

May 11, 2022

HSBC Asset Management (India) Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
HSBC Cash Fund	-	-	[ICRA]A1+mfs; reaffirmed
HSBC Overnight Fund	-	-	[ICRA]A1+mfs; reaffirmed
HSBC Ultra Short Duration Fund	-	-	[ICRA]A1+mfs; reaffirmed
HSBC Flexi Debt Fund	-	-	[ICRA]AAAmfs; reaffirmed
HSBC Corporate Bond Fund	-	-	[ICRA]AAAmfs; reaffirmed
Total	-	-	

*Instrument details are provided in Annexure-1

Rationale and key rating drivers

The ratings for the schemes of HSBC Asset Management (India) Private Limited 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 the schemes were comfortably within the benchmark limits for their respective 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 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.

Negative factors for HSBC 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	ICRA - Mutual Fund Credit Risk Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	Not applicable

About the company

The above-mentioned schemes are the mutual fund schemes of HSBC Mutual Fund, which was established as a trust under the Indian Trusts Act, 1882, with HSBC Securities and Capital Markets (India) Private Limited as the sponsor and HSBC Asset Management (India) Private Limited as the fund's AMC. The AMC's average AUM stood at Rs. 12,637.24 crore as on March 31, 2022¹.

HSBC Cash Fund

Launched in December 2002, HSBC Cash Fund is an open-ended liquid scheme with a stated investment objective of providing reasonable returns, commensurate with low risk, while providing a high level of liquidity through a portfolio of money market instruments and debt securities. The fund invests in money market instruments and short-term debt market instruments, thereby aiming to offer minimal exposure to risk and preserve the capital. The scheme's AUM stood at Rs. 2,978 crore as on March 31, 2022 and it had an average residual maturity of ~52 days. The fund continues to maintain a significant proportion in investments with high credit quality rating.

HSBC Overnight Fund

Launched in May 2019, the objective of HSBC Overnight Fund is to generate short-term optimal returns in line with overnight rates. It is an open-ended debt scheme investing in overnight securities. The fund invests in overnight securities including tri-party repo/reverse repos and debt instruments with overnight maturity to offer minimal exposure to risk and preserve the capital. The scheme's AUM stood at Rs. 963 crore as on March 31, 2022 and it had an average residual maturity of ~4 days (on account of non-working days).

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

HSBC Ultra Short Duration Fund

HSBC Ultra Short Duration Fund, formerly known as HSBC Liquid Plus Fund, is an open-ended ultra-short-term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 months and 6 months. The stated investment objective of the scheme is to provide reasonable returns, commensurate with low risk, while providing a high level of liquidity through a portfolio of money market instruments and debt securities. The scheme's AUM stood at Rs. 1,541 crore as on March 31, 2022 and it had an average residual maturity of ~7 months.

HSBC Flexi Debt Fund

Launched in October 2007, HSBC Flexi Debt Fund is an open-ended income fund that invests in fixed income instruments across various maturity profiles. The investment objective of the fund is to deliver returns in the form of interest income and capital gains, along with high liquidity, commensurate with the current view on the markets and the interest rate cycle, through active investment in debt and money market instruments. The scheme's AUM stood at Rs. 55 crore as on March 31, 2022 and it had an average residual maturity of 4.25 years.

HSBC Corporate Bond Fund

HSBC Corporate Bond Fund is an open-ended long-term debt scheme. The scheme's objective is to provide liquidity and generate reasonable returns with low volatility by investing in a portfolio primarily comprising AA+ and above rated corporate debt securities and money market instruments. The scheme's AUM stood at Rs. 212 crore as on March 31, 2022 and it had an average residual maturity of 2.02 years.

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Name of Scheme	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years							
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Rating	FY2022	FY2021			FY2020			
					May-11-2022	May-27-2021	Feb-04-2021	Oct-05-2020	Jul-03-2020	Jan-31-2020	Dec-02-2019	May-24-2019	Apr-15-2019
1	HSBC 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
2	HSBC Flexi Debt Fund	Long Term	-	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
3	HSBC Overnight Fund	Short Term	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	-	-
4	HSBC Ultra Short Duration Fund	Short Term	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	-	-	-
5	HSBC Corporate Bond Fund	Long Term	-	-	[ICRA]AAAmfs	[ICRA]AAAmfs	Provisional [ICRA]AAAmfs; confirmed as final	Provisional [ICRA]AAAmfs	-	-	-	-	-

Complexity level of the rated instrument

Instrument Name	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

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	NA	NA	NA	NA	NA	NA

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

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About ICRA Limited:

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Branches



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