

**Important Update  
March 31, 2023**

**Recovery against Non-Convertible Debentures issued by Sintex Industries Limited held in Invesco India Credit Risk Fund**

**A. Background**

Invesco India Credit Risk Fund is 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 moderate credit risk. (**‘the Scheme’**). The Scheme had an exposure of face value of Rs. 15 Crores in 10.70% Secured Non-Convertible Debentures (**‘NCDs’**) of Sintex Industries Ltd. (**‘Sintex’**). The said NCDs were due to mature on September 30, 2021 with put / call date on September 30, 2019 and were secured by the fixed assets of Sintex with cover ratio of 1.25 times. The said NCDs were first purchased on December 3, 2014 and were held in the Scheme since then.

**B. Change in Credit Rating of NCDs**

At the time of issue on September 30, 2014, the said NCDs were rated AA by CARE Ratings Ltd. (**‘CARE’**), a SEBI registered credit rating agency. Since the time of taking exposure, credit rating of the said NCDs had undergone various changes as given in table below:

<b>Date of Revision</b>	<b>Revised Rating Post Change</b>	<b>Remarks</b>
June 5, 2015	CARE upgraded rating from AA to AA+	None
July 25, 2017	CARE reviewed and assigned rating to ‘A’ to Sintex post the demerger.	Sintex hived off custom moulding & monolithic construction and prefabricated structure business to two entities namely Sintex-BAPL and Sintex Prefab respectively.  Pursuant to the said demerger, CARE reviewed the rating and assigned ‘A’ rating to Sintex as a standalone entity.
November 11, 2017	BWR A / CARE A	Sintex informed the Stock Exchange that Brickwork Ratings India Pvt. Ltd. ( <b>‘Brickworks’</b> ) had assigned BWR A/ Stable rating to the outstanding NCD. Now the NCDs were rated by CARE and BWR both as A / Stable
December 12, 2017	BWR A	Sintex informed CARE about its decision to shift to Brickworks for the rating of it’s NCDs due to cost considerations and requested CARE to withdraw its ratings on outstanding NCDs.
June 12, 2019	BWR D	BWR downgraded rating to D

### **C. Chronology of Events Pertaining to Valuation of NCDs**

Sintex had defaulted on its debt obligations and credit rating was downgraded to 'D' on June 12, 2019. In view of the above rating downgrade, the Valuation Committee of Invesco Asset Management (India) Pvt. Ltd. ('IAMI') had reviewed the above developments and in line with the provisions of SEBI circular SEBI/HO/IMD/DF4/CIR/P/2019/41 dated March 22, 2019, decided to value the aforesaid NCDs at the prices provided by CRISIL and ICRA (Valuation agencies). This had resulted in the mark down of NCDs held by the Scheme by 75%. Further, the Valuation Committee also approved not to accrue further interest on the said NCDs with effect from June 12, 2019. After the above mark down on June 12, 2019, the Scheme also continued to take prices provided by CRISIL and ICRA (Valuation agencies) for valuation of the said NCDs.

Pursuant to occurrence of an event of default under clause 9 B (vi) of Debenture Trust Deed ("DTD"), a notice of breach dated June 14, 2019 was sent to Sintex calling upon it to redeem all debentures together with payment of all amounts outstanding in accordance with the DTD and other transaction documents.

Further, as per the terms of issuance of NCDs, IAMI exercised the put option and sent notice to Sintex on July 30, 2019 (60 days prior to scheduled put option date on September 30, 2019). However, since Sintex did not fulfil its obligation to repay the amount due against NCDs pursuant to exercise of put option. IAMI issued a legal notice on October 1, 2019 to Sintex. Subsequently, IAMI filed a case under Insolvency & Bankruptcy Code ('IBC') against Sintex at NCLT, Ahmedabad Bench.

### **D. Legal Proceedings as per Insolvency and Bankruptcy Code, 2016 ('IBC')**

- To recover the dues, IAMI initiated liquidation proceedings against Sintex and filed before National Company Law Tribunal ('NCLT'), Ahmedabad Bench. NCLT, vide its order dated April 6, 2021 admitted the application filed by IAMI and subsequently Sintex underwent a bankruptcy process in accordance with IBC. The Resolution Professional ('RP') was appointed, and Committee of Committee ('CoC') was formed.
- The Scheme's outstanding claim of Rs.15 Crores was entirely admitted by RP.
- IAMI attended various meetings of CoC as a part of NCLT administered process and also voted for the resolutions keeping in mind the interest of unit holders of the Scheme.
- As a part of resolution plan, Reliance Industries Ltd. and Asset Care and Reconstruction Enterprise ('RIL-ACRE') were jointly approved as the winning bidder by the CoC.
- NCLT approved the resolution plan on February 10, 2023.

The salient features of the Resolution Plan approved by NCLT:

- Entire existing equity share capital of Sintex to be extinguished and the Sintex will be delisted from the stock exchanges.
- 171.42 Crores new shares of face value of Re. 1 each to be issued to assenting secured financials creditors. The said equity shares will be unlisted and new equity shareholders have a right to sell the shares to RIL at fair market value ('FMV') in Year 4 and 5. RIL also has right to purchase new shares at FMV in Year 4 and 5. The FMV will be determined closer to year 4 /5 through an independent valuer. Sintex will remain an unlisted company post the reorganisation.
- Post the implementation of resolution plan, RIL-ACRE will hold 80% of equity share capital of Sintex and the remaining 20% stake will be with the financial creditors

**E. Recovery Pursuant to Resolution Plan approved by NCLT**

As part of Resolution Plan approved by NCLT, the distribution to the Scheme on March 28, 2023 was as follows:

<b>Particulars</b>	<b>Amount in Rs. Crores</b>
Cash	4.79
2,351,392 Unlisted Equity Share of Sintex of Re. 1 each	0.24
<b>Total....</b>	<b>5.03</b>

Since the equity shares received pursuant to Resolution Plan are unlisted and the latest audited balance sheet of the Sintex with new share capital is not available, the said equity shares have been valued at zero in good faith to ensure the fair valuation and in line with the Valuation Policy of IAMI.

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