

Update for IL&FS Energy Development Company Limited

IL&FS Energy Development Company Limited (IEDCL) is the flagship entity of the IL&FS group in the energy vertical.

CARE has downgraded the rating of IEDCL to D from BB- on October 5, 2018, on account of delays in debt servicing obligation of the company.

Earlier, CARE had downgraded the rating of IEDCL to BB- from A+ on September 6, 2018. To reflect the rating action, we had taken a mark down of 25% on our investments in IEDCL on September 7, 2018.

Valuation Impact

On account of the rating action, we are taking a further mark down of 25% (of original amount) today (October 8, 2018) on the investments in accordance with the principles of fair valuation as per regulations.

We have exposure to the security in DSP Credit Risk Fund and DSP FMP Series 196 - 37M.

Scheme Name	% of NAV (October 5, 2018)	Valuation Impact (approx.)
DSP Credit Risk Fund	2.83%	-0.94%
DSP FMP Series 196 - 37M	7.67%	-2.56%

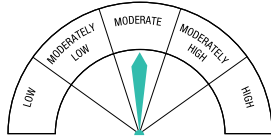
Recent update on IL&FS group

- On October 1, 2018, the Government of India superseded the board and management of IL&FS Limited. The Government replaced the entire erstwhile board of IL&FS Limited, with a six-member board chaired by Mr. Uday Kotak.
- On the same day, the Government of India released a statement to provide reassurance to the markets regarding IL&FS Limited. Below are the key excerpts from the press release* -
 - » The Government stands fully committed to ensure that needed liquidity is arranged for the IL&FS from the financial system so that no more defaults take place and the infrastructure projects are implemented smoothly.
 - » The supersession of the existing Board and its replacement by a new Board of IL&FS is the necessary first step towards restoring the confidence of the financial market in the IL&FS Group. The Government is aware of the need to supplement this with several other measures which are required to be taken.
 - » There is an emergent need to immediately stop further financial defaults and also take measures to resolve defaulted dues to the claimants. This would require a combination of measures of asset sales, restructuring of some liabilities and fresh infusion of funds by the investors and lenders.
 - » Towards this end, the Government is committed to ensure that ILFS Group receive much needed temporary liquidity support. It is hoped that financial institutions would be supportive for providing urgent liquidity. The Government would also take all necessary steps to ensure that the infrastructure and other productive sectors of the economy continue to get financial resources to maintain the growth momentum of the Indian Economy, the fastest growing economies in the world.
- The newly formed board had its first meeting on October 4, 2018 under the chairmanship of Mr. Kotak. Mr. Vineet Nayyar as Vice-Chairman and Managing Director. The board members also include former Sebi chairman Mr. G N Bajpai, ICICI Bank chairman Mr. G C Chaturvedi, IAS officer Malini Shankar who is also the director general of shipping, and Mr. Nandkishore.

We are hopeful that with the Government of India taking over control and the new board at helm, the issues at the group will get resolved within the next 6-9 months (when the maturity of the instruments are due).

*Source: Press Release by Ministry of Finance dated October 01, 2018.

Product Labelling:

<p>DSP Credit Risk Fund (An open ended debt scheme predominantly investing in AA and below rated corporate bonds (excluding AA+ rated corporate bonds). 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 style="text-align: center;">RISKOMETER</p>  <p style="text-align: center;">Investors understand that their principal will be at moderate risk</p>
<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 	

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

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The strategy mentioned in the document is currently followed by the Schemes and the same may change in future depending on market conditions and other factors. All figures and other data given in this document are dated and the same may or may not be relevant in future and the same should not be considered as solicitation/ recommendation/guarantee of future investments by DSP Investment Managers Pvt. Ltd. or its affiliates. **Past performance may or may not be sustained in the future. There is no assurance of any capital protection/capital guarantee to the investors in the Scheme.** The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any recommendation of the same and the Schemes may or may not have any future position in these sector(s)/stock(s)/issuer(s). Investors are advised to consult their own legal, tax and financial advisors to determine possible tax, legal and other financial implication or consequence of subscribing to the units of the Fund.

The portfolio of the Schemes is subject to changes within the provisions of the Scheme Information Document (SID) of the schemes. For scheme specific risk factors, asset allocation and more details, please read the SID, Statement of Additional Information and Key Information Memorandum of the schemes available on ISC of AMC and also available on www.dspim.com.

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