

November 09, 2023

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 Liquid Fund	-	-	[ICRA]A1+mfs; reaffirmed
HSBC Overnight Fund	-	-	[ICRA]A1+mfs; reaffirmed
HSBC Ultra Short Duration Fund	-	-	[ICRA]A1+mfs; reaffirmed
HSBC Dynamic Bond Fund	-	-	[ICRA]AAAmfs; reaffirmed
HSBC Low Duration Fund	-	-	[ICRA]AAAmfs; reaffirmed
HSBC Short Duration Fund	-	-	[ICRA]AAAmfs; reaffirmed
HSBC Corporate Bond Fund	-	-	[ICRA]AAAmfs; reaffirmed
HSBC Money Market Fund	-	-	[ICRA]A1+mfs; reaffirmed
HSBC Banking and PSU Debt Fund	-	-	[ICRA]AAAmfs; reaffirmed
Total	-	-	

*Instrument details are provided in Annexure-1

Rationale and key rating drivers

ICRA has reaffirmed the ratings for various debt mutual fund schemes of HSBC Asset Management (India) Private Limited (AMC). The ratings for various schemes 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 these schemes were comfortably within the benchmark limits for their 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 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 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. Further, 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 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.

For other schemes – 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.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA Rating Methodology - Mutual Funds
Parent/Group Support	Not applicable
Consolidation/Standalone	Not applicable

About the company

HSBC Asset Management (India) Private Limited

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 assets under management (AUM) stood at Rs. 97,641 crore for the quarter ended on September 30, 2023.

On December 23, 2021, HSBC Asset Management (India) Private Ltd, entered into an agreement with L&T Finance Holdings Limited (LTFH) to fully acquire L&T Investment Management Limited (LTIM) for US\$425 million. The merger of the schemes was completed in November 2022.

HSBC Liquid Fund

HSBC Liquid 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. 14,754 crore as on September 30, 2023.

HSBC Overnight Fund

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 repos and debt instruments with overnight maturity to offer minimal exposure to risk and preserve the capital. The scheme's AUM stood at Rs. 2,836 crore as on September 30, 2023.

HSBC Ultra Short Duration Fund

It is an open-ended ultra-short-term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between three and six 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. 2,378 crore as on September 30, 2023.

HSBC Dynamic bond Fund

HSBC Flexi Debt Fund, HSBC Corporate Bond Fund and L&T Flexi Bond Fund got merged to form HSBC Dynamic Bond Fund. It is an open-ended dynamic debt scheme investing across duration. The investment objective of the fund is to provide regular income over long term. The scheme focuses on investing in debt/money market Instruments. The scheme's AUM stood at Rs. 187 crore as on September 30, 2023.

HSBC Banking and PSU Debt Fund

HSBC Banking and PSU Debt Fund was formed in November 2022, which was formerly known as L&T Banking and PSU Debt Fund. It is an open-ended debt mutual fund scheme primarily investing in debt instruments of banks, public sector undertakings (PSUs), public finance institutions, and municipal bonds. The scheme aims at generating reasonable returns by primarily investing in debt and money market securities that are issued by banks, public sector undertakings, and public finance institutions in India. The scheme had an AUM of Rs. 4,494 crore as on September 30, 2023.

HSBC Low Duration Fund

HSBC Low Duration Fund has merged into L&T Low Duration Fund and the surviving scheme has been renamed HSBC Low Duration Fund. It is an open-ended low duration debt scheme investing in instruments such that the Macaulay duration (MD) of the portfolio is between six and 12 months. The schemes aim at generating reasonable returns primarily through investments in fixed-income securities and money market instruments. The scheme had an AUM of Rs. 464 crore as on September 30, 2023.

HSBC Short Duration Fund

HSBC Short Duration Fund was merged into L&T Short Term Bond Fund and the surviving scheme has been renamed as HSBC Short Duration Fund. It is an open-ended short-term debt scheme investing in instruments such that the Macaulay duration (MD) of the portfolio is between one and three years. The scheme aims at generating regular returns and capital appreciation by investing in debt, Government, and money market securities. The scheme had an AUM of Rs. 3,379 crore as on September 30, 2023.

HSBC Corporate Bond Fund

The fund was formerly known as L&T Triple Ace Bond Fund. It is an open-ended debt scheme predominantly investing in AA+ and above rated corporate bonds. The scheme aims at generating regular return by investing predominantly in AA+ and above rated debt and money market instruments. The scheme had an AUM of Rs. 6,654 crore as on September 30, 2023.

HSBC Money Market Fund

The fund was formerly known as L&T Money Market Fund. It is an open-ended debt scheme investing in money market instruments. The scheme aims at generating regular returns through investment in a portfolio comprising largely money market instruments. The scheme had an AUM of Rs. 1,246 crore as on September 30, 2023.

