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FUND****NISSAY**Sponsors: Reliance Capital
Nippon Life Insurance Company**Update on Dewan Housing Finance Limited (DHFL)****Date - 07.06.2019****Rating:** D (Default) by ICRA, CRISIL & CARE**Issuer background**

Incorporated in 1984, Dewan Housing Finance Ltd (DHFL) is one of the largest housing finance companies in India with the total AUM of Rs. 1,26,720 Crs as of Dec 18. DHFL has a successful track record of over 30 years of lending in the low and middle income group in Tier II and Tier III cities, primarily to salaried individuals. The management team of DHFL is led by Mr. Kapil Wadhawan (Chairman and Managing Director), Mr. Harshil Mehta (Executive President - Retail Business) and assisted by an experienced management.

Key financial indicators

Particulars	Unit	9MFY19*	FY18	FY17	FY16	FY15	FY14
No of Months		9	12	12	12	12	12
Net worth	Rs. Cr	10,750	8,796	7,996	5,017	4,636	3,575
Total Debt	Rs. Cr	100,200	92,715	81,341	61,103	48,920	39,487
AUM	Rs. Cr	126,720	1,11,086	83,560	69,524	56,884	44,822
Disbursements	Rs. Cr	27,960	44,800	28,582	24,202	19,822	16,647
PAT	Rs. Cr	1,187	1,172	729	729	621	529
Gearing	Times	9.32	10.54	10.17	12.18	10.55	11.05
CRAR	%	17.74%	15.29%	19.12%	16.74%	16.60%	17.16%
Tier 1	%	13.10%	11.52%	14.75%	12.97%	12.50%	11.94%
GNPA	%	1.12%	0.96%	0.94%	0.93%	0.84%	0.78%

* Numbers are provisional in nature.

Source: Company Balance Sheet

Recent event

On June 4, 2019, DHFL had interest and principal payments to the tune of ~Rs. 1,160 Crs* (including our payments). DHFL has not made the payment of principal and interest till end of day (06 June 2019).

*RMF estimates

The ratings of all debt instruments used by DHFL has been downgraded to "D" by various rating agencies on 5th June 2019 and subsequently. As per regulatory guidelines prescribed by SEBI, we have made provisions and marked-down our investments, owing to ratings downgrades on the aforesaid securities. These provisions may / may not result in actual losses subject to the obligations being repaid. Because of the above provisions, the impact on Net Asset Value (NAV) of various schemes is as follows:

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Scheme Name	Issuer Name	Issuer ISIN	Rating	Price at which security is valued (INR/% of Face Value)	Price Post Haircut provided by valuation agencies (INR/ % of Face Value)		Impact in Rs Crores	Percentage impact on Net Assets*
Reliance Fixed Horizon Fund - XXIX - Series 18	Dewan Housing Finance	INE202B07AU7	D (CARE)	0	41.664	25	-6.12	-2.83%
Reliance Fixed Horizon Fund - XXX - Series 3	Dewan Housing Finance	INE202B07AU7	D (CARE)	0	41.664	25	-2.37	-2.79%
Reliance Fixed Horizon Fund - XXX - Series 8	Dewan Housing Finance	INE202B07AU7	D (CARE)	0	41.664	25	-3.42	-1.91%
Reliance Fixed Horizon Fund - XXX - Series 11	Dewan Housing Finance	INE202B07AU7	D (CARE)	0	41.664	25	-5.62	-1.92%
Reliance Fixed Horizon Fund - XXX - Series 14	Dewan Housing Finance	INE202B07AU7	D (CARE)	0	41.664	25	-2.04	-2.55%
Reliance Fixed Horizon Fund - XXX - Series 18	Dewan Housing Finance	INE202B07AU7	D (CARE)	0	41.664	25	-1.25	-1.71%

* on previous day net assets

Schemes where we have taken 75% Markdown (As per the matrix provided by valuation agency)

Scheme Name	Market Value in Cr. (as on 03.06.2019)	% Market Value of Scheme (as on 03.06.2019)	Mark Down on Face Value	NAV Impact after haircut
Reliance Fixed Horizon Fund - XXIV - Series 2	1.16	6.37%	75%	-5.05%
Reliance Fixed Horizon Fund - XXXI - Series 11	5.32	7.62%	75%	-6.04%
Reliance Fixed Horizon Fund - XXXI - Series 15	0.39	0.29%	75%	-0.23%
Reliance Fixed Horizon Fund - XXXI - Series 6	3.58	7.72%	75%	-6.12%
Reliance Fixed Horizon Fund - XXXII - Series 10	4.93	8.38%	75%	-6.64%
Reliance Fixed Horizon Fund - XXXII - Series 4	0.29	0.05%	75%	-0.04%
Reliance Fixed Horizon Fund - XXXV - Series 16	20.94	7.45%	75%	-5.64%
Reliance Fixed Horizon Fund - XXXV - Series 5	1.72	7.66%	75%	-6.42%
Reliance Fixed Horizon Fund - XXXV - Series 9	1.64	7.37%	75%	-5.63%
Reliance Fixed Horizon Fund - XXXVI - Series 2	15.96	7.38%	75%	-5.56%
Reliance Credit Risk Fund	14.17	0.17%	75%	-0.13%
Reliance Low Duration Fund	114.01	2.46%	75%	-1.96%
Reliance Prime Debt Fund	14.17	1.07%	75%	-0.86%
Reliance Strategic Debt Fund	140.18	2.99%	75%	-2.47%
Reliance Ultra Short Duration Fund	57.15	1.26%	75%	-1.00%



