

March 06, 2024

## Baroda BNP Paribas Asset Management India Private Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Baroda BNP Paribas Liquid Fund	-	-	[ICRA]A1+mfs; reaffirmed
Baroda BNP Paribas Ultra Short Duration Fund	-	-	[ICRA]A1+mfs; reaffirmed
Baroda BNP Paribas Money Market Fund	-	-	[ICRA]A1+mfs; reaffirmed
Baroda BNP Paribas Overnight Fund	-	-	[ICRA]A1+mfs; reaffirmed
<b>Total</b>	-	-	

\*Instrument details are provided in Annexure I

### Rationale and key rating drivers

The rating for various schemes of Baroda BNP Paribas Asset Management India Private Limited has 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 level.

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 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 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 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 Baroda BNP Paribas 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 rating of the schemes if the credit quality of the underlying investment deteriorates or the share of lower rated investments increases 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 - Mutual Fund Credit Risk Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

## About the company

Baroda Asset Management Company Limited merged its asset management business with BNP Paribas Asset Management India Private Limited (the surviving AMC) effective from March 14, 2022. As a part of the entire transaction, Bank of Baroda and BNP Paribas Asset Management Asia Limited hold 50.1% and 49.9% stakes, respectively, in the merged AMC. The mutual fund had an average AUM of ~Rs. 33,176 crore<sup>1</sup> for the quarter ended December 2023.

### Baroda BNP Paribas Liquid Fund

Launched in February 2009, the stated objective of the scheme is to generate income with a high level of liquidity by investing in a portfolio of money market and debt securities. The portfolio is largely invested in high rated and liquid instruments. The fund house also maintains an adequate proportion of the portfolio in cash and instruments with daily put and call options to manage the liquidity requirements. The fund's AUM stood at ~Rs. 8,856 crore as on January 31, 2024 and it had an average maturity of 0.13 years as on that date.

### Baroda BNP Paribas Ultra Short Duration Fund

It is an open-ended debt scheme that focuses on investing in a combination of short-term debt instruments including Treasury bills, certificates of deposit, commercial papers and corporate bonds such that the Macaulay duration of the portfolio is between 3 months and 6 months. The fund's AUM stood at ~Rs. 1,459 crore as on January 31, 2024 and it had an average maturity of 0.50 years as on that date.

<sup>1</sup> Source: [Research and Information - Average Aum / Mutual Funds in India \(amfiindia.com\)](#)

### Baroda BNP Paribas Money Market Fund

Launched in June 2019, Baroda BNP Paribas Money Market Fund is an open-ended debt scheme investing in money market instruments. The stated objective of the scheme is to provide reasonable returns, commensurate with low risk, while providing a high level of liquidity through investments made in money market instruments. The fund's AUM stood at ~Rs. 61 crore as on January 31, 2024 and it had an average maturity of 0.66 years as on that date.

### Baroda BNP Paribas Overnight Fund

Launched in April 2019, Baroda BNP Paribas Overnight Fund is an open-ended debt scheme investing in overnight securities. The stated objective of the scheme is to generate returns commensurate with low risk and provide a high level of liquidity through investments made primarily in overnight securities. The scheme invests in debt and money market instruments with a maturity of one business day. The fund's AUM stood at ~Rs. 597 crore as on January 31, 2024 and it had an average maturity of 1 day as on that date.

**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 O/S (Rs. crore)	Date & Rating	Date & Rating in FY2023		Date & Rating in FY2021	Date & Rating in FY2020
					Mar 06, 2024	Mar 28, 2023	Apr 1, 2022		
1	Baroda BNP Paribas Liquid Fund	ST	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	-	-
2	Baroda BNP Paribas Ultra Short Duration Fund	ST	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	-	-
3	Baroda BNP Paribas Money Market Fund	ST	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	-	-
4	Baroda BNP Paribas Overnight Fund	ST	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	-	-

ST – Short term

### 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 instrument 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	Baroda BNP Paribas Liquid Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	Baroda BNP Paribas Ultra Short Duration Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	Baroda BNP Paribas Money Market Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	Baroda BNP Paribas Overnight 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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