February 24, 2021

SBI Funds Management Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
SBI Banking and PSU Fund	-	-	[ICRA]AAAmfs; reaffirmed
SBI Short Term Debt Fund	-	-	[ICRA]AAAmfs; reaffirmed
SBI Corporate Bond Fund	-	-	[ICRA]AAAmfs; reaffirmed
SBI Magnum Low Duration Fund	-	-	[ICRA]AAAmfs; reaffirmed
SBI Magnum Ultra Short Duration Fund	-	-	[ICRA]AAAmfs; reaffirmed
SBI Dynamic Bond Fund	-	-	[ICRA]AAAmfs; reaffirmed
SBI Liquid Fund	-	-	[ICRA]A1+mfs; reaffirmed
SBI Overnight Fund	-	-	[ICRA]A1+mfs; reaffirmed
SBI Savings Fund	-	-	[ICRA]A1+mfs; reaffirmed
SBI Capital Protection Oriented Fund Series A Plan 7	-	-	[ICRA]AAA(SO); reaffirmed
SBI Capital Protection Oriented Fund Series A Plan 8	-	-	[ICRA]AAA(SO); reaffirmed
Total	**-**	**-**	

**Instrument details are provided in Annexure-1*

Rationale and key rating drivers

ICRA has reaffirmed the credit risk rating of [ICRA]AAA mfs (pronounced ICRA triple A m f s) for SBI Banking and PSU Fund, SBI Short Term Debt Fund, SBI Corporate Bond Fund, SBI Magnum Low Duration Fund, SBI Magnum Ultra Short Duration Fund and SBI Dynamic Bond Fund of SBI Funds Management Private Limited [SBI AMC; the asset management company (AMC)]. Schemes with a rating of [ICRA]AAAmfs are considered to have the highest degree of safety regarding the timely receipt of payments from the investments made by them. ICRA has also reaffirmed the credit risk rating of [ICRA]A1+mfs (pronounced ICRA A one plus m f s) for SBI Liquid Fund, SBI Overnight Fund and SBI Savings Fund. Schemes with a rating of [ICRA]A1+mfs are considered to have a very strong degree of safety regarding the timely receipt of payments from the investments made by them. The ratings have been reaffirmed following ICRA's monitoring of the credit risk profile of the month-end portfolio positions of the schemes. The credit risk scores for the schemes were comfortably within the benchmark limit for the current rating levels.

Further, ICRA has reaffirmed the rating of [ICRA]AAA(SO) (pronounced ICRA triple A structured obligation) for SBI AMC's SBI Capital Protection Oriented Fund Series A Plan 7 and SBI Capital Protection Oriented Fund Series A Plan 8. The letters, SO, in parenthesis, suffixed to a rating symbol stand for structured obligation. An SO rating is specific to the rated issue, its terms and structure. SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned.

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 that have been made by the mutual fund schemes. The ratings do not indicate the AMC's and/or any of its scheme's willingness and/or ability to make timely redemptions to its investors. The ratings do not address the market risks and hence should not be construed as an indication of the expected returns, the prospective performance of the mutual fund scheme, and the ability to redeem the investments at the reported net asset value (NAV) or the 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, the relative share of the investments in the overall assets under management (AUM) of the scheme and the maturity schedule of such investments. 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 then measured against the appropriate benchmark credit score in the credit matrix.

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. If the portfolio credit score meets the benchmark of the existing rating, the rating is retained. If the portfolio credit score breaches the benchmark credit matrix score for the current 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 the current 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.

The portfolio structure of capital protection schemes has been designed to protect the unit holders' capital at maturity, which is ensured by investing the majority of the portfolio in debt securities maturing on or before the maturity of the schemes. The schemes will invest in debt securities only with a rating of [ICRA]AAA or equivalent, mitigating any concerns on credit risk. The proportion of debt securities is calculated such that the redemption value of debt less AMC expenses will be equal to or greater than the initial unit holder's capital, offering the highest degree of protection to the unit holder's capital at maturity. ICRA has factored in the credit risk of debt investments, reinvestment risk of interim receipts, precondition of marginal tenure mismatches and obligor concentrations. The debt portion would be passively managed. The balance would be invested in equity and equity-linked instruments to provide any upside potential to the unit holders. At the same time, given the proportion of high credit quality debt investments and the portfolio structure, the downside is protected and the investor may not lose the initial investment at the time of maturity.

