August 14, 2020

SBI Funds Management Private Limited: Provisional [ICRA]AAA (SO) rating confirmed as final for SBI Capital Protection Oriented Fund Series A – Plan 7 and Plan 8; [ICRA]A1+mfs rating withdrawn and [ICRA]AAAmfs reaffirmed for two schemes

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]AAA (SO); confirmed as final
SBI Capital Protection Oriented Fund Series A Plan 8	-	-	Provisional [ICRA]AAA (SO); confirmed as final
SBI Magnum Low Duration Fund	-	-	[ICRA]AAAmfs reaffirmed; [ICRA]A1+mfs withdrawn
SBI Magnum Ultra Short Duration Fund	-	-	[ICRA]AAAmfs reaffirmed; [ICRA]A1+mfs withdrawn
SBI Dynamic Bond Fund	-	-	[ICRA]AAAmfs; Outstanding
SBI Liquid Fund	-	-	[ICRA]A1+mfs; Outstanding
SBI Overnight Fund	-	-	[ICRA]A1+mfs; Outstanding
Total	**-**	**-**	

**Instrument details are provided in Annexure-1*

Rationale and key rating drivers

ICRA has confirmed as final the Provisional [ICRA]AAA (SO) rating assigned to SBI Capital Protection Oriented Fund – Series A Plan 7 and Series A Plan 8 of SBI Funds Management Private Limited. The portfolio allocations for the schemes have been made in line with the terms and conditions stipulated during the assignment of the provisional rating in August 2019. As a result, the rating has been confirmed as final. ICRA has also withdrawn the short-term rating of [ICRA]A1+mfs on SBI Magnum Low Duration Fund and SBI Magnum Ultra Short Duration Fund at the request of the client. This is in accordance with ICRA's policy on the withdrawal and suspension of credit ratings. Further, the credit risk rating of [ICRA]AAAmfs for SBI Magnum Low Duration Fund and SBI Magnum Ultra Short Duration Fund has been reaffirmed following the monitoring of the credit risk profile of the month-end portfolio position of these schemes. The credit risk scores for these schemes were comfortably within the benchmark limits for their current rating level.

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 that have been 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 the market risks and hence should not be construed as an indication of the expected returns, the prospective performance of the mutual fund scheme, and the ability to redeem the investments at the reported net asset value (NAV) or the 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, the relative share of the investments in the overall assets under management (AUM) of the scheme and the maturity schedule of such investments. 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 then measured against the appropriate benchmark credit score in the credit matrix. 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. If the portfolio credit score meets the benchmark of the existing rating, the rating is retained. If the portfolio credit score breaches the benchmark credit matrix score for the current 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 the current 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 to rebalance the portfolio.

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

Rating sensitivities

For SBI Capital Protection Oriented Fund Series A – Plan 7 and Plan 8

Positive triggers – Not applicable

Negative triggers – ICRA could downgrade the rating of the capital protection-oriented schemes if, post launch, the maturity value of the debt holdings of the schemes and the current assets is lower than the amount mobilised from the investors or the credit rating of the underlying investments is downgraded below AAA.

For SBI Magnum Low Duration and SBI Magnum Ultra Short Duration Fund

Positive triggers – Not applicable

Negative triggers – 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 the lower rated investments, leading to a breach in the threshold for the rating level.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA- Mutual Fund Credit Risk Rating Methodology ICRA Policy on Withdrawal and Suspension of Credit Rating
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. It is a joint venture between SBI (rated [ICRA]AAA(Stable) on Tier II bonds) and Amundi, with 63% and 37% stakes, respectively, as on June 30, 2020. The AMC's quarterly average AUM for the quarter ended June 2020 was Rs. 3,64,363 crore[1].

SBI Capital Protection Oriented Fund Series A – Plan 7

SBI Capital Protection Oriented Fund Series A – Plan 7 is a close-ended capital protection-oriented scheme. Launched in February 2020, the duration of the scheme is 1,255 days. The fund invests 45-50% of the AUM in state development loans (SDLs), around 14% in equity shares and a large part of the remaining AUM in AAA rated corporate bonds. The fund's AUM stood at Rs. 39.44 crore as on July 31, 2020.

