

Dec 19, 2018

Important Update: IL&FS Energy Development Company Limited and IL&FS Transportation Networks Limited

DSP Mutual Fund has exposures to debt securities of two companies of the IL&FS group - IL&FS Transportation Networks Limited and IL&FS Energy Development Company Limited across various schemes.

These exposures were downgraded from AAA(so) and A+ respectively to D between August 16, 2018 and October 5, 2018. Basis these downgrades we had provided an aggregate haircut of 50% on our investments in these debt securities.

On October 1, 2018, the Government of India superseded the board of IL&FS Limited. It appointed a board chaired by Mr. Uday Kotak to take over the management of the group.

The new board appointed a resolution advisor, Alvarez & Marshal for developing a resolution plan for IL&FS Group. The board also appointed Arpwood Capital Private Limited and JM Financial Services Limited as joint financial & transaction advisors to assist the new board in assessing the feasibility of various options.

Recently, the new board put up for sale various assets owned by IL&FS Limited, and its subsidiaries, like the wind energy portfolio, securities services business, road assets, etc. These developments are indeed a step towards debt resolution of IL&FS.

Basis our current internal assessment, we understand that the timing of these resolutions as well as the quantum of realisation from asset sales by these companies are uncertain. Therefore, as a prudent measure, we are taking a further mark down of 50% (of the original amount) on our exposures. With today's action, exposure in the above securities have been marked down completely in all the schemes having exposure to the said securities.

Further, our action will protect the interest of investors who continue to remain invested in the schemes. Needless to say, any future gains on account of receipt of cash flows from above securities will accrue back to the NAV of the respective schemes.

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