Liquidity position: Not applicable

Rating sensitivities

For SBI Capital Protection Oriented Fund Series A – Plan 7 and Plan 8:

Positive factors – Not applicable

Negative factors – ICRA could downgrade the rating of the capital protection oriented schemes if, post launch, the maturity value of the debt holdings of the schemes and the current assets are lower than the amount mobilised from the investors or the credit rating of the underlying investments is downgraded below AAA.

For all other schemes:

Positive factors – Not applicable

Negative factors – ICRA could downgrade the ratings of the schemes if the credit quality of the underlying investments deteriorates or the size of the AUM declines, which may result in an increase in the share of lower rated investments, leading to a breach in the threshold for the rating level.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA- Mutual Fund Credit Risk Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	Not applicable

About the company

SBI AMC was established in February 1992. It is a joint venture between State Bank of India (SBI; rated [ICRA]AAA(Stable) on Tier II bonds) and Amundi, with 63% and 37% stakes, respectively, as on December 31, 2020. The AMC's quarterly average AUM for the quarter ended December 31, 2020 was Rs. 4,56,498 crore[1].

SBI Banking and PSU Fund

Launched in October 2009, SBI Banking and PSU Fund is an open-ended debt scheme. The investment objective is to generate regular income through a mix of portfolio comprising predominantly debt and money market securities of banks, public sector undertakings, public financial institutions and municipal bodies. The AUM stood at Rs. 15,294 crore as on January 31, 2021.

SBI Short Term Debt Fund

Launched in July 2007, SBI Short Term Debt Fund is an open-ended short-term debt scheme. The investment objective is to provide investors an opportunity to generate regular income through investments in a portfolio predominantly comprising debt instruments, which are not rated below investment grade, and money market instruments such that the Macaulay duration of the portfolio is between 1 year and 3 years. The AUM stood at Rs. 26,484 crore as on January 31, 2021.

SBI Corporate Bond Fund

Launched in January 2019, SBI Corporate Bond Fund is an open-ended debt scheme. The investment objective is to provide investors with the opportunity to predominantly invest in corporate bonds rated AA+ and above to generate additional spread on a part of their debt investments from high quality corporate debt securities while maintaining moderate liquidity in the portfolio through investment in money market securities. The AUM stood at Rs. 28,662 crore as on January 31, 2021.

SBI Magnum Low Duration Fund

Launched in July 2007, SBI Magnum Low Duration Fund is an open-ended debt scheme. The investment objective is to provide investors an opportunity to generate regular income with a reasonable degree of liquidity through investment in debt and money market instruments in such a manner that the Macaulay duration of the portfolio is between 6 months and 12 months. The AUM stood at Rs. 15,616 crore as on January 31, 2021.

SBI Magnum Ultra Short Duration Fund

Launched in May 1999, SBI Magnum Ultra Short Duration Fund is an open-ended debt scheme. The investment objective is to provide investors an opportunity to generate regular income with a high degree of liquidity through

[1] *Source: Association of Mutual Funds in India (https://amfiindia.com/)*

investments in a portfolio predominantly comprising debt and money market instruments. The AUM stood at Rs. 11,019 crore as on January 31, 2021.

SBI Dynamic Bond Fund

Launched in February 2004, SBI Dynamic Bond Fund is an open-ended debt scheme. The investment objective is to provide investors attractive returns through investment in an actively managed portfolio of high quality debt securities of varying maturities. The AUM stood at Rs. 2,901 crore as on January 31, 2021.

SBI Liquid Fund

Launched in November 2003, SBI Liquid Fund is an open-ended liquid scheme. The investment objective is to provide investors an opportunity to invest in the entire range of debt and money market securities with a residual maturity of up to 91 days only. The AUM stood at Rs. 42,224 crore as on January 31, 2021.

SBI Overnight Fund

Launched in October 2002, SBI Overnight Fund is an open-ended debt scheme. The investment objective is to provide investors an opportunity to invest in overnight securities maturing on the next business day. The AUM stood at Rs. 15,772 crore as on January 31, 2021.

SBI Savings Fund

Launched in July 2004, SBI Savings Fund is an open-ended debt scheme. The investment objective is to provide investors an opportunity to invest in money market instruments. The AUM stood at Rs. 21,463 crore as on January 31, 2021.