SBI Capital Protection Oriented Fund Series A – Plan 8

SBI Capital Protection Oriented Fund Series A – Plan 8 is a close-ended capital protection-oriented scheme. Launched in March 2020, the duration of the scheme is 1,221 days. The fund invests 55-60% of the AUM in SDLs, around 14% in equity shares and a large part of the remaining AUM in AAA rated corporate bonds. The fund's AUM stood at Rs. 25.07 crore as on July 31, 2020.

SBI Magnum Low Duration Fund

Launched in July 2007, SBI Magnum Low Duration Fund (erstwhile SBI Ultra Short-Term Debt Fund) is an open-ended debt scheme. The investment objective of the scheme is to provide investors an opportunity to generate regular income with a reasonable degree of liquidity through investments in debt and money market instruments in such a manner that the Macaulay duration of the portfolio is between 6 months and 12 months. The AUM stood at Rs. 9,751 crore as on July 31, 2020.

SBI Magnum Ultra Short Duration Fund

---

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

Launched in January 1999, SBI Magnum Ultra Short Duration Fund (erstwhile SBI Magnum Instacash Fund) is an open-ended ultra-short duration debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 months and 6 months. The scheme will invest its corpus in the entire range of debt and money market securities, in line with the investment objective to provide attractive risk-adjusted returns to its investors through the active management of the credit risk and the interest rate risk in the portfolio. The AUM stood at Rs. 12,644 crore as on July 31, 2020.

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)				Rating History for the Past 3 Years				
		Type	Amount Rated	Amount O/S	Rating	FY2020			FY2019	FY2018
					14-Aug-2020	06-Mar-2020	20-Sep-2019	05-Aug- 2019	22-Feb-2019	31-Jan-2018
1	SBI Capital Protection Oriented Fund Series A Plan 7	Long Term	-	-	[ICRA]AAA (SO)	Provisional [ICRA]AAA (SO)	Provisional [ICRA]AAA (SO)	Provisional [ICRA]AAAmfs (SO)	-	-
2	SBI Capital Protection Oriented Fund Series A Plan 8	Long Term	-	-	[ICRA]AAA (SO)	Provisional [ICRA]AAA (SO)	Provisional [ICRA]AAA (SO)	Provisional [ICRA]AAAmfs (SO)	-	-
3	SBI Magnum Ultra Short Duration Fund	Short Term	-	-	[ICRA]AAAmfs^	[ICRA]AAAmfs/[ICRA]A1+mfs*	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs
4	SBI Magnum Low Duration Fund	Short Term	-	-	[ICRA]AAAmfs^	[ICRA]AAAmfs/[ICRA]A1+mfs*	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs
5	SBI Overnight Fund	Short Term	-	-	[ICRA]A1+mfs; Outstanding	[ICRA]A1+mfs;	[ICRA]A1+mfs	-	-	-
6	SBI Dynamic Bond Fund	Long Term	-	-	[ICRA]AAAmfs; Outstanding	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
7	SBI Liquid Fund	Short Term	-	-	[ICRA]A1+mfs; Outstanding	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs

^Rating of [ICRA]A1+mfs has been withdrawn

**Rating assigned on long-term scale and rating of [ICRA]A1+mfs put on notice of withdrawal for one month*

Amount in Rs. crore

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	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

Annexure-2: List of entities considered for consolidated analysis: Not applicable

Analyst Contacts

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Niraj Jalan
+91 33 7150 1146
niraj.jalan@icraindia.com

Shashank Singh
+91 124 4545 367
shashank.singh@icraindia.com

Jui Kulkarni
+91 22 6114 3427
jui.kulkarnil@icraindia.com

Relationship Contact

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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

ICRA Limited

Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

Registered Office
1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

Branches

Mumbai	+ (91 22) 24331046/53/62/74/86/87
Chennai	+ (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata	+ (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore	+ (91 80) 2559 7401/4049
Ahmedabad	+ (91 79) 2658 4924/5049/2008
Hyderabad	+ (91 40) 2373 5061/7251
Pune	+ (91 20) 2556 0194/ 6606 9999