

August 04, 2025

## HSBC Asset Management (India) Private Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short-term fund-based bank lines – Others <sup>#</sup>	10,000.00	10,000.00	[ICRA]A1+; reaffirmed
<b>Total</b>	<b>10,000.00</b>	<b>10,000.00</b>	

\* Instrument details are provided in Annexure I

<sup>#</sup> Intraday liquidity facility/daylight overdraft facility for managing redemptions of schemes of the asset management company

### Rationale

ICRA has reaffirmed the rating assigned to the bank lines (intraday liquidity facility) sanctioned to the schemes of HSBC Mutual Fund (HSBC MF) and managed by HSBC Asset Management (India) Private Limited<sup>1</sup> (HSBC AMC). The rated facility is used for the asset management company's (AMC) 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>2</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 borrowing against Government securities (G-Secs)/Treasury bills (T-bills)}. Hence, the ability of the OEDS to repay 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>3</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 have a high share of investments in sovereign and/or AAA-rated instruments (more than 75%), which provides comfort regarding HSBC AMC's ability to generate liquidity to repay the rated lines in a timely manner. There has been no instance of dependence on overnight bank borrowings in any of the OEDS and redemptions have been primarily managed through TREPS borrowings or intraday lines during the 26-month period of April 2023 to May 2025.

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> As the investment manager of HSBC MF

<sup>2</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>3</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 the AMC 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. More than 75% of the investments of each of these schemes is in sovereign and AAA-rated instruments, providing comfort regarding the AMC's ability to pledge/sell these investments at short notice to meet its liquidity requirements.

**Robust risk management** – HSBC AMC maintains the 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 HSBC AMC 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 HSBC AMC'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.

### Liquidity position: Superior

As on June 30, 2025, HSBC AMC had access to sanctioned intraday facilities of Rs. 8,250 crore and an overnight borrowing facility of Rs. 250 crore. There was no instance of utilising overnight bank borrowing during the 26-month period of April 2023 to May 2025. HSBC AMC 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 company

Incorporated in December 2001, HSBC AMC was appointed the asset management company for the mutual fund business of HSBC Mutual Fund (HSBC MF). HSBC MF was established as a trust under the Indian Trusts Act, 1882, with HSBC Securities and Capital Markets (India) Private Limited as the sponsor of the AMC – HSBC Trustees (India) Private Limited.

HSBC AMC acquired L&T Investment Management Limited (LTIM), the AMC/MF business of L&T Financial Holdings Limited, in November 2022. HSBC AMC's daily average AUM was Rs. 1,36,933 crore in June 2025.

**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 (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Aug 04, 2025	Date	Rating	Date	Rating	Date	Rating
Short-term fund-based bank lines – Others	Short term	10,000	[ICRA]A1+	Aug 05, 2024	[ICRA]A1+	-	-	-	-

## Complexity level of the rated instrument

Instrument	Complexity indicator
Bank lines	Very Simple

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	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Short-term fund-based bank lines – Others*	-	-	-	10,000.00	[ICRA]A1+

\*Intraday liquidity facility/daylight overdraft facility for managing redemptions of schemes of the AMC

[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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