

July 02, 2021 ^{Revised}

UTI Asset Management Company Limited: Ratings withdrawn for UTI capital protection oriented schemes (CPOS)

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| UTI Capital Protection Oriented Scheme Series X - Plan 2 | - | - | [ICRA]AAA(SO); withdrawn |
| UTI Capital Protection Oriented Scheme Series IX - Plan 1 | - | - | [ICRA]AAA(SO); withdrawn |
| UTI Capital Protection Oriented Scheme Series IX - Plan 2 | - | - | [ICRA]AAA(SO); withdrawn |
| UTI Capital Protection Oriented Scheme Series IX - Plan 3 | - | - | [ICRA]AAA(SO); withdrawn |
| UTI Floater Fund | - | - | [ICRA]AAAmfs; outstanding |
| UTI Treasury Advantage Fund | - | - | [ICRA]AAAmfs; outstanding |
| UTI Ultra Short Term Fund | - | - | [ICRA]AAAmfs; outstanding |
| UTI Corporate Bond Fund | - | - | [ICRA]AAAmfs; outstanding |
| UTI Money Market Fund | - | - | [ICRA]A1+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 | - | - | |

*Instrument details are provided in Annexure-1

@Under rating Watch with Negative Implications

Rationale and key rating drivers

ICRA has withdrawn the ratings of [ICRA]AAA(SO) (pronounced ICRA triple A structured obligation) for the AMC's UTI Capital Protection Oriented Scheme Series IX (Plans 1, 2 & 3) and UTI Capital Protection Oriented Scheme Series X (Plan 2) at the request of the fund house as the schemes have matured. The letters, SO, in parenthesis, suffixed to a rating symbol stand for structured obligation. An 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.

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.

ICRA also has ratings outstanding of [ICRA]AAAmfs (pronounced ICRA triple A m f s) for UTI Treasury Advantage Fund, UTI Ultra Short Term Fund, UTI Floater Fund and UTI Corporate Bond Fund, [ICRA]A1+mfs (pronounced ICRA A one plus m f s) for UTI Money Market Fund, UTI Liquid Cash Plan and UTI Overnight Fund and [ICRA]BBB-mfs@ (pronounced ICRA triple B minus m f s) for UTI Banking and PSU Debt Fund. ICRA will continue to monitor the portfolios of these schemes regularly and take appropriate rating action as and when required.

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 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 for rebalancing the portfolio.

Liquidity position: Not applicable

Rating sensitivities

Positive factor (for CPOS) - Not Applicable.

Negative factor (for CPOS) - Not Applicable

Positive factor (for other schemes of UTI AMC) - ICRA could upgrade the rating of the schemes if the credit quality of underlying investment improves or the size of assets under management (AUM) increases significantly, which may result in a decrease in the share of lower rated investments, resulting in an enhanced credit quality of the portfolio.

Negative factor (for other schemes of UTI AMC) - 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 Methodology for Rating Capital Protection-Oriented Funds Policy on withdrawal of credit ratings |
| 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 (rated [ICRA]AAA(hyb)(stable) for its Basel III compliant Tier II bonds), Punjab National Bank (rated [ICRA]AA(hyb)(stable) for its Basel III compliant Tier II bonds), Bank of Baroda (rated [ICRA]AAA(hyb)(stable) for its Basel III compliant Tier II bonds) and Life Insurance Corporation of India as the sponsors. The AMC's average AUM for the quarter ended March 31, 2021 stood at Rs. 1,82,852.73 crore¹.

UTI Capital Protection Oriented Scheme Series IX - (Plans 1, 2 & 3) and Series X - Plan 2

Plan 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. These are close ended schemes with the investment objective to endeavour to protect the capital by investing in high quality fixed income securities as the primary objective and generate capital appreciation by investing in equity and equity related instruments as secondary objective.

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

¹ Source: Association of Mutual Funds in India (<https://www.amfiindia.com/>)