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Rationale for Markdown

We have taken 100% haircut in securities where the scheduled maturity was 4th June 2019. For all other securities where payments have not fallen due, but are rated Default Grade (D), we have marked down our investments by 75% in line with valuation agencies.

Current Update

The company has **since repaid its obligations** towards maturity related repayments for the ZCB maturing on 04/06/2019 bearing ISIN Number : INE202B07AU7, today i.e. 07/06/2019. **For the FMPs which have matured, the same shall be remitted to investors subsequently.** For the schemes which is/are yet to be matured the same shall be reflected in the NAV.

Near term cash flow events:

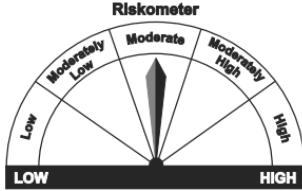
In our interaction with the management of DHFL, we understand that they in the process of undertaking various steps in the near term to generate additional liquidity:

- Retail Securitization (Ongoing)
- Sell down of wholesale loans (Ongoing)
- Proceeds from Stake sale of Aadhar Housing (expected this month)
- Scheduled EMIs (monthly)

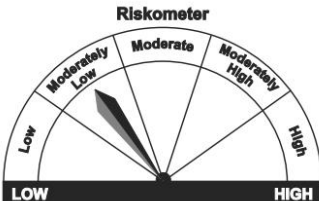
The Company expects to make the payments that have already fallen due as also its future obligations, through these cashflow streams.

Product Label

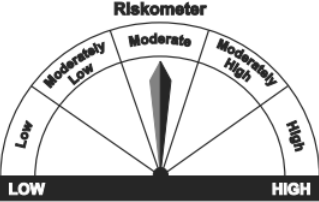
RFHF XXIV Series 2, RFHF XXIX Series 18, RFHF XXX Series 3, 8, 11, 14 & 18, RFHF XXXI Series 6, 11, 15, RFHF XXXII Series 4 & 10, RFHF XXXV Series 5, 9 & 16 & RFHF XXXVI Series 2

Product Label	
<p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • returns and growth over Medium Term tenure of the fund • limiting interest rate volatility by investment in debt, money market and G-sec instruments maturing on or before the date of maturity of the scheme <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>	 <p>Investors understand that their principal will be at Moderate risk</p>

Reliance Low Duration

Product Label	
<p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Income over short term • Investment in debt and money market instruments such that Macaulay duration of the portfolio is between 6 - 12 months <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>	 <p>Investors understand that their principal will be at Moderately Low risk</p>

Reliance Prime Debt Fund

Product Label	
<p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Income over medium term • Investment predominantly in AA+ and above rated corporate bonds. <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>	 <p>Investors understand that their principal will be at Moderate risk</p>

Reliance Ultra Short Duration Fund

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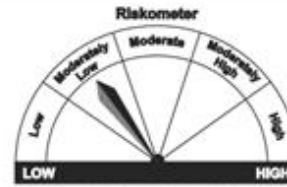
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Nippon Life Insurance Company

Product Label

This product is suitable for investors who are seeking*:

- Income over short term
- Investment in debt and money market instruments such that the Macaulay duration of the portfolio is between 3 - 6 months

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



Investors understand that their principal will be at Moderately Low risk

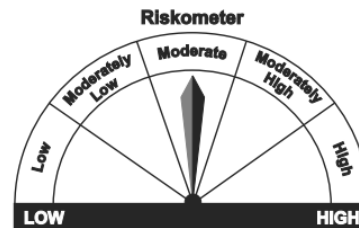
Reliance Strategic Debt Fund

Product Label

This product is suitable for investors who are seeking*:

- Income over medium term
- Investment predominantly in debt and money market instruments with portfolio Macaulay Duration of 3 – 4 yrs

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



Investors understand that their principal will be at Moderate risk

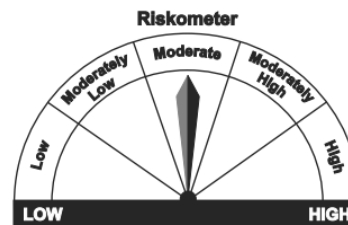
Reliance Credit Risk Fund

Product Label

This product is suitable for investors who are seeking*:

- Income over medium term
- Investment predominantly in AA and below rated corporate bonds

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



Investors understand that their principal will be at Moderate risk

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The logo for Reliance Mutual Fund, featuring the word "RELIANCE" in white capital letters on a dark blue rectangular background.

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