

September 24, 2020

## HDFC Asset Management Company Limited: Short-term rating for HDFC Floating Rate Debt Fund withdrawn

### Summary of rating action

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
HDFC Floating Rate Debt Fund	-	-	[ICRA]AAAmfs outstanding; [ICRA]A1+mfs withdrawn
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ICRA has withdrawn the short-term credit risk rating of [ICRA]A1+mfs (pronounced ICRA A one plus m f s) assigned to HDFC Floating Rate Debt Fund. The credit risk rating of the scheme was placed on notice of withdrawal for a period of one month and released on ICRA's website on July 31, 2020. Since the withdrawal period has ended, the rating is withdrawn in accordance with ICRA's policy on withdrawal and suspension.

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> <a href="#">ICRA's policy on Withdrawal and Suspension of Credit Rating</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), which have a stake of 52.71% and 21.25%, 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> (Rs. 3,62,538 crore for the quarter ended June 2019).

### HDFC Floating Rate Debt Fund

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 mainly comprising floating rate debt, fixed rate debt instruments swapped for floating rate returns, and money market instruments. The fund's AUM stood at ~Rs. 10,681 crore as of August 31, 2020.

<sup>1</sup> Source: www.amfiindia.com

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**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	Rated Amount	Amount Outstanding	Current Rating (FY2021)			Rating History for the Past 3 Years								
					24-Sep-20	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]A AAmfs	[ICRA]A AAmfs	[ICRA]AA Amfs	[ICRA]AA Amfs; revised from [ICRA]AA +mfs	[ICRA]AA+ mfs	[ICRA]AA +mfs	[ICRA]AA +mfs	[ICRA]AA +mfs	[ICRA]A AAmfs	[ICRA]A AAmfs	[ICRA]A AAmfs	[ICRA]A AAmfs
2	HDFC Short Term Debt Fund	Long Term	-	-	[ICRA]A A+mfs	[ICRA]A A+mfs	[ICRA]AA +mfs	[ICRA]AA +mfs@	[ICRA]AA+ mfs@	[ICRA]AA Amfs@	[ICRA]AA Amfs@	[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]A A-mfs	[ICRA]A A-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
4	HDFC Corporate Bond Fund	Long Term	-	-	[ICRA]A AAmfs	[ICRA]A AAmfs	[ICRA]AA Amfs	[ICRA]AA Amfs	[ICRA]AAA mfs	[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]A AAmfs	[ICRA]A AAmfs/ [ICRA]A 1+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]A 1+mfs	[ICRA]A 1+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]A 1+mfs	[ICRA]A 1+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]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A1 +mfs	[ICRA]A1 +mfs	[ICRA]A1+ mfs	[ICRA]A1 +mfs	-	-	-	-	-	-
9	HDFC Overnight Fund	Short Term	-	-	[ICRA]A 1+mfs	[ICRA]A 1+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**

## Analyst Contacts

**Karthik Srinivasan**

+91 22 6114 3444

[karthiks@icraindia.com](mailto:karthiks@icraindia.com)

**Neha Parikh**

+91 22 6114 3426

[neha.parikh@icraindia.com](mailto:neha.parikh@icraindia.com)

**Subhrajyoti Mohapatra**

+91-8249583917

[subhrajyoti.mohapatra@icraindia.com](mailto:subhrajyoti.mohapatra@icraindia.com)

**Mayank Chheda**

+91 22 6114 3413

[mayank.chheda@icraindia.com](mailto:mayank.chheda@icraindia.com)

## Relationship Contact

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

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## ICRA Limited

### Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: [info@icraindia.com](mailto:info@icraindia.com)

Website: [www.icra.in](http://www.icra.in)

### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

### Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

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