

September 26, 2019

Reliance Nippon Life Asset Management Limited: Ratings assigned for two capital protection schemes

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Reliance Capital Protection Fund II - Plan A	-	-	Provisional [ICRA]AAA (SO); assigned
Reliance Capital Protection Fund II - Plan B	-	-	Provisional [ICRA]AAA (SO); assigned
Reliance Strategic Debt Fund	-	-	[ICRA]A-mfs@; outstanding
Reliance Ultra Short Duration Fund	-	-	[ICRA]A2+mfs@; outstanding
Reliance Gilt Securities Fund	-	-	[ICRA]AAA mfs; outstanding
Reliance Low Duration Fund	-	-	[ICRA]AA+mfs@; outstanding
Reliance Prime Debt Fund	-	-	[ICRA]AA-mfs@; outstanding
Reliance Overnight Fund	-	-	[ICRA]A1+mfs; outstanding
Reliance Banking & PSU Debt Fund	-	-	[ICRA]AAA mfs; outstanding
Reliance Dynamic Bond Fund	-	-	[ICRA]AAA mfs; outstanding
Reliance Floating Rate Fund	-	-	[ICRA]AAA mfs; outstanding
Reliance Income Fund	-	-	[ICRA]AAA mfs; outstanding
Reliance Liquid Fund	-	-	[ICRA]A1+mfs; outstanding
Reliance Money Market Fund	-	-	[ICRA]A1+mfs; outstanding
Reliance Short Term Fund	-	-	[ICRA]AAA mfs; outstanding
Reliance Interval Fund – Quarterly Interval Fund – Series III	-	-	[ICRA]A1+mfs; outstanding
Reliance Interval Fund – Monthly Interval Fund – Series I	-	-	[ICRA]A1+mfs; outstanding
Reliance Interval Fund – Monthly Interval Fund – Series II	-	-	[ICRA]A1+mfs; outstanding
Reliance Interval Fund - Quarterly Interval Fund - Series II	-	-	[ICRA]A1+mfs; outstanding
Total	-	-	

@Under rating Watch with Negative Implications

*Instrument details are provided in Annexure-1

Rationale and Key Rating Drivers

ICRA has assigned a rating of Provisional [ICRA]AAA(SO) (pronounced provisional ICRA triple A structured obligation) to Reliance Capital Protection Fund II - Plan A and Reliance Capital Protection Fund II - Plan B of Reliance Nippon Life Asset Management Limited (the asset management company; AMC). Schemes with an [ICRA]AAA rating are considered to have the highest degree of safety regarding the timely receipt of payments from the investments that they have made. The provisional rating is subject to the scheme receiving regulatory approvals and the fulfilment of all the conditions specified in the portfolio structure.

The ratings indicate ICRA’s opinion on the credit quality of the portfolios that the funds hold. The ratings do not indicate the asset management company’s (AMC) willingness or ability to make timely payments to the funds’ investors. The ratings should not be construed as an indication of the expected returns, prospective performance of the mutual fund scheme, net asset value (NAV) or volatility in its returns.

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 the 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 and 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’s 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 the credit quality.

The portfolio structure for the capital protection schemes have been designed to protect the unit holders’ capital at maturity, which is ensured by investing a majority of the portfolio in debt securities maturing on or before the maturity of the schemes. The schemes will invest in debt securities only with a rating of [ICRA]AAA or equivalent, mitigating any concerns on credit risk. The proportion of debt securities is calculated such that the redemption value of debt less AMC expenses will be equal to or greater than the initial unit holder’s capital, offering the highest degree of protection to the unit holder’s capital at maturity. ICRA has factored in the credit risk of debt investments, reinvestment risk of interim receipts, precondition of marginal tenure mismatches and obligor concentrations. The debt portion would be passively managed. The balance would be invested in equity and equity-linked instruments to provide any upside potential to the unit holders. At the same time, given the proportion of high credit quality debt investments and the portfolio structure, the downside is protected, and the investor may not lose the initial investment at the time of maturity.

Liquidity position: Not applicable

Rating sensitivities:

Positive triggers – Not applicable

Negative triggers – ICRA could downgrade the rating of the capital protection oriented schemes, if post launch the maturity value of the debt holdings of the scheme and the current assets is lower than the amount mobilised from the investors or the credit rating of the underlying investments gets downgraded below AAA.

