September 27, 2019

UTI Asset Management Company Limited: Ratings reaffirmed for capital protection oriented schemes

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
UTI Capital Protection Oriented Scheme Series X - Plan 2	-	-	[ICRA]AAA(SO); reaffirmed
UTI Capital Protection Oriented Scheme Series IX - Plan 1	-	-	[ICRA]AAA(SO); reaffirmed
UTI Capital Protection Oriented Scheme Series IX - Plan 2	-	-	[ICRA]AAA(SO); reaffirmed
UTI Capital Protection Oriented Scheme Series IX - Plan 3	-	-	[ICRA]AAA(SO); reaffirmed
UTI Corporate Bond Fund	-	-	[ICRA]AAAmfs; outstanding
UTI Money Market Fund	-	-	[ICRA]A1+mfs; outstanding
UTI Bond Fund	-	-	[ICRA]BBBmfs@; outstanding
UTI Dynamic Bond Fund	-	-	[ICRA]BBBmfs@; outstanding
UTI Ultra Short Term Fund	-	-	[ICRA]AAmfs; outstanding
UTI Treasury Advantage Fund	-	-	[ICRA]BBB+mfs; outstanding
UTI Banking and PSU Debt Fund	-	-	[ICRA]BBB-mfs@; outstanding
UTI Liquid Cash Plan	-	-	[ICRA]A1+mfs; outstanding
UTI Overnight Fund	-	-	[ICRA]A1+mfs; outstanding
Total	**-**	**-**	

@Under rating watch with negative implications
**Instrument details are provided in Annexure-1*

Rationale and key rating drivers

ICRA has reaffirmed the ratings of [ICRA]AAA(SO) (pronounced ICRA triple A structured obligation) for UTI Capital Protection Oriented Scheme Series X (Plan 2) and UTI Capital Protection Oriented Scheme Series IX (Plans 1, 2 & 3) of UTI Asset Management Company Limited[1] (UTI AMC). The letters, SO, in parenthesis, suffixed to a rating symbol stand for structured obligation. 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.

ICRA has a long term rating outstanding of [ICRA]AAAmfs for UTI Corporate Bond Fund and [ICRA]AAmfs for UTI Ultra Short Term Fund and [ICRA]BBB+mfs for UTI Treasury Advantage Fund and [ICRA]BBBmfs for UTI Bond Fund and UTI Dynamic Bond Fund and [ICRA]BBB-mfs for UTI Banking and PSU Debt Fund. ICRA also has a short-term rating outstanding of [ICRA]A1+mfs for UTI Money Market Fund, UTI Liquid Cash Plan and UTI Overnight Fund of UTI Asset Management Company Limited.

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

As on August 31, 2019, the gross exposure to DHFL stood at Rs. 44.24 crore (6.52% of gross AUM), Rs. 44.24 crore (6.45% of gross AUM), Rs. 353.93 (12.66% of gross AUM), Rs. 128.49 crore (4.16% of gross AUM) for UTI Bond Fund, UTI Dynamic Bond Fund, UTI Treasury Advantage Fund and UTI Ultra Short Term Fund respectively.

As on August 31, 2019 the gross exposure to IL&FS special purpose vehicle (SPV) namely Jorabat Shillong Expressway Limited (JSEL) stood at Rs. 74.91 crore (11.04% of gross AUM), Rs. 89.01 crore (12.98% of gross AUM) and Rs. 58.23 crore (28.30% of gross AUM) for UTI Bond Fund, UTI Dynamic Bond Fund and 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.

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

Rating Sensitivities

Negative triggers - ICRA could downgrade the rating of the capital protection oriented schemes if 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 underlying investments comprise of debt instruments rated below highest rating level on sustained basis.

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:

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 June 30, 2019 for the AMC stood at Rs. 1,57,865.86 crore[2].

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 schemes will invest in debt securities with highest credit rating, mitigating any concerns on credit risk. 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.

UTI Corporate Bond Fund

Launched in August 2018, UTI Corporate Bond Fund is an open-ended debt scheme with a stated objective to generate optimal returns by investing predominantly in AA+ and above rated corporate bonds. The fund's net asset under management stood at Rs. 576 crore as on August 31, 2019.

