof, cash flow schedules to the trustee and such other information as may be required by the trustee. The terms of the agreement have provisions for the appointment of an alternate servicer in case of servicer event of default.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instruments/facilities: Annexure-3

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:
A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities:

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Pass Through Certificates	RBI	Highly Complex	-	-	-	-	118.28	Provisional CARE AA+ (SO)
Pass Through Certificates	RBI	Highly Complex	-	-	-	-	6.96	Provisional CARE A+ (SO)

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 2026-2027	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
1	Pass Through Certificates	LT	118.28	Provisional CARE AA+ (SO)	-	-	-	-
2	Pass Through Certificates	LT	6.96	Provisional CARE A+ (SO)	-	-	-	-

LT-Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Lender details

Not applicable

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.

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