

July 31, 2020

## HDFC Asset Management Company Limited: Rating of [ICRA]AAAmfs assigned to HDFC Floating Rate Debt Fund

### Summary of rating action

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
HDFC Floating Rate Debt Fund	-	-	[ICRA]AAAmfs/[ICRA]A1+mfs; [ICRA]AAAmfs rating assigned on long-term scale and rating of [ICRA]A1+mfs put on notice of withdrawal for one month
HDFC Low Duration Fund	-	-	[ICRA]AAAmfs; outstanding
HDFC Corporate Bond Fund	-	-	[ICRA]AAAmfs; outstanding
HDFC Short Term Debt Fund	-	-	[ICRA]AA+mfs; outstanding
HDFC Liquid Fund	-	-	[ICRA]A1+mfs; outstanding
HDFC Money Market Fund	-	-	[ICRA]A1+mfs; outstanding
HDFC Banking and PSU Debt Fund	-	-	[ICRA]AA-mfs; outstanding
HDFC Overnight Fund	-	-	[ICRA]A1+mfs; outstanding
HDFC Ultra Short-Term Fund	-	-	[ICRA]A1+mfs; outstanding
<b>Total</b>	-	-	

### Rationale and key rating drivers

ICRA has assigned a credit risk rating of [ICRA]AAAmfs to the HDFC Floating Rate Debt Fund scheme of HDFC Asset Management Company Limited. The rating is based on the portfolio of the scheme with the portfolio's credit score and average maturity being comfortable at the assigned rating level. ICRA has also put the short-term rating of [ICRA]A1+mfs on notice of withdrawal for a period of one month, at the request of the company. This is in accordance with ICRA's policy on the withdrawal and suspension of credit ratings.

Mutual fund ratings incorporate ICRA's assessment of the creditworthiness of a debt mutual fund 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 that have been made by the mutual fund schemes. The ratings do not indicate the asset management company's (AMC) and/or any of its scheme's willingness and/or ability to make timely redemptions to its investors. The ratings do not address the market risks and hence should not be construed as an indication of the expected returns, the prospective performance of the mutual fund scheme, and the ability to redeem the investments at the reported net asset value (NAV) or the volatility in its past returns as all these are influenced by market risks.

ICRA's assessment of debt mutual fund schemes is guided by the credit ratings of the individual investments, the relative share of the investments in the overall assets under management (AUM) of the scheme and the maturity schedule of such investments. The credit matrix is a tool used by ICRA for analysing the investment portfolio of the debt mutual fund 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 then measured against the appropriate benchmark credit score in the credit matrix.

Once a mutual fund scheme is rated and the rating is accepted, ICRA reviews the underlying investment portfolios for the credit scores on an ongoing basis. If the portfolio credit score meets the benchmark of the existing rating, the rating is retained. If the portfolio credit score breaches the benchmark credit matrix score for the current 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 the current 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.

### Liquidity position: Not applicable

### Rating sensitivities

**Positive triggers** – ICRA could upgrade the ratings of the schemes if the credit quality of the underlying investment improves or the size of the AUM increases significantly, resulting in a decrease in the share of lower rated investments and leading to the enhanced credit quality of the portfolio.

**Negative triggers** – ICRA could downgrade the ratings of the schemes if the credit quality of the underlying investments deteriorates or the size of the 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	<a href="#">ICRA- Mutual Fund Credit Risk Rating Methodology</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	Standalone

### About the company

The above schemes are the mutual fund schemes of HDFC Mutual Fund (HDFC MF), managed by HDFC Asset Management Company Limited (HDFC AMC). HDFC AMC’s principal shareholders include Housing Development Finance Corporation (HDFC) and Standard Life Investments Limited (SLI) who own 52.71% and 21.25% stake respectively as on June 30, 2020. The average AUM of the schemes of HDFC MF for the quarter ended June 2020 (including Fund of Fund of overseas schemes) stood at Rs. 3,56,183 crore<sup>1</sup> (against Rs. 3,62,538 crore for the quarter ended June 2019).

