



DEBT MARKET UPDATE

UPDATE ON DEWAN HOUSING FINANCE CORPORATION LTD (DHFL)

In view of queries received on investments in DHFL we would like to present the below update on the same:

Current Liquidity scenario

- As on December 31, 2018, DHFL has informed that it has Rs.5,000 crores in cash and equivalents in its books. In the next few months, the management is confident of generating additional liquidity of Rs. 4,000 - 5,000 crores through a combination of securitization of retail loans, sell-down of developer loans to investors, strategic sale of group businesses and conserving EMI receipts for repayment of debt
- Management has said that every month the company receives cash inflow of Rs. 1,800 – 2,000 crores from scheduled EMI repayments and a significant portion of this will be utilized to retire debt
- The Company's Gross NPA has been stable (1.12% as on Dec-18) which gives the management confidence of maintaining the EMI inflow run rate

Securitization/sell down

- DHFL has timely repaid roughly Rs.18,000 crores of liabilities between Oct-Dec 2018; these include Rs. 9,965 crores of Commercial Paper (CP), Rs.1,657 crores of NCDs, and Rs.1,950 crores of Fixed Deposits
 - This has been met through internal liquidity generation and loans sold on assignments (securitization) of around Rs.11,500 crores
 - With these repayments - CP borrowings came down to 1% of borrowings as on Dec-18 from nearly 8% as on Sept-18
- DHFL has a clear strategy to monetize its assets to banks/NBFCs/other investors in order to raise liquidity to repay the liabilities
 - The management has provided guidance for Rs.1,500 crores of securitization deals every month and are confident that this pace should keep liquidity at comfortable levels
 - Between January and March 2019, DHFL's liabilities stand at Rs.5,000 crores which the management has affirmed that it will comfortably meet at the current pace of liquidity generation

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

- The company has been actively securitizing its retail portfolio to banks; the management has mentioned that banks have shown high interest in buying the granular retail portfolio
- The management is committed to halve the developer book from Rs.20,000 crores to Rs.10,000 crores by March 2019. This should result in increase in proportion of retail assets within the loan book
 - It aims to achieve this by sale of loans to investors & plans to use the sale proceeds to deploy in the retail business
 - The management said that they have successfully concluded sale of nearly 10% of the developer book
 - The company recently completed sale of a wholesale loan of around Rs.1,300-1,400 crores to a foreign investor

Sale of group companies – management working on multiple options

- Aadhar Housing (affordable housing associate) sale is in the final stages and the management has confirmed that a final announcement shall be made within the next 7-10 days
- The management has requested for bids for sale of the education loan subsidiary - Avanse Financial Services by end of February 2019
- In December 2018, the group announced that it is selling its entire 50% stake in the Mutual Fund joint venture. The group recently added that the deal is near completion and the deal value will be announced by March 2019
- The management is also actively looking at monetizing its stake in the life insurance business

Our exposure to Dewan Housing Group

Our exposure to DHFL is Rs.205 crores in the form of secured NCDs, half of which are maturing in September 2019 and the remaining in June 2021. All the NCDs are secured in nature. We have no exposure to any other group companies of DHFL.

We would be continuously monitoring the developments with regards to DHFL.

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