

Press Release

February 17, 2020

Proposed Creation of Segregated Portfolio(s) in Nippon India Strategic Debt Fund, Nippon India Credit Risk Fund and Nippon India Hybrid Bond Fund

Securities and Exchange Board of India (SEBI) vide its circular number SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018 has permitted Asset Management Companies to create segregated portfolio of debt and money market instruments of mutual fund schemes, in order to ensure fair treatment to all investors, in case of a credit event and to deal with liquidity risk.

Nippon India Strategic Debt Fund, Nippon India Credit Risk Fund and Nippon India Hybrid Bond Fund (“the Schemes”) have exposure in the debt securities of Vodafone Idea Limited (VIL). Pursuant to rating downgrade of VIL by CARE Ratings Limited to BB- (Under Credit Watch with Negative Implications), Nippon India Mutual Fund (NIMF) proposes to create segregated portfolio for VIL under the schemes, with effect from February 17, 2020, **subject to approval from the Board of Directors of Nippon Life India Trustee Limited (formerly known as Reliance Capital Trustee Co. Ltd) (the Trustees).**

Chronology of Recent Developments in VIL

- **Supreme Court Ruling on AGR** – Through its order dated 24th Oct, 2019, the Supreme Court had ruled against the telecom operators on the manner of computation of Adjusted Gross Revenue (AGR) on which they are required to make payment of License fees and Spectrum Usage Charges (SUC) to the Department of Telecommunications (DOT). Pursuant to the judgement, the Supreme Court had upheld the method of computation of AGR adopted by the DOT for the purpose of payment of license fees and directed the telecom operators to deposit the entire payment by 23rd January 2020. As per management assessment, the total AGR liability for VIL worked out to ~Rs. 44,150 cr up to 30-Sep-19 including ~Rs. 27,610 cr related to License Fee and ~Rs. 16,540 cr related to Spectrum Usage Charges (including interest penalty and interest thereon of ~Rs. 33,010 cr).
- **Review Petition by the Company** - Post the judgment, the company had filed a review petition with the Supreme Court seeking a waiver of interest fee and penalty imposed for non-payment of AGR dues.
- **Dismissal of Review Petition** - On 16th Jan, 2020, the Supreme Court dismissed the review petition thereby resulting in imminent requirement to clear the AGR dues.
- **Modification Petition by the Company** – Subsequently on 21st Jan, 2020, the company filed a modification petition with the Supreme Court with the intention of seeking an extension of the payment deadline of 23rd Jan, 20.
- **Supreme Court re-iteration of its supplemental order dated 24th Oct, 2019 and timeline stated therein** – On 14th Feb, 2020, the Supreme Court questioned the non-compliance of its earlier order dated 24th Oct, 2019 requiring the companies to pay the AGR dues by 23rd January, 2020 while also indicating that the company and Department of Telecommunication could potentially be held liable for contempt of the court. The Supreme Court has fixed the next hearing date for 17th Mar, 2020.
- **Supreme Court’s refusal of hearing VIL’s plea for more time for payment of AGR dues and restricting government form encashing bank guarantees** – As per multiple media reports on 17th Feb, 2020, the Supreme Court refused to hear the company’s plea requesting for more time for payment of AGR dues and also its request of restraining government from encashing bank guarantee deposited with the government by the company.

In light of no further relief and the Supreme Court's re-iteration of the requirement to make the payment imminently, the company's operations are likely to become unviable unless there is significant equity infusion. The Promoters of VIL have hinted that they will be unable to continue the operations of the company on a going concern basis unless there is meaningful relief on the AGR dues.

Proposed Action Plan

- Creation of segregated portfolio of securities of VIL held in the schemes, effective from February 17, 2020, **subject to the approval from the Trustee.**
- Processing of subscriptions and redemptions in the schemes would be suspended on the day of the credit event (February 17, 2020) till trustee approval for segregation, as per Regulatory guidelines.
- Suspension of processing of subscription/redemption is applicable to fresh subscription, additional subscription, switch-in, subscription by way of Systematic Investment Plan (SIP) including existing SIPs, Systematic Transfer Plan (STP) including existing STPs or subscription by way on any other mode(s)/facility(ies), full & partial redemption, switch outs and withdrawals through any mode such as Systematic Withdrawal Plan (SWP).

All other terms and conditions as mentioned in the SID/KIM of the above-mentioned schemes shall remain unchanged.

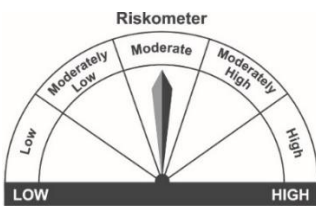
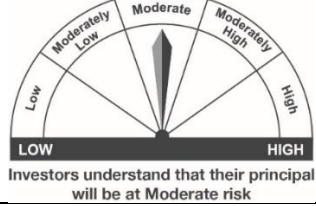
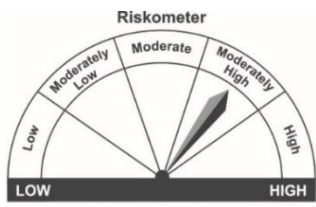
The details of schemes having exposure to VIL in which it is proposed to segregate the portfolio, as on February 16, 2020 are as follows:

Scheme Name	Security Name	ISIN	Maturity/ P&C Option/ Reset Date	Total Face Value (Rs. Cr.)	Accrued Interest (Rs. Cr.)	% of Market Value to Net Assets
Nippon India Strategic Debt Fund	8.04% Vodafone Idea Ltd (NCD)	INE669E08284	27/01/2022	23.70	0.04	0.37%
Nippon India Credit Risk Fund	8.04% Vodafone Idea Ltd (NCD)	INE669E08284	27/01/2022	90.70	0.15	0.56%
Nippon India Hybrid Bond Fund	8.25% Vodafone Idea Ltd (NCD)	INE713G08046	10/07/2020	112.90	2.23	3.15%

Impact of Segregation (subject to the approval from the Trustee) on the Investors

- All investors in the schemes as on the day of creation of segregated portfolio shall be allotted equal number of units in the segregated portfolio as held in the main portfolio.
- Once the segregated portfolio is created, no subscription and redemption will be allowed in the segregated portfolio of the captioned schemes.
- Investors redeeming their units will get redemption proceeds based on the NAV of main portfolio and will continue to hold the units of segregated portfolio.
- Upon recovery of money from the segregated portfolio, whether partial or full, it will be distributed to the investors in proportion to their holding in the segregated portfolio
- AMC will enable listing of units of segregated portfolio on the recognized stock exchange within 10 working days of creation of segregated portfolio and also enable transfer of such units on receipt of transfer requests.
- AMC will disclose separate NAVs of segregated and main portfolios from the date of creation of segregated portfolio.

Product Labels

<p>Nippon India Strategic Debt Fund (An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 to 4 years)</p>	<p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Income over medium term • Investment predominantly in debt and money market instruments with portfolio Macaulay Duration of 3 - 4 yrs <p>*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.</p>	 <p>Investors understand that their principal will be at Moderate risk</p>
<p>Nippon India Credit Risk Fund (An open ended debt scheme predominantly investing in AA and below rated corporate bonds (excluding AA+ rated corporate bonds))</p>	<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 below rated corporate bonds <p>*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.</p>	 <p>Investors understand that their principal will be at Moderate risk</p>
<p>Nippon India Hybrid Bond Fund (An open ended hybrid scheme investing predominantly in debt instruments)</p>	<p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Regular income and capital growth over long term • Investment in debt & money market instruments and equities and equity related securities <p>*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.</p>	 <p>Investors understand that their principal will be at Moderately High risk</p>

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