

June 02, 2025

## HDFC Asset Management Company Limited: [ICRA] A1+ assigned to bank facilities sanctioned to the schemes of HDFC Mutual Fund

### Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Short-term fund-based bank facilities – Others^	25,000.00	[ICRA]A1+; assigned
<b>Total</b>	<b>25,000.00</b>	

\*Instrument details are provided in Annexure I; ^Intraday liquidity facility for managing redemption of schemes of the HDFC Mutual Fund

### Rationale

ICRA has assigned an [ICRA]A1+ rating to the bank lines sanctioned to the schemes of HDFC Mutual Fund (HDFC MF) and managed by HDFC Asset Management Company Limited (HDFC AMC). The rated facilities are used for the HDFC MF's schemes to bridge the intraday timing mismatch between redemption payouts to unitholders and cash inflows through fresh subscription and/or sale/redemption of securities in the schemes during the day.

For redemptions in the equity schemes, the sale of assets is typically carried out on the day of the redemption request and deployed the next day on TREPS<sup>1</sup> for redemption payout and repayment of the intraday lines on the subsequent day. However, for open-ended debt schemes (OEDS), intraday liquidity management is a combination of the fresh inflows expected in the scheme, the maturity of the underlying investments in the scheme, the liquidity of the underlying investments (sale) and the ability of the schemes to raise funds by pledging securities {primarily TREPS of Government securities (G-Secs)/Treasury bills (T-bills)}. Hence, the ability of the OEDS to repay the intraday liquidity lines is a function of the credit quality of the underlying investments and the ability to raise funds by pledging securities. Since OEDS are required to maintain liquid assets<sup>2</sup> as per regulations, they can pledge these assets on TREPS to manage redemptions. However, if there is high volatility in the assets under management (AUM) due to redemptions, the sale of the underlying investments or the ability to raise borrowings (under TREPS) against the investments becomes a paramount factor for intraday liquidity management.

Accordingly, ICRA has analysed the OEDS that have displayed high negative volatility in the AUM. ICRA's assessment of the credit quality of these OEDS is guided by the credit ratings of the individual investments and the relative share of the scheme's allocation towards investments, besides the maturity schedule of such investments. These schemes typically have a high share of investments in sovereign and/or AAA rated instruments (proportion above 75%), which provides comfort on the HDFC MF's ability to generate liquidity to repay the rated lines in a timely manner. Instances of borrowing (excluding TREPS) in its OEDS have also remained limited, reflecting on its ability to manage intraday liquidity.

The credit profile remains exposed to events of sustained redemption pressure, which could result in the depletion of the liquid investments, exposing the schemes to liquidity risk.

<sup>1</sup> Tri Party Repo Dealing System (TREPS) is a proprietary product offered by The Clearing Corporation of India Limited (CCIL; rated [ICRA]AAA (Stable)), an institution authorised by the Reserve Bank of India (RBI). Through TREPS, entities can lend and borrow funds against G-Secs. The settlement of TREPS is guaranteed by CCIL

<sup>2</sup> OEDS are required to maintain 10% of the AUM in liquid assets (cash, T-bills and G-Secs). The minimum threshold is higher at 20% of the AUM for liquid schemes and overnight schemes

## Key rating drivers and their description

### Credit strengths

**Strong credit quality of underlying assets in schemes with relatively high negative volatility** – ICRA has analysed the OEDS of HDFC MF that have exhibited high daily negative volatility in their AUM. The analysis indicates that the credit quality of the underlying investments held in these schemes remains strong with investments in short-tenor instruments. At least 75% of the investments of each of these schemes is in sovereign and AAA rated instruments, providing comfort regarding its ability to pledge/sell these investments at short notice to meet its liquidity requirements.

**Robust risk management** – The HDFC MF maintains strong credit quality of the underlying assets in the OEDS, supporting its ability to sell/borrow against the underlying securities to manage its liquidity. Instances of overnight borrowings to manage intraday liquidity (excluding TREPS) have been limited in the past. Further, as per Securities and Exchange Board of India (SEBI) guidelines, the maximum borrowings cannot exceed 20% of the AUM (including TREPS) of any of the schemes.

