

Proxy Advisory Report (Addendum)

Fusion Micro Finance Ltd

ABOUT SES

Stakeholders Empowerment Services (SES) is a Corporate Governance research and advisory firm. SES assists investors to analyze governance practices including matters relating to sustainability, prevalent at listed entities and empower Investors to undertake meaningful engagement with Investee entities.

SES SERVICES

E-BRSR Tool: Online web-based platform to create BRSR Report by the Company and generate XBRL in seamless, cost and time effective manner
Already Subscribed by HDFC, Hero, M&M, L&T, UPL, Wipro, Reliance group and many others. [Read More](#)
Contact for Demo –
esgdata@sesgovernance.com

SES AIMS:

Designed primarily for Institutional investors to carry out their stewardship activities in an efficient manner. [Read More](#)

Proxy Advisory:

Advises investors on the matters that require shareholder approval at listed entities and identify Governance issues. [Read More](#)

ESG Scores:

Analyze sustainability initiatives of Companies based on various environmental, social and governance factors. [Read More](#)

Corporate Governance Score (CGS):

CGS model measures the Company's compliance and also evaluates the governance practices with respect to global benchmarks. [Read More](#)

E-Ballot:

One stop solution for investors – Online Vote Management System to cater to requirements of Institutional Investors. [Read More](#)

COMPANY INFORMATION

BSE CODE: 543652

NSE SYMBOL: FUSION

ISIN: INE139R01012

Industry: Non-Banking Financial Company (NBFC)

Email: deepak.madaan@fusionmicrofinance.com | companysecretary@fusionmicrofinance.com

Phone: 0124 6910 500/ 6910 600

Registered Office: H-1, C Block, Community Centre, Naraina Vihar, New Delhi- 110 028

MEETING DETAILS

Meeting Type: PB

Voting Deadline: 8th July, 2023

Notice Date: 8th June, 2023

Notice: [Click here](#)

Annual Report: [FY 2021-22](#)

E-VOTING DETAILS

e-Voting Platform: [LINKINTIME](#)

Cut-off Date: 2nd June, 2023

Remote E-voting:

- **Start:** 9th June, 2023
- **Ends:** 8th July, 2023

ADDENDUM REPORT RELEASE DATE: 5th July, 2023

Research Analyst: Karishma Yadav

Conflict Disclosure: SES - No Conflict | Analyst - No Conflict



ADDENDUM

This addendum is being issued based on e-mail dated 4th July, 2023, sent by Fusion Micro Finance Ltd ('the Company'), with respect to Proxy Advisory Report ('[PA Report](#)') issued by SES in relation to the Postal Ballot of the Company, having voting deadline of 8th July, 2023.

SES is changing its recommendation from AGAINST to FOR in resolution no. #2 & #3 (Re-Appointment of Executive Director and Remuneration), based on additional disclosure made by the Company via email.

Except the Resolution #2 & #3, there is no change in any of the SES recommendation.

EXISTING RECOMMENDATION					
S. No.	Resolution	Type	SES Observation #	Rec.	Rationale
2	To consider and approve the Revision of remuneration to be paid to Mr. Devesh Sachdev, MD & CEO of the Company.	O	LC + GC	AGAINST	Combined position of Chairman and MD.
3	Re-appointment of Mr. Devesh Sachdev as MD of the Company and fixation of remuneration.	O	LC + GC	AGAINST	Combined position of Chairman and MD.
REVISED RECOMMENDATION					
2	To consider and approve the Revision of remuneration to be paid to Mr. Devesh Sachdev, MD & CEO of the Company.	O	LC	FOR	No concern identified.
3	Re-appointment of Mr. Devesh Sachdev as MD of the Company and fixation of remuneration.	O	LC	FOR	No concern identified.

O - Ordinary Resolution, Rec. - Recommendation

LC - Legally Compliant, NC - Legally Non-Compliant, TC - Disclosures & Transparency Concern, GC - Governance Concern

BACKGROUND

SES, as per its policy, had e-mailed its [PA Report](#) to the Company on 27th June, 2023 in respect of ensuing PB of the Company, having voting deadline of 8th July, 2023.