UTI Money Market Fund

Launched in April 1997, UTI Money Market Fund is an open-ended debt scheme with a stated objective to generate reasonable income with high level of liquidity in a portfolio of money market instruments. The fund's net asset under management stood at Rs. 6,584 crore as on August 31, 2019.

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 net asset under management stood at Rs. 597 crore as on August 31, 2019. The scheme had a gross exposure of Rs. 74.91 crore to debt instruments of JSEL as on August 31, 2019. However, post mark down to 50%, the net exposure stood at Rs. 37.46 crore. The scheme had a gross exposure of Rs. 44.24 crore to debt instruments of DHFL as on August 31, 2019. However, post 100% mark down, the net exposure stood at Nil as on June 06, 2019.

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

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

market instruments. The fund’s net asset under management stood at Rs. 597 crore as on August 31, 2019. The scheme had a gross exposure of Rs. 89.01 crore to debt instruments of JSEL as on August 31, 2019. However, post mark down to 50%, the net exposure stood at Rs. 44.51 crore. The scheme had a gross exposure of Rs. 44.24 crore to debt instruments of DHFL as on August 31, 2019. However, post 100% mark down, the net exposure stood at Nil as on June 06, 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 net asset under management stood at Rs. 2,962 crore as on August 31, 2019. The scheme had a gross exposure of Rs. 129.93 crore to debt instruments of DHFL as on August 31, 2019. However, post 100% mark down, the net exposure stood at Nil as on June 06, 2019.

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 net asset under management stood at Rs. 2,441 crore as on August 31, 2019. The scheme had a gross exposure of Rs. 353.93 crore to debt instruments of DHFL as on August 31, 2019. However, post 100% mark down, the net exposure stood at Nil as on June 06, 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 net asset under management stood at Rs. 35,331 crore as on August 31, 2019.

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. 167 crore as on August 31, 2019. The scheme had a gross exposure of Rs. 58.23 crore to debt instruments of JSEL as on August 31, 2019. However, post mark down to 50%, the net exposure stood at Rs. 29.12 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 net asset under management stood at Rs. 905 crore as on August 31, 2019.

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	Current Rating (FY2020)			Chronology of Rating History for the past 3 years																			
					FY2020						FY2019						FY2018					FY2017		
		Type	Rated amount	27-Sep-19	9-Sep-19	9-Jul-19	2-Jul-19	14-Jun-19	27-May-19	25-Apr-19	21-Jan-19	5-Dec-18	22-Oct-18	21-Sep-18	27-Jun-18	12-Jun-18	18-Apr-18	20-Dec-17	23-Oct-17	24-Aug-17	10-Jul-17	17-Oct-16	6-Oct-16	8-Jul-16
1	UTI Corporate Bond Fund	Long Term	-	[ICRA] AAA mfs;	[ICRA] AAA mfs;																			
2	UTI Money Market Fund	Short Term	-	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs																		
3	UTI Dynamic Bond Fund	Long Term	-	[ICRA] BBBmfs@	[ICRA] BBBmfs@	[ICRA] BBBmfs@	[ICRA] BBBmfs@	[ICRA]BBBmfs@	[ICRA]BBB+mfs@	[ICRA] AA-mfs@	[ICRA] AAAmfs@	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAA mfs	[ICRA] AAA mfs	[ICRA] AAA mfs	[ICRA] AAAmfs	[ICRA] AAA mfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs
4	UTI Ultra Short Term Fund	Long Term	-	[ICRA] AAmfs	[ICRA] AAmfs	[ICRA] AAmfs	[ICRA] AAmfs	[ICRA] AAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] A1+ mfs	[ICRA] A1+ mfs	[ICRA] A1+ mfs	[ICRA] AAAmfs	[ICRA] AAA mfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs
5	UTI Treasury Advantage Fund	Long Term	-	[ICRA] BBB+ mfs	[ICRA] BBB+ mfs	[ICRA] BBB+ mfs	[ICRA] BBB+ mfs	[ICRA]BBB+ mfs	[ICRA]AA mfs	[ICRA] AAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAA mfs	[ICRA] AAA mfs	[ICRA] AAA mfs	[ICRA] AAAmfs	[ICRA] AAA mfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs
6	UTI Bond Fund	Long Term	-	[ICRA] BBBmfs@	[ICRA] BBBmfs@	[ICRA] BBBmfs@	[ICRA] BBBmfs@	[ICRA]BBBmfs@	[ICRA]BBB+mfs@	[ICRA] AA-mfs@	[ICRA] AAAmfs@	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAA mfs	[ICRA] AAA mfs	[ICRA] AAA mfs	[ICRA] AAAmfs	[ICRA] AAA mfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs
7	UTI Banking and PSU Debt Fund	Long Term	-	[ICRA] BBB-mfs@	[ICRA] BBB-mfs@	[ICRA] BBB-mfs@	[ICRA] BBB-mfs@	[ICRA]BBB-mfs@	[ICRA]BBB-mfs@	[ICRA] AAAmfs@	[ICRA] AAAmfs@	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAA mfs	[ICRA] AAA mfs	[ICRA] AAA mfs	[ICRA] AAAmfs	[ICRA] AAA mfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs
8	UTI Liquid Cash Plan	Shor	-	[ICRA]	[ICRA]	[ICRA]	[ICRA]	[ICRA]	[ICRA]	[ICRA]	[ICRA]	[IC	[IC	[IC	[ICRA]	[ICRA]	[ICR	[ICR	[ICR	[ICRA]	[ICR	[ICRA]	[IC	[IC

