April 17, 2020

Aditya Birla Sun Life AMC Limited: Ratings reaffirmed for all schemes and removed from rating watch for 1 scheme

Summary of rating action

Instrument*	Previous Rated Amount	Current Rated Amount	Rating Action
Aditya Birla Sun Life Corporate Bond Fund	-	-	[ICRA]AAAmfs; reaffirmed
Aditya Birla Sun Life Income Fund	-	-	[ICRA]AAAmfs; reaffirmed
Aditya Birla Sun Life Banking & PSU Debt Fund	-	-	[ICRA]AAAmfs; reaffirmed
Aditya Birla Sun Life Overnight Fund	-	-	[ICRA]A1+mfs; reaffirmed
Aditya Birla Sun Life Short Term Fund (erstwhile Aditya Birla Sun Life Short Term Opportunities Fund)	-	-	[ICRA]AA-mfs; reaffirmed and removed from rating watch with negative implications
Aditya Birla Sun Life Money Manager Fund	-	-	[ICRA]AAAmfs; reaffirmed
Aditya Birla Sun Life Savings Fund	-	-	[ICRA]AAAmfs; reaffirmed
Aditya Birla Sun Life Low Duration Fund	-	-	[ICRA]AAAmfs; reaffirmed
Aditya Birla Sun Life Floating Rate Fund	-	-	[ICRA]AAAmfs; reaffirmed
Aditya Birla Sun Life Liquid Fund	-	-	[ICRA]A1+mfs; reaffirmed

**Instrument details are provided in Annexure-1*

Rationale and key rating drivers

ICRA has reaffirmed the rating of [ICRA]AAAmfs for Aditya Birla Sun Life Corporate Bond Fund, Aditya Birla Sun Life Income Fund and Aditya Birla Sun Life Banking & PSU Debt Fund, Aditya Birla Sun Life Money Manager Fund, Aditya Birla Sun Life Savings Fund, Aditya Birla Sun Life Low Duration Fund and Aditya Birla Sun Life Floating Rate Fund, and [ICRA]AA-mfs for Aditya Birla Sun Life Short Term Opportunities Fund. ICRA has also reaffirmed the rating of [ICRA]A1+mfs for Aditya Birla Sun Life Liquid Fund and Aditya Birla Sun Life Overnight Fund. ICRA has also removed Aditya Birla Sun Life Short Term Fund from rating watch with negative implications.

The reaffirmation of ratings of the debt schemes follows ICRA's monitoring of the credit risk profile of the month end portfolio position for these schemes for the last 12 months. The credit risk scores for these schemes were comfortably within the benchmark limits for their current level of ratings.

The rating of Aditya Birla Sun Life Short Term Fund (ABSLSTF) was downgraded and placed on 'rating watch with negative implications' on account of exposure to IL&FS special purpose vehicle (SPV) namely Jharkhand Road Projects Implementation Company Limited (JRPICL) coupled with uncertainty over resolution allowing the IL&FS SPVs to meet their financial obligations. Despite presence of a ringfenced payment waterfall mechanism as detailed in the escrow agreement, JRPICL had not met its financial repayment obligations. As per the National Company Law Appellate Tribunal (NCLAT) order dated February 11, 2019, JRPICL had been categorised as 'Amber Entity[1]'. However later in CY2019, the

[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*

entity was reclassified as 'Green Entity[2]', following which it has been regular in servicing its repayment obligations. Based on clarity from the NCLAT with respect to debt servicing by JRPICL, the rating of ABSLST is being removed from 'rating watch with negative implications'.

The rating indicates ICRA's opinion on the credit quality of the portfolios held by the funds. The rating does not indicate the asset management company's (AMC) willingness, or ability, to make timely payments to the fund's investors. The rating should not be construed as an indication of the expected returns, prospective performance of the mutual fund scheme, NAV or of volatility in its returns.

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 position: Not applicable

Rating Sensitivities

Positive triggers – ICRA could upgrade the ratings of the schemes if the credit quality of the underlying investment improves or the size of the AUM increases significantly, resulting in a decrease in the share of lower rated investments and leading to an enhanced credit quality of the portfolio

Negative triggers – ICRA could downgrade the ratings of the schemes if the credit quality of the underlying investment deteriorates or the size of the AUM declines, which may result in an increase in the share of lower rated investments and lead to a breach in the threshold for the rating level.

