

**Rationale for Valuation of debt exposure to Indiabulls Housing Finance Limited ('IBHFL')**

In continuation with the rationale for change valuation of debt exposure to IBHFL, as appended below, HDFC AMC has reverted to valuing the exposure to IBHFL based on valuation provided by independent valuation agencies from October 18, 2019, as the trades of IBHFL on October 17, 2019 referred below were apparently erroneous which was subsequently confirmed by obtaining the settlement status from the market data report of the NSE bond settlement platform –CBRICS.

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

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On October 17, 2019, the NCDs of IBHFL were traded on NSE at the yield to maturity (YTM) of ~31.51% for NCD's maturing in March 2022 and weighted average YTM of 42.82% for NCD's maturing in September 2021. In order to protect the interest of Unit holders, it has been decided to recognise these trades and value the exposure of the Scheme(s) of HDFC Mutual Fund ("HDFC MF") to IBHFL (with maturities up to September 2021) at the traded weighted average YTM 42.82%. The changes in valuation of the NCD exposure of IBHFL are in line with the extant SEBI regulations with regard to the Principles of Fair Valuation.

Scheme of HDFC Mutual Fund (HDFC MF) with debt exposures to Non-Convertible Debentures ('NCDs') issued by Indiabulls Housing Finance Limited (IBHFL) as shown below:

Scheme Name	ISIN	Rating	Price at which security was valued (₹)	Price as per valuation agency (₹)	Impact of deviation (₹ Cr.)	Impact of deviation (%)
HDFC FMP 1146D April 2018 (1)	INE148I07IT2	CRISIL AA+	582,318.71	844,907.00	(8.09)	(2.45)
HDFC FMP 1165D April 2017 (1)	INE148I07HN7	CARE AA+	1,073,423.63	1,195,102.00	(0.30)	(0.77)
HDFC FMP 1113D August 2018 (1)	INE148I07IS4	CRISIL AA+	677,353.31	882,405.00	(1.03)	(1.58)
HDFC FMP 1141D August 2018 (1)	INE148I07GE8	CARE AA+	602.12	853.02	(5.39)	(2.34)
HDFC FMP 1169D February 2017 (1)	INE148I07HN7	CARE AA+	1,073,423.63	1,195,102.00	(2.19)	(1.04)
HDFC Charity Fund For Cancer Cure - Debt Plan	INE148I07HA4	CARE AA+	1,042,035.87	1,183,884.00	(2.41)	(1.36)
HDFC Credit Risk Debt Fund	INE148I07GE8	CARE AA+	602.12	853.02	(32.50)	(0.27)
	INE148I07GF5	CARE AA+	603.86	855.29	(6.29)	
	INE148I07IT2	CRISIL AA+	582,318.71	844,907.00	(0.11)	
HDFC Corporate Bond Fund	INE148I07GE8	CARE AA+	602.12	853.02	(25.09)	(0.71)
	INE148I07GF5	CARE AA+	603.86	855.29	(46.52)	
	INE148I07HN7	CARE AA+	1,073,423.63	1,195,102.00	(915.76)	
HDFC Floating Rate Debt Fund	INE148I07GR0	CARE AA+	880,782.91	977,928.00	(7.29)	(0.08)
HDFC Medium Term Debt Fund	INE148I07IT2	CRISIL AA+	582,318.71	844,907.00	(6.83)	(0.62)
HDFC FMP 1133D JULY 2018 (1)	INE148I07IT2	CRISIL AA+	582,318.71	844,907.00	(4.15)	(2.56)
HDFC FMP 1124D June 2018 (1)	INE148I07IT2	CRISIL AA+	582,318.71	844,907.00	(12.87)	(2.77)
HDFC FMP 1177D March 2018 (1)	INE148I07IT2	CRISIL AA+	582,318.71	844,907.00	(16.81)	(2.81)
HDFC FMP 1188D March 2017 (1)	INE148I07HG1	CARE AA+	1,000,040.01	1,169,661.00	(6.78)	(1.30)
HDFC FMP 1208D March 2018 (1)	INE148I07IT2	CRISIL AA+	582,318.71	844,907.00	(16.81)	(2.86)
	INE148I07HA4	CARE AA+	1,042,035.87	1,183,884.00	(0.43)	
HDFC FMP 1213D MARCH 2017 (1)	INE148I07HG1	CARE AA+	1,000,040.01	1,169,661.00	(0.51)	(0.21)

It should be noted that the domestic credit ratings on IBHFL were recently reaffirmed at CRISIL AA+/Negative (on 16-Oct-2019) and ICRA AA+/Negative (11-Oct-2019). As per the latest rating rationale from CRISIL, there seem to be signs of improvement in first fortnight of October 2019 with IBHFL having received sanctions to raise Rs. 5,200 crore via term loans, working capital lines, commercial papers and securitization lines, of which around Rs 3,195 crore has been in the past one week. In addition, IBHFL continues to maintain strong liquidity with cash and cash equivalents at around 20% of total assets as on October 10, 2019. The company has aggregate liquidity of more than Rs 18,500 crore as on October 10, 2019.

We will continue to monitor the developments around IBHFL and if required, take suitable measures (including appropriate valuation changes) with a view to protect the interest of the Unit holders.

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