

September 30, 2021

L&T Investment Management Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
L&T Banking and PSU Debt Fund	-	-	[ICRA]AAAmfs; reaffirmed
L&T Flexi Bond Fund	-	-	[ICRA]AAAmfs; reaffirmed
L&T Low Duration Fund	-	-	[ICRA]AAAmfs; reaffirmed
L&T Short Term Bond Fund	-	-	[ICRA]AAAmfs; reaffirmed
L&T Triple Ace Bond Fund	-	-	[ICRA]AAAmfs; reaffirmed
L&T Liquid Fund	-	-	[ICRA]A1+mfs; reaffirmed
L&T Money Market Fund	-	-	[ICRA]A1+mfs; reaffirmed
L&T Overnight Fund ¹	-	-	[ICRA]A1+mfs; reaffirmed
L&T Ultra Short Term Fund	-	-	[ICRA]A1+mfs; reaffirmed
Total	-	-	

*Instrument details are provided in Annexure-1

Rationale and key rating drivers

The ratings have been reaffirmed following ICRA's monitoring of the credit risk profiles of the month-end portfolio positions of these schemes. The credit risk scores for these schemes were comfortably within the benchmark limits for their current rating levels.

Mutual fund ratings incorporate ICRA's assessment of the creditworthiness of a debt mutual fund scheme's investment portfolio. These ratings are a symbolic representation of the credit risk in the underlying investments or the degree of safety regarding the timely receipt of payments from the investments that have been made by the mutual fund schemes. The ratings do not indicate the asset management company's (AMC) and/or any of its scheme's willingness and/or ability to make timely redemptions to its investors. The ratings do not address the market risks and hence should not be construed as an indication of the expected returns, the prospective performance of the mutual fund scheme, and the ability to redeem the investments at the reported net asset value (NAV) or the volatility in its past returns as all these are influenced by market risks.

ICRA's assessment of debt mutual fund schemes is guided by the credit ratings of the individual investments, the relative share of the investments in the overall assets under management (AUM) of the scheme and the maturity schedule of such investments. The credit matrix is a tool used by ICRA for analysing the investment portfolio of debt mutual fund schemes by assessing the portfolio's aggregate credit quality while reviewing the credit quality of each underlying debt security. The portfolio's weighted average credit quality is then measured against the appropriate benchmark credit score in the credit matrix.

Once a mutual fund scheme is rated and the rating is accepted, ICRA reviews the underlying investment portfolios for the credit scores on an ongoing basis. If the portfolio credit score meets the benchmark of the existing rating, the rating is retained. If the portfolio credit score breaches the benchmark credit matrix score for the current rating, ICRA communicates the same to the fund manager/product manager or other officials of the concerned AMC and may provide a month's time to bring the

¹ Formerly known as L&T Cash Fund

portfolio credit score within the benchmark credit score for the current rating level. If the investment composition of the fund is realigned to bring the portfolio credit score within the benchmark credit score, the rating is retained.

However, if the portfolio continues to breach the benchmark credit score for the existing rating level, the rating is revised to reflect the change in the portfolio's credit quality. In case of sharp breaches of the benchmark credit score (for instance due to a multi-notch downgrade in the underlying investment) and/or if ICRA believes that the breach may not get rectified within a month of the ongoing review, the rating is generally corrected immediately without giving a month's time for rebalancing the portfolio.

Liquidity position: Not applicable

Rating sensitivities

Positive factors – Not applicable

Negative factors – ICRA could downgrade the ratings of the schemes if the credit quality of the underlying investment deteriorates or if there is an increase in the share of lower rated investments on account of a decline in the AUM or otherwise, leading to a breach in the threshold for the rating level.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA – Mutual Fund Credit Risk Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	Not applicable

About the company

Established in January 1997, L&T Investment Management Limited (the holding company of L&T Mutual Fund) is a wholly-owned subsidiary of L&T Finance Holdings Limited (LTFH), which itself is the holding company of the L&T Group's financial services companies. In September 2009, L&T Mutual Fund had acquired the asset management business of Cholamandalam DBS. Further, in March 2012, L&T Mutual Fund bought the Indian mutual fund business of Fidelity Worldwide Investments. L&T Mutual Fund had average assets under management (AAUM) of Rs. 75,531² crore for the quarter ended June 30, 2021.

