

February 05, 2024

ITI Asset Management Limited: Ratings reaffirmed

Summary of rating action

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
ITI Liquid Fund	-	-	[ICRA]A1+mfs; reaffirmed
ITI Overnight Fund	-	-	[ICRA]A1+mfs; reaffirmed
ITI Ultra Short Duration Fund	-	-	[ICRA]A1+mfs; reaffirmed
ITI Dynamic Bond Fund	-	-	[ICRA]AAAmfs; reaffirmed
Total	-	-	

**Instrument details are provided in Annexure I*

Rationale and key rating drivers

ICRA has reaffirmed the ratings of various debt mutual fund schemes of ITI Asset Management Limited. The ratings have been reaffirmed following ICRA's monitoring of the credit risk profile of the month-end portfolio position of the schemes. The credit risk scores for these schemes were comfortably within the benchmark limits for their current rating levels.

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

Positive factors – Not applicable

Negative factors –

For ITI Overnight Fund – 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 other debt mutual fund schemes – ICRA could downgrade the ratings of the schemes if the credit quality of the underlying investment deteriorates or the size of the assets under management (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	Mutual Fund Credit Risk Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the company

ITI Asset Management Limited (ITIAML), the AMC for the mutual fund schemes of ITI Mutual Fund, is a subsidiary of The Investments Trust of India Limited (ITI Limited; formerly known as Fortune Financial Services (India) Limited). As per ITI Limited's annual report for FY2023, the company has a stake of 45.15% in ITIAML, while 30.15% is held by Fortune Credit Capital Limited (FCCL), a wholly-owned subsidiary of ITI Limited. ITI Mutual Fund Trustee Private Limited (ITIMFTPL), a wholly-owned subsidiary of ITI Limited, acts as a trustee to ITI Mutual Fund. The AMC had average AUM of around Rs. 5,355 crore¹ (excluding domestic Fund of Funds but including overseas Fund of Funds) during the quarter ended December 31, 2023.

ITI Group

ITI Group is promoted by Mr. Sudhir Valia. It was initially engaged in the capital market businesses of retail and institutional broking, apart from investment banking. In 2013, the Group diversified into lending businesses. Mr. Valia has an established presence in real estate development and construction through his companies. ITI Group is present in institutional and retail equity research and broking, asset-based lending (fintech small and medium-sized enterprise (SME) lending, vehicle loans, etc), investment banking, alternative investment funds (long-short equity, real estate, venture capital) and fixed income broking and retailing. The Group has more than 3,000 employees across 190 branches in India.

¹ Source: AMFI

ITI Liquid Fund

Launched in April 2019, ITI Liquid Fund is an open-ended debt scheme that invests in debt and money market securities with a maturity of up to 91 days. The investment objective of the scheme is to provide reasonable returns, commensurate with low risk, while providing a high level of liquidity through a portfolio of money market and debt securities. The scheme's AUM stood at Rs. 35 crore as on December 31, 2023.

ITI Overnight Fund

Launched in October 2019, ITI Overnight Fund is an open-ended debt scheme. The investment objective of the scheme is to provide reasonable returns, commensurate with low risk, and a high level of liquidity through investments made primarily in overnight securities with a maturity of 1 business day. The scheme's AUM stood at Rs. 120 crore as on December 31, 2023.

ITI Ultra Short Duration Fund

Launched in May 2021, ITI Ultra Short Duration Fund is an open-ended ultra-short-term debt scheme, which primarily invests in debt and money market securities with the Macaulay duration of the scheme to be maintained between 3 months and 6 months. The scheme's AUM stood at Rs. 133 crore as on December 31, 2023.

ITI Dynamic Bond Fund

Launched in July 2021, ITI Dynamic Bond Fund is an open-ended scheme primarily investing in debt and money market securities. Given the underlying nature of the scheme, the Macaulay duration tends to be dynamic. The scheme's AUM stood at Rs. 32 crore as on December 31, 2023.

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

Instrument		Chronology of rating history for the past 3 years										
		Type	Amount rated	Amount outstanding	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022					Date & rating in FY2021
			(Rs. crore)	(Rs. crore)	Feb 05, 2024	Mar 02, 2023	Mar 31, 2022	Oct 29, 2021	Aug 31, 2021	Jun 24, 2021	Apr 23, 2021	Jun 02, 2020
1	ITI 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
2	ITI Overnight 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
3	ITI Ultra Short Duration Fund	Short term	-	-	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	Provisional [ICRA]A1+ mfs	Provisional [ICRA]A1+ mfs	-
4	ITI Dynamic Bond Fund	Long term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	Provisional [ICRA]AAA mfs	Provisional [ICRA]AAA mfs	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
ITI Liquid Fund	Not applicable
ITI Overnight Fund	Not applicable
ITI Ultra Short Duration Fund	Not applicable
ITI Dynamic Bond Fund	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

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	ITI Liquid Fund		NA		NA	[ICRA]A1+mfs
NA	ITI Overnight Fund		NA		NA	[ICRA]A1+mfs
NA	ITI Ultra Short Duration Fund		NA		NA	[ICRA]A1+mfs
NA	ITI Dynamic Bond Fund		NA		NA	[ICRA]AAAmfs

Annexure II: List of entities considered for limited 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.

For more information, visit www.icra.in

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Branches



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