

February 28, 2022

## Franklin Templeton Asset Management (India) Private Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Franklin India Liquid Fund	-	-	[ICRA]A1+mfs; reaffirmed
Franklin India Overnight Fund	-	-	[ICRA]A1+mfs; reaffirmed
<b>Total</b>	-	-	

\*Instrument details are provided in Annexure-1

### Rationale and key rating drivers

ICRA has reaffirmed the rating for Franklin India Liquid Fund and Franklin India Overnight Fund of Franklin Templeton Asset Management (India) Private Limited at [ICRA]A1+mfs. The rating has been reaffirmed following ICRA's monitoring of the credit risk profile of the month-end portfolio position of the schemes. The credit risk scores for the schemes were comfortably within the benchmark limit for the current 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 scheme 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 the 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 rating of the scheme 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.

For Franklin India 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.

### Analytical approach

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

### About the company

Franklin Templeton Asset Management (India) Private Limited commenced operations in India in September 1996. It manages the above-mentioned mutual fund schemes of Franklin Templeton Mutual Fund. The fund had an average AUM of ~Rs. 65,710 crore for the quarter ended December 31, 2021<sup>1</sup>.

#### Franklin India Liquid Fund

Launched in April 1998, Franklin India Liquid Fund is an open-ended debt scheme with an investment objective to provide current income along with high liquidity. The scheme's AUM stood at Rs. 1,602 crore with an average maturity of 0.09 years as on January 31, 2022.

#### Franklin India Overnight Fund

Launched in May 2019, Franklin India Overnight Fund is an open-ended debt scheme with an investment objective to provide reasonable income along with high liquidity by investing in overnight securities with a maturity of 1 business day. The scheme's AUM stood at Rs. 118 crore on January 31, 2022.

### Key financial indicators – Not applicable

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

### Any other information: None

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

## Rating history for past three years

	Scheme	Current Rating (FY2022)			Chronology of Rating History for the Past 3 Years						
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2022		Date & Rating in FY2021		Date & Rating in FY2020		Date & Rating in FY2019
					Feb 28, 2022	Mar 29, 2021	Apr 01, 2020	Oct 04, 2019	Jun 03, 2019	Jun 08, 2018	
1	Franklin India Overnight Fund	Short term	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	-	-	
2	Franklin India Liquid Fund	Short term	-	-	[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 instrument are available on ICRA's website: [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Franklin India Liquid Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	Franklin India Overnight Fund	NA	NA	NA	NA	[ICRA]A1+mfs

Source: Company

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

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## About ICRA Limited:

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