L&T Banking and PSU Debt Fund

Launched in September 2012, L&T Banking and PSU Debt Fund is an open-ended debt mutual fund scheme primarily investing in the debt instruments of banks, public sector undertakings (PSUs), public financial institutions, and municipal bonds. The scheme aims at generating reasonable returns by primarily investing in debt and money market securities that are issued by banks, PSUs, and public financial institutions in India. The scheme's AUM stood at Rs. 5,164 crore as on August 31, 2021.

L&T Flexi Bond Fund

Launched in September 2010, L&T Flexi Bond Fund is an open-ended dynamic debt scheme investing across durations. The scheme aims to generate reasonable returns through a diversified portfolio of fixed income securities. The scheme's AUM stood at Rs. 64 crore as on August 31, 2021.

L&T Low Duration Fund

Launched in December 2010, L&T Low Duration Fund is an open-ended low duration debt scheme investing in instruments such that the Macaulay duration (MD) of the portfolio is between 6 months and 12 months. The scheme aims to generate

² <https://www.amfiindia.com/research-information/aum-data/average-aum>

reasonable returns primarily through investments in fixed income securities and money market instruments. The scheme's AUM stood at Rs. 1,296 crore as on August 31, 2021.

L&T Short Term Bond Fund

Launched in December 2011, L&T Short Term Bond Fund is an open-ended short-term debt scheme investing in instruments such that the MD of the portfolio is between 1 year and 3 years. The scheme aims at generating regular returns and capital appreciation by investing in debt, government and money market securities. The scheme's AUM stood at Rs. 4,685 crore as on August 31, 2021.

L&T Triple Ace Bond Fund

Launched in March 1997, L&T Triple Ace Bond Fund is an open-ended debt scheme predominantly investing in AA+ and above rated corporate bonds. The scheme aims at generating regular returns by investing predominantly in AA+ and above rated debt and money market instruments. The scheme's AUM stood at Rs. 8,302 crore as on August 31, 2021.

L&T Liquid Fund

Launched in October 2006, L&T Liquid Fund is an open-ended liquid scheme. The scheme aims at generating reasonable returns while maintaining safety and providing the investor with superior liquidity. To achieve this objective, investments are predominantly made in a well-diversified and highly liquid portfolio of money market instruments, government securities, and corporate debt. The scheme's AUM stood at Rs. 5,487 crore as on August 31, 2021.

L&T Money Market Fund

Launched in August 2005, L&T Money Market Fund is an open-ended debt scheme investing in money market instruments. The scheme aims at generating regular returns through investment in a portfolio mainly comprising money market instruments. The scheme's AUM stood at Rs. 1,208 crore as on August 31, 2021.

L&T Overnight Fund

Launched in November 2006, L&T Overnight Fund is an open-ended debt scheme investing in overnight securities. The scheme aims at generating regular returns in line with the overnight rates. The scheme's AUM stood at Rs. 1,626 crore as on August 31, 2021.

L&T Ultra Short Term Fund

Launched in April 2003, L&T Ultra Short Term Fund is an open-ended ultra-short term debt scheme investing in instruments such that the MD of the portfolio is between 3 months and 6 months. The scheme aims at generating reasonable and stable income and providing liquidity to the unit holder. To achieve this, the scheme predominantly invests in a well-diversified and highly liquid portfolio of money market instruments, government securities and corporate debt. The scheme's AUM stood at Rs. 2,461 crore as on August 31, 2021.

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years					
		Type	Amount Rated	Amount Outstanding	Date & Rating in FY2022	Date & Rating in FY2021			Date & Rating in FY2020		Date & Rating in FY2019
			(Rs. crore)	(Rs. crore)	Sep-30-2021	Jan-29-2021	Dec-9-2020	Apr-3-2020	Jan-6-2020	Jul-19-2019	Jun-14-2018
1	L&T Banking and PSU Debt Fund	Long Term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs
2	L&T Flexi Bond Fund	Long Term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs
3	L&T Low Duration Fund	Long Term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	-	-	-	-
4	L&T Short Term Bond Fund	Long Term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs
5	L&T Triple Ace Bond Fund	Long Term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs
6	L&T Liquid Fund	Short Term	-	-	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs
7	L&T Money Market Fund	Short Term	-	-	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	-	-
8	L&T Overnight Fund	Short Term	-	-	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs
9	L&T Ultra Short Term Fund	Short Term	-	-	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs

Complexity level of the rated instrument

Instrument	Complexity Indicator
Mutual Fund	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: www.icra.in

Annexure-1: Instrument details: Not applicable

Annexure-2: List of entities considered for consolidated analysis: Not applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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Branches



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