

September 01, 2023

## LIC Mutual Fund Asset Management Limited: Ratings reaffirmed; [ICRA]A1+mfs assigned to LIC MF Ultra Short Duration Fund and LIC MF Overnight Fund

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
LIC MF Money Market Fund	-	-	[ICRA]A1+mfs; reaffirmed
LIC MF Liquid Fund	-	-	[ICRA]A1+mfs; reaffirmed
LIC MF Savings Fund	-	-	[ICRA]AAAmfs; reaffirmed
LIC MF Medium to Long Duration Bond Fund (erstwhile LIC MF Bond Fund)	-	-	[ICRA]AAAmfs; reaffirmed
LIC MF Banking & PSU Debt Fund	-	-	[ICRA]AAAmfs; reaffirmed
LIC MF Ultra Short Duration Fund	-	-	[ICRA]A1+mfs; assigned
LIC MF Overnight Fund	-	-	[ICRA]A1+mfs; assigned
<b>Total</b>	-	-	

\*Instrument details are provided in Annexure I

### 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 the schemes. The credit risk scores for the schemes were comfortably within the benchmark limit for their current rating levels. ICRA notes that LIC Mutual Fund Asset Management Limited (LIC AMC), the investment manager of LIC Mutual Fund (LICMF), has acquired the schemes of IDBI Mutual Fund (IDBI MF) from IDBI Asset Management Limited (IDBI AMC) with effect from July 29, 2023. Consequently, LIC MF Liquid Fund and LIC MF Medium to Long Duration Bond Fund (erstwhile LIC MF Bond Fund) have acquired IDBI Liquid Fund and IDBI Credit Risk Fund, respectively, from IDBI MF.

ICRA has assigned a rating of [ICRA]A1+mfs to LIC MF Ultra Short Duration Fund and LIC MF Overnight Fund. The assigned rating is based on the portfolio of the schemes with the credit score of their portfolios being comfortable at the assigned rating level. With acquisition of IDBI MF schemes, IDBI Ultra Short Term Fund has merged into LIC MF Ultra Short Duration Fund.

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 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 of 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 MF 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

### For LIC MF Overnight Fund

**Positive Factors** – Not applicable

**Negative Factors** – 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

**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 assets under management (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's Methodology for Mutual Funds</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 (LIC AMC) is the associate company of India's premier brand – LIC. On March 31, 2011, LIC Mutual Fund Trustee Company Private Limited (the trustee company) and LIC Mutual Fund Asset Management Limited 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 AMC and the trustee company. The trustee company was renamed LIC Nomura Mutual Fund Trustee Company Pvt. Ltd. and LIC AMC was renamed LIC Nomura Mutual Fund Asset Management Company Ltd. In May 2016, LIC Nomura Mutual Fund Asset Management Company Ltd. was again renamed LIC Mutual Fund Asset Management Limited, following Nomura's exit. LIC AMC, the investment manager of LICMF, has acquired the schemes of IDBI MF from IDBI AMC with effect from July 29, 2023. LICMF had an AUM (including gold ETFs) of Rs. 24,133 crore<sup>1</sup> as on July 31, 2023.

### LIC MF Money Market Fund

LIC MF Money Market Fund is an open-ended debt scheme investing in money market instruments. The investment objective of the scheme is to generate income through investments in a portfolio comprising money market instruments. As on July 31, 2023, the scheme's AUM stood at Rs. 61 crore.

### LIC MF Liquid Fund

Launched in March 2002, LIC MF 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 investments in money market instruments and quality debt instruments. The scheme's AUM was Rs. 7,690 crore as on July 31, 2023.

### LIC MF Savings Fund

Launched in June 2003, LIC MF 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 to generate income by investing in a portfolio of quality short-term debt securities. Its AUM stood at Rs. 1,289 crore as on July 31, 2023.

