Aditya Birla Sun Life AMC Limited

January 21, 2019

Summary of rated instruments

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Aditya Birla Sun Life Short Term Opportunities Fund	-	[ICRA]AAmfs@; downgraded from [ICRA]AA+mfs and placed on rating watch with negative implications
Aditya Birla Sun Life Money Manager Fund	-	[ICRA]AAAmfs; outstanding
Aditya Birla Sun Life Savings Fund	-	[ICRA]AAAmfs; outstanding
Aditya Birla Sun Life Low Duration Fund	-	[ICRA]AAAmfs; outstanding
Aditya Birla Sun Life Floating Rate Fund – Long Term Plan		[ICRA]AAAmfs; outstanding
Aditya Birla Sun Life Liquid Fund	-	[ICRA]A1+mfs; outstanding

@Under rating watch with developing implications
**Instrument details are provided in Annexure-1*

Rationale and key rating drivers

The rating action considers the deterioration in the credit quality of the underlying investments of these schemes driven by their exposure to special purpose vehicle (SPV) of IL&FS Limited. ICRA notes that one Aditya Birla Sun Life AMC Limited's scheme – Aditya Birla Sun Lie Short Term Opportunities Fund has exposure to IL&FS SPV namely Jharkhand Road Projects Implementation Company Limited. The default risks by various SPVs of IL&FS have increased given the recent communication by their management to trustees to stop future repayments citing an order given by National Company Law Appellate Tribunal (NCLAT) on October 15, 2018. Further, in January 2019, two SPVs of IL&FS demanded a refund of the debt payment executed by them post October 15, 2018 from their trustees. Despite a ring-fenced structure and adequate cash flows to service the debt obligations, the SPVs have asked the trustees to stop debiting the SPVs escrow account towards its future obligations. As on December 31, 2018 the exposure to Jharkhand Road Projects Implementation Company Limited stood at Rs. 45.27 crore (1.15% of the AUM) for the scheme. In case of delays in obligations by SPVs, the ratings for these SPVs are likely to be further downgraded, thereby further impacting the credit score of the mutual fund schemes having exposure to these SPVs. The ability of fund manager to rebalance the portfolios for these schemes within a month of rating action will remain a key rating driver. ICRA will continue to monitor the portfolios of these schemes regularly and take appropriate rating action as and when required.

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.

Liquidity: Not Applicable

Analytical approach:

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

Aditya Birla Sun Life AMC Limited

Aditya Birla Sun Life AMC Limited is the asset management company for the mutual fund schemes of Aditya Birla Sun Life Mutual Fund (ABSL MF). The quarterly average assets under management (AUM) of schemes of the ABSL MF during the quarter ended December 31, 2018 (excluding Fund of Fund schemes) was Rs. 2,42,343.90 crore.

Aditya Birla Sun Life Floating Rate Fund – Long Term Plan

Launched in June 2003, Aditya Birla Sun Life Floating Rate – Long term plan is an open-ended income fund. The funds objective is to provide a regular income by investing in different types of floating rate debt/money market instruments. It may invest a portion of its money in fixed rate debt securities and money market instruments too. The fund's AUM stood at Rs. 4,029 crore as on December 31, 2018 and had an average residual maturity of around 9 months as on that date.

Aditya Birla Sun Life Money Manager Fund (erstwhile Birla Sun Life Floating Rate Fund – Short Term Plan)

Launched in June 2003, Aditya Birla Sun Life Money Manager Fund is an open-ended income fund. The fund's objective is to provide a regular stream of income while minimising risks arising from interest rate fluctuations or movement by maintaining a low maturity profile of its investments by investing in money market instruments. The fund's AUM stood at Rs. 6,135 crore as on December 31, 2018 and had an average residual maturity of around 1 month as on that date.

Aditya Birla Sun Life Savings Fund

Launched in November 2001, Aditya Birla Sun Life Savings Fund is an open-ended ultra short term income scheme with the objective of providing the convenience of a savings account with the opportunity to earn higher post-tax returns. The fund aims to invest entirely in debt and money market instruments. The fund's AUM stood at Rs. 14,015 crore as on December 31, 2018 and had an average residual maturity of around 7 months as on that date.

Aditya Birla Sun Life Low Duration Fund (erstwhile Birla Sun Life Cash Manager Fund)

Launched in May 1998, Aditya Birla Sun Life Low Duration Fund is an open-ended income scheme. The scheme's key objective is to generate regular income by investing primarily in investment grade fixed income securities and money market instruments with short to medium term maturities, and investment grade ratings. The fund's AUM stood at Rs. 7,230 crore as on December 31, 2018 and had an average residual maturity of over 9 months as on that date.

Aditya Birla Sun Life Short Term Opportunities Fund

Launched in May 2003, Aditya Birla Sun Life Short Term Opportunities Fund is an open ended debt scheme. The scheme's key objective is to generate income and capital appreciation by investing 100% of the corpus in a diversified portfolio of debt and money market securities. The fund's AUM stood at Rs. 3,925 crore as on December 31, 2018 and had an average residual maturity of over two years as on that date.

Aditya Birla Sun Life Liquid Fund (erstwhile Birla Cash Plus Fund)

Launched in June 1997, Aditya Birla Sun Life Liquid Fund was the first open-ended liquid mutual fund scheme in India with a stated objective to provide reasonable returns at a high level of safety and liquidity through judicious investments in high quality debt and money market instruments. The fund's AUM stood at Rs. 53,518 crore as on December 31, 2018 and had an average residual maturity of less than two months as on that date.

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)	Jan-19	FY2019 July 2018	FY2018 July 2017	FY2017 August 2016	July 2016	FY2016 May 2015	April 2015
1	Aditya Birla Sun Life Floating Rate Fund – Long Term Plan	Long Term	-	-	[ICRA]AAAmfs; outstanding	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
2	Aditya Birla Sun Life Money Manager Fund	Long Term	-	-	[ICRA]AAAmfs; outstanding	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
3	Aditya Birla Sun Life Savings Fund	Long Term	-	-	[ICRA]AAAmfs; outstanding	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	-	-	-
4	Aditya Birla Sun Life Low Duration Fund	Long Term	-	-	[ICRA]AAAmfs; outstanding	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	-	-	-
5	Aditya Birla Sun Life Short Term Opportunities Fund	Long Term	-	-	[ICRA]AAmfs; downgraded from [ICRA]AA+mfs and placed on rating watch with negative implications	[ICRA]AA+mfs	[ICRA]AA+mfs	[ICRA]AA+mfs	[ICRA]AA+mfs	[ICRA]AA+mfs	[ICRA]AA+mfs
6	Aditya Birla Sun Life Liquid Fund	Short term	-	-	[ICRA]A1+mfs; outstanding	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs

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: Not applicable

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About ICRA Limited:

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