<sup>1</sup> Source: [www.amfiindia.com](http://www.amfiindia.com)

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**HDFC Floating Rate Debt Fund**

Launched in October 2007, HDFC Floating Rate Debt Fund is an open-ended income fund with a stated objective of generating income/capital appreciation through investment in a portfolio comprising substantially of floating rate debt, fixed rate debt instruments swapped for floating rate returns and money market instruments. The fund's AUM stood at Rs. 9,331 crore as of June 30, 2020.

**Key financial indicators: Not applicable**

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for last three years

S. No.	Scheme	Type	Current Rating (FY2021)		Chronology of Rating History for the Past 3 Years											
			Rated Amount (Rs. crore)	Amount Outstanding (Rs. crore)	31-Jul-20	29-May-20	FY2020 27-Jun-19	27-May-19	FY2019 22-Mar-19	21-Jan-19	15-Jun-18	06-Jun-18	19-Apr-18	FY2018 28-Jun-17	21-Apr-17	
1	HDFC Low Duration Fund	Long Term	-	-	[ICRA]AA Amfs	[ICRA]AAA mfs	[ICRA]AAA mfs; revised from [ICRA]AA+ mfs	[ICRA]AA +mfs	[ICRA]AA +mfs	[ICRA]AA +mfs	[ICRA]AA +mfs	[ICRA]A A+mfs	[ICRA]A AAmfs	[ICRA]A AAmfs	[ICRA]A AAmfs	[ICRA]A AAmfs
2	HDFC Short Term Debt Fund	Long Term	-	-	[ICRA]AA +mfs	[ICRA]AA+ mfs	[ICRA]AA+ mfs@	[ICRA]AA +mfs@	[ICRA]AA AAmfs@	[ICRA]AA AAmfs@	[ICRA]A AAmfs	[ICRA]A AAmfs	[ICRA]A AAmfs	[ICRA]A AAmfs	[ICRA]A AAmfs	[ICRA]A AAmfs
3	HDFC Banking and PSU Debt Fund	Long Term	-	-	[ICRA]AA -mfs	[ICRA]AA- mfs	[ICRA]AA- mfs@	[ICRA]AA -mfs@	[ICRA]AA -mfs@	[ICRA]AA -mfs@	[ICRA]A A-mfs	[ICRA]A A-mfs	[ICRA]A A-mfs	[ICRA]A A-mfs	[ICRA]A A+mfs	[ICRA]A A+mfs
4	HDFC Corporate Bond Fund	Long Term	-	-	[ICRA]AA Amfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AA Amfs	[ICRA]AA Amfs	[ICRA]AA Amfs	[ICRA]AA Amfs	[ICRA]A AAmfs	[ICRA]A AAmfs	[ICRA]A AAmfs	[ICRA]A AAmfs	[ICRA]A AAmfs
5	HDFC Floating Rate Debt Fund	Short-Term	-	-	[ICRA]AA Amfs/ [ICRA]A1 +mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1 +mfs	[ICRA]A1 +mfs	[ICRA]A1 +mfs	[ICRA]A1 +mfs	[ICRA]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A 1+mfs
6	HDFC 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]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A 1+mfs
7	HDFC 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]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A 1+mfs
8	HDFC Ultra Short Term Fund	Short-Term	-	-	[ICRA]A1 +mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1 +mfs	[ICRA]A1 +mfs	[ICRA]A1 +mfs	-	-	-	-	-	-
9	HDFC Overnight Fund	Short-Term	-	-	[ICRA]A1 +mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1 +mfs	[ICRA]A1 +mfs	[ICRA]A1 +mfs	-	-	-	-	-	-

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## **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](http://www.icra.in)

## **Annexure-1: Instrument details: Not applicable**

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