



Stakeholders Empowerment Services

Analyze >>> Educate >>> Empower

# Proxy Advisory Report <sup>(2<sup>nd</sup> Addendum)</sup> Fusion Micro Finance Limited

## 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.

[Read More](#)

**Contact for Demo –**

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### 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:** Microfinance Institutions

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[companysecretary@fusionmicrofinance.com](mailto:companysecretary@fusionmicrofinance.com)

**Phone:** 0124-6910500/6910600

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

## MEETING DETAILS

**Meeting Type:** PB

**Voting Deadline:** 26<sup>th</sup> March, 2023

**Notice Date:** 24<sup>th</sup> February, 2023

**Notice:** [Click here](#)

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

## E-VOTING DETAILS

**e-Voting Platform:** [LINKINTIME](#)

**Cut-off Date:** 17<sup>th</sup> February, 2023

**Remote E-voting:**

- **Start:** 25<sup>th</sup> February, 2023
- **Ends:** 26<sup>th</sup> March, 2023

**2<sup>ND</sup> ADDENDUM RELEASE DATE:** 24<sup>th</sup> March, 2023

**RESEARCH ANALYST:** Suruchi Bajpai

**CONFLICT DISCLOSURE:** SES - No Conflict | Analyst - No Conflict

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## ADDENDUM

The Second Addendum is issued based on additional disclosures provided by Fusion Micro Finance Ltd. ('the Company') on their website post telephonic conversation between the Company and SES w.r.t to Proxy Advisory Report ('PA Report') issued by SES in relation to the ongoing Postal Ballot (PB) with e-voting deadline dated 26<sup>th</sup> March, 2023.

There are changes in SES recommendations on Resolution No. 1, 2, 3 & 4 from '**AGAINST**' to '**FOR**'.

#	Resolution	Type	SES Observation #	Rec.	Rationale
<b>Existing Recommendations</b>					
1	To approve the ratification of Fusion Employee Stock Option Plan 2016 as per SEBI (share based employee benefits and sweat equity) regulations, 2021.	S	<del>NC+GC+TC</del>	<del>AGAINST</del>	<del>Exercise price not disclosed</del>
2	To approve the Fusion Employee Stock Option Plan 2023.	S	<del>NC+GC+TC</del>	<del>AGAINST</del>	<del>Separate resolutions for extension of scheme to subsidiaries &amp; holding companies not sought, Exercise price not disclosed</del>
3	To approve the winding up of fusion micro finance limited employee stock option plan 2014 (ESOP plan 2014), after transfer of remaining shares under ESOP plan 2014, if any, to fusion employee stock option plan 2023.	S	<del>NC+GC</del>	<del>AGAINST</del>	<del>Linked with resolution #2</del>
4	To approve the provision of money by the company for purchase of its own share by the trust / trustees for the benefit of employees under fusion employee stock option plan 2016 and under fusion employee stock option plan 2023.	S	<del>NC+GC</del>	<del>AGAINST</del>	<del>Linked with resolution #1 &amp; #2</del>
<b>Revised Recommendations</b>					
1	To approve the ratification of Fusion Employee Stock Option Plan 2016 as per SEBI (share based employee benefits and sweat equity) regulations, 2021.	S	LC	FOR	No major concern identified
2	To approve the Fusion Employee Stock Option Plan 2023.	S	LC	FOR	No major concern identified
3	To approve the winding up of fusion micro finance limited employee stock option plan 2014 (ESOP plan 2014), after transfer of remaining shares under ESOP plan 2014, if any, to fusion employee stock option plan 2023.	S	LC	FOR	No major concern identified
4	To approve the provision of money by the company for purchase of its own share by the trust / trustees for the benefit of employees under fusion employee stock option plan 2016 and under fusion employee stock option plan 2023.	S	LC	FOR	No major concern identified

S - Special Resolution, Rec. - Recommendation

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

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**BACKGROUND**

SES, as per its policy, had emailed its PA Report to the Company on 16<sup>th</sup> March, 2023 in respect of the ongoing PB of the Company. Post release of PA Report, SES received an email from the Company on 21<sup>st</sup> March, 2023. The Company, through the email, provided its view point, in response to which SES issued an [addendum](#) dated on 23<sup>rd</sup> March, 2023.

Subsequently, the Company has made additional disclosures on their website post a telephonic discussion between the Company and SES.

The Second Addendum provides appropriate responses of SES, wherever required.

**SES COMMENTS ON COMPANY'S RESPONSE:****Company Response:**

*The Exercise Price for any future grant of options under ESOP Scheme 2016 & ESOP Scheme 2023, shall not be the Face Value of Rs. 10 Per Share and the Exercise Price **will be based upon the Market Price**, as already mentioned in the Explanatory Statement of the Notice of Postal Ballot.*

*The Company does not have any Holding or Subsidiary Company as on date. Further, in future if company have any Holding or Subsidiary Company, **any grant of options to such Holding or Subsidiary Company would be made after taking approval from the Shareholders of the Company, as required by the Listing Regulations.***

**SES Comments:** In light of the above clarifications provided by the Company, SES understands that the exercise price will be based upon Market Price and no NRC discretion would be provided for suitable discount on such price. However, Shareholders may seek clarification.

Further, the Company has explicitly stated that shareholders' approval will be obtained separately when Company will be granting options to employees of subsidiary and holding companies. Both the disclosures are available on the Company's [website](#). Hence, concerns raised by SES stands addressed.

Resolution 3 & 4 of the Postal Ballot were recommended **Against** only on account of them being linked to the resolutions proposing original scheme. Post above information provided by the Company, no concerns prevail with regard to the said resolutions.

Hence, SES now recommends **FOR** w.r.t. resolutions **#1, #2, #3 & #4**.

**Further, shareholders may take note of the Company's clarifications.**

**COMPANY'S UPDATE ON WEBSITE ([WEBLINK](#))**

*Explanation upon Resolutions placed before Shareholders for Passing via Postal Ballot  
(For Proxy Advisories)*

*In regards to the Resolutions placed before the shareholders for passing via Postal Ballot, it is being submitted as following:*

- 1. The Exercise Price for any future grant of options under ESOP Scheme 2016 & ESOP Scheme 2023, shall not be the Face Value of Rs. 10 Per Share and the Exercise Price will be based upon the Market Price, as already mentioned in the Explanatory Statement of the Notice of Postal Ballot.*
- 2. The Company does not have any Holding or Subsidiary Company as on date. Further, in future if company have any Holding or Subsidiary Company, any grant of options to such Holding or Subsidiary Company would be made after taking approval from the Shareholders of the Company, as required by the Listing Regulations.*



**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, 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 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.

This report in no manner constitutes an offer, solicitation or advice to buy or sell securities, nor solicits votes or proxies on behalf of any party. SES, which is a not-for-profit Initiative or its staff, has no financial interest in the companies covered in this report except what is disclosed on its website. The report is released in India and SES has ensured that it is in accordance with Indian laws. Person resident outside India shall ensure that laws in their country are not violated while using this report; SES shall not be responsible for any such violation.

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

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