SBI Capital Protection Oriented Fund Series A Plan 7

Launched on February 18, 2020, SBI Capital Protection Oriented Fund Series A Plan 7 is a close-ended capital protection oriented scheme. The fund invests around 45% of the AUM in state development loans, 16% in equity shares and a large part of the remaining AUM in AAA rated corporate bonds. The duration and AUM (January 31, 2021) of the scheme are 1,255 days and Rs. 40.58 crore, respectively.

SBI Capital Protection Oriented Fund Series A Plan 8

Launched on March 24, 2020, SBI Capital Protection Oriented Fund Series A Plan 8 is a close-ended capital protection oriented scheme. The fund invests around 55% of the AUM in state development loans, 17% in equity shares and a large part of the remaining AUM in AAA rated corporate bonds. The duration and AUM (January 31, 2021) of the scheme are 1,221 days and Rs. 25.63 crore, respectively.

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Name of Scheme	Current Rating (FY2021)							Chronology of Rating History for the Past 3 Years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Feb 24, 2021 (Rs. crore)	Date & Rating in FY2021				Date & Rating in FY2020			Date & Rating in FY2019	Date & Rating in FY2018
					Feb-24-2021	Dec-17-2020	Oct-21-2020	Aug-14-2020	Mar-06-2020	Sep-20-2019	Aug-05-2019	Feb-22-2019	Jan-31-2018
1	SBI Savings Fund	Short Term	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	-	-	-	-	-	-	-
2	SBI Banking and PSU Fund	Long Term	-	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	-	-	-	-	-	-
3	SBI Short Term Debt Fund	Long Term	-	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	-	-	-	-	-	-
4	SBI Corporate Bond Fund	Long Term	-	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	-	-	-	-	-	-
5	SBI Magnum Low Duration Fund	Long Term	-	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs ^	[ICRA]AAAmfs/[ICRA]A1+mfs*	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs
6	SBI Magnum Ultra Short Duration Fund	Long Term	-	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs ^	[ICRA]AAAmfs/[ICRA]A1+mfs*	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs
7	SBI Dynamic Bond Fund	Long Term	-	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
8	SBI Capital Protection Oriented Fund Series A Plan 7	Long Term	-	-	[ICRA]AAAmfs (SO)	[ICRA]AAAmfs (SO)	[ICRA]AAAmfs (SO)	[ICRA]AAAmfs (SO)	Provisional [ICRA]AAAmfs (SO)	Provisional [ICRA]AAAmfs (SO)	Provisional [ICRA]AAAmfs (SO)	-	-
9	SBI Capital Protection Oriented Fund Series A Plan 8	Long Term	-	-	[ICRA]AAAmfs (SO)	[ICRA]AAAmfs (SO)	[ICRA]AAAmfs (SO)	[ICRA]AAAmfs (SO)	Provisional [ICRA]AAAmfs (SO)	Provisional [ICRA]AAAmfs (SO)	Provisional [ICRA]AAAmfs (SO)	-	-
10	SBI Liquid Fund	Short Term	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs
11	SBI Overnight Fund	Short Term	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	-	-	-

^Rating of [ICRA]A1+mfs has been withdrawn

**Rating assigned on long-term scale and rating of [ICRA]A1+mfs put on notice of withdrawal for one month*

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	SBI Banking and PSU Fund	NA	NA	NA	NA	[ICRA]AAAmfs
NA	SBI Short Term Debt Fund	NA	NA	NA	NA	[ICRA]AAAmfs
NA	SBI Corporate Bond Fund	NA	NA	NA	NA	[ICRA]AAAmfs
NA	SBI Magnum Low Duration Fund	NA	NA	NA	NA	[ICRA]AAAmfs
NA	SBI Magnum Ultra Short Duration Fund	NA	NA	NA	NA	[ICRA]AAAmfs
NA	SBI Dynamic Bond Fund	NA	NA	NA	NA	[ICRA]AAAmfs
NA	SBI Liquid Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	SBI Overnight Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	SBI Savings Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	SBI Capital Protection Oriented Fund Series A Plan 7	NA	NA	NA	NA	[ICRA]AAA(SO)
NA	SBI Capital Protection Oriented Fund Series A Plan 8	NA	NA	NA	NA	[ICRA]AAA(SO)

Annexure-2: 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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