June 28, 2017

HDFC Asset Management Company Limited

Summary of rated instruments

Instrument*	Rating Action
HDFC Cash Management Fund-Treasury Advantage Plan	[ICRA]AAAmfs reaffirmed
HDFC Medium Term Opportunities Fund	[ICRA]AAAmfs reaffirmed
HDFC Short Term Opportunities Fund	[ICRA]AAAmfs reaffirmed
HDFC Income Fund	[ICRA]AAAmfs reaffirmed
HDFC Floating Rate Income Fund - Short-Term Plan	[ICRA]A1+mfs reaffirmed
HDFC Liquid Fund	[ICRA]A1+mfs reaffirmed
HDFC Cash Management Fund – Savings Plan	[ICRA]A1+mfs reaffirmed
HDFC Banking and PSU Debt fund	[ICRA]AA-mfs; revised from [ICRA]AA+mfs
HDFC High Interest Fund - Short Term Plan	[ICRA]AAmfs; revised from [ICRA]AA+mfs
HDFC High Interest Fund – Dynamic Plan	[ICRA]AA+mfs; revised from [ICRA]AAAmfs

Rating action

ICRA has reaffirmed the rating of [ICRA]AAAmfs for HDFC Cash Management Fund-Treasury Advantage Plan, HDFC Medium Term Opportunities Fund, HDFC Short Term Opportunities Fund and HDFC Income Fund of HDFC Asset Management Company Limited (HDFC AMC). Schemes with this rating are considered to have the highest degree of safety regarding timely receipt of payments from the investments that they have made.

ICRA has also reaffirmed the credit risk rating of [ICRA]A1+mfs for HDFC Liquid Fund, HDFC Cash Management Fund – Savings Plan and HDFC Floating Rate Income Fund - Short-Term Plan of HDFC AMC. Schemes with this rating are considered to have very strong degree of safety regarding timely receipt of payments from the investments that they have made. This scale applies to debt funds with weighted average maturity up to one year.

ICRA has revised the rating of HDFC Banking and PSU Debt fund from [ICRA]AA+mfs to [ICRA]AA-mfs. ICRA has revised the rating of HDFC High Interest Fund - Short Term Plan from [ICRA]AA+mfs to [ICRA]AAmfs. ICRA has also revised the rating of HDFC High Interest Fund – Dynamic Plan from [ICRA]AAAmfs to [ICRA]AA+mfs.

The ratings indicate ICRA’s opinion on the credit quality of the portfolios that the funds hold; the ratings do not indicate the AMC’s willingness, or ability, to make timely payments to the fund’s investors. The ratings should not be construed as an indication of expected returns, prospective performance of the mutual fund scheme, NAV or of volatility in its returns.

Rationale

ICRA’s mutual fund rating methodology is based on evaluating the inherent credit quality of the fund’s portfolio. As a measure of the credit quality of a debt fund’s assets, ICRA uses the concept of “credit scores”. These scores are based on ICRA’s estimate of the credit risk associated with each exposure of the portfolio taking into account its maturity. To quantify the credit risk scores, ICRA uses its database of historical default rates for various rating categories and various maturity buckets. The credit risk ratings incorporate ICRA's assessment of a debt fund's published investment objectives and policies, its management characteristics, and the creditworthiness of its investment portfolio. ICRA reviews relevant fund information on an ongoing basis to support its published rating opinions. If the portfolio credit score meets the benchmark of the assigned rating during the review, the rating is retained. In an event that the benchmark credit score is breached, ICRA gives a month's time to the debt fund manager to bring the portfolio credit score within the benchmark credit score. If the debt fund manager is able to reduce the portfolio credit score within the benchmark credit score, the rating is retained. If the portfolio still continues to breach the benchmark credit score, the rating is revised to reflect the change in credit quality.

The ratings have been assigned following ICRA's analysis of the credit risk profile of the month end portfolio positions for these schemes. The credit risk scores for the seven debt schemes were comfortably within the benchmark limits for their current level of ratings. The rating revision for the three schemes is on account of deterioration in credit profile of these schemes due to higher proportion of Non AAA rated exposures.

Analytical approach:
For arriving at the ratings for the debt schemes, ICRA has assessed the credit risk profile of the month end portfolio position for these schemes for the past 12 months.

Links to applicable criteria:
ICRA- Mutual Fund Credit Risk Rating Methodology

About the company:
HDFC Asset Management Company Limited
The rated schemes are mutual fund schemes of HDFC Mutual Fund (HDFC MF) and are managed by HDFC Asset Management Company Limited (HDFC AMC). HDFC AMC is a joint venture of HDFC Limited with Standard Life Investments. The average assets under management (AUM) of HDFC MF during the quarter ended March 2017 (excluding Fund of Fund Schemes) was Rs. 2,37,178 crore.

HDFC Cash Management Fund – Savings Plan
Launched in November 1999, HDFCCMS is an open-ended liquid mutual fund scheme with a stated objective to generate optimal returns while maintaining safety and high liquidity by investing in money market and debt instruments. The fund's assets under management stood at Rs. 8,768 crore as on May 31, 2017, with an average residual maturity of less than 2 months as on that date.

