

HDFC Asset Management Company Limited

April 19, 2018

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
HDFC Capital Protection Oriented Fund Series III – Plan 2	-	-	[ICRA]AAAmfs(SO); reaffirmed
HDFC Capital Protection Oriented Fund Series III – Plan 3	-	-	[ICRA]AAAmfs(SO); reaffirmed
Total			

Rating action

ICRA has reaffirmed the credit risk rating of [ICRA]AAAmfs(SO) (pronounced ICRA triple A m f s Structured Obligation) to Plan 2 and Plan 3 of HDFC Capital Protection Oriented Fund Series III. Schemes with this rating are considered to have the highest degree of safety regarding timely receipt of payments from the investments that they have made¹.

The ratings should, however, not be construed as an indication of expected returns, prospective performance of the Mutual Fund scheme, NAV or of volatility in its returns.

Rationale and key rating drivers

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 estimates 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 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.

Outlook: Not Applicable

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[ICRA- Mutual Fund Credit Risk Rating Methodology](#)

¹ For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications

About the company:

HDFC Asset Management Company Limited

The above scheme is a mutual fund scheme of HDFC Mutual Fund (HDFC MF) and is managed by HDFC Asset Management Company Limited (a joint venture with Standard Life Investments). The average Assets Under Management (AUM) of schemes of HDFC Mutual Fund during quarter ended June 2017 (including Fund of Fund Schemes) was Rs. 3,00,794 crore.

HDFC Capital Protection Oriented Fund – Series III

Plan 2 and Plan 3 of HDFC Capital Protection Oriented Fund – Series III were launched in December 2014 and February 2015.

The portfolio structure for the schemes has been designed with the intention of protecting the unit holder's capital at maturity, which is arrived at by having majority of investments in debt securities, maturing on or before the maturity of the scheme. The scheme has invested in debt securities only with a rating of [ICRA]AAA or equivalent, mitigating any concerns on credit risk. The proportion of debt securities is calculated such that the redemption value of debt less AMC expenses will be equal to or greater than the initial unit holder's capital, offering highest degree of protection of the unit holder's capital at maturity. ICRA has factored in the credit risk of debt investments, re-investment risk of interim receipts, precondition of marginal tenure mismatches and obligor concentrations. The debt portion would be passively managed. The balance portion is invested in equity and/or equity-linked instruments to provide any upside potential to the unit holders. At the same time, given the proportion of high credit quality debt investments and the portfolio structure, the downside is protected and the investor may not suffer loss of initial investment at the time of maturity.

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Current Rating (FY2019)				Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Apr 2018	FY2018			FY2017	FY2016
						Dec 2017	Jul 2017	Apr 2017	Apr 2016	May 2015
1	HDFC Capital Protection Oriented Fund Series III - Plan 2	Long Term	-	-	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)
2	HDFC Capital Protection Oriented Fund Series III - Plan 3	Long Term	-	-	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)

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: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	NA	NA	NA	NA	NA	NA

ANALYST CONTACTS

Karthik Srinivasan

+91 22 6114 3444

karthiks@icraindia.com

Neha Parikh

+91 22 6114 3426

neha.parikh@icraindia.com

Parvathy S

+91 22 6114 3428

parvathy.s@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

naznin.prodhani@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
Ahmedabad+ (91 79) 2658 4924/5049/2008
Hyderabad + (91 40) 2373 5061/7251
Pune + (91 20) 6606 9999

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