Post release of the PA Report, the Company sent an email to SES on 4th July, 2023. SES has analysed the information provided by the Company and has provided appropriate response.

SES has reproduced the Company's response (*in blue italics*) and SES comments thereon (in black text).

SES COMMENTS ON COMPANY'S RESPONSE

Resolution 1: *Please note that the Investor Directors (Nominee Directors) appointed on the Board of the Company, were already appointed via Shareholders' Approval taken prior to listing of the equity shares of the Company. Furthermore, the clause related to "Minimum Threshold for Directorship" shall be placed before the Shareholders in the annual general meeting only.*

Resolution 4 & 5: *Please note that the Investor Directors (Nominee Directors) appointed on the Board of the Company, were already appointed via Shareholders' Approval taken prior to listing of the equity shares of the Company. Furthermore, the clause related to "Minimum Threshold for Directorship" shall be placed before the Shareholders in the annual general meeting only.*

SES Comments:

SES in its report had raised a concern with respect to Article 103.2 of the Articles of Association, which states that the "the rights of the Founder Promoter and the Investors pursuant to this Article 103.2, shall be subject to approval of the Shareholders in the first general meeting convened after the listing of Equity Shares pursuant to the IPO".



- The Company in its email has stated that, shareholders' approval for appointment of Investor Directors has already been taken prior too listing. However, as per the abovementioned Article, the Company is required to take shareholders' approval in the **first general meeting** convened after the listing of the Equity Shares, which hasn't been done yet.
- The Company has further stated that, the said approval shall be placed before the Shareholders in the AGM only. However, under Article 4 of the AOA, the Company has defined "General meeting" and has stated that, "*General Meeting means **any** duly convened meeting of the shareholders of the Company and any adjournments thereof*".
- As per this definition, the first general meeting has already been convened on 16th February, 2023.
- Therefore, SES is of the opinion the Company is required to take shareholders' approval for enforcing the rights of Founder Promoter and the Investor directors, as stated in its AoA.
- SES is of the view that, with respect to Resolution #4 and #5, the appointment of Mr. Kenneth Dan Vander Weele and Mr. Narendra Ostawa is not in accordance of the AoA of the Company. The Company is first required to take shareholders' approval for AOA for appointment of these investor directors, then only terms of their appointment can be changed.

In the view of the above, there is no change in recommendation in resolution #1, #4 and #5.

Resolution 2 & 3: *There is no combined position of 'Chairman & MD' in the Company. Mr Devesh Sachdev is MD & CEO of the Company.*

SES Comments:

SES had raised a governance concern for Mr. Devesh Sachdev holding the combined position of Chairman and Managing Director.

Shareholders may note that, SES had relied on the corporate governance section of BSE ([weblink](#)), where Mr. Devesh Sachdev has been categorized as Chairperson and CEO-MD of the Company. Further, as per Corporate Governance Report for March quarter, 2023 uploaded on the website of the Company ([weblink](#)), Mr. Sachdev has been designated as Chairperson.

However, shareholders may note that, the Company has issued a clarification stating that, Mr. Sachdev does not hold the position of Chairperson and has only been designated as Managing Director & CEO of the Company. The clarification has been uploaded on the website of the Company ([weblink](#)) under the Postal Ballot section ([weblink](#)).

Further, the Company has also assured that the said facts will be reflected in the June 2023 quarter on Stock Exchanges and the website of the Company.

Hence, no concern is being raised.

Since no other concern has been identified, SES is changing its recommendation for resolution #2 and #3 from **AGAINST** to **FOR**.

