

November 01, 2021

## IDFC Asset Management Company Limited: [ICRA] AAAmfs assigned to IDFC Floating Rate Fund

### Summary of rating action

| Scheme Name                       | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action             |
|-----------------------------------|-----------------------------------|----------------------------------|---------------------------|
| IDFC Floating Rate Fund           | -                                 | -                                | [ICRA]AAAmfs; assigned    |
| IDFC Cash Fund                    | -                                 | -                                | [ICRA]A1+mfs; outstanding |
| IDFC Money Manager Fund           | -                                 | -                                | [ICRA]AAAmfs; outstanding |
| IDFC Bond Fund – Short Term Plan  | -                                 | -                                | [ICRA]AAAmfs; outstanding |
| IDFC Low Duration Fund            | -                                 | -                                | [ICRA]AAAmfs; outstanding |
| IDFC Bond Fund – Medium Term Plan | -                                 | -                                | [ICRA]AAAmfs; outstanding |
| IDFC Banking and PSU Debt Fund    | -                                 | -                                | [ICRA]AAAmfs; outstanding |
| IDFC Corporate Bond Fund          | -                                 | -                                | [ICRA]AAAmfs; outstanding |
| IDFC Ultra Short Term Fund        | -                                 | -                                | [ICRA]A1+mfs; outstanding |
| IDFC Dynamic Bond Fund            | -                                 | -                                | [ICRA]AAAmfs; outstanding |
| IDFC Bond Fund – Income Plan      |                                   |                                  | [ICRA]AAAmfs; outstanding |
| IDFC Overnight Fund               |                                   |                                  | [ICRA]A1+mfs; outstanding |
| IDFC Credit Risk Fund             |                                   |                                  | [ICRA]AAAmfs; outstanding |
| <b>Total</b>                      | -                                 | -                                |                           |

### Rationale and key rating drivers

ICRA has assigned a credit risk rating of [ICRA]AAAmfs to IDFC Floating Rate Fund of IDFC Asset Management Company Limited. The rating is based on the portfolio of the scheme with the credit score of the portfolio being comfortable at the assigned rating level.

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 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 are 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

**IDFC Credit Risk Fund** – ICRA could upgrade the rating 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, leading to enhanced credit quality of the portfolio.

**For other schemes** – Not applicable

#### Negative factors

**For IDFC Overnight Fund** – ICRA could downgrade the rating of the scheme if the credit quality of the underlying investment deteriorates, leading to a breach in the threshold for the rating level.

**For other schemes** – 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, 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

IDFC entered the mutual fund business by acquiring the mutual fund operations of Standard Chartered Bank in May 2008. The above funds are the mutual fund schemes of IDFC Mutual Fund (IDFC MF) and are managed by IDFC Asset Management Company Limited. The AMC had average AUM (excluding domestic fund of fund schemes) of around Rs. 1,26,357 crore during the quarter ended September 30, 2021.

#### IDFC Floating Rate Fund

Launched in February 2021, the fund seeks to generate returns by creating a portfolio that is primarily invested in floating rate instruments, including fixed rate instruments swapped for floating returns and other debt and money market instruments. The fund's AUM stood at Rs. 1,260 crore as on September 30, 2021.

**IDFC Cash Fund**

Launched in June 2008, the objective of IDFC Cash Fund is capital appreciation through investment in short-term securities. The fund's AUM stood at Rs. 7,606 crore as on September 30, 2021. The fund has maintained a high proportion of its investments in money market instruments with high credit quality ratings in the recent past.

**IDFC Money Manager Fund**

Launched in February 2003, IDFC Money Manager Fund is an open-ended income scheme seeking to generate stable returns with a low risk strategy by creating a portfolio that is substantially invested in good quality floating rate debt or money market instruments, and fixed rate debt or money market instruments. The fund's AUM stood at Rs. 2,737 crore as on September 30, 2021.

**IDFC Bond Fund – Short Term Plan**

Launched in December 2000, IDFC Bond Fund – Short Term Plan is an open-ended income scheme seeking to generate stable returns with a low risk strategy by investing in good quality fixed income securities and money market securities. The scheme's AUM stood at Rs. 12,708 crore as on September 30, 2021.

**IDFC Low Duration Fund**

Launched in January 2006, IDFC Low Duration Fund is an open-ended income scheme with the objective of generating stable returns with a low risk strategy. The scheme aims to invest in good quality debt and money market instruments such that the fund offers a blend of liquidity along with stable returns. The fund's AUM stood at Rs. 8,617 crore as on September 30, 2021.

