

March 20, 2025

Sundaram Alternate Assets Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Term loan	39.00	39.00	[ICRA]AA (Stable); reaffirmed
Short-term bank facilities - Unallocated	5.00	5.00	[ICRA]A1+; reaffirmed
Total	44.00	44.00	

*Instrument details are provided in Annexure I

Rationale

While arriving at the ratings, ICRA has taken a consolidated view of Sundaram Asset Management Company Limited (SAMCL) and its wholly-owned subsidiaries, namely Sundaram Alternate Assets Limited (SAAL) and Sundaram Asset Management Singapore Pte. Ltd (SAMS), given the strong operational and financial linkage between the entities. Henceforth, these entities are together referred to as the SAMCL Group/the Group.

The reaffirmation of the ratings considers the strong operational, financial and managerial support from the parent, Sundaram Finance Limited (SFL; rated [ICRA]AAA (Stable)/[ICRA]A1+), which has a 100% stake in SAMCL. The ratings also factor in the Group's track record in the asset management business, its established distribution franchisee and its experienced management team. The SAMCL Group is also expected to get timely support from the Sundaram Finance (SFL) Group for meeting any operational and regulatory capital or liquidity requirements.

The ratings take cognisance of the moderate assets under management (AUM) of Rs. 76,038 crore in December 2024 (Rs. 70,883 crore in March 2024 and Rs. 54,727 crore in March 2023). The Group's total debt/OPBDITA and total debt/net worth improved to 0.14 times and 0.06 times, respectively, as on December 31, 2024 from 1.22 times and 0.40 times, respectively, as on March 31, 2022, supported by healthy internal accruals and reducing debt levels. In December 2021, SAMCL had acquired Principal AMC with the acquisition funded through a debt-equity mix of 52:48. The acquisition added significantly to the Group's customer and AUM base, supporting an improvement in its scale of operations. The Group's ability to further improve its market share on a sustained basis, thereby increasing its scale of operations, would be key from a rating perspective.

Key rating drivers and their description

Credit strengths

Support from SFL Group – The Group benefits from the strong operational, financial and managerial support from the parent – SFL. SFL, which is a sponsor of some of the mutual fund (MF) schemes and the debt and equity-oriented alternative investment fund (AIF) schemes of SAAL, has demonstrated adequate support over and above the regulatory requirement¹. Both SAMCL and SAAL leverage the SFL Group's established business presence and systems for business growth and operations and have representatives from the parent on their boards. The fund accounting services of one of the Group entities – Sundaram Fund Services Limited (SFSL) – was merged with SAMCL while SAMC Services Private Limited (SSPL; erstwhile Principal Retirement Advisors Private Limited) was merged with SAAL in FY2024. This merger had strengthened the financial performance of the SAMCL Group.

¹ 2.5% of the fund size or Rs. 5 crore, whichever is lower, for Category I and II AIF, and 5% of the fund size or Rs. 10 crore, whichever is lower, for Category III AIF

SAMCL had raised funds via redeemable preference shares from a Group entity in the past. The SFL Group had also supported SAMCL for the acquisition of the Principal Group through an equity infusion and short-term loans. The SFL Group provides a diverse range of financial services including vehicle finance, housing finance, asset management, non-life insurance, etc. As asset management is of strategic importance to the SFL Group, ICRA expects it to provide support as and when required.

Demonstrated track record in asset management business – SAMCL has a demonstrated track record of over 28 years in the asset management business. The company has a wide geographical footprint with 83 customer care centres across India along with offices in Singapore and Dubai. This provides it with access to a large client base (~50 lakh customer folios). SAAL, which manages the portfolio management services (PMS) and AIF schemes, benefits from SAMCL's in-house capabilities for its research, information technology (IT) infrastructure, and risk and administrative functions. It also leverages SAMCL's distribution network to cater to investors including high-net-worth individuals (HNIs), corporates and family offices, among others. The Group's senior management personnel have more than three decades of experience in the asset management business, headed by Mr. Anand Radhakrishnan (Managing Director (MD); SAMCL) and Mr. Vikas M Sachdeva (MD; SAAL).

On a consolidated basis, the AUM stood at Rs. 76,038 crore in December 2024 vis-à-vis Rs. 70,883 crore in March 2024. SAMCL manages 32 mutual funds on a standalone basis with AUM of Rs. 56,191 crore as of March 2024. SAMCL's wholly-owned subsidiary, SAMS, manages four funds at present and had an AUM of Rs. 9,386 crore as of March 2024 while SAAL had a portfolio of eight AIFs and five PMS with AUM of Rs. 5,334 crore as of March 2024.