Sr No	Name of Scheme	Current Rating (FY2020)			Chronology of Rating History for the past 3 years																			
		Type	Rated amount	27-Sep-19	FY2020						FY2019						FY2018					FY2017		
					9-Sep-19	9-Jul-19	2-Jul-19	14-Jun-19	27-May-19	25-Apr-19	21-Jan-19	5-Dec-18	22-Oct-18	21-Sep-18	27-Jun-18	12-Jun-18	18-Apr-18	20-Dec-17	23-Oct-17	24-Aug-17	10-Jul-17	17-Oct-16	6-Oct-16	8-Jul-16
		t Term		A1+mfs	A1+mfs	A1+mfs	A1+mfs	A1+mfs	A1+mfs	A1+mfs	A1+mfs	RA] A1+mfs	RA] A1+mfs	RA] A1+mfs	A1+mfs	A1+mfs	A] A1+mfs	A] A1+mfs	A] A1+mfs	A1+mfs	A] A1+mfs	A1+mfs	RA] A1+mfs	RA] A1+mfs
9	UTI 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	[ICRA] A1+mfs												
10	UTI Capital Protection Oriented Scheme Series X - Plan 2	Long Term	-	[ICRA] AAA(SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (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)	Provisional [ICRA] AAAmfs (SO)	Provisional [ICRA] AAAmfs (SO)				
11	UTI Capital Protection Oriented Scheme Series IX - Plan 1	Long Term	-	[ICRA] AAA(SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	Provisional [ICRA] AAAmfs (SO)		
12	UTI Capital Protection Oriented Scheme Series IX - Plan 2	Long Term	-	[ICRA] AAA(SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	Provisional [ICRA] AAAmfs (SO)	Provisional [ICRA] AAAmfs (SO)		
13	UTI Capital Protection Oriented Scheme Series IX - Plan 3	Long Term	-	[ICRA] AAA(SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AA	[ICRA] AA	[ICRA] AA	[ICRA] AAAmfs (SO)	[ICRA] AAAmfs (SO)	[ICRA] AAA	[ICRA] AAA	[ICRA] AAA	Provisional [ICRA] AAAmfs (SO)	Provisional	Provisional [ICRA] AAAmfs (SO)		

Sr No	Name of Scheme	Current Rating (FY2020)			Chronology of Rating History for the past 3 years																			
					FY2020						FY2019							FY2018				FY2017		
		Type	Rated amount	27-Sep-19	9-Sep-19	9-Jul-19	2-Jul-19	14-Jun-19	27-May-19	25-Apr-19	21-Jan-19	5-Dec-18	22-Oct-18	21-Sep-18	27-Jun-18	12-Jun-18	18-Apr-18	20-Dec-17	23-Oct-17	24-Aug-17	10-Jul-17	17-Oct-16	6-Oct-16	8-Jul-16
												Amfs (SO)	Amfs (SO)	Amfs (SO)			mfs (SO)	mfs (SO)	mfs (SO)		[ICRA] AAA mfs (SO)			

@Under rating watch with negative implications

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.inAnnexure-1: Instrument Details: 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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