

L&T Investment Management Limited

| Scheme | Rating Action (October 2016) |
|-------------------------------|---------------------------------|
| L&T Banking and PSU Debt Fund | [ICRA]AAAmfs Assigned |

ICRA has assigned the credit risk rating of [ICRA]AAAmfs (pronounced ICRA triple A m f s) to L&T Banking and PSU Debt Fund of L&T Investment Management Limited. Schemes with [ICRA]AAAmfs rating are considered to have the highest degree of safety regarding timely receipt of payments from the investments that they have made. The ratings should not be construed as an indication of expected returns, prospective performance of the Mutual Fund scheme, NAV or of volatility in its returns.

Asset Management Company and Fund Details

L&T Investment Management Limited, the Asset Management Company of L&T Mutual Fund, is wholly owned subsidiary of L&T Finance Holdings Limited. The fund suite spans the whole range of investment opportunities – equity, fixed income and hybrid funds. In 2010, L&T MF acquired the asset management business of DBS Cholamandalam, and in 2012, the Indian business of Fidelity Mutual Fund. During Q2 FY2017, the average assets under management (AUM) of the company stood at Rs. 32,667 crores.

Launched on September 20, 2007, L&T Banking and PSU Debt Fund is an open-ended income scheme of L&T Investment Management Limited. The investment objective of the scheme is to generate reasonable returns by primarily investing in debt and money market securities that are issued by Banks, Public Sector Undertakings (PSUs) and Public Financial Institutions (PFIs) in India. The fund's corpus stood at Rs. 506 crore with an average residual maturity of around 5.2 years as on September 30, 2016.

ICRA Credit Quality Rating Methodology for debt mutual fund schemes

ICRA's mutual fund rating methodology is based on evaluating the inherent credit quality of the fund's portfolio. As a measure of the credit quality of a debt fund's assets, ICRA uses the concept of "credit scores". These scores are based on ICRA's estimates of credit risk associated with each exposure of the portfolio taking into account its maturity. To quantify the credit risk scores, ICRA uses its database of historical default rates for various rating categories for various maturity buckets. The credit risk ratings incorporate ICRA's assessment of a debt fund's published investment objectives and policies, its management characteristics, and the creditworthiness of its investment portfolio. ICRA reviews relevant fund information on an ongoing basis to support its published rating opinions. If the portfolio credit score meets the benchmark of the assigned rating during the review, the rating is retained. In an event that the benchmark credit score is breached, ICRA gives a month's time to the debt fund manager to bring the portfolio credit score within the benchmark credit score. If the debt fund manager is able to reduce the portfolio credit score within the benchmark credit score, the rating is retained. If the portfolio still continues to breach the benchmark credit score, the rating is revised to reflect the change in credit quality.

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