

## L&T Mutual Fund

January 03, 2022

### Ratings

Facility	Amount (Rs. Crore)	Ratings <sup>1</sup>	Rating Action
Short Term Bank Facility*	250.00 (Rs. Two Hundred and Fifty crore only)	CARE A1+ (A One Plus)	Re-affirmed

*\*The facility is extended to 12 debt schemes of L&T Mutual Fund*

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has reaffirmed the rating on short term bank facility of L&T Mutual Fund (LTMF) factoring in the high credit quality of the underlying assets of the schemes, comfortable asset coverage for the bank facility and low duration of majority of assets under management (AUM). Further, the rating continues to factor in the experience of the fund management team. Maintenance of the high credit quality of the underlying assets of the schemes and asset coverage for the bank facilities are the key rating sensitivities.

The reaffirmation of the rating also takes into account the announcement, that L&T Finance Holdings Limited and HSBC Asset Management (India) Private Limited (HSBC Mutual Fund) have entered into a definitive agreement whereby HSBC asset management company shall acquire 100 per cent equity shares of L&T Investment Management Limited, which is the investment manager of L&T Mutual Fund (L&T MF), for an aggregate purchase consideration of USD 425 million. The transaction is subject to the requisite regulatory approvals. Any changes in fund management or schemes will happen only after the deal gets regulatory approval and the expected date of the transaction completion would be 31<sup>st</sup> December 2022.

### Rating Sensitivities

#### Negative Sensitivities (Factors that could individually or collectively lead to negative rating action/downgrade)

- Significant deterioration in the asset quality of the AUM
- Decline in asset coverage of the debt schemes

### Detailed description of the key rating drivers

#### Key Rating strengths

##### High credit quality of underlying assets

All the twelve schemes have invested in high credit quality papers. As on November 30, 2021, all schemes have highest CQR rating of CARE AAAMfs. As on November 30, 2021, of the total AUM of the twelve debt schemes, 98.41% of the portfolio is invested in sovereign securities and AAA rated papers while 1.59% of the investment is in AA+ and below category (up to A+) rated papers.

##### Comfortable asset coverage and low gearing

The total facility rated by CARE is Rs.250 crore as against the total AUM of Rs.31,302 crore of the 12 debt schemes (as on November 30, 2021), thus ensuring comfortable asset coverage. Further, the bank facility utilization is primarily to meet liquidity mismatches/ redemption requirements of the fund and is thus short term in nature. The fund also has a bank line of Rs.3,000 from a foreign bank to meet operational liquidity needs.

### Experienced Management

The senior management and the fund management team consist of professionals with extensive experience in the investment management industry. Mr. Kailash Kulkarni is currently the Chief executive officer having more than 25 years of work experience. Mr. Shriram Ramanathan is the Head of Fixed income team having experience of more than 15 years in fixed income market. The fund management team consists of professionals with extensive experience in the investment management industry.

### Low market risk and liquidity risk

As on November 30, 2021, the portfolio duration of 5 out of the 12 schemes was less than one year and the duration of other 7 schemes range between 1.58 to 6.67 years. However, the schemes have invested in high credit quality papers, which would help reducing the impact of any price movement. Hence, any change in interest rate would have limited impact on any movement of price. Moreover, the schemes invest in high credit quality debt instruments which should further limit liquidity risk. For instance, the scheme having high duration of 6.67 years i.e., L&T Gilt Fund has invested its entire corpus in G-secs and TREPS which has low liquidity risk.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

## Liquidity Profile

The rated facility is an intraday facility of Rs.250 crore against which the total AUM of the 12 Debt Schemes stood Rs.31,302.01 crore (as on November 30, 2021) ensuring adequate coverage. Schemes have invested in government securities and relatively liquid instruments with CDs and CPs and high rated securities which provide liquidity.

