

July 09, 2024

LIC Mutual Fund Asset Management Limited: Ratings reaffirmed

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 Ultra Short Duration Fund	-	-	[ICRA]A1+mfs; reaffirmed
LIC MF Overnight Fund	-	-	[ICRA]A1+mfs; reaffirmed
LIC MF Low Duration Fund (erstwhile 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
Total	-	-	

*Instrument details are provided in Annexure I

Rationale and key rating drivers

ICRA has reaffirmed the ratings of various debt schemes of LIC Mutual Fund 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 the schemes were comfortably within the benchmark limit 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 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 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 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	ICRA's Methodology for Mutual Funds
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 LIC's associate company. 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 LIC Mutual Fund, acquired the schemes of IDBI MF from IDBI AMC with effect from July 29, 2023. LICMF had an AUM {including gold exchange-traded funds (ETFs)} of Rs. 18,745 crore¹ as on May 31, 2024.

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 May 31, 2024, the scheme's AUM was Rs. 21 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. 12,530 crore as on May 31, 2024.

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 that the Macaulay duration (MD) of the portfolio is between 3 months and 6 months. The scheme's AUM stood at Rs. 161 crore as on May 31, 2024.

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 scheme's AUM was Rs. 24 crore as on May 31, 2024.

LIC MF Low Duration Fund (erstwhile 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 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 was Rs. 1,487 crore as on May 31, 2024.

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 was Rs. 171 crore as on May 31, 2024.

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. 1,410 crore as on May 31, 2024.

¹ Source: AMC's [website](#)

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years							
Instrument	Type	Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024				Date & Rating in FY2023		Date & Rating in FY2022	
			Jul 09, 2024	Sep 1, 2023	Jun 26, 2023	Apr 4, 2023	Dec 1, 2022	Aug 30, 2022	Aug 5, 2022	Sep 17, 2021	May 13, 2021
1 LIC MF Money Market Fund	Short term	-	[ICRA]A1+mfs	[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
3 LIC MF Low Duration Fund (erstwhile LIC MF Savings Fund)	Long term	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs ²	[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]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
5 LIC MF Banking & PSU Debt Fund	Long term	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
6 LIC MF Ultra Short Duration Fund	Short term	-	[ICRA]A1+mfs	[ICRA]A1+mfs							
7 LIC MF Overnight Fund	Short term	-	[ICRA]A1+mfs	[ICRA]A1+mfs							

² Rating of [ICRA]A1+mfs has been withdrawn and rating of [ICRA]AAAmfs has been assigned simultaneously

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: 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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