

May 27, 2019

UTI Asset Management Company Limited: Ratings downgraded for three schemes and rating placed on notice for withdrawal for one scheme

Summary of rating action

Instrument*	Current Rated Amount(Rs. crore)	Rating Action
UTI FIIF Quarterly Interval Plan - Series VI	-	[ICRA]A1+mfs; placed on notice for withdrawal for one month
UTI Banking and PSU Debt Fund	-	[ICRA]BBB-mfs@; downgraded from [ICRA]AAAmfs@
UTI Bond Fund	-	[ICRA]BBB+mfs@; downgraded from [ICRA]AA-mfs@
UTI Dynamic Bond Fund	-	[ICRA]BBB+mfs@; downgraded from [ICRA]AA-mfs@
UTI Liquid Cash Plan	-	[ICRA]A1+mfs; outstanding
UTI Overnight Fund	-	[ICRA]A1+mfs; outstanding
UTI Ultra Short Term Fund	-	[ICRA]AAAmfs; outstanding
UTI Treasury Advantage Fund	-	[ICRA]AAmfs; outstanding
UTI Capital Protection Oriented Scheme Series X - Plan 2	-	[ICRA]AAAmfs(SO); outstanding
UTI Capital Protection Oriented Scheme Series IX - Plan 1	-	[ICRA]AAAmfs(SO); outstanding
UTI Capital Protection Oriented Scheme Series IX - Plan 2	-	[ICRA]AAAmfs(SO); outstanding
UTI Capital Protection Oriented Scheme Series IX - Plan 3	-	[ICRA]AAAmfs(SO); outstanding

@Under rating watch with negative implications

*Instrument details are provided in Annexure-1

Rationale and key rating drivers

ICRA has downgraded the rating on UTI Banking and PSU Debt Fund to [ICRA]BBB-mfs@ from [ICRA]AAAmfs@. ICRA has also downgraded the rating on UTI Bond Fund and UTI Dynamic Bond Fund to [ICRA]BBB+mfs@ from [ICRA]AA-mfs@. Schemes with [ICRA]BBBmfs rating are considered to have a moderate degree of safety regarding timely receipt of payments from the investments that they have made.

The rating action is on account of the exposures of these schemes to IL&FS special purpose vehicle (SPV) namely Jorabat Shillong Expressway Limited (JSEL) coupled with a decline in asset under management (AUM) resulting into a significant increase in the share of JSEL as % of overall AUM. While JSEL was not meeting its financial repayment obligations since March 01, 2019, ICRA was awaiting clarity from National Company Law Appellate Tribunal (NCLAT) considering that JSEL had been categorised as 'Amber Entity¹' according to the NCLAT order dated February 11, 2019 and being a SPV, it had a ringfenced payment waterfall mechanism as detailed in the escrow agreement. Subsequently, on its hearing on March 29, 2019, NCLAT directed IL&FS group to submit financials and payables to financial and operational creditor for few entities under Amber category, which were submitted on April 16, 2019. Given the uncertainty over resolution allowing

¹ Amber has been defined as entities which are not able to meet all their obligations (financial and operational) but can meet only operational payment obligations and payment obligations to senior secured financial creditors.

the SPVs to meet its financial obligations and significant increase in share of these papers in overall AUM, ICRA has downgraded the mutual fund schemes having exposure to IL&FS SPVs.

As on April 30, 2019 the gross exposure to JSEL stood at Rs. 74.91 crore (10.53% of gross AUM), Rs. 89.01 crore (11.21% of gross AUM) and Rs. 58.23 crore (25.39% of AUM) for UTI Bond Fund and UTI Dynamic Bond Fund, UTI Banking and PSU Debt Fund respectively. The ratings continue to be on rating watch negative as a decline in AUM could result into further increase in share of JSEL in the overall AUM, which can result in further rating downgrade. ICRA will continue to monitor the portfolios of these schemes regularly and take appropriate rating action as and when required.

