October 21, 2020

SBI Funds Management Private Limited: [ICRA]AAAmfs rating assigned to SBI Banking and PSU Fund, SBI Short Term Debt Fund and SBI Corporate Bond Fund

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
SBI Banking and PSU Fund	-	-	[ICRA]AAAmfs; Assigned
SBI Short Term Debt Fund	-	-	[ICRA]AAAmfs; Assigned
SBI Corporate Bond Fund	-	-	[ICRA]AAAmfs; Assigned
SBI Capital Protection Oriented Fund Series A Plan 7	-	-	[ICRA]AAA (SO); Outstanding
SBI Capital Protection Oriented Fund Series A Plan 8	-	-	[ICRA]AAA (SO); Outstanding
SBI Magnum Low Duration Fund	-	-	[ICRA]AAAmfs; Outstanding
SBI Magnum Ultra Short Duration Fund	-	-	[ICRA]AAAmfs; Outstanding
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 assigned the rating of [ICRA]AAAmfs (pronounced ICRA triple A m f s) to SBI Banking and PSU Fund, SBI Short Term Debt Fund and SBI Corporate Bond Fund of SBI Funds Management Private Limited (the asset management company (AMC)). The ratings assigned are based on the scheme's portfolio with the credit score being comfortable at the assigned 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 scheme 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 analyzing 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 for rebalancing 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 all other schemes:

Positive triggers – Not Applicable

Negative triggers – ICRA could downgrade the rating of the schemes if the credit quality of the underlying investment deteriorates or the size of assets under management (AUM) declines, which may result in an increase in the share of 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
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 September 2020 was Rs. 4,21,364 crore[1].

SBI Banking and PSU Fund

Launched in October 2009, SBI Banking and PSU Fund is an open-ended debt scheme. The investment objective is to generate regular income through a mix of portfolio comprising predominantly debt and money market securities of Banks, Public Sector Undertakings, Public Financial Institutions and Municipal bodies. The AUM stood at Rs. 9,233 crore as on September 30, 2020.

SBI Short Term Debt Fund

Launched in July 2007, SBI Short Term Debt Fund is an open-ended short-term debt scheme. The investment objective is to provide investors an opportunity to generate regular income through investments in a portfolio comprising predominantly of debt instruments which are rated not below investment grade and money market instruments such that the Macaulay duration of the portfolio is between 1 year and 3 years. The AUM stood at Rs. 17,111 crore as on September 30, 2020.

SBI Corporate Bond Fund

Launched in January 2019, SBI Corporate Bond Fund is an open-ended debt scheme. The investment objective is to provide the investors an opportunity to predominantly invest in corporate bonds rated AA+ and above to generate additional spread on part of their debt investments from high quality corporate debt securities while maintaining moderate liquidity in the portfolio through investment in money market securities. The AUM stood at Rs. 25,928 crore as on September 30, 2020.

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

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

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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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