

May 17, 2023

Update on Reliance Broadcast Network Limited (RBNL)

This is in continuation to the disclosures dated April 07, 2020 made by L&T Investment Management Limited (LTIM). As you would be aware, pursuant to the acquisition of LTIM by HSBC Asset Management (India) Private Limited (HSBC AMC), the schemes of L&T Mutual Fund (“LTMF”) were transferred to / merged with the schemes of the HSBC Mutual Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC assumed the responsibilities of the schemes of LTMF w. e. f. close of business hours of November 25, 2022.

The below mentioned schemes of HSBC Mutual Fund have exposure in secured, rated Non-Convertible Debentures (“NCDs”) of RBNL, which are guaranteed by/have a Put-Option on Reliance Capital Ltd. RBNL runs and operates 58 FM Radio stations under the brand name ‘‘Big FM’’ and is a part of the Reliance-ADA group. In October 2019, RBNL had first defaulted on its payments and had subsequently remained in default on its obligations. On April 7, 2020, in light of the fact that the approval for sale (to Jagran Prakashan Limited, through its subsidiary, Music Broadcast Limited at an EV of Rs 1050 Crore) was still pending with Ministry of Information and Broadcasting (MIB) and the relatively low visibility on the receipt of the same in current market conditions, in accordance with the fair valuation principles, LTIM had decided to prudently take remaining 25% write down (taking total to 100%) on our exposure in RBNL (Earlier, based on AMFI’s recommended “Standard haircut for sub-investment grade debt securities”, the haircut at 75% were taken on these exposures post the downgrade of the securities). In April 2021, Music Broadcast Limited had publicly announced that it decided not to pursue the proposed investment in RBNL and consequently terminated the definitive transaction documents with immediate effect, given that the parties had not received the approval from the MIB and the long stop date under the definitive agreements had expired.

Post this, demand notices were sent to RBNL and efforts to recover the dues were made. Subsequently, when in our assessment, the most optimal way to ensure the best interest of the investors and meaningful recovery was to pursue legal proceedings, in March 2022, LTIM had filed an application (through IDBI Trustee) under Section 7 of the Insolvency & Bankruptcy Code, 2016 with National Company Law Tribunal (NCLT) to initiate Corporate Insolvency Resolution Process (CIRP) against RBNL for defaults in making payments. Between March 2022 and February 2023, various NCLT hearings for admission of RBNL under CIRP were held and finally, on February 24, 2023, NCLT court issued an order admitting our petition to initiate CIRP proceedings against RBNL.

NCLT in its order has appointed Mr. Rohit Mehra as the Interim Resolution Professional to conduct the Insolvency Resolution Process as per the Insolvency & Bankruptcy Code, 2016. Vide a public notice dated Feb 27, 2023, the financial creditors were called upon to submit their claims to the Interim Resolution Professional, and pursuant to which HSBC AMC has submitted the claims, the details of which are provided below:

Scheme Name	Issuer Name	ISIN	Rating	Face value of exposure (Rs Crore)	Amount of Admitted Claim (Rs Cr)*
HSBC Credit Risk Fund (Earlier known as L&T Credit Risk Fund)	Reliance Broadcast Network Limited	INE445K07189 INE445K07155 INE445K07163	CARE D	105.00	150.59
L&T FMP -Series XIV- Scheme A 1233 days**	Reliance Broadcast Network Limited	INE445K07049	CARE D	50.00	73.83
HSBC Low Duration Fund (Earlier known as L&T Low Duration Fund)	Reliance Broadcast Network Limited	INE445K07163	CARE D	10.00	14.41
Total				165.00	238.83

*As per disclosures by the Resolution Professional on RBNL website, includes outstanding interest and penal interest upto Feb 24, 2023

** Scheme matured on May 15, 2020

While we understand that there are uncertainties with respect to IBC resolution process in terms of the timelines and the final realization, we also note that RBNL has witnessed improvement in its performance and recorded revenues of Rs 174 Cr (as reported by the IRP in a release) in FY2023. It continues to operate its radio channels and media business in all stations as a going concern and is EBITDA positive. An invitation for Expression of Interest (EOI) has been rolled-out by the resolution professional on April 14, 2023. According to a press release by Zee Media Corporation Limited on May 5, 2023, the Board of the company has granted approval to submit an EOI in the resolution process of RBNL.

At every stage, in line with our fiduciary responsibilities, we continue to assess the actions to be taken with the sole objective of preserving and maximizing the value of our exposure in RBNL.