August 05, 2019

SBI Funds Management Private Limited: Provisional [ICRA]AAAmfs(SO) assigned to SBI Capital Protection Oriented Fund Series A Plan 7 and Plan 8

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
SBI Capital Protection Oriented Fund Series A Plan 7	-	-	Provisional [ICRA]AAAmfs(SO); assigned
SBI Capital Protection Oriented Fund Series A Plan 8			Provisional [ICRA]AAAmfs(SO); assigned
SBI Dynamic Bond Fund	-	-	[ICRA]AAAmfs; outstanding
SBI Magnum Ultra Short Duration Fund	-	-	[ICRA]A1+mfs; outstanding
SBI Magnum Low Duration Fund	-	-	[ICRA]A1+mfs; outstanding
SBI Liquid Fund	-	-	[ICRA]A1+mfs; outstanding
Total	**-**	**-**	

**Instrument details are provided in Annexure-1*

Rationale and key rating drivers

ICRA has assigned a rating of Provisional [ICRA]AAAmfs(SO) (pronounced provisional ICRA triple A m f s structured obligation) to SBI Capital Protection Oriented Fund Series A Plan 7 and Plan 8 of SBI Funds Management Private Limited (the asset management company; AMC). Schemes with an [ICRA]AAAmfs rating are considered to have the highest degree of safety regarding the timely receipt of payments from the investments that they have made. The provisional rating is subject to the scheme receiving regulatory approvals and the fulfilment of all the conditions specified in the portfolio structure.

The ratings indicate ICRA's opinion on the credit quality of the portfolios held by the funds. They 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, net asset value (NAV) or 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.

The portfolio structure for the capital protection schemes have been designed to protect the unit holders' capital at maturity, which is ensured by investing a 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

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 Funds Management Private Limited (SBIFM), the AMC for SBI Mutual Fund (SBI MF), was established in February 1992 and is a 63:37 joint venture between State Bank of India (SBI; rated [ICRA]AAA(hyb)(Stable)[1]) and AMUNDI. The quarterly average assets under management (AUM) of the AMC for the quarter ended June 30, 2019 was Rs. 3,07,533.86 crore[2].

SBI Capital Protection Oriented Fund Series A Plan 7 and Plan 8 are envisaged to be three to five years close-ended schemes. The actual tenure of the schemes will be decided at the time of launch.

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[1] *SBI's Basel III Compliant Tier II Bond rated [ICRA]AAA(hyb)(Stable)*

[2] *https://www.amfiindia.com/research-information/aum-data/average-aum*

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

	Instrument	Current Rating (FY2020)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating August 2019	Date & Rating in FY2019 Feb 2019	Date & Rating in FY2018 Jan 2018	Date & Rating in FY2017 Dec 2016
1	SBI Capital Protection Oriented Fund Series A Plan 7	Long Term	-	-	Provisional [ICRA]AAAmfs(SO); assigned	-	-	-
2	SBI Capital Protection Oriented Fund Series A Plan 8	Long Term	-	-	Provisional [ICRA]AAAmfs(SO); assigned	-	-	-
3	SBI Dynamic Bond Fund	Long Term	-	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
4	SBI Magnum Ultra Short Duration Fund	Short Term	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs
5	SBI Magnum Low Duration Fund	Short Term	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs
6	SBI Liquid Fund	Short Term	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs

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	NA	NA	NA	NA	NA	NA

Source: SBI Funds Management Pvt. Ltd.

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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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