

February 16, 2024

Union Asset Management Company Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Union Overnight Fund	-	-	[ICRA]A1+mfs; reaffirmed
Union Liquid Fund	-	-	[ICRA]A1+mfs; reaffirmed
Total	-	-	

*Instrument details are provided in Annexure I

Rationale and key rating drivers

The rating has been reaffirmed for various schemes of Union Asset Management Company Private Limited, following ICRA's monitoring of the credit risk profile of the month-end portfolio position of these schemes. The credit risk scores for these schemes were comfortably within the benchmark limits for their current rating level.

Mutual fund ratings incorporate ICRA's assessment of the creditworthiness of a debt mutual fund scheme's investment portfolio. These ratings are a symbolic representation of the credit risk in the underlying investments or the degree of safety regarding the timely receipt of payments from the investments made by the mutual fund schemes. The ratings do not indicate the asset management company's (AMC) and/or any of its scheme's willingness and/or ability to make timely redemptions to its investors. The ratings do not address market risks and hence should not be construed as an indication of the expected returns, prospective performance of the mutual fund scheme, and the ability to redeem investments at the reported net asset value (NAV) or volatility in its past returns, as all these are influenced by market risks.

ICRA's assessment of debt mutual fund schemes is guided by the credit ratings of the individual investments and the relative share of the schemes' allocation towards the investments, besides the maturity schedule of such investments. ICRA's mutual fund ratings are not a reflection on the quality of the management of the AMC or its financial performance, reputation and other business practices including investment strategies, pricing, marketing and distribution activities. Furthermore, the ratings are not a reflection of whether the AMC or the fund is compliant with the applicable regulatory requirements.

The credit matrix is a tool used by ICRA for analysing the investment portfolio of the debt mutual fund schemes by assessing the portfolio's aggregate credit quality while reviewing the credit quality of each underlying debt security. The portfolio's weighted average credit quality is compared with a benchmark credit score corresponding to the higher of the weighted average maturity of the scheme's portfolio or the maturity predefined by ICRA for the scheme category. The rating outcome corresponds to the rating level for which the portfolio weighted average credit score is less than the benchmark credit score associated with the rating level. Further, the lowest rating of the investments of the scheme acts as the floor for its rating.

Once a mutual fund scheme is rated and the rating is accepted, ICRA reviews the underlying investment portfolios for the credit scores on an ongoing basis. To this end, ICRA relies on the information provided by the AMC and/or publicly available sources. ICRA reviews the mutual fund ratings on a monthly basis or earlier, if required, which involves an evaluation of the rating corresponding to the portfolio credit score in relation to the existing rating outstanding. If the portfolio credit score meets the benchmark score for the existing rating, the rating is retained. If the portfolio credit score has a negative breach from the benchmark credit score for the existing rating, ICRA communicates the same to the fund manager/product manager or other officials of the concerned AMC and may provide a month's time to bring the portfolio credit score within the benchmark credit score for maintaining the existing rating level. If the investment composition of the fund is realigned to bring the portfolio credit score within the benchmark credit score, the rating is retained. However, if the portfolio continues to

breach the benchmark credit score for the existing rating level, the rating is revised to reflect the change in the portfolio's credit quality.

In case of sharp breaches of the benchmark credit score (for instance due to a multi-notch downgrade in the underlying investment) and/or if ICRA believes that the breach may not get rectified within a month of the ongoing review, the rating is generally corrected immediately without giving a month's time for rebalancing the portfolio. If the AMC corrects its portfolio, post the rating downgrade of the scheme, or the credit score improves in any manner subsequent to the downgrade, making the scheme eligible for an upgrade, ICRA may consider a rating upgrade only if the credit score is maintained consistently for a period of at least three months.

Liquidity position: Not applicable

Rating sensitivities

For Union Overnight Fund

Positive factors – Not applicable

Negative factors – ICRA could downgrade the rating of the scheme if the credit quality of the underlying investment deteriorates, leading to a breach in the threshold for the rating level.

For Union Liquid Fund

Positive factors – Not applicable

Negative factors – ICRA could downgrade the rating of the schemes if the credit quality of the underlying investment deteriorates or if there is an increase in the share of lower rated investments on account of a decline in the assets under management (AUM) or otherwise, leading to a breach in the threshold for the rating level.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Methodology for Rating Mutual Fund Schemes
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

Union Asset Management Company Private Limited is the approved AMC of Union Mutual Fund, which was granted a Certificate of Registration by the Securities and Exchange Board of India (SEBI) in March 2011. The AMC was previously a joint venture (JV; 51:49) between Union Bank of India [rated [ICRA]AA+ (Stable)] and KBC Participations Renta, which is a wholly-owned subsidiary of KBC Asset Management NV. However, KBC exited the JV in FY2017 and the entity became a wholly-owned subsidiary of Union Bank of India. Dai-ichi Life Holdings, Inc. invested in the AMC in March 2018, to the extent of 39.62% of the post-issue share capital of the AMC on a fully-diluted basis, subject to relevant terms and conditions. Pursuant to this investment, Dai-ichi Life Holdings, Inc. holds more than 40% of the AMC's net worth. Consequently, Union Bank of India and Dai-ichi Life Holdings, Inc. have become co-sponsors of Union Mutual Fund. Union Mutual Fund had an average AUM of ~Rs. 13,903.9 crore as on December 31, 2023.

