

December 02, 2019

HSBC Asset Management (India) Private Limited: Rating reaffirmed for HSBC Flexi Debt and HSBC Cash Fund and rating assigned for HSBC Overnight Fund

Summary of rated action

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
HSBC Overnight Fund	-	-	[ICRA]A1+mfs; assigned
HSBC Flexi Debt Fund	-	-	[ICRA]AAA mfs; reaffirmed
HSBC Cash Fund	-	-	[ICRA]A1+mfs; reaffirmed
Total	-	-	

**Instrument details are provided in Annexure-1*

Rationale and key rating drivers

ICRA has assigned the rating of [ICRA]A1+mfs (pronounced ICRA A one plus m f s) for HSBC Overnight Fund of HSBC Asset Management (India) Private Limited¹. The rating assigned is basis the portfolio of the scheme with the credit score of the portfolio being comfortable at the assigned rating level.

ICRA has also reaffirmed the rating of [ICRA]AAA mfs (pronounced ICRA triple A m f s) for HSBC Flexi Debt Fund and [ICRA]A1+mfs (pronounced ICRA A one plus m f s) for HSBC Cash Fund. These ratings have been reaffirmed following ICRA's monitoring of the credit risk profile of the month-end portfolio position for these schemes. The credit risk scores for these schemes were comfortably within the benchmark limits for their current rating levels.

The ratings indicate ICRA's opinion on the credit quality of the portfolios that the funds hold. The ratings do not indicate the AMC's willingness, or ability, to make timely payments to the fund's investors. 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.

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 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 continues to breach the benchmark credit score, the rating is revised to reflect the change in credit quality.

¹ For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications www.icra.in

Liquidity: Not Applicable

Rating Sensitivities

Positive triggers - Not applicable

Negative triggers - ICRA could downgrade the rating of the scheme if the credit quality of the underlying investment deteriorates or the size of assets under management (AUM) declines, which may result in an increase in the share of lower rated investments 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

HSBC Asset Management (India) Private Limited

The above-mentioned schemes are mutual fund schemes of HSBC Mutual Fund, which was established as a trust under the Indian Trusts Act, 1882, with HSBC Securities and Capital Markets (India) Private Limited as the sponsor and HSBC Asset Management (India) Private Limited as the fund's AMC. The AMC's average asset under management stood at Rs. 12,125² crore for the quarter ending September 30, 2019.

HSBC Cash Fund

Launched in December 2002, HSBC Cash Fund is an open-ended liquid scheme with a stated investment objective of providing reasonable returns, commensurate with low risk, while providing a high level of liquidity through a portfolio of money market instruments and debt securities. The fund's assets under management stood at Rs. 5,575 crore as on October 31, 2019, with an average maturity of ~43 days. The fund continues to maintain a significant proportion in investments with high credit quality rating.

HSBC Flexi Debt Fund

Launched in October 2007, HSBC Flexi Debt Fund is an open-ended income fund that invests in fixed income instruments across various maturity profiles. The investment objective of the fund is to deliver returns in the form of interest income and capital gains, along with high liquidity, commensurate with the current view on the markets and the interest rate cycle, through active investment in debt and money market instruments. The fund's assets under management stood at Rs. 108 crore as on October 31, 2019, with an average maturity of ~6.74 years. The fund continues to maintain the entire investment portfolio in papers with the highest credit quality rating. Most of the investments under this scheme are in Government securities as on date.

² Source: Association of Mutual Funds in India (<https://www.amfiindia.com/>)

HSBC Overnight Fund

Launched in May 2019, the objective of HSBC Overnight Fund is to generate short term optimal returns in line with overnight rates. The fund's AUM stood at Rs. 172 crore with an average maturity of ~1 day as on October 31, 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:

	Instrument	Type	Amount Rated (Rs. crore)	Current Rating (FY2020)	Chronology of Rating History for the past 3 years				
				02-Dec-19	FY2020		FY2019	FY2018	FY2017
					24-May-19	15-Apr-19	03-Jul-18	06-Jul-17	05-Jul-16
1	HSBC Cash Fund	Short Term	-	[ICRA]A1+mfs ; reaffirmed	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs
2	HSBC Flexi Debt Fund	Long Term	-	[ICRA]AAAmfs ; reaffirmed	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
3	HSBC Overnight Fund	Short Term	-	[ICRA]A1+mfs ; assigned	-	-	-	-	-

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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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.

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