

May 29, 2026

Aditya Birla Sun Life Mutual Fund: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short-term fund-based bank facilities – Others [^]	17,000	17,000	[ICRA]A1+; reaffirmed
Total	17,000	17,000	

*Instrument details are provided in Annexure II; [^] Intraday liquidity facility for managing the intraday timing mismatch between redemption payout to unitholders and cash inflows

Rationale

ICRA has reaffirmed the [ICRA]A1+ rating assigned to the bank lines (intraday facilities) of Aditya Birla Sun Life Mutual Fund (ABSL MF), managed by Aditya Birla Sun Life AMC Limited (ABSL AMC; investment manager). The rated facilities are used for the mutual fund's (MF) schemes to bridge the intraday timing mismatches 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, assets are typically sold on the day of the redemption request and deployed the next day on TREPS¹ 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, maturity of underlying investments in the scheme, the liquidity of the underlying investments (sale) and the ability of the scheme 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 assets² as per regulations, they can pledge these assets on TREPS to manage redemptions. But, 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 critical factor for intraday liquidity management.

ICRA takes note of the Securities and Exchange Board of India's (SEBI) consultation paper, dated May 13, 2026, on the utilisation of intraday borrowings by MFs, which proposes to rationalise the extant framework for borrowings by MFs. Earlier, SEBI had issued a circular, dated March 13, 2026, limiting the utilisation of intraday borrowings to maturity/sale proceeds or the guaranteed receivables due on the same day from the Government of India (GoI), the Reserve Bank of India (RBI) or The Clearing Corporation of India Limited (CCIL). The circular could have constrained the ability of OEDS to utilise intraday lines, thereby affecting redemption payout timings. However, it was not expected to materially alter the asset management company's (AMC) ability to repay such lines in a timely manner as OEDS are required to maintain liquid assets^[2] under the extant regulations. These assets can be pledged on TREPS to meet redemption requirements. But, during periods of adverse liquidity conditions or heightened macroeconomic/geopolitical uncertainty, redemption-led volatility in AUM may increase materially. In such a scenario, the timely sale of underlying investments or the ability to raise borrowings against these investments under TREPS becomes critical for effective intraday liquidity management.

Nonetheless, the implementation of the circular has been deferred to July 15, 2026 (from the previous timeline of April 1, 2026). This follows representation by the Association of Mutual Funds in India (AMFI), proposing a more liberalised and policy-

¹ Treasury Bills Repurchase (TREPs) is a proprietary product offered by CCIL, an institution authorised by the RBI. Through TREPs, entities can lend and borrow funds against G-Secs. The settlement of TREPs is guaranteed by CCIL

² 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 AUM for liquid schemes and overnight schemes

based framework to address the structural intraday liquidity mismatches arising from differing settlement cycles across asset classes. SEBI's consultation paper, dated May 13, 2026, proposes to expand the scope of usage of intraday lines, allowing intraday borrowing beyond redemption payouts to cover broader operational needs like trade settlement (pay-in obligations), forex settlements, derivative obligations, repayment of existing borrowings, etc. It also aims to remove the restriction to limit intraday borrowings to guaranteed receivables and permit backing by both guaranteed and non-guaranteed receivables. It is also deliberated that the borrowings should be permissible to exceed receivables (intraday) subject to same-day extinguishment or conversion to overnight borrowings within regulatory limits.

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 usually have a high share of investments in sovereign and/or AAA-rated instruments (over 90% on average), which provides comfort regarding the MF's ability to generate liquidity to repay the rated lines in a timely manner. Further, most of these schemes have investments in short-tenor instruments. While the MF has availed TREPS borrowings intermittently, there were no instances of overnight bank borrowings in its OEDS during April 2024 to March 2026, reflecting 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.

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 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. As of April 2026, ~90% of the investments of these schemes was in sovereign and AAA-rated instruments, providing comfort regarding the MF's ability to pledge/sell these investments at short notice to meet its liquidity requirements.

Robust risk management – The 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. While it has availed TREPS borrowings intermittently, there were no instances of overnight bank borrowings in its OEDS during April 2024 to March 2026, reflecting its ability to manage intraday liquidity. Further, as per SEBI guidelines, the maximum borrowing cannot exceed 20% of the AUM (including TREPS) of any of the OEDS. However, the aforesaid limit is not applicable for intraday borrowings.

Credit challenges

Market dislocation and/or adverse liquidity events leading to redemption pressure – Though the 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 macroeconomic factors could lead to a sustained increase in redemptions and a reduction in fresh inflows. For instance, the current geopolitical concerns have increased the volatility in capital markets, which can lead to higher redemption pressure. 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 the 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.

Liquidity position: Superior

As of April 2026, ABSL MF had access to sanctioned intraday bank facilities of Rs. 22,160 crore³. The peak utilisation of the intraday facilities during the 24-month period of April 2024 to March 2026 was ~Rs. 23,000 crore, while the average utilisation was ~Rs. 6,000-7,000 crore. During this period, there were no instances of overnight bank borrowings by the MF. All payout obligations were managed through a combination of intraday facilities, self-liquidating assets and sale of investments, reflecting its superior ability to manage liquidity.

