

Update on investment in Future Lifestyles Fashion Limited

April 24, 2021

This is further to our update of October 17, 2020 and November 10, 2020 on investment in Non-Convertible Debentures (NCDs) issued by Future Lifestyle Fashions Limited (“FLFL” or “the Company”) by Kotak Credit Risk Fund.

As communicated earlier, we had exercised the put option, on 8th September 2020, on NCDs issued by FLFL, by virtue of which the maturity was shifted to 9th November 2020 from 9th November 2022.

The Company has failed to make the repayment including interest payment on due date.

As submitted earlier, NCDs are secured by first pari-passu charge on all Fixed Assets of the Company, both present and future.

As submitted earlier, 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, Future Retail Limited (FRL) and others 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.

Amazon had filed the arbitration proceedings in Singapore under shareholders’ agreement between Amazon, Future Coupons Private Limited (one of the promoter entity of FRL) and the promoters of Future group. FLFL had submitted to stock exchanges that such arbitration award has no legal status under Part I of the Indian Arbitration and Conciliation Act 1996. The same is being contested at various courts in India. The Hon’ble Supreme Court of India has recently passed an interim order, inter alia, staying the proceedings pending before the Single Judge as well as the Division Bench of the Hon’ble Delhi High Court and scheduled the petitions for final disposal on 4th May 2021

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 as early as possible.

Apart from following up with Company for recovery of our dues, we have been evaluating exit in secondary market. As mentioned in our earlier communication dated 10th November 2020, we had sold part (face value of Rs 10 crs) of our holding in secondary market on 9th November 2020. We have sold part (face value of Rs 28.5 crs) of our holding in secondary market on 23rd April 2021. Resultantly, our holding in NCDs have reduced to face value of Rs 61.50 crores. We will continue to evaluate suitable options to recover our dues.

The holding in NCD of FLFL constitutes 2.98% of the portfolio of Kotak Credit Risk Fund as on 23rd April 2021, post the above exit at current valuations, from 4.02% as on 9th November 2020

Kotak Mutual Fund will continue to monitor the developments in the Company and take all necessary steps to recover the dues from the Company, in the best interest of unit holders

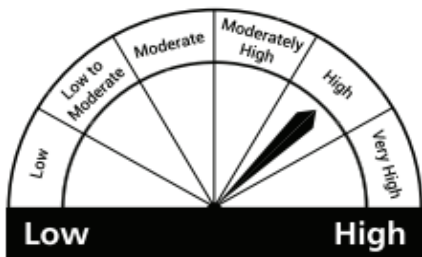
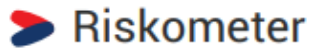
Investors and distributors are requested to take note of the same.

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)



Investors understand that their principal will be at high risk

This product is suitable for investors who are seeking*:

- ▶ Income over a medium term horizon
- ▶ Investment in debt & money market securities

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