### Credit challenges

**Market dislocation and/or adverse liquidity events leading to redemption pressure** – Though the HDFC MF has managed liquidity across all its schemes, the liquidity of the OEDS remains exposed to events of sustained redemption pressure. Any adverse liquidity event in the market or weakening in macro-economic factors could lead to a sustained increase in redemptions and a reduction in fresh inflows. During such liquidity events, the liquidity of the underlying investments may also decline. Further, investor concentration in many OEDS tends to be high; herd behaviour and bulky redemptions could be witnessed during events of market stress. Sustained redemption pressure can result in a sharp contraction in the liquid investments of the schemes, limiting HDFC MF's ability to incrementally sell/borrow against these instruments. A combination of these events can hence pose challenges to the liquidity management of such OEDS.

### Environmental and social risks

HDFC AMC does not directly face material environmental risks as its operations are primarily focused on managing the AUM across multiple schemes in order to achieve the relevant schemes' objective in terms of returns, risk mitigation, etc. However, financial institutions like HDFC AMC are exposed to environmental risks indirectly through their portfolio of underlying investments. Nonetheless, such risk is mitigated by virtue of investment diversification and the ability to readjust the portfolio, if required.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for financial institutions as material lapses could be detrimental to their reputation and invite regulatory censure. HDFC AMC has not faced any major lapses over the years. Additionally, it is noted that customer preferences are increasingly shifting towards the digital mode of transacting, necessitating more investment in technology. These social trends not only necessitate an increase in upfront investments, they also put greater onus on being more sensitive to data leaks. At the same time, these trends provide an opportunity to grow the business and reduce operating costs.

### Liquidity position: Superior

As on April 30, 2025, HDFC MF had access to sanctioned bank facilities of Rs. 28,100 crore comprising Rs. 6,000 crore of overnight facilities and Rs. 22,100 crore of intraday facilities. There was one instance of utilising overnight facilities during the 24-month period of March 2023 to March 2025. HDFC MF has largely managed all borrowings through the TREPS lending platform, managing within the regulatory threshold of 20% of the AUM.

## Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – A material deterioration in the credit quality of the underlying investments of the OEDS or sustained negative volatility in the AUM of the schemes will increase the liquidity risk.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Mutual Funds</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

## About the Mutual Fund and Asset Management company

HDFC Asset Management Company Limited (HDFC AMC) was incorporated under the Companies Act, 1956 on December 10, 1999, and HDFC Trustee Company Limited appointed HDFC AMC to act as the investment manager of HDFC Mutual Fund (HDFC MF) vide Trust Deed dated June 8, 2000. Securities and Exchange Board of India (SEBI) vide its letter dated July 03, 2000, approved HDFC AMC to act as the Asset Management Company to HDFC MF. It is also registered under the SEBI (Portfolio Managers) Regulations, 1993 and provides portfolio management services.

The average AUM of HDFC MF stood at Rs. 7.73<sup>3</sup> lakh crore for the quarter ended March 31, 2025 (Rs. 6.13 lakh crore as on March 31, 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 (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	June 02, 2025	Date	Rating	Date	Rating	Date	Rating
Short-term fund-based bank facilities – Others <sup>^</sup>	Short term	25,000.00	[ICRA] A1+	-	-	-	-	-	-

<sup>^</sup>Intraday liquidity facility for managing redemption of schemes of the mutual fund

## Complexity level of the rated instruments

Instrument	Complexity indicator
Short-term fund-based bank facilities – Others <sup>^</sup>	Very Simple

<sup>^</sup>Intraday liquidity facility for managing redemption of schemes of the mutual fund

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

<sup>3</sup> Quarterly average excluding Fund of Funds – Domestic but including Fund of Funds – Overseas  
<https://www.amfiindia.com/research-information/aum-data/average-aum>

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	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Short-term fund-based based bank facilities – Others <sup>^</sup>	NA	NA	NA	25,000.00	[ICRA]A1+

<sup>^</sup>Intraday liquidity facility for managing redemption of schemes of the mutual fund

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure II: List of entities considered for consolidated analysis

Not applicable

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