Rating history for past three years

| Sr No | Name of Scheme | FY2022 | | | | Chronology of Rating History for the Past 3 Years | | | | | | | | | | | |
|-------|---|------------|--------------|------------------------------------|---------------------------|---|---------------------------|------------------------|-----------------------|--------------------|-----------------------|--------------------|--------------------|---------------------------|--------------------|-------------------------------------|--------------------------------|
| | | Type | Rated amount | Amount outstanding as on Mar-31-21 | Date and rating in FY2022 | Date and rating in FY2021 | Date and rating in FY2020 | | | | | | | Date and rating in FY2019 | | | |
| | | | | | Jul-02-21 | Dec-30-20 Oct-30-20 Sep-24-20 Aug-28-20 | Feb-6-2020 | Dec-30-19 Nov-22-19 | Sep-27-19 Sep-9-19 | Jul-9-19 | Jul-2-19 Jun-14-19 | May-27-19 | Apr-25-19 | Jan-21-19 | Dec-5-18 | Oct-22-18 Sep-21-18 Jun-27-18 | Jun-12-18 Apr-18-18 |
| 1 | UTI Capital Protection Oriented Scheme Series X - Plan 2 | Long Term | - | - | [ICRA] AAA(SO); withdrawn | [ICRA] AAA(SO) | [ICRA] AAA(SO) | [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) | Provisional [ICRA] AAAmfs (SO) |
| 2 | UTI Capital Protection Oriented Scheme Series IX - Plan 1 | Long Term | - | - | [ICRA] AAA(SO); withdrawn | [ICRA] AAA(SO) | [ICRA] AAA(SO) | [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) |
| 3 | UTI Capital Protection Oriented Scheme Series IX - Plan 2 | Long Term | - | - | [ICRA] AAA(SO); withdrawn | [ICRA] AAA(SO) | [ICRA] AAA(SO) | [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) |
| 4 | UTI Capital Protection Oriented Scheme Series IX - Plan 3 | Long Term | - | - | [ICRA] AAA(SO); withdrawn | [ICRA] AAA(SO) | [ICRA] AAA(SO) | [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) |
| 5 | UTI Floater Fund | Long Term | - | - | [ICRA] AAA mfs; | [ICRA] AAA mfs; | [ICRA] AAA mfs; | | | | | | | | | | |
| 6 | UTI Corporate Bond Fund | Long Term | - | - | [ICRA] AAA mfs; | [ICRA] AAA mfs; | [ICRA] AAA mfs; | [ICRA] AAA mfs; | [ICRA] AAA mfs; | | | | | | | | |
| 7 | UTI Money Market Fund | Short Term | - | - | [ICRA] A1+ mfs | [ICRA] A1+ mfs | [ICRA] A1+ mfs | [ICRA] A1+ mfs | [ICRA] A1+ mfs | [ICRA] A1+ mfs | | | | | | | |
| 8 | UTI Ultra Short Term Fund | Long Term | - | - | [ICRA] AAAmfs | [ICRA] AAAmfs | [ICRA] AAAmfs | [ICRA] AAAmfs | [ICRA] AAAmfs | [ICRA] AAAmfs | [ICRA] AAAmfs | [ICRA] AAAmfs | [ICRA] AAAmfs | [ICRA] AAAmfs | [ICRA] AAAmfs | [ICRA] AAAmfs | [ICRA] AAAmfs |

| Sr No | Name of Scheme | FY2022 | | | | Chronology of Rating History for the Past 3 Years | | | | | | | | | | | |
|-------|-------------------------------|------------|--------------|------------------------------------|---------------------------|---|---------------------------|------------------------|-----------------------|-----------------|-----------------------|------------------|---------------|---------------------------|---------------|-------------------------------------|------------------------|
| | | Type | Rated amount | Amount outstanding as on Mar-31-21 | Date and rating in FY2022 | Date and rating in FY2021 | Date and rating in FY2020 | | | | | | | Date and rating in FY2019 | | | |
| | | | | | Jul-02-21 | Dec-30-20 Oct-30-20 Sep-24-20 Aug-28-20 | Feb-6-2020 | Dec-30-19 Nov-22-19 | Sep-27-19 Sep-9-19 | Jul-9-19 | Jul-2-19 Jun-14-19 | May-27-19 | Apr-25-19 | Jan-21-19 | Dec-5-18 | Oct-22-18 Sep-21-18 Jun-27-18 | Jun-12-18 Apr-18-18 |
| 9 | UTI Treasury Advantage Fund | Long Term | - | - | [ICRA]AAA mfs | [ICRA]AAA mfs | [ICRA]AAA mfs | [ICRA]AAA mfs | [ICRA]BBB + mfs | [ICRA]BBB + mfs | [ICRA]BBB+ mfs | [ICRA]A A mfs | [ICRA]AAmfs | [ICRA]AAA mfs | [ICRA]AAA mfs | [ICRA]AAA mfs | [ICRA] AAAmfs |
| 10 | 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]BBB- mfs@ | [ICRA]B BB- mfs@ | [ICRA]AAAmfs@ | [ICRA]AAA mfs@ | [ICRA]AAA mfs | [ICRA]AAA mfs | [ICRA] AAAmfs |
| 11 | UTI Liquid Cash Plan | 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 | [ICRA] A1+mfs | [ICRA] A1+mfs | [ICRA] A1+mfs | [ICRA] A1+mfs |
| 12 | 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 | [ICRA] A1+mfs | [ICRA] A1+mfs | [ICRA] A1+mfs | [ICRA] A1+mfs |

Complexity level of the rated instrument

| Instrument name | Complexity indicators |
|--------------------|-----------------------|
| Mutual Fund | Not applicable |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's 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

Corrigendum

In 'rating history for the last three years' section, updated the reference to the press release dated Jul-02-21 from Jun-xx-21.

ANALYST CONTACTS

Karthik Srinivasan

+91 22 6114 3444

karthiks@icraindia.com

Sandeep Sharma

+91 22 6114 3472

sandeep.sharma@icraindia.com

Niraj Jalan

+91 33 7150 1146

niraj.jalan@icraindia.com

Prateek Mittal

+91 33 71501132

prateek.mittal@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



Registered Office

B-710, Statesman House 148, Barakhamba Road, New Delhi-110001
Telephone Numbers: +91-11-23357940-45



Branches



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