**IDFC Bond Fund – Medium Term Plan**

IDFC Bond Fund – Medium Term Plan has a stated objective of generating returns primarily through investments in high quality money market and debt instruments including Government securities. The fund continues to maintain a significant proportion in high credit quality rated instruments. As on September 30, 2021, the total AUM under the scheme stood at Rs. 4,019 crore.

**IDFC Banking and PSU Debt Fund**

The scheme was previously known as IDFC Banking Debt Fund, which invested in debt and money market instruments issued by scheduled commercial banks. However, the scheme underwent a change in strategy in June 2017 and was renamed IDFC Banking and PSU Debt Fund. The fund now plans to predominantly invest in high quality money market and debt instruments of banks, public sector undertakings and public financial institutions. The fund's AUM stood at Rs. 19,205 crore as on September 30, 2021.

**IDFC Corporate Bond Fund**

Launched in January 2016, IDFC Corporate Bond Fund is an open-ended debt scheme with the objective of providing steady income and capital appreciation by investing primarily in corporate debt securities across maturities and ratings. The fund's AUM stood at Rs. 20,869 crore as on September 30, 2021.

**IDFC Ultra Short Term Fund**

Launched in July 2018, IDFC Ultra Short Term Fund is an open-ended debt scheme with a duration between three and six months. The investment objective of the scheme is to generate returns over a short-term investment horizon with a low risk strategy. The scheme invests in debt and money market securities. As on September 30, 2021, the AUM stood at Rs. 4,729 crore.

**IDFC Dynamic Bond Fund**

IDFC Dynamic Bond Fund, launched in December 2008, is an open-ended dynamic debt scheme investing across duration. The fund's AUM stood at Rs. 3,812 crore as on September 30, 2021.

**IDFC Bond Fund – Income Plan**

The scheme was launched in July 2000. It is an open-ended debt scheme investing in instruments such that the Macaulay duration of the portfolio is more than 7 years. The fund's AUM stood at Rs. 668 crore as on September 30, 2021.

**IDFC Credit Risk Fund**

Launched in March 2017, the objective of IDFC Credit Risk Fund is to provide an optimal risk-reward profile to investors by focusing on companies with well-run management and evolving business prospects or good businesses with improving financial profiles. The fund's AUM stood at Rs. 840 crore as on September 30, 2021.

**IDFC Overnight Fund**

Launched in January 2019, the objective of IDFC Overnight Fund is to generate short-term optimal returns in line with overnight rates. The fund's AUM stood at Rs. 1,325 crore as on September 30, 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

