

July 20, 2023

Edelweiss Asset Management Limited: Ratings reaffirmed and withdrawn; Rating reaffirmed for Edelweiss Liquid Fund

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Edelweiss NIFTY PSU Bond Plus SDL Apr 2027 50:50 Index Fund	-	-	[ICRA]AAAmfs; reaffirmed and withdrawn
Edelweiss NIFTY PSU Bond Plus SDL Apr 2026 50:50 Index Fund	-	-	[ICRA]AAAmfs; reaffirmed and withdrawn
Edelweiss Banking and PSU Debt Fund	-	-	[ICRA]AAAmfs; reaffirmed and withdrawn
Edelweiss Overnight Fund	-	-	[ICRA]A1+mfs; reaffirmed and withdrawn
Edelweiss Liquid Fund	-	-	[ICRA]A1+mfs; reaffirmed
Total	-	-	

*Instrument details are provided in Annexure I

Rationale and key rating drivers

ICRA has reaffirmed and withdrawn the credit risk ratings for Edelweiss Overnight Fund, Edelweiss Banking and PSU Debt Fund, Edelweiss NIFTY PSU Bond Plus SDL Apr 2026 50:50 Index Fund and Edelweiss NIFTY PSU Bond Plus SDL Apr 2027 50:50 Index Fund, at the request of the fund house. The ratings have been withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings. ICRA has also reaffirmed the rating for Edelweiss Liquid Fund following ICRA's monitoring of the credit risk profile of the month-end portfolio position of the scheme. The credit risk scores for these schemes were comfortably within the benchmark limit for their current rating levels.

Mutual fund (MF) ratings incorporate ICRA's assessment of the creditworthiness of a debt MF 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 MF 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 market risks and hence should not be construed as an indication of the expected returns, prospective performance of the MF scheme, and the ability to redeem investments at the reported net asset value (NAV) or volatility in its past returns, as all these are influenced by market risks.

ICRA's assessment of debt MF schemes is guided by the credit ratings of the individual investments and the relative share of the schemes' allocation towards the investments, besides the maturity schedule of such investments. ICRA's MF ratings are not a reflection on the quality of the management of the AMC or its financial performance, reputation and other business practices including investment strategies, pricing, marketing and distribution activities. Furthermore, the ratings are not a reflection of whether the AMC or the fund is compliant with the applicable regulatory requirements.

The credit matrix is a tool used by ICRA for analysing the investment portfolio of the debt MF 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 compared with a benchmark credit score corresponding to the higher of the weighted average maturity of the scheme's portfolio or the maturity predefined by ICRA for the scheme category. The rating outcome corresponds to the rating level for which the portfolio's weighted average credit score is less than the benchmark credit score associated with the rating level. Further, the lowest rating of the investments of the scheme acts as the floor for its rating.

Once an MF scheme is rated and the rating is accepted, ICRA reviews the underlying investment portfolios for the credit scores on an ongoing basis. To this end, ICRA relies on the information provided by the AMC and/or publicly available sources. ICRA reviews the ratings on a monthly basis or earlier, if required, which involves an evaluation of the rating corresponding to the portfolio credit score in relation to the existing rating outstanding. If the portfolio credit score meets the benchmark score for the existing rating, the rating is retained. If the portfolio credit score has a negative breach from the benchmark credit score for the existing 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 maintaining the existing 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. If the AMC corrects its portfolio, post the rating downgrade of the scheme, or the credit score improves in any manner subsequent to the downgrade, making the scheme eligible for an upgrade, ICRA may consider a rating upgrade only if the credit score is maintained consistently for a period of at least three months.

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 assets under management (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	ICRA Rating Methodology – Mutual Funds Policy on Withdrawal of Credit Ratings
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the company

Edelweiss Asset Management Limited (EAML), a subsidiary of Edelweiss Financial Services Limited, acts as the investment manager of Edelweiss Mutual Fund. Edelweiss Mutual Fund was set up as a trust under the Indian Trusts Act, 1882 and was registered on April 30, 2008 under the provisions of SEBI (Mutual Funds) Regulations, 1996. EAML had acquired the fund schemes managed by JP Morgan Asset Management India Private Limited in FY2017. It also offers a range of investment solutions for financial planning and wealth creation. The company's average AUM for the quarter ended June 30, 2023, was Rs. 1,05,550.49 crore¹.