**Analytical approach:** CARE has factored in the sponsorship of L&T Finance holdings Ltd. along with operational and managerial linkages and the underlying credit quality of the debt schemes covered under the bank facility.

## Applicable Criteria

[CARE's Policy on Default Recognition](#)

[CARE's Policy on Short term Instruments](#)

[Rating Methodology Fund Credit Quality](#)

[Factor Linkages in Ratings](#)

## About the Company

L&T Mutual Fund has been established as a trust under the Indian Trust Act, 1882 by L&T Finance Holdings Limited (LTFHL; rated 'CARE AAA; Stable'), with L&T Mutual Fund Trustee Limited as the Trustee Company and L&T Investment Management Limited as the Investment Manager. As of December 2020, L&T Mutual Fund reported AUM of Rs. 68,976 crore.

LTFHL is promoted by L&T and was incorporated as L&T Capital Holdings Limited on May 01, 2008 under the Companies Act to carry on the business of investment/finance. It received the certificate of commencement of business on May 15, 2008. Subsequently, the company changed the name to L&T Finance Holdings Limited from September 01, 2010 and received fresh certificate of incorporation from the Registrar of Companies on September 06, 2010. It is registered with the Reserve Bank of India ("RBI") under Section 45-IA of the RBI Act, 1934, as a Non-Banking Financial Institution-Core Investment Company. LTFHL came up with an Initial Public Offer (IPO) during FY12 consequent to which the stake of L&T was diluted to 82.64%. However, L&T continues to hold controlling stake in the company and the management of LTFHL is mainly drawn from senior management of L&T. LTFHL is headquartered in Mumbai.

On December 23, 2021, L&T Finance Holdings Limited and HSBC Mutual Fund entered into a definitive agreement whereby HSBC asset management company shall acquire 100 per cent equity shares of L&T Investment Management Limited, which is the investment manager of L&T MF, for an aggregate purchase consideration of USD 425 million. The transaction is subject to the requisite regulatory approvals.

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

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

## Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - ST-Bank Overdraft	-	-	-	250.00	CARE A1+

## Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - ST-Bank Overdraft	ST	250.00	CARE A1+	1)CARE A1+ (28-Jan-21)	1)CARE A1+ (11-Feb-20)	1)CARE A1+ (05-Apr-18)	1)CARE A1+ (20-Apr-17)

## Annexure 3: Complexity levels of the rated instrument

Sr. No.	Name of the Instrument	Complexity Level
1.	Short term bank facility	Simple

**Debt Mutual fund schemes covered under the above facility are:**

Sr. No.	Scheme	AUM (Rs. cr) as on November 30,2021
1	L&T Resurgent India Bond Fund	1,394.77
2	L&T Liquid Fund	5,355.70
3	L&T Ultra Short-term fund	2,388.06
4	L&T low duration fund	1,357.03
5	L&T Banking & PSU debt fund	4,074.23
6	L&T credit risk fund	182.43
7	L&T short term bond fund	4,383.51
8	L&T Money Market fund	1,004.69
9	L&T Gilt fund	258.38
10	L&T Triple Ace fund	9,777.21
11	L&T Overnight fund	1,063.87
12	L&T Flexi bond fund	62.13
	<b>Total</b>	<b>31,302.01</b>

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careedge.in](http://www.careedge.in). Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

## Contact us

### Media Contact

Name: Mradul Mishra  
Contact no.: +91-22-6754 3573  
Email ID: [mradul.mishra@careedge.in](mailto:mradul.mishra@careedge.in)

### Analyst Contact

Name: Gaurav Dixit  
Contact no.: +91-11-4533 3237  
Email ID: [gaurav.dixit@careedge.in](mailto:gaurav.dixit@careedge.in)

### Relationship Contact

Name: Saikat Roy  
Contact no.: +91-98209 98779  
Email ID: [saikat.roy@careedge.in](mailto:saikat.roy@careedge.in)

### About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

### Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careedge.in](http://www.careedge.in)**