



UPDATE ON DEWAN HOUSING FINANCE CORPORATION LIMITED

JUNE 06, 2019

We would like to update our investors, distributors and stakeholders about Dewan Housing Finance Corporation Limited (DHFL) and actions taken by BNP Paribas Asset Management India Pvt. Ltd.

ABOUT DEWAN HOUSING FINANCE CORPORATION LIMITED (DHFL):

Dewan Housing Finance Corporation Limited is a leading housing finance company with large presence in the affordable housing finance segment, and remains focused on providing funding options primarily to low and middle income customers in tier-II and tier-III cities. It reported assets under management¹ of Rs. 1.27 lakh crore as on December 31, 2018. The company reported Gross NPA of 1.12% as on December 31, 2018. In 9M FY2019, the company reported a profit after tax of Rs. 1,226 crore as compared to Rs. 1,109 crore in 9M FY2018. In terms of AUM mix, around 57% loans were towards housing (mainly retail), 21% towards loans against property (LAP), 17% towards project loans, and 5% towards loans to small and medium enterprises (SMEs).

As of Dec 31, 2018 the outstanding loans were Rs.1.02 Lakh crore. The borrowing mix is as follows, from debt capital market 47% (includes mutual fund, banks, financial institutions, insurance companies etc.), bank loans 38%, deposits 10% and others 6%. The total mutual fund industry exposure is across 168 schemes (as of 30th April 2019) with a cumulative exposure of Rs. 5100 crore across 23 AMCs². At BNP Paribas Mutual Fund we have exposure across six schemes with total exposure worth Rs. 66.55 crores as of May 31, 2019.

Since September 2018, DHFL has repaid close to Rs. 40,000 crores of financial obligation. To ensure adequate liquidity to meet the repayments, DHFL also sold its strategic retail assets including Aadhar, Avanse and DHFL Pramerica Asset Managers.

EVENT UPDATE:

Dewan Housing Finance Corporation Limited missed payments on secured Zero Coupon Bond (ZCB) that was due on June 04, 2019 and interest payment towards Non-Convertible Debenture (NCD) with June 04, 2021 maturity. The company was expecting proceeds from loan sell downs which did not come through, hence the default in payments.

ACTION TAKEN BY BNP PARIBAS ASSET MANAGEMENT INDIA PVT. LTD.:

At BNP Paribas Mutual Fund we have exposure across six schemes via two bonds. The ZCB which was to mature on June 04, 2019 was marked down by 100% and the other with maturity date of June 04, 2021 was treated as per valuation agencies and marked down by 75%.

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SCHEME NAME	SECURITY TYPE	MATURITY DATE	DOWN ON FACE VALUE	% OF NET ASSETS	IMPACT AS OF JUNE 04
BNP Paribas Low Duration Fund	Zero Coupon Bond	4-Jun-19	100%	4.4%	-5.9%
BNP Paribas Substantial Equity Hybrid Fund	Zero Coupon Bond	4-Jun-19	100%	1.7%	-1.9%
BNP Paribas Conservative Hybrid Fund	Zero Coupon Bond	4-Jun-19	100%	1.7%	-1.8%
BNP Paribas Corporate Bond Fund#	Corporate Bond	4-Jun-19	75%	13.3%	-10.8%
BNP Paribas Short Term Fund#	Corporate Bond	4-Jun-19	75%	4.7%	-3.8%
BNP Paribas Medium Term Fund#	Corporate Bond	4-Jun-19	75%	15.9%	-12.9%
BNP Paribas Low Duration Fund#	Corporate Bond	4-Jun-19	75%	1.9%	-5.9%

As per valuation agencies

In the interim we have temporarily suspended fresh subscriptions to adequately protect the interest of existing investors, in the event of more than expected recoveries on said bonds.

The aforesaid temporary suspension will be applicable with effect from June 06, 2019, subject to the following conditions:

Fresh/additional subscriptions/switch-ins, Fresh registrations through SIP or STP or such other special products will not be allowed/ accepted at any point of time till further notice, from the effective date.

The aforesaid restriction will not affect existing SIPs or STPs or such other special products registered prior to the effective date and the unitholders under dividend reinvestment option of the Schemes.

CURRENT SITUATION:

We believe the current valuations of bonds are reasonable and adequately factors the default risks associated with the said bonds. We are closely monitoring the situation and will keep our esteemed investors and distributors updated.

The aforesaid temporary suspension will be applicable with effect from June 06, 2019, subject to the following conditions:

WAY FORWARD:

We believe DHFL's problems seem to be contained in the wholesale lending book and we note that the company's retail business continues to perform well with collection efficiencies of 99-99.5%⁴. While in the past there has been news flow on potential sell down of this book, but no firm announcement has been made by the company. We believe current mark down is reasonable in nature and adequately prices in the default risk. We assure you the measures taken by BNPP AMC are in the interests of investors and all stake holders.

¹Source: DHFL Investor Presentation Dec 2018

²Source: ICRA MFI

³Source: BNP Paribas Asset Management

⁴Source: as per company data

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