ICRA has put the credit risk rating of [ICRA]A1+mfs of UTI FIIF Quarterly Interval Plan – Series VI of UTI Asset Management Company Limited² (UTI AMC) on notice for withdrawal for one month, at the request of the fund house.

ICRA has a long term rating outstanding of [ICRA]AAAmfs (pronounced ICRA triple A m f s) for UTI Ultra Short Term Fund and [ICRA]AAmfs for UTI Treasury Advantage Fund and short-term rating outstanding of [ICRA]A1+mfs (pronounced ICRA A one plus m f s) for UTI Liquid Cash Plan and UTI Overnight Fund UTI Asset Management Company Limited.

ICRA also has a rating outstanding of [ICRA]AAAmfs(SO) (pronounced ICRA triple A m f s structured obligation) for the AMC's UTI Capital Protection Oriented Scheme Series X (Plan 2) and UTI Capital Protection Oriented Scheme Series IX (Plans 1, 2 & 3). 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.

The ratings indicate ICRA's opinion on the credit quality of the portfolios that the funds hold. The ratings do not indicate the AMC's willingness, or ability, to make timely payments to the fund's investors. The ratings should not be construed as an indication of expected returns, prospective performance of the mutual fund scheme, NAV or of volatility in its returns.

ICRA's mutual fund rating methodology is based on evaluating the inherent credit quality of the fund's portfolio. As a measure of the credit quality of a debt fund's assets, ICRA uses the concept of "credit scores". These scores are based on ICRA's estimates of the credit risk associated with each exposure of the portfolio taking into account its maturity. To quantify the credit risk scores, ICRA uses its database of historical default rates for various rating categories and maturity buckets. The credit risk ratings incorporate ICRA's assessment of a debt fund's published investment objectives and policies, its management characteristics, and the creditworthiness of its investment portfolio. ICRA reviews relevant fund information on an ongoing basis to support its published rating opinions. If the portfolio credit score meets the benchmark of the assigned rating during the review, the rating is retained. In an event that the benchmark credit score is breached, ICRA gives a month's time to the debt fund manager to bring the portfolio credit score within the benchmark credit score. If the debt fund manager is able to reduce the portfolio credit score within the benchmark credit score, the rating is retained. If the portfolio still continues to breach the benchmark credit score, the rating is revised to reflect the change in credit quality.

Outlook: Not Applicable

Liquidity: Not Applicable

² For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications

Analytical approach:

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

About the company:

UTI Asset Management Company Limited, incorporated under the Companies Act, 1956, is the asset management company (AMC) for UTI Mutual Fund. The fund was established as a trust under the Indian Trusts Act, 1882, with State Bank of India, Punjab National Bank, Bank of Baroda and Life Insurance Corporation of India as the sponsors. The AMC's average assets under management for the quarter ended March 31, 2019 for the AMC stood at Rs. 1,59,694.23 crore³.

UTI Banking and PSU Debt Fund

Launched in January 2014, UTI Banking and PSU Debt Fund is an open-ended income scheme with a stated objective to generate steady and reasonable income, with low risk and high level of liquidity from a portfolio of predominantly debt and money market securities of banks and public sector undertakings (PSUs). The fund's net asset under management stood at Rs. 200 crore as on April 30, 2019. The scheme has a gross exposure of Rs. 58.23 crore to debt instruments of JSEL as on April 30, 2019. However, post mark down to 50%, the net exposure stood at Rs. 29.12 crore.

UTI Bond Fund

Launched in May 1998, UTI Bond Fund is an open-ended debt scheme with a stated objective to invest in the entire range of debt and money market instruments. The fund's asset under management stood at Rs. 674 crore as on April 30, 2019. The scheme has a gross exposure of Rs. 74.91 crore to debt instruments of JSEL as on April 30, 2019. However, post mark down to 50%, the net exposure stood at Rs. 37.46 crore.

