

**October 17, 2020**

**Update on investment in Future Lifestyles Fashion Limited**

October 17, 2020

Kotak Credit Risk Fund has a debt exposure to Secured Non-Convertible Debentures ('NCDs') issued by Future Lifestyle Fashions Limited ("FLFL" or "the Company").

We have been providing regular update on the Company via our monthly Key Credit Brief reports which is also available on our website.

CARE Ratings, as per the communication received on 16<sup>th</sup> Oct, has downgraded the rating of NCDs to BB/Credit watch with negative implications. CRISIL has rating of BBB-/watch negative on instrument which was reaffirmed on 5<sup>th</sup> October 2020.

The independent Scrip Level Valuation Agencies (SLVs) i.e. CRISIL & ICRA, have marked down the secured NCD exposures of FLFL by 25% (of face value) on October 16, 2020 as per AMFI's matrix on "Standard haircut for sub investment grade debt securities"

The scheme wise holding of FLFL NCDs and impact# is as follows:

Scheme Name	Face Value (Rs Crs)*	Market Value (MV) (% of Scheme AUM)*	NAV Impact due to movement in MV on 16 <sup>th</sup> October, 2020 (%)	Exposure post Mark-to-market movement (MV as a % of Scheme AUM)
Kotak Credit Risk Fund	100.00	4.98%	1.01%	3.97%
<b>Total</b>	<b>100.00</b>			

\* as on October 15, 2020

# Interest accrual has also been correspondingly marked down by 25%.

The NCDs have maturity on 9<sup>th</sup> Nov'22 (with put/call option on 9<sup>th</sup> Nov'20). We have exercised the put option on the same.

The bond is secured by First pari-passu charge on all Fixed Assets of the Company, both present and future. The minimum fixed assets cover ratio of 1.15 needs to be maintained. The external rating of these NCDs was AA- at the time of our investment.

FLFL, part of Future Group, operates in fashion retail and distribution and has pan-India presence. FLFL operates its retail outlets in three broad formats – Central (big-box fashion retailer), Brand Factory (fashion discount chain) and Exclusive Brand Outlets. FLFL owns a portfolio of both owned / licensed brands and has also invested in various investee brands. The Company's performance (operating and financial) was satisfactory till Mar'20. However, Covid-19 and related lockdowns has impacted the various businesses in India more severely business like FLFL which are consumer facing and in retail fashion. This has impacted the performance and liquidity profile of the Company.

# Update on Investment in Future Lifestyles Fashion Limited

October 17, 2020

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 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. The Company has also confirmed that NCD is part of scheme of arrangement for debt to be transferred to Reliance Group.

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.

Kotak Mutual Fund will continue to monitor the developments in the Company

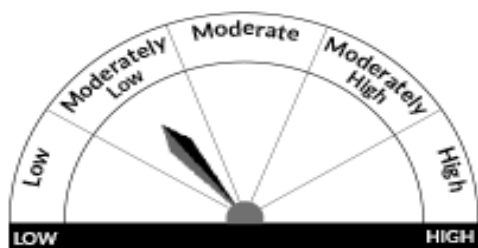
**Investors and distributors are requested to take note of the same.**

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

**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**