

November 05, 2024

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

*Instrument details are provided in Annexure I

Rationale and key rating drivers

ICRA has reaffirmed the ratings for various debt mutual fund (MF) schemes of HSBC Asset Management (India) Private Limited (AMC), following its 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.

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 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 also 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. 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 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's 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 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 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	Mutual Funds
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

The above-mentioned schemes are the MF schemes of HSBC MF, 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 AUM stood at Rs. 1,27,236 crore for the quarter ended September 30, 2024¹.

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

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

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, aiming to offer minimal exposure to risk and preserve the capital. The scheme's AUM stood at Rs. 17,059 crore as on September 30, 2024.

HSBC Overnight Fund

The objective is to generate short-term optimal returns in line with overnight rates. It is an open-ended debt scheme investing 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. 2,214 crore as on September 30, 2024.

HSBC Ultra Short Duration Fund

It is an open-ended ultra-short-term debt scheme investing in instruments such that the Macaulay duration (MD) of the portfolio is between 3 months and 6 months. The stated investment objective of the scheme is to give 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. 2,775 crore as on September 30, 2024.

HSBC Dynamic Bond Fund

HSBC Flexi Debt Fund, HSBC Corporate Bond Fund and L&T Flexi Bond Fund were merged to form HSBC Dynamic Bond Fund. It is an open-ended dynamic debt scheme investing across duration. The investment objective is to provide regular income over the long term. The scheme focuses on investing in debt/money market instruments. Its AUM stood at Rs. 159 crore as on September 30, 2024.

HSBC Banking and PSU Debt Fund

HSBC Banking and PSU Debt Fund was formed in November 2022 and was formerly known as L&T Banking and PSU Debt Fund. It is an open-ended debt MF scheme primarily investing in the debt instruments of banks, public sector undertakings (PSUs), public finance institutions, and municipal bonds. The scheme aims to generate reasonable returns by primarily investing in debt and money market securities that are issued by banks, PSUs, and public finance institutions in India. It had an AUM of Rs. 4,204 crore as on September 30, 2024.

HSBC Low Duration Fund

HSBC Low Duration Fund was merged into L&T Low Duration Fund and the surviving scheme was renamed HSBC Low Duration Fund. It is an open-ended low duration debt scheme investing in instruments such that the MD of the portfolio is between 6 months to 12 months. The scheme aims to generate reasonable returns primarily through investments in fixed income securities and money market instruments. It had an AUM of Rs. 437 crore as on September 30, 2024.

HSBC Short Duration Fund

HSBC Short Duration Fund was merged into L&T Short Term Bond Fund and the surviving scheme was renamed HSBC Short Duration Fund. It is an open-ended short-term debt scheme investing in instruments such that the MD of the portfolio is between 1 year and 3 years. The scheme aims to generate regular returns and capital appreciation by investing in debt, government, and money market securities. It had an AUM of Rs. 3,761 crore as on September 30, 2024.

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 to generate regular returns by investing predominantly in AA+ and above rated debt and money market instruments. It had an AUM of Rs. 6,562 crore as on September 30, 2024.

HSBC Money Market Fund

Formerly known as L&T Money Market Fund, it is an open-ended debt scheme investing in money market instruments. The scheme aims to generate regular returns through investment in a portfolio largely comprising money market instruments. It had an AUM of Rs. 1,884 crore as on September 30, 2024.

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	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	5-Nov-24	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
HSBC Liquid Fund	Short term	-	[ICRA]A1+mfs	9-Nov-23	[ICRA]A1+mfs	11-May-22	[ICRA]A1+mfs	27-May-21	[ICRA]A1+mfs
						17-Jan-23	[ICRA]A1+mfs		
HSBC Dynamic Bond Fund	Long term	-	[ICRA]AAAmfs	9-Nov-23	[ICRA]AAAmfs	11-May-22	[ICRA]AAAmfs	27-May-21	[ICRA]AAAmfs
						17-Jan-23	[ICRA]AAAmfs		
HSBC Overnight Fund	Short term	-	[ICRA]A1+mfs	9-Nov-23	[ICRA]A1+mfs	11-May-22	[ICRA]A1+mfs	27-May-21	[ICRA]A1+mfs
						17-Jan-23	[ICRA]A1+mfs		
HSBC Ultra Short Duration Fund	Short term	-	[ICRA]A1+mfs	9-Nov-23	[ICRA]A1+mfs	11-May-22	[ICRA]A1+mfs	27-May-2021	[ICRA]A1+mfs
						17-Jan-23	[ICRA]A1+mfs		
HSBC Banking and PSU Debt Fund	Long term	-	[ICRA]AAAmfs	9-Nov-23	[ICRA]AAAmfs	17-Jan-23	[ICRA]AAAmfs		
HSBC Low Duration Fund	Long term	-	[ICRA]AAAmfs	9-Nov-23	[ICRA]AAAmfs	17-Jan-23	[ICRA]AAAmfs		
HSBC Short Duration Fund	Long term	-	[ICRA]AAAmfs	9-Nov-23	[ICRA]AAAmfs	17-Jan-23	[ICRA]AAAmfs		
HSBC Corporate Bond Fund	Long term	-	[ICRA]AAAmfs	9-Nov-23	[ICRA]AAAmfs	17-Jan-23	[ICRA]AAAmfs		
HSBC Money Market Fund	Short term	-	[ICRA]A1+mfs	9-Nov-23	[ICRA]A1+mfs	17-Jan-23	[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 I: 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 II: List of entities considered for consolidated analysis

Not applicable

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About ICRA Limited:

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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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