

May 10, 2024

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

ICRA has reaffirmed the ratings of various debt mutual fund (MF) schemes of Sundaram Asset Management Company Limited. The ratings 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.

MF ratings incorporate ICRA's assessment of the creditworthiness of a debt MF 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 MF 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 MF 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 MF 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 an MF 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 MF 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 size of the assets under management (AUM) declines, which may result in an increase in the share of lower rated instruments, leading to a breach in the threshold for the rating level.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Methodology for Rating Mutual Fund Schemes
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

Sundaram Mutual Fund was incorporated in 1996. Sundaram Asset Management Company Limited is the investment manager of Sundaram Mutual Fund. The company extends asset management, investment advisory and portfolio management services to its investors. The AMC's average AUM stood at ~Rs. 56,667 crore for the quarter ended March 31, 2024¹.

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, cash and cash equivalents with overnight maturity/maturing in one business day. The scheme's AUM stood at Rs. 843 crore as on March 31, 2024.

Sundaram Money Market Fund

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

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. 136 crore as on March 31, 2024.

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 a Macaulay duration 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. 1,719 crore as on March 31, 2024.

Sundaram Liquid Fund

Launched in March 2000, Sundaram Money 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 deliver optimal returns while providing liquidity and consistent returns. The scheme's AUM stood at Rs. 3,630 crore as on March 31, 2024.

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. 346 crore as on March 31, 2024.

Sundaram Corporate Bond Fund

Launched in December 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. 759 crore as on March 31, 2024.

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	Type	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years			
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				May 10, 2024	May 23, 2023	Jun 30, 2022	Jun 11, 2021
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
Sundaram Overnight Fund	Not Applicable
Sundaram Money Market Fund	Not Applicable
Sundaram Ultra Short Duration Fund	Not Applicable
Sundaram Liquid Fund	Not Applicable
Sundaram Banking & PSU Debt Fund	Not Applicable
Sundaram Corporate 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: [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	Sundaram Overnight Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	Sundaram Money Market Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	Sundaram Ultra Short Duration Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	Sundaram Liquid Fund	NA	NA	NA	NA	[ICRA]A1+mfs
NA	Sundaram Banking & PSU Debt Fund	NA	NA	NA	NA	[ICRA]AAAmfs
NA	Sundaram Corporate Bond Fund	NA	NA	NA	NA	[ICRA]AAAmfs

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.

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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