Union Liquid Fund

Launched in June 2011, Union Liquid Fund is an open-ended debt fund that aims to generate reasonable returns while maintaining safety and providing superior liquidity. To achieve this objective, investments are made in a well-diversified and

highly liquid portfolio of money market instrument and other short-term debt instruments. The scheme's AUM was Rs. 2,502 crore as on January 31, 2024 and it had an average residual maturity of ~1-2 months.

Union Overnight Fund

Launched in March 2019, the objective of Union Overnight Fund is to generate short-term optimal returns in line with the overnight rates. The scheme's AUM was Rs. 193 crore as on January 31, 2024 with an average maturity of ~1-2 days.

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years				
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022		Date & Rating in FY2021
				Feb 16, 2024	Feb 20, 2023	Feb 28, 2022	Apr 26, 2021	Jun 25, 2020
1 Union Liquid Fund	Short term	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs
2 Union Overnight Fund	Short term	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs

Complexity level of the rated instruments: Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

Not applicable

Annexure II: List of entities considered for consolidated analysis

Not applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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ICRA Limited



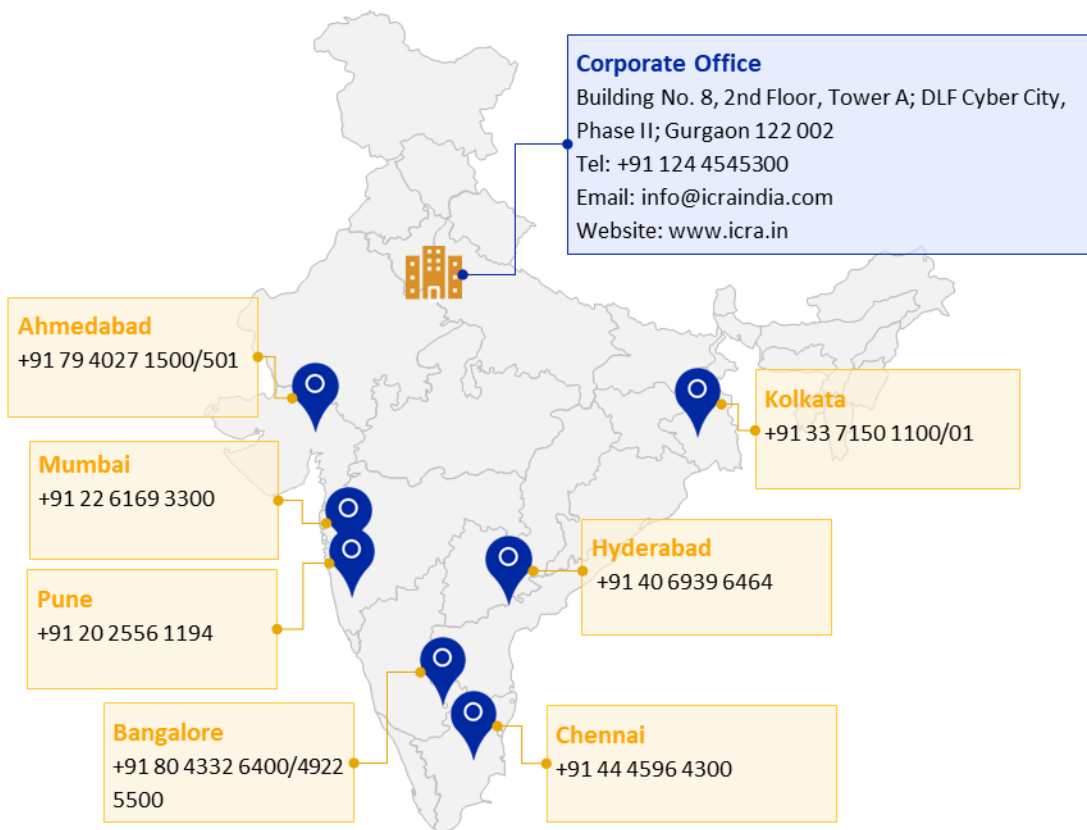
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