Credit challenges

Moderate AUM; intense competition – The Group's AUM increased to Rs. 76,038 crore in December 2024 from Rs. 70,883 crore in March 2024 (Rs. 54,727 crore in FY2023), partly supported by the improvement in the overall market. SAMCL is a medium-sized asset management company (AMC) with a market share of ~1% while the top 5 players held a market share of ~56% in Q3 FY2025. As of March 2024, SAMCL's consolidated AUM comprised MFs (92%), followed by PMS and AIF at ~4% each. Within MFs, the share of the equity segment improved to 85% as of September 2024 (83% of March 2023) while it was 61% as of September 2024 at the MF industry level. Given the intense competition in the operating environment, AUM growth is expected to be moderate in the near term. SAAL, which manages the PMS and AIF segments, is also exposed to intense competition from established AMCs.

Earnings susceptible to regulatory changes – On a consolidated basis, the operating income increased by ~23% in FY2024 and ~9% in 9M FY2025 and the net profitability increased to ~Rs. 112 crore and ~Rs. 107 crore in FY2024 and 9M FY2025, respectively from ~Rs. 85 crore in FY2023. The Group has benefitted from the acquisition of Principal AMC, supported by the increase in the scale of operations, which led to better operating efficiency, though it was impacted by the sizeable amortisation of goodwill recognised during the acquisition. ICRA notes that MFs have significant regulatory restrictions regarding fee/commission payments to their sponsor AMCs as well as the other costs that can be incurred by them. As such, the ability to scale up the AUM and keep the operating costs under control would be crucial for maintaining healthy profitability metrics on a sustained basis.

ICRA notes that the acquisition of the Principal Group was funded through a sizable component of debt funding. Over the last two years, the Group has gradually been reducing its debt levels, which has also supported an improvement in its debt metrics. Total debt/OPBDITA and total debt/net worth stood at 0.14 times and 0.06 times, respectively, as on December 31, 2024, improving from 1.22 times and 0.40 times, respectively, as on March 31, 2022.

As the asset management industry (including the AIF segment) is expected to be dynamic from a regulatory perspective, the Group's performance would remain vulnerable to regulatory changes, which could impact its revenue and earnings.

Liquidity position: Adequate

On a consolidated basis, the liquidity position is adequate with a cash and bank balance of Rs. 54.4 crore as on December 31, 2024 against debt repayment obligations of ~Rs. 15 crore in the next six months. Further, the healthy cash flow from

operations, the long-term nature of the liabilities and funding support from Group companies, if required, would support the liquidity profile.

Rating sensitivities

Positive factors – The rating could be positively impacted in case of a steady increase in the Group’s market position. A healthy earnings profile on a sustained basis would also positively impact the rating.

Negative factors – Pressure on the ratings could arise in case of lower-than-expected support from the SFL Group or any adverse change in the shareholding. Considerable weakening in the SAMCL Group’s financial performance or a deterioration in SFL’s risk profile would also negatively impact the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA’s Corporate Credit Rating Methodology
Parent/Group support	Sundaram Finance Limited (parent)
Consolidation/Standalone	While arriving at the ratings, ICRA has considered the consolidated financials of the SAMCL Group

About the company

Sundaram Alternate Assets Limited

Incorporated in January 2018, SAAL provides investment management and advisory services. It is a wholly-owned subsidiary of SAMCL. SAMCL had hived off the management of the AIF and PMS segments to SAAL, post receipt of necessary approvals, in January 2019. SAAL’s total AUM (including advisory services and PMS) was about Rs. 5,334 crore as of March 2024.

Sundaram Asset Management Company Limited

Incorporated in 1996, SAMCL is a wholly-owned subsidiary of SFL, providing asset management services. The company is the investment manager of Sundaram Mutual Fund, with net assets under management of Rs. 66,188 crore in December 2024. SAMCL has 83 customer care centres spread across India along with offices in Singapore and Dubai. It has two wholly-owned subsidiaries, India-based SAAL and Singapore-based SAMS. In FY2024, two of the three Principal Group companies that were acquired in FY2022 were liquidated while SSPL was merged with SAAL.

