

**CREDIT ALERT**

March 13, 2018 | Mumbai

**Impact of SEBI circular on categorisation and rationalisation of mutual fund schemes on credit quality ratings**

A Credit Alert is CRISIL's opinion on a sharp and specific development. It conveys that CRISIL will revert shortly on the impact of the development on the ratings of those affected.

The Securities and Exchange Board of India (SEBI), vide circulars dated October 6, 2017, and December 4, 2017, had issued guidelines on categorisation and rationalisation of mutual fund schemes. These are aimed at clearly distinguishing the schemes in terms of asset allocation and investment strategy, and ensuring that there is uniformity in the characteristics of similar schemes launched by different mutual funds.

SEBI has indicated that going forward, mutual fund schemes would be broadly classified into five groups (equity, debt, hybrid, solution-oriented, and others), and has prescribed scheme categories under each group along with their characteristics and uniform description.

This has meant modification of the investment objective, investment strategy, and benchmark of each scheme to align them with the standardised scheme categories.

Furthermore, a mutual fund is allowed to float only one scheme under each category (except in the case of a few specific fund types).

In line with these guidelines, mutual funds have submitted their transition proposals to SEBI for approval. Changes recommended by SEBI, if any, will have to be made within three months of approval. CRISIL expects this process to be completed by May 31, 2018.

CRISIL has credit quality ratings outstanding on 35 debt-oriented mutual fund schemes (*see annexure for list*). These indicate CRISIL's opinion on the credit quality of the debt securities that the fund holds. CRISIL understands that some of its rated schemes may undergo a change, including change in nomenclature or fundamental attributes.

Consequently, the underlying credit quality of portfolio holdings in some of the rated funds may also undergo a change. It is also possible that some of the rated schemes may be merged with others.

So far, 2 out of 35 CRISIL-rated schemes have completed this transition and their ratings have been reaffirmed, given that after transition, the credit quality of their portfolio holdings was consistent with the outstanding ratings.

CRISIL will closely monitor the developments and its impact on the credit quality ratings on the balance 33 mutual fund schemes and take appropriate need-based rating action thereafter, if warranted.

**Annexure**
**List of CRISIL rated mutual fund schemes and outstanding ratings**

Name of the Scheme	Outstanding Rating
Aditya Birla Sun Life Income Plus	CRISIL AAAmfs
Aditya Birla Sun Life Savings Fund	CRISIL AAAmfs
Aditya Birla Sun Life Short Term Fund	CRISIL AAAmfs
Aditya Birla Sun Life Treasury Optimizer Fund	CRISIL AAAmfs
BNP Paribas Overnight Fund	CRISIL AAAmfs
BOI AXA Liquid Fund	CRISIL AAAmfs

DSP BlackRock Ultra Short Term Fund \$	CRISIL AAAMfs
HDFC High Interest Fund	CRISIL AAAMfs
HDFC Income Fund	CRISIL AAAMfs
ICICI Prudential Banking & PSU Debt Fund	CRISIL AAAMfs
ICICI Prudential Flexible Income Plan	CRISIL AAAMfs
ICICI Prudential Income Fund	CRISIL AAAMfs
ICICI Prudential Income Opportunities Fund	CRISIL AAAMfs
ICICI Prudential Liquid Plan	CRISIL AAAMfs
ICICI Prudential Money Market Fund	CRISIL AAAMfs
ICICI Prudential Ultra Short Term Plan	CRISIL AAAMfs
IDFC Dynamic Bond Fund	CRISIL AAAMfs
IDFC Super Saver Income Fund - Investment Plan	CRISIL AAAMfs
Indiabulls Liquid Fund	CRISIL AAAMfs
Indiabulls Ultra Short Term Fund ^	CRISIL AAAMfs
Invesco India Liquid fund	CRISIL AAAMfs
JM High Liquidity Fund	CRISIL AAAMfs
JM Money Manager Fund – Super Plan	CRISIL AAAMfs
JM Money Manager Fund – Super Plus Plan	CRISIL AAAMfs
Kotak Floating Rate Fund - Short Term Plan	CRISIL AAAMfs
Kotak Liquid Fund	CRISIL AAAMfs
Mirae Cash Management Fund	CRISIL AAAMfs
Reliance Liquidity Fund	CRISIL AAAMfs
Reliance Liquid Fund Treasury Plan	CRISIL AAAMfs
SBI Magnum InstaCash Fund - Liquid Floater Plan	CRISIL AAAMfs
SBI Ultra Short Term Debt Fund	CRISIL AAAMfs
Sundaram Banking & PSU Debt Fund	CRISIL AAAMfs
Sundaram Money Fund	CRISIL AAAMfs
Union Liquid Fund	CRISIL AAAMfs
UTI-Money Market Fund	CRISIL AAAMfs

*\$The fund has been renamed 'DSP Blackrock Low Duration Fund' and the portfolio has been reconstituted to comply with the SEBI circular mentioned above. The rating of CRISIL AAAMfs is reaffirmed. Please refer CRISIL release 'CRISIL reaffirms 'CRISIL AAAMfs' rating on DSP BlackRock Low Duration Fund (formerly DSP BlackRock Ultra Short Term Fund)' dated March 13, 2018*

*^The fund has been reconstituted to comply with the SEBI circular, but the name of the fund remains unchanged. The rating of CRISIL AAAMfs is reaffirmed. Please refer CRISIL release 'CRISIL reaffirms 'CRISIL AAAMfs' rating on Indiabulls Ultra Short Term Fund' dated March 13, 2018*

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