

June 07, 2019

Reliance Nippon Life Asset Management Limited: Fresh rating assigned to Reliance Gilt Securities Fund, Rating downgraded for two schemes and rating reaffirmed for remaining schemes

Summary of rating action

Instrument	Current Rated Amount (Rs. crore)	Rating Action
Reliance Gilt Securities Fund	-	[ICRA]AAAmfs; assigned
Reliance Strategic Debt Fund	-	[ICRA]Amfs@; downgraded from [ICRA]A+mfs@; continues to remain on rating watch with negative implications
Reliance Low Duration Fund	-	[ICRA]AA+mfs@; downgraded from [ICRA]AAAmfs and placed on rating watch with negative implications
Reliance Prime Debt Fund	-	[ICRA]AA-mfs@; reaffirmed
Reliance Ultra Short Duration Fund	-	[ICRA]A1mfs@; reaffirmed
Reliance Overnight Fund	-	[ICRA]A1+mfs; reaffirmed
Reliance Banking & PSU Debt Fund	-	[ICRA]AAAmfs; reaffirmed
Reliance Dynamic Bond Fund	-	[ICRA]AAAmfs; reaffirmed
Reliance Floating Rate Fund	-	[ICRA]AAAmfs; reaffirmed
Reliance Income Fund	-	[ICRA]AAAmfs; reaffirmed
Reliance Liquid Fund	-	[ICRA]A1+mfs; reaffirmed
Reliance Money Market Fund	-	[ICRA]A1+mfs; reaffirmed
Reliance Short Term Fund	-	[ICRA]AAAmfs; reaffirmed
Reliance Interval Fund – Quarterly Interval Fund – Series III	-	[ICRA]A1+mfs; reaffirmed
Reliance Interval Fund – Monthly Interval Fund – Series I	-	[ICRA]A1+mfs; reaffirmed
Reliance Interval Fund – Monthly Interval Fund – Series II	-	[ICRA]A1+mfs; reaffirmed
Reliance Interval Fund - Quarterly Interval Fund - Series II	-	[ICRA]A1+mfs; reaffirmed

@Under rating Watch with Negative Implications

Rationale and key rating drivers

The rating downgrade for Reliance Strategic Debt Fund and Reliance Low Duration Fund takes into account the deterioration in the credit quality of the underlying investments of the schemes on account of exposure to Dewan Housing Finance Corporation Limited (DHFL) which was recently downgraded to [ICRA]D. ICRA notes the below mentioned schemes-wise exposures¹,

¹ For RHFL gross exposure has been considered excluding the writeoffs

- Reliance Strategic Debt Fund has exposures to DHFL (2.89% of AUM as on May 30, 2019), Reliance Home Finance Limited (RHFL) (5.26%) and Indian Receivable Trust 18 (IRTRUST, PTCs with RHFL as originator) (7.98%)
- Reliance Ultra Short Duration Fund has exposures to RHFL (2.70%), DHFL (1.24%) and IRTRUST (2.49%)
- Reliance Prime Debt Fund has exposures to DHFL (1.07%) and IRTRUST (6.62%)
- Reliance Low Duration Fund has exposures to DHFL (2.41%) and IRTRUST (7.16%)

The ratings for the above four schemes are on rating watch negative as a decline in AUM could result into increase in share of lower rated papers in the overall AUM, which can result in a rating downgrade. ICRA will continue to monitor the portfolios of these schemes regularly and take appropriate rating action as and when required.

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, 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.

Liquidity position: Not applicable

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. At present, Reliance Capital Limited and Nippon Life Insurance Company hold 42.88% each of the total issued and paid-up equity share capital of RNAM. In Q4 FY2019, RNAM's average assets under management (AUM) stood at Rs. 2,33,616.82 crore and the month-end AUM stood at Rs. 2,35,193.48 crore as on April 30, 2019.

Reliance Gilt Securities Fund

Reliance Gilt Securities Fund is an open-ended debt scheme investing in government securities across maturities. Objective of the scheme is to generate optimal credit risk-free returns by investing in a portfolio of securities issued and guaranteed by the Central Government and State Government. The fund's month-end AUM stood at Rs. 967.34 crore as on May 30, 2019 and had an average maturity of around 9 – 10 years.

Reliance Overnight Fund

Reliance Overnight Fund is an open-ended debt scheme investing in overnight securities. The objective of the scheme is to generate optimal returns with low risk and high liquidity by investing in debt and money market instruments with overnight maturity. The fund's month-end AUM stood at Rs. 236.09 crore as on May 30, 2019 and had an average maturity of around 3-4 months.

