

May 07, 2024

Edelweiss Asset Management Limited: Ratings reaffirmed

Summary of rating action

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

*Instrument details are provided in Annexure I

Rationale and key rating drivers

ICRA has reaffirmed the ratings of various debt schemes of Edelweiss Asset Management Limited (the asset management company; AMC). The ratings 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 (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 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 ratings of the schemes 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 |
| 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 AUM¹ for the quarter ended March 31, 2024 was Rs. 1,25,125 crore (Rs. 1,00,593 crore for the quarter ended March 31, 2023).

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 public sector undertaking (PSU) bonds and state development loans (SDLs) maturing on or before April 2026.

Edelweiss Money Market Fund

It is an open-ended debt scheme investing in money market securities with the stated objective of generating returns commensurate with the risk of investing in money market instruments having maturity of up to 1 year.

¹ <https://www.amfiindia.com/research-information/aum-data/average-aum>

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.

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| S. No. | Name of Scheme | Current Rating (FY2025) | | | | Chronology of Rating History for the Past 3 Years | | | | | | |
|--------|---|-------------------------|--------------------------|--|-------------------------|---|---------------|-------------------------|---|-------------------------|---------------|-------------------------|
| | | Type | Amount Rated (Rs. crore) | Amount Outstanding as of March 31, 2024, (Rs. crore) | Date & Rating in FY2025 | Date & Rating in FY2024 | | | | Date & Rating in FY2023 | | Date & Rating in FY2022 |
| | | | | | May 07, 2024 | Dec 28, 2023 | Aug 30, 2023 | Jul 20, 2023 | Jun 21, 2023 | Feb 16, 2023 | Jul 28, 2022 | Sep 29, 2021 |
| 1 | Edelweiss NIFTY PSU Bond Plus SDL Apr 2026 50:50 Index Fund | Long term | - | - | [ICRA]AA A mfs | [ICRA]AAA mfs | [ICRA]AAA mfs | [ICRA]AAAmfs; withdrawn | [ICRA]AAAmfs; placed on notice for withdrawal for 1 month | [ICRA]AA Amfs | [ICRA]AA Amfs | - |
| 2 | Edelweiss Money Market Fund | Short term | - | - | [ICRA]A1+ mfs | [ICRA]A1+ mfs | - | - | - | - | - | - |
| 3 | Edelweiss 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 |

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

Not applicable

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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