September 20, 2019

SBI Funds Management Private Limited: [ICRA]A1+mfs rating assigned to SBI Overnight Fund

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
SBI Overnight Fund	-	[ICRA]A1+mfs; assigned
SBI Capital Protection Oriented Fund Series A Plan 7	-	Provisional [ICRA]AAA(SO); outstanding
SBI Capital Protection Oriented Fund Series A Plan 8		Provisional [ICRA]AAA(SO); outstanding
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

The rating assigned to SBI Overnight Fund is basis the portfolio of the scheme with the credit score of the portfolio being comfortable at the rating level of [ICRA]A1+mfs.

ICRA has also modified the rating of Provisional [ICRA]AAA(SO) (pronounced Provisional ICRA triple A Structured Obligation) for the SBI Capital Protection Oriented Fund Series A Plan 7 and Plan 8. The rating was earlier denoted as Provisional [ICRA]AAAmfs(SO). The change in depiction of the rating is in accordance with the recent guidance provided by the Securities and Exchange Board of India (SEBI) to the Credit Rating Agencies (CRAs) that the ratings for the Capital Protection Oriented Schemes are to be denoted on the regular rating scale and not on the mutual fund rating scale. The removal of “mfs” is not to be construed as a change in the rating.

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.

Liquidity Position: Not applicable

Rating sensitivities:

Positive triggers - Not applicable

Negative triggers –

1. ICRA could downgrade the rating of schemes if the credit quality of the underlying investment deteriorates or the size of assets under management (AUM) declines, which results in an increase in the share of lower rated investments leading to a breach in the threshold for the rating level.
2. ICRA could downgrade the rating of the capital protection oriented schemes, if post launch the maturity value of the debt holdings of the scheme and the current assets is lower than the amount mobilised from the investors or the credit rating of the underlying investments gets downgraded below AAA.

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

SBI Funds Management Private Limited (SBIFM), the asset management company for the SBI Mutual Fund (SBI MF) was established in February 1992 and it is a 63:37 Joint Venture between State Bank of India (SBI) and AMUNDI. It is the third largest AMC in the country. The Quarterly Average Assets under Management (AUM) managed by the asset management company (AMC) during the quarter ended June 2019 was Rs. 3,07,533.86 crores[1].

SBI Overnight Fund

Launched in October 2002, SBI Overnight Fund is an open-ended scheme investing in overnight securities. The objective of the scheme is to provide the investors an opportunity to invest in overnight securities maturing on the next business day. The fund's AUM stood at ~Rs. 1,362 crore as on August 31, 2019.

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

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.

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 20-Sep-2019	Date & Rating in FY2020 05-Aug- 2019	Date & Rating in FY2019 22-Feb-2019	Date & Rating in FY2018 31-Jan-2018	Date & Rating in FY2017 08-Dec-2016
1	SBI Overnight Fund	Short Term	-	-	[ICRA]A1+mfs; assigned	-	-	-	-
2	SBI Capital Protection Oriented Fund Series A Plan 7	Long Term	-	-	Provisional [ICRA]AAA (SO)	Provisional [ICRA]AAAmfs(SO)	-	-	-
3	SBI Capital Protection Oriented Fund Series A Plan 8	Long Term	-	-	Provisional [ICRA]AAA (SO)	Provisional [ICRA]AAAmfs(SO)	-	-	-
4	SBI Dynamic Bond Fund	Long Term	-	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
5	SBI Magnum Ultra Short Duration Fund	Short Term	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs
6	SBI Magnum Low Duration Fund	Short Term	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs

7	SBI Liquid Fund	Short Term	-	-	[ICRA]A1+mfs	[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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