

May 23, 2023

## Sundaram Asset Management Company Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Sundaram Overnight Fund	-	-	[ICRA]A1+mfs; reaffirmed
Sundaram Money Market Fund	-	-	[ICRA]A1+mfs; reaffirmed
Sundaram Ultra Short Duration Fund	-	-	[ICRA]A1+mfs; reaffirmed
Sundaram Liquid Fund	-	-	[ICRA]A1+mfs; reaffirmed
Sundaram Banking & PSU Debt Fund	-	-	[ICRA]AAAmfs; reaffirmed
Sundaram Corporate Bond Fund	-	-	[ICRA]AAAmfs; reaffirmed
Total	-	-	

\*Instrument details are provided in Annexure I

### Rationale and key rating drivers

The ratings for various schemes of Sundaram Asset Management Company Limited have been reaffirmed following ICRA's monitoring of the credit risk profile of the month-end portfolio position of these schemes. The credit risk scores for these schemes were comfortably within the benchmark limits 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 market risks and hence should not be construed as an indication of the expected returns, prospective performance of the mutual fund scheme, and the ability to redeem investments at the reported net asset value (NAV) or 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 and the relative share of the schemes' allocation towards the investments, besides 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's 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 Sundaram 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.

**For other schemes** – ICRA could downgrade the ratings of the schemes if the credit quality of the underlying investment deteriorates or the share of lower rated investments increases on account of a decline in the assets under management (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

The above-mentioned schemes are the mutual fund schemes of Sundaram Mutual Fund, which was incorporated in 1996. Sundaram Asset Management Company Limited (Sundaram AMC or the AMC) is the investment manager of Sundaram Mutual Fund. The company extends asset management, investment advisory and portfolio management services to its investors. Its average AUM stood at Rs. 44,623 crore for the quarter ended March 31, 2023<sup>1</sup>.

### Sundaram Overnight Fund

Sundaram Overnight Fund is an open-ended debt scheme launched in March 2019. The investment objective of the scheme is to generate income by investing in debt, money market instruments, and cash and cash equivalents with overnight maturity of one business day. The scheme's AUM stood at Rs. 1,003 crore as on April 30, 2023.

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

**Sundaram Money Market Fund**

Sundaram Money Market Fund is an open-ended debt scheme launched in September 2018. The investment objective of the scheme is to generate income by investing in a portfolio comprising money market instruments with a maturity of up to one year. The scheme's AUM stood at Rs. 94 crore as on April 30, 2023 and it had an average residual maturity of 9.2 months.

**Sundaram Ultra Short Duration Fund**

Launched in June 2019, Sundaram Ultra Short Duration Fund is an open-ended ultra-short-term debt scheme investing in instruments with the Macaulay duration of the portfolio being in the range of 3-6 months. The investment objective is to generate regular income by investing predominantly in debt and money market instruments. The scheme's AUM stood at Rs. 1,639 crore as on April 30, 2023 and it had an average residual maturity of ~5 months.

**Sundaram Liquid Fund**

Launched in March 2000, Sundaram Liquid Fund is an open-ended liquid fund that invests in instruments with residual maturity of less than 3 months. The investment objective of the fund is to optimise returns while providing liquidity and consistent returns. The scheme's AUM stood at Rs. 3,994 crore as on April 30, 2023 and it had an average residual maturity of ~1 month.

**Sundaram Banking & PSU Debt Fund**

Sundaram Banking & PSU Debt Fund is an open-ended debt scheme. The investment objective of the scheme is to generate income and capital appreciation by predominantly investing in the debt instruments of banks, public sector undertakings, public financial institutions and municipal bonds. The scheme's AUM stood at Rs. 459 crore as on April 30, 2023 and it had an average residual maturity of ~2 years.

**Sundaram Corporate Bond Fund**

Launched on December 30, 2004, Sundaram Corporate Bond Fund is an open-ended income scheme. The investment objective of the scheme is to generate income and capital appreciation by investing predominantly in AA+ and above rated corporate bonds. The scheme's AUM stood at Rs. 889 crore as on April 30, 2023 and it had an average residual maturity of ~3 months.

**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	Current Rating (FY2024)			Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					May 23, 2023	Jun 30, 2022	Jun 11, 2021	Jul 03, 2020
1	Sundaram Overnight Fund	ST	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs
2	Sundaram Money Market Fund	ST	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs
3	Sundaram Ultra Short Duration Fund	ST	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs
4	Sundaram Liquid Fund	ST	-	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs
5	Sundaram Banking & PSU Debt Fund	LT	-	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs
6	Sundaram Corporate Bond Fund	LT	-	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs

ST – Short term; LT – Long term

## Complexity level of the rated instrument

Instrument Name	Complexity Indicator
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 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**

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 II: 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.

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