

October 26, 2023

Bajaj Finserv Asset Management Limited: Provisional [ICRA]AAAmfs assigned to Bajaj Finserv Banking and PSU Fund

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Bajaj Finserv Overnight Fund	-	-	[ICRA]A1+mfs; outstanding
Bajaj Finserv Liquid Fund	-	-	[ICRA]A1+mfs; outstanding
Bajaj Finserv Money Market Fund	-	-	Provisional [ICRA]A1+mfs; outstanding
Bajaj Finserv Banking and PSU Fund	-	-	Provisional [ICRA]AAAmfs; assigned
Total	-	-	

*Instrument details are provided in Annexure I

Rationale and key rating drivers

ICRA has assigned a provisional rating of [ICRA]AAAmfs to Bajaj Finserv Banking and PSU Fund of Bajaj Finserv Asset Management Limited (the asset management company; AMC). The provisional rating has been assigned based on the indicative portfolio of the scheme with the credit score of the same being comfortable at the assigned rating level. ICRA also has a provisional rating outstanding of [ICRA]A1+mfs for Bajaj Finserv Money Market Fund. This rating had been assigned based on the indicative portfolio of the scheme with the credit score of the same being comfortable at the assigned rating level. On the opening of the schemes for regular investment and after analysing the credit score of the schemes for at least three months, the investment portfolio and its credit score will be benchmarked against the credit matrix to finalise the ratings. The ratings would not be meaningful/applicable in the absence of the pending action, i.e. the scheme not being launched. If neither the pending action nor the asset allocation is completed after one year of the assignment of the provisional rating, ICRA would withdraw the provisional rating. However, the validity period may be extended beyond one year, subject to the conditions outlined in ICRA's Policy on Provisional Ratings available at www.icra.in.

Additionally, ICRA has a rating outstanding of [ICRA]A1+mfs for Bajaj Finserv Liquid Fund and Bajaj Finserv Overnight Fund.

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 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 mutual fund 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 mutual fund 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 mutual fund ratings are not a reflection on the quality of the AMC's management 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 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 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 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. To this end, ICRA relies on the information provided by the AMC and/or publicly available sources. ICRA reviews the mutual fund 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 –

For Bajaj Finserv 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 debt mutual fund schemes – ICRA could downgrade the ratings of the schemes if the credit quality of the underlying investments 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 for Provisional Ratings
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the company

Bajaj Finserv Asset Management Limited is the asset management company (AMC) for Bajaj Finserv Mutual Fund (the fund). The AMC is sponsored by Bajaj Finserv Limited. Bajaj Finserv Limited is a core investment company (CIC) under RBI Regulations 2020 and the holding company of various financial services businesses under the Bajaj Group.

Bajaj Finserv Overnight Fund

Bajaj Finserv Overnight Fund is an open-ended debt scheme investing in overnight securities. The scheme aims to provide reasonable returns commensurate with low risk and a high level of liquidity, through investments made primarily in overnight securities with maturity of 1 business day. As on October 4, 2023, the AUM stood at Rs. 232 crore.

Bajaj Finserv Liquid Fund

Bajaj Finserv Liquid Fund is an open-ended liquid scheme. Its investment objective is to provide a level of income consistent with the objectives of preservation of capital, lower risk and high liquidity through investments made primarily in money market and debt securities with maturity of up to 91 days only. As on October 4, 2023, the AUM stood at Rs. 2,105 crore.

Bajaj Finserv Money Market Fund

Bajaj Finserv Money Market Fund is an open-ended debt scheme investing in money market instruments. The investment objective of the scheme is to generate regular income through investment in a portfolio comprising money market instruments.

Bajaj Finserv Banking and PSU Fund

Bajaj Finserv Banking and PSU Fund is an open-ended debt scheme with the investment objective of generating income by predominantly investing in debt and money market securities issued by banks, public sector undertakings, public financial institutions, municipal bonds and reverse repos in such securities, sovereign securities issued by the Central Government and state governments, and/or any security unconditionally guaranteed by the Government of India.

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	Current Rating (FY2024)						Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024			Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Oct 26, 2023	Oct 13, 2023	Jun 21, 2023			
1	Bajaj Finserv Overnight Fund	Short term	-	-	[ICRA]A1+ mfs	[ICRA]A1+ mfs	Provisional [ICRA]A1+ mfs	-	-	-
2	Bajaj Finserv Liquid Fund	Short term	-	-	[ICRA]A1+ mfs	[ICRA]A1+ mfs	Provisional [ICRA]A1+ mfs	-	-	-
3	Bajaj Finserv Money Market Fund	Short term	-	-	Provisional [ICRA]A1+ mfs	Provisional [ICRA]A1+ mfs	Provisional [ICRA]A1+ mfs	-	-	-

	Instrument	Current Rating (FY2024)						Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024			Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Oct 26, 2023	Oct 13, 2023	Jun 21, 2023			
4	Bajaj Finserv Banking and PSU Fund	Long term	-	-	Provisional [ICRA]AAA mfs	-	-	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Bajaj Finserv Overnight Fund	Not applicable
Bajaj Finserv Liquid Fund	Not applicable
Bajaj Finserv Money Market Fund	Not applicable
Bajaj Finserv Banking and PSU 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	Bajaj Finserv Overnight Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	Bajaj Finserv Liquid Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	Bajaj Finserv Money Market Fund	NA	NA	NA	NA	Provisional [ICRA]A1+mfs
NA	Bajaj Finserv Banking and PSU Fund	NA	NA	NA	NA	Provisional [ICRA]AAAmfs

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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