

L&T MUTUAL FUND

L&T FMP –Series XIV Scheme - A 1233 days (“the scheme”)- Update on RBNL exposure

The scheme, which had matured on May 15, 2020, had an exposure in secured, rated NCDs of Reliance Broadcast Network Limited (RBNL) which had a ‘Put’ Option on Reliance Capital Ltd. RBNL runs and operates 58 FM Radio stations under the brand name ‘Big FM’ and is part of the Reliance-ADA group. Rating Agency – CARE had downgraded the credit ratings of NCDs to CARE C on Sep 17, 2019, and subsequently, on Mar 12, 2020, the same had been further downgraded to CARE D. The exposure had been fully written-off with the final write-off taken on Apr 07, 2020, based on principles of fair valuation and it continues to be valued at INR 0 as on date.

In our assessment, the most optimal way to ensure the best interest of the investors and meaningful recovery is by enabling the sale transaction of RBNL, and the steps taken by us are in-line with this objective. Below are the key updates on the exposure including the latest developments and various steps taken by us:

- Reliance – ADA group had signed a definitive Share Purchase Agreement (SPA) on Jun 12, 2019, for sale of 100% promoter stake to Music Broadcast Limited (rated CRISIL AA/Stable), a subsidiary of Jagran Prakashan Limited (rated CRISIL AA+/Stable).
- As given to understand by both the parties, the pre-conditions were completed and the share sale was only pending the mandatory regulatory approval of the Ministry of Information & Broadcasting (“MIB”), for which RBNL had submitted its application on Jul 03, 2019.
- Despite having applied in Jul 2019, the approval from MIB was pending for a long time. Since then, we had constantly engaged with both the parties and undertook various steps to enable timely deal closure, which are as follows:
 - In Dec 2019, we sent a letter to MIB requesting for speedy approval of the transaction so as to protect the investors’ interests.
 - In Mar 2020, we sent a follow-up letter by marking a copy to Prime Minister’s Office (PMO) for intervention in the matter and to ensure speedy approval.
 - In Apr 2020, as a prudent measure in line with fair valuation principles, we had taken full write-down of the entire exposure.
 - In May 2020, on the INR 50 Crore exposure which had fallen due in the scheme, we had exercised the put option on Reliance Capital Limited (RCL) and the relevant communication had been sent to the issuer, trustee, and RCL.
 - In Feb 2021, we sent another letter directly to PMO for their urgent intervention in this matter. We received a response from PMO through a letter dated Mar 01, 2021, acknowledging the receipt of our request and that the same has been forwarded to MIB for necessary action.
- In Apr 2021, Music Broadcast Limited (Jagran group) had publicly announced that it decided not to pursue the proposed investment in RBNL (Big FM) and will be terminating the definitive transaction documents with immediate effect given that the parties have not yet received the approval from the MIB and the long stop date under the definitive agreements has expired.

While we believe that a successful sale transaction of RBNL will be the most optimal solution for a reasonable recovery of debenture holders and other external lenders exposure in RBNL; in the best interest of investors, and as per SEBI guidelines, we have also appointed an external legal counsel to explore possible recovery options. Currently, legal remedies against RBNL are in various stages of discussion, evaluation, and

implementation. We are also in touch with the other external lenders of RBNL, regarding this matter, to enable a more coordinated and harmonious response.

Thus, we are actively pursuing both the options i.e. engaging with the existing promoters to consummate the sale transaction, while simultaneously also considering initiation of legal proceedings. As and when the full / a significant amount is recovered, we will recommend to the Board of Trustees of L&T Mutual Fund Trustee Limited to release the amount to the underlying investors of the scheme as on the date of maturity.

Date: June 23, 2021

Kindly refer the link <https://www.lfcs.com/content/dam/Int-financial-services/Int-mutual-fund/downloads/valuation-policy/RBNL-Valuation-Disclosure-Note.pdf> to understand the impact on valuation of the security.