Key financial indicators (audited)

SAMCL (consolidated)	FY2023	FY2024	9M FY2025
Operating income	372.3	457.0	374.2
PAT	85.3	111.9	107.3
OPBDITA/OI	38.6%	42.1%	46.1%
PAT/OI	22.9%	24.5%	28.7%
Total outside liabilities/Tangible net worth (times)	0.4	0.4	0.2
Total debt/OPBDITA (times)	0.6	0.4	0.1
Interest coverage (times)	12.8	16.7	33.1

Source: SAMCL, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Mar-20-2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Long-term fund based – Term loan	Long term	39.00	[ICRA]AA (Stable)	Dec-29-2023	[ICRA]AA (Stable)	Oct-20-2022	[ICRA]AA (Stable)	Aug-30-2021	[ICRA]AA (Stable)
Short term – Bank facilities- Unallocated	Short term	5.00	[ICRA]A1+	Dec-29-2023	[ICRA]A1+	Oct-20-2022	[ICRA]A1+	Aug-30-2021	[ICRA]A1+
Long-term bank facilities – Unallocated	Long term	-	-	-	-	-	-	Aug-30-2021	[ICRA]AA (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	Simple
Short-term bank facilities -Unallocated	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	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
-	Term loan	April 2023	-	April 2026	12.50	[ICRA]AA (Stable)
-	Term loan – Unallocated	NA	-	NA	26.50	[ICRA]AA (Stable)
-	Short-term bank facilities - Unallocated	NA	-	NA	5.00	[ICRA]A1+

Source: SAAL

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Sundaram Asset Management Company Limited	Parent	Full consolidation
Sundaram Alternate Assets Limited	100.00%	Full consolidation
Sundaram Asset Management Singapore Pte. Ltd	100.00%	Full consolidation

Source: SAMCL

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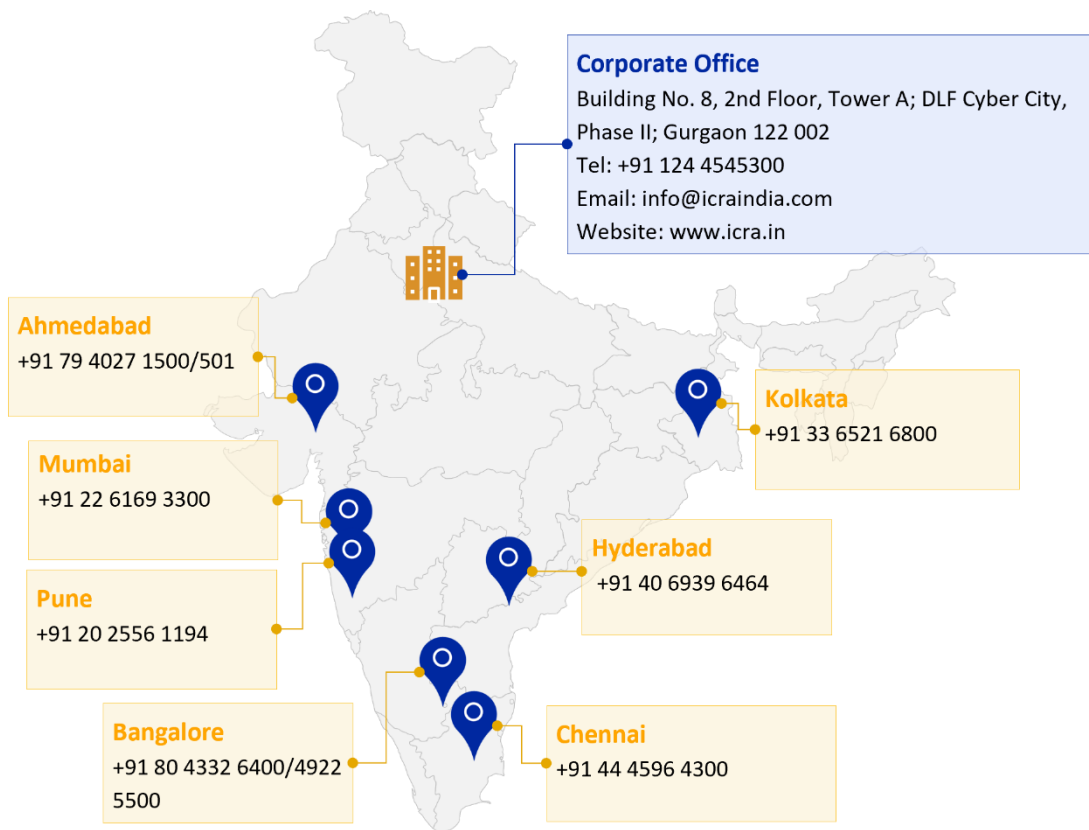
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