

October 07, 2024

JM Financial Asset Management Limited: Rating reaffirmed for JM Liquid Fund

Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|----------------|--------------------------------------|-------------------------------------|--------------------------|
| JM Liquid Fund | - | - | [ICRA]A1+mfs; reaffirmed |
| Total | - | - | |

*Instrument details are provided in Annexure I

Rationale and key rating drivers

ICRA has reaffirmed the rating for JM Financial Asset Management Limited's (the asset management company; AMC) JM Liquid Fund at [ICRA]A1+mfs. The rating has been reaffirmed following ICRA's monitoring of the credit risk profile of the month-end portfolio position of the scheme. The credit risk score for the scheme was comfortably within the benchmark limit for the current rating level.

Mutual fund (MF) ratings incorporate ICRA's assessment of the creditworthiness of a debt MF scheme's investment portfolio. The rating is 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 that have been made by the MF scheme. The rating does not indicate the AMC and/or the scheme's willingness and/or ability to make timely redemptions to its investors. The rating also does not address the market risks and hence should not be construed as an indication of the expected returns, the prospective performance of the MF scheme, and the ability to redeem the investments at the reported net asset value (NAV) or the 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.

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

Positive factors – Not applicable

Negative factors – ICRA could downgrade the rating of the scheme 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 | Rating methodology for mutual funds |
| Parent/Group support | Not applicable |
| Consolidation/Standalone | Not applicable |

About the company

JM Financial Asset Management Limited (formerly known as JM Financial Asset Management Private Limited) is the asset management company for JM Financial Mutual Fund. The AMC was incorporated on June 09, 1994, and registered under the Companies Act, 1956. JM Financial Limited is the sole sponsor of JM Financial Mutual Fund. The fund's quarterly average AUM stood at Rs. 11,445 crore¹ for the quarter ended September 30, 2024.

JM Liquid Fund

JM Liquid Fund is an open-ended debt scheme, which was launched in December 1997. Its primary objective is to provide income by way of dividends and capital gains through investment in debt and money market securities with maturity of up to 91 days only. The fund's month-end AUM stood at ~Rs. 2,058 crore, as on August 31, 2024, with average maturity of 0.14 years.

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

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

Rating history for past three years

| Instrument | Current (FY2025) | | | Chronology of rating history for the past 3 years | | | | | |
|----------------|------------------|--------------------------|---------------|---|---------------|--------------|----------------|--------------|---------------|
| | Type | Amount rated (Rs. crore) | Oct 07, 2024 | FY2024 | | FY2023 | | FY2022 | |
| | | | | Date | Rating | Date | Rating | Date | Rating |
| JM Liquid Fund | Mutual fund – ST | - | [ICRA] A1+mfs | Oct 18, 2023 | [ICRA] A1+mfs | Dec 06, 2022 | [ICRA] A1+mfs^ | Jan 24, 2022 | [ICRA] AAAMfs |

ST – Short term; ^ Long-term rating of [ICRA]AAAMfs withdrawn and [ICRA]A1+mfs assigned simultaneously

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|----------------|----------------------|
| JM Liquid 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 | JM Liquid 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.

For more information, visit www.icra.in

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Branches



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