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 (FY2024)				Chronology of Rating History for the Past 3 Years					
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Rating	FY2023		FY2022	FY2021		
					November-09-2023	Jan-17-2023	May-11-2022	May-27-2021	Feb-04-2021	Oct-05-2020	Jul-03-2020
1	HSBC 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
2	HSBC Dynamic Bond Fund	Long	-	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	Provisional [ICRA]AAAmfs; confirmed as final	Provisional [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	[ICRA]A1+mfs
5	HSBC Banking & PSU Debt Fund	Long Term	-	-	[ICRA]AAAmfs	[ICRA]AAAmfs	-	-	-	-	-
6	HSBC Low Duration Fund	Long Term	-	-	[ICRA]AAAmfs	[ICRA]AAAmfs	-	-	-	-	-
7	HSBC Short Duration Fund	Long Term	-	-	[ICRA]AAAmfs	[ICRA]AAAmfs	-	-	-	-	-
8	HSBC Corporate Bond Fund	Long Term	-	-	[ICRA]AAAmfs	[ICRA]AAAmfs	-	-	-	-	-
9	HSBC Money Market Fund	Short Term	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	-	-	-	-	-

Complexity level of the rated instrument

Instrument Name	Complexity Indicator
HSBC Liquid Fund	NA
HSBC Overnight Fund	NA
HSBC Ultra Short Duration Fund	NA
HSBC Dynamic Bond Fund	NA
HSBC Low Duration Fund	NA
HSBC Short Duration Fund	NA
HSBC Corporate Bond Fund	NA
HSBC Money Market Fund	NA
HSBC Banking and PSU Debt Fund	NA

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-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	HSBC Liquid Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	HSBC Overnight Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	HSBC Ultra Short Duration Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	HSBC Dynamic Bond Fund	NA	NA	NA	NA	[ICRA]AAAmfs
NA	HSBC Low Duration Fund	NA	NA	NA	NA	[ICRA]AAAmfs
NA	HSBC Short Duration Fund	NA	NA	NA	NA	[ICRA]AAAmfs
NA	HSBC Corporate Bond Fund	NA	NA	NA	NA	[ICRA]AAAmfs
NA	HSBC Money Market Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	HSBC Banking and PSU Debt Fund	NA	NA	NA	NA	[ICRA]AAAmfs

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

ANALYST CONTACTS

Karthik Srinivasan

+91 22 6114 3444

karthiks@icraindia.com

Prateek Mittal

+91 33 7150 1132

prateek.mittal@icraindia.com

Gayatri Kulkarni

+91 22 6114 3471

gayatri.kulkarni@icraindia.com

Komal M Mody

+91 22 6114 3424

komal.mody@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

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.

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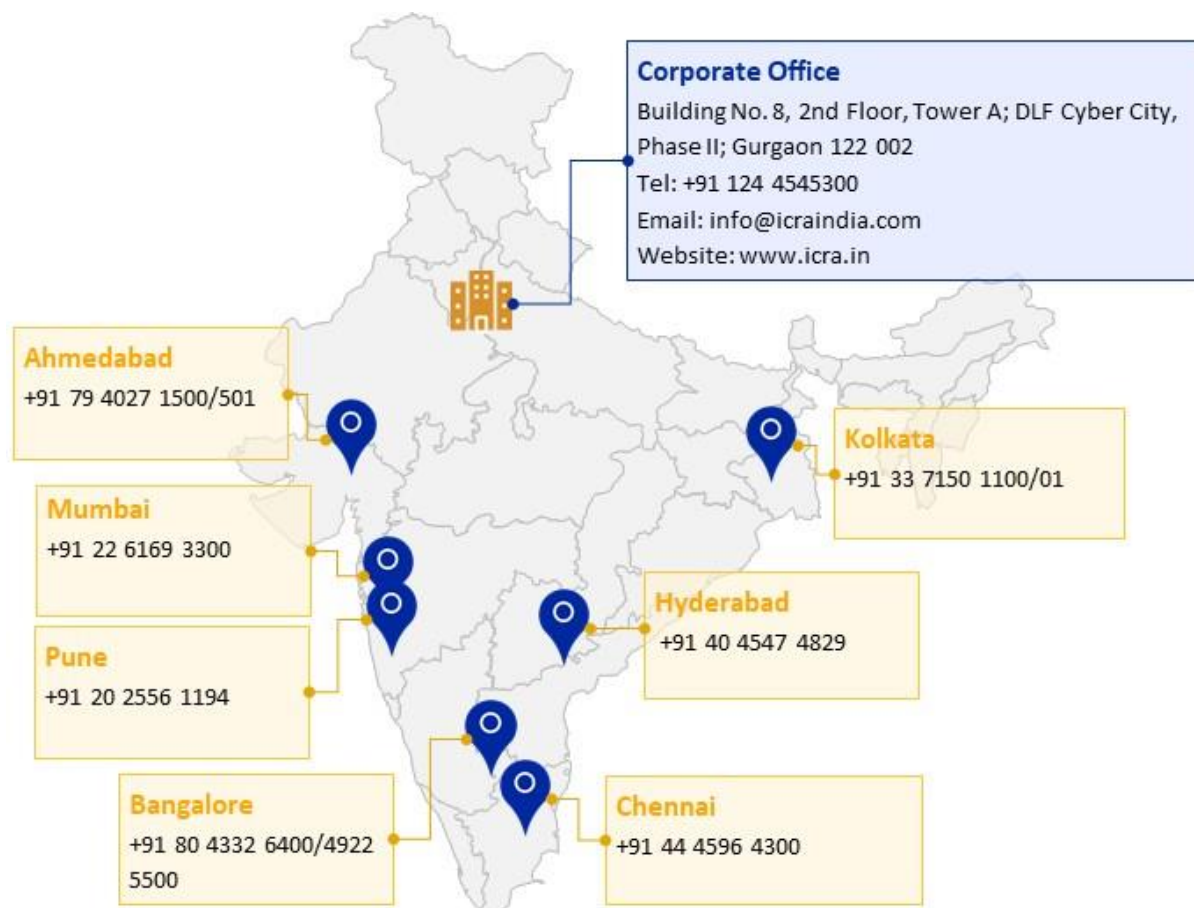


Registered Office

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



Branches



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