| Sr. No. | Scheme                                    | Type       | Rated Amount (Rs. crore) | Amount Outstanding (Rs. crore) | Current Rating (FY2022) |               | Chronology of Rating History for the Past 3 Years |               |                         |               |               |                         |               |               |
|---------|---|------------|--------------------------|--------------------------------|-------------------------|---------------|---|---------------|-------------------------|---------------|---------------|-------------------------|---------------|---------------|
|         |   |            |                          |                                | Date & Rating in FY2022 |               | Date & Rating in FY2021                           |               | Date & Rating in FY2020 |               |               | Date & Rating in FY2019 |               |               |
|         |   |            |                          |                                | Nov 01, 2021            | May 28, 2021  | Oct 29, 2020                                      | Jun 05, 2020  | Dec 30, 2019            | Nov 01, 2019  | Jun 13, 2019  | Jul 24, 2018            | Jun 29, 2018  | June 22, 2018 |
| 1       | IDFC Ultra Short Term Fund                | Short Term | -                        | -                              | [ICRA]A1+mfs            | [ICRA]A1+mfs  | [ICRA]A1+mfs                                      | [ICRA]A1+mfs  | [ICRA]A1+mfs            | [ICRA]A1+mfs  | [ICRA]A1+mfs  | [ICRA]A1+mfs            | -             |               |
| 2       | IDFC Overnight Fund                       | Short Term | -                        | -                              | [ICRA]A1+mfs            | [ICRA]A1+mfs  | [ICRA]A1+mfs                                      | [ICRA]A1+mfs  | [ICRA]A1+mfs            | [ICRA]A1+mfs  | -             | -                       | -             |               |
| 3       | IDFC Bond Fund – Income Plan              | Long Term  | -                        | -                              | [ICRA]AA Amfs           | [ICRA]AAA mfs | [ICRA]AAA mfs                                     | [ICRA]AA Amfs | [ICRA]AAA mfs           | [ICRA]AA Amfs | [ICRA]AA Amfs | -                       | -             |               |
| 4       | IDFC Dynamic Bond Fund                    | Long Term  | -                        | -                              | [ICRA]AA Amfs           | [ICRA]AAA mfs | [ICRA]AAA mfs                                     | [ICRA]AA Amfs | [ICRA]AAA mfs           | [ICRA]AA Amfs | [ICRA]AA Amfs | -                       | -             |               |
| 5       | IDFC Cash Fund                            | Short Term | -                        | -                              | [ICRA]A1+mfs            | [ICRA]A1+mfs  | [ICRA]A1+mfs                                      | [ICRA]A1+mfs  | [ICRA]A1+mfs            | [ICRA]A1+mfs  | [ICRA]A1+mfs  | [ICRA]A1+mfs            | [ICRA]A1+mfs  | [ICRA]A1+mfs  |
| 6       | IDFC Money Manager Fund                   | Long Term  | -                        | -                              | [ICRA]AA Amfs           | [ICRA]AAA mfs | [ICRA]AAA mfs                                     | [ICRA]AA Amfs | [ICRA]AAA mfs           | [ICRA]AA Amfs | [ICRA]AA Amfs | [ICRA]AA Amfs           | [ICRA]AA Amfs | [ICRA]AA Amfs |
| 7       | IDFC Bond Fund – Short Term Plan          | Long Term  | -                        | -                              | [ICRA]AA Amfs           | [ICRA]AAA mfs | [ICRA]AAA mfs                                     | [ICRA]AA Amfs | [ICRA]AAA mfs           | [ICRA]AA Amfs | [ICRA]AA Amfs | [ICRA]AA Amfs           | [ICRA]AA Amfs | [ICRA]AA Amfs |
| 8       | IDFC Low Duration Fund                    | Long Term  | -                        | -                              | [ICRA]AA Amfs           | [ICRA]AAA mfs | [ICRA]AAA mfs                                     | [ICRA]AA Amfs | [ICRA]AAA mfs           | [ICRA]AA Amfs | [ICRA]AA Amfs | [ICRA]AA Amfs           | [ICRA]AA Amfs | [ICRA]AA Amfs |
| 9       | IDFC Bond Fund – Medium Term Plan         | Long Term  | -                        | -                              | [ICRA]AA Amfs           | [ICRA]AAA mfs | [ICRA]AAA mfs                                     | [ICRA]AA Amfs | [ICRA]AAA mfs           | [ICRA]AA Amfs | [ICRA]AA Amfs | [ICRA]AA Amfs           | [ICRA]AA Amfs | [ICRA]AA Amfs |
| 10      | IDFC Banking and PSU Debt Fund            | Long Term  | -                        | -                              | [ICRA]AA Amfs           | [ICRA]AAA mfs | [ICRA]AAA mfs                                     | [ICRA]AA Amfs | [ICRA]AAA mfs           | [ICRA]AA Amfs | [ICRA]AA Amfs | [ICRA]AA Amfs           | [ICRA]AA Amfs | [ICRA]AA Amfs |
| 11      | IDFC Corporate Bond Fund                  | Short Term | -                        | -                              | [ICRA]AA Amfs           | [ICRA]AAA mfs | [ICRA]AAA mfs                                     | [ICRA]AA Amfs | [ICRA]AAA mfs           | [ICRA]AA Amfs | [ICRA]AA Amfs | [ICRA]AA Amfs           | [ICRA]AA Amfs | [ICRA]AA Amfs |
| 12      | IDFC Credit Risk Fund                     | Long Term  | -                        | -                              | [ICRA]AA mfs            | [ICRA]AA mfs  | [ICRA]AA mfs                                      | -             | -                       | -             | -             | -                       | -             |               |
| 13      | IDFC Floating Rate Fund                   | Long Term  | -                        | -                              | [ICRA]AA Amfs           | -             | -   | -             | -                       | -             | -             | -                       | -             |               |
| 14      | IDFC Fixed Term Plan – Series 153         | Short Term | -                        | -                              | -                       | -             | -   | -             | -                       | -             | -             | [ICRA]A1+mfs            | [ICRA]A1+mfs  | -             |
| 15      | IDFC Money Manager Fund – Investment Plan | Long Term  | -                        | -                              | -                       | -             | -   | -             | -                       | -             | -             | -                       | -             | -             |

## Complexity level of the rated instruments

### Not applicable for mutual fund schemes

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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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.

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