

August 24, 2021

## UTI Asset Management Company Limited: Ratings reaffirmed; Rating upgraded for UTI Banking and PSU Debt Fund and removed from rating watch negative

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
UTI Corporate Bond Fund	-	-	[ICRA]AAAmfs; reaffirmed
UTI Floater Fund	-	-	[ICRA]AAAmfs; reaffirmed
UTI Money Market Fund	-	-	[ICRA]A1+mfs; reaffirmed
UTI Ultra Short Term	-	-	[ICRA]AAAmfs; reaffirmed
UTI Liquid Cash Plan	-	-	[ICRA]A1+mfs; reaffirmed
UTI Banking & PSU Debt Fund	-	-	[ICRA]A-mfs; upgraded from [ICRA]BBB-mfs; removed from rating watch with negative implications
UTI Treasury Advantage Fund	-	-	[ICRA]AAAmfs; reaffirmed
UTI Overnight Fund	-	-	[ICRA]A1+mfs; reaffirmed
<b>Total</b>	-	-	

\*Instrument details are provided in Annexure-1

### Rationale and key rating drivers

ICRA has reaffirmed the credit risk rating 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 has also reaffirmed the credit risk rating of [ICRA]A1+mfs (pronounced ICRA A one plus m f s) for UTI Money Market Fund, UTI Overnight Fund and UTI Liquid Cash Plan. The ratings have been reaffirmed following ICRA's monitoring of the credit risk profile of the month-end portfolio position of the schemes. The credit risk score for the schemes were comfortably within the benchmark limit for the current rating levels.

ICRA has upgraded the rating of UTI Banking and PSU Debt Fund to [ICRA]A-mfs (pronounced ICRA A minus m f s) from [ICRA]BBB-mfs (pronounced ICRA triple B minus m f s) as the credit quality of the portfolio has improved. The scheme was comfortably within the benchmark limit for [ICRA]A-mfs rating level. The rating of UTI Banking and PSU Debt Fund had earlier been downgraded and placed on rating watch with negative implications on account of its exposure to IL&FS special purpose vehicle (SPV) namely Jorabat Shillong Expressway Limited (JSEL). The scheme had marked down 50% of its JSEL exposure in April 2019. As on July 31, 2021, the gross exposure to the IL&FS special purpose vehicle (SPV), Jorabat Shillong Expressway Limited (JSEL), stood at Rs. 20 crore (8% of the gross assets under management - AUM) 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** - ICRA could upgrade the rating of the scheme if the credit quality of underlying investment improves or if there is a decrease in the share of lower rated investments on account of an increase in the AUM or otherwise, resulting in an enhanced credit quality of the portfolio.

**Negative factor** - ICRA could downgrade the ratings of the schemes if the credit quality of the underlying investment deteriorates or if there is an increase in the share of lower rated investments on account of a decline in the AUM or otherwise, leading to a breach in the threshold for the rating level.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">ICRA- Mutual Fund Credit Risk Rating Methodology</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	Not applicable

## About the company

UTI Asset Management Company Limited (the AMC), incorporated under the Companies Act, 1956, is the AMC to the 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 average assets under management for the quarter ended June 30, 2021 for the AMC stood at Rs. 1,87,210.24<sup>1</sup> crore.

<sup>1</sup> Source: <https://www.amfiindia.com/>

**UTI Floater Fund**

Launched in October 2018, UTI Floater Fund is an open-ended debt scheme with a stated objective to generate reasonable returns and reduce interest rate risk by investing in a portfolio comprising predominantly of floating rate instruments and fixed rate instruments swapped for floating rate returns. The fund's net AUM stood at Rs. 3,242 crore as on July 31, 2021 and had a weighted average maturity of ~3.77 years.

**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 AUM stood at Rs. 3,514 crore as on July 31, 2021 and had a weighted average maturity of ~2.29 years.

**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 a high level of liquidity in a portfolio of money market instruments. The fund's net AUM stood at Rs. 9,391 crore as on July 31, 2021 and had a weighted average maturity of ~122 days.

**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 debt and money market instruments. The fund's net AUM stood at Rs. 2,396 crore as on July 31, 2021 and had a weighted average maturity of ~177 days.

**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 AUM stood at Rs. 3,724 crore as on July 31, 2021 and had a weighted average maturity of ~2.53 year.

**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 a high level of liquidity, from a portfolio of money market securities and high-quality debt. The fund's net AUM stood at Rs. 27,823 crore as on July 31, 2021 and had a weighted average maturity of 32 days.

**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 a high level of liquidity from a portfolio of overnight securities with a maturity of one day. The fund's net AUM stood at Rs. 6,034 crore as on July 31, 2021 and had a weighted average maturity of 1 day.

**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 a 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 AUM stood at Rs. 241 crore as on July 31, 2021 and had a weighted average maturity of ~2.23 years.

**Key financial indicators: Not applicable**

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for past three years

Sr No	Name of Scheme	FY2022				Rating History for the Past 3 Years											
		Type	Rated amount	Amount o/s	Date and rating in FY2022		Date and rating in FY2021	Date and rating in FY2020							Date and rating in FY2019		
					Aug-24-21	Jul-2-21		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
1	UTI Floater Fund	Long Term	-	-	[ICRA]AAA mfs;	[ICRA]AAA mfs;	[ICRA]AAA mfs;	[ICRA]A AA mfs;									
2	UTI Corporate Bond Fund	Long Term	-	-	[ICRA]AAA mfs;	[ICRA]AAA mfs;	[ICRA]AAA mfs;	[ICRA]A AA mfs;	[ICRA]A AA mfs;	[ICRA]A AA mfs;							
3	UTI Money Market Fund	Short Term	-	-	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+mfs	[ICRA]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A 1+mfs	[ICRA]A 1+mfs						
4	UTI Ultra Short Term Fund	Long Term	-	-	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AA mfs	[ICRA] AA mfs	[ICRA] AA mfs	[ICRA] AA mfs	[ICRA] AA mfs	[ICRA] AA mfs	[ICRA] AA mfs	[ICRA] AA mfs
5	UTI Treasury Advantage Fund	Long Term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]A AA mfs	[ICRA]A AA mfs	[ICRA]B BB+ mfs	[ICRA]B BB+ mfs	[ICRA]B BB+ mfs	[ICRA]A A mfs	[ICRA]A Amfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs
6	UTI Banking and PSU Debt Fund	Long Term	-	-	[ICRA]A- mfs	[ICRA]BBB- mfs@	[ICRA]BBB- mfs@	[ICRA]B BB- mfs@	[ICRA]B BB- mfs@	[ICRA]B BB- mfs@	[ICRA]B BB- mfs@	[ICRA]B BB- mfs@	[ICRA]B BB- mfs@	[ICRA]A AAmfs@	[ICRA] AAAmfs@	[ICRA] AAAmfs	[ICRA] AAAmfs
7	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
8	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
<b>Mutual Fund</b>	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: [Click Here](#)

**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:

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