COMPANY'S EMAIL 4TH JULY, 2023

Dear Team,

In reference to the Proxy Advisory Report issued by SES on 27th June, 2023, please find below the point-wise response:

Resolution 1 : Please note that the Investor Directors (Nominee Directors) appointed on the Board of the Company, were already appointed via Shareholders' Approval taken prior to listing of the equity shares of the Company. Furthermore, the clause related to "Minimum Threshold for Directorship" shall be placed before the Shareholders in the annual general meeting only.

Resolution 2 & 3 : There is no combined position of 'Chairman & MD' in the Company. Mr Devesh Sachdev is MD & CEO of the Company.

Resolution 4 & 5 : Please note that the Investor Directors (Nominee Directors) appointed on the Board of the Company, were already appointed via Shareholders' Approval taken prior to listing of the equity shares of the Company. Furthermore, the clause related to "Minimum Threshold for Directorship" shall be placed before the Shareholders in the annual general meeting only.

Accordingly, we request you to kindly consider the above facts and change the Recommendation from "Against" to "For".

COMPANY'S EMAIL 5TH JULY, 2023

Dear Team

As discussed, pfa the link for explanation uploaded on Website of the Company.

<https://fusionmicrofinance.com/postal-ballot/>

<https://fusionmicrofinance.com/wp-content/uploads/2023/07/Explanation-upon-Resolutions.pdf>

Disclaimer Sources

Only publicly available data has been used while making the report. Our data sources include Notice of Shareholders' Meeting, BSE, NSE, SEBI, Capitaline, MCA, Moneycontrol, Businessweek, Reuters, Annual Reports, Sustainability Reports, IPO Documents and Company Website.

Analyst Certification

The Analyst(s) involved in development of this Report certify that no part of the Research Analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the Research Analyst(s) in this Report. The concerned Research Analyst(s) and Director(s) do not have any pecuniary relationship with the Reported Company, except that they may be holding miniscule shares in the Company which does not impact their independence in respect of this Report.

SES may be a shareholder in the Company holding equity shares as disclosed on its [website](#). The objective of SES' investment is solely to obtain Shareholders' communications from the Company as a shareholder.

CAUTIONARY STATEMENT

The recommendations made by SES are based on publicly available information and conform to SES's stated Proxy-Advisory Guidelines. SES opinion is based on SES's interpretation of law and governance benchmarks, which may differ from opinion/ benchmarks of other analysts or practitioners. Further, SES analysis is recommendatory in nature and reflects how SES would have voted if it was a shareholder. Therefore, SES expects that the clients will evaluate the effect of their vote on their investments independently and diligently and will vote accordingly. Subscribers may also carry out an impact analysis of their votes and keep the same as an addendum for their records. In our opinion, Institutional investors are positioned significantly differently from other shareholders due to their ability to engage with the board and the management to bring out desired result. As a firm, it is our endeavour to improve the level of corporate governance while not causing any disruption in company's proceedings and therefore we respect the independence of investors to choose alternate methods to achieve similar results.

Disclaimer

While SES has made every effort, and has exercised due skill, care and diligence in compiling this report based on publicly available information, it neither guarantees its accuracy, completeness or usefulness, nor assumes any liability whatsoever for any consequence from its use. This report does not have any approval, express or implied, from any authority, nor is it required to have such approval. The users are strongly advised to exercise due diligence while using this report.

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All disputes shall be subject to jurisdiction of High Court of Bombay, Mumbai.

Concern terminology

NC – Compliance Concern: The Company has not met statutory compliance requirements

FC – Fairness Concern: The Company has proposed steps which may lead to undue advantage to a particular class of shareholders and can have adverse impact on non-controlling shareholders including minority shareholders

GC – Governance Concern: SES questions the governance practices of the Company. The Company may have complied with the statutory requirements in letter. However, SES finds governance issues as per its standards.

TC - Disclosures & Transparency Concern: The Company has not made adequate disclosures necessary for shareholders to make an informed decision. The Company has intentionally or unintentionally kept the shareholders in dark.

Company Information



Stakeholders Empowerment Services

SEBI Reg. No. INH000000016

CIN No. -

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Warning

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

