

May 03, 2023

ICICI Prudential Asset Management Company Limited: Ratings reaffirmed for various debt mutual fund schemes

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
ICICI Prudential Short Term Fund	-	-	[ICRA]AAAmfs; reaffirmed
ICICI Prudential Banking and PSU Debt Fund	-	-	[ICRA]AAAmfs; reaffirmed
ICICI Prudential Corporate Bond Fund	-	-	[ICRA]AAAmfs; reaffirmed
ICICI Prudential Savings Fund	-	-	[ICRA]AAAmfs; reaffirmed
ICICI Prudential Money Market Fund	-	-	[ICRA]A1+mfs; reaffirmed
ICICI Prudential Liquid Fund	-	-	[ICRA]A1+mfs; reaffirmed
ICICI Prudential Overnight Fund	-	-	[ICRA]A1+mfs; reaffirmed
Total	-	-	

*Instrument details are provided in Annexure I

Rationale and key rating drivers

ICRA has reaffirmed the ratings of various debt mutual fund (MF) schemes of ICICI Prudential Asset Management Company Limited (the asset management company; AMC). The ratings have been reaffirmed following ICRA's monitoring of the credit risk profile of the month-end portfolio position of the 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 AMC's and/or any of its scheme's willingness and/or ability to make timely redemptions to its investors. The ratings 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 on 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. Furthermore, 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 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 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 a period of at least three months.

Liquidity position: Not applicable

Rating sensitivities

Positive factors – Not applicable

Negative factors –

For ICICI Prudential 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 MF schemes - ICRA could downgrade the ratings of the schemes if the credit quality of the underlying investment deteriorates or if there is an increase in the share of lower rated investments on account of a decline in the assets under management (AUM) or otherwise, leading to a breach in the threshold for the rating level.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA - Mutual Fund Credit Risk Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the company

ICICI Prudential Mutual Fund (ICICI Prudential MF) was established as a trust under the Indian Trust Act, 1882 by ICICI Bank and Prudential Plc, with ICICI Prudential Trust Limited as the trustee company and ICICI Prudential Asset Management Company Limited as the investment manager. ICICI Prudential Asset Management Company Limited is a joint venture between ICICI Bank (51% holding; one of the largest private sector banks in India) and Prudential Plc (49% holding), one of the United Kingdom's largest players in the financial services sector.

ICICI Prudential MF had average AUM (AUM; including overseas Fund of Funds but excluding domestic Fund of Funds) of Rs. 4,99,625¹ crore as on March 31, 2023 (compared to Rs. 4,68,197¹ crore as of March 31, 2022).

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

ICICI Prudential Short Term Fund

Launched on October 25, 2001, ICICI Prudential Short Term Fund is an open-ended short-term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 year and 3 years. The fund's AUM stood at Rs. 14,797 crore as on March 31, 2023 with an average residual maturity of 4.78 years.

ICICI Prudential Banking and PSU Debt Fund

Launched on January 01, 2010, ICICI Prudential Banking and PSU Debt Fund is an open-ended debt scheme predominantly investing in the debt instruments of banks, public sector undertakings, public financial institutions and municipal bonds. The fund's AUM stood at Rs. 7,554 crore as of March 31, 2023 with an average residual maturity of 6.94 years on that date.

ICICI Prudential Corporate Bond Fund

Launched on June 12, 2009, ICICI Prudential Corporate Bond Fund is an open-ended debt scheme predominantly investing in corporate bonds rated AA+ and above. The fund's AUM stood at Rs. 19,377 crore as of March 31, 2023 with an average residual maturity of 4.14 years on that date.

ICICI Prudential Savings Fund

Launched on September 27, 2002, ICICI Prudential Savings Fund is an open-ended low duration debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 6 months and 12 months. The fund's AUM stood at Rs. 17,662 crore as of March 31, 2023 with an average residual maturity of 4.29 years.

ICICI Prudential Money Market Fund

Launched on March 6, 2002, ICICI Prudential Money Market Fund is an open-ended debt scheme investing in money market instruments. The fund's AUM stood at Rs. 8,948 crore as of March 31, 2023 with an average residual maturity of 0.91 years on that date.

ICICI Prudential Liquid Fund

Launched on June 24, 1998, ICICI Prudential Liquid Fund is an open-ended liquid scheme. The fund's AUM stood at Rs. 36,077 crore as of March 31, 2023 with an average residual maturity of 0.18 years on that date.

ICICI Prudential Overnight Fund

Launched on November 15, 2018, ICICI Prudential Overnight Fund is an open-ended debt scheme investing in overnight securities. The fund's AUM stood at Rs. 10,650 crore as of March 31, 2023.

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

S. No.	Name of Scheme	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					May 3, 2023	Dec 05, 2022	May 27, 2022	Jul 02, 2021	Jul 06, 2020
1	ICICI Prudential Short Term Fund	Long term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs
2	ICICI Prudential Banking and PSU Debt Fund	Long term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs
3	ICICI Prudential Corporate Bond Fund	Long term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs
4	ICICI Prudential Savings Fund	Long term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs
5	ICICI Prudential Money Market Fund	Short term	-	-	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs
6	ICICI Prudential Liquid Fund	Short term	-	-	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs
7	ICICI Prudential Overnight Fund	Short term	-	-	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs

Complexity level of the rated instruments

Instrument	Complexity Indicator
ICICI Prudential Short Term Fund	Not applicable
ICICI Prudential Banking and PSU Debt Fund	Not applicable
ICICI Prudential Corporate Bond Fund	Not applicable
ICICI Prudential Savings Fund	Not applicable
ICICI Prudential Money Market Fund	Not applicable
ICICI Prudential Liquid Fund	Not applicable
ICICI Prudential Overnight Fund	Not applicable

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	ICICI Prudential Short Term Fund		NA		NA	[ICRA]AAAmfs
NA	ICICI Prudential Banking and PSU Debt Fund		NA		NA	[ICRA]AAAmfs
NA	ICICI Prudential Corporate Bond Fund		NA		NA	[ICRA]AAAmfs
NA	ICICI Prudential Savings Fund		NA		NA	[ICRA]AAAmfs
NA	ICICI Prudential Money Market Fund		NA		NA	[ICRA]A1+mfs
NA	ICICI Prudential Liquid Fund		NA		NA	[ICRA]A1+mfs
NA	ICICI Prudential Overnight Fund		NA		NA	[ICRA]A1+mfs

NA – Not applicable

Annexure II: List of entities considered for limited consolidated analysis: Not applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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.

For more information, visit www.icra.in

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Branches



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