May 27, 2019

Aditya Birla Sun Life AMC Limited: Rating downgraded for 1 scheme

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Aditya Birla Sun Life Short Term Opportunities Fund	-	[ICRA]AA-mfs@; downgraded from [ICRA]AAmfs@
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
Aditya Birla Sun Life Overnight Fund	-	[ICRA]A1+mfs; outstanding

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

Rationale and key rating drivers

ICRA has downgraded the rating on Aditya Birla Sun Life Short Term Opportunities Fund to [ICRA]AA-mfs@ from [ICRA]AAmfs@. Schemes with [ICRA]AAmfs rating are considered to have high degree of safety regarding timely receipt of payments from the investments that they have made.

The rating action is on account of exposure of the scheme to IL&FS special purpose vehicle (SPV) namely Jharkhand Road Projects Implementation Company Limited (JRPICL). Despite presence of a ringfenced payment waterfall mechanism as detailed in the escrow agreement, JRPICL has not met its financial repayment obligations since January 21, 2019. As per the National Company Law Appellate Tribunal (NCLAT) order dated February 11, 2019, JRPICL had been categorised as 'Amber Entity[1]'. Subsequently, on its hearing on March 29, 2019, NCLAT directed IL&FS group to submit details of financial and operational creditors of JRPICL along with other 'Amber' entities, which were submitted on April 16, 2019. Given the uncertainty over resolution allowing the SPVs to meet their financial obligations, ICRA has downgraded the mutual fund schemes having exposure to IL&FS SPVs.

As on April 30, 2019 the gross exposure to JRPICL stood at Rs. 45.27 crore (1.29% of gross AUM) for Aditya Birla Sun Life Short Term Opportunities Fund. The ratings continue to be on rating watch with negative implications as a decline in AUM could result into further increase in share of JRPICL in the overall AUM, which can result in further rating action. ICRA will continue to monitor the portfolios of these schemes regularly and take appropriate rating action as and when required.

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.

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[1] *Amber has been defined as entities which are not able to meet all their obligations (financial and operational) but can meet only operational payment obligations and payment obligations to senior secured financial creditors.*

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

About the company:

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 March 31, 2019 (excluding Fund of Fund schemes) was Rs. 2,46,479.65 crore[2].

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 scheme has a gross exposure of Rs. 45.27 crore to debt instruments of JRPICL as on April 30, 2019. However, post mark down by ~23%, the net exposure stood at Rs. 34.97 crore.

Aditya Birla Sun Life Overnight Fund

Launched in October 2018, Aditya Birla Sun Life Overnight Fund is an open-ended with zero exit load allowing investors to purchase/redeem units on all business days at no extra cost. The scheme primarily invest in securities that mature overnight. Overnight funds as a separate sub-category of debt schemes were introduced by SEBI as part of its mutual fund scheme categorization and rationalization circular in October, 2017. Due to the short maturity of the scheme's investments, overnight funds provide reasonable returns and high liquidity while simultaneously featuring a low level of risk.

[2] Source: www.amfiindia.com

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.

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.

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.

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.

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.

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	Type	Current Rating (FY2020) Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	May 2019	Chronology of Rating History for the past 3 years FY2020 April 2019	FY2019 Jan 2019	July 2018	FY2018 July 2017	FY2017 August 2016	July 2016
1	Aditya Birla Sun Life Short Term Opportunities Fund	Long Term	-	-	[ICRA]AA-mfs@; downgraded from [ICRA]AAmfs @	[ICRA]AA mfs@	[ICRA]AA mfs@	[ICRA]AA +mfs	[ICRA]AA +mfs	[ICRA]AA +mfs	[ICRA]AA +mfs
2	Aditya Birla Sun Life Money Manager Fund	Long Term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AA Amfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs
3	Aditya Birla Sun Life Savings Fund	Long Term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	-
4	Aditya Birla Sun Life Low Duration Fund	Long Term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	-
5	Aditya Birla Sun Life Floating Rate Fund – Long Term Plan	Long Term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs
6	Aditya Birla Sun Life 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	Aditya Birla Sun Life Overnight Fund	Short Term	-	-	[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:

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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