

November 10, 2020

Update on investment in Future Lifestyles Fashion Limited

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This is further to our update of October 17, 2020 on investment in Non-Convertible Debentures (NCDs) issued by Future Lifestyle Fashions Limited (“FLFL” or “the Company”) by Kotak Credit Risk Fund.

As communicated earlier, we had exercised the put option on NCDs issued by FLFL, by virtue of which the maturity was shifted to 9th November 2020 from 9th November 2022. The put option was exercised on 8th September 2020.

The Company has failed to make the repayment including interest payment on due date.

As submitted earlier, the Company’s Board of Directors on August 29, 2020 has approved to undertake a Composite Scheme of Arrangement, wherein various Future Group Companies including FLFL, Future Retail Limited (FRL) and others will be amalgamated with Future Enterprises Limited (FEL) and subsequently assets and liabilities under logistics, warehousing, retail & wholesale undertaking will be transferred & vested as a going concern on slump sale basis from FEL to Reliance Group.

Amazon had filed the arbitration proceedings under shareholders’ agreement between Amazon, Future Coupons Private Limited (one of the promoter entity of FRL) and the promoter group. FLFL has submitted to stock exchanges on November 01, 2020 that as per information received by FLFL from Future Retail Limited (FRL) and promoter group entity – FRL is advised that an interim award given by Emergency Arbitrator (EA - nominated by Singapore International Arbitration Center (SIAC)) to Amazon.com NV Investment Holdings LLC has no legal status under Part I of the Indian Arbitration and Conciliation Act 1996.

As submitted earlier, NCDs are secured by First pari-passu charge on all Fixed Assets of the Company, both present and future. With various gradual removal of lock down measures taken by various authorities in India, we understand that the business of the Company is picking up (which got impacted due to lockdowns). The Company (on consolidated basis) has reported increase in revenue from operations at Rs 409.19 crs in Q2FY21 from Rs 85.82 crs in Q1FY21.

The Company in its various communications has informed us they are taking several steps to find a holistic solution for challenges caused by pandemic and the primary objective of the Company is to ensure repayment of full obligations as early as possible.

We have sold part of our holding in NCDs in secondary market at 75% of face value. We are valuing the balance investment at this traded price (75% of Face Value) plus 75% of accrued interest.

Kotak Mutual Fund will continue to monitor the developments in the Company and take all necessary steps to recover the dues from the Company.

Investors and distributors are requested to take note of the same.

The aforesaid update is shared in accordance with Section 60 of the SEBI MF Regulations, 1996, and investors are requested to take note of the same and consult their relationship managers/ advisors/distributors, for any clarifications

Note: It is the prerogative of the fund manager to ascertain whether any security provides investment benefit to the fund and is in keeping with the larger investment goal, strategy and the investment & operational mandate of the fund. As such the fund manager may or may not choose to invest in a particular credit paper. The portfolio construction is the purview of the Fund Manager and allocation may change from time to time. Past performance may not be sustained in the future.

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

Kotak Credit Risk Fund

(An open ended debt scheme predominantly investing in AA and below rated corporate bonds
(Excluding AA+ rated corporate bonds))



This open ended fund Scheme is suitable for investors seeking

1. Income over a medium term investment horizon.
2. Investment predominantly in AA and below rated corporate bonds(Excluding AA+ rated corporate bonds).

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