UTI Dynamic Bond Fund

Launched in June 2010, UTI Dynamic Bond Fund is an open-ended income scheme with a stated objective to generate optimal returns with adequate liquidity through active management of the portfolio, by investing in debt and money market instruments. The fund's asset under management stood at Rs. 750 crore as on April 30, 2019. The scheme has a gross exposure of Rs. 89.01 crore to debt instruments of JSEL as on April 30, 2019. However, post mark down to 50%, the net exposure stood at Rs. 44.51 crore.

UTI Overnight Fund

Launched in November 2003, UTI Overnight Fund is an open-ended debt scheme investing in overnight securities with a stated objective to generate reasonable income, with low risk and high level of liquidity from a portfolio of overnight securities having a maturity of one day. The fund's asset under management stood at Rs. 344 crore as on April 30, 2019.

UTI Liquid Cash Plan

Launched in June 2003, UTI Liquid Fund – Cash Plan is an open-ended liquid scheme with a stated objective to generate steady and reasonable income, with low risk and high level of liquidity, from a portfolio of money market securities and high-quality debt. The fund's asset under management stood at Rs. 36,731 crore as on April 30, 2019.

UTI Ultra Short Term Fund

Launched in August 2003, UTI Ultra Short Term Fund earlier known as UTI Floating Rate Fund aims to generate reasonable income with low volatility through investment in a portfolio comprising of debt & money market instruments. The fund's asset under management stood at Rs. 5,226 crore as on April 30, 2019.

³ Source: Association of Mutual Funds in India (<https://www.amfiindia.com/>)

UTI Treasury Advantage Fund

Launched in July 1999, the key objective of this open-ended debt scheme is to generate income through investments in quality oriented debt and money market instruments. The fund's asset under management stood at Rs. 5,220 crore as on April 30, 2019

UTI FIIF Quarterly Interval Plan Series VI

UTI FIIF Quarterly Interval Plan – Series VI is a debt-oriented open-ended interval scheme with a stated objective to generate regular income through investments in fixed income securities, maturing in line with the time profile of the plan.

UTI Capital Protection Oriented Scheme Series IX - (Plans 1,2 &3) and Series X - Plan 2

Plans 1 of UTI Capital Protection Oriented Scheme Series IX was launched in April 2017, Plan 2 was launched in June 2017 and Plan 3 was launched in August 2017. Plan 2 of UTI Capital Protection Oriented Scheme Series X was launched in April 2018.

The portfolio structure of the capital protection schemes has been designed with the intention of protecting the unit holder's capital at maturity, which is achieved by investing the majority of the funds in debt securities maturing on or before the maturity of the scheme. The proportion of debt securities is calculated so that the redemption value of debt less the AMC expenses will be equal to or more than the initial unit holder's capital, thereby offering the highest degree of protection to the unit holder's capital at maturity. ICRA has factored in the credit risk of debt investments, re-investment risk of interim receipts, precondition of marginal tenure mismatches and obligor concentrations. The debt portion would be passively managed. The balance portion is invested in equity and/or equity-linked instruments to provide 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 suffer loss of initial investment at the time of maturity.

