

March 31, 2022

ITI Asset Management Limited: Ratings reaffirmed for existing schemes

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
ITI Liquid Fund	-	-	[ICRA]A1+mfs; reaffirmed
ITI Overnight Fund	-	-	[ICRA]A1+mfs; reaffirmed
ITI Ultra Short Duration Fund	-	-	[ICRA]A1+mfs; reaffirmed
ITI Dynamic Bond Fund	-	-	[ICRA]AAAmfs; reaffirmed
Total	-	-	

*Instrument details are provided in Annexure-1

Rationale and key rating drivers

The ratings have been reaffirmed following ICRA's monitoring of the credit risk profile of the month-end portfolio positions of the schemes. The credit risk scores for the schemes were comfortably within the benchmark limit for their current rating levels.

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 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 for rebalancing the portfolio.

Liquidity position: Not applicable

Rating sensitivities

Positive factors – Not applicable

Negative factors – 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.

For Overnight Fund – ICRA could downgrade the rating of the scheme if the credit quality of the underlying investment deteriorates, 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

ITI Asset Management Limited (ITIAML), the AMC for the mutual fund schemes of ITI Mutual Fund, is a subsidiary of The Investments Trust of India Limited (ITI Limited; formerly known as Fortune Financial Services (India) Limited). As per ITI Limited's annual report for FY2021, the company has a stake of 60% in ITIAML while the rest was acquired by Fortune Credit Capital Limited (FCCL), a wholly-owned subsidiary of ITI Limited. ITI Mutual Fund Trustee Private Limited (ITIMFTPL), a wholly-owned subsidiary of ITI Limited, acts as a trustee to ITI Mutual Fund. The AMC had average AUM of Rs. 2,406.85 ¹crore during the quarter ended December 31, 2021.

ITI Liquid Fund

Launched in April 2019, ITI Liquid Fund is an open-ended debt scheme that invests in debt and money market securities with a maturity of up to 91 days. The investment objective of the scheme is to provide reasonable returns, commensurate with low risk, while providing a high level of liquidity through a portfolio of money market and debt securities. The scheme's AUM stood at Rs. 28 crore as on February 28, 2022.

ITI Overnight Fund

Launched in October 2019, ITI Overnight Fund is an open-ended debt scheme. The investment objective of the scheme is to provide reasonable returns, commensurate with low risk, and a high level of liquidity through investments made primarily in overnight securities with a maturity of 1 business day. The scheme's AUM stood at Rs. 51 crore as on February 28, 2022.

ITI Ultra Short Duration Fund

Launched in April 2021, ITI Ultra Short Duration Fund is an open-ended liquid scheme primarily investing in debt and money market securities with the Macaulay duration of the scheme to be maintained between 3 months and 6 months. The scheme's AUM stood at Rs. 135 crore as on February 28, 2022.

¹ <https://www.amfiindia.com/research-information/aum-data/average-aum>

ITI Dynamic Bond Fund

Launched in June 2021, ITI Dynamic Bond Fund is an open-ended scheme primarily investing in debt and money market securities. Given the underlying nature of the scheme, the Macaulay duration of the scheme tends to be dynamic. The scheme's AUM stood at Rs. 36 crore as on February 28, 2022.

ITI Group

The ITI Group, promoted by Mr. Sudhir Valia, was initially engaged in the capital market business of retail and institutional broking, apart from investment banking. In 2013, the Group diversified into the lending business. Mr. Valia has an established presence in the real estate development and construction segments through his companies.

The ITI Group has a diversified presence in the financial services space, including retail and commercial finance, retail (which includes equity and commodity) and institutional broking, third-party financial product distribution, and investment banking.

In the capital markets segment, the Group has an established presence in the institutional broking space through its subsidiary, Antique Broking Private Limited (acquired in 2014), with a market share of 0.1%. While the retail broking business is growing steadily, the investment banking division is well-known for its presence in the pharmaceuticals industry.

ITI Limited is the holding company of the Group. As on December 31, 2021, it had fourteen wholly-owned subsidiaries, two subsidiaries, two step-down subsidiaries and one associate company.

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Name of Scheme	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years							
		Type	Amount Rated (Rs. crore)	Amount Outstanding Mar 30, 2022 (Rs. crore)	Date & Rating in FY2022 Mar 31, 2022	Date & Rating in FY2022				Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	
						Oct 29, 2021	Aug 31, 2021	Jun 24, 2021	Apr 23, 2021				
1	ITI Liquid Fund	Short Term	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	-	-
2	ITI 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	-	-
3	ITI Ultra Short Duration Fund	Short Term	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	Provisional [ICRA]A1+mfs	Provisional [ICRA]A1+mfs	-	-	-	-
4	ITI Dynamic Bond Fund	Long Term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	Provisional [ICRA]AAA mfs	Provisional [ICRA]AAA mfs	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
ITI Liquid Fund	Not Applicable
ITI Overnight Fund	Not Applicable
ITI Ultra Short Duration Fund	Not Applicable
ITI Dynamic Bond 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 analysing 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 are 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	ITI Liquid Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	ITI Overnight Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	ITI Ultra Short Duration Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	ITI Dynamic Bond Fund	NA	NA	NA	NA	[ICRA]AAAmfs

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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Branches



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