### LIC MF Medium to Long Duration Bond Fund (erstwhile LIC MF Bond Fund)

Launched in January 2013, LIC MF Medium to Long Duration Bond Fund (erstwhile LIC MF Bond Fund) is an open-ended medium-term debt scheme, which aims to attract returns for its investors by investing in a portfolio such that the MD of the portfolio is between 4 years and 7 years. Its AUM stood at Rs. 203 crore as on July 31, 2023.

### LIC MF Banking & PSU Fund

Launched in January 2013, LIC MF 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 to generate 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 was Rs. 1,117 crore as on July 31, 2023.

### LIC MF Overnight Fund

Launched in July 2019, LIC MF Overnight Fund is an open-ended debt scheme investing in overnight securities. The objective of the scheme is to generate reasonable returns commensurate with low risk and provide a high level of liquidity through investments made primarily in overnight securities with maturity/residual maturity of 1 business day. The fund's month-end AUM stood at Rs. 588 crore as on July 31, 2023 with average maturity of ~1 day.

### LIC MF Ultra Short Duration Fund

Launched in November 2019, LIC MF Ultra Short Duration Fund is an open-ended ultra-short-term debt scheme. The investment objective of the scheme is to generate returns through investment in debt and money market instruments such

---

<sup>1</sup> Source: AMC's [website](#)

that the MD of the portfolio is between 3 months and 6 months. The fund's month-end AUM stood at Rs. 167 crore as on July 31, 2023 and with average maturity of around 3 months.

**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	Type	Current Rating (FY2024)					Chronology of Rating History for the Past 3 Years						
			Amount Rated (Rs. crore)	Amount Outstanding as of Jul 31, 2023 (Rs. crore)	Date & Rating in FY2024			Date & Rating in FY2023			Date & Rating in FY2022		Date & Rating in FY2021	
					Sep 1, 2023	Jun 26, 2023	Apr 4, 2023	Dec 1, 2022	Aug 30, 2022	Aug 05, 2022	Sep 17, 2021	May 13, 2021	Dec 28, 2020	Nov 24, 2020
1	LIC MF Money Market Fund	Short term	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	Provisional [ICRA]A1+mfs	Provisional [ICRA]A1+mfs; assigned	-	-	-	-	-
2	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	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs
3	LIC MF Savings Fund	Long term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs <sup>2</sup>	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	-	-
4	LIC MF Medium to Long Duration Bond Fund (erstwhile 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	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs

<sup>2</sup>Rating of [ICRA]A1+mfs has been withdrawn and rating of [ICRA]AAA mfs has been assigned simultaneously

	Instrument	Type	Current Rating (FY2024)					Chronology of Rating History for the Past 3 Years						
			Amount Rated (Rs. crore)	Amount Outstanding as of Jul 31, 2023 (Rs. crore)	Date & Rating in FY2024			Date & Rating in FY2023			Date & Rating in FY2022		Date & Rating in FY2021	
					Sep 1, 2023	Jun 26, 2023	Apr 4, 2023	Dec 1, 2022	Aug 30, 2022	Aug 05, 2022	Sep 17, 2021	May 13, 2021	Dec 28, 2020	Nov 24, 2020
5	LIC MF Banking & PSU Debt Fund	Long term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs
6	LIC MF Ultra Short Duration Fund	Short term	-	-	[ICRA]A1+ mfs									
7	LIC MF Overnight Fund	Short term	-	-	[ICRA]A1+ mfs									

### **Complexity level of the rated instruments: 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	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	NA	NA	NA	NA	NA	NA

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



## ANALYST CONTACTS

**Karthik Srinivasan**  
+91 22 6114 3444  
[karthiks@icraindia.com](mailto:karthiks@icraindia.com)

**Niraj Jalan**  
+91 22 7150 1146  
[niraj.jalan@icraindia.com](mailto:niraj.jalan@icraindia.com)

**Jatin Arora**  
+91 124 4545 846  
[jatin.arora@icraindia.com](mailto:jatin.arora@icraindia.com)

**Kruti Jagad**  
+91 22 6114 3447  
[kruti.jagad@icraindia.com](mailto:kruti.jagad@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)  
[info@icraindia.com](mailto:info@icraindia.com)

## 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)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



### Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.