

September 17, 2021

## LIC Mutual Fund Asset Management Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
LIC MF Liquid Fund	-	-	[ICRA]A1+mfs; reaffirmed
LIC MF Savings Fund	-	-	[ICRA]A1+mfs; reaffirmed
LIC MF Bond Fund	-	-	[ICRA]AAAmfs; reaffirmed
LIC MF Banking and PSU Fund	-	-	[ICRA]AAAmfs; reaffirmed
<b>Total</b>	-	-	

\*Instrument details are provided in Annexure-1

### Rationale and key rating drivers

The ratings have been reaffirmed following ICRA's monitoring of the credit risk profile of the month-end portfolio position of these schemes. The credit risk scores for these schemes were comfortably within the benchmark limits for their current rating levels.

Mutual fund ratings incorporate ICRA's assessment of the creditworthiness of a debt mutual fund scheme's investment portfolio. These ratings are a symbolic representation of the credit risk in the underlying investments or the degree of safety regarding the timely receipt of payments from the investments that have been made by the mutual fund schemes. The ratings do not indicate the asset management company's (AMC) and/or any of its scheme's willingness and/or ability to make timely redemptions to its investors. The ratings do not address the market risks and hence should not be construed as an indication of the expected returns, the prospective performance of the mutual fund scheme, and the ability to redeem the investments at the reported net asset value (NAV) or the volatility in its past returns as all these are influenced by market risks.

ICRA's assessment of debt mutual fund schemes is guided by the credit ratings of the individual investments, the relative share of the investments in the overall assets under management (AUM) of the scheme and the maturity schedule of such investments. The credit matrix is a tool used by ICRA for analysing the investment portfolio of debt mutual fund schemes by assessing the portfolio's aggregate credit quality while reviewing the credit quality of each underlying debt security. The portfolio's weighted average credit quality is then measured against the appropriate benchmark credit score in the credit matrix.

Once a mutual fund scheme is rated and the rating is accepted, ICRA reviews the underlying investment portfolios for the credit scores on an ongoing basis. If the portfolio credit score meets the benchmark of the existing rating, the rating is retained. If the portfolio credit score breaches the benchmark credit matrix score for the current rating, ICRA communicates the same to the fund manager/product manager or other officials of the concerned AMC and may provide a month's time to bring the portfolio credit score within the benchmark credit score for the current rating level. If the investment composition of the fund is realigned to bring the portfolio credit score within the benchmark credit score, the rating is retained. However, if the portfolio continues to breach the benchmark credit score for the existing rating level, the rating is revised to reflect the change in the portfolio's credit quality. In case of sharp breaches of the benchmark credit score (for instance due to a multi-notch downgrade in the underlying investment) and/or if ICRA believes that the breach may not get rectified within a month of the ongoing review, the rating is generally corrected immediately without giving a month's time for rebalancing the portfolio.

## Liquidity position: Not applicable

### Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – ICRA could downgrade the ratings of the schemes if the credit quality of the underlying investment deteriorates or if there is an increase in the share of lower rated investments on account of a decline in the AUM or otherwise, leading to a breach in the threshold for the rating level.

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">ICRA – Mutual Fund Credit Risk Rating Methodology</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	Not applicable

## About the company

Established in April 1989 by Life Insurance Corporation of India (LIC), LIC Mutual Fund Asset Management Limited is the associate company of India's premier brand in LIC. On March 31, 2011, LIC Mutual Fund Trustee Company Private Limited (the Trustee Company) and LIC MF AMC entered into a joint venture with Nomura Asset Management Company Ltd (Nomura) after the latter acquired 35% of the fully paid-up equity share capital of both LIC MF AMC and the Trustee Company.

The Trustee Company was renamed LIC Nomura Mutual Fund Trustee Company Pvt. Ltd., and LIC MF AMC was renamed LIC Nomura Mutual Fund Asset Management Company Ltd. In May 2016, the company was again renamed LIC Mutual Fund Asset Management Limited, following Nomura's exit. LIC Mutual Fund had average assets under management (AAUM) of Rs. 17,642<sup>1</sup> crore for the quarter ended June 30, 2021.

### LIC MF Savings Fund

Launched in June 2003, LICMF Savings Fund is an open-ended low-duration debt fund scheme investing in instruments such that the Macaulay duration (MD) of the portfolio is between 6 months and 12 months. The scheme aims at generating income by investing in a portfolio of quality short-term debt securities. The scheme's AUM stood at Rs. 1,575 crore as on August 31, 2021.

### LIC MF Bond Fund

Launched in June 1999, LICMF Bond Fund is an open-ended medium-term debt scheme investing in instruments such that the Macaulay duration (MD) of the portfolio is between 4 years and 7 years. The scheme's AUM stood at Rs. 141 crore as on August 31, 2021.

### LIC MF Liquid Fund

Launched in March 2002, LICMF Liquid Fund is an open-ended debt fund scheme which aims to generate reasonable returns with low risk and high liquidity through a judicious mix of investment in money market instruments and quality debt instruments. The scheme's AUM stood at Rs. 6,648 crore as on August 31, 2021.

<sup>1</sup> <https://www.amfiindia.com/research-information/aum-data/average-aum>

**LIC MF Banking & PSU Fund**

Launched in May 2007, LICMF Banking & PSU Fund is an open-ended debt fund scheme investing in the debt instruments of banks, public sector undertakings (PSUs), public finance institutions and municipal bonds. The scheme aims at generating income and capital by primarily investing in a portfolio of high-quality debt and money market securities that are issued by banks, PSUs, public finance institutions, and municipal bonds. The scheme's AUM stood at Rs. 2,214 crore as on August 31, 2021.

**Key financial indicators: Not applicable**

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for past three years

	Instrument	Current Rating (FY2022)					Chronology of Rating History for the Past 3 Years				
		Type	Amount Rated	Amount Outstanding	Current Rating	Date & Rating in FY2022	Date & Rating in FY2021		Date & Rating in FY2020		Date & Rating in FY2019
			(Rs. Crore)	(Rs. Crore)	Sep-17-21	May-13-21	Dec-28-20	Nov-24-20	Mar-06-20	May-31-19	Apr-16-18
1	LIC MF Savings Fund	Short-Term	-	-	[ICRA]A1+ mfs	[ICRA]A1+ mfs	-	-	-	-	-
2	LIC MF Banking and PSU Fund	Long-Term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	-	-	-
3	LIC MF Bond Fund	Long-Term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs
4	LIC MF 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

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Mutual Fund	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument details: Not applicable

## Annexure-2: List of entities considered for consolidated analysis: 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](http://www.icra.in)

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### Branches



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