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

Reliance Nippon Life Asset Management Limited (RNAM) is the asset manager of Reliance Mutual Fund. As on August 31, 2019, Reliance Capital Limited and Nippon Life Insurance Company (promoters of the company) hold 32.12% and 53.46% respectively of the total issued and paid-up equity share capital of RNAM. In Q1 FY2020, RNAM's average assets under management (AUM) stood at Rs. 2,22,575.73 crores¹.

Reliance Capital Protection Fund II - Plan A and Plan B are envisaged to be 12 months to 61 months close-ended schemes. The actual tenure of the schemes will be decided at the time of launch.

Key financial indicators (audited): Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

¹ Source: Reliance Nippon Life Asset Management Limited

Rating history for past three years

S r. N o .	Nam e of Sche me	Type	Ra te d a mt	Current Rating (FY2020)				FY2019		FY2018		FY2017				
				26-Sep-19	13-Sep-19	07-Jun-19	17-May-19	17-Dec-18	30-Aug-18	09-Mar-18	19-Feb-18	27-Jul-17	17-Oct-16	15-Sep-16	03-Aug-16	12-Apr-16
1	Reliance Capital Protection Fund II - Plan A	Long Term	-	Provisional [ICRA]A AA (SO); assigned	-	-	-	-	-	-	-	-	-	-	-	-
2	Reliance Capital Protection Fund II - Plan B	Long Term	-	Provisional [ICRA]A AA (SO); assigned	-	-	-	-	-	-	-	-	-	-	-	-
3	Reliance Strat	Long Term	-	[ICRA]A -mfs@	[ICRA]A -mfs@; downgr	[ICRA]A mfs@; downgr	[ICRA]A+mfs @; downgraded	[ICRA] AAmfs	[ICRA] AAmfs	[ICRA] AAmfs	[ICRA] AAmfs	[ICRA] AAmfs	[ICRA]AA mfs assigned	[ICRA]AA mfs assigned	-	-

S. No.	Name of Scheme	Type	Rate	Current Rating (FY2020)				FY2019		FY2018		FY2017				
				26-Sep-19	13-Sep-19	07-Jun-19	17-May-19	17-Dec-18	30-Aug-18	09-Mar-18	19-Feb-18	27-Jul-17	17-Oct-16	15-Sep-16	03-Aug-16	12-Apr-16
	egic Debt Fund				aded from [ICRA]A+mfs@	aded from [ICRA]A+mfs@	from [ICRA]AAmfs and placed on rating watch with negative implications									
4	Reliance Ultra Short Duration Fund	Short Term	-	[ICRA]A 2+mfs@	[ICRA]A 2+mfs@	[ICRA]A 1mfs@;	[ICRA]A1mfs@;downgraded from [ICRA]A1+mfs and placed on rating watch with negative implications	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs
5	Reliance Gilt Securities Fund	Long Term	-	[ICRA]A AAmfs	[ICRA]A AAmfs	[ICRA]A AAmfs; assigned	-	-	-	-	-	-	-	-	-	-
6	Reliance Low Duration Fund	Long Term	-	[ICRA]A A+mfs@	[ICRA]A A+mfs@	[ICRA]A A+mfs@; downgraded from	[ICRA]AAA mfs	[ICRA] AAA mfs	[ICRA] AAA mfs	[ICRA] AAA mfs	[ICRA] AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs re-assigned from [ICRA]A1+mfs	[ICRA]A 1+mfs	[ICRA]A 1+mfs	

Sr. No.	Name of Scheme	Type	Rate	Current Rating (FY2020)				FY2019		FY2018		FY2017				
				26-Sep-19	13-Sep-19	07-Jun-19	17-May-19	17-Dec-18	30-Aug-18	09-Mar-18	19-Feb-18	27-Jul-17	17-Oct-16	15-Sep-16	03-Aug-16	12-Apr-16
7	Reliance Prime Debt Fund	Long Term	-	[ICRA]A A-mfs@	[ICRA]A A-mfs@	[ICRA]A A-mfs@	[ICRA]AA-mfs@; downgraded from [ICRA]AAAmfs and placed on rating watch with negative implications	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]A AAmfs	[ICRA]A AAmfs
8	Reliance Overnight Fund	Short Term	-	[ICRA]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	-	-	-	-	-	-	-	-
9	Reliance Overnight Fund	Short Term	-	[ICRA]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	-	-	-	-	-

