

Nippon Life India Asset Management Limited

July 25, 2023

Ratings

| Scheme Name | Scheme Type | Rating ¹ | Rating Action |
|--------------------------|--------------------------|---------------------|---------------|
| Nippon India Liquid Fund | Open-Ended Liquid Scheme | CARE AAAMfs* | Assigned |

¹The rating has been reclassified from 'CARE A1+mfs' to 'CARE AAA mfs' Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has assigned the credit quality rating of 'CARE AAA mfs' (pronounced as Triple A mfs) to Nippon India Liquid Fund. This fund is managed by Nippon Life India Asset Management Limited (NAM India).

Schemes rated 'CARE AAA mfs' are considered to have highest degree of safety regarding timely receipt of payments from the investments that they have made.

CARE Ratings' fund credit quality ratings are opinions on the overall credit quality of the specific debt mutual fund scheme. CARE Ratings' fund credit quality rating is not a recommendation to purchase, sell, or hold a security or fund. It neither comments 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 fund ratings capture the fund's overall exposure to default risk. CARE Ratings' fund credit quality ratings are 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 assets as well as the diversification of the portfolio. CARE Ratings uses the concept of credit scores, assigned to individual securities, as per the credit scoring matrix developed by CARE Ratings.

CARE Ratings reviews the rated mutual fund scheme on an ongoing basis to support its published rating opinions. As such, the monthly reports of the fund are examined. While the fund has to maintain the fund credit score within the benchmark fund scores, in a particular month, if the fund credit score breaches the benchmark, CARE Ratings generally provides one month to the asset management company (AMC) to realign the score. The credit score of the above schemes has been calculated on the basis of portfolio outstanding as on June 30, 2023, and are 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

[CARE Ratings' fund credit quality rating criteria](#)

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 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

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

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.

In FY22, NAM India established an ESG committee that will be responsible for the implementation of the ESG policy and communication of the nonfinancial results to the Board. 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 ₹24,602.29 crore as on June 30, 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 ₹3,13,598 crore (excluding Fund of Funds Domestic but including Funds of Fund Overseas) for the quarter ended June 30, 2023.

Status of non-cooperation with previous CRA: Not applicable

Any other information:

Disclosure of Interest of Independent / Non-Executive Directors of CARE Ratings Ltd. – Not applicable

Disclosure of Interest of Managing Director & CEO: 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 AAA 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 AAA mfs | 1)CARE A1+mfs (06-Apr-23) | 1)CARE A1+mfs (07-Apr-22) | - | - |
| 2. | Nippon India Money Market Fund | Open-Ended Debt Scheme | - | CARE A1+mfs | 1)CARE A1+mfs (06-Apr-23) | 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

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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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