

Nippon Life India Asset Management Limited

April 06, 2023

Scheme Name	Scheme Type	Rating ¹	Rating Action
Nippon India Liquid Fund	Open-Ended Liquid Scheme	CARE A1+mfs	Reaffirmed
Nippon India Money Market Fund	Open-Ended Debt Scheme	CARE A1+mfs	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed the credit quality rating of 'CARE A1+ mfs' (pronounced as A One Plus mfs) to Nippon India Liquid Fund and Nippon India Money Market Fund. These funds are managed by Nippon Life India Asset Management Limited (NAM India).

Schemes rated 'CARE A1+mfs' are considered to have very strong degree of safety regarding timely receipt of payments from the investments that they have made.

CARE Ratings' fund Credit Quality Rating (CQR) is an opinion on the overall credit quality of a debt mutual fund scheme. CARE Ratings' fund CQR is not a recommendation to purchase, sell, or hold a security/fund. They comment neither on the current market price, suitability for a particular investor nor on the prospective performance of the fund with respect to appreciation, volatility of net asset value (NAV), or yield of the fund. The ratings do not address the fund's ability to meet the payment obligations to the investors. The ratings are not an opinion on the fund management practices (including fund structure, expense ratios & marketing activities), financial performance as well as management quality of an AMC, and hence, do not comment upon the business practices. The ratings are also not indicative of compliance & reputation risks, liquidity, market and sectoral risks.

The ratings capture the fund's overall exposure to default risk based on the credit quality of individual securities in the portfolio. CARE Ratings' fund CQR is based on the evaluation of the fund's investment strategy and portfolio credit risk. It also involves the evaluation of the credit quality of individual securities as well as the diversification of portfolio. CARE Ratings Limited (CARE Ratings) uses the concept of credit scores assigned to individual securities, as per credit scoring matrix developed by it.

CARE Ratings reviews the rated mutual fund scheme on an on-going basis to support its published rating opinions. As such, portfolio of the fund is reviewed on monthly basis. In addition, detailed annual review of the fund is also undertaken. The fund has to maintain the fund credit score within the benchmark fund score associated with a given rating level. If in any particular, the fund credit score breaches the benchmark, CARE Ratings generally provides one month to the AMC to realign the score.

The credit scores of the above schemes have been calculated on the portfolio outstanding as on February 28, 2023, and is within the benchmark set by CARE Ratings.

Rating sensitivities: Factors that could individually or collectively lead to rating actions

Positive factors: Not applicable

Negative factors:

CARE Ratings could downgrade the ratings of the schemes if the credit quality of the underlying securities deteriorates thereby resulting into a breach in the threshold limit set by CARE Ratings for a given rating level.

Analytical approach

Assessment of underlying credit quality of the debt schemes.

Environment, Social and Governance (ESG) Profile:

During FY22, NAM India established an ESG committee that will be responsible for the implementation of the ESG policy and communication of the non-financial results to the board. NAM India has instituted an ESG Taskforce for holistic ESG deployment across the organisation. The ESG Taskforce is also responsible for monitoring and communicating progress on relevant ESG performance parameters to its internal and external stakeholders.

NAM India has resolved to consistently enhance its responsible investment strategies and build a resilient portfolio that will not only provide superior returns to its investors but also have a positive environmental and social impact. In FY22, NAM India announced its ESG vision and mission and became a signatory to the United Nations Principles for Responsible Investment (UN PRI) during the year. NAM India has instituted a comprehensive board-approved ESG framework that will guide the policies, processes, and responsible investment practices at NAM India. The framework structures the Company's ESG integration efforts

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd's publications

into three main areas, namely, Stakeholder Relationships, Operational Commitments and Responsible Investment. The Company considers 'Responsible Investment' to be an integral part of its fiduciary duties. NAM India conducted in depth research and various consultations with industry players to develop its responsible investment approach across its asset classes. NAM India has chosen to adopt a combination of responsible investment approaches namely: screening, ESG integration and active ownership. NAM India is in the process of putting together an exclusionary criterion for its equity assets based on its assessment of governance parameters. It is developing a proprietary risk rating mechanism by considering environmental, social and governance topics. In the case of its fixed income portfolio, NAM India shall exclude issuers whose products are detrimental to society and incompatible with the Company's core values. The Company conducts a bottom-up fundamental analysis to assess the performance of its fixed income assets portfolio. NAM India conducts extensive research on the issuer and intends to analyse ESG factors that can impact their credit worthiness.

The investment teams will ensure seamless implementation of responsible investment processes and report the results to the ESG committee.

Applicable criteria

[Rating Methodology – Fund Credit Quality](#)

About the fund

Nippon India Liquid Fund:

Nippon India Liquid Fund is an open-ended liquid scheme launched in December 2003. The investment objective of the scheme is to generate optimal returns consistent with moderate levels of risk and high liquidity by investing in debt and money market instruments. The fund's assets under management (AUM) stood at ₹25,358.05 crore as on February 28, 2023.

Nippon India Money Market Fund:

Nippon India Money Market Fund is an open-ended debt scheme launched in June 2005. The investment objective of the scheme is to generate optimal returns consistent with moderate levels of risk and liquidity by investing in money market instruments. The fund's assets under management (AUM) stood at ₹10,718.42 crore as on February 28, 2023.

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Capital Markets	Asset Management Company

NAM India is the asset manager of Nippon India Mutual Fund (NIMF). Nippon Life Insurance Company is the promoter of NAM India and currently holds 73.97 % (as on September 30, 2021) of its total issued and paid-up equity share capital. Equity shares of NAM India are listed on the BSE Limited and the National Stock Exchange of India Limited. The AMC reported average assets under management (AAUM) at ₹292,803 crore (excluding Fund of Funds Domestic but including Funds of Fund Overseas) for the quarter ended December 31, 2022.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Nippon India Liquid Fund	-	-	-	-	-	CARE A1+ mfs
Nippon India Money Market Fund	-	-	-	-	-	CARE A1+ mfs

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1.	Nippon India Liquid Fund	Open-Ended Liquid Scheme	-	CARE A1+mfs	-	1)CARE A1+mfs (07-Apr-22)	-	-
2.	Nippon India Money Market Fund	Open-Ended Debt Scheme	-	CARE A1+mfs	-	1)CARE A1+mfs (07-Apr-22)	-	-

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of Instrument	Complexity Level
1	Credit Quality Rating	Simple

Annexure-5: Lender details: Not applicable

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact Name: Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Name: Saikat Roy Senior Director CARE Ratings Limited Phone: +91-22-6754 3495 E-mail: saikat.roy@careedge.in	Analytical Contacts Name: Sanjay Agarwal Senior Director CARE Ratings Limited Phone: +91-22-6754 3582 E-mail: sanjay.agarwal@careedge.in Name: Gaurav Dixit Director CARE Ratings Limited Phone: +91-11-4533 3237 E-mail: gaurav.dixit@careedge.in Name: Geeta Chainani Assistant Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: geeta.chainani@careedge.in
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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

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