Reliance Banking & PSU Debt Fund

Launched in May 2015, Reliance Banking & 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 month-end AUM stood at Rs. 3,921.07 crore as on May 30, 2019 and had an average maturity of around 3-4 years.

Reliance Dynamic Bond Fund

Launched in November 2004, Reliance Dynamic Bond Fund is an open-ended debt scheme investing across durations. The investment strategy is implemented through high-grade assets like Government securities (G-Secs)/state development loans (SDLs)/corporate bonds. The mandate is flexible in terms of duration rather than credit. The strategy is to generate alpha by actively using G-Secs, interest rate future (IRF) and IRS curves with the primary investment objective being to generate optimal returns consistent with moderate levels of risk. This income may be complemented by capital appreciation of the portfolio. Accordingly, investments shall be made predominantly in debt and money market instruments. The fund's month-end AUM stood at Rs. 988.97 crore as on May 30, 2019 and had an average maturity of around 7-8 years.

Reliance Floating Rate Fund

Launched in August 2004, Reliance Floating Rate Fund is an open-ended debt scheme predominantly investing in floating rate instruments (including fixed rate instruments converted to floating rate exposures using swaps/derivatives). The fund's month-end AUM stood at Rs. 6,077.50 crore as on May 30, 2019 and had an average maturity of around 1-2 years.

Reliance Income Fund

Launched in January 1998, Reliance Income Fund is an open-ended medium-term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 4 and 7 years. The fund's month-end AUM stood at Rs. 251.82 crore as on May 30, 2019 with an average maturity of around 10 years.

Reliance Liquid Fund

Launched in December 2003, Reliance Liquid Fund is an open-ended liquid scheme. The fund focuses on reasonable carry with a view to maximising returns while ensuring adequate liquidity through investments in various money market and debt instruments with maturity of up to 91 days. The average maturity of the portfolio will be in the range of 30-60 days under normal market conditions. The fund's month-end AUM stood at Rs. 32,286.54 crore as on May 30, 2019 and had an average maturity of around 1 - 2 months.

Reliance Low Duration Fund

Launched in March 2007, Reliance Low Duration Fund is an open-ended low duration debt scheme investing in debt and money market instruments such that the Macaulay duration of the portfolio is between 6 and 12 months. The fund's month-end AUM stood at Rs. 4,716.58 crore as on May 30, 2019 with an average maturity of around 1 year.

Reliance Money Market Fund

Launched in June 2005, Reliance Money Market Fund is an open-ended debt scheme investing in money market instruments. The fund invests in money market instruments like certificates of deposit (CDs), commercial papers (CPs), etc. The portfolio duration will be maintained between 80 and 120 days. The fund's month-end AUM stood at Rs. 3,273.77 crore as on May 30, 2019 and had an average maturity of around 5 months.

Reliance Prime Debt Fund

Reliance Prime Debt Fund is an open-ended debt scheme predominantly investing in corporates rated AA+ and above. The fund seeks to benefit from opportunities available in the corporate bonds market at different points in time. Therefore, this fund's investments are based on short-to-medium-term interest rate views and the shape of the yield curve. It typically maintains a moderate duration between 1.1 and 1.5 years and invests in well-researched credits/structures for yield enhancement. The fund is suitable for investors with a 6-12 month investment horizon. The fund's month-end AUM stood at Rs. 1,316.48 crore as on May 30, 2019 and had an average maturity of around 1-2 years.

Reliance Short Term Fund

Launched in December 2002, Reliance 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 and 3 years. The fund's month-end AUM stood at Rs. 6,576.93 crore as on May 30, 2019 and had an average maturity of around 2 - 3 years.

Reliance Strategic Debt Fund

Launched in June 2014, Reliance Strategic Debt Fund is an open-ended medium-term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 and 4 years. The fund's month-end AUM stood at Rs. 4,838.05 crore as on May 30, 2019 and had an average maturity of around 4-5 years.

Reliance Ultra Short Duration Fund

Launched in December 2001, Reliance Ultra Short Duration Fund is an open-ended ultra-short-term debt scheme investing in debt and money market instruments such that the Macaulay duration of the portfolio is between 3 and 6 months. The fund invests in debt and money market instruments with a portfolio duration between 165 and 180 days. The fund aims to generate higher gross yields through a portfolio across credit categories. The carry will protect against volatility. The fund's month-end AUM stood at Rs. 4,600.59 crore as on May 30, 2019 and had an average maturity of around 6 months.

