February 13, 2025 (Revised)

Aditya Birla Sun Life AMC Limited: Provisional [ICRA]A1+mfs assigned to ABSL CRISIL-IBX Financial Services 3 to 6 Months Debt Index Fund

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
ABSL CRISIL-IBX Financial Services 3 to 6 Months Debt Index Fund	-	Provisional [ICRA]A1+mfs; assigned
Total	-	

**Instrument details are provided in Annexure I*

Rating in the absence of pending actions/documents	No rating would have been assigned as it would not be meaningful

Rationale and key rating drivers

ICRA has assigned a Provisional [ICRA]A1+mfs rating to ABSL CRISIL-IBX Financial Services 3 to 6 Months Debt Index Fund of Aditya Birla Sun Life AMC Limited (the asset management company; AMC). It is an open-ended constant maturity index fund, tracking the CRISIL-IBX Financial Services 3 to 6 Months Debt Index (benchmark index), with the investment objective of generating returns corresponding to the total returns of the securities as represented by the benchmark index. It would invest in commercial papers (CPs), certificates of deposit (CDs) and corporate bond securities from the financial services sector, comprising the benchmark index, and endeavours to track the same. As stated in the Scheme Information Document (SID) filed with the Securities and Exchange Board of India (SEBI), eligible securities in the index include all issuers in the financial services sector with a long-term conservative rating of AAA, a minimum amount outstanding of Rs. 1,500 crore and comprising securities (CPs, CDs & bonds) with residual maturity of 3 to 6 months.

As the scheme was launched recently, the provisional rating is based on the indicative/allocated portfolio of the scheme with its credit score being comfortable at the assigned rating level.

Mutual fund (MF) ratings incorporate ICRA's assessment of the creditworthiness of a debt MF 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 made by these schemes. The ratings do not indicate the AMC's and/or any of its scheme's willingness and/or ability to make timely redemptions to its investors. The ratings do not address market risks and hence should not be construed as an indication of the expected returns, prospective performance of the MF scheme, and the ability to redeem investments at the reported net asset value (NAV) or volatility in its past returns, as all these are influenced by market risks.

ICRA's assessment of debt MF schemes is guided by the credit ratings of the individual investments and the relative share of the schemes' allocation towards the investments, besides the maturity schedule of such investments. ICRA's MF ratings are not a reflection of the quality of the management of the AMC or its financial performance, reputation and other business practices including investment strategies, pricing, marketing and distribution activities. Furthermore, the ratings are not a reflection of whether the AMC or the fund is compliant with the applicable regulatory requirements.

The credit matrix is a tool used by ICRA for analysing the investment portfolio of the debt MF 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 compared with a benchmark credit score corresponding to the higher of the weighted average maturity of the scheme's portfolio or the maturity predefined by ICRA for the scheme category. The rating outcome corresponds to the rating level for which the portfolio's weighted average credit score is less than the benchmark credit score associated with the rating level. Further, the lowest rating of the investments of the scheme acts as the floor for its rating.

Once an MF scheme is rated and the rating is accepted, ICRA reviews the underlying investment portfolios for the credit scores on an ongoing basis. To this end, ICRA relies on the information provided by the AMC and/or publicly available sources. ICRA reviews the MF ratings on a monthly basis or earlier, if required, which involves an evaluation of the rating corresponding to the portfolio credit score in relation to the existing rating outstanding. If the portfolio credit score meets the benchmark score for the existing rating, the rating is retained. If the portfolio credit score has a negative breach from the benchmark credit score for the existing 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 portfolio credit score within the benchmark credit score for maintaining the existing 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. If the AMC corrects its portfolio, post the rating downgrade of the scheme, or the credit score improves in any manner subsequent to the downgrade, making the scheme eligible for an upgrade, ICRA may consider a rating upgrade only if the credit score is maintained consistently for a period of at least three months.

Liquidity position: Not applicable

Rating sensitivities

Positive factors – Not applicable

Negative factors – A deterioration in the credit quality of the underlying investment or a decline in the size of the assets under management (AUM), which may result in an increase in the share of lower rated investments, leading to a breach in the threshold for the rating level, could lead to a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Mutual funds Policy for Provisional Ratings
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into final upon:

1. Launch of the scheme (wherever scheme is yet to be launched)
2. Analysis of the credit score of the scheme for three months, post launch, and its meeting the benchmark score for the assigned rating

Validity of the provisional rating

The AMC is expected to complete the pending action in the near term. Ratings are valid for a period of one year or upon the request of the issuer to finalise the rating on the completion of pending actions, whichever is earlier.

Risks associated with the provisional rating

If the pending actions are not completed after one year of the assignment of the provisional rating, ICRA would withdraw the provisional rating. However, the validity period may be extended beyond one year, subject to the conditions outlined in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

About the company

Aditya Birla Sun Life AMC Limited is the AMC for the mutual fund schemes of Aditya Birla Sun Life Mutual Fund (ABSL MF). The quarterly average AUM of the schemes during the quarter ended December 31, 2024 (excluding Fund of Fund schemes) was Rs. 3,83,911 crore[1] compared to 3,11,509 crore during the quarter ended December 31, 2023.

ABSL CRISIL-IBX Financial Services 3 to 6 Months Debt Index Fund

Launched in December 2024, ABSL CRISIL-IBX Financial Services 3 to 6 Months Debt Index Fund is an open-ended constant maturity debt index fund tracking the CRISIL – IBX Financial Services 3 to 6 Months Debt Index (underlying index) with the investment objective of generating returns corresponding to the total returns of the securities as represented by the underlying index, which includes AAA-rated issuers in the financial services sector with minimum outstanding of Rs. 1,500 crore and securities with residual maturity of 3-6 months. The fund's AUM stood at Rs. 1,119 crore as on December 31, 2024.

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 (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
	Type	Amount rated (Rs. crore)	Feb 13, 2025	Date	Rating	Date	Rating	Date	Rating
ABSL CRISIL-IBX Financial Services 3 to 6 Months Debt Index Fund	Short term	-	Provisional [ICRA]A1+mfs	-	-	-	-	-	-

Complexity level of the rated instruments: 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: Click Here

[1] *Source: https://www.amfiindia.com/research-information/aum-data/average-aum*

Annexure I: Instrument details

Not applicable

Annexure II: List of entities considered for consolidated analysis

Not applicable

Corrigendum

Details on ‘rating in the absence of pending actions/documents’ added on page 1 of the rationale.

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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.

For more information, visit www.icra.in

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