Update on HDFC Credit Risk Debt Fund

HDFC MUTUAL FUND
BHAROSA APNO KA

02nd April, 2025

This update is in continuation of the communications dated November 26, 2019 and December 12, 2019 appended hereto. As communicated earlier, HDFC Credit Risk Debt Fund ("Scheme") had an exposure of Rs. 125 Crore (face value) to Secured Non-Convertible Debentures ("NCDs") issued by Simplex Infrastructures Limited ("Simplex"), which were downgraded to default rating on December 11, 2019. Consequently, these NCDs were valued according to the prices provided by the valuation agencies, in line with the AMFI Best Practice Guideline for the valuation of below investment grade bonds.

Between 2020 and 2024, lenders of Simplex proposed a Resolution Plan (RP) under RBI's prudential framework for addressing stressed assets (dated June 7, 2019). However, this process did not progress as expected, prompting majority of the lenders to seek resolution through sale of their exposure to the National Asset Reconstruction Company Limited ("NARCL") which concluded on March 31, 2024. On conclusion of sale of debt exposure by lenders, NARCL held about 85% of outstanding debt of Simplex. However, NARCL did not make an offer to NCD holders for purchase of their exposure. Meanwhile, officials from HDFC AMC pursued with Simplex while working with legal advisors to recover dues linked to the NCD exposure held by the Scheme through enforcement of security.

Simplex subsequently signed a Master Restructuring Agreement (MRA) with NARCL on January 15, 2025, after finalisation of a restructuring plan in December 2024. However, the Scheme did not participate in the restructuring plan, as it was not considered to be in the interest of the unitholders of the Scheme.

Meanwhile, Simplex engaged with other lenders and investors (those who did not participate in the restructuring plan) for settlement options. The Scheme was offered a One Time Settlement ("OTS") as the full and final settlement for its outstanding due on March 29, 2025. After deliberations and approval from the Board of HDFC Asset Management Company Limited ("HDFC AMC") and HDFC Trustee Company Limited, HDFC AMC accepted the OTS offer in the interest of the unit holders of the Scheme.

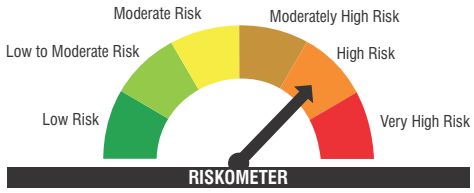
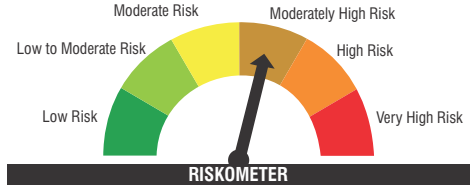
Overall, from December 11, 2019, to April 02, 2025, the Scheme has recovered approximately ₹55.28 crore through the sale of the security, OTS, and cashflows received from Simplex.

The impact due to the acceptance of OTS, on the NAV of the Scheme is ~ (0.16%). Post the receipt of OTS, the exposure to Simplex in the Scheme is NIL. To reiterate, all the above actions have been undertaken keeping in mind the interest of unitholders of the Scheme.

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

HDFC Credit Risk Debt Fund

An open ended debt scheme predominantly investing in AA and below rated corporate bonds [excluding AA+ rated corporate bonds]. A Relatively High Interest Rate Risk and Relatively High Credit Risk.

This product is suitable for investors who are seeking*	**Risk-o-meter** (Current risk as per latest month end portfolio)	**Potential Risk Class** (Maximum risk the Scheme can take)
• Income over short to medium term • To generate income/capital appreciation by investing predominantly in AA and below rated corporate debt (excluding AA+ rated corporate bonds)	**Scheme:**  *The risk of the Scheme is High risk* **Benchmark** (NIFTY Credit Risk Bond Index B-II):  *The risk of the Benchmark is Moderately High risk*	Credit Risk → / Interest Rate Risk: Relatively Low (Class A); Moderate (Class B); Relatively High (Class C) Relatively Low (Class I) Moderate (Class II) Relatively High (Class III): C-III C-III - A Scheme with Relatively High Interest Rate Risk and Relatively High Credit Risk.

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

Update on rating downgrade of Simplex Infrastructures Limited and its impact on valuation

HDFC MUTUAL FUND
BHAROSA APNO KA

12th December, 2019

This update is in continuation to the communication dated November 26, 2019, appended hereto. As communicated earlier, HDFC Credit Risk Debt Fund has a debt exposure to Secured Non-Convertible Debentures ('NCDs') issued by Simplex Infrastructures Limited ('Simplex').

