

February 21, 2023<sup>(Revised)</sup>

## Bank of India Investment Managers Private Limited: Provisional [ICRA]AAA(SO) rating assigned to Bank of India Capital Protection Oriented Fund – Series A

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Bank of India Capital Protection Oriented Fund – Series A			Provisional [ICRA]AAA(SO); assigned
Bank of India Liquid Fund	-	-	[ICRA]A1+mfs; outstanding
Bank of India Ultra Short Duration Fund	-	-	[ICRA]A1+mfs; outstanding
Total	-	-	

\*Instrument details are provided in Annexure I

### Rationale and key rating drivers

ICRA has assigned a Provisional [ICRA]AAA(SO) (pronounced as provisional ICRA triple A structured obligation) to Bank of India Capital Protection Oriented Fund – Series A of Bank of India Investment Managers Private Limited. The provisional rating is based on the proposed portfolio mix of the share of investments in AAA rated debt instruments and equity. The provisional rating would be finalised on the receipt of regulatory clearance for the scheme and after the investments are made by the scheme. If neither the pending actions nor the issuance is completed after one year of the assignment of the provisional rating, ICRA would withdraw the provisional rating. However, the validity period may be extended beyond one year, subject to the conditions outlined in ICRA's Policy on Provisional Ratings available at [www.icra.in](http://www.icra.in).

Capital protection-oriented mutual fund schemes invest a part of the scheme's AUM in debt instruments and money market instruments with the highest investment grade rating as per Securities and Exchange Board of India (SEBI) guidelines (which would imply a rating equivalent to AAA). The debt portion is generally sized such that after factoring in the yields on such instruments, the interim cash flows and the maturity value of the debt investment are adequate to repay the principal to the investors while also covering the operating expenses for managing the scheme. Further, the maturity of the underlying debt instruments is aligned before the maturity of the scheme to minimise/avoid any market risks on maturity/redemption. In case of embedded put options in the debt instruments, the put option date is assumed as the maturity date for such instruments. The balance portion of the scheme's AUM may be invested in debt or other instruments such as equity and equity-related instruments to achieve capital appreciation.

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 are 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. ICRA's mutual fund ratings are not a reflection on the quality of the management of the AMC or its financial performance, reputation and other business practices including investment strategies, pricing, marketing and distribution activities. Furthermore, the ratings are not a reflection of whether the AMC or the fund is compliant with the applicable regulatory requirements. 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 compared with a benchmark credit score corresponding to the higher of the weighted average maturity of the scheme's portfolio or the maturity predefined by ICRA for the scheme category. The rating outcome corresponds to the rating level for which the portfolio weighted average credit score is less than the benchmark credit score associated with the rating level. Further, the lowest rating of the investments of the scheme acts as the floor for its rating.

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. To this end, ICRA relies on the information provided by the AMC and/or publicly available sources. ICRA reviews the mutual fund ratings on a monthly basis or earlier, if required, which involves an evaluation of the rating corresponding to the portfolio credit score in relation to the existing rating outstanding. If the portfolio credit score meets the benchmark score for the existing rating, the rating is retained. If the portfolio credit score has a negative breach from the benchmark credit score for the existing 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 maintaining the existing 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. If the AMC corrects its portfolio, post the rating downgrade of the scheme, or the credit score improves in any manner subsequent to the downgrade, making the scheme eligible for an upgrade, ICRA may consider a rating upgrade only if the credit score is maintained consistently for a period of at least three months.

## Liquidity position: Not applicable

## Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** –

**For Bank of India Capital Protection Oriented Fund – Series A** – ICRA could downgrade the rating of the capital protection-oriented schemes if the maturity value and interim cashflows from debt holdings of the scheme and the current assets less operating expenses for managing the scheme is lower than the amount mobilised from the investors, or the underlying investments comprise debt instruments rated below the highest rating level on a sustained basis.

**For other schemes** – ICRA could downgrade the rating of the schemes if the credit quality of the underlying investment deteriorates or the size of the 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	<a href="#">Methodology for Rating Mutual Fund Schemes</a> <a href="#">Methodology for Capital Protection Oriented Funds</a> <a href="#">ICRA's policy on provisional rating</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

## About the company

On December 21, 2021, Bank of India purchased the shareholding of AXA Investment Managers Asia Holdings Private Limited, i.e. the entire 47.07% equity shares in BOI AXA Investment Managers Private Limited and the entire 49% equity shares in BOI AXA Trustee Services Private Limited. Following this, the name of the asset management company was changed to Bank of India Investment Managers Private Limited with effect from April 12, 2022. The AMC had an average AUM of Rs. 3,401 crore for the month ending January 31, 2023.

### Bank of India Liquid Fund

Launched in July 2008, Bank of India Liquid Fund is an open-ended liquid scheme with the objective of delivering reasonable market-related returns with lower risk and higher liquidity through a portfolio of debt and money market instruments. The scheme primarily invests in money market instruments of the highest credit quality. The scheme's AUM stood at ~Rs. 462 crore as on January 31, 2023.

### Bank of India Capital Protection Oriented Fund – Series A

This is a close-ended scheme with an expected duration of 36-65 months. The investment objective is to seek capital protection by investing in fixed income securities maturing on or before the tenure of the scheme and capital appreciation by investing in equity and equity-related instruments. The actual tenure of the scheme would be decided at the time of launch.

### Bank of India Ultra Short Duration Fund

Launched in July 2008, Bank of India Ultra Short Duration Fund is an open-ended ultra-short-term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 months and 6 months. The scheme invests in debt and money market instruments to provide reasonable market-related returns to investors with lower risk and higher liquidity. The scheme's AUM stood at ~Rs. 138 crore as on January 31, 2023.

**Key financial indicators (audited): Not applicable**

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

**Any other information: None**

### Rating history for past three years

Instrument	Type	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	
				Feb 21, 2023	Dec 06, 2022	Mar 15, 2022	Mar 24, 2021 Apr 13, 2020	Nov 25, 2019	Jun 03, 2019
Bank of India Liquid Fund	Mutual fund – ST	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs^	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
Bank of India Ultra Short Duration Fund	Mutual fund – ST	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	-
Bank of India Capital Protection Oriented Fund – Series A	Mutual fund – LT	-	-	Provisional [ICRA]AAA(SO); assigned	-	-	-	-	-

LT – Long term; ST – Short term; ^Long-term rating of [ICRA]AAAmfs withdrawn and [ICRA]A1+mfs assigned simultaneously

### Complexity level of the rated instruments: 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: [Click Here](#)

### Annexure I: Instrument details: Not applicable

### Annexure II: List of entities considered for consolidated analysis: Not applicable

## Corrigendum

**Rationale dated February 21, 2022 has been revised with change as below:**

- Addition of disclosure on the validity of provisional rating added on page 1: If neither the pending actions nor the issuance is completed after one year of the assignment of the provisional rating, ICRA would withdraw the provisional rating. However, the validity period may be extended beyond one year, subject to the conditions outlined in ICRA's Policy on Provisional Ratings available at [www.icra.in](http://www.icra.in)
- Revision in negative trigger for Bank of India Capital Protection Oriented Fund – Series A scheme in page 2 as follows: ICRA could downgrade the rating of the capital protection-oriented schemes if the maturity value and interim cashflows from debt holdings of the scheme and the current assets less operating expenses for managing the scheme is lower than the amount mobilised from the investors, or the underlying investments comprise debt instruments rated below the highest rating level on a sustained basis.
- Addition of ICRA's policy on provisional ratings under analytical approach exhibit in page 2

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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](http://www.icra.in)

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