Edelweiss NIFTY PSU Bond Plus SDL Apr 2027 50:50 Index Fund

¹ Source: <https://www.amfiindia.com>

Launched in October 2021, Edelweiss NIFTY PSU Bond Plus SDL Apr 2027 50:50 Index Fund is an open-ended scheme with the investment objective of tracking the Nifty PSU Bond Plus SDL Apr 2027 50:50 Index by investing in AAA rated public sector undertaking (PSU) bonds and state development loans (SDLs), maturing on or before April 2027. It would invest in AAA-rated PSU bonds and SDLs maturing within the maturity date of the scheme (i.e. April 30, 2027).

Edelweiss NIFTY PSU Bond Plus SDL Apr 2026 50:50 Index Fund

Launched in March 2021, Edelweiss NIFTY PSU Bond Plus SDL Apr 2026 50:50 Index Fund is an open-ended scheme with the investment objective of tracking the Nifty PSU Bond Plus SDL Apr 2026 50:50 Index by investing in AAA rated PSU bonds and SDLs, maturing on or before April 2026. It would invest in AAA-rated PSU bonds and SDLs maturing within the maturity date of the scheme (i.e. April 30, 2026).

Edelweiss Overnight Fund

Launched in July 2019, Edelweiss Overnight Fund is an open-ended debt scheme investing in overnight securities. The stated objective of the scheme is to generate regular returns by investing in debt and money market instruments with overnight maturity. The scheme invests in instruments with a residual maturity of one business day. It predominantly invests in tri-party repos, etc.

Edelweiss Banking and PSU Debt Fund

Edelweiss Banking and PSU Debt Fund has a stated objective of generating income by investing predominantly in a portfolio of debt securities and money market instruments issued by banks and PSUs. The fund has a significant proportion of investments with the highest credit quality rating.

Edelweiss Liquid Fund

Edelweiss Liquid Fund is an open-ended income scheme with the stated objective of delivering reasonable returns, commensurate with low risk, while providing a high level of liquidity through a portfolio of money market and debt securities with a maturity of up to 90 days. The fund has a significant proportion of investments with the highest credit quality ratings.

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	Type	Amount Rated (Rs. crore)	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years				
			Amount Outstanding as of Jan 31, 2023 (Rs. crore)	Date & Rating in FY2024		Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
				Jul 20, 2023	Jun 21, 2023	Feb 16, 2023	Jul 28, 2022	Sep 29, 2021	Dec 30, 2020
1 Edelweiss NIFTY PSU Bond Plus SDL Apr 2027 50:50 Index Fund	Long term	-	-	[ICRA]AAAmfs; withdrawn	[ICRA]AAAmfs; placed on notice for withdrawal for 1 month	[ICRA]AAA mfs	-	-	-
2 Edelweiss NIFTY PSU Bond Plus SDL Apr 2026 50:50 Index Fund	Long term	-	-	[ICRA]AAAmfs; withdrawn	[ICRA]AAAmfs; placed on notice for withdrawal for 1 month	[ICRA]AAA mfs	[ICRA]AAAmfs	-	-
3 Edelweiss Overnight Fund	Short term	-	-	[ICRA]A1+mfs; withdrawn	[ICRA]A1+mfs; placed on notice for withdrawal for 1 month	[ICRA]A1+ mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs
4 Edelweiss Banking and PSU Debt Fund	Long term	-	-	[ICRA]AAAmfs; withdrawn	[ICRA]AAAmfs; placed on notice for withdrawal for 1 month	[ICRA]AAA mfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
5 Edelweiss 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 instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Edelweiss NIFTY PSU Bond Plus SDL Apr 2027 50:50 Index Fund	NA	NA	NA	NA	[ICRA]AAAmfs; withdrawn
NA	Edelweiss NIFTY PSU Bond Plus SDL Apr 2026 50:50 Index Fund	NA	NA	NA	NA	[ICRA]AAAmfs; withdrawn
NA	Edelweiss Banking and PSU Debt Fund	NA	NA	NA	NA	[ICRA]AAAmfs; withdrawn
NA	Edelweiss Overnight Fund	NA	NA	NA	NA	[ICRA]A1+mfs; withdrawn
NA	Edelweiss Liquid Fund	NA	NA	NA	NA	[ICRA]A1+mfs

Annexure II: 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.

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Branches



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