Reliance Interval Fund – Quarterly Interval Fund – Series III

Reliance Interval Fund – Quarterly Interval Fund – Series III is a debt oriented open-ended interval scheme with a stated objective to generate returns and growth of capital by investing in a diversified portfolio of Debt / Money Market Instruments and Government Securities. The fund's month-end AUM stood at Rs. 21.79 crore as on May 30, 2019

Reliance Interval Fund – Monthly Interval Fund – Series I

Reliance Interval Fund – Monthly Interval Fund – Series I is a debt oriented open-ended interval scheme with a stated objective to generate returns and growth of capital by investing in a diversified portfolio of Debt / Money Market Instruments and Government Securities. The fund's month-end AUM stood at Rs. 9.58 crore as on May 30, 2019.

Reliance Interval Fund – Monthly Interval Fund – Series II

Reliance Interval Fund – Monthly Interval Fund – Series II is a debt oriented open-ended interval scheme with a stated objective to generate returns and growth of capital by investing in a diversified portfolio of Debt / Money Market Instruments and Government Securities. The fund's month-end AUM stood at Rs. 8.24 crore as on May 30, 2019.

Reliance Interval Fund - Quarterly Interval Fund - Series II

Reliance Quarterly Interval Fund - Series II (launched in May 2007) is a debt oriented open-ended interval scheme with a stated objective to generate regular income through investments in Debt / Money Market Instruments and Government Securities. The fund's month-end AUM stood at Rs. 126.52 crore as on May 30, 2019.

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

Sr. No.	Name of Scheme	Type	Rated amt	Current Rating (FY2020)		FY2019		FY2018			FY2017
				Jun-19	May-19	Dec-18	Aug-18	Mar-18	Feb-18	Jul-17	Apr-16
1	Reliance Gilt Securities Fund	Long Term	-	[ICRA]AAAmfs; assigned	-	-	-	-	-	-	-
2	Reliance Strategic Debt Fund	Long Term	-	[ICRA]Amfs@; downgraded from [ICRA]A+mfs@ and continues to remain on rating watch with negative implications	[ICRA]A+mfs @; downgraded from [ICRA]AAmfs and placed on rating watch with negative implications	[ICRA]A Amfs	[ICRA]A Amfs	[ICRA]AA mfs	[ICRA]A Amfs	[ICRA] AA mfs	-
3	Reliance Low Duration Fund	Long Term	-	[ICRA]AA+mfs @; downgraded from [ICRA]AAAmfs and placed on rating watch with negative implications	[ICRA]AAA mfs	[ICRA]A AAmfs	[ICRA]A AAmfs	[ICRA]AA Amfs	[ICRA]A AAmfs	[ICRA] AA mfs	[ICRA]AAA mfs
4	Reliance Ultra Short Duration Fund	Short Term	-	[ICRA]A1mfs@;	[ICRA]A1mfs @; downgraded from [ICRA]A1+mfs and placed on rating watch with negative implications	[ICRA]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A1 +mfs	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs
5	Reliance Prime Debt Fund	Long Term	-	[ICRA]AA- mfs@;	[ICRA]AA- mfs@; downgraded from [ICRA]AAAmfs and placed on rating watch with negative implications	[ICRA]A AAmfs	[ICRA]A AAmfs	[ICRA]AA Amfs	[ICRA]A AAmfs	[ICRA] AA mfs	[ICRA]AAA mfs
6	Reliance Overnight Fund	Short Term	-	[ICRA]A1+mfs;	[ICRA]A1+mfs ;	[ICRA]A 1+mfs;	-	-	-	-	-
7	Reliance Interval Fund – Quarterly Interval Fund – Series III	Short Term	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A1 +mfs	-	-	-

8	Reliance Interval Fund – Monthly Interval Fund – Series I	Short Term	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	-	-	-
9	Reliance Interval Fund – Monthly Interval Fund – Series II	Short Term	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	-	-	-
10	Reliance Interval Fund - Quarterly Interval Fund - Series II	Short Term	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	-	-
11	Reliance Liquid 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
12	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
13	Reliance Banking & PSU Debt Fund	Long Term	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
14	Reliance Income Fund	Long Term	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs*
15	Reliance Floating Rate Fund	Long Term	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
16	Reliance Short Term Fund	Long Term	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
17	Reliance Dynamic Bond Fund	Long Term	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs

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 No.	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

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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.

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