Analytical approach

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

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, 2020 (excluding Fund of Fund schemes) was Rs. 2,47,521.68 crore[3].

[2] *Green has been defined as entities which continue to meet all their payment obligations*

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. The fund's AUM stood at Rs. 5,096 crore as on February 29, 2020.

Aditya Birla Sun Life Floating Rate Fund

Launched in June 2003, Aditya Birla Sun Life Floating Rate 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. 8,688 crore as on February 29, 2020 and had an average residual maturity of around 19 months as on that date.

Aditya Birla Sun Life Money Manager Fund

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. 13,471 crore as on February 29, 2020 and had an average residual maturity of around 7 months 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. 16,489 crore as on February 29, 2020 and had an average residual maturity of around 10 months as on that date.

Aditya Birla Sun Life Low Duration 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. 12,151 crore as on February 29, 2020 and had an average residual maturity of over 1 year as on that date.

Aditya Birla Sun Life Short Term Fund (erstwhile Aditya Birla Sun Life Short Term Opportunities Fund)

Launched in May 2003, Aditya Birla Sun Life Short Term 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. 3,035 crore as on February 29, 2020 and had an average residual maturity of over three years as on that date.

Aditya Birla Sun Life Liquid 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. 41,466 crore as on February 29, 2020 and had an average residual maturity of around one month as on that date.

---

[3] *Source: www.amfindia.com*

Aditya Birla Sun Life Income Fund

The fund predominantly focuses on long term growth, investing in low risk debt securities such as government securities. It exploits the short term opportunities for its investors without taking undue risk. By investing in fixed income investments of different tenures, the fund exploits investment opportunities and provides better returns. The fund's AUM stood at Rs. 1,256 crore as on February 29, 2020 and had an average residual maturity of over 8 years as on that date.

Aditya Birla Sun Life Corporate Bond Fund

Launched in 1997, Aditya Birla Sun Life Corporate Bond Fund is an open ended debt scheme predominantly investing in AA+ and above rated corporate bonds. The investment objective of the scheme is to generate optimal returns with high liquidity through active management of the portfolio by investing in High Quality Debt and Money Market Instruments. The fund's AUM stood at Rs. 17,606 crore as on February 29, 2020 and had an average residual maturity of around 3 years as on that date.

Aditya Birla Sun Life Banking & PSU Debt Fund

Aditya Birla Sun Life Banking & PSU Debt Fund is an open ended debt scheme predominantly investing in debt and money market securities that are issued by Banks, Public Sector Undertakings (PSUs) and Public Financial Institutions (PFIs) in India. The fund's AUM stood at Rs. 10.056 crore as on February 29, 2020 and had an average residual maturity of around 5 years 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 (FY2021)				Rating History for the past 3 years						
		Type	Amount Rated	Amount Outstanding	Rating	FY2020		FY2019			FY2018	
					17-Apr-20	01-Jul-19	27-May-19	11-Apr-19	21-Jan-19	06-Jul-18	10-Jul-17	
1	Aditya Birla Sun Life Short Term Fund^	LT	-	-	[ICRA]AA- mfs	[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	LT	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	
3	Aditya Birla Sun Life Savings Fund	LT	-	-	[ICRA]AAA mfs	[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	LT	-	-	[ICRA]AAA mfs	[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	LT	-	-	[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	ST	-	-	[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	ST	-	-	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	-	-	-	
8	Aditya Birla Sun Life Corporate Bond Fund	LT	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	-	-	-	-	-	
9	Aditya Birla Sun Life Income Fund	LT	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	-	-	-	-	-	
10	Aditya Birla Sun Life Banking & PSU Debt Fund	LT	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	-	-	-	-	-	

@ Under rating watch with negative implications; ^erstwhile Aditya Birla Sun Life Short Term Opportunities Fund

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

Annexure-2: List of entities considered for consolidated analysis: Not applicable

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Neha Parikh
+91 22 6114 4426
neha.parikh@icraindia.com

Amlan Jyoti Badu
+91 80 4332 6406
amlan.badu@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
communications@icraindia.com

Helpline for business queries:

+91-9354738909 (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) 2556 0194/ 6606 9999