On December 11, 2019, CARE Ratings has further downgraded the rating of the NCDs issued by Simplex from CARE BB+ to CARE D due to a recent instance of delay in repayment of certain debt obligations as the liquidity position of the company has been affected on account of elongation of its working capital cycle. Consequent to this downgrade, HDFC Credit Risk Debt Fund has valued the exposure to Simplex, in accordance with the applicable SEBI Regulations and Circulars on valuation of such securities. The impact due to the said change in valuation on the NAV of 'HDFC Credit Risk Fund' is -0.3%.

Scheme Name	Value of exposure to Simplex as on 11.12.2019 in Rs. Cr	% of AUM as on 11.12.2019
HDFC Credit Risk Debt Fund	62.5	~0.43%

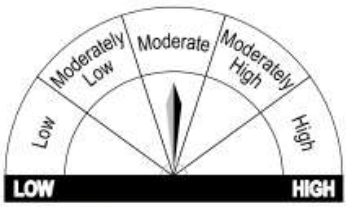
Simplex was established in 1924 and is one of the leading construction companies in India, promoted by the Mundhra family of Kolkata. It is primarily engaged in Engineering Procurement Construction (EPC) contracts and turnkey projects related to civil construction across various sectors. For the six month ended September 2019, Simplex has reported revenues of Rs. 2485 Crs, operating profit of Rs.330 Crs and profit after tax of Rs.28 Crs. As per rating rationale from CARE Ratings, in order to improve its liquidity position, Simplex plans to induct a strategic partner who is likely to infuse funds into the company. Additionally, Simplex is also looking to monetize its shareholding in one of the road SPVs in the near term.

We continue to monitor the developments closely and are also engaging with the company for repayment of the outstanding exposure of the aforesaid Scheme.

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

HDFC Credit Risk Debt Fund

[An open ended debt scheme predominantly investing in AA and below rated corporate bonds (excluding AA+ rated corporate bonds)]

This product is suitable for investors who are seeking*:	Riskometer
• income over short to medium term • to generate income / capital appreciation by investing predominantly in AA and below rated corporate debt (excluding AA+ rated corporate bonds)	 Investors understand that their principal will be at Moderate risk

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

Update on rating downgrade and valuation of exposure to Simplex Infrastructures Limited

HDFC MUTUAL FUND
BHAROSA APNO KA

26th November 2019

HDFC Credit Risk Debt Fund has debt exposure of Rs.124.11 Crs to Secured Non-Convertible Debentures ('NCDs') issued by Simplex Infrastructures Limited ("the Company") as on November 25, 2019. The Company was established in 1924 and is one of the leading construction companies in India, which has the Mundhra family of Kolkata as its promoters. It is primarily engaged in Engineering Procurement Construction (EPC) contracts and turnkey projects related to civil construction across various sectors. The Company has reported Revenues of Rs.2485 Crs., EBIDTA of Rs.330 Crs. and PAT of Rs.28 Crs. for six month ended September 2019.

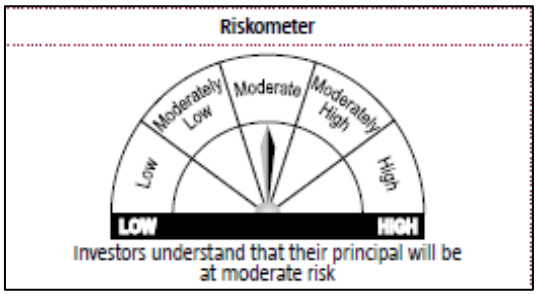
CARE Ratings has downgraded the rating of the NCDs issued by Simplex Infrastructures Limited on November 25, 2019 from CARE BBB to CARE BB+. The ratings continue to be on negative outlook. Consequent to this downgrade, HDFC Credit Risk Debt Fund has valued the exposure to the Company (as shown below), in accordance with the applicable SEBI Regulations and Circulars on valuation of such securities:

Scheme Name	Market Value of exposure to Simplex Infrastructures Ltd. as on 25.11.2019 (Rs. in crores)	Market Value of exposure to Simplex Infrastructures Ltd. as on 26.11.2019 (Rs. in crores)	As on 26.11.2019 (% of AUM)
HDFC Credit Risk Debt Fund	124.11	106.25	0.73%

We will continue to monitor the developments around the Company and keep investors informed about the same.

This product is suitable for investors who are seeking ~

- **income over short to medium term**
- **to generate income/capital appreciation by investing predominantly in AA and below rated corporate debt (excluding AA+ rated corporate bonds)**



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

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.