

Rating Update: Dewan Housing Finance Corporation Limited (DHFL)

June 5, 2019

Dewan Housing Finance Corporation Limited (DHFL) has missed payment deadline on a set of outstanding bonds scheduled on Tuesday, June 4, 2019. Consequently, the independent valuation agencies (CRISIL & ICRA) completely marked down the Commercial Papers (CP) exposures, while Non-Convertible debentures (NCD) exposures were marked down by 75% (of Face Value).

Further, the credit rating agencies (CRISIL and ICRA) downgraded the short term rating of CP of DHFL to “D” on June 5, 2019.

While DSP Mutual Fund does not hold any of those bonds which had scheduled payments on June 4, 2019, there is an exposure of (Face Value) Rs. 150 cr of CP and Rs. 70 cr of NCD of DHFL across various schemes maturing on other dates. In case of CPs, markdown of 25% was already initiated on May 13, 2019 on the basis of downgrade in the short term rating of DHFL to A4+ (from A3+).

Exposure by Schemes of DSP Mutual Fund

The impact on the schemes of the Fund taken on June 4, 2019 is mentioned below:

Scheme Name	Face Value (Rs. Cr)	% of AUM*	Valuation Impact [§]
Commercial Papers			
DSP Credit Risk Fund	38.00	0.75	-0.75%
DSP Dual Advantage Fund Series 44-39M	0.60	0.72	-0.72%
DSP Dual Advantage Fund Series 45-38M	0.30	0.27	-0.27%
DSP Dual Advantage Fund Series 46-36M	2.50	3.22	-3.22%
DSP FMP - Series 196 - 37M	6.40	1.73	-1.73%
DSP Low Duration Fund	52.30	1.5	-1.50%
DSP Strategic Bond Fund	50.00	4.25	-4.25%
NCDs			
DSP Bond Fund	24.00	6.75	-5.02%
DSP Credit Risk Fund	6.00	0.17	-0.12%
DSP Equity & Bond Fund	40.00	0.49	-0.32%
Total	220.00		

*As on June 3, 2019

§Post markdown as per Independent Valuation Agencies as on June 4, 2019

Source: Internal.

Temporary suspension of lumpsum subscription in DSP Credit Risk Fund, DSP Low Duration Fund and DSP Strategic Bond Fund

Media reports claim that these payments will be met by June 10, 2019. In the event of DHFL making payments by June 10, 2019 valuation agencies may review the markdowns initiated on June 4, 2019.

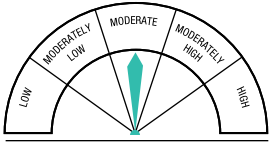
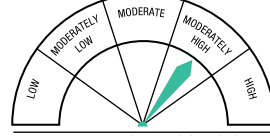
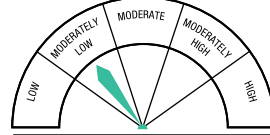
A substantial portion of DHFL holdings in schemes of DSP Mutual Fund mature on June 25, 2019. In the event of an upward revision in markdowns, the valuation of these securities will see a significant rise. Any inflows at this juncture (when valuations are marked down to zero), if followed by upward revision in markdowns will dilute the return profile of existing investors on the schemes.

Hence, with effect from June 6, 2019 there will be a temporary suspension of subscriptions in schemes which have witnessed 100% mark down in the DHFL exposure, viz., DSP Credit Risk Fund, DSP Low Duration Fund and DSP Strategic Bond Fund. This temporary suspension on subscription will continue till the valuation is maintained at zero or till maturity of the security i.e. on June 25, 2019, whichever is earlier. The AMC would be issuing a public notice in this regard.

The suspension is only for lumpsum subscription and will not impact any subscription transactions pursuant to SIP, STP, Dividend Transfer Plan, Super SIP facilities (if applicable) registered prior to the effective date (June 6, 2019) and pursuant to the declaration of dividend under the dividend reinvestment option offered under the Schemes.



Product Labeling

<p>DSP Dual Advantage Fund – Series 44 - 39M This close ended income Scheme is suitable for investor who are seeking*</p> <ul style="list-style-type: none"> Income over long term investment horizon Investments primarily in debt securities with maturities upto 39 months, with balance exposure in equity and equity-related securities 	<p style="text-align: center;">RISKOMETER</p>  <p style="text-align: center;">Investors understand that their principal will be at moderate risk</p>
<p>DSP Dual Advantage Fund – Series 45- 38M This close ended income Scheme is suitable for investor who are seeking*</p> <ul style="list-style-type: none"> Income over long term investment horizon Investments primarily in debt securities with maturities upto 38 months, with balance exposure in equity and equity-related securities 	
<p>DSP Dual Advantage Fund – Series 46- 36M This close ended income Scheme is suitable for investor who are seeking*</p> <ul style="list-style-type: none"> Income over long term investment horizon Investments primarily in debt securities with maturities upto 36 months, with balance exposure in equity and equity-related securities 	
<p>DSP FMP – Series 196 - 37M This close ended income Scheme is suitable for investor who are seeking*</p> <ul style="list-style-type: none"> Income over an investment horizon of approximately 37 months term Investments in money market and debt securities with maturities on or before the maturity of the Scheme 	
<p>DSP CREDIT RISK FUND An open ended debt scheme predominantly investing in AA and below rated corporate bonds (excluding AA+ rated corporate bonds).</p> <p>This Scheme is suitable for investor who are seeking*</p> <ul style="list-style-type: none"> Income over a medium-term to long term investment horizon Investment predominantly in corporate bonds which are AA and below rated instruments 	
<p>DSP STRATEGIC BOND FUND An open ended dynamic debt scheme investing across duration</p> <p>This Open Ended Income Scheme is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> Income over a medium to long term investment horizon Investment in actively managed portfolio of money market and debt securities 	
<p>DSP Bond Fund An open ended medium term debt scheme investing in debt and money market securities such that the Macaulay duration of the portfolio is between 3 years and 4 years (please refer page no. 32 under the section “Where will the Scheme invest” in the SID for details on Macaulay’s Duration)</p> <p>This Scheme is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> Income over a medium-term investment horizon Investment in money market and debt securities 	 <p style="text-align: center;">Investors understand that their principal will be at moderately high risk</p>
<p>DSP Equity & Bond Fund An open ended hybrid scheme investing predominantly in equity and equity related instruments</p> <p>This Open Ended aggressive hybrid scheme is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> Capital growth and income over a long-term investment horizon Investment primarily in equity/equity-related securities, with balance exposure in money market and debt Securities 	 <p style="text-align: center;">Investors understand that their principal will be at moderately low risk</p>

*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.