

Nippon Life India Asset Management Limited

April 05, 2024

Scheme Name	Scheme Type	Rating ¹	Rating Action
Nippon India Liquid Fund	Open-Ended Liquid Scheme	CARE AAAmfs	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 (CQR) of 'CARE AAA mfs' (pronounced Triple A Mutual Fund Schemes) to Nippon India Liquid Fund and 'CARE A1+ mfs' (pronounced A One Plus Mutual Fund Schemes) to Nippon India Money Market Fund. These funds are 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 payment receipts from investments that have been made.

Schemes rated 'CARE A1+mfs' are considered to have strong degree of safety regarding timely payment receipt from investments that have been made.

CARE Ratings' fund 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. It comments 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. Ratings do not address the fund's ability to meet payment obligations to investors. Ratings are not an opinion on the fund management practices (including fund structure, expense ratios, and marketing activities), financial performance and management quality of an AMC, and hence, do not comment up their business practices. Ratings are also not indicative of compliance and reputation risks, liquidity, market, and sectoral risks.

Ratings capture the fund's overall exposure to default risk based on 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 evaluation of the credit quality of individual securities and diversification of portfolio. CARE Ratings uses the concept of credit scores assigned to individual securities, per the 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 monthly. In addition, detailed annual review of the fund is also undertaken. The fund has to maintain fund credit score within the benchmark fund score associated with the rating level. 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. Credit scores of the above schemes have been calculated on the portfolio outstanding as on February 29, 2024, and is within the benchmark set by CARE Ratings.

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

Negative factors:

CARE Ratings could downgrade ratings of schemes if the credit quality of underlying securities deteriorates, resulting in 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) risks:

The ESG report has been prepared in accordance with the Nine Principles under National Guidelines on Responsible Business Conduct (NGRBC) and meets the requirements stated in the Business Responsibility and Sustainability Reporting (BRSR) format stipulated by Securities and Exchange Board of India (SEBI). The company has referred to the Global Reporting Initiative (GRI)

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

Universal Standards 2021 and the United Nations Sustainable Development Goals (SDGs). There have been no restatements of information or changes in FY22-23. The company's previous reports can be found on its website.

NAM India has taken utmost care to follow principles of stakeholder inclusiveness, completeness, and account for materiality. The company stays committed to providing all its stakeholders with relevant disclosures, highlighting its policies, systems, and processes implemented to enhance its ESG performance. NAM India adopts a precautionary approach in its risk management and business decisions to mitigate adverse impacts on the environment and society. Various sections in the report enumerate NAM India's approach.

In FY23, the company laid emphasis on its ESG strategy with an aim to enhance its ESG performance and create value for its stakeholders. NAM India endeavours to implement best-in-class ESG practices in its operations in addition to its investment portfolio.

To operationalise its ESG commitments and embed sustainable practices across the organisation, the company developed bespoke ESG related policies, these include policies aspects such as: ESG policy framework, information cyber security and cyber resilience, group tax policy, human rights, responsible investment for listed equity, responsible investment for fixed income, stakeholder engagement, supplier code of conduct, clawback, environmental, and anti-money laundering.

The company has structured its ESG integration efforts into three categories:

Stakeholder Relationship Building - Strong stakeholder relationships by understanding their needs, expectations, and grievances. This provides NAM India a competitive advantage and ensures long-term business sustenance.

Operational Commitments - The company is committed to adopt robust corporate governance practices with data security and customer privacy. It also aims at minimising its environmental footprint.

Responsible Investment - The company endeavours to incorporate responsible investment practices by developing a screening process, integrating ESG, and adopting active ownership approaches in its investment decision making.

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 ₹35,418.60 crore as on February 29, 2024.

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 AUM stood at ₹13,164.78 crore as on February 29, 2024.

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 its promoter and currently holds 73.10% (as on December 31, 2023) 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 ₹4,31,308 crore (excluding fund of funds domestic but including funds of fund overseas) for the quarter ended March 31, 2024.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instruments/facilities: Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of Schemes

Name of the Scheme	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
Nippon India Money Market Fund	-	-	-	-	-	CARE A1+ mfs

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Scheme	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 AAAmfs	1)CARE A1+mfs (06-Apr-23) 2)CARE AAAmfs (25-Jul-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) 2)CARE A1+mfs (25-Jul-23)	1)CARE A1+mfs (07-Apr-22)	-	-

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

Not applicable

Annexure-4: Complexity level of instruments rated

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

Annexure-5: Lender details: Not applicable

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