HDFC Liquid Fund
Launched in October 2000, HDFC-LF is an open-ended liquid mutual fund scheme with a stated objective to enhance income consistent with a high level of liquidity, through a portfolio mix comprising of money market and debt instruments. The fund's assets under management stood at Rs. 31,985 crore as on May 31, 2017 and had an average maturity of less than 2 months as on that date.

HDFC Floating Rate Income Fund - Short-Term Plan
Launched in January 2003, HDFCFRSTP is an open-ended income fund with a stated objective to generate regular income through investment in floating rate debt and money market instruments, fixed rate debt and money market instruments swapped for floating rate returns, and fixed rate debt securities and money market instruments. The fund's assets under management stood at Rs. 14,765 crore as on May 31, 2017 and had an average maturity of ~1 year as on that date.

HDFC Cash Management Fund-Treasury Advantage Plan
Launched in November 1999, HDFCTAP is an open-ended income scheme with a stated objective to generate regular income through investment in debt securities and money market instruments. The fund's corpus stood at Rs. 13,798 crore as on May 31, 2017 and had an average residual maturity of ~1.25 years on that date.

HDFC High Interest Fund - Short Term Plan
Launched in February 2002, HDFCHIFSTP is an open-ended income scheme with a stated objective to generate income by investing in a range of debt and money market instruments of various maturity dates with a view to maximizing income while maintaining an optimum balance of yield, safety and liquidity. The scheme's assets under management stood at Rs. 2,114 crore as on May 31, 2017 and had an average residual maturity of ~3.55 years as on that date.

HDFC High Interest Fund – Dynamic Plan
Launched in April 1997, HDFC-HIFDP is an open ended income scheme with a stated objective to generate income by investing in a range of debt and money market instruments of various maturity dates with a view to maximizing income while maintaining an optimum balance of yield, safety and liquidity. The fund's assets under management stood at Rs. 2,128 crore as on May 31, 2017 with an average residual maturity of ~10.19 years as on that date.

HDFC Income Fund
Launched in Sep 2000, HDFC-IF is an open-ended income scheme with a stated objective to optimise returns while maintaining a balance of safety, yield and liquidity. The fund's assets under management stood at Rs. 1,811 crore as on May 31, 2017 and had an average maturity of ~12.51 years as on that date.

HDFC Medium Term Opportunities Fund
Launched in June 2010, HDFC-MTOF is an open ended income scheme with a stated objective to generate regular income through investments in debt and money market instruments and government securities with maturities not exceeding 60 months. The fund's assets under management stood at Rs. 8,893 crore as on May 31, 2017 with an average residual maturity of ~3.24 years as on that date.

HDFC Short Term Opportunities Fund
Launched in June 2010, HDFC-STOP is an open-ended income scheme with a stated objective to generate regular income through investments in debt and money market instruments and government securities. The fund's assets under management stood at Rs. 10,088 crore as on May 31, 2017 and had an average maturity of ~1.47 years as on that date.

HDFC Banking and PSU Debt fund
Launched in March 2014, HDFC -BPSU is an open-ended income scheme with a stated objective to generate regular income through investments in debt and money market instruments consisting predominantly of securities issued by entities such as scheduled commercial banks and public sector undertakings. The scheme's assets under management stood at Rs. 3,857 crore as on May 31, 2017 and had an average residual maturity of ~3.97 years as on that date.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

ICRA

Rating history for last three years:

Table:

Sr. No.	Scheme	Current Rating (FY2018)			Chronology of Rating History for the past 3 years			
		Type	Rated amount	June 2017	FY2017		FY2016	FY2015
					November 2016	June 2016	May 2015	April 2014
1	HDFC Cash Management Fund-Treasury Advantage Plan	Long Term	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
2	HDFC Medium Term Opportunities Fund	Long Term	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
3	HDFC Short Term Opportunities Fund	Long Term	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
4	HDFC Income Fund	Long Term	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
5	HDFC Floating Rate Income Fund - Short-Term Plan	Short term	-	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs
6	HDFC Liquid Fund	Short term	-	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs
7	HDFC Cash Management Fund – Savings Plan	Short term	-	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs
8	HDFC Banking and PSU Debt fund	Long Term	-	[ICRA]AA-mfs; revised from [ICRA]AA+mfs	[ICRA]AA+mfs; revised from [ICRA]AAAmfs	[ICRA]AAAmfs	-	-
9	HDFC High Interest Fund - Short Term Plan	Long Term	-	[ICRA]AAmfs; revised from [ICRA]AA+mfs	[ICRA]AA+mfs	[ICRA]AA+mfs	[ICRA]AA+mfs	[ICRA]AA+mfs
10	HDFC High Interest Fund – Dynamic Plan	Long Term	-	[ICRA]AA+mfs; revised from [ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1

<u>Instrument Details</u>

Instrument	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	NA	NA	NA	NA	NA

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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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