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Sr No	Name of Scheme	Type	Current Rating (FY2020) Rated amount	Chronology of Rating History for the past 3 years													
				FY2020 May-19	FY2019 Apr-19	FY2019 Jan-19	FY2019 Dec-18	FY2019 Oct-18	FY2019 Sep-18	FY2019 Jun-18	FY2018 Jun-18	FY2018 Dec-17	FY2018 Oct-17	FY2018 Aug-17	FY2018 Jul-17	FY2017 Oct-16	FY2017 Jul-16
1	UTI FIIF Quarterly Interval Plan - Series VI	Short Term	-	[ICRA] A1+mf s Notice of withdrawal	[ICRA] A1+mf s	[ICRA] A1+mf s	[ICRA] A1+mf s										
2	UTI Banking and PSU Debt Fund	Long Term	-	[ICRA] BBB-mfs@	[ICRA] AAAmfs@	[ICRA] AAAmfs@	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs
3	UTI Bond Fund	Long Term	-	[ICRA] BBB+mfs@	[ICRA] AA-mfs@	[ICRA] AAAmfs@	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs
4	UTI Dynamic Bond Fund	Long Term	-	[ICRA] BBB+mfs@	[ICRA] AA-mfs@	[ICRA] AAAmfs@	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs
5	UTI Liquid Cash Plan	Short Term	-	[ICRA] A1+mf s	[ICRA] A1+mf s	[ICRA] A1+mf s	[ICRA] A1+mf s	[ICRA] A1+mf s	[ICRA] A1+mf s	[ICRA] A1+mf s	[ICRA] A1+mf s	[ICRA] A1+mf s	[ICRA] A1+mf s	[ICRA] A1+mf s	[ICRA] A1+mf s	[ICRA] A1+mf s	[ICRA] A1+mf s
6	UTI Ultra Short Term Fund	Long Term	-	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs
7	UTI Overnight Fund	Short Term	-	[ICRA] A1+mf s	[ICRA] A1+mf s	[ICRA] A1+mf s	[ICRA] A1+mf s										
8	UTI Treasury Advantage Fund	Long Term	-	[ICRA] AA mfs	[ICRA] AA mfs	[ICRA] AA mfs	[ICRA] AA mfs	[ICRA] AA mfs	[ICRA] AA mfs	[ICRA] AA mfs	[ICRA] AA mfs	[ICRA] AA mfs	[ICRA] AA mfs	[ICRA] AA mfs	[ICRA] AA mfs	[ICRA] AA mfs	[ICRA] AA mfs
9	UTI Capital Protection Oriented	Long Term	-	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	Provisional [ICRA]	Provisional [ICRA]	Provisional [ICRA]	Provisional [ICRA]			

Sr No	Name of Scheme	Type	Current Rating (FY2020)		Chronology of Rating History for the past 3 years												
			Rated amount	May-19	FY2020 Apr-19	FY2019 Jan-19	Dec-18	Oct-18	Sep-18	Jun-18	FY2018 Jun-18	Dec-17	Oct-17	Aug-17	Jul-17	FY2017 Oct-16	Jul-16
	Scheme Series X - Plan 2										AAAmfs (SO)	AAAmfs (SO)	AAAmfs (SO)	(SO)			
10	UTI Capital Protection Oriented Scheme Series IX - Plan 1	Long Term	-	[ICRA] AAAm fs (SO)	[ICRA] AAAm fs (SO)	[ICRA] AAAm fs (SO)	[ICRA] AAAm fs (SO)	[ICRA] AAAm fs (SO)	[ICRA] AAAm fs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	Provisional [ICRA] AAAmfs (SO)	
11	UTI Capital Protection Oriented Scheme Series IX - Plan 2	Long Term	-	[ICRA] AAAm fs (SO)	[ICRA] AAAm fs (SO)	[ICRA] AAAm fs (SO)	[ICRA] AAAm fs (SO)	[ICRA] AAAm fs (SO)	[ICRA] AAAm fs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	Provisional [ICRA] AAAmfs (SO)	Provisional [ICRA] AAAmfs (SO)	
12	UTI Capital Protection Oriented Scheme Series IX - Plan 3	Long Term	-	[ICRA] AAAm fs (SO)	[ICRA] AAAm fs (SO)	[ICRA] AAAm fs (SO)	[ICRA] AAAm fs (SO)	[ICRA] AAAm fs (SO)	[ICRA] AAAm fs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	Provisional [ICRA] AAAmfs (SO)	Provisional [ICRA] AAAmfs (SO)	Provisional [ICRA] AAAmfs (SO)	

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: Not applicable

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About ICRA Limited:

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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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