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, which increases the liquidity risk, will be a negative factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Mutual funds
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the company

Aditya Birla Sun Life Mutual Fund (ABSL MF) was constituted as a trust on December 16, 1994 in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) with Aditya Birla Capital Limited (subsidiary of Grasim Industries Limited) and Sun Life (India) AMC Investments Inc. as the sponsors and Aditya Birla Sun Life Trustee Private Limited as the trustee.

Aditya Birla Sun Life AMC Limited (ABSL AMC) was incorporated in 1994. Aditya Birla Capital Limited and Sun Life (India) AMC Investments Inc. are the promoters and major shareholders of the AMC. ABSL AMC is primarily the investment manager of ABSL MF. The AMC operates multiple alternate strategies including portfolio management services (PMS), real estate (RE) investments and alternative investment funds (AIFs). It is one of the leading asset managers in India, servicing 10.8 million investor folios. ABSL AMC has a pan-India presence across more than 310 locations with overall AUM of Rs. 4,814 billion for the quarter ended December 31, 2025 under its suite of MF (excluding domestic fund of funds; FoF), PMS, AIF, offshore and RE offerings. The quarterly average AUM⁴ of the schemes during the quarter ended March 31, 2026 (excluding FoF schemes) was Rs. 4,35,866 crore compared to Rs. 3,81,724 crore for the quarter ended March 31, 2025.

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

³ ICRA-rated limit is Rs. 17,000 crore

⁴ Source: AMFI website

Rating history for past three years

Instrument	Current (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	May 29, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Short-term fund-based bank facilities – Others [^]	Short term	17,000	[ICRA]A1+	-	-	Mar 31, 2025	[ICRA]A1+	-	-

[^]Intraday liquidity facility for managing redemptions of schemes of the AMC

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10, 2026

ICRA rated instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ Fls (\$))	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, Fls	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, Fls	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/Fls)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI’s grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Short-term fund-based bank facilities – Others [^]	Simple

[^]Intraday liquidity facility for managing the intraday timing mismatch between redemption payout to unitholders and cash inflows

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 II: 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 facilities – others [^]	NA	NA	NA	17,000	[ICRA]A1+

Source: Company; [^]Intraday liquidity facility for managing the intraday timing mismatch between redemption payout to unitholders and cash inflows

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

Annexure III: List of entities considered for consolidated analysis

Not applicable

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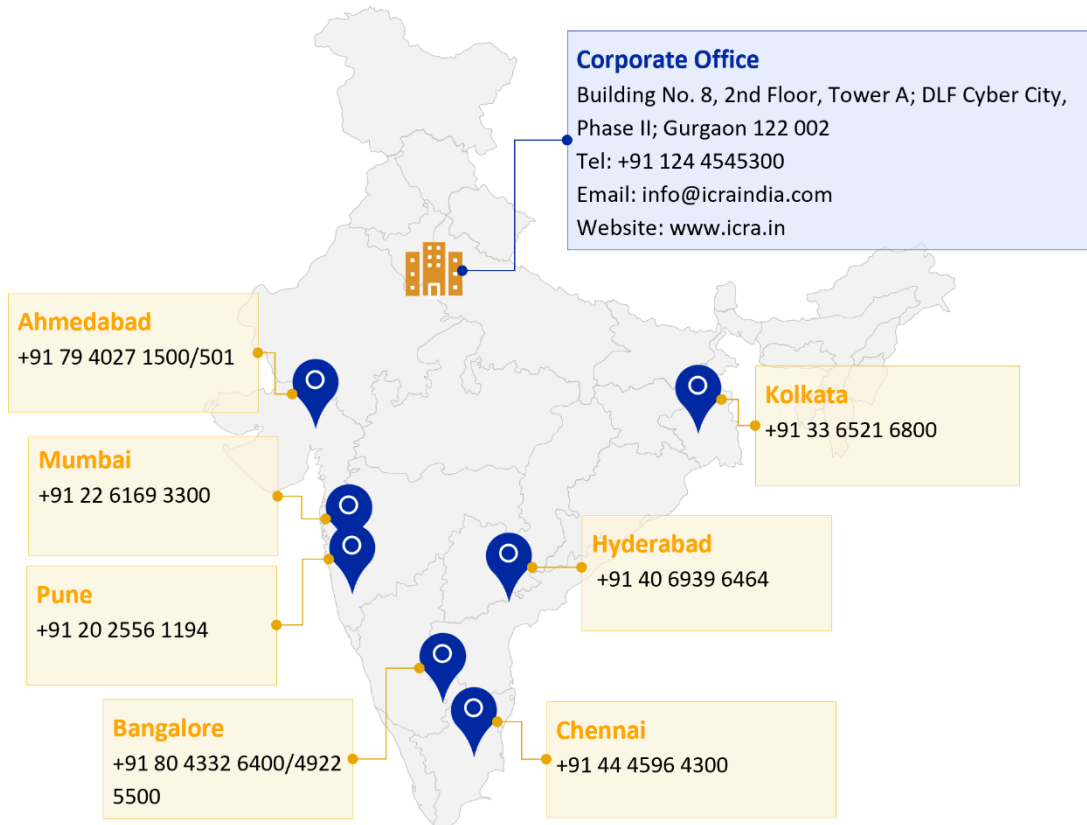


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