S r. N o .	Nam e of Sche me	Type	Ra te d a mt	Current Rating (FY2020)				FY2019			FY2018			FY2017	
				26-Sep-19	13-Sep-19	07-Jun-19	17-May-19	17-Dec-18	30-Aug-18	09-Mar-18	19-Feb-18	27-Jul-17	17-Oct-16	15-Sep-16	03-Aug-16
	nce Inter val Fund - Quar terly Inter val Fund - Serie s III	Term		1+mfs	1+mfs	1+mfs		A1+mfs	A1+mfs	A1+mfs					
1 0	Relia nce Inter val Fund - Mon thly Inter val Fund - Serie s I	Short Term	-	[ICRA]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs	-	-	-	-	-
1	Relia	Short	-	[ICRA]A	[ICRA]A	[ICRA]A	[ICRA]A1+mfs	[ICRA]	[ICRA]	[ICRA]	-	-	-	-	-

S r. N o .	Nam e of Sche me	Type	Ra te d a mt	Current Rating (FY2020)				FY2019	FY2018			FY2017			
				26-Sep-19	13-Sep-19	07-Jun-19	17-May-19	17-Dec-18	30-Aug-18	09-Mar-18	19-Feb-18	27-Jul-17	17-Oct-16	15-Sep-16	03-Aug-16
1	nce Inter val Fund - Mon thly Inter val Fund - Serie s II	Term		1+mfs	1+mfs	1+mfs		A1+mfs	A1+mfs	A1+mfs					
1 2	Relia nce Inter val Fund - Quar terly Inter val Fund - Serie s II	Short Term	-	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA]A1+mfs; assigned	-	-	-	-
1	Relia	Short	-	[ICRA]A	[ICRA]A	[ICRA]A	[ICRA]A1+mfs	[ICRA]	[ICRA]	[ICRA]	[ICRA]	[ICRA]	[ICRA]	[ICRA]	[ICRA]

S.No.	Name of Scheme	Type	Rate	Current Rating (FY2020)				FY2019		FY2018			FY2017			
				26-Sep-19	13-Sep-19	07-Jun-19	17-May-19	17-Dec-18	30-Aug-18	09-Mar-18	19-Feb-18	27-Jul-17	17-Oct-16	15-Sep-16	03-Aug-16	12-Apr-16
3	LIQUID FUND	Term	-	1+mfs	1+mfs	1+mfs		A1+mfs	A1+mfs	A1+mfs	A1+mfs	A1+mfs	A1+mfs	A1+mfs	A1+mfs	A1+mfs
14	RELIANCE MONEY MARKET FUND	Short Term	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs
15	RELIANCE BANKING & PSU DEBT FUND	Long Term	-	[ICRA]AAmfs	[ICRA]AAmfs	[ICRA]AAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs
16	RELIANCE INCOME FUND	Long Term	-	[ICRA]AAmfs	[ICRA]AAmfs	[ICRA]AAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs*	[ICRA]AAAmfs*	[ICRA]AAAmfs*	[ICRA]AAAmfs*	[ICRA]AAAmfs*
17	RELIANCE FLOATING	Long Term	-	[ICRA]AAmfs	[ICRA]AAmfs	[ICRA]AAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs

S. No.	Name of Scheme	Type	Rate	Current Rating (FY2020)				FY2019		FY2018		FY2017				
				26-Sep-19	13-Sep-19	07-Jun-19	17-May-19	17-Dec-18	30-Aug-18	09-Mar-18	19-Feb-18	27-Jul-17	17-Oct-16	15-Sep-16	03-Aug-16	12-Apr-16
18	Reliance Short Term Fund	Long Term	-	[ICRA]AAmfs	[ICRA]AAmfs	[ICRA]AAmfs	[ICRA]AAAms	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAmfs	[ICRA]AAmfs
19	Reliance Dynamic Bond Fund	Long Term	-	[ICRA]AAmfs	[ICRA]AAmfs	[ICRA]AAmfs	[ICRA]AAAms	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAmfs	[ICRA]AAmfs

@Under rating watch with negative implications

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	NA	NA	NA	NA	NA	NA

Source: Reliance Nippon Life Asset Management Limited

Annexure-2: List of entities considered for consolidated analysis: Not applicable

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